

CA Final Answer Sheet - 1

Part A

S.no	Ans	Hints
1)	(c)	Transfer between distinct persons (different states) under the same PAN, even without consideration, is a deemed supply and taxable under IGST as per Schedule I.
2)	(c)	Disposal of business assets without consideration on which ITC was claimed is a deemed supply under Schedule I, irrespective of CSR linkage.
3)	(b)	Purchase of scrap from an unregistered person is liable to RCM. Since the supplier is in Goa and recipient in Karnataka, IGST applies.
4)	(d)	Legal services from a registered firm of advocates are notified under RCM. Since it's inter-State, IGST under RCM is applicable.
5)	(b)	Free supplies to unrelated persons are not taxable, unless ITC was claimed, in which case, it becomes a deemed supply under Schedule I.
6)	(b)	Refer Entry no 5AB: Rent of shop 1 is covered under RCM, whereas Shop 2 is under Forward Charge, but supplier is URP -hence no GST till threshold.
7)	(c)	Refer Entry 4, 6, 5 & 8 of RCM
8)	(c)	Refer section 9(1) & 9(2) of CGST Act to know goods on which there is no levy of GST
9)	(d)	Here, items are not naturally bundled so not a composite supply, items are priced separately in invoice and not as a single price- so not a mixed supply & hence, respective tax rates shall apply.
10)	(d)	Refer circular no. 11/11/2017 dt 20/10/2017

Part B

Answer 1:

a)	<p>Legal Provision:-</p> <ul style="list-style-type: none"> ➤ As per section 9(3) of CGST Act, if service of transportation of goods by road is provided by a GTA to a specified recipient, i.e., a body corporate established by or under any law, then such body corporate is liable to pay tax under reverse charge. ➤ However, if the registered GTA has exercised the option to pay tax under forward charge on transportation of goods and also issued a tax invoice to the recipient charging Central Tax at the applicable rates with a declaration thereon, then the GTA is liable to pay tax under forward charge. <p>Discussion & Conclusion:-</p> <ul style="list-style-type: none"> ➤ In the first case, XYZ Ltd. is a specified recipient, i.e., a body corporate established by or under any law liable to pay freight. ➤ However, GTA has exercised the option to pay tax under forward charge and also issued a tax invoice charging GST at the applicable rate. ➤ Therefore, Vimal Goods transport agency is liable to pay GST under forward charge. ➤ In the second case, if GTA has not exercised the option to pay tax under forward charge, then XYZ Ltd., being a specified recipient, is liable to tax under reverse charge
b)	<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.

1.5 M

c)	<p>Legal Provision:</p> <ul style="list-style-type: none"> ➤ As per section 9(3) of CGST Act 2017, Service provided by Renting of any motor vehicles, designed to carry passengers, (where the cost of fuel is included in the consideration charged from the service recipient), by any person other than body corporate (paying tax @ 2.5%CGST & 2.5% SGST, with limited ITC), to a body corporate (located in TT), the liability to pay tax shall be upon recipient (i.e. Body corporate) <p>1.5 M</p> <p>As per section 24 of CGST Act, any person who is required to pay tax under reverse charge shall be liable for compulsory registration even though the aggregate turnover is below the threshold limit.</p> <p>Discussion & Conclusion:</p> <ul style="list-style-type: none"> ➤ In the given case, Amco Ltd. shall be liable to get register under GST & pay tax on ₹ 1.5 lakhs at the rate as may be specified under reverse charge. Also, Amco Ltd. need to apply for compulsory registration. ➤ However, if such service was provided to any person other than a body corporate say Mr. Ayush in the above case, then the provision of above said notification will not apply and such service would fall under forward charge and Mr. Poonawala will be liable for payment of tax at the rate of 2.5% CGST & 2.5% SGST. <p>1.5 M</p>
d)	<p>Legal Provision:- As per section 9(3) of CGST Act, If sponsorship services are provided by any person other than a body corporate to any body corporate or partnership firm located in the taxable territory, then GST is payable on reverse charge basis by recipient.</p> <p>1.5 M</p> <p>Discussion & Conclusion:-</p> <ul style="list-style-type: none"> ➤ In the given case, sponsorship services have been provided by Partnership firm to an individual. ➤ Thus, the reverse charge provisions will not be attracted here. ➤ So, Partnership firm i.e. the supplier is liable to pay GST under forward charge. <p>1.5 M</p>

Answer 2:

(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. <p>2 M</p>
(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. <p>2 M</p>
(iii)	<p>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.</p> <p>2 M</p>

Answer 3:

The tenancy premium received by Mr. Peace is liable to GST, while the monthly rent received by Mr. Happy is **exempt**.

Legal Provisions:

Taxability of Transfer of Tenancy Rights:

- As per CBIC clarification, the transfer of tenancy rights against consideration (tenancy premium) is considered a supply of service and is liable to GST.
- As per Para 2 of Schedule II of CGST Act, lease, tenancy, easement, or license to occupy land is classified as a supply of services.
- The levy of stamp duty and registration charges on such a transfer does not exempt it from GST.
- Since the transfer of tenancy rights does not fall under Schedule III (sale of land/building), it is not a no supply and is thus taxable under GST.

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Taxability of Monthly Rent:

- As per CBIC clarification, renting of a residential dwelling for residential use to an unregistered person is exempt from GST.
- The grant of tenancy rights in a residential dwelling for use as residence against tenancy premium or periodic rent is also exempt when provided to an unregistered person.

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Conclusion:

- The tenancy premium of ₹10,00,000 received by Mr. Peace for surrendering his tenancy rights to Mr. Serene is liable to GST.
- The monthly rent of ₹1,00,000 received by Mr. Happy from Mr. Serene is exempt from GST.

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Answer 4:

(a) 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** and hence no GST is charged on the apportionment transaction. [Para 9 of Schedule III]

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Conclusion:

- 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.

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(b) 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]

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Conclusion:

- 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).

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Answer 5:

- M/s. Kela & M/s. Bela are Del Credere Agents (DCA) as they guarantee payment to the supplier, M/s. Chand.
 - As per **Para 3 of Schedule I** of the CGST Act 2017, a DCA is considered an agent if it issues the invoice in its own name.
- 2 M M/s. Bela issues invoices in its own name, making it an agent under Para 3 of Schedule I, whereas M/s. Kela issues invoices in M/s. Chand's name, so it is not an agent under this provision.

Tax treatment of interest charged:

- **M/s. Kela (Not an Agent):** Interest on short-term credit is an independent supply of service and is exempt from tax.
- **M/s. Bela (Agent under Para 3 of Schedule I):** Interest is subsumed in the value of goods supplied and is taxable as part of the goods' value.

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