

CA Inter
Answer Sheet – 2

Part A

| S.no | Ans | Hints |
|------|-----|---|
| 1. | (b) | Value = Transaction value ₹ 8,00,000 + Interest u/s 15(2)(d) ₹ 8,000 (i.e. ₹ 8,00,000 * 12% * 1/12] |
| 2. | (d) | Only sponsorship service of ₹ 3,00,000 given is covered under entry 4 of RCM. Reddy & Reddy Associates is a firm i.e. supplier is other than body corporate whereas recipient is a body corporate i.e. Kiran Ltd |
| 3. | (d) | Refer proviso to para 2 of Sch I |
| 4. | (b) | The package is not naturally bundled & have a single price & hence it is mixed supply – highest rate 18% applies |
| 5. | (a) | <ul style="list-style-type: none"> ➤ VOS = Basic price of product ₹ 45,000 ➤ Refer Circular no. 76/50/2018 in Value chapter, as TCS is an interim levy not having character of tax so it cannot be included in value of supply ➤ Subsidy is not related to product hence not considered. |
| 6. | (b) | <ol style="list-style-type: none"> 1. Construction service is availed free of cost where brother-in-law is not a family & hence, not related person – so not a supply. 2. Son is mainly dependent on Himadri & hence related to her. Consultancy is availed free of cost from related person & hence it is deemed supply under para 2 of sch. I |
| 7. | (d) | <ol style="list-style-type: none"> 1. ₹ 1,60,000 is covered under RCM – refer entry 12 under RCM, 2. Residential dwelling is rented to Supriya (URP) & thus, ₹ 50,000 is taxable under forward charge & not covered under entry 5AA of RCM 3. Supply of ₹ 70,000 is specifically exempt, thus no FC and no RCM applies. |
| 8. | (a) | <ul style="list-style-type: none"> ➤ Composition levy for trader = 0.5% each CGST & SGST * Turnover of taxable supplies of goods & services in State i.e. 0.5% * ₹ 10 lakhs = ₹ 5,000. ➤ Also, service of ₹ 2 lakhs is within marginal limit of ₹ 5 lakhs i.e. higher of ₹ 5 lakhs or 10% of ₹ 100 lakhs. |
| 9. | (b) | <ol style="list-style-type: none"> (i) Refer sec 7(1)(b)- Architect service ₹ 1,00,000 is imported for consideration, hence it is supply irrespective of its use in business. (ii) Refer para 4 of Sch I- Management consultancy service is imported without consideration from unrelated person (not a current employee), hence not a supply. |

Part B

Answer 1:

Computation of value of taxable supply:

| Particulars | Amount (₹) | Remark |
|--|------------|--|
| List price of the machine | 80,000 | |
| Add: Tax levied by Local Authority on the sale of machine | 6,000 | Tax other than GST, if charged separately, are includible in the value as per section 15 of the CGST Act, 2017 |
| Add: Packing expenses for safe transportation | 4,000 | Includible in the value as per section 15. |

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| Add: Price-linked subsidy received from a NGO on sale of each machine | 5,000 | Subsidy received from a non-Government body and which is directly linked to the price, the same is included in the value as per section 15. |
| Total | 95,000 | |
| Less: Discount @ 2% on ₹ 80,000 | 1,600 | Since discount is known at the time of supply and recorded in invoice, it is deductible from the value as per section 15. |
| Value of taxable supply | 93,400 | |

Computation of total ITC available:

| Particulars | IGST (₹) | CGST (₹) | SGST (₹) |
|---|---------------|-----------------------------|-----------------------------|
| Opening balance of ITC | 26,000 | 18,000 | 4,000 |
| Add: Inputs purchased during the month | | 10,800 (₹ 1,20,000 * 9%) | 10,800 (₹ 1,20,000 * 9%) |
| Total ITC available | 26,000 | 28,800 | 28,800 |

Computation of minimum net GST payable in cash by Vishwanath Ltd.

| Particulars | IGST (₹) | CGST (₹) | SGST (₹) |
|--|------------------|-------------------|-------------------|
| Sale of machine | 16,812 | 25,218 | 25,218 |
| Intra-State sales = ₹ 93,400 × 3 machines = ₹ 2,80,200 | (₹ 93,400 * 18%) | (₹ 2,80,200 * 9%) | (₹ 2,80,200 * 9%) |
| Inter-State sales = ₹ 93,400 × 1 machine = ₹ 93,400 | | | |
| Total Output tax | 16,812 | 25,218 | 25,218 |
| Less: ITC | | | |
| IGST: 26,000 | (16,812) | - | (9,188) |
| CGST: 28,800 | - | (25,218) | X |
| SGST: 28,800 | - | X | (14,800) |
| Minimum net GST payable in cash | Nil | Nil | 1,230 |

Answer 2:

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| 1. | a) | Legal Provision:- Supplier who is engaged in making any inter-State outward supplies of goods or services is not eligible to opt for composition scheme. [Sec 10(2)(c) & 10(2A)] Discussion & Conclusion:- In the given case, Sugam Manufacturers supplies goods in neighbouring States. Thus, It is not eligible for composition levy u/s 10 as it is making outward inter-state supply. |
| | b) | Legal Provision:- Supplier who is engaged in making any inter-State outward supplies of goods or services is not eligible to opt for composition scheme. [Sec 10(2)(c) & 10(2A)] Discussion & Conclusion:- <ul style="list-style-type: none">➤ In the given case, supply of goods to SEZ from domestic tariff area will be treated as inter-State supply. Thus, person making such supplies is not eligible to opt for composition levy u/s 10.➤ Further, for making supplies of goods to an SEZ unit, a person needs to take registration as a regular taxpayer. |
| | c) | Legal Provision:- A registered person manufacturing notified goods, one of which is Fly ash Bricks, is not eligible to opt for composition scheme u/s 10(1), even if his aggregate turnover does not exceed ₹ 1.5 crore. [Sec 10(2)(e)] Discussion & Conclusion:- |

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| | | <p>➤ In the given case, since Raju is engaged in manufacture of fly ash bricks which is a notified good u/s 10(2)(e), he cannot opt for composition levy even though his aggregate T/o in the preceding financial year is nil.</p> <p>➤ Thus, the advice given by his tax consultant is not correct.</p> |
| | | |
| 2. | a) | <p>Legal Provision:-</p> <p>➤ 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)]</p> <p>➤ If recipient is unregistered, then the supplier of service will pay under forward charge.</p> <p>Discussion & Conclusion:-</p> <p>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.</p> |
| | b) | <p>Legal provision:</p> <p>➤ 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)]</p> <p>Conclusion:</p> <p>Therefore, in the given case, person liable to pay GST is the recipient of services, i.e., A2Z Pvt. Ltd</p> |
| | c) | <p>Legal Provision:-</p> <p>➤ 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)]</p> <p>Discussion & Conclusion:-</p> <p>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.</p> |

Answer 3:

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| 1. | | <p>Legal Provision:-</p> <p>➤ An activity qualifies as supply under GST only if it is for a consideration and is in course/ furtherance of business.</p> <p>➤ Donations received by the charitable organizations are treated as consideration only when there's an obligation on part of the recipient of the donation to do anything.</p> <p>Discussion & Conclusion:</p> |
| | a) | <p>Since in the given case, the display of products sold by the donor – Glory Ltd. - in charitable organization's premises aims at advertising/promotion of its business, it is supply for consideration in course/furtherance of business and thus, qualifies as supply under GST law.</p> |
| | b) | <p>➤ In the given case, the name of the donor, Mr. Sonu is displayed in temple as an expression of gratitude and public recognition of his act of philanthropy and is not aimed at advertising or promotion of his business.</p> <p>➤ Hence, donation of water cooler by Mr. Sonu to temple is without quid pro quo and thus, not a supply under GST law.</p> <p>➤ However, supply of water cooler by Malhotra Bros. to Mr. Sonu is supply as it is made for consideration in course or furtherance of business.</p> |

2. Computation of aggregate turnover of Zen Pvt. Ltd.:-

| Particulars | Amount (₹) | Reason/Assumptions |
|--|---|--|
| Export of goods to China from Noida | 20,00,000 | Includible in the aggregate turnover & It is assumed that exports are made without payment of tax. |
| Goods supplied to SEZ located at Delhi from Noida | 15,00,000 | Includible in the aggregate turnover & it is assumed that supply of goods to SEZ are made without payment of tax. |
| Supply of goods directly to customer from location of job worker | 1,90,476 (₹ 2,00,000 × 100/105) | Includible in the aggregate turnover of Zen Pvt. Ltd & IGST be excluded from same. |
| Sales from Chennai Shop (Inter State) | 10,47,619 [₹ 11,00,000 × 100/105] | Includible in the aggregate turnover. Further, IGST be excluded from the same. |
| Local sales at Noida (Intra State) | 23,80,952 [₹ 25,00,000 × 100/105] | Includible in the aggregate turnover & CGST and SGST be excluded from the same |
| Services of transport availed | Nil | Inward supplies are not included in aggregate T/o. |
| Commission paid to Sales Executive | Nil | Inward supplies are not included in aggregate T/o. |
| Total aggregate turnover | 71,19,047 | 4 M |

3. GST on services supplied by the Central Government or State Government to a business entity in India are payable by the Recipient of services except [Notified u/s 9(3)]:

- (i) Services of renting of immovable property to an unregistered business entity.
- (ii) Services by the Department of Posts and the Ministry of Railways (Indian Railways);
- (iii) Services in relation to an aircraft or a vessel, inside or outside the precincts of a port or an airport.
- (iv) Services of transport of goods or passengers,
- (v) Renting of immovable property by an Indian Railway to any person.

3 M