

M.K.G

CA EDUCATION

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GST

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

After the book has been published, some error/mistake etc may be detected/or there may be some amendments etc, all such corrections/amendments shall be uploaded on our website at the back of the book

9th Edition

Author

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

₹750

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- Section – 7:** Scope of supply
- Section – 8:** Tax liability on composite and mixed supplies
- Section – 9:** Levy and Collection
- Section – 10:**Composition levy
- Section – 11:**Power to grant exemption from tax
- Section – 12:**Time of supply of goods
- Section – 13:**Time of supply of services
- Section – 15:**Value of taxable supply
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- Section – 34:**Credit and debit notes
- Section – 37:**Furnishing details of outward supplies (GSTR-1)
- Section – 40:**First return
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- Section – 45:**Final return (GSTR-10)
- Section – 46:**Notice to return defaulters (GSTR - 3A)
- Section – 47:**Levy of late fee
- Section – 48:**Goods and services tax practitioners
- Section – 49:**Payment of tax, interest, penalty and other amounts/utilization of ITC
- Section – 50:**Interest on delayed payment of tax
- Section – 68:** Inspection of goods in movement.

LIST OF IMPORTANT RULES

Rule – 1: Short title 1 and commencement

Rule – 2: Definitions

Composition scheme

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

Registration

Rule – 8: Application for registration

Rule – 9: Verification of the application and approval

Rule – 10: Issue of registration certificate

Rule – 16: Suo motu registration

Rule – 19: Amendment of registration

Rule – 20: Application for cancellation of registration

Rule – 21: Registration to be cancelled in certain cases

Rule – 22: Cancellation of registration

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Rule – 26: Method of authentication

Input Tax Credit

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

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

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

Rule – 42: Reversal of ITC on Inputs/Input Services in case of mix use

Rule – 43: Reversal of ITC on Capital Goods in case of mix use

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

Invoice/Credit/Debit Notes

Rule – 46: Tax invoice

Rule – 47: Time limit for issuing tax invoice

Rule – 48: Manner of issuing invoice

Rule – 49: Bill of supply

Rule – 50: Receipt voucher

Rule – 51: Refund voucher

Rule – 52: Payment voucher

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

Rule – 55: Transportation of goods without issue of invoice

Returns/Matching

Rule – 59: Form and manner of furnishing details of outward supplies

Rule – 60: Form and manner of furnishing details of inward supplies

Rule – 61: Form and manner of submission of monthly return

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

Rule – 68: Notice to non-filers of returns

Rule – 80: Annual return

Rule – 81: Final return

Payment of GST

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

E-Way Bill

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

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

Rule – 138B: Verification of documents and conveyances.

Rule – 138C: Inspection and verification of goods.

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

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

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

10. Provisions for filing return of income and self-assessment

- (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)

Sections	Weightage	Content Area
I	15%-20%	<p>1. Basic Concepts</p> <ul style="list-style-type: none"> (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 <p>2. Residential status and scope of total income</p> <ul style="list-style-type: none"> (i) Residential status (ii) Scope of total income
II	25%-35%	<p>3. Incomes which do not form part of total income (other than charitable trusts and institutions, political parties and electoral trusts)</p> <ul style="list-style-type: none"> (i) Incomes not included in total income (ii) Tax holiday for newly established units in Special Economic Zones
		<p>4. Heads of income and the provisions governing computation of income under different heads</p> <ul style="list-style-type: none"> (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%	<p>5. Income of other persons included in assessee's total income</p> <ul style="list-style-type: none"> (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
		<p>6. Aggregation of income; Set-off, or carry forward and set-off of losses</p> <ul style="list-style-type: none"> (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 incomes (v) Other deductions
IV	15%-20%	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
V	15%-20%	9. Advance tax, tax deduction 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
		Introduction to tax collection at source (i) Tax collection at source – Basic concept (ii) Tax deduction and collection account number
		10. Provisions for filing return of income and self-assessment (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)		
Sections	Weightage	Content Area
I	30%-50%	1. 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 (including reverse charge) (d) Exemption from tax (e) Composition levy
		2. Basic concepts of time and value of supply
		3. Input tax credit
		4. Computation of GST liability
II	20%-30%	
III	25%-40%	5. Registration

		6. Tax invoice; Credit and Debit Notes; Electronic way bill
		7. Returns
		8. Payment of tax
IV	0 - 5%	9. Concept of indirect taxes - Concept and features of indirect taxes; Principal indirect taxes
		10. GST Laws: An introduction including Constitutional aspects

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

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

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

The administration and management stands second to none.

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

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

THANK YOU so much Sir..

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

ETI AGARWAL

AKSHAY JAIN

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

ROLL NO.- 368162

MARKS IN TAXATION : 87%

(SECOND HIGHEST MARKS IN TAXATION ALL OVER INDIA)

(AGGREGATE MARKS 79.71%)

(FEEDBACK)

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

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

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

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

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

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

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

Sir its your Success.

A Message to all : -

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

AKSHAY JAIN

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

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

(FEEDBACK)

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

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

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

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

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

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

VIJENDER AGGARWAL

PRACHI JAIN

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

ROLL NO. - 66312

MARKS IN TAXATION:88%

(HIGHEST MARKS IN TAXATION ALL OVER INDIA)

(AGGREGATE MARKS 77.67%)

(FEEDBACK)

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

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

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

Thanks Sir !! :-

PRACHI JAIN

FEEDBACK

(CA-Intermediate)

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

OPINION OF OUR STUDENTS

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

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

Thank You

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

9. JITENDRA (Roll No.337780) 85 Marks

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

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

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

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

I do not have words to express my 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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

M.K. Gupta Sir is an amazing teacher. The tax subject is all about provisions so many sections but Sir makes it simpler for us out of all the subjects, I found Taxation to be the most interesting one.

Sir's study material and notes are sufficient. Study material covers all the past year exam questions, practice questions with solutions. His practical experiences help our understanding level to reach new heights. Thank you Sir for everything.

GOODS AND SERVICES TAX

COMPUTATION OF GST LIABILITY

ITC/OUTPUT TAX/ NET TAX

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

Goods and Services Tax in fact includes the following taxes:

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

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

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

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

Discuss tax treatment.

Solution:

BEFORE GST

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

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

MODIFIED TAX STRUCTURE BEFORE GST

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

Assessee shall be allowed input Tax credit as given below:

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

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

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

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

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

AFTER GST

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

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

Discuss tax treatment.

Solution:

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

Computation of Net Tax

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

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

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

Payment of GST

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

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

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

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

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

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

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

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

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

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

Computation of Net Tax

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

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

Computation of Net Tax Liability of wholesaler

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

Computation of Net Tax

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

Computation of Net Tax

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

Computation of Net Tax of Retailer

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

Computation of Net Tax

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

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

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

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

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

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

(b) presume he is registered.

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

Input tax credit of CGST & SGST is allowed.

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

Computation of Net Tax

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

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

Illustration 4:

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

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

(a) Registered in GST

(b) Unregistered in GST.

Solution (a):

Computation of Net Tax Liability of ABC limited

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

Computation of Net Tax

CGST

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

SGST

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

(b) Computation of Net Tax Liability of ABC limited

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

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

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

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

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

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

Computation of Net Tax

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

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

Computation of Net Tax Liability of wholesaler

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

Computation of Net Tax

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

Computation of Net Tax

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

Computation of Net Tax of Retailer

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

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

Computation of Net Tax

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

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

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

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

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

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

Computation of Net Tax

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

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

Computation of Net Tax Liability of XYZ Limited

	₹
Purchase price of wholesaler	23,29,600

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

Computation of Net Tax

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

Computation of Net Tax

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

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

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

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

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

Computation of Net Tax

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

	SGST ₹
Output tax	1,40,000

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

Computation of Net Tax Liability Mr. B

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

Computation of Net Tax

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

Computation of Net Tax

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

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

b) Presume he is unregistered dealer.**Solution:**

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

Input tax credit of CGST & SGST is allowed.

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

Computation of Net Tax

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

	SGST ₹
Output tax	95,760
Less: ITC Goods – SGST	(68,400)

Net Tax Payable 27,360

b) If he is an unregistered dealer.

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

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

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

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

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

Compute Input Tax Credit /Output Tax / Net Tax.

Solution:

Computation of Net Tax Liability of Mr. X

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

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

Computation of Net Tax

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

INTER STATE SUPPLY

(IGST Act)

Illustration 10

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

Solution:

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

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

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

Computation of Net Tax

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

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

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

Utilisation of Input Tax Credit Section 49/ Section 49A/Section 49B/ 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:

ITC	Output IGST	Output CGST	Output SGST / UTGST
Integrated tax	(I)	(II) – In any order and in any proportion	
<i>(III) Input tax Credit on account of Integrated tax to be completely exhausted mandatorily</i>			
Central tax	(V)	(IV)	Not permitted

State tax / Union Territory tax	(VII)	Not permitted	(VI)
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Illustration 11: Mr. X is a registered dealer in GST Act in Delhi and has submitted information as given below:

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

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

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

Discuss tax treatment and Compute Net Tax Payable.

Solution:

Goods 'A'

	6,00,000
Add: IGST @ 20%	1,20,000
	7,20,000
Input Tax Credit - IGST	1,20,000
	6,00,000
Add: Profit @ 20%	1,20,000
	7,20,000
Add: CGST @ 10%	72,000
Add: SGST @ 10%	72,000

Goods 'B'

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

Goods 'C'

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

Computation of Net Tax

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

Computation of Net Tax

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

Computation of Net Tax

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

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

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

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

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

Solution: Raw Material ‘A’

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

Raw Material ‘B’

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

Services

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

Cost of finished product

Raw Material A	1,00,000.00
Raw Material B	3,00,000.00
Services	3,00,000.00
Processing	4,00,000.00
Cost	11,00,000.00

Add: Profit	5,00,000.00
Transaction value	16,00,000.00
Add: CGST @ 10%	1,60,000.00
Add: SGST @ 10%	1,60,000.00
	19,20,000.00

Computation of Net Tax

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

Computation of Net Tax

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

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

- Purchased raw material ‘A’ ₹2,00,000 + CGST @ 10% + SGST @ 10%
 - Purchased raw material ‘B’ ₹3,10,000 + IGST @ 20%
 - Services of a production engineer were taken and paid ₹2,00,000 + CGST @ 10% + SGST @ 10%
 - Processing charges 4,00,000
 - Profit 20% of cost.
 - Sold entire product in UP under interstate sale and output IGST @ 20%
- Show the tax treatment and compute ITC / Output tax/ Net tax

Solution:

Raw Material ‘A’

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

Input Tax Credit

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

Raw Material ‘B’

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

Input Tax Credit

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

Services

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

Input Tax Credit

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

Cost of Finished Product

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

Computation of Net Tax Payable

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

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

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

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

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

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

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

Solution:

₹

Raw material – R1

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

Input Tax Credit	
CGST	25,000
SGST	25,000
	2,50,000
<u>Raw material – R2</u>	
Transaction value	3,20,000
Add: IGST @ 20%	64,000
Total	3,84,000
Input Tax Credit	
IGST	64,000
	3,20,000
<u>Raw material – R3</u>	
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
<u>Service</u>	
	5,00,000
Add: CGST @ 10%	50,000
Add: SGST @ 10%	50,000
Total	6,00,000
Input Tax Credit	
CGST	50,000
SGST	50,000
<u>Cost of Final Product</u>	
Raw material - R1	2,50,000.00
Raw material - R2	3,20,000.00
Raw material - R3	5,50,000.00
Processing charges	4,00,000.00
Payment for services	5,00,000.00
Profit	70,000.00
Transaction value	20,90,000.00
Add: CGST @ 10%	2,09,000.00
Add: SGST @ 10%	2,09,000.00
Total	25,08,000.00

Computation of Net Tax

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

Computation of Net Tax

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

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

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

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

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

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

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

Solution:

₹

Raw material –R1

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

Raw material –R2

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

Capital goods

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

Services

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

Cost of final product

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

Computation of Net Tax Payable

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

Computation of Net Tax Payable

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

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

Illustration 16: ABC Ltd. is registered under GST Act and has submitted information as given below:
Purchased raw material for ₹4,00,000 plus CGST @10% and SGST @10% and company purchased plant and machinery for ₹10,00,000 plus CGST @10% and SGST @10%. Life of plant and machinery is 5 years and depreciation is allowed @ 20% on SLM basis. Processing charges ₹2,00,000 and profit ₹5,00,000. All the goods were sold and charged CGST @10% and SGST @10%.

Show the tax treatment and Compute Net Tax Payable.

Solution:

₹

Raw Material

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

Plant and Machinery

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

Cost of finished product

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

Computation of Net Tax Payable

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

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

Excess tax credit - CGST ₹ 10,000

Excess tax credit - SGST ₹ 10,000

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

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

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

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

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

Show tax treatment and compute net tax payable.

Solution:**Raw Material 'A'**

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

Input Tax Credit

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

Raw Material "B"

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

Input Tax Credit

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

Plant and Machinery

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

Input Tax Credit

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

Services

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

Input Tax Credit

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

Cost of finished product

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

Computation of Net Tax Payable

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

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

Excess tax credit - CGST ₹ 90,000**Excess tax credit - SGST ₹ 50,000**

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

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

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

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

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

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

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

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

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

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

Solution:

Raw material –R1

Purchase price	2,00,000.00
Add: CGST @10%	20,000.00
Add: SGST @10%	20,000.00
	2,40,000.00
Input Tax Credit	
CGST	20,000.00
SGST	20,000.00
Cost of Raw Material	2,00,000.00

Raw material –R2

Purchase price	3,00,000.00
Add: IGST @ 20%	60,000.00
	3,60,000.00
Input Tax Credit	
IGST	60,000.00
Cost of Raw Material	3,00,000.00

Plant & Machinery

Purchase price	10,00,000.00
Add: IGST @ 10%	1,00,000.00
	11,00,000.00
Input Tax Credit	
IGST	1,00,000.00
Cost of Asset	10,00,000.00

Services

Add: CGST @ 9%	3,00,000.00
Add: SGST @ 9%	27,000.00
	27,000.00
	3,54,000.00
Input Tax Credit	
CGST	27,000.00
SGST	27,000.00
Cost of service	3,00,000.00

Cost of final product

Raw material –R1	2,00,000.00
Raw material –R2	3,00,000.00
Depreciation on Capital goods (10,00,000 @ 20%)	2,00,000.00
Services	3,00,000.00

Other processing charges	5,00,000.00
Profit	3,00,000.00
Transaction Value	18,00,000.00
Add: CGST @ 10%	1,80,000.00
Add: SGST @ 10%	1,80,000.00
	21,60,000.00

Computation of Net Tax Payable

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

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

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

Illustration 19:

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

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

Compute Net Tax payable by Mr. X.

Solution:

₹

Goods A

Cost	10,00,000
Add: IGST @20%	2,00,000

Input Tax Credit	
IGST	2,00,000

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

Goods B

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

Input Tax Credit	
CGST	80,000
SGST	80,000
Sale	6,00,000
Add: IGST @20%	1,20,000
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

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

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

	CGST ₹
Output Tax (1,20,000+90,000)	2,10,000
Less:	
ITC Goods A – IGST	(50,000)
ITC Goods B – CGST	(80,000)
ITC Goods C – CGST	(80,000)
Net Tax Payable	Nil

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

Illustration 20:

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

1. Purchased goods A for ₹10,00,000 + IGST @ 20% and sold these goods for ₹8,00,000 + CGST @ 10% + SGST @ 10%.

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

Compute Net Tax payable by Mr. X.

Solution:

	₹
<u>Goods A</u>	
Cost	10,00,000
Add: IGST @20%	2,00,000
 Input Tax Credit	
IGST	2,00,000
 Sale	8,00,000
Add: CGST @10%	80,000
Add: SGST @10%	80,000
Total	9,60,000
 <u>Goods B</u>	
Cost	8,00,000
Add: CGST @10%	80,000
Add: SGST @10%	80,000
Total	9,60,000
 Input Tax Credit	
CGST	80,000
SGST	80,000
 Sale	18,00,000
Add: IGST @20%	3,60,000
Total	21,60,000
 <u>Goods C</u>	
Cost	8,00,000
Add: CGST @10%	80,000
Add: SGST @10%	80,000
Total	9,60,000
 Input Tax Credit	
CGST	80,000
SGST	80,000
 Sale	6,00,000
Add: CGST @10%	60,000
Add: SGST @10%	60,000
Total	7,20,000

Computation of Net Tax Payable

	IGST ₹
Output Tax	3,60,000
Less:	
ITC Goods A – IGST	(2,00,000)

ITC Goods C – CGST	(20,000)
ITC Goods C – SGST	(20,000)
Net Tax Payable	1,20,000

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

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

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

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

Illustration 21:

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

Solution:

	₹
Goods A	
Cost	10,00,000
Add: CGST @10%	1,00,000
Add: SGST @10%	1,00,000
 Input Tax Credit	
CGST	1,00,000
SGST	1,00,000
 Sale	6,00,000
Add: IGST @20%	1,20,000
Total	7,20,000

Computation of Net Tax Payable

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

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

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

	(₹)
Particulars	
Intra-State supply of goods	8,00,000
Inter-State supply of goods	3,00,000

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

Particulars	(₹)
Intra-State Purchase of goods	3,00,000
Inter-State Purchase of goods	50,000

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

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

Note:

(i) Rate of CGST, SGST and IGST to be 9%, 9% and 18% respectively.

(ii) Both inward and outward supplies are exclusive of taxes, wherever applicable.

(iii) All the conditions necessary for availing the ITC have been fulfilled. Compute the net GST payable by Mr. X during the tax period. Make suitable assumptions as required.

Solution:

Computation of GST payable by Mr. X on outward supplies

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

Computation of total ITC

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

Computation of Tax payable from cash ledger

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

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

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

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

RTP NOV– 2020

TT Pvt. Ltd., registered in Rajasthan, furnished following information for the month of June:

- (i) Inter-State sale of goods for ₹1,25,000 to JJ Enterprises registered in Haryana
- (ii) Inter-State purchases of goods from XYZ company, registered in Punjab, for ₹ 40,000
- (iii) Intra-State purchases of goods from RR Traders, registered in Rajasthan, for ₹ 65,000

The applicable rate of GST is 18%. All the above amounts are exclusive of taxes. GST liability payable in cash is-

- (a) CGST ₹ 1,800 & SGST ₹ 1,800
- (b) SGST ₹ 3,600
- (c) IGST ₹ 3,600
- (d) CGST ₹ 3,600

Answer: (c)

Hint:

Output IGST (1,25,000 x 18%)	22,500
Less: ITC-IGST (40,000 x 18%)	(7,200)
Less: ITC-CGST (65,000 x 9%)	(5,850)
Less: ITC-SGST (65,000 x 9%)	(5,850)
IGST payable in cash	3,600

RTP NOV– 2020

Pradeep Traders, registered in Haryana, sold goods for ₹ 2,05,000 to Balram Pvt. Ltd. registered in Uttar Pradesh (GST is leviable @ 5% on said goods). As per the terms of sales contract, Pradeep Traders has to deliver the goods at the factory of Balram Pvt. Ltd. For this purpose, Pradeep Traders has charged freight of ₹2,400 from Balram Pvt. Ltd. GST is leviable @ 12% on freight. What would be the net GST liability to be paid in cash in this case assuming that the amounts given herein are exclusive of GST?

- (a) IGST-₹37,332
- (b) IGST-₹10,370
- (c) CGST-₹18,666 and SGST-₹18,666
- (d) CGST-₹5,185 and SGST-₹5,185

Answer: (b)

Hint: (2,05,000 + 2,400) x 5% = 10,370

MTP - NOV 20 (8 Marks)

Mr. Harihar, a supplier of goods, pays GST under regular scheme. He has made the following outward taxable supplies in a tax period:

Particulars	₹
Intra-State supply of goods	10,00,000
Inter-State supply of goods	8,00,000

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

Particulars	₹
Intra-State Purchase of goods	3,00,000
Inter-State Purchase of goods	2,50,000

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

Particulars	₹
CGST	57,000
SGST	60,000
IGST	1,40,000

Notes:

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

Compute the minimum GST payable in cash, by Mr. Harihar for the tax period and the ITC to be carried forward to the next month. Make suitable assumptions as required.

Answer:**Computation of GST payable on outward supplies**

S.NO	Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)	Total (₹)
(i)	Intra-State supply of goods for ₹ 10,00,000	90,000	90,000		1,80,000
(ii)	Inter-State supply of goods for ₹ 8,00,000			1,44,000	1,44,000
	Total GST Payable				3,24,000

Computation of total ITC

Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
Opening ITC	57,000	60,000	1,40,000
Add: ITC on Intra-State purchases of goods valuing ₹3,00,000	27,000	27,000	Nil
Add: ITC on Inter-State purchases of goods valuing ₹2,50,000	Nil	Nil	45,000
Total ITC	84,000	87,000	1,85,000

Computation of minimum GST payable from cash ledger

Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)	Total GST (₹)
GST payable	90,000	90,000	1,44,000	3,24,000
Less: ITC [First ITC of IGST should be utilized in full - first against IGST liability and then against CGST and SGST liabilities in a manner to minimize cash outflow]	(38,000) IGST	(3,000) IGST	(1,44,000) IGST	1,85,000 IGST
	(52,000) CGST	(87,000) SGST		1,39,000
Minimum GST payable in cash	Nil	Nil	Nil	Nil
ITC balance to be carried forward next month	32,000	Nil	Nil	32,000

Notes: The above computation is one of the many ways to set off the ITC of IGST

(₹41,000-after set off against IGST liability) against CGST and SGST liability to compute minimum GST payable in cash. To illustrate, IGST of ₹ 10,000 can be set off against SGST payable and IGST of ₹31,000 can be set off against CGST payable. In this situation also, the net GST payable will be nil but the ITC of CGST and SGST to be carried forward will be ₹25,000 and ₹7,000 (totaling to ₹32,000) respectively. However, if the entire ITC of ₹41,000 is set off against CGST payable, then SGST of ₹3,000 will be payable in cash thus, increasing the cash outflow. Therefore, such a set off would not be advisable for computing the minimum GST payable.

MULTIPLE CHOICE QUESTIONS

1. GST is

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

2. GST is

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

3. GST shall be rounded off in the multiple of

- (a) ₹100 (b) ₹10 (c) ₹1 (d) ₹1000

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

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

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

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

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

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

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

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

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

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

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

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

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

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

11. Which of the following statement is correct

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

12. Which of the following statement is correct

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

13. Which of the following statement is correct

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

14. Which of the following statement is correct

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

15. Which of the following statement is not correct

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

Answer:

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

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

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

Sale of Goods

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

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

Computation of Net Tax Payable

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

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

Hint Answer to MCQ 7

Purchase of Goods

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

Input Tax Credit	
CGST	Nil
SGST	Nil

Sale of Goods

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

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

Hint Answer to MCQ 8

Purchase of Goods

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

Input Tax Credit	
IGST	1,20,000

Sale of Goods

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

Computation of Net Tax Payable

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

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

Hint Answer to MCQ 9

Purchase of Goods

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

Sale of Goods

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

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

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

Hint Answer MCQ 10:

Purchase of Goods

Purchase Value	5,00,000
Add: CGST@ 5%	25,000
Add: SGST@ 5%	25,000

Input Tax Credit	
CGST	25,000
SGST	25,000

Sale of Goods

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

CGST ₹	
Output Tax	35,000

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

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

EXAMINATION QUESTION

NOV 2018 (NEW COURSE)

Question 10 (a)**Marks 4**

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

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

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

	₹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-IGST	(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.

MAY 2018 (NEW COURSE)

Question 8 (a)**Marks 6**

Mr. Ajay, a registered supplier of goods, pays GST under regular scheme and provides the following information for the month of August 2022:

	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 2022:

Nature	ITC Amount in (₹)
CGST	20,000
SGST	30,000
IGST	25,000

Rate of CGST, SGST and IGST are 9%, 9% and 18% respectively.

Both inward and outward supplies are exclusive of taxes wherever applicable.

All the conditions necessary for availing the ITC have been fulfilled.

Compute the net GST payable by Mr. Ajay for the month of August 2022.

Solution: Computation of net GST payable by Mr. Ajay for the month of August 2022

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

Input tax credit of CGST & SGST is allowed.

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

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

Intra-state taxable supply of goods

Sale Value	2,00,000
Add: CGST @ 9%	18,000
Add: SGST @ 9%	18,000
Total	2,36,000

Computation of Net Tax

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

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

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

NOV 2018 (OLD COURSE)**Question 11(a)****Marks 4**

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

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

(5)	Input SGST	14,000
(6)	Input IGST	12,000

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

Solution:

Computation of Net Tax

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

MAY 2018 (OLD COURSE)

Question 7 (a)

Marks 6

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, 2022:-

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, 2022:-

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 2022:-

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, 2022.

Solution : Computation of net GST payable by Mr. Nimit for the month of August 2022

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

Total	4,72,000
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Input tax credit of CGST & SGST is allowed.

Purchase price	50,000
Add: IGST @ 18%	9,000
Total	59,000

Input tax credit of IGST is allowed.

Output Tax

Inter-state taxable supply of goods

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

Intra-state taxable supply of goods

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

Computation of Net Tax

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

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

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

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

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), Input tax credit shall be allowed if (i) the supplier is a registered person (ii) supply of goods or services are used or intended to be used in the course of business or furtherance of business

As per section 16(2), additional conditions shall be as under:

- (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**. The said document should contain all the specified details however tax credit shall be allowed if it contains at least the following details: amount of tax charged, description of goods or services, total value of supply of goods or services or both, GSTIN of the supplier and recipient and place of supply in case of inter-state supply.
- 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.
- (aa) the details of the invoice or debit note referred to in clause (a) has been furnished by the supplier in the statement of outward supplies and such details have been communicated to the recipient of such invoice or debit note in the manner specified under section 37.
- (b) **Registered person** has **received** the goods / services.
Explanation.—For the purposes of this clause, it shall be deemed that the registered person has received the goods or, as the case may be, services—
- (i) where the goods are delivered by the supplier to a recipient or any other person on the direction of such registered person, whether acting as an agent or otherwise, before or during movement of goods, either by way of transfer of documents of title to goods or otherwise;
- f(ii) where the services are provided by the supplier to any person on the direction of and on account of such registered person.
- (ba) *the details of input tax credit in respect of the said supply communicated to such registered person under section 38 has not been restricted.*
- (c) 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) Where the goods against an invoice are received in lots or instalments, the registered person shall be entitled to take credit upon receipt of the last lot or instalment:
- (f) 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. 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. (However this procedure is not applicable in case of reverse charge because the recipient himself has to pay GST to the Government)

Example: ABC limited purchase goods from XYZ limited for ₹10,00,000 plus GST ₹ 2,00,000 on 18th July 2022 and received invoice on 18th July 2022 and has taken credit on 20th August 2022 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 2022. In this case 180 days shall expire on 13-01-2023 (July -14, Aug - 31, Sept – 30, Oct-31, Nov- 30, Dec - 31, Jan -13) i.e. in the month of January 2023. ABC limited should report it in the

month of Feb 2023 and should pay ₹ 2,00,000 on 20th March 2023 alongwith Interest on ₹ 2,00,000 @ 18% per annum for 7 months i.e. from 20th August to 20th March 2023. If payment of ₹10,00,000 + GST ₹2,00,0000 was made on 10th November 2023, tax credit can be taken again and limit of 16(4) shall not be applicable.

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, e.g. ABC limited purchased one plant for ₹ 30,00,000 and paid GST of ₹ 6,00,000 and has taken ITC, in this case depreciation shall be allowed on ₹ 30,00,000.

MTP - NOV 20 (2 Marks)

Akash Ltd. a registered person in Punjab has purchased Air Conditioner for invoice value of ₹32,000 (which includes GST at 18%) from Mukesh Ltd. registered in Punjab. Akash Ltd. had capitalized Air Conditioner in his books of accounts for full value of ₹ 32,000 and taking the benefit of depreciation on the same. Keeping in view of the above situation the input tax credit which Akash Ltd. is required to take in his books of accounts will be;

- (a) Nil
- (b) ₹ 4,881
- (c) ₹ 5,760
- (d) ₹ 2,880

Answer: (a)

Since Depreciation has been claimed on the entire amount, as per section 16(3), ITC shall not be allowed for the input tax paid.

Time limit for availing ITC

As per section 16(4), A registered person shall not be entitled to take input tax credit

- after the 30th day of November following the end of financial year to which such invoice or such debit note pertains or
- furnishing of the relevant annual return (as per section 44/Rule 80, every person has to file annual return in form no. GSTR-9 upto 31st December of the subsequent year) whichever is earlier.

Example 1

ABC limited has received invoice dated 10th December, 2022, In this case last date for taking ITC shall be 30th November 2023 but if annual return has been filed on 31st July 2023, last date shall be 31st July 2023.

If any debit note has been issued in connection with any invoice, date of debit note shall be taken into consideration for the purpose of determining the time limit and not the date of invoice, e.g. Invoice is issued on 10/01/2023 and debit note is issued on 20/04/2023 in this case ITC can be taken maximum upto 30/11/2024 or the date of filing annual return whichever is earlier.

Example 2

A is a trader who places an order on B for a consignment of soda. A receives a buying order from C for the same quantity of soda. A instructs B to deliver the goods to C, and in turn he raises an invoice on C. Though the goods are not physically received at the premises of A, in this case it will be deemed to be a delivery to Mr. A and Mr. A is entitled to ITC on the consignment.

Example 3

XYZ makes an advance payment in August and orders 10 quintals of a particular chemical which is in short supply. The supplier of the chemical raises a bill for the entire amount in August and collects GST from XYZ on the advance paid. The chemical is delivered in lots over a period of three months and the supply is completed in November. XYZ can take the ITC only on receipt of last instalment of the chemical in the month of November.

Example 4

Due to a quality dispute, P Ltd withheld payment on a machine supplied by a vendor till it could be rectified. Over 180 days went by in this dispute. The credit taken by P on the invoice got added to the output tax

liability of P and thus, it had to pay back the credit. Only after the vendor rectified the machine and P released the payment, P can take the credit again.

Example 5

Hercules Machinery delivered a machine to XYZ in January 2023 under Invoice no. 49 dated 28th January, 2023 for ₹ 4,15,000 plus GST, and undertook trial runs and calibration of the machine as per the requirements of XYZ. The amount chargeable for the post-delivery activities was covered in a debit note raised in April 2023 for ₹50,000 plus GST.

Though the debit note was received in the next financial year, it relates to an invoice received in the financial year ending March 2023. Therefore, the time limit for XYZ for taking ITC available on ₹ 4,15,000 is 30th November, 2023 (i.e. earlier of the date of filing the annual return for 2022-23 or 30th November 2023.) and on ₹ 50,000 is 30th November, 2024 (i.e. earlier of the date of filing the annual return for 2023-24 or 30th November 2024.)

Bill of Entry: if any person has imported goods, such person has to submit a document to the custom department alongwith certain other documents like invoice etc. and department shall charge basic custom duty and IGST from such person and it will be mentioned on the bill of entry

Reverse Charge: In general the supplier shall charge GST from the recipient and shall pay it to the Government and it is called normal charge or forward charge or direct charge but sometimes the recipient himself has to pay GST direct to the Government and it is called reverse charge e.g. if any person has taken services from outside India, in such cases reverse charge is applicable.

Illustration 1: XYZ Ltd., is engaged in manufacture of taxable goods. Compute the ITC available with XYZ Ltd. for the month of October, 2022 from the following particulars:-

S. No.	Inward supplies	GST (₹)	Remarks
(i)	Inputs 'A'	1,00,000	One invoice on which GST payable was ₹ 10,000, is missing
(ii)	Inputs 'B'	50,000	Inputs are to be received in two instalments. First instalment has been received in October, 2022.
(iii)	Capital goods	1,20,000	XYZ Ltd. has capitalised the capital goods at full invoice value inclusive of GST as it will avail depreciation on the full invoice value.
(iv)	Input services	2,25,000	One invoice dated 20.01.2022 on which GST payable was ₹50,000 has been received in October, 2022.

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 2021-22 was filed on 15th September, 2022.

Answer

Computation of ITC available with XYZ Ltd. for the month of October, 2022

S. No.	Inward supplies	GST (₹)
(i)	Inputs 'A' [ITC cannot be taken on missing invoice. The registered person should have the invoice in its possession to claim ITC]	90,000
(ii)	Inputs 'B' [When inputs are received in instalments, ITC can be availed only on receipt of last instalment]	Nil
(iii)	Capital goods [Input tax paid on capital goods cannot be availed as ITC, if depreciation has been claimed on such tax component]	Nil
(iv)	Input services [ITC on an invoice cannot be availed after the due date of furnishing of the return for the month of September following the end of financial year to which such invoice pertains or the date of filing annual return, whichever is earlier. Since the annual return for the FY 2021-22 has been filed on 15th September, 2022 (prior to due date of filing the return for September, 2022 i.e., 30th November, 2022), ITC on the invoice pertaining to FY 2021-22 cannot be availed after 15th September, 2022.]	1,75,000

Total**2,65,000****RTP 2021****Question 11.**

Mr. Nikunj, 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 :-

	₹
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 :-	
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:-	₹
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 minimum GST payable by Mr. Nikunj in cash for the month of August.

Solution:**Computation of GST liability of Mr. Nikunj for the month of August**

S. No.	Particulars	(₹)	GST (₹)
(i)	Intra-State supply of goods		
	CGST @ 9% on ₹ 6,00,000	54,000	
	SGST @ 9% on ₹ 6,00,000	<u>54,000</u>	<u>1,08,000</u>
(ii)	Inter-State supply of goods		
	IGST @ 18% on ₹ 2,00,000		36,000

Computation of total ITC

Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
Opening ITC	15,000	35,000	20,000
Add: ITC on Intra-State purchases of goods valuing ₹ 4,00,000	36,000	36,000	
Add: ITC on Inter-State purchases of goods valuing ₹ 50,000			<u>9,000</u>
Total ITC	51,000	71,000	29,000

Computation of minimum GST payable in cash

Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
GST payable	54,000	54,000	36,000

Less: ITC credit of IGST to be first utilised towards payment of IGST			(29,000)
ITC of CGST to be utilised for payment of CGST and IGST in that order.	(51,000)		
ITC of SGST to be utilised for payment of SGST and IGST in that order.		(54,000)	
ITC of SGST to be utilised for payment of IGST, only after ITC of CGST has been utilised fully.			(7,000)-SGST
Minimum GST payable in cash	3,000	Nil	Nil

NOV 2019 (OLD COURSE)

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

Documents based on which ITC is taken should contain at least certain details, What are they?

Answer: Refer answer given in the book

RTP NOV– 2020

Mr. Raghu avails services of Mr. Raja, a Chartered Accountant, as under-

- | | |
|---|----------|
| (i) Audit of financial accounts | ₹ 55,000 |
| (ii) Tax audit and annual filing | ₹ 10,000 |
| (iii) Income-tax return filing of Mr. Raghu 's wife | ₹ 5,000 |

All the above amounts are exclusive of taxes and the applicable rate of GST on these services is 18%.

The accountant of Mr. Raghu has booked the entire expenses of ₹70,000 plus GST in the books of account. Mr. Raghu is eligible to take input tax credit of -

- (a) ₹ 13,500
- (b) ₹ 11,700
- (c) ₹ 9,900
- (d) ₹ 1,800

Answer: (b)

Hint: ITC on personal expenditure is not allowed. ITC allowed shall be $65,000 \times 18\% = 11,700$

IPC NOV 2017 (MODIFIED)

Question 8**(2 Marks)**

Raghavan, a service provider, has taken credit based on the invoice made available to him. He has received the invoice on 10-07-2022 and has made payment against the invoice on 01-01-2023. Explain the consequences of credit that he has taken on 10-07-2022.

Answer:

As per section 16(2), Payment should be made within 180 days from the date of invoice otherwise credit taken earlier shall be added to the output tax liability alongwith interest but if later he makes payment after 180 days, then again he is eligible to take tax credit and limit of section 16(4) shall not be applicable. In the given case payment has been made within 180 days of the date of invoice hence tax credit is taken correctly.

Question 9**(2 Marks)**

Mahesh has received invoices but they have remained unaccounted for more than a year. He intends to take credit while accounting for it now. Advice him on his decision.

Answer:

As per section 16(4), A registered person shall not be eligible to take credit after the 30th Day of November of the subsequent year or furnishing the annual return, whichever is earlier provided the assessee has made

the payment to the supplier. In the given case if the assessee has made the payment to the supplier and 30th November of subsequent year or filing of annual return is not crossed then he is eligible to take credit.

Question 2: 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.**

Example: Mr. X becomes liable to pay tax on 01/08/2022 and has applied for registration on 16/08/2022 obtained registration on 16/09/2022. 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 01/08/2022 and has applied for registration on 05/09/2022 and obtained registration on 10/09/2022, in this case Mr. Z is not eligible for claiming ITC because application for registration has been given after 30 days.

Example 2

Mr. A applies for voluntary registration on 5th June and obtains registration on 22th June. Mr. A is eligible for ITC on inputs / semi-finished goods / finished goods as on 21st June. Mr. A cannot take ITC on capital goods.

Example 3

Mr. X purchased goods vide invoice dated 01/07/2022 ₹10,00,000 plus GST ₹2,00,000 and he is unregistered. His turnover has crossed the Limit of ₹ 40,00,000 in the year 2023-24 on 10/08/2023, 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 01/03/2023 ₹10,00,000 plus GST ₹2,00,000 and he is unregistered. His turnover has crossed the Limit of ₹ 40,00,000 in 2023-24 on 01/01/2024 and he applied for registration on 01/01/2024 and was granted registration on 10/01/2024, in this case as per section 16(4) tax credit for the goods lying in the stock is not allowed because time limit prescribed under 16(4) has elapsed.

Illustration 2: ABC Ltd. Started Business on 01/10/2022.

Purchased raw material ₹50,00,000 + CGST @ 12% + SGST @ 12% and also purchased plant machinery ₹30,00,000 + CGST @ 12% + SGST @ 12%.

Turnover of the company crossed ₹40,00,000 on 10/01/2023 and company has taken registration on 10/01/2023 and at that time 50% of the raw material has been utilised.

Company had turnover ₹30,00,000 from 10/01/2023 to 31/01/2023 and rate of CGST @ 12% and SGST @ 12%.

Compute ITC /Output tax and Net Tax for Jan 2023

Solution:

	₹
Purchased raw material	50,00,000
Add: CGST @12%	6,00,000
Add: SGST @12%	6,00,000
Total	62,00,000
ITC allowed	
CGST (50%)	3,00,000
SGST (50%)	3,00,000
Plant & Machinery	30,00,000
Add: CGST @12%	3,60,000
Add: SGST @12%	3,60,000
Total	37,20,000

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

Output Tax

Transaction Value	30,00,000
Add: CGST @12%	3,60,000
Add: SGST @12%	3,60,000
Total	37,20,000

Computation of Net Tax Payable

	CGST
Output Tax	3,60,000
Less: ITC raw material	(3,00,000)
Tax Payable	60,000

	SGST
Output Tax	3,60,000
Less: ITC raw material	(3,00,000)
Tax Payable	60,000

Illustration 3:

Mr. X started his business on 01/04/2022 and he is unregistered dealer. He purchased goods A for ₹50,00,000 + IGST 20% and 60% of the goods were sold by him upto 30/06/2022 for ₹40,00,000.

He applied for registration on 10/07/2022 and was registered on 18/07/2022.

He purchased plant and machinery X on 01/05/2022 for ₹16,00,000 + CGST @ 10% + SGST @ 10%.

He purchased goods B on 01/08/2022 for ₹30,00,000 + CGST @ 10% + SGST @ 10% and goods were sold for ₹40,00,000 + IGST @ 20%.

He purchased plant Y on 01/09/2022 for ₹13,00,000 + CGST @ 10% + SGST @ 10%.

Compute ITC /Output tax /Net Tax.

Solution:

Computation of Net Tax Liability of Mr. X.

Input Tax Credit

	₹
Goods A	50,00,000
Add: IGST @ 20%	10,00,000
Total	60,00,000

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

40% credit is allowed (10,00,000 x 40%) = 4,00,000

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

Goods B	30,00,000
Add: CGST @ 10%	3,00,000
Add: SGST @ 10%	3,00,000
Total	36,00,000

ITC	
CGST	3,00,000
SGST	3,00,000

Plant Y	13,00,000
Add: CGST @ 10%	1,30,000
Add: SGST @ 10%	1,30,000
Total	15,60,000

ITC	
CGST	1,30,000
SGST	1,30,000

Output Tax

Goods B	40,00,000
Add: IGST @ 20%	8,00,000
Total	48,00,000

Computation of Net Tax

	IGST
Output Tax	8,00,000.00
Less: ITC goods A – IGST	(4,00,000.00)
Less: ITC goods B – CGST	(3,00,000.00)
Less: ITC plant Y – CGST	(1,00,000.00)
Net tax payable	Nil
ITC to be carried forward	
CGST	30,000
SGST	4,30,000

Illustration 4: ABC limited started its business on 01-07-2022 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 31-12-2022 for ₹ 40,00,000 and applied for registration on 1-1-2023 and registration was granted on 15-01-2023. Company sold remaining 50% of the goods upto 31/03/2023 for ₹ 39,00,000 + CGST 10% + SGST 10%

Compute ITC allowed at the time of registration and net tax payable by the company.

Solution:

No tax credit shall be allowed in the beginning because unregistered supplier is not eligible for ITC.

As per section 18(1) (a), ITC shall be allowed at the time of registration but only for inputs lying in the stock and amount of ITC shall be 48,00,000 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.

Sale of remaining goods	39,00,000
CGST 10%	3,90,000

SGST 10%		3,90,000
	CGST	SGST
Output tax	3,90,000	3,90,000
Less ITC	(2,40,000)	(2,40,000)
Net tax	1,50,000	1,50,000

Illustration 5: ABC limited started its business on 01-07-2022 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 31-12-2022 for ₹ 40,00,000 and applied for registration on 10-2-2023 and registration was granted on 15-02-2023. Company purchased one Plant and machinery on 20-02-2023 ₹ 6,00,000 + CGST @ 10% + SGST @ 10% . Remaining goods were sold upto 31-03-2023 for ₹42,00,000 + CGST 10% + SGST 10%

Compute ITC allowed at the time of registration and also net tax payable by the company.

Solution:

No tax credit shall be allowed because company has applied after expiry of 30 days. However tax credit shall be allowed for the plant and machinery purchased after registration.

Plant and machinery purchased		6,00,000
CGST		60,000
SGST		60,000
ITC		
CGST		60,000
SGST		60,000
	CGST	SGST
Output tax (42,00,000 X 10%)	4,20,000	4,20,000
Less ITC	(60,000)	(60,000)
Net tax	3,60,000	3,60,000

RTP NOV– 2020

Babla & Bros. is exclusively engaged in making exempt supply of goods and is thus, not registered under GST. On 1st October, the exemption available on its goods gets withdrawn. On that day, the turnover of Babla & Bros. was ₹50 lakh. Examine the eligibility of Babla & Bros. for availing ITC, if any.

Answer: Since the exemption available on goods being supplied by Babla & Bros. is withdrawn, it becomes liable to registration as its turnover has crossed the threshold limit (for registration) on the day when the exemption is withdrawn. Assuming that Babla & Bros. applies for registration within 30 days of 1st October and it obtains such registration, it will be entitled to take credit of input tax in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock on the day immediately preceding the date from which it becomes liable to pay tax, i.e. 30th September [Section 18(1)(a) of the CGST Act, 2017]. Input tax paid on capital goods will not be available as input tax credit in this case.

Question 3: 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.

As per section 2 (92), "quarter" shall mean a period comprising three consecutive calendar months, ending on the last day of March, June, September and December of a calendar year;

Example 1: Mr. A, a registered taxable person, was paying tax at composition scheme upto 30th June. However, w.e.f. 1st July, Mr. A becomes liable to pay tax under regular scheme. Mr. A will be eligible for ITC on inputs held in stock and inputs contained in semi-finished or finished goods held in stock and on capital goods as on 30th June. ITC on capital goods will be reduced by 5% per quarter from the date of the invoice.

Example 2.

Mr. X has opted for composition scheme at the time of registration and purchased a plant and machinery ₹ 30,00,000 and paid input tax at a rate of 18% and tax credit was not allowed but after a period of 9 month and 10 days the dealer has opted for payment u/s 9 i.e. normal scheme. Compute amount of tax credit allowed to Mr. X.

(b) Presume time period is 11 month and 20 days

Solution:

(a) Total Input Tax (30,00,000 x 18%)	₹ 5,40,000
Asset already used for 9 months and 10 days = 4 Quarters	
Less: Tax credit not allowed (5,40,000 x (4 x 5%))	(1,08,000)
Amount of Tax credit allowed	4,32,000

(b) Total Input Tax (30,00,000 x 18%)	₹ 5,40,000
Asset already used for 11 months and 20 days = 4 Quarters	
Less: Tax credit not allowed (5,40,000 x (4 x 5%))	(1,08,000)
Amount of Tax credit allowed	4,32,000

Question 4: 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 1:

ABC Limited purchased one plant and machinery ₹20,00,000 and paid input tax ₹3,00,000 and it is being used for exempted goods but after 7 months and 10 days , it is used for taxable goods. In this case, its tax credit allowed shall be

Total input tax	₹ 3,00,000
Less: 5% per quarter or part thereof i.e. 3,00,000 x (5% x 3)	(₹ 45,000)
Amount of tax credit allowed	2,55,000

Example 2:

Mamta Sales trades in exempt goods and provides taxable services. It is registered under GST. On 1st October, the exemption available on its goods gets withdrawn. Analyze the scenario and determine the eligibility of Mamta Sales for availing ITC, if any, on inputs and/or capital goods used in the supply of exempt goods.

Answer: If the exempt supply made by a registered person becomes a taxable supply, provisions of section 18(1)(d) of the CGST Act, 2017 become applicable. In the given case, since Mamta Sales is a registered

person, section 18(1)(d) will be applicable. As per section 18(1)(d), Mamta Sales will be entitled to take credit of input tax in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock relating to such exempt supply and on capital goods exclusively used for such exempt supply on the day immediately preceding the date from which such supply becomes taxable, i.e. 30th September. Input tax credit on capital goods will be reduced by 5% per quarter or part thereof from the date of invoice.

Question 5: 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 6: Explain Reversal of tax credit in case of shifting from normal scheme to composition scheme or where taxable supply becomes exempt supply.

Answer: Tax credit in case of shifting from normal scheme to composition scheme or where taxable supply becomes exempt supply section 18 (4)/ Rule 44

Where any registered person who has availed of input tax credit **opts to pay tax under composition scheme** or, where **taxable supply becomes exempt supply**, he shall pay an amount, equivalent to the credit of input tax in respect of stock.

In case of capital goods, remaining tax credit has to be reversed taking the life to be 60 month and part of the month shall be ignored

After payment of such amount, the balance of input tax credit, if any, lying in his electronic credit ledger shall lapse.

For this purpose the applicant has to submit form no. ITC-03

Example 1:

ABC Limited purchased one plant and machinery ₹20,00,000 and paid input tax ₹3,00,000 and it is being used for taxable goods but after one year and 2 months and 10 days, it is used for exempted goods. In this tax credit to be reversed shall be

Remaining life 60 month – 14 month 10 days = 45 months 20 days

Ignore 20 days i.e. 45 months

$3,00,000 / 60 \times 45 = ₹2,25,000$

Example 2:

Mr. X has opted for payment under section 9 and he purchased a plant and machinery ₹ 60,00,000 and paid input tax at a rate of 20% but he has shifted to composition scheme after 38 month and 10 days. Compute amount of tax credit to be reversed by Mr. X.

(b) Presume time period is 11 month and 20 days

(c) Presume time period is 55 month and 21 days.

Solution:

(a) Total Input Tax (60,00,000 x 20%)	₹ 12,00,000
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Remaining life of the asset = (60 month – 38 month and 10 days)

= 21 month and 20 days i.e. 21 month (part shall be ignored)

Amount of credit to be reversed = $12,00,000 / 60 \times 21 =$	4,20,000
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(b) Total Input Tax (60,00,000 x 20%)	₹ 12,00,000
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Remaining life of the asset = (60 month – 11 month and 20 days)

= 48 month and 10 days i.e. 48 month (part shall be ignored)

Amount of credit to be reversed = $12,00,000/60 \times 48 =$	9,60,000
(c) Total Input Tax (60,00,000 x 20%)	12,00,000
Remaining life of the asset = (60 month – 55 month and 21 days) = 4 month and 9 days i.e. 4 month (part shall be ignored)	
Amount of credit to be reversed = $12,00,000/60 \times 4 =$	80,000

Question 7: Explain Reversal of tax credit in case of supply of capital goods on which tax credit has been taken.

Answer: Payment of tax in case of supply of capital goods on which tax credit has been taken Section 18 (6)/ Rule 44

In case of **supply of capital goods**, on which input tax credit has been taken, the registered person shall pay an amount on the basis of remaining life considering total life to be 60 months however part of the month shall be ignored as per rule 44 or the tax on the transaction value of such capital goods, whichever is higher.

Example.

If a plant and machinery was purchased for ₹ 20,00,000 and input tax credit was ₹ 2,00,000 and supplier has sold it after using for one year and 2 months and 15 days, amount to be reversed shall be –

Remaining life shall be = 45 months 15 days i.e. 45 months

Amount to be reversed $2,00,000/60 \times 45 = 1,50,000$

If the plant is sold for ₹ 15,00,000 and rate of GST is 12%, Amount to be reversed shall be ₹1,80,000

If the plant is sold for ₹ 12,00,000 and rate of GST is 12%, Amount to be reversed shall be ₹1,50,000 and not ₹ 1,44,000.

In case of supply of goods, registered person shall report it in GSTR-1.

Illustration 6: Mr. X is registered in GST and is manufacturing taxable goods. He purchased one plant and machinery ₹ 60,00,000 plus CGST @ 10% plus SGST @ 10% and has taken ITC but after 2 years 7 months and 22 days it was sold by him for ₹ 40,00,000 when rate of CGST @ 12% and SGST @ 12%. Determine the amount to be paid and also mention section and Rules.

Solution:

Total Input Tax

CGST (60,00,000 x 10%) 6,00,000

SGST (60,00,000 x 10%) 6,00,000

Remaining life of the asset = (60 month – 31 month and 22 days)

= 28 month and 8 days i.e. 28 month (part shall be ignored)

Amount of credit to be reversed CGST = $6,00,000/60 \times 28 =$ 2,80,000

Amount of credit to be reversed SGST = $6,00,000/60 \times 28 =$ 2,80,000

If Plant and Machinery is sold for ₹ 40,00,000, Amount to be reversed

CGST (40,00,000 x 12%) 4,80,000

SGST (40,00,000 x 12%) 4,80,000

Therefore amount to be paid will be higher of the two which is CGST ₹ 4,80,000 & SGST ₹ 4,80,000 as per section 18(6)/Rule 44.

MAY 2018 (OLD COURSE)

Question 9 (c)

(4 Marks)

Bharat Associates Pvt. Ltd. Purchased machinery worth ₹ 9,00,000 (excluding GST) on 20-07-2022 on which it paid GST @ 18%. It availed the ITC. On 05-03-2023 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 2022 to 05th March 2023 i.e. 7 months and 14 days

Remaining life shall be = 52 months 16 days i.e. 52 months

Amount to be reversed (A) $1,62,000/60 \times 52 =$ 1,40,400

Duty leviable on transaction value ($\text{₹ } 7,00,000 \times 18\%$) (B) 1,26,000

Amount payable towards disposal of machine is higher of (A) and (B) 1,40,400

Question 8: Explain tax credits in case of Inputs/Capital Goods are used for taxable as well as exempted supply.

Answer: The fundamental principle of credit scheme under value added tax is that tax paid on inputs, input services and capital goods can be availed as credit only when the output is taxable. Thus, when tax is not payable on output, credit cannot be availed. Accordingly, ITC under GST can be availed and utilised for payment of tax on output supply. Consequently, ITC cannot be availed when tax is not payable on output supply, i.e. on exempt supply. The only exception to the above principle is 'zero rated supply, where ITC is available even if no tax is payable on output supply.

If a taxable person is making both taxable and exempt supply, he is entitled to full credit of ITC in respect of inputs, input services and capital goods exclusively used for taxable supply and no credit at all for inputs, input services and capital goods exclusively used for exempt supply. If common inputs, input services and capital goods are used for taxable as well as exempt supply, only proportionate ITC attributable to the taxable supply is available. The common ITC is apportioned in the ratio of value of taxable supply and exempt supply. Elaborate provisions have been made in sub-sections (1) and (2) of section 17 and rules 42 and 43 for calculation of such proportionate ITC.

Apportionment of credit Section 17 (1)/17 (2)/ 17 (3) / Rule 42/43.

As per section 17(1)/ 17(2)/ 17(3), if any person is supplying goods or services which are taxable as well as exempt, in such cases tax credit shall be allowed only for taxable supply and zero rated supply (i.e. supply for export or supply to SEZ units or SEZ developer).

No tax credit shall be allowed for exempt supply or non-taxable supply (supply on which GST can not be levied e.g. alcoholic liquor and petroleum product) or supply for non-business purpose or supply for personal purpose.

Exempt supply shall include (i) supplies on which recipient is liable to pay tax on reverse charge 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. (ii) transaction in sale purchase of shares and securities (because securities transaction is paid), (iii) sale of land or building (because stamp duty is paid)

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 Section 17(1)/ 17(2)/ 17(3) / Rule 42

As per Rule 42, In case of Inputs or Input services, 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

$$\text{CGST} = 50,000 / 12,00,000 \times 4,00,000 = ₹16,666.67 \text{ rounded off u/s 170 } ₹16,667$$

$$\text{SGST} = 50,000 / 12,00,000 \times 4,00,000 = ₹16,666.67 \text{ rounded off u/s 170 } ₹16,667$$

Illustration 7: 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)

$$\text{Common credit} = ₹15,000 + ₹5,000 = ₹20,000$$

$$\text{Exempt turnover} = ₹1 \text{ crore}$$

$$\text{Total turnover} = ₹5 \text{ crore } [₹1 \text{ crore} + ₹4 \text{ crore}]$$

$$\text{Credit attributable to exempt supplies} = 20,000 / 5 \text{ crores} \times 1 \text{ crore} = ₹4,000.$$

Ineligible credit of ₹4,000 will be added to the output tax liability for the month of July.

Illustration 8: Eezee Footwear, manufacturer of two varieties of Hawaii slippers and five varieties of other sandals and shoes. Hawaii slippers are exempted. Dyes are used in the manufacture of all footwear. However, bright pink is used only for one of the Hawaii varieties, and black is used only for the sandals and shoes. Blue and yellow are used for all the varieties. Brown is used for non-business purposes.

Eezee footwear has the following turnover in October

Turnover of Hawaii 1 plus Hawaii 2 is ₹ 3 crores

Turnover of all varieties of taxable shoes and sandals: ₹ 2 crore

Total turnover of all footwear during the month: ₹ 5 crores

No inputs/input services are used for non-business purposes.

Inward supplies during the month -

Input tax on brown dye (non-business): 10,000

Input tax on bright pink dye (used for Hawaii slippers): 90,000

Input tax on black dye (used only for sandals and shoes): 40,000

Input tax on blue dye (used for all i.e. mixed use): 1,00,000

Input tax on yellow dye (used for all i.e. mixed use): 15,000

Total input tax: 2,55,000

In this case no tax credit shall be allowed for brown dye, bright pink dye. Full ITC shall be allowed for black dye. ITC for blue dye and yellow dye (1,00,000 + 15,000 = 1,15,000) shall be allowed in full but proportionate amount of exempted turnover shall be recovered.

$$1,15,000 / 5 \text{ crore} \times 3 \text{ crore} = 69,000$$

Apportionment of ITC of Capital Goods Section 17(1) & (2) 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 along with interest @ 18% per annum. Life of every capital goods shall be taken to be 60 month.

Example 1

ABC Limited purchased one plant and machinery ₹20,00,000 on 01.04.2022 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 turnover for April 22, of taxable goods is ₹6,00,000 and turnover of exempt goods is ₹2,00,000,

In this case tax credit of 3,00,000 shall be taken on 20th May 2022 and tax credit for April 22 shall be reversed on 20th May 2022 and shall be computed in the manner given below:

$$3,00,000/60 \times 2,00,000/8,00,000 = ₹1,250$$

No interest is payable because tax credit is taken on 20th May 22 and is also reversed on 20th May 22

Turnover for the month of May 2022 taxable ₹7,00,000 , exempt ₹3,00,000, in this case tax credit shall be reversed on 20th June 2022 and interest shall be paid for one month:

$$3,00,000/60 \times 3,00,000 /10,00,000 = 1,500$$

$$\text{Interest payable} = 1500 \times 18\% \times 1/12 = 22.5 \text{ (rounded off 23)}$$

Turnover for the month of June 2022 taxable 8,00,000 , exempt 2,00,000, in this case tax credit shall be reversed on 20th July 22

and interest shall be paid for two month:

$$3,00,000/60 \times 2,00,000 /10,00,000 = 1,000$$

$$\text{Interest payable} = 1000 \times 18\% \times 2/12 = 30$$

If capital goods were used for manufacturing exempt goods but subsequently it is being used for manufacturing of exempt goods and taxable goods, in that case full tax credit shall be allowed but proportionate amount of input tax for the exempt period shall be added to the output tax liability for that month. It will be 5% per quarter or part thereof.

Example 2

ABC Limited purchased one plant and machinery on 01.04.2022 for ₹20,00,000 and paid input tax ₹3,00,000 and it is being used for exempted goods but after 12 months, it is used for exempted as well as taxable goods. In this case treatment of ITC shall be as given below,

Full tax credit of 3,00,000 shall be allowed for the month of April 2023 but proportionate ITC for 12 months shall be added to the output tax liability for April 2023: $3,00,000 \times 5\% \times 4 = 60,000$

If after availing ITC turnover for April 2023 is: taxable ₹4,00,000 and exempt ₹2,00,000, Credit amount to be reversed every month shall be

$$3,00,000 /60 \times 2,00,000/6,00,000 = ₹1,666.67$$

Also interest shall be payable in the subsequent month (not for the first month)

Example 3

ABC limited purchased one plant and machinery on 01.04.2022 for ₹30,00,000 + GST @ 12% and started manufacturing taxable goods and taken ITC of ₹3,60,000 on 20.05.2022.

Company started manufacturing taxable as well as exempt goods w.e.f. 01.10.2022 and taxable turnover for the month of October was ₹20,00,000 and exempt turnover was ₹5,00,000. In this case ITC to be reversed on 20.11.2022 shall be

$$3,60,000/60 \times 5,00,000 /25,00,000 = 1,200$$

$$\text{Interest payable} = 1200 \times 18\% \times 6/12 = 108$$

If taxable turnover for the month of November was ₹22,00,000 and exempt turnover was ₹3,00,000. In this case ITC to be reversed on 20.12.2022 shall be

$$3,60,000/60 \times 3,00,000 /25,00,000 = 720$$

$$\text{Interest payable} = 720 \times 18\% \times 7/12 = 75.6 \text{ or } 76$$

Illustration 9:

Mr. X is a dealer registered in GST and has purchased one Plant and Machinery on 01/10/2022 ₹ 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 2022 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 2022.

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

	₹
Raw Material	30,00,000
Add: CGST @ 12%	3,60,000
Add: SGST @ 12%	3,60,000
Total	37,20,000
Input tax credit	
CGST	3,60,000
SGST	3,60,000
Cost of Raw Material	30,00,000
ITC on capital Goods	
Plant and Machinery	60,00,000
CGST @ 10%	6,00,000
SGST @ 10%	6,00,000
ITC CGST	6,00,000
ITC SGST	6,00,000
Cost of Plant and Machinery	60,00,000

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 $3,60,000/54,00,000 \times 22,00,000$	1,46,666.67
SGST $3,60,000/54,00,000 \times 22,00,000$	1,46,666.67
Capital Goods –Rule 43	
CGST $(6,00,000/60 \times 1)/54,00,000 \times 22,00,000$	4,074.07
SGST $(6,00,000/60 \times 1)/54,00,000 \times 22,00,000$	4,074.07

Computation of Net Tax

	CGST
Output Tax	
Sale	4,80,000.00
Raw Material	1,46,666.67
Plant and Machinery	4,074.07
Total	6,30,740.79
Less: ITC	
Raw Material	(3,60,000.00)
Capital Goods	(6,00,000.00)
ITC to be carried forward	3,29,259.26
	SGST
Output Tax	
Sale	4,80,000.00
Raw Material	1,46,666.67
Plant and Machinery	4,074.07
Total	6,30,740.79

Less: ITC	
Raw Material	(3,60,000.00)
Capital Goods	(6,00,000.00)
ITC to be carried forward	3,29,259.26

Illustration 10:

ABC Ltd. is registered in GST and company has purchased raw material ₹10,00,000 + CGST @ 10% + SGST @ 10% on 01/11/2022 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 2022 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 2022.

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

	₹
Raw Material	10,00,000
Add: CGST @ 10%	1,00,000
Add: SGST @ 10%	1,00,000
Total	12,00,000
Input tax credit	
CGST	1,00,000
SGST	1,00,000
Cost of Raw Material	10,00,000
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 $1,00,000/48,00,000 \times 18,00,000$	37,500.00
SGST $1,00,000/48,00,000 \times 18,00,000$	37,500.00
Capital Goods - Rule 43	
CGST $(2,00,000/60 \times 1)/48,00,000 \times 18,00,000$	1,250.00
SGST $(2,00,000/60 \times 1)/48,00,000 \times 18,00,000$	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

Question 9: 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 10: Explain the goods for which tax credit is not allowed i.e. blocked credit.

Answer: Blocked Credit section 17(5)

No tax credit shall be allowed in the following cases:

1. Tax credit is not allowed in case of **motor vehicle for transportation of persons** provided approved seating capacity is not more than 13 persons (including the driver) i.e. if seating capacity is more than 13 persons, in that case tax credit shall be allowed.

further tax credit shall be allowed where such motor vehicle is for further supply of such motor vehicles (i.e. for sale purchase or for renting, hiring or leasing) or for transportation of passengers or for imparting training on driving such motor vehicles.

Since two wheeler is covered in motor vehicle for transportation of persons, tax credit shall not be allowed.

If motor vehicle is for transportation of goods, tax credit shall be allowed. Similarly in case of motor vehicle for other purpose, tax credit shall be allowed e.g. JCB machine, Road Roller, Concrete Mixer Vehicle, Tractor etc.

Example 1 : ABC limited purchased one passenger vehicle (with seating capacity not more than 13 people) for transportation of the employees, tax credit is not allowed.

Example 2 : ABC limited purchased one two wheeler for use of the employees, tax credit is not allowed.

Example 3 : ABC limited purchased one truck for transportation of inputs/ final product, tax credit is allowed.

Example 4 : Mr. X purchased one motor car (with seating capacity more than 13 people) for going to his factory, tax credit allowed.

Example 5 : ABC limited purchased one truck and it was given on rent , tax credit is allowed.

Example 6: ABC limited purchased one bus for transportation of passenger, tax credit is allowed.

Example 7 : ABC limited a tent house purchased one truck for transportation of goods relating to service of tent house, tax credit is allowed.

Example 8 : ABC limited purchased one motor car for training of driving skills, tax credit is allowed.

Example 9: A car dealer is allowed ITC on cars purchased for resale.

Example 10: A cab service is allowed ITC on cars purchased for use as cabs.

Example 11: A driving school is allowed ITC on cars purchased for imparting training on driving.

Example 12: ITC on cars (with seating capacity upto 13 persons) purchased by a manufacturing company for official use of its employees is blocked.

Example 13: ITC on cars purchased by a car dealer for sale to customers is allowed.

Example 14: ITC on cars purchased by a company engaged in renting out cars for transportation of passengers, is allowed.

Example 15: ITC on cars purchased by a car driving school is allowed.

Example 16: ITC on buses (seating capacity for 24 persons) purchased by a company for transportation of its employees from their residence to office and back, is allowed.

Example 17: ITC on trucks purchased by a company for transportation of its finished goods is allowed.

Example 18: ITC on cars (seating capacity more than 13 persons) purchased by a manufacturing company for official use of its employees is allowed.

Example 19: ITC on aircraft purchased by a manufacturing company for official use of its CEO is blocked.

Example 20: ITC on aircraft purchased by an Aviation School providing training on non-flying aircrafts, is allowed.

Example 21: ITC on general insurance taken on a car used by employees of a manufacturing company for official purposes, is blocked.

Example 22: ITC on maintenance & repair services availed by a company for a truck used for transporting its finished goods, is allowed.

Example 23: ITC on general insurance services taken on cars manufactured by a car manufacturing company is allowed.

Question. A taxable person is in the business of information technology. He buys a motor vehicle for use of his Executive Directors. Can he avail the ITC in respect of GST paid on purchase of such motor vehicle?

Answer: No. As per section 17 (5) , ITC on motor vehicles can be availed only if the taxable person is in the business of transport of passengers or is providing the services of imparting training on driving/flying/navigating motor vehicles or is in the business of supply of motor vehicles.

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.

2. No tax credit shall be allowed in case of **vessels and aircraft**, however tax credit shall be allowed in case of vessels and aircraft in the following cases

- (i) further supply of such vessels or aircraft
- (ii) transportation of passengers
- (iii) imparting training on navigating such vessels
- (iv) imparting training on flying such aircraft
- (v) for transportation of goods

Tax credit is also allowed in case of renting or hiring or leasing of such aircraft or vessels.

In other words, tax credit shall not be allowed when such aircraft etc. are used for personal purpose or business purpose other than mentioned above

Example : ITC on aircraft purchased by a manufacturing company for official use of its CEO is blocked.

Question. A flying school imports an aircraft for use in its training activity, and takes ITC of the IGST paid on the import. The departmental audit raises an objection that ITC is not allowed on aircraft. Offer your comments.

Answer: Under section 17 (5) of the CGST Act, ITC is allowed on aircraft if they are used to make the taxable supply of imparting training on flying an aircraft. Therefore, the credit is correctly taken.

3. Input tax credit for services taken in connection with **general insurance, servicing, repair and maintenance** shall be allowed if it is in connection with the motor cars or vessels or aircrafts for which tax credit is allowed. Tax credit shall also be allowed to the insurance companies doing insurance of vehicle or aircrafts etc.

Example 1: ITC on general insurance taken on a car used by employees of a manufacturing company for official purposes, is blocked.

Example 2: ITC on maintenance & repair services availed by a company for a truck used for transporting its finished goods, is allowed.

Example 3: ITC on general insurance services taken on cars manufactured by a car manufacturing company is allowed.

4. No tax credit shall be allowed if input tax has been paid in connection with the goods or services as mentioned below

(i) food and beverages, outdoor catering, beauty treatment, health services, cosmetic and plastic surgery, life insurance and health insurance. If any person has taken on hire or lease or rent any vehicle/vessel/aircraft for the purpose of transportation of passengers or for imparting training or driving, tax credit shall be allowed (however tax credit shall be allowed to the person engaged in business of supplying such goods or services).

(ii) membership of a club, health and fitness centre; and

(iii) travel benefits extended to employees on vacation such as leave or home travel concession:

However tax credit shall be allowed to the employer where it is obligatory for the employer to provide above facilities.

Example 1: ABC limited is engaged in providing outdoor catering services and the company has purchased inputs and input services for the purpose of providing output services, in this case tax credit is allowed.

Example 2: Mr. X is engaged in the business of beauty treatment, he will be allowed tax credit for the inputs goods / services.

Example 3: Mr. C caterer for a wedding gets the sweet dish course supplied by a specialist in desserts. He is allowed ITC of the tax paid by him to the specialist.

Example 4: A manufacturing company purchases food items for being served to its customers, free of cost. ITC on such goods is blocked.

Example 5: AB & Co., a caterer of Amritsar, has been awarded a contract for catering in a marriage to be held at Ludhiana. The firm has given the contract for supply of snacks, to be served in the marriage, to CD & Sons, a local caterer of Ludhiana. ITC on such outdoor catering services availed by AB & Co., is allowed.

Example 6: ITC on outdoor catering services availed by a garment exporter for a marketing event organised for its prospective customers, is blocked.

Example 7: Outdoor catering service is availed by a company to run a free canteen in its factory. The Factories Act, 1948 requires the company to set up a canteen in its factory. ITC on such outdoor catering is allowed.

Example 8: The Managing Director of a company has taken membership of a club, the fees for which is paid by the company. ITC on such service is blocked.

Example 9: A company avails services of a travel agency for organizing a free vacation for its top performing employees. ITC on such services is blocked.

5. Input tax credit for **works contract services** (construction services) when supplied for construction of an immovable property (other than plant and machinery) shall not be allowed however tax credit shall be allowed to the person who is engaged in providing construction services i.e. a builder etc. If any person has given contract to any person for construction or he himself is doing construction, tax credit shall not be allowed for inputs or input services or capital goods. ABC Ltd. has constructed one factory building for its use, no tax credit shall be allowed even if it is for the purpose of business. For this purpose "**construction**" includes re-construction, renovation, additions or alterations or repairs, to the extent of capitalisation, to the said immovable property

Input tax credit in connection with plant and machinery shall be allowed e.g. ITC in connection with lift or escalator etc. shall be allowed. For this purpose "**plant and machinery**" means apparatus, equipment, and machinery fixed to earth by foundation or structural support that are used for making outward supply of goods or services or both and includes such foundation and structural supports but excludes—

(i) land, building or any other civil structures;

(ii) telecommunication towers; and

(iii) pipelines laid outside the factory premises.

Section 2(119) "Works Contract" means a contract for building, construction, fabrication, completion, erection, installation, fitting out, improvement, modification, repair, maintenance, renovation, alteration or commissioning of any immovable property wherein transfer of property in goods (whether as goods or in some other form) is involved in the execution of such contract.

Example 1: ABC limited has given a contract to XYZ limited for construction of an office building. ABC limited cannot take input tax credit of the GST charged by XYZ limited for work contract services.

Example 2: ABC limited has given a contract to XYZ limited for construction of an office building and XYZ limited sub- contracted some portion to G limited. The work contract services provided by G limited to XYZ limited is an input service for further supply of work contract by XYZ limited to ABC limited and XYZ limited is entitled for input tax credit of the tax paid on the services provided by G limited.

Example 3: Mr. A is a builder and he is building a house for himself. He is not entitled to input tax credit on any goods or services which are purchased or acquired for construction of the house.

Example 4: Z limited is a developer of commercial and residential units. It builds a corporate office for itself. Z limited cannot take credit of input supplies which are used for construction of that office, even if the office will be used for business purpose.

Example 5: ABC company buys material and hires a contractor to construct an office building to house the plant supervisory staff. The input tax paid on such goods and services is not allowed as credit.

Example 6: ITC on works contracts services availed by a software company for construction of its office, is blocked.

Example 7: CD & Co., a works contractor of Noida, has been awarded a contract for construction of a commercial complex in Lucknow. The firm avails services of EF & Co., a local works contractor of Lucknow, for the construction of complex. ITC on such works contract services availed by CD & Co., is allowed.

Example 8: ITC on works contract services availed by an automobile company for construction of a foundation on which a machinery (to be used in the production process) is to be mounted permanently, is not allowed.

Example 9: ITC on works contract services availed by a manufacturing company for construction of pipelines to be laid outside its factory, is blocked.

Example 10: A consulting firm has availed services of a works contractor for repair of its office building. The company has booked such expenditure in its profit and loss account. ITC on such services is allowed.

Example 11: A telecommunication company has availed services of a works contractor for repair of its office building. The company has capitalized such expenditure. ITC on such services is blocked.

Example 12: A company buys cement, tiles etc. and avails the services of an architect for construction of its office building. ITC on such goods and services is blocked.

Example 13: MN & Constructions procures cement, paint, iron rods and services of architects and interior designers for construction of a commercial complex for one of its clients. ITC on such goods and services is allowed to MN & Co.

Example 14: A company buys cement, tiles etc. and avails the services of an architect for renovation of its office building. The company has booked such expenditure in its profit and loss account. ITC on such goods and services is allowed.

Example 15: ITC on goods and/or services used by an automobile company for construction of a foundation on which a machinery (to be used in the production process) is to be mounted permanently, is allowed.

Example 16: ITC on works contracts services availed by a software company for construction of its office, is blocked.

Example 17: CD & Co., a works contractor of Noida, has been awarded a contract for construction of a commercial complex in Lucknow. The firm avails services of EF & Co., a local works contractor of Lucknow, for the construction of complex. ITC on such works contract services availed by CD & Co., is allowed.

Example 18: ITC on works contract services availed by a manufacturing company for construction of pipelines to be laid outside its factory, is blocked.

Example 19: A consulting firm has availed services of a works contractor for repair of its office building. The company has booked such expenditure in its profit and loss account. ITC on such services is allowed.

Example 20: A telecommunication company has availed services of a works contractor for repair of its office building. The company has capitalized such expenditure. ITC on such services is blocked.

6. Composition scheme: Goods or services or both on which tax has been paid under section 10

A supplier registered under composition scheme cannot collect tax from its customers. Thus, such supplier issues bill of supply and not a tax invoice. A composition supplier pays a lumpsum tax at a specified rate on its quarterly turnover. Tax paid on goods and/or services under composition scheme is not available as ITC.

Since a composition supplier cannot collect any tax on its supplies, from the recipient of its supplies, it is obvious that no ITC can be availed in respect of such supplies by the recipients. Nevertheless, section 17(5) specifically blocks the ITC on inward supplies received by a taxable person from a composition supplier.

7. goods or services or both received by a **non-resident taxable person** except on goods imported by him; Essentially, a non resident taxable person has no fixed place of business in India but he sporadically supplies goods or services in India. Tax paid on goods and/or services received by such non-resident taxable person, is not available as ITC. However, tax paid by him on **imported goods** is allowed as ITC.

8. goods or services or both used for **personal consumption**

Example: Mr. X owns a grocery store. He procures rice, wheat and biscuits for being sold in its store. Out of the inventory so purchased, he gives 10 kgs each of rice and wheat to his wife for household use. Being used for personal consumption, ITC on 10 kg of rice and 10 kg of wheat is blocked.

9. **goods lost, stolen, destroyed, written off or disposed off by way of gift or free samples**

ITC in respect of goods that are disposed off by way of gift or free samples is not available. Also, ITC is blocked on lost goods, stolen goods, destroyed goods and goods that are written off. This is because principally, ITC is available only for payment of tax on output supply. If no tax is payable on output supply, ITC on inputs/input services/capital goods relating to such output supply is not eligible. Hence, ITC on gifts and free samples is blocked as no tax is payable on its outward supply. In case of lost/destroyed/stolen written off goods also, ITC is not available as these goods cannot be said to have been used for making a taxable supply.

10. any tax paid in accordance with the provisions of **sections 74, 129 and 130.**

MTP-1 NOV 2021

Question 1.

(8 Marks)

Anant Pvt. Ltd., a supplier of goods, pays GST under regular scheme. It has made the following outward taxable supplies in a tax period:

Particulars	Amount (₹)
Intra-State supply of goods	8,00,000
Inter-State supply of goods	3,00,000

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

Particulars	Amount (₹)
Intra-State purchases of goods	2,00,000
Inter-State purchases of goods	50,000

The company has following ITCs with it at the beginning of the tax period:

Particulars	Amount (₹)
CGST	57,000
SGST	Nil
IGST	70,000

Note:

- (i) Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively.

(ii) Both inward and outward supplies are exclusive of taxes, wherever applicable.

(iii) All the conditions necessary for availing the ITC have been fulfilled.

Compute the minimum GST, payable in cash, by Anant Pvt. Ltd. for the tax period. Make suitable assumptions as required.

Solution:

Computation of GST payable on outward supplies

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

Computation of total ITC

Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
Opening ITC	57,000	Nil	70,000
Add: ITC on Intra-State purchases of goods valuing ₹2,00,000	18,000	18,000	Nil
Add: ITC on Inter-State purchases of goods valuing ₹ 50,000	Nil	Nil	9,000
Total ITC	75,000	18,000	79,000

Computation of minimum GST payable from electronic cash ledger

Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)	Total (₹)
GST payable	72,000	72,000	54,000	1,98,000
Less: ITC [First ITC of IGST should be utilized in full - first against IGST liability and then against CGST and SGST liabilities in a manner to minimize cash outflow]	(Nil) IGST	(25,000) IGST	(54,000) IGST	79,000
	(72,000) CGST	(18,000) SGST		90,000
Minimum GST payable in cash	Nil	29,000	Nil	29,000

Note: Since sufficient balance of ITC of CGST is available for paying CGST liability and cross utilization of ITC of CGST and SGST is not allowed, ITC of IGST has been used to pay SGST (after paying IGST liability) to minimize cash outflow.

MTP-2 NOV 2021

Question 1.

(8 Marks)

Paritosh & Co., a supplier of goods, pays GST under regular scheme. It has made the following outward taxable supplies in a tax period:

Particulars	Amount (₹)
Intra-State supply of goods	10,00,000
Inter-State supply of goods	8,00,000

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

Particulars	Amount (₹)
Intra-State purchases of goods	3,00,000

Inter-State purchases of goods	2,50,000
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Paritosh & Co. has following ITCs with it at the beginning of the tax period:

Particulars	Amount (₹)
CGST	57,000
SGST	60,000
IGST	1,40,000

Note:

- Rates 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 ITC have been fulfilled.

Compute the minimum GST, payable in cash, by Paritosh & Co. for the tax period and the ITC to be carried forward to the next month. Make suitable assumptions as required.

Solution:

Computation of GST payable on outward supplies

S.No.	Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)	Total (₹)
(i)	Intra-State supply of goods for ₹ 10,00,000	90,000	90,000		1,80,000
(ii)	Inter-State supply of goods for ₹ 8,00,000			1,44,000	1,44,000
	Total GST payable				3,24,000
Computation of total ITC					
Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)		
Opening ITC	57,000	60,000	1,40,000		
Add: ITC on Intra-State purchases of goods valuing ₹3,00,000	27,000	27,000	Nil		
Add: ITC on Inter-State purchases of goods valuing ₹2,50,000	Nil	Nil	45,000		
Total ITC	84,000	87,000	1,85,000		

Computation of minimum GST payable from electronic cash ledger

Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)	Total (₹)
GST payable	90,000	90,000	1,44,000	3,24,000
Less: ITC [First ITC of IGST should be utilized in full - first against IGST liability and then against CGST and SGST liabilities in a manner to minimize cash outflow]	(38,000) IGST	(3,000) IGST	(1,44,000) IGST	1,85,000
	(52,000) CGST	(87,000) SGST		1,39,000

Minimum GST payable in cash	Nil	Nil	Nil	Nil
ITC balance to be carried forward next month	32,000	Nil	Nil	32,000

Note : The above computation is one of the many ways to set off the ITC of IGST (₹ 41,000-after set off against IGST liability) against CGST and SGST liability to compute minimum GST payable in cash. To illustrate, IGST of ₹ 10,000 can be set off against SGST payable and IGST of ₹ 31,000 can be set off against CGST payable. In this situation also, the net GST payable will be nil but the ITC of CGST and SGST to be carried forward will be ₹ 25,000 and ₹ 7,000 (totalling to ₹ 32,000) respectively. However, if the entire ITC of ₹ 41,000 is set off against CGST payable, then SGST of ₹ 3,000 will be payable in cash thus, increasing the cash outflow. Therefore, such a set off would not be advisable for computing the minimum GST payable.

NOV 2019 (OLD COURSE)

Question.7. (a)

(5 Marks)

Dina Ltd., a registered supplier from Maharashtra is engaged in the manufacturing of passenger auto. The company provides the following details of purchase made/services availed by it during the month of March 2023:

Sl. No.	Particulars	GST Paid ₹
i.	Purchase of iron which is used as a raw material (Goods were received in two instalments, first on in March 2023 and the second instalment was received in April)	2,50,000
ii.	Purchase of accessories which were delivered directly to the Dealers of the company. Only invoice was received by Dina Ltd.	90,000
iii.	Purchase of Bus (seating capacity 15) for the transportation of employees from their residence to company and back	1,97,000
iv.	Input tax credit on general insurance taken on a car used by Executives of the company for official purposes.	5,200
v	Payment made to M/s Tasty Caterers for providing daily breakfast & lunch to the employees of the company, as voluntary staff welfare measure.	54,700

You are required to determine the eligible input Tax Credit available to M/s Dina Ltd. for the month of March 2023, by giving brief explanations for treatment of various items. Subject to the information given above, all the other conditions necessary for availing input tax credit have been fulfilled.

Solution:

Computation of eligible tax credit to M/s Dina Ltd. for the month of March 2023

(i) Purchase of iron which is used as a raw material	Nil
(ii) Purchase of accessories which were delivered directly to the Dealers of the company. Only invoice was received by Dina Ltd. (ITC is allowed)	90,000
(iii) Purchase of Bus (seating capacity 15) for the transportation of employees from their residence to company and back (ITC is allowed)	1,97,000
(iv) Input tax credit on general insurance taken on a car used by Executives of the company for official purposes.	Nil
(v) Payment made to M/s Tasty Caterers for providing daily breakfast & lunch to the employees of the company, as voluntary staff welfare measure.	Nil
Total	2,87,000

Notes:

(i) As per 16(2), If the goods are received in installments, tax credit shall be allowed only when last installment has been received. In the given case last installment is received in April 2022 hence credit shall be allowed in the month of April.

(ii) As per 17(5), ITC of motor vehicles for transportation of persons having approved seating capacity of not more than thirteen persons (including the driver) is not allowed in the given case bus is of 15 seating capacity.

(iii) As per 17(5), ITC of food and beverages, outdoor catering, beauty treatment, health services, cosmetic and plastic surgery, leasing, renting or hiring of motor vehicles, vessels or aircraft referred to in clause (a) or clause (aa) except when used for the purposes specified therein, life insurance and health insurance is not allowed.

RTP MAY 2020**Question 4**

Calculate the amount of eligible input tax credit-

S.No.	Particulars	GST paid (₹)
1.	A Mini bus having seating capacity of 15 persons (including driver) used for running on hire	15,00,000
2.	Car having seating capacity of 8 people used for business purposes	1,00,00,000
3.	Car having seating capacity of 4 persons used for imparting training on driving such car	50,00,000
4.	Special purpose vehicle having seating capacity of 2 persons used for transportation of goods	60,00,000

(a) ₹ 2,25,00,000/-

(b) ₹ 2,10,00,000/-

(c) ₹ 1,25,00,000/-

(d) ₹ 75,00,000/-

Answer: (c)

Question 11: Explain Availment of tax credit in case of zero rated supplies.

Answer:

As per section 16 of the IGST Act, Supply for exports or supply to a unit in SEZ or supply to a developer of SEZ shall be considered to be zero rated supply and in such cases it is exempt from output tax but still tax credit shall be allowed. Further as per section 54, refund is allowed for unutilized tax credit in case of supply of zero rated goods.

Question 12. A technical testing agency tests and certifies each batch of machine tools before dispatch by BMT Ltd. Some of these tools are dispatched to a unit in a SEZ without payment of GST as these supplies are not taxable. The finance personnel of BMT Ltd. want to know whether they need to carry out reversal of ITC on the testing agency's services to the extent attributable to the SEZ supplies. Give your comments.

Answer: Under section 16 of the IGST Act, credit of input tax is allowed to be taken for inward supplies used to make zero rated supplies. Under section 17 of the CGST Act also, ITC is disallowed only to the extent it pertains to supplies used for non-business purposes or supplies other than taxable and zero-rated supplies. Supplies to SEZ units are zero rated supplies in terms of section 16 of IGST Act. Thus, full ITC is allowed on inward supplies of BMT Ltd. used for effecting supplies to the unit in the SEZ.

Illustration 11: ABC Co. Ltd. is engaged in the manufacture of heavy machinery. It procured the following items during the month of July.

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

Determine the amount of ITC available with ABC Co. Ltd., for the month of July by giving necessary explanations for treatment of various items.

Note:

(i) All the conditions necessary for availing the ITC have been fulfilled.

(ii) ABC Co. Ltd. is not eligible for any threshold exemption.

Answer: Computation of ITC available with ABC Co. Ltd. for the month of July

S. No.	Items	ITC (₹)
(i)	Electrical transformers [Being goods used in the course or furtherance of business, ITC thereon is available]	5,20,000
(ii)	Trucks used for the transport of raw material [ITC on motor vehicles used for transportation of goods is allowed.]	1,00,000
(iii)	Raw material [Being goods used in the course or furtherance of business, ITC thereon is available]	2,00,000
(iv)	Confectionery items for consumption of employees working in the factory [ITC on food or beverages is specifically disallowed unless the same is used for making outward taxable supply of the same category or as an element of the taxable composite or mixed supply]	Nil
Total ITC		8,20,000

RTP NOV 2021

Question 6

PZY Ltd. is engaged in manufacturing of motor car. The company paid following amount of GST to its suppliers against the invoices raised to it. Compute the amount of ineligible input tax credit under GST law:-

S.No.	Particulars	GST Paid (₹)
1.	General insurance taken on cars manufactured by PZY Ltd.	1,00,00,000
2.	Buses purchased for transportation of employees (Seating capacity 23)	25,00,000
3.	Life and health insurance for employees under statutory obligation	6,00,000
4.	Outdoor catering in Diwali Mela organized for employees	3,50,000

(a) ₹ 9,50,000

(b) ₹ 3,50,000

(c) ₹ 1,31,00,000

(d) ₹ 28,50,000

Solution: 6. (b)

PRACTICE PROBLEMS

Q 1. Can a person take ITC without payment of consideration for the supply and also amount of GST, to the supplier?

Answer: Yes, the recipient can take ITC. However, he is required to pay the consideration and also amount of GST within 180 days from the date of issue of invoice.

Q 2. What is the ITC entitlement of a newly registered person?

Answer: A person applying for registration can take input tax credit of inputs held in stock/semi- finished / finished goods on the day immediately preceding the date of grant of registration. If the person was liable to take registration and he has applied for registration within thirty days from the date on which he became liable to registration, then ITC of inputs held in stock/semi- finished / finished goods on the day immediately preceding the date on which he became liable to pay tax can be taken.

Q 3. What is the tax implication of supply of capital goods by a registered person who had taken ITC on such capital goods?

Answer: As per section 18(6)/Rule 44, in case of supply of capital goods on which ITC has been taken, the registered person shall pay an amount computed for the remaining life ignoring part of the month or the tax on the transaction value of such capital goods, whichever is higher.

Q 4. Mr. A, a registered person was paying tax under Composition Scheme up to 30th July. However, w.e.f. 31st July, Mr. A becomes liable to pay tax under regular scheme. Is he eligible for ITC?

Answer: Mr. A is eligible for ITC on inputs held in stock and inputs contained in semi finished or finished goods held in stock and capital goods as on 30th July. ITC on capital goods will be reduced by 5% per quarter or part thereof from the date of invoice.

Q 5. What is input tax?

Answer: Input tax means the central tax (CGST), State tax (SGST), integrated tax (IGST) or Union territory tax (UTGST) charged on supply of goods or services or both made to a registered person. It also includes tax paid on reverse charge basis and integrated goods and services tax charged on import of goods. It does not include tax paid under composition levy.

Q 6. What are the conditions necessary for availing ITC?

Answer: Following four conditions are to be satisfied by the registered taxable person for obtaining ITC:

- (a) he is in possession of tax invoice or debit note or such other tax paying documents as may be prescribed;
- (b) he has received the goods or services or both;
- (c) subject to section 41, the supplier has actually paid the tax charged in respect of the supply to the Government; and
- (d) he has furnished the return under section 39.

Q 7. Can a person take ITC without payment of consideration for the supply along with tax?

Answer: Yes, the recipient can take ITC. However, he is required to pay the consideration along with tax within 180 days from the date of issue of invoice. This condition is not applicable where tax is payable on reverse charge basis.

Q 8. What is the time limit for taking ITC and reasons therefore?

Answer: “Time limit for availing ITC: Due date of filing return for the month of September of succeeding financial year or date of filing of annual return, whichever is earlier”.

Q 9. What is the ITC entitlement of a newly registered person?

Answer: A person applying for registration can take input tax credit of inputs held in stock and inputs contained in semi- finished or finished goods held in stock on the day immediately preceding the date of

grant of registration. If the person was liable to take registration and he has applied for registration within thirty days from the date on which he became liable to registration, then ITC of inputs held in stock and inputs contained in semi-finished or finished goods held in stock on the day immediately preceding the date on which he became liable to pay tax can be taken.

In case of voluntary registration, ITC of such goods held in stock on the day immediately preceding the date of registration can be taken.

Q 10. What is the tax implication of supply of capital goods by a registered person who had taken ITC on such capital goods?

Answer: In case of supply of capital goods or plant and machinery on which ITC has been taken, the registered person shall pay an amount equal to the ITC taken on the said capital goods or plant and machinery reduced by 5% per quarter or part thereof from the date of invoice or the tax on the transaction value of such capital goods, whichever is higher.

However, in case of refractory bricks, moulds and dies, jigs and fixtures when these are supplied as scrap, the person can pay tax on the transaction value.

Q 11. A registered person transfers its business to another person.

Is such registered person allowed to transfer the unutilized ITC lying in its electronic credit ledger to such transferred business? Discuss.

Answer: As per section 18(3), in case of sale, merger, demerger, amalgamation, transfer or change in ownership of business etc., the ITC that remains unutilized in the electronic credit ledger of the registered person can be transferred to the new entity, provided there is a specific provision for transfer of liabilities in such change of constitution.

The registered person should furnish the details of change in constitution on the common portal and submit a certificate from practicing Chartered Account/Cost Accountant certifying that the change in constitution has been done with a specific provision for transfer of liabilities. Upon acceptance of such details by the transferee on the common portal, the unutilized ITC gets credited to his electronic credit ledger. The transferee should record the inputs and capital goods so transferred in his books of account.

Q12. Swastik Pvt. Ltd. is a manufacturer of taxable goods. It purchased a machinery for ₹ 8,00,000 on which IGST of ₹ 14,400 is paid. The company has claimed depreciation under the Income-tax Act, 1961 on the full value of the machine, i.e. including the IGST component as also availed ITC of ₹ 14,400 paid by it as IGST.

Examine if the stand taken by the company is correct in law.

Answer: As per section 16(3), if the person taking the ITC on capital goods and plant and machinery has claimed depreciation on the tax component of the cost of the said items under the Income-tax Act 1961, the ITC on the said tax component shall not be allowed.

Since in the given case, Swastik Pvt. Ltd. has claimed depreciation on the tax component of the cost of the machine, it cannot claim ITC of IGST of ₹ 14,400 paid by it on the machine. It can either claim depreciation on the tax component or avail ITC of such tax but cannot avail both the benefits simultaneously.

Q13. Sigma Consultants, an LLP of finance professionals, provides financial consultancy services. It made an advance payment of ₹ 1,18,000 (inclusive of IGST @ 18%) in the month of October to Azuro Computer Services for developing a software. The software would be used by the LLP to enhance the precision of the financial advice given by it to various clients. The balance payment is to be made after the successful test run of the software in the month of December. Sigma Consultants has availed ITC of IGST of ₹ 18,000 in the month of October.

Do you think Sigma Consultants can avail such ITC? Examine the scenario with reference to the relevant legal provisions.

Answer: As per section 16(2)(b), tax paid on supply of goods and/or services can be availed as ITC only if such goods and/or services are received by the registered person.

In the given case, Sigma Consultants has paid IGST of ₹ 18,000, in the month of October, on advance for IT services intended to be used in the course or furtherance of business. However, it cannot avail ITC of such

tax in the month of October as the services in relation to which the advance payment has been made have not been received in that month.

Q14. A taxable person is in the business of information technology. He buys a car (maximum seating capacity–5 persons) for use of his Executive Directors. Can he avail the ITC in respect of GST paid on purchase of such car?

Answer: No. ITC on motor vehicles for transportation of persons with seating capacity of up to 13 persons (including driver), can be availed only if the taxable person is in the business of transport of passengers or is providing the services of imparting training on driving such motor vehicles or is in the business of supply of such motor vehicles.

Q15. A technical testing agency tests and certifies each batch of machine tools before dispatch by BMT Ltd. Some of these tools are dispatched to a unit in a SEZ without payment of GST as these supplies are not taxable.

The finance personnel of BMT Ltd. want to know whether they need to carry out reversal of ITC on the testing agency's services to the extent attributable to the SEZ supplies. Give your comments.

Answer: ITC is disallowed only to the extent it pertains to supplies used for nonbusiness purposes or supplies other than taxable and zero-rated supplies. Supplies to SEZ units are zero rated supplies in terms of section 16(1) of the IGST Act. Thus, full ITC is allowed on inward supplies of BMT Ltd. used for effecting supplies to the unit in the SEZ.

Q16. 'AB', a registered person, was paying tax under composition scheme up to 30th July. However, w.e.f. 31st July, 'AB' becomes liable to pay tax under regular scheme.

Is 'AB' eligible for any ITC?

Answer: 'AB' is eligible for ITC on inputs held in stock and inputs contained in semifinished or finished goods held in stock and capital goods as on 30th July. ITC on capital goods will be reduced by 5% per quarter or part thereof from the date of invoice.

Q17. Comfortable (P) Ltd. is registered under GST in the State of Odisha. It is engaged in the business of manufacturing of iron and steel products. It has received IT engineering services from High-Fi Infotech (P) Ltd. for ₹ 11,00,000/- (excluding GST @ 18%) on 28th October. Invoice for service rendered was issued on 5th November.

Comfortable (P) Ltd. made part payment of ₹ 4,20,000/- on 30th November. Being unhappy with service provided by High-fi Infotech (P) Ltd., it did not make the balance payment. Deficiency in service rendered was made good by High-Fi Infotech (P) Ltd. by 15th April of next year. Comfortable (P) Ltd. made the balance payment on 6th July of next year.

Examine the availability of ITC with Comfortable (P) Ltd. in respect of IT engineering services received by it from High-Fi Infotech (P) Ltd.

Answer: Every registered person is entitled to take credit of input tax charged on any supply of goods and/or services which are used or intended to be used in the course or furtherance of his business if, inter alia, he is in possession of a tax invoice issued by a supplier and he has received the goods and/or services.

The registered person must pay to the supplier, the value of the goods and/or services along with the tax within 180 days from the date of issue of invoice. In the event of failure to do so, the corresponding credits availed by the registered person would be added to his output tax liability, with interest. However, once the recipient makes the payment of value of goods and/or services along with tax, he will be entitled to avail the credit again without any time limit. In case part-payment has been made, proportionate credit would be allowed.

In the given case, High-fi Infotech (P) Ltd. provides the service in the month of October and Comfortable (P) Ltd. receives the invoice in the month of November. Therefore, in view of the above provisions and assuming all other conditions required for availing ITC having been fulfilled, ITC of ₹ 1,98,000 (₹ 11,00,000 x 18%) will be availed by Comfortable (P) Ltd. in the month of November when it receives the invoice issued by High-fi Infotech (P) Ltd.

However, proportionate ITC amounting to ₹ 1,33,932 $\Rightarrow [(\text{₹ } 12,98,000 - \text{₹ } 4,20,000)/118] \times 18]$ will be added to the output tax liability of Comfortable (P) Ltd. as full payment has not been made within 180 days of issuance of the invoice, i.e. by 4th May of next year. ITC of ₹ 1,33,932 can, however, be availed again by Comfortable (P) Ltd. in the month of July next year when it makes the balance payment.

Q18. M/s. Diwan & Sons of New Delhi, has placed an order for 250 kg of plastic granules @ ₹ 50 per kg (exclusive of GST) on M/s. Karim & Bros. of Noida, U.P. M/s. Karim & Bros. has agreed to deliver the goods at the warehouse of M/s. Diwan & Sons at New Delhi.

While the order was getting packed at the factory of M/s. Karim & Bros., M/s. Diwan & Sons got an order from Shubhkamna Sales of Hapur, U.P. for 250 kg of plastic granules @ ₹ 60 per kg (exclusive of GST). In order to save on transportation cost, M/s. Diwan & Sons asks M/s. Karim & Bros. to directly deliver the plastic granules to Shubhkamna Sales at its godown located in Hapur. Accordingly, M/s. Karim & Bros. has delivered the plastic granules at the godown of Shubhkamna Sales at Hapur.

Examine the availability of ITC with M/s. Diwan & Sons & M/s. Karim & Bros.

Note: All the parties are registered under GST and rate of GST is 18%.

Answer: One of the conditions for availing ITC is that the registered person taking the ITC must have received the goods and / or services. However, goods delivered to a third person on the direction of the registered person by way of transfer of documents of title or otherwise, either before or during the movement, are deemed to have been received by such registered person. So, ITC is available to the registered person, on whose order the goods are delivered to a third person even though the registered person does not receive the goods.

In the given case, goods have been delivered by M/s. Karim & Bros. (supplier) to Shubhkamna Sales (third person) on the direction of M/s. Diwan & Sons (registered person). Therefore, in view of the above provisions, ITC of ₹ 2,250 (₹ 50 x 250 x 18%) will be available to M/s. Diwan & Sons (registered person) on the purchase of 250 kg of plastic granules @ 50 per kg.

Further, in this case there is another supply between Diwan & Sons (supplier) and Shubhkamna Sales (recipient). Therefore, Shubhkamna Sales can avail ITC of ₹ 2,700 (₹ 60 x 250 x 18%) on the purchase of 250 kg of plastic granules @ 60 per kg.

Q19. Paritosh & Co., a supplier of goods, pays GST under regular scheme. It has made the following outward taxable supplies in a tax period:

Particulars	Amount (₹)
Intra-State supply of goods	10,00,000
Inter-State supply of goods	8,00,000

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

Particulars	Amount (₹)
Intra-State purchases of goods	3,00,000
Inter-State purchases of goods	2,50,000

Paritosh & Co. has following ITCs with it at the beginning of the tax period:

Particulars	Amount (₹)
CGST	57,000
SGST	60,000
IGST	1,40,000

Note:

(i) Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively.

(ii) Both inward and outward supplies are exclusive of taxes, wherever applicable.

(iii) All the conditions necessary for availing ITC have been fulfilled.

Compute the minimum GST, payable in cash, by Paritosh & Co. for the tax period and the ITC to be carried forward to the next month. Make suitable assumptions as required.

Answer: Computation of GST payable on outward supplies

S.No.	Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)	Total (₹)
(i)	Intra-State supply of goods for ₹10,00,000	90,000	<u>90,000</u>	-	1,80,000

(ii)	Inter-State supply of goods for ₹8,00,000	1,44,000	1,44,000
	Total GST payable		3,24,000

Computation of total ITC

Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
Opening ITC	57,000	60,000	1,40,000
Add: ITC on Intra-State purchases of goods valuing ₹3,00,000	27,000	27,000	Nil
Add: ITC on Inter-State purchases of goods valuing ₹2,50,000	Nil	Nil	45,000
Total ITC	84,000	87,000	1,85,000

Computation of minimum GST payable from electronic cash ledger

Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)	Total (₹)
GST payable	90,000	90,000	1,44,000	3,24,000
Less: ITC [First ITC of IGST should be utilized in full - first against IGST liability and then against CGST and SGST liabilities in a manner to minimize cash outflow]	(38,000)	(3,000)	(1,44,000)	1,85,000
	(52,000)	(87,000)		1,39,000
Minimum GST payable in cash	Nil	Nil	Nil	Nil
ITC balance to be carried forward next month	32,000	Nil	Nil	32,000

Note : The above computation is one of the many ways to set off the ITC of IGST (₹ 41,000-after set off against IGST liability) against CGST and SGST liability to compute minimum GST payable in cash. To illustrate, IGST of ₹ 10,000 can be set off against SGST payable and IGST of ₹ 31,000 can be set off against CGST payable. In this situation also, the net GST payable will be nil but the ITC of CGST and SGST to be carried forward will be ₹ 25,000 and ₹ 7,000 (totaling to ₹ 32,000) respectively. However, if the entire ITC of ₹ 41,000 is set off against CGST payable, then SGST of ₹ 3,000 will be payable in cash thus, increasing the cash outflow. Therefore, such a set off would not be advisable for computing the minimum GST payable.

MULTIPLE CHOICE QUESTIONS

1. Which of the following statement is true for a composition tax payer?

- (a) A composition tax payer can avail only 50% of ITC on capital goods.
- (b) A composition tax payer can avail 100% ITC on inputs.
- (c) ITC is not available on inward supplies made by a composition tax payer.
- (d) Composition tax will be available as ITC to the recipient only if the tax is mentioned separately in the invoice raised by the composition tax payer.

2. In which of the following situations, taxpayer needs to reverse the credit already taken?

- (a) If payment is not made to the supplier within 45 days from the date of invoice
- (b) If payment is not made to the supplier within 90 days from the date of invoice
- (c) If payment is not made to the supplier within 180 days from the date of invoice
- (d) None of the above

3. What is the time limit for taking ITC?

- (a) 180 days
- (b) 1 year
- (c) 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).

EXAMINATION QUESTION

JULY 2021 (NEW COURSE)

Question 6(a)**(6 Marks)**

A Ltd. procured the following goods in the month of December, 2022

Inward Supplies	GST (₹)
(1) Goods used in constructing and additional floor of office building	18,450
(2) Goods given as free sample to prospective customers	15,000
(3) Trucks used for transportation of inputs in the factory	11,000
(4) Inputs used in trial runs	9,850
(5) Confectionary items for consumption of employees working in the factory	3,250
(6) Cement used for making foundation and structural support to plant and machinery	8,050

Compute the amount of ITC available with A Ltd, for the month of December 2022 by giving necessary explanations. Assume, that all the other conditions necessary for availing ITC have been fulfilled.

Solution:

Computation of amount of ITC available for the month of December 2022

S. No.	Particulars	GST (₹)
(1)	Goods used in construction of additional floor of office building [ITC on goods received by a taxable person for construction of an immovable property on his own account is blocked even if the same is used in the course or furtherance of business. It has been assumed that cost of construction of additional floor has been capitalized.]	Nil
(2)	Goods given as free samples to prospective customers [ITC on goods disposed of by way of free samples is blocked.]	Nil
(3)	Trucks used for transportation of inputs in the factory [ITC on motor vehicles used for transportation of goods is not blocked.] (Note 1)	11,000
(4)	Inputs used in trial runs [Being used in trial runs, inputs are used in the course or furtherance of business and hence ITC thereon is allowed.]	9,850
(5)	Confectionary items for consumption of employees working in the factory [ITC on food or beverages is blocked unless the same is used in same line of business or as an element of the taxable composite or mixed supply. Further, ITC on goods and/or service used for personal consumption is blocked.]	Nil
(6)	Cement used for making foundation and structural support to plant and machinery [ITC on goods used for construction of plant and machinery is not blocked. Plant and machinery includes foundation and structural supports through which the same is fixed to earth.]	8,050
	Total eligible ITC	28,900

Note: (i) It has been assumed that depreciation has not been claimed on tax component.

MAY 2019 (NEW COURSE)**Question 5****(8 Marks)**

Mr. Himanshu, a registered supplier of chemicals, pays GST under regular scheme. He is not eligible for any threshold exemption. He has made the following outward taxable supplies for the months of September 2022:

Intra-State supply of goods	₹25,00,000
Inter-State supply of goods	₹5,00,000

He has also made the following inward supply:

Intra-State purchase of goods from Registered Dealer	₹14,00,000
Intra-State purchase of goods from Unregistered Dealer	₹2,00,000
Inter-State purchase of goods from Registered Dealer	₹4,00,000
Balance of ITC at the beginning of September 2022:	
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, 2022. 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, 2022 due to road traffic jams.

Note:

(i) Rate of CGST, SGST and IGST to be 9%, 9% and 18% respectively.

(ii) Both inward and outward supplies given above are exclusive of taxes, wherever applicable.

(iii) All the conditions necessary for availing the ITC have been fulfilled except mentioned above.

Compute the net CGST, SGST and IGST payable in cash by Mr. Himanshu for the month of September 2022.

Solution:**Output Tax****Intra-State supply of Goods**

	25,00,000
Add: CGST @ 9%	2,25,000
Add: SGST @ 9%	2,25,000
Total	29,50,000

Inter-State supply of Goods

	5,00,000
Add: IGST @ 18%	90,000
Total	5,90,000

Input Tax Credit**Intra state purchase of goods**

	14,00,000
Add: CGST @ 9%	1,26,000
Add: SGST @ 9%	1,26,000
Total	16,52,000

ITC	
CGST	1,26,000
SGST	1,26,000

Intra State Purchase of goods from unregistered dealer

No ITC shall be allowed

Inter state purchase of goods

	3,00,000
Add: IGST @ 18%	54,000
Total	3,54,000

ITC

IGST 54,000

ITC of goods received in the month of October shall be allowed in the month of October.

Computation of Net Tax

Particulars	IGST ₹
Output Tax	90,000
Less: opening ITC – IGST	(50,000)
Less: ITC -IGST	(40,000)
Net Tax Payable	Nil

Balance IGST credit of ₹14,000 can be adjusted either from CGST/SGST. In the given case we have adjusted from SGST.

Computation of Net Tax

Particulars	CGST ₹
Output Tax	2,25,000
Less: opening ITC – CGST	(95,000)
Less: ITC – CGST	(1,26,000)
Net Tax Payable	4,000

Computation of Net Tax

Particulars	SGST ₹
Output Tax	2,25,000
Less: ITC – IGST	(14,000)
Less: opening ITC – SGST	(60,000)
Less: ITC – SGST	(1,26,000)
Net Tax Payable	25,000

Note: As per section 17, ITC of car is not allowed.**MAY 2019 (OLD COURSE)****Question 7 (b)****(4 Marks)**

Jamku Ltd. a registered person is engaged in the business of spices. It provides following details for GST paid during October. 2022.

No.	Particulars	GST Paid (₹)
1.	Raw spices purchase	
	- Raw spices used for furtherance of spices	50,000
	- Raw spices used for personal use of Directors	20,000
2.	Electric machinery purchased to be used in the manufacturing process.	25,000
3.	Motor vehicle used for transportation of the employee	55,000
4.	Payment made for material and to contractor for construction of staff	1,25,000

quarter.	
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Determine the amount of ITC available to Jamku Ltd. for the month of October, 2022 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 2022

Particulars	GST Paid (₹)
1. Raw Spices used for furtherance of Business	50,000
2. Raw Spices for personal use (ITC not allowed)	Nil
3. Electric machinery purchased to be used in the manufacturing process.	25,000
4. Motor vehicle used for transportation of the employee (Not allowed)	Nil
5. Payment made for material and to contractor for construction of staff quarter. (Not allowed)	Nil
Total ITC Allowed	75,000

Notes:

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.

NOV 2018 (NEW COURSE)

Question 8 (b)

(4 Marks)

CANWIN Ltd., a registered supplier, is engaged in the manufacture of Tanks. The company provides the following information pertaining to GST paid on purchases made/input services availed by it during the month of January 2023:

Particulars	GST Paid ₹
(i) Purchase of Machinery where debit note is issued	1,15,000
(ii) Input purchased was directly delivered to Mr. Joe, a job worker and a registered supplier	80,000
(iii) Computers purchased (Depreciation was claimed on the said GST portion under the Income-Tax Act, 1961)	50,000
(iv) Works Contract services availed for construction of Staff quarters within the company premises	4,25,000

Determine the amount of ITC available to M/s. CANWIN Ltd. for the month of January 2023 by giving brief explanations for treatment of various items. Subject to the information given above, all the conditions necessary for availing the ITC have been fulfilled.

Solution: Computation of the amount of ITC available to M/s CANWIN Ltd.

Particulars	GST Paid ₹
(i) Purchase of Machinery where debit note is issued	1,15,000

(ii) Input purchased was directly delivered to Mr. Joe, a job worker and a registered supplier	80,000
(iii) Computers purchased (Depreciation was claimed on the said GST portion under the Income-Tax Act, 1961)	Nil
(iv) Works Contract services availed for construction of Staff quarters within the company premises	Nil
Total	1,95,000

Note:

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.

NOV 2018 (OLD COURSE)**Question 7 (b)****(4 Marks)**

M/s J & Co. Chartered Accountants a partnership firm having its registered and head office in Mumbai and Registered under the GST Act in the State of Maharashtra only. It does not have any branches in other state. The Gross Receipts of the firm in the Financial Year 2021-22 was 60 Lakhs. Firm has submitted following information for the month of August, 2022:

Particulars	Amount in (₹) (Excluding GST)
Professional Services Provided and Bills Raised during the month for Providing of services of ITR Filing and Income Tax Consultancy	1,00,000
Internal Audit of X Pvt. Ltd. at their office in Mumbai (Registered in the state of Maharashtra)	50,000
Statutory Audit Services provided to M/s Tirupati Trading Pvt Ltd. at Ahmedabad (Registered in the State of Gujarat)	70,000

Firm has also furnished following information in respect of input services availed from registered dealers for providing of output services during the month August, 2022:

Particulars	Amount in (₹) (Excluding GST)	CGST	SGST	IGST
Services availed from Courier Agency	5,000	450	450	-
Railway Travelling Expenses from Mumbai to Ahmedabad and Return Ticket for conducting of Audit of M/s Tirupati Trading Pvt. Ltd. for 3 Tier AC	12,000	Nil	Nil	600
Service Availed from Another Professional Firm at Mumbai amount is paid without TDS U/s 194J of Income Tax Act.	20,000	1,800	1,800	Nil

Notes:

- (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, 2022 after adjusting the GST Credit. Brief reasoning should form part of your answer.

Solution:

Services provided by Chartered accountants are taxable under GST and no exemption is provided to Chartered accountants.

Computation of Net GST Payable by M/s J & Co. for the month of August 2022

₹

Output Tax

(1) Professional services provided and bill raised during the month.	1,00,000
Add: CGST @ 9%	9,000
Add: SGST @ 9%	9,000
 (2) Internal audit of X Pvt. Ltd. at Mumbai	50,000
Add: CGST @ 9%	4,500
Add: SGST @ 9%	4,500
 (3) Statutory audit at Ahmedabad (Inter -State supply)	70,000
Add: IGST @ 18%	12,600

Input Tax

Input service of courier service	5,000
Add: CGST @ 9%	450
Add: SGST @ 9%	450
 Railway services for official tour	12,000
Add: IGST @ 5%	600
 Input service from other firm in Mumbai	20,000
Add: CGST @ 9%	1,800
Add: SGST @ 9%	1,800

Computation of Net Tax Liability

Output Tax	CGST 13,500
Less: ITC -CGST	(2,250)
Net Tax Liability	11,250
Output Tax	SGST 13,500
Less: ITC -SGST	(2,250)
Net Tax Liability	11,250
Output Tax	IGST 12,600
Less: ITC -IGST	(600)
Net Tax Liability	12,000

NOV 2018 (OLD COURSE)**Question 9 (b)****(5 Marks)**

Harshgeet Pvt. Ltd. a registered supplier is engaged in the manufacture of taxable goods. The company provides the following information pertaining to GST paid on the purchases made/input services availed by it during the month of July, 2022:

Sr. No.	Particulars	GST paid
(1)	Raw Material (To be received in September, 2022)	2,50,000
(2)	Membership of a club availed for employees working in the factory	1,45,000
(3)	Inputs to be received in 5 lots, out of which 3rd lot was received during the month	80,000
(4)	Trucks used for transport of raw material	40,000
(5)	Capital Goods (out of 3 items, invoice for 2 item is missing and GST paid on that Item is 80,000)	1,50,000

Determine the amount of Tax Credit available with Harshgeet Pvt. Ltd. for the month of July, 2022 by giving the necessary explanation for treatment of various items. All the conditions necessary for availing the ITC have been fulfilled.

Solution:

Sr. No.	Particulars	GST paid
(1)	Raw Material (To be received in September, 2022)	Nil
(2)	Membership of a club availed for employees working in the factory	Nil
(3)	Inputs to be received in 5 lots, out of which 3rd lot was received during the month	Nil
(4)	Trucks used for transport of raw material	40,000
(5)	Capital Goods (out of 3 items, invoice for 2 item is missing and GST paid on that Item is 80,000)	70,000
Total		1,10,000

Notes:

- As per section 16(2), Tax credit shall be allowed when the goods is received in the given case raw material is received in September hence credit will be allowed in the month of September.
- As per section 17(5), tax credit of club membership for employees is not allowed.
- As per section 16 (2), where the goods against an invoice are received in lots the registered person shall be entitled to take credit upon receipt of last lot. In the given case third lot was received during this month hence credit shall not be allowed.
- ITC on motor vehicles is disallowed in terms of section 17(5) of the CGST Act, 2017, except when they are used inter alia, for transportation of goods.
- ITC cannot be taken on missing invoice. The registered person should have the invoice in its possession to claim ITC [Section 16(2)]

MAY 2018 (NEW COURSE)**Question 8 (b)****(4 Marks)**

Fun Pharma Private Limited, a registered supplier is engaged in the manufacture of taxable goods. The company provides the following information of GST paid on the purchases made/input services availed by it during the month of September 2022:

Particulars	GST paid (₹)
(i) Purchase of cabs used for the transportation of its employees	3,30,000
(ii) Inputs consisting of three lots, out of which first lot was received during the month	1,25,000
(iii) Capital Goods	2,50,000

(out of three items, invoice for one item was missing and GST paid on that item was, ₹25,000)

(iv) Outdoor catering service availed on Women's day 72,000

Determine the amount of Input Tax Credit available with M/s Fun Pharma Private Limited for the month of September 2022 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 2022

Particulars	GST paid (₹)
(i) Purchase of cabs used for the transportation of its employees	Nil
(ii) Inputs consisting of three lots, out of which first lot was received during the month	Nil
(iii) Capital Goods	2,25,000
(out of three items, invoice for one item was missing and GST paid on that item was, ₹25,000)	
(iv) Outdoor catering service availed on Women's day	Nil
Input Tax Credit Available	2,25,000

Notes:

- As per section 17(5), Input tax credit shall not be available for purchase of cabs.
- 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.
- 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.
- As per section 17(5), Input tax credit of outdoor catering is not allowed.

IPC NOV 2017 (MODIFIED)

Question 2

(4 Marks)

Rajesh Ltd. has submitted particulars of sale or purchase for the month of January 2023. Compute GST Payable if Rate of CGST @ 10% and SGST @ 10% (The amounts are exclusive of GST.)

Particulars	Amt. in (₹)
(i) Purchase from composition dealers	5,00,000
(ii) Inter-state purchases	18,00,000
(iii) Purchase of capital goods	9,00,000
(iv) Sales within the State effected during the month of January, 2023	12,00,000

Solution:

	₹
Sales	12,00,000
Add: CGST @ 10%	1,20,000
Add: SGST @ 10%	1,20,000
Total	14,40,000

Capital Goods

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

Inter - state purchase

Transaction Value	18,00,000
Add: IGST @ 20%	3,60,000

Computation of Net Tax

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

Computation of Net Tax

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

Carried Forward:**IGST –₹ 1,20,000****CGST –₹ 90,000****SGST –₹ 90,000****RTP MAY 2019**

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, 2023:

S. No.	Particulars	GST (₹)
1	Motor vehicle purchased for employees to be used for personal as well as business purposes	1,50,000
2	Motor vehicle purchased for transportation of goods within the factory	2,00,000
3	Food items for consumption of employees. These items were supplied free of cost to the employees in lieu of services rendered by them to the manufacturer in the course of employment.	2,000
4	Rent-a-cab facility availed for employees to fulfill a statutory obligation in this regard. The Government has notified such service under section 17(5) of the CGST Act, 2017.	36,000

Calculate the amount of eligible input tax credit for the month of March, 2023.

Solution

Computation of eligible input tax credit

Particulars	Eligible ITC (₹)
Motor vehicle purchased for employees to be used for personal as well as business purposes [Note-1]	-
Motor vehicle purchased for transportation of goods within the factory [Note-1]	2,00,000
Food items for consumption of employees [Note-2]	-
Rent-a-cab facility given to employees [Note-3]	36,000
Total eligible input tax credit	2,36,000

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.