

CA Inter (GST)

Answer Sheet of Test paper 2 held on 6th October 2024

Part A

S.no	Ans	Hints
1.1)	(b)	Refer definition of Aggregate Turnover, ₹ 40L + ₹ 15L + ₹ 30L + ₹ 10L = ₹ 95L
1.2)	(a)	Refer 16(3), if depreciation has been claimed on the tax component of Machinery under Income tax Act 1961, then ITC is not allowed on the said tax component.
1.3)	(c)	Refer 17(5), ITC is blocked u/s 17(5) on goods disposed of by way of free samples.
1.4)	(a)	Refer sec 16(4), Earlier of 30th Nov or Date of filing annual return.
1.5)	(a)	<ul style="list-style-type: none"> ➤ Refer Circular no. 76/50/2018 in Value chapter, As TCS is an interim levy not having character of tax so it cannot be included in value of supply ➤ Basic price is before TCS under IT act , so when it is already before TCS, it means that TCS is already not included in this price so value = ₹ 45,000 ➤ Subsidy ₹ 3,500 is not directly linked to price so, not to be added in value u/s 15(2)(e).
2.1)	(c)	Refer Sec 10(1) read with Rule 7, Suppliers making supplies referred to in clause (b) of paragraph 6 of Schedule II [i.e. "Restaurant, Catering where rate of tax is 2.5% each of Turnover in state, ₹ 12,00,000*2.5% = ₹ 30,000 Each]
2.2)	(c)	Refer SI no.66 Education & Training & Refer definition of Educational Institute as per para 2(y).
2.3)	(a)	As per Sec 13(2), TOS of services if invoice is not issued within time prescribed u/s 31, will be earlier of date of provision of service or date of payment.
2.4)	(c)	As Delight brothers has started providing repairing services so will be ineligible u/s 10(1) & 10(2) & its turnover is ₹ 48L so can avail benefit of composition u/s 10 (2A).
2.5)	(c)	As per Sec 10(2A), tax rate shall not exceed 6% (i.e. CGST 3% and SGST/UTGST 3%) of t/o in State or UT.
3)	(a)	Refer Sec 15(1),(2)&(3) i.e value = ₹ 50,000 - (2%* ₹ 50,000) + ₹ 5,000 + ₹ 1,000 + ₹ 2,000
4)	(b)	Refer Sec 18(1)(c), ITC = [(₹ 16,00,000 + ₹ 6,20,000)*18%] - [(6,20,000*18% *5%)] = ₹ 3,99,600 - ₹ 5,580 = ₹ 3,94,020
5)	(c)	Refer Entry 4, 6, 5 & 8 of RCM
6)	(d)	Refer Sec 45

PART B

Answer 1:

Computation of minimum net GST payable in cash by 'XY' for the month of July:-

Particulars	Value (₹)	IGST (₹)	CGST (₹)	SGST (₹)
(I) Calculation of Total tax liability:-				
Inter -State supply of office stationery [Note 1]	2,00,000	36,000 (2,00,000 *18%)	-	-
Intra-State supply of 500 combo pack of calculators and diaries [Note 2]	4,00,000 (500 * 800)	-	56,000 (4,00,000 *14%)	56,000 (4,00,000 * 14%)
Intra-State supply of services of business correspondent to Shubhvidhi Bank with respect to accounts in its urban area branch [Note 3]	1,00,000	-	9,000 (1,00,000 * 9%)	9,000 (1,00,000 * 9%)
Total tax liability	4 M	36,000	65,000	65,000
(II) Calculation of total Input Tax Credit (ITC):				

Brought forward ITC [Given]		80,000	5,000	5,000
Inter-State purchase of office stationery [Note 4]	1,00,000	18,000 (1,00,000 * 18%)		
Intra-State repairing of lorry used for transportation of goods [Note 5]	1,00,000		9,000 (1,00,000 * 9%)	9,000 (1,00,000 * 9%)
Total ITC	3 M	98,000	14,000	14,000
(III) Calculation of Minimum net GST payable in cash:-				
Total tax liability [from (I)]		36,000	65,000	65,000
Less: ITC [Note 6]				
IGST: 98,000		(36,000)	(11,000)	(51,000)
CGST: 14,000		-	(14,000)	x
SGST: 14,000		-	x	(14,000)
Minimum net GST payable in cash	2 M	Nil	40,000	Nil

Notes: 3 M

1)	Taxable supplies made by a registered person are liable to tax irrespective of whether they are made to a registered person or to an unregistered person.
2)	<ul style="list-style-type: none"> ➤ Supply of calculator and diary as a combo pack with a single price of ₹ 800 is a mixed supply. ➤ Being a mixed supply comprising of two supplies, it shall be treated as supply of that particular supply which attracts highest rate of tax.
3)	Services provided by a business facilitator/ business correspondent to a banking company only with respect to accounts in its rural area branch are exempt but not with respect to accounts in its urban area branch.
4)	<ul style="list-style-type: none"> ➤ ITC can be taken only on the basis of a valid tax paying document. ➤ Thus, ITC will not be available on goods for which the invoice is missing.
5)	ITC on motor vehicles used for transportation of goods is allowed & Further, ITC is allowed on repair and maintenance services relating to motor vehicles on which ITC is allowed.
6)	<ul style="list-style-type: none"> ➤ IGST credit, after being set off against IGST liability, can be utilised against CGST and SGST liability in any order and in any proportion. ➤ Thus, there cannot be one answer for the minimum net CGST and SGST payable in cash as amount of CGST and SGST liabilities are the same as also the amount of ITC for CGST & SGST is also the same.

Answer 2:

a) Computation of ITC available with ABC Co. Ltd. for the month of July:-

S.no	Particulars	ITC (₹)	Remark
1.	Electrical transformers to be used in the manufacturing process	5,20,000 1 M	ITC is available on goods used in the course or furtherance of business u/s 16(1) of CGST Act.
2.	Trucks used to transport of raw Material	1,00,000 1 M	ITC is not blocked u/s 17(5)(a) of CGST Act on motor vehicles used for transportation of goods
3.	Raw material	1 M	Since raw material is not received in July, 20XX, ITC for the same cannot be availed in July, 20XX u/s 16(2).
4.	Confectionery items for consumption of customers at customers meet	1 M	ITC is blocked u/s 17(5)(b) of CGST Act on food or beverages unless the same is used for making outward taxable supply of the same category or as

			an element of the taxable composite or mixed supply or provided by an employer to its employees under a statutory obligation.
5.	Capital Goods	4,30,000 1 M	ITC can be availed only on basis of a valid document u/s 16(2). Thus, ITC for the item for which invoice is missing cannot be availed (i.e. for ₹ 70,000).
6.	GST paid on health insurance policies	- 1 M	ITC is blocked u/s 17(5) of CGST Act on health insurance taken for employees except when there is a statutory obligation on employer to provide the same.
Total ITC available		10,50,000	

b)

(i)	<p>Acceptance/rejection of e-way bill:-</p> <ul style="list-style-type: none"> ➤ As per Rule 138(11) of CGST Rules, the details of e-way bill generated shall be made available on common portal to:- <ul style="list-style-type: none"> - A supplier (if registered)- if information in Part A is furnished by recipient/ transporter or - A recipient (if registered)- if information in Part A is furnished by supplier/ transporter. ➤ Supplier/recipient shall communicate his acceptance or rejection of consignment covered by E-way bill. ➤ As per Rule 138(12) of CGST Rules, Information in Part A shall be deemed to be accepted, if such supplier/ recipient does not communicate his acceptance or rejection within Earlier of:- <ul style="list-style-type: none"> - 72 hours of details being made available to him on common portal or - Time of delivery of goods. 	3 M
(ii)	<ul style="list-style-type: none"> ➤ If there is a mistake, incorrect or wrong entry in the e-way bill, then it cannot be edited or corrected. ➤ Only option is cancellation of e-way bill within 24 hours of generation and generate a new one with correct details. ➤ Thus, Mr. X cannot edit the e-way bill. ➤ However, he can cancel the e-way bill within 24 hours of generation and generate a new one with correct details. 	3 M

Answer 3:

(i)	<p>Legal Provision:-</p> <p>Services by way of fumigation in a warehouse of agricultural produce are not exempt from GST.</p> <p>Discussion & Conclusion:-</p> <ul style="list-style-type: none"> ➤ In the present case, since Gupta Pest Control Co. provides services by way of fumigation in the warehouse of sugarcane [being an agricultural produce], said services are taxable and GST is payable on the same. 	1 M 1 M
(ii)	<p>Legal Provision:-</p> <p>Catering services provided to an educational institution which is providing preschool education and education up to higher secondary school or equivalent is exempt.</p> <p>Discussion & Conclusion:-</p> <ul style="list-style-type: none"> ➤ In the given case, services are provided by BTV Caterers to Smart Kids which is providing preschool education & hence, the same are exempt from GST thus, GST is not payable in this case. 	1 M 1 M

(iii)	<p>Legal Provision:- Services by way of renting of residential dwelling to a registered person is exempt from GST, if –</p> <ul style="list-style-type: none"> ➤ the registered person is proprietor of a proprietorship concern & rents the residential dwelling in his personal capacity for use as his own residence and ➤ such renting is on his own account and not that of the proprietorship concern. <p>Discussion & Conclusion:-</p> <ul style="list-style-type: none"> ➤ In the given case, Rahul is a proprietor of Rahul Trading. ➤ Mr. Rahul is renting his residential flat for use as his own residence and that too on his own account and not that of the proprietorship concern. ➤ Thus, the said service is covered under exemption notification & no GST is payable on it.
1.5 M	
(iv)	<p>Legal Provision:-</p> <ul style="list-style-type: none"> ➤ Health care services provided by a clinical establishment, an authorised medical practitioner or paramedics are exempt from GST. ➤ As per CBIC clarification, - Food supplied by hospital canteen to inpatients as advised by doctor/ nutritionists is a part of composite supply of healthcare services & is not separately taxable. Thus, it is exempt. - Food supplied by hospital to patients (not admitted) or their attendants or visitors are taxable. <p>Discussion & Conclusion:-</p> <ul style="list-style-type: none"> ➤ In view of the same, GST is exempt on the food supplied by Tasty Foods to the inpatients as advised by doctors/nutritionists. ➤ However, supplies of food by it to patients (not admitted) or attendants/visitors of the in-patients is taxable and GST is payable on the same.
1.5 M	
1.5 M	

Answer 4:

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)

- **Article 279A** of the Constitution empowers the President to constitute a joint forum of the Centre and States called GST Council.

1 M

➤ **Constitution of Council:-**

- The Union Finance Minister is the Chairman of this Council,
- Ministers in charge of Finance/ Taxation or any other Minister nominated by each of the States & UTs with Legislatures are members of council.
- The Union Minister of State in charge of Revenue or Finance is also a member of council.

- **Function of Council:-** To **make recommendations** to the Union and the States on important issues like tax rates, exemptions, threshold limits, dispute resolution, etc. The GST Council has decided the threshold exemption, composition threshold, GST rates, GST legislations including rules and notifications.

Answer 5:

a) Legal Provision:

- As per **section 7(1)(b)** of CGST Act, 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:

- | | |
|------|---|
| (i) | In the given case, although the import of service for consideration by Miss. Shriniti Kaushik is not in course or furtherance of business , it would be treated as supply . |
| (ii) | <ul style="list-style-type: none"> ➤ In the given case, Miss Shriniti Kaushik has received interior decoration services from her brother. ➤ Miss Shriniti and her brother shall be considered to be related as Miss Shriniti's brother is wholly dependent on her. ➤ However, Miss Shrinti has taken interior decoration services for her residence and not in course or furtherance of business. Consequently, services provided by Miss Shrinti's brother to her would not be treated as supply under section 7 read with Schedule I. |

b) Legal Provision:

- As per **section 50** of the CGST Act, 2017, Interest is payable on delayed payment of tax at the rate **18%** from the day succeeding the due date of payment till the date of payment.
- As per **proviso to section 50**, the interest on tax payable in respect of supplies made during a tax period and declared in the return for the said period furnished after the due date is **payable on the net tax liability paid through electronic cash ledger**.

Discussion & Conclusion:

- In the given case, ABC Ltd., has defaulted in making the payment for ₹ 40,000 on self-assessment basis in the return for the month of July 20XX.
- Accordingly, interest is payable on the gross liability and proviso of sub-section 50(1) shall not be applicable.
- Thus, the amount of interest payable by ABC Ltd. is as under:
 Period of delay = 21st August 20XX to 20th October 20XX = 61 days
Hence, Interest = ₹ 40,000 x 18% x 61/365 = ₹ 1,203
- In the **second case**, if ABC Ltd., have filed the return for the month of July 20XX on 20.10.20XX, beyond the stipulated due date of 20.08.20XX and if the self-assessed tax for July 20XX has been paid on 20.10.20XX,

1.5 M	<ul style="list-style-type: none"> ➤ Interest under proviso to Section 50(1) shall be payable on the tax paid through Electronic Cash Ledger only. Hence Interest is payable from 21st August 20XX till 20th October 20XX = 61 days. Interest = ₹ 30,000 x 18% x 61/365 = ₹ 902
2.5 M	<p>c) (i) Time and value of supply in case of job work:-</p> <ul style="list-style-type: none"> ➤ Job work is treated as supply of services. ➤ As per section 13(2)(a) of CGST Act, 2017, if invoice is issued within the time prescribed u/s 31 (i.e. within 30 days) for supply of services, then the time of supply of such services shall be earlier of:- <ul style="list-style-type: none"> - the date of issue of invoice by the supplier or - the date of receipt of payment (to the extent the invoice/payment covers the supply of services). ➤ Thus, the time of supply for advance of ₹ 1,50,000 received for the supply of job work services is 03.03.20XX and for balance payment of ₹ 1,00,000 is 11.03.20XX. ➤ Value of supply is ₹ 2,50,000. <p>(ii) Time and value of supply in case of supply of goods:-</p> <ul style="list-style-type: none"> ➤ As per section 12(2) of CGST Act, 2017 read with notification 66/2017, the time of supply of goods taxable under forward charge shall be earlier of the following dates:- <ul style="list-style-type: none"> - Date of issue of invoice or - last date to issue the invoice u/s 31 (i.e. before or at the time of removal of goods for supply to the recipient, where supply involves movement of goods). ➤ Thus, the time of supply for advance of ₹ 1,50,000 as well as for balance payment of ₹ 1,00,000 is 17.01.20XX which is the date of removal of goods. ➤ Value of supply is ₹ 2,50,000.

Answer 6:

1 M	<p>a) Cases where registered person is debarred from furnishing details of outward supplies in GSTR-1/using IFF:</p> <ul style="list-style-type: none"> (i) A registered person (under monthly scheme) has not furnished the return in Form GSTR-3B for the preceding 1 month.
1 M	<ul style="list-style-type: none"> (ii) A registered person, opting for QRMP (Quarterly Return Monthly Payment) has not furnished the return in Form GSTR-3B for preceding tax period.
1 M	<ul style="list-style-type: none"> (iii) A registered person, to whom an intimation has been under Rule 88C (Tax liability shown on GSTR 1 exceeds tax liability paid in GSTR 3B) unless he has deposited the specified amount or furnishing a reply.
1 M	<ul style="list-style-type: none"> (iv) A registered person has not furnished the details of the bank account under rule 10A.
1 M	<p>b) Legal Provision:-</p> <ul style="list-style-type: none"> ➤ As per section 9(3) of CGST Act, if sponsorship services are provided by any person to a body corporate or a partnership firm located in taxable territory, GST is payable by recipient under reverse charge. <p>Discussion & Conclusion:-</p> <ul style="list-style-type: none"> ➤ In given case, sponsorship services are provided by the private NGO to a partnership firm – M/s. Purohit Consultants. ➤ Therefore, Purohit Consultants is liable to pay GST under reverse charge.
2 M	<p>c) Non-Applicability of TDS Provision under certain cases as under:-</p> <ul style="list-style-type: none"> ➤ Total Value of Taxable supply \leq ₹ 2,50,000 under a contract. ➤ Contract involves supply of both taxable & exempted goods, but the value of Taxable supply in the contract \leq ₹ 2,50,000.

3 M

- Location of the supplier and the place of supply are in a State/ Union territory which is different from the State/ Union territory of registration of the recipient.
- Supply of goods &/or services from a PSU to another PSU, whether or not a distinct person.
- Supply of goods &/or services between one person to another person specified u/s 51(1).
- Tax is to be paid under RCM by recipient i.e. deductee.
- Payment is made to unregistered supplier.
- Payment relates to the Cess component.
- All activities specified in schedule III, irrespective of value.

VSMART ACADEMY