



LATEST PRACTICE QUESTIONS (ICAI)





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**Chapter 2 : SUPPLY UNDER GST**

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

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

- Ans.** [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, transshipment 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.

- Ans.** 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 person 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 Agrawal 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

3. **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 Rs. 55,000 (exclusive of GST).**
- (ii) **Supply of 10,000 kits (at Rs. 50 each) amounting to Rs. 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 Rs. 35, but the open market value of such kit of goods**

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.





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 Rs. 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 Rs. 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] @ Rs. 20 (exclusive of GST) for each chair and each cooler and in turn, has charged Rs. 20 only for each chair and each cooler from Function Garden for transportation of the same.

Interest of Rs. 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.

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

S. No.	Particulars	Amount (Rs.)	CGST (Rs.)	SGST (Rs.)	IGST (Rs.)
(i)	Supply of laptop bag along with laptop to Mumbai customer [Being naturally bundled, supply of laptop bag along with the laptop is a composite supply which is treated as the supply of the principal supply [viz. laptop] in terms of section 8(a) of the CGST Act, 2017 and is an inter-State supply. Accordingly, IGST @ 18% will be charged]	55,000			9,900
(ii)	Supply of kits to Ram Fancy Store [It is a mixed supply and is treated as supply of that particular supply which attracts highest tax rate [viz. beauty soap] in terms of section 8(b) of the CGST Act, 2017 . Also, it's an intra-State supply. Accordingly, CGST and SGST @ 14% each will be charged.] Further, interest of Rs. 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 = Rs. 5,05,000 [Rs. 5,00,000 + (Rs. 6,400 × 100/128)]	5,05,000	70,700	70,700	
(iii)	Free gifts to customers		Nil	Nil	Nil





	[Cannot be considered as supply under section 7 read with Schedule I of the CGST Act as the gifts are given to unrelated customers without consideration]				
(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 [N/N 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 chairs and coolers, viz. CGST and SGST @ 6% each.] [Note-2]	3,30,000	19,800	19,800	
(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 (Rs. 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.

4. **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.**

Ans. 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.





Chapter 3 : CHARGE OF UNDER 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?
- M/s. Devlok, a registered dealer, is dealing in intra-State trading of electronic appliances in Jaipur (Rajasthan). It has turnover of Rs. 130 lakh in the preceding financial year. In the current financial year, it has also started providing repairing services of electronic appliances.
 - M/s. Narayan & Sons, a registered dealer, is running a "KhanaKhazana" Restaurant near City Palace in Jaipur. It has turnover of Rs. 140 lakh in the preceding financial year. In the current financial year, it has also started dealing in intra-State trading of beverages in Jaipur (Rajasthan).
 - M/s. Indra & Bro, a registered dealer, is providing restaurant services in Uttarakhand. It has turnover of Rs. 70 lakh in the preceding financial year. It has started providing intra-State interior designing services in the current financial year and discontinued rendering restaurant services.
 - M/s. Him Naresh, a registered dealer, is exclusively providing intra-State architect services in Uttarakhand. It has turnover of Rs. 40 lakh in the preceding financial year.

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

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

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 Rs. 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 Rs. 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 Rs. 50 lakh made on/after 1st April in any financial year (FY), subject to specified conditions vide [N/N 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:-

- The turnover limit for composition scheme in case of Jaipur (Rajasthan) is Rs.1.5 crore. Thus, M/s. Devlok can opt for composition scheme as its aggregate turnover is less than Rs.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 Rs. 5 lakh, whichever is higher. Thus, M/s. Devlok can supply repair services up to a value of Rs.13 lakh [10% of Rs.130 lakh]in the current financial year.
- In the given case:-
 - the turnover in the preceding year is less than the eligible turnover limit, i.e. Rs. 1.5 crore.
 - the supplier is engaged in providing restaurant service which is an eligible supply under composition scheme.
 - 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.
- The turnover limit for composition scheme in case of Uttarakhand is Rs. 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 [N/N 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 Rs. 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 Rs. 50 lakh.
- 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 Rs. 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 Rs. 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 N/N 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 (Rs.)	Turnover for the quarter ended 30.09.20XX (Rs.)
'P'	60,00,000	50,00,000
'Q'	17,65,000	17,00,000

Particulars	Stock as on 30.06.20XX (Rs.)	Stock as on 30.09.20XX (Rs.)	Stock as on 31.10.20XX (Rs.)
'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 Rs. 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' (Rs.)	'Q' (Rs.)	Total (Rs.)
2306	01.10.20XX	2,00,000	3,000	2,03,000
2307	01.10.20XX	1,36,000	2,250	1,38,250
2308	02.10.20XX	67,000	39,250	1,06,250
2309	03.10.20XX	58,750	33,750	92,500
2310	05.10.20XX	1,00,000	-	1,00,000
2311	06.10.20XX	94,000	6,000	1,00,000
2312	06.10.20XX	-	17,000	17,000
2313	08.10.20XX	50,000	6,000	56,000
2314	09.10.20XX	60,000	9,000	69,000
2315
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The details of services availed by B & D Company is as follows:

S. No.	Particulars	(Rs.)
(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
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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.

Ans. As per [section 10\(3\) of the CGST Act, 2017](#) read with [N/N14/2019 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 Rs. 1.5 crore [Rs. 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 Rs. 1.5 crore on 03.10.20XX [aggregate of both taxable and exempt turnover from 01.04.20XX to 03.10.20XX, i.e. Rs. 1,50,05,000 (Rs. 1,44,65,000 + Rs. 2,03,000 + Rs. 1,38,250 + Rs. 1,06,250 + Rs.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 [[N/N 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 (Rs.)	Quarter ended 30.09.20XX (Rs.)	Quarter ended 31.12.20XX (Rs.)
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 (Rs. 20,00,000), the company arranged a local mini-van belonging to an individual and paid him Rs. 54,000.
 - For sales to locations in distant States (Rs. 1,78,00,000), the company booked the goods by Indian Railways and paid rail freight of Rs. 3,17,000.
 - For sales to locations in neighbouring States (Rs. 55,00,000), the company booked the goods by road carriers (GTAs) and paid road freight of Rs. 3,73,000. Out of the total sales to neighbouring States, goods worth Rs. 10,00,000 were booked through a GTA which paid tax @ 12%. Freight of Rs. 73,000 was paid to such GTA.
 - For purchase of flour from Madhya Pradesh (Rs. 25,00,000), the company booked the goods by a GTA and paid road freight of Rs. 55,000.
 - For purchase of butter from Punjab (Rs. 15,00,000), the company booked the goods by a GTA and paid road freight of Rs. 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 Rs. 1,500.
 - For transferring the biscuits (open market value - Rs. 4,00,000) to one of its sister concern in Rajasthan, the company booked the goods by a GTA and paid road freight of Rs. 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%.

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

Particulars	Freight [Rs.]	GST payable [Rs.]
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 – N/N 12/2017 CT (R) & 9/2017 IT (R) both dated 28.06.2017.]	54,000	Nil
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 N/N 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 - N/N 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 N/N 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 N/N 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 N/N 10/2017 IT (R) dated 28.06.2017.]	35,000	1,750
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 Rs. 1,500, are exempt from GST vide N/N 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 N/N 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 [Rs.] [A]	GST paid on freight [Rs.] [B]	Freight billed (with mark-up @ 2% on [A] + [B]) [Rs.]	GST charged @ 12% [Rs.]
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 @12%	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 Rs. 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 Rs. 130 lakh from supply of restaurant services and Rs. 10 lakh from the supply of farm labour in said State. Further, it also expects to earn bank interest of Rs. 20 lakh from the fixed deposits. Also compute the estimated tax payable by Shubhlaxmi Foods in the current FY.**





Ans. As per [section 10\(1\) of the CGST Act, 2017](#) read with [N/N 14/2019 CT dated 7.03.2019](#), a registered person, whose aggregate turnover in the preceding financial year did not exceed Rs. 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 Rs. 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 –

- 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 Rs. 5 lakh, whichever is higher;
- 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 Rs. 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 Rs. 14 lakh [i.e. 10% of Rs. 140 lakh or Rs. 5 lakh, whichever is higher], in the current FY. As already seen, bank interest of Rs. 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 Rs. 10 lakh in current financial year. Thus, turnover of supply of farm labour [Rs. 10 lakh] alongwith the turnover of restaurant services [Rs. 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:

= Rs. 140 lakh [Rs. 130 lakh + Rs. 10 lakh] × 5%

= Rs. 7 lakh [CGST = Rs. 3.5 lakh and SGST = Rs. 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 Rs.)
Apr-Jun	10 lakh
Jul-Sep	20 lakh

It crossed the threshold limit of Rs. 20 lakh on 1.08.20XX. Bansal and Chandiok wishes to opt to pay tax at concessional rate under [N/N 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?

Ans. [N/N 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 Rs. 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 Rs. 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:

- Apr-Jun quarter: Tax payable by the firm in first quarter is nil since the firm's turnover [Rs. 10 lakh] has not yet exceeded the threshold limit of Rs. 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	Rs. 30,00,000/-
Less : Threshold Limit for registration	Rs. 20,00,000/-
Taxable Turnover	Rs. 10,00,000/-
Tax @6%	Rs. 60,000/-*

*CGST = Rs. 30,000 and SGST = Rs. 30,000

6. **Mr. Prem is running a restaurant in New Delhi. In the preceding financial year, it has turnover of Rs. 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.**

Ans. As per [section 10\(1\) of the CGST Act, 2017](#) read with [N/N 14/2019 CT dated 07.03.2019](#), a registered person, whose aggregate turnover in the preceding financial year did not exceed Rs. 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 Rs. 5 lakh, whichever is higher.

In the present case, since the turnover of Mr. Prem is Rs. 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 Rs. 12 lakh (10% of Rs. 120 lakh) or Rs. 5 lakh, whichever is higher. Thus, till the time his turnover from food delivery services does not exceed Rs. 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	Rs.
(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**

Ans. 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 Rs. 32,00,000 [Rs. 15,00,000 + 17,00,000]
 = Rs. 32,000 [CGST = Rs. 16,000 and SGST = Rs. 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 Rs. 15,00,000
 = Rs. 15,000 [CGST = Rs. 7,500 and SGST = Rs. 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.

- Ans.** [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 Rs. 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.**

- Ans.** 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 Rs. 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.

- Ans.** As per [section 10 of the CGST Act, 2017](#), a registered person, whose aggregate turnover in the preceding financial year did not exceed Rs. 1.5 crore in a State/UT [Rs. 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.





Chapter 4 : EXEMPTIONS UNDER GST

1. **Shiva Medical Centre, a Multi-specialty 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.

- Ans.** As per N/N 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.

2. **"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
		(Rs.)	(Rs.)	(Rs.)	(Rs.)
(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 include a sum of Rs. 60,000 for catering at a student event organised in a banquet hall outside the campus]	3,20,000	2,60,000	1,80,000	5,00,000
(viii)	Security and housekeeping services for the institution(s) [Security and housekeeping services for Spring Model include a sum of Rs. 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
		(Rs.)	(Rs.)	(Rs.)	(Rs.)
(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 –

- 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';
- 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.**

Ans. (i) N/N 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 N/N 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, Little 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
	(Rs.)	(Rs.)	(Rs.)	(Rs.)
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 [3,44,00 0 x 12%]
Honorarium to paper setters and examiners	Exempt [Services provided to educational institution in relation			





[not on the rolls of the educational institution]	to conduct of examination]			
Rent for exam centres taken on rent like schools etc., for conducting examination	Exempt [Services provided to educational institution in relation to conduct of examination]		18,000 [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 [2,40,000 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 irrespective of whether the same is provided within or outside the premises of the pre-school and the higher secondary school]	16,000 [3,20,000 x 5%]	Exempt	9,000 [1,80,000 x 5%]	Exempt
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 received by the educational institutions	2,62,000	14,400	2,15,460	98,880

- (ii) (1) Sl. No. 66 of [N/N 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 (Rs.)
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 - Rs. 10,000.
- (2) Bus fees collected from students by M.V. College - Rs. 2,500 per month.
- (3) Housekeeping service provided by M/s. Clean well to Himavarsha Montessori school, a play school - Rs. 25,000 per month.
- (4) Info link supplied "Tracing Alphabets", an online educational journal, to students of UKG class of Sydney Montessori School - Rs. 2,000.

Ans. (1) As per [N/N 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 [N/N 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 [N/N 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 Rs. 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: +

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

Ans. N/N 12/2017 CT (R) dated 28.06.2017/N/N 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 Rs. 1,000 per day or more;
- (ii) charges for rented community halls, Kalyan mandapam, open area are Rs.10,000 per day or more;
- (iii) charges for rented shops are Rs.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 (Rs.)
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 Rs.1,000]	8,00,000
Renting of rooms for devotees [Since charges per day are below Rs.1,000]	Nil
Renting of Kalyana Mandapam [Since charges per day are not below Rs.10,000]	12,00,000
Renting of halls and open spaces [Since charges per day are below Rs. 10,000]	Nil
Renting of shops for business [Since charges per month are below Rs.10,000]	Nil
Renting of shops for business [Since charges per month are not below Rs. 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 N/N 12/2017 CT (R) dated 28.06.2017 (in case services are intra- State supplies)/Entry 14(b) of N/N 9/2017 IT (R) dated 28.06.2017 (in case services are inter-State supplies).

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Chapter 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.

- Ans.** 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 Rs. 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 Rs. 4,00,000. Musicera Pvt. Ltd. fixes the entry fee to the music concert at Rs. 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 Rs. 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.

- Ans.** 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 @ Rs. 5,000 per ticket) = Rs. 20,00,000

IGST @ 18% on value of supply = Rs. 20,00,000 x 18% = Rs. 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 = Rs. 10,00,000

IGST @ 18% on value of supply = Rs. 10,00,000 x 18% = Rs. 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 = Rs. 4,00,000

CGST @ 9% on value of supply = Rs. 4,00,000 x 9% = Rs. 36,000 SGST @ 9% on value of supply = Rs. 4,00,000 x 9% = Rs. 36,000

If the price for the entry ticket is fixed at Rs. 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 Rs. 450 as the inter-State services by way of right to admission to, inter alia, musical performance are exempt from IGST vide [N/N 9/2017 IT \(R\) dated 28.06.2017](#), if the consideration for right to admission to the event is not more than Rs. 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?

- Ans.** [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 Industries i.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?

- Ans.** 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,—

- the supplier of service is located in India;
- the recipient of service is located outside India;
- 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?

- Ans.** 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?**

- Ans.** (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.

Ans. 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:

- the place of supply under IGST Act, 2017;**
- the nature of supply:- whether inter-State or intra-State and**
- whether CGST/SGST or IGST as would be applicable in this case.**

- Ans.** 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:**

- 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?

- Ans.** (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 Rs. 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.

Ans. 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 Rs. 12,00,000, which comes out to Rs. 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.

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**Chapter 6 : TIME OF SUPPLY**

1. **Chiku Traders is a registered supplier of plastic goods. On 10 th 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.

- Ans.** 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, [N/N 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.

- Ans.** 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:

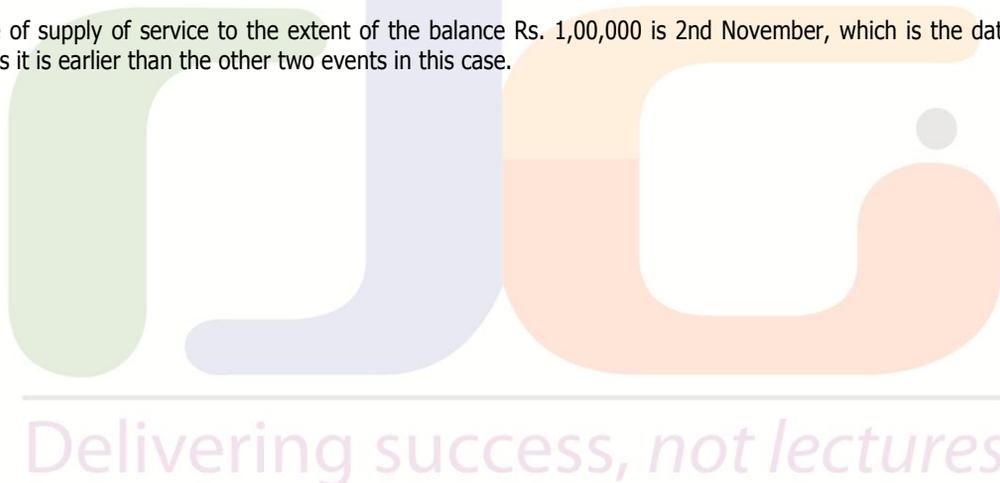
8th September	Community hall booked for a marriage, sum agreed Rs. 1,20,000, advance Rs. 20,000 recorded in the books of account.
10th September	Advance amount credited in bank account.
2nd November	Marriage held in the Community hall.
18th December	Invoice issued for Rs. 1,20,000 indicating the balance of Rs. 1,00,000 payable
22nd December	Balance Rs. 1,00,000 recorded in the books of account.
24th December	Payment Rs. 1,00,000 credited to the bank account

Ans. As per [section 31\(2\) of the CGST Act, 2017](#) read with rule 47 of CGST Rules, 2017 a 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 Rs. 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 Rs. 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.



**Chapter 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.

Ans. 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:

$$= (\text{RBI reference for US \$} - \text{Buying rate of US \$}) \times \text{Total number of units of US \$ bought}$$

$$= (68.6 - 68) \times 1,000$$

$$= \text{Rs. } 600/-$$
- (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:

$$= 1\% \text{ of the gross amount of Indian Rupees received}$$

$$= 1\% \text{ of } (67.50 \times 2,000)$$

$$= \text{Rs. } 1,350/-$$

(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 Rs. 1,00,000	1% of the gross amount of currency exchanged OR Rs. 250 whichever is higher
2.	Exceeding Rs. 1,00,000 and upto Rs. 10,00,000	Rs. 1,000 + 0.50% of the (gross amount of currency exchanged - Rs. 1,00,000)
3.	Exceeding Rs. 10,00,000	Rs. 5,500 + 0.1% of the (gross amount of currency exchanged - 10,00,000) OR Rs. 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 = Rs. 68 × 1,000 = Rs. 68,000. Since the gross amount of currency exchanged is less than Rs. 1,00,000, value of supply is 1% of the gross amount of currency exchanged i.e. 1% of Rs. 68,000 or Rs. 250, whichever is higher.

$$= \text{Rs. } 680/-$$
- (ii) Gross amount of currency exchanged = Rs. 67.50 × 2,000 = Rs. 1,35,000. Since the gross amount of currency exchanged exceeds Rs. 1,00,000 but is less than Rs. 10,00,000, value of supply is Rs. 1,000 + 0.50% of (Rs. 1,35,000 - Rs. 1,00,000).

$$= \text{Rs. } 1,175/-$$





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 Rs. 42,00,000. However, the actual price at which the machinery is supplied to an individual customer varies within a range of $\pm 10\%$ 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 Rs. 10,000
 - installation and commissioning charges of Rs. 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 Rs. 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 Rs. 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 Rs. 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.

Ans. Computation of GST liability of ABC Ltd.

Particulars	(Rs.)
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 =Rs. 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 Rs. 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 = (Rs. 2,12,300/112) × 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 (Rs.)
(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.?

- Ans.** As per explanation to rule 33 of the CGST Rules, 2017, a "pure agent" means a person who-
- 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;
 - 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;
 - does not use for his own interest such goods or services so procured; and
 - 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-

- 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;
- 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 (Rs.)
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 Rs. 10,000. The company sells the ceiling fans to distributors at Rs. 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 Rs. 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.

- Ans.** [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-

- such discount is established in terms of an agreement entered into at or before the time of such supply and specifically linked to relevant invoices; and
- input tax credit as is attributable to the discount on the basis of document issued by the supplier has been reversed by the recipient of the supply.





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 (Rs.)
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 [Rs. 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 Rs.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 Rs. 10,000 and loading charges of Rs. 20,000 - Rs. 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 Rs.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 Rs. 10,000 and freight and insurance charges from place of removal to buyer's premises of Rs.20,000.

Laxmi Ltd. received subsidy of Rs. 50,000 from Central Government for supplying the machinery to backward region since receiver was located in a backward region. Laxmi Ltd. also received Rs. 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.

Ans. Computation of GST payable

Particulars	Rs.
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* = Rs. 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:

- 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](#).
- 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.
- 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](#).
- 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.
- 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).
- 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](#).
- 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 Rs. 19,70,000 [Rs. 20,00,000 – Rs. 10,000 – Rs. 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 Rs. 19,700, value of supply would be Rs. 21,60,300 and CGST and SGST would be Rs. 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 Rs.
(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 (Rs. 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.

Ans. Computation of value of machine sold by M/s. Jonty India Ltd.

Particulars	Rs.
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 [Rs. 12,000 x 100/118] [Note 1(v)] – (rounded off)	10,169
Less: 3% Trade discount on basic price of machinery = Rs. 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% (Rs.)	SGST @ 9% (Rs.)
Tax on value of Rs. 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 supply² [[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 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 Rs. 27,70,000 (Rs. 28,50,000 – Rs. 80,000) i.e., after excluding subsidy. In that case, the value of supply will be Rs. 28,61,669.

- 8. Dev Enterprises is the supplier of water coolers. Dev Enterprises supplied water coolers to Vimal Traders for consideration of Rs. 2,95,000 (inclusive of GST @ 18%). Vimal Traders also gave some materials to Dev Enterprises as consideration for such supply whose value was Rs. 10,000 (exclusive of GST).**

Dev Enterprises has supplied the same goods to another person at price of Rs. 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 Rs. 2,97,360 is not available at the time of supply of goods to Vimal Traders? Explain briefly.**

- Ans.** (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 Rs. 2,52,000 (Rs. 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 (Rs. 2,95,000 x 100/118) + Rs. 10,000, which is Rs. 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:**

SI. No.	Particulars	Amount
1.	Premium for only risk cover	25,00,000

² It has been assumed that the food items are provided free of cost to the employees in the course of employment.





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.

Ans. 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-

- in case of single premium annuity policies, 10% of single premium charged from the policy holder;
- 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;
- 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 (Rs.)
Premium for only risk cover	25,00,000
Premium from new subscribers 25% of Rs. 40,00,000	10,00,000
Renewal Premium 12.5% of Rs. 80,00,000	10,00,000
Single premium on annuity policy 10% of Rs. 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	Rs.
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 Rs. 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.

Ans. Computation of value of taxable supplies by Vayu Ltd.

Particulars	Rs.
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 = Rs. 76,000 × 3% [Note-4]	(2,280)
Value of taxable supplies	87,720

Notes:

- 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](#)





Chapter 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.

Ans. (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 Rs. 9,00,000, Rs. 10,00,000 and Rs. 6,00,000.

XYZ Pvt. Ltd. has furnished the following details:

S. No.	Particulars	Price (Rs.)	GST (Rs.)
(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:

- Amount of input tax credit (ITC) credited to Electronic Credit Ledger
- Amount of common credit
- Common credit attributable to exempt supplies
- 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.

Ans.

S. No.	Particulars	ITC (Rs.)
(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 – Tc [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 – Tm [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 - Tr [Note 11]	2,340
(c)	Common credit attributable to exempt supplies, for the month of October 20XX – Te =Tr x Turnover of exempt supplies during October 20XX 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' [Rs. 9,00,000 x 18%]	1,62,000
	IGST payable on 'Beta' [Exempt]	Nil
	IGST payable on 'Gama' [Rs. 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:

- 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].
- 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].
- 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].
- 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-
= Rs. 90,000 – Rs. 54,000 (Rs. 90,000 × 5% × 12 quarters)
= Rs. 36,000
- 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.
- 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.
- 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].
- 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 'Tc' – 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
- The aggregate of the amounts of 'A' credited to the electronic credit ledger, to be denoted as 'Tc', 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:

$$\begin{aligned} &= T_c \div 60 \\ &= 86,400 \div 60 \\ &= \text{Rs.}1,440 \end{aligned}$$

(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:

$$54,000 \div 60 = \text{Rs.}900$$

$$T_r = T_m \text{ for machinery 'Z' } + T_m \text{ for other machineries } T_r = 900 + 1,440 = \text{Rs.}2,340$$

(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 (Rs.)	Turnover for the quarter ended 30.09.20XX (Rs.)
'P'	60,00,000	50,00,000
'Q'	17,65,000	17,00,000

Particulars	Stock as on 30.06.20XX (Rs.)	Stock as on 30.09.20XX (Rs.)	Stock as on 31.10.20XX (Rs.)
'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 Rs. 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' (Rs.)	'Q' (Rs.)	Total (Rs.)
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	67,000	39,250	1,06,250
2309	03.10.20XX	58,750	33,750	92,500
2310	05.10.20XX	1,00,000	-	1,00,000
2311	06.10.20XX	94,000	6,000	1,00,000





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

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

S. No.	Particulars	(Rs.)
(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 (Rs.)	GST (Rs.)
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.

Ans. 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 on input services 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 (Rs.)
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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%]		<u>3,20,000</u>
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		<u>3,00,000</u>
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% (Rs.)	SGST @ 9% (Rs.)
Computers [Rs. 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 [Rs. 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 [Rs. 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.

Ans. 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 (Rs.)	CGST (Rs.)	SGST (Rs.)
Tax on outward supply of 'P'	4,00,000	36,000	36,000
Taxable supplies from 03.10.20XX to 31.10.20XX chargeable to CGST and SGST 9% each [Rs. 8,00,000 (Refer Working Note 4)]			
Tax on inward supplies attracting reverse charge	20,000	500	500
GTA services availed chargeable to CGST and SGST @ 2.5% each (Rs. 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		500	500
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.			

Working Note 1

Particulars	Value (Rs.)	CGST (Rs.)	SGST (Rs.)
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)		371	371
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)			
= Rs. 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]			

Working Note 2

Particulars	CGST @ 9% (Rs.)	SGST @ 9% (Rs.)





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)	129	129
Common credit on capital goods during the period under regular scheme x (Exempt turnover made during the period under regular scheme / Total turnover during the period under regular scheme) = Rs. 1,110 x 52,500/ 4,52,500		

Working Note 3

Particulars	CGST (Rs.)	SGST (Rs.)
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* (Rs.)	Turnover in the month of October under regular scheme [03.10.20XX-31.10.20XX] (Rs.)
'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** x 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 – Rs. 42,00,000
Items exempted vide a notification – Rs. 12,00,000
Items not leviable to GST – Rs. 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 Rs. 5,00,000. Such items are sold in the Mumbai Store at Rs. 8,00,000.
- (iii) Aggregate value of various items procured for being sold in the Store:





Taxable items – Rs. 55,00,000

Items exempted vide a notification – Rs. 15,00,000

Items not leviable to GST – Rs. 5,00,000

- (iv) Freight paid to goods transport agency (GTA) for inward transportation of taxable items – Rs. 1,00,000
- (v) Freight paid to GTA for inward transportation of exempted items – Rs. 80,000
- (vi) Freight paid to GTA for inward transportation of non-taxable items - Rs. 20,000
- (vii) Monthly rent payable for the complex – Rs. 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 – Rs. 2,50,000
- (ix) Salary paid to the regular staff at the Store – Rs. 2,00,000
- (x) GST paid on inputs used for personal purpose – Rs. 5,000
- (xi) GST paid on rent a cab services availed for business purpose – Rs. 4,000.
- (xii) GST paid on items given as free samples – Rs. 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.

Ans. 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 [C₁]

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	(Rs.)
GST paid on taxable items [Rs. 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 - [Rs. 1,00,000 x 5%]	5,000
GST paid under reverse charge on freight paid to GTA for inward transportation of exempted items - [Rs. 80,000 x 5%]	4,000





GST paid under reverse charge on freight paid to GTA for inward transportation of non-taxable items - [Rs. 20,000 x 5%]	1,000
GST paid on monthly rent - [Rs. 5,50,000 x 18%]	99,000
GST paid on packing charges [Rs. 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 T₁, T₂, T₃

Particulars	(Rs.)
GST paid on monthly rent attributable to personal purposes [1/3 of Rs. 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 for an employer to provide the same to its employees under any law for the time being in force.]	4,000
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 .]	4,000
Input tax for which credit is blocked under section 17(5) of the CGST Act, 2017 [T ₃] **	8,000

**Since GST paid on inputs used for personal purposes has been considered while computing T₁, the same has not been considered again in computing T₃.

ITC credited to the electronic credit ledger

$$C_1 = T - (T_1 + T_2 + T_3)$$

$$= \text{Rs. } 11,57,000 - (\text{Rs. } 38,000 + \text{Rs. } 5,000 + \text{Rs. } 8,000)$$

$$= \text{Rs. } 11,06,000$$

B. Computation of Common Credit

$$C_2 = C_1 - T_4$$

where C₂ = Common Credit

T₄ = Input tax credit attributable to inputs and input services intended to be used exclusively for effecting taxable supplies

Computation of T₄

Particulars	(Rs.)
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 [T4]	9,95,000

Common Credit C2 = C1 - T4
 = Rs. 11,06,000 – Rs. 9,95,000
 = **Rs. 1,11,000**

C. Computation of ITC attributable towards exempt supplies out of common credit

ITC attributable towards exempt supplies is denoted as 'D1' and calculated as - $D1 = (E \div F) \times C2$

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

= Rs. 15,00,000 (Rs. 12,00,000 + Rs.3,00,000)

Total turnover in the State during the tax period

= Rs. 65,00,000 (Rs. 42,00,000 + Rs. 12,00,000 + Rs.3,00,000 + Rs. 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.

$D1 = (15,00,000 \div 65,00,000) \times 1,11,000$

= **Rs. 25,615 (rounded off)**

D. Computation of Eligible ITC out of common credit

Eligible ITC attributed for effecting taxable supplies is denoted as

'C3', where, - $C3 = C2 - D1$

= Rs. 1,11,000 - Rs. 25,615

= **Rs. 85,385**

E. Computation of Net GST liability for the month of October, 20XX

Particulars	GST (Rs.)
GST liability under forward charge	
Taxable items sold in the store [Rs. 42,00,000 x 18%]	7,56,000
Taxable items transferred to Goa Store [Rs. 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 [Rs. 1,00,000 x 5%]	5,000
Freight paid to GTA for inward transportation of exempted items [Rs. 80,000 x 5%]	4,000
Freight paid to GTA for inward transportation of non- taxable items [Rs. 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]	10,000
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.	





Note: While computing net GST liability, ITC credited to the electronic ledger can alternatively be computed as follows:

Particulars	(Rs.)
GST paid on taxable items [Rs. 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 [Rs. 1,00,000 x 5%]	5,000
GST paid under reverse charge on freight paid to GTA for inward transportation of exempted items [Rs. 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 [Rs. 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 [(Rs. 5,50,000 x 18%) - 1/3 of [(Rs. 5,50,000 x 18%)]	66,000
GST paid on packing charges [Rs. 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 [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 Rs. 2,00,000, Rs. 10,00,000 and Rs. 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 (Rs.)
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 exclusively used in manufacturing zero-rated supplies	38,400
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

Ans.

Particulars	Common credit (Rs.)	Ineligible credit (Rs.)	Amount to be credited to ECrL (Rs.)
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' [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] = Rs. 1,92,000 – Rs. 76,800 (Rs. 1,92,000 × 5% × 8 quarters)	1,15,200		1,15,200
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] = Rs. 2,88,000 – Rs. 1,72,800 (Rs. 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 = Rs. 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) × Rs. 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:**
- 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.**
 - Works contract services availed for constructing a car shed in its premises**





Ans. 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	(Rs.)
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.

Ans. 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 N/N 13/2017 CT (R) dated 28.06.2017 . Further, such services are not eligible for exemption provided under N/N 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 charge cannot be set off against the input tax credit and thus, will have to be paid in cash.]	1,02,820

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; <ul style="list-style-type: none"> 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 N/N 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.)
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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) = 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]	4,74,820

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 (Rs.)
(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 Rs. 4,00,000 and claimed depreciation of Rs. 44,800 (@ 10%) on the full amount of Rs. 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 Rs. 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.





Ans. Computation of Input Tax Credit (ITC) available with PQR Ltd. for the month of April, 20XX

Particulars	Rs.
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 Rs. 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 Rs. 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.

Ans. 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:

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

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

Particulars	Rs.
ITC taken on the machinery (Rs. 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 = (Rs. 1,89,000 × 5%) × 3 quarters	28,350
(ii) For the current year = (Rs. 1,89,000 × 5%) × 2 quarters	18,900





Amount required to be paid (A) **	1,41,750
Duty leviable on transaction value (Rs. 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 Rs. 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;**

	Rs.
(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 (Rs. 30,000 for land line phone installed at the shop and Rs. 20,000 for mobile phone given to employees for official use)	50,000
Audit fees paid to a Chartered Accountant (Rs. 35,000 for filing of income tax return & the statutory audit of preceding financial year and Rs. 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





Ans. (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 (Rs.)	CGST @ 6% (Rs.)	SGST @ 6% (Rs.)
GST paid on taxable goods	45,00,000	2,70,000	2,70,000
Goods not leviable to GST [Since non-taxable, no GST is paid]	4,00,000	Nil	Nil
GST paid on monthly rent for shop	3,50,000	21,000	21,000
GST paid on telephone expenses	50,000	3,000	3,000
GST paid on audit fees	60,000	3,600	3,600
GST paid on premium of health insurance policies as per company policy [ITC on 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)].	10,000	Nil	Nil
GST paid on goods given as free samples [ITC on goods disposed of by way of free samples is blocked under section 17(5)(h) of the CGST Act, 2017]	5,000	Nil	Nil
Particulars	Amount (Rs.)	CGST @ 2.5% (Rs.)	SGST @ 2.5% (Rs.)
Freight paid to GTA for inward transportation of non-taxable goods under reverse charge [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.]	50,000	Nil	Nil
Freight paid to GTA for inward transportation of taxable goods under reverse charge	1,50,000	3,750	3,750
ITC credited to the electronic ledger		3,01,350	3,01,350

(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 (Rs.)	SGST (Rs.)
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 (Rs.)	SGST (Rs.)
ITC attributable towards exempt supplies [Rs. 27,600 x (Rs. 10,00,000/Rs. 60,00,000)]	4,600	4,600



**(4) Computation of net GST liability for the month of April, 20XX**

Particulars	CGST (Rs.)	SGST (Rs.)
GST liability under forward charge		
Supply of taxable goods [Rs. 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 [Rs. 1,50,000 x 2.5%]	3,750	3,750
Freight paid to GTA for inward transportation of non-taxable goods [Rs. 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 (Rs.)
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.

Ans. Computation of ITC available with Siddhi Ltd.

S. No.	Particulars	Input tax (Rs.)
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 Rs.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 Rs. 40,000.
 - (2) Input tax on account of Harvest caterers in connection with his Housewarming is Rs. 10,000.
 - (3) Input tax on inputs contained in exempt supplies of Rs. 2 lakh in June is Rs. 20,000.
 - (4) GST paid on cosmetic and plastic surgery of CEO of the company is Rs. 30,000.
 - (5) Total turnover (inter-State, taxable @18%) for the month of June is Rs. 60 lakh.
- Compute the ITC available and his output tax liability for the month of June 20XX.

Ans. Computation of ITC available and output tax liability of X for June 20XX

Particulars	Amount (Rs.)
Output tax liability for June 20XX	
GST on taxable turnover for June 20XX [Being inter-State supply, the same is leviable to IGST @ 18% =Rs.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 (Rs.)
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	Nil





[Not available as ITC and thus, not credited to the Electronic Credit Ledger in terms of rule 42 of the CGST Rules, 2017]	
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 (Rs.40,000) – ITC attributable to inputs and input services intended to be used exclusively for effecting taxable supplies (Nil)] Rule 42 of the CGST Rules, 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 = Rs.40,000 × Rs. 2,00,000/ Rs. 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 (Rs.)	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 Rs.6,00,000 and total turnover during the tax period being Rs. 12,00,000.

- Ans. **Apportionment of common credit pertaining to capital goods:**

Particulars	ITC (Rs.)
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 Rs. 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] = Rs. 1,20,000 – Rs. 48,000 (Rs. 1,20,000 × 5% × 8 quarters)	72,000





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] = Rs. 1,80,000 – Rs. 1,08,000 (Rs. 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) × Rs. 3,400	1,700

15. 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 Rs.)	ITC specifically applicable to the branch (Amt in Rs.)
Ganganagar Branch (Rajasthan)	10,00,000	IGST – Rs. 12,000 CGST – Rs. 3,000 SGST – Rs. 3,000
Madhugiri Branch (Karnataka)	5,00,000	Nil
Kosala Branch (UP)	15,00,000	Nil
Mumbai Branch (Maharashtra)	20,00,000	IGST – Rs. 1,50,000 CGST – Rs. 15,000 SGST – Rs. 15,000

Input services used commonly by all branches against which ITC available is:

CGST - Rs. 60,000

SGST - Rs. 60,000

IGST - Rs. 1,20,000

ITC (IGST) of March 20XX (last year), Rs. 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.

- Ans. As per section 20 of the CGST Act read with rule 39 of CGST Rules, 2017:

- Total GST credit (CGST + SGST + IGST) of Rs. 18,000 specifically attributable to Ganganagar Branch, Rajasthan will be distributed as IGST credit of Rs. 18,000 only to Ganganagar Branch, Rajasthan. [since recipient and ISD are located in different states.]
- IGST credit of Rs. 1,50,000, CGST credit of Rs. 15,000 and SGST credit of Rs. 15,000 specifically attributable to Mumbai Branch, Maharashtra will be distributed as IGST credit of Rs. 1,50,000, CGST credit of Rs. 15,000 and SGST credit of Rs. 15,000 respectively, only to Mumbai Branch, Maharashtra. [since recipient is located in the same State in which ISD is located.]
- CGST credit of Rs. 60,000, SGST credit of Rs. 60,000 and IGST credit of Rs. 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 – Rs. 48,000 [Rs. 2,40,000 × (10,00,000 / 50,00,000)] as IGST credit.
Madhugiri Branch, Karnataka will get - Rs. 24,000 [Rs. 2,40,000 × (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 - Rs. 72,000 [Rs. 2,40,000 × (15,00,000 / 50,00,000)] as IGST credit
Mumbai Branch, Maharashtra will get - Rs. 24,000 [60,000 × (20,00,000 / 50,00,000)] as CGST credit, Rs. 24,000 [60,000 × (20,00,000 / 50,00,000)] as SGST credit and Rs. 48,000 [1,20,000 × (20,00,000 / 50,00,000)] as IGST credit.





- (iv) ITC of Rs. 10,000 of March, 20XX (last year) cannot be distributed in March 20XX as ITC available for distribution in a month is to be distributed in the same month.

16. 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, 20XX and 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 Rs.
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 (Rs.)
	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

- Ans. Computation of eligible ITC and ITC to be reversed:

Particulars	Rs.	ITC (Rs.)
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) = $4,200 \div 60$ [Rule 43(1)(e) of the CGST Rules, 2017]	70	
Common credit attributable to exempt supplies in a month [C] (rounded off) = $(40,000/1,10,000) \times \text{Rs. } 70$ [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

17. A registered supplier of taxable goods supplied goods valued at Rs. 2,24,000 (inclusive of CGST Rs. 12,000 and SGST Rs. 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 Rs. 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 Rs. 2,24,000 to the supplier on 18-03-20XX (Next Year).

- Ans. 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-2³) 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 Rs.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 Rs. 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 Rs. 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 Rs. 24,000.

18. What are the conditions applicable to Input Service Distributor to distribute the credit?

Ans. 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.
- (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.

Delivering success, not lectures

³ Since GSTR-2 is not operational, reporting is done in GSTR 3B.





Chapter 9 : REGISTRATION

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

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

* excluding GST

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

- (1) Determine whether Mahadev Enterprises is liable to be registered under GST law and what is the threshold limit of taking registration in this case.
- (2) Explain with reasons whether your answer in (1) will change in the following independent cases:
 - (a) If Mahadev Enterprises is dealing in taxable supply of goods only from Himachal Pradesh;
 - (b) If Mahadev Enterprises is dealing in taxable supply of goods and services only from Himachal Pradesh;
 - (c) If Mahadev Enterprises is dealing in taxable supply of goods only from Himachal Pradesh and has also effected inter-State supplies of taxable goods amounting to Rs. 4,00,000.

Ans. As per [section 22 of the CGST Act, 2017](#) read with [N/N 10/2019 CT dated 07.03.2019](#), a supplier is liable to be registered in the State/ Union territory from where he makes a taxable supply of goods and/or services, if his aggregate turnover in a financial year exceeds the threshold limit. The threshold limit for a person making exclusive intra-State taxable supplies of goods is as under:-

- (i) Rs. 10 lakh for the States of Mizoram, Tripura, Manipur and Nagaland.
- (ii) Rs. 20 lakh for the States of States of Arunachal Pradesh, Meghalaya, Puducherry, Sikkim, Telangana and Uttarakhand.
- (iii) Rs. 40 lakh for rest of India.

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

- (i) Rs. 10 lakh for the States of Mizoram, Tripura, Manipur and Nagaland.
- (ii) Rs. 20 lakh for the rest of India.

As per [section 2\(6\) of the CGST Act, 2017](#), aggregate turnover includes the aggregate value of:

- (i) all taxable supplies,
- (ii) all exempt supplies,
- (iii) exports of goods and/or services and
- (iv) all inter-State supplies of persons having the same PAN. The above is computed on all India basis.

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

Computation of State-wise aggregate turnover of Mahadev Enterprises

Particulars	Himachal Pradesh	Uttarakhand	Tripura
	(Rs.)*	(Rs.)*	(Rs.)*
Intra-State supply of taxable goods	22,50,000	-	7,00,000
Intra-State supply of exempted goods	-	-	6,00,000
Interest received from banks on the fixed deposits [Note-1]	-	-	60,000
Intra-State supply of non-taxable goods [Note-2]	-	21,00,000	40,000
Aggregate Turnover	22,50,000	21,00,000	14,00,000



**Notes:**

- Services by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount (other than interest involved in credit card services) is exempt vide [N/N 12/2017 CT \(R\) dated 28.06.2017](#). Since aggregate turnover includes exempt supply, interest received from banks on the fixed deposits, being exempt supply, is included in the aggregate turnover.
- As per [section 2\(47\) of the CGST Act, 2017](#), exempt supply includes non-taxable supply. Thus, intra-State supply of non-taxable goods in Uttarakhand, being a non-taxable supply, is an exempt supply and is, therefore, included in the aggregate turnover.

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

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

- Thus, in view of the above-mentioned provisions, Mahadev Enterprises is liable to be registered under GST law with the aggregate turnover amounting to 5Rs. 7,50,000 (computed on all India basis). The applicable threshold limit of registration in this case is Rs. 10 lakh. Further, he is not liable to be registered in Uttarakhand since he is not making any taxable supply from Uttarakhand.
- If Mahadev Enterprises is dealing in supply of goods only from Himachal Pradesh, the applicable threshold limit of registration would be Rs. 40 lakh. Thus, Mahadev Enterprises will not be liable for registration as its aggregate turnover would be Rs. 22,50,000.
 - If Mahadev Enterprises is dealing in taxable supply of goods and services only from Himachal Pradesh then higher threshold limit of Rs. 40 lakh will not be applicable as the same applies only in case of exclusive supply of goods. Therefore, in this case, the applicable threshold limit will be Rs. 20 lakh and hence, Mahadev Enterprises will be liable to registration.
 - In case of inter-State supplies of taxable goods, [section 24 of the CGST Act, 2017](#) requires compulsory registration irrespective of the quantum of aggregate turnover. Thus, Mahadev Enterprises will be liable to registration.

- LMN Pvt. Ltd., Coimbatore exclusively manufactures and sells product 'X' which is exempt from GST vide notifications issued under relevant GST legislations. The company sells 'X' only within Tamil Nadu and is not registered under GST. The turnover of the company in the previous year was Rs. 45 lakh. The company expects the sales to grow by 30% in the current year. The company purchased additional machinery for manufacturing 'X' on 01.07.20XX. The purchase price of the capital goods was Rs. 30 lakh exclusive of GST @ 18%.**

However, effective from 01.11.20XX, exemption available on 'X' was withdrawn by the Central Government and GST @ 12% was imposed thereon. The turnover of the company for the half year ended on 30.09.20XX was Rs. 45 lakh.

- Examine the above scenario and advise LMN Pvt Ltd. whether it needs to get registered under GST.**
- If the answer to the above question is in affirmative, advise LMN Pvt. Ltd. whether it can avail input tax credit on the additional machinery purchased exclusively for manufacturing "X"?**

- Ans.** (a) [Section 22\(1\) of the CGST Act, 2017](#) read with [N/N 10/2019 CT dated 07.03.2019](#) inter alia provides that every supplier who is exclusively engaged in intra-State supply of goods is liable to be registered under GST in the State/ Union territory from where he makes the taxable supply of goods only when aggregate turnover in a financial year exceeds Rs. 40,00,000.

However, the above provisions are not applicable to few specified States, i.e. States of Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Puducherry, Sikkim, Telangana, Tripura, Uttarakhand.

Further, a person exclusively engaged in the business of supplying goods and/or services that are not liable to tax or are wholly exempt from tax is not liable to registration in terms of [section 23\(1\)\(a\) of CGST Act, 2017](#).

In the given case, the turnover of the company for the half year ended on 30.09.20XX is Rs. 45 lakh which is more than the applicable threshold limit of Rs. 40 lakh. Therefore, as per above mentioned provisions, the company should be liable to registration. However, since LMN Pvt. Ltd. supplied exempted goods till 31.10.20XX, it was not required to be registered till that day; though voluntary registration was allowed under [section 25\(3\) of the CGST Act, 2017](#).

However, the position will change from 01.11.20XX as the supply of goods become taxable from that day and the turnover of company is above Rs. 40 lakh. It is important to note here that in terms of [section 2\(6\) of the CGST Act, 2017](#), the aggregate turnover limit of Rs. 40 lakh includes exempt turnover also.





Therefore, turnover of 'X' will be considered for determining the limit of Rs. 40 lakh even though the same was exempt from GST. Therefore, the company needs to register within 30 days from 01.11.20XX (the date on which it becomes liable to registration) in terms of [section 25\(1\) of the CGST Act, 2017](#).

- (b) [Section 18\(1\)\(a\) of the CGST Act, 2017](#) provides that a person who has applied for registration within 30 days from the date on which he becomes liable to registration and has been granted such registration 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 on the day immediately preceding the date from which he becomes liable to pay tax under the provisions of this Act.

Thus, LMN Pvt. Ltd. cannot avail credit for additional machinery purchased exclusively for manufacturing X as input tax credit of only inputs is allowed when a person gets registered for the first time.

3. **SNP Pvt. Ltd., Coimbatore exclusively manufactures and sells product 'Z' which is exempt from GST vide notifications issued under relevant GST legislations. The company sells 'Z' only within Tamil Nadu. The turnover of the company in the previous year was Rs. 55 lakh. The company expects the sales to grow by 20% in the current year. Owing to the growing demand for the product, the company decided to increase its production capacity and purchased additional machinery for manufacturing 'Z' on 01.07.20XX. The purchase price of the capital goods was Rs. 20 lakh exclusive of GST @ 18%.**

However, effective from 01.11.20XX, exemption available on 'Z' was withdrawn by the Central Government and GST @ 12% was imposed thereon. The turnover of the company for the half year ended on 30.09.20XX was Rs. 50 lakh.

- (a) **The Board of Directors of SNP Pvt. Ltd. wants to know whether they have to register under GST?**
 (b) **In case in the above question, SNP Pvt. Ltd. is already registered with respect to certain taxable supplies being made by it along with manufacture of exempt product 'Z', other facts remaining the same, can it take input tax credit on additional machinery purchased exclusively for manufacturing 'Z'? If yes, then how much credit can be availed?**

Advice SNP Pvt. Ltd. on the above issues with reference to the provisions of GST law.

- Ans. a) [Section 22\(1\) of the CGST Act, 2017](#) read with [N/N 10/2019 CT dated 07.03.2019](#) inter alia provides that every supplier who is exclusively engaged in intra-State supply of goods is liable to be registered under GST in the State/ Union territory from where he makes the taxable supply of goods only when aggregate turnover in a financial year exceeds Rs. 40,00,000.

However, the above provisions are not applicable to few specified States, i.e. States of Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Puducherry, Sikkim, Telangana, Tripura, Uttarakhand.

However, a person exclusively engaged in the business of supplying goods and/or services that are not liable to tax or are wholly exempt from tax is not liable to registration in terms of [section 23\(1\)\(a\) of CGST Act, 2017](#).

In the given case, the turnover of the company for the half year ended on 30.09.20XX is Rs. 50 lakh which is more than the applicable threshold limit of Rs. 40 lakh. Therefore, as per [section 22 of CGST Act 2017](#), the company will be liable to registration. However, since SNP Pvt. Ltd. supplied exempted goods till 31.10.20XX, it was not required to be registered till that day; though voluntary registration was allowed under [section 25\(3\) of the CGST Act, 2017](#).

However, the position will change from 01.11.20XX as the supply of goods become taxable from that day and the turnover of company is above Rs. 40 lakh. It is important to note here that in terms of [section 2\(6\) of the CGST Act, 2017](#), the aggregate turnover limit of Rs. 40lakh includes exempt turnover also.

Therefore, turnover of 'Z' will be considered for determining the threshold limit even though the same was exempt from GST. Therefore, the company needs to register within 30 days from 01.11.20XX (the date on which it becomes liable to registration) in terms of [section 25\(1\) of the CGST Act, 2017](#).

Further, the company cannot avail exemption of Rs. 40 lakh from 01.11.20XX as the GST law does not provide any threshold exemption from payment of tax but threshold exemption from obtaining registration (which in this case had been crossed).

- (b) Rule 43(1)(a) of the CGST Rules, 2017 disallows input tax credit on capital goods used or intended to be used exclusively for effecting exempt supplies.

However, as per [section 18\(1\)\(d\) of the CGST Act, 2017](#), where an exempt supply of goods and/or services by a registered person becomes a taxable supply, such person gets 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 relating 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.

Rule 40(1)(a) of the CGST Rules, 2017 lays down that the credit on capital goods can be claimed after reducing the tax paid on such capital goods by 5% per quarter of a year or part thereof from the date of the invoice.





Therefore, in the given case, SNP Pvt. Ltd. could not claim credit on machinery till the time the supply of product 'Z' for which said machinery was being used was exempt. However, it can claim credit from 31.10.20XX - the day immediately preceding the date from which the supply of product 'Z' became taxable (01.11.20XX).

The credit will be available for the remaining useful life of the machinery and will be computed as follows:

Date of purchase of machinery	01.07.20XX
Date on which credit becomes eligible	31.10.20XX
Number of quarters for which credit is to be reduced	2 (including part of quarter)
GST paid on machinery [Rs. 20,00,000 x 18%]	Rs. 3,60,000
Credit to be reduced Rs. 3,60,000 x 5% x 2]	Rs. 36,000
Amount of credit that can be taken [Rs. 3,60,000 – Rs. 36,000]	Rs. 3,18,000

4. **Rishabh Enterprises – a sole proprietorship firm – started an air- conditioned restaurant in Virar, Maharashtra in the month of February wherein the customers are served cooked food as well as cold drinks/non-alcoholic beverages. In March, the firm opened a liquor shop in Raipur, Uttarakhand for trading of alcoholic liquor for human consumption.**

Determine whether Rishabh Enterprises is liable to be registered under GST law with the help of the following information:

Particulars	February	March
	(Rs.)*	(Rs.)*
Serving of cooked food and cold drinks/non- alcoholic beverages in restaurant in Maharashtra	5,50,000	6,50,000
Sale of alcoholic liquor for human consumption in Uttarakhand		5,00,000
Interest received from banks on the fixed deposits	1,00,000	1,00,000
Supply of packed food items from restaurant in Maharashtra	1,50,000	2,00,000

* excluding GST

You are required to provide reasons for treatment of various items given above.

- Ans.** As per [section 22 of the CGST Act, 2017](#) read with [N/N 10/2019 CT dated 07.03.2019](#), a supplier is liable to be registered in the State/ Union territory from where he makes a taxable supply of goods and/or services, if his aggregate turnover in a financial year exceeds the threshold limit. The threshold limit for a person making exclusive intra-State taxable supplies of goods is as under:-

- Rs. 10 lakh for the States of Mizoram, Tripura, Manipur and Nagaland.
- Rs. 20 lakh for the States of States of Arunachal Pradesh, Meghalaya, Puducherry, Sikkim, Telangana and Uttarakhand.
- Rs. 40 lakh for rest of India.

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

- Rs. 10 lakh for the States of Mizoram, Tripura, Manipur and Nagaland.
- Rs. 20 lakh for the rest of India.

As per [section 2\(6\) of the CGST Act, 2017](#), aggregate turnover includes the aggregate value of:

- all taxable supplies,
- all exempt supplies,
- exports of goods and/or services and
- all inter-State supplies of persons having the same PAN.

The above is computed on all India basis. Further, the aggregate turnover excludes central tax, State tax, Union territory tax, integrated tax and cess. Moreover, the value of inward supplies on which tax is payable under reverse charge is not taken into account for calculation of 'aggregate turnover'.

In the given question, since Rishabh Enterprises is engaged in making taxable supplies of goods and services from Maharashtra and Uttarakhand, the threshold limit for obtaining registration is Rs. 20 lakh.

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

Computation of aggregate turnover of Rishabh Enterprises

Particulars	Turnover of	Cumulative turnover of
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	February (Rs.)	February & March (Rs.)
Serving of cooked food and cold drinks / non-alcoholic beverages in restaurant in Maharashtra	5,50,000	12,00,000 [Rs. 5,50,000 + Rs. 6,50,000]
Add: Sale of alcoholic liquor for human consumption in Uttarakhand [Note-1]		5,00,000
Add: Interest received from banks on the Fixed Deposits [Note-2]	1,00,000	2,00,000 [Rs. 1,00,000 + Rs. 1,00,000]
Add: Supply of packed food items from restaurant in Maharashtra	1,50,000	3,50,000 [Rs. 1,50,000 + Rs. 2,00,000]
Aggregate Turnover	8,00,000	22,50,000

Notes :

- As per [section 2\(47\) of the CGST Act, 2017](#), exempt supply includes non-taxable supply. Thus, supply of alcoholic liquor for human consumption in Uttarakhand, being a non-taxable supply, is an exempt supply and is, therefore, includible while computing the aggregate turnover.
- Services by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount (other than interest involved in credit card services) is exempt vide [N/N 12/2017 CT \(R\) dated 28.06.2017](#). Thus, interest received from banks on the fixed deposits is an exempt supply and is, therefore, includible while computing the aggregate turnover.

Rishabh Enterprises was not liable to be registered in the month of February since its aggregate turnover did not exceed Rs. 20 lakh in that month. However, since its aggregate turnover exceeds Rs. 20 lakh in the month of March, it should apply for registration within 30 days from the date on which it becomes liable to registration. Further, he is not liable to be registered in Uttarakhand since he is not making any taxable supply from Uttarakhand.

- 5. AB Pvt. Ltd., Pune provides house-keeping services. The company supplies its services exclusively through an e-commerce website owned and managed by Hi-Tech Indya Pvt. Ltd., Pune. The turnover of AB Pvt. Ltd. in the current financial year is Rs. 18 lakh.**

Advise AB Pvt. Ltd. as to whether they are required to obtain GST registration. Will your advice be any different if AB Pvt. Ltd. sells readymade garments exclusively through the e-commerce website owned and managed by Hi-Tech Indya Pvt. Ltd.?

- Ans.** As per section 22 of the CGST Act every supplier of goods or services or both is required to obtain registration in the State/ Union territory from where he makes the taxable supply if his aggregate turnover exceeds threshold limit in a financial year.

However, section 24 of the said Act enlists certain categories of persons who are mandatorily required to obtain registration, irrespective of their turnover. Persons who supply goods or services or both through such electronic commerce operator (ECO), who is required to collect tax at source under section 52, is one such person specified under clause (ix) of section 24. However, where the ECO is liable to pay tax on behalf of the suppliers of services under a notification issued under section 9(5), the suppliers of such services are entitled for threshold exemption.⁴

[Section 2\(45\) of the CGST Act](#) defines ECO as any person who owns, operates or manages digital or electronic facility or platform for electronic commerce. Electronic commerce is defined under section 2(44) to mean the supply of goods or services or both, including digital products over digital or electronic network. Since Hi-Tech Indya Pvt. Ltd. owns and manages a website for e-commerce where both goods and services are supplied, it will be classified as an ECO under section 2(45).

[N/N 17/2017 CT \(R\) dated 28.06.2017](#) issued under section 9(5) specifies services by way of house-keeping, except where the person supplying such service through ECO is liable for registration under section 22(1), as one such service where the ECO is liable to pay tax on behalf of the suppliers.

In the given case, AB Pvt. Ltd. provides house-keeping services through an ECO. It is presumed that Hi-Tech Indya is an ECO which is required to collect tax at source under section 52. However, house-keeping services provided by AB Pvt. Ltd., which is not liable for registration under section 22(1) as its turnover is less than Rs.20 lakh, is a service notified under section 9(5). Thus, AB Pvt. Ltd. will be entitled for threshold exemption for registration and will not be required to obtain registration even though it supplies services through ECO.

⁴ Persons making supplies of services, other than supplies specified under section 9(5) through an ECO who is required to collect tax at source under section 52, and having an aggregate turnover, to be computed on all India basis, not exceeding an amount of Rs. 20 lakh/ Rs. 10 lakh as the case may be, in a financial year, have been exempted from obtaining registration vide [N/N 65/2017 CT dated 15.11.2017](#).





In the second case, AB Pvt. Ltd. sells readymade garments through ECO. Such supply cannot be notified under section 9(5) as only supplies of services are notified under that section. Therefore, in the second case, AB Pvt. Ltd. will not be entitled for threshold exemption and will have to compulsorily obtain registration in terms of section 24(ix).

6. Discuss the procedure for amendment of registration under CGST Act and rules thereto?

Ans. The procedure for amendment of registration are contained in section 28 read with rule 19 of CGST Rules. The significant aspects of the same are discussed hereunder:

1. Where there is any change in the particulars furnished in registration application/UIN application at the time of obtaining the registration or thereafter, registered person shall submit an application in prescribed manner, within 15 days of such change, along with documents relating to such change at the Common Portal.
2. In case of amendment of core fields of information, the proper officer may, on the basis of information furnished or as ascertained by him, approve or reject amendments in the registration particulars in the prescribed manner. Such amendment shall take effect from the date of occurrence of event warranting such amendment.
3. However, where change relates to non-core fields of information, registration certificate shall stand amended upon submission of the application for amendment on the Common Portal.
4. Where a change in the constitution of any business results in change of PAN of a registered person, the said person shall apply for fresh registration. The reason for the same is that GSTIN is PAN based. Any change in PAN would warrant a new registration certificate on 1st September, 20XX.

7. Pari & Sons is an unregistered dealer. On 10th August, 20XX aggregate turnover of Pari & Sons exceeded Rs. 20,00,000. The firm applied for registration on 27th August, 20XX and was granted the registration certificate on 1st September, 20XX.

Under CGST Rules, 2017, you are required to advise Pari & Sons as to what is the effective date of registration in its case. It has also sought your advice regarding period for issuance of revised tax invoices.

Ans. [Section 22\(1\) of the CGST Act, 2017](#) provides that every supplier is liable to be registered under this Act in the State or Union territory, other than special category States, from where he makes a taxable supply of goods or services or both, if his aggregate turnover in a financial year exceeds the threshold limit.

[Section 25\(1\) of the CGST Act, 2017](#) provides that a supplier whose aggregate turnover in a financial year exceeds the threshold limit in a State/UT is liable to apply for registration within 30 days from the date of becoming liable to registration (i.e., the date of crossing the threshold limit).

Where the application is submitted within the said period, the effective date of registration is the date on which the person becomes liable to registration vide rule 10(2) of the CGST Rules, 2017; otherwise it is the date of grant of registration in terms of rule 10(3) of the CGST Rules, 2017.

In the given case, since Pari & Sons have applied for registration on 27.08.20XX which is within 30 days from the date of becoming liable to registration (10.08.20XX), its effective date of registration is 10.08.20 XX.

Further, every registered person who has been granted registration with effect from a date earlier than the date of issuance of registration certificate to him, may issue revised tax invoices in respect of taxable supplies effected during this period within one month from the date of issuance of registration certificate [[Section 31\(3\)\(a\) of the CGST Act, 2017](#) read with rule 53(2) of CGST Rules, 2017].

In view of the same, Pari & Sons may issue revised tax invoices against the invoices already issued during the period between effective date of registration (10.08.20XX) and the date of issuance of registration certificate (01.09.20XX), on or before 01.10.20XX.

8. With the help of the following information in the case of M/s Jayant Enterprises, Jaipur (Rajasthan) for the financial year, determine the aggregate turnover for the purpose of registration under the CGST Act, 2017.

Sl. No.	Particulars	Amount (Rs.)
(i)	Sale of diesel on which Sale Tax (VAT) is levied by Rajasthan Government.	1,00,000
(ii)	Supply of goods, after completion of job work, from the place of Jayant Enterprises directly by principal.	3,00,000
(iii)	Export supply to England (U.K.)	5,00,000
(iv)	Supply to its own additional place of business in Rajasthan	5,00,000





(v)	Outward supply of services on which GST is to be paid by recipient under reverse charge.	1,00,000
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All the above amounts are excluding GST.

You are required to provide reasons for treatment of various items given above.

Ans. Computation of aggregate turnover of M/s Jayant Enterprises for the FY

Particulars	Rs.
Supply of diesel on which Sales Tax (VAT) is levied by Rajasthan Government [Note-1]	1,00,000
Supply of goods, after the completion of job work, from the place of Jayant Enterprises, directly by the principal [Note-2]	Nil
Export supply to England [Note-3]	5,00,000
Supply to its own additional place of business in Rajasthan ⁵ [Note-4]	Nil
Outward supply of services on which GST is to be paid by recipient under reverse charge [Note-5]	1,00,000
Aggregate turnover	7,00,000

Notes:-

- As per [section 2\(47\) of the CGST Act, 2017](#), exempt supply includes non-taxable supply. Thus, supply of diesel, being a non-taxable supply, is an exempt supply and exempt supply is specifically includible in aggregate turnover in terms of [section 2\(6\) of the CGST Act, 2017](#).
- Supply of goods after completion of job work by a registered job worker shall be treated as the supply of goods by the principal in terms of explanation (ii) to [section 22 of the CGST Act, 2017](#).
- Export supplies are specifically includible in the aggregate turnover in terms of [section 2\(6\) of the CGST Act, 2017](#).
- Supply made without consideration to units within the same State (under same registration) is a not a supply and hence not includible in aggregate turnover.
- Outward supplies taxable under reverse charge would be part of the "aggregate turnover" of the supplier of such supplies. Such turnover is not included as turnover in the hands of recipient.

As per [section 22 of the CGST Act, 2017](#) read with [N/N 10/2019 CT dated 07.03.2019](#), a supplier is liable to be registered in the State/ Union territory from where he makes a taxable supply of goods and/or services, if his aggregate turnover in a financial year exceeds the threshold limit. The threshold limit for a person making exclusive intra-State taxable supplies of goods is as under:-

- Rs. 10 lakh for the States of Mizoram, Tripura, Manipur and Nagaland.
- Rs. 20 lakh for the States of States of Arunachal Pradesh, Meghalaya, Puducherry, Sikkim, Telangana and Uttarakhand.
- Rs. 40 lakh for rest of India.

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

- Rs. 10 lakh for the States of Mizoram, Tripura, Manipur and Nagaland.
- Rs. 20 lakh for the rest of India.

The applicable turnover limit for registration, in the given case, will be Rs. 20 lakh as Rajasthan is not a Special Category State and M/s. Jayant Enterprises is engaged in supply of goods and services. Although, the aggregate turnover of M/s Jayant Enterprises does not exceed Rs. 20 lakh, it is compulsorily required to register in terms of [section 24\(i\) of the CGST Act, 2017](#) irrespective of the turnover limit as it is engaged in making inter-State supplies in the form of exports to England.

9. Rajesh Dynamics, having its head office in Chennai, Tamil Nadu carries on the following activities with respective turnovers in a financial year:

	Rs.
Supply of petrol at Chennai, Tamil Nadu	18,00,000
Value of inward supplies on which tax is payable on reverse charge basis	9,00,000
Supply of transformer oil at Chennai, Tamil Nadu	2,00,000

⁵ The above solution has been worked out on the assumption that supply to another place of business is without consideration (as per general business practices).





Value of branch transfer from Chennai, Tamil Nadu to Bengaluru, Karnataka without payment of consideration	1,50,000
Value of taxable supplies at Manipur branch	11,50,000

It argues that it does not have taxable turnover crossing threshold limit of Rs.40,00,000 either at Chennai, Tamil Nadu or Bengaluru, Karnataka and including turnover at Manipur branch. It believes that the determination of aggregate turnover is not required for the purpose of obtaining registration, but is required for determining composition levy.

Decide based on the above facts:

- (i) The aggregate turnover of Rajesh Dynamics.
- (ii) All conditions that fulfil the requirements for registration under CGST Act, 2017 in the given circumstances.

Ans. Computation of aggregate turnover of Rajesh Dynamics:

Particulars	Rs.
Supply of petrol at Chennai, Tamil Nadu [Being a non-taxable supply, it is an exempt supply and thus, includible in aggregate turnover vide section 2(6) of CGST Act, 2017]	18,00,000
Value of inward supplies on which tax is payable on reverse charge basis	Nil
Supply of transformer oil at Chennai, Tamil Nadu	2,00,000
Value of branch transfer from Chennai, Tamil Nadu to Bengaluru, Karnataka without payment of consideration [Being a taxable supply, it is includible in aggregate turnover]	1,50,000
Value of taxable supplies of Manipur Branch	11,50,000
Aggregate turnover	33,00,000

Rajesh Dynamics is not liable to be registered in Chennai, Tamil Nadu, if his aggregate turnover in a financial year does not exceeds Rs. 40 lakh. However, since Rajesh Dynamics also makes supplies from Manipur, a specified Special Category State, the threshold exemption gets reduced to Rs. 10 lakh in terms of [section 22\(1\) of CGST Act, 2017](#) [N/N10/2019-CT dated. 07.03.2019].

Rajesh Dynamics' argument that it is not liable to registration since the threshold exemption of Rs. 40 lakh is not being crossed either at Chennai, Tamil Nadu, Bengaluru, Karnataka or Manipur is not correct as firstly, the aggregate turnover to be considered in its case is Rs. 10 lakh and not Rs. 40 lakh and secondly, the same is computed on all India basis and not State- wise.

Further, Rajesh Dynamics is also wrong in believing that aggregate turnover is computed only for the purpose of determining the eligibility limit for composition levy since the aggregate turnover is required for determining the eligibility for both registration and composition levy.

Further, Rajesh Dynamics is compulsorily required to register under [section 24 of the CGST Act, 2017](#) irrespective of the turnover limit as it is liable to pay tax on inward supplies under reverse charge and it also makes inter-State taxable supply.

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**Chapter 10 : TAX INVOICE, CREDIT AND DEBIT NOTES**

1. **Jai, a registered supplier, runs a general store in Ludhiana, Punjab. Some of the goods sold by him are exempt whereas some are taxable. You are required to advise him on the following issues:**
- Whether Jai is required to issue a tax invoices in all cases, even if he is selling the goods to the end consumers?**
 - Jai sells some exempted as well as taxable goods valuing Rs. 5,000 to a school student. Is he mandatorily required to issue two separate GST documents?**
 - Jai wishes to know whether it's necessary to show tax amount separately in the tax invoices issued to the customers. You are required to advise him.**

- Ans.** (i) No, he is not required to issue tax invoice in all cases. As per [section 31\(1\) of the CGST Act, 2017](#), every registered person supplying taxable goods is required to issue a 'tax invoice'. [Section 31\(3\)\(c\) of the CGST Act, 2017](#) stipulates that every registered person supplying exempted goods is required to issue a bill of supply instead of tax invoice. Further, rule 46A of the CGST Rules, 2017 provides that a registered person supplying taxable as well as exempted goods or services or both to an un-registered person may issue a single 'invoice-cum-bill of supply' for all such supplies. However, as per [section 31\(3\)\(b\) of the CGST Act, 2017](#) read with rule 46 of the CGST Rules, 2017, a registered person may not issue a tax invoice if:
- value of the goods supplied <Rs. 200,
 - the recipient is unregistered; and
 - the recipient does not require such invoice.
- Instead, such registered person shall issue a Consolidated Tax Invoice for such supplies at the close of each day in respect of all such supplies.
- (ii) As per rule 46A of the CGST Rules, 2017, where a registered person is supplying taxable as well as exempted goods or services or both to an unregistered person, a single "invoice-cum-bill of supply" may be issued for all such supplies. Thus, there is no need to issue a tax invoice and a bill of supply separately to the school student in respect of supply of the taxable and exempted goods respectively.
- (iii) As per [section 33 of the CGST Act, 2017](#) read with rule 46(m) of the CGST Rules, 2017, where any supply is made for a consideration, every person who is liable to pay tax for such supply shall prominently indicate in all documents relating to assessment, tax invoice and other like documents, the amount of tax which shall form part of the price at which such supply is made. Hence, Jai has to show the tax amount separately in the tax invoices issued to customers.

2. **Avtaar Enterprises, Kanpur started trading exclusively in ayurvedic medicines from July 1, 20XX. Its turnover exceeded Rs. 40 lakh on October 3, 20XX. The firm applied for registration on October 31, 20XX and was issued registration certificate on November 5, 20XX. Examine whether any revised invoice can be issued in the given scenario. If the answer to the first question is in affirmative, determine the period for which the revised invoices can be issued as also the last date up to which the same can be issued.**

- Ans.** As per [section 31\(3\)\(a\) of the CGST Act](#), a registered person may, within one month from the date of issuance of certificate of registration, issue a revised invoice against the invoice already issued during the period beginning with the effective date of registration till the date of issuance of certificate of registration to him.
- Further, rule 10(2) of CGST Rules lays down that the registration shall be effective from the date on which the person becomes liable to registration where the application for registration has been submitted within a period of 30 days from such date.
- In the given case, Avtaar Enterprises has applied for registration within 30 days of becoming liable for registration and the registration has been granted. Thus, the effective date of registration is the date on which Avtaar Enterprises became liable for registration i.e., October 3, 20XX. Therefore, since in the given case there is a time lag between the effective date of registration (October 3, 20XX) and the date of grant of certificate of registration (November 5, 20XX), revised invoices can be issued. The same can be issued for supplies made during this intervening period i.e., for the period beginning with October 3, 20XX till November 5, 20XX. Further, the revised invoices can be issued for the said period till December 5, 20XX.

3. **Discuss the provisions relating to issue of an invoice/document in the following circumstances:**
- Advance payment is received against a supply, but subsequently no supplies are made.**
 - Goods are sent on approval for sale or return and are removed before the supply takes place.**





(iii) **Mr. Mohan provides continuous supply of services to his client, where the due date of payment for such services is not ascertainable. No advance has been received in this behalf.**

- Ans.** (i) As per [section 31\(3\)\(e\) of CGST Act, 2017](#), where advance payment is received against a supply for which receipt voucher has been issued, but subsequently no supplies are made and no tax invoice is issued in pursuance thereof, a refund voucher has to be issued to the person who had made the advance payment.
- (ii) As per [section 31\(7\) of CGST Act, 2017](#), where the goods are sent on approval for sale or return and are removed before the supply takes place, the invoice shall be issued before or at the time of supply or 6 months from the date of removal, whichever is earlier.
- (iii) As per [section 31\(5\)\(b\) of CGST Act, 2017](#), in case of continuous supply of services, where the due date of payment is not ascertainable from the contract, the invoice shall be issued before or at the time when the supplier of service receives the payment.



**Chapter 11 : ACCOUNTS & RECORDS, E-Way Bill**

1. With reference to the provisions relating to the electronic way bill (E- way bill) as prescribed under the GST laws, answer the following questions:

(i) Sindhi Toys Manufacturers, registered in Punjab, sold electronic toys to a retail seller in Gujarat, at a value of Rs. 48,000 (excluding GST leviable @ 18%). Now, it wants to send the consignment of such toys to the retail seller in Gujarat.

You are required to advise Sindhi Toys Manufacturers on the following issues:

- (a) Whether e-way bill is mandatorily required to be generated in respect of such movement of goods?
- (b) If yes, who is required to generate the e-way bill?
- (c) What will be the consequences for non-issuance of e-way bill?

(ii) Power Electricals Ltd., a registered supplier of air-conditioners, is required to send from Mumbai (Maharashtra), a consignment of parts of air-conditioner to be replaced under warranty at various client locations in Gujarat. The value of consignment declared in delivery challan accompanying the goods is Rs. 70,000. Power Electricals Ltd. claims that since movement of goods to Gujarat is caused due to reasons other than supply, e-way bill is not mandatorily required to be generated in this case.

You are required to examine the technical veracity of the claim made by Power Electricals Ltd.

(iii) Beauty Cosmetics Ltd. has multiple wholesale outlets of cosmetic products in Mumbai, Maharashtra. It receives an order for cosmetics worth Rs. 1,20,000 (inclusive of GST leviable @ 18%) from Prasannaa, owner of a retail cosmetic store in Delhi. While checking the stock, it is found that order worth Rs. 55,000 can be fulfilled from the company's Dadar (Mumbai) store and remaining goods worth Rs. 65,000 can be sent from its Malad (Mumbai) store. Both the stores are instructed to issue separate invoices for the goods sent to Prasannaa. The goods are transported to Prasannaa in Delhi, in a single conveyance owned by Radhey Transporters.

You are required to advise Beauty Cosmetics Ltd. with regard to issuance of e-way bill(s).

Ans. (i) (a) Rule 138(1) of the CGST Rules, 2017 provides that e-way Bill is mandatorily required to be generated if the goods are moved, inter alia, in relation to supply and the consignment value exceeds Rs. 50,000. Further, explanation 2 to rule 138(1) stipulates that the consignment value of goods shall be the value, determined in accordance with the provisions of section 15, declared in an invoice, a bill of supply or a delivery challan, as the case may be, issued in respect of the said consignment and also includes CGST, SGST/UTGST, IGST and cess charged, if any, in the document and shall exclude the value of exempt supply of goods where the invoice is issued in respect of both exempt and taxable supply of goods.

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

$$= \text{Rs. } 48,000 \times 118\%$$

$$= \text{Rs. } 56,640.$$

Since the movement of goods is in relation to supply of goods and the consignment value exceeds Rs. 50,000, e-way bill is mandatorily required to be issued in the given case.

(b) An e-way bill contains two parts namely, Part A to be furnished by the registered person who is causing movement of goods of consignment value exceeding Rs. 50,000/- and part B (transport details) is to be furnished by the person who is transporting the goods.

Where the goods are transported by the registered person as a consignor or the recipient of supply as the consignee, whether in his own conveyance or a hired one or a public conveyance, by road, the said person shall generate the e- way bill on the common portal after furnishing information in Part B [Rule 138(2)].

Where the goods are transported by railways or by air or vessel, the e-way bill shall be generated by the registered person, being the supplier or the recipient, who shall, either before or after the commencement of movement, furnish, on the common portal, the information in Part B [Rule 138(2A)].

Where the goods are handed over to a transporter for transportation by road, the registered person shall furnish the information relating to the transporter on the common portal and the e-way bill shall be generated by the transporter on the said portal on the basis of the information furnished by the registered person in Part A [Rule 138(3)].

Where the consignor or the consignee has not generated the e-way bill and the aggregate of the consignment value of goods carried in the conveyance is more than Rs. 50,000/, the transporter, except in case of transportation of goods by railways, air and vessel, shall, in respect of inter-State supply, generate the e-way bill on the basis of invoice or bill of supply or delivery challan, as the case may be, and may also generate a consolidated e-way bill on the common portal prior to the movement of goods [Rule 138(7)].





- (c) It is mandatory to generate e-way bill in all cases where the value of consignment of goods being transported is more than Rs. 50,000/- and it is not otherwise exempted in terms of rule 138(14) of CGST Rules, 2017. If e-way bills, wherever required, are not issued in accordance with the provisions contained in rule 138, the same will be considered as contravention of rules. As per [section 122\(1\)\(xiv\) of CGST Act, 2017](#), a taxable person who transports any taxable goods without the cover of specified documents (e-way bill is one of the specified documents) shall be liable to a penalty of Rs. 10,000/- or tax sought to be evaded (wherever applicable) whichever is greater. Moreover, as per [section 129\(1\) of CGST Act, 2017](#), where any person transports any goods or stores any goods while they are in transit in contravention of the provisions of this Act or the Rules made thereunder, all such goods and conveyance used as a means of transport for carrying the said goods and documents relating to such goods and conveyance shall be liable to detention or seizure.
- (ii) The goods to be moved to another State for replacement under warranty is not a 'supply'. However, rule 138(1) of the CGST Act, 2017, inter alia, stipulates that every registered person who causes movement of goods of consignment value exceeding Rs. 50,000:
- in relation to a supply; or
 - for reasons other than supply; or
 - due to inward supply from an unregistered person,
- shall, generate an electronic way bill (E-way Bill) before commencement of such movement.
- CBIC vide Q 9. of FAQs on E-way Bill has also clarified that even if the movement of goods is caused due to reasons others than supply [including replacement of goods under warranty], e-way bill is required to be issued.
- Thus, in the given case, since the consignment value exceeds Rs. 50,000, e-way bill is required to be mandatorily generated. Therefore, the claim of Power Electricals Ltd. that e-way bill is not mandatorily required to be generated as the movement of goods is caused due to reasons other than supply, is not correct.
- (iii) Beauty Cosmetics Ltd. would be required to prepare two separate e-way bills since each invoice value exceeds Rs. 50,000 and each invoice is considered as one consignment for the purpose of generating e-way bills.
- The FAQs on E-way Bill issued by CBIC clarify that if multiple invoices are issued by the supplier to one recipient, that is, for movement of goods of more than one invoice of same consignor and consignee, multiple e-way bills have to be generated. In other words, for each invoice, one e-way bill has to be generated, irrespective of the fact whether same or different consignors or consignees are involved. Multiple invoices cannot be clubbed to generate one e-way bill. However, after generating all these e-way bills, one consolidated e-way bill can be prepared for transportation purpose, if goods are going in one vehicle.

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

Ans. Rule 138 of the CGST Rules, 2018 stipulates that e-way Bill is mandatorily required to be generated if the goods are moved, inter alia, in relation to a supply and the consignment value [including CGST, SGST/ UTGST, IGST and cess charged] exceeds Rs. 50,000.

Further, the FAQs on E-way Bill issued by CBIC clarify that if multiple invoices are issued by the supplier to one recipient, multiple e-way bills have to be generated - one e-way bill for each invoice. Each invoice is considered as separate consignment for the purpose of generating e-way bills.

In the given case, consignment value of goods supplied against separate invoices from Ram Store, Shyam Store and Mohan Store is Rs. 50,740 [Rs. 43,000 × 118%], Rs. 53,100 [Rs. 45,000 × 118%] and Rs. 61,360 [Rs. 52,000 × 118%] respectively. Thus, Happy Company is required to prepare 3 separate e-way bills since value of each invoice exceeds Rs. 50,000.

3. When is an e-way bill required to be generated?

Ans. As per rule 138 of the CGST Rules, 2017, whenever there is a movement of goods of consignment value exceeding Rs. 50,000:

- in relation to a supply; or
- for reasons other than supply; or





(iii) due to inward supply from an unregistered person, e-way bill needs to be generated prior to the commencement of transport of goods.

Further, in the following situations, e-way bill needs to be issued even if the value of the consignment is less than Rs. 50,000:

- (i) Where goods are sent by a principal located in one State/ Union territory to a job worker located in any other State/Union territory, the e-way bill shall be generated either by the principal or the job worker, if registered, irrespective of the value of the consignment.
- (ii) Where specified handicraft goods are transported from one State/ Union territory to another State/ Union territory by a person who has been exempted from the requirement of obtaining registration under [section 24 of the CGST Act, 2017](#), the e-way bill shall be generated by the said person irrespective of the value of the consignment.

4. The supplier opting for composition levy need not maintain certain records as per rule 56(2) and 56(4) of the CGST Rules, 2017. Explain.

Ans. As per rule 56(2) and 56(4) of the CGST Rules, 2017, the supplier opting for composition levy need not maintain the following records:

- (i) Accounts of stock in respect of goods received and supplied by him, and such accounts shall contain particulars of the opening balance, receipt, supply, goods lost, stolen, destroyed, written off or disposed of by way of gift or free sample and the balance of stock including raw materials, finished goods, scrap and wastage thereof.
- (ii) Account, containing the details of tax payable (including tax payable under reverse charge), tax collected and paid, input tax, input tax credit claimed, together with a register of tax invoice, credit notes, debit notes, delivery challan issued or received during any tax period.

5. Mr. Bala, a registered person at Chennai wants to maintain proper accounts and records relating to GST. Advise him about the accounts and other records to be maintained under section 35(1) of the CGST Act, 2017.

Ans. Mr. Bala, is required to maintain a true and correct account of following under [section 35\(1\) of the CGST Act, 2017](#):-

- (a) production or manufacture of goods;
- (b) inward and outward supply of goods or services or both;
- (c) stock of goods;
- (d) input tax credit availed;
- (e) output tax payable and paid; and
- (f) other prescribed particulars

The records may be maintained electronically. Where more than one place of business is specified in the certificate of registration, the accounts relating to each place of business should be kept at such places of business.

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Chapter 12 : PAYMENT OF TAX

1. Manihar Enterprises, registered in Delhi, is engaged in supply of various goods and services exclusively to Government departments, agencies etc. and persons notified under section 51 of the CGST Act, 2017. It has provided the information relating to the supplies made, their contract values and the payment due against each of them in the month of October, 20XX as under:

S.No.	Particulars	Total contract value (inclusive of GST) (Rs.)	Payment due in October, 20XX (Rs.)
(i)	Supply of stationery to Fisheries Department, Kolkata	2,60,000	15,000
(ii)	Supply of car rental services to Municipal Corporation of Delhi	2,95,000	20,000
(iii)	Supply of a heavy machinery to Public Sector Undertaking located in Uttarakhand	5,90,000	25,000
(iv)	Supply of taxable goods to Delhi office of National Housing Bank, a society established by Government of India under the Societies Registration Act, 1860	6,49,000	50,000
(v)	Interior decoration of Andhra Bhawan located in Delhi. Service contract is entered into with the Government of Andhra Pradesh (registered only in Andhra Pradesh)	12,39,000	12,39,000
(vi)	Supply of printed books and printed post cards to a West Delhi Post Office [Out of total contract value of Rs. 9,72,000, contract value for supply of books (exempt from GST) is Rs. 7,00,000 and for supply of printed post cards (taxable under GST) is Rs. 2,72,000.]	9,72,000	50,000 for books & 20,000 for printed post cards
(vii)	Maintenance of street lights in Municipal area of East Delhi* [The maintenance contract entered into with the Municipal Corporation of Delhi also involves replacement of defunct lights and other spares. However, the value of supply of goods is not more than 25% of the value of composite supply.] *an activity in relation to any function entrusted to a Municipality under article 243W of the Constitution	3,50,000	3,50,000

You are required to determine amount of tax, if any, to be deducted from each of the receivable given above assuming the rate of CGST, SGST and IGST as 9%, 9% and 18% respectively.

Will your answer be different, if Manihar Enterprises is registered under composition scheme?

- Ans.** As per [section 51 of the CGST Act, 2017](#) read with [section 20 of the IGST Act, 2017](#) and [N/N 50/2018 CT 13.09.2018](#), with effect from 01.10.2018, following persons are required to deduct CGST @ 1% [Effective tax 2% (1% CGST + 1% SGST/UTGST)] or IGST @ 2% from the payment made/credited to the supplier (deductee) of taxable goods or services or both, where the total value of such supply, under a contract, exceeds Rs. 2,50,000:
- a department or establishment of the Central Government or State Government; or
 - local authority; or
 - Governmental agencies; or
 - an authority or a board or any other body, -
 - set up by an Act of Parliament or a State Legislature; or
 - established by any Government,
 with 51% or more participation by way of equity or control, to carry out any function; or





- (e) Society established by the Central Government or the State Government or a Local Authority under the Societies Registration Act, 1860, or
- (f) Public sector undertakings.

Further, for the purpose of deduction of tax, the value of supply shall be taken as the amount excluding CGST, SGST/UTGST, IGST and GST Compensation Cess indicated in the invoice.

Since in the given case, Manihaar Enterprises is supplying goods and services exclusively to Government departments, agencies etc. and persons notified under [section 51 of the CGST Act, 2017](#), applicability of TDS provisions on its various receivables is examined in accordance with the above-mentioned provisions as under:

S. No.	Particulars	Total contract value (Rs.)	Payment due (Rs.)	Tax to be deducted		
				CGST (Rs.)	SGST (Rs.)	IGST (Rs.)
(i)	Supply of stationery to Fisheries Department, Kolkata (Note-1)	2,60,000	15,000	--		
(ii)	Supply of car rental services to Municipal Corporation of Delhi (Note-2)	2,95,000	20,000	--		
(iii)	Supply of a heavy machinery to Public Sector Undertaking located in Uttarakhand (Note-3)	5,90,000	25,000			500
(iv)	Supply of taxable goods to Delhi office of National Housing Bank, a society established by Government of India under the Societies Registration Act, 1860 (Note-4)	6,49,000	50,000	500	500	
(v)	Interior decoration of Andhra Bhawan located in Delhi (Note-5)	12,39,000	12,39,000	--		
(vi)	Supply of printed books and printed post cards to a West Delhi Post Office (Note-6)	9,72,000		--		
(vii)	Maintenance of street lights in Municipal area of East Delhi (Note-7)	3,50,000	3,50,000	--		

Notes:

- Being an inter-State supply of goods, supply of stationery to Fisheries Department, Kolkata is subject to IGST @ 18%. Therefore, total value of taxable supply [excluding IGST] under the contract is as follows:
 $= \text{Rs. } 2,60,000 \times 100 / 118$
 $= \text{Rs. } 2,20,339$ (rounded off)
 Since the total value of supply under the contract does not exceed Rs. 2,50,000, tax is not required to be deducted.
- Being an intra-State supply of services, supply of car rental services to Municipal Corporation of Delhi is subject to CGST and SGST @ 9% each. Therefore, total value of taxable supply [excluding CGST and SGST] under the contract is as follows:
 $= \text{Rs. } 2,95,000 \times 100 / 118$
 $= \text{Rs. } 2,50,000$
 Since the total value of supply under the contract does not exceed Rs. 2,50,000, tax is not required to be deducted.
- Being an inter-State supply of goods, supply of heavy machinery to PSU in Uttarakhand is subject to IGST @ 18%. Therefore, total value of taxable supply [excluding IGST] under the contract is as follows:
 $= \text{Rs. } 5,90,000 \times 100 / 118$
 $= \text{Rs. } 5,00,000$
 Since the total value of supply under the contract exceeds Rs. 2,50,000, PSU in Uttarakhand is required to deduct tax @ 2% of Rs. 25,000, i.e. Rs. 500.





4. Being an intra-State supply of goods, supply of taxable goods to National Housing Bank, Delhi is subject to CGST and SGST @ 9% each. Therefore, total value of taxable supply [excluding CGST and SGST] under the contract is as follows:
 = Rs. 6,49,000 × 100 / 118
 = Rs. 5,50,000
 Since the total value of supply under the contract exceeds Rs. 2,50,000, National Housing Bank, Delhi is required to deduct tax @ 2% (1% CGST + 1% SGST) of Rs. 50,000, i.e. Rs. 1,000.
5. Proviso to [section 51\(1\) of the CGST Act, 2017](#) stipulates that no tax shall be deducted if the location of the supplier and the place of supply is in a State or Union territory which is different from the State or as the case may be, Union territory of registration of the recipient.
[Section 12\(3\) of the IGST Act, 2017](#), inter alia, stipulates that the place of supply of services, directly in relation to an immovable property, including services provided by interior decorators, shall be the location at which the immovable property is located or intended to be located. Accordingly, the place of supply of the interior decoration of Andhra Bhawan shall be Delhi.
 Since the location of the supplier (Manihar Enterprises) and the place of supply is Delhi and the State of registration of the recipient i.e. Government of Andhra Pradesh is Andhra Pradesh, no tax is liable to be deducted in the given case.
6. If the contract is made for both taxable supply and exempted supply, tax shall be deducted if the total value of taxable supply in the contract exceeds Rs. 2,50,000. Being an intra-State supply of goods, supply of printed post cards to a West Delhi Post Office is subject to CGST and SGST @ 9% each. Therefore, total value of taxable supply [excluding CGST and SGST] under the contract is as follows:
 = Rs. 2,72,000 × 100 / 118
 = Rs. 2,30,509 (rounded off)
 Since the total value of taxable supply under the contract does not exceed Rs. 2,50,000, tax is not required to be deducted.
7. Composite supply of goods and services in which the value of supply of goods constitutes not more than 25% of the value of the said composite supply provided to, inter alia, local authority by way of any activity in relation to any function entrusted to a Municipality under article 243W of the Constitution is exempt from GST. Thus, maintenance of street lights (an activity in relation to a function entrusted to a Municipality) in Municipal area of East Delhi involving replacement of defunct lights and other spares where the value of supply of goods is not more than 25% of the value of composite supply is a service exempt from GST. Since tax is liable to be deducted from the payment made or credited to the supplier of taxable goods or services or both, no tax is required to be deducted in the given case as the supply is exempt.
 The answer will remain unchanged even if Manihar Enterprises is registered under composition scheme. Tax will be deducted in all cases where it is required to be deducted under [section 51 of the CGST Act, 2017](#) including the scenarios when the supplier is registered under composition scheme.

2. Miss Nitya has following balances in her Electronic Cash Ledger as on 28/02/20XX as per GST portal.

Major Heads	Minor Heads	Amount (Rs.)
	Tax	40,000
CGST	Interest	1,000
	Penalty	800
	Tax	80,000
SGST	Interest	400
	Penalty	1,200
	Fee	2,000
IGST	Tax	45,000
	Interest	200
	Penalty	Nil

Her tax liability for the month of February, 20XX for CGST and SGST was Rs. 75,000 each. She failed to pay the tax and contacted you as legal advisor on 12/04/20XX to advise her as to how much amount of tax or interest she is required to pay, if any, by utilizing the available balance to the maximum extent possible as per GST Laws. She wants to pay the tax on 20-04-20XX.

Other Information:-

- (i) Date of collection of GST was 18th February, 20XX.





- (ii) No other transaction after this up to 20th April 20XX.
 (iii) Ignore penalty and late fee for this transaction.
 (iv) No other balance is available.

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

Ans. Due date for payment of tax collected on 18.02.20XX is 20.03.20XX. Interest @ 18% p.a. is payable for the period for which the tax remains unpaid in terms of [section 50 of CGST Act, 2017](#). In the given case, since Miss Nitya wants to pay the tax on 20.04.20XX, interest payable on the amount of CGST and SGST each is as follows:

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

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

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

	CGST		SGST	
	Tax	Interest	Tax	Interest
Tax Liability	75,000	1,147	75,000	1,147
Balances in Electronic cash ledger	40,000	1,000	80,000	400
Amount payable in cash	35,000	147	Nil	747

3. Yash Shoppe, a registered supplier of Jaipur, is engaged in supply of various goods and services exclusively to Government departments, agencies, local authority and persons notified under section 51 of the CGST Act, 2017. You are required to briefly explain the provisions relating to tax deduction at source under section 51 of the CGST Act, 2017 and also determine the amount of tax, if any, to be deducted from each of the receivables given below (independent cases) assuming that the payments as per the contract values are made on 31.10.20XX. The rates of CGST, SGST and IGST may be assumed to be 6%, 6% and 12% respectively.

- Supply of computer stationery to Public Sector Undertaking (PSU) located in Mumbai. Total contract value is Rs. 2,72,000 (inclusive of GST)
- Supply of air conditioner to GST department located in Delhi. Total contract value is Rs. 2,55,000 (exclusive of GST)
- Supply of generator renting service to Municipal Corporation of Jaipur. Total contract value is Rs. 3,50,000 (inclusive of GST)

Ans. As per [section 51 of the CGST Act, 2017](#), Government departments, agencies, local authority and notified persons are required to deduct tax @ 2% (1% CGST + 1% SGST/UTGST) or IGST @ 2% from payment made to the supplier of taxable goods and/or services where the total value of such supply [excluding tax and compensation cess indicated in the invoice], under a contract, exceeds Rs. 2,50,000.

Since in the given case, Yash Shoppe is supplying goods and services exclusively to Government departments, agencies, local authority and persons notified under [section 51 of the CGST Act, 2017](#), applicability of TDS provisions on its various receivables is examined in accordance with the above- mentioned provisions as under:

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





	[Since the total value of supply under the contract [excluding IGST (being inter-State supply)] exceeds Rs.2,50,000, tax is required to be deducted.]				
(3)	Supply of a generator renting service to Municipal Corporation of Jaipur [Since the total value of supply under the contract [excluding CGST and SGST (being intra-State supply)] exceeds Rs. 2,50,000, tax is required to be deducted.]	3,12,500 [3,50,000× 100 / 112]	3,125	3,125	
	Total		3,125	3,125	51,00

4. A makes intra-State supply of goods valued at Rs. 50,000 to B within State of Karnataka. B makes inter-State supply to X Ltd. (located in Telangana) after adding 10% as its margin. Thereafter, X Ltd. sells it to Y in Telangana (Intra-State sale) after adding 10% as his margin.

Assume that the rate of GST chargeable is 18% (CGST 9% plus SGST 9%) and IGST chargeable is 18%. Calculate tax payable at each stage of the transactions detailed above. Wherever input tax credit is available and can be utilized, calculate the net tax payable in cash. At each stage of the transaction, indicate which Government will receive the tax paid and to what extent.

Ans. I. Intra-State supply of goods by A to B

	Rs.
Value charged for supply of goods	50,000
Add: CGST @ 9%	4,500
Add: SGST @ 9%	4,500
Total price charged by A from B	59,000

A is the first stage supplier of goods and hence, does not have credit of CGST, SGST or IGST (Assumed). Thus, the entire CGST (Rs. 4,500) & SGST (Rs. 4,500) charged will be paid in cash by A to the Central Government and Karnataka Government respectively.

II. Inter-State supply of goods by B to X Ltd. – Margin @ 10%⁶

	Rs.
Value charged for supply of goods (Rs. 50,000 x 110%)	55,000
Add: IGST @ 18%	9,900
Total price charged by B from X Ltd.	64,900

Computation of IGST payable by B to Central Government in cash

	Rs.
IGST payable	9,900
Less: Credit of CGST	4,500
Less: Credit of SGST	4,500
IGST payable to Central Government in cash	900

Credit of CGST and SGST can be used to pay IGST [Section 49(5) of the CGST Act, 2017]. Karnataka Government will transfer SGST credit of Rs. 4,500 utilised in the payment of IGST to the Central Government.

III. Intra-State supply of goods by X Ltd. to Y

	Rs.
Value charged for supply of goods (Rs. 55,000 x 110%)	60,500
Add: CGST @ 9%	5,445
Add: SGST @ 9%	5,445
Total price charged by X Ltd. from Y	71,390

Computation of CGST and SGST payable by X Ltd in cash

⁶ It has been logically presumed that 10% margin is on the value of goods (exclusive of taxes).





	Rs.
CGST payable	5,445
Less: Credit of IGST	5,445
CGST payable to Central Government in cash	Nil
SGST payable	5,445
Less: Credit of IGST [Rs. 9,900 – Rs. 5,445]	4,455
SGST payable to Telangana Government in cash	990

Credit of IGST can be used to pay IGST, CGST and SGST in that order [[Section 49\(5\) of the CGST Act, 2017](#)]. Central Government will transfer IGST of Rs 4,455 utilised in the payment of SGST to Telangana Government.



Delivering success, *not lectures*





जब-जब जग
उस पर हँसा है,
तब-तब उसी ने
इतिहास रचा है।”



LIFE IS ABOUT
RISKING EVERYTHING
FOR A DREAM
NO-ONE CAN SEE
BUT YOU

When a child is learning how to
walk and falls down 50 times, they
never think to themselves,
“Maybe this isn't for me.”

जिंदगी को
आसान नहीं
बस खुद
को मजबूत
बनाना
पड़ता है

अगर तुमने कभी कोई
चमत्कार होते नहीं
देखा तो खुद ही एक
चमत्कार बन जाओ

कुछ उलझनों के हल,
वक़्त पे छोड़ देने चाहिए ...!!
बेशक जवाब देर से मिलेंगे,
लेकिन बेहतरीन होंगे ...!!

THE BEST PROJECT
YOU'LL EVER WORK
ON IS YOU.

हर आदमी अपनी जिंदगी में
हीरो है,



बस कुछ लोगों की फिल्में
रिलीज़ नहीं होती...!!

मेहनत इतनी खामोशी से करो
कि जो लोग तुम्हें कॉन्टैक्ट लिस्ट
में नहीं रखना चाहते
वो एक दिन तुम्हें गूगल पर सर्च करें।

