



# CA FINAL SOLVED WORK BOOK - ADDENDUM FOR MAY 23 EXAMS

@Tharun Raj



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Note: Corrections has been highlighted in **yellow shade**

## SEGMENT – 2

# TAXABLE EVENT UNDER GST

**Question no 25**

Discuss whether GST is applicable in the following transactions –

Sunshine Hotels owns a hotel in Chennai. Hotel has 200 rooms (club category rooms and suit category room). Declared tariff (published rate) of club category room is ₹2,500 per day. Actual rate charged is generally lower depending upon demand and supply. Club category rooms are given to B. Tariff charged after discount is ₹900 per unit per day

**Before Correction**

Renting of immovable property constitutes 'supply of service':

It does not attract levy of GST. Renting of hotel room is exempt if actual tariff per unit of accommodation is less than or equal to ₹1,000 per day. In this case, declared tariff of club category room is ₹2,500 per day but the actual tariff charged is ₹ 900 and therefore, exemption is applicable in the given case. Consequently, **GST is not applicable (Declared tariff is irrelevant).**

**After Correction**

Renting of immovable property constitutes 'supply of service':

It attracts levy of GST. Renting of hotel room was exempt if actual tariff per unit of accommodation is less than or equal to ₹1,000 per day. However, such exemption is now withdrawn, and consequently it is taxable irrespective of tariff.

**Question no 34.**

A hotel owner is providing following services:

- a) Room renting for lodging purposes;
- b) Banquet renting for holding functions;
- c) Restaurant services;

His ATO from all the above services is ₹ 40 lakhs. His ATO being more than threshold exemption of 20 lakhs, he is liable to take registration u/Sec 22(1) of CGST Act.

Such hotel owner has now started providing above services through ohoroom.com (USA based website). Whether in such case in respect of any of service provided through ECO, ECO shall be liable to pay GST in terms of Sec 9(5) of CGST Act?

**Before Correction**

**Restaurant service:** Restaurant service has not been notified u/s 9(5), thus ECO shall not be liable to pay GST, Even if the supplier is registered.

**After Correction**

**Restaurant service:** Restaurant service has been notified u/s 9(5), thus ECO shall be liable to pay GST, Even if the supplier is registered.

**Question No 38:**

E-Comm. Ltd. (an Electronic Commerce operator) has provided the following supplies during December, 2020 through E-Comm. Ltd. –

	Supply	Returns, if any
1. Supplies of goods taxable at 12% by registered supplier	5,00,000	50,000
2. Supply of goods taxable at NIL-rate by registered supplier	2,00,000	20,000
3. Supply of housekeeping services by unregistered supplier	50,000	—
4. Supply of other services by registered supplier	1,50,000	—

Required:

1. Determine the amount of tax to be collected at source by E-comm. Ltd.
2. Determine consequences if said amount is paid and return is filed on 15-1-2021. Assume no extensions.

The amount of tax to be collected at source by E-Comm. Ltd. is as under (₹) –

Late fee for belated filing of GSTR-8 @100 per day under CGST + 100 under SGST	₹ 1,000
= ₹ 200 per day, subject to maximum ₹ 5,000 under CGST + ₹ 5,000 under SGST.	

**Question No 39:**

State whether the following activities are Supply under section 7 of the CGST Act:?

(i) Sundaram Acharya, a famous actor, paints some paintings and sells them. The consideration from such sale is to be donated to a Charitable Trust – 'Kind Human'. Does this qualify as a supply?

(ii) A Resident Welfare Association provides the service of depositing the electricity bills of the residents in lieu of some nominal charges. Is there a supply in this case?

i) The sale of paintings by the actor qualifies as supply even though it is a one-time occurrence. As per Sec. 2(17) business includes ADVENTURE and the said activity is business and as there is consideration, it is supply under Sec. 7(1)(a).

(ii) Provision of service by a club or association or society to its members is treated as supply under Sec. 7(1)(aa) as this is included in the definition of 'business'.



# SEGMENT – 3

## INVOICE, TIME OF SUPPLY (TOS)

**Solved Work Book – 10<sup>th</sup> Edition – Question No. 10 (Pg. No. 56)**

A Ltd., GST registered supplier - manufacturer, has supplied goods under cover of tax invoice (₹20,000 + 5% GST). Tax invoice is dated 30th Aug, 2022 and has been reported in return file for month Aug, 2022 and annual return for the financial year 2022-23 is filed on due date.

What shall be GST treatment under following situations (also discuss the corresponding documentation required):

- a) Goods are returned by recipient in Dec, 2022 and supplier returning full amount of ₹21,000 to the recipient;
- b) Goods are returned by recipient in Dec, 2022 and supplier returning amount of ₹20,000 (price excluding GST component) to the recipient;
- c) Goods are returned by recipient in Jan, 2023 and supplier returning full amount of ₹21,000 to the recipient;
- d) Goods are returned by recipient in Jan, 2024 and supplier returning full amount of ₹21,000 to the recipient;

In case of sales return, a supplier may issue credit note in terms of Sec 34 of CGST Act. On basis of such credit note, he can claim adjustment (i.e., reduction in his output tax liability) in the tax period in which such credit note is declared in the returns. For claiming adjustment, declaration of credit note in return is required.

The declaration shall be made within earlier of the following period:

- i) 30<sup>th</sup> November following the end of FY in which supply was actually made (in the present case, 30<sup>th</sup> November, 2023)
- ii) Date of furnishing of annual return (in the present case, it is filed on 31st Dec, 2023).

Thus, in the present case, adjustment on basis of credit note can be claimed if such credit note is issued and declared upto 30<sup>th</sup> November 2023. Further, adjustment can be claimed only if supplier has returned GST component to the recipient (i.e. incident of tax has not been passed to the recipient)

Considering above legal provisions, answers to above situations are as follows:

- a) Goods are returned by recipient in Dec, 2022 and supplier returning full amount of ₹21,000 to the recipient;
  - Supplier can issue credit note. u/s 34
  - He shall declare of such credit note in return filed for Dec, 2022.
  - He will get adjustment benefit (reduction in output tax liability) of ₹1,000.
- b) Goods are returned by recipient in Dec, 2022 and supplier returning amount of ₹20,000 (price excluding GST component) to the recipient;
  - Supplier can issue credit note. (not u/s 34)
  - He shall not declare of such credit note in return filed for Dec, 2022.
  - He will not get adjustment benefit (reduction in output tax liability) of ₹1,000 since incidence of ₹ 1,000 of GST has been passed on by him to recipient.
- c) Goods are returned by recipient in Jan, 2023 and supplier returning full amount of ₹21,000 to the recipient;
  - Supplier can issue credit note. u/s 34.
  - He shall declare of such credit note in return filed for Jan, 2023.
  - He will get adjustment benefit (reduction in output tax liability) of ₹1,000.
- d) Goods are returned by recipient in Jan, 2024 and supplier returning full amount of ₹21,000 to the recipient;
  - Supplier can issue credit note. (Not u/s 34)
  - He shall not declare of such credit note in returns filed for Jan, 2024 as maximum permitted period for declaration is Nov, 2023.
  - He will not get adjustment benefit (reduction in output tax liability) of ₹1,000.

# SEGMENT – 4

## PLACE OF SUPPLY (POS)

**Question 22**

M/s. X Ltd. Of Chennai, engaged in various businesses has provided the following services, whose values are listed below. Compute its GST liability:

1. Service of interior decoration in respect of immovable property located in Jammu: ₹ 5 lakh;
2. Service of renting of commercial buildings in Delhi: ₹15 lakh;
3. Architectural services to an Indian Hotel Chain which has business establishment in Mumbai for its newly acquired property in Sydney: ₹25 lakhs;
4. Services provided as an Indian agent undertaking marketing in India of goods of a foreign seller: ₹51 lakhs;
5. Services provided as travel agent undertaking marketing in India of services of a foreign seller: ₹ 1 lakhs. Applicable rate of GST 18%.

\*Author's Note: As per Sec. 13(8) of IGST Act, 2017, POS in case of Intermediary service is location of supplier. Also, if POS is determined under Sec. 13 and if it is in India, then the said transaction is deemed interstate supply.

**Question 44****[ICSI Dec 21 – 5 Marks]**

Determine the place of supply of services as well as their taxability in each of the following independent cases in the context of provisions contained in the CGST Act, 2017:

- a) Ajay the owner of an immovable property located in New Delhi gives on rent the said property to Basant of U.P. for use in commercial purposes.
- b) Rahul, a Delhi based Interior Decorator provides his professional services to Rama Enterprises of Agra in respect of property which is intended to be located in Punjab.
- c) A USA based company possessing specialization in mineral exploration has been awarded a contract by Singhal Sons Mines of Jaipur (Rajasthan) for mineral exploration in respect of specific sites located in Canada.
- d) Rohit, a consulting Engineer provides his professional consultancy services to a UK based company in respect of its three properties located in UK, USA and Dubai.
- e) A Delhi based builder provides construction services to Punjab based company in respect of construction of its new building in Bangladesh.

**Before Correction**

- c) As per Section 13(4) of Integrated Goods and Services Tax Act, 2017 in respect of services provided directly in relation to immovable property, the place of supply shall be place where immovable property is located or intended to be located. In this case, since specific sites in respect of which mineral exploration is to be carried out are located in Canada, the place of supply of service shall be Canada and it is a deemed interstate supply u/s 7(5)(a). It may constitute export of services, if other conditions are satisfied.

**After Correction**

- c) As per Section 13(4) of Integrated Goods and Services Tax Act, 2017 in respect of services provided directly in relation to immovable property, the place of supply shall be place where immovable property is located or intended to be located. In this case, since specific sites in respect of which mineral exploration is to be carried out are located in Canada, the place of supply of service shall be Canada and as both location of supplier & POS is outside India, it is not chargeable to GST.

## SEGMENT – 6

# INPUT TAX CREDIT (ITC)

**Question 2**

[ICAI Nov 2018 (Old)-5 Marks Similar]

Mr Ashok a registered supplier of hardware parts supplied goods worth ₹1,68,000 (inclusive of CGST ₹9000 and SGST ₹9000) to M/s Shah traders under the forward charge on 14.12.2022 for which tax invoice was also issued on same date. But M/s shah traders failed to make the payment for such supply along with tax to the supplier and availed input tax credit of CGST and SGST of ₹18,000 as on 20.01.2023. Such availed ITC is utilised for payment of GST liability of March 2023.



Whether an M/s Shah trader is eligible to avail input tax credit on such supply?

**Yes, M/s Shah traders can avail input tax credit on receipt of taxable supply of goods. But it is required to pay consideration along with tax within 180 days from the date of issue of invoice.**

Particulars	Date	Amount (₹)
Input tax credit available to M/s shah traders even if amount not paid to its supplier (assumed that GSTR – 3B filed for Dec 2020 on 20.01.2023)	20.01.2023	18,000
Date of invoice	14.12.2022	
Due date to make payment within 180 days from the date of invoice (Invoice date excluded while computing 180 days)	12.06.2023	

Thus, in case M/s Shah traders does not make any payment within 180 days from date of invoice i.e. up to **12<sup>th</sup> June 2023**, therefore amount equal to input tax credit availed by M/s shah traders shall be added towards its output tax liability along with interest for the month of **June, 2023** in which details of such supplies are to be furnished.

As per Rule 88B, interest on ITC should be computed from the date of utilization till the date of reversal.

A.	Input tax	₹18,000
B.	Date of availing credit	20.01.2023
C.	Date of utilization of ITC availed	20.04.2023
D.	Date of payment of ITC added to output tax liability (assumed that GSTR – 3B of June Filed on 20.07.2021)	20.07.2023
E.	No of days for which interest is to be paid (D-C)	91
F.	Interest @18% (₹18,000 × 18% × 91/365)	₹808
	<b>Total amount payable (a+f)</b>	<b>₹18,808</b>

**M/s Shah traders can take the benefit of re-credit of 18,000, as and when payment is made to the supplier after 12.06.2023.**

**Question no 4**

XYZ Ltd., is engaged in manufacture of taxable goods. Compute the ITC available with XYZ Ltd. for the month of October, 2023 from the following particulars: -

S. No	Inward supplies	GST(₹)	Remarks
(i)	Inputs 'A'	1,00,000	One invoice on which GST payable was ₹10,000 is missing
(ii)	Inputs 'B'	50,000	Inputs are to be received in two installments. First installment has been received in October, 2023
(iii)	Capital goods	1,20,000	XYZ Ltd. has capitalized the capital goods at full invoice value inclusive of GST as it will avail depreciation on the full invoice value.
(iv)	Input services	2,25,000	One invoice dated 20.01.2022 on which GST payable was ₹50,000 has been received in October, 2023.

Note:

- (i) All the conditions necessary for availing the ITC have been fulfilled.
- (ii) ABC Co. Ltd is not eligible for any threshold exemption.
- (iii) The annual return for the financial year 2022-23 was filed on 15th September, 2023.



Computation of ITC available with XYZ Ltd. for the month of October, 2023:

S. No	Inward supplies	ITC (₹)
(i)	<b>Inputs 'A'</b> [ITC cannot be taken on missing invoice. The registered person should have the invoice in its possession to claim ITC- <b>Section 16(2)(a)</b> ]	90,000
(ii)	<b>Inputs 'B'</b> [When inputs are received in installments, ITC can be availed only on receipt of last installment- <b>First proviso to section 16(2)</b> ]	Nil
(iii)	<b>Capital goods</b> [Input tax paid on capital goods cannot be availed as ITC, if depreciation has been claimed on such tax component- <b>Section 16(3)</b> ]	Nil
(iv)	<b>Input services</b> [As per <b>section 16(4)</b> , ITC on an invoice cannot be availed after 30 <sup>th</sup> November following the end of financial year to which such invoice pertains or the date of filing annual return, whichever is earlier. Since the annual return for the FY 2022-23 has been filed on 15th September, 2023, ITC on the invoice pertaining to FY 2022-23 cannot be availed after 15th September, 2023.]	1,75,000
	<b>Total ITC</b>	<b>2,65,000</b>

Note: It is assumed that all invoices are reported by respective suppliers in GSTR - 1 and reflected in GSTR - 2B.

**Question no 5**

M Ltd., a registered supplier, supplying taxable as well as exempted goods, provides following Turnover details during the month of August, 2021

Particulars	₹
Value of taxable supply of goods	12,00,000
Value of zero-rated taxable Supply of goods	5,50,000
Value of Exempted Supply of goods	5,00,000
Value of non-taxable supply of goods	50,000
Total	23,00,000



Details of Input tax paid on Capital goods for the month of August, 2021 areas under:



Particulars	CGST(₹)	SGST(₹)	Total(₹)
i) Credit on capital goods exclusively used for supplying exempted goods	10,800	10,800	21,600
ii) Credit on capital goods exclusively used for supplying taxable goods (including zero rated supplies)	45,000	45,000	90,000
iii) Credit on capital goods exclusively used for supplying goods for non-business use	11,700	11,700	23,400

Capital goods used for both supply of taxable as well as exempt goods:

Capital goods	Value of inward supplies (exclusively of CGST & SGST)	CGST @9%	SGST @9%	Date of inward supplies
A	5,60,000	50,400	50,400	12.01.2021
B	2,56,000	23,040	23,040	21.04.2021
C	4,56,000	41,040	41,040	25.08.2021
	<b>TOTAL</b>	<b>1,14,480</b>	<b>1,14,480</b>	

Determine the credit on capital goods attributable for tax period of August, 2021. Also compute the amount added to output tax liability of August 2021, on account of reversal of ITC

1) Computation of ITC to be transferred to electronic credit ledger in August,2021:

Particulars	Eligibility	CGST (₹)	SGST (₹)	Remarks
iv) Credit on capital goods [Capital Goods C] used for exempt as well as taxable supply for the month of Aug 2021	Yes	41,040	41,040	ITC available but subject to reversal

**Authors Note:** As question is silent, interest computation is not done and if interest computation is asked in question, students are requested to compute interest @ 18% p.a FROM the date of availment of ITC TILL the date of reversal.

**Question no 11**

X Ltd. sends the goods to Y & Co. for making finished goods on 30.07.2021. What are the tax implications, in the following cases if GST @18% is levied:

- (i) Y & Co. sends the goods back to X Ltd within one year of being sent.
- (ii) Y & Co. sells the goods directly to the customer in behalf of C Ltd. Make suitable assumptions as required.

**Y & Co sells the finished goods on behalf of X Ltd:**

Section 143 also allows the job worker to directly sell the goods on behalf of principal, wherein the liability to pay tax is of the principal and not the job worker. X Ltd. Is liable to pay GST on sale of finished goods to customers by Y & Co.

However, X Ltd. Must declare the premises of Y & Co. as an 'Additional Place of Business' and the sale of finished goods will form part of aggregate turnover of X Ltd. Such a declaration is not required in case where, Job worker is registered or under section 25; Principal is engaged in supply of notified goods.

**Solved Work Book – 10<sup>th</sup> Edition – Question No. 17 (Pg. No. 150)**

ABC Ltd. purchased goods valuing ₹5,00,000 (exclusive of CGST and SGST @9% each) under the cover of invoice dated 25-12-2022. The company made payment to the supplier on the same date. Since there was a doubt regarding admissibility of tax credit on such inputs, the company did not take the input tax credit at the time of receipt of input. The company obtained clarification from a legal consultant who opined that the goods were eligible as inputs. The opinion was received on 05-05-2023. The company now wants to avail Input tax credit of the tax paid on such inputs. Can it do so? The company has filed its annual return for the year 2012-23 on 12-08-2023.

As per Section 16(4), a registered person shall not be entitled to take input tax credit in respect of any invoice or debit note for supply of goods or services or both after —

- a) 30<sup>th</sup> November following the end of financial year to which such invoice pertains; or

b) furnishing of the relevant annual return.  
whichever is earlier.

In this case the inputs were purchased by invoice dated 25-12-2022, hence Input tax credit in respect of each inputs can be taken on earlier of following dates –

- 30-11-2023 (being 30<sup>th</sup> November of succeeding financial year); or
- 12-08-2023 being the date of furnishing of annual return.

Since, ABC Ltd. can avail credit of input tax paid on inputs till 12-08-2023. Therefore, it can avail credit of CGST ₹45,000 and SGST of ₹45,000 on 05-05-2023.

**Question no 18**

B Ltd. is in the business of manufacture of freezing equipment for domestic market. It is located in Delhi. During Jan, 2021, it has acquired the following –

	Taxable value of inward supply (₹)	GST charged by supplier (₹)
Steel (to be used as raw material in factory)	2,00,000	36,000
Spray guns (to be used in factory)	90,000	16,200
Solar lamps (to be used in office)	1,00,000	5,000
Soft drink concentrates (to be used in office canteen)	10,000	1,800
Truck (for transportation of manufacture goods from factory to go down)	9,00,000	5,32,000

Calculate the amount of input tax credit available to B Ltd. for Jan, 2021. Assume that conditions for claiming input tax credit are satisfied.

Computation of input tax credit available to B. Ltd. for Jan, 2021 –

Items	Reasons	₹
Truck	Truck (for transportation of goods) is eligible (even if B Ltd. is not in the business of transportation of goods)	5,32,000

**Solved Work Book – 10<sup>th</sup> Edition – Question No. 58 (Pg. No. 199) ICAI RTP May 21**

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
<b>Total</b>		<b>10,50,000</b>

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 11th 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	Amount of ITC that can
	in the invoices (₹)	be availed (₹)
Balance in GSTR-2A on 11 <sup>th</sup> November [Note 1] (Invoices at S. Nos. 1, 2, 3 and 4 uploaded by the respective suppliers in their GSTR-1s)	6,00,000	4,80,000 [Note 2]
Invoices at S. Nos. 5, 6, 7 and 8 not uploaded in GSTR-1	4,00,000	24,000 [Note 3]
Invoice at S. No. 9	50,000	50,000 [Note 4]
Total	10,50,000	5,78,000

**Notes:**

1) 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 Sec. 37(1) of CGST Act, 2017 as on the due date of filing of the returns in 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 if filing of FORM GSTR 1 under Sec. 37(1) i.e., by 13<sup>th</sup> November.

2) 100% ITC can be availed on invoices uploaded by the suppliers in their Form GSTR-1. However, section 17(5) of the CGST Act, 2017 blocks ITC on motor vehicles for transportation of persons having approved seating capacity of not more than 13 persons if they are not used for making the following taxable supplies, namely:—

- (A) further supply of such motor vehicles; or
- (B) transportation of passengers; or
- (C) imparting training on driving such motor vehicles

Since Sunshine Pvt. Ltd. is not using the car for any of the aforesaid mentioned purpose, ITC thereon will not be available as per Sec. 16(2)(ba) of CGST Act, 2017

**Thus, 100% ITC will be available in respect of invoices at S.Nos . 1, 2 & 3.**

3) In respect of invoices at S.Nos. 5, 6 7 and 8 not uploaded in Form GSTR-1s by the due date, ITC cannot be availed as per Sec. 16(2)(aa) of CGST Act, 2017.

4) 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].

# SEGMENT – 7

## EXEMPTIONS & CHARGE

Question no 2

[ICAI MTP May 19 | ICAI RTP Nov 18]

XYZ Ltd., New Delhi, manufactures biscuits under the brand name 'Tastypicks'. Biscuits are supplied to wholesalers and distributors located across India on Free on Road (FOR) basis from the warehouse of the company located at New Delhi. The company uses multiple modes of transport for supplying the biscuits to its customers spread across the country. The transportation cost is shown as a line item in the invoice and is billed to the customers with a mark-up of 2% on total amount of freight paid (inclusive of taxes).....



Computation of GST payable on amount paid for transportation by XYZ Ltd. when it avails the services of different transporters:

Particulars	Freight (₹)	GST (₹)
<b>Transportation of baking powder by GTA</b>	1,500	75
<b>[Baking powder do not fall under flours and it is not notified goods. Therefore, its transportation is not exempted] – GST payable by recipient under reverse charge.</b>		
<b>Total tax payable by XYZ Ltd. on availing services of different transporters</b>		<b>38,325</b>

Question no 2a

M22 – Questions paper Solution

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:.....

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. (Alternatively, it can be assumed that motor vehicle is designed to carry goods & GST Payable under FCM by A2Z)

Question no 3:

Good Health Medical Centre, a clinical establishment, offers following services:  
 Vi ) Good Health Medical Center also operates a cord blood bank which provides services in relation to preservation of stem cells.  
 Good Health Medical Center is of the view that since it is a clinical establishment, all the service provided by it as well as all the services provided to it are exempt from payment of GST.



You are required to examine the situation in the light of relevant exemption under Notification 12/2017 of Central Tax (Rate) under SI. No. 73 and SI. No. 74.

- Vi) Not Exempt.** Services provided by cord blood banks by way of preservation of stem cells or any other service in relation to such preservation are previously exempt from GST. However, at present such exemption is withdrawn and it is taxable.

It is important to note that exemption to health care services provided **BY** a clinical establishment and not to services provided **TO** a clinical establishment.

Therefore, Good Health Medical Centre's contention that since it is a clinical establishment, all the services provided to it are also exempt from GST is not correct in law.

**Question No 3a:**

[ICAI May 22 Exams - 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.

(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.

**Note:** ICAI assumed that these charges are service charges over and above discount, and chargeable to GST

**Question No 3b**

[ICAI May 22 Exams - 2 Marks]

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

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.

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.

Services by way of renting of commercial property is taxable even though it is given for temporary stay w.e.f 15.07.22.

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

**Question no 7**

M/s. Commercial Goods Services, a Goods Transport Agency, furnishes the following information in respect of services provided for the year ending March 31,2021. Determine the Value of Taxable Services.

Sr. No.	Particulars	₹
1.	Service Provided to M/s XYZ co. Ltd (A GST registered person)	30,00,000
2.	Freight for transport of food grains and pulses	1,50,000
3.	GTA Service to an Unregistered Person (not falling in notified category)	6,00,000
4.	Composite Service which include Packing / unpacking, loading, unloading in the course of transportation by road	2,00,000

S.No.	Particulars	₹
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1.	Service Provided to M/s XYZ co. Ltd (A GST registered person) [Note 1]	30,00,000
2.	Freight for transport of food grains and pulses [Note 2]	-
3.	Service to an Unregistered Person [Note 3]	-
4.	Composite Service which include Packing / unpacking, loading, unloading in the course of transportation by road [Note 4]	2,00,000
	<b>Total value of taxable service</b>	<b>32,00,000</b>

**Notes:**

- 1) M/s XYZ Co. Ltd is not notified category of recipient and consequently such service provided by GTA is not exempted.
- 2) As per Exemption Notification 12/2017 Central Tax (Rate) transport of agricultural produce falls under transportation of specified goods and is **exempt**
- 3) **GTA supplying services to an Unregistered person is exempt** as per notification no. 12/2017 Central Tax Rate SI. no. 21A, provided such unregistered person is not having factory.
- 4) In case of **Composite Supply** (naturally bundled) services the classification shall be based on the essential character of the service i.e., GTA service and hence, **the same is taxable.**

**Note:** The question is about value of taxable supply and who is liable to pay GST is not considered in the answer.

**Question no 8:**

Discuss whether GST is chargeable in respect of goods transport agency service in each of the following independent cases

- ii) Transportation of goods by a single goods carriage ₹ 1,800

**Taxable.** As per the aforesaid notification transportation by goods transport agency where consideration charged for the transportation of goods on a consignment transported in a single carriage does not exceed ₹ 1,500 was exempt. However such exemption is withdrawn and at present it is taxable.

**Solved Work Book – 10<sup>th</sup> Edition – Question No. 9 (Pg. No. 223)**

Mr. X, the owner of a residential building in a commercial locality, furnishes the following information relating to the said building for the month June, 2023.

S.No.	Area of the Building	Particular
1.	Basement	Leased to Mr. B, a wholesaler for a monthly rent of ₹ 2,40,000. Mr. B uses one-fifth of the basement for his office and remaining portion as a godown for storing his merchandise.
2.	Ground Floor	Given on rent to Mr. C (Unregistered person) for a monthly rent of ₹ 60,000. Mr. C uses the same as his residence
3.	First Floor	Given on rent to PQR P. Ltd (Regd. Person), for a monthly rent of ₹ 40,000. They used the same as guest house for their employees for residential purpose.
4.	Large vacant land in the backyard	Given on rent of ₹ 5,40,000 per month to a parking contractor, Mr. E who has set up a parking facility on the said land.
5.	Terrace	Given on lease for monthly rent of ₹ 5,20,000 to M/s. Universe Communications for erecting and maintaining a mobile communication tower.

Compute the value of taxable service of Mr. X for the month June, 2023.

**Notes:**

- i) Separate rent/lease deeds have been executed in respect of each floor of the building and vacant land given on rent/lease. Rent in respect of the various portions of the building, vacant land and the terrace is received on the first day of each month.
- ii) Wherever applicable, GST is included in the rent receipts.

Renting of immovable property is a supply of service as per Schedule II of CGST Act. Hence, the same is liable to GST. However, renting of residential dwelling to an unregistered person, is specifically exempted as per Notification 12/2017 Central Tax (Rate)

Since, Mr. X has let out different floors of his residential building to different tenants and separate rent/ lease deeds have been executed in respect of each floor of such building and vacant land given on rent/lease, **principle of composite supply will not apply**

Sr. No.	Particulars	₹
1.	Rent received for basement-commercial use [Note 1]	2,40,000
2.	Rent received for ground floor-residential use [Note 2]	-
3.	Rent received for first floor from PQR P. Ltd. [Note 3]	-
4.	Rent received for large vacant land in the backyard used for parking facility [Note 1]	5,40,000
5.	Rent received for terrace given on lease [Note 1]	5,20,000
<b>Value of taxable service</b>		<b>13,00,000</b>

**Notes:**

- As per Schedule II of CGST Act renting of immovable property is treated as a supply of service. Hence, the same is **liable to GST. Also renting of residential property for commercial purpose is always taxable.**
- As per Exemption Notification 12/2017 Central Tax (Rate), services by way of renting of residential dwelling to an unregistered person, for use as residence is **exempt**.
- Renting of residential dwelling used for residential purpose to a registered person is not exempted and it is taxable. However, GST payable by such registered person under RCM.

**Solved Work Book – 10<sup>th</sup> Edition – Question No. 12 (Pg. No. 226)**

Compute the value of taxable service in each of the following independent cases

Particulars	₹
Services provided by Government to various individuals by way of issuance of driving licence	1,05,000
Services provided by BIRAC approved bio-incubators to incubates	15,00,000
Transportation of passengers by ropeway	5,20,000
Express parcel post services provided by the Hasanchowk Post Office to various individuals. Amount charged does not exceed ₹ 5,000 in any of the transactions	8,00,000

Particulars	₹
Services provided by Government to various individuals by way of issuance of driving licence [Note 1]	-
Services provided by BIRAC approved bio-incubators to incubates [Note 2]	-
Transportation of passengers by ropeway [Note 3]	5,20,000
Express parcel post services provided by the Hasanchowk Post Office to various individuals [Note 4]	8,00,000
<b>Value of taxable service</b>	<b>13,20,000</b>

**Notes:**

- As per Exemption Notification 12/2017 Central Tax (Rate) services provided by Government by way of issuance of driving licence is **exempt. Hence, the same is not liable to GST**
- As per Exemption Notification 12/2017 Central Tax (Rate) services recognized by BIRAC are **exempt**. Hence, the **same is not liable to GST**
- Transport of passengers by ropeway is not covered under **exemption. Hence, the same is liable to GST**
- Services by department of post by way of post card, inland letter, book post and ordinary post (envelopes weighing less than 10 grams) are exempted from GST. However, other services by department of post is taxable and GST payable by department of post.

**Solved Work Book – 10<sup>th</sup> Edition – Question No. 14 (Pg. No. 227)**

Department of Posts provided following services to general public during the month ended 30.09.2022:

Services Rendered	₹ in lakhs
Basic mail services by way of post card, inland letter etc.,	100
Transfer of Money through money orders	500
Rural postal life insurance services	200
Distribution of mutual funds, bonds and pass port applications	500
Issuance of postal orders	300
Collection of telephone and electricity bills	100
Speed post services	500
Express parcel post services	200

Compute the value of taxable service of Department of Posts for the month ended 30.09.2022.

Notes: Time of Supply for all the aforesaid cases fall during the month ended 30.09.2022. All the service charges stated above are exclusive of GST, wherever applicable.

The above exemption falls within the purview of Exemption Notification 12/2017 Central Tax (Rate).

Services by department of post by way of post card, inland letter, book post and ordinary post (envelopes weighing less than 10 grams) are exempted from GST. However, other services by department of post is taxable and GST payable by department of post.

Services Rendered	₹ in lakhs
Basic mail services by way of post card, inland letter etc., is exempted	-
Transfer of Money through money orders [Not covered under exemption]	500
Rural postal life insurance services [Not covered under exemption]	200
Distribution of mutual funds, bonds and pass port applications [Not covered under exemption]	500
Issuance of postal orders [Not covered under exemption]	300
Collection of telephone and electricity bills [Not covered under exemption]	100
Speed post services [Not covered under exemption]	500
Express parcel post services [Not covered under exemption]	200
<b>Value of taxable service</b>	<b>2,300</b>

**Question no 17**

You are required to compute the value of taxable services and GST payable thereon from the gross amount charged in respect of the following transactions made available by A Ltd. dealing in agriculture related services in the month of December 2021:

	Particulars	₹ in lakh
(i)	Renting of Agro-machinery	5.0
(ii)	Cultivation of ornamental flowers	2.5
(iii)	Processing of tomato ketchup	3.0
(iv)	Plantation of rubber	3.5
(v)	Processing of potato chips	1.5

Assume rate of GST as 18%. Explanation is to be given with working.

Computation of value of taxable service and GST payable by A Ltd.:

Particulars	₹
Processing of tomato ketchup & Processing of potato chips [Potato chips and tomato ketchup are not agricultural produce and not exempt. However, conversion of potato and tomato into potato chips and tomato ketchup respectively is manufacture/job-work and if it is done for others it becomes taxable service liable to GST. Hence, GST = 18% of 4,50,000]	81,000
<u>GST</u>	<b>81,000</b>



Question no 18

ICSI Dec 20 – 5 M (Similar)

A Ltd. (Registered under GST) collected following sums (exclusive of taxes) for the month ending April, 2021 towards transport of passengers. Determine taxable value and GST taking maximum benefits available under law and ignoring ITC

Particulars	Value (₹ in lakhs)	Rate of Tax	Tax (₹ in lakhs)
3) Transport of passengers by vessels from Dubai to Chennai – [Place where passenger embarks for a continuous journey viz. Dubai is place of supply; further, services provided on board a conveyance is provided at the place of first schedule point of departure thereof viz. Dubai.] Not a zero-rated supply as both supplier & recipient are located in India.	40	18%	7.2
4) Transport of passengers through cruise ships (within territorial waters of India) – [Cruise ships are predominantly meant for tourism purposes, hence, not in exempted]	6	18%	1.08

**Note:** W.e.f 1.1.22, exemption not available if passengers are transported by metered cabs (or) Auto Rickshaws (or) Stage carriage (or) contract carriage, through an E COMMERCE OPERATOR (ECO) E-Rickshaws means rickshaws operated on electric power but not rickshaws through E-Commerce Operator.

Question no 20

Compute GST from following in respect of transport of goods by vessel for the month of October, 2019 (all sums excluding taxes @ 5%) –

(1) Transport of goods from Dubai to Indian Customs Clearance Station (freight is paid by Mr. Tom viz. foreign exporter to D’Costa Shipping viz. foreign shipping lines). CIF value of the goods is ₹900 lakh.	₹100 lakh (freight)
(2) Transport by Inland waterways	₹30 lakh
(3) Transport of food grains, pulses & milk in India (including ₹10 lakh towards milk)	₹400 lakh
(4) Transport of export goods from India to Dubai	₹400 lakh
(5) Transport of goods in other case (including ₹6 lakh ginned cotton & ₹4 lakh baled cotton)	₹410 lakh

Computation of taxable value:

(1) Transport of goods by vessel from Dubai to Indian Customs Clearance Station is liable to GST in India. Even if service is provided by ‘foreign shipping lines’ (person located in non-taxable territory) to ‘foreign exporter’ (person located in non-taxable territory), the service is not exempt. <b>GST is payable under reverse charge by Indian importer or his agent/CHA.</b> [₹100 lakhs X 5% = ₹5 lakhs]	₹5 lakhs
(2) Transport by Inland waterways : ₹30 lakh – Exempt	Exempt
(3) Transport of food grains, pulses & milk in India: ₹400 lakh – Exempt	Exempt
(4) Transport of export goods from India to Dubai: ₹400 lakh – Upto September 2022, transportation of goods by vessel or aircraft from India to Outside India, is <b>EXEMPTED</b> . W.e.f 01/10/22. It is taxable.	₹ 400 lakhs
(5) Transport of goods in other cases (even transport of ginned or baled cotton is taxable). GST = 5% of ₹410 lakh. Credit restrictions are there.	₹20.5 lakh
<b>Total tax</b>	<b>₹425.5 lakh</b>

## Question no 22

[ICAI May 2018 – 7 Marks]

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 30<sup>th</sup> 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

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

Particulars	Amount (₹)
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

**Notes:**

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 and it covered under FCM, where the liability to pay GST is on business correspondent.

## Question No 25:

M/s PQR Properties registered under GST as taxable person is engaged in the business of renting various immovable properties owned by it. During the month ending 31-03-2021, it collected a rent of ₹ 5,00,000. The said sum includes rent from:

- 1) Vacant land used for agriculture: ₹ 50,000.
- 2) Land used for Appu Circus: ₹ 80,000;
- 3) Houses let **to unregistered individuals** for residential purposes: ₹ 70,000;

## Question no 32

Determine taxable value of supply under GST law with respect to each of the Following independent services provided by the registered persons:

Particulars	Amount (₹)
1) Fees charged for yoga camp conducted by a charitable trust	2,25,000
2) Amount charged by business correspondent for the services provided to the rural branch of a bank with respect to Savings Bank Accounts	1,25,000
3) Amount charged by cord blood bank for preservation of stem cells	4,50,000
4) Amount charged for service provided by commentator to a recognized sports body	4,25,000

Determination of taxable value of supply -

(Amount in ₹)

Fees charged for yoga camp conducted by a charitable trust	[WN-1]	Nil
Amount charged by business correspondent for the services provided to the rural branch of a bank with respect to Savings Bank Accounts	[WN-2]	Nil
Amount charged by cord blood bank for preservation of stem cells	[WN-3]	4,50,000
Amount charged for service provided by commentator to a recognized sports body	[WN-4]	4,25,000
<b>Value of taxable supply</b>		<b>8,75,000</b>

**Working Notes:**

- 1) Services by an entity registered under Section 12AA of the Income-tax Act, 1961 by way of charitable activities are **exempt** from GST. The activities relating to advancement of yoga are included in the definition of charitable activities. So, such activities are exempt from GST.
- 2) Services by business facilitator or a business correspondent to a banking company with respect to accounts in its rural area branch have been **exempted** from GST.
- 3) Services provided by cord blood banks by way of preservation of stem cells or any other service in relation to such preservation was **exempt** from GST. At the present, such exemption is **withdrawn and it is taxable**.
- 4) Services provided to a recognized sports body only by an individual 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. Thus, services provided by commentators are **liable to GST**.

**Question no 33**

With reference to the provisions of CGST Act, 2017, examine whether GST is leviable in the following situations:

- 7) XYZ Ltd. Has made an upfront payment of ₹ 80,00,000 to Bihar Government on account of assignment of right to use minerals in the State of Bihar.



**XYZ Ltd. Will be liable to pay GST** on assignment of rights to use minerals in the State of Bihar, as one-time charges w.r. to assignment of right to use natural resources before 01/04/16 is exempted.

**Question No:34**

[ICAI MAY 18 (OLD)( 7 MARKS) | MTP NOV 18 (7 MARKS)]

Sarva Sugam Charitable Trust, a trust registered under section 12AA of the Income Tax Act, 1961 provides the following information relating to supply of its services for the month of August 20XX:

Particulars	₹
Renting of residential dwelling for use as a <b>residence to an unregistered person</b>	18,00,000
Renting of rooms for Pilgrims (Charges per day ₹. 1,200)	8,00,000
Renting of rooms for devotees (Charges per day ₹. 750)	6,00,000
Renting of Kalyana Mandapam (Charges per day ₹. 15,000)	12,00,000
Renting of halls and open space (Charges per day ₹. 7,500)	10,75,000
Renting of Shops for business (Charges per month ₹. 9,500)	4,75,000
Renting of Shops for business (Charges per month ₹12,000)	7,50,000

Compute the total taxable value of supply for the month of August 20XX assuming that the above amounts are exclusive of GST.

Under GST law, exemption has been granted to following renting services:

- ➔ Renting of residential dwelling for use as residence **to an unregistered person**.

**Question No 37:**

[ICAI RTP MAY 20]

Pehalal has obtained registration in the current financial year in Uttar Pradesh. His turnover in the preceding financial year was ₹ 19,90,000. He has received the following amounts in respect of the activities undertaken by him in the month of September:



S.No.	Particulars	₹
1	Funeral service	8,80,000
2	Services of warehousing of jaggery	50,000
3	Electrically operated bus given on hire to municipal corporation	5,00,000
4	Service provided to recognized sports body as commentator	2,00,000
5	Commission received as an insurance agent from insurance company	65,000
6	Commission received as business facilitator for the services provided to the urban branch of a nationalized bank with respect to savings bank accounts	15,000

7	Security services (supply of security personnel) provided to Damodar Engineering College (DEC)* [registered under GST] for the security of the college premises *All the engineering courses run by DEC are recognised by the law [The All India Council for Technical Education (AICTE)]	28,000
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Further, he has received following services in the month of September:

S.No.	Particulars	₹
(a)	Freight paid to unregistered GTA for his business activities related to serial number (1) above	8,80,000
(b)	Legal advice received from M/s Kanoon Associates, a partnership firm, seeking advice in relation to tax dispute of the business	50,000

All the transactions stated above are intra-state transactions and amounts given are exclusive of GST, wherever applicable.

You are required to calculate net GST payable by Pethalal for the month of September.

There was no opening balance of input tax credit. Rate of CGST and SGST is 9% each for all the outward supplies made by Pethalal.

Computation of Net GST payable by Pethalal:

Particulars	Amount (₹)	CGST (₹)	SGST (₹)
<b>Supplies on which Pethalal is liable to pay GST under forward charge :</b>			
Funeral services [Note 1]	8,80,000	N.A	N.A
Services of warehousing of jaggery [Note 2]	50,000	4,500	4,500
Services by way of giving on hire electrically operated buses to Municipality [Note 3]	5,00,000	E	E
Service provided to recognized sports body as Commentator [Note 4]	2,00,000	(2,00,000 × 9%) = 18,000	(2,00,000 × 9%) = 18,000
Commission received as an insurance agent from insurance company [Note 5]	65,000	N.A	N.A
Commission received as business facilitator for the services provided to the urban branch of a nationalised bank with respect to savings bank accounts [Note 6]	15,000	N.A	N.A
Security services (supply of security personnel) provided to DEC for the security of the college premises [Note 7]	28,000	N.A	N.A
<b>Value of taxable supply</b>	<b>2,00,000</b>		
Total tax liability on outward supplies (A)		<b>22,500</b>	<b>22,500</b>
<b>Supplies on which Pethalal is liable to pay GST under reverse charge:</b>			
Services received from GTA [Note 8]	1,00,000	(1,00,000 × 2.5%) = 2,500	(1,00,000 × 2.5%) = 2,500
Legal services received [Note 9]	50,000	E	E
<b>Value of taxable supply</b>	<b>1,00,000</b>		
Total tax liability on inward supplies under reverse charge (B) - payable in cash [Note 10]		2,500	2,500
ITC available on input services [Note 8]		Nil	Nil
<b>Net GST payable (A) + (B)</b>		<b>25,000</b>	<b>25,000</b>

Notes to above:

- Funeral services being covered in entry 4 of Schedule III to the CGST Act, 2017 are **not a supply and thus, are outside the ambit of GST.**

2. **Services by way of storage/ warehousing of, inter alia, jaggery was exempt from GST vide Exemption Notification No. 12/2017 CT(R) At present, such exemption is withdrawn and it is taxable only warehousing of cereals & Pulses are exempted.**
3. Services by way of giving on hire to a local authority, an Electrically operated vehicle (EOV) meant to carry more than 12 passengers are exempt vide exemption notification. Buses are EOVs meant to carry more than 12 passengers. **Hence, services of giving electrically operated buses on hire to Municipal Corporation are exempt from GST.**
4. 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. **Thus, service provided as commentator is liable to GST.**
5. Though commission for providing insurance agent's services to any person carrying on insurance business 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 CT(R) dated 28.06.2017 (hereinafter referred to as reverse charge notification). **Thus, Pethalal will not be liable to pay GST on such commission.**
6. Services provided by a business facilitator to a banking company with respect to accounts in its rural area branch are exempt from GST vide exemption notification. Thus, services provided by him in respect of urban area branch of the bank will be taxable. However, the tax payable thereon is to be paid by the recipient of service i.e., banking company, under reverse charge in terms of reverse charge notification. **Hence, Pethalal will not liable to pay GST on commission received for said services.**
7. Services provided to an educational institution, by way of security services performed in such educational institution are exempt from GST only when said services are provided to an institution providing services by way of pre-school education and education up to higher secondary school or equivalent, vide exemption notification. Thus, in the given case, security services provided to DEC are not exempt. Further, the tax on security services (supply of security personnel) provided by any person other than a body corporate to a registered person is payable by the recipient of service under reverse charge in terms of reverse charge notification. **Hence, Pethalal will not be liable to pay GST in the given case.**
8. 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 reverse charge notification. Since in the given case, GTA is unregistered, Pethalal is liable to pay tax under reverse charge @ 5% (CGST @ 2.5% and SGST @ 2.5%). Further, since said input services are being exclusively used for effecting non-taxable supplies [funeral services], **input tax credit of the GST paid on the same will not be available.**
9. Legal services provided by a partnership firm of advocates to a business entity (with an aggregate turnover up to such amount in the preceding FY as makes it eligible for exemption from registration under the CGST Act, 2017) are exempt from GST vide exemption notification. Since the aggregate turnover of Pethalal did not exceed ₹ 20 lakh [the applicable threshold limit for registration for Pethalal being a supplier of services] in the preceding FY, **legal services received by him are exempt from GST.**
10. As per section 49(4) of the CGST Act, 2017, amount available in the electronic credit ledger may be used for making payment towards output tax. However, tax payable under reverse charge is not an output tax in terms of section 2(82) of the CGST Act, 2017. **Therefore, tax payable under reverse charge cannot be set off against the input tax credit and thus, will have to be paid in cash.**
11. Since all the transactions given hereunder are intra-State, CGST and SGST are payable in terms of section 9(1) of the CGST Act, 2017

Question No 40:

[ICAI NOV 19 – 9 Marks]

BODMAS Ltd., providing educational services, furnishes you with the following information for the various services provided by it for the month of March, 2021

Particulars	₹
Renting of furnished flats for temporary stay to different persons	5,00,000

Compute the value of taxable supply assuming that all the above receipts are exclusive of GST.

In view of the aforesaid provisions, value of taxable supply of BODMAS Ltd. for the month of March, 2019 has been computed as follows:

Particulars	Amount(₹)
Renting of furnished flats for temporary stay to different persons [Not exempt since services by a hotel, inn, guest house, club or campsite, by whatever name called, for residential or lodging purposes, are is a commercial property and is always taxable.]	5,00,000
<b>Value of taxable supply</b>	<b>11,20,000</b>

Question No 51:

[ICSI Dec 21 – 4 Marks]

Calculate the value of taxable supply and GST liability of GG Freight and Goods carries engaged in the business of transport of goods by road for the month of March, 2022 from the given particulars.

Give reasons for taxability or exemption of each item. Suitable assumptions may be made wherever required. GG freight and goods carriers avails ITC. Take the rate of GST chargeable at 12%. Total freight charges received for the month of March, 2022 of ₹ 20,00,000 and following charges included in 20 lakhs.

Particulars	Amount (₹)
Freight charges received from Government Departments registered only for the purpose of tax deduction at source	4,00,000
Freight charges received from unregistered persons for transportation of their household goods	1,00,000
Freight collected for transporting goods in small vehicles for persons who paid less than ₹ 1,500 per trip	3,00,000

Computation of Value of taxable supply and GST for March, 2021 GG Freight and Goods Carriers

Particulars	Amount (₹.)
Total freight received	20,00,000
Less: Freight charges received from Government department registered only for the purpose of tax deduction at source. [Exempt vide Entry 21B of Notification No. 12/2017 CT (Rate)]	4,00,000
Less: Freight charges received from unregistered persons for transportation of their household goods [Exempt vide Entry 21A of Notification No. 12/2017-CT (Rate)]	1,00,000
Less: Freight collected for transporting goods in small vehicles for persons who paid less than Rs. 1500 per trip (Exempt, since the freight on all consignments transported into a goods carriage doesn't exceed Rs.1500). This exemption is now withdrawn & consequently taxable.	
<b>Total value of taxable supply</b>	<b>15,00,000</b>
<b>GST payable @ 12% on ₹ 15,00,000</b>	<b>1,80,000</b>

Question No 53:

[ICSI Dec 19 – 5 Marks]

With brief reasons, state whether the following will attract GST Levy.

- I. Lodging accommodation with room tariff @ ₹900 per day.
- II. SKT & Co. transporting textile goods through ESSEM Transport Agency by paying ₹ 700 per bundle and sending 10 bundles on 31st March, 2022.
- III. Kaziranga National Park collecting ₹200 per person as entrance fee.
- IV. Muthu Lab is a pathological lab owned by Muthu. He is a post-graduate in Microbiology. He collects fees for services rendered.

V. Sarny Transports carried agricultural produce i.e., turmeric from villages to town (markets) by charging ₹2,000 per day per person.

**Exemption for certain services:**

Service exemption is to be considered in the light of Notification No. 12/2017-C.T (Rate) dated 28.6.2017

- I. Lodging accommodation with any tariff is now **Chargeable to GST**.
- II. Services provided by the goods transport agency other than notified goods, **is taxable**, irrespective of freight charged.
- III. As per S.No. 79 of Notification No. 12/2017-C.T (Rate) dated 28.6.2017, Entrance/ admission fee received by national park from visitors is not liable for GST.
- IV. Services by way of health care including paramedical service are not liable for GST.
- V. As per S.No. 20 of the referred notification, Transportation of agricultural produce by rail or vessel from one place in India to another place is **exempted**.

**Question No 55:**

**[ICSI Dec 20 – 5 Marks]**

Romeo Small Finance Bank Ltd is engaged in providing financial related services and of various types of loan facilities to its constituents, furnishes the following information relating to various services provided and the gross amount received during the month of December, 2021.

Particulars of service	Amount (₹ in lacs)
Commission received for debt collection service	10
Discount earned on bills discounted	3
Penal interest recovered from the customers for the delay in payment of loan. EMIs/Dues	2
Commission received for service rendered to Government for the collection of taxes	5
Interest earned on reverse repo transaction	10
Service to merchants accepting credit debit card payments using point of sale (POS) machine of Bank. (In 30% cases, the amount per transaction was up to ₹ 1,800 while in the other cases the amount was exceeding ₹ 2,000)	20

Compute the value of taxable supply and of the amount of GST payable for the month of December, 2020 of Romeo Small Finance Bank Ltd. Gross amount does not include the amount of GST Take the Rate of GST as 18%.

*For pass* Romeo Small Finance Bank Ltd.

**Computation of Value of Taxable Supply and of GST payable for the month of December, 2021**

Particulars	Amount (₹)
Commission received on debt collection	10,00,000
Discount earned on Bills Discounted [Exempt Entry 27 of Notification No. 12/2017-CT (Rate)]	Exempt
<b>Penal interest charged for delay in repayment [Original interest on loans is exempted]</b>	<b>Exempt</b>
Commission received for services rendered to Government for collection of taxes. [Since an activity carried out for consideration and there is no exemption in force, liable to GST]	5,00,000
Interest earned on Reverse Repo transaction [Reverse Repo are 'securities-Not covered in goods as well as in services. Additionally, interest earned on securities is exempt vide Entry 27 of Notification No. 12/2017-CT (Rate), hence not taxable]	Exempt
Service to merchants accepting credit/debit card payments using Point of Sale machine (POS) of Bank [in 30% cases, the amount per transaction was up to ₹1800 hence exempt vide Entry 34 of Notification No 12/2017*CT(R); while in other cases, the amount was exceeding ₹ 2000 hence liable to GST] (70% of 20,00,000)	14,00,000
<b>Value of Taxable Supply</b>	<b>29,00,000</b>
<b>Total GST payable @18% on ₹ 29,00,000</b>	<b>5,22,000</b>

# SEGMENT – 8

## COMPOSITION SCHEME

**Question No 4**

Determine whether the supplier in the following cases are eligible for composition levy provided their turnover in preceding year does not exceed ₹1.5 Cr:

- iii) Can supplier of Services opt for composition levy?
- iii) As per sec 10(2)(a) person engaged in supply of services shall not be eligible to opt for composition, however an exception is given to category of supplies referred to in clause (b) of para 6 of schedule II i.e. **Restaurant service provider**.  
However, any service provider other than engaged in supply of food, can opt for benefit of payment of GST @ 6% under Sec. 10(2A).

**Question No 9:**

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 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.

**Question No 21****[ICAI RTP MAY 19]**

Keeping all the facts and figures of Q.20 unchanged, compute the ITC credited to the Electronic Credit Ledger of the B & D Company, when it exits composition scheme and becomes liable to pay tax under regular scheme, in accordance with the provisions of section 18(1)(c) of the CGST Act, 2017.

Following additional information is also available.....

Particulars	Amount (₹)	
<b>Furniture and Fixtures</b> [₹72,000 – (5% × 3 quarters)] ÷ 2	30,600	30,600
<b>Air conditioner used in the office</b> [Since purchased after 03.10.20XX, full ITC will be available and will be computed separately]	-	-
<b>Exhaust fan used in the godown</b> [₹9,000 – (5% × 4 quarters)] ÷ 2	3,600	3,600
<b>ITC to be claimed on capital goods</b>	48,600	48,600
<b>Total ITC on inputs and capital goods credited to Electronic Credit Ledger on 02.10.20XX</b>	<b>82,800</b> [34,200 + 48,600]	<b>82,800</b> [34,200 + 48,600]



**Question No 22:****[ICAI RTP MAY 19]**

Keeping all the facts and figures of **Q.20 and Q.21** unchanged, compute the GST liability of B & D Company payable from Electronic Credit Ledger and/or Electronic Cash Ledger, as the case may be, for the period covered under regular scheme.

**Question No 26:**

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, 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. **Supply of farm labour, which is an exempt supply, is within the limit.**

**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)] **= ₹ 6,50,000 [CGST = ₹ 3,25,000 and SGST = ₹ 3,25,000]**

**Question No 29:****[ICMAI June 19 – 6 Marks]**

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?
  - 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 exceeds rupees ₹ **1.5 crore**, it is eligible for composition levy, even though the company has multiple registrations under GST.

## SEGMENT – 9

# REGISTRATION UNDER GST

Question No 19:

[ICAI Nov 19 – 4 Marks]

Dharma Dutta has taken voluntary registration and has not opted for the composition scheme of levy. He is aggrieved by the cancellation of his registration under GST, although he is filing NIL returns, as he has not conducted any business for the past 8 months. He wants to know the circumstances under which the proper officer can cancel registration on his own.

d) does not file his GST return for consecutive 6 months (or) 2 quarters

e) does not file his Annual return within 3 months from due date if he has opted for composition levy

## SEGMENT – 11

# RETURNS

Question No 1:

[ICAI May 18 – 5 Marks (Similar) | ICSI Dec 20 – 5 Marks (Similar)]

M/s Sahu & Co. a registered firm has filed its GST Return for the month of February, 20XX declaring an outward supply of ₹ 300 lakhs. The return was filed within the due date of its filing.....

As per GST law, the mechanism of filing revised returns for any correction of errors/omissions has been done away with. The rectification of errors/omissions is allowed in the subsequent Returns. However, no rectification is allowed after 30<sup>th</sup> November following the end of the financial year to which such details pertain or furnishing of the relevant annual return, whichever is earlier.....

## SEGMENT – 13

# ASSESSMENT & AUDIT

Question No 6:

[ICAI Jul 21 – 5 Marks]

Explain the provisions relating to assessment of unregistered persons by the proper officer under section 63 of the CGST Act, 2017.

\*Specified reasons for cancelation are as under:

b) A person paying tax under composition levy under section 10 of the CGST Act has not furnished annual return within 3 months from the due date; or

c) Any registered person, other than a person specified in clause (b), has not furnished returns for a continuous period of six months; (or) two quarters; or

# SEGMENT – 15

## SEARCH, SEIZURE & RELEASE OF GOODS

Question No 1:

[ICAI Nov 19 – 5 Marks]

Neurological Systems Private Limited has been subject to confiscation of goods on the ground that it has not accounted for the goods that are liable to tax under the CGST Act, 2017.....

As per Sec. 130 of CGST Act 2017,

To get the confiscated goods released from the Department, the directors of Neurological Systems Private Limited are advised as under:-

✓ Aggregate of such fine and penalty shall not be less than 100% of tax payable on such goods.

Question No 4:

[ICAI STUDY MATERIAL]

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 payable, whichever is higher.

Therefore, in the given case, the amount payable\* = ₹ 30,00,000 × 50% = ₹ 15,00,000 (or) ₹ 5,40,000/2 × 200% = ₹ 5,40,000, whichever is higher. i.e., ₹ 15,00,000

**Note:** CGST & SGST in ₹ 5,40,000. Therefore, CGST is ₹ 2,70,000

Question No 5:

[ICAI May 19 – 4 Marks]

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.....

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

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\*.

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,.....

## SEGMENT – 19

### REFUND UNDER GST

Solved Work Book – 10<sup>th</sup> Edition - Question No. 3 (Pg. No. 367)

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

The maximum amount of refund admissible on account of inverted duty structure is computed as under

		(Amount in ₹)
(i)	Net ITC i.e. input tax credit availed on inputs during the relevant period (Input services are not eligible for refund in this case)	3,60,000
(ii)	Turnover of inverted rated supply of goods	30,00,000
(iii)	Adjusted Total Turnover [Turnover of inverted rated supply of goods + Turnover of other supplies of goods] [₹30,00,000 + ₹ 10,00,000]	40,00,000
(iv)	Tax payable on such inverted rated supply of goods [₹30,00,000 × 5%]	1,50,000
(v)	ITC availed on inputs and input services [₹3,60,000 + ₹36,000]	3,96,000
	Maximum refund = {(Item (i) × Item (ii)/Item (iii)) – (Item (i) × Item (iv)/Item(v))} i.e., 3,60,000 × 30/40 (-) 3,60,000 × 1,50,000/3,96,000 = ₹2,70,000 (-) ₹1,36,364	<u>1,33,636</u>

Solved Work Book – 10<sup>th</sup> Edition - Question No. 5 (Pg. No. 369)

[ICAI RTP Nov 18/MTP May 19]

Super Engineering Works, a registered supplier in Haryana, is engaged in supply of taxable goods within the State. Given below are the details of the turnover and applicable GST rates of the final products manufactured by Super Engineering Works as also the input tax credit (ITC) availed on inputs used in manufacture of each of the final products and GST rates applicable on the same, during a tax period:

Products	Turnover* (₹)	Output GST Rates	ITC availed (₹)	Input GST Rates
A	500,000	5%	54,000	18%
B	350,000	5%	54,000	18%
C	100,000	18%	10,000	18%

\*excluding GST

Determine the maximum amount of refund of the unutilized input tax credit that Super Engineering Works is eligible to claim under section 54(3)(ii) of the CGST Act, 2017 provided that Product B is notified as a product, in respect of which no refund of unutilised input tax credit shall be allowed under said section.

Section 54(3)(ii) of the CGST Act, 2017 allows refund of unutilized input tax credit (ITC) at the end of any tax period to a registered person where the credit has accumulated on account of inverted duty structure i.e. rate of tax on inputs being higher than the rate of tax on output supplies (other than nil rated or fully exempt supplies), except supplies of goods or services or both as may be notified by the Government on the recommendations of the Council.

In the given case, the rates of tax on inputs used in Products A and B (18% each) are higher than rates of tax on output supplies of Products A and B (5% each). However, Product B is notified as a product, in respect of which no refund of unutilised ITC shall be allowed under section 54(3)(ii) of the CGST Act, 2017.

Therefore, only Product A is eligible for refund under section 54(3)(ii).

**Further, Rule 89(5) of the CGST Rules, 2017 stipulates that in the case of refund on account of inverted duty structure, refund of ITC shall be granted as per the following formula –**

$$\text{Maximum Refund} = \left\{ \left( \text{Net ITC} \times \frac{\text{Turnover of inverted rate supply of goods or services}}{\text{adjusted total turnover}} \right) - \left( \text{Net ITC} \times \frac{\text{Tax payable on such inverted rate supply of goods or services}}{\text{ITC availed on inputs and input services}} \right) \right\}$$

where, –

- A. "Net ITC" means input tax credit availed on inputs during the relevant period;
- B. **Adjusted Total Turnover** means the sum total of the value of-
- the turnover in a State or a Union territory, as defined under section 2(112), excluding the turnover of services; and
  - the turnover of zero-rated supply of services determined in specified manner and non-zero-rated supply of services, excluding-
    - the value of exempt supplies other than zero-rated supplies; and
    - the turnover of supplies in respect of which refund is claimed under rule 89(4A) or rule 89(4B) or both, if any,
- during the relevant period.
- c) Relevant period means the period for which the claim has been filed.

**In accordance with the aforesaid provisions, the maximum refund amount which Super Engineering Works is eligible to claim shall be computed as follows:**

- Net ITC = ₹ 1,18,000** (₹ 54,000 + ₹ 54,000 + ₹ 10,000) [Net ITC availed during the relevant period needs to be considered irrespective of whether the ITC pertains to inputs eligible for refund of inverted rated supply of goods or not as clarified vide Circular No. 79/53/2018-GST, dated 31.12.2018]
- Turnover of inverted rated supply of Product A = ₹ 5,00,000**
- Adjusted Total Turnover = ₹ 9,50,000** (₹ 5,00,000 + ₹ 3,50,000 + ₹ 1,00,000)
- Tax payable on inverted rated supply of Product A = ₹ 5,00,000 × 5% = ₹ 25,000**
- ITC availed on inputs and input services = ₹ 1,18,000** (₹ 54,000 + ₹ 54,000 + ₹ 10,000)

**Maximum refund amount for Super Engineering Works is as follows:**

$$= [₹ 1,18,000 \times (\frac{₹ 5,00,000}{₹ 9,50,000})] - [₹ 1,18,000 \times (\frac{₹ 25,000}{₹ 1,18,000})] = \underline{\underline{₹ 37,105}}$$

(rounded off)

Solved Work Book – 10<sup>th</sup> Edition - Question No. 8 (Pg. No. 371)

[ICAI RTP May 19]

Kailash Global (P) Ltd. supplies various goods in domestic and international markets. It is engaged in both manufacturing and trading of goods. The company is registered under GST in the State of Karnataka. The company exports goods without payment of tax under letter of undertaking in accordance with the provisions of section 16(3)(a) of the IGST Act, 2017. The company has made the following supplies during a tax period:

S. No.	Particulars	(₹)
(i)	Export of product 'A' to UK for \$ 10,000. Assessable value under customs in Indian rupees. [Export duty is levied on product 'A' at the time of exports. Further, value of like goods domestically supplied by the similarly placed supplier is ₹ 6,00,000]	7,00,000
(ii)	Domestic supplies of taxable product 'B'* during the period [excluding tax @ 5%] [Inputs used in manufacturing of such goods are taxable @18%] *not notified as a product, in respect of which refund of unutilised ITC shall not be allowed under section 54(3)(ii)	10,00,000

(iii)	Supply of goods to Export Oriented Unit [excluding tax @ 18%] [ITC has been claimed by the recipient]	5,00,000
(iv)	Export of exempt supplies of goods (Value of like goods domestically supplied by the similarly placed supplier is ₹ 5,00,000)	6,00,000

The ITC available for the above tax period is as follows:

S.No.	Particulars	₹
(i)	On inputs (including ₹ 50,000 on export of exempt supplies)	3,50,000
(ii)	On capital goods	1,20,000
(iii)	On input services (including ₹ 18,000 on outdoor catering)	2,00,000

Determine the maximum amount of refund admissible to Kailash Global (P) Ltd. for the given tax period.

**Computation of maximum amount of refund admissible to Kailash Global (P) Ltd.**

S.No.	Particulars	Nature of Supply for payment of GST	Whether refund admissible	Amount of Refund
(i)	Exports of product A to UK	Zero rated Supply - Sec. 16 of IGST Act	As the said transaction in export without payment of tax, refund of unutilized ITC is applicable. But, refund of unutilized ITC is not available as goods are subject to export duty - Proviso to Sec. 54	N.A
(ii)	Domestic supplies of taxable product B during the period	Taxable	As the rate of GST on outward supply is less than the rate of GST on inward supply, the same is inverted tax structure and refund of unutilised ITC is available. [Also, the goods are neither notified for ineligibility of refund nor they are exempted or nil rated]	₹ 92,105 [Refer Note 1 Below]
(iii)	Supply of goods to export oriented unit	Deemed Export - Sec. 147 Therefore, since in the given case the Recipient is claiming ITC, cannot claim refund	In respect of supplies regarded as deemed exports, the application of refund can be filed by the supplier of deemed export supplies only in cases where the recipient does not avail of ITC on such supplies and furnishes an undertaking to the effect that the supplier may claim the refund.	NA
(iv)	Export of exempt supplies of goods	Zero rated Supply - Sec. 16 of IGST Act (Even though it is exempted)	As the said goods are exported without payment of tax, refund of unutilised ITC on account of zero-rated supply is available in the present case	₹ 1,14,000 [Refer Note 2 below]

**Notes to above:**

- Rule 89(5) of the CGST Rules, 2017 stipulates that in the case of refund on account of inverted duty structure, refund of ITC is granted as per the following formula –

**Maximum Refund =**  
**[Net ITC X (Turnover of Inverted rate supply/Adjusted total turnover)] (-) [Net ITC X (Tax payable on such inverted rate supply/ITC availed on inputs and input services)]**

Where-

**"Net ITC"** means ITC availed on inputs during the relevant period other than the ITC availed for which refund is claimed under sub- rules (4A) or (4B) or both. **Here, Net ITC = ₹3,50,000**

**"Adjusted total turnover"** means the sum total of the value of:

(a) the turnover in a State/ Union territory, as defined under section 2(112), excluding turnover of services; &

(b) the turnover of zero-rated supply of services determined in terms of specified manner and non-zero-rated supply of services,

excluding:

(i) the value of exempt supplies other than zero-rated supplies; and

(ii) the turnover of supplies in respect of which refund is claimed under sub-rule (4A) or sub-rule (4B) or both, if any, during the relevant period.

Relevant period" means the period for which the claim has been filed.

**Adjusted Total Turnover = ₹28,00,000 [₹7,00,000 + ₹10,00,000 + ₹5,00,000 + ₹6,00,000] and Turnover of inverted rated supply of goods = ₹10,00,000.**

**ITC availed on inputs and input services = ₹ 5,32,000 (ITC on outdoor catering disallowed under section 17(5) of CGST Act, 2017)**

**Thus, maximum refund amount under Rule 89(5) =**

**(₹3,50,000 × ₹10,00,000/ ₹28,00,000)- (₹3,50,000 × ₹ 50,000/₹5,32,000) =**

**₹1,25,000 - ₹ 32,895 = ₹92,105**

2. Rule 89(4) of the CGST Rules, 2017 stipulates that in the case of zero- rated supply of goods or services or both without payment of tax under bond/LUT in accordance with the provisions of section 16(3) of the IGST Act, 2017, refund of ITC shall be granted as per the following formula:

**Maximum Refund = Net ITC X [(Turnover of zero-rated supply of goods + Turnover of zero-rated supply of services)/Adjusted total turnover]**

where-

**"Net ITC"** means ITC availed on inputs and input services during the relevant period other than the ITC availed for which refund is claimed under sub-rules (4A) or (4B) or both. **Here, Net ITC = ₹ 5,32,000 (ITC on outdoor catering disallowed under section 17(5) of CGST Act, 2017)**

**"Turnover of zero-rated supply of goods"** means the value of zero-rated supply of goods made during the relevant period without payment of tax under bond or letter of undertaking or the value which is 1.5 times the value of like goods domestically supplied by the same or, similarly placed, supplier, as declared by the supplier, whichever is less, other than the turnover of supplies in respect of which refund is claimed under

Adjusted Total Turnover" means Local Turnover + \*Zero rated Turnover - Supplies for which refund is claimed under Rule 89(4A) and/or Rule 89(4B).

**\* Zero Rated TO = TO of ZR supply of goods (as below) + TO of ZR supply of services**

Here, Turnover of zero-rated supply of goods = ₹6,00,000 (or) ₹5,00,000 × 1.5 = ₹7,50,000, whichever is lower i.e. ₹ 6,00,000

and Adjusted Total Turnover = ₹28,00,000 (as computed in point 1 above)

Thus, maximum refund amount under rule 89(4) = ₹5,32,000 × ₹6,00,000/ ₹28,00,000 = ₹1,14,000.

Solved Work Book – 10<sup>th</sup> Edition - Question No. 10 (Pg. No. 374)

[ICAI Dec 21 – 5M]

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 2B.

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 =

$$\left\{ \left( \text{Net ITC} \times \frac{\text{Turnover of inverted rate supply of goods or services}}{\text{adjusted total turnover}} \right) - \left( \text{Net ITC} \times \frac{\text{Tax payable on such inverted rate supply of goods or services}}{\text{ITC availed on inputs and input services}} \right) \right\}$$

**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).

$$\text{Net ITC} = 24,00,000 \times 12\% = ₹2,88,000$$

$$\text{Inverted rate turnover} = 30,00,000$$

$$\text{Adjusted total turnover} = 30,00,000$$

$$\text{GST on inverted rate turnover} = 30,00,000 \times 5\% = ₹1,50,000$$

$$\text{ITC availed on inputs and input services} = (24,00,000 \times 12\%) + (4,00,000 \times 5\%) = ₹3,08,000$$

$$\text{Max. Refund} = ₹2,88,000 \times 30/30 (-) ₹2,88,000 \times ₹1,50,000/₹3,08,000 = ₹2,88,000 (-) ₹1,49,260 = ₹1,47,740.$$

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



# APPENDIX

## COMPREHENSIVE QUESTIONS

Question No. 1 (Compulsory Question) in CA FINAL Exam is Covered in this Appendix

**Question No 1:** **ICAI May 22 [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	₹ 1,200	₹ 1,200	
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 <sub>1</sub> )			₹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 <sub>2</sub> )			₹ 8,100	₹ 8,100	
Common credit attributable to exempted supplies	7		₹ 8,100 × 6/66 = ₹ 736	₹ 8,100 × 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 (T<sub>2</sub>)
- ITC available as the same is used for taxable outward supply (T<sub>4</sub>)
- It is treated as common ITC as the same is used for both taxable and exempted outward supplies (C<sub>2</sub>)
- 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	₹ 1,500	₹ 1,500	
Total Net GST payable		₹37,936	₹37,936	90,000

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.



# SEGMENT – 31

## FOREIGN TRADE POLICY

**Question No 10:**

Mr. A wants to import by air a laptop from USA. Such laptop has been used by Mr. B - the seller for few months there. Mr. A contends that he can freely import such laptop without any restriction/authorization. Examine the correctness of Mr. A's claim in the light of the provisions of FTP 2015-2022.

Import of one laptop computer (notebook computer) AS BAGGAGE is exempt from whole of the customs duty.

Further, Foreign Trade Policy 2015-2023 provides that import of second-hand laptop requires authorization.

**Question No 17:****[ICMAI Dec 17 – 6 Marks]**

Two exporters namely, Sunlight Exports Pvt. Ltd. and Moonlight Exports Pvt. Ltd. have achieved the status of Status Holders (One Star Export House) in the financial year 2017-18. Every year,.....

According to Foreign trade policy 2015-23 Status Holders are business leaders who have excelled in international trade and have successfully contributed to country's foreign trade.

**Question No 23:****[ICAI Study Material]**

**Explain salient features of post export EPCG scheme.**

In EPCG scheme, first capital goods are imported without payment of customs duty and then export obligation is fulfilled.

In case of post export EPCG scheme, the capital goods are imported on full payment of applicable duties in cash. Later, basic customs duty paid on Capital Goods shall be remitted in the form of freely transferable duty credit scrips. **Capital goods imported under EPCG Authorisation for physical exports are also exempt from IGST and Compensation Cess. Upto 30.09.2021**

**Question No 25:****[ICAI Study Material]**

**List some supplies which are 'deemed exports' for purpose of benefits under Foreign Trade Policy 2015-2020.**

As per FTP 2015-2023, following are treated as deemed exports: