

Case Study Based MCQ - 23

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ABC Petroleum Limited is engaged in the business of refining and marketing of petroleum products. It has one refinery each in the States of Tamil Nadu, West Bengal & Maharashtra and numerous administrative and marketing offices spread across the country.

The company has separate marketing cum administrative offices for every major State and common administrative cum marketing offices for a group of small States e.g., all north-eastern States are covered under one marketing cum administrative office. The company also blends lubricants in its blending plants located in the States of Maharashtra and Tamil Nadu.

As a policy, all the places of business of the company in a State are registered under GST under one registration.

Imported crude is used as input in the refinery and following major products are extracted after refining process:

| Products chargeable to GST (Group A) | Products not chargeable to GST (Group B) |
|---|--|
| Base oil (An input for blending lubricants) | Petrol |
| Furnace oil | Diesel |
| Bitumen (Used for road construction) | Air turbine fuel |
| LPG (Domestic and Industrial) | |

Base oils are further sent to blending plants where they are blended with additives to produce lubricants. The company provides the following particulars for States of Tamil Nadu, Maharashtra and Kerala for the month of January: (Amount in thousands)

| Particulars | Tamil Nadu (Rs.) | Maharashtra (Rs.) | Kerala (Rs.) |
|---|------------------|-------------------|--------------|
| Value of supply inclusive of all taxes/duties (Group B products) | 1,650 | 3,400 | 1,575 |
| Value of supply (Group A products) before all taxes/duties | 100 | 200 | 20 |
| Excise duty leviable on supply of Group B products | 500 | 1,000 | 110 |
| VAT on supply of Group B products | 250 | 600 | 65 |
| Tax paid on inputs and input services procured at the blending plant | 5 | 6 | 0 |
| Tax paid on spares procured at the refinery (Spares are booked in revenue account) | 3 | 8 | 0 |
| Tax paid on inputs and input services procured at the marketing cum administrative office | 2 | 3 | 1 |
| Tax paid capital asset procured at the blending plant | 0 | 5 | 0 |
| Tax paid capital asset procured at the refinery | 12 | 0 | 0 |

Assume that all of the Group A products are chargeable to GST @ 18% (including both CGST and SGST or IGST, as the case may be).

The opening balance of input tax credit of ABC Petroleum Limited for the relevant tax period is nil. Subject to the information given above, assume that all the other conditions necessary for availing ITC have been fulfilled. Further, there is no other inward or outward supply transaction for ABC Petroleum Limited in January apart from the aforementioned transactions.
(CA Final RTP May, 2020)

- The value of company's supply in the Union Territory of Puducherry is Rs. 32,34,000 (Group A products) and in the State of Goa is Rs. 18,38,000 (Group A and Group B products) for the current financial year. GST registration is:
 - not required for both Puducherry and Goa
 - not required for Goa but required for Puducherry
 - required for both Puducherry and Goa
 - not required for Puducherry but required for Goa

Answer : (c)

- The eligible ITC attributable to taxable supply, available at marketing cum administrative office located in the State of Maharashtra, for the month of January, is:
 - Rs. 3,000
 - Rs. 300
 - Rs. 166.67
 - Rs. 1,500

Answer : (b)

- The eligible ITC attributable to taxable supply in respect of the capital asset procured in the State of Tamil Nadu, for the month of January is:
 - Rs. 12,000
 - Rs. 200
 - Rs. 11,811.11
 - Rs. 11,820

Answer : (d)

4. Lubricant valued at Rs. 10,000 has been stock transferred from the blending plant located in the State of Tamil Nadu to the refinery located in the same State, in the month of January. The GST (CGST and SGST) payable on such transaction is:
- (a) nil as the transaction is not a supply (b) Rs. 900
(c) Rs. 1,800 (d) nil as such supply is exempted from GST

Answer : (a)

5. Due to sudden fire in the store-room of the refinery located in Maharashtra on 28th January, the entire quantity of spares procured in the month of January gets destroyed. What action is required from ABC Petroleum Limited?
- (a) No action is required on the part of ABC Petroleum Limited under GST Law.
(b) ABC Petroleum Limited should report to jurisdictional GST Department for verification of the loss of inputs on account of fire.
(c) ABC Petroleum Limited should not avail ITC of tax paid on the spares.
(d) ABC Petroleum Limited should avail ITC and reverse the same.

Answer : (c)