

Case Study Based MCQ - 2



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Supernova India Limited is a 100% subsidiary of Supernova LLC, Japan, registered under GST in the State of Gujarat. Supernova Inc., Singapore, is another subsidiary of Supernova LLC, Japan, and is engaged in supply of industrial goods to customers across the world.

In India, Supernova Inc., Singapore, sells the goods to a sub-contractor registered under GST in the name of Alpha Limited in the State of Maharashtra. Alpha Limited imports the goods sold by Supernova Inc.,

Singapore and carries out the required technical process on such goods in the factory located in Maharashtra.

After the processing of goods by Alpha Limited, the goods are sold by Alpha Limited to Supernova India Limited for further sales to end customers.

As a holding company, Supernova LLC, Japan, recovers an amount equivalent to 20% of the sales made by Supernova India Limited as commission on monthly basis.

During the month of January, Alpha Limited imported the goods worth Rs. 10,00,000 from Supernova Inc., Singapore. The inter-State purchases of Alpha Limited from domestic market amounted to Rs. 2,00,000 during the month of January. The value of processed goods sold by Alpha Limited to Supernova India Limited amounted to Rs. 10,00,000. Further, Supernova India Limited paid an additional amount equivalent to Rs. 2,00,000 for transportation and handling of goods to third party, which was contractually agreed to be paid by Alpha Limited. No GST was payable on such transportation and handling to the third party. Alpha Limited has also charged an amount equivalent to Rs. 12,000 on such processed goods as miscellaneous municipal levy (other than GST) payable in the State of Maharashtra.

Supernova India Limited sold the goods purchased from Alpha Limited in the month of January as per the details provided below:

(i) Rs. 6,00,000 worth goods to X Ltd, a customer located in the State of Rajasthan

(ii) Rs. 8,00,000 worth goods to Y Ltd, a customer located in the State of Gujarat

There is no opening stock and closing stock for the month of January with Supernova India Limited.

In January, Supernova India Limited sent 5 of its employees of finance team to Singapore for training purpose. The training was given by Supernova Inc., Singapore, at its office located in Singapore. The expenses related to such training were paid by Supernova India Limited to Supernova Inc., Singapore.

Further, an employee of Supernova India Limited had visited the manufacturing unit of Alpha Limited in Mumbai, Maharashtra and had stayed in the hotel located in Mumbai, Maharashtra, in the month of January. At the time of checkout from hotel, the invoice was issued for an amount equivalent to Rs. 1,00,000. The hotel had issued invoice in the name of Supernova India Limited and GST was charged at the rate of 14% CGST and 14% SGST on total invoice amount of Rs. 1,00,000. Out of such amount, the amount recoverable from the employee towards non-official stay by Supernova India Limited was Rs. 50,000.

Fun Events Ltd., an event management company at New Delhi, had organized an event in the month of January for Supernova India Limited, in Mauritius.

The opening balance of input tax credit of both Alpha Limited as well as Supernova India Limited for the relevant tax period is nil. Further, there is no other inward or outward supply transaction for Alpha Limited in January apart from the aforementioned transactions. Subject to the information given above, assume that all the other conditions necessary for availing ITC have been fulfilled.

All the above transactions are exclusive of GST, wherever applicable. GST is applicable in the aforesaid case scenario at the following rates unless otherwise specified:

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

II. Inter-State supply – 18% IGST

The rate of basic customs duty on import of goods is nil. However, IGST is applicable on import of goods. No additional duty or cess is applicable on the import of goods or services.

1. The total GST liability net of input tax credit, if any, of Alpha Limited for the month of January is:

- (a) Rs. 2,18,160 payable as IGST. (b) nil.
 (c) Rs. 2,160 payable as IGST. (d) Rs. 1,09,080 payable as CGST and Rs. 1,09,080 payable as SGST.

Answer : (c)

2. What shall be the gross IGST liability i.e. without any adjustment of input tax credit, if any, of Supernova India Limited for the month of January?

- (a) Rs. 1,08,000 (b) Nil
 (c) Rs. 1,58,400 (d) Rs. 33,840

Answer : (c)

3. How shall the amount paid towards the training expenses employees of finance team of Supernova India Limited be treated under the GST law?

- (a) No GST is applicable on the transaction since training was imparted in Singapore, i.e. place outside India.

- (b) GST is applicable on the training expenses and is payable as IGST by Supernova India Limited since the place of supply for training services in case of registered person is location of such registered person.
- (c) Supernova Inc., Singapore, is required to obtain registration as casual taxable person in India and discharge the GST liability in India.
- (d) Supernova Inc., Singapore, is required to obtain registration as online information and database access or retrieval service provider in India and discharge the tax liability on training service.

Answer : (a)

4. Whether input tax credit is available on the GST paid by Supernova India Limited on the invoice amounting to Rs. 1,00,000 to the hotel located in Mumbai, Maharashtra, for stay of the employee? If yes, please specify the amount of input tax credit available.
- (a) Yes, as Rs. 14,000 CGST and Rs. 14,000 SGST
 - (b) Yes, as Rs. 28,000 IGST
 - (c) No input tax credit is available
 - (d) Yes, as Rs. 7,000 CGST and Rs. 7,000 as SGST

Answer : (c)

5. Whether GST is applicable on the event organized by Fun Events Ltd. for Supernova India Limited in Mauritius and what is the place of supply in such case?
- (a) GST is applicable and the place of supply is New Delhi.
 - (b) GST is applicable and the place of supply is Gujarat.
 - (c) GST is not applicable and the place of supply is Mauritius.
 - (d) GST is applicable and the place of supply is Mauritius.

Answer : (b)