AMENDED FOR NOV 2020

CA AMIT JAIN'S

CA FINAL IDT PART I GOODS AND SERVICES TAX SCANNER

TOTAL PAGES 458

ICAI Q & A 343

GST MAIN BOOK Q & A 438

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CA Final IDT Main Book 307 Examples not included

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This chapter includes GST Main Book 14 Q & A
Please refer 6 Examples in GST Main Book

Chapter 1: - GST in India – An Introduction

ICAI's Test Your Knowledge

Q1. Write a short note on various Lists provided under Seventh Schedule to the Constitution of India.

A. It contains three lists which enumerate the matters under which the Union and the State Governments have the authority to make laws.

List I Union List	List II State List	List III Concurrent List
It contains the matters in respect of which the Parliament (Central Government) has the exclusive right to make laws. Entries 82 to 91 of List I enumerate the subjects where the Central Government has power to levy taxes. Income tax is levied by virtue of Entry 82 - Taxes on income other than agricultural income and customs duty vide Entry 83 - Duties of customs including export duties of the Union List.	It contains the matters in respect of which the State Government has the exclusive right to make laws. Entries 45 to 63 of List II enumerate the subjects where the State Governments have the power to levy taxes. Parliament has a further power to make any law for any part of India not comprised in a State even if such matter is included in the State List.	It contains the matters in respect of which both the Central & State Governments have power to make laws.

Q2. Discuss how GST resolved the double taxation dichotomy under previous indirect tax laws.

A.

- A comprehensive tax structure covering both goods and services viz. Goods and Service Tax (GST) addresses these problems. Simultaneous introduction of GST at both Centre and State levels has integrated taxes on goods and services for the purpose of set-off relief and ensures that both the cascading effects of CENVAT and service tax are removed and a continuous chain of set-off from the original producer's point/ service provider's point upto the retailer's level/ consumer's level is established.
- In the GST regime, the major indirect taxes have been subsumed in the ambit of GST. The erstwhile concepts of manufacture or sale of goods or rendering of services are no longer applicable since the tax is now levied on "Supply of Goods and/or services".

Q3. Enumerate the deficiencies of the existing indirect taxes which led to the need for ushering into GST regime.

A.

- In the earlier indirect tax regime, a manufacturer of excisable goods charged excise duty and value added tax (VAT) on intra-State sale of goods. However, the VAT dealer on his subsequent intra-State sale of goods charged VAT (as per prevalent VAT rate as applicable in the respective State) on value comprising of (basic value + excise duty charged by manufacturer + profit by dealer). Further, in respect of tax on services, service tax was payable on all 'services' other than the Negative list of services or otherwise exempted.

- The earlier indirect tax framework in India suffered from various shortcomings. Under the earlier indirect tax structure, the various indirect taxes being levied were not necessarily mutually exclusive. To illustrate, when the goods were manufactured and sold, both central excise duty (CENVAT) and State-Level VAT were levied. Though CENVAT and State-Level VAT were essentially value added taxes, set off of one against the credit of another was not possible as CENVAT was a central levy and State-Level VAT was a State levy.
- Moreover, CENVAT was applicable only at manufacturing level and not at distribution levels. The erstwhile sales tax regime in India was a combination of origin based (Central Sales Tax) and destination based multipoint system of taxation (State-Level VAT). Service tax was also a value added tax and credit across the service tax and the central excise duty was integrated at the central level.
- Despite the introduction of the principle of taxation of value added in India at the Central level in the form of CENVAT and at the State level in the form of State VAT - its application remained piecemeal and fragmented on account of the following reasons:
  - ✓ Non-inclusion of several local levies in State VAT such as luxury tax, entertainment tax, etc.
  - ✓ Cascading of taxes on account of (i) levy of Non-VATable CST and (ii) inclusion of CENVAT in the value for imposing VAT
  - ✓ No CENVAT after manufacturing stage
  - ✓ Non-integration of VAT & service tax
  - ✓ Double taxation of a transaction as both goods and services

Q4. Discuss the dual GST model introduced in India.

A. India has adopted a Dual GST model in view of the federal structure of the country. Centre and States will simultaneously levy GST on taxable supply of goods or services or both which, takes place within a State or Union Territory. Thus, tax is imposed concurrently by the Centre and States,
i.e. Centre and States simultaneously tax goods and services. Now, the Centre also has the power to tax intra-State sales & States are also empowered to tax services. GST extends to whole of India including the State of Jammu and Kashmir.

Q5. List the Central and State levies which will be subsumed in GST in India.

A.

Central levies to be subsumed	**State levies to subsumed**
• Central Excise Duty & Additional Excise Duties • Service Tax • Excise Duty under Medicinal & Toilet Preparation Act • CVD & Special CVD • Central Sales Tax • Central surcharges and Cesses in so far as they relate to supply of goods & services	• State surcharges and cesses in so far as they relate to supply of goods & services • Entertainment Tax (except those levied by local bodies) • Tax on lottery, betting and gambling • Entry Tax (All Forms) & Purchase Tax • VAT/ Sales tax • Luxury Tax • Taxes on advertisements

Local Body can still levy entertain ment tax

GST Main Book's Questions

Q1. Enumerate the places that may be covered or included under the scope of 'place of business'?

A. Place of business would include the following places: -

a. place from where business is ordinarily carried on,
b. warehouse,
c. godown,
d. any other place used for storing goods or place to provide or receive goods or services by taxable person,
e. place where books of accounts are maintained by taxable person (it may be place of business of agency or professional)
f. place from where a taxable person is engaged in business through agent by whatever name called (like commission agent, C & F agent, consignment agent etc.)
   It will include any one or more or all of the aforementioned place.

Q2. Whether 'securities' are goods or services?

A. It may be noted that in terms of Section 2(52) of CGST Act, 2017, securities are not considered as goods. According to Section 2(102), they are also not covered under services.

Q3. What is agricultural produce?

A. As per Notification No. 12/2017 – Central Tax (Rate), 'agricultural produce' means any produce out of cultivation of plants and rearing of all life forms of animals, except the rearing of horses, for food, fiber, fuel, raw material or other similar products, on which either no further processing is done or such processing is done as is usually done by a cultivator or producer which does not alter its essential characteristics but makes it marketable for primary market.

Q4. Discuss how GST resolved the double taxation dichotomy under previous indirect tax laws.

A.

- A comprehensive tax structure covering both goods and services viz. Goods and Service Tax (GST) addresses these problems. Simultaneous introduction of GST at both Centre and State levels has integrated taxes on goods and services for the purpose of set-off relief and ensures that both the cascading effects of CENVAT and service tax are removed and a continuous chain of set-off from the original producer's point/ service provider's point upto the retailer's level/ consumer's level is established.
- In the GST regime, the major indirect taxes have been subsumed in the ambit of GST. The erstwhile concepts of manufacture or sale of goods or rendering of services are no longer applicable since the tax is now levied on "Supply of Goods and/or services".

Q5. What is the difference in between 'Nil rated', 'Zero rated' supply of goods and services?

A. There exist a difference between a 'Nil rated" and a 'Zero rated' supply as per GST law.

'Nil rated supply' means a supply of goods or services which has Nil rate in tariff or exempt by notification.

'Zero rated supply' means a supply of goods or services for export or to SEZ units {Section 16 of IGST}.

Q6. List the class of officers that the Government can appoint, by notification, under the CGST Act, 2017.

A. The Government shall, by notification, appoint the following classes of officers for the purposes of this Act, namely: –

i. Principal Chief Commissioners of Central Tax or Principal Directors General of Central Tax,

ii. Chief Commissioners of Central Tax or Directors General of Central Tax,
iii. Principal Commissioners of Central Tax or Principal Additional Directors General of Central Tax,
iv. Commissioners of Central Tax or Additional Directors General of Central Tax,
v. Additional Commissioners of Central Tax or Additional Directors of Central Tax,
vi. Joint Commissioners of Central Tax or Joint Directors of Central Tax,
vii. Deputy Commissioners of Central Tax or Deputy Directors of Central Tax,
viii. Assistant Commissioners of Central Tax or Assistant Directors of Central Tax, and
ix. any other class of officers as it may deem fit:

Provided that the officers appointed under the Central Excise Act, 1944 shall be deemed to be the officers appointed under the provisions of this Act

In this regard, Government has issued following notifications-

i. Notification No. 2/2017-Central Tax, Dated 19-Jun-2017 to appoint Central Tax officers and assign their jurisdiction.
ii. Notification No. 14/ 2017-Central Tax, Dated 1-Jul-2017 to appoint the officers in the Directorate General of Goods and Services Tax Intelligence, Directorate General of Goods and Services Tax and Directorate General of Audit.

Q7. Is there any provision for cross empowerment of officers of State and Central Government under GST?

A. Yes. As per Section 6 (1) of CGST Act, 2017, the officers appointed under the SGST / UTGST Act are authorised to be the proper officers for the purposes of CGST/IGST Act, subject to such conditions as the Government shall, on the recommendations of the Council, by notification, specify. Similar provisions in the SGST/UTGST Act empower the central government officials to be the proper officers under the SGST/UTGST Act.

Q8. ABC Furnisher, registered under GST, has been served a demand order under GST by Central GST Officer. Does ABC Furnishers need to approach both the Central and State Appellate Authorities for exercising its right of appeal?

A. GST law makes provisions for cross empowerment between CGST and SGST/UTGST officers so as to ensure that if a proper officer of one Act (say CGST) passes an order with respect to a transaction, he will also act as the proper officer of SGST for the same transaction and issue the order with respect to the CGST as well as the SGST/UTGST component of the same transaction. The law further provides that where a proper officer under one Act (say CGST) has passed an order, any appeal/review/ revision/rectification against the said order will lie only with the proper officers of that Act only (CGST Act). Similarly, if any order is passed by the proper officer of SGST, any appeal/review/revision/rectification will lie with the proper officer of SGST only. Thus, ABC Furnishers is required to file an appeal only with the Central Tax Appellate Authority [Section 6 of CGST Act].

Q9. What is GSTN and its role in the GST regime? Discuss functions of GSTN.

A. GSTN stands for Goods and Services Tax Network (GSTN). It is not-for profit company incorporated under provisions of Sec 8 of Companies Act, 2013. GSTN has been set up to cater to the needs of GST. GSTN has made up site/ portal which has been notified as common GST electronic portal (U/s 146 of CGST Act) Thus, GSTN has provided IT infrastructure under GST law. GST portal developed by it is used by Central Government as well as by the State Governments. GST portal is referred as 'common portal'. This portal is the taxpayer interface with the Government.

GSTN is providing facilities to taxpayers as well as Government. Following are some important functions which are performed by GSTN :-

i. Facilitation of registration;
ii. Payment of GST;
iii. Returns filing;
iv. Maintenance of ledgers of taxpayers;
v. Running the matching engine for matching, reversal and reclaim of input tax credit;
vi. Providing analysis of tax payers' profile;
vii. Sharing of information in taxpayers returns with Centre and State Governments / tax authorities;
viii. Providing various MIS reports to the Central and the State Governments based on the tax payer return information;
ix. Computation and settlement of IGST (transfer of funds in between Central Tax Account, State Tax Accounts and Integrated Tax Account);

Q10. Which are the commodities proposed to be kept outside the purview of GST?

A. Article 366(12A) of the Constitution as amended by 101st Constitutional Amendment Act, 2016 defines the Goods and Services tax (GST) as a tax on supply of goods or services or both, except supply of alcoholic liquor for human consumption. So, alcoholic liquor for human consumption is kept out of GST by way of definition of GST in constitution.

Five petroleum products viz. petroleum crude, motor spirit (petrol), high speed diesel, natural gas and aviation turbine fuel have temporarily been kept out and GST Council shall decide the date from which they shall be included in GST.

Q11. ITC Ltd. a company manufactures Cigarette and supply it to the distributor Mr. A for Rs. 2,00,000 on which ITC Ltd. charged excise as well as GST. Mr. A further supplied to the retailer Mr. Z for Rs. 2,50,000 and charged GST. Explain whether treatment by ITC Ltd. & distributor Mr. A is correct?

A. In case of Tobacco and Tobacco product manufacturing, it will be subject to GST & Central Excise Duty. Therefore, treatment by ITC Ltd. on supply of the tobacco and tobacco product is correct. Since distributor Mr. A is not involved in manufacturing; he can avail ITC only of GST. In case of further supply by Mr. A to the retailer Mr. Z, it would be subject to GST only. Therefore Mr. A tax treatment is correct.

Q12. Determine whether the following activities fall under the ambit of 'works contracts'.

i. Erection & installation of structural designs to the complex which involved material.
ii. Fabrication works relating to the structure of complex no material is involved.
iii. Assembling of units pertaining to movable property which involved material and goods.

A.

i. Yes, the given activity is in relation to an immovable property thus qualifies as a works contract.
ii. No, even though the given activity of fabrication is in relation to immovable property but material is not involved. Thus, it is not works contract.
iii. No, the activity of assembling units will not qualify as works contract as it is in relation to a movable property.

Q13. What is IGST?

A. Under the GST regime, an Integrated GST (IGST) would be levied and collected by the Centre on inter-State supply of goods or services or both. Under Article 269-A of the Constitution, the GST on supplies in the course of inter- State trade or commerce shall be levied and collected by the Government of India and such tax shall be apportioned between the Union and the States in the manner as may be provided by Parliament by law on the recommendations of the GST Council.

Q14. What would be the role of GST Council?

A. For introduction of harmonized GST in India, GST Council was constituted in Sep, 2016. GST Council is a constitutional authority constituted under Article 279-A of Constitution of India. GST Council comprises the Union Finance Minister (who will be the Chairman of the Council), the Union Minister of State (Revenue) and the State Finance/Taxation Ministers to make recommendations to the Union and the States on

i. the taxes, cesses and surcharges levied by the Centre, the States and the local bodies which may be subsumed under GST;
ii. the goods and / or services that may be subjected to or exempted from the GST;
iii. the date on which the GST shall be levied on petroleum crude, high speed diesel, motor sprit (commonly known as petrol), natural gas and aviation turbine fuel;
iv. model GST laws, principles of levy, apportionment of IGST and the principles that govern the place of supply;
v. the threshold limit of turnover below which the goods and / or services may be exempted from GST;
vi. the rates of GST;
vii. any special rate or rates for a specified period to raise additional resources during any natural calamity or disaster;
viii. special provision with respect to the North-East States, J&K, Himachal Pradesh and Uttarakhand; and
ix. any other matter relating to the GST, as the Council may decide.

Q15. Differentiate between a taxable supply & non-taxable supply under GST?

A.

Taxable Supply	Non-Taxable Supply
➢ As per Section 2 (108) of CGST Act, means supply of goods or services or both which is leviable to GST under this Act. ➢ Falls under the purview of 'supply' as per Section 7 of CGST Act. i.e. supply of computer, mobile etc.	➢ As per Section 2 (78) of CGST Act, means supply of goods or services or both which is not leviable to GST under this Act or under IGST Act. ➢ Doesn't fall under the purview of 'supply' as per Section 7 of CGST Act. i.e. supply of petrol or diesel

This chapter includes GST Main Book 36 Q & A
Please refer 31 Examples in GST Main Book

Chapter 2: - Supply under GST

ICAI's Test Your Knowledge

Q1. What is the taxable event under GST?

A. Taxable event under GST is supply of goods or services or both. CGST and SGST/ UTGST will be levied on intra-State supplies. IGST will be levied on inter-State supplies.

Q2. What is the tax treatment of composite supply and mixed supply under GST?

A. Composite supply shall be treated as supply of the principal supply. Mixed supply would be treated as supply of that particular goods or services which attracts the highest rate of tax.

Q3. Whether transfer of title and/or possession is necessary for a transaction to constitute supply of goods?

A. Title as well as possession both have to be transferred for a transaction to be considered as a supply of goods. In case title is not transferred, the transaction would be treated as supply of service in terms of Schedule II (1)(b) of the CGST Act. In some cases, possession may be transferred immediately but title may be transferred at a future date like in case of sale on approval basis or hire purchase arrangement. Such transactions will also be termed as supply of goods.

Q4. Examine whether the following activities would amount to supply under section 7 of the CGST Act:

(a) Sulekha Manufacturers have a factory in Delhi and a depot in Mumbai. Both these establishments are registered in respective States. Finished goods are sent from factory in Delhi to the Mumbai depot without consideration so that the same can be sold.

(b) Raman is an Electronic Commerce Operator in Chennai. His brother who is settled in London is a well-known lawyer. Raman has taken legal advice from him free of cost with regard to his family dispute.

(c) Would your answer be different if in the above case, Raman has taken advice in respect of his business unit in Chennai?

A.

(a) Schedule I of CGST Act, inter alia, stipulates that supply of goods or services or both between related persons or between distinct persons as specified in section 25, is supply even without consideration provided it is made in the course or furtherance of business. Further, where a person who has obtained or is required to obtain registration in a State in respect of an establishment, has an establishment in another State, then such establishments shall be treated as establishments of distinct persons [Section 25 of the CGST Act]. In view of the same, factory and depot of Sulekha Manufacturers are establishments of two distinct persons. Therefore, supply of goods from Delhi factory of Sulekha Manufacturers to Mumbai Depot without consideration, but in course/furtherance of business, is supply under section 7 of the CGST Act.

(b) Schedule I of CGST Act, inter alia, stipulates 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. Explanation to section 15, inter alia, provides that persons shall be deemed to be "related persons" if they are members of the same family. Further, as per section 2(49) of the CGST Act, 2017, family means, —

(i) the spouse and children of the person, and

(ii) the parents, grand-parents, brothers and sisters of the person if they are wholly or mainly dependent on the said person.

In the given case, Raman has received free of cost legal services from his brother. However, in view of section 2(49)(ii) above, Raman and his brother cannot be considered to be related as Raman's brother is a well-known lawyer and is not wholly/mainly dependent on Raman. Further, Raman has taken legal advice from him in personal matter and not in course or furtherance of business. Consequently, services provided by Raman's brother to him would not be treated as supply under section 7 of the CGST Act read with Schedule I.

(c) In the above case, if Raman has taken advice with regard to his business unit, services provided by Raman's brother to him would still not be treated as supply under section 7 of the CGST Act read with Schedule I as although the same are provided in course or furtherance of business, such services have not been received from a related person.

Q5. State whether the following supplies would be treated as supply of goods or supply of services as per Schedule II of the CGST Act:

(a) Renting of immovable property
(b) Goods forming part of business assets are transferred or disposed of by/under directions of person carrying on the business, whether or not for consideration.
(c) Transfer of right in goods without transfer of title in goods.
(d) Transfer of title in goods under an agreement which stipulates that property shall pass at a future date.

A.

(a) Supply of services
(b) Supply of goods
(c) Supply of services
(d) Supply of goods

Q6. Determine whether the following supplies amount to composite supplies:

(a) A hotel provides 4 days-3 nights package wherein the facility of breakfast and dinner is provided along with the room accommodation.
(b) A toothpaste company has offered the scheme of free toothbrush alongwith the toothpaste.

A. Under composite supply, two or more taxable supplies of goods or services or both, or any combination thereof, are naturally bundled and supplied in conjunction with each other, in the ordinary course of business, one of which is a principal supply [Section 2(30) of the CGST Act]. In view of the same,

(a) since, supply of breakfast and dinner with the accommodation in the hotel are naturally bundled, said supplies qualify as 'composite supply'.
(b) since supply of toothbrush along with the toothpaste are not naturally bundled, said supplies do not qualify as 'composite supply'.

Q7. Whether goods supplied on hire purchase basis will be treated as supply of goods or supply of services? Give reason.

A. Supply of goods on hire purchase shall be treated as supply of goods as there is transfer of title, albeit at a future date.

GST Main Book's Questions

Q1. What is meant by Taxable event in a Law?

A. A taxable event in the law is the event, happening of which triggers applicability of provisions of the law. For e.g. under Income Tax Act, taxable event is earning of income. Thus, earning of income is the triggering point and once a person earns any income, he is covered by the provisions of Income-tax Act, unless otherwise excluded from the purview of the law or exempted from the levy of tax.

Take another example, under VAT Act, taxable event was sales. Sales was the triggering point and once a transaction was covered under sale, provision of VAT used to apply unless the transaction was excluded from the purview of the law or exempted from the levy of tax.

Similarly, under GST, supply is the triggering point and once any activity is covered under supply, all provisions of the law are applicable unless the activity is excluded from purview of law i.e. alcohol for human consumption or activity is exempted from levy of GST.

Q2. Mr. A buys a laptop for his personal use and after a year sells it to a laptop dealer. Will it constitute supply?

A. As per section 7 (1) (a), when any sale, transfer, barter etc. is made for a consideration in the course or furtherance of business then it would be treated as supply & liable to GST. In the given case, sale of laptop by Mr. A to a laptop dealer shall not be considered as supply, as such sale is not in course or furtherance of business of Mr. A. Thus, it is not supply & not subject to GST.

Q3. State whether the following activities will be considered as a supply in relation to 'Money' in accordance with GST Act.

i. Mr. A borrows an amount of Rs. 1 Lakh from one of his relative and agrees to repay the entire amount after a year.
ii. Mr. A applied for loan from ICICI Bank against which a processing fees and interest is charged by the bank.
iii. Mr. A exchanged Indian Rupees against purchase of US $ for which authorized dealer charged commission.

A.

i. No, the activity of borrowing from a relative is without any charge of interest and hence it will be considered as merely a transaction in money.
ii. Yes, the activity of borrowing loan amount for which a consideration in form of processing fee has been charged by ICICI Bank shall be considered as a supply of service, as consideration in relation to use of money. Interest is also supply but it is exempt (refer to Chapter 4 exemption list).
iii. Yes, the activity of exchange of currency for which a commission is charge will be considered as supply of service.

Q4. A bank takes charge of the property of the borrower as per loan agreement. It then goes on to sell the movable goods so taken over (inventory), How will this transaction be dealt in GST?

A. The transactions of sale of movable goods taken over by bank would be considered as taxable supply. The loan taker must pay GST on such transaction treating it as supply of goods.

Q5. Whether stipend paid to article will be covered as supply?

A. No, Government has clarified through FAQ that stipend paid to article/interns will be considered as salary, so it will be employer-employee transaction and thus will not be subject to GST.

Q6. Give example of distinct person as per the GST Act?

A. ABC Limited has 2 factories in Rajasthan, 1 in Delhi & 1 in Maharashtra. As per GST Act, ABC may have 1 registration for 2 factories in Rajasthan (ABC discretion), 1 for Delhi & 1 for Maharashtra. The factories at Rajasthan, Delhi & Maharashtra will be treated as distinct person for any transactions since they have separate registration but 2 factories in Rajasthan will not be treated as distinct person since they have 1 registration.

Q7. How to treat transaction of sale of land & building under the GST Act?

A. Sale of land and, subject to para 5 (b) of Schedule II, sale of building is neither supply of goods nor a supply service as per para 5 of Schedule III of CGST Act.

Para 5 (b) of Schedule II of CGST Act covers supply of building before completion or before occupancy. Thus, sale of completed building after completion certificate will not be subject to GST.

Q8. What will be tax treatment of salary to partners under the GST Act?

A. Working partners are entitled to draw salary from the firm. On the basis of provisions of Partnership Act, it is settled that a partner is not 'employee' of the firm and salary is only share of profit. It has been clarified vide S. Nos. 58 & 71 of Tweet FAQ released by CBIC on 26th June 2017 that GST is not payable on salary to partners.

Q9. ABC Ltd. was amalgamated with DEF Ltd. On account of amalgamation Mr. A, shareholder received 10,000 shares of DEF Ltd. in exchange of 5000 shares of ABC Ltd. Can it be considered as supply?

A. Shares (Securities) are excluded from the definition of both goods as well as services. Hence, this transaction can't be considered as supply.

Q10. ABC Ltd. a banking company transfers bad loan (unsecured) to ARC Ltd. Can it be considered as supply?

A. Actionable claims are covered in definition of goods. However, schedule III excludes claims other than lottery, gambling and betting from the scope of supply. So, above transfer can't be considered as supply.

Q11. A Charitable trust, engaged in providing medical relief free of cost, donates books and stationary to children living in slum area? Can it be considered as supply?

A. Section 7 of the CGST Act, provides that supply must be made for a consideration except the activities specified in Schedule I and in course or furtherance of business. Since, both these elements are missing, donation of books and stationary to children living in slum are would not amount to supply.

Q12. A Taxable person, ceases to be a taxable person. What will be treatment for any goods forming part of the assets?

A. Where any person ceases to be a taxable person, any goods forming part of the assets of any business carried on by him shall be deemed to be supplied by him in the course or furtherance of his business immediately before he ceases to be a taxable person, unless – (a) the business is transferred as going concern to another person; or (b) the business is carried on by a personal representative who is deemed to be a taxable person {Transfer of entire business is not subject to GST. Only goods transferred are subject to GST}.

Q13. Decide whether following activities are supply or not: -

i. Free seminar to educate people for mutual fund.
ii. An individual buy a car for personal purpose and after a year, sells it to a car dealer.
iii. ABC Ltd. donated old office furniture to Charitable Hospital. ABC Ltd. has taken ITC on such office furniture.
iv. Mr. A gift Rs. 75,000 to his son on his birthday.
v. Mr. A gave his flat on leave & license agreement to Mr. B.

vi. Employer has paid notice period amount to employee on termination.
vii. A local club supplies snacks to its members during AGM for a nominal amount.
viii. Mr. A gives computer (claimed ITC) brought for office use, to his friend on his birthday.
ix. ABC Ltd. give gift voucher of Rs. 1,00,000 to it employee Mr. A. If let say amount is Rs. 45,000 then what will be your answer.
x. Mr. A has taken voluntarily registration. He sells computers.

A.

i. No, as per Section 7 (1) (a) of CGST Act, 2017, supply includes supply of goods and services for a consideration in the course or furtherance of business. In this case, there is no consideration, so it cannot constitute a supply.
ii. No, as per Section 7 (1) (a) of CGST Act, 2017, this is not in the course or furtherance of business. So, it cannot constitute a supply.
iii. Yes, as per Section 7 (1) (c) read with Schedule I of CGST Act, 2017 permanent transfer or disposal of business assets where ITC has been availed shall be treated as supply even if made without consideration. So, in current case even though ABC Ltd. donated old furniture to Charitable Hospital, it shall be treated as supply.
iv. No, as per Section 7 (1) (c) read with Schedule I of CGST Act, 2017 supply of goods or services between related person is treated as supply even it is without consideration when made in course or furtherance of business. Gift to son Rs. 75,000 will not qualify as supply since it is not made in course or furtherance of business.
v. Yes, as per Section 7 (1) (a) of CGST Act, 2017, leasing or renting out building including commercial, industrial or residential complex for business or commerce would be treated as supply. In given case Mr. A gave his residential house on leave & license agreement so it would constitute supply of service. But, leasing for residential purpose is exempt under Entry 12 of Notification No. 12/2017- CT (Rate).
vi. No, as per Section 7 (2) read with Schedule III of CGST Act 2017, services by an employee to employer during his employment would not be regarded as supply. So, notice period amount are treated as amount paid during the employment, so would not constitute supply.
vii. Yes, as per para 7 of Schedule II of CGST Act, 2017 supply of goods by any unincorporated association or body of persons to a member thereof for cash, deferred payment or other valuable consideration shall be treated a supply of goods. So, if a local club supplies snacks during AGM to its members for a nominal payment would constitute supply of goods.
viii. Yes, as per section 7 (1) (c) read with Schedule I, permanent transfer or disposal of business assets where ITC credit has been availed on such assets qualifies as a supply even though made without consideration. Such transaction will be treated as supply as ITC has been availed on computer.
ix. Yes, as per Section 7 (1) (c) read with Schedule I if CGST Act, 2017, supply of goods or services between related person is treated as supply even it its without consideration. Employer & employee are related person as per Section 15 of CGST Act, 2017. Thus, gift voucher of Rs. 1,00,000 will qualify as supply.
Gifts not exceeding Rs. 50,000 in value in a financial year by an employer to employee shall not be treated as supply so if amount is Rs. 45,000 then it will not be treated as supply.
x. Yes, a taxable person is a person who is registered or liable to be registered U/s 22 or 24. Therefore, even a person not liable to be registered but has taken voluntary registration, is also a taxable person. Thus, selling of computer would be liable to GST.

Q14. ABC Ltd. is an authorized dealer of motor vehicles and is having registered office in Delhi. It is also running authorized service station of motor vehicles registered in UP. Certain motor vehicles are taken from Delhi (show-room) to UP (service-station) for repairs. Whether this inter-state movement of vehicles would amount to supply of goods under GST?

A. As per given facts, registered supplier of motor vehicle has taken his motor vehicle for repairs at its other registered premises (authorized service station in UP). Post-repair, ABC Ltd. will bring back goods to its registered show-room in Delhi. This transaction of inter-state movement of vehicles for repairs will not amount to supply within the meaning of Section 7 of CGST Act. [Circular No. 1/1/2017-IGST Dated 7-7-2017.]

Q15. State whether the following activities will be considered as a 'Consideration' in accordance with GST Act.

i. Reliance Jio offers free mobile handset on payment of security deposit of Rs. 5,000. It is refundable after 3 years.
ii. ABC football club gift worth Rs. 3 Lakhs to Mr. A for joining ABC football club.
iii. ABC ltd. is manufacturing fertilizers used for agriculture purpose. State Government has given 30% subsidy on sale of such fertilizer.
iv. ABC ltd. a trading concern, has supplied the product to Mr. A at subsidize rate of Rs. 1,00,000 (open market value Rs. 1,25,000). Subsidy is given by XYZ organization.

A.

i. No, as the amount of deposit in the given case is not applied by the supplier towards the mobile handset provided. It is not subject to GST.
ii. Yes, such gift is in response to an offer to join the football club, is subject to GST.
iii. As per section 2 (31) of CGST Act, pertaining to 'consideration' clearly excludes the value of subsidy received from the Central or State Government. Thus, in the given case the amount of subsidy shall be excluded from the value of consideration.
iv. As per section 2 (31) of CGST Act, pertaining to 'consideration' clearly excludes the value of subsidy received from the Central or State Government. But in given case subsidy is given by person other than the Central or State Government. Thus, subsidy is treated as consideration.

Q16. Tips music company charged a late fee as a penalty for late return of a DVD to its customer. Will the late fee charged to its customer be considered as a part of consideration?

A. As per Section 2 (102), service means anything other than goods, money & securities. Thus, late, fee, fine, penalty charged by the supplier for any reason would be treated as supply for consideration & liable to GST.

Q17. Mr. A is the owner of a truck valued at Rs. 10,00,000. He transfers the right to operate the truck to Mr. B for a consideration but the ownership of the truck is not transferred. Determine whether it will be considered as a supply?

A. It is supply as per Section 7 (1) as it is a transfer which involve consideration. It is transfer of rights in goods without transfer of title, so it will be classified as supply of service according to Schedule II of CGST Act, 2017.

Q18. In respect of exchange of goods, let say gold chain for restaurant services, will the transaction be taxable as two different supplies or will it be taxable only in the hands of the main supplier?

A. Yes, the transaction of exchange is specifically included in the scope of supply U/s 7. So, exchange could be taxable both ways. (A different view can also be possible depending upon the facts of the case)

Q19. Please explain Importation of services for consideration with example?

A. Import of free services from Google and Facebook, without any consideration, are not considered as supply. It is important to note that downloading 'Hollywood Movie' from foreign website for consideration for personal use would be a supply of service, even though same is not in the course or furtherance of business.

Conclusion with exception of importing the service is supply – "Test of consideration" should be checked and "Business Test" is not needed in this case.

Q20. Whether transfer of title and/or possession is necessary for a transaction to constitute supply of goods?

A. Title as well as possession both have to be transferred for a transaction to be considered as a supply of goods. In case title is not transferred, the transaction would be treated as supply of service.

In some cases, possession may be transferred immediately but title may be transferred at a future date like in the case of sale on approval basis or hire purchase arrangement. Such transactions will also be termed as supply of goods.

Q21. ABC Ltd. is an aircraft operator operating pan-India air travel services. It has registered offices in different states. It sent some parts and accessories of aircraft from its Delhi registered premise to Maharashtra registered premise. Whether this transaction would amount to supply of goods under GST?

A. Under GST law, scope of supply has been defined under section 7 of CGST Act. Supply as defined U/s 7 covers, supply of goods between deemed distinct persons, i.e., different premises of same person which are separately registered under GST law. Such transaction amounts to supply even in the absence of any consideration. As per facts given, Delhi-registered premise has transferred goods (parts and accessories of aircraft) to Maharashtra registered premise. Such stock transfer from Delhi-registered premise to Maharashtra registered premise shall amount to supply of goods. Such stock-transfer being inter-State transfer shall be treated as 'inter-State supply' and will attract IGST liability.

Q22. ABC is providing service of transportation of goods/passengers which is taxable under GST in hands of ABC. It has registered offices in different states which are treated as deemed distinct persons under GST law. Whether inter-state movement of any conveyance carrying goods/passengers from one registered premise to another registered premise will amount to supply of such conveyance under GST law? (e.g. Bus carrying passenger from Mumbai, Maharashtra bus terminal to Bangalore, Karnataka bus terminal, dropping passengers there and then picking passengers from Bangalore, Karnataka bus terminal to Mumbai, Maharashtra bus terminal. In this case, whether inter-statement movement of bus from Mumbai, Maharashtra bus terminal to Bangalore, Karnataka bus terminal would amount to supply?

A. Under GST law, scope of supply has been defined under section 7 of CGST Act. Only transactions falling within scope laid down in Sec 7 will amount to supply. As per given facts, ABC is registered supplier of transportation services. During course of such service, conveyance moves from one registered premises to another registered premise. This transaction of inter-state movement of vehicles is not involving any further supply of such conveyance. Such inter-state movement will not amount to supply within the meaning of Section 7 of CGST Act. This has been clarified through Circular No. 1/1/2017-IGST dated 7-7-2017.

Q23. Discuss whether the following activities constitute 'Supply' in accordance with Section 7 of CGST Act:

i. Mr. A sold electronic gadgets to ABC Co.
ii. ABC Ltd. entered into a hire purchase agreement with XYZ Ltd. for supply of a machine unit.
iii. Mr. A purchase a smart TV of 12 inch from LG store and in return gave away his old TV.
iv. ABC disposed scrap part of electric unit to a scrap dealer.
v. Supply of Beer Shampoo

A.

i. Yes, term 'sale' is included in 'Supply'.
ii. Yes, it is supply as per Section 7 (1) and it is classified as supply of goods as per section 7 (1A) read with Schedule II.
iii. Yes, as the above supply falls under barter (if money is also involved then 'exchange') transaction which is also included under the scope of supply.
iv. If the disposal is in course or furtherance of business of ABC then it shall be considered as supply.

v. Yes, it is supply. Supply of alcoholic liquor for human consumption is out of the scope of GST.

Q24. Determine whether the following activities fall under the scope of business?

i. ABC is engaged in the manufacture of auto parts for industrial purpose.
ii. ABC acquired capital goods lying in stock of Mr. A as on takeover of business of Mr. A.
iii. ABC provides a free trekking camp to non-members of the club.
iv. Essel World charges Rs. 1000 as an entry fee for amusement park.
v. Goods sold in store maintained by the company for the welfare of the employees.
vi. Activities of Pune Race Club for horse race collected Rs. 5 Lakhs through licensed book marker or totalizer or activities of licensed book marker in such a club.

A.

i. Yes, the given activity of manufacture has been included in the definition of business.
ii. Yes, as per the definition of business supply or acquisition of goods including capital goods and services in connection with commencement or closure of business, included in business.
iii. No, as per the definition of business, provision of services to members as in return for subscription fee, included in business. In given case, free trekking camp is being organized for non-member of the club.
iv. Yes, as per the definition of business, admission for a consideration of person to any premises is included in the definition of business.
v. Yes, turnover of goods sold in the store maintained by the company for the welfare of the employees is incidental to main business.
vi. Yes, activities by a race club are cover in definition of business.

Q25. "Transaction in money, per se, is outside the ambit of GST." — Explain.

A. Transaction only in money do not constitute service and not chargeable to GST. However, the related activity, for which a separate consideration is charged, is subject to GST.
For example, a foreign exchange dealer while exchanging one currency for another also charges a commission (Often inbuilt in the difference between the purchase price and selling price of forex).
Similarly, allowing others to use money for consideration in form of interest is also a supply of service transaction.

Q26. Discuss whether GST is applicable in the following transaction

i. Mr. A transfers 3,000 debentures of A Ltd. to Mr. B for a consideration of Rs. 3,00,000.
ii. Mr. A transfers a plot of land situated in Chennai to Mr. B for a consideration of Rs. 90 lakh. Consideration is, however, payable in instalments.
iii. Mr. A, a registered person in GST, is a flower dealer in Kochi. He sells roses for decoration purposes for Rs. 50,000 to an interior decorator.

A.

i. GST is applicable on supply of goods or services or both. Debentures are securities. Under GST law, securities are neither 'goods' (as defined u/Sec 2(52)) nor 'services' (as defined u/Sec 2(102)). Thus, transfer of debentures (securities) is not subject to GST.
ii. Plot of land, being immovable property, is not 'goods' as defined U/s 2(52) of CGST Act. It is covered by definition of 'service' as given U/s 2(102) of CGST Act. However, transaction of sale of land are out of scope of supply under GST law {Sec 7(2) of CGST Act read with Schedule III of CGST Act}. Thus, sale consideration is not subject to GST.
iii. "Flowers" are goods. It is subject to GST.

Q27. Examine whether the following activities would amount to supply under section 7 of the CGST Act

i. Mr. A, a proprietor, has received the architect services for his house in Orissa from an architect located in Paris at an agreed consideration of $ 10,000.

ii. ABC Pvt. Ltd. received technical support services from its head office located in USA. The head office has rendered such services free of cost to its branch office.

iii. Mr. A is an Electronic Commerce Operator in Kolkata (GST registered). His son who is settled in Dubai is a well-known lawyer. Mr. A has taken legal advice from him free of cost with regard to his family dispute.

iv. Would your answer be different in above case, if Mr. A has taken advice in respect of his business unit in Kanyakumari?

A.

i. Supply of service by foreign architect to Mr. A (Indian service recipient), service received in India constitutes 'import of service' as place of supply of such service is in India. Though such import is not in course of or furtherance of business of Mr. A, this transaction of import of service will fall within the scope of supply as defined U/s 7(1)(b) of CGST Act.

ii. Foreign Head Office situated at USA has provided technical support service to its Indian branch office. Under GST law, foreign head office (establishment of a person outside India) and Indian branch office (establishment of same person in India) shall be treated as 'deemed distinct persons (establishment of distinct persons)' [Explanation to Sec 8 of IGST Act] Import of any service without consideration amounts to supply in terms of Sec 7(1)(c) read with Schedule I (Para 4) if it is in the course or furtherance of business. The import of service by ABC Pvt. Ltd. (whether taxable person or not) from its other establishment outside India (which is deemed distinct entity) which is in course or furtherance of business will constitute supply, even if no consideration has been charged for such supply

iii. In the given case, Mr. A being ECO is a taxable person. It has received legal advice for his personal matter and therefore this is not import of service in the course or furtherance of business. It would not amount to supply though he has imported such service from his son, who is a related person under GST law. Thus, such import of service will not fall within the scope of supply under section 7 read with Schedule I of the CGST Act.

iv. In the above case, if Mr. A has taken advice from his son (related person) with regard to his business, then such import would be treated as supply under section 7 of the CGST Act read with Schedule I (Para 4).

Q28. 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. Mr. A received Vaastu consultancy services for his residence located at Hyderabad from Mr. B of Washington. The amount paid for the said service is US $ 10,000.

ii. Mr. A received Vaastu consultancy services for his residence located at Hyderabad from his brother, Mr. B residing in New York. Mr. A had not paid any money to Mr. B.

iii. Mr. A received Vaastu consultancy services for his business premises located at Hyderabad from his brother, Mr. B residing in New York. Mr. A had not paid any money to Mr. B

A.

i. Import of service for Consideration not in the course or furtherance of business, would amount to supply as per Sec 7(1)(b) of CGST Act

ii. Import of service without Consideration not in the course or furtherance of business, would not amount to supply as per Sec 7(1)(c) of CGST Act read with Schedule I (para 4)

iii. Import of service without Consideration in the course or furtherance of business but not from related person or from own establishment outside India, would not amount supply as per Sec 7(1)(c) of CGST Act read with Schedule I (para 4). Mr. B, brother of Mr. A, is not considered as 'related person' under GST law unless he is wholly dependent upon Mr. A.

Q29. Mr. A, an air-conditioner dealer in Ahmedabad, needs 4 ACs for his newly constructed house in Nadiad. Therefore, he transfers 4 ACs [ITC availed] 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 Mr. B, approached Mr. A, to sell an AC to Mr. A for Rs. 5,000. Mr. B had bought the said AC six months before, for his residence. Does sale of the AC by Mr. B to Mr. A amount to supply under section 7 of the CGST Act, 2017

A. Section 7 defines the scope of 'supply'. In general, supply covers those transactions where goods or services or both are supplied for consideration in course of or furtherance of business (Sec 7(1)(a)). Besides that, scope of supply has been extended to cover certain specified transactions which are undertaken even without any consideration {Sec 7(1)(c) read with Schedule 1}. One such transaction without consideration is where business assets on which ITC has been availed are transferred or disposed of permanently. In view of said provisions, the answer to given situations are as follows:

- Permanent transfer of ACs by Mr. A from its stock for personal use at its residence, though without consideration, would amount to supply.
- Such sale will not qualify as supply under section 7 of the CGST Act, 2017 as although it is made for a consideration, but it's not in the course or furtherance of business.

Q30. ABC Ltd. (GST registered FMCG manufacturer) has started canteen services exclusively for its employees. The canteen running expenses were recovered from its employees without any profit margin. Yours opinion is sought as to whether recovery of food expenses from employees for the canteen services provided by the it will be taxable under GST law.

A. ABC Ltd. is GST registered FMCG manufacturer. Now, it has started canteen services for its employee. It is providing food on cost-to-cost basis. Further, provisioning of food is not under contract of employment, i.e., it is not paid towards cost of employee to company (it is not payment of salary in kind). Such activity will amount to supply for following reasons:

- Such supply is in the course or furtherance of business. 'Business' has been defined U/s 2(17) to include activities incidental or ancillary to main business. Thus, provisioning of food to employee merits treatment of business, it being an incidental or ancillary activity to main business of FMCG manufacturing of ABC Ltd.
- Business activity may be carried out on cost-to-cost basis.
- Supply of food/ catering services if being done for consideration, such transaction falls under scope of supply as per Sec 7(1)(a) of CGST Act.

Thus, recovery of food expenses from the employees for the canteen services provided by ABC Ltd. would be taxable as a supply of service under GST. {This is ruling given by AAR}

Q31. Mr. Amit is CFO of Sodexo. For the financial year 2018-19, CTC of Mr. Amit (as per appointment letter) is as follows —

Salary Rs. 1,00,00,000

Residential accommodation worth Rs. 12,00,000

Conveyance & others reimbursement Rs. 3,00,000

On January 1, 2019, Sodexo gifts a new car to Mr. Amit (worth Rs 18 Lakhs). Gift of car is not covered in appointment letter.

Mr. Amit owns a commercial premise. He has given on rent to Sodexo @ monthly rent being Rs. 2,00,000. Determine the amount of GST liability: -

i. Salary received including Residential accommodation, conveyance & other reimbursements provided by Sodexo to Mr. Amit
ii. Rent received on account of renting of commercial flat by Mr. Amit to Sodexo
iii. Gift of car by Sodexo to Mr. Amit

A. Taxability in hands of Mr. Amit: -

i. Supply of employment services by Mr. Amit to Sodexo is out of scope of supply {Sec 7(2) of CGST Act read with Schedule III of CGST Act}. Thus, it will not attract any GST liability. This includes residential accommodation, conveyance & other reimbursements provided to Mr. Amit
ii. Transaction of renting services by Mr. Amit to Sodexo falls within the scope of supply, renting being a commercial activity undertaken by Mr. Amit (Sec 7(1)(a) of CGST Act). Thus, it will attract GST liability.
iii. Gift of car is not covered by employment contract. Though Sodexo has not charged anything from Mr. Amit, but still transaction will fall within the scope of supply as it being related party transaction {Sec 7(1)(c) read with Schedule I (Para 2)}. Further, the value of car being in excess of Rs. 50,000, such gift will attract GST on full value of car.

Q32. Discuss whether GST is applicable in the following transactions :-

i. Mr. A owns a house in a residential colony. It is given on rent to A Ltd. for Rs. 2,00,000 p.m. As per the written agreement. A Ltd. can use the property for commercial purposes.
ii. Mr. A gives his vacant plot of land situated in a residential colony in Hyderabad to ABC Ltd. ABC Ltd. is a car distributor and plot of land is used by it for parking unsold cars.
iii. Mr. A owns an agricultural land. It is given rent to Mr. B uses the land for agricultural activities.

A.

i. Renting of immovable property constitutes 'supply of service'. It attracts levy of GST. Though, renting of residential dwelling units for use as residence is exempt, that exemption is not applicable to this case since A Ltd. use the property for commercial purposes. Thus, rent is chargeable to GST. (Refer Chapter 4)
ii. Renting of immovable property constitutes 'supply of service'. It attracts levy of GST. Though, renting of residential dwelling units for use as residence is exempt, that exemption is not applicable to this case since it is being used as car parking (not for use as residence). Thus, rent is chargeable to GST. (Refer Chapter 4)
iii. Renting of immovable property constitutes 'supply of service'. It attracts levy of GST. However, renting of agriculture land for agricultural activities has been exempted from GST. (Refer Chapter 4)

Q33. Mr. Sumit (GST registered trader) is in the business of selling electronic goods. He closes down his business on March 31, 2019. Value of unsold stock of electronic goods on that date is Rs. 10 lakhs. Discuss the applicability of GST on this unsold stock.

A. In terms of Section 7(1A) read with Schedule II (para 4(c)) of CGST Act, a person ceasing to be a taxable person (i.e., getting de-registered) is deemed to have made supply of goods lying with him as closing stock. Mr. Sumit is registered under GST. He closes his business on March 31, 2019. At the time of transfer, he has closing stock Rs. 10 lakhs. Mr. Sumit shall be deemed to have supplied such unsold stock immediately before he ceases to be a taxable person.

Q34. Whether software is regarded as supply of goods or services in GST?

A. In terms of Section 7(1A) read with Schedule II of CGST Act (Para 5), development, design, programming, customization, adaptation, upgradation, enhancement, implementation of information technology software and temporary transfer or permitting the use or enjoyment of any intellectual property right are treated as services. But, if a pre-developed or pre-designed software is supplied in any medium/storage (commonly bought off-the shelf), the same is treated as a supply of goods classifiable under heading 8523.

Q35. State whether the following activities are covered within scope of supply or not:

i. Supply of services by Court for which it charges fees;
ii. Supply of services by Income Tax Appellate Tribunal for which it charges fees;
iii. Supply of services by Arbitral Tribunal for which it charges fee from business entity who is seeking arbitration of his business dispute through it;

A.

i. It is excluded from scope of supply – Sec 7(2) read with Schedule III of CGST Act (Para 2)
ii. It is excluded from scope of supply – Sec 7(2) read with Schedule III of CGST Act (Para 2)
iii. It is not excluded from scope of supply since Arbitral Tribunal is not a tribunal which has been established under any law (the party seeking arbitration creates it for their own personal purposes) . Services of arbitral tribunal fall within the scope of supply and attracts charge of GST.

Q36. Mr. A is owner of ABC Printing press. Discuss GST treatment of following activities carried out by Mr. A:-

i. Purchase of paper & other printing materials, printing calendars by using such paper and other materials & supplying calendars in market. The consideration received from such supply is Rs. 10,00,000.
ii. Purchase of paper & other printing materials, printing books for Taxongo Ltd. (the content of book belongs to Taxongo Ltd.) and supplying books after printing to Taxongo Ltd. The consideration received from such supply is Rs. 10,00,000.

A. According to CBIC's Circular No. 11/11/2017-GST dated 20.10.2017, GST treatment of given activities shall be as follows:

i. Purchase of paper & other printing materials, printing calendars thereon and supplying calendars in market. The consideration received is Rs. 10,00,000. It is case of manufacture of calendars and sale thereof. Thus, it is simple case of supply of goods.
ii. Purchase of paper & other printing materials, printing books for Taxongo Ltd. (the content of book belongs to Taxongo Ltd) and supplying same to Taxongo Ltd. The consideration received is Rs. 10,00,000. ABC Printing press cannot be said to be have made out sale of books as they are not owning the content of book. ABC Printing press is carrying out printing activity on paper belonging to it. Thus, this supply is composite supply {supply of paper (goods) and supply of printing (service)}. Printing service being principal service, the composite supply shall be treated as 'supply of service' (Sec 8 of CGST Act).

2 SUPPLY UNDER GST

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

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

Circular No. 11/11/2017 GST dated 20.10.2017 has clarified that supply of books printed with contents supplied by the recipient of such printed goods, is composite supply and the question, whether such supplies constitute supply of goods or services would be determined on the basis of what constitutes the principal supply.

Principal supply has been defined in section 2(90) of the CGST Act, 2017 as supply of goods or services which constitutes the predominant element of a composite supply and to which any other supply forming part of that composite supply is ancillary.

In the case of printing of books where content is supplied by the publisher or the person who owns the usage rights to the intangible inputs while the physical inputs including paper used for printing belong to the printer, supply of printing [of the content supplied by the recipient of supply] is the principal supply and therefore, such supplies would constitute supply of service.

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

2 Agrawal Carriers is a Goods Transport Agency (GTA) which is engaged in transportation of goods by road. As per the general business

practice, Agrawal Carriers also provides intermediary and ancillary services like loading/ unloading, packing/ unpacking, transhipment and temporary warehousing, in relation to transportation of goods by road.

With reference to the provisions of GST law, analyse whether such services are to be treated as part of the GTA service, being a composite supply, or as separate supplies.

Composite supply means a supply made by a taxable person to a recipient consisting of two or more taxable supplies of goods or services or both, or any combination thereof, which are naturally bundled and supplied in conjunction with each other in the ordinary course of business, one of which is a principal supply [Section 2(30) of the CGST Act, 2017].

Mixed supply means two or more individual supplies of goods or services, or any combination thereof, made in conjunction with each other by a taxable per son for a single price where such supply does not constitute a composite supply [Section 2(74) of the CGST Act, 2017].

The various intermediary and ancillary services provided by GTA are not provided as independent services, but as ancillary to the principal service, namely, transportation of goods by road. The invoice issued by the GTA for providing the said service includes the value of intermediary and ancillary services. In view of this, if any intermediary and ancillary service is provided in relation to transportation of goods by road, and charges, if any, for such services are included in the invoice issued by Aggarwal Carriers, such service would form part of the GTA service, and thus will be composite supply, and not a mixed supply even though a single price is charged for the supply.

Further, if such incidental services are provided as separate services and are billed separately, whether in the same invoice or separate invoices, they will be treated as separate supply and not composite supply and there being no single price, the supply will also not be treated as mixed supply – in terms of *Q. 6 of the CBIC FAQs on Transport & Logistics*[1].

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[1] *In case where incidental services are provided as separate services and are billed separately, whether in the same invoice or separate invoices, it is also possible to take a view that they need not be treated as separate supply, but part of composite supply. Further, there being no single price, the supply will not be treated as mixed supply.*

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

(i) Supply of a laptop bag along with the laptop to a customer of Mumbai for ₹ 55,000 (exclusive of GST).

(ii) Supply of 10,000 kits (at ₹ 50 each) amounting to ₹ 5,00,000 (exclusive of GST) to Ram Fancy Store in Kota (Rajasthan). Each kit consists of 1 hair oil, 1 beauty soap and 1 hair comb.

(iii) 100 kits are given as free gift to Jaipur customers on the occasion of Mrs. Kajal's birthday. Each kit consists of 1 hair oil and 1 beauty soap. Cost of each kit is ₹ 35, but the open market value of such kit of goods and of goods of like kind and quality is not available. Input tax credit has not been taken on the goods contained in the kit.

(iv) Event management services provided free of cost to her brother for his son's marriage function in Indore (Madhya Pradesh). Cost of providing said services is ₹ 80,000, but the open market value of such services and of services of like kind and quality is not available.

(v) 1,400 chairs and 100 coolers hired out to Function Garden, Ajmer (Rajasthan) for ₹ 3,30,000 (exclusive of GST) including cost of transporting the chairs and coolers from Mrs. Kajal's godown at Jaipur to the Function Garden, Ajmer.

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

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

Assume rates of GST to be as under:-

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

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

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

S. No.	Particulars	Amount (₹)	CGST (₹)	SGST (₹)	IGST (₹)
(i)	Supply of laptop bag along with laptop to Mumbai customer [Being naturally bundled, supply of laptop bag along with the laptop is a composite supply which is treated as the supply of	55,000			9,900

	the principal supply [viz. laptop] in terms of section 8(a) of the CGST Act, 2017 and is an inter-State supply. Accordingly, IGST @ 18% will be charged]				
(ii)	Supply of kits to Ram Fancy Store [It is a mixed supply and is treated as supply of that particular supply which attracts highest tax rate [viz. beauty soap] in terms of section 8(b) of the CGST Act, 2017. Also, it's an intra-State supply. Accordingly, CGST and SGST @ 14% each will be charged.] Further, interest of ₹ 6,400 charged for delayed payment as collected from Ram Fancy Store will be included in the value of supply in terms of section 15(2) of the CGST Act, 2017. Therefore, total value of supply = ₹ 5,05,000 [₹ 5,00,000 + (₹ 6,400 × 100/128)]	5,05,000	70,700	70,700	
(iii)	Free gifts to customers [Cannot be considered as supply under section 7		Nil	Nil	Nil

	read with Schedule I of the CGST Act as the gifts are given to unrelated customers without consideration]				
(iv)	Event management services provided free of cost to brother for his son's marriage [Cannot be considered as supply under section 7 read with Schedule I of the CGST Act as the service is provided to unrelated person without consideration.] [Note-1]		Nil	Nil	Nil
(v)	Chairs and coolers hired out to Function Garden [Since Mrs. Kajal is not a GTA, transportation services provided by her are exempt *[Notification No. 12/2017 CT(R) dated 28.06.2017]*. However, since chairs and coolers are hired out along with their transportation, it is a case of composite supply wherein the principal supply is hiring out of chairs and coolers. Also, it's an intra-State supply. Accordingly, transportation service will also be taxed at the rate applicable for renting of	3,30,000	19,800	19,800	

	chairs and coolers, viz. CGST and SGST @ 6% each.] [Note-2]				
(vi)	Transportation of chairs and coolers by GTA [GST on GTA services availed is payable under reverse charge mechanism since GST is payable @ 5%. Being an intra-State supply, CGST and SGST will be chargeable @ 2.5% each.]	30,000 (₹ 20 ×1,500)	750	750	
	Total GST liability		**91,250**	**91,250**	**9,900**

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

3 Mr. Zombi, a supplier registered in Hyderabad (Telangana), procures goods from China and directly supplies the same to a customer in US. With reference to the provisions of GST law, examine whether the said activity of supply of goods by Mr. Zombi to customer in US is taxable under GST. If yes, determine the place of supply of the same.

Schedule III to the CGST Act specifies transactions/ activities which shall be neither treated as supply of goods nor supply of services. One of such activity/transaction is supply of goods from a place in the non-taxable territory to another place in the non-taxable territory without such goods entering into India. Thus, it seeks to exclude from the tax net such transactions which involve movement of goods, caused by a registered person, from one non-taxable territory to another non-taxable territory.

Therefore, in view of the above-mentioned provisions, the said activity is not a supply. Hence, it is not leviable to GST since "supply" is the taxable event for chargeability of GST. Therefore, since the transaction is not leviable to GST, the question of place of supply does not arise in the given case.

This chapter includes GST Main Book 32 Q & A
Please refer 2 Examples in GST Main Book

Chapter 3: - Charge of GST

ICAI's Test Your Knowledge

Q1. State person liable to pay GST in the following independent cases provided recipient is located in the taxable territory:

(a) Services provided by an arbitral tribunal to any business entity.
(b) Sponsorship services provided by a company to an individual.
(c) Renting of immovable property service provided by the Central Government to a registered business entity.

A.

(a) Since GST on services provided or agreed to be provided by an arbitral tribunal to any business entity located in the taxable territory is payable under reverse charge, in the given case, GST is payable by the recipient - business entity.
(b) GST on sponsorship services provided by any person to anybody corporate or partnership firm located in the taxable territory is payable under reverse charge. Since in the given case, services have been provided to an individual, reverse charge provisions will not be attracted. GST is payable under forward charge by the supplier – company.
(c) GST on services supplied by Central Government, State Government, Union territory/ local authority by way of renting of immovable property to a person registered under CGST Act, 2017 is payable under reverse charge. Therefore, in the given case, GST is payable under reverse charge by the recipient – registered business entity.

Q2. A person availing composition scheme in Haryana during a financial year crosses the turnover of Rs. 1.5 crores during the course of the year i.e. he crosses the turnover of Rs. 1.5 crores in December? Will he be allowed to pay tax under composition scheme U/s 10(1) for the remainder of the year, i.e. till 31st March?

A. No. The option to pay tax under composition scheme lapses from the day on which the aggregate turnover of the person availing composition scheme during the financial year exceeds the specified limit (Rs. 1.5 crores). He is required to file an intimation for withdrawal from the scheme in prescribed form within 7 days from the day on which the threshold limit has been crossed.

Every person who has furnished such an intimation, may electronically furnish at the common portal, a statement in prescribed form containing details of the stock of inputs and inputs contained in semi-finished or finished goods held in stock by him on the date on which the option is withdrawn, within a period of 30 days from the date from which the option is withdrawn.

Q3. Determine whether the supplier in the following cases are eligible for composition levy U/s 10(1) of CGST Act, 2017 provided their turnover in preceding year does not exceed Rs. 1.5 crores:

(a) Mohan Enterprises is engaged in trading of pan masala in Rajasthan and is registered in the same State..
(b) Sugam Manufacturers has registered offices in Punjab and Haryana and supplies goods in neighbouring States.

Trading is allowed

A.

(a) A supplier engaged in the manufacture of goods as notified under section 10(2)(e), during the preceding FY is not eligible for composition scheme. Ice cream and other edible ice, whether or not containing cocoa, Pan masala and Tobacco and manufactured tobacco substitutes are hereby notified. However, in the given case, since Mohan Enterprises is engaged in trading of pan masala and not manufacture and his turnover does not exceed Rs. 1.5 crore, he is eligible for composition scheme subject to fulfilment of specified conditions.

(b) Since supplier of inter-State outward supplies of goods is not eligible for composition levy, Sugam Manufacturers is not eligible for composition levy.

Q4. Subramanian Enterprises has two registered places of business in Delhi. Its aggregate turnover for the preceding year for both the places of business was Rs. 120 lakh. It wishes to pay tax under composition levy U/s 10(1) for one of the place of business in the current year while under normal levy for other. You are required to advice Subramanian Enterpises whether he can do so?

A. A registered person with an aggregate turnover in a preceding financial year up to Rs. 1.5 crore is eligible for composition levy in Delhi. Since the aggregate turnover of Subramanian Enterprises does not exceed Rs. 1.5 crore, it is eligible for composition levy in the current year. However, all registered persons having the same Permanent Account Number (PAN) have to opt for composition scheme. If one such registered person opts for normal scheme, others become ineligible for composition scheme. Thus, Subramanian Enterprises either have to opt for composition levy for both the places of business or under normal levy for both the places of business.

GST Main Book's Questions

Q1. Give example of Section 9 (4) of CGST Act, 2017.

A.

Purchase of input and input services			
Particulars	**Purchase from**	**Value in a FY**	**Percentage**
Cement	Registered person	4,000	20%
Inputs or input services	Registered person	5,000	25%
Inputs or input services	Unregistered person	11,000	55%
Total		20,000	100%

Since there is purchase of more than 20% from unregistered person then RCM u/s 9(4) becomes payable. In this case it is 35%.

Value on which RCM u/s 9(4) is payable is 35% of 20,000 = 7,000 Amount payable is 18% of 7,000 = 1,260.

Q2. Please give numerical example of Section 10(2A) of CGST Act 2017.

A. Mr. A is not a registered person during Financial Year 2018-19. From 1st April 2019, new financial year commences. Upto September 2019, he achieves the aggregate turnover of Rs. 20 Lakhs and is liable for registration under GST Laws w.e.f. 1st October 2019. From October 2019 to December 2019, he made outward supply of Rs. 30 Lakhs. And, from Jan 2020 to March 2020, he made outward supply of Rs. 15 lakh. His turnover of Rs 50. Lakh for recognizing his benefit under composition scheme U/s 10(2A) will be counted from 1st April 2019. However, tax under this scheme shall be payable only for the supplies made during October 2019 to December 2019 (i.e. on Rs. 30 lakhs).

As the limit of Rs. 50 Lakhs under this scheme exhausted till 31st December 2019 (i.e. Rs. 20 Lakhs before registration and Rs. 30 Lakhs after registration), hence, from 1st January 2019 onwards, tax shall be payable under normal provisions of GST as applicable for regular dealers.

CBIC has not notified tax rates U/s 10(2A) till 30th Apr 20

Q3. XYZ Ltd. is a manufacturing concern in Mumbai. In FY 18-19 total value of supplies including inward supplies taxed under reverse charge basis are Rs. 1,55,00,000, please see below break up?

Particulars	Amount
Intra State Supplies	60,00,000
Intra State Supplies made which are subject to 0% CGST	60,00,000
Intra State Supplies which are wholly exempt	30,00,000
Value of inward supplies which is payable under RCM	5,00,000

Explain whether XYZ Ltd. is eligible to opt for composition scheme U/s 10(1) in FY 19-20?

A. As per Section 2(6) of the CGST Act, 2017, "aggregate turnover" doesn't include value of inward supplies on which reverse charge is applicable so aggregate turnover is computed as under: -

Particulars	Amount
Intra State Supplies	60,00,000
Intra State Supplies made which are subject to 0% CGST	60,00,000
Intra State Supplies which are wholly exempt	30,00,000
Value of inward supplies which is payable under RCM	NIL
Total	1,50,00,000

Since, aggregate turnover doesn't exceed Rs. 1,50,00,000 during the FY 18-19, so XYZ Ltd. is entitled for composition scheme U/s 10(1).

Q4. XYZ Ltd. is a manufacturing concern in Mumbai. It opted for composition U/s 10(1) in FY 18-19. Total value of supplies including inward supplies taxed under reverse charge basis are Rs. 90,00,000, please see below break up?

Particulars	Amount
Intra State Supplies @ 5%	40,00,000
Intra State Supplies @ 12%	10,00,000
Intra State Supplies made which are subject to 0% CGST	20,00,000
Intra State Supplies which are wholly exempt	10,00,000
Value of inward supplies which is payable under RCM @ 5%	10,00,000

Compute composition tax liability and total tax liability?

A.

Particulars	Amount
Intra State Supplies @ 5%	40,00,000
Intra State Supplies @ 12%	10,00,000
Intra State Supplies made which are subject to 0% CGST	20,00,000
Intra State Supplies which are wholly exempt	10,00,000
Value of inward supplies which is payable under RCM @ 5%	NIL
Aggregate Turnover	80,00,000
Rate of Tax @ 1% (CGST+SGST)	80,000

XYZ Ltd. has to pay tax under reverse charge section 9(3) of CGST Act, 2017 Rs. 50,000 (10,00,000*5%).

Total Tax Liability is Rs. 80,000+Rs. 50,000 = Rs. 1,30,000

Q5. XYZ Ltd. had opted for payment of tax under composition scheme U/s 10(1) during 2017-18. Its turnover during 17-18 was as follows: -

(a) Supply of manufactured goods Rs. 20 Lacs

(b) Supply of traded goods Rs. 10 Lacs

(c) Supply of service Rs. 10 Lacs

(d) Export of goods Rs. 15 Lacs

On all these supplies SGST @ 6% & CGST rate is 6%. Calculate the tax liability.

A. Composition Scheme is not available if a taxable person is exporting goods. Hence, he is liable to pay tax on Rs. 40 Lacs (20+10+10) as follows – SGST @ 6% = Rs. 2,40,000 and CGST @ 6% = Rs. 2,40,000.
He can make export of goods without payment of tax.

Q6. Please discuss provision related to alcoholic liquor for human consumption & for industrial consumptions.
A. The constitutional amendment put alcoholic liquor for human consumption out of the purview of GST i.e. this product will continue to fall under the ambit of State Excise Duty. It should be noted that alcoholic liquor for industrial consumption and non-alcoholic beverages are covered within the gamut of GST.

Q7. What happens if a taxable person who has opted to pay taxes under the composition scheme crosses the threshold limit during the year?
A. In such case, from the day the taxable person crosses the threshold, the permission granted earlier is deemed to stand withdrawn, and he shall be liable to pay taxes under the regular scheme i.e. section 9, from such day.

Q8. A hotel provided accommodation in Himachal Pradesh, through an electronic commerce operator – Makemyyatra.com. The hotel is not liable to get registered as per the provisions of Section 22 (1) of the CGST Act. Who is the person liable to pay GST in this case? Will your answer be different if the Electronic Commerce operator Makemyyatra.com does not have a physical presence in India?
A. As per Section 9(5) of the CGST Act, 2017, person liable to pay GST in this case is the Electronic Commerce Operator (ECO) i.e. Makemyyatra.com. All the provisions of the GST Law shall apply to such ECO as if he is the supplier liable for paying the tax in relation to the supply of such services. If Makemyyatra.com does not have a physical presence in India, person liable to pay tax is the person representing Makemyyatra.com.

Q9. Who is responsible to pay taxes?
A. The persons responsible for payment of taxes are as under –

1. Supplier: The person effecting taxable supplies is liable to pay taxes.
2. Recipient – Reverse Charge: Section 9(3) of the CGST Act, 2017 inter alia provides that, the Government may, on the recommendations of the council, by notification specify categories of supply of goods or services or both, the tax on which shall be paid on reverse charge basis by the recipient of such goods or services or both.
   In terms of Section 9(4), specified registered recipient for inward supply of specified categories of goods or services or both is liable to pay tax under reverse charge in the event supplier is not registered.
3. E-Commerce Operator: U/s 9(5) of CGST Act, 2017, categories of services have been notified by the Government on the recommendation of the Council, the tax on which is paid by the electronic commerce operator as if such services are supplied through it.

Q10. ABC Ltd., a manufacturing concern is affecting intra-State taxable supply and inter-State supply. The company wants to opt for composition scheme U/s 10(1). Please advise ABC Ltd. whether they can opt for composition scheme U/s 10(1) or not?
A. As per provisions of Section 10 of CGST Act, 2017, a manufacturer can opt for composition scheme U/s 10(1) if he is not engaged in making any inter-State outward supplies of goods. In this case, since ABC Ltd. has affected interstate taxable supply of goods, hence it cannot opt for composition scheme.

Q11. What are the consequences, if a taxable person violates the conditions prescribed for composition scheme?
A. Following are the consequences for non-compliance with the conditions specified for composition scheme:

a. Shall be liable to pay additional taxes at the rates applicable to regular taxable person;
b. Shall be liable to pay penalty; and
c. The amount of tax and penalty shall be recovered in terms of Section 73 or 74 of the CGST Act, 2017.

Q12. ABC Ltd. a trading concern in Rajasthan has opted for composition scheme U/s 10(1) furnishes you with the following information for Financial Year 2019-20. It required you to determine its tax liability. The details are: -

Particulars	Amount
Intra State Supplies of Goods 'A' (Tax Rate @ 5%)	10,00,000
Intra State Supplies of Goods 'B' (Tax Rate @ 12%)	35,00,000
Intra State Supplies which are wholly exempt	20,00,000
Intra State Supplies of Services 'A' (Tax Rate @ 18%)	10,00,000
Value of inward supplies on which tax payable under RCM (Tax Rate 18%)	10,00,000

A.

Particulars	Amount
Intra State Supplies of Goods 'A' (Tax Rate @ 5%)	10,00,000
Intra State Supplies of Goods 'B' (Tax Rate @ 12%)	35,00,000
Intra State Supplies which are wholly exempt (No tax for composition trader)	NIL
Intra State Supplies of Services 'A' (Tax Rate @ 18%)	10,00,000
Aggregate Turnover	55,00,000
CGST @ 0.5% & SGST @ 0.5% = 1% [A]	55,000
Tax payable as reverse Charge (Rs. 10,00,000*18%) [B]	1,80,000
Total Tax Liability [A+B]	2,35,000

Note: Previous year figure are not given so it is assumed that ABC Ltd. is eligible for composition scheme.

Q13. Comment on chargeability of following transaction: -

i. ABC Ltd. availed service of XYZ Ltd. (Goods Transport Agency) for transportation of goods by road from Pune to Mumbai.
ii. ABC Ltd. paid Rs. 1,00,000 towards legal services provided by partnership advocate firm AZB.
iii. ABC Ltd. paid Rs. 1,00,000 to independent director.
iv. Government has provided Business support services to ABC Ltd. for Rs. 1,00,000.
v. ABC Ltd. paid Rs. 1,00,000 towards sponsorship of exhibition. If Mr. A has paid Rs. 1,00,000 towards sponsorship of exhibition then whether your comment will differ.
vi. Government has given commercial property on monthly rent for Rs. 1,00,000.
vii. ABC Insurance company pay Rs. 1,00,000 commission to Mr. A whose turnover is lesser than threshold limit for registration.
viii. ABC Ltd. has availed Manpower services from XYZ Ltd. Will your answer differ if service provider is Mr. A.
ix. Works contract services provided by ABC Ltd. to XYZ Ltd.
x. Security services by Mr. A to ABC Ltd (registered in GST).
xi. Insurance company selling insurance policies through an ECO and paying commission to ECO.

A.

i. In this case GST shall be paid by ABC Ltd. under reverse charge U/s 9(3) since it is liable to pay freight for transportation of goods so ABC Ltd. shall be treated as recipient of service. If GTA has paid GST under forward charge @ 12% then it is not subject to reverse charge.
ii. In this case GST shall be paid by ABC Ltd. under reverse charge U/s 9(3). Services provided by an individual advocate including a senior advocate or firm of advocates by way of legal services, directly or indirectly, are subject to reverse charge except where legal services provided to business entity

whose aggregate turnover is upto Rs. 20 Lacs are exempt, vide Entry No. 45 Notification No. 12/2017-CT (Rate) and Entry no. 47 of Notification No. 9/2017-IT (Rate).

iii. In this case GST shall be paid by ABC Ltd. under reverse charge U/s 9(3). Services supplied by a director of a company or a body corporate to the said company or the body corporate, are subject to reverse charge.

iv. In this case GST shall be paid by ABC Ltd. under reverse charge U/s 9(3). Services supplied by the Central Government, State Government, Union Territory or local authority to a business entity, are subject to reverse charge.

v. In this case sponsorship is received by ABC Ltd. so they are subject to reverse charge U/s 9(3). If it is provided to Mr. A then GST will be payable by supplier of service. Service provided by way of sponsorship to anybody corporate or partnership firm are subject to reverse charge.

vi. It is subject to reverse charge U/s 9(3).

vii. In this case ABC Insurance company will be liable to pay GST under reverse charge basis U/s 9(3). It cannot claim exemption since it is recipient of service.

viii. XYZ Ltd. is liable to pay GST. Even if it is provided by Mr. A, treatment remain same i.e. service provider Mr. A, is liable to pay GST.

ix. ABC Ltd. is liable to pay GST as service provider.

x. ABC Ltd. is liable to pay GST as a reverse charge.

xi. 'ECO' shall not be termed as 'insurance agent' unless such 'ECO' is licensed under Section 42 of Insurance Act. Unless 'ECO' can be termed as 'insurance agent', RCM shall not be applicable.

Q14. Whether a Restaurant is supplying liquor/alcohol is eligible for Composition Scheme U/s 10(1)?

A. A Restaurant is supplying liquor/alcohol is not eligible for Composition Scheme because according to the provisions of the Act, composition scheme cannot be availed on those goods and services on which GST is not levied and liquor/alcohol are out of the scope of GST. Person has no choice to go to Composition Scheme; rather he has an only window of regular scheme which is mandatory if he falls under the criteria of aggregate turnover.

Q15. Mr. A, a retailer who keeps on inventories, presents the following expected information for the year –
Purchase of goods: Rs. 60 Lacs (GST @ 5%)
Sales (at fixed selling price inclusive of all taxes): Rs. 72 Lacs (GST @ 5%)
Discuss whether he should opt for composition scheme U/s 10 (1) if composite tax is 1% of turnover.
Expenses of keeping detailed statutory records required under the GST Laws will be Rs. 1,44,000 p.a., which shall get reduced to Rs. 60,000 if composition scheme is opted for. Other expenses are Rs. 3,60,000 p.a.

A: The cost to the ultimate consumer under two schemes is as under –

	Normal GST Scheme	Composition Scheme*
Cost of goods sold (*No credit under compositions scheme, hence, cost of goods sold will be higher)	60,00,000	63,00,000
Add: Costs of Maintaining records	1,44,000	60,000
Add Normal Expenses	3,60,000	3,60,000
Total Costs	65,04,000	67,20,000
Sales (inclusive of taxes)	72,00,000	72,00,000
Less Tax (GST = 72,00,000* 5/105); Composition Tax = (72,00,000*1%)	3,42,857	72,000
Sales (Net of Taxes)	68,57,143	71,28,000
Profit	3,53,143	4,08,000

Since profit under composition scheme is higher so dealer should opt for composition scheme.

Q16. Will a taxable person be eligible to opt for composition scheme only for one out of 3 business verticals?
A. No. Composition scheme would become applicable for all the business verticals / registrations which are separately held by the person with same PAN.

Q17. Can composition scheme be availed if the taxable person has inter-State inward supplies?
A. Yes. Composition scheme is applicable subject to the condition that the taxable person does not engage in making inter-state outward supplies, while there is no restriction on making any inter-State inward supplies.

Q18. How to compute 'aggregate turnover' to determine eligibility for composition scheme?
A. The methodology to compute aggregate turnover is given in Section 2(6). However, since composition scheme is applicable only to suppliers making intra-state supplies, 'aggregate turnover' means '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 (except interest income or discount as discussed), exports of goods or services or both or inter-state supplies of a person having the same PAN (i.e., across India) excluding CGST, IGST, SGST, UGST and cess.

Q19. Can a person paying tax under composition scheme make supplies to SEZ?
A. No. Supplies to SEZ from domestic tariff area (DTA) will be treated as inter-State supply. A person paying tax under composition scheme cannot make inter-State outward supply. Thus, for making supplies to an SEZ unit, a person needs to take registration as a regular taxpayer. The supplies to SEZ will be zero rated and the supplier will be entitled to make supplies without payment of tax or if he pays tax, he will be entitled to refund of tax so paid.

Q20. Mr. A is a whole-time director of ABC Ltd. Salary is Rs. 5,00,000 per month. Besides he gets sitting fees for Board's meetings. During Dec'17 and Mar'18, sitting fees is Rs. 1,00,000 for five meetings. Find out GST liability if any.
A. Mr. A being whole time director is an employee of company. The remuneration received by him (including sitting fees for Board's meeting) is in the course of employment contract. Supply of such services is out of scope of supply in view of provisions laid down in Sec 7(2) of CGST Act read with Schedule III of CGST Act. Thus, GST is not applicable to the transaction.

Q21. Mr. A has written a book which is published by ABC Ltd. of Mumbai. You are required to find the following: (a) who is liable to pay GST? (b) Rework, if publisher is located in Paris, then who is liable to pay GST?
A. (a) ABC Ltd. of Mumbai being recipient of service is liable to pay GST under RCM.

(b) RCM shall not be applicable in this case as recipient is not located in taxable territory. Thus, Mr. A shall be liable to pay GST. However, such supply will qualify as 'export of service' provided payment received in convertible foreign currency or in INR wherever permitted by RBI. Such supply of service shall be zero-rated (as per provisions of Sec 16 of IGST Act, 2017). In that event, Mr. A shall be entitled to supply such service without payment of IGST.

Q22. A tourist from USA visits India and purchases a handicraft wooden item in Mumbai. How it is going to be taxed under GST?

A. In terms of proviso to section 8(1), supplies made to a foreign tourist shall not be treated as intra-state supply even when location of the supplier and the place of supply of goods are in the same State or same Union territory.

In terms of sec 7(5)(c) of IGST Act, 2017, where supply of goods or services or both is in the taxable territory, not being an intra-State supply and not covered elsewhere in this section, shall be treated to be a supply of goods or services or both in the course of inter-State trade or commerce.

In this case, even though the place of supply and location of supplier are in the same State, it will be treated as inter-State transaction and will be liable to IGST.

Q23. What happens if the receiver of goods and/or services is required to pay tax under Reverse Charge but is not a registered dealer?

A. All taxpayers required to pay tax under reverse charge have to register for GST and the threshold of Rs 20 Lakhs is not applicable to them.

Q24. Is Input Tax Credit allowed under Reverse Charge?

A. Tax paid on reverse charge basis will be available for input tax credit if such goods and/or services are used, or will be used, for business. The recipient (i.e., who pays reverse tax) can avail input tax credit.

Q25. AB & Co. is a firm of advocates (partners are A and B), having equal profit sharing ratio. Find out the GST liability

a) Legal professional services provided to X, an advocate of Bombay High Court (gross receipts of X is always more than Rs. 50,00,000 per annum): Rs. 8,00,000
b) Legal professional services provided to B & Co. (a firm of 10 advocates) : Rs. 32,00,000.
c) Legal professional services provided to C (an Employee) (this service is provided to C in a personal legal matter) : Rs. 6,00,000.
d) Legal professional services provided to D Ltd., Delhi based company (turnover of D Ltd. of the preceding financial year is Rs. 6,00,000) : Rs. 11,00,000.
e) Legal professional services provided to E Ltd., Delhi based company (turnover of E Ltd. of the preceding financial year is Rs. 50,00,000) : Rs. 5,00,000.

Above figures are exclusive of GST. Please analyze each case and give your answer mentioning forward charge or reverse charge. {Do this question after completing Chapter 4}

A.

a) Services provided to X, shall be exempt as provided to individual advocate via entry no. 45.
b) Services provided to B & Co., shall be exempt via entry no. 45
c) Services provided to C, shall be exempt since provided to non-business entity
d) Services provided to D Ltd., shall be exempt as provided to business entity having turnover not exceeding Rs 20,00,000
e) This will be subject to reverse charge & E Ltd. has to pay reverse charge @ 18% i.e. Rs. 90,000.

Q26. Would GST be payable on goods not intended to be sold, taken out for participation in overseas exhibitions and trade fairs and brought back into India as these goods are meant for exhibition only ?

A. GST is not payable in such cases. Exporters will need exhibition participation letter and no foreign exchange involved letter from the concerned bank for the purpose of exchange control requirements. At the time of re-import, identity of goods imported with export goods needs to be established to seek exemption from import duty in accordance with Customs provisions. IGST will be exempted at the time of re-import in view of exemptions granted under Customs.

Q27. Whether IGST on import of goods would be levied under IGST Act or under Customs Act?

A. As per Section 7(2) of IGST Act, import of goods is Inter-State Supply. Thus, IGST will be levied on import of goods also. However as per Section 5:

- ✓ IGST on goods imported into India shall be levied and collected in accordance with the provisions of section 3 of the Customs Tariff Act, 1975 on the value as determined under the said Act
- ✓ Value shall be 'Value determined as per Sec 14 of Customs Act, 1962 (please refer Valuation chapter in Custom Book)

Q28. Exploration site is at 150 nautical miles from base line. Some minerals explored (not petroleum etc.) and sent to refinery in Maharashtra, the nearest State. Whether this will attract IGST or CGST and SGST?

A. Exploration site is location of supplier. Location of site in 150 NM is beyond territorial waters but still within Indian territory (as for purposes of GST law, definition of India covers area upto exclusive economic zone). Such site shall be treated as located in 'other territory' which is also 'a union territory' as defined under Sec 2(114) of CGST Act. Exploration Site is supplying goods to refinery in Maharashtra. Thus, place of supply of goods is falling into Maharashtra State.

Since location of supplier is union territory and place of supply is Maharashtra, it is inter-state supply in terms of Sec 7(1) of IGST Act. Thus, aforesaid supply shall attract charge of IGST under section 5 of IGST Act.

Q29. Whether CGST & SGST/UTGST is applicable on import of goods or service or both?

A. In terms of Section 7 of the IGST Act, 2017, import of goods or services or both is shall be treated to be a supply in the course of inter-State trade or commerce. Accordingly, tax under the provisions of IGST Act, 2017 (i.e. IGST) shall apply on import of goods or services or both.

- Import of Goods: IGST leviable U/s 5 of IGST Act. However, it is collected in the manner specified under Customs Tariff Act, 1975. Valuation of such transaction is also as per provisions of Customs Tariff Act.
- Import of Services: IGST leviable U/s 5 of IGST Act. However, it is collected as per provisions of GST law (i.e. as per time of supply of such transaction). Valuation of such transaction is also as per provisions of GST law.

Q30. Will withdrawal intimation for composition scheme in any one place be applicable to all places of business?

A. Yes. Any intimation or application for withdrawal in respect of any place of business in any State or Union territory, shall be deemed to be an intimation in respect of all other places of business registered on the same Permanent Account Number.

Q31. ABC Associates a recovery agent taken on board by XYZ Bank, Mumbai. The following service supplied by ABC Associates in the month of January 2018:

i. Fee of Rs 10,00,000 for supply of services in relation to recovery of dues from the defaulting Borrowers.
ii. Supply of services with regard to demand for recovery or taking possession of the security from defaulting Borrowers, for which separate fee charged from the bank Rs. 5,00,000.

Answer the following:

(a) Is it supply of service?
(b) If so, who is liable to pay GST?
(c) What is the GST liability if tax rate is 18%?

A. (a) Yes. It is taxable supply of service.

(b) XYZ Bank being recipient of service is liable to pay GST under RCM.

(c) GST liability = Rs. 2,70,000 [(Rs. 10,00,000 + 5,00,000) x 18%]

Q32. Salim Khan a renowned writer and author of novels transferred the copyright of his one published novel to Yashraj Publishers for a consideration. Examine the tax implications as per GST Act?

A. As per section 9(3) of CGST Act read with relevant notifications, services supplied by an author by way of transfer or permitting the use or enjoyment of copyright covered under sec. 13(1)(a) of the Copyright Act, 1957 relating to original literary works to a publisher, reverse charge shall be applicable. Thus, in the given case the liability to pay GST shall be upon Yashraj Publishers as it is the recipient of service. RCM not applicable in case author has taken registration and filed a declaration in prescribed form, that he exercises the option to pay GST under forward charge.

Q33. A hotel owner is providing following services:

i. Room renting for lodging purposes;
ii. Banquet renting for business seminars;
iii. Restaurant services;

His aggregate turnover from all the above services is 90 lakhs. Hotel owner has now started providing above services through makemyyatra.com (Australia based website). Whether in such case in respect of any of service provided through ECO, ECO shall be liable to pay GST in terms of Sec 9(5) of CGST Act?

A. As per section 9(5) of CGST Act, ECO is liable to pay GST only in respect of notified services supplied through ECO. One of the notified service is service by way of providing accommodation in hotels, inns, guest houses, clubs, campsites or other commercial places meant for residential or lodging purposes, except where the person supplying such service through electronic commerce operator is liable for registration U/s 22(1) of the CGST Act. So, in above mentioned cases:-

i. ECO shall not be liable to pay GST. Since aggregate turnover of hotel is more than threshold exemption and it is liable to take GST registration U/s 22 (1) of CGST Act. Thus, GST shall be payable by hotel under forward charge.
ii. Banquet renting service has not been notified, thus ECO shall not be liable to pay GST. Thus, GST shall be payable by hotel under forward charge.
iii. Restaurant service has not been notified, thus ECO shall not be liable to pay GST. Thus, GST shall be payable by hotel under forward charge.

Q34. Mr. A is a senior advocate in Calcutta High Court. During October 2018, he provides legal service to ABC associates (a firm of advocates in Mumbai) for a fee of Rs. 5,00,000. Turnover of ABC associates for preceding financial year is Rs. 36 lakh.

A. Legal services provided by senior advocate to a business entity is exempt if aggregate turnover in previous year of such business entity is upto Rs. 20 lakhs. In aforementioned case, the recipient advocate firm is a business entity with aggregate turnover exceeding Rs. 20 lakhs. Thus, services to such advocate firm is not exempt. GST shall be payable in given situation.

However, such service are subject to reverse charge where client of advocate firm shall be deemed to be the recipient of such service (he being the actual litigant/applicant/ petitioner) and hence, shall be liable to pay GST on services of senior advocate.

REPLACE NN 02/2019 DATED 7th MARCH 2019 WITH SECTION 10(2A) OF CGST ACT 2017. SEE AMENDMENTS LECTURES.

3 CHARGE OF GST

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

(a) M/s. Devlok, a registered dealer, is dealing in intra-State trading of electronic appliances in Jaipur (Rajasthan). It has turnover of ₹ 130 lakh in the preceding financial year. In the current financial year, it has also started providing repairing services of electronic appliances.

(b) M/s. Narayan & Sons, a registered dealer, is running a "KhanaKhazana" Restaurant near City Palace in Jaipur. It has turnover of ₹ 140 lakh in the preceding financial year. In the current financial year, it has also started dealing in intra-State trading of beverages in Jaipur (Rajasthan).

(c) M/s. Indra & Bro, a registered dealer, is providing restaurant services in Uttarakhand. It has turnover of ₹ 70 lakh in the preceding financial year. It has started providing intra-State interior designing services in the current financial year and discontinued rendering restaurant services.

(d) M/s. Him Naresh, a registered dealer, is exclusively providing intra-State architect services in Uttarakhand. It has turnover of ₹ 40 lakh in the preceding financial year.

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

(a) Manufacturer,

(b) Persons engaged in making supplies referred to in clause (b) of paragraph 6 of Schedule II (restaurant services), and

(c) Any other supplier eligible for composition levy.

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

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

Furthermore, an option of availing benefit of concessional payment of tax has been provided to a registered person whose aggregate turnover in the preceding financial year is upto₹ 50 lakh and who is not eligible to pay tax under composition scheme. Said person can pay tax @ 3% [*Effective rate 6% (CGST+ SGST/UTGST)]* on first supplies of goods and/or services up to an aggregate turnover of ₹ 50 lakh made on/after 1st April in any financial year (FY), subject to specified conditions vide *Notification No. 2/2019 CT (R) dated 07.03.2019 as amended*. One of such condition is that the registered person should not be engaged in making any inter-state outward taxable supplies.

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

(a) The turnover limit for composition scheme in case of Jaipur (Rajasthan) is ₹1.5 crore. Thus, M/s. Devlok can opt for composition scheme as its aggregate turnover is less than ₹1.5 crore and he is making intra-State supplies. Further, since the registered person opting for composition scheme can also supply services (other than restaurant services) for a value up to 10% of the turnover in the preceding year or ₹ 5 lakh, whichever is higher. Thus, M/s. Devlok can supply repair services up to a value of ₹13 lakh [10% of ₹130 lakh]in the current financial year.

(b) In the given case:-

(i) the turnover in the preceding year is less than the eligible turnover limit, i.e. ₹ 1.5 crore.

(ii) the supplier is engaged in providing restaurant service which is an eligible supply under composition scheme.

(iii) the supplier wants to engage in trading of goods which is also an eligible supply under composition scheme.

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

(c) The turnover limit for composition scheme in case of Uttarakhand is ₹ 75 lakh. Further, a registered person who is exclusively engaged in supplying services other than restaurant services are not eligible for composition scheme. Thus, M/s. Indra& Bro cannot opt for composition scheme.

Further, the benefit of concessional tax payment under *Notification No. 2/2019 CT (R) dated 07.03.2019* is available in case of a registered person whose aggregate turnover in the preceding financial year does not exceed ₹ 50 lakh.

Thus, in view of the above-mentioned provisions, M/s. Indra& Bro cannot avail the benefit of concessional tax payment as its aggregate turnover in the preceding financial year is more than ₹ 50 lakh.

(d) An service provider can opt for the composition scheme only if he is engaged in supply of restaurant services. The composition scheme permits supply of marginal services for a specified value, but only when the same are supplied along with goods and/ or restaurant service.

Since M/s. Him Naresh is exclusively engaged in supply of services other than restaurant services, it is not eligible for composition scheme even though its turnover in the preceding year is less than ₹ 75 lakh, the eligible turnover limit for Uttarakhand.

However, since M/s. Him Naresh is not eligible to opt for composition scheme, its aggregate turnover in the preceding financial year does not exceed ₹ 50 lakh and it is exclusively engaged in supply of intra-State services other than restaurant services, M/s. Him Naresh is entitled to avail benefit of concessional payment of tax under *Notification No. 2/2019 CT (R) dated 07.03.2019.*

2. B & D Company, a partnership firm, in Nagpur, Maharashtra is a wholesaler of a taxable product 'P' and an exempt product 'Q'. The firm supplies these products only in the eastern part of Maharashtra.

All the procurements (both goods and services) of the firm are from the suppliers registered under regular scheme in the State of Maharashtra. The firm pays tax under composition scheme.

B & D Company has furnished the following details with respect to its turnover (exclusive of taxes) and stock (exclusive of taxes):

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

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

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

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

Bill No.	Date	Value of products (exclusive of taxes)		
		'P' (₹)	'Q' (₹)	Total (₹)
2306	01.10.20XX	2,00,000	3,000	2,03,000
2307	01.10.20XX	1,36,000	2,250	1,38,250

2308	02.10.20XX	67000	39,250	1,06,250
2309	03.10.20XX	58,750	33,750	92,500
2310	05.10.20XX	1,00,000	-	1,00,000
2311	06.10.20XX	94,000	6,000	1,00,000
2312	06.10.20XX	-	17,000	17,000
2313	08.10.20XX	50,000	6,000	56,000
2314	09.10.20XX	60,000	9,000	69,000
2315	....	....	....	....
....	....	....	....	....

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

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

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

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

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

As per section 10(3) of the CGST Act, 2017 read with *Notification No.14/2019 CT dated 07.03.2019* as amended, the option availed of by a registered person to pay tax under composition scheme shall lapse with effect from the day on which his aggregate turnover during a financial year exceeds ₹ 1.5 crore [₹ 75 lakh in case of Special Category States except Assam, Himachal Pradesh and Jammu and Kashmir].

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

In the given case, the firm is registered under the composition scheme in the State of Maharashtra. The aggregate turnover of the firm exceeds ₹ 1.5 crore on 03.10.20XX [aggregate of both taxable and exempt turnover from 01.04.20XX to 03.10.20XX, i.e. ₹ 1,50,05,000 (₹ 1,44,65,000 + ₹ 2,03,000 + ₹ 1,38,250 + ₹ 1,06,250 + ₹92,500)]

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

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

Output tax liability of B & D Company under composition scheme

During the period when the firm pays tax under composition scheme, i.e. from 01.04.20XX to 02.10.20XX, tax will be payable on quarterly basis and no ITC will be available [Section 10(4) read with sub-sections (2) and (7) of section 39 of the CGST Act, 2017]. Further, since the firm is trading in goods, tax will be payable @ ½% [Effective rate - 1% (½% CGST + ½% SGST)] of the turnover of **taxable** supplies of goods and services (i.e. 'P') in the State [Section 10(1) read with rule 7 of CGST Rues, 2017].

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

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

Total SGST [B1 + B2]	31,500	26,500	2015
Total CGST liability for the period from 01.04.20XX to 02.10.20XX	60,015 [31,500 + 26,500 + 2015]		
Total SGST liability for the period from 01.04.20XX to 02.10.20XX	60,015 [31,500 + 26,500 + 2015]		

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

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

The company has provided the following data relating to transportation of biscuits and flour in the month of April 20XX:

- **For sales within the NCR region (₹ 20,00,000), the company arranged a local mini-van belonging to an individual and paid him ₹ 54,000.**
- **For sales to locations in distant States (₹ 1,78,00,000), the company booked the goods by Indian Railways and paid rail freight of ₹ 3,17,000.**
- **For sales to locations in neighbouring States (₹ 55,00,000), the company booked the goods by road carriers (GTAs) and paid road freight of ₹ 3,73,000. Out of the total sales to neighbouring States, goods worth ₹ 10,00,000 were booked through a GTA which paid tax @ 12%. Freight of ₹ 73,000 was paid to such GTA.**

- **For purchase of flour from Madhya Pradesh (₹ 25,00,000), the company booked the goods by a GTA and paid road freight of ₹ 55,000.**
- **For purchase of butter from Punjab (₹ 15,00,000), the company booked the goods by a GTA and paid road freight of ₹ 35,000.**
- **For local purchase of baking powder, the company booked the goods by a GTA in a single carriage and paid road freight of ₹ 1,500.**
- **For transferring the biscuits (open market value - ₹ 4,00,000) to one of its sister concern in Rajasthan, the company booked the goods by a GTA and paid road freight of ₹ 40,000.**

(i) Based on the particulars given above, compute the GST payable on the amount paid for transportation by XYZ Ltd. when it avails the services of different transporters.

(ii) Compute the GST charged on transportation cost billed by the company to its customers.

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

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

Particulars	Freight [₹]	GST payable [₹]
Transportation of biscuits in a local mini van belonging to an individual [Only the transportation of goods by road by a GTA is liable to GST. Therefore, transportation of goods by road otherwise than by a GTA is exempt from GST – *Notification No. 12/2017 CT (R) & 9/2017 IT (R) both dated*	54,000	Nil

28.06.2017.]		
Transportation of biscuits by Indian Railways	3,17,000	15,850
Transportation of biscuits by GTA [GST is payable by XYZ Ltd. under reverse charge in terms of section 5(3) of the IGST Act, 2017 read with *Notification No. 10/2017 IT (R) dated 28.06.2017.*]	3,00,000	15,000
Transportation of biscuits by GTA @ 12% [When the GTA pays tax @ 12%, tax is payable by the GTA under forward charge and not by the recipient under reverse charge - *Notification No. 10/2017 IT (R) dated 28.06.2017.*]	73,000	8,760
Transportation of flour by GTA [Services provided by GTA by way of transport (in a goods carriage) of, *inter alia,* flour are exempt from GST vide *Notification No. 9/2017 IT (R) dated 28.06.2017.*]	55,000	Nil
Transportation of butter by GTA [Though services provided by GTA by way of transport (in a goods carriage) of, *inter alia,* milk is exempt from GST vide *Notification No. 9/2017 IT (R) dated 28.06.2017,* road transport of butter will not be exempted as butter is milk product and not milk. GST is payable by XYZ Ltd. under reverse charge in terms of section 5(3) of the IGST Act, 2017 read with	35,000	1,750

Notification No. 10/2017 IT (R) dated 28.06.2017.]		
Transportation of baking powder by GTA [Services provided by a GTA by way of transport in a goods carriage of goods, where consideration charged for the transportation of goods on a consignment transported in a single carriage does not exceed ₹ 1,500, are exempt from GST vide *Notification No. 9/2017 IT (R) dated 28.06.2017.*]	1,500	Nil
Transportation of biscuits by GTA to sister concern [GST is payable by XYZ Ltd. under reverse charge in terms of section 5(3) of the IGST Act, 2017 read with *Notification No. 10/2017 IT (R) dated 28.06.2017.*]	40,000	2,000
Total tax payable by XYZ Ltd. on availing services of different transporters		43,360

(ii) Computation of GST charged on transportation cost billed by XYZ Ltd. to its customers

Since XYZ Ltd. is supplying biscuits on FOR basis, the service of transportation of biscuits gets bundled with the supply of biscuits. Thus, the supply of biscuits and transportation service is a composite supply, chargeable to tax at the rate applicable to the principal supply (biscuits) i.e.,12% [Section 8(a) of the CGST Act, 2017 read with the definition of 'composite supply' under section 2(30) of the CGST Act, 2017 and 'principal supply' under section 2(90) of the CGST Act, 2017].

Particulars	Freight paid [₹] [A]	GST paid on freight [₹] [B]	Freight billed (with mark-up @ 2% on [A] + [B]) [₹]	GST charged @ 12% [₹]
Transportation of biscuits in a local minivan belonging to an individual	54,000	-	55,080	6,610
Transportation of biscuits by Indian Railways	3,17,000	15,850	3,39,507	40,741
Transportation of biscuits by GTA	3,00,000	15,000	3,21,300	38,556
Transportation of biscuits by GTA @ 12%	73,000	8,760	83,395	10,007
Total tax charged by XYZ Ltd. on transportation cost billed to the customers*				95,914

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

4 Shubhlaxmi Foods is engaged in supplying restaurant service in Maharashtra. In the preceding financial year, it has a turnover of ₹ 140 lakh from the restaurant service. You are required to advise Shubhlaxmi Foods whether it is eligible for composition scheme in the current year assuming that in the current financial year, his turnover is expected to be ₹ 130 lakh from supply of restaurant services and ₹ 10 lakh from the supply of farm labour in said State. Further, it also expects to earn bank interest of ₹ 20 lakh from the fixed deposits.

Also compute the estimated tax payable by Shubhlaxmi Foods in the current FY.

As per section 10(1) of the CGST Act, 2017 read with *Notification No. 14/2019 CT dated 7.03.2019*, a registered person, whose aggregate turnover in the preceding financial year did not exceed ₹ 1.5 crore, may opt to pay, in lieu of the tax payable by him, an amount calculated at the specified rates if, *inter alia*, he is not engaged in the supply of services other than restaurant services.

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

It is important to note that the exempt services are included in the definition of aggregate turnover [Section 2(6) of the CGST Act, 2017]. However, *Order No. 01/2019 CT dated 01.02.2019* has been issued to clarify that the value of supply of exempt services by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount, shall not be taken into account –

(i) for determining the eligibility for composition scheme under second proviso to section 10(1) i.e. supplying services of value not exceeding 10% of the turnover in the preceding financial year in a State or ₹ 5 lakh, whichever is higher;

(ii) in computing aggregate turnover in order to determine eligibility for composition scheme.

Thus, exempt services shall also be considered for determining the eligibility for composition scheme under second proviso to section 10(1) and in computing aggregate turnover in order to determine eligibility for composition scheme. The only exception is interest received from deposits, loans etc.

In the given case, the aggregate turnover of Shubhlaxmi Foods from restaurant services in the preceding FY is ₹ 140 lakh. Therefore, it is eligible to opt for composition scheme in the current FY.

Further, apart from restaurant services, it can provide services upto ₹ 14 lakh [i.e. 10% of ₹ 140 lakh or ₹ 5 lakh, whichever is higher], in the current

FY. As already seen, bank interest of ₹ 20 lakh from fixed deposits will not be considered while determining this limit.

Further, Shubhlaxmi Foods is expected to provide the exempt services of supply of farm labour worth ₹ 10 lakh in current financial year. Thus, turnover of supply of farm labour [₹ 10 lakh] alongwith the turnover of restaurant services [₹ 130 lakh] will be eligible for composition scheme, in the current financial year.

Tax rate applicable for restaurant services under composition scheme is 5% [2.5% CGST and 2.5% SGST]. Estimated tax payable by Shubhlaxmi Foods is as under:

= ₹ 140 lakh [₹ 130 lakh + ₹ 10 lakh] × 5%

= ₹ 7 lakh [CGST = ₹ 3.5 lakh and SGST = ₹ 3.5 lakh]

5 Bansal and Chandiok started a partnership firm of Chartered Accountants in Jaipur (Rajasthan) on 1.04.20XX. The firm specializes in providing audit services to banks, in Rajasthan. It provided the following details of its turnover:

Quarter	Amount (in ₹)
Apr-Jun	10 lakh
Jul-Sep	20 lakh

It crossed the threshold limit of ₹ 20 lakh on 1.08.20XX. Bansal and Chandiok wishes to opt to pay tax at concessional rate under *Notification No. 2/2019 CT (R) dated 07.03.2019*. Examine whether the firm is eligible for this scheme? If yes, then determine the tax payable by it in quarters (i) Apr-Jun & (ii) Jul-Sep?

Notification No. 2/2019 CT (R) dated 07.03.2019 provides an option to a registered person whose aggregate turnover in the preceding financial year is upto ₹ 50 lakh and who is not eligible to pay tax under composition scheme, to pay tax @ 6% [CGST @ 3% and SGST @ 3%] on first supplies of goods and/or services upto an aggregate turnover of ₹ 50 lakh made on or after 1st April in any financial year, subject to specified conditions.

Further, for the purposes of this notification, the expression "first supplies of goods or services or both" shall, for the purposes of determining eligibility of a person to pay tax under this notification, include the supplies from the first day of April of a financial year to the date from which he becomes liable for registration under the said Act but for the purpose of determination of tax payable under this notification shall not include the supplies from the first day of April of a financial year to the date from which he becomes liable for registration under the Act.

In the given case, Bansal and Chandiok Firm is eligible to opt for the scheme to pay tax at concessional rate since his turnover in the preceding financial year was nil and he is not eligible to opt for composition scheme since he is dealing exclusively in services other than restaurant services.

Tax payable by the firm is as follows:

(i) Apr-Jun quarter: Tax payable by the firm in first quarter is nil since the firm's turnover [₹ 10 lakh] has not yet exceeded the threshold limit of ₹ 50 lakh.

(ii) July-Sep quarter: While computing the tax payable by the firm in second quarter, the turnover from 01.04.20XX to the date from which he becomes liable for registration under the Act is to be excluded. Tax payable will be computed as under-

Total Turnover	₹ 30,00,000/-
Less: Threshold Limit for registration	₹ 20,00,000/-
Taxable Turnover	₹ 10,00,000/-
Tax @ 6%	₹ 60,000/-*

*CGST = ₹ 30,000 and SGST = ₹ 30,000

6 Mr. Prem is running a restaurant in New Delhi. In the preceding financial year, it has turnover of ₹ 120 lakh from the restaurant services. In the current financial year, apart from restaurant service, he also wants to provide food delivery services to other restaurants. He estimated the turnover of such services upto Rs. 5 lakh.

Mr. Prem wishes to opt for composition scheme in the current financial year. You are required to advise him for same. Further, also advise the documents to be issued by him for billing the restaurant services as well as food delivery services in case he opts for composition scheme.

As per section 10(1) of the CGST Act, 2017 read with *Notification No.14/2019 CT dated 07.03.2019*, a registered person, whose aggregate turnover in the preceding financial year did not exceed ₹ 1.5 crore, may opt to pay, in lieu of the tax payable by him, an amount calculated at the specified rates if, inter alia, he is not engaged in the supply of services other than restaurant services.

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

In the present case, since the turnover of Mr. Prem is ₹ 120 lakh in preceding financial year, he is eligible for composition scheme in the current financial year. Further, in the current financial year, he can also supply services other than restaurant services for a value upto ₹ 12 lakh (10% of ₹ 120 lakh) or ₹ 5 lakh, whichever is higher. Thus, till the time his turnover from food delivery services does not exceed ₹ 12 lakh, he is eligible for the scheme.

In terms of section 31(3)(c) of the CGST Act, 2017, Mr. Prem is required to issue Bill of Supply in both the cases i.e. while providing restaurant services and food delivery services. He shall also mention the words "composition taxable person, not eligible to collect tax on supplies" at the top of the bill of supply issued by him.

7 M/s Heeralal and Sons registered in Karnataka has opted to avail the benefit of composition scheme. It has furnished the following details for the tax period ended on 30-06-20XX.

S. No.	Items	₹
(i)	Taxable turnover of goods within the State	15,00,000
(ii)	Exempted turnover of goods within the State	17,00,000
	Total Turnover	32,00,000

Using the above information, calculate tax to be paid by the firm for the tax period ended on 30.06.20XX in following independent situations:

(i) M/s Heeralal and Sons is a manufacturer

(ii) M/s Heeralal and Sons is a trader

Computation of amount payable under composition scheme

(i) If M/s Heeralal and Sons is a manufacturer:

Tax is to be paid @ 1% (CGST+ SGST) of the turnover in the State as under:

1% of ₹ 32,00,000 [₹ 15,00,000 + 17,00,000]

= ₹ 32,000 [CGST = ₹ 16,000 and SGST = ₹ 16,000]

(ii) If M/s Heeralal and Sons is a trader:

Tax is to be paid @ 1% (CGST+ SGST) of the turnover of taxable supplies of goods and services in the State as under:

= 1% of ₹ 15,00,000

= ₹ 15,000 [CGST = ₹ 7,500 and SGST = ₹ 7,500]

8 Mr. Sanjay of New Delhi made a request for a Motor cab to "Super ride" for travelling from New Delhi to Gurgaon (Haryana). After Mr. Sanjay pays the cab charges using his debit card, he gets details of the driver Mr. Jorawar Singh and the cab's registration number.

"Super ride" is a mobile application owned and managed by D.T. Ltd. located in India. The application "Super ride" facilitates a potential customer to connect with the persons providing cab service under the brand name of "Super ride".

D.T. Ltd. claims that cab service is provided by Mr. Jorawar Singh and hence, he is liable to pay GST. With reference to the provisions of IGST Act, 2017, determine who is liable to pay GST in this case?

Would your answer be different, if D.T. Ltd. is located in New York (USA)? Also briefly state the statutory provisions involved.

Section 5 of IGST Act, 2017 provides that tax on inter-State supplies of specified services notified by Government shall be paid by the electronic commerce operator (ECO) located in taxable territory if such services are supplied through it. Services by way of transportation of passengers by a motor cab supplied through ECO is one of the notified service.

Electronic commerce operator means any person who owns, operates or manages digital or electronic facility or platform for supply of goods or services or both, including digital products over digital or electronic network.

Since DT Ltd. owns and manages a mobile application to facilitate supply of passenger transportation service in motor cabs over a digital network, it is an ECO. Thus, DT Ltd., an ECO located in India is liable to pay GST in the given case.

However, where an ECO does not have a physical presence in the taxable territory, person representing ECO is liable to pay tax. Further, where ECO has neither the physical presence nor any representative in the taxable territory, person appointed by the ECO for the purpose of paying the tax is liable to pay tax.

Accordingly, if D.T. Ltd. is located in New York (USA), any person representing DT Ltd. for any purpose in India is liable to pay tax.

Further, if D.T. Ltd. also does not have a representative in India, it shall appoint a person in India for the purpose of paying tax and such person shall be liable to pay tax.

9. MN Ltd. has two registered places of business in the State of Haryana. Its aggregate turnover during the previous financial year for both the places of business was ₹ 62 lakh. It wishes to opt for composition levy for one of the place of business in the current year and wants to continue with registration and pay taxes at the normal rate for the other place of business. Can MN Ltd. do so? Explain with reason.

As per proviso to section 10(2) of the CGST Act, 2017, where more than one registered persons are having the same PAN issued under the Income-tax Act, 1961, the registered person shall not be eligible to opt for the composition scheme unless all such registered persons opt to pay tax under composition scheme.

In the given case, since MN Ltd. has two places of business (they are not separate entities under Income-tax Act, 1961), they would be registered under the same PAN. Therefore, MN Ltd. cannot opt for composition levy for only one of the places of business and pay tax under regular scheme for other place of business.

10 M/s. Ranveer Industries, registered in Himachal Pradesh, is engaged in making inter-State supplies of readymade garments. The aggregate turnover of M/s. Ranveer Industries in the preceding financial year is ₹ 90 lakh. It has opted for composition levy in the current financial year and paid tax for the July-Sep quarter of current year under composition levy.

The proper officer has levied penalty for wrongly availing the scheme on M/s. Ranveer Industries in addition to the tax payable by it.

Examine the validity of the action taken by proper officer.

As per section 10 of the CGST Act, 2017, a registered person, whose aggregate turnover in the preceding financial year did not exceed ₹ 1.5 crore in a State/UT [₹ 75 lakh in case of Special Category States except Assam, Himachal Pradesh and Jammu and Kashmir], may opt for composition scheme.

However, he shall not be eligible to opt for composition scheme if, *inter alia*, he is engaged in making any inter-State outward supplies of goods.

In the given case, since M/s Ranveer Industries is engaged in making inter-State supplies of readymade garments, it is not eligible to opt for composition scheme in current year irrespective of its turnover in the preceding FY.

Further, if the proper officer has reasons to believe that a taxable person has paid tax under composition scheme despite not being eligible, such person shall, in addition to any tax payable, be liable to a penalty.

Thus, the action taken by the proper officer of levying the penalty for wrongly availing the composition scheme is valid in law.

This chapter includes GST Main Book 22 Q & A

Chapter 4: - Exemptions from GST

ICAI's Test Your Knowledge

Q1. An individual acts as a referee in a football match organized by Sports Authority of India. He has also acted as a referee in another charity football match organized by a local sports club, in lieu of a lump sum payment. Discuss whether he is required to pay any GST?

A. Services provided to a recognized sports body by an individual inter alia as a referee in a sporting event organized by a recognized sports body is exempt from GST.
Since in the first case, the football match is organized by Sports Authority of India, which is a recognized sports body, services provided by the individual as a referee in such football match will be exempt.
However, when he acts as a referee in a charity football match organized by a local sports club, he would not be entitled to afore-mentioned exemption as a local sports club is not a recognized sports body and thus, GST will be payable in this case.

Q2. RXL Pvt. Ltd. manufactures beauty soap with the brand name 'Forever Young'. RXL Pvt. Ltd. has organized a concert to promote its brand. Ms. Ahana Kapoor, its brand ambassador, who is a leading film actress, has given a classical dance performance in the said concert. The proceeds of the concert worth Rs. 1,20,000 will be donated to a charitable organization.
Whether Ms. Ahana Kapoor will be required to pay any GST?

A. Services by an artist by way of a performance in folk or classical art forms of (i) music, or (ii) dance, or (iii) theatre are exempt from GST, if the consideration charged for such performance is not more than Rs. 1,50,000. However, such exemption is not available in respect of service provided by such artist as a brand ambassador.
Since Ms. Ahana Kapoor is the brand ambassador of 'Forever Young' soap manufactured by RXL Pvt. Ltd., the services rendered by her by way of a classical dance performance in the concert organized by RXL Pvt. Ltd. to promote its brand will not be eligible for the above-mentioned exemption and thus, be liable to GST. The fact that the proceeds of the concert will be donated to a charitable organization will not have any bearing on the eligibility or otherwise to the above-mentioned exemption.

Q3. Determine taxable value of supply under GST law with respect to each of the following independent services provided by the registered persons:

Particulars	Gross amount charged (Rs.)
Fees charged for yoga camp conducted by a charitable trust registered under section 12 AA of Income Tax Act,1962	50,000
Amount charged by business correspondent for the services provided to the rural branch of a bank with respect to Savings Bank Accounts	1,00,000
Amount charged by cord blood bank for preservation of stem cells	5,00,000
Amount charged for service provided by commentator to a recognized sports body	5,20,000

A. Computation of value of taxable supply

Particulars	Rs.
Fees charged for yoga camp conducted by a charitable trust (Note 1)	Nil
Amount charged by business correspondent for the services provided to the rural branch of a bank with respect to Savings Bank Accounts (Note 2)	Nil
Amount charged by cord blood bank for preservation of stem cells (Note 3)	Nil
Service provided by commentator to a recognized sports body (Note 4)	5,20,000

Notes:

1. Services by an entity registered under section 12AA of the Income-tax Act, 1961 by way of charitable activities are exempt from GST. The activities relating to advancement of yoga are included in the definition of charitable activities. So, such activities are exempt from GST.
2. Services by business facilitator or a business correspondent to a banking company with respect to accounts in its rural area branch have been exempted from GST.
3. Services provided by cord blood banks by way of preservation of stem cells or any other service in relation to such preservation are exempt from GST.
4. Services provided to a recognized sports body only by an individual as a player, referee, umpire, coach or team manager for participation in a sporting event organized by a recognized sports body are exempt from GST. Thus, services provided by commentators are liable to GST.

Q4. Examine whether GST is exempted on the following independent supplies of services:

(i) Service provided by a private transport operator to Scholar Boys Higher Secondary School in relation to transportation of students to and from the school.

(ii) Services provided by way of vehicle parking to general public in a shopping mall.

A.

(i) Yes. Services provided to an educational institution by way of transportation of students are exempted from GST.

(ii) No. Services provided by way of vehicle parking to general public are not exempted from GST. Therefore, GST is payable on the same.

Q5. Discuss whether GST is payable in respect of transportation services provided by Raghav Goods Transport Agency in each of the following independent cases:

Customer	Nature of services provided	Amount charged
A	Transportation of milk	Rs. 20,000
B	Transportation of books on a consignment transported in a single goods carriage	Rs. 3,000
C	Transportation of chairs for a single consignee in the goods carriage	Rs. 600

A.

Customer	Nature of services provided	Amount charged	Taxability
A	Transportation of milk	Rs. 20,000	Exempt. Transportation of milk by goods transport agency is exempt.
B	Transportation of books on a consignment transported in a single goods carriage	Rs. 3,000	GST is payable. Exemption is available for transportation of goods only where the consideration for transportation of goods on a consignment transported in a single goods carriage does not exceed Rs.1,500.
C	Transportation of chairs for a single consignee in the goods carriage	Rs. 600	Exempt. Transportation of goods where consideration for transportation of all goods for a single consignee does not exceed Rs.750 is exempt.

GST Main Book's Questions

Q1. With reference to the CGST Act, 2017, discuss the following activities relating to a bank?

a. Bank Extended housing loan of Rs. 50 Lacs to Mr. Namit.

b. Bank received processing fees of Rs. 50,000 from Mr. Namit.

c. Bank received Rs. 2 Lacs interest from Mr. Namit.

A. In accordance with the provisions of CGST Act, 2017 the taxability of activities is: -

a. The same is transaction in money, therefore not regarded as service as per Sec 2(102) of CGST Act, 2017.

b. The loan processing fees received by bank will be liable for GST.

c. Rs. 2 Lacs received as interest on loan won't be liable for GST as the same is exempt vide Sr. No. 27 of Notification No. 12/2017- CT (Rate).

Q2. State with reasons whether the following are liable to GST?

a. Services by way of training or coaching in recreational activities relating to arts, culture or sports.

b. Services provided by a player to a franchisee which is not a recognized sports body.

c. Pre-school education and education up to higher secondary school or equivalent.

d. Services by a veterinary clinic in relation to health care of animals or birds.

e. Services by way of public conveniences such as provision of facilities of washrooms.

A. The liability as well as reason: -

a. Services by way of training or coaching in recreational activities relating to arts, culture or sports are exempt as it is specifically exempt vide Sr. No. 80 of Notification No. 12/2017-CT (Rate)..

b. Service of a player to a franchisee which is not a recognized sports body is taxable as it doesn't get covered under Sr. No. 68 of Notification No. 12/2017-CT (Rate).

c. Pre-School education and education up to higher secondary school or equivalent is not liable to GST as it is specifically exempt under Sr. No. 66 of Notification No. 12/2017-CT (Rate).
d. Services by a veterinary clinic in relation to health care of animals or birds is not liable to GST as it is specifically exempt vide Sr. No. 46 of Notification No. 12/2017- CT (Rate).
e. Services by way of public conveniences such as provision of facilities of washrooms are not liable to GST as it is specifically exempt vide Sr. No. 76 of Notification No. 12/2017-CT (Rate).

Q3. Please comment whether below instances are subject to tax or no?

a. Services of transportation of passenger by vessels in National waterways.
b. Services of transportation of passenger by AC Stage carrier.
c. Services of transportation of non AC Stage carrier.
d. Services of transportation of passengers by contract carriage for tourism.
e. Services of transportation of passenger Kolkata to Chennai in a vessel and such service is not for tourism purpose.
f. Services of transportation of passengers in Non-AC contract carriages.
g. Services of transportation of passengers in AC contract Carriages.

A. Our comments: -

a. This is exempt under Sr. No. 17 of Notification No. 12/2017-CT (Rate).
b. This is liable to GST.
c. This is exempt under Sr. No. 15 of Notification No. 12/2017-CT (Rate).
d. This is liable to GST.
e. This is exempt under Sr. No. 17 of Notification No. 12/2017-CT (Rate).
f. This is exempt under Sr. No. 15 of Notification No. 12/2017-CT (Rate).
g. This is liable to GST.

Q4. Please comment whether below instances are subject to tax or no?

a. Transportation of postal mails and postal bags via rail.
b. Transportation of household effects via rail.
c. Transportation of petroleum products via rail.
d. Transportation of relief material to flood affected areas, transport of defense & military equipment & transport of organic manure via rail.
e. Transportation of newspapers and milk via rail.
f. Transportation of tea & sugar via rail.
g. Transportation of fruits via Goods Transport Agency.
i. Freight charges collected for transporting small consignment for persons who paid less than Rs. 750 for each consignment.
j. Freight charges collected for transporting goods in small vehicle for persons who paid less than Rs. 1500 for each trip.

A. Our comments: -

a. This is liable to GST.
b. This is liable to GST.
c. This is liable to GST.
d. This is exempt under Sr. No. 20 of Notification No. 12/2017-CT (Rate).
e. This is exempt under Sr. No. 20 of Notification No. 12/2017-CT (Rate).
f. This is liable to GST.
g. This is exempt under Sr. No. 21 of Notification No. 12/2017-CT (Rate).
i. This is exempt under Sr. No. 21 of Notification No. 12/2017-CT (Rate).
j. This is exempt under Sr. No. 21 of Notification No. 12/2017-CT (Rate).

Q5. Please comment whether below instances are subject to tax or no?

a. Renting of immovable property to higher secondary school.
b. Transportation services provided to students of higher secondary school.
c. Outdoor catering services provided to educational institutions running approved vocational courses.
d. Security services provided to Pre-Nursery School.
e. Housekeeping and cleaning services in college providing recognized graduation degree.
f. Conducting of examination of ICAI.
g. Development of course content of ICAI.
h. Training of Staff of Higher Secondary School.

A. Our comments: -

a. This is liable to GST.
b. This is exempt under Sr. No. 66 of Notification No. 12/2017-CT (Rate).
c. This is liable to GST.
d. This is exempt under Sr. No. 66 of Notification No. 12/2017-CT (Rate).
e. This is liable to GST.
f. This is exempt under Sr. No. 66 of Notification No. 12/2017-CT (Rate).
g. This is liable to GST.
h. This is liable to GST.

Q6. Please comment whether below instances are subject to tax or no?

a. Monthly subscription Rs. 7,501 collected by Resident Welfare Association from member families.
b. Electricity charges levied by State Electricity Board collected by Resident Welfare Association and deposited with Electricity Board.
c. Common area electricity charges collected by Resident Welfare Association..
d. Rs. 100 collected for entertainment program organized by Resident Welfare Association
e. Other Services to non-members.

A. Our comments: -

a. If per month per member contribution of any or some members of Resident Welfare Associations is higher than Rs. 7,500, then entire amount is subject to GST (>7,500, paying members).
b. This is pure agency services so not subject to GST.
c. This isn't pure agency contract since common are charges would be in the name of Resident Welfare Association so it is subject to tax.
d. This is exempt under Sr. No. 81 of Notification No. 12/2017-CT (Rate) -Lesser then Rs. 500.
e. This is liable to GST.

Q7. With reference to the provisions of CGST Act, 2017 examine whether GST is leviable in the following situations?

a. Government of Rajasthan has provided services to ABC Ltd. of Rajasthan in the month of Nov'17 for a consideration of Rs. 1,00,000. The Turnover of ABC Ltd. in FY 16-17 is 11 Lacs.
b. Government of Rajasthan has provided services to ABC Ltd. in the month of Oct'17 for a consideration of Rs. 5,000. The turnover of ABC Ltd in FY 16-17 was Rs. 25 Lacs.
c. Jaipur Municipal corporation has awarded a contract for construction of road to ABC Ltd. failed to perform the contract and paid liquidated damages amounting Rs. 50 Lacs in accordance with the terms of contract.
d. ABC Ltd. has applied for registration under Companies Act, 2013 to ROC, Rajasthan and has paid registration charge of Rs. 10 Lacs.
e. Delhi Government has charged Rs. 40 Lacs from ABC Ltd. for allocation of natural resources for agricultural purposes in the month of Nov'17.

f. ABC Ltd. has paid to customs department Rs. 1 Lac on account Merchant Overtime Charges for deputing officers after office hours or on holidays for inspection or container stuffing or such other duties in relation to import export cargo.
g. ABC Ltd. has made an upfront payment of Rs. 1 crore to Rajasthan Government on account of assignment of right to use minerals in the State of Bihar.

A. Our comments: -

a. Services provided by the Central Government, State Government, Union Territory or local authority to a business entity with an aggregate turnover of upto Rs. 20 Lacs in the preceding financial year are exempt vide Sr. No. 7 Notification No. 12/2017-CT (Rate).
b. Services provided by Central Government, State Government, Union Territory or a local authority where the consideration for such services doesn't exceed Rs. 5,000 are exempt vide Sr. No. 9 of Notification No. 12/2017 CT (Rate).
c. Services provided by the Central Government, State Government, Union Territory or local authority of tolerating non-performance of a contract for which consideration in the form of fines or liquidated damages is payable to the Central Government, State Government, Union Territory or local authority under such contract are exempt vide Sr. No. 62 of Notification No. 12/2017-CT (Rate).
d. It is exempt vide Sr. No. 47 of Notification No. 12/2017.
e. Services by way of allocation of natural resources to an individual farmer for the purposes of agriculture have been exempted vide Sr. No. 63 of Notification No. 12/2017-CT (Rate). Such allocations/auctions to categories of persons other than individual farmers would be leviable to GST. Hence, ABC Ltd. will be liable to pay GST.
f. Services provided by the Central Government, State Government, Union Territory by way of deputing officers after office hours or on holiday for inspection or container stuffing or such other duties in relation to import export cargo on payment of Merchant Overtime charges are exempt from GST vide Sr. No. 65 of Notification No.. 12/2017 CT (Rate).
g. ABC Ltd. will be liable to pay GST on assignment of rights to use minerals in the State of Bihar.

Q8. State the difference between General & Special Exemption.

A.

General Exemption	Special Exemption
• It is given by Government in public interest by notification in official gazette • It is applicable to all members of a particular section • It is generally in public interest • Covered U/s 11 (1)	• It is given by Government in public interest by special order • It is applicable in each case i.e. applicable to that person to whom the order is given • It is given in exceptional nature i.e. charitable purpose, goods of strategic nature etc. It is also generally in public interest. • Covered U/s 11 (2)

Q9. Jain hostel trust registered U/s 12 AA of Income Tax Act 1961, provides hostel accommodation facility to students and charges Rs. 900 per day. Determine whether such service of accommodation is covered under the ambit of charitable activity and also its taxability in GST Act?

A. This is exempt. As per Circular No. 32/06/2018-GST, the aforesaid service doesn't fall within the ambit of charitable activities (Sr. No. 1 of Notification No. 12-2017-CT (R) Dated 28-06-2017). However, accommodation service in hostels including such services provided by trusts having "Value of Supply" below or equal to Rs. 1,000 per day is exempt under Sr. No. 14 of Notification No. 12-2017-CT (R) Dated 28-06-2017.

Q10. Siddhivinayak Charitable trust is a registered religious trust U/s 12 AA of Income Tax Act 1961. Discuss the treatment of following transaction under GST law:-

i. Deluxe room rent Rs. 900 per day & Super Deluxe room rent Rs. 1,000;
ii. Renting of small community hall for Rs. 9,000 per day & Renting of large community hall for Rs. 12,000
iii. Trust has rented shop for Rs. 15,000 p.m. to sell goods required for performing various religious ceremonies.
iv. Meditation Hall provided on rent for Rs. 100 per day.
v. Amount received for yoga camps organized for elderly people - Rs. 1,00,000.
vi. Amount received for activities relating to preservation of forests and wildlife – Rs. 50,000
vii. Payment made for services received from a service provider located in USA, for the purposes of providing 'charitable activities' – Rs. 5,00,000
viii. Amount received for advancement of educational programmes relating to abandoned, orphaned or homeless children – Rs. 1,00,000
ix. Renting of residential dwelling for use as a residence – Rent Rs. 25,000 p.m.
x. Renting of residential dwelling for commercial activity – Rent Rs. 50,000 p.m.
xi. Grant of tenancy rights in a residential dwelling for use as residential dwelling against tenancy premium of Rs. 10,00,000. What will be your answer if it is commercial dwelling?

A.

i. Deluxe room rent is exempt. Exemption is available for renting of rooms wherein the rent charged is less than Rs. 1,000 per day (Sr. No. 13 of Notification No. 12-2017-CT (R) Dated 28-06-2017).
Since Super Deluxe room rent is Rs. 1,000 per day, it is not exempt.
ii. Renting of small community hall for Rs. 9,000 per day is exempt. Exemption is available for renting of community halls wherein the rent charged is less than Rs. 10,000 per day (Sr. No. 13 of Notification No. 12-2017-CT (R) Dated 28-06-2017).
Since Renting of large community hall is more than Rs. 10,000 per day, it is not exempt.
iii. It is not exempt. Exemption is available to renting of shops wherein the rent charged is less than Rs. 10,000 p.m. (Sr. No. 13 of Notification No. 12-2017-CT (R) Dated 28-06-2017).
iv. It is exempt. Meditation hall falls under the purview of precincts of the religious place.
v. It is exempt vide Sr. No. 1 of Notification No. 12-2017-CT (R) Dated 28-06-2017
vi. It is exempt Sr. No. 1 of Notification No. 12-2017-CT (R) Dated 28-06-2017
vii. This is exempt. Service recipient is liable to pay GST in case of a taxable service provided by any person located in a non-taxable territory and received by any person located in the taxable territory. However, services received from a provider of service located in a non-taxable territory by an entity registered U/s 12 AA of the Income-Tax Act, 1961 for the purposes of providing charitable activities are exempt from vide Sr. No. 10 of Notification No. 9/2017-IT (R) Dated 28-06-2017.
viii. It is exempt Sr. No. 1 of Notification No. 12-2017-CT (R) Dated 28-06-2017
ix. It is exempt. Exemption is available for renting of residential dwelling for use as a residence vide Sr. No. 12 of Notification No. 12-2017-CT (R) Dated 28-06-2017).
x. It is not exempt since it is used for commercial activity. Only residential use is exempt.
xi. It is exempt vide Circular No. 44/18/2018 CGST Dated 02.05.2018. If it is commercial dwelling then it is not exempt.

Q11. Orchid Hotel provides the following information relating to their services for the month of January 2019:
The hotel has 50 rooms, out of which 30 rooms are Super Deluxe rooms with a declared tariff of Rs. 2,000 per day, 10 rooms are Deluxe rooms with a declared tariff of Rs. 1,200 per day, rest is Semi Deluxe with a declared tariff of Rs. 800 per day.
The hotel has practice of giving 25% discount on Super Deluxe & Deluxe room.
In January 2019 occupancy was 80%.
Please calculate value of taxable supply.

A.

Particulars	Amount (in INR)
Renting of Super Deluxe rooms {30 rooms * 31 days * Rs. 1,500 (after considering discount of 25% on Rs. 2,000)*80%}	11,16,000
Renting of Deluxe rooms. After discount room rent per day is Rs. 900. This is exempt vide Sr. No. 14 of Notification No. 12-2017-CT (R) Dated 28-06-2017. Services by a hotel, inn, guest house, club or campsite, by whatever name called, for residential or lodging purposes, having value of supply of a unit of accommodation below or equal to one thousand rupees per day or equivalent	NIL
Renting of Semi Deluxe rooms. The per day Room rent is Rs. 800 per day so it is exempt vide Sr. No. 14 of Notification No. 12-2017-CT (R) Dated 28-06-2017	NIL
Value of Taxable Supply for the month of January 2019	11,16,000

Q12. Discuss the treatment of following transaction under GST law:-

i. Mr. A, a sole proprietor has transferred all assets and liabilities of his business carried on under the name and style of ABC Interiors as a going concern to XYZ Limited.
ii. Mr. A, has provided labour services for construction of a community park to a Panchayat.
iii. The State Government has built a burial ground in a village from the funds received by Government from public.
iv. ABC Enterprise had turnover of Rs. 15 lakhs during FY 2017-2018. ABC enterprise has taken testing service from Central Government department.
v. ABC transit provides services of loading, unloading and transporting cargo which is imported by M/s XYZ Enterprises of Kathmandu to be shipped to Nepal.
vi. ABC Ltd. provides training for improvement of procedures in government companies and government bodies for which it receives grants for its functioning.
vii. ABC Enterprises provided labour services for construction of housing flats, under the Housing for All (Urban) Mission or Pradhan Mantri Awas Yojana.
viii. Mr. A gets his house constructed on a vacant land & Mr. Y gets modifications in a house.
ix. Amit runs a fair price shop and earns Rs. 1,00,000 as consideration received from government for sale of food grains during the month of January 2019.
x. Mr. A, a priest, charged Rs. 11,000 for services provided to Mr. B for conducting his marriage ceremony at Temple.
xi. ABC Pvt. Ltd. providing services of air transportation has received Rs. 1 crore as viability funding under regional connectivity scheme from Central government for operation of air travel services.
xii. Amit has transported wheat to APMC by road to another city.
xiii. George has a business in Germany and sent goods by aircraft to India. Goods are being cleared at customs stations in India. What is your view on transportation of goods by aircraft.
xiv. Vandana an owner of a motor vehicle gives his vehicle to a goods transport agency for hiring and transportation of goods.
xv. NHAI pays annuity to ABC Ltd, a concessionaire who constructed the road.

xvi. IRDA Charged Rs. 1,00,000/- from ICICI General Insurance (Insurer) in lieu of grant of registration certificate.

xvii. SEBI Charged Rs. 5,00,000/- as a regulatory fee from ABC Co. (Stock Exchange).

xviii. Rohit an organizer has provided services related to business exhibition in Australia.

xix. Krishna a farmer provides services relating to cultivation of seeds.

xx. Vijay deals in services by way of pre-conditioning and pre-cooling of fruits and vegetables for refrigerated transport.

xxi. Government of India recovers Rs. 25 Crores as damages for not completing construction of a flyover within the time specified in the contract from the Jaguar Limited.

xxii. Central Government has provided services in relation to import export cargo on payment of Merchant Overtime charges.

xxiii. PVR cinemas charges Rs. 200. per person as admission charges for exhibition of cinematographic films. What will be your answer if ABC circus charges Rs. 200 per person as admission charges for circus show.

xxiv. Columbia Hospital charged Mr. A who availed in-patients service Rs. 1,00,000 towards treatment including room rent and in patient food. They paid Rs. 40,000 to Doctor towards his professional fees. Whether both are subject to GST?

xxv. Columbia Hospital has outsourced catering to Sodexo. Sodexo provides catering service to patient who admitted in Columbia Hospital according to Dietician suggestion & also serve food to visitor & patient's relative. Sodexo bill Columbia Hospital for in-patient food services & collect directly from others.

A.

i. This sale is exempt vide S. No. 2 of Exemption Notification No. 12/2017-Central Tax (Rate).

ii. This service is exempt vide S. No. 3 of Exemption Notification No. 12/2017-Central Tax (Rate).

iii. This service is exempt vide S. No. 4 of Exemption Notification No. 12/2017-Central Tax (Rate).

iv. The supply of services by government are exempt vide S. No. 7 of Exemption Notification No. 12/2017-Central Tax (Rate) and no GST is payable on such services by ABC Enterprise on reverse charge.

v. This is exempt vide S. No. 9B of Exemption Notification No. 12/2017-Central Tax (Rate).

vi. This is exempt vide S. No. 9C of Exemption Notification No. 12/2017-Central Tax (Rate).

vii. It is exempt vide S. No. 10 of Exemption Notification No. 12/2017-Central Tax (Rate).

viii. This is exempt. Mr. A gets his house constructed on a vacant land, such construction would qualify as Original work vide S. No. 11 of Exemption Notification No. 12/2017-Central Tax (Rate). However, Mr. Y modifications would not qualify as Original works. So it is taxable.

ix. Such consideration is exempt from GST vide S. No. 11A of Exemption Notification No. 12/2017-Central Tax (Rate) as amended by Notification No. 21/2017-Central Tax (Rate) and 47/2017-Central Tax (Rate).

x. Service by any person by way of conduct of any religious ceremony would be exempt from GST vide S. No. 13 of Exemption Notification No. 12/2017-Central Tax (Rate).

xi. This is exempt vide S. No. 16 of Exemption Notification No. 12/2017-Central Tax (Rate).

xii. It is exempt from tax vide S. No. 18 of Exemption Notification No. 12/2017-Central Tax (Rate).

xiii. Such transportation services shall be exempt vide S. No. 19 of Exemption Notification No. 12/2017-Central Tax (Rate).

xiv. Such services shall be considered as exempt services vide S. No. 22 of Exemption Notification No. 12/2017-Central Tax (Rate).

xv. This would be exempt from GST vide S. No. 23A of Exemption Notification No. 12/2017-Central Tax (Rate), amended by Notification No. 32/2017-Central Tax (Rate) Dated 13.10.2017.

xvi. This would be exempt from GST vide S. No. 32 of Exemption Notification No. 12/2017-Central Tax (Rate).

xvii. This would be exempt from GST vide S. No. 33 of Exemption Notification No. 12/2017-Central Tax (Rate).

xviii. Such services shall be exempt vide S. No. 52 of Exemption Notification No. 12/2017-Central Tax (Rate).

xix. This is exempt vide S. No. 54 of Exemption Notification No. 12/2017-Central Tax (Rate).

xx. This would be exempt from tax vide S. No. 57 of Exemption Notification No. 12/2017-Central Tax (Rate).

xxi. In this case as the tolerating of a non-performance of an act is specifically covered under the S. No. 62 of Exemption Notification No. 12/2017-Central Tax (Rate), no GST would be leviable on such damage recovered from the erring party.

xxii. These services would be exempt from GST vide S. No. 65 of Exemption Notification No. 12/2017-Central Tax (Rate).

xxiii. GST would be leviable on the same even though admission charges are less than Rs. 500 since exhibition of cinematographic films is not covered in the exemptions under GST Act.
In case of Circus, it is exempt vide S. No. 81 of Exemption Notification No. 12/2017-Central Tax (Rate).

xxiv. Columbia charges to Mr. A is exempt vide S. No. 74 of Exemption Notification No. 12/2017-Central Tax (Rate). Even services provided by Doctor to Hospital is also exempt. It is immaterial whether Doctor work as employees of hospital or not. It is clarified by Circular No. 32/06/2018-GST.

xxv. Sodexo catering services to in-patients is taxable since Sodexo is billing Columbia Hospital. Columbia Hospital billing to in-patients is although exempt.
Sodexo catering services to visitor & patient's relative is also subject to GST.

Q13. Mr. A, the owner of a residential building in a commercial locality, furnishes the following information relating to his residential building for the month of January 2019:-

Floor No.	Usage
Ground Floor	5 Shops & 1 godown for goods storage for monthly rent of INR 5,00,000
1st Floor	Residential dwelling for monthly rent of INR 50,000
2nd Floor	Self-Occupied by Mr. A for residential purpose
Vacant land in the backyard	Given to nearby restaurant for parking for monthly rent of INR 1,00,000
Terrace	Given to XYZ mobile company for maintaining tower for monthly rent of INR 1,00,000

Compute the value of taxable supply.

A.

Particulars	Amount (in INR)
Rent received for 5 Shops & 1 godown for goods storage	5,00,000
Residential dwelling for monthly rent of INR 50,000 is exempt vide Sr. No. 12 of Notification No. 12-2017-CT (R) Dated 28-06-2017)	NIL
Self-Occupied property. Firstly no consideration and it is also used for residence	NIL

Given to nearby restaurant for parking	1,00,000
Given to XYZ mobile company for maintaining tower	1,00,000
Value of Taxable Supply for the month January 2019	7,00,000

Q14. Columbia Hospital has received the following amounts in the month of January 2019 in lieu of various services rendered by it in the same month. You are required to determine its taxable value for January 2019 from the details furnished below:-

Particulars	Amount (in INR)
Services provided by cord blood bank unit of the nursing home by way of preservation of stem cells	30,00,000
Hair transplant services	15,00,000
Naturopathy treatments	20,00,000
Plastic surgery to restore anatomy of a child affected due to an accident	30,00,000
Pranic healing treatments	15,00,000
Mortuary Services	10,00,000

Compute the value of taxable supply.

A.

Particulars	Amount (in INR)
Services provided by cord blood bank unit of the nursing home by way of preservation of stem cells is exempt vide S. No. 73 of Exemption Notification No. 12/2017-Central Tax (Rate)	NIL
Hair transplant services. It is excluded from exemption vide S. No. 74 of Exemption Notification No. 12/2017-Central Tax (Rate)	15,00,000
Naturopathy treatment is exempt vide S. No. 74 of Exemption Notification No. 12/2017-Central Tax (Rate)	NIL
Plastic surgery to restore anatomy of a child affected due to an accident is exempt vide S. No. 74 of Exemption Notification No. 12/2017-Central Tax (Rate)	NIL
Pranic healing treatments. It is excluded from exemption vide S. No. 74 of Exemption Notification No. 12/2017-Central Tax (Rate)	15,00,000
Mortuary Services is neither supply of goods nor supply of services under Schedule III	NIL
Value of Taxable Supply for the month January 2019	30,00,000

Q15. 'ABC Farmers Association' is engaged in providing services relating to agriculture. You are required to determine its taxable value for January 2019 from the details furnished below:-

Particulars	Amount (in INR)
Cultivation of ornamental flowers	30,00,000
Packing of tomato & chili ketchup	15,00,000
Warehousing of potato chips	20,00,000
Sale of tea on commission basis	30,00,000
Packaging of pulses in 1 KG retail packing	15,00,000
Training of farmers on use of scientific tools and agro machinery	10,00,000
Leasing of vacant land to a stud farm (rearing of horses)	30,00,000
Grading of wheat according to its quality	15,00,000
Testing of samples from plants for pest detection	20,00,000

Rearing of silk worms	30,00,000
Breeding of fish	15,00,000
Supply of farm labour	10,00,000
Leasing of vacant land to a poultry farm	5,00,000
Renting of Agro-machinery	4,00,000

Compute the value of taxable supply.

A.

Particulars	Amount (in INR)
Cultivation of ornamental flowers is exempt vide S. No. 54 of Exemption Notification No. 12/2017-Central Tax (Rate)	NIL
Packing of tomato & chili ketchup (Not an agriculture produce)	15,00,000
Warehousing of potato chips (Not an agriculture produce)	20,00,000
Sale of tea on commission basis	30,00,000
Packaging of pulses in 1 KG packing (it is not necessary to pack pulses for making it marketable)	15,00,000
Training of farmers on use of scientific tools and agro machinery is exempt. Agriculture extension services are exempt vide S. No. 54 of Exemption Notification No. 12/2017-Central Tax (Rate)	NIL
Leasing of vacant land to a stud farm (rearing of horses) – Rearing of horses is specifically kept out from exemption	30,00,000
Grading of wheat according to its quality is exempt. Grading which doesn't alter the essential characteristics of the agriculture produce but makes it only marketable for the primary market is exempt vide S. No. 54 of Exemption Notification No. 12/2017-Central Tax (Rate)	NIL
Testing of samples from plants for pest detection is exempt. Agricultural operations directly related to production of any agriculture produce is exempt vide S. No. 54 of Exemption Notification No. 12/2017-Central Tax (Rate)	NIL
Rearing of silk worms is exempt vide S. No. 54 of Exemption Notification No. 12/2017-Central Tax (Rate)	NIL
Breeding of fish is exempt vide S. No. 54 of Exemption Notification No. 12/2017-Central Tax (Rate)	NIL
Supply of farm labour is exempt vide S. No. 54 of Exemption Notification No. 12/2017-Central Tax (Rate)	NIL
Leasing of vacant land to a poultry farm is exempt. Agriculture means the rearing of all forms of animals other than rearing of horses. Renting of vacant land is exempt when used for agriculture purpose vide S. No. 54 of Exemption Notification No. 12/2017-Central Tax (Rate)	NIL
Renting of Agro-machinery vide S. No. 54 of Exemption Notification No. 12/2017-Central Tax (Rate)	NIL
Value of Taxable Supply for the month January 2019	1,10,00,000

Q16. You are required to determine value of taxable supply for January 2019 from the details furnished below:-

Particulars	Amount (in INR)
Transportation of passengers by inland waterways	15,00,000
Transportation of goods by in inland waterways	20,00,000
Transportation of passengers by air terminating in Mizoram and Meghalaya	30,00,000
Passenger travelling by air from Assam to Kolkata	15,00,000

Passenger travelling by air from Kolkata to Pune	10,00,000
Air Freight related to goods imported into India	16,00,000
Freight relating to domestic transport of goods in India by Air	45,00,000
Vessels Freight relating to goods imported into India	20,00,000
GTA Freight charges for transport of food grain and pulses	30,00,000
GTA Freight charges for transporting small consignment for persons who paid less than Rs. 750 for each consignment	15,00,000
GTA Freight charges for transporting goods in small vehicles for person who paid less than Rs. 1,500 per trip	10,00,000
Charges for Elephant/camel joy rides	25,00,000

Compute the value of taxable supply.

A.

Particulars	Amount (in INR)
Transportation of passengers by inland waterways is exempt vide S. No. 17 of Exemption Notification No. 12/2017-Central Tax (Rate)	NIL
Transportation of goods by in inland waterways is exempt vide S. No. 18 of Exemption Notification No. 12/2017-Central Tax (Rate)	NIL
Transportation of passengers by air terminating in Mizoram and Meghalaya is exempt vide S. No. 15 of Exemption Notification No. 12/2017-Central Tax (Rate)	NIL
Passenger travelling by air from Assam to Kolkata is exempt vide S. No. 15 of Exemption Notification No. 12/2017-Central Tax (Rate)	NIL
Passenger travelling by air from Kolkata to Pune	10,00,000
Air Freight related to goods imported into India is exempt vide S. No. 19 of Exemption Notification No. 12/2017-Central Tax (Rate)	NIL
Freight relating to domestic transport of goods in India by Air	45,00,000
Vessels Freight relating to goods imported into India	20,00,000
GTA Freight charges for transport of food grain and pulses is exempt vide S. No. 21 of Exemption Notification No. 12/2017-Central Tax (Rate)	NIL
GTA Freight charges for transporting small consignment for persons who paid less than Rs. 750 for each consignment is exempt vide S. No. 21 of Exemption Notification No. 12/2017-Central Tax (Rate)	NIL
GTA Freight charges for transporting goods in small vehicles for person who paid less than Rs. 1,500 per trip is exempt vide S. No. 21 of Exemption Notification No. 12/2017-Central Tax (Rate)	NIL
Charges for Elephant/camel joy rides (Elephant/camel joy rides are not classified as transportation services and will attract GST @ 18% -Circular No. 32/06/2018-GST)	25,00,000
Value of Taxable Supply for the month January 2019	1,00,00,000

Q17. ABC Ltd. Is engage in providing various service to educational institutional and furnishes you with the following information for the month of January 2019. You are required to determine the value of taxable supply and GST payable thereon if all charges are exclusive of GST.

Particulars	Amount (in INR)
Renting of immovable property to higher secondary school	12,00,000
Renting of immovable property to commercial coaching center	2,00,000
Transportation service provided to students of higher secondary school	30,00,000

Outdoor catering service provided to educational institutions running approved vocational courses	5,00,000
Security services provided to pre-nursery school	10,00,000
Housekeeping and cleaning service in college providing recognized graduation degree	6,00,000
Conduct of examination of ICSI	5,00,000
Placement service provided to ICAI	12,00,000
Development of course contain of ICMA	2,00,000
Training of staff of higher Secondary School	1,50,000

Compute the value of taxable supply.

A.

Particulars	Amount (in INR)
Renting of immovable property to higher secondary school	12,00,000
Renting of immovable property to commercial coaching center	2,00,000
Transportation service provided to students of higher secondary school is exempt vide S. No. 66 of Exemption Notification No. 12/2017-Central Tax (Rate)	NIL
Outdoor catering service provided to educational institutions running approved vocational courses	5,00,000
Security services provided to pre-nursery school is exempt vide S. No. 66 of Exemption Notification No. 12/2017-Central Tax (Rate)	NIL
Housekeeping and cleaning service in college providing recognized graduation degree	6,00,000
Conduct of examination of ICSI is exempt vide S. No. 66 of Exemption Notification No. 12/2017-Central Tax (Rate)	NIL
Placement service provided to ICAI	12,00,000
Development of course contain of ICMA	2,00,000
Training of staff of higher Secondary School	1,50,000
Value of Taxable Supply for the month January 2019	40,50,000

Q18. XYZ Ltd., providing educational services, furnishes you with the following information for the various service provided by it. It has collected an aggregate sum of Rs. 30 lakhs during the month January 2019 as under:

Particulars	Amount (in INR)
Receipts of 'Gyan Vijay' an industrial training institute (ITI) affiliated to the National council for vocational Training (NCVT)	1,20,000
Receipts for running a Boarding School	1,00,000
Receipts of 'GE Educare' a vocational educational provider affiliated to sector Skill Council formed under National Skill Development Corporation (NSDC)	1,80,000
Receipts of 'Kalyan Skill Centre' an industrial training centre (ITC) affiliated to the state Council for vocational Training, Rajasthan	2,00,000
Receipts of 'Scintech a Commercial Coaching institute providing commercial coaching in the field of arts and science (no certificate was issued on completion of the training)	80,000
Receipts of 'Commerce concepts' a Commercial coaching institute providing coaching in the field of commerce (a certificate was awarded to each trainee after completion of the training)	1,20,000
Receipts of Gurukul school providing education upto higher secondary	6,00,000

Receipts of 'Play Kids' school providing educational upto primary level (such receipts includes receipts from renting of premises to commercial coaching centre: Rs. 3 lakhs)	11,00,000

Compute the value of taxable supply.

A.

Particulars	Amount (in INR)
Total Receipt	30,00,000
Less:-	
Receipts of 'Gyan Vijay' an industrial training institute (ITI) affiliated to the National council for vocational Training (NCVT) is exempt vide S. No. 66 of Exemption Notification No. 12/2017-Central Tax (Rate)	(-) 1,20,000
Receipts for running a Boarding School is exempt vide S. No. 66 of Exemption Notification No. 12/2017-Central Tax (Rate)	(-) 1,00,000
Receipts of 'GE Educare' a vocational educational provider affiliated to sector Skill Council formed under National Skill Development Corporation (NSDC) is exempt vide S. No. 69 of Exemption Notification No. 12/2017-Central Tax (Rate)	(-) 1,80,000
Receipts of 'Kalyan Skill Centre' an industrial training centre (ITC) affiliated to the state Council for vocational Training, Rajasthan is exempt vide S. No. 66 of Exemption Notification No. 12/2017-Central Tax (Rate)	(-) 2,00,000
Receipts of Gurukul school providing education upto higher secondary is exempt vide S. No. 66 of Exemption Notification No. 12/2017-Central Tax (Rate)	(-) 6,00,000
Receipts of 'Play Kids' school providing educational upto primary level is exempt vide S. No. 66 of Exemption Notification No. 12/2017-Central Tax (Rate). However, receipts from renting of premises by the school to commercial coaching center shall be liable for GST	(-) 8,00,000
Value of Taxable Supply for the month January 2019	10,00,000

Q19. Axis IDFC Bank Ltd. furnishes following information relating to services provided during the month of January 2019. Compute the value of taxable supply from following information :

Particulars	Amount (in INR)
Amount of commission received for debt collection service	10,00,000
Discount earned on LC discounted	7,00,000
Dealing in sale and purchase of forward contract	20,00,000
Charges received on credit card and debit card facilities extended	4,00,000
Penal interest recovered from the customers for the delay in repayment of loan	11,00,000
Commission received for service rendered to Government for GST collection	7,00,000
Margin earned on reverse repo transactions	4,00,000
Interest on credit card	1,00,000
Administrative charges & Folio charges collected	10,000
Charges for ATM card transactions	5,00,000
Commission received for DD, pay order and cheque collection	4,00,000

A.

Particulars	Amount (in INR)
Amount of commission received for debt collection service Banking services are provided by way of extending deposits, loans or advances in so far as represented by interest are exempt. Commission received in not covered in exemption	10,00,000
Discount earned on LC discounted is exempt vide S. No. 27 of Exemption Notification No. 12/2017-Central Tax (Rate)	NIL

Dealing in sale and purchase of forward contract. Forward contract comes under the purview of "Securities" as per Section 2 (101) of CGST Act, 2017. Securities is excluded from the definition of Goods U/s 2 (52) & Services U/s 2 (102) respectively. Thus, the same would not be liable to GST	NIL
Charges received on credit card and debit card facilities extended	4,00,000
Penal interest recovered from the customers for the delay in repayment of loan	11,00,000
Commission received for service rendered to Government for GST collection	7,00,000
Margin earned on reverse repo transactions. These are financial instruments of short term call money market that are normally used by banks to borrow from or lend money to RBI. The margins, called the repo rate or reverse repo rate in such transactions are nothing but interest charged for lending or borrowing money. Also interest earned on reverse repo transactions are exempt from GST	NIL
Interest on credit card	1,00,000
Administrative charges & Folio charges collected	10,000
Charges for ATM card transactions	5,00,000
Commission received for DD, pay order and cheque collection	4,00,000
Value of Taxable Supply for the month January 2019	42,10,000

Q20. Please comment, whether the following services are exempt under GST or not:

Particulars	Amount (in INR)
Services provided to a recognized sports body by an individual as a player	10,00,000
Services provided to a recognized sports body by an individual as a referee	5,00,000
Services provided to a recognized sports body by an individual as a umpire	2,00,000
Services provided to a recognized sports body by an individual as a coach	1,00,000
Services of a player to IPL Franchisee	7,00,000
Services by a recognized sports body to another recognized sports body	5,00,000
Services provided to a recognized sports body by an individual as a selector	2,00,000
Services provided to a recognized sports body by an individual as a commentators	1,00,000
Services provided to a charitable body by an individual as a player in subsidized fees	50,000

A.

Particulars	Taxable Amount (in INR)
Services provided to a recognized sports body by an individual as a player is exempt vide S. No. 68 of Exemption Notification No. 12/2017-Central Tax (Rate)	NIL
Services provided to a recognized sports body by an individual as a referee is exempt vide S. No. 68 of Exemption Notification No. 12/2017-Central Tax (Rate)	NIL
Services provided to a recognized sports body by an individual as a umpire is exempt vide S. No. 68 of Exemption Notification No. 12/2017-Central Tax (Rate)	NIL
Services provided to a recognized sports body by an individual as a coach is exempt vide S. No. 68 of Exemption Notification No. 12/2017-Central Tax (Rate)	NIL
Services of a player to IPL Franchisee. It is not recognized sports body	7,00,000
Services by a recognized sports body to another recognized sports body is exempt vide S. No. 68 of Exemption Notification No. 12/2017-Central Tax (Rate)	NIL
Services provided to a recognized sports body by an individual as a selector	2,00,000
Services provided to a recognized sports body by an individual as a commentators	1,00,000
Services provided to a charitable body by an individual as a player in subsidized fees. It is not recognized sports body	50,000

4 EXEMPTIONS UNDER GST

1. **Shiva Medical Centre, a Multi-speciality hospital, is a registered supplier in Mumbai. It hires senior doctors and consultants independently, without entering into any employer-employee agreement with them. These doctors and consultants provide consultancy to the in-patients - patients who are admitted to the hospital for treatment – without there being any contract with such patients. In return, they are paid the consultancy charges by Shiva Medical Centre.**

   However, the money actually charged by Shiva Medical Centre from the in-patients is higher than the consultancy charges paid to the hired doctors and consultants. The difference amount retained by the hospital, i.e. retention money, includes charges for providing ancillary services like nursing care, infrastructure facilities, paramedic care, emergency services, checking of temperature, weight, blood pressure, etc.

   Further, Shiva Medical Centre has its own canteen – Annapurna Bhawan - which supplies food to the in-patients as advised by the doctor/nutritionists as also to other patients (who are not admitted) or their attendants or visitors.

   The Department took a stand that senior doctors and consultants are providing services to Shiva Medical Centre and not to the patients. Hence, their services are not the health care services and must be subject to GST. Further, GST is applicable on the retention money kept by Shiva Medical Centre as well as on the services provided by its canteen - Annapurna Bhawan alleging that such services are not the health care services.

   You are required to examine whether the stand taken by the Department is correct provided the services provided by Shiva Medical Centre are intra-State services.

As per *Notification No. 12/2017 CT (R) dated 28.06.2017*, services by way of health care services by a clinical establishment, an authorised medical practitioner or para-medics are exempt from GST.

Health care services have been defined to mean any service by way of diagnosis or treatment or care for illness, injury, deformity, abnormality or pregnancy in any recognised system of medicines in India and includes services by way of transportation of the patient to and from a clinical establishment, but does not include hair transplant or cosmetic or plastic surgery, except when undertaken to restore or to reconstruct anatomy or functions of body affected due to congenital defects, developmental abnormalities, injury or trauma.

Circular No. 32/06/2018 GST dated 12.02.2018 has clarified that in view of the above definition, it can be inferred that hospitals also provide healthcare services. The entire amount charged by them from the patients including the retention money and the fee/payments made to the doctors etc., is towards the healthcare services provided by the hospitals to the patients and is exempt from GST. In view of the same, GST is not applicable on the retention money kept by Shiva Medical Centre.

The circular also clarified that services provided by senior doctors/ consultants/ technicians hired by the hospitals, whether employees or not, are also healthcare services exempt from GST. Hence, services provided by the senior doctors and consultants hired by Shiva Medical Centre, being healthcare services, are also exempt from GST.

The circular further explained that food supplied by the hospital canteen to the in-patients as advised by the doctor/nutritionists is a part of composite supply of healthcare services and is not separately taxable. Thus, it is exempt from GST. However, other supplies of food by a hospital to patients (not admitted) or their attendants or visitors are taxable. In view of the same, GST is not applicable on the food supplied by Annapurna Bhawan to in-patients as advised by doctors/nutritionists while other supplies of food by it to patients (not admitted) or their attendants/visitors are taxable.

1 "Chanakya Academy" is registered under GST in the State of Uttar Pradesh. The Academy runs the following educational institutions:

(i) 'Keshav Institute of Technology' (KIT), a private engineering college in Ghaziabad. KIT also runs distance learning post graduate engineering programmes. Exams for such programmes

are conducted in select cities at centres appointed by the KIT. All the engineering courses including the distance learning post graduate engineering programme run by KIT are recognised by the law [The All India Council for Technical Education (AICTE)].

(ii) 'Little Millennium', a pre-school in Lucknow.

(iii) 'Bright Minds', a coaching institute in Kanpur. The Institute provides coaching for Institute of Banking Personnel Selection (IBPS) Probationary Officers Exam.

(iv) 'Spring Model' a higher secondary school affiliated to CBSE Board.

The Academy provides the following details relating to the expenses incurred by the various institutions run by it during the period April 20XX to September 20XX:

Table 1

S. No.	Particulars	KIT	Little Millennium	Bright Minds	Spring Model
		(₹)	(₹)	(₹)	(₹)
(i)	Printing services for printing the question papers (paper and content are provided by the Institutions)	2,50,000		1,50,000	2,00,000
(ii)	Paper procured for printing the question papers	4,30,000		2,58,000	3,44,000
(iii)	Honorarium to paper setters and examiners (not on the rolls of the Institution)	5,00,000			

(iv)	Rent for exam centers taken on rent like schools etc., for conducting examination	8,00,000		1,00,000	
(v)	Subscription for online educational journals [Little Millennium has taken the subscription for online periodicals on child development and experiential learning]	4,00,000	80,000	2,20,000	2,40,000
(vi)	Hire charges for buses used to transport students and faculty from their residence to the institutions and back	4,80,000	5,50,000	1,30,000	7,50,000
(vii)	Catering services for running a canteen in the campus for students (Catering services for KIT	3,20,000	2,60,000	1,80,000	5,00,000

	include a sum of ₹ 60,000 for catering at a student event organised in a banquet hall outside the campus)				
(viii)	Security and housekeeping services for the institution(s) (Security and housekeeping services for Spring Model include a sum of ₹ 80,000 payable for security and housekeeping at the student event organised in a banquet hall outside the campus)	6,00,000	4,00,000	3,75,000	4,65,000

The academy further provides the following details relating to the receipts of the various institutions run by it during the period April 20XX to September 20XX:

Table 2

S. No.	Particulars	KIT	Little Millennium	Bright Minds	Spring Model
		(₹)	(₹)	(₹)	(₹)
(i)	Tuition fee	35,00,000	15,00,000	20,00,000	25,00,000

(ii)	**Transport fee charged from students**	**5,00,000**	**6,00,000**	**1,30,000**	**8,50,000**

With the help of the above details –

(i) **determine the amount of GST payable, if any, on goods and services received during April 20XX to September 20XX by the various educational institutions run by the 'Chanakya Academy';**

(ii) **Compute net GST liability of the 'Chanakya Academy' payable from the Electronic Cash Ledger, for the period April 20XX to September 20XX.**

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

Notes:

(i) **Rate of GST on goods is 12%, catering service is 5% and on other services is 18%.**

(ii) **Wherever relevant, all the conditions necessary for availing the ITC have been complied with.**

(i) *Notification No. 12/2017 CT(R) dated 28.06.2017(hereinafter referred to as exemption notification)* which exempts various services from GST leviable thereon exempts select **services** provided to an educational institution.

Here, the "educational institution" means an institution providing services by way of,-

(i) pre-school education and education up to higher secondary school or equivalent;

(ii) education as a part of a curriculum for obtaining a qualification recognised by any law for the time being in force;

(iii) education as a part of an approved vocational education course;

The select services which are exempt when provided to an educational institution are-

(i) transportation of students, faculty and staff;

(ii) catering, including any mid-day meals scheme sponsored by the Central Government, State Government or Union territory;

(iii) security or cleaning or house-keeping services performed in such educational institution;

(iv) services relating to admission to, or conduct of examination by, such institution;

(v) supply of online educational journals or periodicals

However, the services mentioned in points (i), (ii) and (iii) are exempt only when the same are provided to an educational institution providing services by way of pre-school education and education up to higher secondary school or equivalent.

Also, the supply of online educational journals or periodicals is not exempt from GST when provided to-

(i) pre-school education and education up to higher secondary school or equivalent; or

(ii) education as a part of an approved vocational education course.

Further, as per S. No. 22 of Notification No. 12/2017 CT (R) services by way of giving on hire motor vehicle for transport of students, faculty and staff, to a person providing services of transportation of students, faculty and staff to an educational institution providing services by way of pre-school education and education upto higher secondary school or equivalent is exempt.

In the given case, all the engineering courses including the distance learning post graduate engineering programme run by KIT are recognised by the law [The All India Council for Technical Education (AICTE)]. Therefore, since KIT imparts education as a part of a curriculum for obtaining a qualification recognised by the Indian law, the same is an educational institution in terms of the exemption notification.

Similarly, Liitle Millennium and Spring Model, being a pre-school and a higher secondary school respectively are also educational institutions in terms of the exemption notification.

However, Bright Minds, being a coaching centre, training candidates to secure a banking job, is not an educational institution in terms of the exemption notification. Hence, none of the select services (mentioned above) will be exempt when provided to Bright Minds.

In the light of the foregoing provisions, the amount of GST payable on goods and services received by these educational institutions during April 20XX to September 20XX is computed as under:

Particulars	KIT	Little Millennium	Bright Minds	Spring Model
	(₹)	(₹)	(₹)	(₹)
Printing services for printing the question papers (paper and content are provided by the Institutions)	Exempt [Services provided to educational institution in relation to conduct of examination]		27,000 [1,50,000 x 18%]	Exempt
Paper procured for printing the question papers – [Supply of select **services** to educational institutions is exempt and not supply of goods to such educational institutions]	51,600 [4,30,000 x 12%]		30,960 [2,58,000 x 12%]	41,280 [3,44,000 x 12%]
Honorarium to paper setters and examiners (not on the rolls of the educational institution)	Exempt [Services provided to educational institution in relation to conduct of examination]			
Rent for exam centres taken on	Exempt		18,000	

rent like schools etc., for conducting examination	[Services provided to educational institution in relation to conduct of examination]		[1,00,000 x 18%]	
Subscription for online educational journals [Little Millennium has taken the subscription for online periodicals on child development and experiential learning]	Exempt	14,400 [80,000 x 18%]	39,600 [2,20,000 x 18%]	43,200 [2,40,00 0 x 18%]
Hire charges for buses used to transport students and faculty from their residence to the institutions and back	86,400 [4,80,000 x 18%]	Exempt	23,400 [1,30,000 x 18%]	Exempt
Catering services for running a canteen in the campus for students [Catering service provided to pre-school and the higher secondary school is exempt	16,000 [3,20,000 x 5%]	Exempt	9,000 [1,80,000 x 5%]	Exempt

irrespective of whether the same is provided within or outside the premises of the pre-school and the higher secondary school]				
Security and housekeeping services for the institution(s) [Security and housekeeping service provided to pre-school and the higher secondary school for the student event organised in a banquet hall will be taxable as only the security and housekeeping service provided within the premises of the pre-school and the higher secondary school are exempt.]	1,08,000 [6,00,000 x 18%]	Exempt	67,500 [3,75,000 x 18%]	14,400 [80,000 x 18%]
Total GST payable on goods and services	**2,62,000**	**14,400**	**2,15,460**	**98,880**

received by the educational institutions				

(ii) (1) Sl. No. 66 of *Notification No. 12/2017 CT(R) dated 28.06.2017* also exempts services provided by an educational institution to its students, faculty and staff. All the educational institutions run by the Chanakya Academy except Bright Minds are educational institutions in terms of the exemption notification (as explained under point (i) above). Therefore, the education services and the transport services provided by KIT, Little Millennium, and Spring Model to its students will be exempt from GST under Sl. No. 66 of the exemption notification. Thus, only the educational services provided by Bright Minds will be liable to GST @ 18%.

(2) No input tax credit (ITC) will be availed on inputs and input services used in providing exempt education services, i.e. education services by KIT, Little Millennium, and Spring Model. Only Bright Minds will be entitled to avail ITC on inputs and input services used in providing taxable education services. However, ITC on outdoor catering services will be blocked in terms of section 17(5)(b)(i) of the CGST Act, 2017.

(3) Since there are no common inputs and input services being used for providing taxable and exempt services, the need for reversal of ITC attributable to exempt supplies will not arise.

In the light of the foregoing provisions, the net GST liability of Chanakya Academy, which will comprise of only the tax liability of Bright Minds, is computed as under:

Particulars	**Bright Minds (₹)**
Tuition fee	20,00,000
Transport fee charged from students	1,30,000
Value of output supply taxable @ 18%	21,30,000
GST liability @ 18%	3,83,400

Less: ITC [Total tax payable by Bright Minds on the service received by it as computed in point (i) above less the tax payable on catering charges (2,15,460 - 9,000)]	2,06,460
Net GST payable from Electronic Cash Ledger	**1,76,940**

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

(1) Fees charged from office staff for in-house personality development course conducted by M.V. College - ₹ 10,000.

(2) Bus fees collected from students by M.V. College - ₹ 2,500 per month.

(3) Housekeeping service provided by M/s. Clean well to Himavarsha Montessori school, a play school - ₹ 25,000 per month.

(4) Info link supplied "Tracing Alphabets", an online educational journal, to students of UKG class of Sydney Montessori School - ₹ 2,000.

(1) As per *Notification No. 12/2017 CT (R) dated 28.06.2017*, services provided by an educational institution to its students, faculty and staff are exempt from GST. Educational Institution has been defined to mean, *inter alia*, an institution providing services by way of education as a part of a curriculum for obtaining a qualification recognised by any law for the time being in force.

Assuming that M. V. College provides education as a part of a curriculum for obtaining a qualification recognised by a law, the services provided by it to its staff by way of conducting personality development course would be exempt from GST.

(2) As assumed above that M. V. College provides education as a part of a curriculum for obtaining a qualification recognised by a law, the transport services provided by it to its students would be exempt from GST.

(3) As per *Notification No. 12/2017 CT (R) dated 28.06.2017,* services provided to an educational institution, by way of, *inter alia*, house-keeping services performed in such educational institution are exempt from GST. However, such an exemption is available only when the said services are provided to a pre-school education and a higher secondary school or equivalent.

Therefore, house-keeping services provided to *Himavarsha Montessori Play School* would be exempt from GST on the presumption that housekeeping services have been performed in such play school itself.

(4) As per *Notification No. 12/2017 CT (R) dated 28.06.2017,* services provided to an educational institution by way of supply of online educational journals or periodicals is exempt from GST. However, such an exemption is available only when the said services are provided to an educational institution providing education as a part of a curriculum for obtaining a qualification recognised by any law for the time being in force.

Therefore, supply of online journal to students of UKG class of Sydney Montessori School will not be exempt from GST. Hence, the taxable value in this case will be ₹ 2,000.

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

	₹
Renting of residential dwelling for use as a residence	18,00,000
Renting of rooms for pilgrims (Charges per day ₹ 1,200)	8,00,000
Renting of rooms for devotees (Charges per day ₹ 750)	6,00,000
Renting ofkalyanamandapam (Charges per day ₹ 15,000)	12,00,000
Renting of halls and open space (Charges per day ₹ 7,500)	10,75,000
Renting of shops for business (Charges per month ₹ 9,500)	4,75,000
Renting of shops for business (Charges per month ₹ 12,000)	7,50,000

Compute the total taxable value of supply for the month of August 20XX assuming that the above amounts are exclusive of GST and the rooms/ Kalyan Mandapam/ Halls/ Open space/ shops owned by the trust are located within the precincts of the religious place meant for general public.

Notification No. 12/2017 CT (R) dated 28.06.2017/Notification No. 9/2017 IT (R) dated 28.06.2017[exemption notification] provides exemption to renting of precincts of a religious place meant for general public, owned/managed by, inter alia, an entity registered as a charitable trust under section 12AA of the Income-tax Act. However, exemption is not available if:

(i) charges for rented rooms are ₹ 1,000 per day or more;

(ii) charges for rented community halls, Kalyan mandapam, open area are`10,000 per day or more;

(iii) charges for rented shops are `10,000 per month or more.

In view of the aforesaid provisions, value of supply of Sarva Sugam Charitable Trust for August, 20XX has been computed as under:

Computation of value of supply of Sarva Sugam Charitable Trust for August, 20XX

Particulars	Amount (₹)
Renting of residential dwelling for use as residence [Exempt vide exemption notification]	Nil
Renting of rooms for pilgrims* [Since charges per day are not below ₹1,000]	8,00,000
Renting of rooms for devotees [Since charges per day are below ₹1,000]	Nil
Renting of Kalyana Mandapam [Since charges per day are not below ₹10,000]	12,00,000
Renting of halls and open spaces [Since charges per day are below ₹ 10,000]	Nil
Renting of shops for business [Since charges per month are below ₹10,000]	Nil

Renting of shops for business [Since charges per month are not below ₹ 10,000]	7,50,000
Value of taxable supply	27,50,000

Note: It is also possible to take a view that renting of rooms for pilgrims/devotees is a charitable activity relating to advancement of religion. In that case, said activity will be exempt under Entry 1 of *Notification No. 12/2017 CT (R) dated 28.06.2017* (in case services are intra-State supplies)/Entry 14(b) of *Notification No. 9/2017 IT (R) dated 28.06.2017* (in case services are inter-State supplies).

This chapter includes GST Main Book 12 Q & A
Please refer 71 Examples in GST Main Book

Chapter 5: - Place of Supply

ICAI's Test Your Knowledge & ICAI's Other Questions

Q1. In case of a domestic supply, what is the place of supply where goods are removed?
A. As per section 10(1)(a), the place of supply of goods is the location of the goods at the time at which the movement of goods terminates for delivery to the recipient.

Q2. What will be the place of supply if the goods are delivered by the supplier to a person on the direction of a third person?
A. As per section 10(1)(b), it would be deemed that the third person has received the goods and the place of supply of such goods will be the principal place of business of such person.

Q3. What is the place of supply where the goods or services are supplied on board a conveyance, such as a vessel, an aircraft, a train or a motor vehicle?
A. As per section 10(1)(e), in respect of goods, the place of supply is the location at which such goods are taken on board.
However, in respect of services, the place of supply is the location of the first scheduled point of departure of that conveyance for the journey in terms of sections 12(10) and 13(11).

Q4. The place of supply in relation to immovable property is the location of immovable property. Suppose a road is constructed from Delhi to Mumbai covering multiple states.
What will be the place of supply of construction services?
A. Where the immovable property is located in more than one State, the supply of service is treated as made in each of the States in proportion to the value for services separately collected or determined, in terms of the contract or agreement entered into in this regard or, in the absence of such contract or agreement, on such other reasonable basis as may be prescribed in this behalf
[Explanation to section 12(3) for domestic supplies].
In the absence of a contract or agreement between the supplier and recipient of services in this regard, the proportionate value of services supplied in different States/Union territories (where the immovable property is located) is computed on the basis of the area of the immovable property lying in each State/ Union territories [Rule 4 of the IGST Rules].

Q5. What would be the place of supply of services provided by an event management company for organizing a sporting event for a Sports Federation which is held in multiple States?
A. In case of an event, if the recipient of service is registered, the place of supply of services for organizing the event is the location of such person. However, if the recipient is not registered, the place of supply is the place where event is held.
Since the event is being held in multiple states and a consolidated amount is charged for such services, the place of supply will be deemed to be in each State in proportion to the value for services determined in terms of the contract or agreement entered into in this regard [Explanation to section 12(7)].

In the absence of a contract or agreement between the supplier and recipient of services, the proportionate value of services made in each State (where the event is held) will be computed in accordance with rule 5 of the IGST Rules by the application of generally accepted accounting principles.

Q6. What is the place of supply of services by way of transportation of goods, including mail or courier when the both the supplier and the recipient of the services are located in India?
A. If the recipient is registered, the location of such person is the place of supply. However, if the recipient is not registered, the place of supply is the place where the goods are handed over for transportation. Provided that where the transportation of goods is to a place outside India, the place of supply shall be the place of destination of such goods. [Section 12(8)].

Q7. What will be the place of supply of passenger transportation service, if a person travels from Mumbai to Delhi and back to Mumbai?
A. If the person is registered, the place of supply will be the location of recipient. If the person is not registered, the place of supply for the forward journey from Mumbai to Delhi will be Mumbai, the place where he embarks [Section 12(9)].
However, for the return journey, the place of supply will be Delhi as the return journey has to be treated as separate journey [Explanation to section 12(9)].

Q8. What is the place of supply for mobile connection? Can it be the location of supplier?
A. **For domestic supplies**
The location of supplier of mobile services cannot be the place of supply as the mobile companies are providing services in multiple states and many of these services are inter-state. The consumption principle will be broken if the location of supplier is taken as place of supply and all the revenue may go to a few states where the suppliers are located. The place of supply for mobile connection would depend on whether the connection is on postpaid or prepaid basis. In case of postpaid connections, the place of supply is the location of billing address of the recipient of service. In case of pre-paid connections, the place of supply is the place where payment for such connection is received or such pre-paid vouchers are sold. However, if the recharge is done through internet/e- payment, the location of recipient of service on record will be taken as the place of supply.
For international supplies
The place of supply of telecom services is the location of the recipient of service.

Q9. A person from Mumbai goes to Kullu-Manali and takes some services from ICICI Bank in Manali. What is the place of supply?
A. If the service is not linked to the account of person, place of supply will be Kullu i.e., the location of the supplier of services. However, if the service is linked to the account of the person, the place of supply will be Mumbai, the location of recipient on the records of the supplier.

Q10. An unregistered person from Gurugram travels by Air India flight from Mumbai to Delhi and gets his travel insurance done in Mumbai.
What is the place of supply of insurance services?
A. When insurance service is provided to an unregistered person, the location of the recipient of services on the records of the supplier of insurance services is the place of supply. So Gurugram is the place of supply [Section 12(13)].

Q11. Determine the place of supply:

Particulars	Supplier's factory from where goods are removed	Termination of movement for delivery	Place of Supply	Tax Payable
Movement of goods by the supplier (goods dispatched by supplier)	Orissa	Assam	?	?
Movement of goods by the supplier (goods dispatched by supplier)	Orissa	Orissa	?	?
Movement of goods by the recipient (goods collected by recipient)	Kerala	Goa	?	?
Movement of goods by the recipient (goods collected by recipient)	Kerala	Kerala	?	?

A.

Particulars	Supplier's factory from where goods are removed	Termination of movement for delivery	Place of Supply	Tax Payable
Movement of goods by the supplier (goods dispatched by supplier) [Section 10(1)(a) read with section 2(96)(a) of CGST Act]	Orissa	Assam	Assam	IGST payable at Orissa
	Orissa	Orissa	Orissa	CGST/SGST payable at Orissa
Movement of goods by the recipient (goods collected by recipient) [Section 10(1)(a) read with section 2(96)(b) of CGST Act]	Kerala	Goa	Goa	IGST payable at Kerala
	Kerala	Kerala	Kerala	CGST / SGST payable at Kerala

Location of supplier & Place of supply decide IGST or CGST & SGST/UTGST leviable

Q12. Mr. A (a supplier registered in Rajasthan) having principal place of business at Jaipur asked Mr. Z of Mumbai to deliver 20 Laptops to his buyer Mr. Y at Indore. What will be the Place of Supply?

A. In given case, goods are supplied by Mr. Z to Mr. Y on directions given by Mr. A.
As per Section 10 (1) (b), in this case, the place of supply of goods is not the location of delivery of such goods (Indore) but the principal place of business of third person i.e., principal place of business of Mr. A located in Jaipur. Mr. Z is going to charge 'IGST'.

Q13. Mr. A (New Delhi) has leased his machine (cost Rs. 8,00,000) to Mr. B (Noida, Uttar Pradesh) for production of goods on a monthly rent of Rs. 40,000. After 14 months Mr. B requested Mr. A to sell the machine to him for Rs. 4,00,000, which is agreed to by Mr. A. Determine Place of Supply.

A. As per Section 10 (1) (c), If the supply does not involve movement of goods, the place of supply is the location of goods at the time of delivery to the recipient. In this case, there will be no movement of goods and the same will be sold on as is where is basis. Thus, the location of the machine at the time of such sale will be the place of supply i.e., Noida.

Q14. XZ Ltd. (Mumbai, Maharashtra) opens a new branch office at Gurugram, Haryana. It purchases a building for office from KTS Builders (Gurugram). It also enters into a separate contract with KTS Builders for purchase of pre-installed office furniture and fixtures in the building. Determine Place of Supply.

A. As per Section 10 (1) (c), If the supply does not involve movement of goods, the place of supply is the location of goods at the time of delivery to the recipient. Though there will be no GST liability on purchase of building, office furniture and fixtures will be liable to GST. Since there is no movement of office furniture and fixtures, the place of supply of such goods is their location at the time of delivery to the recipient (XZ Ltd.) i.e., Gurugram.

Q15. Pure Refineries (Mumbai, Maharashtra) gives a contract to PQ Ltd. (Ranchi, Jharkhand) to assemble a power plant in its Kutch, Gujarat refinery. Determine Place of Supply.

A. As per Section 10 (1) (d), If the supply involves goods which are to be installed or assembled at site, the place of supply is the place of such installation or assembly. The place of supply is the site of assembly of power plant i.e., Kutch even though Pure refineries is located in Maharashtra.

Q16. Determine the location of the recipient of service in following cases:

1. Mr. A with registered place of business in Mumbai and having other fixed establishments at Ahmedabad, Indore, Lucknow enters into agreement with Mr. P in Mumbai for IT solutions for his offices. The services are received in Mumbai and then the same is utilised by all the other offices.
2. What would your answer be in the above case if Mr. A enters into agreement at Mumbai for receiving IT solutions at Indore.
3. What would your answer be in case agreement though entered into at Mumbai, but service is received at Ahmedabad.

A.

1. As per Section 2(14)(a), since the service has been received at the registered place of business i.e. Mumbai, the location of the recipient shall be Mumbai even though the beneficiary of the services are all the four offices.
2. As per Section 2(14)(b), if the services is received at a fixed establishment (here, Indore), then the location of the fixed establishment shall be the location of the recipient. In this case, the location of the recipient shall be Indore.
3. As per Section 2(14)(c), If the agreement is entered into at Mumbai, but the service is received at Ahmedabad, then in this case since service are received at multiple establishments, the establishment most directly concerned with the receipt of supply shall be the location of the recipient of service. Here, the location of the recipient shall be Ahmedabad.

Section 2(14) of the IGST Act. Under the CGST Act, the same definition is covered under section 2 (70).

Q17. Mr. A of Mumbai went to Ooty on vacation. He purchased mobile from shop located in Ooty. Determine place of supply.

A. As per Section 10(1)(c) of the IGST Act, 2017, where the supply does not involve movement of goods, whether by the supplier or the recipient, the place of supply shall be the location of such goods at the time of the delivery to the recipient. In this case the mobile is purchased from a shop in Ooty, the supply is complete in the shop itself by delivery to Mr. A and the place of supply will be Ooty even if Mr. A comes from Mumbai.

Q18. Mr. A, of Maharashtra has a godown in Jaipur. Mr. Z of Maharashtra approaches Mr. A for purchase of goods lying at godown in Jaipur and takes delivery of goods from the Jaipur godown. Mr. A issues an invoice for sale of goods at his principal place of business in Maharashtra.

Determine the place of supply of goods.

A. As per Section 10(1)(c) of IGST Act, 2017, where the supply does not involve movement of goods, whether by the supplier or the recipient, the place of supply shall be the location of such goods at the time of the delivery to the recipient. Thus, the place of supply of goods shall be Jaipur, although both Mr. A and Mr. Z are located in Maharashtra.

Q19. A Ltd. of Mumbai received an order from Z Ltd. Price is inclusive of freight. A Ltd. is to deliver goods to Z Ltd. which is located at a SEZ in Mumbai. Determine place of supply.

A. As per Section 8 (1) (a) of IGST Act, provided that the following supply of goods shall not be treated as intra-State supply namely:-

supply of goods to or by a SEZ developer or SEZ unit. Hence, even though it is an intra-State supply it will be treated as inter-State supply as Z Ltd. is located in a SEZ.

According to Section 10 (1) (a), place of supply is Mumbai.

Section 8 (1) (a) of IGST Act, is specific provision and hence will prevail over general provision as contained in section 10 (1) (a) of IGST Act.

Thus, it is inter-State and subject to IGST.

Q20. Mr. A (a Chartered Accountant registered in New Delhi) makes a supply of service to his client Mr. B of Noida, Uttar Pradesh (registered in Uttar Pradesh). Determine Place of Supply.

A. As per Section 12(2) of IGST Act, 2017, the place of supply of services made to a registered person is the location of the person receiving the services. In this case, since the supply is made to a registered person, the place of supply is the location of the registered recipient i.e., Noida.

Q21. Mr. A, a Chartered Accountant in Gurugram, Haryana, (registered in Haryana) provides consultancy services to his client Mr. C who is a resident of New Delhi but is not registered under GST. Determine Place of Supply.

A. As per Section 12(2) of IGST Act, 2017, if the services is supplied to an unregistered person, the place of supply is:

a) the location of such unregistered person, if the address of the unregistered person is available in the records of the supplier
b) the location of the supplier of services in other cases

Mr. A, a Chartered Accountant in Gurugram, Haryana, (registered in Haryana) provides consultancy services to his client Mr. C who is a resident of New Delhi but is not registered under GST. If the address of Mr. C is available in the records of Mr. A, location of Mr. C i.e., New Delhi will be the place of supply, else the location of Mr. A, which is Gurugram, will be the place of supply.

Q22. Determine Place of Supply of service for the following case:-

a) KTS Builders (Mumbai) is constructing a factory building for PLM Pvt. Ltd. (Kolkata), in New Delhi.
b) Shah and Shah, an architectural firm at Kolkata, has been hired by MKF Builders of Mumbai to draw up a plan for a high rise building to be constructed by them in Ahmedabad, Gujarat.
c) Mr. Ramesh, a Chartered Accountant, (New Delhi) travels to Mumbai for business and stays in a hotel there.
d) Mr. X, a consulting engineer based in Mumbai, Maharashtra renders professional services in respect of an immovable property of Mr. Y (Bangalore) located in Australia.

A. Section 12(3) of IGST Act, covers supplies of services which are in relation to an immovable property or a boat or a vessel. Place of supply would be location of the immovable property or the boat or the vessel is the place of supply. So, the place of supply according to Section 12 (3):-

a) The place of supply is the location of the immovable property i.e., New Delhi.
b) The place of supply is the place where the immovable property is intended to be located i.e., Ahmedabad.
c) The place of supply of accommodation service is the place where the hotel is located i.e., Mumbai.
d) Since the immovable property is located outside India, the place of supply of service is the location of recipient i.e., Bangalore and not the place where the immovable property is located (Australia).

Q23. Determine Place of Supply of service for the following case:-

a) Mr. A, a business man from Pune dines in a restaurant at Mumbai while on a business trip.
b) Mr. Timmy Ferreira, a makeup artist at Kolkata, goes to Jaipur, Rajasthan for doing the makeup of Ms. Simran Kapoor, a Bollywood actress based in Mumbai.
c) DEO Consultants (Kolkata) impart GST training to accounts and finance personnel of Sun Cements Ltd. (Guwahati, Assam) at the company's Kolkata office.
d) Mr. Suresh (unregistered person based in Noida) signs up with Excellent Linguistics (New Delhi) for training on English speaking at their New Delhi Centre.
e) Mr. A, a resident of Ghaziabad, Uttar Pradesh, buys a ticket for a circus organized at Gurugram, Haryana by a circus company based in New Delhi.
f) Mr. B of New Delhi buys a ticket for an amusement park located in Noida, Uttar Pradesh.

A.

a) As per Section 12 (4) of IGST Act, the place of supply of restaurant and catering services, personal grooming, fitness, beauty treatment, health service including cosmetic and plastic surgery is the location where such services are actually performed. The place of supply of restaurant service is the location where such service is performed i.e., Mumbai.
b) As per Section 12 (4) of IGST Act, the place of supply of restaurant and catering services, personal grooming, fitness, beauty treatment, health service including cosmetic and plastic surgery is the location where such services are actually performed. The place of supply is the location where such service is performed i.e., Jaipur.
c) As per Section 12 (5) of IGST Act, the place of supply of services in relation to training and performance appraisal depends upon whether the supply is B2B or B2C. In B2B supply i.e., where the recipient of service is a registered person, the place of supply is the location of such person. Since the recipient is registered, the place of supply is the location of the registered person i.e., Guwahati.
d) As per Section 12 (5) of IGST Act, the place of supply of services in relation to training and performance appraisal depends upon whether the supply is B2B or B2C. In case of B2C supply i.e., where the recipient of service is unregistered, the place of supply is the place where the service is actually performed. Since the recipient is unregistered, the place of supply is the location where services are provided i.e., New Delhi.
e) As per Section 12 (6) of IGST Act, services by way of admission to events/amusement park/other places is the place where the event is actually held or where the park or such other place is located. The place of supply is the location where the circus is held i.e., Gurugram.
f) As per Section 12 (6) of IGST Act, services by way of admission to events/amusement park/other places is the place where the event is actually held or where the park or such other place is located. The place of the supply is the location where the park is located i.e., Noida.

Q24. Determine Place of Supply of service for the following case:-

a) Mega Events, an event management company at New Delhi, organizes an award function for Shah Diamond Merchants of Ahmedabad (registered in Gujarat), at Mumbai.
b) Mega Events, an event management company at New Delhi, organizes an award function for Shah Diamond Merchants of Ahmedabad (registered in Gujarat), at Mauritius.
c) Grand Wedding Planners (Chennai) is hired by Mr. Ramesh (unregistered person based in Hyderabad) to plan and organise his wedding at New Delhi.
d) Grand Wedding Planners (Chennai) is hired by Mr. Ramesh (unregistered person based in Hyderabad) to plan and organise his wedding at Seychelles.

A. As per section 12 (7) of IGST Act, the place of supply provision is:-

Nature of Supply	Place of Supply	
	Recipient is registered	Recipient is unregistered
Organisation of events or services ancillary to the same or assigning of sponsorship to such events	Location of recipient	Location where the event is held
Organisation of events outside India		Location of recipient

a) Since the recipient is a registered person, the place of supply is the location of the recipient, i.e., Ahmedabad.
b) Since the recipient is a registered person, the place of supply is the location of the recipient, i.e., Ahmedabad.
c) The recipient being an unregistered person, the place of supply is the location where the event is held i.e., New Delhi.
d) The recipient being an unregistered person and the event held outside India, the place of supply is the location of the recipient i.e., Hyderabad and not the location where the event is held i.e., Seychelles.

Q25. Determine Place of Supply of service for the following case:-

a) M/s XYZ Pvt. Ltd. is a registered company in New Delhi. It sends its courier to Pune through M/s Brue Air Courier Service.
b) Mr. Y, an unregistered person, of New Delhi sends a courier to his brother in Amritsar, Punjab.
c) PR Pvt. Ltd., a Goods Transportation Agency based in Kanpur, Uttar Pradesh, is hired by Hajela Enterprises (registered supplier in Kanpur) to transport its consignment of goods to a buyer in New Delhi.
d) ST Pvt. Ltd., a Goods Transportation Agency based in Noida, Uttar Pradesh, is hired by Chhaya Trade Links (registered supplier in New Delhi) to transport its consignment of goods to a buyer in Kanpur, Uttar Pradesh.
e) Mr. Srikant, a manager in a Bank, is transferred from Bareilly, Uttar Pradesh to Bhopal, Madhya Pradesh. Mr. Srikant's family is stationed in Kanpur, Uttar Pradesh. He hires Goel Carriers of Lucknow, Uttar Pradesh (registered in Uttar Pradesh), to transport his household goods from Kanpur to Bhopal.

A. As per section 12 (8) of IGST Act, the place of supply of services by way of transportation of goods, including by mail or courier, etc. provided to a registered person, is the location of such person. However, where such services are provided to an unregistered person, the place of supply is the location at which such goods are handed over for their transportation.

Provided that where the transportation of goods is to a place outside India, the place of supply shall be the place of destination of such goods.

a) The recipient being registered person, the place of supply is the location of recipient i.e., New Delhi.
b) The recipient being unregistered person, the place of supply is the location where goods are handed over for their transportation i.e., New Delhi.
c) The recipient being registered, the place of supply is the location of recipient i.e., Kanpur.
d) The recipient being registered, the place of supply is the location of recipient i.e., New Delhi.
e) The recipient being unregistered person, the place of supply is the location where goods are handed over for their transportation i.e., Kanpur.

Q26. Determine Place of Supply of service for the following case:-

a) Mr. Amar (registered person in New Delhi) travels from Mumbai to Bangalore in Airjet flight. Mr. Amar has bought the tickets for the journey from Airjet's office registered in New Delhi.
b) Mr. C (unregistered person in Chennai) has come to Delhi on a vacation. He buys pre-paid Delhi Metro Card from Delhi Metro (New Delhi) for hassle free commute in the National Capital Region.
c) Mr. Shyam, an unregistered person, based in Gurugram, Haryana books a two-way air journey ticket from New Delhi to Mumbai on 5th December. He leaves New Delhi on 10th December in a late-night flight and lands in Mumbai the next day. He leaves Mumbai on 14th December in a morning flight and lands in New Delhi the same day.

A. As per section 12 (7) of IGST Act, the place of supply provision are:-

Nature of Supply	Place of Supply	
	Recipient is registered	Recipient is unregistered
Passenger transportation	Location of recipient	Location where the passenger embarks on the conveyance for a continuous journey
Issue of right to passage for future use-point of boarding not known at the time of issue of right		a) If the address of the unregistered person is available in the records of the supplier, the location of such unregistered person. b) In other cases, the location of the supplier of services
The return journey is treated as a separate journey, even if the tickets for onward and return journey are issued at the same time.		

a) The place of supply is the location of recipient i.e., New Delhi.
b) Recipient being unregistered person, the place of supply is the address of Mr. C i.e., Chennai. If address of Mr. C is not available with the Delhi Metro, the place of supply will be the location of the supplier of services i.e., New Delhi.
c) The return journey is treated as a separate journey, even if the tickets for onward and return journey are issued at the same time. Thus, being an unregistered person, the place of supply for the outward and return journeys are the locations where the unregistered person embarks on the conveyance for the continuous journey i.e., New Delhi and Mumbai respectively.

Q27. Mr. A of Jamshedpur has availed services of Mumbai Transport Company of Mumbai for transport of goods from his house in Kota (Rajasthan) to Mumbai. Determine place of supply of goods transport services.

A. As per Section 12(8) of IGST Act, the place of supply of services by way of transportation of goods, including by mail or courier to a person other than a registered person, shall be the location at which such goods are handed over for their transportation. In this case since the goods are handed over to transporter in Kota, the place of supply shall be Kota.

Q28. Mr. A, an unregistered person from Patna travels by Air India flight from Kochi to Delhi and gets his travel insurance done in Kochi. What will be the place of supply?

A. As per Section 12(13) of IGST Act, the place of supply of insurance services is the location of recipient when provided to a registered recipient. If such services are provided to a person other than a registered person, the place of supply is the location of the recipient of services in the records of the supplier of services. Since Mr. A is an unregistered person, the location of the recipient of services on the records of the supplier of insurance services shall be the place of supply. So Patna shall be the place of supply.

Q29. Determine Place of Supply of service for the following case:-

a) Mr. X (New Delhi) imports a machine from Germany for being installed in his factory at New Delhi. To install such machine, Mr. X takes the service of an engineer who comes to India from Germany for this specific installation.
b) A software company located in United States of America (USA) takes services of a software company located in Bangalore to service its software in USA. The Indian software company provides its services through electronic means from its office in India.
c) ABC Ltd., Hyderabad has exported a machine to a company in Indonesia. The machine stops functioning and is thus, imported by ABC Ltd. for free repairs in terms of the sale contract. The machine is exported after repairs.
d) Mr. X, a hair stylist registered in New Delhi, travels to Singapore to provide his services to Ms. Y, a resident of Singapore.
e) PQR Consultants, New Delhi, bags a contract for doing a market research for a vehicle manufacturing company based in South Korea, in respect of its upcoming model of a car. The research is to be carried out in five countries including New Delhi in India.

A.

a) As per section 13 (3) of IGST Act, in case of Services requiring physical presence of goods, the place of supply is service is actually performed.
The place of supply of installation service, which requires the physical presence of machinery, is the location where the service is actually performed i.e., New Delhi.
b) As per section 13 (3) of IGST Act, services supplied in respect of goods, that are provided from a remote location by electronic means, the place of supply is location where goods are situated at the time of supply of services.
The place of supply is the location where goods are situated at the time of supply of service i.e., USA.
c) As per section 13 (3) of IGST Act, services supplied in respect of goods, that are temporarily imported into India for repairs or for any other treatment or process and are exported back after such repairs or treatment or process, without being put to any use in India, is location of the recipient
The place of supply of repair service is the location of the recipient i.e., Indonesia.
d) As per section 13 (3) of IGST Act, services supplied to an individual, which require the physical presence of the recipient, is location where the service is actually performed.
The place of supply is the location where the services are actually performed i.e. Singapore.

e) As per section 13 (3) of IGST Act, since the services are supplied at more than one location including a location in the taxable territory, the place of supply is the location in the taxable territory i.e., New Delhi.

Q30. An event management company registered in New Delhi organises an art exhibition displaying works of an international painter based in Dubai. The exhibition is organised in 3 countries including New Delhi. Determine Place of Supply of service.

A. As per section 13 (5) of IGST Act, services supplied by way of admission to or organisation of following:

- Cultural, artistic, sporting, scientific, educational, entertainment events
- Celebration, conference, fair, exhibition
- Similar events

Place of supply is place where the event is actually held.

Since the service is supplied at more than one location including a location in the taxable territory, the place of supply is the location in the taxable territory i.e., New Delhi.

Q31. A travel agent registered in New Delhi books a tour of famous Indian cities for a Dubai resident. Determine Place of Supply of service.

A. As per section 13 (8) of IGST Act, in case of intermediary services, place of supply is location of the supplier of services.

The place of supply is the location of the supplier of services i.e., New Delhi.

Q32. Mr. D, an unregistered person based in New Delhi hires a yacht from a company based in London, UK for 20 days. Determine Place of Supply of service.

A. As per section 13 (8) of IGST Act, services consisting of hiring of means of transport, including yachts but excluding aircrafts and vessels, up to a period of 1 month, place of supply is location of the supplier of services.

The place of supply is the location of the supplier of services i.e., London.

Q33. A shipping line, Mumbai, Maharashtra transports a shipment of flowers from Mumbai to Paris, for an event management company based in Paris. Determine Place of Supply of service.

A. As per section 13 (9) of IGST Act, transportation of goods, other than by way of mail or courier, place of supply is destination of such goods.

The place of supply is the location of destination of goods transported i.e., Paris.

Q34. Mr. A, a foreign tourist, has booked a ticket for New Delhi-Sri Lanka flight from an airline registered in New Delhi for a continuous journey without any stopover. Determine Place of Supply of service.

Ans. As per section 13 (10) of IGST Act, in case of passenger transportation services, place of supply is place where the passenger embarks on the conveyance for a continuous journey.

The place of supply is the place where the passenger embarks on the conveyance for a continuous journey i.e., New Delhi.

GST Main Book's Questions

Q1. A person in Agra buys shares from a broker in Delhi on NSE (in Mumbai). What will be the POS?
A. The POS shall be the location of recipient of services on the records of the supplier of services i.e. Agra.

Q2. A person from Kolkata travels by Air India flight from Mumbai to Delhi and gets his travel insurance done in Mumbai. What will be the place of supply?
A. The location of the recipient of services on the records of the supplier of insurance service shall be the place of supply. So, Kolkata shall be the place of supply.

Q3. Software Ltd., a company based out of Pune, awards online maintenance contract of its servers located in Hyderabad office to ABC, a company based out of France, and as per the terms of the online maintenance ABC shall be required to perform regular maintenance from France using Internet. What will be POS?
A. The place of supply of maintenance services shall be Hyderabad.

Q4. Software Ltd., gets an order from a French Bank, based out of Paris, to monitor transactions on the servers located in Paris using internet facilities. What will be POS?
A. The place of supply of such monitoring services shall be at Paris.

Q5. Bookmyticket.com, a company based out at Pune providing online ticketing services for admission to various events, sells online tickets for IPL tournament to be held across India. What will be POS?
A. The place of supply of services for admission to each cricket match shall be the location where the match is actually played.

Q6. Mr. A of Mumbai, orders a mobile from Flipkart to be delivered to his mother in Kolkata. ABC Ltd. (registered online seller in Indore) processes the order and Mr. A is billed by Flipkart. What will be POS?
A. It will be assumed that the buyer in Mumbai has received the goods & IGST will be charged.

Q7. In case of ambiguity, how is place of supply of goods determined U/s 10?
A. In case of any ambiguity where place of supply cannot be determined as provided in Section 10(1) (a) to 10(1) (e) of the IGST Act, 2017, the place of supply of goods will be determined in the manner as will be prescribed.

Q8. In case of import of goods into India what is the place of supply of goods?
A. The location of the importer is the place of supply of goods in case of import of goods into India. It may be noted that importer has not been defined in the IGST Act, 2017. Therefore, the meaning given under Customs Act, 1962 will have to be taken. As per Section 2(26) of the Customs Act, 1962 "importer", in relation to any goods at any time between their importation and the time when they are cleared for home consumption, includes any owner or any person holding himself out to be the importer.

Q9. In case of export of goods from India, what is the location of supply of goods?
A. The location of supply of goods exported from India shall be the location outside India.

Q10. What is the place of supply of services by way of transportation of goods (Section 12 & 13)?

A. Section 12(8) of the IGST Act, 207 provides that services by way of transportation of goods provided to a registered person shall be the location of registered person. Such services if provided to a person other than a registered person, shall have place of supply and the location at which such goods are handed over for their transportation. Example, if Express limited, a goods transport company based out of Chennai, provides transportation services to Cars Limited, an automobile company based out of Bangalore, for movement of their cars from the warehouse of Cars Limited at Silvassa to Delhi, then the place of supply of transportation services shall be Bangalore if Cars Limited is a registered person. If Cars Limited is not a registered person, then the place of supply of transportation services shall be Silvassa (location at which such goods are handed over).

As per Section 13(9) of the IGST Act, 2017 the place of supply of services of transportation of goods, other than by way of mail or courier will be the place of destination of the goods. Example: If PQ shipping Co. located in India charges ocean freight charges for transport of goods to Germany for a customer located in India, the place of supply of service will be Germany.

Q11. XZ Ltd. (Mumbai, Maharashtra) opens a new branch office at Gurugram, Haryana. It purchases a building for office from KTS Builders (Gurugram). It also enters into a separate contract with KTS Builders for purchase of pre-installed office furniture and fixtures in the building. Determine Place of Supply. (ICAI Example).

A. As per Section 10 (1) (c), If the supply does not involve movement of goods, the place of supply is the location of goods at the time of delivery to the recipient. Though there will be no GST liability on purchase of building, office furniture and fixtures will be liable to GST. Since there is no movement of office furniture and fixtures, the place of supply of such goods is their location at the time of delivery to the recipient (XZ Ltd.) i.e., Gurugram.

5 PLACE OF SUPPLY

1 **Priyank of Pune, Maharashtra enters into an agreement to sell goods to Bisht of Bareilly, Uttar Pradesh. While the goods were being packed in Pune godown of Priyank, Bisht got an order from Sahil of Shimoga, Karnataka for the said goods. Bisht agreed to supply the said goods to Sahil and asked Priyank to deliver the goods to Sahil at Shimoga.**

You are required to determine the place of supply(ies) in the above situation.

The supply between Priyank (Pune) and Bisht (Bareilly) is a bill to ship to supply where the goods are delivered by the supplier [Priyank] to a recipient [Sahil (Shimoga)] or any other person on the direction of a third person [Bisht]. The place of supply in case of domestic bill to ship to supply of goods is determined in terms of section 10(1)(b) of IGST Act, 2017.

As per section 10(1)(b) of IGST Act, 2017, where the goods are delivered by the supplier to a recipient or any other person on the direction of a third person, whether acting as an agent or otherwise, before or during movement of goods, either by way of transfer of documents of title to the goods or otherwise, it shall be deemed that the said third person has received the goods and the place of supply of such goods shall be the principal place of business of such person.

Thus, in the given case, it is deemed that the Bisht has received the goods and the place of supply of such goods is the principal place of business of Bisht. Accordingly, the place of supply between Priyank (Pune) and Bisht (Bareilly) will be Bareilly, Uttar Pradesh.

This situation involves another supply between Bisht (Bareilly) and Sahil (Shimoga). The place of supply in this case will be determined in terms of section 10(1)(a) of IGST Act, 2017.

Section 10(1)(a) of IGST Act, 2017 stipulates that where the supply involves movement of goods, whether by the supplier or the recipient or by any other person, the place of supply of such goods shall be the location of the goods at the time at which the movement of goods terminates for delivery to the recipient.

Thus, the place of supply in second case is the location of the goods at the time when the movement of goods terminates for delivery to the recipient (Sahil), i.e. Shimoga, Karnataka.

2 Musicera Pvt. Ltd., owned by NitishDaani - a famous classical singer - wishes to organise a 'NitishDaani Music Concert' in Gurugram (Haryana). Musicera Pvt. Ltd. (registered in Ludhiana, Punjab) enters into a contract with an event management company, Supriya (P) Ltd. (registered in Delhi) for organising the said music concert at an agreed consideration of ₹ 10,00,000. Supriya (P) Ltd. books the lawns of Hotel Dumdum, Gurugram (registered in Haryana) for holding the music concert, for a lump sum consideration of ₹ 4,00,000. Musicera Pvt. Ltd. fixes the entry fee to the music concert at ₹ 5,000. 400 tickets for 'NitishDaani Music Concert' are sold.

You are required to determine the CGST and SGST or IGST liability, as the case may be, in respect of the supply(ies) involved in the given scenario.

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

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

In the given situation, three supplies are involved:

(i) Services provided by Musicera Pvt. Ltd. to audiences by way of admission to music concert.

(ii) Services provided by Supriya (P) Ltd. to Musicera Pvt. Ltd. by way of organising the music concert.

(iii) Services provided by Hotel Dumdum to Supriya (P) Ltd. by way of accommodation in the Hotel lawns for organising the music concert.

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

(i) As per the provisions of section 12(6) of the IGST Act, 2017, the place of supply of services provided by way of admission to, *inter alia,* a cultural event shall be the place where the event is actually held.

Therefore, the place of supply of services supplied by Musicera Pvt. Ltd. (Ludhiana, Punjab) to audiences by way of admission to the music concert is the location of the Hotel Dumdum, i.e. Gurugram, Haryana.

Since the location of the supplier (Ludhiana, Punjab) and the place of supply (Gurugram, Haryana) are in different States, IGST will be leviable. Therefore, IGST leviable will be computed as follows:

Consideration for supply (400 tickets @ ₹ 5,000 per ticket) = ₹ 20,00,000

IGST @ 18% on value of supply = ₹ 20,00,000 x 18% = ₹ 3,60,000.

(ii) Section 12(7)(a)(i) of IGST Act, 2017 stipulates that the place of supply of services provided by way of organization of, *inter alia,* a cultural event to a registered person is the location of such person.

Therefore, the place of supply of services supplied by Supriya (P) Ltd. (Delhi) to Musicera Pvt. Ltd. (Ludhiana, Punjab) by way of organising the music concert is the location of the recipient, i.e. Ludhiana (Punjab).

Since the location of the supplier (Delhi) and the place of supply (Ludhiana, Punjab) are in different States, IGST will be leviable. Therefore, IGST leviable will be computed as follows:

Consideration for supply = ₹ 10,00,000

IGST @ 18% on value of supply = ₹ 10,00,000 x 18% = ₹ 1,80,000

(iii) As per the provisions of section 12(3)(c) of the IGST Act, 2017, the place of supply of services, by way of accommodation in any immovable property for organizing, *inter alia,* any cultural function shall be the location at which the immovable property is located.

Therefore, the place of supply of services supplied by Hotel Dumdum (Gurugram, Haryana) to Supriya (P) Ltd. (Delhi) by way of accommodation in Hotel lawns for organising the music concert shall be the location of the Hotel Dumdum, i.e. Gurugram, Haryana.

Since the location of the supplier (Gurugram, Haryana) and the place of supply (Gurugram, Haryana) are in the same State, CGST and SGST will be leviable. Therefore, CGST and SGST leviable will be computed as follows:

Consideration for supply = ₹ 4,00,000

CGST @ 9% on value of supply = ₹ 4,00,000 x 9% = ₹ 36,000

SGST @ 9% on value of supply = ₹ 4,00,000 x 9% = ₹ 36,000

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

2 **Damani Industries has recruited Super Events Pvt. Ltd., an event management company of Gujarat, for organising the grand party for the launch of its new product at Bangalore. Damani Industries is registered in Mumbai. Determine the place of supply of the services provided by Super Events Pvt. Ltd. to Damani Industries.**

Will your answer be different if the product launch party is organised at Dubai?

Section 12(7)(a)(i) of IGST Act, 2017 stipulates that when service by way of organization of an event is provided to a registered person, place of supply is the location of recipient.

Since, in the given case, the product launch party at Bangalore is organized for Damani Industries (registered in Mumbai), place of supply is the location of Damani Industriesi.e., Mumbai, Maharashtra.

In case the product launch party is organised at Dubai, the answer will remain the same, i.e. the place of supply is the location of recipient (Damani Industries)– Mumbai, Maharashtra.

3 **RST Inc., a corn chips manufacturing company based in USA, intends to launch its products in India. However, the company wishes to know the taste and sensibilities of Indians before launching its products in India. For this purpose, RST Inc. has approached ABC Consultants, Mumbai,**

(Maharashtra) to carry out a survey in India to enable it to make changes, if any, in its products to suit Indian taste.

The survey is to be solely based on the oral replies of the surveyees; they will not be provided any sample by RST Inc. to taste. ABC Consultants will be paid in convertible foreign exchange for the assignment.

With reference to the provisions of GST law, determine the place of supply of the service. Also, explain whether the said supply will amount to export of service?

As per section 13(2) of the IGST Act, 2017, in case where the location of the supplier of services or the location of the recipient of services is outside India, the place of supply of services except the services specified in sub-sections (3) to (13) shall be the location of the recipient of services. Sub-sections (3) to (13) provide the mechanism to determine the place of supply in certain specific situations.

The given case does not fall under any of such specific situations and thus, the place of supply in this case will be determined under sub-section (2) of section 13. Thus, the place of supply of services in this case is the location of recipient of services i.e., USA.

As per section 2(6) of the IGST Act, 2017, export of services means the supply of any service when,–

(a) the supplier of service is located in India;

(b) the recipient of service is located outside India;

(c) the place of supply of service is outside India;

(d) the payment for such service has been received by the supplier of service in convertible foreign exchange or in Indian rupees wherever permitted by the Reserve Bank of India; and

(e) the supplier of service and the recipient of service are not merely establishments of a distinct person in accordance with Explanation 1 in section 8.

Since all the above five conditions are fulfilled in the given case, the same will be considered as an export of service.

4 ABC Pvt. Ltd., New Delhi, provides support services to foreign customers in relation to procuring goods from India. The company

identifies the prospective vendor, reviews product quality and pricing and then shares the vendor details with the foreign customer.

The foreign customer then directly places purchase order on the Indian vendor for purchase of the specified goods. ABC Pvt. Ltd. charges its foreign customer cost plus 10% mark up for services provided by it.

For the month of December, 20XX, the company has charged US $ 1,00,000 (exclusive of GST) to its foreign customer. With reference to the provisions of GST law, examine whether the said supply will amount to export of service?

Section 2(13) of the IGST Act, 2017 defines "intermediary" to mean a broker, an agent or any other person, by whatever name called, who arranges or facilitates the supply of goods or services or both, or securities, between two or more persons, but does not include a person who supplies such goods or services or both or securities on his own account.

In this case, since ABC Pvt. Ltd. is arranging or facilitating supply of goods between the foreign customer and the Indian vendor, the said services can be classified as intermediary services.

If the location of the supplier of services or the location of the recipient of service is outside India, the place of supply is determined in terms of section 13 of the IGST Act, 2017. Since, in the given case, the recipient of supply is located outside India, the provisions of supply of intermediary services will be determined in terms of section 13 of the IGST Act, 2017.

As per section 13(8)(b), the place of supply in case of intermediary services is the location of the supplier i.e., the location of ABC Pvt. Ltd. which is New Delhi.

As per section 2(6) of the IGST Act, 2017, export of services means the supply of any service when,–

(a) the supplier of service is located in India;

(b) the recipient of service is located outside India;

(c) the place of supply of service is outside India;

(d) the payment for such service has been received by the supplier of service in convertible foreign exchange or in Indian rupees wherever permitted by the Reserve Bank of India; and

(e) the supplier of service and the recipient of service are not merely establishments of a distinct person in accordance with Explanation 1 in section 8.

Since, in the given case, place of supply is in India, this transactions does not tantamount to export of service.

5 Mr. Murthy, an unregistered person and a resident of Pune, Maharashtra hires the services of M/s Sun Ltd. an event management company registered in Delhi, for organising of the new product launch in Bengaluru, Karnataka.

(i) Determine the place of supply of services provided by M/s Sun Ltd.

(ii) What would your answer be in case the product launch takes place in Bangkok?

(iii) What would your answer be in case Mr. Murthy is a registered person and product launches take place in Bengaluru and Bangkok?

(i) As per section 12(7)(a)(ii) of IGST Act, 2017, when service by way of organization of an event is provided to an unregistered person, the place of supply is the location where the event is actually held and if the event is held outside India, the place of supply is the location of recipient.

Since, in the given case, the service recipient [Mr. Murthy] is unregistered and event is held in India, place of supply is the location where the event is actually held i.e., Bengaluru, Karnataka. The location of the supplier and the location of the recipient is irrelevant in this case.

(ii) However, if product launch takes place outside India [Bangkok], the place of supply will be the location of recipient i.e., Pune, Maharashtra.

(iii) When service by way of organization of an event is provided to a registered person, place of supply is the location of recipient vide section 12(7)(a)(i) of IGST Act, 2017.

Therefore, if Mr. Murthy is a registered person, then in both the cases i.e., either when product launch takes place in Bengaluru or Bangkok, the place of supply will be the location of recipient i.e., Pune, Maharashtra.

6 Mr. Mahendra Goyal, an interior decorator provides professional services to Mr. Harish Jain in relation to two of his immovable properties.

Determine the place of supply in the transactions below as per provisions of GST law in the following independent situations:

Case	Location of Mr. Mahendra Goyal	Location of Mr. Harish Jain	Properties situated at
I	Delhi	Maharashtra	New York (USA)
II	Delhi	New York	Paris (France)

Explain the relevant provisions of law to support your conclusions.

Case I

As per section 12(3) of the IGST Act, 2017, where both the service provider and the service recipient are located in India, the place of supply of services directly in relation to an immovable property, including services provided by interior decorators is the location of the immovable property. However, if the immovable property is located outside India, the place of supply is the location of the recipient.

Since in the given case, both the service provider (Mr. Mahendra Goyal) and the service recipient (Mr. Harish Jain) are located in India and the immovable property is located outside India (New York), the place of supply will be the location of recipient i.e., Maharashtra.

Case II

As per section 13(4) of the IGST Act, 2017 where either the service provider or the service recipient is located outside India, the place of supply of services directly in relation to an immovable property including services of interior decorators is the location of the immovable property.

Since in the given case, service provider (Mr. Mahendra Goyal) is located in India and service recipient (Mr. Harish Jain) is located outside India (New York), the place of supply will be the location of immovable property i.e., Paris (France).

7 Asha Enterprises, supplier of sewing machines, is located in Kota (Rajasthan) and registered for purpose of GST in the said State. It receives an order from Deep Traders, located in Jalandhar (Punjab) and registered for the purpose of GST in the said State. The order is for the supply of 100 sewing machines with an instruction to ship the sewing machines to Jyoti Sons, located in Patiala (Punjab) and registered in the said State for purpose of GST. Jyoti Sons is a customer of Deep Traders. Sewing machines are being shipped in a lorry by Asha Enterprises.

Briefly explain the following:

(a) the place of supply under IGST Act, 2017;

(b) the nature of supply:- whether inter-State or intra-State and

(c) whether CGST/SGST or IGST as would be applicable in this case.

The supply between Asha Enterprises (Kota, Rajasthan) and Deep Traders (Jalandhar, Punjab) is a bill to ship to supply where the goods are delivered by the supplier [Asha Enterprises] to a recipient [Jyoti Sons (Patiala, Punjab)] on the direction of a third person [Deep Traders].

In case of such supply, it is deemed that the said third person has received the goods and the place of supply of such goods is the principal place of business of such person [Section 10(1)(b) of the IGST Act, 2017]. Thus, the place of supply between Asha Enterprises (Rajasthan) and Deep Traders (Punjab) will be Jalandhar, Punjab.

Since the location of supplier and the place of supply are in two different States, the supply is an inter-State supply in terms of section 7 of the IGST Act, 2017, liable to IGST.

This situation involves another supply between Deep Traders (Jalandhar, Punjab) and Jyoti Sons (Patiala, Punjab). In this case, since the supply involves movement of goods, place of supply will be the location of the goods at the time at which the movement of goods terminates for delivery to the recipient, i.e. Patiala, Punjab [Section 10(1)(a)of the IGST Act, 2017].

Since the location of supplier and the place of supply are in the same State, the supply is an intra-State supply in terms of section 8 of the IGST Act, 2017, liable to CGST and SGST.

8 Determine the place of supply for the following independent cases under the IGST Act, 2017:

(i) Grand Gala Events, an event management company at Kolkata, organises two award functions for Kalyan Jewellers of Chennai (Registered in Chennai, Tamilnadu) at New Delhi and at Singapore.

(ii) Perfect Planners (Bengaluru, Karnataka) is hired by Dr. Kelvin (unregistered person based in Kochi, Kerala) to plan and organise his son's wedding at Mumbai, Maharashtra.

Will your answer be different if the wedding is to take place at Malaysia?

(i) When service by way of organization of an event is provided to a registered person, place of supply is the location of recipient in terms of section 12(7)(a)(i) of IGST Act, 2017.

Since, in the given case, the award functions at New Delhi and Singapore are organized for Kalyan Jewellers (registered in Chennai), place of supply in both the cases is the location of Kalyan Jewellers i.e., Chennai, Tamilnadu

(ii) As per section 12(7)(a)(ii) of IGST Act, 2017, when service by way of organization of an event is provided to an unregistered person, the place of supply is the location where the event is actually held and if the event is held outside India, the place of supply is the location of recipient.

Since, in the given case, the service recipient [Dr. Kelvin] is unregistered and event is held in India, place of supply is the location where the event is actually held i.e., Mumbai, Maharashtra.

However, if the wedding is to take place outside India [Malaysia], the place of supply is the location of recipient, i.e. Kochi, Kerala.

9 Raman Row, a registered supplier under GST in Mumbai, Maharashtra is directed by Nero Enterprises, Kolkata, West Bengal to deliver goods valued at ₹ 12,00,000 to Fabricana of Aurangabad in Maharashtra. Raman Row makes out an invoice at 9% tax rate under CGST and SGST respectively (scheduled rate) and delivers it locally in Maharashtra.

Discuss and comment on the above levy of tax and determine the tax liability of goods in the above circumstances.

The supply between Raman Row (Mumbai, Maharashtra) and Nero Enterprises (Kolkata, West Bengal) is a bill to ship to supply where the goods are delivered by the supplier [Raman Row] to a recipient [Fabricana (Aurangabad, Maharashtra)] or any other person on the direction of a third person [Nero Enterprises]. In such a case, it is deemed that the said third person has received the goods and the place of supply of such goods is the principal place of business of such person [Section 10(1)(b) of IGST Act, 2017].

Accordingly, the place of supply between Raman Row (Mumbai, Maharashtra) and Nero Enterprises (Kolkata, West Bengal) will be Kolkata and thus, it will be an inter-State supply liable to IGST. Hence, Raman Row should charge 18% IGST on ₹ 12,00,000, which comes out to ₹ 2,16,000.

This situation involves another supply between Nero Enterprises (Kolkata, West Bengal) and Fabricana (Aurangabad, Maharashtra). The place of supply in this case will be the location of the goods at the time when the movement of goods terminates for delivery to the recipient i.e., Aurangabad, Maharashtra in terms of section 10(1)(a) of IGST Act, 2017. Thus, being an inter-State supply, the same will also be chargeable to IGST.

This chapter includes GST Main Book 20 Q & A
Please refer 15 Examples in GST Main Book

Chapter 6: - Time of Supply

ICAI's Test Your Knowledge

Q1. Determine the time of supply in the following cases assuming that GST is payable under reverse charge:

S. no.	Date of receipt of goods	Date of payment by recipient of goods	Date of issue of invoice by supplier of goods
	(1)	(2)	(3)
(i)	July 1	August 10	June 29
(ii)	July 1	June 25	June 29
(iii)	July 1	Part payment made on June 30 and balance amount paid on July 20	June 29
(iv)	July 5	Payment is entered in the books of account on June 28 and debited in recipient's bank account on June 30	June 1
(v)	July 1	Payment is entered in the books of account on June 30 and debited in recipient's bank account on June 26	June 29
(vi)	August 1	August 10	June 29

A.

S. No.	Date of receipt of goods	Date of payment by recipient of goods	Date of issue of invoice by supplier of goods	Date immediately following 30 days from date of invoice	Time of supply of goods (Earlier of (1), (2) & (4)
	(1)	(2)	(3)	(4)	(5)
(i)	July 1	August 10	June 29	July 30	July 1
(ii)	July 1	June 25	June 29	July 30	June 25
(iii)	July 1	Part payment made on June 30 and balance amount paid on July 20	June 29	July 30	June 30 for part payment made and July 1 for balance amount
(iv)	July 5	Payment is entered in the books of account on June 28 and debited in recipient's bank account on June 30	June 1	July 2	June 28 (i.e., when payment is entered in the books of account of the recipient)

(v)	July 1	Payment is entered in the books of account on June 30 and debited in recipient's bank account on June 26	June 29	July 30	June 26 (i.e., when payment is debited in the recipient's bank account)
(vi)	August 1	August 10	June 29	July 30	July 30 (i.e., 31st day from issuance of invoice)

Q2. Determine the time of supply in the following cases assuming that GST is payable under reverse charge:

S. no.	Date of payment by recipient for supply of services	Date of issue of invoice by supplier of service
	(1)	(2)
(i)	August 10	June 29
(ii)	August 10	June 1
(iii)	Part payment made on June 30 and balance amount paid on September 1	June 29
(iv)	Payment is entered in the books of account on June 28 and debited in recipient's bank account on June 30	June 1
(v)	Payment is entered in the books of account on June 30 and debited in recipient's bank account on June 26	June 29

A.

S. no.	Date of payment by recipient for supply of services	Date of issue of invoice by supplier of services	Date immediately following 60 days from invoice	Time of supply of goods (Earlier of (1) & (3)
	(1)	(2)	(3)	
(i)	August 10	June 29	August 29	August 10
(ii)	August 10	June 1	August 1	August 1
(iii)	Part payment made on June 30 and balance amount paid on September 1	June 29	August 29	June 30 for part payment and August 29 for balance amount
(iv)	Payment is entered in the books of account on June 28 and debited in recipient's bank account on June 30	June 1	August 1	June 28 (i.e. when payment is entered in the books of account of the recipient)

(v)	Payment is entered in the books of account on June 30 and debited in recipient's bank account on June 26	June 29	August 29	June 26 (i.e. when payment is debited in the recipient's bank account)

Q3. Determine the time of supply in the following cases assuming that rate of GST changes from 18% to 20% w.e.f. June 1:

S. no.	Date of supply of goods or services	Date of issue of invoice	Date of receipt of payment
(i)		June 9	July 25
(ii)	May 28	May 28	July 25
(iii)		June 9	May 26
(iv)		May 28	June 25
(v)	June 10	May 28	May 16
(vi)		June 9	May 28

A.

S. no.	Date of supply of goods or services	Date of issue of invoice	Date of receipt of payment	Time of Supply	Applicable Rate
(i)		June 9	July 25	June 9	20%
(ii)	May 28	May 28	July 25	May 28	18%
(iii)		June 9	May 26	May 26	18%
(iv)		May 28	June 25	June 25	20%
(v)	June 10	May 28	May 16	May 16	18%
(vi)		June 9	May 28	June 9	20%

Q4. Kabira 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.

A. Time of supply of service taxable under reverse charge is the earlier of the following two dates in terms of Section 13(3):

- 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(3)(a)].

Q5. Raju Pvt. Ltd. receives the order and advance payment on 5th January for carrying out an architectural design job. It delivers the designs on 23rd April. By oversight, no invoice is issued at that time, and it is issued much later, after the expiry of prescribed period for issue of invoice.
When is the time of supply of service?
A. Since the invoice has not been issued within the prescribed time period, time of supply of service will be the earlier of the following two dates in terms of section 13(2)(b):

- Date of provision of service
- Date of receipt of payment

The payment was received on 5th January and the service was provided on 23rd April. Therefore, the date of payment, i.e., 5th January is the time of supply of the service in this case.

Q6. Investigation shows that 150 cartons of ceramic capacitors were dispatched on 2nd August but no invoice was made and the cartons were not entered in the accounts. There was no evidence of receipt of payment.
What is the time of supply of the 150 cartons?
A. As per Notification No. 66/2017 CT dated 15.11.2017, a registered person (excluding composition supplier) has to pay GST on the outward supply of goods at the time of supply as specified in section 12(2)(a) i.e., date of issue of invoice or the last date on which invoice ought to have been issued in terms of section 31.
In this case since the invoice has not been issued, the time of supply will be the last date on which the invoice is required to be issued.
The invoice for supply of goods must be issued on or before the dispatch of goods i.e., on 2nd August.
Therefore, time of supply of the goods will be 2nd August, the date when the invoice should have been issued.

Q7. An order is placed on Ram & Co. on 18th August for supply of a consignment of customised shoes. Ram & Co. gets the consignment ready and informs the customer and issues the invoice on 2nd December. The customer collects the consignment from the premises of Ram & Co. on 7th December and electronically transfers the payment on the same date, which is entered in the accounts on the next day, 8th December.
What is the time of supply of the shoes for the purpose of payment of tax?
A. As per Notification No. 66/2017 CT dated 15.11.2017, a registered person (excluding composition supplier) has to pay GST on the outward supply of goods at the time of supply as specified in section 12(2)(a) i.e., date of issue of invoice or the last date on which invoice ought to have been issued in terms of section 31.
In this case, the invoice is issued before the removal of the goods and is thus, within the time limit prescribed under section 31(1). Therefore, time of supply is the date of issue of invoice, which is 2nd December.

Q8. Meal coupons are sold to a company on 9th August for being distributed to the employees of the said company. The coupons are valid for six months and can be used against purchase of food items. The employees use them in various stores for purchases of various edible items on different dates throughout the six months. What is the date of supply of the coupons?
A. As the coupons can be used for a variety of food items, which are taxed at different rates, the supply cannot be identified at the time of purchase of the coupons. Therefore, the time of supply of the coupons is the date of their redemption in terms of section 12(4).

Q9. A firm of lawyers issues invoice for services to ABC Ltd. on 17th Feb. The payment is contested by ABC 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.

A. Time of supply of services that are taxable under reverse charge is earliest of the following two dates in terms of section 13(3):

- 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.

Q10. Modern Security Co. provides service of testing of electronic devices. In one case, it tested a batch of devices on 4th and 5th September but could not raise invoice till 19th November because of some dispute about the condition of the devices on return. The payment was made in December.
What is the method to fix the time of supply of the service?

A. The time of supply of services, if the invoice is not issued in time, is the date of payment or the date of provision of service, whichever is earlier [Section 13(2)(b)].
In this case, the service is provided on 5th September but not invoiced within the prescribed time limit. Therefore, the date of provision of service, i.e., 5th September, will be the time of supply.

Q11. I buy a set of modular furniture from a retail store. Invoice is issued to me and I make the payment. The furniture is to be delivered to me later in the week when a technician is available to assemble and install it. The next day the rate of tax applicable to modular furniture is revised upward, and the store sends me a supplementary invoice with the delivery note accompanying the furniture to collect the differential amount of tax. Is this correct on store's part?

A. No the store is not correct in issuing supplementary invoice with revised rate of tax. The revised rate of tax is not applicable to the transaction, as the issuance of invoice as well as receipt of payment occurred before the supply. Therefore, in terms of section 14(b)(ii), the time of supply is earlier of the two events namely, issuance of invoice or receipt of payment, both of which are before the change in rate of tax, and thus, the old rate of tax remains applicable.

Q12. An online portal, Best Info, raises invoice for database access on 21st February on Roy & Bansal Ltd. The payment is made by Roy & Bansal Ltd. by a demand draft sent on 25th February, which is received and entered in the accounts of Best Info on 28th February. Best Info encashed the demand draft and thereafter, gives access to the database to Roy & Bansal Ltd from 3rd March.
In the meanwhile, the rate of tax is changed from 1st March 2017.
What is the time of supply of the service of database access by Best Info?

A. As issuance of invoice and receipt of payment (entry of the payment in Best Info's accounts) occurred before the change in rate of tax, the time of supply of service by the online portal is earlier of the date of issuance of invoice (21st February) or date of receipt of payment (28th February) i.e., 21st February. This would be so even though the service commences after the change in rate of tax [Section 14(b)(ii)].

GST Main Book's Questions

Q1. A Machine has to be supplied at site. It is done by sourcing various components from vendors and assembling the machine at site. The details of the various events are:

17th September	Purchase order with advance of Rs. 50,000 is received for goods worth Rs. 12 Lacs and entry duly made in the seller's books of account
20th October	The machine is assembled, tested at site, accepted by buyer
23rd October	Invoice raised
4th November	Balance payment of Rs. 11.50 Lacs received

Determine the time of supply(ies) in the above scenario?

A. The time of supply of goods is 20th October 2017 which is the date on which the goods were made available to the recipient as per section 12 (2) (a) and the invoice should have been issued on this date [Section 31 (1) (b)].

Q2. Determine the time of supply from the given information.

May 4	Supplier invoices goods taxable on reverse charge basis to Bridge & Co. (30 days from the date of issuance of invoice elapse on June 3)
May 12	Bridge & Co receives the goods
May 30	Bridge & Co makes the payment

A. 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.)

Q3. Determine the time of supply from the given information.

May 4	Supplier invoices goods taxable on reverse charge basis to Pillar & Co. (30 days from the date of issuance of invoice elapse on June 3)
June 12	Pillar & Co receives the goods, which were held up in transit
July 3	Payment made for the goods

A. Here, June 4 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)].

Q4. ABC Ltd. sells food coupons to a company, which gives these to its employees as part of the agreed perquisites. The coupons can be redeemed for purchase of any item of food/provisions in the outlets that are part of the program.

A. As the supply against which the coupon will be redeemed is not known on the date of the sale of the coupon, the time of supply of the coupon will be on the date on which the employee redeems it against food/provision items of his choice.

Q5. With each purchase of a large pizza during the Christmas week from Perfect Pizza, one can buy a voucher for Rs. 20 which will be redeemable till 5 Jan for a small pizza.

A. As the supply against which the voucher will be redeemed is known on the date of the sale, the time of supply is the date of issue of the voucher.

Q6. Determine the time of supply from the given information.

6th May	Booking of convention hall, sum agreed Rs. 15,000, advance of Rs. 3,000 received
15th September	Function held in conventional hall
27th October	Invoice issued for Rs. 15,000, indicating balance of Rs. 12,000 payable

3rd November	Balance payment of Rs. 12,000 received

A. As per Section 31 read with rule 47 of CGST Rules, the tax invoice is to be issued within 30 days of supply of service. In the given case, the invoice is not issued within the prescribed time limit. As per section 13 (2) (b), in a case where the invoice is not issued within the prescribed time, the time of supply of service is the date of provision of service or receipt of payment, whichever is earlier.
Therefore, the time of supply of service to the extent of Rs. 3,000 is 6th May as the date of payment of Rs. 3,000 is earlier than the date of provision of service. The time of supply of service to the extent of the balance Rs. 12.000 is 15th September which is the date of provision of service.

Q7. Investigation shows that ABC & Co carried out service of cleaning and repairs of tanks in an apartment complex, for which the Apartment Owners' Association showed a payment in cash on 4th April to them against work of this description. The dates of the work are not clear from the records of ABC & Co. ABC & Co have not issued invoice or entered the payment in their books of account.
A. The time of supply cannot be determined vide the provisions of clauses (a) and (b) of section 13 (2) as neither the invoice has been issued nor the date of provision of service is available as also the date of receipt of payment in the books of supplier is also not available. Therefore, the time of supply will be determined vide clause (c) of section 13 (2) i.e., the date on which the recipient of service shows receipt of the service in his books of account.
Thus, time of supply will be 4th April, the date on which the Apartment Owner's Association records the receipt of service in its books of account.

Q8. 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 as dispute about amount payable, and payment is delayed.
August 21	Payment made to the supplier of service.

A. Here, July 4 will be the time of supply, being the earliest of the two stipulated dates namely, date of payment and date immediately following 60 days since issue of invoice.

Q9. Determine the time of supply from the given information

May 4	A Germany company issues email informing its associated company ABC Ltd., of the cost of technical services provided to it.
July 2	ABC Ltd. transfers the amount to the account of the German company.

A. As there is no prior entry of the amount in the books of account of ABC Ltd, July 2 will be the time of supply, being the date of payment in terms of second proviso to section 13 (3).

Q10. A supplier of services received an advance when rate of tax on services was 18%. However, while raising the invoice, tax rate on service was reduced to 5%. How will the invoice be raised?
A. As per provision of section 14 of CGST Act, 2017, in case wherein service has been supplied after change in rate of tax and invoice has also been issued after change in rate of tax but payment is received before change in rate of tax, time of supply shall be date of issue of invoice.
Therefore, in the instant cases assuming as service has been supplied after change in rate of tax and invoice has also been issued after change in rate of tax, therefore tax rate applicable at the time of raising of invoice for supply of service would be 5%. Excess tax collected at the time of receipt of advance can be adjusted against future liabilities.

Q11. What is the time of supply in case of addition in value by way of Interest, late fees or penalty for delayed payment of any consideration?

A. The time of supply in case of addition in value by way of Interest, late fees or penalty for delayed payment of any consideration would be the date on which the supplier receives such addition in value.

Example: Mr. A had supplied services to Mr. B for Rs.1,00,000 on 1st March. Mr. B had to make the payment to Mr. A within one month of the supply otherwise interest was chargeable at the rate of 15%. Mr. B fails to make the payment within one month and makes the payment after a delay of one month i.e. by 30th April. Mr. A raises a debit note against Mr. B for the interest on delayed payment of Rs. 1,250 on 10th May. Mr. B makes the payment of the Interest of Rs. 1,250 on 15th June.

The time of supply in such case would not be the date of raising of debit note i.e. 10th May but it would be the date when Mr. B makes the payment of the interest to Mr. A i.e. 15th June.

Q12. Time of supply of services under reverse charge mechanism where the supplier of service is associated enterprises?

A. In case of associated enterprises located within India, the time of supply in terms of Section 13(3) shall be the earliest of the following:

(a) Date of payment as per books of accounts of the recipient; or
(b) Date on which payment is debited in the bank account of the recipient; or
(c) Sixty days from the date of issuing invoice or any other document, by whatever name called, in lieu thereof by the supplier; or

If it is not possible to determine the time of supply under the aforesaid clauses, the time of supply shall be the date of entry in the books of account of the recipient of supply. Thus, the same provisions as applicable to a supplier who is not associated enterprise will apply for services provided by associated enterprises located in India.

Where associated enterprises is located outside India, the time of supply shall be the earliest of the following dates:

(a) Date of entry in the books of accounts of the recipient; or
(b) Date of payment.

Particulars	Non-associated enterprises	Associated Enterprises
Date on which payment is entered in books of accounts	September 14, 2018	September 14, 2018
Date on which payment is debited to bank account	September 17, 2018	September 17, 2018
Date of issuance of invoice	September 10, 2018	September 10, 2018
Sixty days from the date of issuing invoice	November 10, 2018	November 10, 2018
Date of entry in the books of accounts of the recipient	September 10, 2018	September 10, 2018
Time of supply	September 14, 2018	September 10, 2018

Q13. Time of supply where services are supplied online?

A. The CGST Act, 2017 does not provide separate provisions for ascertaining the time of supply of service where such services are supplied online and hence the same provisions for services will apply for services supplied online.

Q14. From the following information determine the time of supply of goods where supply involves movement of goods:

Invoice Date	Removal of goods	Delivery of goods	Receipt of payment	Remarks
16-11-2018	10-11-2018	16-11-2018	16-11-2018	
01-12-2018	01-12-2018	04-12-2018	20-11-2018 10-12-2018	Rs. 5,00,000 is received as advance and balance payment Rs. 6,20,000 received on 10-12-2018

A.

Invoice Date	Removal of goods	Delivery of goods	Receipt of payment	Time of Supply	Remarks
16-11-2018	10-11-2018	16-11-2018	16-11-2018	10-11-2018	
01-12-2018	01-12-2018	04-12-2018	20-11-2018 10-12-2018	01-12-2018	Time of supply is date of issue of invoice. Advance received is not liable to be taxed at the time of receipt vide notification no. 66-2017 Dated 15-11-2017

Q15. From the following information determine the time of supply if goods are supplied on approval basis:

Removal of goods	**Issue of Invoice**	**Accepted by recipient**	**Receipt of payment**
01-12-2017	15-12-2017	05-12-2017	25-12-2017
01-12-2017	25-07-2018	25-07-2018	20-07-2018

A.

Removal of goods	Issue of invoice	Accepted by recipient	Receipt of payment	Time of Supply	Remarks
01-12-2017	15-12-2017	05-12-2017	25-12-2017	05-12-2017	Time of supply shall be the date of acceptance by the recipient as invoice was issued after that date.

01-12-2017	25-07-2018	25-07-2018	20-07-2018	02-06-2018	Time of supply shall be date after expiry of 6 months from the date of removal.

Q16. Determine the time of supply in each of the following independent cases in accordance with provisions of CGST Act, 2017:

Date of Actual provision of services	**Date of Invoice**	**Date on which payment received**
10-11-2017	30-11-2017	15-12-2017
10-11-2017	30-11-2017	15-11-2017
10-11-2017	30-11-2017	15-11-2017 and 10-12-2017
10-11-2017	30-11-2017	06-11-2017 and 09-11-2017
10-11-2017	30-11-2017	06-11-2017 and 16-11-2017
10-11-2017	12-12-2017	30-04-2018
10-11-2017	12-12-2017	05-11-2017 and 25-12-2017
10-11-2017	22-12-2017	12-12-2017

A.

Date of Actual provision of services	Date of Invoice	Date on which payment received	Time of Supply
10-11-2017	30-11-2017	15-12-2017	30-11-2017
10-11-2017	30-11-2017	15-11-2017	15-11-2017
10-11-2017	30-11-2017	15-11-2017 and 10-12-2017	15-11-2017 and 30-11-2017 for the respective amounts
10-11-2017	30-11-2017	06-11-2017 and 09-11-2017	06-11-2017 and 09-11-2017 for the respective amounts
10-11-2017	30-11-2017	06-11-2017 and 16-11-2017	06-11-2017 and 16-11-2017 for the respective amounts
10-11-2017	12-12-2017	30-04-2018	10-11-2017
10-11-2017	12-12-2017	05-11-2017 and 25-12-2017	05-11-2017 and 10-11-2017 for the respective amounts
10-11-2017	22-12-2017	12-12-2017	10-11-2017

Q17. Determine the time of supply in each of the following independent cases in accordance with provisions of CGST Act, 2017:

Date of Actual provision of services	**Date of Invoice**	**Payment entry in supplier's book**	**Credit in bank account**	**Remarks**
20-10-2017	21-10-2017	26-10-2017	30-10-2017	
20-10-2017	30-10-2017	24-10-2017	22-10-2017	
16-11-2017	26-12-2017	28-01-2018	29-01-2018	

01-12-2017	30-10-2017 30-10-2017	30-10-2017 06-12-2017	30-10-2017 08-12-2017	Rs, 5,00,000 is received in advance on 30-10-2017 and balance amount Rs. 6,80,000 is received on 06-12-2017

A.

Date of Actual provision of services	Date of Invoice	DOP- earlier of the date of payment is entered in books or credited in bank account	Time of Supply	Remarks
20-10-2017	21-10-2017	26-10-2017	21-10-2017	
20-10-2017	30-10-2017	22-10-2017	22-10-2017	
16-11-2017	26-12-2017	28-01-2018	16-11-2017	
01-12-2017	30-10-2017 30-10-2017	30-10-2017 06-12-2017	30-10-2017 30-10-2017	Rs, 5,00,000 is received in advance on 30-10-2017 and balance amount Rs. 6,80,000 is date of invoice

Q18. Determine the time of supply in each of the following independent cases in accordance with provisions of CGST Act, 2017 if recipient is liable to pay tax on reverse charge basis:

Date of Invoice	Date of receipt of goods	Date of payment in Books	Date when payment debited in bank account
01-10-2017	05-10-2017	10-10-2017	12-10-2017
01-10-2017	15-10-2017	10-10-2017	12-10-2017
01-10-2017	15-10-2017	12-10-2017	10-10-2017
01-10-2017	15-11-2017	18-11-2017	20-11-2017

A.

Date of Invoice	Date of receipt of goods	Date of payment in Books	Date when payment debited in bank account	Time of Supply
01-10-2017	05-10-2017	10-10-2017	12-10-2017	05-10-2017
01-10-2017	15-10-2017	10-10-2017	12-10-2017	10-10-2017
01-10-2017	15-10-2017	12-10-2017	10-10-2017	10-10-2017
01-10-2017	15-11-2017	18-11-2017	20-11-2017	01-11-2017

Q19. Determine the time of supply in the following cases assuming that GST is payable under reverse charge:

Date of payment by recipient of services	Date of issue of invoice by supplier of services
10-10-2017	29-08-2017
10-10-2017	01-08-2017
Part payment made on 30-08-2017 and balance amount paid on 01-11-2017	29-08-2017

Payment is entered in the books of account on 28-08-2017 and debited in recipient's bank account on 30-08-2017	01-08-2017
Payment is entered in the books of account on 30-08-2017 and debited in recipient's bank account on 26-08-2017	29-08-2017

A.

Date of Invoice issued by supplier of services	Date immediately following 60 days from invoices	Date of payment by recipient of services	Time of supply of services (earlier of Date immediately following 60 days from invoice or Date of payment by recipient of services)
29-08-2017	29-10-2017	10-10-2017	10-10-2017
01-08-2017	01-10-2017	10-10-2017	01-10-2017
29-08-2017	29-10-2017	Part payment made on 30-08-2017 and balance amount paid on 01-11-2017	30-08-2017 for part payment and 29-10-2017 for balance amount
01-08-2017	01-10-2017	Payment is entered in the books of account on 28-08-2017 and debited in recipient's bank account on 30-08-2017	28-08-2017 (i.e. when payment is entered in the books of account of the recipient)
29-08-2017	29-10-2017	Payment is entered in the books of account on 30-08-2017 and debited in recipient's bank account on 26-08-2017	26-08-2017 (i.e. when payment is debited in the recipient's bank account)

Q20. Mehra Sons, a registered supplier, is a wholesale supplier of ready-made garments located in Bandra, Mumbai. On 5th September, 20XX, Subhadra, owner of Aura Boutique located in Dadar, Mumbai, approached Mehra Sons for supply of a consignment of customised dresses for ladies and kids.

Mehra Sons gets the consignment ready by 2nd December, 20XX and informs Subhadra about the same. The invoice for the consignment was issued the next day, 3rd December, 20XX. Due to some reasons, Subhadra could not collect the consignment immediately. So, she collects the consignment from the premises of Mehra Sons on 18th December, 20XX and hands over the cheque for payment on the same date. The said payment is entered in the accounts on 20th December, 20XX and amount is credited in the bank account on 21st December, 20XX. You are required to determine the time of supply of the readymade garments supplied by Mehra Sons to Subhadra elaborating the relevant provisions under the GST law.

(CA Inter – MTP- May 2018)

A. Given transaction is supply transaction involving movement of goods. Sec 31 requires supplier of goods to issue invoice upto the time of removal of goods which includes even collection of goods by the recipient. In given case, date of removal (collection by buyer) is 18.12.XX while invoicing has been done on 03.12.XX. Thus, given case is one where the supplier has issued invoice upto time of removal of goods. For purposes of determination of time of supply, the date of payment is considered to be earlier of the date of receipt of payment in bank account (21.12.XX) or date of entry in books of accounts (20.12.XX). Thus, in instance case, the date of receipt of payment is 20.12.XX.

As per Sec 12 read with Notification No. 66/2017 CT Dated 15.11.2017, Time of Supply for the supplier of the goods shall be the date of invoice (03.12.XX) or the last date on which invoice is required to be issued (18.12.XX). Thus, Time of Supply for the given supply transaction shall be 03.12.XX.

6 TIME OF SUPPLY

1 Chiku Traders is a registered supplier of plastic goods. On 10th April, 20XX, Chiku Traders received an order from Neelu Traders for supply of a consignment of plastic goods. Chiku Traders gets the consignment ready by 15th April, 20XX. The invoice for the consignment was issued the next day, 16th April, 20XX. Neelu Traders collects the consignment from the godown of Chiku Traders on 25th April, 20XX and hands over the cheque towards payment on the same date. The said payment is entered in the books of accounts of Chiku Traders on 26th April, 20XX and amount is credited in their bank account on 27th April, 20XX.

Determine the time of supply of the plastic goods supplied by Chiku Traders to Neelu Traders as per the provisions of CGST Act, 2017.

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

As per section 31(1), the invoice in case of supply of goods needs to be issued either before or at the time of removal/delivery of goods.

In this case, the invoice is issued before the removal of the goods and is thus, within the time limit prescribed under section 31(1). Therefore, time of supply is the date of issue of invoice, which is 16th April, 20XX.

2 Mr. Mahendra Sharma, an interior decorator registered at Ahmedabad (Gujarat), provided service to one of his clients XYZ Company Ltd., registered at Pune (Maharashtra). The provision of service was completed on 10-08-20XX and payment received was entered in the books of Mr. Mahendra Sharma on 11-08-20XX.

With effect from 16/08/20XX, applicable GST rate was increased from 5% to 12%. However, payment for the service received was credited in his bank account on 17/08/20XX and invoice for the same was raised on 23-08-20XX.

Mr. Mahendra Sharma claimed that he is liable to pay IGST @ 5%. But the department took the view that he is liable to pay IGST @12%.

Examine the correctness of Mr. Mahendra Sharma's contention and determine the time of supply and applicable rate of tax as per the statutory provisions.

Would your answer undergo any change in the above case if the payment was credited to the bank account on 14-08-20XX instead of 17-08-20XX?

Note: You may assume that all days are working days.

As per section 14 of the CGST Act, 2017, in case of change in rate of tax, date of receipt of payment is earlier of:

(i) date of entering payment in the books of account of the supplier (11.08.20XX)

or

(ii) date on which the payment is credited to his bank account (17.08.20XX).

However, if the payment is credited in the bank account after 4 working days from the date of change in the rate of tax, the date of receipt of payment will be the date of credit in the bank account.

In the given case, since the payment has been credited in the bank within 4 working days from the date of change in the rate of tax, the date of receipt of payment will be 11.08.20XX [i.e., earlier of 11.08.20XX or 17.08.20XX].

Section 14 further provides that where goods and/or services have been supplied before the change in rate of tax (10.08.20XX) and the payment has been received before the change in rate of tax (11.08.20XX), but the invoice for the same is issued after the change in rate of tax (23.08.20XX), the time of supply shall be the date of receipt of payment.

Therefore, in the given case, the time of supply will be 11.08.20XX and the applicable rate of tax will be rate prevalent at the time of supply, i.e. IGST @ 5%.

Therefore, the contention of Mahendra Sharma is correct.

Further, if the date on which the payment is credited to bank account of supplier is 14.08.20XX, the date of receipt of payment will continue to be 11.08.20XX [i.e., earlier of 11.08.20XX or 14.08.20XX] since the payment is credited in the bank account before change in rate of tax. Consequently, with other things remaining the same, the time of supply and the applicable rate of tax will remain the same.

3 Determine the time of supply from the following particulars:

8th September	**Community hall booked for a marriage, sum agreed ₹ 1,20,000, advance ₹ 20,000 recorded in the books of account.**
10th September	**Advance amount credited in bank account.**
2nd November	**Marriage held in the Community hall.**
18th December	**Invoice issued for ₹ 1,20,000 indicating the balance of ₹ 1,00,000 payable**
22nd December	**Balance ₹ 1,00,000 recorded in the books of account.**
24th December	**Payment ₹ 1,00,000 credited to the bank account**

As per section 31(2) of the CGST Act, 2017 read with rule 47 of CGST Rules, 2017a tax invoice is to be issued within 30 days of supply of service. In the given case, the invoice is not issued within the prescribed time limit. As per section 13(2)(b) of CGST Act, 2017, in a case where the invoice is not issued within the prescribed time, the time of supply of service is –

(i) date of provision of service

or

(ii) date of recording the payment in the books of account of the supplier

or

(iii) date of crediting of payment in the supplier's bank account

whichever is earlier.

Therefore, the time of supply of service to the extent of advance of ₹ 20,000 is

8th September (date of recording the payment in the books of account) as it is earlier than the date of crediting of payment in the bank account and the date of provision of service.

The time of supply of service to the extent of the balance ₹ 1,00,000 is 2nd November, which is the date of provision of service as it is earlier than the other two events in this case.

This chapter includes GST Main Book 26 Q & A
Please refer 27 Examples in GST Main Book

Chapter 7: - Value of Supply

ICAI's Test Your Knowledge

Q1. AKJ Foods Pvt. Ltd. gets an order for supply of processed food from a customer. The customer wants the consignment tested for gluten or specified chemical residues. AKJ Foods Pvt. Ltd. does the testing and charges a testing fee for the same from the customer. AKJ Foods Pvt. Ltd. argues that such testing fess should not form part of the consideration for the sale as it is a separate activity.
Is his argument correct in the light of section 15?
A. Section 15(2) mandates the addition of certain elements to transaction value to arrive at taxable value. Clause (c) of section 15(2) specifies that amount charged for anything done by the supplier in respect of the supply at the time of or before delivery of goods or supply of services shall be included in taxable value.
Since AKJ Foods Pvt. Ltd. does the testing before the delivery of goods, the charges therefor will be included in the taxable value. Therefore, AKJ Foods Pvt. Ltd.'s argument is not correct. The testing fee should be added to the price to arrive at taxable value of the consignment.

Q2. A philanthropic association makes a substantial donation each year to a reputed private management institution to subsidise the education of low income group students who have gained admission there. The fee for these individuals is reduced thereby, coming to Rs. 3 lakh a year compared to Rs. 5 lakh a year for other students.
What would be the taxable value of the service of coaching and instruction provided by the institution?
A. As per section 15(2)(e), the value of a supply includes subsidies directly linked to the price, excluding State Government and Central Government subsidies. In this case, the subsidy is not from the Government but is from a philanthropic association. Therefore, the subsidy is to be added back to the price to arrive at the taxable value, which comes to Rs. 5 lakh a year.

Q3. Mezda Banners, 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. Mezda Banners 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?
A. 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.

Q4. Crunch Bakery Products Ltd sells biscuits and cakes through its dealers, to whom it charges the list price minus standard discount and pays GST accordingly. When goods remain unsold with the dealers, it offers additional discounts on the stock as an incentive to push the sales.
Can this additional discount be reduced from the price at which the goods were sold and concomitant tax adjustments made?
A. The discounts were not known or agreed at the time of supply of goods to the dealers. Therefore, such discounts cannot be reduced from the price on which tax had been paid in terms of section 15(3).

Q5. Rajesh & Co. provides financial and management consultancy to a group of companies for an annual retainership fee of Rs. 15 lakh. It is given a room in the head office of the group for its exclusive use. Rajesh & Co. pays GST on the amount of Rs. 15 lakh.
Is the value for the service provided by Rajesh & Co., correct under GST laws? If not, please elaborate.
A. Rajesh & Co. gets an office room free of cost, which is an additional nonmonetary consideration for its services. The market value of the rent of the room must be added to the retainer fee (Rs. 15 lakh) in order to arrive at the value of the taxable service provided by Rajesh & Co, as per rule 27 of the CGST Rules relating to valuation.

Q6. The supplies of commodity 'y' to the market are channelled through a State Marketing Corporation which conducts an auction each day to arrive at the price. Gupta and Co. supplies commodity 'y' through the State Marketing Corporation.
How will this supply of 'y' by Gupta and Co. be valued for paying tax?
A. The State Marketing Corporation is an 'agent' in the meaning of the expression as defined in section 2(5), which includes an auctioneer. Therefore, the value of supply of 'y' will be determined in terms of rule 29 of CGST Rules relating to valuation.
There is no open market for the first supply of commodity 'y', as it is compulsorily supplied to the State Marketing Corporation. However, Gupta & Co. has the option of valuing the supply of 'y' at 90% of price of goods of like kind and quality sold by the State Marketing Corporation to its unrelated customers.
If the value cannot be determined by this method, it needs to be determined on the basis of the cost plus 10% mark up as per rule 30 or on the basis of Best Judgement Method as per rule 31, in that order.

Q7. Easy Coupons Ltd. sells coupons that are redeemable against specified luxury food products at retail outlets. Each coupon has a face value of Rs. 900 but is redeemable for supplies worth Rs. 1000. What is the value of supply of such coupon under GST laws?
A. In terms of rule 32(6) of the CGST Rules relating to valuation, the value of a coupon is the money value of the goods redeemable against it. Therefore, though the coupon is sold for Rs. 900, its value is Rs. 1000.

Q8. A pharmaceutical company supplies a drug intermediate to its own unit in another State for conversion into formulations. The product is exclusive to this company, and there is no market sale in India of this drug intermediate. Goods of like kind and quality are also not available.
How will the value of the supply of this drug intermediate be determined under GST laws?
A. Since the supply is made to a distinct person, the same will be valued in accordance with rule 28 of CGST Rules relating to valuation. There is no open market value of the drug intermediate as also there are no like goods. Therefore, value of supply of such drug intermediate will be determined in terms of clause (c) of rule 28 i.e., by using rule 30. Thus, the value of supply of such drug intermediate will be 110% of its cost of production or manufacture.
However, if the recipient unit is eligible for full ITC, the value declared in the invoice will be deemed to be the open market value of the drug intermediate and thus, the invoice value will be the value of taxable supply.

GST Main Book's Questions

Q1. ABC suppliers Ltd. Mumbai has issued following invoices on 22th July 2017:
(a) XYZ Ltd. Ahmedabad, Value of goods Rs. 20,000. Packing charges Rs. 800, Outward Freight Charges Rs. 1,200.
(b) CDE Ltd. Pune, Value of goods Rs. 50,000, weighment charges Rs. 1,600, discount for prompt

payment Rs. 1,200.

(c) Brain cert, USA – FOB value Rs. 40,000.

The tax rates were as follows: - CGST 9%, SGST 9%, IGST 18%. Calculate the tax liability in each case.

A. (a) Tax is payable on value plus packing plus outward freight i.e. Rs. 22,000. Since customer is from out of state, IGST is payable @ 18%. Hence IGST payable is Rs. 3,960.

(b) Tax is payable on 50,000+1,600-1,200 = Rs. 50,400. The supply is within the State. Hence, tax payable is as follows, SGST @ 9% = Rs. 4,536 & CGST @ 9% = Rs. 4,536

(c) Since the goods are exported, IGST is not payable assuming ABC has LUT.

Q2. A taxable person engaged in trading of second hand cars has given following information for Sept'17:

(a) Purchased second hand car at Rs. 4,00,000 and sold at Rs. 5,00,000.

(b) Purchased second hand car at Rs. 3,00,000 and sold at Rs. 2,90,000.

(c) Purchased second hand car at Rs. 7,00,000. He could not sale in that month.

The tax rates were as follows: - CGST 14%, SGST 14%, IGST 28%, Compensation Cess 3%.

A. The taxable person can pay under margin scheme as follows:

(a) Value Rs. 1,00,000 [5,00,000-4,00,000], CGST @ 14% Rs. 14,000, SGST @ 14% Rs. 14,000 & Compensation Cess @ 3% 3,000. Total Rs. 31,000.

(b) No tax payable as value of supply is negative.

(c) No tax as the car is not sold.

Q3. A CA in Mumbai supplied service relating to incorporation of a company to Mr. Amit in Kolkata. He charged fees as follows:

(a) Professional fees for incorporate of company Rs. 1,00,000.

(b) Filing fees and registration charges paid to ROC Rs. 90,000.

(c) Reimbursement of Travelling and out of pocket expenses Rs. 10,000.

The tax rates were as follows: - CGST 9%, SGST 9%, IGST 18%. Calculate the tax liability in each case.

A. Rs. 90,000 are received as pure agent. So, this is not includible in value. The travelling & out of pocket expenses are part of value of supply and includible in value. Hence tax is payable on Rs. 1,10,000. Since the recipient is out of State, IGST is payable @ 18% = Rs. 1,10,000*18% = Rs. 19,800.

Q4. A in Kolkata supplied machinery of Rs. 2,00,000 to B in Kolkata in July 2017. He charged Rs. 24,000 as charges for erection and commissioning of the machinery and Rs. 20,000 as machine design charges. As per payment terms, the payment was to be made within 30 days. However, B did not pay within 30 days. Hence A recovered Rs. 6,000 as interest for late payment in Sept'17.

The tax rates were as follows: - CGST 9%, SGST 9%, IGST 18%. Calculate the tax liability in each case.

A. Tax is payable on Rs. 2,00,000+ Rs. 24,000+ Rs. 20,000 + Rs. 6,000 = Rs. 2,50,000. Tax payable CGST @ 9% of Rs. 2,50,000 = Rs. 22,500. SGST @ 9% = Rs. 22,500.

Q5. A manufacturer of drugs from Ahmedabad sales the product @ Rs. 5,000 for a box of medicines to wholesalers in Gujarat in Oct'17. He is sending to same goods to his consignment agent in Delhi in Oct'17. The consignment agent is selling the box of medicines @ Rs. 5,300 per box. Calculate the GST payable.

The tax rates were as follows: - CGST 2.5%, SGST 2.5%, IGST 5%. Calculate the tax liability in each case.

A. (a) for sale to wholesales in Gujarat the tax is as follows –

CGST @ 2.5% of Rs 5,000 = Rs. 125. SGST @ 2.5% = Rs. 125.

(b) for supplies to consignment agent in Delhi he can charge tax on 90% of the sale price in Delhi i.e. 90% of 5,300 = Rs. 4,770. IGST @ 5% of Rs. 4,770 = Rs. 238.50

Q6. A manufacturer of refrigerators from Punjab sales the refrigerator Rs. 50,000 to wholesalers in Punjab. He is sending to same refrigerators to his depot in Karnataka. He is selling the refrigerators in Karnataka Rs. 46,000 due to heavy competition. The tax rates were as follows: - CGST 14%, SGST 14%, IGST 28%. Calculate the tax liability for supply to Karnataka.

A. Since the entire tax paid in Punjab will be available as ITC in Karnataka, the tax can be paid on any value while sending goods from Punjab.

Q7. An AC manufacturer in Chennai has made an exchange offer. As per terms of offer, if you return your old AC of any make, you will get new AC of specified high capacity for Rs. 56,000, excluding taxes. The normal price of the new air conditioner of that capacity is Rs. 68,000, excluding taxes. You made enquiry with dealers of second hand AC and they are willing to purchase your AC for Rs. 7,000. You are staying at Chennai. The tax rates were as follows: - CGST 14%, SGST 14%, IGST 28%. Calculate the tax payable.

A. Tax is payable on Rs. 68,000. Tax payable – CGST @ 14% Rs. 9,520, SGST @ 14% Rs. 9,520.

Q8. How value of supply to be arrived at in case of supply of goods or services between related persons?

A. Let's understand it with an example wherein Mr. A who is brother of Mr. B, comes to the shop of Mr. B. He selects goods worth Rs. 50,000 from the shop. The following would be the steps to find out the value of supply between Mr. A and Mr. B: -

(a) If the open market value of the goods or services supplied by the supplier is known then open market value of the goods or services supplied would be the value of supply.
Example: Mr. A who is brother of Mr. B, comes to the shop of Mr. B. He selects goods worth Rs 50,000 on the shop and asks how much he has to pay for it. Mr. B asks Mr. A to pay Rs 40,000. In this transaction, as Mr. B is brother of Mr. A, Mr. B has charged lesser price from Mr. A. Thus, the open market price in the given case would be Rs. 50,000.

(b) If open market value is not available, it will be the value of supply of goods or services of like kind and quality.
Example: Mr. A who is brother of Mr. B, comes to the shop of Mr. B. Supposedly, goods selected by him have been imported for the first time from outside the country and no price has been specified on such goods. Mr. B asks Mr. A to pay Rs. 40,000. In this transaction, as Mr. B is brother of Mr. A and the open market value is not available, price of goods with similar features would be the value of supply of the goods. Supposedly, similar goods are available for Rs. 45,000 in the market, therefore value of supply would be Rs. 45,000.

(c) If value is not determinable under either of the two methods above, value of supply would be the value as determined by application of Rule 30 or Rule 31 of Central Goods and Services Tax Rules, 2017, in that order.

(d) Where the goods are intended for further supply as such by the recipient, the value at the option of the supplier, be an amount equivalent to ninety per cent of the price charged for the supply of goods of like kind and quality by the recipient to his customers not being his related person.

(e) If the recipient is eligible for full input tax credit, the value declared in the invoice shall be deemed to be open market value of the goods or services.

Q9. Is GST Leviable on Securities Transaction Tax and Stamp Duty?

A. The liability to pay STT and Stamp Duty on purchase or sale of share is that of either purchaser or seller and not of stock broker. The stock broker collects and deposits the same on behalf of the purchaser or seller and in the capacity of the pure agent. Thus, GST is not payable on STT and Stamp Duty as long as the sub – broker satisfies the conditions of pure agent as specified in Rule 33 of the CGST Rules, 2017.

Q10. Admission to ABC Theater is Rs. 100 per ticket for a Kannada Movie as well as for a Hindi Movie plus entertainment tax Rs. 10% on Kannada Movie and 20% on other languages. In the month of November, ABC Theater sold 2000 tickets of Kannada Movie and 2000 tickets of Hindi Movie. Find the value of taxable supply of service. Applicable rate of GST 18%. Find the GST liability if any?

A. For GST law add all other taxes (other than part of GST family i.e. CGST, SGST, IGST etc.) in value of supply. So, entertainment tax shall be part of assessable value.

Kannada Movie total collection = 2000*110 {100+(100*10%)}= Rs. 2,20,000

Hindi Movie total collection = 2000*120 {100+(100*20%)}= Rs. 2,40,000

GST Tax Liability

CGST = Rs. 4,60,000*9%= Rs. 41,400

SGST = Rs. 4,60,000*9%= Rs. 41,400

Q11. ABC Gas sells cooking gas cylinders. Subsidy directly transferred to the account of the customer whose account are linked with Aadhar card. Selling price per cylinder is Rs. 900. Customer received subsidy Rs. 300 directly from Government to his bank account. Net outflow of the buyer is Rs. 600. Find the value of supply of goods (per cylinder) in the hands of ABC Gas. Calculate assessable value to levy tax.

A. Supplier is liable to pay GST on transaction value which shall be exclusive of subsidy received from government. However, exclusion of subsidy is applicable if Government is paying that to the supplier for making the supply.

In this case, Government has not paid subsidy to the supplier, rather it has been paid to the buyer directly. Supplier is not impacted by such subsidy. He shall be liable to pay whatever transaction value he has charged to buyer.

Hence, transaction value is Rs. 900 per cylinder.

Q12. ABC owns a coaching institute in Pune. The institute charges Rs. 18,000 per student for giving training in international taxation. However, this training programmes is subsidized by different institutions as follows – State Government of Maharashtra : Rs. 500 per student, XYZ Charitable Trust : Rs. 200 per student and Government of USA: Rs. 200 per student. Calculate tax liability assuming CGST & SGST @ 9% each.

A. In this case, subsidies given by different institutions are directly linked to the price charged by ABC. State Government subsidy can be excluded but subsidy paid by others will be included in taxable value.

Value of taxable supply = Rs. 18,000 – Rs. 500 (subsidy from Government of Maharashtra) = Rs. 17,500

GST Tax Liability

CGST = Rs. 17,500*9%= Rs. 1,575

SGST = Rs. 17,500*9%= Rs. 1,575

Q13. ABC has provided the following details relating to goods sold:-

Particulars	Amount
List price of the goods (excluding of taxes, subsidy and discounts)	50,000
Tax levied by Municipal Authority	5,000
Packing charges (not included in the price above)	2,000
Subsidy received from NGO	2,500
Trade discount offered @ 2% on list price	
Recipient pay 10% brokerage on list price at the request of supplier	
Recipient pay freight & insurance charges on behalf of supplier	5,000

Calculate the value of taxable supply.

A.

Statement showing calculation of value of taxable supply

Particulars	Amount
List price of the goods (excluding of taxes and discounts)	50,000
Add:-	
Tax levied by Municipal Authority {included in the value as per section 15 (2) (a)}	5,000
Packing Charges {included in the value as per section 15 (2) (c)}	2,000
Subsidy received from NGO {since subsidy is received from a non-government body, the same is included in the value of terms of section 15 (2) (e)}	2,500
Recipient pay 10% brokerage on the request of supplier {included in the value as per section 15 (2) (b)}	5,000
Recipient pay freight & insurance charges on behalf of supplier {included in the value as per section 15 (2) (b)}	5,000
Total	69,500
Less: Trade discount {since discount is known at the time of supply, it is deductible from the value of terms of section 15 (3) (a)}	1,000
Value of Taxable Supply	68,500

Q14. ABC buys the 'Super Motor' in Rajasthan from XYZ. Both agreed for the below conditions:

Value of Motor (including GST @ 5%)	Rs. 3,00,000
Taxes (other than GST) paid - Not included in above value	Rs. 5,000

Below items are being paid by recipient though supplier is liable to pay

Freight Expenses	Rs. 3,500
Consultancy charges for erection	Rs. 2,000
Testing Charges	Rs 500
Insurance Charges	Rs 4,500

Other details:-

Subsidy received from Rajasthan Government (deducted from value)	Rs. 10,000
Subsidy received from manufacturer for supply of power generator (deducted from value)	Rs. 25,000
Trade discount shown in Invoice	Rs. 2,000
Cash discount due to instant payment	Rs. 5,500

If such supply is inter-State supply, calculate the value of taxable supply and GST.

A.

Sr. No.	Action	Particulars	Amount	Remarks
1		Value of Motor	3,00,000	
2	Add	Taxes (other than GST) paid	5,000	Section 15 (2) (a) – Value of supply shall include any taxes, duties, cesses, fees and charges levied under any law other than GST
3	Add	Freight Expenses	3,500	Section 15 (2) (b) – Any amount that the supplier is liable to pay in relation to such supply but which has been incurred by the recipient of supply.
4	Add	Consultancy charges for erection	2,000	
5	Add	Testing Charges	500	
6	Add	Insurance Charges	4,500	

7	Add	Subsidy received from manufacturer	25,000	Section 15 (2) (e) – Value shall include subsidies directly linked to the price excluding subsidies provided by the CG/SG.
8	Less	Trade Discount	- 2,000	Section 15 (3) (a) – Value of the supply shall not include any discount which is given before or at the time of the supply if such discount has been duly recorded in the invoice issued in respect of such supply.
9	Less	Cash Discount	-5,500	Section 15 (3) (b) – Value of the 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.
10	Total	Value (including GST Value)	3,33,000	
11	Less	IGST @ 5% {Rs. 3,33,000*5/105}	15,857	Inter-State supply
12	Net	Taxable Value	3,17,143	

Q15. ABC footwear, a registered supplier of Kanpur, has a non-moving stock worth Rs. 10,00,000 of a particular variety of shoes that are out of fashion. It has not been able to find market in spite of huge discount offered. It was able to sell this stock at a very low price of Rs. 2,00,000 to a retailer in Maharashtra with a condition that the retailer would display hoardings of ABC footwear in all their retail outlets in the State. Determine the taxable value of supply.

A. In this case the supplier and recipient are not related persons. Although a condition is imposed on the recipient on effecting the sale, such a condition has no bearing on contract price. This is a case of distress sale, and in such a case, it cannot be said that the supply is lacking 'sole consideration'. Therefore, the price of Rs. 2,00,000 will be accepted as value of supply.

Q16. ABC is facing serious liquidity problems and requests XYZ to pay within 2 days. It offers additional 1% cash discount. XYZ agrees and pays.

B. As per section 15 (3) (b), this discount was not known at the time of supply, and so it cannot be claimed as a deduction from the transaction value for GST calculation.
C.

Q17. ABC Ltd. is a registered manufacturer of pendrive. It sells its pendrive exclusively through distributors appointed across the country. The MRP printed on package of a pendrive is Rs. 1,000. ABC Ltd. sells the pendrives to distributors at Rs. 700 per pendrive (exclusive of GST). The applicable rate of GST is 18%.
The stock is dispatched to the distributors on quarterly basis – stock for a quarter being dispatched in the second week of the month preceding the relevant quarter. However, additional stock is dispatched at any point of the

year if the company receives a requisition of that effect from any of its distributors. The company charges Rs. 100 per pendrive from distributors (excluding all charges and taxes).
The company has a policy of offer a discount of 10% on pendrive supplied to the distributors for a quarter, if the distributors sell 500 pendrives in the preceding quarter. The discount is offered on the price at which the pendrive are sold to the distributors (excluding all charges and taxes).
The company appoints XYZ Ltd. as a distributor on 1st April and dispatches 750 pendrives on 8th April as stock for the quarter April-June. XYZ Ltd. places a purchase order of 1000 pendrives with the company for the quarter July-September. The order is dispatched by the company on 10th June and the same is received by the distributor. The distributor reports sale of 700 pendrives for the quarter April-June and 850 pendrives for the quarter July-September.
Compute the taxable value for the quarter July-September in respect of transaction between ABC & XYZ Ltd.
A. As per section 15 (3) (b), the value of supply shall not include any discount which is after the supply has been affected, if

i. 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
ii. ITC as is attributable to the discount on the basis of document issued by the supplier has been reversed by the recipient of the supply.

XYZ Ltd. is entitled to 10% discount on pendrives supplied by ABC Ltd. for the quarter July-September as it has sold more than 500 pendrives in the preceding quarter. However, since the entire stock for the quarter July-September has already been dispatched by ABC Ltd. in the month of June, the discount on the pendrives supplied to XYZ Ltd. for the quarter July-September will be post-supply discount. This discount shall be allowable since the discount policy was known before the time of such supply and the discount can be specifically linked to relevant invoices provided XYZ Ltd. reverses the ITC attributable to the discount on the basis of credit note issued by ABC Ltd.

Value of Taxable Supply (Amount in INR):-

Price at which the pendrives are supplied to XYZ Ltd.	700
Add: Packing Charges {incidental expenses need to be added as per section 15 (2) (c)}	100
Less: Discount {As explained above all the conditions specified in section 15 (3) (b) have been satisfied, so the post-supply discount will be allowed, subject to reversal of ITC by XYZ Ltd.}	-70
Value of Taxable supply of one unit of pendrive	730
Value of Taxable supply of 1000 units supplied for the quarter July-September (Rs. 730*1000)	7,30,000

Note:-XYZ Ltd. need to reverse ITC = Rs. 70 discount * 1000 * 18% = Rs. 12,600.

Q18. ABC provides management consultancy to a group of companies for annual retainership fees of Rs. 22 Lakhs. It is given an office cabin in head office of the group for its exclusive use. ABC pays GST on the amount of Rs. 22 Lakhs. Is the value for the service provided by ABC, correct under GST laws? Please explain.
A. The value of Rs. 22 Lakhs for the service provided by ABC, is not correct under GST laws. ABC gets an office cabin free of cost, which is an additional non-monetary consideration for its services. The market value of the rent of the room must be added to the fees (Rs. 22 Lakhs) in order to arrive at the value of the taxable service provided by ABC, as per Rule 27 of CGST Rules 2017.

Q19. Mr. A located in Pune purchases 2,000 parker pen for Rs. 2,00,000 from ABC Ltd. (wholesaler) located in Indore. Mr. A's son is an employee in ABC Ltd. The price of each parker pen in the open market is Rs. 120. The supplier additionally charges Rs. 5,000 for delivering the goods to the recipient's place of business.

A. Mr. A and ABC Ltd. would not be treated as related persons merely because the son of the recipient is an employee of the supplier, although such son and the supplier would be treated as related persons (employer and employee relationship).

Therefore, the transaction value will be accepted as the value of the supply. Transaction value will be Rs. 2,00,000+Rs. 5,000 = Rs. 2,05,000. IGST will be leviable since it is inter-State transaction.

Q20. ABC Ltd. owned by XYZ Ltd. is popularly known for assembly of large machines. PQR Ltd. (also owned by XYZ Ltd.) is engaged in fabrication of small machines. A factory contracts ABC Ltd. of its machinery, for a fee of Rs. 6,00,000. ABC Ltd. sub-contracts the work to PQR Ltd. for Rs. 4,00,000 and ensures supervision of the work performed by them. Generally, PQR Ltd. charges a fixed sum of Rs. 1,200 per man hour to its clients; its spends 400 hours on this project. Determine taxable value of supply.

A. Since ABC Ltd. & PQR Ltd. is controlled by XYZ Ltd., the two companies will be treated as related persons. Therefore, Rs. 4,00,000 being the sub-contract price will not be accepted as transaction value. The value of the service shall be open market value being Rs. 4,80,000 (Rs. 1,200*400).

Q21. ABC Ltd. (Mumbai) has 10 agents located across Maharashtra (except Mumbai). The stock of water purifier is dispatched on Just in time basis from ABC Ltd., to the location of the agents, based on receipt of orders from various dealers, on a fortnightly basis. ABC Ltd. is also engaged in wholesale supply of water purifier in Mumbai. An agent places an order for dispatch of 20 water purifier on 10-12-2017. ABC Ltd. had sold 20 water purifier to a retailer in Mumbai on 8-12-2017 for Rs. 1,30,000. The agent effects the sale of the 20 units to a dealer who would affect the sale on MRP basis i.e. Rs. 7,000- per unit. Calculate taxable value of supply.

A. The law deems these supplies between the principal and agent to be supplies for the purpose of GST. Therefore, the transfer of goods by the principal (ABC Ltd.) to its agent for him to effect sales on behalf of the principal would be deemed to be a supply although made without consideration. The value would be either the open market value, or 90% of the price charged by the recipient of the intended supply to its customers, at the option of the supplier. Thus, the value of the supply by ABC Ltd. to its agent would be either Rs. 1,30,000 or Rs. 1,26,000 (i.e. 90% * 7,000 * 20), based on the option chosen by ABC Ltd.

Q22. ABC Insurance provides you the following information for the month of September, 2018. You are required to compute value of taxable supply of services under Rule 32 (4) of Determination of value of supply Rules, 2017.

1. General policies: Total premiums collected Rs. 12,000 Lakhs (out of which 1st year premium is Rs. 5,000 Lakhs)
2. Single premium annuity policies : Premium collected Rs. 850 Lakhs
3. Only risk cover policies : Premium collected Rs. 500 Lakhs
4. Life micro-insurance policies where insured amount does not exceed Rs. 2,00,000 : Premium collected Rs. 10 Lakhs.
5. Variable Insurance Policies : Premium collected Rs. 8,000 Lakhs. (80% of the amount is allocated for investments on behalf of policy holder for which policy holder is given separate break up in premium receipts).

A. Computation of value of taxable supply of services (Rs. In Lakhs):

Particulars	Amount	Rate	Taxable Value
General policies:			

(i) First year premium (ii) Subsequent years i.e. policies issued in earlier years Single premium annuity policies Only Risk cover policies since the entire premium is for risk cover, hence, the option under Rule 32 (4) is not available. Life micro-insurance policies {Exempt vide Entry 36 of Notification no. 12/2017-Ct (Rate)} Variable Insurance Policies [Gross Premium – Amount allocated towards investment]	5,000 7,000 850 500 10 8,000	25% 12.5% 10% 100% Exempt -	1,250 875 85 500 - 1,600
Total Taxable Value			4,310

Q23. Will the Section 15 read with Chapter IV of the CGST Rules, 2017 apply to IGST payable on import of goods? How valuation will be done in case of import of services?

A. No. As per Proviso to Sec. 5(1) of IGST Act, Customs Law will be applicable for valuation of imported goods. U/s 15 read with Chapter IV of the CGST Rules, 2017 will apply for valuation of import of services.

Q24. Is reference to the CGST Rules required in all cases?

A. No. Reference to the CGST Rules, 2017 is required only when the supply is between related persons (including different registrations of the same PAN and principal-agent supplies), or where the consideration payable is not wholly in money. However, in specific cases where the categories of goods and services are notified in this regard (such as money-changing), the CGST Rules,2017 must be referred to, irrespective of the fact that the supplier and recipient are unrelated, and price is the sole consideration.

Q25. If related persons transact at arm's length price, can the valuation still be questioned?

A. The law mandates a reference to the CGST Rules where the supply is between related persons. However, since the supply is at "arm's length price", the fact that the price assigned to the transaction is an 'open market value' should be established.

Q26. What is the meaning of the term "Price is not the sole consideration"?

A. Under the GST law, consideration can be in "money or otherwise", and includes the monetary value of an act or forbearance, in relation to a supply. Consideration may also flow from any person other than the recipient. In cases, where the money received in respect of the supply is not the sole consideration, the "price is not the sole consideration". E.g. Buyer of capital goods discharges the loan of seller, goods purchased on exchange offer, etc.

7 VALUE OF SUPPLY

1. Prada Forex Private Limited, registered in Delhi, is a money changer. It has undertaken the following purchase and sale of foreign currency:

(i) 1,000 US $ are purchased from Nandi Enterprises at the rate of Rs. 68 per US $. RBI reference rate for US $ on that day is Rs. 68.60.

(ii) 2,000 US $ are sold to Menavati at the rate of Rs. 67.50 per US$. RBI reference rate for US $ for that day is not available.

Determine the value of supply in each of the above cases in terms of:

(A) Rule 32(2)(a) of the CGST Rules, 2017

(B) Rule 32(2)(b) of the CGST Rules, 2017.

Rule 32(2) of the CGST Rules, 2017 prescribes the provisions for determining the value of supply of services in relation to the purchase or sale of foreign currency, including money changing.

(A) Determination of value under rule 32(2)(a) of the CGST Rules, 2017

(i) Rule 32(2)(a) of the CGST Rules, 2017 provides that the value of supply of services for a currency, when exchanged from, or to, Indian Rupees, shall be equal to the difference in the buying rate or the selling rate, as the case may be, and the Reserve Bank of India (RBI) reference rate for that currency at that time, multiplied by the total units of currency. Thus, value of supply is:

= (RBI reference for US $ - Buying rate of US $) × Total number of units of US $ bought

= (68.6 – 68) × 1,000

= ₹ 600/-

(ii) First proviso to rule 32(2)(a) of the CGST Act, 2017 lays down that when the RBI reference rate for a currency is not available, the value shall be 1% of the gross amount of Indian Rupees provided or received by the person changing the money. Thus, value of supply is:

= 1% of the gross amount of Indian Rupees received

= 1% of (67.50 × 2,000)

= ₹ 1,350/-

(B) Determination of value under rule 32(2)(b) of the CGST Rules, 2017

Rule 32(2)(b) provides that value in relation to the supply of foreign currency, including money changing shall be deemed to be –

S. No.	Currency exchanged	Value of supply
1.	Upto ₹ 1,00,000	**1%** of the gross amount of currency exchanged **OR** ₹ **250** whichever is higher
2.	Exceeding ₹ 1,00,000 and upto ₹ 10,00,000	₹ **1,000** + **0.50%** of the (gross amount of currency exchanged - ₹ 1,00,000)
3.	Exceeding ₹ 10,00,000	₹ **5,500** + **0.1%** of the (gross amount of currency exchanged - 10,00,000) **OR** ₹ **60,000** whichever is lower

Thus, the value of supply in the given cases would be computed as under:

(i) Gross amount of currency exchanged = ₹ 68 × 1,000 = ₹ 68,000. Since the gross amount of currency exchanged is less than ₹ 1,00,000, value of supply is 1% of the gross amount of currency exchanged i.e. 1% of ₹ 68,000 or ₹ 250, whichever is higher.

= ₹ 680/-

(ii) Gross amount of currency exchanged = ₹ 67.50 × 2,000 = ₹ 1,35,000. Since the gross amount of currency exchanged exceeds ₹ 1,00,000 but is less than ₹ 10,00,000, value of supply is ₹ 1,000 + 0.50% of (₹ 1,35,000 - ₹ 1,00,000).

= ₹ 1,175/-

2 BC Ltd., registered in Noida (Uttar Pradesh) is a supplier of machinery used for making bottle caps. The supply of machinery is effected as under:

– **The wholesale price of the machinery (excluding all taxes and other expenses) at which it is supplied in the ordinary course of the business to various customers is ₹ 42,00,000. However, the actual price at which the machinery is supplied to an individual customer varies within a range of ± 10% depending upon the terms of contract of supply with the particular customer.**

– **Apart from the price of the machinery, ABC Ltd. charges from the customer the following incidental expenses:**

  ♦ **associated handling and loading charges of ₹ 10,000**

  ♦ **installation and commissioning charges of ₹ 1,00,000**

  The machinery can be dismantled and erected at another site, if required. The above charges are compulsorily levied in every case of supply of machinery.

– **Transportation of machinery to the customer's premises is arranged by ABC Ltd. through a third-party service provider [Goods Transport Agency (GTA)]. The customer enters into a separate service contract with the GTA and pays the freight directly to it.**

– **The company provides one year free warranty for the machinery. Further, the company also provides an extended two-year warranty on payment of additional charge of ` 3,00,000, to all its customers.**

– **A cash discount of 2% on the price of the machinery is offered at the time of supply, if the customer agrees to make the payment within 15 days of the receipt of the machinery at his**

premises. In the event of failure to make the payment within the stipulated time, the company-

- **recovers the discount given; and**
- **charges interest @ 1% per month or part of the month on the total amount due from the customer (towards the machinery supplied) from the date of making the supply till the date of payment. However, no interest is charged on the tax dues.**

– **For every machinery supplied, ABC Ltd. receives a grant of ₹ 2,00,000 from its holding company DEF Ltd.**

ABC Ltd. has supplied a machinery to D Pvt. Ltd. on August 1, 20XX at a price of ₹ 40,00,000 (excluding all taxes). D Pvt. Ltd has its corporate office in New Delhi. However, the machinery has been installed at its manufacturing unit located in Gurugram (Haryana). D Pvt. Ltd. has paid the freight directly to the GTA and the charges for two-year extended warranty. Discount @ 2% was given to D Pvt. Ltd. as it agreed to make the payment within 15 days. However, D Pvt. Ltd. paid the consideration on 31st October, 20XX.

Assume the rates of taxes to be as under:

Bottle cap making machine		
CGST – 6%	**SGST – 6%**	**IGST – 12%**
Service of transportation of goods		
CGST – 2.5%	**SGST – 2.5%**	**IGST – 5%**
Other services involved in the above supply		
CGST – 9%	**SGST – 9%**	**IGST – 18%**

Calculate the GST payable [CGST & SGST or IGST, as the case may be] on the machinery and support your conclusions with legal provisions in the form of explanatory notes.

Make suitable assumptions, wherever needed.

Computation of GST liability of ABC Ltd.

Particulars	(₹)
Price of machine [Note 1]	40,00,000

Handling and loading charges [Note 2]	10,000
Installation and commissioning charges [Note 3]	1,00,000
Transportation cost [Note 4]	Nil
Additional warranty cost [Note 5]	3,00,000
Grant from DEF Ltd. [Note 6]	2,00,000
Total price of the machine	46,10,000
Less: 2% cash discount on price of machinery = ₹ 40,00,000 × 2% [Note 7]	(80,000)
Taxable value of supply	45,30,000
Tax liability for the month of August 20XX [Note 11]	
IGST @ 12% [Note 8 and Note 9]	5,43,600
Tax liability for the month of October 20XX [Note 11]	
Interest collected @ 3% on ₹ 44,10,000 [Note 10]	1,32,300
Cash discount recovered [Note 10]	80,000
Cum-tax value of interest and cash discount	2,12,300
IGST = (₹ 2,12,300/112) x 12%	22,746
Total IGST payable on the machinery	**5,66,346**

Notes:

(1) 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 when the supplier and the recipient of the supply are not related and the price is the sole consideration for the supply. It is assumed that ABC Ltd. and D Pvt. Ltd are not related and the price is the sole consideration for the supply.

(2) All incidental expenses charged by the supplier to the recipient of a supply are includible in the value of supply in terms of section 15(2)(c) of CGST Act, 2017.

(3) Any amount charged for anything done by the supplier in respect of the supply of goods at the time of, or before delivery of goods is

includible in the value of supply in terms of section 15(2)(c) of CGST Act, 2017.

(4) Transportation cost has not been included in the value of supply of the machinery as it is a separate service contract between the customer and the third-party service provider. The customer pays the freight directly to the service provider.

The supplier (ABC Ltd), in this case, merely arranges for the transport and does not provide the transport service on its own account. Tax will be separately levied on the supply of service of transportation of goods under reverse charge which will be paid by the customer.

(5) Warranty cost is includible in the value of the supply since transaction value includes all elements of the price excluding those that can be specifically excluded as per section 15 of the CGST Act.

(6) Subsidies directly linked to the price excluding subsidies provided by the Central Government and State Governments are includible in the value of supply in terms of section 15(2)(e) of the CGST Act, 2017.

(7) Cash discount was deducted by ABC Ltd. upfront at the time of supply on August 1, 20XX and hence, the same is excluded from the value of supply as it did not form part of the transaction value.

(8) In the given case-

- the location of the supplier is in Noida (UP); and
- the place of supply of machinery is the place of installation of the machinery i.e., Gurugram (Haryana) in terms of section 10(1)(d) of the IGST Act, 2017.

Therefore, the given supply is an inter-State supply as the location of the supplier and the place of supply are in two different States [Section 7(1)(a) of IGST Act, 2017]. Thus, the supply will be leviable to IGST in terms of section 5(1) of the IGST Act, 2017.

(9) The given supply is a composite supply involving supply of goods (machinery) **and** services (handling and loading and installation and commissioning) 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. Thus, tax rate applicable to the goods (machinery) has been considered.

(10) Interest for the delayed payment of any consideration for any supply is includible in the value of supply in terms of section 15(2)(d) of the CGST Act, 2017. Further, cash discount recovered will also be includible in the value of supply as now the transaction value i.e., the price actually paid for the machinery is devoid of any discount.

The cash discount not allowed and interest have been considered as cum tax value on the logical assumption that tax component could not be recovered from the client. Thus, tax payable thereon has to be computed by making back calculations in terms of rule 35 of CGST Rules, 2017.

(11) It has been assumed that the invoice for the supply has been issued on August 1, 20XX, the date on which the supply is made. Thus, the time of supply of goods is August 1, 20XX in terms of section 12(1)(a) of the CGST Act, 2017.

As per section 12(6) of the CGST Act, 2017, the time of supply in case of addition in value by way of interest, late fee, penalty etc. for delayed payment of consideration for goods is the date on which the supplier receives such addition in value. Thus, the time of supply of interest received and cash discount recovered on account of delayed payment of consideration is 31st October, 20XX, the date when the full payment was made. The supplier may issue a debit note for such interest and cash discount recovered.

4 **Rolly Polly Manufacturers Ltd., registered in Mumbai (Maharashtra), is a manufacturer of footwear. It imports a footwear making machine from USA.Rolly Polly Manufacturers Ltd. enters into a contract with Rudra Logistics, a licensed customs broker with its office at Ahmedabad (Gujarat), to meet all the legal formalities in getting the said machine cleared from the customs station.**

Apart from this, Rolly Polly Manufacturers Ltd. authorises Rudra Logistics to incur, on its behalf, the expenses in relation to clearance of the imported machine from the customs station and bringing the same to the warehouse of Rolly Polly Manufacturers Ltd. which shall be reimbursed by Rolly Polly Manufacturers Ltd. to Rudra Logistics on the actual basis in addition to agency charges.

Rudra Logistics raised an invoice in July, 20XX as follows:

S.No.	Particulars	Amount (₹)
(i)	Agency charges	5,00,000
(ii)	Unloading of machine at Kandla port, Gujarat	50,000
(iii)	Charges for transport of machine from Kandla port, Gujarat to its Rudra Logistics' godown in Ahmedabad, Gujarat	25,000
(iv)	Charges for transport of machine from Rudra Logistics' Ahmedabad godown to the warehouse of Rolly Polly Export Import House in Mumbai, Maharashtra	28,000
(v)	Prepared and submitted of Bill of Entry and paid customs duty	5,00,000
(vi)	Dock dues paid	50,000
(vii)	Port charges paid	50,000
(viii)	Hotel expenses	45,000
(ix)	Travelling expenses	50,000
(x)	Telephone expenses	2,000

Compute the value of supply made by Rudra Logistics with the help of given information.Would your answer be different if Rudra Logistics has charged Rs. 13,00,000 as a lump sum consideration for getting the imported machine cleared from the customs station and bringing the same to the warehouse of Rolly Polly Manufacturers Ltd.?

As per explanation to rule 33 of the CGST Rules, 2017, a **"pure agent"** means a person who-

(a) enters into a contractual agreement with the recipient of supply to act as his pure agent to incur expenditure or costs in the course of supply of goods or services or both;

(b) neither intends to hold nor holds any title to the goods or services or both so procured or supplied as pure agent of the recipient of supply;

(c) does not use for his own interest such goods or services so procured; and

(d) receives only the actual amount incurred to procure such goods or services in addition to the amount received for supply he provides on his own account.

The supplier needs to fulfil **all** the above conditions in order to qualify as a pure agent.

In the given case, Rudra Logistics has entered into a contractual agreement with recipient of supply, Rolly Polly Manufacturers Ltd., to incur, on behalf of such recipient, the **expenses mentioned in S.No. (ii) to (vii)** incurred in relation to clearance of the imported machine from the customs station and bringing the same to the warehouse of the recipient. Further, Rudra Logistics does not hold any title to said services and does not them use for his own interest.

Lastly, Rudra Logistics receives only the actual amount incurred to procure such services in addition to agency charges. Thus, Rudra Logistics qualifies as a pure agent.

Further, rule 33 of the CGST Rules, 2017 stipulates that notwithstanding anything contained in the provisions of Chapter IV – Determination of Value of supply, the expenditure or costs incurred by a supplier as a pure agent of the recipient of supply shall be excluded from the value of supply, if all the following conditions are satisfied, namely-

(I) the supplier acts as a pure agent of the recipient of the supply, when he makes the payment to the third party on authorisation by such recipient;

(II) the payment made by the pure agent on behalf of the recipient of supply has been separately indicated in the invoice issued by the pure agent to the recipient of service; and

(III) the supplies procured by the pure agent from the third party as a pure agent of the recipient of supply are in addition to the services he supplies on his own account.

Since conditions (I) to (III) mentioned above are satisfied in the given case, expenses (ii) to (vii) incurred by Rudra Logistics as a pure agent of Rolly Polly Manufacturers Ltd. shall be excluded from the value of supply.

Accordingly, value of supply made by Rudra Logistics is as follows:

Particulars	Amount (₹)
Agency charges	5,00,000
Add: Unloading of machine at Kandla port, Gujarat	Nil
Add: Charges for transport of machine from Kandla port, Gujarat to its Rudra Logistics' godown in Ahmedabad, Gujarat	Nil
Add: Charges for transport of machine from Rudra Logistics' Ahmedabad godown to the warehouse of Rolly Polly Export Import House in Mumbai, Maharashtra	Nil
Add: Customs duty	Nil
Add: Dock charges	Nil
Add: Port charges	Nil
Add: Hotel expenses	45,000
Add: Travelling expenses	50,000
Add: Telephone expenses	2,000
Value of supply	**5,97,000**

Yes, our answer would be different. If lump sum amount of Rs. 13,00,000 is paid then the value of supply shall be Rs. 13,00,000 and tax shall be charged on value of supply since individual cost are not given.

5 Kaya Trade Links Pvt. Ltd. is a registered manufacturer of premium ceiling fans. It sells its fans exclusively through distributors appointed across the country. The maximum retail price (MRP) printed on the package of a fan is ₹ 10,000. The company sells the ceiling fans to distributors at ₹ 7,000 per fan (exclusive of applicable taxes). The applicable rate of GST on ceiling fans is 18%.

The stock is dispatched to the distributors on quarterly basis - stock for a quarter being dispatched in the second week of the month preceding the relevant quarter. However, additional stock is dispatched at any point of the year if the company receives a requisition to that effect from any of its distributors. The company charges ₹ 1,000 per fan from distributors towards packing expenses.

The company has a policy to offer a discount of 10% (per fan)on fans supplied to the distributors for a quarter, if the distributors sell 500 fans in the preceding quarter. The discount is offered on the price at which the fans are sold to the distributors (excluding all charges and taxes).

The company appoints Prakash Sales as a distributor on 1st April and dispatches 750 fans on 8th April as stock for the quarter April-June. Prakash Sales places a purchase order of 1,000 fans with the company for the quarter July-September. The order is dispatched by the company on 10th June and the same is received by the distributor on 18th June. The distributor makes the payment for the fans on 26th June and avails applicable input tax credit. The distributor reports sales of 700 fans for the quarter April-June and 850 fans for the quarter July-September.

Examine the scenario with reference to section 15 of the CGST Act, 2017 and compute the taxable value of fans supplied by Kaya Trade Links Pvt. Ltd. to Prakash Sales during the quarter July-September.

Note: Make suitable assumptions, wherever necessary.

Section 15(3)(a) of the CGST Act allows discounts to be deducted from the value of taxable supply if the same is given before or at the time of the supply and if such discount has been duly recorded in the invoice issued in respect of such supply. In other words, pre-supply discounts recorded in invoices are allowed as deduction.

Further, post supply discounts are also allowed as deduction from the value of supply under section 15(3)(b) of the CGST Act if-

(i) 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

(ii) 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.

In the given case, Prakash Sales is entitled for 10% discount on fans supplied by Kaya Trade Links Pvt. Ltd. for the quarter July-September as it has sold more than 500 fans in the preceding quarter April-June. However, since the entire stock for the quarter July-September has already been despatched by Kaya Trade Links Pvt. Ltd. in the month of June, the discounts on the fans supplied to Prakash Sales for the quarter July-September will be a post-supply discount.

Such post-supply discount will be allowed as a deduction from the value of supply since the discount policy was known before the time of such supply and the discount can be specifically linked to relevant invoices (invoices pertaining to fans supplied to Prakash Sales for the quarter July-September) provided Prakash Sales reverses the input tax credit attributable to the discount on the basis of document issued by Kaya Trade Links Pvt. Ltd.

The value of supply will thus, be computed as under:

Particulars	**Amount (₹)**
Price at which the fans are supplied to Prakash Sales [Note 1]	7,000
Add: Packing expenses [Note 2]	1,000
Less: Discount [Note 3]	(700)
Value of taxable supply of one unit of fan	**7,300**
Value of taxable supply of fans for the quarter July-September [₹ 7,300 x 1,000]	**73,00,000**

Notes:

(1) The value of a supply is the transaction value, which is the price actually paid or payable for the said supply, in terms of section 15(1) of the CGST Act presuming that the supplier and the recipient of supply are not related and price is the sole consideration for the supply.

(2) The value of supply includes incidental expenses like packing charges in terms of section 15(2)(c) of the CGST Act.

(3) Since all the conditions specified in section 15(3)(b) of the CGST Act have been fulfilled, the post-supply discount will be allowed as deduction from the value of supply presuming that Prakash Sales has reversed the input tax credit attributable to such discount on the basis of document issued by Kaya Trade Links Pvt. Ltd. The input tax credit to be reversed will work out to be ₹1.26 lakh [1,000 x (7,000 x 10%) x 18%].

6 Laxmi Ltd. of Bhopal (Madhya Pradesh) is a supplier of machinery. Laxmi Ltd. has supplied machinery to PQR Enterprises in Indore (Madhya Pradesh) on 1st October, 20XX. The invoice for supply has been issued on 1st October, 20XX. Thus, the time of supply of machinery is 1st October, 20XX. Laxmi Ltd. and PQR Enterprise are not related.

Following information is provided:

Basic price of machinery excluding all taxes but including design and engineering charges of ₹ 10,000 and loading charges of ₹ 20,000 - ₹ 20,00,000.

Laxmi Ltd. provides 2 years free warranty for the machinery. Laxmi Ltd. also provides an extended one year warranty on payment of additional charges of ₹1,00,000. The extended warranty is given by the manufacturer at the time of supply of goods to the buyer and that the same is not available separately. PQR Enterprises opted for one year warranty.

Laxmi Ltd. has collected consultancy charges in relation to pre-installation planning of ₹ 10,000 and freight and insurance charges from place of removal to buyer's premises of ₹20,000.

Laxmi Ltd. received subsidy of ₹ 50,000 from Central Government for supplying the machinery to backward region since receiver was located in a backward region. Laxmi Ltd. also received ₹ 50,000 from the joint venture partner of PQR Enterprises for making timely supply of machinery to the recipient.

A cash discount of 1% on the basic price of the machinery is offered at the time of supply, if PQR Enterprises agrees to make the payment within 30 days of the receipt of the machinery at his premises. Discount

@ 1% was given to PQR Enterprises as it agreed to make the payment within 30 days.

The machinery attracts CGST and SGST @ 18% (9% + 9%) and IGST @18%.

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

Computation of GST payable

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

Notes:

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

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

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

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

3. Any amount charged for anything done by the supplier in respect of the supply of goods at the time of, or before delivery of goods is includible in the value of supply in terms of section 15(2)(c) of CGST Act, 2017.

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

5. Subsidies provided by the Central Government and State Governments are not includible in the value of supply in terms of section 15(2)(e) of the CGST Act, 2017. However, subsidy directly linked to the price received from a non-Government body is includible in the value in terms of section 15(2)(e).

6. Cash discount has been given to PQR Enterprises upfront at the time of supply and thus, would have been recorded in the invoice and hence, the same is excluded from the value of supply in terms of section 15(3)(a) of the CGST Act, 2017.

7. In the given case-

- the location of the supplier is in Bhopal (Madhya Pradesh); and
- the place of supply of machinery is the location of the machinery at the time at which the movement of the same terminates for delivery to the recipient i.e., Indore (Madhya Pradesh) vide section 10(1)(a) of IGST Act, 2017.

Therefore, as per section 8(1) of IGST Act, 2017, the given supply is an intra-State supply as the location of the supplier and the place of supply are in the same State. Thus, the supply will be leviable to CGST and SGST.

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

7 M/s Jonty India Ltd. a manufacturer of heavy machines registered at Jaipur (Rajasthan) supplied one machine to M/s. Dhanuka Ltd. of Udaipur (Rajasthan) on 05-02-20XX under an invoice of the same date. Using the information given below, compute the value of the machine and the GST payable (CGST & SGST or IGST as the case may be) in cash for the month of February, 20XX by M/s Jonty India Ltd. with appropriate working notes.

Assume Rate of CGST, SGST and IGST on the machine to be 9%, 9% and 18% respectively.

Sl. No.	Particulars	Amount in ₹
(i)	The Basic price of the machine (exclusive of taxes and discount).	28,50,000
(ii)	Trade discount is allowed at 3% on the basic price and is shown in the invoice.	85,500
(iii)	Secondary packing (in iron sheets) charges for safe transportation of the machine on the request of buyer.	30,000
(iv)	Design and engineering charges of the machine	90,000
(v)	Tax levied by Municipal Authority on the sale of the machine.	25,000
(vi)	Subsidy received by the supplier from the State Government to encourage manufacture of the machine.	80,000

(vii)	**Pre-delivery inspection charges paid to an independent agency in terms of the agreement for supply. The amount was paid by M/s. Dhanuka Ltd.**	**22,000**
(viii)	**Interest amount paid by M/s. Dhanuka Ltd. for delay in payment for the machine.**	**12,000**
	Inward Supplies	
(i)	**IGST paid on food items for consumption by employees working in the factory.**	**8,000**
(ii)	**SGST and CGST (₹ 15,000 each) paid on Electrical transformer used in the manufacturing process.**	**30,000**

Note:

(i) **M/s Jonty India Ltd. has no input tax credit balance at the beginning of February, 20XX. All the other conditions necessary for availing the eligible input tax credit have been fulfilled.**

(ii) **There are no other transactions of supplies during the month of February, 20XX.**

(iii) **M/s Jonty India Ltd. and M/s. Dhanuka Ltd. are not related persons.**

Computation of value of machine sold by M/s. Jonty India Ltd.

Particulars	₹
Basic price of machine	28,50,000
Add: Secondary packing [Note 1(i)]	30,000
Design and engineering charges [Note 1(ii)]	90,000
Tax levied by Municipal Authority [Note 1(iii)]	25,000
Pre-delivery inspection charges paid by M/s. Dhanuka Ltd. [Note 1(iv)]	22,000
Interest for delay in payment [` 12,000 x 100/118] [Note 1(v)] – (rounded off)	10,169

Less: 3% Trade discount on basic price of machinery = ₹ 28,50,000 × 3% [Note 2]	(85,500)
Taxable value of supply	**29,41,669**

Computation of net GST payable (in cash) by M/s. Jonty India Ltd. for the month of February, 20XX

Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)
Tax on value of ₹ 29,41,669 (rounded off) [Note 4]	2,64,750	2,64,750
Less: Input tax credit [ITC] of tax paid on electrical transformer used in the manufacturing process [Note 3]	15,000	15,000
Net GST payable	**2,49,750**	**2,49,750**

Notes:

(1) As per section 15(2) of the CGST Act, 2017-

(i) All incidental expenses, including packing, charged by the supplier to the recipient of a supply are includible in the value of supply.

(ii) Any amount charged for anything done by the supplier in respect of the supply of goods at the time of, or before delivery of goods is includible in the value of supply.

(iii) Any taxes levied under any law for the time being in force other than CGST/SGST/UTGST/IGST, if charged separately by the supplier are includible in the value of supply.

(iv) Any amount that the supplier is liable to pay in relation to such supply, but which has been incurred by the recipient of the supply and not included in the price actually paid or payable for the goods and/or services is includible in the value of supply.

(v) Interest for the delayed payment of any consideration for any supply is includible in the value of supply. Further, it is assumed that such interest is inclusive of tax and that the same has been received by M/s. Jonty India Ltd. in the month of February itself. Therefore, the time of supply of such interest will be in February, 20XX and the same will be considered while paying the tax liability of that month.

(vi) Subsidies directly linked to the price excluding subsidies provided by the Central Government and State Governments are includible in the value of supply. Since in the given case, subsidy is received from State Government, the same has not been included in the value of supply presuming it to be directly linked to the price.*

(2) Trade discount has been shown in the invoice and hence, the same is excluded from the value of supply in terms of section 15(3)(a) of the CGST Act, 2017.

(3) 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[1] [Section 17(5)(b)(i)]. Further, since transformers are used in the course or furtherance of business, ITC thereon is available in terms of section 16(1).

(4) In the given case-

- the location of the supplier is in Jaipur (Rajasthan); and
- the place of supply of machinery is the location of the machinery at the time at which the movement of the same terminates for delivery to the recipient i.e., Udaipur (Rajasthan) vide section 10(1)(a) of IGST Act, 2017.

Therefore, as per section 8(1) of IGST Act, 2017, the given supply is an intra-State supply as the location of the supplier and the place of supply are in the same State. Thus, the supply will be leviable to CGST and SGST

Note*In the above answer, it has been assumed that the basic price of the machine has been arrived at after adjusting the subsidy and that the basic price is the price charged from the customer. Consequently, subsidy received*

[1]It has been assumed that the food items are provided free of cost to the employees in the course of employment.

from State Government has not been reduced from the basic price of the machine while arriving at the taxable value of supply.

However, it is also possible to assume that the subsidy has yet not been adjusted in the basic price and that the price which will be charged from the customer is ₹ 27,70,000 (₹ 28,50,000 – ₹ 80,000) i.e., after excluding subsidy. In that case, the value of supply will be ₹ 28,61,669.

8 Dev Enterprises is the supplier of water coolers. Dev Enterprises supplied water coolers to Vimal Traders for consideration of ₹ 2,95,000 (inclusive of GST @ 18%). Vimal Traders also gave some materials to Dev Enterprises as consideration for such supply whose value was ₹ 10,000 (exclusive of GST).

Dev Enterprises has supplied the same goods to another person at price of ₹ 2,97,360 (inclusive of GST@18%).

You are required to:

(1) Determine the value of goods supplied by Dev Enterprises to Vimal Traders as per the provisions of the CGST Act, 2017.

(2) What would your answer be if price of ₹ 2,97,360 is not available at the time of supply of goods to Vimal Traders? Explain briefly.

(1) In the given case, price is not the sole consideration for the supply. Apart from monetary consideration, the buyer has given some material to the supplier as consideration for such supply. Hence, the value of the supply cannot be determined on the basis of the transaction value in terms of section 15(1) of the CGST Act, 2017.

Here, the value will be determined with the help of rule 27 of the CGST Rules, 2017 (Valuation Rules) which specifies that where the consideration for a supply is not wholly in money, the value will be the open market value.

Open market value of a supply means the full value in money, excluding the applicable GST, where the supplier and the recipient of the supply are not related and the price is the sole consideration, to obtain such supply at the same time when the supply being valued is made.

Therefore, in the given case, the open market value of the goods supplied is ₹ 2,52,000 (₹ 2,97,360 x 100/118) and is therefore, the value of such goods.

(2) Rule 27 further provides that if open market value of the supply is not known, the value of the supply will be the consideration in money plus the money equivalent to the non-monetary consideration, if such amount is known at the time of supply.

Therefore, the value in the given case will be (₹ 2,95,000 x 100/118) + ₹ 10,000, which is ₹ 2,60,000.

9 Zindagi Life Insurance Company Limited (ZLICL) has collected premium from subscribers and it does not intimate the amount allocated for investment to subscribers at the time of collection of premium. During the month of September 20XX, it has collected the following receipts:

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

All amounts are exclusive of tax. You are required to compute the value of supply by ZLICL in accordance with GST laws.

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

(i) in case of single premium annuity policies,10% of single premium charged from the policy holder;

(ii) in all other cases, 25% of the premium charged from the policy holder in the first year and 12.5% of the premium charged from the policy holder in subsequent years;

(iii) in case the entire premium paid by the policy holder is only towards the risk cover in life insurance, the premium so paid.

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

Computation of value of supply for ZLICL for the month of September 20XX

Particulars	Amount (₹)
Premium for only risk cover	25,00,000
Premium from new subscribers 25% of ₹ 40,00,000	10,00,000
Renewal Premium 12.5% of ₹ 80,00,000	10,00,000
Single premium on annuity policy10% of ₹ 1,00,00,000	10,00,000
Total value of supply	**55,00,000**

10 Vayu Ltd. provides you the following particulars relating to goods supplied by it to Agni Ltd.:

Particulars	**₹**
List price of the goods (exclusive of Taxes and discounts).	**76,000**
Special packing at the request of customer to be charged to the customer.	**5,000**
Duty levied by local authority on the sale of such goods.	**4,000**
CGST and SGST charged in invoice.	**14,400**
Subsidy received from a NGO (The price of ₹ 76,000 given above is after considering the subsidy)	**5,000**

Vayu Ltd. offers 3% discount of the list price of the goods which is recorded in the invoice for the goods.

Determine the value of taxable supplies made by Vayu Ltd.

Computation of value of taxable supplies by Vayu Ltd.

Particulars	₹

List price of the goods	76,000
Add: Special packing [Note 1]	5,000
Duty levied by local authority on sale of goods [Note 2]	4,000
CGST and SGST charged [Note 2]	-
Subsidy received from a NGO [Note 3]	5,000
Less: Discount offered = 3% of List price = ₹ 76,000 × 3% [Note-4]	(2,280)
Value of taxable supplies	**87,720**

Notes:

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

2. Taxes, duties, etc. levied under any law for the time being in force other than CGST, SGST/UTGST, IGST are includible in the value as per section 15(2)(a) of CGST Act, 2017. Duty levied by local authority on sale of goods has been assumed to be recovered from Agni Ltd. and not included in the list price of the goods.

3. Subsidy directly linked to the price received from a non-Government body is includible in the value in terms of section 15(2)(e) of CGST Act, 2017.

4. Since discount is known at the time of supply, it is deductible from the value in terms of section 15(3)(a) of CGST Act, 2017

This chapter includes GST Main Book 38 Q & A
Please refer 49 Examples in GST Main Book

Chapter 8: - Input Tax Credit

ICAI's Test Your Knowledge

Q1. What is input tax?

A. Input tax means the central tax (CGST), State tax (SGST), Integrated tax (IGST) or Union territory tax (UTGST) charged on supply of goods or services or both made to a registered person. It also includes tax paid on reverse charge basis and integrated goods and services tax charged on import of goods. It does not include tax paid under composition levy.

Q2. What are the conditions necessary for obtaining ITC?

A. Following four conditions are to be satisfied by the registered taxable person for obtaining ITC:

(a) he is in possession of tax invoice or debit note or such other tax paying documents as may be prescribed;
(b) he has received the goods or services or both;
(c) subject to section 41, the supplier has actually paid the tax charged in respect of the supply to the Government; and
(d) he has furnished the return under section 39.

Q3. Can a person take ITC without payment of consideration for the supply along with tax to the supplier?

A. Yes, the recipient can take ITC. However, he is required to pay the consideration along with tax within 180 days from the date of issue of invoice. This condition is not applicable where tax is payable on reverse charge basis. Further, in case of deemed supplies without consideration and additions made to the value of supplies on account of supplier's liability, in relation to such supplies, being incurred by the recipient of the supply, consideration is deemed to have been paid.

Q4. What is the time limit for taking ITC and reasons therefor?

A. In terms of Section 16(4) of the CGST Act, a registered person is not entitled to claim input tax credit in respect of any supply of goods or services after the earlier of following two events:

(a) Due Date of filing of the return under Section 39 of the Act for the month of September following the end of financial year to which such invoice or invoice relating to such debit note pertains, i.e. 20th October;
(b) Furnishing of the annual return. In terms of Section 44, the due date of filing annual return is 31st December following the end of the financial year.

However, in cases of credit in special circumstances like new registration, voluntary registration, etc. the credit will not be available after the expiry of one year from the date of issue of tax invoice.

Q5. What is the ITC entitlement of a newly registered person?

A. A person applying for registration can take input tax credit of inputs held in stock and inputs contained in semi- finished or finished goods held in stock on the day immediately preceding the date of grant of registration. If the person was liable to take registration and he has applied for registration within thirty days from the date on which he became liable to registration, then ITC of inputs held in stock and inputs contained in semi- finished or finished goods held in stock on the day immediately preceding the date on which he became liable to pay tax can be taken.

In case of voluntary registration, ITC of such goods held in stock on the day immediately preceding the date of registration can be taken.

Q6. What is the tax implication of supply of capital goods by a registered person who had taken ITC on such capital goods?

A. In case of supply of capital goods or plant and machinery on which ITC has been taken, the registered person shall pay an amount equal to the ITC taken on the said capital goods or plant and machinery reduced by 5% per quarter or part thereof from the date of invoice or the tax on the transaction value of such capital goods, whichever is higher.

However, in case of refractory bricks, moulds and dies, jigs and fixtures when these are supplied as scrap, the person can pay tax on the transaction value.

Q7. A taxable person is in the business of information technology. He buys a car (maximum seating capacity – 5 persons) for use of his Executive Directors. Can he avail the ITC in respect of GST paid on purchase of such car?

A. No. As per section 17(5)(a), ITC on motor vehicles for transportation of persons with seating capacity of up to 13 persons (including driver), can be availed only if the taxable person is in the business of transport of passengers or is providing the services of imparting training on driving such motor vehicles or is in the business of supply of such motor vehicles.

Q8. A technical testing agency tests and certifies each batch of machine tools before dispatch by BMT Ltd. Some of these tools are dispatched to a unit in a SEZ without payment of GST as these supplies are not taxable. The finance personnel of BMT Ltd. want to know whether they need to carry out reversal of ITC on the testing agency's services to the extent attributable to the SEZ supplies. Give your comments.

A. Under section 16(2) of the IGST Act, credit of input tax is allowed to be taken for inward supplies used to make zero rated supplies. Under section 17 of the CGST Act also, ITC is disallowed only to the extent it pertains to supplies used for non-business purposes or supplies other than taxable and zero-rated supplies. Supplies to SEZ units are zero rated supplies in terms of section 16(1) of IGST Act. Thus, full ITC is allowed on inward supplies of BMT Ltd. used for effecting supplies to the unit in the SEZ.

Q9. A garment factory receives a Government order for making uniforms for a commando unit. This supply is exempt from tax under a special notification. The fabric is separately procured for the supply, but thread and lining material for the collars are the ones which are used for other taxable products of the factory.

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

A. Thread and lining material are inputs which are used for making taxable as well as exempt supplies. Therefore, credit on such items will be apportioned and credit attributable to exempt supplies will be reversed in terms of rule 42 of the CGST Rules.

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

Common credit = Rs. 15,000 + Rs. 5,000 = Rs. 20,000

Exempt turnover = Rs. 1 crore

Total turnover = Rs. 5 crore [Rs. 1 crore + Rs. 4 crore]

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

Ineligible credit of Rs. 4,000 will be reversed. Credit of Rs. 16,000 will be eligible credit for the month of July.

Q10. Mr. A, a registered person was paying tax under Composition Scheme up to 30th July. However, w.e.f. 31st July, Mr. A becomes liable to pay tax under regular scheme. Is he eligible for any ITC?

A. Mr. A is eligible for ITC on inputs held in stock and inputs contained in semifinished or finished goods held in stock and capital goods as on 30th July. ITC on capital goods will be reduced by 5% per quarter or part thereof from the date of invoice [Section 18(1)(c)].

Q11. Ceramity Ltd. has following units:

A: Factory in Tumkur, Karnataka; turnover of Rs. 27 crores in 2017-18;

B: Service centre in Hyderabad, Telangana; turnover of Rs. 1 crore in 2017-18;

C: Service centre in Chennai, Tamil Nadu; turnover of Rs. 2 crores in 2017-18;

Ceramity Ltd.'s corporate office functions as ISD. It has to distribute ITC of Rs. 9 lakh for December, 2018. Of this, an invoice involving tax of Rs. 3 lakh pertains to technical consultancy for Tumkur unit. What should be the distribution of the credit?

A. As per rule 39(d) of CGST Rules relating to ITC, -

- Rs. 3 lakh is attributable to Tumkur unit, and will be transferred to Tumkur unit only.
- Rs. 6 lakh have to be distributed among Tumkur unit and the service centres in Hyderabad and Chennai in proportion of their turnover in the previous FY, that is, in 2017-18.
  - Tumkur unit will get (27 crore / 30 crore) x 6 lakh = Rs. 5.4 lakh;
  - Hyderabad service centre will get (1 crore /30 crore) x 6 lakh = Rs. 20,000; and
  - Chennai service centre will get (2 crore /30 crore) x 6 Lakh = Rs. 40,000

GST Main Book's Questions

Q1. Please give numerical example of Rule 36 (4).

A.

Name of Supplier	ITC Element on Invoice	Invoice uploaded by Supplier in his GSTR-1 & Auto-populated to GSTR-2A of Recipient	Admissible ITC considering restriction of Rule 36(4)
Mr. A	2,00,000	2,00,000	No Invoice wise ITC
Mr. B	3,00,000	1,00,000	
Mr. C	10,00,000 {Blocked Credit 17 (5)}	10,00,000	
Total	15,00,000	13,00,000	
Admissible ITC	5,00,000	3,00,000 (eligible ITC)	3,30,000

Q2. Please give numerical example of Rule 43.

A.

After omitting clause (f), T_r is not defined. Look like CBIC forgot about this & now how to do calculation in absent of T_r definition. So, I am deleting Rule 43 calculation example for Nov 20 students. In case of any future update, I am going to release Rule 43 Question in scanner as well as in Telegram group.

Q3. ABC 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 ABC Co. Ltd., for the month of July by giving necessary explanations for treatment of various items.

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

A. Computation of ITC available with ABC 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 in terms of section 16(1)]	5,20,000
(ii)	Trucks used for the transport of raw material [After amendment in Section 17 (5) (a), the blockage is only for the motor vehicle for transportation of passengers. Motor vehicles for transportation of goods are not in the list of blockage. No condition is required to be fulfilled to avail the ITC for vehicles meant for carriage of goods.]	1,00,000
(iii)	Raw material [Being goods used in the course or furtherance of business, ITC thereon is available in terms of section 16(1)]	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-Section 17(5)(b)(i)]	Nil
	Total ITC	8,20,000

Q4. XYZ Ltd., is engaged in manufacture of taxable goods. Compute the ITC available with XYZ Ltd. for the month of October, 2018 from the following particulars: -

S. No.	Inward supplies	GST	Remarks
(i)	Inputs 'A'	1,00,000	One invoice on which GST payable was Rs. 10,000 is missing
(ii)	Inputs 'B'	50,000	Inputs are to be received in two installments. First instalment has been received in October, 2018.
(iii)	Capital goods	1,20,000	XYZ Ltd. has capitalized the capital goods at full invoice value inclusive of GST as it will avail depreciation on the full invoice value.
(iv)	Input services	2,25,000	One invoice Dated 20.01.2018 on which GST payable was 50,000 has been received in October, 2018.

Note:

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

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

The annual return for the financial year 2017-18 was filed on 15th September, 2018.

A.

S. No.	Inward supplies	ITC

(i)	Inputs 'A' [ITC cannot be taken on missing invoice. The registered person should have the invoice in its possession to claim ITC-Section 16(2)(a)]	90,000
(ii)	Inputs 'B' [When inputs are received in installments, ITC can be availed only on receipt of last installment-First proviso to section 16(2)]	Nil
(iii)	Capital goods [Input tax paid on capital goods cannot be availed as ITC, if depreciation has been claimed on such tax component – Section 16(3)]	Nil
(iv)	Input services [As per section 16(4), 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. Since the annual return for the FY 2017-18 has been filed on 15th September, 2018 (prior to due date of filing the return for September, 2018 i.e., 20th October, 2018), ITC on the invoice pertaining to FY 2017-18 cannot be availed after 15th September, 2018.	1,75,000
	Total	2,65,000

Q5. ABC Ltd. supplied goods Rs. 11,500. ABC Ltd. received goods valued at Rs. 10,000. The supplier has charged GST in his invoice. SGST and CGST rate of supply of goods is 9% each. Calculate the tax payable.

A.

Details	SGST	CGST
Tax payable on supply of goods by ABC Ltd. on Rs. 11,500 @ 9%	1,035	1,035
ITC of taxes paid by supplier available in Electronic credit ledger	900	900
Net Tax Payable	135	135

Q6. ABC Ltd. supplied goods Rs. 15,000. ABC Ltd. received goods valued at Rs. 20,000. The supplier has charged GST in his invoice. They sold 60% of inputs procured and balance 40% were in stock. State Tax (SGST) and Central Tax (CGST) rate on supply and purchase of goods is 9% each. Calculate the tax payable.

A.

Details	SGST	CGST
Tax payable on supply of goods by ABC Ltd. on Rs. 15,000 @ 9%	1,350	1,350
ITC of taxes paid by supplier available in Electronic credit ledger	1,800	1,800
Net Tax Payable	NIL	NIL
Credit carried forward in Electronic Credit Ledger	450	450

Q7. ABC Ltd. are manufacture of drugs. SGST and CGST rate on supply of goods is 2.5% each. They sold the goods at Rs. 20,000. They purchased inputs at Rs. 13,000. The SGST and CGST on inputs is 6% each. All these inputs were used in Manufacture of final products. There was no opening or closing stock of inputs or final products. Calculate the tax payable.

A.

Details	SGST	CGST
Tax payable on supply of goods by ABC Ltd. on Rs. 20,000 @ 2.5%	500	500
ITC of taxes paid by supplier available in Electronic credit ledger	780	780
Net Tax Payable	NIL	NIL
Credit carried forward in Electronic Credit Ledger	280	280

This excess credit is due to inverted tax structure i.e. tax on inputs is more than tax payable on outputs. In that case, Deepak Manufacturers can claim refund of this excess ITC.

Q8. ABC Ltd. procures input goods and services within State Rs. 1,000. SGST and CGST rate on receipt is 9% each. He manufactured 2 products out of inputs. One product of value of Rs. 800 was subject to SGST and CGST @ 9% each. Other product of value of Rs. 800 was exempt from CGST & SGST. Calculate the tax payable.

A.

Details	SGST	CGST
Tax payable on supply of goods and services	72	72
ITC of taxes paid on input goods and services available	90	90
Reversal of 50% ITC is ineligible (to be reversed in Electronic Credit Ledger)	45	45
Eligible ITC	45	45
Net tax payable by cash through Electronic cash ledger	27	27

Q9. When the ISD is one State say at Delhi and the Recipients of credits (Suppliers or Locations) are in different States say in Chennai, Tamil Nadu and Bangalore, Karnataka. Assume the turnovers for the relevant period (previous financial year) of Chennai unit are Rs. 10 crores and that of Bangalore unit is at Rs. 30 crores.

Credit Available with ISD at Delhi	**SGST**	**CGST**	**IGST**
	Amount in Lacs		
Credit directly attributable to			
Chennai	5	5	10
Bangalore	3	2	5
Common Credits	5	7	8
Total	13	14	23

A.

Credit Available with ISD at Delhi	**Chennai**	**Bangalore**
	Amount in Lacs	
Directly Attributable		
SGST as IGST	5	3
CGST as IGST	5	2
IGST as IGST	10	5
Total (a)	20	10
Common Credit		
SGST as IGST (5*10/40) or (5*30/40)	1.25	3.75
CGST as IGST (7*10/40) or (7*30/40)	1,75	5.25
IGST as IGST (8*10/40) or (8*30/40)	2	6
Total (b)	5	15
Total (a+b)	25	25

Q10. ABC Ltd. a registered person supplying taxable goods in Jaipur has opted to pay tax on composition scheme under Section 10 with effect from 28-02-2018. It provides following information relating to balance of ITC lying as on 27th Feb 2018:

1. Inputs lying in stock as valued at Rs. 3,36,000 (inclusive of CGST & SGST @12%)
2. Inputs contained in finished goods where tax invoice is not available relating to such inputs but it is known that market price of such inputs (inclusive of CGST & SGST @ 12%) on 28th February 2018 is Rs. 1,79,200
3. ITC on capital goods purchased on 25th October 2017 is Rs. 1,44,000

4. Balance in Electronic credit ledger is Rs. 2,20,000.

Decide whether ABC Ltd. is eligible for ITC lying on 27th February 2018,

A. As per Section 18 (4), where any registered taxable person who has availed of ITC opts to pay tax under section 10 i.e. composition scheme, he shall pay an amount, by way of debit in the electronic credit ledger or electronic cash ledger, equivalent to the credit of input tax in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock and on capital goods, taking useful life of capital goods 5 years, on the day immediately preceding the date of exercising such option. Therefore in given case ABC Ltd. is required to pay following amounts: -

Particulars	Amount
Inputs lying in stock (Rs. 3,36,000*12/112)	36,000
Inputs contained in finished goods lying in stock (Rs. 1,79,200*12/112)	19,200
Input Tax on Capital goods used for 4 months and 2 days, taking residual life as 5 years (1,44,000*55/60) (55 months being remaining residual life of capital goods)	1,32,000
Amount to be paid by ABC Ltd. (CGST+SGST)	1,87,200

Working Note: As per Rule 44(3) of CGST Rules, 2017, where the tax invoices related to the inputs lying in stock are not available, the registered person shall estimate the amount under Rule 44 (1) based on the prevailing market price of goods on the date of opting for composition scheme.

The aforesaid amount can be paid by utilizing the balance in Electronic Credit Ledger. The balance credit in Electronic Credit Ledger = Rs. 2,20,000 – Rs. 1,87,200 = Rs. 32,800 lapse.

Q11. ABC Ltd. a supplier of goods has purchased capital goods invoice Dated 1st October 2017 for Rs. 4,13,000 (inclusive of CGST and SGST @ 9%). After taking it for business use, the said capital goods were supplied for Rs. 2,85,000 on 26th April 2018.

A.

Particulars	Amount
Date of Invoice of purchase of capital goods	1st Oct'17
Date of supply of capital goods after taking into use	26th Apr'18
No. of Quarter for which it is used	3
CGST & SGST paid on purchase of capital goods [4,13,000 * (18/118)]	63,000
Reduced by Rs. 63,000*5%*3	9,450
Amount of CGST and SGST	53,550
Transaction value on supply of capital goods u/s 15	2,85,000
CGST & SGST payable on supply of Capital Goods @ 18%	51,300
Amount to be payable higher of	53,550

Q12. What would be your answer if capital goods being Refractory Bricks are removed as scrap at a transaction value of Rs. 25000 on 29th March 2018?

A. As per section 18 (6), where refractory bricks, moulds and dies, jigs and fixtures are supplied as scrap, there shall be no requirement for reversal of ITC, taxable person may pay tax on the transaction value i.e. if tax rate is 9% each then CGST Rs. 2,250 & SGST Rs. 2,250.

Q13. ABC Ltd. a registered manufacturer demerged its entity into AB cement Ltd. and BC Steel Ltd. the total value of assets of ABC Ltd. is Rs. 25,00,000 and unutilized credit on account of CGST, SGST and IGST amounted to Rs. 60,000, Rs. 45,000 and Rs. 84,600 respectively. The value of assets of AB cement Ltd. and BC Steel Ltd. is Rs. 12,00,000 and Rs. 13,00,000 respectively obtained as per the scheme. Discuss the eligibility of credit transferred to new units on account of Demerger?

A. As per Rule 41 of CGST Rules, 2017, in case of Demerger, input tax credit shall be apportioned in the ratio of Value of assets of new unit as specified in Demerger scheme. In the given case, credit transferred to both the new units would be –

Particulars	ABC Ltd.	AB Cement Ltd.	BC Steel Ltd.
Value of Assets	25,00,000	12,00,000	13,00,000
Unutilized credit relating to CGST (to be apportioned in ratio of value of assets of AB Cement and BC Steel Ltd.)	60,000	28,800	31,200
SGST	45,000	21,600	23,400
IGST	84,600	40,608	43,992
Total Apportioned Credit	1,89,600	91,008	98,592

Q14. What would be scenario of Input Tax Credit in respect of Immovable Property?

A. Law divides claim of Input Credit in respect of construction of Immovable Property in two parts:

(a) Works contract services when supplied for construction of immovable property (other than plant and machinery) except where it is an input service for further supply of works contract service;

Example: Mr. A wants to start a Hotel. He engages Mr. B as contractor for construction of the hotel building and allots him the contract with entire material and labour to be procured by C.

CGST Act, 2017 provides that any person who has paid taxes under a contract which has resulted in construction of immovable property, he would not be able to claim Input Tax Credit of such taxes paid unless such services are used as Input Services for further supply of Work contract service.

Thus, in the given scenario, Mr. A would not be eligible to claim input tax credit of taxes paid to Mr. B, as work contract services of Mr. B have not been used by Mr. A for further supply of works contract service.

(b) Goods or services or both received by a taxable person for construction of an immovable property (other than plant and machinery) on his own account including when such goods or services or both are used in the course or furtherance of business

Example: Mr. A wants to start a Hotel land he engages Mr. B as contractor for construction of Hotel Building. He allots him the contract with part of the material being provided by Mr. A and balance material and labour to be procured by Mr. B.

In the above cases, Mr. A has provided part of the material to Mr. B, ownership of the material to the extent provided by Mr. A remains with Mr. A and Mr. B uses the material for the construction of building for Mr. A only. Mr. A would not be entitled to credit of any taxes paid on purchase of such material for construction of Immovable property.

Impact of the two provisions: With the insertion of the two provisions, both the scenarios wherein:

(a) A person awards contract of construction of the immovable property to a contractor or

(b) Constructs the immovable property himself by purchasing material and hiring labour,

he would not be able to claim credit of the taxes paid for the construction of the immovable property.

Q15. Mr. Amit, 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, 2019 – Intra-State supplier 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, 2019 – 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 2019 – CGST 15,000, SGST 35,000, IGST 20,000. Compute the net GST payable by Mr. Amit for the month of August, 2019.

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 has been fulfilled.

A. (A) Tax payable

Description	CGST (Rs.)	SGST (Rs.)	IGST (Rs.)
Inter-State taxable supply of goods – Rs. 2,00,000 – IGST @ 18%			36,000
Intra-State taxable supply of goods – Rs. 6,00,000 – CGST @ 9% and SGST @ 9%	54,000	54,000	
Total Tax Payable	54,000	54,000	36,000

(B) ITC Available

Description	CGST (Rs.)	SGST (Rs.)	IGST (Rs.)
Opening Balance	15,000	35,000	20,000
Intra-State Purchases {Rs. 4,00,000 - CGST 9% & SGST @ 9%}	36,000	36,000	
Inter-State Purchases {Rs. 50,000 – IGST @ 18%}			9,000
Total ITC available	51,000	71,000	29,000

(B) Net Tax Payable

Description	CGST (Rs.)	SGST (Rs.)	IGST (Rs.)
Total Tax Payable	54,000	54,000	36,000
Less ITC available	51,000	71,000	29,000
Net Payable	3,000	NIL	7,000
Less Cross Utilization	NIL	NIL	-7,000
Net Tax Payable	3,000	NIL	NIL
Excess ITC carried forward	NIL	10,000	NIL

Q16. M Ltd. Mumbai procured goods 10,000 Kgs @ Rs. 100 per Kg. from K Ltd. of Kolkata. These goods came to M Ltd. of Mumbai in the following manner:

Date of Dispatch	No. of Kgs dispatched	Date of receipt	Transit Losses	No. Kgs received
10th October 2017	3,000	15th November 2017	NIL	3,000
2nd November 2017	4,000	20th November 2017	NIL	4,000
3rd December 2017	3,000	1st January 2018	20	2,980

Invoice shows 10,000 Kgs and IGST @ 18%.

You are required to answer:

(a) M Ltd. can avail the proportionate credit on 15th Nov 2017 and 20th Nov 2017.

(b) When can M Ltd. is eligible for input tax credit?

(c) How much credit is allowed to M Ltd.

A. (a) M Ltd. cannot take proportionate credit on the quantity received on 15th November 2017 and 20th November 2017.

(b) M Ltd. is eligible to avail the input tax credit on 1st January 2018.

(c) Input tax credit allowed = Rs. 1,79,640/- (10,000 Kgs x Rs. 100) x 18% x 9980 kgs/10,000 kgs.

Note:

(i) Goods received in lots ITC available only on receipt of last lot/installment [1st proviso to Sec 16(2)]

(ii) ITC is admissible only upon receipt of goods. Thus, ITC not admissible in respect of goods not received.

Q17. M/s X Ltd. has establishment in Chennai, and establishment in Hyderabad. Supply of goods (open market value of Rs. 5,00,000) made by M/s X Ltd. Chennai to M/s X Ltd. Hyderabad. M/s X Ltd. Chennai paid IGST of Rs. 60,000. Accordingly M/s X Ltd. Hyderabad availed the input tax credit of Rs. 60,000. 2nd Proviso to Section 16(2) of CGST Act, 2017 is applicable in the given case (i.e. to reverse the credit where payment is not made within 180 days from the date of invoice). Discuss.

A. As per proviso to rule 37(1) of the CGST Rules, 2017, the value of supplies made without consideration as specified in Schedule I of the said Act shall be deemed to have been paid for the purposes of the second proviso to sub- section (2) of section 16. In the given case M/s X Ltd. Hyderabad is not required to reverse the input tax credit. Since, as per Section 25(4) of the CGST Act, 2017 two establishments are considered as establishment of distinct person and accordingly, supply made by one establishment to another establishment will be covered under Schedule I without consideration.

Q18. XYZ Ltd. is engaged in supply of passenger transportation services. In the month of September, 2017, it has purchased two motor vehicles for Rs. 18,00,000 plus GST @28%. You are required to advice XYZ Ltd. if it can avail Input tax credit of the GST paid by it on motor vehicles.

A. As per Section 17(5) (a), input tax credit shall not be available in respect of motor vehicles having approved seating capacity of not more than thirteen person (including the driver). However, credit will be available when they are used for making the supplies of transportation of passengers. In this case XYZ Ltd. is engaged in transportation of passengers it will be entitled to take credit of GST amounting Rs. 5,04,000 i.e. [Rs. 18,00,000 × 28%].

Q19. ABC Bank has purchased a van for transportation of cash (money). Whether ITC of such motor van is admissible?

A. The blockage is only for the motor vehicle for transportation of passengers. Under GST law, Cash/money is neither goods nor services (Sec 2(52) and Sec 2(102) of CGST Act). But since it is not specifically blocked in CGST Act, ABC Bank is eligible for ITC of motor vans purchased by it for transportation of cash.

Q20. ABC Ltd. is engaged in supply of transport of passengers by air services. The company avails outdoor catering services of XYZ Caterers in order to provide food and beverages to the passengers. XYZ Caterers raises an invoice on ABC Ltd charging GST. ABC Ltd. wants to avail the ITC on outdoor catering services supplied by XYZ Caterers. Advise.

A. ITC shall be available where an inward supply of goods or services or both of a particular category is used by a registered person as an element of a taxable composite or mixed supply.

In the given case, ABC Ltd will be entitled to avail the ITC of the GST paid to XYZ Caterers since outdoor catering services forms part of taxable composite supply of passengers by air services.

Q21. ABC Ltd is a BPO which works on night shift basis. As per the Government Guidelines for BPO Sector, it has to provide rent a cab facilities to its employees who work on night shifts. Whether, ABC Ltd. is eligible to avail ITC on rent a cab services.

A. No, ABC Ltd cannot claim ITC on the GST paid on such rent-a-cab services. The reason being that such credit is not admissible unless it is obligatory for an employer to provide the same to its employees under any law for time being in force.

Q22. Mr. A of USA being technician came to India to assemble parts of machinery. He also imported goods worth Rs. 10,00,000 and paid following customs duties:

(i) Basic customs duty is Rs. 1,00,000.

(ii) Integrated Goods and Services Tax (IGST) of Rs. 1,98,540.

In India Mr. A wants to register as non-resident taxable person and his estimated liability is Rs. 2,50,000. How much Mr. A is liable to pay as advance tax?

A. Mr A is Non-resident taxable person. NRTP needs to pay tax in advance before he is granted registration certificate. NRTP is entitled to book credit of goods imported by him. However, only IGST paid on imported goods is eligible 'input tax'. Thus, ITC admissible to him is Rs 1,98,540.

Considering the admissible amount of ITC, Mr. A of USA is liable to pay advance tax of Rs. 51,460. (i.e. Rs. 2,50,000 – 1,98,540)

Q23. ABC Bank, having a branch in Jaipur engaged in supply of services by way of accepting deposits and extending loans opted for Section 17(4). Its head office is in Mumbai and branch in Jaipur. ITC (CGST & SGST) available for the month August, 2017 is Rs 90,000. Determine the amount of admissible ITC for ABC Bank, Jaipur Branch. Total ITC of 90,000 includes credit relating to :

Particulars	Input Tax (CGST & SGST)
1. Services availed from from Mumbai Head Office (deemed distinct person under GST law)	18,000
2. Outdoor catering services received for its employees	16,900
3. Auditing Services	22,500
4. Goods which are used for personal use of employees	6,500

A.

Statement showing ITC eligibility for ABC Bank (Jaipur Branch) which has opted for Section 17 (4)

Particulars	Input Tax (CGST & SGST)
Services availed from from Mumbai Head Office (deemed distinct person under GST law) – Deemed supply between distinct person - Full ITC available	18,000
Outdoor catering services received for its employees {Blocked Credit U/s 17 (5)}	Not Allowed
Auditing Services	(Allowed @ 50%)
Goods which are used for personal use of employees {Blocked Credit U/s 17 (5)}	Not Allowed
ITC available (90,000 – 16,900 – 6,500 – 18,000) = 48,600 @ 50%	24,300
Total Admissible ITC (available for utilization for August Month GST liability)	42,300

Q24. X is a chartered accountant by profession. He gives the following information pertaining to October 20XX

1. Consultancy given to different clients during October 20XX (but not including the transactions given below) (invoice value : Rs. 35,70,000).
2. Consultancy given to A Ltd. (invoice value : Rs. 8,000, market value of supply : Rs. 50,000, X holds 40 percent shares in A Ltd.)
3. Consultancy given to B (invoice value : nil, market value of supply : Rs. 48,000, B is not a relative of X).
4. Consultancy given to Mrs. X (invoice value : nil, market value of supply : Rs. 75,000, Mrs. X is not dependent upon X).
5. Consultancy given to C, younger brother of X (invoice value : nil, market value of supply : Rs. 60,000, C is not dependent upon X).
6. Consultancy given to D, elder brother of X (invoice value : nil, market value of supply : Rs. 70,000, D is dependent upon X).
7. Consultancy given to E, an employee of X (invoice value : nil, market value of supply : Rs. 80,000).

Above figures are exclusive of GST. GST is 18%. Calculate the amount of GST payable by X for October 20XX. He want to avail input tax credit —

− Balance available in electronic credit ledger on October 1, 20XX : Rs. 22,000

− Fees paid to a chartered accountant pertaining to tax audit of X (taxable value : Rs. 20,000, GST : Rs. 3,600).
− GST paid on food and beverages for employees / clients (amount of GST being Rs. 8,000).
− Motor car purchased for official use of employees (amount of GST being Rs. 2,80,000).
− Motor car purchased for private use of X and his family (amount of GST being Rs. 7,00,000).
− Membership of a club taken by X for entertaining official guests (amount of GST being Rs. 18,000).
− Fees paid to a consultant pertaining to transfer pricing matter of a client (amount of GST being Rs. 20,000).

A.

Particulars		Amount (Rs.)
Consultancy given to different clients		35,70,000
Consultancy given to A Ltd. (A Ltd. is related to X, price is not sole consideration, market value to be considered)		50,000
Consultancy given to B (B is not a relative of X, price is sole consideration, transaction value to be considered)		Nil
Consultancy given to Mrs. X (Mrs. X is "related person", open market value to be considered)		75,000
Consultancy given to C, younger brother not dependent upon X (C does not come in the list of "related persons", GST applicable on transaction value on the assumption that price is sole consideration)		Nil
Consultancy given to D, elder brother dependent upon X (related person, GST on open market value)		70,000
Consultancy given to E, an employee of X (employer and employee are related persons, gift to employees which is not covered by employment agreement is chargeable to GST on the basis of market value. Exemption of Rs. 50,000 is available) invoice value : nil, market value of supply : Rs. 80,000).		80,000
Total Outward Supply		38,45,000
GST @ 18%		6,92,100
Less:- Input Tax Credit		45,600
Balance available in electronic credit ledger on October 1, 20XX	22,000	
Fees paid to a chartered accountant pertaining to tax audit of X	3,600	
GST paid on food and beverages for employees / clients (not eligible)	Nil	
Motor car purchased for official use of employees (not eligible)	Nil	
Motor car purchased for private use of X and his family (not eligible)	Nil	
Membership of a club taken by X for entertaining official guests (not eligible)	Nil	
Fees paid to a consultant	20,000	
Balance to be paid through electronic cash ledger		6,46,500

Q25. X Ltd. provides services pertaining to retail packing of goods. This service is provided in Punjab to manufacturing units and plantation units. It gives the following information pertaining to January 2018 —

1. Service by way of waxing, retail packing, labelling of apples provided to A Plantation (P.) Ltd., Ludhiana(invoice value : Rs. 17,10,000).
2. Service by way of packing and labelling of chemical goods provided to B Ltd. (invoice value : Rs. 28,00,000).
3. Service by way of packing of leather goods provided to C Ltd. (invoice value : Rs. 3,00,000, market value of similar service to unrelated persons : Rs. 6,50,000).
4. Service by way of waxing and packing of wooden toys provided to D Ltd. (invoice value : Rs. 5,00,000).

X owns 60 per cent shares in X Ltd. and Mrs. X owns 40 per cent shares in C Ltd.

Above figures are exclusive of GST. GST rate is 18 per cent. The above invoices are issued during January 2018. Payment is received from A Plantation (P.) Ltd. on January 27, 2018. Payment from B Ltd. and C Ltd. is received on February 12, 2018. Nothing is received from D Ltd. so far. On January 31, 2018, X Ltd. gets an advance payment of Rs. 50,000 from E Ltd. for packing of goods which will be manufactured during 2018-19 (GST rate is 18 per cent, Rs. 50,000 is for providing services in future, nothing is received on account of GST). Calculate the amount of GST payable by X Ltd. for January 2018. X Ltd. wants to avail input tax credit —

− Balance available in electronic credit ledger on January 1, 2018 : Rs. 61,000.

− Fees paid to an interior decorator for canteen of X Ltd. (taxable value : Rs. 10,000, GST : Rs. 1,800).

− Membership of health club for employees (amount of GST being Rs. 17,000).

A.

Particulars		Amount (Rs.)
Service by way of waxing, retail packing, labelling of apples provided to A Plantation (P.) Ltd. [it is exempt from GST vide Exemption Notification (Sr. No. 57)]		Nil
Service by way of packing and labelling of chemical goods provided to B Ltd.		28,00,000
Service by way of packing of leather goods provided to C Ltd. (X Ltd. and C Ltd. are related, GST applicable on market value)		6,50,000
Service by way of waxing and packing of wooden toys provided to D Ltd.		5,00,000
Advance payment from E Ltd. (Rs. 50,000 × 100 ÷ 118)		42,373
Total Outward Supply		39,92,373
GST @ 18%		7,18,627
Less:- Input Tax Credit		62,800
Balance available in electronic credit ledger on January 1, 2018	61,000	
Fees paid to an interior decorator for canteen	1,800	
Membership of health club for employees (not eligible)	NIL	
Balance to be paid through electronic cash ledger		6,55,827

Q26. ABC Ltd. purchased goods valuing Rs. 10,00,000 (excluding CGST @ 2.5% & SGST @ 2.5%) under the cover of invoice Dated 25th December 2017. The company made the payment to the supplier as per due date. The company has not taken ITC at the time of receipt of input since there was a doubt regarding admissibility of tax credit. It legal consultant has opined that it can very much avail ITC on such inputs. The opinion was received on 5th May 2018. ABC Ltd. now would like to avail ITC. Can it do so? ABC Ltd. has filed its annual return for the year 2017-18 on 12th August 2018.

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

(a) The due date of furnishing of the return U/s 39 for the month of September following the end of financial year to which such invoice pertains; or

(b) Furnishing of the relevant annual return,

Whichever is earlier.

In this case the inputs were purchased by invoice Dated 25th December 2017, hence ITC in respect of such inputs can be taken on earlier of the following dates-

- 20th Oct'18 being due date of furnishing return of month of Sept'18;
- 12th Aug'18 being the date of furnishing of annual return.

ABC Ltd. can avail ITC till 12th Aug'18. Therefore, it can avail credit of CGST Rs. 25,000 & SGST Rs. 25,000.

Q27. A registered supplier of taxable goods supplied goods valued Rs. 1,12,000 (inclusive of CGST Rs. 6,000 and SGST Rs. 6,000) to ABC Ltd. under the forward charge on 12-11-2017 for which tax invoice was also issued on the same date. But ABC Ltd. did not make any payment towards such supply along with tax thereon to the supplier and availed input tax credit of CGST and SGST of Rs. 12,000 on 15-12-2017. Is ABC Ltd. eligible to avail input tax credit on such supply?

Discuss ITC implications if ABC Ltd. makes the payment of Rs. 1,12,000 to the supplier on 15-09-2018.

A. Yes, ABC Ltd. can avail input tax credit on receipt of taxable supply of goods. But it is required to pay the consideration along with tax within 180 days from the date of issue of invoice.

I. If ABC Ltd. does not make payment within 180 days from the date of invoice: As per Rule 37 of CGST Rules, 2017, a registered person, who has availed of input tax credit on any inward supply of goods or services or both, but fails to make payment to the supplier within 180 days from the date of issue of invoice shall furnish the details of such supply and the amount of input tax credit proportionate to such unpaid amount, availed of, in FORM GSTR-2 in succeeding month after expiry of 180 days (will be added to Output Tax Liability alongwith interest)

   In this case since ABC Ltd. does not make any payment within 180 days from the date of invoice i.e. upto 11th May 2018, therefore amount equal to input tax credit availed by ABC Ltd. shall be added towards its output tax liability along with interest for the month of June, 2018 in which details of such supplies are required to be furnished.

   Interest shall be calculated @18% [as given u/s 50(1) for the period starting from date of availing credit till the date when input tax credit added to the output tax liability is paid]

Particulars	Amount (Rs.)
Amount of Input tax	12,000
Date of availing credit (Date of taking credit shall be construed as date of taking credit in electronic credit ledger)	15-12-2017
Date of payment of ITC added to Output Tax Liability	15-06-2018
No. of Days for which interest needs to be paid	182
Interest @ 18% {12000*18%*182/365}	1,077

II. Re-credit of Input tax if payment made after 180 days: If ABC Ltd. makes payment on 15-09-2018 that is after 180 days from date of issue of invoice, then, it shall be entitled to avail the credit of input tax.

Q28. Determine the amount of ITC admissible to ABC Ltd. in respect of following items procured by them in the month of December 2017 (below amount is GST amount):-

1. Goods supplied for Captive consumption in a factory — Rs. 10,000
2. Goods used in constructing an additional floor of office building — Rs. 20,000
3. Packing material used in a factory — Rs. 5,000
4. Goods destroyed due to natural calamities — Rs. 20,000
5. Goods used for repairing the office building and cost of such repairs is debited to P & L — Rs. 25,000
6. Paper for photocopying machine used in Administrative Office — Rs. 1,000
7. Goods given as gifts — Rs. 25,000
8. Inputs used for tests or quality control check — Rs.15,000
9. Goods purchased for being used in repairing the factory shed and same has been Capitalized in books — Rs.18,000
10. Cement used for making foundation and structural support to Plant & Machinery — Rs.14,000
11. Inputs used in trial runs — Rs.15,000

A. Statement showing ITC admissible to ABC Ltd. for the month of December 2017

Particulars	Amount (Rs.)
Goods supplied for Captive consumption in a factory (since, used in course of business, hence, ITC on same will be available)	10,000
Goods used in constructing an additional floor of office building {As per section 17 (5) (d), ITC shall not be available in respect of goods or services or both received by a taxable person for construction of an immovable property (other than plant & machinery) on his own account including when such goods or services or both are used in the course or furtherance of business. Hence, ITC shall not be available}	NIL

Packing material used in a factory (since, used in course of business, hence, ITC on same will be available)	5,000
Goods destroyed due to natural calamities {As per section 17 (5) (h), ITC shall not be available in respect of goods lost, stolen, destroyed, written off or disposed of by way of gift or free samples. Hence, no ITC shall be available in respect of goods destroyed due to natural calamities}	NIL
Goods used for repairing the office building and cost of such repairs is debited to P & L {As per explanation, the expression "construction" includes re-construction, renovation, additions or alterations or repairs, to the extent of capitalization, to the immovable property. Goods used for revenue repairs are considered as an eligible input and credit shall be allowed on the same}	25,000
Paper for photocopying machine used in Administrative Office (since, used in course of business, hence, ITC on same will be available)	1,000
Goods given as gifts {As per section 17 (5) (h), ITC shall not be available in respect of goods lost, stolen, destroyed, written off or disposed of by way of gift or free samples. Hence, no ITC shall be available in respect of goods given as gift}	NIL
Inputs used for tests or quality control check (since, used in course of business, hence, ITC on same will be available)	15,000
Goods purchased for being used in repairing the factory shed and same has been Capitalized in books {As per section 17 (5) (d), ITC shall not be available in respect of goods or services or both received by a taxable person for construction of an immovable property (other than plant & machinery) on his own account including when such goods or services or both are used in the course or furtherance of business. Hence, ITC shall not be available}	NIL
Cement used for making foundation and structural support to Plant & Machinery {As per explanation to Section 17, "plant and machinery" means apparatus, equipment, and machinery fixed to earth by foundation or structural support that are used for marking outward supply of goods or services or both and includes such foundation and structural supports. ITC is admissible in respect of goods or services or both received by a taxable person for construction of plant and machinery}	14,000
Inputs used in trial runs (since, used in course of business, hence, ITC on same will be available)	15,000
Total Input Tax credit available	85,000

Q29. ABC Ltd. is engaged in supply of works contract services for construction of immovable property. It gives a part of the construction work to a sub-contractor. The sub-contractor charges GST in his invoice to ABC Ltd. Whether ABC Ltd. can avail ITC on this?

A. As per section 17 (5) (c), ITC shall not be available in respect of works contract services when supplied for construction of an immovable property. However, credit is allowed where it is an input service for further supply of works contract service. In given case, the services supplied by the sub-contractor have been used by the ABC Ltd. for supply of works contract service. Hence, ABC Ltd. can avail the ITC of the GST charged on the input service provided by the sub-contractor.

Q30. ABC Ltd., a manufacturer, which is engaged in supply of taxable goods has purchased 10,000 kg of Product 'A' for Rs.. 10,00,000 (exclusive of CGST @ 14% and SGST @ 14%) on which input tax credit has been taken. Due to changes in fashion process, the said product became obsolete and their value has been written off in the books of accounts. Explain Input tax credit treatment in above case.

A. As per Section 17 (5) (h) of the CGST Act, 2017, if the value of any goods is written off in the books of account, then no input tax credit shall be allowed in respect of the said input. Where input tax credit has been taken in respect of the said goods, the same has to be paid by recipient. Since in the given case, ABC Ltd. has availed input tax credit, thus it has to pay Rs. 1,40,000 (Rs. 10,00,000 @ 14%) towards CGST and Rs. 1,40,000 (Rs. 10,00,000 @ 14%) towards SGST liability.

Q31. ABC Ltd. paying tax under composition scheme becomes liable to pay tax under regular scheme from 01/04/2018. Can it avail Input tax credit and if so determine the amount of ITC available?

Break-up of credit available with ABC Ltd. as on 31/03/2018:

Particulars	CGST	SGST
Inputs lying in stock (Invoice Dated 11/03/2018)	4,500	4,500
Capital goods procured on 25/09/2017 Invoice Dated 27/09/2017	6,000	6,000
Inputs lying in semi-finished goods in stock (Invoice Dated 21/12/2017)	1,500	1,500

A. As per Section 18(1)(c), where any registered person ceases to pay tax under Section 10, he shall be entitled to take credit of input tax in respect of inputs held in stock, inputs contained in semi-finished or finished goods held in stock and on capital goods on the day immediately preceding the date from which he become liable to pay tax under Section 9.

Therefore, in given case, ABC Ltd. shall be entitled from 01/04/2018 to avail credit available as on 31/03/2018. The credit of capital goods is to be claimed after reducing the tax paid on such capital goods by 5% points per quarter of a year or part thereof from the date of invoice or such other documents on which the capital goods were received by the taxable person. (Rule 40 of CGST Rules)

Statement showing ITC available to ABC Ltd. in respect of inputs

Particulars	ITC (CGST + SGST)	Eligible Credit
Inputs lying in stock (4500+4500)	9,000	9,000
Inputs lying in semi-finished goods in stock (Invoice Dated 21/12/2017) (1500+1500)	3,000	3,000
Total Input tax credit available	12,000	12,000

Statement showing ITC available to ABC Ltd. in respect of capital goods

Particulars	Amount in Rs.
Date of invoice of capital goods	27/09/2017
Date from which ABC Ltd. are liable to pay tax under Section 9	01/04/2018
No. of quarters from date of invoice	3
CGST and SGST paid on capital goods procured on 27/09/2017	12,000
ITC to be reduced by Rs.. 12,000 x 5% × 3 quarters	1,800
Credit (CGST and SGST) available on capital goods	10,200

Note: As per Section 2(92), "quarter" shall mean a period comprising three consecutive calendar months, ending on the last day of March, June, September and December of a calendar year.

Q32. ABC Ltd. a registered dealer engaged in supplying exempted goods to its customers. On 12/09/2018, exemption notification was rescinded and goods were liable for tax. ABC Ltd. has to make e-payment of tax on the due date i.e., on 20/10/2018. Determine the eligible credit for the month of September, 2018 if the following information is provided:

Particulars	Value (exclusive of CGST/SGST /IGST) (Rs.)	CGST @ 9% (Rs.)	SGST @ 9% (Rs.)	IGST @ 5% (Rs.)
Value of Inputs lying in stock as on 11/09/2018.	1,25,000			6,250
Value of inputs contained in semi-finished goods lying in stock as on 11/09/2018 but only inputs worth 28,000 in semi-finished goods were procured after 11/09/2017	87,000	7,830	7,830	
Inputs received on 30/04/2018 lying in finished goods in stock on 11/09/2018	1,15,000	10,350	10,350	
Capital goods procured in 10/10/2017 which is exclusively used in supplying exempted goods	6,55,000			32,750

A. As per Section 18(1)(d), where an exempt supply of goods or services or both by a registered person become a taxable supply, such person shall be entitled to take credit of input tax in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock relatable to such exempt supply and on capital goods exclusively used for such exempt supply on the day immediately preceding the date from which such supply becomes taxable.

As per CGST Rules, 2017, the input tax credit on capital goods, shall be claimed after reducing the tax paid on such capital goods by 5% points per quarter of a year or part thereof from the date of invoice or such other documents on which the capital goods were received by the taxable person.

Computation of Input tax credit relating to CGST/SGST/IGST available to ABC Ltd. in respect of inputs and capital goods will be as follows:

Particulars	CGST (Rs.)	SGST (Rs.)	IGST (Rs.)	Total Eligible Credit (Rs.)
ITC on the value of inputs lying in stock. (In absence of any information, it is assumed that all stocks are purchased within one year and hence are eligible)	--	--	6,250	6,250
Input tax credit on the value of inputs contained in semi-finished goods [Working Notes 1]	2,520	2,520	--	5,040
Input tax credit on value of inputs lying in stock of finished goods stock [Inputs received on 30/04/2018 lying in finished goods in stock on 11/09/2018 as all inputs were acquired within 1 year prior to the effective date on which the goods become taxable, therefore, entire ITC would be allowed]	10,350	10,350	--	20,700
Capital goods [Working Notes 2]	--	--	26,200	26,200

Total Input tax credit available	12,870	12,870	32,450	58,190

Working Notes:

1. ITC on the value of inputs contained in semi-finished goods – Out of the total stock of Rs. 87,000, inputs totaling to Rs. 59,000 are ineligible as period of 1 year has elapsed form the effective date of purchase. ITC on inputs contained in stock of Rs.28,000 would be eligible. [Eligible Credit = Rs. 7,830 x Rs. 28,000 ÷ Rs. 87,000 each in respect of CGST and SGST]

2. Credit available in respect of capital goods:

Particulars	Rs.
Date of invoice	10/10/2017
Date from which the goods become taxable	17/09/2018
No. of quarters or part thereof from date of invoice	4
Percentage points to be reduced (5% per quarter)	20%
IGST paid on the capital goods used exclusively in relation to goods exempted upto 11/09/2018	32,750
ITC to be reduced by 20%	6,550
Amount of Input tax credit available in respect of capital goods	26,200

Q33. ABC Ltd. a supplier of goods has purchased capital goods on 01/04/2018 for Rs. 11,20,000 (inclusive of CGST @ 6% and SGST @ 6%). After taking it for business use, the said capital goods were supplied for Rs. 9,50,000 on 01/12/2018. Explain Input tax credit treatment in this case.

A. As per Section 18(6) of the CGST Act read with Rule 40(2) of CGST Rule, 2017, in case of supply of capital goods, on which input tax credit has been taken, the registered person shall pay an amount – Equal to the input tax credit taken on the said capital goods reduced by an amount calculated @ 5% for every quarter or part thereof from the date of issue of invoice for such goods; or

The tax on the transaction value of such capital goods or plant and machinery determined under Section 15, whichever is higher.

Computation of amount of tax payable by ABC Ltd.

Particulars	Rs.
Date of Invoice of purchase of capital goods	01/04/2018
Date of Supply of capital goods after taking into use	01/12/2018
No. of Quarters from the date of issue of invoice for such goods	3
CGST and SGST paid on purchase of Capital Goods [Rs. 11,20,000 x 12 ÷ 112]	1,20,000
Reduced by Rs. 1,20,000 x 5% × 3 quarters	(18,000)
Amount of CGST and SGST (A)	1,02,000
Transaction Value on supply of Capital Goods u/s 15	9,50,000
CGST and SGST payable on supply of Capital Goods @ 12% (B)	1,14,000
Amount to be payable (higher of A or B)	1,14,000

Q34. What would be your answer if capital goods being Jig are removed as scrap at a transaction value of Rs.. 1,25,000 on 01/12/2018?

A. As per proviso to Section 18(6), where refractory bricks, moulds and dies, jigs and fixtures are supplied as scrap, there shall be no requirement for reversal of Input tax credit, taxable person may tax on the transaction value determined under Section 15.

In the given case, since, jig are cleared as scrap, the manufacturer shall pay an amount equal to the tax leviable on transaction value i.e. CGST Rs. 1,25,000 x 6% = Rs. 7,500 and SGST Rs. 1,25,000 x 6% = Rs. 7,500.

Q35. A garment factory received a government order for making uniforms for a defense personnel. This supply is exempt from tax under a special notification. The fabrics is separately procured for the supply, but thread, buttons and lining material for the collars are the once which are used for other taxable products of the factory. The turnover of the other garments of the factory and exempted uniforms in July 2018 is Rs. 8 crore and Rs. 2 crore respectively, the ITC on thread, button and lining material procured in July 2018 is Rs. 5,000; Rs. 25,000 and Rs. 15,000 respectively. Calculate the eligible ITC on thread and lining material.

A. Thread, buttons and lining material are inputs which are used for making taxable as well as exempt supplies. Therefore, credit on such items will be apportioned and credit attributable to exempt supplies will be added to the output tax liability in items of rule 43 of the CGST rules, 2017.

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

Common credit = Rs. 5,000 + Rs. 25,000 + Rs. 15,000 = Rs. 45,000

Exempt turnover = Rs. 2 Crore

Total turnover = Rs. 10 Crore [Rs. 2 Crore + Rs. 8 Crore]

Credit attributable to exempt supply = (Rs. 2 crore / 10 Crore) x Rs. 45,000 = Rs. 9,000

Ineligible credit of Rs. 9,000 will be added to the output tax liability for the month of July. Credit of Rs. 36,000 will be eligible credit for the month of July.

Q36. Total Credit Available to ISD is Rs. 20,00,000/- & the credit distributed to all the units is Rs. 24,00,000/- (i.e. Delhi Rs. 10,00,000, unit Jaipur Rs. 6,00,000 & unit Ahmedabad Rs. 8,00,000). What will be the consequences?

A. The excess credit of Rs. 4,00,000 (Rs. 24,00,000- Rs. 20,00,000) distributed would be recovered from the recipient along with interest and the provisions of section 73 or 74 shall apply mutatis mutandis for effecting such recovery.

Q37. Total Credit Available to ISD is Rs. 15,00,000/- & the credit should have been distributed equal to all the units as all units had equal turnover, however credit distributed in violation of Section 21, as under:
Delhi Rs. 7,00,000, Jaipur Rs. 6,00,000, Ahmedabad Rs. 2,00,000. What will be the consequences?

A. The excess credit of Rs. 2,00,000 (Rs. 7,00,000- Rs. 5,00,000) shall be recovered from Delhi and Rs. 1,00,000 (Rs. 600,000 – Rs. 5,00,000) shall be recovered from Jaipur along with interest and the provisions of section 73 or 74 shall apply mutatis mutandis for effecting such recovery.

Q38. Whether benefit of input tax credit would be available if the company procures health insurance services for benefit of its employees. Please assume that the procurement of such services is mandatory under Factories Act?

A. Yes. Section 17(5)(b) of the CGST Act provides that tax paid w.r.t health insurance services will be eligible as input tax credit where the Government notifies that such services are obligatory for an employer to provide to its employees under any law for the time being in force. If not notifies by the Government then it is not available.

Q39. Whether taxes paid on change of interiors of service apartment is eligible for input tax credit?

A. Input tax credit is not available on goods or services received by a taxable person for construction of an immovable property on his own account other than plant and machinery even when used in course or furtherance of business. The word "construction" includes reconstruction, renovation, additions or alterations or repairs to the extent of capitalization to the said immovable property. If the cost of interiors is capitalized towards the cost of immovable property, then it forms part of the cost of immovable property (Service apartment) and accordingly taxes paid on change of interiors of service apartment will not be eligible as input tax credit.

Q40. In case the amount is paid partly to the supplier of service, whether full taxes can be adjusted first? If no, then, whether it has to be calculated proportionately?

A. No, there is no provision under the GST law to allocate part payment of the invoice towards the taxes first so that the input tax credit can be allowed. Second proviso to Section 16(2) of the CGST Act clearly provides that the entire value of supply (with tax) is to be paid within 180 days from the date of issue of invoice. Therefore, as long as the entire payment is made within 180 days, the recipient would be entitled to claim the credit in full.

Assuming that only part payment is made within 180 days, availing of proportionate credit based on such part payment is not provided for under the CGST Act. However, Rule 37(1) of the CGST Rules provides for availability of the amount of input tax credit availed of proportionate to the amount paid to the supplier.

NO NEED TO DO RULE 43. REFER AMENDMENTS LECTURES.

8 INPUT TAX CREDIT

1. With reference to the provisions of section 17 of the CGST Act, 2017, examine the availability of input tax credit under the CGST Act, 2017 in the following independent cases:-

(i) MBF Ltd., an automobile company, has availed works contract service for construction of a foundation on which a machinery (to be used in the production process) is to be mounted permanently.

(ii) Shah & Constructions procured cement, paint, iron rods and services of architects and interior designers for construction of a commercial complex for one of its clients.

(iii) ABC Ltd. availed maintenance & repair services from "Jaggi Motors" for a truck used for transporting its finished goods.

(i) Section 17(5)(c) of the CGST Act, 2017 blocks input tax credit in respect of works contract services when supplied for construction of an immovable property (other than plant and machinery) except where it is an input service for further supply of works contract service.

Further, the term "plant and machinery" means apparatus, equipment and machinery fixed to earth by foundation or structural support that are used for making outward supply of goods and/or services **and includes such foundation or structural support** but excludes land, building or other civil structures, telecommunication towers, and pipelines laid outside the factory premises.

Thus, in view of the above-mentioned provisions, ITC is available in respect of works contract service availed by MBF Ltd. as the same is used for construction of plant and machinery which is not blocked under section 17(5)(c) of the CGST Act, 2017.

(ii) Section 17(5)(d) of the CGST Act, 2017 blocks ITC on goods and/or services received by a taxable person for construction of an immovable property (other than plant and machinery) **on his own account** even though such goods and/or services are used in the course or furtherance of business. Thus, ITC on goods and/or services used in the construction of an immovable property is blocked only in those cases where the taxable person constructs the immovable property for his own use even if the immovable property being constructed is used in the course or furtherance of his business.

In the given case, Shah & Constructions has used the goods and services for construction of immovable property for some other person and not on its own account. Hence, ITC in this case will be allowed.

(iii) As per section 17(5) of the CGST Act, 2017, ITC is allowed on repair and maintenance services relating to motor vehicles, which are eligible for input tax credit. Further, as per section 17(5)(a) ITC is allowed on motor vehicles which are used for transportation of goods.

Thus, ITC on maintenance & repair services availed from from "Jaggi Motors" for a truck used for transporting its finished goods is allowed to ABC Ltd.

2 **XYZ Pvt. Ltd. is a manufacturing company registered under GST in the State of Uttar Pradesh. It manufactures two taxable products 'Alpha' and 'Beta' and one exempt product 'Gama'. On 1st October 20XX, while product 'Beta' got exempted through an exemption notification, exemption available on 'Gama' got withdrawn on the same date. The turnover (exclusive of taxes) of 'Alpha', 'Beta' and 'Gama' in the month of October, 20XX was ₹ 9,00,000, ₹ 10,00,000 and ₹ 6,00,000.**

XYZ Pvt. Ltd. has furnished the following details:

S. No.	Particulars	Price (₹)	GST (₹)
(a)	Machinery 'U' purchased on 01.10.20XX for being used in manufacturing all the three products	2,00,000	36,000
(b)	Machinery 'V' purchased on 01.10.20XX for being used in manufacturing product 'Alpha' and 'Gama'	1,00,000	18,000

(c)	**Machinery 'W' purchased on 01.10.20XX for being exclusively used in manufacturing product 'Beta'**	**3,00,000**	**54,000**
(d)	**Machinery 'X' purchased on October 1, three years before 01.10.20XX for being exclusively used in manufacturing product 'Gama'. From 01.10.20XX, such machinery will also be used for manufacturing product 'Beta'.**	**5,00,000**	**90,000**
(e)	**Machinery 'Y' purchased on October 1, four years before 01.10.20XX for being exclusively used in manufacturing product 'Beta'. From 01.10.20XX, such machinery will also be used for manufacturing product 'Gama'.**	**4,00,000**	**72,000**
(f)	**Machinery 'Z' purchased on October 1, two years before 01.10.20XX for being used in manufacturing all the three products**	**3,00,000**	**54,000**
(g)	**Raw Material used for manufacturing 'Alpha' purchased on 05.10.20XX**	**1,50,000**	**27,000**
(h)	**Raw Material used for manufacturing 'Beta' purchased on 10.10.20XX**	**2,00,000**	**36,000**
(i)	**Raw Material used for manufacturing 'Gama' purchased on 15.10.20XX**	**1,00,000**	**18,000**

Compute the following for the month of October, 20XX:

(i) **Amount of input tax credit (ITC) credited to Electronic Credit Ledger**

(ii) **Amount of common credit**

(iii) **Common credit attributable to exempt supplies**

(iv) **GST liability of the company payable through Electronic Cash Ledger**

Note: Assume that all the procurements made by the company are from States other than Uttar Pradesh. Similarly, the company sells all its products in States other than Uttar Pradesh. Rate of IGST is 18%. All the conditions necessary for availing the ITC have been complied with. Ignore interest, if any and make suitable assumptions wherever required.

S. No.	Particulars	ITC (₹)
(i)	**Computation of amount of ITC credited to Electronic Credit Ledger, for the month of October, 20XX**	
(a)	Machinery 'U' - 'A' [Note 1]	36,000
(b)	Machinery 'V' [Note 2]	18,000
(c)	Machinery 'W' [Note 3]	-
(d)	Machinery 'X' - [Note 4]	36,000
(e)	Machinery 'Y' [Note 5]	-
(f)	Machinery 'Z' [Note 6]	-
(g)	Raw Material used for manufacturing 'Alpha' [Note 7]	27,000
(h)	Raw Material used for manufacturing 'Beta' [Note 7]	-
(i)	Raw Material used for manufacturing 'Gama' [Note 7]	18,000
	ITC credited to Electronic Credit Ledger, for the month of October, 20XX	**1,35,000**
(ii)	**Computation of common credit for the month of October, 20XX**	
(a)	Value of 'A' for Machinery 'U' purchased on 01.10.20XX	36,000
(b)	Value of 'A' for Machinery 'X' purchased 3 years before 01.10.20XX and used for effecting both taxable and exempt supplies from 01.10.20XX	36,000

(c)	Value of 'A' for Machinery 'Y' purchased 4 years before 01.10.20XX and used for effecting both taxable and exempt supplies from 01.10.20XX [Note 8]	14,400
	Total common credit for the month of October, 20XX – T_c [Note 9]	**86,400**
(iii)	**Computation of common credit attributable to exempt supplies, for the month of October, 20XX**	
(a)	ITC attributable to a month on common capital goods during their useful life – T_m [Note 10]	1,440
(b)	ITC at the beginning of October, 20XX on all common capital goods whose useful life remains during the tax period - T_r [Note 11]	2,340
(c)	**Common credit attributable to exempt supplies, for the month of October 20XX – T_e** $=T_r \times \frac{\text{Turnover of exempt supplies during October 20XX}}{\text{Total turnover of XYZ Pvt. Ltd. during October 20XX}}$ $= 2,340 \times \frac{10,00,000}{25,00,000}$	**936**
(iv)	**Computation of GST liability of the company for October 20XX payable through Electronic Cash Ledger**	
	IGST payable on 'Alpha' [₹ 9,00,000 x 18%]	1,62,000
	IGST payable on 'Beta' [Exempt]	Nil
	IGST payable on 'Gama' [₹ 6,00,000 x 18%]	1,08,000
	Total IGST payable on outward supply	2,70,000
	Common credit attributable to exempt supplies for the month of October, 20XX [Note 12]	936
	Total output tax liability of October, 20XX	2,70,936
	Less: ITC available in the Electronic Credit Ledger	1,35,000
	IGST payable from Electronic Cash Ledger	**1,35,936**

Notes:

(1) ITC in respect of capital goods used commonly for effecting taxable supplies and exempt supplies denoted as 'A' shall be credited to the electronic credit ledger [Rule 43(1)(c) of the CGST Rules, 2017].

(2) ITC in respect of capital goods used or intended to be used exclusively for effecting supplies other than exempted supplies but including zero rated supplies shall be credited to the electronic credit ledger [Rule 43(1)(b) of the CGST Rules, 2017].

(3) ITC in respect of capital goods used or intended to be used exclusively for effecting exempt supplies shall not be credited to electronic credit ledger [Rule 43(1)(a) of the CGST Rules, 2017].

(4) Where any capital goods earlier used exclusively for effecting exempt supplies is subsequently also used for effecting taxable supplies, the value of 'A' shall be arrived at by reducing the ITC at the rate of 5% for every quarter or part thereof and the amount 'A' shall be credited to the electronic credit ledger [Proviso to rule 43(1)(c) of the CGST Rules, 2017].

Thus, 'A' shall be computed as under-

= ₹ 90,000 – ₹ 54,000 (₹ 90,000 × 5% × 12 quarters)

= ₹ 36,000

(5) Machinery 'Y' is being used for effecting both taxable and exempt supplies from 01.10.20XX. Prior to that it was exclusively used for effecting taxable supplies. Therefore, ITC in respect of such machinery would have already been credited to the electronic credit ledger.

(6) Machinery 'Z' is being used for effecting both taxable and exempt supplies from October 1, two years prior to 01.10.20XX. Therefore, ITC in respect of such machinery would have already been credited to the electronic credit ledger.

(7) ITC in respect of inputs used for effecting taxable supplies will be credited in Electronic Credit Ledger. ITC in respect of inputs used for effecting exempt supplies will not be credited in the electronic credit ledger [Rule 42 of CGST Rules, 2017].

(8) Where any capital goods earlier used exclusively for effecting taxable supplies is subsequently also used for effecting exempt supplies, the value of 'A' arrived at by reducing the input tax at the rate of 5% for every quarter or part thereof shall be added to the common credit

(aggregate value 'T_c' – Refer Note 9 below) [Proviso to rule 43(1)(d) of the CGST Rules, 2017].

Thus, 'A' shall be computed as under-

= 72,000 – 57,600 (72,000 × 5% × 16 quarters)

= 14,400

(9) The aggregate of the amounts of 'A' credited to the electronic credit ledger, to be denoted as 'T_c', shall be the common credit in respect of capital goods for a tax period [Rule 43(1)(d) of the CGST Rules, 2017].

*(10) ITC attributable to a month on common capital goods during their useful life (T_m) shall be computed in accordance with rule 43(1)(e) of CGST Rules, 2017 as under:

= $T_c \div 60$

= 86,400 ÷ 60

= ₹1,440

(11) Useful life of capital goods used commonly for effecting taxable supplies and exempt supplies shall be taken as five years from the date of the invoice for such goods [Rule 43(1)(c) of the CGST Rules, 2017]. Machinery 'Z' is used commonly for effecting taxable and exempt supplies from October 1, two years before 01.10.20XX. Hence, its useful life remains in the month of October 20XX and therefore, T_r will be aggregate of T_m (ITC pertaining to a month) for Machinery 'Z' and T_m for other machineries computed under point (10).

T_m for machinery 'Z' will be computed as under:

54,000 ÷ 60 = ₹900

T_r = T_m for machinery 'Z' + T_m for other machineries

T_r =900 + 1,440 = ₹2,340

(12) Common credit attributable to the exempt supplies (T_e) along with the applicable interest (which is to be ignored in this case) shall, during every tax period of the useful life of the concerned capital goods, be added to the output tax liability of the person making such claim of credit [Rule 43(1)(h) of the CGST Rules, 2017].

**Note:* *In the above solution, common credit of capital goods whose remaining useful life is less than 5 years has also been divided by 60 to* *compute the T_m on the basis of strict interpretation of rule 43(1)(e). Owing to such an interpretation, the time period for reversal of credit increases and the amount of reversal every month decreases. However, an alternative view can be to compute T_m by dividing the common credit pertaining to capital goods whose remaining useful life is less than 5 years with the number of months in their remaining useful life. If such view is adopted, the time period for reversal of credit will decrease and the amount of reversal to be made every month will increase.*

3 B & D Company, a partnership firm, in Nagpur, Maharashtra is a wholesaler of a taxable product 'P' and an exempt product 'Q'. The firm supplies these products only in the eastern part of Maharashtra. All the procurements (both goods and services) of the firm are from the suppliers registered under regular scheme in the State of Maharashtra. The firm pays tax under composition scheme.

B & D Company has furnished the following details with respect to its turnover (exclusive of taxes) and stock (exclusive of taxes):

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

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

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

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

Bill No.	Date	Value of products (exclusive of taxes)		
		'P' (₹)	'Q' (₹)	Total (₹)
2306	01.10.20XX	2,00,000	3,000	2,03,000
2307	01.10.20XX	1,33,000	5,250	1,38,250
2308	02.10.20XX	67000	39,250	1,06,250
2309	03.10.20XX	58,750	33,750	92,500
2310	05.10.20XX	1,00,000	-	1,00,000
2311	06.10.20XX	94,000	6,000	1,00,000
2312	06.10.20XX	-	17,000	17,000
2313	08.10.20XX	50,000	6,000	56,000
2314	09.10.20XX	60,000	9,000	69,000
2315	....	....	....	....
....	....	....	....	....

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

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

	(as mentioned in point (i) above). The goods are packed on 10th day and then transported from 11th day onwards. Assume equal amount of packing charges are paid each month on the 9th day of each month.	

All the above amounts are exclusive of taxes, wherever applicable

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

Following additional information is also available:

Particulars relating to capital goods owned by the firm	Date of purchase	Value (₹)	GST (₹)
Computers	01.02.20XX	2,00,000	36,000
Printers	January 1, two years prior to 01.01.20XX	80,000	14,400
Motor cycle used by the staff for collecting payments from the debtors	23.09.20XX	85,000	15,300
Furniture & fixtures	12.06.20XX	4,00,000	72,000
Air conditioner used in the office	15.10.20XX	2,00,000	36,000
Exhaust fan used in the godown	10.03.20XX	50,000	9,000

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

Note: The Company has not claimed depreciation on the tax component of any of the capital goods (mentioned above) under the Income-tax Act, 1961. All the conditions necessary for availing the ITC have been complied with. Rate of CGST and SGST is 9% each.

As per section 18(1)(c) of the CGST Act, 2017 read with rule 40 of CGST Rules, 2017, where any registered person ceases to pay tax under section 10, he shall be entitled to take credit of input tax in respect of inputs held in stock, inputs contained in semi-finished or finished goods held in stock and on capital goods on the day immediately preceding the date from which he becomes liable to pay tax under section 9. However, the credit oninputservices is not allowed and credit on capital goods shall be reduced by 5% per quarter of a year or part thereof from the date of invoice.

Further, ITC on supplies of inputs and capital goods shall not be available after the expiry of one year from the date of issue of tax invoice [Section 18(2) of the CGST Act, 2017].

In the light of the above-mentioned provisions, the ITC credited to the Electronic Credit Ledger of the B & D Company on inputs held in stock and capital goods on 02.10.20XX will be computed as under:

Particulars		Amount (₹)
A. ITC on inputs		
Stock of taxable inputs as on 30.09.20XX [Since no tax is paid on exempt purchases, there does not arise any question of availing ITC on the same. Hence, stock of only taxable inputs are considered]		10,00,000
Add: Purchases [No purchases are made in October, 20XX]		Nil
Less: Cost of taxable goods sold from 01.10.20XX to 02.10.20XX [(2,00,000 + 1,33,000 + 67,000]) x 80%]		3,20,000
Stock of taxable inputs as on 02.10.20XX [Since the bill numbers are in continuation, it can be concluded that no sales are missing from the extract]		6,80,000
Less: More than one year old stock		3,00,000
Stock of inputs on which ITC can be claimed		3,80,000
ITC of CGST @ 9%		34,200

ITC of SGST @ 9%	[Since all purchases are intra-State and from the suppliers registered under regular scheme]	34,200

B. ITC on capital goods

Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)
Computers [₹ 36,000 – (5% x 4 quarters)] ÷ 2	14,400	14,400
Printers [Being more than one year old, no ITC is available]	-	-
Motor cycle [Section 17(5)(a) of CGST Act, 2017 allows ITC on motor vehicles for transportation of persons having approved seating capacity of not more than thirteen persons only 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] Since B & D Company is a trader and it does not use the motor cycle for transportation of goods, ITC thereon will not be available]	-	-
Furniture and Fixtures [₹ 72,000 – (5% x 3 quarters)] ÷ 2	30,600	30,600
Air conditioner used in the office [Since purchased after 03.10.20XX, full ITC will be available and will be computed separately]	-	-
Exhaust fan used in the godown [₹ 9,000 – (5% x 4 quarters)] ÷ 2	3,600	3,600

ITC to be claimed on capital goods	*48,600*	*48,600*
Total ITC on inputs and capital goods credited to Electronic Credit Ledger on 02.10.20XX	**82,800 [34,200 +48,600]**	**82,800 [34,200 +48,600]**

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

Output tax liability of B & D Company under regular scheme

From 03.10.20XX, firm will pay tax under regular scheme on monthly basis in terms of sub-sections (1) and (7) of section 39 of the CGST Act, 2017 and will be eligible to avail ITC on inputs held in stock and capital goods as on 02.10.20XX in terms of section 18 of the CGST Act, 2017 as also on goods and services procured on or after 03.10.20XX and used in the course or furtherance of business in accordance with section 16 of the CGST Act, 2017. However, since common input services and capital goods are used in effecting taxable supplies as well as exempt supplies, ITC attributable to the exempt supplies will need to be added to the output tax liability of the month of October, 20XX in terms of section 17(2) read with rules 42 and 43 of the CGST Rules, 2017 respectively. Further, since all the sales are made within the State (eastern part of Maharashtra), CGST and SGST @ 9% each will be payable on the outward supplies.

The tax liability for the month of October, 20XX under regular scheme will be computed as under-

Particulars	Value (₹)	CGST (₹)	SGST (₹)
Tax on outward supply of 'P' Taxable supplies from 03.10.20XX to 31.10.20XX chargeable to CGST and SGST 9% each [₹ 8,00,000 (Refer Working Note 4)]	4,00,000	36,000	36,0000
Tax on inward supplies attracting reverse charge	20,000	500	500

GTA services availed chargeable to CGST and SGST @ 2.5% each (₹ 1,40,000 / 7)			
ITC reversal on input services [Refer Working Note 1 below]		371	371
ITC reversal on capital goods [Refer Working Note 2 below]		129	129
Total GST liability		**37,000**	**37,000**
Less: **ITC [Refer Working Note 3 below]**		**37,000**	**37,000**
Tax paid in cash As per section 49(4) of the CGST Act, 2017 amount available in the electronic credit ledger may be used for making payment towards output tax. However, tax payable under reverse charge is not an output tax in terms of section 2(82) of the CGST Act, 2017. Therefore, tax payable under reverse charge cannot be set off against the input tax credit and thus, will have to be paid in cash.		**500**	**500**

Working Note 1

Particulars	Value (₹)	CGST (₹)	SGST (₹)
CGST & SGST @ 2.5% each paid under reverse charge on freight paid to GTA on 10.10.20XX (for the goods transported between 11.10.20XX & 20.10.20XX) will be available as ITC under regular scheme	20,000	500	500
CGST & SGST @ 9% each paid to Packing Agency on 09.10.20XX (for specialized packing to be carried out on 10.10.20XX on goods to be transported between 11.10.20XX & 20.10.20XX) will be available as ITC under regular scheme.	30,000	2,700	2,700

Total common credit		3,200	3,200
Common credit on input services attributable to exempt supplies (rounded off) Common credit on input services availed during the period under regular scheme x (Exempt turnover made during the period under regular scheme / Total turnover during the period under regular scheme) = ₹ 3,200 x 52,500/ 4,52,500 Turnover of 'Q' (exempt turnover) from 03.10.20XX to 31.10.20XX is Rs. 52,500 [Refer Working Note 4] Total turnover from 03.10.20XX to 31.10.20XX is Rs. 4,52,000 [Refer Working Note 4]		371	371

Working Note 2

Particulars	**CGST @ 9% (₹)**	**SGST @ 9% (₹)**
ITC claimed on capital goods on 02.10.20XX *[Refer Ans. 3]*	48,600	48,600
Air conditioner used in the office purchased on 15.10.20XX	18,000	18,000
Common ITC [Since all the capital goods are used for effecting both taxable and exempt supplies, the entire ITC on capital goods is common]	66,600	66,600
Common credit for a tax period [Common credit ÷ 60] (rounded off)	1,110	1,110
Common credit on capital goods attributable to exempt supplies (rounded off) Common credit on capital goods during the period under regular scheme x (Exempt turnover made during the period under	129	129

regular scheme / Total turnover during the period under regular scheme) = ₹ 1,110 x 52,500/ 4,52,500		

Working Note 3

Particulars	CGST (₹)	SGST (₹)
ITC on inputs and capital goods claimed on 02.10.20XX *[Refer Ans. 3]*	82,800	82,800
ITC on air conditioner used in the office purchased on 15.10.20XX	18,000	18,000
ITC on freight paid to GTA	500	500
ITC on packing charges	2,700	2,700
Total ITC available with the firm	1,04,000	1,04,000

Working Note 4

Particulars	Total turnover for the month of October, 20XX* (₹)	Turnover in the month of October under regular scheme [03.10.20XX-31.10.20XX] (₹)
'P'	8,00,000 [(10,00,000 – 3,60,000) x 125%]	4,00,000 [8,00,000 – 2,00,000 – 1,33,000 – 67,000]
'Q'	1,00,000 [(2,00,000 – 1,20,000) x 125%]	52,500 [1,00,000 – 3,000 – 5,250 – 39,250]
Aggregate turnover	9,00,000	4,52,500

Note - Turnover for October, 20XX will be computed as under:

*Turnover = Cost of goods sold** × 125% (20% margin on sales = 25% margin on cost)

**Cost of goods sold = Stock as on 30.09.20XX *less* stock as on 31.10.20XX (since no purchases are made after September, 20XX)

5 'All-in-One Store' is a chain of departmental store having presence in almost all metro cities across India. Both exempted as well as taxable goods are sold in such Stores. The Stores operate in rented properties. All-in-One Stores pay GST under regular scheme.

In Mumbai, the Store operates in a rented complex, a part of which is used by the owner of the Store for personal residential purpose.

All-in-One Store, Mumbai furnishes following details for the month of October, 20XX:

(i) Aggregate value of various items sold in the Store:

Taxable items – ₹ 42,00,000

Items exempted vide a notification – ₹ 12,00,000

Items not leviable to GST – ₹ 3,00,000

(ii) Mumbai Store transfers to another All-in-One Store located in Goa certain taxable items for the purpose of distributing the same as free samples. The value declared in the invoice for such items is ₹ 5,00,000. Such items are sold in the Mumbai Store at ₹ 8,00,000.

(iii) Aggregate value of various items procured for being sold in the Store:

Taxable items – ₹ 55,00,000

Items exempted vide a notification – ₹ 15,00,000

Items not leviable to GST – ₹ 5,00,000

(iv) Freight paid to goods transport agency (GTA) for inward transportation of taxable items – ₹ 1,00,000

(v) Freight paid to GTA for inward transportation of exempted items – ₹ 80,000

(vi) Freight paid to GTA for inward transportation of non-taxable items - ₹ 20,000

(vii) Monthly rent payable for the complex – ₹ 5,50,000 (one third of total space available is used for personal residential purpose).

(viii) Activity of packing the items and putting the label of the Store along with the sale price has been outsourced. Amount paid for packing of all the items – ₹ 2,50,000

(ix) Salary paid to the regular staff at the Store – ₹ 2,00,000

(x) **GST paid on inputs used for personal purpose – ₹ 5,000**

(xi) **GST paid on rent a cab services availed for business purpose – ₹ 4,000.**

(xii) **GST paid on items given as free samples – ₹ 4,000**

Given the above available facts, you are required to compute the following:

A. **Input tax credit (ITC) credited to the Electronic Credit Ledger**

B. **Common Credit**

C. **ITC attributable towards exempt supplies out of common credit**

D. **Eligible ITC out of common credit**

E. **Net GST liability for the month of October, 20XX**

Note:

(1) **Wherever applicable, GST under reverse charge is payable @ 5% by All-in-One Stores. Rate of GST in all other cases is 18%.**

(2) **All the sales and purchases made by the Store are within Maharashtra. All the purchases are made from registered suppliers. All the other expenses incurred are also within the State.**

(3) **Wherever applicable, the amounts given are exclusive of taxes.**

(4) **All the necessary conditions for availing the ITC have been complied with.**

A. **Computation of ITC credited to Electronic Credit Ledger**

As per rule 42 of the CGST Rules, 2017, the ITC in respect of inputs or input services being partly used for the purposes of business and partly for other purposes, or partly used for effecting taxable supplies and partly for effecting exempt supplies, shall be attributed to the purposes of business or for effecting taxable supplies.

ITC credited to the electronic credit ledger of registered person ['C_1'] is calculated as under-

$C_1 = T - (T_1+T_2+T_3)$

Where,

T	=	Total input tax involved on inputs and input services in a tax period.

T_1	=	Input tax attributable to inputs and input services intended to be used exclusively for non-business purposes
T_2	=	Input tax attributable to inputs and input services intended to be used exclusively for effecting exempt supplies
T_3	=	Input tax in respect of inputs and input services on which credit is blocked under section 17(5) of the CGST Act, 2017

Computation of total input tax involved [T]

Particulars	(₹)
GST paid on taxable items [₹ 55,00,000 x 18%]	9,90,000
Items exempted vide a notification [Since exempted, no GST is paid]	Nil
Items not leviable to tax [Since non-taxable, no GST is paid]	Nil
GST paid under reverse charge on freight paid to GTA for inward transportation of taxable items - [₹ 1,00,000 x 5%]	5,000
GST paid under reverse charge on freight paid to GTA for inward transportation of exempted items - [₹ 80,000 x 5%]	4,000
GST paid under reverse charge on freight paid to GTA for inward transportation of non-taxable items - [₹ 20,000 x 5%]	1,000
GST paid on monthly rent - [₹ 5,50,000 x 18%]	99,000
GST paid on packing charges [₹ 2,50,000 x 18%]	45,000
Salary paid to staff at the Store [Services by an employee to the employer in the course of or in relation to his employment is not a supply in terms of para 1 of the Schedule III to CGST Act, 2017 and hence, no GST is payable thereon].	Nil
GST paid on inputs used for personal purpose	5,000
GST paid on rent a cab services availed for business purpose	4,000

GST paid on items given as free samples	4,000
Total input tax involved in a tax period (October, 20XX) [T]	**11,57,000**

Computation of T_1, T_2, T_3

Particulars	(₹)
GST paid on monthly rent attributable to personal purposes [1/3 of ₹ 99,000]	33,000
GST paid on inputs used for personal purpose	5,000
Input tax exclusively attributable to non-business purposes [T_1]	**38,000**
GST paid under reverse charge on freight paid to GTA for inward transportation of exempted items [As per section 2(47) of the CGST Act, 2017, exempt supply means, *inter alia,* supply which may be wholly exempt from tax by way of a notification issued under section 11. Hence, input service of inward transportation of exempt items is exclusively used for effecting exempt supplies.]	4,000
GST paid under reverse charge on freight paid to GTA for inward transportation of non-taxable items [Exempt supply includes non-taxable supply in terms of section 2(47) of the CGST Act, 2017. Hence, input service of inward transportation of non-taxable items is exclusively used for effecting exempt supplies.]	1,000
Input tax exclusively attributable to exempt supplies [T_2]	**5,000**
GST paid on rent a cab services availed for business purpose [ITC on rent a cab service is blocked under section 17(5)(b)(i) of the CGST Act, 2017 as the same is not used by All-in-One Store for providing the rent a cab service or as part of a taxable composite or mixed supply. It has been assumed that it is not obligatory	4,000

for an employer to provide the same to its employees under any law for the time being in force.	
GST paid on items given as free samples [ITC on goods *inter alia,* disposed of by way of free samples is blocked under section 17(5)(h) of the CGST Act, 2017].	<u>4,000</u>
Input tax for which credit is blocked under section 17(5) of the CGST Act, 2017 [T3] **	**8,000**

**Since GST paid on inputs used for personal purposes has been considered while computing T_1, the same has not been considered again in computing T_3.

ITC credited to the electronic credit ledger

$C_1 = T - (T_1+T_2+T_3)$

= ₹ 11,57,000 – (₹ 38,000 + ₹ 5,000 + ₹ 8,000)

= ₹ 11,06,000

B. Computation of Common Credit

$C_2 = C_1 - T_4$

where C_2 = Common Credit

T_4 = Input tax credit attributable to inputs and input services intended to be used exclusively for effecting taxable supplies

Computation of T_4,

Particulars	(₹)
GST paid on taxable items	9,90,000
GST paid under reverse charge on freight paid to GTA for inward transportation of taxable items	5,000
Input tax exclusively attributable to taxable supplies [T_4]	**<u>9,95,000</u>**

Common Credit $C_2 = C_1 - T_4$

=₹ 11,06,000 – ₹ 9,95,000

= ₹ 1,11,000

C. Computation of ITC attributable towards exempt supplies out of common credit

ITC attributable towards exempt supplies is denoted as 'D_1' and calculated as -

$D_1 = (E \div F) \times C_2$

where,

'E' is the aggregate value of exempt supplies during the tax period, and

'F' is the total turnover in the State of the registered person during the tax period

Aggregate value of exempt supplies during October, 20XX

= ₹ 15,00,000 (₹ 12,00,000 + ₹3,00,000)

Total turnover in the State during the tax period

= ₹ 65,00,000 (₹ 42,00,000 + ₹ 12,00,000 + ₹3,00,000 + ₹ 8,00,000)

Note: Transfer of items to Store located in Goa is inter-State supply in terms of section 7 of the IGST Act, 2017 and hence includible in the total turnover. Such supply is to be valued as per rule 28 of the CGST Rules, 2017. However, the value declared in the invoice cannot be adopted as the value since the recipient Store at Goa is not entitled for full credit. Therefore, open market value of such goods, which is the value of such goods sold in Mumbai Store, is taken as the value of items transferred to Goa Store.

D_1 = (15,00,000 ÷ 65,00,000) x 1,11,000

= **₹ 25,615 (rounded off)**

D. Computation of Eligible ITC out of common credit

Eligible ITC attributed for effecting taxable supplies is denoted as 'C_3', where, -

$C_3 = C_2 - D_1$

= ₹ 1,11,000 - ₹ 25,615

= ₹ 85,385

E. **Computation of Net GST liability for the month of October, 20XX**

Particulars	GST (₹)
GST liability under forward charge	
Taxable items sold in the store [₹ 42,00,000 x 18%]	7,56,000
Taxable items transferred to Goa Store [₹ 8,00,000 x 18%]	1,44,000
Ineligible ITC [ITC out of common credit, attributable to exempt supplies]	25,615
Total output tax liability under forward charge	9,25,615
Less: ITC credited to the electronic ledger	11,06,000
ITC carried forward to the next month	(1,80,385)
Net GST payable [A]	Nil
GST liability under reverse charge	
Freight paid to GTA for inward transportation of taxable items [₹ 1,00,000 x 5%]	5,000
Freight paid to GTA for inward transportation of exempted items [₹ 80,000 x 5%]	4,000
Freight paid to GTA for inward transportation of non-taxable items [₹ 20,000 x 5%]	1,000
Total output tax liability under reverse charge [B]	10,000
Net GST liability to be paid in cash [A] + [B] As per section 49(4) of the CGST Act, 2017 amount available in the electronic credit ledger may be used for making payment towards output tax. However, tax payable under reverse charge is not an output tax in terms of section 2(82) of the CGST Act, 2017. Therefore, tax payable under reverse charge cannot be set off against the input tax credit and thus, will have to be paid in cash.	**10,000**

Note: While computing net GST liability, ITC credited to the electronic ledger can alternatively be computed as follows:

Particulars	(₹)
GST paid on taxable items [₹ 55,00,000 x 18%]	9,90,000
Items exempted vide a notification [Since exempted, no GST is paid]	Nil
Items not leviable to tax [Since non-taxable, no GST is paid]	Nil
GST paid under reverse charge on freight paid to GTA for inward transportation of taxable items [₹ 1,00,000 x 5%]	5,000
GST paid under reverse charge on freight paid to GTA for inward transportation of exempted items [` 80,000 x 5%] [As per section 2(47) of the CGST Act, 2017, exempt supply means, *inter alia*, supply which may be wholly exempt from tax by way of a notification issued under section 11. Hence, input service of inward transportation of exempt items is exclusively used for effecting exempt supplies. Input tax exclusively attributable to exempt supplies is to be excluded]	Nil
GST paid under reverse charge on freight paid to GTA for inward transportation of non-taxable items [₹ 20,000 x 5%] [Exempt supply includes non-taxable supply in terms of section 2(47) of the CGST Act, 2017. Hence, input service of inward transportation of non-taxable items is exclusively used for effecting exempt supplies. Input tax exclusively attributable to exempt supplies is to be excluded]	Nil
GST paid on monthly rent - for business purposes [(₹ 5,50,000 x 18%) - 1/3 of [(₹ 5,50,000 x 18%)]	66,000
GST paid on packing charges [₹ 2,50,000 x 18%]	45,000
Salary paid to staff at the Store [Services by an employee to the employer in the course of or in relation to his employment is not a supply in	Nil

terms of para 1 of the Schedule III to CGST Act, 2017 and hence, no GST is payable thereon]	
GST paid on inputs used for personal purpose [ITC on goods or services or both used for personal consumption is blocked under section 17(5)(g) of the CGST Act, 2017]	Nil
GST paid on rent a cab services availed for business purpose [ITC on rent a cab service is blocked under section 17(5)(b)(i) of the CGST Act, 2017 as the same is not used by All-in-One Store for providing the rent a cab service or as part of a taxable composite or mixed supply. It has been assumed that it is not obligatory for an employer to provide the same to its employees under any law for the time being in force]	Nil
GST paid on items given as free samples [ITC on goods *inter alia,* disposed of by way of free samples is blocked under section 17(5)(h) of the CGST Act, 2017]	Nil
Total ITC credited to the electronic ledger	**11,06,000**

6 Oberoi Industries is a manufacturing company registered under GST. It manufactures two taxable products 'X' and 'Y' and one exempt product 'Z'. The turnover of 'X', 'Y' and 'Z' in the month of April, 20XX was ₹ 2,00,000, ₹ 10,00,000 and ₹ 12,00,000. Oberoi Industries is in possession of certain machines and purchases more of them. Useful life of all the machines is considered as 5 years.

From the following particulars furnished by it, compute the amount to be credited to the electronic credit ledger of Oberoi Industries and amount of common credit attributable towards exempted supplies, if any, for the month of April, 20XX.

Particulars	GST paid (₹)
Machine 'A' purchased on 01.04.20XX for being exclusively used for non-business purposes	19,200
Machine 'B' purchased on 01.04.20XX for being	38,400

exclusively used in manufacturing zero-rated supplies	
Machine 'C' purchased on 01.04.20XX for being used in manufacturing all the three products – X, Y and Z	96,000
Machine 'D' purchased on April 1, 2 years before 01.04.20XX for being exclusively used in manufacturing product Z. From 01.04.20XX, such machine will also be used for manufacturing products X and Y.	1,92,000
Machine 'E' purchased on April 1, 3 years before 01.04.20XX for being exclusively used in manufacturing products X and Y. From 01.04.20XX, such machine will also be used for manufacturing product Z.	2,88,000

A.

Particulars	Common credit (₹)	Ineligible credit (₹)	Amount to be credited to ECrL (₹)
Machine 'A' [Since exclusively used for non-business purposes, ITC is not available under rule 43(1)(a) of CGST Rules, 2017]		19,200	
Machine 'B' [For ITC purposes, taxable supplies include zero-rated supplies under rule 43(1)(b) of CGST Rules, 2017. Hence, full ITC is available]			38,400
Machine 'C' [Commonly used for taxable and exempt supplies – Rule 43(1)(c) of the CGST Rules, 2017]	96,000		96,000
Machine 'D'	1,15,200		1,15,200

[Owing to change in use from exclusively exempt to both taxable and exempt, common credit to be reduced by ITC @ 5% per quarter or part thereof in terms of proviso to rule 43(1)(c) of CGST Rules, 2017] = ₹ 1,92,000 – ₹ 76,800 (₹ 1,92,000 × 5% × 8 quarters)			
Machine 'E' [Owing to change in use from exclusively taxable to both taxable and exempt, common credit to be reduced by ITC @ 5% per quarter or part thereof in terms of proviso to rule 43(1)(d) of CGST Rules, 2017] = ₹ 2,88,000 – ₹ 1,72,800 (₹ 2,88,000 × 5% × 12 quarters) Further, the credit relating to Machine E would have been credited to electronic credit ledger three years back when the machine was used exclusively for taxable supplies. Therefore, no amount will be credited to the electronic credit ledger again on change of in use of machine.	1,15,200		
Total common credit	3,26,400		
Common credit for the tax period (in the given case, a month) under rule 43(1)(e) of CGST Rules, 2017 = ₹ 3,26,400 ÷ 60	5,440		
Common credit attributable to exempt supplies in April, 20XX under rule 43(1)(g) of the CGST Rules, 2017 = (Turnover of exempt supplies/Total turnover) ×Common credit = (12,00,000/24,00,000) × ₹ 5,440		**2,720**	

[Such credit, along with the applicable interest, shall be added to the output tax liability of Oberoi Industries]			
Amount to be credited to the electronic credit ledger of Oberoi Industries for the month of April, 20XX			**2,49,600**

7 Krishna Motors is a car dealer selling cars of an international car company. It also provides maintenance and repair services of the cars sold by it as also of other cars. It seeks your advice on availability of input tax credit in respect of the following expenses incurred by it during the course of its business operations:

(i) Cars purchased from the manufacturer for making further supply of such cars. Two of such cars are destroyed in accidents while being used for test drive by potential customers.

(ii) Works contract services availed for constructing a car shed in its premises

As per section 16(1) of the CGST Act, 2017, every registered person can take credit of input tax charged on any supply of goods or services or both to him which are used or intended to be used in the course or furtherance of his business. However, section 17(5) of CGST Act, 2017 specifies certain goods and services on which the input tax credit is not available.

In the light of the foregoing provisions, the availability of input tax credit (ITC) in respect of the various expenses incurred by Krishna Motors is discussed below:

(i) Section 17(5)(a) specifically blocks ITC on motor vehicles for transportation of passengers having approved seating capacity of not more than thirteen persons. However, the same is allowed when the motor vehicles are used, *inter alia,* for further supply of such vehicles. Thus, ITC on cars purchased from the manufacturer for making further supply of such cars will be allowed.

However, ITC on the cars destroyed in accident will not be allowed as the ITC on goods destroyed for whichever reason is specifically blocked under section 17(5)(h) of CGST Act.

(ii) Section 17(5)(c) specifically blocks ITC on works contract services when supplied for construction of an immovable property (other than plant and machinery) except where it is an input service for further supply of works contract service. Since, in this case the car shed is not a plant and machinery and the works contract service is not used for further supply of works contract service, ITC thereon will not be allowed.

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

The firm has provided the following details for the period April 20XX to September 20XX:

Particulars	(₹)
Turnover of 'M'	14,00,000
Turnover of 'N'	6,00,000
Turnover of 'O'	10,00,000
Export of 'M' with payment of IGST	2,50,000
Export of 'O' under letter of undertaking	10,00,000
Consultancy services provided to independent clients located in foreign countries.In all cases, the consideration has been received in convertible foreign exchange	20,00,000
Sale of building (excluding stamp duty of Rs. 2.50 lakh, being 2% of value)	1,20,00,000
Interest received on investment in fixed deposits with a bank	4,00,000
Sale of shares (Purchase price Rs. 2,40,00,000/-)	2,50,00,000
Legal services received from an advocate in relation to product 'M'	3,50,000
Common inputs and input services used for supply of goods and services mentioned above [Inputs - Rs. 35,00,000; Input services - Rs.15,00,000]	50,00,000

With the help of the above-mentioned information, compute the net GST liability of Surana & Sons, payable from Electronic Credit Ledger and/or Electronic Cash Ledger, as the case may be, for the period April 20XX to September 20XX

Note: Assume that all the domestic transactions of Surana & Sons are intra-State and that rate of GST on goods and services are 12% and 18% respectively.All the conditions necessary for availing the ITC have been complied with. Turnover of Surana & Sons was Rs. 85,00,000 in the previous financial year.

Computation of net GST liability of Surana & Sons for the period April 20XX to September 20XX

Particulars	(Rs.)
GST payable on outward supply [Refer Working Note 1]	3,18,000
GST payable on legal services under reverse charge [Rs. 3,50,000 X 18%] [Tax on legal services provided by an advocate to a business entity, is payable under reverse charge by the business entity in terms of *Notification No. 13/2017 CT (R) dated 28.06.2017*. Further, such services are not eligible for exemption provided under *Notification No. 12/2017 CT (R) dated 28.06.2017* as the turnover of the business entity [Surana & Sons] in the preceding financial year exceeds Rs. 20 lakh.]	63,000
Common credit attributable to exempt supplies during the period April 20XX to September 20XX [Refer Working Note 2]	4,74,820
Total GST liability	**8,55,820**
***Less:* Input tax credit (ITC)** [Refer Working Note 3]	**7,53,000**
***Less:* Tax paid in cash (Rs. 63,000 + Rs. 39,820)** [As per section 49(4) of the CGST Act, 2017 amount available in the electronic credit ledger may be used for making payment towards output tax. However, tax payable under reverse charge is not an output tax in terms of section 2(82) of the CGST Act, 2017. Therefore, tax payable under reverse	**1,02,820**

charge cannot be set off against the input tax credit and thus, will have to be paid in cash.]	

Working Note 1

Computation of GST payable on outward supply

Particulars	Value (Rs.)	GST (Rs.)
Turnover of 'M' [liable to GST @ 12%]	14,00,000	1,68,000
Turnover of 'N' [Tax on 'N' is payable under reverse charge by the recipient of such goods]	6,00,000	Nil
Turnover of 'O' [liable to GST @ 12%]	10,00,000	1,20,000
Export of 'M' with payment of IGST @ 12%	2,50,000	30,000
Export of 'O' under letter of undertaking (LUT) [Export of goods is a zero rated supply in terms of section 16(1)(a) of the IGST Act, 2017. A zero rated supply can be supplied without payment of tax under a LUT in terms of section 16(3)(a) of that Act.]	10,00,000	Nil
Consultancy services provided to independent clients located in foreign countries. [The activity is an export of service in terms of section 2(6) of the IGST Act, 2017 as- • the supplier of service is located in India; • the recipient of service is located outside India; • place of supply of service is located outside India (in terms of section 13(2) of the IGST Act, 2017); • payment for the service has been received in convertible foreign exchange or in Indian rupees wherever permitted by the Reserve Bank of India; and • supplier of service and recipient of service are not merely establishments of distinct person.	20,00,000	Nil

[Export of services is a zero rated supply in terms of section 16(1)(a) of the IGST Act, 2017. A zero rated supply can be supplied without payment of tax under a LUT in terms of section 16(3)(a) of that Act.] It is assumed that export has been made under LUT		
Sale of building [Sale of building is neither a supply of goods nor a supply of services in terms of para 5 of Schedule III to the CGST Act, 2017 and hence, is not liable to any tax]	1,20,00,000	Nil
Interest received on investment in fixed deposits with a bank [Exempt vide *Notification No. 12/2017 CT (R) dated 28.06.2017*]	4,00,000	Nil
Sale of shares [Shares are neither goods nor services in terms of section 2(52) and 2(102) of the CGST Act, 2017. Hence, sale of shares is neither a supply of goods nor a supply of services and hence, is not liable to any tax.]	2,50,00,000	Nil
Total GST payable on outward supply		**3,18,000**

Working Note 2

Computation of common credit attributable to exempt supplies during the period April 20XX to September 20XX

Particulars	**(Rs.)**
Common credit on inputs and input services -[Refer Working Note 3 below]	6,90,000
Common credit attributable to exempt supplies **(rounded off)** = Common credit on inputs and input services x (Exempt turnover during the period / Total turnover during the period)	4,74,820

= Rs. 6,90,000 x Rs. 1,33,50,000/ Rs. 1,94,00,000 Exempt turnover = Rs. 1,33,50,000 and total turnover = Rs. 1,94,00,000 [Refer note below]	

Note:

As per section 17(3) of the CGST Act, 2017, value of exempt supply includes supplies on which the recipient is liable to pay tax on reverse charge basis, transactions in securities, sale of land and, subject to clause (b) of paragraph 5 of Schedule II, sale of building. As per explanation to Chapter V of the CGST Rules, 2017, the value of exempt supply in respect of land and building is the value adopted for paying stamp duty and for security is 1% of the sale value of such security.

Further, as per explanation to rule 42 of the CGST Rules, 2017, the aggregate value of exempt supplies *inter alia* excludes the value of services by way of accepting deposits, extending loans or advances in so far as the consideration is represented by way of interest or discount, except in case of a banking company or a financial institution including a non-banking financial company, engaged in supplying services by way of accepting deposits, extending loans or advances.

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

Total turnover = Rs. 1,94,00,000 (Rs. 14,00,000 + Rs. 6,00,000 + Rs. 10,00,000 + Rs. 2,50,000 + Rs. 10,00,000 + Rs. 20,00,000 + Rs. 1,25,00,000 + Rs. 4,00,000 + Rs. 2,50,000)

Working Note 3

Computation of ITC available in the Electronic Credit Ledger of the Surana & Sons for the period April 20XX- September 20XX

Particulars	(Rs.)
Common credit on inputs and input services [Tax on inputs - Rs. 4,20,000 (Rs. 35,00,000 x 12%) + Tax on input services – Rs. 2,70,000 (Rs. 15,00,000 x 18%)]	6,90,000
Legal services used in the manufacture of taxable product 'M'	63,000
ITC available in the Electronic Credit Ledger	**7,53,000**

9. PQR Company Ltd., a registered supplier of Bengaluru (Karnataka), is a manufacturer of goods. The company provides the following information pertaining to GST paid on input supplies during the month of April, 20XX:

Sl. No.	*Items*	*GST paid in (₹)*
(i)	Life Insurance premium paid by the company on the life of factory employees as per the policy of the company	1,50,000
(ii)	Raw materials purchased for which invoice is missing but delivery challan is available.	38,000
(iii)	Raw materials purchased which are used for zero rated outward supply.	50,000
(iv)	Works contractor's service used for repair of factory building which is debited in the profit and loss account of company.	30,000
(v)	Company purchased the capital goods for ₹ 4,00,000 and claimed depreciation of ₹ 44,800 (@ 10%) on the full amount of ₹ 4,48,000 under Income Tax Act, 1961.	48,000

Other Information:-

(i) In the month of September, 20XX, of previous financial year, PQR Company Ltd. availed input tax credit of₹ 2,40,000 on purchase of raw material which was directly sent to job worker's premises under a challan on 25-09-20XX of the same financial year. The said raw material has not been received back from the Job worker up to 30-04-20XX of the current financial year.

(ii) All the above input supplies except (ii) above have been used in the manufacture of taxable goods.

Compute the amount of net input tax credit available for the month of April, 20XX with necessary explanations for your conclusion for each item. You may assume that all the other conditions necessary for availing the eligible input tax credits have been fulfilled.

Computation of Input Tax Credit (ITC) available with PQR Ltd. for the month of April, 20XX

Particulars	₹
Life Insurance premium paid by the company on the life of factory employees [Note 1]	Nil
Raw materials purchased [Note 2]	Nil
Raw materials used for zero rated outward supply [Note 3]	50,000
Work contractor's service [Note 4]	30,000
Capital goods purchased wherein the depreciation is claimed on the tax component [Note 5]	Nil
Total ITC available	**80,000**

Notes:

(1) ITC on life insurance service is available only when it is obligatory for an employer to provide said services to its employees under any law for the time being in force. In the absence of any information, it is assumed that such services are not obligatory for the employer in the instant case and thus, the ITC thereon is blocked [Proviso to section 17(5)(b) of the CGST Act, 2017].

(2) ITC cannot be taken since invoice is missing and delivery challan is not a valid document to avail ITC [Section 16 of the CGST Act, 2017]

(3) ITC can be availed for making zero-rated supplies, notwithstanding that such supply may be an exempt supply – [Section 16 of the IGST Act, 2017]

(4) ITC is blocked on works contract services when supplied for construction of an immovable property. However, "construction" includes only that repairs which are capitalized along with the said immovable property. In this case, since repairs of building is debited to P & L Account, the same does not amount to 'construction' and hence ITC thereon is available - [Section 17(5)(c) of the CGST Act, 2017].

(5) ITC is not available when depreciation has been claimed on the tax component of the cost of capital goods under the Income-tax Act - [Section 16(3) of the CGST Act, 2017]

(6) The principal is entitled to take ITC of inputs sent for job work even if the said inputs are directly sent to job worker. However, where said inputs are not received back by the principal within a period of 1 year of the date of receipt of inputs by the job worker, it shall be deemed that such inputs had been supplied by the principal to the job worker on the day when the said inputs were received by the job worker – [Section 19 of the CGST Act, 2017].

Hence, the ITC taken by PQR Company Ltd. in September, 20XX is valid and since 1 year period has yet not lapsed in April, 20XX, there will be no tax liability on such inputs.

10 On 25th August, 20XX, of previous financial year, M/s Agarwal & Agarwal Ltd., a registered supplier of textile products located in Bengaluru (Karnataka) purchased one machine for ₹ 12,39,000 including IGST, from one supplier of Maharashtra who issued invoice on the same date. M/s Agarwal & Agarwal Ltd. put the machinery to use on the same day and availed input tax credit for the eligible amount.

M/s Agarwal & Agarwal Ltd. sold this machine after using the machine in the process of manufacture of taxable goods for ₹ 7,50,000 excluding IGST, to Mr. Suresh Kumar of Andhra Pradesh on 20th August 20XX of current financial year.

During purchase as well as sale of the machinery, the IGST rate applicable was 18%.

Is M/s Agarwal & Agarwal Ltd., required to pay GST? If yes, calculate the amount of tax payable under GST Laws at the time of sale of the machine. Also, briefly state the relevant statutory provisions.

As per section 18 of the CGST Act, 2017, if capital goods/ plant and machinery on which input tax credit (ITC) has been taken are supplied outward by a registered person, he must pay an amount that is higher of the following:

(a) ITC taken on such goods reduced by 5% per quarter of a year or part thereof from the date of issue of invoice for such goods or

(b) tax on transaction value.

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

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

** In the above solution, amount payable towards disposal of machine has been computed on the basis of provisions of section 18(6) of the CGST Act, 2017 read with rule 40(2) of the CGST Rules, 2017 [wherein ITC to be reversed for the period of use of capital goods/machine has been computed @ 5% for every quarter or part thereof from the date of the issue of invoice].

However, the said amount can also be computed in accordance with the provisions of section 18(6) of the CGST Act, 2017 read with rule 44(6) of the CGST Rules, 2017 [wherein ITC involved in the remaining useful life (in months) of the capital goods/ machine will be reversed on pro-rata basis, taking the useful life as 5 years].

11 Vansh Shoppe is a registered supplier of both taxable and exempted goods, registered under GST in the State of Rajasthan. Vansh Shoppe has furnished the following details for the month of April, 20XX;

		₹
(1)	**Details of sales:**	
	Supply of taxable goods	**50,00,000**
	Supply of goods not leviable to GST	**10,00,000**

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

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

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

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

There is no opening balance in the electronic cash ledger or electronic credit ledger.

Assume that all the necessary conditions for availing the ITC have been complied with. Ignore interest, if any.

You are required to compute the following:

(1) Input Tax Credit (ITC) credited to Electronic Credit Ledger

(2) Common credit

(3) ITC attributable towards exempt supplies out of common credit

(4) Net GST liability for the month of April, 20XX

(1) Computation of ITC credited to Electronic Credit Ledger

ITC of input tax attributable to inputs and input services intended to be used for business purposes is credited to the electronic credit ledger. Input tax attributable to inputs and input services intended to be used exclusively for non-business purposes, for effecting exclusively exempt supplies and on which credit is blocked under section 17(5) of the CGST Act, 2017 is not credited to electronic credit ledger [Sections 16 and 17 of the CGST Act, 2017].

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

Particulars	Amount (₹)	CGST @ 6% (₹)	SGST @ 6% (₹)
GST paid on taxable goods	45,00,000	2,70,000	2,70,000
Goods not leviable to GST [Since non-taxable, no GST is paid]	4,00,000	Nil	Nil
GST paid on monthly rent for shop	3,50,000	21,000	21,000
GST paid on telephone expenses	50,000	3,000	3,000
GST paid on audit fees	60,000	3,600	3,600
GST paid on premium of health insurance policies as per company policy	10,000	Nil	Nil
[ITC on life insurance service is allowed only if it is			

obligatory for employers to provide such services to its employees under any law for the time being in force- Proviso to section 17(5)(b)(i)].			
GST paid on goods given as free samples	5,000	Nil	Nil
[ITC on goods disposed of by way of free samples is blocked under section 17(5)(h) of the CGST Act, 2017]			
Particulars	**Amount (₹)**	**CGST @ 2.5% (₹)**	**SGST @ 2.5% (₹)**
Freight paid to GTA for inward transportation of non-taxable goods under reverse charge	50,000	Nil	Nil
[Since definition of exempt supply under section 2(47) of the CGST Act, 2017 specifically includes non-taxable supply, the input service of inward transportation of non-taxable goods is being exclusively used for effecting exempt supplies.]			
Freight paid to GTA for inward transportation of taxable goods under reverse charge	1,50,000	3,750	3,750
ITC credited to the electronic ledger		**3,01,350**	**3,01,350**

(2) Computation of common credit

Common Credit = ITC credited to Electronic Credit Ledger – ITC attributable to inputs and input services intended to be used exclusively for effecting taxable supplies [Section 17 of the CGST Act, 2017 read with rule 42 of the CGST Rules, 2017].

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

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

ITC attributable towards exempt supplies = Common credit x (Aggregate value of exempt supplies during the tax period/ Total turnover during the tax period)[Section 17 of the CGST Act, 2017 read with rule 42 of the CGST Rules, 2017].

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

(4) Computation of net GST liability for the month of April, 20XX

Particulars	CGST (₹)	SGST (₹)
GST liability under forward charge		
Supply of taxable goods [₹ 50,00,000 x 6%]	3,00,000	3,00,000
Add: Ineligible ITC [ITC out of common credit, attributable to exempt supplies]	4,600	4,600
Total output tax liability under forward charge	3,04,600	3,04,600

Less: ITC credited to the electronic credit ledger	3,01,350	3,01,350
Net GST payable **[A]**	3,250	3,250
GST liability under reverse charge		
Freight paid to GTA for inward transportation of taxable goods [₹ 1,50,000 x 2.5%]	3,750	3,750
Freight paid to GTA for inward transportation of non-taxable goods [₹ 50,000 x 2.5%]	1,250	1,250
Total output tax liability under reverse charge **[B]**	5,000	5,000
Net GST liability [A] + [B]	8,250	8,250
Note: Amount available in the electronic credit ledger may be used for making payment towards output tax [Section 49 of the CGST Act, 2017]. However, tax payable under reverse charge is not an output tax in terms of definition of output tax provided under 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.		

12 Siddhi Ltd. is a registered manufacturer engaged in taxable supply of goods. Siddhi Ltd. purchased the following goods during the month of January, 20XX. The following particulars are provided:

S. No.	***Particulars***	***Input tax (₹)***
1.	**Capital goods purchased on which depreciation has been taken on full value including input tax thereon**	**15,000**
2.	**Goods purchased from Ravi Traders (Invoice of Ravi Traders is received in month of January, 20XX, but goods were received in month of March, 20XX)**	**20,000**

3.	**Car purchased for making further supply of such car. Such car is destroyed in accident while being used for test drive by potential customers**	**30,000**
4.	**Goods used for setting up telecommunication towers being immovable property**	**50,000**
5.	**Goods purchased from Pooja Ltd. (Full payment is made by Siddhi Ltd. to Pooja Ltd. against such supply, but tax has not been deposited by Pooja Ltd.**	**10,000**
6.	**Truck purchased for delivery of output goods**	**80,000**

Determine the amount of input tax credit (ITC) available by giving necessary explanations for treatment of various items as per the provisions of the CGST Act, 2017. You may assume that all the necessary conditions for availing the ITC have been complied with by Siddhi Ltd.

Computation of ITC available with Siddhi Ltd.

S. No.	Particulars	Input tax (₹)
1.	Capital goods [Since depreciation has been claimed on the tax component of the value of the capital goods, ITC of such tax cannot be availed in terms of section 16 of the CGST Act, 2017.]	Nil
2.	Goods purchased from Ravi Traders [ITC in respect of goods not received cannot be availed (Section 16 of the CGST Act, 2017). Since the goods have been received in the month of March 20XX, ITC thereon can be availed in March 20XX and not January 20XX even though the invoice for the same has been received in January 20XX]	Nil
3.	Cars purchased for making further supply [Though ITC on motor vehicles used for further supply of such vehicles is not blocked, ITC on goods destroyed for whichever reason is blocked (Section 17(5) of the CGST Act, 2017).]	Nil

4.	Goods used for setting telecommunication towers [ITC on goods used by a taxable person for construction of immovable property on his own account is blocked even when such goods are used in the course or furtherance of business (Section 17 of the CGST Act, 2017).]	Nil
5.	Goods purchased from Pooja Ltd. [ITC can be claimed provisionally in January 20XX since all the conditions necessary for availing the same have been complied with (Section 16 of the CGST Act, 2017). However, the claim will get confirmed only when the tax charged in respect of such supply has been actually paid to the Government.]	10,000
6.	Trucks purchased for delivery of output goods [ITC on motor vehicles used for transportation of goods is not blocked (Section 17(5) of the CGST Act, 2017).]	80,000
	Total ITC available with Siddhi Ltd.	**90,000**

Note: The above answer is based on the assumption that the ITC available is to be computed for the month of January, 20XX. However, since the question does not specify the period for which ITC available is to be computed, the question may also be answered without referring to any particular period.

13 X, a manufacturer of roofing sheets, has total input tax credit of ₹1,60,000 as on 30-06-20XX. He provides the following other information pertaining to June 20XX:

(1) Input tax on raw materials in June is ₹ 40,000.

(2) Input tax on account of Harvest caterers in connection with his Housewarming is ₹ 10,000.

(3) Input tax on inputs contained in exempt supplies of ₹ 2 lakh in June is ₹ 20,000.

(4) GST paid on cosmetic and plastic surgery of CEO of the company is ₹ 30,000.

(5) Total turnover (inter-State, taxable @18%) for the month of June is ₹ 60 lakh.

Compute the ITC available and his output tax liability for the month of June 20XX.

Computation of ITC available and output tax liability of X for June 20XX

Particulars	Amount (₹)
Output tax liability for June 20XX	
GST on taxable turnover for June 20XX [Being inter-State supply, the same is leviable to IGST @ 18% =₹60,00,000 × 18%]	10,80,000
Add: Ineligible ITC [Refer working note below] [ITC out of common credit, attributable to exempt supplies shall be added to the output tax liability in terms of rule 42 of the CGST Rules, 2017]	1,290
Total output tax liability	10,81,290
Total ITC available as on 30.06.20XX	1,60,000

Working Note:

Computation of ineligible ITC to be added to output tax liability

Particulars	Amount (₹)
Input tax on raw materials [Being used in the course or furtherance of business, input tax on raw materials is available as ITC and is credited to the Electronic Credit Ledger – Section 16(1) of the CGST Act, 2017]	40,000
Input tax on catering for housewarming [ITC on outdoor catering is blocked in terms of section 17(5) of the CGST Act, 2017 if the same is not used for making an outward supply of outdoor catering or as an element of a taxable composite/mixed supply. Hence, the same is not credited to the Electronic Credit Ledger – Rule 42 of the CGST Rules, 2017]	Nil

Input tax on inputs contained in exempt supplies [Not available as ITC and thus, not credited to the Electronic Credit Ledger in terms of rule 42 of the CGST Rules, 2017]	Nil
Input tax on cosmetic and plastic surgery of CEO of company [ITC on cosmetic and plastic surgery is blocked in terms of section 17(5) of the CGST Act, 2017 if the same are not used for making the same category of outward supply or as an element of a taxable composite/mixed supply. Hence, the same is not credited to the Electronic Credit Ledger – Rule 42 of the CGST Rules, 2017]	Nil
Total ITC credited to the Electronic Credit Ledger in terms of rule 42	40,000
Common credit [ITC credited to Electronic Credit Ledger (`40,000) – ITC attributable to inputs and input services intended to be used exclusively for effecting taxable supplies (Nil)] Rule 42 of the CGST Rues, 2017. It has been assumed that input tax on raw materials is attributable to both taxable and exempt activity]	40,000
ITC attributable towards exempt supplies [Common Credit x (Aggregate value of exempt supplies during the tax period / Total turnover during the tax period) – Rule 42 of the CGST Rules, 2017 = ₹40,000 × ₹ 2,00,000/ ₹ 62,00,000 - (rounded off)]	**1,290**

Note: The information provided in the question leaves scope for multiple assumptions. The answer given above is based on one such assumption. Other assumptions can also be made to answer this question.

14 Soren Enterprises is in possession of certain capital goods and purchases more of them as per the following particulars:

Particulars	Input tax on capital goods (₹)	Status of its use
Capital Goods A	12,000	Exclusively used for non-business purpose.

Capital Goods B	**24,000**	**Exclusively used for zero-rated supplies.**
Capital Goods C	**60,000**	**Used both for taxable and exempt supplies.**
Capital goods D(has been exclusively used for 2 years for exempted supplies)	**1,20,000**	**Now there is change in use, both for taxable and exempt supplies.**
Capital goods E (has been exclusively used for 3 years for taxable supplies).	**1,80,000**	**Now there is change in use, both for taxable and exempt supplies.**

Useful life of all the above capital goods is considered as 5 years.

Compute the input tax credit to be reversed for each tax period (monthly) on account of common credit attributable to exempted use of such machines, while being informed that aggregate value of exempt supplies during the tax period being ₹6,00,000 and total turnover during the tax period being ₹ 12,00,000.

Apportionment of common credit pertaining to capital goods:

Particulars	ITC (₹)
Capital goods 'A' [Since exclusively used for non-business purposes, ITC is not available under rule 43(1)(a) of CGST Rules, 2017]	Nil
Capital goods 'B' [For ITC purposes, taxable supplies include zero-rated supplies under rule 43(1)(b) of CGST Rules, 2017. Hence, full ITC of ₹ 24,000 is available]	-
Capital goods 'C' [Commonly used for taxable and exempt supplies]	60,000
Capital goods 'D' [Owing to change in use from exclusively exempt to both taxable and exempt, credit to be reduced @ 5% per quarter or part thereof in terms of rule 43(1)(c) of CGST Rules, 2017]	72,000

= ₹ 1,20,000 – ₹ 48,000 (₹ 1,20,000 × 5% × 8 quarters)	
Capital goods 'E' [Owing to change in use from exclusively taxable to both taxable and exempt, credit to be reduced @ 5% per quarter or part thereof in terms of rule 43(1)(d) of CGST Rules, 2017] = ₹ 1,80,000 – ₹ 1,08,000 (₹ 1,80,000 × 5% × 12 quarters)	72,000
Total common credit	2,04,000
Common credit for the tax period under rule 43(1)(e) of CGST Rules, 2017 = 2,04,000 ÷ 60	3,400
Common credit attributable to exempt supplies in a tax period in terms of rule 43(1)(g) of CGST Rules, 2017 = (Turnover of exempt supplies/Total turnover) × Common credit = (6,00,000/12,00,000) × ₹ 3,400	**1,700**

14 Sarani Weavers at Pune, Maharashtra is an input service distributor and intends to distribute input tax credit u/s 20 of the CGST Act, 2017, for the month of March 20XX. The following are the details available for such distribution:

Branch	Turnover of the last quarter (Amt. in ₹)	ITC specifically applicable to the branch (Amt in ₹)
Ganganagar Branch (Rajasthan)	**10,00,000**	**IGST – ₹ 12,000** **CGST – ₹ 3,000** **SGST –₹ 3,000**
Madhugiri Branch (Karnataka)	**5,00,000**	**Nil**
Kosala Branch (UP)	**15,00,000**	**Nil**
Mumbai Branch (Maharashtra)	**20,00,000**	**IGST – ₹ 1,50,000** **CGST– ₹ 15,000** **SGST– ₹ 15,000**

Input services used commonly by all branches against which ITC available is:

CGST - ₹ 60,000

SGST - ₹ 60,000

IGST - ₹ 1,20,000

ITC (IGST) of March 20XX (last year), ₹ 10,000 which was inadvertently left out, whether same can be considered for distribution in March, 20XX (last year)

Madhugiri, Karnataka branch uses inputs to manufacture exempted products. Turnover excludes duties & taxes payable to Central and State Government.

Determine the input tax distribution.

As per section 20 of the CGST Act read with rule 39 of CGST Rules, 2017:

(i) Total GST credit (CGST+ SGST + IGST) of ₹ 18,000 specifically attributable to Ganganagar Branch, Rajasthan will be distributed as IGST credit of ₹ 18,000 only to Ganganagar Branch, Rajasthan. [since recipient and ISD are located in different states.]

(ii) IGST credit of ₹ 1,50,000, CGST credit of ₹ 15,000 and SGST credit of ₹ 15,000 specifically attributable to Mumbai Branch, Maharashtra will be distributed as IGST credit of ₹ 1,50,000, CGST credit of ₹ 15,000 and SGST credit of ₹ 15,000 respectively, only to Mumbai Branch, Maharashtra. [since recipient is located in the same State in which ISD is located.]

(iii) CGST credit of ₹ 60,000, SGST credit of ₹ 60,000 and IGST credit of ₹1,20,000 have to be distributed among the three branches and Mumbai Branch, Maharashtra in proportion of their turnover of the last quarter.

Ganganagar Branch, Rajasthan will get – ₹ 48,000 [₹2,40,000 x (10,00,000/ 50,00,000)] as IGST credit.

Madhugiri Branch, Karnataka will get - ₹ 24,000 [₹2,40,000 x (5,00,000/ 50,00,000)] as IGST credit.

The credit attributable to a recipient is distributed even if such recipient is making exempt supplies.

Kosala Branch, UP will get - ₹ 72,000 [`2,40,000 x (15,00,000/ 50,00,000)] as IGST credit

Mumbai Branch, Maharashtra will get - ₹ 24,000 [60,000 x (20,00,000/ 50,00,000)] as CGST credit, ₹24,000 [60,000 x (20,00,000/ 50,00,000)] as SGST credit and ₹ 48,000 [1,20,000 x (20,00,000/ 50,00,000)] as IGST credit.

(iv) ITC of ₹ 10,000 of March, 20XX (last year) cannot be distributed in March 20XXas ITC available for distribution in a month is to be distributed in the same month.

15 With the help of information given below in respect of a manufacturer for the month of September, 20XX, calculate eligible input tax credit for the month and also calculate the amount of ITC to be reversed in September, 20XXand October, 20XX. There is no carry forward credit or reversal requirement. Only the current month's information is to be considered for calculation purposes.

S. No.	Particulars	Amount in ₹
1.	Outward supply of taxable goods	70,000
2.	Outward supply of exempted goods	40,000
	Total Turnover	1,10,000
3.	Inward supplies	GST paid (₹)
	Capital goods purchased which are exclusively used for taxable outward supply	2,000
	Capital goods purchased which are exclusively used for exempted outward supply	1,800
	Capital goods purchased which are used for both taxable and exempted outward supply	4,200

Computation of eligible ITC and ITC to be reversed:

Particulars	₹	ITC (₹)
Capital goods exclusively used for taxable outward supply [Since exclusively used for taxable supply, full ITC is available under rule 43(1)(b) of the CGST Rules, 2017] – [A]		2,000

Capital goods exclusively used for exempted outward supply [Since exclusively used for non-business purposes, ITC is not available under rule 43(1)(a) of the CGST Rules, 2017]		Nil
Capital goods used for both taxable and exempted outward supply -Common credit [B] [Commonly used for taxable and exempt supplies – Rule 43(1)(c) of the CGST Rules, 2017]	4,200	
Common credit for the tax period (month here) = 4,200 ÷ 60[Rule 43(1)(e) of the CGST Rules, 2017]	70	
Common credit attributable to exempt supplies in a month [C] (rounded off) = (40,000/1,10,000) × ₹ 70 [Rule 43(1)(g) of the CGST Rules, 2017	25.45	
Eligible credit out of common credit for September, 20XX [B] –[C] (rounded off)		4,174.55
Total eligible credit for September, 20XX		**6,174.55**
Amount of ITC to be reversed in September, 20XX [B]		**25.45**
Amount of ITC to be reversed in October, 20XX [B]		**25.45**

16 A registered supplier of taxable goods supplied goods valued at ₹ 2,24,000 (inclusive of CGST ₹ 12,000 and SGST ₹ 12,000) to Mohan Ltd. under the forward charge on 15-08-20XX for which tax invoice was also issued on the same date. The inputs were received by Mohan Ltd. on 15-08-20XX. Mohan Ltd. availed credit of ₹ 24,000 on 18-08-20XX. But Mohan Ltd. did not make any payment towards such supply along with tax thereon to the supplier. Is Mohan Ltd. eligible to avail input tax credit on such supply? What are the consequences of such non-payment by Mohan Ltd.?

Discuss input tax credit provisions if Mohan Ltd. makes the payment of ₹ 2,24,000 to the supplier on 18-03-20XX (Next Year).

As per section 16 of the CGST Act, 2017, Mohan Ltd. is eligible to avail input tax credit (ITC) of the tax paid on inputs received by it on the basis of the invoice issued by the supplier provided other conditions for availing ITC are fulfilled.

Payment of value of the goods along with the tax to the supplier is not a pre-requisite at the time of availing credit, but Mohan Ltd. has to pay the said amount within 180 days from the date of issue of invoice.

If Mohan Ltd. did not make any payment towards such supply along with tax thereon to the supplier, it has to report the fact of non-payment in the ITC return (GSTR-2[1]) for the month immediately following the period of 180 days from the date of the issue of the invoice. When such report is made, ITC of ₹24,000 will be added to his output tax liability. Mohan Ltd will be required discharge this liability with interest @ 18% p.a. from the date of availing credit till the date when the amount added to the output tax liability[Second proviso to section 16(2) of the CGST Act, 2017 read with rule 37 of the CGST Rules, 2017].

If Mohan Ltd. does not pay the supplier as mentioned above, subject to the provisions of section 126 of the CGST Act, 2017, a general penalty which may extend to ₹ 25,000 may also be levied for such contravention by Mohan Ltd. under section 125 of the CGST Act, 2017].

If Mohan Ltd. makes the payment of ₹ 2,24,000 (Value + tax) to the supplier on 18.03.20XX (Next Year)i.e., after the expiry of 180 days from date of issue of invoice, Mohan Ltd. will take the credit of ₹ 24,000.

17 What are the conditions applicable to Input Service Distributor to distribute the credit?

The following conditions are applicable to Input Service Distributor to distribute the input tax credit (ITC):-

(i) The credit can be distributed to the recipients of credit against an ISD invoice containing prescribed details.

(ii) The amount of the credit distributed shall not exceed the amount of credit available for distribution.

(iii) The credit connected to an input service must be distributed only to the particular recipient to whom that input service is attributable.

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[1] *Since GSTR-2 is not operational, reporting is done in GSTR 3B.*

(iv) If the input service is attributable to more than one recipient, the relevant ITC is distributed *pro rata* to such recipients in the ratio of turnover of the recipient in a State/ Union Territory to the aggregate turnover of all the recipients to whom the input service is attributable and which are operational during the current year.

(v) ITC pertaining to input services which are common for all units, is distributed to all the recipients in the ratio of turnover in the prescribed manner.

(vi) ITC available for distribution in a month shall be distributed in the same month and the details thereof shall be furnished in the prescribed form.

(vii) Both ineligible and eligible ITC are to be distributed separately.

(viii) ITC of CGST, SGST/UTGST and IGST are to be distributed separately.

(ix) ITC of CGST, SGST/UTGST in respect of recipient located in the same State/Union Territory is distributed as CGST and SGST/UTGST respectively.

(x) ITC of CGST and SGST/UTGST, in respect of a recipient located in a different State/Union territory, is distributed as IGST (total of ITC of CGST and SGST/UTGST which were to be distributed to such recipient).

(xi) ITC on account of IGST is distributed as IGST.