CA Inter

GST SUPER 30 Question

For Sep 26 Exam

By
CA Vishal Bhattad

Think GST | Think Vishal Sir!

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GST SUPER 30 QUESTIONS

Chapter 1 Supply Under GST

Question 1 : Mr. Vijay, registered air-conditioner dealer in Janakpuri, Delhi, needs 4 air conditioners for his newly constructed house in Safdarjung Enclave. Therefore, he permanently transfers 4 air-conditioners [on which ITC has already been availed by him] from his stock, for the said purpose.

1) Examine whether the said activity amounts to supply u/s 7 of the CGST Act 2017.

2) Further, a Janakpuri resident, Ajay, approached Mr. Vijay. He sold an air conditioner to Mr. Vijay for ₹ 5,000. Ajay had bought the said air conditioner six months before, for his residence.

3) Mr. Vijay is planning to transfer some goods to his branch, registered in West Bengal, without any consideration, so that the goods can be sold from the branch. He believes that the transaction that will be undertaken by him would not qualify as supply as no consideration is involved.

4) On occasion of Diwali, Vijay Electronics Pvt. Ltd. distributes gift hamper to its employee worth ₹ 3,00,000. Does it qualify as supply?

Would your answer be different, if gifts of ₹ 42,000 have been given to a employee?

What would be your answer if Vijay Electronics Pvt. Ltd. pays ₹ 3, 00,000 to its employees upon achieving a specified sales target. The incentive is part of the salary of the employees and applicable tax is deducted at source as per relevant income tax provisions.

What would be your answer if Vijay Electronics Pvt. Ltd. offers its employees ESPP as part of their compensation package? When an employee decides to purchase these stocks, Dheer Ltd. (Japan based Co – holding company) directly transfers the shares to the employee. Vijay Electronics Pvt. Ltd. reimburses Dheer Ltd. for the cost of these shares on a cost-to-cost basis & there is no separate commission charged by Dheer Ltd.

5) Mr. Vijay has appointed Mr. Jai to procure goods based on a specification given by him. As the same kind of goods are not available in the area of Mr. Vijay, Mr. Jai buys the specified goods on his behalf from M/s XYZ Ltd. For this activity, invoice is issued in the name of principal.

a) Whether it is to be treated as a supply under GST?

b) Would your answer differ if invoice is issued in name of an agent Mr. Jai?

6) Mr. Vijay received interior decoration services for his residence from Mr. Racheal of Sydney (Australia). The amount paid for the said service is 5,000 Australian dollar.

What would be your answer if Mr. Vijay received interior decoration services for his residence from his brother, Mr. Varun residing in Sydney (Australia) [wholly dependent on him]. Further, Mr. Vijay did not pay any consideration for the said service.

Will your answer change if in the above case, if Mr. Vijay has taken interior decoration services with regard to his business premises and not for his residence?

7) Mr. Vijay also sold a plot of land in Safdarjung Enclave after levelling, laying down of drainage lines, water lines and electricity lines.

8) Mr. Vijay also donated some money to Jansewa Charitable Trust in the memory of his late father. The Jansewa Charitable Trust constructed a room in the school run by it from such donation and wrote "Donated by Mr. Vijay in the memory of his father" on the door of the room so constructed.

9) Mr. Vijay also provides bus service, meal coupon, telephone at residence, gives vehicle for official and personal use, uniform, and shoes to his employee. Explain the implication of GST under this case, if:-

a) These perquisites are provided as per the contract entered between employer and employee.

b) These perquisites are provided willingly by employer for better performance of employee without any agreement.

10) Along with above, Mr. Vijay also provides services of betting & Online money gaming to his customers.

11) Mr. Vijay has made intra-state supply of Air Conditioners to customers in Delhi, Freight is separately charged in invoices for delivery of goods at customer's doorstep.

Particulars	Amount (₹)
Value of goods (GST @9% each for CGST & SGST)	4,00,000
Value of freight charges charged separately in above invoices (GST @5% each for CGST & SGST)	1,00,000

12) In order to enhance his sales and to clear the stock of old models of air - conditioner, Mr. Vijay made combo offers to customers wherein, if a customer purchases an Air-conditioner along with a stabilizer, the same is offered at a combo price of ₹ 20,000 as against the original price of ₹ 30,000 (Air-conditioner ₹ 22,000 & stabilizer ₹ 8,000) if these are purchased separately. During the year, Mr. Vijay had made inter-State supply of 10 numbers of such combo products.
- Rates of Air Conditioners: GST @2.5% each for CGST & SGST & 5% for IGST.
- Rates of Stabilisers: GST @ 9% each for CGST & SGST & 18% for IGST.

13) In addition to above, Mr. Vijay needs an insurance worth ₹ 50 crore. He approaches FUTURE Insurance Ltd. for the same. However, since FUTURE Insurance Ltd. is unable to underwrite the entire risk alone, it enters into a reinsurance agreement with a reinsurer – ROYAL Insurance Ltd. The total premium charged is ₹ 5 lakh. The insurer – FUTURE Insurance Ltd. pays a reinsurance premium of ₹ 1 lakh to ROYAL Insurance Ltd. This allows FUTURE Insurance Ltd. to manage its risk and financial exposure. While paying this amount to ROYAL Insurance Ltd., FUTURE Insurance Ltd. deducts a ceding commission of ₹ 50,000 which it has charged for the services it provides to ROYAL Insurance Ltd. ROYAL Insurance Ltd. pays GST on the gross reinsurance premium including the ceding commission. Discuss whether the Services by FUTURE Insurance Ltd. to ROYAL Insurance Ltd. for which ceding commission is deducted from reinsurance premium paid by FUTURE Insurance Ltd. to ROYAL Insurance Ltd. amounts to supply.

14) FUTURE Insurance Ltd. enters into a co-insurance agreement with BHARTI Insurance Ltd. where FUTURE Insurance Ltd. is the lead insurer. The insured – Mr. Vijay – pays a total premium of ₹ 10,00,000 which is apportioned by the lead insurer – FUTURE Insurance Ltd. between itself and BHARTI Insurance Ltd. in the ratio of 60:40 for the insurance services jointly supplied by them to Mr. Vijay. FUTURE Insurance Ltd. agrees to discharge the entire GST liability on the full amount of premium received from Mr. Vijay. Discuss whether the Apportionment of co-insurance premium by FUTURE Insurance Ltd. to BHARTI Insurance Ltd. for the insurance services jointly supplied by them to Mr. Vijay amounts to supply.

15) Mr. Vijay resides in a housing society whose Resident Welfare Association provides the service of depositing the electricity bills of the residents in lieu of some nominal charges.

16) For carrying out repair of customers' machines, Mr. Vijay sends his container trucks equipped with repair equipments, consumables, tools, parts etc. from his Delhi workshop to his own repairing centres (registered under GST law) located in other States.

17) Mr. Vijay wishes to start supplying alcoholic liquor in Delhi. Therefore, he applies for licence to the State Government for selling liquor for which the State Government has charged specified fee from him.

18) State whether the following activities of Mr. Vijay would be treated as supply of goods or supply of services as per Schedule II: a) Renting of his commercial showroom. b) Temporary transfer or permitting use of his brand name to a franchisee. c) Supply of air-conditioners on hire purchase. d) Repair/treatment process applied to the goods of another person.

19) Mr. Vijay got permission to build five floors on his plot. Aditya Constructions, a neighbouring housing project, approached him to discuss regarding blockage of sun light arising out of construction of five floors and asked him to build only three floors for which ₹ 20 lakh was offered as compensation, which Mr. Vijay accepted. No further amount is to be paid in addition to the amount already agreed. Is the compensation liable to GST? If taxable, calculate the GST payable assuming CGST and SGST @ 9% each.

20) Mr. Vijay sold the following items to Akbar Retail Store: Refrigerator (taxable @ 18%), Stabilizer for refrigerator (taxable @ 5%) and LED television (taxable @ 5%). He issued a single invoice indicating price of each item separately. Akbar Retail Store gave a single cheque of ₹ 1,00,000/- for all the items as a composite discounted price. State the type of supply and the tax rate applicable.

21) Vijay Electronics Pvt. Ltd. (of which Mr. Vijay is the director) holds shares of its subsidiary company. Discuss taxability of shares held in the subsidiary company by the holding company. (Cir. No. 196/08/2023)

22) Mr. Vijay's firm, registered in Delhi, has its head office located in Singapore. It received management consultancy services free of cost from its head office.

23) As a sales promotion measure, Mr. Vijay distributed free samples of room fresheners to prospective customers without any consideration and also offered a "Buy One Stabilizer, Get One Free" scheme at a single price. Examine whether these amount to supply and the availability of ITC. (Cir. No. 92/03/2019)

24) Mr. Vijay recovered notice pay from an employee who left employment without serving the notice period stipulated in the employment contract; collected cheque dishonour charges from a customer whose cheque bounced; and charged late payment surcharge from customers paying invoices after the due date. (Cir. No. 178/10/2022)

Determine whether the above activities fall under the purview of supply as per Section 7 of CGST Act.

Answer:

(1)	**Legal Provision:** ➢ **As per Section 7(1)(c) read with Para 1 of Schedule I** of CGST Act, 2017, Permanent transfer or disposal of business assets where input tax credit has been availed on such assets shall be **treated as supply** even when it is made without consideration. **Discussion & Conclusion:** ➢ In the given case, permanent transfer of air conditioners by Mr. Vijay from its stock for personal use at its residence **would amount to supply** even though it is made without consideration.
(2)	**Legal Provision:** ➢ As per **Section 7(1)(a),** Supply of goods and/or services should be for consideration and should be in the course or furtherance of business. **Discussion & Conclusion:** ➢ In the given case, sale of air conditioner by Ajay to Vijay will not qualify as supply, Although it is made for a consideration, but it is not in the course or furtherance of business.
(3)	**Legal Provision:** ➢ As per section 7(1)(c) read with Schedule I, supply of goods or services or both between related persons or between distinct persons as specified in section 25, when made in the course or furtherance of business, is deemed as supply even if made without consideration. **Discussion & Conclusion:** ➢ In the given case, since the Mr. Vijay and his branch located in another State are distinct persons. ➢ Thus, supply of goods between them would qualify as supply.
(4)	**Legal Provision:** ➢ As per section 7(1)(c) read with Para 2 of Schedule I, Supply of goods &/or services between related persons is treated as supply even if it is without consideration. ➢ Proviso to para 2 of schedule I states that if gifts given by employer to an employee are not exceeding ₹50,000 in value in a financial year, then it shall not be treated as supply of goods &/or services. ➢ As per explanation to section 15, employer & employee are deemed to be related persons. ➢ As per CBIC clarification, ESOP/ESPP/RSU is a part of employee's remuneration as per their contract & thus, it is not a supply as per para 1 of Schedule III. ➢ Securities/shares are neither goods nor services as per the definitions in the GST Act & thus, its sale or purchase is not a supply.

	Discussion & Conclusion: a) Diwali gift to employee worth ₹3,00,000 will qualify as supply and such supply would be leviable to GST as the employer & employee are related and value of gift exceeds ₹50,000 in a financial year. b) If gift of ₹42,000 is given instead of ₹3,00,000, the same will not qualify as supply. This is because, the value of gift is not exceeding ₹50,000 in a financial year. c) In this case, the amount paid as incentive by Vijay Electronics Pvt. Ltd is not in the nature of gift, and thus, is not covered under Schedule I. Infact, the incentive is part of the salary and is directly linked to the sales target. Therefore, the services provided in course or in relation to employment by the employees for which incentives are given to them shall not be treated as a "supply". d) The reimbursement from Vijay Electronics Pvt. Ltd to Dheer Ltd. for the shares transferred to its employees, when done on a cost-to-cost basis, is not subject to GST. Also, the sale or purchase of shares is not a supply as these are not goods or services.
(5)	**Legal Provision:-** ➢ As per Section 7(1)(c) read with Para 3 of Schedule I, Supply of goods by an agent to his principal where the agent undertakes to receive such goods on behalf of the principal, shall be treated as supply even if made without consideration. ➢ As per CBIC clarification, if invoice for further supply is being issued by agent in his own name, then this activity is treated as supply under Para 3 Schedule I, otherwise not. **Discussion: -** ➢ In the given case, Mr. Jai (Agent) is appointed just to procure the goods on behalf of Mr. Vijay (Principal) and he is issuing invoice also in name of Mr. Vijay (Principal). ➢ He has not involved himself in the supply or receipt of goods in any way. ➢ Hence, Mr. Jai is not an agent of Mr. Vijay for the purpose of para 3 of schedule I. **Conclusion: -** a) No, it is not to be treated as a supply as per para 3 of Schedule I. This is because Mr. Jai (Agent) is issuing invoice in name of the Mr. Vijay (Principal). b) Yes, if invoice is in the name Mr. Jai (Agent), then this transaction will be treated as supply as per para 3 of Schedule I.
(6)	**Legal Provision:** ➢ As per section 7(1)(b), Supply includes import of services for a consideration whether or not it is in the course or furtherance of business. ➢ Section 7(1)(c) read with Para 4 of Schedule I of CGST Act, states that if services are imported by a person from a related person located outside India without consideration & that too in the course or furtherance of business, then it is treated as supply. ➢ Explanation to section 15 states that members of the same family are deemed to be "related persons". ➢ Further, as per section 2(49), brother is treated member of same family only when he is wholly or mainly dependent on the said person. **Discussion & Conclusion:** a) In the given case, although the import of service for consideration by Mr. Vijay is not in course or furtherance of business, it would be treated as supply. b) In the given case, Mr. Vijay has received interior decoration services from his brother. Mr. Vijay and his brother shall be considered to be related as Mr. Vijay's brother is wholly dependent on him. However, Mr. Vijay has taken interior decoration services for his residence and not in course or furtherance of business. Consequently, services provided by Mr. Vijay's brother to him would not be treated as supply under section 7 read with Schedule I.

	c) If Mr. Vijay has taken interior decoration services for his business premises, services provided by Mr. Vijay's brother to him would be treated as supply u/s 7 read with Schedule I, as the same are provided in course or furtherance of business.
(7)	➢ GST is not payable by Mr. Vijay on sale of plot of land. ➢ As per Para 5 of Schedule III of CGST Act, 2017, '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.
(8)	**Legal Provision:** ➢ As per CBIC clarification, it is clarified that in case of donations received by a charitable institution, when the name of the donor is displayed in recipient institution's premise as an expression of gratitude and public recognition of donor's act of philanthropy and is not aimed at giving publicity to the donor to advertise or promote his business, then it can be said that there is no supply of service for a consideration (i.e. donation). ➢ Donations received by charitable organisations are treated as consideration only if there exists, quid pro quo, i.e., there is an obligation on part of recipient of donation or gift to supply a service. ➢ Thus, GST is not leviable where all the following three conditions are satisfied namely: • Gift or donation is made to a charitable organization. • Payment has the character of gift or donation. • Purpose is philanthropic (i.e., it leads to no commercial gain) and not advertisement. **Discussion & Conclusion:** ➢ In given case, the way the name of Mr. Vijay is displayed on the door of room constructed in school run by Jansewa Charitable Trust, it is only an expression of gratitude and public recognition of Vijay's act of philanthropy and is not aimed at advertising or promoting his business. ➢ There is no reference/mention of his publishing house to be advertised. ➢ Thus, the money donated by Mr. Vijay is not leviable to GST.
(9)	**Legal Provision:** ➢ As per section 7(2) read with para 1 of Schedule III, any service provided by an employee to employer in the course of or in relation to employment shall be treated neither as a supply of goods nor a supply of services & thus, not taxable. ➢ As per CBIC Clarification, if any perquisites are provided by employer to its employees as per the contractual agreement between them, such perquisites shall be treated as consideration for employee in relation to his employment & thus, gets covered under para 1 of Schedule III. ➢ As per para 2 of Schedule I, gift given by employer to an employee exceeding ₹50,000 in value in a financial year is treated as deemed supply & thus, taxable under GST. **Discussion & Conclusion:** a) In given case, perquisites are provided by employer to employee are as per the contract between them & is thus provided in relation to employment. It is not treated as supply under GST as per para 1 of Schedule III & not leviable to GST. b) Here, perquisites are provided by employer to employee without any agreement between them & thus, are not provided in relation to employment. It is not covered under para 1 of Schedule III & thus, taxable. However, GST is payable only on value exceeding of ₹50,000 in a financial year for an employee as per para 2 of Schedule I.

(10)	**Legal Provision:** ➢ As per section 7(2) read with para 6 Schedule III, Actionable claims other than specified actionable claim shall be treated neither as a supply of goods nor a supply of services. ➢ Specified actionable claims includes betting, gambling, lottery, horse racing & Online money gaming. **Discussion & Conclusion:** ➢ In the given case, Mr. Vijay provides services of specified actionable claim to his customers which is not comes under Schedule III. ➢ Thus, it will be treated as Supply & GST will be charged.
(11)	➢ Since goods are agreed to be delivered at customer's doorsteps, supply of air-conditioners along with transportation thereof is a composite supply which is treated as the supply of the principal supply. ➢ Accordingly, rate of principal supply, i.e. Rate @ 9% each of air-conditioners will be charged.
(12)	➢ Since supplies are not naturally bundled and a single price is being charged, it is a mixed supply. ➢ It is treated as supply of that particular supply which attracts highest tax rate (i.e., stabilizers).
(13)	**Legal Provision:** If the insurer deducts ceding/reinsurance commission from the reinsurance premium, it is **not treated as a supply,** provided the reinsurer pays GST on the full (gross) reinsurance premium, including the commission. **[Para 10 of Schedule III]** **Conclusion**: In the given case, the reinsurer (ROYAL Reinsurers Ltd.) is liable to pay GST on the gross reinsurance premium payable by the insurer (₹1 lakh), inclusive of the ceding commission (₹50,000).
(14)	**Legal Provision:** Apportionment of co-insurance premium by the lead insurer to the co-insurer is **not a supply**, if the lead insurer has already paid GST on the entire premium. Hence, no GST is payable on the apportionment. **[Para 9 of Schedule III]** **Conclusion:** ➢ The lead insurer (FUTURE 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 – Mr. Vijay, of ₹10,00,000. ➢ The co-insurer, BHARTI Insurance Ltd. does not pay GST on its share of the premium separately.
(15)	**Legal Provision:** ➢ "Business" includes provision of services by clubs, associations, or societies to their members for a subscription or other consideration. [Sec 2(17)] ➢ Supply includes any activity or transaction by a person (other than an individual) to its members for consideration. [Sec 7(1)(aa)] The Explanation deems the person and its members as two separate persons. **Discussion & Conclusion:** ➢ The RWA is a person (not an individual) providing a service to its members by collecting and paying electricity bills for a nominal charge. Hence, this is treated as a supply under Section 7(1)(aa) and is liable to GST.

(16)	**Legal Provision:** ➢ Each GST registration in different States is a distinct person [Sec 25(4)] and supply between distinct persons in course of business is supply even without consideration [Sec 7(1)(c) read with Schedule I]. ➢ However, as per CBIC circular, inter-state movement of conveyances (like trucks) between distinct persons for repairs/maintenance is not treated as a supply and thus not subject to IGST. Repairs/maintenance services remain subject to applicable taxes. **Discussion & Conclusion:** ➢ Inter-State movement of trucks from Mr. Vijay's Delhi workshop to his repair centres in other States is 'neither a supply of goods nor supply of services'.
(17)	**Legal Provision:** ➢ Services of granting of alcoholic liquor licence by the State Governments against licence fee/application fee have been notified u/s 7(2)(b) of CGST Act as neither a supply of goods nor a supply of service. ➢ This special benefit applies only to grant of liquor licence; other licences or privileges given by government are treated as supply & liable to GST. **Discussion & Conclusion:** ➢ The grant of alcoholic liquor licence by the State Government to Mr. Vijay is neither a supply of goods nor a supply of service.
(18)	**classification as per Schedule II:** a) Renting of commercial showroom → Supply of services b) Temporary transfer/permitting use of brand (IPR) → Supply of services c) Goods supplied on hire purchase → Supply of goods d) Treatment or process applied to another person's goods → Supply of services
(19)	**Legal Provision:** Para 5(e) of Schedule II treats agreeing to refrain from an act, to tolerate an act/situation, or to do an act as a supply of service if consideration is involved. CBIC clarifies it applies where there is an express and **implied agreement** between the payment and the obligation to refrain/tolerate/do an act. **Discussion & Conclusion:** ➢ Mr. Vijay agreed to limit construction to three floors against a payment of ₹20 lakh. This amounts to a supply of service. Since no extra payment is being made, ₹20 lakh is considered inclusive of GST. ➢ Thus, the GST payable will be ₹20,00,000 x 9/118 = ₹1,52,542 (rounded off) as CGST & SGST each.
(20)	➢ The items supplied are not naturally bundled in the ordinary course of business. Therefore, such supply is not a composite supply. ➢ Further, Akbar Retail Store has paid a composite discounted price but Mr. Vijay has not charged a single price for the said supply (invoice shows separate prices). Therefore, it is also not a mixed supply. ➢ Thus, there is supply of individual items which are taxable at the respective rates applicable to them.
(21)	**Legal Provision:** ➢ Securities not goods or services: shares are neither classified as goods nor services; their purchase or sale, in isolation, does not constitute a SOG or SOS.

	➢ No inherent service in holding shares: Holding shares of a subsidiary company by a holding company, by itself, does not constitute the provision of services. **Conclusion:** ➢ The act of the holding company holding shares of its subsidiary cannot be regarded as a supply of services from the holding company to the subsidiary company and is not subject to GST.
(22)	**Legal Provision**: 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, is treated as a supply, even if made without consideration. [Para 4 of Schedule I] **Conclusion:** Hence, services received by Mr. Vijay's firm qualify as supply even though such services have been provided free of cost by the head office.
(23)	**Legal Provision:** ➢ As per Sec 7(1)(a), supply requires consideration; goods given free of cost without consideration do not qualify as supply, unless covered by Schedule I. ITC on goods disposed of by way of gift or free samples is blocked u/s 17(5)(h). ➢ As per CBIC clarification, "Buy One Get One Free" is not an individual supply of free goods; it is two or more individual supplies for a single price, taxable as composite or mixed supply u/s 8, with ITC available. **Discussion & Conclusion:** ➢ Free samples → not a supply; ITC on inputs used therein must be reversed u/s 17(5)(h). ➢ BOGO stabilizer offer → two supplies for a single price → taxable (same goods → single rate) and ITC is fully available.
(24)	Legal Provision: Para 5(e) of Schedule II applies only where there is an express and **implied agreement** between the payment and an independent contractual obligation to refrain/tolerate/do an act. Amounts recovered as fine, penalty or damages to deter breach are not consideration for any supply. **Discussion & Conclusion:** ➢ Notice pay recovery → compensation for breach of employment contract; further covered by Para 1 of Schedule III → not a supply, no GST. ➢ Cheque dishonour charges → penalty to discourage dishonour → not a supply, no GST. ➢ Late payment surcharge → ancillary to and naturally bundled with the principal supply → taxable as part of the value of the principal supply at the rate of the principal supply.

Chapter 2 Reverse Charge Mechanism & ECO

Question 2 :

Om, Jai & Jagdish are three partners in Om Textiles, a partnership firm who are engaged in manufacturing of textiles & trading of garments & registered under GST. From the following information determine the person liable to pay GST, if both Supplier and Recipient are located in India:

1) Om Textiles provides Sponsorship services to Mr. Manish Malhotra for a fashion week.

2) Om Textiles, Pune had appointed a senior advocate Ms. Priya for representation of firm's legal matter. Would your answer differ if Om Textile appoints local advocate Mr. Sagar who further appoints Ms. Priya for representation?

3) Om Textiles has availed the service by way of renting of motor vehicle from Mr. Poonawala for the total consideration of ₹1.5 lakhs (including cost of fuel). Mr. Poonawala opted for paying tax @ 5% (i.e. 2.5% CGST & 2.5% SGST) and avail input tax credit of input service received from supplier who is also engaged in same line of business.

4) Rental income received by State Government from renting an immovable property to Om Textiles.

5) Mr. Jagdish who is also an independent director of A2Z Pvt. Ltd. has received sitting fee amounting to ₹1 lakh from A2Z Pvt. Ltd for attending the Board meetings.

6) Om Textiles also rented out its 5 residential units to Rudra Technologies, an IT based firm registered in the State of Haryana, for accommodation of its employees.

7) Om Textiles availed services of GTA for transportation of goods by road from factory to its Showroom and paid freight of ₹1,00,000 where the GST is charged at the rate applicable. GTA is registered under GST & has exercised the option to pay tax under forward charge. What will be your answer if GTA has not exercised the option to pay tax under forward charge?

8) If Om Textiles cancelled its GST registration and then rents out its commercial property (non-residential) to ABC Pvt. Ltd. who is registered under GST for the purpose of setting up their office. Would your answer, differ if ABC Pvt. Ltd. opt for Composition Scheme.

9) Om Textiles availed security services (supply of security personnel) for its factory from (a) Mr. Suraksha, a proprietor, and (b) Safe Corp Pvt. Ltd., a body corporate. What would be the position if the recipient were a composition dealer?

10) Mr. Om also provided recovery agent services to Dhanam Bank Ltd. Further Mr. Jai, an individual Direct Selling Agent (DSA), provided services to Dhanam NBFC Ltd. Would the answer differ if the DSA were a private limited company?

11) An arbitral tribunal rendered services to Om Textiles (aggregate turnover in preceding financial year ₹3 crore).

12) Ms. Lekha, an author (Wife of Mr. Om), permitted Prakash Publishers to use the copyright of her new novel for a royalty of ₹8,00,000. Can Ms. Lekha choose to pay the tax herself? Also examine the case of Mr. Sur, a music composer, who transferred use of his original musical work to Sangam Music Co.

Answer:

(1)	**Legal Provision:** As per **section 9(3),** if sponsorship services are provided by any person other than body corporate to any body corporate or partnership firm located in the taxable territory, then GST is payable under reverse charge by recipient. **Discussion & Conclusion: -** ➢ In the given case, sponsorship services have been provided 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.

(2)	**Legal Provision:** ➢ As per **section 9(3),** if legal services are provided by an individual advocate including a senior advocate to any business entity located in the taxable territory, then the GST is payable on reverse charge basis by recipient. ➢ Legal services include representation made on legal matters. **Discussion & Conclusion:** a) In the given case, Priya is a senior advocate providing representational service to a business entity i.e., Om Textiles, Pune. Therefore, O**m Textiles is to be liable to pay GST under reverse charge** for services provided by Ms. Priya. b) No, because the liability to pay GST will be on Om Textiles only even though Ms. Priya is appointed through another local advocate Mr. Sagar.
(3)	**Legal Provision:** As per **section 9(3)**, If service by way of Renting of any motor vehicles, designed to carry passengers, (where the cost of fuel is included in the consideration charged from the service recipient), provided by any person other than body corporate (paying GST @ 5%, with limited ITC), to a body corporate, then Body corporate (being recipient) is liable to pay tax under reverse charge. **Discussion & Conclusion:** ➢ In the given case, Mr. Poonawala provided service of renting of motor vehicle to Om Textiles (who is not a body corporate) & opted to pay GST @5%. ➢ Therefore, Mr. Poonawala is liable to pay tax under Forward Charge.
(4)	**Legal Provision:** As per **section 9(3),** 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. **Discussion & Conclusion:** ➢ In the given case, Om Textiles is registered under GST & the State Government provided service of renting of immovable property to a registered person located in taxable territory. ➢ Therefore, **Om Textiles is liable to pay GST** under reverse charge.
(5)	**Legal Provision:** As per **section 9(3),** 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. **Conclusion:** Therefore, in the given case, person **liable to pay GST is the recipient of services, i.e., A2Z Pvt. Ltd.**
(6)	**Legal Provision:** ➢ Services provided to an unregistered person by way of renting of residential dwelling for use as residence is exempt from GST. ➢ If the residential dwelling is rented to a registered person, exemption is not available. ➢ Further, as per section 9(3) of CGST Act, 2017, tax on service provided by way of renting of residential dwelling to a registered person is payable by the recipient under reverse charge. **Discussion & Conclusion:** In given case, **Rudra Technologies is liable to pay GST** on the residential dwellings taken on rent by it from Om Textiles, under reverse charge mechanism.
(7)	**Legal Provision:** ➢ As per **section 9(3)**, if service of transportation of goods by road is provided by a GTA to a specified recipient, i.e., a partnership firm established by or under any law, then such partnership firm 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. **Discussion & Conclusion:** ➢ In the **first case**, Om Textiles is a specified recipient, i.e., a partnership firm 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, **GTA 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 Om Textiles, being a specified recipient, is liable to tax under reverse charge.
(8)	**Legal Provision:** As per **section 9(3)**, if service of renting of immovable property other than residential dwelling is provided by any unregistered person to any registered person except composition dealer located in the taxable territory, then GST is payable by recipient under reverse charge. **Discussion & Conclusion:** ➢ In the given case, Om Textiles is unregistered and provides services of renting of immovable commercial property to ABC Pvt. Ltd who is registered under GST. ➢ Thus ABC Pvt. Ltd. is liable to pay GST under Reverse charge mechanism. ➢ However, in the 2nd case, No tax is payable as M/s ABC Pvt. Ltd. opts for Composition Scheme.
(9)	**Legal Provision:** ➢ As per **Sec 9(3),** security services (supply of security personnel) provided by any person other than a body corporate to a registered person are taxable under reverse charge in the hands of the recipient. ➢ RCM does not apply where the recipient is a department/establishment of Government which has taken registration only for TDS, or a person registered under composition levy u/s 10. **Discussion & Conclusion:** a) Services from Mr. Suraksha (non-body corporate) to Om Textiles (registered) – Om Textiles pays GST under RCM. b) Services from Safe Corp Pvt. Ltd. (body corporate) – forward charge; the supplier pays. If the recipient is a composition dealer, the RCM entry does not apply and the supplier pays under forward charge.
(10)	**Legal Provision:** As per **Sec 9(3),** services by a recovery agent to a banking company, financial institution or NBFC are taxable under RCM in the hands of the bank/FI/NBFC. Thus, Dhanam Bank Ltd. is liable to pay GST. **Conclusion:** Services by an individual DSA (other than a body corporate, partnership or LLP) to a bank/NBFC are taxable under RCM – Dhanam NBFC Ltd. is liable. If the DSA is a private limited company, RCM does not apply and the DSA pays under forward charge.
(11)	➢ As per **Sec 9(3),** services by an arbitral tribunal to a business entity located in the taxable territory attract RCM. ➢ Since Om Textiles' turnover exceeds the registration threshold, it is liable to pay GST under reverse charge.
(12)	**Legal Provision:** ➢ Supply of services by an author by way of transfer or permitting the use of copyright relating to original literary works to a publisher attracts RCM – the publisher is liable. ➢ However, the author may opt to pay tax under forward charge if she is registered and files a declaration in the prescribed manner with the jurisdictional Commissioner; the option, once exercised, cannot be withdrawn within 1 year. **Discussion & Conclusion:** ➢ By default, Prakash Publishers pays GST on royalty of ₹8,00,000 under RCM. Ms. Lekha can opt for forward charge by filing the declaration. ➢ For Mr. Sur, services by a music composer relating to original musical works to a music company attract RCM – Sangam Music Co. is liable; no forward-charge option is available to a music composer.

Question 3:

Discuss the GST implications in the following case study with reference to section 9(5) of the CGST Act.

Riya, a working professional in Pune, required transportation to reach her office. She booked a ride through an online cab booking application RideNow, which is an Electronic Commerce Operator (ECO). The app connected her with Amit, an independent driver providing passenger transportation service through his own motor cab.

After some time, Riya needed to travel to another city and booked passenger transportation service through an ECO BusConnect. The service was provided through an omnibus operated by ABC Transport Ltd., a company engaged in passenger transportation services.

After completing her work, Riya decided to stay overnight near her workplace. She booked accommodation through an online travel platform StayComfort, which is an ECO. The accommodation was provided by GreenView Residency, an unregistered hotel providing lodging facilities. GreenView Residency was not liable for registration under section 22(1) of the CGST Act.

The next morning, Riya noticed a leakage in her kitchen pipeline and booked a plumber through an online home service platform HomeAssist, which is an ECO. The service was provided by Raj, an unregistered plumber providing housekeeping services through the platform. Raj was not liable for registration under section 22(1) of the CGST Act.

Later, Riya ordered food through FoodExpress, an ECO. The order was placed from The Royal Feast Restaurant, which was located inside a luxury hotel. The hotel charged ₹ 12,000 per unit per day for accommodation, and therefore, the hotel premises qualified as specified premises under GST law.

At the end of the day, Riya wanted to send a parcel locally and booked the delivery service through QuickDelivery, an ECO. The local delivery service was provided by a supplier who was not liable for registration under section 22(1) of the CGST Act.

Answer:

a)	**Legal Provision: -** **Passenger transportation service by motor cab through ECO:** Where services by way of transportation of passengers by radio-taxi, motor cab, maxi cab, motorcycle or any other motor vehicle (except omnibus) are supplied through an ECO, the ECO is liable to pay GST u/s 9(5). **Conclusion:** In the given case, RideNow is an ECO through which motor cab service is supplied by Amit. Hence, **RideNow (ECO) is liable to pay GST.**
b)	**Legal Provision: -** **Passenger transportation service by omnibus through ECO:** Where services by way of transportation of passengers by an omnibus are supplied through an ECO, the ECO is liable to pay GST. However, where the person supplying such service through ECO is a **company**, the supplier itself is liable to pay GST. **Conclusion:** ABC Transport Ltd. is a company providing omnibus services through BusConnect. Hence, **ABC Transport Ltd. is liable to pay GST and not the ECO.**
c)	**Legal Provision: -** **Accommodation service supplied through ECO:** Where accommodation services in hotels, inns, guest houses, clubs, campsites or other commercial places meant for residential or lodging purposes are supplied through an ECO, the ECO is liable to pay GST. However, this provision does not apply where the supplier providing such service through ECO is liable for registration under section 22(1). **Conclusion:** GreenView Residency is an unregistered hotel and is not liable for registration under section 22(1). Hence, **StayComfort (ECO) is liable to pay GST.**

d)	**Legal Provision: -** **Housekeeping services supplied through ECO:** Services such as plumbing, carpentering and other housekeeping services supplied through ECO are covered under section 9(5). However, if the supplier is liable for registration under section 22(1), then supplier itself is liable to pay GST. **Conclusion:** Raj, the plumber, is not liable for registration under section 22(1). Hence, **HomeAssist (ECO) is liable to pay GST.**
e)	**Legal Provision: -** **Restaurant services supplied through ECO:** Where restaurant services are supplied through an ECO, the ECO is generally liable to pay GST. However, this provision does not apply to restaurant services supplied by restaurants located in **specified premises**. Specified premises means premises providing hotel accommodation services where the value of supply of any unit of accommodation exceeds ₹ 7,500 per unit per day. **Conclusion:** ➢ The Royal Feast Restaurant is located inside a luxury hotel where room charges are ₹12,000 per unit per day. Hence, it is a specified premises. ➢ Therefore, the restaurant itself is liable to pay GST and **FoodExpress (ECO) is not liable under section 9(5).**
f)	**Legal Provision: -** **Local delivery services supplied through ECO:** Where local delivery services are supplied through ECO, the ECO is liable to pay GST. However, this provision does not apply where the supplier providing such services through ECO is liable for registration under section 22(1). **Conclusion:** The delivery supplier is not liable for registration under section 22(1). Hence, **QuickDelivery (ECO) is liable to pay GST.**

Question 4

M/s Arjun & Associates, a partnership firm, is a registered supplier of goods and services in Pune, Maharashtra. Its aggregate turnover in the preceding financial year was ₹2.5 crore. The following details are provided for the month of March:

A : Outward Supply includes RCM supply

S. No.	Particulars	Value (₹) [excl. taxes]	Nature
1	Intra-State supply of goods to registered dealers in Maharashtra	10,00,000	Intra-State
2	Inter-State supply of goods to registered dealers in Delhi	8,00,000	Inter-State
3	Inter-State supply of goods to registered dealers in Gujarat	4,00,000	Inter-State
4	Sponsorship services provided to ABC Media Pvt. Ltd., a body corporate registered in Mumbai, Maharashtra for their annual brand event	5,00,000	Intra-State RCM supply – recipient pays

B : Inward Supply (ITC eligible)

S. No.	Particulars	Value (₹) [excl. taxes]	Nature
1	Purchase of raw materials from a registered supplier in Maharashtra (used in manufacturing)	6,00,000	Intra-State

2	Purchase of packing material from a registered supplier in Karnataka (used in business)	3,00,000	Inter-State
3	Purchase of office furniture from a registered supplier in Maharashtra (used in office)	2,00,000	Intra-State

C : Notified Services received (RCM analysis required)

S. No.	Particulars	Value (₹) [excl. GST]	Supplier details
1	Legal consultancy for business dispute resolution from Mehta & Co., a partnership firm of advocates, Pune, Maharashtra	1,50,000	Intra-State: Partnership firm
2	Security guard services from Sturdy Guards Pvt. Ltd., a private limited company (body corporate) registered in Pune, Maharashtra	1,00,000	Intra-State: Body corporate supplier

Notes

- Rates of CGST, SGST and IGST are **9%, 9% and 18%** respectively on all supplies.
- All amounts are exclusive of taxes, wherever applicable.
- Aggregate turnover of M/s Arjun & Associates in the **preceding financial year was ₹2.5 crore**.
- All conditions necessary for availing ITC have been fulfilled, subject to information given above.
- There was **no opening balance of ITC**.

Compute the **net GST payable in cash** by M/s Arjun & Associates for the month of March. Working notes for each transaction in Section C must form part of your answer.

Answer: - Step 1: Computation of Output Tax Liability (Section A)

Particulars	Value (₹)	IGST (₹)	CGST (₹)	SGST (₹)
Intra-State supply - Maharashtra ₹10,00,000 × 9% each	10,00,000	-	90,000	90,000
Inter-State supply - Delhi ₹8,00,000 × 18%	8,00,000	1,44,000	-	-
Inter-State supply - Gujarat ₹4,00,000 × 18%	4,00,000	72,000	-	-
Sponsorship to ABC Media Pvt. Ltd. [WN 3] Body corporate recipient - RCM on recipient. Arjun = NIL output.	5,00,000	NIL	NIL	NIL
Total Output Tax (A)		**2,16,000**	**90,000**	**90,000**

Step 2 : Calculation of RCM Liability

Particulars	Value (₹)	IGST (₹)	CGST (₹)	SGST (₹)
Security services - Sturdy Guards Pvt. Ltd. [WN 2] Forward charge (body corporate supplier). Normal ITC. ₹1,00,000 × 9% each	1,00,000	-	–	–
RCM paid - Mehta & Co. [WN 1] ITC available after RCM cash payment. ₹1,50,000 × 9% each	1,50,000	-	13,500	13,500
Total RCM Liability (B)			**13,500**	**13,500**

Step 2A : Computation of ITC Available (Section B + RCM paid)

Particulars	Value (₹)	IGST (₹)	CGST (₹)	SGST (₹)
Raw materials - Maharashtra ₹6,00,000 × 9% each	6,00,000	-	54,000	54,000
Packing material - Karnataka ₹3,00,000 × 18%	3,00,000	54,000	-	-

Office furniture - Maharashtra ₹2,00,000 × 9% each	2,00,000	-	18,000	18,000
Security services - Sturdy Guards Pvt. Ltd. [WN 2] Forward charge (body corporate supplier). Normal ITC. ₹1,00,000 × 9% each	1,00,000	-	9,000	9,000
RCM paid - Mehta & Co. [WN 1] ITC available after RCM cash payment. ₹1,50,000 × 9% each	1,50,000	-	13,500	13,500
Total ITC Available (C)		**54,000**	**94,500**	**94,500**

ITC set-off order:

- IGST ITC: first against IGST output, then CGST or SGST in any manner.
- CGST ITC: against CGST only (and then IGST).
- SGST ITC: against SGST only (and then IGST).
- Cross utilisation between CGST and SGST is NOT permissible.

Step 3 : Net GST Payable in Cash

Particulars	IGST (₹)	CGST (₹)	SGST (₹)
Total Output Tax (A)	2,16,000	90,000	90,000
LESS: ITC (as per C) IGST = 54,000 CGST = 94,500 SGST = 94,500	(54,000) (4,500) (4,500)	– (90,000) X	– X (90,000)
Net output tax payable after all ITC [A]	1,53,000	Nil	Nil
Add: GST payable under RCM - Mehta & Co. [as per (B)] Partnership firm, Intra-State. Cannot be paid from ITC. Cash only.	-	13,500	13,500
Total GST payable in cash	**1,53,000**	**13,500**	**13,500**

Chapter 3 Composition Levy

Question 5: Mr. Amar is running a consulting firm and also a readymade garment showroom in Maharashtra, registered in same PAN. Turnover of the showroom is ₹80 lakh and receipt of the consultancy firm is ₹15 Lakh in the CFY. The aggregate turnover of PFY from supply of goods and services is ₹ 40 lakhs.

a) Whether Mr. Amar is eligible for Composition Scheme u/s 10(1) of CGST Act (Assume turnover in state of PFY is ₹ 10L)?

b) If instead of consulting agency, Mr. Amar is running a Restaurant, whether he is eligible for composition?

c) If the turnover of Garment showroom is ₹1.5 Cr in the preceding financial year and there is no consultancy firm, whether he is eligible for composition?

d) What if in case (c), Mr. Amar makes inter-State outward supply of goods?

e) Mr. Akbar who is brother of Mr. Amar is a manufacturer of Building Bricks in State of Maharashtra. His turnover for the year does not exceed ₹1.5 Crore. He wants to take advise from Mr. Amar for eligibility of composition scheme.

f) Whether Mr. Amar is eligible for composition scheme even if he supply goods through an ECO u/s 52?

g) Can Mr. Amar, having registration in multiple states, opt for payment of tax under composition levy only in one state?

h) Can Mr. Amar who has opted to pay tax under the composition scheme avail Input Tax Credit on his inward supplies & collect tax on his outward supplies

i) Mr. Amar availing composition scheme, under sub-sections (1) & (2) of section 10, in Maharashtra, during a financial year crosses the turnover of ₹1.5 Crore in the month of December. Will he be allowed to pay tax under composition scheme for the remainder of the year, i.e. till 31st March?

j) Are monthly returns required to be filed by Mr. Amar opting to pay tax under the composition scheme?

k) Mr. Amar, a trader (turnover in preceding FY ₹40 lakh), also earned interest of ₹18 lakh on fixed deposits. Is he still eligible u/s 10(1), and how is his aggregate turnover computed for eligibility?

l) Also, if Mr. Amar manufactures ice cream while Mr. Chetan (brother of Amar) only trades in ice cream. Examine eligibility of both u/s 10(1) and also list the other notified goods whose manufacturers are barred.

<u>Determined taxability in following independent cases:-</u>

m) Compute the composition tax payable: (i) Trader – taxable turnover of goods in State ₹70 lakh (besides exempt supplies ₹10 lakh); (ii) Manufacturer – turnover in State ₹80 lakh; (iii) Restaurant – turnover in State ₹80 lakh; (iv) Service provider u/s 10(2A) – turnover in State ₹40 lakh.

n) Can a casual taxable person or a non-resident taxable person opt for composition levy?

o) Assumed that Amar (unregistered person) is only providing consultancy services & started its business on 1st April, 20XX and opted for the sec 10(2A) scheme. Turnover: ₹20 lakh up to 30th June; ₹50 lakh up to 30th September; ₹70 lakh up to end of October. GST rate on such services – 18%. Determine the total tax liability by the end of October, 20XX.

Answer:

(a)	➢ As per **Sec 10(1) read with second proviso**, a person opting u/s 10(1) can supply services (other than restaurant) only up to 10% of turnover in the State in the preceding FY or ₹5 lakh, whichever is higher. Here, the service limit works out to ₹5 lakh, but consultancy receipts are ₹15 lakh. ➢ So Mr. Amar is not eligible u/s 10(1). However, Mr. Amar can opt for composition scheme u/s 10(2A) as his aggregate turnover in preceding financial year ₹40 Lakhs which is not exceeding ₹50 Lakhs

(b)	**Yes.** Restaurant service is the only service eligible u/s 10(1) without any ceiling. Hence Mr. Amar running a restaurant along with the showroom can opt for composition, aggregate turnover being within ₹1.5 crore.
(c)	**Yes,** Mr. Amar, being a trader, is eligible for composition scheme u/s 10(1) and his aggregate turnover also is not exceeding ₹ 1.5 Crore in the preceding financial year.
(d)	**No.** Sec 10(2)(c) restricts a supplier making inter-State outward supplies of goods from the composition scheme. This restriction applies equally u/s 10(2A).
(e)	Building Bricks are notified goods u/s 10(2)(e); their manufacturer cannot opt for composition even if turnover is within ₹1.5 crore. So Mr. Akbar is **not eligible.**
(f)	**Yes.** The restriction u/s 10(2)(d) is only on supply of services through an ECO liable to collect TCS u/s 52; a composition dealer can supply goods through an ECO.
(g)	**No**. All registrations under the same PAN must opt for composition together – the option lapses for all if any one becomes ineligible. Composition in one State alone is not permitted.
(h)	**No.** As per Sec 10(4), a composition dealer shall neither collect tax from the recipient nor be entitled to any input tax credit.
(i)	**No.** Under Sec 10(3), the option lapses from the day aggregate turnover during the year exceeds ₹1.5 crore, i.e., from December itself. Regular scheme applies for the remainder of the year.
(j)	No monthly returns. A composition dealer files a quarterly statement in FORM GST CMP-08 by the 18th of the month following the quarter, and a yearly return in FORM GSTR-4 by 30th June following the financial year.
(k)	➢ For determining eligibility, the value of exempt services by way of extending deposits/loans (interest income) is ignored **[Explanation 2 to Sec 10]**. Aggregate turnover = ₹40 lakh only. ➢ hence eligible u/s 10(1).
(l)	➢ Manufacturers of notified goods – ice cream & other edible ice, pan masala, tobacco & substitutes, aerated waters, fly ash bricks/aggregates, bricks of fossil meals, building bricks and earthen roofing tiles – are barred u/s 10(2)(e). So Mr. Amar is ineligible. ➢ Mr. Chetan merely trades in ice cream, and trading is not manufacture – he remains eligible.

(m)

Case	Rate	Base & Tax
Trader	1%	Taxable turnover of goods & services in State ₹70 lakh (exempt excluded) → Tax ₹70,000
Manufacturer	1%	Turnover in State ₹80 lakh (exempt not excluded) → Tax ₹80,000
Restaurant	5%	Turnover in State ₹80 lakh → Tax ₹4,00,000
Service provider u/s 10(2A)	6%	Turnover of supplies in State ₹40 lakh → Tax ₹2,40,000

(n) No. A casual taxable person and a non-resident taxable person **cannot opt for composition** – the scheme is meant only for regular suppliers operating from a fixed place of business in the State.

(o)

Period	Treatment	Turnover (₹)	Tax (₹)
Quarter I	Up to ₹20 lakh – not liable for registration;	20 lakh	Nil
Quarter II	Composition u/s 10(2A) @6% (3% + 3%)	30 lakh [50 – 20]	1,80,000
October	Aggregate crossed ₹50 lakh – normal rate 18%	20 lakh [70 – 50]	3,60,000
Total tax payable			5,40,000

Chapter 4

Value of Supply

Question 6:

XYZ Pvt. Ltd. of Nagpur, Maharashtra sold a machine to ABC Pvt. Ltd. of Pune, Maharashtra. Details of the transaction are:

Particulars	₹
List price of the Machine (exclusive of taxes and discount)	2,50,000
Trade discount is allowed at 3% on the basic price and is shown in the invoice	7,500
Tax levied by the Municipal Authority on the sale of such goods	6,000
Testing charges of machine paid by ABC Pvt. Ltd. to third party vendor on behalf of XYZ Pvt. Ltd.	7,000
Packing charges (not included in the list price above)	2,500
Freight charges for delivery of the machine	1,500
ABC Pvt. Ltd. delayed the payment and paid as interest to XYZ Pvt. Ltd (including GST@18%)	5,000
Subsidy received from a NGO, directly linked to price	3,000
Subsidy received by the supplier from the State Government	5,000
XYZ Pvt. Ltd. offers 2% turnover discount on the list price after reviewing the performance of ABC Pvt. Ltd. The discount was not known at the time of supply.	–
XYZ Pvt. Ltd. provides additional discount @1% at year end, based on additional purchase of other machinery, as agreed at year end	–
XYZ Pvt. Ltd. collected TCS under the provisions of the Income Tax Act 1961	9,500

Determine the value of taxable supply made by XYZ Pvt. Ltd. under GST law.

Additional items :

1. **Outward freight of ₹20,000 contractually payable by XYZ Pvt. Ltd. was paid directly by ABC Pvt. Ltd. to the transporter and deducted from the price.**
2. ~~**A special mould (amortised cost ₹30,000) was supplied FOC by ABC Pvt. Ltd. as required under the contract.**~~
3. **Weighment & inspection charges of ₹8,000 and installation & testing charges of ₹22,000 were recovered from ABC Pvt. Ltd.**
4. **A defective part was replaced free during warranty (open-market value ₹15,000).**

A commercial credit note of ₹25,000 was issued after supply towards a year-end incentive not contemplated in the agreement. Examine the treatment of each.

Answer:

(A) Computation of value of taxable supply:

Particulars	₹	Reason (in brief)
List price of machine	2,50,000	Transaction value u/s 15(1)
Less: 3% trade discount	(7,500)	Shown in invoice – deductible u/s 15(3)(a)

Municipal tax	6,000	Taxes other than GST, charged separately – includible u/s 15(2)(a)
Testing charges paid by recipient	7,000	Supplier's liability incurred by recipient – includible u/s 15(2)(b)
Packing charges	2,500	Incidental expenses – u/s 15(2)(c)
Freight for delivery	1,500	Supplier arranges delivery – composite supply, added to value of principal supply
Interest for delayed payment (rounded)	4,237	₹5,000 × 100/118 – interest for delayed payment includible u/s 15(2)(d)
Subsidy from NGO	3,000	Non-Government subsidy directly linked to price – includible u/s 15(2)(e)
Subsidy from State Government	–	Government subsidy excluded u/s 15(2)(e)
Turnover discount	–	Not known at the time of supply – not deductible u/s 15(3)
Additional 1% year-end discount	Nil	Though established before supply, not linked to specific invoices – not deductible u/s 15(3)(b)
TCS under Income-tax Act	–	An interim levy, not a tax on goods – not includible
Value of taxable supply	**2,66,737**	

(B) **Treatment of the additional items:**

1. Freight paid by recipient on supplier's behalf and adjusted in price – **Add ₹ 20,000** to the value u/s 15(2)(b).
2. ~~FOC mould – since the contract itself casts the obligation on the recipient to provide the mould, the supplier was never liable for it; **no addition (CBIC clarification)**. Had it been the supplier's obligation, the amortised cost would be added.~~
3. Weighment/inspection ₹ 8,000 and installation & testing ₹ 22,000 – incidental charges recovered from the recipient, **includible** u/s 15(2)(c).
4. Warranty replacement – the original price already builds in warranty cost; free replacement is not a separate supply, and no ITC reversal is needed **(CBIC clarification).**
5. Commercial credit note – the incentive was not agreed at/before supply, so Sec 15(3)(b) fails; **value cannot be reduced** and output tax stands. Since tax is not adjusted, the recipient need not reverse ITC.

Chapter 5 Time of Supply

Question 7 : Determine the Time of supply for the purpose of payment of tax under CGST Act in the below cases: -

1) **A Ltd., registered under GST, is engaged in supplying of engineering goods as well as job work of engineering goods, A Ltd. provides following details regarding orders received for Supply of goods & Job work: -**

Event	Supply of goods	Jobwork
Date of confirmation of order	08.01.20XX	01.03.20XX
Date of receipt of advance of 1,50,000	12.01.20XX	03.03.20XX
Date of removal of goods or completion of order	17.01.20XX	06.03.20XX
Date of issue of invoice for total amount	22.01.20XX	11.03.20XX
Date of receipt of balance payment of 1,00,000	01.02.20XX	16.03.20XX

2) **A Ltd. has purchased the goods taxable on Reverse charge basis from B Ltd. – invoice dated May 4; goods received May 12; payment entered in books May 30 and debited in bank June 2. Determine the time of supply. What if payment is made on May 28 (entry) / May 26 (debit)?**
3) **A Ltd. receives the order and advance payment on 5th January for carrying out an architectural design job. It delivers the designs on 23rd April; invoice is issued in May. Determine the time of supply.**
4) **Investigation shows that A Ltd. carried out service of cleaning and repairs of tanks in an apartment complex, for which the residents' association showed a payment in cash on 4th April; the dates of provision of service and invoice could not be established. Determine the time of supply.**
5) **An income-tax and money laundering case against Mr. A, an employee of A Ltd., reveals a large amount received against services, the details of which (date of provision/invoice/payment) are unavailable; a periodical return was due on 20th May and tax was paid on 28th May. Determine the time of supply.**
6) **A Ltd. supplied goods for ₹50,000 to its customer Mr. C on 1st January on the condition that payment be made within a month; Mr. C paid on 15th March along with interest of ₹2,000. What is the time of supply of the interest in lieu of delayed payment?**
7) **A Ltd. took telecommunication service from BSNL. For the month of January, the bill of ₹6,000 was to be paid by 28th February; A Ltd. made payment of ₹5,500 / ₹6,500 on 25th February. Determine the time of supply for the excess amount, if any.**
8) **A Ltd. received legal services from Purohit Consultants, not registered under GST, on March 1, 20XX; self invoice dated March 5; payment entered in books April 5 and debited April 10. Determine the time of supply. What if Purohit consultant is RP an issued invoice on 5th March.**
9) **ABC Ltd. issues gift vouchers redeemable against its goods or services. During a financial year, ABC Ltd. issues 5,000 gift vouchers of face value ₹1,000 each, aggregating to ₹50,00,000. Out of these, some vouchers are RBI-approved Pre-Paid Instruments (PPIs) and the balance are non-PPI vouchers. Discuss the GST treatment.**
10) **A Ltd. imported management consultancy services from H Inc., USA – its holding company (associated enterprise). Invoice dated 10th June; expense entered in A Ltd.'s books on 30th June; payment remitted on 25th August. Determine the time of supply.**

Answer:

(1)	**(a) Supply of Goods: Legal Provision:** As per section 12(2) read with Notification No. 66/2017, time of supply of goods under forward charge is earlier of: • Date of issue of invoice, or • Last date for issuing invoice (i.e date of removal of goods). No GST is payable on advance received for supply of goods in case of specified registered persons. **Conclusion:** Therefore, time of supply for both advance ₹1,50,000 and balance ₹1,00,000 is 17.01.20XX, i.e. date of removal of goods. Value of Supply = ₹2,50,000. **(b) Job Work Services: Legal Provision**: As per section 13(2)(a), where invoice is issued within 30 days, time of supply is earlier of: Date of invoice, or Date of receipt of payment. **Conclusion:** Time of supply: • Advance ₹1,50,000 → 03.03.20XX • Balance ₹1,00,000 → 11.03.20XX Value of Supply = ₹2,50,000**.**
(2)	➢ Under Sec 12(3), TOS of goods under RCM is the **earliest of** – date of receipt of goods, date of payment (entry in books or bank debit, whichever earlier), or 31st day from supplier's invoice. ➢ **First case:** TOS is earliest of May 12 / May 30 / June 4 = **May 12.** ➢ **Second case:** TOS is earliest of May 12/May 26 / June 4 = **May 12.**
(3)	➢ For services under Sec 13(2), TOS is the earlier of invoice/payment. The advance was received on 5th January, before completion (23rd April); hence the TOS for the amount received is **5th January**.
(4)	➢ Where invoice and provision dates are unknown, Sec 13(2)(c) fixes the TOS as the date on which the recipient shows receipt of services in his books – here, **4th April.**
(5)	➢ Under the residual provision – Sec 13(5) – where a periodical return is required, the TOS is the due date of that return, i.e., 20th May (not the date of actual payment).
(6)	➢ Under Sec 12(6), TOS for addition to value by way of interest/late fee/penalty is the date on which the supplier receives such addition – here, 15th March.
(7)	➢ Payment of ₹5,500 – no excess; normal provisions apply. ➢ Payment of ₹6,500 – the excess ₹500 is up to ₹1,000, so under the proviso to Sec 13(2) the supplier may, at his option, take the date of the invoice for the excess; else TOS is the date of receipt of the excess, i.e., 25th February.
(8)	➢ Under Sec 13(3), TOS is **earlier of** the date of payment or the 61st day from supplier's invoice or Date of issue of invoice (Self Invoice) by the Recipient ➢ **Case 1 – Unregistered supplier:** • No invoice is required; hence, 61st-day condition is not applicable. • TOS = Earlier of payment date (**April 05/April 10**) or recipient's invoice date (**March 05**) i.e **TOS = March 05, 20XX.** ➢ **Case 2 – Invoice issued by supplier** • TOS = Earlier of payment date (**April 05/April 10**) or 61st day **(May 05) i.e TOS = April 05**.
(9)	➢ As per CBIC clarification, RBI-approved PPIs are 'money', and non-PPI vouchers are actionable claims other than specified actionable claims – in either case, issuance or sale of the voucher itself is not a taxable supply and no GST is payable at that stage. ➢ Sections 12(4) and 13(4) on time of supply of vouchers have been omitted; GST arises only on the underlying supply of goods/services at redemption.
(10)	➢ For import of service from an associated enterprise, the 2nd proviso to Sec 13(3) fixes the TOS as the **earlier of** the date of entry in the recipient's books or the date of payment. ➢ Entry 30th June vs payment 25th August → **TOS is 30th June,** the invoice date is irrelevant here.

Chapter 6 Place of Supply (IGST Act)

Question 8 :

Mr. P is registered in Maharashtra. Determine the place of supply of goods & nature of transaction under the following independent cases:

1) Mr. P received an order from A Ltd. of Jaipur for supply of certain goods which were to be delivered at Jaipur.

2) Mr. P enters into an agreement to sell goods to Mohan of Surat. While the goods were being packed in the warehouse, Mohan directed Mr. P to deliver the goods to Sohan of Bhopal, and Sohan agreed to pay Mohan for the goods.

3) Mr. P (Pune) has leased its machine (cost ₹8,00,000) to ABC Pvt. Ltd. (Noida, UP) for production of goods on monthly rent. After 14 months, ABC Pvt. Ltd. purchased the machine where it was installed.

4) Mr. P receives an order from Mr. Q, an individual (unregistered person) residing in Delhi, whose address is recorded in the invoice. Will the place of supply still be same, if Mr. Q instructs Mr. P to deliver the dining table to another address recorded on the invoice?

5) Alpha Refineries (Ahmedabad, Gujarat) gives a contract to Mr. P to supply a machine which is required to be assembled at its site in Kutch, Gujarat.

6) Mr. P (Pune) boards the Pune-Jodhpur train at Pune. Mr. P sells the goods taken on board by him (at Pune), in the train, when it reaches Jaipur.

Answer:

(1)	➢ Supply involves movement of goods, so u/s 10(1)(a) of IGST Act the POS is where the movement terminates for delivery – Jaipur. Supplier in Maharashtra, POS in Rajasthan → inter-State supply, liable to IGST u/s 7(1).
(2)	➢ This is a bill-to-ship-to case. U/s 10(1)(b), when goods are delivered to a third person (Sohan) on the direction of Mohan, it is deemed that Mohan has received the goods and the POS is Mohan's principal place of business – Surat. ➢ For the second leg (Mohan to Sohan), movement of goods gives POS u/s 10(1)(a) at Bhopal. Both legs are inter-State supplies liable to IGST.
(3)	➢ The sale after the lease does not involve movement of goods – u/s 10(1)(c), POS is the location of the goods at the time of delivery to the recipient, i.e., Noida. Supplier Maharashtra, POS UP → inter-State, IGST.
(4)	➢ U/s 10(1)(ca), for supply to an unregistered person the POS is the address recorded in the invoice – Delhi → inter-State, IGST. If the delivery address on the invoice differs from the billing address, POS is the address of delivery of goods recorded on the invoice.
(5)	➢ Goods assembled or installed at site – u/s 10(1)(d), POS is the place of installation/assembly, i.e., Kutch, Gujarat. But the supplier is in Maharashtra, so location of supplier and POS are in different States → inter-State supply liable to IGST.
(6)	➢ Goods supplied on board a conveyance – u/s 10(1)(e), POS is the location where the goods were taken on board, i.e., Pune, irrespective of where the sale happens during the journey. Intra-State supply → CGST + SGST.

Question 9:

Determine the place of supply in the following independent cases:-

1) Mr. A, a CA in Gurugram, Haryana, (registered in Haryana) provides Consultancy services to his client Mr. C of New Delhi (unregistered).

2) Mr. Ramesh, a Chartered Accountant, (New Delhi) travels to Mumbai for business and stays in a hotel there.

3) The place of supply in relation to immovable property (situated in India) is the location of immovable property. Suppose a road is constructed from Delhi to Mumbai covering multiple states. What will be the place of supply of the construction services?

4) Mr. A, a business man from Pune, dines in a restaurant at Mumbai while on a business trip.

5) Mr. Suresh (unregistered person based in Noida) signs up with Excellent Linguistics (New Delhi) for training in Japanese at its New Delhi centre.

6) Mr. A, a resident of Ghaziabad, Uttar Pradesh, buys a ticket for a circus organized at Gurugram, Haryana by a Kolkata-based circus company.

7) Grand Gala Events, an event management company at Kolkata, organises two award functions for Narayan Jewellers of Ahmedabad (registered) – one at Mumbai and other at Dubai.

8) Mr. Aatmaram, a manager in a Bank, is transferred from Bareilly, Uttar Pradesh to Bhopal, Madhya Pradesh. His family hires Speed Movers & Packers (Delhi) to move their household items from Bareilly to Bhopal.

9) Mr. Amar (registered person in New Delhi) travels from Mumbai to Bangalore in Airjet flight. Mr. Amar has booked the ticket himself on the airline's website.

10) Mr. X is travelling from Delhi to Mumbai in an Airjet flight. He desires to watch an English movie during the journey through the movie-on-demand facility.

11) Mr. X, registered in Guwahati, has availed land-line services from BSNL. The telephone is installed in his branch office at Kolkata.

12) Telecom India installs an internet leased circuit between Nagpur and Jabalpur office of Reliance Ltd. for the consolidated amount of ₹10 lakhs; no separate State-wise value is agreed.

13) A person from Mumbai goes to Kullu-Manali and takes some services from ICICI Bank in Manali; his address is not available in the records of the bank.

14) Mr. A, CEO of XY Ltd., Mumbai (a company registered in Maharashtra) buys insurance cover for the inventory of the company.

15) How to determine the place of supply, if advertisement service is supplied to the CG/ SG/ Statutory body/ Local authority meant for identified States?

16) Sagar Caterers, registered in Chennai, Tamil Nadu, supplied catering services on board a fishing trawler stationed 8 nautical miles from the Puducherry coastline in Indian territorial waters.

17) Mr. Bala of Coimbatore (unregistered) handed over a parcel of machine parts to Speedways Logistics (registered in Chennai) at its Coimbatore branch, for transportation to his brother in Kochi, Kerala. Would the answer change if the recipient were a person registered in Kerala?

Answer:

(1)	➢ General rule u/s 12(2) – supply to an unregistered person: POS is the recipient's location if his address is on record (New Delhi); else the supplier's location (Haryana).
(2)	➢ Lodging accommodation – u/s 12(3), POS is the location of the hotel, i.e., Mumbai, regardless of where the recipient is registered.
(3)	➢ Where immovable property is located more than one State, POS lies in each State in proportion to the value of service, as per the contract; in absence of a contract, on such reasonable basis as prescribed under Rule 4 of the IGST Rules.

(4)	➢ Restaurant and catering services – u/s 12(4), POS is where the service is actually performed, i.e., Mumbai.
(5)	➢ Training to an unregistered person – u/s 12(5), POS is where the training is actually performed, i.e., New Delhi.
(6)	➢ Admission to an entertainment event – u/s 12(6), POS is where the event is held, i.e., Gurugram, Haryana.
(7)	➢ Event organisation for a registered person – u/s 12(7), POS is the location of the registered recipient, i.e., Ahmedabad, for the Mumbai event. ➢ For the event held outside India (Dubai), the POS is also the location of the recipient – Ahmedabad.
(8)	➢ Transportation of goods for an unregistered person – u/s 12(8), POS is the location where the goods are handed over for transportation, i.e., Bareilly, Uttar Pradesh.
(9)	➢ Passenger transportation to a registered person – u/s 12(9), POS is the location of the registered recipient, i.e., New Delhi.
(10)	➢ Services on board a conveyance – u/s 12(10), POS is the first scheduled point of departure of the conveyance for that journey, i.e., Delhi.
(11)	➢ Fixed telecommunication line – u/s 12(11), POS is where the line is installed, i.e., Kolkata.
(12)	➢ Leased circuit installed in more than one State for a consolidated charge – u/s 12(11) read with Rule 6 of IGST Rules. ➢ POS is each such State; absent an agreement, value is split by the number of points in each State – here 1:1, ₹5 lakh each in Maharashtra and Madhya Pradesh.
(13)	➢ Banking services – u/s 12(12), POS is the recipient's location on the supplier's records; where not available, the supplier's location – here POS is Kullu-Manali, Himachal Pradesh.
(14)	➢ Insurance to a registered person – u/s 12(13), POS is the location of the registered recipient, i.e., Mumbai, Maharashtra.
(15)	➢ Advertisement to Government – u/s 12(14), POS is each State/UT where the advertisement is broadcast/run/displayed, with value apportioned as per the contract, and in its absence as per Rule 3 of the IGST Rules.
(16)	➢ U/s 9 of IGST Act, where the POS is in territorial waters, it is deemed to be the coastal State/UT nearest to the appropriate baseline – here Puducherry. Supplier in Tamil Nadu → inter-State supply, IGST.
(17)	➢ Transportation of goods to an unregistered person – POS is where the goods are handed over, i.e., Coimbatore → intra-State, CGST + SGST. ➢ If the recipient were registered in Kerala, POS would be Kerala → inter-State, IGST.

Chapter 7 Exemptions under GST

Question 10:

M/s P, a registered supplier of Rajasthan, has received the following amounts in respect of the various activities undertaken during the month of April, 20XX:-

S.No.	Particulars	Amount (₹)
1	Commission received as a recovery agent from a Non-Banking Finance Company (NBFC)	80,000
2	Actionable claim received from normal business debtors	10,50,000
3	Amount received from ABC Ltd. for performance of classical dance in one program	1,74,500
4	Business assets (old computers) given to a friend free of cost; market value ₹ 51,000; no ITC availed on such computers	No amount charged
5	Consideration received for one month rent from a registered individual person for renting of residential dwelling for use as residence in business	15,200
6	Amount received for warehousing of jaggery	50,000
7	Commission received as business facilitator for the services provided to the urban branch of a nationalized bank with respect to savings bank accounts	20,000
8	Amount received for services by way of labour contracts for repairing a single residential unit otherwise than as a part of residential complex	10,000
9	Amount received for acting as brand ambassador for corporate client	75,000
10	Amount received for service provided to the Indian Olympic Association as team manager of national team	80,000
11	Interest income on credit card issued by the bank	40,000
12	Service to foreign diplomatic mission located in India	28,000
13	Funeral services	30,000
14	Amount charged for service provided to recognized sports body as selector of national team	50,000

All the transactions stated above are Intra-State transactions and all amounts are exclusive of GST. Compute the gross value of taxable supply on which GST is to be paid by M/s P for the month of April, 20XX with brief reasons.

Sr.No.	Particulars	Taxable Value (₹)	Reason (in brief)
1	Recovery agent commission from NBFC	-	Taxable, but tax payable by NBFC under RCM – not part of M/s P's gross taxable value on which he pays
2	Actionable claim from business debtors	–	Actionable claims other than specified claims –not treated as supply (Sch III)

3	Classical dance performance	1,74,500	Exemption for folk/classical artists applies only where consideration ≤ ₹1,50,000; exceeded, hence fully taxable
4	Old computers given free (no ITC)	–	Without consideration and no ITC availed – not a supply under Sch I
5	Rent of residential dwelling to registered person	-	Not exempt when recipient is registered; tax payable by recipient under RCM – not added to M/s P's own liability
6	Warehousing of jaggery	50,000	Warehousing exemption covers cereals/pulses/fruits & vegetables etc.; jaggery is not covered – taxable
7	Business facilitator commission (urban branch)	-	Since the services are provided to an urban branch, they are taxable (exemption applies only to rural branches). However, GST is payable by the banking company under RCM, so M/s P is not liable to pay GST.
8	Repair labour of single residential unit	10,000	Exemption covers construction of a single residential unit, not repair – taxable
9	Brand ambassador fee	75,000	Not specifically exempt – taxable
10	Team manager to Indian Olympic Association	–	Services to IOA by a team manager for participation in sporting events – exempt
11	Interest on credit card	40,000	Interest exemption specifically excludes credit card interest – taxable
12	Service to foreign diplomatic mission	28,000	Services provided TO a mission are not exempt (only services BY the mission are outside tax) – taxable
13	Funeral services	–	Covered by the negative list/Sch III – not a supply
14	Selector of national team	50,000	Exemption covers player, referee, umpire, coach, team manager – a selector is not covered – taxable
	Gross value of taxable supply	**4,27,500**	

Question 11:

Examine the taxability/exemption in the following independent activities:

1) **Mr. Rahul is a proprietor of "Rahul Trading", registered under GST in Gujarat. Mr. Rahul rents a residential flat in his personal capacity for use as his own residence and not on account of the proprietorship concern.**
2) **GST on payment of honorarium to the Guest Anchors.**
3) **Gokul Residents' Welfare Association received ₹9,000 per month as contribution from each member for sourcing of goods & services from third persons for common use of its members. What if the monthly contribution were ₹6,500?**
4) **Wellness Hospital, a clinical establishment located in Tirupati, specialised in diabetic treatment, and food supplied to in-patients as advised by dieticians.**

5) Deccan Shipping Pvt. Ltd., registered under GST in Andaman and Nicobar Islands, provided passenger transportation services to local residents in the ferries owned by it from Neil Island to Havelock Island.
6) Mr. Shyam Das was admitted to Suraksha Hospital in Mumbai for 2 days: a) Room rent ₹7,000 per day for 2 days; b) Operation theatre charges ₹5,000; c) Doctors Consultation Charges ₹8,000; d) Other services ₹4,000.
7) Kesar Maharaj, a renowned classical dancer, gave a classical dance performance in an auditorium; also examine his training/coaching in classical dance.
8) Ram, an agriculturist, has stored sugarcane in a warehouse and has taken fumigation services in the said warehouse.
9) National Testing Agency conducted entrance examination for admission to various educational institutions.
10) Mr. Poddar has 3 buildings – A, B & C. Building A is run as hostel which offers accommodation services with a value of supply at ₹18,000 per person per month. A customer books a room for 95 continuous days in it. Building B is a residential building named as i.e. Greenwood Hostel in which, 1st floor flat is given for accommodation to college student for 3 months whose rent is ₹ 25,000 per person per month i.e. ₹ 75,000. Building C is also residential which is given for accommodation as student residences to students & each residence in it is given on rent to each student for 60 days where rent is ₹ 18,000 per person per month i.e. ₹ 36,000.
11) Service of affiliation provided by Central educational board to a private school.
12) Dunzo, an ECO, provides local delivery services of food and grocery items within city limits and claimed exemption on delivery charges as transportation of goods by road, contending it is neither a GTA nor a courier agency.
13) Mr. Arun, an individual, purchases a health insurance policy from XYZ Insurance Ltd. for himself and his family; his employer also provides a group health insurance policy covering 50 employees for which the employer pays the premium.
14) Sarvoday Trust, registered u/s 12AB of the Income-tax Act, conducted a residential yoga camp charging ₹8,000 per participant, and also sold yoga mats & T-shirts at the camp.
15) Shree Mandir Trust (12AB registered) let out within its religious precincts: rooms at ₹900/day; rooms at ₹1,400/day; shops at ₹9,000/month; and its community hall at ₹12,000/day.
16) Kisan Agro Services provided:
    (a) loading, unloading, packing & warehousing of wheat;
    (b) custom milling of paddy into rice;
    (c) leasing of vacant agro land with a greenhouse;
    (d) testing & certification of seeds.
17) Vega Transports (GTA) transported: milk & salt; agricultural produce and relief materials for flood victims.
18) Fincare Bank earned interest on housing loans, penal charges for delayed EMIs, and service fee from the Central Government for operating Atal Pension Yojana accounts; also examine services provided by RBI to Fincare Bank.
19) Consult Engineers supplied to Nagar Nigam (a Municipality): (a) pure consultancy for a city water-supply scheme; (b) composite supply of maintenance of public parks with goods at 20% of value; (c) a similar contract with goods at 32%.
20) Saraswati Vidyalaya (up to higher secondary) received bus transportation of its students & staff, mid-day meal catering, and housekeeping services. Would catering & transport be exempt if received by Gyan Degree College?
21) Kaushal Institute, a training partner approved by the National Skill Development Corporation, provided vocational courses under an NSDC scheme.

22) LifeLine Services operated ambulance services, a veterinary clinic for pets & cattle, and a cord blood bank preserving stem cells.

Answer:

(1)	➢ Renting of a residential dwelling to a registered person is exempt where the registered person is a proprietor renting it in his personal capacity for his own residence, on his own account. Mr. Rahul satisfies both conditions – **exempt, no RCM.**
(2)	➢ CBIC has clarified that all supplies are taxable unless specifically **exempt;** honorarium paid to guest anchors for appearance is consideration for a taxable service and liable to GST (subject to threshold).
(3)	➢ RWA contributions are **exempt** only up to ₹7,500 per member per month. At ₹9,000, the exemption fails and GST @18% applies on the entire contribution. At ₹6,500, the service is **exempt.**
(4)	➢ Health care services by a clinical establishment are **exempt.** ➢ Food supplied to in-patients as advised by doctors/dieticians is part of the composite supply of health care – also **exempt.**
(5)	➢ Transportation of passengers by public transport in a vessel between places in India, other than predominantly for tourism, is **exempt.** ➢ CBIC clarifies the exemption covers point-to-point ferry tickets, whether the ferry is Government or privately run. Hence given service is **exempt.** ➢ If it is used predominantly-tourism (cruise/shikara type) then **taxable.**
(6)	➢ Health care by a clinical establishment is exempt, but room rent exceeding ₹5,000 per day (other than ICU etc.) is not exempt. So room rent ₹14,000 is taxable; operation theatre, consultation and other health-care services remain **exempt.**
(7)	➢ Performance by an artist in folk or classical art forms is **exempt** if the consideration does not exceed ₹1,50,000 (not applicable to brand-ambassador roles). ➢ Training or coaching in recreational activities relating to arts or culture by an individual is **exempt.**
(8)	➢ Warehousing of agricultural produce are **exempt**. Sugarcane is agricultural produce. ➢ The fumigation in the warehouse is **taxable** (only fumigation at an Agriculture farm is **exempt).**
(9)	➢ Services by way of conduct of entrance examination against entrance fee – NTA qualifies as an educational institution for this limited purpose – **exempt.**
(10)	➢ Hostel A: ₹18,000 per person/month for 95 days → Both conditions satisfied → **Exempt.** ➢ Hostel B: Rent exceeds ₹20,000 per person/month and falls under the exception → **Taxable.** ➢ Building C: Rent is below ₹20,000 but stay is only 60 days (<90 days) and falls under the exception → **Taxable.**
(11)	➢ Affiliation services by a Board/university to schools/colleges are **taxable** – the education exemptions do not cover affiliation fees (limited relief exists only for Government schools as notified).
(12)	➢ The exemption for transportation of goods by road applies only where the supplier is other than a GTA/courier agency actually engaged in goods transportation. ➢ But exemption is not available to local delivery services.
(13)	➢ **Mr. Arun's individual/family policy → Exempt.** individual health insurance including family is exempt. No GST on premium. ➢ **Employer's group policy (50 employees) → Taxable**

	➢ Exemption covers only *individual* policies, not group policies.
(14)	➢ Charitable activities by a 12AB entity include advancement of yoga – the residential yoga camp fee is **Exempt.** ➢ Sale of mats & T-shirts is a supply of goods, not a charitable activity – **Taxable.**
(15)	➢ Renting of religious precincts owned by a 12AB entity is exempt only where room rent is below ₹1,000/day, shop rent below ₹10,000/month and hall rent below ₹10,000/day. ➢ So room @₹900 exempt; room @₹1,400 taxable; shop @₹9,000 exempt; hall @₹12,000 **taxable.**
(16)	(a) Loading/unloading/packing/warehousing of wheat (a cereal) – **exempt.** (b) Milling of paddy into rice: **Not exempt**, as this process, being carried out after cultivation is over, is not an intermediate production process. Hence, it's not an agriculture produce. (c) Leasing of agro land, including with a structure incidental to its use, is **exempt.** (d) Seed testing & certification – **exempt** as agriculture-related support services.
(17)	➢ GTA transport of milk & salt – **Exempt;** ➢ Agricultural produce – **Exempt;** ➢ Relief materials for flood victims – **Exempt**
(18)	➢ Interest on loans/advances is **exempt.** ➢ **Penal charges for delayed EMI → Not taxable.** Penal charges levied by banks in terms of RBI instructions (in lieu of penal interest) are breach-of-contract amounts, not consideration for any supply ➢ Services to Government under a notified pension scheme (APY) **– exempt.** ➢ Services BY RBI are exempt, but services provided TO RBI by others are **taxable.**
(19)	➢ Pure services (no goods) to a Municipality in relation to an Article 243W function like water supply – **exempt.** ➢ A composite supply with goods up to 25% of value for such functions – **exempt** (20% case). ➢ At 32%, the condition fails and the entire supply **is taxable.**
(20)	➢ Transportation of students & staff, catering including mid-day meals, security, cleaning and housekeeping are exempt when provided TO an educational institution up to higher secondary. ➢ Saraswati Vidyalaya's inward services are exempt; for Gyan Degree College these input-side exemptions do not apply – **taxable.**
(21)	➢ Services by an NSDC-approved training partner in relation to a scheme implemented by NSDC are exempt. Kaushal Institute's courses under the NSDC scheme are **exempt.**
(22)	➢ Ambulance services – **exempt** as health care. ➢ Veterinary clinic services (health care of animals/birds) – **exempt.** ➢ Cord blood bank preserving stem cells – **Taxable** as preservation/storage of stem cells is not covered under the exemption for healthcare services.

Chapter 8 Payment of Tax & TDS-TCS

Question 12

1) Sahil is a supplier of taxable goods in Karnataka. He got registered under GST in the month of September, 20XX and wishes to pay his admitted tax liability for the month. He is confused about the deposit of money in the electronic cash ledger. Advise him on the modes of deposit and the following issues:

a) Are manual challans allowed under GST?

b) **What is the validity period of the challan?**

c) **Is cross utilization among Major and Minor heads of the electronic cash ledger permitted?**

2) M/s ABC & Co. have defaulted in filing the return under Section 39 of CGST Act, 2017 i.e. GSTR-3B for the month and want to pay the late fee through the electronic credit ledger. Advise.

3) Explain the manner of utilization of input tax credit?

4) Mr. Manik provides the following information regarding his tax & other liabilities under GST law as per Electronic Liability Register:

Sr.No.	Particulars	Amount (₹)
1	Tax due for the month of May	25,000
2	Interest due for the month of May	2,000
3	Penalty due for the month of May	3,000
4	Tax due for the month of June	35,000
5	Liability arising out of demand notice u/s 73	48,000

Mr. Manik want to discharge demand of ` 48,000 first, and he do so.

5) Are principles of unjust enrichment applicable for payment made under GST?

6) Pranesh has deposited a sum of ₹5,000 under the head of 'Fee' column of Cess and ₹4,000 was lying unutilized in the minor head 'Tax' of SGST. Can these amounts be moved where they are actually required?

7) ABC Ltd., a registered taxpayer under GST, is required to file its GSTR-3B return for the month of July 2024. It deposited the tax amount in its electronic cash ledger on the due date but the return was filed, and the ledger debited, only on 30th August. Does ABC Ltd. need to pay any interest on the delayed payment of tax since the return was filed after the due date?

(8) **Mr. Broker wrongly availed ₹1,25,000 as input tax credit (CGST + SGST) at the time of furnishing return under section 39 for the month of October 20XX. This ITC was not utilized against the output tax liability for October. Mr. Broker utilised ₹75,000 from the above wrongly availed ITC against output tax liability for November 20XX (Form GSTR-3B for October filed on 18th November and for November on 25th December). He paid the amount of ITC wrongly utilised of ₹75,000 on 10th March, 20YY and reversed the unutilized amount of ₹50,000 on 20th March 20YY. Calculate the total interest payable (CGST + SGST).**

Answer:

(1)

- Deposit in the electronic cash ledger can be made through internet banking, credit/debit card, NEFT/RTGS/IMPS, UPI, or over-the-counter payment through authorised banks (OTC limited to ₹10,000 per challan per tax period).

  a) Manual challans are **not allowed** – the challan must be generated electronically on the common portal (FORM GST PMT-06).

  b) The e-challan is valid for **15 days.**

	c) Amounts once credited under a major/minor head can be used only under that head, but Sec 49(10) permits transfer of any amount between heads within the cash ledger through **FORM GST PMT-09.**
(2)	➢ The credit ledger can be used only for payment of output tax **[Sec 49(4)].** ➢ Late fee, interest and penalty must be paid through the cash ledger **[Sec 49(3)].** ➢ So, ABC & Co. cannot pay late fee from the credit ledger.
(3)	➢ IGST credit is used first for IGST, then for CGST and SGST/UTGST in any order and proportion, and IGST credit must be exhausted before using CGST/SGST credit. ➢ CGST credit – for CGST then IGST; SGST credit – for SGST then IGST (only after CGST credit is fully used). ➢ CGST credit can never pay SGST and vice versa.
(4)	➢ As per **Section 49(8),** dues must be paid in the following order: 1. Self-Assessed Previous tax period dues → ₹30,000 (May) 2. Self-Assessed Current tax period dues → ₹35,000 (June) 3. Other dues/demand u/s 73 → ₹48,000 ➢Thus, Mr. Manik **cannot pay the demand u/s 73 first.**
(5)	➢ Yes. **Sec 49(9)** presumes that the incidence of tax paid has been passed on to the recipient unless the contrary is proved – the principle of unjust enrichment applies to GST payments.
(6)	➢ Yes. Using FORM GST PMT-09, any amount lying in the cash ledger can be transferred between major and minor heads – the ₹5,000 under 'Fee' of Cess and ₹4,000 under 'Tax' of SGST can be moved to the heads where they are needed.
(7)	➢ No. As per the **proviso to Rule 88B**, the amount lying in the cash ledger on the due date, which remains there until it is debited towards tax while filing the return, is **excluded** while computing interest. ➢ Since the deposit stayed in the ledger from the due date till the debit on 30th August, **no interest is payable.**
(8)	➢ Interest u/s 50(3) read with Rule 88B is charged only on wrongly availed AND utilised ITC, from the date of utilisation till reversal/payment. ➢ ₹50,000 ITC: Reversed without utilisation → No interest payable. ➢ ₹75,000 ITC: Wrongly availed and utilised → Interest @ 18% p.a. from utilisation till reversal. ➢ Date of utilisation = Earlier of due date (20 Dec) or actual filing date (25 Dec) → 20 Dec 20XX. ➢ Interest period = 21 Dec to 10 Mar = 80 days. ➢ Interest = ₹75,000 × 18% × 80/365 = **₹2,959 (CGST + SGST).** **Author's note:** ICAI computes interest from the day after the date of utilisation, though the provision refers to the date of utilisation itself.

Question 13

Manihar Enterprises, registered in Delhi, is engaged in supply of various goods & services exclusively to Government departments, agencies etc. and persons notified under section 51. It has provided the information relating to the supplies made, their contract values and the payment due against each of them in the month of October, respectively as under:

S.No.	Particulars	Total Contract Value (₹)	Payment due in Oct (₹)
(i)	Supply of stationery to Fisheries Department, Kolkata (inclusive of GST)	2,60,000	15,000
(ii)	Supply of car rental services to Municipal Corporation of Delhi (inclusive of GST)	2,95,000	20,000
(iii)	Supply of a heavy machinery to Public Sector Undertaking located & registered in Uttarakhand (inclusive of GST)	5,90,000	25,000
(iv)	Supply of taxable goods to Delhi office of National Housing Bank, a society established by Government of India under the Societies Registration Act, 1860 (inclusive of GST)	6,49,000	50,000
(v)	Interior decoration of Andhra Bhawan located in Delhi. Service contract is entered into with the Government of Andhra Pradesh (registered only in Andhra Pradesh) (inclusive of GST)	12,39,000	12,39,000
(vi)	Supply of printed books and printed post cards to a West Delhi Post Office [Out of total contract value of ₹9,72,000, contract value for supply of books (exempt from GST) is ₹7,00,000 and for supply of printed post cards (taxable under GST) is ₹2,72,000.] (inclusive of GST)	9,72,000	50,000 for books & 20,000 for printed postcards
(vii)	Maintenance of street lights in Municipal area of East Delhi* [The contract with the Municipal Corporation of Delhi also involves replacement of defunct lights and other spares; the value of supply of goods is not more than 25% of the value of composite supply.] *An activity in relation to a function entrusted to a Municipality under article 243W of the Constitution	3,50,000	3,50,000
(viii)	Supply of computer stationery to a Public Sector Undertaking located & registered in Mumbai (inclusive of GST)	2,72,000	1,00,000
(ix)	Supply of air conditioners to GST Department located & registered in Delhi (exclusive of GST)	2,55,000	2,55,000
(x)	Renting of a generator to Municipal Corporation of Jaipur, generator installed and used at its Jaipur office (inclusive of GST)	3,54,000	3,54,000

1) State the persons who are required to deduct tax at source u/s 51, the rate of deduction and the value on which tax is deducted. Also determine the amount of tax, if any, to be deducted from each of the receivables given above, assuming the rate of CGST, SGST and IGST as 9%, 9% and 18% respectively.

2) Will your answer be different, if Manihar Enterprises is registered under composition scheme?

3) Is the GST Department required to obtain any registration for deducting tax? State the procedure and time limit for grant of such registration.

4) The Muncipal corporation of Jaipur (a registered deductor) deducted TDS of ₹6,000 from payments to M/s Manihar Enterprises in October but deposited it with the Government only on 25th December. State the due date of deposit, the return to be filed, the TDS certificate, how Manihar Enterprises gets credit of the TDS, and the interest & late fee consequences of the delay.

Answer:-

(1)	**Legal Provision:** ➢ As **per Sec 51 read with Sec 20 of the IGST Act**, the notified deductors must deduct TDS @1% CGST + 1% SGST/UTGST (or 2% IGST) from payment made/credited to the supplier, where the total value of supply under a CONTRACT exceeds ₹2,50,000 (excluding GST).

➢ The deductors are:
a) A department or establishment of the Central / State Government;
b) Local authority;
c) Governmental agencies;
d) Notified persons – an authority / board / body set up by an Act of Parliament or a State Legislature, or established by any Government, with 51% or more equity or control;
e) A society established by the Central / State Government or a Local Authority;
f) Public sector undertakings; and any registered person receiving supplies of METAL SCRAP from another registered person.

➢ No deduction where the location of supplier and the place of supply is in a State different from the State of registration of the recipient **[Proviso to Sec 51(1)].**

➢ Value for deduction excludes CGST, SGST/UTGST, IGST and cess shown in the invoice; individual payments may be below ₹2,50,000 – what matters is the value under the CONTRACT.

Discussion & Conclusion:

S.No.	Particulars	Value excl. GST (₹)	TDS
(i)	Stationery to Fisheries Dept., Kolkata – inter-State	2,20,339 (2,60,000×100/118)	Nil – does not exceed ₹2,50,000
(ii)	Car rental to Municipal Corporation of Delhi – intra-State	2,50,000 (2,95,000×100/118)	Nil – does not EXCEED ₹2,50,000
(iii)	Heavy machinery to PSU, Uttarakhand – inter-State	5,00,000 (5,90,000×100/118)	IGST @2% of ₹25,000 = ₹500
(iv)	Taxable goods to National Housing Bank, Delhi – intra-State	5,50,000 (6,49,000×100/118)	2% of ₹50,000 = CGST ₹500 + SGST ₹500
(v)	Interior decoration of Andhra Bhawan, Delhi – supplier & POS in Delhi, recipient registered in AP	10,50,000 (12,39,000 X 100/118)	Nil – Proviso to Sec 51(1)
(vi)	Books (exempt) & post cards – TDS tested only on the TAXABLE supply in the contract	Post cards: 2,30,509 (2,72,000×100/118)	Nil – taxable value below ₹2,50,000; books exempt
(vii)	Street-light maintenance for Municipality (243W), goods ≤ 25% of composite value	–	Nil – the composite supply itself is exempt
(viii)	Computer stationery to PSU, Mumbai – inter-State	2,30,509 (2,72,000×100/118)	Nil – contract below ₹2,50,000; the Oct payment of ₹1,00,000 is irrelevant
(ix)	Air conditioners to GST Department, Delhi – intra-State, value already exclusive	2,55,000	2% of ₹2,55,000 = CGST ₹2,550 + SGST ₹2,550
(x)	Generator rented to Municipal Corporation of Jaipur – POS & recipient in Rajasthan → inter-State	3,00,000 (3,54,000×100/118)	IGST @2% of ₹3,00,000 = ₹6,000

(2)	➢ **No.** The answer remains unchanged even if Manihar Enterprises is registered under composition scheme. ➢ Tax is deducted in all cases where Sec 51 requires it, including where the supplier is a composition dealer.
(3)	➢ **Yes.** A person required to deduct tax u/s 51 must compulsorily obtain registration u/s 24, irrespective of turnover. ➢ Registration can be obtained using TAN/PAN. ➢ The proper officer grants registration within 3 working days from the date of application, after due verification.
(4)	➢ **Due date –** the deducted amount of ₹6,000 must be paid to the Government till 10th of next month i.e., by 10th November. ➢ **Return** – GSTR-7 by the 10th of the following month. ➢ **Certificate** – the TDS certificate is made available to the deductee in GSTR-7A on the basis of the return filed. ➢ The amount credits the ELECTRONIC CASH LEDGER of Manihar Enterprises – **usable against any liability, refundable if in excess.** ➢ **Interest –** for the delay from 11th November to 25th December, the department pays interest @18% p.a. on the TDS amount, in addition to the tax. ➢ **Late fee –** late filing of GSTR-7 attracts ₹50 per day (₹25 + ₹25), capped at ₹2,000 (₹1,000 + ₹1,000).

Question 14: Would TDS have applied on item (iii) if the heavy machinery had instead been supplied by another Public Sector Undertaking to the Uttarakhand PSU? Also state the other situations in which no TDS is deductible.

Answer:

➢ No. Supplies from one PSU to another PSU, whether or not a distinct person, are exempt from TDS.

➢ Other situations where no TDS is deductible:

i) Supplies between the persons specified in clauses (a) to (d) of Sec 51(1) inter se – except the metal-scrap recipient in clause (d);

ii) Contract value (of taxable supply) not exceeding ₹2, 50,000, excluding GST & cess;

iii) Supplier's location & POS in a State different from the recipient's State of registration;

iv) Payment relating to exempt / non-taxable supplies, and the tax & cess portion of the invoice.

Question 15:

Shopkart Ltd., registered in Delhi, owns and operates a web portal as an Electronic Commerce Operator (ECO) and collects the consideration for supplies made through it. Examine the TCS implications u/s 52 in the following independent situations for the month of November:

1) **Is every e-commerce operator required to collect tax on behalf of the actual supplier? State the rate of TCS.**
2) **Does the net value of taxable supplies include ALL the transactions made through the electronic commerce operator?**
3) **Is Shopkart liable to collect tax at source if the consideration for supplies is not collected by it?**
4) **Mr. X is a supplier selling his own products through a website hosted by him. Is TCS applicable?**
5) **ABC Ltd., a dealer of Royal brand watches, sells watches through Shopkart. Who collects TCS and at what rate?**
6) **Shopkart purchases goods from different vendors and sells them on its own website under its own billing. Is TCS required to be collected on such sales?**

7) **Mr. Y booked a hotel in Udaipur, Rajasthan through Shopkart for ₹25,000; as per the terms, the amount was payable at the hotel at the time of check-in. Examine.**
8) **Shopkart supplies goods belonging to B through its portal in the capacity of an AGENT; the consideration is received by Shopkart and remitted to B as per the contract. Examine.**
9) **Vastra Ltd., registered in Delhi, supplied garments of ₹28,32,000 (inclusive of GST @18%) through Shopkart during November; garments of taxable value ₹2,00,000 supplied through Shopkart in November were returned in the same month. All supplies are intra-State. Compute the TCS. Would your answer change if the goods returned had a taxable value of ₹25,00,000?**
10) **Mr. Bindusara, an unregistered supplier of goods exempted from registration u/s 22 and holding an enrolment number on the common portal, supplies goods through Shopkart. Examine TCS and Shopkart's obligations.**
11) **M/s Mithai Bhandar, a composition dealer, supplies sweets through Shopkart within Delhi. Examine TCS and the special procedure for the ECO.**
12) **It is said that there is no onus of filing any monthly & annual statements by an ECO. Examine the technical veracity of the statement, state the special registration required for Shopkart, the due date of remittance of TCS and the outer time limit for GSTR-8.**
13) **How can the actual suppliers (like Top Fashions / Vastra Ltd.) claim credit of the TCS collected by the ECO?**

Answer:-

(1)	➢ **No.** As per **Sec 52,** EVERY electronic commerce operator, not being an agent, shall collect tax at source in respect of supplies made through it by other suppliers, where the consideration is to be collected by the ECO. But 9(5) ECO not required to deduct TCS. ➢ Rate of TCS – 0.25% CGST + 0.25% SGST/UTGST (or 0.5% IGST) of the net value of taxable supplies.
(2)	➢ **No.** 'Net value of taxable supplies' **does NOT cover** every transaction routed through the portal. ➢ It means the aggregate value of TAXABLE supplies of goods or services made through the ECO by OTHER suppliers – excluding services notified u/s 9(5) on which the ECO itself pays tax – as reduced by the supplies RETURNED to the suppliers during the month. ➢ Thus exempt supplies, the ECO's own supplies, and 9(5) services are all outside the net value.
(3)	➢ **No.** Shopkart shall collect tax at source only where the consideration in respect of the supplies is to be collected by it.
(4)	➢ **No.** Sec 52 applies to taxable supplies made through the ECO by OTHER suppliers. ➢ If Mr. X sells his own products on his own website, TCS is not applicable.
(5)	➢ Shopkart – the ECO through which the supply is made and which collects the consideration – collects the TCS. ➢ Rate: 0.5% (0.25% CGST + 0.25% SGST, or 0.5% IGST) of the net value of taxable supplies of ABC Ltd. effected through it.
(6)	➢ **No.** There are two transactions – purchase from the vendors, and sale through Shopkart's own website. ➢ On the purchase, GST is paid to the vendors and credit is available to Shopkart. ➢ The sale on its own website is a supply on its OWN account, not by other suppliers – no TCS is to be collected. ➢ The outward supply simply attracts GST at the prevailing rates.
(7)	➢ **No.** TCS triggers only when the ECO receives the consideration from the recipient. ➢ Here the hotel receives the amount directly from Mr. Y at check-in.

	➢ Hence, the transaction does not trigger the TCS provisions.
(8)	➢ **No.** TCS provisions do not apply where the ECO acts as an AGENT of the supplier. ➢ Shopkart, supplying B's goods through the portal as an agent, has no liability to collect tax at source.
(9)	➢ Taxable value of supplies = ₹28,32,000 × 100/118 = ₹24,00,000. ➢ Net value of taxable supplies = ₹24,00,000 – ₹2,00,000 (returns) = ₹22,00,000. ➢ TCS = 0.25% + 0.25% of ₹22,00,000 = CGST ₹5,500 + SGST ₹5,500 (total ₹11,000). ➢ If returns were ₹25,00,000 – net value = ₹24,00,000 – ₹25,00,000 = negative, which is taken as Nil. ➢ So no TCS would be collectible for November; the excess returns create no refund or carry-back.
(10)	➢ For goods supplied by an unregistered person exempted u/s 22 and holding an enrolment number, **NO TCS is to be collected.** ➢ Shopkart must allow his supplies only after enrolment. ➢ It must not allow any inter-State supply by him. ➢ It must furnish the details of such supplies in FORM GSTR-8.
(11)	➢ A composition dealer can supply goods through an ECO – the bar in Sec 10(2)(d) hits only SERVICES through a TCS-collecting ECO. ➢ **Special procedure for Shopkart:** i. It shall not allow any inter-State supply by Mithai Bhandar; ii. It shall collect TCS u/s 52(1) on such supplies and pay it within the time limit; iii. It shall furnish the details of such supplies in GSTR-8.
(12)	➢ The statement is **INCORRECT** – the onus squarely lies on the ECO. ➢ Shopkart must furnish a monthly statement in FORM GSTR-8 by the 10th of the following month, and an annual statement by 31st December following the financial year. ➢ Registration – every ECO required to collect TCS must compulsorily obtain registration u/s 24(x), irrespective of turnover. ➢ The TCS collected must be remitted to the Government within 10 days after the end of the month of collection.
(13)	➢ On the ECO filing GSTR-8, the supplies and the TCS reflect to the supplier. ➢ On the supplier's claim, the amount is credited to its ELECTRONIC CASH LEDGER **[Rule 87(9)]** – similar to TDS credit under the Income-tax Act. ➢ It is usable for payment of tax, interest, penalty or any other amount, with refund available for any excess balance.

Chapter 9 Input Tax Credit

Question 16

ABC Co. Ltd., registered under GST, is engaged in the manufacture of heavy machinery. It procured the following items during the month of July:

Sr.No.	Particulars	GST (₹)
1	Electrical transformers to be used in the manufacturing process	5,20,000
2	Trucks used for the transport of raw material	1,00,000
3	Raw material to be received in August	2,00,000
4	Confectionery items supplied free of cost to customers in a customer meet organized by the company	25,000
5	Capital Goods (invoice missing for one out of 5 items; GST paid on the same was ₹70,000)	5,00,000
6	GST paid on health insurance policies (not obligatory under any law)	80,000
7	Payment made to contractor for construction of staff quarter	1,25,000
8	Purchase of bus (seating capacity 15) for transportation of employees from residence to company and back	1,97,000
9	General insurance taken on a car used by executives of the company for official purposes	10,200
10	Inputs purchased, but stolen from the factory	1,40,000
11	Input purchased was directly delivered to Mr. Joe, a job worker and a registered supplier	80,000
12	Goods purchased from Asha Ltd; payment made but tax not deposited by Asha Ltd. to Government and not reported in GSTR-1	86,500
13	Capital goods used for making outward supplies to SEZ unit	52,000
14	Rent-a-cab facility availed for employees to fulfil a statutory obligation	36,000
15	Procurement of goods distributed as part of CSR expenditure required under the Companies Act, 2013	5,00,000
16	Purchase of a demo vehicle for demonstration purposes	50,000

Determine the amount of ITC available with ABC Co. Ltd. for the month of July with brief explanations. Assume all other conditions for availing ITC are fulfilled.

Answer:

Item	ITC (₹)	Reason (in brief)
Electrical transformers	5,20,000	Goods used in course of business – eligible u/s 16(1)
Trucks for raw material	1,00,000	Motor vehicles for transportation of GOODS – not blocked u/s 17(5)(a)
Raw material (to be received in Aug)	Nil	Goods not received in July – condition u/s 16(2)(b) fails; credit in August
Confectionery given free	Nil	Goods disposed of by way of free supply/gift – blocked u/s 17(5)(h)
Capital goods	4,30,000	ITC only against a valid tax document u/s 16(2)(a); ₹70,000 with missing invoice disallowed
Health insurance	Nil	Blocked u/s 17(5)(b) as not obligatory under any law

Construction of staff quarter	Nil	Works contract for construction of immovable property – blocked u/s 17(5)(c)
Bus (seating 15)	1,97,000	Seating capacity above 13 – outside the block of 17(5)(a)
Car insurance (seating 5)	Nil	Car itself is blocked u/s 17(5)(a); hence its insurance is blocked u/s 17(5)(ab)
Stolen inputs	Nil	Goods stolen – blocked u/s 17(5)(h)
Inputs sent directly to job worker	80,000	Deemed receipt under Explanation to Sec 16(2)(b) – eligible
Purchase from Asha Ltd.	Nil	Tax not paid to Government/not in GSTR-1 – conditions u/s 16(2)(aa)/(c) fail
Capital goods for SEZ supplies	52,000	Zero-rated supplies – credit allowed
Rent-a-cab (statutory obligation)	36,000	Not blocked u/s 17(5)(b) where obligatory under law
CSR procurement	Nil	Blocked u/s 17(5)(fa)
Demo vehicle	50,000	As clarified by CBIC, demo vehicles used for demonstration/further supply in the same line of business – ITC not blocked
Total ITC available	**14,65,000**	–

Question 17

Answer the following independent issues on Input Tax Credit:

1) Can a person take ITC without payment of consideration for the supply along with tax?

2) If part payment of consideration is made by the recipient to the supplier, then whether full amount of tax can be availed as credit?

3) A registered person must pay to the supplier, the value of the goods and/or services along with the tax within 180 days from the date of issue of invoice. State the exceptions to said rule.

4) What is the time limit for taking ITC and reasons therefor?

5) Aakarsha Traders' GST registration was cancelled retrospectively from 1st September and the cancellation order was passed on 15th September. It had not availed ITC on eligible invoices dated February and March of the preceding FY. The cancellation was revoked on 15th December. Aakarsha wants to claim the ITC in its September GSTR-3B filed on 21st December. The annual return for the preceding FY is filed on 31st December.

Advise whether Aakarsha can claim the ITC under Sec. 16(6).

6) Babla & Bros. is exclusively engaged in making exempt supply of goods & is thus, not registered under GST. On its supplies becoming taxable, what credit is available on stock and capital goods?

7) What is the ITC entitlement of a newly registered person?

8) 'AB', a registered person, was paying tax under composition scheme up to 30th July. However, w.e.f. 31st July, it becomes liable to pay tax under regular scheme. Explain the ITC entitlement on stock and capital goods.

9) Mamta Sales trades in exempt goods and provides taxable services, registered under GST. On 1st October, the exempt goods become taxable. Explain the provisions for availing ITC on inputs and capital goods relatable to such goods.

10) A registered person transfers its business to another person. Is such registered person allowed to transfer the unutilised ITC to the transferee?

11) What is the tax implication of supply of capital goods by a registered person who had taken ITC on such capital goods?

12) **The Commissioner has reasons to believe that ITC of ₹6,00,000 in the credit ledger of M/s Grey was availed on invoices of a non-existent supplier without receipt of goods. What action can be taken and for how long?**
13) **M/s Grey's taxable turnover (other than exempt & zero-rated) in a month is ₹75,00,000 and it wants to pay its entire output liability from ITC. Advise, with the exceptions to the restriction.**
14) **M/s Grey availed ITC of ₹40,000 on an invoice of supplier S, who filed GSTR-1 but did not file GSTR-3B for the period till 30th September of the following FY. Explain the consequence and the remedy on S's later filing.**
15) **M/s Grey capitalised a machine at ₹10,00,000 plus GST ₹1,80,000 and claimed income-tax depreciation on ₹11,80,000. Can it also avail ITC of ₹1,80,000?**
16) **Safe Bank Ltd. accepts deposits and extends loans. Explain the special ITC option available to it and the treatment of inter-branch services.**
17) **M/s Grey distributed free samples to doctors and ran a 'buy one soap, get one free' offer at a single price. Examine ITC on the goods so supplied.**
18) **M/s Grey availed works contract services for (a) foundation & structural support for fixing a machine, (b) a pipeline laid outside the factory, and (c) a telecommunication tower in the factory. Examine ITC.**

Answer:

(1)	➢ Yes, full ITC can be claimed. The recipient must pay the **supplier the value plus tax within 180 days of invoice**. **[Sec 16(2) read with Rule 37]** ➢ This 180-day condition **does not apply to RCM supplies**.
(2)	➢ If payment is not made within 180 days, **proportionate ITC must be reversed with interest**. ➢ If only part payment is made, **proportionate ITC is available**; full ITC cannot be claimed on the part payment.
(3)	➢ The 180-day payment condition **does not apply** to : a) supplies taxable under reverse charge, b) deemed supplies without consideration, and c) additions to value on account of the supplier's liability being incurred by the recipient (value deemed paid).
(4)	➢ As per **Sec 16(4),** ITC must be claimed by the **earlier of**: 30 November following the FY or date of filing annual return. ➢ **No time limit** for re-availing ITC that was reversed earlier. ➢ Also, As per **Sec 18(2)**, in specified cases like new/voluntary registration, ITC can be claimed within **1 year from invoice date.**
(5)	➢ As per **Sec 16(6),** ITC can be claimed if registration is cancelled and later revoked, provided ITC was not time-barred u/s 16(4) on cancellation date. ➢ ITC can be claimed in the **later of:** • 30 November following the FY/annual return date, whichever is earlier; or • Return for the cancellation-to-revocation period filed within 30 days of revocation. ➢ Hence, Aakarsha can **claim the ITC** in the September GSTR-3B filed on 21st December, as it is within the extended period.
(6)	➢ On becoming liable and applying for registration within 30 days, **Sec 18(1)(a)** allows credit of inputs held in stock (including in semi-finished/finished goods) on the day preceding the date of liability – but **no credit** on capital goods.
(7)	➢ A person taking voluntary registration gets credit u/s **18(1)(b)** on inputs held in stock (including in semi-finished/finished goods) on the day preceding the grant of registration; ➢ Capital goods credit is **not available** under this clause.

(8)	➢ On switching from composition to regular scheme, **Sec 18(1)(c)** grants credit on inputs in stock (including in semi-finished/finished goods) and on capital goods (reduced by 5% per quarter or part from the invoice date) as on 30th July.
(9)	➢ When an exempt supply becomes taxable, **Sec 18(1)(d)** grants credit on inputs in stock (including in semi-finished/finished goods) relatable to such supply and on capital goods exclusively used for it (reduced by 5% per quarter or part from invoice date), as on the day before the supply becomes taxable.
(10)	➢ **Yes,** on sale, merger, demerger, amalgamation, lease or transfer of business with specific provision for transfer of liabilities, the unutilised credit can be transferred to the transferee in FORM GST ITC-02; ➢ The transferee records the transferred inputs/capital goods in his books.
(11)	➢ **U/s 18(6),** on supply of capital goods on which ITC was taken, the person pays the **higher of** – ITC availed reduced by 5% per quarter or part from the invoice date, or the tax on the transaction value; ➢ For moulds, dies, jigs & fixtures supplied as scrap, tax is on transaction value.
(12)	➢ The Commissioner may **block/restrict utilisation of ₹6,00,000 ITC** under **Rule 86A**, if conditions are satisfied. ➢ Such restriction can continue for **maximum 1 year from the date of imposing the restriction**.
(13)	➢ Rule 86B applies as taxable turnover exceeds **₹50 lakh/month**. Grey must pay at least **1% of output tax in cash**; entire liability cannot be paid through ITC. ➢ **Exceptions:** Income-tax ≥ ₹1 lakh, specified refund ≥ ₹1 lakh, or cash tax already paid >1% of cumulative output tax; Govt./PSU/local authority/statutory bodies & also applies to RP, other than a manufacturer, supplying notified goods subject to tax on retail sale price.
(14)	➢ If supplier S does not furnish GSTR-3B up to 30th September following the FY, Grey cannot avail ITC of ₹40,000 u/s 16(2)(c).**[Rule 37]** ➢ If S later files GSTR-3B, Grey can re-avail the ITC subject to other conditions.
(15)	➢ No. Under **Sec. 16(3)**, ITC is not allowed if depreciation is claimed on the **GST component**. ➢ Hence, Grey cannot claim ITC of **₹1,80,000** while claiming depreciation on ₹11,80,000.
(16)	➢ A bank can avail 50% of eligible ITC every month; the balance 50% lapses. [**Sec 17(2) read with Rule 38]** ➢ Inter-branch services are taxable supplies between distinct persons, and recipient branch can claim ITC, subject to the 50% restriction.
(17)	➢ **Free samples:** Goods disposed of as gifts/free samples; ITC blocked u/s **17(5)(h).** ➢ **'Buy one get one':** Not a free supply but two supplies for one price; taxed as composite/mixed supply and ITC on the entire quantity is available **(CBIC clarification).**
(18)	➢ **Foundation & structural support for machine : ITC allowed**, as it forms part of P&M ➢ **Pipeline outside factory: ITC not allowed**, as pipelines outside factory premises are **excluded from P&M** ➢ **Telecommunication tower: ITC not allowed**, as it is a **civil structure**, excluded from P&M u/s 17(5).

Question 18:

(A) M/s. Grey a registered taxable person under regular scheme provides following information in respect of supplies, during the month of April, 20XX-

Particulars	Amount (₹)
Inter-state supply of goods	1,00,000
Intra-state supply of 500 packets of detergent @ ₹ 400 each along with a plastic bucket worth ₹ 100 each with each packet, being a mixed supply. (Rate of GST on detergent is 18% and on plastic bucket is 40%)	2,00,000
Supply of online educational journals to M/s. Pinnacle, a private coaching centre providing tuitions to students of Class X-XII, being intra-state supply	50,000
M/s. Grey has also received the following inward supplies:-	
Inter-state supply of goods (out of which, invoice for goods worth ₹ 20,000 is missing and no other tax paying document is available)	70,000
Repairing of bus with seating capacity of 20 passengers used to transport its employees from their residence, being intra-state supply	50,000

Details of opening balances of ITC as on 1-4-20XX are as follows:-

CGST	₹17,000
SGST	₹17,000
IGST	₹ 40,000

Following additional information is provided:-

(a) Rate of GST in respect of all inward and outward supplies except item (ii) above is 18% i.e. CGST and SGST @ 9% and IGST @ 18%.

(b) All figures mentioned above are exclusive of taxes.

(c) All the conditions for availing the ITC have been fulfilled except specifically given and M/s. Grey is not eligible for any threshold exemption.

Compute the minimum net GST payable in cash by M/s. Grey for the month of April, 20XX.

(B) Mr. Prithviraj, registered under GST in Maharashtra, furnished the following for February:

S.No.	Particulars	Amount (₹)
(i)	Carnatic music performance given by Mr. Prithviraj to promote a brand of readymade garments (Intra-State)	1,40,000
(ii)	Outdoor catering services availed for a marketing event organised for his prospective customers (Intra-State)	50,000
(iii)	Services of transportation of students provided to Subhaskar College providing education as part of a curriculum for a recognised qualification (Intra-State)	1,00,000
(iv)	Legal services availed for official purpose from an advocate located in Gujarat (Inter-State)	1,75,000
(v)	Services provided to Wealth Bank as a business correspondent for accounts in a branch located in urban area (Intra-State)	2,00,000
(vi)	Recovery agent's services provided to a car dealer (Intra-State)	15,000
(vii)	General insurance taken on a car (seating capacity 5) used for official purposes (Intra-State)	40,000

Rates: CGST/SGST/IGST – 9%/9%/18%; all amounts exclusive of taxes; all ITC conditions fulfilled; turnover in previous FY ₹2.5 crore. Compute the net GST payable in cash for February.

Answer:

(A)

a) Calculation of Total Tax Liability:-

Particulars	Value (₹)	IGST@18% (₹)	CGST @ 9% (₹)	SGST@ 9% (₹)
Inter-State supply of goods	1,00,000	18,000	-	-
Intra-state supply of 500 packets of detergent along with plastic basket **(Note-1)**	2,00,000 (500*400)	-	40,000 (2,00,000*20%)	40,000 (2,00,000*20%)
Supply of online educational journal to private coaching centre **(Note-2)**	50,000	-	4,500 (50,000*9%)	4,500 (50,000*9%)
Total Tax Liability (A)		**18,000**	**44,500**	**44,500**

b) Calculation of Total Input Tax Credit (ITC):-

Particulars	Value (₹)	IGST@18% (₹)	CGST @ 9% (₹)	SGST@ 9% (₹)
Brought forward ITC **(Given)**		40,000	17,000	17,000
Inter-State purchase of goods **(Note-3)**	50,000	9,000 (50,000*18%)		
Repairing of bus with seating capacity of 20 passengers **(Note-4)**	50,000	-	4,500 (50,000*9%)	4,500 (50,000*9%)
Total ITC (B)		**49,000**	**21,500**	**21,500**

c) Computation of minimum net GST payable in cash by M/s. Grey for the month of April, 20XX:-

Particulars	IGST (₹)	CGST (₹)	SGST (₹)
Total Tax Liability (A) above	18,000	44,500	44,500
Less:- Set off of ITC IGST = ₹ 49,000 CGST = ₹21,500 SGST = ₹ 21,500	(18,000)	(23,000) (21,500) X	(8,000) X (21,500)
Minimum net GST payable in cash (Note-5)	Nil	Nil	15,000

Notes:

1.	Detergent + bucket at one price = **mixed supply**, taxable at the **highest rate (40%)**.
2.	Online educational journal to a recognised educational institution = **exempt**; to a private coaching centre = **taxable.**
3.	**No valid invoice = No ITC** u/s 16(2)(a). Hence, ₹20,000 ITC is not available.
4.	Vehicle with **seating capacity >13 persons** is not blocked u/s 17(5); hence, **repair ITC is also allowed.**
5.	IGST ITC is first used for **IGST**, then CGST/SGST in any order. Hence, **minimum CGST/SGST cash liability cannot be determined uniquely.**

(B)

1) Computation for Mr. Prithviraj:

Particulars	Value (₹)	IGST@18% (₹)	CGST @ 9% (₹)	SGST@ 9% (₹)
GST payable under Forward Charge				
Carnatic music performance given to promote a brand of readymade garments **(Note 1)**	1,40,000	Nil	12,600	12,600
Services of transportation of students provided to Subhaskar College **(Note 2)**	1,00,000	Nil	9,000	9,000

Services provided to Wealth Bank as a business correspondent**(Note 3)**	2,00,000	Nil	18,000	18,000
Services provided as a recovery agent **(Note 4)**	15,000	Nil	1,350	1,350
Total GST payable under forward charge (A)		**Nil**	**40,950**	**40,950**
GST payable under Reverse Charge				
Legal services availed from an advocate **(Note 5)**	1,75,000	31,500	Nil	Nil
Total GST payable under reverse charge (B)		31,500	Nil	Nil
Total GST Payable [A+B]		**31,500**	**40,950**	**40,950**

2) Computation of total ITC available:

Particulars	Value (₹)	IGST@18% (₹)	CGST @ 9% (₹)	SGST@ 9% (₹)
Outdoor catering services availed **(Note 6)**	50,000	Nil	Nil	
Legal services availed **(Note 7)**	1,75,000		Nil	Nil
General insurance taken on a car (seating capacity 5) used for official purposes **(Note 8)**	40,000	31,500	Nil	Nil
Total ITC available		**31,500**	**Nil**	**Nil**

3) Computation of net GST payable in cash:

Particulars	IGST (₹)	CGST (₹)	SGST (₹)
GST payable under forward charge	Nil	40,950	40,950
Less: ITC of IGST **(Note 9)**	-	(15,750)	(15,750)
	Nil	25,200	25,200
Add: GST payable under reverse charge in cash **(Note 10)**	31,500	Nil	Nil
Net GST payable in cash	**31,500**	**25,200**	**25,200**

Notes:

1.	Carnatic music by Mr. Pruthviraj is **not exempt** as he provides service as a **brand ambassador**.
2.	Student transportation to an institution **other than pre-school/higher secondary school** is **not exempt**.
3.	BC services to a bank in an **urban area are not exempt.**
4.	Recovery agent service to anyone other than **bank/FI/NBFC** , Tax is payable under **Forward charge.**
5.	Legal services to a business entity → **RCM**; exemption not available if **preceding FY turnover exceeds threshold.**
6.	Outdoor catering ITC is blocked, except for **same-category outward supply/composite or mixed supply/statutory obligation**.
7.	ITC on business-related **legal services is available**, even if tax is paid under RCM.
8.	ITC on insurance of **blocked motor vehicles u/s 17(5)** is not available.
9.	IGST ITC: first **IGST**, then **CGST/SGST in any order**; total cash GST = **₹81,900.**
10.	RCM tax is **not output tax**, so it **must be paid in cash**, not through ITC.

Chapter 10 Registration

Question 19

Rishabh Enterprises- a sole proprietorship firm- started an air-conditioned restaurant in Virar, Maharashtra in the month of February wherein the customers are served cooked food as well as cold drinks/ non-alcoholic beverages. In March, the firm opened a liquor shop in Raipur, Uttarakhand for trading in alcoholic liquor for human consumption.

Particulars	February (₹)*	March (₹)*
Serving of cooked food and cold drinks/non- alcoholic beverages in restaurant in Maharashtra	5,50,000	6,50,000
Sale of alcoholic liquor for human consumption in Uttarakhand		5,00,000
Supply of packed food items from restaurant in MH	1,50,000	2,00,000

* excluding GST,

1) Determine whether Rishabh Enterprises is liable to be registered under GST law with the help of the above information.

   Would your answer differ, if Rishabh Enterprises is exclusively engaged in intra-state supply of food items only.

2) Rishabh Enterprises is engaged in wholesale cum retail trading of goods in the State of Maharashtra. His aggregate turnover during the financial year is ₹ 9,00,000 which consists of ₹ 8,00,000 as Intra- State supply and ₹ 1,00,000 as Inter-State supply. Need to take registration?

3) Rishabh Enterprises is engaged in trading of taxable goods on his own account and also acting as an agent of Mr. Rishi. His turnover in the financial year 20XX-XY is of ₹ 12 lakhs on his own account and ₹ 9 lakhs on behalf of principal. Both turnovers are Intra -State supply.

4) Rishabh Enterprises starts exploring the option to sell the goods supplied by him within Uttarakhand on a popular electronic commerce platform – E-vastustore by listing the goods on the said platform.

   He approaches you for advice on following issues in this regard:

   a) Rishabh Enterprises wishes to continue his business without registering under GST since it will enhance the compliance burden under GST law. Can he supply the goods through E-vastustore without obtaining GST registration? You are required to advise him.

   b) Discuss the GST implications in case Rishabh Enterprises supplies goods through electronic commerce platform - E-vastustore.

5) Apart from above, Rishabh Enterprises is also engaged in the business of buying and selling of shares on his own account from the secondary market and its income from this activity is assessed as business income under the Income-tax Act 1961. During the year its total sales from shares was ₹ 90 lakh. Comment.

6) If the aggregate turnover of Rishabh enterprises in the state of Maharashtra exceeded ₹ 20 lakh on 25th March, 20XX. It applies for registration on 19th April, 20XX and is granted registration certificate on 29th April, 20XX.

   a) Determine the effective date of registration.

   b) What will be your answer, if Rishabh enterprises submits the application for registration on 27th April, 20XX and is granted registration on 5th May, 20XX?

   c) What would be your answer if it applied for registration on GST portal but missed to submit the details of its bank account. Its tax consultant advised that prior submission of bank details is mandatory to obtain registration. Examine whether the advice of Rishabh Enterprise's tax consultant is correct.

7) Rishabh enterprises required to file return under section 39(1) for each month or part thereof, but it has not furnished returns for a continuous period of 6 months. Explain whether proper officer can cancel the registration of Rishabh enterprises on his own.

a) If yes, then discuss all the other situations also, where proper officer can do so.

b) Also discuss the circumstances where registration is liable to be cancelled by proper officer otherwise than on his own motion also.

8) What would be your answer in given case (7) above if Rishabh Enterprises applied for revocation of cancellation of registration and the order for revocation of cancellation of registration was passed. What are the provisions regarding filing returns before making such an application of revocation of cancellation of registration in the given case?

9) Mr. Rishabh of Gujarat intends to set up a 10-day exhibition stall in Jaipur where he has no fixed place of business. Explain the registration obligations, deposit, validity and extension. Would the answer differ if he sells only notified handicraft goods with all-India turnover of ₹12,00,000?

10) Fabrik Frank a friend of Rishabh of Germany wishes to participate in a two-week trade fair in Mumbai. State the registration provisions, documents and timeline.

11) Rishabh Enterprises wants to change its trade name and add a new place of business in the certificate. Explain the procedure and timelines for amendment.

12) Registration of Mr. Rishabh is proposed to be cancelled by the proper officer. Explain suspension of registration during the pendency of cancellation proceedings and its consequences.

Answer:

(1)

Legal Provision:

➢ Registration is required in the State from where taxable supplies are made once aggregate turnover crosses the threshold **The threshold limit is as under:-**

- ₹ 10 lakh for the Special Category States of Mizoram, Tripura, Manipur and Nagaland.
- ₹ 20 lakh for the States of Arunachal Pradesh, Meghalaya, Puducherry, Sikkim, Telangana and Uttarakhand.
- ₹ 40 lakh for rest of India.(for exclusive intra-State suppliers of goods)

➢ As per **section 2(6), "Aggregate turnover"** means the aggregate value of all:-

- taxable supplies, exempt supplies (wholly exempt, nil rated & Non-taxable), exports & inter-State supplies of persons having the same Permanent Account Number, to be computed on all India basis **but excludes** GST & the value of inward supplies under RCM.

Discussion & Conclusion:

➢ In given case, since Rishabh Enterprises is engaged in making taxable supplies of goods and services from Maharashtra and non-taxable supplies from Uttarakhand, the threshold limit for obtaining registration is ₹ 20 lakh.

➢ Computation of aggregate turnover of Rishabh Enterprises is as under:-

Particulars	Turnover of February (₹)	Cumulative Turnover of February & March (₹) (`)
Serving of cooked food and cold drinks/non-alcoholic beverages inrestaurant in Maharashtra	5,50,000	12,00,000 [₹ 5,50,000 + ₹ 6,50,000]
Add: Sale of alcoholic liquor for human consumption in Uttarakhand **[Note]**	-	5,50,000
Add: Supply of packed food items from restaurant in Maharashtra	1,50,000	3,50,000 [₹ 1,50,000 + ₹ 2,00,000]
Aggregate Turnover	7,00,000	20,50,000

	➢ Rishabh Enterprises was **not liable to be registered in February** since its aggregate turnover did not exceed ₹ 20 lakh in that month. ➢ However, since its aggregate turnover exceeds ₹ 20 lakh in March, it **shall apply for registration in Maharashtra within 30 days** from the date on which it becomes liable to registration. ➢ Further, he is **not liable to be registered in Uttarakhand** since he is not making any taxable supply from Uttarakhand. ➢ In **second case,** The applicable threshold limit for registration for Rishabh Enterprises in the given case is ₹ 40 lakh as he is exclusively engaged in intra-State taxable supply of goods. ➢ Thus, he is **not liable to get registered** under GST as his turnover is less than the threshold limit.
(2)	**Legal Provision:** ➢ As per **section 24**, person making **interstate taxable supply** of goods (other than taxable supply of handicraft goods) are compulsorily required to obtain registration irrespective of the quantum of aggregate turnover. **Discussion & Conclusion:** ➢ Here, Rishabh Enterprises is making inter-state taxable supply of goods. ➢ Thus, he is **required to obtain registration compulsorily** under GST laws even though his aggregate turnover does not exceed the threshold limit applicable u/s 22.
(3)	**Legal Provision:** ➢ A person making taxable supply of goods on behalf of another as an agent is compulsorily registrable u/s 24 ➢ Aggregate turnover includes all supplies made by the agent, - whether on his own account or - made on behalf of all his principals. ➢ If agent issues invoice in his own name, then section 24 gets attracted, otherwise he is liable to register u/s 22 if his aggregate turnover crosses the threshold limit for registration. **Discussion & Conclusion:** ➢ In the given case, since Rishabh Enterprises is also acting as an agent of Mr. Rishi, he is required to obtain **registration compulsorily** under GST laws irrespective of the quantum of aggregate turnover. **Assumption:** It is assumed that agent is issuing invoice for further supply in his own name.
(4)	a) Yes – a person supplying goods through an ECO can remain unregistered under the special exemption if his aggregate turnover (preceding and current FY) is within the Sec 22(1) limit, subject to conditions. b) Conditions of the exemption – no inter-State supply of goods; supply through ECO in only one State/UT; PAN mandatory; declaration of PAN and place of business on the portal; enrolment number obtained after PAN validation (only one per State/UT); no supplies before enrolment; and the enrolment ceases on grant of regular registration. The ECO collects no TCS on such supplies and reports them in GSTR-8.
(5)	➢ Shares are excluded from the definition of goods as well as services & hence, **buying and selling of shares is not a supply** of goods and/or services under GST law. ➢ Thus, Rishabh enterprises is **not liable to obtain registration** since it is not engaged in making a taxable supply of goods and/or services.

(6)	**Legal Provision:** ➢ As per **section 22 read with section 25**, a supplier, whose aggregate turnover in a financial year **exceeds ₹ 20 lakh** in a State other than Manipur, Mizoram, Nagaland, Tripura, is liable to apply for registration **within 30 days** from the date of becoming liable to registration. ➢ Where the application is submitted within the said period, the effective date of registration is the date on which the person becomes liable to registration • otherwise, it is the date of grant of registration. **Discussion & Conclusion:** In given case, applicable turnover limit for registration is ₹ 20 lakh as Maharashtra is not a Special Category State. a) Since Rishabh enterprises applied for registration within 30 days of becoming liable to registration, the effective date of registration is 25th March, 20XX. b) In this case, since Rishabh enterprises applies for registration after the expiry of 30 days from the date of becoming liable to registration, the effective date of registration is 5th May, 20XX. c) ➢ **No, the advice of Rishabh Enterprise's consultant** that prior submission of bank details is mandatory to obtain registration is no more valid in law. ➢ As per Rule 10A, RP can obtained registration without submission on bank details. ➢ But the Bank details shall be furnished **which is earlier of:-** • Within 30 days from the date of grant of registration certificate or • Furnishing details of outward supplies in Form GSTR 1 or using IFF u/s 37.
(7)	➢ **Yes, the proper officer can cancel the registration of Rishabh enterprises on his own after opportunity of being heard to it.** ➢ As per **section 29(2),** the circumstances under which **proper officer can cancel the registration on his own** of a registered person after giving the person an **opportunity of being heard** are as under:- (1) A registered person has **contravened any of the following provisions** of the GST law:- a) he does not conduct any business from the declared place of business. b) he issues invoice/bill without supply of goods or services or both in violation of the provisions of GST law. c) he violates the provisions of anti-profiteering. d) he violates the provisions relating to furnishing of bank details. e) He avails input tax credit in violation of the provisions of section 16 of CGST Act. f) furnishes the details of outward supplies in FORM GSTR-1 is in excess of the outward supplies declared by him in GSTR-3B. g) violates the provision of rule 86B. ga) failed to file returns due between the order of cancellation and revocation of registration within 30 days of the revocation order. h) being a registered has not furnished returns for a continuous 6 months. i) being a registered person in QRMP Scheme has not furnished returns for a continuous 2 tax periods. (2) A person paying tax under **composition levy** has furnished the return for a financial year **beyond 3 months** from the due date of furnishing the said return i.e. 30th June. (3) Voluntarily registered person has **not commenced the business within 6 months** from the date of registration. (4) Registration was obtained by means **of fraud, wilful misstatement or suppression of facts.**

(8)	**Legal Provision:-** ➢ As per **section 30**, where the **registration is cancelled suo-motu** by the appropriate officer, the registrant seeking revocation of the order, **has to apply for the revocation** of cancellation **within 90 days** from the date of service of the order of cancellation of registration. ➢ However, such period can be **further extended upto 180 days**, if sufficient cause has been shown by registrant. ➢ Further, it has to furnish **all the returns due** till the date of such cancellation **before the application for revocation can be filed.** **Discussion & Conclusion:-** Thus, in the given case, **before making an application for revocation** of cancellation of registration, Rishabh Enterprises should **file all returns due** for the period.
(9)	➢ Mr. Rishabh is a casual taxable person **– compulsory registration u/s 24** irrespective of turnover, application at least 5 days before commencement, with advance deposit of estimated tax. The certificate is valid for the period sought or 90 days, **whichever is earlier**, extendable by up to 90 more days on further deposit. ➢ **Exception –** a CTP making inter-State supplies of notified handicraft goods within the threshold (₹20/10 lakh all-India), holding a PAN and generating e-way bills, is exempt from registration. So with handicrafts and ₹12 lakh turnover, he need not register.
(10)	➢ Fabrik Frenk is a **non-resident taxable person** – compulsory registration irrespective of turnover, in the simplified form **at least 5 days** before commencement, using its passport / tax identification number, with advance deposit of estimated tax and an authorised signatory in India holding a PAN. ➢ Validity and extension same as the CTP provisions.
(11)	➢ Any change must be intimated within 15 days of change. ➢ **Trade name and additional place of business** are core fields – effective only on approval by the proper officer **within 15 working days.** ➢ non-core fields amend automatically on submission. A change in PAN/constitution requiring a new PAN needs fresh registration, not amendment.
(12)	➢ Once cancellation proceedings begin (or the person himself applies for cancellation), the **registration is suspended** from the **prescribed date.** ➢ During suspension – **no taxable supply** (no tax invoice, no tax charged), no refund, and relief from filing returns for the suspension period. ➢ On dropping of proceedings the suspension is revoked, and revised invoices can be issued for the interim supplies as prescribed.

Chapter 11 Tax Invoice, Credit & Debit Notes

Question 20: Shakti Ltd. entered into various transactions. Examine the provisions relating to documents under GST:

1) Shakti Ltd entered into a contract with Suraj Enterprises, Surat for supply of goods; delivery is at the recipient's premises. Goods were removed on 11th October and received by Suraj Enterprises on 14th October. Determine the time of issue of invoice.

2) Shakti Ltd. is supplying taxable goods to Suraj Enterprises on a continuous basis and submits the account of total supplies made during the 2-month period on the 25th of the alternate month, when payment also becomes due. Does Shakti Ltd. have to issue an invoice each time goods are dispatched?

3) On 20/05/20xx, Shakti Ltd. sent 500 units of transmitters for exhibition at Satara on sale or return basis; 300 units were approved on 15/09/20xx while the balance 200 units received no communication. Explain the invoice provisions with exact dates.

4) Shakti Ltd. has provided services for an event at Kapoor Film Agencies, Mumbai on 5th June, 20XX. Payment for the event was made on 19th June, 20XX. Determine the time of issue of invoice.

5) Shakti Ltd. provides Continuous Supply of Services (CSS) to M/s. TNB Limited: commencement 01-10-20XX; completion 31-01-20XY; payment received 30-03-20XY. Determine the time of issue of invoice where –

(a) no due date for payment is agreed;

(b) payment is linked to completion of service;

(c) payment is due on 25-03-20XY as per contract.

6) Shakti Ltd. had undertaken a contract for supplying manpower for 28 days for ₹28,000. However, after 10 days, the service has stopped. Should Shakti Ltd. raise an invoice?

7) The aggregate turnover of Shakti Ltd., Delhi, exceeded ₹20 lakh on 12th August. It applied for registration on 25th August and was granted registration on 5th September. Explain the provision of revised tax invoice for this interim period.

8) Shakti Ltd. has undertaken sales during the day of small values to unregistered persons, and to Raghav Traders, a composition dealer; none of the recipients require a tax invoice. Explain the invoicing relaxation.

9) If Shakti Ltd. has opted for composition levy in the current financial year, advise whether it is mandatory to issue a tax invoice; if not, which document is to be issued.

10) Shakti Ltd. has received advance payment for services to be supplied to Surajmal; its accountant asks whether a receipt voucher must be issued and what happens if subsequently no supply is made and no invoice is issued.

11) Shakti Ltd. has availed GTA services on which it is liable to pay tax under reverse charge. It wishes to know whether it is required to issue an invoice.

12) Shakti Ltd. wishes to know whether it is necessary to show the tax amount separately in the tax invoices issued to recipients.

13) List the situations in which goods may be transported on a delivery challan without issuing a tax invoice at the time of removal.

Answer:

(1)	For goods involving movement, the invoice must be issued before or at the time of removal – i.e., on or before 11th October **[Sec 31(1)].**
(2)	➢ **No**, invoice is not required to be issued each time the goods are dispatched

	➢ For continuous supply of goods with successive statements of accounts/payments, the invoice is issued before or at the time each statement is issued or payment received – here, by the 25th of the alternate month **[Sec 31(4)].**
(3)	➢ For sale on approval, invoice is due when the supply is confirmed or 6 months from removal, **whichever is earlier [Sec 31(7)].** ➢ Thus, For **300 units**: invoice by 15/09/20XX (approval) & ➢ **For 200 units**: invoice by 20/11/20XX (6 months from 20/05/20XX).
(4)	For services, invoice must be issued within 30 days of supply – i.e., by 5th July, 20XX [**Sec 31(2) read with Rule 47].**
(5)	**For Continuous Supply of Services [Sec 31(5)]:** a) Due date not ascertainable – invoice on or before receipt of payment, **i.e., 30-03-20XY;** **b)** Payment linked to completion of an event – invoice on or before completion, **i.e., 31-01-20XY;** c) Due date ascertainable – invoice on or before the due date, **i.e., 25-03-20XY.**
(6)	**Yes,** if supply of services ceases before completion, invoice is issued at the time of cessation, to the extent of service actually provided – proportionate value ₹10,000 for 10 days **[Sec 31(6)].**
(7)	Under **Sec 31(3)(a),** within one month from grant of registration, Shakti Ltd. may issue revised tax invoices for supplies made from the effective date of registration (12th August) till the date of issuance of the certificate.
(8)	➢ As per **Sec 31(3)(b) read with the proviso to Rule 46,** no tax invoice is needed where the value is below **₹ 200**, the recipient is unregistered and does not require an invoice. ➢ Such person shall issue a **consolidated tax invoice at the close of each day for all such supplies.**
(9)	➢ A composition dealer cannot charge tax and therefore cannot issue a tax invoice; it issues a Bill of Supply instead **[Sec 31(3)(c)].**
(10)	➢ On receipt of advance, a receipt voucher must be issued **[Sec 31(3)(d)].** ➢ If subsequently no supply is made and no invoice is issued, a refund voucher is issued against the advance **[Sec 31(3)(e)].**
(11)	➢ If the supply is received from an **unregistered supplier**, the registered recipient must issue a **self-invoice**. ➢ As per **Rule 47A**, the self-invoice must be issued **within 30 days of receipt of goods/services**. ➢ As per **Section 31(3)(g)**, a **payment voucher** must be issued **at the time of payment** to the supplier. ➢ In the given case, Since GTA services are received from an unregistered person and are liable to RCM, Shakti Ltd. must issue a **self-invoice within 30 days** and a **payment voucher at the time of payment**.
(12)	➢ **Yes.** As per **Sec 33**, the amount of tax must be prominently indicated in all documents relating to assessment, tax invoice and other like documents where tax is charged.
(13)	Goods may move on a delivery challan (in triplicate) for: a) Supply of liquid gas where quantity at removal is unknown. b) Transportation for job work. c) Transportation for reasons other than by way of supply (e.g., shifting between godowns, exhibition, approval basis) and d) Other notified supplies.

Question 21

1) **What is 'e-invoicing' & what is the threshold limit for mandatory issuance of E-invoice for all registered businesses?**
2) **Enumerate the persons to whom the provisions regarding E-invoicing are applicable and the exemptions.**
3) **A Government Department is registered under GST. Its aggregate turnover in the preceding financial year exceeds the notified limit. Examine whether it is required to issue e-invoices in the current financial year.**
4) **Briefly explain the requirement of Dynamic Quick Response (QR) code and list out the non-applicability of the requirement of Dynamic QR Code.**
5) **State the number of digits of HSN code required on tax invoices by:**
   (a) Shakti Ltd. with aggregate turnover of ₹4.2 crore in the preceding FY;
   (b) Mahan Ltd. with aggregate turnover of ₹7 crore.
6) **Vayu Ltd., with aggregate annual turnover of ₹12 crore, generated an invoice on 1st June but attempted to report it on the Invoice Registration Portal on 10th July. Examine the validity.**

Answer:

(1)	➢ E-invoicing is the reporting of **B2B invoices** (and exports/credit-debit notes) of notified persons to the GST Invoice Registration Portal for obtaining an IRN. ➢ It is mandatory for registered businesses whose aggregate turnover **exceeds ₹5 crore** in any preceding financial year from 2017-18.
(2)	➢ Applicable to notified registered persons **above the ₹5 crore** threshold, **EXCEPT –** • A Government Department • A local Authority • Special Economic Zone (SEZ) units • Insurer or banking company or financial institution including NBFC • GTA supplying services in relation to transportation of goods by road in a goods carriage • Supplier of passenger transportation service • Person supplying services of admission to exhibition of cinematograph films in multiplex screens **Note:** The exemption applies to the entity as a whole, and an exempt entity above the threshold gives a declaration on its invoices that e-invoicing does not apply to it.
(3)	➢ **No.** Government departments and local authorities are **specifically exempt** from e-invoicing even if the turnover exceeds the threshold.
(4)	➢ Notified suppliers with aggregate turnover above ₹500 crore must display a Dynamic QR code on B2C invoices to enable digital payment. ➢ **Non-Applicability**: It **does not apply** to the same excluded categories (insurer/bank/FI/NBFC, GTA, passenger transport, multiplex admission) and to OIDAR supplies, or Exports.
(5)	➢ **Shakti Ltd.:** Turnover up to ₹5 crore – 4-digit HSN on B2B invoices (optional for B2C): ➢ **Mahan Ltd.:** Turnover above ₹5 crore – 6-digit HSN on all invoices
(6)	➢ Since Vayu Ltd.'s aggregate turnover is **₹12 crore**, e-invoicing is applicable. ➢ As per **Rule 48(4) of the CGST Rules**, an invoice must be reported on the **Invoice Registration Portal (IRP) within 30 days** from the date of invoice. ➢ In the given case, invoice date: **1 June**, Reporting date: **10 July** & Time gap: **39 days** ➢ Therefore, the invoice **cannot be reported on the IRP on 10 July** and will be treated as **invalid for e-invoicing purposes**.

Question 22: **Kartik & Co. seeks advice on credit and debit notes:**

1) **State the circumstances under which a credit note and a debit note are required to be issued under section 34.**
2) **What is the effect of issue of a credit note and a debit note on the output tax liability?**
3) **By when must the details of credit notes and debit notes be declared in the returns?**
4) **What are the requirements for claiming reduction in output tax liability on issue of a credit note?**
5) **Can a debit note be issued for increasing the tax liability? How is it treated?**
6) **Kartik & Co. provides the following invoice errors for March:**

   Invoice 1: Value charged ₹2,50,000 instead of ₹2,30,000.

   Invoice 4: Tax charged ₹32,000 instead of ₹68,000 due to wrong HSN.

   Invoice 8: Value charged ₹3,20,000 instead of ₹4,20,000 due to wrong quantity.

   Answer the following:

   a) **Who can issue a debit/credit note under GST?**

   b) **Which note-debit or credit-is required in each case?**
7) **Kartik & Co. supplies goods to XYZ Ltd. for ₹10 lakh + GST ₹1.80 lakh. Later, Kartik & Co. issues a credit note of ₹1 lakh + GST ₹18,000 for price adjustment. XYZ has claimed the original ITC but has not reversed the corresponding ITC.**

   In another case, Kartik & Co. issues a credit note of ₹50,000 + GST ₹9,000 to an unregistered customer, who has already paid the full amount. Discuss the GST treatment of both credit notes and their effect on Kartik & Co.'s output tax liability.

Answer:

(1)	➢ **Credit note [Sec 34(1)]:** If taxable value or tax charged in the invoice exceeds the actual, goods are returned, or goods/services are found deficient. ➢ **Debit note [Sec 34(3)]:** If the taxable value or tax charged in the invoice is less than the actual value/tax payable (including short-billed quantity retained by the recipient).
(2)	A credit note **reduces** the output tax liability (subject to unjust enrichment), while a debit note **increases** the output tax liability of the issuer.
(3)	➢ **Credit Note:** Declare in the return for the month of issue, but not later than the earlier of 30th November following the relevant FY, or Date of filing the annual return. ➢ **Debit Note:** Declare in the return for the month in which it is issued.
(4)	**Reduction is allowed only if –** a) a registered recipient has reversed the ITC attributable to the credit note, b) in other cases, the tax burden has not been passed on, c) the details are declared within the timelines, and d) the recipient accepts the credit note and correspondingly reduces his ITC claim.
(5)	➢ **Yes,** a debit note is issued only to increase value/tax. ➢ It is akin to a supplementary invoice and is recorded to raise the output liability of the supplier under Sec 34.
(6)	a) Debit/Credit Note: Issued by the registered supplier, i.e. Kartik & Co. b) Invoice-wise treatment: ➢ Invoice 1: Credit Note – excess taxable value charged. ➢ Invoice 4: Debit Note – tax charged is less than actual tax payable. ➢ Invoice 8: Debit Note – value charged is less than actual value.
(7)	➢ **Registered recipient (XYZ Ltd.):** Since XYZ has not reversed ITC of ₹18,000, Kartik & Co. cannot reduce its output tax liability by ₹18,000. ➢ **Unregistered recipient**: Since the customer has already borne the GST of ₹9,000, the tax incidence has been passed on. Hence, Kartik & Co. cannot adjust GST on this credit note either.

Chapter 12 Accounts & Records

Question 23

M/s Mix & Match, a registered supplier, seeks advice on accounts & records under GST:

1) State the accounts and records that every registered person must maintain u/s 35(1) at his principal place of business.

2) M/s Mix & Match has opted for composition levy. Which records is it not required to maintain?

3) Can entries in registers/accounts be erased or overwritten? How are incorrect entries corrected, and what about electronic records?

4) M/s Mix & Match is a manufacturer. State the additional monthly production accounts to be maintained.

5) If M/s Mix & Match supplies services, what additional accounts are prescribed?

6) If M/s Mix & Match executes works contracts, state the records required.

7) Goods of M/s Mix & Match are stored with an unregistered transporter/warehouse operator. State the obligations of such transporter/operator.

8) State the period for which books of account must be retained under section 36.

9) M/s Mix & Match supplies goods through Agent Anand. State the records an agent must maintain under Rule 56(11).

10) Bharat Warehousing stores goods of several registered persons. Explain the obligations regarding storage and identification of goods, and the consequence if unaccounted goods are found in its godown.

11) During inspection, goods not accounted for by M/s Mix & Match were found. Explain the consequence under section 35(6).

Answer:

(1)	➢ A RP shall maintain **true and correct accounts** at the principal place of business of: • Production/manufacture of goods • Inward & outward supplies of goods/services • Stock of goods • ITC availed • Output tax payable & paid • Other prescribed particulars ➢ **Electronic records:** Accounts may be maintained electronically and authenticated with **digital signature** as per Rule 56. ➢ **Multiple places of business:** Separate accounts relating to each place of business shall be maintained at the respective place of business.
(2)	**Following are not required for Composition taxpayer:** ➢ **Stock of goods:** Records of opening stock, receipts, supplies, losses/theft/destruction, write-off, gifts/free samples and closing stock, including **raw materials, finished goods, scrap & wastage**. ➢ **Details of Tax:** Records of **tax payable/collected/paid, ITC claimed** and registers of **tax invoices, credit/debit notes & delivery challans**.

(3)	➢ Entries cannot be erased, effaced or overwritten. An incorrect entry (other than clerical) is scored out under attestation and the correct entry recorded; in electronic records, a log of every entry edited or deleted must be maintained **[Rule 56(8)].**
(4)	Every registered manufacturer shall maintain monthly production accounts showing quantitative details of: ➢ Raw materials/services used in manufacture. ➢ Goods manufactured, including waste & by-products.
(5)	➢ A service supplier maintains quantitative details of goods used in provision of services, details of input services utilised, and services supplied **[Rule 56(13)].**
(6)	A RP executing **works contracts** shall maintain separate accounts containing **[Rule 56(14)]:** ➢ **Names & addresses** of persons for whom the contract is executed ➢ **Description, value & quantity** of goods/services received and used. ➢ **Payments received** for each works contract. ➢ **Names & addresses of suppliers** of goods/services.
(7)	**Records by Unregistered Transporters/Warehouse Operators [Sec 35(2) with Rule 58]:** ➢ **Unregistered transporters**: Obtain unique enrolment number and maintain details of goods transported/delivered/stored in transit, along with GSTIN of consignor & consignee, branch-wise. ➢ **Unregistered warehouse/godown operators**: Must also maintain prescribed records of goods stored.
(8)	➢ Books must be retained until 72 months from the due date of the annual return of the year; where they relate to an appeal/revision/proceeding or investigation, for one year after final disposal or the said 72 months, whichever is later **[Sec 36].**
(9)	Under **Rule 56(11)** of CGST Rules, an agent shall maintain records of: ➢ Goods received and supplied on behalf of the principal. ➢ Details of stock held on behalf of the principal. ➢ Accounts of goods returned to the principal.
(10)	**Bharat Warehousing shall:** ➢ Maintain records of goods stored, including details of the owner of goods. ➢ Identify and keep goods separately for each registered person. ➢ Ensure goods are easily identifiable and records are properly maintained. **If unaccounted goods are found:** ➢ Such goods may be detained/seized and dealt with under the provisions of the CGST Act, and the warehouse operator may face penal consequences for contravention.
(11)	➢ As per **Section 35(6),** If, during inspection, goods are found which are not accounted for by M/s Mix & Match, the proper officer may determine the tax payable on such goods as if they were supplied by the registered person. ➢ Further, the provisions of Sections 73/74A, as applicable, shall apply for determination and recovery of such tax.

Chapter 13 E-Way Bill

Question 24

Examine the following independent issues under the E-Way Bill provisions (Section 68 read with Rule 138):

1) **When is an e-way bill mandatorily required to be generated? State the threshold and who should generate it.**
2) **Mr. Shah of Ahmedabad makes an intra-State movement of goods with taxable value ₹40,000 plus GST ₹9,200. Is an e-way bill required?**
3) **An error was made while generating the e-way bill. Can it be corrected? What are the provisions for cancellation and rejection?**
4) **Where multiple consignments are carried in one vehicle, and where one consignment moves through multiple vehicles, explain the e-way bill requirements.**
5) **Goods are to be moved over a distance of 368 km – state the validity period of the e-way bill for normal cargo and for over-dimensional cargo, and how validity is computed.**
6) **Alcoholic liquor for human consumption is being transported. Is an e-way bill required?**
7) **A principal in Maharashtra sends goods worth ₹35,000 to a job worker in Gujarat. Is an e-way bill required?**
8) **State the provisions of Rule 138E regarding blocking of e-way bill generation.**
9) **Mr. Kalakar, unregistered but dealing in notified handicraft goods moving inter-State under the registration exemption, asks whether an e-way bill is needed for a consignment of ₹35,000.**
10) **Goods move 45 km from the consignor's godown to the transporter's hub for further movement by rail. Explain the Part-B relaxations for short distance and rail movement.**
11) **Give examples of goods/movements for which no e-way bill is required under the Annexure/Rule 138(14).**
12) **During transit, goods are shifted from one vehicle to another. What is the compliance requirement?**

Answer:

(1)	➢ As per **Rule 138**, e-way bill is mandatory when goods of consignment value exceeding ₹50,000 are transported: • In relation to a supply, or • For reasons other than supply, or • Due to inward supply from an unregistered person. ➢ **RP causing the movement,** if goods are handed over to a transporter, transporter generates the e-way bill based on details furnished by the registered person. ➢ Consignment value **includes** GST but excludes exempt goods billed together.
(2)	➢ Consignment value = ₹40,000 + ₹9,200 = ₹49,200, which **does not exceed** ₹50,000 . ➢ No e-way bill is required (value is invoice value including tax).
(3)	➢ An e-way bill **cannot be edited or corrected**. ➢ If generated with wrong particulars, it can be **cancelled within 24 hours** of generation (unless verified in transit) and a fresh one generated. ➢ The recipient/supplier shown can accept or reject it **within 72 hours** of the details being available or the time of delivery, whichever is earlier.

(4)	➢ **Multiple consignments in one conveyance:** The transporter generates a consolidated e-way bill in FORM GST EWB-02 indicating each e-way bill number. ➢ **One consignment through multiple vehicles:** Part B is updated with each new vehicle before further movement; the transhipment updation applies at every change.
(5)	➢ **For movement of goods over 368 km:** • Normal cargo (Other than over dimentional cargo): Valid for 2 days — 1 day for every 200 km or part thereof. • Over-dimensional cargo (ODC): Valid for 19 days — 1 day for every 20 km or part thereof. ➢ **Computation:** • Normal cargo: 368 ÷ 200 = 2 days • Over-dimensional cargo (ODC): 368 ÷ 20 = 19 days ➢ **Note:** The validity starts from the time of generation of the e-way bill.
(6)	➢ No, e-way bill is not required . ➢ Alcoholic liquor for human consumption is a non-GST supply covered by the exclusion list **[Rule 138(14)].**
(7)	➢ **Yes**, e-way bill is mandatory. ➢ Although goods are worth only ₹35,000 (below ₹50,000), inter-State movement of goods from principal to job worker requires an e-way bill irrespective of the value.
(8)	➢ The following persons (and anyone acting for them: consignor, consignee, transporter, ECO or courier agency) shall not be allowed to furnish Part A for outward movement of goods of that registered person: • Composition levy: CMP-08 not furnished for 2 consecutive quarters. • Regular scheme: returns not furnished for 2 consecutive tax periods. • Regular scheme: GSTR-1 not furnished for any 2 months or quarters. • When Registration is Suspended
(9)	➢ **Yes.** Where notified handicraft goods are moved inter-State by a person exempted from registration, an e-way bill must be generated **irrespective of the consignment value**. ➢ Therefore, even for a consignment worth **₹35,000**, Mr. Kalakar is required to generate the e-way bill.
(10)	**Part-B Relaxation:** ➢ **Up to 50 km:** Part-B need not be furnished for movement within the same State/UT from consignor to transporter or transporter to consignee. ➢ **Rail movement:** E-way bill can be generated after commencement of movement; Part-B contains railway receipt/consignment note details. Railways cannot deliver goods without the e-way bill.
(11)	**Cases where E-Way Bill is Not Required:** ➢ Goods covered in the Annexure, e.g.: LPG for household use, Kerosene under PDS , Postal baggage, Jewellery and precious stones, Currency. Used personal and household effects ➢ Goods transported by non-motorised conveyance. ➢ Movement from port/airport/air cargo complex/Land Customs Station to ICD/CFS for customs clearance. ➢ Movement of exempt goods, as notified. ➢ Movement of empty cargo containers. ➢ Other cases specifically covered under Rule 138(14).
(12)	➢ The transporter must update the new vehicle number in Part-B of the e-way bill before further movement. ➢ The same e-way bill remains valid, a new e-way bill is not required merely because the vehicle is changed. ➢ Vehicle details should be updated for every subsequent vehicle used for transportation.

Chapter 14 Returns in GST

Question 25: **Mr. Jeet, a registered supplier, seeks advice on return-related compliances:**

1) State the persons required to furnish GSTR-1 and its due dates, including under the QRMP scheme.

2) Is filing of GSTR-1 mandatory even when there are no outward supplies during a period? Can a Nil GSTR-1 be filed by SMS?

3) List the details of outward supplies that can be furnished through IFF and the cases where a registered person is debarred from furnishing GSTR-1/IFF.

4) Mr. Jeet, a monthly return filer, inadvertently omitted a B2B invoice of ₹1,00,000 (GST @18%) issued to Bhawani Traders (Gujarat) from his January GSTR-1, filed on 11th February. On 14th February, he notices the omission. Discuss:

a) Whether he can amend/add the omitted invoice in January GSTR-1 before filing GSTR-3B.

b) If amended, whether the invoice will appear in Bhawani Traders' January GSTR-2B.

5) Can a Nil GSTR-3B be filed by SMS? What does a Nil return presuppose?

6) State the annual return of a composition dealer and its due date; also the compliance when a person shifts from composition to regular scheme during the year.

7) Can GSTR-3B once filed be revised? What is the outer time limit for filing a return for a tax period?

8) Mr. Jeet's registration was cancelled during the year. Is he required to file both the annual return and the final return? State the due dates.

9) State the persons not required to file the annual return, its due date, and the penal provisions/late fee for delayed filing of returns – including the turnover-based caps for GSTR-3B/GSTR-1 and the annual return.

10) Who is a Goods and Services Tax Practitioner (GSTP) and what functions can a GSTP perform on behalf of a registered person?

11) Sultan, a non-resident taxable person, obtained registration for February. State the return it must file and the due date.

12) Mr. Jeet obtained registration in the month his turnover crossed the threshold. Which supplies are covered in his 'first return' u/s 40?

13) State the position of the annual return for a person with turnover of ₹1.8 crore, and of the reconciliation statement (GSTR-9C) for a person with turnover of ₹6 crore.

Answer:

(1)	➢ Every registered person (**other than** ISD, NRTP, composition dealer, TDS/TCS persons and OIDAR suppliers) furnishes GSTR-1 – monthly by the **11th** of the following month. ➢ QRMP taxpayers (aggregate turnover up to ₹ 5 crore) file quarterly by the **13th** of the month following the quarter.
(2)	**Yes,** GSTR-1 must be filed even for a **Nil period**, and Nil GSTR-1 can be furnished through SMS using the registered mobile number, verified by OTP.
(3)	➢ **Details that can be furnished in IFF:** • Invoice-wise **inter-State and intra-State B2B supplies**. • **Debit/credit notes** issued for such invoices. ➢ **GSTR-1/IFF cannot be furnished if:** • **GSTR-3B** for the preceding period is not filed.

	• Intimation under **Rule 88C** is not complied with (tax liability mismatch). • Intimation under **Rule 88D** is not complied with (excess ITC). • **Bank account details** are not furnished under Rule 10A.
(4)	➢ As per **Rule 59(1)**, Mr. Jeet can **furnish the omitted invoice through Form GSTR-1A** after filing GSTR-1 but before filing GSTR-3B for January. ➢ The corresponding tax liability will be reported in **January GSTR-3B**. ➢ Further, as per **Rule 60(7)**, the amended/additional details furnished through GSTR-1A will reflect in the recipient's **GSTR-2B of the next tax period**. ➢ **Therefore, the invoice will appear in Bhawani Traders' February GSTR-2B, not January GSTR-2B.**
(5)	**Yes,** a Nil GSTR-3B can be filed by SMS. It presupposes no outward supplies, no inward supplies attracting RCM, no other liability (interest/late fee), and no ITC to be availed/reversed for the period.
(6)	➢ A composition dealer files the annual return in FORM GSTR-4 by 30th June following the financial year (with quarterly CMP-08 payments). ➢ If he shifts to the regular scheme mid-year, GSTR-4 is filed for the composition period, and regular returns apply thereafter.
(7)	➢ Any **omission/incorrect particulars** in GSTR-3B can be rectified in the return for the period in which the error is noticed. ➢ **Time limit:** Earlier of: **30th November** following the end of the relevant FY, or Date of filing the **annual return**. ➢ Any additional tax liability must be paid **with interest**. ➢ **Exception:** Errors detected during **scrutiny, audit, inspection or enforcement** cannot be rectified under Section 39(9). ➢ **GSTR-3B cannot be filed after 3 years** from its due date, unless the Government permits otherwise.
(8)	➢ **Yes,** both the **Annual return** for the year (by 31st December following the FY) and the **Final return** in FORM GSTR-10 within 3 months of the later of the date of cancellation or the date of the cancellation order are required to be filed.
(9)	➢ Annual return is **not required** for ISD, TDS/TCS persons, casual taxable persons and non-resident taxable persons (and OIDAR as applicable). ➢ Due date is **31st December** following the FY, and it cannot be furnished after 3 years from the due date (extendable in notified cases). ➢ **Late Fee u/s 47:**

1. GSTR-3B / Returns u/s 39:

Cases	**Late Fee**	**Maximum**
Nil outward supply / Nil tax	₹20/day	₹ 500
Turnover ≤ ₹1.5 crore	₹50/day	₹ 2,000
Turnover > ₹1.5 crore ≤ ₹5 crore	₹50/day	₹ 5,000
Turnover > ₹5 crore	₹50/day	₹ 10,000

	2. Annual Return (GSTR-9): **Aggregate Turnover** / **Late Fee** / **Maximum** ≤ ₹5 crore / ₹50/day / 0.04% of State/UT turnover > ₹5 crore ≤ ₹20 crore / ₹100/day / 0.04% of State/UT turnover > ₹20 crore / ₹100/day / 0.5% of State/UT turnover **Note:** Late fee is generally CGST + SGST/UTGST equally.
(10)	➢ A GSTP is a person approved and enrolled on the portal to act on behalf of registered persons ➢ **Functions:** • to furnish details of outward supplies, • returns (monthly/quarterly/annual/final), • make deposits, • file refund and registration applications and • other prescribed functions,
(11)	➢ As per **Section 39(5) of the CGST Act**, a **non-resident taxable person** has to file **GSTR-5**. ➢ **Due date:** Within 13 days after the end of the tax period or within 7 days after expiry of the registration, **whichever is earlier.**
(12)	➢ As per **Section 40 of the CGST Act**, Mr. Jeet's **first return** will include: • **Outward supplies** made from the date on which he became liable to registration **up to the date registration is granted**; and • **Outward supplies** made from the date of registration **up to the end of the tax period.** ➢ Thus, the first return covers supplies made **from the date of becoming liable for registration till the end of the relevant tax period**.
(13)	➢ Annual return is optional for taxpayers with aggregate turnover up to ₹2 crore, so the ₹1.8 crore person may skip GSTR-9. ➢ The self-certified reconciliation statement in GSTR-9C is mandatory along with GSTR-9 for turnover exceeding ₹5 crore – so the ₹6 crore person files both.