



# CA FINAL NOV 23 EXAMS

PAPER – 8 – INDIRECT TAX LAWS

## **MIGHTY 50**

**TOP 50 QUESTIONS IN  
GST, CUSTOMS & FTP**

**@THARUNRAJ**

MIGHTY 50 – TOP 50 QUESTIONS IN GST, CUSTOMS & FTP

**Question No. 1 [ICAI June 21 – 14 Marks] | [SWB – Q.NO: 6; PG.NO: 529]**

MS Ltd. is a GST registered company. During the month of October, 2020, the company has undertaken the following transactions and wants you to work out the GST output liability, admissible input tax credit and the amount that will have to be paid in cash by the company to the Government before taking you as a Manager in the company. There is no carry forward amount in respect of any of the items to be considered for the purpose of calculations other than what is mentioned specifically below.

Rate of IGST can be taken as 18%, CGST 9% and SGST 9% on all goods and services except GTA service/transportation service and restaurant service for which CGST and SGST rate would be 2.50% each and IGST rate would be 5%. The amounts indicated for all the items are without including the CGST and SGST or IGST element. Whether a supply attracts IGST or CGST/SGST has to be determined on the basis of details given.

The company has indicated to you that the GST liability for October, 2020 for their main product alone is ₹ 54 lakh of CGST and SGST each and ₹ 72 lakh IGST and the eligible credit on the inputs and input services for October, 2020 is ₹ 1.45 crore IGST and ₹ 20 lakh each towards CGST and SGST which can be straightaway taken for calculations.

Company has provided you the other details which is not part of the above as under:

S.No.	Details of the transaction
i.	During the month of October 2020, the company offered a special discount of 25% on a product, the sale of which it intended to discontinue from 1st December 2020 onwards and issued credit notes to the dealers. This product was lying in stock with the dealers and the discount offered to the customers was borne by the company by issuing the credit note. The amount reimbursed to the dealers for the discounts given to the customers in the month of October 2020 was ₹ 36,00,000 in the course of inter-State.
ii.	The company sold a van used for personal transport by auction. The van had been purchased at ₹ 3,20,000. The depreciated value at the time of sale was ₹ 1,40,000. No GST credit was taken. The van was sold for an amount of ₹ 1,50,000 during the month of October 2020 in the course of intra -State.
iii.	The company has a policy of raising invoices separately towards transportation cost of their products on their dealers at the time of invoicing for the products sold to them. The company is collecting GST at 5% on all transactions and the amount is collected as a percentage of the value of the goods supplied irrespective of the distance involved. The amount collected during the month of October 2020 towards transportation in intra-State transaction is ₹ 6 lakh and inter-State transactions is ₹ 4 lakh.
iv.	The security establishment of the company caught an employee who had stolen bearings of value ₹ 2.50 lakh during the month of October 2020. Bearings could not be recovered. But the company successfully recovered the cost from the employee. IGST credit of ₹ 45,000 had been taken by the company on these bearings.
v.	The company supplies food and beverages to the employees and all the items are priced at 10% of the actual cost to the company. During the month of October, 2020, the company had charged ₹ 50,000 to the employees. Assume that it is intra-State transaction.
vi.	During the month of October, 2020, the company purchased 10 mobile phones in its name and distributed to the employees to enable them to perform their duties more efficiently for the company. Total price of the phones was ₹ 1,20,000. At the end of the month, company sold these mobiles to employees and company recovered only ₹ 20,000 from the employees. Assume that it is intra-State transaction.
vii.	The company's registered office is located in a building which belongs to the local Municipality. The monthly rent is ₹ 1.50 lakh.
viii.	The whole-time director of the company was paid a salary of ₹ 5 lakh during the month. He was also paid ₹ 20,000 towards sitting fees for his participation in the meeting.

Give a brief note to support your treatment for the items wherever required.

Note: Company wants to pay minimum amount of SGST as far as possible.

**Computation of output GST liability of MS Ltd. for October 2020:**

<u>Particulars</u>	<u>CGST</u> (₹ in lakh)	<u>SGST</u> (₹ in lakh)	<u>IGST</u> (₹ in lakh)
<b>GST liability for main product</b>	54	54	72
<b>After-sales discount on a product</b> [In the given case, discount given after effecting the supply is not in terms of an agreement that existed at the time of supply. Therefore, <b>discount is not allowed</b> as deduction from value of supply.]	Nil	Nil	
<b>Sale of van used for personal transport by auction</b>	0.135 [1.5 × 9%]	0.135 [1.5 × 9%]	
<b>Transportation cost charged on the product</b> [Supply of goods and transport service is a composite supply as the transportation cost is charged at a flat rate from all customers irrespective of the distance involved. Therefore, rate of principal supply (product) viz. 9% CGST and SGST each is charged on intra-State supply and 18% IGST is charged on inter-State supply.]	0.54 [6 × 9%]	0.54 [6 × 9%]	0.72 [4 × 18%]
<b>Food and beverages supplied to the employees</b> [Goods being provided to the related person (employees), open market value of the same [actual cost (50,000 x100/10)] has been considered as value. CGST & SGST @ 9% each is payable on food items.]	0.45 [5.0x9%]	0.45 [5.0x9%]	
<b>Supply of mobile phones to employees<sup>2</sup></b> [Supply being made to the related person (employees), open market value <sup>3</sup> of the same has been considered as value.]	0.108 [1.20 × 9%]	0.108 [1.20 × 9%]	
<b>Total output tax liability</b>	<b>55.233</b>	<b>55.233</b>	<b>72.72</b>
Less: ITC set off [Refer working note (1) below] [IGST credit is first utilized for payment of IGST liability and then for payment SGST liability followed by CGST liability since the SGST liability is to be kept at minimum.]	(16.597)	(55.233)	(72.72)
After exhausting IGST credit, CGST and SGST credit is to be utilized. ITC of CGST cannot be utilized for payment of SGST and vice versa.	(20.261)		
<b>GST payable in cash [A]</b>	<b>18.375</b>	<b>Nil</b>	<b>Nil</b>

<sup>1</sup> The value of supply as well as applicable rate of tax to be paid in case of old and used motor vehicles can also be determined in terms of Notification No 8/2018 CT (R) dated 25.01.2018.

<sup>2</sup> It has been assumed that selling of mobile phones to employees at reduced rates does not form part of the employment contract. Further, mobile phones have been considered as inputs. However, it is also possible to consider mobile phones as capital goods. Since in the given case mobile phones (capital goods) are being removed after being used, a specified 'amount' determined in terms of section 18(6) of the CGST Act, 2017 shall be payable.

<sup>3</sup> Since mobile phones have been considered as inputs, purchase price of ₹ 1,20,000 for the mobile phones has been considered as its open market value

<b>GST under reverse charge payable in cash</b> [Refer working note (2) below] [B] [Tax payable under reverse charge, being not an output tax, cannot be set off against ITC and thus, will have to be paid in cash.]	0.153	0.153
<b>Total GST payable in cash = [A]+ [B]</b>	<b>18.528</b>	<b>0.153</b>

**Working notes:**

**(1) Computation of ITC available with MS Ltd. for October 2020**

Particulars	CGST (₹ in lakh)	SGST (₹ in lakh)	IGST (₹ in lakh)
Eligible credit on inputs and input services for the month	20	20	145
<b>Ball bearings stolen</b> [ITC on stolen goods is blocked. Hence, ITC taken on stolen ball bearings needs to be reversed.]			(0.45)
<b>Mobile phones purchased for employees</b> [ITC of goods used in course or furtherance of business is allowed.]	0.108 [1.2 × 9%]	0.108 [1.2 × 9%]	
<b>Rent paid to Municipality</b>	0.135 [1.5 × 9%]	0.135 [1.5 × 9%]	
<b>Sitting fee paid to whole time director</b>	0.018 [0.20 × 9%]	0.018 [0.20 × 9%]	
<b>Total</b>	<b>20.261</b>	<b>20.261</b>	<b>144.55</b>

**(2) Tax payable under reverse charge:**

Particulars	CGST (₹ in lakh)	SGST (₹ in lakh)	IGST (₹ in lakh)
<b>Rent paid to Municipality</b> [Tax on renting of immovable property services supplied by local authority to a registered person is payable under reverse charge.]	0.135 [1.5 × 9%]	0.135 [1.5 × 9%]	
<b>Sitting fee paid to whole time director</b> [Services provided by employee to employer in the course of his employment are not a supply. Hence, salary paid to director is not taxable. However, sitting fee is a consideration for the services provided beyond course of employment and hence, is taxable. Further, tax on sitting fee paid to director is payable under reverse charge.]	0.018 [0.20 × 9%]	0.018 [0.20 × 9%]	
<b>Total tax payable under reverse charge</b>	<b>0.153</b>	<b>0.153</b>	

**Note:** In the above question, ".....GST at 5% on all transactions and the amount is collected as a percentage of the value....." may be read as ".....GST at 5% on all transactions. The transportation cost is collected as a percentage of the value.....".

**Question No. 2**

[ICAI RTP 22] | [SWB – Q.NO:12; PG.NO: 543]

Motopower Pvt. Ltd., registered under GST, is engaged in the manufacture of 5-seater luxury cars at its factories located in the States of Rajasthan, Uttar Pradesh and Gujarat. The company has obtained registration in each of these States. It also enters into contracts for providing these cars on rent to corporate clients wherein the cost of fuel is included in the value of supply. The company reports the following details for a tax period pertaining to its factory located in Gujarat:

Payments	(₹) (in lakh)	Receipts	(₹) (in lakh)
Raw material	4.50	Sales	30
Rent paid	1.00	Car rental income	0.50
Consumables	1.50	Income from services provided to Gujarat Government administration	2.50
Security services	0.70		
General insurance of cars manufactured	2.50		
Works contract services	1.60		
Audit fee	0.50		
Bank charges	0.10		
Membership of Automobile Association	0.10		

All the above amounts are exclusive of all kinds of taxes, wherever applicable. However, the applicable taxes have also been paid by the company.

Further, following additional details are furnished by the company in respect of the payments and receipts reported by it:

- (I) Raw materials worth ₹ 0.50 lakh, purchased from a registered supplier located in Gujarat, were destroyed due to fire in the factory and thus, could not be used in the manufacturing process. Remaining raw material has been procured from various vendors located in Maharashtra.
- (II) Rent has been paid for the factory building located in Gujarat to its owner registered in Gujarat.
- (III) Payment for security services (services provided by way of supply of security personnel) for the tax period has been made by Safe and Secure Solutions Pvt. Limited, a company located in Gujarat and not registered under GST.
- (IV) General insurance services have been availed from Divided Insurance Company Ltd. registered in Gujarat.
- (V) Works contract services, availed from Chitra Builders, Gujarat, have been used by the company for construction of a foundation on which machinery to be used in the production process is to be mounted permanently.
- (VI) Audit fee is paid to a firm of Chartered Accountants - M/s Pandya & Associates (registered in West Bengal with an aggregate turnover of ₹ 30 crores in the preceding financial year) - for conducting the statutory audit of the company in the preceding financial year. The firm raises an e-invoice without IRN (Invoice Reference Number) for said services.
- (VII) Bank charges are towards various services availed by the company during a month with regard to its current account maintained with Manimani Bank, registered in Gujarat. The bank issued a consolidated tax invoice for all such services at the end of the month containing the details of tax charged, description of services, total value, GSTIN of the bank and Motopower Pvt. Ltd.
- (VIII) Automobile Association is registered in the State of Gujarat.
- (IX) The breakup of sales is as under:  
Sales in Gujarat - ₹ 14 lakh  
Sales in States other than Gujarat - ₹ 6 lakh Exports under Letter of Undertaking (LUT) - ₹ 10 lakh
- (X) Car rental income pertains to renting of cars to Jamaze Travels Ltd., registered in Gujarat and cost of fuel is included in the value of said supply. Further, consumables, procured from registered suppliers located in Gujarat, include diesel (excise and VAT paid) worth ₹ 0.75 lakh used for running the cars so rented out to Jamaze Travels Ltd. Assume that except diesel, no other input/input services is used in providing car renting service.
- (XI) Services provided to Gujarat Government administration are under a Health Training programme. 51% of the total expenditure for said programme is borne by Gujarat Government.
- (XII) The opening balance of ITC with the company for the tax period is:  
CGST - ₹ 0.50 lakh  
SGST - ₹ 0.26 lakh IGST - ₹ 0.35 lakh

Compute the total ITC available with Motopower Pvt. Ltd. for the given tax period and net GST payable [CGST, SGST or IGST, as the case may be] from Electronic Cash Ledger by Motopower Pvt. Ltd. for the given tax period.

Notes-

- (I) CGST, SGST & IGST rates on all inward and outward supplies are 9%, 9% and 18% respectively, except on renting of cars wherein CGST, SGST & IGST rates are 2.5%, 2.5% and 5% respectively.  
It is important to note that credit of input tax charged on goods and services used in supplying the service of transport of passengers by any motor vehicle designed to carry passengers where the cost of fuel is included in the consideration charged from the service recipient, is not available except the credit of the input service in the same line of business.
- (II) The necessary conditions for availing ITC have been complied with by Motopower Pvt. Ltd., wherever applicable.

You are required to make suitable assumptions, wherever necessary.

Computation of ITC available with Motopower Pvt. Ltd. for the given tax period

S. No.	Particulars	Value of supply	ITC			
			CGST*	SGST*	IGST*	Total
1.	Opening balance of ITC		50,000	26,000	35,000	1,11,000
2.	Raw Materials [₹ 4,50,000 - ₹ 50,000] [Refer Note 1]	4,00,000			72,000	72,000
3.	Rent paid for the factory building [Refer Note 2]	1,00,000	9,000	9,000	--	18,000
4.	Consumables procured from suppliers in Gujarat [₹ 1,50,000 - ₹ 75,000] [Refer Note 3]	75,000	6,750	6,750		13,500
5.	Security services [Refer Note 4]	70,000	Nil	Nil	Nil	Nil
6.	General insurance of cars manufactured [Refer Note 5]	2,50,000	22,500	22,500		45,000
7.	Works contract services [Refer Note 6]	1,60,000	14,400	14,400	--	28,800
8.	Audit fee [Refer Note 7]	50,000	Nil	Nil	Nil	Nil
9.	Bank charges [Refer Note 8]	10,000	900	900	--	1,800
10.	Membership of Automobile Association [Refer Note 9]	10,000	900	900	--	1,800
Total ITC available for the tax period			1,04,450	80,450	1,07,000	2,91,900

Computation of net GST payable

Particulars	Value of supply	CGST*	SGST*	IGST*	Total
Intra-State sales in Gujarat	14,00,000	1,26,000	1,26,000	--	2,52,000
Inter-State sales other than Gujarat	6,00,000	--	--	1,08,000	1,08,000
Exports under LUT [Note 10]	10,00,000	Nil	Nil	Nil	Nil
Car rental income (Taxable @ 2.5% CGST and SGST each) [Note 11]	50,000	1,250	1,250		2,500
Income from services provided to Gujarat Government [Note 12]	2,50,000	22,500	22,500		45,000
Total output tax liability		1,49,750	1,49,750	1,08,000	4,07,500
Less: ITC available for being set off [Note 13, Note 14 and Note 15]		(1,04,450)	(80,450)	(1,07,000)	(2,91,900)
Net GST payable from Electronic Cash Ledger		45,300	69,300	1,000	1,15,600

Notes:

- 1) Credit of input tax paid on raw materials used in the course or furtherance of business is available in terms of section 16(1). However, ITC is not available on destroyed inputs in terms of section 17(5)(h).
- 2) ITC on rent paid is available as the said service is used in the course or furtherance of business in terms of section 16(1).
- 3) ITC on consumables, being inputs used in the course or furtherance of business, is available in terms of section 16(1). However, levy of GST on diesel has been deferred till such date as may be notified by the Government on recommendations of the GST Council [Section 9(2)]. Hence, there being no levy of GST on diesel, there cannot be any ITC since VAT & excise paid are not covered in the definition of input tax under section 2(62). Moreover, credit of input tax charged on goods and services used in supplying the service of transport of passengers by any motor vehicle designed to carry passengers where the cost of fuel is included in the consideration charged from the service recipient, is not available except the credit of the input service in the same line of business. Thus, ITC on diesel will not be available.
- 4) Tax on security services (services provided by way of supply of security personnel) provided by a non-body corporate to a registered person is payable under reverse charge. Since in the given case, security services have been provided by a body corporate - Safe and Secure Solutions Pvt. Limited to a registered person - Motopower Pvt. Ltd., GST on the same is payable under forward charge. However, since Safe and Secure Solutions Pvt. Limited is not registered under GST, it would not have charged GST on the said services and hence, no ITC is available.

- 5) ITC on motor vehicles for transportation of persons is allowed in terms of section 17(5)(a) provided such vehicles are further supplied by the supplier. ITC is allowed on general insurance services relating to motor vehicles, ITC on which is allowed [Section 17(5)(ab)].
- 6) Section 17(5)(c) blocks ITC in respect of works contract services when supplied for construction of an immovable property (other than plant and machinery) except where it is an input service for further supply of works contract service. Further, the term "plant and machinery" means, inter alia, machinery fixed to earth by foundation or structural support that are used for making outward supply and includes such foundation/structural support. Thus, in view of the above-mentioned provisions, ITC is available in respect of works contract service availed by Motopower Pvt. Ltd. as the same is used for construction of plant and machinery which is not blocked under section 17(5) (c).
- 7) Audit fee are the services used in the course/ furtherance of business and thus, credit of input tax paid on such service will be available in terms of section 16(1). M/s Pandya & Associates is required to issue an e-invoice for audit services as e-invoicing is mandatory for the registered persons whose aggregate turnover in any of the preceding financial years from 2017-18 onwards exceed ₹ 10 crores. However, an e-invoice without IRN is not treated as an invoice as per rule 48(5) and hence, without a valid document, ITC cannot be claimed on such input services.
- 8) Bank charges are services used in the course/ furtherance of business and thus, credit of input tax paid on such service will be available in terms of section 16(1). However, ITC can be claimed only on the basis of valid documents. In case of a banking company, as per rule 54(2), a consolidated tax invoice issued for supply of services made during a month at the end of the month containing the details of tax charged, description of services, total value, GSTIN of the supplier and the recipient is deemed to be a tax invoice. Thus, ITC pertaining to the banking services received is allowed.
- 9) As per section 17(5)(b)(ii), ITC is blocked on membership of a club, health and fitness centre. The membership fee paid by a automobile company to Automobile Association is not covered under said section as it is distinct from membership of a club. Hence, ITC thereon is available.
- 10) Export of goods is a zero-rated supply in terms of section 16(1)(a) of the IGST Act. A zero rated supply under LUT is made without payment of integrated tax [Section 16(3)(a) of the IGST Act].
- 11) Tax on services provided by way of renting of any motor vehicle designed to carry passengers where the cost of fuel is included in the consideration charged from the service recipient is payable under reverse charge only when said service is provided by a non-body corporate to a body corporate and & an invoice charging GST @ 12% is not issued to service recipient. Since in the given case, said services are provided by a body corporate - Motopower Pvt. Ltd. to another body corporate - Jamaze Travels Ltd., GST is payable under forward charge by Motopower Pvt. Ltd. on the same.
- 12) Services provided to the Central Government, State Government, Union territory administration under any training programme for which 75% or more of the total expenditure is borne by the Central Government, State Government, Union territory administration are exempt from GST. However, in the given case, since the total expenditure borne by the Gujarat Government is less than 75%, services provided to it by Motopower Pvt. Ltd. are liable to GST.
- 13) Since export of goods is a zero-rated supply, apportionment of ITC is not required and instead, full credit will be available [Section 16 of the IGST Act read with section 17(2) of the CGST Act].
- 14) As per section 49(5) read with rule 88A, ITC of-
  - I. IGST is utilised towards payment of IGST first and then CGST and SGST in any proportion and in any order.
  - II. CGST is utilised towards payment of CGST and IGST in that order. ITC of CGST shall be utilized only after ITC of IGST has been utilised fully.
  - III. SGST is utilised towards payment of SGST and IGST in that order. ITC of SGST shall be utilized only after ITC of IGST has been utilised fully.
- 15) Since the value of taxable supply other than zero-rated supply in the given tax period (₹ 14 lakh + ₹6 lakh+ ₹ 0.50 lakh + ₹ 2.50 lakh) does not exceed ₹ 50 lakh, provisions of rule 86B are not applicable and Motopower Ltd. can discharge its entire output tax liability for said period from the electronic credit ledger.

- 16) CGST and SGST are chargeable on intra-State inward and outward supplies and IGST is chargeable on inter-State inward and outward supplies. Rate of CGST, SGST and IGST applied is 9%, 9% and 18% except in case of renting of cars wherein the rate of CGST and SGST applied is 2.5% and 2.5% respectively.

**Question No. 3 [ICAI RTP Nov 18] | [SWB – Q.NO:61; PG.NO: 42]**

Jaskaran, a registered supplier of Delhi, has made the following supplies in the month of January, 2021:

S.No	Particulars	Amount* (₹)
(i)	Supply of 20,000 packages at ₹ 30 each to Sukhija Gift Shop in Punjab [Each package consists of 2 chocolates, 2 fruit juice bottles and a packet of toy balloons]	6,00,000
(ii)	10 generators hired out to Morarji Banquet Halls, Chandigarh [including cost of transporting the generators (₹ 1,000 for each generator) from Jaskaran's warehouse to the Morarji Banquet Halls]	2,50,000
(iii)	500 packages each consisting of 1 chocolate and 1 fruit juice bottle given as free gift to Delhi customers on the occasion of Diwali [Cost of each package is ₹ 12, but the open market value of such package of goods and of goods of like kind and quality is not available. Input tax credit has not been taken on the items contained in the package]	
(iv)	Catering services provided free of cost for elder son's business inaugural function in Delhi [Cost of providing said services is ₹ 55,000, but the open market value of such services and of services of like kind and quality is not available.]	

\*excluding GST

You are required to determine the GST liability [CGST & SGST and/or IGST, as the case may be] of Jaskaran for the month of January, 2021 with the help of the following additional information furnished by him for the said period:

- Penalty of ₹ 10,000 was collected from Sukhija Gift Shop for the payment received with a delay of 10 days.
- The transportation of the generators from Jaskaran's warehouse to the customer's premises is arranged by Jaskaran through a Goods Transport Agency (GTA) who pays tax @ 12%.



Assume the rates of GST to be as under:

Goods/services supplied	CGST	SGST	IGST
Chocolates	9%	9%	18%
Fruit Juice bottles	6%	6%	12%
Toy balloons	2.5%	2.5%	5%
Service of renting generators	9%	9%	18%
Catering Service	9%	9%	18%

**Computation of GST liability of Jaskaran for the month of January, 2021:**

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
Supply of 20,000 packages to Sukhija Gift Shop, Punjab (Note-1)			1,09,526 [6,08,475 × 18%]
Renting of 10 generators to Morarji Banquet Halls, Chandigarh (Note-2)			45,000 (2,50,000 × 18%)
500 packages given as free gift to the customers (Note-3)	Nil	Nil	Nil
Catering services provided free of cost for elder son's business inaugural function in Delhi (Note-3)	5,445 [60,500 × 9%]	5,445 [60,500 × 9%]	
Total GST liability (rounded off)	5,445	5,445	1,54,526

Notes:



1. As per **section 2(74) of the CGST Act, 2017**, mixed supply means two or more individual supplies of goods or services, or any combination thereof, made in conjunction with each other by a taxable person for a single price where such supply does not constitute a composite supply.

Supply of a package containing chocolates, fruit juice bottles and a packet of toy balloons is a mixed supply as each of these items can be supplied separately and is not dependent on any other. Further, as per section 8(b) of the CGST Act, 2017, the mixed supply is treated as a supply of that particular supply which attracts the highest rate of tax. Thus, in the given case, supply of packages is treated as supply of chocolates [since it attracts the highest rate of tax]. **Consequently, being an inter-State supply of goods, supply of packages to Sukhija Gift Shop of Punjab is subject to IGST @ 18% each.**

Further, value of supply includes interest or late fee or penalty charged for delayed payment of any consideration for any supply in terms of section 15(2)(d) of the CGST Act, 2017. Thus, penalty of ₹ 10,000 [considered as inclusive of GST] collected from Sukhija Gift Shop for the delayed payment will be included in the value of supply. **The total value of supply is ₹ 6,08,475 [₹ 6,00,000 + (₹ 10,000 × 100/118)]**

2. Services by way of transportation of goods by road except the services of a Goods Transportation Agency (GTA) are exempt vide *Notification No. 9/2017 IT (R) dated 28.06.2017*. Since Jaskaran is not a GTA, transportation services provided by him are exempt from GST. However, since the generators are invariably hired out along with their transportation till customer's premises, it is a case of composite supply under section 2(30) of the CGST Act, 2017 wherein the principal supply is the renting of generator.

As per section 8(a) of the CGST Act, 2017, the composite supply is treated as the supply of the principal supply. Therefore, **the service of transportation of generators will also be taxed at the rate applicable for renting of the generator (principal supply).**

Consequently, **being an inter-State supply of service, service of hiring out the generators to Morarji Banquet Halls of Chandigarh is subject to IGST @ 18% each.**

3. As per **section 7(1)(c) of the CGST Act, 2017**, an activity made without consideration can be treated as supply only when it is specified in **Schedule I of the CGST Act, 2017**. Para 2. of Schedule I provides that 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, are to be treated as supply even if made without consideration.

However, since the question does not provide that customers are related to Jaskaran, free gifts given to the customers cannot be considered as a supply under section 7. Consequently, no tax is leviable on the same. Also permanent transfer or disposal of business assets point is not applicable, as ITC not availed on the same at the time of purchase.

Further, the catering services provided by Jaskaran to his elder son without consideration will be treated as supply as Jaskaran and his elder son, being members of same family, are related persons in terms of **explanation (a)(viii) to section 15 of the CGST Act, 2017** and said services have been provided in course/furtherance of business. Value of supply of services between related persons, other than through an agent is determined as per **Rule 28 of the CGST Rules, 2017**. Accordingly, the value of supply is the open market value of such supply; if open market value is not available, the value of supply of goods or services of like kind and quality. However, if value cannot be determined under said methods, it must be worked out based on the cost of the supply plus 10% mark-up. Thus, in the given case, value of catering services provided to the elder son of Jaskaran is ₹ 60,500 [₹ 55,000 × 110%]. Further, **being an intra-State supply of services, catering services are subject to CGST and SGST @ 2.5% each.**

As per *Notification No. 13/2017 CT(R) dated 28.06.2017*, 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 such GTA has not paid GST @ 12%. Since in the given case, Jaskaran has received services from a GTA who has paid GST @ 12%, **reverse charge provisions will not be applicable.**

**Question No. 4 [ICAI MTP May 23 – 4 Marks] | [SWB – Q.NO:74; PG.NO: 54]**

Ragini Traders, a registered supplier of Jaipur, is engaged in supply of various goods and services exclusively to Government departments, agencies, local authority and persons notified under section 51 of the CGST Act, 2017.

You are required to briefly explain the provisions relating to tax deduction at source under section 51 and also determine the amount of tax, if any, to be deducted from each of the receivables given below (independent cases) assuming that the payments as per the contract values are made on 31st October. The rates of CGST, SGST and IGST may be assumed to be 6%, 6% and 12% respectively.

- I. Supply of computer stationery to Public Sector Undertaking (PSU) located & registered in Mumbai. Total contract value is ₹ 2,72,000 (inclusive of GST)
- II. Supply of air conditioner to GST department located & registered in Delhi. Total contract value is ₹ 2,55,000 (exclusive of GST)

Supply of generator renting service to Municipal Corporation of Jaipur (not exempt under GST law). Total contract value is ₹ 3,50,000 (inclusive of GST)

As per section 51 of the CGST Act, 2017, Government departments, agencies, local authority and notified persons are required to deduct tax @ 2% (1% CGST + 1% SGST/UTGST) or IGST @ 2% from payment made to the supplier of taxable goods and/ or services where the total value of such supply [excluding tax and compensation cess indicated in the invoice], under a contract, exceeds ₹ 2,50,000. Since in the given case, Ragini Traders is supplying goods and services exclusively to Government departments, agencies, local authority and persons notified under section 51 of the CGST Act, 2017, applicability of TDS provisions on its various receivables is examined in accordance with the above-mentioned provisions as under:

S. No.	Particulars	Total contract value due to be received [excluding GST] (₹)	Tax to be deducted		
			CGST @1% (₹)	SGST @1% (₹)	IGST @2% (₹)
(1)	Supply of computer stationery to PSU in Mumbai [Since the total value of supply under the contract [excluding IGST (being inter-State supply)] does not exceed ₹ 2,50,000, tax is not required to be deducted.]	2,42,857 [2,72,000 × 100/112]			
(2)	Supply of air conditioner to GST Department in Delhi [Since the total value of supply under the contract [excluding IGST (being inter-State supply)] exceeds ₹ 2,50,000, tax is required to be deducted.]	2,55,000			5,100
(3)	Supply of a generator renting service to Municipal Corporation of Jaipur [Since the total value of supply under the contract [excluding CGST and SGST (being intrastate supply)] exceeds ₹ 2,50,000, tax is required to be deducted.]	3,12,500 [3,50,000 × 100/112]	3,125	3,125	
	Total		3,125	3,125	5,100

**Question No. 5 [ICAI STUDY MATERIAL] | [SWB – Q.NO:39; PG.NO: 78]**

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**

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 4th March being the date of issue of invoice. However, **time of supply of product 'B', which is taxable under reverse charge, is 17th 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 (23rd March), date of payment (17th February) and date immediately following 30 days of issuance of invoice (11th 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. 6**

[ICAI RTP Nov 22] | [SWB – Q.NO:49; PG.NO: 83]

Sanmati Industries, registered in the State of Maharashtra, receives a machinery for repair in its workshop located in Mumbai, Maharashtra from Titsubishi Ltd., an automobile manufacturing company based in Japan. The repair work was carried out by Sanmati Industries for which it was to be paid in convertible foreign exchange and goods were returned to Titsubishi Ltd. after being used for some time in India.

While raising the invoice for the said consideration, the accountant of Sanmati Industries approaches you as to whether the Dynamic Quick Response (QR) code is mandatorily required on said invoice? You are required to advise him on the same.

Note - Titsubishi Ltd. is not registered in India. Further, the aggregate turnover of Sanmati Industries was ₹ 550 crores in the preceding financial year.

The place of supply for the services provided by Sanmati Industries to Titsubishi Ltd. is as follows: As per section 13(3)(a) of the IGST Act, 2017, in case where the services are supplied in respect of goods which are required to be made physically available by the recipient of services to the supplier of services, the place of supply of such services shall be the location where the services are actually performed. In the given case, for carrying out the repair work, machinery was required to be made physically available by Titsubishi Ltd. to Sanmati Industries. Thus, the place of supply of services in this case is the location where the services are actually performed i.e., Maharashtra, India.

Further, sixth proviso to rule 46 read with Notification No. 14/2020 CT dated 21.03.2020 provides that all invoices issued by a registered person whose aggregate turnover in any preceding financial year from 2017-18 onwards exceeds ₹ 500 crores, in respect of B2C supplies (supply of goods or services or both to an unregistered person) will mandatorily have a Dynamic QR code. Thus, the invoices issued by Sanmati Industries to unregistered persons are mandatorily required to have a Dynamic QR Code. Accordingly, since Titsubishi Ltd. is not registered in India, invoice to be raised by Sanmati Industries to it should mandatorily have a Dynamic Quick Response (QR) code.

However, Circular No. 165/21/2021 GST dated 17.11.2021 has clarified that wherever an invoice is issued to a recipient located outside India, for supply of services, for which the place of supply is in India, as per the provisions of IGST Act 2017, and the payment is received by the supplier in convertible foreign exchange, such invoice may be issued without having a Dynamic QR Code, as such dynamic QR code cannot be used by the recipient located outside India for making payment to the supplier.

Thus, the Dynamic Quick Response (QR) code is NOT mandatorily required on the invoice to be issued by Sanmati Industries to Titsubishi Ltd.

**Question No. 7 [ICAI Nov 20 – 5 Marks] | [SWB – Q.NO:46; PG.NO: 81]**

M/s Housefull Convention Hall is in the business of letting out its halls for functions. It provides you with the following information for determining the amount of refund out of advance received based on time of supply for one of its clients.

SL. No.	Particulars	Date	Amount in ₹
(1)	Advance paid at the time of booking the hall for a function from 1st to 3rd Nov., 2020	16.07.2020	1,00,000
(2)	Additional deposit paid	18.08.2020	2,00,000
(3)	Function is held as scheduled	1st Nov. to 3rd Nov. 2020	
(4)	Invoice is issued (Taxable value)	25.11.2020	2,50,000
(5)	Consider that there is a change in the rate of tax on 15 <sup>th</sup> October, 2020 from (CGST 2.5% and SGST 2.5%) to (CGST 9% and SGST 9%)		
(6)	What would be the amount of refund payable to the Client?		

The time of supply of services is the date of issue of invoice if the same is issued within 30 days from the date of supply of service or the date of receipt of payment, whichever is earlier.

In the given case, invoice is issued within 30 days of the supply of service and advances have also been received. Therefore, tax becomes payable at the time of receipt of advances on 16.07.2020 and 18.08.2020 as it is not clear at the time of receipt of such advances as to what would be the total value of the supply. However, when invoice is issued for a lesser value on refund would become payable to the client.

In case of change in rate of tax, where the service is supplied and invoice is issued after the change in rate of tax and payment is received before change in rate of tax, time of supply shall be date of issue of invoice, i.e.,

Hence, applicable rate of tax is new rate even though tax has been paid at old rate on advances received.

Therefore, refund payable to client will be computed as under:

Total advance received including GST	= ₹ 3,00,000 <sup>1</sup>
Less: Actual liability [₹ 2,50,000 + ₹ 2,50,000 × 18% (new rate of tax)]	= ₹ 2,95,000
Amount of refund	<u>₹ 5,000</u>

<sup>1</sup> It has been assumed that the advances received are inclusive of tax.

Question No. 8

[ICAI RTP MAY 20] | [SWB – Q.NO:28; PG.NO: 97]

'PQ', a statutory body, deals with the all the advertisement and publicity of the Government. It has issued a release order to 'Moon Plus' channel (registered in State 'A') for telecasting an advertisement relating to one of the schemes of the Government in the month of September 20XX. The advertisement will be telecasted in the States of 'A', 'B', 'C', 'D' and 'E'. The total value of the service contract entered into between 'Moon Plus' and 'PQ' is ₹ 10,00,000 (exclusive of GST).



You are required to determine the place of supply of the services in the instant case as also the value of supply attributable to the States of 'A', 'B', 'C', 'D' and 'E'.

Further, compute the GST liability [CGST & SGST or IGST, as the case may be] of 'Moon Plus' as also advise it as to whether it should issue one invoice for the entire contract value or separate State-wise invoices.

The other relevant information is given hereunder:

Table – 1

States	Viewership figures of 'Moon Plus' channel in the last week of June 20XX as provided by the Broadcast Audience Research Council
A	50,000
B+C	1,00,000
D+E	50,000

Table – 2

States	Population as per latest census (in crores)
A	50
B	180
C	20
D	100
E	25

The applicable rate of GST is 9% of CGST, 9% of SGST and 18% IGST

As per **section 12(14) of the IGST Act, 2017**, the place of supply of advertisement services to the Central Government, a State Government, a statutory body or a local authority meant for the States or Union territories identified in the contract or agreement is taken as being in each of such States or Union territories (where the advertisement is broadcasted/ run /played/disseminated).

Therefore, in the given case, **the place of supply of advertisement service is in the States of 'A', 'B', 'C', 'D' and 'E'.**

The value of the supply of such advertisement services specific to each State/Union territory is in proportion to the amount attributable to the services provided by way of dissemination in the respective States/Union territories determined in terms of the contract or agreement entered into in this regard.

In the absence of such a contract or agreement between the supplier and recipient of services, **the proportionate value of advertisement services attributable to different States/Union territories (where the advertisement is broadcasted/run/played/ disseminated) is computed in accordance with Rule 3 of the IGST Rules, 2017.**

**As per Rule 3(f) of the IGST Rules, 2017, in the case of advertisement on television channels, the amount attributable to the value of advertisement service disseminated in a State shall be calculated on the basis of the viewership of such channel in such State, which in turn, shall be calculated in the following manner, namely: -**

- (i) the channel viewership figures for that channel for a State or Union territory shall be taken from the figures published in this regard by the Broadcast Audience Research Council;
- (ii) the figures published for the last week of a given quarter shall be used for calculating viewership for the succeeding quarter;
- (iii) where such channel viewership figures relate to a region comprising of more than one State or Union territory, the viewership figures for a State or Union territory of that region, shall be calculated by applying the ratio of the populations of that State or Union territory, as determined in the latest Census, to such viewership figures;

- (iv) the ratio of the viewership figures for each State or Union territory as so calculated, when applied to the amount payable for that service, shall represent the portion of the value attributable to the dissemination in that State or Union territory.

Therefore, value of supply attributable to 'A', 'B', 'C', 'D' and 'E', will be computed as under:

States	Viewership figures of 'Moon Plus' channel as provided by the Broadcast Audience Research Council in the last week of June 20XX	Viewership ratio of 'Moon Plus' Channel in the state 'A' ('B + 'C') and ('D'+ 'E')	Proportionate value of advertisement services for states 'A', ('B' + 'C') and ('D' + 'E')
A	50,000	50,000: 1,00,000: 50,000 = 1 : 2 : 1	₹ 10,00,000 × 1/4 = ₹ 2,50,000
B + C	1,00,000		₹ 10,00,000 × 2/4 = ₹ 5,00,000
D + E	50,000		₹ 10,00,000 × 1/4 = ₹ 2,50,000

States	Population as per latest census (in crores)	Population ratio in the states 'B' & 'C' and 'D' & 'E'	Proportionate value of advertisement services in the States 'A', 'B', 'C', 'D', & 'E'
A	50		₹ 2,50,000
B	180	B : C = 180 : 20 = 9 : 1	₹ 5,00,000 × 9 / 10 = ₹ 4,50,000
C	20		₹ 5,00,000 × 1/10 = ₹ 50,000
D	100	D : E = 100 : 25 = 4: 1	₹ 2,50,000 × 4/5 = ₹ 2,00,000
E	25		₹ 2,50,000 × 1/5 = ₹50,000

Since, there are five different places of supply in the given case, 'Moon Plus' channel will have to issue five separate invoices for each of the States namely, 'A', 'B', 'C', 'D' & 'E' indicating the value pertaining to that State. The GST liability of 'Moon Plus' channel will, therefore, be worked out as under:

Computation of GST liability of 'Moon Plus'

_States	Proportionate value of advertisement services (₹)	CGST @ 9% (₹)	SGST @ 9% (₹)	CGST @ 18% (₹)
A	2,50,000	22,500	22,500	
B	4,50,000			81,000
C	50,000			9,000
D	2,00,000			36,000
E	50,000			9,000

Only in case of supply of services in State 'A', the location of supplier (State 'A') and the place of supply are in the same State, hence the same is an intra-State supply in terms of section 8(1) of the IGST Act, 2017 and is thus, liable to CGST and SGST. In all the remaining cases of supply of services, the location of the supplier (State 'A') and the places of supply (States 'B', 'C', 'D' & 'E') are in two different States, hence the same are inter-State supplies liable to IGST [Section 7(1)(a) of the IGST Act, 2017 read with section 5(1) of that Act].

**Question No. 9**

[ICAI RTP MAY 19] | [SWB - Q.NO:30; PG.NO: 100]

Musicera Pvt. Ltd. owned by Nitish Daani - a famous classical singer - wishes to organise a 'Nitish Daani Music Concert' in Gurugram (Haryana). Musicera Pvt. Ltd. (registered in Ludhiana, Punjab) enters into a contract with an event management company, Supriya (P) Ltd. (registered in Delhi) for organising the said music concert at an agreed consideration of ₹ 10,00,000. Supriya (P) Ltd. books the lawns of Hotel Dumdum, Gurugram (registered in Haryana) for holding



the music concert, for a lump sum consideration of ₹ 4,00,000. Musicera Pvt. Ltd. fixes the entry fee to the music concert at ₹ 5,000. 400 tickets for 'Nitish Daani Music Concert' are sold. You are required to determine the CGST and SGST or IGST liability, as the case may be, in respect of the supply(ies) involved in the given scenario.

Will your answer be different if the price per ticket is fixed at ₹ 450?

Note: Rate of CGST and SGST is 9% each and IGST is 18%. All the amounts given above are exclusive of taxes, wherever applicable.

In the given situation, three supplies are involved:

- I. Services provided by Musicera Pvt. Ltd. to audiences by way of **admission** to music concert.
- II. Services provided by Supriya (P) Ltd. to Musicera Pvt. Ltd. by way of **organising** the music concert.
- III. Services provided by Hotel Dumdum to Supriya (P) Ltd. by way of **accommodation** in the Hotel lawns for organising the music concert.

The CGST and SGST or IGST liability in respect of each of the above supplies is determined as under:

- i. As per the provisions of **section 12(6)**, the place of supply of services provided by way of admission to, inter alia, a cultural event shall be the place where the event is actually held. Therefore, the place of supply of services supplied by Musicera Pvt. Ltd. (Ludhiana, Punjab) to audiences by way of admission to the music concert is the location of the Hotel Dumdum, i.e. **Gurugram, Haryana**. Since the location of the supplier (Ludhiana, Punjab) and the place of supply (Gurugram, Haryana) are in different States, IGST will be leviable. **Therefore, IGST leviable will be computed as follows:**  
Consideration for supply (400 tickets @ ₹ 5,000 per ticket) = ₹ 20,00,000  
IGST @ 18% on value of supply = ₹ 20,00,000 × 18% = **₹ 3,60,000**.
- ii. **Section 12(7)(a)(i)** stipulates that the place of supply of services provided by way of organization of, inter alia, a cultural event to a registered person is the location of such person. Therefore, the place of supply of services supplied by Supriya (P) Ltd. (Delhi) to Musicera Pvt. Ltd. (Ludhiana, Punjab) by way of organising the music concert is the location of the recipient, i.e. **Ludhiana (Punjab)**. Since the location of the supplier (Delhi) and the place of supply (Ludhiana, Punjab) are in different States, IGST will be leviable. **Therefore, IGST leviable will be computed as follows:**  
Consideration for supply = ₹ 10,00,000  
IGST @ 18% on value of supply = ₹ 10,00,000 × 18% = **₹ 1,80,000**
- iii. As per the provisions of **section 12(3)(c) of the IGST Act, 2017**, the place of supply of services, by way of accommodation in any immovable property for organizing, inter alia, any cultural function shall be the location at which the immovable property is located. Therefore, the place of supply of services supplied by Hotel Dumdum (Gurugram, Haryana) to Supriya (P) Ltd. (Delhi) by way of accommodation in Hotel lawns for organising the music concert shall be the location of the Hotel Dumdum, i.e. **Gurugram, Haryana**. Since the location of the supplier (Gurugram, Haryana) and the place of supply (Gurugram, Haryana) are in the same State, CGST and SGST will be leviable. **Therefore, CGST and SGST leviable will be computed as follows:**  
Consideration for supply = ₹ 4,00,000  
CGST @ 9% on value of supply = ₹ 4,00,000 × 9% = ₹ 36,000  
SGST @ 9% on value of supply = ₹ 4,00,000 × 9% = ₹ 36,000

If the price for the entry ticket is fixed at ₹ 450, answer will change in respect of supply of service provided by way of admission to music concert, as mentioned in point (i) above. There will be **No IGST liability** if the consideration for the ticket is ₹ 450 as the inter-State services by way of right to admission to, inter alia, musical performance are exempt from IGST vide Notification No. 9/2017 IT (R) dated 28.06.2017, if the consideration for right to admission to the event is not more than ₹ 500 per person.

However, there will be no change in the answer in respect of supplies mentioned in point (ii) and (iii) above.

**Question No. 10**

[ICAI RTP MAY 21 | SWB – Q.NO:36; PG.NO: 104]

Determine the place of supply in the following independent cases: -

- I. Mr. Sahukaar (New Delhi) boards the New Delhi-Kota train at New Delhi. Mr. Sahukaar sells the goods taken on board by him (at New Delhi), in the train, at Jaipur during the journey.
- II. Vidhyut Pvt. Ltd. imports electric food processors from China for its Kitchen Store in Noida, Uttar Pradesh. Vidhyut Pvt. Ltd. is registered in Uttar Pradesh.
- III. Mr. Aatmaram, a manager in a Bank, is transferred from Bareilly, Uttar Pradesh to Bhopal, Madhya Pradesh. Mr. Aatmaram's family is stationed in Kanpur, Uttar Pradesh. He hires Gokul Carriers of Lucknow, Uttar Pradesh (registered in Uttar Pradesh), to transport his household goods from Kanpur to Bhopal.
- IV. Bholunath, a resident of New Delhi, opens his saving account in New Delhi branch of Best Bank after undergoing the KYC process. He goes to Amritsar for some official work and withdraws money from Best Bank's ATM in Amritsar thereby crossing his limit of free ATM withdrawals.



Mr. Chakmak, an architect (New Delhi), enters into a contract with Mr. Zeeshaan of New York to provide professional services in respect of immovable properties of Mr. Zeeshaan located in Pune and New York.

- (i) Section 10(1)(e) of the IGST Act, 2017 lays down that place of supply of goods supplied on board a conveyance like aircraft, train, vessel, or a motor vehicle, is the **location where such goods have been taken on board**. Thus, in the given case, the place of supply of the goods sold by Mr. Sahukaar is the location at which the goods are taken on board, i.e. **New Delhi** and not Jaipur where they have been sold.
- (ii) As per **section 11(a) of the IGST Act 2017**, if the goods have been imported in India, the place of supply of goods is the place where the **importer is located**. Thus, in the present case, the place of supply of the goods imported by Vidhyut Pvt. Ltd. is **Noida, Uttar Pradesh**.
- (iii) As per **section 12(8) of the IGST Act, 2017**, the place of supply of services by way of transportation of goods, including by mail or courier provided to an unregistered person, is the location at which such goods are handed over for their transportation.  
Since in the given case, the recipient – Aatmaram – is an **unregistered person**, the place of supply is the location where goods are handed to Gokul Carriers over for their transportation, i.e., **Kanpur**.
- (iv) As per **section 12(12) of the IGST Act, 2017**, the place of supply of banking and other financial services, including stock broking services to any person is the **location of the recipient of services in the records of the supplier of services**. Thus, in the given case, the place of supply is the location of the recipient of services in the records of the supplier bank, i.e. **New Delhi**.
- (v) As per **section 13(4) read with section 13(6) of the IGST Act, 2017**, where services supplied directly in relation to an immovable property are supplied at more than one location, including a location in the taxable territory, the place of supply is the location in the taxable territory. Since in the given case, the immovable properties are located in more than one location including a location in the taxable territory, the Place of Supply of architect services is the location in the taxable territory. i.e., **Pune**.

**Question No. 11**

[ICAI RTP May 23 | SWB – Q.NO:45; PG.NO: 109]

Alpha is a manufacturer and supplier of a machine in India. Gamma of USA helps Alpha in selling the machine by identifying client in USA, viz., Beta who wants to purchase this machine and helps in finalizing the contract of supply of machine by Alpha to Beta. Gamma charges Alpha for his services of locating Beta and helping in finalizing the sale of machine between Alpha and Beta, for which Gamma invoices Alpha and is paid by Alpha for the same. Determine the place of supply of the services provided by Gamma to Alpha.



As per section 13(8)(b) of the IGST Act, 2017, the place of supply of the intermediary services shall be the location of the supplier of services. 'Intermediary' has been defined in of section 2(13) of the IGST Act, as a broker, an agent or any other person, by whatever name called, who arranges or facilitates the supply of goods or services or both, or securities, between two or more persons, but does not include a person who supplies such goods or services or both or securities on his own account.

Further, the concept of intermediary services has been clarified vide Circular No. 159/15/2021 GST dated 21.09.2021 as follows:

- I. **Minimum of three parties and two distinct supplies:** There must be minimum of three parties, two principals transacting in the supply of goods or services or securities (the main supply) and one intermediary arranging or facilitating (the ancillary supply) the said main supply.
- II. **Intermediary service provider to have the character of an agent, broker or any other similar person:** Intermediary only arranges or facilitates the main supply and does not himself provide the main supply. Thus, the role of intermediary is only supportive.
- III. **Does not include a person who supplies such goods or services or both or securities on his own account:** It implies that in cases wherein the person supplies the main supply, either fully or partly, on principal-to-principal basis, the said supply cannot be covered under the scope of "intermediary".
- IV. **Sub-contracting for a service is not an intermediary service:** Sub-contractor provides the main supply, either fully or a part thereof, and does not merely arrange or facilitate the main supply between the principal supplier and his customers, and therefore, clearly is not an intermediary.

In the backdrop of the above discussion, while Alpha and Beta are the two principals involved in the main supply of the machinery, Gamma, is facilitating the supply of machine between Alpha and Beta. In this arrangement, Gamma is providing the ancillary supply of arranging or facilitating the 'main supply' of machine between Alpha and Beta and therefore, Gamma is an intermediary and is providing intermediary service to Alpha.

Resultantly, in terms of section 13(8)(b) of the IGST Act, 2017, the place of supply of the intermediary services provided by Gamma shall be the location of the supplier of services, viz. outside India (USA).

**Question No. 12**

[SWB – Q.NO: 8; PG.NO: 113]

Minaz purchased a Mini Cooper Car on 12.10.2020 for ₹35,00,000. The purchase of car was financed by 70% by Smart Finance Ltd. for 70%. The loan was payable in 40 instalments beginning with 01.11.2020. Mr. Minaz defaulted in repayment of loan and Smart Finance Ltd repossessed the car on 15.06.2021. The car was disposed on 12.12.2021 for ₹ 29,50,000. Determine the value of taxable supply as per Rule 32(5) of CGST Rules, 2017.



As per Rule 32(5) of CGST Rules, the purchase value of goods repossessed from a defaulting borrower, who is not registered, for the purpose of recovery of a loan or debt shall be deemed to be the purchase price of such goods by the defaulting borrower reduced by five percentage points for every quarter or part thereof, between the date of purchase and the date of disposal by the person making such repossession.

Thus, the value of supply is determined as under:

Particulars	Information
Purchase price of car	₹ 35,00,000
Date of purchase of car	12.10.2020
Date when repossessed car is sold	12.12.2021
No of quarters or part thereof	5
Percentage points for the no of quarters for which goods held prior to sale	25%
Amount to be reduced from purchase price (25% of 35,00,000)	₹ 8,75,000
<b>Value of taxable supply [35,00,000 - 8,75,000]</b>	<b>₹ 26,25,000</b>

The value taxable supply for levy of GST shall be difference between selling price & purchase price i.e., ₹ 3,25,000 [₹29,50,000- ₹26,25,000]

**Question No. 13 [ICAI Nov 20 – 4 Marks] | [SWB – Q.NO: 47; PG.NO: 142]**

M/s Global Travels is providing money changer and air travel agent services to various clients. From the information provided below, you are required to calculate the value of taxable supply for the month of March 2022:

- I. It had converted US \$ 6,000 into Singapore Dollar 9,000. RBI reference rate at that time was ₹ 72 per US \$ and for Singapore Dollar, it was ₹ 52.
- II. It had booked domestic ticket value of ₹ 7,00,000 and International ticket value of ₹ 15,00,000.

Additional information:

The concern has not opted to value the money change under Rule 32(2)(b) of CGST Rules. Basic Air Fare component under both domestic and international ticket value is 70% and 60% respectively.

- I. Since in the given case, neither of the currencies exchanged is Indian Rupees, value of taxable supply, in terms of rule 32(2)(a) of the CGST Rules, 2017, is 1% of lower of the following:
  - a) US dollar converted into Indian rupees at RBI reference rate = US \$ 6,000 × ₹ 72 = ₹ 4,32,000
  - b) Singapore dollar converted into Indian rupees at RBI reference rate = Singapore dollar 9,000 × ₹ 52 = ₹ 4,68,000

Value of taxable service for the month of March 2020 = 1% of ₹ 4,32,000 = ₹ 4,320

**II. Computation of value of taxable supply**

Particulars	₹	₹
Basic fare in case of domestic bookings [₹ 7,00,000 × 70%]	4,90,000	
Value of taxable supply @ 5% [A] [Rule 32(3) of the CGST Rules, 2017]		24,500
Basic fare in case of international bookings [₹ 15,00,000×60%]	9,00,000	
Value of taxable supply @ 10% [B] [Rule 32(3) of the CGST Rules, 2017]		90,000
Value of taxable supply [A] + [B]		1,14,500

**Question No. 14 [ICAI RTP Nov 22] | [SWB – Q.NO: 50; PG.NO: 144]**

Super Lever Limited is engaged in manufacture of taxable electronic goods. Its two manufacturing units are located in Mumbai and Nagpur and both the units are registered under GST in the State of Maharashtra. The company has another manufacturing unit in Bangalore, registered under GST in the State of Karnataka and a retail showroom located in Ahmedabad, registered under GST in the State of Gujarat.

The company has provided the following details of the activities/transactions undertaken in a tax period:

S. No.	Particulars	Mumbai unit (₹)	Nagpur unit (₹)
(i)	Sale of taxable goods	12,50,000	13,50,000
(ii)	Interest received on fixed deposits with a nationalised bank		1,08,000
(iii)	Sale of securities [Such securities were purchased for ₹ 2,75,000]	4,50,000	
(iv)	Sale of agricultural land in the vicinity of the manufacturing plant [Stamp duty was paid on ₹ 1,85,00,000]		1,85,00,000
(v)	Sale of old factory building which was not used anymore [Stamp duty was paid on ₹ 75,00,000]	90,00,000	
(vi)	Transfer of actionable claims (other than lottery, betting and gambling)		2,00,000

Compute the value of supply (most beneficial) made by Bangalore unit as well as the value of supply (most beneficial) made by Ahmedabad Retail Showroom, with respect to transfer of goods by these units to M/s. Equilibrium Sales, M/s. Paridhi Sales and M/s. Dhara Enterprises, if Super Lever Limited furnishes the following additional information for the month of October:

- (I) Bangalore unit has appointed M/s. Equilibrium Sales as its sole selling agent. M/s. Equilibrium Sales sells the electronic goods of Bangalore unit under the invoice issued in its own name. The Bangalore unit transferred the goods costing ₹ 7,25,000 to M/s. Equilibrium Sales on 20th October which were sold by M/s. Equilibrium Sales on 31st October at ₹ 7,65,000. On 20th October, another electronic goods' manufacturer supplied

the goods of like kind and quality to M/s. Equilibrium Sales as the one supplied by the Bangalore unit at a price of ₹ 7,75,000.

- (II) The Retail Showroom at Ahmedabad transfers goods costing ₹ 85,000 to its agent, M/s. Paridhi Sales on 12th October. M/s. Paridhi Sales sells such goods on 18th October at ₹ 5,00,000 under the invoice issued in the name of Retail Showroom at Ahmedabad. On 17th October, M/s Paridhi Sales has sold goods of like kind and quality as the one supplied by the Retail Showroom at Ahmedabad to an unrelated customer at ₹ 4,70,000.

The Retail Showroom at Ahmedabad also transfers goods costing ₹ 95,000 to its agent, M/s. Dhara Enterprises on 15th October. M/s. Dhara Enterprises sells such goods on 20th October at ₹ 1,00,000 under the invoice issued in its own name. On 19th October, M/s Dhara Enterprises has sold goods of like kind and quality as the one supplied by the Retail Showroom at Ahmedabad to an unrelated customer at ₹ 98,000.

**Note:** M/s. Equilibrium Sales, M/s. Paridhi Sales and M/s. Dhara Enterprises are not eligible for full input tax credit. Further, open market value of the goods is not available in any of the above cases.

- (I) As per clause (c) of explanation to section 15, persons who are associated in the business of one another in that one is the sole agent or sole distributor or sole concessionaire, howsoever described, of the other, shall be deemed to be related.

Thus, in the given case, since M/s. Equilibrium Sales is a sole selling agent of Bangalore unit, both are related persons.

Further, an activity/transaction qualifies as supply under GST only if it is undertaken for a consideration and is in course/furtherance of business. However, supply of goods between 'related persons' made in the course or furtherance of business qualifies as supply even if made without consideration [Section 7(1)(c) read with Schedule I].

Furthermore, value of supply of goods between related persons (other than through an agent) is determined as per rule 28. Accordingly, the value of supply of goods between related persons will be determined as follows:

- (a) the open market value of such supply;
- (b) if open market value is not available, the value of supply of goods or services of like kind and quality;
- (c) if value cannot be determined under the above methods, it must be worked out based on the cost of the supply plus 10% mark-up or by other reasonable means, in that sequence.

However, where the goods are intended for further supply as such by the recipient, the value shall, at the option of the supplier, be an amount equivalent to 90% of the price charged for the supply of goods of like kind and quality by the recipient to his unrelated customer.

Further, where the recipient is eligible for full input tax credit, the value declared in the invoice shall be deemed to be the open market value of the goods.

- (II) An activity/transaction qualifies as supply under GST only if it is undertaken for a consideration and is in course/furtherance of business. However, supply of goods by a principal to his agent where the agent undertakes to supply such goods on behalf of the principal is considered as supply even if made without consideration provided the invoice for further supply is issued by the agent in his own name [Section 7(1)(c) read with Schedule I to the CGST Act, 2017]. Where the invoice is issued by the

Open market value of the goods is not available in the given case. Further, since M/s. Equilibrium Sales is not eligible for full input tax credit, value declared in the invoice cannot be deemed to be the open market value of the goods. Since M/s. Equilibrium Sales further supplies the goods, value of the goods will be lower of:

- (a) value of supply of goods or services of like kind and quality, i.e. ₹ 7,75,000 or
- (b) 90% of the price charged for the supply of goods of like kind and quality by M/s. Equilibrium Sales to its unrelated customer, i.e. ₹ 6,88,500 [₹ 7,65,000 × 90%].

Thus, the value of supply, in the given case, will be ₹ 6,88,500.

agent to the customer in the name of the principal, such agent is not an agent in terms of Schedule I.

Since M/s. Paridhi Sales sells the goods under the invoice issued in the name of Retail Showroom at Ahmedabad, it is not an agent in terms of Schedule I. Resultantly, transfer of goods by Retail

Showroom at Ahmedabad to M/s. Paridhi Sales does not qualify as supply since it is made without consideration.

Further, since M/s. Dhara Enterprises sells the goods under the invoice issued in its own name, it falls within the purview of an agent in terms of Schedule I. Resultantly, transfer of goods by Retail Showroom at Ahmedabad to M/s. Dhara Enterprises qualifies as supply even though it is made without consideration.

Value of supply of goods made through an agent is determined as per rule 29. Accordingly, the value of supply of goods between the principal and his agent is the open market value of the goods being supplied, or at the option of the supplier, is 90% of the price charged for the supply of goods of like kind and quality by the recipient to his unrelated customer, where the goods are intended for further supply by the said recipient.

In the given case, since open market value is not available, value of the goods supplied to M/s. Dhara Enterprises will be ₹ 88,200 [90% of ₹ 98,000].

Thus, value of supply of Bangalore unit is ₹ 6,88,500 and of Retail Showroom at Ahmedabad is ₹ 88,200.

**Question No. 15 [ICAI MTP May 23 – 4 Marks] | [SWB – Q.NO: 51; PG.NO: 146]**

Jeevan Life Insurance Company Limited (JLICL) has collected premium from policy subscribers. It does not intimate the amount allocated for investment to subscribers of the policy at the time of supply of insurance services. The company has provided the following details in relation to its receipts:

SI. No.	Particulars	Amount
1.	Premium for only risk cover	25,00,000
2.	Premium from new policy subscribers	40,00,000
3.	Renewal premium	80,00,000
4.	Single premium on annuity policy	1,00,00,000

All amounts are exclusive of tax. You are required to compute the value of supply by JLICL in terms of rule 32(4) of the CGST Rules, 2017.

As per rule 32(4) of the CGST Rules, 2017, the value of supply of services in relation to life insurance business, when the amount allocated for investment/ savings on behalf of the policy holder is not intimated to the policy holder at the time of supply of service, is-

- (i) in case of single premium annuity policies, 10% of single premium charged from the policy holder;
- (ii) in all other cases, 25% of the premium charged from the policy holder in the first year and 12.5% of the premium charged from the policy holder in subsequent years;
- (iii) in case the entire premium paid by the policy holder is only towards the risk cover in life insurance, the premium so paid.

Therefore, in the given case, the value of the services provided by JLICL will be computed as under:

**Computation of value of supply for JLICL**

Particulars	Amount (₹)
Premium for only risk cover	25,00,000
Premium from new policy subscribers 25% of ₹ 40,00,000	10,00,000
Renewal premium 12.5% of ₹ 80,00,000	10,00,000
Single premium on annuity policy 10% of ₹ 1,00,00,000	10,00,000
Total value of supply	55,00,000

**Question No. 16 [ICAI NOV 18 (OLD) (10 MARKS)] | [SWB – Q.NO: 46; PG.NO: 183]**

Quanto Enterprises is not required to register under CGST Act. However, it applied for voluntary registration on 17th September. Registration certificate has been granted to the firm on 25th September. The CGST and SGST liability of the firm for the month of September is ₹ 24,000 each. The firm is not engaged in making inter-State outward taxable supplies.

Quanto Enterprises provides the following information regarding capital goods and inputs held in stock by it as on 24th September:

Particulars	Amount (₹)
Inputs procured on 2 <sup>nd</sup> September lying in stock	
- CGST @ 6%	4,500
- SGST @ 6%	4,500
Input received on 21 <sup>st</sup> July contained in semi-finished goods held in stock:	
- CGST @ 6%	7,500
- SGST @ 6%	7,500
Value of inputs contained in finished goods held in stock- ₹ 2,00,000 [Such inputs were procured on 19th September last year. Invoice for the goods was also dated the same day]	
- IGST @ 18%	36,000
Inputs valued at ₹ 50,000 procured on 13 <sup>th</sup> September lying in stock:	
- IGST @ 18%	9,000
Capital goods procured on 12 <sup>th</sup> September	
-CGST @ 6%	12,000
-SGST @ 6%	12,000

You are required to compute the net GST payable from Electronic Cash Ledger by Quanto Enterprises for the month of September.

You are also required to mention reasons for treatment of all above items.

Computation of net GST payable from Electronic Cash Ledger by Quanto Enterprises for the month of September:

Particulars	CGST (₹)	SGST (₹)
Output tax liability for the month	24,000	24,000
Less: ITC [Notes 1 & 2]	9,000 (IGST)	12,000 (SGST)
	12,000 (CGST)	
<b>Net GST payable (from electronic cash ledger)</b>	<b>3,000</b>	<b>12,000</b>

**Notes:**

- 1) Credit of IGST is first utilized towards payment of IGST and thereafter for CGST and SGST in any order and in any proportion. Credit of CGST and SGST can be utilized only after IGST credit has been fully utilized [Rule 88A read with sections 49(5), 49A and 49B].  
Since Quanto Enterprises does not make any inter-State supply, in the above answer, entire credit of IGST has been utilized towards payment of CGST. Credit of IGST can also be utilised against SGST liability or against both CGST and SGST liabilities in any proportion and thus, the final answer will change accordingly.
- 2) As per **section 18(1)(b)** a person who takes voluntary registration is entitled to take credit of input tax in respect of **inputs held in stock and inputs contained in semi-finished/ finished goods held in stock on the day immediately preceding the date of grant of registration.**  
However, **he cannot take ITC in respect of capital goods** held on the day immediately preceding the date of grant of registration.  
ITC on inputs needs to be availed within 1 year from the date of issue of the invoice by the supplier [Section 18(2)].

In this case, since Quanto Enterprises has been granted voluntary registration on 25th September, it will be entitled to ITC on inputs held in stock and inputs contained in semi-finished/ finished goods held in stock, on 24th September.

In view of the said provisions, eligible ITC for Quanto Enterprises is computed as follows:

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
Inputs held in stock since 2 <sup>nd</sup> September	4,500	4,500	-
Inputs received on 21 <sup>st</sup> July contained in semi-finished goods held in stock	7,500	7,500	-

Inputs contained in finished goods held in stock which were procured on 19 <sup>th</sup> September last year [Procured prior to one year, hence ITC cannot be availed]	-	-	Nil
Inputs held 13 <sup>th</sup> September			9,000
Capital goods procured on 12 <sup>th</sup> September	Nil	Nil	
<b>Total ITC</b>	<b>12,000</b>	<b>12,000</b>	<b>9,000</b>

**Question No. 17**

**[ICAI MAY 19(OLD)- 10 MARKS] | [SWB – Q.NO: 50; PG.NO: 193]**

Vansh Shoppe is a registered supplier of both taxable and exempted goods, registered under GST in the State of Rajasthan. Vansh Shoppe has furnished the following details for a month:



	(₹)
1) Details of sales:	
Supply of taxable goods	50,00,000
Supply of goods not leviable to GST	10,00,000
2) Details of goods purchased for being sold in the shop:	
Taxable good	45,00,000
Goods not leviable to GST	4,00,000
Details of expenses:	
3) Monthly rent payable for the shop	3,50,000
Telephone expenses paid (₹ 30,000 for land line phone installed at the shop and ₹ 20,000 towards mobile phone bills of the employees – Mobile phones are given to employees for official use)	50,000
Audit fees paid to a Chartered Accountant (₹ 35,000 for filing of income tax return & the statutory audit of preceding financial year and ₹ 25,000 for filing of GST return)	60,000
Premium paid on health insurance policies taken for specified employees of the shop as per company policy.	10,000
Freight paid to goods transport agency (GTA) for inward transportation of goods not leviable to GST	50,000
Freight paid to goods transport agency (GTA) for inward transportation of taxable goods	1,50,000
Goods given as free samples (Not included in Taxable goods value of 45,00,000)	5,000

All the above amounts are exclusive of all kind of taxes, wherever applicable.

All the purchases and sales made by Vansh Shoppe are within Rajasthan. All the purchases are made from registered suppliers. All the other expenses incurred are also within Rajasthan.

Assume, wherever applicable, for purpose of reverse charge payable by Vansh Shoppe, the CGST, SGST and IGST rates as 2.5%, 2.5% and 5% respectively. CGST, SGST and IGST rates to be 6%, 6% and 12% respectively in all other cases.

There is no opening balance in the electronic cash ledger or electronic credit ledger. Subject to the information given above, assume that all the other conditions necessary for availing ITC have been fulfilled.

You are required to compute the following:

- 1) Input Tax Credit (ITC) credited to Electronic Credit Ledger
- 2) Common credit available for apportionment
- 3) ITC attributable towards exempt supplies out of common credit
- 4) Net GST payable from Electronic Cash Ledger for the month

**1) Computation of ITC credited to Electronic Credit Ledger:**

ITC attributable to inputs and input services intended to be used for business purposes is credited to the electronic credit ledger. ITC attributable to inputs and input services intended to be used

exclusively for non-business purposes, for effecting exclusively exempt supplies and on which credit is blocked under section 17(5) is not credited to electronic credit ledger [Sections 16 and 17].

**In the light of the aforementioned provisions, the ITC credited to electronic credit ledger of Vansh Shoppe is calculated as under:**

<u>Particulars</u>	<u>Amount (₹)</u>	<u>CGST @ 6% (₹)</u>	<u>SGST@6% (₹)</u>
GST paid on taxable goods	45,00,000	2,70,000	2,70,000
Goods not leviable to GST [Since non-taxable, no GST is paid]	4,00,000	Nil	Nil
GST paid on monthly rent for shop	3,50,000	21,000	21,000
GST paid on telephone expenses	50,000	3,000	3,000
GST paid on audit fees	60,000	3,600	3,600
GST paid on premium of health insurance policies as per company policy [ITC on health insurance service is allowed only if it is obligatory for employers to provide such services to its employees under any law for the time being in force- Proviso to section 17(5)(b)].	10,000	Nil	Nil
Goods given as free samples [ITC on goods disposed of by way of free samples is blocked under section 17(5)(h)]	5,000	Nil	Nil
<u>Particulars</u>	<u>Amount (₹)</u>	<u>CGST @ 2.5% (₹)</u>	<u>CGST @ 2.5% (₹)</u>
Freight paid to GTA for inward transportation of non-taxable goods under reverse charge [Since definition of exempt supply under section 2(47) specifically includes non- taxable supply, the input service of inward transportation of non-taxable goods is being exclusively used for effecting exempt supplies.]	50,000	Nil	Nil
Freight paid to GTA for inward transportation of taxable goods under reverse charge	1,50,000	3,750	3,750
ITC credited to the electronic ledger		3,01,350	3,01,350
Less: ITC reversal [ITC out of common credit, attributable to exempt supplies] (Refer point no. 2 & 3 below)		(4,600)	(4,600)
<b>Net ITC available</b>		<b>2,96,750</b>	<b>2,96,750</b>

**2) Computation of common credit available for apportionment:**

**Common Credit** = ITC credited to Electronic Credit Ledger – ITC attributable to inputs and input services intended to be used exclusively for effecting taxable supplies [Section 17 read with Rule 42].

<u>Particulars</u>	<u>CGST (₹)</u>	<u>SGST (₹)</u>
ITC credited to Electronic Credit Ledger	3,01,350	3,01,350
Less: ITC on taxable goods	2,70,000	2,70,000
Less: ITC on freight paid to GTA for inward transportation of taxable goods	3,750	3,750
<b>Common credit</b>	<b>27,600</b>	<b>27,600</b>

**3) Computation of ITC attributable towards exempt supplies out of common credit:**

ITC attributable towards exempt supplies = Common credit x (Aggregate value of exempt supplies during the tax period/ Total turnover during the tax period)[Section 17 read with rule 42].

<u>Particulars</u>	<u>CGST (₹)</u>	<u>SGST (₹)</u>
ITC attributable towards exempt supplies [₹ 27,600 x (₹ 10,00,000/₹ 60,00,000)]	4,600	4,600

4) Computation of net GST liability for the month		
Particulars	CGST (₹)	SGST (₹)
<b><u>GST liability under forward charge:</u></b>		
Supply of taxable goods [₹ 50,00,000 × 6%]	3,00,000	3,00,000
Total output tax liability under forward charge	3,00,000	3,00,000
<b>Less:</b> ITC credited to the electronic credit ledger	2,96,750	2,96,750
<b>Net GST payable [A]</b>	<b>3,250</b>	<b>3,250</b>
<b><u>GST liability under reverse charge:</u></b>		
Freight paid to GTA for inward transportation of taxable goods [₹ 1,50,000 × 2.5%]	3,750	3,750
Freight paid to GTA for inward transportation of non-taxable goods [₹ 50,000 × 2.5%]	1,250	1,250
Total tax liability under reverse charge [B]	5,000	5,000
<b>Net GST liability [A] + [B]</b>	<b>8,250</b>	<b>8,250</b>
Note: Amount available in the electronic credit ledger may be used for making payment towards output tax [Section 49]. However, tax payable under reverse charge is not an output tax in terms of definition of output tax provided under section 2(82). Therefore, tax payable under reverse charge cannot be set off against the input tax credit and thus, will have to be paid in cash.		

**Question No. 18 [ICAI MTP NOV 19 (10 MARKS)] | [SWB – Q.NO: 51; PG.NO: 196]**

Mr. Rajesh Surana has a proprietorship firm in the name of Surana & Sons in Jaipur. The firm, registered under GST in the State of Rajasthan, manufactures three taxable products 'M', 'N' and 'O'. Tax on 'N' is payable under reverse charge. The firm also provides taxable consultancy services.



The firm has provided the following details for a tax period:

Particulars	(₹)
Turnover of 'M' (excluding export sales)	14,00,000
Turnover of 'N'	6,00,000
Turnover of 'O' (excluding export sales)	10,00,000
Export of 'M' with payment of IGST (not eligible to avail benefit of merchant exports under Notification No. 41/2017)	2,50,000
Export of 'O' under letter of undertaking	10,00,000
Consultancy services provided to unrelated clients located in foreign countries. In all cases, the consideration has been received in convertible foreign exchange	20,00,000
Sale of building (excluding stamp duty of ₹ 2.50 lakh, being 2% of value) [Entire consideration is received post issuance of completion certificate; building was occupied thereafter]	1,20,00,000
Interest received on investment in fixed deposits with a bank	4,00,000
Sale of shares (Purchase price ₹ 2,40,00,000/-)	2,50,00,000
Legal services received from an advocate in relation to product 'M'	3,50,000
Common inputs and input services used for supply of goods and services mentioned above [Inputs - ₹ 35,00,000; Input services - ₹ 15,00,000]	50,00,000

With the help of the above-mentioned information, compute the net GST liability of Surana & Sons, payable from Electronic Credit Ledger and/or Electronic Cash Ledger, as the case may be, for the tax period.

Note: Assume that rate of GST on goods and services are 12% and 18% respectively (Ignore CGST, SGST or IGST for the sake of simplicity). Subject to the information given above, assume that all the other conditions necessary for availing ITC have been fulfilled. Turnover of Surana & Sons was ₹ 85,00,000 in the previous financial year.



**Computation of net GST liability of Surana & Sons for the tax period:**

Particulars	(₹)
GST payable on outward supply [Refer Working Note 1]	3,18,000
<b>Less:</b> Input tax credit (ITC) [Refer Working Note 3]	2,78,180
GST payable from Electronic Cash Ledger [A]	39,820
<b>Add:</b> GST payable on legal services under reverse charge [₹ 3,50,000 X 18%] [B]	63,000
[Tax on legal services provided by an advocate to a business entity, is payable under reverse charge by the business entity in terms of Notification No. 13/2017 CT (R) dated 28.06.2017. Further, such services are not eligible for exemption provided under Notification No. 12/2017 CT (R) dated 28.06.2017 as the turnover of the business entity (Surana & Sons) in the preceding financial year exceeds ₹ 20 lakh.]	
<b>Total GST paid from Electronic Cash Ledger [A] + [B]</b> [As per section 49(4) 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). Therefore, input tax credit cannot be used to pay tax payable under reverse charge and thus, tax payable under reverse charge will have to be paid in cash.]	<b>1,02,820</b>

**Working Note 1:**

**Computation of GST payable on outward supply:**

Particulars	Value (₹)	GST (₹)
<b>Turnover of 'M'</b> [liable to GST @ 12%]	14,00,000	1,68,000
<b>Turnover of 'N'</b> [Tax on 'N' is payable under reverse charge by the recipient of such goods]	6,00,000	Nil
<b>Turnover of 'O'</b> [liable to GST @ 12%]	10,00,000	1,20,000
<b>Export of 'M'</b> with payment of IGST @ 12%	2,50,000	30,000
<b>Export of 'O' under letter of undertaking (LUT)</b> [Export of goods is a zero-rated supply in terms of section 16(1)(a) of the IGST Act, 2017. A zero-rated supply can be supplied without payment of tax under a LUT in terms of section 16(3)(a) of that Act.]	10,00,000	Nil
<b>Consultancy services provided to independent clients located in foreign countries.</b> [The activity is an export of service in terms of section 2(6) of the IGST Act, 2017 as- <ul style="list-style-type: none"> <li>the supplier of service is located in India;</li> <li>the recipient of service is located outside India;</li> <li>place of supply of service is outside India (in terms of section 13(2) of the IGST Act, 2017);</li> <li>payment for the service has been received in convertible foreign exchange or in Indian rupees wherever permitted by the Reserve Bank of India; and</li> <li>supplier of service and recipient of service are not merely establishments of distinct person.</li> </ul> [Export of services is a zero-rated supply in terms of section 16(1)(a) of the IGST Act, 2017. A zero-rated supply can be supplied without payment of tax under a LUT in terms of section 16(3)(a) of that Act.]	20,00,000	Nil
<b>It is assumed that export has been made under LUT</b>		
<b>Sale of building</b> [Sale of building is neither a supply of goods nor a supply of services in terms of para 5 of Schedule III to the CGST Act, provided the entire consideration has been received after issue of completion certificate by the competent authority or after its occupation, whichever is earlier. Hence, the same is not liable to GST]	1,20,00,000	Nil
<b>Interest received on investment in fixed deposits with a bank</b>	4,00,000	Nil

[Exempt vide Notification No. 12/2017 CT (R) dated 28.06.2017]		
<b>Sale of shares</b> [Shares are neither goods nor services in terms of section 2(52) and 2(102). Hence, sale of shares is neither a supply of goods nor a supply of services and hence, is not liable to any tax.]	2,50,00,000	Nil
<b>Total GST payable on outward supply</b>		<b>3,18,000</b>

Particulars	(₹)
<b>Common credit on inputs and input services</b> [Tax on inputs - ₹ 4,20,000 (₹ 35,00,000 × 12%) + Tax on input services - ₹ 2,70,000 (₹ 15,00,000 × 18%)]	6,90,000
<b>Common credit attributable to exempt supplies</b> (rounded off) = Common credit on inputs and input services × (Exempt turnover during the period / Total turnover during the period) = ₹ 6,90,000 × ₹ 1,33,50,000 / ₹ 1,94,00,000 Exempt turnover = ₹ 1,33,50,000 and total turnover = ₹ 1,94,00,000 [Refer note below]	4,74,820

**Note:**

As per section 17(3), value of exempt supply includes supplies on which the recipient is liable to pay tax on reverse charge basis, transactions in securities, sale of land and, subject to clause (b) of paragraph 5 of Schedule II, sale of building. As per explanation to Chapter V of the CGST Rules, the value of exempt supply in respect of land and building is the value adopted for paying stamp duty and for security is 1% of the sale value of such security.

Further, as per explanation to Rule 42, the aggregate value of exempt supplies inter alia excludes the value of services by way of accepting deposits, extending loans or advances in so far as the consideration is represented by way of interest or discount, except in case of a banking company or a financial institution including a non-banking financial company, engaged in supplying services by way of accepting deposits, extending loans or advances.

Therefore, value of exempt supply in the given case will be the sum of value of output supply on which tax is payable under reverse charge (₹ 6,00,000), value of sale of building (₹ 2,50,000 / 2 × 100 = ₹ 1,25,00,000) and value of sale of shares (1% of ₹ 2,50,00,000 = ₹ 2,50,000), which comes out to be ₹ 1,33,50,000.

**Total turnover = ₹ 1,94,00,000**

(₹ 14,00,000 + ₹ 6,00,000 + ₹ 10,00,000 + ₹ 2,50,000 + ₹ 10,00,000 + ₹ 20,00,000 + ₹ 1,25,00,000 + ₹ 4,00,000 + ₹ 2,50,000)

**Working Note 3**

**Computation of ITC available in the Electronic Credit Ledger of the Surana & Sons for the tax period:**

Particulars	(₹)
Common credit on inputs and input services	6,90,000
Legal services used in the manufacture of taxable product 'M'	<u>63,000</u>
ITC available in the Electronic Credit Ledger	7,53,000
<b>Less:</b> Common credit attributable to exempt supplies during the tax period [Refer Working Note 2]	(4,74,820)
<b>Net ITC available</b>	<b><u>2,78,180</u></b>

Question No. 19

[ICAI MTP MAY 18 - 10 MARKS] | [SWB - Q.NO: 52; PG.NO: 199]

V-Supply Pvt. Ltd. is a registered manufacturer of auto parts in Kolkata, West Bengal. The company has a manufacturing facility registered under Factories Act, 1948 in Kolkata. It procures its inputs indigenously from both registered and unregistered suppliers located within as well as outside West Bengal as also imports some raw material from China.



The company reports the following details for a tax period:

Payments	(₹) (in lakh)	Receipts	(₹) (in lakh)
Raw material	3.5	Sales	15
Consumables	1.25		
Transportation charges for bringing the raw material to factory	0.70		
Salary paid to employees on rolls	5.0		
Premium paid on life insurance policies taken for specified employees	1.60		
Audit fee	0.50		
Telephone expenses	0.30		
Bank charges	0.10		

All the above amounts are exclusive of all kinds of taxes, wherever applicable. However, the applicable taxes have also been paid by the company.

Further, following additional details are furnished by the company in respect of the payments and receipts reported by it:

- i. Raw material amounting to ₹ 0.80 lakh is procured from Bihar and ₹ 1.5 lakh is imported from China. Basic customs duty of ₹ 0.15 lakh, social welfare surcharge of ₹ 0.015 lakh and integrated tax of ₹ 0.2997 lakh are paid on the imported raw material. Remaining raw material is procured from suppliers located in West Bengal. Out of such raw material, raw material worth ₹ 0.30 lakh is procured from unregistered suppliers; the remaining raw material is procured from registered suppliers. Further, raw material worth ₹ 0.05 lakh purchased from registered supplier located in West Bengal has been destroyed due to seepage problem in the factory and thus, could not be used in the manufacturing process.
- ii. Consumables are procured from registered suppliers located in Kolkata and include diesel worth ₹ 0.25 lakh for running the generator in the factory.
- iii. Transportation charges comprise of ₹ 0.60 lakh paid to Goods Transport Agency (GTA) in Kolkata and ₹ 0.10 lakh paid to horse pulled carts. GST applicable on the services of GTA is 5%.
- iv. Life insurance policies for specified employees have been taken by the company to fulfill a statutory obligation in this regard. The life insurance service provider is registered in West Bengal.
- v. Audit fee is paid to M/s Goyal & Co., a firm of Chartered Accountants registered in West Bengal, for the statutory audit of the preceding financial year
- vi. Telephone expenses pertain to bills for landline phone installed at the factory and mobile phones given to employees for official use. The telecom service provider is registered in West Bengal.
- vii. Bank charges are towards company's current account maintained with a Private Sector Bank registered in West Bengal.
- viii. The breakup of sales is as under:
  - Sales in West Bengal – ₹ 7 lakh
  - Sales in States other than West Bengal – ₹ 3 lakh
  - Export under LUT – ₹ 5 lakh
- ix. The opening balance of ITC with the company for the tax period is:
  - CGST - ₹ 0.15 lakh
  - SGST - ₹ 0.08 lakh
  - IGST - ₹ 0.09 lakh

Compute (i) ITC available with V-Supply Pvt. Ltd. for the tax period; and (ii) Net GST payable [CGST, SGST or IGST, as the case may be] from Electronic Cash Ledger by V-Supply Pvt. Ltd. for the tax period.

Note-

- CGST, SGST & IGST rates to be 9%, 9% and 18% respectively, wherever applicable.
- The necessary conditions for availing ITC have been complied with by V-Supply Pvt. Ltd., wherever applicable.

You are required to make suitable assumptions, wherever necessary.

**Computation of ITC available with V-Supply Pvt. Ltd. for the tax period:**

S. No.	Particulars	ITC			
		CGST* ₹	SGST* ₹	IGST* ₹	Total ₹
1)	Opening balance of ITC	15,000	8,000	9,000	32,000
2)	<b>Raw Material</b>				
	Raw material purchased from Bihar [Refer Note 1(i)]			14,400	14,400
	Raw material imported from China [Refer Note 1(ii)]			29,970	29,970
	Raw material purchased from unregistered suppliers within West Bengal [Refer Note 1(iii)]	Nil	Nil		Nil
	Raw material destroyed due to seepage [Refer Note 1(iv)]	Nil	Nil		Nil
	Remaining raw material purchased from West Bengal [Refer Note 1(i)] [₹ 3.5 - ₹ 1.5 - ₹ 0.80 - ₹ 0.30 - ₹ 0.05] = ₹ 0.85]	7,650	7,650		15,300
	<b>Total ITC for raw material</b>	<b>7,650</b>	<b>7,650</b>	<b>44,370</b>	<b>59,670</b>
3)	Consumables [Refer Note 2]	9,000	9,000		18,000
4)	Transportation charges for bringing the raw material to factory [Refer Note 3]	1,500	1,500		3,000
5)	Salary paid to employees on rolls [Refer Note 4]	Nil	Nil	Nil	Nil
6)	Premium paid on life insurance policies taken for specified employees [Refer Note 5]	14,400	14,400	-	28,800
7)	Audit fee [Refer Note 6]	4,500	4,500	-	9,000
8)	Telephone expenses [Refer Note 6]	2,700	2,700		5,400
9)	Bank charges [Refer Note 6]	900	900		1,800
	<b>Total ITC available for the tax period</b>	<b>55,650</b>	<b>48,650</b>	<b>53,370</b>	<b>1,57,670</b>

Particulars	CGST* ₹	SGST* ₹	IGST* ₹	Total ₹
On Intra-state sales in West Bengal	63,000	63,000		1,26,000
On Inter-state sales other than West Bengal			54,000	54,000
On exports under LUT [Note 7]	Nil	Nil	Nil	Nil
<b>Total output tax liability</b>	<b>63,000</b>	<b>63,000</b>	<b>54,000</b>	<b>1,80,000</b>
<b>Less: ITC available for being set off [Note 8 and Note 9]</b>	<b>(55,650)</b>	<b>(48,650)</b>	<b>(53,370)</b>	<b>(1,57,670)</b>
Net GST payable from Electronic Cash Ledger [A]	7,350	14,350	630	22,330
GST payable on inward supply of GTA services under reverse charge through Electronic Cash Ledger [Note 3 and 10] [B]	1,500	1,500		3,000
<b>Net GST payable through Electronic Cash Ledger [A] + [B]</b>	<b>8,850</b>	<b>15,850</b>	<b>630</b>	<b>25,330</b>

**Notes:**

- 1)
  - i. Credit of input tax (CGST & SGST/IGST) paid on raw materials used in the course or furtherance of business is available in terms of section 16(1).
  - ii. IGST paid on imported goods qualifies as input tax in terms of section 2(62)(a). Therefore, credit of IGST paid on imported raw materials used in the course or furtherance of business is available in terms of section 16(1).
  - iii. Tax on intra-State procurements made by a registered person from an unregistered supplier is levied only on notified categories of goods and services. [Section 9(4)].
  - iv. ITC is not available on destroyed inputs in terms of section 17(5)(h).
  
- 2) Consumables, being inputs used in the course or furtherance of business, input tax credit is available on the same in terms of section 16(1). However, levy of CGST on diesel has been deferred till such date as may be notified by the Government on recommendations of the GST Council [Section 9(2)]. Hence, **there being no levy of GST on diesel, there cannot be any ITC.**
  
- 3) In respect of intra-State road transportation of goods undertaken by a GTA, who has not paid CGST @ 6%, for any person registered under the GST law, CGST is payable under reverse charge by the recipient of service. The person who pays or is liable to pay freight for the transportation of goods is treated as the person who receives the service [Notification No. 13/2017 CT (R) dated 28.06.2017]. Thus, V- **Supply Pvt. Ltd. will pay GST under reverse charge on transportation service received from GTA.**

Further, tax payable under section 9(3) of the CGST/SGST Act qualifies as input tax in terms of clauses (b) and (d) of section 2(62). Thus, input tax paid under reverse charge on GTA service will be available as ITC in terms of section 16(1) as the said service is used in course or furtherance of business. Furthermore, intra-State services by way of transportation of goods by road except the services of a GTA and a courier agency are exempt from CGST vide Notification No. 12/2017 CT (R) dated 28.06.2017. Therefore, **since no GST is paid on such services, there cannot be any ITC on such services.**
  
- 4) Services by employees to employer in the course of or in relation to his employment is not a supply in terms of **section 7 read with para 1 of Schedule III to the CGST Act**. Therefore, **since no GST is paid on such services, there cannot be any ITC on such services**
- 5) ITC on supply of life insurance service is not blocked if it is obligatory for an employer to provide such service to its employees under any law for the time being in force. [**Proviso to section 17(5)(b)**]. **Therefore, GST paid on premium for life insurance policies will be available as ITC in terms of section 16(1) as the said service is used in the course or furtherance of business.**
  
- 6) Audit fee, **telephone expenses and bank charges** are all services used in the course or furtherance of business and thus, credit of **input tax paid on such service will be available** in terms of **section 16(1)**.
  
- 7) **Export of goods is a zero rated supply** in terms of **section 16(1)(a) of the IGST Act**. A zero rated supply under LUT is made without payment of integrated tax [**Section 16(3)(a) of the IGST Act**].
  
- 8) Since **export of goods is a zero rated supply**, there will be **no apportionment of ITC and full credit will be available** [Section 16 of the IGST Act read with section 17(2) of the CGST Act].
  
- 9) **As per section 49(5) read with rule 88A, ITC of-**
  - i. IGST is utilised towards payment of IGST first and then CGST and SGST in any proportion and in any order.
  - ii. CGST is utilised towards payment of CGST and IGST in that order. ITC of CGST shall be utilized only after ITC of IGST has been utilised fully.

iii. SGST is utilised towards payment of SGST and IGST in that order. ITC of SGST shall be utilized only after ITC of IGST has been utilised fully.

10) **Section 49(4)** lays down that the 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). Therefore, tax payable under reverse charge cannot be set off against the ITC and thus, will have to be paid in cash.

11) CGST and SGST are chargeable on intra-State inward and outward supplies and IGST is chargeable on inter-State inward and outward supplies.

**Question No. 20**

[ICAI MAY 19 - 9 Marks] | [SWB - Q.NO: 54; PG.NO: 204]

Flowchem Palanpur (Gujarat) has entered into a contract with R Refinery, Abu Road (Rajasthan) on 1<sup>st</sup> July to supply 10 valves on FOR basis. The following information is provided in this regard:



- 1) List price per valve is ₹ 1,00,000, exclusive of taxes.
- 2) One of the conditions of the contract is that Flowchem should ensure a two stage third party inspection for the valves during the manufacturing process. Cost of inspection of ₹ 15,000 (for 10 valves) is directly paid by R Refinery to testing agency.
- 3) R Refinery requires a special packing for the valves. Cost of special packing is ₹ 10,000 (for 10 valves).
- 4) Flowchem arranges for erection and testing of the valves supplied by it at R Refinery's site. Cost of erection etc. is ₹ 15,000 (for 10 valves).
- 5) Goods are dispatched with tax invoice on 20th July and they reach the destination at Abu-Road on 21<sup>st</sup> July. Lorry freight of ₹ 5,000 has been paid by R Refinery directly to the lorry driver.

Assume CGST and SGST rates to be 9% each and IGST rate to be 18%. Opening balance of ITC of IGST is Nil, CGST is ₹ 20,000 and SGST is ₹ 20,000. All the given amounts are exclusive of GST, wherever applicable.

Flowchem has also undertaken following local transactions during the month of July on which it has paid CGST and SGST as under:

S. No.	Particulars	Amount paid CGST (₹)	Amount paid SGST (₹)
1)	Availed services of works contractor to erect foundation for fixing the machinery to earth, in the factory.	5,000	5,000
2)	Laid pipelines (from the water source outside the factory) upto the gate of the factory for the purpose of production facility.	10,000	10,000
3)	For the purpose of smooth and convenient mobile communication in its factory, it has installed telecommunication tower of a mobile company (with due permission)	5,000	5,000
4)	It has entered into an agreement with a travel company to provide home travel facility to its employees when they are on leave.	2,500	2,500
5)	It has entered into an agreement with a fitness center to provide wellness services to its employees after office hours	2,000	2,000

Work out the net GST [CGST, SGST or IGST, as the case may be] payable from Electronic Cash Ledger of Flowchem, Palanpur (Gujarat) for the month of July after making suitable assumptions, if any

**Computation of Net GST payable by Flowchem for the month of July:**

Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
Output tax liability [Working Note 1]			1,88,100
Less: ITC of CGST [Working Note 2]			(25,000)
Less: ITC of SGST has been utilized only after ITC of CGST has been utilized fully in terms of proviso to section 49(5)(c) [Working Note 2]			(25,000)
<b>Net GST payable from Electronic Cash Ledger</b>			<b>1,38,100</b>

**Working Note 1**

**Computation of output tax liability of Flowchem for the month of July:**

Particulars	Amount (₹)
List price of 10 valves (₹ 1,00,000 × 10)	10,00,000
Add: Amount paid by R Refinery to testing agency [Note 1]	15,000
Add: Special packing [Note 2]	10,000
Add: Erection and testing at site [Note 2]	15,000
Add: Freight [Note 3]	5,000
<b>Value of taxable supply</b>	<b>10,45,000</b>
<b>IGST @ 18% [Note 4]</b>	<b>1,88,100</b>

**Notes:**

- As per section 15(2)(b), any amount that the supplier is liable to pay in relation to a supply but which has been incurred by the recipient of the supply and not included in the price actually paid or payable for the goods shall be included in the value of supply.  
Since, in the given case, arranging inspection was the liability of the supplier, the same should be included in the value of supply charges for the same, however, have been paid directly to the third-party service provider by the recipient. Therefore, the value shall be included in taxable value.
- As per section 15(2)(c), 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 shall be included in the value of supply.
- As per section 15(2)(b), any amount that the supplier is liable to pay in relation to a supply but which has been incurred by the recipient of the supply and not included in the price actually paid or payable for the goods shall be included in the value of supply.  
Since, in the given case, the supply contract is on FOR basis, payment of freight is the liability of supplier but the same has been paid by the recipient and thus, should be included in the value of supply.
- As per section 10(1) of the IGST Act, 2017, where the supply involves movement of goods, the place of supply is the location of the goods at the time at which the movement of goods terminates for delivery to the recipient.  
In the given case is Abu Road (Rajasthan). Since the location of the supplier (Gujarat) and the place of supply (Rajasthan) are in two different States, the supply is an inter-State supply liable to IGST.

**Working Note 2**

**Computation of ITC available with Flowchem for the month of July:**

Particulars	CGST (₹)	SGST (₹)
Opening ITC	20,000	20,000
Work contract services availed for erecting foundation for fixing the machinery to the earth in the factory [Note 1]	5,000	5,000
Laying of pipeline up to the gate of factory from water source located outside the factory [Note 2]	Nil	Nil

Installation of telecommunication towers [Note 2]	Nil	Nil
Services of travel company to provide home travel facility to employees [Note 3]	Nil	Nil
Services of fitness center to provide wellness services to employees [Note 3]	Nil	Nil
<b>Total ITC</b>	<b>25,000</b>	<b>25,000</b>

**Notes:**

- 1) As per section 17(5), ITC on works contract services when supplied for construction of an immovable property (other than plant and machinery) except where it is an input service for further supply of works contract service, is blocked. Further, plant and machinery includes foundation and structural supports used to fix the machinery to earth.
- 2) As per section 17(5), ITC on goods and/ or services received by a taxable person for construction of an immovable property (other than plant or machinery) on his own account including when such and/ or services are used in course/ furtherance of business, is blocked. However, plant and machinery excludes pipelines laid outside the factory premises and telecommunication towers.
- 3) As per section 17(5), ITC on travel benefits extended to employees on home travel concession and membership of health and fitness center is blocked unless it is obligatory for an employer to provide the same to its employees under any law for the time being in force.

**Question No. 21**

[ICAI RTP NOV 21] | [SWB – Q.NO: 59; PG.NO: 210]

Kaushal Manufacturers Ltd., registered in Delhi, is a manufacturer and supplier of electronic home appliances. It is paying tax under regular scheme. It supplies the electronic home appliances in the domestic as well as overseas market. For supplies in other States of India, the company has appointed consignment agents in each such State, except Gurgaon, Haryana and Noida, Uttar Pradesh, where the goods are supplied directly from its Delhi warehouse.

In the month of January, consignments of electronic home appliances were sent to Cardinal Electricals Pvt. Ltd. and Rochester Technos – agents of Kaushal Manufacturers Ltd. in Punjab and Madhya Pradesh respectively. Cardinal Electricals Pvt. Ltd. and Rochester Technos supplied these electronic home appliances under their invoices to the stores located in their respective States for ₹ 40,00,000 and ₹ 70,00,000 respectively. Open market value of such appliances is not available

Further, in January, electronic home appliances have been supplied to Ronn Technomart – a wholesale dealer of electronic home appliances in Noida, Uttar Pradesh for consideration of ₹ 23,00,000, from its Delhi warehouse. Kaushal Manufacturers Ltd. owns 75% shares of Ronn Technomart. Open market value of the electronic home appliances supplied to Ronn Technomart is ₹ 30,00,000. Further, Ronn Technomart is not eligible for full input tax credit.

Kaushal Manufacturers Ltd. also provides repair and maintenance services to electronic appliance manufacturers located in India.

The company has also furnished the following information for the month of January

Particulars	₹
Supply of electronic home appliances to wholesale dealers of such appliances in Delhi	84,00,000
Electronic home appliances supplied to Anchor Electricals Inc., USA under LUT [Consideration received in convertible foreign exchange]	1,26,00,000
Repair and maintenance services provided to Unitech Ltd., an electronic appliance manufacturer, located in Delhi	8,40,000
Advance received towards repair and maintenance services to be provided to Orelec Ltd., an electronic appliance manufacturer, located in Delhi [Repair and maintenance services have been provided in February and invoice is issued on 28th February]	7,00,000
Advance received for electronic home appliances to be supplied to Novick Electricals, a wholesale dealer of such appliances in Gurgaon, Haryana [Invoice for the goods is issued at the time of delivery of the electronic appliances in March]	8,40,000



You are required to determine the gross GST liability [CGST & SGST and/or IGST] of Kaushal Manufacturers Ltd. for the month of January. Note:

- (i) All the given amounts are exclusive of GST, wherever applicable.  
(ii) Assume the rates of GST to be as under:

Goods/services supplied	CGST	SGST	IGST
Electronic home appliances	2.5%	2.5%	5%
Repair and maintenance services	9%	9%	18%

You are required to make suitable assumptions, wherever necessary.

**Computation of gross GST Liability of Kaushal Manufacturers Ltd. for the month of January:**

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
Supply of electronic home appliances to consignment agents - Cardinal Electricals Pvt. Ltd. and Rochester Technos of Punjab and Madhya Pradesh [Note - 1]			4,95,000 [99,00,000 × 5%]
Supply of electronic home appliances to Ronn Technomart of Noida, Uttar Pradesh [Note - 2]			1,50,000 [30,00,000 × 5%]
Supply of electronic home appliances to wholesale dealers of such appliances in Delhi [Note - 3]	2,10,000 [84,00,000 × 2.5%]	2,10,000 [84,00,000 × 2.5%]	
Electronic home appliances supplied to Anchor Electricals Inc., USA under LUT [Note - 4]			Nil
Supply of repair and maintenance services to Unitech Ltd., an electronic appliance manufacturer, located in Delhi [Note - 5]	75,600 [8,40,000 × 9%]	75,600 [8,40,000 × 9%]	
Advance received for repair and maintenance services supplied to Orelec Ltd., a electronic appliances manufacturer, located in Delhi [Note - 6]	63,000 [7,00,000 × 9%]	63,000 [7,00,000 × 9%]	
Advance received for electronic home appliances to be supplied to Novick Electricals, a wholesale dealer of electronic appliances in Gurgaon, Haryana [Note - 7]			Nil
Total GST liability	3,48,600	3,48,600	6,45,000

**Notes:**

- Value of supply of goods made through an agent is determined as per rule 29 of the CGST Rules, 2017. Accordingly, the value of supply of goods between the principal and his agent is the open market value of the goods being supplied, or at the option of the supplier, is 90% of the price charged for the supply of goods of like kind and quality by the recipient to his unrelated customer, where the goods are intended for further supply by the said recipient.  
In the given case, since open market value is not available, value of electronic home appliances supplied to consignment agents - Cardinal Electricals Pvt. Ltd. And Rochester Technos - will be ₹ 99,00,000 [90% of (40,00,000 + 70,00,000)]. Further, being an inter-State supply of goods, supply of electronic home appliances to the consignment agents is subject to IGST @ 5%. Rochester Technos - will be ₹ 99,00,000 [90% of (40,00,000 + 70,00,000)]. Further, being an inter-State supply of goods, supply of electronic home appliances to the consignment agents is subject to IGST @ 5%.
- If any person directly or indirectly controls another person, such persons are deemed as related persons. [Clause (a)(v) of explanation to section 15 of the CGST Act]. In the given case, since Kaushal Manufacturers Ltd. owns 75% shares of Ronn Technomart, both are related persons. Value of supply of goods between related persons (other than through an agent) is determined as per rule 28 of the CGST Rules, 2017. Accordingly, the value of supply of goods between related persons is the open market value of such goods and not the invoice value. Furthermore, since Ronn Technomart is not eligible for full input tax credit, value declared in the invoice cannot be deemed to be the open market value of the goods.

Thus, open market value of the electronic home appliances supplied to Ronn Technomart, i.e. ₹ 30,00,000 is the value of supply of such goods. Further, being an inter-State supply of goods, supply of electronic home appliances to Ronn Technomart is subject to IGST @ 5%.

3. Being an intra-State supply of goods, supply of electronic home appliances to wholesale dealers of said appliances in Delhi is subject to CGST and SGST @ 2.5 % each.
4. Section 2(5) of the IGST Act defines export of goods as taking goods out of India to a place outside India. In view of the said definition, supply of the electronic home appliances to Anchor Electricals Inc. of USA under LUT is export of goods.  
Export of goods is a zero-rated supply [Section 16(1) of the IGST Act]. A zero -rated supply under LUT is made without payment of integrated tax [Section 16(3)(a) of IGST Act].
5. Being an intra-State supply of services, supply of repair and maintenance services to Unitech Ltd. of Delhi is subject to CGST and SGST @ 9% each.
6. Being an intra-State supply of services, supply of repair and maintenance services to Orelec Ltd. of Delhi is subject to CGST and SGST @ 9% each. Further, in terms of section 13(2) of the CGST Act, the time of supply of services is the earlier of the date of invoice or date of receipt of payment, if the invoice is issued within 30 days of the supply of service. In the given case, invoice is issued within 30 days of the supply of service. Therefore, time of supply of services will be date of receipt of advance and hence, GST is payable on the advance received in January.
7. Being an inter-State supply of goods, supply of electronic home appliances to Novick Electricals of Gurgaon, Haryana is subject to IGST @ 5%. Further, in terms of section 12(2) of the CGST Act, 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 time of supply of goods for the purpose of payment of tax is the date of issue of invoice/last date when the invoice ought to have been issued under section 31.

**Thus, GST is not payable at the time of receipt of advance against supply of goods.** The time of supply of the advance received for electronic home appliances to be supplied to Novick Electricals is the **time of issue of invoice, which is in March**. Thus, said advance will be taxed in March and not in January

**Question No. 22 [ICAI MTP May 19 | ICAI RTP Nov 18] | [SWB - Q.NO: 2; PG.NO: 228]**

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



Flour used for the production process is procured from vendors located in Madhya Pradesh on ex-factory basis. The company engages goods transport agencies (GTA) to transport the flour from the factories of the vendors to its factory located in New Delhi.

The company has provided the following data relating to transportation of biscuits and flour in the month of April 2021:

- For sales within the NCR region (₹ 20,00,000), the company arranged a local mini- van belonging to an individual and paid him ₹ 54,000.
- For sales to locations in distant States (₹ 1,78,00,000), the company booked the goods by Indian Railways and paid rail freight of ₹ 3,17,000.
- For sales to locations in neighbouring States (₹ 55,00,000), the company booked the goods by road carriers (GTAs) and paid road freight of ₹ 3,73,000.
- For purchase of flour from Madhya Pradesh (₹ 25,00,000), the company booked the goods by a GTA and paid road freight of ₹ 55,000.
- For purchase of butter from Punjab (₹ 15,00,000), the company booked the goods by a GTA and paid road freight of ₹ 35,000.
- For local purchase of baking powder, the company booked the goods by a GTA in a single carriage and paid road freight of ₹ 1,500.
- For transferring the biscuits (open market value - ₹ 4,00,000) to one of its sister concern in Rajasthan, the company booked the goods by a GTA and paid road freight of ₹ 40,000.

- (i) Based on the particulars given above, compute the GST payable on the amount paid for transportation by XYZ Ltd. when it avails the services of different transporters.  
(ii) Compute the GST charged on transportation cost billed by the company to its customers.

Note: - Assume the rate of GST on transportation of goods and biscuits to be 5% and 12% respectively [except where any other rate is specified in the question].

**Assumption:** GTA has two options for payment of GST, either to pay GST under FCM or not to pay GST. If GTA opts not to pay GST, then liability to pay GST is on recipient and for this question it is assumed that GTA services are covered under RCM

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

Particulars	Taxable Value (₹)	GST (₹)
Transportation of biscuits in a local minivan belonging to an individual [Only the transportation of goods by road by a GTA is liable to GST. Therefore, transportation of goods by road otherwise than by a GTA is <b>exempt</b> from GST]	Nil	Nil
Transportation of biscuits by Indian Railways – Taxable [Biscuits do not fall under specified goods for <b>exemption</b> ]	3,17,000	15,850
Transportation of biscuits by GTA [GST is payable by XYZ Ltd. under <b>reverse charge</b> ]	3,73,000	18,650
Transportation of flour by GTA [Services provided by GTA by way of transport (in a goods carriage) of, <i>inter alia</i> , flour are exempt from GST, as flour falls under specified goods]	Nil	Nil
Transportation of butter by GTA [Though services provided by GTA by way of transport (in a goods carriage) of, <i>inter alia</i> , milk is exempt from GST, road transport of butter will not be exempted as butter is milk product and not milk.] [GST is payable by XYZ Ltd. under <b>reverse charge</b> ]	35,000	1,750
Transportation of baking powder by GTA [Baking powder do not fall under flours and it is not notified goods. Therefore, its transportation is not exempted] – GST payable by recipient under <b>reverse charge</b> .	1,500	75
Transportation of biscuits by GTA to sister concern - Taxable [GST is payable by XYZ Ltd. under <b>reverse charge</b> ]	40,000	2,000
<b>Total tax payable by XYZ Ltd. on availing services of different transporters</b>		<b>38,325</b>

**Computation of GST charged on transportation cost billed by XYZ Ltd. to its customers:**

Since XYZ Ltd. is supplying biscuits on FOR basis, the service of transportation of biscuits gets bundled with the supply of biscuits. Thus, the supply of biscuits and transportation service is a composite supply, chargeable to tax at the rate applicable to the principal supply (biscuits) i.e., 12%

Particulars	Freight paid (₹) [A]	GST paid on freight (₹) [B]	Freight billed (with mark-up @ 2% on [A] + [B]) (₹)	GST charged @ 12% (₹)
Transportation of biscuits in a local minivan belonging to an individual	54,000	-	55,080	6,610

Transportation of biscuits by Indian Railways	3,17,000	15,850	3,39,507	40,741
Transportation of biscuits by GTA	3,73,000	18,650	3,99,483	47,938
<b>Total tax charged by XYZ Ltd. on transportation cost billed to the customers*</b>				<b>95,289</b>

\*Note: It has been assumed that there is no mark-up on transportation cost billed to sister concern (non-customer).

**Question No. 23**

[ICAI RTP MAY 20] | [SWB – Q.NO: 33; PG.NO: 252]

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

S.No.	Particulars	₹
1	Funeral service	8,80,000
2	Services of warehousing of jaggery	50,000
3	Electrically operated bus given on hire to municipal corporation	5,00,000
4	Service provided to recognized sports body as commentator	2,00,000
5	Commission received as an insurance agent from insurance company	65,000
6	Commission received as business facilitator for the services provided to the urban branch of a nationalized bank with respect to savings bank accounts	15,000
7	Security services (supply of security personnel) provided to Damodar Engineering College (DEC)* [registered under GST] for the security of the college premises *All the engineering courses run by DEC are recognised by the law [The All India Council for Technical Education (AICTE)]	28,000

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.

**Computation of Net GST payable by Pethalal:**

Particulars	Taxable Value (₹)	CGST (₹)	SGST (₹)
<b>Supplies on which Pethalal is liable to pay GST under forward charge:</b>			
Funeral services [Note 1]	Nil	N.A	N.A
Services of warehousing of jaggery [Note 2]	50,000	4,500	4,500
Services by way of giving on hire electrically operated buses to Municipality [Note 3]	Nil	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]	Nil	N.A	N.A

Commission received as business facilitator for the services provided to the urban branch of a nationalised bank with respect to savings bank accounts [Note 6]	Nil	N.A	N.A
Security services (supply of security personnel) provided to DEC for the security of the college premises [Note 7]	Nil	N.A	N.A
<b>Value of taxable supply</b>	<b>2,50,000</b>		
Total tax liability on outward supplies (A)		22,500	22,500
<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]	Nil	E	E
<b>Value of taxable supply</b>	<b>1,00,000</b>		
Total tax liability on inward supplies under reverse charge (B) - payable in cash [Note 10]		2,500	2,500
ITC available on input services [Note 8]		Nil	Nil
<b>Net GST payable (A) + (B)</b>		<b>25,000</b>	<b>25,000</b>

**Notes to above:**

- Funeral services being covered in entry 4 of Schedule III to the CGST Act, 2017 are **not a supply and thus, are outside the ambit of GST.**
- Services by way of storage/ warehousing of, inter alia, jaggery was exempt from GST vide Exemption Notification No. 12/2017 CT(R) At present, such exemption is withdrawn and it is taxable only warehousing of cereals & Pulses are exempted.
- 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.**
- 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.**
- 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.**
- Services provided by a business facilitator to a banking company with respect to accounts in its rural area branch are exempt from GST vide exemption notification. Thus, services provided by him in respect of urban area branch of the bank will be taxable. However, the tax payable thereon is to be paid by the recipient of service i.e., banking company, under reverse charge in terms of reverse charge notification. **Hence, Pethalal will not liable to pay GST on commission received for said services.**
- Services provided to an educational institution, by way of security services performed in such educational institution are exempt from GST only when said services are provided to an institution providing services by way of pre-school education and education up to higher secondary school or equivalent, vide exemption notification. Thus, in the given case, security services provided to DEC are not exempt. Further, the tax on security services (supply of security personnel) provided by any person other than a body corporate to a registered person is payable

by the recipient of service under reverse charge in terms of reverse charge notification. **Hence, Pethalal will not be liable to pay GST in the given case.**

8. GST on services provided by a GTA (not paying tax @ 12%) to, inter alia, a registered person is payable by the recipient of service i.e., the registered person, under reverse charge in terms of reverse charge notification. Since in the given case, GTA is unregistered, Pethalal is liable to pay tax under reverse charge @ 5% (CGST @ 2.5% and SGST @ 2.5%). Further, since said input services are being exclusively used for effecting non-taxable supplies [funeral services], **input tax credit of the GST paid on the same will not be available.**
9. Legal services provided by a partnership firm of advocates to a business entity (with an aggregate turnover up to such amount in the preceding FY as makes it eligible for exemption from registration under the CGST Act, 2017) are exempt from GST vide exemption notification. Since the aggregate turnover of Pethalal did not exceed ₹ 20 lakh [the applicable threshold limit for registration for Pethalal being a supplier of services] in the preceding FY, **legal services received by him are exempt from GST.**
10. As per section 49(4) of the CGST Act, 2017, amount available in the electronic credit ledger may be used for making payment towards output tax. However, tax payable under reverse charge is not an output tax in terms of section 2(82) of the CGST Act, 2017. **Therefore, tax payable under reverse charge cannot be set off against the input tax credit and thus, will have to be paid in cash.**
11. Since all the transactions given hereunder are intra-State, CGST and SGST are payable in terms of section 9(1) of the CGST Act, 2017.

**Question No. 24 [ICAI Nov 20 – 5 Marks] | [SWB – Q.NO: 41; PG.NO: 261]**

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

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

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

**GST liability of M/s All-in-One**

	Particulars	Value	CGST payable	SGST payable
<b>A.</b>	<b>GST liability on outward supply</b>			
(i)	Direct selling agent service to Y Bank Ltd. [Tax is payable under forward charge since the supplier of such service is a partnership firm and not an individual.]	4,00,000	36,000 [4,00,000 × 9%]	36,000 [4,00,000 × 9%]

(ii)	Security services <sup>2</sup> to ABC P. Ltd., a registered person <sup>3</sup> [Tax is payable under reverse charge by the recipient since security services are provided by a non-body corporate to a registered person.]	-	-	-
(iii)	Security services to PSR Trust, an unregistered person [Tax is payable under forward charge since security services are provided by a non-body corporate to an unregistered person.]	1,00,000	9,000 [1,00,000 × 9%]	9,000 [1,00,000 × 9%]
(iv)	Renting of motor vehicle to Amaze Tours Ltd. where value included cost of fuel [Tax is payable under reverse charge by recipient since such services are provided by a non-body corporate to a body corporate and GST is payable @ 5%.]	-	-	-
(v)	Renting of motor vehicle to Priti & Co., CA firm, where supply value included cost of fuel [Tax is payable under forward charge since such services are provided by a non-body corporate to a non-body corporate.]	40,000	1,000 [40,000 × 2.5%]	1,000 [40,000 × 2.5%]
<b>Total GST liability on outward supplies</b>			<b>46,000</b>	<b>46,000</b>
<b>B. GST liability on inward supplies under reverse charge</b>				
(vi)	Availed representational service from PB and Co., a law firm [Legal services provided by a partnership firm of advocates/individual advocate other than a senior advocate to a business entity with an aggregate turnover up to such amount in the preceding financial year as makes it eligible for exemption from registration, are exempt from GST. Since M/s All-in-One started its business in February 2020, its turnover in the preceding financial year is zero making it eligible for exemption from registration in the preceding financial year and hence, the legal services provided to it are exempt from GST.]	Nil	-	-
GST liability on inward supplies under reverse charge				

**Question No. 25**

[ICAI RTP May 23] | [SWB – Q.NO: 54; PG.NO: 270]

Swasthya Nursing Home, a clinical establishment, offers the following services:

- I. Rooms provided to the in-patients where the room charges per day are ₹ 6,500.
- II. Plastic surgery conducted to repair cleft lip of a new born baby.
- III. Air ambulance services to transport critically ill patients from distant locations to Swasthya Nursing Home.
- IV. Supply of food to the in-patients as per the advice of the doctor/nutritionist from its restaurant - Annapurna Bhawan - located in the basement of Swasthya Nursing Home. The food is prepared by its employees and nothing is outsourced to any third-party vendors.
- V. Homeopathic medical treatment.

Swasthya Nursing Home also operates a cord blood bank which provides services in relation to preservation of stem cells.

Determine whether GST is payable in respect of each of the above services provided by Swasthya Nursing Home.

Health care services provided by a clinical establishment, an authorised medical practitioner or para-medics are exempt from GST vide Notification No. 12/2017 CT (R) dated 28.06.2017. In light of the same, the eligibility to exemption in respect of each service offered by Swasthya Nursing Home is examined below:

- I. **Not Exempt.** Exemption available to health care services provided by a clinical establishment shall not apply to the services provided by a clinical establishment by way of providing room

<sup>2</sup> It is assumed that security services are the services provided by way of supply of security personnel.

<sup>3</sup> It is assumed that ABC Pvt. Ltd. pays tax under section 9 of the CGST Act, 2017.

- [other than Intensive Care Unit (ICU)/Critical Care Unit (CCU)/Intensive Cardiac Care Unit (ICCU)/Neo natal Intensive Care Unit (NICU)] having room charges exceeding ₹ 5000 per day to a person receiving health care services.
- II. **Exempt.** Health care service does not include, inter alia, cosmetic or plastic surgery, except when undertaken to restore or to reconstruct anatomy or functions of body affected due to congenital defects, developmental abnormalities, injury or trauma. Therefore, plastic surgeries will not be entitled to the said exemption, but the plastic surgery conducted to repair a cleft lip will be eligible for exemption as it reconstructs anatomy or functions of body affected due to congenital defects (cleft lip).
- III. **Exempt.** Health care service includes services by way of transportation of the patient to and from a clinical establishment. Thus, air ambulance service to transport critically ill patients to Swasthya Nursing Home would be eligible for exemption under the said notification.
- IV. **Exempt.** Circular No. 32/06/2018 GST dated 12.02.2018 has clarified that food supplied by the hospital canteen to the in-patients as advised by the doctor/nutritionists is a part of composite supply of health care services and is not separately taxable. Thus, it is exempt from GST.
- V. **Exempt.** Since Homeopathy is a recognized system of medicine in terms of section 2(h) of Clinical Establishments Act, 2010, the same would be eligible for exemption under the said notification.
- Further, exemption available to services provided by cord blood banks by way of preservation of stem cells or any other service in relation to such preservation has been withdrawn and thus, said services are no longer exempt from GST. Therefore, services provided in relation to preservation of stem cells by the cord blood bank operated by Swasthya Nursing Home will be liable to GST.

**Question No. 26**

[ICAI RTP May 19 | SWB – Q.NO: 20; PG.NO: 285]

B & D Company, a partnership firm, in Nagpur, Maharashtra is a wholesaler of a taxable product 'P' and an exempt product 'Q'. The firm supplies these products only in the eastern part of Maharashtra. All the procurements (both goods and services) of the firm are from the suppliers registered under regular scheme in the State of Maharashtra. The firm pays tax under composition scheme. B & D Company has furnished the following details with respect to its turnover (exclusive of taxes) and stock (exclusive of taxes):



Particulars	Turnover for the quarter ended 30.06.20XX (₹)	Turnover for the quarter ended 30.09.20XX (₹)
'P'	60,00,000	50,00,000
'Q'	17,65,000	17,00,000

Particulars	Stock as on 30.06.20XX (₹)	Stock as on 30.09.20XX (₹)	Stock as on 31.10.20XX (₹)
'P'	25,00,000	10,00,000	3,60,000
'Q'	10,00,000	2,00,000	1,20,000

The entire stock of the products 'P' and 'Q' available with the firm as on 30.09.20XX is purchased during the said half year except a consignment of product 'P' valuing ₹ 3,00,000, which was purchased in the April month of the preceding financial year. In the month of October, 20XX, no purchases were made, and the products were sold with a profit margin of 20% on sales [exclusive of taxes].

The extract of the only bill book maintained by the firm showed the following details-

Bill No.	Date	Value of products (exclusive of taxes)		
		'P' (₹)	'Q' (₹)	Total (₹)
2306	01.10.20XX	2,00,000	3,000	2,03,000
2307	01.10.20XX	1,36,000	2,250	1,38,250
2308	02.10.20XX	67,000	39,250	1,06,250
2309	03.10.20XX	58,750	33,750	92,500
2310	05.10.20XX	1,00,000	-	1,00,000
2311	06.10.20XX	94,000	6,000	1,00,000



2312	06.10.20XX	-	17,000	17,000
2313	08.10.20XX	50,000	6,000	56,000
2314	09.10.20XX	60,000	9,000	69,000
2315	.....	.....	.....	.....
.....	.....	.....	.....	.....

The details of services availed by B & D Company is as follows:

S. No.	Particulars	(₹)
(i)	Freight paid to Goods Transport Agency during the period April 20XX – October 20XX. Assume equal amount of freight is paid each month on the 10th day of each month. Also, assume that the goods for which the freight is paid on 10th day of the month are transported between 11th to 20th day of the month.	1,40,000
(ii)	Special packing charges paid to a Packing Company, having expertise in such specialized packing, during the period January 20XX – October 20XX. The packing charges are paid for the goods which are transported between 11th to 20th day of the month (as mentioned in point (i) above). The goods are packed on 10th day and then transported from 11th day onwards. Assume equal amount of packing charges are paid each month on the 9th day of each month.	3,00,000

All the above amounts are exclusive of taxes, wherever applicable.

Compute the net GST liability of B & D Company for the period April, 20XX to October, 20XX under composition scheme showing calculations for each quarter separately.

Note: Make suitable assumptions wherever required. Rate of CGST and SGST on service of transportation of goods by GTA is 2.5% each. Stock is valued at cost price.

As per section 10(3) of the CGST Act, 2017 read with Notification No. 8/2017 CT dated 27.06.2017 as amended, the option availed by a registered person to pay tax under composition scheme shall lapse with effect from the day on which his aggregate turnover during a financial year exceeds ₹ 1.5 crore [₹ 75 lakh in case of 8 states].

As per section 2(6) of the CGST Act, 2017, aggregate turnover means the aggregate value of all taxable supplies (excluding the value of inward supplies on which tax is payable by a person on reverse charge basis), exempt supplies, exports of goods or services or both and inter-State supplies of persons having the same PAN, to be computed on all India basis but excludes CGST, SGST/UTGST, IGST and GST Compensation Cess.

In the given case, the firm is registered under the composition scheme in the State of Maharashtra. The aggregate turnover of the firm exceeds ₹ 1.5 crore on 03.10.20XX [aggregate of both taxable and exempt turnover from 01.04.20XX to 03.10.20XX, i.e. ₹ 1,50,05,000 (₹144,65,000 + ₹2,03,000 + ₹1,38,250 + ₹1,06,250 + ₹92,500)]

The inward supplies of goods transportation services in respect of which the firm has to pay tax under reverse charge have not been included in the aggregate turnover in terms of section 2(6) of the CGST Act, 2017. The tax is payable under reverse charge on such services as the applicable rate of tax on such services is given as 5% and not 12%, in which case the GTA would have been liable to pay tax under forward charge [Notification No. 13/2017 CT (R) dated 28.06.2017 as amended].

**Thus, the firm will have to pay tax under regular scheme (Section 9 of the CGST Act, 2017) from 03.10.20XX.**

**Output tax liability of B & D Company under composition scheme:**

During the period when the firm pays tax under composition scheme, i.e., from 01.04.20XX to 02.10.20XX, tax will be payable on quarterly basis and no ITC will be available [Section 10(4) read with sub-sections (2) and (7) of section 39 of the CGST Act, 2017].

Further, since the firm is trading in goods, tax will be payable @ 1% [0.5% CGST + 0.5% SGST] of the turnover of taxable supplies of goods (i.e., 'P') in the State [Section 10(1) read with Rule 7 of CGST Rules, 2017].

The tax liability for the quarters ended June, 20XX, September, 20XX and December, 20XX under composition scheme will be computed as under-

Particulars	Quarter ended 30.06.20XX (₹)	Quarter ended 30.09.20XX (₹)	Quarter ended 31.12.20XX (₹)
Turnover of 'P' (Taxable supplies)	60,00,000	50,00,000	4,03,000 [2,00,000 + 1,36,000 + 67,000]
CGST @ 0.5% [A1]	30,000	25,000	2015
SGST @ 0.5% [B1]	30,000	25,000	2015
Inward supply on which tax is payable under reverse charge [Service of goods transportation availed from a GTA @ 5%]	60,000 [(1,40,000/7) × 3]	60,000 [(1,40,000/7) × 3]	Nil [Paid on 10th day for goods transported between 11th to 20th day of the month, so the same will be assessed under regular scheme]
CGST @ 2.5% [A2]	1,500	1,500	-
SGST @ 2.5% [B2]	1,500	1,500	-
<b>Total CGST [A1 + A2]</b>	<b>31,500</b>	<b>26,500</b>	<b>2015</b>
<b>Total SGST [B1 + B2]</b>	<b>31,500</b>	<b>26,500</b>	<b>2015</b>
<b>Total CGST liability for the period from 01.04.20XX to 02.10.20XX</b>		<b>60,015 [31,500 + 26,500 + 2015]</b>	
<b>Total SGST liability for the period from 01.04.20XX to 02.10.20XX</b>		<b>60,015 [31,500 + 26,500 + 2015]</b>	

**Question No. 27**

[ICAI RTP NOV 19] | [SWB – Q.NO: 23; PG.NO: 291]

Examine whether the suppliers are eligible for composition scheme in the following independent cases. Is there any other option available for concessional tax payment with any of these suppliers, wherever composition scheme cannot be availed?



- M/s Devlok, a registered dealer, is dealing in intra-State trading of electronic appliances in Jaipur (Rajasthan). It has turnover of ₹ 130 lakh in the preceding financial year. In the current financial year, it has also started providing repairing services of electronic appliances.
- M/s Narayan & Sons, a registered dealer, is running a "Khana Khazana" Restaurant near City Palace in Jaipur. It has turnover of ₹ 140 lakh in the preceding financial year. In the current financial year, it has also started dealing in intra-State trading of beverages in Jaipur (Rajasthan).
- M/s Indra & bro, a registered dealer, is providing restaurant services in Uttarakhand. It has turnover of ₹ 70 lakh in the preceding financial year. It has started providing intra-State interior designing services in the current financial year and discontinued rendering restaurant services.
- M/s Him Naresh, a registered dealer, is exclusively providing intra-state architect services in Uttarakhand. It has turnover of ₹ 40 lakh in the preceding financial year.

As per section 10(1) of the CGST Act, 2017, the following registered persons, whose aggregate turnover in the preceding financial year did not exceed ₹ 1.5 crore, may opt to pay tax under composition levy:

- Manufacturer,
- Persons engaged in making supplies referred to in clause (b) of paragraph 6 of Schedule II (restaurant services), and
- Any other supplier eligible for composition levy. (Trader)

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

Further, the registered person should not be engaged in making any inter-State outward supplies of goods.

Furthermore, an option of availing benefit of concessional payment of tax has been provided to a registered person whose aggregate turnover in the preceding financial year is upto ₹ 50 lakh and who is not eligible to pay tax under composition scheme under Sec. 10(1). Said person can **pay tax @ 3%** [Effective rate 6% (CGST+ SGST/UTGST)] on turnover in a state or UT during the current year, subject to specified conditions under Sec. 10(2A). One of such condition is that the registered person should not be engaged in making any inter-state outward taxable supplies.

**In view of the above-mentioned provisions, the answer to the given independent cases is as under:-**

- a. The turnover limit for composition scheme in case of Jaipur (Rajasthan) is ₹1.5 crore.  
Thus, **M/s Devlok can opt for composition scheme** as its aggregate turnover is less than ₹1.5 crore. Further, since the registered person opting for composition scheme can also supply services (other than restaurant services) for a value up to 10% of the turnover in the preceding year or ₹ 5 lakh, whichever is higher, in the current financial year, **M/s Devlok can supply repair services up to a value of ₹13 lakh [10% of ₹130 lakh or ₹5 lakh, whichever is higher] in the current financial year.**
- b. **In the given case:-**
- I. the turnover in the preceding year is less than the eligible turnover limit, i.e. ₹ 1.5 crore.
  - II. the supplier is engaged in providing restaurant service which is an eligible supply under composition scheme.
  - III. the supplier wants to engage in trading of goods which is also an eligible supply under composition scheme.

**Thus, M/s Narayan & Sons is eligible for composition scheme.**

- c. The turnover limit for composition scheme in case of Uttarakhand is ₹ 75 lakh.  
Further, a registered person who is **exclusively engaged in supplying services other than restaurant services are not eligible for composition scheme.**  
**Thus, M/s Indra & bro cannot opt for composition scheme.**  
Further, the benefit of concessional tax payment under Se. 10(2A) is available in case of a registered person whose aggregate turnover in the preceding financial year does not exceed ₹ 50 lakh.  
Thus, in view of the above- mentioned provisions, M/s Indra & bro **cannot avail the benefit of concessional tax payment as its aggregate turnover in the preceding financial year is more than ₹ 50 lakh.**
- d. An exclusive service provider can opt for the composition scheme only if he is engaged in supply of restaurant services. The composition scheme permits supply of marginal services for a specified value, but only when the same are supplied along with goods and/or restaurant service.  
Since M/s Him Naresh is exclusively engaged in supply of services other than restaurant services, it is not eligible for composition scheme even though its turnover in the preceding year is less than ₹ 75 lakh, the eligible turnover limit for Uttarakhand.

However, since M/s Him Naresh is not eligible to opt for composition scheme under Sec. 10(1), its aggregate turnover in the preceding financial year does not exceed ₹ 50 lakh and it is exclusively engaged in supply of services other than restaurant services, **M/s Him Naresh is entitled to avail benefit of concessional payment of tax under Sec. 10(2A).**

**Question No. 28**

**[ICAI RTP NOV 2019] [[SWB – Q.NO: 8; PG.NO: 304]**

Mahadev Enterprises, a sole proprietorship firm, opened a shopping complex dealing in supply of goods at multiple locations, i.e. in Himachal Pradesh, Uttarakhand and Tripura in the month of June. It has furnished the following details relating to the sale made at such multiple locations for the month of June:-



Particulars	Himachal Pradesh	Uttarakhand	Tripura
	(₹)*	(₹)*	(₹)*
Intra- State sale of taxable goods	22,50,000	-	7,00,000
Intra-State sale of exempted goods	-	-	6,00,000
Interest received from banks on the fixed deposits	-	-	60,000
Intra-State sale of non-taxable goods	-	21,00,000	40,000

\* excluding GST

With the help of the above mentioned information, answer the following questions giving reasons:-

(1) Determine whether Mahadev Enterprises is liable to be registered under GST law and what is the threshold limit of taking registration in this case.

(2) Explain with reasons whether your answer in (1) will change in the following independent cases:

(a) If Mahadev Enterprises is dealing in taxable supply of goods only from Himachal Pradesh;

(b) If Mahadev Enterprises is dealing in taxable supply of goods and services only from Himachal Pradesh;

(c) If Mahadev Enterprises is dealing in taxable supply of goods only from Himachal Pradesh and has also effected inter - State supplies of taxable goods amounting to ₹ 4,00,000.

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 be 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:**

=

(i) ₹ 10 lakh for the States of Mizoram, Tripura, Manipur and Nagaland. (MMTN)

(ii) ₹ 20 lakh for the States of States of Arunachal Pradesh, Meghalaya, Puducherry, Sikkim, Telangana and Uttarakhand. (USTAMP)

(iii) ₹ 40 lakh for rest of India.

**The threshold limit for a person making exclusive taxable supply of services or supply of both goods and services is as under: -**

(i) ₹ 10 lakh for the States of Mizoram, Tripura, Manipur and Nagaland.

(ii) ₹ 20 lakh for the rest of India.

**As per section 2(6) of the CGST Act, 2017, aggregate turnover includes the aggregate value of:**

(i) all taxable supplies,

(ii) all exempt supplies,

(iii) exports of goods and/or services and

(iv) all inter-State supplies of persons having the same PAN.

The above is computed on all India basis.

**In the light of the afore-mentioned provisions, the aggregate turnover of Mahadev Enterprises is computed as under:**

Particulars	Himachal Pradesh	Uttarakhand	Tripura
	(₹)*	(₹)*	(₹)*
Intra- State sale of taxable goods	22,50,000	-	7,00,000
Intra-State sale of exempted goods	-	-	6,00,000
Interest received from banks on the fixed deposits	-	-	60,000
Intra-State sale of non-taxable goods	-	21,00,000	40,000
<b>Aggregate Turnover</b>	<b>22,50,000</b>	<b>21,00,000</b>	<b>14,00,000</b>

**Conclusion:**

1. 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) is

exempt vide Notification No. 12/2017 CT (R) dated 28.06.2017. Since aggregate turnover includes exempt supply, **interest received from banks on the fixed deposits, being exempt supply, is included in the aggregate turnover.**

2. As per section 2(47) of the CGST Act, 2017, . Thus, intra -State supply of non-taxable goods in Uttarakhand, being a non-taxable supply, is an exempt supply and is, therefore, included in the aggregate turnover. **exempt supply includes non-taxable supply**

In the given case, Mahadev Enterprises is engaged in exclusive intra-State supply of goods from Himachal Pradesh and Uttarakhand and in supply of both goods and exempted services from Tripura, the threshold limit for registration will be ₹ 40 lakh, ₹ 20 lakh and ₹ 10 lakh respectively.

Further, since Mahadev Enterprises also makes taxable supply of goods from one of the specified Special Category States (i.e., Tripura), the threshold limit for registration will be reduced to ₹ 10 lakh.

- (1) Thus, in view of the above-mentioned provisions, Mahadev Enterprises is liable to be registered under GST law with the **aggregate turnover amounting to ₹ 57,50,000** (computed on all India basis). **The applicable threshold limit of registration in this case is ₹ 10 lakh.**
- (2) (a) If Mahadev Enterprises is dealing in supply of **goods only** from Himachal Pradesh, the applicable threshold limit of registration would be ₹ 40 lakh. Thus, Mahadev Enterprises **will not be liable for registration** as its aggregate turnover would be ₹ 22,50,000.
- (2) (b) If Mahadev Enterprises is dealing in **taxable supply of goods and services** only from Himachal Pradesh then higher threshold limit of ₹ 40 lakh will not be applicable as the same applies only in case of exclusive supply of goods. Therefore, in this case, the **applicable threshold limit will be ₹ 20 lakh** and hence, **Mahadev Enterprises will be liable to registration.**
- (2) (c) In case of inter-State supplies of taxable goods, section 24 of the CGST Act, 2017 **requires compulsory registration irrespective of the quantum of aggregate turnover.** Thus, **Mahadev Enterprises will be liable to registration.**

**Question No. 29 [ICAI May 22- 5 Marks] | [SWB – Q.NO: 12; PG.NO: 322]**

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

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

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

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

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

Due date of filing GSTR – 3B for Jan 2021 is 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 X 18% X 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 (-) ₹1,80,000 = 70,000	₹2,50,000 (-) ₹1,80,000 = 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:

- RCM liability cannot be paid using Electronic Credit Ledger and has to be paid using Electronic Cash Ledger.
- As turnover information in a month is not available, Rule 86B restriction is not applied i.e., payment of 1% through Electronic Cash ledger.

For delay in filing GSTR – 3B, interest shall be payable under Sec. 50 @ 18% on the liability discharged through Electronic Cash Ledger.

**Question No. 30**

[SWB – Q.NO: 19; PG.NO: 333]

Arpit has opted for QRMP Scheme for Q1 (Apr 21 - Jun 21) of FY 2021-22 and its total tax liability (cash liability) for the said quarter was ₹ 1,00,000.

Arpit continues under QRMP Scheme for Q1 (July 21 - Sep 21) and gives the following details:

- July 21: Self-assessed tax liability (cash liability is ₹ 40,000 Paid on 31.08.2021 (PMT-06)
- Aug 21: Self-assessed tax liability (cash liability is ₹ 10,000 Paid on 10.10.2021 (PMT-06)
- Sep 21: Self-assessed tax liability (cash liability is ₹ 70,000 Paid on 11.11.2021

Case A: Interest if Self-Assessment method of payment opted for M-1 and M-2 of Q2.

Particulars	Interest (₹)
July 21 (Due-Date of Payment is 25-08-2021)	₹ 118
Tax under Self-Assessment = ₹40,000	(40,000 * 18% * 6) / 365
Aug 21 (Due-Date of Payment is 25-09-2021)	₹ 74
Tax under Self-Assessment = ₹10,000	(10,000 * 18% * 15) / 365
Sep 21 (Due-Date of Payment is 22-10-2021)	₹ 690
Tax under Self-Assessment = ₹ 70,000	(70,000 * 18% * 20) / 365
<b>Total Interest (Shown in GSTR-3B in Jul 2021-Sep 2021)</b>	<b>₹ 882</b>

Case B: Interest if Fixed Sum Method of Payment is opted for M-1 and M-2 of Q2

Particulars	Interest (₹)
July 21 (Due-Date of Payment is 25-08-2021)	₹104
Tax under Fixed-Sum = ₹35,000 (₹1,00,000 * 35%)	(35,000 * 18% * 6) / 365
Aug 21 (Due-Date of Payment is 25-09-2021)	₹259
Tax under Fixed-Sum = ₹35,000 (₹1,00,000 * 35%)	(35,000 * 18% * 15) / 365
Sep 21 (Due-Date of Payment is 22-10-2021)	₹493
Tax under Self-Assessment = ₹50,000	(50,000 * 18% * 20) / 365
<b>Total Interest (Shown in GSTR-3B in Jul 2021-Sep 2021)</b>	<b>₹ 856</b>

Case C Interest if Fixed Sum Method of Payment is opted for M-1 and Self-Assessment Method of Payment is opted for M-2.

Particulars	Interest (₹)
<b>July 21 (Due-Date of Payment is 25-08-2021)</b>	<b>₹104</b>
Tax under Fixed-Sum = ₹35,000 (*1,00,000 * 35%)	(35,000 * 18% * 6) / 365
<b>Aug 21 (Due-Date of Payment is 25-09-2021)</b>	<b>₹74</b>
Tax under Self-Assessment = ₹10,000	(10,000 * 18% * 15) / 365
<b>Sep 21 (Due-Date of Payment is 22-10-2021)</b>	<b>₹740</b>
Tax under Self-Assessment = ₹75,000 [1,20,000 - 35,000 - 10,000]	(75,000 * 18% * 20) / 365
<b>Total Interest (Shown in GSTR-3B in Jul 2021-Sep 2021)</b>	<b>*918</b>

**Note:** Arpit can opt for Self-Assessment Method of Payment in M-1 and Fixed Sum Method of Payment M-2 or vice-versa and interest will be calculated accordingly. Also, interest will be calculated for 3rd month accordingly, payment of which is always made under Self-Assessment Method.

**Question No. 31 [ICMAI Dec 18 – 7 Marks | ICAI Dec 21 – 4 Marks] | [SWB – Q.NO: 5; PG.NO: 336]**

**List any four records required to be maintained by an agent under the CGST Rules, 2017.**

As per Sec. 35 read with CGST Rules, 2017 following are the records to be maintained by a registered person

- Records pertaining to INWARD SUPPLIES
- Records pertaining to FOREIGN TRADE i.e., Import and export
- Records pertaining to OUTWARD SUPPLIES
- Out of the Inward supplies, details w.r.to inward supplies under RCM needs to be maintained separately
- Records w.r.to MANUFACTURE and PRODUCTION of goods
- Details of ADVANCES RECEIVED, ADJUSTED and BALANCE
- TAX DETAILS i.e. Input Tax and Output Tax
- Details w.r.to STOCK OF GOODS.

Following additional information is also required to be maintained by an agent

- Particulars of authorization received by him from each principal to receive or supply goods or services on behalf of such principal separately;
- Particulars including description, value and quantity (wherever applicable) of goods or services received on behalf of every principal;
- Particulars including description, value and quantity (wherever applicable) of goods or services supplied on behalf of every principal;
- Details of accounts furnished to every principal; and
- Tax paid on receipts or on supply of goods or services effected on behalf of every principal.

**Question No. 32 [ICAI Nov 2018 – 5 Marks] | [SWB – Q.NO: 3; PG.NO: 339]**

Divy Trader obtained permission for provisional assessment and supplied three consignments of furniture on 28th April, 2021. The tax payment on provisional basis was made in respect of all the three consignments on 20th May, 2021.

Consequent to the final assessment order passed by the Assistant Commissioner on 21st June, 2021, a tax of ₹ 1,20,000 and 1,50,000 became refundable on 1st and 3rd consignments, whereas a tax of ₹ 1,20,000 became due on 2nd consignment. Divy Trader applies for the refund of the tax on 1st and 3rd consignments on 12th July, 2021 and pays the tax due on 2nd consignment on the same day. Tax was actually refunded to it of 1st consignment on 8th September, 2021, whereas of 3rd consignment on 18th September, 2021. Customers of Divy Trader who purchased the consignments have not taken Input Tax Credit (ITC).

**Determine the interest payable and receivable, if any, under CGST Act, 2017 by Divy Trader.**



Where tax becomes due consequent to order of final assessment, **interest is payable @ 18% p.a., from the first day after the due date of payment of tax in respect of the goods supplied under provisional assessment till the date of actual payment**, whether such amount is paid before/after the issuance of order for final assessment.

Applying the legal provisions to the three given situation, interest amount payable/ receivable shall be as computed below –

Particulars	1st Consignment	3rd Consignment	2nd Consignment
Date of supply	28-4-2021	28-4-2021	28-4-2021
Due date / Date of paying provisional tax	20-5-2021	20-5-2021	20-5-2021
Position on finalization	Refund	Refund	Demand
Amount involved	₹1,20,000	₹1,50,000	₹1,20,000
Date of payment of demand	—	—	12-7-2021
Date of application for refund	12-7-2021	12-7-2021	—
Date of actual refund	8-9-2021	18-9-2021	—
No. of days for interest	NIL, as refund is granted within 60 days from date of application	(12-7- 2021 + 60 days) = 10 -9-2021 int. from 11-9-2021 till 18-9-2021 i.e., 8 days	(20-5-2021) – (12-7- 2021) = 53 days. Therefore , Interest is charged.
Rate of interest	—	6% p.a.	18% p.a.
<b>Interest</b> [Amount x Rate of Interest x No. of days of interest / 365]	<u>NIL</u>	$\frac{₹1,50,000 \times 6\% \times 8}{365} = ₹ 197.26$	$\frac{₹1,20,000 \times 18\% \times 53}{365} = ₹ 3,136.44$

**Question No. 33**

[ICAI Jan 21 – 4 Marks] | [SWB – Q.NO: 11; PG.NO: 350]

Anirudh Ltd. is registered in Telangana and paid IGST on a transaction considering the same to be inter-State supply on the basis that the customer is situated in Delhi.

However, GST authorities have raised a dispute and have issued a show cause notice that since the services are rendered within Telangana, it is an intra -State supply leviable to CGST and SGST. Anirudh Ltd. has lost the case before the proper officer and also in first appeal before the Departmental Appellate Authority.

Advise Anirudh Ltd. regarding the following:

- I. Can Anirudh Ltd. file an appeal against the order of the first Appellate Authority? If yes, before which forum can Anirudh Ltd. file the said appeal?
  - II. Once a valid appeal is filed by Anirudh Ltd. before the appropriate forum, can the authorities insist Anirudh Ltd. to deposit the CGST and SGST which the authorities are claiming that Anirudh Ltd. ought to have paid but has not paid.
  - III. If Anirudh Ltd. loses at the 2nd appellate stage as well, is there any other Statutory forum available for Anirudh Ltd. to file another appeal? If yes, before which forum?
  - IV. Assuming Anirudh Ltd. loses at all levels, would there be any interest liability on Anirudh Ltd.?
- I. **Yes, Anirudh Ltd. can file an appeal against the order of the first Appellate Authority to the Appellate Tribunal.** National Bench/ Regional Benches of the Tribunal will have jurisdiction to hear the appeal as place of supply is one of the issues in dispute.
  - II. **No, Authority can't insist, because once a valid appeal is filed** i.e., on payment of requisite pre-deposit, the recovery proceedings for the balance amount of the demand in dispute gets stayed till the disposal of appeal.
  - III. **Yes, Anirudh Ltd. can file another appeal** against the decision of the National Bench/Regional Bench of the Tribunal, directly before the Supreme Court.
  - IV. **No, there will be no interest liability on Anirudh Ltd.,** if it loses at all levels. A registered person who has paid IGST on a transaction considered by him to be an inter -State supply, but which is subsequently held to be an intra-State supply, is not required to pay any interest on the amount of CGST and SGST payable because there is no shortfall of overall tax amount. (No loss of revenue to Government)



Question No. 34

[ICAI May 19 – 4 Marks] | [SWB – Q.NO:5; PG.NO: 354]

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

Calculate the penalty payable under IGST Act, 2017:

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

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

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

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

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

If XYZ comes forward for payment of tax and penalty –

$$= ₹ 80,000 \times 18\% (9\% \text{ CGST and } 9\% \text{ SGST/ UTGST}) \times 200\%$$

$$= ₹28,800$$

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

$$= [₹ 80,000 \times 100\% (50\% \text{ under CGST plus } 50\% \text{ under SGST/ UTGST})] \text{ or } 200\% \text{ of tax, whichever is higher.}$$

$$= ₹ 80,000$$

**Note:** In the above answer, the penalty payable has been computed in accordance with the provisions of the IGST Act, 2017 as tax chargeable on the goods is IGST. However, the question can also be answered on the basis of the provisions of section 129 of the CGST Act, 2017.

Question No. 35

[ICAI May 18 – 5 Marks] |[ICAI RTP Nov 19]

| [SWB – Q.NO:4; PG.NO: 360]

Examine whether the offences committed in each of the following independent cases are bailable. Further, determine the quantum of punishment on prosecution under the CGST Act, 2017, in each of these cases:

(i) 'HomiGabha' collects ₹ 240 lakh as tax from its clients and deposits ₹ 150 lakh with

the Central Government. Balance amount of tax is not paid to the Central Government. It is found that he has falsified financial records and has not maintained proper records, to evade the tax

(ii) 'DatukeshwarDutt' collects ₹ 630 lakh as tax from its clients, but deposits only ₹ 120 lakh with the Central Government. Balance amount of tax is not paid to the Central Government.

What would be the implications in above cases if 'HomiGabha' and ' DatukeshwarDutt' repeat the offences?

**Note - It may be assumed that offences are proved in the court.**

(i) As per section 132(1)(d)(iii) of the CGST Act, 2017, failure to pay any amount collected as tax beyond 3 months from due date of payment is punishable with specified imprisonment and fine provided the amount of tax evaded exceeds at least ₹ 100 lakh. Therefore, failure to deposit ₹ 90 lakh (₹ 240 lakh - ₹ 150 lakh) collected as tax by 'HomiGabha' will **not be punishable with imprisonment.**

However, falsification of financial records by 'HomiGabha' is punishable with **imprisonment up to 6 months or with fine or both** vide section 132(1)(f)(iv) of the CGST Act, 2017 and the said offence is **bailable** in terms of section 132(4) of the CGST Act, 2017

(ii) Failure to pay any amount collected as tax beyond 3 months from due date is punishable with imprisonment upto 5 years and with fine, if the amount of tax evaded exceeds ₹ 500 lakh in terms of section 132(1)(d)(i) of the CGST Act, 2017



Since the amount of tax evaded by 'DatukeshwarDutt' exceeds ₹ 500 lakh (₹ 630 lakh - ₹ 120 lakh = ₹ 510 lakh), 'DatukeshwarDutt' is liable to imprisonment upto 5 years and with fine. Further, the imprisonment shall be minimum 6 months in the absence of special and adequate reasons to the contrary to be recorded in the judgment [Section 132(3) of the CGST Act, 2017]. Such offence is **Non-bailable** in terms of section 132(5) of the CGST Act, 2017

If 'HomiGabha' and 'DatukeshwarDutt' repeat the offence, they shall be punishable for second and for every subsequent offence with imprisonment upto 5 years and with fine in terms of section 132(2) of the CGST Act, 2017. Such imprisonment shall also be for minimum 6 months in the absence of special and adequate reasons to the contrary to be recorded in the judgment.

**Question No. 36**

[ICAI RTP Nov 21] | [SWB – Q.NO:10; PG.NO: 363]

1) Nirmal Private Limited, registered in Vasai, Maharashtra, is engaged in supply of taxable goods and services. In the month of April, it sold goods worth ₹ 5,00,000 (excluding GST) to Suraksha Enterprises and collected tax @ 28% on said goods from the buyer. However, the actual rate of tax applicable in the given case was 18%.

Nirmal Private Limited deposited the tax @ 18 % on these goods to the Government on the due date and retained the remaining tax collected. Determine the amount of penalty, if any, that may be imposed on Nirmal Private Limited in the month of October in the given case ignoring interest payable, if any

2) Bindusar, Chief Executive Officer of Ashoka Solutions Ltd., is issued a summon to appear before the central tax officer to produce the books of accounts of Ashoka Solutions Ltd. in an inquiry conducted on said company. Determine the amount of penalty, if any, that may be imposed on Bindusar, if he fails to appear before the central tax officer.

1) Section 122(1)(iv) of the CGST Act, 2017 stipulates that a taxable person who collects any tax in contravention of the provisions of the CGST Act, but fails to pay the same to the Government beyond a period of 3 months from the date on which such payment becomes due shall be liable to pay a penalty of:

a) ₹ 10,000

Or

b) an amount equivalent to the tax evaded whichever is higher.

In the given case, since Nirmal Private Limited has collected tax at a wrong rate (i.e. 28%), but fails to deposit the full tax collected to the Government i.e. it deposits only tax @ 18% thereby retaining the remaining tax collected, the amount of penalty that can be imposed on Nirmal Private Limited is as follows:

₹ 10,000 or an amount equivalent to the tax evaded [ ₹ 50,000 (₹ 5,00,000 × 28%) - (₹ 5,00,000 × 18%)], whichever is higher, i.e. **₹ 50,000.**

2) Section 122(3)(d) of the CGST Act, 2017 stipulates that any person who fails to appear before the officer of central tax, when issued with a summon for appearance to give evidence or produce a document in an inquiry is liable to a penalty which may extend to ₹ 25,000. Therefore, penalty upto ₹ 25,000 can be imposed on Bindusar, in the given case.

**Question No. 37**

[ICAI Nov 18 – 5 Marks] | [SWB – Q.NO:5; PG.NO: 370]

Briefly explain the procedure to be followed by the Authority for Advance Ruling on receipt of the application for Advance Ruling under section 98.

The procedure to be followed by the Authority for Advance Ruling (AAR) on receipt of the application for advance ruling under section 98 is as under: -

1. Upon receipt of an application, the AAR shall send a copy of application to the officer in whose jurisdiction the applicant falls and call for all relevant records.
2. The AAR may then examine the application along with the records and may also hear the applicant. Thereafter he will pass an order either admitting or rejecting the application.

3. Application for advance ruling will not be admitted in cases where the question raised in the application is already pending or decided in any proceedings in the case of an applicant under any of the provisions of this Act.
4. If the application is rejected, it should be by way of a speaking order giving the reasons for rejection and only after giving an opportunity of being heard to the applicant.
5. If the application is admitted, the AAR shall pronounce its ruling on the question specified in the application. Before giving its ruling, it shall examine the application and any further material furnished by the applicant or by the concerned departmental officer.
6. Before giving the ruling, AAR must hear the applicant or his authorized representative as well as the jurisdictional officers of CGST/ SGST.
7. If there is a difference of opinion between the two members of AAR, they shall refer the point or points on which they differ to the Appellate Authority for hearing the issue
8. The Authority shall pronounce its advance ruling in writing within 90 days from the date of receipt of application.
9. A copy of the advance ruling duly signed by members and certified in prescribed manner shall be sent to the applicant, the concerned officer and the jurisdictional officer.

**Question No. 38 [ICAI July 21 – 5 Marks] | [SWB – Q.NO:15; PG.NO: 381]**

Discuss the amount of tax and penalty to be paid if any, in the following independent cases where SCN are issued under Section 74 of the CGST Act, 2017.

s. No.	Date on which credit was taken wrongly	Amount of input tax credit taken wrongly (₹ in lakh)	Present status
1	31st January, 2019	200	Adjudication order passed on 26 <sup>th</sup> July, 2021 demanding the entire amount of credit with interest and imposing amount equal to the credit as penalty.
2	30 <sup>th</sup> June, 2019	250	Adjudication order passed on 26 <sup>th</sup> August, 2021 demanding the entire amount of credit with interest and imposing amount equal to the credit as penalty.
3	30 <sup>th</sup> October, 2019	120	Show cause notice has been issued on 5 <sup>th</sup> September, 2021 demanding the entire amount of credit with interest and proposing penalty equal to 100% of the credit taken.
4	30 <sup>th</sup> January,	50	Statement of the Managing Director has been recorded on 6 <sup>th</sup> September, 2021 wherein he has admitted the non-receipt of the inputs and availing the credit wrongly.

Note: In all the cases assessee want to pay the amount on 20-09-2021.

S. No.	Date on which credit was taken wrongly	Amount of ITC wrongly taken (₹ in lakh)	Tax & penalty under section 74
1	31 <sup>st</sup> January 2019	200	Adjudication order is passed on 26 <sup>th</sup> July, 2021 and payment is made on 20.09.2021 i.e., after 30 days of the communication of the adjudication order <sup>4</sup> . Therefore, entire amount of ITC wrongly availed which is ₹ 200 lakh and equal amount of penalty i.e., ₹ 200 lakh shall be payable.
2	30 <sup>th</sup> June 2019	250	Adjudication order is passed on 26 <sup>th</sup> August, 2021 and payment is made on 20.09.2021 i.e., within 30 days of the communication of the adjudication order <sup>5</sup> .

<sup>4</sup> It is assumed that adjudication order is communicated the same day on which it is passed.

<sup>5</sup> It is assumed that adjudication order is communicated the same day on which it is passed.

			Therefore, entire amount of ITC wrongly availed which is ₹ 250 lakh and 50% of the penalty imposed i.e., ₹ 125 lakh shall be payable.
3	30 <sup>th</sup> October 2019	120	Show cause notice is issued on 5 <sup>th</sup> September 2021 and payment is made on 20.09.2021 i.e., within 30 days of issue of show cause notice. Therefore, entire amount of ITC wrongly availed which is ₹ 120 lakh and 25% of the penalty imposed i.e., ₹ 30 lakh shall be payable.
4	30 <sup>th</sup> January, 2020	50	Alternative – I: It is assumed that payment has been made within 30 days of issue of SCN Entire amount of ITC wrongly availed which is ₹50 lakhs and 25% of the penalty imposed i.e., ₹12.5 lakhs shall be payable Alternative – II: It is assumed that SCN has not yet been issued Payment made on 20.09.2021 is before issuance of SCN. Therefore, amount of ITC admitted to be taken wrongly which is ₹50 lakhs and penalty equal to 15% of such ITC i.e., ₹7.5 lakhs shall be payable.

**Question No. 39**

[ICAI RTP MAY 19] | [SWB – Q.NO:7; PG.NO: 390]

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



The company has made the following supplies during a tax period:

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

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

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

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

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

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

**Notes to above:**

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

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

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

“Adjusted total turnover” means the sum total of the value of:

- the turnover in a State/ Union territory, as defined under section 2(112), excluding turnover of services; &
- the turnover of zero-rated supply of services determined in terms of specified manner and non-zero-rated supply of services, excluding:
  - the value of exempt supplies other than zero-rated supplies; and
  - the turnover of supplies in respect of which refund is claimed under sub-rule (4A) or sub-rule (4B) or both, if any, during the relevant period.

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

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

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

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

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

**₹1,25,000 - ₹ 32,895 = ₹92,105**

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

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

where-

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

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

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

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

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

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

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

**Question No. 40**

**[SWB – Q.NO:22; PG.NO:405]**

Answer the following questions?

1. What is blocking of E-waybill (EWB) generation facility?
2. If a proper officer finds any discrepancies:
  - I. On comparing details of outward supplies furnished under Form GSTR-1 and Form GSTR 3B
  - II. On comparing details of inward supplies reflecting in the Form GSTR-2B with the Form GSTR-3B
  - III. And registration has been suspended under Rule 21A(2A).  
Whether E-way bill can be generated?
3. Whether recipient can generate E Way Bill of blocked GSTINs, indicating them as supplier and vice versa?
4. Can transporter/ an e-commerce operator/ a courier agency generate e-way bill in respect of Blocked GSTIN, either as supplier or as recipient?
5. Whether Unblocking of E-way Bill can be made.

1. As per Rule 138E of CGST/SGST Rules, 2017. Blocking of e-waybill generation facility means disabling taxpayer from generating E Way Bill in following cases

- 1) In case of composition taxable person u/s 10(1) or person paying concessional tax @ 6% under Sec 10(2A) has not furnished the [statement in FORM GST CMP-08] for 2 consecutive [quarters]
- 2) Further for normal taxable person e-waybill generation facility blocked if
  - I. He has not furnished 2 or more consecutive GSTR 3B Return on GST Portal
  - II. he has not furnished the statement of outward supplies (GSTR-1) for any 2 months or quarters, as the case may be.]

Further a person, whose registration has been suspended under the provisions of sub-rule (1) or (2) or (2A) of rule 21 A." The GSTINs of such blocked taxpayers cannot be used to generate the e-way bills w.r.to outward supplies. However, **E-way bill can be generated in respect of inward supplies of said registered person. (Amendment)**

2. **Rule 138E Amended:** Now, e-way bills cannot be generated if the GST registration has been suspended on account of taxpayer's GSTIN liable for cancellation under Rule 21A(2A) or on account of significant differences/ anomalies between the GSTR-3B & 1/2B

3. No, if a Taxpayer GSTIN is blocked for E Way Bill Generation facility, that GSTIN cannot be entered in E Way Bill as supplier. Thus, recipient of such blocked GSTINs cannot generate E Way Bill indicating such blocked GSTIN as supplier. **However E Way bill can be generated by indicating such blocked GSTIN as recipient (i.e., inward supplies of said registered person) (Amendment)**

4. No, the transporter / **an e-commerce operator/ a courier agency** cannot generate the e-way bills in respect of such blocked taxpayer's GSTINs, as supplier.

5. Commissioner may, [on receipt of an application from a registered person in **FORM GST EWB-05,**] on sufficient cause being shown and for reasons to be recorded in writing, by order [in **FORM GST EWB-06,**] allow furnishing of the said information in **PART A** of **FORM GST EWB- 01\***, subject to such conditions and restrictions as may be specified by him Such a request cannot be rejected without giving an adequate opportunity of being heard

**Question No. 41**

**[SWB – Q.NO:11; PG.NO: 421]**

M/s PCB Limited has imported printed circuit boards for sale in India from Country X, which are liable for anti-dumping duty. You are provided with the following details.

- Country X does not sell these goods in its Domestic market. However, it exports the same printed circuit boards at USD 200 per piece to another third country.
- The printed circuit board is sold in domestic Industry @ USD 175 per piece.
- PCB Limited has imported the printed circuit boards at USD 100 per piece.
- Landed value of the printed circuit boards is USD 125 per piece.



Compute the Anti-dumping duty payable by M/s PCB Limited for 1,000 pieces of printed circuit boards it has imported during the year assuming conversion rate @ ₹ 75 per USD.

The quantum of Anti-Dumping Duty is:

- Margin of dumping or
- Injury margin, whichever is lower.

Margin of dumping is the difference between export price and normal value of the imported article and injury margin is the difference between the Fair selling price [ Non-Injurious Price (NIP)] due to the domestic industry and the Landed Value of the dumped imports.

In the given case, anti-dumping duty per piece is:

Margin of dumping is USD 100 [USD 200<sup>6</sup> - USD 100<sup>7</sup>]

or

Injury margin is USD 50 [USD 175<sup>8</sup> - USD 125<sup>9</sup>]

whichever is lower i.e., USD 50.

Anti-dumping duty for 1,000 pieces (in rupees) = USD 50 × 1,000 pieces × ₹ 75 = ₹ 37,50,000

<sup>6</sup> When there are no sales of the like article in the domestic market of the exporting country, normal value is taken as the comparable representative price of the like article when exported from the exporting country to an appropriate third country.

<sup>7</sup> Export price is price of the article exported from the exporting country.

<sup>8</sup> Fair Selling Price/Non-Injurious Price is that level of price, which the industry is, expected to have charged under normal circumstances in the Indian market. It has been most logically assumed that the "domestic industry" referred to in point (ii) of the question refers to the domestic Indian market.

<sup>9</sup> Landed value

**Question No. 42 [ICAI MTP May 23 – 5 Marks] | [SWB – Q.NO:41; PG.NO: 455]**

Arihant Industries has imported a machine from U.K. From the following particulars furnished by it, arrive at the assessable value for the purpose of customs duty payable.

	Particulars	Amount
(i)	Price of the machine	10,000 U.K. Pounds
(ii)	Freight (air)	3,000 U.K. Pounds
(iii)	Engineering and design charges paid to a firm in U.K.	500 U.K. Pounds
(iv)	License fee relating to imported goods payable by the buyer as a condition of sale	20% of Price of machine
(v)	Materials and components supplied in UK by the buyer free of cost valued at ₹ 20,000	
(vi)	Insurance paid to the insurer in India	₹ 6,000
(vii)	Buying commission paid by the buyer to his agent in U.K.	100 U.K. Pounds

Other particulars:

I. Inter-bank exchange rate: ₹ 98 per U.K. Pound.

II. CBIC had notified for purpose of section 14 of the Customs Act, 1962, exchange rate of ₹ 100 per U.K. Pound.

Importer paid ₹ 5,000 towards demurrage charges for delay in clearing the machine from the Airport.

**Computation of assessable value of machine imported by Arihant Industries**

Particulars	Amount (₹)
Price of the machine	10,000
Add: Engineering and design charges paid in UK [Note 1]	500
Licence fee relating to imported goods payable by the buyer as a condition of sale (20% of Price of machine) [Note 1]	2,000
Total	12,500
	<b>Amount (₹)</b>
Value in Indian currency [£12,500 x ₹ 100] [Note 2]	12,50,000
Add: Materials and components supplied by the buyer free of cost [Note 1]	20,000
FOB	12,70,000
Add: Freight [Note 3]	2,54,000
Insurance paid to the insurer in India [Note 1]	6,000
CIF value	15,30,000
<b>Assessable value</b>	<b>15,30,000</b>

Notes:

- I. Engineering and design charges paid in UK, licence fee relating to imported goods payable by the buyer as a condition of sale, materials and components supplied by the buyer free of cost and actual insurance charges paid are all includible in the assessable value.
- II. As per Explanation to section 14(1) of the Customs Act, 1962, assessable value should be calculated with reference to the rate of exchange notified by the CBIC.
- III. If the goods are imported by air, the freight cannot exceed 20% of FOB price.
- IV. Buying commission is not included in the assessable value.  
Only ship demurrage charges on chartered vessels are included in the cost of transport of the imported goods. Thus, demurrage charges for delay in clearing the machine from the Airport will not be includible in the assessable value.

**Question No. 43 [ICAI NOV 19 - 5 MARKS] | [SWB – Q.NO:9; PG.NO: 431]**

Mr. X imported certain goods from a related person Mr. Paul of US and Transaction Value has been rejected. Rules 4 and 5 of the Import Valuation Rules are found inapplicable, as no similar/ identical goods are imported in India. Mr. X furnishes cost related data of imports and requests Customs Authorities to determine value accordingly as per Rule 8. The relevant data are –





1) Cost of materials incurred by Mr. Paul	\$2,000
2) Fabrication charges incurred by Mr. Paul	\$1,000
3) Other chargeable expenses incurred by Mr. Paul	\$400
4) Other indirect costs incurred by Mr. Paul	\$250
5) Freight from Mr. Paul's factory to US Port	\$250
6) Loading charges at US port	\$100
7) Normal net profit margin of Mr. Paul	20% of FOB
8) Air freight from US port to Indian Port	\$1,500
9) Insurance from US port to Indian Port	\$50
10) Exchange Rate	₹ 65 per \$

The Customs Authorities are of the opinion that since value as per Rule 7 can be determined at ₹4,00,000, there is no need to apply Rule 8.

As per Rule 6, at request of importer, Rule 8 may be applied before Rule 7. Hence, request of Mr. X to apply Rule 8 is Valid and since, Rule 8 data is available, the Customs Authorities cannot insist upon valuation as per Rule 7.

**Computation of Assessable Value as per Rule 8**

(1) Cost of Materials incurred by Mr. Paul	\$	2,000
(2) Fabrication Charges incurred by Mr. Paul	\$	1,000
(3) Other Chargeable expenses incurred by Mr. Paul	\$	400
(4) Other Indirect costs incurred by Mr. Paul	\$	250
(5) Freight from Mr. Paul's factory to US port	\$	250
(6) Loading Charges at US port	\$	100
<b>Total Cost incurred by Mr. Paul</b>	\$	<b>4,000</b>
(7) Normal net profit margin of Mr. Paul [20% of FOB or 25% of cost = 25% of \$ 4,000]		1,000
<b>FOB price</b>		<b>5,000</b>
(8) Air freight from US port to Indian [Air freight cannot exceed 20% of FOB, hence, restricted to as per Rule 10(2)(a)]	\$	
a) 20% of \$5,000 = \$1000 or	}	\$1000
b) \$1,500 + \$250 + \$100 = \$1,850		
Whichever is LOWER		
(-) Already considered in FOB (\$350)		650
(9) Insurance from US port to Indian port [Rule 10(2)(b)]	\$	50
<b>Assessable Value as per Rule 8</b>		<b>5,700</b>

**Question No. 44**

[ICAI Nov 22 – 5 Marks] | [SWB – Q.NO:13; PG.NO: 462]

Mr. X, a chemical manufacturer, imports a machine from Germany on 12<sup>th</sup> January, 2019 for ₹ 20 Lakhs. Mr. X is eligible for concessional rate of customs duty on capital goods imported by him subjected to condition that he follows the Customs (Import of goods at concessional rate of duty) Rules, 2017. Machinery was put to use on 1<sup>st</sup> February, 2019. On 5<sup>th</sup> April, 2022, Mr. X wants to clear the machine for home consumption after having used the machine for the specified purpose for which it was imported. Mr. X requires your help in calculating the customs duty he will be liable to pay for such clearance as per rule 7 of Customs (Import of goods at concessional rate of duty) Rules, 2017. Concessional rate of basic customs duty is 5%. Normal rate of basic customs duty is 20%. Calculate the basic customs duty payable by Mr. X on clearance of such capital goods for home consumption on 5<sup>th</sup> April, 2022. Ignore interest calculation.

**Computation of basic customs duty payable by Mr. X**

An importer who has imported the capital goods availing benefit of an exemption notification, may clear such goods after using them for specified purpose, on payment of duty equal to difference between the duty leviable on such goods without exemption and duty already paid at the time of importation, along with interest, on the depreciated value allowed in straight line method, as below:

- I. for every quarter in the first year @ 4%;
- II. for every quarter in the second year @3%;
- III. for every quarter in the third year @ 3%;
- IV. for every quarter in the fourth and fifth year @ 2.5%;
- V. and thereafter for every quarter @ 2%.

Thus, depreciation % will be computed as follows:

2019: 4 quarter × 4 = 16%

2020: 4 quarter × 3 = 12%

2021: 4 quarter × 3 = 12%

2022: 2 quarter × 2.5 = 5%

Total depreciation % will be 45%

Depreciation amount will be: 45% of ₹ 20 Lakh = ₹ 9 lakh

Depreciated value of the machine is ₹ 20 Lakh - ₹ 9 lakh = ₹ 11 lakh

Accordingly, basic customs duty payable by Mr. X will be computed as follows:

= [₹ 11 lakh × 20%] - [₹ 20 lakh × 5%]

= ₹ [2.20-1.00] lakh = ₹ 1.20 lakh

**Question No. 45**

[ICAI RTP May 20] | [SWB – Q.NO:9; PG.NO: 466]

Kankan Corp had imported a machine from USA for ₹ 365 lakh on payment of appropriate Customs Duty in February. However, in July, the machine had to be sent back to the supplier for repair (not amounting to manufacture) from the factory of Kankan Corp. This machine was repaired and thereafter, re-imported by Kankan Corp in November next year. The supplier has agreed to provide discount of 60% of the fair cost of repairs, resulting in Kankan Corp paying USD 12,000.



Following further particulars are available:

Particulars	Date	Rate of Duty	Rate notified by Inter Bank Exchange rate (IBEC)	Rate notified by Central Board of Indirect Taxes & Customs (CBIC)
Bill of Entry	21 <sup>st</sup> February	12%	61.40	62
Aircraft Arrival	26 <sup>th</sup> February	15%	62.50	63.25

Integrated Tax is leviable @ 12%.

Particulars	Outwards (Amount in ₹)	Inwards (Amount in ₹)
Insurance	23,000	27,000
Air Freight	93,500	1,06,500

Determine the total Duty Payable with appropriate notes for your Computation assuming that Kankan Corp is not an EOU?

Notification No. 45/2017 Customs dated 30.06.2017 stipulates that, in case of re-importation of goods, exported for repairs, Duty is payable on fair cost of repairs carried out, insurance and freight charges - both ways, subject to fulfilment of following conditions: -

- The time limit for re-importation is 3 years
- The exported goods and the re-imported goods must be the same.
- The ownership of the goods should not have changed.

Since all the specified conditions are fulfilled in the given case, total duty payable will be computed as under:-

Computation of total Duty payable by Kankan Corp.

Fair cost of Repairs (in Dollars) = \$12,000/40%	\$ 30,000
	₹
Fair cost of Repairs (in Rupees) = \$30,000 × ₹ 62 [Note-1]	18,60,000
Add: Inward and outward Insurance [₹ 23,000 + ₹ 27,000]	50,000
Add: Inward and outward Air Freight [₹ 93,500 + ₹ 1,06,500]	2,00,000
<b>Assessable Value</b>	<b>21,10,000</b>
Add: Basic Customs Duty (BCD) @15% [Note-2]	3,16,500
Add: Social Welfare Surcharge (SWS) @ 10% of BCD	31,650
Value for computing IGST	24,58,150
IGST @ 12%	2,94,978
<b>Total Customs Duty and Tax payable = [₹ 3,16,500 + ₹ 31,650 + ₹ 2,94,978]</b>	<b>6,43,128</b>

**Notes:**

1. Rate of Exchange Notified by the CBIC on date of presentation of Bill of Entry would be the applicable rate in terms of **third proviso to Section 14(1) of the Customs Act, 1962.**
2. Rate of Duty is the Rate in force on date of presentation of Bill of Entry or Arrival of Aircraft, whichever is later in terms of **proviso to section 15(1) of the Customs Act, 1962.**
3. Restriction of 20% of FOB in case of air freight is not applicable for computation of Customs Duty under **Section 20 read with Notification 45/2017.**

**Question No. 46 [ICAI June 21 – 5 Marks] | [SWB – Q.NO:21; PG.NO: 486]**

- I. Compute the Interest payable to an exporter in the following case of delayed payment of Drawback as per the Customs Act, 1962. The claim was made on 30<sup>th</sup> June, 2020 for ₹ 80,000 and was settled on 15<sup>th</sup> September 2020.
- II. Compute the Interest payable by the exporter under the Customs Act, 1962 in the case of recovery of ₹ 10,000 paid erroneously on 3<sup>rd</sup> July, 2020. Demand for recovery was issued on 5<sup>th</sup> September, 2020 and the exporter paid back the amount on 3<sup>rd</sup> November, 2020.

(i)

Particulars	Information
Duty Drawback claimed	₹ 80,000
No. of days of delay [31.07.2020 to 15.09.2020] [Refer Note]	47 days
Rate of Interest [Refer Note]	6%
Interest [₹ 80,000 × 47/365 × 6/100] (Rounded off)	₹ 618

**Note:** Since, the claim of Duty Drawback is not paid to exporter within 1 month from the date of filing such claim, interest @ 6% per annum is payable from the date after the expiry of the said 1 month period till the date of payment of such drawback.

(ii)

Particulars	Information
Duty Drawback paid erroneously	₹10,000
No. of days of delay [04.07.20 to 03.11.2020] [Refer Note]	123 days
Rate of Interest [Refer Note]	15%
Interest [₹10,000 × 123/365 × 15/100] (Rounded off)	₹ 505

**Note:** Interest is payable by the exporter on Duty Drawback paid erroneously @ 15% per annum for the period beginning from the date of payment of such Drawback to the exporter, till the date of recovery of such Drawback

**Question No. 47 [ICMAI Dec 18 – 7 Marks] | [SWB – Q.NO:11; PG.NO: 494]**

After staying abroad for 16 months, Mr. Vasudev shifted his residence to India, from Sydney to Kolkata on 12.10.2021. At the time of landing at Kolkata, he brought the following Items:

SL. No.	Particulars	Amount (₹)
(i)	Gold Bars 30 grams valued at	90,000
(ii)	Alcoholic Liquor 4 litre valued at	10,000
(iii)	20 boxes of Cigarettes, each box containing 10 nos., valued at	4,000
(iv)	One Notebook Computer	1,00,000
(v)	One PC meant for personal use	40,000
(vi)	Hand Pistol	83,000



You are required to compute the Customs Duty payable by him for the Baggage  
**Baggage Allowance and Duty Payable**

SN	Particulars	Eligible for GFA	Not Eligible for GFA
1	Gold bar covered under Annexure 1 & Not eligible for GFA However gold jewellery eligible)		90,000 @38.5%
2	Alcoholic Liquor (upto 2 litres covered under GFA) → ₹ 10,000 for 4 litres & 2 litres it is ₹ 5,000	5,000	5,000 @38.5%
3	Cigarettes (upto 100 no's covered under GFA) → ₹ 4,000 for 200 no's & for 100 no's it is ₹ 2,000	2,000	2,000 @ 110%

4	One personal Notebook Computer – Exempted as the person is aged ≥ 18 years	-	-
5	One personal computer – Exemption not available & it is dutiable but eligible for GFA	40,000	40,000
6	Hand Pistol (Covered under Annexure – 1 & not eligible for GFA)	-	83,000 @ 110%
	Gross value of Baggage	47,000	1,80,000
	(-) General Free Allowance upto ₹ 50,000	(47,000)	-
	Dutiable Value	0	1,80,000
	Baggage Duty payable @ 38.5%	-	₹ 36,575
	Baggage Duty payable @ 110%	-	₹ 93,500

**Question No. 48**

[ICSI Dec 17 – 3 Marks] | [SWB – Q.NO:5; PG.NO: 500]

Vipul imported certain goods in May. An 'into bond' Bill of Entry was presented on 14<sup>th</sup> May and goods were cleared from the port for warehousing. Assessable Value on that date was US \$ 1,00,000. The order permitting the deposit of goods in warehouse for 4 months was issued on 21<sup>st</sup> May. Vipul deposited the goods in warehouse on the same day but did not clear the imported goods even after the warehousing period got over on 21<sup>st</sup> September.



A notice was issued under Section 72 of the Customs Act, 1962, demanding Duty and Interest. Vipul cleared the goods on 14<sup>th</sup> October. Compute the amount of Duty and Interest payable by Vipul while removing the goods on the basis of the following information:

Particulars	14 <sup>th</sup> May	21st September	14th October
Rate of exchange per US \$ (as notified by Central Board of Indirect taxes & Customs)	₹ 65.20	₹ 65.40	₹ 65.50
Basic Customs Duty	15%	10%	12%

Integrated Tax leviable under Section 3(7) of the Customs Tariff Act is exempt. Ignore Agriculture and infrastructure development cess.

**Computation of Import Duty payable by Vipul**

Particulars	Amount (US \$)
Assessable Value	1,00,000
	Amount (₹)
Value in Indian currency (US \$ 1,00,000 × ₹ 65.20) [Note 1]	65,20,000
Customs Duty @ 10% [Note 2]	6,52,000
Add: Social Welfare Surcharge @ 10% on ₹ 6,52,000	65,200
<b>Total Customs Duty Payable</b>	<b>7,17,200</b>

**Notes:**

- As per third proviso to section 14(1) of the Customs Act, 1962, Assessable Value has to be calculated with reference to the rate of exchange prevalent on the date on which the into bond Bill of Entry is presented for warehousing under Section 46 of the Customs Act, 1962.
- Goods which are not removed within the permissible period are deemed to be improperly removed in terms of **Section 72 of the Customs Act, 1962** on the day they should have been removed [**Kesoram Rayon v. CC 1996 (86) ELT 464 (SC)**]. The applicable rate of Duty in such a case is the rate of Duty prevalent on the last date on which the goods should have been removed. (i.e.) **10%**  
As per **Section 61 of the Customs Act, 1962**, if goods (not meant for being used in an 100% EOU, STP unit, EHTP unit) remain in a warehouse beyond a period of 90 days from the date on which the order permitting deposit of goods in warehouse under section 60 is made, interest is payable @ 15% p.a., on the amount of duty payable at the time of clearance of the goods, for the period from the expiry of the said 90 days till the date of payment of duty on the warehoused goods.  
Therefore, Interest payable will be computed as under:

Period of 90 days commencing from the date of order made under 60 expires on	19 <sup>th</sup> August
No. of days for which interest shall be payable [12 days of August + 30 days of September + 14 days of October]	56 days
Interest payable = ₹ 7,17,200 × $\frac{15}{20} \times \frac{56}{365}$ (Rounded off)	₹ 16,505

**Question No. 49**

[ICAI Study Material] | [SWB – Q.NO:17; PG.NO: 510]

Two exporters namely, Sunlight Exports Pvt. Ltd. and Moonlight Exports Pvt. Ltd. have achieved the status of Status Holders (One Star Export House) in the financial year 2023-28. Every year, both the companies have been regularly exporting goods to approved nations. To achieve such status, what would have been the minimum export performance of the two exporters?

Both the companies are desirous of establishing export warehouses in accordance with the applicable guidelines. What should be their minimum export turnover to enable to establish export warehouses?

According to Foreign trade policy 2023-28 Status Holders are business leaders who have excelled in international trade and have successfully contributed to country's foreign trade. All exporters of goods, services and Technology having an import-export code (IEC) number shall be eligible for recognition as a status holder. Status recognition depends upon export performance. Status holders are given special treatment and privileges to facilitate their trade transaction in order to reduce transaction cost and time. In order to be categorized as One Star Export House, an exporter needs to achieve the export performance of 3 million US \$ [FOB/FOR (as converted)] during current and previous three financial years. Thus, export performance of the two given companies would have been at least 3 million US \$ [FOB/FOR (as converted)] during current and previous three financial years. Further, Two Star Export Houses and above are permitted to establish export warehouses.

Therefore, Sunlight Pvt. Ltd. and Moonlight Pvt. Ltd. can establish export warehouses in India only if they achieve the status of Two Star Export House and above. In order to achieve said status, export performance of the exporters during current and previous three financial years should be as indicated below:

Status Category	Export Performance [FOB/FOR (as converted) value in US \$ million]
Two Star Export House	15
Three Star Export House	50
Four Star Export House	200
Five Star Export House	800

**Question No. 50**

[ICAI Study Material] | [SWB – Q.NO:26; PG.NO: 513]

Determine admissible refund under RoDTEP Scheme from the following (rate of refund may be taken to be 2%)

- 1) Goods X - FOB Value declared in shipping bill is ₹ 5,00,000 (payment realized in advance)
- 2) Goods X - FOB Value declared in shipping bill is ₹2,00,000(payment is yet to be realized)
- 3) Supplies of goods made to SEZ units: ₹ 50,000
- 4) Supplies of goods made to 100% EOU: ₹ 1,50,000
- 5) Export of products liable to export duty: FOB Value ₹ 1,75,000
- 6) Export of products subject to Minimum export price: FOB Value ₹ 4,25,000

Statement showing computation of admissible refund under RoDTEP Scheme [In terms of Foreign Trade Policy 2023-28]

		Value for purposes of RoDTEP Scheme		Amount in ₹
1)	Goods X (payment realized in advance)	FOB value in shipping bill	₹ 5,00,000	5,00,000
2)	Goods Y (payment yet to be realized)	FOB value in shipping bill	₹ 2,00,000	2,00,000
<p><b>At the time of arantina rebate, it shall not depend upon realization of export proceeds.</b></p> <ul style="list-style-type: none"> <li>• Rebate shall be granted subject to receipt of sales proceeds within the time allowed under FEMA, 1999. As per Foreign Exchange Management (Export of Goods &amp; Services) Regulations, 2015, full value of export of goods should be released and repatriated to India within 9 months from the date of export.</li> <li>• If sales proceeds are not received within the time limit given under FEMA then the rebate shall be deemed to never have been allowed.</li> </ul>				

(3)	Supplies of goods made to SEZ unit	N.A. (as such supply is not eligible for RoDTEP Scheme)	Ineligible
(4)	Supplies of goods made to 100% EoU	N.A. (as such supply is not eligible for RoDTEP Scheme)	Ineligible
(5)	Export of products liable to export duty	N.A. (as such supply is not eligible for RoDTEP Scheme)	Ineligible
(6)	Export of products subject to Minimum export price	N.A. (as such supply is not eligible for RoDTEP Scheme)	Ineligible
		<b>Total</b>	<b>7,00,000</b>
		<b>Admissible refund under RoDTEP Scheme @ 2%</b>	<b>14,000</b>