

Case Study Based MCQ - 24

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Dumdum Engineering Private Limited (DEPL), Surat (Gujarat), a supplier of heavy machinery, supplied a machine to Gulati Manufacturers from its godown located in Mumbai, Maharashtra, on 1st January at a price of Rs. 64,00,000 (excluding all taxes). Gulati Manufacturers has its corporate office in New Delhi.

However, the machinery was installed at its manufacturing unit located in Gurugram (Haryana) for which installation and commissioning charges of Rs. 4,80,000 and handling and loading charges of Rs. 1,60,000, were charged by DEPL. For every machinery supplied, DEPL receives a grant of Rs. 3,20,000 from its holding company Dharam Ltd.

Transportation of machinery to the customer's premises is arranged by DEPL through a third-party service provider [Goods Transport Agency (GTA)]. Gulati Manufacturers entered into a separate service contract with the GTA and paid the freight of Rs. 50,000 directly to it.

DEPL offered a cash discount of 2% on the price of the machinery at the time of supply since Gulati Manufacturers agreed to make the payment within 15 days of the receipt of the machinery at its premises. However, it was agreed that in case Gulati Manufacturers failed to make the payment within the stipulated time, DEPL would-

- recover the discount given; and

- charge interest @ 1% per month or part of the month on the total amount due (including discount recovered) from Gulati Manufacturers (towards the machinery supplied) from the date of making the supply till the date of payment. However, no interest is to be charged on the tax dues.

Gulati Manufacturers paid the consideration for the machine on 31st March. Since the payment was made after the stipulated period of 15 days of the receipt of the machinery, discount given was recovered from it and interest was accordingly charged. However, Gulati Manufacturers refused to pay tax on interest and discount recovered.

Note:

(i) Assume the rates of taxes to be as under:

Supply	CGST rate	SGST rate	IGST rate
Supply of machinery	6%	6%	12%
Service of Transportation of goods	2.5%	2.5%	5%
Other services involved in the above supply	9%	9%	18%

(ii) All the above transactions are exclusive of GST, wherever applicable.

(iii) The opening balance of input tax credit of DEPL for the relevant tax period is Nil. Further, subject to the information given above, assume that all the other conditions necessary for availing ITC have been fulfilled.

(CA Final RTP May, 2020)

1. The place of supply of the machinery supplied by DEPL is _____ and the nature of supply is _.

- (a) Gujarat, intra-State supply
- (b) Haryana, inter-State supply
- (c) New Delhi, inter-State supply
- (d) Maharashtra, inter-State supply

Answer : (b)

2. The GST liability of DEPL for the month of January is _____ (approx.).

- (a) 9,46,660
- (b) 8,67,840
- (c) 9,06,153
- (d) 8,29,440

Answer : (b)

3. The GST liability of DEPL for the month of March is _____ (approx.).

- (a) 36,343
- (b) 36,504
- (c) 35,314
- (d) Nil

Answer : (a)

4. Supply of machinery and supply of installation and commissioning services is _____ supply. Time of supply of interest received by DEPL and cash discount recovered on account of delayed payment of consideration is_.

- (a) composite, 31st March
- (b) composite, 1st January
- (c) mixed, 1st January
- (d) mixed, 31st March

Answer : (a)

5. If the grant of Rs. 3,20,000 received by DEPL had been received from Central Government instead of its holding company Dharam Ltd., with other facts remaining the same, the GST liability of DEPL for the month of January would have been _____ (approx.).

(a) 9,46,660

(b) 8,67,840

(c) 9,06,153

(d) 8,29,440

Answer : (d)