



V'SMART ACADEMY

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ADDITIONAL & AMENDED QUESTIONS

(FROM QUESTIONER)

*By CA Vishal
Bhattad*

Think
GST
Think
Vishal Sir!

MAY 2026 EXAM



CHARGE OF TAX & CONCEPT OF SUPPLY

Q.8.1: ABC Insurance Ltd., a registered insurer in Maharashtra, is engaged in providing insurance services. During the current financial year, the company entered into following transactions:

1. ABC Insurance Ltd. enters into a co-insurance agreement with XYZ Insurance Ltd. where ABC Insurance Ltd. is the lead insurer. The insured – Gyaati Industries- pays a total premium of ₹ 50,00,000 which is apportioned by the lead insurer -ABC Insurance Ltd. between itself and XYZ Insurance Ltd. in the ratio of 60:40 for the insurance services jointly supplied by them to Gyaati Industries. ABC Insurance Ltd. agrees to discharge the entire GST liability on the full amount of premium received from Gyaati Industries.
2. A large industrial plant needs an insurance worth ₹ 500 crore. It approaches ABC Insurance Ltd. for the same. However, since ABC Insurance Ltd. is unable to underwrite the entire risk alone, it enters into a reinsurance agreement with a reinsurer - PQR Insurance Ltd. The total premium charged is ₹ 50 lakh. The insurer - ABC Insurance Ltd. pays a reinsurance premium of ₹ 20 lakh to PQR Insurance Ltd. This allows ABC Insurance Ltd. to manage its risk and financial exposure. While paying this amount to PQR Insurance Ltd., ABC Insurance Ltd. deducts a ceding commission of ₹ 1,00,000 which it has charged for the services it provides to PQR Insurance Ltd. PQR Insurance Ltd. pays GST on the gross reinsurance premium including the ceding commission.

Based on the provisions of Schedule III of the CGST Act, 2017, discuss whether the following activities amount to supply:

- (a) Apportionment of co-insurance premium by ABC Insurance Ltd. to XYZ Insurance Ltd. for the insurance services jointly supplied by them to Gyaati Industries.
- (b) Services by ABC Insurance Ltd. to PQR Insurance Ltd. for which ceding commission is deducted from reinsurance premium paid by ABC Insurance Ltd. to PQR Insurance Ltd. [CA Final RTP Sep 25]

Answer:

<p>1.</p>	<p>Legal Provision: Activity of apportionment of co-insurance premium by the lead insurer to the co-insurer for the insurance services jointly supplied by the lead insurer and the co-insurer to the insured is neither supply of goods nor supply of services if lead insurer paid GST on entire premium and hence no GST is charged on the apportionment transaction. [Para 9 of Schedule III]</p> <p>Conclusion:</p> <ul style="list-style-type: none"> ⇒ The lead insurer (ABC Insurance Ltd.) is required to pay the entire GST (CGST and SGST or IGST, as applicable) on the full premium amount paid by the insured – Gyati Industries, of ₹ 50,00,000. ⇒ The co-insurer, XYZ Insurance Ltd. does not pay GST on its share of the premium separately.
<p>2.</p>	<p>Legal Provision: Services by insurer to the reinsurer for which ceding commission or the reinsurance commission is deducted from reinsurance premium paid by the insurer to the reinsurer is neither supply of goods nor supply of services, subject to the condition that the GST is paid by the reinsurer on the gross reinsurance premium payable by the insurer to the reinsurer, inclusive of the said commission. [Para 10 of Schedule III]</p> <p>Conclusion: In the given case, the reinsurer (PQR Reinsurers Ltd.) is liable to pay GST on the gross reinsurance premium payable by the insurer (₹ 20 lakh), inclusive of the ceding commission (₹ 1 lakh).</p>

06. Section 8:- Composite Supply & Mixed Supply

Q.10: Satyamev Printers is a printing house registered under GST. It receives an order for printing 5,000 copies of a book on yoga and meditation authored by a well-known yoga guru. The content of the book is to be provided by the yoga guru to Satyamev Printers. It is agreed that Satyamev Printers will use its own paper to print the said books.

You are required to determine the rate of GST applicable on supply of printed books by Satyamev Printers assuming that rate of GST applicable on services is 18% whereas the rate of GST applicable on supply of goods is 5 %. [Study Mat] [CA Final RTP Nov 19(Similar)]

Answer:- The supply of printed books by Satyamev Printers will be treated as a composite supply, with printing services as the principal supply. Hence, the applicable GST rate will be 18%.

Legal Provisions:

- Composite Supply (Sec 2(30) of CGST Act, 2017): A composite supply consists of two or more taxable supplies of goods or services, naturally bundled and supplied together in the ordinary course of business, where one is the principal supply.
- CBIC Clarification on Printing Industry: When a printing house uses its own paper and other materials to print books, while the content is provided by the customer, the principal supply is considered to be printing services.
- Taxability u/s 8 of CGST Act, 2017: A composite supply is taxed at the rate applicable to the principal supply. Since printing services are the principal supply, the applicable GST rate will be 18% (rate applicable to services).

Conclusion: The supply of printed books by Satyamev Printers is a composite supply, where printing services is the principal supply. GST @18% will apply (as per service rate), instead of the 5 % GST applicable to books as goods.

Q.11: Shivaji Pvt. Ltd., a registered supplier, supplies the following goods and services for construction of buildings and complexes -

- excavators for required period at a per hour rate
- manpower for operation of the excavators at a per day rate
- soil-testing and seismic evaluation at a per sample rate.

The excavators are invariably hired out along with operators. Similarly, excavator operators are supplied only when the excavator is hired out.

For a given month, the receipts (exclusive of GST) of Shivaji Pvt. Ltd. are as follows:

- Hire charges for excavators - ₹ 18,00,000
- Service charges for supply of manpower for operation of the excavator - ₹ 20,000
- Service charges for soil testing and seismic evaluation at three sites - ₹ 2,50,000

Compute the GST payable by Shivaji Pvt. Ltd. for the given month.

Assume the rates of GST to be as under:

- Hiring out of excavators - 5 %
- Supply of manpower services and soil-testing and seismic evaluation services - 18%. [Study Mat]

Answer:- Computation of GST payable by Shivaji Pvt. Ltd.

Particulars	Value of supply (₹)	Rate of GST (₹)	GST Payable (₹)
Hiring charges for excavators	18,00,000	5%	90,000
Service charges for supply of manpower for operation of excavators [Note 1]	20,000	5%	1,000
Service charges for soil testing and seismic evaluation [Note 2]	2,50,000	18%	45,000
GST liability			1,36,000

Notes:

- Since the excavators are invariably hired out along with operators and excavator operators are supplied only when the excavator is hired out, it is a case of composite supply under section 2(30) of CGST Act, 2017, wherein the principal supply is the hiring out of the excavator.



As per **section 8**, the composite supply is treated as the supply of the principal supply. Therefore, the supply of manpower for operation of the excavators will also be taxed at the **rate applicable for hiring out of the excavator (principal supply), which is 5%.**

2. Soil testing and seismic evaluation services being independent of the hiring out of excavator will be taxed at the rate applicable to them, which is 18%.

Q.12: Mrs. Kajal, a registered supplier of Jaipur (Rajasthan), has made following supplies in the month of January:

- (i) Supply of a laptop along with the laptop bag to a customer of Mumbai for ₹ 55,000 (exclusive of GST).
- (ii) Supply of 10,000 kits (at ₹ 50 each) amounting to ₹ 5,00,000 (exclusive of GST) to Ram Fancy Store in Kota (Rajasthan). Each kit consists of 1 hair oil, 1 beauty soap and 1 hair comb.
- (iii) 100 kits are given as free gift to Jaipur customers (all unrelated) on the occasion of Mrs. Kajal's birthday. Each kit consists of 1 hair oil and 1 beauty soap. Cost of each kit is ₹ 35. Input tax credit has not been taken on the goods contained in the kit.
- (iv) Event management services provided free of cost to her brother (wholly dependent on her) for his son's marriage function in Indore (Madhya Pradesh). Cost of providing said services is ₹ 80,000.
- (v) 1,400 chairs and 100 coolers hired out to Function Garden, Ajmer (Rajasthan) for ₹ 3,30,000 (exclusive of GST) including cost of transporting the chairs and coolers from Mrs. Kajal's godown at Jaipur to Function Garden, Ajmer. Since Mrs. Kajal is not a GTA, transportation services provided by her are exempt vide Notification No. 12/2017 CT (R) dated 28.06.2017.

Assume rates of GST to be as under:-

S.No.	Particulars	Rate of GST
1	Laptop	18%
2	Laptop Bag	40%
3	Hair Oil	18%
4	Beauty Soap	40%
5	Hair Comb	18%
6	Event Management Services	5%
7	Service of renting of chairs and coolers	18%
8	Transportation services	5%

From the above information, examine each of the above supplies made by Mrs. Kajal for the month of January and determine the rate of GST applicable on the same. [Study Mat]

Answer:-

S.No.	Particulars	Rate of GST
1	Supply of laptop bag along with laptop to Mumbai customer [Being naturally bundled, supply of laptop bag along with the laptop is a composite supply which is treated as the supply of the principal supply [viz. laptop] in terms of section 8(a). Accordingly, rate of principal supply, i.e. laptop will be charged.]	18%
2	Supply of kits to Ram Fancy Store [It is a mixed supply and is treated as supply of that particular supply which attracts highest tax rate [viz. beauty soap] in terms of section 8(b).]	40%
3	Free gifts to customers [Cannot be considered as supply under section 7 read with Schedule I as the gifts are given to unrelated customers without consideration.]	Nil
4	Event management services provided free of cost to her brother [who is a related person] for his son's marriage. Thus, said services shall fall within the purview of Schedule I and shall be treated as supply even if made without consideration. Since it is an individual supply, it will be taxed at the rate applicable on said service.	5%



5	Chairs and coolers hired out to Function Garden [Transportation services provided by Mrs. Kajal are exempt. However, since chairs and coolers are hired out along with their transportation, it is a case of composite supply wherein the principal supply is hiring out of chairs and coolers. Accordingly, transportation service will also be taxed at the rate applicable for renting of chairs and coolers (Refer note)]	18%
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Note: As per section 2(30), composite supply means a supply made by a taxable person to a recipient consisting of two or more taxable supplies. Since in point (v), service of hiring out of chairs & coolers is taxable while transportation service is exempt, it is possible to take a view that this is not a case of composite supply.

In that case, the two services will be treated as independent services and taxed accordingly.

Q.18: Power Engineering Pvt. Ltd., a registered supplier, is engaged in providing expert maintenance and repair services for large power plants that are in the nature of immovable property, situated all over India. The company has its Head Office at Bangalore, Karnataka and branch offices in other States. The work is done in the following manner.

The company has self-contained mobile workshops, which are container trucks fitted out for carrying out the repairs. The trucks are equipped with items like repair equipments, consumables, tools, parts etc. to handle a wide variety of repair work.

The truck is sent to the client location for carrying out the repair work. Depending upon the repairs to be done, the equipment, consumables, tools, parts etc. are used from the stock of such items carried in the truck.

In some cases, a stand-alone machine is also sent to the client's premises in such truck for carrying out the repair work.

The customer is billed after the completion of the repair work depending upon the nature of the work and the actual quantity of consumables, parts etc. used in the repair work.

Sometimes the truck is sent to the company's own location in other State(s) from where it is further sent to client locations for repairs.

Work out the GST liability [CGST & SGST or IGST, as the case may be] of Power Engineering Pvt. Ltd., Bangalore on the basis of the facts as prescribed, read with the following data for the month of November 20XX.

Sr.No	Particulars	₹
A	Truck sent to own location in Tamil Nadu ➤ value of items contained in the truck - ₹ 3,00,000 ➤ value of truck - ₹ 25,00,000	
B	Truck sent to a client location in Tamil Nadu for carrying out repairs. Standalone machine is also sent in the truck to client location for repairs value of items contained in the truck - ₹ 2,85,000 Value of stand-alone machine - ₹ 4,00,000 Value of truck - ₹ 20,00,000 (Billing for repairs to be done afterwards depending upon the actual items used)	
C	Truck sent to a client in Karnataka for carrying out repairs Value of items contained in the truck - ₹ 1,06,000 Value of truck - ₹ 20,00,000 (Billing for repairs to be done afterwards depending upon the actual items used)	
D	Invoices raised for repair work carried out in Tamil Nadu (Including the invoice for repair work done in 'B')	70,00,000
E	Invoices raised for repair work carried out in Karnataka (Including the invoice for repair work done in 'C')	12,00,000



All the given amount are exclusive of GST wherever applicable. Assume the rates of taxes to be as under:

Items used for repairs		
CGST - 9%	SGST - 9%	IGST - 18%
Container truck, stand - alone machines		
CGST - 2.5%	SGST - 2.5%	IGST - 5%
Works contract for repairs and maintenance of immovable property		
CGST - 9%	SGST - 9%	IGST - 18%

You are required to make suitable assumptions, wherever necessary. (CA Final RTP May 2018)

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

Sr.No	Particulars	₹
A	Items sent in container truck to own location in Tamil Nadu - IGST @ 18% [Note 1]	54,000
	Container truck sent to own location in Tamil Nadu [Note 2]	-
B	Stand - alone machine sent in container truck to client location in Tamil Nadu, for carrying out repair [Note 3]	-
	Container truck sent to client location in TamilNadu [Note 3]	-
	Items sent in container truck to client location in Tamil Nadu, for carrying out repairs [Note 4]	-
C	Container truck sent to client location in Karnataka [Note 3]	-
	Items sent in container truck to client location in Karnataka, for carrying out repairs [Note 4]	-
D	Invoices raised for repair work carried out in Tamil Nadu : IGST @ 18% [Note 5 and note 6]	12,60,000
E	Invoice raised for repair work carried out in karnataka : CGST 9% + SGST 9% [Note 5 and Note 7]	2,16,000
Total GST liability		15,30,000

Notes:

1) As per **section 25(4) read with schedule I** of CGST Act, 2017, movement of goods without any consideration to a 'distinct person' is deemed to be a supply. As per **rule 28** of CGST Rules, 2017, the purchase value will be taken as taxable value, being the **open market value**.

In the given case-

The location of supplier is in Bangalore (Karnataka) and the place of supply for the items contained in the truck is Tamil Nadu in terms of **section 10(1)(a) of the IGST Act, 2017**. Therefore, the given supply of items is an **inter-State supply** as the location of supplier and place of supply are in two different States [Section 7 of IGST Act, 2017]. Thus, it is liable to **IGST**.

2) As per **section 25(4) of CGST Act, 2017**, a person who has obtained more than one registration in one or more State or Union territory shall be treated as 'distinct persons' for each such registration.

As per **para 2 of Schedule I** to CGST Act, 2017, supply of goods and/or services between 'distinct persons' in the course or furtherance of business is treated as supply under GST, even when made without consideration.

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

3. With reference to the above provision pertaining to distinct person in this case, stand-alone machine and container truck are moved to client location and **not between 'distinct persons'**. Hence, the same will **fall outside the scope of supply** and will **not be leviable to GST**.



4. 'Works contract' means a contract for repair, maintenance of any immovable property wherein transfer of property in goods is involved in the execution of such contract.

In this case, the supplier provides maintenance and repair services for power plants that are in the nature of immovable property and uses consumables and parts for the repairs. Hence, **the contract is that of a works contract which is a 'composite supply'**. The composite supply of works contract is classified as **supply of service** in terms of para 6(a) of Schedule II to the CGST Act, 2017.

The value of the items actually used in the repairs will be included in the invoice raised for the service and will be charged to tax at that point of time.

5. As per **section 8** of CGST Act, 2017, a composite supply is treated as a supply of the principal supply involved therein and charged to tax accordingly. The activity is a composite supply of **works contract**, which is treated as **supply of service**.

6. **In the given case the location of the supplier is in Bangalore (Karnataka); and the place of supply of works contract services is Tamil Nadu in terms of section 12(3) of IGST Act, 2017.**

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

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

Q.20: Decide with reason whether following independent transactions amount to supply or not as per the provision, rules, circulars and notification issued under the GST law:

(i) **Satyam has lent securities to Kala Enterprises for a consideration of ₹ 10,000 towards lending of securities under the Securities Lending Scheme, 1997 through an approved intermediary. Ignore the transaction between Satyam and intermediary.**

(ii) **Patta Limited made supply of goods to its agent, Romi, without consideration. Romi issued invoice for the further supply of goods to the customers in his own name. Romi also disclosed the name of principal in the invoice issued.**

(iii) **Dilasa Limited recruited Miss Chhaya as senior relationship manager. At the time of joining as senior relationship manager, the company paid ₹ 3,00,000 towards "Not joining" Milan Limited, a stiff competitor of Dilasa Limited. [CA Final Nov 24 Exam]**

Answer:-

(i)	<ul style="list-style-type: none"> ⇒ Lending of securities under the Securities Lending Scheme is not a transaction in securities as it does not involve disposal of securities. It is not excluded from the definition of services and amounts to supply. ⇒ Consequently, lending of securities for consideration to Kala Enterprise amounts to supply.
(ii)	<ul style="list-style-type: none"> ⇒ Since the invoice for further supply of goods is being issued by the agent – Romi, in his own name, the provision of goods from the principal – Patta Limited. - to the agent – Romi - would fall within the purview of Schedule I of the CGST Act, 2017 and would amount to supply even though made without consideration. ⇒ Further, supply of goods by Romi to the customer for consideration amounts to supply.
(iii)	<ul style="list-style-type: none"> Since any amount paid by employer to employee for not joining a competing business is paid for providing the service of forbearance to act to refrain cannot be considered for providing services in the course of employment, amount received by Miss Chhaya from Dilasa Limited amounts to supply under the GST law.



02. Section 9(3):- RCM for notified supply of goods or services (RCM for notified supply of goods is N.A.)

Transportation of Goods by Road by GTA:- (GTA +RCM + Exemption)

Q.1: XYZ Ltd., New Delhi, manufactures biscuits under the brand name 'Tastypicks'. Biscuits are supplied to wholesalers and distributors located across India on FOR basis from the warehouse of the company located at New Delhi.

The company uses multiple modes of transport for supplying the biscuits to its customers spread across the country. The transportation cost is shown as a line item in the invoice and is billed to the customers with a mark-up of 2% on total amount of freight paid (inclusive of taxes).

Flour used for the production process is procured from vendors located in Madhya Pradesh on ex-factory basis. The company engages goods transport agencies (GTA) to transport the flour from the factories of the vendors to its factory located in New Delhi.

The company has provided the following data relating to transportation of biscuits and flour in the month of April 20XX:

S.No.	Particulars	Amount
1	For sales within the NCR region (₹ 20,00,000) The company arranged a local mini-van belonging to an individual and paid him	₹ 54,000.
2	For sales to locations in distant States (₹ 1,78,00,000), the company booked the goods by Indian Railways and paid rail freight	₹ 3,17,000.
3	For sales to locations in neighbouring States (₹ 55,00,000), the company booked the goods by road carriers (GTAs) and paid road freight [Out of the total sales to neighboring States, goods worth ₹ 10,00,000 were booked through a GTA which paid tax @ 18%. Freight of ₹ 73,000 was paid to such GTA.]	₹ 3,73,000
4	For purchase of flour from Madhya Pradesh (₹ 25,00,000), the company booked the goods by a GTA and paid road freight	₹ 55,000.
5	For purchase of butter from Punjab (₹ 15,00,000), the company booked the goods by a GTA and paid road freight	₹ 35,000.
6	For local purchase of baking powder, the company booked the goods by a GTA in a single carriage and paid road freight	₹ 1,500
7	For transferring the biscuits (open market value - ₹ 4,00,000) to one of its sister concern in Rajasthan, the company booked the goods by a GTA and paid road freight	₹ 40,000.

(i) Based on the particulars given above, compute the GST payable on the amount paid for transportation by XYZ Ltd. when it avails the services of different transporters.

(ii) Compute the GST charged on transportation cost billed by the company to its customers.

Note: - Assume the rate of GST on transportation of goods and biscuits to be 5% and 18% respectively [except where any other rate is specified in the question]. [CA Final RTP Nov 18]

Answer:-i) Calculation of GST on Transportation service availed :-

Particulars	Freight (₹)	GST Payable	Reason
Transportation of biscuits in a local mini van belonging to an individual	54,000	Nil	Only the transportation of goods by road by a GTA is liable to GST. Therefore, transportation of goods by road otherwise than by a GTA is exempt from GST



Transportation of biscuits by Indian Railways	3,17,000	15,850	GST under forward charge
Transportation of biscuits by GTA	3,00,000	15,000	GST is payable by XYZ Ltd. under reverse charge in terms of section 5(3) of the IGST Act, 2017
Transportation of biscuits by GTA @ 18%	73,000	13,140	
Transportation of flour by GTA	55,000	Nil	Services provided by GTA by way of transport (in a goods carriage) of flour are exempted from GST
Transportation of butter by GTA	35,000	1,750	Though services provided by GTA by way of transport of milk is exempt from GST, road transport of butter will not be exempted as butter is milk product and not milk. GST is payable by XYZ Ltd. under reverse charge in terms of section 5(3) of the IGST Act, 2017
Transportation of baking powder by GTA	1500	75	GST is payable by XYZ Ltd. under reverse charge in terms of section 9(3) of the CGST Act, 2017
Transportation of biscuits by GTA to sister concern	40,000	2,000	GST is payable by XYZ Ltd. under reverse charge in terms of section 5(3) of the IGST Act, 2017
Total tax payable by XYZ Ltd. on availing services of different transporters		47,815	-

ii) Computation of GST charged on transportation cost billed by XYZ Ltd. to its customers :-

Legal Provision :- As per sec 8(a) read with sec 2(30) of CGST act 2017, The tax liability on a composite supply shall be treated as a supply of such principal supply.

Since XYZ Ltd. is supplying biscuits on FOR basis, the service of transportation of biscuits gets bundled with the supply of biscuits. Thus, the supply of biscuits and transportation service is a composite supply, chargeable to tax at the rate applicable to the principal supply (biscuits) i.e., 18%.

Particulars	Freight paid (₹) [A]	GST Paid on freight (₹) [B]	Freight billed (With mark-up@ 2% on [A] +[B]) (₹)	GST Charged @ 18 % (₹)
Transportation of biscuits in a local minivan belonging to an individual	54,000		55,080	9,914
Transportation of biscuits by Indian Railways	3,17,000	15,850	3,39,507	61,111
Transportation of biscuits by GTA	3,00,000	15,000	3,21,300	57,834
Transportation of biscuits by GTA @18 %	73,000	13,140	87,862.8	15,815
Total tax charged by XYZ Ltd. On transportation cost billed to the customers*				1,44,674

***Note:** It has been assumed that there is no mark-up on transportation cost billed to sister concern (non-customer).



Q.4: Mr. Ram who is registered under GST has 4 flats & 2 shops in Pune. He has given all flats & Shops on rent as follows & Determine tax payable in each case.

b) Flat 2 is given on rent to XYZ Ltd. (reg. in GST) company is using as guest house for residence purpose.

Answer:- Legal Provision:-

- 1) Services supplied by way of renting of residential dwelling by any person to a registered person then under reverse charge, registered person is liable to pay tax.
- 2) Service by way of renting of residential dwelling to unregistered person for the purpose of residence is exempted.
- 3) Also, as per new entry, renting of immovable property (other than residential dwelling) by an unregistered person to a registered person (other than composition dealer) then under reverse charge, registered person is liable to pay tax. But if, recipient is composition dealer then, forward charge is applicable.

Discussion:-

b) Renting of flat -2 to XYZ Ltd. a registered person for use of guesthouse is liable to GST under reverse charge & XYZ Ltd. is **liable to pay tax**.

Q.10: State, with reason, the person liable to pay GST in each of following independent cases:-

Assume recipient is located in taxable territory.

(vi) Mr. Arun Kumar, an individual based in Delhi, owns a commercial office space in Connaught Place. He is not registered under GST, as his total turnover falls below the prescribed threshold. Mr. Arun rents out this commercial property to M/s TechNova Pvt. Ltd., a GST-registered private limited IT company that uses the premises for business purposes. Determine who is liable to pay tax.

Would your answer, differ if M/s TechNova Pvt. Ltd. opt for Composition Scheme.

Answer:-

(vi)	<p>Legal Provision: If an unregistered person provides a service by way of renting of immovable property other than a residential dwelling to a registered person other than one paying tax under the composition scheme, the GST liability falls under the Reverse Charge Mechanism. [Sec 9(3)]</p> <p>Conclusion:</p> <ul style="list-style-type: none">➤ In the first case, M/s TechNova Pvt. Ltd. is liable to pay tax under RCM.➤ In the Second case, No tax is payable as M/s TechNova Pvt. Ltd. opts for Composition Scheme.
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Q.12: Discuss the GST implication in the following case study.

It was a busy Monday morning in Mumbai, and Ravi, a software developer, needed a quick ride to the office. He opened an app FastCabs (an ECO) to book a motorcab. The app connected him to Mohan, an independent driver operating his own motorcab.

After a long workday, Ravi needed a place to stay overnight. He found BudgetStay, an unregistered hotel located near his office. BudgetStay had no GST registration but listed its rooms on an online travel platform operated by an ECO called StayEasy. Ravi booked a room through StayEasy and was charged for his stay.

The next morning, Ravi discovered a leaking pipe in his bathroom. In panic, he used the app QuickFix, which connected him to Suresh, an unregistered plumber. QuickFix was an online platform (ECO) that specialized in providing various home services such as plumbing and carpentry.

After the long day, Ravi decided to have dinner & ordered food through Zomato from The Royal Dine, located inside a luxury hotel. The hotel had a accommodation value of ₹10,000 per unit per day for its rooms, which qualified it as a specified premises under GST law.

Answer:

a)	If passenger transport service is supplied by motor vehicle or bike through an ECO, then ECO is liable to pay tax. But in case of omnibus where supplier is a company, then supplier is liable to pay tax. In given case: ECO Fast Cab is liable to pay tax.
b)	If accommodation for residential or lodging purposes service is provided through ECO by hotel, inn etc. where it is not liable to register, then ECO is liable to pay tax (Sec 9(5)). In given case: Stay Easy is liable to pay tax.



c)	If housekeeping etc. services supplied by any person through ECO who is not liable to register , then ECO is liable to pay tax. In given case: Quick-Fix is liable to pay tax.
d)	Supply of restaurant services through ECO— then ECO is liable to pay tax. ⇒ But, if restaurant is located in a specified premise where room rent is more than ₹ 7,500 per day , then supplier i.e., restaurant is liable to pay tax. ⇒ So in given case: Royal Dine is located in a luxury hotel where room rent is more than ₹ 7,500 per day, hence Royal Dine is liable to pay tax.

03

COMPOSITION LEVY

05. Comparison between Composition Scheme & Regular Scheme:-

Q.8: Mr. X, a trader dealing exclusively in supply of goods and paying tax under normal scheme (also eligible for composition scheme), submit the following details for coming financial year 20XX-YY. You are required to determine which scheme will be more beneficial to him and whether Mr. X should opt for composition scheme. Estimated data for coming financial year 20XX-YY are as follows:

Particulars	Amount (₹)
Inward supplies of goods from registered suppliers (amount exclusive of GST and goods chargeable to normal rate of GST @18%)	70,00,000
Outward supplies of goods to unregistered customers (sale price of goods inclusive of GST) - Normal Rate of GST is @18%)	90,00,000

Other information is as given below:

- (i) Inherent nature expenses ₹ 4,50,000 per year under both the schemes.
- (ii) Books of account maintenance cost under normal scheme ₹ 80,000 yearly whereas under composition scheme it will be ₹ 75,000 yearly.
- (iii) Return filing expenses under normal scheme ₹ 15,000 yearly whereas under composition scheme it will be ₹ 12,000 yearly. [CA Final May 23 Exam]

Answer:-

Particulars	Composition Scheme (₹)	Regular Scheme (₹)
Tax payable under GST law [For regular scheme, Outward Supplies excluding GST = ₹ 90,00,000 * 100/118 = ₹ 76,27,118.64]	90,000 [₹ 90,00,000 × 1%]	13,72,881 [₹ 76,27,119 × 18%]
Less: ITC on inward supplies	A person opting for composition scheme is not entitled to any ITC	12,60,000 [₹ 70,00,000 × 18%]
Net amount payable under GST law	90,000 [Forms part of cost]	1,12,881
Add: Inherent Expenses	4,50,000	4,50,000
Add: Books of Account maintenance cost	75,000	80,000
Add: Return filing expenses	12,000	15,000
Add: Cost of inward supplies	82,60,000 [70,00,000 + (70,00,000*18%)]	70,00,000



Total Cost involved	88,87,000	75,45,000
Sale Proceeds	90,00,000	76,27,119
Profit Margin (Sale proceeds less Total Cost)	1,13,000	82,119

Conclusion: Thus, it can be concluded that Mr. X **should opt for composition scheme** for financial year 20XX-YY as it is more beneficial for him.

Assumption:- It has been assumed that GST is not charged on the inherent expenses, books of account maintenance cost, and return filing expenses.

Note by ICAI:- Alternate presentations/ answers are possible.

04

Exemptions under GST

Q.7 State with reason whether the following services are exempt or taxable:-

1. **Mr. Ashok, a senior advocate from Mumbai, provided legal consultancy services to Mr. Sagar who is also an individual advocate having turnover of ₹ 15 lakhs in preceding financial year.**
Would your answer differ if turnover in current year is ₹ 25 lakhs.
2. **Mr. Sam & Mr. Harry appointed a panel of 3 arbitrators for settlement of their personal dispute as per the Arbitration and Conciliation Act, 1996 & paid a fee of Rs. 1 lakh.**
3. **M/s Patil & Associates is a partnership firm who provides legal services to Vastukaar Enterprises, registered in Delhi, providing architect services (with PFY's aggregate turnover as ₹ 21 lakh).**
4. **Partnership firm provides legal advice to the State Government for an official matter.**

Answer:-

1	<ul style="list-style-type: none"> ⦿ Legal service provided by a senior advocate to a business entity with an aggregate turnover up to such amount in preceding financial year as makes it eligible for exemption from registration under GST Acts is exempted under GST. ⦿ In 1st case, the turnover of Mr. Sagar in PFY is not exceeding the threshold limit of ₹ 20 lakhs applicable for registration & thus, legal service provided to him by Mr. Ashok is exempt. ⦿ In 2nd case, Condition of the aggregate turnover not to be crossing the threshold limit for registration is to be checked for PFY and not for the CFY & hence, exempt in CFY.
2	Exempt: Services provided by arbitral tribunal to any person other than a business entity is exempt. Since Mr. Sam & Mr. Harry are not business entities & hence, the given service is exempt .
3	Taxable: Legal services are provided by partnership firm of advocates to a business entity - Vastukaar Enterprises whose aggregate turnover in PFY exceeded ₹ 20 lakh. Thus, said services are taxable .
4	Exempt: Legal service provided by a partnership firm of advocates to State Government is exempt .

Quick Revision Pointers (QRP's) : All legal services exempt except for BE above threshold limit or the point on senior advocate services to individual advocate above threshold (turnover of PFY and not CY)



Q.19 “Chanakya Academy” is registered under GST in the State of Uttar Pradesh. The Academy runs the following educational institutions:-

- (i) Keshav Institute of Technology' (KIT), a private engineering college in Ghaziabad. KIT also runs distance learning post graduate engineering programmes. Exams for such programmes are conducted in select cities at centres appointed by the KIT. All the engineering courses including the distance learning post graduate engineering programme run by KIT are recognised by the law [The All India Council for Technical Education (AICTE)].
- (ii) Little Millennium', a pre-school in Lucknow.
- (iii) Bright Minds', a coaching institute in Kanpur. The Institute provides coaching for Institute of Banking Personnel Selection (IBPS) Probationary Officers Exam.
- (iv) Spring Model' a higher secondary school affiliated to CBSE Board.

The Academy provides the following details relating to the expenses incurred by the various institutions run by it during the period April to September:-

S.No.	Particulars	KIT (₹)	Little Millennium (₹)	Bright Minds (₹)	Spring Model (₹)
1	Printing services for printing the question papers (paper and content are provided by the Institutions)	2,50,000		1,50,000	2,00,000
2	Paper procured for printing question papers	4,30,000		2,58,000	3,44,000
3	Honorarium to paper setters and examiners (not on the rolls of Institution)	5,00,000			
4	Rent for exam centres taken on rent like schools etc., for conducting examination	8,00,000		1,00,000	
5	Subscription for online educational journals [Little Millennium has taken the subscription for online periodicals on child development & experiential learning]	4,00,000	80,000	2,20,000	2,40,000
6	Hire charges for buses used to transport students and faculty from their residence to the institutions and back	4,80,000	5,50,000	1,30,000	7,50,000
7	Catering services for running a canteen in the campus for students (Catering services for KIT include a sum of ₹ 60,000 for catering at a student event organised in a banquet hall outside the campus)	3,20,000	2,60,000	1,80,000	5,00,000
8	Security & housekeeping services for the institution(s) (Security & House-keeping services for Spring Model include a sum of ₹ 80,000 payable for security & housekeeping at the student event organised in a banquet hall outside the campus)	6,00,000	4,00,000	3,75,000	4,65,000

With the help of the above details, determine the amount of GST payable, if any, (ignoring ITC provisions) on goods and services received during April to September by the various educational institutions run by the 'Chanakya Academy'; all the amounts given above are exclusive of taxes, wherever applicable.

Note: Rate of GST on goods is 18%, catering service is 5% & on other services is 18%. [Study Mat]

Answer:- Legal Provision: - The “educational institution” means an institution providing services by way of:-

- (i) pre-school education and education up to higher secondary school or equivalent,
- (ii) education as a part of a curriculum for obtaining a qualification recognised by any law for the time being in force, or



- (iii) education as a part of an approved vocational education course.
- ⇒ Exemption notification **exempts selected services** provided to an educational institution as under:-
 - (i) transportation of students, faculty and staff,
 - (ii) catering, including any mid-day meals scheme sponsored by Central Government, State Government or Union territory,
 - (iii) security or cleaning or house-keeping services performed in such educational institution,
 - (iv) services relating to admission to, or conduct of examination by, such institution, or
 - (v) supply of online educational journals or periodicals.
- ⇒ However, the **services mentioned in points (I), (ii) and (iii) are exempt only when** the same are provided to an educational institution providing services by way of pre-school education and education up to higher secondary school or equivalent.
- ⇒ **Also, supply of online educational journals or periodicals is not exempt when provided to an educational institution providing:-**
 - (i) pre-school education and education up to higher secondary school or equivalent; or
 - (ii) education as a part of an approved vocational education course.
- ⇒ Further, services of **giving on hire motor vehicle** for transport of students, faculty and staff, **to a person providing services of transportation** of students, faculty and staff **to educational institution** providing pre-school education & education up to higher secondary school or equivalent is **exempt**.

Discussion & Conclusion:-

- ⇒ In given case, **all the engineering courses** including distance learning post graduate engineering programme run by KIT **are recognised by law** [The All India Council for Technical Education (AICTE)]. Thus, since KIT imparts education as a part of a curriculum for obtaining a qualification recognised by Indian law, **it is an educational institution**.
- ⇒ Similarly, **Little Millennium** and **Spring Model**, being a pre-school and a higher secondary school respectively, **are also educational institutions**.
- ⇒ But **Bright Minds**, being a coaching centre, training candidates to secure a banking job, is **not an educational institution** & hence, none of the above selected services will be exempt when provided to Bright Minds.
- ⇒ **Accordingly, the amount of GST payable on goods and services received by these educational institutions during April to September is computed as under:-**

Particulars	KIT (₹)	Little Millennium (₹)	Bright Minds (₹)	Spring Model(₹)
Printing services for printing the question papers (paper and content are provided by Institutions)	Exempt [Services provided to educational institution in relation to conduct of examination]		27,000 [1,50,000 x 18%]	Exempt
Paper procured for printing the question papers [Supply of Select services to educational Institutions are exempt and not supply of goods to such Educational institutions]	77,400 [4,30,000 x 18%]		46,440 [2,58,000 x 18%]	61,920 [3,44,000 X 18%]
Honorarium to paper setters and examiners (not on the rolls of educational institution)	Exempt [Services provided to educational institution in relation to conduct of examination]			
Rent for exam centres taken on rent like schools etc., for conducting examination	Exempt [Services provided to educational institution in relation to conduct of examination]		18,000 [1,00,000 X 18%]	
Subscription for online educational journals [Little Millennium has taken the subscription for online periodicals on child development and experiential learning]	Exempt	14,400 [80,000 x 18%]	39,600 [2,20,000 x 18%]	43,200 [2,40,000 x 18%]



Hire charges for buses used to transport students and faculty from their residence to the institutions and back	86,400 [4,80,000 x 18%]	Exempt	23,400 [1,30,000 x 18%]	Exempt
Catering services for running a canteen in the campus for students (Catering services provided to pre-school and the higher secondary school is exempt irrespective of whether the same is provided within or outside the premises of the pre-school and the higher secondary school)	16,000 [3,20,000 x 5%]	Exempt	9,000 [1,80,000 x 5%]	Exempt
Security & housekeeping services for the institution(s) (Security and House-keeping services service provided to pre-school and higher Secondary school for the Student event organised in a Banquet hall will be taxable as only the security & housekeeping service provided within the premises of preschool and higher secondary school are exempt]	1,08,000 [6,00,000 x 18%]	Exempt	67,500 [3,75,000 x 18%]	14,400 [80,000 x 18%]
Total GST payable on goods & services received	2,87,800	14,400	2,30,940	1,19,520
Quick Revision Pointers (QRP's) : Supply of services is exempt not supply of goods by EI (eg- paper supply is taxable)				

Q. 26: Explain in brief whether the below mentioned independent cases of supply of services provided are exempt or taxable under GST law, providing very brief reasoning:

6) M/s Speed Logistics gave on hire its tipper lorries to M/s ABC, a mining firm for transporting minerals from mining pit head to railway siding. Vehicle was given with driver but fuel cost was to be borne by the recipient. M/s Speed Logistics considered this transaction as exempt supply since it was covered under the entry of transportation of goods by road except by GTA in the exemption notification. [CA Final Sep 25 Exam]

Answer:-

6)	Taxable	<ul style="list-style-type: none"> ➲ In case of hiring of vehicle, the person taking vehicle on rent defines how and when the vehicles will be operated, determines schedules, routes and other operational considerations. ➲ Therefore, the person giving the vehicles on rent with operator for a specified period of time cannot be considered to be supplying the service by way of transport of goods by road, he is supplying service of renting of transport vehicles with operator, which is not exempt.
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Q.28 Vividh Pvt. Ltd. is a supplier of goods and services at Bangalore, registered in the State of Karnataka, having turnover of ₹ 200 lakh in last financial year. It has furnished following information for the month of June.

Particulars	Amount (₹) excluding GST
Services provided by way of a labour contract for repairing a single residential unit otherwise than as a part of residential complex	13,00,000
Fee received from students of a competitive exam training academy run by Vividh Pvt. Ltd.	5,40,000



4 buses each with a seating capacity of 72 passengers given on hire to State Transport Undertaking	6,00,000
Rent paid to Local Municipal Corporation for premises taken on rent for competitive exam training academy	2,50,000
Goods transport services received from registered GTA who has opted to pay tax under forward charge @ 18%	1,80,000
Services provided by way of fumigation in a warehouse of agricultural produce	13,00,000
Service of transportation of passengers by metered cabs provided through Webcastle Ltd., an electronic commerce operator (ECO)	5,40,000

Compute gross GST liability (ignoring ITC provisions) of Vividh Pvt. Ltd. for the month of June assuming that the above amounts are exclusive of GST and rate of GST, wherever applicable, is 18% unless otherwise mentioned. [Study Mat] [CA Final RTP May 23 Similar] [CA Final MTP Oct 23 (Similar)]

Answer:- Computation of gross GST liability of Vividh Pvt. Ltd.:-

Particulars	Explanation	Value of supply (₹)	GST @ 18% (₹)
Services on which tax is payable under Forward Charge:			
Services provided by way of labour contracts for repairing a single residential unit otherwise than as a part of residential complex	Services by way of pure labour contracts of construction, erection, commissioning, or installation of original works pertaining to a single residential unit otherwise than as a part of a residential complex are exempt. Thus, Labour contracts for repairing are taxable .	13,00,000	2,34,000
Fee received from students of competitive exam training academy	It is taxable as it is not an educational institution since competitive exam training does not lead to grant of a recognized qualification.	5,40,000	97,200
Buses each with seating capacity of 72 passengers given on hire to State Transport Undertaking	Services of giving on hire to a state transport undertaking (STU), a motor vehicle meant to carry more than 12 passengers, are exempt from GST .	6,00,000	Nil
Services by way of fumigation in a warehouse of agricultural produce	Taxable since the exemption earlier available for services provided by way of fumigation in a warehouse of agricultural produce has been withdrawn	13,00,000	2,34,000
Service of transportation of passengers by metered cabs through Webcastle Ltd., an ECO	Taxable since services of transport of passengers by metered cabs supplied through ECO are not exempt from GST. However, tax on such services shall be paid by ECO. Therefore, Vividh Pvt. Ltd. is not liable to pay GST on the same	5,40,000	Nil
Services on which tax is payable under reverse charge:			
Rent paid to Local Municipal Corporation	GST is payable under reverse charge in case of renting of immovable property services supplied by a local authority to a registered person.	2,50,000	45,000
GTA services availed	Since GTA has opted to pay tax under forward charge @ 18%, tax is payable under forward charge by GTA only and not by Vividh Pvt. Ltd.	1,80,000	Nil
Gross GST Payable			6,10,200



05

Time of Supply

Q.8 Raghav Enterprises, a registered taxpayer under the regular scheme in Rajasthan, is engaged in the supply of water purifiers. On 5th September 20XX, the firm received an advance of ₹ 30,000 from a customer for an upcoming supply of goods. The goods were delivered on 12th September, and the tax invoice was issued on the same day.

Raghav is also a partner in a second business, Lucky Streak Gaming, which deals in betting services. That business received ₹ 20,000 as an advance on 4th September for participation in an online gaming event scheduled for 9th September. The invoice was raised on 6th September.

You are required to examine the applicability of Notification No. 66/2017-CGST in the above situations and determine the time of supply for both Raghav Enterprises and Lucky Streak Gaming as per the CGST Act.

Answer:- Legal Provision:

- ⦿ The time of supply of goods shall be the **earlier** of the following [Sec 12(2)]:-
 - Date of issue of invoice or
 - Last date to issue invoice or
 - Date of receipt of payment.
- ⦿ As per **Notification 66/2017** under CGST Act, the registered person other than following person:-
 - A composition supplier and
 - registered person making supply of specified actionable claimsshall pay CGST on the outward supply of goods at the time of supply as specified section 12(2)(a)(i.e. Invoice or last date of invoice).
- ⦿ Goods includes specified actionable claims (i.e. betting services) & TOS shall be determined as per sec 12(2).

Conclusion:

1)	<ul style="list-style-type: none">⦿ Raghav Enterprises is a regular registered supplier (neither a composition dealer, nor supplying actionable claims).⦿ Therefore, Notification 66/2017 applies, and GST is not payable on advance.⦿ TOS = 12th September 20XX (i.e., date of issue of invoice)
2)	<ul style="list-style-type: none">⦿ Since Lucky Streak Gaming deals in specified actionable claims, Notification 66/2017 does not apply.⦿ Thus, TOS = 4th September 20XX (i.e. date of receipt of payment)

Q.12 M/s Murty and Sons Ltd (MSL) is dealing in property business and is registered under GST since 2021 in Bengaluru, Karnataka having turnover of ₹ 2 crores in Financial Year 2023-24. MSL has taken legal service from Mr. Sachin, a junior advocate on 10th December 2024. MSL paid ₹ 80,000 for this service on 18th February 2025 through NEFT and the whole transaction was entered in the books on this day only.

In this case you are required to determine time of supply of service provided by Mr. Sachin to MSL in the following independent situations for the purpose of payment of tax under GST law along with explanations for the same:

S.No.	If Mr. Sachin is	Invoice issued by:	Invoice issued on:
1.	An unregistered person	M/s Murty and Sons	8th January,2025
2.	An unregistered person	M/s Murty and Sons	13th January,2025
3.	An unregistered person	No invoice Issued	No invoice Issued
4.	A registered person	Mr. Sachin	6th January, 2025



[CA Final Sep 25 Exam]

Answer: Legal Provision:-

- ⇒ Tax on legal services provided by individual advocate to business entity -MSL- is payable under reverse charge. [Sec 9(3)]
- ⇒ If supply of services is liable under reverse charge, then time of supply of services shall be the earliest of the following dates: [Sec 13(3)]
 - a) **Date of payment** by recipient (i.e., earlier of book entry or debit to bank) or
 - b) **61st day** from supplier's invoice, in cases where invoice is required to be issued by the supplier or
 - c) **Date of issue of invoice** (Self Invoice) by the Recipient, in cases where invoice is to be issued by the recipient.

Discussion & Conclusion:-

1.	<ul style="list-style-type: none">⇒ TOS is 8th January 2025⇒ Since supplier is unregistered, recipient - MSL issued the self- invoice. Thus, time of supply will be date of issue of invoice since it is earlier than date of payment (18th February)
2.	<ul style="list-style-type: none">⇒ TOS is 13th January 2025⇒ Since supplier is unregistered, MSL issued the self-invoice. Thus, time of supply will be date of issue of invoice since it is earlier than date of payment (18th February).⇒ Alternatively, it is also possible to take following view:⇒ Since supplier is unregistered, MSL issued the self-invoice. Time of supply will be earlier of date of issue of invoice (13th January) or last date on which invoice should have been issued, i.e., 30th day of receipt of service, i.e. 9th January). Thus, time of supply is 9th January, 2025
3.	<ul style="list-style-type: none">⇒ TOS is 18th February 2025⇒ Since supplier is unregistered and MSL has not issued self-invoice at all, hence it is not possible to determine the time of supply from the normal provisions, so the time of supply will be the date of entry in books of accounts of the recipient of supply.
4.	<ul style="list-style-type: none">⇒ TOS is 18th February 2025⇒ Since it is earlier of:<ol style="list-style-type: none">(i) the date of payment (18th February) Or(ii) 61st day (or date immediately following 60 days) from the date of issue of invoice by the supplier (8th March).



Q.9 Aviant Ltd., registered in Noida (Uttar Pradesh), is a supplier of machinery used for making bottle caps. The supply of machinery is effected as under:

- 1) The wholesale price of the machinery (excluding all taxes and other expenses) at which it is supplied in the ordinary course of the business to various customers is ₹ 42,00,000. However, the actual price at which the machinery is supplied to an individual customer varies within a range of $\pm 10\%$ depending upon the terms of contract of supply with the particular customer.
- 2) Apart from the price of the machinery, Aviant Ltd. charges from the customer the following incidental expenses:
 - ⇒ associated handling and loading charges of ₹ 10,000
 - ⇒ installation and commissioning charges of ₹ 1,00,000
- 3) The machinery can be dismantled and erected at another site, if required. The above charges are compulsorily levied in case of each supply of machinery.
- 4) Transportation of machinery to the customer's premises is arranged by Aviant Ltd. through a third-party service provider [Goods Transport Agency (GTA)]. The customer enters into a separate service contract with the GTA and pays the freight directly to it.
- 5) A cash discount of 2% on the price of the machinery is offered at the time of supply, if the customer agrees to make the payment within 15 days of the receipt of the machinery at his premises. In the event of failure to make the payment within the stipulated time, the company
 - ⇒ recovers the discount given at the time of receiving payment from the customer (no separate amount of GST is recovered) and
 - ⇒ charges simple interest @ 1% per month or part of the month (no separate amount of GST is recovered) on the total amount due from the customer (towards the machinery supplied) from the date of making the supply till the date of payment. However, no interest is charged on the tax dues.
- 6) For every machinery supplied, Aviant Ltd. receives a price linked subsidy of ₹ 2,00,000 from its holding company Diligent Ltd.

Aviant Ltd. has supplied a machinery to an unrelated party, Daffodil Pvt. Ltd. on 29th August at a price of ₹ 40,00,000 (excluding all taxes). Invoice was issued on 29th August by Aviant Ltd.

The corporate office of Daffodil Ltd., which is at New Delhi, has entered into contract with Aviant Ltd. for supply of machinery. However, the machinery has been installed at Daffodil Pvt. Ltd's registered manufacturing unit located in Gurugram (Haryana). Daffodil Pvt. Ltd. has paid the freight directly to the GTA.

Discount @ 2% on the price of machinery excluding taxes was given to Daffodil Pvt. Ltd. as it agreed to make the payment within 15 days. However, Daffodil Pvt. Ltd. paid the consideration on 30th September.

Assume the rates of taxes to be as under:

Bottle cap making machine		
CGST: 9%	SGST: 9%	IGST: 18%
Service of transportation of goods		
CGST: 2.5%	SGST: 2.5%	IGST: 5%
Other services involved in the above supply		
CGST: 9%	SGST: 9%	IGST: 18%

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

Make suitable assumptions, wherever needed. [Study Mat]

Answer :- Computation of GST liability of Aviant Ltd:

Particulars	Amount (₹)
Price of machine [Note 1]	40,00,000
Add: Handling and loading charges [Note 2]	10,000
Add: Installation and commissioning charges [Note 3]	1,00,000
Add: Transportation cost [Note 4]	Nil
Add: Price linked subsidy from Diligent Ltd. [Note 5]	2,00,000
Total price of the machine	43,10,000
Less: 2% cash discount on price of machinery $(40,00,000 \times 2\%)$ [Note 6]	80,000
Taxable value of supply	42,30,000
Tax liability for the month of August [Note 10]	
IGST @ 18% [Note 7 & Note 8]	[A] 7,61,400
Tax liability for the month of September [Note 10]	
Add: Interest collected @ 2% on ₹ 41,10,000 [Note 9]	82,200
Add: Cash discount recovered [Note 9]	80,000
Value of interest and cash discount inclusive of tax	1,62,200
IGST = (₹ 1,62,200 X 18/118)	[B] 24,742
Total IGST payable on the machinery	[A] + [B] 7,86,142

Notes:-

1)	Value of Supply (Sec 15(1)) – Transaction value = price paid/payable if supply is to an unrelated person and price is the sole consideration.
2)	Incidental Expenses (Sec 15(2)(c)) – Any extra charges by the supplier are included in the value.
3)	Supplier's Pre-Delivery Actions (Sec 15(2)(c)) – Any amount for activities before/during delivery is included.
4)	Transportation Cost – Not included as the customer pays directly to a third-party service provider, and the supplier is not involved.
5)	Subsidies (Sec 15(2)(e)) – Price-linked subsidies (except Govt. subsidies) are included in the value.
6)	Upfront Cash Discount – Deducted if given at the time of supply.
7)	Place of Supply (IGST Act Sec 10(1)(d)) – Since supplier is in UP and machinery is installed in Haryana, it is an inter-State supply, attracting IGST.
8)	Composite Supply (Section 8(a)) – Since the principal supply is machinery, tax is applied at the machinery's rate, even though installation and handling services are included.
9)	Interest & Recovered Discount (Sec 15(2)(d)) – Interest on delayed payment and recovered cash discount are included in the value. Tax is computed using back-calculation (Rule 35).
10)	Time of Supply (Section 12) – ➤ Goods – 29 August (invoice date). ➤ Interest & Recovered Discount – 30 September (date of receipt). A debit note can be issued for these charges.



Q.15 Gama Ltd., a manufacturer, has two production units - Unit A (Maharashtra) and Unit B (Goa). Unit A of Gama Ltd. Manufactures product 'X'.

In March, Unit A has manufactured 1000 units of product 'X', 80% of such production is sent to Unit B for further manufacture of product 'Y' and the remaining 20% is lying in stock.

Compute value of supply, assuming that value cannot be determined under rule 28 and therefore, value is to be determined under rule 30.

Details of cost is given as follows :-

Answer:

- ⦿ As per **Para 2 of Schedule I**, Inter-state movement of goods from one branch to another amounts without consideration will amount to 'supply' & treated as deemed distinct persons.
- ⦿ As per **Rule 30** of CGST Rule 2017, in case of manufacturer, the Value of supply shall be 110% of cost of production or manufacture.
- ⦿ **Determination of Cost & Value of supply under Rule 30 (based on Cost Accounting Standard - 4):**

S.No.	Particulars	Amount (₹)
1.	Material consumed [Cost (net of input credit of GST) = ₹ 23,600 x 100 ÷ 118]	20,000
2.	Cost of direct salaries [including house rent allowance of ₹ 12,000]	30,000
3.	Works overheads [Consumable store and repairs + Depreciation of machinery]	5,900
4.	Quality control cost	4,300
5.	Research & Development Cost	2,700
6.	Administrative overheads [only related to production will form "COP"]	2,000
7.	Interest and financial charges [financial cost is not production cost]	-
8.	Cost incurred due to break down of machinery (abnormal/non -recurring cost)	-
9.	Selling and distribution cost (not a production related cost)	-
10.	Less : Scrap value realized	(1,500)
11.	Cost of production of 1,000 units	63,400
12.	Cost of production for 800 units = 63,400 x 800 units/1,000 units	50,720
Add: Amortised cost of moulds and tools received free of cost from unit 'B' for being used only in the manufacture of goods to be consumed by unit 'B'		600
Cost of production of 800 units of product 'X' used for captive consumption		51,320
Value of 800 units stock-transferred [₹ 51,320 x 110%]		56,452

Q.16 During Jan, 20XX, Maharashtra Government run following two lottery schemes-

- 1) Maha lottery (face value: ₹ 200 price as notified in the official Gazette: ₹ 180)
- 2) Jackpot (face value: ₹ 500, price as notified in the official Gazette ₹ 470) (authorised by Maharashtra Government)

Maha lottery can be sold only in Maharashtra whereas Jackpot can be sold in other States also.

On Jan, 20XX, 5,000 tickets of Maha lottery sold, and 2,000 tickets of Jackpot lottery sold. Determine the amount of GST in this transaction.

Answer: Legal Provision:

- ⦿ As per Rule 31A of CGST rules, Value of Supply of lottery shall be **higher** of the following:

- 100/140 of the face value of ticket or
- 100/140 of the price as notified in the Official Gazette by the organising State

Nature of Supply	Particulars	IGST @ 40% (₹)	CGST @ 20% (₹)	SGST @ 20% (₹)
Intra State supply (Maha lottery)	7,14,286 (₹ 200 x 5,000 tickets) x 100/140	-	1,42,857	1,42,857
Inter State supply (Jackpot)	7,14,286 (₹ 500 x 2,000 tickets) x 100/140	2,85,714	-	-

Q.17 Mr. Gadbad has placed a bet of ₹ 10,000 for online gaming & also bought a chip of ₹ 10,000 in casino. He paid the respective amounts in both. He wins ₹ 3,000 under both respectively. The applicable rate of GST is 40%.

Answer the following questions:-

- i) Compute the GST payable in each case.
- ii) What shall be the treatment of winnings of ₹ 3,000 in both cases.
- iii) What will be your answer, if he loses ₹ 10,000 in casino and places another ₹ 10,000 in casino?

Answer:-Legal Provision:-

- ⦿ **Online Gaming (Rule 31B):** The value is the total money (or equivalent) paid or due by the player to the supplier, including virtual assets.
- ⦿ **Casino Gaming (Rule 31C):** The value is the total amount paid by the player for purchasing chips.
- ⦿ **Note:** Any winnings that are immediately reused for further play (without withdrawal) are not counted as payment.

Discussion & Conclusion:-

i) Case Details: Mr. Gadbad paid ₹10,000 for an online gaming bet and another ₹10,000 for a casino chip. Thus, under the rules:

- The supply value is ₹10,000 for each.
- The GST payable is 40% of ₹10,000, which is ₹4,000 for each.

ii) Redeployed Winnings: When his total stake becomes ₹13,000 in the next bet or chip, the extra ₹3,000 (which comes from his winnings) is not subject to GST.

iii) Fresh Chip Scenario: If Mr. Gadbad loses a ₹10,000 bet in the casino and then places another ₹10,000 bet, that new bet is treated as a fresh chip. Its value is again ₹10,000, and the GST payable is ₹ 4,000 (40% of ₹10,000).



Q.18 VOS Fortune 365 is an online money gaming platform operating from UAE. It provides its users a platform to play and win money in different games that are available on its portal.

In the month of December, Player A, an unregistered person located in India, deposited an amount of ₹ 10,000 (inclusive of GST) in the master wallet available on the portal of Fortune 365. Subsequently, following transactions were undertaken by Player A in said month:

- (i) Player A utilized the amount of ₹ 2,000 from the master wallet towards playing a virtual racing game on the portal. As a winning amount, ₹ 12,000 was credited to the master wallet of Player A.
- (ii) On another portal operated by Fortune 365 in the name of Bet 180, Player A placed a bet of face value of ₹ 11,000 on an international wrestling match. The amount of such bet was paid by the master wallet of Player A. However, he lost the bet and hence the bet amount of ₹ 11,000 with applicable taxes was transferred from the master wallet to the bank account of Bet 180.
- (iii) Player A transferred the balance amount from the master wallet to his bank account after the aforesaid transactions. Assume all the above transactions to be exclusive of GST unless otherwise specified.
- (iv) Rate of GST applicable is 40% (Please ignore the bifurcation of GST amount into CGST, SGST and IGST).

Based on the information provided above, answer the following questions, providing brief reasons :

1) Compute the total GST payable on the aforesaid given transactions.

2) Determine the net amount transferred by Player A to his bank account after the aforesaid transactions.

[CA Final RTP May 24]

Answer:- Legal Provision :-

- ⦿ As per **Rule 31B of CGST Rules 2017**, the value of supply of online gaming, including supply of actionable claims involved in online money gaming, shall be the **total amount paid or payable to or deposited** with the supplier by way of money or money's worth, including virtual digital assets, by or on behalf of the player.
- ⦿ As per **Rule 31A**, the value of supply of actionable claim in the form of chance to win in betting shall be **100% of the face value** of the bet or the amount paid into the totalisator.

Discussion & Conclusion :

<p>1) Total GST payable on given transactions is as follows :</p> <ul style="list-style-type: none"> ⦿ Value of supply of online money gaming: Total amount deposited with the supplier by the player as per rule 31B = Initial deposit of ₹10,000 (inclusive of GST) by Player A with Fortune 365 after excluding GST = ₹7,142.86 i.e. (₹ 10,000 × 100/140) GST payable = ₹ 7,142.86 × 40% = ₹ 2,857 [A] ⦿ Value of supply of online bet: 100% of the face value of the bet in terms of rule 31A = ₹ 11,000 GST payable = ₹ 11,000 × 40% = ₹ 4,400 [B] Total amount of GST that would be collected by the Government on the given transactions = [A] + [B] = ₹ 7,257 (rounded off) 	<p>2) Thus, Total amount transferred by Player A to his bank account from the master wallet is as follows:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left; padding: 5px;">Particulars</th><th style="text-align: right; padding: 5px;">Amount (₹)</th></tr> </thead> <tbody> <tr> <td style="padding: 5px;">Initial Deposit</td><td style="text-align: right; padding: 5px;">10,000</td></tr> <tr> <td style="padding: 5px;">Less: GST on deposit</td><td style="text-align: right; padding: 5px;">2,857</td></tr> <tr> <td style="padding: 5px;">Less: Payment for virtual racing game</td><td style="text-align: right; padding: 5px;">2,000</td></tr> <tr> <td style="padding: 5px;">Add: Winning from virtual racing game</td><td style="text-align: right; padding: 5px;">12,000</td></tr> <tr> <td style="padding: 5px;">Less: Payment for bet placed on Bet 180</td><td style="text-align: right; padding: 5px;">11,000</td></tr> <tr> <td style="padding: 5px;">Less: GST on the bet place on Bet 180</td><td style="text-align: right; padding: 5px;">4,400</td></tr> <tr> <td style="padding: 5px;">Net balance available for transfer</td><td style="text-align: right; padding: 5px;">1,743</td></tr> </tbody> </table>	Particulars	Amount (₹)	Initial Deposit	10,000	Less: GST on deposit	2,857	Less: Payment for virtual racing game	2,000	Add: Winning from virtual racing game	12,000	Less: Payment for bet placed on Bet 180	11,000	Less: GST on the bet place on Bet 180	4,400	Net balance available for transfer	1,743
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Q.2 A registered supplier of taxable goods supplied goods valued at ₹ 2,36,000 (inclusive of CGST ₹ 18,000 and SGST ₹ 18,000) to Mohan Ltd. under forward charge on 15th August for which tax invoice was also issued on the same date. The inputs were received by Mohan Ltd. on 15th August. Mohan Ltd. availed credit of ₹ 36,000 on 20th September by filing Form GSTR-3B for August month. However, Mohan Ltd. did not make any payment towards such supply along with tax thereon to the supplier. Is Mohan Ltd. eligible to avail ITC on such supply? Discuss ITC provisions if Mohan Ltd. makes the payment of ₹ 2,36,000 to the supplier on 18th March of next calendar year. [Study Mat]

Answer: Legal Provision:

- ⦿ As per Section 16 of the CGST Act, a registered person can avail ITC on tax paid for inputs based on a valid invoice, subject to conditions.
- ⦿ **Proviso to Section 16(2) read with Rule 37** requires the recipient to pay the invoice amount along with tax within 180 days; failing which, the availed ITC is **added to output tax liability with 18% interest**.
- ⦿ If only partial payment is made, **ITC is available proportionately**, and full tax cannot be adjusted against part payment.

Conclusion:

- ⦿ **Mohan Ltd. must reverse ₹ 36,000 ITC** with interest if payment is not made within 180 days.
- ⦿ **If payment of ₹ 2,36,000 is made after 180 days**, ITC of ₹ 36,000 can be reclaimed in **GSTR-3B for March**.

Quick Review Points:- Payment to supplier to be made within 180 days. If not, then ITC to be reversed and it can be reclaimed once the payment is done

Q.4 Aakarsha Traders, a registered supplier under GST in Uttar Pradesh, had their GST registration cancelled retrospectively with effect from 1st September of current financial year. The cancellation order was passed on 15th September of current financial year. At the time of cancellation, the supplier had not availed ITC on certain eligible invoices issued in February and March of the preceding financial year for inward supplies of taxable goods on which ITC is otherwise available under GST law.

Subsequently, on filing an application for revocation, the cancellation of registration was revoked by the Proper Officer on 15th December of current financial year.

The firm wishes to file its GSTR-3B return for the month of September on 21st December of current financial year and wishes to claim ITC on the said invoices of February and March of preceding financial year in this return.

You are required to advise Aakarsha Traders whether it is entitled to claim input tax credit (ITC) in respect of invoices issued in February and March of the preceding financial year in terms of provisions of the GST law assuming that annual return for previous year is furnished on 31st December of the current financial year.

[CA Final RTP Sep 25]

Answer:- Legal Provision: As per section 16(6), If the registration of a registered person is cancelled u/s 29, and subsequently cancellation is revoked by any order u/s 30, and availment of ITC was not restricted u/s 16(4) on the date of cancellation, then such person is **entitled to take ITC** on such invoice or debit note in a return u/s 39:

- (i) filed up to 30th November following the financial year to which such invoice or debit note pertains, or date of furnishing annual return, whichever is earlier or

(ii) for the period from the date of cancellation of registration or the effective date of cancellation of registration, as the case may be, till the date of order of revocation of cancellation of registration, where such return is filed within 30 days from the date of order of revocation of cancellation of registration

whichever is later.

Discussion & Conclusion:

⦿ In the given case, Aakarsha Traders is entitled to claim ITC in respect of invoices issued in February and March of the preceding financial year in a return u/s 39:

➤ filed up to 30th November of current financial year or

➤ (return filed for the period from effective date of cancellation of registration till the date of order of revocation of cancellation of registration, within 30 days of revocation of cancellation i.e., up to 14th January.

whichever is later.

⦿ Thus, Aakarsha Traders is **entitled** to claim input tax credit (ITC) in respect of invoices issued in February and March of the preceding financial year in the return for the month of September furnished on 21st December of current financial year.

Q.7 Mr. Divas, a registered person in Agra, Uttar Pradesh purchased a car for ₹ 12,50,000 on 15th October. On 31st October, the car met with an accident resulting in minor damage.

Due to urgency, he got his car repaired in the local garage of a nearby market instead of garage authorized by his general insurance company, i.e. Suraksha Insurance Company, through which his car was insured.

The total cost of repairs was ₹ 54,000 (excluding GST @ 18%). On the instructions of Mr. Divas, the invoice for the entire amount was raised by garage in the name of Suraksha Insurance Company. The insurance company approved the claim amount of only ₹ 40,000 after the survey and reimbursed the same amount along with GST @ 18% to Mr. Divas. In light of the above facts, you are required to answer the following questions :

1. Whether Suraksha Insurance Company is eligible to avail ITC on the basis of the invoice raised by garage? If yes, what would the amount of eligible input tax credit?
2. Would your answer be different, if garage had issued two different invoices, one for ₹ 40,000 + GST @ 18% to Suraksha Insurance Company and another for ₹ 14000 + GST @ 18% to Mr. Divas?
3. In case, the garage issued the invoice in the name of Mr. Divas, would Suraksha Insurance Company be eligible to avail ITC? [CA Final RTP May 25]

Answer :

1.
 - ⦿ **Section 17(5)** provides that ITC of services of repair of motor vehicles shall be available where received by a taxable person engaged in the supply of general insurance services in respect of motor vehicles insured by him.
 - ⦿ **CBIC has clarified** that in reimbursement mode of claim settlement, the payment is made by the insurance company for the approved cost of repair services through reimbursement to the insured.
 - ⦿ Further, irrespective of the fact that the payment of the repair services to the garage is first made by the insured, which is then reimbursed by the insurance company to the insured to the extent of the approved claim cost, **the liability to pay for the repair service for the approved claim cost lies with the insurance company**, and thus, the insurance company is covered in the definition of recipient in respect of the said supply of services of vehicle repair provided by the garage, to the extent of approved repair liability.
 - ⦿ Moreover, availment of ITC paid on motor vehicle repair services received by the insurance company for outward supply of insurance services for such motor vehicles is **not blocked** u/s 17(5).
 - ⦿ Accordingly, it is **clarified** that ITC is available to insurance companies in respect of motor vehicle repair expenses incurred by them in case of reimbursement mode of claim settlement.
 - ⦿ It is **further clarified** that if the invoice for full amount for repair services is issued to the insurance



	<p>company while the insurance company makes reimbursement to the insured only for the approved claim cost, then the ITC may be available to the insurance company only to the extent of reimbursement of the approved claim cost to the insured, and not on the full invoice value.</p> <ul style="list-style-type: none"> ⦿ In the given case, although the invoice for the full amount of repair services (₹ 54,000 +GST) is raised in the name of Suraksha Insurance Company, it is liable to pay the repair service to the extent of the approved claim cost (₹ 40,000 +GST). Thus, it is covered in the definition of 'recipient' to the extent of approved claim cost. ⦿ Hence, it is eligible to avail the ITC to the extent of the GST paid on the amount of ₹ 40,000 (approved claim cost). Thus, ITC of ₹ 7,200 (₹ 40,000 × 18%) is available to Suraksha Insurance Company.
2.	<ul style="list-style-type: none"> ⦿ The circular further clarifies that in cases where the garage issues two separate invoices in respect of the repair services, one to the insurance company in respect of approved claim cost and second to the customer for the amount of repair service in excess of the approved claim cost, ITC may be available to the insurance company on the said invoice issued to the insurance company subject to reimbursement of said amount by insurance company to the customer. ⦿ Thus, in the given case, if the garage has issued two different invoices, the answer would remain the same because the approved claim of service cost which was reimbursed by Suraksha Insurance Company to Mr. Diwas was ₹ 40,000 only. ⦿ Thus, ITC of ₹ 7,200 (₹ 40,000 × 18%) is available to Suraksha Insurance Company.
3.	<ul style="list-style-type: none"> ⦿ The circular also clarifies that where the invoice for the repair of the vehicle is not in name of the insurance company, condition of section 16(2)(a) & (aa) is not satisfied and accordingly, ITC will not be available to the insurance company in respect of such an invoice. ⦿ Thus, in the given case, if the invoice has been raised in the name of Mr. Diwas, then Suraksha Insurance Company would not be eligible to avail the ITC.

Q.11 Xenon Pvt. Ltd., a registered supplier in Agra is engaged in the manufacture of taxable goods. Goods valued at ₹ 10,50,000 were supplied by the company to Freshbite Pvt. Ltd., a registered supplier located at Firozabad, without the cover of an invoice with a fraudulent intent. Since the company evaded tax by not issuing the invoice for the supply, a show cause notice was issued by the proper officer under section 74 requiring the company to pay tax @ 18% [₹ 1,89,000] and applicable interest and penalty. The company paid the tax, interest and penalty after the order was passed by the proper officer. Examine the ITC entitlement of Freshbite Pvt. Ltd. in respect of tax of ₹ 1,89,000 paid by Xenon Pvt. Ltd. [Study Mat]

Answer:

- ⦿ As per Section 17(5)(i) of the CGST Act, tax paid under Section 74, 129, 130 is not eligible for ITC.
- ⦿ Further, as per Rule 36(3), ITC cannot be claimed on tax paid due to fraud, wilful misstatement, or suppression of facts.
- ⦿ Since Xenon Pvt. Ltd. paid tax under Section 74, Freshbite Pvt. Ltd. cannot claim ITC.

QRP: No ITC on tax paid due to fraud, suppression, under Section 74, 129 & 130.

Q.14 M/s XYZ, a registered supplier, supplies the following goods and services for construction of buildings and complexes -

- ⦿ excavators for required period at a per hour rate
- ⦿ manpower for operation of the excavators at a per day rate
- ⦿ Soil-testing and seismic evaluation at a per sample rate.

The excavators are invariably hired out along with operators. Similarly, excavator operators are supplied only when the excavator is hired out.

M/s XYZ receives the following services:

- ⦿ Annual maintenance services for excavators;



- ⇒ Health insurance for operators of the excavators;
- ⇒ Scientific and technical consultancy for soil testing and seismic evaluation.

For a given month, the receipts (exclusive of GST) of M/s XYZ are as follows:

- ⇒ Hire charges for excavators - ₹ 18,00,000
- ⇒ Service charges for supply of manpower for operation of the excavator - ₹ 20,000
- ⇒ Service charges for soil testing and seismic evaluation at three sites- ₹ 2,50,000

The GST paid during the said month on services received by M/s XYZ is as follows:

- ⇒ Maintenance for excavators - ₹ 50,000
- ⇒ Health insurance for excavator operators - ₹ 11,000
- ⇒ Scientific and technical consultancy for soil testing and seismic evaluation - ₹ 50,000

Compute the net GST payable by M/s XYZ for the given month.

Assume the rates of GST to be as under:

Hiring out of excavators – 5%

Supply of manpower services and soil-testing and seismic evaluation services – 18%

Note: - Opening balance of input tax credit of GST is nil. [\(CA Final MTP Apr 19\) \[Study Mat\]](#)

Answer:- Computation of net GST payable by M/s XYZ:-

Particulars	GST payable (₹)
Gross GST liability [WN-1]	1,36,000
Less: Input tax credit [WN-2]	1,00,000
Net GST liability	36,000

W.N. - 1 : Computation of Gross GST payable by M/s XYZ:-

Particulars	Computation	GST Payable (₹)
i) Hiring charges for excavators	18,00,000 * 5%	90,000
ii) Service charges for supply of manpower for operation of excavators [Note 1]	20,000 * 5%	1,000
iii) Service charges for soil testing and seismic evaluation [Note 2]	2,50,000 * 18%	45,000
Gross GST liability		1,36,000

Notes:-(1)

- ⇒ Since the excavators are invariably hired out along with operators and excavator operators are supplied only when the excavator is hired out, it is a case of composite supply under section 2(30) wherein the principal supply is the hiring out of the excavator.
- ⇒ As per section 8(a), the composite supply is treated as the supply of the principal supply. Therefore, the supply of manpower for operation of the excavators (ancillary supply) will also be taxed at the rate applicable for hiring out of the excavator (principal supply), **which is 5%**.

(2) Soil testing and seismic evaluation services being independent of the hiring out of excavator will be taxed at the rate applicable to them, **which is 18%**.

W. N. - 2 :- Computation of Input tax credit available for set off:-

Particulars	ITC available (₹)
Annual maintenance services for excavators [Refer Note 1]	50,000
Health insurance for excavator operators [Refer Note 2]	-
Scientific and technical consultancy [Refer Note 1]	50,000
Total input tax credit available	1,00,000

Note 1:

- ⇒ As per Section 17(5)(d), ITC is blocked for goods/services used to build immovable property on own account.
- ⇒ In this case, M/s XYZ uses excavators and consultancy services for outward taxable supplies (like machinery hiring and soil testing), not for own construction. So, **ITC is allowed**.



Note 2:

- As per Section 17(5)(b)(i), ITC on health insurance is allowed only if it's used for similar taxable supply or is legally required.
- Since it's not mandatory for the employer to provide health insurance to employees, thus, **ITC is not allowed.**

Q.15 ABC Company Ltd. of Bengaluru is a manufacturer and registered supplier of machine. It has provided the following details for the month of November, 20XX.

Details of GST paid on inward supplies during the month:-

Particulars	GST Paid (₹)
Health insurance of factory employees as required by the Factories Act, 1948	12,000
Raw materials for which invoice has been received and GST has also been paid for full amount but only 50% of material has been received, remaining 50% will be received in next month.	18,000
Work contractor's service used for installation of plant and machinery.	10,000
Purchase of manufacturing machine directly sent to job worker's premises under challan.	40,000
Purchase of car used by director for the business meetings only.	25,000
Outdoor catering service availed for business meetings	8,000

ABC Company Ltd. also provides service of hiring of machines along with man power for operation. As per trade practice machines are always hired out along with operators and also operators are supplied only when machines are hired out.

Receipts on outward supply (exclusive of GST) for the month of November, 20XX are as follows:

Particulars	GST paid (₹)
Hiring receipts for machine	8,25,000
Service charges for supply of man power operators	4,35,000

Assume the rates of GST to be as under:

- (i) Service of hiring of machine 5%
- (ii) Supply of manpower operator service 18%

(Ignore CGST, SGST or IGST for the sake of simplicity)

Compute the amount of input tax credit available and also the net GST payable for the month of November 20XX by giving necessary explanations for treatment of various items.

Note: Opening balance of input tax credit is Nil.[Study Mat]

Answer:- Computation of net GST payable by ABC Company Ltd. :

Particulars	GST payable (₹)
Gross GST liability [Refer working note (2) below]	63,000
Less: Input tax credit [Refer working note (1) below]	62,000
Net GST liability	1,000

Working Notes:

(1) Computation of Input Tax Credit (ITC) available with ABC Company Ltd. in the month of November 20XX:

Particulars	GST (₹)
Health insurance of factory employees [Note – 1]	12,000
Raw material received in factory [Note – 2]	Nil
Works contractor's service used for installation of plant and machinery [Note -3]	10,000
Manufacturing machinery directly sent to job worker's premises under challan [Note -4]	40,000
Purchase of car used by director for business meetings only [Note -5]	Nil



Outdoor catering service availed for business meetings [Note -6]	Nil
Total ITC available	62,000

Notes :

- 1) ITC on health insurance is allowed if it's mandatory under law [**Proviso to Sec 17(5)(b)**]. Since it's required under the Factories Act, 1948, **ITC is allowed**.
- 2) As per **Section 16(2) proviso**, if goods are received in installments, ITC is allowed only after the last installment is received. So, ABC Ltd. **can claim ITC next month** on receiving the second installment.
- 3) As per **Section 17(5)(c)**, ITC on works contract services is blocked for construction of immovable property, except for plant and machinery. In this case, since it's for installing plant and machinery, **ITC is allowed**.
- 4) As per **Section 19(5) & Rule 45**, ITC is allowed on capital goods sent directly to a job worker under a challan.
- 5) As per **Section 17(5)(a)**, ITC on motor vehicles is allowed only for specific uses like resale, passenger transport, training, or goods transport. Since ABC Ltd. doesn't use the car for goods transport, **ITC is not allowed**.
- 6) As per **Section 17(5)(b)(i)**, ITC on outdoor catering is blocked unless used for further supply or part of a taxable composite/ mixed supply. Since ABC Ltd. supplies machines, **ITC is not allowed**.

(2) Computation of gross GST liability

	Value received (₹)	Rate of GST	GST payable (₹)
Hiring receipts for machine	8,25,000	5%	41,250
Service charges for supply of manpower operators [Refer note below]	4,35,000	5%	21,750
Gross GST liability			63,000

Note : As per **Sections 2(30) & 2(90)**, hiring machines with operators is a composite supply, with machine hire as the principal supply. So, operator service is also taxed **at 5% under Section 8(a)**.

Q.21 Vansh Shoppe is a retail supplier of both taxable and exempted goods, registered under GST in the State of Rajasthan. Vansh Shoppe has furnished the following details for a month:

Sr. No.	Particulars	Amount paid CGST (₹)
1.	Details of sales:	
	Supply of taxable goods	50,00,000
	Supply of goods not leviable to GST	10,00,000
2.	Details of goods purchased for being sold in the shop:	
	Taxable goods	45,00,000
	Goods not leviable to GST	4,00,000
3.	Details of expenses:	
	Monthly rent payable for the shop	3,50,000
	Telephone expenses paid (₹ 30,000 for land line phone installed at the shop and ₹ 20,000 towards mobile phone bills of the employees – Mobile phones are given to employees for official use)	50,000
	Audit fees paid to a Chartered Accountant (₹ 35,000 for filing of income tax return & the statutory audit of preceding financial year and ₹ 25,000 for filing of GST return)	60,000
	Premium paid on health insurance policies taken for specified employees of the shop as per company policy.	10,000
	Freight paid to goods transport agency (GTA) [service taxable @ 5%] for inward transportation of goods not leviable to GST	50,000
	Freight paid to goods transport agency (GTA))[service taxable @ 5%] for inward transportation of taxable goods	1,50,000
	Goods given as free samples (Not included in Taxable goods value of 45,00,000)	5,000



All the above amounts are exclusive of all kind of taxes, wherever applicable. All the inward and outward supplies made by Vansh Shoppe are from/to registered suppliers within Rajasthan.

Assume, wherever applicable, for purpose of reverse charge payable by Vansh Shoppe, the CGST, SGST and IGST rates as 2.5%, 2.5% and 5% respectively. CGST, SGST and IGST rates to be 9%, 9% and 18% respectively in all other cases. There is no opening balance in the electronic cash ledger or electronic credit ledger. Subject to the information given above, assume that all the other conditions necessary for availing ITC have been fulfilled.

You are required to compute the following:

(1) Input Tax Credit (ITC) credited to Electronic Credit Ledger

(2) Common credit available for apportionment

(3) ITC attributable towards exempt supplies out of common credit

(4) Net GST payable from Electronic Cash Ledger for the month [Study Mat] [CA Final MTP 1 May 25]

Answer:- (1) Computation of ITC credited to Electronic Credit Ledger

ITC of input tax attributable to inputs and input services intended to be used for business purposes is credited to the electronic credit ledger. Input tax attributable to inputs and input services intended to be used exclusively for non-business purposes, for effecting exclusively exempt supplies and on which credit is **blocked under section 17(5)** is not credited to electronic credit ledger [Sections 16 and 17].

In the light of the aforementioned provisions, the ITC credited to electronic credit ledger of Vansh Shoppe is calculated as under:

Particulars	Amount(₹)	CGST @ 9%(₹)	SGST @ 9%(₹)
GST paid on taxable goods	45,00,000	4,05,000	4,05,000
Goods not leviable to GST [Since non- taxable, no GST is paid]	4,00,000	Nil	Nil
GST paid on monthly rent for shop	3,50,000	31,500	31,500
GST paid on telephone expenses	50,000	4,500	4,500
GST paid on audit fees	60,000	5,400	5,400
GST paid on premium of health insurance policies as per company policy [ITC on health insurance service is allowed only if it is obligatory for employers to provide such services to its employees under any law for the time being in force- Proviso to section 17(5)(b)].	10,000	Nil	Nil
Taxable Goods given as free samples [ITC on goods disposed of by way of free samples is blocked under section 17(5)(h)]	5,000	Nil	Nil
Particulars	Amount(₹)	CGST @ 2.5%(₹)	SGST @ 2.5%(₹)
Freight paid to GTA for inward transportation of non-taxable goods under reverse charge [Since definition of exempt supply under section 2(47)specifically includes non taxable supply, the input service of inward transportation of non-taxable goods is being exclusively used for effecting exempt supplies.]	50,000	Nil	Nil
Freight paid to GTA for inward transportation of taxable goods under reverse charge	1,50,000	3,750	3,750
ITC credited to the electronic ledger		4,50,150	4,50,150



2) Computation of common credit available for apportionment

Common Credit = ITC credited to Electronic Credit Ledger – ITC attributable to inputs and input services intended to be used exclusively for effecting taxable supplies [Section 17 read with rule 42].

Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)
ITC credited to Electronic Credit Ledger	4,50,150	4,50,150
Less : ITC on taxable goods	4,05,000	4,05,000
Less : ITC on freight paid to GTA for inward transportation of taxable goods	3,750	3,750
Common credit	41,400	41,400

(3) Computation of ITC attributable towards exempt supplies out of common credit

ITC attributable towards exempt supplies = Common credit x (Aggregate value of exempt supplies during the tax period/ Total turnover during the tax period)[Section 17 read with rule 42].

Particulars	CGST(₹)	SGST(₹)
ITC attributable towards exempt supplies [₹41,400 x (₹10,00,000/₹60,00,000)]	6,900	6,900

(4) Computation of net GST liability for the month of April, 20XX

Particulars	CGST(₹)	SGST(₹)
GST liability under forward charge		
Supply of taxable goods [₹50,00,000 x 9%]	4,50,000	4,50,000
Less: ITC available in electronic ledger :- ITC credited to the electronic credit ledger ₹ 4,50,150 (CGST & SGST each) Less: Reversal of ITC ₹ 6,900 (CGST & SGST each)	4,43,250	4,43,250
Net GST payable [A]	6,750	6,750
GST liability under reverse charge		
Freight paid to GTA for inward transportation of taxable goods [₹1,50,000 x 2.5%]	3,750	3,750
Freight paid to GTA for inward transportation of non-taxable goods [₹ 50,000 x 2.5%]	1,250	1,250
Total tax liability under reverse charge [B]	5,000	5,000
Net GST liability [A] + [B]	11,750	11,750

Note: Amount available in the electronic credit ledger may be used for making payment towards output tax [Section 49]. However, tax payable under reverse charge is not an output tax in terms of definition of output tax provided under section 2(82). Therefore, tax payable under reverse charge cannot be set off against the input tax credit and thus, will have to be paid in cash.

Q.23 Mr. Rajesh Surana has a proprietorship firm in the name of Surana & Sons in Jaipur. The firm, registered under GST in the State of Rajasthan, manufactures three taxable products 'M', 'N' and 'O'. Tax on 'N' is payable under reverse charge. The firm also provides taxable consultancy services.

The firm has provided the following details for a tax period:

Particulars	(₹)
Turnover of 'M' (excluding export sales)	14,00,000
Turnover of 'N'	6,00,000
Turnover of 'O' (excluding export sales)	10,00,000
Export of 'M' with payment of IGST (not eligible to avail benefit of merchant exports under Notification No. 41/2017)	2,50,000
Export of 'O' under letter of undertaking	10,00,000



Consultancy services provided to unrelated clients located in foreign countries. In all cases, the consideration has been received in convertible foreign exchange	20,00,000
Sale of building (excluding stamp duty of ₹ 2.50 lakh, being 2% of value) [Entire consideration is received post issuance of completion certificate, building was occupied thereafter]	1,20,00,000
Interest received on investment in fixed deposits with a Bank	4,00,000
Sale of shares (Purchase price ₹ 2,40,00,000/-)	2,50,00,000
Legal services received from an advocate in relation to product 'M'	3,50,000
Common inputs and input services used for supply of goods and services mentioned above [Inputs - ₹ 10,00,000, Input services - ₹ 5,00,000]	15,00,000

With the help of the above-mentioned information, compute the net GST liability of Surana & Sons, payable from Electronic Credit Ledger and/or Electronic Cash Ledger, as the case may be, for the tax period.

Note: Assume that rate of GST on goods and services are 5% and 18% respectively (Ignore CGST, SGST or IGST for the sake of simplicity). Subject to the information given above, assume that all the other conditions necessary for availing ITC have been fulfilled. Turnover of Surana & Sons was ₹ 85,00,000 in the preceding financial year. [Study Mat] [CA Final MTP 2 May 25]

Answer: Computation of net GST liability of Surana & Sons for the tax period:

Particulars	Amount (₹)
GST payable on outward supply [Note 1]	1,32,500
Less: Input tax credit (ITC) [Note 2]	1,06,660
GST payable from Electronic Cash Ledger	[A] 25,840
Add: GST payable on legal services under reverse charge [₹ 3,50,000 X 18%] [Note 3]	[B] 63,000
Total GST paid from Electronic Cash Ledger [Note 4]	[A] + [B] 88,840

Notes: 1) Computation of GST payable on outward supply:

Particulars	Value(₹)	GST(₹)
Turnover of 'M' [liable to GST @ 5%]	14,00,000	70,000
Turnover of 'N' [Tax on 'N' is payable under reverse charge by the recipient of such goods]	6,00,000	Nil
Turnover of 'O' [liable to GST @ 5%]	10,00,000	50,000
Export of 'M' with payment of IGST @ 5%	2,50,000	12,500
Export of 'O' under letter of undertaking (LUT) [As per Sec 16 of the IGST Act 2017, Export of goods is a zero-rated supply & zero-rated supply can be supplied without payment of tax under LUT]	10,00,000	Nil
Consultancy services provided to clients located in foreign countries.	20,00,000	Nil
1) As per section 2(6) of the IGST Act 2017, The activity is treated as an export of service if:		
⦿ the supplier of service is located in India		
⦿ the recipient of service is located outside India		
⦿ place of supply of service is outside India		
⦿ payment for the service has been received in convertible foreign exchange or in Indian rupees wherever permitted by the Reserve Bank of India and		
⦿ supplier of service and recipient of service are not merely establishments of distinct person.		
2) As per Sec 16 of the IGST Act 2017, Export of goods is a zero-rated supply & it can be supplied without payment of tax.		
3) It is assumed that export has been made under LUT.		



Sale of building [As per Para 5 of Schedule III to the CGST Act , Sale of building is neither a supply of goods nor supply of services, provided the entire consideration has been received after issue of completion certificate by the competent authority or after its occupation, whichever is earlier. Hence, the same is not liable to GST]	1,20,00,000	Nil
Interest received on investment in fixed deposits with a bank [Exempts vide Notification]	4,00,000	Nil
Sale of shares [Sale of shares is neither a supply of goods nor a supply of services and hence, is not liable to any tax.]	2,50,00,000	Nil
Total GST payable on outward supply		1,32,500

2) Computation of ITC available in the Electronic Credit Ledger of the Surana & Sons:

Particulars	Amount (₹)
Common credit on inputs and input services [Refer Working Note]	1,40,000
Legal services used in the manufacture of taxable product 'M' [₹ 3,50,000*9%]	63,000
ITC available in the Electronic Credit Ledger	2,03,000
Less: Common credit attributable to exempt supplies during the tax period [Refer Working Note]	96,340
Net ITC available	1,06,660

Working Note:

Computation of common credit attributable to exempt supplies during the tax period:

Particulars	Amount (₹)
Common credit on inputs and input services [Tax on inputs + Tax on input services] = [₹ 50,000 (₹ 10,00,000 x 5%)] + [₹ 90,000 (₹ 5,00,000 x 18%)]	1,40,000
Common credit attributable to exempt supplies (rounded off) = Common credit on inputs and input services x (Exempt turnover/ Total turnover) = ₹ 1,40,000 x ₹ 1,33,50,000/₹ 1,94,00,000	96,340
➲ As per section 17(3) , value of exempt supply includes supplies on which the recipient is liable to pay tax on RCM, transactions in securities, sale of land and, subject to para 5(b) of Schedule II, sale of building.	
➲ As per explanation to the CGST Rules , the value of exempt supply in case of land and building is the value adopted for paying stamp duty and for security is 1% of the sale value of such security	
➲ As per explanation to rule 42 , the aggregate value of exempt supplies excludes the value of services by way of accepting deposits, extending loans or advances in so far as the consideration is represented by way of interest or discount, except in case of a banking company or a financial institution including a non-banking financial company, engaged in supplying services by way of accepting deposits, extending loans or advances.	
➲ Thus, Value of Exempt Supply: = 6,00,000 (RCM) + 1,25,00,000 [2,50,000/2*100 (Sale of Building)] + 2,50,000 [1% of 2,50,00,000 (Sale of shares)] = 1,33,50,000	
➲ Total Turnover: = ₹ 14,00,000 + ₹ 6,00,000 + ₹ 10,00,000 + ₹ 2,50,000 + ₹ 10,00,000 + ₹ 20,00,000 + ₹ 1,25,00,000 + ₹ 4,00,000 + ₹ 2,50,000 = ₹ 1,94,00,000	



3) As per section 9(3) of CGST Act, 2017, if **legal services** are provided by an **individual advocate including a senior advocate** to any **business entity** located in the taxable territory, then the GST is payable on **reverse charge basis** by recipient. Further, such services are **not eligible for exemption** provided as the turnover of the business entity (Surana & Sons) in the PFY exceeds ₹ 20 lakh.

4) As per section 49(4) amount available in the electronic credit ledger may be used for making payment towards output tax. However, tax payable under reverse charge is **not an output tax. Therefore**, input tax credit cannot be used to pay tax payable under reverse charge and thus, tax payable under reverse charge will have to be paid in cash.

Q.28 Quanto Enterprises is not required to register under CGST Act. However, it applied for voluntary registration on 17th September. Registration certificate has been granted to the firm on 25th September. The CGST and SGST liability of the firm for the month of September is ₹ 24,000 each. The firm is not engaged in making inter-State outward taxable supplies.

Quanto Enterprises provides the following information regarding capital goods and inputs held in stock by it as on 24th September:

Particulars	Amount (₹)
Inputs procured on 2nd September lying in stock	
CGST @ 9%	4,500
SGST @ 9%	4,500
Input received on 21st July contained in semi-finished goods held in stock	
CGST @ 9%	7,500
SGST @ 9%	7,500
Value of inputs contained in finished goods held in Stock: ₹ 2,00,000 [Such inputs were procured on 19th September last year. Invoice for the goods was also issued on the same day]	
IGST @ 18%	36,000
Inputs valued at ₹ 50,000 procured on 13th September lying in stock:	
IGST @ 18%	9,000
Capital goods procured on 12th September	
CGST @ 9%	12,000
SGST @ 9%	12,000

You are required to compute the net GST payable from Electronic Cash Ledger by Quanto Enterprises for the month of September assuming that conditions for availing ITC are fulfilled subject to the information given above. You are also required to mention reasons for treatment of all above items. [Study Mat]

Answer: Computation of net GST payable from Electronic Cash Ledger by Quanto Enterprises for the month of September:

Particulars	CGST (₹)	SGST (₹)
Sale of taxable goods	24,000	24,000
Less: ITC (Notes)		
IGST: ₹ 9,000	(9,000)	-
CGST: ₹ 12,000	(12,000)	x
SGST: ₹ 12,000	x	(12,000)
Net GST payable (from electronic cash ledger)	3,000	12,000

Note:-

- A person who takes voluntary registration is entitled to take credit of input tax in respect of
 - inputs held in stock and
 - inputs contained in semi-finished/ finished goods held in stock



on the day **immediately preceding the date** of grant of registration. [Sec 18(1)(b)]

- ⦿ However, he **cannot take ITC** in respect of capital goods held on the day immediately preceding the date of grant of registration.
- ⦿ Further, ITC on inputs/ capital goods needs to be availed within 1 year from the date of issue of the invoice by the supplier, [Sec 18(2)]
- ⦿ In this case, since Quanto Enterprises has been granted voluntary registration on 25th September, it will be entitled to ITC on inputs held in stock and inputs contained in semi-finished/ finished goods held in stock, on 24th September. In view of the said provisions, eligible ITC for Quanto Enterprises is computed as follows:

Q.29 **Vijay Pvt. Ltd. of Chennai, Tamil Nadu, exclusively manufactures and sells product 'V2Z' which is exempt from GST vide notifications with certain taxable supplies. The company sells product 'V2Z' only within Tamil Nadu and it is registered under GST under regular scheme. Further, all the inward supplies of the company are taxable under forward charge. The company expects the sales to grow in the current year. Owing to the growing demand for the product, the company decided to increase its production capacity and purchased additional machinery exclusively used for manufacturing 'V2Z' on 1st August, 20XX. The purchase price of such machinery was ₹ 45 lakh (exclusive of GST@ 18%).**

However, with effect from 1st December, 20XX, exemption available on 'V2Z' was withdrawn by the Central Government and GST @ 5 % was imposed thereon. Can Vijay Pvt. Ltd take input tax credit on additional machinery purchased exclusively for manufacturing 'V2Z'? If yes, then when and how much credit can be availed? Advice Vijay Pvt. Ltd. on the above issues with reference to the provisions of GST law. Correct provisions of law should form the part of your answer. [CA Final Nov 24 Exam]

Answer:

- ⦿ Where an exempt supply of goods by a registered person becomes a taxable supply, such person shall be entitled to take ITC, in respect of capital goods exclusively used for such exempt supply on the day immediately preceding the date from which such supply becomes taxable i.e. Nov 30, 20XX.
- ⦿ ITC on capital goods can be claimed after reducing the tax paid on such capital goods by **5% per quarter of a year or part thereof** from the date of the invoice.
- ⦿ Thus, Vijay Pvt. Ltd. can take following amount of ITC on additional machinery purchased exclusively for manufacturing "V2Z" by making an electronic declaration in prescribed form specifying the details of capital goods on the day immediately preceding the date from which such supply becomes taxable within 30 days of becoming eligible to avail ITC:

$$= (\text{₹ 45 lakh} \times 18\%) - (\text{₹ 45 lakh} \times 18\% \times 5\% \times 2 \text{ Quarters})$$

$$= \text{₹ 8,10,000} - \text{₹ 81,000}$$

$$= \text{₹ 7,29,000}$$



Q.34 Smith Inc., a company located in USA, charges subscription fee from its unregistered customers in India at its online money gaming portal. The Department contends that GST should be charged on the subscription fees which Smith Inc. receives from Indian customers.

Smith Inc. opposes the above view stating that since online money gaming are intangible goods and do not cross customs frontiers physically in this case, GST is not leviable thereon.

Considering the above facts, you are required to answer the following questions:

(i) What would be the place of supply in this case?

(ii) Whether GST is leviable on the subscription fee charged by Smith Inc. from unregistered customers? If yes, who is required to pay said GST? [CA Final RTP May 25]

Answer:

(i)	<p>Legal Provision: As per section 11 of IGST Act, Place of Supply of goods:-</p> <p>a) imported into India shall be the location of importer, b) exported from India shall be the location outside India.</p>
(ii)	<p>Discussion & Conclusion:</p> <ul style="list-style-type: none"> ⇒ In the given case, Online money gaming being specified actionable claim is covered in goods, as per 2(52) read with section 2(102A) ⇒ Thus, the POS would be location of the recipient of specified actionable claim of online money gaming, i.e., India. <p>The contention of department is correct.</p> <ul style="list-style-type: none"> ⇒ As per proviso to section 5(1) of the IGST Act, 2017, IGST on goods imported into India is levied and collected as per section 3 of the Customs Tariff Act, 1975 on the determined value at the point when duties of customs are levied on the said goods u/s 12 of the Customs Act, 1962. ⇒ However, in case of intangible goods, it is not possible to levy and collect IGST on imports in said manner, as the goods do not cross the customs frontiers physically. ⇒ Resultantly, the Government has notified certain goods for whom proviso to section 5(1) of the IGST Act, 2017 will not be applicable for levy and collection of IGST, in such cases, IGST shall be levied and collected in the manner specified in section 5(1) only. Supply of online money gaming has been notified for the said purpose. ⇒ So, import of specified actionable claims of online money gaming will be taxed under IGST as import of goods. ⇒ As per section 14A of the IGST Act, 2017, a supplier of online money gaming, not located in the taxable territory, shall in respect of the supply of online money gaming by him to a person in the taxable territory, be liable to pay IGST on such supply. ⇒ Section 24(xia) makes it mandatory for a every person supplying online money gaming from a place outside India to a person in India to obtain registration irrespective of quantum of aggregate turnover. A supplier of online gaming services is required to take a single registration under a Simplified Registration Scheme. ⇒ However, if the supplier has a representative in India for any purpose, such person (representative in India) shall get registered and pay IGST on behalf of the supplier. ⇒ In case, the overseas supplier neither has a physical presence nor has any representative for any purpose in India, he may appoint a person in India for the purpose of paying IGST and such person shall be liable for payment of such tax. ⇒ Accordingly, in the given case, Smith Inc. is liable to pay IGST on subscription fees that it charges from Indian customers, it is required to pay the IGST in the manner specified above.

Q.34.1 Determine the 'place of supply' along with explaining the correct provision of law for the following independent cases:

(i) Mr. Prakash Kumar (unregistered person under GST law) is a resident of Surat, Gujarat. He places an order on 'E-SHOPPE' (an e-commerce platform) for supply of laptop, which is to be delivered to his sister Ms. Ridhima at Mumbai, Maharashtra. Mr. Prakash, while placing the order on the above e-commerce platform, provides the billing address of his residence located in Surat, Gujarat,

(ii) Ms. Ritu is proprietor of 'G n F Center', situated at Lucknow and registered under GST law in Uttar Pradesh. Her client Ms. Neha (unregistered person under GST law) located at Delhi, requests her to provide personal grooming & fitness services at her home at Delhi. Ms. Ritu provides her grooming & fitness services at client's home at Delhi.

(iii) Decor n Décor, an interior decorator firm located at Dehradun, Uttarakhand, enters into a contract with Mr. Diego of Italy to provide interior decoration services in respect two immovable properties of Mr. Diego, one located at Dehradun, Uttarakhand and another located at Italy.

(iv) SQR Mills Private Limited of Kolkata, registered under GST law in West Bengal, gives a contract to LQR Private Limited of Varanasi, registered under GST law in Uttar Pradesh to supply a machine which is required to be assembled at a printing plant of SQR Mills Private Limited located at Bhopal, Madhya Pradesh. [CA Final May 25 Exam]

Answer:-

(i)	<ul style="list-style-type: none">⇒ In cases involving supply of goods to an unregistered person, where the billing address and delivery address are different, the delivery address shall be the place of supply. [Sec 10(1)(ca)]⇒ Thus, place of supply is Mumbai, Maharashtra.
(ii)	<ul style="list-style-type: none">⇒ The place of supply of personal grooming and fitness services is the location where the services are actually performed. [Sec 12(4)]⇒ Thus, place of supply is Delhi.
(iii)	<ul style="list-style-type: none">⇒ Where any services directly in relation to an immovable property are supplied at more than one location, including a location in the taxable territory, its place of supply shall be the location in the taxable territory. [Sec 13(4) read with Sec 13(6)]⇒ Thus, place of supply is Dehradun, Uttarakhand in respect of interior decoration services provided in relation to the immovable properties located in Dehradun and Italy.
(iv)	<ul style="list-style-type: none">⇒ Where the goods are assembled at site, place of supply shall be the place of such assembly. [Sec 10(1)(d)]⇒ Thus, place of supply is Bhopal, Madhya Pradesh.



Q.8.1: M/s Seagull and Co. filed the GST return under section 39 for the month of December 2024 with a delay of 73 days. Total tax paid in the said return was ₹ 60,000. Out of which ₹ 40,000 was set off from e-credit ledger and the balance ₹ 20,000 was set off from e-cash ledger. E-cash ledger had a balance of ₹ 6,000 since 1st December 2024.

You are required to determine with explanations:

- (i) Interest, if any, payable under section 50(1) of the CGST Act, 2017 in respect of delayed payment of tax by Seagull and Co.
- (ii) Suppose if, all facts remaining the same, except that the said return was filed after the issue of notice under section 74A, determine the interest, if any, payable under section 50(1) of the CGST Act, 2017. [CA Final Sep 25 Exam]

Answer:- Legal Provision:

- ⦿ As per Sec 50 of CGST Act, Interest on tax payable for supplies made during a tax period & declared in the return for the said period furnished **after** the due date shall be levied only on tax paid through electronic cash ledger.
- ⦿ **As per proviso to Sec 50**, interest on tax payable for supplies made during a tax period and declared in the return for the said period furnished after the due date as per sec 39, **except** where such return is furnished after commencement of any proceedings u/s 73/ 74/74A for the said period, shall be **payable on that portion of the tax** which is paid by debiting the E cash ledger (i.e. on Net tax liability).
- ⦿ Further, any amount credited to Electronic Cash Ledger on/before the due date of return and is later used/debited to pay tax while filing return after due date **will not be considered** (i.e. interest not to be paid on that amount) while calculating above interest provided said amount remained in the ledger from the due date until its debit while filing return.

Discussion & Conclusion:

<p>(i) In this case, Interest will be charged on ₹ 14,000 i.e (₹ 60,000 - ₹ 40,000 - ₹ 6,000) $\text{Interest} = ₹ 14,000 * 18\% * 73/365$ $= ₹ 504 (\text{₹ 252 CGST} + \text{₹ 252 SGST})$</p>
<p>(ii) ⦿ In case where return is filed after issue of notice u/d 74A, the interest would be payable on total amount of tax of ₹ 60,000 that is paid from electronic cash ledger as well as from electronic credit ledger. ⦿ However, amount lying in e-cash ledger on or before the due date of filing said return i.e. ₹ 6,000 shall not be considered while calculating such interest (i.e. interest not to be paid on that amount). $\text{Interest} = ₹ 54,000 (\text{₹ 60,000} - \text{₹ 6,000}) * 18\% * 73/365$ $= ₹ 1,944 (\text{₹ 972 CGST and ₹ 972 SGST})$</p>

Q.10 Yash Shoppe, a registered supplier of Jaipur, is engaged in supply of various goods and services exclusively to Government departments, agencies, local authority, and persons notified under section 51.

You are required to briefly explain the provisions relating to tax deduction at source under section 51 and also determine the amount of tax, if any, to be deducted from each of the receivables given below (independent cases) assuming that the payments as per the contract values are made on 31st October. The rates of CGST, SGST and IGST may be assumed to be 9%, 9% and 18% respectively.

- 1) Supply of computer stationery to Public Sector Undertaking (PSU) located & registered in Mumbai. Total contract value is ₹ 2,72,000 (inclusive of GST)

- 2) Supply of air conditioner to GST department located & registered in Delhi. Total contract value is ₹ 2,55,000 (exclusive of GST)
- 3) Supply of generator renting service to Municipal Corporation of Jaipur (not exempt under GST law). Total contract value is ₹ 3,50,000 (inclusive of GST) [Study Mat] [CA Final MTP Mar 23]

Answer: Legal Provision : Section 51 of the CGST Act, Government departments, agencies, local authorities and notified persons must deduct TDS at 2% (1% CGST + 1% SGST/UTGST or 2% IGST) from payments to suppliers of taxable goods or services when the contract value exceeds ₹ 2,50,000 (excluding GST & Cess).

Discussion & Conclusion: Since Yash Shoppe exclusively supplies to such entities, its receivables will be subject to TDS as per Section 51.

S.no	Particulars	Total Contract Value (₹)	Tax to be deducted		
			IGST (₹)	CGST (₹)	SGST (₹)
1)	Supply of computer stationery to PSU in Mumbai (Note 1)	2,30,508 [2,72,000 × 100 / 118]	-	-	-
2)	Supply of air conditioner to GST Department in Delhi (Note 2)	2,55,000	5,100	-	-
3)	Supply of a generator renting service to Municipal Corporation of Jaipur (Note 3)	2,96,610 [3,50,000 × 100 / 118]	-	2,966	2,966
Total			5,100	2,966	2,966

Notes:

- 1) Since the total value of supply under the contract [excluding IGST (being inter-State supply)] **does not exceed ₹ 2,50,000, tax is not required to be deducted.**
- 2) Since the total value of supply under the contract [excluding IGST (being inter-State supply)] **exceeds ₹ 2,50,000, tax is required to be deducted.**
- 3) Since the total value of supply under the contract [excluding CGST & SGST (being intra-State supply)] **exceeds ₹ 2,50,000, tax is required to be deducted.**

Q.11 Aasma Ltd had supplied goods to a local authority for ₹ 7,96,500 (inclusive of GST @ 18%). Determine the amount of tax to be deducted at source. Also determine the interest liability if the amount of tax deducted at source on 15.10.20XX is deposited as on 20.12.20XX.

Answer:

Legal Provision:

- ⦿ As per section 51 of the CGST Act, the Local authority is required to deduct tax @ 1% CGST & 1% SGST from payment made to the supplier of taxable goods or services where the total value of such supply [excluding GST & Cess] under a contract, **exceeds ₹ 2,50,000.**
- ⦿ Such tax has to be paid to the government by the deductor **within 10 days** after the end of the month in which such deduction is made, otherwise **interest shall be levied @ 18% p.a.** as per sec 50(1) for the period for which the tax or any part thereof remains unpaid.

Discussion & Conclusion:

- ⦿ The amount of TDS shall be 1% CGST & 1% SGST of $[7,96,500 * 100/118] = 6,75,000$

$$\text{Thus, TDS} = (6,75,000 * 1\%) + (6,75,000 * 1\%)$$

$$= ₹ 13,500$$

- ⦿ **Computation of Interest on delay in deposit of TDS:**



10

Registration

Q.4 : M/s Usha enterprises made the following supplies within the state of Maharashtra in the financial year 20XX-YY. You are required to determine whether it is required to obtain registration under GST law.

SI.No	Particulars	Amount (₹)
1	Intra-State supply of agricultural produce grown out of cultivation of land by family	18,00,000
2	Intra-State supply of goods which are wholly exempt from GST u/s 11 of CGST Act,2017	7,50,000
3	Intra-State supply of goods chargeable with GST @ 18%	13,50,000

Answer:- Legal provision:-

- ➲ As per **Sec 22** of CGST Act read with **Notification No. 10/2019**, any person who is engaged in exclusive intra-state supply of goods and whose aggregate turnover in the financial year does not exceed ₹ 40 lakh is exempt from registration, subject to some conditions to be fulfilled. (extended threshold)
- ➲ As per **Sec 23(1)** of CGST Act, 2017, following are not liable to obtain registration:
 - a person exclusively supplying goods &/or services **not liable to tax/ wholly exempt** from tax under GST Acts or
 - an agriculturist, to the extent of supply of produce out of cultivation of land.

Discussion & Conclusion:- Computation of Aggregate Turnover of M/s Usha enterprises for the year 20XX-YY

SI.No	Particulars	Amount (₹)
1	Intra-State supply of agricultural produce grown out of cultivation of land by family [Supply of agricultural produce is exempt from GST & exempt supply is specifically included in aggregate turnover u/s 2(6)]	18,00,000
2	Intra-State supply of goods which are wholly exempt from GST u/s 11 of CGST Act [exempt supply is specifically included in aggregate turnover u/s 2(6)]	7,50,000
3	Intra-State supply of goods chargeable with GST @ 18% [taxable supply is specifically included in aggregate turnover u/s 2(6)]	13,50,000
Total Value of supplies		39,00,000

Notes:-

- ➲ M/s Usha Enterprises is **not covered u/s 23** as it is not exclusively engaged in making exempt supply or supply of agricultural produce.
- ➲ Since M/s Usha Enterprises is **exclusively engaged in intra-state supply of goods**, the threshold limit applicable for registration will be ₹ 40 lakh.
- ➲ The aggregate turnover of M/s Usha Enterprises is ₹ 39 lakhs which is not exceeding ₹ 40 lakhs & thus, it is **not liable to register** under GST in F.Y. 20XX-YY.

Q.19: Comment and discuss with explanations the validity of the below statements with reference to provisions related to registration under GST law:

- (i) "There is no need of registration at all if a person is engaged in supply services (intra-State and/or inter-State) only through an E-Commerce Operator (ECO)."
- (ii) "There is no requirement of the physical verification of business premises."
- (iii) "There is no requirement to provide the details of bank account at the time of application of registration." [CA Final Sep 25 Exam]



Answer:-

(i)	<ul style="list-style-type: none"> ⌚ The statement is partially valid/not valid. ⌚ Person who is engaged in supply of services only through ECO who is required to collect TCS under section 52 is required to obtain registration compulsorily. ⌚ Exceptions: <ul style="list-style-type: none"> (i) Such persons having an aggregate turnover not exceeding ₹ 20 lakh (₹ 10 lakh in case of specified Special Category States) in a FY, are exempt from obtaining compulsory registration. (ii) Persons making notified supplies through an ECO.
(ii)	<ul style="list-style-type: none"> ⌚ The statement is partially valid/not valid ⌚ Physical verification of business premises for grant of registration under GST law is not required. ⌚ However, if the proper officer is satisfied that physical verification is necessary after grant of registration, he may get verification of place of business done. ⌚ In case of failure to opt for Aadhaar authentication, where identified on the common portal based on data analysis and risk parameters, or where proper officer deems it necessary, physical verification is required to be conducted before the grant of registration. ⌚ After verification, proper officer shall upload verification report along with other documents, including photographs, in the prescribed form within specified time.
(iii)	<ul style="list-style-type: none"> ⌚ The statement is valid/partially valid. ⌚ After the grant of registration, the registered person is allowed to furnish his bank account details within 30 days from date of grant of registration, or before furnishing the details of outward supplies under section 37 OR GSTR-1/using IFF whichever is earlier. ⌚ However, this relaxation is not available to those granted registration as TDS deductor/TCS collector or suo-motu registration.

11**TAX INVOICE****07: Section 34:- Credit Notes & Debit Notes****Q.12 Answer the following questions:**

- i) **What are the circumstances under which "Credit Notes" needs to be issued by a registered person?**
- ii) **What are the tax implications on issue of a Credit Note?**
- iii) **What is the time limit to declare the details of a credit note issued under GST?**
- iv) **Mention the requirements for claiming a reduction in output tax liability by issuing Credit Note.**

Answer :

i)	<ul style="list-style-type: none"> ⌚ As per section 34(1) of CGST Act, the circumstances under which credit note needs to be issued by a registered person are:- <ul style="list-style-type: none"> a) The taxable value declared in the invoice is more than the actual value of the supply; b) The tax charged in the invoice is more than the actual tax payable for the supply; c) The goods supplied are returned by the recipient; d) The recipient found that the goods or services or both supplied are deficient i.e. the quantity received by the recipient is less than what has been declared in the tax invoice and the customer chooses to retain the same. ⌚ However, The supplier cannot reduce their output tax liability if:
----	--



	(i) a registered recipient has not reversed the ITC related to the credit note or (ii) in other cases, the tax burden has been passed on to another person.
ii)	As per section 34 of CGST Act, 2017, on issue of a Credit Note under GST, there is a reduction in output tax liability (subject to doctrine of unjust enrichment).
iii)	Details of credit note issued by a registered supplier shall be declared:- ⦿ In the return for the month during which such credit note is issued but ⦿ Till the earlier of:- - 30th November following the end of F.Y. in which such supply was made, or - Date of furnishing of the relevant annual return.
iv)	The below requirements must be met for claiming a reduction in output tax liability by issuing Credit Note under section 34 of CGST Act, 2017:- a) If a recipient is registered and he has reversed the ITC related to the credit note. b) In all other cases, burden of tax have not been passed on to any person. c) The details of the credit note are declared within the prescribed timelines . d) The recipient of the supply should accept credit note in his return of inward supply and reduce his claim of input tax credit to the extent of reduction in tax liability.

Q.13.1 ArchiSpace Designs Private Limited (hereinafter referred as ArchiSpace) and Skyview Infra LLP (hereinafter referred as Skyview) entered into an agreement in June to provide architectural services. Skyview paid an advance of ₹ 2,00,000 on 15th May for provision of said services. However, before ArchiSpace could render the architectural services (scheduled to be supplied in June), the contract was cancelled on 25th May due to some legal permission delays.

ArchiSpace had already issued an invoice for the advance in May and had paid the applicable GST on the advance amount. As its tax consultant, you are required to advise whether ArchiSpace is eligible to claim a refund of the GST already paid on the advance or whether it should adjust its tax liability in its GST returns.

[CA Final RTP Jan 26]

Answer :

- ⦿ When GST has been paid by the supplier on advances received for a service to be supplied in the future, the contract for which is subsequently cancelled, and for which the invoice was issued before the supply of service, the supplier is required to issue a credit note u/s 34.
- ⦿ The details of such credit notes must be declared in the GST return for the month in which the credit note is issued but **not later than** 30th November following the end of the financial year in which such supply was made, or the date of furnishing of the relevant annual return, **whichever is earlier**, and the tax liability shall be adjusted in the prescribed manner.
- ⦿ In this situation, there is no need to file a separate refund claim.
- ⦿ However, in cases where the supplier does not have any output liability against which the credit note can be adjusted, he may file a refund claim.
- ⦿ **Therefore**, ArchiSpace must issue a credit note as per section 34.
- ⦿ If there is no output liability available for adjustment, the company may proceed with a refund claim.



ACCOUNTS, RECORDS & E-WAY BILL

Q.13 Mr. X, a registered dealer under GST, wants to transfer certain stock of goods from his factory located in Pune (MH) to the location of buyer Mr. S at Nagpur (MH). For this, he has raised an invoice as under:-

S.No.	Item	Value (Rs)	GST Rate	GST (Rs)	Total (Rs)
1	A	40,000	18%	7,200	47,200
2	B	25,000	Nil (Exempt)	-	25,000
					72,200

Determine whether e-way bill is required to be issued as per Rule 138 of CGST Rules?

Answer :-

Legal Provision:-

- As per Rule 138(1) of CGST Rules, a registered person is mandatorily required to generate e-way bill if he causes movement of goods of consignment value exceeding ₹ 50,000 in relation to supply or **for reason other than supply**.
- The consignment value shall be the value as per section 15 as declared in an invoice **including** CGST, SGST, UTGST, IGST and cess charged, if any, in the document but it **excludes** the value of exempt supply of goods where the invoice is issued in respect of both exempt and taxable supply of goods.

Discussion & Conclusion:-

- In the given case, the consignment value is ₹ 47,200 (i.e., ₹ 40,000 + ₹ 7,200).
- Here, ₹ 25,000 will not be included as it is an exempt supply.
- Thus, e-way bill is **not required to be issued** as the consignment value is not exceeding ₹ 50,000.

JOBWORK

Q.4 Alok Pvt Ltd., a registered manufacturer, sent steel cabinets worth ₹ 50 lakh under a delivery challan to M/s Prem Tools, a registered job worker, for job work on 28th January. The scope of job work included mounting the steel cabinets on a metal frame and sending the mounted panels back to Alok Pvt Ltd. The metal frame is to be supplied by M/s Prem Tools. M/s Prem Tools has agreed to a consideration of ₹ 5 lakh for the entire mounting activity including the supply of metal frame. During the course of mounting activity, metal waste is generated which is sold by M/s. Prem Tools for ₹ 45,000. M/s Prem Tools sent the steel cabinets mounted on the metal frame to Alok Pvt Ltd. on 3rd December in the same financial year.

Assuming GST rate for metal frame as 40%, for metal waste as 5% and standard rate for services as 18%, you are required to compute the GST liability of M/s Prem Tools. Also, give reason(s) for inclusion or exclusion of the value of cabinets in the job charges for the purpose of payment of GST by M/s Prem Tools. [Study Mat] [CA Final MTP April 24]

Answer :-

Legal Provision:-

- As per **para 3 of Schedule II** to CGST Act, any treatment or process applied to another person's goods is a supply of services and is accordingly subject to GST rate applicable for services.
- As per **section 143(5)** of CGST Act, if job worker is registered, then any waste generated during the job work may be supplied by the job worker directly from his place of business on payment of tax.

Discussion & Conclusion:-

- In given case, M/s Prem Tools (job worker) undertakes the process of mounting the steel cabinets of Alok Pvt Ltd. (principal) on metal frames.
- The **mounting activity is classified as service under para 3 of Schedule II** though metal frames are also supplied as a part of the mounting activity & thus, the job charges will be taxed at 18% as applicable for services.
- The value of steel cabinets **will not be included** in value of taxable supply made by M/s Prem Tools as the supply of cabinets does not fall within the scope of supply to be made by M/s Prem Tools as **it is only required to mount** the steel cabinets & not to supply the same.
- Since M/s Prem Tools is registered, the tax leviable on supply of waste generated during the job work will have to be paid by it as per **section 143(5)**. Such supply will be treated as supply of goods and subject to GST rate applicable for metal waste.
- Accordingly, the GST liability of M/s Prem Tools will be computed as under:-**

Q.4.1 M/s VRM Ltd. is a registered job worker in the State of Haryana under GST and providing various job work services related to metal products. On 30th April 20XX, VRM Ltd. received steel cabinets worth ₹ 48 lakh under a delivery challan with e-way bill for the purpose of job work from M/s Vijay Pvt. Ltd., a registered manufacturer in Haryana.

The scope of job work included mounting the steel cabinets on a metal frame and sending back the mounted cabinets to Vijay Pvt. Ltd. The metal frames are to be supplied by M/s VRM Ltd. along with services relating to job work.

VRM Ltd. has agreed to charge total consideration of ₹ 6.50 lakh for the entire mounting job work activity including the value of metal frames. During the course of mounting activity, metal waste is generated out of metal frames, which is sold by M/s VRM Ltd. for ₹ 52,000. VRM Ltd. sent back the steel cabinets mounted on the metal frame to Vijay Pvt. Ltd. on 13th October 20XX under a delivery challan with e-way bill.

You are required to compute taxable value and the GST liability of M/s VRM Ltd. related to this transaction in any tax period.

Assume GST rate for metal frame as 40%, for metal waste as 5% and for services as 18%. Also, give reason(s) for inclusion or exclusion of the value of cabinets in the job charges for the purpose of payment of GST by VRM Ltd. [CA Final May 25 Exam]

Answer :-

Particulars	Amount (₹)	Rate	GST (₹)
Job Charges [Note 1]	6,50,000	18%	1,17,000
Sale of metal waste [Note 2]	52,000	5%	2,600
Total taxable value and GST payable	7,02,000		1,19,600

Notes:

1.	<ul style="list-style-type: none">Since mounting steel cabinets on metal frames by a job worker is treated as a service (even though the metal frames are also supplied as a part of the mounting activity) as per Schedule II to the CGST Act, tax is payable @ 18%.Value of steel cabinets supplied by the principal will be excluded from the job charges since supply of cabinets does not fall within the scope of supply to be made by job worker - M/s VRM Ltd.
2.	Since M/s VRM Ltd. is registered, the tax on the supply of metal waste being goods will be payable by it @ 5%.



06: Rule 89(5):- Refund of ITC in case of Inverted Tax Structure

Q.10 EverYoung Manufacturers LLP, a registered supplier under GST is engaged in manufacturing of ayurvedic cosmetic products within the State of Gujarat. It provides the following information for the month of January, 20XX

Particulars for the month of January 20XX	Rate of CGST	Rate of SGST	Value of supply (excluding GST)
Outward supply of skin care products	2.5 %	2.5 %	50,00,000
Outward supply of skin care products	9%	9%	50,000
Inward supply of Inputs for skin care products	9%	9%	35,00,000
Inward supply of Input services	2.5%	2.5%	5,00,000
Inward supply of capital goods	9%	9%	25,00,000

Other information:

- a) ITC in respect of all types of inward supply as given above was claimed in the relevant GSTR 3B and the same was also reflected in GSTR 2B.
- b) All other conditions for claiming the refund are duly complied with.
- c) No refund was claimed for the month of January 20XX.

You are requested to compute the 'Maximum refund amount' eligible for inverted duty structure. Working notes should form part of your answer [CA Final May 23, Dec 21 Exam Similar]

Answer: Maximum refund amount under rule 89(5) of CGST Rules, 2017 on account of inverted duty structure, is computed as follows:-

Maximum Refund Amount =

$$\left\{ \frac{\text{Turnover of inverted rated supply of Goods & services}}{\text{Adjusted Total Turnover}} \times \text{Net ITC} \right\} - \left\{ \text{Tax payable on such inverted rated supply of goods & Services} \right\} \times \left\{ \frac{\text{Net ITC}}{\text{ITC availed on Inputs & Inputs services}} \right\}$$

Where,

- 1) Turnover of inverted rated supply of goods and services = ₹ 50,00,000
(product having rate less than 9% to be considered)
- 2) Adjusted Total Turnover = ₹ 50,00,000 + ₹ 50,000 = ₹ 50,50,000
- 3) Net ITC: means ITC available only on Inputs ₹ 35,00,000 @ 18% = ₹ 6,30,000
ITC of Input service and Capital Goods not to be considered.
- 4) Tax payable on such inverted rated supply of goods and services = ₹ 2,50,000 [(₹ 50,00,000 × 5%)]
- 5) ITC availed on inputs [(₹ 35,00,000 × 18%)] = ₹ 6,30,000
- 6) ITC availed on input services [(₹ 5,00,000 × 5%)] = ₹ 25,000

Thus, the Maximum refund amount

$$\begin{aligned}
 &= (\text{₹ 50,00,000} \times \text{₹ 6,30,000} / \text{₹ 50,50,000}) - (\text{₹ 2,50,000} \times \text{₹ 6,30,000} / \text{₹ 4,45,000}) \\
 &= ₹ 6,23,762 - ₹ 3,53,933 \\
 &= ₹ 2,69,829 \text{ (Rounded off) (Total under CGST & SGST)} \\
 &= \text{i.e. ₹ 1,34,914.5 each (under CGST & SGST)}
 \end{aligned}$$

Q.13 Explain the provisions relating to grant of provisional refund under GST law?

Answer:-

- ➲ As per **section 54(6)** of CGST Act, in case of any claim for refund on account of zero-rated supply of goods or services or both made by registered persons (other than notified category of registered persons), the proper officer may grant **refund on provisional basis for 90% of the total amount so claimed**, in prescribed manner & conditions
- ➲ Thereafter, he shall issue order for final settlement of the refund claim after due verification of documents furnished by the applicant.
- ➲ **As per rule 91 of CGST Rules, the following are the Conditions, limitations, and safeguards prescribed for provisional refund:-**
 - 1) **No prosecution for any offence for 5 years** :- During any period of 5 years immediately preceding the tax period to which the claim for refund relates, the person claiming refund has not been prosecuted for any offence under the GST Act or under an existing law where the amount of tax evaded exceeds ₹ 250 lakhs.
 - 2) **Grant of provisional refund within 7 days** :- Based on identification and evaluation of risk, PO shall issue a provisional refund order in RFD-04 within 7 days from the date of acknowledgment. However, if the officer records reasons in writing, the refund may not grant on provisional basis and proceed with the order as per Rule 92. Order issued once, does not require revalidation by the officer.
 - 3) **Payment Order** :- The proper officer shall issue a payment order for the amount sanctioned by him and the same shall be electronically credited to any of the bank accounts of the applicant mentioned in his registration particulars and as specified in the application for refund on the basis of consolidated payment advice. The payment order shall be required to be revalidated if the refund has not been disbursed within the same financial year in which it was issued.
 - 4) **Disbursal of Refund** :- The Central Government shall disburse the refund based on the consolidated payment advice issued.



Q.9 Arnav Enterprises, a registered supplier located in Madhya Pradesh, has duly filed its monthly GST returns for the financial year 2024–25. During the scrutiny of its returns for the said financial year in August 2025, the proper officer noticed an inadvertent short payment of CGST and SGST totalling ₹ 4,60,000 in the month of October 2024, on account of a Bonafide error. Before issuance of the show cause notice by the proper officer, Arnav Enterprises paid the tax of ₹ 1,00,000 (₹ 50,000 CGST and ₹ 50,000 SGST) on the basis of its own ascertainment along with applicable interest and with penalty, if any, on 15th September 2025 and informed the proper officer in writing of such payment.

Based on the facts above, answer the following:

1. Ascertain the last date by which show cause notice can be issued by the proper officer for the amount of tax short paid by Arnav Enterprises.
2. Determine the amount of penalty, if any, payable on the payment of tax of ₹ 1,00,000 by Arnav Enterprises on the basis of its own ascertainment along with applicable interest on 15th September 2025.
3. Assuming that the proper officer decides to issue a show cause notice under section 74A on 10th October 2025, determine the maximum amount of tax for which he can issue the show cause notice. Ascertain the last date by which the proper officer should issue order under section 74A assuming that show cause notice is issued by proper officer on said date.
4. In continuation of sub-part (3) above, if proper officer issues a show cause notice under section 74A on 10th October 2025 for the amount of tax so allowed and Arnav Enterprises decides to pay said tax along with applicable interest, on 5th December 2025, you are required to determine penalty, if any, payable by Arnav Enterprises.

In each of the above cases, will your answer be different if the short payment of tax is on account of fraud, other facts remain the same?

Note : Assume that the due date for furnishing annual return has not been extended and limitation period for issuance of order under section 74A has not been extended by the Commissioner. Ignore computation of interest in the above question. [CA Final RTP Sep 25]

Answer :

1)	<ul style="list-style-type: none"> ⇒ The proper officer can issue a show cause notice within 42 months from the due date of furnishing the annual return for the relevant financial year to which short payment relates to [Section 74A(2)]. ⇒ For the financial year 2024–25, the due date for furnishing the annual return is 31st December 2025. Therefore, the last date by which show cause notice can be issued by the proper officer for the amount of tax short paid by Arnav Enterprises is 30th June 2029. ⇒ Further, section 74A stipulates the same limitation period for issuance of show cause notice whether the short payment is on account of fraud or on account of a Bonafide error. ⇒ Thus, the answer will remain same if the short payment of tax is on account of fraud.
2)	<ul style="list-style-type: none"> ⇒ The person chargeable with tax where any tax has been short paid, may, <ul style="list-style-type: none"> ➤ before service of show cause notice, ➤ pay the amount of tax along with interest payable u/s 50 of such tax ➤ on the basis of his own ascertainment of such tax and ➤ inform the proper officer in writing of such payment, and

	<ul style="list-style-type: none"> ➤ the proper officer, on receipt of such information shall not serve any show cause notice in respect of the tax so paid or any penalty payable under the provisions of the CGST Act or the rules made thereunder [Section 74A(8)(i)]. ⦿ Thus, no penalty is payable by Arnav Enterprises in respect of payment of tax of ₹ 1,00,000 before issuance of show cause notice. No show cause notice will be issued by proper officer for tax of ₹ 1,00,000 so paid. ⦿ However, in case where the short payment of tax is on account of fraud, the person chargeable with tax, may <ul style="list-style-type: none"> ➤ before service of show cause notice, ➤ pay the amount of tax along with interest payable u/s 50 and a penalty equivalent to 15% of such tax ➤ on the basis of his own ascertainment of such tax or the tax as ascertained by the proper officer and ➤ inform the proper officer in writing of such payment, and ➤ the proper officer, on receipt of such information, shall not serve any show cause notice, in respect of the tax so paid or any penalty payable under the provisions of the CGST Act or the rules made thereunder. [Section 74A(9)(i)]. ⦿ Thus, a penalty of ₹ 15,000 [₹ 1,00,000 × 15%] is payable by Arnav Enterprises along with payment of tax of ₹ 1,00,000 with applicable interest, before issuance of show cause notice. No show cause notice will be served by the proper officer after payment of tax along with interest and penalty, in respect of the tax so paid.
3)	<ul style="list-style-type: none"> ⦿ Since Arnav Enterprises has paid the tax of ₹ 1,00,000 alongwith interest before issuance of show cause notice, no show cause notice will be issued by the proper officer in respect of the tax so paid [Section 74A(8)(i)]. ⦿ However, where the proper officer is of the opinion that the amount paid under section 74A(8)(i) falls short of the amount actually payable, he shall proceed to issue the show cause notice in respect of such amount which falls short of the amount actually payable [Section 74A(10)]. ⦿ Thus, in the given case, the proper officer will issue the notice for the remaining tax of ₹ 3,60,000 [₹ 4,60,000 - ₹ 1,00,000]. ⦿ In case where the short payment is on account of fraud, answer will be as follows: <ul style="list-style-type: none"> - Since Arnav Enterprises has paid the tax of ₹ 1,00,000 along with applicable interest and penalty before issuance of show cause notice, no show cause notice will be issued by the proper officer in respect of the tax so paid [Section 74A(9)(i)]. - However, where the proper officer is of the opinion that the amount paid under section 74A(9)(I) falls short of the amount actually payable, he shall proceed to issue the show cause notice in respect of such amount which falls short of the amount actually payable [Section 74A(10)]. - Thus, in the given case, the proper officer will issue the notice for the remaining tax of ₹ 3,60,000 [₹ 4,60,000 - ₹ 1,00,000]. ⦿ Further, the proper officer is required to issue the order within 12 months from the date of the issuance of show cause notice, in both fraud and non-fraud cases [Section 74A(7)]. ⦿ Thus, in the given case, the proper officer has to issue the order on or before 10th October 2026, whether the short payment is on account of fraud or on account of a Bona fide error.
4)	<ul style="list-style-type: none"> ⦿ Where the person chargeable with tax, where any tax has been short paid, pays the said tax along with interest payable u/s 50 within 60 days of issue of show cause notice, and on doing so, no penalty shall be payable and all proceedings in respect of the said notice shall be deemed to be concluded [Section 74A(8)(ii)]. ⦿ Thus, in given case, since Arnav Enterprises has paid the tax of ₹ 3,60,000 along with applicable

interest within 60 days of issuance of show cause notice, i.e. on or before 9th December 2025, **no penalty** shall be payable and **all proceedings** in respect of the said notice shall be deemed to be **concluded**.

- ⦿ In case where the short payment is **on account of fraud**, the answer will be as follows:
 - Where the person chargeable with tax, where any tax has been short paid, pays the said tax along with interest payable under section 50 and a **penalty equivalent to 25%** of such tax within 60 days of issue of the notice, and on doing so, all proceedings in respect of the said notice shall be deemed to be concluded [Section 74A(9)(ii)].
 - Thus, in the given case, Arnav Enterprises has to pay penalty of ₹ 90,000 [$\text{₹ } 3,60,000 \times 25\%$]. If Arnav Enterprises has paid the tax of ₹ 3,60,000 along with applicable interest and penalty of ₹ 90,000 [$\text{₹ } 3,60,000 \times 25\%$] on **5th December 2025**, which is within **60 days** of issuance of show cause notice, i.e. on or before 9th December 2025, **all proceedings** in respect of the said notice shall be deemed to be **concluded**.

21

OFFENCES & PENALTIES & ETHICAL ASPECTS UNDER GST

Q.5 Answer the following questions:-

(a) **Nirmal Private Limited, registered in Vasai, Maharashtra, is engaged in supply of taxable goods and services. In the month of April, it sold goods worth ₹ 5,00,000 (excluding GST) to Suraksha Enterprises and collected tax @ 40% on said goods from the buyer. However, the actual rate of tax applicable in the given case was 18%.**

Nirmal Private Limited deposited the tax @ 18% on these goods to the Government on the due date and retained the remaining tax collected. Determine the amount of penalty, if any, that may be imposed on Nirmal Private Limited in the month of October in the given case ignoring interest payable, if any. [CA Final RTP Nov 21]

(b) **Bindusar, Chief Executive Officer of Ashoka Solutions Ltd., is issued a summon to appear before the central tax officer to produce the books of accounts of Ashoka Solutions Ltd. in an inquiry conducted on said company. Determine the amount of penalty, if any, that may be imposed on Bindusar, if he fails to appear before the central tax officer. [CA Final RTP Nov 21] [Study Mat]**

Answer :

(a) **Legal Provision:-**

- ⦿ As per **section 122(1)** of CGST Act, if a taxable person collects any tax in contravention of the provisions of CGST Act, but fails to pay the same to the Government within 3 months from the date on which such payment becomes due, then such person shall be **liable to pay a penalty** which shall be **higher of the following**:-
 - ₹ 10,000 or
 - an amount equivalent to the tax evaded.

Discussion & conclusion:

- ⦿ In the given case, Nirmal Private Limited has collected tax at a wrong rate (i.e. 40%), **but fails to deposit the full tax collected** to the Government i.e. it deposits only tax @ 18% thereby retaining the remaining tax collected.
- ⦿ Thus, the **penalty that can be imposed on Nirmal Private Limited is ₹ 1,10,000** which is **higher of the following**:-
 - a) ₹ 10,000 or
 - b) Tax evaded ₹ 1,10,000 i.e. [$(\text{₹ } 5,00,000 \times 40\%) - (\text{₹ } 5,00,000 \times 18\%)$].



(b) Legal Provision:-

- As per Section 122(3) of CGST Act, 2017, if any person to whom a summon is issued for appearance to give evidence or produce a document in an inquiry **fails to appear** before the officer of central tax, then he shall be liable to a **penalty** which **may extend to ₹ 25,000**.

Discussion & Conclusion:-

- In given case, if Bindusar fails to appear before the central tax officer, then a **penalty upto ₹ 25,000** can be imposed on him.

Q.6 M/s Blue Berry Traders, a registered person under GST, issued a tax invoice on 1st August, 20XX to M/s Blue Lagoon Traders without any underlying supply of goods or services amounting to Input Tax Credit (ITC) involved of ₹ 30 lakh. M/s Blue Berry Traders conducted this transaction at the instance of its tax consultant who was not a qualified professional.

M/s Blue Lagoon Traders avails ITC on the basis of the said tax invoice. The department issued a show cause notice to M/s Blue Lagoon Traders on 1st April, 20XX specifying the amount of tax along with interest payable thereon u/s 50 and applicable penalty. M/s Blue Lagoon Traders paid the amount of tax along with interest payable thereon u/s 50 specified in the show cause notice on 15th April, 20XX and also along with applicable penalty.

Explain the relevant provision in brief and determine the amount of penalty to be paid by M/s Blue Berry Traders, M/s Blue Lagoon Traders and Tax consultant under CGST Act, 2017 in respect of above referred transaction.

Note: Assuming that the tax consultant has retained the benefits. [CA Final May 23, Dec 21 Exam (Similar)]

Answer:- Legal Provision:-

- As per section 122(1) of CGST Act, if a taxable person**
 - a) issues any invoice without supply of goods, or
 - b) takes or utilises ITC without actual receipt of goods, fully or partially, in contravention of the provisions of GST law or rules made thereunder, then such person shall be liable to pay a penalty which shall be higher of the following:-
 - ₹ 10,000 or
 - an amount equivalent to the ITC availed of or passed on
- As per section 122(1A), any person at whose instance above transactions are conducted shall be liable to a penalty of an amount equivalent to ITC availed of or passed on.**
- Further As per Sec 74A(9)(ii) of CGST Act, If any person chargeable with tax due to wrongful availment and utilization of ITC by reason of fraud etc. pays the said tax along with interest payable u/s 50 and a **penalty equivalent to 25%** of such tax **within 60 days of issue of the notice**, all proceedings in respect of the said notice shall be deemed to be concluded.**

Discussion & Conclusion:

- In the given case, M/s Blue Berry Traders issued an invoice without any supply of goods or services. So, it shall be liable to pay a penalty of ₹ 30,00,000 each under CGST & SGST, which is **higher** of the following:-**
 - ₹ 10,000 or
 - ₹ 30,00,000
- Also, M/s Blue Lagoon Traders has to pay penalty of ₹ 7,50,000 (₹ 30 lakh x 25%) each under CGST and SGST.**
- M/s Blue Berry Traders conducted the said transaction at the instance of tax consultant and thus, the tax consultant will be liable to pay a **penalty of ₹ 30 lakh**.**



Q. 1: Does CGST law provide for any appeal to a person aggrieved by any order or decision passed against him by an adjudicating authority under the CGST Act?

Explain the related provisions under the CGST Act. [Study Mat]

Answer :-

- ⦿ Yes, as per **section 107** of CGST Act, 2017, a person aggrieved by any decision/order of an adjudicating authority under the CGST Act can file an appeal to the Appellate Authority (AA) **within 3 months** from the date of communication of such decision/order.
- ⦿ The AA can **condone** the delay in filing of appeal **by 1 month** if it is satisfied that there was a sufficient cause for such delay.
- ⦿ The appeal can be filed only when the **admitted liability and 10% of the disputed amount** of tax arising from the said order, subject to **maximum of ₹ 20 Crore** is paid as pre-deposit by appellant
- ⦿ Further, if the order imposes a penalty without any accompanying tax demand, no appeal shall be filed against such order unless a sum equal to **10% of the penalty** has been paid by the appellant.
- ⦿ **However, no appeal can be filed against the following orders/decisions as per section 121:-**
 - a. an order of the Commissioner or other authority empowered to direct transfer of proceedings from one officer to another officer,
 - b. an order pertaining to the seizure or retention of books of account, register and other documents,
 - c. an order sanctioning prosecution under the CGST Act or
 - d. an order passed under section 80 of CGST Act (payment of tax in instalments).

Q.6: Pursuant to audit conducted by the tax authorities under section 65 of the CGST Act, 2017, a show cause notice for fraud was issued u/s 74A of CGST Act to Home Furnishers, Surat, a registered supplier, alleging that it had wrongly availed the input tax credit without actual receipt of goods for the month of July, 20XX. In the absence of a satisfactory reply from Home Furnishers, Joint Commissioner of Central Tax passed an adjudication order dated 20th August (received by Home Furnishers on 22th August) confirming a tax demand of ₹ 50,00,000 (i.e., CGST ₹ 25,00,000 and SGST ₹ 25,00,000) and imposing a penalty of equal amount under relevant provisions of the CGST Act, 2017.

Home Furnishers does not agree with the order passed by the Joint Commissioner. It decides to file an appeal with the Appellate Authority against the said adjudication order. It has approached you for seeking advice on the following issues in this regard:-

- 1) **Can Home Furnishers file an appeal to Appellate Authority against the adjudication order passed by the Joint Commissioner of Central Tax? If yes, till what date can the appeal be filed?**
- 2) **Does Home Furnishers need to approach both the Central and State Appellate Authorities for exercising its right of appeal?**
- 3) **Home Furnishers is of the view that there is no requirement of paying pre-deposit of any kind before filing an appeal with the Appellate Authority. Give your opinion on the issue. [Study Mat]**

Answer:-

1) **Legal Provision:-**

- ⦿ As per **section 107** of CGST Act, 2017, a person aggrieved by any decision/order of an adjudicating authority under the CGST Act or SGST Act or UTGST Act can file an appeal to the Appellate Authority **within 3 months** from the date of communication of such decision/order.

	<ul style="list-style-type: none"> ⦿ The Appellate Authority can condone the delay in filing of appeal by 1 month if it is satisfied that there was a sufficient cause for such delay. <p>Discussion & Conclusion:-</p> <ul style="list-style-type: none"> ⦿ Yes, Home Furnishers can file an appeal to Appellate Authority against the adjudication order passed by the Joint Commissioner of Central Tax. ⦿ It can file the appeal to Appellate Authority on or before 22nd November i.e. within 3 months from the date of communication of such decision/order that can be further condoned by 1 month.
2)	<p>Legal Provision:-</p> <ul style="list-style-type: none"> ⦿ GST law makes provisions for cross empowerment between CGST and SGST/UTGST officers to ensure that if proper officer of CGST passes an order with respect to a transaction, he will also act as the proper officer of SGST/UTGST for the same transaction or vice-versa and issue the order for CGST as well as SGST/UTGST component of the same transaction. ⦿ But if the proper officer has passed an order under CGST or SGST or UTGST Act, any appeal/ review/ revision/ rectification against the said order will lie with the proper officers of that respective Act only under which it is passed. <p>Discussion & Conclusion:-</p> <ul style="list-style-type: none"> ⦿ Thus, Home Furnishers is required to file an appeal only with Central Tax Appellate Authority.
3)	<p>Home Furnishers' view is not correct in law.</p> <p>Legal Provision:-</p> <ul style="list-style-type: none"> ⦿ As per section 107(6) of CGST Act, no appeal shall be filed before the Appellate Authority (AA), unless the appellant has paid:- <ul style="list-style-type: none"> a) full amount of tax, interest, fine, fee and penalty arising from the impugned order, as is admitted by him and b) 10% of remaining amount of tax in dispute arising from the said order, subject to maximum ₹ 20 Crores. ⦿ Further, if the order imposes a penalty without any accompanying tax demand, no appeal shall be filed against such order unless a sum equal to 10% of the penalty has been paid by the appellant. <p>Discussion & Conclusion:-</p> <ul style="list-style-type: none"> ⦿ In given case, since Home Furnishers disagrees with the entire tax demanded, it has to make a pre-deposit of 10% of the amount of tax in dispute arising from the said order subject maximum ₹ 20 Crores, i.e., 10% of ₹ 50,00,000 which is ₹ 5,00,000 (i.e. CGST & SGST: ₹ 2,50,000 each).

Q.12: In an appeal filed with the High Court by Prateek Ltd., on the question whether activity undertaken by Prateek Ltd. amounts to supply, the appeal was decided in favour of Prateek Ltd. The amount of tax, interest and penalty involved were IGST of ₹ 1.2 crore, interest of ₹ 60 lakh and penalty of ₹ 50 lakh.

However, the Department does not agree with the order passed by the High Court and contends that the said activity amounts to supply under GST. The Department wants to file an appeal before the Supreme Court relating to the dispute pertaining to the demand of tax, interest and penalty. You are required to examine whether an appeal can be filed by the Department in the given case. Will your answer change, in case matter is related to valuation of services instead of determining whether the said activity amounts to supply? [CA Final RTP May 25]

Answer :

- ⦿ As per **Section 120** of the CGST Act, 2017, the Board may, on the recommendations of the Council, from time to time, issue orders or instructions or directions fixing such monetary limits, as it may deem fit, for the purposes of regulating the filing of appeal or application by the officer of the central tax under the provisions of this Chapter.
- ⦿ **CBIC** has fixed the following monetary limits for filing appeals/ applications/ Special Leave Petition by the Department before GSTAT, High Courts and Supreme Court subject to specified exclusions:



Appellate forum	Monetary limit (Amount involved in ₹)
GSTAT	20 Lakhs
High Court	1 Crore
Supreme Court	2 Crores

- ➲ Further, where the dispute pertains to demand of tax (with or without penalty and/or interest), the aggregate of the amount of tax in dispute (including CGST, SGST/UTGST, IGST and Compensation Cess) only shall be considered while applying the monetary limit for filing appeal, viz. ₹ 1.2 crore (amount of tax only) in the given case.
- ➲ **Thus, appeal cannot be filed by the Department to Supreme Court in the given case as the amount involved as per the circular does not exceed the monetary limit of ₹ 2 crore.**
- ➲ However, the Circular further provides that the monetary limits specified above for filing appeal or application by the Department before GSTAT or High Court and for filing Special Leave Petition or appeal before the Supreme Court shall not be applicable in the following circumstances where the decision to file appeal shall be taken on merits irrespective of the said monetary limits:
 - (i) Where any provision of the CGST Act or SGST/UTGST Act or IGST Act or GST (Compensation to States) Act has been held to be ultra vires to the Constitution of India or
 - (ii) Where any rules or regulations made under the CGST Act or SGST/UTGST Act or IGST Act or GST (Compensation to States) Act have been held to be ultra vires the parent Act or
 - (iii) Where any order, notification, instruction, or circular issued by the Government or the Board has been held to be ultra vires of the CGST Act or SGST/UTGST Act or IGST Act or GST (Compensation to States) Act or the rules made thereunder or
 - (iv) Where the matter is related to -
 - a) valuation of goods or services or
 - b) classification of goods or services or
 - c) refunds or
 - d) place of supply or
 - e) any other issue,
 which is recurring in nature and/or involves interpretation of the provisions of the GST law/ the Rules/ notification/ circular/ order/ instruction etc. or
 - (v) Where strictures/adverse comments have been passed and/or cost has been imposed against the Government/Department or their officers or
 - (vi) Any other case or class of cases, where in the opinion of the Board, it is necessary to contest in the interest of justice or revenue.
- ➲ **In view of the above, if in the given case the matter is related to valuation of services, appeal can be filed by the Department to the Supreme Court based on the merits irrespective of the monetary limits.**

Q.15: With reference to sections 107(6) and 112(8), specify the amount of mandatory pre-deposit which should be made along with every appeal made before the Appellate Authority and the Appellate Tribunal. Does making the pre-deposit have any impact on recovery proceedings? [Study Mat]

Answer : Legal Provision:-

- ➲ As per section 107(6) of CGST Act, **no appeal shall be filed** before the Appellate Authority (AA), **unless the appellant has paid:-**
 - a) **full amount** of tax, interest, fine, fee and penalty arising from the impugned order, as is admitted by him **and**
 - b) **10% of remaining** amount of tax in dispute arising from the said order in relation to which appeal has been filed, subject to **maximum ₹ 20 Crores**.
- ➲ Further, if the order imposes a penalty without any accompanying tax demand, no appeal shall be filed against such order unless a sum equal to **10% of the penalty** has been paid by the appellant.
- ➲ As per section 112(8) of CGST Act, **no appeal shall be filed** before the Appellate Tribunal (AT), **unless the appellant has paid:-**



- a) **full amount** of tax, interest, fine, fee and penalty arising from the impugned order, as is admitted by him **and**
- b) **10% of the remaining** amount of tax in dispute, **in addition** to amount deposited before the Appellate Authority, arising from the said order in relation to which appeal has been filed, subject to a **maximum of ₹ 20 Crore**.

⦿ The above limits are applicable for the pre-deposits to be made under the CGST Act. Accordingly, an equal amount of pre-deposit is payable under the respective SGST/UTGST Act also.

⦿ If the appellant has paid the required pre-deposit, then the **recovery proceedings for the balance amount shall be deemed to be stayed** till the disposal of the appeal.

Q.17: Nitya Associates is engaged in supplying taxable services in Kerela. The Assistant Commissioner of Central Tax passed an adjudication order under section 74A which was received by Nitya Associates on 18th October. In the said order, GST liability of ₹ 6,00,000 (CGST + SGST) was decided along with interest payable @ 18% p.a. for number of delayed days and a penalty of ₹ 60,000. Nitya Associates was in complete disagreement with said order. So, it filed an appeal before the Appellate Authority on 31st October.

Determine the amount of pre-deposit to be made by Nitya Associates for filing the appeal.

Whether your answer would be different if Nitya Associates appeals only against part of the demanded amount, say ₹ 4,00,000 and admits the balance liability of tax amounting to ₹ 2,00,000 and proportionate penalty arising from the said order? [CA Final RTP May 23] [Study Mat- Similar]

Answer : Legal Provision:-

- ⦿ As per section 107(6) of CGST Act, **no appeal shall be filed** before the Appellate Authority (AA), **unless the appellant has paid:-**
 - a) full amount of tax, interest, fine, fee and penalty arising from the impugned order, as is admitted by him **and**
 - b) 10% of remaining amount of tax in dispute arising from said order, subject to maximum ₹20 Crores.
- ⦿ Further, if the order imposes a penalty without any accompanying tax demand, no appeal shall be filed against such order unless a sum equal to **10% of the penalty** has been paid by the appellant.
- ⦿ Equivalent amount is required to be deposited with respect to SGST liability also.

Discussion & Conclusion:-

- ⦿ Thus, in the given case, Nitya Associates has to make a pre-deposit of 10% of ₹ 6,00,000, which is ₹60,000 (i.e. CGST ₹ 30,000 and SGST ₹ 30,000).
- ⦿ However, when Nitya Associates admits the liability of ₹ 2,00,000 (CGST + SGST) and disputes only the balance tax demanded of ₹ 4,00,000, it has to make a **pre-deposit of:**
 - (i) ₹ 2,00,000 + ₹ 20,000 [proportionate penalty on tax admitted] + interest @ 18% p.a. payable on the tax admitted for the period of delay, **and**
 - (ii) 10% of ₹ 4,00,000 which is ₹40,000.

Q.18: In an order dated 20th August issued to GH (P) Ltd., the Joint Commissioner of CGST has confirmed IGST demand of ₹ 280 crore. The company is disputing the entire demand of IGST and wants to know the amount of pre-deposit it has to make under the IGST Act for filing an appeal before the Appellate Authority against the order of the Joint Commissioner.

Assuming that the Appellate Authority also confirms the order of the Joint Commissioner and the company wants to file an appeal before the Appellate Tribunal against the order of the Appellate Authority, determine the amount of pre-deposit to be made by the company for filing the said appeal. [Study Mat][CA Final MTP May 25]

Answer:

- ⦿ As per section 107(6) of CGST Act read with section 20 of IGST Act, no appeal shall be filed before the Appellate Authority (AA), unless the appellant has paid:-
- a) **full amount** of tax, interest, fine, fee and penalty arising from the impugned order, as is admitted by him **and**



- b) **10%** of remaining amount of tax in dispute arising from the said order in relation to which appeal has been filed, subject to **maximum ₹ 40 Crores** in case of IGST.
- ⦿ Further, if the order imposes a penalty without any accompanying tax demand, no appeal shall be filed against such order unless a sum equal to **10% of the penalty** has been paid by the appellant.
- ⦿ As per **section 112(8) of CGST Act** read with **section 20 of IGST Act**, no appeal shall be filed before the Appellate Tribunal (AT), unless the appellant has paid:-
 - a) **full amount** of tax, interest, fine, fee and penalty arising from the impugned order, as is admitted by him **and**
 - b) **10% of the remaining amount of tax in dispute, in addition to amount deposited before the Appellate Authority**, arising from the said order in relation to which appeal has been filed, subject to a **maximum ₹ 40 Crores** in case of IGST.

Discussion & Conclusion:-

- (1) In given case, pre-deposit for filing an appeal with Appellate Authority against the order of Joint Commissioner, where entire amount of tax is in dispute, is **₹ 28 crore** which is **lesser** of following:-
 - a) ₹ 28 crore i.e. [10% of tax ₹ 280 crore in dispute] or
 - b) ₹ 40 crore.
- (2) In given case, pre-deposit for filing an appeal with Appellate Tribunal against the order of Appellate Authority, where entire amount of tax is in dispute, is **₹ 28 crores** which is **lesser** of following:-
 - a) ₹ 28 crores i.e. [10% of tax ₹ 280 crores in dispute] or
 - b) ₹ 40 crores.

Note:- Similar question is given in **[CA final RTP Nov 19]** with the following changes in Question and answer:

1. **CGST in dispute ₹ 280 crore** is given instead of IGST ₹ 280 crore.
2. Maximum limit of pre-deposit u/s 107(6) & u/s 112(8) shall be **₹20 crore & ₹ 20 crore, respectively**.
3. The final answers for pre-deposits shall change accordingly as per amended provisions.



Q.1 Poorva Impex Ltd., a registered entity under GST in the State of Maharashtra, is engaged in making various supplies. It is not engaged in agricultural operations. Poorva Impex Ltd., India is a subsidiary of Poorva Inc., an entity incorporated in USA, engaged in providing information technology services to customers in India. It provides the following information for the month of April:

S.No.	Particulars	(₹)
OUTWARD SUPPLY:		
i)	Undertook the promotion and marketing of information technology services on principal-to-principal basis in India for Poorva Inc.	20,00,000
ii)	Printed letter cards supplied to Subhashini Enterprises, registered in Maharashtra. A logo depicting the vision of the firm was to be imprinted on each letter card and said logo was provided by the firm. Material cost was ₹ 8,00,000 and printing cost was ₹ 72,000.	8,72,000
iii)	Supplied raw cotton to Dhruvtara Traders, registered in Maharashtra. The raw cotton was purchased from the local farmers during the previous month.	5,00,000
iv)	Supplied maintenance services to Municipal Corporation of Greater Mumbai which has awarded a contract of maintenance of street-lights in Greater Mumbai Municipal area. Maintenance work involved the replacement of defunct lights and other spares. [Out of total value of supply of ₹ 1,20,000, value of defunct lights and other spares replaced is ₹ 32,000.]	1,20,000
v)	Given on hire 10 cars (seating capacity of 5 persons including driver) to Gujarat State Road Transport Corporation (GSRTC)	3,00,000
INWARD SUPPLY:		
i)	Purchased processing machines from Bobby & Co., registered under GST, in the State of Gujarat. Machines were bought in "as is where is condition" at Gujarat to produce taxable items.	5,00,000
ii)	Purchased metal scrap (covered under Chapter 72) from Mansukh Traders of Maharashtra, an unregistered person, to be used in manufacturing process	2,00,000
iii)	Procured information technology services for its business through electronic mode from Thomas Inc., a company located in Germany	1,50,000
iv)	A machinery to be used for manufacturing was sent to George Inc., USA for carrying out repair work on the same. The consideration to George Inc. was paid for such repair work. Machine was received after repair, in the month of May.	5,00,000

The company provided the following additional information:

- Poorva Inc., USA provided a corporate guarantee of ₹ 1.5 crore on behalf of Poorva Impex Ltd. to Manimani Bank, Maharashtra, free of cost.
- Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively for both inward and outward supply of services and rates of CGST, SGST and IGST are 2.5%, 2.5% and 5% respectively for both inward and outward supply of goods, except in case of supply of raw cotton where the applicable rates of CGST, SGST and IGST are 2.5%, 2.5% and 5% and in case of supply of metal scrap where the applicable rates of CGST, SGST and IGST are 9%, 9% and 18%

iii) All the amounts given above are exclusive of taxes, wherever applicable.

iv) There was no opening balance of any ITC for the relevant period.

v) All exports made by Poorva Impex Ltd. are through furnishing of LUT without payment of IGST.

From the information given above, you are required to compute the minimum net GST liability payable in cash (CGST, SGST or IGST, as the case may be) for the month of April for the Poorva Impex Ltd., Maharashtra. [CA Final RTP May 25]

Answer:- Computation of minimum net GST payable in cash for the month of April:

Goods/Services supplied	Amount (₹)	IGST(₹)	CGST (₹)	SGST(₹)
Promotion and marketing of information technology services to Poorva Inc. [Note 1]	20,00,000		-	-
Supply of printed letter cards [Note 2]	8,72,000		21,800 [8,72,000 X 2.5%]	21,800 [8,72,000 X 2.5%]
Intra-State supply of raw cotton [Note 3]	5,00,000		12,500 [5,00,000 X 2.5%]	12,500 [5,00,000 X 2.5%]
Maintenance services provided to Municipal Corporation of Greater Mumbai [Note 4]	1,20,000		10,800 [1,20,000 X 9%]	10,800 [1,20,000 X 9%]
Inter-State service of giving motor vehicles on hire [Note 5]	3,00,000	54,000 [3,00,000 X 18%]		
Total output tax		54,000	45,100	45,100
Less: ITC [Working Note] [Note 6] IGST: 54,000 CGST: 18,000 SGST: 18,000		(54,000)	(18,000)	(18,000)
Net GST		Nil	27,100	27,100
GST Payable under Reverse Charge:				
Metal scrap purchased [Note 7]	2,00,000		18,000 [2,00,000 X 9%]	18,000 [2,00,000 X 9%]
Information technology services procured from Thomas Inc. through electronic mode [Note 8]	1,50,000	27,000 [1,50,000 X 18%]		
Corporate guarantee provided by Poorva Inc. [Note 9]	1,50,000	27,000 [1,50,000 X 18%]		
Total Net GST payable in cash		54,000	45,100	45,100

Working Note - Computation of eligible ITC available for set off:

Goods/Services supplied	Amount (₹)	IGST(₹)	CGST (₹)	SGST(₹)
Machines purchased [Note 10]	Nil			
Metal scrap purchased [Note 11]	2,00,000		18,000 [2,00,000 X 9%]	18,000 [2,00,000 X 9%]
Information technology services procured from Thomas Inc [Note 12]	1,50,000	27,000 [1,50,000 X 18%]		



Machinery sent for carrying out repair work to George Inc. [Note 13]	Nil			
Corporate guarantee provided by Poorva Inc. [Note 14]	1,50,000	27,000 [1,50,000 × 18%]		
Eligible ITC available for set off		54,000	18,000	18,000

Notes:

1.	<ul style="list-style-type: none"> ⦿ Since the place of supply of promotion and marketing services is the location of recipient – Poorva Inc., viz, outside India, they qualify as export of services by Poorva Impex Ltd. to Poorva Inc. since all the conditions of section 2(6) of the IGST Act, 2017 are complied with. ⦿ Further, all exports made by Poorva Impex Ltd. are through the furnishing of LUT without payment of IGST.
2.	<ul style="list-style-type: none"> ⦿ Since letter cards are supplied by the printer using its own physical inputs to print the logo supplied by the recipient, it is a composite supply wherein the predominant/ principal supply is the supply of goods. ⦿ As per Sec 10(1)(a), It is an intra-State supply since the place of supply is Maharashtra being the location where movement of goods terminates.
3.	Reverse Charge mechanism is not applicable since here, raw cotton is being sold by a person other than agriculturist. Thus, Taxable under forward charge.
4.	<ul style="list-style-type: none"> ⦿ Taxable, since the value of supply of goods constitutes more than 25% of the value of composite supply of goods and services provided to the local authority. ⦿ Further, the principal supply is the supply of maintenance services. It is an intra-State supply since the place of supply is Maharashtra being location of the recipient, in terms of section 12(2) of the IGST Act, 2017
5.	<ul style="list-style-type: none"> ⦿ Services by way of giving on hire to a State Transport Undertaking (STU), a motor vehicle are exempt only when such motor vehicle is meant to carry more than 12 passengers. Thus, in the given case, the service of giving cars on hire is not exempt. ⦿ Further, it is an inter-State supply as place of supply being location of recipient is Gujarat, in terms of section 12(2) of the IGST Act, 2017.
6.	ITC of IGST is utilized for payment of IGST liability and ITC of CGST and SGST is utilized for payment of CGST and SGST liability respectively.
7.	Tax on metal scrap purchased by a registered person from an unregistered person is payable under reverse charge .
8.	Tax on information technology services imported is payable under reverse charge .
9.	Where corporate guarantee is provided by the foreign/ overseas entity for a related entity located in India, GST would be payable under reverse charge mechanism , by the recipient of service, i.e., the related entity located in India.
10.	<ul style="list-style-type: none"> ⦿ It is intra-State supply since place of supply in case of goods not involving movement of goods is location of goods at the time of delivery to recipient, viz. Gujarat, in terms of section 10(1)(c) of the IGST Act, 2017. ⦿ However, ITC of the same will not be available since the recipient of said intra- State supply is located in a different State / UT than that of place of supply
11.	<ul style="list-style-type: none"> ⦿ It is intra-State supply since place of supply is Maharashtra being the location of the goods at the time at which the movement of goods terminates for delivery to the recipient, in terms of section 10(1)(a) of the IGST Act, 2017. ⦿ ITC is available since said goods are being used in course or furtherance of business.



12.	<ul style="list-style-type: none"> ⦿ The place of supply is Maharashtra being the location of the recipient, in terms of section 13(2) of the IGST Act, 2017. Supply of any services where supplier is outside India and the recipient and place of supply is in India, qualifies as import of services. ⦿ Further, in case of import of service, tax is payable by the person importing such service. ITC is available since said services are being used in course or furtherance of business.
13.	Since the place of supply of repair services is outside India being the location where the services are actually performed in terms of section 13(3) of the IGST Act, 2017, said services are not amenable to tax.
14.	<ul style="list-style-type: none"> ⦿ If a supplier gives a corporate guarantee on behalf of a related party located in India for securing of credit facilities from a bank/financial institution by such related party, the value of service is 1% of the amount of guarantee offered per annum or actual consideration, whichever is higher, i.e. 1% of ₹ 1.5 crore. ⦿ Further, ITC is available since said services are being used in course or furtherance of business.

Q.2 **Skylark Pvt. Ltd., Noida (Uttar Pradesh) is engaged in various kinds of commercial activities. It manufactures taxable goods as also provides certain services. The company has branch office in New Delhi. The Head office at Noida and the branch office in New Delhi are registered under GST. The branch office at New Delhi is eligible for full input tax credit.**

The company has reported a total turnover of ₹ 256 crore (exclusive of GST) for the month of August 20XX. The following information is provided by the company in relation to such turnover:

- (i) The turnover includes ₹ 45 crore from sale of securities which were purchased for ₹ 30 crore in the month of January last year.
- (ii) The company supplied goods worth ₹ 50 crore to ABC Ltd. in UK under a letter of undertaking (LUT). The total export proceeds are received in the month of August 20XX itself; ₹ 30 crore in foreign currency and balance ₹ 20 crore in Indian rupees.
- (iii) The company provided consulting services to Sherpa & Sons in Nepal for ₹ 30 crore under a LUT. The entire consideration is received in Indian rupees in the month of August 20XX itself, with the permission of RBI.
- (iv) The turnover includes supply of goods worth ₹ 10 crore to Shanghai Jianguo Trading Company Ltd., a company based in China. As per the sale contract, the goods were to be assembled at Shanghai Jianguo Trading Company Ltd.'s office in Gurugram, Haryana. The payment of the goods is received in convertible foreign exchange in the month of August 20XX itself.
- (v) Goods worth ₹ 20 crore are supplied under a LUT to DEF Pvt. Ltd. located in a SEZ in the State of Uttar Pradesh.
- (vi) Goods worth ₹ 40 lakh were being procured from a vendor in Japan. While the goods were in transit, the company secured an order for the said goods for ₹ 50 lakh from a buyer in Thailand. Thus, the goods were directly sent to Thailand without entering India.
- (vii) The company owns three immovable properties in Noida. The first building is let out for running a printing press at ₹ 10 lakh per month. The second building is let out for residential purpose to unregistered person at ₹ 5 lakh per month. The third building is let out to a Cold Storage operator at ₹ 5 lakh per month. The cold storage operator sub-lets the building as a warehouse to store potatoes.
- (viii) The remaining turnover comprised of taxable goods sold within the State and outside the State in the ratio of 3:2.

Total turnover of ₹ 256 crore includes the turnover referred to in points (i) to (vii) above.



In addition to above –

(i) the company transferred its stock (taxable goods) from Noida to Delhi branch without any consideration; the value declared in the invoice is ₹ 4.5 crore (exclusive of GST). The cost of production of such goods is ₹ 10 crore. Such stock is sold to independent buyers at ₹ 15 crore (exclusive of GST).

(ii) the company had sent goods worth ₹ 12 crore (exclusive of GST) to M/s Sharma Traders in Haryana on approval basis on 15th January, 20XX, 15th February 20XX & 15th March 20XX (₹4 crore each month). Goods sent during all the three months are approved in the month of September 20XX.

Compute the GST liability [CGST & SGST or IGST, as the case may be] of Skylark Pvt. Ltd., Noida for the month of August 20XX. Make suitable assumptions wherever required.

Assume the rates of taxes to be as under:

	CGST	SGST	IGST
Goods	2.5%	2.5%	5%
Services	9%	9%	18%

[CA Final RTP May 2020]

Answer:-

Computation of GST liability of Skylark Pvt. Ltd. for the month of August 20XX:-

S. no.	Particulars	Value (₹ in crores)	IGST @5% (₹ in crores)	CGST @ 2.5% in Cr.)	SGST @2.5% (₹ in Cr.)
A) Goods					
i	Export of goods to ABC Ltd. in UK under a letter of undertaking (LUT) [Note 1]	50	Nil		
ii	Supply of goods to Shanghai Jianguo Trading Company Ltd. [Note 2]	10	0.50		
iii	Goods supplied to DEF Pvt. Ltd. located in a SEZ [Note 3]	20	Nil		
iv	Sale within the State [Note 4]	60.18		1.5045	1.5045
v	Sale outside the State [Note 4]	40.12	2.006		
vi	Stock transfer from Noida to Delhi [Note 5]	4.5	0.225		
vii	Goods sent for sale on approval basis on 15th February, 20XX [Note 6]	4.00	0.20		
Total tax liability on goods [A]			2.931	1.5045	1.5045

B) Services		IGST @ 18% (₹ in Cr)	CGST@ 9% (₹ in Cr)	SGST @ 9% (₹ in Cr)
i	Export of services to Nepal under a LUT [Note 7]	30	Nil	
ii	Receipts from renting of buildings [Note 8]	0.15		0.0135
Total Tax liability on services [B]			Nil	0.0135
C) Neither goods nor services				
i	Sale of securities [Note 9]	45	Nil	Nil
ii	Goods procured from vendor in Japan and supplied to buyer in Thailand [Note 10]	0.50		Nil
Total tax liability on goods and services [(A) + (B)]			2.931	1.518



Notes:

1.	<ul style="list-style-type: none"> ⦿ As per section 2(5) of the IGST Act, 2017, export of goods means taking goods out of India to a place outside India. Receipt of consideration in foreign exchange is not a pre-requisite for export of goods. ⦿ As per section 16(1)(a) of IGST Act 2017, Export of goods is a zero-rated supply & A zero rated supply can be supplied without payment of tax under LUT as per section 16(3)(a) of that Act.
2.	<ul style="list-style-type: none"> ⦿ As per section 2(5) of the IGST Act, 2017, export of goods means taking goods out of India to a place outside India. Since, in the given case, the goods are being assembled in India (Gurugram, Haryana), the same are not exported. ⦿ Hence, the place of supply thereof will be governed by section 10 of the IGST Act, 2017 which prescribes the provisions for determining the place of supply of goods other than supply of goods imported into or exported from India. ⦿ As per section 10(1)(d) of the IGST Act, 2017, where the goods are assembled or installed at site, the place of supply shall be the place of such installation or assembly. Therefore, in the given case, the place of supply will be Gurugram, Haryana. ⦿ Since the location of the supplier (Uttar Pradesh) and the place of supply (Haryana) are in two different States, the same is an inter-State supply liable to IGST [Section 7(1)(a) of the IGST Act, 2017 read with section 5(1) of that IGST Act].
3.	<ul style="list-style-type: none"> ⦿ As per section 7(5)(b) of the IGST Act, 2017, supply of goods and/or services to a special economic zone (SEZ) unit is treated to be a supply of goods and/or services in the course of inter-State trade or commerce. ⦿ Therefore, supply of goods to a SEZ unit located within the same State shall be liable to IGST [Section 5(1) of the IGST Act, 2017]. ⦿ As per section 16(1)(b) of IGST Act 2017, Supply of goods or services to SEZ is a zero-rated supply & A zero rated supply can be supplied without payment of tax under LUT as per section 16(3)(a) of that Act.
4.	<ul style="list-style-type: none"> ⦿ Remaining turnover will be calculated as under : - $\text{₹ 256 crore} - (\text{₹ 45 crore} + \text{₹ 50 crore} + \text{₹ 30 crore} + \text{₹ 10 crore} + \text{₹ 20 crore} + \text{₹ 0.50 crore} + \text{₹ 0.10 crore} + \text{₹ 0.05 crore} + \text{₹ 0.05 crore}) = \text{₹ 100.30 crore}$ Supply within the State - $\text{₹ 100.30 crore} \times 3/5 = \text{₹ 60.18 crore}$ Supply outside the State - $\text{₹ 100.30 crore} \times 2/5 = \text{₹ 40.12 crore}$ ⦿ Supply within the State is intra-State supply as per section 8(1) of IGST Act, 2017 and thus, chargeable to CGST and SGST. ⦿ Supply outside the State is inter - State supply chargeable to IGST [Section 7(1) of IGST Act, 2017 read with section 5(1) of the said IGST Act].
5.	<ul style="list-style-type: none"> ⦿ As per section 25(4) of the CGST Act, 2017, If more than one registration is obtained by a person in one or more State or UT, then for each of such registration, it shall be treated as distinct persons. ⦿ Schedule I to the CGST Act, 2017 specifies situations where activities are to be treated as supply even if made without consideration. Supply of goods and/or services between 'distinct persons' as specified in section 25 of the CGST Act, 2017, when made in the course or furtherance of business is one such activity included in Schedule I under para 2. ⦿ In the given case- <ul style="list-style-type: none"> ➤ the location of the supplier is in Noida (Uttar Pradesh) and ➤ the place of supply is the location of such goods at the time at which the movement thereof terminates for delivery to the recipient i.e., Delhi , as per section 10(1)(a) of the IGST Act, 2017. ⦿ Therefore, the stock transfer by Noida office to Delhi branch is an inter - State supply as the location of the supplier and the place of supply are in two different States [Section 7(1)(a) of IGST Act, 2017]. Thus, the supply is leviable to IGST as per section 5(1) of the IGST Act, 2017.

	<ul style="list-style-type: none"> ⦿ Rule 28 of the CGST Rules, 2017 prescribes the provisions to determine the value of supply of goods or services or both between distinct or related persons, other than through an agent. Second proviso to the said rule lays down that where the recipient is eligible for full input tax credit, the value declared in the invoice shall be deemed to be the open market value of the goods or services. ⦿ Therefore, the value of supply in this case will be ₹ 4.5 crore and open market value and cost of production of the goods will be irrelevant.
6.	<ul style="list-style-type: none"> ⦿ As per section 31(7) of the CGST Act, 2017, where the goods being sent or taken on approval for sale or return are removed before the supply takes place, the invoice shall be issued before or at the time of supply or six months from the date of removal, whichever is earlier. ⦿ In the given case, the time period of six months for goods sent on 15th February, 20XX expires on 15.08.20XX. Therefore, the invoice for the said goods shall be issued on 15.08.20XX and as per section 12(2)(a) of the CGST Act, 2017 read with Notification No. 66/2017, this date would also be the time of supply of such goods. ⦿ Thus, such goods will be liable to tax in the month of August 20XX. Goods sent in the month of January would have been taxed in the month of July and goods sent in the month of March would be taxed in the month of September. ⦿ Here, <ul style="list-style-type: none"> ➤ the location of the supplier is in Noida (Uttar Pradesh); and ➤ the place of supply is the location of the goods at the time at which the movement thereof terminates for delivery to the recipient i.e., Haryana as per section 10(1)(a) of the IGST Act, 2017. ⦿ Since the location of the supplier (Uttar Pradesh) and the place of supply (Haryana) are in two different States, the same is an inter-State supply liable to IGST [Section 7(1)(a) of the IGST Act, 2017 read with section 5(1) of that IGST Act].
7.	<ul style="list-style-type: none"> ⦿ The given case is an export of service as per section 2(6) of the IGST Act, 2017, as- <ul style="list-style-type: none"> (i) the supplier of service is located in India (Noida) (ii) the recipient of service is located outside India (Nepal) (iii) the place of supply of service is outside India (Place of supply of consulting service will be the location of recipient, i.e. Nepal) (iv) the payment for such service has been received by the supplier of service in convertible foreign exchange or in Indian rupees wherever permitted by the Reserve Bank of India (Receipt of export consideration in Indian rupees is permitted by RBI in the given case) and (v) the supplier of service and the recipient of service are not merely establishments of a distinct person in accordance with Explanation 1 in section 8. ⦿ As per section 16(1)(a) of IGST Act 2017, Export of services is a zero-rated supply & A zero rated supply can be supplied without payment of tax under LUT as per section 16(3)(a) of that Act.
8.	<ul style="list-style-type: none"> ⦿ As per para 2(b) of the Schedule II to the CGST Act 2017, Letting out of the building including a commercial, industrial or residential complex for business or commerce, either wholly or partly, is a supply of service. Services by way of renting of residential dwelling for use as residence to an unregistered person is exempt from tax. ⦿ Therefore, rent of ₹ 10 lakh received from letting out of building for printing press will be liable to tax and rent of ₹ 5 lakh received from letting out of building for residential purposes will be exempt from tax. ⦿ Further, services by way of loading, unloading, packing, storage or warehousing of agricultural produce is exempt from tax. However, in the given case, the Cold Storage Operator and not Skylark Pvt. Ltd. is engaged in warehousing of agricultural produce. Therefore, the Cold Storage Operator providing warehousing services for potatoes, being an agricultural produce, will be eligible for such exemption and services provided by Skylark Pvt. Ltd., being services of renting of immovable

	<p>property (₹ 5 lakh), will be liable to tax.</p> <p>⦿ In case of letting out of first and third buildings,</p> <ul style="list-style-type: none"> ➢ the location of the supplier is in Noida (Uttar Pradesh) and ➢ the place of supply is the location of the immovable property, i.e. Noida as per section 12(3) of the IGST Act, 2017. <p>⦿ Since the location of the supplier (Uttar Pradesh) and the place of supply (Noida) are in the same State, the same is an intra-State supply as per section 8(1) of the IGST Act, 2017 and is thus, liable to CGST and SGST.</p>
9.	Securities are specifically excluded from the definition of goods and services under GST. Therefore, sale of securities will not be liable to GST.
10.	<p>⦿ Paragraph 7 of the Schedule III to CGST Act, 2017 provides that supply of goods from a place in the non-taxable territory to another place in the non-taxable territory without such goods entering into India (third country shipments) is treated neither as a supply of goods nor a supply of services.</p> <p>⦿ Thus, there is no GST liability on such sales. Further, since such goods do not enter India at any point of time, customs duty and IGST leviable on imported goods will also not be leviable on such goods.</p>

Q.3 Jankinandan Associates, a proprietorship firm in Lucknow registered under GST, manufactures three taxable products 'Zeta', 'Sigma' and 'Omega'. The following information has been provided by Jankinandan Associates for a particular tax period.

(i) 'Omega' and 'Zeta' are sold in the domestic market as well as exported outside India. The domestic turnover (excluding export sales) of 'Zeta' and 'Omega' are ₹ 21 lakh and ₹ 15 lakh respectively. Export turnover of 'Zeta' with payment of IGST (not eligible to avail benefit of merchant exports under N/No. 41/2017) is ₹ 3.75 lakh. 'Omega' worth ₹ 15 lakh is exported.

(ii) Tax on 'Sigma' is payable under reverse charge. 'Sigma' is being sold only domestically and the domestic turnover of 'Sigma' is ₹ 9 lakh.

(iii) The firm is also engaged in providing taxable consultancy services. Consultancy services of ₹ 30 lakh have been provided to unrelated clients located in foreign countries. In all cases, consideration has been received in convertible foreign exchange.

(iv) The firm sold the shares held by it for ₹ 375 lakh which were earlier purchased at a price of ₹ 360 lakh.

(v) Due to shortage of funds, it sold one of its factory buildings for ₹ 180 lakh (excluding stamp duty of ₹ 3.50 lakh, being 2% of value). The entire consideration is received post issuance of completion certificate; building was occupied thereafter.

(vi) The firm earned an interest of ₹ 6 lakh on the money invested in fixed deposits with Gaba Bank.

The details of the inputs/input services availed by the firm during the said tax period are as under:

(i) The firm received legal services from an advocate in relation to product 'Zeta' for a consideration of ₹ 5.25 lakh.

(ii) Remaining inputs and input services availed during the tax period worth ₹ 15 lakh and ₹ 5 lakh respectively have been commonly used for supply of goods and services mentioned above.

You are required to compute the net GST liability of Jankinandan Associates, payable from Electronic Credit Ledger and/or Electronic Cash Ledger, as the case may be, for the given tax period using the above-mentioned information.

Note: All the above transactions are exclusive of GST, wherever applicable. Assume that rates of GST on inward and outward supply of goods and services are 5% and 18% respectively (Ignore bifurcation of CGST, SGST or IGST for the sake of simplicity). Subject to the information given above, assume that all the other conditions necessary for availing ITC have been fulfilled.

Turnover of Jankinandan Associates was ₹ 72 lakh in the preceding financial year. Unless otherwise mentioned, exports are made under letter of undertaking. [CA Final RTP May 23]



Answer:

1) Computation of GST payable on outward supply:-

Particulars	Value(₹)	GST(₹)
Turnover of 'Zeta' [liable to GST @ 5%]	21,00,000	1,05,000
Turnover of 'Sigma' [Tax on 'Sigma' is payable under reverse charge by the recipient of such goods]	9,00,000	Nil
Turnover of 'Omega' [liable to GST @ 5%]	15,00,000	75,000
Export of 'Zeta' with payment of IGST @ 5 %	3,75,000	18,750
Export of 'Omega' [Note 1]	15,00,000	Nil
Consultancy services provided to independent clients located in foreign countries. [Note 2]	30,00,000	Nil
Sale of shares [Note 3]	3,75,00,000	Nil
Sale of building [Note 4]	1,80,00,000	Nil
Interest received on investment in fixed deposits with a bank [Note 5]	6,00,000	Nil
Total GST payable on outward supply		1,98,750

2) Computation of common credit attributable to exempt supplies during the tax period:-

Particulars	(₹)
Common credit on inputs and input services [Tax on inputs: ₹ 75,000 (₹ 15,00,000 x 5%) + Tax on input services: ₹ 90,000 (₹ 5,00,000 x 18%)]	1,65,000
Common credit attributable to exempt supplies (rounded off) = Common credit on inputs and input services x (Exempt turnover during the period / Total turnover during the period) = ₹1,65,000 x ₹ 1,87,75,000/ ₹ 2,78,50,000 Exempt turnover = ₹ 1,87,75,000 & total turnover = ₹ 2,78,50,000 [Note 6]	1,11,234

3) Computation of ITC available in Electronic Credit Ledger of Jankinandan Associates for the tax period:-

Particulars	(₹)
Common credit on inputs and input services	1,65,000
Add: Legal services used in the manufacture of taxable product 'Zeta'	94,500
ITC available in the Electronic Credit Ledger	2,59,500
Less: Common credit attributable to exempt supplies during the tax period [As calculated in above table]	1,11,234
Net ITC available	1,48,266

4) Computation of net GST liability of Jankinandan Associates for the tax period:-

Particulars	(₹)
GST payable on outward supply [As computed earlier]	1,98,750
Less: Input tax credit (ITC) [As computed earlier]	1,48,266
GST payable from Electronic Cash Ledger [A]	50,484
Add: GST payable on legal services under reverse charge [₹ 5,25,000 X 18%] [Note 7] [B]	94,500
Total GST paid from Electronic Cash Ledger [Note 8] (A+B)	1,44,984



Notes:

1	As per section 16(1)(a) of IGST Act 2017, Export of goods is a zero-rated supply & A zero rated supply can be supplied without payment of tax under LUT as per section 16(3)(a) of that Act.
2	<ul style="list-style-type: none"> ⦿ As per section 2(6) of IGST Act, The activity is an export of service if: <ul style="list-style-type: none"> ➤ the supplier of service is located in India ➤ recipient of service is located outside India ➤ place of supply of service is outside India (as per section 13(2) of IGST Act, 2017) ➤ payment for service has been received in convertible foreign exchange or in Indian rupees wherever permitted by Reserve Bank of India and ➤ supplier of service and recipient of service are not merely establishments of distinct person. ⦿ As per section 16(1)(a) of IGST Act 2017, Export of services is a zero-rated supply & A zero rated supply can be supplied without payment of tax under LUT as per section 16(3)(a) of that Act.
3	Shares are neither goods nor services, hence sale of shares is not liable to GST.
4	<ul style="list-style-type: none"> ⦿ As per para 5 of Schedule III to CGST Act 2017, Sale of building is neither a supply of goods nor a supply of services provided the entire consideration has been received after issue of completion certificate by competent authority or after its occupation, whichever is earlier. ⦿ Hence, the same is not liable to GST
5	Services by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest are exempt .
6	<ul style="list-style-type: none"> ⦿ As per section 17(3), value of exempt supply includes supplies on which the recipient is liable to pay tax on reverse charge basis, transactions in securities, sale of land and, subject to clause (b) of paragraph 5 of Schedule II, sale of building. ⦿ The value of exempt supply of land and building is the value adopted for paying stamp duty and for security is 1% of the sale value of such security. ⦿ Further, as per explanation to rule 42, the aggregate value of exempt supplies excludes the value of services of accepting deposits, extending loans or advances where the consideration is represented by way of interest or discount, except in case of a banking company or a financial institution including a non-banking financial company, engaged in supplying services of accepting deposits, extending loans or advances. ⦿ Therefore, value of exempt supply in given case will be the: <ul style="list-style-type: none"> ➤ sum of value of output supply on which tax is payable under RCM (₹ 9,00,000), ➤ value of sale of building ($\text{₹ }3,50,000 / 2 \times 100 = \text{₹ }1,75,00,000$) and ➤ value of sale of shares ($1\% \text{ of } \text{₹ }3,75,00,000 = \text{₹ }3,75,000$), which comes out to be ₹ 1,87,75,000. ⦿ Total turnover = ₹ 2,78,50,000 ($\text{₹ }21,00,000 + \text{₹ }9,00,000 + \text{₹ }15,00,000 + \text{₹ }3,75,000 + \text{₹ }15,00,000 + \text{₹ }30,00,000 + \text{₹ }1,75,00,000 + \text{₹ }6,00,000 + \text{₹ }3,75,000$)
7	<ul style="list-style-type: none"> ⦿ As per section 9(3) of CGST Act, Tax on legal services provided by an advocate to a business entity, is payable under reverse charge by the business entity. ⦿ Further, such services are not eligible for exemption provided under Exemption Notification as the turnover of business entity (Jankinandan Associates) in the preceding financial year exceeds ₹ 20 lakh.]
8	<ul style="list-style-type: none"> ⦿ As per section 49(4) amount available in electronic credit ledger may be used for making payment towards output tax. However, tax payable under reverse charge is not an output tax. ⦿ Therefore, input tax credit cannot be used to pay tax payable under reverse charge & thus, tax payable under reverse charge will have to be paid in cash.

Q.4 M/s Adityanath & Sons is a partnership firm which is registered under GST in the State of Uttar Pradesh. It is engaged in supplying three products – Product Alpha, Product Beta and Product Gamma, from its factory located in Rampur, Uttar Pradesh. Product Alpha and Product Beta are taxable whereas Product Gamma is exempt from GST. Besides, it also supplies cigarettes from its factory located in Kanpur and owns a petrol pump in Lucknow. It is also engaged in supply of certain services.

It has furnished the following information with regard to the supplies made by it in the month of August:

Particulars	(₹)*
Supply of Product Alpha	50,00,000
Supply of Product Gamma	1,00,00,000
Supply of management consultancy services	50,00,000
Renting of commercial complex to local traders of electronic goods	50,00,000
Export of Product Beta	1,00,00,000
Export of consultancy services [including exports made to a Nepal based company of ₹ 5 lakh (payment is received in Indian currency in said case)]	20,00,000
Sale of building (excluding stamp duty of ₹ 2.50 lakh being 2% of value adopted for paying stamp duty) [Entire consideration is received post issuance of completion certificate; building was occupied thereafter]	2,50,00,000
Interest received on investment in fixed deposits with Manimani bank	10,50,000
Sale of shares of a public company (Purchase price of such shares is ₹ 2,40,00,000)	2,50,00,000
Supply of cigarettes [GST being levied @ 40%.] (including excise duty of ₹ 12,50,000)	1,00,00,000
Supply of petrol & diesel (including VAT of ₹ 5,00,000 and excise duty of ₹ 12,50,000)	80,00,000
Amount received from Durga Das Private Limited of Lucknow, Uttar Pradesh. It has sponsored the business exhibition organized in Delhi by M/s Adityanath & Sons.	6,00,000

*excluding GST

With the help of the above-mentioned information, compute the gross GST liability of M/s Adityanath & Sons for the month of August on the outward supplies made by it during said period.

Note: Assume that rates of GST on outward supply of goods and services are 5% and 18% respectively unless otherwise specified (Ignore CGST, SGST or IGST for the sake of simplicity). Exports made by M/s Adityanath & Sons, if any, have been made to persons other than distinct/related persons and are made by furnishing LUT without payment of IGST. [CA Final RTP MAY 22]

Answer:-

Computation of gross GST liability on outward supply of M/s Adityanath & Sons for the month of August:-

Particulars	Value(₹)	GST(₹)
Supply of Product Alpha [Liable to GST @ 5%]	50,00,000	2,50,000
Supply of Product Gamma [Exempt from GST]	1,00,00,000	Nil
Supply of management consultancy services [Liable to GST @ 18%]	50,00,000	9,00,000
Renting of commercial complex to local traders of electronic goods [Note 1]	50,00,000	9,00,000
Export of Product Beta [Note 2]	1,00,00,000	Nil
Export of consultancy services [Note 3]	20,00,000	Nil
Sale of building [Note 4]	2,50,00,000	Nil
Interest received on investment in fixed deposits with Manimani Bank [Note 5]	10,50,000	Nil
Sale of shares [Note 6]	2,50,00,000	Nil
Supply of cigarettes (Liable to GST @ 40%) [Note 7]	1,00,00,000	40,00,000



Supply of petrol and diesel [Note 8]	80,00,000	Nil
Amount received from Durga Das Private Limited for sponsorship of the business exhibition [Note 9]	6,00,000	Nil
Total GST liability on outward supply		60,50,000

Notes:

1	<ul style="list-style-type: none"> ⦿ Services by way of renting of residential dwelling for use as residence to an unregistered person are exempt from GST. ⦿ Thus, renting of commercial complex is taxable and GST is payable on same @ 18%.
2	As per section 16(1)(a) of IGST Act 2017, Export of goods is a zero-rated supply & A zero rated supply can be supplied without payment of tax under LUT as per section 16(3)(a) of that Act.
3	<ul style="list-style-type: none"> ⦿ As per section 2(6) of IGST Act, The activity is an export of service if payment for service has been received in convertible foreign exchange or in Indian rupees wherever permitted by Reserve Bank of India. ⦿ Since in case of exports to Nepal, RBI regulations allow receipt of payment in Indian rupees, exports of services to Nepal are treated as 'normal exports' ⦿ As per section 16(1)(a) of IGST Act 2017, Export of services is a zero-rated supply & A zero rated supply can be supplied without payment of tax under LUT as per section 16(3)(a) of that Act.
4	<ul style="list-style-type: none"> ⦿ As per para 5 of Schedule III to CGST Act 2017, Sale of building is neither a supply of goods nor a supply of services provided the entire consideration has been received after issue of completion certificate by competent authority or after its occupation, whichever is earlier. ⦿ Hence, the same is not liable to GST.
5	Services by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest are exempt .
6	Shares are neither goods nor services, hence sale of shares is not liable to GST.
7	As per section 15(2)(a) of the CGST Act, Excise duty is included in the value as value of supply includes all taxes, duties, cesses other than GST.
8	As per section 9 of the CGST Act, Supply of petrol and diesel is not leviable to GST.
9	<ul style="list-style-type: none"> ⦿ As per section 9(3) of CGST Act, Tax on services provided by any person other than Body Corporate by way of sponsorship to any body corporate located in taxable territory is payable by the recipient (Durga Das Private Limited) under reverse charge. ⦿ Thus, tax on such services is not payable by M/s Adityanath & Sons

Q.5 Mr. Dinkar is the owner of Dinkar Associates which is registered in Ahmedabad, Gujarat. He is engaged in supply of various goods and services in the domestic market and exporting the same outside India. During the month of February, he has undertaken the following transactions:

Outward Supplies

- (i) Transferred the tenancy rights of a commercial complex (taken on rent) located in Vadodra for a tenancy premium of ₹ 10,00,000 to DB Morgan Ltd. of Ahmedabad, Gujarat. Stamp duty and registration fee have already been paid on the tenancy premium.
- (ii) Hired out excavators and dumpers along with operators to mining lease holders of Kuchchh, Gujarat for extracting and transporting minerals within the mining area for a period of 5 years. The excavators/dumpers are invariably hired out along with operators. Similarly, operators are supplied only when the excavators/dumpers are hired out. Hire charges for excavators and dumpers are ₹



10,00,000 and service charges for supply of manpower for operation of the excavators/dumpers - ₹ 2,00,000.

(iii) Supplied goods of value of ₹ 35,00,000 to Choksi Ltd. Jamnagar, Gujarat (including goods worth ₹10,00,000 supplied to SEZ unit of Choksi Ltd. in Gujarat).

(iv) Agreed to provide consultancy services to Mr. Krishna of Surat, Gujarat who is an unregistered person in connection with his newly commenced business for a consideration of ₹ 6,80,000. An advance of ₹ 1,50,000 has been received for the same on 10th February.

(v) Exported the goods to George Inc. of the USA. FOB value of the goods is ₹ 8,40,000.

(vi) Sold a heavy printing machinery purchased from Japan for ₹ 5,10,000 in high sea to Dhoomketu Printers, Mumbai, Maharashtra on 10th February.

(vii) Supplied goods to Timahi Corporation, China for ₹ 12,00,000 on 15th February. These goods were purchased for ₹ 10,00,000 from Jamsam Corporation, Japan on 5th February and were supplied in China without bringing them to India.

Inward Supplies

(i) The goods exported to George Inc., USA, were purchased by Mr. Dinkar as a merchant exporter for ₹ 7,00,000 from Shravan Ltd., a manufacturer registered in Bengaluru, Karnataka.

(ii) The heavy printing machinery sold in high sea to Dhoomketu Printers was originally imported by Mr. Dinkar from Japan on 2nd February, with CIF value of ₹ 5,00,000 and FOB value of ₹ 4,50,000.

(iii) Mr. Dinkar paid a sales commission of ₹ 5,00,000 to Mr. Kenzo of Japan, his agent in connection with all the imports from Japan.

(iv) Imported raw materials from Italy under a CIF contract. CIF value of the goods for the purpose of customs included ₹ 2,00,000 as ocean freight paid by the exporter on transport of goods through vessel from port of shipment to port of import. The value for the purpose of levy of IGST worked out by the customs was ₹ 9,00,000.

(v) Purchased raw cotton for manufacture of garments for ₹ 12,00,000 from Mr. Poonawala, an agriculturist of Kuchch, Gujarat.

(vi) Monthly rent of ₹ 35,00,000 payable to Dharam Ltd., Gujarat, for the retail outlet (a commercial property) in Ahmedabad, Gujarat (one third of total space available is used by Mr. Dinkar for personal residential purposes).

Compute the net GST payable in cash [CGST and SGST or IGST, as the case may be], by Mr. Dinkar for February.

Notes:

A. Rates of CGST, SGST and IGST for hiring out of excavators and dumpers are 2.5%, 2.5% and 5%. As regards the supply received as a merchant exporter, Mr. Dinkar paid GST at the concessional rates by fulfilling all requisite conditions thereof. Rates of CGST, SGST and IGST for all the other supplies of goods and services including supply of manpower services are 9%, 9% and 18%. Ignore GST compensation cess.

B. Mr. Dinkar had an opening balance of ITC of CGST of ₹ 11,000 and SGST of ₹ 11,000 for the relevant period. In respect of all the inward supplies, suppliers have uploaded their invoices in respective Form GSTR-1 and the supplies are reflected in Form GSTR 2B.

C. All the figures given above are exclusive of GST, wherever applicable. The amounts given in respect of import and export transactions in rupees have been arrived after conversion thereof, though transactions were undertaken in convertible foreign currency.

D. Mr. Dinkar always makes zero-rated supplies under a bond or letter of undertaking (LUT).

Provide supporting explanatory notes for your conclusion wherever required. [CA Final RTP Nov 24]



Answer:- Computation of Net GST payable in cash, by Mr. Dinkar:

Particulars	Value	IGST (₹)	CGST (₹)	SGST (₹)
GST payable on outward supplies				
Transfer of tenancy rights [Note 1]	8,00,000	-	90,000 (10,00,000 *9%)	90,000 (10,00,000 *9%)
Hiring out excavators and dumpers including operators [Note 2]	12,00,000 (10,00,000 + 2,00,000)		30,000 (12,00,000 * 2.5%)	30,000 (12,00,000 *2.5%)
Goods supplied to SEZ unit of Choksi Ltd [Note 3]	10,00,000	Nil		
Supply of goods to Choksi Ltd., Gujarat [Note 4]	25,00,000 (35,00,000 - 10,00,000)		2,25,000 (25,00,000 *9%)	2,25,000 (25,00,000 *9%)
Advance received for the consultancy services to be provided to Mr. Krishna [Note 5]	1,50,000		13,500 (1,50,000 *9%)	13,500 (1,50,000 *9%)
Export of goods to USA under LUT/bond [Note 6]	8,40,000	Nil		
High sea sales of heavy printing machinery imported from Japan [Note 7]	Nil			
Goods purchased from Japan sold in China without bringing them into India [Note 8]	Nil			
Total Output Tax		Nil	3,58,500	3,58,500
Less: ITC (Refer Working Note) [Note 9]				
IGST: 1,62,700			(81,350)	(81,350)
CGST: 3,29,000			(2,77,150)	X
SGST: 3,29,000			X	(3,29,000)
Net GST payable		Nil	Nil	Nil
Add: GST payable on inward supplies				
Imported raw material from Italy	9,00,000	1,62,000 (9,00,000 *18%)		
Raw material purchased from Mr. Poonawala, Gujarat [Note 10]	12,00,000		1,08,000 (12,00,000 *9%)	1,08,000 (12,00,000 *9%)
Total net GST payable in cash [Note 11]		1,62,000	1,08,000	1,08,000

Working Note: Computation of admissible ITC for February:

Particulars	Value (₹)	IGST (₹)	CGST (₹)	SGST (₹)
Opening balance [Given]			11,000	11,000
Goods purchased as merchant exporter [Note 12]	7,00,000	700		
Heavy printing machinery imported from Japan [Note 13]	Nil			
Goods purchased from Jamsam Corporation, Japan [Note 14]	Nil			



Sales commission paid to agent - Mr. Kenzo [Note 15]	5,00,000			
Imported raw material from Italy [Note 16]	9,00,000	1,62,000 (9,00,000 *18%)		
Raw cotton purchased from Mr. Poonawala, Gujarat [Note 17]	12,00,000		1,08,000 (12,00,000 *9%)	1,08,000 (12,00,000 *9%)
GST paid on monthly rent [Note 18]	35,00,000		2,10,000 [35,00,000 * 9%*2/3]	2,10,000 [35,00,000 * 9%*2/3]
Total ITC available		1,62,700	3,29,000	3,29,000

Notes:-

1.	<ul style="list-style-type: none"> ⌚ As per CBIC Clarification, Transfer of tenancy rights to a new tenant against consideration in the form of tenancy premium is taxable even though stamp duty and registration fee have been paid on the same. ⌚ It is an intra-State supply since place of supply is location of immovable property being Ahmedabad, Gujarat.
2.	<ul style="list-style-type: none"> ⌚ Taxable since renting of trucks and other freight vehicles with driver for a period of time is a service of renting of transport vehicles (with operator) and not service of transportation of goods by road. ⌚ Further, since the excavators and dumpers are invariably hired out along with operators and the operators are supplied only when the excavators/ dumpers are hired out, it is a case of composite supply u/s 2(30) wherein the principal supply is the hiring out of the excavators and dumpers. ⌚ As per section 8(a), the composite supply is treated as the supply of the principal supply. ⌚ Therefore, the supply of manpower for operation of the excavators/ dumpers will also be taxed at the rate applicable for hiring out of the excavator and dumpers (principal supply). ⌚ Further, it is a taxable intra-State supply since place of supply is location of recipient being Kuchchh, Gujarat.
3.	<ul style="list-style-type: none"> ⌚ As per Sec 16(1)(b) of the IGST Act 2017, Supply to SEZ unit is a zero-rated supply. ⌚ No IGST is payable since Mr. Dinkar makes all zero-rated supplies under LUT/bond.
4.	As per Sec 10(1)(a) of the IGST Act 2017 , It is a taxable as intra- State supply since place of supply is location of goods when movement of such goods terminates, viz., Jamnagar, Gujarat.
5.	<ul style="list-style-type: none"> ⌚ Tax on the services to be provided is payable at the time of receipt of advance. ⌚ Since the place of supply is location of recipient, i.e. Gujarat, it is an intra- State supply.
6.	<ul style="list-style-type: none"> ⌚ As per Sec 16(1)(b) of the IGST Act 2017, Export of goods outside India is zero-rated supply. ⌚ No IGST is payable since Mr. Dinkar makes all zero- rated supplies under LUT/bond.
7.	High sea sales is neither treated as supply of goods nor as supply of services. [Para 8(b) of Sch III]
8.	Third country shipments or triangular trade is neither treated as supply for goods nor as supply of services. [Para 7 of Schedule III]
9.	<ul style="list-style-type: none"> ⌚ IGST credit has been utilized for payment of CGST and SGST liability in equal proportion. ⌚ Thereafter, CGST credit and SGST credit have been utilized to pay the CGST liability and SGST liability respectively.
10.	Tax on the raw cotton purchased by any registered person from an agriculturist is payable under reverse charge .



11.	<ul style="list-style-type: none"> ⇒ CGST & SGST of ₹ 1,08,000 each will be paid in cash through GSTN portal. ⇒ IGST of ₹ 1,62,000 will be paid in cash through ICEGATE portal while making customs clearance.
12.	<ul style="list-style-type: none"> ⇒ It is an inter-State supply since the place of supply is Gujarat, i.e. location where the movement of goods terminates. ⇒ Shravan Ltd. would have supplied the goods to merchant exporter – Mr. Dinkar - at concessional rate of IGST of 0.1%. ⇒ Further, the merchant exporter is eligible to take ITC of concessional IGST so paid.
13.	No ITC is available since tax is not payable by Mr. Dinkar on the same since in case of high sea sales, IGST is paid by the last high sea sales buyer who clears the goods for home consumption by filing the bill of entry.
14.	No ITC is available since tax is not payable by Mr. Dinkar on the same as goods do not become part of the landmass of the country.
15.	<ul style="list-style-type: none"> ⇒ As per section 13(8)(b) of the IGST Act 2017, Since service provider - Mr. Kenzo - is an intermediary in the given transaction, place of supply is location of supplier - Mr. Kenzo, i.e. outside India (Japan). ⇒ Since location of supplier and place of supply are outside India, tax is not payable on said transaction under reverse charge on said services.
16.	<ul style="list-style-type: none"> ⇒ As per Sec 2(62), Input tax includes IGST charged on import of goods. ⇒ No separate levy of IGST will be there on the component of ocean freight paid by the foreign exporter to the foreign shipping line in the CIF contract by virtue of Union of India vs. Mohit Minerals Pvt. Ltd. ⇒ Since the Indian importer is liable to pay IGST on the 'composite supply', comprising of supply of goods and supply of services of transportation, insurance, etc. in a CIF contract.
17.	<ul style="list-style-type: none"> ⇒ As per Sec 10(1)(a) of the IGST Act 2017, It is an intra-State supply since the place of supply is location where movement of goods terminates, i.e. Gujarat. ⇒ As per Sec 16, ITC on goods used in course or furtherance of business is allowed.
18.	<ul style="list-style-type: none"> ⇒ In case of services used partly for the business purpose and partly for other purposes, ITC is restricted to so much of ITC as is attributable to the purposes of business. ⇒ Thus, ITC for GST paid on only 2/3rd of monthly rent is available since GST paid on monthly rent attributable to personal purposes (one-third) is not allowed. ⇒ Further, As per section 12(3) of the IGST Act 2017, it is an intra-State supply since the place of supply of services provided in relation to an immovable property is location of immovable property, i.e. Gujarat.

Q.7 Jupiter Chemicals Ltd. (JC) is a manufacturer of industrial chemicals. It has its factory at Haridwar, Uttarakhand and is registered under GST. It has its subsidiary company, Angel Traders Pvt. Ltd. (AT), with holding of 75% of its share capital. AT is engaged in trading of chemicals manufactured by JC in North India and is registered under GST in Delhi at ehouse address. JC has also appointed a consignment agent - Popular Distributors (PD) - in Chennai which is catering the Southern India market & issuing invoice in his own name . JC has also setup a state of art research and development centre along with laboratory near the Haridwar factory and undertakes testing and development services for chemicals from outside customers across the country. Following information is available for the month of April 20XX of JC Haridwar:

S.No.	Particulars	(₹)
i.	JC supplies the chemicals to PD Chennai during the month. (PD sold the above said goods to the unrelated wholesalers in the States of Tamil Nadu and Andhra Pradesh for ₹ 60,00,000 during the same month). Open market value is ₹ 55,00,000	45,00,000



ii.	JC supplied chemicals to AT during the month. (AT further sold the said chemicals to unrelated retailers in Delhi for ₹ 42,00,000 and AT is not eligible for full input tax credit). Open Market value is ₹ 38,00,000	30,00,000
iii.	JC exports chemicals to South Africa with payment of IGST and consideration for the same was received in convertible foreign exchange.	28,00,000
iv.	JC provided inter-State supply of testing services to various customers during the month	8,50,000
v.	Supply of chemical to one of its customers in Mumbai who required the chemical to be tested before dispatch and subject to test report coming according to his parameters. Testing was successful and testing charges of ₹ 50,000 were charged extra.	6,50,000 (excluding testing charges)
vi.	Supply of chemical at subsidized rate for research & development activity not related to the business of JC to an unrelated charitable association in Haridwar, Uttarakhand. Open market value of the chemical is ₹ 6,50,000.	5,00,000

Assume that the rates of GST on chemicals are IGST- 5%, CGST-2.5% and SGST-2.5%, and on testing and development services are IGST-18%, CGST-9% and SGST-9%.

You are required to determine the taxable value (most beneficial) and GST liability (IGST, CGST and SGST separately) of Jupiter Chemicals (JC) Haridwar for the month of April 20XX.

[CA Final Dec 21 Exam]

Answer:- Determination of taxable value and GST liability of Jupiter Chemicals (JC) Haridwar for the month of April 20XX:

SNo.	Particulars	Taxable Value	IGST (₹)	CGST (₹)	SGST (₹)
i)	Inter-State supply of chemicals to consignment agent – PD, Chennai [Value, at the option of supplier, is: (i) Open market value (OMV) [55,00,000] or (ii) 90% of ₹60,00,000 which is the price charged for supply of goods of like kind and quality by recipient to his unrelated customer, where goods are intended for further supply by the said recipient which comes to ₹ 54,00,000. (Refer Assumption 1)]	54,00,000*	2,70,000 [54,00,000 × 5%]		
ii)	Inter-State supply of chemicals to related person - AT [Value of supply of goods to a related person who further supplies such goods as such, at the option of supplier, is: (i) OMV, if OMV is available [₹ 38,00,000] or (ii) 90% of ₹ 42,00,000 which is the price charged for supply of goods of like kind and quality by recipient to his unrelated customer, where goods are intended for further supply by the said recipient which comes to ₹ 37,80,000. (Refer Assumption 2)]	37,80,000*	1,89,000 [37,80,000 × 5%]		
iii)	Export of chemicals to South Africa	28,00,000	1,40,000 [28,00,000 × 5%]		



iv)	Inter-State supply of testing services	8,50,000	1,53,000 [8,50,000 × 18%]		
v)	Inter-State supply of chemical to customer in Mumbai [Any amount charged for anything done by supplier in respect of supply of goods at the time of/before delivery of goods is includable in the value of supply.]	7,00,000	35,000 [7,00,000 × 5%]		
vi)	Intra-State supply of chemical to an unrelated charitable association in Haridwar [In case of supply made to unrelated recipient where price is the sole consideration for supply, value of the supply is the transaction value which is price actually paid for the supply.]	5,00,000		12,500 [5,00,000 × 2.5%]	12,500 [5,00,000 × 2.5%]
Total		1,40,30,000	7,87,000	12,500	12,500

***Note:** Since the question requires to compute the most beneficial taxable value of supply, **lower** of the two values has been taken as value of supply.

Assumptions:-

1. It is assumed that the expression "above said goods" in question means goods of like kind and quality.
2. It is assumed that the expression "said chemicals" in question means goods of like kind and quality.

Q.8 Motopower Pvt. Ltd., registered under GST, is engaged in the manufacture of 5-seater luxury cars at its factories located in the States of Rajasthan, Uttar Pradesh and Gujarat.

The company has obtained registration in each of these States. It also enters into contracts for providing these cars on rent to corporate clients wherein the cost of fuel is included in the value of supply.

The company reports the following details for a tax period pertaining to its factory located in Gujarat:

Payments	(₹)(in lakh)	Receipts	(₹)(in lakh)
Raw material	4.50	Sales	30
Rent paid	1.00	Car rental income	0.50
Consumables	1.50	Income from services provided to Gujarat Government administration	2.50
Security services	0.70		
General insurance of cars manufactured	2.50		
Works contract services	1.60		
Audit fee	0.50		
Bank charges	0.10		
Membership of Automobile Association	0.10		

All the above amounts are exclusive of all kinds of taxes, wherever applicable. However, the applicable taxes have also been paid by the company.

Further, following additional details are furnished by the company in respect of the payments and receipts reported by it:

- (i) Raw materials worth ₹ 0.50 lakh, purchased from a registered supplier located in Gujarat, were destroyed due to fire in the factory and thus, could not be used in the manufacturing process. Remaining raw material has been procured from various vendors located in Maharashtra.
- (ii) Rent has been paid for the factory building located in Gujarat to its owner registered in Gujarat.
- (iii) Payment for security services (services provided by way of supply of security personnel) for the tax



period has been made to Safe and Secure Solutions Pvt. Limited, a company located in Gujarat and not registered under GST.

- (iv) General insurance services have been availed from Divided Insurance Company Ltd. registered in Gujarat.
- (v) Works contract services, availed from Chitra Builders, Gujarat, have been used by the company for construction of a foundation on which machinery to be used in the production process is to be mounted permanently.
- (vi) Audit fee is paid to a firm of Chartered Accountants - M/s Pandya & Associates (registered in West Bengal with an aggregate turnover of ₹ 30 crores in the preceding financial year) - for conducting the statutory audit of the company in the preceding financial year. The firm raises an e-invoice without IRN (Invoice Reference Number) for said services.
- (vii) Bank charges are towards various services availed by the company during a month with regard to its current account maintained with Manimani Bank, registered in Gujarat. The bank issued a consolidated tax invoice for all such services at the end of the month containing the details of tax charged, description of services, total value, GSTIN of the bank and Motopower Pvt. Ltd.
- (viii) Automobile Association is registered in the State of Gujarat.

(ix) The breakup of sales is as under:

Sales in Gujarat - ₹ 14 lakh

Sales in States other than Gujarat - ₹ 6 lakh

Exports under Letter of Undertaking (LUT) - ₹ 10 lakh

(x) Car rental income pertains to renting of cars to Jamaze Travels Ltd., registered in Gujarat and cost of fuel is included in the value of said supply. Further, consumables, procured from registered suppliers located in Gujarat, include diesel (excise and VAT paid) worth ₹ 0.75 lakh used for running the cars so rented out to Jamaze Travels Ltd. Assume that except diesel, no other input/input services is used in providing car renting service.

(xi) Services provided to Gujarat Government administration are under a Health Training programme. 51% of the total expenditure for said programme is borne by Gujarat Government.

(xii) The opening balance of ITC with the company for the tax period is:

CGST - ₹ 0.50 lakh

SGST - ₹ 0.26 lakh

IGST - ₹ 0.35 lakh

Compute the total ITC available with Motopower Pvt. Ltd. for the given tax period and net GST payable [CGST, SGST or IGST, as the case may be] from Electronic Cash Ledger by Motopower Pvt. Ltd. for the given tax period.

Notes-

(A) CGST, SGST & IGST rates on all inward and outward supplies are 9%, 9% and 18% respectively, except on renting of cars wherein CGST, SGST & IGST rates are 2.5%, 2.5% and 5% respectively.

It is important to note that credit of input tax charged on goods and services used in supplying the service of transport of passengers by any motor vehicle designed to carry passengers where the cost of fuel is included in the consideration charged from the service recipient, is not available except the credit of the input service in the same line of business.

(B) The necessary conditions for availing ITC have been complied with by Motopower Pvt. Ltd., wherever applicable.

You are required to make suitable assumptions, wherever necessary. [CA Final RTP Nov 22]



Answer:- Computation of ITC available with Motopower Pvt. Ltd. for the given tax period:

S. No.	Particulars	Value of Supply (₹)	ITC			
			IGST (₹)	CGST (₹)	SGST (₹)	Total (₹)
1	Opening balance of ITC		35,000	50,000	26,000	1,11,000
2	Raw Materials [₹ 4,50,000 – ₹ 50,000] [Note 1]	4,00,000	72,000	–	–	72,000
3	Rent paid for the factory building [Note 2]	1,00,000	–	9,000	9,000	18,000
4	Consumables procured from suppliers in Gujarat [₹ 1,50,000 – ₹ 75,000] [Note 3]	75,000	–	6,750	6,750	13,500
5	Security services [Note 4]	70,000	Nil	Nil	Nil	Nil
6	General insurance of cars manufactured [Note 5]	2,50,000	–	22,500	22,500	45,000
7	Works contract services [Note 6]	1,60,000	–	14,400	14,400	28,800
8	Audit fee [Note 7]	50,000	Nil	Nil	Nil	Nil
9	Bank charges [Note 8]	10,000	–	900	900	1,800
10	Membership of Automobile Association [Note 9]	10,000	–	900	900	1,800
Total ITC available for the tax period			1,07,000	1,04,450	80,450	2,91,900

Computation of net GST payable:

Particulars	Value of Supply (₹)	ITC			
		IGST (₹)	CGST (₹)	SGST (₹)	Total (₹)
Intra-State sales in Gujarat	14,00,000	-	1,26,000	1,26,000	2,52,000
Inter-State sales other than Gujarat	6,00,000	1,08,000	-	-	1,08,000
Exports under LUT [Note 10]	10,00,000	Nil	Nil	Nil	Nil
Car rental income (Taxable @ 2.5% CGST and SGST each) [Note 11]	50,000	-	1,250	1,250	2,500
Income from services provided to Gujarat Government [Note 12]	2,50,000	-	22,500	22,500	45,000
Total output tax liability		1,08,000	1,49,750	1,49,750	4,07,500
Less: ITC available for being set off [Note 13, Note 14 and Note 15]		(1,07,000)	(1,04,450)	(80,450)	(2,91,900)
Net GST payable from Electronic Cash Ledger		1,000	45,300	69,300	1,15,600

Notes:

1	<ul style="list-style-type: none"> As per section 16(1) of the CGST Act, ITC of input tax paid on raw materials used in the course or furtherance of business is available. However, ITC is blocked on destroyed inputs as per section 17(5)(h).
2	ITC on rent paid is available as the said service is used in the course or furtherance of business. [Sec 16(1)]
3	<ul style="list-style-type: none"> As per section 16(1) of the CGST Act, ITC on consumables, being inputs used in the course or furtherance of business is available. However as per section 9(2), levy of GST on diesel has been deferred till such date as may be notified by the Government on recommendations of the GST Council. Hence, there being no levy of GST on diesel, there cannot be any ITC since VAT & excise paid are not covered in the definition of input tax.



	<ul style="list-style-type: none"> Moreover, ITC charged on goods & services used in supplying the service of transport of passengers by any motor vehicle designed to carry passengers where the cost of fuel is included in the consideration charged from the service recipient, is not available except the ITC of the input service in the same line of business. Thus, ITC on diesel will not be available.
4	<ul style="list-style-type: none"> As per section 9(3) of the CGST Act, Tax on security services (services provided by way of supply of security personnel) provided by a non-body corporate to a registered person is payable under reverse charge. Since in the given case, security services have been provided by a body corporate - Safe and Secure Solutions Pvt. Limited to a registered person - Motopower Pvt. Ltd., GST on the same is payable under forward charge. However, since Safe and Secure Solutions Pvt. Limited is not registered under GST, it would not have charged GST on the said services and hence, no ITC is available.
5	<ul style="list-style-type: none"> As per section 17(5)(a) of the CGST Act, ITC on motor vehicles for transportation of persons is allowed, provided such vehicles are further supplied by the supplier. As per section 17(5)(ab), ITC is allowed on general insurance services relating to motor vehicles, ITC on which is allowed.
6	<ul style="list-style-type: none"> As per Section 17(5)(c) of the CGST Act, ITC is blocked in respect of works contract services when supplied for construction of an immovable property (other than plant and machinery except where it is an input service for further supply of works contract service). Further, the term "plant and machinery" means machinery fixed to earth by foundation or structural support that are used for making outward supply and includes such foundation /structural support. Thus, ITC is available in respect of works contract service availed by Motopower Pvt. Ltd. as the same is used for construction of plant and machinery which is not blocked.
7	<ul style="list-style-type: none"> As per section 16(1) of the CGST Act, Audit fee are the services used in the course/furtherance of business and thus, credit of input tax paid on such service will be available. M/s Pandya & Associates is required to issue an e-invoice for audit services as -invoicing is mandatory for the registered persons whose aggregate turnover in any of the preceding financial years from 2017-18 onwards exceed ₹ 5 crores. However, an e-invoice without IRN is not treated as an invoice as per rule 48(5) and hence, without a valid document, ITC cannot be claimed on such input services.
8	<ul style="list-style-type: none"> As per section 16(1) of the CGST Act, Bank charges are services used in the course/ furtherance of business and thus, credit of input tax paid on such service will be available. However, ITC can be claimed only on the basis of valid documents. In case of a banking company, as per rule 54(2), a consolidated tax invoice issued for supply of services made during a month at the end of the month containing the details of tax charged, description of services, total value, GSTIN of the supplier and the recipient is deemed to be a tax invoice. Thus, ITC pertaining to the banking services received is allowed.
9	<ul style="list-style-type: none"> As per section 17(5)(b)(ii) of the CGST Act, ITC is blocked on membership of a club, health and fitness centre. The membership fee paid by a automobile company to Automobile Association is not covered under said section as it is distinct from membership of a club. Hence, ITC thereon is available.
10	As per section 16(1)(a) of IGST Act 2017, Export of goods is a zero-rated supply & A zero rated supply can be supplied without payment of tax under LUT as per section 16(3)(a) of that Act.

11	<ul style="list-style-type: none"> ⦿ As per section 9(3) of the CGST Act, Tax on services provided by way of renting of any motor vehicle designed to carry passengers where the cost of fuel is included in the consideration charged from the service recipient is payable under reverse charge only when said service is provided by a non-body corporate to a body corporate and & an invoice charging GST @ 18% is not issued to service recipient. ⦿ Since in the given case, said services are provided by a body corporate - Motopower Pvt. Ltd. to another body corporate – Jamaze Travels Ltd., GST is payable under forward charge by Motopower Pvt. Ltd. on the same.
12	<ul style="list-style-type: none"> ⦿ Services provided to the Central Government, State Government, Union territory administration under any training programme for which 75% or more of the total expenditure is borne by the CG, SG, UT administration are exempt from GST. ⦿ However, in the given case, since the total expenditure borne by the Gujarat Government is less than 75%, services provided to it by Motopower Pvt. Ltd. are liable to GST.
13	<p>As per Section 16 of the IGST Act read with section 17(2) of the CGST Act, Since export of goods is a zero-rated supply, apportionment of ITC is not required and instead, full credit will be available.</p>
14	<p>As per section 49(5) read with rule 88A of the CGST Act 2017, ITC of-</p> <ul style="list-style-type: none"> ⦿ IGST is utilised towards payment of IGST first and then CGST and SGST in that order. ⦿ CGST is utilised towards payment of CGST first and then IGST. ITC of CGST shall be utilized only after ITC of IGST has been utilised fully. ⦿ SGST is utilised towards payment of SGST first and then IGST. ITC of SGST shall be utilized only after ITC of IGST has been utilised fully.
15	<p>Since the value of taxable supply other than zero-rated supply in the given tax period (₹ 14 lakh + ₹ 6 lakh + ₹ 0.50 lakh + ₹ 2.50 lakh) does not exceed ₹ 50 lakh, provisions of rule 86B are not applicable and Motopower Ltd. can discharge its entire output tax liability for said period from the electronic credit ledger.</p>
16	<ul style="list-style-type: none"> ⦿ CGST and SGST are chargeable on intra-State inward & outward supplies and IGST is chargeable on inter-State inward & outward supplies. ⦿ Rate of CGST, SGST and IGST applied is 9%, 9% and 18% except in case of renting of cars wherein the rate of CGST and SGST applied is 2.5% and 2.5% respectively

Q.11 M/s Diva Fashions (Proprietor Ms. Diva), a registered supplier in Ludhiana (Punjab) under GST law, has made the following supplies in the month of February 20ZZ:

- (i) Supply of designer silk dresses packed in designer boxes to a boutique in Mumbai, (Maharashtra) as per contract entered with the boutique amounting to ₹ 25,00,000.
- (ii) Supply of 600 kits (at ₹ 1,000 each kit) amounting to ₹ 6,00,000 to Mrs. Arora in Amritsar (Punjab). Each kit consisted of 1 silk dupatta, 1 sari brooch and 1 lipstick.
- (iii) M/s Diva Fashions organizes a fashion show in Chandigarh. Zion Exports Ltd, a registered entity in Jaipur (Rajasthan) has sponsored the show for which M/s Diva Fashions received ₹ 7,50,000 from it.
- (iv) 200 kits are given as free gifts to customers on the occasion of 5th anniversary of M/s Diva Fashions. Each kit consists of 1 silk dupatta and 1 sari brooch. Cost of each kit is ₹ 350. The open market value of such kit of goods and of goods of like kind and quality is not available. Input tax credit has not been taken on the goods contained in the kit.
- (v) Professional services provided free of cost by Ms. Diva to her independent married sister to set up her own boutique in Delhi. Cost of providing such services is ₹ 1,00,000, but the open market value of such services and of services of like kind and quality is not available.
- (vi) M/s Diva Fashions enters into a contract on 1st February 20XX for 3 years with Miss Shikha, a local



model to act as a brand ambassador for their products for ₹ 1 lakh (exclusive of GST - 18% IGST, 9% CGST and SGST each) per annum. Miss Shikha terminated the contract on 2nd February 20ZZ. As per the contract, M/s Diva Fashions received 25% of the total contract fees paid to Miss Shikha as the contract is terminated before 3 years, on 15th February, 20ZZ. Miss Shikha had received the contract fee for 2 years at the time of termination of the contract.

Other information is given below -

- All above amounts are exclusive of GST.
- Mrs. Arora paid interest of ₹ 8,850 (inclusive of GST) for delay in making payment to M/s Diva Fashions.
- Assume rates of GST as under:

S.No.	Particulars	Rate of IGST	Rate of CGST	Rate of SGST
1	Silk Dresses	18%	9%	9%
2	Designer Boxes	40%	20%	20%
3	Silk Dupatta	5%	2.5%	2.5%
4	Sari Brooch	18%	9%	9%
5	Lipstick	5%	2.5%	2.5%
6	Sponsorship received from Zion Exports Ltd.	40%	20%	20%
7	Professional services	18%	9%	9%

From the above information, compute the total GST liability of M/s Diva Fashions for the month of February 20ZZ. Working notes should form part of your answer.

[CA Final May 19, May 23 Exam]

Answer :- Computation of total GST liability of M/s Diva Fashions for the month of February 20ZZ:

Particulars	Amount (₹)	IGST (₹)	CGST (₹)	SGST (₹)
Supply of silk dresses in designer boxes [Note 1]	25,00,000	4,50,000	-	-
Supply of kits of silk dupatta, sari brooch and lipstick [Note 2]	6,00,000	-	54,000	54,000
Sponsorship services [Note 3]	7,50,000	Nil	-	-
Free gifts to customers [Note 4]	Nil	-	-	-
Professional services provided free of cost [Note 5]	Nil	-	-	-
Fee received for termination of contract [Note 6]	Nil	-	-	-
Interest received for delayed payment (excluding GST) [Note 7]	7,500 (8,850* 100/118)	-	675	675
GST Liability		4,50,000	54,675	54,675

Notes:

1	Since supply of silk dresses in designer boxes is naturally bundled, it is a composite supply which is treated as the supply of the principal supply (viz. silk dresses). Accordingly, rate of principal supply , i.e. silk dresses will be charged.
2	Since supplies are not naturally bundled and a single price is being charged, it is a mixed supply . It is treated as supply of that particular supply which attracts highest tax rate (i.e., sari brooch).
3	Since sponsorship services are provided to a body corporate - Zion Exports Ltd., tax is payable under reverse charge by recipient.



4	Not a supply as it is made without consideration and is also not covered in Schedule I because customers are not related persons.
5	Not a supply as it is made without consideration and is also not covered in Schedule I because sister being independent is not a related person.
6	Being 'liquidated damages', they are merely compensation for loss due to breach of the contract and not the consideration for tolerating non-performance of contract.
7	Includible in value of original supply. Further, since it is received in February itself, time of supply is when it is received i.e. February.

Q.14 M/s BBV Ltd. of Nagpur, registered under GST in the State of Maharashtra, is engaged in providing following types of outward supplies:

- (i) Manufacture of taxable product 'D'
- (ii) Service of hiring of trucks
- (iii) Services on which tax payable under reverse charge
- (iv) Other supplies

M/s BBV Ltd. has provided the following details related to the outward supplies for the month of October, 20YY:

S.No.	Particulars	Amount (₹)
1	Export of product 'D' with payment of IGST	16,50,000
2	Product 'D' supplied under a Letter of Undertaking (LUT) to M/s CFF Pvt. Ltd. located in a SEZ in the state of Maharashtra.	9,00,000
3	Expt of product 'D' under Letter of Undertaking (LUT)	11,00,000
4	Domestic outward supply turnover of product 'D'	46,00,000
5	Domestic Turnover of other outward services on which tax is payable under reverse charge	8,00,000
6	Sale of securities (Purchased at ₹36,00,000 in the month of January 20YY)	42,00,000
7	Outward supply of Hiring of trucks to M/s ABB, a Goods Transport Agency for transportation of goods.	7,00,000
8	Sale of land (excluding stamp duty value of ₹ 2,80,000, being 2% of value considered for the purpose of stamp duty)(Land was purchased in the month of November 20XX)	1,25,00,000
9	Interest received on investment in fixed deposits with a public sector bank.	2,51,000

Details of inward supplies for the month of October, 20YY:

S.No.	Particulars	Amount (₹)
1	Common input and input services used for outward supply of goods and services mentioned above: a)Inputs - ₹ 10,00,000 b)Input services - ₹ 4,00,000 Nothing has been used for any non-business purpose	14,00,000
2	Freight paid in relation to product 'D' to an unregistered Goods Transport Agency, used in relation to taxable supply only.	75,000

Notes:

1. All the amounts given above are exclusive of GST, wherever applicable.

There is no opening balance of any input tax credit. Assume that all the conditions necessary for availing the input tax credit have been fulfilled including that details of GST paid on inward supplies are available in GSTR 2B.



2. Assume that all the domestic transactions of company are inter-State and that rate of IGST on goods and services are 5% and 18% respectively, however, rate for goods transport agency service to be considered as 5%.
3. Company is not covered under any of the exception provided in rule 86B of the CGST Rules, 2017 regarding restriction on use of available input tax credit.

Compute the net minimum GST liability of M/s BBV Ltd., to be paid in cash if any, after utilizing Input tax credit if any, for the month of October, 20YY.

Note: Legal explanations for each point should form part of your answer. [CA Final May 25 Exam]

Answer :-Computation of ITC available with Bhama Ltd. for April:

Particulars	Amount (₹)	IGST (₹)
Export of product 'D' with payment of tax [Note 1]	16,50,000	82,500 [16,50,000 x 5%]
Product 'D' supplied to SEZ under LUT [Note 2]		-
Export of product 'D' under LUT [Note 3]		-
Domestic outward supply of Product 'D'	46,00,000	2,30,000 [46,00,000 x 5%]
Outward services taxable under reverse charge [Note 4]		
Sale of securities [Note 5]		
Supply of hiring of trucks to GTA [Note 6]		
Sale of land [Note 7]		
Interest received on investments [Note 8]		
Total Output Tax		3,12,500
Less: ITC [Note 9] [Working Note]		(46,886)
Net GST payable [Note 10]		2,65,614
Add: Tax on services received by the registered recipient from unregistered GTA is payable under reverse charge	75,000	3,750
Minimum net GST payable in cash		2,69,364

Working note: Computation of eligible ITC available for set off:

Particulars	IGST (₹)
Common credit on inputs	10,00,000 50,000 [10,00,000 x 5%]
Common credit on input services	4,00,000 72,000 [4,00,000 x 18%]
Freight paid [Note 11] [Since used exclusively for taxable supply, ITC is fully available.]	3,750 [75,000 x 5%]
Less: Common credit attributable to exempt supplies (rounded off) = Common credit on inputs and input services x (Exempt turnover during the period / Total turnover during the period) = ₹ 1,22,000 x ₹ 1,55,42,000 / ₹ 2,40,43,000 Exempt turnover = ₹ 1,55,42,000 [Note 12] and Total turnover = ₹ 2,40,43,000 [Note 13]	(78,864)
Total ITC eligible for set-off	46,886



Notes:-

1.	Since exports are inter-State supplies, IGST is payable on them.																
2.	Supply to a SEZ unit is a zero- rated supply. Further, no tax is payable since goods are supplied under LUT.																
3.	Export is a zero-rated supply. Further, no tax is payable since goods are supplied under LUT.																
4.	No tax is payable since recipient is liable to pay tax.																
5.	Since securities are neither goods nor services, sale of securities is not a supply.																
6.	Exempt, since services by way of giving on hire to a GTA, a means of transportation of goods, are exempt.																
7.	Sale of land is neither supply of goods nor supply of services, as it is covered in Schedule III. Thus, it is not a supply.																
8.	Services by way of extending deposits in so far as the consideration is represented by way of interest are exempt.																
9.	ITC of IGST is being utilized for set-off of IGST liability.																
10.	Since the value of supply in October month exceeds ₹ 50 lakh, at least 1% of output tax liability is to be paid in cash, in terms of rule 86B. However, since in the given question, ITC available is much less than 99% of the output tax liability, there is no need for any adjustment of amount utilized from electronic credit ledger.																
11.	Since used exclusively for taxable supply, ITC is fully available.																
12.	<p>Computation of Exempt turnover:</p> <table border="1"> <thead> <tr> <th>Particulars</th> <th>Amount (₹)</th> </tr> </thead> <tbody> <tr> <td>Exempt turnover includes:</td> <td></td> </tr> <tr> <td>(i) Supply of hiring of trucks to GTA</td> <td>7,00,000</td> </tr> <tr> <td>(ii) Services taxable under reverse charge</td> <td>8,00,000</td> </tr> <tr> <td>(iii) Sale of securities (Value of exempt supply in respect of security is 1% of the sale value of such security) &</td> <td>42,000</td> </tr> <tr> <td>(iv) Sale of land (Value of exempt supply in respect of land is the value adopted for paying stamp duty)</td> <td>1,40,00,000</td> </tr> <tr> <td>Excludes Interest received on investments (₹ 2,51,000)</td> <td></td> </tr> <tr> <td>Exempt Turnover</td> <td>1,55,42,000</td> </tr> </tbody> </table>	Particulars	Amount (₹)	Exempt turnover includes:		(i) Supply of hiring of trucks to GTA	7,00,000	(ii) Services taxable under reverse charge	8,00,000	(iii) Sale of securities (Value of exempt supply in respect of security is 1% of the sale value of such security) &	42,000	(iv) Sale of land (Value of exempt supply in respect of land is the value adopted for paying stamp duty)	1,40,00,000	Excludes Interest received on investments (₹ 2,51,000)		Exempt Turnover	1,55,42,000
Particulars	Amount (₹)																
Exempt turnover includes:																	
(i) Supply of hiring of trucks to GTA	7,00,000																
(ii) Services taxable under reverse charge	8,00,000																
(iii) Sale of securities (Value of exempt supply in respect of security is 1% of the sale value of such security) &	42,000																
(iv) Sale of land (Value of exempt supply in respect of land is the value adopted for paying stamp duty)	1,40,00,000																
Excludes Interest received on investments (₹ 2,51,000)																	
Exempt Turnover	1,55,42,000																
13.	<p>Computation of Total turnover: ₹ 16,50,000 + ₹ 9,00,000 + ₹ 11,00,000 + ₹ 46,00,000 + ₹ 8,00,000 + ₹ 42,000 + ₹ 7,00,000 + ₹ 1,40,00,000 + ₹ 2,51,000 = ₹ 2,40,43,000</p>																

Q.15 OnePoint Supply Private Limited, a registered entity under GST in the State of Maharashtra, is engaged in making various supplies. It provides the following information for the month of April:

S.No.	Particulars	Amount (₹)
OUTWARD SUPPLY		
(i)	Supplied a consignment of 50 Power Drill Kits to M/s BuildPro & Sons in the State of Maharashtra at the instruction of M/s ToolMart of Tamil Nadu	6,00,000
(ii)	Supplied silk yarn (manufactured from silk worm cocoons) to SilkAura Creations for manufacturing saree. SilkAura Creations is not registered under GST. Invoice issued for the supply contains the address of the factory of SilkAura Creations located in Nasik, Maharashtra	4,00,000



(iii)	Provided complimentary training at Kalyani Village Resort, Mumbai, Maharashtra to its agents within Maharashtra on effective handling of customer queries [Open market value of said service is ₹ 2,60,000. Value of supply of service of like kind and quality is ₹ 2,50,000.]	9,00,000
(iv)	Transferred the tenancy rights of a commercial complex (taken on rent) located in Mumbai for a tenancy premium to Nexus Source Ltd. of Kanpur, Uttar Pradesh. Stamp duty and registration fee have already been paid on the tenancy premium.	8,00,000
INWARD SUPPLY		
(i)	Imported Bluetooth speakers from Korea [The goods landed in Mumbai Port and reached at its registered premises on 30th April. Value for the purpose of levying IGST is ₹ 4,00,000.]	
(ii)	Participation fee paid for the business exhibition held in Germany organised by Dhwani India Limited	45,00,000
(iii)	Salary paid to employees on rolls	10,40,000
(iii)	Consumables procured from registered suppliers located in Gujarat [includes diesel (excise and VAT paid) worth ₹ 75,000 used for running machinery in the factory.]	1,50,000

The company provided the following additional information:

(i) Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively for both inward and outward supply of goods and services.

(ii) All the amounts given above are exclusive of taxes, wherever applicable.

(iii) There was no opening balance of any ITC.

From the information given above, you are required to compute the eligible Input Tax Credit (ITC) available and minimum net GST liability in cash (CGST, SGST or IGST, as the case may be), payable through Electronic Cash ledger and through ICEGATE portal of customs, for the month of April for One Point Supply Private Limited, Maharashtra. [CA Final RTP Jan 26]

Answer: Computation of net GST payable in cash by OnePoint Supply Private Limited:

Sr. No.	Particulars	IGST (₹)	CGST (₹)	SGST (₹)
1.	Output tax liability (Refer working note-1)	1,08,000	1,08,000	1,08,000
2.	Less: Input Tax Credit (Refer working note -2)	(85,500)	Nil	Nil
3.	Net GST payable in cash through Electronic Cash Ledger on GSTN portal [A]	22,500	1,08,000	1,08,000
4.	IGST payable on import of Bluetooth speakers payable in cash through ICEGATE portal while making customs clearance [B]	72,000	Nil	Nil

Working Note -1: Computation of output tax liability:

Particulars	Value (₹)	IGST (₹)	CGST (₹)	SGST (₹)
Consignment of Power Drill Kits supplied at the instruction of a third person [Note 1]	6,00,000	1,08,000 (6,00,000 *18%)	-	-
Supplied silk yarn to SilkAura Creations [Note 2]	4,00,000	-	36,000 (4,00,000 *9%)	36,000 (4,00,000 *9%)
Free of cost training to agents [Note 3]	-	-	-	-
Transfer of tenancy rights [Note 4]	8,00,000		72,000 (8,00,000 *9%)	72,000 (8,00,000 *9%)
Total output tax		1,08,000	1,08,000	1,08,000



Working Note -2: Computation of input tax credit available for set-off:

Particulars	Value (₹)	IGST (₹)	CGST (₹)	SGST (₹)
Import of Bluetooth speakers [Note 5]	4,00,000	72,000 (4,00,000 *18%)	-	-
Participation fee paid for the business exhibition held in Germany organised by Dhwani India Limited [Note 6]	-	-	-	-
Salary paid to employees on rolls [Note 7]	-	-	-	-
Consumables procured from suppliers in Gujarat [Note 8]	75,000 [1,50,000 - 75,000]	13,500 [75,000 *18%]		
Total ITC available for set off		85,500	Nil	Nil

Notes:-

1.	<ul style="list-style-type: none"> ➤ Since it is a bill to ship to supply where the goods are delivered on the directions of a third person- M/s ToolMart, goods are deemed to be received by such third person. ➤ Thus, the place of supply is Tamil Nadu [Sec 10(1)(b)] & it is an inter- State supply.
2.	<ul style="list-style-type: none"> ➤ Intra-State supply since place of supply is the location as per the address of the said person recorded in the invoice issued in respect of the said supply Maharashtra. [Sec 10(1)(ca)] ➤ Further, tax will be payable under forward charge since such silk yarn is being supplied to an unregistered person.
3.	<ul style="list-style-type: none"> ➤ Services provided by the company to agents without consideration is not deemed as supply as per para 3 of Schedule - I since only goods supplied by principal to agent are covered therein. ➤ Further, such services are also not covered in para 2 of Schedule I as agents are not related persons.
4.	<ul style="list-style-type: none"> ➤ Transfer of tenancy rights to a new tenant against consideration in the form of tenancy premium is taxable even though stamp duty and registration fee have been paid on the same. ➤ It is an intra-State supply since place of supply is location of immovable property being Mumbai, Maharashtra.
5.	Input tax includes IGST charged on import of goods.
6.	Since services provided by an organiser to any person in respect of a business exhibition held outside India, no GST is payable on said services. Consequently, no ITC is available .
7.	Services by an employee to the employer in the course of or in relation to his employment is not a supply in terms of para 1 of Schedule III and hence, no GST is payable thereon. Consequently, no ITC is available .
8.	<ul style="list-style-type: none"> ➤ ITC on consumables, being inputs used in the course or furtherance of business, is available. [Sec 16(1)] ➤ However, levy of GST on diesel has been deferred till such date as may be notified by the Government on recommendations of the GST Council as per section 9(2). ➤ Hence, there being no levy of GST on diesel, there cannot be any ITC. ➤ Also, VAT & excise paid are not covered in the definition of input tax u/s 2(62).



CUSTOMS ACT, 1962



Chapter 28

VALUATION

Q.13 BlueCrest Machinery Co., a manufacturing firm in India, imported a machine from a UK supplier in May. FOB value of the machine was 10,000 UK Pound. Air freight incurred was 3,000 UK Pound. Further, the buyer was required to pay licence fee in UK is 400 UK Pound. Moreover, the firm had paid a buying commission of ₹ 20,000 in India.

In this regard, following additional information is also provided:

- a) Date of bill of entry was 20th May and the rate of exchange notified by CBIC on this date was ₹ 99.00 per one pound. Rate of basic customs duty was 7.5%.
- b) Date of arrival of aircraft was 25th May and the rate of exchange notified by CBIC on this date was ₹ 98.50 per pound. Rate of basic customs duty was 10%.
- c) Integrated tax was 12%.
- d) Insurance premium details were not available.

You are required to compute the total customs duty and integrated tax payable on the importation of machine.

You may make suitable assumptions wherever required. [CA Final RTP Jan 26] [CA Final RTP Nov 24 Similar]

Answer:- Computation of total customs duty and integrated tax payable by BlueCrest Machinery Co.

Particular	Amount (in UK Pound)
FOB value	10,000
Add: License fee required to be paid in UK [Note 1]	400
Customs FOB value	10,400
Exchange rate is ₹ 99 per £ [Note 2]	
	Amount (in ₹)
Value in rupees	10,29,600
Add: Air freight [Restricted to 20% of ₹ 10,29,600 (Customs FOB value)] [Note 3]	2,05,920
Add: Insurance @ 1.125% of ₹ 10,29,600 [Note 4]	11,583
Add: Buying commission is not includable in the assessable value [Note 5]	-
CIF Value	12,47,103.00
Assessable Value	12,47,103.00
Rate of duty is 10% [Note 6]	
Add: Basic custom duty @ 10% ($\text{₹ } 12,47,103 \times 10\%$) – rounded off (A)	1,24,710
Add: Social Welfare Surcharge (10% of ₹ 1,24,710) [rounded off] (B)	12,471
Value for integrated tax	13,84,284
Add: Integrated tax @ 12% -rounded off [Note 7] (C)	1,66,114
Total customs duty and integrated tax payable [(A) + (B) + (C)]	3,03,295



Notes:-

1.	Licence fee relating to imported goods payable by the buyer as a condition of sale is includable in the assessable value [Rule 10(1)(c) of the CVR] .
2.	Rate of exchange notified by CBIC on the date of filing of bill of entry has to be considered [3rd proviso to section 14 of the Customs Act, 1962] .
3.	In case of goods imported by air, freight cannot exceed 20% of FOB value [5th proviso to rule 10(2)] .
4.	Insurance charges, when not ascertainable, have to be included @ 1.125% of FOB value of goods [3rd proviso to rule 10(2) of the CVR] .
5.	Buying commission is not included in the assessable value [Rule 10(1)(a) of the CVR] .
6.	Rate of duty will be the rate in force on the date of presentation of bill of entry or on the date of arrival of the aircraft, whichever is later [Proviso to section 15 of the Customs Act, 1962] .
7.	Integrated tax is levied on the sum total of the assessable value of the imported goods, customs duties and applicable social welfare surcharge.

**Chapter
30****GOODS IMPORTED OR
EXPORTED BY POST OR COURIER,
STORES & BAGGAGE****06: Rule 6: Transfer of residence**

Q.7.1 Varun Goyal, an IT professional and a person of Indian origin, is residing in USA for the last 14 months. He wishes to bring a used microwave oven (costing approximately ₹ 1,85,500/- and weighing 15 kg) with him during his permanent return to India. He purchased the oven in USA 6 months before and he has been using that oven for his personal use in his kitchen. He is not aware of Indian customs rules.

Analyze and summarize the related legal provision of the Baggage Rules, 2016 and provide him with some advice in this regard. Relevant legal provisions should form part of your answer. [CA Final May 24 Exam]

Answer:

- ⦿ As per **Rule 6** of Baggage Rules 2016, A person, who is engaged in a profession abroad shall, on return after a minimum stay of 1 year during the preceding 2 years, be allowed clearance free of duty, personal and household articles, including **specified articles** upto an **aggregate value of ₹ 2,00,000**.
- ⦿ One of such specified articles is **Microwave oven**. However, the Indian passenger **should not have availed** this concession in the preceding 3 years.
- ⦿ Thus, Varun Goyal can bring Microwave oven **duty free** provided he had not availed this concession in the preceding 3 years.





Chapter 34

FOREIGN TRADE POLICY (FTP)

Q.22 Who has the authority to place an entity in Denied Entity List (DEL) and what are the restrictions imposed on the entity placed in DEL?

Also enumerate when can the name once placed under DEL be removed from DEL? [CA Final Sep 25 Exam]

Answer :-

- ➲ An entity may be placed under DEL, by the concerned Regional Authority (or RA) of the DGFT.
- ➲ In such a case:
 - firm may be refused grant or renewal of a licence/ authorization/ certificate/ scrip/ any instrument bestowing financial/ fiscal benefits, and
 - all new licences, authorisations, scrips, certificates, instruments etc. will be blocked from printing/ issue/ renewal.
- ➲ A firm's name can be removed from DEL, by the concerned RA for reasons if the firm completes Export Obligation/ pays penalty/fulfils requirement of demand notice issued by the RA/submits documents required by the RA.

Q.23 The Central Government is in the process of drafting an amendment to the Foreign Trade Policy (FTP). During this process, it circulates a draft for stakeholder consultation and provides them 30 days for feedback. Global Exporters' Association (GEA) submits detailed suggestions, on the same. The Government acknowledges receipt of their suggestions but, in the final amendment, these recommendations are not accepted.

GEA requests the Government to explain why their views were rejected. The Ministry provides a brief explanation, stating that acceptance of the suggestions would conflict with India's international obligations under a trade agreement.

Separately, another association, Fresh Food Exporters Forum (FFEF), also submitted views relating to said amendment. Their suggestions were not incorporated, and the Government did not provide any reasons for the rejection.

Based on the above-mentioned information, you are required to answer the following:

- a) **Is the Central Government obliged to always consult stakeholders before formulating or amending the FTP?**
- b) **Whether the action taken by Government for rejecting the proposal of GEA and giving only limited reasons was valid? Explain with brief reasoning.**
- c) **Can FFEF demand the Government to legally disclose the reasons for not accepting its feedback? Also, list the situations where the Government is not required to provide reasons for rejecting stakeholder views. [CA Final RTP Jan 26]**

Answer :-

a) ➂ The Central Government, in the course of formulation of FTP, as and when it deems reasonable to do so, may seek views/ suggestions/ comments/ feedback from relevant stakeholders, including importers/exporters/industry experts with regard to formulation, incorporation of specific provision(s) or amendments in the FTP.

➲ However, Central Government reserves the right to suo moto formulate, amend or incorporate any specific provisions, without seeking views, suggestions, comments or feedback from stakeholders.

➲ Thus, the Central Government is **not obliged** to always consult stakeholders before formulating or amending the FTP.



<p>b)</p>	<ul style="list-style-type: none"> ⌚ If the views, suggestions, comments or feedback are not incorporated in the FTP, the Central Government may to the extent possible and if deems reasonable to do so, provide, to the relevant stakeholders, including importers/exporters/industry experts the reasons for not considering their views etc. while formulating, amending or incorporating specific provisions in the FTP. ⌚ Thus, the action taken by Government is valid in rejecting the proposal of GEA and giving only limited reasons.
<p>c)</p>	<ul style="list-style-type: none"> ⌚ Central Government is not obliged or mandated to disclose reasons for not incorporating views etc., that No legal right is conferred on any person to seek reasons for his views, comments, opinions or feedback, not being incorporated in the FTP thereof. Disclosure is at the discretion of the Government. ⌚ Thus, FFEF cannot demand the Government to legally disclose the reasons for not accepting its feedback. ⌚ The Government is not required to provide reasons for rejection in case of stakeholder views that:- <ul style="list-style-type: none"> (i) adversely affect trade relations with any foreign country. (ii) adversely affect food, economic or national security of India. (iii) is in conflict with any government policies, strategic programs, international obligations or commitments or long- term plans and would undermine the objectives of such policies or programs. (iv) addresses matters unrelated to trade or serve narrow, private or special interests to the detriment of or contrary to the broader public interest, good; or (v) would require the disclosure of confidential or classified information Nothing shall confer any legal right whatsoever on any person to seek reasons for his view's comments, opinions or feedback, not being incorporated in the FTP thereof.