

## CA INTERMEDIATE TAXATION – GST NOV 22 QUESTION & ANSWER

### Question 5:

Ajay limited, a registered dealer in Patna (Bihar), is engaged in various types of supplies. The company provided the following details for the month of January 2022:

Sl. No	Particulars				Amount
(i)	Outward supply of goods made during the month to various non-related persons:				As given in particulars Colum
		Particulars	Market Value (₹)	Transaction Value (₹)	
	a.	In the state of Bihar (Intra-State)	3,00,000	4,00,000	
	b.	To Other states (Inter-State)	2,00,000	1,00,000	
(ii)	Services provided to the State Government of Karnataka for conducting a computer training programme for its employees. Total expenditure incurred for the said programme was ₹ 90,000, of which ₹ 63,000 was borne by the State Govt. (Inter-State transaction)				5,00,000
(iii)	Stock transfer without consideration to its branch at Gaya (Bihar). Branch has separate GSTN for convenience of accounting and billing. Value under Section 15 - ₹ 20,000. (Intra-State)				Nil
(iv)	Intra-state inward supply of various services for use in the course or furtherance of business (30 invoices)				6,50,000

Additional Information:

- All the amounts given above are exclusive of taxes.
- During the course of arranging and filing documents, the accountant of Ajay Limited observed that an invoice for ₹ 30,000 (excluding tax) dated 02.12.2021 was omitted to be recorded in the books of accounts and no payment was made against the same till the end of January 2022. This invoice was issued by Mr. Mukesh of Patna, from whom Ajay Limited had taken cars on rental basis. Invoice included cost of fuel also. (Intra-State transaction)
- Rate of GST Applicable on various supplies are as follows:

Nature of Supply	CGST	SGST	IGST
Car Rental Service	2.5%	2.5%	5%
All other inward and outward supplies	9%	9%	18%

- No opening balance of Input tax credit exists as on the beginning of the month.
- Out of the 30 invoices of inward supply received, 6 invoices with taxable value amounting to ₹ 1,50,000 were e-invoices in which Invoice Reference Number (IRN) was not mentioned. However, all the invoices were duly reflected in GSTR 2B for the month of January 2022, since the suppliers had filed their GSTR-1.
- Subject to the information given above, conditions necessary for claiming ITC were complied with.

You are required to calculate the amount of net GST liability payable in cash by Ajay Limited for the month of January 2022. Brief notes for treatment given for each item should form part of your answer.

(8 Marks)

**Question 6:**

- a) Charm Limited registered under GST in the state of Jharkhand, manufactures cosmetic products and appointed Mr. Handsome of Mumbai, who is registered under GST in the state of Maharashtra, as their Del-credere agency agent (DCA) to the sell their products. Being a DCA, he agrees to raise invoices in his own name and also guarantees for the realisation of payment from customers to Charm Limited.

In order to realise the payments from customers on time, he extends short term transaction-based loans to them and charges interest for the same.

Mr. handsome provides you the following details of transactions carried out during the month of March 2022.

Sl.No	Particulars	Amount in ₹
	<b>Outward Supply:</b>	
i.	Goods sold by MR. Handsome in the DCA capacity (Intra-State transaction)	2,80,000
ii.	Interest earned from the above customers for short term credit facility provided for timely payment of dues. (Intra-State transaction)	20,000
iii.	Commission bill raised on Charm Limited (Inter-State transaction) in respect of DCA services provided.	30,000
	<b>Inward Supply:</b>	
iv.	Inter-State supply of goods received from Charm Limited. Since being a DCA, no consideration was paid. Value under section 15 - ₹ 2,00,000	Nil
v.	Received training in marketing and distribution from Charm Limited as per DCA agreement, free of cost. Company charges ₹ 75,000 for such training when they provide the same to others	Nil

Applicable rate of tax on both inward and outward supplies is 9% each for CGST and SGST and 18% for IGST. Amount given above are exclusive of taxes wherever applicable. Subject to the information given above, necessary conditions are complied with for availment of Input Tax Credit.

You are required to calculate the gross GST liability and eligible Input Tax Credit for the month of March 2022 of Mr. Handsome. Brief notes should form part of your answer for treatment of items in Sl. No (i) to (v).

**(6 Marks)**

- b) Answer the following, after reading the below given two paragraphs:

- I. Briefly discuss the relevant provision
- II. Decide the correct conclusion and
- III. Determine the validity of the given advice (Correct / Incorrect)
  - (I) Raju is engaged in the manufacture of 'Fly ash Bricks' in the State of Kerala. He started his activity in the month of April 2022 and deals only in intra-State. His tax consultant advised him to register under composition levy under GST as Raju's turnover is expected to be below ₹ 1 crore for the said financial year.
  - (II) Dharun provides service as a business facilitator to Zio Bank in opening of bank accounts to villagers in its rural branches in Punjab and earned a commission of ₹ 22 lakh in the month of April, 2022. So far he is not registered under GST. Dharun's tax consultant advised him that he is liable for registration under GST as his gross receipts exceeded ₹ 20 lakh. Dharun has no other receipt/business activity other than the above.

**(4 Marks)**



**Question 7:**

- a) Nesamani stated his business activities in the month of February 2022 in the state of Orissa. He provided the following details.

Particulars	Amount in ₹
I. Outward supply of Petrol (Intra-state)	4,00,000
II. Transfer of exempt goods to his branch in Rajasthan (Inter-state)	2,00,000
III. Outward supply of taxable goods by his branch in Uttar Pradesh (Intra-state)	5,00,000
IV. Outward supply of services on which tax is payable under RCM by the recipient of services (Intra-state)	6,00,000
V. Inward supply of services on which tax is payable under RCM (Intra-state)	2,00,000

From the information given above, compute the aggregate turnover of Nesamani and also decide whether he is required to get registration under GST. Assume that the amounts given above are exclusive of taxes.

(5 Marks)

- b)

- (i) Pranesh has deposited a sum of ₹ 5,000 under the head of 'Fee' column of Cess and ₹ 4,000 was lying unutilised under the head of Penalty column of IGST. Both the deposits were made wrongly instead of depositing under the head of Fee column under SGST.

In the light of the provisions of section 49(10) & 49(11) of the CGST Act, 2017, briefly explain the relevant provisions as how can Pranesh rectify these errors?

(3 Marks)

- (ii) M/s Sakura Enterprises made an inter-State supply of taxable goods valued at ₹ 47,500 and exempt goods valued at ₹ 2,000. Rate of 1GST for taxable supply was 6%. Determine, with brief reasons, whether e-way bill generation is mandatory for the above supply made by M/s Sakura Enterprises.

(2 Marks)

**Question 8:**

- a) Rule 86B restricts the use of Input Tax Credit (ITC) available in the Electronic Credit Ledger for discharging output tax liability. List down the exceptions to the Rule 86B.

(5 Marks)

- b) List any three situations that warrant issue of Credit Note. Briefly explain the time line to declare such Credit Note in the GST return.

**OR**

List the details of outward supplies which can be furnished using Invoice Furnishing Facility (IFF). Also, briefly list the cases where a registered person is debarred from furnishing details of outward supplies in GSTR-1 / IFF.

(5 Marks)

## Answer to Question No. (5)

### I. Statement showing computation of Gross GST payable:

Particulars	CGST	SGST	IGST
(i) outward supply to non related persons (Note - 1)	$4,00,000 \times 9\%$ $= 26,000$	$4,00,000 \times 9\%$ $= 26,000$	$1,00,000 \times 18\%$ $= 18,000$
(ii) Services provided to LG of K.A (Note - 2)	—	—	$5,00,000 \times 18\%$ $= 90,000$
(iii) Stock transfer (Note - 2)	$20,000 \times 9\%$ $= 1,800$	$20,000 \times 9\%$ $= 1,800$	—
Gross GST under FCM	37,800	37,800	1,08,000
(iv) Inward supply under RCM (Note - 4)	$30,000 \times 2.5\%$ $= 750$	$30,000 \times 2.5\%$ $= 750$	—
Gross GST payable	38,550	38,550	1,08,000

### II. Statement showing computation of Input tax credit

Particulars	CGST	SGST	IGST
Opening Balance	—	—	—
Inward supply during the month (Note - 5)	$5,00,000 \times 9\%$ $= 45,000$	$5,00,000 \times 9\%$ $= 45,000$	—
GST under RCM (Note - 4)	750	750	—
Total ITC	45,750	45,750	—

### III. Statement Showing computation of net GST payable

particulars	CGST	SGST	IGST
Gross GST under FCM (I)	37,800	37,800	1,08,000
(-) Input tax credit			
CGST credit utilized	(37,800)		(7,950)
SGST credit utilized		(37,800)	(7,950)
(+) GST under RCM, payable only through Electronic Cash ledger	750	750	
Net GST payable	750	750	92,100

#### Notes to above:

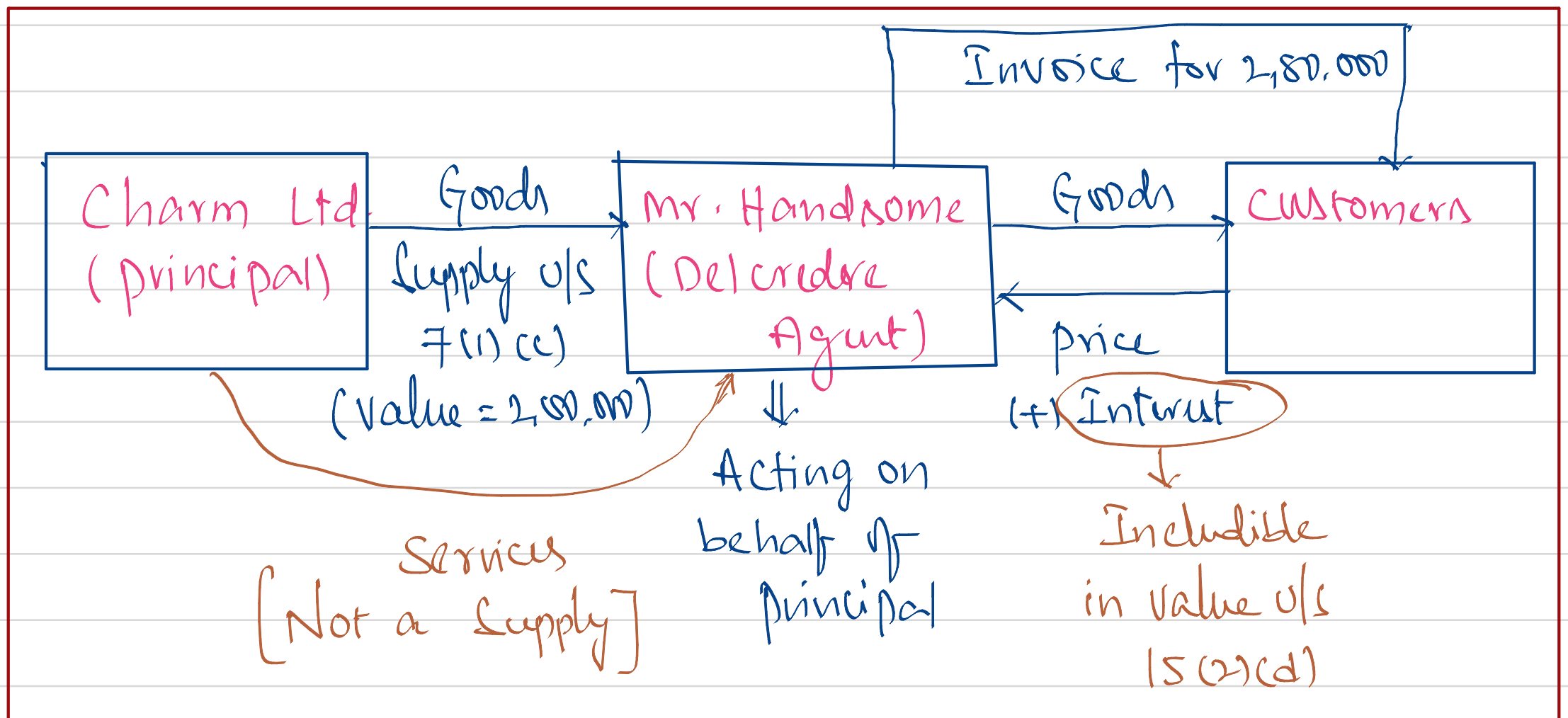
- ① As per Sec. 15(1) of CGST Act, 2017 in case of transactions between unrelated persons and where price is sole consideration, value of supply shall be transaction value. Market value is irrelevant in the present case.
- ② As per Sec. 11 read with Notification No. 12/2017, Services provided to Government w.r.to any training programme for which atleast 75% of total expenditure borne by Govt. is exempted. In the present case expenditure per student is ₹90,000, but Govt. has borne < 70% and the said service is not exempted.

- ③ As per Sec. 7(1)(c) read with Schedule I of CGST Act, 2017 transactions between distinct persons, even though without consideration constitutes supply. Also as per Sec. 15 of CGST Act, 2017, multiple registrations of a person are treated as distinct person. In the present case stock transfer to branch within the state having separate registration is treated as supply u/s 7(1)(c).
- ④ As per Sec. 9(2) read with Notification No. 12/2017, services by way of renting of motor vehicles by a person other than body corporate to a recipient who is a body corporate and rate of GST being 5% is taxable under RCM. In the present case, Ajay Ltd. received renting of motor vehicle services from Mr. Mukesh, on which Ajay Ltd. is liable to pay GST. Also, as the invoice was not recorded for the month of Dec, 2021, the same is recognized in Jan 2022 and accordingly GST is payable using Electronic Cash Ledger. The same can be availed as ITC, in the month in which it is paid.
- ⑤ As per Sec. 16 read with Rule 26(4) of CGST Rules, 2017 ITC can be availed only w.r. to those invoices the details of which are filed by respective supplier in GSTR-1 and made available to recipient in GSTR-2B. Also as per Rule 48(5), any invoice issued by a person to whom e-invoicing is applicable, without invoice reference number (IRN), it is not a valid invoice & recipient cannot avail ITC on the basis of such invoice. Therefore, in the present case Ajay Ltd. cannot avail ITC w.r. to invoice valued ₹1,50,000, out of ₹6,50,000.



## Answer to Question No. 6

(a)



### I. Computation of Gross GST payable by Mr. Handsome

Particulars	CGST	SGST	IGST
Sale of Goods (Note-1)	$2,80,000 \times 9\% = 25,200$	$2,80,000 \times 9\% = 25,200$	
Interest earned from Customers (Note-2)	$20,000 \times 9\% = 1,800$	$20,000 \times 9\% = 1,800$	
Commission earned from principal (Note-3)			$30,000 \times 18\% = 5,400$
Gross GST payable	27,000	27,000	5,400

## II. Computation of ITC available to Mr. Handsome

Particulars	CGST	SGST	IGST
Inward supply of goods from principal (Note - 4)	—	—	$2,00,000 \times 18\%$ $= 36,000$
Inward supply of services from principal (Note - 5)	—	—	—
Total ITC	—	—	36,000

## III. Computation of net GST payable by Mr. Handsome

Particulars	CGST	SGST	IGST
Gross GST payable	27,000	27,000	5,400
(-) IGST credit utilized	(15,200)	(15,200)	(5,400)
Net GST payable	11,700	11,700	—

### Notes to above:

- ① An agent is said to be acting on behalf of principal, if such agent is raising invoice to the buyer in the name of agent. In the present case Mr. Handsome being an agent is raising invoice in his name and it is supply u/s 7(1)(a) and chargeable to GST



- ② As per CBIC circular interest received by DCA from customers treated as interest on account of delay in receipt of consideration and consequently included in the value of s 15(2)(d), if such DCA is acting on behalf of principal. In the present case, as Mr. Handsome is acting as agent on behalf of Charm Ltd by raising invoice in the name of Mr. Handsome, interest earned shall be treated as inclusion in value and chargeable to GST accordingly.
- ③ As per Sec. 7(1)(c) read with Schedule I of CGST Act, supply of goods by a principal to their acting agent on behalf of principal, constitutes supply and chargeable to GST, even though it is without consideration. In the present case, as Mr. Handsome is acting as agent on behalf of Charm Ltd., supply of goods by Charm Ltd. to Mr. Handsome, even though without consideration is chargeable to GST and the same can be availed as ITC by Mr. Handsome.
- ④ Commission earned by Mr. Handsome from Charm Ltd. is towards supply of services as an agent and the same constitutes as supply of s 7(1)(a) and chargeable to GST. Charm Ltd. can avail ITC on the same.
- ⑤ Principal - Agent transactions referred to in Sec. 7(1)(c) is only w.r. to goods but not w.r. to services. Therefore, services provided by Charm Ltd. to Mr. Handsome, without consideration is not a supply and consequently not chargeable to GST.

## Answer to Question No. (6)

(6) (i) As per Sec. 10(1) of CGST Act, 2017 a person can opt for composition scheme during the current year, if their Aggregate turnover during the previous year has not exceeded ₹ 150 lakhs. However, as per Sec. 10(1) of CGST, 2017 a manufacturer of notified goods cannot opt for composition scheme. In the present case, Mr. Raju is engaged in manufacture of fly ash bricks, which is one of the notified goods amongst ice-cream, edible ice, pan masala, tobacco, tobacco products, Aerated water, bricks and roofing tiles. Therefore, Mr. Raju cannot opt for composition even though aggregate turnover has not exceeded ₹ 150 lakhs and the advice of his tax consultant is not valid.

② As per Sec. 11 read with Notification No. 12/2017,

Services provided by a business facilitator to a banking company in rural area is exempted.

Accordingly, in the present case services provided by Mr. Dharun to Zio Bank is exempted.

Also, as per Sec. 23 of CGST Act, 2017 a person exclusively engaged in supply of exempted goods (or) services, is not liable to get registered even though aggregate turnover exceeds threshold limit of ₹ 20 lakhs.

In the present case, as Mr. Dharun is not having any transactions other than exempted supplies by way of services as a business facilitator, he is not required to get registered. The advice of his tax consultant is invalid.



## Answer to Question No. (7)

- (a) As per Sec. 2(6) of CGST Act, 2017 "aggregate turnover" means the aggregate value of taxable supplies (including the value of inward supplies on which tax is payable by a person on reverse charge basis), exempt supplies, export of goods (or service (or both and interstate supplies of persons having same PAN, to be computed on All India basis but exclude CGST/SGST/UTGST/IGST and CESS.

### Computation of aggregate turnover of Mr. Niranmani

Particulars	Amount (₹)
Outward supply of petrol - It is a non taxable supply and covered under exempted supply and it is included in the meaning of ATO as above	4,00,000
Interstate transfer of exempted goods to branch - It is exempted supply and included in the meaning of ATO as above	2,00,000
Outward taxable supply made by branch - All supply made by a person having same PAN on all India basis to be included in ATO	5,00,000
Outward supply covered under RCM - to be included in ATO, as only inward supply under RCM is to be excluded.	6,00,000

Inward supplies on which GST payable under Rom - Specifically excluded from the meaning of Aggregate turnover above	—
Aggregate turnover	17,00,000

As per Sec. 22(1) of CGST Act, a person whose aggregate turnover exceeds threshold limit is liable to get registered. The applicable threshold limit for a person engaged in supply of goods (or) services in Orissa, UP and Rajasthan is ₹ 20 lakhs. In the present case as AG of Mr. Neeharani has not exceeded ₹ 20 lakhs, he is not required to get registered in terms of Sec. 22(1).

However, as per Sec. 24 of CGST Act, a person having inward supplies on which they are liable to pay GST under Rom, is compulsorily required to get registered irrespective of threshold limit. In the present case, as Mr. Neeharani is having inward supplies on which he is required to pay GST under Rom, he is required to get registered as per Sec. 24.

(b) (i) As per Sec. 49 of CGST Act a registered person may on the common portal transfer any amount of tax, interest, penalty, fee (or) other amount in electronic cash ledger under CGST Act to Electronic Cash ledger under SGST Act/UTGST Act/IGST Act by filing a form GST PMT 09 in the common portal.

In the present case, Pramesh can file form GST PMT 09 to shift the balances from major head "IGST" - minor head "penalty" to major head SGST - minor head "fee". Also,

he can add another record in form GST PMT 09 to shift the balance from major head "Cen" - minor head "Fee" to major head "SGST" - minor head "Fee". After filing this form in the common portal, a balance of ₹9,000 reflected under the minor head "fee" of major head "SGST" which can be used for payment of liability as per electronic liability ledger.

- (b) (ii) As per Rule 128 of CGST Rules, 2017 every registered person who cause movement of goods of consignment value exceeding ₹50,000 shall furnish details in part A of form GST EWB01 for generation of E-way bill.
- For the purpose of this rule, consignment value shall be the value determined in accordance with the provisions of Sec. 15 and shall include GST and shall include value of exempted supply.

In the present case value of consignment =  
 $₹47,500 (+) \text{ GST } @ 18\% \text{ on } ₹47,500 = ₹56,000.$

As the consignment value exceeds ₹50,000, M/s Sakura Enterprise should furnish details for generation of E-way bill.



## Answer to Question No. ⑧

(a) As per Rule 86B of CGST Rules, 2017 a registered person shall not utilize the amount available in Electronic credit ledger for payment of liability in excess of 99% of such liability, where turnover exceeds ₹ 50 lakhs in a month.

The above restriction shall not apply in the following cases

- (i) Such person (or) the proprietor (or) karta (or) managing director (or) any of its two partners, have paid > ₹1,00,000 as income tax in each of the last 2 financial years
- (ii) Registered person has received a refund of ITC of > ₹1,00,000 in the preceding financial year
- (iii) Registered person has discharged his liability through Electronic Cash ledger which is > 1% of the cumulative tax liability upto the said month in the current financial year
- (iv) Registered person is Govt. department (or) public sector undertaking (or) local authority (or) statutory body.

(b) As per Sec. 34 of CGST Act, in the following cases a registered person may issue to the recipient one (or) more credit notes for supplies made in a financial year

- (i) Taxable value in tax invoice exceeds actual taxable value
- (ii) Tax charged in tax invoice exceeds actual tax payable
- (iii) goods supplied are returned by recipient
- (iv) goods (or) services supplied are found to be deficient.

Also, the time limit for issuance of credit note is

- a) September end of the succeeding financial year (or)
  - b) Date of furnishing annual return for relevant financial year,
- whichever is earlier.

Note: For May 22 exam onwards, September replaced with November

(or)

(6)


A registered person opting for quarterly return monthly payment scheme, has to submit in invoice furnishing facility the details of outward supplies made to a registered person (i.e., B2B invoiced) along with debit notes (or) credit notes w.r.to such B2B invoices, whether interstate (or) intra state supplies. Invoice furnishing facility is not mandatory for a person opting for QRMP scheme and the details of such outward supplies if not furnished in IFF can be entered in GSTR-1 to be filed on a quarterly basis.

Following are the cases where a registered person, opting for QRMP scheme, is debarred from furnishing details of outward supplies in GSTR-1/IFF.

- (i) If such person has not furnished GSTR-3B for preceding 2 months, if they have not opted for QRMP for previous period.
- (ii) If such person has opted for QRMP for previous period and has not furnished GSTR-3B for the preceding quarter.

These suggested answers are prepared  
by me and not by ICAI

yours,

  
(THARUN RAJ)