

CA Final
Answer Sheet - 3

Part A

S.no	Ans	Hints										
1)	(b)	<ul style="list-style-type: none">➤ As per section 12(2) read with Notification No. 66/2017, time of supply of goods is the date of issue of invoice or the last date when the invoice ought to have been issued under section 31. Further, as per section 31, invoice for supply of goods, where the supply involves movement of goods, shall be issued before or at the time of removal of goods.➤ In the given case, since the invoice has been issued to M/s Charanjot Hardwares & Fitters on 12th October while the date of removal of goods was 10th October, the last date when the invoice ought to have been issued is 10th October.➤ Therefore, the time of supply will also be 10th October.										
2)	(a)	<ul style="list-style-type: none">➤ As per section 12(2) read with Notification No. 66/2017, time of supply of goods is the date of issue of invoice or the last date when the invoice ought to have been issued under section 31. Further, as per section 31, invoice for supply of goods, where the supply involves movement of goods, shall be issued before or at the time of removal of goods.➤ Thus, no tax is payable at the time of receipt of advance in respect of supply of goods.➤ In the given case, since the invoice was issued to M/s Rana Singh Ji Hardware Products on 17th October and the date of removal of goods was 20th October, the time of supply will also be 17th October.										
3)	(d)	<ul style="list-style-type: none">➤ Tax on services from a local GTA namely, M/s Khatushyam Transporters (unregistered), is payable under reverse charge. As per section 13(3), the time of supply for such service will be the earlier of the following:<ul style="list-style-type: none">• Date of payment (27th December), or• Date immediately following 60 days from the date of issue of invoice (or any other document in lieu of invoice) by the supplier (22nd December).➤ Thus, time of supply is 22nd December.										
4)	(c)	<p>Computation of gross tax liability attributable to outward supplies of M/s Harimukund Hardwares for the month of October:</p> <table><tr><th>Particulars</th><th>Amount (₹)</th></tr><tr><td>Taxable value of supply to M/s Nand Kishore Traders (Haryana) [₹ 5,75,000 - (2% of ₹ 5,75,000)] [Discount @ 2% is given since payment is made within 15 days of the date of removal of goods. Further, it is deductible while computing the value of supply in terms of section 15(3)(b).]</td><td>5,63,500</td></tr><tr><td>Taxable value of supply to M/s Charanjot Hardwares & Fitters (Punjab). [Discount is not given since payment is made after 15 days of the date of removal of goods.]</td><td>3,25,000</td></tr><tr><td>Taxable value of supply to M/s Rana Singh Ji Hardware Products (Rajasthan) net of discount @ 2% [₹ 2,70,000 - 2% of ₹ 2,70,000] [Discount @ 2% is given since payment is made before removal of goods. Further, it is deductible while computing the value of supply in terms of section 15(3)(b).]</td><td>2,64,600</td></tr><tr><td>Taxable value of supply to M/s Annapurai Hardwares (Karnataka) [Discount is not given since payment is made after 15 days of the date of removal of goods.]</td><td>3,75,000</td></tr></table>	Particulars	Amount (₹)	Taxable value of supply to M/s Nand Kishore Traders (Haryana) [₹ 5,75,000 - (2% of ₹ 5,75,000)] [Discount @ 2% is given since payment is made within 15 days of the date of removal of goods. Further, it is deductible while computing the value of supply in terms of section 15(3)(b).]	5,63,500	Taxable value of supply to M/s Charanjot Hardwares & Fitters (Punjab). [Discount is not given since payment is made after 15 days of the date of removal of goods.]	3,25,000	Taxable value of supply to M/s Rana Singh Ji Hardware Products (Rajasthan) net of discount @ 2% [₹ 2,70,000 - 2% of ₹ 2,70,000] [Discount @ 2% is given since payment is made before removal of goods. Further, it is deductible while computing the value of supply in terms of section 15(3)(b).]	2,64,600	Taxable value of supply to M/s Annapurai Hardwares (Karnataka) [Discount is not given since payment is made after 15 days of the date of removal of goods.]	3,75,000
Particulars	Amount (₹)											
Taxable value of supply to M/s Nand Kishore Traders (Haryana) [₹ 5,75,000 - (2% of ₹ 5,75,000)] [Discount @ 2% is given since payment is made within 15 days of the date of removal of goods. Further, it is deductible while computing the value of supply in terms of section 15(3)(b).]	5,63,500											
Taxable value of supply to M/s Charanjot Hardwares & Fitters (Punjab). [Discount is not given since payment is made after 15 days of the date of removal of goods.]	3,25,000											
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Taxable value of supply to M/s Annapurai Hardwares (Karnataka) [Discount is not given since payment is made after 15 days of the date of removal of goods.]	3,75,000											

		Total taxable value of outward supply	15,28,100
		IGST payable @ 18% [Since place of supply of all the supplies is outside the State of Uttar Pradesh, IGST would be payable on the supplies.]	2,75,058
5)	(a)	Computation of total value of all the supplies (inward as well as outward) on which M/s Harimukund Hardwares is liable to pay tax:	
		Particulars	Amount (₹)
		Total taxable value of outward supply [As computed in MCQ 4 above]	15,28,100
		Value of inward supply from GTA namely, M/s Khatushyam Transporters (unregistered), on which tax is payable under reverse charge.	1,00,000
		Total value of all the supplies on which M/s Harimukund Hardwares is liable to pay tax.	16,28,100
6)	(b)	Entry 66(a) provides that services provided by an educational institution to its students, faculty and staff are exempt from GST.	
7)	(c)	Entry 66(aa) provides that services provided by an educational institution by way of conduct of entrance examination against consideration in the form of entrance fee are exempt from GST. Further, details of outward supplies are required to be furnished in Form GSTR-3B.	
8)	(a)	<ul style="list-style-type: none"> ➤ Entry 66(a) provides that services provided by an educational institution to its students, faculty and staff are exempt from GST. ➤ Boarding schools provide service of education coupled with other services like providing dwelling units for residence and food. This is a case of composite supply if the charges for education and lodging and boarding are inseparable. Their taxability will be determined in terms of the principles laid down in section 2(30) read with section 8(a). ➤ Such services in the case of boarding schools are naturally bundled and supplied in the ordinary course of business. Therefore, the bundle of services will be treated as consisting entirely of the principal supply, which means the service which forms the predominant element of such a bundle. ➤ In this case since the predominant nature is determined by the service of education, the other service of providing residential dwelling will not be considered for the purpose of determining the tax liability and in this case, the entire consideration for the supply will be exempt. 	
9)	(d)	Entry 66(b)(i) provides that services provided to an educational institution, by way of transportation of students, faculty and staff are exempt from GST.	
10)	(b)	Computation of value of supply made by Mr. Venkat to Kuick Tour (in Euros):	
		Particulars	Euros
		Amount charged for consultancy services	95,000
		Add: Incidental expenses [Incidental expenses charged by the supplier to the recipient of a supply are includible in the value of supply in terms of section 15(2)(c)]	5,000
		Add: Interest on account of delay in payment of consideration [Interest or late fee or penalty for delayed payment of any consideration for any supply are includible in the value of supply in terms of section 15(2)(d)]	5,000
		Value of supply	1,05,000
11)	(c)	Computation of aggregate turnover:	
		Particulars	₹
		Services to Kuick (Euros 105,000 × ₹ 75)	78,75,000

		Taxable services provided in India	85,00,000
		Free of charge return filing services (It is not a supply in terms of section 7 since services have been provided to unrelated persons without consideration.)	-
		Financial services provided to brother - Mr. Kamath [Since Mr. Kamath - brother of Mr. Venkat - is not wholly or mainly dependent on Mr. Venkat, they cannot be considered as related person not being the members of the same family, in terms of explanation of section 15 and section 2(49). Therefore, the value of supply of financial services to brother will be price actually paid or payable.]	7,500
		Aggregate turnover	1,63,82,500
12)	(b)	<p>➤ If Mr. Kamath is the son of Mr. Venkat and not his brother and supply is made free of cost, other facts remaining the same, Mr. Venkat and Mr. Kamath are related in terms of explanation of section 15 read with section 2(49) and value of such supply will be determined in terms of rule 28.</p> <p>➤ In that case, price actually paid will not be the value of supply. Instead, the value of supply made by Mr. Venkat to Mr. Kamath will be the open market value = ₹ 75,000 (in terms of rule 28).</p>	

Part B

Answer 1: 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 1 M	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 1 M	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 1 M	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 1 M	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	5,40,000 1 M	Nil

	GST However, tax on such services shall be paid by ECO. Therefore, Vividh Pvt. Ltd. is not liable to pay GST on the Same		
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 1 M
GTA services availed	Since GTA has opted to pay tax under forward charge @ 12%, tax is payable under forward charge by GTA only and not by Vividh Pvt. Ltd.	1,80,000	Nil 1 M
Gross GST Payable			1 M 6,10,200

Answer 2: Computation of value of machine sold by M/s. ABC India Ltd.:

Particulars	Amount (₹)
Basic price of machine	28,50,000
Add: Secondary packing [Note 1]	30,000
Add: Design and engineering charges [Note 2]	90,000
Add: Tax levied by Municipal Authority [Note 3]	25,000
Add: Subsidy received from State Government [Note 4]	-
Add: Pre-delivery inspection charges paid by M/s. XYZ Ltd. [Note 5]	4 M 22,000
Add: Interest for delay in payment [₹ 12,000 × 100/118] (rounded off) [Note 6]	10,169
Less: 3% Trade discount on basic price of machinery = ₹ 28,50,000 × 3% [Note 7]	(85,500)
Taxable Value of supply	29,41,669

Computation of net GST payable (in cash) by M/s. Jonty India Ltd. for the month of February, 20XX :

Particulars	CGST@9% (₹)	SGST@9% (₹)
Tax on value of ₹ 29,41,669 (rounded off)	2,64,750	2,64,750
Less: Input tax credit [ITC] of tax paid on electrical transformer used in the manufacturing process [Note 8]	15,000	15,000
Net GST payable	1.5 M 2,49,750	2,49,750

Notes:

1	Incidental Expenses (15(2)(c)) – Packing & other charges by the supplier are included in value.
2	Charges by the supplier for anything done before or at delivery are includible in value.
3	Non-GST Taxes (15(2)(a)) – Taxes other than GST are included in value.
4	State Subsidy (15(2)(e)) – Not included in the value of supply
5	Expenses Incurred by Recipient (15(2)(b)) – Included if the supplier is liable but recipient pays.
6	Interest on Delayed Payment (15(2)(d)) – Included in value; tax paid in the month of receipt.
7	Trade Discount (15(3)) – Excluded if shown on the invoice.
8	ITC on Expenses (17(5) & 16(1)) – ITC on food & beverages disallowed unless for resale, ITC on transformers allowed.

2.5 M

Answer 3:

1. Legal provision:

- As per **Rule 27** of the Valuation Rules 2017, if the consideration is not wholly in money, then value of supply shall be determined on the following principles:
 - a) Open market value
 - b) If (a) is not possible then money value of equivalent consideration
 - c) If (a) or (b) not possible then value of like kind & quality.
- **Open market value** of a supply means the full value in money, excluding the applicable GST, where the supplier and the recipient of the supply are not related and the price is the sole consideration, to obtain such supply at the same time when the supply being valued is made.
- Further, if open market value of the supply is not known, then the value of the supply will be the consideration in money plus the money equivalent to the non-monetary consideration, if such amount is known at the time of supply.

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Discussion & Conclusion:

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|----|---|
| 1. | ➤ In the given case, price is not the sole consideration for the supply. Apart from monetary consideration, the buyer has given some material to the supplier as consideration for such supply.
➤ Thus, Value of supply of such goods shall be determined on the basis of Open market value = ₹ 2,97,360 x 100/118 = ₹ 2,52,000 |
| 2. | In this case, Open market value of supply is not available, thus Value of supply will be:
= (₹ 2,95,000 x 100/118) + ₹ 10,000 = ₹ 2,60,000 |

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2. Legal Provision:

- As per **explanation to section 14** of CGST Act 2017, in case of change in rate of tax, the date of receipt of payment is the earlier of the:
 - date on which the payment is entered in the books of account of the supplier or
 - date on which the payment is credited to his bank account.
- However, the date of receipt of payment is the date of credit in the bank account if such credit in the bank account is **after 4 working days** from the date of change in the rate of tax
- As per **section 14(a)(iii)** of CGST Act 2017, if the service is supplied before the change in rate of tax and the invoice is issued after the change in rate of tax, but the payment is received before such change in rate of tax, the time of supply will be date of receipt of payment.

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Discussion & Conclusion:

- In the given case, the payment has been credited in the bank account within 4 working days from the date of change in the rate of tax.
- The date of receipt of payment is 15th October being the date of entry in the books of account of the supplier which is earlier than the date of credit of the payment in the bank account (18th October).
- Therefore, time of supply is **15th October**.

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3. Legal Provision:

- As per **Sec 10(1)**, A Registered Person, whose aggregate turnover in the PFY did not exceed ₹ 1.5 Cr. may opt to pay tax under composition levy. [₹ 75 lakh in case of Special Category States except Assam, Himachal Pradesh and Jammu and Kashmir].
- As per **Sec 10(2)**, a person shall not be eligible to opt for the scheme if he is engaged in the **supply of services**, except for restaurant services and **services allowed u/s 10(2A)**.
- As per **Sec 10(2A)**, a person under the composition scheme is allowed to supply services **up to 10% of turnover in the preceding FY or ₹ 5 lakh, whichever is higher**.
- Also, If the proper officer has reasons to believe that a taxable person has paid tax u/s 10(1)/(2A) despite not being eligible, then such person shall be liable to:-

1 M

- pay tax payable by him under any other provisions of sec 73/74/**74A** shall mutatis & mutandis apply for tax and penalty of CGST Act.

Discussion:

- In the given case, M/S Neelkanth Electronics is primarily a trader dealing in electronic goods. Although it was eligible to opt for the composition scheme based on its turnover, it was found during departmental audit that the business also rendered **installation and repair services**, and the revenue from such services amounted to **15% of its total turnover** during the year. This exceeds the permissible service limit under the composition scheme, which is **10% of turnover or ₹ 5 lakh**, whichever is higher.
- Since the service component exceeded the allowed limit, the taxpayer became **ineligible to continue under the composition scheme**, and accordingly, **composition tax was wrongly paid**.
- As per the law, the taxpayer becomes liable to pay tax under the **regular scheme**, and the **proper officer is empowered to cancel the option for composition levy with retrospective effect**, demand the **differential tax**, and impose **penalty and interest**.

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Conclusion:

- Thus, the action taken by the proper officer in **cancelling the composition scheme retrospectively** and **levying tax, interest, and penalty** is **valid in law**.

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