

CA Inter
Answer Sheet - 5

Part A

S.no	Ans	Hints
1.1	(a)	Refer entry no. 1 in exemption chapter along with Definition as per Para 2(r) for charitable activities -(education to Persons over the age of 65 years residing in a rural area is covered here).
1.2	(b)	Refer clarification (Circular No. 116/35/2019 GST) given in supply chapter
1.3	(d)	1. Refer Sec 17(5)(a) and 17(5)(c) given in ITC chapter 2. Motor vehicle is used for transportation of only needy persons & not passengers and hence ITC is blocked
1.4	(b)	Refer entry no. 13 in exemption chapter - (if rent for shop < ₹ 10000 per month per shop, then it is exempt & if rent for community hall is < ₹ 10000 per day then it is exempt)
2	(b)	For normal cargo, Validity period is 1 day for every 200 km
3	(a)	Refer Rule 86B, IGST payable in cash: (₹ 80,00,000 * 1% * 18%) = ₹ 14,400
4	(c)	Refer Sec 35(1)- Accounts relating to each POB shall also be kept at the respective POB
5	(d)	Refer entertainment sector, financial sector and other Miscellaneous exemptions i.e. specially Sl. No. 81, 27, 52 & 59

Part B

Answer 1:

a) Computation of gross value of taxable supply on which GST is to be paid by Mr. Jayesh:

Particulars	Amount (₹)	Remark
Commission received as a recovery	1 M	Tax is payable by NBFC under reverse charge agent from NBFC
Actionable claim received from normal business debtors	1 M	No tax is payable, as actionable claims other than specified actionable claims are covered under Schedule III, i.e. they are neither supply of goods nor supply of services.
Amount received from ABC Ltd. for performance of classical dance	1,74,500	Taxable since consideration for classical dance performance exceeds ₹ 1,50,000.
Business assets given free of cost	1 M	Not a supply as it is made without consideration and not covered in Schedule I because ITC is not availed on the same.
Rent from registered individual person	1 M	Tax is payable by the registered individual person under reverse charge. Note: Assumed that Residential dwelling is used for residential purpose.
Services from unregistered GTA	15,100	Tax on services provided by unregistered GTA is payable under reverse charge by Mr. Jayesh being a registered person.
Service provided to Indian Olympic Association as team manager of national team.	1 M	It is exempt , since services provided by a team manager to Indian Olympic Association (i.e., a recognized sports body) are exempt.
Gross value of taxable supply on which GST is to be paid by Mr. Jayesh	1,89,600	1 M

b) As per rule 56(2) & (4) of CGST Rules, Following records are **not required** to be maintained by a supplier who has **opted for composition scheme** but are required to be maintained by a normal tax payer:-

1. Stock of goods:-

➤ Accounts of stock for goods received and supplied by him.

2 M

Such accounts shall contain particulars of the opening balance, receipt, supply, goods lost, stolen, destroyed, written off or disposed of by way of gift or free sample and the balance of stock including raw materials, finished goods, scrap and wastage thereof.

2. Details of tax:-

➤ Account, containing the details of tax payable (including tax payable under reverse charge), tax collected and paid, input tax, input tax credit claimed, together with a register of tax invoice, credit notes, debit notes, delivery challan issued or received during any tax period.

2 M

Thus, Mr. Sky is **not required** to maintain above mentioned records.

Answer 2:

a)

(i)	<p>Legal Provision:- As per section 17(5)(a) of CGST Act, ITC is not available on Motor vehicle for transportation of persons having approved seating capacity of not more than 13 persons (including driver), except when they are used for making following taxable supplies:- a) Further supply of such motor vehicles or b) Transportation of passengers or c) Imparting training on driving such motor vehicles.</p> <p>Discussion & Conclusion:- In first case, CBIC clarified that the vehicle is solely used for demonstration purposes and not for passenger transport or training, thus ITC is blocked u/s 17(5)(a). ➤ Yes, answer will differ in second case as it is used for making 'further supply of such motor vehicles'. Thus, ITC for demo vehicles is not blocked u/s 17(5)(a).</p>
(ii)	<p>The condition of payment of value of supply plus tax within 180 days does not apply in the following situations: a) Supplies on which tax is payable under reverse charge. b) Deemed supplies without consideration. c) Additions made to the value of supplies on account of supplier's liability, in relation to such supplies, being incurred by the recipient of the supply.</p>
(iii)	<p>Legal Provision:- ➤ As per section 18(1)(d) of CGST Act, registered person whose exempt supply becomes taxable supply can take ITC of:- - Inputs held in stock, Inputs contained in semi-finished or in finished goods held in stock relatable to such exempt supply & - on capital goods exclusively used for such exempt supply on the day immediately preceding the date from which such supply becomes taxable. ➤ ITC on capital goods will be reduced by 5% per quarter or part thereof from the date of invoice.</p> <p>Discussion & Conclusion: ➤ In given case, Mamta Trade Links is a registered person whose exempt supply is becoming taxable supply. ➤ Thus, as per section 18(1)(d), it can take ITC of inputs held in stock and inputs contained in semi-finished or finished goods held in stock relatable to such exempt supply and on capital goods exclusively used for such exempt supply on 30th September.</p>

b) Legal Provision:

- As per **Rule 138(1)** of CGST Rules, a registered person is mandatorily required to generate e-way bill if he causes movement of goods of consignment value exceeding ₹ 50,000 in relation to a supply.
- The consignment value shall be the value as per section 15 as declared in an invoice
 - **including** CGST, SGST, UTGST, IGST and cess charged, if any, in the document but
 - it **excludes** the value of exempt supply of goods where the invoice is issued in respect of both exempt and taxable supply of goods.

Discussion & Conclusion:

- Since arranging freight is the liability of supplier, it is a case of composite supply and thus, freight charges are to be **added** in the value of principal supply.

Accordingly, the consignment value of goods will be ₹ **55,460** [(₹ 40,000 + ₹ 7,000) * 118%]

Since there is a movement of goods of consignment value exceeding ₹ 50,000, Dhananjay Associates is **mandatorily** required to issue e-way bill.

Answer 3:**a) Computation of ITC that can be availed by Jamku Ltd. for the month of October:**

Particulars	ITC (₹)	Remarks
Purchase of raw spices which are sold to customers	50,000	ITC is available on goods used in the course or furtherance of business u/s 16(1) of CGST Act.
Purchase of raw spices for personal use of directors	Nil	ITC is blocked on goods used for personal consumption (i.e. non business use) u/s 17(5)(g) of CGST Act.
Electric machinery purchased for being used in the manufacturing process	25,000	ITC is available on goods used in the course or furtherance of business u/s 16(1) of CGST Act.
Motor vehicle used for transportation of employee	Nil	Since the supplier is in the business of spices, ITC on motor vehicle used for transportation of the employee is blocked u/s 17(5). Note: Assume that Seating capacity of the Motor vehicle is 13 or less.
Payment made to contractor for construction of staff quarter	Nil	ITC is blocked on works contract services supplied for construction of an immovable property except where it is an input Service for further supply of works contract service u/s 17(5)(c).
Total ITC	75,000	

- b)**
- (i) ➤ It is **Clarified** by CBIC that supply of all goods & services are taxable unless exempt or declared as '**neither a supply of goods nor a supply of service**'. Services provided by the guest anchors in lieu of honorarium attract GST liability.
- However, guest anchors whose aggregate turnover in a financial year does not exceed ₹ 20 lakh (₹ 10 lakh in case of specified Special Category States) **shall not be liable** to take registration and pay GST.
- Sansad TV and other TV channels invite guest anchors to participate in their shows and pay remuneration to them in the form of honorarium.
- (ii) **Legal Provision:**
- Services of affiliation provided by a Central to a school established, owned or controlled by the Central Government is **exempt**.

1.5 M

- As per **CBIC clarification**, the affiliation service provided to a private school is not related to admission of students or conduct of examinations & thus, services of affiliation, provided to all other schools by them are taxable.

Discussion & Conclusion:

In given case, affiliation service provided by Central educational board to a private school is **taxable**.

0.5 M

VSMART ACADEMY