

CA Final
Answer Sheet – 4

Part A

S.no	Ans	Hints																								
1)	(c)	<ul style="list-style-type: none">➤ Value of exempt outward supply (for the purpose of reversal of ITC) by Mr. Veera during the current financial year is as follows: = [15,00,000 (Inter-State exempt supplies) + 10,00,000 (1% of ₹ 10 crore)]➤ As per section 17(3) read with explanation 2, for determining the value of exempt supply for the purpose of reversal of ITC, the value of security shall be taken as 1% of the sale value of such security.➤ Therefore, value of exempt outward supply (for the purpose of reversal of ITC) by Mr. Veera during the current financial year is ₹ 25,00,000.																								
2)	(d)	<ul style="list-style-type: none">➤ As per section 17(5):<ul style="list-style-type: none">- ITC can be availed on motor vehicle used for transportation of goods.- ITC is blocked on goods or services or both received by a taxable person for construction of an immovable property (other than plant and machinery) on his own account. Here, construction includes renovation or repair to the extent of capitalization to the said immovable property. Since Mr. Veera has debited all renovation expenses under repair and maintenance, ITC on same shall be available.- ITC is blocked on goods lost, stolen, destroyed, written off or disposed of by way of gift or free samples.➤ Accordingly, 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)	(a)	<p>Computation of ITC credited to electronic credit ledger of Mr. Veera:</p> <table><tr><th>Particulars</th><th>Amount (₹)</th></tr><tr><td>Inward supplies:</td><td></td></tr><tr><td>Inter-State</td><td>1,00,30,000</td></tr><tr><td>Intra-State</td><td>46,00,000</td></tr><tr><td>Pick up van</td><td>1,70,000</td></tr><tr><td>Renovation of showroom (₹ 3,60,000 + ₹ 80,000 + ₹ 4,00,000 + ₹ 1,62,000)</td><td>10,20,000</td></tr><tr><td>T-shirts</td><td>1,80,000</td></tr><tr><td>Total inward supplies</td><td>1,59,82,000</td></tr><tr><td>Total GST paid on inward supplies (₹ 1,59,82,000 x 18%)</td><td>28,76,760</td></tr><tr><td>Less: ITC on inward supplies exclusively used for exempt supplies (₹ 20,00,000 x 18%)</td><td>(3,60,000)</td></tr><tr><td>Less: ITC blocked under section 17(5) (₹ 1,80,000 x 18%) - ITC on T - shirts is blocked as ITC is blocked on free samples</td><td>(32,400)</td></tr><tr><td>ITC credited to electronic credit ledger of Mr. Veera</td><td>24,84,360</td></tr></table>	Particulars	Amount (₹)	Inward supplies:		Inter-State	1,00,30,000	Intra-State	46,00,000	Pick up van	1,70,000	Renovation of showroom (₹ 3,60,000 + ₹ 80,000 + ₹ 4,00,000 + ₹ 1,62,000)	10,20,000	T-shirts	1,80,000	Total inward supplies	1,59,82,000	Total GST paid on inward supplies (₹ 1,59,82,000 x 18%)	28,76,760	Less: ITC on inward supplies exclusively used for exempt supplies (₹ 20,00,000 x 18%)	(3,60,000)	Less: ITC blocked under section 17(5) (₹ 1,80,000 x 18%) - ITC on T - shirts is blocked as ITC is blocked on free samples	(32,400)	ITC credited to electronic credit ledger of Mr. Veera	24,84,360
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4)	(b)	<p>Computation of the amount of common credit as per rules 42 and 43:</p> <table><tr><th>Particulars</th><th>Amount (₹)</th></tr><tr><td>Amount credited to electronic credit ledger (as per MCQ 3 working above)</td><td>24,84,360</td></tr><tr><td>Less: Amount exclusively used for taxable supplies (₹ 15,00,000 x 18%)</td><td>2,70,000</td></tr><tr><td>Common credit</td><td>22,14,360</td></tr></table>	Particulars	Amount (₹)	Amount credited to electronic credit ledger (as per MCQ 3 working above)	24,84,360	Less: Amount exclusively used for taxable supplies (₹ 15,00,000 x 18%)	2,70,000	Common credit	22,14,360																
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5)	(c)	Computation of total GST liability (net of ITC) of Alpha Limited for the month of January:	
		Particulars	Amount (₹)
		Price payable for goods sold to Supernova India Limited	10,00,000
		Add: Transportation and handling charges [Includible in value in terms of section 15(2)(b)]	2,00,000
		Add: Municipal levy [Includible in value in terms of section 15(2)(a)]	12,000
		Total taxable value of supply	12,12,000
		Output IGST liability [₹12,12,000 x 18%] (A) [Since place of supply is Gujarat being the location of the goods at the time at which the movement of goods terminates for delivery to the recipient and location of supplier is Maharashtra, it is an inter-State supply and IGST is payable on the same.]	2,18,160
		Less: ITC available as given below	
		IGST paid at the time of import of goods [₹ 10,00,000 x 18%]	1,80,000
		IGST paid on inter-State domestic purchases [₹ 2,00,000 x 18%]	36,000
		Total IGST credit available with Alpha Limited (B)	2,16,000
		Total GST liability payable (net of ITC) through GSTN portal [(A)-(B)]	2,160
6)	(c)	Computation of gross IGST liability of Supernova India Limited for the month of January:	
		Particulars	Amount (₹)
		GST payable under forward charge IGST on inter-State supply of goods to X Ltd. located in Rajasthan [₹ 6,00,000 x 18%]	1,08,000
		GST payable under reverse charge IGST on commission paid to Supernova LLC Japan (₹ 2,80,000 x 18%) Commission is ₹ 2,80,000 [20% of turnover in the month i.e. 20% of ₹ 14,00,000 (₹ 6,00,000 to X Ltd. and ₹ 8,00,000 to Y Ltd.)]	50,400
		Gross IGST liability to be discharged by Supernova India Limited during the month of January (without setting off ITC)	1,58,400
7)	(c)	<ul style="list-style-type: none"> ➤ The POS for the hotel accommodation services is Mumbai, Maharashtra being the location of such hotel, as per section 12(3) of the IGST Act, 2017. ➤ Thus, it is an intra-State supply since the location of supplier (hotel) is also Mumbai, Maharashtra. ➤ However, the ITC of the CGST and SGST paid on said services is not available as CGST/SGST of one State cannot be utilized for discharging of CGST/SGST liability of another State. 	
		<ul style="list-style-type: none"> ➤ In the present case, event management services are being provided by an event management company located in New Delhi to Supernova India Limited of Gujarat, i.e. the location of both supplier and recipient is in India. ➤ As per section 12(7) of the IGST Act, 2017, the place of supply of services provided by way of organisation of a cultural, artistic, sporting, scientific, educational or entertainment event including supply of services in relation to a conference, fair, exhibition, celebration or similar events shall be the location of the recipient if the recipient is a registered person. ➤ Since Supernova India Limited is a registered person, the place of supply of event management services shall be the location of recipient i.e. Gujarat even though the event is organized in Mauritius. Resultantly, GST is applicable on such services. 	
8)	(b)		

9)	(a)	Computation of output tax liability, without adjustment of ITC, by Doodle India for the month of January:	
		Particulars	Amount (₹)
		Sales of online advertisement space in India	8,00,00,000
		Supply of promotion and marketing of cloud-based storage services to Doodle Inc. [Qualifies as export of service by Doodle India to Doodle Inc. since all the conditions of section 2(6) of the IGST Act, 2017 are complied with. Further, all exports made by Doodle India are through furnishing of LUT without payment of IGST.]	Nil
		Services of operation of such customer help centre to Doodle Inc. [Qualifies as export of service by Doodle India to Doodle Inc. since conditions of section 2(6) of the IGST Act, 2017 are complied with. Further, all exports made by Doodle India are through furnishing of LUT without payment of IGST]	Nil
		Total value of supply	8,00,00,000
		GST @ 18%	1,44,00,000
10)	(c)	<ul style="list-style-type: none"> ➤ Online Information Database Access and Retrieval services (OIDAR) is a category of services provided through the medium of internet and received by the recipient online, such services cannot be rendered in the absence of information technology [Section 2(17) of the IGST Act, 2017]. ➤ Supply of online advertisement space is covered under the purview of OIDAR services in terms of section 2(17) of the IGST Act, 2017. ➤ Further, in case of supply of OIDAR services by the supplier of OIDAR service located outside India to a registered recipient located in India - the place of supply would be India [Section 13(2) of the IGST Act, 2017] and the transaction would be amenable to tax under reverse charge if the recipient is a business entity under section 5(3) of the IGST Act, 2017. ➤ Thus, Doodle India is liable to discharge such GST liability under reverse charge. 	
11)	(b)	Computation of amount of GST payable by Doodle Inc. for the month of January:	
		Particulars	Amount (₹)
		Supply of cloud-based storage services to non-taxable online recipient Indian customers [Online Information Database Access and Retrieval services (OIDAR) is a category of service provided through the medium of internet and received by the recipient online; such services cannot be rendered in the absence of information technology [Section 2(17) of the IGST Act, 2017]. Accordingly, cloud-based storage services qualify as OIDAR service. Further, IGST on supply of OIDAR services by any person from a location outside India to a non-taxable online recipient is payable by the supplier who is located outside India in terms of section 14 of the IGST Act, 2017; thus, Doodle Inc. is liable to discharge such GST liability.	10,00,00,000
		Supply of online advertising space to Doodle India [Supply of online advertising space qualifies as OIDAR service. In case of supply of OIDAR services by the supplier of OIDAR service located outside India to a registered recipient located in India - the place of supply would be India [Section 13(2) of the IGST Act, 2017] and the transaction would be amenable to tax under reverse charge (if recipient is business entity) under section 5(3) of the IGST Act 2017 thus,	Nil

		Doodle India is liable to discharge such GST liability under reverse charge.]	
		Supply of technology support services to Doodle India [IGST on supply of technology support services provided by the supplier of said service located outside India to a recipient located in India - the place of supply would be India [Section 13(2) of the IGST Act, 2017] and the transaction would be amenable to tax under reverse charge under section 5(3) of the IGST Act, 2017, thus, Doodle India is liable to discharge such GST liability under reverse charge.]	Nil
		Total value of supply	10,00,00,000
		GST @ 18%	1,80,00,000
12)	(c)	Computation of total input tax credit that can be availed by Doodle India from the transactions undertaken in the month of January:	
		Particulars	GST@18% (₹)
		Online advertising space received from Doodle Inc. [GST is payable under reverse charge. ITC is available since said services are used in the course or furtherance of business.]	90,00,000
		Technology support services received from Doodle Inc. [GST is payable under reverse charge. ITC is available since said services are used in the course or furtherance of business.]	4,50,000
		Expenses exclusively related to operation of call centre [ITC is available since said services are used in the course or furtherance of business.]	13,50,000
		Expenses exclusively related to promotion and marketing services for Doodle Inc. [ITC is available since said services are used in the course or furtherance of business.]	9,00,000
		Total ITC	1,17,00,000

Part B

Answer 1:

a)	Legal Provision:- <ul style="list-style-type: none"> ➤ As per Section 12(12) of the IGST Act, the place of supply for banking and other financial services (including stock broking services) provided to any person is the location of the recipient as per the supplier's records. ➤ If the recipient's location is not available in the supplier's records, the place of supply is the location of the supplier. Discussion & Conclusion: <ul style="list-style-type: none"> ➤ Since Mr. C does not have an account with the bank, his location is not available in the supplier's records. Thus, the place of supply is the location of the supplier, i.e., New Delhi. 	2.5 M
b)	Legal Provision: As per section 11 of IGST Act, Place of Supply of goods:- <ul style="list-style-type: none"> ➤ imported into India shall be the location of importer, ➤ exported from India shall be the location outside India. Discussion & Conclusion: <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) 	2.5 M

	➤ Thus, the POS would be location of the recipient of specified actionable claim of online money gaming, i.e., India.
c)	Legal Provision: <ul style="list-style-type: none"> ➤ Section 9 of IGST Act overrides the entire Act and states that If the location of the supplier or place of supply is in the territorial waters, then the location of such supplier or the POS, as the case may be, shall be deemed to be in the coastal State or Union territory where the nearest point of the appropriate baseline is located. Discussion & Conclusion: <ul style="list-style-type: none"> ➤ In this case, M/s Sea Foods Ltd. (Tamil Nadu) supplied goods to M/s Eat Well Ltd. (Maharashtra), and the supply took place in territorial waters. The location of the supply is 4 nautical miles from Kerala and 12 nautical miles from Tamil Nadu. ➤ Thus, the Place of Supply is Kerala.
d)	Legal Provision: <ul style="list-style-type: none"> ➤ As per section 10(1)(a) of the IGST Act, if goods involve movement, the place of supply is where the movement of goods terminates for delivery. ➤ As per section 10(1)(e) of the IGST Act, if goods are supplied on board a conveyance (vessel, aircraft, train, or vehicle), the place of supply is the location where goods are taken on board. Conclusion: <ul style="list-style-type: none"> ➤ For Mr. Sahukaar, the place of supply is New Delhi (where goods are taken on board), not Jaipur (where they are sold).

Answer 2:

Computation of net GST payable by Flowchem for the month of July:

Particulars	IGST (₹)	CGST (₹)	SGST (₹)
Output tax liability [Working Note 1]	1,88,100	-	-
Less: ITC of CGST [Working Note 2]	(25,000)	-	-
Less: ITC of SGST has been utilized only after ITC of CGST has been utilized fully as per proviso to section 49(5)(c) [Working Note 2]	(25,000)	-	-
Net GST payable from Electronic Cash Ledger	1,38,100	-	-

Working Notes:

1) Computation of output tax liability of Flowchem for the month of July:

Particulars	Amount (₹)
List price of 10 valves (₹ 1,00,000 x 10)	10,00,000
Add: Amount paid by R Refinery to testing agency [Note 1]	15,000
Add: Special packing [Note 2]	10,000
Add: Erection and testing at site [Note 2]	15,000
Add: Freight [Note 3]	5,000
Value of taxable supply	10,45,000
IGST @ 18% [Note 4]	1,88,100

2) Computation of ITC available with Flowchem for the month of July:

Particulars	CGST (₹)	SGST (₹)
Opening ITC (Given)	20,000	20,000

Work contract services availed for erection foundation for fixing the machinery to the earth in the factory [Note 5]	5,000	5,000
Laying of pipeline up to the gate of factory from water source located outside the factory [Note 6]	Nil	Nil
Installation of telecommunication towers [Note 6]	Nil	Nil
Services of travel company to provide home travel facility to employees [Note 7]	Nil	Nil
Services of fitness centre to provide wellness services to employees [Note 7]	Nil	Nil
Total ITC	25,000	25,000

Notes:

3.5 M

1)	<ul style="list-style-type: none"> ➤ As per section 15(2)(b) of the CGST Act, the value of supply shall include any amount that the supplier is liable to pay in relation to such supply but <ul style="list-style-type: none"> - which has been incurred by the recipient of the supply and - not included in the price actually paid or payable for the goods &/or services. ➤ In the given case, arranging inspection was the liability of the supplier, the same should be included in the value of supply charges for the same, however, have been paid directly to the third-party service provider by the recipient. ➤ Therefore, the value shall be included in taxable value.
2)	As per section 15(2)(c) of the CGST Act, Value of supply shall include any amount charged for anything done by the supplier in respect of the supply until delivery of goods.
3)	<ul style="list-style-type: none"> ➤ As per section 15(2)(b) of the CGST Act, the value of supply shall include any amount that the supplier is liable to pay in relation to such supply but <ul style="list-style-type: none"> - which has been incurred by the recipient of the supply and - not included in the price actually paid or payable for the goods &/or services. ➤ In the given case, the supply contract is on FOR basis, payment of freight is the liability of supplier but the same has been paid by the recipient and thus, should be included in the value of supply
4)	<ul style="list-style-type: none"> ➤ As per section 10(1) of the IGST Act, if the supply involves movement of goods, the place of supply is the location of the goods at the time at which the movement of goods terminates for delivery to the recipient, which in the given case is Abu Road (Rajasthan). ➤ Since the location of the supplier (Gujarat) and the place of supply (Rajasthan) are in two different States, the supply is an inter-State supply liable to IGST.
5)	<ul style="list-style-type: none"> ➤ As per section 17(5)(c) of CGST Act, ITC is blocked on works contract services supplied for construction of an immovable property (other than Plant & Machinery) except where it is an input Service for further supply of works contract service ➤ Further, plant and machinery includes foundation and structural supports used to fix the machinery to earth.
6)	<ul style="list-style-type: none"> ➤ As per section 17(5)(c) of CGST Act, ITC is blocked on goods &/or services received by a taxable person for construction of an immovable property on his own account including when they are used in the course or furtherance of business. ➤ However, plant and machinery excludes pipelines laid outside the factory premises and telecommunication towers.
7)	As per section 17(5)(b) of CGST Act, ITC is blocked on travel benefits extended to employees on home travel concession and membership of health and fitness centre unless it is obligatory for an employer to provide the same to its employees under any law for the time being in force.

Answer 3:

As per Rule 86A of CGST Rule 2017,

a)	Yes, it is possible for the Department to restrict the utilization of credit which is already availed if there are reasons to believe that such ITC has been fraudulently availed or is ineligible.	1 M
b)	The restrictions can be imposed under the following circumstances: - a) ITC has been availed on the basis of tax invoices/valid documents - ➤ issued by a non-existent supplier or by a person not conducting any business from the registered place of business or ➤ without receipt of goods or services or both or ➤ the tax in relation to which has not been paid to the Government b) Registered person availing ITC has been found non-existent or not to be conducting any business from the registered place of business or c) Registered person availing ITC is not in possession of valid tax invoice.	3 M

Answer 4:

The Consideration of M/s Speed Logistics is not correct.

Legal Provision:

- Services by way of transportation of goods by road are **exempt** from GST except when provided by a Goods Transport Agency (GTA) or a courier agency.

1 M

Discussion & Conclusion:

- In the given case, M/s Speed Logistics has provided Tipper Lorries on hire to M/s ABC (a mining company). The vehicles were provided with drivers, but the fuel was to be arranged by the recipient.
- This is not a transportation service, because it only provided the vehicle with driver i.e, hiring of vehicle with operator which is **treated as Rental service not transportation of goods.**
- Thus, the exemption for "transportation of goods by road" **does not apply.**

2 M