

Case Study Based MCQ - 1

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Aspire Solutions Private Limited (hereinafter referred to as 'Aspire Solutions') is engaged in providing multidimensional services to its clients through its office in Haryana, registered under GST. During the month of July, following transactions were undertaken by Aspire Solutions:

- (i) Import of certain cloud services from Bizcart.com for an amount of Rs. 50,00,000. There is an additional charge of 2% as equalisation levy on such services in India which is recovered from the offshore service supplier by the Government. Bizcart.com passes the taxes to its customers by charging them, as its internal policy.
- (ii) Aspire Solutions pays sitting fee of Rs. 25,000 each to its 4 directors per month. Further, there are two directors who are in the executive roles and are withdrawing Rs. 2,00,000 each per month as salary from the company and the applicable TDS amount, under section 192 of the Income-tax Act, 1961, is deducted from such salary.
- (iii) Aspire Solutions paid for life insurance of its employees in compliance of its internal policy. The amount of premium was Rs. 5,00,000.
- (iv) Aspire Solutions provided consultancy services to its client, Zoom Corp. based in Bangalore and issued an invoice of Rs. 30,00,000.
- (v) Empowering India is a non-government organization located in Haryana. It aims at empowering the eligible companies to grow their business in India. Aspire Solutions, being one of the eligible companies, received a subsidy of Rs. 5,00,000 in lump sum from Empowering India for the month of July.
- (vi) Aspire Solutions provided sponsorship services to Mr. X, an individual, for an event organized by it in the State of Haryana. The amount agreed for such sponsorship services is Rs. 5,00,000.

All the amounts given above are exclusive of GST unless otherwise provided. There is no other outward or inward supply transaction apart from aforesaid transactions in the month of July.

The opening balance of input tax credit for the relevant tax period for the company is nil. Subject to the information given above, assume that all the other conditions necessary for availing ITC have been fulfilled.

GST is applicable on all inward and outward supplies at the following rates:

I. Intra-State supply – 9% CGST and 9% SGST

II. Inter-State supply – 18% IGST

1. The GST liability for cloud services procured by Aspire Solutions from Bizcart.com shall be:
 - (a) On Bizcart.com since the services are online information and database access or retrieval services and GST of Rs. 9,00,000 shall be paid by Bizcart.com.
 - (b) Nil. There will not be any GST liability on the transaction since Bizcart.com is located outside India and services are provided electronically.
 - (c) On Bizcart.com under forward charge and GST of Rs. 9,18,000 shall be paid by Bizcart.com.
 - (d) On Aspire Solutions under reverse charge and GST of Rs. 9,18,000 shall be paid by Aspire Solutions.

Answer : (d)

2. Aspire Solutions seek your advice on the taxability of the sitting fee payable to directors and salary payable to the executive directors. The correct advice is:
 - (a) Sitting fees paid to the directors is liable to GST under reverse charge and the salary paid to executive directors shall not be liable to GST.
 - (b) Total amount payable to directors (sitting fees as well as salary) is exempt from GST.
 - (c) Total amount payable to directors (sitting fees as well as salary) is liable to GST under reverse charge in hands of Aspire Solutions.
 - (d) Total amount payable to directors (sitting fees as well as salary) is liable to GST under forward charge in the hands of the directors as professional income.

Answer : (a)

3. What shall be the amount of input tax credit available with Aspire Solutions for the month of July?
 - (a) Rs. 10,26,000
 - (b) Rs. 11,16,000
 - (c) Rs. 9,36,000
 - (d) Rs. 1,96,000

Answer : (c)

4. Compute the value of outward supplies made by Aspire Solutions in July.
 - (a) Rs. 30,00,000
 - (b) Rs. 25,00,000
 - (c) Rs. 35,00,000
 - (d) Rs. 40,00,000

Answer : (c)

5. Compute the amount of GST to be deposited in cash by Aspire Solutions for the month of July.
 - (a) Nil
 - (b) Rs. 7,20,000
 - (c) Rs. 9,36,000
 - (d) Rs. 6,30,000

Answer : (c)