

CA Inter
Answer Sheet - 2

Part A

S.no	Ans	Hints
1)	(b)	Refer Sec 2(6), (₹ 8,00,000 + ₹ 5,00,000 + ₹ 10,00,000)
2)	(d)	Refer Sec 15(2)(e) & Sec 15(3)(b) i.e. [₹40,00,000 - [₹ 40,00,000*2%]+ ₹ 2,00,000
3)	(a)	Refer point no.3 of Rule 7 (₹ 15,00,000*0.5% each = ₹ 7,500)
4)	(d)	Refer Schedule III
5)	(a)	Refer Entry 21A of Exemption
6)	(d)	Refer 2nd proviso of Section 10(1), Limit is upto 10% of turnover in state or ₹ 5 Lakh, whichever is higher
7)	(c)	Refer Sec 15(2)(d) i.e Value = ₹ 5,00,000 + (₹ 5,00,000*2%*15/30*100/118) = ₹ 5,00,000 + ₹ 4,237 = ₹ 5,04,237
8)	(c)	Refer Circular no. 73/47/2018
9)	(b)	Refer proviso of Entry 14 of RCM i.e. above condition is covered under exception so RCM is not applicable
10)	(a)	Refer Schedule II

Part B

Answer 1:

a) Computation of value of taxable supply made by XYZ Pvt. Ltd:		
Particulars	Amount (₹)	Remark
List price of the goods (exclusive of taxes and discount)	50,000	
Tax levied by Municipal Authority on the sale of such goods	6,000	As per section 15(2)(a) of CGST Act, Tax other than GST are includible in value, if charged separately.
Packing charges	2,500	As per section 15(2)(c) , the value of supply shall include incidental expenses, including commission & packing charges, charged by supplier to recipient.
Subsidy received from NGO	-	As per section 15(2)(e) , subsidy is received from a non-Govt. body and directly linked to the price, the same is includible in the value of supply.
Payment made by ABC Pvt. Ltd. in relation to service provided by vendor to XYZ Pvt Ltd.	2,000	As per section 15(2)(b) , Amount that supplier is liable to pay, but incurred by the recipient, is includible in the value of supply.
Interest for delayed payment (rounded off)	4,237 (5,000*100/118)	As per section 15(2)(d) , the value of supply shall include Interest or late fee or penalty for delayed payment of any consideration for supply.
Value of taxable supply	64,737	
b)		
(i)	Services by an employee to the employer in the course of or in relation to his employment	
(ii)	Services by any court or Tribunal established under any law for the time being in force.	

(iii)	<p>a) Functions performed by the Members of Parliament, Members of State Legislature, Members of Panchayats, Members of Municipalities and Members of other local authorities.</p> <p>b) Duties performed by any person who holds any post in pursuance of the provisions of the Constitution in that capacity.</p> <p>c) Duties performed by any person as a Chairperson or a Member or a Director in a body established by the Central Government or a State Government or local authority and who is not deemed as an employee before the commencement of this clause.</p>
(iv)	Services of funeral, burial, crematorium or mortuary including transportation of the deceased.
(v)	Sale of land and, subject to paragraph 5(b) of Schedule II, sale of building.
(vi)	Actionable claims, other than specified actionable claims.

Answer 2:

a) Legal Provision:-

- As per **section 10(1) of CGST Act**, a registered person can opt to pay tax under composition scheme, if aggregate turnover in preceding financial year was **not exceeding ₹ 1.5 Crore** other than special category states but including Assam, Himachal Pradesh & Jammu & Kashmir

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- As per **Second proviso to section 10(1)**, A person who opts to pay tax u/s 10(1) may supply services (other than Restaurant service), of value not exceeding the **higher of:-**

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- 10% of turnover in a State or Union territory in the preceding financial year or
- Rs. 5 Lakhs.

Discussion & Conclusion for (i):-

- In given case, as Mr. X is engaged in supply of consultancy service along with sale of goods with the Aggregate turnover of preceding financial year is **₹ 85 lakhs** which does not exceed ₹ 1.5 Crore.

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- Thus, **Mr. X is eligible** to opt for composition scheme **u/s 10(1)**, if value of supply of service to be provided in current financial year does not exceeds marginal limit allowed of ₹ 8.5 lakhs [i.e. higher of 10% * (₹ 70 lakhs + ₹ 15 lakhs) or ₹ 5 lakhs].

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Discussion & Conclusion for (ii):-

- **No**, it is not possible for Mr. X to opt for composition scheme only for showroom as all the registrations under the same PAN have to opt for composition scheme & here, the person is **ineligible** to opt for composition levy as discussed above.

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b) Yes, the view of Mr. Vicky Frankyn is correct.

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Legal Provision:-

- As per **section 9(3) of CGST Act**, if services are supplied by an **author by way of transfer or permitting the use or enjoyment of a copyright** covered under section 13(1)(a) of the Copyright Act, 1957 relating to original literary works to a publisher located in the taxable territory, then GST is payable on reverse charge basis by recipient.

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Discussion & Conclusion:-

- In the given case, Mr. Vicky temporarily transferred copyright relating to original literary works of his new book to the publisher – SBP.

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Therefore, the publisher – **SBP** is liable to pay tax **under reverse charge**.

- However, since **SBP has completely refused to deposit the tax** on the given transaction, Mr. Vicky Frankyn has an **option** to pay tax under **forward charge** provided he fulfils the following conditions:-

- (i) He has **taken registration** under the GST law.
- (ii) He has **filed a declaration**, in the prescribed form,
- that he exercises the option to pay tax on the said service under forward charge and,
 - to comply with all the provisions of GST law as they apply to a person liable for paying the tax for supply of any goods &/or services &
 - that he shall not withdraw the said option within a period of 1 year from the date of exercising such option.
- (iii) He makes a **declaration on the invoice** issued by him in prescribed form to the publisher.

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Answer 3:

- a) (i) Legal Provision:**
- As per **Para 4 of schedule I**, in case of import of services by a person from a related person or from his establishments located outside India, **without consideration**, in the course or furtherance of business shall be treated as **"supply"**.
- Conclusion:**
- Hence, services received by Wesco Ltd. **qualify as supply** even though such services have been provided free of cost by the head office.
- (ii)**
- As per **section 7(2) read with para 5 Schedule III** of CGST Act, subject to paragraph 5(b) of Schedule II, Sale of building shall be treated neither as a supply of goods nor a supply of services.
- **Paragraph 5(b)** of Schedule II states that where the entire consideration has been received after issuance of completion certificate or after its first occupation, **whichever is earlier**, then it is not a supply at all.
- Thus, there shall be no levy of GST on such activity as it is **out of scope of supply**.
- b)** As per **section 9(3)** of CGST Act, Services supplied by the Central Government or State Government to a business entity in India are payable by the Recipient of services **except:**
- (i) Services of renting of immovable property to an unregistered business entity.
 - (ii) Services by the Department of Posts and the Ministry of Railways (Indian Railways);
 - (iii) Services in relation to an aircraft or a vessel, inside or outside the precincts of a port or an airport.
 - (iv) Services of transport of goods or passengers.
 - (v) Renting of immovable property by an Indian Railway.
- c) Conditions to be satisfied for availing deduction of post supply discounts from the value of supply as per Section 15(3) of the CGST Act, 2017 are as follows:**
- (i) Discount is in terms of an agreement entered into
 - (ii) At or before the time of supply.
 - (iii) Discount can be specifically linked to relevant invoices.
 - (iv) Input tax credit as is attributable to the discount on the basis of document issued by supplier is reversed by the recipient of the supply.
 - (v) Supplier should obtain CA/CMA certificates or recipient undertakings/certificate (where total tax is not exceeding ₹ 5,00,000 in a financial year) certifying the proportionate reversal of ITC by recipient for credit note issued by supplier & this will be considered admissible evidence for compliance with Sec 15(3)(b).

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