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 and also on youtube. Students are requested to visit our website and also they should subscribe our youtube channel in order to update the book

7th Edition

CA (INTER) NOV 2020

Author
This Book is the result of combined efforts of Chartered Accountants/ company executives / other professionals / feedback of our thousands of students
# GOODS AND SERVICES TAX

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<td><strong>Payment of GST</strong></td>
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<td><strong>Rule – 85 to 88: Electronic Liability Register/Electronic Credit Ledger/Electronic Cash Ledger</strong></td>
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PAPER – 4: TAXATION
(One paper – Three hours – 100 Marks)

Objective: To develop an understanding of the provisions of income-tax law and goods and services tax law and to acquire the ability to apply such knowledge to make computations and address basic application oriented issues.

SECTION A: INCOME TAX LAW (60 MARKS)

Contents:
1. Basic Concepts
   (i) Income-tax law: An introduction
   (ii) Important definitions in the Income-tax Act, 1961
   (iii) Concept of previous year and assessment year
   (iv) Basis of Charge and Rates of Tax

2. Residential status and scope of total income
   (i) Residential status
   (ii) Scope of total income

3. Incomes which do not form part of total income (other than charitable trusts and institutions, political parties and electoral trusts)
   (i) Incomes not included in total income
   (ii) Tax holiday for newly established units in Special Economic Zones

4. 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

5. Income of other persons included in assessee's total income
   (i) Clubbing of income: An introduction
   (ii) Transfer of income without transfer of assets
   (iii) Income arising from revocable transfer of assets
   (iv) Clubbing of income of income arising to spouse, minor child and son’s wife in certain cases
   (v) Conversion of self-acquired property into property of HUF

6. Aggregation of income; Set-off, or carry forward and set-off of losses
   (i) Aggregation of income
   (ii) Concept of set-off and carry forward and set-off of losses
   (iii) Provisions governing set-off and carry forward and set-off of losses under different heads of income
   (iv) Order of set-off of losses

7. Deductions from gross total income
   (i) General provisions
   (ii) Deductions in respect of certain payments
   (iii) Specific deductions in respect of certain income
   (iv) Deductions in respect of other income
   (v) Other deductions

8. Computation of total income and tax liability of individuals
   (i) Income to be considered while computing total income of individuals
   (ii) Procedure for computation of total income and tax liability of individuals

9. Advance tax, tax deduction at source and introduction to tax collection at source
   (i) Introduction
   (ii) Direct Payment
   (iii) Provisions concerning deduction of tax at source
   (iv) Advance payment of tax
(v) Interest for defaults in payment of advance tax and deferment of advance tax
(vi) Tax collection at source – Basic concept
(vii) Tax deduction and collection account number

(i) Return of Income
(ii) Compulsory filing of return of income
(iii) Fee and Interest for default in furnishing return of income
(iv) Return of loss
(v) Provisions relating to belated return, revised return etc.
(vi) Permanent account number
(vii) Persons authorized to verify return of income
(viii) Self-assessment

SECTION B – INDIRECT TAXES (40 MARKS)

Contents:

1. Concept of indirect taxes
   (i) Concept and features of indirect taxes
   (ii) Principal indirect taxes

2. Goods and Services Tax (GST) Laws
   (i) GST Laws: An introduction including Constitutional aspects
   (ii) Levy and collection of CGST and IGST
      a) Application of CGST/IGST law
      b) Concept of supply including composite and mixed supplies
      c) Charge of tax
      d) Exemption from tax
      e) Composition levy
   (iii) Basic concepts of time and value of supply
   (iv) Input tax credit
   (v) Computation of GST liability
   (vi) Registration
   (vii) Tax invoice; Credit and Debit Notes; Electronic way bill
   (viii) Returns
   (ix) Payment of tax including reverse charge

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 Income-tax law and 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.
## WEIGHTAGE
### Intermediate Course Paper 4: Taxation (100 Marks)
#### Section A: Income-tax Law (60 Marks)

<table>
<thead>
<tr>
<th>Sections</th>
<th>Weightage</th>
<th>Content Area</th>
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| I        | 15%-20%   | 1. Basic Concepts  
(i) Income-tax law: An introduction  
(ii) Important definitions in the Income-tax Act, 1961  
(iii) Concept of previous year and assessment year  
(iv) Basis of Charge and Rates of Tax |
| II       | 25%-35%   | 2. Residential status and scope of total income  
(i) Residential status  
(ii) Scope of total income |
| II       | 25%-35%   | 3. Incomes which do not form part of total income (other than charitable trusts and institutions, political parties and electoral trusts)  
(i) Incomes not included in total income  
(ii) Tax holiday for newly established units in Special Economic Zones |
| II       | 25%-35%   | 4. 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 |
| III      | 15%-20%   | 5. Income of other persons included in assessee's total income  
(i) Clubbing of income: An introduction  
(ii) Transfer of income without transfer of assets  
(iii) Income arising from revocable transfer of assets  
(iv) Clubbing of income of income arising to spouse, minor child and son’s wife in certain cases  
(v) Conversion of self-acquired property into property of HUF |
|         |           | 6. Aggregation of income; Set-off, or carry forward and set-off of losses  
(i) Aggregation of income  
(ii) Concept of set-off and carry forward and set-off of losses  
(iii) Provisions governing set-off and carry forward and set-off of losses under different heads of income  
(iv) Order of set-off of losses |
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<td><strong>I</strong></td>
<td>30%-50%</td>
<td><strong>1. Levy and collection of CGST and IGST</strong>&lt;br&gt; (a) Application of CGST/IGST law&lt;br&gt; (b) Concept of supply including composite and mixed supplies&lt;br&gt; (c) Charge of tax (including reverse charge)&lt;br&gt; (d) Exemption from tax&lt;br&gt; (e) Composition levy</td>
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<td><strong>2. Basic concepts of time and value of supply</strong></td>
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<td>II</td>
<td>20%-30%</td>
<td><strong>4. Computation of GST liability</strong></td>
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<td>III</td>
<td>25%-40%</td>
<td><strong>5. Registration</strong></td>
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<td>6. Tax invoice; Credit and Debit Notes; Electronic way bill</td>
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<td>7. Returns</td>
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<td>8. Payment of tax</td>
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<td>IV</td>
<td>9. Concept of indirect taxes - Concept and features of indirect taxes; Principal indirect taxes</td>
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<td>10. GST Laws: An introduction including Constitutional aspects</td>
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ANNOUNCEMENT

PATTERN OF ASSESSMENT FROM MAY 2019 EXAMINATION

Students appearing in the Intermediate/IIPCE under the Old and New Scheme of Education and Training may please note that beginning from May, 2019 attempt, assessment in the following subjects would be partially based on objective type questions:

**Intermediate (New Course)**
- Corporate and Other Laws
- Taxation
- Auditing & Assurance
- Enterprise Information System & Strategic Management

**IIPCC (Old Course)**
- Business Laws, Ethics & Communication
- Taxation
- Auditing & Assurance
- Information Technology & Strategic Management

In each of the above papers, the weightage for objective type questions would be 30%. The remaining questions i.e., 70% of the paper would be as per the present pattern of assessment. The objective type questions will be in the nature of multiple choice questions having 1 or more marks. There will be no negative marking for wrong answers. It may be noted that objective type questions will be compulsory and there will be no internal or external choice in them.

Further details in this regard would be hosted on the Institute’s website shortly.
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 unmatchable 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
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 at least 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
RESULTS OF NOV – 2014 EXAMINATION  
(CA-Intermediate (IPC))

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

WE SINCERELY THANK OUR STUDENTS FOR THEIR HARD WORK

PRASHANT YADAV (354233) SECURES 92 MARKS IN TAXATION  
(SECOND HIGHEST IN INDIA)

MARKS SECURED BY SOME OF THE STUDENTS IS AS UNDER:

<table>
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<th>Sl. No</th>
<th>Name of the Students</th>
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</tr>
<tr>
<td>25</td>
<td>SHIVANGI GUPTA</td>
<td>80</td>
<td>337956</td>
</tr>
</tbody>
</table>

OPINION OF OUR STUDENTS

1. 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 atleast 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 is incomparable. Thank you Sir for your love and support.

2. 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 get very good marks with a little effort, if he is a student of M.K. Gupta CA Education.

3. 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 waste 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.

<table>
<thead>
<tr>
<th>4. ANISH SHRESTHA (Roll No.344028)</th>
<th>88 Marks</th>
</tr>
</thead>
<tbody>
<tr>
<td>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.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>5. KAPIL KHANNA (Roll No.341539)</th>
<th>85 Marks</th>
</tr>
</thead>
<tbody>
<tr>
<td>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.</td>
<td></td>
</tr>
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</table>

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<thead>
<tr>
<th>6. JITENDRA (Roll No.337780)</th>
<th>85 Marks</th>
</tr>
</thead>
<tbody>
<tr>
<td>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 &amp; teaching style with practicality. Study material provided by Sir is also awesome for study.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>7. PUNEET WASAN (Roll No.368537)</th>
<th>84 Marks</th>
</tr>
</thead>
<tbody>
<tr>
<td>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.</td>
<td></td>
</tr>
</tbody>
</table>

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<thead>
<tr>
<th>8. ISHA MALIK (Roll No.339842)</th>
<th>84 Marks</th>
</tr>
</thead>
<tbody>
<tr>
<td>I do not have words to express my greatfulness 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.</td>
<td></td>
</tr>
</tbody>
</table>

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<thead>
<tr>
<th>9. RUPAL GARG(Roll No.393844)</th>
<th>84 Marks</th>
</tr>
</thead>
<tbody>
<tr>
<td>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.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>10. AKANSHA GOEL (Roll No.336693)</th>
<th>84 Marks</th>
</tr>
</thead>
<tbody>
<tr>
<td>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.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>11. PRASIT SHARMA (Roll No.344702)</th>
<th>84 Marks</th>
</tr>
</thead>
<tbody>
<tr>
<td>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 &amp; only best teacher in Taxation.</td>
<td></td>
</tr>
</tbody>
</table>
12. 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.

13. 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.

14. 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 learnt in class only. His practical knowledge about the subject is very good.

15. 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 at least twice in the class. He connects 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.

16. 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.

17. ANU SETHI (Roll No.353491) 83 Marks
I have never seen a 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.

18. 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.

19. 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 a example. Study material is all exhaustive that he provides. Also, queries are taken up promptly. Thank you Sir for your guidance.

20. 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.

21. 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.

22. 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 at least 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.

23. 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.

24. ARTI SRIVASTAVA (Roll No.347859)  80 Marks
Sir’s unmatchable 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 achiever to good marks. Sir’s build confidence in every student to achieve success in life. Thank you, so much Sir.

25. 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.
FEEDBACK ON FACEBOOK FROM STUDENTS WHO APPEARED IN MAY 2017- CA INTERMEDIATE (IPC) TAXATION PAPER HELD ON 09TH MAY 2017

M.K. Gupta: 9TH MAY 2017:06:00 PM
My students have given feedback to me regarding todays Tax Paper that entire paper was from our book. I would like our students to comment.

Vedansh Agarwal Yess sir Msst hua h exam
Chirag Jain sir you're outstanding and lovable teacher .Your book is totally sufficient to score 80 above marks in your subject
M.K. Gupta Thank u everyone n love u all
Chirag Jain we also love you.... sir....
Pulkit Sharma Yes sir thanks alot even if we forgot sth your comments in class has made us remember that answer or that point .Thanks for being there.
Neelamber Budhiraja Sir yeh toh always Hona hi Hota hai exam aapki book se bahar aa hi nhi skta
Pandit Rahul Sharma Sir ab to bta he do Ca ka exam paper app he bna te ho
Idrees Saifi Very easy paper And ap ke lie
M.K. Gupta Love u all Dear sweet students
Maneet Jain Yes sir !!!! That ques of VAT and CST was like exactly from book ....
I missed that illustration first...But while doing second revision.....I attempted that ques and I was doing it wrongly....But thanks to your book sir ! Attempted for 100 marks sir !
Neha Sahni Yesss sir every ques is from ur book
Muskan Mittal true sir
Riya Kharbanda True sir😊
Hunny Jain Yes sir
Sharma Prashant Yes sir vat and service tax were same sums from your book and practice manual also
Jaiwish Rajpal Thq sir... For being our teacher 😘
Shivam Minocha Yes sir easy paper tha
Pooja Garg Sir paper was so easy
Hemant Sahu Paper is like to easy...Thanku sir
Tanvi Jain yes !! todays paper was from ur book sir...because of you I can attempt full paper before time..oll credit goes to you sir!!
Yash Singhal Paper was easy and from your book sir
Rajan Kushwaha Dear sir , we are thankful to you .... Attempted 100 marks 😊😊😊
Mohit Saxena thanks sir every question is from book
Sandeep Tripathi Sir really 100% questions covered from your book..Nd i did 100 marks paper thanku sir😊😊
YoGesh It was awesome sir Mje Agye Paper dekr
M.K. Gupta Love u all. Thank u so much
Laxmi Dutt Joshi Yes sir u have heard ryt !!!! the paper was from ur book ,,nd u , u are awesome 😊😊😊😊😊 nd btw wese bhi teacher kbhi galat nhi hoty ,,vo hamesha sahi hoty h ,and hume unki baat mann chahiye bez vo hamre bhale k liye he kehtey h Laxmi Dutt Joshi or aj ka paper dekh kr bahut achaa Igaa Spicy surai Ritesh Raj all questions are from ur book ....thnks for being our teacher....we always love u nd respect u...
Aman Tiwari Sir paper was super se bhi uppprrrrr
Ankee Mittal All ppr from book.... All que covered in class....
Thnkew sir...... 😊😊😊😊😊😊 Maansi Jain thankyou so much Sir ❤️❤️
Ankur Goyal All paper from your book sir ,love u sir ji ❤️❤️
Ankur Rai Very true sir.. Service tax ki kayi questions copy paste the
RAvi Gupta  Luv u sir and thanks for giving such kind of preparations for exams #100% paper cover from the best teacher
Ankur Rai  Thanks a ton sir and love you too sir
Govinda Sharma  Yes sir thank you sir😊😊
Sanyam Jain  Yes sir thanks alot even if we forgot sth your comments in class has made us remember that answer or that point. Thanks for being there.
Dixit Kalra  Yes sir all concepts were also discussed in class, & from our book😊👍
Fca Manish Mittal  Easy paper Sir
Mohit Gupta  Yes sir.. paper was so easy😊😊 thanku so much
Amrit Pal Singh  thanku sir...
Anirudh Goyal  Sir thanku so much .....100% paper from ur book....😊😊
Ankit Gola  Sir ji... superb paper... so damn easy Tanuj Goyal dont frgt nov16
Anüji Kûmâr  Too much easy.. 😊😊😊😊 Maja aa gya sir
Nikhil Arya  Sir paper full aapki book mae cover tha sir lg hi ni rha tha ki hum exm de rhe hn sir asa lg rha tha ki ghr pe aapki book ke questions kr rhe hn ..sir really uh r god of taxation..thnku so mch sir..😊;) 😊):)
Abhay Rawat  #shaandaar 😊
M.K. Gupta  Thank u everyone. Love u all
Muskan Mittal  We luv u toooo😊😊😊😊😊😊
Avish Singhal  Totally Paper Was From Your Book Thanks Sir
Priyanka Manav  Thanku so much sir. Ppr was damn easy...
Ravi Kumar  Thanks sir
Deepanshu Deol  Tod kr diya sir ji
Ritik Singhal  Bhaut easy tha mja aa gya sbse acha tax ka hi gya h tym sir
Bhavya Arora  All paper from book sir ji .....
Ghanshyam Yadav  That's difference between Great teacher and you are always my Fevrate teacher
Rachit Satija  Thank You so much Sir!❤️❤️ R ka Naam le kr exam shuru kiya tha!😊
Anand Kumar  All paper from sir's book Thanku sir You're so diff from all teachers
Himanshu Bansal  mast osm.. paper.. sir...
Kajal Jain  Thank you soo much for giving us deep knowledge about each and every topic
Garima Singla  Really sir !!! It was awesome😊😊😊 Thnku so much sir!!
Vicky Jindal  thank u sir 😊😊😊😊
Prakash Virat  even examples was also from your book sir😊😊👍
Anshu Prakash  Maza aa gya question dekh kr sir.. U r the best teacher.. Mujhe to charo exam me tax hi sbse jyada easy lga.. 😊:-)
Aditya Aggarwal  Paper seemed to be so easy...thank you sir😊😊😊
Kapish Jain  it was good 😊
Shrishty Sharma  yesss sir today's entire paper was from ur book....😊😊
Tanisha Mishra  You're the best sir.. obviously from your book only
Ikshika Garg  The best coaching classes taken.
Ayush Goyal  Thank u so much sir, paper was very easy
Vishu Aggarwal  Thnku sir
Sumit Tripathi  sir paper was easy.. bcz of your classes...study
Shubham Goyal  Class me pdhey bhi they 🤣🤣
Sumit Tripathi  padhe to the be.
Lakshay Bansal  Chah GE guru
Gourav Bajaj  Thanku sir....
Deepak Kumar Prasad  very easy paper sir
Gaurav Garg  Yes, everything in d paper is from ur book sirjii.....
Vikas Zha  Yes sir maximum questions were from your book. I didn't got tym to study pm and I have gone through your book only and it made my day
Antriksh Garg My exam was awesome only because of u sir, every question is from book. You have prepared for giving our best in examination by conducting, regular test. THANKS A LOT , SIR
Rishabh Verma Damn easy paper all from your book thanks sir ji 😊😊
SāçHíñ Sharma easy
Amit Jain All paper from sir's book
Jatin Garg it was an easy paper... we just did it good because of your guidance.... very lucky that we got to study from you.... had a nice time in your class... and got so much from you.... thanku again sir
Chhavi Arora Yess..paper was easy nd all questions were from mkg study material....
Ankit Ankit great sir
Tarun Bansal Good sir
Nitin Kumar Pal · Maja aa Gaya sir aisa paper karke, pura paper mock test Jaisa tha Jo apne liye tha . Your mock test helps a lot👋🏼👋🏼
Samkit Jain Best paper and best book sir
Shubham Shukla Yes Sir, whole paper from your book and i thank god that he gave me chance study with you
Shubham Shukla Yes Sir, paper was really easy or maybe felt easy because the way you teach is amazing.👍😊
Anand Kumar Yes sir
Sanyam Jain Yes sir thanks alot even if we forgot sth your comments in class has made us remember that answer or that point .Thanks for being there.
Mohd Aāřįf Whole paper from ur book sir👍👍. Best book Best teacher M.k gupta sir
Keshav Mangla Yeeses sir paper was easy nd our coverage in classroom is more than enough & had a great experience in ur classes sir
Karan Rawal Thank u sir....your teachings helped a lot...😊☺
GOODS AND SERVICES TAX

Question 1: 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 2: 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.
Concept of GST was introduced first of all in France in 1954. Goods and Services Tax in fact includes the following taxes:

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**

| Item                      | Amount  
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Raw Material</td>
<td>10,00,000</td>
</tr>
<tr>
<td>Add: Excise Duty @ 10%</td>
<td>1,00,000</td>
</tr>
<tr>
<td>Total</td>
<td>11,00,000</td>
</tr>
<tr>
<td>Add: VAT @ 10%</td>
<td>1,10,000</td>
</tr>
<tr>
<td></td>
<td>12,10,000</td>
</tr>
<tr>
<td>Add: Processing charges</td>
<td>5,00,000</td>
</tr>
<tr>
<td>Cost</td>
<td>17,10,000</td>
</tr>
<tr>
<td>Add: Profit</td>
<td>2,00,000</td>
</tr>
<tr>
<td>Transaction Value</td>
<td>19,10,000</td>
</tr>
<tr>
<td>Add: Output Excise Duty 10%</td>
<td>1,91,000</td>
</tr>
<tr>
<td>Total</td>
<td>21,01,000</td>
</tr>
<tr>
<td>Add: VAT @ 10%</td>
<td>2,10,100</td>
</tr>
<tr>
<td>Amount payable by the buyer</td>
<td>23,11,100</td>
</tr>
</tbody>
</table>

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

**MODIFIED TAX STRUCTURE BEFORE GST**

| Item                      | Amount  
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Raw Material</td>
<td>10,00,000</td>
</tr>
<tr>
<td>Add: Excise Duty @ 10%</td>
<td>1,00,000</td>
</tr>
<tr>
<td>Total</td>
<td>11,00,000</td>
</tr>
<tr>
<td>Add: VAT @ 10%</td>
<td>1,10,000</td>
</tr>
<tr>
<td>Cost</td>
<td>12,10,000</td>
</tr>
</tbody>
</table>

Assessee shall be allowed input Tax credit as given below:

| Item          | Amount  
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Excise Duty</td>
<td>1,00,000</td>
</tr>
<tr>
<td>VAT</td>
<td>1,10,000</td>
</tr>
</tbody>
</table>
Since tax credit has been allowed, cost of final product shall be as given below:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of Raw Material</td>
<td>10,00,000</td>
</tr>
<tr>
<td>Add: Processing charges</td>
<td>5,00,000</td>
</tr>
<tr>
<td>Add: Profit</td>
<td>2,00,000</td>
</tr>
<tr>
<td>Transaction Value</td>
<td>17,00,000</td>
</tr>
<tr>
<td>Add: Excise Duty 10%</td>
<td>1,70,000</td>
</tr>
<tr>
<td>Total</td>
<td>18,70,000</td>
</tr>
<tr>
<td>Add: VAT @ 10%</td>
<td>1,87,000</td>
</tr>
<tr>
<td>Amount payable by the buyer</td>
<td>20,57,000</td>
</tr>
</tbody>
</table>

Payment of taxes by ABC Ltd. to Government
(i) Excise Duty
On output
Less: Input Tax Credit
Net Excise Duty
(ii) Output VAT
Less: Input Tax Credit
Net Payable

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:**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raw Material</td>
<td>10,00,000</td>
</tr>
<tr>
<td>Add: CGST @ 10%</td>
<td>1,00,000</td>
</tr>
<tr>
<td>Add: SGST @ 10%</td>
<td>1,00,000</td>
</tr>
<tr>
<td>Total</td>
<td>12,00,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of Raw Material</td>
<td>10,00,000</td>
</tr>
<tr>
<td>Add: Processing charges</td>
<td>5,00,000</td>
</tr>
<tr>
<td>Add: Profit</td>
<td>2,00,000</td>
</tr>
<tr>
<td>Transaction Value</td>
<td>17,00,000</td>
</tr>
<tr>
<td>Add: Output CGST @ 10%</td>
<td>1,70,000</td>
</tr>
<tr>
<td>Add: Output SGST @ 10%</td>
<td>1,70,000</td>
</tr>
<tr>
<td>Total</td>
<td>20,40,000</td>
</tr>
</tbody>
</table>

**Computation of Net Tax**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output tax</td>
<td>1,70,000</td>
</tr>
<tr>
<td>Less: ITC Raw material - CGST</td>
<td>(1,00,000)</td>
</tr>
<tr>
<td>Net Tax Payable</td>
<td>70,000</td>
</tr>
</tbody>
</table>
Computation of GST

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.

As per section 170, GST shall be rounded off in the multiple of rupee 1 and if there is 50 paisa 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.

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raw Material</td>
<td>6,00,000</td>
</tr>
<tr>
<td>Add: CGST @ 9%</td>
<td>54,000</td>
</tr>
<tr>
<td>Add: SGST @ 9%</td>
<td>54,000</td>
</tr>
<tr>
<td>Total</td>
<td>7,08,000</td>
</tr>
<tr>
<td>Input tax credit</td>
<td></td>
</tr>
<tr>
<td>CGST</td>
<td>54,000</td>
</tr>
<tr>
<td>SGST</td>
<td>54,000</td>
</tr>
<tr>
<td>Cost of Raw Material</td>
<td>6,00,000</td>
</tr>
<tr>
<td>Add: Processing charges</td>
<td>4,00,000</td>
</tr>
<tr>
<td>Add: Profit @ 40% @ ₹10,00,000</td>
<td>4,00,000</td>
</tr>
<tr>
<td>Transaction Value</td>
<td>14,00,000</td>
</tr>
<tr>
<td>Add: Output CGST @ 12%</td>
<td>1,68,000</td>
</tr>
<tr>
<td>Add: Output SGST @ 12%</td>
<td>1,68,000</td>
</tr>
<tr>
<td>Total</td>
<td>17,36,000</td>
</tr>
</tbody>
</table>
Computation of Net Tax

**CGST ₹**

Output tax  
Less: ITC Raw material - CGST  
Net Tax

**SGST ₹**

Output tax  
Less: ITC Raw material - SGST  
Net Tax

Computation of Net Tax Liability of wholesaler

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase price of wholesaler</td>
<td>17,36,000</td>
</tr>
<tr>
<td>Less: ITC Goods – CGST</td>
<td>(1,68,000)</td>
</tr>
<tr>
<td>Less: ITC Goods – SGST</td>
<td>(1,68,000)</td>
</tr>
<tr>
<td>Cost to Wholesaler</td>
<td>14,00,000</td>
</tr>
<tr>
<td>Add: Profit @ 30% of ₹14,00,000</td>
<td>4,20,000</td>
</tr>
<tr>
<td>Transaction Value</td>
<td>18,20,000</td>
</tr>
<tr>
<td>Add: CGST @ 12%</td>
<td>2,18,400</td>
</tr>
<tr>
<td>Add: SGST @ 12%</td>
<td>2,18,400</td>
</tr>
<tr>
<td>Total</td>
<td>22,56,800</td>
</tr>
</tbody>
</table>

Computation of Net Tax

**CGST ₹**

Output tax  
Less: ITC Goods - CGST  
Net Tax payable

**SGST ₹**

Output tax  
Less: ITC Goods - SGST  
Net Tax payable

Computation of Net Tax of Retailer

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase price of Retailer</td>
<td>22,56,800</td>
</tr>
<tr>
<td>Less: ITC Goods – CGST</td>
<td>(2,18,400)</td>
</tr>
<tr>
<td>Less: ITC Goods – SGST</td>
<td>(2,18,400)</td>
</tr>
<tr>
<td>Cost to Retailer</td>
<td>18,20,000</td>
</tr>
<tr>
<td>Add: Profit @ 30% of ₹18,20,000</td>
<td>5,46,000</td>
</tr>
<tr>
<td>Transaction Value</td>
<td>23,66,000</td>
</tr>
<tr>
<td>Add: CGST @ 12%</td>
<td>2,83,920</td>
</tr>
<tr>
<td>Add: SGST @ 12%</td>
<td>2,83,920</td>
</tr>
<tr>
<td>Total</td>
<td>29,33,840</td>
</tr>
</tbody>
</table>

Computation of Net Tax

**CGST ₹**

Output tax  
Less: ITC Goods – CGST  
Net Tax Payable

**SGST ₹**

Output tax
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:**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount (₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase price</td>
<td>10,00,000</td>
</tr>
<tr>
<td>Add: CGST @ 10%</td>
<td>1,00,000</td>
</tr>
<tr>
<td>Add: SGST @ 10%</td>
<td>1,00,000</td>
</tr>
<tr>
<td>Total</td>
<td>12,00,000</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount (₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td>12,00,000</td>
</tr>
<tr>
<td>Add: profit</td>
<td>2,00,000</td>
</tr>
<tr>
<td>Sale Value</td>
<td>14,00,000</td>
</tr>
</tbody>
</table>

(b) presume he is registered.

**Solution:**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount (₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase price</td>
<td>10,00,000</td>
</tr>
<tr>
<td>Add: CGST @ 10%</td>
<td>1,00,000</td>
</tr>
<tr>
<td>Add: SGST @ 10%</td>
<td>1,00,000</td>
</tr>
<tr>
<td>Total</td>
<td>12,00,000</td>
</tr>
</tbody>
</table>

Input tax credit of CGST & SGST is allowed.

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount (₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td>10,00,000</td>
</tr>
<tr>
<td>Add: profit</td>
<td>2,00,000</td>
</tr>
<tr>
<td>Sale Value</td>
<td>12,00,000</td>
</tr>
<tr>
<td>Add: CGST @ 10%</td>
<td>1,20,000</td>
</tr>
<tr>
<td>Add: SGST @ 10%</td>
<td>1,20,000</td>
</tr>
<tr>
<td>Total</td>
<td>14,40,000</td>
</tr>
</tbody>
</table>

**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

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount (₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raw Material</td>
<td>7,00,000</td>
</tr>
<tr>
<td>Add: CGST @ 10%</td>
<td>70,000</td>
</tr>
<tr>
<td>Add: SGST @ 10%</td>
<td>70,000</td>
</tr>
<tr>
<td>Total</td>
<td>8,40,000</td>
</tr>
</tbody>
</table>

**Input tax credit**

<table>
<thead>
<tr>
<th>CGST</th>
<th>70,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>SGST</td>
<td>70,000</td>
</tr>
</tbody>
</table>

**Cost of Raw Material**

<table>
<thead>
<tr>
<th>Cost</th>
<th>7,00,000</th>
</tr>
</thead>
</table>

**Add: Processing cost**

<table>
<thead>
<tr>
<th>COST</th>
<th>10,00,000</th>
</tr>
</thead>
</table>

**Add: Profit @ 40% on cost**

<table>
<thead>
<tr>
<th>Transaction Value</th>
<th>14,00,000</th>
</tr>
</thead>
</table>

**CGST**

<table>
<thead>
<tr>
<th>Output</th>
<th>1,40,000</th>
</tr>
</thead>
</table>

Less: ITC (70,000)

**Net Tax**

| 70,000 |

**SGST**

<table>
<thead>
<tr>
<th>Output</th>
<th>1,40,000</th>
</tr>
</thead>
</table>

Less: ITC (70,000)

**Net Tax**

| 70,000 |

### (b) Computation of Net Tax Liability of ABC limited

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount (₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raw Material</td>
<td>7,00,000</td>
</tr>
<tr>
<td>Add: CGST @ 10%</td>
<td>70,000</td>
</tr>
<tr>
<td>Add: SGST @ 10%</td>
<td>70,000</td>
</tr>
<tr>
<td>Total</td>
<td>8,40,000</td>
</tr>
</tbody>
</table>

**Input tax credit**

<table>
<thead>
<tr>
<th>CGST</th>
<th>Nil</th>
</tr>
</thead>
<tbody>
<tr>
<td>SGST</td>
<td>Nil</td>
</tr>
</tbody>
</table>

**Cost of Raw Material**

<table>
<thead>
<tr>
<th>Cost</th>
<th>8,40,000</th>
</tr>
</thead>
</table>

**Add: Processing cost**

<table>
<thead>
<tr>
<th>COST</th>
<th>11,40,000</th>
</tr>
</thead>
</table>

**Add: Profit @ 40% on cost**

<table>
<thead>
<tr>
<th>Transaction Value</th>
<th>15,96,000</th>
</tr>
</thead>
</table>

**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.

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount (₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raw Material</td>
<td>5,00,000</td>
</tr>
</tbody>
</table>
Computation of GST

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
Computation of GST

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**

<table>
<thead>
<tr>
<th>CGST ₹</th>
<th>SGST ₹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output tax 1,98,744</td>
<td>1,98,744</td>
</tr>
<tr>
<td>Less: ITC Goods – CGST (1,52,880)</td>
<td>(1,52,880)</td>
</tr>
<tr>
<td>Net Tax Payable 45,864</td>
<td>45,864</td>
</tr>
</tbody>
</table>

**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. ₹**

<table>
<thead>
<tr>
<th>Raw Material 8,00,000</th>
<th>Add: CGST @ 14% 1,12,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Add: SGST @ 14% 1,12,000</td>
<td>Total 10,24,000</td>
</tr>
<tr>
<td>Input tax credit CGST 1,12,000</td>
<td>SGST 1,12,000</td>
</tr>
<tr>
<td>Cost of Raw Material 8,00,000</td>
<td>Add: Processing charges 6,00,000</td>
</tr>
<tr>
<td>Cost 14,00,000</td>
<td>Add: Profit @ 30% of ₹14,00,000 4,20,000</td>
</tr>
<tr>
<td>Transaction Value 18,20,000</td>
<td>Add: Output CGST @ 14% 2,54,800</td>
</tr>
<tr>
<td>Add: Output SGST @ 14% 2,54,800</td>
<td>Total 23,29,600</td>
</tr>
</tbody>
</table>

**Computation of Net Tax**

<table>
<thead>
<tr>
<th>CGST ₹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output tax 2,54,800</td>
</tr>
<tr>
<td>Less: ITC Raw material - CGST (1,12,000)</td>
</tr>
<tr>
<td>Net Tax 1,42,800</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>SGST ₹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output tax 2,54,800</td>
</tr>
<tr>
<td>Less: ITC Raw material - SGST (1,12,000)</td>
</tr>
<tr>
<td>Net Tax 1,42,800</td>
</tr>
</tbody>
</table>

**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

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 GST Liability Mr. B

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase price of wholesaler</td>
<td>₹16,80,000</td>
</tr>
<tr>
<td>Less: ITC Goods – CGST</td>
<td>₹(1,40,000)</td>
</tr>
<tr>
<td>Less: ITC Goods – SGST</td>
<td>₹(1,40,000)</td>
</tr>
<tr>
<td>Cost to Wholesaler</td>
<td>₹14,00,000</td>
</tr>
<tr>
<td>Add: Profit @ 20% of ₹14,00,000</td>
<td>₹2,80,000</td>
</tr>
<tr>
<td>Transaction Value</td>
<td>₹16,80,000</td>
</tr>
<tr>
<td>Add: CGST @ 10%</td>
<td>₹1,68,000</td>
</tr>
<tr>
<td>Add: SGST @ 10%</td>
<td>₹1,68,000</td>
</tr>
<tr>
<td>Total</td>
<td>₹20,16,000</td>
</tr>
</tbody>
</table>

Computation of Net Tax

<table>
<thead>
<tr>
<th>Description</th>
<th>CGST</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output tax</td>
<td>₹1,68,000</td>
</tr>
<tr>
<td>Less: ITC Goods - CGST</td>
<td>₹(1,40,000)</td>
</tr>
<tr>
<td>Net Tax payable</td>
<td>₹28,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>SGST</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output tax</td>
<td>₹1,68,000</td>
</tr>
<tr>
<td>Less: ITC Goods - SGST</td>
<td>₹(1,40,000)</td>
</tr>
<tr>
<td>Net Tax payable</td>
<td>₹28,000</td>
</tr>
</tbody>
</table>

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:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase price</td>
<td>₹7,60,000</td>
</tr>
<tr>
<td>Add: CGST @ 9%</td>
<td>₹68,400</td>
</tr>
<tr>
<td>Add: SGST @ 9%</td>
<td>₹68,400</td>
</tr>
<tr>
<td>Total</td>
<td>₹8,96,800</td>
</tr>
</tbody>
</table>

Input tax credit of CGST & SGST is allowed.

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td>₹7,60,000</td>
</tr>
<tr>
<td>Add: profit @ 40%</td>
<td>₹3,04,000</td>
</tr>
<tr>
<td>Sale Value</td>
<td>₹10,64,000</td>
</tr>
<tr>
<td>Add: CGST @ 9%</td>
<td>₹95,760</td>
</tr>
<tr>
<td>Add: SGST @ 9%</td>
<td>₹95,760</td>
</tr>
<tr>
<td>Total</td>
<td>₹12,55,520</td>
</tr>
</tbody>
</table>

Computation of Net Tax

<table>
<thead>
<tr>
<th>Description</th>
<th>CGST</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output tax</td>
<td>₹95,760</td>
</tr>
<tr>
<td>Less: ITC Goods – CGST</td>
<td>₹(68,400)</td>
</tr>
<tr>
<td>Net Tax Payable</td>
<td>₹27,360</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>SGST</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output tax</td>
<td>95760</td>
</tr>
</tbody>
</table>
b) If he is an unregistered dealer.

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td>₹ 8,96,800</td>
</tr>
<tr>
<td>Add: profit @ 40%</td>
<td>₹ 3,58,720</td>
</tr>
<tr>
<td>Total</td>
<td>₹ 12,55,520</td>
</tr>
</tbody>
</table>

**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**

<table>
<thead>
<tr>
<th>Goods</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods A</td>
<td>₹ 3,00,000</td>
</tr>
<tr>
<td>Add: CGST @ 9%</td>
<td>₹ 27,000</td>
</tr>
<tr>
<td>Add: SGST @ 9%</td>
<td>₹ 27,000</td>
</tr>
<tr>
<td>Total</td>
<td>₹ 3,54,000</td>
</tr>
<tr>
<td>Input tax credit</td>
<td></td>
</tr>
<tr>
<td>CGST</td>
<td>₹ 27,000</td>
</tr>
<tr>
<td>SGST</td>
<td>₹ 27,000</td>
</tr>
</tbody>
</table>

Cost of Goods A

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

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

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

Add: CGST @ 6% | ₹ 42,000  |
Add: SGST @ 6% | ₹ 42,000  |
Total | ₹ 7,84,000 |
Computation of GST

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 x 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

<table>
<thead>
<tr>
<th>CGST</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Output Tax</td>
<td></td>
</tr>
<tr>
<td>Goods A</td>
<td>37,800</td>
</tr>
<tr>
<td>Goods B</td>
<td>1,12,000</td>
</tr>
<tr>
<td>Goods C</td>
<td>70,000</td>
</tr>
<tr>
<td>Less: ITC – GOODS A – CGST</td>
<td>(27,000)</td>
</tr>
<tr>
<td>Less: ITC – GOODS B – CGST</td>
<td>(70,000)</td>
</tr>
<tr>
<td>Less: ITC – GOODS C – CGST</td>
<td>(42,000)</td>
</tr>
<tr>
<td>Net Tax</td>
<td>80,800</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>SGST</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Output Tax</td>
<td></td>
</tr>
<tr>
<td>Goods A</td>
<td>37,800</td>
</tr>
<tr>
<td>Goods B</td>
<td>1,12,000</td>
</tr>
<tr>
<td>Goods C</td>
<td>70,000</td>
</tr>
<tr>
<td>Less: ITC – GOODS A – SGST</td>
<td>(27,000)</td>
</tr>
<tr>
<td>Less: ITC – GOODS B – SGST</td>
<td>(70,000)</td>
</tr>
<tr>
<td>Less: ITC – GOODS C – SGST</td>
<td>(42,000)</td>
</tr>
<tr>
<td>Net Tax</td>
<td>80,800</td>
</tr>
</tbody>
</table>

Illustration 10:
Case-1: Supply of Goods/services by A to B

Value charged for supply of goods/services 20,000
Add: CGST @ 9% 1,800
Add: SGST @ 9% 1,800
Total price charged by A to B for local supply of goods/services 23,600

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

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

Case-2: Supply of Goods/services by B to C – Value addition 30%

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

Value charged for supply of goods/services  (20,000 x 130%)  26,000
Add: CGST @ 9%  2,340
Add: SGST @ 9%  2,340
Total price charged by B to C for local supply of goods/services  30,680

Computation of CGST, SGST payable by B to Government
CGST Payable  2,340
Less: ITC Goods - CGST  (1,800)
CGST payable to Central Government  540

SGST Payable  2,340
Less: ITC Goods - SGST  (1,800)
SGST payable to State Government  540

Statement of revenue earned by Centre and State Government

<table>
<thead>
<tr>
<th>Transaction</th>
<th>Revenue to Central Government</th>
<th>Revenue to State Government</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supply of Goods/services by A to B</td>
<td>1,800</td>
<td>1,800</td>
</tr>
<tr>
<td>Supply of Goods/services by B to C</td>
<td>540</td>
<td>540</td>
</tr>
<tr>
<td>Total</td>
<td>2,340</td>
<td>2,340</td>
</tr>
</tbody>
</table>
**INTER STATE SUPPLY**  
(IGST Act)

**Illustration 11**
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:

**Solution:**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase price</td>
<td>10,00,000</td>
</tr>
<tr>
<td>Add: IGST @ 12%</td>
<td>1,20,000</td>
</tr>
<tr>
<td>Total</td>
<td>11,20,000</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td>10,00,000</td>
</tr>
<tr>
<td>Add: profit</td>
<td>1,00,000</td>
</tr>
<tr>
<td>Sale Value</td>
<td>11,00,000</td>
</tr>
<tr>
<td>Add: CGST @ 6%</td>
<td>66,000</td>
</tr>
<tr>
<td>Add: SGST @ 6%</td>
<td>66,000</td>
</tr>
<tr>
<td>Sale value inclusive of tax</td>
<td>12,32,000</td>
</tr>
</tbody>
</table>

**Computation of Net Tax**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output tax CGST</td>
<td>66,000</td>
</tr>
<tr>
<td>Less: ITC Raw Material-IGST</td>
<td>(66,000)</td>
</tr>
<tr>
<td>Net Tax Payable CGST</td>
<td>Nil</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output tax SGST</td>
<td>66,000</td>
</tr>
<tr>
<td>Less: ITC Raw Material-IGST</td>
<td>(54,000)</td>
</tr>
<tr>
<td>Net Tax Payable SGST</td>
<td>12,000</td>
</tr>
</tbody>
</table>

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

**Utilisation of Input Tax Credit Section 49/ Section 49A/Rule 88A**

ITC shall be adjusted against output tax in the manner given below:

1. 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.
2. First of all ITC of IGST shall be exhausted and only after that ITC of CGST or SGST/ UTGST shall be used.
3. Adjust ITC of CGST against output CGST and surplus if any against output IGST (it can never be adjusted against output SGST)
4. Adjust ITC of SGST against output SGST and surplus if any against output IGST (it can never be adjusted against output CGST)
5. 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.

The order of utilization of ITC shall be as given below:

<table>
<thead>
<tr>
<th>ITC</th>
<th>Output IGST</th>
<th>Output CGST</th>
<th>Output SGST / UTGST</th>
</tr>
</thead>
<tbody>
<tr>
<td>Integrated tax</td>
<td>(I)</td>
<td>(II) – In any order and in any proportion</td>
<td></td>
</tr>
<tr>
<td>(III) Input tax Credit on account of Integrated tax to be completely exhausted mandatorily</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Central tax</td>
<td>(V)</td>
<td>(IV)</td>
<td>Not permitted</td>
</tr>
<tr>
<td>State tax / Union Territory tax</td>
<td>(VII)</td>
<td>Not permitted</td>
<td>(VI)</td>
</tr>
<tr>
<td>---------------------------------</td>
<td>------</td>
<td>--------------</td>
<td>------</td>
</tr>
</tbody>
</table>

**Illustration 12:** 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’**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchased</td>
<td>₹6,00,000</td>
</tr>
<tr>
<td>Add: IGST @ 20%</td>
<td>₹1,20,000</td>
</tr>
<tr>
<td>Input Tax Credit - IGST</td>
<td>₹1,20,000</td>
</tr>
<tr>
<td>Add: Profit @ 20%</td>
<td>₹1,20,000</td>
</tr>
<tr>
<td>Add: CGST @ 10%</td>
<td>₹72,000</td>
</tr>
<tr>
<td>Add: SGST @ 10%</td>
<td>₹72,000</td>
</tr>
</tbody>
</table>

**Goods ‘B’**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchased</td>
<td>₹5,00,000</td>
</tr>
<tr>
<td>Add: CGST @ 10%</td>
<td>₹50,000</td>
</tr>
<tr>
<td>Add: SGST @ 10%</td>
<td>₹50,000</td>
</tr>
<tr>
<td>Input Tax Credit</td>
<td></td>
</tr>
<tr>
<td>CGST</td>
<td>₹50,000</td>
</tr>
<tr>
<td>SGST</td>
<td>₹50,000</td>
</tr>
<tr>
<td>Add: Profit @ 30%</td>
<td>₹1,50,000</td>
</tr>
<tr>
<td>Add: CGST @ 10%</td>
<td>₹65,000</td>
</tr>
<tr>
<td>Add: SGST @ 10%</td>
<td>₹65,000</td>
</tr>
</tbody>
</table>

**Goods ‘C’**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchased</td>
<td>₹7,00,000</td>
</tr>
<tr>
<td>Add: CGST @ 10%</td>
<td>₹70,000</td>
</tr>
<tr>
<td>Add: SGST @ 10%</td>
<td>₹70,000</td>
</tr>
<tr>
<td>Input Tax Credit</td>
<td></td>
</tr>
<tr>
<td>CGST</td>
<td>₹70,000</td>
</tr>
<tr>
<td>SGST</td>
<td>₹70,000</td>
</tr>
<tr>
<td>Add: Profit @ 40%</td>
<td>₹2,80,000</td>
</tr>
<tr>
<td>Add: IGST @ 20%</td>
<td>₹1,96,000</td>
</tr>
</tbody>
</table>
Computation of Net Tax

<table>
<thead>
<tr>
<th>Particulars</th>
<th>IGST ₹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output Tax</td>
<td></td>
</tr>
<tr>
<td>Goods C</td>
<td>1,96,000</td>
</tr>
<tr>
<td>Less: ITC Raw Material A – IGST</td>
<td>(1,20,000)</td>
</tr>
<tr>
<td><strong>Net Tax Payable</strong></td>
<td><strong>76,000</strong></td>
</tr>
</tbody>
</table>

Computation of Net Tax

<table>
<thead>
<tr>
<th>Particulars</th>
<th>CGST ₹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output Tax</td>
<td></td>
</tr>
<tr>
<td>Goods A</td>
<td>72,000</td>
</tr>
<tr>
<td>Goods B</td>
<td>65,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,37,000</strong></td>
</tr>
<tr>
<td>Less: ITC Raw Material B – CGST</td>
<td>(50,000)</td>
</tr>
<tr>
<td>Less: ITC Raw Material C – CGST</td>
<td>(70,000)</td>
</tr>
<tr>
<td><strong>Net Tax Payable</strong></td>
<td><strong>17,000</strong></td>
</tr>
</tbody>
</table>

Computation of Net Tax

<table>
<thead>
<tr>
<th>Particulars</th>
<th>SGST ₹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output Tax</td>
<td></td>
</tr>
<tr>
<td>Goods A</td>
<td>72,000</td>
</tr>
<tr>
<td>Goods B</td>
<td>65,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,37,000</strong></td>
</tr>
<tr>
<td>Less: ITC Raw Material B - SGST</td>
<td>(50,000)</td>
</tr>
<tr>
<td>Less: ITC Raw Material C – SGST</td>
<td>(70,000)</td>
</tr>
<tr>
<td><strong>Net Tax Payable</strong></td>
<td><strong>17,000</strong></td>
</tr>
</tbody>
</table>

Illustration 13: 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’

<table>
<thead>
<tr>
<th>Transaction Value</th>
<th>₹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Add: IGST @ 15%</td>
<td>1,00,000.00</td>
</tr>
<tr>
<td>Add: IGST @ 15%</td>
<td>15,000.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,15,000.00</td>
</tr>
</tbody>
</table>

Raw Material ‘B’

<table>
<thead>
<tr>
<th>Transaction Value</th>
<th>₹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Add: CGST @ 10%</td>
<td>3,00,000.00</td>
</tr>
<tr>
<td>Add: SGST @ 10%</td>
<td>30,000.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>3,30,000.00</td>
</tr>
</tbody>
</table>

Services

<table>
<thead>
<tr>
<th>Transaction Value</th>
<th>₹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Add: CGST @ 7.5%</td>
<td>2,25,000.00</td>
</tr>
<tr>
<td>Add: SGST @ 7.5%</td>
<td>22,500.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2,47,500.00</td>
</tr>
</tbody>
</table>

Cost of finished product

<table>
<thead>
<tr>
<th>Component</th>
<th>₹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raw Material A</td>
<td>1,00,000.00</td>
</tr>
<tr>
<td>Raw Material B</td>
<td>3,00,000.00</td>
</tr>
<tr>
<td>Services</td>
<td>3,00,000.00</td>
</tr>
<tr>
<td>Processing</td>
<td>4,00,000.00</td>
</tr>
<tr>
<td><strong>Cost</strong></td>
<td>11,00,000.00</td>
</tr>
</tbody>
</table>
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

<table>
<thead>
<tr>
<th>Particulars</th>
<th>CGST ₹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output Tax</td>
<td>1,60,000</td>
</tr>
<tr>
<td>Less : ITC Raw Material A - IGST (15,000)</td>
<td></td>
</tr>
<tr>
<td>Less: ITC Raw Material B – CGST (30,000)</td>
<td></td>
</tr>
<tr>
<td>Less: ITC Services – CGST (22,500)</td>
<td></td>
</tr>
<tr>
<td><strong>Tax Payable</strong></td>
<td><strong>92,500</strong></td>
</tr>
</tbody>
</table>

### Computation of Net Tax

<table>
<thead>
<tr>
<th>Particulars</th>
<th>SGST ₹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output Tax</td>
<td>1,60,000</td>
</tr>
<tr>
<td>Less: ITC Raw Material B – SGST (30,000)</td>
<td></td>
</tr>
<tr>
<td>Less: ITC Services – SGST (22,500)</td>
<td></td>
</tr>
<tr>
<td><strong>Tax Payable</strong></td>
<td><strong>1,07,500</strong></td>
</tr>
</tbody>
</table>

**Illustration 14:** 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’**

| Add: CGST @ 10% | 20,000 |
| Add: SGST @ 10% | 20,000 |
| **Cost of Raw Material** | **2,00,000** |

**Input Tax Credit**

| CGST | 20,000 |
| SGST | 20,000 |

**Raw Material ‘B’**

| Add: IGST @ 20% | 62,000 |
| **Cost of Raw Material** | **3,10,000** |

**Input Tax Credit**

| IGST | 62,000 |
Computation of GST

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

<table>
<thead>
<tr>
<th>Particulars</th>
<th>IGST</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output Tax</td>
<td>2,66,400</td>
</tr>
<tr>
<td>Less: ITC Raw Material B – IGST</td>
<td>(62,000)</td>
</tr>
<tr>
<td>Less: ITC Raw Material A - CGST</td>
<td>(20,000)</td>
</tr>
<tr>
<td>Less: ITC Services - CGST</td>
<td>(20,000)</td>
</tr>
<tr>
<td>Less: ITC Raw Material A – SGST</td>
<td>(20,000)</td>
</tr>
<tr>
<td>Less: ITC Services - SGST</td>
<td>(20,000)</td>
</tr>
<tr>
<td><strong>Net Tax Payable</strong></td>
<td><strong>1,24,400</strong></td>
</tr>
</tbody>
</table>

Illustration 15: 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**

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**

<table>
<thead>
<tr>
<th>Description</th>
<th>CGST</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output tax</td>
<td>2,09,000.00</td>
</tr>
<tr>
<td>Less:</td>
<td></td>
</tr>
<tr>
<td>ITC Raw material – R2 – IGST</td>
<td>(64,000.00)</td>
</tr>
<tr>
<td>ITC Raw material – R1 – CGST</td>
<td>(25,000.00)</td>
</tr>
<tr>
<td>ITC Raw material – R3 – CGST</td>
<td>(55,000.00)</td>
</tr>
<tr>
<td>ITC Services – CGST</td>
<td>(50,000.00)</td>
</tr>
<tr>
<td>Net tax payable</td>
<td>15,000.00</td>
</tr>
</tbody>
</table>
Illustration 16: 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:

<table>
<thead>
<tr>
<th>Description</th>
<th>₹</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Raw material – R1</strong></td>
<td></td>
</tr>
<tr>
<td>Purchase price</td>
<td>2,00,000.00</td>
</tr>
<tr>
<td>Add: CGST @ 10%</td>
<td>20,000.00</td>
</tr>
<tr>
<td>Add: SGST @ 10%</td>
<td>20,000.00</td>
</tr>
<tr>
<td>Total</td>
<td>2,40,000.00</td>
</tr>
</tbody>
</table>

| **Raw material – R2**     |       |
| Purchase price            | 3,00,000.00 |
| Add: IGST @ 20%           | 60,000.00  |
| Total                     | 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  |
| Total                     | 12,00,000.00 |

| **Services**              |       |
| Add: CGST @ 10%           | 30,000.00  |
| Add: SGST @ 10%           | 30,000.00  |
| Total                     | 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 |
| Total                     | 27,60,000.00 |
Computation of GST

Computation of Net Tax Payable

<table>
<thead>
<tr>
<th>Description</th>
<th>CGST ₹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output Tax</td>
<td>2,30,000</td>
</tr>
<tr>
<td>Less:</td>
<td></td>
</tr>
<tr>
<td>ITC Raw Material 2 - IGST</td>
<td>(60,000)</td>
</tr>
<tr>
<td>ITC Raw material – R1 – CGST</td>
<td>(20,000)</td>
</tr>
<tr>
<td>ITC Plant and machinery – CGST</td>
<td>(1,00,000)</td>
</tr>
<tr>
<td>ITC Tax on Input Services – CGST</td>
<td>(30,000)</td>
</tr>
<tr>
<td>Net tax payable</td>
<td>20,000</td>
</tr>
</tbody>
</table>

Computation of Net Tax Payable

<table>
<thead>
<tr>
<th>Description</th>
<th>SGST ₹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output Tax</td>
<td>2,30,000</td>
</tr>
<tr>
<td>Less:</td>
<td></td>
</tr>
<tr>
<td>ITC Raw material – R1 – SGST</td>
<td>(20,000)</td>
</tr>
<tr>
<td>ITC Plant and machinery – SGST</td>
<td>(1,00,000)</td>
</tr>
<tr>
<td>ITC Services – SGST</td>
<td>(30,000)</td>
</tr>
<tr>
<td>Net tax payable</td>
<td>80,000</td>
</tr>
</tbody>
</table>

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

Illustration 17: 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
- Total Input Tax Credit: ₹4,80,000

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: ₹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
Computation of GST

15,60,000

Computation of Net Tax Payable

<table>
<thead>
<tr>
<th>Description</th>
<th>CGST ₹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output Tax</td>
<td>1,30,000.00</td>
</tr>
<tr>
<td>Less:</td>
<td></td>
</tr>
<tr>
<td>ITC Raw Material – CGST</td>
<td>(40,000.00)</td>
</tr>
<tr>
<td>ITC Plant &amp; Machinery – CGST</td>
<td>(90,000.00)</td>
</tr>
<tr>
<td>Net Tax Payable</td>
<td>Nil</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>SGST ₹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output Tax</td>
<td>1,30,000.00</td>
</tr>
<tr>
<td>Less:</td>
<td></td>
</tr>
<tr>
<td>ITC Raw Material – SGST</td>
<td>(40,000.00)</td>
</tr>
<tr>
<td>ITC Plant &amp; Machinery – SGST</td>
<td>(90,000.00)</td>
</tr>
<tr>
<td>Net Tax Payable</td>
<td>Nil</td>
</tr>
</tbody>
</table>

**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 18:** 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’**

<table>
<thead>
<tr>
<th>Description</th>
<th>₹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of Raw Material ‘A’</td>
<td>1,00,000</td>
</tr>
<tr>
<td>Add: CGST @10%</td>
<td>10,000</td>
</tr>
<tr>
<td>Add: SGST @10%</td>
<td>10,000</td>
</tr>
<tr>
<td></td>
<td>1,20,000</td>
</tr>
</tbody>
</table>

Input Tax Credit

<table>
<thead>
<tr>
<th>Description</th>
<th>₹</th>
</tr>
</thead>
<tbody>
<tr>
<td>CGST</td>
<td>10,000</td>
</tr>
<tr>
<td>SGST</td>
<td>10,000</td>
</tr>
<tr>
<td>Cost of Raw Material</td>
<td>1,00,000</td>
</tr>
</tbody>
</table>
### Raw Material “B”

- Cost of Raw Material ‘B’ 2,00,000
- Add: IGST @ 20% 40,000
  - **Total**: 2,40,000

**Input Tax Credit**

- IGST 40,000
  - **Total**: 2,00,000

**Plant and Machinery**

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

**Input Tax Credit**

- CGST 2,00,000
- SGST 2,00,000
  - **Total**: 20,00,000

**Services**

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

**Input Tax Credit**

- CGST 30,000
- SGST 30,000
  - **Total**: 3,00,000

### Cost of finished product

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount (₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raw Material A</td>
<td>1,00,000</td>
</tr>
<tr>
<td>Raw Material B</td>
<td>2,00,000</td>
</tr>
<tr>
<td>Depreciation on capital goods (20% of 20,00,000)</td>
<td>4,00,000</td>
</tr>
<tr>
<td>Services</td>
<td>3,00,000</td>
</tr>
<tr>
<td>Processing</td>
<td>4,00,000</td>
</tr>
<tr>
<td>Profit</td>
<td>5,00,000</td>
</tr>
<tr>
<td>Transaction value</td>
<td>19,00,000</td>
</tr>
<tr>
<td>Add: CGST @10%</td>
<td>1,90,000</td>
</tr>
<tr>
<td>Add: SGST @10%</td>
<td>1,90,000</td>
</tr>
</tbody>
</table>

### Computation of Net Tax Payable

<table>
<thead>
<tr>
<th>Description</th>
<th>CGST (₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output Tax</td>
<td>1,90,000</td>
</tr>
<tr>
<td>Less:</td>
<td></td>
</tr>
<tr>
<td>ITC Raw Material ‘B’ – IGST</td>
<td>(40,000)</td>
</tr>
<tr>
<td>ITC Raw Material ‘A’ – CGST</td>
<td>(10,000)</td>
</tr>
<tr>
<td>ITC Plant &amp; Machinery – CGST</td>
<td>(1,40,000)</td>
</tr>
<tr>
<td>Net Tax Payable</td>
<td>Nil</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>SGST (₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output Tax</td>
<td>1,90,000</td>
</tr>
<tr>
<td>Less:</td>
<td></td>
</tr>
<tr>
<td>ITC Raw Material ‘A’ – SGST</td>
<td>(10,000)</td>
</tr>
<tr>
<td>ITC Plant &amp; Machinery - SGST</td>
<td>(1,80,000)</td>
</tr>
</tbody>
</table>
**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 19:** 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 Lakh 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

<table>
<thead>
<tr>
<th>Purchase price</th>
<th>CGST @10%</th>
<th>CGST</th>
<th>SGST @10%</th>
<th>SGST</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>₹2,00,000.00</td>
<td>20,000.00</td>
<td>20,000.00</td>
<td>2,40,000.00</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Raw material – R2

<table>
<thead>
<tr>
<th>Purchase price</th>
<th>IGST @ 20%</th>
<th>IGST</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>₹3,00,000.00</td>
<td>60,000.00</td>
<td>60,000.00</td>
<td>3,60,000.00</td>
</tr>
</tbody>
</table>

### Plant & Machinery

<table>
<thead>
<tr>
<th>Purchase price</th>
<th>IGST @ 10%</th>
<th>IGST</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>₹10,00,000.00</td>
<td>1,00,000.00</td>
<td>1,00,000.00</td>
<td>11,00,000.00</td>
</tr>
</tbody>
</table>

### Services

<table>
<thead>
<tr>
<th>CGST @9%</th>
<th>CGST</th>
<th>SGST @9%</th>
<th>SGST</th>
</tr>
</thead>
<tbody>
<tr>
<td>27,000.00</td>
<td>27,000.00</td>
<td>3,54,000.00</td>
<td></td>
</tr>
</tbody>
</table>

### Input Tax Credit

<table>
<thead>
<tr>
<th>CGST</th>
<th>SGST</th>
</tr>
</thead>
<tbody>
<tr>
<td>27,000.00</td>
<td>27,000.00</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cost of Raw Material</th>
<th>₹2,00,000.00</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of Asset</td>
<td>₹10,00,000.00</td>
</tr>
</tbody>
</table>
Computation of GST

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

Transaction Value: 21,60,000.00

Computation of Net Tax Payable

<table>
<thead>
<tr>
<th>CGST ₹</th>
<th>SGST ₹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output Tax  1,80,000.00</td>
<td>Less:</td>
</tr>
<tr>
<td>ITC Raw material – R2 – IGST  (60,000.00)</td>
<td></td>
</tr>
<tr>
<td>ITC Plant and machinery – IGST  (73,000.00)</td>
<td></td>
</tr>
<tr>
<td>ITC Raw material – R1 – CGST  (20,000.00)</td>
<td></td>
</tr>
<tr>
<td>ITC – Services – CGST  (27,000.00)</td>
<td>Net tax payable  Nil</td>
</tr>
</tbody>
</table>

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

Illustration 20:

Case-1:  Supply of Goods/services by A of State 1 to B of State 1

- Value charged for supply of goods/services  20,000
- Add: CGST @ 9%  1,800
- Add: SGST @ 9%  1,800
- Total price charged by A to B for local supply of goods/services  23,600

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

Case-2:  Supply of Goods/services by B of State 1 to C of State 2 – Value addition 30%

- Value charged for supply of goods/services  (20,000 x 130%)  26,000
- Add: IGST @ 18%  4,680
- Total price charged by B to C for inter - State supply of goods/services  30,680

Computation of IGST payable by B to Government

| IGST Payable  4,680 |
| Less: ITC Goods - CGST  (1,800) |
Less: ITC Goods - SGST (1,800)
IGST payable to Central Government 1,080

The IGST charged on C of State 2 for supply of goods/services will be remitted by B of State 1 to the appropriate account of Central Government. State 1 (Exporting State) will transfer SGST credit of ₹ 1,800 utilised in the payment of IGST of the central Government.

**Case-3: Supply of Goods/services by C of State 2 to D to State 2 – Value addition 30%**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value charged for supply of goods/services (26,000 x 130%)</td>
<td>₹33,800</td>
</tr>
<tr>
<td>Add: CGST @ 9%</td>
<td>₹3,042</td>
</tr>
<tr>
<td>Add: SGST @ 9%</td>
<td>₹3,042</td>
</tr>
<tr>
<td>Total price charged by C to D for local supply of goods/services</td>
<td>₹39,884</td>
</tr>
</tbody>
</table>

**Computation of CGST & SGST payable by C to Government**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>CGST Payable</td>
<td>₹3,042</td>
</tr>
<tr>
<td>Less: ITC Goods - IGST</td>
<td>(₹3,042)</td>
</tr>
<tr>
<td>CGST payable to Central Government</td>
<td>Nil</td>
</tr>
<tr>
<td>SGST Payable</td>
<td>₹3,042</td>
</tr>
<tr>
<td>Less: ITC Goods - IGST</td>
<td>(₹1,638)</td>
</tr>
<tr>
<td>SGST payable to State Government</td>
<td>₹1,404</td>
</tr>
</tbody>
</table>

Central Government will transfer IGST credit of ₹1,638 utilised in the payment of SGST of State 2 (Importing state).

**Illustration 21:**

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:**

<table>
<thead>
<tr>
<th>Goods A</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td>10,00,000</td>
<td></td>
</tr>
<tr>
<td>Add: IGST @20%</td>
<td>2,00,000</td>
<td></td>
</tr>
</tbody>
</table>

**Input Tax Credit**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>IGST</td>
<td>2,00,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Goods A</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sale</td>
<td>12,00,000</td>
<td></td>
</tr>
<tr>
<td>Add: CGST @10%</td>
<td>1,20,000</td>
<td></td>
</tr>
<tr>
<td>Add: SGST @10%</td>
<td>1,20,000</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>14,40,000</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Goods B</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td>8,00,000</td>
<td></td>
</tr>
<tr>
<td>Add: CGST @10%</td>
<td>80,000</td>
<td></td>
</tr>
<tr>
<td>Add: SGST @10%</td>
<td>80,000</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>9,60,000</td>
<td></td>
</tr>
</tbody>
</table>

**Input Tax Credit**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>CGST</td>
<td>80,000</td>
</tr>
</tbody>
</table>
Computation of GST

**SGST**

Sale 80,000
Add: IGST @20% 6,00,000
Total 7,20,000

**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 9,00,000
Add: CGST @10% 90,000
Add: SGST @10% 90,000
Total 10,80,000

**Computation of Net Tax Payable**

<table>
<thead>
<tr>
<th>Output Tax</th>
<th>IGST ₹</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1,20,000+90,000)</td>
<td>1,20,000</td>
</tr>
</tbody>
</table>

Less:

<table>
<thead>
<tr>
<th>ITC Goods A – IGST</th>
<th>(1,20,000)</th>
</tr>
</thead>
</table>

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.)

<table>
<thead>
<tr>
<th>Output Tax</th>
<th>CGST ₹</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1,20,000+90,000)</td>
<td>2,10,000</td>
</tr>
</tbody>
</table>

Less:

<table>
<thead>
<tr>
<th>ITC Goods A – IGST</th>
<th>(50,000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ITC Goods B – CGST</td>
<td>(80,000)</td>
</tr>
<tr>
<td>ITC Goods C – CGST</td>
<td>(80,000)</td>
</tr>
</tbody>
</table>

Net Tax Payable Nil

<table>
<thead>
<tr>
<th>Output Tax</th>
<th>SGST ₹</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1,20,000+90,000)</td>
<td>2,10,000</td>
</tr>
</tbody>
</table>

Less:

<table>
<thead>
<tr>
<th>ITC Goods A – IGST</th>
<th>(30,000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ITC Goods B – SGST</td>
<td>(80,000)</td>
</tr>
<tr>
<td>ITC Goods C – SGST</td>
<td>(80,000)</td>
</tr>
</tbody>
</table>

Net Tax Payable 20,000
**Illustration 22:**
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:**

<table>
<thead>
<tr>
<th>Goods A</th>
<th>Cost</th>
<th>10,00,000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Add: IGST @20%</td>
<td>2,00,000</td>
</tr>
</tbody>
</table>

Input Tax Credit

<table>
<thead>
<tr>
<th>IGST</th>
<th>2,00,000</th>
</tr>
</thead>
</table>

Sale

| Add: CGST @10% | 80,000 |
| Add: SGST @10% | 80,000 |
| Total          | 9,60,000 |

<table>
<thead>
<tr>
<th>Goods B</th>
<th>Cost</th>
<th>8,00,000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Add: CGST @10%</td>
<td>80,000</td>
</tr>
<tr>
<td></td>
<td>Add: SGST @10%</td>
<td>80,000</td>
</tr>
<tr>
<td>Total</td>
<td>9,60,000</td>
<td></td>
</tr>
</tbody>
</table>

Input Tax Credit

| CGST    | 80,000 |
| SGST    | 80,000 |

Sale

| Add: IGST @20% | 3,60,000 |
| Total          | 21,60,000 |

<table>
<thead>
<tr>
<th>Goods C</th>
<th>Cost</th>
<th>8,00,000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Add: CGST @10%</td>
<td>80,000</td>
</tr>
<tr>
<td></td>
<td>Add: SGST @10%</td>
<td>80,000</td>
</tr>
<tr>
<td>Total</td>
<td>9,60,000</td>
<td></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Output Tax</th>
<th>IGST ₹</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>3,60,000</td>
</tr>
</tbody>
</table>

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

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

<table>
<thead>
<tr>
<th>Output Tax</th>
<th>CGST ₹</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1,40,000</td>
</tr>
</tbody>
</table>

Less:

| ITC Goods B – CGST | (80,000) |
| ITC Goods C – CGST  | (60,000) |

Net Tax Payable: Nil

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

<table>
<thead>
<tr>
<th>Output Tax</th>
<th>SGST ₹</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1,40,000</td>
</tr>
</tbody>
</table>

Less:

| ITC Goods B – SGST | (80,000) |
| ITC Goods C – SGST  | (60,000) |

Net Tax Payable: Nil

Illustration 23:

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

SGST

| Sale                  | 6,00,000 |
| Add: IGST @20%        | 1,20,000  |
| Total                 | 7,20,000  |

Computation of Net Tax Payable

<table>
<thead>
<tr>
<th>Output Tax</th>
<th>IGST ₹</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1,20,000</td>
</tr>
</tbody>
</table>

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.
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)
INPUT TAX CREDIT
Section 16, 17, 18
Rule 36, 37, 40, 42, 43, 44

Question 1: Explain Eligibility and conditions for taking Tax Credit under GST.
Answer: Eligibility and condition for taking input tax credit, Section 16/ Rule 36 & 37

As per section 16(1), Every registered person shall be entitled to take credit of Input tax charged on any supply of goods or services which are used or intended to be used in the course of business and the said amount shall be credited to electronic credit ledger.

As per section 16(2), A registered person shall be allowed to take input tax credit if he has complied with the following conditions

(a) Registered person is in possession of a tax invoice or debit note or a bill of entry (in case of import) or other such documents.

As per section 31(3)(f), A registered person who is liable to pay tax under reverse charge shall issue an invoice in respect of supply received by him from the supplier who is not registered. If supplier is registered, invoice should be issued by the supplier. Also ITC shall be allowed only if tax has been paid to the Government for such supply by the recipient under reverse charge.

(b) Registered person has received the goods / services. If goods have been received by an agent of such person or by any other person on behalf of the registered person, it will also be considered to be receipt of goods. If the goods are received in installments, tax credit shall be allowed only when last installment has been received. Similarly if services have been provided to any person on the direction of recipient, it will be considered that recipient has received the services.

(c) the tax charged in respect of such supply has been actually paid to the Government by the supplier. but in case of reverse charge, it should be paid by the recipient.

(d) registered person has furnished GSTR-3B.

(e) If registered person has not made the payment to the supplier, even in that case tax credit shall be allowed but such registered person should make payment for supply plus tax within 180 days from the date of issue of invoice otherwise amount of ITC is to be paid along with Interest. However this condition is not applicable in case of reverse charge. As per section 50 interest shall be paid @ 18% per annum from the date of availing credit till the date when the amount is added to output tax liability. If payment is made subsequently he can again take tax credit. Further restriction of time limit of section 16(4), shall not be applicable.

Example: ABC limited purchase goods from XYZ limited for ₹ 10,00,000 plus GST ₹ 2,00,000 on 18th July 2019 and received invoice on 18th July 2019 and has taken credit on 20th August 2019 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 2019. In this case 180 days shall expire on 13-01-2020 (July -14, Aug - 31, Sept – 30, Oct-31, Nov- 30, Dec -31, Jan -13) i.e. in the month of January 2020. ABC limited should report it in the month of Feb 2020 and should pay ₹ 2,00,000 on 20th March 2020 alongwith Interest on ₹ 2,00,000 @ 18% per annum for 7 months i.e. from 20th August to 20th March.

As per section 16(3), While claiming depreciation on capital assets, such ITC shall not form part of actual cost i.e. if registered person has taken tax credit, input tax shall not be added to the cost of capital assets, eg. 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 due date of furnishing of the return under section 39 (GSTR-3) for the month of September following the end of financial year (20th October) to which such invoice pertains or
• furnishing of the relevant annual return whichever is earlier.

**Example:** ABC limited has received invoice dated 10th December, 2019, In this case last date for taking ITC shall be 20th October 2020 but if annual return has been filed on 31st July 2020, last date shall be 31st July 2020.

If any debit note has been issued in connection with any invoice, date of invoice shall be taken into consideration for the purpose of determining the time limit and not the date of debit note, eg. Invoice is issued on 10/01/2020 and debit note is issued on 20/04/2020 in this case ITC can be taken maximum upto 20/10/2020 or the date of filing annual return whichever is earlier.

**Example 1**
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 2**
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. Though XYZ paid some tax in advance as early as August, it can take the ITC only on receipt of last instalment of the chemical in the month of November.

**Example 3**
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 4**
Hercules Machinery delivered a machine to XYZ in January 2020 under Invoice no. 49 dated 28th January, 2020 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 2020 for `50,000 plus GST. Though the debit note was received in the next financial year, it relates to an invoice received in the financial year ending March 2020. Therefore, the time limit for XYZ for taking ITC available on `50,000 as well as on `4,15,000 is 20th October, 2020; earlier of the date of filing the annual return for 2019-20 or the return for September 2020.

**Question 2:** 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) / Rule 42/43.

17 (1) Where the goods or services or both are used by the registered person partly for the purpose of any business and partly for other purposes, the amount of credit shall be restricted to so much of the input tax as is attributable to the purposes of his business.

17 (2) Where the goods or services or both are used by the registered person partly for effecting taxable supplies including zero-rated supplies and partly for effecting exempt supplies, the amount of credit shall be restricted to so much of the input tax as is attributable to the taxable supplies including zero-rated supplies.
17 (3) The value of exempt supply shall be computed as per rule 42 and 43. Exempt supplies shall include supplies on which the recipient is liable to pay tax on reverse charge basis, transactions in securities, sale of land and building. If Goods/Services have been supplied by a person and GST is to be paid by the recipient under reverse charge, it will be considered to be exempt supply for the supplier and tax credit is not allowed, eg. If goods transport agency has transported goods for a company and reverse charge is applicable, it will be considered to be exempt supply for goods transport agency.

In case of sale of land or building, no GST is payable rather stamp duty is payable, hence tax credit of GST on Inputs/ Input services etc. is not allowed.
In case of sale of shares or units of mutual funds, no GST is payable rather securities transaction tax is payable, hence tax credit of GST on Inputs/ Input services etc. is not allowed.

Where the goods / services are used by the registered person for taxable supplies as well as exempt supplies, the registered person shall be allowed to take ITC on such inputs/ capital goods but subsequently ITC relating to exempt goods has to be reversed on the basis of turnover. If goods are used for non-business purpose/personal purpose, ITC shall be reversed for such turnover also. If the goods are zero rated i.e. goods are being supplied to SEZ unit/ SEZ developer or it is being exported, ITC shall be allowed and also refund of ITC shall be allowed.

‘Explanation.—For the purposes of this sub-section, the expression “value of exempt supply” shall not include the value of activities or transactions specified in Schedule III, except those specified in paragraph 5 of the said Schedule.’

Example 1
Out of 10 containers purchased by a registered person engaged in taxable supply of goods, 5 are used for storing non-taxable goods (exempt supply) such as petroleum (petroleum is out of GST gamut till the time the GST Council takes a decision in this regard). ITC on 5 containers used for non-taxable goods cannot be availed.

Example 2
A registered person (partnership firm) purchases 5 laptops but one of the laptop is being used by the son of one of the partners of the firm. ITC will not be available on such laptop as it is used for personal purposes.

Apportionment of ITC of Inputs Rule 42

As per Rule 42, In case of Inputs, tax credit shall be allowed but subsequently proportionate amount relating to exempt supplies shall be reversed on the basis of turnover, eg. ABC limited is manufacturing two type of shoes one low cost exempt and other high cost taxable and company purchased leather and other material to be used in both type of shoes and paid ₹ 5,00,000 plus CGST @ 10% plus SGST @ 10% and company has taken ITC, In this case, if total turnover during the month is ₹12,00,000 out of which exempt is ₹4,00,000 and taxable is ₹8,00,000, in this case tax credit to be reversed shall be

CGST = 50,000 /12,00,000 x 4,00,000 = ₹16,666.67 rounded off u/s 170  ₹16,667
SGST = 50,000 /12,00,000 x 4,00,000 = ₹16,666.67 rounded off u/s 170  ₹16,667

Question. A garment factory receives a Government order for making uniforms for a commando unit. This supply is exempt from tax under a special notification. The fabric is separately procured for the supply, but thread and lining material for the collars are the ones which are used for other taxable products of the factory.

The turnover of the other products of the factory and exempted uniforms in July is ₹4 crore and ₹1 crore respectively, the ITC on thread and lining material procured in July is ₹5000 and ₹15000 respectively. Calculate the eligible ITC on thread and lining material.
Answer: Thread and lining material are inputs which are used for making taxable as well as exempt supplies. Therefore, credit on such items will be apportioned and credit attributable to exempt supplies will be added to the output tax liability in terms of rule 42 of the CGST Rules, 2017.
Credit attributable to exempt supplies = Common credit x (Exempt turnover/ Total turnover)
Common credit = ₹15,000 + ₹5,000 = ₹20,000
Exempt turnover = ₹1 crore
Total turnover = ₹5 crore [₹1 crore + ₹4 crore]
Credit attributable to exempt supplies = (₹1 crore /₹5 crore) x ₹20,000 = ₹4,000.
Ineligible credit of ₹4,000 will be added to the output tax liability for the month of July.

Apportionment of ITC of Capital Goods Rule 43
As per Rule 43, in case of capital goods also tax credit shall be availed in the beginning but proportionate amount of ITC shall be reversed every month on the basis of turnover. Life of every capital goods shall be taken to be 60 month.

Example 1
ABC Limited purchased one plant and machinery ₹20,00,000 and paid input tax ₹3,00,000 and tax credit has been taken and it is being used for taxable as well as exempt goods. In this case, if monthly turnover of taxable goods is ₹6,00,000 and turnover of exempt goods is ₹2,00,000, tax credit to be reversed every month shall be
3,00,000/60 x 2,00,000/8,00,000 = ₹1,250

Example 2
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 11 months and 10 days, it is used for exempted as well as taxable goods. In this case, if a turnover of a particular month is: taxable ₹4,00,000 and exempt ₹2,00,000, Credit amount to be reversed every month shall be
The company shall be allowed to avail ITC after reducing input tax @ 5% per quarter or part there of
Amount of input tax 3,00,000
Less: 3,00,000 x (5% x 4) = (60,000)
2,40,000
Amount to be reversed every month
Remaining useful life = 48 months and 20 days

Ignore 20 days i.e. 48 months
2,40,000 /48 x 2,00,000/6,00,000 = ₹1,666.67

Question 3: Explain ITC in case of a banking Company Section
Answer: ITC in case of a banking Company Section 17 (4)/ Rule 38
A banking company or a financial institution, engaged in supplying services by way of accepting deposits, extending loans or advances shall have the option either to take proportionate ITC or avail every month, an amount equal to fifty per cent of the eligible input tax credit on inputs, capital goods and input services in that month and the rest shall lapse.
Provided that the option once exercised shall not be withdrawn during the remaining part of the financial year:
Provided further that the restriction of fifty per cent shall not apply to the tax paid on supplies made by one registered person to another registered person having the same Permanent Account Number.
Question 4: Availment of Tax credit in case of new registration.

Answer: Tax credit in case of new registration

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 capital goods.

If any person has applied for registration after expiry of 30 days, **tax credit shall not be allowed of inputs or capital goods.**

**Example:** Mr. X becomes liable to pay tax on 1st August and has obtained registration on 16th August. 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.

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 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 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 31st July. Mr. Z cannot take ITC on capital goods.

**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 01/07/2019 ₹10,00,000 plus GST ₹2,00,000 and he is unregistered. Limit of ₹ 20,00,000 has crossed on 01/08/2020 and he applied for registration on 01/08/2020 and was granted registration on 10/08/2020, 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 01/03/2020 ₹10,00,000 plus GST ₹2,00,000 and he is unregistered. Limit of ₹ 20,00,000 has crossed on 01/01/2021 and he applied for registration on 01/01/2021 and was granted registration on 10/01/2021, 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.
**Question 5:** Explain Availment of tax credit in case of shifting from composition scheme to normal scheme.

**Answer:** 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.

**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

**Question 6:** Explain Availment of tax credit in case of exempt supply becomes taxable supply.

**Answer:** 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
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

Question 7: Explain ITC in case of Amalgamation/ Demerger etc.
Answer: ITC in case of Amalgamation/ Demerger etc. Section 18 (3)/Rule 41

Where there is a change in the constitution of a registered person on account of sale, merger, demerger, amalgamation, lease or transfer of the business with the specific provisions for transfer of liabilities, in such cases, the said registered person shall be allowed to transfer the input tax credit which remains unutilised in his electronic credit ledger to such sold, merged, demerged, amalgamated, leased or transferred business in such manner as may be prescribed. For this purpose information shall be submitted in Form No. ITC-02 by the transferor and the transferee shall accept it on the common portal and ITC shall be credited to electronic credit ledger of transferee.

Question 8: 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 section 18 (4)/ 18(5) / 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, by way of debit in the electronic credit ledger or electronic cash ledger, 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 x 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 x 21 = 4,20,000

(b) Total Input Tax (60,00,000 x 20%)
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 x 48 = 9,60,000

c) Total Input Tax (60,00,000 x 20%)
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 x 4 = 80,000

**Question 9:** Explain Reversal of tax credit in case of supply of capital goods on which tax credit has been taken.

**Answer:** Reversal of Tax credit 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 x 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.

**Question 10:** Explain Reversal of tax credit in case of cancellation of registration certificate on which tax credit has been taken.

**Answer:** Reversal of Tax credit in case of cancellation of registration certificate Section 18 (6)/ Rule 44

As per section 29(5), In case of cancellation of registration, the registered person shall pay the amount of ITC taken with regard to capital goods or inputs lying in the stock and amount shall be computed in the manner given u/s 18(6)/ Rule 44. (In case of cancellation even if the goods are lying with such person, it will be deemed to be a supply.)

The registered person shall in case of capital goods 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 taken cancellation of registration after using it 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 transaction value of the plant is ₹ 15,00,000 and rate of GST is 12%, Amount to be reversed shall be ₹1,80,000

If transaction value of the plant is ₹ 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 cancellation the person shall report it in the final return i.e. GSTR-10.

Similar provision shall be applicable in case of inputs but comparison will be with the original ITC taken.

**Question 11: Explain the goods for which tax credit is not allowed i.e. blocked credit.**

**Answer: Blocked Credit section 17(5)**

Notwithstanding anything contained in sub-section (1) of section 16 and sub- section (1) of section 18, input tax credit shall not be available in respect of the following, namely:—

(a) motor vehicles for transportation of persons having approved seating capacity of not more than thirteen persons (including the driver), except when they are used for making the following taxable supplies, namely:—

(A) further supply of such motor vehicles; or

(B) transportation of passengers; or

(C) imparting training on driving such motor vehicles;

(aa) vessels and aircraft except when they are used—

(i) for making the following taxable supplies, namely:—

(A) further supply of such vessels or aircraft; or

(B) transportation of passengers; or

(C) imparting training on navigating such vessels; or

(D) imparting training on flying such aircraft;

(ii) for transportation of goods;

As per Section 2(28) of The Motor Vehicles Act,1988 “motor vehicle” or “vehicle” means any mechanically propelled vehicle adapted for use upon roads whether the power of propulsion is transmitted thereto from an external or internal source and includes a chassis to which a body has not been attached and a trailer ; but does not include a vehicle running upon fixed rails or a vehicle of a special type adapted for use only in a factory or in any other enclosed premises or a vehicle having less than four wheels fitted with engine capacity of not exceeding twenty-five cubic centimeters.

(ab) services of general insurance, servicing, repair and maintenance in so far as they relate to motor vehicles, vessels or aircraft referred to in clause (a) or clause (aa):

**Provided** that the input tax credit in respect of such services shall be available—

(i) where the motor vehicles, vessels or aircraft referred to in clause (a) or clause (aa) are used for the purposes specified therein;

(ii) where received by a taxable person engaged—

(I) in the manufacture of such motor vehicles, vessels or aircraft; or

(II) in the supply of general insurance services in respect of such motor vehicles, vessels or aircraft insured by him;

(b) the following supply of goods or services or both—

(i) 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:

**Provided** that the input tax credit in respect of such goods or services or both shall be available where an inward supply of such goods or services or both is used by a registered person for making an outward taxable supply of the same category of goods or services or both or as an element of a taxable composite or mixed supply;

(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:

**Provided** that the input tax credit in respect of such goods or services or both shall be available, where it is obligatory for an employer to provide the same to its employees under any law for the time being in force.

(c) works contract services when supplied for construction of an immovable property (other than plant and machinery) except where it is an input service for further supply of works contract service;

(d) goods or services or both received by a taxable person for construction of an immovable property (other than plant or machinery) on his own account including when such goods or services or both are used in the course or furtherance of business.

Explanation.—For the purposes of clauses (c)and (d), the expression "construction" includes reconstruction, renovation, additions or alterations or repairs, to the extent of capitalisation, to the said immovable property;

(e) goods or services or both on which tax has been paid under section 10;

(f) goods or services or both received by a non-resident taxable person except on goods imported by him;

(g) goods or services or both used for personal consumption;

(h) goods lost, stolen, destroyed, written off or disposed of by way of gift or free samples; and

(i) any tax paid in accordance with the provisions of sections 74, 129 and 130.

Explanation.—The expression "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 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 not more than 13 people) for going to his factory, tax credit not 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:** 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 13:** Mr. X is engaged in the business of beauty treatment, he will be allowed tax credit for the inputs goods / services.

**Example 14:** 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 15:** 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 16:** 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 17:** 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 18:** 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 19:** 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.

**Question 1:** 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.

**Question 2:** 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 12: 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:** 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.

**Illustration 1:** ABC Co. Ltd. is engaged in the manufacture of heavy machinery. It procured the following items during the month of July.
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**

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Items</th>
<th>GST paid (₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i)</td>
<td>Electrical transformers to be used in the manufacturing process</td>
<td>5,20,000</td>
</tr>
<tr>
<td>(ii)</td>
<td>Trucks used for the transport of raw material</td>
<td>1,00,000</td>
</tr>
<tr>
<td>(iii)</td>
<td>Raw material</td>
<td>2,00,000</td>
</tr>
<tr>
<td>(iv)</td>
<td>Confectionery items for consumption of employees working in the factory</td>
<td>25,000</td>
</tr>
</tbody>
</table>

Total ITC = 8,20,000

**Illustration 2:** XYZ Ltd., is engaged in manufacture of taxable goods. Compute the ITC available with XYZ Ltd. for the month of October, 2020 from the following particulars:

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Inward supplies</th>
<th>GST (₹)</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i)</td>
<td>Inputs ‘A’</td>
<td>1,00,000</td>
<td>One invoice on which GST payable was ₹ 10,000, is missing</td>
</tr>
<tr>
<td>(ii)</td>
<td>Inputs ‘B’</td>
<td>50,000</td>
<td>Inputs are to be received in two instalments.</td>
</tr>
<tr>
<td>(iii)</td>
<td>Capital goods</td>
<td>1,20,000</td>
<td>First instalment has been received in October, 2020.</td>
</tr>
<tr>
<td>(iv)</td>
<td>Input services</td>
<td>2,25,000</td>
<td>XYZ Ltd. has capitalised the capital goods at full invoice value inclusive of GST as it will avail depreciation on the full invoice value.</td>
</tr>
</tbody>
</table>

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 2019-20 was filed on 15th September, 2020.

**Answer**

Computation of ITC available with XYZ Ltd. for the month of October, 2020

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Inward supplies</th>
<th>GST (₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i)</td>
<td>Inputs ‘A’</td>
<td>90,000</td>
</tr>
<tr>
<td>(ii)</td>
<td>Inputs ‘B’</td>
<td>Nil</td>
</tr>
<tr>
<td>(iii)</td>
<td>Capital goods</td>
<td>Nil</td>
</tr>
<tr>
<td>(iv)</td>
<td>Input services</td>
<td>1,75,000</td>
</tr>
</tbody>
</table>
Since the annual return for the FY 2019-20 has been filed on 15th September, 2020 (prior to due date of filing the return for September, 2020 i.e., 20th October, 2020), ITC on the invoice pertaining to FY 2019-20 cannot be availed after 15th September, 2020.

Total 2,65,000

Illustration 3: 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:

<table>
<thead>
<tr>
<th>Particulars</th>
<th>₹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intra-State supply of goods</td>
<td>8,00,000</td>
</tr>
<tr>
<td>Inter-State supply of goods</td>
<td>3,00,000</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Particulars</th>
<th>₹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intra-State Purchase of goods</td>
<td>3,00,000</td>
</tr>
<tr>
<td>Inter-State Purchase of goods</td>
<td>50,000</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Particulars</th>
<th>₹</th>
</tr>
</thead>
<tbody>
<tr>
<td>CGST</td>
<td>30,000</td>
</tr>
<tr>
<td>SGST</td>
<td>30,000</td>
</tr>
<tr>
<td>IGST</td>
<td>70,000</td>
</tr>
</tbody>
</table>

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.

Answer:

Computation of GST payable by Mr. X on outward supplies

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

Computation of total ITC

<table>
<thead>
<tr>
<th>Particulars</th>
<th>CGST @ 9% (₹)</th>
<th>SGST @ 9% (₹)</th>
<th>IGST @ 18% (₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening ITC</td>
<td>30,000</td>
<td>30,000</td>
<td>70,000</td>
</tr>
<tr>
<td>Add: ITC on Intra-State purchases of goods valuing ₹3,00,000</td>
<td>27,000</td>
<td>27,000</td>
<td>Nil</td>
</tr>
<tr>
<td>Add: ITC on Inter-State purchases of goods valuing ₹50,000</td>
<td>Nil</td>
<td>Nil</td>
<td>9,000</td>
</tr>
<tr>
<td>Total ITC</td>
<td>57,000</td>
<td>57,000</td>
<td>79,000</td>
</tr>
</tbody>
</table>

Computation of Tax payable from cash ledger

<table>
<thead>
<tr>
<th>Particulars</th>
<th>IGST ₹</th>
</tr>
</thead>
<tbody>
<tr>
<td>IGST payable</td>
<td>54,000</td>
</tr>
<tr>
<td>Less: ITC of IGST</td>
<td>(54,000)</td>
</tr>
<tr>
<td>Net IGST payable</td>
<td>Nil</td>
</tr>
</tbody>
</table>

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

**Illustration 4:** ABC limited started its business on 01-07-2019 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 31-12-2019 for ₹ 40,00,000 and applied for registration on 1-1-2020 and registration was granted on 15-01-2020. Company sold 50% of the capital goods on 01-03-2020 for ₹ 7,00,000 and rate was CGST @ 12% and SGST @ 12% at that time.

Compute ITC allowed at the time of registration and ITC to be reversed at the time of sale of capital Goods.

**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 x 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.

Since no ITC has been taken for capital goods, as per section 18(6) no reversal of ITC is applicable however as per section 7 it will be considered to be supply and output GST shall be payable

Transaction Value | 7,00,000
CGST @ 12% | 84,000
Less: ITC CGST | (84,000)
CGST Payable | Nil
Balance credit to be carried forward | 1,56,000
SGST @ 12% | 84,000
Less: ITC SGST | (84,000)
SGST Payable | Nil
Balance credit to be carried forward | 1,56,000

**Illustration 5:** ABC limited started its business on 01-07-2019 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 31-12-2019 for ₹ 40,00,000 and applied for registration on 1-1-2020 and registration was granted on 15-01-2020. Company purchased one Plant and machinery on 01-01-2020 ₹ 6,00,000 + CGST @ 10% + SGST @ 10%. Company sold this plant on 01-03-2020 for ₹ 5,70,000 and rate was CGST 12% and SGST 12% at the time of sale.

Compute ITC allowed at the time of registration and ITC to be reversed at the time of sale of Plant and machinery.

**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 stock and amount of ITC shall be 48,00,000 x 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 already held in stock.

ITC for plant and machinery purchased on 01-01-2020
Transaction Value 6,00,000
CGST @ 10% 60,000
SGST @ 10% 60,000

At the time of sale of plant and machinery, tax credit to be reversed as per section 18(6) rule 44 shall be
Remaining life of the plant = 58 months
Tax credit to be reversed
CGST
60,000 /60 x 58 = 58,000
SGST
60,000 /60 x 58 = 58,000

Output tax considering it to be supply as per section 7,
Transaction Value 5,70,000
CGST @ 12% 68,400
SGST @ 12% 68,400

Amount to be reversed shall be higher i.e. 68,400 + 68,400
Net CGST Payable
CGST 68,400
Less: ITC CGST (68,400)
CGST Payable Nil
Excess ITC 2,31,600

Net SGST Payable
SGST 68,400
Less: ITC SGST (68,400)
SGST Payable Nil
Excess ITC 2,31,600

Illustration 6:
Mr. X is a dealer registered in GST and has purchased one Plant and Machinery on 01/10/2019 ₹ 60,00,000 + CGST @10% + SGST @ 10%. He purchases raw material ₹ 30,00,000 + CGST @ 12% + SGST @ 12% on first of every month. He is manufacturing two products A & B. Product A is exempt and Product B is taxable.
Turnover of product A in October 2019 is ₹22,00,000 and Turnover of product B is ₹32,00,000. Rate of CGST @ 15% and SGST @ 15%. Compute ITC/ Output tax/ Net Tax for the month of October 2019.

Solution:
Computation of Net Tax Liability of Mr. X

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount (₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raw Material</td>
<td>30,00,000</td>
</tr>
<tr>
<td>Add: CGST @ 12%</td>
<td>3,60,000</td>
</tr>
<tr>
<td>Add: SGST @ 12%</td>
<td>3,60,000</td>
</tr>
<tr>
<td>Total</td>
<td>37,20,000</td>
</tr>
<tr>
<td>Input tax credit</td>
<td></td>
</tr>
<tr>
<td>CGST</td>
<td></td>
</tr>
<tr>
<td>SGST</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
</tr>
<tr>
<td>Cost of Raw Material</td>
<td>30,00,000</td>
</tr>
</tbody>
</table>

ITC on capital Goods
Plant and Machinery 60,00,000
CGST @ 10% 6,00,000
### Input Tax Credit

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>SGST @ 10%</td>
<td>6,00,000</td>
</tr>
<tr>
<td>ITC CGST</td>
<td>6,00,000</td>
</tr>
<tr>
<td>ITC SGST</td>
<td>6,00,000</td>
</tr>
<tr>
<td>Cost of Plant and Machinery</td>
<td>60,00,000</td>
</tr>
</tbody>
</table>

### Output Tax

- **Turnover**: 32,00,000
- **CGST @ 15%**: 4,80,000
- **SGST @ 15%**: 4,80,000
- **Add: ITC to be reversed**
  - **Raw Material - Rule 42**
    - CGST: \( \frac{3,60,000}{54,00,000} \times 22,00,000 = 1,46,666.67 \)
    - SGST: \( \frac{3,60,000}{54,00,000} \times 22,00,000 = 1,46,666.67 \)
  - **Capital Goods –Rule 43**
    - CGST: \( \frac{6,00,000}{60} \times 1 / 54,000,000 \times 22,00,000 = 4,074.07 \)
    - SGST: \( \frac{6,00,000}{60} \times 1 / 54,000,000 \times 22,00,000 = 4,074.07 \)

### Computation of Net Tax

#### CGST

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output Tax</td>
<td></td>
</tr>
<tr>
<td>Sale</td>
<td>4,80,000.00</td>
</tr>
<tr>
<td>Raw Material</td>
<td>1,46,666.67</td>
</tr>
<tr>
<td>Plant and Machinery</td>
<td>4,074.07</td>
</tr>
<tr>
<td>Total</td>
<td>6,30,740.79</td>
</tr>
<tr>
<td>Less: ITC</td>
<td></td>
</tr>
<tr>
<td>Raw Material</td>
<td>(3,60,000.00)</td>
</tr>
<tr>
<td>Capital Goods</td>
<td>(6,00,000.00)</td>
</tr>
<tr>
<td>ITC to be carried forward</td>
<td>3,29,259.26</td>
</tr>
</tbody>
</table>

#### SGST

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output Tax</td>
<td></td>
</tr>
<tr>
<td>Sale</td>
<td>4,80,000.00</td>
</tr>
<tr>
<td>Raw Material</td>
<td>1,46,666.67</td>
</tr>
<tr>
<td>Plant and Machinery</td>
<td>4,074.07</td>
</tr>
<tr>
<td>Total</td>
<td>6,30,740.79</td>
</tr>
<tr>
<td>Less: ITC</td>
<td></td>
</tr>
<tr>
<td>Raw Material</td>
<td>(3,60,000.00)</td>
</tr>
<tr>
<td>Capital Goods</td>
<td>(6,00,000.00)</td>
</tr>
<tr>
<td>ITC to be carried forward</td>
<td>3,29,259.26</td>
</tr>
</tbody>
</table>

### Illustration 7:

ABC Ltd. is registered in GST and company has purchased raw material ₹10,00,000 + CGST @ 10% + SGST @ 10% on 01/11/2019 and also Plant and Machinery ₹ 20,00,000 + CGST @10% + SGST @ 10%. Company is manufacturing two products A & B. Product A is exempt and Product B is taxable. Turnover of product A in November 2019 is ₹18,00,000 and Turnover of product B is ₹30,00,000. Rate of Output CGST @ 10% and SGST @ 10%.

**Compute ITC/ Output tax/ Net Tax for the month of November 2019.**

**Solution:**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computation of Net Tax Liability of ABC Ltd.</td>
<td>₹</td>
</tr>
<tr>
<td>Raw Material</td>
<td>10,00,000</td>
</tr>
<tr>
<td>Add: CGST @ 10%</td>
<td>1,00,000</td>
</tr>
<tr>
<td>Add: SGST @ 10%</td>
<td>1,00,000</td>
</tr>
<tr>
<td>Total</td>
<td>12,00,000</td>
</tr>
</tbody>
</table>

Input tax credit
CGST 1,00,000
SGST 1,00,000
Cost of Raw Material 10,00,000

**ITC on capital Goods**
Plant and Machinery 20,00,000
CGST @ 10% 2,00,000
SGST @ 10% 2,00,000
ITC CGST 2,00,000
ITC SGST 2,00,000
Cost of Plant and Machinery 20,00,000

**Output Tax**
Turnover 30,00,000
CGST @ 10% 3,00,000
SGST @ 10% 3,00,000
Add: ITC to be reversed

**Raw Material - Rule 42**
CGST 1,00,000/48,00,000 x 18,00,000 37,500.00
SGST 1,00,000/48,00,000 x 18,00,000 37,500.00

**Capital Goods – Rule 43**
CGST (2,00,000/60 x 1)/48,00,000 x 18,00,000 1,250.00
SGST (2,00,000/60 x 1)/48,00,000 x 18,00,000 1,250.00

**Computation of Net Tax - CGST**
Output Tax
Sale 3,00,000.00
Raw Material 37,500.00
Plant and Machinery 1,250.00
Total 3,38,750.00
Less: ITC
Raw Material (1,00,000.00)
Capital Goods (2,00,000.00)
Tax Payable 38,750.00

**Computation of Net Tax - SGST**
Output Tax
Sale 3,00,000.00
Raw Material 37,500.00
Plant and Machinery 1,250.00
Total 3,38,750.00
Less: ITC
Raw Material (1,00,000.00)
Capital Goods (2,00,000.00)
Tax Payable 38,750.00

**Illustration 8**: 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 of ITC to be reversed 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 x 28 = 2,80,000
Amount of credit to be reversed  SGST = 6,00,000/60 x 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 reversed will be higher of the two which is CGST ₹ 4,80,000 & SGST ₹ 4,80,000 as per section 18(6)/Rule 44.

Illustration 9: ABC Ltd. Started Business on 01/10/2019.
Purchased raw material ₹16,00,000 + CGST @ 10% + SGST @ 10% and also purchased plant machinery ₹30,00,000 + CGST @ 12% + SGST @ 12%.
Turnover of the company crossed ₹40,00,000 on 10/01/2020 and company has taken registration on 10/01/2020 and at that time 50% of the raw material has been utilised.
Company had turnover ₹30,00,000 from 10/01/2020 to 31/01/2020 and it was sold CGST @ 12% and SGST @ 12%.
Compute ITC /Output tax and Net Tax for Jan 2020

Solution:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchased raw material</td>
<td>16,00,000</td>
</tr>
<tr>
<td>Add: CGST @10%</td>
<td>1,60,000</td>
</tr>
<tr>
<td>Add: SGST @10%</td>
<td>1,60,000</td>
</tr>
<tr>
<td>Total</td>
<td>19,20,000</td>
</tr>
<tr>
<td>ITC allowed</td>
<td></td>
</tr>
<tr>
<td>CGST (50%)</td>
<td>80,000</td>
</tr>
<tr>
<td>SGST (50%)</td>
<td>80,000</td>
</tr>
<tr>
<td>Plant &amp; Machinery</td>
<td>30,00,000</td>
</tr>
<tr>
<td>Add: CGST @12%</td>
<td>3,60,000</td>
</tr>
<tr>
<td>Add: SGST @12%</td>
<td>3,60,000</td>
</tr>
<tr>
<td>Total</td>
<td>37,20,000</td>
</tr>
</tbody>
</table>

As per Section 18 (1) (a) / Rule 40, no tax credit shall be allowed for capital goods.

Output Tax

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transaction Value</td>
<td>30,00,000</td>
</tr>
<tr>
<td>Add: CGST @12%</td>
<td>3,60,000</td>
</tr>
<tr>
<td>Add: SGST @12%</td>
<td>3,60,000</td>
</tr>
<tr>
<td>Total</td>
<td>37,20,000</td>
</tr>
</tbody>
</table>

Computation of Net Tax Payable

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output Tax</td>
<td>3,60,000</td>
</tr>
<tr>
<td>Less: ITC raw material</td>
<td>(80,000)</td>
</tr>
<tr>
<td>Tax Payable</td>
<td>2,80,000</td>
</tr>
</tbody>
</table>
Input Tax Credit

SGST

Output Tax 3,60,000
Less: ITC raw material (80,000)
Tax Payable 2,80,000

Illustration 10:
Mr. X started his business on 01/04/2019 and he is unregistered dealer. He purchased goods A for ₹18,00,000 + IGST 20% and 60% of the goods were sold by him upto 30/06/2019 for ₹40,00,000.
He applied for registration on 10/07/2019 and was registered on 18/07/2019.
He purchased one plant and machinery on 01/05/2019 for ₹16,00,000 + CGST @ 10% + SGST @ 10%.
He purchased goods B on 01/08/2019 for ₹30,00,000 + CGST @ 10% + SGST @ 10% and goods were sold for ₹40,00,000 + IGST @ 20%.
He purchased one more plant on 01/09/2019 for ₹13,00,000 + CGST @ 10% + SGST @ 10% and this plant was sold by him on 10/03/2020 for ₹9,00,000 + CGST @ 10% + SGST @ 10%.

Compute ITC /Output tax /Net Tax.

Solution:

Computation of Net Tax Liability of Mr. X.

Input Tax Credit

<table>
<thead>
<tr>
<th>Goods</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods A</td>
<td>18,00,000</td>
</tr>
<tr>
<td>Add: IGST @ 20%</td>
<td>3,60,000</td>
</tr>
<tr>
<td>Total</td>
<td>21,60,000</td>
</tr>
</tbody>
</table>

No ITC is allowed in the beginning as he is an unregistered dealer.

40% credit is allowed (3,60,000 x 40%) = 1,44,000

As per section 18(1)(a), No ITC is allowed for capital goods.

<table>
<thead>
<tr>
<th>Goods</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods B</td>
<td>30,00,000</td>
</tr>
<tr>
<td>Add: CGST @ 10%</td>
<td>3,00,000</td>
</tr>
<tr>
<td>Add: SGST @ 10%</td>
<td>3,00,000</td>
</tr>
<tr>
<td>Total</td>
<td>36,00,000</td>
</tr>
</tbody>
</table>

ITC

<table>
<thead>
<tr>
<th>CGST</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>3,00,000</td>
<td></td>
</tr>
<tr>
<td>SGST</td>
<td>3,00,000</td>
</tr>
</tbody>
</table>

Plant

<table>
<thead>
<tr>
<th>Add: CGST @ 10%</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,30,000</td>
<td></td>
</tr>
<tr>
<td>Add: SGST @ 10%</td>
<td>1,30,000</td>
</tr>
<tr>
<td>Total</td>
<td>15,60,000</td>
</tr>
</tbody>
</table>

ITC

<table>
<thead>
<tr>
<th>CGST</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,30,000</td>
<td></td>
</tr>
<tr>
<td>SGST</td>
<td>1,30,000</td>
</tr>
</tbody>
</table>

Output Tax

<table>
<thead>
<tr>
<th>Goods B</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Add: IGST @ 20%</td>
<td>40,00,000</td>
</tr>
<tr>
<td>8,00,000</td>
<td></td>
</tr>
</tbody>
</table>
Total 48,00,000

**ITC to be reversed on sale of plant on 10/03/2020**
Remaining life of the plant = 60 months – 6 months and 10 days = 53 months 20 days = 53 months

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>CGST (1,30,000/60 x 53)</td>
<td>1,14,833.33</td>
</tr>
<tr>
<td>SGST (1,30,000/60 x 53)</td>
<td>1,14,833.33</td>
</tr>
</tbody>
</table>

Transaction value 9,00,000.00
Add: CGST @ 10% 90,000.00
Add: SGST @ 10% 90,000.00
Total 10,80,000.00

ITC to be reversed shall be higher

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>CGST</td>
<td>1,14,833.33</td>
</tr>
<tr>
<td>SGST</td>
<td>1,14,833.33</td>
</tr>
</tbody>
</table>

**Computation of Net Tax**

<table>
<thead>
<tr>
<th></th>
<th>IGST</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output Tax</td>
<td>8,00,000.00</td>
</tr>
<tr>
<td>Less: ITC goods A – IGST</td>
<td>(1,44,000.00)</td>
</tr>
<tr>
<td>Less: ITC goods B – CGST</td>
<td>(3,00,000.00)</td>
</tr>
<tr>
<td>Less: ITC plant – CGST</td>
<td>(15,166.67)</td>
</tr>
<tr>
<td>Less: ITC goods B – SGST</td>
<td>(3,00,000.00)</td>
</tr>
<tr>
<td>Less: ITC plant – SGST</td>
<td>(15,166.67)</td>
</tr>
<tr>
<td>Net Tax Payable</td>
<td>25,666.67</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>CGST</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output Tax</td>
<td>1,14,833.33</td>
</tr>
<tr>
<td>Less: ITC plant – CGST</td>
<td>(1,14,833.33)</td>
</tr>
<tr>
<td>Tax Payable</td>
<td>Nil</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>SGST</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output Tax</td>
<td>1,14,833.33</td>
</tr>
<tr>
<td>Less: ITC plant – SGST</td>
<td>(1,14,833.33)</td>
</tr>
<tr>
<td>Tax Payable</td>
<td>Nil</td>
</tr>
</tbody>
</table>
PRACTICE PROBLEMS

Q 1. Can a person take ITC without payment of consideration for the supply along with tax to the supplier?
Answer: Yes, the recipient can take ITC. However, he is required to pay the consideration along with tax within 180 days from the date of issue of invoice.

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: 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.

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) 20th October 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. For banking companies using inputs and input services partly for taxable supplies and partly for exempt supplies, which of the statement is true?
(a) ITC shall be compulsorily restricted to credit attributable to taxable supplies including zero rated supplies
(b) 50% of eligible ITC on inputs, capital goods, and input service shall be mandatorily taken in a month and the rest shall lapse.
(c) Banking company can choose to exercise either option (a) or option (b)
(d) None of the above
6. 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
7. 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
8. 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
9. Input tax credit is allowed to _______.
(a) registered person  (b) registered person except composition dealer
(c) unregistered dealer  (d) all of the above
10. 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)
11. 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
12. 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
13. 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
14. Tax Credit shall be allowed on the basis of
(a) tax invoice  (b) debit note  (c) bill of entry  (d) all of the above
15. 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
16. 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
17. 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
18. 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
19. 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

20. 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

21. 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

22. 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

23. Input tax credit is not available in respect of _______.
(a) Goods lost   (b) Goods stolen   (c) Goods destroyed   (d) all of the above

24. 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

25. 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

26. 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. (c); 6. (b); 7. (d); 8. (d); 9 (b); 10 (a); 11 (c); 12 (c); 13 (c); 14 (d); 15 (a); 16 (b); 17 (a); 18 (a); 19 (b); 20. (a); 21. (c); 22. (b); 23. (d); 24. (c); 25. (c); 26. (c).
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 specified limit which is given below:

Limit for person supplying within the State/UT.

<table>
<thead>
<tr>
<th>SL.No</th>
<th>Name of State/UT</th>
<th>Limit for person supplying only services or services plus goods</th>
<th>Limit for person supplying only goods</th>
</tr>
</thead>
<tbody>
<tr>
<td>01</td>
<td>Manipur</td>
<td>10,00,000</td>
<td>10,00,000</td>
</tr>
<tr>
<td>02</td>
<td>Mizoram</td>
<td>10,00,000</td>
<td>10,00,000</td>
</tr>
<tr>
<td>03</td>
<td>Nagaland</td>
<td>10,00,000</td>
<td>10,00,000</td>
</tr>
<tr>
<td>04</td>
<td>Tripura</td>
<td>10,00,000</td>
<td>10,00,000</td>
</tr>
<tr>
<td>05</td>
<td>Arunachal Pradesh</td>
<td>20,00,000</td>
<td>20,00,000</td>
</tr>
<tr>
<td>06</td>
<td>Meghalaya</td>
<td>20,00,000</td>
<td>20,00,000</td>
</tr>
<tr>
<td>07</td>
<td>Puducherry</td>
<td>20,00,000</td>
<td>20,00,000</td>
</tr>
<tr>
<td>08</td>
<td>Sikkim</td>
<td>20,00,000</td>
<td>20,00,000</td>
</tr>
<tr>
<td>09</td>
<td>Telangana</td>
<td>20,00,000</td>
<td>20,00,000</td>
</tr>
<tr>
<td>10</td>
<td>Uttarakhand</td>
<td>20,00,000</td>
<td>20,00,000</td>
</tr>
<tr>
<td>11</td>
<td>Other remaining States / UT</td>
<td>20,00,000</td>
<td>40,00,000</td>
</tr>
</tbody>
</table>

Limit for person supplying Specified goods i.e. ice cream and other edible ice, pan masala, Tobacco etc.

<table>
<thead>
<tr>
<th>SL. No</th>
<th>Name of State/UT</th>
<th>Limit for person supplying Specified goods i.e. ice cream and other edible ice, pan masala, Tobacco etc.</th>
</tr>
</thead>
<tbody>
<tr>
<td>01</td>
<td>Manipur</td>
<td>10,00,000</td>
</tr>
<tr>
<td>02</td>
<td>Mizoram</td>
<td>10,00,000</td>
</tr>
<tr>
<td>03</td>
<td>Nagaland</td>
<td>10,00,000</td>
</tr>
<tr>
<td>04</td>
<td>Tripura</td>
<td>10,00,000</td>
</tr>
<tr>
<td>05</td>
<td>Other remaining States / UT</td>
<td>20,00,000</td>
</tr>
</tbody>
</table>

Examples:

<table>
<thead>
<tr>
<th>Supplier</th>
<th>Engaged</th>
<th>Aggregate turnover (in lakhs)</th>
<th>Applicable threshold limit for Registration (in lakhs)</th>
<th>Whether liable to obtain registration?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr. P of Assam</td>
<td>exclusively in supply of shoes</td>
<td>22</td>
<td>40</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td>exclusively in supply of pan masala</td>
<td>22</td>
<td>20</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>exclusively in supply of taxable services</td>
<td>22</td>
<td>20</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>in supply of both taxable goods and services</td>
<td>22</td>
<td>20</td>
<td>Yes</td>
</tr>
<tr>
<td>Mr. S of Telangana</td>
<td>exclusively in supply of toys</td>
<td>22</td>
<td>20</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>exclusively in supply of ice cream</td>
<td>22</td>
<td>20</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>exclusively in supply of taxable services</td>
<td>22</td>
<td>20</td>
<td>Yes</td>
</tr>
</tbody>
</table>
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.

Aggregate turnover shall include all supplies made by the taxable person whether on his own account or on behalf of all his principals.

If a business is carried by a taxable person who is registered under this Act has transferred his business to any other person, the transferee shall obtain fresh registration from the date of transfer of business provided transferee is not a registered entity.

Persons not liable for registration.

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.

(2) The Government may, on the recommendations of the Council, by notification, specify the category of persons who may be exempted from obtaining registration under this Act.

As per notification number CT-5/2017 dated 19.06.2017, Government has exempted the persons from registration who are only engaged in making supplies of taxable goods or services or both, total tax on which is liable to be paid on reverse charge basis by the recipient of such goods or services under section 9(3).

Question 2: 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. Similarly in case of casual taxable person supplying handicraft goods, limit of ₹10,00,000/₹20,00,000/₹40,00,000 shall be applicable. Turnover shall be computed on all India basis. Such person shall be required to obtain PAN and also e-way bill has to be generated.

Handicraft goods: Here, handicraft goods means the products specified in the respective notifications, when 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

<table>
<thead>
<tr>
<th></th>
<th>in supply of both taxable goods and services</th>
<th>22</th>
<th>20</th>
<th>Yes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr. A of Manipur</td>
<td>exclusively in supply of paper</td>
<td>12</td>
<td>10</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>exclusively in supply of tobacco</td>
<td>12</td>
<td>10</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>exclusively in supply of taxable services</td>
<td>12</td>
<td>10</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>in supply of both taxable goods and services</td>
<td>12</td>
<td>10</td>
<td>Yes</td>
</tr>
</tbody>
</table>
Registration 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) Persons who are required to pay tax under reverse charge.

(iv) Non-resident taxable persons making taxable supply.

(v) Persons who make taxable supply of goods / services on behalf of other taxable persons whether as an agent or otherwise, eg. Mr. X has one business establishment in Delhi supplying goods and turnover from business is ₹ 44,00,000 and he is a registered. He has appointed one agent in Delhi, in this case agent must take registration from the beginning itself.

(vi) Persons who are required to pay tax under section 9 (5), eg. UBER, OLA CABS etc.

(vii) Every electronic commerce operator, eg. Amazon, Flipkart etc.

(viii) Persons supplying goods through electronic commerce operator also be required to take registration but in case of services normal limit of ₹10,00,000/ ₹20,00,000 shall be applicable. Further limit of ₹10,00,000/ ₹20,00,000 shall be applicable in case of person supplying services through ECO covered u/s 9(5)

Question 3: Explain procedure for registration.

Answer: As per section 25, Every person liable to be registered shall apply for registration in every such State/UT in which he is so liable within 30 days from the date on which he becomes liable for registration, eg. ABC limited has three branches in three different states and combined turnover is exceeding ₹20,00,000/ ₹40,00,000, ABC limited must apply for registration separately in each of the State.

Voluntary Registration Section 25 (3)
Any person can take voluntary registration and procedure shall be same.

Deemed Registration
As per section 26, If any person has taken registration is any State/UT shall be deemed to be a registration under CGST/IGST Act also. Similarly any rejection of application under SGST Act/ UTGST Act shall be deemed to be a rejection under CGST/IGST Act.

Procedure for Registration
As per Rule 8, Every person applying for registration shall declare his Permanent account number, mobile number, e-mail address, State or Union territory in Part A of form GST REG-01 and it is to be applied on the common portal. The particulars so given shall be verified by the GST Authority and a temporary reference number (TRN) shall be generated simultaneously.

Using the TRN the applicant shall submit Part – B of REG-01 alongwith specified documents. On receipt of application an acknowledgement shall be given in REG-02.

As per Rule 9, GST authority shall forward the application to the proper officer and if it is in order a registration certificate shall be issued within 3 working days from the date of submission of application (Part-B). If the application is not complete in every aspect, he will issue a notice to the applicant in REG-03 within 3 working days from the date of submission and applicant shall furnish clarification in REG-04 within a period of 7 working days and if proper officer is satisfied he shall issue registration certificate in REG-06 within 7 working days from the date of receipt of clarification. If no clarification is submitted or the proper officer is not satisfied, the proper officer shall reject the application and inform in REG-05.

If proper officer fails to take action within 3 working days from the date of submission of application or within 7 working days from the date of receipt of clarification, 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 10\(^{th}\) August 2019 and he applied for registration on 20\(^{th}\) August 2019 and registration was granted on 30\(^{th}\) August 2019, In this case effective date shall be 10\(^{th}\) August 2019 but if he has applied on 15\(^{th}\) September 2019 and registration was granted on 25\(^{th}\) September 2019, Registration shall be effective from 25\(^{th}\) September 2019.
2. Turnover of Mr. X supplying goods on 10\(^{th}\) August 2019 is ₹35,00,000 and he applied for voluntary registration and registration was granted on 25\(^{th}\) August 2019, In this case registration is effective from 25\(^{th}\) August 2019 but if his Turnover has exceeded ₹40,00,000 on 20\(^{th}\) August 2019, In this case applicant should inform the department for change of category (REG-04) and registration granted shall be applicable from 20\(^{th}\) August 2019 or the applicant can request for amendment after receiving certificate.

**Display of registration certificate and Goods and Services Tax Identification Number on the name board Rule 18**
Every registered person shall display his certificate of registration in a prominent location at his principal place of business and at every additional place or places of business.

Every registered person shall display his Goods and Services Tax Identification Number on the name board exhibited at the entry of his principal place of business and at every additional place or places of business.

**Prohibition of unauthorized collection of tax Section 32.**
A person who is not a registered person shall not collect in respect of any supply of goods or services or both any amount by way of tax under this Act.

**Question 4: Explain Issue of Revised Invoice at the time of registration**

**Answer: Issue of Revised Invoice at the time of registration Section 31/ Rule 53**
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.

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.

Any invoice or debit note issued in pursuance of any tax payable in accordance with the provisions of section 74 or section 129 or section 130 shall prominently contain the words “INPUT TAX CREDIT NOT ADMISSIBLE”.

**Question 5: write a note on amendment in Registration Certificate.**

**Answer:** Amendment of Registration Section 28/ Rule 19

1. If any person has taken registration, subsequent amendment is allowed with regard to the following
   (i) name of business
   (ii) address of the business
   (iii) addition/deletion of partners/directors of business which does not warrant cancellation of registration, eg. If there are 3 partners and 1 partner is retired, amendment is required but if 2 partners have left the firm, cancellation is required because there will be change in PAN.
   (iv) change in mobile number or e-mail address of the authorised signatory.

2. Every registered person shall apply online for amendment in form no. **REG – 14 within 15 days** of any change along with the documents relating to such change.

3. The proper officer approve the amendment within **15 working days** from the date of receipt of application and issue an order in form **REG-15** and such amendment shall take effect from the date of such change. Further such amendment shall be applicable for all the registration with same PAN.

4. Where a change in constitution of any business results in change of the PAN, certificate shall be cancelled and the person shall apply for fresh registration in REG-01.

5. If the proper officer is of the opinion that the document is incomplete or incorrect, proper officer shall serve a notice in **REG-03** within 15 working days from the date of receipt of application. And the registered person shall furnish a reply in **REG-04** within **7 working days** from the date of service of notice.

6. Where reply furnished is not satisfactory or where no reply is furnished, the proper officer shall reject the application and pass an order in **REG-05**.

**Question 6: write a note on cancellation of Registration Certificate.**

**Answer:** Cancellation of Registration Section 29 / Rule 20 to 22

**A. Cancellation at the request of the applicant**

A registered person shall submit an application in form **REG-16** including therein the details of stock and liability and payment of tax **within 30 days** of the occurrence of the event warranting the cancellation.

In the following cases a registered person shall file an application for cancellation of registration-

(a) the business has been discontinued, transferred fully for any reason including death of the proprietor, amalgamated with other legal entity, demerged or otherwise disposed of.

(b) there is any change in the constitution of the business.

(c) the taxable person is no longer liable to be registered.

The GST officer shall cancel the registration and such person shall be required to reverse tax credit in connection with inputs or capital goods lying in the stock and shall submit final return in form no GSTR-10 u/s 45 within 3 month of the date of the cancellation or date of order of cancellation, whichever is later, eg. if cancellation order has been issued on 20th October 2019 but registration has been cancelled w.e.f. 01st October 2019, 3 months shall be determined from 20th October 2019.

**B. Cancellation by GST officer own his own motion**

The **Registration certificate can be cancelled by proper officer on his own motion in the following cases:**

(a) a registered person does not conduct any business from the declared place of business.

(b) a registered person issues invoice or bill without supply of goods or services in violation of the Act.

(c) a registered person violates the provisions of section 171 of the Act i.e. if rate of GST has been decreased, benefit should be given to the customer.
(d) A person paying tax under composition scheme has not furnished statements for 3 consecutive tax periods (as per section 39/rule 62, a supplier covered in composition scheme is required to file quarterly statement in form no. CMP 08, upto 18th of next month).

(e) Any registered person (other than composition scheme) has not furnished returns for a continuous period of 6 months. (as per section 39/rule 61, every registered person shall be required to file monthly return in form no. GSTR-3B, upto 20th of next month).

(f) Any person who has taken voluntary registration and has not commenced business within 6 months from the date of registration.

(g) Registration has been obtained by means of fraud, wilful misstatement or suppression of facts.

The GST officer shall issue a notice in this regard and only after giving an opportunity or being heard, decision shall be taken to cancel the certificate. If certificate has been cancelled, ITC shall be reversed and final return has to be filed.

**Question 7: Write a note on revocation of cancellation of registration.**

**Answer: Revocation of cancellation of registration Section 30/Rule 23**

1. Any registered person, whose registration is cancelled by the proper officer on his own motion, may apply to such officer for revocation of cancellation of the registration in form REG-21 within 30 days from the date of service of the cancellation order.

2. 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, in terms of such returns, has been paid along with any amount payable towards interest, penalty and late fee in respect of the said returns.

3. Where the proper officer is satisfied, for reasons to be recorded in writing, that there are sufficient grounds for revocation of cancellation of registration, he shall revoke the cancellation of registration, otherwise application shall be rejected.

4. The proper officer may reject the application by an order in form REG-05 if sufficient grounds for revocation are not found.

**Question 8: Explain Suo motu registration.**

**Answer: Suo motu registration Rule 16.**

Where, pursuant to any survey, enquiry, inspection, search or any other proceedings under the Act, the proper officer finds that a person liable to registration under the Act has failed to apply for such registration; such officer may register the said person on a temporary basis and issue an order in form REG-12.

The registration granted shall be effective from the date of such order granting registration.

Every person to whom a temporary registration has been granted shall, within a period of 90 days from the date of the grant of such registration, submit an application for registration in the normal manner.

Provided that where the said person has filed an appeal against the grant of temporary registration, in such case, the application for registration shall be submitted within a period of thirty days from the date of the issuance of the order upholding the liability to registration by the Appellate Authority.

The Goods and Services Tax Identification Number shall be effective from the date of the order granting registration.

**Question 9: 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 Rule 11**

(1) Any person having multiple places of business within a State or a Union territory, requiring a separate registration for any such place of business shall be granted separate registration in respect of each such place of business subject to the following conditions, namely:-
(a) such person has more than one place of business as defined in clause (85) of section 2;
(b) such person shall not pay tax under section 10 for any of his places of business if he is paying tax under section 9 for any other place of business;
(c) all separately registered places of business of such person shall pay tax under the Act on supply of goods or services or both made to another registered place of business of such person and issue a tax invoice or a bill of supply, as the case may be, for such supply.
Explanation. - For the purposes of clause (b), it is hereby clarified that where any place of business of a registered person that has been granted a separate registration becomes ineligible to pay tax under section 10, all other registered places of business of the said person shall become ineligible to pay tax under the said section.
(2) A registered person opting to obtain separate registration for a place of business shall submit a separate application in FORM GST REG-01 in respect of such place of business.
(3) The provisions of rule 9 and rule 10 relating to the verification and the grant of registration shall, mutatis mutandis, apply to an application submitted under this rule.

Section 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

Rule 41A. Transfer of credit on obtaining separate registration for multiple places of business within a State or Union territory.
(1) A registered person who has obtained separate registration for multiple places of business in accordance with the provisions of rule 11 and who intends to transfer, either wholly or partly, the unutilised input tax credit lying in his electronic credit ledger to any or all of the newly registered place of business, shall furnish within a period of thirty days from obtaining such separate registrations, the details in FORM GST ITC-02A electronically on the common portal, either directly or through a Facilitation Centre notified in this behalf by the Commissioner:
Provided that the input tax credit shall be transferred to the newly registered entities in the ratio of the value of assets held by them at the time of registration.
Explanation.- For the purposes of this sub-rule, it is hereby clarified that the ‘value of assets’ means the value of the entire assets of the business whether or not input tax credit has been availed thereon.
(2) The newly registered person (transferee) shall, on the common portal, accept the details so furnished by the registered person (transferor) and, upon such acceptance, the unutilised input tax credit specified in FORM GST ITC-02A shall be credited to his electronic credit ledger.”.

Question 10: Write a note on suspension of registration.
Answer: Suspension of registration  Rule 21A
(1) Where a registered person has applied for cancellation of registration, the registration shall be deemed to be suspended from the date of submission of the application or the date from which the cancellation is sought, whichever is later, pending the completion of proceedings for cancellation of registration.
(2) Where the proper officer has reasons to believe on his own that the registration of a person is liable to be cancelled, he may, after affording the said person a reasonable opportunity of being heard, suspend the registration of such person with effect from a date to be determined by him, pending the completion of the proceedings for cancellation of registration.
(3) 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.
(4) The suspension of registration shall be deemed to be revoked upon completion of the proceedings by the proper officer and such revocation shall be effective from the date on which the suspension had come into effect.

**Question 11: Explain physical verification of business premises.**

**Answer: As per Rule 25.** Where the proper officer is satisfied that the physical verification of the place of business of a registered person is required after the grant of registration, he may get such verification done and the verification report along with the other documents, including photographs, shall be uploaded in FORM GST REG-30 on the common portal within a period of fifteen working days following the date of such verification.

**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.*

*As per section 24, Every casual taxable person* shall also be required to take registration irrespective of the turnover and procedure shall be same.

*As per section 25, He should apply for registration at least 5 days prior to commencement of business. Registration shall be granted only after the applicant has paid estimated amount of GST in advance.*
Registration

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.

Extension in period of operation by casual taxable person Rule 15
Where a registered casual taxable person intends to extend the period of registration indicated in his application of registration, an application in FORM GST REG-11 shall be submitted by such person before the end of the validity of registration granted to him.

Every casual taxable person shall be required to submit monthly return similarly as required to be filed by normal registered person. (GSTR-1) 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.

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 at least 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 Rule 13, A non-resident taxable person shall electronically submit an application, along with 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.

Extension in period of operation by non-resident taxable person Rule 15
Where a registered non-resident taxable person intends to extend the period of registration indicated in his application of registration, an application in FORM GST REG-11 shall be submitted by such person before the end of the validity of registration granted to him.

As per Rule 63, Return shall be furnished in form GSTR-5 within 20 days after the end of the month or within 7 days after the last day of validity of registration. Whichever is earlier. (NRTP is not required to file GSTR-1 or GSTR-3B)
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: As per section 9(5), The Government may, on the recommendations of the Council, by notification, specify categories of services the tax on supplies of which shall be paid by the electronic commerce operator if such services are supplied through it, and all the provisions of this Act 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.

If an electronic commerce operator does not have a physical presence in the taxable territory, any person representing such electronic commerce operator for any purpose in the taxable territory shall be liable to pay tax:
Further if an electronic commerce operator does not have a physical presence in the taxable territory and also he does not have a representative in the said territory, such electronic commerce operator shall appoint a person in the taxable territory for the purpose of paying tax and such person shall be liable to pay tax.

Notification no. 17/2017-central tax (rate), dated 28-6-2017, in case of the following categories of services, the tax on intra-State supplies shall be paid by the electronic commerce operator—
(i) services by way of transportation of passengers by a radio-taxi, motorcab, maxicab and motor cycle;
(ii) services by way of providing accommodation in hotels, inns, guest houses, clubs, campsites or other commercial places meant for residential or lodging purposes, except where the person supplying such service through electronic commerce operator is liable for registration under section 22 of the said Central Goods and Services Tax Act;
(iii) services by way of house-keeping, such as plumbing, carpentering etc., except where the person supplying such service through electronic commerce operator is liable for registration under section 22 of the said Central Goods and Services Tax Act.

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(za), 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.

**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 State/UT other than Special Category States] 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 tax paper 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.

**Q13.** What will be the time limit for the decision on the on-line registration application?

**Answer:** If the information and the uploaded documents are found in order, the proper officer has to respond to the application within 3 common working days. If he communicates any deficiency or discrepancy in the application within such time, then the applicant will have to remove the discrepancy/deficiency within 7 days of such communication. Thereafter, for either approving the application or rejecting it, the proper officer has 7 days’ time from the date when the taxable person communicates removal of deficiencies. In case no response is given by the proper officer within the said time line, the portal shall automatically generate the registration.

**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 3 common working days. The applicant will reply to the query/rectify the error/answer the query within a period of 7 days from the date of receipt of deficiency intimation. On receipt of additional document or clarification, the relevant tax authority will respond within 7 common working days from the date of receipt of clarification.

**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, 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.

### 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
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 in a State ____obtain a separate registration for each business vertical.
   (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 in 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 CER-06
   (c) FORM GST CER-06
   (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.
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 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) 3 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)
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 and is as given below:

1. **As per Section 10**, A registered dealer whose aggregate turnover in the preceding year is up to ₹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 taken 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) **0.5% CGST + 0.5% SGST** of Turnover in the State/Turnover in the Union Territory in case of manufacturer but in case of traders, rate will be the same but it will be computed on taxable supplies instead of total supplies. (now trader has been exempted to pay tax on exempt supplies)

(ii) 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.

2. Such person should not be engaged in the supply of services except restaurant services i.e. option of composition scheme is not available for the supply of services however if a person providing restaurant services has provided exempt services like charging of interest on loan or advance, he will continue to be eligible for composition scheme. Further while computing limit of ₹ 1.5 crore, such exempt services shall not be included.

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.

3. He is not making any inter-state supply.

4. He is not engaged in making supply through electronic commerce operator who is required to collect tax at source under section 52. (Not covered in syllabus)

5. He is not a manufacturer of such goods which are notified for this purpose i.e. Pan masala, Tobacco and Ice cream.

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.
7. The person covered in composition scheme shall get shifted to the normal scheme if the limit of ₹1,50,00,000 exceeds at any time in a financial year.

8. If any person has wrongly opted such scheme, penalty may be imposed under section 73/74.

9. As per Rule 3, a person applying for registration may give option for composition scheme in part B of REG-01.

10. 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.

11. As per Rule 4, 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 90 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 5, such person should be neither casual taxable person nor non-resident taxable person.

13. 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)

14. As per Rule 6, If turnover exceeds ₹150,00,000 he will be shifted to normal scheme with immediate effect and he will give an intimation in CMP-04 within 7 days of exceeding the limit.

15. 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. Such withdrawal shall be applicable to all the places in all the states/UTs.

16. 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

17. such person can purchase either from same state or from some other state or from some other country but cannot sale to other state or to other country.

18. 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.

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.
CLARIFICATION

Person providing exempted service is eligible for composition scheme
A person supplies restaurant service and also supplies any exempt services including services by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount, the said person shall not be ineligible for the composition scheme.
Further, while computing aggregate turnover of such person in order to determine his eligibility for composition scheme, value of supply of any exempt services including services by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount, shall not be taken into account [Order No.01/2017 CT dated 13.10.2017].

Example: 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. In this case tax treatment and his profit shall be as given below:

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase</td>
<td>25,00,000</td>
</tr>
<tr>
<td>Add: CGST@10%</td>
<td>2,50,000</td>
</tr>
<tr>
<td>Add: SGST@10%</td>
<td>2,50,000</td>
</tr>
<tr>
<td>Total</td>
<td>30,00,000</td>
</tr>
</tbody>
</table>

Input tax allowed

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>CGST</td>
<td>2,50,000</td>
</tr>
<tr>
<td>SGST</td>
<td>2,50,000</td>
</tr>
</tbody>
</table>

Cost

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase</td>
<td>25,00,000</td>
</tr>
<tr>
<td>Add: profit</td>
<td>2,00,000</td>
</tr>
<tr>
<td>Total</td>
<td>27,00,000</td>
</tr>
</tbody>
</table>

Transaction Value

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Add: CGST@10%</td>
<td>2,70,000</td>
</tr>
<tr>
<td>Add: SGST@10%</td>
<td>2,70,000</td>
</tr>
<tr>
<td>Total</td>
<td>32,40,000</td>
</tr>
</tbody>
</table>

Computation of Net Tax

Output Tax

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>CGST</td>
<td>2,70,000</td>
</tr>
<tr>
<td>Less: ITC CGST</td>
<td>(2,50,000)</td>
</tr>
<tr>
<td>Net Tax Payable</td>
<td>20,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>SGST</td>
<td>2,70,000</td>
</tr>
<tr>
<td>Less: ITC SGST</td>
<td>(2,50,000)</td>
</tr>
<tr>
<td>Net Tax Payable</td>
<td>20,000</td>
</tr>
</tbody>
</table>

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.

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase</td>
<td>25,00,000</td>
</tr>
<tr>
<td>Add: CGST@10%</td>
<td>2,50,000</td>
</tr>
</tbody>
</table>
Add: SGST@10%  
Total  
Input tax credit is not allowed.  
Cost  
Add: profit  
Sale Value  

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  
SGST@ 0.5% of ₹ 32,00,000  

Computation of Net Profit (2,00,000 -16,000-16,000)  

If he has opted for composition scheme, his profit shall be higher and he will be saved from complicated accounting and other procedure.  

**Illustration 1:** 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 01/08/2019 and also plant machinery ₹30,00,000 + CGST @ 12% + SGST @ 12%.  
He shifted to the normal scheme on 10/02/2020 and upto 10/02/2020, he has sold half of goods (not P & M).  
He purchased goods B ₹18,00,000 on 01/03/2020 + 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:  

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods A in stock</td>
<td>10,00,000</td>
</tr>
<tr>
<td>Add: CGST @10%</td>
<td>1,00,000</td>
</tr>
<tr>
<td>Add: SGST @10%</td>
<td>1,00,000</td>
</tr>
<tr>
<td>Total</td>
<td>12,00,000</td>
</tr>
<tr>
<td>ITC allowed</td>
<td></td>
</tr>
<tr>
<td>CGST</td>
<td>1,00,000</td>
</tr>
<tr>
<td>SGST</td>
<td>1,00,000</td>
</tr>
<tr>
<td>Plant &amp; Machinery</td>
<td>30,00,000</td>
</tr>
<tr>
<td>Add: CGST @12%</td>
<td>3,60,000</td>
</tr>
<tr>
<td>Add: SGST @12%</td>
<td>3,60,000</td>
</tr>
<tr>
<td>Total</td>
<td>37,20,000</td>
</tr>
</tbody>
</table>

ITC Allowed shall be as given below:  

**CGST**  

Asset already used 01/08/2019 to 10/02/2020 = 6 month and 10 days = 3 Quarters  
Less: Tax Credit not allowed (3,60,000 x (3 x 5%))  
Amount of Tax Credit allowed  

**SGST**  

3,60,000
Asset already used 01/08/2019 to 10/02/2020 = 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

Computations 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 2: Mr. X is a registered in GST in Delhi and is in Normal scheme.
Purchased goods ₹30,00,000 + CGST @ 10% + SGST @ 10% on 01/10/2018.
Purchased Plant & Machinery ₹32,00,000 + CGST @ 12% + SGST @ 12% on 22/09/2018.
Sold half of the goods for ₹22,00,000 + CGST @ 10% + SGST @ 10% up to 01/04/2019.
He shifted to the composition scheme on 01/04/2019 and remaining goods were sold by him for ₹24,00,000 (no GST has been charged)
Purchased some more goods on 01/05/19 ₹10,00,000 + CGST @ 10% + SGST @ 10% and sold goods up to 31/05/19 ₹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

<table>
<thead>
<tr>
<th></th>
<th>CGST</th>
<th>SGST</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output tax</td>
<td>2,20,000</td>
<td>2,20,000</td>
</tr>
<tr>
<td>Less: ITC on Goods</td>
<td>(2,20,000)</td>
<td>(2,20,000)</td>
</tr>
<tr>
<td>Net Tax</td>
<td>Nil</td>
<td>Nil</td>
</tr>
<tr>
<td>Excess Credit to be carried forward</td>
<td>(3,00,000 + 3,84,000 - 2,20,000)</td>
<td>(3,00,000 + 3,84,000 - 2,20,000)</td>
</tr>
<tr>
<td></td>
<td>4,64,000</td>
<td>4,64,000</td>
</tr>
</tbody>
</table>

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 01/04/2019
Asset used  (22/09/18 to 01/04/2019) =  6 month and 10 days
Remaining life = 60 months – 6 month and 10 days = 53 months and 20 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**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>CGST (1,50,000 + 3,39,200)</td>
<td>4,89,200</td>
</tr>
<tr>
<td>Less: ITC</td>
<td>(4,64,000)</td>
</tr>
<tr>
<td>Net Payable</td>
<td>25,200</td>
</tr>
<tr>
<td>SGST (1,50,000 + 3,39,200)</td>
<td>4,89,200</td>
</tr>
<tr>
<td>Less: ITC</td>
<td>(4,64,000)</td>
</tr>
<tr>
<td>Net Payable</td>
<td>25,200</td>
</tr>
</tbody>
</table>

**Output tax under composition scheme**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover</td>
<td>38,00,000</td>
</tr>
<tr>
<td>CGST @ 0.5%</td>
<td>19,000</td>
</tr>
<tr>
<td>SGST @ 0.5%</td>
<td>19,000</td>
</tr>
</tbody>
</table>

**Illustration 3:** 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 01/04/2019.
- Purchased Plant & Machinery ₹18,00,000 + CGST @ 10% + SGST @ 10% on 01/06/2019.
- Sold half of the goods A for ₹22,00,000 on 01/10/2019.
- He shifted to the normal scheme on 01/01/2020 and remaining goods were sold by him on 01/03/2020 for ₹22,00,000 + CGST @ 10% + SGST @ 10%

Compute ITC/Output tax/ Net tax and also composition tax

**Solution:**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase goods A</td>
<td>30,00,000</td>
</tr>
<tr>
<td>Add: CGST @10%</td>
<td>3,00,000</td>
</tr>
<tr>
<td>Add: SGST @10%</td>
<td>3,00,000</td>
</tr>
<tr>
<td>Total</td>
<td>36,00,000</td>
</tr>
<tr>
<td>ITC allowed</td>
<td></td>
</tr>
<tr>
<td>CGST</td>
<td>1,50,000</td>
</tr>
<tr>
<td>SGST</td>
<td>1,50,000</td>
</tr>
</tbody>
</table>

**Plant and Machinery**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transaction Value</td>
<td>18,00,000</td>
</tr>
<tr>
<td>Add: CGST @10%</td>
<td>1,80,000</td>
</tr>
<tr>
<td>Add: SGST @10%</td>
<td>1,80,000</td>
</tr>
<tr>
<td>Total</td>
<td>21,60,000</td>
</tr>
</tbody>
</table>

**ITC allowed after shifting to normal scheme**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>CGST</td>
<td>1,80,000</td>
</tr>
<tr>
<td>Less: Tax credit not allowed for already used from 01/06/2019 to 01/01/2020 (1,80,000 x 3 x 5%)</td>
<td>(27,000)</td>
</tr>
<tr>
<td>ITC allowed</td>
<td>1,53,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>SGST</td>
<td>1,80,000</td>
</tr>
<tr>
<td>Less: Tax credit not allowed for already used from 01/06/2019 to 01/01/2020 (1,80,000 x 3 x 5%)</td>
<td>(27,000)</td>
</tr>
<tr>
<td>ITC allowed</td>
<td>1,53,000</td>
</tr>
</tbody>
</table>

**Output Tax**
**Composition Scheme**

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transaction Value</td>
<td>22,00,000</td>
</tr>
<tr>
<td>Add: CGST @10%</td>
<td>2,20,000</td>
</tr>
<tr>
<td>Add: SGST @10%</td>
<td>2,20,000</td>
</tr>
<tr>
<td>Total</td>
<td>26,40,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Net tax Payable</strong></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>CGST Output tax</td>
<td>2,20,000</td>
</tr>
<tr>
<td>Less: ITC on Goods A</td>
<td>(1,50,000)</td>
</tr>
<tr>
<td>Less: ITC Plant &amp; Machinery</td>
<td>(70,000)</td>
</tr>
<tr>
<td>Net Tax</td>
<td>Nil</td>
</tr>
<tr>
<td>Excess Credit to be carried forward</td>
<td>83,000</td>
</tr>
</tbody>
</table>

| 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 | 83,000 |

<table>
<thead>
<tr>
<th><strong>Output tax under composition scheme</strong></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover</td>
<td>22,00,000</td>
</tr>
<tr>
<td>CGST @ 0.5%</td>
<td>11,000</td>
</tr>
<tr>
<td>SGST @ 0.5%</td>
<td>11,000</td>
</tr>
</tbody>
</table>
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:
(i) Mohan is engaged in providing legal services 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 of services engaged in the supplies other than Restaurant services, is not eligible for composition levy. Since Mohan provides legal services, he is not eligible for composition scheme.
(ii) 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. 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 both the offices would be taken into account and if the same does not exceed the prescribed limit, X can opt to avail the composition levy scheme (subject to fulfillment of other prescribed conditions).

Q4. 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 cannot enter into the composition scheme as it is effecting inter-State supply of goods i.e. Chennai.

Q5. A dealer ‘X’ has two offices in Delhi and is eligible for composition levy. If ‘X’ opts for the composition scheme, both the offices would pay taxes under composition scheme and abide by all the conditions as may be prescribed for the composition scheme.

MULTIPLE CHOICE QUESTIONS

1. What is the threshold limit of turnover in the preceding financial year to be eligible for composition levy 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 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

**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)
NOTIFICATION NO. 02/2019 DATED: 07-03-2019

Composition Scheme for Service Provider or mixed suppliers not covered u/s 10

Composition scheme for small service provider who have been providing only services or services plus goods but not covered under section 10, has been introduced from 01/04/2019 vide notification no. 02/2019 and such service provider shall pay GST @ 6% (3% CGST + 3% SGST) and the conditions are as given below:

1. Supplies are made by a registered person, -
   (i) whose aggregate turnover in the preceding financial year was fifty lakh rupees or below;
   (ii) who is not eligible to pay tax under section 10 of the said Act;
   (iii) who is not engaged in making any supply which is not leviable to tax under the said Act;
   (iv) who is not engaged in making any inter-State outward supply;
   (v) who is neither a casual taxable person nor a non-resident taxable person;
   (vi) who is not engaged in making any supply through an electronic commerce operator who is required to collect tax at source under section 52; and
   (vii) who is not engaged in making supplies of the specified goods i.e. ice cream, Pan masala, tobacco and tobacco products etc.

2. Where more than one registered persons are having the same Permanent Account Number, GST on supplies by all such registered persons shall be 3% CGST + 3% SGST.

3. The registered person shall not collect any tax from the recipient on supplies made by him nor shall he be entitled to any credit of input tax.

4. The registered person shall issue, instead of tax invoice, a bill of supply and the registered person shall mention the following words at the top of the bill of supply, namely: - ‘taxable person paying tax in terms of notification No. 2/2019-Central Tax (Rate) dated 07.03.2019, not eligible to collect tax on supplies’.

5. The registered person opting to pay GST under this scheme shall be liable to pay GST at the rate of 3% + 3% on all outward supplies notwithstanding any other notification issued under sub-section (1) of section 9 or under section 11 of said Act.

6. The registered person opting to pay GST under this notification shall be liable to pay GST on inward supplies on which he is liable to pay tax under reverse charge at the applicable rates.

7. In computing aggregate turnover in this scheme, value of supply of exempt services by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount, shall not be taken into account.

8. Where any registered person who has availed of input tax credit opts to pay tax under this notification, he shall pay an amount, by way of debit in the electronic credit ledger or electronic cash ledger, equivalent to the credit of input tax in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock and on capital goods as if the supply made under this notification attracts the provisions of section 18(4) of the said Act and the rules made there-under and after payment of such amount, the balance of input tax credit, if any, lying in his electronic credit ledger shall lapse.

9. the Central Goods and Services Tax Rules, 2017, as applicable to a person paying tax under section 10 of the said Act shall, mutatis mutandis, apply to a person paying tax under this notification.

10. The expression “first supplies of goods or services or both” shall, for the purposes of determining eligibility of a person to pay tax under this notification, include the supplies from the first day of April of a financial year to the date from which he becomes liable for registration under the said Act but for the
purpose of determination of tax payable under this notification shall not include the supplies from the first
day of April of a financial year to the date from which he becomes liable for registration under the Act.

11. A registered person who wants to opt for the said scheme, may do so by filing intimation in Form GST
CMP-02 by selecting the category of registered person as “Any other supplier eligible for composition
levy” latest by 30th April, 2019. Such person shall also furnish a statement in Form GST ITC-03.

12. The option to pay tax by availing the benefit of the said notification would be effective from the
beginning of the financial year but from the date of registration in cases where new registration has been
obtained during the financial year.

Example 1
Mr. X has supplied services of ₹ 25,00,000 and has supplied goods of ₹ 15,00,000 in the F.Y. 2018-19, in
this case he is not eligible for composition scheme u/s 10 but he is eligible to opt for composition scheme
under notification no. 02/2019 in the F.Y. 2019-20. If he has opted under this scheme, he will not be allowed to take ITC and is also not allowed to charge output tax from the recipient rather he himself has to pay tax @ 6% (CGST 3% + SGST 3%)

Example 2
Mr. X started rendering services w.e.f 01.04.2019 and he has opted composition scheme under NN 02/2019
and GST rate is 18% and turnover during the year is ₹ 70,00,000, in this case no tax is payable on first ₹
20,00,000 i.e. threshold exemption. On next ₹ 30,00,000 GST shall be payable @ 6% and Mr. X can not
charge it from the recipient and on balance GST shall be payable @ 18% and shall be charged from the
recipient. No ITC till turnover is ₹ 50,00,000.

Illustration 1:
Mr. X started rendering services in Delhi w.e.f 01.04.2019 and has submitted particulars as given below:
- Rendered output services on 30.06.2019 and charged ₹ 20,00,000 and has taken input services on
  30.06.2019 ₹3,00,000 + CGST @ 9% + SGST @ 9%.
- He rendered services of ₹ 15,00,000 on 30.09.2019 and purchased inputs on 30.09.2019 ₹ 7,00,000
  + CGST @ 6% + SGST @ 6%.
- He rendered services ₹ 15,00,000 on 31.12.2019 and purchased capital goods on 01.10.2019
  ₹10,00,000 + CGST @ 10% + SGST @ 10%.
- He is shifted to normal scheme w.e.f 01.01.2020 and by that time he has consumed 50% of inputs.
- He rendered services and issued invoice
  10.01.2020 ₹ 4,00,000 + CGST @ 9% + SGST @ 9%
  10.02.2020 ₹ 5,00,000 + CGST @ 9% + SGST @ 9%
  10.03.2020 ₹ 6,00,000 + CGST @ 9% + SGST @ 9%
- He purchased inputs ₹ 8,00,000 + CGST @ 5% + SGST @ 5% on 01.01.2020.
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 01.04.2019 to 30.06.2019 because the service provider is unregistered.
For the quarter July to September and October to December 2019, 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

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>CGST @ 3%</td>
<td>45,000</td>
</tr>
<tr>
<td>July to September</td>
<td>15,00,000</td>
</tr>
</tbody>
</table>
SGST @ 3%  
45,000

Payment should be made upto 18.10.2019

**October to December**
15,00,000
CGST @ 3%  
45,000
SGST @ 3%  
45,000

Payment should be made upto 18.01.2020

**January 2020**
The service provider is in normal scheme from 01.01.2020. ITC of inputs/capital goods in stock is allowed.

**Input Tax Credit**

<table>
<thead>
<tr>
<th>Inputs</th>
<th>3,50,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>CGST @ 6%</td>
<td>21,000</td>
</tr>
<tr>
<td>SGST @ 6%</td>
<td>21,000</td>
</tr>
</tbody>
</table>

**Capital goods**

Used for one quarter 01.10.2019 to 31.12.2019

<table>
<thead>
<tr>
<th>Capital goods</th>
<th>10,00,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>CGST @ 10%</td>
<td>1,00,000</td>
</tr>
<tr>
<td>ITC allowed (1,00,000 – 1,00,000 x 5%)</td>
<td>95,000</td>
</tr>
</tbody>
</table>

| SGST @ 10%    | 1,00,000  |
| ITC allowed (1,00,000 – 1,00,000 x 5%) | 95,000 |

**ITC inputs**

| 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**

| Output CGST @ 9% | 36,000 |
| Output SGST @ 9% | 36,000 |

**Net Tax**

| CGST | 36,000 |
| Less: ITC | (36,000) |
| ITC CGST Carried forward | 1,20,000 |

| SGST | 36,000 |
| Less: ITC | (36,000) |
| ITC SGST Carried forward | 1,20,000 |
Payment should be made upto 20.02.2020

**February 2020**

**Output Tax**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output CGST @ 9%</td>
<td>45,000</td>
</tr>
<tr>
<td>Output SGST @ 9%</td>
<td>45,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>5,00,000</td>
</tr>
</tbody>
</table>

**Net Tax**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>CGST</td>
<td>45,000</td>
</tr>
<tr>
<td>Less: ITC</td>
<td>(45,000)</td>
</tr>
<tr>
<td><strong>ITC CGST Carried forward</strong></td>
<td>75,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>SGST</td>
<td>45,000</td>
</tr>
<tr>
<td>Less: ITC</td>
<td>(45,000)</td>
</tr>
<tr>
<td><strong>ITC SGST Carried forward</strong></td>
<td>75,000</td>
</tr>
</tbody>
</table>

Payment should be made upto 20.03.2020

**March 2020**

**Output Tax**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output CGST @ 9%</td>
<td>54,000</td>
</tr>
<tr>
<td>Output SGST @ 9%</td>
<td>54,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>6,00,000</td>
</tr>
</tbody>
</table>

**Net Tax**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>CGST</td>
<td>54,000</td>
</tr>
<tr>
<td>Less: ITC</td>
<td>(54,000)</td>
</tr>
<tr>
<td><strong>ITC CGST Carried forward</strong></td>
<td>21,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>SGST</td>
<td>54,000</td>
</tr>
<tr>
<td>Less: ITC</td>
<td>(54,000)</td>
</tr>
<tr>
<td><strong>ITC SGST Carried forward</strong></td>
<td>21,000</td>
</tr>
</tbody>
</table>

Payment should be made upto 20.04.2020

(b) Presumee he has not opted for composition scheme w.e.f 01.07.2019 rather he was in the normal scheme and charged output CGST @ 9% and SGST @ 9%.

**Solution:**
No output tax and no ITC from 01.04.2019 to 30.06.2019 because the service provider is unregistered.

<table>
<thead>
<tr>
<th>Month</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>July</td>
<td>Nil</td>
</tr>
<tr>
<td>August</td>
<td>Nil</td>
</tr>
</tbody>
</table>
**September**

Output CGST @ 9%  
Output SGST @ 9%  
Inputs  
CGST @ 6%  
SGST @ 6%  
Net Tax  
CGST  
Less: ITC  
Tax Payable  
SGST  
Less: ITC  
Tax Payable  

Payment should be made upto 20.10.2019

**October**

ITC – Capital goods  
Capital goods  
CGST @ 10%  
SGST @ 10%  
ITC CGST Carried forward  
ITC SGST Carried forward  

**November**

ITC CGST Carried forward  
ITC SGST Carried forward  

**December**

Output CGST @ 9%  
Output SGST @ 9%  
Net Tax  
CGST  
Less: ITC b/f  
Tax Payable  
SGST  
Less: ITC b/f  
Tax Payable  

Payment should be made upto 20.01.2020

**January 2020**

Output CGST @ 9%
### Composition Scheme for Service Provider

<table>
<thead>
<tr>
<th>ITC inputs</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>CGST @ 5%</td>
<td>40,000</td>
</tr>
<tr>
<td>SGST @ 5%</td>
<td>40,000</td>
</tr>
</tbody>
</table>

#### Output SGST @ 9%

- **36,000**

**Net Tax**

<table>
<thead>
<tr>
<th>CGST</th>
<th>36,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less: ITC</td>
<td>(36,000)</td>
</tr>
<tr>
<td>ITC CGST Carried forward</td>
<td>4,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>SGST</th>
<th>36,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less: ITC</td>
<td>(36,000)</td>
</tr>
<tr>
<td>ITC SGST Carried forward</td>
<td>4,000</td>
</tr>
</tbody>
</table>

**February 2020**

<table>
<thead>
<tr>
<th>Output CGST @ 9%</th>
<th>45,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output SGST @ 9%</td>
<td>45,000</td>
</tr>
</tbody>
</table>

**Net Tax**

<table>
<thead>
<tr>
<th>Output CGST</th>
<th>45,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less: ITC b/f</td>
<td>(4,000)</td>
</tr>
<tr>
<td>Tax Payable</td>
<td>41,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Output SGST</th>
<th>45,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less: ITC</td>
<td>(4,000)</td>
</tr>
<tr>
<td>Tax Payable</td>
<td>41,000</td>
</tr>
</tbody>
</table>

Payment should be made upto 20.03.2020

**March 2020**

<table>
<thead>
<tr>
<th>Output CGST @ 9%</th>
<th>54,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output SGST @ 9%</td>
<td>54,000</td>
</tr>
</tbody>
</table>

**Net Tax**

<table>
<thead>
<tr>
<th>Output CGST</th>
<th>54,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less: ITC</td>
<td>Nil</td>
</tr>
<tr>
<td>Tax Payable</td>
<td>54,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Output SGST</th>
<th>54,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less: ITC</td>
<td>Nil</td>
</tr>
<tr>
<td>Tax Payable</td>
<td>54,000</td>
</tr>
</tbody>
</table>

Payment should be made upto 20.04.2020
(c) Presume he has taken registration right from the beginning i.e. w.e.f 01.04.2019 and charged output CGST @ 9% and SGST @ 9%.

Solution:

<table>
<thead>
<tr>
<th>Month</th>
<th>₹</th>
</tr>
</thead>
<tbody>
<tr>
<td>April</td>
<td>Nil</td>
</tr>
<tr>
<td>May</td>
<td>Nil</td>
</tr>
<tr>
<td>June</td>
<td>20,00,000</td>
</tr>
<tr>
<td>Output CGST @ 9%</td>
<td>1,80,000</td>
</tr>
<tr>
<td>Output SGST @ 9%</td>
<td>1,80,000</td>
</tr>
<tr>
<td>Input Service</td>
<td>3,00,000</td>
</tr>
<tr>
<td>CGST @ 9%</td>
<td>27,000</td>
</tr>
<tr>
<td>SGST @ 9%</td>
<td>27,000</td>
</tr>
<tr>
<td>Net Tax</td>
<td></td>
</tr>
<tr>
<td>CGST</td>
<td>1,80,000</td>
</tr>
<tr>
<td>Less: ITC</td>
<td>(27,000)</td>
</tr>
<tr>
<td>Tax Payable</td>
<td>1,53,000</td>
</tr>
<tr>
<td>SGST</td>
<td>1,80,000</td>
</tr>
<tr>
<td>Less: ITC</td>
<td>(27,000)</td>
</tr>
<tr>
<td>Tax Payable</td>
<td>1,53,000</td>
</tr>
</tbody>
</table>

Payment should be made upto 20.07.2019

<table>
<thead>
<tr>
<th>July</th>
<th>Nil</th>
</tr>
</thead>
<tbody>
<tr>
<td>August</td>
<td>Nil</td>
</tr>
<tr>
<td>September</td>
<td>15,00,000</td>
</tr>
<tr>
<td>Output CGST @ 9%</td>
<td>1,35,000</td>
</tr>
<tr>
<td>Output SGST @ 9%</td>
<td>1,35,000</td>
</tr>
<tr>
<td>Inputs</td>
<td>7,00,000</td>
</tr>
<tr>
<td>CGST @ 6%</td>
<td>42,000</td>
</tr>
<tr>
<td>SGST @ 6%</td>
<td>42,000</td>
</tr>
<tr>
<td>Net Tax</td>
<td></td>
</tr>
<tr>
<td>CGST</td>
<td>1,35,000</td>
</tr>
<tr>
<td>Less: ITC</td>
<td>(42,000)</td>
</tr>
<tr>
<td>Tax Payable</td>
<td>93,000</td>
</tr>
<tr>
<td>SGST</td>
<td>1,35,000</td>
</tr>
<tr>
<td>Less: ITC</td>
<td>(42,000)</td>
</tr>
<tr>
<td>Tax Payable</td>
<td>93,000</td>
</tr>
</tbody>
</table>

Payment should be made upto 20.10.2019
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
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 20.01.2020

January 2020
Output CGST @ 9% 36,000
Output SGST @ 9% 36,000

ITC inputs
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 2020

<table>
<thead>
<tr>
<th></th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output CGST @ 9%</td>
<td>45,000</td>
</tr>
<tr>
<td>Output SGST @ 9%</td>
<td>45,000</td>
</tr>
</tbody>
</table>

Net Tax

<table>
<thead>
<tr>
<th></th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output CGST</td>
<td>45,000</td>
</tr>
<tr>
<td>Less: ITC b/f</td>
<td>(4,000)</td>
</tr>
<tr>
<td>Tax Payable</td>
<td>41,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output SGST</td>
<td>45,000</td>
</tr>
<tr>
<td>Less: ITC</td>
<td>(4,000)</td>
</tr>
<tr>
<td>Tax Payable</td>
<td>41,000</td>
</tr>
</tbody>
</table>

Payment should be made upto 20.03.2020

March 2020

<table>
<thead>
<tr>
<th></th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output CGST @ 9%</td>
<td>54,000</td>
</tr>
<tr>
<td>Output SGST @ 9%</td>
<td>54,000</td>
</tr>
</tbody>
</table>

Net Tax

<table>
<thead>
<tr>
<th></th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output CGST</td>
<td>54,000</td>
</tr>
<tr>
<td>Less: ITC</td>
<td>Nil</td>
</tr>
<tr>
<td>Tax Payable</td>
<td>54,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output SGST</td>
<td>54,000</td>
</tr>
<tr>
<td>Less: ITC</td>
<td>Nil</td>
</tr>
<tr>
<td>Tax Payable</td>
<td>54,000</td>
</tr>
</tbody>
</table>

Payment should be made upto 20.04.2020

Illustration 2:

Mr. X started rendering services in Delhi w.e.f 01.04.2019 and has submitted particulars as given below:
- Rendered output services on 30.06.2019 and charged ₹ 20,00,000 and purchased input on 15.06.2019 ₹ 3,00,000 + CGST @ 9% + SGST @ 9% and purchased capital goods on 01.06.2019 ₹ 1,00,000 + CGST @ 10% + SGST @ 10%.
- He rendered services of ₹ 20,00,000 on 30.09.2019 and purchased inputs on 30.09.2019 ₹ 10,00,000 + CGST @ 9% + SGST @ 9% and purchased capital goods on 01.09.2019 ₹ 2,00,000 + CGST @ 10% + SGST @ 10%. He has taken input service during September 2019 of ₹ 1,00,000 + CGST @ 9% + SGST @ 9%.
- He rendered services of ₹ 10,00,000 on 31.12.2019 and purchased inputs on 15.12.2019 ₹ 1,00,000 + CGST @ 9% + SGST @ 9% and purchased capital goods on 01.10.2019 ₹ 10,00,000 + CGST @ 10% + SGST @ 10%. He has taken input service during December 2019 of ₹ 1,00,000 + CGST @ 9% + SGST @ 9%.
- He is shifted to normal scheme w.e.f 01.01.2020 and by that time he has consumed 50% of all inputs purchased by Mr. X.
- He rendered services and issued invoice
  10.01.2020 ₹ 8,00,000 + CGST @ 9% + SGST @ 9%
He purchased inputs ₹ 16,00,000 + CGST @ 5% + SGST @ 5% on 01.01.2020.

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 01.04.2019 to 30.06.2019 because the service provider is unregistered.

For the quarter July to September and October to December 2019, 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

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>₹</td>
<td>20,00,000</td>
</tr>
<tr>
<td>CGST @ 3%</td>
<td>60,000</td>
</tr>
<tr>
<td>SGST @ 3%</td>
<td>60,000</td>
</tr>
</tbody>
</table>

Payment should be made upto 18.10.2019

### October to December

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>₹</td>
<td>10,00,000</td>
</tr>
<tr>
<td>CGST @ 3%</td>
<td>30,000</td>
</tr>
<tr>
<td>SGST @ 3%</td>
<td>30,000</td>
</tr>
</tbody>
</table>

Payment should be made upto 18.01.2020

### January 2020

The service provider is in normal scheme from 01.01.2020. ITC of inputs/capital goods in stock is allowed.

### Input Tax Credit

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inputs (50% of 14,00,000)</td>
<td>7,00,000</td>
</tr>
<tr>
<td>CGST @ 9%</td>
<td>63,000</td>
</tr>
<tr>
<td>SGST @ 9%</td>
<td>63,000</td>
</tr>
</tbody>
</table>

### 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 01.09.2019 to 31.12.2019

   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 01.10.2019 to 31.12.2019

   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
<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>ITC allowed (1,00,000 – 1,00,000 x 5% (i.e. 5% x 1))</td>
<td>95,000</td>
</tr>
<tr>
<td>ITC inputs</td>
<td>16,00,000</td>
</tr>
<tr>
<td>CGST @ 5%</td>
<td>80,000</td>
</tr>
<tr>
<td>SGST @ 5%</td>
<td>80,000</td>
</tr>
<tr>
<td>Total Input tax credit</td>
<td></td>
</tr>
<tr>
<td>CGST (63,000 + 95,000 + 18,000+80,000)</td>
<td>2,56,000</td>
</tr>
<tr>
<td>SGST (63,000 + 95,000 + 18,000+80,000)</td>
<td>2,56,000</td>
</tr>
<tr>
<td>Output Tax</td>
<td>8,00,000</td>
</tr>
<tr>
<td>Output CGST @ 9%</td>
<td>72,000</td>
</tr>
<tr>
<td>Output SGST @ 9%</td>
<td>72,000</td>
</tr>
<tr>
<td>Net Tax</td>
<td></td>
</tr>
<tr>
<td>CGST</td>
<td>72,000</td>
</tr>
<tr>
<td>Less: ITC</td>
<td>(72,000)</td>
</tr>
<tr>
<td>ITC CGST Carried forward</td>
<td>1,84,000</td>
</tr>
<tr>
<td>SGST</td>
<td>72,000</td>
</tr>
<tr>
<td>Less: ITC</td>
<td>(72,000)</td>
</tr>
<tr>
<td>ITC SGST Carried forward</td>
<td>1,84,000</td>
</tr>
<tr>
<td>Payment should be made upto 20.02.2020</td>
<td></td>
</tr>
</tbody>
</table>

**February 2020**

<table>
<thead>
<tr>
<th>Output Tax</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output CGST @ 9%</td>
<td>90,000</td>
</tr>
<tr>
<td>Output SGST @ 9%</td>
<td>90,000</td>
</tr>
<tr>
<td>Net Tax</td>
<td></td>
</tr>
<tr>
<td>CGST</td>
<td>90,000</td>
</tr>
<tr>
<td>Less: ITC b/f</td>
<td>(90,000)</td>
</tr>
<tr>
<td>ITC CGST Carried forward</td>
<td>94,000</td>
</tr>
<tr>
<td>SGST</td>
<td>90,000</td>
</tr>
<tr>
<td>Less: ITC b/f</td>
<td>(90,000)</td>
</tr>
<tr>
<td>ITC SGST Carried forward</td>
<td>94,000</td>
</tr>
<tr>
<td>Payment should be made upto 20.03.2020</td>
<td></td>
</tr>
</tbody>
</table>

**March 2020**

<table>
<thead>
<tr>
<th>Output Tax</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>12,00,000</td>
</tr>
</tbody>
</table>
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 20.04.2020

(b) Presume he has not opted for composition scheme w.e.f 01.07.2019 rather he was in the normal scheme and charged output CGST @ 9% and SGST @ 9%. Presume inputs consumed upto 30th June 2019 is 50%

Solution:
No output tax and no ITC from 01.04.2019 to 30.06.2019 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
Output CGST @ 9% 20,00,000
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
### Composition Scheme for Service Provider

#### Net Tax

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>CGST</td>
<td>1,80,000</td>
</tr>
<tr>
<td>Less: ITC – Inputs</td>
<td>(90,000)</td>
</tr>
<tr>
<td>Less: ITC – Capital Goods</td>
<td>(20,000)</td>
</tr>
<tr>
<td>Less: ITC- Input Service</td>
<td>(9,000)</td>
</tr>
<tr>
<td>Less: ITC- b/f</td>
<td>(13,500)</td>
</tr>
<tr>
<td>Tax Payable</td>
<td>47,500</td>
</tr>
</tbody>
</table>

#### SGST

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>SGST</td>
<td>1,80,000</td>
</tr>
<tr>
<td>Less: ITC – Inputs</td>
<td>(90,000)</td>
</tr>
<tr>
<td>Less: ITC – Capital Goods</td>
<td>(20,000)</td>
</tr>
<tr>
<td>Less: ITC- Input Service</td>
<td>(9,000)</td>
</tr>
<tr>
<td>Less: ITC- b/f</td>
<td>(13,500)</td>
</tr>
<tr>
<td>Tax Payable</td>
<td>47,500</td>
</tr>
</tbody>
</table>

Payment should be made upto 20.10.2019

#### October

**ITC – Capital goods**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital goods</td>
<td>10,00,000</td>
</tr>
<tr>
<td>CGST @ 10%</td>
<td>1,00,000</td>
</tr>
<tr>
<td>SGST @ 10%</td>
<td>1,00,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>ITC CGST Carried forward</td>
<td>1,00,000</td>
</tr>
<tr>
<td>ITC SGST Carried forward</td>
<td>1,00,000</td>
</tr>
</tbody>
</table>

#### November

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>ITC CGST Carried forward</td>
<td>1,00,000</td>
</tr>
<tr>
<td>ITC SGST Carried forward</td>
<td>1,00,000</td>
</tr>
</tbody>
</table>

#### December

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output CGST @ 9%</td>
<td>90,000</td>
</tr>
<tr>
<td>Output SGST @ 9%</td>
<td>90,000</td>
</tr>
</tbody>
</table>

**ITC – Inputs**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inputs</td>
<td>1,00,000</td>
</tr>
<tr>
<td>CGST @ 9%</td>
<td>9,000</td>
</tr>
<tr>
<td>SGST @ 9%</td>
<td>9,000</td>
</tr>
</tbody>
</table>

**ITC – Input service**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Input service</td>
<td>1,00,000</td>
</tr>
<tr>
<td>CGST @ 9%</td>
<td>9,000</td>
</tr>
<tr>
<td>SGST @ 9%</td>
<td>9,000</td>
</tr>
</tbody>
</table>

**Net Tax**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>CGST</td>
<td>90,000</td>
</tr>
<tr>
<td>Less: ITC inputs</td>
<td>(9,000)</td>
</tr>
<tr>
<td>Less: ITC input service</td>
<td>(9,000)</td>
</tr>
<tr>
<td>Less: ITC – b/f</td>
<td>(72,000)</td>
</tr>
<tr>
<td>Tax Payable</td>
<td>Nil</td>
</tr>
</tbody>
</table>
ITC CGST Carried forward 18,000

CGST 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 18,000

January 2020

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)
Tax Payable Nil

ITC CGST Carried forward (18,000 + 80,000 – 72,000) 26,000

SGST 72,000
Less: ITC (72,000)
Tax Payable Nil

ITC SGST Carried forward (18,000 + 80,000 – 72,000) 26,000

February 2020

Output CGST @ 9% 90,000
Output SGST @ 9% 90,000

Net Tax
Output CGST 90,000
Less: ITC b/f (26,000)
Tax Payable 64,000

Output SGST 90,000
Less: ITC b/f (26,000)
Tax Payable 64,000

Payment should be made upto 20.03.2020

March 2020

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 20.04.2020

(c) Presume he has taken registration right from the beginning i.e. w.e.f 01.04.2019 and charged output CGST @ 9% and SGST @ 9%.

Solution:

<table>
<thead>
<tr>
<th>Month</th>
<th>CGST @ 9%</th>
<th>SGST @ 9%</th>
</tr>
</thead>
<tbody>
<tr>
<td>April</td>
<td>Nil</td>
<td>Nil</td>
</tr>
<tr>
<td>May</td>
<td>Nil</td>
<td>Nil</td>
</tr>
<tr>
<td>June</td>
<td>20,00,000</td>
<td>1,80,000</td>
</tr>
<tr>
<td></td>
<td>1,80,000</td>
<td>1,80,000</td>
</tr>
</tbody>
</table>

Input
CGST @ 9% 27,000
SGST @ 9% 27,000

Capital Goods 1,00,000
CGST @ 10% 10,000
SGST @ 10% 10,000

Net Tax
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 20.07.2019

July Nil

August Nil

September 20,00,000
### Composition Scheme for Service Provider

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output CGST @ 9%</td>
<td>1,80,000</td>
</tr>
<tr>
<td>Output SGST @ 9%</td>
<td>1,80,000</td>
</tr>
</tbody>
</table>

#### Input Tax Credit

<table>
<thead>
<tr>
<th>Inputs</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>CGST @ 9%</td>
<td>90,000</td>
</tr>
<tr>
<td>SGST @ 9%</td>
<td>90,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ITC – Capital goods</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital goods</td>
<td>2,00,000</td>
</tr>
<tr>
<td>CGST @ 10%</td>
<td>20,000</td>
</tr>
<tr>
<td>SGST @ 10%</td>
<td>20,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ITC – Input Service</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Input Service</td>
<td>1,00,000</td>
</tr>
<tr>
<td>CGST @ 9%</td>
<td>9,000</td>
</tr>
<tr>
<td>SGST @ 9%</td>
<td>9,000</td>
</tr>
</tbody>
</table>

**Net Tax**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>CGST</td>
<td>1,80,000</td>
</tr>
<tr>
<td>SGST</td>
<td>1,80,000</td>
</tr>
</tbody>
</table>

| Less: ITC – Inputs               | (90,000)  |
| Less: ITC – Capital Goods        | (20,000)  |
| Less: ITC- Input Service         | (9,000)   |
| Tax Payable                       | 61,000    |

### Payment

Payment should be made upto 20.10.2019

#### October

<table>
<thead>
<tr>
<th>ITC – Capital goods</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital goods</td>
<td>10,00,000</td>
</tr>
<tr>
<td>CGST @ 10%</td>
<td>1,00,000</td>
</tr>
<tr>
<td>SGST @ 10%</td>
<td>1,00,000</td>
</tr>
</tbody>
</table>

| 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

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output CGST @ 9%</td>
<td>90,000</td>
</tr>
<tr>
<td>Output SGST @ 9%</td>
<td>90,000</td>
</tr>
</tbody>
</table>

### ITC – Inputs

<table>
<thead>
<tr>
<th>Inputs</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>CGST @ 9%</td>
<td>9,000</td>
</tr>
</tbody>
</table>
SGST @ 9%  
9,000

**ITC – Input service**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Input service</td>
<td>1,00,000</td>
</tr>
<tr>
<td>CGST @ 9%</td>
<td>9,000</td>
</tr>
<tr>
<td>SGST @ 9%</td>
<td>9,000</td>
</tr>
</tbody>
</table>

**Net Tax**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>CGST</td>
<td>90,000</td>
</tr>
<tr>
<td>Less: ITC inputs</td>
<td>(9,000)</td>
</tr>
<tr>
<td>Less: ITC input service</td>
<td>(9,000)</td>
</tr>
<tr>
<td>Less: ITC – b/f</td>
<td>(72,000)</td>
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<tr>
<td>Tax Payable</td>
<td>Nil</td>
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**ITC CGST Carried forward**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>CGST</td>
<td>90,000</td>
</tr>
<tr>
<td>Less: ITC inputs</td>
<td>(9,000)</td>
</tr>
<tr>
<td>Less: ITC input service</td>
<td>(9,000)</td>
</tr>
<tr>
<td>Less: ITC – b/f</td>
<td>(72,000)</td>
</tr>
<tr>
<td>Tax Payable</td>
<td>Nil</td>
</tr>
</tbody>
</table>

**ITC SGST Carried forward**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>CGST</td>
<td>90,000</td>
</tr>
<tr>
<td>Less: ITC inputs</td>
<td>(9,000)</td>
</tr>
<tr>
<td>Less: ITC input service</td>
<td>(9,000)</td>
</tr>
<tr>
<td>Less: ITC – b/f</td>
<td>(72,000)</td>
</tr>
<tr>
<td>Tax Payable</td>
<td>Nil</td>
</tr>
</tbody>
</table>

**January 2020**

<table>
<thead>
<tr>
<th>Description</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Output CGST @ 9%</td>
<td>8,00,000</td>
</tr>
<tr>
<td>Output SGST @ 9%</td>
<td>72,000</td>
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</tbody>
</table>

**ITC inputs**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>CGST @ 5%</td>
<td>80,000</td>
</tr>
<tr>
<td>SGST @ 5%</td>
<td>80,000</td>
</tr>
</tbody>
</table>

**Net Tax**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>CGST</td>
<td>72,000</td>
</tr>
<tr>
<td>Less: ITC</td>
<td>(72,000)</td>
</tr>
<tr>
<td>ITC CGST Carried forward (18,000 + 80,000 – 72,000)</td>
<td>26,000</td>
</tr>
</tbody>
</table>

**February 2020**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output CGST @ 9%</td>
<td>90,000</td>
</tr>
<tr>
<td>Output SGST @ 9%</td>
<td>90,000</td>
</tr>
</tbody>
</table>

**Net Tax**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output CGST</td>
<td>90,000</td>
</tr>
</tbody>
</table>
Less: ITC b/f  
Tax Payable  

Output SGST  
Less: ITC b/f  
Tax Payable  

Payment should be made upto 20.03.2020

March 2020  

Output CGST @ 9%  
Output SGST @ 9%  

Net Tax  
Output CGST  
Less: ITC  
Tax Payable  

Payment should be made upto 20.04.2020

MULTIPLE CHOICE QUESTIONS

1. A registered service provider is allowed to opt composition scheme under notification 2/2019
(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

2. Composition scheme under notification 2/2019 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

3. Supplier of following goods are not allowed for composition scheme as per notification no. 2/2019
(a) Pan masala
(b) Ice cream
(c) Tobacco product
(d) Electrical goods
(e) (a), (b) & (c)
(f) (b), (c) & (d)

Answer
1. (b); 2. (c); 3. (e)
Question 1: Explain Furnishing of Return of outward supplies under section 37 / Rule 59 (GSTR-1)

Answer: Furnishing of Return of outward supplies under section 37 / Rule 59 (GSTR-1)

Every registered person shall be required to submit a return containing details of outward supplies in form no. GSTR-1 upto 10th of the subsequent month.

As per notification no. CT- 71/2017 dated 29.12.2017, Registered persons having aggregate turnover upto 1.5 crore in preceding financial year or current financial year shall be required to file the return on quarterly basis.

As per notification no. CT- 11/2019 dated 07.03.2019, for April, May, June 2019 assessee having turnover upto ₹1.5 crore shall be required to file quarterly GSTR-1 upto 31st July, 2019.

As per notification no. CT- 12/2019 dated 07.03.2019, for April, May, June 2019 assessee having turnover exceeding ₹1.5 crore shall be required to file monthly GSTR-1 upto 11th of the subsequent month.

Any error / omission can be corrected upto 20th October of the subsequent year or furnishing of the relevant annual return u/s 44, whichever is earlier.

The return shall contain the following particulars:

Table No. 1.  GSTIN
Table No. 2.  Legal name / Trade name.
Table No. 3.  Aggregate Turnover in the preceding financial year
Table No. 4.  Taxable outward supplies (invoice vise) made to registered persons OTHETHAN ZERO RATED SUPPLY.
Table No. 5.  Taxable outward Inter-State supplies (invoice vise) to unregistered persons where the invoice value is more than ₹2.5 lakh.
Table No. 6.  Zero rated supplies
Table No. 7.  Consolidated details of Taxable Supplies to unregistered persons except table 5
Table No. 8.  Nil rated, exempted and non GST outward supplies
Table No. 9.  Amendments to table 4,5,6 including debit note, credit note etc.
Table No. 10.  Amendments to table no. 7
Table No. 11.  Consolidated statement of advances received/advance adjusted in the current tax Period / Amendments of information furnished in earlier tax period.
Table No. 12.  HSN-wise summary of outward supplies
Table No. 13.  Serial number of Documents issued during the tax period.

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 who has applied for cancellation of registration will be allowed to file GSTR-1 after confirming receipt of the application.

Question 2: Write a note on GSTR-3B.

Answer: At present GSTR-3 has been discontinued and in place of it a new simplified return GSTR-3B is being submitted on monthly basis upto 20th of Subsequent month.
The return shall contain the following particulars:

Table No. 1. GSTIN
Table No. 2. Legal name.
Table No. 3. Details of Outward Supplies and inward supplies liable to reverse charge
Table No. 4. Eligible ITC.
Table No. 5. Values of exempt, nil rated and non-GST inward supplies
Table No. 6. Payment of Tax, TDS/TCS Credit

Question 3: Explain Filing of Return by composition dealer.

Answer: Filing of Return by composition dealer Section 39/ Rule 62

Every registered person paying tax u/s 10 i.e. composition dealer shall be required to file an annual return in GSTR-4 upto 30th April following the end of the financial year. Such dealer shall be required to file quarterly statement in form CMP-08 upto 18th from the end of the quarter.

Particulars of GSTR-4 shall be as given below:

Table No. 1. GSTIN
Table No. 2. Legal name / Trade name.
Table No. 3. Aggregate Turnover during the preceding financial year.
Table No. 4. Inward supplies including supplies on which tax is to be paid reverse charge.
Table No. 5. Amendments to details of inward supplies furnished in returns for earlier tax periods in table 4 including debit/credit notes.
Table No. 6. Tax on outward supplies made.
Table No. 7. Amendments to outward supplies details furnished in returns for earlier tax periods in table 6.
Table No. 8. Consolidated statement of advances paid/advance adjustment on account of receipt of supply.
Table No. 9. TDS Credit received (Not covered in syllabus)
Table No. 10. Tax Payable and paid
Table No. 11. Interest, Late fee payable and paid
Table No. 12. Refund claimed from electronic cash ledger
Table No. 13. Debit entries in cash ledger for tax/interest payment.

Question 4: Explain Filing of First Return.

Answer: Filing of 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.

When a person becomes liable to registration after his turnover crossing the threshold limit, he may apply for registration within 30 days of so becoming liable. Thus, there might be a time lag between a person becoming liable to registration and grant of registration certificate.

During the intervening period, such person might have made the outward supplies, i.e. after becoming liable to registration but before grant of the certificate of registration. Now, in order to enable such registered person to declare the taxable supplies made by him for the period between the date on which he became liable to registration till the date on which registration has been granted so that ITC can be availed by the recipient on such supplies. Firstly, the registered person may issue Revised Tax Invoices against the invoices already issued during said period within 1 month from the date of issuance of certificate of registration.

The registered person shall declare his outward supplies made during said period in the first return furnished by him after grant of registration. The format for this return is the same as that for regular return.
Question 5: 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, eg. for financial year 19-20, Return to be submitted upto 31st December 2020. Composition dealer shall file annual return in GSTR-9A.

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.

Question 6: 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 2019 but registration has been cancelled w.e.f.1st October 2019, 3 months shall be determined from 20th October 2019.

Particulars of GSTR-10 shall be as given below:
Table No. 1. GSTIN
Table No. 2. Legal Name
Table No. 3. Business Name
Table No. 4. Address
Table No. 5. Application Reference Number (ARN) of surrender application.
Table No. 6. Effective Date of Surrender/Cancellation.
Table No. 7. Whether cancellation order has been passed.
Table No. 8. If yes, Unique ID of cancellation order.
Table No. 9. Date of Cancellation order
Table No. 10. Particulars of closing Stock held on date of surrender / cancellation.
Table No. 11. Amount of Tax Payable on closing stock.

Question 7: 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 8: 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.

Any registered person who fails to furnish the details of outward or inward supplies required under section 37 or section 38 or returns required under section 39 or section 45 by the due date shall pay a late fee of ₹25 for every day but if there are no outward supplies in any month/quarter, late fee payable shall be ₹10 for every day during which such failure continues subject to a maximum amount of five thousand rupees.
Example 1:
(i) If delay is 20 days, late fee shall be ₹500 but if there are no outward supplies late fee payable shall be ₹200.
(ii) If delay is 60 days, late fee shall be ₹1,500 but if there are no outward supplies late fee payable shall be ₹600.
(iii) If delay is 42 days, late fee shall be ₹1,050 but if there are no outward supplies late fee payable shall be ₹420.
(iv) If delay is 240 days, late fee shall be ₹5,000 but if there are no outward supplies late fee payable shall be ₹2400.

The above Late Fee is under CGST Act, and an equal amount shall be payable under SGST/UTGST Act i.e. infact the late fee shall be double of the amount as mentioned above.

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 2:
(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.

Example 3
Mr. Y, a registered person, has filed its GSTR-3B for the month of September on 19th November. Determine the amount of late fee payable if tax payable is ₹90,000 (Outward Supplies ₹ 9,00,000), if any, by Mr. Y.

Answer: As per section 47, any registered person who fails to furnish, inter alia, the returns required under section 39 by the due date is required to pay a late fee of ₹25 for every day during which such failure continues subject to a maximum amount ₹5,000.

Due date of filing GSTR-3B for a month is 20th day of the succeeding month. Thus, there is a delay of 30 days [11 + 19] by Mr. Y in filing of GSTR-3B for the month of September. Hence, late fee of ₹750 (₹25 x 30) will be payable by Mr. Y.

Further equal amount shall be payable under SGST/UTGST Act.

Proposed GST Return
The CBIC has issued a press releases relating to the decision taken by the GST Council in its 28th meetings held on 21st July, 2018, with regard to return simplification process. The salient features of the press release are:
1. All taxpayers excluding small taxpayers and a few exceptions like ISD etc. shall file one monthly return. The return is simple with two main tables. One for reporting outward supplies and one for availing input tax credit based on invoices uploaded by the supplier. Invoices can be uploaded continuously by the seller and can be continuously viewed and locked by the buyer for availing input tax credit. This process would ensure that very large part of the return is automatically filled based on the invoices uploaded by the buyer and the seller.
Simply put, the process would be “UPLOAD – LOCK – PAY” for most tax payers.
2. Taxpayers would have facility to create his profile based on nature of supplies made and received. The fields of information which a taxpayer would be shown and would be required to fill in the return would depend on his profile.

3. NIL return filers (no purchase and no sale) shall be given facility to file return by sending SMS.

4. Council approved quarterly filing of return for the small taxpayers having turnover below ₹5 Cr as an optional facility. Quarterly return shall be similar to main return with monthly payment facility but for two kinds of registered persons – small traders making only B2C supply or making B2B + B2C supply.

For such taxpayers, simplified returns have been designed called Sahaj and Sugam. In these returns details of information required to be filled is lesser than that in the regular return.

5. The new return design provides facility for amendment of invoice and also other details filed in the return. Amendment shall be carried out by filing of a return called amendment return. Payment would be allowed to be made through the amendment return as it will help save interest liability for the taxpayers

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. What is the due date for submission of monthly GSTR-1?
   (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

5. Composition tax payer is required to file annual return in Form no. ______.
   (a) GSTR-2
   (b) GSTR-3
   (c) GSTR-4
   (d) GSTR-5

6. 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
7. 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
8. 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
9. What is the due date for submission of monthly GSTR-3B?
(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
10. 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
11. 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
12. 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
13. If turnover of person in preceding year is less than ₹1.5 crore then GSTR-1 shall be filed
(a) Monthly
(b) Quarterly
(c) Half-yearly
(d) Yearly
14. If turnover of person in preceding year is more than ₹1.5 crore then GSTR-1 shall be filed
(a) Monthly
(b) Quarterly
(c) Half-yearly
(d) Yearly
15. 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. (a); 5. (c); 6. (d); 7. (b); 8. (c); 9. (d); 10. (c); 11. (d ); 12. (d); 13. (b); 14. (a); 15. (d)
Question 1: Explain Payment of GST.

Answer: Payment of tax, interest, penalty and other amounts. Section 49.

1. 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.

2. Utilisation of Input Tax Credit Section 49/ Section 49A/Rule 88A

ITC shall be adjusted against output tax in the manner given below:

1. 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.
2. First of all ITC of IGST shall be exhausted and only after that ITC of CGST or SGST/UTGST shall be used.
3. Adjust ITC of CGST against output CGST and surplus if any against output IGST (it can never be adjusted against output SGST)
4. Adjust ITC of SGST against output SGST and surplus if any against output IGST (it can never be adjusted against output CGST)
5. 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.

The order of utilization of ITC shall be as given below:

<table>
<thead>
<tr>
<th>ITC</th>
<th>Output IGST</th>
<th>Output CGST</th>
<th>Output SGST / UTGST</th>
</tr>
</thead>
<tbody>
<tr>
<td>Integrated tax</td>
<td>(I)</td>
<td>(II) – In any order and in any proportion</td>
<td></td>
</tr>
<tr>
<td>(III) Input tax Credit on account of Integrated tax to be completely exhausted mandatorily</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Central tax</td>
<td>(V)</td>
<td>(IV)</td>
<td>Not permitted</td>
</tr>
<tr>
<td>State tax / Union Territory tax</td>
<td>(VII)</td>
<td>Not permitted</td>
<td>(VI)</td>
</tr>
</tbody>
</table>
3. The balance in the electronic cash ledger or electronic credit ledger after payment of tax, interest, penalty, fee etc. may be refunded in accordance with the provisions of section 54. Balance in the cash ledger can be demanded by declaring it in GSTR-3 and shall be credited to the bank account. Balance in the credit ledger shall be refunded in case of zero rated supplies i.e. exports or supplies to unit in SEZ or Developer of SEZ. Refund is also allowed if rate of inputs is higher than the rate of output. The registered person has to request for refund by submitting application in RFD-01.

4. 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.

5. The date of credit to the account of the Government in the authorised bank shall be deemed to be the date of deposit in the electronic cash ledger;

Question 2: Explain Payment of Interest on delayed payment of tax
Answer: Interest on delayed payment of tax Section 50.
(1) 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.
(2) A taxable person who makes an undue or excess claim of input tax credit or undue or excess reduction in output tax liability shall pay interest on such undue or excess claim etc @ 24% per annum.

Question 3: Explain Electronic Liability Register
Answer: Electronic Liability Register Rule 85.
(1) The electronic liability register shall be maintained in FORM GST PMT-01 for each person liable to pay tax, interest, penalty, late fee or any other amount on the common portal and all amounts payable by him shall be debited to the said register.
(2) The electronic liability register of the person shall be debited by—
   (a) the amount payable towards tax, interest, late fee or any other amount payable as per the return furnished by the said person;
   (b) any amount of interest that may accrue from time to time.
(3) Payment of every liability by a registered person as per his return shall be made by debiting the electronic credit ledger or the electronic cash ledger and the electronic liability register shall be credited accordingly.
(4) The amount payable on reverse charge basis, or the amount payable under composition scheme, any amount payable towards interest, penalty, fee or any other amount under the Act shall be paid by debiting the electronic cash ledger and the electronic liability register shall be credited accordingly.

Question 4: Explain Electronic credit ledger.
Answer: Electronic Credit Ledger Rule 86.
(1) The electronic credit ledger shall be maintained in FORM GST PMT-02 for each registered person eligible for input tax credit under the Act on the common portal and every claim of input tax credit under the Act shall be credited to the said ledger.
(2) The electronic credit ledger shall be debited to the extent of discharge of any liability.
Question 5: Explain Electronic cash ledger.

Answer: Electronic Cash Ledger Rule 87.

(1) The electronic cash ledger shall be maintained in FORM GST PMT-05 for each person, liable to pay tax, interest, penalty, late fee or any other amount, on the common portal for crediting the amount deposited and debiting the payment therefrom towards tax, interest, penalty, fee or any other amount.

(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:

(3) The deposit shall be made through any of the following modes, namely:

   (i) Internet Banking through authorised banks;
   (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:

(4) Where the payment is made by way of National Electronic Fund Transfer or Real Time Gross Settlement mode from any bank, the mandate form shall be generated along with the challan on the common portal and the same shall be submitted to the bank from where the payment is to be made:

(5) On successful credit of the amount to the concerned government account maintained in the authorised bank, a Challan Identification Number shall be generated by the collecting bank and the same shall be indicated in the challan.

(6) On receipt of the Challan Identification Number from the collecting bank, the said amount shall be credited to the electronic cash ledger of the person on whose behalf the deposit has been made and the common portal shall make available a receipt to this effect.

(7) Where the bank account of the person concerned is debited but no Challan Identification Number is generated or generated but not communicated to the common portal, the said person may represent electronically in FORM GST PMT-07 through the common portal to the bank or electronic gateway through which the deposit was initiated.

The term relevant for the challan

(a) **CPIN Stands for Common Portal Identification Number** It is created for every Challan successfully generated by the taxpayer. It is a 14-digit unique number to identify the challan. CPIN remains valid for a period of 15 days.

(b) **CIN or Challan Identification Number** is generated by the banks, once payment in lieu of a generated Challan is successful. It is a 17-digit number that is 14-digit CPIN plus 3-digit Bank Code. CIN is generated by the authorized banks/Reserve Bank of India (RBI) when payment is actually received by such authorized banks or RBI and credited in the relevant government account held with them. It is an indication that the payment has been realized and credited to the appropriate government account. CIN is communicated by the authorized bank to taxpayer as well as to GSTN.

(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. Each authorized bank will nominate only one branch as its E-FPB for pan India transaction. The E-FPB will have to open accounts under each major head for all governments. Any amount received by such E-FPB towards GST will be credited to the appropriate account held by such E-FPB.

**Discrepancy in Liability/credit/cash ledger**
The registered person should report any discrepancy through the common portal in GST PMT-04.
Question 6: Explain Identification number for each transaction
Answer: Identification number for each transaction Rule 88.
(1) A unique identification number shall be generated at the common portal for each debit or credit to the electronic cash or credit ledger, as the case may be.
(2) The unique identification number relating to discharge of any liability shall be indicated in the corresponding entry in the electronic liability register.
### Payment of GST

**Form GST PMT –06**  
[See rule 87(2)]

**Challan for deposit of goods and services tax**

<table>
<thead>
<tr>
<th>CPIN</th>
<th>Date</th>
<th>Challan Expiry Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;&lt;Auto Generated after submission of information&gt;&gt;</td>
<td>&lt;&lt;Current date&gt;&gt;</td>
<td>--</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>GSTRIN</th>
<th>Email address</th>
<th>Mobile No.</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;&lt;Filled in/Auto populated&gt;&gt;</td>
<td>&lt;&lt;Auto Populated&gt;&gt;</td>
<td>&lt;&lt;Auto Populated&gt;&gt;</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Name (Legal)</th>
<th>Address</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;&lt;Auto Populated&gt;&gt;</td>
<td>&lt;&lt;Auto Populated&gt;&gt;</td>
</tr>
</tbody>
</table>

### Details of Deposit

(All Amount in Rs.)

<table>
<thead>
<tr>
<th>Government</th>
<th>Major Head</th>
<th>Minor Head</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Tax</td>
<td>Interest</td>
</tr>
<tr>
<td>Government of India</td>
<td>Central Tax (----)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Integrated Tax (----)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>CESS (----)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sub-Total</td>
<td></td>
</tr>
<tr>
<td>State (Name)</td>
<td>State Tax (--)</td>
<td></td>
</tr>
<tr>
<td>UT (Name)</td>
<td>UT Tax (----)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total Challan Amount</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total Amount in words</td>
<td></td>
</tr>
</tbody>
</table>

### 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 Payee will choose one of these)

- [ ] Over the Counter (OTC)
  Bank (Where cash or instrument is proposed to be deposited)
  Details of Instrument
    - [ ] Cash
    - [ ] Cheque
    - [ ] Demand Draft

- [ ] NEFT/RTGS
  Remitting bank
  Beneficiary name GST
  Beneficiary Account Number (CPIN) <CPIN>
  Name of beneficiary bank Reserve Bank f India
<table>
<thead>
<tr>
<th>Beneficiary Bank’s Indian Financial System Code (IFSC)</th>
<th>IFSC of RBI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount</td>
<td></td>
</tr>
</tbody>
</table>

*Note: Charges to be separately paid by the person making payment.*

<table>
<thead>
<tr>
<th>Particulars of depositor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name</td>
</tr>
<tr>
<td>Designation/ Status (Manager, partner etc.)</td>
</tr>
<tr>
<td>Signature</td>
</tr>
<tr>
<td>Date</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Paid Challan Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>GSTIN</td>
</tr>
<tr>
<td>Taxpayer Name</td>
</tr>
<tr>
<td>Name of Bank</td>
</tr>
<tr>
<td>Amount</td>
</tr>
<tr>
<td>Bank Reference No. (BRN)/UTR</td>
</tr>
<tr>
<td>CIN</td>
</tr>
<tr>
<td>Payment Date</td>
</tr>
<tr>
<td>Bank Ack. No. (For Cheque / DD deposited at Bank’s counter)</td>
</tr>
</tbody>
</table>

Note - UTR stands for Unique Transaction Number for NEFT / RTGS payment
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) of the CGST Act, 2017, output tax means, the CGST/SGST chargeable under this Act on taxable supply of goods and/or services made by him and excludes tax payable by him on reverse charge basis. Therefore, input tax credit cannot be used for payment of interest, penalty, and payment under reverse charge.

Q2. 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.

Q3. 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.

Q4. 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.

Q5. A taxpayer made a cash deposit of ₹1,000 to IGST – Tax, through net banking. The tax payer can utilise this cash deposit of ₹1,000 in the cash ledger to make payment ONLY of the IGST – Tax liability, by debiting the Cash Ledger.

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. 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

3. 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

4. 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
5. Which of the following items are debited to electronic credit ledger?
   (a) Output tax
   (b) Interest
   (c) Penalty
   (d) All of the above

6. 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

7. Which input tax credit cannot be claimed against which output tax liability?
   (a) CGST, IGST
   (b) CGST, IGST
   (c) SGST, IGST
   (d) CGST, SGST

8. 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

9. 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

10. 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

11. 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

12. 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

13. Balance in electronic credit ledger can be utilized against which liability?
    (a) Output tax payable
    (b) Interest
    (c) Penalty
    (d) All of them

14. What is the due date for payment of tax?
    (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
15. CPIN Stands for
(a) Common portal identification number
(b) Common portal identity number
(c) Challan portal identification number
(d) Challan passbook identification number
16. CIN Stands for
(a) Common identification number
(b) Common identity number
(c) Challan identification number
(d) Challan identity number
17. Validity of challan generated online is
(a) 1 day
(b) 10 days
(c) 15 days
(d) 30 days
18. Electronic Liability register shall be maintained in form
(a) GST PMT-01
(b) GST PMT-02
(c) GST PMT-03
(d) GST PMT-04
19. Electronic credit register shall be maintained in form
(a) GST PMT-01
(b) GST PMT-02
(c) GST PMT-03
(d) GST PMT-04
20. Electronic cash register shall be maintained in form
(a) GST PMT-01
(b) GST PMT-05
(c) GST PMT-03
(d) GST PMT-04
21. CPIN is a _______ digit unique number
(a) 10   (b) 14   (c) 17   (d) 30
22. CIN is a _______ digit unique number
(a) 10   (b) 14   (c) 17   (d) 30
23. Interest is payable @ _____ % in case of person liable to pay tax fails to pay tax.
(a) 12   (b) 18   (c) 24   (d) 30
24. 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
25. 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. (c); 2. (d); 3. (c); 4. (b); 5. (a); 6. (b); 7. (d); 8. (d); 9. (b); 10. (a); 11. (a); 12. (c); 13. (a); 14. (c); 15. (a);
16. (c); 17. (c); 18. (a); 19. (b); 20. (b); 21. (b); 22. (c); 23. (b); 24. (c); 25. (a)
Question 1: Explain provisions regarding issue of tax invoice in case of supply of goods.

Answer: Tax invoice, 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.

Example
If goods are delivered on 10\textsuperscript{th} July 2019, invoice should be issued maximum upto 10\textsuperscript{th} July 2019. If the goods are to be delivered at some other place and goods were removed from place of business on 10\textsuperscript{th} August 2019 and delivered at destination on 28\textsuperscript{th} August 2019, invoice should be issued maximum upto 10\textsuperscript{th} August 2019.

Question 2: Explain Time Limit for issuing tax invoice in case of supply of services.

Answer: Time limit for issuing tax invoice 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:

Banking Company
In case of banking company/financial Institution, Invoice can be issued within 45 days from the date of supply of service.

Question 3: 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 4: 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.

**Prohibition of unauthorized collection of tax. Section 32**

(1) A person who is not a registered person shall not collect in respect of any supply of goods or services or both any amount by way of tax under this Act.

(2) No registered person shall collect tax except in accordance with the provisions of this Act or the rules made thereunder.

**Amount of tax to be indicated in tax invoice and other documents Section 33**

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.

**Question 5: Explain Credit Note.**

**Answer: Credit Note Section 34**

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.

In order to regularize these kinds of situations the supplier is allowed to issue what is called as credit note to the recipient.

Once the credit note has been issued, the tax liability of the supplier will reduce.

There is no prescribed format but credit note issued by a supplier must contain particulars given under rule 53.

The records of the credit note have to be retained 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.

The credit note is therefore a convenient and legal method by which the value of the goods or services in the original tax invoice can be amended or revised. The issuance of the credit note will easily allow the supplier to decrease his tax liability in his returns without requiring him to undertake any tedious process of refunds.

One or more credit notes can be issued for one or more invoices.

**Question 6: Explain Debit notes.**

**Answer: Debit notes, Section 34.**

Where a tax invoice has been issued for supply of any goods/services and the taxable value / tax charged in that tax invoice is found to be less than the taxable value/tax payable in respect of such supply, the registered person, who has supplied such goods/services, shall issue to the recipient a debit note.

Any registered person who issues a debit note in relation to a supply of goods/services 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.

Explanation. — For the purposes of this Act, the expression "debit note" shall include a supplementary invoice.

One or more Debit notes can be issued for one or more invoices.

**Question 7: Write a note on issue of tax invoice under section 31/ Rule 46.**

**Answer: Issue of tax invoice under section 31/ Rule 46**

A tax invoice referred to in section 31 shall be issued by the registered person containing the following particulars, namely,—

(a) name, address and Goods and Services Tax Identification Number of the supplier;

(b) a consecutive serial number not exceeding sixteen characters.

(c) date of its issue;

(d) name, address and Goods and Services Tax Identification Number or Unique Identity Number, if registered, of the recipient;

(e) 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;

(f) 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 less than
fifty thousand rupees and the recipient requests that such details be recorded in the tax invoice;

(g) Harmonised System of Nomenclature code for goods or services;
(h) description of goods or services;
(i) quantity in case of goods and unit or Unique Quantity Code thereof;
(j) total value of supply of goods or services or both;
(k) taxable value of the supply of goods or services or both taking into account discount or abatement, if any;
(l) rate of tax (central tax, State tax, integrated tax, Union territory tax or cess);
(m) amount of tax charged in respect of taxable goods or services (central tax, State tax, integrated tax, Union territory tax or cess);
(n) 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;
(o) address of delivery where the same is different from the place of supply;
(p) whether the tax is payable on reverse charge basis; and
(q) signature or digital signature of the supplier or his authorised representative:

Provided that the Board may, on the recommendations of the Council, by notification, specify—

(i) the number of digits of Harmonised System of Nomenclature code for goods or services that a class of registered persons shall be required to mention, for such period as may be specified in the said notification ; and

(ii) the class of registered persons that would not be required to mention the Harmonised System of Nomenclature code for goods or services, for such period as may be specified in the said notification :

Provided also that in the case of the export of goods or services, the invoice shall carry an endorsement "SUPPLY MEANT FOR EXPORT/SUPPLY TO SEZ UNIT OR SEZ DEVELOPER FOR AUTHORISED OPERATIONS".

Question 8: Explain provisions of issue of invoice where amount is less than ₹200

Answer : Issue of Invoice where amount is less than ₹200

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.

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:

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Recipient of supply</th>
<th>Amount (₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>R Traders - a registered retail dealer (Composition Dealer)</td>
<td>190</td>
</tr>
<tr>
<td>2.</td>
<td>D Enterprises – an unregistered trader</td>
<td>358</td>
</tr>
</tbody>
</table>
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 9: Explain Invoice-cum-bill of supply.

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

Notwithstanding anything contained in rule 46 or rule 49 or rule 54, 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 10: Write a note on manner of issue of invoice (i.e. no. of copies) under Rule 48.

Answer: manner of issue of invoice (i.e. no. of copies) under Rule 48

(1) 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.

(2) 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.

(3) The serial number of invoices issued during a tax period shall be furnished electronically through the common portal in FORM GSTR-1.

Question 11: Write a note on bill of supply under Rule 49.

Answer: Bill of supply under Rule 49

As per section 31(3)(c). A bill of supply has to be issued if there is no output GST, eg. A registered dealer supplying goods and services exempt from GST. Similarly a composition dealer supplying goods. It is similar to tax invoice but only a few particulars are required.

A bill of supply shall be issued by the supplier containing the following details, namely,—

(a) name, address and Goods and Services Tax Identification Number of the supplier;
(b) a consecutive serial number not exceeding sixteen characters.
(c) date of its issue;
(d) name, address and Goods and Services Tax Identification Number or Unique Identity Number, if registered, of the recipient;
(e) Harmonised System of Nomenclature Code for goods or services;
(f) description of goods or services or both;
(g) value of supply of goods or services or both taking into account discount or abatement, if any; and
(h) signature or digital signature of the supplier or his authorised representative:

Question 12: Explain advance payment/refund of advance payment where no invoice has been issued.
Answer: Advance payment/refund of advance payment where no invoice has been issued section 31(3)(d)/ section 31(3)(e)
A registered person shall, on receipt of advance payment with respect to any supply of goods or services, 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 services 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. Such person shall be liable to pay GST on advance payment. At time of issue of invoice such advance shall be adjusted.

If no tax invoice has been issued against such advance and the person has claimed refund, in such cases refund shall be allowed on the basis of refund voucher but output tax liability shall not be decreased rather refund is to be claimed by filing RFD-01.

Question 13: Write a note on Receipt Voucher under Rule 50.
Answer: Receipt voucher Rule 50.
As per section 31(3)(d), 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, containing such particulars as may be prescribed, evidencing receipt of such payment.
A receipt voucher shall contain the following particulars, namely,—

(a) name, address and Goods and Services Tax Identification Number of the supplier;
(b) a consecutive serial number not exceeding sixteen characters.
(c) date of its issue;
(d) name, address and Goods and Services Tax Identification Number or Unique Identity Number, if registered, of the recipient;
(e) description of goods or services;
(f) amount of advance taken;
(g) rate of tax/amount of tax.
(h) 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;
(i) whether the tax is payable on reverse charge basis; and
(j) signature or digital signature of the supplier or his authorised representative:

Question 14: Write a note on Refund Voucher under Rule 51.
Answer: Refund voucher Rule 51.
As per section 31(3)(e), 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 in pursuance thereof, the said registered person may issue to the person who had made the payment, a refund voucher against such payment.
A refund voucher shall contain the following particulars, namely:—

(a) name, address and Goods and Services Tax Identification Number of the supplier;
(b) a consecutive serial number not exceeding sixteen characters.
Question 15: Explain issue of Payment Voucher

Answer: Payment voucher Rule 52.

As per section 31(3)(g), 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 if registered;
(b) a consecutive serial number not exceeding sixteen characters.
(c) date of issue;
(d) name, address and Goods and Services Tax Identification Number of the recipient;
(e) description of goods or services;
(f) amount paid;
(g) rate of tax / amount of tax.

(h) 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

(i) signature or digital signature of the supplier or his authorised representative.

Question 16: Write a note on Revised Tax Invoice and credit or debit notes under Rule 53.

Answer: Revised tax invoice and credit or debit notes Rule 53.

As per section 31(3)(a), 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.

As per Rule 53,

(1) A revised tax invoice referred to in section 31 and credit or debit notes referred to in section 34 shall contain the following particulars, namely:

(a) the word "Revised Invoice", wherever applicable, indicated prominently;
(b) name, address and Goods and Services Tax Identification Number of the supplier;
(c) nature of the document;
(d) a consecutive serial number not exceeding sixteen characters.
(e) date of issue of the document;
(f) name, address and Goods and Services Tax Identification Number or Unique Identity Number, if registered, of the recipient;
(g) name and address of the recipient and the address of delivery, along with the name of State and its
code, if such recipient is un-registered;
(h) serial number and date of the corresponding tax invoice or, as the case may be, bill of supply;
(i) value of taxable supply of goods or services, rate of tax and the amount of the tax credited or, as
the case may be, debited to the recipient; and
(j) signature or digital signature of the supplier or his authorised representative.

(2) 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 in respect of taxable supplies
effected during the period starting from the effective date of registration till the date of the issuance of the
certificate of registration:
Provided that the registered person may issue a consolidated revised tax invoice in respect of all taxable
supplies made to a recipient who is not registered under the Act during such period:
Provided further that 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 under the Act.

(3) Any invoice or debit note issued in pursuance of any tax payable in accordance with the provisions of
section 74 or section 129 or section 130 shall prominently contain the words "INPUT TAX CREDIT NOT
ADMISSIBLE".

Question 17: Explain Tax Invoice in special cases.
Answer: Tax Invoice in special cases Rule 54.
In some of the cases tax invoice may be issued in the manner given below:

1. Banking / Financial Institutions
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.

2. Goods Transport Agency
Where the supplier of taxable service is a goods transport agency, the said supplier shall issue a tax invoice
or any other document in lieu thereof, containing the gross weight of the consignment, name of the consigner
and the consignee, registration number of goods carriage in which the goods are transported, 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 or
goods transport agency.

3. Passenger Transportation Service
Where the supplier of taxable service is supplying passenger transportation service, a tax invoice shall
include ticket in any form, by whatever name called, whether or not serially numbered, and whether or not containing the address of the recipient of service.

Question 18: Explain Transportation of Goods without issue of invoice i.e. by issuing Delivery challan.
Answer: Transportation of goods without issue of invoice Rule 55
Transportation of goods without invoice but with delivery challan
In the following cases a delivery challan may 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, eg. Stock transfer to the branch in the
same State. or
(d) such other supplies as may be notified by the Board.

**Particulars of Delivery challan**
The Delivery challan should contain the following details:—

(i) date and number of the delivery challan;
(ii) name, address and Goods and Services Tax Identification Number of the consigner, 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.

**Number of copies of Delivery Challan**
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.

Where goods are being transported on a delivery challan in lieu of invoice, the same shall be declared as specified in rule 138.(E-way Bill)

Question 19: Explain provisions for issue of tax invoice in case of Transportation of goods in SKD/CKD Form.

**Answer: Transportation of goods in SKD/CKD Form.**
Where the goods are being transported in a semi knocked down or completely knocked down condition -

(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.

**CLARIFICATIONS**
Goods moved within the State or from the State of registration to another State for supply on approval basis and Art works sent by artists to galleries for exhibition Suppliers of jewellery etc. who are registered in one State may have to visit other States (other than their State of registration) and need to carry the goods (such as jewellery) along for approval. In such cases if jewellery etc. is approved by the buyer, then the supplier issues a tax invoice only at the time of supply. Since the suppliers are not able to ascertain their actual supplies beforehand and while ascertainment of tax liability in advance is a mandatory requirement for registration as a casual taxable person, the supplier is not able to register as a casual taxable person. Such goods are also carried within the same State for the purposes of supply.
In view of relevant provisions of rule 55, 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 along with the e-way bill wherever applicable and the invoice may be issued at the time of delivery 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 fructified [Circular No. 10/10/2017 GST dated 18.10.2017].

Likewise, in case where artists supply art works in different States - other than the State in which they are registered as a taxable person and if the art work is selected by the buyer, then the supplier issues a tax invoice only at the time of supply, it is clarified that the art work for supply on approval basis can be moved from the place of business of the registered person (artist) to another place within the same State or to a place outside the State on a delivery challan along with the e-way bill wherever applicable and the invoice may be issued at the time of actual supply of art work [Circular No. 22/22/2017 GST dated 21.12.2017]
E-WAY BILL


E-way bill is generated by filing in form no. EWB-01 and the person who generates e-way bill should be registered on GST portal as well as e-way bill portal (https://ewaybillgst.gov.in).

Part A should be filled by the supplier and part B should be filled by the transporter. The transporter should also get enrolled on e-way bill portal.

E-way is to be generated only if consignment value is exceeding ₹50,000 and further there is inter state movement of goods. If transport has been arranged by the buyer, part A of EWB-01 should be filled by the buyer. If a registered person is purchasing goods from an unregistered person, part A should be filled by the buyer.

Meaning of consignment value of goods

Consignment value of goods shall be the value:

- determined in accordance with the provisions of section 15,
- declared in an invoice, a bill of supply or a delivery challan, as the case may be, and
- also includes the Central tax, State or Union territory tax, integrated tax and cess charged, if any, in the document and
- shall exclude the value of exempt supply of goods where the invoice is issued in respect of both exempt and taxable supply of goods.

Information in part A can be furnished by the transporter if he has been authorised by the registered person.

Unique e-way bill number (EBN)

Upon generation of the e-way bill on the common portal, a unique e-way bill number (EBN) shall be made available to the supplier, the recipient and the transporter on the common portal.

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 on the said common portal prior to the movement of goods.

Further, where the consignor/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 ₹50,000, the transporter, shall, in respect of inter-State supply, 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, 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 24 hours of generation of the e-way bill.

However, an e-way bill cannot be cancelled if it has been verified in transit in accordance with the provisions of rule 138B.

Further, unique EWB number generated is valid for a period of 15 days for updation of Part B.

Validity period of e-way bill/consolidated e-way bill

<table>
<thead>
<tr>
<th>Sl. No</th>
<th>Distance within country</th>
<th>Validity Period from relevant date*</th>
</tr>
</thead>
<tbody>
<tr>
<td>01.</td>
<td>Upto 100 km.</td>
<td>One day in cases other than Over Dimensional</td>
</tr>
<tr>
<td>No.</td>
<td>Cargo</td>
<td>Description</td>
</tr>
<tr>
<td>-----</td>
<td>----------------------------------------------------------------------</td>
<td>-------------------------------------------------------------------</td>
</tr>
<tr>
<td>02.</td>
<td>For every 100 km. or part thereof thereafter</td>
<td>One additional day in cases other than Over Dimensional Cargo</td>
</tr>
<tr>
<td>03.</td>
<td>Upto 20 km.</td>
<td>One day in case of Over Dimensional Cargo</td>
</tr>
<tr>
<td>04.</td>
<td>For every 20 km. or part thereof thereafter</td>
<td>One additional day in case of Over Dimensional Cargo</td>
</tr>
</tbody>
</table>

*Relevant date* means the date on which the e-way bill has been generated and 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.

This can be explained by following examples –
(i) Suppose an e-way bill is generated at 00:04 hrs. on 14th March. Then first day would end on 12:00 midnight of 15-16 March. Second day will end on 12:00 midnight of 16-17 March and so on.

(ii) Suppose an e-way bill is generated at 23:58 hrs. on 14th March. Then first day would end on 12:00 midnight of 15-16 March. Second day will end on 12:00 midnight of 16-17 March and so on.

The validity of the e-way bill starts when first entry is made in Part-B i.e. vehicle entry is made first time in case of road transportation or first transport document number entry in case of rail/air/ship transportation, whichever is the first entry. It may be noted that validity is not re-calculated for subsequent entries in Part-B2.

Example: A consignor hands over his goods for transportation on Friday to transporter. However, the assigned transporter starts the movement of goods on Monday. The validity period of e-way bill starts only after the details in Part B are updated by the transporter for the first time.

In the given situation, Consignor can fill the details in Part A on Friday and handover his goods to the transporter. When the transporter is ready to move the goods, he can fill Part B i.e. the assigned transporter can fill the details in Part B on Monday and the validity period of the e-way bill will start from Monday [Press Release No. 144/2018 dated 31.03.2018].

**Over dimensional cargo** means a cargo carried as a single indivisible unit and which exceeds the dimensional limits prescribed in rule 93 of the Central Motor Vehicle Rules, 1989, made under the Motor Vehicles Act, 1988.

Situations where E-way Bill is not required to be generated
Notwithstanding anything explained above, no e-way bill is required to be generated in the following cases:
(a) where the goods being transported are the ones given below:
   1. Liquefied petroleum gas for supply to household and nondomestic exempted category (NDEC) customers
   2. Kerosene oil sold under PDS
   3. Postal baggage transported by Department of Posts
   4. Natural or cultured pearls and precious or semi-precious stones; precious metals and metals clad with precious metal
   5. Jewellery, goldsmiths’ and silversmiths’ wares and other articles
   6. Currency
   7. Used personal and household effects
(b) where the goods are being transported by a non-motorised conveyance
(c) where the goods being transported are alcoholic liquor for human consumption, petroleum crude, high speed diesel, motor spirit (commonly known as petrol), natural gas or aviation turbine fuel
(d) where the supply of goods being transported is treated as no supply under Schedule III of the Act
(e) any movement of goods caused by defence formation under Ministry of defence as a consignor or consignee
(f) where the consignor of goods is the Central Government, Government of any State or a local authority for transport of goods by rail

**Documents and devices to be carried by a person-in-charge of a conveyance**

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 RFID** embedded on to the conveyance in such manner as may be notified by the Commissioner.

**RFIDs are Radio Frequency Identification Device used for identification.**

**Verification of documents and conveyances**

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 for all inter-State and intra-State movement of goods.

The Commissioner shall get RFID 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.

**Facility for uploading information regarding detention of vehicle**

Where a vehicle has been intercepted and detained for a period exceeding 30 minutes, the transporter may upload the said information in specified form on the common portal.

**What are the benefits of e-way bill?**

Following benefits are expected from e-way bill mechanism:

(i) Physical interface to pave way for digital interface resulting in elimination of state boundary check-posts

(ii) It will facilitate faster movement of goods

(iii) It will improve the turnaround time of trucks and help the logistics industry by increasing the average distances travelled, reducing the travel time as well as costs.

**Tax invoice or bill of supply to accompany transport of goods**

Person-in-charge of the conveyance shall carry a copy of the tax invoice or the bill of supply issued in accordance with the provisions of rules 46, 46A or 49 in a case where such person is not required to carry an e-way bill under these rules.
FORM GST EWB-01
(See rule 138)
E-Way Bill

E-Way Bill No.  
E-Way Bill date  
Generator  
Valid from  
Valid until  

<table>
<thead>
<tr>
<th>Part A</th>
</tr>
</thead>
<tbody>
<tr>
<td>A.1 GSTIN of Supplier</td>
</tr>
<tr>
<td>A.2 Place of Dispatch</td>
</tr>
<tr>
<td>A.3 GSTIN of Recipient</td>
</tr>
<tr>
<td>A.4 Place of Delivery</td>
</tr>
<tr>
<td>A.5 Document Number</td>
</tr>
<tr>
<td>A.6 Document Date</td>
</tr>
<tr>
<td>A.7 Value of Goods</td>
</tr>
<tr>
<td>A.8 HSN Code</td>
</tr>
<tr>
<td>A.9 Reason for Transportation</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Part B</th>
</tr>
</thead>
<tbody>
<tr>
<td>B.1 Vehicle Number for Road</td>
</tr>
<tr>
<td>B.2 Transport Document Number/Defence Vehicle No./Temporary Vehicle Registration No./Nepal or Bhutan Vehicle Registration No.</td>
</tr>
</tbody>
</table>

Notes:

1. HSN Code in column A.8 shall be indicated at minimum two digit level for taxpayers having annual turnover up to five crore rupees in the preceding financial year and at four digit level for taxpayers having annual turnover above five crore rupees in the preceding financial year.

2. Document Number may be of Tax Invoice, Bill of Supply, Delivery Challan or Bill of Entry.

3. Transport Document number indicates Goods Receipt Number or Railway Receipt Number or Forwarding Note number or Parcel way bill number issued by railways or Airway Bill Number or Bill of Lading Number.

4. Place of Delivery shall indicate the PIN Code of place of delivery.

5. Place of dispatch shall indicate the PIN Code of place of dispatch.

6. Where the supplier or the recipient is not registered, then the letters “URP” are to be filled-in in column A.1 or, as the case may be, A.3.

7. Reason for Transportation shall be chosen from one of the following:—

<table>
<thead>
<tr>
<th>Code Description</th>
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<tbody>
<tr>
<td>1</td>
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<td>2</td>
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<td>9</td>
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<tr>
<td>10</td>
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</tbody>
</table>

**Action Points**

1. E-way Bill is generated in this form.
2. Rule 138 provides that every registered person who causes movement of goods of consignment value exceeding fifty thousand rupees –
   (i) in relation to a supply; or
   (ii) for reasons other than supply; or
   (iii) due to inward supply from an unregistered person,
   Shall, before commencement of such movement, furnish information relating to the said goods as specified in Part A of Form GST EWB-01, electronically, on the common portal along with such other information as may be required on the common portal and a unique number will be generated on the said portal.
3. Also read notes attached to the Form.
Consolidated E-Way Bill No.  :
Consolidated E-Way Bill Date  :
Generator  :
Vehicle Number  :

<table>
<thead>
<tr>
<th>Number of E-Way Bills</th>
<th>E-Way Bill Number</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
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<td></td>
<td></td>
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</tbody>
</table>

**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.
### Part A

<table>
<thead>
<tr>
<th>Name of the Officer</th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Place of inspection</td>
<td></td>
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<tr>
<td>Time of inspection</td>
<td></td>
</tr>
<tr>
<td>Vehicle Number</td>
<td></td>
</tr>
<tr>
<td>E-Way Bill Number</td>
<td></td>
</tr>
<tr>
<td>Tax Invoice or Bill of Supply or Delivery Challan or Bill of Entry date</td>
<td></td>
</tr>
<tr>
<td>Tax Invoice or Bill of Supply or Delivery Challan or Bill of Entry Number</td>
<td></td>
</tr>
<tr>
<td>Name of person in-charge of vehicle</td>
<td></td>
</tr>
<tr>
<td>Description of goods</td>
<td></td>
</tr>
<tr>
<td>Declared quantity of goods</td>
<td></td>
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<tr>
<td>Declared value of goods</td>
<td></td>
</tr>
<tr>
<td>Brief description of the discrepancy</td>
<td></td>
</tr>
<tr>
<td>Whether goods were detained?</td>
<td></td>
</tr>
<tr>
<td>If not, date and time of release of vehicle</td>
<td></td>
</tr>
</tbody>
</table>

### Part B

<table>
<thead>
<tr>
<th>Actual quantity of goods</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual value of the Goods</td>
<td></td>
</tr>
<tr>
<td>Tax payable</td>
<td></td>
</tr>
<tr>
<td>Integrated tax</td>
<td></td>
</tr>
<tr>
<td>Central tax</td>
<td></td>
</tr>
<tr>
<td>State or Union territory tax</td>
<td></td>
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<td>Cess</td>
<td></td>
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</tbody>
</table>
### 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 rule 138D)

**Report of detention**

<table>
<thead>
<tr>
<th>E-Way Bill Number</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Approximate Location of detention</td>
<td></td>
</tr>
<tr>
<td>Period of detention</td>
<td></td>
</tr>
<tr>
<td>Name of Officer in-charge</td>
<td>(if known)</td>
</tr>
<tr>
<td>Date</td>
<td></td>
</tr>
<tr>
<td>Time</td>
<td></td>
</tr>
</tbody>
</table>

**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.
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 advice 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.

**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 16.04.2019 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 15 days 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 goods, 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 goods, 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 goods, 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)
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) (a).

(1) The liability to pay tax on goods shall arise at the time of supply, as determined in accordance with the provisions of this section.

(2) 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, under sub-section (1) of section 31, to issue the invoice with respect to the supply.

eg. If invoice is issued on 28th July 2019 and goods are delivered on 31st July 2019 and payment is received on 10th August 2019, TOS is 28th July 2019 but if invoice is issued on 01st August 2019, TOS is 31st July 2019.

Illustration 1: ABC Ltd has submitted information as given below:
Delivered goods on 31/07/2019 to Mr. A ₹ 7,00,000 + CGST @ 9% + SGST @ 9% and issued invoice on 03/08/2019 and received payment on 01/09/2019.

Delivered goods to Mr. B on 10/09/2019 and issued invoice on 31/08/2019 ₹ 6,00,000 + CGST @ 9% + SGST @ 9% and received payment on 01/09/2019.

Delivered goods to Mr. C on 10/08/2019 and issued invoice on 01/09/2019 ₹7,00,000 + CGST @ 9% + SGST @ 9% and payment has not been received so far.

Delivered goods to Mr. D on 30/09/2019 and issued invoice on 31/08/2019 ₹12,00,000 + CGST @ 14% + SGST @ 14% and received payment on 16/08/2019.

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 31/07/2019
2. For Goods to Mr. B TOS shall be 31/08/2019
3. For Goods to Mr. C TOS shall be 10/08/2019
4. For Goods to Mr. D TOS shall be 31/08/2019

Tax Liability for the Month of July

<table>
<thead>
<tr>
<th>Goods to Mr. A</th>
<th>₹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods to Mr. A</td>
<td>7,00,000.00</td>
</tr>
<tr>
<td>Add: CGST @ 9%</td>
<td>63,000.00</td>
</tr>
<tr>
<td>Add: SGST @ 9%</td>
<td>63,000.00</td>
</tr>
<tr>
<td>Total</td>
<td>8,26,000.00</td>
</tr>
</tbody>
</table>

Tax shall be payable upto 20th August 2019

Tax Payable – CGST

<table>
<thead>
<tr>
<th>Tax Payable – CGST</th>
<th>₹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax Payable</td>
<td>63,000.00</td>
</tr>
</tbody>
</table>

Interest @ 18% (₹63,000 x 18% x 10/365)

<table>
<thead>
<tr>
<th>Interest @ 18% (₹63,000 x 18% x 10 /365)</th>
<th>₹</th>
</tr>
</thead>
<tbody>
<tr>
<td>310.68</td>
<td></td>
</tr>
</tbody>
</table>
Rounded off u/s 170

**Tax Payable – SGST**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax Payable</td>
<td>63,000.00</td>
</tr>
<tr>
<td>Interest @ 18% (₹63,000 x 18% x 10 /365)</td>
<td>310.68</td>
</tr>
<tr>
<td>Rounded off u/s 170</td>
<td>311.00</td>
</tr>
</tbody>
</table>

**Tax Liability for the Month of August**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods to Mr. B</td>
<td>6,00,000.00</td>
</tr>
<tr>
<td>Goods to Mr. C</td>
<td>7,00,000.00</td>
</tr>
<tr>
<td>Total</td>
<td>13,00,000.00</td>
</tr>
<tr>
<td>Add: CGST @ 9%</td>
<td>1,17,000.00</td>
</tr>
<tr>
<td>Add: SGST @ 9%</td>
<td>1,17,000.00</td>
</tr>
<tr>
<td></td>
<td>15,34,000.00</td>
</tr>
<tr>
<td>Goods to Mr. D</td>
<td>12,00,000.00</td>
</tr>
<tr>
<td>Add: CGST @ 14%</td>
<td>1,68,000.00</td>
</tr>
<tr>
<td>Add: SGST @ 14%</td>
<td>1,68,000.00</td>
</tr>
<tr>
<td></td>
<td>15,36,000.00</td>
</tr>
</tbody>
</table>

Tax shall be payable upto 20th September 2019

**Tax Payable – CGST**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax Payable</td>
<td>2,85,000.00</td>
</tr>
<tr>
<td>Interest @ 18% (₹2,85,000 x 18% x 10 /365)</td>
<td>1,405.48</td>
</tr>
<tr>
<td>Rounded off u/s 170</td>
<td>1,405.00</td>
</tr>
</tbody>
</table>

**Tax Payable – SGST**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax Payable</td>
<td>2,85,000.00</td>
</tr>
<tr>
<td>Interest @ 18% (₹2,85,000 x 18% x 10 /365)</td>
<td>1,405.48</td>
</tr>
<tr>
<td>Rounded off u/s 170</td>
<td>1,405.00</td>
</tr>
</tbody>
</table>

**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:

17.09.2019 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
20.10.2019 The machine is assembled, tested at site, and accepted by buyer
23.10.2019 Invoice raised
04.11.2019 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 20.10.2019 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, eg. 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, eg. If services are rendered on 23rd July, 2019 and invoice issued 10th August, 2019 and payment received 20th September, 2019, TOS shall be 10th August 2019 but if invoice is issued on 27th August 2019, TOS shall be 23rd July, 2019.

<table>
<thead>
<tr>
<th>Case</th>
<th>Date of completion of service</th>
<th>Date of invoice</th>
<th>Date on which payment received</th>
<th>Time of Supply</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>September 5, 2019</td>
<td>September 28, 2019</td>
<td>October 10, 2019</td>
<td>September 28, 2019</td>
</tr>
<tr>
<td>II</td>
<td>September 5, 2019</td>
<td>October 03, 2019</td>
<td>September 20, 2019</td>
<td>September 20, 2019</td>
</tr>
<tr>
<td>III</td>
<td>September 5, 2019</td>
<td>October 8, 2019</td>
<td>September 25, 2019</td>
<td>September 5, 2019</td>
</tr>
<tr>
<td>IV</td>
<td>September 5, 2019</td>
<td>October 8, 2019</td>
<td>Amount received partly on September 3, 2019 and remaining on September 20, 2019</td>
<td>September 3, 2019 and September 5, 2019 for respective amounts</td>
</tr>
</tbody>
</table>
Illustration 4:

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Date of completion of service</th>
<th>Date of invoice</th>
<th>Date on which payment is Received</th>
<th>Time of Supply</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>16.07.2019</td>
<td>11.08.2019</td>
<td>26.08.2019</td>
<td>11.08.2019</td>
</tr>
<tr>
<td>2</td>
<td>16.07.2019</td>
<td>11.08.2019</td>
<td>Part payment on 01.08.2019 and remaining on 26.08.2019</td>
<td>01.08.2019 for the part payment and 11.08.2019 for the remaining amount</td>
</tr>
<tr>
<td>4</td>
<td>16.07.2019</td>
<td>11.08.2019</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Illustration 5:

Determine the Point of Supply.

<table>
<thead>
<tr>
<th>Date of completion</th>
<th>Date of Invoice</th>
<th>Date of Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>01.08.2019</td>
<td>20.08.2019</td>
<td>18.08.2019</td>
</tr>
<tr>
<td>01.07.2019</td>
<td>20.08.2019</td>
<td>18.08.2019</td>
</tr>
<tr>
<td>01.07.2019</td>
<td>20.07.2019</td>
<td>01.05.2019</td>
</tr>
<tr>
<td>03.08.2019</td>
<td>31.08.2019</td>
<td>01.09.2019</td>
</tr>
</tbody>
</table>

Solution:

<table>
<thead>
<tr>
<th>Date of completion</th>
<th>Date of Invoice</th>
<th>Date of Payment</th>
<th>TOS</th>
</tr>
</thead>
<tbody>
<tr>
<td>01.08.2019</td>
<td>20.08.2019</td>
<td>18.08.2019</td>
<td>18.08.2019</td>
</tr>
<tr>
<td>01.07.2019</td>
<td>20.08.2019</td>
<td>18.08.2019</td>
<td>01.07.2019</td>
</tr>
<tr>
<td>01.07.2019</td>
<td>20.07.2019</td>
<td>01.05.2019</td>
<td>01.05.2019</td>
</tr>
<tr>
<td>03.08.2019</td>
<td>31.08.2019</td>
<td>01.09.2019</td>
<td>31.08.2019</td>
</tr>
</tbody>
</table>

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

1. Rendered services on 01.05.2019 and issued bill on 10.06.2019 for ₹ 6 lakhs and payment was received on 10.12.2019.
2. Rendered services on 07.06.2019 and issued bill on 30.06.2019 for ₹ 15 lakhs and payment was received on 07.03.2020.
3. Rendered services on 12.07.2019 and issued bill on 31.08.2019 for ₹ 30 lakhs and payment was received on 07.01.2020.
4. Rendered services on 22.11.2019 and issued bill on 28.12.2019 for ₹ 60 lakhs and payment was received on 18.11.2019.

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

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 01/05/2019 and GST should be paid upto 20th June 2019.
2. Second bill issued within 30 days of rendering of service hence TOS is 30/06/2019 and GST should be paid upto 20th July 2019.
3. Third bill issued after 30 days of rendering of service hence TOS is 12/07/2019 and GST should be paid upto 20th August 2019.
4. Fourth bill issued after 30 days of rendering of service but payment has been received prior to rendering of service hence TOS is 18/11/2019 and GST should be paid upto 20th December 2019.
Time of Supply

**Tax Liability for the Month of May**
- **First Bill (TOS 01/05/2019)** 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 2019

**Tax Liability for the Month of June**
- **Second Bill (TOS 30/06/2019)** 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 2019.

**Tax Liability for the Month of July**
- **Third Bill (TOS 12/07/2019)** 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 2019

**Tax Liability for the Month of November**
- **Fourth Bill (TOS 18/11/2019)** 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 2019

**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.

**CLARIFICATION**

**Time for payment of tax in case of joint development agreements in real estate sector**

Special procedure under section 148 for payment of tax in case of joint development agreements in real estate sector In a joint development agreement (JDA), a landowner transfers the land/development rights over the land to a developer to develop and construct a real estate project and in return gets a certain percentage of constructed area in the project, depending upon the terms and conditions agreed upon between them. The developer receives consideration for the construction service provided by him, from (i) landowner, in the form of land /development rights; and (ii) from other buyers (of the constructed area), normally in the form of money.
In exercise of the powers conferred by section 148, the Central Government, on the recommendations of the GST Council, has issued Notification Nos. 4/2018 CT (R) & 4/2018 IT (R) both dated 25.01.2018 to defer the liability to pay GST in case of supply of development rights against consideration in the form of construction service of complex, building or civil structure; supply of construction service of complex, building or civil structure against consideration in the form of transfer of development rights to the time when the possession or right in the property is transferred to the land owner by entering into a conveyance deed or similar instrument (e.g. allotment letter).

E.g. Mr. X enters into a joint development agreement with SM Constructions Ltd. on 12th January whereby the development right over the plot of land owned by Mr. X is transferred to SM Constructions to build a residential complex. SM Constructions agrees to take 5 flats out of 20 flats to be built in the residential complex as a consideration for transfer of development rights.

The other details are:
- Land development rights are transferred on 31st January
- Construction begins on 1st April
- Construction of 15 flats gets completed on 30th June
- Construction of entire complex gets completed on 30th November
- Right in property for 15 flats is transferred to Mr. X on 25th December

By virtue of the special procedure notified under section 148, payment of GST on transfer of development rights by Mr. X and supply of construction service by SM Constructions to Mr X is postponed to the date of allotment letter i.e., 25th December.

**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 10.07.2019 and it is credited in the bank account on 16.07.2019, date of receiving payment shall be 10.07.2019 but if it was entered in the books of accounts on 20.07.2019, date of receiving payment shall be 16.07.2019.

**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, eg. 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. 01-07-2019 and has submitted information as given below:

- Rendered Services on 10-07-2019 and issued bill ₹18,00,000 and received payment on 01-09-19. He has taken registration on 18-07-19 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 27-08-19 and issued bill on 03-09-19 ₹11,00,000 + CGST @ 9% + SGST @ 9% and received payment on 10-10-19.
- He rendered services on 01-01-20 and issued invoice on 01-03-20 ₹20,00,000 + CGST @ 10% + SGST @ 10% but payment was recovered in advance on 01-12-19.

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 03-09-2019 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 2019.

<table>
<thead>
<tr>
<th>Tax Liability</th>
<th>₹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transaction Value</td>
<td>11,00,000</td>
</tr>
<tr>
<td>CGST @ 9%</td>
<td>99,000</td>
</tr>
<tr>
<td>SGST @ 9%</td>
<td>99,000</td>
</tr>
<tr>
<td>Total</td>
<td>12,98,000</td>
</tr>
<tr>
<td>Net Tax Payable</td>
<td>99,000</td>
</tr>
<tr>
<td>Less: ITC on CGST</td>
<td>(10,000)</td>
</tr>
<tr>
<td>Net Tax Payable</td>
<td>89,000</td>
</tr>
<tr>
<td>Net Tax Payable</td>
<td>99,000</td>
</tr>
<tr>
<td>Less: ITC on SGST</td>
<td>(10,000)</td>
</tr>
<tr>
<td>Net Tax Payable</td>
<td>89,000</td>
</tr>
</tbody>
</table>
In the third case of services rendered, The TOS shall be 01-12-2019 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 2020.

Tax Liability

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount (₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transaction Value</td>
<td>20,00,000</td>
</tr>
<tr>
<td>CGST @ 10%</td>
<td>2,00,000</td>
</tr>
<tr>
<td>SGST @ 10%</td>
<td>2,00,000</td>
</tr>
<tr>
<td>Total</td>
<td>24,00,000</td>
</tr>
</tbody>
</table>

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 10/07/2019 ₹4,00,000 plus CGST @ 10% and SGST @ 10% and goods were sold on 31/08/2019 ₹ 6,00,000 + CGST @ 10% and SGST @ 10% but invoice was issued on 01/09/2019 and payment was received on 01/10/2019.

- Purchased goods B on 10/09/2019 ₹5,00,000 plus CGST @ 10% and SGST @ 10% and goods were exported on 12/12/2019 and profit taken is 30% on cost.

- Purchased goods C on 10/09/2019 ₹7,00,000 plus CGST @ 10% and SGST @ 10% and goods were sold to our own branch in some other State on 31/12/2019 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

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount (₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transaction Value</td>
<td>4,00,000.00</td>
</tr>
<tr>
<td>Add: CGST @ 10%</td>
<td>40,000.00</td>
</tr>
<tr>
<td>Add: SGST @ 10%</td>
<td>40,000.00</td>
</tr>
<tr>
<td></td>
<td>4,80,000.00</td>
</tr>
</tbody>
</table>

Tax Liability

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount (₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Bill (TOS 31/08/2019)</td>
<td>6,00,000.00</td>
</tr>
<tr>
<td>Add: CGST @ 10%</td>
<td>60,000.00</td>
</tr>
<tr>
<td>Add: SGST @ 10%</td>
<td>60,000.00</td>
</tr>
<tr>
<td></td>
<td>7,20,000.00</td>
</tr>
</tbody>
</table>

Net Tax Payable

Output

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount (₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CGST</td>
<td>60,000.00</td>
</tr>
<tr>
<td>Less: ITC CGST</td>
<td>(40,000.00)</td>
</tr>
<tr>
<td>Tax Payable</td>
<td>20,000.00</td>
</tr>
</tbody>
</table>

Output

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount (₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>SGST</td>
<td>60,000.00</td>
</tr>
<tr>
<td>Less: ITC SGST</td>
<td>(40,000.00)</td>
</tr>
<tr>
<td>Tax Payable</td>
<td>20,000.00</td>
</tr>
</tbody>
</table>

Net Tax Payable for the Month of September

ITC

Goods B

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount (₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transaction Value</td>
<td>5,00,000.00</td>
</tr>
<tr>
<td>Add: CGST @ 10%</td>
<td>50,000.00</td>
</tr>
</tbody>
</table>
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 31-12-2019)**
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
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.

**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 10.08.2019 and issued invoice on 13.08.2019 and received payment on 01.08.2019, in this case time of supply shall be
   (a) 10.08.2019
   (b) 13.08.2019
   (c) 01.08.2019
   (d) none of these

7. Mr. X supplied goods on 10.08.2019 and issued invoice on 08.08.2019 and received payment on 01.08.2019, in this case time of supply shall be
   (a) 10.08.2019
   (b) 08.08.2019
   (c) 01.08.2019
   (d) none of these

8. Mr. X supplied goods on 10.08.2019 and issued invoice on 08.08.2019 but payment was received after 6 months and Mr. X has received interest of ₹ 10,000 on 10.03.2020, in this case TOS for the interest received shall be
   (a) 10.08.2019
   (b) 08.08.2019
   (c) 10.03.2020
(d) none of these

9. Mr. X has rendered services on 10.09.2019 issued invoice 28.12.2019 received payment on 03.10.2019, in this case TOS shall be
(a) 10.09.2019
(b) 28.12.2019
(c) 03.10.2019
(d) none of these

10. Mr. X has rendered services on 10.09.2019 issued invoice 07.10.2019 received payment on 03.10.2019, in this case TOS shall be
(a) 10.09.2019
(b) 07.10.2019
(c) 03.10.2019
(d) none of these

11. Mr. X has rendered services on 10.09.2019 issued invoice 07.10.2019 received payment on 13.10.2019, in this case TOS shall be
(a) 10.09.2019
(b) 07.10.2019
(c) 13.10.2019
(d) none of these

12. Mr. X has rendered services on 10.09.2019 issued invoice 07.10.2019 received payment by cheque on 06.10.2019 and entered in the books of accounts on the same date and amount was credited in the bank account on 11.10.2019, in this case TOS shall be
(a) 10.09.2019
(b) 07.10.2019
(c) 06.10.2019
(d) 11.10.2019
(e) none of these

13. Mr. X rendered services on 01.09.2019 and issued invoice on 20.09.2019 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) 20.09.2019
(b) 01.09.2019
(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 01.01.2020 for rendering services and services were rendered on 10.01.2020 and issued invoice on 12.01.2020 and balance amount of ₹ 70,000 was received on 31.01.2020, in this case TOS shall be
(a) For ₹ 30,000, 01.01.2020 and for ₹ 70,000, 31.01.2020
(b) For ₹ 30,000, 10.01.2020 and for ₹ 70,000, 12.01.2020
(c) For ₹ 30,000, 01.01.2020 and for ₹ 70,000, 12.01.2020
(d) For ₹ 30,000, 31.01.2020 and for ₹ 70,000, 12.01.2020
(e) none of these

15. Mr. X has taken advance of ₹ 30,000 on 01.01.2020 for rendering services and services were rendered on 10.01.2020 and issued invoice on 09.01.2020 and balance amount of ₹ 70,000 was received on 31.01.2020, in this case TOS shall be
(a) For ₹ 30,000, 01.01.2020 and for ₹ 70,000, 31.01.2020
(b) For ₹ 30,000, 10.01.2020 and for ₹ 70,000, 09.01.2020
(c) For ₹ 30,000, 01.01.2020 and for ₹ 70,000, 09.01.2020
(d) For ₹ 30,000, 31.01.2020 and for ₹ 70,000, 09.01.2020
(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:

- **10.09.2019**: 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.
- **20.09.2019**: The machine is assembled, tested at site, and accepted by buyer.
- **30.09.2019**: Invoice raised.
- **10.10.2019**: Balance payment of ₹ 11,50,000 received.

Time of supply shall be:

(a) 10.09.2019
(b) 20.09.2019
(c) 30.09.2019
(d) 10.10.2019

17. Determine the Point of Supply.

<table>
<thead>
<tr>
<th>Date of completion</th>
<th>Date of Invoice</th>
<th>Date of Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) 01.08.2019</td>
<td>20.08.2019</td>
<td>18.08.2019</td>
</tr>
<tr>
<td>(ii) 01.07.2019</td>
<td>20.08.2019</td>
<td>18.08.2019</td>
</tr>
<tr>
<td>(iii) 01.07.2019</td>
<td>20.07.2019</td>
<td>01.05.2019</td>
</tr>
<tr>
<td>(iv) 03.08.2019</td>
<td>31.08.2019</td>
<td>01.09.2019</td>
</tr>
</tbody>
</table>

Time of supply shall be:

(a) (i) 18.08.2019, (ii) 01.07.2019, (iii) 01.05.2019, (iv) 03.08.2019
(b) (i) 18.08.2019, (ii) 01.07.2019, (iii) 20.07.2019, (iv) 31.08.2019
(c) (i) 20.08.2019, (ii) 01.07.2019, (iii) 01.05.2019, (iv) 31.08.2019
(d) (i) 18.08.2019, (ii) 01.07.2019, (iii) 01.05.2019, (iv) 31.08.2019

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)
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 tax or duty etc except GST, eg. 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.

(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. 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. and it paid ₹ 20,000 plus interest of ₹15,000 to such person and also ₹ 5,00,000 to Samriddhi Advertisers. In this case, Taxable Value and GST payable (CGST @ 10%, SGST @ 10%, all amounts given are exclusive of tax) shall be as given below:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service charges</td>
<td>5,00,000</td>
</tr>
<tr>
<td>Payment made by New Moon Pvt. Ltd to vendor of Samriddhi Advertisers</td>
<td>20,000</td>
</tr>
<tr>
<td>[Liability of the supplier being discharged by the recipient, is includible in the value in terms of section 15]</td>
<td></td>
</tr>
<tr>
<td>Interest for delay in payment of consideration</td>
<td>15,000</td>
</tr>
<tr>
<td>[Includible in the value in terms of section 15]</td>
<td></td>
</tr>
</tbody>
</table>

**Value of taxable supply**  
CGST @ 10%  
53,500  
SGST @ 10%  
53,500  

(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

If the supplier has given any discount before or at the time of supply, it will be allowed to be deducted, if such discount has been duly recorded in the invoice issued in respect of such supply; and Discount allowed after supply shall also be allowed to be deducted provided such discount is established in terms of an agreement entered into at or before the time of such supply and specifically linked to relevant invoices and further the supplier shall issue credit note for such discount and shall be allowed to reduce his tax liability but the recipient should also reverse/ reduce tax credit taken by him (subject to matching under section 43.)

**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).

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

<table>
<thead>
<tr>
<th>Particulars</th>
<th>₹</th>
</tr>
</thead>
<tbody>
<tr>
<td>List price of the goods (exclusive of taxes and discounts)</td>
<td>50,000</td>
</tr>
<tr>
<td>Tax levied by Municipal Authority on the sale of such goods</td>
<td>5,000</td>
</tr>
<tr>
<td>Packing charges (not included in price above)</td>
<td>1,000</td>
</tr>
</tbody>
</table>
| 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:**

<table>
<thead>
<tr>
<th>Particulars</th>
<th>₹</th>
</tr>
</thead>
<tbody>
<tr>
<td>List price of the goods (exclusive of taxes and discounts)</td>
<td>50,000</td>
</tr>
<tr>
<td>Tax levied by Municipal Authority on the sale of such goods</td>
<td>5,000</td>
</tr>
<tr>
<td>Packing charges [Includible in the value as per section 15]</td>
<td>1,000</td>
</tr>
<tr>
<td>Subsidy received from a non-Government body</td>
<td>2,000</td>
</tr>
<tr>
<td>[Since subsidy is received from a non-Government body, the same is</td>
<td></td>
</tr>
</tbody>
</table>
Value of Supply

included in the value in terms of section 15]

<table>
<thead>
<tr>
<th>Total</th>
<th>58,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>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]</td>
<td>(1,000)</td>
</tr>
</tbody>
</table>

**Value of taxable supply**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>CGST @ 10%</td>
<td>5,700</td>
</tr>
<tr>
<td>SGST @ 10%</td>
<td>5,700</td>
</tr>
</tbody>
</table>

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.

**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.
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 weightment, 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 weightment 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 weightment 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) 2,08,000  (b) 3,08,000  (c) 2,05,000  (d) 3,00,000  (e) 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) after making supply but it has been established in term of agreement entered into at or before the time of supply and specifically linked to relevant invoices
(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)
**Question 1: Explain Supply under GST.**

**Answer: Scope of supply Section 7.**

(1) For the purposes of this Act, the expression "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 for a consideration by a person in the course or furtherance of business;

(b) import of services for a consideration whether or not in the course or furtherance of business and;

(c) the activities specified in Schedule I, made or agreed to be made without a consideration

(1A) Where certain activities or transactions constitute a supply in accordance with the provisions of sub-section (1), they shall be treated either as supply of goods or supply of services as referred to in Schedule II.

(2) Notwithstanding anything contained in sub-section (1),—

(a) activities or transactions specified in Schedule III; or

(b) such activities or transactions undertaken by the Central Government, a State Government or any local authority in which they are engaged as public authorities, as may be notified by the Government on the recommendations of the Council,

shall be treated neither as a supply of goods nor a supply of services.

**As per notification no. CT(R) - 14/17 dated 28.06.2017,** Services notified by the Government is:

Services by way of any activity in relation to a function entrusted to a Panchayat or municipality under article 243G/243W of the Constitution. Such functions are given in eleventh/twelfth schedule of Constitution, eg. Khadi, village and cottage industries, Drinking water, Roads, culverts, bridges, ferries, waterways and other means of communication, Libraries, Cultural activities, Markets and fairs.

(3) Subject to the provisions of sub-sections (1), (1A) and (2), the Government may, on the recommendations of the Council, specify, by notification, the transactions that are to be treated as—

(a) a supply of goods and not as a supply of services; or

(b) a supply of services and not as a supply of goods.

**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.
Meaning of Supply

The term goods shall not include money, security, Land and Building, hence it is not a supply and no GST is payable.

The term actionable claim is covered in the definition of Goods but only three actionable claims shall be considered to be supply and are: lottery, gambling and betting (but other actionable claims are not taxable as per schedule III.)

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 in fact even the supply without consideration is taxable but only in situations given in schedule I and as given below:

1. Permanent Transfer or disposal of assets of business where input tax credit has been availed

If any person has taken ITC with regard to assets of business and subsequently such assets have been disposed of 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 and tax credit of ₹10,000 was taken but after 3 years it was given by him to one of his friends 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 the rate of GST is 15%, output GST shall be ₹3,000 (also provisions of section 18(6) shall be applicable).

(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) A Chartered Accountant has rendered services to one of its client without consideration, in this case it is not a supply because services have not been covered under this clause.

(v) 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 (also provisions of section 18(6) shall be applicable).

2. Supply of goods or services without consideration between Distinct persons or Related persons in the course of business or in the furtherance of business

If any person has supplied goods/services to the person who is considered to be Distinct or Related, it will be considered to be supply even if there is no consideration.

Example

(i) Mr. X has rendered free services to one of the related persons, in this case it will 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.

(iii) ABC limited has transferred certain goods 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 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.
Meaning of Distinct person

The term Distinct person is defined under section 25 of CGST Act and also under section 8 of IGST Act. In the following cases the persons shall be considered to be Distinct persons:

If any person has branches in different states/ UT and aggregate turnover is exceeding ₹20,00,000 in that case registration of all the branches is required, however permanent account number shall be same, such branches or head office etc shall be considered to be Distinct person i.e. they will be considered to be different persons for the purpose of charging GST, eg. ABC limited has its head office in Delhi and branch office in Lucknow, separate registration is required and they will be called Distinct persons. If any person has branches in same State/UT, in that case such person shall have the option to take single registration or more than one registration. If he has taken more than one registration, they will also be called distinct persons for each such registrations.

eg. Mohan, a Chartered Accountant, has a registered head office in Delhi and also one branch in Delhi. He has obtained separate registration for each of the branch, in this case they will be called distinct person.

Meaning of Related Person

"Related persons" means

(i) Such persons are partners in business.
   Example - Mr. X and Mr. Y are partners in a business, they will be considered to be related persons.

(ii) Any person holds twenty-five per cent or more of shares of both of them.
   Example – Mr. X has 25% shares in ABC limited and 25% shares in XYZ limited, in this case ABC & XYZ will be considered to be related persons.

(iii) One of them controls the other, eg. ABC limited is holding 51% shares of XYZ limited, they are related persons.

(iv) together they directly or indirectly control a third person, eg. ABC limited has 26% shares of A limited and XYZ limited has 27% shares of A limited, in this case ABC & XYZ shall be connected person

(v) such persons are employer and employee;

(vi) they are members of the same family;

As per section 2(49) "family" means—

(i) the spouse and children of the person, and

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

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.

3. Supply of goods by principal to agent

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. 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.
Scenario 1
Mr. A appoints Mr. B to procure certain goods from the market. Mr. B identifies various suppliers who can provide the goods as desired by Mr. A, and asks the supplier (Mr. C) to send the goods and issue the invoice directly to Mr. A. In this scenario, Mr. B is only acting as the procurement agent, and has in no way involved himself in the supply or receipt of the goods. Hence, in accordance with the provisions of this Act, Mr. B is not an agent of Mr. A for supply of goods in terms of Schedule I.

Scenario 2
M/s XYZ, a banking company, appoints Mr. B (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 XYZ. The invoice for the supply of the goods is issued by M/s XYZ 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, Mr. B is not an agent of M/s XYZ for the supply of goods in terms of Schedule I.

Scenario 3
Mr. A, an artist, appoints M/s B (auctioneer) to auction his painting. M/s B 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 M/s B on the behalf of Mr. A but in his own name and the painting is delivered to the successful bidder. In this scenario, M/s B is not merely providing auctioneering services, but is also supplying the painting on behalf of Mr. A to the bidder, and has the authority to transfer the title of the painting on behalf of Mr. A. This scenario is covered under Schedule I.

A similar situation can exist in case of supply of goods as well where the 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.

Scenario 4
Mr. A sells agricultural produce by utilizing the services of Mr B who is a commission agent as per the Agricultural Produce Marketing Committee Act (APMC Act) of the State. Mr B identifies the buyers and sells the agricultural produce on behalf of Mr. A for which he charges a commission from Mr. A. 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 Mr. B to the buyer, the former is an agent covered under Schedule I. However, in cases where the invoice is issued directly by Mr. A to the buyer, the commission agent (Mr. B) doesn’t fall under the category of agent covered under Schedule I.

In scenario 1 and scenario 2, Mr. B shall not be liable to obtain registration in terms of section 24 of the CGST Act. He, however, would be liable for registration if his aggregate turnover of supply of taxable services exceeds the threshold specified in section 22 of the CGST Act. In scenario 3, M/s B shall be liable for compulsory registration in terms of section 24 of the CGST Act. In respect of commission agents in Scenario 4, notification No. 12/2017 Central Tax (Rate) dated 24.06.2017 has exempted “services by any APMC or board or services provided by the commission agents for sale or purchase of agricultural produce” from GST. Thus, the „services‟ provided by the commission agent for sale or purchase of agricultural produce is exempted. Such commission agents (even when they qualify as agent under Schedule I) are not liable to be registered according to section 23 of the CGST Act, if the supply of the agricultural produce, and/or other goods or services supplied by them are not liable to tax or wholly exempt under GST. However, in cases where the supply of agricultural produce is not exempted and liable to tax, such commission agent shall be liable for compulsory registration under section 24 of the CGST Act.
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.

Q: A person has given free samples/gift for the purpose of promotion of business. Discuss whether it is supply.

Answer: As per section 7, If there is no consideration, it will not be considered to be supply and no GST is payable however as per section 17(5) such person has to reverse tax credit taken on such goods.

Question 3: Explain activities to be considered as supply of goods or services under schedule II.

Answer:

1. If any supplier has given possession of the goods under an agreement which stipulates that ownership of goods shall pass at a future date upon payment of full consideration as agreed, is a supply of goods i.e. goods delivered under hire purchase agreement.

2. Any treatment or process which is applied to another person's goods is a supply of services. eg. ‘Job Work’ performed by a job worker like dyeing of fabric in various colours is supply of service.

3. where goods held for the purposes of the business are put to any private use, whether or not for a consideration, is a supply of services.

4. Development, design, programming, customisation, adaptation, upgradation, enhancement, implementation of information technology software is a supply of service. Readymade software (packaged software) shall be considered to be supply of goods.

5. Works contract i.e. construction where goods as well as services are given shall be considered to be supply of service.

6. Supply of goods, being food or any other article for human consumption or any drink. i.e Restaurant services is a supply of service.

Question 4: Explain taxability if GST in case of Import of Services

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.

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.

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 exempt.

(iii) Mr. X imported services from outside India without consideration for business purpose, it is exempt.

(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.

(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 located in US, with respect to his newly constructed house in Delhi. In this case it will be exempt from GST because services are for personal purposes and it do not matter whether there is consideration or not.

(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 5: 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 6: 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’.

CLARIFICATIONS
1. Art works sent by artists to galleries for exhibition is not a supply
Artists give their work of art to galleries where it is exhibited for supply. However, no consideration flows from the gallery to the artist when the art works are sent to the gallery for exhibition and therefore, the same is not a supply. It is only when a buyer selects a particular art work displayed at the gallery, that the actual supply takes place and applicable GST would be payable at the time of such supply.

2. 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 squarely covered under supply of service liable to GST. It is a form of lease or renting of property and such activity is specifically declared to be a service in of Schedule II i.e. any lease, tenancy, easement, licence to occupy land is a supply of services.
Although stamp duty and registration charges have been levied on such transfer of tenancy rights, it shall be still subject to GST since merely because a transaction/supply involves execution of documents which may
require registration and payment of registration fee and stamp duty, would not preclude them from the ‘scope of supply’ and from payment of GST.
The transfer of tenancy rights cannot be treated as sale of land/ building. Thus, it is not a negative list activity and consequently, a consideration for the said activity shall attract levy of GST.
To sum up, 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].

3. Inter-State movement of various modes of conveyance
Inter-State movement of various modes of conveyance, between distinct persons as specified in section 25(4) of the CGST Act, including—
- Trains,
- Buses,
- Trucks,
- Tankers,
- Trailers,
- Vessels,
- Containers,
- Aircrafts,
(a) carrying goods or passengers or both; or
(b) for repairs and maintenance,
[except in cases where such movement is for further supply of the same conveyance] was discussed in GST Council’s meeting held on 11th June, 2017 and the Council recommended that such inter-State movement shall be treated ‘neither as a supply of goods or supply of service’ and therefore not be leviable to IGST.
Thus, above activity may not be treated as supply and consequently IGST will not be payable on such supply. However, applicable CGST/SGST/IGST, as the case may be, shall be leviable on repairs and maintenance done for such conveyance [Circular No. 1/1/2017 IGST dated 07.07.2017].

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;
(f) admission, for a consideration, of persons to any premises;
(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
(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.

**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 lottery, betting and gambling.)

**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.

Explanation.—For the removal of doubts, it is hereby clarified that the expression "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;

**Illustration:** ABC limited has purchased the goods/services as given below:

1. Purchased one motor car for use of employees (with seating capacity more than 13) on 01-07-2019 ₹10,00,000 plus GST ₹2,80,000. Date of invoice is 31-07-2019 and delivery was taken on 3rd August 2019.
2. Purchased one truck for transportation of goods on 01-07-2019 ₹ 10,00,000 plus GST ₹ 2,80,000. Date of invoice is 31-07-2019 and delivery was taken on 3rd August 2019.

3. Purchased food items for employees and customers on 01-07-2019 ₹ 10,00,000 plus GST ₹ 2,80,000. Date of invoice is 31-07-2019 and delivery was taken on 3rd August 2019.

4. Purchased certain items on 01-07-2019 ₹ 10,00,000 plus GST ₹ 2,80,000. Date of invoice is 31-07-2019 and delivery was taken on 3rd August 2019. Subsequently these items were gifted to employees.

5. Purchased house hold items for employees to be given as per contractual obligation for employment on 01-07-2019 ₹ 10,00,000 plus GST ₹ 2,80,000. Date of invoice is 31-07-2019 and delivery was taken on 3rd August 2019.

6. Construction of one building through a builder for office purpose on 01-07-2019 and paid ₹ 10,00,000 plus GST ₹ 2,80,000. Date of invoice is 31-07-2019.

7. Incurred ₹ 5,00,000 plus GST ₹ 1,00,000 on repairs and renovation of one office building. Payment was made on 01-08-2019 and invoice is dated 31-07-2019.

Discuss whether ITC is allowed and also the month in which it will be allowed.

**Solution:**

1. As per section 17(5), ITC of a motor car is not allowed.

2. ITC shall be allowed in the month of August 2019.

3. As per section 17(5), ITC of a food items is not allowed.

4. ITC is allowed in the month of August 2019, but ITC shall be reversed subsequently as per section 17(5).

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.

6. As per section 17(5), ITC of building is not allowed.

7. As per section 17(5), ITC of renovation/repairs of building is not allowed.

**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 lottery, betting and gambling.

7. Supply of goods from a place in the non-taxable territory to another place in the non-taxable territory without such goods entering into India.

8. (a) Supply of warehoused goods to any person before clearance for home consumption;

    (b) Supply of goods by the consignee to any other person, by endorsement of documents of title to the goods, after the goods have been dispatched from the port of origin located outside India but before clearance for home consumption.
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.

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
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
(b) 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 his own behalf or by an agent to his principal where the agent undertakes to receive such goods on behalf of the principal.
(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 up to 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)
GOODS & SERVICES EXEMPT FROM GST
Section 11/ Notification No. 12/2017 CT R dated 28.06.2017
Section 6/ Notification No. 09/2017 IT R dated 28.06.2017

Question 1: Services Exempt from GST.
Answer:
1. Health care Services
Services by way of health care by a clinical establishment, an authorised medical practitioner or paramedics (physiotherapist/nursing staff/ technician or lab assistant etc.)

"Health care services" means any service by way of diagnosis or treatment or care for illness, injury, deformity, abnormality or pregnancy in any recognised system of medicines in India and includes services by way of transportation of the patient to and from a clinical establishment, but does 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.

Recognised system of medicine means Allopathy/ Ayurveda/ Homeopathy/ Naturopathy/ Yoga/ Siddha/ Unani.
(Naturopathy means a system for treating diseases or conditions using natural foods and herbs and various other techniques, rather than artificial drugs)

Reiki is not recognised system of medicine.

Reiki means a healing technique based on the principle that the therapist can transfer energy into the patient by means of touch, to activate the natural healing processes of the patient's body.

"clinical establishment" means a hospital, nursing home, clinic, sanatorium or any other institution by, whatever name called, that offers services or facilities.

"authorised medical practitioner" means a medical practitioner registered with any of the councils of the recognised system of medicines established or recognised by law in India.

Services provided by way of transportation of a patient in an ambulance.

Services provided by the cord blood banks by way of preservation of stem cells or any other service in relation to such preservation.

Services by a veterinary clinic in relation to health care of animals or birds.

Services provided by operators of the common bio-medical waste treatment facility to a clinical establishment by way of treatment or disposal of bio-medical waste or the processes incidental thereto.

CLARIFICATION
Rent of rooms provided to in-patients
Rent of rooms provided to in-patients in hospitals is exempt [Circular No. 27/01/2018 GST dated 04.01.2018].
Services provided by senior doctors/ consultants/ technicians
Hospitals hire senior doctors/ consultants/ technicians independently. Such persons do not have any contract with the patient. Hospitals pay them consultancy charges and there is no employer-employee relationship between them.
It is clarified by CBIC that services provided by such senior doctors/ consultants/ technicians, whether employees or not, are healthcare services which are exempt from GST [Circular No. 32/06/2018 GST dated 12.02.2018].

Amount charged by hospitals from the patients
Hospitals charge the patients, say, ₹10,000/- and pay to the consultants/technicians only ₹7,500/- and keep the balance for providing ancillary services which include nursing care, infrastructure facilities, paramedic care, emergency services, checking of temperature, weight, blood pressure, etc. Going through the definition of health care services, it can be inferred that hospitals also provide healthcare services.

The entire amount charged by them from the patients including the retention money and the fee/payments made to the doctors etc., is towards the healthcare services provided by the hospitals to the patients and is exempt [Circular No. 32/06/2018 GST dated 12.02.2018].

Food supplied to the patients
Health care services provided by the clinical establishments will include food supplied to the patients; but such food may be prepared by the canteens run by the hospitals or may be outsourced by the hospitals from outdoor caterers.
When outsourced, there is no ambiguity that the suppliers shall charge tax as applicable and hospital will get no ITC.
If hospitals have their own canteens and prepare their own food; then no ITC will be available on inputs including capital goods and in turn if they supply food to the doctors and their staff; such supplies, even when not charged, may be subjected to GST.
Food supplied to the in-patients as advised by the doctor/nutritionists is apart of composite supply of healthcare and not separately taxable.
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].

Illustration 1: Well-Being Nursing Home has received the following amounts in the month of February, 2020 in lieu of various services rendered by it in the same month. You are required to determine its GST liability for February, 2020 from the details furnished below:-

<table>
<thead>
<tr>
<th>Particulars</th>
<th>(₹)(in lakh)</th>
</tr>
</thead>
<tbody>
<tr>
<td>i. Palliative care for terminally ill patients at patient’s home (Palliative care is given to improve the quality of life of patients who have a serious disease)</td>
<td>30</td>
</tr>
<tr>
<td>ii. Services provided by cord blood bank unit of the nursing home</td>
<td>24</td>
</tr>
<tr>
<td>iii. Hair transplant services</td>
<td>100</td>
</tr>
<tr>
<td>iv. Ambulance services to transport critically ill patients from various locations to nursing home</td>
<td>12</td>
</tr>
<tr>
<td>v. Naturopathy treatments.</td>
<td>80</td>
</tr>
<tr>
<td>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)</td>
<td>30</td>
</tr>
<tr>
<td>vii. Reiki healing treatments. Such treatment is not a recognized system of medicine</td>
<td>120</td>
</tr>
</tbody>
</table>
Exemption from GST

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, 2020 fall in the month of February itself.

**Solution:**
Computation of GST liability of Well-Being Nursing Home for the month of February, 2020

<table>
<thead>
<tr>
<th>Particulars</th>
<th>(₹)(in lakh)</th>
</tr>
</thead>
<tbody>
<tr>
<td>i. Palliative care for terminally ill patients at patient’s home</td>
<td>-</td>
</tr>
<tr>
<td>ii. Services provided by cord blood bank</td>
<td>-</td>
</tr>
<tr>
<td>iii. Hair transplant services</td>
<td>100.000</td>
</tr>
<tr>
<td>iv. Ambulance services</td>
<td>-</td>
</tr>
<tr>
<td>v. Naturopathy treatments</td>
<td>-</td>
</tr>
<tr>
<td>vi. Plastic surgery to restore anatomy of a child affected due to an accident</td>
<td>-</td>
</tr>
<tr>
<td>vii. Reiki healing treatments</td>
<td>120.000</td>
</tr>
<tr>
<td>viii. Mortuary services</td>
<td>-</td>
</tr>
</tbody>
</table>

Value of taxable service 220.000
CGST @ 9% [₹ 220 lakh × 9%] 19.800
SGST @ 9% [₹ 220 lakh × 9%] 19.800

**Illustration 2:** Good Health Medical Centre, a clinical establishment, offers 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).

(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 payment of GST.

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

**Solution:**
(i) Not Exempt. Since Reiki healing is not a recognized system of medicine.
(ii) Plastic surgery conducted to repair a cleft lip will be eligible for exemption as it reconstructs anatomy or functions of body affected due to congenital defects (cleft lip).

(iii) Air ambulance service to transport critically ill patients shall be eligible for exemption.

(iv) Exempt.

(v) Exempt.

(vi) Services provided by cord blood banks is exempt.

(vii) Health care services provided BY a clinical establishment shall be exempt but not the services provided TO a clinical establishment. Therefore, Good Health Medical Centre’s contention that since it is a clinical establishment, all the services provided to it are also exempt from GST is not correct in law.

2. Services by a hotel
Services by a hotel inn, guest house, club or campsite, by whatever name called, for residential or lodging purposes, having value of supply of a unit of accommodation below ₹1,000 per day.

**Value of Supply** includes charges for all amenities provided in the unit of accommodation (given on rent for stay) like furniture, air-conditioner, refrigerators or any other amenities.

**Illustration 3:** An adventure sports company organizes trekking tours in Gangotri basin and provides accommodation in camps during the trek. As per the brochure of the company, tariff for a single camp is ₹800 per day and in addition, ₹300 per day is also chargeable for special sleeping suits provided in the camp to keep the trekkers warm during night. The company is offering a discount of 20% on ₹800.

Discuss whether GST is payable on the services provided by the adventure sports company by way of renting of camps. If your answer is yes, what would be the value of taxable service in that case and amount of GST payable?

**Answer:** In the given case, since ₹300 per day is chargeable additionally for an amenity provided in the camp, it will be included in the value of supply but after discount amount shall be ₹940 i.e. value of supply is less than ₹1,000 and no GST shall be payable in this case.

3. Educational Services

(a) Services provided by an educational institution to its students, faculty and staff including services by an educational institution by way of conduct of entrance examination against consideration in the form of entrance fee.

(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.

**CLARIFICATION**

**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.

(d) Services received from a provider of service located in a non-taxable territory or taxable territory 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;

(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 up to higher secondary school or equivalent.

4. **Services by way of training or coaching in recreational activities relating to**
   (a) arts or culture, or
   (b) sports by charitable entities registered under section 12AA of the Income-tax Act.

**Illustration 4:** 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 5:** 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.

5. **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 prescribed limit in the preceding financial year;
(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 prescribed limit in the preceding financial year.
(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 prescribed limit in the preceding financial year;

(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**

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Service Provider</th>
<th>Service Receiver</th>
<th>Taxable/Exempt</th>
<th>Taxability</th>
</tr>
</thead>
<tbody>
<tr>
<td>01.</td>
<td>Arbitral Tribunal</td>
<td>Mr. A</td>
<td>Exempt</td>
<td></td>
</tr>
<tr>
<td>02.</td>
<td>Arbitral Tribunal</td>
<td>ABC Ltd. (Turnover ₹8 Lakh in the preceding year)</td>
<td>Exempt</td>
<td></td>
</tr>
<tr>
<td>03.</td>
<td>Arbitral Tribunal</td>
<td>ABC Ltd. (Turnover ₹45 Lakh preceding year)</td>
<td>Taxable</td>
<td>Reverse Charge applicable and Service Recipient shall be liable to pay GST.</td>
</tr>
<tr>
<td>04.</td>
<td>Mr. A (An individual advocate)</td>
<td>Mr. B (an individual advocate)</td>
<td>Exempt</td>
<td></td>
</tr>
<tr>
<td>05.</td>
<td>Mr. A (an individual advocate)</td>
<td>Mr. B</td>
<td>Exempt</td>
<td></td>
</tr>
<tr>
<td>06.</td>
<td>Mr. A (An individual advocate)</td>
<td>ABC Ltd. (Turnover ₹7 Lakh in the preceding year)</td>
<td>Exempt</td>
<td></td>
</tr>
<tr>
<td>07.</td>
<td>XYZ (Partnership firm of Advocates)</td>
<td>ABC Ltd. (Turnover ₹43 Lakh preceding year)</td>
<td>Taxable</td>
<td>Reverse Charge applicable and Service Recipient shall be liable to pay GST.</td>
</tr>
</tbody>
</table>

6. Agricultural Activities

**Services relating to cultivation of plants and or agricultural produce by way of—**

(a) agricultural operations directly related to production of any agricultural produce including cultivation, harvesting, threshing, plant protection or testing;
(b) supply of farm labour;
(c) processes carried out at an agricultural farm including tending, pruning, cutting, harvesting, drying, cleaning, trimming, sun drying, fumigating, curing, sorting, grading, cooling 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, eg. Threshing in case of wheat crop.
(d) renting or leasing of agro machinery or vacant land with or without a structure incidental to its use;
(e) loading, unloading, packing, storage or warehousing of agricultural produce;
(f) agricultural extension services;
(g) services by any Agricultural Produce Marketing Committee or Board or services provided by a commission agent for sale or purchase of agricultural produce.
(h) rearing of all life forms of animals, except the rearing of horses, for food, fibre, fuel, raw material or other similar products.
(i) services by way of fumigation in a warehouse of agricultural produce.
(j) Carrying out an intermediate production process as **job work in relation to cultivation of plants.**

"**Agricultural Produce Marketing Committee or Board**" means any committee or board constituted under a State law for the time being in force for the purpose of regulating the marketing of agricultural produce;

**CLARIFICATION**

**Warehousing of agriculture produce**

**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 or warehousing 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.

In view of the above, it is inferred that processed products such as tea (i.e. black tea, white tea etc.), processed coffee beans or powder, pulses (dehusked or split), jaggery, processed spices, processed dry fruits, processed cashew nuts etc. fall outside the definition of agricultural produce and therefore the exemption from GST is not available to their loading, packing, warehousing etc. [Circular No.16/16/2017 GST dated 15.11.2017].

**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 under Entry 55 [Circular No. 19/19/2017 GST dated 20.11.2017].

7. Services by way of loading, unloading, packing, storage or warehousing of rice.
8. **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.
**Illustration 6:** ‘Big Agro Handlers’ furnishes the following details with respect to the activities undertaken by them in the month of December, 2019:

<table>
<thead>
<tr>
<th>Sl. No</th>
<th>Particulars</th>
<th>Amount in (₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i)</td>
<td>Supply of farm labour</td>
<td>58,000</td>
</tr>
<tr>
<td>(ii)</td>
<td>Warehousing of biscuits</td>
<td>1,65,000</td>
</tr>
<tr>
<td>(iii)</td>
<td>Commission on sale of paddy</td>
<td>68,000</td>
</tr>
<tr>
<td>(iv)</td>
<td>Training of farmers on use of new pesticides and fertilizers developed through scientific research</td>
<td>10,000</td>
</tr>
<tr>
<td>(v)</td>
<td>Renting of vacant land to a stud farm</td>
<td>1,31,500</td>
</tr>
<tr>
<td>(vi)</td>
<td>Testing undertaken for seeds</td>
<td>1,21,500</td>
</tr>
<tr>
<td>(vii)</td>
<td>Leasing of vacant land to a poultry farm</td>
<td>83,500</td>
</tr>
</tbody>
</table>

Compute the GST Payable by ‘Big Agro Handlers’ for the month of December, 2019.

Assume that the point of supply in respect of all the activities mentioned above falls in the month of December, 2019 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, 2019**

<table>
<thead>
<tr>
<th>Sl. No</th>
<th>Particulars</th>
<th>Amount in (₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i)</td>
<td>Supply of farm labour</td>
<td>Nil</td>
</tr>
<tr>
<td>(ii)</td>
<td>Warehousing of biscuits</td>
<td>1,65,000</td>
</tr>
<tr>
<td>(iii)</td>
<td>Commission on sale of paddy</td>
<td>Nil</td>
</tr>
<tr>
<td>(iv)</td>
<td>Training of farmers on use of new pesticides and fertilizers developed through scientific research</td>
<td>Nil</td>
</tr>
<tr>
<td>(v)</td>
<td>Renting of vacant land to a stud farm</td>
<td>1,31,500</td>
</tr>
<tr>
<td>(vi)</td>
<td>Testing undertaken for seeds</td>
<td>Nil</td>
</tr>
<tr>
<td>(vii)</td>
<td>Leasing of vacant land to a poultry farm</td>
<td>Nil</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>2,96,500</td>
</tr>
<tr>
<td>CGST @ 9%</td>
<td></td>
<td>26,685</td>
</tr>
<tr>
<td>SGST @ 9%</td>
<td></td>
<td>26,685</td>
</tr>
</tbody>
</table>

**Illustration 7:** ‘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, 2019:

<table>
<thead>
<tr>
<th>Sl. No</th>
<th>Particulars</th>
<th>Amount (₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i)</td>
<td>Cultivation of ornamental flowers</td>
<td>42,000</td>
</tr>
<tr>
<td>(ii)</td>
<td>Packing of tomato ketchup</td>
<td>54,000</td>
</tr>
<tr>
<td>(iii)</td>
<td>Warehousing of potato chips</td>
<td>1,65,000</td>
</tr>
<tr>
<td>(iv)</td>
<td>Sale of tea leaves (agricultural produce) on commission basis</td>
<td>68,000</td>
</tr>
<tr>
<td>(v)</td>
<td>Packaging of pulses in the agricultural field</td>
<td>42,000</td>
</tr>
<tr>
<td>(vi)</td>
<td>Training of farmers on use of scientific tools and agro machinery</td>
<td>10,000</td>
</tr>
<tr>
<td>(vii)</td>
<td>leasing of vacant land to a stud farm</td>
<td>1,63,000</td>
</tr>
<tr>
<td>(viii)</td>
<td>Grading of wheat according to its quality</td>
<td>42,000</td>
</tr>
<tr>
<td>(ix)</td>
<td>Testing of samples from plants for pest detection</td>
<td>1,21,500</td>
</tr>
<tr>
<td>(x)</td>
<td>Rearing of silk worms</td>
<td>83,500</td>
</tr>
</tbody>
</table>
Compute the GST Payable by ‘Rock Farmer Association’ for the month of December, 2019. Assume that the point of supply in respect of all the activities mentioned above falls in the month of December, 2019 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, 2019**

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Particulars</th>
<th>Amount (₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i)</td>
<td>Cultivation of ornamental flowers</td>
<td></td>
</tr>
<tr>
<td>(ii)</td>
<td>Packing of tomato ketchup</td>
<td>54,000</td>
</tr>
<tr>
<td>(iii)</td>
<td>Warehousing of potato chips</td>
<td>1,65,000</td>
</tr>
<tr>
<td>(iv)</td>
<td>Sale of tea leaves (agricultural produce) on commission basis</td>
<td></td>
</tr>
<tr>
<td>(v)</td>
<td>Packaging of pulses</td>
<td></td>
</tr>
<tr>
<td>(vi)</td>
<td>Training of farmers on use of scientific tools and agro machinery</td>
<td></td>
</tr>
<tr>
<td>(vii)</td>
<td>leasing of vacant land to a stud farm</td>
<td>1,63,000</td>
</tr>
<tr>
<td>(viii)</td>
<td>Grading of wheat according to its quality</td>
<td></td>
</tr>
<tr>
<td>(ix)</td>
<td>Testing of samples from plants for pest detection</td>
<td></td>
</tr>
<tr>
<td>(x)</td>
<td>Rearing of silk worms</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>3,82,000</strong></td>
</tr>
<tr>
<td></td>
<td>CGST @ 9%</td>
<td><strong>34,380</strong></td>
</tr>
<tr>
<td></td>
<td>SGST @ 9%</td>
<td><strong>34,380</strong></td>
</tr>
</tbody>
</table>

**Illustration 8:** Mr. X started rendering services w.e.f. 01.04.2019 and registered under GST on 01.04.2019 and has submitted information as given below: (CGST & SGST has been charged separately @ 9% each).

- (i) Rendered services on 10.12.2019 to an agricultural farm relating to agricultural operation of ₹40,00,000.
- (ii) Renting of agro machinery on 05.06.2019 to an agricultural farm of ₹10,00,000.
- (iii) Advertisement to APL Ltd. on 10.10.2019 on T.V. ₹20,00,000.
- (iv) Renting of commercial property on 10.03.2020 for ₹25,00,000 to XYZ Ltd.
- (v) Rendered service to ABC Ltd. for ₹25,00,000 on 10.03.2020, issued bill on 20.03.2020, received payment on 01.03.2020.


**Solution:** **Computation of GST Payable**

<table>
<thead>
<tr>
<th>Particulars</th>
<th>₹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rendered services to an agricultural farm in relating to agricultural operation</td>
<td>Exempt</td>
</tr>
<tr>
<td>Renting of agro machinery</td>
<td>Exempt</td>
</tr>
<tr>
<td>Advertisement on T.V</td>
<td>20,00,000</td>
</tr>
<tr>
<td>Renting of commercial property</td>
<td>25,00,000</td>
</tr>
<tr>
<td>Rendered service to ABC Ltd.</td>
<td>25,00,000</td>
</tr>
<tr>
<td>Value of Taxable Supply</td>
<td>70,00,000</td>
</tr>
<tr>
<td>CGST Payable ₹70,00,000 x 9%</td>
<td>6,30,000</td>
</tr>
<tr>
<td>SGST Payable ₹70,00,000 x 9%</td>
<td>6,30,000</td>
</tr>
</tbody>
</table>

**Notes:**
1. Rendered services to an agricultural farm in relating to agricultural operation is exempt.
2. Renting of agro machinery exempt.
9. 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.

The following services of the Government shall be taxable.

(a) 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 the Central Government, State Government, Union territory. Other services like Basic mail services, Transfer of money through money orders, Operation of saving accounts, post card, Inland letter etc. are exempt in every case.

(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. or

(d) any service, other than services covered under entries (a) to (c) above, provided to business entities, eg. 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, eg. ABC limited is a business entity with turnover exceeding prescribed limit and it has taken one of the specified services and paid ₹ 4,000, in this case, no GST is payable.

Further if such services are given to business entities with turnover upto prescribed limit, it will be exempt from GST irrespective of the amount of services but exemption shall not be available for Renting of Immovable property, eg. ABC limited is a business entity with turnover not exceeding prescribed limit and it has taken one of the specified services and paid ₹ 40,000, in this case, no GST is payable.

10. Transportation of Passenger

(a) stage carriage other than air-conditioned stage carriage.
(b) railways in a class other than— (i) first class; or (ii) an air-conditioned coach;
(c) metro, monorail or tramway;
(d) inland waterways;
(e) public transport, other than predominantly for tourism purpose, in a vessel between places located in India; and
(f) metered cabs or auto rickshaws (including e-rickshaws) but motor cab and radio taxi is taxable.

Q: Mr. A boarded Rajdhani Express (fully AC train) from Kanpur on January 5, 2020 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.

11. Services by way of transportation of goods –
All transportation of goods shall be taxable like transportation through goods transport agency/courier agency/railway/ship/aircraft however transportation by inland waterways is exempt.

Illustration 9: Department of Posts provided following services to persons other than Government during the month ended 31.03.2020:-

<table>
<thead>
<tr>
<th>Services rendered</th>
<th>Amount charged for such services (₹ in lakh)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic mail services</td>
<td>100</td>
</tr>
<tr>
<td>Transfer of money through money orders</td>
<td>500</td>
</tr>
<tr>
<td>Operation of saving accounts</td>
<td>150</td>
</tr>
<tr>
<td>Rural postal life insurance services</td>
<td>200</td>
</tr>
<tr>
<td>Distribution of mutual funds and bonds</td>
<td>500</td>
</tr>
<tr>
<td>Issuance of postal orders</td>
<td>300</td>
</tr>
<tr>
<td>Collection of telephone and electricity bills</td>
<td>100</td>
</tr>
<tr>
<td>Pension payment services</td>
<td>50</td>
</tr>
<tr>
<td>Speed post services</td>
<td>500</td>
</tr>
<tr>
<td>Express parcel post services</td>
<td>200</td>
</tr>
</tbody>
</table>

Compute the GST liability of Department of Posts for the month of March 2020.

Notes:
1. Time of supply for all the aforesaid cases fall during the month of March 2020.
2. All the service charges stated above are exclusive of GST, wherever applicable.
3. Rate of CGST @ 9% & SGST @ 9%.

Solution: Services provided by the Government or a local authority are not chargeable to GST as they are included in the Exemption. However, following services provided to a person other than Government, by the Department of Posts are excluded from the exemption:-

(i) Speed post

(ii) Express parcel post

(iii) Rural postal Life Insurance

(iv) Agency services which include distribution of mutual funds, bonds, collection of telephone and electricity bills, etc.

Hence, the aforesaid services are taxable.

Thus, the amount of GST payable by the Department of Posts for the month of March would be as follows:-
Exemption from GST

<table>
<thead>
<tr>
<th>Amount (₹ in lakh)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nil</td>
</tr>
<tr>
<td>Nil</td>
</tr>
<tr>
<td>200</td>
</tr>
<tr>
<td>500</td>
</tr>
<tr>
<td>Nil</td>
</tr>
<tr>
<td>100</td>
</tr>
<tr>
<td>Nil</td>
</tr>
<tr>
<td>500</td>
</tr>
<tr>
<td>200</td>
</tr>
<tr>
<td>1,500</td>
</tr>
<tr>
<td>135</td>
</tr>
<tr>
<td>135</td>
</tr>
</tbody>
</table>

12. Transportation of certain Goods

Services by way of transportation by rail or a vessel or Goods transport agency shall be exempt if it is within India but only for the following goods:

(a) relief materials meant for victims of disasters, calamities, accidents or mishap;
(b) defence or military equipments;
(c) newspaper or magazines registered with the Registrar of Newspapers;
(d) railway equipments or materials;
(e) agricultural produce;
(f) milk, salt and food grain including flours, pulses and rice; and
(g) organic manure.

In case of goods transport agency if transportation charges for booking of full vehicle is upto ₹1,500, it is exempt. Similarly if consignment of different persons is being taken in one vehicle and amount charged from any particular person is ₹ 750, it will be exempt from tax and if the amount is exceeding ₹ 1,500/₹ 750, GST shall be charged on full amount.

Illustration 10: Answer with respect to applicability of GST in the following cases during the month of June, 2019:

(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 11: Discuss whether GST is payable in respect of transportation services provided by Raghav Goods Transport Agency in each of the following independent cases:

<table>
<thead>
<tr>
<th>Customer</th>
<th>Nature of services provided</th>
<th>Amount charged</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Transportation of milk</td>
<td>₹ 20,000</td>
</tr>
</tbody>
</table>
Exemption from GST

<table>
<thead>
<tr>
<th>Customer</th>
<th>Nature of services Provided</th>
<th>Amount Charged</th>
<th>Taxability</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Transportation of Milk</td>
<td>₹20,000</td>
<td>Exempt. Transportation of milk by goods transport agency is exempt.</td>
</tr>
<tr>
<td>B</td>
<td>Transportation of books on a consignment transported in a single goods carriage</td>
<td>₹3,000</td>
<td>GST is payable. Exemption is available for transportation of goods only where the consideration for transportation of goods on a consignment transported in a single goods carriage does not exceed ₹1,500</td>
</tr>
<tr>
<td>C</td>
<td>Transportation of chairs for a single consignee in the goods carriage</td>
<td>₹600</td>
<td>Exempt. Transportation of goods where consideration for transportation of all goods for a single consignee does not exceed ₹750/- is exempt.</td>
</tr>
</tbody>
</table>

**Solution:**

<table>
<thead>
<tr>
<th>Customer</th>
<th>Nature of services Provided</th>
<th>Amount Charged</th>
<th>Taxability</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Transportation of Milk</td>
<td>₹20,000</td>
<td>Exempt. Transportation of milk by goods transport agency is exempt.</td>
</tr>
<tr>
<td>B</td>
<td>Transportation of books on a consignment transported in a single goods carriage</td>
<td>₹3,000</td>
<td>GST is payable. Exemption is available for transportation of goods only where the consideration for transportation of goods on a consignment transported in a single goods carriage does not exceed ₹1,500</td>
</tr>
<tr>
<td>C</td>
<td>Transportation of chairs for a single consignee in the goods carriage</td>
<td>₹600</td>
<td>Exempt. Transportation of goods where consideration for transportation of all goods for a single consignee does not exceed ₹750/- is exempt.</td>
</tr>
</tbody>
</table>

13. Services by an artist by way of a performance in folk or classical art forms of (i) music, or (ii) dance, or (iii) theatre, if the consideration charged for such performance is not more than ₹1,50,000 but if such artist is working as a brand ambassador, it will be taxable.

Q. RXL Pvt. Ltd. manufactures 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. 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.

14. 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

"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
Whether the following services are exempt or taxable?

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Service provided</th>
<th>Exempt/taxable</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>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</td>
<td>Exempt</td>
</tr>
<tr>
<td>2.</td>
<td>Service of a player to a franchisee which is not a recognized sports body</td>
<td>Taxable</td>
</tr>
<tr>
<td>3.</td>
<td>Services by a recognized sports body to another recognized sports body</td>
<td>Exempt</td>
</tr>
<tr>
<td>4.</td>
<td>Services by individuals such as selectors, commentators, curators (custodian), technical experts</td>
<td>Taxable</td>
</tr>
<tr>
<td>5.</td>
<td>Services of an individual as umpire, referee when provided directly to a recognized sports body</td>
<td>Exempt</td>
</tr>
</tbody>
</table>

**Illustration 12:** 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. Discuss whether he is required to pay any GST.

**Solution:** 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. When he acts as a referee in a charity football match organized by a local sports club, he would not be entitled to exemption as a local sports club is not a recognized sports body and GST will be payable.

**15. Interest/Discount on Deposits/Loans.**

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.

**Illustration 13:** Robinson Bank Ltd. furnishes the following information relating to services provided and the gross amount received during the month of December, 2019. 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.

<table>
<thead>
<tr>
<th>Sl. No</th>
<th>Particulars</th>
<th>Amount in (₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i)</td>
<td>Amount of commission received for debt collection service</td>
<td>10,00,000</td>
</tr>
</tbody>
</table>
Exemption from GST

- **(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

<table>
<thead>
<tr>
<th></th>
<th>Amount (₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td>19,80,000</td>
</tr>
<tr>
<td>Value of Taxable Services [ 19,80,000/118 x 100]</td>
<td>16,77,966.10</td>
</tr>
<tr>
<td>CGST @ 9%</td>
<td>1,51,016.95</td>
</tr>
<tr>
<td>Rounded off</td>
<td>1,51,017.00</td>
</tr>
<tr>
<td>SGST @ 9%</td>
<td>1,51,016.95</td>
</tr>
<tr>
<td>Rounded off</td>
<td>1,51,017.00</td>
</tr>
</tbody>
</table>

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 14:** Euro Bank Ltd. furnishes the following information relating to services provided and the gross amount received (excluding GST):

- **Particulars**
  - 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.

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Amount (₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest on overdraft</td>
<td>Nil</td>
</tr>
<tr>
<td>Interest on loans with a collateral security</td>
<td>Nil</td>
</tr>
<tr>
<td>Interest on corporate deposits</td>
<td>Nil</td>
</tr>
<tr>
<td>Administrative charges (over and above interest) on loans, advances and deposits</td>
<td>6,00,000</td>
</tr>
<tr>
<td>Sale of foreign exchange to general public</td>
<td>15,00,000</td>
</tr>
<tr>
<td>Service charges relating to issuance of CD</td>
<td>20,00,000</td>
</tr>
<tr>
<td>Value of taxable service</td>
<td>41,00,000</td>
</tr>
<tr>
<td>CGST @ 9% [₹41,00,000 × 9%]</td>
<td>3,69,000</td>
</tr>
<tr>
<td>SGST @ 9% [₹41,00,000 × 9%]</td>
<td>3,69,000</td>
</tr>
</tbody>
</table>

**16. Religious ceremony**
1. conduct of any religious ceremony;
2. renting of precincts of a religious place meant for general public, owned or managed by an entity registered as a charitable or religious trust.
Provided that nothing contained in entry (b) of this exemption shall apply to,-
(i) renting of rooms where charges are one thousand rupees or more per day;
(ii) renting of premises, community halls, kalyanmandapam or open area, and the like where charges are ten thousand rupees or more per day;
(iii) renting of shops or other spaces for business or commerce where charges are ten thousand rupees or more per month.

17. **Import of Services**  
**Import of services in the following cases is exempt from GST**
(a) If services have been taken by the Central Government/State Government/Union territory/a local authority/a governmental authority.
(b) An individual for personal purpose
(c) A charitable Trust.
If any of the above person has taken OIDAR services, exemption shall not be applicable rather the service provider shall collect tax from recipient and shall pay it to the Government. If the recipient is registered under GST, Tax shall be payable by the recipient under reverse charge.

**Illustration 15:** Mr. X, located in taxable territory receives taxable services provided from a non-taxable territory by a U.K. based company. Examine whether Mr. X is liable to pay GST.

**Solution:** In this case if services have been taken for personal purpose, it will be exempt but if services are for business purpose, it will be taxable and Mr. X shall be liable to pay tax under reverse charge. OIDAR services are always taxable whether for personal purpose or for official purpose.

18. **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.
(c) planetarium
where the consideration for admission is not more than ₹500 per person.

19. Services by way of admission to a museum, national park, wildlife sanctuary, tiger reserve or zoo.

20. **Services provided by an incubatee** up to a total turnover of fifty lakh rupees in a financial year subject to the following conditions, namely:-
(a) the total turnover had not exceeded fifty lakh rupees during the preceding financial year; and
(b) a period of three years has not elapsed from the date of entering into an agreement as an incubate.

**Incubatee** means an entrepreneur located within the premises of a Technology Business Incubator and who has entered into an agreement with the Technology Business Incubator or the Science and Technology Entrepreneurship Park to enable himself to develop and produce hi-tech and innovative products.

**Technology Business Incubator**  
Taxable services provided by a Technology Business Incubator or a Science and Technology Entrepreneurship Park shall also be exempt.

21. 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 Kreeda Aur Khel Abhiyaan Scheme.
22. Services by the Reserve Bank of India. (but services to RBI shall be taxable)
Services received by the Reserve Bank of India from outside India in relation to management of foreign exchange reserves.

23. Service by an unincorporated body or a non-profit entity registered under any law to its own members -
(a) as a trade union;
(b) up to an amount of ₹7,500 per month per member by a housing society or a residential complex.

24. Supply of Goods/Services including import to unit in SEZ/developer in SEZ
If any person has supplied goods/services to a unit in SEZ/developer in the Special Economic Zone, it will be exempt from GST. Similarly, import of Goods/Services by them shall be exempt from GST.

25. Services provided by Charitable/Religious trust
Services provided by an entity registered under section 12AA of the Income-tax Act, 1961 i.e. Charitable Trust by way of charitable activities are exempt from GST. Thus, in order to claim exemption following two conditions must be satisfied:
(i) The entity is registered under section 12AA of the Income tax Act, 1961, and
(ii) The entity carries out one or more of the specified charitable activities.

There could be many services provided by charitable and religious trusts - registered under section 12AA of the Income-tax Act, 1961 - which are not covered by the definition of charitable activities and hence, such services would attract GST. For instance, 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.

The term ‘charitable activities’ mean activities relating to-
(i) PUBLIC HEALTH by way of-
(A) care or counseling of
(I) terminally ill persons or persons with severe physical or mental disability;
(II) persons afflicted with HIV or AIDS;
(III) persons addicted to a dependence-forming substance such as narcotics drugs or alcohol;
or
(B) public awareness of preventive health, family planning or prevention of HIV infection;
(ii) ADVANCEMENT OF RELIGION, spirituality or yoga;
(iii) ADVANCEMENT OF EDUCATIONAL PROGRAMMES/SKILL DEVELOPMENT relating to,-
(A) abandoned, orphaned or homeless children;
(B) physically or mentally abused and traumatized persons;
(C) prisoners; or
(D) persons over the age of 65 years residing in a rural area;
(iv) PRESERVATION OF ENVIRONMENT including watershed, forests & wildlife.

Management of educational institutions by charitable trusts
- Activities of schools, colleges or any other educational institutions run by charitable trusts by way of education or skill development of abandoned, orphans, homeless children, physically or mentally abused persons, prisoners or persons over age of 65 years or above residing in a rural area, will be considered as charitable activities and income from such supplies will be wholly exempt from GST.
- The term rural area means the area comprised in a village as defined in land revenue records, excluding the area under any municipal committee, municipal corporation, town area committee, cantonment board or notified area committee; or any area that may be notified as an urban area by the Central Government or a State Government.
Activities of a school, college or an institution run by a trust which do not come within the ambit of charitable activities will not be exempt. However, such activities may be exempt provided the school, college or institution qualifies as an 'educational institution'.

**Hostel accommodation provided by trusts**
- Hostel accommodation services provided by trusts to students do not fall within the ambit of charitable activities as defined above.
- However, accommodation service in hostels including such services provided by trusts having value of supply below ₹ 1,000 per day is exempt.

**Religious yatras or pilgrimage**
- Religious Yatras/pilgrimage organised by any charitable or religious trust are not exempt. Further, services of transportation of passengers for a pilgrimage by the charitable trust are not exempt from GST.
- Only such services of religious pilgrimage as are provided by specified organization in respect of a religious pilgrimage facilitated by the Government of India (GoI), under bilateral arrangement, are exempt from GST. The term specified organization as referred herein means-
  - Kumaon Mandal Vikas Nigam Limited (KMVN), a Government of Uttarakhand Undertaking; or
  - ‘Haj Committee of India’ or ‘State Haj Committee including Joint State Committee’.
- Hence, the services provided by the Haj Committee and KMVN in relation to a religious pilgrimage facilitated by GoI are not liable to GST.

**Arranging yoga and meditation camp by charitable trusts**
- As discussed above, services provided by entity registered under section 12AA of the Income-tax Act, 1961 by way of advancement of religion, spirituality or yoga are exempt as such activities are covered in definition of charitable activities.
- Fee or consideration charged in any other form from the participants for participating in a religious, yoga or meditation programme or camp meant for advancement of religion, spirituality or yoga shall be 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 merely or primarily provide accommodation or serve food and drinks against consideration in any form including donation, 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.

Bhavyajyoti Foundation, a charitable trust registered under section 12AA of the Income-tax Act, 1962, has organized a ‘Meditation Camp’ for the old age people. GST is exempt on the same as services provided by entity registered under section 12AA of the Income-tax Act, 1961 by way of advancement of religion, spirituality or yoga are exempt.

**GST on services provided TO charitable trusts**
Services provided to charitable or religious trusts are taxable except where special exemption is allowed

26. **Other Services**
(i) Services by way of renting of residential dwelling for use as residence.

(ii) Services by business facilitator / business correspondent to a banking company with respect to accounts in its rural area branch or business facilitator / a business correspondent to an insurance company in a rural area.

(iii) Services of life insurance business provided by the Army, Navy and Air Force to its members under the Group Insurance Schemes of the Central Government.
(iv) Service provided by Fair Price Shops to Central Government/ State Government/UT by way of sale of wheat, rice, coarse grains, food grains, kerosene, sugar, edible oil etc. under Public Distribution System (PDS) against consideration in the form of commission or margin.

(v) Transmission or distribution of electricity by an electricity transmission or distribution utility.

Services supplied by Electricity Distribution Utilities by way of construction, erection, commissioning, or installation of infrastructure for extending electricity distribution network up to the tube well of the farmer or agriculturalist for agricultural use.

Transmission/distribution of electricity by an electricity transmission/ distribution utility. 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,-

1. Application fee for releasing connection of electricity;
2. Rental Charges against metering equipment;
3. Testing fee for meters/transformers, capacitors etc.;
4. Labour charges from customers for shifting of meters or shifting of service lines;
5. Charges for duplicate bill

[Circular No. 34/8/2018 GST dated 01.03.2018].

(vi) Service by way of access to a road or a bridge on payment of toll charges.

(vii) Services by way of collecting / providing news by an independent journalist, Press Trust of India or United News of India.

(viii) Services by way of slaughtering of animals.

(ix) Services of public libraries by way of lending of books, publications or any other knowledge-enhancing content or material.

(x) Services by way of public conveniences such as provision of facilities of bathroom, washrooms, lavatories, urinal or toilets.

(xi) Services provided by the National Centre for Cold Chain Development by way of cold chain knowledge dissemination.

(xii) Services by a specified organisation in respect of a religious pilgrimage as notified.

(xiii) Services provided by the Goods and Services Tax Network to the Central Government or State Governments or Union territories for implementation of Goods and Services Tax.

(xiv) Services by the Employees’ State Insurance Corporation to persons governed under the Employees’ State Insurance Act, 1948. (under this scheme the employees having their salaries upto ₹ 21,000 per month shall be covered and the employer shall contribute 4.75 % of the salary and employee shall contribute @ 1.75% of the salary and payment shall be given to the State Government and Government shall make arrangement for free treatment of employees and their families. No GST shall be payable on this amount.)

(xv) Services provided by the Employees Provident Fund Organisation to the persons governed under the Employees Provident Funds and the Miscellaneous Provisions Act, 1952. The employer has to pay administrative charges to provident commissioner at a rate of 0.85% of salary of employee for the services rendered by provident fund commissioner but GST shall not be payable on such amount.
(xvi) Services provided by the Insurance Regulatory and the Development Authority of India to insurers under the Insurance Regulatory and the Development Authority of India Act, 1999.

(xvii) Services by a foreign diplomatic mission located in India.

(xviii) Services by way of transportation of goods by an aircraft from customs station of clearance in India to a place outside India.

(xix) Services by way of transportation of goods by a vessel from customs station of clearance in India to a place outside India.

(xx) Services by way of transportation of goods by an aircraft from a place outside India up to the customs station of clearance in India. (however if transportation is by vessel, it is taxable.)

(xxi) 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

(xxii) Supply of services associated with transit cargo to Nepal and Bhutan.

(xxiii) Services by way of providing information under the Right to Information Act, 2005.

(xxiv) Composite supply of goods and services in which the value of supply of goods constitutes not more than 25 per cent of the value of the said composite supply provided to the Central Government, State Government or Union territory or local authority or a Governmental authority or a Governmental Entity 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 shall be exempted service.

(xxv) Services provided by a tour operator to a foreign tourist in relation to a tour conducted wholly outside India.

(xxvi) Supply of services provided by a goods transport agency to an unregistered person, other than the following recipients, namely: -
(a) any factory; or
(b) any Society; or
(c) any Co-operative Society; or
(d) any body corporate; or
(e) any partnership firm including association of persons;
(f) any casual taxable person;
(g) any person registered under GST.

(xxvii) With effect from 15.11.2017, services by way of admission to a protected monument so declared under the Ancient Monuments and Archaeological Sites and Remains Act 1958 or any of the State Acts, for the time being in force, have been exempted from CGST [Notification No. 47/2017 CT (R) dated 14.11.2017].

(xxviii) 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 regional connectivity scheme airport, against consideration in the form of viability gap funding, are exempt from CGST. The exemption was not available on or after the expiry of a period of one year from the date of commencement of operations of the regional connectivity scheme airport as notified by the Ministry of Civil Aviation.
Now the said exemption will not be available on or after the expiry of a period of three years from the date of commencement of operations of the regional connectivity scheme airport as notified by the Ministry of Civil Aviation [Notification No. 2/2018 CT (R) dated 25.01.2018].

(xxix) 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.

(xxx) 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.

(xxxi) Services of life insurance provided or agreed to be provided by the Naval Group Insurance Fund to the personnel of Coast Guard under the Group Insurance Schemes of the Central Government.


(xxxiii) Services by National Pension System (NPS) Trust to its members against consideration in the form of administrative fee.

(xxxiv) 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 50% or more ownership of Central Government, State Government, Union territory to the industrial units or the developers in any industrial or financial business area.

Explanation - For the purpose of this exemption, the Central Government, State Government or Union territory shall have 50% or more ownership in the entity directly or through an entity which is wholly owned by the Central Government, State Government or Union territory.

(xxxv) 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

(xxxvi) Services by way of licensing, registration and analysis or testing of food samples supplied by the Food Safety and Standards Authority of India (FSSAI) to Food Business Operators

(xxxvii) Central Government’s share of profit petroleum exempted from CGST Intra-State supply of services by way of grant of license or lease to explore or mine petroleum crude or natural gas or both, has been exempted from so much of CGST as is leviable on the consideration paid to the Central Government in the form of Central Government’s share of profit petroleum as defined in the contract entered into by the Central Government in this behalf. [Notification No. 5/2018 CT (R) dated 25.01.2018]
PRACTICE PROBLEMS

Q1. Determine taxable value of supply under GST law with respect to each of the following independent services provided by the registered persons:

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Gross amount charged (₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fees charged for yoga camp conducted by a charitable trust</td>
<td>50,000</td>
</tr>
<tr>
<td>Amount charged by business correspondent for the services provided to the rural branch of a bank with respect to Savings Bank Accounts</td>
<td>1,00,000</td>
</tr>
<tr>
<td>Amount charged by cord blood bank for preservation of stem cells</td>
<td>5,00,000</td>
</tr>
<tr>
<td>Amount charged for service provided by commentator to a recognized sports body</td>
<td>5,20,000</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Particulars</th>
<th>₹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fees charged for yoga camp conducted by a charitable trust</td>
<td>Nil</td>
</tr>
<tr>
<td>Amount charged by business correspondent for the services provided to the rural branch of a bank with respect to Savings Bank Accounts [Note-2]</td>
<td>Nil</td>
</tr>
<tr>
<td>Amount charged by cord blood bank for preservation of stem cells [Note-3]</td>
<td>Nil</td>
</tr>
<tr>
<td>Service provided by commentator to a recognized sports body [Note-4]</td>
<td>5,20,000</td>
</tr>
</tbody>
</table>

**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 exempt from GST.
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.

Q2. 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.

**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) 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:**

(iii) **Taxable.** The following specific services provided TO an educational institution have been exempted from GST:
Exemption 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.

Q3. Mrs. Kiran has provided you the following details in respect of various services received/availed by her during December, 2019:-

(i) Deposited ₹ 1,00,000 in her Savings Bank A/c. Interest of ₹ 5,000 was credited in her account on 31.12.2019.

(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

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Value of Taxable Service received (₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount deposited in the saving bank account and interest earned</td>
<td>-</td>
</tr>
<tr>
<td>Services of mobile network operator</td>
<td>2,000.00</td>
</tr>
<tr>
<td>Visit to an orthopaedician on complaint of severe backache</td>
<td>-</td>
</tr>
<tr>
<td>Beauty treatment services</td>
<td>6,000.00</td>
</tr>
<tr>
<td>Total</td>
<td>8,000.00</td>
</tr>
<tr>
<td>CGST @ 9%</td>
<td>720.00</td>
</tr>
<tr>
<td>SGST @ 9%</td>
<td>720.00</td>
</tr>
<tr>
<td>Total</td>
<td>9,440.00</td>
</tr>
</tbody>
</table>

Q4. 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) Postal services provided by Department of Posts to various State Governments are liable to GST.
(iii) Services provided to and by Reserve Bank of India are covered in exemption.
(iv) 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 Government and local authorities are covered in exemption with a few exceptions. Services by Department of Posts provided to a person other than Government is one of such exceptions. Thus, Postal services provided to various State Governments will be covered in exemption and hence, would not be liable to GST.
(iii) **Invalid.** Only services provided by Reserve bank of India, and not to Reserve Bank of India are covered in exemption.

(iv) **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.

**Q5.** 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:**

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Particulars</th>
<th>Taxable / Not Taxable</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Speed post service provided by post office to Delhi Govt.</td>
<td>Not Taxable</td>
</tr>
<tr>
<td>2.</td>
<td>Express parcel post service provided by post office to Rajasthan Ltd.</td>
<td>Taxable</td>
</tr>
<tr>
<td>3.</td>
<td>Services provided to RBI</td>
<td>Taxable</td>
</tr>
<tr>
<td>4.</td>
<td>Service provided by Delhi Metro Rail Corporation for transport of passengers</td>
<td>Not Taxable</td>
</tr>
<tr>
<td>5.</td>
<td>Services provided by an Indian railway for the transport of passengers in first class AC.</td>
<td>Taxable</td>
</tr>
<tr>
<td>6.</td>
<td>Service provided in non taxable territory</td>
<td>Not Taxable</td>
</tr>
</tbody>
</table>

**Q6.**

(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 it 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.

**Q7.** 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.

Q8. 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.

Q9. 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.

**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, 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.

Q10. 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.
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- 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 provided by Department of Posts are exempt from GST?
   (a) Speed posts
   (b) Life Insurance
   (c) Express parcel posts
   (d) None of the above

6. 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

7. Mr. Narayan Goel has booked a room on rent in Sunshine Hotel for the purpose of lodging on 10.08.2019. GST is not payable by Mr. Narayan Goel in case rent for the same is ____
   (a) ₹800
   (b) ₹6,000
   (c) ₹11,000
   (d) ₹1,500

8. Transportation of goods by ____are exempt from GST.
   (i) road
   (ii) inland waterways
   (iii) goods transportation agency
   (iv) courier agency
   (a) (i) & (ii)
   (b) (iii) & (iv)
   (c) (i) and (iv)
   (d) (i) [except (iii) & (iv)] & (ii)

9. 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

10. Services by way of warehousing of ____ is exempt from GST.  
   (i) pulses  
   (ii) milk  
   (iii) salt  
   (iv) rice  
   (a) (i) & (ii)  
   (b) (iii)  
   (c) (iv)  
   (d) all of the above

11. 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

12. 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

13. 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

14. Services by a hotel, inn, guest house, club or campsite are exempted for residential / lodging purposes –  
   (a) If the actual tariff for a unit of accommodation is below ₹ 10,000  
   (b) If the actual tariff for a unit of accommodation is below ₹ 1,000  
   (c) If the declared actual tariff for a unit of accommodation is exactly ₹ 1,000  
   (d) If the declared actual tariff for a unit of accommodation is above ₹ 1,000

15. 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

16. 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

17. 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
Exemption from GST

18. 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

19. 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

20. If the aggregate turnover of in FY 2018-19 of M/s ABCD Enterprises, Kanchipuram, Tamil Nadu, India was Rs 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

21. 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) Slaughtering of animals
   (d) Rearing horses

22. Services by a Non-Profit entity (Registered or Unregistered) are exempted –
   (a) If they are to its own members provided the contribution received is up to ₹ 7500 per month from a member
   (b) If they are to its own members, provided the contribution received is up to ₹ 7500 per month from a member towards sourcing goods/services from any third person for common use of members
   (c) If they are to its own members, provided the contribution is less than ₹ 7500 per month from a member towards sourcing goods/services from any third person for common use of members
   (d) If they are to its own members, provided the contribution is up to ₹ 7500 per month per member for common use specified members

23. 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

24. 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

25. 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

26. 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

27. 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

28. 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

29. 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 up to prescribed limit in the preceding financial year.
(iv) Legal services provided to a business entity with an aggregate turnover up to 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

30. which of the following is exempt from GST.
(i) services by any Agricultural Produce Marketing Committee or Board or services provided by a commission agent for sale or purchase of agricultural produce.
(ii) rearing of all life forms of animals, except the rearing of horses, for food, fibre, fuel, raw material or other similar products.
(iii) services by way of fumigation in a warehouse of agricultural produce.
(iv) Carrying out an intermediate production process as job work in relation to cultivation of plants.
(a) all the above is exempt.
(b) only (i) is exempt
(c) only (i) & (ii) is exempt
(d) (i),(ii) & (iii) is exempt
(e) none of these is exempt
(f) only (ii) & (iii) is exempt

31. 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
32. Post office of Ashok Vihar, Delhi rendered basic mail 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

33. 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

34. 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.

35. Transportation of books on a consignment transported in a single goods carriage is exempt if
(a) transportation charges is upto ₹1,500
(b) transportation charges is exceeding ₹1,500
(c) transportation charges is upto ₹750
(d) transportation charges is exceeding ₹750

36. Transportation of chairs for a single consignee in the goods carriage is exempt if
(a) transportation charges is upto ₹1,500
(b) transportation charges is exceeding ₹1,500
(c) transportation charges is upto ₹750
(d) transportation charges is exceeding ₹750

37. 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

38. HDFC Bank Ltd. sold foreign exchange to general public 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

39. 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
40. 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

41. 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

42. 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.

43. Mr. X let out one residential 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

44. 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

45. 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) & (ii) is exempt
(f) (i) & (ii) is exempt

46. 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

47. 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

48. 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

49. Which of the following is exempt.

(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.

(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
50. Which of the following is taxable

(i) Speed post service provided by post office to Delhi govt.
(ii) Express parcel post service provided by post office to Rajasthan Ltd.
(iii) Services provided to RBI
(iv) Service provided by Delhi Metro Rail Corporation for transport of passengers

(a) only (i) is taxable
(b) all the above is taxable
(c) (ii) & (iii) is taxable
(d) (i) & (iii) is taxable
(e) (i) & (iv) is taxable
(f) None of the above

Answer:
1. (c); 2. (d); 3. (d); 4. (c); 5. (d); 6. (d); 7. (a); 8. (d); 9. (a); 10. (c); 11. (c); 12. (d); 13. (b); 14. (b); 15. (d); 16. (c); 17. (a); 18. (d); 19. (a); 20. (d); 21. (d); 22. (b); 23. (c); 24. (b); 25. (c); 26. (a); 27. (a); 28. (d); 29. (b); 30. (a); 31. (d); 32. (d); 33. (c); 34. (c); 35. (a); 36. (c); 37. (c); 38. (b); 39. (b); 40. (c); 41. (b); 42. (d); 43. (a); 44. (b); 45. (a); 46. (a); 47. (a); 48. (a); 49. (c); 50. (c)
REVERSE CHARGE

Question 1: Explain Reverse Charge Mechanism

Answer: In general GST is collected by the supplier from the recipient but in some cases tax has to be paid by the recipient directly to the Government and as per section 2(98), it is called reverse charge. As per section 9(3) of CGST Act/5(3) of IGST Act, reverse charge shall be applicable in the following cases.

1. Services from non-taxable territory to taxable territory

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. Sponsorship Services

Reverse charge shall be applicable if sponsorship services have been provided to any body corporate or partnership firm, but if such services have been provided to other persons like individual, HUF etc., reverse charge shall not be applicable rather the organizer shall collect tax from the sponsorer and shall pay to the Government.

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 1: 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.

3. Goods Transport Agency

Reverse charge shall be applicable in respect of goods transport agency but it is applicable only if the person making payment of freight is any of the persons mentioned below:
Reverse Charge

(a) any factory; (b) any society registered under Societies Registration Act, 1860; (c) any co-operative society; (d) any person registered under GST; (e) any body corporate; or (f) any partnership firm/AOP/BOI; (g) any casual taxable person.

GST shall be paid by the consignor or consignee whosoever is liable to pay freight charges.

If GTA has given services to Unregistered persons, it will be exempt from GST. (Notification no. 32/2017 CT(R) dated 13-10-2017.)

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 2: ABC Ltd., a carrying and forwarding agency, started its operations on October 1, 2019. It utilized the services of Big Carriers, a goods transport agency, in the month of November, 2019. 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.

4. Services by individual advocate or firm of advocates
Reverse charge shall be applicable and it will include services by Senior Advocates also and any business entity located in the taxable territory shall be liable to pay tax under reverse charge.

Illustration 3: Vakil & Vakil, a firm of lawyers rendered legal advice to Mr. B, an architect, and MNO Ltd., an advertising agency during December, 2019. 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?

Aggregated 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, 2019 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 4:** Gupta Associates, a firm of lawyers rendered legal Advice to Mr. Das, an Architect and Surya Ltd. an Advertising agency during December, 2019. 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, 2019 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. **Services by Arbitral Tribunal to a Business Entity**
Reverse charge shall be applicable and any business entity located in the taxable territory shall be liable to pay tax under reverse charge.

6. **Services by Government or local authority**
Reverse charge shall be applicable in respect of services provided by Government or local authority but in case of Renting of immovable property, reverse charge shall be applicable only if services have been given only to registered person i.e. if services are given to unregistered person, reverse charge is not applicable i.e. GST shall be charged from such person under normal charge.

No reverse charge is applicable in the following cases-
(1) 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 Government;
(2) Services in relation to an aircraft or a vessel, inside or outside the precincts of a port or an airport;
(3) Transport of goods or passengers;

7. **Services by Director to the company/body corporate**
Reverse charge shall be applicable and company/body corporate shall pay tax to Government under reverse charge.

8. **Insurance Agent Services**
In respect of services provided or agreed to be provided by an insurance agent to any person carrying on insurance business. E.g. Mr. X is an agent in LIC and he has to receive a commission of ₹5 lakh in connection with insurance business, in this case, he will not charge any tax from LIC rather LIC has to pay tax under reverse charge.

9. **Recovery Agent Services**
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 bank etc. shall pay tax.
10. Services by an author, music composer, photographer, artist or the like by way of transfer or permitting the use or enjoyment of a copyright to a publisher, music company, producer or the like
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 the recipient shall be liable to pay tax under reverse charge.

11. Services supplied by a person located in non-taxable territory by way of transportation of goods by a vessel from a place outside India up to the customs station of clearance in India.
Reverse charge shall be applicable in respect of any services by way of transportation of goods by a vessel from a place outside India up to the customs station of clearance in India and the importer shall be liable to pay tax under reverse charge.

12. Services supplied by individual Direct Selling Agents (DSAs) other than a body corporate, partnership or limited liability partnership firm to bank or non-banking financial company (NBFCs).
Reverse charge shall be applicable in respect of services supplied by individual Direct Selling Agents (DSAs) other than a body corporate, partnership or limited liability partnership firm to bank or non-banking financial company (NBFCs) and the service recipient i.e. Bank or NBFCs shall be liable to pay GST.

13. Supply of Services by the members of overseeing committee to Reserve Bank of India.
Reverse charge shall be applicable and tax shall be paid by Reserve Bank of India.

Question 2: 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.

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) | 10.08.2019 | 29.06.2019
(ii) | 10.08.2019 | 01.06.2019
(iii) | Part payment made on 30.06.2019 and balance amount paid on 01.09.2019 | 29.06.2019
(iv) | Payment is entered in the books of account on 28.06.2019 and debited in recipient’s bank account on 30.06.2019 | 01.06.2019
(v) | Payment is entered in the books of account on 30.06.2019 and debited in | 29.06.2019
Answer: payment for receipt of services

<table>
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<th>S. No.</th>
<th>Date of supply of goods</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i)</td>
<td>10.08.2019</td>
</tr>
<tr>
<td>(ii)</td>
<td>10.08.2019</td>
</tr>
<tr>
<td>(iii)</td>
<td>Part payment made on 30.06.2019 and balance amount paid on 01.09.2019</td>
</tr>
<tr>
<td>(iv)</td>
<td>Payment is entered in the books of account on 28.06.2019 and debited in recipient’s bank account on 30.06.2019</td>
</tr>
<tr>
<td>(v)</td>
<td>Payment is entered in the books of account on 30.06.2019 and debited in recipient’s bank account on 26.06.2019</td>
</tr>
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**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:

- 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

Q 1. 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.

Q2. 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. Which of the following statement is correct?
(a) Services by the department of post is exempt if the services are of speed post, express parcel post, life insurance or agency services provided to a person other than Govt.
(b) Services by the department of post is exempt if the services are of basic mail services, operation of saving account, post card, inland letter provided to a person other than Govt.
(c) Services by the department of post is exempt if the services are of basic mail services, operation of saving account, post card, inland letter provided to any person.
(d) None of these

5. 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

6. 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

7. 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

8. 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

9. 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

10. 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.
reverse charge

(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.

11. 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.

12. 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

13. 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

14. ABC Ltd., a carrying and forwarding agency, started its operations on October 1, 2019 and is registered under GST. It utilized the services of Big Carriers, a goods transport agency, in the month of November, 2019. GST shall be payable by

(a) ABC Ltd.
(b) Big Carriers
(c) Both (a) & (b)
(d) None of above
15. ABC, a firm of lawyers rendered legal advice to Mr. B, an architect, and MNO Ltd., an advertising agency during December, 2019. 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.

16. ABC, a firm of lawyers rendered legal advice to Mr. B, an architect, and MNO Ltd., an advertising agency during December, 2019. 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.

17. Reverse charge shall be applicable
   (a) 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 Government
   (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)

18. 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.

19. 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.

20. 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).

21. 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  

22. 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.  

23. A service receiver has received invoice dated 29.06.2019 and made the payment on 10.08.2019 and reverse charge is applicable, in this case time of supply shall be  
(a) 28.08.2019 (b) 29.06.2019 (c) 10.08.2019 (d) none of these  

24. A service receiver has received invoice dated 01.06.2019 and made the payment on 10.08.2019 and reverse charge is applicable, in this case time of supply shall be  
(a) 01.08.2019 (b) 10.08.2019 (c) 01.06.2019 (d) none of these  

25. Part payment made on 30.06.2019 and balance amount paid on 01.09.2019 and date of issue invoice 29.06.2019, in this case TOS under reverse charge shall be  
(a) 30.06.2019 for part payment and 29.08.2019 for balance payment (b) 29.06.2019 for part payment and 01.09.2019 for balance payment (c) 31.08.2019 for part payment and 01.09.2019 for balance payment (d) none of these  

26. 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)  

27. 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 (c); 5. (d); 6. (d); 7. (d); 8. (b); 9. (c); 10. (a); 11. (b); 12. (a); 13. (a); 14. (a); 15. (c); 16. (d); 17. (d); 18. (a); 19. (d); 20. (a); 21. (c); 22. (a); 23. (c); 24(a); 25. (a); 26.(d); 27.(c)
Question 1: Explain SEZ / Zero Rated supplies.
Answer:
The term SEZ is defined in SEZ Act, 2005, Section 2(za), 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.
The persons having their units in SEZ shall be exempt from payment of all taxes and no one supplying goods/services to a unit in SEZ shall be allowed to charge tax.
All the goods/services from SEZ are to be exported.
If any person has a unit in SEZ and also a unit outside SEZ, in such cases, separate registration is required even if the units are in the same State. Further it will be considered to be Inter-State Supply.
As per section 16 of IGST Act, no output tax shall be charged in case of zero rated supply which means exports or sale to units in SEZ or Developer of SEZ and the person supplying goods etc. shall be allowed to take input tax credit and also refund is allowed.

Question 2: Explain whether all goods are covered under GST.
Answer: As per section 9(1) of CGST Act, Alcoholic liquor for human consumption is not covered under GST because earlier excise duty on alcoholic liquor was collected by State Government besides VAT and State Governments considered it to be a major source of revenue for them. Hence they have not agreed to cover it under GST.
As per section 9(2), Petroleum crude, High speed diesel, Petrol, natural gas and aviation turbine fuel are not covered in GST at present however they will be covered in GST from a date to be notified by the Government.

Question 3: Explain classification of Goods/Services under GST.
Answer: There are many varieties of goods/services. Since all goods/services do not carry the same rate of GST, therefore, it is necessary to identify the goods/services through groups and sub-groups and then to determine the rate of GST on each group or sub-groups of goods/services. 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 21 broad categories which are called section and sections are further divided into 98 small 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.

As per notification number CT-12/17 dated 28.06.2017, The registered person shall be required to mention HSN/SAC code in the invoice in the manner given below:
1. If annual turnover in preceding year is upto ₹ 1,50,00,000, there is no requirement to mention HSN/SAC code.
2. If annual turnover in preceding year is exceeding ₹ 1,50,00,000 but upto ₹500,00,000, the registered person should mention first 2 digits of HSN/SAC code.
3. If annual turnover in preceding year is more than ₹ 500,00,00,000, the registered person should mention first 4 digits of HSN/SAC code.
Question 4: Explain Genesis of GST in India.
Answer: GENESIS OF GST IN India
- France was the first country to implement GST in the year 1954. Within 62 years of its advent, about 160 countries across the world have adopted GST because this tax has the capacity to raise revenue in the most transparent and neutral manner.
- The idea of national Goods and Services Tax (GST) was mooted by Kelkar Task Force in 2004.
- Subsequently, the then Union Finance Minister, Shri P. Chidambaram, while presenting the Central Budget (2007-2008), announced that GST would be introduced from April 1, 2010. Since then, GST missed several deadlines and continued to be shrouded by the clouds of uncertainty.
- GST, however, gained momentum in the year 2014 when the NDA Government tabled the Constitution (122nd Amendment) Bill, 2014 on GST in the Parliament on 19th December, 2014. The Lok Sabha passed the Bill on 6th May, 2015 and Rajya Sabha on 3rd August, 2016. Subsequent to ratification of the Bill by more than 50% of the States, Constitution (122nd Amendment) Bill, 2014 received the assent of the President on 8th September, 2016 and became Constitution (101st Amendment) Act, 2016, which paved the way for introduction of GST in India.
- In the following year, on 27th March, 2017, the Central GST legislations - Central Goods and Services Tax Bill, 2017, Union Territory Goods and Services Tax Bill, 2017 and Goods and Services Tax (Compensation to States) Bill, 2017 were introduced in Lok Sabha. Lok Sabha passed these bills on 29th March, 2017 and with the receipt of the President’s assent on 12th April, 2017, the Bills were enacted. The enactment of the Central Acts was followed by the enactment of the State GST laws by various State Legislatures.
- GST is a path breaking indirect tax reform which will create a common national market. GST has subsumed multiple indirect taxes like excise duty, service tax, VAT, CST, luxury tax, entertainment tax, entry tax, etc.

Question 5: 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 up to 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 6: Explain Deficiencies in Value Added Taxation System.
Answer: Prior to GST, there were different Acts with regard to Goods and Services like Central Excise Act, Value Added Tax Act, Service tax provisions etc. and also some tax were levied by Central Government and some by State Government and in the implementation of Value Added Tax, there were many problems because of different tax provisions and different government e.g. no tax credit is allowed for Central Sales Tax. Also tax credit for sales tax could not be set off from output excise duty or service tax and also vice versa was not possible and there was double taxation and cascading effect even after implementation of Value Added Tax. Also there was no clear distinction between goods and services e.g. in case of software, some states considered it to be goods and charged VAT and at the same time central government considered it to be service and charged service tax leading to double taxation.
In order to have one comprehensive law for goods and services and also for implementing smooth functioning of value added tax, it was proposed to have new Act which should cover all the indirect taxes
and also it will remove all problems of double taxation and cascading effect. Further it will integrate central taxes and state taxes and also it will include other taxes like luxury tax or entertainment tax etc.

**Question 7: 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. The revenue of inter-State sale does not accrue to the exporting State and the exporting State transfers to the Centre the credit of SGST/UTGST used in payment of IGST. The Centre transfers to the importing State the credit of IGST used in payment of SGST/UTGST. Thus, the inter-State trade of goods and services (IGST) needed a robust settlement mechanism amongst the States and the Centre. A Common Portal was needed which could act as a clearing house and verify the claims and inform the respective Government to transfer the funds. This was possible only with the help of a strong IT infrastructure.

**Question 8: Explain GST Common Portal.**  
**Answer: GST Common Portal**
Common GST Electronic Portal - [www.gst.gov.in](http://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 GST Portal is accessible over Internet (by taxpayers and their CAs/Tax Advocates etc.) and intranet by Tax Officials etc. 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;
f. providing analysis of taxpayers' profile; and running the matching engine for matching, reversal and reclaim of input tax credit.

**Question 9: 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 10: 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.
(v) Central Sales Tax
(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 11: Explain what are the Benefits of GST.
Answer: GST is a win-win situation for the entire country. It brings benefits to all the stakeholders of industry, Government and the consumer. It will lower the cost of goods and services, give a boost to the economy and make the products and services globally competitive.

The significant benefits of GST are discussed hereunder:

**Creation of unified national market:** GST aims to make India a common market with common tax rates and procedures and remove the economic barriers thus paving the way for an integrated economy at the national level.

**Mitigation of ill effects of cascading:** By subsuming most of the Central and State taxes into a single tax and by allowing a set-off of prior-stage taxes for the transactions across the entire value chain, it would mitigate the ill effects of cascading, improve competitiveness and improve liquidity of the businesses.

**Elimination of multiple taxes and double taxation:** GST has subsumed majority of existing indirect tax levies both at Central and State level into one tax i.e., GST which is leviable uniformly on goods and services. This will make doing business easier and will also tackle the highly disputed issues relating to double taxation of a transaction as both goods and services.

**Boost to ‘Make in India' initiative:** GST will give a major boost to the ‘Make in India' initiative of the Government of India by making goods and services produced in India competitive in the national as well as international market.

**Buoyancy to the Government Revenue:** GST is expected to bring buoyancy to the Government Revenue by widening the tax base and improving the taxpayer compliance.

Question 12: 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 13: What are the States and Union Territory for the purpose of GST.
Answer:
As per section 2(103), There are 29 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  
11. Jharkhand  
12. Karnataka  
13. Kerala  
14. Madhya Pradesh  
15. Maharashtra  
16. Manipur  
17. Meghalaya  
18. Mizoram  
19. Nagaland  
20. Odisha  
21. Punjab  
22. Rajasthan  
23. Sikkim  
24. Tamil Nadu  
25. Telangana  
26. Tripura  
27. Uttar Pradesh  
28. Uttarakhand  
29. West Bengal  

States will include a Union territory also with Legislature i.e. it will include Delhi and Pondicherry.

As per Section 2 (114) “Union territory” means the territory of—  
(a) the Andaman and Nicobar Islands;  
(b) Lakshadweep;  
(c) Dadra and Nagar Haveli;  
(d) Daman and Diu  
(e) Chandigarh;  

Question 14: 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, 25 parts containing 448 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.  

Power to levy taxes emerges from the Constitution of India.  

Article 265: No tax shall be levied or collected except by authority of Law.  

Article 245: Subject to the provisions of the Constitution, Parliament may make laws for the whole or any part of the territory of India, and the Legislature of a State may make laws for the whole or any part of the State.  

Article 246: It gives the respective authority to Union and state Governments for levying tax 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. Taxes 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, but not including 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.
- However, in respect to the following goods, GST shall apply from the date recommended by the GST Council.
  - Petroleum crude
  - High speed diesel
  - Motor spirit (commonly known as petrol)
  - Natural gas
  - Aviation turbine fuel

Article 269A: Levy and collection of GST on inter-state supply
- Article 269A stipulates that GST on supplies in the course of inter-state trade or commerce shall be levied and collected by the Government of India and such tax shall be apportioned between the Union and the States in the manner as may be provided by parliament by law on the recommendations of the Goods and Services Tax Council.
- 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 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 and Pondicherry.

- **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 15 : Explain applicability /Extent of CGST Act**

**Answer: Short title, extent and commencement. Section 1**

(1) This Act may be called the Central Goods and Services Tax Act, 2017.

(2) It extends to the whole of India including the State of Jammu and Kashmir.

(3) It shall come into force on 01-07-2017.

**Question 16: Explain applicability /Extent of IGST Act**

**Answer: Short title, extent and commencement. Section 1**

(1) This Act may be called the Integrated Goods and Services Tax Act, 2017.

(2) It extends to the whole of India including the State of Jammu and Kashmir.

(3) It shall come into force on 01-07-2017.

**Question 17: 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 18: 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, on the recommendations of the Council, by notification, specify categories of supply of goods or services or both, the tax on which shall be paid on reverse charge basis by the recipient of such goods or services or both and all the provisions of this Act shall apply to such recipient as if he is the person liable for paying the tax in relation to the supply of such goods or services or both.

9(4) Omitted.

9(5). GST shall be collected by the aggregator and shall be responsible for making payment to the Government.

**Question 19: 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, on the recommendations of the Council, by notification, specify categories of supply of goods/services, the tax on which shall be paid on reverse charge basis by the recipient of such goods or services or both and all the provisions of this Act shall apply to such recipient as if he is the person liable for paying the tax in relation to the supply of such goods / services.

5(4). Omitted.

5(5). GST shall be collected by the aggregator and he shall be responsible for making payment to the Government.

**Question 20: 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;
Question 21: 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.

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
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.
To,
The Principal Chief Commissioners / Chief Commissioners / Principal Commissioners / Commissioners of Central Tax (All)
The Principal Director Generals/Director Generals (All)
Madam/Sir,
Subject: Clarification on various doubts related to treatment of sales promotion schemes under GST - Reg.

Various representations have been received seeking clarification on issues raised with respect to tax treatment of sales promotion schemes under GST. To ensure uniformity in the implementation of the law across the field formations, the Board, in exercise of its powers conferred under section 168(1) of the Central Goods and Services Tax Act, 2017 (hereinafter referred to as “the said Act”) hereby clarifies the issues in succeeding paragraphs.

2. It has been noticed that there are several promotional schemes which are offered by taxable persons to increase sales volume and to attract new customers for their products. Some of these schemes have been examined and clarification on the aspects of taxability, valuation, availability or otherwise of Input Tax Credit in the hands of the supplier (hereinafter referred to as the “ITC”) in relation to the said schemes are detailed hereunder:

A. Free samples and gifts:
   i. It is a common practice among certain sections of trade and industry, such as, pharmaceutical companies which often provide drug samples to their stockists, dealers, medical practitioners, etc. without charging any consideration. As per sub-clause (a) of sub-section (1) of section 7 of the said Act, the expression “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. Therefore, the goods or services or both which are supplied free of cost (without any consideration) shall not be treated as „supply” under GST (except in case of activities mentioned in Schedule I of the said Act). Accordingly, it is clarified that samples which are supplied free of cost, without any consideration, do not qualify as „supply” under GST, except where the activity falls within the ambit of Schedule I of the said Act.
   
   ii. Further, clause (h) of sub-section (5) of section 17 of the said Act provides that ITC shall not be available in respect of goods lost, stolen, destroyed, written off or disposed of by way of gift or free samples. Thus, it is clarified that input tax credit shall not be available to the supplier on the inputs, input services and capital goods to the extent they are used in relation to the gifts or free samples distributed without any consideration. However, where the activity of distribution of gifts or free samples falls within the scope of „supply” on account of the provisions contained in Schedule I of the said Act, the supplier would be eligible to avail of the ITC.

B. Buy one get one free offer:
   i. 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”. As per sub-clause (a) of sub-section (1) of section 7 of the said Act, the goods or services which are supplied free of cost (without any consideration) shall not be treated as „supply” under GST (except in case of activities mentioned in Schedule I of the said Act). 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.
ii. 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 as per the provisions of section 8 of the said Act.

iii. It is also clarified that ITC shall be available to the supplier for the inputs, input services and capital goods used in relation to supply of goods or services or both as part of such offers.

C. Discounts including ‘Buy more, save more’ offers:

i. Sometimes, the supplier offers staggered discount to his customers (increase in discount rate with increase in purchase volume). For example- Get 10% discount for purchases above Rs. 5000/-, 20% discount for purchases above Rs. 10,000/- and 30% discount for purchases above Rs. 20,000/-. Such discounts are shown on the invoice itself.

ii. Some suppliers also offer periodic / year ending discounts to their stockists, etc. For example- Get additional discount of 1% if you purchase 10000 pieces in a year, get additional discount of 2% if you purchase 15000 pieces in a year. Such discounts are established in terms of an agreement entered into at or before the time of supply though not shown on the invoice as the actual quantum of such discounts gets determined after the supply has been effected and generally at the year end. In commercial parlance, such discounts are colloquially referred to as “volume discounts”. Such discounts are passed on by the supplier through credit notes.

iii. It is clarified that discounts offered by the suppliers to customers (including staggered discount under „Buy more, save more” scheme and post supply / volume discounts established before or at the time of supply) shall be excluded to determine the value of supply provided they satisfy the parameters laid down in sub-section (3) of section 15 of the said Act, including the reversal of ITC by the recipient of the supply as is attributable to the discount on the basis of document (s) issued by the supplier.

iv. It is further clarified that the supplier shall be entitled to avail the ITC for such inputs, input services and capital goods used in relation to the supply of goods or services or both on such discounts.

D. Secondary Discounts

i. These are the discounts which are not known at the time of supply or are offered after the supply is already over. For example, M/s A supplies 10000 packets of biscuits to M/s B at Rs. 10/- per packet. Afterwards M/s A re-values it at Rs. 9/- per packet. Subsequently, M/s A issues credit note to M/s B for Rs. 1/- per packet.

ii. The provisions of sub-section (1) of section 34 of the said Act provides as under:

“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.”

iii. Representations have been received from the trade and industry that whether credit notes(s) under sub-section (1) of section 34 of the said Act can be issued in such cases even if the conditions laid down in clause (b) of sub-section (3) of section 15 of the said Act are not satisfied. It is hereby clarified that financial / commercial credit note(s) can be issued by the supplier even if the conditions mentioned in clause (b) of sub-section (3) of section 15 of the said Act are not satisfied. In other words, credit note(s) can be issued as a commercial transaction between the two contracting parties.

iv. It is further clarified that such secondary discounts shall not be excluded while determining the value of supply as such discounts are not known at the time of supply and the conditions laid down in clause (b) of sub-section (3) of section 15 of the said Act are not satisfied.

v. In other words, value of supply shall not include any discount by way of issuance of credit note(s) as explained above in para 2 (D)(iii) or by any other means, except in cases where the provisions contained in clause (b) of sub-section (3) of section 15 of the said Act are satisfied.

vi. There is no impact on availability or otherwise of ITC in the hands of supplier in this case.

3. It is requested that suitable trade notices may be issued to publicize the contents of this Circular.

4. Difficulty if any, in the implementation of this Circular may be brought to the notice of the Board. Hindi version will follow.

(Upender Gupta)
Principal Commissioner (GST)
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
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)
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)
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 2019:

- **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
- **Intra-State purchase of goods from Registered Dealer**: ₹4,00,000

Balance of ITC at the beginning of September 2019:

- **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, 2019. 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, 2019 due to road traffic jams.

**Note:**

1. Rate of CGST, SGST and IGST to be 9%, 9% and 18% respectively.
2. Both inward and outward supplies given above are exclusive of taxes, wherever applicable.
3. 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 2019.

**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**  
Add: IGST @ 18%  90,000  
Total  5,90,000  

**Input Tax Credit**  
**Intra state purchase of goods**  
Add: CGST @ 9%  1,26,000  
Add: SGST @ 9%  1,26,000  
Total  16,52,000  

**Intra State Purchase of goods from unregistered dealer**  
No ITC shall be allowed  

**Inter state purchase of goods**  
Add: IGST @ 18%  54,000  
Total  3,54,000  

**Computation of Net Tax**  

<table>
<thead>
<tr>
<th>Particulars</th>
<th>IGST ₹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output Tax</td>
<td>90,000</td>
</tr>
<tr>
<td>Less: opening ITC – IGST</td>
<td>(50,000)</td>
</tr>
<tr>
<td>Less: ITC -IGST</td>
<td>(40,000)</td>
</tr>
<tr>
<td>Net Tax Payable</td>
<td>Nil</td>
</tr>
</tbody>
</table>

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**  

<table>
<thead>
<tr>
<th>Particulars</th>
<th>CGST ₹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output Tax</td>
<td>2,25,000</td>
</tr>
<tr>
<td>Less: opening ITC – CGST</td>
<td>(95,000)</td>
</tr>
<tr>
<td>Less: ITC – CGST</td>
<td>(1,26,000)</td>
</tr>
<tr>
<td>Net Tax Payable</td>
<td>4,000</td>
</tr>
</tbody>
</table>
Computation of Net Tax

<table>
<thead>
<tr>
<th>Particulars</th>
<th>SGST ₹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output Tax</td>
<td>2,25,000</td>
</tr>
<tr>
<td>Less: ITC – IGST</td>
<td>(14,000)</td>
</tr>
<tr>
<td>Less: opening ITC – SGST</td>
<td>(60,000)</td>
</tr>
<tr>
<td>Less: ITC – SGST</td>
<td>(1,26,000)</td>
</tr>
<tr>
<td>Net Tax Payable</td>
<td>25,000</td>
</tr>
</tbody>
</table>

Note: As per section 17, ITC of car is not allowed.

Question 6 (a)  
M/s. Apna Bank Limited as Scheduled Commercial Bank has furnished the following details for the month of August, 2019:

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Amount ₹ in Crores (Excluding GST)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extended Housing Loan to its customers</td>
<td>100</td>
</tr>
<tr>
<td>Processing fees collected from its customers on sanction of loan</td>
<td>20</td>
</tr>
<tr>
<td>Commission collected from its customers on bank guarantee</td>
<td>30</td>
</tr>
<tr>
<td>Interest income on credit card issued by the bank</td>
<td>40</td>
</tr>
<tr>
<td>Interest received on housing loan extended by the bank</td>
<td>25</td>
</tr>
<tr>
<td>Minimum balance charges collected from current account and saving account holder</td>
<td>01</td>
</tr>
</tbody>
</table>

Value of Taxable supply 91

Notes:
1. Interest Income on credit card issued by the bank is not covered under exemption hence GST is payable.
2. Extending Housing loan to its customer is covered under exemption hence no GST is payable.

Question 6 (b)  
Decide with reason whether the following independent services are exempt under CGST Act, 2017:

(i) Gokul Residents’ Welfare Association received ₹ 9,000 per month as contribution from each member for sourcing of goods and services from third persons for common use of its members.
(ii) Mr. Vikalp, a performing artist, has received ₹ 1,58,000 from performance of Classical Dance and ₹ 90,000 from acting in TV Serial during the month of June 2019.

**Answer:**
(i) **Service by an unincorporated body or a non-profit entity registered under any law** to its own members - (a) as a trade union; (b) up to an amount of ₹7,500 per month per member by a housing society or a residential complex.

In the given case, amount is exceeding ₹7,500 per month per member hence GST is payable.

(ii) **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 but if such artist is working as a brand ambassador, it will be taxable.

In the given case Mr. Vikalp has received ₹1,58,000 from classical dance performance which is more than ₹1,50,000 hence GST is payable.

Mr. Vikalp also received ₹90,000 from acting in TV Serial which is not covered under exemption hence GST is payable.

**Question 7 (a)**  
**Marks 4**
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, 2019. The goods were removed from the factory at Kolkata on 11th October, 2019. As per the agreement, the goods were to be delivered by 31st October, 2019. Suraj Enterprises has received the goods on 14th October, 2019.

(ii) **Trust and Fun Ltd**, an event management company, has provided its services for an event at Kapoor Film Agencies, Mumbai on 5th June, 2019. Payment for the event was made on 19th June, 2019.

**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 2019.

(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 2019.

**Question 7 (b)**  
**Marks 2**
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.
**Examination Questions**

**Answer:**
The amount available in the electronic cash ledger can be utilized for payment of any liability for the respective major and minor heads. Cross utilization or transfer is not allowed.

In the given case, cash is deposited under minor head “tax” and liability is under head “Interest” so cross utilization is not allowed and M/s Daksha enterprises cannot utilize the amount available for payment of Interest.

**Question 7 (c) Marks 4**
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 2019-20 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.

**Question 8 (a) Marks 5**
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**

**Answer either 8(b) or 8(c) but not both**

**Question 8 (b) Marks 5**
List out the situation in which a Credit note / Debit note may be issued under the CGST Act, 2017

**Answer: Refer answer given in the book**

**Question 8 (c) Marks 5**
Answer the following questions with respect to casual taxable person under the CGST Act, 2017:

(i) Who is a causal taxable person?
(ii) Can a casual taxable person opt for the composition scheme?
(iii) When is the causal 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 at least 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.
Mr. Uttam Kumar a registered supplier of service in Kolkata, has provided following information for the month of October, 2019:

<table>
<thead>
<tr>
<th>No.</th>
<th>Particulars</th>
<th>Amount in (₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Intra-State taxable supply of service</td>
<td>6,40,000</td>
</tr>
<tr>
<td>2.</td>
<td>Amount received from Kapola Pvt. Ltd., for service provided to company. (He is a director in Kapola P. Ltd.), being Intra-State transaction.</td>
<td>5,00,000</td>
</tr>
<tr>
<td>3.</td>
<td>Paid legal fee to senior advocate for one legal matter within State, being Intra-State transaction.</td>
<td>50,000</td>
</tr>
<tr>
<td>4.</td>
<td>Amount received for service provided by him as a commentator to a local recognized sports body, being Intra-State transaction</td>
<td>1,20,000</td>
</tr>
<tr>
<td>5.</td>
<td>Amount received for acting as a coach in recreational activities relating to sports, from one local charitable entity registered under section 12AA of the Income Tax Act, 1961, being Intra-State transaction.</td>
<td>30,000</td>
</tr>
</tbody>
</table>

Compute the net GST liability (CGST, SGST or IGST) of Mr. Uttam Kumar for the month of October, 2019

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**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount (₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Add: CGST @ 9%</td>
<td>57,600</td>
</tr>
<tr>
<td>Add: SGST @ 9%</td>
<td>57,600</td>
</tr>
<tr>
<td>Total</td>
<td>7,55,200</td>
</tr>
</tbody>
</table>

**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.

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount (₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Add: CGST @ 9%</td>
<td>4,500</td>
</tr>
<tr>
<td>Add: SGST @ 9%</td>
<td>4,500</td>
</tr>
<tr>
<td>Total</td>
<td>59,000</td>
</tr>
</tbody>
</table>
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.

Add: CGST @ 9%
Add: SGST @ 9%
Total

Service provided to local charitable entity
Service provided to local charitable entity is not covered under exemption hence GST shall be payable.

Add: CGST @ 9%
Add: SGST @ 9%

Computation of Net GST Liability

<table>
<thead>
<tr>
<th>Particulars</th>
<th>CGST ₹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output Tax</td>
<td></td>
</tr>
<tr>
<td>Intra State supply</td>
<td>57,600</td>
</tr>
<tr>
<td>Services to local sports body</td>
<td>10,800</td>
</tr>
<tr>
<td>Services to Charitable Institution</td>
<td>2,700</td>
</tr>
<tr>
<td>Legal service taken from advocate (payable under reverse charge)</td>
<td>4,500</td>
</tr>
<tr>
<td><strong>Total payable</strong></td>
<td>75,600</td>
</tr>
<tr>
<td>Less: ITC (tax paid under reverse charge)</td>
<td>(4,500)</td>
</tr>
<tr>
<td><strong>Net GST Liability</strong></td>
<td>71,100</td>
</tr>
</tbody>
</table>

Computation of Net GST Liability

<table>
<thead>
<tr>
<th>Particulars</th>
<th>SGST ₹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output Tax</td>
<td></td>
</tr>
<tr>
<td>Intra State supply</td>
<td>57,600</td>
</tr>
<tr>
<td>Services to local sports body</td>
<td>10,800</td>
</tr>
<tr>
<td>Services to Charitable Institution</td>
<td>2,700</td>
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</tr>
<tr>
<td>Less: ITC (tax paid under reverse charge)</td>
<td>(4,500)</td>
</tr>
<tr>
<td><strong>Net GST Liability</strong></td>
<td>71,100</td>
</tr>
</tbody>
</table>

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.

Question 7 (a)  
Marks 5
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.

<table>
<thead>
<tr>
<th>No.</th>
<th>Particulars</th>
<th>Amount(₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i)</td>
<td>Price of Machinery (exclusive of taxes and discounts)</td>
<td>5,50,000</td>
</tr>
<tr>
<td>(ii)</td>
<td>One part is directly fitted in machinery at place of G Ltd.</td>
<td>20,000</td>
</tr>
</tbody>
</table>
### Solution:

**Computation of taxable value of supply of machinery**

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Amount (₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Price of Machinery (exclusive of taxes and discounts)</td>
<td>5,50,000</td>
</tr>
<tr>
<td>(ii) One part is directly fitted in machinery at place of G Ltd.</td>
<td>20,000</td>
</tr>
<tr>
<td>(iii) Installation and testing charges for machinery</td>
<td>25,000</td>
</tr>
<tr>
<td>(iv) Less: Discount 2% on machinery price (2% of 5,50,000)</td>
<td>(11,000)</td>
</tr>
<tr>
<td>Taxable value of supply</td>
<td>5,84,000</td>
</tr>
</tbody>
</table>

**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 any thing done at the time of or before the delivery of goods or supply of services shall be included in the transaction value. In this case Installation and testing charges done at the premises of the buyer hence shall not to be included.

### Question 7 (b) Marks 4

Jamku Ltd. a registered person is engaged in the business of spices. It provides following details for GST paid during October, 2019.

<table>
<thead>
<tr>
<th>No.</th>
<th>Particulars</th>
<th>GST Paid (₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Raw spices purchase</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Raw spices used for furtherance of spices</td>
<td>50,000</td>
</tr>
<tr>
<td></td>
<td>- Raw spices used for personal use of Directors</td>
<td>20,000</td>
</tr>
<tr>
<td>2.</td>
<td>Electric machinery purchased to be used in the</td>
<td>25,000</td>
</tr>
</tbody>
</table>
Determine the amount of ITC available to Jamku Ltd. for the month of October, 2019 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 2019**

<table>
<thead>
<tr>
<th>Particulars</th>
<th>GST Paid (₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Raw Spices used for furtherance of Business</td>
<td>50,000</td>
</tr>
<tr>
<td>2. Raw Spices for personal use (ITC not allowed)</td>
<td>Nil</td>
</tr>
<tr>
<td>3. Electric machinery purchased to be used in the manufacturing process.</td>
<td>25,000</td>
</tr>
<tr>
<td>4. Motor vehicle used for transportation of the employee (Not allowed)</td>
<td>Nil</td>
</tr>
<tr>
<td>5. Payment made for material and to contractor for construction of staff quarter. (Not allowed)</td>
<td>Nil</td>
</tr>
<tr>
<td><strong>Total ITC Allowed</strong></td>
<td><strong>75,000</strong></td>
</tr>
</tbody>
</table>

**Notes:**

1. 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)
2. As per section 17(5), ITC of motor vehicle seating capacity upto 13 persons used for transportation of employee is not allowed.
3. As per section 17(5), ITC of material and payment to contractor (works contract service) for staff quarter is not allowed.

**Question 8 (a) Marks 2+2+1**

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.

**Question 8 (b) **

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 01-10-2018 and AMC is valid for a year. AMC ends on 30-09-2019. Jolla receives payment for the AMC on 31-10-2019. 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 05-11-2019.

(2) If terms of payment is not mentioned in AMC and also not agreed by both the parties.
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. 05-11-2019.

(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. 31-10-2019.

Question 9 (a) Marks 1+2+2
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?


(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.
Question 9 (b)  

Please answer following individual independent cases with reference to Section 37 of the CGST Act, 2017 and rule-59 of CGST Rules, 2017:

(1) Mr. Kolly is registered supplier in the State of Gujarat. He is filling GSTR 1 every month. During the month of February, 2020 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, 2020. 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.

(2) Mr. Kaji is a registered dealer in Kerala. He was registered as a normal tax payer for FY 2019-20. But on 15-01-2020, he converted from normal tax payer to composition tax payer. Is he liable to file GSTR-1 for the month of February, 2020?

Answer:

Not Liable to File GSTR-1: In cases where a taxpayer has been converted from a normal scheme to composition scheme, GSTR-1 will be available for filing only for the period during which the taxpayer was registered as normal tax payer.

In the given case, Mr. Kaji is converted into composition scheme w.e.f. 15-01-2020 from normal scheme hence w.e.f. 15-01-2020 he is liable to file CMP-08 and he is not liable to file GSTR-1.

(3) Mrs. Zeel a registered dealer in Rajasthan did not file GSTR1 for the month of June, 2019 but she wants to file GSTR1 for the month of July, 2019. Is it possible?

Answer:

Not possible: Filing of GSTR-1 for current period is possible only when GSTR-1 for the previous month has been filed. In the given case GSTR-1 for the month of June 2019 is pending hence she is not able to file GSTR-1 for the month of July 2019.

Question 10 (a)  

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

OR
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.

Question 10 (b) Marks 5

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
Question 8 (a)  
Mr. Thiraj, a registered supplier of service in Bangalore (Karnataka State) has provided the following information for the month of February 2020:

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Amount in (₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Intra-state taxable supply of service</td>
<td>5,20,000</td>
</tr>
<tr>
<td>(ii) Legal fee paid to a Lawyer located within the State</td>
<td>20,000</td>
</tr>
<tr>
<td>(iii) Rent paid to the State Govt. for his office building</td>
<td>30,000</td>
</tr>
<tr>
<td>(iv) Received for services towards conduct of exams to Loveall University,</td>
<td>16,000</td>
</tr>
<tr>
<td>Pune (recognized by law), being an inter-state transaction.</td>
<td></td>
</tr>
</tbody>
</table>

Compute the net GST liability (CGST, SGST or IGST) of Mr. Thiraj for the month of February 2020. 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 2020

| Output Tax |  |
|------------|--|---|
| 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 |

Question 8 (b)

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 2020:

<table>
<thead>
<tr>
<th>Particulars</th>
<th>GST Paid (₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Purchase of Machinery where debit note is issued</td>
<td>1,15,000</td>
</tr>
<tr>
<td>(ii) Input purchased was directly delivered to Mr. Joe, a job worker and a registered supplier</td>
<td>80,000</td>
</tr>
<tr>
<td>(iii) Computers purchased (Depreciation was claimed on the said GST portion under the Income-Tax Act, 1961)</td>
<td>50,000</td>
</tr>
</tbody>
</table>
Determine the amount of ITC available to M/s. CANWIN Ltd. for the month of January 2020 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.**

<table>
<thead>
<tr>
<th>Particulars</th>
<th>GST Paid ₹</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Purchase of Machinery where debit note is issued</td>
<td>1,15,000</td>
</tr>
<tr>
<td>(ii) Input purchased was directly delivered to Mr. Joe, a job worker and a registered supplier</td>
<td>80,000</td>
</tr>
<tr>
<td>(iii) Computers purchased (Depreciation was claimed on the said GST portion under the Income-Tax Act, 1961)</td>
<td>Nil</td>
</tr>
<tr>
<td>(iv) Works Contract services availed for construction of Staff quarters within the company premises</td>
<td>Nil</td>
</tr>
<tr>
<td>Total</td>
<td>1,95,000</td>
</tr>
</tbody>
</table>

Note:
1. As per section 16(2), A registered shall be entitled to take credit on the basis of debit note.
2. As per section 16(2), if goods is received by other person on behalf of registered person then also credit shall be allowed.
3. 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.
4. As per section 17(5), no tax credit shall be allowed on works contract services availed for construction of immovable property.

**Question 9 (a)**

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 2020:

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Amount in (₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) List price of goods supplied intra-state</td>
<td>3,30,000</td>
</tr>
<tr>
<td><strong>(Exclusive of item given below from ii to v)</strong></td>
<td></td>
</tr>
<tr>
<td>(ii) Swachh Bharat cess levied on sale of goods</td>
<td>12,500</td>
</tr>
<tr>
<td>(iii) Packing expense charged separately in the invoice</td>
<td>10,800</td>
</tr>
<tr>
<td>(iv) Discount of 1% on the list price of the goods was provided (recorded in the invoice of goods)</td>
<td>(3,300)</td>
</tr>
<tr>
<td>(v) Subsidy received from State Government for encouraging women entrepreneurs.</td>
<td>5,000</td>
</tr>
</tbody>
</table>

Compute the value of taxable supply and the gross GST liability of Mr. X for the month of March 2020 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**

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Amount in (₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) List price of goods supplied intra-state</td>
<td>3,30,000</td>
</tr>
<tr>
<td>(ii) Swachh Bharat cess levied on sale of goods (other tax paid shall be included as per section 15)</td>
<td>12,500</td>
</tr>
<tr>
<td>(iii) Packing expense charged separately in the invoice (includible as per section 15)</td>
<td>10,800</td>
</tr>
<tr>
<td>(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)</td>
<td>(3,300)</td>
</tr>
<tr>
<td>(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)</td>
<td>Nil</td>
</tr>
</tbody>
</table>

**Value of Supply**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>CGST @ 9%</td>
<td>31,500</td>
</tr>
<tr>
<td>SGST @ 9%</td>
<td>31,500</td>
</tr>
</tbody>
</table>
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

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Amount in (₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) List price of goods supplied intra-state</td>
<td>3,30,000</td>
</tr>
<tr>
<td>(ii) Swachh Bharat cess levied on sale of goods (other tax paid shall be included as per section 15)</td>
<td>12,500</td>
</tr>
<tr>
<td>(iii) Packing expense charged separately in the invoice (includible as per section 15)</td>
<td>10,800</td>
</tr>
<tr>
<td>(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)</td>
<td>(3,300)</td>
</tr>
<tr>
<td>(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)</td>
<td>(5,000)</td>
</tr>
<tr>
<td><strong>Value of Supply</strong></td>
<td>3,45,000</td>
</tr>
<tr>
<td><strong>CGST @ 9%</strong></td>
<td>31,050</td>
</tr>
<tr>
<td><strong>SGST @ 9%</strong></td>
<td>31,050</td>
</tr>
</tbody>
</table>

Question 9 (b)  
Marks 5  
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

Question 10 (a)  
Marks 4
From the following information, compute the Net GST payable for the month of March 2020:

<table>
<thead>
<tr>
<th>Output GST</th>
<th>Amount in (₹)</th>
<th>Opening ITC as per credit ledger</th>
</tr>
</thead>
<tbody>
<tr>
<td>CGST</td>
<td>2,000</td>
<td>Nil</td>
</tr>
<tr>
<td>SGST</td>
<td>15,000</td>
<td>1,000</td>
</tr>
<tr>
<td>IGST</td>
<td>24,000</td>
<td>37,000</td>
</tr>
</tbody>
</table>

Solution: Computation of Net GST payable for the month of March 2020

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

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

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

Note: Assessee has the option to adjust balance ITC of IGST either from CGST or SGST first.
**Question 10 (b) Marks 3**

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.

**Question 10 (c) Marks 3**

Decide which person is liable to pay GST in the following independent cases, where the recipient is located in the taxable territory. Ignore the Aggregate Turnover and Exemption available.

(i) Mr. Raghu provided sponsorship services to WE-WIN Cricket Academy, an LLP.

(ii) 'Safe Trans', a Goods Transport Agency, 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.

**Question 11 (a) Marks 3**

Determine with brief reasons, whether the following statements are True or False:

(i) 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.

(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:**

(i) **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.

(ii) **False:** As per section 49, Electronic cash ledger balance under the major head of IGST shall be utilized for discharging the liability of major head of IGST i.e. cross utilisation is not allowed hence the statement is false.

**Question 11 (b) Marks 5**

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 - 01-10-2019

(ii) Date of completion of Providing CSS - 31-01-2020

(iii) Date of receipt of payment by Mr. Lakhan - 30-03-2020
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 25-03-2020 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 30-03-2020.

(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 31-01-2020.

(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 25-03-2020.

**Question 11 (c)  Marks 2**

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.

**Question 12  Marks 5+5**

Answer any two parts out of (a), (b) and (c):

(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

(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 \textbf{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 \textbf{maximum 90 days}

(iv) As per section 27, proper officer may extend it further but for \textbf{maximum 90 days} i.e. total period can be \textbf{maximum 180 days}.

(c)

(i) List any four Central levies, which are subsumed in GST. \textbf{(2 Marks)}

Answer: Refer answer given in the book

(ii) 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. \textbf{(3 Marks)}

Answer:

Answer: \textbf{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.

\textbf{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.

\textbf{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 7 (a)  
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, 2019

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Amount in (₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Running a boarding school (upto higher secondary)</td>
<td>2,40,000</td>
</tr>
<tr>
<td>(2) Fees from prospective employer for campus interview</td>
<td>1,70,000</td>
</tr>
<tr>
<td>(3) Education Services for obtaining the qualification recognised by law of foreign country</td>
<td>3,10,000</td>
</tr>
<tr>
<td>(4) Renting of Furnished Flats for Temporary Stay to different persons</td>
<td>1,20,000</td>
</tr>
<tr>
<td>(Rent per day is less than 1000 per person).</td>
<td></td>
</tr>
<tr>
<td>(5) Conducting Modular Employable Skill Course. Approved by National Council of Vocational Training</td>
<td>1,40,000</td>
</tr>
<tr>
<td>(6) Conducting Private Tuitions</td>
<td>3,00,000</td>
</tr>
</tbody>
</table>

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**

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Amount in (₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Running a boarding school is an exempted service</td>
<td>Nil</td>
</tr>
<tr>
<td>(2) Fees from prospective employer for campus interview is taxable</td>
<td>1,70,000</td>
</tr>
<tr>
<td>(3) Education Services for obtaining the qualification recognised by law of foreign country</td>
<td>3,10,000</td>
</tr>
<tr>
<td>(4) Renting of Furnished Flats for Temporary Stay to different persons</td>
<td>Nil</td>
</tr>
<tr>
<td>(Rent per day is less than 1000 per person).</td>
<td></td>
</tr>
<tr>
<td>(5) Conducting Modular Employable Skill Course. Approved by National Council of Vocational Training</td>
<td>Nil</td>
</tr>
<tr>
<td>(6) Conducting Private Tuitions</td>
<td>3,00,000</td>
</tr>
</tbody>
</table>

Value of Taxable Supply  
7,80,000

GST @ 18%  
1,40,400

**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.

Question 7 (b)  
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 2018-19 was 60 Lakhs. Firm has submitted following information for the month of August, 2019:

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Amount in (₹) (Excluding GST)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professional Services Provided and Bills Raised during the month for Providing services of ITR Filing and Income Tax Consultancy</td>
<td>1,00,000</td>
</tr>
<tr>
<td>Internal Audit of X Pvt. Ltd. at their office in Mumbai (Registered in the state of Maharashtra)</td>
<td>50,000</td>
</tr>
<tr>
<td>Statutory Audit Services provided to M/s Tirupati Trading Pvt Ltd. at Ahmedabad (Registered in the State of Gujarat)</td>
<td>70,000</td>
</tr>
</tbody>
</table>

Firm has also furnished following information in respect of input services availed from registered dealers for providing of output services during the month August, 2019:

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Amount in (₹) (Excluding GST)</th>
<th>CGST</th>
<th>SGST</th>
<th>IGST</th>
</tr>
</thead>
<tbody>
<tr>
<td>Services availed from Courier Agency</td>
<td>5,000</td>
<td>450</td>
<td>450</td>
<td>-</td>
</tr>
<tr>
<td>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</td>
<td>12,000</td>
<td>Nil</td>
<td>Nil</td>
<td>600</td>
</tr>
<tr>
<td>Service Availed from Another Professional Firm at Mumbai amount is paid without TDS U/s 194J of Income Tax Act.</td>
<td>20,000</td>
<td>1,800</td>
<td>1,800</td>
<td>Nil</td>
</tr>
</tbody>
</table>

Notes:

(i) Rate of CGST, SGST and IGST to be 9%, 9% & 18% respectively, on outward supplies.
(ii) All the conditions necessary for availing the ITC have been fulfilled.
(iii) 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, 2019 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 2019 (₹)

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
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**

<table>
<thead>
<tr>
<th>Particulars</th>
<th>CGST</th>
<th>SGST</th>
<th>IGST</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output Tax</td>
<td>13,500</td>
<td>13,500</td>
<td>12,600</td>
</tr>
<tr>
<td>Less: ITC -CGST</td>
<td>(2,250)</td>
<td>(2,250)</td>
<td>(600)</td>
</tr>
<tr>
<td>Net Tax Liability</td>
<td>11,250</td>
<td>11,250</td>
<td>12,000</td>
</tr>
</tbody>
</table>

**Question 8 (a)**
JP Charitable institution, an entity registered under Section 12AA 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, 2020. 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.

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Amount in (₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Membership fees received from members</td>
<td>10,00,000</td>
</tr>
<tr>
<td>Amount received for advancement of educational programs relating to abandoned or orphaned or homeless children</td>
<td>4,00,000</td>
</tr>
<tr>
<td>Amount received for renting of commercial property owned by Trust</td>
<td>5,00,000</td>
</tr>
<tr>
<td>Amount received for counselling of terminally ill person</td>
<td>3,50,000</td>
</tr>
<tr>
<td>Fees charged for Yoga Camp conducted by Trust</td>
<td>2,00,000</td>
</tr>
<tr>
<td>Amount received relating to preservation of Forest and Wildlife</td>
<td>6,00,000</td>
</tr>
</tbody>
</table>
Solution:

As per notification number 12/2017 dated 28.06.2017 services provided by charitable trust by way of charitable activities shall be an exempt supply

“charitable activities” means activities relating to –

(i) public health by way of, –

(A) care or counseling of

(I) terminally ill persons or persons with severe physical or mental disability;

(II) persons afflicted with HIV or AIDS;

(III) persons addicted to a dependence-forming substance such as narcotics drugs or alcohol; or

(B) public awareness of preventive health, family planning or prevention of HIV infection;

(ii) advancement of religion, spirituality or yoga;

(iii) advancement of educational programmes or skill development relating to, –

(A) abandoned, orphaned or homeless children;

(B) physically or mentally abused and traumatized persons;

(C) prisoners; or

(D) persons over the age of 65 years residing in a rural area;

(iv) preservation of environment including watershed, forests and wildlife.

Computation of Taxable Value

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Amount in (₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Membership fees received from members</td>
<td>Nil</td>
</tr>
<tr>
<td>Amount received for advancement of educational programs relating to abandoned or orphaned or homeless children</td>
<td>Nil</td>
</tr>
<tr>
<td>Amount received for renting of commercial property owned by Trust</td>
<td>5,00,000</td>
</tr>
<tr>
<td>Amount received for counselling of terminally ill person</td>
<td>Nil</td>
</tr>
<tr>
<td>Fees charged for Yoga Camp conducted by Trust</td>
<td>Nil</td>
</tr>
<tr>
<td>Amount received relating to preservation of Forest and Wildlife</td>
<td>Nil</td>
</tr>
<tr>
<td><strong>Taxable Value</strong></td>
<td><strong>5,00,000</strong></td>
</tr>
<tr>
<td>GST @ 18%</td>
<td>90,000</td>
</tr>
</tbody>
</table>

Notes:

1. Membership fees received from its own members is an exempt supply.
2. Amount received for advancement of educational programs relating to abandoned or orphaned or homeless children is a charitable activity and is an exempt supply.
3. Amount received for counselling of terminally ill person is a charitable activity and is an exempt supply.
4. Fees for yoga camp is a charitable activities and is an exempt.
5. Amount received relating to preservation of Forest and Wildlife is a charitable activity and is an exempt supply.

**Question 8 (b)  Marks 5**
M/s XYZ & Co., a firm of Chartered Accountants, issued invoice for services rendered to Mr. A on 7\textsuperscript{th} September, 2019. Determine the Time of Supply in the following independent cases:

1. The provision of service was completed on 1\textsuperscript{st} August, 2019.
2. The provision of service was completed on 14\textsuperscript{th} August, 2019.
3. Mr. A made the payment on 3\textsuperscript{rd} August, 2019 where provisions of service was remaining to be completed.
4. Mr. A made the payment on 15\textsuperscript{th} September, 2019 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. 01\textsuperscript{st} August.
2. Invoice is issued within 30 days, Date of invoice shall be the time of supply i.e. 7\textsuperscript{th} September.
3. Payment received before the date of invoice hence time of supply shall be the date of receiving payment i.e. 3\textsuperscript{rd} August.
4. Payment received after the date of invoice hence time of supply shall be the date of invoice i.e 7\textsuperscript{th} September.

**Question 9 (a)  Marks 5**
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, 2019

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Particulars</th>
<th>Amount in (₹) Excluding GST</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1)</td>
<td>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.)</td>
<td>1,30,000</td>
</tr>
<tr>
<td>(2)</td>
<td>Intra State Sale of Taxable Goods including 50,000 received as advance in April,2019. The invoice for the entire sale value is issued on 15\textsuperscript{th} June, 2019</td>
<td>2,50,000</td>
</tr>
<tr>
<td>(3)</td>
<td>Goods Transport Services received from GTA, GTA is paying tax @ 12% (It is an interstate transaction.)</td>
<td>1,80,000</td>
</tr>
<tr>
<td>(4)</td>
<td>Goods Purchased from unregistered dealer on 20\textsuperscript{th} June, 2019 (Interstate purchases are worth, 45,000 and balance purchases was intrastate).</td>
<td>80,000</td>
</tr>
</tbody>
</table>

Compute Net GST Liability (CGST, SGST, IGST as the case may be) of M/s Maheshwari Corporation Pvt. Ltd. for the month of June, 2019 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 2019

**Output Tax**

(1) Services provided by way of Labour Contract for repairing a single residential unit is a taxable supply
Add: CGST @ 9% 11,700
Add: SGST @ 9% 11,700

(2) Intra State Sale of Taxable goods
Add: CGST @ 9% 22,500
Add: SGST @ 9% 22,500

**Input Tax**

Input Service of GTA Service 1,80,000
Add: IGST @ 18% 32,400

**Computation of Net Tax Liability**

*CGST*
Output Tax (11,700+22,500) 34,200
Less: ITC -IGST (32,400)
Net Tax Liability 1,800

*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

**Question 9 (b)**

[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, 2019:]

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Particulars</th>
<th>GST paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1)</td>
<td>Raw Material (To be received in September, 2019)</td>
<td>2,50,000</td>
</tr>
<tr>
<td>(2)</td>
<td>Membership of a club availed for employees working in the factory</td>
<td>1,45,000</td>
</tr>
<tr>
<td>(3)</td>
<td>Inputs to be received in 5 lots, out of which 3rd lot was received during the month</td>
<td>80,000</td>
</tr>
<tr>
<td>(4)</td>
<td>Trucks used for transport of raw material</td>
<td>40,000</td>
</tr>
<tr>
<td>(5)</td>
<td>Capital Goods (out of 3 items, invoice for 2 item is missing and GST paid on that Item is 80,000</td>
<td>1,50,000</td>
</tr>
</tbody>
</table>
Determine the amount of Tax Credit available with Harshgeet Pvt. Ltd. for the month of July, 2019 by giving the necessary explanation for treatment of various items. All the conditions necessary for availing the ITC have been fulfilled.

**Answer:**

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Particulars</th>
<th>GST paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1)</td>
<td>Raw Material (To be received in September, 2019)</td>
<td>Nil</td>
</tr>
<tr>
<td>(2)</td>
<td>Membership of a club availed for employees working in the factory</td>
<td>Nil</td>
</tr>
<tr>
<td>(3)</td>
<td>Inputs to be received in 5 lots, out of which 3rd lot was received during the month</td>
<td>Nil</td>
</tr>
<tr>
<td>(4)</td>
<td>Trucks used for transport of raw material</td>
<td>40,000</td>
</tr>
<tr>
<td>(5)</td>
<td>Capital Goods (out of 3 items, invoice for 2 item is missing and GST paid on that Item is 80,000)</td>
<td>70,000</td>
</tr>
</tbody>
</table>

**Total** 1,10,000

**Notes:**

1. 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.
2. As per section 17(5), tax credit of club membership for employees is not allowed.
3. 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.
4. 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.
5. ITC cannot be taken on missing invoice. The registered person should have the invoice in its possession to claim ITC [Section 16(2)]

**Question 10 (a)(i) Marks 2**

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 10 (a)(ii)  
Amit, a taxable person, is operating in Tamilnadu, Punjab and West Bengal, with the same PAN. Can he operate with a single registration in West Bengal?

**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 (b) (i)  
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, 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.

In the given case Partnership firm is engaged in running a readymade garment showroom and running a consulting firm alongwith the showroom. Since firm is engaged in providing supply of services which is not a restaurant service hence not eligible to opt for composition scheme.

No it is not possible for firm to opt for composition scheme only for showroom if firm is providing services also.

Question 10 (b)(ii)  
Differentiate between direct and indirect Taxes (Give any two points)

**Answer:**

<table>
<thead>
<tr>
<th>S. No</th>
<th>Direct Tax</th>
<th>Indirect Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>01.</td>
<td>The person paying the tax to the Government directly bears the incidence of the tax</td>
<td>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.</td>
</tr>
<tr>
<td>02.</td>
<td>Progressive in nature: High rate of taxes for people having higher ability to pay</td>
<td>Regressive in nature: All the consumers equally bear the burden, irrespective of their ability to pay</td>
</tr>
</tbody>
</table>

Question 10 (c)  
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.

**Question 11(a)  Marks 4**

Insight Ltd. is operating in West Bengal. The Tax liability for the month of August, 2019 is as follows:

<table>
<thead>
<tr>
<th>SL. No.</th>
<th>Tax Liability</th>
<th>West Bengal (₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1)</td>
<td>Output CGST Payable</td>
<td>24,000</td>
</tr>
<tr>
<td>(2)</td>
<td>Output SGST Payable</td>
<td>9,000</td>
</tr>
<tr>
<td>(3)</td>
<td>Output IGST Payable</td>
<td>3,000</td>
</tr>
<tr>
<td>(4)</td>
<td>Input CGST</td>
<td>7,000</td>
</tr>
<tr>
<td>(5)</td>
<td>Input SGST</td>
<td>14,000</td>
</tr>
<tr>
<td>(6)</td>
<td>Input IGST</td>
<td>12,000</td>
</tr>
</tbody>
</table>

Calculate Tax payable and carry forward for the month of August, 2019.

**Solution:**

**Computation of Net Tax**

- **Output tax (IGST):**
  - 3,000
  - Less: ITC - IGST (3,000)
  - Net Tax Payable Nil

- **Output tax (CGST):**
  - 24,000
  - Less: ITC - CGST (7,000)
  - Net Tax Payable 8,000

- **Output tax (SGST):**
  - 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

**Question 11(b)  Marks 4**

M/s Software Limited reduced the amount of ₹2,00,000 from the output tax liability in contravention of provisions of the CGST Act, 2017 in the month of December 2019, which is ineligible credit. A show cause notice was issued by the Tax Department to pay Tax along with interest. M/s Software Limited paid the tax and interest on 31st March, 2020. Calculate Interest liability (Ignore Penalty).

**Answer:** Interest on delayed payment of tax Section 50.

(1) 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.
(2) A taxable person who makes an undue or excess claim of input tax credit or undue or excess reduction in output tax liability shall pay interest on such undue or excess claim etc @ 24% per annum. In the given case, it is a case of excess claim of input tax credit hence 24% per annum shall be chargeable.

For December 2019 return filing due date is 20th January, 2020
Tax paid on 31st March 2020
Period of default - 20th January to 31st March 2020 = Jan-11, Feb-28, March-31 = 70 days
Interest = ₹2,00,000 x 70/365 x 24% = ₹9,205.48

Question 11(c)  Marks 2

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 25.01.2020.

Question 12  Marks 5+5
Attempt any two parts out of (a), (b) & (c).
(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

(b) Discuss the provisions relating to issuance of credit notes and debit notes under CGST Act and rules there under.
Answer: Refer answer given in the book

(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.
Mr. Ajay, a registered supplier of goods, pays GST under regular scheme and provides the following information for the month of August 2019:

**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 2019:

<table>
<thead>
<tr>
<th>Nature</th>
<th>ITC Amount in (₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CGST</td>
<td>20,000</td>
</tr>
<tr>
<td>SGST</td>
<td>30,000</td>
</tr>
<tr>
<td>IGST</td>
<td>25,000</td>
</tr>
</tbody>
</table>

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.

**Solution:**

**Computation of net GST payable by Mr. Ajay for the month of August 2019**

<table>
<thead>
<tr>
<th>₹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase price</td>
</tr>
<tr>
<td>Add: CGST @ 9%</td>
</tr>
<tr>
<td>Add: SGST @ 9%</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

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**

<table>
<thead>
<tr>
<th>₹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output tax</td>
</tr>
<tr>
<td>Less: ITC b/f – IGST</td>
</tr>
<tr>
<td>Less: ITC – CGST</td>
</tr>
<tr>
<td>Less: ITC – SGST</td>
</tr>
<tr>
<td>Net Tax Payable</td>
</tr>
</tbody>
</table>

**CGST**

<table>
<thead>
<tr>
<th>Nil</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output tax</td>
</tr>
<tr>
<td>Less: ITC Goods – CGST</td>
</tr>
<tr>
<td>Net Tax Payable</td>
</tr>
</tbody>
</table>
Examination Questions

<table>
<thead>
<tr>
<th>Output tax</th>
<th>SGST ₹</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>18,000</td>
</tr>
<tr>
<td>Less: ITC Goods – SGST</td>
<td>(18,000)</td>
</tr>
<tr>
<td>Net Tax Payable</td>
<td>Nil</td>
</tr>
</tbody>
</table>

**Question 8 (b)**

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 2019:

<table>
<thead>
<tr>
<th>Particulars</th>
<th>GST paid (₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Purchase of cabs used for the transportation of its employees</td>
<td>Nil</td>
</tr>
<tr>
<td>(ii) Inputs consisting of three lots, out of which first lot was received during the month</td>
<td>1,25,000</td>
</tr>
<tr>
<td>(iii) Capital Goods (out of three items, invoice for one item was missing and GST paid on that item was, ₹25,000)</td>
<td>2,25,000</td>
</tr>
<tr>
<td>(iv) Outdoor catering service availed on Women's day</td>
<td>72,000</td>
</tr>
</tbody>
</table>

Determine the amount of Input Tax Credit available with M/s Fun Pharma Private Limited for the month of September 2019 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 2019

<table>
<thead>
<tr>
<th>Particulars</th>
<th>GST paid (₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Purchase of cabs used for the transportation of its employees</td>
<td>Nil</td>
</tr>
<tr>
<td>(ii) Inputs consisting of three lots, out of which first lot was received during the month</td>
<td>Nil</td>
</tr>
<tr>
<td>(iii) Capital Goods (out of three items, invoice for one item was missing and GST paid on that item was, ₹25,000)</td>
<td>2,25,000</td>
</tr>
<tr>
<td>(iv) Outdoor catering service availed on Women's day</td>
<td>Nil</td>
</tr>
</tbody>
</table>

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.

**Question 9 (a)**

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 2019:

<table>
<thead>
<tr>
<th>Particulars</th>
<th>GST paid (₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) List price of goods supplied inter-state</td>
<td>12,40,000</td>
</tr>
</tbody>
</table>

**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:**

1. Tax levied by Municipal Authority 24,000
2. Packing Charges 12,000
3. 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 2019.
Solution:  

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

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

Question 9 (b)  
Marks 5

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

**Answer:** As per 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.

Question 10 (a)  
Marks 4

M/s Mansh & Vansh Trading Company, a registered supplier, is liable to pay GST under forward charge.

Determine the time of supply from the following information furnished by it:

(i) Goods were supplied on 03-10-2019

(ii) Invoice was issued on 05-10-2019

(iii) Payment received on 09-10-2019

**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 but if invoice is issued after delivery of goods, TOS shall be date of delivery of goods. In the given case Invoice is issued after the delivery of goods hence date of goods supplied shall be the TOS i.e. 03-10-2019.

Question 10 (b)  
Marks 3

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

(i) Teja & Co, a tour operator, provides services to a foreign tourist for tour conducted to Jammu Kashmir and receives a sum of ₹3,00,000.

(ii) Ms. Poorva acts as a Team Manager for Indian Sports League (ISL), a recognised sports body, for a Tennis tournament organised by Multi brand retail company and received a remuneration of ₹2,00,000.

**Answer:**

(i) **Taxable.** 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 but in the given case tour is conducted in India hence it is taxable.

(ii) **Taxable:** Services provided to a recognised sports body by an individual as a player, referee, umpire, coach or team manager for participation in a sporting event organised by a recognized sports body is exempt service but in the given case Ms. Poorva acts as a team manager and providing services to a
recognized sports body which is organized by **Multi Brand Retail company** hence it is taxable service.

**Question 10 (c) Marks 3**

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 31-10-2019.

**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.

**Question 11 (a) Marks 4**

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, 2019. It applies for registration on 19th September, 2019 and is granted registration certificate on 29th September, 2019.

**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 25.08.2019.

(ii) What will be your answer, if in the above scenario, Madhu Ltd. submits the application for registration on 27th September, 2019 and is granted registration on 5th October, 2019?

**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, 2019.

**Question 11 (b) Marks 3**

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.

(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.

**Question 11 (c) Marks 3**

List any six state levies, which are subsumed in GST.
Question 12

Answer any two out of the following three sub divisions:

(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

(b) List the inclusions and exclusions for computing the "Aggregate Turnover" under CGST Act, 2017.
Answer: Refer answer given in the book

(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
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, 2019:-

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, 2019:-

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 2019:-

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, 2019.

Solution: Computation of net GST payable by Mr. Nimit for the month of August 2019

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount (₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase price</td>
<td>4,00,000</td>
</tr>
<tr>
<td>Add: CGST @ 9%</td>
<td>36,000</td>
</tr>
<tr>
<td>Add: SGST @ 9%</td>
<td>36,000</td>
</tr>
<tr>
<td>Total</td>
<td>4,72,000</td>
</tr>
</tbody>
</table>

Input tax credit of CGST & SGST is allowed.

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount (₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase price</td>
<td>50,000</td>
</tr>
<tr>
<td>Add: IGST @ 18%</td>
<td>9,000</td>
</tr>
<tr>
<td>Total</td>
<td>59,000</td>
</tr>
</tbody>
</table>

Input tax credit of IGST is allowed.

Output Tax

**Inter-state taxable supply of goods**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount (₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sale Value</td>
<td>2,00,000</td>
</tr>
<tr>
<td>Add: IGST @ 18%</td>
<td>36,000</td>
</tr>
<tr>
<td>Total</td>
<td>2,36,000</td>
</tr>
</tbody>
</table>

**Intra-state taxable supply of goods**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount (₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sale Value</td>
<td>6,00,000</td>
</tr>
<tr>
<td>Add: CGST @ 9%</td>
<td>54,000</td>
</tr>
<tr>
<td>Add: SGST @ 9%</td>
<td>54,000</td>
</tr>
<tr>
<td>Total</td>
<td>7,08,000</td>
</tr>
</tbody>
</table>

**Computation of Net Tax**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount (₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output tax</td>
<td>36,000</td>
</tr>
<tr>
<td>Less: ITC b/f – IGST</td>
<td>(20,000)</td>
</tr>
</tbody>
</table>
Less: ITC – IGST  
Less: ITC – SGST  
Net Tax Payable

<table>
<thead>
<tr>
<th></th>
<th>CGST ₹</th>
<th></th>
<th>SGST ₹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output tax</td>
<td>54,000</td>
<td></td>
<td>54,000</td>
</tr>
<tr>
<td>Less: ITC Goods – CGST</td>
<td>(36,000)</td>
<td></td>
<td>(36,000)</td>
</tr>
<tr>
<td>Less: ITC b/f – CGST</td>
<td>(15,000)</td>
<td></td>
<td>(18,000)</td>
</tr>
<tr>
<td>Net Tax Payable</td>
<td>3,000</td>
<td></td>
<td>Nil</td>
</tr>
</tbody>
</table>

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.

**Question 7 (b) Marks 4**

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.

<table>
<thead>
<tr>
<th>S. No</th>
<th>Particulars</th>
<th>Amount (₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i)</td>
<td>Price of the goods</td>
<td>1,00,000</td>
</tr>
<tr>
<td>(ii)</td>
<td>Municipal Tax</td>
<td>2,000</td>
</tr>
<tr>
<td>(iii)</td>
<td>Inspection charges</td>
<td>15,000</td>
</tr>
<tr>
<td>(iv)</td>
<td>Subsidies received from Shri Ram Trust</td>
<td>50,000</td>
</tr>
<tr>
<td></td>
<td>(As the products is going to be used by blind association)</td>
<td></td>
</tr>
<tr>
<td>(v)</td>
<td>Late fees for delayed payment. (Though Shri Balram Pvt. Ltd. made late</td>
<td>1,000</td>
</tr>
<tr>
<td></td>
<td>payment but these charges are waived by Shri Krishna Pvt. Ltd.)</td>
<td></td>
</tr>
<tr>
<td>(vi)</td>
<td>Shri Balram Pvt. Ltd. paid to Radhe Pvt. Ltd. (on behalf of Shri Krishna</td>
<td>2,000</td>
</tr>
<tr>
<td></td>
<td>Pvt. Ltd.) weightment charges.</td>
<td></td>
</tr>
</tbody>
</table>

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**

<table>
<thead>
<tr>
<th>Particulars</th>
<th>₹</th>
</tr>
</thead>
<tbody>
<tr>
<td>List price of the goods</td>
<td>1,00,000</td>
</tr>
<tr>
<td>Tax levied by Municipal Authority</td>
<td>2,000</td>
</tr>
<tr>
<td>[Includible in the value as per section 15]</td>
<td></td>
</tr>
<tr>
<td>Inspection charges [Includible in the value as per section 15]</td>
<td>15,000</td>
</tr>
<tr>
<td>Subsidy received from a non-Government body</td>
<td>50,000</td>
</tr>
<tr>
<td>[Since subsidy is received from a non-Government body, the same is</td>
<td></td>
</tr>
<tr>
<td>included in the value in terms of section 15]</td>
<td></td>
</tr>
<tr>
<td>Late fee for delayed Payment but waived by the seller.</td>
<td>Nil</td>
</tr>
<tr>
<td>Weightment charges [Includible in the value as per section 15]</td>
<td>2,000</td>
</tr>
<tr>
<td>[Includible in the value as per section 15]</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,69,000</td>
</tr>
</tbody>
</table>

**Note:** Subsidy received from Government is not includible in value of supply as per section 15.
Question 8 (a)  
Marks 5  
M/s. Pradyumn Corporation Pvt. Ltd., a registered dealer of Mumbai furnishes you following information for the month of October, 2019.

<table>
<thead>
<tr>
<th>S. No</th>
<th>Particulars</th>
<th>Amount (₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i)</td>
<td>Intra state sale of Taxable goods (out of above ₹ 50,000 was received as advance in September, 2019)</td>
<td>2,00,000</td>
</tr>
<tr>
<td>(ii)</td>
<td>Goods purchased from unregistered dealer (purchase on 20th October, 2019)</td>
<td>50,000</td>
</tr>
<tr>
<td>(iii)</td>
<td>Received for services by way of labour contracts for repairing a single residential unit otherwise than as a part of residential complex (it is Intra-state transaction)</td>
<td>50,000</td>
</tr>
<tr>
<td>(iv)</td>
<td>Professional fees paid to Ms. Udadhi located in a non-taxable territory (it amounts to Interstate transaction)</td>
<td>50,000</td>
</tr>
</tbody>
</table>

Compute GST liability (CGST, SGST or IGST, as the case may be) of M/s. Pradyumn Corporation Pvt. Ltd. for the month of October, 2019. 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 2019

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

<table>
<thead>
<tr>
<th>Sale Value</th>
<th>Add: CGST @ 9%</th>
<th>Add: SGST @ 9%</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2,00,000</td>
<td>18,000</td>
<td>18,000</td>
<td>2,36,000</td>
</tr>
</tbody>
</table>

Advance received is not taxable in the month of September.

Labour Contract Services

<table>
<thead>
<tr>
<th>Value</th>
<th>Add: CGST @ 9%</th>
<th>Add: SGST @ 9%</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>50,000</td>
<td>4,500</td>
<td>4,500</td>
<td>59,000</td>
</tr>
</tbody>
</table>

Computation of GST Liability

<table>
<thead>
<tr>
<th>CGST ₹</th>
<th>SGST ₹</th>
</tr>
</thead>
<tbody>
<tr>
<td>22,500</td>
<td>22,500</td>
</tr>
</tbody>
</table>

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.

**Question 8 (b) Marks 5**

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

**Answer:** Refer answer given in the book

**Question 9 (a) Marks 3**

On 4th September, 2019, 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, 2019 & raised the invoice on 24th July, 2019. 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 2019
2. 23rd September 2019 (July - 7, August - 31, September – 23)

Hence, TOS shall be 4th September 2019.

**Question 9 (b) Marks 3**

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. (Turnover of the company was, 22 lakhs in the preceding F.Y.)

**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 as Turnover in the preceding year is exceeding 20 Lakh and shall be liable to pay GST under reverse charge.

(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 received by senior advocate shall be exempt if it is given to business entity having turnover upto ₹20 lakhs in preceding year but if turnover is exceeding ₹20 lakhs then service recipient is liable to pay GST under reverse charge. In the given case turnover of the company is exceeding ₹20 lakhs hence company is liable to pay GST under reverse charge.
Question 9 (c)  
Bharat Associates Pvt. Ltd. Purchased machinery worth ₹ 9,00,000 (excluding GST) on 20-07-2019 on which it paid GST @ 18%. It availed the ITC. On 05-03-2020 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 2019 to 05th March 2020 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 x 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

Question 10 (a)  
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 10 (b)  
Answer the following with reference to GST Laws:
(i) What is CIN?
Answer: Refer answer given in the book
(ii) When interest is payable?
Answer: Refer answer given in the book
(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.
7. Online Payments made after 8 pm will credited to the taxpayers account on the same day.

Question 11 (a)  
Determine the effective date of registration under CGST Act, 2017 in respect of the following cases with explanation:

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 01.08.2019.

(ii) Sweta InfoTech Services are the provider of internet services in Pune. The aggregate turnover of them exceeds ₹20 lakhs on 25th September, 2019. It submits the application for registration on 27th October, 2019. Registration certificate is granted on the 5 November, 2019.

**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 05.11.2019.

**Question 11 (b) Marks 4**

Chidanand Products Pvt. Ltd. started its business of supply of goods on 1st August, 2019. It's turnover exceeds ₹20,00,000 on 5th September, 2019. It applied for registration on 28th September, 2019 & granted registration certificate on 6th October, 2019. Guide the company regarding invoices to be issued between 5th September, 2019 to 6th October, 2019 to registered dealers. Further it had also made supplies to unregistered dealers in that period. How it can raise invoices?

**Answer:** As per section 31(3)(a), 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.

The registered person may issue a consolidated revised tax invoice in respect of all taxable supplies made to a recipient who is not registered under the Act during such period.

**As per Rule 53,**

(1) A revised tax invoice referred to in section 31 and credit or debit notes referred to in section 34 shall contain the following particulars, namely:—

(a) the word "Revised Invoice", wherever applicable, indicated prominently;
(b) name, address and Goods and Services Tax Identification Number of the supplier;
(c) nature of the document;
(d) a consecutive serial number not exceeding sixteen characters.
(e) date of issue of the document;
(f) name, address and Goods and Services Tax Identification Number or Unique Identity Number, if registered, of the recipient;
(g) name and address of the recipient and the address of delivery, along with the name of State and its code, if such recipient is un-registered;
(h) serial number and date of the corresponding tax invoice or, as the case may be, bill of supply;
(i) value of taxable supply of goods or services, rate of tax and the amount of the tax credited or, as the case may be, debited to the recipient; and
(j) signature or digital signature of the supplier or his authorised representative.

**Question 11 (c) Marks 2**

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.
Answer any two parts out of (a), (b) and (c)

**Question 12 (a)**  
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 provided he is not engaged in providing taxable supply of services except restaurant services.  
In the given case Partnership firm is engaged in running a readymade garment showroom and providing Interior decorators services alongwith the showroom. Since firm is engaged in providing supply of services which is not a restaurant service hence not eligible to opt for composition scheme.  
No, Answer will remain same if a person providing services then not eligible for composition scheme irrespective of the turnover.  
No it is not possible for firm to opt for composition scheme only for showroom if firm is providing services also.  
Further it can opt for composition scheme for services under notification no. 02/2019 if its turnover is upto ₹50,00,000 but in the given case turnover is exceeding ₹50,00,000 hence it cannot opt for composition scheme of services.

**Question 12 (b)**  
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.

**Question 12 (c)**  
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
Question 1 (Marks 6)

MNO Advertising Agency has provided the following services during March, 2020:

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Amt. in (₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Selling of advertisement time slot on mobile</td>
<td>2,00,000</td>
</tr>
<tr>
<td>(ii) Aerial Advertisement</td>
<td>8,00,000</td>
</tr>
<tr>
<td>(iii) Advertisement on bill boards</td>
<td>3,60,000</td>
</tr>
<tr>
<td>(iv) Charges towards newspaper advertisements</td>
<td>7,00,000</td>
</tr>
<tr>
<td>(v) Commission earned towards advertisement campaigns</td>
<td>6,40,000</td>
</tr>
<tr>
<td>(vi) Advertisement on cover and back pages of printed books</td>
<td>1,00,000</td>
</tr>
</tbody>
</table>

You are required to compute value of taxable supply of MNO Advertising Agency for March, 2020. Service value tabled above is exclusive of tax and the applicable rate being CGST @ 9% & SGST @ 9%. Working notes and/or suitable assumptions should form part of your answer.

Solution:

Computation of Taxable Value and Tax of MNO Advertising Agency

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Amt. in (₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Selling of advertisement time slot on mobile</td>
<td>2,00,000</td>
</tr>
<tr>
<td>(ii) Aerial Advertisement</td>
<td>8,00,000</td>
</tr>
<tr>
<td>(iii) Advertisement on bill boards</td>
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<td>6,40,000</td>
</tr>
<tr>
<td>(vi) Advertisement on cover and back pages of printed books</td>
<td>1,00,000</td>
</tr>
</tbody>
</table>

Value of Taxable supply 28,00,000
Add: CGST @ 9% 2,52,000
Add: SGST @ 9% 2,52,000

Total 33,04,000

Question 2 (Marks 4)

Rajesh Ltd. has submitted particulars of sale or purchase for the month of January 2020. Compute GST Payable if Rate of CGST @ 10% and SGST @ 10% (The amounts are exclusive of GST.)

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Amt. in (₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Purchase from composition dealers</td>
<td>5,00,000</td>
</tr>
<tr>
<td>(ii) Inter-state purchases</td>
<td>18,00,000</td>
</tr>
<tr>
<td>(iii) Purchase of capital goods</td>
<td>9,00,000</td>
</tr>
<tr>
<td>(iv) Sales within the State effected during the month of January, 2020</td>
<td>12,00,000</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Particulars</th>
<th>CGST ₹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output Tax Goods</td>
<td>1,20,000</td>
</tr>
<tr>
<td>Less: ITC Goods – IGST</td>
<td>(1,20,000)</td>
</tr>
<tr>
<td>Net Tax Payable</td>
<td>Nil</td>
</tr>
</tbody>
</table>

Computation of Net Tax

<table>
<thead>
<tr>
<th>Particulars</th>
<th>SGST ₹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output Tax Goods</td>
<td>1,20,000</td>
</tr>
<tr>
<td>Less: ITC Goods – IGST</td>
<td>(1,20,000)</td>
</tr>
<tr>
<td>Net Tax Payable</td>
<td>Nil</td>
</tr>
</tbody>
</table>

Carried Forward:
 IGST – ₹ 1,20,000
 CGST – ₹ 90,000
 SGST – ₹ 90,000

Question 3  
(Marks 4)
Decide whether following services are taxable or exempt:

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Amt. in (₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Freight charges for transportation of goods by vessel-from a place</td>
<td>10,00,000</td>
</tr>
<tr>
<td>outside India upto Customs Station of clearance.</td>
<td></td>
</tr>
<tr>
<td>(ii) Speed post services provided by Delhi Post Office, where the</td>
<td>3,00,000</td>
</tr>
<tr>
<td>Value of each service does not exceed ₹5,000.</td>
<td></td>
</tr>
<tr>
<td>(iii) Services provided by a Senior Advocate to a business entity with</td>
<td>2,00,000</td>
</tr>
<tr>
<td>a turnover of ₹16,00,000 in the preceding financial year.</td>
<td></td>
</tr>
<tr>
<td>(iv) Transportation of passengers with accompanied belongings by a stage</td>
<td>1,00,000</td>
</tr>
<tr>
<td>carriage (non - airconditioned).</td>
<td></td>
</tr>
<tr>
<td>(v) Services provided by a local authority, to a business entity having</td>
<td>2,50,000</td>
</tr>
<tr>
<td>a turnover of ₹18,00,000 in the preceding financial year.</td>
<td></td>
</tr>
</tbody>
</table>

Solution:

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Amt. in (₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Freight charges for transportation of goods by vessel-from a place</td>
<td>Taxable under</td>
</tr>
<tr>
<td>outside India upto Customs Station of clearance.</td>
<td>reverse Charge</td>
</tr>
<tr>
<td>(ii) Speed post services provided by Delhi Post Office, where the</td>
<td>Taxable</td>
</tr>
<tr>
<td>Value of each service does not exceed ₹5,000.</td>
<td></td>
</tr>
<tr>
<td>(iii) Services provided by a Senior Advocate to a business entity with</td>
<td>Exempt</td>
</tr>
<tr>
<td>a turnover of ₹16,00,000 in the preceding financial year.</td>
<td></td>
</tr>
<tr>
<td>(iv) Transportation of passengers with accompanied belongings by a stage</td>
<td>Exempt</td>
</tr>
<tr>
<td>carriage (non - airconditioned).</td>
<td></td>
</tr>
<tr>
<td>(v) Services provided by a local authority, to a business entity having</td>
<td>Exempt</td>
</tr>
<tr>
<td>a turnover of ₹18,00,000 in the preceding financial year.</td>
<td></td>
</tr>
</tbody>
</table>

Question 4  
(Marks 2)
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, 2018, which gets completed on 31st December, 2019. It is billed on 5th January, 2020, while
the payment for the same is received on 2nd January, 2020.

**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 2020.

**Question 5** *(Marks 3)*

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.

**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:** Any registered person who fails to furnish the details of outward or inward supplies required under section 37 or section 38 or returns required under section 39 or section 45 by the due date shall pay a late fee of ₹25 under Central GST and ₹25 under State GST however if tax payable is Nil, Penalty Shall be ₹10 under Central GST and ₹10 under State GST for every day during which such failure continues subject to a maximum amount of ₹ 5,000.

If Return has been delayed by 45 days and GST is payable, late fee shall be ₹ 1,125 under CGST Act and ₹ 1,125 under SGST Act. But if tax payable is Nil, late fee shall be ₹450 under CGST Act and ₹450 under SGST Act.

**Question 7** *(Marks 5)*

Sophomore of USA intends to start business as an aggregator in India. He wants to understand his obligations under GST law as an aggregator. He requires your advice of how he has to go about in discharging the tax liability as an aggregator, 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 and such person may be called aggregator.
Aggregator 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”, eg. 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.

Provided that aggregator shall not include such person who enables a potential customer to connect with persons providing services and where payment is collected directly by the supplier of services and not by such electronic commerce operator. In such cases GST shall be payable by the actual supplier and not by ECO. Such ECO shall get his commission from the supplier and the amount of commission shall be subject to GST, eg. URBAN CLAP. If Mr. X an architect is registered with URBAN CLAP and they have referred a client to Mr. X and Mr. X charged ₹ 1,00,000 plus GST ₹ 18,000, Mr. X shall be liable to pay GST to the Government. If URBAN CLAP has taken commission of ₹10,000 plus GST ₹ 1,800, Mr. X shall claim ITC of ₹ 1,800 and shall pay to the Government balance amount of ₹ 16,200.

Question 8 (Marks 2)
Raghavan, a service provider, has taken credit based on the invoice made available to him. He has received the invoice on 10-07-2018 and has made payment against the invoice on 01-01-2019. Explain the consequences of credit that he has taken on 10-07-2018.

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 he is eligible to take tax credit.

Question 9 (Marks 2)
Raghavan 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, A registered person shall not be eligible to take credit after the due date of filing return for the month of September of the subsequent year or furnishing the annual return 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 due date for filing return for the month of September or filing of annual return is not crossed then he is eligible to take credit.
1. M/s. Ramchandra Associates has received some taxable services from Mohan Dalal (P) Ltd. on 12.01.2020 by making a cash payment of ₹5,00,000 on same day. The payment was entered in the books of account of M/s. Ramchandra Associates on 16.01.2020 and in the books of account of Mohan Dalal (P) Ltd. on 20.01.2020. The invoice was issued by Mohan Dalal (P) Ltd. on 18.01.2020. Determine the time of supply in the given case.
(a) 12.01.2020
(b) 16.01.2020
(c) 18.01.2020
(d) 20.01.2020
Answer
1. (c)

2. M.H. Husain, a famous painter, Delhi, sends his latest art work to Indian Classic gallery, Delhi, for exhibition. However, no consideration has flown from Indian Classic gallery to M. H. Husain when the art work is sent to the gallery for exhibition. M. H. Husain is in dilemma whether GST is payable on said transfer of art work. What would be your advice on the same?
(a) GST is payable as the same amounts to taxable supply of goods.
(b) GST is payable as the same amounts to taxable supply of services.
(c) GST is not payable as the same is an exempt supply.
(d) GST is not payable as the same does not amount to supply at all.
Answer
2. (d)

3. Kidzee Ltd., a wholesaler of toys registered in Chandigarh, is renowned in the local market for the varieties of toys and their reasonable prices. Kidzee Ltd. makes supply of 100 pieces of baby’s learning laptops and chat learning phones to Nancy General Store on 25th September, 2019 by issuing a tax invoice amounting to ₹1,00,000. However, the said toys were returned by Nancy General Store on 30th September, 2019. Which document Kidzee Ltd. is required to issue in such a case?
(a) Debit Note
(b) Refund voucher
(c) Credit note
(d) Payment voucher
Answer
3. (c)

4. Which of the following services is exempt from GST?
(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
4. (d)
5. Examine whether supply of food and drink in the following independent cases is exempt from GST:-

(i) “Smart Kids” is a Play School located in Delhi. Smart Kids has outsourced the catering services for supply of food and drink in the canteen of Play School to BTV Caterers, Delhi for a consideration of ₹8,00,000 per annum.

(ii) Wellness Hospital, a clinical establishment located in Tirupati, is specialised in diabetic treatment. The hospital has its own canteen – Tasty Foods. The canteen serves the food and drink to the in-patients as advised by the doctors/nutritionists of the hospital. Apart from this, other patients (who are not admitted) or attendants or visitors of the in-patients also take food and drink from the canteen.

**Answer**

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

(ii) Services by way of health care services provided by a clinical establishment, an authorised medical practitioner or para-medics are exempt from GST vide Notification No. 12/2017 CT (R) dated 28.06.2017 as amended.

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

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

6. Sahil is a supplier of taxable goods in Karnataka. He got registered under GST in the month of September, 2019 and wishes to pay his IGST liability for the month. Since he’s making the GST payment for the first time, he is of the view that he needs to mandatorily have the online banking facility to make payment of GST; offline payment is not permitted under GST. You are required to apprise Sahil regarding the various modes of deposit in the electronic cash ledger. Further, advise him with regard to following issues:

(a) Are manual challans allowed under GST?

(b) What is the validity period of the challan?

(c) Is cross utilization among Major and Minor heads of the electronic cash ledger permitted?

**Answer**

Section 49(1) of CGST Act, 2017 read with rule 87 of CGST Rules, 2017 provides that the deposit in electronic cash ledger can be made through any of the following modes, namely:-

(i) Internet Banking through authorised banks;

(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.

Thus, offline mode is also permitted under GST.

(a) Manual or physical Challans are not allowed under the GST regime. It is mandatory to generate Challans online on the GST Portal.

(b) **E-challan is valid for a period of 15 days.**

(c) Amount entered under any Minor head (Tax, Interest, Penalty, etc.) and Major Head (CGST, IGST, SGST/UTGST) of the Electronic Cash Ledger can be utilized only for that liability. Cross-utilization among Major and Minor heads is not possible.

7. M/s Cavenon Enterprises, a registered supplier of designer wedding dresses under regular scheme, has aggregate annual turnover of ₹30 lakh in the preceding financial year. It is of the view that in the current financial year, it is permitted to file its monthly statement of outward supplies – GSTR-1 - on a quarterly basis while its accountant advises it to file the same on a monthly basis. You are required to advise M/s Cavenon Enterprises on the same.
During a given tax period in the current financial year, owing to an off-season, M/s Cavenon Enterprises has not made any taxable supply. Therefore, M/s Cavenon Enterprises opines that no return under GST is required to be filed for the said period. You are required to examine the technical veracity of the opinion of M/s Cavenon Enterprises.

**Answer**

Section 37 of the CGST Act, 2017 stipulates that GSTR-1 for a particular month is required to be filed on or before the 10th day of the immediately succeeding month, i.e. on a monthly basis. However, presently, as a measure of easing the compliance requirement for small tax payers, GSTR-1 has been allowed to be filed quarterly by small tax payers with aggregate annual turnover up to ₹1.5 crore in the preceding financial year or the current financial year. Tax payers with annual aggregate turnover above ₹1.5 crore will however continue to file GSTR-1 on a monthly basis. In view of the same, M/s Cavenon Enterprises can file its GSTR-1 on quarterly basis as its aggregate turnover does not exceed ₹1.5 crore in the preceding financial year. Further, GSTR-1 needs to be filed even if there is no business activity in a tax period. Thus, in the present case, even if no supply has been made by M/s Cavenon Enterprises, a nil return is required to be filed for the relevant tax period.

8. Kamal Book Depot, a wholesaler of stationery items, registered in Mumbai, has received order for supply of stationery items worth ₹ 2,00,000/- on 12th November, 2019 from another local registered dealer, Mr. Mehta, Mumbai. Kamal Book Depot charged the following additional expenses from Mr. Mehta:-

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Amount (₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Packing charges</td>
<td>5,000</td>
</tr>
<tr>
<td>(ii) Freight &amp; Cartage</td>
<td>2,000</td>
</tr>
<tr>
<td>(iii) Transit insurance</td>
<td>1,500</td>
</tr>
<tr>
<td>(iv) Extra designing charges</td>
<td>6,000</td>
</tr>
<tr>
<td>(v) Taxes by Municipal Authority</td>
<td>500</td>
</tr>
</tbody>
</table>

The goods were delivered to Mr. Mehta on 14th November, 2019. Since Mr. Mehta was satisfied with the quality of the goods, he made the payment of goods the same day and simultaneously placed another order on Kamal Book Depot of stationery items amounting to ₹10,00,000 to be delivered in the month of December, 2019**. On receipt of second order, Kamal Book Depot allowed a discount of ₹ 20,000 on the first order placed by Mr. Mehta.

Compute the GST liability of Kamal Book Depot for the month of November, 2019 assuming the rates of GST on the goods supplied as under:

- CGST 9%
- SGST 9%

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

Note:-
(i) All the amounts given above are exclusive of GST.
(ii) Kamal Book Depot and Mr. Mehta are not related persons and price is the sole consideration of the supply.
**Payment and invoice for the second order will also be made in the month of December, 2019 only.

**Solution**

Computation of value of taxable supply and tax liability

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Amount (₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price of the goods [Note-1]</td>
<td>2,00,000</td>
</tr>
</tbody>
</table>
(i) Packing charges [Note-2]  5,000
(ii) Freight & Cartage [Note-3]  2,000
(iii) Transit Insurance [Note-3]  1,500
(iv) Extra Designing charges [Note-4]  6,000
(v) Taxes by Municipal Authority [Note-5]  500

Value of taxable supply  2,15,000
CGST @ 9%  19,350
SGST @ 9%  19,350

Notes:-
1. As per section 15(1) of the CGST Act, 2017, the value of a supply is the transaction value i.e. the price actually paid or payable for the said supply.
2. All incidental expenses including packing charged by the supplier to the recipient are includible in the value of supply in terms of section 15(2) of the CGST Act, 2017.
3. The given supply is a composite supply involving supply of goods (stationery items) and services (transit insurance and freight) where the principal supply is the supply of goods.
   As per section 8(a) of the CGST Act, 2017, a composite supply is treated as a supply of the principal supply involved therein and charged to tax accordingly.
4. Any amount charged for anything done by the supplier in respect of the supply of goods or services or both at the time of, or before delivery of goods or supply of services; is includible in the value of supply vide section 15(2) of the CGST Act, 2017. Thus, extra designing charges are to be included in the value of supply.
5. The taxes by Municipal Authorities are includible in the value of supply in terms of section 15(2) of the CGST Act, 2017.
6. In the given case, Mr. Mehta is allowed a discount of ₹ 20,000 on the goods supplied to him in the month of November, 2019. Since the said goods have already been delivered by Kamal Book Depot, this discount will be a post-supply discount.
   Further, value of supply shall not include any discount which is given after the supply has been effected, if—
   (i) such discount is established in terms of an agreement entered into at or before the time of such supply and specifically linked to relevant invoices; and
   (ii) input tax credit as is attributable to the discount on the basis of document issued by the supplier has been reversed by the recipient of the supply [Section 15(3) of the CGST Act, 2017].
   However, in the given case, post-supply discount given to Mr. Mehta will not be allowed as a deduction from the value of supply since the discount policy was not known before the time of such supply although the discount can be specifically linked to relevant invoice (invoice pertaining to stationery items supplied to Mr. Mehta in November, 2019).

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

9. Mr. Ekaant, a supplier registered in Delhi, is engaged in the business of sale and purchase of plastic raincoats. He furnishes the following information pertaining to inward/outward supply made by him for the month of July, 2019:

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Amount (₹ in lakh)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value of inter-State outward supply to registered persons</td>
<td>30</td>
</tr>
<tr>
<td>Value of intra-State outward supply to registered persons</td>
<td>50</td>
</tr>
<tr>
<td>Value of intra-State outward supply to unregistered persons</td>
<td>15</td>
</tr>
<tr>
<td>Value of intra-State inward supply from registered persons</td>
<td>10</td>
</tr>
</tbody>
</table>
Following additional information is also provided by Mr. Ekaant:-

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Amount (₹ in lakh)</th>
</tr>
</thead>
<tbody>
<tr>
<td>IGST credit on capital goods purchased in the month of July</td>
<td>1.5</td>
</tr>
<tr>
<td>CGST/ SGST credit on other inward supplies [including credit of ₹ 5,000</td>
<td>0.5 (CGST and SGST each)</td>
</tr>
<tr>
<td>(CGST and SGST each) on account of membership of a club]</td>
<td></td>
</tr>
<tr>
<td>Availed consultancy services from Mr. Sujit, lawyer located in Delhi [Intra-State services]</td>
<td>1</td>
</tr>
</tbody>
</table>

The amount of ITC brought forward in the month of July, 2019 is as under:-
- CGST: ₹ 2 lakh
- SGST: ₹ 2 lakh
- IGST: ₹ 5 lakh

Calculate the net GST liability (CGST and SGST or IGST, as the case may be) to be paid in cash for the month of July, 2019 by assuming the rates of GST as under:
- CGST 9%
- SGST 9%
- IGST 18%

Note:
(i) All the amounts given above are exclusive of taxes.
(ii) All the conditions necessary for availing the ITC have been fulfilled.

**Solution**

Computation of net GST liability of Mr. Ekaant

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Value (₹)</th>
<th>CGST (₹)</th>
<th>SGST (₹)</th>
<th>IGST (₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total tax liability</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Value of intra-State legal consultancy services i.e. inward supplies liable to reverse charge mechanism (to be paid in cash) (A) [Note-1]</td>
<td>1,00,000</td>
<td>9,000</td>
<td>9,000</td>
<td>-</td>
</tr>
<tr>
<td>Value of inter-State outward supplies (B1)</td>
<td>30,00,000</td>
<td>-</td>
<td>-</td>
<td>5,40,000</td>
</tr>
<tr>
<td>Value of intra-State outward supplies to registered as well as unregistered persons (B2) (₹ 50,00,000 + ₹ 15,00,000)</td>
<td>65,00,000</td>
<td>5,85,000</td>
<td>5,85,000</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total (B) = (B1) +(B2)</strong></td>
<td>5,85,000</td>
<td>5,85,000</td>
<td>5,40,000</td>
<td></td>
</tr>
<tr>
<td><strong>Input tax Credit</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Brought forward ITC</td>
<td>2,00,000</td>
<td>2,00,000</td>
<td>5,00,000</td>
<td></td>
</tr>
<tr>
<td>Value of intra-State inward supplies from registered person [Note-2]</td>
<td>10,00,000</td>
<td>90,000</td>
<td>90,000</td>
<td></td>
</tr>
<tr>
<td>Value of inter-State inward supplies from registered person [Note-2]</td>
<td>5,00,000</td>
<td>-</td>
<td>-</td>
<td>90,000</td>
</tr>
<tr>
<td>Value of intra-State inward supplies from unregistered person [Note-3]</td>
<td>2,00,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>IGST credit of capital goods [Note-2]</td>
<td></td>
<td></td>
<td></td>
<td>1,50,000</td>
</tr>
<tr>
<td>Credit on other inward supplies purchased in the month of July less credit on membership of a club [Note-2 &amp; 4]</td>
<td>45,000</td>
<td>45,000</td>
<td>-</td>
<td></td>
</tr>
</tbody>
</table>
Credit of legal consultancy services [Note-2]  
<p>| | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total (C)</td>
<td>3,44,000</td>
<td>3,44,000</td>
<td>7,40,000</td>
</tr>
<tr>
<td>Net liability (B)-(C)</td>
<td>2,41,000</td>
<td>2,41,000</td>
<td>(2,00,000)</td>
</tr>
<tr>
<td>Less: Set off from IGST credit [Note-5]</td>
<td>2,00,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Liability after set off (D)</td>
<td>41,000</td>
<td>2,41,000</td>
<td>Nil</td>
</tr>
<tr>
<td>Net GST liability to be paid in cash (A) + (D)</td>
<td>50,000</td>
<td>2,50,000</td>
<td>Nil</td>
</tr>
</tbody>
</table>

Notes:-
1. Services supplied by an individual advocate to any business entity located in the taxable territory by way of legal services, directly or indirectly are taxable under reverse charge mechanism. Thus, tax is payable by the recipient (Mr. Ekaant) on said services to the Government. Further, as per section 49(4) of the CGST Act, 2017, amount available in the electronic credit ledger [ITC amount] may be used for making payment towards output tax. However, tax payable under reverse charge is not an output tax in terms of section 2(82) of the CGST Act, 2017. Therefore, tax payable under reverse charge cannot be set off against the input tax credit and thus, will have to be paid in cash.
2. Every registered person is entitled to take credit of input tax charged on any inward supply of goods and/or services which are used or intended to be used in the course or furtherance of his business in terms of section 16 of CGST Act, 2017. Further “input tax” in relation to a registered person includes the tax payable under reverse charge mechanism in terms of section 2(62) of the CGST Act, 2017.
3. Intra-State supplies received by a registered person from any unregistered supplier, are exempt from the whole of the central tax leviable thereon under section 9(4) till 30.09.2019 [Notification No.8/2017 CT (R) dated 28.06.2017]. Since no tax has been paid, so no credit is available.
4. Input tax credit is not allowed in respect of membership of a club in terms of section 17(5) of CGST Act, 2017.
5. Input tax credit of IGST has been used to pay IGST and CGST in that order.

10. Le Marc Ltd. of Nashik, Maharashtra, a registered supplier, is engaged in manufacturing taxable goods. It provides the following details of items purchased and services availed by it from Gujarat, for the month of March, 2020:

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Particulars</th>
<th>GST (₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Motor vehicle purchased for employees to be used for personal as well as business purposes</td>
<td>1,50,000</td>
</tr>
<tr>
<td>2</td>
<td>Motor vehicle purchased for transportation of goods within the factory</td>
<td>2,00,000</td>
</tr>
<tr>
<td>3</td>
<td>Food items for consumption of employees. These items were supplied free of cost to the employees in lieu of services rendered by them to the manufacturer in the course of employment.</td>
<td>2,000</td>
</tr>
<tr>
<td>4</td>
<td>Rent-a-cab facility availed for employees to fulfill a statutory obligation in this regard. The Government has notified such service under section 17(5) of the CGST Act, 2017.</td>
<td>36,000</td>
</tr>
</tbody>
</table>

Calculate the amount of eligible input tax credit for the month of March, 2020.

**Solution**

Computation of eligible input tax credit

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Eligible ITC (₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motor vehicle purchased for employees to be used for personal as well as business purposes [Note-1]</td>
<td>-</td>
</tr>
<tr>
<td>Motor vehicle purchased for transportation of goods within the factory [Note-1]</td>
<td>2,00,000</td>
</tr>
<tr>
<td>Food items for consumption of employees [Note-2]</td>
<td>-</td>
</tr>
<tr>
<td>Rent-a-cab facility given to employees [Note-3]</td>
<td>36,000</td>
</tr>
<tr>
<td><strong>Total eligible input tax credit</strong></td>
<td><strong>2,36,000</strong></td>
</tr>
</tbody>
</table>
Notes:-
As per section 17(5) of the CGST Act, 2017:
1. motor vehicles for transportation of persons having approved seating capacity of not more than thirteen persons (including the driver), except when they are used for making the following taxable supplies, namely:—
   (A) further supply of such motor vehicles; or
   (B) transportation of passengers; or
   (C) imparting training on driving such motor vehicles;

Thus, in the given case, ITC on motor vehicle purchased for transportation of goods within the factory will be allowed

2. ITC in respect of food and beverages is blocked unless the same is used for making outward taxable supply of the same category or as an element of the taxable composite or mixed supply. Thus, in the given case, ITC of taxes paid on food for employees is not allowed.
3. ITC on supply of rent-a cab services is not blocked where the Government notifies the services which are obligatory for an employer to provide such service to its employees. Thus, ITC is available on said service.
1. M/s. Shri Durga Corporation Pvt. Ltd. is a supplier of goods and services at Kolkata. It has furnished the following information for the month of February, 2020:

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Amount (£)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Intra-State sale of taxable goods including ₹1,00,000 received as advance in January, 2020, the invoice for the entire sale value is issued on 15th February, 2020</td>
<td>4,00,000</td>
</tr>
<tr>
<td>(ii) Goods purchased from unregistered dealer on 20th February, 2020 (Inter-State purchases are worth ₹30,000 and balance purchases are intra-State)</td>
<td>1,00,000</td>
</tr>
<tr>
<td>(iii) Services provided by way of labour contracts for repairing a single residential unit otherwise than as a part of residential complex (It is an intra-State transaction)</td>
<td>1,00,000</td>
</tr>
<tr>
<td>(iv) Goods transport services received from a GTA. GTA is paying tax @12% (It is an inter-State transaction)</td>
<td>2,00,000</td>
</tr>
</tbody>
</table>

Compute net GST liability (CGST, SGST or IGST, as the case may be) of M/s Shri Durga Corporation Pvt. Ltd. for the month of February, 2020.
Assume the rates of GST, unless otherwise specified, as under:

- **CGST**: 9%
- **SGST**: 9%
- **IGST**: 18%

**Note:-**
(i) The turnover of M/s. Shri Durga Corporation Pvt. Ltd. was ₹ 2.5 crore in the previous financial year.
(ii) All the amounts given above are exclusive of taxes.

**Solution:**

**Computation of GST liability of M/s. Shri Durga Corporation Pvt. Ltd. for the month of February, 2020**

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Value of Supply</th>
<th>CGST (₹)</th>
<th>SGST (₹)</th>
<th>IGST (₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intra-State sale of taxable goods [Note-1]</td>
<td>4,00,000</td>
<td>36,000</td>
<td>36,000</td>
<td></td>
</tr>
<tr>
<td>Goods purchased from unregistered dealer on 20th February, 2020 [Note-2]</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
<td></td>
</tr>
<tr>
<td>Services rendered by way of labour contracts for repairing a single residential unit otherwise than as a part of residential complex [Note-3]</td>
<td>1,00,000</td>
<td>9,000</td>
<td>9,000</td>
<td></td>
</tr>
<tr>
<td>Goods transport services received from GTA [Note-4]</td>
<td>2,00,000</td>
<td></td>
<td></td>
<td>Nil</td>
</tr>
<tr>
<td>Total GST liability for the month of February, 2020</td>
<td></td>
<td>45,000</td>
<td>45,000</td>
<td>Nil</td>
</tr>
<tr>
<td>Less: Input tax credit available [Note-5] (₹ 2,00,000 x 12%)</td>
<td></td>
<td>24,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net GST liability for the month of February, 2020</td>
<td></td>
<td>21,000</td>
<td>45,000</td>
<td>Nil</td>
</tr>
</tbody>
</table>

**Notes:**
1. Section 12 of CGST Act, 2017 read with Notification No. 66/2017 CT dated 15.11.2017 provides that the time of supply for all suppliers of goods (excluding composition suppliers) is the time of issue of invoice, without any turnover limit. Thus, liability to pay tax on the advance received in January, 2020 will also arise in the month of February, when the invoice for the supply is issued.
2. All intra-State and inter-State procurements made by a registered person from unregistered person have been exempted from reverse charge liability, without any upper limit for daily procurements.

3. Services by way of pure labour contracts of construction, erection, commissioning, or installation of original works pertaining to a single residential unit otherwise than as a part of a residential complex are exempt vide Notification No. 12/2017 CT(R) dated 28.06.2017. Labour contracts for repairing are thus taxable.

4. As per Notification No. 13/2017 CT(R) dated 28.06.2017, GST is payable by the recipient on reverse charge basis on the receipt of services of transportation of goods by road from a goods transport agency (GTA) provided such GTA has not paid GST @ 12%. Since in the given case, services have been received from a GTA who has paid GST @ 12%, reverse charge provisions will not be applicable.

5. Input tax credit is available for the services received from GTA. The input tax credit of IGST can be used against IGST, CGST and SGST in the respective order vide section 49(5) of CGST Act, 2017.

2. Cloud Seven Private Limited, 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 February, 2020:

<table>
<thead>
<tr>
<th>Particulars</th>
<th>GST paid (₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Trucks used for the transport of raw material</td>
<td>1,20,000</td>
</tr>
<tr>
<td>(ii) Foods and beverages for consumption of employees working in the factory</td>
<td>40,000</td>
</tr>
<tr>
<td>(iii) Inputs are to be received in five lots, out of which third lot was received during the month</td>
<td>80,000</td>
</tr>
<tr>
<td>(iv) Membership of a club availed for employees working in the factory</td>
<td>1,50,000</td>
</tr>
<tr>
<td>(v) Capital goods (out of five items, invoice for one item was missing and GST paid on that item was ₹ 50,000)</td>
<td>4,00,000</td>
</tr>
<tr>
<td>(vi) Raw material (to be received in March, 2020)</td>
<td>1,50,000</td>
</tr>
</tbody>
</table>

Determine the amount of input tax credit available with Cloud Seven Private Limited for the month of February, 2020 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 input tax credit (ITC) available with Cloud Seven Private Limited for the month of February, 2020

<table>
<thead>
<tr>
<th>Particulars</th>
<th>₹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trucks used for the transport of raw material [Note-1]</td>
<td>1,20,000</td>
</tr>
<tr>
<td>Foods and beverages for consumption of employees working in the factory [Note-2]</td>
<td>Nil</td>
</tr>
<tr>
<td>Inputs are to be received in five lots, out of which third lot was received during the month [Note-3]</td>
<td>Nil</td>
</tr>
<tr>
<td>Membership of a club availed for employees working in the factory [Note-4]</td>
<td>Nil</td>
</tr>
<tr>
<td>Capital goods (out of five items, invoice for one item was missing and GST paid on that item was ₹ 50,000) [Note-5]</td>
<td>3,50,000</td>
</tr>
<tr>
<td>Raw material to be received in March, 2020 [Note-6]</td>
<td>Nil</td>
</tr>
<tr>
<td><strong>Total ITC</strong></td>
<td><strong>4,70,000</strong></td>
</tr>
</tbody>
</table>
Notes:—
1. 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.
2. ITC on food or beverages is specifically disallowed unless the same is used for making outward taxable supply of the same category or as an element of the taxable composite or mixed supply- [Section 17(5)].
3. When inputs are received in instalments, ITC can be availed only on receipt of last instalment- [Section 16(2)].
4. Membership of a club is specifically disallowed under section 17(5) of the CGST Act, 2017.
5. ITC cannot be taken on missing invoice. The registered person should have the invoice in its possession to claim ITC [Section 16(2) of CGST Act, 2017] .
6. Input tax credit is available only upon the receipt of goods in terms of section 16(2) of CGST Act, 2017.

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

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

Solution:
A registered person, whose aggregate turnover in the preceding financial year did not exceed ₹ 1.5 crore, may opt for composition scheme vide section 10 of CGST Act, 2017.

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

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

Therefore, M/s. Handsome and Likemi Company will not be able to opt for composition scheme only for mobile phone showroom as all the registrations under the same PAN have to opt for composition scheme and since the supply of health and fitness service is ineligible for composition scheme, supply of mobile phones too becomes ineligible for composition scheme.

Further it can opt for composition scheme for services under notification no. 02/2019 if its turnover is upto ₹50,00,000 but in the given case turnover is exceeding ₹50,00,000 hence it cannot opt for composition scheme of services.

4. Luv & Kush Pvt. Ltd. of Srinagar, Jammu & Kashmir engaged in the supply of gifts items provides you the following details:-

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Particulars</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Commencement of the business of supplying goods</td>
<td>01.08.2019</td>
</tr>
<tr>
<td>2.</td>
<td>Turnover exceeds ₹ 20,00,000 on</td>
<td>15.08.2019</td>
</tr>
<tr>
<td>3.</td>
<td>Turnover exceeds ₹ 40,00,000 on</td>
<td>05.09.2019</td>
</tr>
</tbody>
</table>
4. Application for registration made on 28.09.2019
5. Registration certificate granted on 06.10.2019

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.

**Solution:**
A supplier of goods whose aggregate turnover in a financial year exceeds ₹40 lakh in a State/UT is liable to apply for registration within 30 days from the date of becoming liable to registration (i.e., the date of crossing the threshold limit of ₹40 lakh) vide section 22 of CGST Act, 2017.

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 in respect of taxable supplies effected during this period within 1 month from the date of issuance of registration certificate.

In the given case, Luv & Kush Pvt. Ltd. is located in Jammu & Kashmir and J & K has opted for turnover limit of ₹ 40 lakh for the purpose of registration (lower limit is not applicable in case of J & K). Thus, 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. 05.09.2019.

Thus, Luv & Kush Pvt. Ltd. may issue revised tax invoices against the invoices already issued during the period between effective date of registration (05.09.2019) and the date of issuance of registration certificate (06.10.2019), within 1 month from 06.10.2019.

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 if the value of a supply exceeds ₹2,50,000.

5. Red Pepper Ltd., Delhi, a registered supplier, is manufacturing taxable goods. It provides the following details of taxable inter-State supply made by it for the month of March, 2020.

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Amount in ₹</th>
</tr>
</thead>
<tbody>
<tr>
<td>List price of goods supplied inter-state (exclusive of taxes)</td>
<td>15,00,000</td>
</tr>
<tr>
<td>Subsidy received from Central Government for supply of taxable goods to Government School</td>
<td>2,10,000</td>
</tr>
<tr>
<td>Subsidy received from a NGO for supply of taxable goods to an old age home</td>
<td>50,000</td>
</tr>
<tr>
<td>Tax levied by Municipal Authority</td>
<td>20,000</td>
</tr>
<tr>
<td>Packing charges</td>
<td>15,000</td>
</tr>
<tr>
<td>Late fee paid by the recipient of supply for delayed payment of invoice</td>
<td>6,000</td>
</tr>
</tbody>
</table>

The list price of the goods takes into account the two subsidies received. However, the other charges/taxes/fee are charged to the customers over and above the list price. Calculate the value of taxable supply made by M/s Red Pepper Ltd. for the month of March, 2020. Rate of IGST is 18%.

**Solution:**
**Computation of value of taxable supply made by Red Pepper Ltd. for the month of March, 2020**
**Particulars** | **₹**
---|---
List price of the goods | 15,00,000
Add: Subsidy amounting to ₹ 2,10,000 received from Central Government | NIL
[Since subsidy is received from Government, the same is not includible in the value in terms of section 15 of the CGST Act, 2017]
Subsidy received from NGO | 50,000
[Since subsidy is received from a non-Government body, the same is includible in the value in terms of section 15 of the CGST Act, 2017]
Tax levied by the Municipal Authority | 20,000
[Includible in the value as per section 15 of the CGST Act, 2017]
Packing charges | 15,000
[Being incidental expenses, the same are includible in the value as per section 15 of the CGST Act, 2017]
Late fees paid by recipient of supply for delayed payment [Includible in the value as per section 15 of the CGST Act, 2017] (assumed to be inclusive of taxes) [₹ 6,000 x 100/118] rounded off | 5,085

**Value of taxable supply** | 15,90,085

6. (i) Explain the meaning of the term “date of receipt of payment” as per section 13 of the CGST Act, 2017.
(ii) List any four activities which shall be neither treated as supply of goods nor a supply of services under the GST law.

**Solution:**
(i) “Date of receipt of payment” in terms of section 13 of CGST Act, 2017 refers to the
(a) date on which the payment is recorded in the books of account of the entity (supplier of service) that receives the payment, or
(b) the date on which the payment is credited to the entity’s bank account, whichever is earlier.

(ii) Section 7(2)(a) of CGST Act, 2017 read with Schedule III specifies the 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) Functions performed by the Members of Parliament, Members of State Legislature, Members of Panchayats, Members of Municipalities and Members of other local authorities;
(b) Duties performed by any person who holds any post in pursuance of the provisions of the Constitution in that capacity; or
(c) 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.
4. Services of funeral, burial, crematorium or mortuary including transportation of the deceased.
5. Sale of land and, subject to paragraph 5(b) of Schedule II, sale of building.
6. Actionable claims, other than lottery, betting and gambling.

[Note:- Any four points may be mentioned.]

7. Examine whether GST is payable in the following independent supply of services:
(i) 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.

(ii) Ramfal Lalaji, an agriculturist, has stored sugarcane in a warehouse. He has taken fumigation services in the said warehouse from Gupta Pest Control Co. for which he paid the consideration of ₹ 6,000.
Solution:
(i) 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 vide Notification No. 12/2017 CT (R) dated 28.06.2017 as amended.

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.

(ii) Services by way of fumigation in a warehouse of agricultural produce are exempt from GST vide Notification No. 12/2017 CT (R) dated 28.06.2017 as amended. In the present case, since Gupta Pest Control Co. provides services by way of fumigation in the warehouse of sugarcane [being an agricultural produce], said services are exempt and GST is not payable on the same.

8. (i) With reference to the provisions of GST law, briefly answer the following questions:-

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

(b) Mr. Vivek Goyal, director of A2Z Pvt. Ltd. Company has received sitting fee amounting to ₹1 lakh from A2Z Pvt. Ltd. for attending the Board meetings.

(ii) Explain the meaning of the term “input tax” under section 2(62) of CGST Act, 2017.

Solution:
(i) (a) Notification No. 12/2017 CT (R) dated 28.06.2017 has inter alia exempted the services provided by the State Government to a business entity with an aggregate turnover of up to ₹20 lakh (₹10 lakh in case of a Special Category States) in the preceding FY. However, the same shall not apply to services by way of renting of immovable property.

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

Notification No. 13/2017 CT (R) dated 28.06.2017 as amended inter alia provides that reverse charge is applicable in case of services supplied by the State Government by way of renting of immovable property to a person registered under the Central Goods and Services Tax Act, 2017. Thus, GST is payable by Ganpati Morya Pvt. Ltd., being a registered person in the present case.

(b) Notification No. 13/2017 CT (R) dated 28.06.2017 inter alia provides that 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. Company.

(ii) As per section 2(62) of CGST Act, 2017, “input tax” in relation to a registered person, means the central tax, State tax, integrated tax or Union territory tax charged on any supply of goods or services or both made to him and includes—

(a) the integrated goods and services tax charged on import of goods;
(b) the tax payable under the provisions of sub-sections (3) and (4) of section 9;
(c) the tax payable under the provisions of sub-section (3) and (4) of section 5 of the IGST Act;
(d) the tax payable under the provisions of sub-section (3) and sub-section (4) of section 9 of the respective SGST Act; or
(e) the tax payable under the provisions of sub-section (3) and sub-section (4) of section 7 of the UTGST Act,

but does not include the tax paid under the composition levy.
9. (i) Discuss the circumstances where registration is liable to be cancelled.
(ii) Explain the order in which liability of taxable person has to be discharged under GST laws.

Solution:
(i) Section 29(1) of the CGST Act, 2017 provides that the proper officer may, either on his own motion or on an application filed by the registered person or by his legal heirs, in case of death of such person, cancel the registration, in such manner and within such period as may be prescribed, having regard to the circumstances where:
   (a) the business has been discontinued, transferred fully for any reason including death of the proprietor, amalgamated with other legal entity, demerged or otherwise disposed of; or
   (b) there is any change in the constitution of the business; or
   (c) the taxable person, other than the person registered under sub-section (3) of section 25, is no longer liable to be registered under section 22 or section 24

Further, section 29(2) of the CGST Act, 2017 provides that the proper officer may cancel the registration of a person from such date, including any retrospective date, as he may deem fit, where,—
   (a) a registered person has contravened such provisions of the Act or the rules made thereunder as may be prescribed; or
   (b) a person paying tax under section 10 has not furnished returns for three consecutive tax periods; or
   (c) any registered person, other than a person specified in clause (b), has not furnished returns for a continuous period of six months; or
   (d) any person who has taken voluntary registration under sub-section (3) of section 25 has not commenced business within six months from the date of registration; or
   (e) registration has been obtained by means of fraud, wilful misstatement or suppression of facts

Further, the proper officer shall not cancel the registration without giving the person an opportunity of being heard.

(ii) Section 49(8) of CGST Act, 2017 prescribes the chronological order in which the liability of a taxable person has to be discharged:
   (a) self-assessed tax and other dues for the previous tax periods have to be discharged first.
   (b) self-assessed tax and other dues for the current tax period have to be discharged next.
   (c) Once these two steps are exhausted, thereafter any other amount payable including demand determined under section 73 or section 74 is to be discharged. In other words, the liability if any, arising out of demand notice and adjudication proceedings comes last. This sequence has to be mandatorily followed.
   The expression “other dues” referred above mean interest, penalty, fee or any other amount payable under the Act or the rules made thereunder.

10. 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 vaastu consultancy 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 vaastu consultancy services for her residence located at Bandra, Mumbai from her brother, Mr. Varun residing in Sydney (Australia). Further, Miss Shriniti did not pay any consideration for the said service.
   (iii) Miss Shriniti Kaushik received vaastu consultancy services for her business premises located at Bandra, Mumbai from her brother, Mr. Varun residing in Sydney (Australia). Further, Miss Shriniti did not pay any consideration for the said service.
Solution:

(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 vaastu consultancy service has been availed in respect of residence, it would amount to supply.

(ii) Section 7 of the CGST Act, 2017 read with Schedule I provides that import of services by a taxable person from a related person located outside India, without consideration is treated as supply if it is provided in the course or furtherance of business.

In the given case, import of service without consideration by Miss Shriniti from her brother – Mr. Varun [brother, being member of the same family, is a related person] will not be treated as supply as it is not in course or furtherance of business.

(iii) Section 7 of the CGST Act, 2017 read with Schedule I provides that import of services by a taxable person from a related person located outside India, without consideration is treated as supply if it is provided in the course or furtherance of business.

Thus, import of service without consideration by Miss Shriniti from her brother – Mr. Varun (brother, being member of the same family, is a related person) will be treated as supply as she receives vaastu consultancy service for her business premises, i.e. in course or furtherance of business.
Question 1. Raman Ltd., a registered supplier in Mumbai (Maharashtra), has supplied goods to Sahil Traders and Jaggi Motors Ltd. located in Ahmedabad (Gujarat) and Pune (Maharashtra) respectively. Raman Ltd. has furnished the following details for the current month:

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Particulars</th>
<th>Sahil Traders (₹)</th>
<th>Jaggi Motors Ltd. (₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i)</td>
<td>Price of the goods (excluding GST)</td>
<td>20,000</td>
<td>15,000</td>
</tr>
<tr>
<td>(ii)</td>
<td>Packing charges</td>
<td>600</td>
<td></td>
</tr>
<tr>
<td>(iii)</td>
<td>Commission</td>
<td>400</td>
<td></td>
</tr>
<tr>
<td>(iv)</td>
<td>Weighment charges</td>
<td></td>
<td>1,000</td>
</tr>
<tr>
<td>(v)</td>
<td>Discount for prompt payment (recorded in the invoice)</td>
<td></td>
<td>500</td>
</tr>
</tbody>
</table>

Items given in points (ii) to (v) have not been considered while arriving at price of the goods given in point (i) above.

Compute the GST liability [CGST & SGST or IGST, as the case may be] of Raman Ltd. for the given month. Assume the rates of taxes to be as under:

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Rate of tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central tax (CGST)</td>
<td>9%</td>
</tr>
<tr>
<td>State Tax (SGST)</td>
<td>9%</td>
</tr>
<tr>
<td>Integrated tax (IGST)</td>
<td>18%</td>
</tr>
</tbody>
</table>

Make suitable assumptions, wherever necessary.

Note: The supply made to Sahil Traders is an inter-State supply.

Answer:

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Particulars</th>
<th>Sahil Traders (₹)</th>
<th>Jaggi Motors Ltd. (₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i)</td>
<td>Price of goods</td>
<td>20,000</td>
<td>15,000</td>
</tr>
<tr>
<td>(ii)</td>
<td>Add: Packing charges (Note-1)</td>
<td>600</td>
<td></td>
</tr>
<tr>
<td>(iii)</td>
<td>Add: Commission (Note-1)</td>
<td>400</td>
<td></td>
</tr>
<tr>
<td>(iv)</td>
<td>Add: Weighment charges (Note-1)</td>
<td></td>
<td>1,000</td>
</tr>
<tr>
<td>(v)</td>
<td>Less: Discount for prompt payment (Note-2)</td>
<td></td>
<td>500</td>
</tr>
</tbody>
</table>

Value of taxable supply $= 21,000 + 15,500 = 36,500$

IGST payable @ 18% $= 36,500 \times \frac{18}{100} = 6,570$

CGST payable @ 9% $= \frac{36,500}{2} \times \frac{9}{100} = 1,650$

SGST payable @ 9% $= \frac{36,500}{2} \times \frac{9}{100} = 1,650$

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

Question 2.

(i) Tirupati Traders, a registered supplier of goods, pays GST [CGST & SGST or IGST, as the case may be] under regular scheme. It has furnished the following particulars for a tax period:-

<table>
<thead>
<tr>
<th>Particulars</th>
<th>₹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value of intra-State supply of goods</td>
<td>12,000</td>
</tr>
<tr>
<td>Value of intra-State purchase of goods</td>
<td>10,000</td>
</tr>
</tbody>
</table>

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

Compute the net GST payable by Tirupati Traders during the given tax period assuming that there is no opening balance of input tax credit (ITC). Make suitable assumptions wherever required.

**Answer: Computation of net GST payable**

<table>
<thead>
<tr>
<th>Particulars</th>
<th>CGST (₹)</th>
<th>SGST (₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>GST payable on intra-State supply of goods</td>
<td>1,080</td>
<td>1,080</td>
</tr>
<tr>
<td>[Being an intra-State supply, CGST and SGST is payable on the same]</td>
<td>(₹12,000 × 9%)</td>
<td>(₹12,000 × 9%)</td>
</tr>
<tr>
<td>Less: Input tax credit (ITC) on intra-State purchase of goods</td>
<td>900</td>
<td>900</td>
</tr>
<tr>
<td>[CGST and SGST paid on the intra-State purchases of goods]</td>
<td>(₹10,000 × 9%)</td>
<td>(₹10,000 × 9%)</td>
</tr>
<tr>
<td>Net GST payable</td>
<td>180</td>
<td>180</td>
</tr>
</tbody>
</table>

(ii) Govind, a registered supplier, is engaged in providing services in the neighbouring States from his registered office located in Mumbai. He has furnished the following details in respect of the inward and outward supplies made during a tax period:-

**Particulars** (₹)

- Inter-State supply of services: 1,80,000
- Receipt of goods and services within the State: 1,00,000

Assume the rates of taxes to be as under:-

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>CGST</td>
<td>9%</td>
</tr>
<tr>
<td>SGST</td>
<td>9%</td>
</tr>
<tr>
<td>IGST</td>
<td>18%</td>
</tr>
</tbody>
</table>

Note:
(i) Both inward and outward supplies are exclusive of taxes, wherever applicable.
(ii) All the conditions necessary for availing the input tax credit have been fulfilled.

Compute the net GST payable by Govind during the given tax period. Make suitable assumptions if required.

**Answer: Computation of net GST payable by Govind**

<table>
<thead>
<tr>
<th>Particulars</th>
<th>₹</th>
</tr>
</thead>
<tbody>
<tr>
<td>IGST @ 18% payable on inter-State supply of services [1,80,000 × 18%]</td>
<td>32,400</td>
</tr>
<tr>
<td>[Being an inter-State supply, IGST is payable on the same in terms of section 5 of the IGST Act, 2017]</td>
<td></td>
</tr>
<tr>
<td>Less: ITC of CGST @ 9% paid on intra-State receipt of goods and services</td>
<td>9,000</td>
</tr>
<tr>
<td>[Cross utilisation of CGST towards IGST] [1,00,000 × 9%]</td>
<td></td>
</tr>
<tr>
<td>Less: ITC of SGST @ 9% paid on intra-State receipt of goods and services</td>
<td>9,000</td>
</tr>
<tr>
<td>[Cross utilisation of SGST towards IGST] [1,00,000 × 9%]</td>
<td></td>
</tr>
<tr>
<td>Net GST payable in cash</td>
<td>14,400</td>
</tr>
</tbody>
</table>

Note:
1. CGST shall first be utilised towards payment of CGST and the amount remaining, if any, be utilised towards the payment of IGST [Section 49 of the CGST Act, 2017].
2. SGST shall first be utilised towards payment of SGST and the amount remaining, if any, may be utilised towards the payment of IGST [Section 49 of the CGST Act, 2017].

**Question 3.** Shipra Traders is a registered supplier of goods in Assam. It purchased goods valued at ₹10,000 from Kartik Suppliers located within the same State. Kartik Suppliers charged CGST & SGST separately in its invoice. Subsequently, Shipra Traders sold goods valuing ₹9,500 to Rabina Manufacturers located in Assam. 20% of the inputs purchased are still lying in stock and there was no opening stock of
goods. Rate of CGST and SGST on supply and purchase of goods is 9% each. Calculate the net GST payable by Shipra Traders and input tax credit (ITC) to be carried forward, if any.

**Answer:**

**Computation of net GST payable by Shipra Traders**

<table>
<thead>
<tr>
<th>Particulars</th>
<th>CGST @ 9% (₹)</th>
<th>SGST @ 9% (₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>GST payable on intra-State supply of goods</td>
<td>855</td>
<td>855</td>
</tr>
<tr>
<td>[Being an intra-State supply, CGST and CGST is payable on the same]</td>
<td>[9,500 × 9%]</td>
<td>[9,500 × 9%]</td>
</tr>
<tr>
<td>Less: ITC on intra-State purchase of goods</td>
<td>900</td>
<td>900</td>
</tr>
<tr>
<td>[ITC of CGST and SGST paid on intra-State purchase is available in full, even if some inputs are lying in stock]</td>
<td>[10,000 × 9%]</td>
<td>[10,000 × 9%]</td>
</tr>
<tr>
<td>Net GST payable</td>
<td>Nil</td>
<td>Nil</td>
</tr>
<tr>
<td>Input tax credit carried forward in Electronic Credit Ledger</td>
<td>45</td>
<td>45</td>
</tr>
</tbody>
</table>

**Question 4.**

Granites Textiles Ltd. purchased a needle detecting machine on 8th July, 2018 from Makhija Engineering Works Ltd. for ₹10,00,000 (excluding GST) paying GST @ 18% on the same. It availed the ITC of the GST paid on the machine and started using it for manufacture of goods. The machine was sold on 22nd October, 2019 for ₹7,50,000 (excluding GST), as second hand machine to LT. Pvt. Ltd. The GST rate on supply of machine is 18%. State the action which Granites Textiles Ltd. is required to take, if any, in accordance with the statutory GST provisions on the sale of the second-hand machine.

**Answer:** 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 needle detecting machine shall be computed as follows:

In this case the machine has been used from 8th July 2018 to 22nd October 2019 i.e. 15 months and 15 days

Remaining life shall be = 44 months 15 days i.e. 44 months

Amount to be reversed (A) 1,80,000/60 x 44 = 1,32,000

Duty leviable on transaction value (₹ 7,50,000 × 18%) (B) 1,35,000

Amount payable towards disposal of machine is higher of (A) and (B) 1,35,000

**Question 5.**

Royal Sweet Co., Delhi, a registered supplier, has furnished the details of the following few transactions which took place in November, 2019:

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Date</th>
<th>Particulars</th>
<th>Date of invoice</th>
<th>Amount (₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i)</td>
<td>11.11.2019</td>
<td>Payment made to an advocate in Delhi</td>
<td>07.07.2019</td>
<td>1,25,000</td>
</tr>
<tr>
<td>(ii)</td>
<td>20.11.2019</td>
<td>Paid sitting fee to Director from Haryana for meeting held in Delhi on 15.10.2019 [Inter-State supply]</td>
<td>15.10.2019</td>
<td>75,000</td>
</tr>
</tbody>
</table>

Assume the rates of taxes to be as under:-

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>CGST</td>
<td>9%</td>
</tr>
<tr>
<td>SGST</td>
<td>9%</td>
</tr>
<tr>
<td>IGST</td>
<td>18%</td>
</tr>
</tbody>
</table>

You are required to compute GST [CGST & SGST/IGST, as the case may be] payable for the month of November, 2018 along with time of supply of the aforementioned activities.

**Answer: Computation of GST payable for the month of November, 2019**

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Particulars</th>
<th>Time of supply of services</th>
<th>CGST (₹)</th>
<th>SGST (₹)</th>
<th>IGST (₹)</th>
<th>Interest (₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i)</td>
<td>Services from an advocate in Delhi</td>
<td>06.09.2019</td>
<td>11,250</td>
<td>11,250</td>
<td>-</td>
<td>244</td>
</tr>
</tbody>
</table>

[Note-1 & 3] [Note-4]
Notes:-
1. Services supplied by an individual advocate to any business entity located in the taxable territory is a notified service on which tax is payable on reverse charge basis by the recipient of services.
2. Services supplied by a director of a company to the said company is a notified service on which tax is payable on reverse charge basis by the recipient of services.
3. As per section 13 of the CGST Act, 2017, the time of supply of services in case of reverse charge is earliest of the following:-
   (a) Date of payment as entered in the books of account of the recipient or the date on which the payment is debited to his bank account, whichever is earlier, or
   (b) Date immediately following 60 days since the date of issue of invoice. Provisions of time of supply as provided under section 13 of the CGST Act are also applicable for inter-State supply vide section 20 of the IGST Act. In view of the aforesaid provisions, the time of supply and due date for payment of tax in the given cases would be determined as under:
      (i) Time of supply of the services is the date immediately following 60 days since the date of issue of invoice, i.e. 06.09.2019. The due date for payment of tax is 20.10.2019 with return of September, 2019.
4. The due date for payment of tax in case (i) is 20.10.2019 with return of September, 2019. However, the payment of tax is actually made on 11.11.2019. Thus, payment of tax is delayed by 22 days. In case of delayed payment of tax, interest @ 18% per annum is payable for the period for which the tax remains unpaid starting from the day succeeding the day on which such tax was due to be paid [Section 50 of the CGST Act, 2017 read with Notification No. 13/2017 CT dated 28.06.2017]. In view of the same, in the given case, interest payable would be as follows:
   Amount of interest payable = ₹ 22,500 × 18% × 22/365 = ₹ 244 (rounded off)

Question 6.
Sahab Sales, an air-conditioner dealer in Janakpuri, Delhi, needs 4 air-conditioners for his newly constructed house in Safdarjung Enclave. Therefore, he transfers 4 air-conditioners [on which ITC has already been availed by it] from its stock, for the said purpose. Examine whether the said activity amounts to supply under section 7 of the CGST Act, 2017.
Further, a Janakpuri resident, Aakash, approached Sahab Sales. He sold an airconditioner to Sahab Sales for ₹ 5,000. Aakash had bought the said air-conditioner six months before, for his residence. Does sale of the air-conditioner by Aakash to Sahab Sales amount to supply under section 7 of the CGST Act, 2017?
Answer: Section 7 of the CGST Act, 2017 stipulates that in order to qualify as supply:
   (a) Supply should be of goods and/or services.
   (b) Supply should be made for a consideration.
   (c) Supply should be made in the course or furtherance of business.
Further, Schedule I of the CGST Act, 2017 illustrates the activities to be treated as supply even if made without consideration. One such activity is permanent transfer or disposal of business assets where input tax credit has been availed on such assets, i.e. said activity is to be treated as supply even if made without consideration. In view of said provisions, permanent transfer of air conditioners by Sahab Sales from its stock for personal use at its residence, though without consideration, would amount to supply.
However, sale of air-conditioner by Aakash to Sahab Sales will not qualify as supply under section 7 of the CGST Act, 2017 as although it is made for a consideration, but its not in the course or furtherance of business.

Question 7.
Pure Oils, Delhi has started the supply of machine oils and high speed diesel in the month of April, 2019. The following details have been furnished by it for the said month:-
Determine whether Pure Oils is liable for registration. Will your answer change, if Pure Oils supplies machine oils amounting to ₹2,50,000 from its branch located in Manipur in addition to the above-mentioned supplies?

**Answer:** As per section 22 of the CGST Act, 2017, a supplier is liable to be registered in the State/Union territory from where he makes a taxable supply of goods, if his aggregate turnover in a financial year exceeds ₹ 40 lakh.

As per section 2(6) of the CGST Act, 2017, aggregate turnover includes the aggregate value of:
(i) all taxable supplies,
(ii) all exempt supplies,
(iii) exports of goods and/or services and
(iv) all inter-State supplies of persons having the same PAN.

The above is computed on all India basis. Further, the aggregate turnover excludes central tax, State tax, Union territory tax, integrated tax and cess. Moreover, the value of inward supplies on which tax is payable under reverse charge is not taken into account for calculation of ‘aggregate turnover’. Further, the explanation to section 22 provides that the expression “aggregate turnover” shall include all supplies made by the taxable person, whether on his own account or made on behalf of all his principals.

Section 9 of the CGST Act, 2017 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) of the CGST Act, 2017, exempt supply includes non-taxable 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 for the month of April, 2019 is computed as under:

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Particulars</th>
<th>Amount (in ₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i)</td>
<td>Supply of machine oils in Delhi</td>
<td>2,00,000</td>
</tr>
<tr>
<td>(ii)</td>
<td>Add: Supply of high speed diesel in Delhi</td>
<td>4,00,000</td>
</tr>
<tr>
<td>(iii)</td>
<td>Add: Supply made to Fortis Lubricants - an agent of Pure Oils in Delhi</td>
<td>3,75,000</td>
</tr>
<tr>
<td>(iv)</td>
<td>Add: Supply made by Pure Oils from its branch located in Punjab</td>
<td>1,80,000</td>
</tr>
<tr>
<td><strong>Aggregate Turnover</strong></td>
<td></td>
<td><strong>11,55,000</strong></td>
</tr>
</tbody>
</table>

Since the aggregate turnover does not exceed ₹ 40 lakh, Pure Oils is not liable to be registered.
If Pure Oils made supply of machine oils amounting to ₹ 2,50,000 from its branch in Manipur in addition to the above supply, then threshold limit of registration will be reduced to ₹ 10 lakh as Manipur is one of the specified Special Category States.

Aggregate Turnover in that case would be ₹ 11,55,000 + ₹ 2,50,000 = ₹ 14,05,000.
So, if Pure Oils supplies machine oils amounting to ₹2,50,000 from its branch in Manipur, then it is liable to be registered.

**Question 8.**

Royal Fashions, a registered supplier of designer outfits in Delhi, decides to exhibit its products in a Fashion Show being organised at Hotel Park Royal, Delhi on 4th January, 2020. For the occasion, it gets the makeover of its models done by Aura Beauty Services Ltd., Ashok Vihar, for which a consideration is ₹ 5,00,000 (excluding GST) has been charged. Aura Beauty Services Ltd. issued a duly signed tax invoice on 10th February, 2020 showing the lumpsum amount of ₹ 5,90,000 inclusive of CGST and SGST @ 9% each. Royal Fashions made the payment the very next day. 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 of the CGST Act, 2017 read with the CGST Rules, 2017, 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 03.02.2020. However, the invoice has been issued on 10.02.2020.

In such a case, the time of supply as per section 13 of the CGST Act, 2017 would be 04.01.2020 i.e. earliest of the following:

(a) Date of provision of service (04.01.2020)
(b) Date of receipt of payment (11.02.2020)

(ii) Section 31 of the CGST Act, 2017 read with the CGST Rules, 2017, inter alia, provides that tax invoice shall contain the following particulars-

(a) Total value of supply of goods or services or both;
(b) Rate of tax (central tax, State tax, integrated tax, Union territory tax or cess);
(c) Amount of tax charged in respect of taxable goods or services (central tax, State tax, integrated tax, Union territory tax or cess);

The objection raised by the tax consultant of Royal Fashions 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., is valid in law. In the present case, the tax amount has not been shown separately in the invoice.
Ayushman Medical Centre, a clinical establishment, offers the following services:

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Particulars</th>
<th>₹ excluding GST</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i)</td>
<td>Reiki healing treatments. Such therapy is not a recognized system of medicine in terms of section 2(h) of Clinical Establishments Act, 2010.</td>
<td>10,00,000</td>
</tr>
<tr>
<td>(ii)</td>
<td>Plastic surgeries.</td>
<td>20,00,000</td>
</tr>
<tr>
<td></td>
<td>[One such surgery was conducted to repair cleft lip of a new born baby. Consideration of ₹ 1,00,000 was charged for the same.]</td>
<td></td>
</tr>
<tr>
<td>(iii)</td>
<td>Air ambulance services to transport critically ill patients from distant locations to Ayushman Medical Centre.</td>
<td>1,00,000</td>
</tr>
<tr>
<td>(iv)</td>
<td>Alternative medical treatments by way of Ayurveda. Such therapy is not a recognized system of medicine in terms of section 2(h) of Clinical Establishments Act, 2010</td>
<td>2,50,000</td>
</tr>
</tbody>
</table>

Ayushman Medical Centre also operates a cord blood bank which provides services in relation to preservation of stem cells. You are required to compute the value of supply and GST liability [CGST & SGST or IGST] of Ayushman Medical Centre, if any, in the light of relevant GST provisions.

Note – All the services provided by Ayushman Medical Centre are intra-State supplies. Assume the rates of CGST, SGST and IGST to be 9%, 9% and 18% respectively.

**Answer:** Health care services provided by, *inter alia*, a clinical establishment in India are exempt from GST vide Notification No. 12/2017 CT (R) dated 28.06.2017. The definition of ‘health care services’ stipulates that such services must be provided in any recognized system of medicines.

As per section 2(h) of Clinical Establishments Act, 2010, recognised system of medicine means allopathy, yoga, naturopathy, ayurveda, homeopathy, siddha and unani system of medicines or any other system of medicines as may be recognised by the Central Government. Accordingly, value of supply and GST liability of Ayushman Medical Centre will be computed as follows:

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Particulars</th>
<th>₹</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i)</td>
<td>Reiki healing treatments.</td>
<td>10,00,000</td>
</tr>
<tr>
<td>(ii)</td>
<td>Plastic surgeries. (20,00,000-1,00,000)</td>
<td>19,00,000</td>
</tr>
<tr>
<td></td>
<td>[‘Health care services’ specifically excludes, inter alia, cosmetic or plastic surgery except when undertaken to restore/reconstruct anatomy/functions of body affected due to congenital defects, developmental abnormalities, injury or trauma]</td>
<td></td>
</tr>
<tr>
<td>(iii)</td>
<td>Air ambulance services to transport critically ill patients from distant locations to Ayushman Medical Centre.</td>
<td>Nil</td>
</tr>
<tr>
<td></td>
<td>[‘Health care services specifically includes services by way of transportation of the patient to and from a clinical establishment ]</td>
<td></td>
</tr>
<tr>
<td>(iv)</td>
<td>Alternative medical treatments by way of Ayurveda. (Being a recognized system of medicine.)</td>
<td>Nil</td>
</tr>
</tbody>
</table>

**Value of Supply** 29,00,000

**CGST @ 9%** 2,61,000

**SGST @ 9%** 2,61,000

**Note:** Services provided by cord blood banks by way of preservation of stem cells or any other service in relation to such preservation are exempt from GST. Therefore, services provided in relation to preservation of stem cells by the cord blood bank operated by Ayushman Medical Centre will be exempt from GST.
Q 2. Ramoplast Soap Factory, a registered supplier, is engaged in manufacturing beauty soaps – ‘Forever Glow’ in Mumbai. It has provided the following information pertaining to purchases made/services availed in the month of January, 2020:

<table>
<thead>
<tr>
<th>Particulars</th>
<th>GST paid (₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Soap making machine</td>
<td>50,000</td>
</tr>
<tr>
<td>Motor vehicles for transportation of inputs</td>
<td>70,000</td>
</tr>
<tr>
<td>Membership of ‘Fit and Fine’ health and fitness centre for its employees</td>
<td>25,000</td>
</tr>
<tr>
<td>Inputs purchased, but stolen from the factory</td>
<td>40,000</td>
</tr>
</tbody>
</table>

You are required to compute the input tax credit (ITC) available with Ramoplast Soap Factory for the month of January, 2020 assuming that all the other conditions for availing ITC, wherever applicable, have been fulfilled.

Answer:
Computation of ITC available with Ramoplast Soap Factory

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Amount (₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Soap making machine [ITC in respect of goods used in course/furtherance of business is available in terms of section 16 of the CGST Act]</td>
<td>50,000</td>
</tr>
<tr>
<td>Motor vehicles for transportation of inputs [ITC in respect of motor vehicles and conveyances is blocked, except when used, inter alia, for transportation of goods, in terms of section 17(5) of the CGST Act]</td>
<td>70,000</td>
</tr>
<tr>
<td>Membership of ‘Fit and Fine’ health and fitness centre for its employees [ITC in respect of membership of a club, health and fitness centre is blocked in terms of section 17(5) of the CGST Act]</td>
<td>Nil</td>
</tr>
<tr>
<td>Inputs stolen from the factory [ITC in respect of goods stolen is blocked in terms of section 17(5) of the CGST Act]</td>
<td>Nil</td>
</tr>
<tr>
<td>Total ITC available</td>
<td>1,20,000</td>
</tr>
</tbody>
</table>

Q 3. Quantum Plast Private Limited, Delhi supplies plastic granulation machine to Capscom Ltd., Delhi. It furnishes the following details in respect of such supply:

<table>
<thead>
<tr>
<th>Particulars</th>
<th>₹</th>
</tr>
</thead>
<tbody>
<tr>
<td>List price of the machine (exclusive of taxes and discounts)</td>
<td>1,00,000</td>
</tr>
<tr>
<td>Corrugated Boxes used for packing the machine (not included in price above)</td>
<td>1,000</td>
</tr>
<tr>
<td>Subsidy received from Delhi Government on sale of such machine (considered in price above)</td>
<td>5,000</td>
</tr>
<tr>
<td>Discount @ 2% is offered on list price of the machine (recorded in the invoice for the machine)</td>
<td></td>
</tr>
</tbody>
</table>

Determine the value of taxable supply made by Quantum Plast Private Limited.

Answer: Computation of value of taxable supply

<table>
<thead>
<tr>
<th>Particulars</th>
<th>₹</th>
</tr>
</thead>
<tbody>
<tr>
<td>List price of the goods (exclusive of taxes and discounts)</td>
<td>1,00,000</td>
</tr>
<tr>
<td>Add: Corrugated Boxes used for packing the machine [Includible in the value as per section 15(2)(c)]</td>
<td>1,000</td>
</tr>
<tr>
<td>Add: Subsidy received from Delhi Government on sale of such machine [Subsidy received from State Government is not included the value in terms of section 15(2)(e)]</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>1,01,000</td>
</tr>
<tr>
<td>Less: Discount @ 2% on ₹1,00,000 [Since discount is known the time of supply, it is deductible from the value in terms of section 15(3)(a)]</td>
<td>(2,000)</td>
</tr>
</tbody>
</table>

Value of taxable supply **99,000**
Q 4. Discuss the term ‘composite supply’ and its taxability under GST law.

Answer:
Composite supply means a supply made by a taxable person to a recipient and:
- comprises 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].

A composite supply comprising of two or more supplies, one of which is a principal supply, shall be treated as a supply of such principal supply [Section 8 of the CGST Act, 2017].

Q 5. Kesar Maharaj, a registered supplier, gave a classical dance performance in an auditorium. The consideration charged for the said performance is ₹1,48,500. Is Kesar Maharaj liable to pay GST on the consideration received for the said performance if such performance is not for promotion of any product/services? If yes, determine his GST liability (CGST and SGST or IGST, as the case may be).

Will your answer be different if:
(i) Kesar Maharaj is a brand ambassador of a food product and aforesaid performance is for the promotion of such food product?
(ii) the dance performance given by Kesar Maharaj is not a classical dance performance, but a contemporary Bollywood style dance performance?
(iii) consideration charged by Kesar Maharaj for the classical dance performance is ₹ 1,60,000?

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

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

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

(i) If Kesar Maharaj is a brand ambassador of a food product and aforesaid performance is for the promotion of such food product, he will be liable to pay GST as aforesaid exemption is not applicable to service provided by an artist as a brand ambassador. His CGST and SGST liability would, therefore, be ₹ 13,365 (₹1,48,500 × 9%) and ₹ 13,365 (₹1,48,500 × 9%) respectively.

(ii) If Kesar Maharaj gives a contemporary Bollywood style dance performance, such performance will not be eligible for aforesaid exemption. The reason for the same is that although the consideration charged does not exceed ₹1,50,000, said performance is not in folk or classical art forms of dance. Hence, GST would be payable on the same. His CGST and SGST liability would, therefore, be ₹ 13,365 (₹1,48,500 × 9%) and ₹ 13,365 (₹1,48,500 × 9%) respectively.

(iii) If the consideration charged for the classical dance performance by Kesar Maharaj is ₹ 1,60,000, he will be liable to pay GST on the same as although the performance is by way of classical art form of dance, consideration charged for such performance has exceeded ₹ 1,50,000. His CGST and SGST liability would, therefore, be ₹14,400 (₹1,60,000 × 9%) and ₹ 14,400 (₹ 1,60,000 × 9%) respectively.
Q 6. Mehra Sons, a registered supplier, is a wholesale supplier of ready-made garments located in Bandra, Mumbai. On 5th September, 2019, Subhadra, owner of Aura Boutique located in Dadar, Mumbai, approached Mehra Sons for supply of a consignment of customised dresses for ladies and kids.

Mehra Sons gets the consignment ready by 2nd December, 2019 and informs Subhadra about the same. The invoice for the consignment was issued the next day, 3rd December, 2019.

Due to some reasons, Subhadra could not collect the consignment immediately. So, she collects the consignment from the premises of Mehra Sons on 18th December, 2019 and hands over the cheque for payment on the same date. The said payment is entered in the accounts on 20th December, 2019 and amount is credited in the bank account on 21st December, 2019.

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

Answer: Time of supply of goods is the earlier of the following two dates:

Date of issue of invoice
Date of delivery of goods.

In the given case,
Date of invoice: 3rd December, 2019
Date of Delivery: 18th December, 2019

Therefore the time of supply will be 3rd December, 2019.

Q 7. Explain the term ‘aggregate turnover’.

Answer: Aggregate turnover includes the aggregate value of:

(i) all taxable supplies,
(ii) all exempt supplies,
(iii) exports of goods and/or services and
(iv) all inter-State supplies of persons having the same PAN.

The above is computed on all India basis. Further, the aggregate turnover excludes central tax, State tax, Union territory tax, integrated tax and cess. Moreover, the value of inward supplies on which tax is payable under reverse charge is not taken into account for calculation of ‘aggregate turnover’ [Section 2(6) of CGST Act].

Q 8. Discuss the time-limit for issuance of invoice in case of taxable supply of goods.

Answer: In case of taxable supply of goods, invoice shall be issued 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.


Answer: Electronic cash ledger is maintained in prescribed form for each person, liable to pay tax, interest, penalty, late fee or any other amount, on the common portal for crediting the amount deposited and debiting the payment therefrom towards tax, interest, penalty, fee or any other amount.

The deposit can be made through any of the following modes, namely: -

i. Internet Banking through authorised banks;
ii. Credit card or Debit card through the authorised bank;
iii. NEFT or RTGS from any bank; or
iv. Over the Counter payment through authorised banks for deposits up to ₹ 10,000/- per challan per tax period, by cash, cheque or demand draft [Section 49 of the CGST Act read with rule 87 of the CGST Rules].
Q 10. Tirupati Box Manufacturing Co. started manufacturing corrugated boxes in Andhra Pradesh on 25.01.2019. On 06.05.2019, its aggregate turnover exceeded ₹ 10 lakh and on 01.11.2019, its aggregate turnover exceeded ₹ 20 lakh. It applied for registration on 28.11.2019 and is granted registration certificate on 05.12.2019. Determine the effective date of registration elaborating the relevant provisions.

**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, threshold limit of registration for Tirupati Box Manufacturing Co. is ₹ 40 lakh as it is engaged in making taxable supplies from Andhra Pradesh. The aggregate turnover of Tirupati Box Manufacturing Co. exceeded ₹ 40 lakh on 01.11.2019. Thus, it is liable to get registered by 01.12.2019 [30 days] in the State of Andhra Pradesh.

Since Tirupati Box Manufacturing Co. applied for registration on 28.11.2019 i.e. before the expiry of 30 days from the date on which it becomes so liable to registration, the effective date of registration in its case is 01.11.2019.

Q 11. Examine whether the following statements are true or false giving brief reasons:

1. It is mandatory to issue a tax invoice in case a registered person has opted for composition levy scheme.

   **Answer:** The given statement is false. A registered person paying tax under the provisions of section 10 [composition levy] is required to issue, instead of a tax invoice, a bill of supply containing the specified particulars in the prescribed manner [Section 31(3)(c) read with rule 49 of the CGST Rules].

2. A composition tax payer, who has not rendered any taxable supply during a quarter, is not required to file any return.

   **Answer:** The given statement is false. Composition tax payer is required to furnish return under section 39 for every quarter even if no supplies have been effected during such period. In other words, filing of Nil return is also mandatory.

Q 12. Discuss any two significant benefits of GST.

   **Answer:** (Note: Any two points may be mentioned)

   GST is a win-win situation for the entire country. It brings benefits to all the stakeholders of industry, Government and the consumer. It will lower the cost of goods and services, give a boost to the economy and make the products and services globally competitive.

   The significant benefits of GST are discussed hereunder:

   - **Creation of unified national market:** GST aims to make India a common market with common tax rates and procedures and remove the economic barriers thus paving the way for an integrated economy at the national level.

   - **Mitigation of ill effects of cascading:** By subsuming most of the Central and State taxes into a single tax and by allowing a set-off of prior-stage taxes for the transactions across the entire value chain, it would mitigate the ill effects of cascading, improve competitiveness and improve liquidity of the businesses.

   - **Elimination of multiple taxes and double taxation:** GST has subsumed majority of existing indirect tax levies both at Central and State level into one tax i.e., GST which is leviable uniformly on goods and services. This will make doing business easier and will also tackle the highly-disputed issues relating to double taxation of a transaction as both goods and services.
• **Boost to ‘Make in India’ initiative:** GST will give a major boost to the ‘Make in India’ initiative of the Government of India by making goods and services produced in India competitive in the national as well as international market.

• **Buoyancy to the Government Revenue:** GST is expected to bring buoyancy to the Government Revenue by widening the tax base and improving the taxpayer compliance.

**Q 13.** Examine whether the following activities would amount to supply under section 7 of the CGST Act:

(i) Sudhakar Charitable Trust, a trust that gets the eye treatment of underprivileged children done free of cost, donates clothes and toys to children living in slum area.

**Answer:** Section 7 of the CGST Act, *inter alia*, provides that supply must be made for a consideration except the activities specified in Schedule I and in course or furtherance of business. Since, both these elements are missing, donation of clothes and toys to children living in slum area would not amount to supply under section 7 of the CGST Act, 2017.

(ii) Rooplekha Manufacturers have a factory in Delhi and a depot in Mumbai. Both these establishments are registered in respective States. Finished goods are sent from the factory in Delhi to the Mumbai depot without consideration so that the same can be sold.

**Answer:** Schedule I of CGST Act, *inter alia*, stipulates that supply of goods between distinct persons as specified in section 25, is supply even without consideration provided it is made in the course or furtherance of business. Persons registered in two States is treated as distinct persons in respect of each such registration [Section 25 of the CGST Act, 2017].

In view of the same, factory and depot of Rooplekha Manufacturers are establishments of two distinct persons. Therefore, supply of goods from Delhi factory of Rooplekha Manufacturers to Mumbai Depot without consideration, but in course/furtherance of business, is supply under section 7 of the CGST Act, 2017.

(iii) Daman is an interior decorator in Chennai. His brother who is settled in London is a well known lawyer. Daman has taken legal advice from him free of cost with regard to his family dispute.

**Answer:** 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. In the given case, Daman has received legal services from his brother free of cost in a personal matter and not in course or furtherance of business. Hence, services provided by Daman’s brother to him would not be treated as supply under section 7 of the CGST Act.

**Q 14.** Ramaswamy, a registered supplier, is an interior decorator. His registered office is located in Gujarat and he is not engaged in making any inter-State supply of services. His aggregate turnover in the FY 2018-19 is ₹ 90 lakh. With reference to the provisions of the CGST Act, 2017, examine whether Ramaswamy can opt for the composition scheme in the FY 2019-20?

Will your answer be different if Ramaswamy is engaged in supplying restaurant services and procures food items required for his restaurant from neighbouring State of Maharashtra?

**Answer:** 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, if, *inter alia*, such registered person is engaged in the supply of services other than restaurant services, he shall not be eligible to opt for composition levy [Section 10 of the CGST Act].

In the given case, Ramaswamy, being a supplier of interior decorator’s services (other than restaurant services) is not eligible to apply for composition scheme even though his aggregate turnover in the preceding FY 2018-19 does not exceed ₹ 1.5 crore. Therefore, he has to discharge his tax liability under regular provisions at the applicable rates.
However, if Ramaswamy is engaged in supplying restaurant services, he will be eligible for composition scheme in FY 2019-20. A registered person cannot opt for composition scheme if, inter alia, he is engaged in making any inter-State outward supplies of goods, but there is no restriction on procurement of goods inter-State. Hence, in the given case, Ramaswamy is eligible for composition scheme as his turnover in the preceding FY 2018-19 does not exceed ₹ 1.5 crore even though he procures food items required for his restaurant from neighbouring State of Maharashtra.

Q 15. “State Government has exclusive power to notify a transaction to be supply of goods or services.” Discuss the correctness of the statement.

Answer: False: As per Article 279A of the Constitution GST council shall recommend the matters relating to GST and on the basis of that, as per article 246A, Parliament shall have exclusive power to make law with regard to Inter State Supply of goods or services but the law relating to supply within State shall be framed by Parliament as well as State Legislature. In fact even such law is framed by Parliament and State Government frames law on the same pattern. Whether a transaction shall be supply of goods or services shall also be framed in the similar manner.

Q 16. M/s X & Sons, tax consultant of Zenson Ltd., have advised them that reverse charge mechanism is applicable only to services. Examine the validity of the advice given by M/s X & Sons.

Answer: False: As per section 9(3) of the CGST Act reverse Charge shall be applicable in case of goods as well as services which are notified by the Government. In general services have been notified for the purpose of reverse charge but a few goods are also notified like cashew nuts, bidi wrapper leaves, tobacco leaves and lottery etc.

Q 17. Pepper & Salt Ltd. engaged in taxable supply of goods, registered in Madhya Pradesh has the turnover amounting to ₹ 80 lakh in the financial year 2018-19. It wants to avail the benefit of composition scheme in the year 2019-20. You are required to advise Pepper and Salt Ltd. regarding the availability of composition scheme in the year 2019-20. Will your answer change, if Pepper & Salt Ltd. is registered in Arunachal Pradesh?

Answer: As per Section 10, A registered dealer whose aggregate turnover in the preceding year is upto ₹1,50,00,000 may opt for composition scheme in the given case turnover in the preceding year is less than 150 Lakh so he is eligible to opt for composition scheme.

In case of specified states the limit shall be ₹75,00,000.

In the given case, Arunachal Pradesh is covered in specified category State and turnover is exceeding ₹75 lakh hence he is not eligible to opt for composition scheme.

Q 18. Mr. X availing composition scheme during a financial year crosses the turnover of ₹1.5 crore during the course of the year i.e. say he crosses the turnover of ₹1.5 Crore in December? Will he be allowed to pay tax under composition scheme for the remainder of the year i.e. till 31st March?

Answer: The person covered in composition scheme shall get shifted to the normal scheme if the limit of ₹1,50,00,000 exceeds at any time in a financial year. Hence he is not allowed to pay tax under composition scheme for the remaining period rather he has to pay tax under normal scheme.

Q 19. LMN & Co, an unregistered supplier under GST wants to claim input tax credit and collect tax. Can it do so?

Answer: No, an unregistered person is not allowed to claim Input tax credit rather only a registered person is allowed to collect tax and claim input tax credit.

Q 20. What is the difference between casual and non- resident taxable persons?

Answer: 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 be required to submit monthly return similarly as required to be filed by normal registered person. (GSTR-1 & GSTR-3B)

**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.

**As per Rule 63,** Return shall be furnished in form **GSTR-5** within 20 days after the end of the month or within 7 days after the last day of validity of registration. Whichever is earlier.

**Q 21.** State the necessary elements for a supply to be chargeable to GST.

**Answer:** There are following **six parameters** to characterize any transaction as supply

1. There should be supply of goods / services i.e. supply of anything other than goods or services does not attract GST.
2. Supply should be made for a consideration.
3. Supply should be made in the course or furtherance of business.
4. Supply should be made by a taxable person.
5. Supply should be a taxable supply.
6. Supply should be made within the taxable territory.

**Q 22.** Modest Ltd., registered in Delhi dealing in supply of electronic items transferred some of its stock to its another unit located in Haryana (inter-state transfer). Whether such self-supplies are taxable under GST?

**Answer:** As per section 25, if there are two units in different States with same PAN, they will be considered to be distinct persons and GST shall be payable on supply of goods between the two units.

**Q 23.** Mr. P supplied goods for the value of `10,000 to its customer Miss Prem on 01.01.2020 on the condition that payment for the same will be made within a week. However, Miss Prem made payment for the said goods on 02.02.2020 and thus paid interest amounting to `500. What is the time of supply with regard to addition in the value by way of interest in lieu of delayed payment of consideration?

**Answer:** As per section 15, GST shall be payable on Interest received from Miss Prem and time of supply for such interest is the date on which the supplier receives such addition in value. (Section 12).

**Q 24.** There are separate valuation provisions for CGST, SGST and IGST and for Goods and Services. Examine the correctness of the statement.

**Answer:** False: Valuation Provisions for CGST, SGST and IGST are same but these are governed by different Acts.

**Q 25.** Whether post-supply discounts or incentives are allowed as admissible deduction under section 15 of the CGST Act? If yes, what are the necessary conditions to be complied with for availing such deduction?

**Answer:** **Discount while computing Transaction Value**
If the supplier has given any discount before or at the time of supply, it will be allowed to be deducted, if such discount has been duly recorded in the invoice issued in respect of such supply; and 
Discount allowed after supply shall also be allowed to be deducted provided such discount is established in terms of an agreement entered into at or before the time of such supply and specifically linked to relevant invoices and further the supplier shall issue credit note for such discount and shall be allowed to reduce his tax liability but the recipient should also reverse/ reduce tax credit taken by him.

**Q 26.** The time of liability to pay GST is independent of the time of supply of goods/services. Discuss the correctness of the statement?

**Answer:** **True:** Time of liability to pay GST is independent of the time of supply of goods/services because section 12 deals with time of liability for supply of goods and section 13 deals with time of liability for supply of services.
**Time of supply of goods Section 12 (1) & (2).**
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, eg. If invoice is issued on 28th July 2019 and goods are delivered on 31st July 2019, TOS is 28th July 2019 but if invoice is issued on 01st August 2019, TOS is 31st July 2019.

**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, eg. If services are rendered on 23rd July, 2019 and invoice issued 10th August, 2019 and payment received 20th September, 2019, TOS shall be 10th August 2019 but if invoice is issued on 27th August 2019, TOS shall be 23rd July,2019.

As per section 39, time to pay GST shall be 20th of subsequent month. Hence time of liability to pay GST is independent of the time of supply of goods/services.

Q 27. LP Ltd., obtains registration for paying taxes under section 9 of CGST Act. He asked his tax manager to pay taxes on quarterly basis. However, LP Ltd.’s tax manager advised the Co.to pay taxes on monthly basis. You are required to examine the validity of the advice given by tax manager?

**Answer:** As per section 39, every registered person shall pay to the Government the tax due not later than the last date on which he is required to file GSTR-3B. In the given case assessee is covered under Normal scheme and required to file GSTR-3B on monthly basis hence LP Ltd. is required to pay tax on monthly basis.
1. Rama Ltd. has provided following information for the month of September:
(i) Intra-State outward supply ₹ 8,00,000/-
(ii) Inter-State exempt outward supply ₹ 5,00,000/-
(iii) Turnover of exported goods ₹ 10,00,000/-
(iv) Payment made for availing GTA services ₹ 80,000/-
Calculate the aggregate turnover of Rama Ltd.
(a) ₹ 8,00,000/-
(b) ₹ 23,80,000/-
(c) ₹ 23,00,000/-
(d) ₹ 18,00,000/-
(2 Marks)

2. Which of the following services received without consideration amount to supply?
(1) Import of services by a person in India from his son well-settled in USA
(2) Import of services by a person in India from his brother well-settled in Germany
(3) Import of services by a person in India from his brother (wholly dependent on such person in India) in France
(4) Import of services by a person in India from his daughter (wholly dependent on such person in India) in Russia
(a) (1), (3) and (4)
(b) (2), (3) and (4)
(c) (2) and (3)
(d) (1) and (2)
(2 Marks)

3. Services by way of admission to ____________ are exempt from GST.
(a) Museum
(b) National park
(c) Tiger reserve
(d) All of the above
(1 Mark)

4. 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
(1 Mark)

5. Which of the following persons is not eligible for composition scheme even though their aggregate turnover does not exceed ₹ 1.5 crore in preceding FY, in Uttar Pradesh?
(a) A person supplying restaurant services
(b) A person supplying restaurant services and earning bank interest
(c) A person supplying restaurant services and warehousing of rice
(d) A person supplying restaurant services and warehousing of processed tea.
(1 Mark)

6. The time of supply of service in case of reverse charge mechanism is
(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)
(1 Mark)

7. Which of the following services does not fall under reverse charge provisions as contained under section 9(3) of the CGST Act?
(a) Services supplied by arbitral tribunal to business entity
(b) Sponsorship provided to any partnership firm
(c) Sponsorship provided to any body corporate
(d) None of the above
(1 Mark)

8. Transport of ____________ by rail are exempt from GST:
(a) Milk
(b) Salt
(c) Defence equipments
(d) All of the above
(1 Mark)

9. Alcoholic liquor for human consumption is subjected to
(a) State excise duty
(b) Central Sales Tax/Value Added Tax
(c) Both (a) and (b)
(d) GST
(1 Mark)

10. Taxes subsumed in GST are
(a) Service tax
(b) Luxury tax
(c) VAT
(d) All of the Above
(1 Mark)

Answer:
1. (c); 2. (a); 3. (d); 4. (b); 5. (d); 6. (d); 7. (d); 8. (d); 9. (c); 10. (d)

Division B - Descriptive Questions

1. M/s. Comfortable (P) Ltd. is registered under GST in Chennai, Tamil Nadu. It is engaged in the manufacture of iron and steel products. It has carried out following transactions in the financial year 2019-20:-

(a) Purchased 1,000 Metric Ton (MT) iron @ 1,000 per MT (excluding GST) from M/s. Hard Ltd. of Chennai. M/s. Hard Ltd. has fulfilled the order as follows:

<table>
<thead>
<tr>
<th>Date</th>
<th>Quantity (MT)</th>
<th>Taxable Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>28-Feb-2020</td>
<td>200</td>
<td>2,00,000/-</td>
</tr>
<tr>
<td>10-Mar-2020</td>
<td>250</td>
<td>2,50,000/-</td>
</tr>
<tr>
<td>25-Mar-2020</td>
<td>250</td>
<td>2,50,000/-</td>
</tr>
<tr>
<td>28-Mar-2020</td>
<td>200</td>
<td>2,00,000/-</td>
</tr>
</tbody>
</table>

Balance order requirement has been fulfilled by Hard Ltd. on 5-Apr-2020. However, Hard Ltd. has raised the invoice for full order at the time of dispatch of first lot, i.e. on 28-Feb-2020. M/s. Comfortable (P) Ltd. has made the full payment on 28-Feb-2020 for the order.

(b) Company has received IT engineering service from M/s. Dynamic Infotech (P) Ltd. of Chennai for ₹11,00,000/- (excluding GST) on 28-Oct-2019. Invoice for service rendered was issued on 5-Nov-2019. M/s Comfortable (P) Ltd. made part-payment of ₹ 4,13,000/- on 31-Dec-2019. Being unhappy with service provided by M/s Dynamic Infotech (P) Ltd., it did not make the balance payment. Deficiency in service rendered was made good by M/s Dynamic Infotech (P) Ltd. by 15-Feb-2020. M/s. Comfortable (P) Ltd. made payment of ₹ 2,95,000/- on 15-Feb-2020 towards full and final settlement of the dues and did not pay the balance amount.

(c) Company has made the following intra State supplies (excluding GST) for the financial year 2019-20:-

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Particulars</th>
<th>Amount (₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Value of intra-State supplies made to registered persons</td>
<td>10,00,000</td>
</tr>
<tr>
<td>2.</td>
<td>Value of intra-State supplies made to unregistered persons</td>
<td>2,00,000</td>
</tr>
</tbody>
</table>

(i) Compute the GST liability (CGST, SGST or IGST, as the case may be) of M/s. Comfortable (P) Ltd. for the financial year 2019-20:-
(ii) Compute the amount of input tax credit to be reversed in the FY 2019-20 and/or in the next FY 2020-21, if any.

Assume the rates of GST as under:
- CGST 9%
- SGST 9%
- IGST 18%

Note
(i) All the conditions necessary for availing input tax credit have been fulfilled.
(ii) Ignore interest, if any

(8 Marks)

Solution: Computation of net GST payable for the financial year 2019-20

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Value (₹)</th>
<th>CGST (₹)</th>
<th>SGST (₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Tax liability</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intra-State supplies made to registered persons</td>
<td>10,00,000</td>
<td>90,000</td>
<td>90,000</td>
</tr>
<tr>
<td>Intra State supplies made to unregistered persons</td>
<td>2,00,000</td>
<td>18,000</td>
<td>18,000</td>
</tr>
<tr>
<td><strong>Total (A)</strong></td>
<td>1,08,000</td>
<td>1,08,000</td>
<td></td>
</tr>
<tr>
<td><strong>Input Tax credit</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supply of iron in lots by M/s Hard Limited [Note-1]</td>
<td>10,00,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Supply of IT engineering service [Note-2]</td>
<td>11,00,000</td>
<td>99,000</td>
<td>99,000</td>
</tr>
<tr>
<td><strong>Total (B)</strong></td>
<td>99,000</td>
<td>99,000</td>
<td></td>
</tr>
<tr>
<td><strong>Net GST payable (A)-(B)</strong></td>
<td>9,000</td>
<td>9,000</td>
<td></td>
</tr>
</tbody>
</table>

Notes:-
1. Section 16 of CGST Act, 2017 provides that where the goods against an invoice are received in lots or installments, the registered person shall be entitled to take credit upon receipt of the last lot or installment. Although 900 tonnes of iron are received in financial year 2019-20, the last lot of iron has been received after FY 2019-20 only, i.e. on 5, April 2020, thus no input tax credit is available in FY 2020-21.

In view of above provisions, full input tax credit in respect of transaction (a) will be claimed in financial year 2020-2021 i.e. on receipt of last installment.

2. Section 16 of CGST Act, 2017 *inter alia* provides that every registered person is entitled to take credit of input tax charged on supply of services to him which are used in the course of business on receipt of the said services.

Thus, in view of the above mentioned provisions full input tax credit of ₹ 1,98,000/- can be claimed in financial year 2019-20.

(ii) Section 16 of CGST Act, 2017 provides that where a recipient fails to pay to the supplier of goods or services or both, other than the supplies on which tax is payable on reverse charge basis, the amount towards the value of supply along with tax payable thereon within a period of 180 days from the date of issue of invoice by the supplier, an amount equal to the input tax credit availed by the recipient shall be added to his output tax liability, along with interest thereon, in the prescribed manner.

However, the recipient shall be entitled to avail of the credit of input tax on payment made by him of the amount towards the value of supply of goods or services or both along with tax payable thereon. Since the full amount of value alongwith tax payable thereon has not been paid by M/s Comfortable (P) Ltd. to M/s Dynamic Infotech (P) Ltd within a period of 180 days from the date of issue of invoice, the proportionate amount of input tax credit availed needs to be reversed. However, the reversal will be done in the financial year 2020-21 during when the time period of 180 days expire.

Input tax credit to be reversed in financial year 2020-21

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Amount (₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total value of procurement of IT engineering service</td>
<td>11,00,000</td>
</tr>
</tbody>
</table>
Add: Total GST on the above value @ 18%[CGST + SGST]  1,98,000

<table>
<thead>
<tr>
<th>Value including GST</th>
<th>12,98,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount paid for the said service including GST</td>
<td>7,08,000</td>
</tr>
<tr>
<td>₹ 4,13,000 + ₹ 2,95,000</td>
<td></td>
</tr>
<tr>
<td>Amount [value alongwith tax payable thereon] not paid for the said service</td>
<td>5,90,000</td>
</tr>
<tr>
<td>ITC to be reversed [₹ 5,90,000 x 18/118]</td>
<td>90,000</td>
</tr>
</tbody>
</table>

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

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

**Solution:**

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

**Notes:**

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

6. Services provided by way of right to admission to circus where consideration for the same is upto ₹ 500 per person are exempt from GST. Since in the present case, the consideration is more than ₹ 500 per person, so the same is liable to GST.

(b) 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) Miss Shinu Ambani provided sponsorship services to Indian Love Cricket Academy, a Limited Liability Partnership.
(ii) “Fast move”, a Goods Transport Agency, transported goods of Amba & Co., a partnership firm which is not registered under GST.

**Solution:**

(i) In case of services provided by any person by way of sponsorship to any body corporate or partnership firm / limited liability partnership (LLP), GST is liable to be paid under reverse charge by such body corporate or partnership firm / LLP located in the taxable territory. Therefore, in the given case, Indian Love Cricket Academy is liable to pay GST under reverse charge.

(ii) 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, Amba & Co. is liable to pay GST under reverse charge.

3. (a) Mr. Mayank provides Continuous Supply of Services (CSS) to M/s. Omega Limited. He furnishes the following further information:

(i) Date of commencement of Providing CSS 01-10-2019
(ii) Date of completion of Providing CSS 31-01-2020
(iii) Date of receipt of payment by Mr. Mayank 30-03-2020

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. Omega Limited has to make payment on 25-03-2020 as per the contract between them.

**Solution:**

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

Thus, in the given case, the invoice should be issued on or before 30.03.2020 (date of receipt of payment by Mr. Mayank).

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

Since in the given case payment is linked to the completion of service, invoice should be issued on or before 31.01.2020 (date of completion of service).

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

If M/s. Omega Limited has to make payment on 25.03.2020 as per the contract between them, the invoice should be issued on or before 25.03.2020.

(b) Draupad 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.
Solution:
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, Draupad Fabrics cannot issue tax invoice. Instead, it shall issue a Bill of Supply.

(c) M/s Salty & Spicy Limited reduced the amount of ₹ 1,50,000 from the output tax liability in contravention of provisions of section 42(10) of the CGST Act, 2017 for the month of April 2019, which is ineligible credit. A show cause notice was issued by the Tax Department to pay tax along with interest. M/s Salty & Spicy Limited paid the tax and interest on 31st July, 2019. Calculate Interest liability (Ignore Penalty).

Solution:
A taxable person who makes an undue or excess claim of input tax credit shall pay interest @ 24% p.a. on such undue or excess claim in terms of section 50 of CGST Act, 2017. The period of interest will be from the date following the due date of payment to the actual date of payment of tax.
Due date of payment is 20th May, 2019.
Period for which interest is due = 21st May, 2019 to 31st July, 2019
= 72 days
Thus, interest liability = ₹ 1,50,000 x 24% x 72/365
= ₹ 7,101 (approx.)

4.(a) 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(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.

(b) If a return has been filed, how can it be revised if some changes are required to be made?

Solution:
In GST since the returns are built from details of individual transactions, there is no requirement for having a revised return. Any need to revise a return may arise due to the need to change a set of invoices or debit/credit notes. Instead of revising the return already submitted, the system allows changing the details of those transactions (invoices or debit/credit notes) that are required to be amended. They can be amended in any of the future GSTR-1 in the tables specifically provided for the purposes of amending previously declared details.
As per section 39(9), omission or incorrect particulars discovered in the returns filed u/s 39 can be rectified in the return to be filed for the month/quarter during which such omission or incorrect particulars are noticed. Any tax payable as a result of such error or omission will be required to be paid along with interest. The rectification of errors/omissions is carried out by entering appropriate particulars in “Amendment Tables” contained in GSTR-1.
Mr. Bholenath, a registered supplier of goods, pays GST under regular scheme and provides the following information for the month of January, 2020:

**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 January 2020:

<table>
<thead>
<tr>
<th>Nature</th>
<th>CGST</th>
<th>SGST</th>
<th>IGST</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>20,000</td>
<td>30,000</td>
<td>25,000</td>
</tr>
</tbody>
</table>

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. Bholenath for the month of January, 2020.

**Solution: Computation of net GST payable by Mr. Bholenath for the month of January, 2020**

### Working of GST payable on Outward supplies

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Particulars</th>
<th>CGST</th>
<th>SGST</th>
<th>IGST</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i)</td>
<td>Interal-State taxable supply of goods</td>
<td>@ 18% on Rs. 10,00,000</td>
<td>1,80,000</td>
<td></td>
</tr>
<tr>
<td>(ii)</td>
<td>Intra-State taxable supply of goods</td>
<td>CGST @ 9% on Rs. 2,00,000</td>
<td>18,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>SGST @ 9% on Rs. 2,00,000</td>
<td>18,000</td>
<td></td>
</tr>
</tbody>
</table>

### Computation of total ITC

<table>
<thead>
<tr>
<th>Particulars</th>
<th>CGST</th>
<th>SGST</th>
<th>IGST</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening ITC</td>
<td>20,000</td>
<td>30,000</td>
<td>25,000</td>
</tr>
</tbody>
</table>

*Add: ITC on Intra-State purchases of taxable goods valuing ₹5,00,000*

<table>
<thead>
<tr>
<th></th>
<th>CGST</th>
<th>SGST</th>
<th>IGST</th>
</tr>
</thead>
<tbody>
<tr>
<td>45,000</td>
<td>45,000</td>
<td>45,000</td>
<td>25,000</td>
</tr>
</tbody>
</table>

**Total ITC**

|          | 65,000 | 75,000 | 25,000 |

### Computation of GST payable from cash ledger

<table>
<thead>
<tr>
<th>Particulars</th>
<th>CGST</th>
<th>SGST</th>
<th>IGST</th>
</tr>
</thead>
<tbody>
<tr>
<td>GST payable</td>
<td>18,000</td>
<td>18,000</td>
<td>1,80,000</td>
</tr>
</tbody>
</table>

*Less: ITC (18,000)-CGST (18,000)-SGST (25,000)-IGST (47,000)-CGST (57,000)-SGST*

**Net GST payable**

|          | Nil | Nil | 51,000 |

*Note: ITC of IGST, CGST & SGST have been used to pay IGST in that order.*
1. (b) (4 Marks)
Shridhar Co. Ltd., a registered supplier, is engaged in the manufacture of heavy machinery. It procured the following items during the month of March.

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Items</th>
<th>GST paid ₹</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i)</td>
<td>Sweets for consumption of employees working in the factory</td>
<td>50,000</td>
</tr>
<tr>
<td>(ii)</td>
<td>Raw material</td>
<td>1,00,000</td>
</tr>
<tr>
<td>(iii)</td>
<td>Trucks used for the transport of raw material</td>
<td>2,00,000</td>
</tr>
<tr>
<td>(iv)</td>
<td>Electrical transformers to be used in the manufacturing process</td>
<td>4,00,000</td>
</tr>
</tbody>
</table>

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

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

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

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Items ITC</th>
<th>₹</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i)</td>
<td>Sweets for consumption of employees working in the factory</td>
<td>Nil</td>
</tr>
<tr>
<td>(ii)</td>
<td>Raw material [Note-2]</td>
<td>1,00,000</td>
</tr>
<tr>
<td>(iii)</td>
<td>Trucks used for the transport of raw material [Note-3]</td>
<td>2,00,000</td>
</tr>
<tr>
<td>(iv)</td>
<td>Electrical transformers [Note-4]</td>
<td>4,00,000</td>
</tr>
</tbody>
</table>

Total ITC 7,00,000

Notes:-
1. ITC on food or beverages is specifically disallowed unless the same is used for making outward taxable supply of the same category or as an element of the taxable composite or mixed supply-Section 17(5).
2. Being goods used in the course or furtherance of business, ITC thereon is available in terms of section 16(1).
3. Though ITC on motor vehicles has been specifically disallowed under section 17(5), ITC on motor vehicles used for transportation of goods is allowed under section 17(5).
4. Being goods used in the course or furtherance of business, ITC thereon is available in terms of section 16(1).

2. (a) (5 Marks)
A manufacturer of machinery supplied a special machine to Modern Furnishers. Following details are provided in relation to amounts charged:

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Particulars</th>
<th>₹</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i)</td>
<td>Price of machinery excluding taxes (before cash discount)</td>
<td>5,00,000</td>
</tr>
<tr>
<td></td>
<td>Additional charges not included above:-</td>
<td></td>
</tr>
<tr>
<td>(ii)</td>
<td>Freight</td>
<td>13,000</td>
</tr>
<tr>
<td>(iii)</td>
<td>Packing charges</td>
<td>10,000</td>
</tr>
<tr>
<td>(iv)</td>
<td>Charges for designing the machine</td>
<td>17,000</td>
</tr>
</tbody>
</table>

Other information furnished is -
(a) Cash discount @ 2% on price of machinery has been allowed to the customer at the time of supply and also recorded in invoice.
(b) GST rate – 18%.

Calculate value of supply of the special machine.

Solution: Computation of value of special machine

<table>
<thead>
<tr>
<th>Particulars</th>
<th>₹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price of machinery</td>
<td>5,00,000</td>
</tr>
<tr>
<td>Add: Freight [Note 1]</td>
<td>13,000</td>
</tr>
<tr>
<td>Packing charges [Note 2]</td>
<td>10,000</td>
</tr>
<tr>
<td>Designing charges [Note 3]</td>
<td>17,000</td>
</tr>
<tr>
<td>Total</td>
<td>5,40,000</td>
</tr>
<tr>
<td>Less: 2% cash discount on price of machinery [₹5,00,000 x 2%] [Note 4]</td>
<td>10,000</td>
</tr>
</tbody>
</table>
Value of taxable supply 5,30,000

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

2. (b) (5 Marks)
Explain the conditions necessary for obtaining input tax credit?

Answer: The following four conditions are to be satisfied by the registered person for obtaining input tax credit:
(i) he is in possession of tax invoice or debit note or such other tax paying documents as may be prescribed;
(ii) he has received the goods or services or both;
(iii) the supplier has actually paid the tax charged in respect of the supply to the Government; and
(iv) he has furnished the return under section 39.

3. (a) (6 Marks)
Examine whether GST is exempted on the following independent supply of services:
(i) Relax & Co, a tour operator, provides services to a foreign tourist for tour conducted in Kerala and receives a sum of ₹1,50,000.

Answer: Services provided by a tour operator to a foreign tourist are exempt from GST provided such services are in relation to a tour conducted wholly outside India. Thus, since in the given case, services provided by Relax & Co. are in relation to a tour conducted within India, the same are not exempt from GST.

(ii) Ms. Sneha acts as a Coach for Indian Sports League (ISL), a recognised sports body, for a Tennis tournament organised by Superb retail company and received a remuneration of ₹4,00,000.

Answer: Services provided by a coach to a recognised sports body for participation in a sporting event are exempt from GST provided said sporting event is organised by a recognized sports body. Thus, since in the given case, the sporting event is not organised by a recognised sports body, the services provided by Ms. Sneha are not exempt from GST.

3. (b) (4 Marks)
Gupta & Sons, a registered supplier, paying tax under normal scheme is a wholesale supplier of ready-made garments located in Bandra, Mumbai. On 5th September, 2019, Mohini, owner of Charming Boutique located in Dadar, Mumbai, approached Gupta & Sons for supply of a consignment of customised dresses for ladies and kids.

Gupta & Sons gets the consignment ready by 2nd December, 2019 and informs Mohini about the same. The invoice for the consignment was issued the next day, 3rd December, 2019.

Due to some reasons, Mohini could not collect the consignment immediately. So, she collects the consignment from the premises of Gupta & Sons on 18th December, 2019 and hands over the cheque for payment on the same date. The said payment is entered in the accounts on 20th December, 2019 and amount is credited in the bank account on 21st December, 2019.
You are required to determine the time of supply of the readymade garments supplied by Gupta & Sons to Mohini elaborating the relevant provisions under the GST law.

**Answer:** As per Notification No. 66/2017 CT dated 15.11.2017, a registered person (excluding composition supplier) has to pay GST on the outward supply of goods at the time of supply as specified in section 12 of CGST Act, 2017 i.e., date of issue of invoice or the last date on which invoice ought to have been issued in terms of section 31. Therefore, the time of supply of goods is 3rd December which is the date on which the invoice for the consignment was issued.

4. (a) (4 Marks)
When shall the interest be payable by a registered person under section 50 of the CGST Act, 2017 and what is the maximum rate of interest chargeable for the same?

**Answer:** As per section 50 of the CGST Act, 2017, interest is payable in the following cases:-
- failure to pay tax, in full or in part within the prescribed period,
- undue or excess claim of input tax credit,
- undue or excess reduction in output tax liability.

The maximum rate of interest chargeable for the same is as under -
- (i) 18% p.a. in case of failure to pay full/part tax within the prescribed period
- (ii) 24% p.a. in case of undue or excess claim of input tax credit or undue or excess reduction in output tax liability.

4. (b) (3 Marks)
Who is required to furnish Final Return under CGST Act, 2017 and what is the time limit for the same? Discuss.

**Answer:** Every registered person who is required to furnish a return under section 39 of the CGST Act, 2017 and whose registration has been surrendered or cancelled shall file a Final Return electronically in the prescribed form through the common portal. Final Return has to be filed within 3 months of the:
- (i) date of cancellation
- or
- (ii) date of order of cancellation whichever is later.

4. (c) (3 Marks)
Does cancellation of registration impose any tax obligations on the person whose registration is so cancelled? Discuss.

**Answer:** Yes, as per section 29 of the CGST Act, every registered person whose registration is cancelled shall pay an amount, by way of debit in the electronic cash ledger, equivalent to the credit of input tax in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock or capital goods or plant and machinery on the day immediately preceding the date of such cancellation or the output tax payable on such goods, whichever is higher.

5. (a) (4 Marks)
Sangam Ltd., obtains registration for paying taxes under section 9 of CGST Act. He asked his tax manager to pay taxes on quarterly basis. However, Sangam Ltd.’s tax manager advised the Company to pay taxes on monthly basis. You are required to examine the validity of the advice given by tax manager?

**Answer:** The advice given by tax manager is valid in law. Payment of taxes by the normal tax payer is to be done on monthly basis by the 20th of the succeeding month. Cash payments will be first deposited in the Cash Ledger and the tax payer shall debit the ledger while making payment in the monthly returns and shall reflect the relevant debit entry number in his return. However, payment can also be debited from the Credit Ledger. Payment of taxes for the month of March shall be paid by the 20th of April. Composition tax payers will need to pay tax on quarterly basis.
5. (b) (4 Marks)
Mr. Akash Malhotra of Gujarat often participates in the jewellery exhibition at Trade Fair in Delhi, which is organised every year in the month of February. Mr. Akash Malhotra applied for registration in January. The proper officer demanded an advance deposit of tax in an amount equivalent to the estimated tax liability of Mr. Akash Malhotra.
You are required to examine whether any advance tax is to be paid by Mr. Akash Malhotra at the time of obtaining registration?

**Answer:** Yes, advance tax is to be paid by Mr. Akash Malhotra at the time of obtaining registration. Since Mr. Akash Malhotra occasionally undertakes supply of goods in the course or furtherance of business in a State where he has no fixed place of business, thus he qualifies as casual taxable person in terms of section 2(20) of CGST Act, 2017.

While a normal taxable person does not have to make any advance deposit of tax to obtain registration, a casual taxable person shall, at the time of submission of application for registration is required, in terms of section 27(2) read with proviso thereto, to make an advance deposit of tax in an amount equivalent to the estimated tax liability of such person for the period for which the registration is sought. If registration is to be extended beyond the initial period of 90 days, an advance additional amount of tax equivalent to the estimated tax liability is to be deposited for the period for which the extension beyond 90 days is being sought.

5. (c) (2 Marks)
Discuss any two functions of GSTN.

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

(Note: Any two points may be mentioned)

6. (a) (3+3 Marks)
Examine whether the following statements are true or false giving brief reasons:
(1) A composition tax payer, who has not rendered any taxable supply during a quarter, is not required to file any return.
(2) It is mandatory to issue a tax invoice in case a registered person has opted for composition levy scheme.

**Answer:**
(1) **The given statement is false.** Composition tax payer is required to furnish return under section 39 for every quarter even if no supplies have been effected during such period. In other words, filing of Nil return is also mandatory.
(2) **The given statement is false.** A registered person paying tax under the provisions of section 10 [composition levy] is required to issue, instead of a tax invoice, a bill of supply containing the specified particulars in the prescribed manner [Section 31 read with rule 49 of the CGST Rules].

6. (b) (4 Marks)
Examine whether the following activities would amount to supply under section 7 of the CGST Act:
(i) Shri Ram Charitable Trust, a trust that gets the neuro treatment of underprivileged children done free of cost, donates clothes and food to children living in slum area.

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

(ii) Simran is a beauty consultant in Mumbai. Her brother who is settled in Paris is a well-known lawyer. Simran has taken legal advice from him free of cost with regard to her family dispute.

**Answer:** 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. In the given case, Simran has received legal services from her brother free of cost in a personal matter and not in course or furtherance of business. Hence, services provided by Simran’s brother to her would not be treated as supply under section 7 of the CGST Act.
MR. Kanhaiya, 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 January, 2020:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount (Rs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intra state supplies of goods</td>
<td>6,00,000</td>
</tr>
<tr>
<td>Inter state supplies of goods</td>
<td>2,00,000</td>
</tr>
</tbody>
</table>

He has also furnished following information in respect of purchases made by him from registered dealers during January, 2020:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount (Rs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intra state purchase of goods</td>
<td>4,00,000</td>
</tr>
<tr>
<td>Inter state purchase of goods</td>
<td>50,000</td>
</tr>
</tbody>
</table>

Balance of ITC available at the beginning of the January 2020:

<table>
<thead>
<tr>
<th>Description</th>
<th>CGST</th>
<th>SGST</th>
<th>IGST</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening ITC</td>
<td>15,000</td>
<td>35,000</td>
<td>20,000</td>
</tr>
</tbody>
</table>

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. Kanhaiya for the month of January, 2020.

Solution: Computation of net GST payable by Mr. Kanhaiya for the month of January, 2020

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Particulars</th>
<th>CGST @ 9%</th>
<th>SGST @ 9%</th>
<th>IGST @ 18%</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i)</td>
<td>Intra-State supply of goods</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>CGST @ 9% on Rs. 6,00,000</td>
<td>54,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>SGST @ 9% on Rs. 6,00,000</td>
<td>54,000</td>
<td></td>
<td>1,08,000</td>
</tr>
<tr>
<td>(ii)</td>
<td>Inter-State supply of goods</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>IGST @ 18% on Rs. 2,00,000</td>
<td></td>
<td>36,000</td>
<td></td>
</tr>
</tbody>
</table>

Computation of total ITC

<table>
<thead>
<tr>
<th>Particulars</th>
<th>CGST @ 9%</th>
<th>SGST @ 9%</th>
<th>IGST @ 18%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening ITC</td>
<td>15,000</td>
<td>35,000</td>
<td>20,000</td>
</tr>
<tr>
<td>Add: ITC on Intra-State purchases of goods valuing Rs 4,00,000</td>
<td>36,000</td>
<td>36,000</td>
<td></td>
</tr>
<tr>
<td>Add: ITC on Inter-State purchases of goods valuing Rs 50,000</td>
<td>9,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total ITC</strong></td>
<td>51,000</td>
<td>71,000</td>
<td>29,000</td>
</tr>
</tbody>
</table>

Computation of GST payable from cash ledger

<table>
<thead>
<tr>
<th>Particulars</th>
<th>CGST @ 9%</th>
<th>SGST @ 9%</th>
<th>IGST @ 18%</th>
</tr>
</thead>
<tbody>
<tr>
<td>GST payable</td>
<td>54,000</td>
<td>54,000</td>
<td>36,000</td>
</tr>
<tr>
<td>Less: ITC</td>
<td>(51,000)- CGST</td>
<td>(54,000)-SGST</td>
<td>(29,000)-IGST</td>
</tr>
<tr>
<td><strong>Net GST payable</strong></td>
<td>3,000</td>
<td>Nil</td>
<td>Nil</td>
</tr>
</tbody>
</table>

Note: ITC of SGST has been used to pay SGST and IGST in that order.
1. (b) (4 Marks)
Radiance Soap Factory, a registered supplier, is engaged in manufacturing beauty soaps – ‘Glow 24x7’ in Mumbai. It has provided the following information pertaining to purchases made/services availed in the month of January, 2020:

<table>
<thead>
<tr>
<th>Particulars</th>
<th>GST paid ₹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Soap making machine</td>
<td>50,000</td>
</tr>
<tr>
<td>Motor vehicles for transportation of inputs</td>
<td>70,000</td>
</tr>
<tr>
<td>Membership of ‘Amaze’ health and fitness centre for its employees</td>
<td>25,000</td>
</tr>
<tr>
<td>Inputs purchased, but stolen from the factory</td>
<td>40,000</td>
</tr>
</tbody>
</table>

You are required to compute the input tax credit (ITC) available with Radiance Soap Factory for the month of January, 2020 assuming that all the other conditions for availing ITC, wherever applicable, have been fulfilled.

Solution: Computation of ITC available with Radiance Soap Factory

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Amount ₹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Soap making machine [Note-1]</td>
<td>50,000</td>
</tr>
<tr>
<td>Motor vehicles for transportation of inputs [Note-2]</td>
<td>70,000</td>
</tr>
<tr>
<td>Membership of ‘Amaze’ health and fitness centre for its employees [Note-3]</td>
<td>Nil</td>
</tr>
<tr>
<td>Inputs stolen from the factory [Note-4]</td>
<td>Nil</td>
</tr>
<tr>
<td>Total ITC available</td>
<td>1,20,000</td>
</tr>
</tbody>
</table>

Notes:
1. ITC in respect of goods used in course/furtherance of business is available in terms of section 16 of the CGST Act.
2. ITC in respect of motor vehicles and conveyances is blocked, except when used, inter alia, for transportation of goods, in terms of section 17(5) of the CGST Act.
3. ITC in respect of membership of a club, health and fitness centre is blocked in terms of section 17(5) of the CGST Act.
4. ITC in respect of goods stolen is blocked in terms of section 17(5) of the CGST Act.

2. (a) (5 Marks)
Euphoria Ltd., Delhi, a registered supplier, is manufacturing taxable goods. It provides the following details in relation to inter-State supply of Product A made by it for the month of March, 2020.

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Amount in ₹</th>
</tr>
</thead>
<tbody>
<tr>
<td>List price of product A supplied inter-state (exclusive of taxes)</td>
<td>15,00,000</td>
</tr>
<tr>
<td>Subsidy received from Central Government for supply of product A to Government School</td>
<td>2,10,000</td>
</tr>
<tr>
<td>Subsidy received from a NGO for supply of product A to an old age home</td>
<td>50,000</td>
</tr>
<tr>
<td>Tax levied by Municipal Authority</td>
<td>20,000</td>
</tr>
<tr>
<td>Packing charges</td>
<td>15,000</td>
</tr>
<tr>
<td>Late fee received in March, 2020 from the recipient of product A for delayed payment of invoice</td>
<td>6,000</td>
</tr>
</tbody>
</table>

The list price of the goods takes into account the two subsidies received. However, the other charges/taxes/fee are charged to the customers over and above the list price. Calculate the value of taxable supply made by M/s Euphoria Ltd. and GST payable for the month of March, 2020. Rate of IGST is 18%.

Solution: Computation of value of taxable supply of product A made by Euphoria Ltd. for the month of March, 2020

<table>
<thead>
<tr>
<th>Particulars</th>
<th>₹</th>
</tr>
</thead>
<tbody>
<tr>
<td>List price of product A</td>
<td>15,00,000</td>
</tr>
<tr>
<td>Add: Subsidy amounting to ₹2,10,000 received from Central Government [Note-1]</td>
<td>NIL</td>
</tr>
<tr>
<td>Subsidy received from NGO [Note-2]</td>
<td>50,000</td>
</tr>
<tr>
<td>Tax levied by the Municipal Authority [Note-3]</td>
<td>20,000</td>
</tr>
<tr>
<td>Packing charges [Note-4]</td>
<td>15,000</td>
</tr>
<tr>
<td>Late fees received in March, 2020 from recipient of supply for delayed payment [Note-5]</td>
<td></td>
</tr>
</tbody>
</table>
(assumed to be inclusive of taxes) [₹6,000 x 100/118] rounded off 5,085

**Value of taxable supply** 15,90,085

**GST payable (Rs. 15,90,085 x 18%) rounded off** 2,86,215

Notes:-
1. Since subsidy is received from Government, the same is not includible in the value in terms of section 15 of the CGST Act, 2017.
2. Since subsidy is received from a non-Government body, the same is includible in the value in terms of section 15 of the CGST Act, 2017.
3. Tax levied by the Municipal Authority is includible in the value as per section 15 of the CGST Act, 2017.
4. Packing charges being incidental expenses, the same are includible in the value as per section 15 of the CGST Act, 2017.
5. Late fees paid by recipient of supply for delayed payment is includible in the value as per section 15 of the CGST Act, 2017.

2. (b)  
(5 Marks)

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

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

(i) where a consideration is payable for the supply of goods or services or both, the person who is liable to pay that consideration;
(ii) where no consideration is payable for the supply of goods, the person to whom the goods are delivered or made available, or to whom possession or use of the goods is given or made available; and
(iii) where no consideration is payable for the supply of a service, the person to whom the service is rendered, and
   (i) any reference to a person to whom a supply is made shall be construed as a reference to the recipient of the supply, and
   (ii) shall include an agent acting as such on behalf of the recipient in relation to the goods or services or both supplied.

3. (a)  
(6 Marks)

M/s. Modish and Stylish 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. Modish and Stylish Company to opt for composition scheme only for showroom?

**Answer:** A registered person, whose aggregate turnover in the preceding financial year did not exceed ₹1.5 crore, may opt for composition scheme vide section 10 of CGST Act, 2017.

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

In the given case, since M/s Modish and Stylish Company is engaged in supply of interior decorator’s service, it is not eligible to opt for composition scheme irrespective of its turnover in the preceding financial year.

Therefore, the answer will remain the same i.e., the company will not be eligible to opt for composition scheme even with the change in the turnovers as given in the second case.

Further, where more than one registered persons are having the same Permanent Account Number, the registered person shall not be eligible to opt for composition scheme unless all such registered persons opt to pay tax under composition scheme.
Therefore, the answer will not change in the third case also as all the registrations under the same PAN are required to opt for composition scheme and since the supply of interior decorator service is ineligible for composition scheme, supply of ready made garments too becomes ineligible for composition scheme.

Since in the above case aggregate turnover is exceeding ₹50 lakhs hence he is not eligible for composition scheme given under notification no. 2/2019. (composition scheme of services)

3. (b) (4 Marks)
Food 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: Section 12 of CGST Act, 2017 provides that in case of supply of vouchers by a supplier, the time of supply shall be the date of issue of invoice, if the supply is identifiable at that point; or the date of redemption of vouchers, in all other cases.
As the coupons can be used for a variety of food items, which are taxed at different rates, the supply cannot be identified at the time of purchase of the coupons. Therefore, the time of supply of the coupons is the date of their redemption in terms of section 12 of CGST Act.

4. (a) (5 Marks)
Under what circumstances does the need of issuance of debit note and credit note arise under section 34 of CGST Act, 2017?

Answer:
Debit note is required to be issued
(i) if taxable value charged in the tax invoice is found to be less than the taxable value in respect of supply of goods and/or services or
(ii) if tax charged in the tax invoice is found to be less than the tax payable in respect of supply of goods and/or services

Credit note is required to be issued:
(i) If taxable value charged in the tax invoice is found to exceed the taxable value in respect of supply of goods and/or services, or
(ii) If tax charged in the tax invoice is found to exceed the tax payable in respect of supply of goods and/or services, or
(iii) if goods supplied are returned by the recipient, or
(iv) if goods and/or services supplied are found to be deficient.

4. (b) (2+3 Marks)
Answer the following with reference to GST Laws :
(i) What is CIN?

Answer:
CIN is Challan Identification Number. It is generated by the banks indicating that the payment has been realized and credited to the appropriate government account against a generated challan.

(ii) How does the new payment system benefit the taxpayer & the Commercial Tax Department?

Answer:
The new payment system benefits the taxpayer and the commercial tax department in the following ways:-
Benefits to Taxpayer: -
• No more queues and waiting for making payments as payments can be made online 24 X 7.
• Electronically generated challan from GSTN common portal in all modes of payment and no use of manually prepared challan. Paperless transactions.
• Instant online receipts for payments made online.
• Tax consultants can make payments on behalf of the clients.
• Single challan form to be created online, replacing the three or four copy Challan.
• Greater transparency.

**Benefits to the Commercial Tax Department:**
• Revenue will come earlier into the Government Treasury as compared to the old system.
• Logical tax collection data in electronic format.
• Speedy accounting and reporting.
• Electronic reconciliation of all receipts.
• Warehousing of digital challan.

*Note – Any three points each may be mentioned for Tax payer and Commercial Tax Department.*

5. (a) (4 Marks)
Determine the effective date of registration in the following instances:
(i) The aggregate turnover of Ganesh Ltd., engaged in taxable supply of services in the state of Punjab, exceeded ₹20 lakh on 25th August, 2019. It applies for registration on 19th September, 2019 and is granted registration certificate on 29th September, 2019.
(ii) What will be your answer, if in the above scenario, Ganesh Ltd. submits the application for registration on 27th September, 2019 and is granted registration on 5th October, 2019?

**Answer:**
A supplier whose aggregate turnover in a financial year exceeds ₹20 lakh in a State/UT is liable to apply for registration within 30 days from the date of becoming liable to registration (i.e., the date of crossing the threshold limit of ₹20 lakh).
Where the application is submitted within the said period, the effective date of registration is the date on which the person becomes liable to registration; otherwise it is the date of grant of registration.
In the given case, the applicable turnover limit for registration will be ₹20 lakh as Punjab is not a Special Category State.
(i) Since Ganesh Ltd. applied for registration within 30 days of becoming liable to registration, the effective date of registration is 25th August, 2019.
(ii) In this case, since Ganesh Ltd. applies for registration after the expiry of 30 days from the date of becoming liable to registration, the effective date of registration is 5th October, 2019.

5. (b) (4 Marks)
Determine with reason whether the following statements are true or false:
(i) A registered person shall issue separate invoices for taxable and exempted goods when supplying both taxable as well as exempted goods to an unregistered person.
(ii) A Non-banking financial company can issue a consolidated tax invoice at the end of every month for the supply made during that month.

**Answer:**
(i) The given statement is false.
Where a registered person is supplying taxable as well as exempted goods or services or both to an unregistered person, a single “invoice-cum-bill of supply” may be issued for all such supplies.
(ii) The said statement is true.
A non-banking financial company is allowed to issue a consolidated tax invoice or any other document in lieu thereof for the supply of services made during a month at the end of the month.

5. (c) (2 Marks)
List any four state levies, which are subsumed in GST.

**Answer:**
The State levies which are subsumed in GST are as under:
• State surcharges and cesses in so far as they relate to supply of goods & services
• Entertainment Tax (except those levied by local bodies)
• Tax on lottery, betting and gambling
• Entry Tax (All Forms) & Purchase Tax
• VAT/ Sales tax
• Luxury Tax
• Taxes on advertisements

Note: Any of the four points may be mentioned

6. (a) (5 Marks)
Explain the provision relating to filing of Annual Return under section 44 of CGST Act, 2017 and Rules there under.

Answer: Every registered person, other than
• an Input Service Distributor,
• a person deducting/collecting tax at source,
• a casual taxable person and
• a non-resident taxable person,
shall furnish an annual return for every financial year electronically in prescribed form on or before 31st December following the end of such financial year.

Every registered person who is required to get his accounts audited under section 35(5) of the CGST Act, 2017 shall furnish the annual return electronically along with a copy of the audited annual accounts and a reconciliation statement, reconciling the value of supplies declared in the return furnished for the financial year with the audited annual financial statement, and other prescribed particulars.

6. (b) (5 Marks)
Explain the concept of “related persons” as given under CGST Act?

Answer: The explanation to section 15 of CGST Act, 2017 provides as under: -
(a) persons shall be deemed to be “related persons” if —
(i) such persons are officers or directors of one another’s businesses;
(ii) such persons are legally recognised partners in business;
(iii) such persons are employer and employee;
(iv) any person directly or indirectly owns, controls or holds twenty-five per cent or more of the outstanding voting stock or shares of both of them;
(v) one of them directly or indirectly controls the other;
(vi) both of them are directly or indirectly controlled by a third person;
(vii) together they directly or indirectly control a third person; or they are members of the same family;
(b) the term “person” also includes legal persons;
(c) persons who are associated in the business of one another in that one is the sole agent or sole distributor or sole concessionaire, howsoever described, of the other, shall be deemed to be related.
Question 1: 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:

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.

As per section 54, They will be required to claim refund before expiry of 6 months from the last day of the quarter in which supply was received.

As per rule 82, 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 6 months.

Question 2: 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:

   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:

   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, 2019 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.)

**Question 3: Explain Penalty under GST.**

**Answer: Penalty, Section 73/74/122/129/130**

**As per section 122**, If any taxable person abets any offence as mentioned in section 122 then he shall be liable to pay penalty equal to 100\% of tax evaded or ₹10,000 whichever is higher.

Some of the offences under section 122 are as given below:

1. Supply of goods/services without issue of invoice within the prescribed time period.
2. Takes ITC without actually receiving goods/services.
3. Fails to take registration within prescribed time.
4. Fails to maintain books of accounts.
5. Fails to furnish information/documents demanded by GST officer.
6. Any other offence as prescribed.

**As per section 73**, If tax is not paid or short paid etc. for any reason other than fraud then penalty shall be imposed equal to 10\% of tax or ₹10,000 whichever is higher.

**As per section 74**, If tax is not paid or short paid etc. by reason of fraud then penalty shall be imposed equal to 100\% of tax.

**As per Section 129/130**, Where any person transports any goods or stores any goods in contravention of the provisions of this Act, all such goods and conveyance used as a means of transport for carrying the said goods shall be liable to detention or seizure and it shall be released after making payment of tax and penalty. Penalty shall be imposed equal to 100\% of tax.
Question 4: Explain GST treatment in case of Goods sent to a job worker
Answer: GST treatment in case of Goods sent to a job worker Section 143/Rule 45
A registered person may send any inputs or capital goods without payment of tax to a job worker for job work and shall bring back inputs, after completion of job work, or capital goods within one year and three years, respectively, of their being sent out.
Further he may supply such inputs, after completion of job work or capital goods within one year and three years, respectively on payment of tax.
Where the inputs sent for job work are not received back by the principal or are not supplied from the place of business of the job worker within a period of one year of their being sent out, it shall be deemed that such inputs had been supplied by the principal to the job worker on the day when the said inputs were sent out.

Conditions and restrictions in respect of inputs and capital goods sent to the job worker Rule 45
(1) The inputs, semi-finished goods or capital goods shall be sent to the job worker under the cover of a challan issued by the principal, including where such goods are sent directly to a job-worker.
(2) The challan issued by the principal to the job worker shall contain the details specified in rule 55.
(3) The details of challans in respect of goods dispatched to a job worker during a quarter shall be included in FORM GST ITC-04 furnished for that period on or before the twenty-fifth day of the month succeeding the said quarter.

Question 5: Explain refund of ITC/Principle of unjust enrichment/consumer welfare fund
Answer: Refund of ITC/Principle of unjust enrichment/consumer welfare fund

As per section 54, in general refund of ITC is not allowed however refund of ITC is allowed provided ITC has accumulated on account of rate of tax on inputs being higher than the rate of tax on output supplies. Application for the refund should be accompanied by prescribed documents like invoice/receipt etc. In general it will be presume that such person has passed on the incidence of such tax to some other person hence based on principle of unjust enrichment, amount shall be credited to consumer welfare fund maintained under section 57 & 58. If the applicant has given sufficient proof that incidence has not been passed to any other person, refund shall be granted to him. If the amount of refund is less ₹ 2,00,000, it will not be necessary for the applicant to furnish any documentary proof rather he may file a declaration that incidence of such tax has not been passed to any other person. Refund is allowed in case of zero rated supplies without any restriction.

Example
ABC limited has purchased inputs ₹ 10,00,000 plus GST ₹ 1,00,000 and goods were sold to a unit in SEZ, in this case, it will be called zero rated supply and no output tax shall be charged and input tax credit of ₹ 1,00,000 shall be allowed. Further refund is also allowed.
If goods have been exported by ABC limited, no output tax but still tax credit allowed and also refund is allowed.

Consumer Welfare Fund Section 57
The Government shall constitute a Fund, to be called the Consumer Welfare Fund and there shall be credited to the Fund,—

(a) the amount referred to in sub-section (5) of section 54;
(b) any income from investment of the amount credited to the Fund; and
(c) such other monies received by it, in such manner as may be prescribed.

Utilisation of Fund. Section 58
(1) All sums credited to the Fund shall be utilised by the Government for the welfare of the consumers in such manner as may be prescribed.
(2) The Government or the authority specified by it shall maintain proper and separate account and other relevant records in relation to the Fund and prepare an annual statement of accounts in such form as may be prescribed in consultation with the Comptroller and Auditor General of India.

**Question 6: Explain Anti-Profiteering Measure.**

**Answer: Anti-Profiteering Measure Section 171**

Any reduction in rate of tax on any supply of goods and services or the benefit of input tax credit shall be passed on to the recipient by way of commensurate reduction in prices.

The Central Government may constitute an Authority or empower an existing Authority to examine whether input tax credit availed by registered person or the reduction in the tax rate have actually resulted in the price of the goods/services.

**Question 7: Explain maintain of Accounts and Other Records?**

**Answer: Accounts and other records Section 35.**

Every registered person shall keep and maintain, at his principal place of business, as mentioned in the certificate of registration, a true and correct account of—

- (a) production or manufacture of goods;
- (b) inward and outward supply of goods or services or both;
- (c) stock of goods;
- (d) input tax credit availed;
- (e) output tax payable and paid; and
- (f) such other particulars as may be prescribed:

**Provided** that where more than one place of business is specified in the certificate of registration, the accounts relating to each place of business shall be kept at such places of business:

Every owner or operator of warehouse or godown or any other place used for storage of goods and every transporter, irrespective of whether he is a registered person or not, shall maintain records of the consigner, consignee and other relevant details of the goods in such manner as may be prescribed.

Every registered person whose turnover during a financial year exceeds ₹ 2 crores shall get his accounts audited by a chartered accountant or a cost accountant and shall submit a copy of the audited annual accounts.

**Period of retention of accounts. Section 36**

Every registered person required to keep and maintain books of account or other records shall retain them 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.

**Question 8: Explain Refund in certain cases**

**Answer: Refund in certain cases Section 55**

The Government may, specify any specialised agency of the United Nations Organisation, Consulate or Embassy of foreign countries and any other person or class of persons as may be specified in this behalf to be entitled to claim a refund of taxes paid on the notified supplies of goods or services or both received by them.

**Question 9: Explain Interest on delayed refunds.**

**Answer: Interest on delayed refunds. Section 56**

If any tax ordered to be refunded to any applicant is not refunded within sixty days from the date of receipt of application interest @ 6 per cent per annum shall be payable in respect of such refund from the date immediately after the expiry of sixty days from the date of receipt of application till the date of refund of such tax.
PRESS RELEASE

PRESS RELEASE 25TH MEETING

DECISIONS RELATING TO SERVICES TAKEN BY TWENTY FIFTH GST COUNCIL MEETING
HELD AT NEW DELHI ON 18-1-2018

CBEC PRESS RELEASE, DATED 18-1-2018

The following decisions relating to exemptions/changes in GST rates/ITC eligibility criteria, rationalization of rates/exemptions and clarification on levy of GST on services were taken by the Council in the meeting held at New Delhi on 18-1-2018. The information is being uploaded immediately after the GST Council's decision and it will be subject to further vetting during which the list may undergo some changes. The decisions of the GST Council are being communicated for general information and will be given effect to through Gazette notifications/circulars which shall have force of law.

(A) Exemptions/Changes in GST Rates/ITC Eligibility Criteria

(1) To extend GST exemption on Viability Gap Funding (VGF) for a period of 3 years from the date of commencement of RCS airport from the present period of one year.

(2) To exempt supply of services by way of providing information under RTI Act, 2005 from GST.

(3) To exempt legal services provided to Government, Local Authority, Governmental Authority and Government Entity.

(4) To reduce GST rate on construction of metro and monorail projects (construction, erection, commissioning or installation of original works) from 18% to 12%.

(5) To levy GST on the small housekeeping service providers, notified under section 9 (5) of GST Act, who provide housekeeping service through ECO, @ 5% without ITC.

(6) To reduce GST rate on tailoring service from 18% to 5%.

(7) To reduce GST rate on services by way of admission to theme parks, water parks, joy rides, merry-go-rounds, go-carting and ballet, from 28% to 18%.

(8) To grant following exemptions:

   (i) To exempt service by way of transportation of goods from India to a place outside India by air;

   (ii) To exempt service by way of transportation of goods from India to a place outside India by sea and provide that value of such service may be excluded from the value of exempted services for the purpose of reversal of ITC.

The above exemptions may be granted with a sunset clause upto 30th September, 2018.

(9) To exempt services provided by the Naval Insurance Group Fund by way of Life Insurance to personnel of Coast Guard under the Group Insurance Scheme of the Central Government retrospectively w.e.f. 1-7-2017.

(10) To exempt IGST payable under section 5(1) of the IGST Act, 2017 on supply of services covered by item 5(c) of Schedule II of the CGST Act, 2017 to the extent of aggregate of the duties and taxes leviable under section 3(7) of the Customs Tariff Act, 1975 read with sections 5 & 7 of IGST Act, 2017 on part of consideration declared under section 14(1) of the Customs Act, 1962 towards royalty and license fee includible in transaction value as specified under Rule 10(c) of the Customs Valuation (Determination of Value of Imported Goods) Rules, 2007.

(11) To allow ITC of input services in the same line of business at the GST rate of 5% in case of tour operator service.

(12) To reduce GST rate (from 18% to 12%) on the Works Contract Services (WCS) provided by sub-
contractor to the main contractor providing WCS to Central Government, State Government, Union territory, a local authority, a Governmental Authority or a Government Entity, which attract GST of 12%. Likewise, WCS attracting 5% GST, their sub-contractor would also be liable @ 5%.

(13) To enhance the exemption limit of Rs 5000/- per month per member to Rs 7500/- in respect of services provided by Resident Welfare Association (unincorporated or nonprofit entity) to its members against their individual contribution.

(14) To reduce GST rate on transportation of petroleum crude and petroleum products (MS, HSD, ATF) from 18% to 5% without ITC and 12% with ITC.

(15) To exempt dollar denominated services provided by financial intermediaries located in IFSC SEZ, which have been deemed to be outside India under the various regulations by RBI, IRDAI, SEBI or any financial regulatory authority, to a person outside India.

(16) To exempt (a) services by government or local authority to governmental authority or government entity, by way of lease of land, and (b) supply of land or undivided share of land by way of lease or sub lease where such supply is a part of specified composite supply of construction of flats etc.

and to carry out suitable amendment in the provision relating to valuation of construction service involving transfer of land or undivided share of land, so as to ensure that buyers pay the same effective rate of GST on property built on leasehold and freehold land.

(17) To amend entry 3 of notification No. 12/2017-CT(R) so as to exempt pure services provided to Govt. entity.

(18) To expand pure services exemption under S. No. 3 of 12/2017-C.T. (Rate) so as to include composite supply involving predominantly supply of services i.e. upto 25% of supply of goods.

(19) To reduce job work services rate for manufacture of leather goods (Chapter 42) and footwear (Chapter 64) to 5%.

(20) To exempt services relating to admission to, or conduct of examination provided to all educational institutions, as defined in the notification.

To exempt services by educational institution by way of conduct of entrance examination against consideration in the form of entrance fee.

(21) To enhance the limit to Rs 2 lakh against Sl. No. 36 of exemption notification No. 12/2017-C.T. (Rate) which exempts services of life insurance business provided under life micro insurance product approved by IRDAI upto maximum amount of cover of Rs. 50,000.

(22) To exempt reinsurance services in respect of insurance schemes exempted under S.Nos. 35 and 36 of notification No. 12/2017-CT (Rate).

[It is expected that the premium amount charged from the government/insured in respect of future insurance services is reduced.]

(23) To increase threshold limit for exemption under entry No. 80 of Notification No. 12/2017-C.T. (Rate) for all the theatrical performances like Music, Dance, Drama, Orchestra, Folk or Classical Arts and all other such activities in any Indian language in theatre GST from Rs.250 to 500 per person and to also extend the threshold exemption to services by way of admission to a planetarium.

(24) To reduce GST on Common Effluent Treatment Plants services of treatment of effluents, from 18% to 12%.

(25) To exempt services by way of fumigation in a warehouse of agricultural produce.

(26) To reduce GST to 12% in respect of mining or exploration services of petroleum crude and natural gas and for drilling services in respect of the said goods.

(27) To exempt subscription of online educational journals/periodicals by educational institutions who provide degree recognized by any law from GST.

(28) To exempt the service provided by way of renting of transport vehicles provided to a person
providing services of transportation of students, faculty and staff to an educational institution providing education upto higher secondary or equivalent.

(29) To extend the concessional rate of GST on houses constructed/ acquired under the Credit Linked Subsidy Scheme for Economically Weaker Section (EWS)/Lower Income Group (LIG)/Middle Income Group-1 (MIG-1)/Middle Income Group-2 (MIG-2) under the Housing for All (Urban) Mission/Pradhan Mantri Awas Yojana (Urban) and low-cost houses up to a carpet area of 60 square metres per house in a housing project which has been given infrastructure status, as proposed by Ministry of Housing & Urban Affairs, under the same concessional rate.

(30) To tax time charter services at GST rate of 5%, that is at the same rate as applicable to voyage charter or bare boat charter, with the same conditions.

(31) To levy concessional GST @12% on the services provided by way of construction, erection, commissioning, installation, completion, fitting out, repair, maintenance, renovation, or alteration of building used for providing (for instance, centralized cooking or distributing) mid-day meal scheme by an entity registered under section 12AA of IT Act.

(32) To exempt 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-20 World Cup in case the said event is hosted by India.

(33) To exempt government's share of profit petroleum from GST and to clarify that cost petroleum is not taxable per se.

(B) Rationalization of certain exemption entries

(1) To provide in CGST rules that value of exempt supply under sub-section (2) of section 17, shall not include the value of deposits, loans or advances on which interest or discount is earned (This will not apply to a banking company and a financial institution including a non-banking financial company engaged in providing services by way of extending deposits, loans or advances).

(2) To defer the liability to pay GST in case of TDR against consideration in the form of construction service and on construction service against consideration in the form of TDR to the time when the possession or right in the property is transferred to the land owner by entering into a conveyance deed or similar instrument (eg. allotment letter). No deferment in point of taxation in respect of cash component.

(3) To tax renting of immovable property by government or local authority to a registered person under reverse Charge while renting of immovable property by government or local authority to un-registered person shall continue under forward charge.

(4) To define insurance agent in the reverse charge notification to have the same meaning as assigned to it in clause (10) of section 2 of the Insurance Act, 1938, so that corporate agents get excluded from reverse charge.

(5) To insert a provision in GST Rules under section 15 of GST Act that the value of lottery shall be 100/112 or 100/128 of the price of lottery ticket notified in the Gazette (the same is currently notified in the rate notification).

(6) To add, in the GST rate schedule for goods at 28%, actionable claim in the form of chance to win in betting and gambling including horse racing.

(7) To insert in GST rules under section 15 of GST Act,—

Notwithstanding anything contained in this chapter, value of supply of Betting & Gambling shall be 100% of the face value of the bet or the amount paid into the totalizator.

(C) Clarifications

(1) To clarify that exemption of Rs 1000/- per day or equivalent (declared tariff) is available in respect of accommodation service in hostels.

(2) To clarify that fee paid by litigants in the Consumer Disputes Commissions and any penalty imposed by these Commissions, will not attract GST.
(3) To clarify that elephant/ camel joy rides are not classified as transportation services and attract GST @ 18% with threshold exemption to small services providers.

(4) To clarify that leasing or rental service, with or without operator, of goods, attracts same GST as supply of like goods involving transfer of title in the said goods. Therefore, the GST rate for the rental services of self-Propelled Access Equipment (Boom. Scissors/Telehandlers) is 28%.

(5) To clarify that,—
   (1) Services provided by senior doctors/consultants/technicians hired by the hospitals, whether employees or not, are healthcare services which is exempt.

   (2) Hospitals also provide healthcare services. The entire amount charged by them from the patients including the retention money and the fee/payments made to the doctors etc., is towards the healthcare services provided by the hospitals to the patients and is exempt.

   (3) Food supplied to the in-patients as advised by the doctor/nutritionists is a part of composite supply of healthcare and not separately taxable. Other supplies of food by a hospital to patients (not admitted) or their attendants or visitors is taxable.

(6) To clarify that services by way of,—
   1. admission to entertainment events or access to amusement facilities including casinos, race-course
   2. ancillary services provided by casinos and race-course in relation to such admission.
   3. services given by race-course by way of totalisator (if given through some other person or charged separately as fees for using totalisator for purpose of betting, are taxable at 28%. Services given by race-course by way of license to bookmaker which is not a service by way of betting and gambling, is taxable at 18%.

3. It is proposed to issue notifications giving effect to these recommendations of the Council on 25th January, 2018.
PRESS RELEASE 26TH MEETING

(10-03-2018)

Sending a strong positive signal to the exporting community, the GST Council in its 26th meeting held here today decided to extend the available tax exemptions on imported goods for a further 6 months beyond 31.03.2018. Thus, exporters presently availing various export promotion schemes can now continue to avail such exemptions on their imports upto 01.10.2018, by which time an e-Wallet scheme is expected to be in place to continue the benefits in future.

In a related development which would benefit the exporters, the Council reviewed the progress in grant of refunds to exports of both IGST and Input Tax Credit. The Council appreciated that the pace of grant of IGST refund has picked up. Thereafter, the Council directed GSTN to expeditiously forward the balance refund claims to the Customs/Central GST/State GST authorities, as the case may be, for their immediate sanction and disbursal.

It may be recalled that in its meeting held on 06.10.2017 the Council had noted that exporters are experiencing difficulties of cash blockage on account of having to upfront pay GST/IGST on the inputs, raw materials etc./finished goods imported/procured for purposes of exports. An interim solution was found by re-introducing the pre-GST tax exemptions on such imports. Additionally, for merchant exporters a special scheme of payment of GST @ 0.1% on their procured goods was introduced. Also, domestic procurement made under Advance Authorization, EPCG and EOU schemes were recognized as 'deemed exports' with flexibility for either the suppliers or the exporters being able to claim a refund of GST/IGST paid thereon. All these avenues were made available upto 31.03.2018.

The permanent solution agreed to by the Council was to introduce an e-Wallet scheme w.e.f. 01.04.2018. The e-Wallet scheme is basically the creation of electronic e-Wallets, which would be credited with notional or virtual currency by the DGFT. This notional/virtual currency would be used by the exporters to make the payment of GST/IGST on the goods imported/procured by them so their funds are not blocked.

On 16.12.2017, Finance Secretary constituted a Working Group with representatives of Central and State Governments to operationalize the e-Wallet scheme. After reviewing the progress, the Council noted that whereas some preparatory work had been done, more needs to be done to address a large number of technical, legal and administrative issues that have been identified. The Council appreciated that this would require more time. The Council was also unanimous that there should be no disruption that may affect the exports. Accordingly, the Council agreed to:

(a) Defer the implementation of the e-Wallet scheme by 6 months i.e., upto 01.10.2018;

And

(b) Extend the present dispensation in terms of exemptions etc. which is available up to 31.03.2018, for a further 6 months i.e., upto 01.10.2018.

I Return filing System

The present system of filing of GSTR 3B and GSTR 1 is extended for another three months i.e., April to June, 2018 till the new return system is finalized. A new model was discussed extensively and Group of Ministers on IT has been tasked to finalize the same.

II. Reverse charge mechanism

The liability to pay tax on reverse charge basis has been deferred till 30.06.2018. In the meantime, a Group of Ministers will look into the modalities of its implementation to ensure that no inconvenience is caused to the trade and industry.

III. TDS/TCS

The provisions for deduction of tax at source (TDS) under section 51 of the CGST Act and collection of tax at source (TCS) under section 52 of the CGST Act shall remain suspended till 30.06.2018. In the meantime, the modalities of linking State and Central Governments accounting system with GSTN will be worked out so that seamless credit is available to the registered traders whose tax is deducted or collected at source.
IV. Grievance Redressal Mechanism

GST implementation Committee (GIC) has been tasked with the work of redressing the grievances caused to the taxpayers arising out of IT glitches.

In the 26th meeting held here today, the GST Council has been apprised of the fact that CBEC and GSTN have started detailed data analytics across a number of data sets available with them. The outcome of preliminary data analysis has revealed interesting insights:

♦ It has emerged that there is variance between the amount of IGST & Compensation Cess paid by importers at Customs ports and input tax credit of the same claimed in GSTR-3B.
♦ There are major data gaps between self-declared liability in FORM GSTR-1 and FORM GSTR-3B.

It was deliberated that this information may be further analysed and adequate action may be initiated accordingly.

In the 26th meeting held here today, the GST Council has recommended the introduction of e-way bill for inter-State movement of goods across the country from 01st April 2018. For intra-State movement of goods, e-way bill system will be introduced w.e.f. a date to be announced in a phased manner but not later than 01st June, 2018.

Major improvements over the last set of rules, as approved by the Council now, are as follows:

♦ E-way bill is required to be generated only where the value of the consignment exceeds Rs. 50000/-. For smaller value consignments, no e-way bill is required.
♦ The provisions of sub-rule (7) of Rule 138 will be notified from a later date. Therefore, at present there is no requirement to generate e-way bill where an individual consignment value is less than Rs. 50,000/-, even if the transporter is carrying goods of more than Rs. 50,000/- in a single conveyance.
♦ Value of exempted goods has been excluded from value of the consignment, for the purpose of e-way bill generation.
♦ Public conveyance has also been included as a mode of transport and the responsibility of generating e-way bill in case of movement of goods by public transport would be that of the consignor or consignee.
♦ Railways has been exempted from generation and carrying of e-way bill with the condition that without the production of e-way bill, railways will not deliver the goods to the recipient. But railways are required to carry invoice or delivery challan etc.
♦ Time period for the recipient to communicate his acceptance or rejection of the consignment would be the validity period of the concerned e-way bill or 72 hours, whichever is earlier.
♦ In case of movement of goods on account of job-work, the registered job worker can also generate e-way bill.
♦ Consignor can authorize the transporter, courier agency and e-commerce operator to fill PART-A of e-way bill on his behalf.
♦ Movement of goods from the place of consignor to the place of transporter up to a distance of 50 Km [increased from 10 km] does not require filling of PART-B of e-way bill. They have to generate PART-A of e-way bill.
♦ Extra validity period has been provided for Over Dimensional Cargo (ODC).
♦ If the goods cannot be transported within the validity period of the e-way bill, the transporter may extend the validity period in case of transhipment or in case of circumstances of an exceptional nature.
♦ Validity of one day will expire at midnight of the day immediately following the date of generation of e-way bill.
♦ Once verified by any tax officer, the same conveyance will not be subject to a second check in
any State or Union territory, unless and until, specific information for the same is received.

♦ In case of movement of goods by railways, airways and waterways, the e-way bill can be generated even after commencement of movement of goods.

♦ Movement of goods on account of Bill-To-Ship-To supply will be handled through the capturing of place of despatch in PART-A of e-way bill.
PRESS RELEASE 27TH MEETING

(04-05-2018)

Change in the Shareholding Pattern of GSTN
The Goods and Services Tax Network - Special Purpose Vehicle (GSTN-SPV) was created as a private limited, not-for-profit company under Section 25 of the Companies Act, 1956 (Section 8 of the Companies Act, 2013) by Govt. of India on 28th March, 2013 with an objective to provide shared IT infrastructure and services to Centre and States Governments, tax payers and other stakeholders for implementation of Goods and Services Tax (GST) in the country.

Presently, the Central Government and State Government are holding 24.5% equity shares respectively and the remaining 51% are held by non-Governmental institutions and through various mechanisms, GSTN is under strategic control of government. Majority of the GST processes including registration, filing of returns, payment of taxes, processing of refunds is IT driven and GSTN is handling large-scale invoice level data of lakhs of business entities including data relating to exports and imports. Considering the nature of ‘state’ function performed by GSTN, Council felt that GSTN be converted into a fully owned government Company.

In view of the above, Council decided:

Acquisition of entire 51% of equity held by the Non-Governmental Institutions in GSTN amounting to Rs. 5.1 crore, equally by the Centre and the States governments and allow GSTN Board to initiate process for acquisition of equity held by the private Companies; and

GSTN Board shall be allowed to continue the existing staff at existing terms and conditions for the a period upto five years, and shall have the flexibility of hiring people through contract on the terms and conditions similar to those used by GSTN till now while hiring regular employees.

The existing financial commitments given by Centre and States to GSTN to share the capital and O&M cost of the IT Systems shall continue.

Return Simplification
GST Council today (4th May, 2018) in its 27th meeting approved principles for filing of new return design based on the recommendations of the Group of Ministers on IT simplification. The key elements of the new return design are as follows –

(i) One monthly Return: All taxpayers excluding a few exceptions like composition dealer shall file one monthly return. Return filing dates shall be staggered based on the turnover of the registered person to manage load on the IT system. Composition dealers and dealers having Nil transaction shall have facility to file quarterly return.

(ii) Unidirectional Flow of invoices: There shall be unidirectional flow of invoices uploaded by the seller on anytime basis during the month which would be the valid document to avail input tax credit by the buyer. Buyer would also be able to continuously see the uploaded invoices during the month. There shall not be any need to upload the purchase invoices also. Invoices for B2B transaction shall need to use HSN at four digit level or more to achieve uniformity in the reporting system.

(iii) Simple Return design and easy IT interface: The B2B dealers will have to fill invoice-wise details of the outward supply made by them, based on which the system will automatically calculate his tax liability. The input tax credit will be calculated automatically by the system based on invoices uploaded by his sellers. Taxpayer shall be also given user friendly IT interface and offline IT tool to upload the invoices.

(iv) No automatic reversal of credit: There shall not be any automatic reversal of input tax credit from buyer on non-payment of tax by the seller. In case of default in payment of tax by the seller, recovery shall be made from the seller however reversal of credit from buyer shall also be an option available with the revenue authorities to address exceptional situations like missing dealer, closure of business by supplier or supplier not having adequate assets etc.

(v) Due process for recovery and reversal: Recovery of tax or reversal of input tax credit shall be through a due process of issuing notice and order. The process would be online and automated to reduce the human interface.
(vi) **Supplier side control:** Unloading of invoices by the seller to pass input tax credit who has defaulted in payment of tax above a threshold amount shall be blocked to control misuse of input tax credit facility. Similar safeguards would be built with regard to newly registered dealers also. Analytical tools would be used to identify such transactions at the earliest and prevent loss of revenue.

(vii) **Transition:** There will be a three stage transition to the new system. Stage I shall be the present system of filing of return GSTR 3B and GSTR 1. GSTR 2 and GSTR 3 shall continue to remain suspended. Stage I will continue for a period not exceeding 6 months by which time new return software would be ready. In stage 2, the new return will have facility for invoice-wise data upload and also facility for claiming input tax credit on self declaration basis, as in case of GSTR 3B now. During this stage 2, the dealer will be constantly fed with information about gap between credit available to them as per invoices uploaded by their sellers and the provisional credit being claimed by them. After 6 months of this phase 2, the facility of provisional credit will get withdrawn and input tax credit will only be limited to the invoices uploaded by the sellers from whom the dealer has purchased goods.

**Content of the return and implementation:** Return shall be simplified also by reducing the content/information required to be filled in the return. The details of the design of the return form, business process and legal changes would be worked out by the law committee based on these principles. Government is keen to introduce the simplified return design at the earliest to reduce the compliance burden on the trade in keeping with the philosophy of ease of doing business.

1. **Incentive to promote Digital Transactions:**
   a) Keeping in view the need to move towards a less cash economy, the Council has discussed in detail the proposal of a concession of 2% in GST rate [where the GST rate is 3% or more, 1% each from applicable CGST and SGST rates] on B2C supplies, for which payment is made through cheque or digital mode, subject to a ceiling of Rs. 100 per transaction, so as to incentivise promotion of digital payment.

   b) The council has recommended for setting up of a Group of Ministers from State Governments to look into the proposal and make recommendations, before the next Council meeting, keeping in mind the views expressed in GST Council.

2. **Imposition of Sugar Cess over and above 5% GST and reduction in GST rate on ethanol:**
   a) Keeping in view the record production of sugar in the current sugar season, and consequent depressed sugar prices and build-up of sugarcane arrears, the Council discussed the issue of imposition of sugar cess and reduction in GST rate on ethanol in great detail.

   b) The council has recommended for setting up of a Group of Ministers from State Governments to look into the proposal and make recommendations, within two weeks, keeping in mind the views expressed in GST Council in this regard.
PRESS RELEASE 28TH MEETING
(21-07-2018)
PRESS NOTE July 21, 2018


1. The GST Council in its 28th meeting held today at New Delhi has recommended certain amendments in the CGST Act, IGST Act, UTGST Act and the GST (Compensation to States) Act.

2. The major recommendations are as detailed below:

1. Upper limit of turnover for opting for composition scheme to be raised from Rs. 1 crore to Rs. 1.5 crore. Present limit of turnover can now be raised on the recommendations of the Council.

2. Composition dealers to be allowed to supply services (other than restaurant services), for upto a value not exceeding 10% of turnover in the preceding financial year, or Rs. 5 lakhs, whichever is higher.

3. Levy of GST on reverse charge mechanism on receipt of supplies from unregistered suppliers, to be applicable to only specified goods in case of certain notified classes of registered persons, on the recommendations of the GST Council.

4. The threshold exemption limit for registration in the States of Assam, Arunachal Pradesh, Himachal Pradesh, Meghalaya, Sikkim and Uttarakhand to be increased to Rs. 20 Lakhs from Rs. 10 Lakhs.

5. Taxpayers may opt for multiple registrations within a State/Union territory in respect of multiple places of business located within the same State/Union territory.

6. Mandatory registration is required for only those e-commerce operators who are required to collect tax at source.

7. Registration to remain temporarily suspended while cancellation of registration is under process, so that the taxpayer is relieved of continued compliance under the law.

8. The following transactions to be treated as no supply (no tax payable) under Schedule III: a. Supply of goods from a place in the non-taxable territory to another place in the non-taxable territory without such goods entering into India; b. Supply of warehoused goods to any person before clearance for home consumption; and c. Supply of goods in case of high sea sales.

9. Scope of input tax credit is being widened, and it would now be made available in respect of the following: a. Most of the activities or transactions specified in Schedule III; b. Motor vehicles for transportation of persons having seating capacity of more than thirteen (including driver), vessels and aircraft; c. Motor vehicles for transportation of money for or by a banking company or financial institution; d. Services of general insurance, repair and maintenance in respect of motor vehicles, vessels and aircraft on which credit is available; and e. Goods or services which are obligatory for an employer to provide to its employees, under any law for the time being in force.

10. In case the recipient fails to pay the due amount to the supplier within 180 days from the date of issue of invoice, the input tax credit availed by the recipient will be reversed, but liability to pay interest is being done away with.
11. Registered persons may issue consolidated credit/debit notes in respect of multiple invoices issued in a Financial Year.

12. Amount of pre-deposit payable for filing of appeal before the Appellate Authority and the Appellate Tribunal to be capped at Rs. 25 Crores and Rs. 50 Crores, respectively.

13. Commissioner to be empowered to extend the time limit for return of inputs and capital sent on job work, upto a period of one year and two years, respectively.

14. Supply of services to qualify as exports, even if payment is received in Indian Rupees, where permitted by the RBI.

15. Place of supply in case of job work of any treatment or process done on goods temporarily imported into India and then exported without putting them to any other use in India, to be outside India.

16. Recovery can be made from distinct persons, even if present in different State/Union territories.

17. The order of cross-utilisation of input tax credit is being rationalised.

These amendments will now be placed before the Parliament and the legislature of State and Union territories with legislatures for carrying out the amendments in the respective GST Acts.

**PRESS NOTE on GST rate on Services**

GST Council in the meeting held at New Delhi on 21.07.2018 took following decisions relating to exemptions / changes in GST rates / ITC eligibility criteria, rationalization of rates / exemptions and clarification on levy of GST on services. The decisions of the GST Council enclosed as annexure has been presented in simple language for ease of understanding which would be given effect to through Gazette notifications/ circulars which shall have force of law.

2. It would be noted that multiple reliefs from GST taxation have been provided to following categories of services –

(i) Agriculture, farming and food processing industry,

(ii) Education, training and skill development,

(iii) Pension, social security and old age support.

3. Hotel industry has been given major relief by providing that the rate of tax on accommodation service shall be based on transaction value instead of declared tariff.

4. Services provided in sectors like banking, IT have been provided relief by exempting services supplied by an establishment of a person in India to any establishment of that person outside India [related party].

5. As a green initiative, GST on supply of e-books has been reduced from 18 to 5%.

6. For details of major decisions on services, annexure to this press note may be referred.

7. It is proposed to issue notifications giving effect to these recommendations of the Council with effect from 27th July, 2018.
ANNEXURE - EXEMPTIONS / CHANGES IN GST RATES AND SERVICES

Sector – Farmers/ Agriculture/ Food Processing

1. Exempt services by way of artificial insemination of livestock (other than horses).

2. Exempt warehousing of minor forest produce in line with exemptions provided to the agricultural produce.

3. Exempt the works of installation and commissioning undertaken by DISCOMS/ electricity distribution companies for extending electricity distribution network upto the tube well of the farmer/ agriculturalist for agricultural use.

4. Exempt services provided by FSSAI to food business operators.

Education/ Training/ Skill Development

5. Reduce rate of GST from 18% to 5% on supply only of e-books for which print version exist.

Social Security/ Pension Security/ Senior Citizens

6. Exempt services provided by Coal Mines Provident Fund Organisation to the PF subscribers from the applicability of GST on the lines of EPFO.

7. Exempt supply of services by an old age home run by State / Central Government or by a body registered under 12AA of Income Tax Act) to its residents (aged 60 years or more) against consideration upto Rupees Twenty Five Thousand per month per member provided consideration is inclusive of charges for boarding, lodging and maintenance.

8. Exempt GST on the administrative fee collected by National Pension System Trust.

9. Exempt services provided by an unincorporated body or a non-profit entity registered under any law for the time being in force, engaged in activities relating to the welfare of industrial or agricultural labour or farmer; or for the promotion of trade, commerce, industry, agriculture, art, science, literature, culture, sports, education, social welfare, charitable activities and protection of environment, to own members against consideration in the form of membership fee up to an amount of one thousand rupees per member per year.

Banking/ Finance/ Insurance

10. Exempt Reinsurance Services provided to specified Insurance Schemes such as Pradhan Mantri Rashtriya Swasthya Suraksha Mission (PMRSSM) (Ayushman Bharat), funded by Government.

Government Services

11. Exempt services provided by Government to ERCC by way of assigning the right to collect royalty, DMFT etc. from the mining lease holders.

12. Exempt the guarantees given by Central/State Government/UT administration to their undertakings/PSUs.

Miscellaneous

13. Exempt GST on import of services by Foreign Diplomatic Missions/ UN & other International Organizations based on reciprocity.
14. Exempt services supplied by an establishment of a person in India to any establishment of that person outside India, which are treated as establishments of distinct persons in accordance with Explanation I in section 8 of the IGST Act provided the place of supply is outside the taxable territory of India in accordance with section 13 of IGST Act

15. Prescribe GST rate slabs on accommodation service based on transaction value instead of declared tariff which is likely to provide major relief to the hotel industry.

16. Prescribe GST rate of 12% with full ITC under forward charge for composite supply of multimodal transportation.

17. Rationalize the notification entry prescribing reduced GST rate on composite supply of works contract received by the Government or a local authority in the course of their sovereign functions.

18. Rationalize entry relating to composite supply of food and drinks in restaurant, mess, canteen, eating joints and such supplies to institutions (educational, office, factory, hospital) on contractual basis at GST rate of 5%; and making it clear that the scope of outdoor catering under 7(v) is restricted to supplies in case of outdoor/indoor functions that are event based and occasional in nature.

**Clarifications**

19. Supply of services provided by State and Central educational boards to students for conduct of examination will be clarified to be exempt.

20. To clarify that the courses run by private ITIs for designated trades are exempt under GST whereas non-designated courses are taxable.

21. To clarify that GST on premium paid by the Governments for implementing Pradhan Mantri Rashtriya Swasthya Suraksha Mission (PMRSSM) (Ayushman Bharat) is exempt from GST.

22. To provide clarification on applicability of Service Tax / GST on services rendered by an Indian Architect- Consultant in relation to immovable property located outside India to Indian Diplomatic Missions/Posts abroad.

23. To clarify to Auroville foundation that ‘maintenance’ paid by it to Aurovilians is not liable to GST.

24. To insert an explanation in notification No. 13/2017-Central Tax(Rate) to define the term renting of immovable property.

25. To clarify that certain services such as “deposit works(expenses for providing electric line/plant)” related to distribution of electricity provided by DISCOM, attract GST.

**Export / other trade facilitation measures**

26. Extend the exemption granted on outward transportation of all goods by air and sea by another one year i.e. upto 30th September, 2019 as relief to the exporter of goods.

27. Place liability to pay GST on services provided by individual DSAs to banks/NBFCs under reverse charge on the buying banks/NBFCs. However, services by non-individual NBFCs (corporate, partnership firms) to banks/NBFCs would continue under forward charge, as at present.

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Press Note on Simplified GST Return

GST Council in its 28th meeting held on 21st of July, 2018 in New Delhi, approved the new return formats and associated changes in law. It may be recalled that in the 27th meeting held on 4th of May, 2018 the Council had approved the basic principles of GST return design and directed the law committee to finalize the return formats and changes in law. The formats and business process approved today were in line with the basic principles with one major change i.e. the option of filing quarterly return with monthly payment of tax in a simplified return format by the small tax payers.

2. All taxpayers excluding small taxpayers and a few exceptions like ISD etc. shall file one monthly return. The return is simple with two main tables. One for reporting outward supplies and one for availing input tax credit based on invoices uploaded by the supplier. Invoices can be uploaded continuously by the seller and can be continuously viewed and locked by the buyer for availing input tax credit. This process would ensure that very large part of the return is automatically filled based on the invoices uploaded by the buyer and the seller. Simply put, the process would be “UPLOAD – LOCK – PAY” for most tax payers.

3. Taxpayers would have facility to create his profile based on nature of supplies made and received. The fields of information which a taxpayer would be shown and would be required to fill in the return would depend on his profile.

4. NIL return filers (no purchase and no sale) shall be given facility to file return by sending SMS.

5. Council approved quarterly filing of return for the small taxpayers having turnover below Rs. 5 Cr as an optional facility. Quarterly return shall be similar to main return with monthly payment facility but for two kinds of registered persons – small traders making only B2C supply or making B2B + B2C supply. For such taxpayers, simplified returns have been designed called Sahaj and Sugam. In these returns details of information required to be filled is lesser than that in the regular return.

6. The new return design provides facility for amendment of invoice and also other details filled in the return. Amendment shall be carried out by filing of a return called amendment return. Payment would be allowed to be made through the amendment return as it will help save interest liability for the taxpayers.

7. 93% of the taxpayers have a turnover of less than Rs 5 Cr and these taxpayers would benefit substantially from the simplification measures proposed improving their ease of doing business. Even the large taxpayers would find the design of new return quite user friendly.
PRESS RELEASE 29th MEETING

(04-08-2018)

Highlights of the meeting :

Digital Payments :

1. Incentives in the form cash back will be offered on the GST component of the bill for payments made digitally.

2. Digital modes will include payments through –
   a. Rupay Debit card
   b. BHIM UPI
   c. UPI Aadhaar
   d. USSD (Unstructured Supplementary Service Data)

3. A cashback of 20% on the GST component will be credited to the consumers, which will be limited to Rs. 100 only per transaction.

4. This will be a trial basis process by the GST council to check whether it increases the tax payment compliances or not.

5. It will not be a compulsory adoption by the states. The states will have to volunteer for these processes to be implemented.

MSMEs :

1. A group of ministers formed to study and address the issues related to MSMEs.

2. This group will work in alignment with the law and fitment committee to address the concerns of this sector on GST compliances and procedures related to GST return filings.
PRESS RELEASE 30th MEETING

(28-09-2018)

1. Formation of GoM
A seven-member Group of Ministers (GoM) is formed to look into the following verticals and submit a report of recommendations to the GST council by 31st October 2018 on the following issues:

a. Imposition of cess under GST to provide relief to Kerala flood victims – Kerala Government pitched to the GST Council to charge a 10% cess to recover the loss due to floods. The GoM is to take a call on whether or not the proposed cess must come into effect and who must bear the same.

b. A temporary tax under GST to help states in exigencies: GoM is to look into the long-term implications of levying state cess. This cess will be levied on the commodities for a temporary period, subject to notification. However, an additional 1% tax on selected items was discussed in the meeting.

c. Other Issues to be looked by GoM: The committee will look into the issues such as whether the temporary tax should be levied only in the state concerned or should it be an all-India imposition. Also, a class of goods subject to this tax must be proposed and decided.

It will also look into whether the National Disaster Response Fund (NDRF)/State Disaster Response Fund (SDRF) mechanism is enough to deal with the calamities and the situations where calamity tax can be legally imposed under GST.

2. Discussion on revenue positions of all the states
The GST collections have been beyond the expected target in many north-eastern states. Additionally, a panel of analysts will be conducting a research on all the states pertaining to the GST collection and will recommend ways to bridge the gap between the current revenue and targeted revenue. The graph of the GST revenue collection showed that states showed 16% shortfall in the first year of its implementation. This shortfall has been reduced to 13% in April – Aug 2018. Finance minister Arun Jaitley stated that the deficit is expected to neutralize itself within 5 years of GST’s rollout.

As per the analysis based on the facts mentioned above, the future rate cuts in the goods and services will depend on the increase in revenue collections in all the states in the coming months.

* Press releases are yet to be notified by the CBIC.

Expectations from 30th GST council meeting:

1. Rationalisation of GST rates on cruise tourism

It is expected that the council will discuss on the rationalizing GST rates on cruise tourism or exempting them completely. Currently, 18% is the rate on the supply of cruising services in cruise tourism industry.

2. Simplification and Automation of GSTR-9C

Though the reconciliation statement which is to be filed with the Annual return GSTR -9 has been notified, we can expect the council to discuss on its simplification and further automation of form. This will reduce the cost and time resources for the taxpayers.

3. Compliances for MSMEs
In the 29th GST council meeting, a committee was formed by the council to look after the compliances of MSMEs and prepare a report on it further. It is expected that the council will be discussing the matters reported by the committee for MSMEs.

4. **Flood-relief cess for the State of Kerala**

Council is expected to take up the discussion on the Kerala government’s demand for levying a cess to collect resources to meet the cost of recovery from the floods occurred few days back.

Though it would not be fair to the affected people to pay more taxes, let us see what the GST council decides upon.

5. **GST on ATF(Aviation turbine fuel)**

Finance Minister has pitched in to bring ATF under GST ambit. Rising jet fuel prices and lowering air ticket prices have pushed airlines on the brink of crisis. The move to bring ATF under GST will mostly affect those states that have more airports.
Recommendations made during 31st Meeting of the GST Council  
The GST Council in its 31st meeting held today at New Delhi made the following policy recommendations:
1. There would be a single cash ledger for each tax head. The modalities for implementation would be finalised in consultation with GSTN and the Accounting authorities.

2. A scheme of single authority for disbursement of the refund amount sanctioned by either the Centre or the State tax authorities would be implemented on pilot basis. The modalities for the same shall be finalized shortly.

3. The new return filing system shall be introduced on a trial basis from 01.04.2019 and on mandatory basis from 01.07.2019.


5. The following clarificatory changes, inter-alia, shall be carried out in the formats/instructions according to which the annual return / reconciliation statement is to be submitted by the taxpayers:
   i) Amendment of headings in the forms to specify that the return in FORM GSTR-9 & FORM GSTR-9A would be in respect of supplies etc. ‘made during the year’ and not ‘as declared in returns filed during the year’;
   ii) All returns in FORM GSTR-I&FORM GSTR-3B have to be filed before filing of FORM GSTR-9&FORM GSTR-9C;
   iii) All returns in FORM GSTR-4 have to be filed before filing of FORM GSTR-9A;
   iv) HSN code may be declared only for those inward supplies whose value independently accounts for 10% or more of the total value of inward supplies;
   v) Additional payments, if any, required to be paid can be done through FORM GST DRC-03 only in cash;
   vi) ITC cannot be availed through FORM GSTR-9 & FORM GSTR-9C;
   vii) All invoices pertaining to previous FY (irrespective of month in which such invoice is reported in FORM GSTR-1) would be auto-populated in Table 8A of FORM GSTR-9;
   viii) Value of “non-GST supply” shall also include the value of “no supply” and may be reported in Table 5D, 5E and 5F of FORM GSTR-9;
   ix) Verification by taxpayer who is uploading reconciliation statement would be included in FORM GSTR-9C.

6. The due date for furnishing FORM GSTR-8 by e-commerce operators for the months of October, November and December, 2018 shall be extended till 31.01.2019.

7. The due date for submitting FORM GST ITC-04 for the period July 2017 to December 2018 shall be extended till 31.03.2019.

8. ITC in relation to invoices issued by the supplier during FY 2017-18 may be availed by the recipient till the due date for furnishing of FORM GSTR-3B for the month of March, 2019, subject to specified conditions.
9. All the supporting documents/invoices in relation to a claim for refund in FORM GST RFD-01A shall be uploaded electronically on the common portal at the time of filing of the refund application itself, thereby obviating the need for a taxpayer to physically visit a tax office for submission of a refund application. GSTN will enable this functionality on the common portal shortly.

10. The following types of refunds shall also be made available through FORM GST RFD-01A:
   i) Refund on account of Assessment/Provisional Assessment/Appeal/Any Other Order;
   ii) Tax paid on an intra-State supply which is subsequently held to be inter-State supply and vice-versa;
   iii) Excess payment of Tax; and
   iv) Any other refund.

11. In case of applications for refund in FORM GST RFD-01A (except those relating to refund of excess balance in the cash ledger) which are generated on the common portal before the roll out of the functionality described in point (10) above, and which have not been submitted in the jurisdictional tax office within 60 days of the generation of ARN, the claimants shall be sent communications on their registered email ids containing information on where to submit the said refund applications. If the applications are not submitted within 15 days of the date of the email, the said refund applications shall be rejected, and the debited amount, if any, shall be re-credited to the electronic credit ledger of the claimant.

12. One more window for completion of migration process is being allowed. The due date for the taxpayers who did not file the complete FORM GST REG-26 but received only a Provisional ID (PID) till 31.12.2017 for furnishing the requisite details to the jurisdictional nodal officer shall be extended till 31.01.2019. Also, the due date for furnishing FORM GST-3B and FORM GST-1 for the period July, 2017 to February, 2019/quarters July, 2017 to December, 2018 by such taxpayers shall be extended till 31.03.2019.

13. Late fee shall be completely waived for all taxpayers in case FORM GST-1, FORM GST-3B & FORM GST-4 for the months / quarters July, 2017 to September, 2018, are furnished after 22.12.2018 but on or before 31.03.2019.

14. Taxpayers who have not filed the returns for two consecutive tax periods shall be restricted from generating e-way bills. This provision shall be made effective once GSTN/NIC make available the required functionality.

15. Clarifications shall be issued on certain refund related matters like refund of ITC accumulated on account of inverted duty structure, disbursal of refunds within the stipulated time, time allowed for availing of ITC on invoices, refund of accumulated ITC of compensation cess etc.


The requisite Notifications/Circulars for implementing the above recommendations of the GST Council shall be issued shortly.

Certain important issues referred by GST Council to various Committees / GoM
The GST Council in its 31st meeting held today at New Delhi decided to refer the following issues to Committees / GoM indicated against them:
   i. Extending the Composition scheme to small service providers. The rate of tax and threshold limit to be proposed - Law Committee and Fitment Committee.
   ii. Tax rate on lotteries – Committee of States.
iii. Taxation of residential property in real estate sector – Law Committee and Fitment Committee.
iv. Threshold limit of exemption under GST regime – GoM on MSMEs.

2. GST council in its next meeting would take a view on the above issues in its next meeting.

**In-Principle approval given for Law Amendments during 31st Meeting of the GST Council**

The GST Council in its 31st meeting held today at New Delhi gave in principle approval to the following amendments in the GST Acts:
1. Creation of a Centralised Appellate Authority for Advance Ruling (AAAR) to deal with cases of conflicting decisions by two or more State Appellate Advance Ruling Authorities on the same issue.
2. Amendment of section 50 of the CGST Act to provide that interest should be charged only on the net tax liability of the taxpayer, after taking into account the admissible input tax credit, i.e. interest would be leviable only on the amount payable through the electronic cash ledger.

The above recommendations of the Council will be made effective only after the necessary amendments in the GST Acts are carried out.

**Recommendations made during 31st Meeting of the GST Council held on 22nd December, 2018 (New Delhi)-Rate changes**

GST Council in the 31st meeting held on 22nd December, 2018 at New Delhi took following decisions relating to changes in GST rates on goods and services. The decisions of the GST Council have been presented in this note for easy understanding. The same would be given effect to through Gazette notifications/ circulars which shall have force of law.

**I. GST rate reduction on goods which were attracting GST rate of 28% :**

**A. 28% to 18%**
- Pulleys, transmission shafts and cranks, gear boxes etc., falling under HS Code 8483
- Monitors and TVs of upto screen size of 32 inches
- Re-treaded or used pneumatic tyres of rubber;
- Power banks of lithium ion batteries. Lithium ion batteries are already at 18%. This will bring parity in GST rate of power bank and lithium ion battery.
- Digital cameras and video camera recorders
- Video game consoles and other games and sports requisites falling under HS code 9504

**B. 28% to 5%**
- Parts and accessories for the carriages for disabled persons

**II. GST rate reduction on other goods,-**

**A. 18% to 12%**
- Cork roughly squared or debagged
- Articles of natural cork
- Agglomerated cork

**B. 18% to 5%**
- Marble rubble
C. 12% to 5%
- Natural cork
- Walking Stick
- Fly ash Blocks

D. 12% to Nil:
- Music Books

E. 5% to Nil
- Vegetables, (uncooked or cooked by steaming or boiling in water), frozen, branded and put in a unit container
- Vegetable provisionally preserved (for example by sulphur dioxide gas, in brine, in sulphur water or in other preservative solutions), but unsuitable in that state for immediate consumption.

III. GST on solar power generating plant and other renewable energy plants
- GST rate of 5% rate has been prescribed on renewable energy devices & parts for their manufacture (bio gas plant/solar power based devices, solar power generating system (SGPS) etc) [falling under chapter 84, 85 or 94 of the Tariff]. Other goods or services used in these plants attract applicable GST.
- Certain disputes have arisen regarding GST rates where specified goods attracting 5% GST are supplied along with services of construction etc and other goods for solar power plant.
- To resolve the dispute the Council has recommended that in all such cases, the 70% of the gross value shall be deemed as the value of supply of said goods attracting 5% rate and the remaining portion (30%) of the aggregate value of such EPC contract shall be deemed as the value of supply of taxable service attracting standard GST rate.

Reduction in GST rates/exemptions on services:
- GST rate on cinema tickets above Rs. 100 shall be reduced from 28% to 18% and on cinema tickets upto Rs. 100 from 18% to 12%.
- GST rate on third party insurance premium of goods carrying vehicles shall be reduced from 18% to 12%
- Services supplied by banks to Basic Saving Bank Deposit (BSBD) account holders under Pradhan Mantri Jan Dhan Yojana (PMJDY) shall be exempted.
- Air travel of pilgrims by non-scheduled/charter operations, for religious pilgrimage facilitated by the Government of India under bilateral arrangements shall attract the same rate of GST as applicable to similar flights in Economy class (i.e. 5% with ITC of input services).

Decisions taken by the GST Council in the 31st meeting held on 22nd December 2018 regarding GST rate on services
GST Council in the 31st meeting held on 22nd December, 2018 at New Delhi took following decisions relating to changes in GST rates, ITC eligibility criteria, exemptions and clarifications on connected issues. The decisions of the GST Council have been presented in this note in simple language for easy understanding. The same would be given effect to through Gazette notifications/ circulars which shall have force of law.

Reduction in GST rates/exemptions on services:
1. GST rate on cinema tickets above Rs. 100 shall be reduced from 28% to 18% and on cinema tickets upto Rs. 100 from 18% to 12%.
2. GST rate on third party insurance premium of goods carrying vehicles shall be reduced from 18% to 12%
3. Services supplied by banks to Basic Saving Bank Deposit (BSBD) account holders under Pradhan Mantri Jan Dhan Yojana (PMJDY) shall be exempted.

4. Services supplied by rehabilitation professionals recognised under Rehabilitation Council of India Act, 1992 at medical establishments, educational institutions, rehabilitation centers established by Central Government/State Government or Union Territories or entity registered under section 12AA of the Income-tax Act shall be exempted.

5. Services provided by GTA to Government departments/local authorities which have taken registration only for the purpose of deducting tax under Section 51 shall be excluded from payment of tax under RCM and the same shall be exempted.

6. Exemption on services provided by Central or State Government or Union Territory Government to their undertakings or PSUs by way of guaranteeing loans taken by them from financial institutions is being extended to guaranteeing of such loans taken from banks.

7. Air travel of pilgrims by non-scheduled/charter operations, for religious pilgrimage facilitated by the Government of India under bilateral arrangements shall attract the same rate of GST as applicable to similar flights in Economy class (i.e. 5% with ITC of input services).

**Rationalization**

8. Parliament and State legislatures shall be extended the same tax treatment with regard to payment of tax under RCM (reverse charge mechanism) as available to Central and State Governments.

9. Security services (supply of security personnel) provided to a registered person, except Government Departments which have taken registration for TDS and entities registered under composition scheme, shall be put under RCM.

10. Services provided by unregistered Business Facilitator (BF) to a bank and agent of Business correspondent (BC) to a BC shall be put under RCM.

**Recommendations made during 31st Meeting of the GST Council held on 22nd December, 2018 (New Delhi)-Rate changes and clarification in Goods**

GST Council in the 31st meeting held on 22nd December, 2018 at New Delhi took following decisions relating to changes in GST rates, and clarification (on Goods). The decisions of the GST Council have been presented in this note for easy understanding. The same would be given effect to through Gazette notifications/circulars which shall have force of law.

**I. GST rate reduction on goods which were attracting GST rate of 28% :**

**A. 28% to 18%**

- Pulleys, transmission shafts and cranks, gear boxes etc., falling under HS Code 8483
- Monitors and TVs of upto screen size of 32 inches
- Re-treaded or used pneumatic tyres of rubber;
- Power banks of lithium ion batteries. Lithium ion batteries are already at 18%. This will bring parity in GST rate of power bank and lithium ion battery.
- Digital cameras and video camera recorders
- Video game consoles and other games and sports requisites falling under HS code 9504.

**B. 28% to 5%**

- Parts and accessories for the carriages for disabled persons

**II. GST rate reduction on other goods,-**
A. 18% to 12%
- Cork roughly squared or debagged
- Articles of natural cork
- Agglomerated cork

B. 18% to 5%
- Marble rubble

C. 12% to 5%
- Natural cork
- Walking Stick
- Fly ash Blocks

D. 12% to Nil:
- Music Books

E. 5% to Nil
- Vegetables, (uncooked or cooked by steaming or boiling in water), frozen, branded and put in a unit container
- Vegetable provisionally preserved (for example by sulphur dioxide gas, in brine, in sulphur water or in other preservative solutions), but unsuitable in that state for immediate consumption.

F. Miscellaneous
- Exemption from GST on supply of gold by Nominated Agencies to exporters of article of gold Jewellery.
- Exemption from GST on proceeds received by Government from auction of gifts received by President, Prime Minister, Governor or Chief Minister of a State and public servants, the proceeds of which is used for public or charitable cause.
- Exemption from IGST/Compensation cess on vehicles imported for temporary purposes under the Customs Convention on the Temporary importation of Private Road Vehicles (carnet de passages-endouane).
- Rate of 5%/18% to be applied based on transaction value of footwear
- Uniform GST rate of 12% on Flexible Intermediate Bulk Container (FIBC) from existing 5%/12% (depending on the value)

III. GST on solar power generating plant and other renewable energy plants
- GST rate of 5% rate has been prescribed on renewable energy devices & parts for their manufacture (bio gas plant/solar power based devices, solar power generating system (SGPS) etc) [falling under chapter 84, 85 or 94 of the Tariff]. Other goods or services used in these plants attract applicable GST.
- Certain disputes have arisen regarding GST rates where specified goods attracting 5% GST are supplied along with services of construction etc. and other goods for solar power plant.
• To resolve the dispute the Council has recommended that in all such cases, the 70% of the gross value shall be deemed as the value of supply of said goods attracting 5% rate and the remaining portion (30%) of the aggregate value of such EPC contract shall be deemed as the value of supply of taxable service attracting standard GST rate.

IV. Clarifications:

• Sprinkler system consisting of nozzles, lateral and other components would attract 12% GST rate under S.No. 195B of notification No. 1/2017-Central Tax (Rate) dated 28.6.2018

• Movement of Rigs, Tools & Spares and all goods on wheels on own account where such movement is not intended for further supply of such goods but for the provision of service does not involve a supply (e.g., movement of testing equipment etc.) and is not be liable to GST.

• The goods with description Bagasse Board [whether plain or laminated] falling under Chapter 44 attract GST at the rate of 12%.

• Concessional GST rate of 5% applies to the LPG supplied in bulk to an OMC by refiners/fractioners for bottling for further supply to household domestic consumers.

• While animal/cattle/aquatic/poultry feed are exempt vide S. No. 102 of notification No. 2/2017-Central Tax (Rate), this exemption would not apply to their inputs such as fish meal, meat bone meal, bran, sharps, oil cakes of various oil seeds etc.

• Manure of determination of classification of vitamins, provitamins etc. as animal feed supplements

• Sattu or Chattua falling under HS code 1106 and attracts the applicable GST rate.

• Polypropylene Woven and Non-Woven Bags and PP Woven and Non-Woven Bags laminated with BOPP falls under HS code 3923 and attract 18% GST rate.

• 18% GST is applicable on wood logs including the wood in rough/log used for pulping.

• Turbo charger is classified under heading 8414 and attracts 18% GST and not 5% GST.

• Fabric even if embroidered or has stitching of lace and tikki etc., and even if sold in three piece fabric as ladies suit set, will be classifiable as fabric and would attract 5% GST.

• Scope of concessional rate of 5% GST rate for specified equipment for waste to energy plant.

This is for information only. For exact details of changes, the notification/Circular/ Clarification may please be referred to, as and when they are issued.


The GST Council in its 31st meeting held today at New Delhi has approved the proposal to form a 7 Member Group of Ministers to study the revenue trend, including analysing the reasons for structural patterns affecting the revenue collection in some of the States. The study would include the underlying reasons for deviation from the revenue collection targets vis a vis original assumptions discussed during the design of GST system, its implementation and related structural issues.

The Group of Ministers will be assisted by the committee of experts from Central Government, State Governments and the NIPFP (National Institute of Public Finance and Planning), who would study and share the findings with GoM. The GoM in turn would give its recommendation to the GST Council.

The members of the GoM and the Committee of experts would be announced in due course of time.
Press Release

Recommendations made during 32nd Meeting of the GST Council held on 10th January, 2019

The GST Council in its 32nd meeting held today at New Delhi gave approval for the following:

a. Changes made by CGST (Amendment) Act, 2018, IGST (Amendment) Act, 2018, UTGST (Amendment) Act, 2018 and GST (Compensation to States) Amendment Act, 2018 along with amendments in CGST Rules, notifications and Circulars issued earlier and the corresponding changes in SGST Acts would be notified w.e.f. 01.02.2019.

b. The last date for passing the examination for GST Practitioners to be extended till 31.12.2019 for those GST Practitioners who have enrolled under rule 83(1)(b) i.e. who were sales tax practitioner or tax return preparer under the existing law for a period of not less than five years.

Note: The decisions of the GST Council have been presented in this release in simple language for easy understanding. The same would be given effect to through Gazette notifications/ circulars which alone shall have the force of law.

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Major Decisions taken by the GST Council in its 32nd Meeting held today under the Chairmanship of the Union Minister of Finance & Corporate Affairs, Shri Arun Jaitley

The GST Council in its 32nd meeting held today under the Chairmanship of the Union Minister of Finance & Corporate Affairs, Shri Arun Jaitley in New Delhi took the following major decisions to give relief to MSME (including Small Traders) among others -

1. Increase in Turnover Limit for the existing Composition Scheme: The limit of Annual Turnover in the preceding Financial Year for availing Composition Scheme for Goods shall be increased to ₹ 1.5 crore. Special category States would decide, within one week, about the Composition Limit in their respective States.

1.1 Compliance Simplification: The compliance under Composition Scheme shall be simplified as now they would need to file one Annual Return but Payment of Taxes would remain Quarterly (alongwith a simple declaration).

2. Higher Exemption Threshold Limit for Supplier of Goods: There would be two Threshold Limits for exemption from Registration and Payment of GST for the suppliers of Goods i.e. ₹ 40 lakhs and ₹ 20 lakhs. States would have an option to decide about one of the limits within a weeks' time. The Threshold for Registration for Service Providers would continue to be ₹ 20 lakhs and in case of Special Category States at ₹ 10 lakhs.

3. Composition Scheme for Services: A Composition Scheme shall be made available for Suppliers of Services (or Mixed Suppliers) with a Tax Rate of 6% (3% CGST +3% SGST) having an Annual Turnover in the preceding Financial Year upto ₹ 50 lakhs.

3.1 The said Scheme Shall be applicable to both Service Providers as well as Suppliers of Goods and Services, who are not eligible for the presently available Composition Scheme for Goods.

3.2 They would be liable to file one Annual Return with Quarterly Payment of Taxes (alongwith a Simple Declaration).

4. Effective date: The decisions at SL No. 1 to 3 above shall be made operational from the 1st of April, 2019.
5. **Free Accounting and Billing Software** shall be provided to Small Taxpayers by GSTN.

6. **Matters referred to Group of Ministers:**
   
i. A seven Member Group of Ministers shall be constituted to examine the proposal of giving a Composition Scheme to Boost the Residential Segment of the Real Estate Sector.
   
   ii. A Group of Ministers shall be constituted to examine the GST Rate Structure on Lotteries.

7. **Revenue Mobilization for Natural Calamities:** GST Council approved Levy of Cess on Intra-State Supply of Goods and Services within the State of Kerala at a rate not exceeding 1% for a period not exceeding 2 years.
Press note on recommendations of the 33rd GST Council meeting held on 24th February, 2019

Real estate sector is one of the largest contributors to the national GDP and provides employment opportunity to large numbers of people. “Housing for All by 2022” envisions that every citizen would have a house and the urban areas would be free of slums. There are reports of slowdown in the sector and low off-take of under-construction houses which needs to be addressed. To boost the residential segment of the real estate sector, following recommendations were made by the GST Council in its 33rd meeting held today:

2. GST rate:
   i. GST shall be levied at effective GST rate of 5% without ITC on residential properties outside affordable segment;
   ii. GST shall be levied at effective GST of 1% without ITC on affordable housing properties.

3. Effective date: The new rate shall become applicable from 1st of April, 2019.

4. Definition of affordable housing shall be:-

A residential house/flat of carpet area of upto 90 sqm in non-metropolitan cities/towns and 60 sqm in metropolitan cities having value upto Rs. 45 lacs (both for metropolitan and non-metropolitan cities).

Metropolitan Cities are Bengaluru, Chennai, Delhi NCR (limited to Delhi, Noida, Greater Noida, Ghaziabad, Gurgaon, Faridabad), Hyderabad, Kolkata and Mumbai (whole of MMR).

5. GST exemption on TDR/ JDA, long term lease (premium), FSI:

Intermediate tax on development right, such as TDR, JDA, lease (premium), FSI shall be exempted only for such residential property on which GST is payable.

6. Details of the scheme shall be worked out by an officers committee and shall be approved by the GST Council in a meeting to be called specifically for this purpose.

7. Advantages of the recommendations made:

The new tax rate in principle was approved by the Council taking into consideration the following advantages:-
   i. The buyer of house gets a fair price and affordable housing gets very attractive with GST @ 1%.
   ii. Interest of the buyer/consumer gets protected; ITC benefits not being passed to them shall become a non-issue.
   iii. Cash flow problem for the sector is addressed by exemption of GST on development rights, long term lease (premium), FSI etc.
   iv. Unutilized ITC, which used to become cost at the end of the project gets removed and should lead to better pricing.
   v. Tax structure and tax compliance becomes simpler for builders.

8. GST Council decided that the issue of tax rate on lottery needs further discussion in the GoM constituted in this regard.

The decisions of the GST Council have been presented in this note in simple language for easy understanding. The same would be given effect to through Gazette notifications/ circulars which alone shall have force of law.
**Highlights & Updates**

**Housing under-construction gets a boost:**

The FM announced a rate cut for the under-construction properties covering the residential segment as follows:

- **GST Rate for affordable housing slashed to 1% without the benefit of the Input tax credit (ITC) as against the earlier rate of 8%.** However, the earlier proposal had pointed out that the rate will be slashed down to 3% without the ITC benefit.
- **Affordable Housing has been redefined under the GST law with a twin definition to it as follows:**
  - In case of Metro cities: Flats with a value of up to Rs.45 lakhs with the carpet area of up to 60 sq.m. Metro cities currently cover Bengaluru, Chennai, Delhi NCR (limited to Delhi, Noida, Greater Noida, Ghaziabad, Gurgaon, Faridabad), Hyderabad, Kolkata and Mumbai (the whole of MMR)
  - In case of Non-metro cities: Flats with a value up to Rs.45 lakhs with the carpet area of up to 90 sq.m.
- **GST rate for non-affordable housing reduced to 5% without ITC from the existing rate of 12%.
- On or before 10th March 2019, all the changes will be drafted in a circular by the law and fitment committee and will be presented before the GST Council as recommendations. The Notifications will be out before the public soon after it is passed by the GST Council and will be made applicable from 1st April 2019. This call was taken to sensitively address the transitional issues likely to be faced by many builders who have ongoing projects before the date of implementation of the new rates.
- **GST exemption proposed on Transfer Development Rights (TDR)/ Joint Development Agreement (JDA), long term lease (premium), FSI-** Press release states that an Intermediate tax on development rights such as the above mentioned will be exempt from GST for such residential properties on which GST is payable.

**GST rate cuts on Cement out of the discussion:**

No rate cuts were discussed for Cement, which is currently being charged a GST at the rate of 28%.

**No conclusion on Lottery Rate slash:**

No rate cuts were discussed for Cement, which is currently being charged a GST at the rate of 28%.

**33rd GST Council Meeting- Agenda**

- To decide whether or not to bring the supply of residential properties under the Composition scheme as discussed at the previous GST Council meeting. A group of ministers (GoM) headed by Gujarat CM Nitin Patel has placed the final report before the council.
- To examine the levy of GST on the transfer of development rights (TDR) and development rights in case of Joint Development agreement
- To deliberate whether or not the tax rates on Cement must be reduced from 28% and 18%, as suggested by the Committee. In one of the previous meetings held in December 2018, the finance minister Arun Jaitley had ruled out any possibility of further rate cuts, stating this would impact GST revenue collection. He replied that the cut would happen once the revenue flow was found satisfactory.
- **Duty drawback-like scheme** under GST to be introduced for exporters.
GST Council Meeting Expectations

- **Reduce GST on under-construction homes:**

  Proposal placed before the council to reduce the rates for under-construction homes. It has been proposed to reduce to 5% from 12% and to 3% from 8% in the case of affordable housing. In both cases, the Input Tax Credit (ITC) will not be available.

  One of the primary issues that builders currently face is that the balance ITC remains unutilised due to the high tax rate on cement and other raw materials. ITC is more when compared to tax liability. Hence, there attracts a need for applying GST refund—a process which is yet to stabilise.

- **GST Rate slashes on Cement from 28% to 18%:**

  One of the much-asked demands of the industry is to cut the GST Rate charged the sale of Cement.

  Cement is the basic raw material in the construction sector and a necessity for building homes. It is supposedly positioned at the 5th- to be an essential material accounting for the construction costs in India. Therefore, the issue on taxability of Cement garnered GST Council’s attention after multiple requests of the Cement Manufacturers Association India.

- **Duty drawback like scheme under GST**

  Compensation for taxes other than the basic customs duty (BCD) is not given to the exporters under the GST regime. Accordingly, it affects their competitiveness. GST Officials involved in the exercise confirmed that the duty drawback scheme is being prepared after a requisition letter from the Directorate General of Foreign Trade (DGFT) to the Central Board of Indirect Taxes & Customs seeking such relief.

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Decisions taken by the GST Council in the 34th meeting held on 19th March, 2019 regarding GST rate on real estate sector

GST Council in the 34th meeting held on 19th March, 2019 at New Delhi discussed the operational details for implementation of the recommendations made by the council in its 33rd meeting for lower effective GST rate of 1% in case of affordable houses and 5% on construction of houses other than affordable house. The council decided the modalities of the transition as follows.

Option in respect of ongoing projects:
2. The promoters shall be given a one-time option to continue to pay tax at the old rates (effective rate of 8% or 12% with ITC) on ongoing projects (buildings where construction and actual booking have both started before 01.04.2019) which have not been completed by 31.03.2019.

3. The option shall be exercised once within a prescribed time frame and where the option is not exercised within the prescribed time limit, new rates shall apply.

New tax rates:
4. The new tax rates which shall be applicable to new projects or ongoing projects which have exercised the above option to pay tax in the new regime are as follows.

(i) New rate of 1% without input tax credit (ITC) on construction of affordable houses shall be available for,
   (a) all houses which meet the definition of affordable houses as decided by GSTC (area 60 sqm in metros / 90 sqm in non-metros and value upto RS. 45 lakhs), and
   (b) affordable houses being constructed in ongoing projects under the existing central and state housing schemes presently eligible for concessional rate of 8% GST (after 1/3rd land abatement).

(ii) New rate of 5% without input tax credit shall be applicable on construction of,-
   (a) all houses other than affordable houses in ongoing projects whether booked prior to or after 01.04.2019. In case of houses booked prior to 01.04.2019, new rate shall be available on instalments payable on or after 01.04.2019.
   (b) all houses other than affordable houses in new projects.
   (c) commercial apartments such as shops, offices etc. in a residential real estate project (RREP) in which the carpet area of commercial apartments is not more than 15% of total carpet area of all apartments.

Conditions for the new tax rates:
5. The new tax rates of 1% (on construction of affordable) and 5% (on other than affordable houses) shall be available subject to following conditions,-
   (a) Input tax credit shall not be available,
   (b) 80% of inputs and input services (other than capital goods, TDR/ JDA, FSI, long term lease (premiums)) shall be purchased from registered persons. On shortfall of purchases from 80%, tax shall be paid by the builder @ 18% on RCM basis. However, Tax on cement purchased from unregistered person shall be paid @ 28% under RCM, and on capital goods under RCM at applicable rates.

Transition for ongoing projects opting for the new tax rate:
6.1 Ongoing projects (buildings where construction and booking both had started before 01.04.2019) and have not been completed by 31.03.2019 opting for new tax rates shall transition the ITC as per the prescribed method.
6.2 The transition formula approved by the GST Council, for residential projects (refer to para 4(ii)) extrapolates ITC taken for percentage completion of construction as on 01.04.2019 to arrive at ITC for the entire project. Then based on percentage booking of flats and percentage invoicing, ITC eligibility is determined. Thus, transition would thus be on pro-rata basis based on a simple formula such that credit in proportion to booking of the flat and invoicing done for the booked flat is available subject to a few safeguards.

6.3 For a mixed project transition shall also allow ITC on pro-rata basis in proportion to carpet area of the commercial portion in the ongoing projects (on which tax will be payable @ 12% with ITC even after 1.4.2019) to the total carpet area of the project.

**Treatment of TDR/ FSI and Long term lease for projects commencing after 01.04.2019**

7. The following treatment shall apply to TDR/ FSI and Long term lease for projects commencing after 01.04.2019.

7.1 Supply of TDR, FSI, long term lease (premium) of land by a landowner to a developer shall be exempted subject to the condition that the constructed flats are sold before issuance of completion certificate and tax is paid on them. Exemption of TDR, FSI, long term lease (premium) shall be withdrawn in case of flats sold after issue of completion certificate, but such withdrawal shall be limited to 1% of value in case of affordable houses and 5% of value in case of other than affordable houses. This will achieve a fair degree of taxation parity between under construction and ready to move property.

7.2 The liability to pay tax on TDR, FSI, long term lease (premium) shall be shifted from land owner to builder under the reverse charge mechanism (RCM).

7.3 The date on which builder shall be liable to pay tax on TDR, FSI, long term lease (premium) of land under RCM in respect of flats sold after completion certificate is being shifted to date of issue of completion certificate.

7.4 The liability of builder to pay tax on construction of houses given to land owner in a JDA is also being shifted to the date of completion. Decisions from para 7.1 to 7.4 are expected to address the problem of cash flow in the sector.

**Amendment to ITC rules:**

8. ITC rules shall be amended to bring greater clarity on monthly and final determination of ITC and reversal thereof in real estate projects. The change would clearly provide procedure for availing input tax credit in relation to commercial units as such units would continue to be eligible for input tax credit in a mixed project.

9. The decisions of the GST Council have been presented in this note in simple language for easy understanding. The same would be given effect to through Gazette notifications/ circulars which alone shall have force of law.

34th GST Council meeting was held on 19th March 2019 and decision with regard to the implementation of lower GST rate on real estate has been taken.

Let us first recall that in the 33rd GST Council Meeting, it was recommended for lower GST rate @ 1% in case of affordable housing and GST rate @ 5% on the construction of houses other than affordable house and the modalities of transition of the same is decided in the 34th GST Council Meeting.

Following points are decided in the 34th GST Council Meeting –

**No Late Fee for GSTR-1 & GSTR-3B Return**

The biggest relief extended to small business by the 31st GST Council is the waiver of late fee for filing GSTR-1 and GSTR-3B return. The GST Council has announced:
“Late fee shall be completely waived for all taxpayers in case FORM GSTR-1, FORM GSTR-3B &FORM GSTR-4 for the months/quarters July 2017 to September 2018, are furnished after 22.12.2018 but on or before 31.03.2019.”

Thus, filing of Form GSTR-1, GSTR-3B and GSTR-4 will not attract any late fee penalty until 31st March 2019.

**GST Annual Return Due Date Extended**

All entities having GST registration are required to file GST annual return in form GSTR-9. The due date for filing GST annual return is usually 31st December of each year for the financial year ended on 31st March of the same calendar year. As GST is newly introduced in India, the Government has decided to extend the due date for GST annual return filing to 30th June 2019. The due date for filing GST annual return was originally extended upto 31st March 2019, which has been further extended to 30th June 2019 by the GST Council.

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**New Tax Rates and its Conditions**

- New GST rate @ 1% on the construction of affordable houses is available for the following
  - In the case of new projects, houses which meet the definition of affordable houses as decided by GSTC (i.e. non-metros – area of 60 sqm and metros – area of 90 sqm and value up to INR 45 Lakhs); and
  - In case of ongoing projects, affordable houses which are being constructed under the present central and state housing scheme and are eligible for 8% concessional GST rate.
- New GST rate 5% is available for the following
  - In the case of new projects, all houses other than affordable houses;
  - In case of ongoing projects, all houses other than affordable houses whether booked prior to or after 1st April 2019.

If the houses are booked prior to 1st April 2019, the new GST rate 5% shall be available on instalments payable on or after 1st April 2019.
• In the case of commercial apartments like shops/offices in a residential real estate, wherein, carpet area of the commercial apartments is not more than 15% of the total carpet area of all the apartments.

Conditions for Availing Benefit of New GST Rates

• Input Tax Credit shall not be available in case the new GST rate benefit is availed;
• It is mandatory for the builders to purchase 80% of inputs and input services from the registered person. If the target of 80% purchase is not achieved, the builder is required to pay the following taxes on reverse charge mechanism (RCM) –
  o The builder is required to pay 18% tax on RCM on a shortfall of purchases from 80%;
  o The builder is required to pay 28% tax on cement purchased from an unregistered person; and
  o The builder is required to pay applicable taxes on capital goods under RCM.

Options in Respect of the Ongoing Projects

In respect of the ongoing projects i.e. projects wherein construction and booking have started before 1st April 2019 and which has not been completed by 31st March 2019, the promoters shall be given a one-time option to continue to pay tax at the old rates i.e. 8% or 12%.

However, the promoters are required to opt for the option within the prescribed time and if the promoters have not opted for the option, new GST rates will apply.

Transition for Ongoing Projects in Case Opting for New Tax Rates

Ongoing projects that are opting for new GST rates have required a transition of the input tax credit (ITC) as per the prescribed method.

Transition formula for the residential projects wherein new GST rate is 5% extrapolates ITC availed for the % completion of construction as on 1st April 2019 to arrive at ITC for the entire project. After that based on the % booking of flats and % invoicing, ITC eligibility can be determined. In short, the transition would be on a pro-rata basis.

In case of mixed projects, transition shall allow the input tax credit on a pro-rata basis in proportion to the carpet area of the commercial portion in the ongoing projects to the total carpet area of the project.

Treatment of TDR, FSI and Long Term Lease for the Projects Commencing after 1st April 2019

Supply of TDR, FSI and long term lease of land by a landowner to the developer shall be exempt from tax provided the constructed flats are sold before issuance of the completion certificate and applicable tax is paid on the same.

In case the flat is sold after issuance of the completion certificate, the exemption shall be withdrawn and tax @1% in case of affordable house and @5% in cases other than affordable houses shall be payable. In such a case, the builder shall be liable to pay tax under RCM on the date of the issue of the completion certificate.

Applying the reverse charge mechanism, the liability to pay tax has been shifted from landowner to the builder in case of TDR, FSI and long term lease premium.

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The 35th GST Council Meeting was the first meeting of the Council after the swearing in of the new Government. The meeting took place in a cordial and professional manner.

At the start of the meeting, the Council passed a resolution acknowledging the stellar role played by Shri Arun Jaitley, the former Chairperson of GST Council and expressed its gratitude and appreciation for the exemplary contribution made by him in making the GST Council a shining example of co-operative federalism that it has become today. The Council also thanked the outgoing Members and welcomed the new Members of the Council. It also expressed its deepest condolences at the untimely demise of Shri Prakash Pant, the former Finance Minister of Uttarakhand.

Altogether, 12 Agenda items were discussed during the Council meeting. Some of these items were of regular nature like confirmation of the Minutes of the 34th GST Council Meeting, deemed ratification by the Council of notifications, circulars and orders issued by the Central Government between 12th March, 2019 and 11th June, 2019, taking note of the decisions of GST Implementation Committee, etc.

The Council took a decision regarding location of the State and the Area Benches for the Goods and Services Tax Appellate Tribunal (GSTAT) for various States and Union Territories with legislature. It has been decided to have a common State Bench for the States of Sikkim, Nagaland, Manipur and Arunachal Pradesh.

The tenure of National Anti-Profiteering Authority has been extended by 2 years.

The Council also decided to introduce electronic invoicing system in a phase-wise manner for B2B transactions. E-invoicing is a rapidly expanding technology which would help taxpayers in backward integration and automation of tax relevant processes. It would also help tax authorities in combating the menace of tax evasion. The Phase 1 is proposed to be voluntary and it shall be rolled out from Jan 2020.

The Council has recommended following GST rate related changes on supply of goods and services.

1. **Electric Vehicles**
   On issues relating to GST concessions on electric vehicle, charger and hiring of electric vehicle, the Council recommended that the issue be examined in detail by the Fitment Committee and brought before the Council in the next meeting.

2. **Solar Power Generating Systems and Wind Turbines**
   In terms of order of the Hon’ble High Court of Delhi, GST Council directed that the issue related to valuation of goods and services in a solar power generating system and wind turbine be placed before next Fitment Committee. The recommendations of the Fitment Committee would be placed before the next GST Council meeting.

3. **Lottery**
   
   (i) Group of Ministers (GoM) on Lottery submitted report to the Council. After deliberations on the various issues on rate of lottery, the Council recommended that certain issues relating to taxation (rates and destination principle) would require legal opinion of Learned Attorney General.

4. In order to give ample opportunity to taxpayers as well as the system to adapt, the new return system to be introduced in a phased manner, as described below:
i. Between July, 2019 to September, 2019, the new return system (FORM GST ANX-1 & FORM GST ANX-2 only) to be available for trial for taxpayers. Taxpayers to continue to file FORM GSTR-1 & FORM GSTR-3B as at present;

ii. From October, 2019 onwards, FORM GST ANX-1 to be made compulsory. Large taxpayers (having aggregate turnover of more than Rs. 5 crores in previous year) to file FORM GST ANX-1 on monthly basis whereas small taxpayers to file first FORM GST ANX-1 for the quarter October, 2019 to December, 2019 in January, 2020;

iii. For October and November, 2019, large taxpayers to continue to file FORM GSTR-3B on monthly basis and will file first FORM GST RET-01 for December, 2019 in January, 2020. It may be noted that invoices etc. can be uploaded in FORM GST ANX-1 on a continuous basis both by large and small taxpayers from October, 2019 onwards. FORM GST ANX-2 may be viewed simultaneously during this period but no action shall be allowed on such FORM GST ANX-2;

iv. From October, 2019, small taxpayers to stop filing FORM GSTR-3B and to start filing FORM GST PMT-08. They will file their first FORM GST-RET-01 for the quarter October, 2019 to December, 2019 in January, 2020;

v. From January, 2020 onwards, FORM GSTR-3B to be completely phased out

5. On account of difficulties being faced by taxpayers in furnishing the annual returns in FORM GSTR-9, FORM GSTR-9A and reconciliation statement in FORM GSTR-9C, the due date for furnishing these returns/reconciliation statements to be extended till 31.08.2019

6. To provide sufficient time to the trade and industry to furnish the declaration in FORM GST ITC-04, relating to job work, the due date for furnishing the said form for the period July, 2017 to June, 2019 to be extended till 31.08.2019

7. Certain amendments to be carried out in the GST laws to implement the decisions of the GST Council taken in earlier meetings

8. Rule 138E of the CGST rules, pertaining to blocking of e-way bills on non-filing of returns for two consecutive tax periods, to be brought into effect from 21.08.2019, instead of the earlier notified date of 21.06.2019

9. Last date for filing of intimation, in FORM GST CMP-02, for availing the option of payment of tax under notification No. 2/2019-Central Tax (Rate) dated 07.03.2019, to be extended from 30.04.2019 to 31.07.2019

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(Note: The recommendations of the GST Council have been presented in this release in simple language for information of all stakeholders. The same would be given effect through relevant Circulars/Notifications which alone shall have the force of law.)
G.S.R……(E). - In exercise of the powers conferred by section 164 of the Central Goods and Services Tax Act, 2017 (12 of 2017), the Central Government hereby makes the following rules further to amend the Central Goods and Services Tax Rules, 2017, namely:-

1. (1) These rules may be called the Central Goods and Services Tax (Amendment) Rules, 2019.
   (2) Save as otherwise provided in these rules, they shall come into force on the first day of February, 2019.

2. In the Central Goods and Services Tax Rules, 2017 (hereinafter referred to as the said rules), in Chapter-II, in the heading, for the words “Composition Rules”, the words, “Composition Levy” shall be substituted.

3. In the said rules, in rule 7, in the Table, against serial number (3), in column (3), for the word “goods”, the words, “goods and services” shall be substituted.

4. In the said rules, in rule 8, in sub rule (1),–
   (a) the first proviso shall be omitted;
   (b) in the second proviso, for the words “Provided further”, the word “Provided” shall be substituted.

5. In the said rules, for rule 11, the following rule shall be substituted, namely:–
   “11 Separate registration for multiple places of business within a State or a Union territory.- (1) Any person having multiple places of business within a State or a Union territory, requiring a separate registration for any such place of business under sub-section (2) of section 25 shall be granted separate registration in respect of each such place of business subject to the following conditions, namely:–
   (a) such person has more than one place of business as defined in clause (85) of section 2;
   (b) such person shall not pay tax under section 10 for any of his places of business if he is paying tax under section 9 for any other place of business;
   (c) all separately registered places of business of such person shall pay tax under the Act on supply of goods or services or both made to another registered place of business of such person and issue a tax invoice or a bill of supply, as the case may be, for such supply.

   Explanation. - For the purposes of clause (b), it is hereby clarified that where any place of business of a registered person that has been granted a separate registration becomes ineligible to pay tax under section 10, all other registered places of business of the said person shall become ineligible to pay tax under the said section.

   (2) A registered person opting to obtain separate registration for a place of business shall submit a separate application in FORM GST REG-01 in respect of such place of business.

   (3) The provisions of rule 9 and rule 10 relating to the verification and the grant of registration shall, mutatis mutandis, apply to an application submitted under this rule”.

6. In the said rules, after rule 21, the following rule shall be inserted, namely:–
   “Rule 21A. Suspension of registration.- (1) Where a registered person has applied for cancellation of registration under rule 20, the registration shall be deemed to be suspended from the date of submission of
the application or the date from which the cancellation is sought, whichever is later, pending the completion of proceedings for cancellation of registration under rule 22.

(2) Where the proper officer has reasons to believe that the registration of a person is liable to be cancelled under section 29 or under rule 21, he may, after affording the said person a reasonable opportunity of being heard, suspend the registration of such person with effect from a date to be determined by him, pending the completion of the proceedings for cancellation of registration under rule 22.

(3) A registered person, whose registration has been suspended under sub-rule (1) or sub-rule (2), shall not make any taxable supply during the period of suspension and shall not be required to furnish any return under section 39.

(4) The suspension of registration under sub-rule (1) or sub-rule (2) shall be deemed to be revoked upon completion of the proceedings by the proper officer under rule 22 and such revocation shall be effective from the date on which the suspension had come into effect.”.

7. In the said rules, after rule 41, the following rule shall be inserted, namely:-

“Rule 41A. Transfer of credit on obtaining separate registration for multiple places of business within a State or Union territory.—(1) A registered person who has obtained separate registration for multiple places of business in accordance with the provisions of rule 11 and who intends to transfer, either wholly or partly, the unutilised input tax credit lying in his electronic credit ledger to any or all of the newly registered place of business, shall furnish within a period of thirty days from obtaining such separate registrations, the details in FORM GST ITC-02A electronically on the common portal, either directly or through a Facilitation Centre notified in this behalf by the Commissioner:

Provided that the input tax credit shall be transferred to the newly registered entities in the ratio of the value of assets held by them at the time of registration.

Explanation.- For the purposes of this sub-rule, it is hereby clarified that the ‘value of assets’ means the value of the entire assets of the business whether or not input tax credit has been availed thereon.

(2) The newly registered person (transferee) shall, on the common portal, accept the details so furnished by the registered person (transferor) and, upon such acceptance, the unutilised input tax credit specified in FORM GST ITC-02A shall be credited to his electronic credit ledger.”.

8. In the said rules, in rule 42, in sub-rule (1), in clause (i), in the Explanation, after the word and figures “entry 84”, the word, figures and letter “and entry 92A” shall be inserted.

9. In the said rules, in rule 43,—

(a) in sub-rule (1), in clause (g), in the Explanation, after the word and figures “entry 84”, the words, figures and letter “and entry 92A” shall be inserted.

(b) in sub-rule (2), in the Explanation, clause (a) shall be omitted.

10. In the said rules, in rule 53,—

(a) in sub-rule (1), after the words and figures “section 31”, the words and figures “and credit or debit notes referred to in section 34” shall be omitted;

(b) in sub-rule (1) clause (c) shall be omitted;

(c) in sub-rule (1) clause (i) shall be omitted;

(d) after sub-rule (1), the following sub-rule shall be inserted, namely:—

“(1A) A credit or debit note referred to in section 34 shall contain the following particulars, namely:—

(a) name, address and Goods and Services Tax Identification Number of the supplier;

(b) nature of the document;
(c) a consecutive serial number not exceeding sixteen characters, in one or multiple series, containing alphabets or numerals or special characters-hyphen or dash and slash symbolised as “-” and “/” respectively, and any combination thereof, unique for a financial year;
(d) date of issue of the document;
(e) name, address and Goods and Services Tax Identification Number or Unique Identity Number, if registered, of the recipient;
(f) name and address of the recipient and the address of delivery, along with the name of State and its code, if such recipient is un-registered;
(g) serial number(s) and date(s) of the corresponding tax invoice(s) or, as the case may be, bill(s) of supply;
(h) value of taxable supply of goods or services, rate of tax and the amount of the tax credited or, as the case may be, debited to the recipient; and
(i) signature or digital signature of the supplier or his authorised representative.”.

11. In the said rules, in rule 80, in sub-rule (3), after the words “Every registered person”, the words, brackets and figures “other than those referred to in the proviso to sub-section (5) of section 35,” shall be inserted.

12. In the said rules, in rule 83,–
(a) in sub-rule (1), in clause (a), for the words “Central Board of Excise” the words “Central Board of Indirect Taxes” shall be substituted;
(b) in sub-rule (3), in the second proviso, for the words “eighteen months”, the words “thirty months” shall be substituted;
(c) for sub-rule (8), the following sub-rule shall be substituted, namely:-
“(8) A goods and services tax practitioner can undertake any or all of the following activities on behalf of a registered person, if so authorised by him to-
(a) furnish the 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;
(e) file an application for amendment or cancellation of registration;
(f) furnish information for generation of e-way bill;
(g) furnish details of challan in FORM GST ITC-04;
(h) file an application for amendment or cancellation of enrolment under rule 58; and
(i) file an intimation to pay tax under the composition scheme or withdraw from the said scheme:

Provided that where any application relating to a claim for refund or an application for amendment or cancellation of registration or where an intimation to pay tax under composition scheme or to withdraw from such scheme has been submitted by the goods and services tax practitioner authorised by the registered person, a confirmation shall be sought from the registered person and the application submitted by the said practitioner shall be made available to the registered person on the common portal and such application shall not be further proceeded with until the registered person gives his consent to the same.”.

13. In the said rules, in rule 85, in sub-rule (3), after the word and figures “section 49”, the words, figures and letters “section 49A and section 49B,” shall be inserted.

14. In the said rules, in rule 86, in sub-rule (2), after the word and figures “section 49”, the words, figures and letters “or section 49A or section 49B,” shall be inserted.

15. In the said rules, in rule 89, in sub-rule (2), for clause (f), the following clause shall be substituted, namely:-
“(f) a declaration to the effect that tax has not been collected from the Special Economic Zone unit or the Special Economic Zone developer, in a case where the refund is on account of supply of goods or services or both made to a Special Economic Zone unit or a Special Economic Zone developer;”.

16. In the said rules, in rule 91,—
   (a) in sub-rule(2), the following proviso shall be inserted, namely:-
      “Provided that the order issued in FORM GST RFD-04 shall not be required to be revalidated by the proper officer.”;
   (b) in sub-rule (3), the following proviso shall be inserted, namely:-
      “Provided that the payment advice in FORM GST RFD-05 shall be required to be revalidated where the refund has not been disbursed within the same financial year in which the said payment advice was issued.”.

17. In the said rules, in rule 92, in sub-rule (4), the following provisos shall be inserted, namely:-
   “Provided that the order issued in FORM GST RFD-06 shall not be required to be revalidated by the proper officer:

   Provided further that the payment advice in FORM GST RFD-05 shall be required to be revalidated where the refund has not been disbursed within the same financial year in which the said payment advice was issued.”.

18. In the said rules, in rule 96A,—
   (a) in the marginal heading, for the words “Refund of integrated tax paid on export”, the word “Export” shall be substituted;
   (b) in sub-rule (1), in clause (b), after the words “convertible foreign exchange”, the words “or in Indian rupees, wherever permitted by the Reserve Bank of India” shall be inserted.

19. In the said rules, in FORM GST REG-01, in instruction 12, for the words “business verticals” at both the places where they occur, the words “places of business” shall be substituted.

20. In the said rules, in FORM GST REG-17, at the end, the following “Note” shall be inserted, namely:-
   “Note: - Your registration stands suspended with effect from ---------- (date).”.

21. In the said rules, in FORM GST REG-20, at the end, the following “Note” shall be inserted, namely:-
   “Note: - Your registration stands suspended with effect from ---------- (date).”.

22. In the said rules, after FORM GST ITC-02, the following form shall be inserted, namely:-

   **FORM GST ITC-02A**
   [See rule 41A]

   Declaration for transfer of ITC pursuant to registration under sub-section (2) of section 25

   |   |   |
---|---|
1. | GSTIN of transferor |
2. | Legal name of transferor |
3. | Trade name of transferor, if any |
4. | GSTIN of transferee |
5. | Legal name of transferee |
6. | Trade name of transferee, if any |

7. Details of ITC to be transferred
<table>
<thead>
<tr>
<th>Tax</th>
<th>Amount of matched ITC available</th>
<th>Amount of matched ITC to be transferred</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Central Tax</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 State Tax</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 UT Tax</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4 Integrated Tax</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5 Cess</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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 there from.

Signature of authorised signatory __________________________________________
Name ____________________________
Designation/Status ____________________________
Date---dd/mm/yyyy

Instructions:
1. Transferor refers to the registered person who has an existing registration in a State or Union territory.
2. Transferee refers to the place of business for which a separate registration has been obtained under rule 11.

23. In the said rules, in **FORM GST PCT-05**, in the Table, after serial number 5 and the entries relating thereto, the following serial number and entries shall be inserted, namely:-

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
<td>To furnish information for generation of e-way bill</td>
</tr>
<tr>
<td>7</td>
<td>To furnish details of challan in <strong>FORM GST ITC-04</strong></td>
</tr>
<tr>
<td>8</td>
<td>To file an application for amendment or cancellation of enrolment under rule 58</td>
</tr>
<tr>
<td>9</td>
<td>To file an intimation to pay tax under the composition scheme or withdraw from the said scheme</td>
</tr>
</tbody>
</table>

24. In the said rules, in **FORM GSTR -4,-**

(a) in clause 6, for the Table, the following Table shall be substituted, namely:-

<table>
<thead>
<tr>
<th>Rate of tax</th>
<th>Total Turnover</th>
<th>Out of turnover reported in (2), turnover of services</th>
<th>Composition tax amount</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Central Tax</td>
</tr>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
</tbody>
</table>

(b) in clause 7, for the Table, the following Table shall be substituted, namely:-

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Rate</th>
<th>Original details</th>
<th>Revised details</th>
</tr>
</thead>
</table>

25. In the said rules, in FORM GST RFD-01, for the declaration under rule 89(2)(f), the following declaration shall be substituted, namely:-

**DECLARATION [rule 89(2)(f)]**

I hereby declare that tax has not been collected from the Special Economic Zone unit /the Special Economic Zone developer in respect of supply of goods or services or both covered under this refund claim.

Signature Name –

Designation / Status”.

26. In the said rules, in FORM GST RFD-01A, for the declaration under rule 89(2)(f), the following declaration shall be substituted, namely:-

**DECLARATION [rule 89(2)(f)]**

I hereby declare that tax has not been collected from the Special Economic Zone unit /the Special Economic Zone developer in respect of supply of goods or services or both covered under this refund claim.

Signature Name –

Designation / Status”.

27. In the said rules, in FORM GST APL-01,–

(a) for clause 15, the following clause shall be substituted, namely:-

“15. Details of payment of admitted amount and pre-deposit:-

(a) Details of payment required

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Central tax</th>
<th>State/ UT tax</th>
<th>Integrated tax</th>
<th>Cess</th>
<th>Total amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Admitted amount</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax/ Cess</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Penalty</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fees</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other charges</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

< total
> total
< total
> total
< total
> total
< total
> total
b) Pre-deposit (10% of disputed tax /cess but not exceeding Rs. 25 crore each in respect of CGST, SGST or cess, or not exceeding Rs. 50 crore in respect of IGST and Rs. 25 crore in respect of cess)

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Description</th>
<th>Tax payable</th>
<th>Paid through Cash/ Credit Ledger</th>
<th>Debit entry no.</th>
<th>Amount of tax paid</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Central tax</td>
</tr>
<tr>
<td>1</td>
<td>Integrated</td>
<td></td>
<td>Cash Ledger</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Central tax</td>
<td></td>
<td>Cash Ledger</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>State/UT tax</td>
<td></td>
<td>Cash Ledger</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>CESS</td>
<td></td>
<td>Cash Ledger</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(c) Interest, penalty, late fee and any other amount payable and paid

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Description</th>
<th>Amount payable</th>
<th>Debit entry no.</th>
<th>Amount paid</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Integrated</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Central tax</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>State/UT tax</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>CESS</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
1. Interest
2. Penalty
3. Late fee
4. Others (specify)

(b) after clause 17, the following shall be inserted, namely:-

“18. Place of supply wise details of the integrated tax paid (admitted amount only) mentioned in the Table in sub-clause (a) of clause 15 (item (a)), if any

<table>
<thead>
<tr>
<th>Place of Supply (Name of State/UT)</th>
<th>Demand</th>
<th>Tax</th>
<th>Interest</th>
<th>Penalty</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
</tr>
</tbody>
</table>

Admitted amount [in the Table in sub-clause (a) of clause 15 (item (a))]

28. In the said rules, in FORM GST APL-05,—
(a) in clause 14,—
(i) in sub-clause (a), in the Table, for the brackets, figures and words “(20% of disputed tax)”, the brackets, figures, words and letters “(20% of disputed tax/cess but not exceeding Rs.50 crore each in respect of CGST, SGST or cess or not exceeding Rs.100 crore in respect of IGST and Rs.50 crore in respect of cess)” shall be substituted;
(ii) in sub-clause (b), for the brackets, words and figures “(pre-deposit 20% of the disputed admitted tax and Cess)”, the brackets, words, figures and letters “(pre-deposit of 20% of the disputed admitted tax and cess but not exceeding Rs. 50 crore each in respect of CGST, SGST or cess or not exceeding Rs.100 crore in respect of IGST and Rs. 50 crore in respect of cess)” shall be substituted;
(b) after clause 14, the following shall be inserted, namely:-

“15. Place of supply wise details of the integrated tax paid (admitted amount only) mentioned in the Table in sub-clause (a) of clause 14 (item (a)), if any

<table>
<thead>
<tr>
<th>Place of Supply (Name of State/UT)</th>
<th>Demand</th>
<th>Tax</th>
<th>Interest</th>
<th>Penalty</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
</tr>
</tbody>
</table>

Admitted amount [in the Table in sub-clause (a) of clause 14 (item (a))]

[F.No.20/06/16/2018-GST (Pt. II)]
(Gunjan Kumar Verma)
Under Secretary to the Government of India

Note:- The principal rules were published in the Gazette of India, Extraordinary, Part II, Section 3, Subsection (i) vide notification No. 3/2017-Central Tax, dated the 19th June, 2017, published vide number G.S.R 610 (E), dated the 19th June, 2017 and last amended vide notification No. 74/2018 - Central Tax, dated the 31st December, 2018, published vide number G.S.R 1251 (E), dated the 31st December, 2018.
FORM GST REG-01  
[See rule 8(1)]

Application for Registration

(Other than a non-resident taxable person, a person required to deduct tax at source under section 51 and a person required to collect tax at source under section 52 and a person supplying online information and database access or retrieval services from a place outside India to a non-taxable online recipient referred to in section 14 of the Integrated Goods and Services Tax Act, 2017)

Part –A

| (i) | Legal Name of the Business: |
| (As mentioned in Permanent Account Number) |

| (ii) | Permanent Account Number: |
| (Enter Permanent Account Number of the Business; Permanent Account Number of Individual in case of Proprietorship concern) |

| (iii) | Email Address: |

| (iv) | Mobile Number: |

**Note** - Information submitted above is subject to online verification before proceeding to fill up Part-B.

Authorised signatory filing the application shall provide his mobile number and email address.

Part –B

1. Trade Name, if any

2. Constitution of Business (Please Select the Appropriate)

| (i) Proprietorship | (ii) Partnership |
| (iii) Hindu Undivided Family | (iv) Private Limited Company |
| (v) Public Limited Company | (vi) Society/Club/Trust/Association of Persons |
| (vii) Government Department | (viii) Public Sector Undertaking |
| (ix) Unlimited Company | (x) Limited Liability Partnership |
| (xi) Local Authority | (xii) Statutory Body |
| (xiii) Foreign Limited Liability Partnership | (xiv) Foreign Company Registered (in India) |
| (xv) Others (Please specify) | |

3. Name of the State □ District □

4. Jurisdiction State □ Centre □
5. Option for Composition | Yes ☐ No ☐

6. Composition Declaration
☐ I hereby declare that the aforesaid business shall abide by the conditions and restrictions specified in the Act or the rules for opting to pay tax under the composition scheme.

6.1 Category of Registered Person<tick in check box>:
(i) Manufacturers, other than manufacturers of such goods as may be notified by the Government for which option is not available
(ii) Suppliers making supplies referred to in clause (b) of paragraph 6 of Schedule II
(iii) Any other supplier eligible for composition levy.

7. Date of commencement of business | DD/MM/YYYY

8. Date on which liability to register arises | DD/MM/YYYY

9. Are you applying for registration as a casual taxable person? | Yes ☐ No ☐

10. If selected ‘Yes’ in Sr. No. 9, period for which registration is required
From DD/MM/YYYY To DD/MM/YYYY

11. If selected ‘Yes’ in Sr. No. 9, estimated supplies and estimated net tax liability during the period of registration

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Type of Tax</th>
<th>Turnover (Rs.)</th>
<th>Net Tax Liability (Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i)</td>
<td>Integrated Tax</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(ii)</td>
<td>Central Tax</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(iii)</td>
<td>State Tax</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(iv)</td>
<td>UT Tax</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(v)</td>
<td>Cess</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Total

Payment Details

Challan Identification Number | Date | Amount

12. Are you applying for registration as a SEZ Unit? | Yes ☐ No ☐

(i) Select name of SEZ
(ii) Approval order number and date of order
(iii) Designation of approving authority

13. Are you applying for registration as a SEZ Developer? | Yes ☐ No ☐
<table>
<thead>
<tr>
<th>Reason to obtain registration:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Crossing the threshold</td>
<td>(viii) Merger/amalgamation of two or more registered persons</td>
</tr>
<tr>
<td>(ii) Inter-State supply</td>
<td>(ix) Input Service Distributor</td>
</tr>
<tr>
<td>(iii) Liability to pay tax as recipient of goods or services u/s 9(3) or 9(4)</td>
<td>(x) Person liable to pay tax u/s 9(5)</td>
</tr>
<tr>
<td>(iv) Transfer of business which includes change in the ownership of business (if transferee is not a registered entity)</td>
<td>(xi) Taxable person supplying through e-Commerce portal</td>
</tr>
<tr>
<td>(v) Death of the proprietor (if the successor is not a registered entity)</td>
<td>(xii) Voluntary Basis</td>
</tr>
<tr>
<td>(vi) De-merger</td>
<td>(xiii) Persons supplying goods and/or services on behalf of other taxable person(s)</td>
</tr>
<tr>
<td>(vii) Change in constitution of business</td>
<td>(xiv) Others (Not covered above) – Specify</td>
</tr>
</tbody>
</table>

15. Indicate existing registrations wherever applicable

- Registration number under Value Added Tax
- Central Sales Tax Registration Number
- Entry Tax Registration Number
- Entertainment Tax Registration Number
- Hotel and Luxury Tax Registration Number
- Central Excise Registration Number
- Service Tax Registration Number
- Corporate Identify Number/Foreign Company Registration Number
- Limited Liability Partnership Identification Number/Foreign Limited Liability Partnership Identification Number
- Importer/Exporter Code Number
- Registration number under Medicinal and Toilet Preparations (Excise Duties) Act
- Registration number under Shops and Establishment Act
- Temporary ID, if any
- Others (Please specify)

16. (a) Address of Principal Place of Business

<table>
<thead>
<tr>
<th>Building No./Flat No.</th>
<th>Floor No.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name of the Premises/Building</td>
<td>Road/Street</td>
</tr>
<tr>
<td>City/Town/Locality/Village</td>
<td>District</td>
</tr>
<tr>
<td>---------------------------</td>
<td>---------</td>
</tr>
<tr>
<td>Taluka/Block</td>
<td></td>
</tr>
<tr>
<td>State</td>
<td>PIN Code</td>
</tr>
<tr>
<td>Latitude</td>
<td>Longitude</td>
</tr>
</tbody>
</table>

(b) Contact Information

<table>
<thead>
<tr>
<th>Office Email Address</th>
<th>Office Telephone number STD</th>
<th>Mobile Number</th>
<th>Office Fax Number STD</th>
</tr>
</thead>
</table>

(c) Nature of premises

<table>
<thead>
<tr>
<th>Own</th>
<th>Leased</th>
<th>Rented</th>
<th>Consent</th>
<th>Shared</th>
<th>Others (specify)</th>
</tr>
</thead>
</table>

(d) Nature of business activity being carried out at above mentioned premises (Please tick applicable)

<table>
<thead>
<tr>
<th>Factory / Manufacturing</th>
<th>Wholesale Business</th>
<th>Retail Business</th>
</tr>
</thead>
<tbody>
<tr>
<td>Warehouse/Depot</td>
<td>Bonded Warehouse</td>
<td>Supplier of services</td>
</tr>
<tr>
<td>Office/Sale Office</td>
<td>Leasing Business</td>
<td>Recipient of goods or services</td>
</tr>
<tr>
<td>EOU/ STP/ EHTP</td>
<td>Works Contract</td>
<td>Export</td>
</tr>
<tr>
<td>Import</td>
<td>Others (Specify)</td>
<td></td>
</tr>
</tbody>
</table>

17. Details of Bank Accounts (s)

Total number of Bank Accounts maintained by the applicant for conducting business

(Upto 10 Bank Accounts to be reported)

<table>
<thead>
<tr>
<th>Details of Bank Account 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Account Number</td>
</tr>
<tr>
<td>Type of Account</td>
</tr>
<tr>
<td>Bank Name</td>
</tr>
<tr>
<td>Branch Address</td>
</tr>
</tbody>
</table>

Note – Add more accounts ------

18. Details of the Goods supplied by the Business

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Description of Goods</th>
<th>HSN Code (Four digit)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(ii)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
2. Details of Services supplied by the Business.

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Description of Services</th>
<th>HSN Code (Four digit)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(ii)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>...</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(v)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

3. Details of Additional Place(s) of Business

Number of additional places

Premises 1

(a) Details of Additional Place of Business

<table>
<thead>
<tr>
<th>Building No/Flat No</th>
<th>Floor No</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Name of the Premises/Building</th>
<th>Road/Street</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>City/Town/Locality/Village</th>
<th>District</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| Block/Taluka | |
|--------------||

<table>
<thead>
<tr>
<th>State</th>
<th>PIN Code</th>
<th>Latitude</th>
<th>Longitude</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(b) Contact Information

<table>
<thead>
<tr>
<th>Office Email Address</th>
<th>Office Telephone number</th>
<th>STD</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Mobile Number</th>
<th>Office Fax Number</th>
<th>STD</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(c) Nature of premises

<table>
<thead>
<tr>
<th>Own</th>
<th>Leased</th>
<th>Rented</th>
<th>Consent</th>
<th>Shared</th>
<th>Others (specify)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(d) Nature of business activity being carried out at above mentioned premises (Please tick applicable)

<table>
<thead>
<tr>
<th>Factory / Manufacturing</th>
<th>Wholesale Business</th>
<th>Retail Business</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Warehouse/Depot</th>
<th>Bonded Warehouse</th>
<th>Supplier of services</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Office/Sale Office</th>
<th>Leasing Business</th>
<th>Recipient of goods or services</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EOU/ STP/ EHTP</th>
<th>Works Contract</th>
<th>Export</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
4. Details of Proprietor/all Partners/Karta/Managing Directors and whole time Director/Members of Managing Committee of Associations/Board of Trustees etc.

<table>
<thead>
<tr>
<th>Particulars</th>
<th>First Name</th>
<th>Middle Name</th>
<th>Last Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Photo</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Name of Father</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Date of Birth</td>
<td>DD/MM/YYYY</td>
<td>Gender</td>
<td>&lt;Male, Female, Other&gt;</td>
</tr>
<tr>
<td>Mobile Number</td>
<td></td>
<td>Email address</td>
<td></td>
</tr>
<tr>
<td>Telephone No. with STD</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Designation/Status</td>
<td></td>
<td>Director Identification Number (if any)</td>
<td></td>
</tr>
<tr>
<td>Permanent Account Number</td>
<td></td>
<td>Aadhaar Number</td>
<td></td>
</tr>
<tr>
<td>Are you a citizen of India?</td>
<td>Yes / No</td>
<td>Passport No. (in case of foreigners)</td>
<td></td>
</tr>
</tbody>
</table>

Residential Address

<table>
<thead>
<tr>
<th>Building No/Flat No</th>
<th>Floor No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name of the Premises/Building</td>
<td>Road/Street</td>
</tr>
<tr>
<td>City/Town/Locality/Village</td>
<td>District</td>
</tr>
<tr>
<td>Block/Taluka</td>
<td></td>
</tr>
<tr>
<td>State</td>
<td>PIN Code</td>
</tr>
<tr>
<td>Country (in case of foreigner only)</td>
<td>ZIP code</td>
</tr>
</tbody>
</table>

5. Details of Authorised Signatory

Checkbox for Primary Authorised Signatory [ ]
Details of Signatory No. 1

<table>
<thead>
<tr>
<th>Particulars</th>
<th>First Name</th>
<th>Middle Name</th>
<th>Last Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Photo</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Name of Father</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Date of Birth</td>
<td>DD/MM/YYYY</td>
<td>Gender</td>
<td>&lt;Male, Female, Other&gt;</td>
</tr>
<tr>
<td>Mobile Number</td>
<td>Email address</td>
<td></td>
<td></td>
</tr>
<tr>
<td>---------------</td>
<td>--------------</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Telephone No. with STD</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Designation /Status</td>
<td>Director Identification Number (if any)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Permanent Account Number</td>
<td>Aadhaar Number</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Are you a citizen of India?</td>
<td>Yes / No</td>
<td>Passport No. (in case of foreigners)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Residential Address in India</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building No/Flat No</td>
</tr>
<tr>
<td>Name of the Premises/Building</td>
</tr>
<tr>
<td>Block/Taluka</td>
</tr>
<tr>
<td>City/Town/Locality/Village</td>
</tr>
<tr>
<td>State</td>
</tr>
</tbody>
</table>

23. Details of Authorised Representative

<table>
<thead>
<tr>
<th>Enrolment ID, if available</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provide following details, if enrolment ID is not available</td>
</tr>
<tr>
<td>Permanent Account Number</td>
</tr>
<tr>
<td>Aadhaar, if Permanent Account Number is not available</td>
</tr>
<tr>
<td>First Name</td>
</tr>
<tr>
<td>Name of Person</td>
</tr>
<tr>
<td>Designation / Status</td>
</tr>
<tr>
<td>Mobile Number</td>
</tr>
<tr>
<td>Email address</td>
</tr>
<tr>
<td>Telephone No. with STD</td>
</tr>
</tbody>
</table>

6. State Specific Information

*Profession Tax Enrolment Code (EC) No. Profession Tax*

*Registration Certificate (RC) No.*

*State Excise License No. and the name of the person in whose name Excise License is held*
(i) Field 1  
(ii) Field 2  
(iii) ....  
(d) .....  
(e) Field n

3. Document Upload
   A customized list of documents required to be uploaded (refer rule 8) as per the field values in the form.

4. Consent
   I on behalf of the holder of Aadhaar number <pre-filled based on Aadhaar number provided in the form> give consent to “Goods and Services Tax Network” to obtain my details from UIDAI for the purpose of authentication. “Goods and Services Tax Network” has informed me that identity information would only be used for validating identity of the Aadhaar holder and will be shared with Central Identities Data Repository only for the purpose of authentication.

5. Verification (by authorised signatory)
   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

   Signature

   Place:  
   Name of Authorised Signatory  

   Date:  
   Designation/Status
**List of documents to be uploaded:**

| 1. | Photographs (wherever specified in the Application Form)  
|    | (a) Proprietary Concern – Proprietor  
|    | (b) Partnership Firm / Limited Liability Partnership – Managing/Authorised/Designated Partners (personal details of all partners are to be submitted but photos of only ten partners including that of Managing Partner are to be submitted)  
|    | (c) Hindu Undivided Family – Karta  
|    | (d) Company – Managing Director or the Authorised Person  
|    | (e) Trust – Managing Trustee  
|    | (f) Association of Persons or Body of Individuals – Members of Managing Committee (personal details of all members are to be submitted but photos of only ten members including that of Chairman are to be submitted)  
|    | (g) Local Authority – Chief Executive Officer or his equivalent  
|    | (h) Statutory Body – Chief Executive Officer or his equivalent  
|    | (i) Others – Person in Charge |

| 2. | Constitution of Business: Partnership Deed in case of Partnership Firm, Registration Certificate/Proof of Constitution in case of Society, Trust, Club, Government Department, Association of Persons or Body of Individuals, Local Authority, Statutory Body and Others etc. |

| 3. | Proof of Principal Place of Business:  
|    | (a) For Own premises – Any document in support of the ownership of the premises like latest Property Tax Receipt or Municipal Khata copy or copy of Electricity Bill.  
|    | (b) For Rented or Leased premises – A copy of the valid Rent / Lease Agreement with any document in support of the ownership of the premises of the Lessor like Latest Property Tax Receipt or Municipal Khata copy or copy of Electricity Bill.  
|    | (c) For premises not covered in (a) and (b) above – A copy of the Consent Letter with any document in support of the ownership of the premises of the Consenter like Municipal Khata copy or Electricity Bill copy. For shared properties also, the same documents may be uploaded.  
|    | (d) For rented/leased premises where the Rent/lease agreement is not available, an affidavit to that effect along with any document in support of the possession of the premises like copy of Electricity Bill.  
|    | (e) If the principal place of business is located in a Special Economic Zone or the applicant is an Special Economic Zone developer, necessary documents/certificates issued by Government of India are required to be uploaded. |

| 4. | Bank Account Related Proof: Scanned copy of the first page of Bank passbook or the relevant page of Bank Statement or Scanned copy of a cancelled cheque containing name of the Proprietor or Business entity, Bank Account No., MICR, IFSC and Branch details including code. |

| 5. | Authorisation Form:- For each Authorised Signatory mentioned in the application form, Authorisation or copy of Resolution of the Managing Committee or Board of Directors to be filed in the following format:  
|    | Declaration for Authorised Signatory (Separate for each signatory) (Details of Proprietor/all Partners/Karta/Managing Directors and whole time Director/Members of Managing Committee of Associations/Board of Trustees etc.)  
|    | I/We --- (name) being (Partners/Karta/Managing Directors and whole time Director/Members of Managing Committee of Associations/Board of Trustees etc.) of …… (name of registered person) |
hereby solemnly affirm and declare that <<name of the authorised signatory, (status/designation)>> is hereby authorised, vide resolution no… dated….. (copy submitted herewith), to act as an authorised signatory for the business <<Goods and Services Tax Identification Number - Name of the Business>> for which application for registration is being filed under the Act. All his actions in relation to this business will be binding on me/ us.

Signature of the person competent to sign
Name:
Designation/Status:
(Name of the proprietor/Business Entity)

Acceptance as an authorised signatory
I <<(Name of the authorised signatory)>> hereby solemnly accord my acceptance to act as authorised signatory for the above referred business and all my acts shall be binding on the business.

Signature of Authorised Signatory
(Name)
Designation/Status:

Acceptance as an authorised signatory
I <<(Name of the authorised signatory)>> hereby solemnly accord my acceptance to act as authorised signatory for the above referred business and all my acts shall be binding on the business.

Signature of Authorised Signatory
(Name)
Designation/Status:

Instructions for submission of Application for Registration.
1. Enter name of person as recorded on Permanent Account Number of the Business. In case of Proprietorship concern, enter name of proprietor against Legal Name and mention Permanent Account Number of the proprietor. Permanent Account Number shall be verified with Income Tax database.
2. Provide E-mail Id and Mobile Number of authorised signatory for verification and future communication which will be verified through One Time Passwords to be sent separately, before filling up Part-B of the application.
3. Applicant need to upload scanned copy of the declaration signed by the Proprietor/all Partners/Karta/Managing Directors and whole time Director/Members of Managing Committee of Associations/Board of Trustees etc. in case the business declares a person as Authorised Signatory.
4. The following persons can digitally sign the application for new registration:-

<table>
<thead>
<tr>
<th>Constitution of Business</th>
<th>Person who can digitally sign the application</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proprietorship</td>
<td>Proprietor</td>
</tr>
<tr>
<td>Partnership</td>
<td>Managing / Authorised Partners</td>
</tr>
<tr>
<td>Hindu Undivided Family</td>
<td>Karta</td>
</tr>
<tr>
<td>Private Limited Company</td>
<td>Managing / Whole-time Directors</td>
</tr>
<tr>
<td>Public Limited Company</td>
<td>Managing / Whole-time Directors</td>
</tr>
<tr>
<td>Society/ Club/ Trust/ AOP</td>
<td>Members of Managing Committee</td>
</tr>
<tr>
<td>Government Department</td>
<td>Person In charge</td>
</tr>
<tr>
<td>Public Sector Undertaking</td>
<td>Managing / Whole-time Director</td>
</tr>
<tr>
<td>Unlimited Company</td>
<td>Managing/ Whole-time Director</td>
</tr>
<tr>
<td>Limited Liability Partnership</td>
<td>Designated Partners</td>
</tr>
</tbody>
</table>
5. Information in respect of authorised representative is optional. Please select your authorised representative from the list available on the common portal if the authorised representative is enrolled, otherwise provide details of such person.

6. State specific information are relevant for the concerned State only.

7. Application filed by undermentioned persons shall be signed digitally:

<table>
<thead>
<tr>
<th>Sr. No</th>
<th>Type of Applicant</th>
<th>Type of Signature required</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Limited Company Public Sector</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Undertaking Unlimited Company</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Limited Liability Partnership Foreign Company</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Foreign Limited Liability Partnership</td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td>Other than above</td>
<td>Digital Signature Certificate class 2 and above e-Signature or any other mode as may be notified</td>
</tr>
</tbody>
</table>

8. All information related to Permanent Account Number, Aadhaar, Director Identification Number, Challan Identification Number shall be validated online by the system and Acknowledgment Receipt Number will be generated after successful validation of all the filled up information.

9. Status of the application filed online can be tracked on the common portal by entering Application Reference Number (ARN) indicated on the Acknowledgment.

10. No fee is payable for filing application for registration.

11. Authorised signatory shall not be a minor.

12. Any person having multiple business verticals within a State, requiring a separate registration for any of its business verticals shall need to apply separately in respect of each of the vertical.

13. After approval of application, registration certificate shall be made available on the common portal.

14. Temporary Reference Number (TRN) will be allotted after successfully furnishing preliminary details in PART –A of the application which can be used for filling up details in PART-B of the application. TRN will be available on the common portal for a period of 15 days.

15. Any person who applies for registration under rule 8 may give an option to pay tax under section 10 in Part B of FORM GST REG-01, which shall be considered as an intimation to pay tax under the said section.

Government of India  
FORM GST REG-06  
[See rule 10(1)]  

Registration Certificate

Registration Number: <GSTIN/UIN>

<table>
<thead>
<tr>
<th>No.</th>
<th>Details</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Legal Name</td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td>Trade Name, if any</td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td>Constitution of Business</td>
<td></td>
</tr>
<tr>
<td>4.</td>
<td>Address of Principal Place of Business</td>
<td></td>
</tr>
<tr>
<td>5.</td>
<td>Date of Liability</td>
<td>DD/MM/YYYY</td>
</tr>
<tr>
<td>6.</td>
<td>Period of Validity</td>
<td>From DD/MM/YYYY to DD/MM/YYYY</td>
</tr>
<tr>
<td>7.</td>
<td>Type of Registration</td>
<td></td>
</tr>
<tr>
<td>8.</td>
<td>Particulars of Approving Authority</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Centre</td>
<td>State</td>
</tr>
<tr>
<td></td>
<td>State</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Signature</td>
<td></td>
</tr>
</tbody>
</table>

Note: The registration certificate is required to be prominently displayed at all places of business in the State.
Goods and Services Tax Identification Number

Details of Additional Places of Business

Legal Name

Trade Name, if any

Total Number of Additional Places of Business in the State

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Address</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td></td>
</tr>
<tr>
<td>...</td>
<td></td>
</tr>
</tbody>
</table>
Goods and Services Tax Identification Number

Legal Name

Trade Name, if any

Details of <Proprietor / Partners / Karta / Managing Director and whole-time Directors / Members of the Managing Committee of Association of Persons / Board of Trustees etc.> 

<table>
<thead>
<tr>
<th>Photo</th>
<th>Name</th>
<th>Designation/Status</th>
<th>Resident of State</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Photo</td>
<td>Name</td>
<td></td>
<td></td>
</tr>
<tr>
<td>-------</td>
<td>--------</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Designation/Status</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Resident of State</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Name</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Designation/Status</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Resident of State</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Name</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Designation/Status</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Resident of State</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
**FORM GSTR-1**

[See rule (59(1))]

**Details of outward supplies of goods or services**

<table>
<thead>
<tr>
<th>GSTRIN/ UIN</th>
<th>Invoice details</th>
<th>Rate</th>
<th>Taxable value</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>No.</td>
<td>Date</td>
<td>Value</td>
<td>Integrated Tax</td>
<td>Central Tax</td>
</tr>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

4. Taxable outward supplies made to registered persons (including UIN-holders) other than supplies covered by Table 6

(Amount in Rs. For all Tables)

4A. Supplies other than those (i) attracting reverse charge and (ii) supplies made through e-commerce operator

4B. Supplies attracting tax on reverse charge basis

4C. Supplies made through e-commerce operator attracting TCS (operator wise, rate wise)

5. Taxable outward inter-State supplies to un-registered persons where the invoice value is more than Rs 2.5 lakh

<table>
<thead>
<tr>
<th>Place of Supply (State/UT)</th>
<th>Invoice details</th>
<th>Rate</th>
<th>Taxable Value</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>No.</td>
<td>Date</td>
<td>Value</td>
<td>Integrated Tax</td>
<td>Cess</td>
</tr>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

5A. Outward supplies (other than supplies made through e-commerce operator, rate wise)

5B. Supplies made through e-commerce operator attracting TCS (operator wise, rate wise)

GSTIN of e-commerce Operator

---

1. GSTIN

2. (a) Legal name of the registered person

   (b) Trade name, if any

3. (a) Aggregate Turnover in the preceding Financial Year

   (b) Aggregate Turnover - April to June, 2017

---

- Table 6
- Form GST-1
6. Zero rated supplies and Deemed Exports

<table>
<thead>
<tr>
<th>GSTIN No. of recipient</th>
<th>Invoice details</th>
<th>Shipping bill/ Bill of export</th>
<th>Integrated Tax</th>
<th>Central Tax</th>
<th>State / UT Tax</th>
<th>Cess</th>
</tr>
</thead>
<tbody>
<tr>
<td>N o.</td>
<td>Date</td>
<td>Value</td>
<td>No.</td>
<td>Date</td>
<td>Rate</td>
<td>Taxable value</td>
</tr>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
</tr>
</tbody>
</table>

6A. Exports

6B. Supplies made to SEZ unit or SEZ Developer

6C. Deemed exports

7. Taxable supplies (Net of debit notes and credit notes) to unregistered persons other than the supplies covered in Table 5

<table>
<thead>
<tr>
<th>Rate of tax</th>
<th>Total Taxable value</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Integrated</td>
</tr>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
</tbody>
</table>

7A. Intra-State supplies

7A (1). Consolidated rate wise outward supplies [including supplies made through e-commerce operator attracting TCS]

7A (2). Out of supplies mentioned at 7A(1), value of supplies made through e-Commerce Operators attracting TCS(operator wise, rate wise)

GSTIN of e-commerce operator

7B. Inter-State Supplies where invoice value is upto Rs 2.5 Lakh [Rate wise]

7B (1). Place of Supply (Name of State)

7B (2). Out of the supplies mentioned in 7B (1), the supplies made through e-Commerce Operators (operator wise, rate wise)

GSTIN of e-commerce operator
8. Nil rated, exempted and non GST outward supplies

<table>
<thead>
<tr>
<th>Description</th>
<th>Nil Rated Supplies</th>
<th>Exempted (Other than Nil rated/non-GST supply)</th>
<th>Non-GST supplies</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Inter-State supplies to registered persons</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Intra-State supplies to registered persons</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Inter-State supplies to unregistered persons</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Intra-State supplies to unregistered persons</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

9. Amendments to taxable outward supply details furnished in returns for earlier tax periods in Table 4, 5 and 6 [including debit notes, credit notes, refund vouchers issued during current period and amendments thereof]

<table>
<thead>
<tr>
<th>Details of original document</th>
<th>Revised details of document or details of original Debit/Credit Notes or refund vouchers</th>
<th>Rate of tax</th>
<th>Total Taxable value</th>
<th>Amount</th>
<th>Place of supply</th>
</tr>
</thead>
<tbody>
<tr>
<td>GSTIN Inv. No. Inv. Date</td>
<td>GSTIN Invoice No. Shipping bill No. Date Value</td>
<td>Integrated Tax</td>
<td>Central Tax</td>
<td>State/UT Tax</td>
<td>Cess</td>
</tr>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
</tr>
</tbody>
</table>

9A. If the invoice/Shipping bill details furnished earlier were incorrect

9B. Debit Notes/Credit Notes/Refund voucher [original]

9C. Debit Notes/Credit Notes/Refund voucher [amendments thereof]

10. Amendments to taxable outward supplies to unregistered persons furnished in returns for earlier tax periods in Table 7

<table>
<thead>
<tr>
<th>Rate of tax</th>
<th>Total Taxable value</th>
<th>Amount</th>
<th>Place of supply</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Integrated</td>
<td>Central</td>
<td>State/UT Tax</td>
</tr>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
</tbody>
</table>

Tax period for which the details are being revised <Month>

10A. Intra-State Supplies [including supplies made through e-commerce operator attracting TCS] [Rate wise]

10A (1). Out of supplies mentioned at 10A, value of supplies made through e-Commerce Operators attracting TCS (operator wise, rate wise)

GSTIN of e-commerce operator

10B. Inter-State Supplies [including supplies made through e-commerce operator attracting TCS] [Rate wise]

Place of Supply (Name of State)

10B (1). Out of supplies mentioned at 10B, value of supplies made through e-Commerce Operators attracting TCS (operator wise, rate wise)

GSTIN of e-commerce operator
11. Consolidated Statement of Advances Received/Advance adjusted in the current tax period/ Amendments of information furnished in earlier tax period

<table>
<thead>
<tr>
<th>Rate</th>
<th>Gross Advance Received/adjusted</th>
<th>Place of supply</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Integrated</td>
</tr>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
</tbody>
</table>

**I Information for the current tax period**

11A. Advance amount received in the tax period for which invoice has not been issued (tax amount to be added to output tax liability)

**11A (1). Intra-State supplies (Rate Wise)**

**11A (2). Inter-State Supplies (Rate Wise)**

11B. Advance amount received in earlier tax period and adjusted against the supplies being shown in this tax period in Table Nos. 4, 5, 6 and 7

**11B (1). Intra-State Supplies (Rate Wise)**

**11B (2). Inter-State Supplies (Rate Wise)**

**II Amendment of information furnished in Table No. 11[1] in GSTR-1 statement for earlier tax periods** [Furnish revised information]

<table>
<thead>
<tr>
<th>Month</th>
<th>Amendment relating to information furnished in S. No. (select)</th>
<th>11A(1)</th>
<th>11A(2)</th>
<th>11B(1)</th>
<th>11B(2)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**12. HSN-wise summary of outward supplies**

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>HSN</th>
<th>Description (Optional if HSN is provided)</th>
<th>UQC</th>
<th>Total Quantity</th>
<th>Total value</th>
<th>Total Taxable Value</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1</td>
<td></td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
</tr>
</tbody>
</table>

**13. Documents issued during the tax period**

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Nature of document</th>
<th>Sr. No. From</th>
<th>To</th>
<th>Total number</th>
<th>Cancelled</th>
<th>Net issued</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>1</td>
<td>Invoices for outward supply</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Invoices for inward supply from unregistered person</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Revised Invoice</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Debit Note</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Credit Note</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Receipt voucher</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Payment Voucher</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Refund voucher</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Delivery Challan for job work</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Verifications

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 there from and in case of any reduction in output tax liability the benefit thereof has been/will be passed on to the recipient of supply.

Signature

Place

of Authorised Signatory

Date

Designation /Status

Name
Instructions –
1. Terms used:
   a. GSTIN: Goods and Services Tax Identification Number
   b. UIN: Unique Identity Number
   c. UQC: Unit Quantity Code
   d. HSN: Harmonized System of Nomenclature
   e. POS: Place of Supply (Respective State)
   f. B to B: From one registered person to another registered person
   g. B to C: From registered person to unregistered person

2. The details in GSTR-1 should be furnished by 10th of the month succeeding the relevant tax period.

3. Aggregate turnover of the taxpayer for the immediate preceding financial year and first quarter of the current financial year shall be reported in the preliminary information in Table 3. This information would be required to be submitted by the taxpayers only in the first year. Quarterly turnover information shall not be captured in subsequent returns. Aggregate turnover shall be auto-populated in subsequent years.

4. Invoice-level information pertaining to the tax period should be reported for all supplies as under:
   (i) For all B to B supplies (whether inter-State or intra-State), invoice level details, rate-wise, should be uploaded in Table 4, including supplies attracting reverse charge and those effected through e-commerce operator. Outwards supply information in these categories are to be furnished separately in the Table.

   (ii) For all inter-State B to C supplies, where invoice value is more than Rs. 2,50,000/- (B to C Large) invoice level details, rate-wise, should be uploaded in Table 5; and

   (iii) For all B to C supplies (whether inter-State or intra-State) where invoice value is up to Rs. 2,50,000/- State-wise summary of supplies, rate-wise, should be uploaded in Table 7.

5. Table 4 capturing information relating to B to B supplies should:
   (i) be captured in:
      a. Table 4A for supplies relating to other than reverse charge/ made through e-commerce operator, rate-wise;
      b. Table 4B for supplies attracting reverse charge, rate-wise; and
      c. Table 4C relating to supplies effected through e-commerce operator attracting collection of tax at source under section 52 of the Act, operator wise and rate-wise.

   (ii) Capture Place of Supply (PoS) only if the same is different from the location of the recipient.

6. Table 5 to capture information of B to C Large invoices and other information shall be similar to Table 4. The Place of Supply (PoS) column is mandatory in this table.

7. Table 6 to capture information related to:
   (i) Exports out of India
   (ii) Supplies to SEZ unit/ and SEZ developer
   (iii) Deemed Exports

8. Table 6 needs to capture information about shipping bill and its date. However, if the shipping bill details are not available, Table 6 will still accept the information. The same can be updated through submission of information in relation to amendment Table 9 in the tax period in which the details are available but before claiming any refund / rebate related to the said invoice. The detail of Shipping Bill shall be furnished in 13 digits capturing port code (six digits) followed by number of shipping bill.
9. Any supply made by SEZ to DTA, without the cover of a bill of entry is required to be reported by SEZ unit in GSTR-1. The supplies made by SEZ on cover of a bill of entry shall be reported by DTA unit in its GSTR-2 as imports in GSTR-2. The liability for payment of IGST in respect of supply of services would, be created from this Table.

10. In case of export transactions, GSTIN of recipient will not be there. Hence it will remain blank.

11. Export transactions effected without payment of IGST (under Bond/ Letter of Undertaking (LUT)) needs to be reported under “0” tax amount heading in Table 6A and 6B.

12. Table 7 to capture information in respect of taxable supply of:

   (i) B to C supplies (whether inter-State or intra-State) with invoice value upto Rs 2,50,000;

   (ii) Taxable value net of debit/ credit note raised in a particular tax period and information pertaining to previous tax periods which was not reported earlier, shall be reported in Table 10. Negative value can be mentioned in this table, if required;

   (iii) Transactions effected through e-commerce operator attracting collection of tax at source under section 52 of the Act to be provided operator wise and rate wise;

   (iv) Table 7A (1) to capture gross intra-State supplies, rate-wise, including supplies made through e-commerce operator attracting collection of tax at source and Table 7A (2) to capture supplies made through e-commerce operator attracting collection of tax at source out of gross supplies reported in Table 7A (1);

   (v) Table 7B (1) to capture gross inter-State supplies including supplies made through e-commerce operator attracting collection of tax at source and Table 7B (2) to capture supplies made through e-commerce operator attracting collection of tax at source out of gross supplies reported in Table 7B (1); and

   (vi) Table 7B to capture information State wise and rate wise.

13. Table 9 to capture information of:

   (i) Amendments of B to B supplies reported in Table 4, B to C Large supplies reported in Table 5 and Supplies involving exports/ SEZ unit or SEZ developer/ deemed exports reported in Table 6;

   (ii) Information to be captured rate-wise;

   (iii) It also captures original information of debit / credit note issued and amendment to it reported in earlier tax periods; While furnishing information the original debit note/credit note, the details of invoice shall be mentioned in the first three columns, While furnishing revision of a debit note/credit note, the details of original debit note/credit note shall be mentioned in the first three columns of this Table,

   (iv) Place of Supply (PoS) only if the same is different from the location of the recipient;

   (v) Any debit/ credit note pertaining to invoices issued before the appointed day under the existing law also to be reported in this table; and (vi) Shipping bill to be provided only in case of exports transactions amendment.
14. Table 10 is similar to Table 9 but captures amendment information related to B to C supplies and reported in Table 7.

15. Table 11A captures information related to advances received, rate-wise, in the tax period and tax to be paid thereon along with the respective PoS. It also includes information in Table 11B for adjustment of tax paid on advance received and reported in earlier tax periods against invoices issued in the current tax period. The details of information relating to advances would be submitted only if the invoice has not been issued in the same tax period in which the advance was received.

16. Summary of supplies effected against a particular HSN code to be reported only in summary table. It will be optional for taxpayers having annual turnover upto Rs. 1.50 Cr but they need to provide information about description of goods.

17. It will be mandatory to report HSN code at two digits level for taxpayers having annual turnover in the preceding year above Rs. 1.50 Cr but upto Rs. 5.00 Cr and at four digits level for taxpayers having annual turnover above Rs. 5.00 Cr.
### FORM GSTR-3B

**[See rule 61(5)]**

1. **GSTIN**
2. Legal name of the registered person
   - Auto Populated

### 3.1 Details of Outward Supplies and inward supplies liable to reverse charge

<table>
<thead>
<tr>
<th>Nature of Supplies</th>
<th>Total Taxable value</th>
<th>Integrated Tax</th>
<th>Central Tax</th>
<th>State/UT Tax</th>
<th>Cess</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Outward taxable supplies (other than zero rated, nil rated and exempted)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(b) Outward taxable supplies (zero rated)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(c) Other outward supplies (Nil rated, exempted)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(d) Inward supplies (liable to reverse charge)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(e) Non-GST outward supplies</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### 3.2 Of the supplies shown in 3.1 (a) above, details of inter-State supplies made to unregistered persons, composition taxable persons and UIN holders

<table>
<thead>
<tr>
<th>Place of Supply (State/UT)</th>
<th>Total Taxable value</th>
<th>Amount of Integrated Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supplies made to Unregistered Persons</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supplies made to Composition Taxable Persons</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supplies made to UIN holders</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### 4. Eligible ITC

<table>
<thead>
<tr>
<th>Details</th>
<th>Integrated Tax</th>
<th>Central Tax</th>
<th>State/UT Tax</th>
<th>Cess</th>
</tr>
</thead>
<tbody>
<tr>
<td>(A) ITC Available (whether in full or part)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(1) Import of goods</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(2) Import of services</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(3) Inward supplies liable to reverse charge (other than 1 &amp; 2 above)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(4) Inward supplies from ISD</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(5) All other ITC</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(B) ITC Reversed</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(1) As per rules 42 &amp; 43 of CGST Rules</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(2) Others</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(C) Net ITC Available (A) – (B)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(D) Ineligible ITC</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(1) As per section 17(5)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(2) Others</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### 5. Values of exempt, nil-rated and non-GST inward supplies

<table>
<thead>
<tr>
<th>Nature of supplies</th>
<th>Inter-State supplies</th>
<th>Intra-State supplies</th>
</tr>
</thead>
<tbody>
<tr>
<td>From a supplier under composition scheme, Exempt and Nil rated Supply</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non GST supply</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
6.1 Payment of tax

<table>
<thead>
<tr>
<th>Description</th>
<th>Tax payable</th>
<th>Paid through ITC</th>
<th>Tax paid TDS/TCS</th>
<th>Tax/Cess paid in cash</th>
<th>Interest</th>
<th>Late Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Integrated Tax</td>
<td>Central Tax</td>
<td>State/UT Tax</td>
<td>Cess</td>
<td></td>
</tr>
<tr>
<td>Integrated Tax</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Central Tax</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>State/UT Tax</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cess</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

6.2 TDS/TCS Credit

<table>
<thead>
<tr>
<th>Details</th>
<th>Integrated Tax</th>
<th>Central Tax</th>
<th>State/UT Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>TDS</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TCS</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Verification (by Authorised signatory)
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 there from.

Instructions:
1) Value of Taxable Supplies = Value of invoices + value of Debit Notes – value of credit notes + value of advances received for which invoices have not been issued in the same month – value of advances adjusted against invoices
2) Details of advances as well as adjustment of same against invoices to be adjusted and not shown separately
3) Amendment in any details to be adjusted and not shown separately.
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, brassess 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).
Classification

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

4202 11  --  With outer surface of leather or of composition leather:
4202 11 10  ---  Travel goods (trunks, suit-cases, sports bags and other similar items) of leather
4202 11 20  ---  Toilet-bags and cases, of leather u
4202 11 30  ---  Satchels u
4202 11 40  ---  Brief-cases u
4202 11 50  ---  Executive-cases u
4202 11 60  ---  Vanity-cases u
4202 11 70  ---  Attache-cases u
4202 11 90  ---  Other u

4202 12  --  With outer surface of plastic or of textile materials:
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  --  Other:
4202 19 10  ---  Travel goods (trunks, suit-cases, sports bags, and other similar items) of leather
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

- Hand-bags, whether or not with

UTGST : 4202 22 10 : Hand bags and shopping bags, of artificial plastic material
18% IGST/9% CGST/9% SGST or

UTGST : 4202 22 20 : Hand bags and shopping bags, of cotton
18% IGST/9% CGST/9% SGST or

UTGST : 4202 22 30 : Hand bags and shopping bags, of jute
18% IGST/9% CGST/9% SGST or

UTGST : 4202 29 10 : Handbags of other materials excluding wicker work or basket work
28% IGST/14% CGST/14% SGST or

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]
shoulder strap, including those without handle:

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>4202 21</td>
<td>With outer surface of leather or of composition leather:</td>
<td></td>
</tr>
<tr>
<td>4202 21 10</td>
<td>Hand-bags for ladies</td>
<td>u</td>
</tr>
<tr>
<td>4202 21 20</td>
<td>Vanity-bags</td>
<td>u</td>
</tr>
<tr>
<td>4202 21 90</td>
<td>Other</td>
<td>u</td>
</tr>
<tr>
<td>4202 22</td>
<td>With outer surface of sheeting of plastics or of textile materials:</td>
<td></td>
</tr>
<tr>
<td>4202 22 10</td>
<td>Hand-bags and shopping bags, of artificial plastic material</td>
<td>u</td>
</tr>
<tr>
<td>4202 22 20</td>
<td>Hand-bags and shopping bags, of cotton</td>
<td>u</td>
</tr>
<tr>
<td>4202 22 30</td>
<td>Hand-bags and shopping bags, of Jute</td>
<td>u</td>
</tr>
<tr>
<td>4202 22 40</td>
<td>Vanity-bags</td>
<td>u</td>
</tr>
<tr>
<td>4202 22 90</td>
<td>Other</td>
<td>u</td>
</tr>
<tr>
<td>4202 29</td>
<td>Other :</td>
<td></td>
</tr>
<tr>
<td>4202 29 10</td>
<td>Hand bags of other materials excluding wicker-work or basket work</td>
<td>u</td>
</tr>
<tr>
<td>4202 29 90</td>
<td>Other</td>
<td>u</td>
</tr>
</tbody>
</table>

4202 | Articles of apparel and clothing accessories, of leather or of composition leather

4202 31 | With outer surface of leather or of composition leather:

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>4202 31 10</td>
<td>Jewellery box</td>
<td>u</td>
</tr>
<tr>
<td>4202 31 20</td>
<td>Wallets and purses, of leather</td>
<td>u</td>
</tr>
<tr>
<td>4202 31 90</td>
<td>Other</td>
<td>u</td>
</tr>
<tr>
<td>4202 32</td>
<td>With outer surface of sheeting of plastics or of textile materials :</td>
<td></td>
</tr>
<tr>
<td>4202 32 10</td>
<td>Jewellery box</td>
<td>u</td>
</tr>
<tr>
<td>4202 32 90</td>
<td>Other</td>
<td>u</td>
</tr>
<tr>
<td>4202 39</td>
<td>Other :</td>
<td></td>
</tr>
<tr>
<td>4202 39 10</td>
<td>Jewellery box</td>
<td>u</td>
</tr>
<tr>
<td>4202 39 90</td>
<td>Other</td>
<td>u</td>
</tr>
</tbody>
</table>

4203 | Articles of apparel:

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>4203 10</td>
<td>With outer surface of leather or of composition leather</td>
<td></td>
</tr>
<tr>
<td>4203 10 10</td>
<td>Jackets and jerseys</td>
<td>kg.  14% 14% 28%</td>
</tr>
<tr>
<td>4203 10 90</td>
<td>Other</td>
<td>kg.  14% 14% 28%</td>
</tr>
<tr>
<td>4203 21</td>
<td>Specially designed for use in sports :</td>
<td></td>
</tr>
<tr>
<td>4203 21 10</td>
<td>Gloves</td>
<td>kg.  6% 6% 12%</td>
</tr>
<tr>
<td>Classification</td>
<td>Name of product</td>
<td>Heading No.</td>
</tr>
<tr>
<td>----------------</td>
<td>----------------</td>
<td>-------------</td>
</tr>
<tr>
<td>4203 21 20</td>
<td>Mittens and mitts</td>
<td>kg. 14% 14% 28%</td>
</tr>
<tr>
<td>4203 29</td>
<td>Other:</td>
<td></td>
</tr>
<tr>
<td>4203 29 10</td>
<td>Gloves for use in industry</td>
<td>kg. 14% 14% 28%</td>
</tr>
<tr>
<td>4203 29 20</td>
<td>Other gloves</td>
<td>kg. 14% 14% 28%</td>
</tr>
<tr>
<td>4203 29 30</td>
<td>Mittens and mitts</td>
<td>kg. 14% 14% 28%</td>
</tr>
<tr>
<td>4203 30 00</td>
<td>Belts and bandoliers</td>
<td>kg. 14% 14% 28%</td>
</tr>
<tr>
<td>4203 40</td>
<td>Other clothing accessories:</td>
<td></td>
</tr>
<tr>
<td>4203 40 10</td>
<td>Aprons</td>
<td>kg. 14% 14% 28%</td>
</tr>
<tr>
<td>4203 40 20</td>
<td>Semi-chrome grain garments</td>
<td>kg. 14% 14% 28%</td>
</tr>
<tr>
<td>4203 40 90</td>
<td>Other</td>
<td>kg. 14% 14% 28%</td>
</tr>
<tr>
<td>4204</td>
<td>[***]</td>
<td></td>
</tr>
<tr>
<td>4205</td>
<td>Other articles of leather or of composition leather</td>
<td></td>
</tr>
<tr>
<td>4205 00</td>
<td>Other articles of leather or of composition leather:</td>
<td></td>
</tr>
<tr>
<td>4205 00 11</td>
<td>Welt</td>
<td>kg. 14% 14% 28%</td>
</tr>
<tr>
<td>4205 00 19</td>
<td>Other</td>
<td>kg. 14% 14% 28%</td>
</tr>
<tr>
<td>4205 00 20</td>
<td>Leather sofa cover</td>
<td>kg. 14% 14% 28%</td>
</tr>
<tr>
<td>4205 00 90</td>
<td>Other</td>
<td>kg. 14% 14% 28%</td>
</tr>
<tr>
<td>4206</td>
<td>Articles of gut (other than silk-worm gut), of goldbeater's skin, of bladders or of tendons</td>
<td></td>
</tr>
<tr>
<td>4206 00 10</td>
<td>For rackets</td>
<td>kg. 14% 14% 28%</td>
</tr>
<tr>
<td>4206 00 90</td>
<td>Other</td>
<td>kg. 14% 14% 28%</td>
</tr>
</tbody>
</table>

**CASE LAWS/DEPARTMENTAL CLARIFICATIONS**

<table>
<thead>
<tr>
<th>Name of product</th>
<th>Heading No.</th>
<th>Citation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belt waist of webbing cloth</td>
<td>63.07</td>
<td>MKU Pvt. Ltd. v. CCE 2013 (295) ELT 488 (CESTAT)</td>
</tr>
<tr>
<td>Transmission Belts of Nylon and Leather</td>
<td>4201.90</td>
<td>NTB International (P.) Ltd. v. CCE 2015 (319) ELT 545 (SC)</td>
</tr>
<tr>
<td>Composite transmission belts made of nylon and leather</td>
<td>42.01</td>
<td>Kamal Kacholia v. CCE 2004 (174) ELT 87 (CEGAT)</td>
</tr>
<tr>
<td>Suitcase even if having external locking arrangement</td>
<td>4201.10</td>
<td>Safari Industries (India) Ltd. v. CCE 2000 (115) ELT 137 (CEGAT)</td>
</tr>
<tr>
<td>Unsterilised Absorbable Catgut Sutures</td>
<td>4201.90</td>
<td>Johnson &amp; Johnson Ltd. v. CCE 2003 (154) ELT 729 (CEGAT)</td>
</tr>
</tbody>
</table>
CONSTITUTIONAL PROVISIONS

245. Extent of laws made by Parliament and by the Legislatures of States.-
(1) Subject to the provisions of this Constitution, Parliament may make laws for the whole or any part of the territory of India, and the Legislature of a State may make laws for the whole or any part of the State.
(2) No law made by Parliament shall be deemed to be invalid on the ground that it would have extra-territorial operation.

246. Subject-matter of laws made by Parliament and by the Legislatures of States.-
(1) Notwithstanding anything in clauses (2) and (3), Parliament has exclusive power to make laws with respect to any of the matters enumerated in List I in the Seventh Schedule (in this Constitution referred to as the "Union List").
(2) Notwithstanding anything in clause (3), Parliament, and, subject to clause (1), the Legislature of any State also, have power to make laws with respect to any of the matters enumerated in List III in the Seventh Schedule (in this Constitution referred to as the "Concurrent List").
(3) Subject to clauses (1) and (2), the Legislature of any State has exclusive power to make laws for such State or any part thereof with respect to any of the matters enumerated in List II in the Seventh Schedule (in this Constitution referred to as the "State List").
(4) Parliament has power to make laws with respect to any matter for any part of the territory of India not included in a State notwithstanding that such matter is a matter enumerated in the State List.

246A. Special provision with respect to goods and services tax
(1) Notwithstanding anything contained in articles 246 and 254, Parliament, and, subject to clause (2), the Legislature of every State, have power to make laws with respect to goods and services tax imposed by the Union or by such State.
(2) Parliament has exclusive power to make laws with respect to goods and services tax where the supply of goods, or of services, or both takes place in the course of inter-State trade or commerce.

Explanation.—The provisions of this article, shall, in respect of goods and services tax referred to in clause (5) of article 279A, take effect from the date recommended by the Goods and Services Tax Council.''

265. Taxes not to be imposed save by authority of law.-
No tax shall be levied or collected except by authority of law.

268. Duties levied by the Union but collected and appropriated by the States.-
(1) Such stamp duties and such duties of excise on medicinal and toilet preparations as are mentioned in the Union List shall be levied by the Government of India but shall be collected-
(a) in the case where such duties are leviable within any [Union territory], by the Government of India, and
(b) in other cases, by the States within which such duties are respectively leviable.
(2) The proceeds in any financial year of any such duty leviable within any State shall not form part of the Consolidated Fund of India, but shall be assigned to that State.

269. Taxes levied and collected by the Union but assigned to the States.-
(1) Taxes on the sale or purchase of goods and taxes on the consignment of goods shall be levied [except as provided in article 269A] and collected by the Government of India but shall be assigned and shall be deemed to have been assigned to the States on or after the 1st day of April, 1996 in the manner provided in clause (2).

Explanation-For the purposes of this clause, -
(a) the expression "taxes on the sale or purchase of goods" shall mean taxes on sale or purchase of goods other than newspapers, where such sale or purchase takes place in the course of inter-State trade or commerce;
(b) the expression "taxes on the consignment of goods" shall mean taxes on the consignment of goods (whether the consignment is to the person making it or to any other person), where such consignment takes place in the course of inter-State trade or commerce;
(2) The net proceeds in any financial year of any such tax, except in so far as those proceeds represent proceeds attributable to Union territories, shall not form part of the Consolidated Fund of India, but shall be assigned to the State within which that tax is leviable in that year, and shall be distributed among those States in accordance with such principles of distribution as may be formulated by Parliament by law.]
(3) Parliament may by law formulate principles for determining when a [sale or purchase of, or consignment of, goods] takes place in the course of inter-State trade or commerce.

269A. Levy and collection of goods and services tax in course of inter-State trade or commerce.

(1) Goods and services tax on supplies in the course of inter-State trade or commerce shall be levied and collected by the Government of India and such tax shall be apportioned between the Union and the States in the manner as may be provided by Parliament by law on the recommendations of the Goods and Services Tax Council. Explanation.—For the purposes of this clause, supply of goods, or of services, or both in the course of import into the territory of India shall be deemed to be supply of goods, or of services, or both in the course of inter-State trade or commerce.

(2) The amount apportioned to a State under clause (1) shall not form part of the Consolidated Fund of India.

(3) Where an amount collected as tax levied under clause (1) has been used for payment of the tax levied by a State under article 246A, such amount shall not form part of the Consolidated Fund of India.

(4) Where an amount collected as tax levied by a State under article 246A has been used for payment of the tax levied under clause (1), such amount shall not form part of the Consolidated Fund of the State.

(5) Parliament may, by law, formulate the principles for determining the place of supply, and when a supply of goods, or of services, or both takes place in the course of inter-State trade or commerce.

276. Taxes on professions, trades, callings and employments.-

(1) Notwithstanding anything in article 246, no law of the Legislature of a State relating to taxes for the benefit of the State or of a municipality, district board, local board or other local authority therein in respect of professions, trades, callings or employments shall be invalid on the ground that it relates to a tax on income.

(2) The total amount payable in respect of any one person to the State or to any one municipality, district board, local board or other local authority in the State by way of taxes on professions, trades, callings and employments shall not exceed [two thousand and five hundred rupees] per annum.

(3) The power of the Legislature of a State to make laws as aforesaid with respect to taxes on professions, trades, callings or employments shall not be invalid on the ground that it relates to a tax on income.

279A. Goods and Services Tax Council.-

(1) The President shall, within sixty days from the date of commencement of the Constitution (One Hundred and First Amendment) Act, 2016, by order, constitute a Council to be called the Goods and Services Tax Council.

(2) The Goods and Services Tax Council shall consist of the following members, namely:-

(a) the Union Finance Minister......................... Chairperson;
(b) the Union Minister of State in charge of Revenue or Finance.............. Member;
(c) the Minister in charge of Finance or Taxation or any other Minister nominated by each State Government................ Members.

(3) The Members of the Goods and Services Tax Council referred to in sub-clause (c) of clause (2) shall, as soon as may be, choose one amongst themselves to be the Vice-Chairperson of the Council for such period as they may decide.

(4) The Goods and Services Tax Council shall make recommendations to the Union and the States on-

(a) the taxes, cesses and surcharges levied by the Union, the States and the local bodies which may be subsumed in the goods and services tax;
(b) the goods and services that may be subjected to, or exempted from the goods and services tax;
(c) model Goods and Services Tax Laws, principles of levy, apportionment of Goods and Services Tax levied on supplies in the course of Inter-State trade or commerce under article 269A and the principles that govern the place of supply;
(d) the threshold limit of turnover below which goods and services may be exempted from goods and services tax;
(e) the rates including floor rates with bands of goods and services tax;
(f) any special rate or rates for a specified period, to raise additional resources during any natural calamity or disaster;

(g) special provision with respect to the States of Arunachal Pradesh, Assam, Jammu and Kashmir, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura, Himachal Pradesh and Uttarakhand;

and

(h) any other matter relating to the goods and services tax, as the Council may decide.

(5) The Goods and Services Tax Council shall recommend the date on which the goods and services tax be levied on petroleum crude, high speed diesel, motor spirit (commonly known as petrol), natural gas and aviation turbine fuel.

(6) While discharging the functions conferred by this article, the Goods and Services Tax Council shall be guided by the need for a harmonised structure of goods and services tax and for the development of a harmonised national market for goods and services.

(7) One half of the total number of Members of the Goods and Services Tax Council shall constitute the quorum at its meetings.


(9) Every decision of the Goods and Services Tax Council shall be taken at a meeting, by a majority of not less than three-fourths of the weighted votes of the members present and voting, in accordance with the following principles, namely:-

(a) the vote of the Central Government shall have a weightage of onethird of the total votes cast, and

(b) the votes of all the State Governments taken together shall have a weightage of two-thirds of the total votes cast, in that meeting.

(10) 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.

(11) The Goods and Services Tax Council shall establish a mechanism to adjudicate any dispute-

(a) between the Government of India and one or more States; or

(b) between the Government of India and any State or States on one side and one or more other States on the other side; or

(c) between two or more States, arising out of the recommendations of the Council or implementation thereof.

285. Exemption of property of the Union from State taxation.-

(1) The property of the Union shall, save in so far as Parliament may by law otherwise provide, be exempt from all taxes imposed by a State or by any authority within a State.

(2) Nothing in clause (1) shall, until Parliament by law otherwise provides, prevent any authority within a State from levying any tax on any property of the Union to which such property was immediately before the commencement of this Constitution liable or treated as liable, so long as that tax continues to be levied in that State.

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.

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

[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. Jammu and Kashmir
16. Nagaland
17. Haryana
18. Himachal Pradesh
19. Manipur
20. Tripura
21. Meghalaya
22. Sikkim
23. Mizoram
24. Arunachal Pradesh
25. Goa
26. Chhattisgarh
27. Uttarakhand
28. Jharkhand
29. Telangana

II. THE UNION TERRITORIES

1. Delhi
2. The Andaman and Nicobar Islands
3. Lakshadweep
4. Dadra and Nagar Haveli
5. Daman and Diu
6. Puducherry
7. Chandigarh
SEVENTH SCHEDULE

[List I - UNION LIST]

1. Defence of India and every part thereof including preparation for defence and all such acts as may be conducive in times of war to its prosecution and after its termination to effective demobilisation.

2. Naval, military and air forces; any other armed forces of the Union.

2A. Deployment of any armed force of the Union or any other force subject to the control of the Union or any contingent or unit thereof in any State in aid of the civil power; powers, jurisdiction, privileges and liabilities of the members of such forces while on such deployment.

3. Delimitation of cantonment areas, local self-government in such areas, the constitution and powers within such areas of cantonment authorities and the regulation of house accommodation (including the control of rents) in such areas.

4. Naval, military and air force works.

5. Arms, firearms, ammunition and explosives.

6. Atomic energy and mineral resources necessary for its production.

7. Industries declared by Parliament by law to be necessary for the purpose of defence or for the prosecution of war.

8. Central Bureau of Intelligence and Investigation.

9. Preventive detention for reasons connected with Defence, Foreign Affairs, or the security of India; persons subjected to such detention.

10. Foreign affairs; all matters which bring the Union into relation with any foreign country.

11. Diplomatic, consular and trade representation.


13. Participation in international conferences, associations and other bodies and implementing of decisions made thereat.

14. Entering into treaties and agreements with foreign countries and implementing of treaties, agreements and conventions with foreign countries.

15. War and peace.

16. Foreign jurisdiction.

17. Citizenship, naturalisation and aliens.

18. Extradition.

19. Admission into, and emigration and expulsion from, India; passports and visas.

20. Pilgrimages to places outside India.

21. Piracies and crimes committed on the high seas or in the air; offences against the law of nations committed on land or the high seas or in the air.

22. Railways.

23. Highways declared by or under law made by Parliament to be national highways.

24. Shipping and navigation on inland waterways, declared by Parliament by law to be national waterways, as regards mechanically propelled vessels; the rule of the road on such waterways.

25. Maritime shipping and navigation, including shipping and navigation on tidal waters; provision of education and training for the mercantile marine and regulation of such education and training provided by States and other agencies.

26. Lighthouses, including lightships, beacons and other provision for the safety of shipping and aircraft.

27. Ports declared by or under law made by Parliament or existing law to be major ports, including their delimitation, and the constitution and powers of port authorities therein.

28. Port quarantine, including hospitals connected therewith; seamen's and marine hospitals.

29. Airways; aircraft and air navigation; provision of aerodromes; regulation and organisation of
air traffic and of aerodromes; provision for aeronautical education and training and regulation of such education and training provided by States and other agencies.

30. Carriage of passengers and goods by railway, sea or air, or by national waterways in mechanically propelled vessels.

31. Posts and telegraphs; telephones, wireless, broadcasting and other like forms of communication.

32. Property of the Union and the revenue therefrom, but as regards property situated in a State subject to legislation by the State, save in so far as Parliament by law otherwise provides.

33. [***]

34. Courts of wards for the estates or Rulers of Indian States.

35. Public debt of the Union.

36. Currency, coinage and legal tender; foreign exchange.

37. Foreign loans.

38. Reserve Bank of India.


40. Lotteries organised by the Government of India or the Government of a State.

41. Trade and commerce with foreign countries; import and export across customs frontiers; definition of customs frontiers.

42. Inter-State trade and commerce.

43. Incorporation, regulation and winding up of trading corporations, including banking, insurance and financial corporations but not including co-operative societies.

44. Incorporation, regulation and winding up of corporations, whether trading or not, with objects not confined to one State, but not including universities.

45. Banking.

46. Bills of exchange, cheques, promissory notes and other like instruments.

47. Insurance.

48. Stock exchanges and futures markets.

49. Patents, inventions and designs; copyright; trade marks and merchandise marks.

50. Establishment of standards of weight and measure.

51. Establishment of standards of quality for goods to be exported out of India or transported from one State to another.

52. Industries, the control of which by the Union is declared by Parliament by law to be expedient in the public interest.

53. Regulation and development of oilfields and mineral oil resources; petroleum and petroleum products; other liquids and substances declared by Parliament by law to be dangerously inflammable.

54. Regulation of mines and mineral development to the extent to which such regulation and development under the control of the Union is declared by Parliament by law to be expedient in the public interest.

55. Regulation of labour and safety in mines and oilfields.

56. Regulation and development of inter-State rivers and river valleys to the extent to which such regulation and development under the control of the Union is declared by Parliament by law to be expedient in the public interest.

57. Fishing and fisheries beyond territorial waters.

58. Manufacture, supply and distribution of salt by Union agencies, regulation and control of manufacture, supply and distribution of salt by other agencies.

59. Cultivation, manufacture, and sale for export, of opium.

60. Sanctioning of cinematograph films for exhibition.

61. Industrial disputes concerning Union employees.

62. The institutions known at the commencement of this Constitution as the National Library, the Indian Museum, the Imperial War Museum, the Victoria Memorial and the Indian War Memorial, and any other like institution financed by the Government of India wholly or in
63. The institutions known at the commencement of this Constitution as the Benares Hindu University, the Aligarh Muslim University and the [Delhi University; the University established in pursuance of article 371E;] any other institution declared by Parliament by law to be an institution of national importance.

64. Institutions for scientific or technical education financed by the Government of India wholly or in part and declared by Parliament by law to be institutions of national importance.

65. Union agencies and institutions for—
(a) professional, vocational or technical training, including the training of police officers; or
(b) the promotion of special studies or research; or
(c) scientific or technical assistance in the investigation or detection of crime.

66. Co-ordination and determination of standards in institutions for higher education or research and scientific and technical institutions.

67. Ancient and historical monuments and records, and archaeological sites and remains, [declared by or under law made by Parliament] to be of national importance.

68. The Survey of India, the Geological, Botanical, Zoological and Anthropological Surveys of India; Meteorological Organisations.

69. Census.

70. Union Public Services; All-India Services; Union Public Service Commission.

71. Union pensions, that is to say, pensions payable by the Government of India or out of the Consolidated Fund of India.

72. Elections to Parliament, to the Legislatures of States and to the offices of President and Vice-President; the Election Commission.

73. Salaries and allowances of members of Parliament, the Chairman and Deputy Chairman of the Council of States and the Speaker and Deputy Speaker of the House of the People.

74. Powers, privileges and immunities of each House of Parliament and of the members and the Committees of each House; enforcement of attendance of persons for giving evidence or producing documents before committees of Parliament or commissions appointed by Parliament.

75. Emoluments, allowances, privileges, and rights in respect of leave of absence, of the President and Governors; salaries and allowances of the Ministers for the Union; the salaries, allowances, and rights in respect of leave of absence and other conditions of service of the Comptroller and Auditor-General.

76. Audit of the accounts of the Union and of the States.

77. Constitution, organisation, jurisdiction and powers of the Supreme Court (including contempt of such Court), and the fees taken therein; persons entitled to practise before the Supreme Court.

78. Constitution and organisation [(including vacations)] of the High Courts except provisions as to officers and servants of High Courts; persons entitled to practise before the High Courts.

79. Extension of the jurisdiction of a High Court to, and exclusion of the jurisdiction of a High Court from, any Union territory.

80. Extension of the powers and jurisdiction of members of a police force belonging to any State to any area outside that State, but not so as to enable the police of one State to exercise powers and jurisdiction in any area outside that State without the consent of the Government of the State in which such area is situated; extension of the powers and jurisdiction of members of a police force belonging to any State to railway areas outside that State.

81. Inter-State migration; inter-State quarantine.

82. Taxes on income other than agricultural income.

83. Duties of customs including export duties.

84. Duties of excise on the 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*.

85. Corporation tax.
86. Taxes on the capital value of the assets, exclusive of agricultural land, of individuals and companies; taxes on the capital of companies.
87. Estate duty in respect of property other than agricultural land.
88. Duties in respect of succession to property other than agricultural land.
89. Terminal taxes on goods or passengers, carried by railway, sea or air; taxes on railway fares and freights.
90. Taxes other than stamp duties on transactions in stock exchanges and futures markets.
91. Rates of stamp duty in respect of bills of exchange, cheques, promissory notes, bills of lading, letters of credit, policies of insurance, transfer of shares, debentures, proxies and receipts.
92. [***]
92A. Taxes on the sale or purchase of goods other than newspapers, where such sale or purchase takes place in the course of inter-State trade or commerce.
92B. Taxes on the consignment of goods (whether the consignment is to the person making it or to any other person), where such consignment takes place in the course of inter-State trade or commerce.
92C. [***]
93. Offences against laws with respect to any of the matters in this List.
94. Inquiries, surveys and statistics for the purpose of any of the matters in this list.
95. Jurisdiction and powers of all courts, except the Supreme Court, with respect to any of the matters in this List; admiralty jurisdiction.
96. Fees in respect of any of the matters in this List, but not including fees taken in any court.
97. Any other matter not enumerated in List II or List III including any tax not mentioned in either of those lists.

**LIST II - STATE LIST**

1. Public order (but not including [the use of any naval, military or air force or any other armed force of the Union or of any other force subject to the control of the Union or of any contingent or unit thereof] in aid of the civil power).
2. Police (including railway and village police) subject to the provisions of entry 2A of List I.
3. [***] Officers and servants of the High Court; procedure in rent and revenue courts; fees taken in all courts except the Supreme Court.
4. Prisons, reformatories, Borstal institutions and other institutions of a like nature, and persons detained therein; arrangements with other States for the use of prisons and other institutions.
5. Local government, that is to say, the constitution and powers of municipal corporations, improvement trusts, district boards, mining settlement authorities and other local authorities for the purpose of local self-government or village administration.
6. Public health and sanitation; hospitals and dispensaries.
7. Pilgrimages, other than pilgrimages to places outside India.
8. Intoxicating liquors, that is to say, the production, manufacture, possession, transport, purchase and sale of intoxicating liquors.
9. Relief of the disabled and unemployed.
10. Burials and burial grounds; cremations and cremation grounds.
11. [***]
12. Libraries, museums and other similar institutions controlled or financed by the State; ancient and historical monuments and records other than those [declared by or under law made by Parliament] to be of national importance.
13. Communications, that is to say, roads, bridges, ferries, and other means of communication not specified in List I; municipal tramways; ropeways; inland waterways and traffic thereon subject to the provisions of List I and List III with regard to such waterways; vehicles other than mechanically propelled vehicles.

14. Agriculture, including agricultural education and research, protection against pests and prevention of plant diseases.

15. Preservation, protection and improvement of stock and prevention of animal diseases; veterinary training and practice.


17. Water, that is to say, water supplies, irrigation and canals, drainage and embankments, water storage and water power subject to the provisions of entry 56 of List I.

18. Land, that is to say, rights in or over land, land tenures including the relation of landlord and tenant, and the collection of rents; transfer and alienation of agricultural land; land improvement and agricultural loans; colonization.

19. ....

20. ....


22. Courts of wards subject to the provisions of entry 34 of List I; encumbered and attached estates.

23. Regulation of mines and mineral development subject to the provisions of List I with respect to regulation and development under the control of the Union.

24. Industries subject to the provisions of [entries 7 and 52] of List I.

25. Gas and gas-works.

26. Trade and commerce within the State subject to the provisions of entry 33 of List III.

27. Production, supply and distribution of goods subject to the provisions of entry 33 of List III.


29. ....

30. Money-lending and money-lenders; relief of agricultural indebtedness.

31. Inns and inn-keepers.

32. Incorporation, regulation and winding up of corporations, other than those specified in List I, and universities; unincorporated trading, literary, scientific, religious and other societies and associations; co-operative societies.

33. Theatres and dramatic performances; cinemas subject to the provisions of entry 60 of List I; sports, entertainments and amusements.

34. Betting and gambling.

35. Works, lands and buildings vested in or in the possession of the State.

36. ....

37. Elections to the Legislature of the State subject to the provisions of any law made by Parliament.

38. Salaries and allowances of members of the Legislature of the State, of the Speaker and Deputy Speaker of the Legislative Assembly and, if there is a Legislative Council, of the Chairman and Deputy Chairman thereof.

39. Powers, privileges and immunities of the Legislative Assembly and of the members and the committees thereof, and, if there is a Legislative Council, of that Council and of the members and the committees thereof; enforcement of attendance of persons for giving evidence or producing documents before committees of the Legislature of the State.

40. Salaries and allowances of Ministers for the State.

41. State public services; State Public Service Commission.

42. State pensions, that is to say, pensions payable by the State or out of the Consolidated Fund of the State.

43. Public debt of the State.

44. Treasure trove.

45. Land revenue, including the assessment and collection of revenue, the maintenance of land records, survey for revenue purposes and records of rights, and alienation of revenues.
46. Taxes on agricultural income.
47. Duties in respect of succession to agricultural land.
49. Taxes on lands and buildings.
50. Taxes on mineral rights subject to any limitations imposed by Parliament by law relating to mineral development.
51. Duties of excise on the following goods manufactured or produced in the State and countervailing duties at the same or lower rates on similar goods manufactured or produced elsewhere in India:
   \[\text{(a)}\] alcoholic liquors for human consumption;
   \[\text{(b)}\] opium, Indian hemp and other narcotic drugs and narcotics, but not including medicinal and toilet preparations containing alcohol or any substance included in sub-paragraph \((b)\) of this entry.
52. [***]
53. Taxes on the consumption or sale of electricity.
54. \textit{Taxes on the sale of petroleum crude, high speed diesel, motor spirit (commonly known as petrol), natural gas, aviation turbine fuel and alcoholic liquor for human consumption, but not including sale in the course of inter-State trade or commerce or sale in the course of international trade or commerce of such goods.}
55. [***]
56. Taxes on goods and passengers carried by road or on inland waterways.
57. Taxes on vehicles, whether mechanically propelled or not, suitable for use on roads, including tramcars subject to the provisions of entry 35 of List III.
58. Taxes on animals and boats.
59. Tolls.
60. Taxes on professions, trades, callings and employments.
61. Capitation taxes.
62. \textit{Taxes on entertainments and amusements to the extent levied and collected by a Panchayat or a Municipality or a Regional Council or a District Council.}
63. Rates of stamp duty in respect of documents other than those specified in the provisions of List I with regard to rates of stamp duty.
64. Offences against laws with respect to any of the matters in this List.
65. Jurisdiction and powers of all courts, except the Supreme Court, with respect to any of the matters in this List.
66. Fees in respect of any of the matters in this List, but not including fees taken in any court.

\textit{LIST III - CONCURRENT LIST}

1. Criminal law, including all matters included in the Indian Penal Code at the commencement of this Constitution but excluding offences against laws with respect to any of the matters specified in List I or List II and excluding the use of naval, military or air forces or any other armed forces of the Union in aid of the civil power.
2. Criminal procedure, including all matters included in the Code of Criminal Procedure at the commencement of this Constitution.
3. Preventive detention for reasons connected with the security of a State, the maintenance of public order, or the maintenance of supplies and services essential to the community; persons subjected to such detention.
4. Removal from one State to another State of prisoners, accused persons and persons subjected to preventive detention for reasons specified in entry 3 of this List.
5. Marriage and divorce; infants and minors; adoption; wills, intestacy and succession; joint family and partition; all matters in respect of which parties in judicial proceedings were immediately before the commencement of this Constitution subject to their personal law.
6. Transfer of property other than agricultural land; registration of deeds and documents.
7. Contracts, including partnership, agency, contracts of carriage, and other special forms of
contracts, but not including contracts relating to agricultural land.

8. Actionable wrongs.


10. Trust and Trustees.

11. Administrators-general and official trustees.

11A. Administration of justice; constitution and organisation of all courts, except the Supreme Court and the High Courts.

12. Evidence and oaths; recognition of laws, public acts and records, and judicial proceedings.

13. Civil procedure, including all matters included in the Code of Civil Procedure at the commencement of this Constitution, limitation and arbitration.

14. Contempt of court, but not including contempt of the Supreme Court.

15. Vagrancy; nomadic and migratory tribes.

16. Lunacy and mental deficiency, including places for the reception or treatment of lunatics and mental deficients.

17. Prevention of cruelty to animals.

17A. Forests.

17B. Protection of wild animals and birds.

18. Adulteration of foodstuffs and other goods.

19. Drugs and poisons, subject to the provisions of entry 59 of List I with respect to opium.

20. Economic and social planning.

20A. Population control and family planning.

21. Commercial and industrial monopolies, combines and trusts.

22. Trade unions; industrial and labour disputes.

23. Social security and social insurance; employment and unemployment.

24. Welfare of labour including conditions of work, provident funds, employers' liability, workmen's compensation, invalidity and old age pensions and maternity benefits.

25. Education, including technical education, medical education and universities, subject to the provisions of entries 63, 64, 65 and 66 of List I; vocational and technical training of labour.

26. Legal, medical and other professions.

27. Relief and rehabilitation of persons displaced from their original place of residence by reason of the setting up of the Dominions of India and Pakistan.

28. Charities and charitable institutions, charitable and religious endowments and religious institutions.

29. Prevention of the extension from one State to another of infectious or contagious diseases or pests affecting men, animals or plants.

30. Vital statistics including registration of births and deaths.

31. Ports other than those declared by or under law made by Parliament or existing law to be major ports.

32. Shipping and navigation on inland waterways as regards mechanically propelled vessels, and the rule of the road on such waterways, and the carriage of passengers and goods on inland waterways subject to the provisions of List I with respect to national waterways.

33. Trade and commerce in, and the production, supply and distribution of,—

(a) the products of any industry where the control of such industry by the Union is declared by Parliament by law to be expedient in the public interest, and imported goods of the same kind as such products;

(b) foodstuffs, including edible oilseeds and oils;

(c) cattle fodder, including oilcakes and other concentrates;

(d) raw cotton, whether ginned or unginned, and cotton seed; and

(e) raw jute.

33A. Weights and measures except establishment of standards.

34. Price control.

35. Mechanically propelled vehicles including the principles on which taxes on such vehicles are to
be levied.

36. Factories.
37. Boilers.
38. Electricity.
40. Archaeological sites and remains other than those declared by or under law made by Parliament to be of national importance.
41. Custody, management and disposal of property (including agricultural land) declared by law to be evacuee property.
42. Acquisition and requisitioning of property.
43. Recovery in a State of claims in respect of taxes and other public demands, including arrears of land revenue and sums recoverable as such arrears, arising outside that State.
44. Stamp duties other than duties or fees collected by means of judicial stamps, but not including rates of stamp duty.
45. Inquiries and statistics for the purposes of any of the matters specified in List II or List III.

46. Jurisdiction and powers of all courts, except the Supreme Court, with respect to any of the matters in this List.
47. Fees in respect of any of the matters in this List, but not including fees taken in any court.

**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.
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.
17. Education, including primary and secondary schools.
18. Technical training and vocational education.
19. Adult and non-formal education.
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.
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.
To,
The Principal Chief Commissioners/ Chief Commissioners/ Principal Commissioners/ Commissioners of Central Tax (All) / The Principal Directors General/ Directors General (All)
Madam/Sir,
Subject: Scope of Principal-agent relationship in the context of Schedule I of the CGST Act - regarding.
In terms of Schedule I of the Central Goods and Services Tax Act, 2017 (hereinafter referred to as the “CGST Act”), the supply of goods by an agent on behalf of the principal without consideration has been deemed to be a supply. In this connection, various representations have been received regarding the scope and ambit of the principal-agent relationship under GST. In order to clarify some of the issues and to ensure uniformity in the implementation of the provisions of the law across the field formations, the Board, in exercise of its powers conferred under section 168 (1) of the CGST Act hereby clarifies the issues in the succeeding paras.
2. As per section 182 of the Indian Contract Act, 1872, an “agent” is a person employed to do any act for another, or to represent another in dealings with third person. The person for whom such act is done, or who is so represented, is called the “principal”. As delineated in the definition, an agent can be appointed for performing any act on behalf of the principal which may or may not have the potential for representation on behalf of the principal. So, the crucial element here is the representative character of the agent which enables him to carry out activities on behalf of the principal.
3. The term “agent” has been defined under sub-section (5) of section 2 of the CGST Act as follows:
“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.
4. The following two key elements emerge from the above definition of agent:
a) the term „agent” is defined in terms of the various activities being carried out by the person concerned in the principal-agent relationship; and
b) the supply or receipt of goods or services has to be undertaken by the agent on behalf of the principal.
From this, it can be deduced that the crucial component for covering a person within the ambit of the term “agent” under the CGST Act is corresponding to the representative character identified in the definition of “agent” under the Indian Contract Act, 1872.
5. Further, the two limbs of any supply under GST are “consideration” and “in the course or furtherance of business”. Where the consideration is not extant in a transaction, such a transaction does not fall within the ambit of supply. But, in certain scenarios, as elucidated in Schedule I of the CGST Act, the key element of consideration is not required to be present for treating certain activities as supply. One such activity which has been detailed in para 3 of Schedule I (hereinafter referred to as “the said entry”) is reproduced hereunder:

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.

6. Here also, it is worth noticing that all the activities between the principal and the agent and vice versa do not fall within the scope of the said entry. Firstly, the supply of services between the principal and the agent and vice versa is outside the ambit of the said entry, and would therefore require “consideration” to consider it as supply and thus, be liable to GST. Secondly, the element identified in the definition of “agent”, i.e., “supply or receipt of goods on behalf of the principal” has been retained in this entry.

7. It may be noted that the crucial factor is how to determine whether the agent is wearing the representative hat and is supplying or receiving goods on behalf of the principal. Since in the commercial world, there are various factors that might influence this relationship, it would be more prudent that an objective criteria is used to determine whether a particular principal-agent relationship falls within the ambit of the said entry or not. Thus, the key ingredient for determining relationship under GST would be whether the invoice for the further supply of goods on behalf of the principal is being issued by the agent or not. Where the invoice for further supply is being issued by the agent in their name then, any provision of goods from the principal to the agent would fall within the fold of the said entry. However, it may be noted that in cases where the invoice is issued by the agent to the customer in the name of the principal, such agent shall not fall within the ambit of Schedule I of the CGST Act. Similarly, where the goods being procured by the agent on behalf of the principal are invoiced in the name of the agent then further provision of the said goods by the agent to the principal would be covered by the said entry. In other words, the crucial point is whether or not the agent has the authority to pass or receive the title of the goods on behalf of the principal.

8. Looking at the convergence point between the character of the agent under both the CGST Act and the Indian Contract Act, 1872, the following scenarios are discussed:

**Scenario 1**

Mr. A appoints Mr. B to procure certain goods from the market. Mr. B identifies various suppliers who can provide the goods as desired by Mr. A, and asks the supplier (Mr. C) to send the goods and issue the invoice directly to Mr. A. In this scenario, Mr. B is only acting as the procurement agent, and has in no way involved himself in the supply or receipt of the goods. Hence, in accordance with the provisions of this Act, Mr.B is not an agent of Mr. A for supply of goods in terms of Schedule I.

**Scenario 2**

M/s XYZ, a banking company, appoints Mr. B (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 XYZ. The invoice for the supply of the goods is issued by M/s XYZ 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, Mr.B is not an agent of M/s XYZ for the supply of goods in terms of Schedule I.

**Scenario 3**

Mr. A, an artist, appoints M/s B (auctioneer) to auction his painting. M/s B 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 M/s B on the behalf of Mr. A but in his own name and the painting is delivered to the successful bidder. In this scenario, M/s B is not merely providing auctioneering services, but is also supplying the painting on behalf of Mr. A to the bidder, and has the authority to transfer the title of the painting on behalf of Mr. A. This scenario is covered under Schedule I.

A similar situation can exist in case of supply of goods as well where the 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.
**Scenario 4**

Mr. A sells agricultural produce by utilizing the services of Mr B who is a commission agent as per the Agricultural Produce Marketing Committee Act (APMC Act) of the State. Mr B identifies the buyers and sells the agricultural produce on behalf of Mr. A for which he charges a commission from Mr. A. 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 Mr. B to the buyer, the former is an agent covered under Schedule I. However, in cases where the invoice is issued directly by Mr. A to the buyer, the commission agent (Mr. B) doesn’t fall under the category of agent covered under Schedule I.

9. In scenario 1 and scenario 2, Mr. B shall not be liable to obtain registration in terms of clause (vii) of section 24 of the CGST Act. He, however, would be liable for registration if his aggregate turnover of supply of taxable services exceeds the threshold specified in sub-section (1) of section 22 of the CGST Act. In scenario 3, M/s B shall be liable for compulsory registration in terms of the clause (vii) of section 24 of the CGST Act. In respect of commission agents in Scenario 4, notification No. 12/2017 Central Tax (Rate) dated 24.06.2017 has exempted “services by any APMC or board or services provided by the commission agents for sale or purchase of agricultural produce” from GST. Thus, the “services” provided by the commission agent for sale or purchase of agricultural produce is exempted. Such commission agents (even when they qualify as agent under Schedule I) are not liable to be registered according to sub-clause (a) of sub-section (1) of section 23 of the CGST Act, if the supply of the agricultural produce, and /or other goods or services supplied by them are not liable to tax or wholly exempt under GST. However, in cases where the supply of agricultural produce is not exempted and liable to tax, such commission agent shall be liable for compulsory registration under sub-section (vii) of section 24 of the CGST Act.

10. It is requested that suitable trade notices may be issued to publicize the contents of this Circular.

11. Difficulty, if any, in implementation of this Circular may please be brought to the notice of the Board. Hindi version would follow.

(Upender Gupta)
Commissioner (GST)