

**CA Final**  
**Test Paper-4**  
**TOPICS: VOS, EXEMPTION, ITC & POS**

**Time: 1 hr & 30 mins**

**Total: 50 marks**

**PART A: Multiple Choice Questions: Each carries 2 Marks**

**Case Study – 1**

Mr. Veera is a trader of readymade garments and is registered under GST in the State of Uttar Pradesh. His turnover is ₹ 1,80,00,000 during the current financial year. The composition of his turnover is as under-

- a) Intra-State - ₹ 80,00,000
- b) Inter-State - ₹ 1,00,00,000 [including exempt supplies of ₹ 15,00,000]

His inward supplies are as under-

- a) Inter-State - ₹ 1,00,30,000 [including ₹ 20,00,000 exclusively used for exempt supplies]
- b) Intra-State ₹ 46,00,000 [including ₹ 15,00,000 exclusively used for taxable supplies]

Apart from above, Mr. Veera has undertaken following transactions during the current financial year:

1. He purchased a pick-up van for the purpose of delivery of goods to his customers for ₹ 1,70,000.
2. He got his showroom renovated (debited all expenses under repairs and maintenance) and spent money as under-
  - Labour charges ₹ 3,60,000
  - Architect fees ₹ 80,000
  - Wooden flooring ₹ 4,00,000
  - Miscellaneous expenses ₹ 1,62,000
3. He purchased some T-shirts for ₹ 1,80,000 (taxable under GST). After one week, he gave them away free to its customers to promote his business.
4. He also sold his shares during the year for ₹ 10 crore and bought a house from that money.
5. The rates of tax are 9% (CGST), 9% (SGST) and 18% (IGST) on all inward/ outward supplies.
6. All the amounts given above are exclusive of taxes, wherever applicable.
7. The opening balance of input tax credit for the relevant tax period of Mr. Veera is Nil. Subject to the information given above, assume that all the other conditions necessary for availing ITC have been fulfilled.

Based on the facts of the case scenario given above, choose the most appropriate answer to Q. Nos. 1 to 4 below:-

1. Compute value of exempt outward supply (for the purpose of reversal of ITC) by Mr. Veera during the current financial year.
  - a) ₹ 10,00,000
  - b) ₹ 15,00,000
  - c) ₹ 25,00,000
  - d) ₹ 20,00,000

2. Which of the following statements is true?
- a) Mr. Veera cannot claim ITC on van purchased for delivery of goods, expenses incurred on renovation of showroom and T-shirts distributed free of cost.
  - b) Mr. Veera can claim ITC on van purchased for delivery of goods and T-shirts distributed free of cost but cannot claim ITC on expenses incurred on renovation of showroom.
  - c) Mr. Veera can claim ITC on van purchased for delivery of goods, expenses incurred on renovation of showroom and T-shirts distributed free of cost.
  - d) Mr. Veera can claim ITC on van purchased for delivery of goods and expenses incurred on renovation of showroom but cannot claim ITC on T-shirts distributed free of cost.
3. Calculate the amount of input tax credit credited to electronic credit ledger of Mr. Veera (ignore individual heads of CGST/SGST/IGST).
- a) ₹ 24,84,360
  - b) ₹ 22,73,400
  - c) ₹ 23,04,000
  - d) ₹ 24,53,760
4. Compute the amount of common credit as per rules 42 and 43 of the CGST Rules, 2017.
- a) ₹ 20,03,400
  - b) ₹ 22,14,360
  - c) ₹ 20,34,000
  - d) ₹ 21,83,760

### **Case Study – 2**

Supernova India Limited is a 100% subsidiary of Supernova LLC, Japan, registered under GST in the State of Gujarat. Supernova Inc., Singapore, is another subsidiary of Supernova LLC, Japan, and is engaged in supply of industrial goods to customers across the world.

In India, Supernova Inc., Singapore, sells the goods to a sub-contractor registered under GST in the name of Alpha Limited in the State of Maharashtra. Alpha Limited imports the goods sold by Supernova Inc., Singapore and carries out the required technical process on such goods in the factory located in Maharashtra.

After processing of goods by Alpha Limited, the goods are sold by Alpha Limited to Supernova India Limited for further sales to end customers.

As a holding company, Supernova LLC, Japan, recovers an amount equivalent to 20% of the sales made by Supernova India Limited as commission on monthly basis.

During the month of January, Alpha Limited imported the goods worth ₹ 10,00,000 from Supernova Inc., Singapore. The inter-State purchases of Alpha Limited from domestic market amounted to ₹ 2,00,000 during the month of January. The value of processed goods sold by Alpha Limited to Supernova India Limited amounted to ₹ 10,00,000. Further, Supernova India Limited paid an additional amount equivalent to ₹ 2,00,000 for transportation and handling of goods to third party (a Goods Transport Operator), which was contractually agreed to be paid by Alpha Limited. Alpha Limited has also charged an amount equivalent to ₹ 12,000 on such processed goods as miscellaneous municipal levy (other than GST) payable in the State of Maharashtra.

Supernova India Limited sold the goods purchased from Alpha Limited in the month of January as per the details provided below:

1. ₹ 6,00,000 worth goods to X Ltd, a customer located in the State of Rajasthan
2. ₹ 8,00,000 worth goods to Y Ltd, a customer located in the State of Gujarat

There is no opening stock and closing stock for the month of January with Supernova India Limited.

Further, an employee of Supernova India Limited had visited the manufacturing unit of Alpha Limited in Mumbai, Maharashtra and had stayed in the hotel located in Mumbai, Maharashtra, in the month of February. At the time of checkout from hotel, the invoice was issued for an amount equivalent to ₹ 1,00,000. The hotel had issued invoice in the name of Supernova India Limited and GST was charged at the rate of 14% CGST and 14% SGST on total invoice amount of ₹ 1,00,000. Out of such amount, the amount recoverable from the employee towards non-official stay by Supernova India Limited was ₹ 50,000.

Fun Events Ltd., an event management company, located and registered at New Delhi, had organized a cultural event in the month of February for Supernova India Limited, in Mauritius.

The opening balance of input tax credit of both Alpha Limited as well as Supernova India Limited for the relevant tax periods is nil. Further, there is no other inward or outward supply transaction for Alpha Limited in January and February apart from the aforementioned transactions. Subject to the information given above, assume that all the other conditions necessary for availing ITC have been fulfilled.

All the above transactions are exclusive of GST, wherever applicable. GST is applicable in the aforesaid case scenario at the following rates unless otherwise specified:

- i. Intra-State supply – 9% CGST and 9% SGST
- ii. Inter-State supply – 18% IGST

The rate of basic customs duty on import of goods is nil. However, IGST is applicable on import of goods. No additional duty or cess is applicable on the import of goods or services.

Based on the facts of the case scenario given above, choose the most appropriate answer to Q. Nos. 5 to 8 below:

5. The total GST liability (net of input tax credit, if any), of Alpha Limited for the month of January payable through GSTN portal is:
  - a) ₹ 2,18,160 payable as IGST.
  - b) nil.
  - c) ₹ 2,160 payable as IGST.
  - d) ₹ 1,09,080 payable as CGST and ₹ 1,09,080 payable as SGST.
6. What shall be the gross IGST liability i.e. without any adjustment of input tax credit, if any, of Supernova India Limited for the month of January?
  - a) ₹ 1,08,000
  - b) Nil
  - c) ₹ 1,58,400
  - d) ₹ 50,400
7. Whether input tax credit is available on the GST paid by Supernova India Limited on the invoice amounting to ₹ 1,00,000 to the hotel located in Mumbai, Maharashtra, for stay of the employee? If yes, please specify the amount of input tax credit available.
  - a) Yes, as ₹ 14,000 CGST and ₹ 14,000 SGST
  - b) Yes, as ₹ 28,000 IGST
  - c) Input tax credit is not available
  - d) Yes, as ₹ 7,000 CGST and ₹ 7,000 as SGST

8. Whether GST is applicable on the event organized by Fun Events Ltd. for Supernova India Limited in Mauritius and what is the place of supply in such case?
- a) GST is applicable and the place of supply is New Delhi.
  - b) GST is applicable and the place of supply is Gujarat.
  - c) GST is not applicable, and the place of supply is Mauritius.
  - d) GST is applicable and the place of supply is Mauritius.

### **Case Study – 3**

Doodle Inc. is an entity incorporated in USA and is engaged in provision of various information technology related services directly as well as through its subsidiaries located across the world. In India, Doodle India, a subsidiary of Doodle Inc., is registered under GST in the State of Karnataka under GST and is providing services to various customers in India.

Doodle Inc. provides cloud-based storage services to its customers (business entities and non-business entities) in India. The customers can subscribe to the services by making online payment directly to Doodle Inc.'s bank account through internet banking and other modes. The terms and conditions for such services are entered between Doodle Inc. and the customer directly without involvement of any third party.

In case of any issue, the customers can call and log the issue at the customer help centre which is operated by Doodle India on principal-to-principal basis. For operation of such customer help centre, Doodle India is paid on cost plus 10% basis by Doodle Inc. on monthly basis.

Further, Doodle India is engaged in promotion and marketing of cloud-based storage services on principal-to-principal basis in India for Doodle Inc. The payment for such services is made by Doodle Inc. to Doodle India on monthly basis at cost plus 20%. The promotional and marketing activities are carried out in the name of Doodle Inc., without any reference to operations of Doodle India.

Doodle Inc. owns online space for advertisement on internet. Doodle Inc. has agreed to sell such online advertising space to Doodle India for an amount of ₹ 5,00,00,000 per month. Doodle India sells such advertising space to its customers in India on its own account. The contractual arrangement for sale of such advertising space is between the customer and Doodle India.

Doodle Inc. provides technology support to Doodle India and charges royalty from Doodle India for such technology support at a fixed charge of ₹ 25,00,000 per month. The royalty paid is exclusively related to the business of advertising space of Doodle India.

In addition to above information, during the month of January:

- I. Doodle India has incurred following expenses:
  - a) Expenses exclusively related to operation of call centre – ₹ 75,00,000
  - b) Expenses exclusively related to promotion and marketing services for Doodle Inc. – ₹ 50,00,000
- II. Doodle India earned an income of ₹ 8,00,00,000 from sale of online advertising space in India.
- III. Doodle Inc. earned an income of ₹ 10,00,00,000 from non-taxable online recipient customers, from cloud-based storage services in India.

The opening balance of input tax credit for the relevant tax period for Doodle India and Doodle Inc. is nil.

**Note:** In the aforesaid case scenario,

- a) GST is applicable on all inward and outward supplies in the aforesaid case scenario @ 18%, unless otherwise specified. Ignore CGST, SGST and IGST bifurcation for the sake of simplicity.
- b) Subject to the information given above, assume that all the other conditions necessary for availing ITC have been fulfilled.
- c) All the amounts are exclusive of GST, wherever applicable, unless otherwise provided.
- d) Exports made by Doodle India, if any, are through furnishing of LUT without payment of IGST.

- e) Payments for all services received by Doodle Inc. from Doodle India are made in convertible foreign exchange.

Based on the facts of the case scenario given above, choose the most appropriate answer to Q. Nos. 9 to 12 below:

9. What shall be the output tax liability, without any adjustment of input tax credit, if any, by Doodle India for the month of January?
- a) ₹ 1,44,00,000
  - b) ₹ 2,38,50,000
  - c) ₹ 1,69,65,000
  - d) ₹ 1,66,50,000
10. Please select the correct statement specifically in relation to sale of online advertisement space service provided by Doodle Inc. to Doodle India:
- a) Doodle Inc is providing online information and database access or retrieval service and is thus, required to register in India under GST and discharge GST on forward charge basis.
  - b) Doodle Inc is providing online information and database access or retrieval service electronically and place of supply in such case is the location of supplier which is outside taxable territory in present scenario. Therefore, no GST is payable on such services.
  - c) Doodle Inc. is providing online information and database access or retrieval service and tax on the same is to be paid by Doodle India on reverse charge basis.
  - d) Doodle Inc. is providing online information and database access or retrieval service and tax on the same is to be paid by Doodle India in capacity of an agent of Doodle Inc.
11. What shall be the amount of GST payable by Doodle Inc. for the month of January?
- a) Nil
  - b) ₹ 1,80,00,000
  - c) ₹ 1,84,50,000
  - d) ₹ 2,74,50,000
12. What shall be the total input tax credit that can be availed by Doodle India from the transactions undertaken in the month of January?
- a) ₹ 90,00,000
  - b) ₹ 1,20,15,000
  - c) ₹ 1,17,00,000
  - d) ₹ 27,00,000

## **PART B: Descriptive Questions**

### **Question 1:**

**(10 Marks)**

Determine the place of supply in the following independent cases:-

- Amarnath, a resident of New Delhi, opens his saving account in New Delhi branch of Best Bank after undergoing the KYC process. He goes to Amritsar for some official work and withdraws money from Best Bank's ATM in Amritsar thereby crossing his limit of free ATM withdrawals.
- 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.
- M/s Sea Foods Limited, registered in the State of Tamil Nadu, made a supply of goods to M/s Eat Well Limited, registered in State of Maharashtra. The Supply was made in the territorial waters, where appropriate baseline was situated within 4 nautical miles from the State of Kerala and 12 nautical miles from the State of Tamil Nadu.
- Mr. Sahukaar (New Delhi) boards the New Delhi-Kota train at New Delhi. Mr. Sahukaar sells the goods taken on board by him (at New Delhi), in the train, at Jaipur during the journey.

### **Question 2:**

**(9 Marks)**

Flowchem Palanpur (Gujarat) has entered into a contract with R Refinery, Abu Road (Rajasthan) on 1<sup>st</sup> July to supply 10 valves on FOR basis. The following information is provided in this regard:

- List price per valve is ₹ 1,00,000, exclusive of taxes.
- One of the conditions of the contract is that Flowchem should ensure a two stage third party inspection for the valves during the manufacturing process. Cost of two stage inspection of ₹ 15,000 (for 10 valves) is directly paid by R Refinery to testing agency.
- R Refinery requires a special packing for the valves. Cost of special packing is ₹ 10,000 (for 10 valves).
- Flowchem arranges for erection and testing of the valves supplied by it at R Refinery's site. Cost of erection etc. is ₹ 15,000 (for 10 valves).
- Goods are dispatched with tax invoice on 20<sup>th</sup> July, and they reach the destination at Abu-Road on 21<sup>st</sup> July. Lorry freight of ₹ 5,000 has been paid by R Refinery directly to the lorry driver.

Assume CGST and SGST rates to be 9% each and IGST rate to be 18%. Opening balance of ITC of IGST is Nil, CGST is ₹ 20,000 and SGST is ₹ 20,000. All the given amounts are exclusive of GST, wherever applicable. Flowchem has also undertaken following local transactions during the month of July on which it has paid CGST and SGST as under:

S.no	Particulars	Amount paid CGST (₹)	Amount paid SGST (₹)
1.	Availed services of works contractor to erect foundation for fixing the machinery to earth, in the factory	5,000	5,000
2.	Laid pipelines (from the water source outside the factory) upto the gate of the factory for the purpose of production facility.	10,000	10,000

3.	For the purpose of smooth and convenient mobile communication in its factory, it has installed telecommunication tower of a mobile company (with due permission)	5,000	5,000
4.	It has entered into an agreement with a travel company to provide home travel facility to its employees when they are on leave.	2,500	2,500
5.	It has entered into an agreement with a fitness centre to provide wellness services to its employees after office hours	2,000	2,000

Work out the net GST [CGST, SGST or IGST, as the case may be] payable from Electronic Cash Ledger of Flowchem, Palanpur (Gujarat) for the month of July after making suitable assumptions, if any.

**Question 3:**

**(4 marks)**

M/s Fly-by-Night, tour operators, availed input tax credit in respect of certain transactions where no such supplier was existent or from a person not doing any business from the registered place of business. Jurisdictional Deputy Commissioner of GST wants to restrict the utilization of the credit by M/s Fly-by-Night. You have been approached by M/s Fly-by-Night to give your advice on the following questions raised by it:

- Is it possible for the Department to restrict the utilization of credit which is already availed?
- If yes, under what circumstances this can be done by the Department?

**Question 4:**

**(3 Marks)**

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. Examine the correctness of this statement.