

Case Study Based MCQ - 3

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Doodle Inc. is an entity incorporated in USA and is engaged in provision of various information technology related services directly as well as through its subsidiaries located across the world. In India, Doodle India, a subsidiary of Doodle Inc., is registered under GST in the State of Karnataka under GST and is providing services to various customers in India.

Doodle Inc. provides cloud-based storage services to its customers (business entities and non-business entities) in India. The customers can subscribe to the services by making online payment directly to Doodle Inc.'s bank account through internet banking and other modes. The terms and conditions for such services are entered between Doodle Inc. and the customer directly without involvement of any third party.

In case of any issue, the customers can call and log the issue at the customer help centre which is operated by Doodle India on principal to principal basis. For operation of such customer help centre, Doodle India is paid on cost plus 10% basis by Doodle Inc. on monthly basis.

Further, Doodle India is engaged in promotion and marketing of cloud-based storage services on principal to principal basis in India for Doodle Inc. The payment for such services is made by Doodle Inc. to Doodle India on monthly basis at cost plus 20%. The promotional and marketing activities are carried out in the name of Doodle Inc., without any reference to operations of Doodle India.

Doodle Inc. owns online space for advertisement on internet. Doodle Inc. has agreed to sell such online advertising space to Doodle India for an amount of Rs. 5,00,00,000 per month. Doodle India sells such advertising space to its customers in India on its own account. The contractual arrangement for sale of such advertising space is between the customer and Doodle India.

Doodle Inc. provides technology support to Doodle India and charges royalty from Doodle India for such technology support at a fixed charge of Rs. 25,00,000 per month. The royalty paid is exclusively related to the business of advertising space of Doodle India.

In addition to above information, during the month of January:

I. Doodle India has incurred following expenses:

- (i) Expenses exclusively related to operation of call centre – Rs. 75,00,000
- (ii) Expenses exclusively related to promotion and marketing services for Doodle Inc. – Rs. 50,00,000

II. Doodle India earned an income of Rs. 8,00,00,000 from sale of online advertising space in India.

III. Doodle Inc. earned an income of Rs. 10,00,00,000 from non-taxable online recipient customers, from cloud-based storage services in India.

The opening balance of input tax credit for the relevant period for Doodle India is nil.

Note: In the aforesaid case scenario,

(i) GST is applicable on all inward and outward supplies unless otherwise specified:

- I. Intra-State supply – 9% CGST and 9% SGST
- II. Inter-State supply – 18% IGST

(ii) Subject to the information given above, assume that all the other conditions necessary for availing ITC have been fulfilled.

(iii) All the amounts are exclusive of GST, wherever applicable, unless otherwise provided.

1. What shall be the output tax payable, without any adjustment of input tax credit, if any, by Doodle India for the month of January?

- (a) Rs. 1,44,00,000
- (b) Rs. 2,38,50,000
- (c) Rs. 1,69,65,000
- (d) Rs. 1,66,50,000

Answer : (a)

2. What shall be the net GST liability of Doodle Inc. for the month of January?

- (a) Nil
- (b) Rs. 1,80,00,000
- (c) Rs. 1,84,50,000
- (d) Rs. 2,74,50,000

Answer : (b)

3. What shall be the total input tax credit of Doodle India from the transactions undertaken in the month of January?

- (a) Total input tax of Rs. 90,00,000
- (b) Total input tax of Rs. 1,12,50,000

(c) Total input tax of Rs. 1,17,00,000

(d) Total input tax of Rs. 27,00,000

Answer : (c)

4. Please select the correct statement specifically in relation to sale of online advertisement space service provided by Doodle Inc. to Doodle India:

- (a) Doodle Inc is providing online information and database access or retrieval service and is thus, required to register in India under GST and discharge GST on forward charge basis.
- (b) Doodle Inc is providing online information and database access or retrieval service electronically and place of supply in such case is the location of supplier which is outside taxable territory in present scenario. Therefore, no GST is payable on such services.
- (c) Doodle Inc. is providing online information and database access or retrieval service and tax on the same is to be paid by Doodle India on reverse charge basis.
- (d) Doodle Inc. is providing online information and database access or retrieval service and tax on the same is to be paid by Doodle India in capacity of an agent of Doodle Inc.

Answer : (c)