

PREFACE

Dear Students,

This document is annexure to Solved Work Book in GST & Customs (9th Edition for May 22 exam) containing the additional questions added in 10th edition (for Nov 22 exam) along with corrections to existing questions in 9th Edition based on amendments and errors noticed after publishing 9th Edition.

However, this document is not applicable for students who purchased the latest edition (10th Edition) of Solved Work Book

Also, in this document, list of important questions with cross reference to YouTube discussions is also provided. Students who are having 9th Edition book can make use of it.

Note: - Students, who are using 8th Edition book (Nov 21 exam) are requested to purchase the latest Edition

Thank you all for your Support



Yours,

THARUN RAJ

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INTRODUCTION TO GST

Question No. 1

(New Question)

Who are the members of GST Council? Enumerate any two recommendations that can be made by GST Council.

(or)

Enumerate any five matters on which GST council may make recommendations under Article 279A of the constitution.

1. Composition of GST Council:

The GST Council constituted by president of India under Article 279A of the constitution shall consist of the following members, namely –

- The **Union Finance Minister** who will be the **CHAIRMAN** of the council;
- The Union Minister of State in charge of Revenue or Finance who will be the **MEMBER** of council;
- ONE MEMBER from each state who is Minister in charge of Finance or Taxation or any other Minister and anyone of them will be **VICE CHAIRMAN** of the GST Council who will be mutually elected by them.

2. Recommendation:

The recommendations that can be made by GST Council are as under:

- The taxes, cesses, and surcharges levied by Union, the states and the local bodies which may be subsumed in GST;
- Goods and services which possibly will be subject to, or exempt from GST;
- The threshold maximum value of turnover for the function of GST;
- [Rates of GST](#);
- GST laws, principles of levy, apportionment of IGST and principles associated with place of supply;
- Special provisions with respect to the eight north-eastern states, Himachal Pradesh, Jammu and Kashmir, and Uttarakhand; and other associated matters.
- Other matters pertaining to the implementation and regulation of GST in India.

Question No. 2

(New Question)

Answer the following with reference to GST (Compensation to States) Act, 2017:

- (i) Projected Growth Rate
- (ii) Base year
- (iii) Projected Revenue for any year
- (iv) Calculation and release of compensation
- (v) Objective of GST (Compensation to States) Act, 2017

I. Projected Growth Rate

The projected nominal growth rate of revenue subsumed for a State during the transition period shall be fourteen percent (14%) per annum.

II. Base Year

For the purpose of calculating the compensation amount payable in any financial year during the transition period, the financial year ending 31st March, 2016 shall be taken as the base year.

III. Projected Revenue for any year

The projected revenue for any year in a State shall be calculated by applying the projected growth rate over the base year revenue of that State.

Illustration: If the base year revenue for 2015-16 for a concerned State, calculated as per section 5 is one hundred rupees, then the projected revenue for financial year 2018-19 shall be as follows:

Projected Revenue for 2018-19 = $100 (1 + 14/100)^3$.

IV. Calculation and release of compensation

The compensation payable to a state has to be provisionally calculated and released at the end of every two months, which shall be finally calculated for every financial year after the receipt of final revenue figures, as audited by Comptroller and Auditor General of India.

V. Objective

The objective behind providing compensation to the states is for the loss of revenue arising on account of implementation of the Goods and Services Tax (GST) in pursuance of the provisions of the Constitution (One Hundred and First Amendment) Act, 2016.

Notes:



TAXABLE EVENT UNDER GST

Question No. 1

(New Question)

Aasma Ltd had supplied goods to a local authority for ₹7,56,000 (inclusive of GST @12%). Determine the amount of tax to be deducted at source. Also determine the interest liability if the amount of tax deducted at source on 15.10.2021 is deposited as on 20.12.2021.

- I. A Central Government department located at Uttar Pradesh is registered with the Commercial Tax department UP State for deducting GST. It enters into a contract with a Public Sector Undertaking (PSU), registered under GST in the State of Delhi, for supplying goods valued ₹ 3,50,000. The PSU argues that no tax is deductible on this supply by the Central Government Department as it is located outside the State of Uttar Pradesh and therefore not liable to tax under CGST and SGST as it is a local levy and IGST tax deduction is not applicable if it is located in another State, other than the State in which the department is registered. You are required to comment on this.
 - II. Would there be any difference, if instead of the PSU if it was an entity in the private sector. Applicable tax rate for deduction is 1 % CGST, 1 % SGST and 2% IGST.
 - III. If the private sector entity undertakes works contract, for the above department in New Delhi. What would be the position of tax deduction when the contract value is ₹ 5,00,000.
 - IV. The disbursing officer has not paid the tax deducted in the month of February 2021, amounting to ₹ 2,00,000 under CGST and ₹ 2,00,000 under SGST, to the Government's account on the relevant due date, but has paid it on 14th May, 2021. Further, return for that month is also filed on that date and the certificate is also issued simultaneously. What are the consequences, on such failures, to the disbursing officer under the GST law?
- I. Certain specified persons are required to deduct tax from the payment made to the supplier of taxable goods and/or services, where the total value of such supply [excluding GST] under a contract, exceeds ₹ 2,50,000.
However, the tax is not liable to be deducted at source when supply of goods and/or services has taken place between one specified person to another specified person. Since both Central Government Department and PSU are the specified persons, tax is not deductible in case of supply of goods between them.
 - II. Central Government Department is mandatorily required to deduct IGST @ 2% since a private entity is not the specified person.
 - III. Since, in the given case, the location of supplier and place of supply is in the same State, i.e., Delhi and location of recipient is in UP, Central Government Department is not required to deduct TDS although the total value of supply under the contract is more than ₹ 2,50,000¹.
 - IV. Failure to deposit TDS with the Government and failure to furnish TDS return within the stipulated time period will result in following consequences:
 - a) Interest @ 18% p.a. on the amount of tax deducted shall be payable.
 - b) Late fee of ₹ 100 per day for the period of delay in furnishing return, or ₹ 1,000, whichever is lower, shall be payable. Equal amount of late fee will be payable under the respective State law.
 - c) Applicable penalty will also be levied under Sec. 122(1) of CGST Act.

Question No. 2

(New Question)

GER Ltd. of Germany supplies luxurious car worth ₹ 1 Crore to IND Ltd. of India. Before the car reached Indian port but after crossing of the territorial waters of India, IND Ltd. sells it to T1 Ltd. by way of transfer of documents of title.

T1 Ltd. clears the said car for warehousing and stores the said goods in customs bonded warehouse. T1 Ltd. sells the said car from warehouse to T2 Ltd., and T2 Ltd., clears the said car from the customs bonded warehouse.

Answer the following with brief reasons:

- a) Is GST leviable on import of goods from GER Ltd. by IND Ltd.?

¹ It has been assumed that the location of private entity and the place of supply are in Delhi and the Central Government Department is in U.P.

- b) Is GST leviable on supply of goods by IND Ltd. to T1 Ltd.?
- c) Is GST leviable on supply of goods by T1 Ltd. to T2 Ltd.?
- d) Is GST leviable on clearance of goods by T2 Ltd. from the Customs bonded warehouse?
- a) GST on import of goods is levied at the time when customs duty is levied on the said goods under the Customs Act, 1962, i.e., on importation. Importation gets completed when the goods become part of the mass of goods within the country².
Thus, GST is not leviable on import of goods from GER Ltd. by IND Ltd. since the import of goods is not complete.
- b) GST is not leviable on supply of goods by IND Ltd. to T1 Ltd. as supply of goods by the consignee to any other person, by endorsement of documents of title to the goods, after the goods have been dispatched from the port of origin located outside India but before clearance for home consumption is treated neither as a supply of goods nor a supply of services.
- c) GST is not leviable on supply of goods by T1 Ltd. to T2 Ltd. since supply of warehoused goods to any person before clearance for home consumption is treated neither as a supply of goods nor a supply of services.
- d) Yes, GST is leviable on clearance of goods by T2 Ltd. from the customs bonded warehouse as customs duty is levied on warehoused goods at the time of clearance thereof from the warehouse and as mentioned in point (i), GST on import of goods is levied at the time when customs duty is levied thereon.

Question No. 3

(New Question)

Mudit Enterprises, registered in the State of Maharashtra (Mumbai) is engaged in supply of various goods and services exclusively to persons notified under Section 51 of the CGST Act, 2017. Calculate the amount of TDS to be deducted by the recipient if any, from the details given below of three independent contracts for the Month of November, 2020:

Particulars	Contracts		
	I	II	III
Place of supply	Mumbai	Mumbai	Mumbai
Registered place of recipient	Mumbai	Mumbai	Delhi
Total contract value (inclusive of GST) (₹)	2,75,000	3,10,000	4,50,000
Payment due in November, 2020 (exclusive of GST) (₹)	55,000	60,000	1,20,000

Note: Take the rate of CGST, SGST and IGST as 6%, 6% and 12% respectively.

The tax at source (TDS) would be deducted @ 1% under CGST Act and 1% under SGST/UTGST Act or 2% under IGST Act as the case may be, of the payment made to the supplier where the total value of such supply, under a contract, exceeds ₹ 2,50,000 (excluding the amount of GST indicated in the invoice). Thus, individual supplies may be less than ₹ 2,50,000 but if the value of supply under a contract is more than ₹ 2,50,000, TDS will have to be deducted as per rates prescribed.

Case I: Given contract value is inclusive of GST, therefore to calculate contract value for TDS purpose the same is calculated exclusive of GST (CGST and SGST)

$$\begin{aligned} \text{i) } & 2,75,000 \times 100/112 \\ & = 2,45,535.71 \text{ or } ₹ 2,45,536 \text{ (rounded off)} \end{aligned}$$

Since the total value of supply under the contract does not exceed ₹ 2,50,000, tax is not required to be deducted on amount of ₹ 55,000.

Case II: The contract value exclusive of GST shall be:

$$\begin{aligned} \text{ii) } & 3,10,000 \times 100/112 \\ & = 2,76,785.71 \text{ or } ₹ 2,76,786 \text{ (rounded off)} \end{aligned}$$

Since the total value of supply under the contract exceed ₹ 2,50,000, tax is required to be deducted on ₹ 60,000 @ 1% under CGST Act and 1% under SGST Act because this is an intra-state transaction (i.e., place of supply and location of supplier is in the same State).

Hence, TDS would be 1% of 60,000 = ₹ 600 (CGST) and ₹ 600 (SGST)

² Garden Silk Mills Ltd. UOI 1999 AIR SCW 4150 (SC 3-member bench)

Case III: The proviso to Section 51 (1) of CGST Act, 2017 lays down that when the location of the supplier and the place of supply is in a State which is different from the State/ Union territory of registration of the recipient, there will be no TDS.

Since the location of the supplier and the place of supply is Mumbai and the State of registration of the recipient is Delhi, no tax is liable to be deducted in the given case on amount of ₹ 1,20,000.

Notes:



PLACE OF SUPPLY

Question No 1: SWB 9TH EDITION – QUESTION NO. 35 (PG.NO 94)

Mrs. Bharghavi is a registered supplier under GST law in Coimbatore, Tamil Nadu, running a factory for manufacture of electric motors. For giving training to her employees, she has utilized the services of Vibrant Trainers Pvt. Ltd., a registered supplier in Trissur, Kerala. The training programs are to be held at Trissur.

- I. What will be the place of supply of services provided by Vibrant Trainers Pvt. Ltd. to Mrs. Bharghavi?
- II. Will your answer be different, if Mrs. Bharghavi is not a registered supplier?
- III. In the situation given in the problem, if the training is to be provided at Singapore, what will be the place of supply?

(i) When service in relation to training/ organization of an event (like training) is provided to a registered person, place of supply is the location of recipient [Section 12 of the IGST Act, 2017].

Therefore, if Mrs. Bharghavi is a registered person, the place of supply will be the location of recipient, i.e., Coimbatore, Tamil Nadu.

(ii) When service in relation to training/ organization of an event (like training) is provided to an unregistered person, the place of supply is the location where the services are actually performed or the event is actually held [Section 12 of the IGST Act, 2017].

Therefore, in this case, place of supply will be Trissur, Kerala.

(iii) When the training takes place outside India (Singapore), the place of supply will be the location of recipient i.e., Coimbatore, Tamil Nadu if Mrs. Bharghavi is registered. Otherwise, the place of supply will be location of performance i.e., Trissur, Kerala.

Question No 2: (New Question)

Determine the Place of Supply in respect of the following independent instances under the provisions of IGST Act, 2017:

- I. Miss Poorva, an interior design consultant having office at Chennai (Tamil Nadu), provided professional services to Mr Nihil, who resides in Dubai, for his two immovable properties under single contract, one property is outside India at Singapore and another at Surat (Gujarat).
- II. United Traders, having a registered place of business at Bengaluru (Karnataka) imported instruments used in COVID treatment from London (UK) through Vizag (Andhra Pradesh) Port.

Note: Your answer should also include relevant provisions, of law.

- I. When location of supplier is in India and location of recipient is outside India, POS is determined in terms of Sec. 13 of IGST Act, wherein POS in case of services in relation to immovable property is location of such immovable property. Also, as per Sec. 13(6) of IGST Act, vide a single contract if part of the services is in India and part outside India, then entire value is taxable in India and Place of supply in such case is Gujarat.
- II. In case of import of goods, POS as per Sec. 11 is location of importer. In case of registered business, location of recipient is the location for which registration is obtained. In the present case the location of importer is Karnataka and that is the place of supply.

Question No 3: (New Question)

XYZ Ltd. has obtained a loan from a foreign bank. The company does not have an account with the foreign bank from whom it has taken the loan. Whether RCM liability under GST laws should be discharged in this regard for import of services received in relation to the loan?

Provide relevant legal provisions in support of your answer.

Yes. RCM liability needs to be discharged on such services.

The place of supply of services supplied by a banking company in case where either supplier or recipient is located outside India is location of supplier provided said services are supplied to an account holder, otherwise the place of supply is the location of the recipient.

Accordingly, in the given case, the place of supply is the location of recipient – XYZ Ltd., i.e., India. Since the supplier is outside India and recipient and place of supply are in India, said service qualifies as import of services which in turn, is considered as inter-State supply under Section 7(4) of IGST Act, 2017.

Question No 4:**(New Question)**

M/s Joinder Drills of Australia exports rough rock cutting diamonds to M/s Ankit Enterprises of India, a registered supplier in the state of Haryana. M/s Ankit Enterprises is expected to process them into tools and export the same to the supplier in Australia. The process does not involve any sophisticated process other than cutting polishing and finishing. M/s Ankit Enterprises requests M/s Joinder Drills for use of such tools for his business in India for 3 months, which is agreed to by the supplier. He then exports it to the Australian supplier, invoicing it for ₹ 12,00,000 for processing it into the required tool.

M/s Ankit Enterprises is of the assumption that it is an export transaction and therefore entitled to treat it as a zero-rated supply and decides that no tax is payable under LUT although the rate applicable to such services for domestic supplies is CGST 9%, SGST 9% and IGST 18%.

State the provisions relating to the above supply of service and explain whether the stand taken by M/s Ankit Enterprises is correct and also determine the tax, if applicable, as the goods are now moving out of Haryana.

One of the conditions for a supply of service to qualify as export of service is that the place of supply of said service must be outside India.

The place of supply of services supplied in respect of the goods which are temporarily imported into India for any other treatment/process and are exported after such treatment/process without being put to any use in India, other than that which is required for such treatment/process, is the location of recipient of such service [Second proviso to section 13(3)(a) of the IGST Act, 2017].

In view of the above, in the given case, the place of supply of the services provided by M/s Ankit Enterprises is the place where the services are actually performed, i.e., in India as the tools to be exported have been used in India for 3 months before their export. Resultantly, the supply of services by M/s Ankit Enterprises do not qualify as export of service.

Since the recipient is outside India, the place of supply is governed by section 13 and hence, the supply is not an intra-State supply in terms of section 8(2) of the IGST Act, 2017³. Therefore, since the place of supply is in India and the supply is not an intra-State supply, the same is an inter-State supply [in terms of section 7(5)(c) of the IGST Act, 2017] of services and not of goods. Thus, the same is liable to IGST of ₹ 1,83,051 (₹ 12,00,000/118 × 18)⁴.

Question No 5:**(New Question)**

Determine the Place of Supply in respect of the following independent instances under the provisions of IGST Act, 2017:

I. Miss Poorva, an interior design consultant having office at Chennai (Tamil Nadu), provided professional services to Mr Nihil, who resides in Dubai, for his two immovable properties under single contract, one property is outside India at Singapore and another at Surat (Gujarat).

II. United Traders, having a registered place of business at Bengaluru (Karnataka) imported instruments used in COVID treatment from London (UK) through Vizag (Andhra Pradesh) Port.

Note: Your answer should also include relevant provisions, of law.

I. When location of supplier is in India and location of recipient is outside India, POS is determined in terms of Sec. 13 of IGST Act, wherein POS in case of services in relation to immovable property is location of such immovable property. Also, as per Sec. 13(6) of IGST Act, vide a single

³ In case where the place of supply (determined under section 13 of the IGST Act, 2017) and the location of supplier are in the same State, CBIC FAQs on 'Banking, Insurance and Stock Brokers Sector' have taken a view that such supplies will be treated as intra-State supply. [Contrary of IGST ACT]

⁴ It has been assumed that the amount of ₹ 12,00,000 is inclusive of IGST.

contract if part of the services is in India and part outside India, then entire value is taxable in India and Place of supply in such case is Gujarat.

- II. In case of import of goods, POS as per Sec. 11 is location of importer. In case of registered business, location of recipient is the location for which registration is obtained. In the present case the location of importer is Karnataka and that is the place of supply.

Notes:



VALUATION UNDER GST

Question No 1: SWB 9TH EDITION – QUESTION NO. 19 (PG.NO 110)

Shri Krishna Pvt. Ltd., a registered dealer, furnishes the following information relating to goods sold by it to Shri Balram Pvt. Ltd. in the course of Intra-State –

- (i) 'Price of the goods' ₹1,00,000
- (ii) 'Municipal Tax' ₹2,000
- (iii) 'Inspection charges' ₹15,000
- (iv) 'Subsidies received from Shri Ram Trust (As the product is going to be used by blind association)' ₹50,000
- (v) 'Late fees for delayed payment (Though Shri Balram Pvt. Ltd. made late payment but these charges are waived by Shri Krishna Pvt. Ltd.) – ₹1,000
- (vi) 'Shri Balram Pvt. Ltd. paid to Radhe Pvt. Ltd. (on behalf of Shri Krishna Pvt. Ltd.) Weighment charges.' ₹2,000

According to GST Law, determine the value of taxable supply made by Shri Krishna Pvt. Ltd. Items given in Points (ii) to (vi) are not considered while arriving at the price of the goods given in point no. (i)

The value for GST is as follows —

Particulars	Amount (₹)
(i) Price of the goods	₹1,00,000
(ii) Municipal Tax (presumed that it has been charged and recovered from customer separately) – includible as only GST is not includible – section 15(2)(a) of CGST Act	₹ 2,000
(iii) Inspection charges (presumed that it has been charged and recovered from customer separately)	₹15,000
(iv) Subsidies received from Shri Ram Trust (As the product is going to be used by blind association) (In the given price it is not considered, which means that it is not excluded from the given price. As per Sec. 15(2)(e), it is to be included and in the given price already included, therefore it is ignored)	—
(v) Late fees for delayed payment (Though Shri Balram Pvt. Ltd. made late payment but these charges are waived by Shri Krishna Pvt. Ltd.) – ₹1,000 (not to be added as tax is payable only when late payment charges are actually received)	—
(vi) Weighment charges paid by Shri Balram Pvt. Ltd. to Radhe Pvt. Ltd. (on behalf of Shri Krishna Pvt. Ltd.) (includible as amount paid on behalf of supplier is as good as amount paid to supplier and hence, forms part of transaction value)	₹2,000
Total Value	₹1,69,000

Question No 2: SWB 9TH EDITION – QUESTION NO. 47 (PG.NO 126)

Mr. Lakshminarayanan is a registered supplier in the State of Orissa under the regular scheme. Following are the details of transaction entered into by him during the half year ended on 31st March, 2021:

Particulars	Amount (Rs.)
Intra-State supplies of product 'Sun' (GST rate 12%)	30,00,000
Intra-State supplies of product 'Moon' (GST payable by the recipient under reverse charge)	10,00,000
Export of product 'Sun' without payment of GST	5,00,000

Legal services received from an advocate for Product 'Sun'	2,00,000
Common inputs used for supplies of above (GST rate 12%)	25,00,000

You are required to determine the Net GST liability for the above tax period.
All amounts given above are excluding GST wherever applicable. GST rate on services is 18%, all conditions for availing the ITC have been complied with. Turnover during the earlier financial year was Rs. 35 lakhs

Computation of GST liability:

Particulars	Amount (₹)
GST on outward supply (Note 1)	3,60,000
GST payable on legal services under reverse charge (Note 3)	36,000
Common credit relating to exempt supply	Nil
Total GST liability	3,96,000
Less: ITC (Note 2) (₹3,00,000 - ₹ 66,667) = ₹2,33,333	(2,33,333)
Balance GST liability	1,62,667

Note 1: Computation of GST on outward supply:

Particulars	Value (₹)	GST (₹)
Intra-State supplies of product "Sun" (GST rate 12%)	30,00,000	3,60,000
Intra-State supplies of product "Moon" (GST payable by the recipient under reverse charge)	10,00,000	Nil
Export of product "Sun" without payment of GST (export is a zero-rated supply)	5,00,000	Nil
Total	45,00,000	3,60,000

Note 2: Computation of ITC:

Particulars	Value (₹)
GST on inward supply (₹. 25,00,000 × 12%)	3,00,000
GST payable on legal services under reverse charge, see note 3 below*	Nil
Total ITC as per Electronic credit Ledger	3,00,000
Less: Common credit relating to exempt supply = $\left[3,00,000 \times \frac{10,00,000}{45,00,000} \right]$	(66,667)
[Exempt turnover: ₹. 10,00,000; total turnover ₹. 45,00,000]	
ITC available	2,33,333

Note 3:

Tax on legal services provided by an advocate to an individual (Mr. Lakshminarayanan is an individual) is exempted vide entry 45(b) of Notification No. 12/2017. However, assuming that the turnover of the entity exceeds the turnover limit for tax audit, GST under reverse charge would be applicable. In such case the tax liability on ₹. 200000 will be ₹. 36,000. Same is added to tax liability. This amount can be claimed as ITC in the current month or in the subsequent month.

Alternate answer: If credit for ITC is claimed for GST paid under RCM on advocate fees of ₹.

36,000 the same will be allowable upto (₹. 36,000 × ₹.35 lakh / ₹.45 lakhs. = ₹. 28,000. Hence GST Net of further ITC of Rs. 28,000 will be ₹. 1,62,667 – ₹. 28,000 = ₹. 1,34,667

Question No 3:**(New Question)**

Jupiter Chemicals Ltd. (JC) is a manufacturer of industrial chemicals and having its factory at Haridwar, Uttarakhand and registered under GST. It has its subsidiary company, Angel Traders Pvt. Ltd. (AT) with holding of 75% of its share capital. AT is engaged in trading of chemicals manufactured by JC in north India and registered under GST in Delhi at warehouse address. JC has also appointed a consignment agent Popular Distributors (PD) in Chennai and catering the southern India market. JC has also setup a state of art research and development center along with laboratory near the Haridwar factory and undertakes testing and development services for

chemicals from outside customers across the country. Following information are available for the month of April, 2021 of JC Haridwar:

S.No	Particulars	Amount (₹)
(i)	JC supplies the chemicals to PD Chennai during the month. (The PD sold the above said goods to the unrelated wholesalers in the state of Tamil Nadu and Andhra Pradesh for ₹ 60,00,000 during the same month). Open market value ₹ 55,00,000	45,00,000
(ii)	JC supplied chemicals to AT during the month. (The AT further sold the said chemicals to unrelated retailers in Delhi for ₹ 42,00,000/- and AT is not eligible for full input tax credit) Open Market value ₹ 38,00,000	30,00,000
(iii)	JC exports chemicals to South Africa with payment of IGST and consideration for the same was received in convertible foreign exchange.	28,00,000
(iv)	JC provided Inter-State supply of testing services to various customers during the month	8,50,000
(v)	Supply of Chemical to one of its customer in Mumbai who required the chemical to be tested before dispatch and subject to test report coming according to his parameters. Testing was successful and testing charges of ₹ 50,000 charged extra.	6,50,000 (excluding testing charges)
(vi)	Supply of chemical at subsidized rate for research and development activity not related to the business of JC to an unrelated charitable association in Haridwar, Uttarakhand. Open Market Value of the chemical is ₹ 6,50,000.	5,00,000

Assume rate of GST on Chemicals @ IGST 12%, CGST 6% and SGST 6%, and on testing and development services @ IGST 18%, CGST 9% and SGST 9%.

You are required to determine the taxable value (most beneficial) and GST liability (IGST, CGST and SGST separately) of Jupiter Chemicals (JC) Haridwar for the month of April, 2021.

Computation of taxable value of Jupiter Chemicals (JC) for the month of April, 2021

Particulars	Note	Amount (₹)	CGST	SGST	IGST
Supplies to agent PD, Chennai	1	54,00,000			54,00,000 X 12% = ₹6,48,000
Supplies to a related person AT	2	37,80,000			37,80,000 X 12% = ₹4,53,600
Exports to South Africa	3	28,00,000			28,00,000 X 12% = ₹3,36,000
Inter-state supply of testing services	4	8,50,000			8,50,000 X 18% = ₹1,53,000
Supply of Chemical to customer in Mumbai	4	7,00,000			₹7,00,000 X 12% = ₹84,000
Supply of chemical in Uttarakhand	5	5,00,000	5,00,000 X 6% = ₹30,000	5,00,000 X 6% = ₹30,000	
Total		₹140,30,000	30,000	30,000	16,74,600

1. Goods supplied to an agent acting on behalf of principal, even though without consideration but in the course or furtherance of business constitutes supply under Sec. 7(1)(c) read with Schedule I of CGST Act, 2017. In case of supply of goods to an agent, value shall be determined in terms of Rule 29, which is at the option of the supplier, Open Market value (OMV) (or) 90% of the price at which such goods are supplied by agent to an unrelated buyer. In the present case, OMV is ₹55,00,000 and 90% of re sale price is ₹60,00,000 X 90% = ₹54,00,000. Therefore, value under Rule 29 shall be ₹54,00,000. Also, as per Sec. 10(1)(a) of IGST Act, POS in case where supply involves movement of goods is the location where movement terminates i.e., Tamil Nadu and it is an interstate supply and chargeable to IGST.
2. Goods supplied to a related person, even though without consideration but in the course or furtherance of business constitutes supply under Sec. 7(1)(c) read with Schedule I of CGST Act, 2017. In case of supply to a related person, value shall be determined in terms of Rule 28, which is Open Market Value (OMV). Also, OMV shall be deemed to be transaction value if

INPUT TAX CREDIT

Question No 1:SWB 9TH EDITION – QUESTION NO. 74 (PG.NO 197)

Sunshine Pvt. Ltd. manufactures taxable goods. The company is registered under GST in the State of West Bengal. The company has provided following information in relation to inward supplies received by it in the month of October:

S. No.	Invoices received for inward supplies	IGST (₹)
1.	Raw material – X	2,00,000
2.	Rent of the factory building	1,50,000
3.	Raw material – Y	1,30,000
4.	Car purchased for the use of the director	1,20,000
5.	Consumables	80,000
6.	Machinery for being used in the manufacturing process	1,50,000
7.	Raw material – Z	1,10,000
8.	Technical consultancy for improvement in the manufacturing process	60,000
9.	Raw material – W (imported from China)	50,000
Total		10,50,000

S.No	Particulars	IGST (₹)
(i)	Balance in Form GSTR-2B on 28th October (Invoices at S. Nos. 1, 2 and 3 uploaded by the respective suppliers in their Form GSTR-1s)	4,80,000
(ii)	Balance in Form GSTR-2B on 13th November (Invoices at S. Nos. 1, 2, 3 and 4 uploaded by the respective suppliers in their Form GSTR-1s)	6,00,000
(iii)	Balance in Form GSTR-2B on 20th November (Invoices at S. Nos. 1, 2, 3, 4 and 5 uploaded by the respective suppliers in their Form GSTR-1s)	6,80,000

Compute the ITC that can be claimed by Sunshine Pvt. Ltd. in its Form GSTR -3B for the month of October to be filed by 20th November.

Note: The due date of filing of Form GSTR-1 and Form GSTR-3B for the month of October are 11th November and 20th November respectively. Subject to the information given above, all the other conditions for availing ITC have been complied with.

ITC to be claimed by Sunshine Pvt. Ltd. in its GSTR -3B for the month of October to be filed by 20th November will be computed as under –

Invoices	Amount of input tax involved in the invoices (₹)	Amount of ITC that can be availed (₹)
Balance in GSTR-2B on 13 th November [Note 1] (Invoices at S. Nos. 1, 2, 3 and 4 uploaded by the respective supplier in their GSTR-1s)	6,00,000	4,80,000 [Note 2] (6,00,000 – 1,20,000)
Invoices at S. Nos. 5, 6, 7 and 8 not uploaded in GSTR-1	4,00,000	Nil [Note 3]
Invoice at S. No. 9	50,000	50,000 [Note 4]
Total	10,50,000	5,30,000

Notes:

- Eligible input tax credit available to the recipient in respect of invoices or debit notes the details of which have been uploaded by the suppliers under section 37(1) of the CGST Act, 2017 as on the due date of filing of the returns in Form GSTR-1 of the suppliers for the said tax period. The taxpayer can ascertain the same from his auto populated Form GSTR 2B as available on the due date of filing of Form GSTR-1 under section 37(1).

- 2) In respect of invoices at S.No 5,6,7 & 8 not uploaded in FORM GSTR 1 by the due date. ITC cannot be availed as per Sec.16(2)(aa) of CGST Act, 2017.

The restriction of availment of ITC is imposed only in respect of those invoices, details of which are required to be uploaded by the suppliers under section 37(1) of the CGST Act, 2017 and which have not been uploaded. **Therefore, full ITC can be availed** in respect of IGST paid on imports which are outside the ambit of section 37(1) [Circular No. 123/42/2019 GST dated 11.11.2019].

Question No 2:**SWB 9TH EDITION – QUESTION NO. 80 (PG.NO 204)**

Mr. Vijay, a registered supplier, receives 100 invoices (for inward supply of goods/ services) involving GST of ₹10 lakh, from various suppliers during the month of October 20XX.

Compute the ITC that can be claimed by Mr. Vijay in his GSTR-3B for the month of October 20XX to be filed by 20th November 20XX in the following independent cases assuming that GST of ₹10 lakh is otherwise eligible for ITC:

Case I

Out of 100 invoices, 80 invoices involving GST of Rs. 6 lakh have been uploaded by the suppliers in their respective GSTR-1s filed on the prescribed due date therefor.

Case II

Out of 100 invoices, 75 invoices involving GST of Rs. 9.6 lakh have been uploaded by the suppliers in their respective GSTR-1s filed on the prescribed due date therefor.

Case III

In Case I, When can Mr. Vijay avail the balance ITC?

As per section 16(2)(aa), ITC can be availed by a registered person in respect of invoices or debit notes, the details of which have been uploaded by the suppliers in GSTR-1 by the due date and reflected in auto populated GSTR-2B for recipient.

Case I:

ITC claimed by Mr. Vijay in his GSTR – 3B for the month of October 20XX to be filed by 20th November 20XX will be computed as under-

Invoices	Amount of ITC involved in the invoices (₹)	Amount of ITC that can be availed (₹)
In respect of 80 invoices uploaded in GSTR - 1	6 lakh	6 lakh [refer Note 1 below]
In respect of 20 invoices not updated in GSTR-1	4 Lakh	Nil [Refer Note 2 below]
Total	10 Lakh	6 Lakh

Notes:

- I. In respect of invoices uploaded by the suppliers in their GSTR-1 by the due date, full ITC can be availed
- II. The ITC in respect of invoices not uploaded by the due date of GSTR -1, cannot be availed.

Case II:

ITC to be claimed by Mr. Vijay in his GSTR-3B for the month of October 20XX to be filed by 20th November will be computed as under:

Invoices	Amount of ITC involved in the invoices (₹)	Amount of ITC that can be availed (₹)
In respect of 75 invoices uploaded in GSTR-1	9.6 Lakh	9.6 Lakh (refer Note 1 below)
In respect of 25 invoices not uploaded in GSTR - 1	0.4 lakh	Nil [Refer Note 2 below]
Total	10 lakh	9.6 lakh

Notes:

1. In respect of invoices uploaded by the suppliers in their GSTR-1, full ITC can be availed.
2. The ITC in respect of invoices not uploaded by due date GSTR-1, cannot be availed.

Case III:

A taxpayer may avail full ITC in respect of a tax period, as and when the invoices are uploaded by the suppliers. Therefore, Mr. Vijay may avail full ITC of ₹6 lakh in respect of the month of October 20XX, as and when the invoices are uploaded by the suppliers. Hence, balance ITC of ₹4 lakh can be availed by Mr. Vijay if suppliers upload details of some of the invoices for the month of October 20XX involving ITC of ₹ 4 lakh. Suppose suppliers of Mr. Vijay upload 20 more invoices involving ITC of ₹ 4 lakh in the month of December 20XX. In such a scenario, ITC that can be claimed by Mr. Vijay for the month of December 20XX (in respect of such invoices) will be 100% ITC of ₹ 4 Lakh.

Author's Note: w.e.f 01.01.2022, only matched ITC can be availed. Therefore, 5% is not applicable for Nov22/May 23Exams

Question No 3:**SWB 9TH EDITION – QUESTION NO. 21 (PG.NO 142)**

Honey Ltd is located in Delhi and engaged in manufacture of mechanical appliances. It submits the following information pertaining to inward supplies during Dec 2020 —



	Taxable value of inward supply (₹)	GST charged by supplier (₹)
Steel rods for manufacturing (received in factory on December 2, 2020) (invoice is missing, not available in the records of X Ltd.)	7,50,000	1,35,000
Machine tools (received on December 7, 2020) (payment is made on April 10, 2021)	1,00,000	18,000
Stainless steel sheets (first instalment received on December 24, 2020, second and final instalment will be received on January 10, 2021) (invoice for both instalments received on December 26, 2020, taxable value + GST: ₹5,90,000)	5,00,000	90,000
Tax consultancy given by a chartered accountant (time of supply: December 10, 2020)	40,000	7,200
Air-conditioner for office (received in office on December 20, 2020) (for income-tax purposes depreciation is claimed under section 32 on ₹32,000)	25,000	7,000
Heating system for canteen (received on December 28, 2020, depreciation is claimed on taxable value excluding GST)	1,00,000	28,000
Corporate membership of Times Club (it will be used by directors to entertain foreign collaborators only)	50,000	9,000

Calculate the amount of input tax credit available to Honey Ltd. for December 2020. Assume that conditions for claiming input tax credit are satisfied.

Computation of input tax credit available to Honey Ltd. for December 2020 —

Different items	Reasons	₹
Steel rods	Input tax credit not available, invoice is missing	—
Machine tools	Input tax credit is available for December 2020, date of payment is not irrelevant if payment is made within 180 days from the date of invoice	18,000
Stainless steel sheets	When input is received in instalments, input tax credit is available only on receipt of last instalment, input tax credit will be available for January 2021	—
Tax consultancy	Input services are eligible for input tax credit	7,200
Air-conditioner	Input tax credit not available as GST is included in "actual cost" for calculating depreciation under section 32 of Income-tax Act	-
Heating system	Input tax credit is available even if it is installed in canteen	28,000

Corporate membership	GST on club membership is not eligible for input tax credit	—
Total	Total eligible ITC available in the month of December 2020	53,200

Question No 4: SWB 9TH EDITION – QUESTION NO. 34 (PG.NO 150)

M/s. Jonty India Ltd. a manufacturer of heavy machines registered at Jaipur (Rajasthan) supplied one machine to M/s. Dhanuka Ltd. of Udaipur (Rajasthan) on 05-02-2021 under an invoice of the same date. Using the information given below, compute the value of the machine and the GST payable (CGST & SGST or IGST as the case may be) in cash for the month of February, 2021 by M/s. Jonty India Ltd. with appropriate working notes.

Assume Rate of CGST, SGST and IGST on the machine to be 9%, 9% and 18% respectively.

Sl. No.	Particulars	Amount in ₹
(i)	The Basic price of the machine (exclusive of taxes and discount).	28,50,000
(ii)	Trade discount is allowed at 3% on the basic price and is shown in the invoice	85,500
(iii)	Secondary packing (in iron sheets) charges for safe transportation of the machine on the request of buyer.	30,000
(iv)	Design and engineering charges of the machine.	90,000
(v)	Tax levied by Municipal Authority on the sale of the machine.	25,000
(vi)	Subsidy received by the supplier from the State Government to encourage manufacture of the machine.	80,000
(vii)	Pre-delivery inspection charges paid to an independent agency in terms of the agreement for supply. The amount was paid by M/s. Dhanuka Ltd.	22,000
(viii)	Interest amount paid by M/s Dhanuka Ltd. for delay in payment for the machine.	12,000
	Inward Supplies	
(i)	IGST paid on food items for consumption by employees working in the factory.	8,000
(ii)	SGST and CGST (₹15,000 each) paid on Electrical transformer used in the manufacturing process.	30,000

Note :

(i) M/s. Jonty India Ltd. has no input tax credit balance at the beginning of February, 2021. All the other conditions necessary for availing the eligible input tax credit have been fulfilled.

(ii) There are no other transactions of supplies during the month of February, 2021

(iii) M/s. Jonty India Ltd. and M/s. Dhanuka Ltd. are not related persons.

The taxability of each is as follows —

Sl. No.	Particulars	Comments	Amount in (₹)
(i)	The Basic price of the machine (exclusive of taxes and discount)	Includible in value as part of transaction value – section 15(1)	28,50,000
(ii)	Trade discount is allowed at 3% on the basic price and is shown in the invoices	Allowed as deduction as discount given at the time of supply – section 15(3)	(85,500)
(iii)	Secondary packing (in iron sheets) charges for safe transportation of the machine on the request of buyer.	Includible as expenses incurred before or at time of supply – section 15(2)(c)	30,000
(iv)	Design and engineering charges of the machine	Includible as expenses incurred before or at time of supply – section 15(2)(c)	90,000
(v)	Tax levied by Municipal Authority on the sale of the machine.	Value includes taxes other than GST – section 15(2)(a)	25,000
(vi)	Subsidy received by the supplier from the State Government to encourage manufacture of the machine.	Subsidy given by Government not includible in value – section 15(2)(e)	—
(vii)	Pre-delivery inspection charges paid to an independent agency in terms of the agreement for supply. The amount was paid by M/s. Dhanuka Ltd.	Liability of supplier incurred by recipient, to be includable in value – section 15(2)(c)	22,000

(viii)	Interest amount paid by M/s. Dhanuka Ltd. for delay in payment for the machine.	Includible – section 15(2)(d)	12,000
	Total Value		29,43,500
(A)	Tax payable @ 9% CGST & 9% SGST		CGST ₹264,915 and SGST ₹264,915
	Less – ITC on Inward Supplies		
(i)	IGST paid on food items for consumption by employees working in the factory.	Blocked input tax credit as supply used for personal consumption – section 17(5)(g)	—
(ii)	SGST and CGST (₹15,000 each) paid on Electrical transformer used in the manufacturing process.	ITC eligible if depreciation on GST component is not claimed – section 16(3)	30,000
(B)	ITC available		CGST ₹15,000 and SGST ₹15,000
(C)	Net Tax payable (A-B)	CGST and SGST payable as supply is within the State	CGST ₹2,49,915 and SGST ₹2,49,915

Hence, net tax payable is CGST ₹2,49,915 and SGST ₹2,49,915

Question No 5:**SWB 9TH EDITION – QUESTION NO. 81 (PG.NO 205)**

- Principal (A Ltd.) supplied Fabric to Job-worker (Tailor - lala) to manufacture garments. Whether Tailor can use his own material (e.g thread, Button etc.). Further whether Job-worker (Tailor - lala) can take credit of thread, Button
- Whether job-worker making (intra-state supply of Rs 8 lakh & inter-state supply of Rs 10 lakh) is liable to get registered in a year.
- Whether principal Can sell garments manufactured from the place of job-worker (Tailor)
- What are the documents to be issued for
 - Where goods are sent by principal (A Ltd.) to only one job worker (Tailor - lala)
 - Where goods are sent from one job worker (Tailor - lala) to another job worker (Tinku)
 - Where the goods are returned to the principal by the job worker (Tailor - lala)
 - Where the goods are sent directly by the supplier (Fabric Ltd) to the job worker (Tailor - lala) on direction of buyer (A Ltd.)
 - Where the goods imported by the principal (A Ltd.) and sent directly from custom station to the job worker (Tailor - lala)
 - Where goods are returned in piecemeal by the job worker (Tailor - lala)
 - When intimation required to be furnished
- Determine the value for job- worker

Charges for Job Work	10000
Value of Goods/Services used in performing Job work	2000
Amortized cost moulds, dies jigs & fixtures or tools provided by the principal	8000

- The principal is located in State A, the job worker in State B and the recipient in State C. In case the supply is made from the job worker's place of business / premises,
 - who will issue invoice
 - Further also comment, if recipient is in state A,
 - If goods are exported from job-worker place, then who is required to furnish bond/LUT
- In input or capital goods are not received back within 1/3 years, what will be the consequence?
 - Yes, Tailor (job-worker) can use his own material (e.g thread, Button etc.), further Job-worker (Tailor - lala) can take credit of thread, Button.
 - Clause (i) of Section 24 of the CGST Act, 2017, makes it necessary for the registration for making interstate taxable supply irrespective of threshold limit, but Notification No. 10/2017- Integrated Tax dated October 13, 2017 makes inter-state supply of services exempt from registration if threshold limit of supply of services, on all India basis, does not exceed ₹20 Lakhs/ (₹10 Lakhs in special category of states) in a financial year. Hence in this case, job-worker is not required to take registration

3. Section 143 of the CGST Act says that the principal may supply inputs after completion of job work or capital goods (other than moulds and dies, jigs and fixtures or tools) within one year or three years respectively, from the place of business / premises of a job worker only if
 - I. he declares the job worker's place of business / premises as his additional place of business or
 - II. if the job worker is registered.
 Further commissioner has power to notify certain goods which principal cannot supply from the place of business of job worker
4.
 - I. **Where goods are sent by principal to only one job worker:**
 - ❖ The principal (A Ltd.) shall prepare in triplicate, the challan in terms of rules 45 and 55 of the CGST Rules, for sending the goods to a job worker (Tailor - lala)
 - ❖ 2 copies of the challan may be sent to the job worker (Tailor - lala) along with the goods.
 - ❖ The job worker (Tailor - lala) should send one copy of the said challan along with the goods, while returning them to the principal (A Ltd.).
 - ❖ The principal (A Ltd.) is also required to file FORM GST ITC-04 which will serve as the intimation every quarter stating the said details.
 - II. **Where goods are sent from one job worker to another job worker:**
 - ❖ In such cases, the goods may be sent with challan issued either by the principal (A Ltd.) or the job worker (Tailor - lala).
 - ❖ In the alternative, the challan issued by the principal (A Ltd.) may be endorsed by the job worker (Tailor - lala) sending the goods to another job worker (Tinku), indicating therein the quantity and description of goods being sent.
 - ❖ The same process may be repeated for subsequent movement of the goods to other job workers.
 - III. **Where the goods are returned to the principal by the job worker:**

The job worker (Tailor - lala) should send one copy of the challan received by him from the principal (A Ltd.) while returning the goods to the principal (A Ltd.) after carrying out the job work.
 - IV. **Where the goods are sent directly by the supplier to the job worker:**
 - ❖ In this case, the goods may move from the place of business of the supplier to the place of business/premises of the job worker (Tailor - lala) with A COPY OF THE INVOICE ISSUED BY THE SUPPLIER (Fabric Ltd) IN THE NAME OF THE BUYER (i.e. the principal (A Ltd.)) WHEREIN THE JOB WORKER'S NAME and address (Tailor - lala) should also be MENTIONED AS THE CONSIGNEE, in terms of rule 46(o) of the CGST Rules.
 - ❖ The buyer (i.e., the principal (A Ltd.)) shall issue the challan under rule 45 of the CGST Rules and send the same to the job worker (Tailor - lala) directly
 - V. **Where the goods imported by the principal and sent directly from custom station to the job worker:** In case of import of goods by the principal (A Ltd.) which are then supplied directly from the customs station of import, the goods may move from the customs station of import to the place of business/premises of the job worker (Tailor - lala) with a copy of the Bill of Entry and the principal shall (A Ltd.) issue shall issue the challan in triplicate and send two copies of the same to the job worker (Tailor - lala) directly
 - VI. **Where goods are returned in piecemeal by the job worker:** In case the goods after carrying out the job work, are sent in piecemeal quantities by a job worker (Tailor - lala) to another job worker or to the principal (A Ltd.), the challan issued originally by the principal (A Ltd.) cannot be endorsed and a fresh challan is required to be issued by the job worker.
 - VII. **Submission of intimation:** FORM GST ITC-04 will serve as the intimation and shall be furnished by 25th of the months following every half year (If ATO of PY > ₹ 5 crores) & 25th of the month following every year (if ATO of PY ≤ ₹ 5 Crores). It is clarified that it is the responsibility of the principal to include the details of all the challans relating to goods sent by him to one or more job worker or from one job worker to another and its return there from.

5. Valuation of job worker services: If the Job worker is registered, he shall issue an invoice at the time of supply. The value of job work services would be determined in terms of Section 15 of the CGST Act, 2017, and would include not only the service charges of job work but also the value of any goods or services used by him for performing the job work services, if recovered from the principal, i.e Value of Job Work Service = Charges for Job Work + Value of Goods/Services used in performing Job work + amortized cost moulds, dies jigs & fixtures or tools provided by the principal.
Hence value of job- work service = 10000 + 2000 + 8000 = 20,000
6.
 - a) The invoice will be issued by the supplier (principal) located in State A to the recipient located in State C. The said transaction will be an inter-State supply.
 - b) In case the recipient is also located in State A, it will be an intra-State supply.
 - c) In case of exports directly from the job worker's place of business/premises, the LUT/Bond shall be executed by the principal.
7. if the inputs or capital goods are neither returned nor supplied from the job worker's place of business/premises within the specified time period,
 - I. the principal would issue an invoice for the same and declare such supplies in his return for that particular month in which the time period of one year/three years has expired.
 - II. The date of supply shall be the date on which such inputs or capital goods were initially sent to the job worker and interest for the intervening period shall also be payable on the tax.
 - III. If such goods are returned by the job worker after the stipulated time period, the same would be treated as a supply by the job worker to the principal and the job worker would be liable to pay GST if he is liable for registration in accordance with the provisions contained in the CGST Act read with the rules made thereunder.
 - IV. Further, there is no requirement of either returning back or supplying the goods from the job worker's place of business/premises as far as moulds and dies, jigs and fixtures, or tools are concerned.

Question No 6:

(New Question)

Happy Ltd. located at Alwar (Rajasthan), exclusively, manufactures and sells the product "Shine & Shine", which is exempt from GST. Happy Ltd. sells "Shine & Shine" only within Rajasthan. The turnover of Happy Ltd. in the previous year was ₹ 60 lakhs. Happy Ltd. purchased additional machinery (Capital Goods) for manufacturing "Shine & Shine" on 1st April, 2021. The invoice for supply of machinery also was issued on 1st April, 2020. The purchase price of the machinery was ₹ 25 lakh exclusive of CGST and SGST @ 12% (6% + 6%). On 1st December, 2021 exemption available on the product "Shine & Shine" was withdrawn by the Central Government and CGST and SGST @ 18% (9% + 9%) was imposed thereon. The turnover of Happy Ltd. on 30th September, 2021 was ₹ 45 lakh.

Examine the issue and provide the answers (with supporting explanatory note for each answer) to the following:

- a) Does Happy Ltd. have to register under CGST Act, 2017?
- b) Can Happy Ltd. take Credit of tax paid on the machinery purchased?

If yes, what is the amount of Input Tax Credit (ITC) that can be availed?

- I. As per Section 22 of the CGST Act, 2017 a supplier is liable to be registered under GST in the state or UT, from where he makes a taxable supply of goods or service or both if his aggregate turnover in a financial year exceeds ₹ 20 lakh in such state/UT (₹ 10 lakh in a special category states). The term 'aggregate turnover' includes exempt turnover also. It shall also be noted that if the manufacturer is exclusively engaged in supply of goods, the limit shall be ₹ 40 lakhs subject to some exceptions, w.e.f. 01.04.2021.
However, a person exclusively engaged in making exempt supplies is not liable to registration in terms of Section 23(1) of CGST Act, 2017. In view of combined reading of above provisions, although the 'aggregate turnover' of Happy Ltd. exceeds the applicable threshold limit of ₹ 20 lakh on 30.09.2021 [₹ 45 lakh], it was not required to be registered till 30.11.2021 as it supplied only exempted goods till that day. Therefore, Happy Ltd. needs to register within 30 days from

01.12.2021 (the date on which its supplies became taxable) as its turnover had already exceeded the threshold limit of ₹ 40 lakh on 01.12.2021.

- II. As per Section 17 of the CGST Act, the input tax credit (ITC) on capital goods used or intended to be used exclusively for effecting exempt supplies is disallowed. However, where an exempt supply by a registered person becomes a taxable supply, such person gets entitled to take proportionate ITC on such capital goods in terms of Section 18(1)(d) of CGST Act, 2017. Thus, a non-registered person cannot take ITC on capital goods under this provision.

Further, a person who has applied for registration within 30 days from the date on which he becomes liable to registration and has been granted such registration is also not entitled to take ITC on capital goods held with him on the day immediately preceding the date from which he becomes liable to pay tax in terms of Section 18(1)(a) of CGST Act, 2017.

In the given case, Happy Ltd. is not registered at the time when its exempt supply becomes taxable. Thus, the company cannot take proportionate ITC on capital goods as mentioned above. Further, the company will also not be entitled for credit on capital goods held with it when it applies for registration in the prescribed manner.

Question No 7: (New Question)	
Jai and Co, a registered supplier under GST, engaged in weaving yarn into fabrics has provided the following information:	
Nature of Various Intra-State supplies during April, 2021	Value of Supply (Excluding GST)
Outward Supply of Fabrics (Tax rate of CGST and SGST @ 2.5% each)	30,00,000
Inward supply of Rayon Yarn (Tax rate of CGST and SGST @ 6% each)	24,00,000
Inward supply of services for processing the yarn (Tax rate of CGST and SGST @ 2.5% each)	4,00,000
Inward supply of Machineries for weaving the processed yarn into Fabrics (Tax rate of CGST and SGST @ 9% each)	45,00,000
The concern has not provided any other supply other than the outward supply referred above. ITC in respect of all types of inward supply as given above was claimed in the relevant GSTR 3B as well as reflected in GSTR 2A.	
Other applicable conditions for claiming the refund are duly complied with.	
You are required to compute the 'Maximum refund amount' eligible under rule 89(5) of CGST Rules, 2017 for inverted duty structure.	
Also provide working notes for your calculation.	
Note: No refund claimed under rule 89(3) or rule 89(4) of the CGST Rules, 2017.	

As per Rule 89(5) of CGST Rules, 2017 in the case of refund on account of inverted duty structure, refund of input tax credit shall be granted as per the following formula:-

Maximum Refund Amount = {(Turnover of inverted rated supply of goods and services) × Net ITC / Adjusted Total Turnover} – Tax payable on such inverted rated supply of goods and services.

Explanation: - For the purposes of this sub-rule, the expressions–

- (a) "Net ITC" shall mean input tax credit availed on inputs during the relevant period other than the input tax credit availed for which refund is claimed under sub-rules (4A) or (4B) or both; and
(b) "Adjusted Total turnover" and "relevant period" shall have the same meaning as assigned to them in sub-rule (4).

Net ITC = 24,00,000 × 12% = ₹2,88,000

Inverted rate turnover = 30,00,000

Adjusted total turnover = 30,00,000

GST on inverted rate turnover = 30,00,000 × 5% = ₹1,50,000

Max. Refund = ₹2,88,000 (-) ₹1,50,000 = ₹1,38,000

Note: Refund not available w.r.to ITC on input services and capital goods.

COMPOSITION SCHEME

Question No 1: SWB 9TH EDITION – QUESTION NO. 2 (PG.NO 228)

Hotel King Pvt. Ltd. is a registered person under GST. P.Y. turnover was ₹100 lakhs. Applicable GST 18%. Inputs cost ₹7,80,000 (exclusive of GST 18%). Profit margin is 40% on cost. Find the invoice price and advice the best option between normal scheme and composition scheme, to pay tax if any. There is no opening balance and closing balance for the tax period.

Composition Scheme			Normal Scheme		
Particulars	Value in ₹		Particulars	Value in ₹	Value in ₹
Cost of inputs	7,80,000		Cost of inputs	7,80,000	
Add: GST 18% on inputs	1,40,400		Add: GST 18% on inputs	Not Cost	
Total Cost	9,20,400		Total Cost	7,80,000	
Add: Profit margin 40%	3,68,160		Add: Profit margin 40%	3,12,000	
Invoice Price	12,88,560		Add: GST 18% CGST & SGST	1,96,560	
CGST 2.5%	Cannot be charged	32,214	Invoice Price	12,88,560	
SGST 2.5%	to customer	32,214		CGST 9%	SGST 9%
Total GST Liability	64,428		Output Tax (On 10,92,000)	98,280	98,280
			Less: ITC	(70,200)	(70,200)
			Net Liability	28,080	28,080
			Total Tax		₹56,160
Net Profit (368160-64428)	3,03,732		Net Profit		3,12,000

Notes to above:

1. GST cannot be charged to the recipient in case of composition scheme.
2. ITC cannot be availed on inward supplies, in case of composition scheme.

Conclusion:

It is advisable to go for normal Scheme as profitability of person is more under that option.

Question No 2:

(NEW QUESTION)

Whether the following supplier are eligible to opt for composition scheme (state reasons also)

- a) Supplier of consultancy services (intra-state supply).
- b) Supplier of restaurant/catering services (intra-state supply) – serving only food and non-alcoholic beverages;
- c) Supplier of restaurant/catering services (intra-state supply) – serving food and non-alcoholic as well as alcoholic beverages;
- d) Supplier of handicraft goods (intra-state supply);

Assume: All suppliers are fulfilling the turnover limit as required under Composition Scheme.

Under GST law, Sec 10(1) of CGST Act provides for composition scheme for small suppliers as an alternative easy way of payment of GST. Suppliers having ATO of ₹1.5 crore / ₹75 lakhs are eligible to opt for this composition scheme, if they do not attract any disqualification specified in Sec 10(2) of CGST Act.

Keeping in mind the legal provisions laid down in Sec 10 of CGST Act, answers to situations given to us are as stated below:

- a) Supplier of consultancy services (intra-state supply):
Supplier of services (other than restaurant and catering) are disqualified for composition scheme u/s 10(1).
Thus, supplier of consultancy services is **not eligible** for composition scheme u/s 10(1). However, composition scheme u/s **10(2A) is available**.
- b) Supplier of restaurant/catering services (intra-state supply) – serving only food and non-alcoholic beverages:

Supplier of services of restaurant and catering are qualified for composition scheme.
Thus, such supplier is eligible for composition scheme u/s 10(1) or 10(2A)

c) Supplier of restaurant/catering services (intra-state supply) – serving food and non-alcoholic as well as alcoholic beverages:

Though supplier of services of restaurant and catering are qualified for composition scheme, but supplier engaged in making non-taxable supply is not eligible. Supply of alcoholic beverages is non-taxable under GST.

Thus, restaurant serving food and non-alcoholic as well as alcoholic beverages shall not be eligible for composition Scheme under Sec. 10(1) or 10(2A)

d) Supplier of handicraft goods (intra-state supply):

Supplier of any goods (making intra-state supply) is eligible to opt for composition scheme.

Thus, supplier of handicraft goods is eligible to opt for composition scheme u/s 10(1) or 10(2A).

Question No 3:

(NEW QUESTION)

Discuss whether payment of GST under Composition Scheme is possible in the cases given below –

- I. X belongs to Karnataka, is a painter. A Trade Fair is organized by Maharashtra Government in Mumbai from 20 Jan, 2021 to 27 Jan, 2021. X wants to display and sell his paintings in the Mumbai Trade Fair. He has not sold any of his paintings earlier. His turnover in Trade Fair is not likely to be more than ₹10 lakh. He wants to opt for Composition Scheme.
- II. X is in the business of manufacture of pan masala. With effect from December 1, 2020, he wants to manufacture biscuits for rural market along with pan masala. He wants to opt for Composition Scheme with effect from December 1, 2020. His annual turnover (even after commencement of biscuits manufacture) will not be more than ₹ 50 lakh.

I. X is a "casual taxable person".

["Casual taxable person" means a person who occasionally undertakes transactions involving supply of goods / services in the course or furtherance of business (whether as principal, agent or in any other capacity) in a State / Union Territory where has no fixed place of business.

- A casual taxable person making taxable supply in India has to take compulsorily registration under GST provisions (Sec 24 of CGST Act).
- For casual taxable person, there is No threshold limit of 'aggregate turnover'.
- He is liable to pay GST even if his turnover is only of ₹10 lakhs.
- He shall apply for registration at least 5 days prior to the date of commencement of Trade Fair.

As per Sec 10 of CGST Act, a casual taxable person is not eligible to avail composition scheme.

He shall get himself registered as regular supplier and not as composition supplier.

- II. X manufactures pan masala. A manufacturer of ice-cream, edible ice, pan masala and tobacco products, Aerated waters, Bricks & Roofing tiles cannot opt for Composition Scheme. Hence X, is not eligible for Composition levy. (Pay GST normal rate on all supplies – supply of pan masala as well as supply of biscuits)

Question No 4:

(NEW QUESTION)

Taxpayer 'A' is a manufacturer having one unit - A1 in UP and another unit - A2 in MP. Turnover of two units in last FY was ₹ 55 lakh (₹ 25 lakh + ₹ 30 lakh). Total turnover of two units the second quarter of this financial year was ₹ 15 lakh (₹ 5 lakh + ₹ 10 lakh).

As per section 10(1) of CGST Act, the amount of tax payable under composition scheme shall be computed as follows: (Applicable rate of GST for manufacturer is 1% on total turnover)

Unit	Location	Turnover in previous FY	Turnover in State during the Second quarter	Total tax (@1%) under Composition
A1	U.P.	₹ 25 lakh	₹ 5 lakh	₹5,000
A2	M.P.	₹ 30 lakh	₹ 10 lakh	₹10,000
Aggregate Turnover (ATO)		<u>₹ 55 lakh</u>	<u>₹ 15 lakh</u>	

Since the aggregate turnover during previous year does not exceed ₹150 lakhs, 'A' can opt for composition scheme under Sec. 10(1) of CGST Act during the current year.

However, composition scheme under Sec. 10(2A) is not applicable as the ATO of previous year exceeds ₹50 lakhs.

Note: ATO should not be computed state wise but should be computed on all India basis against single PAN except for determining turnover of 10% limit of services.

Question No 5: SWB 9TH EDITION – QUESTION NO. 14 (PG.NO 235)

M/s. Ginny and John Company is a partnership firm of interior decorators and also running a readymade garment showroom. Turnover of the showroom was ₹140 lakh and Receipts of the interior decorators service was ₹ 22 Lakh in the preceding financial year.

- (i) With reference to the provisions of the CGST Act, 2017, examine whether the firm can opt for the composition scheme?
 - (ii) Will your answer change, if the turnover of the showroom was ₹ 70 lakh and Receipts of the interior decorators service was ₹ 22 Lakh in the preceding financial year?
 - (iii) Also discuss whether it is possible for M/s. Ginny and John Company to opt for composition scheme only for Showroom?
- (i) **Not eligible for composition scheme** – as ATO in PY is exceeding the eligible limit of 1.5 crore. Also, being supplier of service other than restaurant/catering services, it is not eligible.
 - (ii) **Not eligible for composition scheme** – as engaged in supply of services other than restaurant/catering services (even though it is fulfilling condition of ATO). However, if the receipts from interior decoration does not exceed ₹ 9.2 lakhs during CY, they can opt for composition scheme u/s 10(1).
 - (iii) **Composition scheme has to be opted for all registered premises** – if any registered premise is not eligible for composition, then all registered premises cannot opt for composition.

Question No 6: SWB 9TH EDITION – QUESTION NO. 30 (PG.NO 251)

Shubhlaxmi Foods is engaged in supplying restaurant service in Maharashtra. In the preceding financial year, it had a turnover of ₹ 140 lakh from the restaurant service. Further, it had earned the bank interest of ₹ 20 lakh from the fixed deposits. You are required to advise Shubhlaxmi Foods whether it is eligible for the composition scheme under sub-sections (1) and (2) of section 10 in the current financial year.

Further, assuming that in the current financial year, its turnover is ₹ 130 lakh from the supply of restaurant services and ₹ 10 lakh from the supply of farm labour in Maharashtra. It has also earned the bank interest of ₹ 30 lakh from the fixed deposits. Compute the tax payable by Shubhlaxmi Foods in the current FY.

As per section 10(1) read with Notification No. 14/2019 CT dated 7.03.2019, a registered person, whose aggregate turnover in the preceding financial year did not exceed ₹ 1.5 crore, may opt to pay, in lieu of the tax payable by him, an amount calculated at the specified rates if, inter alia, he is not engaged in the supply of services other than restaurant services.

However, the scheme permits supply of other marginal services for a specified value along with the supply of goods and restaurant service, as the case may be. Such marginal services can be supplied for a value up to 10% of the turnover in the preceding year or ₹ 5 lakh, whichever is higher [Second proviso to section 10(1)]. Although exempt services are included in determining the value of turnover in a State or Union territory, explanation to section 10(1) clarifies that for the purposes of second

proviso to section 10(1), the value of exempt supply of services provided by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount shall not be taken into account for determining the value of turnover in a State or Union territory.

Further, the exempt services are also included in the aggregate turnover [Section 2(6)]. However, explanation 1 to section 10 excludes value of exempt supply of services provided by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount from aggregate turnover.

In this backdrop, in the given case, the aggregate turnover of Shubhlaxmi Foods in the preceding FY is ₹ 140 lakh (since bank interest of ₹ 20 lakh from the fixed deposits will not be taken into account for computing aggregate turnover). Resultantly, it is eligible to opt for composition scheme under sub-sections (1) and (2) of section 10 in the current FY.

Further, apart from restaurant services, it can provide services upto ₹ 14 lakh [i.e., 10% of ₹ 140 lakh or ₹ 5 lakh, whichever is higher], in the current FY. As already seen, bank interest of ₹ 20 lakh from fixed deposits will not be considered while determining this limit. However, supply of farm labour is ₹10 lakhs.

Further, tax payable @ 5% (2.5% CGST+ 2.5% SGST) of the turnover in the State by Shubhlaxmi Foods in the current financial year is as follows:

= 5% of ₹ 1,30,00,000

[(Bank interest of ₹ 30 lakh from the fixed deposits is not considered while computing turnover in the State for determining the tax payable under composition scheme (In terms of explanation 2 to section 10). Also on other services, the applicable rate of CGST is 0.5% on taxable turnover and rate of SGST is 0.5% of taxable turnover. In the present case, supply of farm labour is exempted. Therefore, GST not payable on the same] = ₹ 6,50,000 [CGST = ₹ 3,25,000 and SGST = ₹ 3,25,000]

Question No 7: SWB 9TH EDITION – QUESTION NO. 9 (PG.NO 232)

Whether the following supplier are eligible to opt for composition scheme (state reasons also)

- Supplier of consultancy services (intra-state supply).
- Supplier of restaurant/catering services (intra-state supply) – serving only food and non-alcoholic beverages;
- Supplier of restaurant/catering services (intra-state supply) – serving food and non-alcoholic as well as alcoholic beverages;
- Supplier of handicraft goods (intra-state supply);

Assume: All suppliers are fulfilling the turnover limit as required under Composition Scheme.

Under GST law, Sec 10(1) of CGST Act provides for composition scheme for small suppliers as an alternative easy way of payment of GST. Suppliers having ATO of ₹1.5 crores / ₹75 lakhs are eligible to opt for this composition scheme, if they do not attract any disqualification specified in Sec 10(2) of CGST Act.

Keeping in mind the legal provisions laid down in Sec 10 of CGST Act, answers to situations given to us are as stated below:

- Supplier of consultancy services (intra-state supply):

Supplier of services (other than restaurant and catering) are **disqualified for composition scheme u/s 10(1).**

Thus, supplier of consultancy services is **not eligible** for composition scheme u/s 10(1). However, composition scheme u/s **10(2A) is available.**

- Supplier of restaurant/catering services (intra-state supply) – serving only food and non-alcoholic beverages:

Supplier of services of restaurant and catering are qualified for composition scheme.

Thus, such supplier is **eligible for composition scheme u/s 10(1) or 10(2A)**

c) **Supplier of restaurant/catering services (intra-state supply) – serving food and non-alcoholic as well as alcoholic beverages:**

Though supplier of services of restaurant and catering are qualified for composition scheme, but supplier engaged in making non-taxable supply is not eligible. Supply of alcoholic beverages is non-taxable under GST.

Thus, restaurant serving food and non-alcoholic as well as alcoholic beverages shall **not be eligible** for composition Scheme under Sec. 10(1) or 10(2A)

d) **Supplier of handicraft goods (intra-state supply):**

Supplier of any goods (making intra-state supply) is eligible to opt for composition scheme.

Thus, supplier of handicraft goods is **eligible to opt for composition scheme u/s 10(1) or 10(2A).**

Question No 8: SWB 9TH EDITION – QUESTION NO. 23 (PG.NO 243)

Mr. Prem is running a restaurant in New Delhi. In the preceding financial year, it has turnover of ₹ 120 lakh from the restaurant services. In the current financial year, apart from restaurant service, he also wants to provide food delivery services to other restaurants. He estimated the turnover of such services upto Rs. 5 lakh.

Mr. Prem wishes to opt for composition scheme in the current financial year. You are required to advise him for same. Further, also advise the documents to be issued by him for billing the restaurant services as well as food delivery services in case he opts for composition scheme.

As per section 10(1) of the CGST Act, 2017 read with Notification No.14/2019 CT dated 07.03.2019, a registered person, whose aggregate turnover in the preceding financial year did not exceed ₹ 1.5 crore, may opt to pay, in lieu of the tax payable by him, an amount calculated at the specified rates if, inter alia, he is not engaged in the supply of services other than restaurant services.

However, the scheme permits supply of other marginal services for a specified value along with the supply of goods and restaurant service, as the case may be. Such **marginal services** can be supplied for a **value up to 10% of the turnover in the preceding year or ₹ 5 lakh, whichever is higher.**

In the present case, since the turnover of Mr. Prem is ₹ 120 lakh in preceding financial year, he is eligible for composition scheme in the current financial year. Further, in the current financial year, he can also supply services other than restaurant services for a value upto ₹ 12 lakh (10% of ₹ 120 lakh) or ₹ 5 lakh, whichever is higher. Thus, till the time his turnover from food delivery services does not exceed ₹ 12 lakh, he is eligible for the scheme.

In terms of section 31(3)(c) of the CGST Act, 2017, **Mr. Prem is required to issue Bill of Supply in both the cases** i.e. while providing restaurant services and food delivery services. He shall also mention the words **"composition taxable person, not eligible to collect tax on supplies"** at the top of the bill of supply issued by him.

Question No 9: SWB 9TH EDITION – QUESTION NO. 33 (PG.NO 253)

M/s Samson Ltd. being a trader of laptops has two units, one in Chennai and other in Mumbai.

Place	P.Y. Turnover ₹ in lakhs (Excluding taxes)
Chennai	52
Mumbai	12

You are required to answer the following:

- I. Is M/s Samson Ltd. eligible for composition levy in the current year?
- II. If so, can M/s Samson Ltd. opt composition scheme for Chennai location and normal scheme for Mumbai?
- III. Whether need to give separate intimations for opting composition scheme in each State?

- I. **Yes**, M/s Samson Ltd. is eligible to avail the composition scheme in both the states namely Tamil Nadu and Maharashtra.

Since, **M/s Samson Ltd. has same PAN, and its aggregate turnover does not exceed rupees**

EXEMPTIONS

Question No 1: SWB 9TH EDITION – QUESTION NO. 23 (PG.NO 270)

Mr. Nagarjun, a registered supplier of Chennai, has received the following amounts in respect of the activities undertaken by him during the month ended on 30th September, 2021:

S.No.	Particulars	Amount (₹)
(i)	Amount charged for service provided to recognised sports body as selector of national team	50,000
(ii)	Commission received as an insurance agent from insurance company	65,000
(iii)	Amount charged as business correspondent for the services provided to the urban branch of a nationalised bank with respect to savings bank accounts	15,000
(iv)	Service to foreign diplomatic mission located in India	28,000
(v)	Funeral Services	30,000

He received the services from unregistered goods transport agency for his business activities relating to serial numbers (i) to (iii) above and paid freight of ₹ 45,000 (his aggregate turnover of previous year was ₹ 9,90,000).

Note: All the transactions stated above are intra-State transactions and also are exclusive of GST. You are required to calculate gross value of taxable supply on which GST is to be paid by Mr. Nagarjun for the month of September, 2021. Working notes should form part of your answer.

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

Particulars	Amount (₹)
<u>Supplies on which Mr. Nagarjun is liable to pay GST under forward charge :</u>	
Amount charged for service provided to recognized sports body as selector of national team [Note 1]	50,000
Commission received as an insurance agent from insurance company [Note 2]	nil
Amount charged as business correspondent for the services provided to the urban branch of a nationalised bank with respect to savings bank accounts [Note 3]	15,000
Services provided to foreign diplomatic mission located in India [Note 4]	28,000
Funeral services [Note 5]	nil
<u>Supplies on which Mr. Nagarjun is liable to pay GST under reverse charge :</u>	
Services received from GTA [Note 6]	45,000
<u>Value of taxable supply on which GST is to be paid</u>	<u>1,38,000</u>

Notes:

- Services provided to a recognized sports body by an individual only as a player, referee, umpire, coach or team manager for participation in a sporting event organized by a recognized sports body are exempt from GST vide Exemption Notification No. 12/2017 CTI dated 28.06.2017. **Thus, service provided as selector of team is liable to GST.**
- Though commission for providing insurance agent's services is liable to GST, the tax payable thereon is to be paid by the recipient of service i.e., insurance company, under reverse charge in terms of Notification No. 13/2017 CTI dated 28.06.2017. Thus, Mr. Nagarjun will not be liable to pay GST on such commission.
- Services provided by business correspondent to a banking company with respect to accounts in **its rural area branch are exempt from GST** vide Exemption Notification No. 12/2017 CTI dated 28.06.2017. **Thus, such services provided in respect of urban area branch will be taxable under FCM, where the liability to pay GST is on Mr. Nagarjun. However, if he is business facilitator liability to pay GST is on recipient under RCM i.e., banking company.**

4. While services provided by a foreign diplomatic mission located in India are **exempt** from GST vide Exemption Notification No. 12/2017 CTI dated 28.06.2017, services provided to such mission are taxable.
5. Funeral services being covered in entry 4 of Schedule III to CGST Act, 2017 are **not a supply** and thus, are outside the ambit of GST.

GST on services provided by a GTA (not paying tax @ 12%) to inter alia a registered person is payable by the recipient of service i.e., the registered person, under **reverse charge** in terms of Notification No. 13/2017 CTI dated 28.06.2017. The turnover of previous year is irrelevant in this case.

Question No 2: (New Question)

M/s All-in-One, a partnership concern and a registered supplier under GST, is engaged in providing various services under one roof. The concern provides the following information pertaining to supply made/ input services availed by it during the month of March 2022:

	Particulars	₹
(i)	Provided Direct Selling Agent service to Y Bank Ltd.	4,00,000
(ii)	Provided security services to ABC P. Ltd. a registered Person under GST	60,000
(iii)	Provided security services to PSR Trust, an unregistered Person under GST	1,00,000
(iv)	Provided renting of motor vehicle to Amaze Tours Ltd. and supply value included cost of fuel	75,000
(v)	Provided renting of motor vehicle to Priti & Co. CA Firm and supply value included cost of fuel	40,000
(vi)	Availed representational service from PB and Co. a Law Firm towards a Consumer Court case	70,000

Determine the GST liability of M/s All-in-One for the month of March, 2022 by giving necessary explanations for treatment of various items. Rate of tax for both inward and outward supply is CGST / SGST @ 9% each except renting a vehicle, for which CGST / SGST @ 2.5% each is applicable. M/s All-in-One commenced its business from February, 2022. All the supplies are intra-state only.

GST liability of M/s All-in-One

	Particulars	Value	CGST payable	SGST payable
A.	GST liability on outward supply			
(i)	Direct selling agent service to Y Bank Ltd. [Tax is payable under forward charge since the supplier of such service is a partnership firm and not an individual.]	4,00,000	36,000 [4,00,000 × 9%]	36,000 [4,00,000 × 9%]
(ii)	Security services ⁵ to ABC P. Ltd., a registered person ⁶ [Tax is payable under reverse charge by the recipient since security services are provided by a non-body corporate to a registered person.]			
(iii)	Security services to PSR Trust, an unregistered person [Tax is payable under forward charge since security services are provided by a non-body corporate to an unregistered person.]	1,00,000	9,000 [1,00,000 × 9%]	9,000 [1,00,000 × 9%]
(iv)	Renting of motor vehicle to Amaze Tours Ltd. where value included cost of fuel [Tax is payable under reverse charge by recipient since such services are provided by a non-body corporate to a body corporate and GST is payable @ 5%.]			
(v)	Renting of motor vehicle to Priti & Co., CA firm, where supply value included cost of fuel [Tax is payable under forward charge since such services are provided by a non-body corporate to a non-body corporate.]	40,000	1,000 [40,000 × 2.5%]	1,000 [40,000 × 2.5%]

⁵ It is assumed that security services are the services provided by way of supply of security personnel.

⁶ It is assumed that ABC Pvt. Ltd. pays tax under section 9 of the CGST Act, 2017.

Total GST liability on outward supplies		46,000	46,000
B. GST liability on inward supplies under reverse charge			
(vi) Availed representational service from PB and Co., a law firm [Legal services provided by a partnership firm of advocates/individual advocate other than a senior advocate to a business entity with an aggregate turnover up to such amount in the preceding financial year as makes it eligible for exemption from registration, are exempt from GST. Since M/s All-in-One started its business in February 2020, its turnover in the preceding financial year is zero making it eligible for exemption from registration in the preceding financial year and hence, the legal services provided to it are exempt from GST.]	70,000		
GST liability on inward supplies under reverse charge			

Question No 3:**(New Question)**

UDB Builders Ltd. had undertaken a project to construct residential tower in Jaipur having 100 apartments/flats. The builder has entered into an agreement to sell a flat of carpet area of 1800 sq. ft out of 100 flats to a customer Shiv Charan. The breakup of the cost and charges of the flat as per agreement are as follows:

Price of flat including apportioned value of cost of land	₹ 84,00,000
Prime Location Charges (PLC) (extra charges for getting garden and swimming pool view)	₹ 4,00,000
Club membership fee (Club to be formed after completion of construction of the tower)	₹ 5,00,000
Stamp duty for executing sale deed on actual basis	₹ 6,00,000
Documentation charges	₹ 2,00,000
Maintenance charges to maintain building till the residential complex is handed over to Housing Society of members	₹ 4,00,000

The builder had received payment of ₹ 25,00,000 on agreement and balance amount of the value of flat to be received after obtaining completion certificate from the Corporation. The value of land is 1/3rd of the total consideration for the supply of flat.

Compute the value of taxable supply in respect of the flat so sold by the builder to the customer Shiv Charan for the purpose of GST.

Computation of Value of taxable supply under GST of the Flat

S.No	Particulars	Amount (₹)
1.	Price of flat including apportioned value of cost of land	84,00,000
2.	Prime Location Charges (PLC) (extra charge for getting garden and swimming pool view). (Charges are part of construction service of flat being naturally bundled)	4,00,000
3.	Club membership fee (Club to be formed after construction is complete). Not part of construction service of flat being neither part of composite supply nor naturally bundled	Nil
4.	Stamp duty for executing sale deed on actual basis. (Stamp duty does not form part of value of service. It is only reimbursement of expenses incurred on behalf of the customer)	Nil
5.	Documentation Charges (These charges are part of construction service of flat)	2,00,000
6.	Maintenance charges to maintain building till the residential tower is handed over to Housing Society of Members. (Not part of construction service being neither of composite supply nor naturally bundled).	Nil
	Total Consideration for the supply of flat	90,00,000
	Less: Value of land or undivided share of land being 1/3rd of the total amount charged	(30,00,000)
	Taxable Value of Supply	60,00,000

SEARCH SEIZURE

Question No 1: SWB 9TH EDITION – QUESTION NO. 4 (PG.NO 330)

From the following details, calculate the amount to be paid, for release of goods detained or seized under section 129 of the CGST Act, 2017, if owner of the goods does not come forward for payment of applicable tax and penalty

Details are as follows:

Particulars	Amount (₹)
Value of goods	30,00,000
Applicable GST on such goods	5,40,000
GST already paid on such goods	3,60,000

Would your answer be different if goods were exempted from GST and value remains the same namely ₹ 30,00,000

If owner of the goods does not come forward for payment of applicable tax and penalty:

The amount to be paid for release of goods detained or seized under section 129 of the CGST Act, 2017, is applicable GST and penalty equal to 50% of the value of the goods (or) 200% of tax, whichever is Higher.

Therefore, in the given case, the amount payable* = [50% of ₹ 30,00,000] i.e., 15,00,000 (or) 200% of 5,40,000 i.e., 10,80,000 whichever is Higher i.e., ₹ 15,00,000

However, in case of exempted goods, amount to be paid for release of goods detained is equal to **5% of the value of goods or ₹ 25,000, whichever is less.**

= 5% of ₹ 30,00,000 or ₹ 25,000, whichever is less

= ₹ 1,50,000 or ₹ 25,000, whichever is less

= ₹ 25,000

Question No 2: SWB 9TH EDITION – QUESTION NO. 5 (PG.NO 330)

XYZ carries goods from Vadodara, Gujarat to Pune, Maharashtra. The value of the goods is ₹80,000 which are chargeable to tax @ 18% IGST and in transit, proper officer intercepted the same under section 68 of the CGST Act, and found contravention.

Calculate the penalty payable under section 129 of CGST Act, 2017:

- If XYZ comes forward for payment of tax and penalty,
- If XYZ does not come forward for payment of tax and penalty.

The penalty payable under section 129 of the CGST Act, 2017 :

- a. 200% of the tax payable on goods detained or seized where the owner of the goods comes forward for payment of tax and penalty;
- b. 50% of the value of the goods (or) 200% of tax payable, whichever is Higher. where the owner of the goods does not come forward for payment of tax and penalty*.

By virtue of "section 20 of the IGST Act, 2017 provisions of penalty payable under section 129 of the CGST Act, 2017 apply in case of IGST as well". However, where the penalty is leviable under the CGST Act, 2017 and the SGST/ UTGST Act, 2017, the penalty leviable under the IGST Act, 2017 shall be the sum total of the said penalties. Therefore, penalty payable under IGST Act, 2017 is double the penalty payable under section 129 of the CGST Act, 2017.

Therefore, in the given case the penalty payable will be computed as under:

If XYZ comes forward for payment of tax and penalty –

= ₹ 80,000 × 18% (9% CGST and 9% SGST/ UTGST) × 200%

= ₹28,800

If XYZ does not come forward for payment of tax and penalty –

= [₹ 80,000 × 100% (50% under CGST plus 50% under SGST/ UTGST)] (or) 200% of tax, whichever is Higher = ₹ 80,000

Note: In the above answer, the penalty payable has been computed in accordance with the provisions of the IGST Act, 2017 as tax chargeable on the goods is IGST. However, the question can also be answered on the basis of the provisions of section 129 of the CGST Act, 2017. ICAI RTP Nov 2022 has considered the answer based on CGST Act, where the penalty payable if XYZ does not come forward is 50% of 80,000 (or) 200% of 14,400, whichever is Higher i.e., ₹ 40,000.

Question No 3:

SWB 9TH EDITION – QUESTION NO. 8 (PG.NO 332)

Who can order for search and seizure under the provisions of CGST Act?

An officer of the rank of Joint Commissioner or above can authorize an officer in writing to carry out search and seize goods, documents, books or things. Such authorization can be given only where the Joint Commissioner has reasons to believe that any goods liable to confiscation or any documents or books or things relevant for any proceedings are hidden in any place.

Notes:



REGISTRATION

Question No 1: SWB 9TH EDITION – QUESTION NO. 2 (PG.NO 212)

M/s Usha enterprises, a sole proprietor has effected following supplies within the state of Telangana. You are required to determine whether it is required to obtain registration under GST law.

S. No	Particulars	₹
1	Intra-State supply of goods agricultural produce grown out of cultivation of land by family	18,00,000
2	Intra-State supply of goods which are wholly exempt from GST u/s 11 of CGST Act, 2017	7,50,000
3	Intra-State supply of goods chargeable with GST @12%	12,50,000
	Total Value of supplies	38,00,000

As per **Sec. 2(7)** an “**agriculturist**” means an Individual or HUF who undertakes cultivation of land by own labour (or) by the labour of family (or) by servants on wages payable in Cash or Kind or by hired labour under personal supervision or the personal supervision of any member of the family.

As per **Sec. 23** an agriculturist, **to the extent of supply of produce out of cultivation of land shall not be liable to registration.**

S. No	Particulars	₹
1	Intra-State supply of goods agricultural produce grown out of cultivation of land by family (Note – 3)	18,00,000
2	Intra-State supply of goods which are wholly exempt from GST u/s 11 of CGST Act, 2017 (Note – 1)	7,50,000
3	Intra-State supply of goods chargeable with GST @12% (Note – 2)	12,50,000
	Total Value of supplies	38,00,000

Notes:

- 1) Intra-State supply of goods which are **wholly exempt from GST** under section 11 of CGST Act, 2017 is to be **included** since the same is **specially included in the definition of aggregate turnover**
- 2) Intra-State supply of goods chargeable with GST @12% is specially included for determination of aggregate turnover.
- 3) Only if a person supply produce out of cultivation of land, he is not required to get registered and if he makes supply out of cultivation of land and makes others supply of goods i.e processed goods, then he is required to get registered and while computing the aggregate turnover, such supply of agricultural produce should be considered.

The threshold limit for Telangana is ₹20 lakhs, as Telangana is in the list of 10 notified states. As the aggregate turnover does exceed ₹20 lakhs, M/s Usha enterprises is required to obtain registration under GST Act.

Question No 2: SWB 9TH EDITION – QUESTION NO. 16 (PG.NO 224)

Answer the following Questions:

A) Mr. A supply goods and service has started business in FY 2019-20 (on 1st April, 2019). He crossed limit of registration turnover (i.e., 20 lakhs) in July 19. Registration applied u/s 22 and Registration given. Whether he can apply for cancellation of registration?

B) Mr A, supply goods and services has Started business in FY 2019-20 (on 1st April, 2019) He took voluntarily registration as per Sec 25(3) to get Government Tender. But in year 2020-21, he is not expecting any tender from government and expects his turnover below 20 lakh. Whether he can apply for cancellation of Registration

C) Mr. A, registration is cancelled by the proper officer on his own motion and cancellation order served on 1 Jan 2021. Whether Mr. A can apply for revocation of cancellation of the registration. What, if he cannot make application for revocation within 30 days.

A) Since, He became liable for registration as per Sec 22 of CGST Act. He can apply for cancellation of registration as per Sec 29(1)(c) by filing FORM-REG 16 by himself.

B) Sec 29(1)(c) amended, so as to allow voluntary registered person can also apply for cancellation of registration as per sec 29(1)(c)

C) As per Sec 30, he can make application within 30 days of service of cancellation order (i.e., upto 31 Jan 2021). If he can't make application within 30 days, then on sufficient cause being shown, and for reasons to be recorded in writing, be extended, (a) by the Additional Commissioner or the Joint Commissioner, as the case may be, for a period not exceeding 30 days: (b) by the Commissioner, for a further period not exceeding 30 days, beyond the period specified in clause (a).".

Note: Aadhar authentication mandatory for registered persons for filing application for revocation of cancellation of registration [Applicable for Nov/Dec 22]

Question No 3: (New Question)

Decide with reason whether the Registration is required under CGST Act, 2017 in the following independent cases:

I. A Casual taxable person (CTP) has provided inter-state supply of notified Products being Textiles hand printing amounting to ₹ 19.25 Lakhs during the month of January, 2022. Those products were made by craftsmen by both hand and machines equally. CTP had obtained PAN and generated e-way bill for supply.

II. Mr. Bantu of Delhi doing trading business across India and his intrastate turnover details are as below.

- a) Taxable supplies made from Delhi - ₹ 18 Lakhs.
- b) Exempt supplies made from Andhra Pradesh - ₹ 10 Lakhs.
- c) Both taxable and Exempt supplies made from Tamilnadu - ₹ 5,00,000 and ₹ 6,00,000 respectively.

a) A Casual Taxable Person (CTP) is liable to be registered compulsorily under GST irrespective of the threshold limit. However, CTPs making inter-State taxable supplies of notified products, when made by the craftsmen predominantly by hand even though some machinery may also be used in the process, have been exempted from obtaining registration if their aggregate turnover does not exceed ₹ 20 lakh [₹ 10 lakh for specified special category States]. Since, in the given case, the notified products were made by craftsmen by both hand and machines equally, they are not eligible for exemption and are required to obtain registration mandatorily.

b) For a supplier exclusively engaged in intra-State supply of goods, the threshold limit of turnover to obtain registration in the States of Delhi, Andhra Pradesh and Tamil Nadu is ₹ 40 lakh. Aggregate turnover includes value of all taxable and exempt supplies under same PAN. Thus, aggregate turnover of Mr. Bantu doing trading business across India⁷ = ₹ (18 lakh + 10 lakh + 5 lakh + 6 lakh) = ₹ 39 lakh.

Therefore, Mr. Bantu is not liable for registration as his turnover does not exceed ₹ 40 lakh.

⁷ It has been assumed that the advances received are inclusive of tax

GST PAYMENT PROCESS

Question No 1: (New Question)

Mr. George, a registered supplier of goods at Kerala who pays GST under regular scheme, has made the following transactions (exclusive of tax) during April 2018:

Source	Purchases	Sales	Tax rate
New Delhi	5,00,000	10,00,000	18%
Trivandrum	2,50,000	8,00,000	CGST 9% and SGST 9%
Total	7,50,000	18,00,000	

He has complied with all the conditions for availing the ITC and has the following ITC credit on 01-04-2018:

Source	Taxes	Interest	Penalty
CGST	30,000	1,500	500
SGST	30,000	1,500	500
IGST	1,00,000	2,000	500

Compute the net CGST, SGST and IGST payable by Mr. George during April 2018 in cash?

Computation of net CGST, SGST and IGST payable in cash by Mr. George during April 2018

Particulars	Amount (₹)	CGST @ 9%	SGST @ 9%	IGST @ 18%
Sales made outside Kerala (New Delhi) – [Being inter-State sale, the same is liable to IGST.]	10,00,000			1,80,000
Sales made in Trivandrum	8,00,000	72,000	72,000	
Less: ITC available during April 2018 for set off [Refer Working Note Below]				
IGST Credit utilised		(5,000)	(5,000)	(1,80,000)
CGST & SGST Credit utilised		(52,500)	(52,500)	
Net Liability payable through Cash Ledger		19,500	19,500	0

Working Note: ITC available during April 2018 is computed as under:

Particulars	Amount (₹)	CGST @ 9%	SGST @ 9%	IGST @ 18%
Opening balance		30,000	30,000	1,00,000
Purchases from New Delhi [Being inter-State purchase, IGST would have been paid on it.]	5,00,000			90,000
Purchases from Trivandrum	2,50,000	22,500	22,500	
Total ITC		52,500	52,500	1,90,000

Note: ITC of IGST has been utilized to pay IGST liability first and the balance ITC of IGST has been used to pay CGST liability. Interest and penalty paid are not available as credit.

Question No 2:

(New Question)

M/s Fly-by-Night, four operators availed input tax credit in respect of certain transactions where no such supplier was existent or from a person not doing any business from the registered place of business. Jurisdictional Deputy Commissioner of GST wants to restrict the utilization of the credit by the M/s Fly-by-Night. You have been approached by M/s Flyby-Night to give your advice on the following questions raised by it,

- Is it possible for the department to restrict the utilization of credit which is already availed?
- If yes, under what circumstances this can be done by the Department?

- I. Yes, it is possible for the Department to restrict the utilization of credit which is already availed if there are reasons to believe that such ITC has been fraudulently availed or is ineligible.
- II. The restrictions can be imposed under the following circumstances: -
 - a) ITC has been availed on the basis of tax invoices/valid documents-
 - issued by a non-existent supplier or by a person not conducting any business from the registered place of business; or
 - without receipt of goods or services or both; or
 - the tax in relation to which has not been paid to the Government
 - b) Registered person availing ITC has been found non-existent or not to be conducting any business from the registered place of business; or
 - c) Registered person availing ITC is not in possession of tax invoice/valid

Note:

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OFFENCES & PENALTIES

Question No 1: [SWB 9TH EDITION – QUESTION NO. 6 (PG.NO 336)]

Mr. Pankaj, an unregistered person under GST, purchases the goods supplied by Mr. Raman, who is a registered person without receiving a tax invoice from Mr. Raman and thus helps in tax evasion by Mr. Raman. What disciplinary action may be taken by tax authorities to curb such type of cases and on whom?



Supply of goods without issue of any invoice with regard to such supply by a taxable person and the act of aiding or abetting said offence by any person are punishable with penalty and imprisonment.

Penalty would be as follows:

Since Mr. Raman – a taxable person – has supplied goods without invoice, he is punishable with Penalty, higher of as per Sec. 122(1)

- (a) ₹ 10,000/- or
- (b) 100% of tax evaded

Since Mr. Pankaj helped in tax evasion by Mr. Raman, he is punishable with Penalty up to ₹ 25,000/- (As per Sec. 122(3)- General Penalty)

Imprisonment would be as follows: (u/s 132)

In case of **first-time offence**, where tax evaded

- (a) > ₹ 5 crore, imprisonment upto 5 years and fine
 - (b) Exceeds ₹ 2 crore but does not exceed ₹ 5 crore, imprisonment upto 3 years and fine
 - (c) Exceeds ₹ 1 crore but does not exceed ₹ 2 crore, imprisonment upto 1 years and fine
- In case of **subsequent offence**, imprisonment up to 5 years and fine.

Question No 2: (NEWLY ADDED)

[ICSI June 19 – 4 Marks]

I. Deepak Garg started supply of goods within the state of Telugana from 1st December 2018. His turnover exceeded ₹20 lakh on 25th January 2021.

However, he didn't apply for registration.

Determine the amount of penalty, if any, that may be imposed on Deepak Garg under CGST Act, 2017 on 31st March 2021, if the tax evaded as on said date, on account of failure to obtain registration is ₹8,000.

II. Kishore, an unregistered person under GST, purchases the goods supplied by Sanjay who is a registered person without receiving a tax invoice and thus helps in tax evasion.

Determine maximum amount of penalty that may be imposed on Kishore under CGST Act, 2017.

- I. Under section 122(1) of CGST Act, 2017 where a taxable person who is liable to be registered under this Act but fails to obtain registration, shall be liable to pay a penalty of ten thousand rupees or an amount equivalent to the tax evaded whichever is higher. Hence Deepak Garg is liable for penalty of ₹10,000

- II. Under section 122(3) of the CGST Act, 2017 any person who aids or abets any of the offences specified in clauses (i) to (xxi) of sub-section (1), he/ she shall be liable to a penalty which may extend to twenty-five thousand rupees.

Hence, Kishore is liable for maximum penalty of ₹25,000 since he is helping in the tax evasion which is an offence under the CGST Act, 2017.

DEMAND & RECOVERY

Question No 1:

SWB 9TH EDITION – QUESTION NO. 12 (PG.NO 353)

M/s Nose Ltd. reduced the amount of ₹2,25,000 from the output tax liability in contravention of the provisions of the CGST Act, 2017 in the month of January 2021 (vide invoice dated 12th January, 2021), which is ineligible credit at invoice level. As a result, a show cause notice was issued by the Central Tax Department under section 74 of the CGST Act, 2017 along with interest. M/s Nose Ltd. paid the tax and interest on 5th March, 2021. Find the interest liability if any? Ignore penalty.

As per **section 42(10) read with section 50(3) of CGST Act, 2017** amount reduced from the output tax liability in contravention of the provisions shall be added to the output tax liability of the recipient in his return for the month in which such contravention takes place and such recipient shall be liable to pay interest on the amount so added at the rate specified in the **section 50(3) of CGST Act, 2017**.

- Therefore, applicable interest rate shall be 18% per annum. (Applicable for Nov'22 Exams)
- January month return due date is 20th of February, 2021.
- From 21st February 2021 to 5th March 2021 = 13 days
- **Interest = ₹1,443** ($\text{₹ } 2,25,000 \times 18\% \times 13/365$)

Author's Note: Applicable rate of Interest with effect from 5th July, 2022 is 24% (Applicable for May 23 Exams). In that case interest would be ₹ 1923 ($₹ 2,25,000 \times 24\% \times 13/365$)

Notes:

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REFUNDS

Question No 1: SWB 9TH EDITION – QUESTION NO. 2 (PG.NO 355)

M/s. Kalaji Manufacturers & Exporters Pvt. Ltd. furnishes following information and requests you to compute the maximum refund eligible in respect of Zero-rated supplies for the relevant period:

Particulars	₹
(i) Input tax credit availed on inputs	2,50,000
(ii) Input tax credit availed on input services	50,000
(iii) Input tax credit availed on capital goods	2,00,000
(iv) Taxable value of goods exported without payment of tax	15,00,000
(v) Taxable value of goods supplied within India	35,00,000
(vi) Payments received towards services supplied for exports (includes ₹ 50,000 of advance towards services to be supplied / exported after the current relevant period)	5,50,000
(vii) Taxable value of services supplied within India	5,00,000

Computation of maximum refund admissible in respect of Zero-rated supplies:

	Particulars	₹
(i)	Net ITC i.e. input tax credit availed on inputs and input services during the relevant period [₹ 2,50,000 + ₹ 50,000]	3,00,000
(ii)	Turnover of zero-rated supply of goods i.e. value of zero-rated supply of goods made during the relevant period without payment of tax under bond or letter of undertaking	15,00,000
(iii)	Turnover of zero-rated supply of services (advance received towards services to be supplied / exported after the current relevant period shall not be included, hence ₹ 5,50,000 - ₹ 50,000)	5,00,000
(iv)	Adjusted Total Turnover:	60,00,000
	Turnover in State of goods and services [₹ 35,00,000 + ₹ 5,00,000]	₹ 40,00,000
	Value of Zero rated supplies of goods and services (as computed above)	₹ 20,00,000
(v)	Maximum refund = [(Item (ii) + Item (iii) ÷ Item (iv)) × Item (i) i.e., 3,00,000 × 20/60]	<u>1,00,000</u>

Note: No ITC refund on Capital Goods used for both Zero Rated and Taxable Supplies.

Question No 2: SWB 9TH EDITION – QUESTION NO. 3 (PG.NO 356)

From the following information you are required to determine the maximum amount of refund admissible on account of inverted tax structure.

Particulars	₹
Input tax credit availed on inputs	3,60,000
Input tax credit availed on input services	36,000
Turnover of inverted rated supply of goods (taxable @5%)	30,00,000
Turnover of other supplies of goods	10,00,000

MISCELLANOEUS

Question No 1:

SWB 9TH EDITION – QUESTION NO. 5 (PG.NO 364)

Whether EWB is required to be generated under following cases?

- (a) Sale of empty LPG Cylinders to A Ltd. who is in business of supply of Gas;
 - (b) Supply of LPG in cylinders to household users for domestic purposes;
 - (c) Supply of empty LPG Cylinders for purposes other than supply (say, for packaging of LPG);
- Presume consignment value in all of above cases is more than ₹50,000.

Considering Rule 138(1) read with Rule 138(14), requirement of generation of EWB is as stated below

- (a) Sale of empty LPG Cylinders to A Ltd. who is in business of supply of Gas: E-way Bill **Required** as per Rule 138(1) . **E-way Bill not required as per Rule 138(14)(0), if such cylinder are being moved for reasons other than supply.**
- (b) Supply of LPG in cylinders to household users for domestic purposes: E-way Bill **Not required** due to Rule 138(14)
- (c) **As per Rule 138(14)(0), E-Way bill not required if empty LPG Cylinders are being moved for reasons other than supply.**

Notes:



VALUATIONS UNDER CUSTOMS

Question No 1: SWB 9TH EDITION – QUESTION NO. 8 (PG.NO 393)

M/s. XYZ Co. imported goods declaring transaction value of ₹ 1,000 per unit, which was rejected. Rules 4 and 5 of the Import Valuation Rules are found inapplicable, as no similar/ identical goods are imported in India. M/s. XYZ Co. furnishes you the following data and requests you to compute the Value of Imported goods as per Rule 7:

- 1) Sale Price in India (after value addition): ₹ 2,100 per unit (inclusive of GST @ 5%)
- 2) Commission to Indian agent on above sales: 4% of sale price (before GST)
- 3) Value addition after import: ₹ 50 per unit
- 4) Freight and Insurance from Port of import to factory of importation: ₹ 60 and ₹ 20 per unit
- 5) General Expenses after importation: ₹ 90 per unit
- 6) Net Profit Margin (normally earned by others also): 20% of sale price (before GST)
- 7) Rate of Basis Customs Duty: 10%. IGST @ 5% under Section 3(7) of CTA, 1975. Social Welfare Surcharge (As Applicable)

Computation of Customs Value under Rule 7:

Particulars	₹ (per unit)
Selling price (inclusive of IGST)	2,100
Less: IGST (₹ 2,100 × 5% / 105%)	(100)
Sale Price before IGST	2,000
Less: Post importation expenses -	
➤ Commission on sales to Indian agents [4% of ₹ 2,000]	(80)
➤ Value addition after Import	(50)
➤ Freight and Insurance from Port of Import of factory of Importation (₹ 60 + 20 = 80 per unit)	(80)
➤ General Expenses after Importation	(90)
➤ Net Profit Margin in India	(400)
<u>Cum-duty price inclusive of IGST on Imports</u>	1,300
Less: IGST u/s 3(7) @ 5% (₹ 1,300 × 5 / 105)	(62)
Cum-duty price exclusive of Customs Duty on Imports	1,238
Less: Customs Duty @ 11% (₹ 1,238 × 11/111)	(122.68)
<u>Assessable Value</u>	1,115

Note: All Post Importation Cost should be reduced from selling price to arrive at the value prevailing at the time of Import.

Question No 2: SWB 9TH EDITION – QUESTION NO. 27 (PG.NO 407)

ABC Trade International Limited has imported one machine from USA. It has given the following particulars:

(i) Price of the machine	10,000 USD
(ii) Freight paid (air)	2,500 USD
(iii) Design and development charges paid to supplier in USA	500 USD
(iv) Commission payable to local agent of exporter, paid by	₹14,000
(v) Date of bill of entry	24-10-2019
- Rate of Basic customs duty (BCD)	10%
- Exchange rate as notified by CBIC	₹70 per USD
- Inter-bank exchange rate on the date of arrival of aircraft:	₹72 per USD
(vi) Date of arrival of aircraft	20-10-2019
- Rate of Basic customs duty (BCD)	20%
- Exchange rate as notified by CBIC	₹ 68 per USD
- Inter-bank exchange rate on the date of arrival of aircraft:	₹71 per USD

(vii) IGST rate:	12%
(viii) Insurance charges have been actually paid but details are not available.	
Compute the total customs duty and IGST payable by ABC Trade International Limited. Note: Ignore GST compensation cess and social welfare surcharge.	

Computation of customs duty and integrated tax:

Particulars	Amount
Price of machine	USD 10,000
Add: Design and development charges paid to supplier in USA [since undertaken elsewhere than in India]	USD 500
Total	USD 10,500

	(₹)
Total in rupees @ ₹ 70 per USD [Rate of exchange notified by the CBIC on the date of presentation of bill of entry]	7,35,000
Add: Commission payable to local agent of exporter	14,000
FOB value as per customs	7,49,000
Add: Air freight @ 20% of FOB value [air freight restricted to 20% of FOB]	1,49,800
Add: Insurance @ 1.125% of FOB value [since actual not available]	8426.25
CIF value	9,07,226.25
Add: Basic custom duty @10% (rounded off) [Rate in force on the date of presentation of bill of entry or on the date of arrival of aircraft, whichever is later.]	90,723
Total	9,97,949.25
Integrated tax @ 12% (rounded off)	1,19,754
Total customs duty and IGST payable	2,10,477

Question No 3: SWB 9TH EDITION – QUESTION NO. 23 (PG.NO 403)

Product 'Vertigo' was imported by Mr. Mrinal Sen by air from Singapore to Hyderabad. The details of the import transaction are as under:

Particulars	Euro
Price of 'Vertigo' at Singapore exporter's factory	7,500
Freight from factory of the exporter to load airport (Singapore airport)	300
Loading and handling charges at the local airport	200
Air freight from said airport to Hyderabad airport	1,350
Insurance charges	1,400
Purchase commission	200

Even though the bill of entry was presented on 20-9-2021, the aircraft, having been diverted to another foreign airport due to technical reasons, landed at the Hyderabad airport only on 21-9-2021.

The other details furnished by the importer are as under

Particulars	20.09.2021	21.09.2021
Rate of basic customs duty	10%	12%
Exchange rate notified by CBIC per €	₹ 80	₹ 79
Exchange rate prescribed by RBI per €	₹ 79.50	₹ 80.50
Integrated tax leviable under Section 3(7) of the Customs Tariff Act, 1975	6%	12%

Based on the above date, you are required to calculate the following:

- Assessable value of the product for the purpose of levying customs duty.
- Customs duty and tax payable.

Computation of Assessable Value, Customs Duty and Tax payable:

Particulars	Amount €
Ex-factory price of the goods at Singapore	7,500

Freight from factory of the exporter to load airport (airport in the country of exporter)	300	
Loading and handling charges at the Singapore airport	200	
Freight from said airport to the airport of importation in India (Hyderabad)	1,350	
Total cost of transport, loading and handling charges associated with the delivery of the imported goods to the place of importation	1,850	
Add: Cost of transport, loading, unloading and handling charges associated with the delivery of the imported goods to the place of importation (restricted to 20% of FOB value i.e., 7,500 + 300 + 200 = 8,000 [Note 1])		1,600
Purchase commission is not to be included		Nil
Insurance (actual) [Where the actual insurance figure is known, the same has to be taken]		1,400
CIF for customs purpose		10,500
Landing charges at Hyderabad airport not to be added to the CIF value in view of the amendment in rule 10(2) of the CVR vide Notification No. 91/2017-Cm. (NT) dated 26.09.2017.		Nil
Value for customs purpose		10,500
Exchange rate as per CBIC [Note 2]		₹ 80 per €
		Amount (₹)
Assessable value @ ₹ 80 per Euro		8,40,000
Add: Basic customs duty @ 12% [Note 3]		1,00,800
Add: Social Welfare Surcharge (10% on BCD)		10,080
Total		9,50,880
Add: IGST (12%) [Rounded off] [Note 4]		1,14,106
Value of Imported Goods		10,64,986
Total Custom Duty and Tax payable (₹ 1,00,800 + 10,080 + 1,14,106)		₹ 2,24,986

Notes:

- 1) In the case of goods imported by air, the cost of transport, loading, unloading and handling charges associated with the delivery of the imported goods to the place of importation shall not exceed 20% of the FOB value of the goods. [Fifth proviso to rule 10(2) of the Customs Valuation (Determination of Value of Imported Goods) Rules, 2007 (CVR)].
Rate of exchange determined by CBEC is to be considered [Clause (a) of the explanation to section 14 of the Customs Act, 1962].
- 2) Section 15 of the Customs Act, 1962 provides that rate of duty shall be the rate in force on the date of presentation of bill of entry or the rate in force on the date of arrival of aircraft, whichever is later.
- 3) Integrated tax is levied on the sum total of the assessable value of the imported goods and customs duties [Section 3(8) of the Customs Tariff Act, 1962].

Question No 4:SWB 9TH EDITION – QUESTION NO. 21 (PG.NO 402)

Particulars relating to import of product Z by Mr. Prahalad on 23-12-21 from Antwerp, Belgium to the Chennai airport, are given hereunder :

FOB value of the Product	\$ 10,000
Cost of transport, loading, unloading and handling charges associated with the delivery of the imported goods to the place of importation	\$ 2,500
Insurance	\$ 1,000
Unloading charges at Chennai airport	₹ 34,000
Exchange rate notified by CBIC on 23-12-21	1\$ = ₹64
Exchange rate notified by RBI on 23-12-21	1\$ = ₹ 64.50
Basic customs duty	10%

Ascertain the assessable value and the amount of duty payable by Mr. Prahalad.

Computation of assessable value and total tax & duty payable by Mr. Prahalad in respect of import of product Z:

Particulars	Value
FOB value of the product	\$ 10,000
Cost of transport, loading, unloading and handling charges associated with the delivery of the	\$ 2,000
imported goods to the place of importation, restricted to 20% of FOB Value (20% of \$ 10,000)	
Insurance (Actual)	\$ 1,000
CIF Value	\$ 13,000
Unloading charges at Chennai airport (Not to be added)	
(Landing charges are not to be added to the CIF Value in Nil view of the amendment in Rule 10(2) of the CVR vide Notification No. 91/2017- Cus (NT) dated 26.09.2017)	(₹)
Exchange rate notified by CBEC 1\$=Rs 64 is to be considered for arriving at the assessable value of imported product (13,000 * 64)	8,32,000
Basic customs duty at 10%	83,200
Add : SWS @ 10% of BCD	8,320
Value for the purpose of levying integrated tax	9,23,520
Add : Integrated tax leviable under section 3(7)	
[Assuming GST @12%]	1,10,822
Total duty & tax payable	2,02,342

Question No 5: SWB 9TH EDITION – QUESTION NO. 19 (PG.NO 400)

Compute the assessable value and total customs duty payable under the Customs Act, 1962 for an imported machine, based on the following information:

	Amount (US \$)
Cost of the machine at the factory of the exporter	20,000
Transport charges from the factory of the exporter, to the port for shipment	800
Handling charges paid for loading the machine in the ship	50
Buying commission paid by the importer	100
Lighterage charges paid by the importer	200
Freight incurred from port of entry to Inland Container depot	1000
Ship demurrage charges	400
Freight charges from exporting country to India	5000
— Date of bill of entry 20-02-2021 (Rate of BCD 20%; Exchange rate as notified by CBEC ₹60 per US \$) — Date of entry inward 25-01-2021 (Rate of BCD 12%; Exchange rate as notified by CBEC ₹65 per US \$) Rate of IGST 12%.	

Computation of assessable value and total customs duty

Particulars	Amount US\$
Cost of the machine	20,000
Add : transport charges from factory of exporter to the port for shipment	800
Add : handling charges	50
FOB	20,850
Add: buying commission (not addable)	Nil
FOB of the Customs	20,850
Add : Insurance (20850 x 1125%)	234,5625
Add : Freight	5000
Add : Lighterage Charges	200
Add : Ship Demurrage Charges	400
CIF Value/Assessable value	26,684,5625
Assessable Value (US \$ 26,684.5625 x ₹60)	16,01,074

Add : BCD @ 20% (16,01,074 x 20%)	3,20,215
Add : Social Welfare Surcharge @ 10% (3,20,215 x 10%)	32,021.50
	19,53,310.50
Add : IGST @ 12% (19,53,310.50 x 12%)	2,34,397.26
Total Custom Duty	5,86,634

Note:

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BAGGAGE

Question No 1: SWB 9TH EDITION – QUESTION NO. 9 (PG.NO 445)

Gregory Peg of foreign origin has come on travel visa, to tour in India. He carries with him, as part of baggage, the following:

Particulars	Value in ₹
Travel Souvenir	85,000
Other articles carried on in person	1,50,000
120 sticks of cigarettes of ₹ 100 each	12,000
Fire arm with 100 cartridges (value includes the value of cartridges at @ ₹ 500 per cartridge)	1,00,000

Determine customs duty payable, if the effective rate of customs duty is 38.50% inclusive of social welfare surcharge, with short explanations where required.

As per Rule 3 of Baggage Rules, 2016, tourist of foreign origin, excluding infant, is allowed duty free clearance of

- (i) travel souvenirs; and
- (ii) Articles up to the value of ₹ 15,000 (excluding inter alia fire arms, cartridges of fire arms exceeding 50 and cigarettes exceeding 100 sticks), if carried on in person.

Computation of customs duty payable	₹
Travel souvenir	Nil
Articles carried on in person	1,50,000
Cigarettes [100 sticks can be accommodated in General Free Allowance (GFA)]	10,000
Fire arms cartridge (50 cartridges can be accommodated in GFA) i.e., 50 x 500	25,000
Baggage than can be accommodated in GFA	1,85,000
Less: GFA	(15,000)
Baggage on which duty is payable	1,70,000
Duty payable @ 38.50% (including 10% Social welfare surcharge)	65,450

Note:

Fire arms, cartridges of firearms exceeding 50 and cigarettes exceeding 100 sticks are not chargeable to rate applicable to baggage [Notification No. 26/2016 Cus. dated 31.03.2016]. These items are charged @ 110% applicable to baggage under Heading 9803 of the Customs Tariff.

Therefore, CD Payable on fire arms & cartridges above 50 shall be ₹ 77,000 x 110% = ₹ 84,700

INDIRECT TAX MAY '22 EXAM QUESTION PAPER

Question 1:

[14 Marks]

Supermarket is a proprietary firm and a GST registered supplier in Ahmedabad, Gujarat. The details of supplies, purchases and expenses for the month of December 2021 of Supermarket are as given below:

PARTICULARS	AMOUNT ₹
Details of outward supplies:	
(i) Intra state	45,00,000
(ii) Interstate	15,00,000
(iii) Exempt supplies under GST	6,00,000
Details of inward supplies:	
(i) Intra-state	40,00,000
(ii) Interstate	10,00,000
(iii) Exempt supplies under GST	5,00,000
Details of expenses:	
I. Freight paid to GTA for intra-state transportation of goods [20% of the freight paid was towards transportation of goods not liable to GST]	60,000
II. Telephone Expenses	
[Out of the above ₹ 18,000 was spent on landline installed in the sales outlet and ₹ 12,000 was spent on phones provided to employees in relation to the work of the firm]	30,000
III. Premium paid on insurance taken on car used by proprietor of the firm in relation to the work of the firm. (Intra State)	8,500
IV. Outdoor catering service expenses incurred during Diwali celebrations in the sales outlet	40,000
V. Monthly rent for the premises of sales outlet	60,000

It is further given that -

All the amounts given are exclusive of all taxes wherever applicable.

All the inward and outward supplies made by Supermarket from / to registered place of business in Gujarat. Inward supplies of ₹ 50 lakhs were used only for taxable supplies and exempt inward supplies of ₹ 5 lakhs were used only for exempt outward supplies.

Wherever applicable for the purposes of reverse charge payable by Supermarket, the CGST, SGST and IGST rates are 2.5%, 2.5% and 5% respectively. In all other cases, CGST, SGST and IGST rates are 9%, 9% and 18% respectively.

There is no opening balance in the electronic cash ledger or in electronic credit ledger.

Subject to the information as given above, all the other conditions necessary for availing ITC have been fulfilled.

You are required to compute the following -

- 1) Input Tax Credit (ITC) credited to Electronic Credit ledger;
- 2) Common ITC available for apportionment.
- 3) ITC attributable to exempt supplies out of common ITC;

You are required to examine the applicability of Rule 86B of CGST Rules relating to utilisation of ITC and if applicable, calculate the amount of ITC available for utilisation towards payment of GST.

However, there is no need to explain exceptions to the Rule 86B.

Make suitable assumptions wherever required and working notes as may be needed.

Brief notes are required only to support the calculation and the numerical outputs required in the case of Common ITC available for apportionment and applicability of Rule 86B of CGST rules.

Ensure that every transaction in the question is covered in the answer for the purpose of calculation of numerical outputs.

I. Statement showing computation of ITC credited to the Electronic Credit Ledger:

Particulars	Note	Value	CGST	SGST	IGST
Intra-State taxable inward supplies		40,00,000	₹3,60,000	₹3,60,000	
Inter-State taxable inward supplies		10,00,000			1,80,000
Exempted inward supplies	1	5,00,000	-	-	-
Freight paid to GTA for inward transportation of goods not liable to GST	2	₹60,000 X 20% = ₹12,000	-	-	-
Freight paid to GTA for inward transportation of goods liable to GST	3	₹60,000 X 80% = ₹48,000	-	-	₹2,400
Telephone expenses paid	4	30,000	₹2,700	₹2,700	-
Premium paid on general insurance	5	8,500	-	-	-
Outdoor catering services	6	40,000	-	-	-
Monthly rent for the premises	4	60,000	₹5,400	₹5,400	-
Total ITC Credited to Electronic Credit Ledger (C ₁)			₹3,69,300	₹3,69,300	₹1,80,000

II. & III. Common Credit available for apportionment:

Particulars	Note	Value	CGST	SGST	IGST
Telephone expenses paid	4	30,000	₹2,700	₹2,700	-
Monthly rent for the premises	4	60,000	₹5,400	₹5,400	-
Common Credit (C ₂)			₹8,100	₹8,100	-
Common credit attributable to exempted supplies	7		₹8,100 X 6/66 = ₹736	₹8,100 X 6/66 = ₹736	-
Net ITC available for utilization			₹3,68,564	₹3,68,564	₹1,80,000

Notes to above:

- Inward exempted supplies are not chargeable to GST, consequently ITC not availed on the same
- ITC not available as the same is used for Exempted outward supply (T₂)
- ITC available as the same is used for taxable outward supply (T₄)
- It is treated as common ITC as the same is used for both taxable and exempted outward supplies (C₂)
- Motor Car used for office purpose is a motor vehicle having a capacity not exceeding 13 and not covered under exemptions. Therefore, ITC not available w.r.to such motor vehicle. Premium paid on general insurance of a motor vehicle, which is not eligible for ITC is blocked ITC and consequently, ITC cannot be availed.
- Outdoor catering services is blocked credit and in the present case it is not covered under exceptions, therefore ITC cannot be availed.
- Value of exempted outward supplies = ₹6,00,000 and value of total outward supplies = ₹45,00,000 + ₹15,00,000 + ₹6,00,000 = ₹66,00,000. Therefore, the rate of exempted to total is 6/66.
- All expenses Considered to be inter-state as only w.r.to General insurance it is given as intra-state.

Computation of Gross GST payable:

Particulars	Value	CGST	SGST	IGST
Intra-state taxable supplies	45,00,000	₹4,05,000	₹4,05,000	-
Inter-state taxable supplies	15,00,000	-	-	₹2,70,000
Exempted supplies	6,00,000	-	-	-
Gross GST payable under FCM		₹4,05,000	₹4,05,000	₹2,70,000
(-) ITC utilized		(3,68,564)	(3,68,564)	(1,80,000)
Net GST payable under FCM		₹36,436	₹36,436	₹90,000
(+) GST payable under RCM	60,000			₹3,000
Total Net GST payable		₹36,436	₹36,436	₹93,000

Rule 86B of CGST Rules, 2017 limits the use of input tax credit (ITC) available in the electronic credit ledger for discharging the output tax liability. This rule has an overriding impact on all the other CGST Rules.

This rule is applicable to registered persons having taxable value of supply (other than exempt supply and zero-rated supply) in a month which is more than ₹50 lakh. The limit has to be checked every month before filing each return.

The applicable registered persons cannot use ITC in excess of 99% of output tax liability. In simple words, more than 99% of the output tax liability cannot be discharged by using input tax credit.

In the present case, Turnover excluding exempted supplies is more than ₹50 lakhs. However, less than 99% of the gross liability is discharged using electronic cash ledger and the restriction under Rule 86B is not applicable.

Question 2a: [9 Marks]

M/s A2Z, a proprietary firm, registered under GST, is engaged in providing various services under one roof. The firm provides the following information pertaining to supplies made/input services availed by it during the month of March 2022:

S. No.	Particulars	Amount (₹)
1.	Amount collected for loading, unloading, packing and warehousing of potato chips.	15,000
2.	Fees paid for yoga camp conducted by a charitable trust registered under section 12AA of the Income-tax Act, 1961 for employees of the firm.	20,000
3.	Interest received on fixed deposits with APNA Bank by the firm.	30,000
4.	Professional services provided to foreign diplomatic mission located in India.	50,000
5.	Recovery agent services provided to ABC Finance Ltd. a NBFC Located in Delhi.	1,00,000
6.	Security services provided to XYZ Ltd. a registered person under GST.	80,000
7.	Receipts from running an educational institution (including receipts for providing residential dwelling service of ₹ 18,20,000 by the Institution to the students)	35,00,000
8.	Supply Value including cost of fuel for provision of renting of motor vehicle service to NPS Ltd.	88,000

Determine the GST liability (inclusive of liability for the supplies received also) of M/s A2Z for the month of March 2022 with necessary explanation for treatment of each item. Rate of tax for both inward and outward supply is CGST and SGST @ 9% each except for the service of renting a vehicle for which CGST and SGST @ 2.5% each is applicable. All the supplies are intra-state only.

Computation of GST payable by A2Z, a proprietary firm for the month of March, 2022:

S. No.	Particulars	Note	Amount (₹)	CGST	SGST
	OUTWARD SUPPLIES				
1.	Amount collected for loading, unloading, packing, and warehousing of potato chips.	1	15,000	₹1,350	₹1,350
2.	Interest received on fixed deposits with APNA Bank by the firm.	2	30,000	-	-
3.	Professional services provided to foreign diplomatic mission located in India.	3	50,000	₹4,500	₹4,500
4.	Recovery agent services provided to ABC Finance Ltd. a NBFC Located in Delhi.	4	1,00,000	-	-
5.	Security services provided to XYZ Ltd. a registered person under GST.	5	80,000	-	-
6.	Receipts from running an educational institution (including receipts for providing residential dwelling service of ₹ 18,20,000 by the Institution to the students)	6	35,00,000	-	-
7.	Supply Value including cost of fuel for provision of renting of motor vehicle service to NPS Ltd.	7	88,000	-	-
	INWARD SUPPLIES				
8.	Fees paid for yoga camp conducted by a charitable trust registered under section 12AA of the Income-tax Act, 1961 for employees of the firm.	8	20,000	-	-
	Gross GST payable			₹5,850	₹5,850

Notes to above:

- Potato Chips are not agricultural produce and warehousing of the same is not covered under exemptions under Notification No. 12/2017.
- Interest on loans (or) advances (or) deposits is covered under exemptions.

3. Services provided by Foreign diplomatic mission located in India is exempted. However, Services provided to such foreign diplomatic mission is not exempted.
4. Recovery agent services provided to banking company or financial institution or NBFC is covered under reverse charge mechanism as per Sec. 9(3) read with Notification No. 13/2017. In the present case, the said service is taxable in the hands of ABC Finance Ltd. NBFC under RCM.
5. Security services provided by a person other than body corporate to a registered person not opting for composition scheme (or) not registered only to deduct TDS under Sec. 51 is covered under RCM as per Sec. 9(3) read with Notification No. 13/2017. In the present case, supplier is a proprietary firm (other than Body Corporate) and recipient is registered. Therefore, GST is payable by XYZ Ltd. under RCM.
6. Services provided by an educational institution to its students, faculty and staff is exempted. In the present case, entire receipts including by way of residential accommodation is exempted.
7. In case of renting of motor vehicle by a person other than body corporate to body corporate, where the rate of GST charged is 5%, is taxable under RCM as per Sec. 9(3) read with Notification No. 13/2017. In the present case, supplier is proprietary firm (Other than body corporate) and recipient is body corporate and the applicable rate of GST is 5%. Therefore, GST payable by NPS Ltd. under RCM.
8. "Advancement of Yoga" is covered under charitable activities and amount collected by the charitable trust is not chargeable to GST and accordingly it is irrelevant for ITC computation.

Question 2b: **[5 Marks]**

A non-resident Indian from USA donated food processing machinery to Om Charitable Trust (OCT). OCT however, paid commission to local agent in India.

Assistant Commissioner of Customs determined the fob value of machine at US\$ 17,500 including design and development charges. The Trust has accepted the value determined. Actual air freight paid was US\$ 4000 and insurance cost was US\$ 1500. Other details available are given below:

- I. Commission paid to local agent of the exporter is US\$ 2100 (paid in ₹ 1,57,500/-).
- II. Date of Bill of Entry presentation is 25th March, 2022. On this date rate of BCD-10%. Rate of exchange notified by CBIC- ₹ 75 per US\$, Reserve Bank Rate- ₹ 76 per US\$.
- III. Date of arrival of aircraft at customs station is 5th April, 2022. On this date, rate of BCD-15%, Rate of exchange notified by CBIC- ₹ 74 per US\$, Reserve Bank Rate- ₹ 75 per US\$.
- IV. Social Welfare Surcharge rate is leviable at 10% and IGST rate applicable is 18%

Compute the assessable value under the customs act and also calculate basic customs duty payable, Social Welfare Surcharge and IGST on import of machine. Assume that no exemption is available on this transaction and make suitable assumptions if required.

Computation of assessable value of import by Om Charitable Trust:

Particulars	Amount (₹)
FOB Price (Given) = \$17,500 × ₹75/\$	13,12,500
Commission paid to local agent of exporter (Selling commission) = \$2,100 × ₹75/\$	1,57,500
Revised FOB Price	14,70,000
Air Freight <div style="margin-left: 20px;"> a) Actual = \$4,000 × ₹75/\$ = ₹3,00,000 b) 20% of FOB = ₹14,70,000 × 20% = ₹2,94,000 Whichever is Lower </div>	2,94,000
Insurance (Actuals available) = \$1,500 × ₹75/\$	1,12,500
CIF Price (or) Assessable Value	18,76,500

Computation of customs duty payable by Om Charitable Trust:

Particulars	Amount (₹)
Basic Customs Duty = ₹18,76,500 × 15%	2,81,475.00
(+) Social Welfare Surcharge @ 10% of BCD = ₹2,81,475 × 10%	28,147.50
Customs duties (Excl. IGST)	3,09,622.50
IGST = (₹18,76,500 + ₹3,09,622.50) × 18%	3,93,502.05
Total Customs Duty payable (Rounded off)	7,03,125.00

Notes:

1. The relevant exchange rate is the rate notified by CBIC, prevailing on the date of presentation of bill of entry i.e., rate prevailing on 25th March, 2022 ₹75/\$.
2. As per Rule 10(1) of Customs Valuation Rules, 2007 all commissions except buying commission paid by importer should be included in the value.
3. Air Freight shall be restricted to 20% of revised FOB as per Rule 10(2) of Customs Valuation Rules, 2007.
4. The relevant date for determination of rate of duty is date of presentation of bill of entry (or) date of arrival, whichever is LATER. In the present case, the later date is 5th April, 2022 and the relevant rate of BCD is 15%

Question 3a:

[5 Marks]

In the case of transactions at (i) and (ii) below, determine whether the amounts received are liable to GST. Briefly explain the applicable statutory provisions in support of your conclusions.

- (i) ABC Ltd., a registered bank, recovered cheque discounting charges of ₹ 5,250 from a customer C & Co.
 - (ii) T Ltd., A dealer in air conditioners, supplies each unit at a list price of ₹ 30,000 per unit. He also has an EMI scheme where the customer can take delivery of air conditioner on a monthly EMI of ₹ 10,500 payable in three installments. T Ltd. Charges ₹ 600 extra for any delay in payment of monthly installments and this amount was recovered from customer Venkat for delay in payment of his 2nd installment.
 - (iii) M/s Aerospace Airlines, having registered place of business in Mumbai under GST, issued a ticket from London to Delhi to Mr. Ajit Khanna, a resident of Agra, UP who is not registered under the GST. Determine the 'place of supply' with supporting notes related to legal provisions.
- (i) As per Sec. 11 of CGST Act, 2017 read with Notification No. 12/2017, services by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount (other than interest involved in credit card services) are exempt. In the present case, cheque discounting charges of ₹5,250 is exempted.
 - (ii) As per CBIC circular, penal interest collected for delay in receipt of installment in case of hire purchase transaction (2 parties are involved i.e., Hire vendor and Hire purchaser) is chargeable to GST as the interest involved in hire purchase is chargeable to GST by way of including it in the value of supply in terms of Sec. 15(2)(d) of CGST Act.
 - (iii) Location of supplier is Mumbai and Location of recipient is Agra and POS shall be determined in terms of Sec. 12 of IGST Act. In case of transportation of passengers, POS shall be the embarkation point, in case services are provided to an unregistered person. Therefore, POS shall be London.

Question 3b:

[4 Marks]

Mangesh Enterprises, Goa, a registered supplier, has made the following supplies in the month of February 2022:

- I. Supply of guest house accommodation with facilities of cooling, heating, internet and parking to customers on daily rentals of ₹ 1,500. Mangesh Enterprises has 20 guest suites. During the month, there was 50% occupancy. Catering and Food service were supplied separately to those who opted for it at a cost of ₹ 500 per day of occupancy. Total amount collected for catering and food service was ₹ 70,000.
- II. Supplied monthly air-conditioner maintenance services (intrastate) to a software company under a contract effective 1st February, 2022 for six months. According to the terms of service in the contract, the software company is liable to pay service charges of ₹ 12,000 for the entire period plus cost of spares and replacements at actuals. Taxes are separate and payable in accordance with statute. Mangesh Enterprises is yet to raise an invoice, though service was provided for February, 2022. During the month the company has not provided any spares or replacements as part of maintenance service. Further the concern has not received any amount towards above services.

Assume rates of GST as under:

S.N.	PARTICULARS	RATE OF GST (CGST + SGST)
1	Air conditioner Maintenance	18%
2	Food catering service	5%
3	Renting of guest house service	18%
4	Parking service	18%

With the help of the above information, examine each of the above supplies made by Mangesh Enterprises for the month of February, 2022 and determine the rate and the amount of GST applicable on the supplies made.

- I. As per Sec. 11 of CGST Act, 2017 read with Notification No. 12/2017, services provided by way of temporary stay in a hotel, guest house, club, campsite, inn etc., is exempted if the value of supply does not exceed ₹1,000 per day or equivalent. In the present case, the charges exceed ₹1,000 and entirely taxable.

As per Sec. 2(30) read with Sec. 8 of CGST Act, if two or more taxable supplies are naturally bundled in the ordinary course of business and one of which is a principal supply, then they are classified as composite supply and the GST rate of principal supply applied on entire transaction.

In the present case, accommodation, and supply of food, both are taxable but not naturally bundled as it is optional for the guests to opt for food. Also, it is not a mixed supply as there is no single price. Therefore, it is treated as individual supplies and taxable accordingly

GST payable on accommodation = 20 guest suits X 28 days X 50% occupancy X ₹1,500 per day X 18% = ₹75,600

GST payable on Catering and food service = ₹70,000 X 5% = ₹3,500

- II. A service which takes more than 3 months to complete and involves periodic payment obligations is known as continuous supply of service and the due date of invoice in such case is determined as per Sec. 31(5) of CGST Act, 2017.

If due date of installment is ascertainable from the contract, then due date of invoice is the due date of installment

If due date of installment is linked to completion of an event, then due date of invoice is the date of completion of such event

In any other case, due date of invoice is the date on which payment is received.

In the present case, there is no information regarding the time at which such payment is to be received, whether on monthly basis or in lumpsum, it is assumed that the payment shall not be received in installments, and it is not treated as a continuous supply of service.

Consequently, it is a normal service and the invoice to be issued within 30 days from the date of completion of service i.e., 6 months from 1st Feb 2022.

Alternative possible answer:

Assuming that the payment are receivable on monthly basis upon completion of each month, invoice for ₹2,000 plus GST of 18% to be raised at the end of each month i.e. for Feb, 2022 invoice to be raised on 28th Feb 2022.

Question 3c:

[5 Marks]

"The laptop supplied along with software loaded on hard disk drive has to be classified as laptop and valuation has to be made as one unit.

The classification also has to be determined accordingly." Examine this statement with reference to classification and valuation of laptop under customs act, 1962 read with relevant rules and relevant judicial pronouncement, if any.

In **CC v .Hewlett Packard India Sales (p) Ltd. 2007 (215) E.L.T. 484**, Supreme Court held that without operating system software like windows, the laptop cannot work. Therefore, the laptop along with software has to be classified as laptop and valuation to be made as one unit.

In this case the assessee was engaged in the manufacture of, and trading in, computers including Laptops (otherwise called 'Notebooks') falling under Heading 84.71 of the CTA Schedule. They imported Notebooks (Laptops) with Hard Disc Drivers (Hard Discs, for short) preloaded with Operating Software like Windows XP, XP Home etc. These computers were also accompanied by separate Compact Discs (CDs) containing the same software, which were intended to be used in the event of Hard Disc failure.

Considering the above SC judgement, laptops imported along with Software should not be treated separately for valuation and the value of software should be included in the value of laptop. Also for the purpose of classification of goods imported, software is classified along with laptop.

Question 4a:

[5 Marks]

Agni Limited filed GST return (under section 39) for the month of January 2021 on 11th April, 2021. Original due date for the said return was 20th February, 2021. Details of tax assessed as payable for the said month are given below:

Particulars	CGST ₹	SGST ₹
Output tax payable	1,80,000	1,80,000
Tax payable under reverse charge	40,000	40,000
Input tax credit available for utilization	70,000	70,000

- I. Compute the net tax payable in cash while filing the said return as well as the interest payable for the delayed remittance of tax.
- II. Assuming the company has an ITC balance of ₹ 2,50,000 each under CGST and SGST for the said month, compute the interest payable, if entire tax due for the said month was paid through the Electronic Credit Ledger to the extent possible as per the provisions of Act?

Computation of net GST payable through Electronic Cash Ledger, If ITC balance is ₹70,000:

Particulars	CGST ₹	SGST ₹
Output tax payable	1,80,000	1,80,000
Less: Input tax credit Utilised	(70,000)	(70,000)
Net tax payable under FCM	1,10,000	1,10,000
Add: RCM liability	40,000	40,000
Total Net Tax payable through Electronic Cash Ledger	1,50,000	1,50,000

Due date of filing GSTR – 3B for Jan 2021 is 20th Feb 2021

Actual date of filing GSTR – 3B for Jan 2021 is 11th April, 2021

Period of delay = 50 days

Interest payable under CGST = ₹1,50,000 × 18% × 50/365 = ₹3,699

Interest payable under SGST = ₹1,50,000 × 18% × 50/365 = ₹3,699

Alternative Answer:

If GST paid under RCM is not included in the ITC available for Utilization, then ITC shall be ₹1,10,000 of CGST and SGST each. Then, interest shall be computed on ₹1,10,000, which is the net GST payable through electronic cash ledger i.e., ₹70,000 + ₹40,000.

Computation of net GST payable through Electronic Cash Ledger, If ITC balance is ₹2,50,000:

Particulars	CGST ₹	SGST ₹
Output tax payable	1,80,000	1,80,000
Less: Input tax credit Utilised	(1,80,000)	(1,80,000)
Net tax payable under FCM	0	0
Add: RCM liability	40,000	40,000
Total Net Tax payable through Electronic Cash Ledger	40,000	40,000
Excess ITC carried forward	₹2,50,000 (-) ₹1,80,000 = 70,000	₹2,50,000 (-) ₹1,80,000 = 70,000

Due date of filing GSTR – 3B for Jan 2021 is 20th Feb 2021

Actual date of filing GSTR – 3B for Jan 2021 is 11th April, 2021

Period of delay = 50 days

Interest payable under CGST = ₹40,000 × 18% × 50/365 = ₹986

Interest payable under SGST = ₹40,000 × 18% × 50/365 = ₹986

Notes:

1. RCM liability cannot be paid using Electronic Credit Ledger and has to be paid using Electronic Cash Ledger.
2. As turnover information in a month is not available, Rule 86B restriction is not applied i.e., payment of 1% through Electronic Cash ledger.
3. For delay in filing GSTR – 3B, interest shall be payable under Sec. 50 @ 18% on the liability discharged through Electronic Cash Ledger.

Question 4b:

[4 Marks]

Comment on the given independent situations relating to GST procedures. Your answer should include relevant provisions of law, as may be applicable:

- I. Jugnoo Enterprises, a trader engaged in the buying and selling of medicines within the state of Delhi, is not registered under GST. It has exceeded the turnover of ₹ 20 Lakhs on 15th July 2021 and also exceeded the turnover of ₹ 40 Lakhs on 14th February 2022. It applies for registration under GST on 28th February and registration certificate was granted on 2nd March 2022, Determine the date on which liability to register arises and the effective date of registration in this case.
 - II. GoToDress is a chain of stores dealing in readymade garments through five showrooms in Delhi. It has a single GSTIN for all its showrooms in Delhi and has a principal place of business at Karol Bagh, Delhi. One of the consultants has suggested GoToDress to maintain books of accounts of all of its five showrooms at principal place of business at Karol Bagh, Delhi for better administration and control. Give your comment on the above advice according to the provisions of GST Law.
- I. As per Sec. 22 of CGST Act, 2017 a person exclusively engaged in supply of goods and is located in states other than Manipur, Mizoram, Tripura, Nagaland, Uttarakhand, Sikkim, Telangana, Arunachal Pradesh, Meghalaya, Puducherry is ₹40 lakhs. In the present case, Jungoo Enterprises, is exclusively engaged in supply of medicines in Delhi and applicable threshold limit is ₹40 lakhs. As per Sec. 25 of CGST Act, 2017, the effective date of registration is the date on which such person is liable to get registered, if application for registration is made within 30 days from the date such person is liable to get registered. In the present case, Jungoo Enterprises is liable to register or 14th February, as their aggregate turnover exceeds ₹40 lakhs on that date. They made application on 28th February which is within 30 days from 14th February. Therefore, the effective date of registration is 14th February.
- II. As per Sec. 35 of CGST Act, 2017, every registered person shall maintain accounts and records at their principal place of business, as mentioned in the certificate of registration. Provided that, where more than one place of business is specified in the certificate of registration, the accounts relating to each place of business shall be kept at such places of business.
- In the present case, GoToDress is required to maintain the accounts and records of all five showrooms in their principal place of business i.e., Karol Bagh and should maintain the accounts and records of additional place of business i.e., four show rooms, in the respective showrooms.

Question 4c:

[5 Marks]

Joginder & Co. imported goods valued at ₹ 12, 00,000 vide a bill of entry presented before the proper officer on 15th December, 2021, on which date the rate of customs duty was 20%. The proper officer decided that the goods should be subject to chemical test and therefore, the same were provisionally assessed at a value of ₹ 12, 00,000 and Joginder & Co. paid provisional duty of ₹ 2,40,000 on the same date after fulfilling the requirements for provisional assessment.

What are the conditions which are to be complied before payment is made for the purpose of provisional assessment? Determine the amount of interest payable, if any, under section 18 of the Customs Act, 1962 assuming that the payment of the final duty is assessed on 31st January, 2022 at ₹ 3,80,000 and the balance duty is paid on the same day.

As per Sec. 18 of Customs Act, 1962 proper officer under customs can pass a provisional assessment order, where the proper officer deems it necessary to subject any import goods or export goods to any chemical or other test.

Wherever, duty is to be assessed provisionally, the importer shall –

- (a) Execute a bond in the prescribed form, for the purposes of undertaking to pay on demand the deficiency, if any, between the duty as may be finally assessed and the duty provisionally assessed, and
- (b) Furnish prescribed amount of security for the payment of duty deficiency. No sureties shall be obtained. The security to be obtained shall be in the form of bank guarantee or a cash deposit, as convenient to the importer.

Interest is payable @ 15% p.a. FROM the 1st day of the month in which provisional assessment is resorted TILL the payment of such differential amount. In the present case, provisional assessment order is passed on 15th December, so interest needs to be computed from 1st December to 31st January, for a period of 62 days.

Interest payable = (₹3,80,000 – ₹2,40,000) × 15% × 62/365 = ₹3,567.

Question 5a:**[5 Marks]**

On scrutiny of returns filed by Chandan & Co., the department found some discrepancy in ITC claimed by the company and consequently a departmental audit was conducted under section 65 of CGST Act. On conclusion of the audit in February, the department issued a Show Cause Notice (SCN) alleging that the company had wrongly and deliberately claimed ITC in the returns without actual receipt of goods for the month of January. The Joint Commissioner of Central Tax, not being satisfied by the reply given by the company to the SCN, passed a written order on 28th April which was received by the company on 1st May. The order confirmed the tax demand of ₹ 30,00,000 (i.e., CGST ₹ 15,00,000 and SGST ₹ 15,00,000) and imposed a penalty of equal amount under section 74. Aggrieved by the order, Chandan & Co. decides to contest the order of adjudication in its entirety. It seeks advice on the following issues -

- I. To whom should it make an appeal? Can it directly approach the High Court?
 - II. What is the time limit for filing the appeal in the given case?
 - III. Is there any requirement of pre-deposit of any amount and if so, what would be the amount?
- Provide your legal and reasoned advice to Chandan & Co.

- I. As per Sec. 107 of CGST Act, an appeal against order of adjudication authority lies before Appellate Authority i.e. commissioner (Appeals). Appeal directly to high court not possible. However, the aggrieved person can invoke writ petition to High Court.
- II. Time limit for filing appeal 3 months from the date of communication of such decision/order. In the present case, the order is communicated to Chandan & Co. 1st May. Therefore, the time limit for appeal is 3 months from 1st May i.e., 1st August. The appellate authority can condone the delay by 1 month. Therefore, if appellate authority condones delay, in the present case appeal can be filed by 1st September.
- III. No appeal shall be filed before Appellate authority, unless the appellant has paid full amount of tax, interest, fee and penalty based on the order as is admitted by him and a sum equal to 10% of the remaining amount of tax in dispute. In the present case, there is no admitted due, therefore Pre deposit = 10% of disputed tax i.e. 3,00,000

Question 5b:**[4 Marks]**

Octa Manufacturers, Jalandhar, a registered supplier, instructs its supplier Dawson Ltd. to send a CNC machine directly to the job worker, J Enterprises, outside its factory to carry out certain operations on the goods. The CNC machine was sent by the supplier on 7th March, 2018 and was received by the job worker on 10th March, 2018. J Enterprises carried out the job work and returned the CNC machine to the principal, Octa Manufacturers on 1st March, 2021.

- I. Can Octa Manufacturers retain the ITC availed by them on the CNC machine?
 - II. Would your answer be the same if in place of CNC machine, jigs and fixtures were supplied to the job worker which were returned to the principal on 1st March, 2021.
- I. As per Section 19 of the CGST Act, 2017, the principal (a person supplying taxable goods to the job worker) shall be entitled to take the credit of input tax paid on inputs sent to the job-worker for the job work. Further, the proviso also provides that the principal can take the credit even when the goods have been directly supplied to the job worker without bringing into the premise of the principal. As per Sec. 16 of CGST Act, 2017, the date on which such job worker has received the goods, it is deemed that the registered person has received the goods and can avail ITC. In the present case, Octa Manufacturers can avail the ITC, even though the goods are received by job-worker. The date on which job-worker has received the goods is deemed to be the date on which Octa Manufacturers has received such goods. Therefore, ITC can be availed by Octa Manufacturers on 10th March, 2018. Also, as per section 143 of the CGST Act, 2017, inputs and capital goods after processing shall be returned back to principal within one year or three years respectively of their being received by the job worker. In the present case, as the goods are received within 3 years from the date of receipt by job worker, Octa Manufactures shall not treat such goods as supplied and not required to pay GST on the same.
 - II. Further, the provision of return of goods, within the prescribed period of 1 year or 3 years, is not applicable in case of moulds and dies, jigs and fixtures or tools supplied by the principal to job worker. Therefore, Octa Manufacturers can avail ITC and not required to pay GST, even if the goods are not received within 3 years from the date of receipt by the job worker.

Question 5c:**[3 + 2 = 5 Marks]**

- I. Cliff Paul, a resident and citizen of USA, visits India on a business tour. He made declaration to the proper officer about his baggage under section 77 of the Customs act, 1962 for the purpose of clearance. During the scrutiny of the declaration, proper officer found that some of the articles declared in baggage brought with him were prohibited to be entered in India and were detained by the officer.
Although Mr. Paul did not insist to clear those articles, value of those articles was very high and it was a difficult situation for him. You are required to advise any procedure prescribed under customs law to overcome the situation. Give your advice on the basis of relevant statutory provisions.
- II. Raghu Limited imported a machine from Japan. The payment includes ₹ 2,00,000 for post importation charges for installation and testing at the site of Raghu Limited in India. These charges are payable as a condition for sale of the imported machine. The department contends that this amount is includible in the assessable value. Examine the correctness of the stand taken by the department
- I. As per Sec. 80 of Customs Act, 1962 Where the baggage of a passenger contains any article, which is dutiable or the import of which is prohibited and in respect of which a true declaration has been made, the proper officer may, at the request of the passenger, DETAIN such goods for the purpose of being returned to him on his leaving India and if for any reason the passenger is not able to collect the article at the time of his leaving India, the article may be returned to him through any other passenger authorized by him and leaving India (or) as cargo consigned in his name.
In the present case, Cliff Paul, has imported prohibited goods and the same were declared in the baggage declaration form during disembarkation in the airport, the same can be temporarily detained by the officer and Cliff Paul can make a request regarding the same.
On his return, those detained goods may be taken by him or by any other passenger authorised by him.
- II. As per Sec. 14 of Customs Act, 1962 read with Rule 10(1)(e) of Customs Import of goods Valuation Rules, 2007 all payments actually made or to be made as a condition of sale of imported goods, by the buyer to seller, or by the buyer to a third party to satisfy an obligation of the seller, shall be included in the value.
In the present case, installation, and testing charges of ₹2,00,000 are payable by Raghu Limited, as a condition for sale of imported machine and the same should be included in the value, if it not included in the price, even though these charges are paid after import.
Therefore, department's contention is valid in this case.

Question 6a:

[4 Marks]

Enumerate the suppliers to whom the Dynamic Quick Response (QR) code is not applicable when they issue an invoice to an unregistered person.

OR

With reference to Section 90 of the CGST Act, 2017, briefly discuss the liability of the partners of a firm to pay tax.

Irrespective of the ATO, **QR Code** not required in case of following suppliers. **[BIGG TOE]**

B = Banking Company/Financial Institution/NBFC

I = Insurance Company

G = Goods Transport Agency

G = Government Department & Local Authority

T = Transportation of passengers (Any mode)

O = OIDAR supplier located outside India & making supply to NTOR in India.

E = Exhibition of film in Multiplex Cinema Theatre

OR

Liability in case of partners of firm [Sec. 90 of CGST Act, 2017]:

- ➡ Partnership firm and Partners of such firm are Jointly and severally liable for the dues of the partnership firm.
- ➡ Retiring partner will continue to be liable till he gives his notice of retirement to the commissioner, if such notice is not issued within 1 month from the date of retirement. If the notice is issued within 1 month, then the retiring partner is liable for the dues till the date of his retirement.

Question 6b:

[5 Marks]

List the safeguards provided in section 67 of CGST Act, 2017 in respect of the power of search or seizure.

Certain safeguards are provided in section 67 of CGST Act in respect of the power of search or seizure. These are as follows:

- Seized goods or documents should not be retained beyond the period necessary for their examination;
- Photocopies of the documents can be taken by the person from whose custody documents are seized;
- For seized goods, if a notice is not issued within six months of its seizure, goods shall be returned to the person from whose possession it was seized. This period of six months can be extended on justified grounds up to a further period of maximum six months;
- An inventory of seized goods shall be made by the seizing officer;
- Certain specified categories of goods such as perishable, hazardous etc. can be disposed of immediately after seizure. For instance, newspapers and periodicals, menthol, camphor, saffron, petroleum products, red sander, cells, batteries and rechargeable batteries, Re-fills for ball-point pens, etc.
- Provisions of Code of Criminal Procedure 1973 relating to search and seizure shall apply. However, one important modification is in relation to sub-section (5) of section 165 of Code of Criminal Procedure – instead of sending copies of any record made in course of search to the nearest Magistrate empowered to take cognizance of the offence, it has to be sent to the Principal Commissioner/ Commissioner of CGST.

Question 6c:











[5 Marks]













Distinguish between Advance Authorization and DFIA (Duty Free Import Authorization) schemes.













Basis of Difference	Advance Authorization (AA)	Duty Free Import Authorization (DFIA)
1. Transferability of authorization	AA is subject to actual user condition which cannot be transferred	DFIA is transferable after completion of export obligation
2. Minimum value addition required.	Minimum VA = 15% (other than tea) and 50% (in case of tea).	Minimum VA = 20%
3. Applicability of gem and jewellery sector	Applicable	Not applicable
4. Fixation of SION	AA can be issued even if SION for that product is not fixed.	DFIA can be issued only if SION has been fixed for the product to be exported.
5. Duties that are exempt	All duties (incl. IGST) payable on imports under AA are exempted.	Only BCD payable in imports under DFIA is exempt
6. Applicability of authorization.	Only manufacturer – Exporter or merchant exporter tied to supporting manufacturer is eligible for AA.	A merchant exporter even though not tied to supporting manufacturer is eligible for DFIA
7. When available?	It shall be issued on a pre-export basis with an entitlement (Import on post export basis is possible through CA Certificate)	It shall be issued on post export basis based on exports made, which is useful for subsequent imports













Note: As on the date of publication of this book, ICAI has not released suggested answers for May 22 exam and above answers are prepared by the author and slight differences may arise on account of assumptions taken by ICAI in their suggested answers.













TOP 200 QUESTIONS IN SOLVED WORK BOOK (9TH EDITION) WITH QR CODE FOR YOUTUBE VIDEOS













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34	46	67	













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40	9	78	
41	10	79	
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45	16	83	
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53	29	90	
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55	31	91	
56	33	92	
57	34	93	
58	12	103	













59	13	105	
60	17	108	
61	18	109	
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63	25	116	
64	26	116	
65	27	117	
66	29	118	
67	31	119	
68	32	119	
69	38	121	
70	41	122	













71	48	127	
72	2	131	
73	5	133	
74	7	135	
75	21	142	
76	29	146	
77	30	147	
78	32	148	
79	35	151	
80	36	152	
81	37	153	
82	42	156	













83	43	158	
84	44	158	
85	45	160	
86	47	161	
87	50	165	
88	53	167	
89	56	169	
90	57	169	
91	58	170	
92	59	171	
93	62	173	
94	63	175	













95	64	178	
96	65	182	
97	66	184	
98	67	187	
99	68	190	
100	70	194	
101	4	213	
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103	7	215	
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105	9	218	
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108	6	230	
109	11	233	
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111	15	236	
112	18	237	
113	20	239	
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117	25	245	
118	26	247	













119	27	249	
120	28	250	
121	29	251	
122	32	253	
123	2	255	
124	4	257	
125	10	261	
126	16	265	
127	19	267	
128	22	267	
129	36	279	
130	47	285	













131	48	289	
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141	1	316	
142	2	316	








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144	2	321	
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166	4	356	

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201	22	435	
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210	13	451	