

CA Inter
Answer Sheet - 1

Part A

S.no	Ans	Hints
1.	(b)	<ul style="list-style-type: none"> ➤ There is no obligation (quid pro quo) on part of recipient of the donation to do anything (i.e. supply a service). ➤ Thus, it can be said that there is no supply of service for the payment in the form of donation.
2.	(b)	Services provided by way of sponsorship to any body corporate or partnership firm is liable to GST under reverse charge. LLP is also considered as a partnership firm or firm.
3.	(b)	<ul style="list-style-type: none"> ➤ Supply of fountain pen, calculator and tape dispenser is not a supply wherein one of the supply is a principal supply and these are not naturally bundled. ➤ Therefore, the supply is a mixed supply, and the highest tax rate shall be applied for the whole supply.
4.	(a)	Refer Schedule I
5.	(d)	Refer Entry 51 & 54 under List II of Schedule VII
6.	(a)	Refer Sec 7(1) (b) & Para 4 of Schedule I
7.	(d)	Refer Para 1 of Sch I & Para I of Sch III
8.	(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.
9.	(c)	IGST on outward supply: ₹ 22,500, IGST on inward supply: ₹ 7,200, CGST & SGST on inward supply: ₹11,700, hence IGST: ₹ 3,600
10	(c)	Refer Sec 2(52)

Part B

Answer 1:

i) Computation of Gross GST liability of Mr. Handsome for the month of March 20XX:-

Particulars		IGST (₹)	CGST (₹)	SGST (₹)
Goods sold by Mr. Handsome in his DCA capacity	2,80,000	-	27,000	27,000
Add: Interest earned for short term credit facility provided to above customers	20,000		(3,00,000	(3,00,000
[Interest included in value of supply of goods sold since where DCA is an agent under Schedule - I of CGST Act, short term credit facility provided by DCA to buyer is subsumed in the supply of goods by DCA to buyer.]	3,00,000		*9%)	*9%)
		2 M		
Commission charged for DCA services [Being taxable supply of services.]		5,400	-	-
	1 M	(30,000 *18%)		1 M
Gross GST Liability		5,400	27,000	27,000

Note: Since the invoice for goods sold is issued by the DCA – Mr. Handsome in his own name, he would fall under the ambit of an agent under Schedule- I of the CGST Act.

ii) Computation of Gross GST liability of Mr. Handsome for the month of March 20XX:-

Particulars	IGST (₹)	CGST (₹)	SGST (₹)
Inward supply of goods from Charm Limited free of cost	36,000		
	(2,00,000		
		1 M	

[Supply of goods by principal– Charm Limited to agent – Mr. Handsome qualifies as supply even though it is made without consideration.]	*18%)		
Training in marketing and distribution received from Charm Limited free of cost [Since no consideration is charged for the services provided, said services do not qualify as supply. As no GST is paid on the same, ITC is not available]	-	-	-
Total ITC Available	36,000	Nil	Nil

Answer 2:

1.	a)	<p>Legal Provision:</p> <ul style="list-style-type: none"> ➤ If a person has multiple GST registrations in different states, each registration is treated as a distinct person. [Section 25(4)] ➤ Supply of goods/services between distinct persons in the course of business is considered a supply, even without consideration. [Sec 7(1)(c) & Para 2 of Schedule I] <p>Discussion & Conclusion:</p> <ul style="list-style-type: none"> ➤ In the given case, factory and depot of Sulekha Manufacturers are distinct persons. ➤ Therefore, supply of goods from Delhi factory of Sulekha Manufacturers to Mumbai Depot without consideration, but in course/furtherance of business, is treated as supply.
	b) & c)	<p>Legal Provision:</p> <ul style="list-style-type: none"> ➤ Import of services by a person from a related person or from any of his other establishments outside India, in the course or furtherance of business, shall be treated as supply even if made without consideration. [Section 7(1)(c) read with Schedule I] ➤ Members of the same family are deemed to be "related persons". [Explanation to section 15] ➤ Further, as per section 2(49), A brother is treated as a member of the same family only when he is wholly or mainly dependent on the said person. <p>Discussion & Conclusion:</p> <p>Case (b): Raman received free legal services from his brother, a well-known lawyer settled in London. Since the brother is not wholly or mainly dependent on Raman, they are not considered related persons u/s 2(49). Additionally, the services were for personal matters, not in the course or furtherance of business. Therefore, this transaction does not qualify as a supply under GST.</p> <p>Case (c): No, if Raman has taken advice for his business unit, services provided by Raman's brother to him would still not be treated as supply. This is because, though services are provided in course or furtherance of business, but it is not received from related person.</p>
2.	a)	<p>Legal Provision:-</p> <ul style="list-style-type: none"> ➤ If service of renting of immovable property is provided by the Central Government [excluding the Ministry of Railways (Indian Railways)], State Government, Union territory or local Authority to any registered person located in the taxable territory, then GST is payable under reverse charge by recipient. [Notified u/s 9(3)] ➤ If recipient is unregistered, then the supplier of service will pay under forward charge. <p>Discussion & Conclusion:-</p>

		<ul style="list-style-type: none"> ➤ In this case, this service is provided by the government to an unregistered business entity. Thus, the supplier i.e. the Government is liable to pay GST under forward charge.
2 M	b)	Legal provision: <ul style="list-style-type: none"> ➤ If services are provided by director to the company located in taxable territory, then the company (recipient) is liable to pay tax under reverse charge. [Notified u/s 9(3)] Conclusion: <ul style="list-style-type: none"> ➤ Therefore, in the given case, person liable to pay GST is the recipient of services, i.e., A2Z Pvt. Ltd.
2 M	c)	Legal Provision:- <ul style="list-style-type: none"> ➤ 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. [Notified u/s 9(3)] Discussion & Conclusion:- <ul style="list-style-type: none"> ➤ In given case, sponsorship services are provided by the private NGO to a partnership firm – M/s. Purohit Consultants. Therefore, Purohit Consultants is liable to pay GST under reverse charge.

Answer 3:

1.	a)	<ul style="list-style-type: none"> ➤ Securities not goods or services: shares are neither classified as goods nor services ➤ Purchase/Sale of shares Not supply: <ul style="list-style-type: none"> - the purchase or sale of shares or securities, in isolation, does not constitute a SOG or SOS - To qualify as a supply of services, it should be covered under section 7 of the CGST act. ➤ No Inherent service in holding shares: <ul style="list-style-type: none"> - Holding shares of a subsidiary company by a holding company, by itself, does not constitute the provision of services. - Consequently, the act of a holding company holding shares of a subsidiary company cannot be regarded as a supply of services from the holding company to the subsidiary company and is not subject to GST.
	b)	<ul style="list-style-type: none"> ➤ GST is not payable by Dhruv Developers on sale of plot of land. ➤ As per Para 5, 'sale of land' is neither a supply of goods nor a supply of services. Hence, the sale of land does not attract GST. ➤ Land may be sold either as it is or after some development such as levelling, laying down of drainage lines, water lines, electricity lines, etc. ➤ It is clarified by CBIC that sale of such developed land is also sale of land and is covered by Para 5 of Schedule III and accordingly does not attract GST.
2.		<ul style="list-style-type: none"> ➤ Supplies of all goods &/or services are taxable under GST except <ul style="list-style-type: none"> - alcoholic liquor for human consumption and - un-denatured Extra Neutral Alcohol (ENA) or rectified spirit used for manufacture of alcoholic liquor, for human consumption. ➤ Supply of following would be taxable with effect from the date notified by Government on recommendations of the GST Council:- <ul style="list-style-type: none"> a) Petroleum crude, b) High speed diesel,

	c) Motor spirit (petrol), d) Natural gas & e) Aviation turbine fuel. on such goods Central excise, VAT/CST is leviable.
3.	<ul style="list-style-type: none"> ➤ The said statement is invalid. ➤ Services provided by a GTA to an unregistered person, including an unregistered casual taxable person are exempt except when provided to a: <ul style="list-style-type: none"> a) Factory b) Society c) Co-operative society d) Body corporate e) Partnership firm f) Registered casual taxable person

3 M