

Question 1 : DEF Ltd is a manufacturer and is registered in GST in Delhi and has purchased raw material/spare parts etc. for ₹6,00,000 plus CGST @ 9% plus SGST @ 9% and incurred ₹ 4,00,000 on processing. Profit @ 40% on cost and entire product was sold to a wholesaler and charged CGST @ 12% and SGST @ 12%. Compute input tax credit/ output tax and net tax.

The wholesaler has further sold it to retailer at a profit of 30% on cost and charged CGST @ 12% and SGST @ 12%. Compute input tax credit/ output tax and net tax of the wholesaler.

The retailer has further sold it to a consumer Mr. A at a profit of 30% on cost and charged CGST @ 12% and SGST @ 12%. Compute input tax credit/ output tax and net tax of the retailer.

Solution:

Computation of Net Tax Liability of DEF Ltd.

	₹
Raw Material	6,00,000
Add: CGST @ 9%	54,000
Add: SGST @ 9%	54,000
Total	7,08,000
Input tax credit	
CGST	54,000
SGST	54,000
Cost of Raw Material	6,00,000
Add: Processing charges	4,00,000
Cost	10,00,000
Add: Profit @ 40% of ₹10,00,000	4,00,000
Transaction Value	14,00,000
Add: Output CGST @ 12%	1,68,000
Add: Output SGST @ 12%	1,68,000
Total	17,36,000

Computation of Net Tax

	CGST ₹
Output tax	1,68,000
Less: ITC Raw material - CGST	(54,000)
Net Tax	1,14,000

	SGST ₹
Output tax	1,68,000
Less: ITC Raw material - SGST	(54,000)
Net Tax	1,14,000

Computation of Net Tax Liability of wholesaler

	₹
Purchase price of wholesaler	17,36,000
Less: ITC Goods – CGST	(1,68,000)
Less: ITC Goods – SGST	(1,68,000)
Cost to Wholesaler	14,00,000
Add: Profit @ 30% of ₹14,00,000	4,20,000
Transaction Value	18,20,000
Add: CGST @ 12%	2,18,400
Add: SGST @ 12%	2,18,400
Total	22,56,800

Computation of Net Tax

	CGST ₹
Output tax	2,18,400
Less: ITC Goods - CGST	(1,68,000)
Net Tax payable	50,400

Computation of Net Tax

	SGST ₹
Output tax	2,18,400
Less: ITC Goods - SGST	(1,68,000)
Net Tax payable	50,400

Computation of Net Tax of Retailer

	₹
Purchase price of Retailer	22,56,800
Less: ITC Goods – CGST	(2,18,400)
Less: ITC Goods – SGST	(2,18,400)
Cost to Retailer	18,20,000
Add: Profit @ 30% of ₹18,20,000	5,46,000
Transaction Value	23,66,000
Add: CGST @ 12%	2,83,920
Add: SGST @ 12%	2,83,920
Total	29,33,840

Computation of Net Tax

	CGST ₹
Output tax	2,83,920
Less: ITC Goods – CGST	(2,18,400)
Net Tax Payable	65,520

	SGST ₹
Output tax	2,83,920
Less: ITC Goods – SGST	(2,18,400)
Net Tax Payable	65,520

Question 2 : Mr. B is a dealer in Delhi purchased goods for ₹ 10,00,000 plus CGST 10% and SGST 10% and sold the goods at a profit of ₹ 2,00,000 and he is not a registered dealer. Determine Tax Treatment. Also calculate assuming he is registered

	₹
Solution:	
Purchase price	10,00,000
Add: CGST @ 10%	1,00,000
Add: SGST @ 10%	1,00,000
Total	12,00,000

Input tax credit of CGST & SGST is not allowed because Mr. B is not registered.

Cost	12,00,000
Add: profit	2,00,000
Sale Value	14,00,000

Assuming he is registered

Solution:	₹
Purchase price	10,00,000
Add: CGST @ 10%	1,00,000
Add: SGST @ 10%	1,00,000
Total	12,00,000

Input tax credit of CGST & SGST is allowed.

Cost	10,00,000
Add: profit	2,00,000
Sale Value	12,00,000
Add: CGST @ 10%	1,20,000
Add: SGST @ 10%	1,20,000
Total	14,40,000

Computation of Net Tax

CGST

Output	1,20,000
Less: ITC	(1,00,000)
Net Tax	20,000

SGST

Output	1,20,000
Less: ITC	(1,00,000)
Net Tax	20,000

Question 3 : DEF Ltd. purchased raw material ₹7,00,000 + CGST @ 10% + SGST @ 10%. Processing charge is ₹3,00,000 profit 40% on cost entire product was sold and output CGST @ 10%/ SGST @ 10%. Compute ITC/ Output tax/ Net Tax . Also amount for which product is sold.

- (a) Registered in GST
(b) Unregistered in GST.

Solution (a):

Computation of Net Tax Liability of DEF limited

	₹
Raw Material	7,00,000
Add: CGST @ 10%	70,000
Add: SGST @ 10%	70,000
Total	8,40,000

Input tax credit	
CGST	70,000
SGST	70,000
Cost of Raw Material	7,00,000
Add: Processing cost	3,00,000
COST	10,00,000
Add: Profit @ 40% on cost	4,00,000
Transaction Value	14,00,000
Add: CGST @ 10%	1,40,000
Add: SGST @ 10%	1,40,000
Total	16,80,000

Computation of Net Tax

CGST	1,40,000
Output	
Less: ITC	(70,000)
Net Tax	70,000

SGST

Output	1,40,000
Less: ITC	(70,000)
Net Tax	70,000

(b) Computation of Net Tax Liability of DEF limited

₹

Raw Material	7,00,000
Add: CGST @ 10%	70,000
Add: SGST @ 10%	70,000
Total	8,40,000
Input tax credit	
CGST	Nil
SGST	Nil
Cost of Raw Material	8,40,000
Add: Processing cost	3,00,000
COST	11,40,000
Add: Profit @ 40% on cost	4,56,000
Transaction Value	15,96,000

Question 4 : MNO Ltd is a manufacturer and is registered in GST in Delhi and has purchased raw material/spare parts etc. for ₹5,00,000 plus CGST @ 12% plus SGST @ 12% and incurred ₹2,00,000 on processing. Profit @ 40% on cost and entire product was sold to a wholesaler and charged CGST @ 12% and SGST @ 12%. Compute input tax credit/ output tax and net tax.

The wholesaler has further sold it to retailer at a profit of 30% on cost and charged CGST @ 12% and SGST @ 12%. Compute input tax credit/ output tax and net tax of the wholesaler.

The retailer has further sold it to a consumer Mr. X at a profit of 30% on cost and charged CGST @ 12% and SGST @ 12%. Compute input tax credit/ output tax and net tax of the retailer

Solution:**Computation of Net Tax Liability of MNO Ltd.**

₹

Raw Material	5,00,000
Add: CGST @ 12%	60,000
Add: SGST @ 12%	60,000
Total	6,20,000
Input tax credit	
CGST	60,000
SGST	60,000
Cost of Raw Material	5,00,000
Add: Processing charges	2,00,000
Cost	7,00,000
Add: Profit @ 40% of ₹7,00,000	2,80,000
Transaction Value	9,80,000
Add: Output CGST @ 12%	1,17,600
Add: Output SGST @ 12%	1,17,600
Total	12,15,200

Computation of Net Tax**CGST ₹**

Output tax	1,17,600
Less: ITC Raw material - CGST	(60,000)
Net Tax	57,600

SGST ₹

Output tax	1,17,600
Less: ITC Raw material - SGST	(60,000)
Net Tax	57,600

Computation of Net Tax Liability of wholesaler

₹

Purchase price of wholesaler	12,15,200
Less: ITC Goods – CGST	(1,17,600)
Less: ITC Goods – SGST	(1,17,600)
Cost to Wholesaler	9,80,000
Add: Profit @ 30% of ₹9,80,000	2,94,000
Transaction Value	12,74,000
Add: CGST @ 12%	1,52,880
Add: SGST @ 12%	1,52,880
Total	15,79,760

Computation of Net Tax**CGST ₹**

Output tax	1,52,880
Less: ITC Goods - CGST	(1,17,600)
Net Tax payable	35,280

Computation of Net Tax	SGST ₹
Output tax	1,52,880
Less: ITC Goods - SGST	(1,17,600)
Net Tax payable	35,280

Computation of Net Tax of Retailer	₹
Purchase price of Retailer	15,79,760
Less: ITC Goods – CGST	(1,52,880)
Less: ITC Goods – SGST	(1,52,880)
Cost to Retailer	12,74,000
Add: Profit @ 30% of ₹12,74,000	3,82,200
Transaction Value	16,56,200
Add: CGST @ 12%	1,98,744
Add: SGST @ 12%	1,98,744
Total	20,53,688

Computation of Net Tax	CGST ₹
Output tax	1,98,744
Less: ITC Goods – CGST	(1,52,880)
Net Tax Payable	45,864

	SGST ₹
Output tax	1,98,744
Less: ITC Goods – SGST	(1,52,880)
Net Tax Payable	45,864

Question 5 : JKL Ltd. purchased raw material ₹ 800,000 and paid CGST 14% + SGST 14% and incurred ₹600,000 for processing and had profit of 30% on cost and charged CGST 14% + SGST 14%. It was purchased by wholesaler XYZ ltd. and the product was sold further at a profit of 20% on cost and charged CGST 14% + SGST 14%.

Solution:

Computation of Net Tax Liability of JKL Ltd.	₹
Raw Material	8,00,000
Add: CGST @ 14%	1,12,000
Add: SGST @ 14%	1,12,000
Total	10,24,000
Input tax credit	
CGST	1,12,000
SGST	1,12,000

Cost of Raw Material	8,00,000
Add: Processing charges	6,00,000
Cost	14,00,000
Add: Profit @ 30% of ₹14,00,000	4,20,000
Transaction Value	18,20,000
	2,54,800

Add: Output CGST @ 14%	
Add: Output SGST @ 14%	2,54,800
Total	23,29,600

Computation of Net Tax

	CGST ₹
Output tax	2,54,800
Less: ITC Raw material - CGST	(1,12,000)
Net Tax	1,42,800

	SGST ₹
Output tax	2,54,800
Less: ITC Raw material - SGST	(1,12,000)
Net Tax	1,42,800

Computation of Net Tax Liability of JKL Limited

	₹
Purchase price of wholesaler	23,29,600
Less: ITC Goods – CGST	(2,54,800)
Less: ITC Goods – SGST	(2,54,800)

Cost to Wholesaler	18,20,000
Add: Profit @ 20% of ₹18,20,000	3,64,000
Transaction Value	21,84,000
Add: CGST @ 14%	3,05,760
Add: SGST @ 14%	3,05,760
Total	27,95,520

Computation of Net Tax

	CGST ₹
Output tax	3,05,760
Less: ITC Goods - CGST	(2,54,800)
Net Tax payable	50,960

Computation of Net Tax

	SGST ₹
Output tax	3,05,760
Less: ITC Goods - SGST	(2,54,800)
Net Tax payable	50,960

Question 6 : Mr. Ram is a dealer registered in GST and has purchased goods for ₹7,60,000 and paid CGST @ 9% and SGST @ 9% and sold goods at a profit of 40% on cost and charged output CGST @ 9% and SGST @ 9%. Compute tax payable, Output Tax and Input Tax.

b) Presume he is unregistered dealer.

Solution:

	₹
Purchase price	7,60,000
Add: CGST @ 9%	68,400
Add: SGST @ 9%	68,400
Total	8,96,800

Input tax credit of CGST & SGST is allowed.

Cost	7,60,000
Add: profit @ 40%	3,04,000
Sale Value	10,64,000
Add: CGST @ 9%	95,760
Add: SGST @ 9%	95,760
Total	12,55,520

Computation of Net Tax

	CGST ₹
Output tax	95,760
Less: ITC Goods – CGST	(68,400)
Net Tax Payable	27,360

	SGST ₹
Output tax	95760
Less: ITC Goods – SGST	(68,400)
Net Tax Payable	27,360

b) If he is an unregistered dealer.

	₹
Cost	8,96,800
Add: profit @ 40%	3,58,720
Total	12,55,520

Question 7 : Mr. Deepak is a dealer registered in GST and he has purchased goods from Haryana for ₹10,00,000 plus IGST @ 12% and goods were sold in Delhi at a profit of ₹1,00,000 and charged CGST @ 6% and SGST @ 6%. In this case sale value and tax charged shall be as given below:

	₹
Solution:	
Purchase price	10,00,000
Add: IGST @ 12%	1,20,000
Total	11,20,000
Input tax credit of IGST is allowed of ₹ 1,20,000.	

Cost	10,00,000
Add: profit	1,00,000
Sale Value	11,00,000
Add: CGST @ 6%	66,000
Add: SGST @ 6%	66,000
Sale value inclusive of tax	12,32,000

Computation of Net Tax

	CGST ₹
Output tax	66,000
Less: ITC Raw Material-IGST	(66,000)
Net Tax Payable	Nil

	SGST ₹
Output tax	66,000
Less: ITC Raw Material-IGST	(54,000)
Net Tax Payable	12,000

Question 8 : Mr. Shyam is registered in GST and he is a manufacturer and he has purchased raw material R1 for ₹2,50,000 and has paid CGST @ 10% plus SGST @ 10%.

He purchased raw material R2 for ₹3,20,000 and paid IGST @ 20% and raw material was purchased from other state.

He has purchased raw material R3 for ₹5,50,000 and has paid CGST @ 10% plus SGST @ 10%.
Processing charges ₹4,00,000 plus profit ₹70,000.

The manufacturer has taken input services in connection with manufacturing of the product and has paid ₹5,00,000 plus CGST @ 10% plus SGST @ 10%.

Final product was sold and charged CGST @ 10% plus SGST @ 10%.

Show the working for GST and also show the working for payment of tax at the time of sale of final product.

Solution:

₹

Raw material – R1

Transaction value	2,50,000
Add: CGST @ 10%	25,000
Add: SGST @ 10%	25,000
Total	3,00,000
Input Tax Credit	
CGST	25,000
SGST	25,000
	2,50,000

Raw material – R2

Transaction value	3,20,000
Add: IGST @ 20%	64,000
Total	3,84,000
Input Tax Credit	
IGST	64,000
	3,20,000

Raw material – R3

Transaction value	5,50,000
Add: CGST @ 10%	55,000
Add: SGST @ 10%	55,000
Total	6,60,000
Input Tax Credit	
CGST	55,000
SGST	55,000
	5,50,000

Service

	5,00,000
Add: CGST @ 10%	50,000
Add: SGST @ 10%	50,000
Total	6,00,000
Input Tax Credit	
CGST	50,000
SGST	50,000

Cost of Final Product

2,50,000.00

Raw material - R1

Raw material - R2	3,20,000.00
Raw material - R3	5,50,000.00
Processing charges	4,00,000.00
Payment for services	5,00,000.00
Profit	70,000.00
Transaction value	20,90,000.00
Add: CGST @ 10%	2,09,000.00
Add: SGST @ 10%	2,09,000.00
Total	25,08,000.00

Computation of Net Tax

	CGST ₹
Output tax	2,09,000.00
Less:	
ITC Raw material – R2 – IGST	(64,000.00)
ITC Raw material – R1 – CGST	(25,000.00)
ITC Raw material – R3 – CGST	(55,000.00)
ITC Services – CGST	(50,000.00)
Net tax payable	15,000.00

Question 9 : Manohar Limited is a manufacturing concern and the company has submitted the particulars as given below:-

Purchased raw material, R1: ₹2,00,000 (+) CGST @ 10% (+) SGST @ 10%

Purchased raw material, R2: ₹3,00,000 (+) IGST @ 20%

The company purchased plant and machinery for ₹10 Lakhs and paid CGST @ 10% plus SGST @ 10%. Life of the plant and machinery is 5 years and depreciation is allowed @ 20% on SLM.

The company has taken certain services in connection with manufacturing of goods and has paid ₹3,00,000 plus CGST @ 10% plus SGST @ 10%. Other processing expenditure incurred by the company is ₹5,00,000 and profit is ₹8,00,000. Final product was sold by the company and output CGST @ 10% plus SGST @ 10%. Company is registered under GST ACT. Compute Net Tax Payable.

Solution:**Raw material –R1**

	₹
Purchase price	2,00,000.00
Add: CGST @ 10%	20,000.00
Add: SGST @ 10%	20,000.00
	2,40,000.00

Raw material –R2

Purchase price	3,00,000.00
Add: IGST @ 20%	60,000.00
	3,60,000.00

Capital goods

Purchase price	10,00,000.00
Add: CGST @ 10%	1,00,000.00
Add: SGST @ 10%	1,00,000.00
	12,00,000.00

Services

	3,00,000.00
Add: CGST @10%	30,000.00
Add: SGST @10%	30,000.00
	3,60,000.00

Cost of final product

Raw material –R1	2,00,000.00
Raw material –R2	3,00,000.00
Depreciation on Capital goods (10,00,000 @ 20%)	2,00,000.00
Services	3,00,000.00
Other processing charges	5,00,000.00
Profit	8,00,000.00
Transaction Value	23,00,000.00
Add: CGST @10%	2,30,000.00
Add: SGST @10%	2,30,000.00
	27,60,000.00

Computation of Net Tax Payable

	CGST ₹
Output Tax	2,30,000
Less:	
ITC Raw Material 2 - IGST	(60,000)
ITC Raw material – R1 – CGST	(20,000)
ITC Plant and machinery – CGST	(1,00,000)
ITC Tax on Input Services – CGST	(30,000)
Net tax payable	20,000

Computation of Net Tax Payable

	SGST ₹
Output Tax	2,30,000
Less:	
ITC Raw material – R1 – SGST	(20,000)
ITC Plant and machinery – SGST	(1,00,000)
ITC Services – SGST	(30,000)
Net tax payable	80,000

Assessee has the option to adjust ITC of IGST either from output CGST or from output SGST

Question 10 : Mr. Suresh is a dealer registered under GST. He has submitted the information given below:

1. Purchased goods A for ₹10,00,000 + IGST @ 20% and sold these goods for ₹8,00,000 + CGST @ 10% + SGST @ 10%.
2. Purchased goods B for ₹8,00,000 + CGST @ 10% + SGST @ 10% and sold these goods for ₹18,00,000 + IGST @ 20%.
3. Purchased goods C for ₹8,00,000 + CGST @ 10% + SGST @ 10% and sold these goods for ₹6,00,000 + CGST @ 10% + SGST @ 10%.

Compute Net Tax payable by Mr. Suresh.

Solution:**Goods A**

	₹
Cost	10,00,000
Add: IGST @20%	2,00,000
Input Tax Credit IGST	2,00,000
Sale	8,00,000
Add: CGST @10%	80,000
Add: SGST @10%	80,000
Total	9,60,000

Goods B

Cost	8,00,000
Add: CGST @10%	80,000
Add: SGST @10%	80,000
Total	9,60,000

Input Tax Credit CGST	80,000
SGST	80,000

Sale	18,00,000
Add: IGST @20%	3,60,000
Total	21,60,000

Goods C

Cost	8,00,000
Add: CGST @10%	80,000
Add: SGST @10%	80,000
Total	9,60,000

Input Tax Credit CGST	80,000
SGST	80,000

Sale	6,00,000
Add: CGST @10%	60,000
Add: SGST @10%	60,000
Total	7,20,000

Computation of Net Tax Payable

	IGST ₹
Output Tax	3,60,000
Less:	
ITC Goods A – IGST	(2,00,000)
ITC Goods C – CGST	(20,000)
ITC Goods C – SGST	(20,000)
Net Tax Payable	1,20,000

	CGST ₹
Output Tax	1,40,000
Less:	
ITC Goods B – CGST	(80,000)
ITC Goods C – CGST	(60,000)
Net Tax Payable	Nil

Excess credit of CGST of ₹20,000 can be adjusted from IGST.

	SGST ₹
Output Tax	1,40,000
Less:	
ITC Goods B – SGST	(80,000)
ITC Goods C – SGST	(60,000)
Net Tax Payable	Nil

Excess credit of SGST of ₹20,000 can be adjusted from IGST.

Question 11: Mr. Jai is a dealer registered under GST. He has purchased goods A for ₹10,00,000 + CGST @ 10% + SGST @ 10% and sold 50% of these goods for ₹6,00,000 + IGST @ 20%. Compute Net Tax payable by Mr. Jai.

Solution:

₹

Goods A

Cost	10,00,000
Add: CGST @ 10%	1,00,000
Add: SGST @ 10%	1,00,000

Input Tax Credit	
CGST	1,00,000
SGST	1,00,000

Sale	6,00,000
Add: IGST @ 20%	1,20,000
Total	7,20,000

Computation of Net Tax Payable

	IGST ₹
Output Tax	1,20,000
Less:	
ITC Goods A – IGST	Nil
ITC Goods C – CGST	(1,00,000)
ITC Goods C – SGST	(20,000)
Net Tax Payable	Nil

Excess credit of SGST ₹80,000 shall be carried forward.

Question 12 : Mr. Mukesh has opted for composition scheme at the time of registration and purchased a plant and machinery ₹ 30,00,000 and paid input tax at a rate of 18% and tax credit was not allowed but after a period of 9 month and 10 days the dealer has opted for payment u/s 9 i.e. normal scheme. Compute amount of tax credit allowed to Mr. X.

(b) Presume time period is 11 month and 20 days

₹

Solution:

(a) Total Input Tax (30,00,000 x 18%) 5,40,000
 Asset already used for 9 months and 10 days = 4 Quarters
 Less: Tax credit not allowed (5,40,000 x (4 x 5%)) (1,08,000)
 Amount of Tax credit allowed 4,32,000

(b) Total Input Tax (30,00,000 x 18%) 5,40,000
 Asset already used for 11 months and 20 days = 4 Quarters
 Less: Tax credit not allowed (5,40,000 x (4 x 5%)) (1,08,000)
 Amount of Tax credit allowed 4,32,000

Question 13 : Hosh Limited purchased one plant and machinery ₹20,00,000 and paid input tax ₹3,00,000 and it is being used for exempted goods but after 7 months and 10 days , it is used for taxable goods. Determine ITC allowed.

Solution : Total input tax ₹3,00,000
 Less: 5% per quarter or part thereof i.e. 3,00,000 x (5% x 3) (₹45,000)
 Amount of tax credit allowed 2,55,000

Question 14 : Life Limited purchased one plant and machinery ₹20,00,000 and paid input tax ₹3,00,000 and it is being used for taxable goods but after one year and 2 months and 10 days , it is used for exempted goods. Determine reversal of ITC

Solution :

Remaining life 60 month – 14 month 10 days = 45 months 20 days

Ignore 20 days i.e. 45 months

3,00,000 /60 x 45 = ₹2,25,000

Question 15 : Mr. Ashok has opted for payment under section 9 and he purchased a plant and machinery ₹ 60,00,000 and paid input tax at a rate of 20% but he has shifted to composition scheme after 38 month and 10 days. Compute amount of tax credit to be reversed by Mr. Ashok.

(b) Presume time period is 11 month and 20 days

(c) Presume time period is 55 month and 21 days.

Solution:

	₹
(a) Total Input Tax (60,00,000 x 20%)	12,00,000
Remaining life of the asset = (60 month – 38 month and 10 days)	
= 21 month and 20 days i.e. 21 month (part shall be ignored)	
Amount of credit to be reversed = 12,00,000/60 x 21 =	4,20,000
(b) Total Input Tax (60,00,000 x 20%)	12,00,000
Remaining life of the asset = (60 month – 11 month and 20 days)	
= 48 month and 10 days i.e. 48 month (part shall be ignored)	
Amount of credit to be reversed = 12,00,000/60 x 48 =	9,60,000
(c) Total Input Tax (60,00,000 x 20%)	12,00,000
Remaining life of the asset = (60 month – 55 month and 21 days)	
= 4 month and 9 days i.e. 4 month (part shall be ignored)	
Amount of credit to be reversed = 12,00,000/60 x 4 =	80,000

Question 16 : Happy Co. Ltd. is engaged in the manufacture of heavy machinery. It procured the following items during the month of July.

S. No.	Items	GST paid (₹)
(i)	Electrical transformers to be used in the manufacturing process	5,20,000
(ii)	Trucks used for the transport of raw material	1,00,000
(iii)	Raw material	2,00,000
(iv)	Confectionery items for consumption of employees working in the factory	25,000

Determine the amount of ITC available with Happy Co. Ltd., for the month of July by giving necessary explanations for treatment of various items.

Note:

(i) All the conditions necessary for availing the ITC have been fulfilled.

(ii) ABC Co. Ltd. is not eligible for any threshold exemption.

Answer: **Computation of ITC available with Happy Co. Ltd. for the month of July**

S. No.	Items	ITC (₹)
(i)	Electrical transformers [Being goods used in the course or furtherance of business, ITC thereon is available]	5,20,000
(ii)	Trucks used for the transport of raw material [ITC on motor vehicles used for transportation of goods is allowed.]	1,00,000
(iii)	Raw material [Being goods used in the course or furtherance of business, ITC thereon is available]	2,00,000
(iv)	Confectionery items for consumption of employees working in the factory [ITC on food or beverages is specifically disallowed unless the same is used for making outward taxable supply of the same category or as an element of the taxable composite or mixed supply]	Nil
Total ITC		8,20,000

Question 17: Kite Ltd., is engaged in manufacture of taxable goods. Compute the ITC available with Kite Ltd. for the month of October, 2020 from the following particulars:-

S. No.	Inward supplies	GST (₹)	Remarks
(i)	Inputs 'A'	1,00,000	One invoice on which GST payable was ₹ 10,000, is missing
(ii)	Inputs 'B'	50,000	Inputs are to be received in two instalments. First instalment has been received in October, 2020.
(iii)	Capital goods	1,20,000	Kite Ltd. has capitalised the capital goods at full invoice value inclusive of GST as it will avail depreciation on the full invoice value.
(iv)	Input services	2,25,000	One invoice dated 20.01.2020 on which GST payable was ₹50,000 has been received in October, 2020.

Note:

- (i) All the conditions necessary for availing the ITC have been fulfilled.
- (ii) Kite Ltd. is not eligible for any threshold exemption.
- (iii) The annual return for the financial year 2019-20 was filed on 15th September, 2020.

Answer

Computation of ITC available with Kite Ltd. for the month of October, 2020

S. No.	Inward supplies	GST (₹)
(i)	Inputs 'A' [ITC cannot be taken on missing invoice. The registered person should have the invoice in its possession to claim ITC]	90,000
(ii)	Inputs 'B' [When inputs are received in instalments, ITC can be availed only on receipt of last instalment]	Nil
(iii)	Capital goods [Input tax paid on capital goods cannot be availed as ITC, if depreciation has been claimed on such tax component]	Nil
(iv)	Input services [ITC on an invoice cannot be availed after the due date of furnishing of the return for the month of September following the end of financial year to which such invoice pertains or the date of filing annual return, whichever is earlier.]	1,75,000
Since the annual return for the FY 2019-20 has been filed on 15th September, 2020 (prior to due date of filing the return for September, 2020 i.e., 20th October, 2020), ITC on the invoice pertaining to FY 2019-20 cannot be availed after 15th September, 2020.		
Total		2,65,000

Question 18 : Mr. Has Mukh, a supplier of goods, pays GST under regular scheme. He is not eligible for any threshold exemption. He has made the following outward taxable supplies in a tax period:

Particulars	(₹)
Intra-State supply of goods	8,00,000
Inter-State supply of goods	3,00,000
He has also furnished the following information in respect of purchases made by him in that tax period:	
Particulars	(₹)
Intra-State Purchase of goods	3,00,000
Inter-State Purchase of goods	50,000

He has following ITCs with him at the beginning of the tax period:

Particulars	(₹)
CGST	30,000
SGST	30,000
IGST	70,000

Note:

(i) Rate of CGST, SGST and IGST to be 9%, 9% and 18% respectively.

(ii) Both inward and outward supplies are exclusive of taxes, wherever applicable.

All the conditions necessary for availing the ITC have been fulfilled. Compute the net GST payable by him during the tax period. Make suitable assumptions as required.

Answer: Computation of GST payable by Mr. Has Mukh on outward supplies

S.No.	Particulars	(₹)	GST (₹)
(i)	Intra-State supply of goods		
	CGST @ 9% on ₹8,00,000	72,000	
	SGST @ 9% on ₹8,00,000	72,000	1,44,000
(ii)	Inter-State supply of goods IGST @ 18% on ₹3,00,000		54,000
	Total GST payable		1,98,000

Computation of total ITC

Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
Opening ITC	30,000	30,000	70,000
Add: ITC on Intra-State purchases of goods valuing ₹3,00,000	27,000	27,000	Nil
Add: ITC on Inter-State purchases of goods valuing ₹50,000	Nil	Nil	9,000
Total ITC	57,000	57,000	79,000

Computation of Tax payable from cash ledger

Particulars	IGST (₹)
IGST payable	54,000
Less: ITC of IGST	(54,000)
Net IGST payable	Nil

Balance credit of IGST can be adjusted either from CGST/SGST. In the given case, we have adjusted 15,000 from CGST and balance from SGST

Particulars	CGST (₹)
CGST payable	72,000
Less: ITC of IGST	(15,000)
Less: ITC of CGST	(57,000)
Net CGST payable	Nil

Particulars	SGST (₹)
SGST payable	72,000
Less: ITC of IGST	(10,000)
Less: ITC of SGST	(57,000)
Net SGST payable	5,000

Question 19 : Best limited started its business on 01-07-2019 and purchased goods ₹48,00,000 + CGST 10% + SGST 10% and purchased capital goods for conducting business for ₹ 18,00,000 + CGST 10% + SGST 10%. Company sold 50% of the goods upto 31-12-2019 for ₹ 40,00,000 and applied for registration on 1-1-2020 and registration was granted on 15-01-2020. Company sold 50% of the capital goods on 01-03-2020 for ₹ 7,00,000 and rate was CGST @ 12% and SGST @ 12% at that time.

Compute ITC allowed at the time of registration and ITC to be reversed at the time of sale of capital Goods.

Solution:

No tax credit shall be allowed in the beginning because unregistered supplier is not eligible for ITC.

As per section 18(1) (a), ITC shall be allowed at the time of registration but only for inputs lying in the stock and amount of ITC shall be $48,00,000 \times 50\% =$ 24,00,000

(Since 50% of the goods have been sold)

CGST @ 10% 2,40,000

SGST @ 10% 2,40,000

No ITC for capital Goods.

Since no ITC has been taken for capital goods, as per section 18(6) no reversal of ITC is applicable however as per section 7 it will be considered to be supply and output GST shall be payable

Transaction Value 7,00,000

CGST @ 12% 84,000

Less: ITC CGST (84,000)

CGST Payable Nil

Balance credit to be carried forward 1,56,000

SGST @ 12% 84,000

Less: ITC SGST (84,000)

SGST Payable Nil

Balance credit to be carried forward 1,56,000

Question 20 : Honest limited started its business on 01-07-2019 and purchased goods ₹ 48,00,000 + CGST 10% + SGST 10% and purchased capital goods for conducting business for ₹ 18,00,000 + CGST 10% + SGST 10%. Company sold 50% of the goods upto 31-12-2019 for ₹ 40,00,000 and applied for registration on 1-1-2020 and registration was granted on 15-01-2020. Company purchased one Plant and machinery on 01-01-2020 ₹ 6,00,000 + CGST @ 10% + SGST @ 10% . Company sold this plant on 01-03-2020 for ₹ 5,70,000 and rate was CGST 12% and SGST 12% at the time of sale.

Compute ITC allowed at the time of registration and ITC to be reversed at the time of sale of Plant and machinery.

Solution:

No tax credit shall be allowed in the beginning because unregistered supplier is not eligible for ITC.

As per section 18(1) (a), ITC shall be allowed at the time of registration but only for inputs lying in stock and amount of ITC shall be $48,00,000 \times 50\% =$ 24,00,000

(Since 50% of the goods have been sold)

CGST @ 10% 2,40,000

SGST @ 10% 2,40,000

No ITC for capital Goods already held in stock.

ITC for plant and machinery purchased on 01-01-2020

Transaction Value	6,00,000
CGST @ 10%	60,000
SGST @ 10%	60,000

At the time of sale of plant and machinery, tax credit to be reversed as per section 18(6) rule 44 shall be

Remaining life of the plant = 58 months

Tax credit to be reversed

CGST	
60,000 / 60 x 58 =	58,000
SGST	
60,000 / 60 x 58 =	58,000

Output tax considering it to be supply as per section 7,

Transaction Value	5,70,000
CGST @ 12%	68,400
SGST @ 12%	68,400

Amount to be reversed shall be higher i.e. 68,400 + 68,400

Net CGST Payable

CGST	68,400
Less: ITC CGST	(68,400)
CGST Payable	Nil
Excess ITC	2,31,600

Net SGST Payable

SGST	68,400
Less: ITC SGST	(68,400)
SGST Payable	Nil
Excess ITC	2,31,600

Question 21: Mr. Ganesh is a dealer registered in GST and has purchased one Plant and Machinery on 01/10/2020 ₹ 60,00,000 + CGST @ 10% + SGST @ 10%. He purchases raw material ₹ 30,00,000 + CGST @ 12% + SGST @ 12% on first of every month. He is manufacturing two products A & B. Product A is exempt and Product B is taxable.

Turnover of product A in October 2020 is ₹22,00,000 and Turnover of product B is ₹32,00,000. Rate of CGST @ 15% and SGST @ 15%. Compute ITC/ Output tax/ Net Tax for the month of October 2020.

Solution:

Computation of Net Tax Liability of Mr. Ganesh

	₹
Raw Material	30,00,000
Add: CGST @ 12%	3,60,000
Add: SGST @ 12%	3,60,000
Total	37,20,000
Input tax credit	
CGST	3,60,000
SGST	3,60,000
Cost of Raw Material	30,00,000

ITC on capital Goods

Plant and Machinery	60,00,000
CGST @ 10%	6,00,000

SGST @ 10%	6,00,000
ITC CGST	6,00,000
ITC SGST	6,00,000
Cost of Plant and Machinery	60,00,000

Output Tax

Turnover	32,00,000
CGST @ 15%	4,80,000
SGST @ 15%	4,80,000
Add: ITC to be reversed	
Raw Material - Rule 42	
CGST $3,60,000/54,00,000 \times 22,00,000$	1,46,666.67
SGST $3,60,000/54,00,000 \times 22,00,000$	1,46,666.67
Capital Goods –Rule 43	
CGST $(6,00,000/60 \times 1)/54,00,000 \times 22,00,000$	4,074.07
SGST $(6,00,000/60 \times 1)/54,00,000 \times 22,00,000$	4,074.07

Computation of Net Tax**CGST**

Output Tax	
Sale	4,80,000.00
Raw Material	1,46,666.67
Plant and Machinery	4,074.07
Total	6,30,740.79
Less: ITC	
Raw Material	(3,60,000.00)
Capital Goods	(6,00,000.00)
ITC to be carried forward	3,29,259.26

SGST

Output Tax	
Sale	4,80,000.00
Raw Material	1,46,666.67
Plant and Machinery	4,074.07
Total	6,30,740.79
Less: ITC	
Raw Material	(3,60,000.00)
Capital Goods	(6,00,000.00)
ITC to be carried forward	3,29,259.26

Question 22: Mr. Krishna is registered in GST and is manufacturing taxable goods. He purchased one plant and machinery ₹ 60,00,000 plus CGST @ 10% plus SGST @ 10% and has taken ITC but after 2 years 7 months and 22 days it was sold by him for ₹ 40,00,000 when rate of CGST @ 12% and SGST @ 12%. Determine the amount of ITC to be reversed and also mention section and Rules.

Solution:

Total Input Tax

CGST (60,00,000 x 10%)	6,00,000
SGST (60,00,000 x 10%)	6,00,000

Remaining life of the asset = (60 month – 31 month and 22 days)

= 28 month and 8 days i.e. 28 month (part shall be ignored)

Amount of credit to be reversed CGST = 6,00,000/60 x 28 =	2,80,000
---	----------

Amount of credit to be reversed SGST = 6,00,000/60 x 28 =	2,80,000
---	----------

If Plant and Machinery is sold for ₹ 40,00,000, Amount to be reversed

CGST (40,00,000 x 12%)	4,80,000
------------------------	----------

SGST (40,00,000 x 12%)	4,80,000
------------------------	----------

Therefore amount to be reversed will be higher of the two which is CGST ₹ 4,80,000 & SGST ₹ 4,80,000 as per section 18(6)/Rule 44.

Question 23 : Mr. Madhusudan purchased goods for ₹ 25,00,000 and paid CGST @10% / SGST @10%. He is a registered dealer and is covered in normal scheme and sold the product at a profit of ₹ 2,00,000 and charged CGST @10% and SGST@10%. He has incurred ₹ 40,000 in connection with maintenance of books of accounts. Determine tax treatment.

Answer :

Purchase	25,00,000
Add: CGST@10%	2,50,000
Add: SGST@10%	2,50,000
Total	30,00,000

Input tax allowed

CGST	2,50,000
SGST	2,50,000

Cost	25,00,000
------	-----------

Add: profit	2,00,000
-------------	----------

Transaction Value	27,00,000
-------------------	-----------

Add: CGST@10%	2,70,000
---------------	----------

Add: SGST@10%	2,70,000
---------------	----------

Total	32,40,000
-------	-----------

Computation of Net Tax**Output Tax**

CGST	2,70,000
Less: ITC CGST	(2,50,000)
Net Tax Payable	20,000

SGST	2,70,000
Less: ITC SGST	(2,50,000)
Net Tax Payable	20,000

Computation of Net Profit (2,00,000 – 40,000) 1,60,000

(a) Assume he is covered in composition scheme and in that case expenses incurred on maintenance of books shall not be incurred.

Purchase	25,00,000
Add: CGST@10%	2,50,000
Add: SGST@10%	2,50,000
Total	30,00,000

Input tax credit is not allowed.

Cost	30,00,000
Add: profit	2,00,000
Sale Value	32,00,000

He will not be allowed to charge any output tax rather he himself has to pay composition tax in the manner given below:

CGST@ 0.5% of ₹ 32,00,000	16,000
SGST@ 0.5% of ₹ 32,00,000	16,000

Computation of Net Profit (2,00,000 -16,000-16,000) 1,68,000

If he has opted for composition scheme, his profit shall be higher and he will be saved from complicated accounting and other procedure.

Question 24 : Mr. Arjun is a registered person in GST in Delhi and he is in Composition scheme.

He Purchased goods A ₹20,00,000 + CGST @ 10% + SGST @ 10% on 01/08/2020 and also plant machinery ₹30,00,000 + CGST @ 12% + SGST @ 12%.

He shifted to the normal scheme on 10/02/2021 and upto 10/02/2021, he has sold half of goods (not P & M).

He purchased goods B ₹18,00,000 on 01/03/2020 + CGST@ 10 % + SGST @ 10% and sold goods ₹30,00,000 + CGST @ 10% + SGST @ 10%.

Compute ITC /Output tax and Net Tax.

Solution:

At the time of shifting to the normal scheme he shall be allowed to take ITC of the goods lying in the stock hence tax credit allowed shall be as given below:

	₹
Goods A in stock	10,00,000
Add: CGST @10%	1,00,000
Add: SGST @10%	1,00,000
Total	12,00,000
ITC allowed	
CGST	1,00,000
SGST	1,00,000
 Plant & Machinery	 30,00,000
Add: CGST @12%	3,60,000
Add: SGST @12%	3,60,000
Total	37,20,000

ITC Allowed shall be as given below:

CGST	3,60,000
-------------	----------

Asset already used 01/08/2019 to 10/02/2020 = 6 month and 10 days = 3 Quarters

Less: Tax Credit not allowed (3,60,000 x (3 x 5%))	(54,000)
--	----------

Amount of Tax Credit allowed	3,06,000
------------------------------	----------

SGST	3,60,000
-------------	----------

Asset already used 01/08/2019 to 10/02/2020 = 6 month and 10 days = 3 Quarters

Less: Tax Credit not allowed (3,60,000 x (3 x 5%))	(54,000)
--	----------

Amount of Tax Credit allowed	3,06,000
------------------------------	----------

Purchased goods B	18,00,000
Add: CGST @10%	1,80,000
Add: SGST @10%	1,80,000
Total	21,60,000
Less: ITC allowed	
CGST	1,80,000
SGST	1,80,000

Output Tax

Transaction Value	30,00,000
Add: CGST @10%	3,00,000
Add: SGST @10%	3,00,000
Total	36,00,000

Computation of Net Tax Payable**CGST**

Output Tax	3,00,000
Less: ITC Goods A	(1,00,000)
Less: ITC Plant & Machinery	(3,06,000)
Less: ITC Goods B	(1,80,000)
Excess credit to be carried forward	(2,86,000)

SGST

Output Tax	3,00,000
Less: ITC Goods A	(1,00,000)
Less: ITC Plant & Machinery	(3,06,000)
Less: ITC Goods B	(1,80,000)
Excess credit to be carried forward	(2,86,000)

Question 25 : Mr. X is a registered in GST in Delhi is in composition scheme

Purchased goods A ₹30,00,000 + CGST @ 10% + SGST @ 10% on 01/04/2020.

Purchased Plant & Machinery ₹18,00,000 + CGST @ 10% + SGST @ 10% on 01/06/2020.

Sold half of the goods A for ₹22,00,000 on 01/10/2020.

He shifted to the normal scheme on 01/01/2021 and remaining goods were sold by him on 01/03/2021 for ₹22,00,000 + CGST @ 10% + SGST @ 10%

Compute ITC/Output tax/ Net tax and also composition tax

Solution:

₹

Purchase goods A	30,00,000
Add: CGST @10%	3,00,000
Add: SGST @10%	3,00,000
Total	36,00,000
ITC allowed	
CGST	1,50,000
SGST	1,50,000

Plant and Machinery

Transaction Value	18,00,000
Add: CGST @10%	1,80,000
Add: SGST @10%	1,80,000
Total	21,60,000

ITC allowed after shifting to normal scheme

CGST	1,80,000
Less: Tax credit not allowed for already used from 01/06/2019 to 01/01/2020 (1,80,000 x 3 x 5%)	(27,000)
ITC allowed	1,53,000

SGST	1,80,000
Less: Tax credit not allowed for already used from 01/06/2019 to 01/01/2020 (1,80,000 x 3 x 5%)	(27,000)
ITC allowed	1,53,000

Output Tax

Transaction Value	22,00,000
Add: CGST @ 10%	2,20,000
Add: SGST @ 10%	2,20,000
Total	26,40,000

Net tax Payable

	CGST
Output tax	2,20,000
Less: ITC on Goods A	(1,50,000)
Less: ITC Plant & Machinery	(70,000)
Net Tax	Nil
Excess Credit to be carried forward (1,50,000 + 1,53,000 - 2,20,000)	83,000

	SGST
Output tax	2,20,000
Less: ITC on Goods A	(1,50,000)
Less: ITC Plant & Machinery	(70,000)
Net Tax	Nil
Excess Credit to be carried forward (1,50,000 + 1,53,000 - 2,20,000)	83,000

Output tax under composition scheme

Turnover	22,00,000
CGST @ 0.5%	11,000
SGST @ 0.5%	11,000

Question 26 : Feel Good Ltd has submitted information as given below:

Delivered goods on 31/07/2020 to Mr. A ₹ 7,00,000 + CGST @ 9% + SGST @ 9% and issued invoice on 03/08/2020 and received payment on 01/09/2020.

Delivered goods to Mr. B on 10/09/2020 and issued invoice on 31/08/2020 ₹ 6,00,000 + CGST @ 9% + SGST @ 9% and received payment on 01/09/2020.

Delivered goods to Mr. C on 10/08/2020 and issued invoice on 01/09/2020 ₹7,00,000 + CGST @ 9% + SGST @ 9% and payment has not been received so far.

Delivered goods to Mr. D on 30/09/2020 and issued invoice on 31/08/2020 ₹12,00,000 + CGST @ 14% + SGST @ 14% and received payment on 16/08/2020.

Determine TOS and tax liability for each month and last date of payment of GST and if each payment was delayed by 10 days compute Interest also.

Solution: As per section 12, Liability to pay GST shall arise at the time of supply of goods which will be the date of issue of invoice or delivery of goods whichever is earlier.

As per the above,

1. For Goods to Mr. A TOS shall be 31/07/2020
2. For Goods to Mr. B TOS shall be 31/08/2020
3. For Goods to Mr. C TOS shall be 10/08/2020
4. For Goods to Mr. D TOS shall be 31/08/2020

₹

Tax Liability for the Month of July

Goods to Mr. A	7,00,000.00
Add: CGST @ 9%	63,000.00
Add: SGST @ 9%	63,000.00
	8,26,000.00

Tax shall be payable upto 20th August 2020

Tax Payable – CGST

Tax Payable	63,000.00
-------------	-----------

Interest @ 18% ($\text{₹}63,000 \times 18\% \times 10/365$)	310.68
Rounded off u/s 170	311.00

Tax Payable – SGST

Tax Payable	63,000.00
-------------	-----------

Interest @ 18% ($\text{₹}63,000 \times 18\% \times 10/365$)	310.68
Rounded off u/s 170	311.00

Tax Liability for the Month of August

₹

Goods to Mr. B	6,00,000.00
Goods to Mr. C	7,00,000.00
Total	13,00,000.00
Add: CGST @ 9%	1,17,000.00
Add: SGST @ 9%	1,17,000.00
	15,34,000.00

Goods to Mr. D	12,00,000.00
Add: CGST @ 14%	1,68,000.00
Add: SGST @ 14%	1,68,000.00
	15,36,000.00

Tax shall be payable upto 20th September 2020

Tax Payable – CGST

Tax Payable	2,85,000.00
-------------	-------------

Interest @ 18% ($\text{₹}2,85,000 \times 18\% \times 10/365$)	1,405.48
Rounded off u/s 170	1,405.00

Tax Payable – SGST

Tax Payable	2,85,000.00
-------------	-------------

Interest @ 18% ($\text{₹}2,85,000 \times 18\% \times 10/365$)	1,405.48
Rounded off u/s 170	1,405.00

Question 27 : Mr. Shiv is a supplier of services registered in GST and has submitted the information as given below:

1. Rendered services on 01.05.2020 and issued bill on 10.06.2020 for ₹ 6 lakhs and payment was received on 10.12.2020
2. Rendered services on 07.06.2020 and issued bill on 30.06.2020 for ₹ 15 lakhs and payment was received on 07.03.2021.
3. Rendered services on 12.07.2020 and issued bill on 31.08.2020 for ₹ 30 lakhs and payment was received on 07.01.2021.
4. Rendered services on 22.11.2020 and issued bill on 28.12.2020 for ₹ 60 lakhs and payment was received on 18.11.2020

All the above amounts are exclusive of GST and Rate of CGST is 9% and SGST is 9%.

Compute the GST Payable for each month and also last date upto which GST should be paid.

Solution:

1. First bill issued after 30 days of rendering of service hence TOS is 01/05/2020 and GST should be paid upto 20th June 2020.
2. Second bill issued within 30 days of rendering of service hence TOS is 30/06/2020 and GST should be paid upto 20th July 2020.
3. Third bill issued after 30 days of rendering of service hence TOS is 12/07/2020 and GST should be paid upto 20th August 2020.
4. Fourth bill issued after 30 days of rendering of service but payment has been received prior to rendering of service hence TOS is 18/11/2020 and GST should be paid upto 20th December 2020.

Tax Liability for the Month of May

	₹
First Bill (TOS 01/05/2020)	6,00,000.00
Add: CGST @ 9%	54,000.00
Add: SGST @ 9%	54,000.00
	7,08,000.00

GST should be paid upto 20th June 2020

Tax Liability for the Month of June

	₹
Second Bill (TOS 30/06/2020)	15,00,000.00
Add: CGST @ 9%	1,35,000.00
Add: SGST @ 9%	1,35,000.00
	17,70,000.00

GST should be paid upto 20th July 2020.

Tax Liability for the Month of July

	₹
Third Bill (TOS 12/07/2020)	30,00,000.00
Add: CGST @ 9%	2,70,000.00
Add: SGST @ 9%	2,70,000.00
	35,40,000.00

GST should be paid upto 20th August 2020

Tax Liability for the Month of November

	₹
Fourth Bill (TOS 18/11/2020)	60,00,000.00
Add: CGST @ 9%	5,40,000.00
Add: SGST @ 9%	5,40,000.00
	70,80,000.00

GST should be paid upto 20th December 2020

Question 28: Mr.Umeed has started rendering taxable services w.e.f. 01-07-2020 and has submitted information as given below:

Rendered Services on 10-07-2020 and issued bill ₹18,00,000 and received payment on 01-09-20. He has taken registration on 18-07-20 u/s 25(3) on voluntary basis. At the time of registration he has inputs on which input tax paid in CGST ₹10,000 SGST ₹10,000 and also had capital goods on which input tax paid is IGST ₹ 30,000.

He rendered service on 27-08-20 and issued bill on 03-09-20 ₹11,00,000 + CGST @ 9% +SGST @ 9% and received payment on 10-10-20.

He rendered services on 01-01-21 and issued invoice on 01-03-21 ₹ 20,00,000 + CGST @ 10% +SGST @ 10% but payment was recovered in advance on 01-12-20.

Compute his GST Liability for each month and the last date upto which GST should be paid.

Solution:

In the present case the supplier has taken voluntary registration therefore as per section 18(1)(b)/ Rule 40 the supplier will allowed to take tax credit of inputs and not of capital goods.

In the first case of supply of services rendered he will not be allowed to issue tax invoice because at the time of supply he is not a registered dealer and he cannot collect tax.

In the second case of services rendered, the TOS shall be 03-09-2020 when he issued invoice within 30 days of rendering of service, So he will show this supply in GSTR-1 for the month of September and tax shall be paid upto 20th October 2020.

Tax Liability	₹
Transaction Value	11,00,000
CGST @ 9%	99,000
SGST @ 9%	99,000
Total	12,98,000
Net Tax Payable	
CGST Payable	99,000
Less: ITC on CGST	(10,000)
Net Tax Payable	89,000
Net Tax Payable	
SGST Payable	99,000
Less: ITC on SGST	(10,000)
Net Tax Payable	89,000

In the third case of services rendered, The TOS shall be 01-12-2020 because he issued invoice after 30 days of rendering of service and payment received before rendering of service, So he will show this supply in GSTR-1 for the month of December and tax shall be paid upto 20th January 2021.

Tax Liability	₹
Transaction Value	20,00,000
CGST @ 10%	2,00,000
SGST @ 10%	2,00,000
Total	24,00,000
CGST Payable	2,00,000
SGST Payable	2,00,000

Question 29 : Success Pvt. Ltd. has provided the following particulars relating to goods sold by it to Hopeful Pvt. Ltd.

Particulars	₹
List price of the goods (exclusive of taxes and discounts)	50,000
Tax levied by Municipal Authority on the sale of such goods	5,000
Packing charges (not included in price above)	1,000
Success Pvt. Ltd. received ₹2000 as a subsidy from a NGO on sale of such goods. The price of ₹50,000 of the goods is after considering such subsidy. Success Ltd. offers 2% discount on the list price of the goods which is recorded in the invoice for the goods.	
Determine the value of taxable supply made by Success Pvt. Ltd. and also amount of GST payable if Rate of CGST @ 10% and SGST @ 10%.	

Answer:

Computation of value of taxable supply

Particulars	₹
List price of the goods (exclusive of taxes and discounts)	50,000
Tax levied by Municipal Authority on the sale of such goods	5,000
[Includible in the value as per section 15]	
Packing charges [Includible in the value as per section 15]	1,000
Subsidy received from a non-Government body	2,000
[Since subsidy is received from a non-Government body, the same is included in the value in terms of section 15]	
Total	58,000
Less: Discount @ 2% on ₹50,000 [Since discount is known at the time of supply, it is deductible from the value in terms of section 15]	(1,000)
Value of taxable supply	57,000
CGST @ 10%	5,700
SGST @ 10%	5,700

Question 30 : M/s Shine, an advertising firm, gives an interest-free credit period of 30 days for payment by the customer. Its customer ABC paid for the supply 32 days after the supply of service. M/s Shine waived the interest payable for delay of two days. The Department wants to add interest for two days as per contract. Should notional interest be added to the taxable value?

Answer: This is a supply that is valued as per transaction value under section 15(1) as the price is the sole consideration for the supply and the supply is made to unrelated person. The concept of transaction value has been expanded to include certain elements like interest which are actually payable. Once waived, the interest is not payable and is therefore, not to be added to transaction value.

Question 31: Determine the time of supply from the given information. (Assuming that service being supplied is taxable under reverse charge)

May 4: The supplier of service issues invoice for service provided. There is a dispute about amount payable, and payment is delayed.

August 21: Payment made to the supplier of service

Answer: Here, July 4 (May 27, June 30, July 3) will be the time of supply, being the earlier of the two stipulated dates namely, date of payment and date immediately following 60 days since issue of invoice.

Question 32 : Determine the time of supply from the given information.

May 4 - Supplier invoices goods taxable on reverse charge basis to XYZ. (30 days from the date of issuance of invoice elapse on June 3)

May 12 - XYZ receives the goods

May 30 - XYZ makes the payment

Answer: Here, May 12 will be the time of supply, being the earliest of the three stipulated dates namely, receipt of goods, date of payment and date immediately following 30 days of issuance of invoice [Section 12(3)]. (Here, date of invoice is relevant only for calculating thirty days from that date.)

Question 33 : Determine the time of supply from the given information.

May 4 - Supplier invoices goods taxable on reverse charge basis to ABC. (30 days from the date of issuance of invoice elapse on June 3)

June 12 - ABC receives the goods, which were held up in transit

July 3 - Payment made for the goods

Answer : Here, June 4, 31st day from the date of supplier's invoice, will be the time of supply, being the earliest of the three stipulated dates namely, receipt of goods, date of payment and date immediately following 30 days of issuance of invoice [Section 12(3)].

Question 34 : A firm of lawyers issues invoice for services to Reliance Ltd. on 17th Feb. The payment is contested by Reliance Ltd. on the ground that on account of negligence of the firm, the company's case was dismissed by the Court for non-appearance, which necessitated further appearance for which the firm is billing the company. The dispute drags on and finally payment is made on 3rd November.

Identify the time of supply of the legal services.

Note: Legal services are taxable on reverse charge basis.

Answer: Time of supply of services that are taxable under reverse charge is earliest of the following two dates in terms of section 13:

- Date of payment [3rd November]
- 61st day from the date of issue of invoice [19th April]

The date of payment comes subsequent to the 61st day from the issue of invoice by the supplier of service. Therefore, the 61st day from supplier's invoice has to be taken as the time of supply. This fixes 19th April as the time of supply.

Question 35 : Master Industries Ltd engaged the services of a transporter for road transport of a consignment on 17th June and made advance payment for the transport on the same date, i.e., 17th June. However, the consignment could not be sent immediately on account of a strike in the factory, and instead was sent on 20th July. Invoice was received from the transporter on 22nd July. What is the time of supply of the transporter's service? Note: Transporter's service is taxed on reverse charge basis.

Answer: Time of supply of service taxable under reverse charge is the earlier of the following two dates in terms of section 13:

- Date of payment
- 61st day from the date of issue of invoice

In this case, the date of payment precedes 61st day from the date of issue of invoice by the supplier of service. Hence, the date of payment, that is 17th June, will be treated as the time of supply of service [Section 13].

Question 36 : Mr. Amitabh Bachan sponsored a dance competition organized by 'Karan Johar Academy', a dance school run by an individual. The dance competition was named as 'Mr. AB's Dance Show' by 'Karan Johar Academy'. Who is liable to pay GST in this case? Will your answer be different if Academy is run by a partnership firm?

Solution: In case of service provided by way of sponsorship to any body corporate or partnership firm, person liable to pay GST is the person receiving such service i.e. reverse charge is applicable, but if services are given to any other person, reverse charge is not applicable.

In the given case sponsorship service is provided to an individual, the person liable to pay GST will be service provider i.e., 'Taal Academy'. Further, since the status of service receiver is relevant for determining as to who would pay GST, status of service provider is immaterial. Therefore, as long as sponsorship service is rendered to an individual, GST will be payable by service provider i.e., Academy irrespective of whether the same is run by an individual or a partnership firm.

(a) any factory; (b) any society registered under Societies Registration Act, 1860; (c) any co-operative society; (d) any person registered under GST; (e) any body corporate; or (f) any partnership firm/AOP/BOI; (g) any casual taxable person.

GST shall be paid by the consignor or consignee whosoever is liable to pay freight charges.

If GTA has given services to Unregistered persons, it will be exempt from GST. (Notification no. 32/2017 CT(R) dated 13-10-2017.)

Question 37 : Amar Chand Mangal Das, a firm of lawyers rendered legal advice to Mr. Smart, an architect, and Sweet Ltd., an advertising agency during December, 2020. Who is liable to pay GST in this case? Will your answer be different if Mr. Smart and Sweet Ltd. sought legal advice from Mr. Ram, a lawyer?

Aggregate Turnover of Mr. Smart and Sweet Ltd. are exceeding prescribed limit in the preceding year.

Solution: In case of taxable services provided to any business entity by an individual advocate or a firm of advocates by way of legal services, person liable to pay GST is the person receiving such service.

Further, services provided by an individual advocate or a partnership firm of advocates by way of legal services to a business entity with a turnover up to prescribed limit in the preceding financial year are exempt from GST.

In the given case, turnover of services of both Mr. Smart and Sweet Ltd. is more than prescribed limit in the preceding financial year and hence, legal services provided by firm of advocates or Mr. Ram (individual lawyer) during December, 2020 will be taxable.

Therefore, GST will be payable by service receivers, Mr. Smart and Sweet Ltd. irrespective of whether the legal advice is sought from a firm of lawyers or from Mr. Ram, an individual lawyer.

Question 38 : A firm of lawyers rendered legal Advice to an Architect and X Ltd. an Advertising agency during December, 2020.

Who is Liable to pay GST in this Case? Will your answer be different if Architect and agency. sought Legal Advice from individual Lawyer.

Aggregate Turnover of Architect and agency. are exceeding prescribed limit in the preceding year.

Solution:

In case of taxable services provided to any business entity by an individual advocate or a firm of advocates by way of legal services, GST is payable under reverse charge, however services provided by an individual advocate or a partnership firm of advocates by way of legal services to a business entity with a turnover up to prescribed limit in the preceding financial year are exempt from GST.

In the given case, turnover of both Architect and agency. is more than prescribed limit in the preceding financial year and also they are business entity hence legal services provided by firm of advocates during December, 2020 shall be taxable and service recipient will be required to pay tax under reverse charge.

It will not make any difference if services have been taken from an individual lawyer.

Question 39 : Mr.Hari , a registered supplier of chemicals, pays GST under regular scheme. He is not eligible for any threshold exemption. He has made the following outward taxable supplies for the months of September 2020:

Intra-State supply of goods	₹25,00,000
-----------------------------	------------

Inter-State supply of goods	₹5,00,000
-----------------------------	-----------

He has also made the following inward supply:

Intra-State purchase of goods from Registered Dealer	₹14,00,000
--	------------

Intra-State purchase of goods from Unregistered Dealer	₹2,00,000
--	-----------

Intra-State purchase of goods from Registered Dealer	₹4,00,000
--	-----------

Balance of ITC at the beginning of September 2019:

CGST	₹ 95,000
------	----------

SGST	₹ 60,000
------	----------

IGST	₹ 50,000
------	----------

Additional Information:

He purchased a car (Intra-State supply) used for business purpose at a price of ₹ 6,72,000/- (including CGST of ₹ 36,000 & SGST of ₹ 36,000) on September 15, 2019. He capitalized the full value including GST in the books on the same date to claim depreciation.

Out of Inter-State purchase from registered dealer, goods worth ₹ 1,00,000 were received on October 3, 2020 due to road traffic jams.

Note:

(i) Rate of CGST, SGST and IGST to be 9%, 9% and 18% respectively.

(ii) Both inward and outward supplies given above are exclusive of taxes, wherever applicable.

(iii) All the conditions necessary for availing the ITC have been fulfilled except mentioned above.

Compute the net CGST, SGST and IGST payable in cash by Mr. Hari for the month of September 2020.

Solution:**Output Tax****Intra-State supply of Goods**

	25,00,000
Add: CGST @ 9%	2,25,000
Add: SGST @ 9%	2,25,000
Total	29,50,000

Inter-State supply of Goods

	5,00,000
Add: IGST @ 18%	90,000
Total	5,90,000

Input Tax Credit**Intra state purchase of goods**

	14,00,000
Add: CGST @ 9%	1,26,000
Add: SGST @ 9%	1,26,000
Total	16,52,000

ITC	
CGST	1,26,000
SGST	1,26,000

Intra State Purchase of goods from unregistered dealer

No ITC shall be allowed

Inter state purchase of goods

	3,00,000
Add: IGST @ 18%	54,000
Total	3,54,000

ITC	
IGST	54,000

ITC of goods received in the month of October shall be allowed in the month of October.

Computation of Net Tax

Particulars	IGST ₹
Output Tax	90,000
Less: opening ITC – IGST	(50,000)
Less: ITC -IGST	(40,000)
Net Tax Payable	Nil

Balance IGST credit of ₹14,000 can be adjusted either from CGST/SGST. In the given case we have adjusted from SGST.

Computation of Net Tax

Particulars	CGST ₹
Output Tax	2,25,000
Less: opening ITC – CGST	(95,000)
Less: ITC – CGST	(1,26,000)
Net Tax Payable	4,000

Computation of Net Tax

Particulars	SGST ₹
Output Tax	2,25,000
Less: ITC – IGST	(14,000)
Less: opening ITC – SGST	(60,000)
Less: ITC – SGST	(1,26,000)
Net Tax Payable	25,000

Note: As per section 17, ITC of car is not allowed.

Question 40 : Examine the following independent cases of supply of goods and services and determine the time of issue of invoice under each of the cases as per the provisions of CGST Act, 2017:

- (i) Cool Enterprises, Kolkata entered into a contract with Hot Enterprises, Surat for supply of goods on 3rd October, 2020. The goods were removed from the factory at Kolkata on 11th October, 2020. As per the agreement, the goods were to be delivered by 31st October, 2020. Suraj Enterprises has received the goods on 14th October, 2020.
- (ii) Trust and Fun Ltd, an event management company, has provided its services for an event at Ghai Film Agencies, Mumbai on 5th June, 2020. Payment for the event was made on 19th June, 2020.

Answer:

(i) As per section 31(1), a registered person supplying taxable goods shall issue a tax invoice, before or at the time of delivery of goods or making available thereof to the recipient. If the supply involves movement of goods, invoice should be issued before removal of goods.

In the given case, supply involves movement of goods, invoice should be issued before removal of goods i.e. before 11th October 2020.

(ii) As per Rule 47, the invoice referred to in rule 46, in the case of the taxable supply of services, shall be issued within a period of thirty days from the date of the supply of service.

In the given case, invoice shall be issued within 30 days from the date of supply of service i.e. 30 days from 5th June 2020.

Question 41 : State with brief reason, whether following supplies of taxable goods are required to register under the GST Law:

(i) Mr. Gopal is engaged in wholesale cum retail trading of medicines in the State of Assam. His aggregate turnover during the financial year is ₹9,00,000 which consists of ₹8,00,000 as Intra-State supply and ₹1,00,000 as Inter-State supply.

(ii) Mr. Vishnu of Rajasthan is engaged in trading of taxable goods on his own account and also acting as an agent of Mr. Rishi of Delhi. His turnover in the financial year 2019-20 is of ₹ 32 lakhs on his own account and ₹ 9 lakhs on behalf of principal. Both turnovers are Intra-State supply.

Answer:

(i) As per section 24, if any person making inter state supply of goods then registration is compulsory irrespective of turnover. In the given case, Mr. Gopal is supplying inter state hence registration is compulsory irrespective of turnover.

(ii) As per section 22, every supplier of goods shall be liable to be registered if his aggregate turnover in a financial year exceeds ₹40,00,000.

Aggregate turnover shall include all supplies made by the taxable person whether on his own or on behalf of his principals.

In the given case, aggregate turnover of Mr. Vishnu is exceeding ₹40,00,000 (i.e. 32,00,000+9,00,000) hence GST registration is compulsory.

Question 42 : Answer the following questions with respect to casual taxable person under CGST Act, 2017:

- (i) Who is a casual taxable person?
- (ii) Can a casual taxable person opt for the composition scheme?
- (iii) When is the casual taxable person liable to get registered?
- (iv) What is the validity period of the registration certificate issued to a casual taxable person?
- (v) Can the validity of registration certificate issued to a casual taxable person be extended? If yes, what will be the period of extension?

Answer:

(i) As per section 2 (20), "casual taxable person" means a person who occasionally undertakes transactions involving supply of goods or services or both in the course or furtherance of business, whether as principal, agent or in any other capacity, in a State or a Union territory where he has no fixed place of business.

(ii) As per rule 5, a casual taxable person cannot opt for composition scheme.

(iii) As per section 24, Every casual taxable person shall also be required to take registration irrespective of the turnover and procedure shall be same. He should apply for registration atleast 5 days prior to commencement of business. Registration shall be granted only after the applicant has paid estimated amount of GST in advance.

(iv) As per section 27, Certificate shall be valid for the specified period but maximum 90 days.

(v) Yes it can be extended. Proper officer may extend it further but for maximum 90 days i.e. total period can be maximum 180 days. Such person shall make advance deposit of GST as estimated by him.

Question 43 : HiTech Ltd. Supplies machinery to G Ltd. (Dealer in same State), provides following particulars regarding the same. Determine the value of taxable supply of machinery.

No.	Particulars	Amount(₹)
(i)	Price of Machinery (exclusive of taxes and discounts)	5,50,000
(ii)	One part is directly fitted in machinery at place of G Ltd.	20,000
	(Amount paid by G Ltd. Directly to supplier, as per contract this amount should be paid by Hi Tech Ltd. and not included in price)	
(iii)	Installation and testing charges for machinery, not included in price.	25,000
(iv)	Discount 2% on machinery price (Recorded in the invoice)	
(v)	Hi Tech Ltd. Provides additional 1% discount at year end, based on additional purchase of other machinery.	

Solution:**Computation of taxable value of supply of machinery**

Particulars	Amount (₹)
(i) Price of Machinery (exclusive of taxes and discounts)	5,50,000
(ii) One part is directly fitted in machinery at place of G Ltd.	20,000
(iii) Installation and testing charges for machinery	25,000
(iv) Less: Discount 2% on machinery price (2% of 5,50,000)	(11,000)
Taxable value of supply	5,84,000

Notes:

1. If the supplier has given any discount before or at the time of supply, it will be allowed to be deducted and additional discount allowed at year end shall not be allowed to be deducted.
2. As per section 15, any amount that the supplier is liable to pay in relation to such supply but which has been incurred by the recipient of supply and not included in price then such amount shall be included.
3. Amount charged for any thing done at the time of or before the delivery of goods or supply of services shall be included in the transaction value. In this case Installation and testing charges done at the premises of the buyer hence shall not to be included.

Question 44 : Josh Ltd. a registered person is engaged in the business of spices. It provides following details for GST paid during October, 2020.

No.	Particulars	GST Paid (₹)
1.	Raw spices purchase	
	- Raw spices used for furtherance of spices	50,000
	- Raw spices used for personal use of Directors	20,000
2.	Electric machinery purchased to be used in the manufacturing process.	25,000
3.	Motor vehicle used for transportation of the employee	55,000
4.	Payment made for material and to contractor for construction of staff quarter.	1,25,000

Determine the amount of ITC available to Josh Ltd. for the month of October, 2020 with all related workings and explanations. All the conditions necessary for availing the ITC have been fulfilled.

Solution:**Computation of ITC Available to Josh Ltd. for the Month of October 2020**

Particulars	GST Paid (₹)
1. Raw Spices used for furtherance of Business	50,000
2. Raw Spices for personal use (ITC not allowed)	Nil
3. Electric machinery purchased to be used in the manufacturing process.	25,000
4. Motor vehicle used for transportation of the employee (Not allowed)	Nil
5. Payment made for material and to contractor for construction of staff quarter. (Not allowed)	Nil
Total ITC Allowed	75,000

Notes:

1. Input tax credit shall be allowed only if the same is used for business purpose if it is used for personal purpose then no ITC shall be allowed. (section 16)
2. As per section 17(5), ITC of motor vehicle seating capacity upto 13 persons used for transportation of employee is not allowed.
3. As per section 17(5), ITC of material and payment to contractor (works contract service) for staff quarter is not allowed.

Question 45 :

(1) Examine the liability of compulsory registration under section 24 of the CGST Act, 2017, in each independent cases mentioned below: Raj is a supplier in Maharashtra, is engaged in supply of potatoes within Maharashtra and also outside Maharashtra, whose turnover exceeds threshold limit under GST Law.

Answer:

As per section 23, If a person is supplying exclusively exempted goods then registration under GST is not required. In the given case Raj is supplying potatoes which is exempted under GST hence GST registration is not required.

(2) Fat Oils, Gujarat, is engaged in supplying machine oil as well as petrol. Total turnover of machine oil is ₹30 lakh and of petrol is ₹15 lakh.

Answer:

Fat Oils, Gujarat, is engaged in supplying machine oil as well as petrol. Supply of petrol is not leviable to GST, but supply of machine oil is taxable. In order to determine whether Fat Oils is liable for registration, turnover of both the supplies – non-taxable as well as taxable - would be taken into account and if the same exceeds ₹40 lakh, Fat Oils is liable for registration.

In the given case, aggregate turnover is exceeding ₹40 lakh hence Fat Oils is liable for registration.

(3) Kishan is working as an agent, he is supplying goods as an agent of Gopal (who is registered taxable person) and its aggregate turnover does not exceed ₹40 lakh during the financial year.

Answer:

As per section 24, if a person is supplying goods on behalf of another registered person then the person shall be liable to be registered under GST irrespective of turnover. In the given case Kishan is supplying goods as agent of Gopal (who is registered taxable person) hence Kishan is liable to registered under GST

Question 46 : Gautam provides continuous supply of services regarding Annual Maintenance Contract (AMC) of Air conditioner and all electronic items to Sweet Ltd. He provides following details regarding same: They made contract for the AMC. As mentioned in contract AMC will be starts from 01-10-2019 and AMC is valid for a year. AMC ends on 30-09-2020. Gautam receives payment for the AMC on 31-10-2020.

Explain time of issue of invoice in Continuous Supply of Service (CSS) as per provisions of CGST Act, 2017 and accordingly determine time of issue of Invoice in following different circumstances:

- (1) As mentioned in contract Sweet Ltd. have to make payment on 05-11-2020.
- (2) If terms of payment is not mentioned in AMC and also not agreed by both the parties.

Answer:**Invoice in case of Continuous supply of Services**

As per section 31 (5) Subject to the provisions of clause (d) of sub-section (3), in case of continuous supply of services—

- (i) where the due date of payment is ascertainable from the contract, the invoice shall be issued on or before the due date of payment.
- (ii) where the payment is linked to the completion of an event, the invoice shall be issued on or before the date of completion of that event.
- (iii) where the due date of payment is not ascertainable from the contract, the invoice shall be issued before or at the time when the supplier of service receives the payment.

In the given case

- (1) where the due date of payment is ascertainable from the contract, the invoice shall be issued on or before the due date of payment i.e. 05-11-2019.
- (2) where the due date of payment is not ascertainable from the contract, the invoice shall be issued before or at the time when the supplier of service receives the payment i.e. 31-10-2020.

Question 47 : Examine in relation to composition levy scheme under the CGST Act, 2017 and the rules made thereunder in the following individual cases:

(1) Kwality is a manufacturer of Ice-cream and pan masala in State of Maharashtra. His turnover for the year does not exceed ₹1.5 Crore. He wants to register for composition levy scheme. Is he eligible for it?

(2) Patel of Gujarat opts for composition scheme during a financial year 2019-20. But on 10-02-2020 his turnover crosses ₹ 1.5 Crore, can he continue under composition levy scheme.

(3) X Ltd. has 2 branches A & B in Delhi, having same PAN. Branch A opts for normal scheme. X Ltd. want to continue composition levy in case of its branch B. Can X Ltd. continue Composition levy only for Branch B?

Answer:

(1) As per section 10, if a manufacturer is manufacturing Pan Masala and Ice-cream then he is not eligible for composition scheme. In the given case, Kwality is manufacturer of Ice-cream and pan masala hence he is not eligible for composition scheme

(2) As per rule 6, if a person crosses the threshold limit then he will be shifted to normal scheme with immediate effect. Hence Patel cannot continue under composition scheme.

(3) If any person has opted for composition scheme for any place of business in any state or union territory, shall be automatically covered in composition scheme for all other places of business in any other State / UT i.e. same scheme will be applicable for all registration with same PAN. Hence X Ltd. cannot opt for composition scheme for its one branch.

Question 48 : Please answer following individual independent cases with reference to Section 37 of the CGST Act, 2017 and rule-59 of CGST Rules, 2017:

(1) Mr. Abhishek is registered supplier in the State of Gujarat. He is filling GSTR 1 every month. During the month of February, 2020 he was out of India and so did not do any transaction during the month. He believes that as there is no transaction there is no need to file GSTR 1 for the month of February, 2020. Is he correct?

Answer:

Not Correct: GSTR-1 needs to be filed even if there is no business transaction (Nil Return) in the tax period hence intention of Mr. Abhishek is not correct and he is liable to file GSTR-1.

(2) Mr. Rajnikant is a registered dealer in Kerala. He was registered as a normal tax payer for FY 2019-20. But on 15-01-2020, he converted from normal tax payer to composition tax payer. Is he liable to file GSTR-1 for the month of February, 2020?

Answer:

Not Liable to File GSTR-1: In cases where a taxpayer has been converted from a normal scheme to composition scheme, GSTR-1 will be available for filing only for the period during which the taxpayer was registered as normal tax payer.

In the given case, Mr. Rajnikant is converted into composition scheme w.e.f. 15-01-2020 from normal scheme hence w.e.f. 15-01-2020 he is liable to file GSTR-4 and he is not liable to file GSTR-1 for the month of February.

(3) Mrs. Chopra a registered dealer in Rajasthan did not file GSTR1 for the month of June, 2019 but she wants to file GSTR1 for the month of July, 2020. Is it possible?

Answer:

Not possible: Filing of GSTR-1 for current period is possible only when GSTR-1 for the previous month has been filed. In the given case GSTR-1 for the month of June 2020 is pending hence she is not able to file GSTR-1 for the month of July 2020.

Question 49 : Dheeraj, a registered supplier of service in Bangalore (Karnataka State) has provided the following information for the month of February 2020:

Particulars	Amount in (₹)
(i) Intra-state taxable supply of service	5,20,000
(ii) Legal fee paid to a Lawyer located within the State	20,000
(iii) Rent paid to the State Govt. for his office building	30,000
(iv) Received for services towards conduct of exams to Lovely University, Pune (recognized by law), being an inter-state transaction.	16,000

Compute the net GST liability (CGST, SGST or IGST) of Mr. Dheeraj for the month of February 2020. Rate of CGST, SGST and IGST are 9%, 9% and 18% respectively.

All the amounts given above are exclusive of taxes.

Solution: Computation of Net GST Liability of Mr.Dheeraj for the month of February 2020

Output Tax

	₹
Intra-state taxable supply of service is a taxable supply	5,20,000
Add: CGST @ 9%	46,800
Add: SGST @ 9%	46,800
Legal fee paid to a Lawyer located within the State taxable under reverse charge and service recipient shall be liable to pay tax. (Section 9(3) of CGST Act)	20,000
Add: CGST @ 9%	1,800
Add: SGST @ 9%	1,800
(ITC will be available of tax paid under reverse charge)	
Rent paid to the State Govt. for his office building taxable under reverse charge and service recipient shall be liable to pay tax if the service recipient is registered under GST. (Section 9(3) of CGST Act)	30,000
Add: CGST @ 9%	2,700
Add: SGST @ 9%	2,700
(ITC will be available of tax paid under reverse charge)	
Received for services towards conduct of exams to Lovely University, Pune (recognized by law) is a exempt service.	Nil

Computation of Net Tax Liability

	CGST
Output tax (46,800+1,800+2,700)	51,300
Less: ITC-CGST	(4,500)
Net Tax Liability	46,800
	SGST
Output tax (46,800+1,800+2,700)	51,300
Less: ITC-SGST	(4,500)
Net Tax Liability	46,800

Question 50 : A registered supplier, is engaged in the manufacture of Tanks. The company provides the following information pertaining to GST paid on purchases made/input services availed by it during the month of January 2020:

Particulars	GST Paid ₹
(i) Purchase of Machinery where debit note is issued	1,15,000
(ii) Input purchased was directly delivered to a job worker and a registered supplier	80,000
(iii) Computers purchased (Depreciation was claimed on the said GST portion under the Income-Tax Act, 1961)	50,000
(iv) Works Contract services availed for construction of Staff quarters within the company premises	4,25,000

Determine the amount of ITC available. for the month of January 2020 by giving brief explanations for treatment of various items. Subject to the information given above, all the conditions necessary for availing the ITC have been fulfilled.

Solution:

Computation of the amount of ITC available

Particulars	GST Paid ₹
(i) Purchase of Machinery where debit note is issued	1,15,000
(ii) Input purchased was directly delivered to Mr. Joe, a job worker and a registered supplier	80,000
(iii) Computers purchased (Depreciation was claimed on the said GST portion under the Income-Tax Act, 1961)	Nil
(iv) Works Contract services availed for construction of Staff quarters within the company premises	Nil
Total	1,95,000

Note:

1. As per section 16(2), A registered shall be entitled to take credit on the basis of debit note.
2. As per section 16(2), if goods is received by other person on behalf of registered person then also credit shall be allowed.
3. As per section 16(3), if registered person has taken tax credit of input tax then it shall not be added to the cost of the asset in the given case depreciation was claimed on the tax amount hence no credit shall be allowed.
4. As per section 17(5), no tax credit shall be allowed on works contract services availed for construction of immovable property.

Question 51 : Mr. Hari a registered supplier in Kochi (Kerala State) has provided the following detail in respect of her supplies made within Intra-State for the month of March 2020:

Particulars	Amount in (₹)
(i) List price of goods supplied intra-state (Exclusive of item given below from ii to v)	3,30,000
(ii) Swachh Bharat cess levied on sale of goods	12,500
(iii) Packing expense charged separately in the invoice	10,800
(iv) Discount of 1% on the list price of the goods was provided (recorded in the invoice of goods)	
(v) Subsidy received from State Government for encouraging women entrepreneurs.	5,000

Compute the value of taxable supply and the gross GST liability of Mr. Hari for the month of March 2020 assuming rate of CGST to be 9% and SGST to be 9%. All the amounts given above are exclusive GST.

Solution:**Computation of Value of taxable supply**

Particulars	Amount in (₹)
(i) List price of goods supplied intra-state	3,30,000
(ii) Swachh Bharat cess levied on sale of goods (other tax paid shall be included as per section 15)	12,500
(iii) Packing expense charged separately in the invoice (includible as per section 15)	10,800
(iv) Discount of 1% on the list price of the goods was provided (recorded in the invoice of goods) (since discount is known at the time of supply, it is deductible from the value in terms of section 15)	(3,300)
(v) Subsidy received from State Government for encouraging women entrepreneurs. (Subsidy received from Govt. shall not be includible in the value as per section 15)	Nil
Value of Supply	3,50,000
CGST @ 9%	31,500
SGST @ 9%	31,500

Alternative solution: In the above solution it is assumed that subsidy received from State Government is already adjusted in list price hence no treatment has been done. Alternatively, it is assumed that subsidy is not excluded from list price then subsidy amount shall be deducted hence computation will be

Computation of Value of taxable supply

Particulars	Amount in (₹)
(i) List price of goods supplied intra-state	3,30,000
(ii) Swachh Bharat cess levied on sale of goods (other tax paid shall be included as per section 15)	12,500
(iii) Packing expense charged separately in the invoice (includible as per section 15)	10,800
(iv) Discount of 1% on the list price of the goods was provided (recorded in the invoice of goods) (since discount is known at the time of supply, it is deductible from the value in terms of section 15)	(3,300)
(v) Subsidy received from State Government for encouraging women entrepreneurs. (Subsidy received from Govt. shall not be includible in the value as per section 15)	(5,000)
Value of Supply	3,45,000
CGST @ 9%	31,050
SGST @ 9%	31,050

Question 52 : From the following information, compute the Net GST payable for the month of March 2020:

	Amount in (₹)	
	Output GST	Opening ITC as per credit ledger
CGST	2,000	Nil
SGST	15,000	1,000
IGST	24,000	37,000

Solution:**Computation of Net GST payable for the month of March 2020**

	₹IGST
Output tax	24,000
Less: ITC-IGST	(24,000)
Net Tax Liability	Nil

	₹ CGST
Output tax	2,000
Less: ITC-IGST	(2,000)
Net Tax Liability	Nil

	₹SGST
Output tax	15,000
Less: ITC-IGST	(11,000)
Less: ITC-SGST	(1,000)
Net Tax Liability	3,00

Note: Assessee has the option to adjust balance ITC of IGST either from CGST or SGST first.

Question 53 : Decide with reason whether the following independent services are exempt under CGST Act, 2017:

- (i) A goods transport agency, transported relief materials meant for victims of Kerala floods being a natural disaster, by road from Delhi to a Limited Co.
- (ii) An event organizer, provided services to X Ltd. by way of organizing business exhibition at Pragati Maidan in New Delhi as part of Make in India initiative.

Answer:

(i) Exempt: Goods transport agency services provided for relief material meant for victims of disaster shall be exempt from GST.

(ii) Taxable: Services by an organiser to any person in respect of business exhibition held outside India shall be exempt from GST, in the given case business exhibition services held in India shall be taxable service.

Question 54 : Decide which person is liable to pay GST in the following independent cases, where the recipient is located in the taxable territory. Ignore the Aggregate Turnover and Exemption available.

- (i) Mr. Anurag provided sponsorship services to ABC Cricket Academy, an LLP.
- (ii) A Goods Transport Agency, transported goods of XYZ, a partnership firm which is not registered under GST.

Answer:

(i) As per section 9(3) of CGST Act, reverse charge shall be applicable if sponsorship services is provided to body corporate or partnership firm but if such services is given to other person then reverse shall not be applicable, in the given case service is provided to LLP which is also similar to partnership firm and reverse charge shall be applicable and ABC Cricket Academy shall be liable to pay GST under reverse charge.

(ii) As per section 9(3) of CGST Act, reverse charge shall be applicable in case a Goods Transport Agency services provided to any partnership firm whether registered or not, in the given case GTA services is provided to partnership, is liable to pay GST under reverse charge.

Question 55 : Determine with brief reasons, whether the following statements are True or False:

- (i) Registration under the CGST Act, 2017 can be cancelled by the proper officer, if the voluntarily registered person has not commenced the business within three months from the date of Registration.
- (ii) Electronic cash ledger balance of ₹5,000 under the major head of IGST can be utilized for discharging the liability of major head of CGST.

Answer:

(i) False: As per section 29/Rule 20 to 22, registration can be cancelled by the proper officer, if the voluntarily registered person has not commenced the business within 6 months from the date of registration, in the given case period mentioned is 3 months instead of 6 months hence statement is false.

(ii) False: As per section 49, Electronic cash ledger balance under the major head of IGST shall be utilized for discharging the liability of major head of IGST i.e. cross utilisation is not allowed hence the statement is false.

Question 56 : Mr. Laxman provides Continuous Supply of Services (CSS) to M/s. XYZ Limited. He furnishes the following further information:

- | | | | |
|-------|--|---|------------|
| (i) | Date of commencement of Providing CSS | - | 01-10-2020 |
| (ii) | Date of completion of Providing CSS | - | 31-01-2021 |
| (iii) | Date of receipt of payment by Mr. Laxman | - | 30-03-2021 |

Determine the time of issue of invoice as per provisions of CGST Act, 2017, in the following circumstances:

- (i) If no due date for payment is agreed upon by both under the contract of CSS.
- (ii) If payment is linked to the completion of service.
- (iii) If M/s. TNB Limited has to make payment on 25-03-2021 as per the contract between them.

Answer: Invoice in case of Continuous supply of Services

As per section 31 (5) Subject to the provisions of clause (d) of sub-section (3), in case of continuous supply of services—

- (i) where the due date of payment is ascertainable from the contract, the invoice shall be issued on or before the due date of payment.
- (ii) where the payment is linked to the completion of an event, the invoice shall be issued on or before the date of completion of that event.
- (iii) where the due date of payment is not ascertainable from the contract, the invoice shall be issued before or at the time when the supplier of service receives the payment.

In the given case

- (i) Since the date of payment is not ascertainable from the contract, invoice shall be issued before or at the time when the supplier of service receives the payment i.e. on or before 30-03-2021.
- (ii) Since the date of payment is linked to the completion of service, invoice shall be issued on or before the date of completion of service i.e. on or before 31-01-2021.
- (iii) Since the date of payment is ascertainable from the contract, invoice shall be issued on or before the due date of payment. i.e. on or before 25-03-2021.

Question 57 : M/s ABC & Co., a firm of Chartered Accountants, issued invoice for services rendered to Mr. X on 7th September, 2020. Determine the Time of Supply in the following independent cases:

- (1) The provision of service was completed on 1st August, 2020.
- (2) The provisions of service was completed on 14th August, 2020.
- (3) Mr. X made the payment on 3rd August, 2020 where provisions of service was remaining to be completed.
- (4) Mr. X made the payment on 15th September, 2020 where provision of service was remaining to be completed.

Answer:

As per section 13 (1) & (2), The liability to pay tax on services shall arise at the time of supply. Time of supply of services shall be the date of invoice or the date of receiving payment whichever is earlier but if invoice is not issued within 30 days of supply of service, TOS shall be the date of supply of service or the date of payment whichever is earlier.

As per the above provision Time of supply shall be:

- (1) Invoice is issued after 30 days, Date of completion shall be the time of supply i.e. 01st August.
- (2) Invoice is issued within 30 days, Date of invoice shall be the time of supply i.e. 7th September.
- (3) Payment received before the date of invoice hence time of supply shall be the date of receiving payment i.e. 3rd August.
- (4) Payment received after the date of invoice hence time of supply shall be the date of invoice i.e 7th September.

Question 58 : M/s Sunrise Pvt. Ltd. is a supplier of goods and services at Bangalore, registered in the State of Karnataka having Turnover of ₹200 lakhs in the last financial year. It has furnished the following information for the month of June, 2020

Sr. No.	Particulars	Amount in (₹) Excluding GST
(1)	Services provided by way of Labour Contract for repairing a single residential unit otherwise than as a part of residential complex (It is an intra state transaction.)	1,30,000
(2)	Intra State Sale of Taxable Goods including 50,000 received as advance in April, 2020. The invoice for the entire sale value is issued on 15 th June, 2020	2,50,000
(3)	Goods Transport Services received from GTA, GTA is paying tax @ 12% (It is an interstate transaction.)	1,80,000
(4)	Goods Purchased from unregistered dealer on 20 th June, 2020	80,000

(Interstate purchases are worth, 45,000 and balance purchases was intrastate).

Compute Net GST Liability (CGST, SGST, IGST as the case may be) of M/s Sunrise Pvt. Ltd. for the month of June, 2020 assume the rates of GST, unless otherwise specified, as under:

CGST- 9%, SGST-9%, IGST- 18%

Solution: Computation of Net GST Liability for the month of June 2020

₹

Output Tax

(1) Services provided by way of Labour Contract for repairing a single residential unit is a taxable supply	1,30,000
Add: CGST @ 9%	11,700
Add: SGST @ 9%	11,700
(2) Intra State Sale of Taxable goods	2,50,000
Add: CGST @ 9%	22,500
Add: SGST @ 9%	22,500

Input Tax

Input Service of GTA Service	1,80,000
Add: IGST @ 18%	32,400

Computation of Net Tax Liability

	CGST
Output Tax (11,700+22,500)	34,200
Less: ITC -IGST	(32,400)
Net Tax Liability	1,800
	SGST
Output Tax (11,700+22,500)	34,200
Less: ITC	Nil
Net Tax Liability	34,200

Notes:

1. No Tax shall be payable at the time of advance received for supply of goods and tax shall be paid at the time of supply or date of invoice.
2. In case of goods purchased from unregistered dealer there is no tax element was charged on the bill and reverse charge is also suspended for purchase of goods from unregistered dealer.
3. Reverse charge shall not be applicable in case GTA is charging tax on supply of service and credit shall be allowed to the recipient

Question 59 : Care Pvt. Ltd. a registered supplier is engaged in the manufacture of taxable goods. The company provides the following information pertaining to GST paid on the purchases made/input services availed by it during the month of July, 2020:

Sr. No.	Particulars	GST paid
(1)	Raw Material (To be received in September, 2020)	2,50,000
(2)	Membership of a club availed for employees working in the factory	1,45,000
(3)	Inputs to be received in 5 lots, out of which 3rd lot was received during the month	80,000
(4)	Trucks used for transport of raw material	40,000
(5)	Capital Goods (out of 3 items, invoice for 2 item is missing and GST paid on that Item is 80,000	1,50,000

Determine the amount of Tax Credit available with Care Pvt. Ltd. for the month of July, 2020 by giving the necessary explanation for treatment of various items. All the conditions necessary for availing the ITC have been fulfilled.

Answer:

Sr. No.	Particulars	GST paid
(1)	Raw Material (To be received in September, 2020)	Nil
(2)	Membership of a club availed for employees working in the factory	Nil
(3)	Inputs to be received in 5 lots, out of which 3rd lot was received during the month	Nil
(4)	Trucks used for transport of raw material	40,000
(5)	Capital Goods (out of 3 items, invoice for 2 item is missing and GST paid on that Item is 80,000)	70,000
Total		1,10,000

Notes:

1. As per section 16(2), Tax credit shall be allowed when the goods is received in the given case raw material is received in September hence credit will be allowed in the month of September.
2. As per section 17(5), tax credit of club membership for employees is not allowed.
3. As per section 16 (2), where the goods against an invoice are received in lots the registered person shall be entitled to take credit upon receipt of last lot. In the given case third lot was received during this month hence credit shall not be allowed.
4. ITC on motor vehicles is disallowed in terms of section 17(5) of the CGST Act, 2017, except when they are used inter alia, for transportation of goods.
5. ITC cannot be taken on missing invoice. The registered person should have the invoice in its possession to claim ITC [Section 16(2)]

Question 60 : Tasty dairy farm is selling milk and milk products in Delhi. The turnover of his dairy farm is as below:

Milk (Exempted): ₹39,90,000

Butter (Taxable): ₹50,000

What is the registration liability under GST for the above mentioned person assuming he has same PAN ?

Answer:

As per section 22, every supplier of goods shall be liable to be registered in the State / Union Territory if his aggregate turnover in a financial year exceeds ₹40,00,000.

As per section 23, If any person supplying only exempt supply then he is not liable for registration.

As per section 2(6), "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 Permanent Account Number, to be computed on all India basis but excludes central tax, State tax, Union territory tax, integrated tax and cess.

In the given case, as per the definition of aggregate turnover it includes value of all taxable supplies as well as exempt supplies and in the given case aggregate turnover exceeds ₹40,00,000 so dairy firm is liable for registration and as per section 25, dairy firm has to apply within 30 days from the date on which he becomes liable for registration.

Question 61 : Super Ltd. is operating in West Bengal. The Tax liability for the month of August, 2020 is as follows:

SL. No.	Tax Liability	West Bengal (₹)
(1)	Output CGST Payable	24,000
(2)	Output SGST Payable	9,000
(3)	Output IGST Payable	3,000
(4)	Input CGST	7,000
(5)	Input SGST	14,000
(6)	Input IGST	12,000

Calculate Tax payable and carry forward for the month of August, 2020.

Solution:

Computation of Net Tax

	IGST ₹
Output tax	3,000
Less: ITC - IGST	(3,000)
Net Tax Payable	Nil
	CGST ₹
Output tax	24,000
Less: ITC - IGST	(9,000)
Less: ITC - CGST	(7,000)
Net Tax Payable	8,000

	SGST ₹
Output tax	9,000
Less: ITC - SGST	(9,000)
Net Tax Payable	Nil
SGST to be carried forward	5,000
IGST to be carried forward	Nil
CGST to be carried forward	Nil

Question 62 : M/s Tech Limited reduced the amount of ₹2,00,000 from the output tax liability in contravention of provisions of the CGST Act, 2017 in the month of December 2020, which is ineligible credit. A show cause notice was issued by the Tax Department to pay Tax along with interest. M/s Software Limited paid the tax and interest on 31st March, 2021. Calculate Interest liability (Ignore Penalty).

Answer :

(1) Every person who is liable to pay tax fails to pay the tax or any part thereof to the Government within the period prescribed, shall for the period for which the tax or any part thereof remains unpaid, pay, on his own, interest @ 18% per annum for the period of delay.

(2) A taxable person who makes an undue or excess claim of input tax credit or undue or excess reduction in output tax liability shall pay interest on such undue or excess claim etc @ 24% per annum.

In the given case, it is a case of excess claim of input tax credit hence 24% per annum shall be chargeable.

For December 2020 return filing due date is 20th January, 2021

Tax paid on 31st March 2021

Period of default - 20th January to 31st March 2021 = Jan-11, Feb-28, March-31 = 70 days

Interest = ₹2,00,000 x 70/365 x 24% = ₹9,205.48

Question 63 : The Aggregate Turnover of Akash Enterprise of Mumbai (Maharashtra) engaged in taxable supply of services has exceeded ₹20 Lakhs on 25th January, 2020. It submits the application for Registration on 15th February, 2020. Registration certificate is granted on 20th February, 2020. Determine the effective date of Registration under CGST Act, 2017.

Answer:

As per section 22 of the CGST Act, a supplier is liable to be registered in the State/Union territory from where he makes a taxable supply of services, if his aggregate turnover in a financial year exceeds ₹20 lakh, within 30 days from the date on which it becomes so liable to registration. Where an applicant submits application for registration within 30 days from the date he becomes liable to registration, effective date of registration is the date on which he becomes liable to registration otherwise it is the date of grant of registration.

In the given case Vikas Enterprise applied for registration before the expiry of 30 days from the date on which it becomes liable for registration, the effective date of registration in its case is 25.01.2020.

Question 64 : Mr. Rishi, a registered supplier of goods, pays GST under regular scheme and provides the following information for the month of August 2020:

Particulars	(₹)
(i) Inter-state taxable supply of goods	10,00,000
(ii) Intra state taxable supply of goods	2,00,000
(iii) Intra state purchase of taxable goods	5,00,000

He has the following Input tax credit at the beginning of August 2020:

Nature	ITC Amount in (₹)
CGST	20,000
SGST	30,000
IGST	25,000

Rate of CGST, SGST and IGST are 9%, 9% and 18% respectively.

Both inward and outward supplies are exclusive of taxes wherever applicable.

All the conditions necessary for availing the ITC have been fulfilled.

Compute the net GST payable by Mr. Rishi for the month of August 2020.

Solution: Computation of Net GST payable by Mr. Rishi for the month of August 2020

	₹
Purchase price	5,00,000
Add: CGST @ 9%	45,000
Add: SGST @ 9%	45,000
Total	5,90,000

Input tax credit of CGST & SGST is allowed.

Output Tax

Inter-state taxable supply of goods

Sale Value	10,00,000
Add: IGST @ 18%	1,80,000
Total	11,80,000

Intra-state taxable supply of goods

Sale Value	2,00,000
Add: CGST @ 9%	18,000
Add: SGST @ 9%	18,000
Total	2,36,000

Computation of Net Tax

	IGST ₹
Output tax	1,80,000
Less: ITC b/f – IGST	(25,000)
Less: ITC – CGST	(47,000)
Less: ITC – SGST	(57,000)
Net Tax Payable	51,000
	CGST ₹
	18,000

Output tax

Less: ITC Goods – CGST	(18,000)
Net Tax Payable	Nil

Output tax	18,000
Less: ITC Goods – SGST	(18,000)
Net Tax Payable	Nil

Question 65 : Happy Limited, a registered supplier is engaged in the manufacture of taxable goods. The company provides the following information of GST paid on the purchases made/input services availed by it during the month of September 2020:

Particulars	GST paid (₹)
(i) Purchase of cabs used for the transportation of its employees	3,30,000
(ii) Inputs consisting of three lots, out of which first lot was received during the month	1,25,000
(iii) Capital Goods	2,50,000
(out of three items, invoice for one item was missing and GST paid on that item was, ₹25,000)	
(iv) Outdoor catering service availed on Women's day	72,000
Determine the amount of Input Tax Credit available with M/s Happy Limited for the month of September 2020 by giving necessary explanations for treatment of various items. All the conditions necessary for availing the input tax credit have been fulfilled.	

Solution : Computation of amount of ITC available with M/s Happy Limited for the month of September 2020

Particulars	GST paid (₹)
(i) Purchase of cabs used for the transportation of its employees	Nil
(ii) Inputs consisting of three lots, out of which first lot was received during the month	Nil
(iii) Capital Goods	2,25,000
(out of three items, invoice for one item was missing and GST paid on that item was, ₹25,000)	
(iv) Outdoor catering service availed on Women's day	Nil
Input Tax Credit Available	2,25,000

Notes:

- As per section 17(5), Input tax credit shall not be available for purchase of cabs.
- As per section 16 (2), where the goods against an invoice are received in lots the registered person shall be entitled to take credit upon receipt of last lot. In the given case first lot was received during this month hence credit shall not be allowed.
- As per section 16(2), tax credit shall be allowed if assessee is in possession of a tax invoice in the given case of capital goods invoice for one item is missing hence credit for such item is not allowed.
- As per section 17(5), Input tax credit of outdoor catering is not allowed.

Question 66 : Sea Shore Ltd., Mumbai, a registered supplier, is manufacturing Chocolates and Biscuits. It provides the following details of taxable inter-state supply made by it for the month of October 2020:

Particulars	GST paid (₹)
(i) List price of goods supplied inter-state	12,40,000
Item already adjusted in the price given in (i) above:	
(1) Subsidy from Central Government for supply of Biscuits to Government School.	1,20,000
(2) Subsidy from Trade Association for supply of quality Biscuits.	30,000
Items not adjusted in the price given in (i) above:	
(3) Tax levied by Municipal Authority	24,000

- (4) Packing Charges 12,000
 (5) Late fee paid by the recipient of supply for delayed Payment of invoice 5,000
 (6) Calculate the Value of taxable supply made by M/s Sea Shore Ltd. for the month of October 2020.

Solution:**Computation of value of taxable supply**

Particulars	₹
List price of the goods	12,40,000
Tax levied by Municipal Authority [Includible in the value as per section 15]	24,000
Packing charges [Includible in the value as per section 15]	12,000
Subsidy received from a non-Government body [Since subsidy is received from a non-Government body, the same is included in the value in terms of section 15]	30,000
Late fee paid by the recipient of supply for delayed Payment of invoice [Includible in the value as per section 15]	5,000
Total	13,11,000

Note: Subsidy received from Government is not includible in value of supply as per section 15.

Question 67 : M/s Luv Kush Trading Company, a registered supplier, is liable to pay GST under forward charge. Determine the time of supply from the following information furnished by it:

- Goods were supplied on 03-10-2020
- Invoice was issued on 05-10-2020
- Payment received on 09-10-2020

Solution:

As per section 12, Liability to pay GST shall arise at the time of supply of goods which will be the date of issue of invoice but if invoice is issued after delivery of goods, TOS shall be date of delivery of goods. In the given case Invoice is issued after the delivery of goods hence date of goods supplied shall be the TOS i.e. 03-10-2020.

Question 68 : Examine whether GST is exempted on the following independent supply of services:

(i) De Pauls, a tour operator, provides services to a foreign tourist for tour conducted to Jammu Kashmir and receives a sum of 3,00,000.

(ii) Mr. Shastri acts as a Team Manager for Indian Sports League (ISL), a recognised sports body, for a Tennis tournament organised by Multi brand retail company and received a remuneration of ₹2,00,000.

Answer:

(i) **Taxable.** Services provided by an Indian tour operator to a foreign tourist in relation to a tour wholly conducted outside India have been exempted from GST but in the given case tour is conducted in India hence it is taxable.

(ii) **Taxable:** Services provided to a recognised sports body by an individual as a player, referee, umpire, coach or team manager for participation in a sporting event organised by a **recognized sports body** is exempt service but in the given case Mr. Shastri acts as a team manager and providing services to a recognized sports body which is organized by **Multi Brand Retail company** hence it is taxable service.

Question 69 : M/s Vishnu Company, an eligible registered dealer in goods making intra-state supplies within the state of Andhra Pradesh, has reported an aggregate turnover of ₹78 Lakhs in the preceding financial year.

(i) Determine whether Vishnu Company will be eligible for composition levy, as on 31-10-2020.

Answer: A registered person, whose aggregate turnover in the preceding financial year did not exceed ₹1.5 crore is eligible to opt for composition scheme and in the given case turnover is less than ₹1.5 crore so M/s Sai Trading Company is eligible for composition scheme.

(ii) Will your answer be different, if in the above scenario, M/s Vishnu Trading Company is making intra state supply within the state of Jammu and Kashmir?

Answer: No answer will remain same as limit for Jammu & Kashmir is also ₹1.5 crore.

Question 70 : Determine the effective date of registration in the following instances:

(i) The aggregate turnover of Laxman Ltd., engaged in taxable supply of services in the state of Punjab, exceeded ₹20 Lakhs on 25th August, 2020. It applies for registration on 19th September, 2020 and is granted registration certificate on 29th September, 2020.

Answer: As per section 22 of the CGST Act, a supplier is liable to be registered in the State/Union territory from where he makes a taxable supply of services, if his aggregate turnover in a financial year exceeds ₹20 lakh, within 30 days from the date on which it becomes so liable to registration. Where an applicant submits application for registration within 30 days from the date he becomes liable to registration, effective date of registration is the date on which he becomes liable to registration otherwise it is the date of grant of registration.

In the given case Laxman Ltd. applied for registration before the expiry of 30 days from the date on which it becomes liable for registration, the effective date of registration in its case is 25.08.2020.

(ii) What will be your answer, if in the above scenario, Laxman Ltd. submits the application for registration on 27th September, 2020 and is granted registration on 5th October, 2020?

Answer: Yes Answer will be different if Laxman Ltd. applies for registration after the expiry of 30 days, effective date of registration shall be the date of grant of registration i.e. 5th October, 2020.

Question 71 : Determine with reason whether the following statements are true or false:

(i) A registered person shall issue a separate invoice for supplying both taxable as well as exempted goods to an unregistered person.

Answer:

False: As per rule 46A, a registered person shall issue a single "invoice-cum-bill of supply" for supplying taxable as well as exempted goods or services or both to an unregistered person.

(ii) A Non-banking financial company can issue a consolidated tax invoice at the end of every month for the supply made during that month.

Answer:

True: As per Rule 54, Where the supplier of taxable service is an insurer or a banking company or a financial institution, the said supplier shall issue a consolidated tax invoice or any other document in lieu thereof, by whatever name called for the supply of services made during a month at the end of the month, whether issued or made available, physically or electronically whether or not serially numbered, and whether or not containing the address of the recipient of taxable service.

Question 72 : Mr Jai Chand, a supplier of goods, pays GST under regular scheme. He is not eligible for any threshold exemption. He has made the following outward taxable supplies in the month of August, 2020:-

Intra state supplies of goods ₹6,00,000

Inter state supplies of goods ₹2,00,000

He has also furnished following information in respect of purchases made by him from registered dealers during August, 2020:-

Intra state purchase of goods ₹4,00,000

Inter state purchase of goods ₹50,000

Balance of ITC available at the beginning of the August 2020:-

CGST ₹15,000

SGST ₹35,000

IGST ₹20,000

Note:

- (i) Rate of CGST, SGST and IGST to be 9%, 9% and 18% respectively, on both inward and outward supplies.
- (ii) Both inward and outward supplies given above are exclusive of taxes, wherever applicable.
- (iii) All the conditions necessary for availing the ITC have been fulfilled.

Compute the net GST payable by Mr. Jai Chand for the month of August, 2020.

Solution: Computation of net GST payable by Mr. Jai Chand for the month of August 2020

	₹
Purchase price	4,00,000
Add: CGST @ 9%	36,000
Add: SGST @ 9%	36,000
Total	4,72,000

Input tax credit of CGST & SGST is allowed.

Purchase price	50,000
Add: IGST @ 18%	9,000
Total	59,000

Input tax credit of IGST is allowed.

Output Tax

Inter-state taxable supply of goods

Sale Value	2,00,000
Add: IGST @ 18%	36,000
Total	2,36,000

Intra-state taxable supply of goods

Sale Value	6,00,000
Add: CGST @ 9%	54,000
Add: SGST @ 9%	54,000
Total	7,08,000

	IGST ₹
Computation of Net Tax	
Output tax	36,000
Less: ITC b/f – IGST	(20,000)
Less: ITC – IGST	(9,000)
Less: ITC – SGST	(7,000)
Net Tax Payable	Nil

	CGST ₹
Output tax	54,000
Less: ITC Goods – CGST	(36,000)
Less: ITC b/f – CGST	(15,000)
Net Tax Payable	3,000

	SGST ₹
Output tax	54,000
Less: ITC Goods – SGST	(36,000)
Less: ITC b/f – SGST	(18,000)
Net Tax Payable	Nil

Excess credit of SGST shall be carried forward $(36,000 + 35,000 - 54,000 - 7000) = 10,000$. Credit of SGST shall not be allowed to be adjusted from CGST.

Question 73 : Sky Pvt. Ltd., a registered dealer, furnishes the following information relating to goods sold by it to Star Pvt. Ltd. in the course of Intra State.

S. No	Particulars	Amount (₹)
(i)	Price of the goods	1,00,000
(ii)	Municipal Tax	2,000
(iii)	Inspection charges	15,000
(iv)	Subsidies received from Shri Venkata Trust (As the products is going to be used by blind association)	50,000
(v)	Late fees for delayed payment. (Though Star Pvt. Ltd, made late payment but these charges are waived by Sky Pvt. Ltd.)	1,000
(vi)	Star Pvt. Ltd. paid to Moon Pvt. Ltd. (on behalf of Sky Pvt. Ltd.) weightment charges.	2,000

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

Solution:

Computation of value of taxable supply

Particulars	₹
List price of the goods	1,00,000
Tax levied by Municipal Authority [Includible in the value as per section 15]	2,000
Inspection charges [Includible in the value as per section 15]	15,000
Subsidy received from a non-Government body [Since subsidy is received from a non-Government body, the same is included in the value in terms of section 15]	50,000
Late fee for delayed Payment but waived by the seller.	Nil
Weightment charges [Includible in the value as per section 15] [Includible in the value as per section 15]	2,000
Total	1,69,000

Note: Subsidy received from Government is not includible in value of supply as per section 15.

Question 74 : M/s. Pathways Pvt. Ltd., a registered dealer of Mumbai furnishes you following information for the month of October, 2020.

S. No	Particulars	Amount (₹)
(i)	Intra state sale of Taxable goods (out of above ₹ 50,000 was received as advance in September, 2019)	2,00,000
(ii)	Goods purchased from unregistered dealer (purchase on 20th October, 2020) (10,000 in case of Inter State & Balance Intra-state)	50,000
(iii)	Received for services by way of labour contracts for repairing a single residential unit otherwise than as a part of residential complex (it is Intra-state transaction)	50,000
(iv)	Professional fees paid to Ms. Urvashi located in a non-taxable territory (it amounts to Interstate transaction)	50,000

Compute GST liability (CGST, SGST or IGST, as the case may be) of M/s. Pathways Pvt. Ltd. for the month of October, 2019. Assume the rates of GST as under

CGST 9% SGST 9% IGST 18%

Note: Turnover of M/s. Pathways Pvt. Ltd. was 2 crore in the Previous Financial Year.

Solution: Computation of Net GST payable by M/s Pathways Pvt. Ltd. for the month of October 2020

Input tax Credit

₹

(i) Input tax credit in case of Goods Purchased from Unregistered is not allowed.

(ii) In case of Professional payment to Ms. Urvashi located in non-taxable territory reverse charge shall be applicable assuming service is rendered in taxable territory and tax credit shall be allowed.

$$\text{IGST} = 50,000 \times 18\% = 9,000$$

Output Tax

Intra-State sale of taxable goods

Sale Value	2,00,000
Add: CGST @ 9%	18,000
Add: SGST @ 9%	18,000
Total	2,36,000

Advance received is not taxable in the month of September.

Labour Contract Services

Value	50,000
Add: CGST @ 9%	4,500
Add: SGST @ 9%	4,500
Total	59,000

Computation of GST Liability

	CGST ₹
Output tax (18,000+4,500)	22,500
	SGST ₹
Output tax (18,000+4,500)	22,500

IGST of ₹9,000 is payable under reverse charge.

Computation of Net Tax

	CGST ₹
Output tax (18,000+4,500)	22,500
Less: ITC Import of service	(9,000)
Net Tax Payable	13,500
	SGST ₹
Output tax (18,000+4,500)	22,500
Net Tax Payable	22,500

IGST of ₹9,000 is payable under reverse charge.

Question 75 : On 4th September, 2020, Manu Malik a famous music composer, received, ₹3 crore of consideration from T Music Co. Ltd. for sale of copyright of his original music album. He finished his work & made available the CD to the music company on 20th July, 2020 & raised the invoice on 24th July, 2020. What will be the time of supply as per CGST Act, 2017?

Note: Above Service is taxable under reverse charge basis.

Answer: As per section 13(3), Time of supply of services in case of reverse charge shall be earlier of the following:

1. The date of payment or
2. The date immediately following 60 days from the date of issue of invoice.

In the given case TOS shall be earlier of the following:

1. 4th September 2020
2. 23rd September 2020 (July -7, August – 31, September – 23)

Hence, TOS shall be 4th September 2020.

Question 76 : State with reason, person liable to pay GST in each of following independent cases. Assume recipient is located in taxable territory.

(i) Rental income received by Tamil Nadu State Government from renting an immovable property to Leader Pvt. Ltd. (Turnover of the company was, 22 lakhs in the preceding F.Y.)

Answer: Reverse charge shall be applicable in case of supply of renting of immovable property by Governments or Local Authority provided service recipient is registered under GST. In the given case service recipient is registered under GST as Turnover in the preceding year is exceeding 20 Lakh and shall be liable to pay GST under reverse charge.

(ii) Legal Fees received by Mr. Jethmalani, a senior advocate, from M/s. Josh Trading Company having turnover of ₹50 lakhs in preceding F.Y.

Answer: Legal services received by senior advocate shall be exempt if it is given to business entity having turnover upto ₹20 lakhs in preceding year but if turnover is exceeding ₹20 lakhs then service recipient is liable to pay GST under reverse charge. In the given case turnover of the company is exceeding ₹20 lakhs hence company is liable to pay GST under reverse charge.

Question 77 : Himmat Pvt. Ltd. Purchased machinery worth ₹ 9,00,000 (excluding GST) on 20-07-2020 on which it paid GST @ 18%. It availed the ITC. On 05-03-2021 it sold the machinery for ₹7,00,000 (excluding GST) to Hindustan Associates Pvt. Ltd. The GST rate on sale is 18%. What will be the course of action for Bharat Associates Pvt. Ltd. to follow under CGST Act, 2017?

Answer: As per Section 18 (6) of the CGST Act, 2017 read with CGST Rule 44, in case of **supply of capital goods**, on which input tax credit has been taken, the registered person shall pay an amount on the basis of remaining life considering total life to be 60 months however part of the month shall be ignored or the tax on the transaction value of such capital goods, whichever is higher.

Accordingly, the amount payable on supply of machine shall be computed as follows:

In this case the machine has been used from 20th July 2020 to 05th March 2021 i.e. 7 months and 14 days

Remaining life shall be = 52 months 16 days i.e. 52 months

Amount to be reversed (A) $1,62,000/60 \times 52 =$ 1,40,400

Duty leviable on transaction value ($₹ 7,00,000 \times 18\%$) (B) 1,26,000

Question 78 : Determine the effective date of registration under CGST Act, 2017 in respect of the following cases with explanation:

(i) The aggregate turnover of Sunshine Industries of Mumbai engaged in taxable supply of goods has exceeded ₹40 lakhs on 1st August, 2020. It submits the application for registration on 20th August, 2020. Registration certificate granted on 25th August, 2020.

Answer: As per section 22 of the CGST Act, a supplier is liable to be registered in the State/Union territory from where he makes a taxable supply of goods, if his aggregate turnover in a financial year exceeds ₹40 lakh, within 30 days from the date on which it becomes so liable to registration.

Where an applicant submits application for registration within 30 days from the date he becomes liable to registration, effective date of registration is the date on which he becomes liable to registration otherwise it is the date of grant of registration.

In the given case Sunshine Industries applies for registration before the expiry of 30 days from the date on which it becomes liable for registration, the effective date of registration in its case is 01.08.2020.

(ii) Swastik Infotech Services are the provider of internet services in Pune. The aggregate turnover of them exceeds ₹20 lakhs on 25th September, 2020. It submits the application for registration on 27th October, 2020. Registration certificate is granted on the 5 November, 2020.

Answer: As per section 22 of the CGST Act, a supplier is liable to be registered in the State/Union territory from where he makes a taxable supply of services, if his aggregate turnover in a financial year exceeds ₹20 lakh, within 30 days from the date on which it becomes so liable to registration. Where an applicant submits application for registration within 30 days from the date he becomes liable to registration, effective date of registration is the date on which he becomes liable to registration otherwise it is the date of grant of registration.

In the given case Swastik InfoTech services applies for registration after the expiry of 30 days from the date on which it becomes liable for registration, the effective date of registration in its case is 05.11.2020.

Question 79 : Mantra Pvt. Ltd. started its business of supply of goods on 1st August, 2020. Its turnover exceeds ₹20,00,000 on 5th September, 2020. It applied for registration on 28th September, 2020 & granted registration certificate on 6th October, 2020. Guide the company regarding invoices to be issued between 5th September, 2020 to 6th October, 2020 to registered dealers. Further it had also made supplies to unregistered dealers in that period. How it can raise invoices?

Answer: As per section 31(3)(a), a registered person may, within one month from the date of issuance of certificate of registration and in such manner as may be prescribed, issue a revised invoice against the invoice already issued during the period beginning with the effective date of registration till the date of issuance of certificate of registration to him.

The registered person may issue a consolidated revised tax invoice in respect of all taxable supplies made to a recipient who is not registered under the Act during such period.

Question 80 : M/s. Ram Lal and Shyam Lal Company is a partnership firm of interior decorators and also running a readymade garment showroom. Turnover of the showroom was ₹80 lakh and Receipts of the interior decorators service was ₹22 Lakh in the preceding financial year. With reference to the provisions of the CGST Act, 2017, examine whether the firm can opt for the composition scheme?

Will your answer change, if the turnover of the showroom was ₹70 lakh and Receipts of the interior decorators service was ₹22 Lakh in the preceding financial year?

Also discuss whether it is possible for M/s. Ram Lal & Shyam Lal Company to opt for composition scheme only for Showroom?

Answer: As per section 10, a registered dealer whose aggregate turnover in the preceding year is upto ₹1.5 crore may opt for composition scheme provided he is not engaged in providing taxable supply of services except restaurant services.

In the given case Partnership firm is engaged in running a readymade garment showroom and providing Interior decorators services alongwith the showroom. Since firm is engaged in providing supply of services which is not a restaurant service hence not eligible to opt for composition scheme.

No, Answer will remain same if a person providing services then not eligible for composition scheme irrespective of the turnover.

No it is not possible for firm to opt for composition scheme only for showroom if firm is providing services also.

Further it can opt for composition scheme for services under notification no. 02/2019 if its turnover is upto ₹50,00,000 but in the given case turnover is exceeding ₹50,00,000 hence it cannot opt for composition scheme of services.

Question 81 : Mrs. Swati received legal advice for her personal problems & paid 1,000 pound as a legal fees to Mrs. Gyati of U.K. (London).

Explain whether the above activity of import of service would amount to supply u/s. 7 of the CGST Act, 2017?

If in above case both of them are real sisters, & no consideration is paid then will it change your answer? Further in the above case both of them are real sisters & Mrs. Swati receives legal advice for her business & she didn't paid any consideration then what will be your answer?

Answer: As per section 7, import of services for a consideration whether or not in the course or furtherance of business shall be treated as supply.

In the given case, import of service is for consideration hence it is treated as supply however it is exempt as per exemption notification.

In the second case, if import of service without consideration for personal purpose shall not be treated as supply.

In the third case, as per schedule 1 if import of service without consideration for business purpose, shall be treated as supply.

Question 82 : Lazy Ltd. has submitted particulars of sale or purchase for the month of January 2021. Compute GST Payable if Rate of CGST @ 10% and SGST @ 10% (The amounts are exclusive of GST.)

Particulars	Amt. in (₹)
(i) Purchase from composition dealers	5,00,000
(ii) Inter-state purchases	18,00,000
(iii) Purchase of capital goods	9,00,000
(iv) Sales within the State effected during the month of January, 2021	12,00,000

Solution:

	₹
Sales	12,00,000
Add: CGST @ 10%	1,20,000
Add: SGST @ 10%	1,20,000
Total	14,40,000

Capital Goods

Transaction Value	9,00,000
Add: CGST @ 10%	90,000
Add: SGST @ 10%	90,000
Total	10,80,000

Inter - state purchase

Transaction Value	18,00,000
-------------------	-----------

Computation of Net Tax

Particulars	CGST ₹
Output Tax Goods	1,20,000
Less: ITC Goods – IGST	(1,20,000)
Net Tax Payable	Nil

Computation of Net Tax

Particulars	SGST ₹
Output Tax Goods	1,20,000
Less: ITC Goods – IGST	(1,20,000)
Net Tax Payable	Nil

Carried Forward:**IGST –₹ 1,20,000****CGST –₹90,000****SGST –₹90,000**

Question 83 : You are required to determine the Time of supply for the following service:

Jain & Co., a firm of Chartered Accountants, renders service to M/s. Mehta & Sons in the month of December, 2019, which gets completed on 31st December, 2020. It is billed on 5th January, 2021, while the payment for the same is received on 2nd January, 2021.

Answer:

As per section 13, Time of supply of services shall be the date of invoice or payment whichever is earlier but if the invoice is not issued within 30 days of supply of service, TOS shall be the date of supply of service or payment whichever is earlier. In the given case, Invoice is issued within 30 days but payment is received before the date of invoice hence TOS shall be the date of receiving payment i.e. 2nd January 2021.

Question 84 : Discuss with reference to the provisions of GST, whether the under mentioned transactions constitute consideration for service.

- (i) Fines and penalties imposed against violation of law.
- (ii) A provides services to B. However, B's debtor makes payment to A on the instructions of B.
- (iii) Grant given to a researcher to carry out research of his/her choice.

Answer:

As per section 2 (31), "**consideration**" in relation to the supply of goods / services includes-

- (a) any payment made whether in money or otherwise in respect of the supply of goods / services, whether by the recipient or by any other person but shall not include any subsidy given by the Central Government or a State Government.
- (b) the monetary value of any act or forbearance in respect of the supply of goods / services whether by the recipient or by any other person but shall not include any subsidy given by the Central Government or a State Government.

Provided that a deposit given in respect of the supply of goods / services shall not be considered as payment made for such supply unless the supplier applies such deposit as consideration for the said supply.

- (i) Fines and penalties imposed against violation of law shall not be considered as consideration of service as there is no supply of service in case of violation of law.
- (ii) As per the above definition payment made by any other person on behalf of other shall constitute consideration for service.
- (iii) Grant given to a researcher to carry out research of his/her choice shall not be treated as consideration for service.

Question 85 : Manish is a supplier of taxable goods in Karnataka. He got registered under GST in the month of September, 2020 and wishes to pay his IGST liability for the month. Since he's making the GST payment for the first time, he is of the view that he needs to mandatorily have the online banking facility to make payment of GST; offline payment is not permitted under GST. You are required to apprise Manish regarding the various modes of deposit in the electronic cash ledger. Further, advise him with regard to following issues:

- (a) Are manual challans allowed under GST?
- (b) What is the validity period of the challan?
- (c) Is cross utilization among Major and Minor heads of the electronic cash ledger permitted?

Answer

Section 49(1) of CGST Act, 2017 read with rule 87 of CGST Rules, 2017 provides that the deposit in electronic cash ledger can be made through any of the following modes, namely:-

- (i) Internet Banking through authorised banks;
- (ii) Credit card or Debit card through the authorised bank;
- (iii) National Electronic Fund Transfer or Real Time Gross Settlement from any bank; or
- (iv) Over the Counter payment through authorised banks.

Thus, offline mode is also permitted under GST.

(a) Manual or physical Challans are not allowed under the GST regime. It is mandatory to generate Challans online on the GST Portal.

(b) **E-challan is valid for a period of 15 days.**

(c) Amount entered under any Minor head (Tax, Interest, Penalty, etc.) and Major Head (CGST, IGST, SGST/UTGST) of the Electronic Cash Ledger can be utilized only for that liability. Cross-utilization among Major and Minor heads is not possible.

Question 86 : Munish Book Depot, a wholesaler of stationery items, registered in Mumbai, has received order for supply of stationery items worth ₹ 2,00,000/- on 12th November, 2020 from another local registered dealer, Mr. Prakash, Mumbai. Munish Book Depot charged the following additional expenses from Mr. Prakash:-

	Particulars	Amount (₹)
(i)	Packing charges	5,000
(ii)	Freight & Cartage	2,000
(iii)	Transit insurance	1,500
(iv)	Extra designing charges	6,000
(v)	Taxes by Municipal Authority	500

The goods were delivered to Mr. Prakash on 14th November, 2020. Since Mr. Prakash was satisfied with the quality of the goods, he made the payment of goods the same day and simultaneously placed another order on Kamal Book Depot of stationery items amounting to ₹10,00,000 to be delivered in the month of December, 2020**. On receipt of second order, Munish Book Depot allowed a discount of ₹ 20,000 on the first order placed by Mr. Prakash.

Compute the GST liability of Munish Book Depot for the month of November, 2020 assuming the rates of GST on the goods supplied as under:

CGST 9%

SGST 9%

Would your answer be different if expenses (i) to (v) given in above table are already included in the price of ₹2,00,000?

Note:-

(i) All the amounts given above are exclusive of GST.

(ii) Munish Book Depot and Mr. Prakash are not related persons and price is the sole consideration of the supply.

**Payment and invoice for the second order will also be made in the month of December, 2020 only.

Solution

Computation of value of taxable supply and tax liability

	Particulars	Amount (₹)
	Price of the goods [Note-1]	2,00,000
(i)	Packing charges [Note-2]	5,000
(ii)	Freight & Cartage [Note-3]	2,000
(iii)	Transit Insurance [Note-3]	1,500
(iv)	Extra Designing charges [Note-4]	6,000
(v)	Taxes by Municipal Authority [Note-5]	500
	Value of taxable supply	2,15,000
	CGST @ 9%	19,350
	SGST @ 9%	19,350

Notes:-

- As per section 15(1) of the CGST Act, 2017, the value of a supply is the transaction value i.e. the price actually paid or payable for the said supply.
- All incidental expenses including packing charged by the supplier to the recipient are includible in the value of supply in terms of section 15(2) of the CGST Act, 2017.
- The given supply is a composite supply involving supply of goods (stationery items) and services (transit insurance and freight) where the principal supply is the supply of goods.
As per section 8(a) of the CGST Act, 2017, a composite supply is treated as a supply of the principal supply involved therein and charged to tax accordingly.
- Any amount charged for anything done by the supplier in respect of the supply of goods or services or both at the time of, or before delivery of goods or supply of services; is includible in the value of supply vide section 15(2) of the CGST Act, 2017. Thus, extra designing charges are to be included in the value of supply.
- The taxes by Municipal Authorities are includible in the value of supply in terms of section 15(2) of the CGST Act, 2017.
- In the given case, Mr. Prakash is allowed a discount of ₹ 20,000 on the goods supplied to him in the month of November, 2020. Since the said goods have already been delivered by Munish Book Depot, this discount will be a post-supply discount.
Further, value of supply shall not include any discount which is given after the supply has been effected, if—
 - such discount is established in terms of an agreement entered into at or before the time of such supply and specifically linked to relevant invoices; and
 - input tax credit as is attributable to the discount on the basis of document issued by the supplier has been reversed by the recipient of the supply [Section 15(3) of the CGST Act, 2017].

However, in the given case, post-supply discount given to Mr. Prakash will not be allowed as a deduction from the value of supply since the discount policy was not known before the time of such supply although the discount can be specifically linked to relevant invoice (invoice pertaining to stationery items supplied to Mr. Prakash in November, 2020).

In case the expenses (i) to (v) given in above table are already included in the price of ₹2,00,000: Since these expenses are includible in the value of supply by virtue of the reasons mentioned in explanatory notes above, no further addition will be required. Resultantly, the value of taxable supply will be ₹2,00,000 and CGST and SGST will be ₹18,000 and ₹18,000 respectively.

Question 87 : Mr. Hari, a supplier registered in Delhi, is engaged in the business of sale and purchase of plastic raincoats. He furnishes the following information pertaining to inward/outward supply made by him for the month of July, 2020:

Particulars	Amount (₹ in lakh)
Value of inter-State outward supply to registered persons	30
Value of intra-State outward supply to registered persons	50
Value of intra-State outward supply to unregistered persons	15
Value of intra-State inward supply from registered persons	10
Value of inter-State inward supply from registered persons	5
Value of intra-State inward supply from unregistered persons	2

Following additional information is also provided by Mr. Hari:-

Particulars	Amount (₹ in lakh)
IGST credit on capital goods purchased in the month of July	1.5
CGST/SGST credit on other inward supplies [including credit of ₹ 5,000 (CGST and SGST each) on account of membership of a club]	0.5 (CGST and SGST each)
Availed consultancy services from Mr. Kapil, lawyer located in Delhi [Intra- State services]	1

The amount of ITC brought forward in the month of July, 2019 is as under:-

CGST: ₹ 2 lakh

SGST: ₹ 2 lakh

IGST: ₹ 5 lakh

Calculate the net GST liability (CGST and SGST or IGST, as the case may be) to be paid in cash for the month of July, 2020 by assuming the rates of GST as under:

CGST 9%

SGST 9%

IGST 18%

Note:

(i) All the amounts given above are exclusive of taxes.

(ii) All the conditions necessary for availing the ITC have been fulfilled.

Solution : Computation of net GST liability of Mr. Hari

Particulars	Value (₹)	CGST (₹)	SGST (₹)	IGST (₹)
Total tax liability				
Value of intra-State legal consultancy services i.e. inward supplies liable to reverse charge mechanism (to be paid in cash) (A) [Note-1]	1,00,000	9,000	9,000	-
Value of inter-State outward supplies (B1)	30,00,000	-	-	5,40,000
Value of intra-State outward supplies to registered as well as unregistered persons (B2) (₹ 50,00,000 + ₹ 15,00,000)	65,00,000	5,85,000	5,85,000	-
Total (B) = (B1) +(B2)		5,85,000	5,85,000	5,40,000
Input tax Credit				
Brought forward ITC		2,00,000	2,00,000	5,00,000
Value of intra-State inward supplies from registered person [Note-2]	10,00,000	90,000	90,000	
Value of inter-State inward supplies from registered person [Note-2]	5,00,000	-	-	90,000
Value of intra-State inward supplies from unregistered person [Note-3]	2,00,000	-	-	-
IGST credit of capital goods [Note-2]				1,50,000
Credit on other inward supplies purchased in the month of July <i>less</i> credit on membership of a club [Note-2 & 4]		45,000	45,000	-
Credit of legal consultancy services [Note-2]		9,000	9,000	-
Total (C)		3,44,000	3,44,000	7,40,000
Net liability (B)-(C)		2,41,000	2,41,000	(2,00,000)
Less: Set off from IGST credit [Note-5]		2,00,000	-	-
Liability after set off (D)		41,000	2,41,000	Nil
Net GST liability to be paid in cash (A) + (D)		50,000	2,50,000	Nil

Notes:-

1. Services supplied by an individual advocate to any business entity located in the taxable territory by way of legal services, directly or indirectly are taxable under reverse charge mechanism. Thus, tax is payable by the recipient (Mr. Hari) on said services to the Government.

Further, as per section 49(4) of the CGST Act, 2017, amount available in the electronic credit ledger [ITC amount] 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.

2. Every registered person is entitled to take credit of input tax charged on any inward supply of goods and/or services which are used or intended to be used in the course or furtherance of his business in terms of section 16 of CGST Act, 2017. Further “input tax” in relation to a registered person includes the tax payable under reverse charge mechanism in terms of section 2(62) of the CGST Act, 2017.
3. Intra-State supplies received by a registered person from any unregistered supplier, are exempt from the whole of the central tax leviable thereon under section 9(4) till 30.09.2019 [Notification No.8/2017 CT (R) dated 28.06.2017]. Since no tax has been paid, so no credit is available.
4. Input tax credit is not allowed in respect of membership of a club in terms of section 17(5) of CGST Act, 2017.
5. Input tax credit of IGST has been used to pay IGST and CGST in that order.

Question 88 : Mehnat of Nashik, Maharashtra, a registered supplier, is engaged in manufacturing taxable goods. It provides the following details of items purchased and services availed by it from Gujarat, for the month of March, 2020:

S. No.	Particulars	GST (₹)
1	Motor vehicle purchased for employees to be used for personal as well as business purposes	1,50,000
2	Motor vehicle purchased for transportation of goods within the factory	2,00,000
3	Food items for consumption of employees. These items were supplied free of cost to the employees in lieu of services rendered by them to the manufacturer in the course of employment.	2,000
4	Rent-a-cab facility availed for employees to fulfill a statutory obligation in this regard. The Government has notified such service under section 17(5) of the CGST Act, 2017.	36,000

Calculate the amount of eligible input tax credit for the month of March, 2020.

Solution

Computation of eligible input tax credit

Particulars	Eligible ITC (₹)
Motor vehicle purchased for employees to be used for personal as well as business purposes [Note-1]	-
Motor vehicle purchased for transportation of goods within the factory [Note-1]	2,00,000
Food items for consumption of employees [Note-2]	-
Rent-a-cab facility given to employees [Note-3]	36,000
Total eligible input tax credit	2,36,000

Notes:-

As per section 17(5) of the CGST Act, 2017:

1. motor vehicles for transportation of persons having approved seating capacity of not more than thirteen persons (including the driver), except when they are used for making the following taxable supplies, namely:—
 - (A) further supply of such motor vehicles; or
 - (B) transportation of passengers; or
 - (C) imparting training on driving such motor vehicles;

Thus, in the given case, ITC on motor vehicle purchased for transportation of goods within the factory will be allowed

2. ITC in respect of food and beverages is blocked unless the same is used for making outward taxable supply of the same category or as an element of the taxable composite or mixed supply. Thus, in the given case, ITC of taxes paid on food for employees is not allowed.
3. ITC on supply of rent-a cab services is not blocked where the Government notifies the services which are obligatory for an employer to provide such service to its employees. Thus, ITC is available on said service.

Question 89 : M/s. Sukh Corporation Pvt. Ltd. is a supplier of goods and services at Kolkata. It has furnished the following information for the month of February, 2020:

	Particulars	Amount (₹)
(i)	Intra-State sale of taxable goods including ₹1,00,000 received as advance in January, 2020, the invoice for the entire sale value is issued on 15 th February, 2020	4,00,000
(ii)	Goods purchased from unregistered dealer on 20 th February, 2020 (Inter-State purchases are worth ₹30,000 and balance purchases are intra-State)	1,00,000
(iii)	Services provided by way of labour contracts for repairing a single residential unit otherwise than as a part of residential complex (It is an intra-State transaction)	1,00,000
(iv)	Goods transport services received from a GTA. GTA is paying tax @ 12% (It is an inter-State transaction)	2,00,000

Compute net GST liability (CGST, SGST or IGST, as the case may be) of M/s Sukh Corporation Pvt. Ltd. for the month of February, 2020.

Assume the rates of GST, unless otherwise specified, as under:

CGST	9%
SGST	9%
IGST	18%

Note:-

- (i) The turnover of M/s. Sukh Corporation Pvt. Ltd. was ₹ 2.5 crore in the previous financial year.
- (ii) All the amounts given above are exclusive of taxes.

Solution:

Computation of GST liability of **M/s. Sukh Corporation Pvt. Ltd. for the month of February, 2020**

Particulars	Value of Supply	CGST (₹)	SGST (₹)	IGST (₹)
Intra -State sale of taxable goods [Note-1]	4,00,000	36,000	36,000	
Goods purchased from unregistered dealer on 20 th February, 2020 [Note-2]	Nil	Nil	Nil	
Services rendered by way of labour contracts for repairing a single residential unit otherwise than as a part of residential complex [Note-3]	1,00,000	9,000	9,000	
Goods transport services received from GTA [Note-4]	2,00,000			Nil
Total GST liability for the month of February, 2020		45,000	45,000	Nil
Less: Input tax credit available [Note-5] (₹ 2,00,000 x 12%)		<u>24,000</u>		
Net GST liability for the month of February, 2020		21,000	45,000	Nil

Notes:

- Section 12 of CGST Act, 2017 read with *Notification No. 66/2017 CT dated 15.11.2017* provides that the time of supply for all suppliers of goods (excluding composition suppliers) is the time of issue of invoice, without any turnover limit. Thus, liability to pay tax on the advance received in January, 2020 will also arise in the month of February, when the invoice for the supply is issued.
- All intra-State and inter-State procurements made by a registered person from unregistered person have been exempted from reverse charge liability, without any upper limit for daily procurements.
- Services by way of pure labour contracts of construction, erection, commissioning, or installation of original works pertaining to a single residential unit otherwise than as a part of a residential complex are exempt vide *Notification No. 12/2017 CT(R) dated 28.06.2017*. Labour contracts **for repairing** are thus, taxable.
- 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, services have been received from a GTA who has paid GST @ 12%, reverse charge provisions will not be applicable.
- Input tax credit is available for the services received from GTA. The input tax credit of IGST can be used against IGST, CGST and SGST in the respective order vide section 49(5) of CGST Act, 2017.

Question 90 : Dreamz Private Limited, a registered supplier, is engaged in the manufacture of taxable goods. The company provides the following information pertaining to GST paid on the purchases made/input services availed by it during the month of February, 2020:

	Particulars	GST paid (₹)
(i)	Trucks used for the transport of raw material	1,20,000
(ii)	Foods and beverages for consumption of employees working in the factory	40,000
(iii)	Inputs are to be received in five lots, out of which third lot was received during the month	80,000
(iv)	Membership of a club availed for employees working in the factory	1,50,000
(v)	Capital goods (out of five items, invoice for one item was missing and GST paid on that item was ₹ 50,000)	4,00,000
(vi)	Raw material (to be received in March, 2020)	1,50,000

Determine the amount of input tax credit available with Dreamz Private Limited for the month of February, 2020 by giving necessary explanations for treatment of various items. All the conditions necessary for availing the input tax credit have been fulfilled.

Solution: Computation of input tax credit (ITC) available with Dreamz Limited for the month of February, 2020

Particulars	₹
Trucks used for the transport of raw material [Note-1]	1,20,000
Foods and beverages for consumption of employees working in the factory [Note-2]	Nil
Inputs are to be received in five lots, out of which third lot was received during the month [Note-3]	Nil
Membership of a club availed for employees working in the factory [Note-4]	Nil
Capital goods (out of five items, invoice for one item was missing and GST paid on that item was ₹ 50,000) [Note-5]	3,50,000
Raw material to be received in March, 2020 [Note-6]	Nil
Total ITC	4,70,000

Notes:-

1. ITC on motor vehicles is disallowed in terms of section 17(5) of the CGST Act, 2017, except when they are used *inter alia*, for transportation of goods.
2. ITC on food or beverages is specifically disallowed unless the same is used for making outward taxable supply of the same category or as an element of the taxable composite or mixed supply- [Section 17(5)].
3. When inputs are received in instalments, ITC can be availed only on receipt of last instalment- [Section 16(2)].
4. Membership of a club is specifically disallowed under section 17(5) of the CGST Act, 2017.
5. ITC cannot be taken on missing invoice. The registered person should have the invoice in its possession to claim ITC [Section 16(2) of CGST Act, 2017].
6. Input tax credit is available only upon the receipt of goods in terms of section 16(2) of CGST Act, 2017.

Question 91 : M/s. Hira Lal Panna Lal Company, a partnership firm at Mumbai is running a mobile phone showroom. Along with mobile phone showroom, it is also engaged in providing health and fitness services. Turnover of the mobile phone showroom was ₹78 lakh and receipts of the health and fitness service was ₹26 lakh in the preceding financial year.

- (i) With reference to the provisions of the CGST Act, 2017, examine whether the firm can opt for the composition scheme,
- (ii) Will your answer change, if the turnover of the mobile phone showroom was ₹74 lakh and receipts of the health and fitness service was ₹18 lakh in the preceding financial year?
- (iii) If Firm obtain separate registration for their mobile phone showroom & for health fitness centre, can it opt for composition scheme only for mobile phone showroom?

Solution:

A registered person, whose aggregate turnover in the preceding financial year did not exceed ₹ 1.5 crore, may opt for composition scheme vide section 10 of CGST Act, 2017.

However, he shall not be eligible to opt for composition scheme if, *inter alia*, he is engaged in the supply of services other than restaurant services.

- (i) In the given case, since firm is engaged in supply of health and fitness service, it is not eligible to opt for composition scheme.
- (ii) The answer will remain the same i.e., Firm will not be eligible to opt for composition scheme even with the change in the turnovers.
- (iii) Where more than one registered persons are having the same Permanent Account Number, the registered person shall not be eligible to opt for composition scheme unless all such registered persons opt to pay tax under composition scheme.

Therefore, Firm will not be able to opt for composition scheme only for mobile phone showroom as all the registrations under the same PAN have to opt for composition scheme and since the supply of health and fitness service is ineligible for composition scheme, supply of mobile phones too becomes ineligible for composition scheme.

Further it can opt for composition scheme for services under notification no. 02/2019 if its turnover is upto ₹50,00,000 but in the given case turnover is exceeding ₹50,00,000 hence it cannot opt for composition scheme of services.

Question 92 : Happy & Fun Ltd. of Srinagar, Jammu & Kashmir engaged in the supply of gifts items provides you the following details:-

S.No.	Particulars	Date
1.	Commencement of the business of supplying goods	01.08.2019
2.	Turnover exceeds ₹ 20,00,000 on	15.08.2019
3.	Turnover exceeds ₹ 40,00,000 on	05.09.2019
4.	Application for registration made on	28.09.2019
5.	Registration certificate granted on	06.10.2019

The company seeks your advice as to how it should raise revised tax invoices for supplies made. Is there any specific provision for issuance of revised tax invoices to unregistered customers? Explain.

Solution:

A supplier of goods whose aggregate turnover in a financial year exceeds ₹40 lakh in a State/UT is liable to apply for registration within 30 days from the date of becoming liable to registration (i.e., the date of crossing the threshold limit of ₹40 lakh) vide section 22 of CGST Act, 2017.

Where the application is submitted within said period, the effective date of registration is the date on which the person becomes liable to registration; otherwise it is the date of grant of registration.

Every registered person who has been granted registration with effect from a date earlier than the date of issuance of registration certificate to him, may issue revised tax invoices in respect of taxable supplies effected during this period within 1 month from the date of issuance of registration certificate.

In the given case, Happy & Fun Ltd. is located in Jammu & Kashmir and J & K has opted for turnover limit of ₹ 40 lakh for the purpose of registration (lower limit is not applicable in case of J & K). Thus, since Happy & Fun Ltd. has made the application for registration within 30 days of becoming liable for registration, the effective date of registration becomes the date on which the company becomes liable to registration i.e. 05.09.2019.

Thus, Happy & Fun Ltd. may issue revised tax invoices against the invoices already issued during the period between effective date of registration (05.09.2019) and the date of issuance of registration certificate (06.10.2019), within 1 month from 06.10.2019.

Further, Happy & Fun Ltd may issue a consolidated revised tax invoice in respect of all taxable supplies made to unregistered dealers during such period. However, in case of inter-State supplies made to unregistered dealers, a consolidated revised tax invoice cannot be issued if the value of a supply exceeds ₹2,50,000.

Question 93 : Mazedar Ltd Delhi, a registered supplier, is manufacturing taxable goods. It provides the following details of taxable inter-State supply made by it for the month of March, 2020.

Particulars	Amount in (₹)
List price of goods supplied inter-state (exclusive of taxes)	15,00,000
Subsidy received from Central Government for supply of taxable goods to Government School.	2,10,000
Subsidy received from a NGO for supply of taxable goods to an old age home	50,000
Tax levied by Municipal Authority	20,000
Packing charges	15,000
Late fee paid by the recipient of supply for delayed payment of invoice	6,000

The list price of the goods takes into account the two subsidies received. However, the other charges/taxes/fee are charged to the customers over and above the list price. Calculate the value of taxable supply made by M/s Mazedar Ltd. for the month of March, 2020. Rate of IGST is 18%.

Solution:**Computation of value of taxable supply made by Mazedar Ltd. for the month of March, 2020**

Particulars	₹
List price of the goods	15,00,000
Add: Subsidy amounting to ₹ 2,10,000 received from Central Government [Since subsidy is received from Government, the same is not includible in the value in terms of section 15 of the CGST Act, 2017]	NIL
Subsidy received from NGO [Since subsidy is received from a non-Government body, the same is includible in the value in terms of section 15 of the CGST Act, 2017]	50,000
Tax levied by the Municipal Authority [Includible in the value as per section 15 of the CGST Act, 2017]	20,000
Packing charges [Being incidental expenses, the same are includible in the value as per section 15 of the CGST Act, 2017]	15,000
Late fees paid by recipient of supply for delayed payment [Includible in the value as per section 15 of the CGST Act, 2017] (assumed to be inclusive of taxes) [₹ 6,000 x 100/118] rounded off	<u>5,085</u>
Value of taxable supply	15,90,085

Question 94 : With reference to the provisions of GST law, briefly answer the following questions:-

- (a) Income is received by Maharashtra Government from renting of immovable property to Chopati Pvt. Ltd., registered in Maharashtra (Turnover of the company was ₹18 lakh in the preceding financial year). Is GST payable in the present case? If yes, who is liable to pay the same?
- (b) Mr. Arman, director of Cool Pvt. Ltd. Company has received sitting fee amounting to ₹ 1 lakh from company for attending the Board meetings.

Solution:

- (i) (a) *Notification No. 12/2017 CT (R) dated 28.06.2017* has *inter alia* exempted the services provided by the State Government to a business entity with an aggregate turnover of up to ₹20 lakh (₹10 lakh in case of a Special Category States) in the preceding FY. However, the same shall not apply to services by way of renting of immovable property.

In the given case, services by way of renting of immovable property is provided by Maharashtra Government to Chopati Pvt. Ltd, registered in Maharashtra. Therefore, the above exemption will not apply in this case even though the turnover of the company was less than ₹20 lakh in the preceding financial year. Thus, GST is payable in the given case.

Notification No. 13/2017 CT (R) dated 28.06.2017 as amended *inter alia* provides that reverse charge is applicable in case of services supplied by the State Government by way of renting of immovable property to a person registered under the Central Goods and Services Tax Act, 2017. Thus, GST is payable by Chopati Pvt. Ltd., being a registered person in the present case.

(b) *Notification No. 13/2017 CT (R) dated 28.06.2017 inter alia* provides that GST on supply of services by director of a company to the said company located in the taxable territory is payable on reverse charge basis.

Therefore, in the given case, person liable to pay GST is the recipient of services, i.e., Cool Pvt. Ltd. Company.

Question 95 : Examine whether the activity of import of service in the following independent cases would amount to supply under section 7 of the CGST Act, 2017?

- (i) Miss Ria received vastu consultancy services for her residence located at Bandra, Mumbai from Mr. John of Sydney (Australia). The amount paid for the said service is 5,000 Australian dollar.
- (ii) Miss Ria received vastu consultancy services for her residence located at Bandra, Mumbai from her brother, Mr. Sunny residing in Sydney (Australia). Further, Miss Ria did not pay any consideration for the said service.
- (iii) Miss Ria received vastu consultancy services for her business premises located at Bandra, Mumbai from her brother, Mr. Sunny residing in Sydney (Australia). Further, Miss Ria did not pay any consideration for the said service.

Solution:

- (i) Supply, under section 7 of the CGST Act, 2017, *inter alia*,
- includes import of services for a consideration
 - even if it is not in the course or furtherance of business.

Thus, although the import of service for consideration by Miss. Ria is not in course or furtherance of business, as the vastu consultancy service has been availed in respect of residence, it would amount to supply.

(ii) Section 7 of the CGST Act, 2017 read with Schedule I provides that import of services by a taxable person from a related person located outside India, without consideration is treated as supply if it is provided in the course or furtherance of business.

In the given case, import of service without consideration by Miss Ria from her brother – Mr. Sunny [brother, being member of the same family, is a related person] will not be treated as supply as it is not in course or furtherance of business.

(iii) Section 7 of the CGST Act, 2017 read with Schedule I provides that import of services by a taxable person from a related person located outside India, without consideration is treated as supply if it is provided in the course or furtherance of business.

Thus, import of service without consideration by Miss Ria from her brother – Mr. Sunny (brother, being member of the same family, is a related person) will be treated as supply as she receives vastu consultancy service for her business premises, i.e. in course or furtherance of business.

Question 96 : Patience Ltd., a registered supplier in Mumbai (Maharashtra), has supplied goods to Simple Traders and Magic Motors Ltd. located in Ahmedabad (Gujarat) and Pune (Maharashtra) respectively. Patience Ltd. has furnished the following details for the current month:

S. No.	Particulars	Simple Traders (₹)	Magic Motors Ltd. (₹)
(i)	Price of the goods (excluding GST)	20,000	15,000
(ii)	Packing charges	600	
(iii)	Commission	400	
(iv)	Weightment charges		1,000
(v)	Discount for prompt payment (recorded in the invoice)		500

Items given in points (ii) to (v) have not been considered while arriving at price of the goods given in point (i) above.

Compute the GST liability [CGST & SGST or IGST, as the case may be] of Raman Ltd. for the given month.

Assume the rates of taxes to be as under:

Particulars	Rate of tax
Central tax (CGST)	9%
State Tax (SGST)	9%
Integrated tax (IGST)	18%

Make suitable assumptions, wherever necessary.

Note: The supply made to Sahil Traders is an inter-State supply.

Answer:

		Computation of GST liability	
S. No.	Particulars	Simple Traders (₹)	Magic Motors Ltd. (₹)
(i)	Price of goods	20,000	15,000
(ii)	Add: Packing charges (Note-1)	600	
(iii)	Add: Commission (Note-1)	400	
(iv)	Add: Weighment charges (Note-1)	-	1,000
(v)	Less: Discount for prompt payment (Note-2)	-	500
	Value of taxable supply	21,000	15,500
	IGST payable @ 18% (Note-3)	3,780	
	CGST payable @ 9% (Note-4)		1,395
	SGST payable @ 9% (Note-4)		1,395

Notes:

1. Incidental expenses, including commission and packing, charged by supplier to recipient of supply is includible in the value of supply. Weighment charges are also incidental expenses, hence includible in the value of supply [Section 15 of the CGST Act, 2017].
2. Since discount is known at the time of supply, it is deductible from the value in terms of section 15 of the CGST Act, 2017.
3. Since supply made to Simple Traders is an inter-State supply, IGST is payable in terms of section 5 of the IGST Act, 2017.
4. Since supply made to Magic Motors Ltd. is an intra-State supply, CGST & SGST is payable on the same.

Question 97 : TashionTraders, a registered supplier of goods, pays GST [CGST & SGST or IGST, as the case may be] under regular scheme. It has furnished the following particulars for a tax period:-

Particulars	₹
Value of intra-State supply of goods	12,000
Value of intra-State purchase of goods	10,000

Note:

Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively

- (i) Both inward and outward supplies are exclusive of taxes, wherever applicable.
- (ii) All the conditions necessary for availing the input tax credit have been fulfilled.

Compute the net GST payable by Tashion Traders during the given tax period assuming that there is no opening balance of input tax credit (ITC). Make suitable assumptions wherever required.

Answer:**Computation of net GST payable**

Particulars	CGST (₹)	SGST (₹)
GST payable on intra-State supply of goods [Being an intra-State supply, CGST and SGST is payable on the same]	1,080 (₹12,000 × 9%)	1,080 (₹12,000 × 9%)
Less: Input tax credit (ITC) on intra-State purchase of goods [CGST and SGST paid on the intra-State purchases of goods]	900 (₹10,000 × 9%)	900 (₹10,000 × 9%)
Net GST payable	180	180

Question 98 : Mr Dependable, a registered supplier, is engaged in providing services in the neighbouring States from his registered office located in Mumbai. He has furnished the following details in respect of the inward and outward supplies made during a tax period:-

Particulars	(₹)
Inter-State supply of services	1,80,000
Receipt of goods and services within the State	1,00,000
Assume the rates of taxes to be as under:-	
Rate	
Particulars	
CGST	9%
SGST	9%
IGST	18%

Note:

- (i) Both inward and outward supplies are exclusive of taxes, wherever applicable.
- (ii) All the conditions necessary for availing the input tax credit have been fulfilled.

Compute the net GST payable by Mr. Dependable during the given tax period. Make suitable assumptions if required.

Answer:**Computation of net GST payable by Dependable**

Particulars	₹
IGST @ 18% payable on inter-State supply of services [1,80,000 × 18%] [Being an inter-State supply, IGST is payable on the same in terms of section 5 of the IGST Act, 2017]	32,400
Less: ITC of CGST @ 9% paid on intra-State receipt of goods and services [Cross utilisation of CGST towards IGST] [1,00,000 × 9%]	9,000
Less: ITC of SGST @ 9% paid on intra-State receipt of goods and services [Cross utilisation of SGST towards IGST] [1,00,000 × 9%]	9,000
Net GST payable in cash	14,400

Note:

1. CGST shall first be utilised towards payment of CGST and the amount remaining, if any, be utilised towards the payment of IGST [Section 49 of the CGST Act, 2017].
2. SGST shall first be utilised towards payment of SGST and the amount remaining, if any, may be utilised towards the payment of IGST [Section 49 of the CGST Act, 2017].

Question 99 : Clear Mind Traders is a registered supplier of goods in Assam. It purchased goods valued at ₹ 10,000 from Kalu Suppliers located within the same State. Kartik Suppliers charged CGST & SGST separately in its invoice. Subsequently, Clear Mind Traders sold goods valuing ₹ 9,500 to Rose Manufacturers located in Assam. 20% of the inputs purchased are still lying in stock and there was no opening stock of

goods. Rate of CGST and SGST on supply and purchase of goods is 9% each. Calculate the net GST payable by Clear Mind Traders and input tax credit (ITC) to be carried forward, if any.

Answer: **Computation of net GST Payable**

Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)
GST payable on intra-State supply of goods [Being an intra-State supply, CGST and SGST is payable on the same]	855 [9,500 × 9%]	855 [9,500 × 9%]
Less: ITC on intra-State purchase of goods [ITC of CGST and SGST paid on intra-State purchase is available in full, even if some inputs are lying in stock]	900 [10,000 × 9%]	900 [10,000 × 9%]
Net GST payable	Nil	Nil
Input tax credit carried forward in Electronic Credit Ledger	45	45

Question 100 : SmoothTextiles Ltd. purchased a needle detecting machine on 8th July, 2019 from Mehnat Engineering Works Ltd. for ₹ 10,00,000 (excluding GST) paying GST @ 18% on the same. It availed the ITC of the GST paid on the machine and started using it for manufacture of goods. The machine was sold on 22nd October, 2020 for ₹ 7,50,000 (excluding GST), as second hand machine to Loose Pvt. Ltd. The GST rate on supply of machine is 18%. State the action which Granites Textiles Ltd. is required to take, if any, in accordance with the statutory GST provisions on the sale of the second-hand machine.

Answer: **As per Section 18 (6) of the CGST Act, 2017 read with CGST Rule 44, in case of supply of capital goods,** on which input tax credit has been taken, the registered person shall pay an amount on the basis of remaining life considering total life to be 60 months however part of the month shall be ignored or the tax on the transaction value of such capital goods, whichever is higher.

Accordingly, the amount payable on supply of needle detecting machine shall be computed as follows:

In this case the machine has been used from 8th July 2019 to 22nd October 2020 i.e. 15 months and 15 days
Remaining life shall be = 44 months 15 days i.e. 44 months

Amount to be reversed (A) $1,80,000/60 \times 44 =$	1,32,000
Duty leviable on transaction value (₹ 7,50,000 × 18%) (B)	1,35,000
Amount payable towards disposal of machine is higher of (A) and (B)	1,35,000

Question 101 : Nathuram Sweet Co., Delhi, a registered supplier, has furnished the details of the following few transactions which took place in November, 2020:

S. No.	Date	Particulars	Date of invoice	Amount (₹)
(i)	11.11.2020	Payment made to an advocate in Delhi	07.07.2020	1,25,000
(ii)	20.11.2020	Paid sitting fee to Director from Haryana for meeting held in Delhi on 15.10.2020 [Inter-State supply]	15.10.2020	75,000

Assume the rates of taxes to be as under:-

Particulars	Rate
CGST	9%

SGST 9%
IGST 18%

You are required to compute GST [CGST & SGST/IGST, as the case may be] payable for the month of November, 2020 along with time of supply of the aforementioned activities.

Answer: **Computation of GST payable for the month of November, 2020**

S. No.	Particulars	Time of supply of services	CGST (₹)	SGST (₹)	IGST (₹)	Interest (₹)
(i)	Services from an advocate in Delhi	06.09.2020 [Note-1 & 3]	11,250	11,250	-	244 [Note-4]
(ii)	Director's Sitting fee	20.11.2020 [Note-2 & 3]	-	-	13,500	

Notes:-

- Services supplied by an individual advocate to any business entity located in the taxable territory is a notified service on which tax is payable on reverse charge basis by the recipient of services.
- Services supplied by a director of a company to the said company is a notified service on which tax is payable on reverse charge basis by the recipient of services.
- As per section 13 of the CGST Act, 2017, the time of supply of services in case of reverse charge is earliest of the following:-
 - Date of payment as entered in the books of account of the recipient or the date on which the payment is debited to his bank account, whichever is earlier, or
 - Date immediately following 60 days since the date of issue of invoice.

Provisions of time of supply as provided under section 13 of the CGST Act are also applicable for inter-State supply vide section 20 of the IGST Act. In view of the aforesaid provisions, the time of supply and due date for payment of tax in the given cases would be determined as under:

- Time of supply of the services is the date immediately following 60 days since the date of issue of invoice, i.e. 06.09.2020. The due date for payment of tax is 20.10.2020 with return of September, 2020.
- Time of supply of service is 20.11.2020 and due date for payment of tax is 20.12.2020 with return of December, 2020.

4. The due date for payment of tax in case (i) is 20.10.2020 with return of September, 2020. However, the payment of tax is actually made on 11.11.2020. Thus, payment of tax is delayed by 22 days. In case of delayed payment of tax, interest @ 18% per annum is payable for the period for which the tax remains unpaid starting from the day succeeding the day on which such tax was due to be paid [Section 50 of the CGST Act, 2017 read with Notification No. 13/2017 CT dated 28.06.2017]. In view of the same, in the given case, interest payable would be as follows:

Amount of interest payable = ₹ 22,500 × 18% × 22/365 = ₹ 244 (rounded off)

Question 102 : Vijay , an air-conditioner dealer in Janakpuri, Delhi, needs 4 air-conditioners for his newly constructed house in Safdarjung Enclave. Therefore, he transfers 4 air-conditioners [on which ITC has already been availed by it] from its stock, for the said purpose. Examine whether the said activity amounts to supply under section 7 of the CGST Act, 2017.

Further, a Janakpuri resident, Bablu, approached Vijay. He sold an airconditioner to Vijay for ₹ 5,000. Bablu had bought the said air-conditioner six months before, for his residence. Does sale of the air conditioner by Bablu to Vijay amount to supply under section 7 of the CGST Act, 2017?

Answer: Section 7 of the CGST Act, 2017 stipulates that in order to qualify as supply:

- (a) Supply should be of goods and/or services.
- (b) Supply should be made for a consideration.
- (c) Supply should be made in the course or furtherance of business.

Further, Schedule I of the CGST Act, 2017 illustrates the activities to be treated as supply even if made without consideration. One such activity is permanent transfer or disposal of business assets where input tax credit has been availed on such assets, i.e. said activity is to be treated as supply even if made without consideration. In view of said provisions, permanent transfer of air conditioners by Vijay from its stock for personal use at its residence, though without consideration, would amount to supply.

However, sale of air-conditioner by Bablu to Sahab Sales will not qualify as supply under section 7 of the CGST Act, 2017 as although it is made for a consideration, but its not in the course or furtherance of business.

Question 103 : Manish Malhotra Fashions, a registered supplier of designer outfits in Delhi, decides to exhibit its products in a Fashion Show being organised at Hotel Taj, Delhi on 4th January, 2020. For the occasion, it gets the makeover of its models done by VLCC Ltd., Ashok Vihar, for which a consideration is ₹ 5,00,000 (excluding GST) has been charged. VLCC Ltd. issued a duly signed tax invoice on 10th February, 2020 showing the lumpsum amount of ₹ 5,90,000 inclusive of CGST and SGST @ 9% each. Royal Fashions made the payment the very next day. Answer the following questions:

- (i) Examine whether the tax invoice has been issued within the time limit prescribed under law?
- (ii) Tax consultant of Manish Malhotra Fashions objected to the invoice raised suggesting that the amount of tax charged in respect of the taxable supply should be shown separately in the invoice raised by VLCC Ltd. However, VLCC Ltd. contended that there is no mandatory requirement of showing tax component separately in the invoice. You are required to examine the validity of the objection raised by tax consultant of Manish Malhotra Fashions ?

Answer:

- (i) As per section 31 of the CGST Act, 2017 read with the CGST Rules, 2017, in case of taxable supply of services, invoices should be issued before or after the provision of service, but within a period of 30 days [45 days in case of insurer/ banking company or financial institutions including NBFCs] from the date of supply of service.

In view of said provisions, in the present case, the tax invoice should have been issued in the prescribed time limit of 30 days from the date of supply of service i.e. upto 03.02.2020. However, the invoice has been issued on 10.02.2020.

In such a case, the time of supply as per section 13 of the CGST Act, 2017 would be 04.01.2020 i.e. earliest of the following:

- (a) Date of provision of service (04.01.2020)
- (b) Date of receipt of payment (11.02.2020)

- (ii) Section 31 of the CGST Act, 2017 read with the CGST Rules, 2017, inter alia, provides that tax invoice shall contain the following particulars-

- (a) Total value of supply of goods or services or both;
- (b) Rate of tax (central tax, State tax, integrated tax, Union territory tax or cess);
- (c) Amount of tax charged in respect of taxable goods or services (central tax, State tax, integrated tax,

Union territory tax or cess);

The objection raised by the tax consultant of Manish Malhotra Fashions suggesting that the amount of tax charged in respect of the taxable supply should be shown separately in the invoice raised by VLCC Ltd., is valid in law. In the present case, the tax amount has not been shown separately in the invoice.

Question 104 : Medimix Soap Factory, a registered supplier, is engaged in manufacturing beauty soaps – ‘Forever Glow’ in Mumbai. It has provided the following information pertaining to purchases made/services availed in the month of January, 2020:

Particulars	GST paid (₹)
Soap making machine	50,000
Motor vehicles for transportation of inputs	70,000
Membership of ‘Fat2Fit’ health and fitness centre for its employees	25,000
Inputs purchased, but stolen from the factory	40,000

You are required to compute the input tax credit (ITC) available with Medimix Soap Factory for the month of January, 2020 assuming that all the other conditions for availing ITC, wherever applicable, have been fulfilled.

Answer:

Computation of ITC available with Medimix Soap Factory

Particulars	Amount (₹)
Soap making machine [ITC in respect of goods used in course/furtherance of business is available in terms of section 16 of the CGST Act]	50,000
Motor vehicles for transportation of inputs [ITC in respect of motor vehicles and conveyances is blocked, except when used, <i>inter alia</i> , for transportation of goods, in terms of section 17(5) of the CGST Act]	70,000
Membership of ‘F’ health and fitness centre for its employees [ITC in respect of membership of a club, health and fitness centre is blocked in terms of section 17(5) of the CGST Act]	Nil
Inputs stolen from the factory [ITC in respect of goods stolen is blocked in terms of section 17(5) of the CGST Act]	Nil
Total ITC available	1,20,000

Question 105 : Chadha Sons, a registered supplier, is a wholesale supplier of ready-made garments located in Bandra, Mumbai. On 5th September, 2020, Monika, owner of a Boutique located in Dadar, Mumbai, approached Chadha Sons for supply of a consignment of customised dresses for ladies and kids.

Chadha Sons gets the consignment ready by 2nd December, 2020 and informs Monika about the same. The invoice for the consignment was issued the next day, 3rd December, 2020.

Due to some reasons, Monika could not collect the consignment immediately. So, she collects the consignment from the premises of Chadha Sons on 18th December, 2020 and hands over the cheque for payment on the same date. The said payment is entered in the accounts on 20th December, 2020 and amount is credited in the bank account on 21st December, 2020.

You are required to determine the time of supply of the readymade garments supplied by Chadha Sons to

Monika elaborating the relevant provisions under the GST law.

Answer: Time of supply of goods is the earlier of the following two dates:

Date of issue of invoice

Date of delivery of goods.

In the given case,

Date of invoice: 3rd December, 2020

Date of Delivery: 18th December, 2020

Therefore the time of supply will be 3rd December, 2020.

Q 106 : M/s. Easy (P) Ltd. is registered under GST in Chennai, Tamil Nadu. It is engaged in the manufacture of iron and steel products. It has carried out following transactions in financial year 20- 21:-

(a) Purchased 1,000 Metric Ton (MT) iron @ 1,000 per MT (excluding GST) from M/s. Difficult Ltd. of Chennai. M/s. Difficult Ltd. has fulfilled the order as follows:

Date	Quantity (MT)	Taxable Value
28-Feb-2020	200	2,00,000/-
10-Mar-2020	250	2,50,000/-
25-Mar-2020	250	2,50,000/-
28-Mar-2020	200	2,00,000/-

Balance order requirement has been fulfilled by Difficult Ltd. on 5-Apr-2021. However, Difficult Ltd. has raised the invoice for full order at the time of dispatch of first lot, i.e. on 28-Feb-2021. M/s. Easy (P) Ltd. has made the full payment on 28-Feb-2021 for the order.

(b) Company has received IT engineering service from M/s. Friends Infotech (P) Ltd. of Chennai for ₹11,00,000/- (excluding GST) on 28-Oct-2020. Invoice for service rendered was issued on 5-Nov-2020. M/s Easy (P) Ltd. made part-payment of ₹ 4,13,000/- on 31-Dec-2020. Being unhappy with service provided by M/s Friends Infotech (P) Ltd., it did not make the balance payment. Deficiency in service rendered was made good by M/s Friends Infotech (P) Ltd. by 15-Feb-2021. M/s. Easy (P) Ltd. made payment of ₹ 2,95,000/- on 15-Feb-2021 towards full and final settlement of the dues and did not pay the balance amount.

(c) Company has made the following intra State supplies (excluding GST) for the financial year 2020-21:-

S.No.	Particulars	Amount (₹)
1.	Value of intra-State supplies made to registered persons	10,00,000
2.	Value of intra- State supplies made to unregistered persons	2,00,000

(i) Compute the GST liability (CGST, SGST or IGST, as the case may be) of M/s. Easy (P) Ltd. for the financial year 2020-21:-

(ii) Compute the amount of input tax credit to be reversed in the FY 2020-21 and/or in the next FY 2021-22, if any.

Assume the rates of GST as under:

CGST 9%

SGST 9%

IGST 18%

Note

(i) All the conditions necessary for availing input tax credit have been fulfilled.

(ii) Ignore interest, if any

Solution:

Computation of net GST payable for the financial year 2020-21

Particulars	Value (₹)	CGST (₹)	SGST (₹)
Tax liability			
Intra-State supplies made to registered persons	10,00,000	90,000	90,000
Intra State supplies made to unregistered persons	2,00,000	<u>18,000</u>	<u>18,000</u>
Total (A)		1,08,000	1,08,000
Input Tax credit			
Supply of iron in lots by M/s Difficult Limited [Note-1]	10,00,000	-	-
Supply of IT engineering service [Note-2]	11,00,000	<u>99,000</u>	<u>99,000</u>
Total (B)		99,000	99,000
Net GST payable (A)-(B)		9,000	9,000

Notes:-

1. Section 16 of CGST Act, 2017 provides that where the goods against an invoice are received in lots or installments, the registered person shall be entitled to take credit upon receipt of the last lot or installment. Although 900 tonnes of iron are received in financial year 2020-21, the last lot of iron has been received after FY 2020-21 only, i.e. on 5, April 2021, thus no input tax credit is available in FY 2020-21.

In view of above provisions, full input tax credit in respect of transaction (a) will be claimed in financial year 2021-2022 i.e. on receipt of last installment.

2. Section 16 of CGST Act, 2017 *inter alia* provides that every registered person is entitled to take credit of input tax charged on supply of services to him which are used in the course of business on receipt of the said services.

Thus, in view of the above mentioned provisions full input tax credit of ₹ 1,98,000/- can be claimed in financial year 2020-21.

(ii) Section 16 of CGST Act, 2017 provides that where a recipient fails to pay to the supplier of goods or services or both, other than the supplies on which tax is payable on reverse charge basis, the amount towards the value of supply along with tax payable thereon within a period of 180 days from the date of issue of invoice by the supplier, an amount equal to the input tax credit availed by the recipient shall be added to his output tax liability, along with interest thereon, in the prescribed manner.

However, the recipient shall be entitled to avail of the credit of input tax on payment made by him of the amount towards the value of supply of goods or services or both along with tax payable thereon.

Since the full amount of value along with tax payable thereon has not been paid by M/s Easy (P) Ltd. to M/s Friends Infotech (P) Ltd within a period of 180 days from the date of issue of invoice, the proportionate amount of input tax credit availed needs to be reversed. However, the reversal will be done in the financial year 2021-22 during when the time period of 180 days expire.

Input tax credit to be reversed in financial year 2021-22

Particulars	Amount (₹)
Total value of procurement of IT engineering service	11,00,000
Add: Total GST on the above value @ 18%[CGST + SGST]	<u>1,98,000</u>
Value including GST	12,98,000
Amount paid for the said service including GST [₹ 4,13,000 + ₹ 2,95,000]	<u>7,08,000</u>
Amount [value alongwith tax payable thereon] not paid for the said service	5,90,000
ITC to be reversed [₹ 5,90,000 x 18/118]	90,000