

## CA – INTERMEDIATE – PAPER 4B – MIGHTY 50 Q &amp; A ON GST

**Question No.1**

UCO Bank has a branch in Aurangabad engaged in supply of services by way of accepting deposits and extending loans opted for the option to avail credit of 50% of input tax of the month of which input tax relates under section 17(4). It has a head office at Pune. Input tax credit (CGST & SGST) available for the month of October 2017 is ₹1,20,000 which includes:

Total Input tax credit includes credit pertaining to: -

SI. No	Particulars	Input tax (₹) [CGST & SGST]
1	Services availed from its distinct establishment i.e., from Pune head office	27,000
2	Outdoor catering services received for its employees	32,000
3	Goods obsolete and value of which to be written off in books	11,000
4	Auditing Services	25,000
5	Goods for personal use of employees	7,500

Determine the amount of Input tax credit of October, 2017 that can be availed by UCO Bank.

**Solution:**

As per section 17(4) of CGST Act, every banking company or financial institution, including NBFC, engaged in supply of services by way of accepting deposits or extending loans or advances which is not opting for section 17(2), has the option to avail of every month an amount equal to 50% of the eligible input tax credit on inputs, capital goods and input services in that month and rest shall lapse.

Since, UCO Bank has availed an option to avail every month equal to 50% of the eligible input tax credit on inputs, capital goods input services. Thus, in given case-

	Particulars	Eligible ITC (₹)
	Input tax credit available [excluding input tax credit from its Pune head office] i.e. 1,20,000-27,000	93,000
	Credit relating to -	
Less:	Outdoor catering services received for its employees	32,000
	Goods obsolete and value of which to be written off in books	11,000
	Auditing Services	Nil
	Goods for personal use of employees	7,500
	Total eligible Input tax credit available	42,500
(a)	50% of eligible Input tax credit shall be availed by UCO bank	21,250
(b)	Input tax on supply of services availed from its distinct establishment i.e. From Pune {50% restriction not applicable hence full input tax credit can be availed}	27,000
	Total eligible Input tax credit available in respect of CGST & SGST (a) + (b)	48,250
	Amount of Input tax credit lapsed (i.e., 50% of 42,500)	21,250

**Question No.2**

Determine whether input tax credit will be available for the following activities as in accordance with the provisions of input tax credit chapter of CGST Act and state reasons.

S. No	Activities
1	Cement is used for construction of administration building
2	Cement is used for foundation of pillars supporting a boiler
3	Works contract services is provided by sub-contractor to a contractor
4	Health insurance for factory workers if it is statutorily mandated to take such insurance
5	Goods are used for running a guest house in a factory

6	Car used by a factory for personal use
7	Steel and other structural are used for setting up a telecommunication tower

**Solution:**

As per provisions of input tax credit, we shall decide the availability of input tax credit.

S. No	Activities	Eligibility for credit
1	Cement is used for construction of administration building	[No], Building is not a plant and machinery
2	Cement is used for foundation of pillars supporting a boiler	[Yes], as such structural support for plant and machinery is included in definition of plant and machinery
3	Works contract services is provided by sub-contractor to a contractor	[Yes] Works contract service used only in relation to construction of an immovable property is specified in block credit but when the same is used as an inward supply by an another works contractor, ITC is available
4	Health insurance for factory workers if it is statutorily mandated to take such insurance	[Yes] Life Insurance and Health Insurance service where it is statutorily required to be provided by employer to employee is excluded from blocked credit
5	Goods are used for running a guest house in a factory	[Yes] as guest house is used for furtherance of business. (dispute cannot be ruled out) However credit in respect of provision of food and beverages & catering services will not be available
6	Car used by a factory for personal use	[No] Car or any conveyance having capacity not exceeding 13 seats (incl. driver) is in blocked credit, except when it is intended for use in further supply (or) for making taxable supply of transportation of passenger service (or) imparting driving skills
7	Steel and other structural are used for setting up a telecommunication tower	[No] As telecommunication towers have been specially excluded from definition of plant and machinery

### Question No.3

The following are details of purchases, sales, etc. affected by M/s. Asha & Co. a registered manufacturer under CGST Act, 2017:

- 1) Purchased Raw material 'A' from local dealer ₹86,100 (inclusive of GST @ 5%).
- 2) Purchased Raw material 'B' from local dealer ₹1,12,000 (inclusive of GST @ 12%).
- 3) Purchased capital goods from within the state to be used in manufacture of the taxable goods ₹1,96,000 (inclusive of GST @ 12%). Depreciation @ 15% to be charged.
- 4) Other Direct and Indirect expenses ₹55,460.
- 5) Earned 10% profit margin on total cost.
- 6) During the month of October, 2018 only 70% production is sold within the state and applicable GST rate being 12%.

Calculate the amount of CGST and SGST payable after utilising input tax credit for the month of October, 2018 assuming no opening balance of input tax credit is available.

**Solution:**

**Computation of Taxable value of supply**

(Amount in ₹)

Purchase Raw material 'A' from local dealer [₹86,100 × 100 / 105]	[WN]	82,000
Purchase Raw material 'B' from local dealer [₹1,12,000 × 100 / 112]	[WN]	1,00,000
Depreciation expense [(₹1,96,000 - ₹1,96,000 × 12 / 112) × 15%]		26,250

Other direct and indirect expense		55,460
Total Cost of goods manufactured		2,63,710
Cost of goods sold (70% of goods produced were sold)		1,84,597
Add: Profit margin @ 10% of cost		18,460
Taxable value of supply		2,03,057

**Working Note:** Credit will be available for CGST and SGST, charged by local suppliers. Hence, the same is not to be included in the cost.

**Computation of CGST and SGST payable for the month of October, 2018 after utilising the available ITC**

[assuming no ITC opening balance]

Particulars	CGST (₹)	SGST (₹)
Output tax liability for the month of October, 2018 @ 12% (being CGST 6% and SGST 6%) [₹ 2,03,057 × 12%]	12,183	12,183
Less: Eligible input tax credit in respect of purchases of—		
Raw material 'A' [₹82,000 × 5%]	2,050	2,050
Raw material 'B' [₹1,00,000 × 12%]	6,000	6,000
Capital Goods [₹1,75,000 × 12%]	10,500	10,500
<b>CGST/SGST credit to be carried forward [₹2050+ ₹6000+ ₹ 10,500) - (₹12,183)]</b>	<b>6,367</b>	<b>6,367</b>

**Question No.4**

M/s. ABC & Co., a chartered accountancy firm, has its office in Bengaluru and is registered under GST in the State of Karnataka. It submitted the following information for the month of April:

Sr. No.	Particulars	Amount of services provided excluding GST (₹)
1.	Statutory audit services provided (intra-State supplies)	1,20,000
2.	ITR filing services provided within Karnataka (intra-State supplies)	1,60,000
3.	Internal audit services provided to Mumbai client (inter-State supplies)	1,80,000

M/s. ABC & Co. had also incurred the following expenses in the month of April for the purpose of providing the taxable services:

Sr. No.	Particulars	CGST (₹)	SGST (₹)
1.	Car purchased by firm for the use of senior partner of the firm for official use	42,000	42,000
2.	Office rent paid to landlord who is registered in State of Karnataka	450	450
3.	Professional fee paid to Mr. Rajesh, a practicing Chartered Accountant, for professional services availed [TDS of ₹ 20,000 is deducted under section 194J of the Income-tax Act, 1961]	18,000	18,000
4.	Computer purchased for office purpose	3,000	3,000

Out of the above 4 suppliers/service providers, landlord of office to whom rent was paid did not upload his GSTR-1 within the specified time allowed under GST resulting in the GST amount not being reflected in GSTR-2B of M/s. ABC & Co.

Compute the net GST payable in cash by M/s. ABC & Co. for the month of April.

Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively assuming that all the remaining conditions of utilisation of ITC are fulfilled.

Solution:

## 1. Computation of net GST payable by ABC &amp; Co. for the month of April

Particulars	Value of supply	CGST (₹)	SGST (₹)	IGST (₹)
Statutory audit services	1,20,000	10,800	10,800	
ITR filing services	1,60,000	14,400	14,400	
Internal audit services	1,80,000	=	=	<u>32,400</u>
Total output tax liability		25,200	25,200	32,400
Less: ITC [Refer Working Note] [CGST credit is set off against CGST liability and SGST credit is set off against SGST liability since CGST credit cannot be utilized towards payment of SGST liability and vice versa.]		<u>(21,000)</u>	<u>(21,000)</u>	
<b>Net GST payable</b>		<b>4,200</b>	<b>4,200</b>	<b>32,400</b>

Working Note:

## Computation ITC that can be availed

Particulars	CGST (₹)	SGST (₹)
<b>Computation of eligible ITC</b>		
Car purchased for official use by senior partner [ITC on motor vehicles used for transportation of persons with seating capacity upto 13 persons (including driver) is blocked except when used for making specified outward supplies.]	Nil	Nil
Office rent paid to landlord [No ITC since the supplier did not upload the details of invoice in his GSTR-1 and said details are not being reflected in GSTR-2B of recipient.]	Nil	Nil
Professional fee paid [ITC on services used in the course/furtherance of the business is allowed.]	18,000	18,000
Computer for office purpose [ITC on goods used in the course/furtherance of the business is allowed.]	<u>3,000</u>	<u>3,000</u>
<b>Total eligible ITC which can be availed</b> [ITC in respect of invoices furnished by the suppliers in their GSTR-1s and reflected in GSTR-2B of recipient.]	<b>21,000</b>	<b>21,000</b>

## Question No.5

Miss. P, a registered supplier of Rajasthan, has received the following amounts in respect of the activities undertaken by her during the month of April:

S. No.	Particulars	Amount (in ₹)
1	Amount received for warehousing of sugarcane	50,000
2	Commission received as business facilitator for the services provided to the urban branch of a nationalized bank with respect to savings bank accounts	20,000
3	Amount received for services by way of labour contracts for repairing a single residential unit otherwise than as a part of residential complex	10,000

All the transactions stated above are inter-State transactions and all amounts are exclusive of GST. You are required to compute total GST payable by Miss. P for the month of April assuming the rate of GST to be 18%.

**Solution:**

**Computation of value of taxable supply on which GST is to be paid by Miss. P**

Particulars	IGST (₹)
Amount received for warehousing of sugarcane [Warehousing of agricultural produce is exempt from GST.]	Nil
Commission received as business facilitator [Services provided by a business facilitator to a banking company with respect to accounts only in its rural area branch are exempt from GST. In the given case since services are being provided to urban branch of the bank, they are taxable. However, the tax payable thereon is to be paid by the recipient of services i.e., banking company, under reverse charge. Hence, Miss P will not be liable to pay GST on commission received for said services.]	Nil
Amount received for services by way of labour contracts [Services by way of pure labour contracts of construction, erection, commissioning, or installation of original works pertaining to a single residential unit otherwise than as a part of a residential complex are exempt from GST. Since such services are being provided for repairing the residential unit, they are not eligible for exemption.]	1,800 [10,000 × 18%]
<b>Total IGST payable</b>	<b>1,800</b>

\*Note: IGST is payable on inter-State supply.

#### Question No.6

A garment factory receives a Government order for making uniforms for a commando unit. This supply is exempt from tax under a special notification. The fabric is separately procured for the supply, but thread and lining material for the collars are the ones which are used for other taxable products of the factory.

The turnover of the other products of the factory and exempted uniforms in July is ₹ 4 crore and ₹1 crore respectively, the ITC on thread and lining material procured in July is ₹5000 and ₹15000 respectively. Calculate the eligible ITC on thread and lining material.

**Solution:**

Thread and lining material are inputs which are used for making taxable as well as exempt supplies. Therefore, credit on such items will be apportioned and credit attributable to exempt supplies will be added to the output tax liability in terms of CGST Rules, 2017.

Credit attributable to exempt supplies = Common credit × (Exempt turnover / Total turnover)

Common credit = ₹15,000 + ₹5,000 = ₹20,000

Exempt turnover = ₹1 crore

Total turnover = ₹5 crore [₹1 crore + ₹4 crore]

Credit attributable to exempt supplies = (₹1 crore / ₹5 crore) × ₹20,000 = ₹4,000.

Ineligible credit of ₹ 4,000 will be added to the output tax liability for the month of July. Credit of ₹16,000 will be eligible credit for the month of July.

#### Question No.7

On 25th August, M/s Agarwal & Agarwal, a registered supplier of taxable goods located in Bengaluru (Karnataka), purchased one machine for ₹12,39,000 (including IGST) from one supplier of Maharashtra who issued the invoice on the same date. M/s Agarwal & Agarwal put the machinery to use on the same day and availed ITC for the eligible amount.

M/s Agarwal & Agarwal used the machine in the process of manufacture of taxable goods. However, M/s Agarwal & Agarwal sold this machine to Mr. Suresh Kumar of Andhra Pradesh on 20th August of next year for ₹ 7,50,000 (excluding IGST).

With reference to section 18(6), determine the amount payable, if any, by M/s Agarwal &

**Agarwal at the time of sale of the machine.**

**Note: The applicable rate of IGST is 18%.**

**Solution:**

As per section 18(6), if capital goods/ plant and machinery on which ITC has been taken are supplied (outward) by a registered person, he must pay an amount that is higher of the following:

- ITC taken on such goods reduced by 5% per quarter of a year or part thereof from the date of issue of invoice for such goods or
- tax on transaction value of such outward supply determined under section 15.

Accordingly, the amount payable on supply of machinery by M/s Agarwal & Agarwal shall be computed as follows:

Particulars	Amount (₹)
ITC taken on the machinery (₹12,39,000 × 18/118)	1,89,000
Less: Input tax credit to be reversed @ 5% per quarter for the period of use of machine	28,350
i. For the previous year = (₹1,89,000 × 5%) × 3 quarters	<u>18,900</u>
ii. For the current year = (₹ 1,89,000 × 5%) × 2 quarters	
Amount required to be paid (A) **	1,41,750
Duty leviable on transaction value (₹ 7,50,000 × 18%) (B)	1,35,000
Amount payable towards disposal of machine is higher of (A) and (B)	1,41,750
Thus, M/s Agarwal & Agarwal is required to pay an amount of ₹ 1,41,750 at the time of sale of machinery.	

\*\* In the above solution, amount payable towards disposal of machine has been computed on the basis of rule 40(2), i.e., ITC to be reversed for the period of use of capital goods/machine has been computed @ 5% for every quarter or part thereof from the date of the issue of invoice.

However, the said amount can also be computed in accordance with rule 44(6), i.e., ITC involved in the remaining useful life (in months) of the capital goods/ machine can be reversed on pro-rata basis, taking the useful life as 5 years.

#### Question No.8

**Asha Traders dealing in supply of garments received the following subsidies:**

- Value of Taxable Supply of garments is ₹45,000
- Subsidy directly linked to the supply and received from a Trust engaged in promotion of such garment is ₹12,000
- Subsidy from Central Government for promoting such units is ₹9,000,

**Determine the Transaction Value of supply as per section 15 of CGST Act.**

**Solution:**

Computation of Value of Supply as per section 15 of CGST Act:

Particulars	₹
Value of taxable supply of garments	45,000
Subsidy received from Trust (As per Section 15(2)(e), subsidy from other than CG/SG, directly linked to the price shall be included in the value of supply)	12,000
Subsidy received from Government of India (As per section 15(2)(e) of CGST Act, 2017, such subsidy amount shall not be included)	-
Transaction Value as per GST	57,000

**Question No.9**

From the following information determine the value of taxable supply as per provisions of section 15 of the CGST Act, 2017

Particulars	₹
Value of machine (including GST @ 12%)	15,00,000
The invoice includes the following	
(1) Taxes (other than CGST/SGST/IGST) charged separately by the supplier	15,000
(2) Weighment and loading charges	25,000
(3) Consultancy Charges in relation to pre-installation planning	10,000
(4) testing Charges	2,000
(5) Inspection Charges	4,500
Other information:	
(i) Subsidy received from central government for setting up factory in backward region	51,000
(ii) Subsidy received from third party for timely supply of machine to recipient	50,000
(iii) Trade discount actually allowed shown separately where necessary	24,000

Give reasons with suitable assumption show separately where necessary.

**Solution:**

Computation of Value of taxable supply of Goods

Particulars	₹
Value of machine (including GST @ 12%)	15,00,000
(1) Taxes other than CGST/SGST/IGST charged separately by the supplier [As per section 15(2)(a) of CGST Act. 2017, any duty, cesses, fees and other charges, charged separately by supplier are to be included in value of taxable supply. Since they are already includible. Since they are already included, no adjustment called for]	-
(2), (3), (4) and (5) Weighment and loading charges, Consultancy Charges in relation to pre-installation planning. Testing Charges and Inspection Charges charged before supply [As per section 15(2). any amount charged for anything done by supplier in respect of the supply of goods at the time of, or before delivery of goods shall be included in the value of taxable supply. Since they are already included, no adjustment called for.]	-
i. Subsidy received from Central government for setting up factory in backward region [As per section 15(2) (e), the value of supply shall include subsidies directly linked to the price excluding subsidies provided by the Central Government and State Governments. Hence, not includible.]	-
ii. Subsidy received from third party for timely supply of machine to recipient [As per Section 15(2) (e), the value of supply shall include subsidies directly linked to the price; hence, addable]	50,000
iii. Trade discount actually allowed shown separately in invoice [As per Section 15(3) (a), the value of the supply shall not include any discount which is given before or at the time of the supply if such discount has been duly recorded in the invoice issued in respect of such supply. Hence, same is deductible in computing value. It is given as 'other information', hence, it is not already adjusted.]	-24,000
Cum tax value	15,26,000
Less: GST@12% [15,26,000 × 12 ÷ 112] [As per Section 15(2)(a) of the CGST Act, 2017, value of supply shall not include GST and GST Cess. Even as per rule 35, if price is inclusive of GST, GST shall be computed using back-computations.]	1,63,500
Value of taxable supply	13,62,500

**Question No.10**

Laxmi Ltd. of Bhopal (Madhya Pradesh) is a supplier of machinery. Laxmi Ltd. has supplied machinery to PQR Enterprises in Indore (Madhya Pradesh) on 1<sup>st</sup> October, 2017. The invoice for supply has been issued on 1<sup>st</sup> October, 2017. Thus, the time of supply of machinery is 1<sup>st</sup> October, 2017. Laxmi Ltd. and PQR Enterprise are not related.

Following information is provided:

- Basic price of machinery excluding all taxes but including design and engineering charges of ₹10,000 and loading charges of ₹20,000 - ₹20,00,000.
- Laxmi Ltd. provides 2 years free warranty for the machinery. Laxmi Ltd. also provides an extended one-year warranty on payment of additional charges of ₹1,00,000. PQR Enterprises opted for one year warranty.
- Laxmi Ltd. has collected consultancy charges in relation to pre-installation planning of ₹10,000 and freight and insurance charges from place of removal to buyer's premises of ₹20,000.
- Laxmi Ltd. received subsidy of ₹50,000 from Central Government for supplying the machinery to backward region since receiver was located in a backward region. Laxmi Ltd. also received ₹50,000 from the joint venture partner of PQR Enterprises for making timely supply of machinery to the recipient.
- A cash discount of 1% on the basic price of the machinery is offered at the time of supply, if PQR Enterprises agrees to make the payment within 30 days of the receipt of the machinery at his premises. Discount @ 1% was given to PQR Enterprises as it agreed to make the payment within 30 days.
- The machinery attracts CGST and SGST @ 18% (9% + 9%) and IGST @18%.

Compute the CGST and SGST or IGST payable, as the case may be, on the machinery.

**Solution:**

Particulars	₹
Price of the machinery [Note 1]	20,00,000
Extended warranty cost [Note 2]	1,00,000
Consultancy charges in relation to pre-installation planning [Note 4]	10,000
Freight and insurance charges [Note 3]	20,000
Subsidy received from Central Government [Note 5]	Nil
Receipts from Joint Venture of PQR Enterprises [Note 5]	50,000
Less: 1% discount on basic price* = ₹ 20,00,000 × 1% [Note 6]	(20,000)
Value of supply	21,60,000
CGST @ 9% (note 7)	1,94,400
SGST @ 9% (note 7)	1,94,400

**Notes:**

1. Laxmi Ltd. and PQR Enterprises are not related and price is assumed to be the sole consideration for the supply. Therefore, in terms of section 15(1) of the CGST Act, 2017, the value of the supply is the transaction value i.e., price actually paid or payable for the machinery by PQR Enterprises.

Design and engineering charges are includible in the value of supply as any amount charged for anything done by the supplier in respect of the supply of goods at the time of, or before delivery of goods is so includible in terms of section 15(2)(c) of CGST Act, 2017.

Further, loading charges being incidental expenses charged by the supplier to the recipient of supply, are includible in the value as per section 15(2)(c) of the CGST Act, 2017.

2. Supply of machinery (goods) with supply of ancillary services like extended warranty, is a composite supply, the principle supply of which is the supply of machinery. [Section 2(30) of the CGST Act, 2017 read with section 2(90) of that Act]. Thus, value of such ancillary supply is includible in the value of composite supply.



3. Supply of machinery (goods) with supply of ancillary services like freight and insurance is a composite supply, the principle supply of which is the supply of machinery [Section 2(30) of the CGST Act, 2017 read with section 2(90) of that Act]. Thus, value of such ancillary supply is includible in the value of composite supply.
4. Any amount charged for anything done by the supplier in respect of the supply of goods at the time of, or before delivery of goods is includible in the value of supply in terms of section 15(2)(c) of CGST Act, 2017.
5. Subsidies provided by the Central Government and State Governments are not includible in the value of supply in terms of section 15(2)(e) of the CGST Act, 2017. However, subsidy directly linked to the price received from a non-Government body is includible in the value in terms of section 15.
6. Cash discount has been given to PQR Enterprises upfront at the time of supply and thus would have been recorded in the invoice and hence, the same is excluded from the value of supply in terms of section 15(3)(a) of the CGST Act, 2017.
7. In the given case-
  - the location of the supplier is in Bhopal (Madhya Pradesh); and
  - the place of supply of machinery is the location of the machinery at the time at which the movement of the same terminates for delivery to the recipient i.e., Indore (Madhya Pradesh).

Therefore, the given supply is an intra-State supply as the location of the supplier and the place of supply are in the same State. Thus, the supply will be leviable to CGST and SGST.

\*Note: It is also possible to take a view that the basic price of the machinery is ₹19,70,000 [₹20,00,000 – ₹10,000 – ₹20,000] and design and engineering charges and loading charges are added to such price. In that case, 1% of discount amount will come out to be ₹19,700, value of supply would be ₹21,60,300 and CGST and SGST would be ₹1,94,427 each.

#### Question No.11

Mrs. Kajal, a registered supplier of Jaipur (Rajasthan), has made the following supplies in the month of January, 20XX:

- I. Supply of a laptop bag along with the laptop to a customer of Mumbai for ₹ 55,000 (exclusive of GST).
- II. Supply of 10,000 kits (at ₹ 50 each) amounting to ₹ 5,00,000 (exclusive of GST) to Ram Fancy Store in Kota (Rajasthan). Each kit consists of 1 hair oil, 1 beauty soap and 1 hair comb.
- III. 100 kits are given as free gift to Jaipur customers on the occasion of Mrs. Kajal's birthday. Each kit consists of 1 hair oil and 1 beauty soap. Cost of each kit is ₹ 35, but the open market value of such kit of goods and of goods of like kind and quality is not available. Input tax credit has not been taken on the goods contained in the kit.
- IV. Event management services provided free of cost to her brother for his son's marriage function in Indore (Madhya Pradesh). Cost of providing said services is ₹ 80,000, but the open market value of such services and of services of like kind and quality is not available.
- V. 1,400 chairs and 100 coolers hired out to Function Garden, Ajmer (Rajasthan) for ₹ 3,30,000 (exclusive of GST) including cost of transporting the chairs and coolers from Mrs. Kajal's godown at Jaipur to the Function Garden, Ajmer.

Mrs. Kajal has paid the cost of transportation of chairs and coolers to an unregistered Goods Transport Agency (GTA) [located in the State of Rajasthan] @ ₹ 20 (exclusive of GST) for each chair and each cooler and in turn, has charged ₹ 20 only for each chair and each cooler from Function Garden for transportation of the same.

Interest of ₹ 6,400 (inclusive of GST) was collected by Mrs. Kajal in January from Ram Fancy Store, Kota for the payment received with a delay of 30 days.

Assume rates of GST to be as under: -

S. No.	Particulars	Rate of CGST (%)	Rate of SGST (%)	Rate of IGST (%)
1.	Laptop	9	9	18
2.	Laptop bag	14	14	28
3.	Hair oil	9	9	18
4.	Beauty soap	14	14	28
5.	Hair comb	6	6	12
6.	Event management service	2.5	2.5	5
7.	Service of renting of chairs and coolers	6	6	12
8.	Transportation service	2.5	2.5	5

From the above information, compute the GST liability (CGST and SGST and/ or IGST, as the case may be) of Mrs. Kajal for the month of January, 20XX.

Solution:

Computation of GST liability of Mrs. Kajal for the month of January, 20XX

S. No.	Particulars	Amount (₹)	CGST (₹)	SGST (₹)	IGST (₹)
(i)	Supply of laptop bag along with laptop to Mumbai customer [Being naturally bundled, supply of laptop bag along with the laptop is a composite supply which is treated as the supply of the principal supply [viz. laptop] in terms of section 8(a) of the CGST Act, 2017 and is an inter-State supply. Accordingly, IGST @ 18% will be charged]	55,000			9,900
(ii)	Supply of kits to Ram Fancy Store [It is a mixed supply and is treated as supply of that particular supply which attracts highest tax rate [viz. beauty soap] in terms of section 8(b) of the CGST Act, 2017. Also, it's an intra-State supply. Accordingly, CGST and SGST @ 14% each will be charged.] Further, interest of ₹ 6,400 charged for delayed payment as collected from Ram Fancy Store will be included in the value of supply in terms of section 15(2) of the CGST Act, 2017. Therefore, total value of supply = ₹ 5,05,000 [₹ 5,00,000 + (₹ 6,400 × 100/128)]	5,05,000	70,700	70,700	
iii)	Free gifts to customers [Cannot be considered as supply under section 7 read with Schedule I of the CGST Act as the gifts are given to unrelated customers without consideration]		Nil	Nil	Nil
iv)	Event management services provided free of cost to brother for his son's marriage [Cannot be considered as supply under section 7 read with Schedule I of the CGST Act as the service is provided to unrelated person without consideration.] [Note-1]		Nil	Nil	Nil
v)	Chairs and coolers hired out to Function Garden [Since Mrs. Kajal is not a GTA, transportation services provided by her are exempt [Notification No. 12/2017 CT(R) dated 28.06.2017]. However, since chairs and coolers are hired out along with their transportation, it is a case of composite supply wherein the principal	3,30,000	19,800	19,800	

	supply is hiring out of chairs and coolers. Also, it's an intra-State supply. Accordingly, transportation service will also be taxed at the rate applicable for renting of chairs and coolers, viz. CGST and SGST @ 6% each.] [Note-2]				
vi)	Transportation of chairs and coolers by GTA [GST on GTA services availed is payable under reverse charge mechanism since GST is payable @ 5%. Being an intra-State supply, CGST and SGST will be chargeable @ 2.5% each.]	30,000 (₹20 × x1,500)	750	750	
<b>Total GST liability</b>			<b>91,250</b>	<b>91,250</b>	<b>9,900</b>

**Note:** As per section 2(30) of the CGST Act, 2017, composite supply means a supply made by a taxable person to a recipient consisting of two or more taxable supplies. Since in point (v), service of hiring out of chairs & coolers is taxable while transportation service is exempt (being provided by a person other than a GTA), it is possible to take a view that this is not a case of composite supply. In that case, the two services will be treated as independent services and taxed accordingly.

### Question No.12

From the following information determine the person liable to pay Goods & Service tax both Supplier and Recipient are located in India –

- 1) Mr. Atul is an agent of Life Insurance Co. The insurance company pays commission (excluding tax) ₹ 6 Lakh to him. Mr. Atul claims that no GST is leviable on services provided by him as his value of taxable service does not exceed ₹ 20 lakhs.
- 2) XYZ Ltd. availed services of Vimal Goods transport agency for transportation of goods by road from factory located in New Delhi to its Jaipur depot and paid freight of ₹ 1,00,000.
- 3) Ranka Jewellers Ltd. paid ₹ 50 lakhs for sponsorship of Miss India beauty pageant for sponsorship services.
- 4) Legal services provided by VHB & Co., a partnership firm of New Delhi to Tata Motors Ltd, Mumbai. ₹ 70,00,000.
- 5) Service provided by a director of a company (not in capacity of employee) to the company: ₹ 10 Lakh.
- 6) Infrastructural support services provided by Government to a business entity: ₹ 14 Lakh
- 7) Renting of immovable property services provided by Government to business entity: ₹ 18 Lakh

**Solution:**

The provisions applicable are as per section 9(3) of CGST Act and 5(3) of IGST Act, the Government via notification 17/2017 CT and Notification No. 14/2017 of IGST Act.

- 1) In this case Life Insurance Company will be liable to pay service tax on reverse charge basis. Hence, GST liability shall be ₹ 6,00,000. Mr. Atul's claim that his turnover does not exceeds ₹ 20 Lakhs has no relevance here, because under reverse charge threshold limit is not available.
- 2) If GTA opts to pay tax: In such case normal charge is applicable and GTA is liable to pay tax  
If GTA opts not to pay tax: Then reverse charge shall be applicable, and GST shall be paid by XYZ Ltd. since it is liable to pay freight for transportation of goods.
- 3) In this case sponsorship services are received by Ranka Jewellers Ltd. being a body corporate, it will be liable to pay goods & service tax under reverse charge mechanism.
- 4) In this case goods & service tax shall be paid by Tata Motors Ltd. as the liability to pay tax is on the business entity under reverse charge mechanism.
- 5) In case of any service provided by director of company or body corporate to company the goods & service tax is payable by company or body corporate.

- 6) Any service other than renting of immovable property to an unregistered recipient, provided by Government or local authority to business entity in a taxable territory, the goods & service tax is payable by business entity.
- 7) Any service other than renting of immovable property to an unregistered recipient, provided by Government or local authority to business entity in a taxable territory, then goods & service tax is payable by business entity.

In given case if business entity is registered then RCM is applicable, otherwise RCM is not applicable for renting of immovable property by Government and Government under normal charge is liable to pay tax

**Question No.13**

Pioneer Academy is providing private coaching for IAS and is registered under GST. During Nov, 2017, it organizes a seminar on 'demonetization: impact on Indian Economy' in its campus in Delhi.

Discuss the taxability of following receipts in hands of Pioneer Academy –

1. Sponsorship charges of ₹20,00,000 from Mr. A, sole proprietor of a business (for grant of sponsorship rights of programme).
2. Advertisement charges of ₹30,000 from B Ltd. (small advertisement banner outside the hall).
3. Donations of ₹50,000 from Mr. C, a salaried employee (he does not want his name to appear anywhere in the seminar).

Above figures are exclusive of GST (GST will be charged in addition to the amount given above).

Applicable GST rate is 18%. Presume all supplies as intra-state supplies.

Solution:

Taxability of receipts in hands of Pioneer Academy.

Receipts	Taxability	Applicability of RCM	GST payable by Pioneer Academy (₹)
Sponsorship charges of ₹20,00,000 from Mr. A, sole proprietor of a business	Taxable	RCM is not applicable as sponsorship service has been provided to sole proprietor (not to anybody corporate or partnership firm)	3,60,000
Advertisement charges of ₹30,000 from B Ltd.	Taxable	RCM is applicable to sponsorship services and not to advertisement services.	5,400
Donations of ₹50,000 from Mr. C, a salaried employee	No supply of service (donation is not consideration)	There is no supply of goods / services in this case, no GST	No liability

**Question No.14**

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 fruits & vegetables	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

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	1,00,000
(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.

Solution:

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	E	E
Services of warehousing of fruits & vegetables [Note 2]	50,000	E	E
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	E	E
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	E	E
Security services (supply of security personnel) provided to DEC for the security of the college premises [Note 7]	28,000	E	E
Value of taxable supply	2,00,000		
Total tax liability on outward supplies (A)		18,000	18,000
<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
Value of taxable supply	1,00,000		
Total tax liability on inward supplies under reverse charge (B) -		2,500	2,500

payable in cash [Note 10]			
ITC available on input services [Note 8]		Nil	Nil
Net GST payable (A) + (B)		20,500	20,500

**Notes to above:**

1. 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. Any service in relation to agriculture (or) agricultural produce is exempt from GST vide Exemption Notification No. 12/2017 CT(R) dated 28.06.2017 (hereinafter referred to as exemption notification). Thus, services of warehousing of Fruits & Vegetables are exempt.
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 be 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.

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.15

Z & Co. is a firm of advocates (partners are X and Y), having equal profit sharing ratio). Find out the GST liability

1. Legal professional services provided to Mr. A, an advocate of Bombay High Court (gross receipts of Mr. A during previous year is ₹50,00,000 per annum): ₹ 8,00,000
2. Legal professional services provided to B & Co. (a firm of 10 advocates) whose turnover is ₹80,00,000 during previous year: ₹32,00,000.
3. Legal professional services provided to Mr. C (an Employee) (this service is provided to C in a personal legal matter): ₹6,00,000.
4. Legal professional services provided to D Ltd., Delhi based company (turnover of D Ltd. of the preceding financial year is ₹ 6,00,000): ₹11,00,000.
5. Legal professional services provided to E Ltd., Delhi based company (turnover of E Ltd. of the preceding financial year is ₹50,00,000): ₹5,00,000.

Above figures are exclusive of GST. If any GST is there, it will be paid separately. Z & Co. is not a small service provider. Find out –

- a) GST payable by the supplier of service (i.e., Z & Co.)
- b) GST payable by recipients of service (i.e., Mr. A, B & Co., Mr. C, D Ltd., E Ltd.);

Solution:

	GST liability of supplier of service (Z & Co.) (₹)	GST liability of recipient of service (₹)
1. Professional services to A (an advocate) [such service shall be exempt as provided to individual advocate (TO of recipient advocate is not relevant)]	Nil	Nil
2. Professional services to B & Co. (a firm of advocate) [such service shall be exempt as provided to individual advocate (TO of recipient advocate is not relevant)]	Nil	Nil
3. Professional services to C (non-business entity) [such service shall be exempt as provided to non-business entity]	Nil	Nil
4. Professional services to D Ltd. (Delhi based company with TO of 6,00,000 in preceding year) [such service shall be exempt as provided to business entity having TO not exceeding ₹20,00,000]	Nil	Nil
5. Professional services to E Ltd. (Delhi based company with TO of 50,00,000 in preceding year) [such service shall not be exempt as provided to]	Nil	90,000

business entity having TO exceeding 20,00,000]		
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**Question No.16**

A Ltd. collected following sums (exclusive of taxes) for the month ending April, 2023 towards transport of passengers. Determine taxable value and GST taking maximum benefits available under law and ignoring ITC

Particulars	₹ lakh
(1) Transport of passengers on vessel from Chennai to Port Blair	8
(2) Transport of passengers by vessel from Chennai to Dubai (services of ₹4 lakh was provided after crossing maritime zones of India)	50
(3) Transport of passengers by vessel from Dubai to Chennai (services of ₹6 lakh were provided after crossing maritime zones of India)	40
(4) Transport of passengers through cruise ships (within territorial waters of India)	6
(5) Transport through national waterways	10
(6) Metro transport of passengers	40
(7) Transport of passengers by stage carriage (in 40% cases, it was AC stage carriage)	10
(8) Transport of passengers by Non-AC contract carriage for non-tourist purposes	4
(9) Transport of passengers by AC contract carriage for non-tourist purposes	2
(10) Transport of passengers by Non-AC contract carriage for tourist purposes (this includes ₹50,000 towards charges for extra baggage of passengers)	5
(11) Transport of passengers by ropeway	1
(12) Transport of passengers in radio taxis	3
(13) Transport of passengers through metered cabs and e-rickshaws (50% & 50%)	8

Applicable rates of GST is as follows – Stage Carriage, Contract Carriage and Radio Taxi – 5% and other cases – 18%. Make suitable assumptions, where necessary

Solution:

Particulars	Value (₹ in lakhs)	Rate of Tax	Tax (₹ in lakhs)
(1) Transport of passengers on vessel from Chennai to Port Blair – Covered in exemption, as transport by vessels takes place in India. It is assumed that vessel is not predominant meant for tourism purpose	8	Exempt	Exempt
(2) Transport of passengers by vessels from Chennai to Dubai – Place where passenger embarks for a continuous journey viz. Chennai is place of supply of such service; further, services provided on board a conveyance is provided at the place of first schedule point of departure thereof viz. Chennai. Hence, taxable.	50	18%	9
(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. It is assumed that the other conditions for export of service is satisfied.	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	6	18%	1.08



in exemption – Taxable.			
(5) Transport through national waterways -- Exempt	10	Exempt	Exempt
(6) Metro transport of passengers – Exempt	40	Exempt	Exempt
(7) Transport of passengers by stage carriage			
• In 60% cases i.e., ₹6 lakh, being provided in Non-AC stage carriage.	6	Exempt	Exempt
• In balance 40% cases i.e., ₹4 lakh, the service is liable to GST, being AC state carriage	4	5%	0.2
(8) Transport of passengers by Non-AC contract carriage for non tourist purpose -- Exempt	4	Exempt	Exempt
(9) Transport of passengers by AC contract carriage for non tourist – Not Exempt, as the transportation is by AC contract carriage	2	5%	0.1
(10) Transport of passengers by Non-AC contract carriage for tourist purposes – Not Exempt – Further transport of passengers includes transport of 'accompanied belongings'; hence, ₹50,000 towards charges for extra baggage of passengers is also includible.	5	5%	0.25
(11) Transport of passengers by ropeway – Not exempt	1	18%	0.18
(12) Transport of passengers in radio taxis – Liable to GST	3	5%	0.15
(13) Transport of passengers through metered cabs & e-rickshaws -- Exempt	8	Exempt	Exempt
<b>GST</b>			<b>18.16</b>

**Question No.17**

The Resident Welfare Association (RWA) of Blue Heaven Housing Society in Delhi provides the following information with respect to the various amounts received by it in the month of January 2019.

Sr. No.	Particulars	₹
1.	Monthly subscription collected from member families (₹8,500 each from 100 families)	8,50,000
2.	Electricity charges levied by State Electricity Board on the members of RWA [The same was collected from members and remitted to the Board on behalf of members.]	3,50,000
3.	Electricity charges levied by State Electricity Board on the RWA in respect of electricity consumed for common use of lifts and lights in common area. [Bill was raised in the name of RWA. RWA collected the said charges by apportioning them equally among 100 families and then, remitted the same to the Board.]	4,00,000
4.	Proceeds from sale of entry tickets to a cultural programme conducted by the RWA in the park of Blue Heaven Housing Society	40,000
5.	Proceeds from sale of space for advertisement in Members directory [from members ₹ 1,00,000 and from non-members ₹ 2,00,000]	3,00,000

Compute the value of taxable service of RWA of Blue Heaven Housing Society for the month of January, 2019.

**Solution:**

Sr. No.	Particulars	₹
1.	Monthly subscription collected from member families (₹8,500 each from 100 families) [Note 1]	8,50,000
2.	Electricity charges levied by State Electricity Board on the members of RWA [The same was collected from members and remitted to the Board on behalf of members.] [Note 2]	

3.	Electricity charges levied by State Electricity Board on the RWA in respect of electricity consumed for common use of lifts and lights in common area. [Bill was raised in the name of RWA. RWA collected the said charges by apportioning them equally among 100 families and then, remitted the same to the Board.] [Note 3]	4,00,000
4.	Proceeds from sale of entry tickets to a cultural programme conducted by the RWA in the park of Blue Heaven Housing Society [Note 4]	40,000
5.	Proceeds from sale of space for advertisement in Members directory [from members ₹ 1,00,000 and from non-members ₹ 2,00,000] [Note 4]	3,00,000
	Value of taxable service	15,90,000

**Notes:**

1. As per Exemption Notification 12/2017 Central Tax (Rate) there is an exemption upto ₹7,500 per month per member for sourcing of goods or services from a third person for the common use of its members in a housing society or a residential complex. In the above case the amount exceeds the prescribed limit. Hence, the same is liable to GST
2. This has been collected as a 'pure agent' basis as per the explanation provided in Rule 33 of CGST Rules. Hence, the same is not liable to GST
3. The same is not mentioned in Exemption notification 12/2017 Central Tax (Rate). It is also not collected as a 'pure agent' basis. Hence, the same is liable to GST
4. The same is not covered under exemption. Hence, liable to GST

**Question No.18**

Vimala Transports & Co., a partnership firm based at Chennai, is running a regular tourist bus service, carrying passengers and goods from Chennai to Bengaluru in Karnataka State and Trivandrum in Kerala State, with effect from 1st September, 2021.

The firm wants to know whether such inter-State movement of various modes of conveyance carrying goods or passengers or both, between distinct persons as specified in section 25(4) of the CGST Act [except in cases where such movement is for further supply of the same conveyance], is coming under IGST.

You are required to advise the firm suitably.

**Solution:****The legal provisions in GST laws are as under:**

- a) As per **section 24(1)(i)** of the CGST Act, persons making any inter-State taxable supply shall be required to be registered under this Act. [Persons making inter- State supplies of taxable services and having an aggregate turnover upto ₹ 20 lakh in a financial year have been exempted from obtaining compulsory registration under section 24(i) of the CGST Act
- b) As per **section 25(4)** of the said Act a person who has obtained or is required to obtain more than one registration, whether in one State or Union territory or more than one State or Union territory shall, in respect of each such registration, be treated as **distinct persons** for the purposes of this Act.
- c) **Schedule I** to the said Act specifies situations where activities are to be treated as supply even if made without consideration which also includes supply of goods or services or both between related persons or between distinct persons as specified in **section 25**, when made in the course or furtherance of business
- d) **Section 7(2) of the CGST Act** envisages that activities or transactions undertaken by the Central Government, a State Government or any local authority in which they are engaged as public authorities, as may be notified by the Government on the recommendations of the Council, shall be treated neither as a supply of goods nor a supply of services.

Against the above background, the issue of inter-state movement of goods like movement of

various modes of conveyance, between distinct persons as specified in **section 25(4)** of the said Act, not involving further supply of such conveyance, including trucks, buses, etc., (a) carrying goods or passengers or both; or (b) for repairs and maintenance, [except in cases where such movement is for further supply of the same conveyance] was discussed in GST Council's meeting held on 11<sup>th</sup> June, 2017 and the Council recommended **that such inter-state movement shall be treated 'neither as a supply of goods or supply of service' and therefore not be leviable to IGST.**

In view of the above, **the inter-state movement of goods like movement of various modes of conveyance, between distinct persons as specified in section 25(4) of the CGST Act including the bus services, may not be treated as supply and consequently IGST will not be payable on such supply.** [Circular No. 1/1/2017 IGST dated 07.07.2017

#### Question No.19

- a) Rudraksh Kapoor, owner of Rudra's Publishing House, Ghaziabad, U.P., donated some money to a Divyaprakash Charitable Trust in the memory of his late father. The Divyaprakash Charitable Trust constructed a room in the school run by it from such donation and wrote "Donated by Rudraksh Kapoor in the memory of his father" on the door of the room so constructed. Examine whether the money donated by Rudraksh Kapoor is leviable to GST.
- b) In the above question, if the Divyaprakash Charitable Trust had written on the door of the room constructed in the school run by it from the money donated by Rudraksh Kapoor "Donated by Rudraksh Publishing House, Ghaziabad, U.P.", would the given transaction/activity qualifies as supply.

**Solution:**

Circular No. 116/35/2019 GST dated 11.10.2019 has clarified that in case of donations received by a charitable institution, when the name of the donor is displayed in recipient institution's premises, in such a manner, which can be said to be an expression of gratitude and public recognition of donor's act of philanthropy and is not aimed at giving publicity to the donor in such manner that it would be an advertising or promotion of his business, then it can be said that there is no supply of service for a consideration (in the form of donation). Donations received by the charitable organisations are treated as consideration only if there exists, quid pro quo, i.e., there is an obligation on part of recipient of the donation or gift to do anything (supply a service).

**Thus, GST is not leviable where all the following three conditions are satisfied namely:**

- Gift or donation is made to a charitable organization
- Payment has the character of gift or donation
- Purpose is philanthropic (i.e., it leads to no commercial gain) and not advertisement.

In the backdrop of the above discussion, since in the given case, the way the name of Rudraksh Kapoor is displayed on the door of the room constructed in the school run by Divyaprakash Charitable Trust, it is only an expression of gratitude and public recognition of Rudraksh's act of philanthropy and is not aimed at advertising or promoting his business. There is no reference/mention of his publishing house which otherwise would have got advertised.

**Thus, the money donated by Rudraksh Kapoor is not a leviable to GST.**

In the given case, since the name of Rudraksh Publishing House has been displayed on the door of the room constructed in the school run by Divyaprakash Charitable Trust, it might be aimed at advertising or promoting his business. There is a direct mention of his publishing house which is being advertised.

**In such a case, it is a supply of service by Divyaprakash Charitable Trust for a consideration received in the form of donation.**

**Question No.20**

“Diligent Force” a professional training institute gets its training material of “Aptitude Quotient” printed from “Durga printing House” a printing press. The content of the material is provided by the Diligent Force who owns the usage rights of the same while the physical inputs including paper used for printing belong to the Durga Printing House.

Ascertain whether supply of training material by the Durga Printing House constitutes supply of goods or supply of services.

- Circular No. 11/11/2017 GST dated 20.10.2017 has clarified that supply of books printed with contents supplied by the recipient of such printed goods, is **composite supply** and the question, whether such supplies constitute supply of goods or services would be determined on the basis of what constitutes the principal supply.
- Principal supply has been defined in section 2(90) of the CGST Act as supply of goods or services which constitutes the predominant element of a composite supply and to which any other supply forming part of that composite supply is ancillary.
- In the case of printing of books where content is supplied by the publisher or the person who owns the usage rights to the intangible inputs while the physical inputs including paper used for printing belong to the printer, supply of printing [of the content supplied by the recipient of supply] is the principal supply and therefore, such supplies would constitute supply of service.

Thus, in view of the above-mentioned provisions, **the supply of training material by the Durga Printing House would constitute supply of services.**

**Question No.21**

AB Pvt. Ltd., Pune provides house-keeping services in Maharashtra. The company supplies its services exclusively through an e-commerce website owned and managed by Hi-Tech Indya Pvt. Ltd., Pune. The turnover of AB Pvt. Ltd. in the CY is ₹ 18 lakh. Advise AB Pvt. Ltd. as to whether they are required to obtain GST registration.

Will your advice be any different if AB Pvt. Ltd. sells readymade garments exclusively through the e-commerce website owned and managed by Hi-Tech Indya Pvt. Ltd.?

Hi-Tech Indya Pvt. Ltd. is an ECO as it is owning and managing a website for e-commerce.

AB Pvt Ltd, Pune is making intra-state supplies of house-keeping services and it is supplying exclusively through Hi-Tech Indya Pvt. Ltd (the ECO). In such a scenario, the ECO shall be deemed to be supplier of house-keeping services in view of Sec 9(5) of CGST Act.

**Thus, Hi-Tech Indya Pvt. Ltd (the ECO) shall be liable to take registration and pay GST.**

AB Pvt. Ltd., the real supplier of service, will not be liable to pay GST and to take any registration as ATO does not exceed threshold limit of ₹20 lakhs

**GST implications if AB Pvt Ltd is supplying goods through ECO:**

**Sec. 9(5)** which provides for deeming ECO as ‘supplier’ for purposes of GST, is **applicable only in respect of supply of notified services through ECO**. It is not applicable in case of supply of goods through ECO

In case AB Pvt. Ltd is supplying readymade garments / goods through ECO, then it will retain its status of ‘supplier’. Further, it shall be liable to take **compulsory registration in terms of Sec 24 of CGST Act.**

**Thus, in case AB Pvt Ltd. is supplying goods through ECO, it shall be liable to take compulsory registration irrespective of the fact its turnover is only ₹18 Lakhs which does not exceed threshold limit.**

**Question No.22**

Determine the person liable to pay GST and extent of GST payable in following cases (all sums are exclusive of GST and GST Rate is 18%) (unless otherwise specified, both service provider and service recipient are located in India) –

- 1) GIC Insurance Co. pays commission (excluding tax) ₹ 5 lakh to its agent. Agent has not provided any services and is eligible for small service provider exemption of upto ₹ 10 lakhs;
- 2) Services provided to an Individual by way of sponsorship of events: ₹ 1 lakh;
- 3) Services provided to a company by way of sponsorship of events: ₹ 2 lakh;
- 4) Services provided by a director of a company to the company: ₹ 4 lakh;
- 5) Support Services provided by Government to a business entity: ₹ 3 lakh;
- 6) Royalty paid by TMN Publications to Author (author is unregistered) ₹ 1 lakh.
- 7) Renting of immovable property services provided by Govt. to registered business entity: ₹ 10 lakh;
- 8) Manpower supply services by an Individual to business entity being a company: ₹ 2 lakh;
- 9) Security services by an LLP to registered business entity being a company: ₹ 1 lakh;
- 10) Security services by a company to business entity being a company: ₹ 1.5 lakh;
- 11) Works Contract services provided by an individual to business entity being a company: ₹ 4 lakh.
- 12) Services by an individual recovery agent to a Bank: ₹ 1 lakh.

**Solution:**

As per Section 9(3) and Notification issued thereunder –

Particulars	Value	Tax @ 18%	Payable by
1. Insurance Commission – Service recipient is GIC Insurance Co.	5,00,000	90,000	GIC Insurance Co.
2. Sponsorship services to Individual – RCM not applicable as recipient is not body corporate or firm	1,00,000	18,000	Service provider
3. Sponsorship service to company – Person liable to pay tax is recipient-company	2,00,000	36,000	Recipient-Co.
4. Services provided by Director – GST payable by company	4,00,000	72,000	Company
5. Support services by Government to Business entity – Person liable to pay tax is business entity	3,00,000	54,000	Business entity
6. Royalty paid by TMN Publications to Author	1,00,000	18,000	Publisher
7. Renting Services by Government – Person liable to pay GST is recipient, if the recipient is registered. Otherwise, GST is payable by Govt.	10,00,000	1,80,000	Business entity
8. Manpower supply services by an Individual to business entity being a company – Not covered under RCM	2,00,000	36,000	Individual service provider
9. Security services by an LLP to registered business entity being a company – Covered under RCM	1,00,000	18,000	Business entity
10. Security services provided by a company – Entire GST is payable by service provider – RCM applicable only when the supplier is other than body corporate	1,50,000	27,000	Service provider
11. Works contract services provided by an individual to business entity being a company – Not covered under RCM	4,00,000	72,000	Service provider

**Question No.23**

M/s Gyaan Publishing House, registered under GST in Delhi, is engaged in printing and selling of books as well as trading of stationary items. He has provided following information of a consignment which is to be supplied to Mumbai:

- I. Taxable value of supplies indicated on tax invoice: ₹35,000/-
- II. Value of exempted supplies: ₹8,000/-
- III. Value of goods to be sent to job worker (intra-state) on delivery challan: ₹15,000/-

Calculate the consignment value for the purpose of generating e-way bill for inter-State supply of goods. Assume the rate of tax on taxable goods to be 18%.

Solution:

'E-way Bill is mandatorily required if the consignment value exceeds ₹50,000. The consignment value of goods includes CGST, SGST / UTGST, IGST and cess charged, if any, in the document and excludes the value of exempt supply of goods where the invoice is issued in respect of both exempt and taxable supply of goods.

Accordingly, in the given case, the consignment value will be as follows:

	Particulars	Consignment Value (₹)	
(i)	Taxable value of supplies indicated on tax invoice	35,000	
	<b>Add</b> : GST @18%	6,300	41,300
(ii)	Value of exempt supplies [The same shall not be included]		—
(iii)	Value of goods to be sent job worker on delivery challan		15,000
	Consignment value for the purpose of generating E-way bill		<b>56,300</b>
Since the movement of goods is in relation to supply of goods and the consignment value exceeds ₹ 50,000, e-way bill is mandatorily required to be issued in the given case.			<b>E-way Bill required</b>

**Question No.24**

Happy company is a registered supplier of electric goods. It has three stores for electric goods in Jodhpur (Rajasthan) namely Ram Store, Shyam Store, Mohan store. It receives order for supply of electronic goods worth ₹1,40,000 (exclusive of GST @18%) from Kishan sons of Bhopal (Madhya Pradesh). Happy Company found that order worth ₹43,000 can be fulfilled from the Company's Ram Store, order worth ₹45,000 can be fulfilled from its Shyam Store and remaining goods worth ₹52,000 can be sent from its Mohan store. All three stores are instructed to issue separate invoices for the goods sent to Kishan sons. The goods are transported to Kishan sons in Bhopal, in a single conveyance owned by Shiv transporters. You are required to advise Happy Company with regard to issuance of E-way bills as per the provisions of the CGST Act, 2017.

Solution:

**In terms of Rule 138 of CGST Rules, 2017**, EWB is required to be generated for all transactions involving movement of goods (being a supply or not) in case consignment value exceeds ₹50,000. Every registered person causing movement of such goods shall generate EWB for the consignment.

The term '**consignment value of goods**' has been defined to mean value, determined in accordance with the **provisions of section 15 of the CGST Act, 2017**, declared in **an invoice, a bill of supply or a delivery challan**, as the case may be, issued in respect of the said consignment and also includes GST and cess charged, if any, in the document. Thus, for purposes of determination of EWB requirement,

- ❖ GST inclusive value shall be considered.
- ❖ Further, each invoice shall constitute an independent consignment in itself.

Considering the above stated legal provisions as to generation of EWB, the requirement of EWB generation in given situations has been discussed in table below:

<u>Consignment</u>	<u>Consignment Value (GST inclusive) (₹)</u>	<u>Place of business from where consignment is being dispatched</u>	<u>Requirement of EWB Generation</u>	<u>Remarks</u>
Consignment-1 (invoice-1)	50,740 (43,000 + GST@18%)	Jodhpur (Rajasthan)	<b>Yes</b>	EWB generation is mandatory as consignment value is exceeding ₹50,000.
Consignment-2 (invoice-2)	53,100 (45,000 + GST@18%)	Jodhpur (Rajasthan)	<b>Yes</b>	EWB generation is mandatory as consignment value is exceeding ₹50,000.
Consignment-3 (invoice-3)	61,360 (52,000 + GST@18%)	Jodhpur (Rajasthan)	<b>Yes</b>	EWB generation is mandatory as consignment value is exceeding ₹50,000.

#### Question No.25

Padmavati Traders, registered in Karnataka, is engaged in supply of taxable goods. Its turnover in the preceding financial year was ₹ 230 lakh and was furnishing its GST return on monthly basis.

In the beginning of April month in the current financial year, it sought advice from its tax consultant, Dua Consultants, whether it can furnish its GST returns on quarterly basis from now onwards. Dua Consultants advised Padmavati Traders that it cannot furnish its return on quarterly basis as the GST law does not provide for quarterly return under any circumstances. Discuss the technical veracity of the advice given by Dua Consultants.

**Solution:**

**No, the advice given by Dua Consultants is not valid in law.**

With effect from 01.01.2021, a quarterly return has been introduced under GST law, where the payment of tax is to be made on monthly basis. The scheme is known as **Quarterly Return Monthly Payment (QRMP) Scheme**.

The scheme has been introduced as a trade facilitation measure and in order to further ease the process of doing business. It is an **optional return filing scheme**, introduced for **small taxpayers** having **aggregate annual turnover (PAN base d) of upto ₹ 5 crore** in the **current and preceding financial year** to furnish their **Form GSTR -1 and Form GSTR-3B on a quarterly basis** while paying their tax on a monthly basis through a simple challan. Thus, the taxpayers need to file only **4 GSTR -3B returns** instead of 12 GSTR-3B returns in a year. Similarly, they would be required to file only **4 GSTR -1 returns** since Invoice Filing Facility (IFF) is provided under this scheme.

**Opting of QRMP scheme is GSTIN wise.** Distinct persons can avail QRMP scheme option for one or more GSTINs. It implies that some GSTINs for a PAN can opt for the QRMP scheme and remaining GSTINs may not opt for the said scheme.

Since the aggregate turnover of Padmavati Traders does not exceed ₹ 5 crores in the preceding financial year, it is **eligible for furnishing the return on quarterly** basis till the time

its turnover in the current financial year does not exceed ₹ 5 crore. In case its aggregate turnover crosses ₹ 5 crore during a quarter in the current financial year, it shall no longer be eligible for furnishing of return on quarterly basis from the first month of the succeeding quarter and needs to opt for furnishing of return on a monthly basis, electronically, on the common portal, from the first month of the quarter, succeeding the quarter during which its aggregate turnover exceeds ₹ 5 crore.

**Question No.26**

M/s ABC has a turnover of ₹ 5 Crores in a previous financial year. For April 2021, following are the scenarios:

	Case 1(₹)	Case 2(₹)
Export turnover	3 Crores	40 lac
Exempted turnover	2 Crores.	50 lac
Taxable turnover	40Lac	70 lac

Check Whether for December 2021, Rule 86B applies i.e. Restriction of 1% payment through cash ledger apply?

**Solution:**

Rule 86B applies, if taxable supplies in a month exceed ₹ 50 lakh. However taxable supplies do not include exempt supplies and zero-rated supplies. [Taxable supplies = total taxable supplies - (exempt supplies + zero rate supplies)].

As per Sec 2(47), Exempt supply = wholly exempt Supply + NIL rated supply + Supplies which are non-leviable to tax Hence,

In case 1, Taxable turnover is below 50 lacs for April 2021 month, Hence, Rule 86B Will not apply.

In case 2, Taxable turnover is more than 50 lacs for April 2021 month, Hence, Rule 86B Will apply.

**Question No.27**

Determine the amount to be paid through electronic cash ledger for M/s A Ltd. Assuming, it is not covered by exception to Rule 86B.

Export turnover of goods/services under Bond/Letter of undertaking during April, 2021	₹25,00,000
Export turnover of goods with payment of IGST	₹20,00,000
Supply of goods or services or both to SEZ unit or developer	₹10,00,000
Exempt Turnover during April, 2021	₹30,00,000
Supplies which are non-leviable to GST e.g. alcoholic liquor	₹15,00,000
Taxable turnover during April, 2021	₹1,00,00,000
Applicable tax rate	8%
Input tax credit after considering rule 36(4) & reversal in rule 42/43	₹20,00,000

As per Rule 86B,

- Rule 86B applies, if taxable supplies in a month exceed Rs 50 lakh. However taxable supplies do not include exempt supplies and zero-rated supplies. [Taxable supplies = total taxable supplies - (exempt supplies + zero rate supplies)].
- As per Sec 2(47), Exempt supply = wholly exempt Supply + NIL rated supply + Supplies which are non-leviable to tax utilization of e-credit ledger is restricted to maximum of 99% of output tax liability

Amount of tax on taxable Turnover	₹1,00,00,000 * 18%	₹18,00,000
utilization from e-credit ledger will be restricted to	[18L * 99%]	₹17,82,000
liability to be discharged using e-cash ledger	[18L * 1%]	₹18,000
The balance in e-credit ledger after utilization would be ₹2,18,000 [20L-17.82L]		



**Question No.28**

Apte & Apte Ltd. is located in India and holding 51% of shares of Wilson Ltd., a USA based company. Wilson Ltd. provides Business Auxiliary Services to Apte & Apte Ltd.

From the following details, determine the time of supply of Apte & Apte Ltd.:

Agreed consideration	US \$ 1,00,000
Date on which services are provided by Wilson Ltd.	16-12-2020
Date on which invoice is sent by Wilson Ltd.	19-12-2020
Date of debit in the books of account of Apte & Apte Ltd.	30-12-2020
Date on which payment is made by Apte & Apte Ltd.	23-03-2021

**Solution:**

Apte & Apte Ltd. of India and Wilson Ltd. of US are "associated enterprises" as per **Section 92A of Income Tax Act, 1961**, since Indian Company holds 51% shareholding of US based company.

As per Section 13(3) of CGST, Act, 2017, in case of supply by associated enterprises, where the supplier of service is located outside India, the time of supply shall be –

- the date of entry in the books of account of the recipient of supply; or
- the date of payment, whichever is earlier.

Therefore, the time of supply shall be 30-12-2020.

**Question No.29**

Neelkanth Pvt. Ltd., a registered supplier of goods and services at Kolkata has furnished the following information for the month of February:

S. No.	Particulars	Amount (₹)
(i)	Intra-State supply of taxable goods including ₹ 1,00,000 received as advance in January, the invoice for the entire sale value is issued on 15 <sup>th</sup> February	4,00,000
(ii)	Purchase of goods from a composition dealer, registered in Kolkata	5,50,000
(iii)	Services provided by way of labour contracts for repairing a single residential unit otherwise than as a part of residential complex (It is an intra-State transaction)	1,00,000
(iv)	Membership of a club availed for employees working in the factory (It is an intra-State transaction)	1,75,000
(v)	Goods transport services received from a GTA. GST is payable @12% (It is an inter-State transaction)	2,00,000
(vi)	Inter-State services provided by way of training in recreational activities relating to sports	10,000
(vii)	Inter-State security services provided to ABC higher secondary school for their annual day function organised in Fintex Auditorium outside the School campus	15,000
(viii)	Inputs to be received in 4 lots, out of which 2 <sup>nd</sup> lot was received during the month	40,000

The company has following ITCs with it at the beginning of the tax period:

Particulars	Amount (₹)
CGST	57,000
SGST	Nil
IGST	50,000

**Note:**

- Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively.
  - Both inward and outward supplies are exclusive of taxes, wherever applicable.
  - All the conditions necessary for availing the ITC have been fulfilled.
  - The turnover of Neelkanth Pvt. Ltd. was ₹ 2.5 crore in the previous financial year.
- Compute the minimum GST, payable in cash, by Neelkanth Pvt. Ltd. for the month of February. Make suitable assumptions as required.

**Solution:****Computation of GST payable on outward supplies**

S. No.	Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)	Total (₹)
(i)	Intra-State supply of goods for ₹ 4,00,000 [Note-1]	36,000	36,000	Nil	72,000
(ii)	Services rendered by way of labour contracts for repairing a single residential unit otherwise than as a part of residential complex [Note-2]	9,000	9,000	Nil	18,000
(iii)	Services provided by way of training in recreational activities relating to sports [Note-3]	Nil	Nil	1,800	1,800
(iv)	Inter-State security services provided to ABC higher secondary school for their annual day function to be held in Fintex Auditorium. [Note-4]	Nil	Nil	2,700	2,700
	<b>Total GST payable</b>	<b>45,000</b>	<b>45,000</b>	<b>4,500</b>	<b>94,500</b>

**Notes:**

- As per Notification No. 66/2017 CT dated 15.11.2017, a registered person (excluding composition supplier) has to pay GST on the outward supply of goods at the time of supply as specified in section 12(2)(a) of the CGST Act, 2017, i.e. date of issue of invoice or the last date on which invoice ought to have been issued in terms of section 31. Thus, liability to pay tax on the advance received in January will also arise in the month of February, when the invoice for the supply is issued.
- Services by way of pure labour contracts of construction, erection, commissioning, or installation of original works pertaining to a single residential unit otherwise than as a part of a residential complex are exempt vide Notification No. 12/2017 CT(R) dated 28.06.2017. Labour contracts for repairing are thus, taxable.
- Services by way of training or coaching in recreational activities relating to sports is exempt under GST vide Notification No. 12/2017 CT(R) dated 28.06.201, only if provided by charitable entities registered under section 12AA of the Income-tax Act. Thus, in the given case, said service is taxable.
- Security services provided to ABC higher secondary School for Annual Day function organised outside the school campus will be taxable as only the security services performed within the premises of the higher secondary school are exempt vide Notification No. 12/2017 CT(R) dated 28.06.2017.

**Computation of total ITC**

Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
Opening ITC	57,000	Nil	50,000
Add: Purchase of goods from a composition dealer [No tax is payable on the goods purchased under composition scheme]	Nil	Nil	Nil
<b>Add: Membership of a club [Blocked credit]</b>	Nil	Nil	Nil
Add: Goods transport services received from GTA [As per Notification No. 13/2017 CT(R) dated 28.06.2017,	Nil	Nil	24,000

GST is payable by the recipient on reverse charge basis on the receipt of services of transportation of goods by road from a goods transport agency (GTA), provided GST is not payable @ 12%. Since in the given case, services have been received from a GTA where GST is payable @ 12% and recipient is one of the specified recipients, reverse charge provisions will not be applicable. In this case, input tax credit is available for the services received from GTA.]			
Add: Inputs to be received in 4 lots, out of which 2 <sup>nd</sup> lot was received during the month [In case of goods received in lots, ITC can be taken only upon receipt of the last lot]	Nil	Nil	Nil
Total ITC	57,000	Nil	74,000

**Computation of minimum GST payable from electronic cash ledger**

Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)	Total (₹)
GST payable	45,000	45,000	4,500	94,500
Less: ITC [First ITC of IGST should be utilized in full - first against IGST liability and then against CGST and SGST liabilities in a manner to minimize cash outflow]	(24,500) IGST (3)	(45,000) IGST (2)	(4,500) IGST (1)	74,000
	(20,500) CGST			20,500
Minimum GST payable in cash	Nil	Nil	Nil	Nil

**Note:** Since sufficient balance of ITC of CGST is available for paying CGST liability and cross utilization of ITC of CGST and SGST is not allowed, ITC of IGST has first been used to pay SGST (after paying IGST liability) and then CGST to minimize cash outflow.

**Question No.30**

Rimjhim Sales, a registered supplier, receives 100 invoices (for inward supply of goods/services) involving GST of ₹ 10 lakh, from various suppliers during the month of January, 2022. Out of 100 invoices, details of 80 invoices involving GST of ₹ 6 lakh have been furnished by the suppliers in their respective GSTR-1s filed on the prescribed due date therefor and such details have also been duly communicated to the recipients of such invoices in Form GSTR-2B.

Compute the ITC that can be claimed by Rimjhim Sales in its GSTR-3B for the month of January, 2022 to be filed by 20th February assuming that GST of ₹ 10 lakh is otherwise eligible for ITC.

**Solution:**

ITC to be claimed by Rimjhim Sales in its GSTR-3B for the month of January to be filed by 20th February will be computed as under-

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

**Notes:**

- 100% ITC can be availed on invoices furnished by the suppliers in their GSTR-1.
- Input tax credit in respect of any supply of goods or services or both is available to a registered person only, inter alia, if the details of the invoice/debit note in respect of

said supply has been furnished by the supplier in the statement of outward supplies (GSTR-1) and such details have been communicated to the recipient of such invoice/debit note in the manner specified under section 37. Thus, in respect of 20 invoices not furnished in GSTR-1s, no ITC is available.

**Question No.31**

Examine whether the supplier of goods is liable to get registered in the following independent cases:

- i. Rudra Builders of Rohini, Delhi is exclusively engaged in intra-State taxable supply of building bricks. It's aggregate turnover in the current financial year is ₹ 23 lakh.
- ii. Heera of Himachal Pradesh is exclusively engaged in intra-State taxable supply of footwear. His turnover in the current financial year (FY) from Himachal Pradesh showroom is ₹ 32 lakh. He has another showroom in Nagaland with a turnover of ₹ 11 lakh in the current FY.

**Solution:**

As per section 22 of the CGST Act, 2017 read with Notification No. 10/2019 CT dated 07.03.2019, a supplier is liable to get registered in the State/Union territory from where he makes a taxable supply of goods and/or services, if his aggregate turnover in a financial year exceeds the threshold limit. The threshold limit for a person making exclusive intra-State taxable supplies of goods is as under: -

- a) ₹ 10 lakh for the Special Category States of Mizoram, Tripura, Manipur and Nagaland.
- b) ₹ 20 lakh for the States, namely, States of Arunachal Pradesh, Meghalaya, Puducherry, Sikkim, Telangana and Uttarakhand.
- c) ₹ 40 lakh for rest of India except persons engaged in making supplies of fly ash bricks/blocks, building bricks, bricks of fossil meals, earthen/roofing tiles, ice cream and other edible ice, whether or not containing cocoa, Pan masala and Tobacco and manufactured tobacco substitutes.

In the light of the afore-mentioned provisions, the answer to the independent cases is as under:

- i. The benefit of enhanced threshold limit of registration of ₹ 40 lakh is not applicable for Rudra Builders even though it is exclusively engaged in intra-State taxable supply of goods in Delhi as it is engaged in making supplies of building bricks. Thus, the applicable threshold limit for registration for Rudra Builders in the given case is ₹ 20 lakh. Thus, it is liable to get registered under GST as its turnover is more than the threshold limit.
- ii. Heera could have been eligible for enhanced threshold limit of turnover for registration, i.e. ₹ 40 lakh as he is exclusively engaged in intra-State supply of goods. However, since Heera is engaged in supplying footwear from a Special Category State i.e. Nagaland, the threshold limit gets reduced to ₹ 10 lakh. Thus, Heera is liable to get registered under GST as his turnover exceeds ₹ 10 lakh. Further, he is required to obtain registration in both Himachal Pradesh and Nagaland as he is making taxable supplies from both the States.

**Question No.32**

(a) Fashion Queen Ltd., registered under GST and dealing in baby products has an aggregate turnover of ₹ 40 crore in the preceding financial year. The tax consultant of Fashion Queen Ltd. advised it to issue e-invoices mandatorily. However, Fashion Queen Ltd. is of the view that since its aggregate turnover is less than the threshold limit applicable for e-invoicing, it is not required to issue e-invoices. You are required to comment upon the validity of the advice given by Tax consultant.

(b) Ministry of Communications and Information Technology, a Government Department registered under GST has an aggregate turnover of ₹ 52 crore in the preceding financial year. You are required to comment whether Ministry of Communications and Information Technology is required to issue e-invoices in the current financial year?

**Solution:**

- a) With effect from 01.10.2022, e-invoicing has been made mandatory for all registered businesses (except specified class of persons) with an aggregate turnover in any preceding financial year from 2017-18 onwards greater than ₹ 10 crore, in respect of B2B supplies (supply of goods or services or both to a registered person) or for exports. Thus, the advice given by tax consultant of Fashion Queen Ltd. for issuance of e-invoices mandatorily in the current financial year is valid in law as the aggregate turnover of Fashion Queen Ltd. has exceeded the threshold limit i.e. ₹ 10 crore in the preceding financial year.
- b) Following entities are exempt from the mandatory requirement of e-invoicing: **(BIGGEST)**
- Special Economic Zone units
  - Insurer or banking company or financial institution including NBFC
  - GTA supplying services in relation to transportation of goods by road in a goods carriage
  - Supplier of passenger transportation service
  - Person supplying services by way of admission to exhibition of cinematograph films in multiplex screens
  - Government Department and a local authority

Thus, above mentioned entities are not required to issue e-invoices even if their turnover exceeds ₹ 10 crore in the preceding financial year from 2017-18 onwards.

Thus, Ministry of Communications and Information Technology, being a Government Department is not required to issue e-invoices in the current financial year even if its aggregate turnover has exceeded ₹ 10 crore.

**Question No.33**

Sundar is HRD head of Infosys. For the year ending March 31, 2019, CTC of Sundar (as per employment agreement) is as follows –

	₹
Salary (₹2,00,000 per month)	24,00,000
Residential accommodation (cost to company: ₹6,00,000)	6,00,000
Conveyance facility (reimbursement up to ₹25,000 per month)	3,00,000
Cost to company (CTC)	33,00,000

On January 1, 2019, Infosys gifts a new car to Sundar (worth ₹12 Lakhs). Gift of car is not covered by CTC as well employment agreement.

Sundar owns a commercial flat. He has given on rent to Infosys (monthly rent being ₹3,00,000). Discuss whether GST is applicable. Determine the amount of GST liability (assume that GST rate is 28% for car and 18% for others) –

- Rent received on account of renting of commercial flat by Sundar to Infosys
- Salary received
- Residential accommodation, conveyance facility provided by Infosys to Sundar Gift of car by Infosys to Sundar

**Solution:****Taxability in hands of Sundar**

- Taxability of rent received:** Transaction of renting services by Sundar to Infosys falls within the scope of supply, renting being a commercial activity undertaken by Sundar (Sec 7(1)(a) of CGST Act). Thus, it will attract any GST liability\*. GST@18% is payable.
- Taxability of Salary received:** Supply of employment services by Sundar to Infosys is out of scope of supply (Sec 7(2) of CGST Act read with Schedule III of CGST Act). Thus, it will not attract any GST liability. (Sundar has received his remuneration/salary in cash as well as in kind/facilities – none of this will attract GST in hands of employee)

\*Presumed that Sundar is not opting for benefit of threshold benefit as available u/Sec 22 of CGST Act.

**Taxability in hands of Infosys**

3. **Taxability of supply of residential accommodation:** As per Press Release, supply of service of residential accommodation to the employee shall not be treated as supply by employer, rather it shall be treated as payment of remuneration from employer. Provisioning of residential accommodation to employee as a part of employment contract shall not be treated as 'gift' by employer to employee. Thus, it will not attract any GST liability.

**Taxability of supply of conveyance facility:** For same reasoning as discussed above, provisioning of conveyance facility to employee as a part of employment contract shall not be treated as 'gift' by employer to employee. Rather it is payment of remuneration for employment services provided by Sundar. Thus, it will not attract any GST liability.

4. **Taxability of gift of car:** Gift of car is not covered by employment contract. Though Infosys has not charged anything from Sundar, but still transaction will fall within the scope of supply as it being related party transaction (Sec 7(1)(c) read with Schedule I). Further, the value of car being in excess of ₹50,000, such gift will attract GST @28% on full value of car (GST Cess payable additionally)

**Question No.34**

Shivaji Pvt. Ltd., a registered supplier, supplies the following goods and services for construction of buildings and complexes -

- excavators for required period at a per hour rate
- manpower for operation of the excavators at a per day rate
- soil-testing and seismic evaluation at a per sample rate.

The excavators are invariably hired out along with operators. Similarly, excavator operators are supplied only when the excavator is hired out.

For a given month, the receipts (exclusive of GST) of Shivaji Pvt. Ltd. are as follows:

- Hire charges for excavators - ₹ 18,00,000
- Service charges for supply of manpower for operation of the excavator - ₹ 20,000
- Service charges for soil testing and seismic evaluation at three sites - ₹ 2,50,000

Compute the GST payable by Shivaji Pvt. Ltd. for the given month. Assume the rates of GST to be as under:

Hiring out of excavators – 12%

Supply of manpower services and soil-testing and seismic evaluation services – 18%.

Solution:

Particulars	Value received (₹)	Rate of GST	GST payable (₹)
Hiring charges for excavators	18,00,000	12%	2,16,000
Service charges for supply of manpower for operation of excavators [Refer Note 1]	20,000	12%	2,400
Service charges for soil testing and seismic evaluation [Refer Note 2]	2,50,000	18%	45,000
<b>GST liability</b>			<b>2,63,400</b>

Notes:

- 1) Since the excavators are invariably hired out along with operators and excavator operators are supplied only when the excavator is hired out, it is a case of composite supply under section 2(30) wherein the principal supply is the hiring out of the excavator.
- 2) As per section 8(a), the composite supply is treated as the supply of the principal supply. Therefore, the supply of manpower for operation of the excavators will also be taxed at the

rate applicable for hiring out of the excavator (principal supply), which is 12%. Soil testing and seismic evaluation services being independent of the hiring out of excavator will be taxed at the rate applicable to them, which is 18%.

**Question No.35**

Andes Pvt. Ltd., a registered supplier, manufactures product 'A' and 'B'. While 'A' is taxable under forward charge, 'B' is taxable under reverse charge. The following details are provided in relation to two individual supplies of products 'A' and 'B' made by the company:

S. No.	Date	Event
(i)	10 <sup>th</sup> February	Payment of ₹ 1,00,000 made by buyer for supply of 'A' to be delivered in the month of March
(ii)	13 <sup>th</sup> February	Receipt of ₹ 1,00,000 [as mentioned in point (i) above]
(iii)	17 <sup>th</sup> February	Payment of ₹ 2,00,000 made by buyer for supply of 'B' to be delivered in the month of March
(iv)	20 <sup>th</sup> February	Receipt of ₹ 2,00,000 [as mentioned in point (iii) above]
(v)	5 <sup>th</sup> March	Product 'A' manufactured and removed
(vi)	6 <sup>th</sup> March	Receipt of product 'A' [as mentioned in point (v) above] by the buyer
(vii)	10 <sup>th</sup> March	Product 'B' manufactured and removed
(viii)	23 <sup>rd</sup> March	Receipt of product 'B' [as mentioned in point (vii) above] by the buyer
(ix)	4 <sup>th</sup> March	Invoice for ₹ 2,00,000 issued for supply of 'A'
(x)	11 <sup>th</sup> March	Invoice for ₹ 4,00,000 issued for supply of 'B'
(xi)	25 <sup>th</sup> March	Payment made by the buyer of 'A'
(xii)	31 <sup>st</sup> March	Payment [as mentioned in point (xi) above] received
(xiii)	1 <sup>st</sup> April	Payment made by the buyer of 'B'
(xiv)	4 <sup>th</sup> April	Payment [as mentioned in point (xiii) above] received

Determine the time of supplies of goods for the purpose of payment of tax

**Solution:**

In terms of section 12(2), the time of supply of goods is the earlier of, the date of issue of invoice/last date on which the invoice is required to be issued or date of receipt of payment.

However, Notification No. 66/2017 CT dated 15.11.2017 specifies that a registered person (excluding composition supplier) has to pay GST on the outward supply of goods at the time of supply as specified in section 12(2)(a), i.e. date of issue of invoice or the last date on which invoice ought to have been issued in terms of section 31.

Also, it is important to note that the relief of not paying GST at the time of receipt of advance is available only in case of supply of goods, the tax on which is payable under forward charge. In case of reverse charge, GST is payable at the time of payment, if payment is recorded/made before receipt of goods (advance payment) [Section 12(3)]. Therefore, time of supply of product 'A', which is taxable under forward charge, is 4<sup>th</sup> March being the date of issue of invoice. However, time of supply of product 'B', which is taxable under reverse charge, is 17<sup>th</sup> February to the extent of ₹ 2,00,000 paid as advance being the earliest of the three stipulated dates namely, date of receipt of goods (23<sup>rd</sup> March), date of payment (17<sup>th</sup> February) and date immediately following 30 days of issuance of invoice (11<sup>th</sup> April).

For balance ₹ 2,00,000, the time of supply of product 'B' is 23rd March being the earliest of the three stipulated dates namely, date of receipt of goods (23rd March), date of payment (1st April) and date immediately following 30 days of issuance of invoice (11th April).

**Question No.36**

Renduhoot Ltd. enters into a contract with XYZ Ltd. on 2nd July 2019 for a period of 2 years for construction of a new building - to be used for commercial purposes - for a total consideration of ₹ 150 lakh. As per the terms of contract, Renduhoot Ltd. is required to make payment at different stages of completion of the building namely, 50%, 75% and 100%. Determine the time of supply using relevant details given as under:

Stage	Date of various stages	Date of issuance of invoice	Date of payment	Amount paid (₹)
Initial booking	02.07.2019	02.07.2019	02.07.2019	15 lakh
50% completion of building	15.03.2020	22.03.2020	29.03.2020	60 lakh
75% completion of building	20.06.2020	24.07.2020	23.07.2020	35 lakh
100% completion of building	30.09.2020	30.09.2020	20.09.2020	40 lakh

**Solution:**

As per section 13, the time of supply of services is the earlier of the dates arrived at by methods (A) and (B), as follows:

- Date of invoice or date of receipt of payment (to the extent the invoice or payment covers the supply of services), whichever is earlier, if the invoice is issued within the time prescribed under section 31;
- Date of provision of service or date of receipt of payment (to the extent the payment covers the supply of services), whichever is earlier, if the invoice is not issued within the time prescribed under section 31

Since in the present case, the construction services are provided under a contract for a period exceeding three months with periodic payment obligations, such services would fall within the ambit of term "continuous supply of services" as defined under section 2(33).

As per section 31(5), in case of continuous supply of services, the invoice should be issued either (i) on/ before the due date of payment or (ii) before/ at the time when the supplier of service receives the payment, if the due date of payment is not known (iii) on/ before the date of completion of the milestone event when the payment is linked to completion of an event [Section 31(5)].

Accordingly, the time of supply with respect to each of the stages of completion is as follows:

Stages of completion	Time of supply
Initial booking	Since invoice is issued within the prescribed time limit, earlier of the date of issue of invoice or date of receipt of payment is the time of supply. However, date of issuance of invoice (02.07.2019) and date of receipt of payment (02.07.2019) are the same. Therefore, time of supply is 02.07.2019.
50%	Since invoice has not been issued on or before the date of 50% completion, earlier of date of provision of service (15.03.2020) or date of receipt of payment (29.03.2020), i.e. 15.03.2020 is the time of supply.
75%	Since invoice has not been issued on or before the date of 75% completion,



	earlier of date of provision of service (20.06.2020) or date of receipt of payment (23.07.2020), i.e. 20.06.2020 is the time of supply.
100%	Since invoice is issued within the prescribed time limit, earlier of the date of issue of invoice (30.09.2020) or date of receipt of payment (20.09.2020), i.e., 20.09.2020 is the time of supply.

**Question No.37**

The following information is noted from the records of X (a technical consultant located in Mumbai) and Y (a software developer located in Pune)—

	X	Y
Date of commencement of technical consultancy operation by X and software development activity by Y	July 25, 2017	April 1, 2019
	₹ in lakh	₹ in lakh
Turnover of the financial year 2018-19	43	Nil
Invoices issued by X and Y on or after April 1, 2019 –		
- Invoice No. 1/2019 on April 6, 2019	3	3
- Invoice No. 2/2019 on May 20, 2019	17	17
- Invoice No. 3/2019 on June 12, 2019	18	18
- Invoice No. 4/2019 on August 5, 2019	12	12
- Invoice No. 5/2019 on September 28, 2019	20	20
- Invoice No. 6/2019 on September 30, 2019	56	56

X got GST registration on July 1, 2017. Y is not registered in GST on April 1, 2019. He applies for registration by uploading the relevant form on May 20, 2019 (registration is granted on May 23, 2019).

With effect from April 1, 2019, X and Y want to avail the benefit of Special Scheme notified under Sec. 10(2A). Discuss the tax consequences for the half year ending September 30, 2019. The above figures are exclusive of GST. Normal GST rate is 18%.

Assume that X and Y provide technical consultancy service/software development service only in the state of Maharashtra.

**Solution:**

Person	X (technical consultant)		
Status as on 1st April, 2019 (FY 2019-20)	GST Registered supplier		
Eligibility for presumptive levy scheme / service Composition scheme	Eligible	(as PY 2018-19 aggregate turnover is 43 lakhs, i.e., not exceeding the specified threshold limit of 50 lakhs)	
Tax liability in terms of Sec. 10(2A)			Cumulative Aggregate Turnover
Invoice No. 1/2019 on April 6, 2019	18,000 (3,00,000 * 6%)	Covered within Sec. 10(2A)	3,00,000
Invoice No. 2/2019 on	1,02,000	Covered within Sec.	20,00,000

May 20, 2019	(17,00,000 * 6%)	10(2A)	
Invoice No. 3/2019 on June 12, 2019	1,08,000 (18,00,000 * 6%)	Covered within Sec. 10(2A)	38,00,000
Invoice No. 4/2019 on August 5, 2019	72,000 (12,00,000 * 6%)	Covered within Sec. 10(2A)	50,00,000
Invoice No. 5/2019 on September 28, 2019	3,60,000 (20,00,000 * 18%)	Not Covered within Sec. 10(2A) as limit of 50,00,000 is over	70,00,000
Invoice No. 6/2019 on September 30, 2019	10,08,000 (56,00,000 * 18%)	Not Covered within Sec. 10(2A) as limit of 50,00,000 is already over	1,26,00,000

**Tax liability of Y-supplier becoming liable for registration in Fy 2018-19 and directly opting for new composition scheme as notified by N/N 2/2019-CT**

Person	Y (software developer)		
Status as on 1st April, 2019 (FY 2019-20)	GST unregistered supplier		
Eligibility for presumptive levy scheme / service composition scheme	Eligible	(as PY 2018-19 aggregate turnover is 0, i.e., not exceeding the specified threshold limit of 50 lakhs)	
Tax liability in terms of Sec. 10(2A)			Cumulative Aggregate Turnover
Invoice No. 1/2019 on April 6, 2019	0 liability	Not required to take registration as per provisions of Sec 22 and hence, not liable to pay any GST	3,00,000
Invoice No. 2/2019 on May 20, 2019	0 liability	Not required to take registration as per provisions of Sec 22 and hence, not liable to pay any GST	20,00,000
Invoice No. 3/2019 on June 12, 2019	1,08,000 (18,00,000 * 6%)	Becomes liable for registration as per provisions of Sec 22. Supplies now onwards shall be considered as turnover in a state/UT on which GST@6% can be paid in terms of Sec. 10(2A)	38,00,000
Invoice No. 4/2019 on August 5, 2019	72,000 (12,00,000 * 6%)	Covered within N/N 2/2019	50,00,000
Invoice No. 5/2019 on September 28, 2019	3,60,000 (20,00,000 * 18%)	Not Covered within Sec. 10(2A) as limit of 50,00,000 is already over	70,00,000
Invoice No. 6/2019 on September 30, 2019	10,08,000 (56,00,000 * 18%)	Not Covered within Sec. 10(2A) as limit of 50,00,000 is already over	1,26,00,000

**Working Notes:**

As per Sec. 10(2A) if registered person is eligible to take the benefit of this composition scheme, he shall pay GST @6% (3% CGST and 3% SGST) on "turnover in a state/UT" upto ₹50 lakhs. The expression "turnover in a state/UT" provides that for the purpose of determination of tax payable, the supplies from the first day of April of a financial year to the date from which he becomes liable for registration under the Act shall not be included and further composition scheme under sec. 10(2A) is not applicable as and when the aggregate turnover in a financial year exceeds ₹50,00,000. While determining aggregate turnover, supplies from first April of a financial year till the date such person is liable to get registered should be included.

**Question No.38**

Miss Nitya has following balances in her Electronic Cash Ledger as on 28<sup>th</sup> February as per GST portal.

Major Heads	Minor Heads	Amount (₹)
CGST	Tax	40,000
	Interest	1,000
	Penalty	800
SGST	Tax	80,000
	Interest	400
	Penalty	1,200
	Fee	2,000

IGST	Tax	45,000
	Interest	200
	Penalty	Nil

Her tax liability for the month of February for CGST and SGST was ₹ 75,000 each. She failed to pay the tax and contacted you as legal advisor on 12<sup>th</sup> April to advise her as to how much amount of tax or interest she is required to pay, if any, by utilizing the available balance to the maximum extent possible as per GST Laws. She wants to pay the tax on 20<sup>th</sup> April  
Other information:

- Date of collection of GST was 18<sup>th</sup> February.
- No other transaction after this up to 20<sup>th</sup> April.
- Ignore penalty and late fee for this transaction.
- No other balance is available.

You are required to advise her with reference to legal provisions with brief notes on the legal provisions applicable.

**Solution:**

Due date for payment of tax collected on 18<sup>th</sup> February is 20<sup>th</sup> March. Interest @ 18% p.a. is payable for the period for which the tax remains unpaid in terms of section 50 of CGST Act, 2017. In the given case, since Miss Nitya wants to pay the tax on 20<sup>th</sup> April, interest payable on the amount of CGST and SGST each is as follows:

$$₹ 75,000 \times 18\% \times 31/365 = ₹ 1,147 \text{ (rounded off)}$$

As per Section 49(10) of the CGST Act, 2017, any amount of tax, interest, penalty, fee or any other amount available in the electronic cash ledger under the CGST Act, 2017 can be transferred to the electronic cash ledger for integrated tax, central tax, State tax, Union territory tax or cess, in such form and manner and subject to such conditions and restrictions as may be prescribed. Thus, amount entered under any Minor head (Tax, Interest, Penalty,

etc.) and Major Head (CGST, IGST, SGST/UTGST) of the Electronic Cash Ledger can be transferred to any other major or minor head. Consequently, cross-utilization among Major and Minor heads is also possible.

Thus, Miss Nitya is liable to pay the following amount of tax and interest as under:

	CGST		SGST	
	Tax	Interest	Tax	Interest
Tax Liability	75,000	1,147	75,000	1,147
Balances in Electronic cash ledger in same major/minor head	40,000	1,000	80,000	400
Balance transferred from other major/minor head	35,000 (Note 1)	147 (Note 2)	Nil	747 (Note 3)
Amount payable in cash	Nil	Nil	Nil	Nil

Note 1 – ₹ 35,000 shortfall amount has been transferred from cash ledger balance available in Major Head IGST.

Note 2 – ₹ 147 shortfall amount has been transferred from cash ledger balance in minor head penalty of major head CGST.

Note 3 – ₹ 747 shortfall amount has been transferred from cash ledger balance in minor head tax of major head SGST.

Since there is no restriction in intra-head or inter-head transfer of available balance in cash ledger as per the relevant provisions, it is upon the taxpayer to decide from which account the shortfall has to be made good.

#### Question No.39

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

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

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

**Solution:**

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

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

**Notes to above:**

- Potato Chips are not agricultural produce and warehousing of the same is not covered under exemptions under Notification No. 12/2017.
- Interest on loans (or) advances (or) deposits is covered under exemptions.
- Services provided by Foreign diplomatic mission located in India is exempted. However, Services provided to such foreign diplomatic mission is not exempted.
- Recovery agent services provided to banking company or financial institution or NBFC is covered under reverse charge mechanism as per Sec. 9(3) read with Notification No. 13/2017. In the present case, the said service is taxable in the hands of ABC Finance Ltd. NBFC under RCM.
- Security services provided by a person other than body corporate to a registered person not opting for composition scheme (or) not registered only to deduct TDS under Sec. 51 is covered under RCM as per Sec. 9(3) read with Notification No. 13/2017. In the present case, supplier is a proprietary firm (other than Body Corporate) and recipient is registered. Therefore, GST is payable by XYZ Ltd. under RCM.
- Services provided by an educational institution to its students, faculty and staff is exempted. In the present case, entire receipts including by way of residential accommodation is exempted.
- In case of renting of motor vehicle by a person other than body corporate to body corporate, where the rate of GST charged is 5%, is taxable under RCM as per Sec. 9(3) read with Notification No. 13/2017. In the present case, supplier is proprietary firm (Other than body corporate) and recipient is body corporate and the applicable rate of GST is 5%. Therefore, GST payable by NPS Ltd. under RCM.

8. "Advancement of Yoga" is covered under charitable activities and amount collected by the charitable trust is not chargeable to GST and accordingly it is irrelevant for ITC computation.

**Question No.40**

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

- (i) ABC Ltd., a registered bank, recovered cheque discounting charges of ₹ 5,250 from a customer C & Co.
- (ii) T Ltd., A dealer in air conditioners, supplies each unit at a list price of ₹ 30,000 per unit. He also has an EMI scheme where the customer can take delivery of air conditioner on a monthly EMI of ₹ 10,500 payable in three installments. T Ltd. Charges ₹ 600 extra for any delay in payment of monthly installments and this amount was recovered from customer Venkat for delay in payment of his 2nd installment.

**Solution:**

- (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 taxable as the same is not discount but charges for discounting.
- (ii) As per CBIC circular, penal interest collected for delay in receipt of installment in case of hire purchase transaction (2 parties are involved i.e., Hire vendor and Hire purchaser) is chargeable to GST as the interest involved in hire purchase is chargeable to GST by way of including it in the value of supply in terms of Sec. 15(2)(d) of CGST Act.

**Question No.41**

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

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

Assume rates of GST as under:

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

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

**Solution:**

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

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

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

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

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

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

- If due date of installment is ascertainable from the contract, then due date of invoice is the due date of installment
- If due date of installment is linked to completion of an event, then due date of invoice is the date of completion of such event
- In any other case, due date of invoice is the date on which payment is received.

As due date is not ascertainable from contract, and there is no information regarding payment received in Feb 2022, time of supply do not fall in Feb, 2022 and consequently, no GST payable for the months.

**Question No.42**

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

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

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

**Solution:**

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

Particulars	CGST ₹	SGST ₹
Output tax payable	1,80,000	1,80,000
Less: Input tax credit Utilised	(70,000)	(70,000)
Net tax payable under FCM	1,10,000	1,10,000

Add: RCM liability	40,000	40,000
Total Net Tax payable through Electronic Cash Ledger	1,50,000	1,50,000

Due date of filing GSTR – 3B for Jan 2021 is 20<sup>th</sup> Feb 2021

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

Period of delay = 50 days

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

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

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

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

Due date of filing GSTR – 3B for Jan 2021 is 20<sup>th</sup> Feb 2021

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

Period of delay = 50 days

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

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

**Notes:**

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

**Question No.43**

Mr. X, a registered person in Mumbai has made outward supplies of taxable goods as under: Mr. X has become liable for registration on 1<sup>st</sup> October, 2021. He was granted registration on 1<sup>st</sup> January, 2022.

I. Supplies made from 1<sup>st</sup> April, 2021 to 30<sup>th</sup> September, 2021 = ₹ 12,00,000

II. Supplies made from 1<sup>st</sup> October, to 31<sup>st</sup> December, 2021 = ₹ 8,00,000

III. Supplies made from 1<sup>st</sup> January, 2022 to 31<sup>st</sup> January, 2022 = ₹ 2,00,000

The first return furnished by Mr. X is for the month of January, 2022. What is the taxable turnover to be declared in the return filed for January, 2022?

As per Section 40 of the CGST Act, 2017 every registered person who has made outward supplies in the period between the date on which he become liable to registration till the date on which registration has been granted shall declare the same in the first return furnished by him after grant of registration.

Hence taxable turnover to be declared by Mr. X for January 2022 is (₹ 8,00,000 + ₹ 2,00,000) = ₹ 10,00,000.



**Question No.44**

Determine the effective date of registration in following cases:

- a) The aggregate turnover of Dhampur Industries of Delhi has exceeded ₹20 lakh on 1st September. It submits the application for registration on 20<sup>th</sup> September. Registration certificate is granted to it on 22<sup>nd</sup> September.
- b) Mehta Teleservices is an internet service provider in Lucknow. Its aggregate turnover exceeds ₹20 lakh on 25th October. It submits the application for registration on 27<sup>th</sup> November. Registration certificate is granted to it on 2<sup>nd</sup> December.

(a) Every supplier becomes liable to registration if his turnover exceeds ₹20 lakh [in a State/UT other than Special Category States, including state of J&K] in a financial year [Section 22]. Since in the given case, the turnover of Dhampur Industries exceeded ₹20 lakh on 1st September, it becomes liable to registration on said date.

Further, since the application for registration has been submitted within 30 days from such date, the registration shall be effective from the date on which the person becomes liable to registration [Section 25 read with Rule 10 of CGST Rules, 2017]. Therefore, the effective date of registration is 1st September.

(b) Since in the given case, the turnover of Mehta Teleservices exceeds ₹20 lakh on 25th October, it becomes liable to registration on said date. Further, since the application for registration has been submitted after 30 days from the date such person becomes liable to registration, the registration shall be effective from the date of grant of registration.

Therefore, the effective date of registration is 2nd December. (Rule 10 of CGST Rules)

**Question No.45**

Mr. Rajbeer is the business of trading of goods relating to interior decoration under the firm name M/s. Rajbeer & Sons. He has opted for composition scheme for the Financial Year (FY) 2018-19.

His turnover for FY 2019-20 is ₹ 80 lakh and is expected to achieve ₹ 130 lakh in FY 2020-21. Discuss whether M/s Rajbeer & Sons can still enjoy the benefits of composition scheme in FY 2020-21.

His son Karan wants to start business of providing services relating to interior decoration, after completing post-graduation course in interior decoration under same firm name M/s Rajbeer & Sons with effect from 01.04.2020 and wants to enjoy the benefits of composition scheme under GST.

Advise Mr. Rajbeer and his son Karan.

**Solution:**

As per section 10(1) of the CGST Act, 2017, a registered person, whose aggregate turnover in the preceding financial year did not exceed ₹ 1.5 crore in a State/UT may opt for composition scheme, provided he is, inter alia, engaged in supply of goods and/or restaurant service. However, a person who opts for composition scheme is permitted to supply services other than restaurant service of value not exceeding 10% of turnover in a State/UT in the preceding financial year or ₹ 5 lakh, whichever is higher.

In the given case, M/s. Rajbeer & Sons, engaged in business of selling goods relating to interior decoration, is eligible for composition scheme in FY 2020-21 since its aggregate turnover in preceding FY (viz. ₹ 80 lakh) does not exceed ₹ 1.5 crore.

If Karan wishes to start the business of providing services relating to interior decoration under the same firm name M/s Rajbeer & Sons, the sole proprietorship needs to be first converted into a partnership firm. Further, new GST registration under the new PAN is required to be

**obtained.** In such a case, the firm can provide services relating to interior decoration up to a value of ₹ 5 lakh (10% of aggregate turnover of last year or ₹ 5 lakh, whichever is higher) to continue enjoying the benefit of composition scheme in FY 2019-20

**Note:** There is no turnover for the firm, during the previous year as the business during the previous year was sole proprietorship.

#### Question No.46

Hot Breads Pvt. Ltd is the supplier of bakery products registered in the current financial year (2020-21) w.e.f. 1st Oct 2020. In the Month of Oct 2020 total taxable supplies ₹88 lakhs.

Answer the following:

- (a) Is Company eligible for Composition Scheme?
- (b) If so company wants to pay tax @ 1% being a trader. However, the Deputy Commissioner of Central Tax contended that the assessee is liable to pay tax @ 5% under the Food and Restaurant Services category? Advise.

(a) Hot Breads Pvt. Ltd. is eligible for composition levy in the current year, as aggregate turnover during the previous year has not exceeded ₹150 lakhs (Business commenced during the current year)

(b) The supply of food and restaurant services category is the only service included under the composition scheme. For a business to be categorised as food and restaurant services, there needs to be an **element of service involved**.

In the given case, supply of bakery products, there is only a supply of goods i.e. food items but there is no element of supply of service\*. Hence supply of bakery products is eligible to pay GST @1%, under the Traders category and not Food and Restaurant Services category.

Therefore, department's contention is not correct.  
\*However, if there is facility to sit in the bakery where the food items are being served, then it falls under supply of service in the category of restaurant. Benefit under Sec. 10(2A) is not applicable as aggregate turnover during previous year exceeds ₹50 lakhs.

#### Question No.47

Examine by giving reasons in brief in the context of provisions contained under the CGST Act, 2017 as to taxability or otherwise of the following independent supply of services:

- I. Tejas & Co of Delhi a tour operator provided services to Robert, a foreign tourist resident of UK for his tour conducted in Rajasthan and Agra for a sum of ₹ 2,50,000 and of Jammu Kashmir for a sum of ₹ 1,00,000 and received the total amount of ₹ 3,50,000.
- II. Ms. Purnima acts as a Team Manager for Indian Sports League (ISL) a recognized sports body. She was contracted by a Multi Brand Retail Company to act as Manager for a Tennis tournament organized by them and was paid an amount of ₹ 5,00,000.

- I. Services provided by a tour operator to a foreign tourist in relation to a tour conducted wholly outside India are exempt vide Entry 54 of Notification No. 2/ 2017-IT (Rate). In this case tour is conducted in Rajasthan, Agra and Jammu Kashmir. IGST Act applies to whole of India including Jammu & Kashmir, hence exemption will not operate and Tejas and Co. of Delhi will be liable to pay GST and tax be payable on the entire amount of ₹ 3,50,000.
- II. Services provided to a recognized sports body 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 vide Entry 68 of Notification No. 2/2017-IT (Rate). Since Multi Brand Retail Company is not a recognized sports body hence exemption will not be available. Thus, the services provided by Ms. Purnima will be liable to GST and tax be payable on amount of ₹ 5,00,000.

**Question No.48**

Brahmi Foundation, Noida is registered as a trust under section 12AA of the Income-tax Act, 1961. With effect from 01.08.2021, it intends to offer its guest houses to the pilgrims visiting the Noida shrine at ₹ 900 per day and their marriage hall at ₹ 12,000 per day. They want to know whether these will attract GST liability. Advise them suitably.

Entry 13 of notification number 12/2017 provide that service of renting of premises by an entity registered as charitable trust or religious trust u/s 12 AA of the income tax 1961 is exempt from GST if

- I. Rent of rooms are less than ₹ 1,000 per day
- II. Rent of premises, community hall, kalyan mandapam or open area the like are less than ₹ 10,000 per day.

As in the given case Brahmi Foundation, Noida, offer guest houses to the pilgrims visiting the Noida shine at ₹ 900 per day, so it is from the GST. However, as marriage halls are rented at ₹ 12000 per day.

Hence GST will be payable on it.

To avoid GST Brahmi foundation is advised to renting of marriage hall at less than ₹ 10,000 per day.

**Question No.49**

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

- 1) Government of Rajasthan has provided services to ABC Ltd. of Rajasthan in the month of November, 2021 for a consideration of ₹ 50,000. The turnover of ABC Ltd. in Financial Year 2020-21 was ₹ 18,00,000. (Applicable threshold limit for registration is ₹ 20,00,000)
- 2) Government of Rajasthan has provided services to XYZ Ltd. in the month of November, 2021 for a consideration of ₹ 5,000. The turnover of XYZ Ltd. in Financial Year 2020-21 was ₹ 28,00,000.
- 3) Jaipur Municipal corporation has awarded a contract for construction of road to PQR Ltd. failed to perform the contract and paid liquidated damages amounting ₹ 50,00,000 in accordance with the terms of contract.
- 4) XYZ Ltd. has applied for registration under Companies Act, 2013 to Registrar of companies Rajasthan and has paid registration fees of ₹ 13,85,510.
- 5) Delhi Government has charged ₹ 50,00,000 from Agro Care Ltd. for allocation of natural resources for agricultural purposes in the month of November, 2021.
- 6) XYZ Ltd. has paid to Customs department ₹ 50,000 on account Merchant Overtime charges for deputing officers after office hours or on holidays for inspection or container stuffing or such other duties in relation to import export cargo.
- 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.

**Solution:**

- 1) Services provided by the Central Government, State Government, Union territory or local authority to a business entity whose aggregate turnover has not exceeded threshold limit for registration in the preceding financial year are **exempt** vide Notification No. 12/2017-CT (Rate). **Hence, no GST shall be levied on services provided by Government of Rajasthan to ABC Ltd.**
- 2) Services provided by Central Government, State Government, Union territory or a local authority where the consideration for such **services does not exceed ₹ 5,000 are exempt**, vide Notification No. 12/2017- CT (Rate). **Hence, on said services no GST shall be levied.**
- 3) Services provided by the Central Government, State Government, Union territory or local authority by way of tolerating non-performance of a contract for which consideration in the

form of fines or liquidated damages is payable to the Central Government, State Government, Union territory or local authority under such contract are exempt *vide* Notification No. 12/2017-CT (Rate). Hence, no GST shall be payable on liquidated damages of ₹ 50,00,000 paid by PQR Ltd. to Jaipur municipal corporation.

4) Services provided by the Central Government, State Government, Union territory or local authority by way of registration required under any law for the time being in force *vide* Notification No. 12/2017-CT (Rate).

Hence, no GST shall be levied on fees paid for incorporation by XYZ Ltd.

5) Services by way of allocation of natural resources to an individual farmer for the purposes of agriculture have been exempted *vide* Notification No. 12/2017-CT (Rate). Such allocations/auctions to categories of persons other than individual farmers would be leviable to GST. Hence, Agro Care Ltd. will be liable to pay GST on ₹ 50,00,000 under reverse charge basis.

6) Services provided by the Central Government, State Government, Union territory by way of deputing officers after office hours or on holidays for inspection or container stuffing or such other duties in relation to import export cargo on payment of Merchant Overtime charges are exempt from GST *vide* Notification No. 12/2017-CT (Rate). Hence, on such charges no GST shall be levied.

7) XYZ Ltd. will be liable to pay GST on assignment of rights to use minerals in the State of Bihar, as the same is assigned after 1/4/2016.

#### Question No.50

Gita Services Limited, registered under GST, is engaged in providing various services to Government. The company provides the following information in respect of services provided during the month of April:

S. No.	Description of Services provided
(i)	Supply of manpower for cleanliness of roads not involving any supply of goods.
(ii)	Service provided by Fair Price Shops owned by Gita Services Limited by way of sale of sugar under Public Distribution System against consideration in the form of commission.
(iii)	Service of maintenance of street lights in a Municipal area involving replacement of defunct lights and other spares along with maintenance. Generally, replacement of defunct lights and other spares constitutes 35% of the supply of service.
(iv)	Service of brochure distribution provided under a training programme for which 70% of the total expenditure is borne by the Government.

Comment on the taxability or otherwise of the above transactions under GST law. Also state the correct legal provisions for the same.

Solution:

S. No.	Particulars	Taxability
(i)	Supply of manpower for cleanliness of roads not involving any supply of goods. [Pure services provided to Government are exempt.]	Exempt
(ii)	Service provided by Fair Price Shops by way of sale of sugar under Public Distribution System [Service provided by Fair Price Shops to Government by way of sale of sugar under Public Distribution System against consideration in the form of commission is exempt.]	Exempt
(iii)	Service of maintenance of street lights in a Municipal area involving replacement of defunct lights and other spares constituting 35% of the supply of service. [Composite supply of goods and services to Government in which the value of supply of goods constitutes not more than 25% of the value of the said composite supply is exempt. Since, in this case value of supply of goods constitutes 35% of the supply of composite service, same is taxable.]	Taxable

(iv)	Service of brochure distribution provided under a training programme. [Services provided to the Government under any training programme for which 75% or more of the total expenditure is borne by the Government is exempt. Since in the given case, 70% of the total expenditure is borne by the Government, it is taxable.]	Taxable
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