CHARTMASTER's

Q&A & MCQ book

On

INDIRECT TAX LAWS

For

CA Final May 2027 & onwards | CMA Final June 2027 & onwards

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CHARTMASTER's GST

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Coverage of our Q&A Book

The Questions have been compiled from

- ICAI study Material, CS and CMA institute study material & Past Papers
- Revision Test Papers issued by ICAI (Includes latest RTP issued for November 26)
- Mock Test Papers, & Past Exam Papers of ICAI. (Including Exam paper for May 2026)
- CBIC FAQs & IDTC FAQs.

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4. You should be able to see the places you have not been able to write properly.
5. Keep going, you will slowly improve the skill of writing.
6. Also make a note of the question that you couldn't write properly or found difficult while answering, so that next time only those questions can be practiced again.

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1. Supply

Section 7(1)(a): All forms of supply for a consideration in the course / furtherance of Business

1. (New addition)

Examine whether each of the following independent transactions is a "supply" under section 7 of the CGST Act, 2017. Give reasons with the relevant provision or circular.

1. **Mr. Arjun, a salaried employee, trades in cash-settled index futures worth ₹40,00,000 through his broker during the month.**
2. **Sarthi Bank Ltd. sells Priority Sector Lending Certificates (PSLCs) to Pragati Bank Ltd. on the RBI platform for a premium of ₹8,00,000.**
3. **Vega Motors Ltd., a car manufacturer, runs a canteen for its employees. It recovers food costs from employees at actual cost. The canteen is not part of the employment contract.**
4. **Ms. Rangoli, a painter, sends 10 paintings to an art gallery for exhibition. No consideration is paid. Two weeks later a visitor buys one painting for ₹2,00,000.**
5. **Suraksha General Insurance settles a motor accident claim of ₹5,00,000. (a) In Case A it deducts salvage value of ₹60,000 and pays ₹4,40,000. (b) In Case B it pays the full ₹5,00,000, takes the wreck and sells it for ₹70,000.**
6. **Greenfield Club, a registered society, collects ₹25,000 annual subscription from members for gym and events.**
7. **Ms. Kavya, an individual, receives career-counselling services from a consultant in Canada for ₹50,000 for her personal use. Separately, she subscribes to an online streaming service run by a US company.**
8. **Unity Holdings Ltd. holds 80% of the shares of its subsidiary, Unity Steel Ltd. No fee is charged.**
9. **A money changer converts USD into INR for a tourist and charges a separate fee of ₹500. Separately, a coin dealer sells a rare 1835 silver rupee to a collector for ₹75,000.**

(AI Based conceptual question)

Answer:

Sl No.	Supply?	Reason / provision
1	No	Futures are derivatives, and derivatives are "securities". Securities are excluded from both goods [s. 2(52)] and services [s. 2(102)].
2	Yes, goods	PSLCs are goods, not securities. There is no exemption, so the sale is a supply u/s 7(1)(a). *It is an inter-State supply (IGST) and tax is paid under RCM.*
3	Yes, service	"Business" includes incidental/ancillary activities. Cost-to-cost recovery is still consideration. It is not a perquisite under the employment contract, so Schedule III para 1 does not apply.
4	Not at dispatch; Yes on sale	As per the circular, sending art to a gallery without consideration is not a supply. When the buyer selects a painting, it is a sale for consideration → supply.
5	A: No. B: Yes	A: salvage stays the property of the insured, so the insurer has no GST liability. B: salvage becomes the insurer's property, so its sale for ₹70,000 is a taxable supply by the insurer.
6	Yes	Section 7(1)(aa): activities by a person (other than an individual) for its members for consideration are a supply. The club and its members are deemed separate persons.
7	Supply, but...	Import of services for consideration is a supply even if not in the course of business [s. 7(1)(b)]. However, services received by an individual from outside India for non-business purposes are exempt. The streaming service is OIDAR to a non-taxable online recipient, so the exemption does not apply. The foreign supplier pays GST under forward charge.
8	No	Holding shares in a subsidiary is not a supply of service by the holding company. Securities are neither goods nor services.

Sl No.	Supply?	Reason / provision
9	Exchange fee: Yes. Coin: Yes, goods	Converting money from one currency to another for a separate consideration is a "service". Money excludes currency held for its numismatic value, so the rare coin is goods and sale is subject to GST.

Section 7(1)(c): Activities/transactions specified in Schedule I

2. (New addition)

Parikh Industries Ltd., registered under GST in Ahmedabad, Gujarat, is engaged in manufacturing of electric bicycles. On 1st October 2025, the company bought 100 VIP tickets for Rs. 5,000 each for an upcoming final cricket match to be played on 30th October, 2025.

The company distributes these tickets complimentary as under:

Sr. No.	Particulars
(i)	**20 tickets to top 5 clients (not related) as a goodwill gesture.**
(ii)	**2 tickets each to 15 dealers (not related) as part of a scheme where dealers were promised to 2 complimentary tickets of the final cricket match if they achieved 50% more than their actual half yearly target.**
(iii)	**15 tickets to Mr. Surendra, marketing executive as performance reward.**
(iv)	**20 tickets to Mr. Patel, accounts executive as part of 'Family Sports Day' benefit defined in the employment letter.**
(v)	**15 tickets to 15 employees as performance reward. No other complimentary benefits given to these employees till date.**

Compute the value of the taxable supply under the GST law in each of the above case separately along with correct legal provisions for the same in brief.

(CA Final May 26 - 5 Marks)

Answer:

Computation of value of taxable supply

Particulars	Value (Rs.)
20 tickets to top 5 clients [Not a supply since tickets are given without consideration to unrelated persons and it is not covered under Schedule I.]	Nil
2 tickets each to 15 dealers [Not a supply since transaction is being undertaken without consideration and is not covered under Schedule I.]	Nil
15 tickets to Mr. Surendra, marketing executive as performance reward [Tickets given without consideration to employee exceeding Rs. 50,000 in a financial year are deemed as supply under Schedule I.]	75,000
20 tickets to Mr. Patel, accounts executive [Services provided by an employee to employer in course of his employment are neither supply of goods nor as supply of services.]	Nil
15 tickets to 15 employees as performance reward [Not a supply since tickets given without consideration to employee upto Rs. 50,000 in a financial year are not deemed as supply.]	Nil
Value of taxable supply	**75,000**

3.

Answer the following questions:

(a) Sudama Associates, a registered supplier, disposes the computers owned by the business without consideration and it has not claimed input tax credit on such computers.
Examine whether the disposal of computers by Sudama Associates qualifies as deemed supply under Schedule I of the CGST Act.

(b) Prithvi Enterprises appoints Champak to procure certain goods from the market. Champak identifies various suppliers who can provide the goods as desired by Prithvi Enterprises, and asks a supplier – Satya Manufacturers to send the goods and issue the invoice directly to Prithvi Enterprises.
You are required to determine whether Champak can be considered as an agent of Prithvi Enterprises in terms of Schedule I of the CGST Act.

(ICAI study material)

Answer:

(a) **As per section 7(1)(c) read with Schedule I of the CGST Act,** permanent transfer or disposal of business assets is treated as supply even though the same is made without consideration.
However, this provision would apply only if input tax credit has been availed on such assets.
Therefore, the disposal of computers by Sudama Associates is not a supply as the input tax credit has not been availed on the same.

(b) **As per section 7(1)(c) read with Schedule I of the CGST Act,** supply of goods by an agent to his principal where the agent undertakes to receive such goods on behalf of the principal qualifies as supply even if the same is made without consideration.
Further, CBIC circular clarifies that principal-agent relationship falls within the ambit of the Schedule I only where the goods being procured by the agent on behalf of the principal are invoiced in the name of the agent. In that case, further provision of the said goods by the agent to the principal without consideration, would be covered in Schedule I and thus would qualify as supply.
In the given case, Champak is only acting as the procurement agent, and has in no way involved himself in the supply or receipt of the goods. The invoice is being issued in the name of Prithvi Enterprises and not Champak.
Hence, Champak is not an agent of Prithvi Enterprises for the supply of goods in terms of Schedule I of the CGST Act.

4.

Examine whether the following activities would amount to supply u/s 7 of the CGST Act:

(a) Sulekha Manufacturers have a factory in Delhi and a depot in Mumbai. Both these establishments are registered in respective States. Finished goods are sent from factory in Delhi to the Mumbai depot without consideration so that the same can be sold.

(b) Raman is an architect in Chennai. His brother who is settled in London is a well-known lawyer. Raman has taken legal advice from him free of cost with regard to his family dispute.

(c) Would your answer be different if in the above case, Raman has taken advice in respect of his business unit in Chennai?

(ICAI study material)

Answer:

(a) **Schedule I of CGST Act,** inter alia, stipulates that supply of goods or services or both between related persons or between distinct persons as specified in section 25, is supply even without consideration provided it is made in the course or furtherance of business.
Further, where a person who has obtained or is required to obtain registration in a State in respect of an establishment, has an establishment in another State, then such establishments shall be treated as establishments of distinct persons [Section 25 of the CGST Act].
In view of the same, factory and depot of Sulekha Manufacturers are establishments of two distinct persons.
Therefore, supply of goods from Delhi factory of Sulekha Manufacturers to Mumbai Depot without consideration, but in course/furtherance of business, is supply under section 7 of the CGST Act.

(b) **Schedule I of CGST Act,** inter alia, stipulates that import of services from a related person located outside India, without consideration is treated as supply if it is provided in the course or furtherance of business. Explanation to section 15, inter alia, provides that persons shall be deemed to be "related persons" if they are members of the same family.

Further, as per section 2(49) of the CGST Act, 2017, family means, —

(i) the spouse and children of the person, and

(ii) the parents, grand-parents, brothers and sisters of the person if they are wholly or mainly dependent on the said person.

In the given case, Raman has received free of cost legal services from his brother. However, in view of section 2(49)(ii) above, Raman and his brother cannot be considered to be related as Raman's brother is a well-known lawyer and is not wholly/mainly dependent on Raman. Further, Raman has taken legal advice from him in personal matter and not in course or furtherance of business.

Consequently, services provided by Raman's brother to him would not be treated as supply under section 7 of the CGST Act read with Schedule I.

(c) **In the above case,** if Raman has taken advice with regard to his business unit, services provided by Raman's brother to him would still not be treated as supply under section 7 of the CGST Act read with Schedule I as although the same are provided in course or furtherance of business, such services have not been received from a related person.

5.

Gagan Engineering Pvt. Ltd., registered in Haryana, is engaged in providing maintenance and repair services for heavy steel machinery. For carrying out the repair work, Gagan Engineering Pvt. Ltd. sends its container trucks equipped with items like repair equipments, consumables, tools, parts etc. from Haryana workshop to its own repairing centres (registered under GST law) located in other States across India where the clients' machinery are being brought and are being repaired. Discuss the leviability of GST on the inter-State movement of trucks from the workshop of Gagan Engineering Pvt. Ltd. in Haryana to its own repairing centres located in other States across India.

(ICAI study material)

Answer:

As per section 25(4), a person who has obtained more than one registration, whether in one State or Union territory or more than one State or Union territory shall, in respect of each such registration, be treated as 'distinct persons'.

Schedule I to the CGST Act specifies situations where activities are to be treated as supply even if made without consideration. Supply of goods and/or services between 'distinct persons' as specified in section 25, when made in the course or furtherance of business is one such activity included in Schedule I under para 2.

However, in view of the GST Council's recommendation, it has been clarified that the inter-State movement of various modes of conveyance between 'distinct persons' as specified in section 25(4), not involving further supply of such conveyance, including trucks carrying goods or passengers or both; or for repairs and maintenance, may be treated 'neither as a supply of goods nor supply of service' and therefore, will not be leviable to IGST [Circular No. 1/1/2017 IGST dated 07.07.2017].

Thus, in the given case, inter-State movement of trucks from the workshop of Gagan Engineering Pvt. Ltd. located in Haryana to its repair centres located in other States is 'neither a supply of goods nor supply of service'.

6.

Chandragupta Maurya is an artist who makes contemporary paintings. He is registered in the State of West Bengal. Chandragupta Maurya appoints Dhruv Kumar to auction his painting in Maharashtra. Dhruv Kumar arranges for the auction and identifies the potential bidders. The highest bid is accepted and the painting is sold to the highest bidder. The invoice for the supply of the painting is issued by Dhruv Kumar on the behalf of Chandragupta Maurya but in his own name and the painting is delivered to the successful bidder.

Examine whether Dhruv Kumar can be considered as an agent of Chandragupta Maurya under Para 3 of Schedule I of the CGST Act, 2017.

(ICAI study material)

Answer:

An activity/transaction qualifies as supply under GST only if it is undertaken for a consideration and is in course/furtherance of business. However, supply of goods by a principal to his agent where the agent undertakes to supply such goods on behalf of the principal is considered as supply even if made without consideration provided the invoice for further supply is issued by the agent in his own name [Section 7(1)(c) read with Para 3 of Schedule I of the CGST Act, 2017].

CBIC Circular provides that where the invoice for further supply of goods is being issued by the agent in his name then, any provision of goods from the principal to the agent would fall within the fold of Para 3 of Schedule I

In the given case, Dhruv Kumar is not merely providing auctioneering services to Chandragupta Maurya, but is also supplying the painting on behalf of Chandragupta Maurya to the successful bidder and has the authority to transfer the title of the painting on behalf of Chandragupta Maurya. Dhruv Kumar issued the invoice in his own name for supply of the painting on the behalf of Chandragupta Maurya.

Thus, Dhruv Kumar can be considered as an agent of Chandragupta Maurya under Para 3 of Schedule I

7. (New addition)

Kiran Textiles, registered in Surat, Gujarat, undertakes the following during the year. State whether each is a supply, with reasons.

1. **Finished goods sent free to its registered branch in Mumbai, to be sold there.**
2. **Goods sent free to its second registration in Ahmedabad, Gujarat.**
3. **Office furniture sent free to its liquor shop in Tamil Nadu. The shop is not registered because it supplies only alcoholic liquor.**
4. **Goods sent free to (a) Agent A, who invoices customers in his own name, and (b) Agent B, who invoices customers in Kiran's name.**
5. **(a) Procurement agent C finds suppliers, who invoice Kiran directly. (b) Procurement agent D buys goods in his own name and then passes them to Kiran without consideration.**
6. **Agent A provides marketing services to Kiran free of cost.**
7. **Its parent company in Italy, holding 60%, provides design services free. Its own branch in Dubai provides free back-office support.**
8. **The proprietor's brother in London, a successful lawyer who is not dependent on him, gives free legal advice (a) on a family dispute and (b) on the business.**
9. **Its subsidiary provides warehousing free of cost.**
10. **Event management services are provided free to the proprietor's wholly dependent brother. Separately, professional services are given free to the proprietor's independent married sister.**

(AI Based conceptual question)

Answer:

SN	Supply?	Reason
1	Yes (IGST)	An establishment in another State is a distinct person [s. 25(4)/(5)]. Supply between distinct persons in course of business is deemed supply (Sch I para 2).
2	Yes (CGST + SGST)	Each registration is a distinct person, even within the same State [s. 25(4)].
3	Yes	An establishment in another State is a distinct person even when it is not required to register [s. 25(5)].
4	A: Yes. B: No	Per the circular, para 3 applies only where the agent invoices in his own name, meaning he can pass title on the principal's behalf.
5	C: No. D: Yes	Para 3(b) applies only where goods procured for the principal are invoiced in the agent's name.
6	No	Para 3 covers only goods. Services between principal and agent are a supply only with consideration.
7	Both Yes	Para 4: import of services from a related person or own establishment outside India, without consideration, in course of business.
8	(a) No (b) No	A brother is "family" [s. 2(49)] only if wholly or mainly dependent, so he is not related. In (a) it is also not in course of business.
9	Yes	Related persons through control. Free supply in course of business is

SN	Supply?	Reason
		covered by para 2.
10	Brother: Yes. Sister: No	A wholly dependent brother is family, so related. An independent sister is not related, and with no consideration there is no supply.

Section 7(1A): Activities shall be Supply of goods or Supply of services

8. (New addition)

Examine the following independent cases and answer the relevant questions with regards to provision of the GST law:

Blue Bank Ltd. had lent a term loan to SKY Powers for setting up a solar plant on an agreed repayment schedule. Due to crunch in working capital, SKY Powers missed a few installments and the bank charged penal charges for breach of repayment contract.

Whether these penal charges collected by the bank are liable for GST?

(CA Final May 26 - 2 Marks)

Answer:

Liquidated damages are not a consideration for tolerating an act/situation and are thus not a supply. They are amount for preventing breach of contract and thus, are not subject to GST.

Accordingly, no GST is payable on the penal charges collected by bank.

9.

R-TECH Consultancy, registered in Bangalore, supplies technical consultancy services to its clients. It has been providing technical services to Tata Ltd., Bangalore since past two years. Consideration is settled by Tata Ltd. assignment wise. Tata Ltd. paid Rs 66 lakh to R-TECH Consultancy on 10th September, 20XX on R-TECH consultancy agreeing to not provide similar technical services to any other business entity in India or abroad for a period of 8 years. R-TECH Consultancy is of the view that Rs 66 lakh is not chargeable to GST.

You are required to examine whether the view taken by R-TECH Consultancy is valid in law. Calculate GST liability of R-TECH Consultancy, if any. Round off the tax amount if due in accordance with law. The technical services provided by R-TECH consultancy are otherwise chargeable to GST at the rate of 18%. Rate of Tax applicable on service of agreeing to the obligation to refrain from an act is 18%. It may be noted that Tata Ltd. is not ready to pay any further amount to R-TECH Consultancy in addition to the amount already agreed.

(ICAI study material) & (CA Final Nov 22-Similar) – updated

Answer:

The view taken by R-TECH Consultancy is not valid in law. The scope of supply is defined by section 7(1) of CGST Act, 2017. As per section 7(1)(a), it will be considered as supply since it is in the course or furtherance of business. **Further,** paragraph 5(e) of Schedule II provides that agreeing to the obligation to refrain from an act, or to tolerate an act or a situation, or to do an act is treated as supply of service. Thus, any consideration received for agreeing to the obligation to refrain from an act, is subject to GST. Consideration received for non-compete agreement is deemed as consideration for supply of services. Consideration of Rs. 66 lakh received on the promise of R-TECH consultancy of not providing similar services to any other person, is consideration for supply which is chargeable to GST.

Since the place of supply of said services is the location of the recipient, viz. Bangalore and supplier is located in Bangalore, said services are intra-State supplies liable to tax @ CGST 9% & SGST 9%.

Also since, GST is not separately collected, it will be assumed that it is included in Rs. 66 lakh. Rule 35 of CGST Rules, 2017 provides that where the value of supply is inclusive of GST, the tax amount is determined in the following manner:

Tax amount = (Value inclusive of taxes x GST rate in %) [IGST or CGST, SGST/UTGST] / (100 + sum of GST rates in %)

Consequently, value of taxable supply will be Rs 55,93,220 (i.e., Rs 66,00,000 x 100/118). GST liability on Rs 55,93,220 will be calculated as follows-

Particulars	Rs
Taxable value of supply	55,93,220
Add: CGST @ 9% of Rs 55,93,220	5,03,390
SGST @ 9% of Rs 55,93,220	5,03,390
Total GST liability	**10,06,780**

10.

Happy Constructions Ltd., a registered builder under GST in Bengaluru, Karnataka has got permission to build five floors from the Municipal Projects for one of its projects at Suraj Nagar. Aditya Constructions, a neighbouring housing project approached Happy Constructions Limited to discuss regarding blockage of sun light issue arising out of construction of five floors and asked it to build only three floors for which Rs. 20 lakh was offered as compensation. Happy Constructions Limited agreed to the offer. It may be noted that Aditya Constructions is not ready to pay any further amount to Happy Constructions Ltd. in addition to the amount already agreed.

Briefly explain with correct legal provision whether the above amount received as compensation is liable to GST or not? And if considered as taxable, then calculate the total GST payable by Happy Constructions Ltd. Assume the applicable rate of CGST and SGST is 9% each. Also state the conditions to be complied with.

(CA Inter RTP May 24)

Answer:

Agreeing to obligation to refrain from an act, or to tolerate an act or situation, or to do an act has been specifically declared to be a supply of service vide para 5(e) of Schedule II of the CGST Act, 2017 if the same constitutes a supply as per the CGST Act, 2017.

In the given case, Happy Constructions Limited has agreed to build only three floors, even though it is permitted to construct five floors by the Municipal Authorities, for a compensation of Rs. 20 lakh. This results in supply of service.

The conditions to be complied with for the above supply will be

1. There must be an expressed or implied agreement or contract must exist.
2. Consideration must flow in return to this contract/ agreement.

Since Aditya Constructions is not ready to pay any further amount to Happy Constructions Limited in addition to the amount already agreed, the amount received Rs. 20 lakh shall be treated as inclusive of GST and the GST payable will be Rs. 20,00,000 x 9/118 = Rs. 1,52,542.37 or Rs. 1,52,542 (rounded off) as CGST and SGST each.

11.

Mr. Happy has a huge residential property located at a prime location in Mumbai, Maharashtra. He has let out the 1st and 2nd floor to Mr. Peace for residential purposes in April. Mr. Peace surrenders his tenancy rights to Mr. Serene for a tenancy premium of Rs. 10,00,000 on 1st June. Mr. Serene has also paid the applicable stamp duty and registration charges on transfer of tenancy rights. Moreover, Mr. Serene has agreed to pay a monthly rent of Rs. 1,00,000 to Mr. Happy from June. Determine the taxability of the transaction(s) involved in the given case, for the month of June.

Note: Mr. Serene is not a registered person under GST.

(ICAI study material)

Answer:

CBIC circular clarifies that the activity of transfer of tenancy right against consideration [i.e., tenancy premium] is squarely covered under supply of service liable to GST. It is a form of lease or renting of property and such activity is specifically declared to be a service in Schedule II i.e., any lease, tenancy, easement, licence to occupy land is **a supply of services.**

Although stamp duty and registration charges have been levied on such transfer of tenancy rights, it shall be still subject to GST. Merely because a transaction/supply involves execution of documents which may require registration and payment of registration fee and stamp duty, would not preclude them from the 'scope of supply' and from payment of GST.

The transfer of tenancy rights cannot be treated as sale of land/ building in Schedule III. Thus, it is not a non-supply under GST and consequently, a consideration for the said activity shall attract levy of GST. Services provided by outgoing tenant by way of surrendering the tenancy rights against consideration in the form of a portion of tenancy premium is liable to GST. Hence, in the given case, the tenancy premium of Rs. 10,00,000 received by Mr. Peace for surrendering his tenancy rights to Mr. Serene is liable to GST.

The circular further clarifies that since renting of residential dwelling for use as a residence to an unregistered person is exempt, grant of tenancy rights in a residential dwelling for use as residence

dwelling against tenancy premium or periodic rent or both is exempt. Consequently, monthly rent Rs. 1,00,000 received by Mr. Happy from Mr. Serene is exempt.

12.

Nandeeshwar Manufacturers sends certain category of yarn for processing to the job worker. The job worker undertakes the processing work on the yarn as per the requirement of Nandeeshwar Manufacturers. During the process, the job worker uses his own material also. The processed yarn is sold by Nandeeshwar Manufacturers directly from the job worker premises. Balance quantity of yarn and waste material is sent back by the job worker to Nandeeshwar Manufacturers. The job worker is of the opinion that he is using his own material also in the processing and hence the supply to Nandeeshwar Manufacturers is in the nature of supply of goods as well as services. Do you agree with the opinion of job worker?

(ICAI study material)

Answer:

No, the opinion of the job worker is not fully correct.

Section 7(1A) provides that when certain activities or transactions constitute a supply in accordance with the provisions of section 7(1), they shall be treated either as a supply of goods or supply of services as referred to in Schedule II of the CGST Act. Any processing activity carried on any other person's goods is treated as supply of service in terms of Schedule II. The job worker, in addition to the goods received from the principal, can use his own goods for providing the services of job work. These goods are not supply per se, but being used in the processing activity carried out by it.

Thus, the activity undertaken by the job worker, in the given case, squarely falls within the purview of Schedule II and shall be considered as supply of service by the job worker to Nandeeshwar Manufacturers.

13. (New addition)

Shakti Group carries on several businesses. Classify each activity as a supply of goods or a supply of services (or neither), quoting the para of Schedule II or the circular.

1. **Sells a CNC machine outright to a customer.**
2. **Leases a crane to a contractor for 6 months, without transferring title. Separately, sells a 50% undivided share in a machine while keeping title.**
3. **Sells a truck under a hire-purchase agreement. Title passes when the last instalment is paid.**
4. **Leases agricultural land to a company for 5 years. Lets out a commercial floor in a mall.**
5. **Mr. Peace, a tenant of a residential flat, surrenders his tenancy rights to Mr. Serene (unregistered) for a tenancy premium of ₹10,00,000, and stamp duty is paid. Mr. Serene then pays the owner ₹80,000 a month as rent for residence.**
6. **Its job-work unit processes yarn sent by a principal, using some of its own material.**
7. **(a) Buys old tyres, retreads them and sells them. (b) Retreads customers' own tyres.**
8. **(a) Builds buses on chassis it owns and sells them. (b) Builds bus bodies on chassis supplied by customers and charges fabrication charges.**
9. **Lets a director's family use the company's car free for a holiday. The car stays a business asset.**
10. **Its trading unit surrenders registration. Closing stock is ₹15,00,000 and the business is not transferred as a going concern.**
11. **Its real-estate unit sells flats. (a) Part of the consideration is received before the completion certificate. (b) A flat is sold after the completion certificate, with entire consideration received after it. It also collects Preferential Location Charges for sea-facing flats before the completion certificate.**
12. **Licenses its trademark to a franchisee for 3 years.**
13. **Develops and customises ERP software for a client.**
14. **Gives a client the right to use its testing equipment for any purpose.**
15. **Renovates a client's factory building and supplies material in the process. Runs a restaurant in its mall.**

(AI based conceptual questions)

Answer:

SN	Classification	Para / authority
1	Goods	1(a): transfer of title in goods
2	Services (both)	1(b): transfer of right in goods, or of an undivided share, without title
3	Goods	1(c): title to pass at a future date on full payment
4	Services (both)	2(a): lease of land; 2(b): letting out a building for business
5	Premium: taxable service. Rent: exempt	**Pagadi circular:** transfer of tenancy rights is a supply under para 2, and stamp duty does not take it outside supply. The outgoing tenant's surrender for premium is taxable. Residential tenancy to an unregistered person for use as a residence is exempt.
6	Services	Para 3: treatment or process on another person's goods. The job worker's own material is used in providing the service, not supplied separately.
7	(a) Goods (b) Services	Retreading circular
8	(a) Goods (b) Services	Bus-body circular: fabrication on a customer's chassis is the principal supply
9	Services	4(b): business goods put to private use
10	Goods	4(c): deemed supply immediately before ceasing to be a taxable person. Exceptions: going-concern transfer, or business carried on by a personal representative.
11	(a) Services (b) Neither. PLC: services	5(b) applies unless the entire consideration is received after the CC or first occupation (whichever is earlier); (b) falls in Sch III para 5. PLC circular: PLC is part of a composite supply with construction as the principal supply.
12	Services	5(c): temporary transfer or permitting use of an IPR
13	Services	5(d): IT software development and customisation
14	Services	5(f): transfer of right to use goods
15	Services (both)	6(a): works contract [s. 2(119)], since it involves immovable property and transfer of goods; 6(b): restaurant service

Section 7(2)(a): Activities or transactions specified in Schedule III

14.

Angad Private Ltd. is engaged in the business of distribution of construction material. As an incentive, Angad Private Ltd. pays an amount of Rs. 75,000 to its employees upon achieving a specified sales target. The incentive is part of the salary of the employees and applicable tax is deducted at source as per relevant income tax provisions. Angad Private Ltd. is of the view that GST is not leviable on such incentive paid to the employees. Whether the view taken by Angad Private Ltd. is correct?

(ICAI study material)

Answer:

Yes, Angad Private Ltd.'s view is correct.

In terms of section 7(2) read with Schedule III of the CGST Act, services by an employee to employer in the course of or in relation to his employment shall not be treated as supply under GST. **Further,** the amount paid as incentive by Angad Private Ltd. is not in the nature of gift, and thus, is not covered under Schedule I of the CGST Act. In fact, in the given case, the incentive is part of the salary and is directly linked to the sales target. Therefore, the services provided by the employees in return of the incentive given to them shall not be treated as a "supply".

In the light of above discussion, GST is not leviable on the incentive paid by Angad Private Ltd. to employees.

15.

Determine whether GST is payable in each of the following independent transactions:

Dhruv Developers sold a plot of land in Greater Noida after levelling, laying down of drainage lines, water lines and electricity lines.

(CA Inter May 23 RTP)

Answer:

GST is not payable by Dhruv Developers on sale of plot of land. Circular clarifies applicability of GST on sale of land after levelling, laying down of drainage lines etc. As per Para 5 of Schedule III of the CGST Act, 2017, 'sale of land' is neither a supply of goods nor a supply of services. Therefore, the sale of land does not attract GST. Land may be sold either as it is or after some development such as levelling, laying down of drainage lines, water lines, electricity lines, etc. It is clarified that sale of such developed land is also sale of land and is covered by Para 5 of Schedule III and accordingly, does not attract GST.

16.

Mohandas International entered into a transaction for import of goods from a vendor located in Italy. Due to financial issues, Mohandas International was not in a situation to clear the goods upon payment of import duty. Mohandas International sold the goods to Radhakrishnan Export House by endorsement of title to the goods, while the goods were in high seas. The agreement further provided that Mohandas International shall purchase back the goods in future from Radhakrishnan Export House. Discuss the taxability of transaction(s) involved, under the GST law.

(ICAI study material)

Answer:

As per Schedule III of the CGST Act, high seas sale transactions i.e., supply of goods by the consignee to any other person, by endorsement of documents of title to the goods, after the goods have been dispatched from the port of origin located outside India but before clearance for home consumption shall not be considered as supply under GST.

Thus, the sale of goods by Mohandas International to Radhakrishnan Export House in high seas shall not be liable to GST.

Further, the import duty including IGST shall be payable by Radhakrishnan Export House at the time of clearance of goods at port of import. In case the goods are sold back by Radhakrishnan Export House to Mohandas International at a subsequent point of time, the same shall be treated as normal domestic sale transaction and GST shall be applicable on the same subject to other conditions prescribed under GST.

17.

Krishnadev is a trader based in India. Ramakrishna, brother of Krishnadev, is located in China and is also engaged in business of trading of goods. Krishnadev places an order with Ramakrishna for procurement of certain goods from local market in China. Before the shipment of goods from China to India, Krishnadev sold such goods to Christiano, a trader located in Brazil. The goods were subsequently shipped from China to Brazil. Comment on the taxability of transaction between Krishnadev and Christiano under GST in India.

(ICAI study material)

Answer:

The transaction between Krishnadev and Christiano is in the nature of merchant trading.

As per Schedule III of the CGST Act, transactions involving sale of goods from a place in non-taxable territory to another place in non-taxable territory, without such goods entering into India, shall not be treated as supply under GST. Therefore, the transaction between Krishnadev and Christiano shall not be treated as supply and is thus not leviable to GST.

18.

ABC Insurance Ltd., a registered insurer in Maharashtra, is engaged in providing insurance services. During the current financial year, the company entered into following transactions:

(i) ABC Insurance Ltd. enters into a co-insurance agreement with XYZ Insurance Ltd. where ABC Insurance Ltd. is the lead insurer. The insured – Gyaati Industries- pays a total premium of Rs. 50,00,000 which is apportioned by the lead insurer - ABC Insurance Ltd. between itself and XYZ Insurance Ltd. in the ratio of 60:40 for the insurance services jointly supplied by them to Gyaati Industries. ABC Insurance Ltd. agrees to discharge the entire GST liability on the full amount of premium received from Gyaati Industries.

(ii) A large industrial plant needs an insurance worth Rs. 500 crore. It approaches ABC Insurance Ltd. for the same. However, since ABC Insurance Ltd. is unable to underwrite the entire risk alone, it enters into a reinsurance agreement with a reinsurer - PQR Insurance Ltd. The total premium charged is Rs. 50 lakh. The insurer - ABC Insurance Ltd. pays a

reinsurance premium of Rs. 20 lakh to PQR Insurance Ltd. This allows ABC Insurance Ltd. to manage its risk and financial exposure. While paying this amount to PQR Insurance Ltd., ABC Insurance Ltd. deducts a ceding commission of Rs. 1,00,000 which it has charged for the services it provides to PQR Insurance Ltd. PQR Insurance Ltd. pays GST on the gross reinsurance premium including the ceding commission.

Based on the provisions of Schedule III of the CGST Act, 2017, discuss whether the following activities amount to supply:

(a) Apportionment of co-insurance premium by ABC Insurance Ltd. to XYZ Insurance Ltd. for the insurance services jointly supplied by them to Gyaati Industries.

(b) Services by ABC Insurance Ltd. to PQR Insurance Ltd. for which ceding commission is deducted from reinsurance premium paid by ABC Insurance Ltd. to PQR Insurance Ltd.

(CA Final RTP Sep 25)

Answer:

(a) As per para 9 of Schedule III of the CGST Act, 2017, activity of apportionment of co-insurance premium by the lead insurer to the co-insurer for the insurance services jointly supplied by the lead insurer and the co-insurer to the insured is neither supply of goods nor supply of services and hence no GST is charged on the apportionment transaction.

However, the lead insurer (ABC Insurance Ltd.) is required to pay the entire GST (CGST and SGST or IGST, as applicable) on the full premium amount paid by the insured – Gyaati Industries, of Rs. 50,00,000. The co-insurer – XYZ Insurance Ltd. does not pay GST on its share of the premium separately.

(b) As per para 10 of Schedule III of the CGST Act, 2017, services by insurer to the reinsurer for which ceding commission or the reinsurance commission is deducted from reinsurance premium paid by the insurer to the reinsurer is neither supply of goods nor supply of services, subject to the condition that the central tax, the State tax, the Union territory tax and the integrated tax is paid by the reinsurer on the gross reinsurance premium payable by the insurer to the reinsurer, inclusive of the said ceding commission or the reinsurance commission.

However, the reinsurer (PQR Insurance Ltd.) is liable to pay GST on the gross reinsurance premium payable by the insurer (Rs. 20 lakh), inclusive of the ceding commission (Rs. 1 lakh).

Section 7(2)(b)

19.

Sarvanna & Sons wishes to start supplying liquor in the State of Tamil Nadu. Therefore, it applies for license for selling liquor to the Tamil Nadu Government for it has charged specified fee from it. Examine whether the grant of alcoholic liquor license by the Tamil Nadu Government to Sarvanna & Sons qualifies as supply.

(ICAI study material)

Answer:

Services by way of grant of alcoholic liquor license by the State Governments have been notified to be treated neither as a supply of goods nor as a supply of service. Such licence is granted against consideration in the form of licence fee or application fee or by whatever name it is called. This special dispensation is applicable only to supply of service by way of grant of liquor licenses by the State Governments as an agreement between the Centre and States and is not applicable/has no precedence value in relation to grant of other licenses and privileges for a fee in other situations, where GST is payable.

Thus, in the given case, the grant of alcoholic liquor license by the Tamil Nadu Government to Sarvanna & Sons is neither a supply of goods nor a supply of service.

Section 8: Tax liability on composite and mixed supplies

20.

Mangesh Enterprises, Goa, a registered supplier, has made the following supplies in the month of February 2022:

Supply of guest house accommodation with facilities of cooling, heating, internet and parking to customers on daily rentals of Rs. 1,500. Mangesh Enterprises has 20 guest suites. During the month, there was 50% occupancy. Catering and food service were supplied separately to

those who opted for it at a cost of Rs. 500 per day of occupancy. Total amount collected for catering and food service was Rs. 70,000.

Assume rates of GST as under:

S. No.	Particulars	Rate of GST (CGST + SGST)
1	Air conditioner maintenance	18%
2	Food catering service	5%
3	Renting of guest house service	18%
4	Parking service	18%

(CA Final May 22-2 marks)

Answer:

Particulars	Rate of GST	GST (CGST + SGST) (Rs.)
Composite supply of renting of guest house with other facilities [Renting of guest house being principal supply.]	**18%** (Rate of principal supply)	75,600 [37,800 + 37,800] [Rs. 1,500 × 20 suites × 50% ×28 days × 18%]
Separate supply of catering and food services	5%	3,500 [1,750 + 1,750] [Rs. 70,000 × 5%]

21.

Mrs. Kajal, a registered supplier of Jaipur (Rajasthan), has made the following supplies in the month of January:

(i) Supply of a laptop along with the laptop bag to a customer of Mumbai for Rs. 55,000 (exclusive of GST).

(ii) Supply of 10,000 kits (at Rs. 50 each) amounting to Rs. 5,00,000 (exclusive of GST) to Ram Fancy Store in Kota (Rajasthan). Each kit consists of 1 hair oil, 1 beauty soap and 1 hair comb.

(iii) 100 kits are given as free gift to Jaipur customers (all unrelated) on the occasion of Mrs. Kajal's birthday. Each kit consists of 1 hair oil and 1 beauty soap. Cost of each kit is Rs. 35. Input tax credit has not been taken on the goods contained in the kit.

(iv) Event management services provided in course of her business, free of cost to her brother (wholly dependent on her) for his son's marriage function in Indore (Madhya Pradesh). Cost of providing said services is Rs. 80,000.

(v) 1,400 chairs and 100 coolers hired out to Function Garden, Ajmer (Rajasthan) for Rs. 3,30,000 (exclusive of GST) including cost of transporting the chairs and coolers from Mrs. Kajal's godown at Jaipur to Function Garden, Ajmer. Since Mrs. Kajal is not a GTA, transportation services provided by her are exempt vide Notification No. 12/2017 CT (R) dated 28.06.2017.

Assume rates of GST to be as under:-

S. No.	Particulars	Rate of GST
1	Laptop	18%
2	Laptop bag	28%
3	Hair oil	18%
4	Beauty soap	28%
5	Hair comb	12%
6	Event management service	5%
7	Service of renting of chairs and coolers	12%
8	Transportation service	5%

From the above information, examine each of the above supplies made by Mrs. Kajal for the month of January and determine the rate of GST applicable on the same.

(ICAI study material)

Answer:

S. No.	Particulars	Rate of GST
(i)	**Supply of laptop bag along with laptop to Mumbai customer** [Being naturally bundled, supply of laptop bag along with the laptop is a composite supply which is treated as the supply of the principal supply [viz. laptop] in terms of section 8(a). Accordingly, rate of principal supply, i.e., laptop will be charged.]	18%

S. No.	Particulars	Rate of GST
(ii)	**Supply of kits to Ram Fancy Store** [It is a mixed supply and is treated as supply of that particular supply which attracts highest tax rate [viz. beauty soap] in terms of section 8(b).]	28%
(iii)	**Free gifts to customers** [Cannot be considered as supply under section 7 read with Schedule I as the gifts are given to unrelated customers without consideration.]	Nil
(iv)	**Event management services** provided free of cost to her brother for his son's marriage shall be considered as supply as the services are being provided to a related person. Since it is an individual supply, it will be taxed at the rate applicable on said service.	5%
(v)	**Chairs and coolers hired out to Function Garden** [Transportation services provided by Mrs. Kajal are exempt. However, since chairs and coolers are hired out along with their transportation, it is a case of composite supply wherein the principal supply is hiring out of chairs and coolers. Accordingly, transportation service will also be taxed at the rate applicable for renting of chairs and coolers*****]	12%

22.

M/s Diva Fashions (Proprietor Ms. Diva), a registered supplier in Ludhiana (Punjab) under GST law, has made the following supplies in the month of February 2023:

(i) Supply of designer silk dresses packed in designer boxes to a boutique in Mumbai, (Maharashtra) as per contract entered with the boutique amounting to Rs. 25,00,000.

(ii) Supply of 600 kits (at Rs. 1,000 each kit) amounting to Rs. 6,00,000 to Mrs. Arora in Amritsar (Punjab). Each kit consisted of 1 silk dupatta, 1 sari brooch and 1 lipstick.

(iii) 200 kits are given as free gifts to customers on the occasion of 5th anniversary of M/s Diva Fashions. Each kit consists of 1 silk dupatta and 1 sari brooch. Cost of each kit is Rs. 350. The open market value of such kit of goods and of goods of like kind and quality is not available. Input tax credit has not been taken on the goods contained in the kit.

(iv) Professional services provided free of cost by Ms. Diva to her independent married sister to set up her own boutique in Delhi. Cost of providing such services is Rs. 1,00,000, but the open market value of such services and of services of like kind and quality is not available.

(v) M/s Diva Fashions enters into a contract on 1st February, 2021 for 3 years with Miss Shikha, a local model to act as a brand ambassador for their products for Rs. 1 lakh (exclusive of GST - 18% IGST, 9% CGST and SGST each) per annum. Miss Shikha terminated the contract on 2nd February 2023. As per the contract, M/s Diva Fashions received 25% of the total contract fees paid to Miss Shikha as the contract is terminated before 3 years, on 15th February, 2023. Miss Shikha had received the contract fee for 2 years at the time of termination of the contract.

Other information is given below -

(a) All above amounts are exclusive of GST.

(b) Mrs. Arora paid interest of Rs. 8,850 (inclusive of GST) for delay in making payment to M/s Diva Fashions.

(c) Assume rates of GST as under:

S. No.	Particulars	Rate of IGST	Rate of CGST	Rate of SGST
1	Silk Dresses	18%	9%	9%
2	Designer Boxes	28%	14%	14%
3	Silk Dupatta	12%	6%	6%
4	Sari Brooch	18%	9%	9%
5	Lipstick	5%	2.5%	2.5%
6	Professional services	18%	9%	9%

From the above information, compute the total GST liability of M/s Diva Fashions for the month of February 2023. Working notes should form part of your answer.

(CA Final May 23-9 marks)

Answer:

Computation of total GST liability of M/s Diva Fashions for the month of February, 2023

Particulars	Amount (Rs.)	CGST (Rs.)	SGST (Rs.)	IGST (Rs.)
Supply of silk dresses in designer boxes [Since supply of silk dresses in designer boxes is naturally bundled, it is a composite supply which is treated as the supply of the principal supply (viz. silk dresses). Accordingly, rate of principal supply, i.e. silk dresses will be charged.]	25,00,000	-	-	4,50,000 [25,00,000 x 18%]
Supply of kits of silk dupatta, sari brooch and lipstick [Since supplies are not naturally bundled and a single price is being charged, it is a mixed supply. It is treated as supply of that particular supply which attracts highest tax rate (i.e., sari brooch).]	6,00,000	54,000 [6,00,000 x 9%]	54,000 [6,00,000 x 9%]	-
Free gifts to customers [Not a supply as it is made without consideration and is also not covered in Schedule I because customers are not related persons.]	Nil			
Professional services provided free of cost [Not a supply as it is made without consideration and is also not covered in Schedule I because sister being independent is not a related person.]	Nil			
Fee received for termination of contract [Being 'liquidated damages', they are merely compensation for loss due to breach of the contract and not the consideration for tolerating non-performance of contract.]	Nil			
Interest received for delayed payment (excluding GST) [Includible in value of original supply. Further, since it is received in February itself, time of supply is when it is received i.e. February.]	7,500 [8,850 x 100/118]	675 [7,500 x 9%]	675 [7,500 x 9%]	-
GST liability		**54,675**	**54,675**	**4,50,000**

Note: It has been most logically assumed that interest pertains to the supply of 600 kits made to Mrs. Arora. Hence, same rate of 18% is applied on it.

23.

Satyamev Printers is a printing house registered under GST. It receives an order for printing 5000 copies of a book on yoga and meditation authored by a well-known yoga guru. The content of the book is to be provided by the yoga guru to Satyamev Printers. It is agreed that Satyamev Printers will use its own paper to print the said books.

You are required to determine the rate of GST applicable on supply of printed books by Satyamev Printers assuming that rate of GST applicable on printing services is 18% whereas the rate of GST applicable on supply of paper used in printing the books is 12%.

(ICAI study material)

Answer:

Section 2(30) provides that a composite supply means a supply made by a taxable person to a recipient consisting of two or more taxable supplies of goods or services or both, or any combination thereof, which are naturally bundled and supplied in conjunction with each other in the ordinary course of business, one of which is a principal supply.

CBIC circular has clarified that supply of books, pamphlets, brochures, envelopes, annual reports, leaflets, cartons, boxes etc. printed with logo, design, name, address or other contents supplied by the recipient of such printed goods, are composite supplies.

Further, section 8(a) stipulates that a composite supply comprising two or more supplies, one of which is a principal supply, is treated as a supply of such principal supply. Hence, one needs to ascertain what constitutes the principal supply in this supply. Principal supply is the supply of goods or services which constitutes the predominant element of a composite supply and to which any other supply forming part of that composite supply is ancillary.

The above circular further clarifies that in the composite supply of printing of books, pamphlets, brochures, annual reports, and the like, where only content is supplied by the publisher or the person who owns the usage rights to the intangible inputs while the physical inputs including paper used for printing belong to the printer, supply of printing [of the content supplied by the recipient of supply] is the principal supply and therefore such supplies would constitute supply of service.

Accordingly, in the given case, the supply of printed books by Satyamev Printers is a composite supply wherein the principal supply is supply of printing services. Thus, the rate of GST applicable thereon is the rate applicable on supply of printing services, i.e., 18%.

Miscellaneous/Based on circulars

24.

Mr. Kanjilal Adani is an oil exploration & production contractor and is registered under GST in the State of Gujarat. He entered into a Production Sharing Contract (PSC) with Government of Gujarat wherein he gets a license to explore, exploit and sell the petroleum crude and/or natural gas from the Government in Aliabet Oilfield in lieu of royalty and a share in profit petroleum.

In the month of June, Mr. Kanjilal Adani explored the petroleum reserves at Aliabet Oilfield. He got a portion of the petroleum silt (non-taxable under GST) worth Rs. 3,00,000 as part of compensation. This petroleum silt is part of cost petroleum as per the contract entered with the Government.

Examine the taxability of the petroleum silt received by Mr. Kanjilal Adani under the GST law.

(ICAI study Material)

Answer:

Compensation is received by Mr. Kanjilal Adani in the form of petroleum silt which, as per the contract with the Government of Gujarat, is part of cost petroleum.

As per Circular No. 32/06/2018 GST dated 12.02.2018, the cost petroleum is not a consideration received by the oil exploration & production contractors for the services provided to Government under a Production Sharing Contract (PSC) and thus not taxable per se. The reason for the same is that the contractors carry exploration and production of petroleum for themselves and not as a service to Government. They had acquired the right to explore, exploit and sell petroleum in lieu of royalty and a share in profit petroleum.

Consequently, the cost petroleum received by Mr. Kanjilal Adani is not taxable under GST.

25.

Gamma Multiplex registered in the State of Punjab, gives the following offers for booking movie tickets :

SN	Particulars	Price Charged (excluding GST)
1	Tickets only	Rs. 200 per person
2	Combo offer	Rs. 350 per person (which includes Rs. 200 for ticket & Rs. 150 for snacks)
3	Snacks only	Rs. 250 per token (snacks quantity will be more when compared to combo offer)

For the month of April 2024, Gamma Multiplex situated in Punjab made the following supplies :

(i) 10,000 tickets under combo offer

(ii) 2,500 tickets only

(iii) 1,000 tokens of snacks only

GST rates applicable are:

Rate of GST	CGST	SGST	IGST
Supply of Snacks	2.5%	2.5%	5%
Supply of service of exhibition of cinema	9%	9%	18%

You are required to determine the following, by explaining the relevant provisions:

(i) Rate of GST to be applied when combo supply is made

(ii) Rate of GST to be applied when snacks are sold in Multiplex

(iii) Gross GST payable by Gamma Multiplex for the month of April, 2024.

(CA Inter Jan 25 – 5 marks)

Answer:

(i) The combo supply of cinema tickets and snacks is a composite supply wherein the entire supply will attract GST at the rate applicable to service of exhibition of cinema being the principal supply.
Further, it is an intra-State supply since the place of supply is Punjab.
Thus, in the given case, rates of GST to be applied are 9% CGST and 9% SGST.
Note: the place of supply of services supplied to unregistered persons with no address on records is location of the supplier.

(ii) Supply of snacks is an individual supply.
Further, it is an intra-State supply since the place of supply is Punjab.
Thus, the applicable rates of GST are 2.5% CGST and 2.5% SGST.
Note: the place of supply of goods supplied to unregistered persons over the counter with no address on records is location of the supplier.

(iii) **Computation of Gross GST payable by Gamma Multiplex for April, 2024**

S. No.	Particulars	GST Rate	Value (Rs.)	CGST (Rs.)	SGST (Rs.)
1.	Supply of combo offer [10,000 X Rs. 350]	9	35,00,000	3,15,000	3,15,000
2.	Supply of tickets only [2,500 X Rs. 200]	9	5,00,000	45,000	45,000
3.	Supply of snacks only [1,000 X Rs. 250]	2.5	2,50,000	6,250	6,250
	Total GST payable by Gamma Multiplex			**3,66,250**	**3,66,250**

26.

Decide with reason whether following independent transactions amount to supply or not as per the provision, rules, circulars and notification issued under the GST law:

(i) Satyam has lent securities to Kala Enterprises for a consideration of Rs. 10,000 towards lending of securities under the Securities Lending Scheme, 1997 through an approved intermediary. Ignore the transaction between Satyam and intermediary.

(ii) Patta Limited made supply of goods to its agent, Romi, without consideration. Romi issued invoice for the further supply of goods to the customers in his own name. Romi also disclosed the name of principal in the invoice issued.

(iii) Dilasa Limited recruited Miss Chhaya as senior relationship manager. At the time of joining as senior relationship manager, the company paid Rs. 3,00,000 towards "Not joining'' Milan Limited, a stiff competitor of Dilasa Limited.

(CA final Nov 24 - 5 Marks)

Answer:

(i) Lending of securities under the Securities Lending Scheme is not a transaction in securities as it does not involve disposal of securities. It is not excluded from the definition of services and amounts to supply. Consequently, lending of securities for consideration to Kala Enterprise amounts to supply.

(ii) Since the invoice for further supply of goods is being issued by the agent – Romi. in his own name, the provision of goods from the principal – Patta Limited. - to the agent – Romi - would fall within the purview of Schedule I of the CGST Act, 2017 and would amount to supply even though made without consideration. Further, supply of goods by Romi to the customer for consideration amounts to supply.

(iii) Since any amount paid by employer to employee for not joining a competing business is paid for providing the service of forbearance to act to refrain cannot be considered for providing services in the course of employment, amount received by Miss Chhaya from Dilasa Limited amounts to supply under the GST law.

27.

PTL Pvt. Ltd. is a retail store of merchandise located in 25 States/UTs in the country. For the purpose of clearance of stock of merchandise and to attract consumers, PTL Pvt. Ltd. launched

scheme of "Buy One Get One Free" for the same type of merchandise, for instance, one shirt to be given free with purchase of one shirt. Determine how the taxability of the goods supplied under "Buy One Get One Free" scheme is determined.

(ICAI study material – CA Inter)

Answer:

As per section 7(1)(a), the goods or services which are supplied free of cost (without any consideration) are not treated as "supply" except in case of activities mentioned in Schedule I of the CGST Act.

Under "Buy One Get One Free" scheme, it may appear at first glance that in case of offers like "Buy One, Get One Free", one item is being "supplied free of cost" without any consideration. **However,** it is not an individual supply of free goods, but a case of two or more individual supplies where a single price is being charged for the entire supply. It can at best be treated as supplying two goods for the price of one.

In the given case, when one shirt to be given free with purchase of one shirt, it's a case of two or more individual supplies where a single price is being charged for the entire supply.

Hence, it should be treated as mixed supply.

28.

The temple of ancestral deity of Mr. Aman goel and his family is located at Beri, Haryana. The temple is run by a charitable organisation registered under section 12AB of the Income Tax Act, 1961. The family has got unshakeable faith in their ancestral deity. Mr. Aman is a big entrepreneur having flourishing business of tiles in Gurugram. Upon the birth of their first child, he donated Rs. 10 lakhs to the said temple for construction of a sitting hall in the temple. On the main door of the sitting hall, a name plate was placed stating "Donated by Mr. Aman Goel upon birth of his first child".

You are required to examine the leviability of GST on the donation received from Mr. Aman Goel?

(CA Inter RTP - May 20)

Answer:

CBIC circular has clarified that when the name of the donor is displayed in the religious institution premises, by placing a name plate or similar such acknowledgement, which can be said to be an expression of gratitude and public recognition of donor's act of philanthropy and is not aimed at giving publicity to the donor in such manner that it would be an advertising or promotion of his business, then it can be said that there is no supply of service for a consideration (in the form of donation). There is no obligation (quid pro quo) on part of recipient of the donation or gift to do anything (supply a service). Therefore, there is no GST liability on such consideration.

In the given case, there is no reference or mention of any business activity of the donor which otherwise would have got advertised.

Thus, since the gift or donation is made to a charitable organization, the payment has the character of gift or donation and the purpose is philanthropic (i.e., it leads to no commercial gain) and not advertisement, **hence GST is not leviable.**

29.

(a) Rudraksh Kapoor, owner of Rudraksh Publishing House, Ghaziabad, U.P., donated some money to a Divyaprakash Charitable Trust in the memory of his late father. The Divyaprakash Charitable Trust constructed a room in the school run by it from such donation and wrote "Donated by Rudraksh Kapoor in the memory of his father" on the door of the room so constructed. Examine whether the money donated by Rudraksh Kapoor is leviable to GST.

(b) In the above question, if the Divyaprakash Charitable Trust had written on the door of the room constructed in the school run by it from the money donated by Rudraksh Kapoor "Donated by Rudraksh Publishing House, Ghaziabad, U.P.", would the given transaction/activity qualify as supply.

(ICAI study material)

Answer:

CBIC circular has clarified that in case of donations received by a charitable institution, when the name of the donor is displayed in recipient institution's premises, in such a manner, which can be said to be an

expression of gratitude and public recognition of donor's act of philanthropy and is not aimed at giving publicity to the donor in such manner that it would be an advertising or promotion of his business, then it can be said that there is no supply of service for a consideration (in the form of donation). Donations received by the charitable organisations are treated as consideration only if there exists, quid pro quo, i.e., there is an obligation on part of recipient of the donation or gift to do anything (supply a service).

Thus, GST is not leviable where all the following three conditions are satisfied namely:

(i) Gift or donation is made to a charitable organization

(ii) Payment has the character of gift or donation

(iii) Purpose is philanthropic (i.e., it leads to no commercial gain) and not advertisement.

(a) In the backdrop of the above discussion, since in the given case, the way the name of Rudraksh Kapoor is displayed on the door of the room constructed in the school run by Divyaprakash Charitable Trust, it is only an expression of gratitude and public recognition of Rudraksh's act of philanthropy and is not aimed at advertising or promoting his business. There is no reference/mention of his publishing house which otherwise would have got advertised. Thus, the money donated by Rudraksh Kapoor is not a leviable to GST.

(b) In the given case, since the name of Rudraksh Publishing House has been displayed on the door of the room constructed in the school run by Divyaprakash Charitable Trust, it might be aimed at advertising or promoting his business. There is a direct mention of his publishing house which is being advertised. In such a case, it is a supply of service by Divyaprakash Charitable Trust for a consideration received in the form of donation.

Complete Illustrations

30.

Power Engineering Pvt. Ltd., a registered supplier, is engaged in providing expert maintenance and repair services for large power plants that are in the nature of immovable property, situated all over India. The company has its Head Office at Bangalore, Karnataka and branch offices in other States. The work is done in the following manner.

The company has self-contained mobile workshops, which are container trucks fitted out for carrying out the repairs. The trucks are equipped with items like repair equipments, consumables, tools, parts etc. to handle a wide variety of repair work.

The truck is sent to the client location for carrying out the repair work. Depending upon the repairs to be done, the equipment, consumables, tools, parts etc. are used from the stock of such items carried in the truck.

In some cases, a stand-alone machine is also sent to the client's premises in such truck for carrying out the repair work.

The customer is billed after the completion of the repair work depending upon the nature of the work and the actual quantity of consumables, parts etc. used in the repair work.

Sometimes the truck is sent to the company's own location in other State(s) from where it is further sent to client locations for repairs.

Work out the GST liability [CGST & SGST or IGST, as the case may be] of Power Engineering Pvt. Ltd., Bangalore on the basis of the facts as described, read with the following data for the month of November 20XX.

SN	Particulars	Rs
A.	**Truck sent to own location in Tamil Nadu for delivering items** **Value of items contained in the truck - Rs 3,00,000** **Value of truck - Rs 25,00,000**	
B.	**Truck sent to a client location in Tamil Nadu for carrying out repairs. Stand - alone machine is also sent in the truck to client location for repairs** **Value of items contained in the truck – Rs 2,85,000** **Value of stand-alone machine - Rs 4,00,000** **Value of truck - Rs 20,00,000** **(Billing for repairs to be done afterwards depending upon the actual items used)**	
C.	**Truck sent to a client location in Karnataka for carrying out repairs**	

SN	Particulars	Rs
	Value of items contained in the truck - Rs 1,06,000 **Value of truck - Rs 20,00,000** **(Billing for repairs to be done afterwards depending upon the actual items used)**	
D.	**Invoices raised for repair work carried out in Tamil Nadu [including the invoice for repair work done in 'B'] -**	**70,00,000**
E.	**Invoices raised for repair work carried out in Karnataka [including the invoice for repair work done in 'C']**	**12,00,000**

Also, specify the document(s), if any, which need to be issued by Power Engineering Pvt. Ltd., Bangalore for the above transactions.

All the given amounts are exclusive of GST, wherever applicable. Assume the rates of taxes to be as under:

Items used for repairs		
CGST – 6%	**SGST – 6%**	**IGST – 12%**
Container truck, Stand-alone machines		
CGST – 2.5%	**SGST – 2.5%**	**IGST – 5%**
Works contract for repairs and maintenance of immovable property		
CGST – 9%	**SGST – 9%**	**IGST – 18%**

You are required to make suitable assumptions, wherever necessary.

(CA Final RTP May 18)

Answer:

Computation of GST Liability of Power Engineering Pvt. Ltd., Bangalore for the month of November 20XX

SN.	Particulars	Rs
A.	Items sent in container truck to own location in Tamil Nadu - IGST @ 12% [Note 1]	36,000
	Container truck sent to own location in Tamil Nadu [Note 2]	-
B.	Stand-alone machine sent in container truck to client location in Tamil Nadu, for carrying out repairs [Note 3]	-
	Container truck sent to client location in Tamil Nadu [Note 3]	-
	Items sent in container truck to client location in Tamil Nadu, for carrying out repairs [Note 4]	-
C.	Container truck sent to client location in Karnataka [Note 3]	-
	Items sent in container truck to client location in Karnataka, for carrying out repairs [Note 4]	-
D.	Invoices raised for repair work carried out in Tamil Nadu: IGST @ 18% [Note 5 and Note 6]	12,60,000
E.	Invoices raised for repair work carried out in Karnataka: CGST 9% + SGST 9% [Note 5 and Note 7]	2,16,000
Total GST liability		**15,12,000**

Notes:

(1) Movement of goods without any consideration to a 'distinct person' as specified in section 25(4) of the CGST Act, 2017 is deemed to be a supply in terms of Schedule I of the said Act. The purchase value is taken as taxable value, being the open market value in terms of rule 28(a) of the CGST Rules 2017. (However, if the regional office is eligible to take full input tax credit, any value may be declared in the tax invoice and that will be taken to be the open market value in terms of the second proviso to the same rule.)

In the given case-

- the location of the supplier is in Bangalore (Karnataka); and
- the place of supply of items contained in the truck is the location of such goods at the time at which the movement of goods terminates for delivery to the recipient i.e., Tamil Nadu in terms of section 10(1) (a) of the IGST Act, 2017.

Therefore, the given supply of items is an inter-State supply as the location of the supplier and the places of supply are in two different States [Section 7(1)(a) of IGST Act, 2017]. Thus, the supply is leviable to IGST in terms of section 5(1) of the IGST Act, 2017.

Since the activity is a supply, a tax invoice is to be issued by Power Engineering Pvt. Ltd. in terms of section 31(1)(a) of the CGST Act, 2017 for sending the items to its own location in Tamil Nadu.

(2) **As per section 25(4) of the CGST Act, 2017,** a person who has obtained more than one registration, whether in one State or Union territory or more than one State or Union territory shall, in respect of each such registration, be treated as 'distinct person'.

Schedule I to the CGST Act, 2017 specifies situations where activities are to be treated as supply even if made without consideration. Supply of goods and/or services between 'distinct persons' as specified in section 25 of the CGST Act, 2017, when made in the course or furtherance of business is one such activity included in Schedule I under para 2.

However, in view of the GST Council's recommendation, it has been clarified that the inter-State movement of various modes of conveyance between 'distinct persons' as specified in section 25(4), not involving further supply of such conveyance, including trucks carrying goods or passengers or both; or for repairs and maintenance, may be treated 'neither as a supply of goods nor supply of service' and therefore, will not be leviable to IGST. Applicable CGST/SGST/IGST, however, shall be leviable on repairs and maintenance done for such conveyance.

Since the activity is not a supply, tax invoice is not required to be issued by Power Engineering Pvt. Ltd. However, a delivery challan is to be issued by the company in terms of rule 55(1)(c) of CGST Rules, for sending the truck to its own location in Tamil Nadu.

(3) Supply of goods without consideration is deemed to be a supply inter alia when the goods are supplied to a 'distinct person'. However, in this case, stand-alone machine and container truck are moved to client location and not between 'distinct person'. Hence, the same will fall outside the scope of definition of supply and will not be leviable to GST.

Here again, a delivery challan is to be issued in terms of rule 55(1)(c) of CGST Rules, 2017 for sending the stand-alone machines and container truck to client location.

(4) **As per section 2(119) of the CGST Act, 2017,** 'works contract' means a contract for, inter alia, repair, maintenance of any immovable property wherein transfer of property in goods (whether as goods or in some other form) is involved in the execution of such contract.

In this case, the supplier provides maintenance and repair services for power plants that are in the nature of immovable property and uses consumables and parts, wherever necessary, for the repairs. Hence, the contract is that of a works contract.

Further, as per section 2(30) of the CGST Act, 2017 a works contract is a 'composite supply' as it consists of taxable supplies of both goods and services which are naturally bundled and supplied in conjunction with each other. The composite supply of works contract is treated as supply of service in terms of para 6(a) of Schedule II to the CGST Act, 2017.

The items used in relation to the repair and maintenance work could be consumables or could be identifiable items/parts. In either case, the transfer of property in goods is incidental to a composite supply of works contract service. Thus, the value of the items actually used in the repairs will be included in the invoice raised for the service and will be charged to tax at that point of time.

Here again, a delivery challan is to be issued in terms of rule 55(1) (c) of CGST Rules, 2017 for sending the items for carrying out the repairs.

(5) **The activity is a composite supply of works contract, which is treated as supply of service.** As per section 8(a) of the CGST Act, 2017, a composite supply is treated as a supply of the principal supply involved therein and charged to tax accordingly.

Since the activity is a supply of service, a tax invoice is to be issued by Power Engineering Pvt. Ltd. in terms of section 31(2) of the CGST Act, 2017.

(6) **In the given case-**

- the location of the supplier is in Bangalore (Karnataka); and
- the place of supply of works contract services relating to the power plant (immovable property) is the location at which the immovable property is located i.e., Tamil Nadu in terms of section 12(3) (a) of the IGST Act, 2017.**Therefore,** the given supply is an inter-State supply as the location of the supplier and the places of supply are in two different States. Thus, the supply will be leviable to IGST in terms of section 5(1) of the IGST Act, 2017.

(7) **In the given case,** the location of the supplier and the place of supply of works contract services are within the same State. Therefore, the given supply is an intra- State supply in terms of section 8(1) of IGST Act, 2017 and thus, chargeable to CGST and SGST.

1. Supply

Goods & services

1. Goods as per section 2(52) of the CGST Act, 2017 includes:
(i) Actionable claims
(ii) Growing crops attached to the land agreed to be severed before supply.
(iii) Money
(iv) Securities
(a) (i) and (iii)
(b) (iii) and (iv)
(c) (i) and (ii)
(d) (ii) and (iii)

2. Which of the following is not considered as 'goods' under the CGST Act, 2017?
(i) Ten-paisa coin having sale value of Rs. 100.
(ii) Shares of unlisted company
(iii) Lottery tickets
(a) (i)
(b) (ii)
(c) (ii) and (iii)
(d) (i), (ii) and (iii)

3. Ram a stock broker charges some service charges or service fees or documentation fees or broking charges or such like fees or charges are charged in relation to transactions in securities, the same would be a consideration for provision of service. Will such brokerage/service fees be service and chargeable to GST?
(a) Yes
(b) No

4. Which one of the following is/are correct?
(a) Currency held for its numismatic value falls under Goods.
(b) Currency held for its numismatic value doesn't fall under Goods.
(c) Money shall include currency held for its numismatic value.
(d) Both a & c

5. Which one of the following is/are correct?
(a) Priority Sector Lending Certificates are securities and not taxable as goods.
(b) Priority Sector Lending Certificates are not securities and taxable as goods.
(c) Priority Sector Lending Certificates are not securities and taxable as services.
(d) Both A&C

6. Which one of the following is/are correct?
(a) PSLC are securities and IGST is applicable.
(b) PSLC are securities and CGST & SGST are applicable.
(c) PSLC are goods and IGST is leviable.
(d) PSLC are goods and CGST & SGST are applicable.

7. Activities related to the use of money or its conversion by cash or any other mode by charging a separate consideration is Services?
(a) False.
(b) True.

Section 7(1)(a): All forms of supply for a consideration in the course / furtherance of Business

8. Mr. Manubhai and Mr. Anubhai are two brothers running a business of supplying lubricants located in the State of Gujarat in their company, M/s. Ambani Lubricants (P) Ltd. On the death of their respected father, the two brothers have divided their business. However, they have signed an agreement that Mr. Anubhai will not enter into the business of supplying lubricants similar to the business done by M/s. Ambani Lubricants (P) Ltd. run by Mr. Manubhai, for which Mr. Manubhai will pay him Rs. 2.5 crores as a lump sum payment. State whether transaction entered through the above agreement constitutes supply under CGST Act, 2017 or not.
(a) Yes, supply of goods by Mr. Manubhai.
(b) Yes, supply of goods by Mr. Anubhai.
(c) Yes, supply of services by Mr. Manubhai.
(d) Yes, supply of services by Mr. Anubhai.

9. Which one of the following is not considered as Consideration in relation to the supply of goods or services?
(a) A deposit given in respect of the supply of goods or services or both.
(b) Any subsidy given by the Central Government or a State Government.
(c) Any subsidy other than subsidy given by the

Central Government or a State Government.
(d) Both (a) & (b)

Section 7(1)(b): Importation of services for a consideration

10. Mr. Rupesh Patel, is voluntarily registered under GST having turnover of Rs. 15,00,000/-. He is a practicing Company Secretary providing professional services from his partnership firm located in Chandigarh to its various clients. He has taken some interior decoration services from abroad for a residential home owned in the name of the firm which is under construction in Chandigarh. He has paid Rs. 2,00,000/- for the same. In view of the above information, state the correct option-
(a) GST is payable on the interior decoration services received from abroad.
(b) Interior decoration services received from abroad are not taxable, since not in the course or furtherance of business.
(c) Interior decoration services received from abroad are exempt in terms of section 6 of IGST Act, 2017
(d) Interior decoration services received from abroad are not taxable, since below threshold limit.

11. P an Individual took Amazon Prime subscription for personal purpose; is it supply and subject to GST?
(a) No, since it's for personal purpose it is not considered as supply and will not attract GST.
(b) Yes, it's considered as supply and will attract GST, payable under Reverse charge mechanism.
(c) Yes, it's considered as supply and will attract GST, payable under Forward charge mechanism.
(d) None of the above.

Section 7(1)(c): Activities/transactions specified in Schedule I

12. Determine which of the following independent cases will be deemed as supply even if made without consideration in terms of Schedule I of the CGST Act, 2017?
(i) AB & Associates transfers stock of goods from its Mumbai branch to Kolkata depot for sale of such goods at the depot.
(ii) Mr. Raghuveer, a dealer of air-conditioners permanently transfers the motor vehicle free of cost. ITC on said motor vehicle was blocked and therefore, was not availed.
(iii) Mrs. Riddhi, an employee of Sun Ltd., received gift from her employer on the occasion of Diwali worth Rs. 21,000.
(a) (i)
(b) (ii)
(c) (iii)
(d) Both (i) and (ii)

13. _____ specifies the activities to be treated as supply even if made without consideration.
(a) Schedule I of CGST Act
(b) Schedule II of CGST Act
(c) Schedule III of CGST Act
(d) All of the above

14. Which of the given activities does not amount to supply?
(a) An architect in India seeks legal advice from his son settled in London free of cost with regard to his family dispute.
(b) A Resident Welfare Association provides the service of depositing the electricity bills of the residents in lieu of some nominal charges.
(c) A dealer of air-conditioners permanently transfers an air conditioner from his stock in trade, for personal use at his residence.
(d) An electronic commerce operator in India seeks legal advice for its business from its head office in the US free of cost.

15. In which of the following cases, import of services by an individual is supply under GST?
(1) Import of service with consideration in course or furtherance of business.
(2) Import of service with consideration not in course or furtherance of business.
(3) Import of service without consideration from a related person in course or furtherance of business.
(4) Import of service without consideration from a related person not in course or furtherance of business.
(a) (1) and (3)
(b) (2) and (4)
(c) (1), (2) and (3)
(d) (4)

16. Which of the following transactions does not qualify as supply under GST law?

(a) Disposal of car without consideration and where the supplier has not claimed ITC on such car.

(b) When a principal makes supplies to his agent who is also registered under GST and is situated within the same State and the invoice for further supply is issued by the agent in his name.

(c) When the Head Office makes a supply of services to its own branch outside the State.

(d) A person imports services without consideration for the purposes of his business from his elder son living outside India.

17. Mr. James Bond is a registered person under GST in the State of Maharashtra who sells footwear to his customers locally within the same State. He has been appointed as an agent by M/s. Toto Shoes Ltd., a company registered under GST in the State of Karnataka. During a financial year, M/s. Toto Shoes Ltd., sends taxable goods worth Rs 5.00 crore from its Bengaluru store to Mr. James Bond who sells such goods for Rs 5.00 crore by raising invoices using the GSTIN of M/s. Toto Shoes Ltd. Mr. James Bond receives a commission of Rs 60.00 lakh from M/s. Toto Shoes (P) Ltd., during the said financial year.

Compute the value of supply of Toto Shoes (P) Ltd. and Mr. James Bond for the FY.

(a) M/s. Toto Shoes (P) Ltd.: Nil and James Bond: Rs 5.6 crore

(b) M/s. Toto Shoes (P) Ltd.: Rs 5 crore and James Bond: Rs 5.6 crore

(c) M/s. Toto Shoes (P) Ltd.: Rs 5 crore and James Bond: Rs 60 lakh

(d) None of the above

18. Mr. Palliwal Desai, a registered practicing Chartered Accountant, located in Jaipur, in the State of Rajasthan, is providing professional and consultancy services to its various clients from his firm.

He has taken some professional consultancy services from another establishment of its firm in UK. He has not paid any consideration for the same.

Such services would have been taxable @ 18% (9% under CGST + 9% under SGST and 18% under IGST), had they been received in India. Also, Mr. Palliwal Desai would have paid Rs. 4.00 Lakh, had he not received the said services from the UK establishment.

State the liability of Mr. Palliwal Desai, under CGST/ IGST Act, 2017, out of the following options-

(a) Rs. 72,000/- as Integrated Tax

(b) CGST Rs. 36,000/- & SGST Rs. 36,000/-, since POS is in India

(c) Nil, since no foreign exchange was paid

(d) Nil, since such services are exempt

19. Which of the following is not considered as a supply under the CGST Act, 2017?

(a) Importation of architectural services for Rs.1,00,000/- for construction of residential property used for personal purposes from an unrelated person.

(b) Importation of architectural services free of cost for construction of office used for business purposes from related person.

(c) Importation of architectural services free of cost for construction of office used for business purposes from unrelated person.

(d) Both (a) and (c)

20. Which of the following is not a supply under the CGST Act, 2017?

(a) Goods supplied free of cost by X & Sons to its agent for further supply to customers at Rs. 5,000 for which invoice will be issued by the agent in his own name.

(b) Importation of accounting services (for business purposes) free of cost from a dependent father residing in the US.

(c) An expensive watch gifted to an employee for Rs. 50,000. No other gifts provided to such employee during the entire financial year.

(d) A machinery disposed off free of cost on which input tax credit has been availed.

21. M/s. XYZ, a banking company, appoints Mr. B (auctioneer) to auction certain goods. The auctioneer arranges for the auction and identifies the potential bidders. The highest bid is accepted and the goods are sold to the highest bidder by M/s. XYZ. The invoice for the supply of the goods is issued by M/s. XYZ to the successful bidder.

Is Mr. B an agent of M/s XYZ for the supply of goods in terms of Schedule I para 3?

(a)Yes

(b)No

22. When will a del-credere agent fall under the ambit of agent under Para 3 of Schedule I of the CGST Act?
(a) where the invoice for further supply of goods is issued by the DCA in his own name
(b) where the invoice for further supply of goods is issued by the DCA in his name of principal
(c) where the invoice for further supply of goods is issued by Principal
(d) where the invoice for further supply of goods is not issued at all

23. Which of the following services received, in the course or furtherance of business, without consideration amount to supply?
(i) Import of services by a person in India from his son well-settled in USA
(ii) Import of services by a person in India from his brother well-settled in Germany
(iii) Import of services by a person in India from his brother (wholly dependent on such person in India) in France
(iv) Import of services by a person in India from his daughter (wholly dependent on such person in India) in Russia
(a) i, iii and iv
(b) ii, iii and iv
(c) ii and iii
(d) i and ii

24. Which of the following statements is true under GST law?
(a) Grand-parents are never considered as related persons to their grand-son/grand-daughter
(b) Grand-parents are always considered as related persons to their grand-son/grand-daughter
(c) Grand-parents are considered as related persons to their grand-son/grand-daughter only if they are wholly dependent on their grand-son/grand-daughter
(d) Grand-parents are considered as related persons to their grand-son/grand-daughter only if they are not dependent on their grand-son/grand-daughter.

Section 7(1A): Activities shall be Supply of goods or Supply of services

25. Assuming that all the activities given below are undertaken for a consideration, state which of the following is not a supply of service?
(a) Renting of commercial office complex
(b) An employee agreeing to not work for the competitor organization after leaving the current employment
(c) Repairing of mobile phone
(d) Provision of services by an employee to the employer in the course of employment

26. Which of the following activities is a supply of services?
(a) Transfer of right in goods/ undivided share in goods without transfer of title in goods
(b) Transfer of title in goods
(c) Transfer of title in goods under an agreement which stipulates that property shall pass at a future date.
(d) All of the above

27. Happy Singh is the lawful owner of a residential house situated in Chandigarh. The property has four floors constructed on it. Out of the four floors in his house, the first and second floor are self-occupied and the third and fourth floor have been let out for residential purposes. Ratanjot Singh, who is a tenant on the third floor, has surrendered his tenancy rights to Parminder Singh for a tenancy premium of RS. 5,00,000 on 1st June. Parminder Singh has paid the applicable stamp duty and registration charges on transfer of tenancy rights. Moreover, Parminder Singh will pay a monthly rent of RS. 50,000 to Happy Singh from June.
Determine the value of taxable supply, in the given case, for the month of June.
(a) Happy Singh: Rs.5,50,000; Ratanjot Singh: Nil
(b) Happy Singh: Nil; Ratanjot Singh: RS. 5,00,000
(c) Happy Singh: Rs.50,000; Ratanjot Singh: Nil
(d) Happy Singh: Rs.50,000; Ratanjot Singh: RS. 5,00,000

Section 7(2)(a): Activities or transactions specified in Schedule III

28. Which of the following activities shall be treated neither as supply of goods nor supply of services?
(i) Permanent transfer of business assets

where input tax credit has been availed on such assets

(ii) Temporary transfer of intellectual property right

(iii) Transportation of the deceased

(iv) Services by an employee to the employer in the course of employment

(a) (i) & (iii)
(b) (ii) & (iv)
(c) (i) & (ii)
(d) (iii) & (iv)

29. Which of the following activities is outside the scope of supply & not taxable under GST?

(a) Services by an employee to the employer in the course of or in relation to his employment
(b) Services of funeral
(c) Actionable claims, other than lottery, betting and gambling.
(d) All of the above

30. Aircool Ltd., a supplier of air conditioners, is registered under GST in the State of Maharashtra. It has a policy to gift an air conditioner to its employees [residing in Gujarat] at the end of a financial year in terms of the employment contract. The company installs such air conditioners at the residence of the employees.

During the current financial year, the company gifted its employees 150 air conditioners and got the air conditioners installed at the residence of these employees. The total open market value of such air conditioners is Rs. 52.50 lakh (excluding GST). The tax rate on such air conditioners is 28% (14% CGST, 14% SGST and 28% IGST).

Compute the GST liability of M/s. Aircool Ltd., if any.

(a) Rs. 7,35,000 - CGST, Rs. 7,35,000- SGST
(b) Rs. 14,70,000 - IGST
(c) Nil
(d) Rs. 7,35,000 - IGST

31. Mr. A purchased goods from China and sold it to Mr. John in Canada without bringing the goods in India.

(a) This transaction is supply of goods
(b) This transaction is neither supply of goods nor supply of services.
(c) This transaction is a supply of services.
(d) None of the above

32. Mr. X imported some goods in India, but kept the goods in a custom bonded warehouse without clearing it for home consumption. In the meantime, Mr. X sold these goods to Mr. Y while they were in the warehouse.

(a) This transaction is supply of goods
(b) This transaction is neither supply of goods nor supply of services.
(c) This transaction is a supply of services.
(d) None of the above

33. Mr. P of India imported some goods from Japan. While the goods were on the high seas, Mr. P sold the goods to Mr. Q in India by way of endorsement of documents of title of goods.

(a) This transaction is supply of goods
(b) This transaction is a supply of services.
(c) This transaction is neither supply of goods nor supply of services.
(d) None of the above

34. Which is not considered as supply under GST Law?

(a) Stock transferred from one establishment in Delhi to another establishment in Gurgaon, Haryana registered under the same PAN.
(b) CA Ram supplies accounting services to CA Radha in lieu of taxation services received from CA Radha.
(c) A Health club supplies lunch to its members at its annual meeting against a nominal charge.
(d) Mr. A sells a flat to Mr. B
  (i) Date of completion certificate - 31/01/20XX
  (ii) Date of agreement with buyer - 01/02/20XX
  (iii) Consideration received - 05/02/20XX

Section 8: Tax liability on composite and mixed supplies

35. Which of the following supplies are naturally bundled?

(a) Rent deed executed for renting of two different floors of a building-one for residential and another for commercial purpose to same person
(b) Pack of watch, tie and belt
(c) Package of canned food such as burger, chocolates, sweets, cake etc.
(d) None of the above

36. A _____ supply comprising of two or more supplies shall be treated as the supply of that particular supply that attracts the highest rate of tax.

(a) Composite
(b) Mixed
(c) Both (a) and (b)
(d) None of the above

37. There is a difference in taxability of goods forming part of composite supply and mixed supply. Here are a few examples from which you need to identify which is correct example of composite supply and mixed supply.

(i) Mr. A buys a car and purchases the warranty and maintenance of the car by paying a nominal amount. Car, warranty and maintenance here are a mixed supply.

(ii) Mr. A buys a car and purchases the warranty and maintenance of the car by paying a nominal amount. Car, warranty and maintenance here are a composite supply.

(iii) Mrs. A buys a microwave oven and some utensils for use in the microwave oven. Both microwave ovens and utensils are sold at a single price. Microwave oven and its utensils here are a mixed supply.

(iv) Mrs. A buys chocolates, juices and biscuits from a shop. All items have different prices. Chocolates, juices and biscuits are a mixed supply.

The correct examples of composite and mixed supply are: -

(a) i, iv
(b) ii, iii
(c) ii, iii, iv
(d) None of the above

38. M/s. Jolly Electronics (P) Ltd., is an authorized dealer of M/s. GG Micro Ltd., located and registered in Lucknow, Uttar Pradesh. It has sold following items to Mr. Rakesh (a consumer)

Product	Amount
Refrigerator (500 litres) taxable @ 18%	40,000
Stabilizer for refrigerator taxable @ 12%	5,000
LED television (42 inches) taxable @ 12%	30,000
Split air conditioner (2 Tons) taxable @ 28%	35,000
Stabilizer for air conditioner taxable @12%.	5,000
Total value	1,15,000

M/s. Jolly Electronics (P) Ltd. has given a single invoice, indicating price of each item separately to Mr. Rakesh. Mr. Rakesh, has given a single cheque of Rs. 1,00,000/- for all the items as a composite discounted price. State the type of supply and the tax rate applicable on the same.

(a) Composite supply; Highest tax rate applicable to split air conditioner, i.e., 28%
(b) Mixed supply; Highest tax rate applicable to split air conditioner, i.e., 28%
(c) Supply other than composite and mixed supply; Highest tax rate applicable to split air conditioner i.e., 28%
(d) Supply other than composite and mixed supply; respective tax rate applicable to each item

39. M/s. Vishu Megamart, operating a store located and registered in Rajasthan, has come out with big discount offers at the time of Diwali on various gift items. In order to attract more customers, it has decided to supply a gift pack containing 5 packets of Haldiram's Namkeen (200 gram each) taxable @ 18%, 1 packet of Roasted Smoked Almonds (100 gram) taxable @ 18%, 1 packet of Bournville Chocolate (50 g) taxable @ 28% and 1 bottle of Real Fresh Juice (1 litre) taxable @ 18% in a single basket for a single price of Rs. 1,000/-.

State the type of supply and the tax rate applicable on the same.

(a) Composite supply; Tax rate of the principal item, i.e., Namkeen @18%
(b) Composite supply; Highest tax rate out of all items, i.e., 28% applicable to chocolates
(c) Mixed supply; Tax rate of principal item, i.e., Namkeen @18%
(d) Mixed supply; Highest tax rate out of all items, i.e., 28% applicable to chocolates

40. What are the factors differentiating composite supply & mixed supply?

(a) Nature of bundling i.e., artificial or natural
(b) Existence of principal supply

(c) Both of the above
(d) None of the above

41. Booking of Air Tickets with meal on board during travel will be taxed as & at the rate of?
(a) Composite supply & principal supply
(b) Mixed supply & principal supply
(c) Composite supply & highest rate
(d) Any of the above

42. Under GST Act a supply of assortment of sweets, chocolates and firecrackers packed in a gift hamper is
(a) Joint supply
(b) Composite supply
(c) Mixed supply
(d) Assorted supply

Answers:

Qs	Ans	Reason
1.	**c**	**Goods means every kind of movable property** • **Other than money and Securities** **But includes** • **actionable claim,** • **growing crops, grass and things attached to or forming part of the land which are agreed to be severed before supply or under a contract of supply.** From the above definition it is clear than money and securities are not goods.
2.	**b**	**Goods means every kind of movable property** • **Other than money and Securities** • **But includes** • **actionable claim,** • **growing crops, grass and things attached to or forming part of the land which are agreed to be severed before supply or under a contract of supply.** **Money means** • the Indian legal tender or any foreign currency, cheque, promissory note, bill of exchange, letter of credit, draft, pay order, traveler cheque, money order, postal or electronic remittance or any other instrument recognised by the RBI when used as a consideration to settle an obligation or exchange with Indian legal tender of another denomination • **but shall not include any currency that is held for its numismatic value;** **Applying the above definition:** **(i) Ten-paisa coin having sale value of Rs. 100:** Currency held for numismatic value is not money and hence goods. **(ii) Shares of unlisted company:** Shares are securities and hence not goods. **(iii) Lottery tickets:** They are actionable claims and hence goods.
3.	**a**	Securities are neither goods nor services but explanation to definition of services provides that "services" includes facilitating or arranging transactions in securities. Hence, if a stock broker charges a commission/brokerage charges/portfolio maintenance charges /investment management fees/demat charges those fall under services and chargeable to GST.
4.	**a**	Goods means every kind of movable property Other than **money** and Securities **Money means** • the Indian legal tender or any foreign currency, cheque, promissory note, bill of exchange, letter of credit, draft, pay order, traveler cheque, money order, postal or electronic remittance or any other instrument recognised by the RBI when used as a consideration to settle an obligation or exchange with Indian legal tender of another denomination • **but shall not include any currency that is held for its numismatic value;** **Since** money does not include any currency that is held for its numismatic value, Currency held for its numismatic value shall fall under goods.

Qs	Ans	Reason
5.	**b**	Priority Sector Lending certificates are goods and not securities and sale of PSLC by bank is supply of goods u/s 7(1)(a) of the CGST act and taxable.
6.	**c**	Sale of PSLC by bank is supply of goods u/s 7(1)(a) and Nature of Supply of PSLC is interstate and IGST is leviable.
7.	**b**	**Services means** anything other than goods, money and securities **but includes** activities related to the use of money or its conversion by cash or any other mode for which a separate consideration is charged.
8.	**d**	**As per section 7(1)(a):** Supply includes all forms of supply of goods or services or both made or agreed to be made for a consideration by a person in the course or furtherance of business. Hence agreeing to the obligation not to do something is also a supply. **Further Schedule II Para 5(e)** classifies agreeing to obligation to refrain from an act, as a supply of service. Hence, yes, it's a supply and supply of service by Anubhai.
9.	**d**	Any subsidy given by the Central Government or a State Government & a deposit given in respect of the supply of g/s/b shall not be considered as consideration.
10.	**a**	**Section 7(1)(b):** Importation of services for a consideration for the purpose of business is supply and taxable under reverse charge mechanism. **Here, the interior decoration services has been taken in the name of the firm** hence it is in the course of business & it's a supply, GST is payable by the firm under RCM.
11.	**c**	Supply of service by OIDAR from outside India to a Non-taxable online recipient, OIDAR shall be liable to register in India and pay GST under Forward charge mechanism.
12.	**a**	(i) **AB & Associates transfers stock of goods from its Mumbai branch to Kolkata depot for sale of such goods at the depot:** Supply between distinct person is a supply as per schedule I. (ii) **Mr. Raghuveer, a dealer of air-conditioners permanently transfers the motor vehicle free of cost. ITC on said motor vehicle was blocked and therefore, was not availed:** Since ITC is blocked & hence not availed, It is not a supply as per Para I schedule I. (iii) **Mrs. Riddhi, an employee of Sun Ltd., received gift from her employer on the occasion of Diwali worth Rs. 21,000:** Gift to employee up to Rs. 50,000 per annum per employee is not a supply as per schedule I.
13.	**a**	**As per Section 7(1)(c),** activities specified in Schedule I made without a consideration shall be treated as deemed supply.
14.	**a**	**Section 7(1)(c):** As per Schedule I, Importation of service from a related person or own establishment for the purpose of business is supply. In option A, the service has not been taken for the purpose of business and hence not supply.
15.	**c**	**As per Section 7(1)(b),** Importation of services for a consideration is Supply, whether for the business or non-business purpose but non business purpose and **As per 7(1)(C) read with Schedule I,** Importation of services without a consideration for the purpose of business from a related person or own establishment is supply. **Applying the above, Answer shall be (c).** **Note:** Point no. (4) is not covered in the answer because it is not covered under supply.
16.	**a**	**Section 7(1)(C), Schedule I Para I,** Permanent transfer or disposal of business assets where ITC has been availed on such assets qualifies as supply. **Since** the supplier has not claimed ITC on such car, it does not qualify as supply.
17.	**c**	**Section 7:** Since the invoice for further supply of goods by James Bond is in the GSTN of Toto Shoes ltd, the sales made by James bond shall be included in the turnover of Toto Shoes ltd. Further, the commission earned by James Bond shall be included his turnover. **Hence,** the VOS of Toto Shoes ltd = Rs 5 Crore since invoice was raised in his name & The turnover of James Bond shall be the commission earned = Rs 60 lakhs.
18.	**a**	**Another establishment of its firm in UK** is an own establishment outside India.

Qs	Ans	Reason
		Professional consultancy services received from another establishment of its firm in UK is Import of service. **As per Section 7(1)(c), Schedule I Para 4:** Import of services by a person from any of his other establishments outside India, in the course or furtherance of business **is a supply.** **As per section 5(3) of IGST act read with RCM notification:** In case any services are supplied by any person located in a non-taxable territory (NTT) to any person other than NTOR: **Recipient shall pay IGST under RCM.** **Hence in the given case,** Mr. Palliwal Desai is required to pay IGST of Rs. 72,000 and that too under RCM.
19.	**c**	As per Section 7(1)(b): Importation of services, for a consideration whether or not in the course or furtherance of business is supply. As per Section 7(1)(c), Schedule I Para 4: Import of services by a person from a related person or from any of his other establishments outside India, in the course or furtherance of business without consideration shall also be considered as supply. **Let us analyze each point:** a) It's a supply under 7(1)(b) b) It's a supply under 7(1)(C) **c) Import of service, Free of cost from Unrelated person: It's not covered under 7(1)(b)/(C), hence not considered as supply.**
20.	**c**	Gifts not exceeding Rs.50,000 in value in a FY by an employer to an employee shall not be treated as supply of goods or services or both. Therefore, there will be no GST Liability.
21.	**b**	The auctioneer is merely providing the auctioneering services with no role played in the supply of the goods. Therefore Mr. B is not an agent for the supply of goods as per Schedule I.
22.	**a**	Where the invoice for further supply is being issued by agent in his name then, any provision of goods from the principal to the agent would fall within the ambit of Schedule I of CGST Act.
23.	**a**	**Schedule I, Para 4.** Import of services by a person from **a related person** or from his establishments located outside India, without consideration, in the course or furtherance of business **Related party definition under GST included family** **Section 2(49): Family means, –** (i) the spouse and children of the person, and (ii) the parents, grand-parents, brothers and sisters of the person if they are wholly or mainly dependent on the said person. **Applying the above:** **(i) Import of services by a person in India from his son well-settled in USA:** Son is a related person, hence it's a supply. **(ii) Import of services by a person in India from his brother well-settled in Germany:** Brother well-settled in Germany is not a related person, hence it is not a supply. **(iii) Import of services by a person in India from his brother (wholly dependent on such person in India) in France:** Dependent brother is a related person, hence it's a supply. **(iv) Import of services by a person in India from his daughter (wholly dependent on such person in India) in Russia:** Daughter is a related person, hence supply.
24.	**c**	**Schedule I, Para 4.** **Related party definition under GST included family** **Section 2(49): Family means, –** (i) the spouse and children of the person, and (ii) the parents, grand-parents, brothers and sisters of the person if they are wholly or mainly dependent on the said person. **Hence Grand-parents are considered as related persons to their grand-son/grand-daughter only if they are wholly dependent on their grand-son/grand-daughter**

Qs	Ans	Reason
25.	d	(a) **Renting of commercial office complex:** as per Schedule II para 2, letting out of building including a commercial, industrial or residential complex is a supply of service. (b) **An employee agreeing to not work for the competitor organization after leaving the current employment:** as per para 5(e) of schedule II, not to do/refrain from doing something is a supply of service. (c) **Repairing of mobile phone:** as per para 5(e) of schedule II, to do an act is a supply of service. (d) **Provision of services by an employee to the employer in the course of employment:** As per schedule III, It's neither supply of goods not supply of service.
26.	a	As per Schedule II any transfer of right in goods/of undivided share in goods without transfer of title thereof, is a supply of services.
27.	b	**The activity of transfer of tenancy rights** is covered under the scope of supply and taxable, **However,** grant of tenancy right in a residential dwelling for use as residence dwelling against tenancy premium or periodic rent or both is exempt. **Services provided by outgoing tenants** by way of surrendering the tenancy rights against consideration in the form of a portion of tenancy premium is taxable & liable to GST.
28.	d	(iii) **Permanent transfer of business assets where ITC has been availed on such assets:** It's a supply, Supply of goods (iv) **Temporary transfer of intellectual property right:** It's a supply, Supply of service. (v) **Transportation of the deceased:** Section 7(2)(a) read with schedule III: neither as supply of goods nor supply of services. (vi) **Services by an employee to the employer in the course of employment:** Section 7(2)(a) read with schedule III: neither as supply of goods nor supply of services.
29.	d	**Schedule III specifies activities or transaction** that shall be treated as neither supply of goods nor supply of services
30.	c	**As per Schedule III,** activities or transactions shall be treated as neither supply of goods nor supply of services includes services by an employee to the employer in the course of or in relation to his employment. Therefore, the GST Liability shall be Nil.
31.	b	**As per Schedule III,** High seas sale is neither supply of goods nor supply of service.
32.	b	**Supply of warehoused goods** to any person before clearance for home consumption is covered under Schedule III. Therefore, it is Neither supply of goods nor supply of services.
33.	c	**As per Schedule III,** Supply of goods by the consignee to any other person, by endorsement of documents of title of goods, after the goods have been dispatched from the port of origin located outside India but before clearance for home consumption is high seas sale, which is neither supply of goods nor supply of service.
34.	d	**As per Schedule III,** sale of building where the entire consideration received after the issuance of completion certificate or after first occupancy is neither supply of goods nor service.
35.	d	**None of the above are naturally bundled,** Naturally bundled are normally advertised as a package, different elements are not available separately and different elements are integral to one overall supply.
36.	b	**Mixed supply** means two or more individual supplies of goods or services, made in conjunction with each other for a single price. It shall be treated as supply of that particular supply which attracts the highest rate of tax.
37.	b	(i) Mr. A buys a car and purchases the warranty and maintenance of the car by paying a nominal amount. Car, warranty and maintenance here are a mixed supply – **it's a composite supply.** (ii) Mr. A buys a car and purchases the warranty and maintenance of the car by paying a nominal amount. Car, warranty and maintenance here are a composite supply – **True, it's a composite supply.** (iii) Mrs. A buys a microwave oven and some utensils for use in the microwave oven. Both microwave ovens and utensils are sold at a single price. Microwave oven and its utensils here are a mixed supply – **It's a mixed supply individual supplies are supplied for a since supplied for a single price.**

Qs	Ans	Reason
		(iv) Mrs. A buys chocolates, juices and biscuits from a shop. All items have different prices. Chocolates, juices and biscuits are a mixed supply – **Its neither mixed nor composite.**
38.	**d**	The given supply is not composite since in composite supply there should be a single principal supply. The given supply is not Mixed as singe price is not charged. Since Jolly Electronics has given a single invoice, indicating price of each item separately, it's supply other than composite and mixed supply and respective tax rate shall apply.
39.	**d**	**Section 8:** It is a mixed supply; It shall be treated as supply of that particular supply which attracts the highest rate of tax.
40.	**c**	**Composite supply** comprises two or more taxable supplies, naturally bundled and supplied in conjunction, one of which is a principal supply.
41.	**a**	It is a composite supply and taxable at the rate of principal supply.
42.	**c**	**It is a mixed supply. Mixed supply** means two or more individual supplies of goods or services, made in conjunction with each other for a single price. It shall be treated as supply of that particular supply which attracts the highest rate of tax.

2. Nature of Supply

1.

Whether services of short-term accommodation, conferencing, banqueting etc. provided to a SEZ unit/developer by a supplier located in the same State as that of the SEZ unit/developer should be treated as an inter-State supply under section 7(5)(b) or an intra-State supply in terms of section 8(2) read with section 12(3)(c)? Explain.

(ICAI study material)

Answer:

CBIC circular has clarified on this issue as under:

As per section 7(5)(b), the supply of goods and/or services to a SEZ unit/developer shall be treated to be a supply of goods and/or services in the course of inter-State trade or commerce. **Whereas, as per section 12(3)(c),** the place of supply of services by way of accommodation in any immovable property for organizing any functions shall be the location at which the immovable property is located. Thus, in such cases, if the location of the supplier and the place of supply are in the same State/ Union territory, it would be treated as an intra-State supply.

It is an established principle of interpretation of statutes that in case of an apparent conflict between two provisions, the specific provision shall prevail over the general provision.

In the instant case, section 7(5)(b) is a specific provision relating to supplies of goods and/or services made to a SEZ unit/developer, which states that such supplies shall be treated as inter-State supplies.

Further, proviso to section 8(2) also lays down that intra-State supply of services do not include supply of services to a SEZ unit/developer. It is therefore clarified that, services of short-term accommodation, conferencing, banqueting etc., provided to a SEZ unit/developer shall be treated as an inter-State supply.

2. (New addition)

Examine the following independent scenarios and answer the questions given thereon:

M/s Sea Foods Limited, registered in the State of Tamilnadu, made a supply of goods to M/s Eat Well Limited, registered in State of Maharashtra. The supply was made in the territorial waters, where appropriate baseline was situated within 4 nautical miles from the State of Kerala and 12 nautical miles from the State of Tamilnadu. Determine the place of supply with proper reasoning.

(CA Final Sep 25 – 2.5 marks)

Answer:

Where the place of supply is in the territorial waters, the place of supply shall be deemed to be in the coastal State or Union territory where the nearest point of the appropriate baseline is located.

Since in the given case, appropriate baseline is located within 4 nautical miles from Kerala and 12 nautical miles from Tamil Nadu, place of supply is Kerala.

2. Nature of supply

Section 7 of IGST Act: Inter-State supply

1. IGST is levied on:
(a) Inter-State supplies
(b) Intra-State Supplies
(c) Both (a) and (b)
(d) None of the above

2. ___ is levied on the import of goods/services.
(a) IGST
(b) CGST and SGST
(c) CGST and UTGST
(d) None of the above

Section 8 of IGST Act: Intra-State supply

3. Which of the following taxes levied on an intra-State supply?
(a) CGST
(b) SGST/UTGST
(c) Both (a) & (b)
(d) IGST

4. Following is an intra-State supply:
(a) Goods sent from Delhi to another dealer in Delhi.
(b) Goods sent from Delhi to a SEZ in Noida, Uttar Pradesh.
(c) Goods sent from Delhi to Chandigarh branch (Haryana) of the same supplier.
(d) None of the above

Section 9 of IGST Act: Supplies in TWI

5. Where the location of the supplier is in the territorial waters (TWI)/POS is in TWI, then location of supplier/POS shall be
(a) Territorial waters.
(b) Deemed to be in the coastal state where the nearest point of appropriate baseline is located.
(c) Deemed to be in the UT where the nearest point of appropriate baseline is located.
(d) Both B OR C

6. Sukhamani Traders, registered in Maharashtra, purchased machinery two years back worth Rs. 2,00,00,000 and did not avail ITC on said machinery at the time of its purchase. After using the machinery for two years, it gave said machinery free of cost in the month of September (in the current year) to an unrelated person in Punjab. On the date of transfer, open market value of the machinery was Rs. 1,25,00,000 and the written down value was Rs. 1,53,00,530. In the month of September, it also supplied taxable goods worth Rs. 50,00,000 to Royal Oil Corporation Limited in the territorial waters. The said territorial waters are located at a distance of 5 nautical miles from the baseline of the State of Maharashtra and 7 nautical miles from the baseline of the State of Kerala.
All above amounts are exclusive of GST and rates of applicable CGST, SGST and IGST in above cases are 9%, 9% and 18%.
You are required to determine the amount of net CGST and SGST and/or IGST payable in the month of September.
(a) CGST: Rs. 4,50,000; SGST: Rs. 4,50,000; IGST: Nil
(b) CGST: Nil; SGST: Nil; IGST: Rs. 9,00,000
(c) CGST: Nil; SGST: Nil; IGST: Nil
(d) CGST: Rs. 4,50,000; SGST: Rs. 4,50,000; IGST: Rs. 22,50,000

Circular

7. Services of short-term accommodation, conferencing, banqueting etc. provided to a SEZ unit, whether it is to be treated as Inter-State/Intra-State supply?
(a) Intra-state supply
(b) Inter-state supply
(c) None of the above
(d) Can be both of the above

Answers:

Qs	Ans	Reason
1.	a	**As per Section 7 of IGST Act,** Supply of goods/services between different states/UTs be treated as Inter-state supply and **IGST shall be levied.**
2.	a	**As per Section 7 of IGST Act,** Importation of goods/services be treated as Inter-state supply and **IGST shall be levied.**
3.	c	**As per Section 8 of IGST Act,** Supply of goods/services within the same state or UT is called Intra-state supply. CGST & SGST/UTGST shall be levied.

Qs	Ans	Reason
4.	**a**	**As per Section 8 of IGST Act,** Supply of goods/services within the same state or UT is called Intra-state supply. CGST & SGST/UTGST shall be levied.
5.	**d**	**Where the Location of supplier** is in territorial waters or **POS** is in **territorial waters**, then location of supplier/POS shall be deemed to be in the coastal state or Union territory where the **nearest point of the appropriate baseline is located.**
6.	**a**	**Let us analyze the 2 transactions in the given question:** **1. Giving of Machine Free of cost:** which is not a supply since ITC has not been availed on the machine.**(Refer section 7(1)(c) read with schedule I, Para 1).** **Hence, no GST is payable on this transaction.** **2. Supply of taxable goods worth Rs. 50,00,000 to Royal Oil Corporation Limited in the territorial waters:** • As per section 9 of IGST act, when place of supply is in the TWI, the place of supply is deemed to be in the nearest costal state. Royal oil fields are located close to Maharashtra and hence POS is Maharashtra, • Sukhamani Traders, are registered in Maharashtra, i.e. the location of supplier. • Since location of supplier and place of supply are in Maharashtra, CGST and SGST shall be payable on the transaction. **Computation of applicable tax**: **CGST**: Rs 50 lakhs x 9% = Rs. 4,50,000 **SGST**: Rs. 50 lakhs x 9% = Rs. 4,50,000.
7.	**b**	Services of short-term accommodation, conferencing, banqueting etc., provided to a SEZ developer or a SEZ unit shall be treated as an Inter-State supply.

3. Charge of GST

Section 9(3) of CGST/5(3) of IGST act: RCM on specified Services

Goods transport agency (GTA)

1.
Safe Trans', a Goods Transport Agency, transported goods of Kapil & Co., a partnership firm, which is not registered under GST. Determine the person liable to pay tax in this case.
Note: GTA does not exercise the option to itself pay GST.

(ICAI study material- CA Inter)

Answer:
In case of services provided by Goods Transport Agency in respect of transportation of goods by road to, inter alia, any partnership firm whether registered or not under any law; GST is liable to be paid by such partnership firm. Therefore, in the given case, Kapil & Co. is liable to pay GST under reverse charge.

2. (Updated)
'Veer Transport', a registered Goods Transport Agency (GTA) paying IGST @ 18%, transported goods by road of Dilip & Company, a sole proprietary firm (other than specified person) which is not registered under GST or any other Law. Assume that recipient is located in taxable territory. Ignore the aggregate turnover and exemption.

(CA Inter Nov 20)

Answer:
In case of a GTA service, where GST is payable @ 5% and recipient is one of the specified recipients, tax is payable by the recipient of service under reverse charge.
However, where GST is payable @ 18%, tax is payable under forward charge by the supplier of service. Therefore, in the given case, tax is payable under forward charge by "Veer Transport", a registered GTA.
Note: In the given case, since the recipient of service is other than specified recipient, i.e., unregistered sole proprietorship firm, GTA service is exempt from GST. However, in the above answer, the said exemption has been ignored since the question specifically requires the students to ignore the exemptions, if any, available.

Advocate/Senior Advocate/Arbitral tribunal

3.
Legal Fees is received by Sushrut, an advocate, from M/s. Tatva Trading Company having turnover of Rs. 50 lakhs in preceding F. Y. Who is the person liable to pay tax in this case?

(ICAI study material)

Answer:
GST on legal services supplied by an advocate [Mr. Sushrut] to any business entity [M/s. Tatva Trading Company] located in the taxable territory is payable on reverse charge basis.
Therefore, in the given case, person liable to pay GST is the recipient of services, i.e., M/s. Tatva Trading Company.

Renting of Residential House

4.
State the person liable to pay GST in the following independent service provided:
Siddhi Builders, registered in Haryana, rented out 20 residential units owned by it in Sanskriti Society to Rudra Technologies, an IT based firm registered in the State of Haryana, for accommodation of its employees.

(CA Inter May 23-RTP)

Answer:
Services provided by way of renting of residential dwelling for use as residence is exempt from GST. However, where the residential dwelling is rented to a registered person, said exemption

is not available. Further, tax on service provided by way of renting of residential dwelling to a registered person is payable by the recipient under reverse charge.

Therefore, in the given case, Rudra Technologies is liable to pay GST on the residential dwellings taken on rent by it from Siddhi Builders, under reverse charge mechanism.

Director

5.

Arpan Singhania is a director in Narayan Limited. The company paid him the sitting fee amounting to Rs. 25,000, for the month of January. Further, salary was paid to Arpan Singhania amounting to Rs. 1.5 lakh for the month of January on which TDS was also deducted as per applicable provisions under Income-tax law. Tapasya & Associates, in which Arpan Singhania is a partner, supplied certain professional services to Narayan Limited in the month of January for an amount of Rs. 2 lakhs. Discuss the person liable to pay tax in each of the supplies involved in the given case.

(ICAI study material)

Answer:

Sitting fee paid to director – As per reverse charge notification, tax on services supplied by a director of a company/ body corporate to the said company/ body corporate, located in the taxable territory, is payable under reverse charge. Hence, in the present case, the sitting fee amounting to Rs. 25,000, payable to Arpan Singhania by Narayan Limited, is liable to GST under reverse charge and thus, recipient of service - Narayan Limited – is liable to pay GST on the same.

Salary paid to director - As per CBIC circular, the part of director's remuneration which is declared as salary in the books of a company and subjected to TDS u/s 192 of the Income-tax Act, are not taxable being consideration for services by an employee to the employer in the course of or in relation to his employment in terms of Schedule III. Therefore, in the given case, the salary received by Arpan Singhania of Rs. 1.5 lakh is not liable to GST.

Services provided by Tapasya & Associates – Tapasya & Associates have rendered certain professional services to Narayan Limited. The fact that Arpan Singhania is a partner in Tapasya & Associates and a director in Narayan Limited does not have any impact on the taxability of the professional services supplied by Tapasya & Associates to Narayan Limited. The professional services provided by Tapasya & Associates to Narayan Limited are liable to GST under forward charge and thus, supplier - Tapasya & Associates – is liable to pay GST on the same.

6.

Mr. Priyam, director of Sun Moon Company Private Limited, provided service to the company for remuneration of Rs. 1,25,000. Briefly answer whether GST is applicable in the below mentioned independent cases? If yes, who is liable to pay GST?

(i) Mr. Priyam is an independent director of Sun Moon Company Private Limited and not an employee of the company.

(ii) Mr. Priyam is an executive director, i.e., an employee of Sun Moon Company Private Limited. Out of total remuneration amounting to Rs. 1,25,000, Rs. 60,000 has been declared as salaries in the books of Sun Moon Company Private Limited and subjected to TDS under section 192 of the Income-Tax Act (IT Act). However, Rs. 65,000 has been declared separately other than salaries in the Sun Moon Company Private Limited's accounts and subjected to TDS under section 194J of the IT Act as professional services.

(CA Inter RTP May 21)

Answer:

(i) As per Para I of Schedule III of the CGST Act, services by an employee to the employer in the course of or in relation to his employment are non-supplies, i.e., they are neither supply of goods nor supply of services. Services provided by the independent directors who are not employees of the said company to such company, in lieu of remuneration as the consideration for the said services, are clearly outside the scope of Schedule III and are therefore taxable. Further, such remuneration paid to the directors is taxable in hands of the company, on reverse charge basis. Thus, GST is applicable in this case and

Sun Moon Company Private ltd is liable to pay GST.

(ii) The part of director's remuneration which is declared as salaries in the books of a company and subjected to TDS under section 192 of the Income-tax Act (IT Act), is not taxable being consideration for services by an employee to the employer in the course of or in relation to his employment in terms of Schedule III.

Further, the part of employee director's remuneration which is declared separately other than salaries in the company's accounts and subjected to TDS under section 194J of the IT Act as fees for professional or technical services are treated as consideration for providing services which are outside the scope of Schedule III and is therefore, taxable. The recipient of the said services i.e., the company, is liable to discharge the applicable GST on it on reverse charge basis.

In lieu of the above provisions, Rs. 60,000 declared as salaries in the books of Sun Moon Company Private Limited and subjected to TDS under section 192 of the Income-Tax Act (IT Act), is not taxable being consideration for services by an employee to the employer in the course of or in relation to his employment in terms of Schedule III.

Further, Rs. 65,000 declared separately other than salaries in the Sun Moon Company Private Limited's accounts and subjected to TDS under section 194J of the IT Act as professional services is treated as consideration for providing services which is outside the scope of Schedule III and is therefore, taxable. The recipient of the said services i.e., the Sun Moon Company Private Limited, is liable to discharge the applicable GST on it on reverse charge basis.

Recovery Agent

7.

M/s Shakshi Associates a recovery agent (located in Chennai) empaneled by State Bank of India, Local Head Office, Nungambakkam, Chennai. The following service supplied M/s Shakshi Associates in the month of Nov 2018 are as follows:

I. Fee of Rs 2,25,825 for supply of services in relation to recovery of dues from the defaulting Borrowers at the place of business/occupation and if such Borrowers is/are unavailable at the place of business then at his/ her residence.

II. Supply of services with regard to demand for recovery or taking possession of the security from defaulting Borrowers, for which separate fee charge from the bank Rs 55,175/-

Answer the following:

(a) Is it supply of service?

(b) If so, who is liable to pay GST?

(c) What is the GST liability?

Note: Assume applicable rate of GST for recovery agent services @18%.

(CMA Inter Study Material)

Answer:

(a) Yes. It is taxable supply of service

(b) State Bank of India being recipient of service is liable to pay GST under RCM.

(c) GST liability = Rs. 50,580 [i.e., Rs. 2,25,825 + 55,175) x 18%]

Author

8.

Mr. Anurag, a famous Author is engaged in supply of services by the way of transfer or permitting the use or enjoyment of a copyright covered under clause (a) of sub-section (1) of section 13 of the Copyright Act, 1957 relating to original literary works to a publisher. Explain in brief the conditions under which an Author can choose to pay tax under forward charge.

(CA Inter Jan 21)

Answer:

Mr. Anurag, can choose to pay tax under forward charge provided he fulfills the following conditions: -

(i) He has taken registration under the GST law.

(ii) He has filed a declaration, in the prescribed form, that he exercises the option to pay tax

on the said service under forward charge and, to comply with all the provisions of the GST law as they apply to a person liable for paying the tax in relation to the supply of any goods and/or services and that he shall not withdraw the said option within a period of 1 year from the date of exercising such option.

(iii) He makes a declaration on the invoice issued by him in prescribed form to the publisher.

Sponsorship services

9. (New addition)

Regal Foundation of Commerce organized a business summit in Surat, Gujarat, in which all the startups were invited to pitch their business ideas. Pandit Jewels Pvt Ltd., registered in the State of Maharashtra, sponsored the summit and paid a sponsorship fee of Rs. 1,50,000 to Regal Foundation of Commerce.

You are required to determine, who is the person liable to pay tax if:

(I) Regal Foundation of Commerce is a body corporate.

(II) Regal Foundation of Commerce is not a body corporate.

(CA Inter RTP Sep 25)

Answer:

a. In case of services provided by way of sponsorship service to any body corporate or partnership firm by any person other than a body corporate, the recipient is liable to pay tax under reverse charge mechanism.

Since Regal Foundation of Commerce, the supplier, is a body corporate in this case, so reverse charge provisions are not applicable in this case.

Thus, Regal Foundation of Commerce is required to pay tax under forward charge on the supply of the sponsorship services.

b. In case of services provided by way of sponsorship to any body corporate or partnership firm by any person other than a body corporate, the recipient is liable to pay tax under reverse charge mechanism.

Since Regal Foundation of Commerce, the supplier, is not a body corporate in this case, so reverse charge provisions are applicable in this case.

Accordingly, Pandit Jewels Pvt Ltd is required to pay tax under the reverse charge on sponsorship fees paid to Regal Foundation of Commerce.

10.

Panini pvt ltd agrees to sponsor a sports event organized by Pink City Club in Jaipur. Panini Private Limited has paid an amount of Rs. 50,00,000 for such sponsorship of the sports event. Consequently, said event was named after the brand name of Panini Pvt ltd Limited. Examine who is the person liable to pay tax in the given case.

(ICAI study material)

Answer:

As per reverse charge notification sponsorship services provided by any person other than a body corporate to a body corporate or partnership firm located in the taxable territory, shall be liable to GST under reverse charge in the hands of recipient.

In the present case, Pink City Club is the supplier of sponsorship services which is receiving the consideration in the form of sponsorship fee of Rs. 50,00,000 from Panini pvt ltd, against the provision of sponsorship service.

Since, the supplier is person other than body corporate and the recipient of sponsorship services - Panini pvt ltd is a body corporate, the tax on said services is payable by the recipient - Panini pvt ltd, under reverse charge.

11.

State the person liable to pay GST in the following independent service provided:

M/s. Purohit Consultants, a partnership firm registered in Delhi as a regular tax payer, paid sponsorship fees of Rs. 70,000 at a seminar organized by a private NGO (a partnership firm) in Delhi.

(CA Inter May 23-RTP)

Answer:

In case of services provided by any person other than body corporate by way of sponsorship to any body corporate or partnership firm, GST is liable to be paid under reverse charge by such body corporate or partnership firm located in the taxable territory.
Since in the given case, sponsorship services are being provided by the private NGO to a partnership firm – M/s. Purohit Consultants, GST is payable by Purohit Consultants on said services under reverse charge.

Securities lending

12.
Rob Shareholding Ltd., an approved intermediary, has entered into a transaction wherein certain securities were to be lent to Dhandhan Bank, under Securities Lending Scheme, 1997. Dhandhan Bank shall pay specified lending fee against such lending of securities to it. Explain the taxability of transactions involved in the Securities Lending Scheme, 1997.

(ICAI study material)

Answer: Securities Lending Scheme, 1997 facilitates the lending and borrowing of securities. Securities are neither covered in the definition of goods nor covered in the definition of services. Therefore, a transaction in securities which involves disposal of securities is not a supply in GST and hence not taxable.
However, SLS doesn't treat lending of securities as disposal of securities and therefore is not excluded from the definition of services. The lending fee charged from the borrowers of securities has the character of consideration and is taxable under GST. Apart from above, the activities of the intermediaries facilitating lending and borrowing of securities for commission or fee are also taxable separately.

Insurance Agent, Recovery Agent & Security Services

13.
State the person liable to pay GST in the following independent cases provided recipient is located in the taxable territory:
(a) Services supplied by an insurance agent to an Insurance Company.
(b) Services supplied by a recovery agent to a car dealer.
(c) Security services (services provided by way of supply of security personnel) provided to a registered person.

(ICAI study material)

Answer:
(a) **GST on services supplied by an insurance agent to any person carrying on insurance business located in the taxable territory is payable under reverse charge. Therefore, in the given case, GST is payable under reverse charge by the recipient – Insurance Company.**
(b) **GST on services supplied by a recovery agent to a banking company or a financial institution or a non- banking financial company located in the taxable territory is payable under reverse charge. However, since, in the given case, services are being supplied by a recovery agent to a car dealer, GST is payable under forward charge by the service provider - recovery agent.**
(c) **GST on security services (services provided by way of supply of security personnel) provided to a registered person, located in the taxable territory is payable under reverse charge. Therefore, in the given case, GST is payable under reverse charge by the recipient – registered person receiving the services.**
Assumption: Supplier is any person other than body corporate.

Arbitral Tribunal, Sponsorship & Renting of Immovable property by Govt

14.
State person liable to pay GST in the following independent cases provided recipient is located in the taxable territory:
(a) Services provided by an arbitral tribunal to any business entity.

(b) Sponsorship services provided by a company to an individual.

(c) Renting of immovable property service provided by the Central Govt to a registered business entity.

(ICAI study material) - updated

Answer:

(a) **Since GST on services provided or agreed to be provided by an arbitral tribunal to any business entity located in the taxable territory is payable under reverse charge, in the given case, GST is payable by the recipient - business entity.**

(b) **GST on sponsorship services provided by any person other than body corporate to any body corporate or partnership firm located in the taxable territory is payable under reverse charge. Since in the given case, services have been provided to an individual, reverse charge provisions will not be attracted. GST is payable under forward charge by the supplier – company.**

(c) **GST on services supplied by Central Government [excluding the Ministry of Railways (Indian Railways)], State Government, Union territory/local authority by way of renting of immovable property to a person registered under CGST Act, 2017 is payable under reverse charge. Therefore, in the given case, GST is payable under reverse charge by the recipient – registered business entity.**

Complete questions

15. (New addition)

Nootan Ltd., a registered person in Indore, Madhya Pradesh, provides details of the following transactions carried out during the month of June 2024:

Sr. No.	Particulars	Amount in Rs.
1.	Paid remuneration to Mr. Madan, for the services rendered by him in the capacity of Director. Company deducted TDS under section 192 (Salary) and 194J (Professional or Technical services) of Income-Tax Act, 1961. Gross payments made were Rs. 8,50,000 and Rs. 11,50,000 respectively for Salary and Professional services. (Intra-State supply)	20,00,000
2.	Paid rent to Indian Railways, registered in Madhya Pradesh, for its property located in the same State, which was taken on lease by the company.	1,25,000
3.	Paid to XYZ Security Private Limited, for providing security services to its warehouses across the State. Security agency is not registered under GST.	5,35,000
4.	Paid fee to Local Municipal corporation for renewal of the company's factory License for the financial year 2024-2025.	4,800

Additional Information:

(i) All above figures are exclusive of taxes, wherever applicable.

(ii) Assume the rate of GST as 18%, 9% and 9% for IGST, CGST/SGST respectively.

(iii) Turnover of Nootan Limited for the preceding financial year was Rs. 67 lakh.

You are required to compute the GST payable by Nootan Limited under Reverse Charge basis for the month of June 2024. Reason for the treatment of each item should form part of the answers.

(CA Inter Jan 25 - 5 Marks)

Answer:

Computation of GST Payable by Nootan Limited under reverse charge

SN.	Particulars	CGST	SGST
1.	Remuneration paid to Mr. Madan [Rs. 11,50,000 × 9%] [(i) Remuneration paid to director for professional services subjected to TDS under section 194J of the Income-tax Act is outside the scope of Schedule III of the CGST Act, 2017 and tax is payable under reverse charge by the recipient company – Nootan Ltd.	1,03,500	1,03,500

SN.	Particulars	CGST	SGST
	(ii) However, salary of Rs. 8,50,000 paid to director subjected to TDS under section 192 of the Income-tax Act is not taxable since services provided by an employee to employer in course of or in relation to his employment are outside the scope of supply in terms of Schedule III of the CGST Act, 2017. Thus, the same is neither supply of goods nor supply of services]		
2.	Paid rent to Indian Railways [Tax on renting of immovable property services provided by Indian Railways is not payable under reverse charge.]	Nil	Nil
3.	Security services received [Tax on security services is not payable under reverse charge since supplier is a body corporate.]	Nil	Nil
4.	Paid fee to Local Municipal Corporation [Not taxable/Exempt since the consideration for the services provided by local authority does not exceed Rs. 5,000.]	Nil	Nil
	Total GST payable by Nootan Ltd. under reverse charge	1,03,500	1,03,500

16.

M/s All-in-One, a partnership concern and a registered supplier under GST, is engaged in providing various services under one roof. The concern provides the following information pertaining to supply made/input services availed by it during the month of March 2020:

SN	Particulars	Rs
(i)	Provided Direct Selling Agent service to Y Bank Ltd.	4,00,000
(ii)	Provided security services to ABC P. Ltd., a registered person under GST	60,000
(iii)	Provided security services to PSR Trust, an unregistered person under GST	1,00,000
(iv)	Provided renting of motor vehicle to Amaze Tours Ltd. and supply value included cost of fuel	75,000
(v)	Provided renting of motor vehicle to Priti & Co., CA firm and supply value included cost of fuel	40,000
(vi)	Availed representational service from PB and Co., a law firm towards a Consumer Court case	70,000

Determine the GST liability of M/s All-in-One for the month of March, 2020 by giving necessary explanations for treatment of various items. Rate of tax for both inward and outward supply is CGST/SGST@ 9% each except renting a vehicle, for which CGST/SGST @ 2.5% each is applicable. M/s All-in-One commenced its business from February, 2020. All the supplies are intra-State only.

(CA Final Nov 20) – updated & (ICAI study material)

Answer:

GST liability of M/s All-in-One

SN	Particulars	Value	CGST	SGST
A.	GST liability on outward supply under forward charge			
(i)	Direct Selling Agent service to Y Bank Ltd. [Tax is payable under forward charge since the supplier of such service is a partnership firm and not an individual.]	4,00,000	36,000 [4,00,000 x 9%]	36,000 [4,00,000 x 9%]
(ii)	Security services to ABC P. Ltd., a registered person [Tax is payable under reverse charge by the recipient since security services are provided by a non-body corporate to a registered person.] [Refer note below]	-	-	-
(iii)	Security services to PSR Trust, an unregistered person	1,00,000	9,000 [1,00,000	9,000 [1,00,000

SN	Particulars	Value	CGST	SGST
	[Tax is payable under forward charge by the supplier since security services are provided by a non-body corporate to an unregistered person.]		**x 9%]**	**x 9%]**
(iv)	**Renting of motor vehicle to Amaze Tours Ltd. and supply value included cost of fuel [Tax is payable under reverse charge by recipient since such services are provided by a non-body corporate to a body corporate and GST is payable @ 5%.]**	**75,000**	**-**	**-**
(v)	**Renting of motor vehicle to Priti & Co., CA firm and supply value included cost of fuel [Tax is payable under forward charge since such services are provided by a non-body corporate to a non-body corporate.]**	**40,000**	**1,000 [40,000 x 2.5%]**	**1,000 [40,000 x 2.5%]**
Total GST liability on outward supplies			**46,000**	**46,000**
B.	**GST liability on inward supplies under reverse charge**			
(vi)	**Availed representational service from PB and Co, a law firm [Legal services provided by a partnership firm of advocates/individual advocate other than a senior advocate to a business entity with an aggregate turnover up to such amount in the preceding financial year as makes it eligible for exemption from registration, are exempt from GST. Since M/s All-in-One started its business in February 2020, its turnover in the preceding financial year is zero making it eligible for exemption from registration in the preceding financial year and hence, the legal services provided to it are exempt from GST.]**	**70,000**	**-**	**-**
	GST liability on inward supplies under reverse charge		**-**	**-**

Note:

- **It is assumed that security services are the services provided by way of supply of security personnel.**
- **It is also assumed that ABC Pvt. Ltd. pays tax under section 9 of the CGST Act, 2017.**

17. (New addition)

Malhar Corporation, a partnership firm, registered under regular scheme of GST in Delhi. Following information has been provided regarding inward and outward transactions undertaken by Malhar Corporation in the month of June 2025:

Sr. No.	Particulars	Amount (Rs.)
(i)	**Services of sponsorship provided to Kaniksha Co. Pvt. Ltd**	**12,50,000**
(ii)	**Received rent from Garima Industries, a registered person under composition scheme, against renting of office space in a commercial building.**	**3,50,000**
(iii)	**Services provided by Delhi Development Authority (DDA) to Malhar Corporation.**	**2,45,000**
(iv)	**Housekeeping and Civil Maintenance services provided to Municipal Corporation of Delhi (MCD) Headquarters. Out of the total value goods valued for Rs. 50,000 are included.**	**2,25,000**
(v)	**Received online money gaming services from Nitro Co., an online money gaming provider established in Australia.**	**4,50,000**

All figures are exclusive of GST, wherever applicable. All inward and outward supplies are to

be treated as intra-State supplies in case required information is not provided.
Compute the value of taxable supplies on which Malhar Corporation has to pay GST under Reverse Charge Mechanism (RCM) for the month of June 2025.

(CA Final Jan 26 - 5 Marks)

Answer:

Value of taxable supplies on which GST is payable under reverse charge by Malhar Corporation

Particulars	Value (Rs.)
Tax on outward supplies of sponsorship is payable under reverse charge mechanism by body corporate recipient i.e., Kaniksha Co Pvt Ltd. Thus, supplier - Malhar Corporation will not pay tax under reverse charge.	Nil
Tax on rent received from composition dealer is not payable under reverse charge but under forward charge by Malhar Corporation	Nil
Services provided by DDA [Tax is not payable under reverse charge since services are not received from local authority as DDA is not a local authority.]	Nil
Tax on housekeeping and civil maintenance services is not payable under reverse charge but under forward charge by Malhar Corporation	Nil
Online money gaming [IGST is payable by supplier (Nitro Co.)]	Nil
Total taxable value of supply on which tax is to be paid by Malhar Corporation under reverse charge	Nil

18. (New addition)

Kailash Industries Pvt. Ltd., Pune (Maharashtra), is a registered regular-scheme taxpayer and a manufacturer of taxable goods. Its aggregate turnover in the preceding financial year was ₹ 1.5 crore. It made the following inward supplies in October 2026. All amounts exclude GST.

No.	Particulars	Amount (₹)
1	Legal fees paid to Adv. Nitin Shah (individual advocate, not a senior advocate) for a High Court matter	2,50,000
2	Fees paid to Ms. Meera Joshi, Senior Advocate, for an appeal before the Tribunal	1,20,000
3	Fees paid to an arbitral tribunal to resolve a dispute with a customer	3,00,000
4	Freight paid to Speedway Logistics, a GTA that has not opted to pay GST under forward charge, for transport of raw material	2,00,000
5	Freight paid to the same GTA for transport of goods that the company sells under an exemption notification	60,000
6	Security personnel supplied by Raksha Services, a partnership firm	90,000
7	Security personnel supplied by Suraksha Pvt. Ltd., a company	70,000
8	Rent of a commercial office paid to Mr. Kale, an unregistered individual	1,00,000
9	Rent of a residential flat from Mr. Desai, an individual, for accommodation of visiting engineers	50,000
10	Rent of a shop paid to Pune Municipal Corporation	1,00,000
11	Rent of a booking counter paid to Indian Railways	40,000
12	Sponsorship fee paid to Mr. Rahul Verma (individual) for a local cricket tournament. The event is not covered by any sports-sponsorship exemption.	2,00,000
13	Sitting fee paid to Mr. Iyer, an independent director who is not an employee	1,00,000
14	Salary paid to Mr. Patil, whole-time director, under TDS section 192	6,00,000
15	Consultancy fee paid to Mr. Patil for a separate consultancy assignment outside his employment, under TDS section 194J	3,00,000
16	Consultancy fee paid to the Singapore-based parent company (located outside India)	5,00,000
17	Metal scrap purchased from an unregistered dealer	1,50,000

Assumptions

- **Items 1 to 15 and 17 are intra-State. Item 16 is inter-State.**
- **Rates: 18% on all services and on metal scrap (CGST 9% + SGST 9% intra-State; IGST 18% inter-State). GTA services at 5% (CGST 2.5% + SGST 2.5%).**
- **All conditions for availing ITC are met, except where the question says otherwise.**

For each item, state whether tax is payable under RCM by Kailash, and give reasons.

(AI Based conceptual question)

Answer:

No.	RCM?	Reason
1	Yes	An individual advocate (not senior) supplies legal services to a business entity. The company's turnover is above the exemption limit, so the exemption under the legal-services entry does not apply.
2	Yes	Senior advocates are covered by the same entry. The company is a business entity above the exemption limit.
3	Yes	An arbitral tribunal supplying services to a business entity located in the taxable territory.
4	Yes	GTA has not opted for forward charge. The recipient, being a body corporate, pays 5% under RCM.
5	Yes	RCM at 5% still applies to the GTA service.
6	Yes	Security personnel supplied by a non-body-corporate (partnership firm) to a registered person.
7	No	The supplier is a body corporate, so the security-services entry does not apply. Suraksha Pvt. Ltd. charges GST under forward charge.
8	Yes	An unregistered person rents immovable property (non-residential) to a registered person.
9	Yes	Residential dwelling rented to a registered person. The residential exemption is not available, and the recipient pays. The landlord's registration status does not matter.
10	Yes	A local authority rents immovable property to a registered person.
11	No	Indian Railways is excluded from the RCM entry for renting immovable property. The service is taxed under forward charge.
12	Yes	Sponsorship supplied by a person other than a body corporate to a body corporate. The recipient pays under RCM.
13	Yes	Services supplied by a non-employee director to the company, in his capacity as director.
14	No	Salary to an employee director under section 192 is a service by an employee to the employer under Schedule III. It is not a supply.
15	Yes	Professional services supplied by a director under section 194J, for work outside employment, are taxable. The company pays under RCM.
16	Yes (IGST)	Import of service. The supplier is located outside India, and the recipient is in the taxable territory. Under section 5(3) IGST, the recipient pays.
17	Yes	Metal scrap supplied by an unregistered person to a registered person. This is a notified category of goods, and the recipient pays 100% under RCM.

3. Charge of GST

Section 9(3) of CGST Act: Reverse Charge Mechanism on Notified Services

Goods Transport agency

1. XX, registered in Delhi, purchased books from PC Traders, registered in Uttar Pradesh. Books are exempt from GST. XX arranged the transport of these books from a goods transport agency (GTA) which charged a freight of Rs. 9,000 for the same. GTA is unregistered person, GST is payable under RCM on such GTA services. Which of the following statement is correct in the given context:

(a) GST of Rs. 450 is payable by XX on revere charge basis.
(b) Supply of goods and supply of GTA service is a composite supply wherein supply of goods is the principal supply and since principal supply is an exempt supply, no tax is payable on freight.
(c) Since exempt goods are being transported, service provided by GTA for transporting the same is also exempt.
(d) GST of Rs. 450 is payable by the GTA.

Sponsorship services

2. Which of the following services does not fall under reverse charge provisions as contained u/s 9(3) of the CGST Act?

(a) Services supplied by arbitral tribunal to business entity located in Ladakh
(b) Sponsorship services provided **by an Individual** to a partnership firm located in Jammu & Kashmir
(c) Sponsorship services provided **by an Individual** to a body corporate located in Kerala
(d) Service of renting of motor vehicle for passengers provided to a recipient other than body corporate.

3. GST is not payable by recipient of services in the following cases: -

(i) Services provided by a partnership firm by way of sponsorship to ABC Ltd. located in India.
(ii) Services supplied by a director (registered under GST) of Galaxy Ltd. to Mr. Krishna
(iii) Services by Department of Posts by way of speed post to MNO Ltd. located in India.
(iv) Services supplied by a recovering agent to SNSP Bank located in India.

(a) (i) & (iii)
(b) (i) & (iv)
(c) (ii) & (iii)
(d) (ii) & (iv)

Advocate services

4. Jhulelal Palkiwala & Co. is a firm of advocates registered in GST in the State of Punjab. It provides legal consultancy services to various clients. It has provided consultancy services of Rs. 50,000 on 5 Sep to Burger Queen Ltd., a registered business entity located in Mizoram. Burger Queen Ltd. achieved the turnover of Rs. 15,00,000 in the preceding financial year. The law firm raised proper invoice on the Burger Queen Ltd. on 25 Sep. Calculate the taxability of above transaction if applicable rate of tax is 18%.

(a) Exempt supply
(b) 9,000 payable by Jhulelal Palkiwala & Co.
(c) 9,000 payable by Burger Queen (P) Ltd.
(d) Non-taxable supply

5. Which of the following services are notified under section 9(3) of CGST Act, 2017 or section 5(3) of IGST Act, 2017 the tax on which shall be paid on reverse charge basis by the recipient of such supply:

(i) Supply of security services provided by a person other than a body corporate to a composition taxpayer
(ii) Services supplied by an insurance agent to insurance company located in taxable territory
(iii) Supply of services by way of renting of hotel accommodation through e-commerce operator.
(iv) Supply of notified categories of goods or services or both by a supplier, who is not registered, to specified class of registered persons.

Choose from the following options:

(a) (i) & (ii)
(b) Only (ii)
(c) (i), (ii), (iii)
(d) (i) & (iv)

Answers:

Qs	Ans	Reason
1.	**a**	**If GTA is URP, GST is payable under RCM @ 5% on GTA service availed by a recipient even though the goods transported are exempt supply.** Also, in case of GTA service the person who pays the freight is the recipient also liable to pay GST on GTA services. **Hence in the given case,** XX ltd is liable to pay GST on the GTA services i.e. Rs 9,000 * 5% = Rs. 450.
2.	**d**	**(a) Services supplied by arbitral tribunal to business entity located in Ladakh:** In case of services by Arbitral tribunal to business entity, business entity is liable to pay GST under RCM. **Note: Assumed turnover of business entity in PFY exceeded Registration limit.** **(b) Sponsorship services provided by an Individual to a partnership firm located in Jammu & Kashmir:** RCM is applicable. **(c) Sponsorship services provided by an Individual to a body corporate located in Kerala:** RCM is applicable. **(d) Service of renting of motor vehicle for passengers provided to a recipient other than body corporate:** In case of renting of motor vehicle, RCM is applicable only if service is provided to body corporate. Hence, in this case, RCM is not applicable.
3.	**c**	**(i) Services provided by a partnership firm by way of sponsorship to ABC Ltd. located in India:** Sponsorship services provided to a body corporate, Body corporate ABC ltd (i.e. the recipient) is liable to pay GST under RCM. **(ii) Services supplied by a director (registered under GST) of Galaxy Ltd. to Mr. Krishna:** Director providing services to body corporate, Body corporate is liable to pay GST under RCM. However, in the given case, director is providing services to Individual Mr. Krishna, hence Recipient is not liable. **(iii) Services by Department of Posts by way of speed post to MNO Ltd. located in India:** In the given case, GST is chargeable under forward charge by the post office, hence Recipient is not liable. **(iv) Services supplied by a recovering agent to SNSP Bank located in India:** Services by recovery agent to bank, RCM is applicable and recipient SNSP bank is liable to pay GST under RCM.
4.	**c**	**As per section 9(3) read with RCM notification: Legal services provided by a firm of advocate to a business entity shall attract RCM.** **However, Entry No. 45:** Services provided by a business entity with an ATO up such amount in the PFY as makes it eligible for exemption from registration shall be Exempt from GST. **The ATO limit applicable for Mizoram is Rs. 10 lakhs.** Since, the turnover of Burger Queen in the PFY is Rs 15 lakhs, which is exceeding the registration limit. **Burger Queen shall be liable to pay GST under RCM.** **GST liability:** Rs 50,000 * 18% = Rs. 9,000, payable by Burger Queen.
5.	**b**	(i) Supply of security services provided by a person other than a body corporate to a composition taxpayer: RCM not applicable in case of composition dealer. (ii) Services supplied by an insurance agent to insurance company located in taxable territory: RCM u/s 9(3). (iii) Supply of services by way of renting of hotel accommodation through e-commerce operator: Either ECO is liable u/s 9(5) or Supplier u/s 9(1) under forward charge. (iv) Supply of notified categories of goods or services or both by a supplier, who is not registered, to specified class of registered persons: RCM u/s 9(4) is applicable not 9(3).

4. Composition levy

Basics

1.

MN Ltd. has two registered places of business in the State of Haryana. Its aggregate turnover during the previous financial year for both the places of business was Rs. 62 lakhs. It wishes to opt for composition levy under sub-sections (1) and (2) of section 10 for one of the place of business in the current year and wants to continue with registration under regular scheme and pay taxes at the normal rate for the other place of business. Can MN Ltd. do so? Explain with reason.

(ICAI study material)

Answer:

As per proviso to section 10(2), where more than one registered person are having the same PAN issued under the Income-tax Act, 1961, the registered person shall not be eligible to opt for the composition scheme under section 10(1) unless all such registered persons opt to pay tax under said composition scheme.

In the given case, since MN Ltd. has two places of business (they are not separate entities under the Income-tax Act, 1961), they would be registered under the same PAN.

Therefore, MN Ltd. cannot opt for composition levy for only one of the places of business and pay tax under regular scheme for other place of business.

2.

A person availing composition scheme in Haryana during a financial year crosses the turnover of Rs 1.5 crore during the course of the year i.e., he crosses the turnover of Rs 1.5 crore in December? Will he be allowed to pay tax under composition scheme for the remainder of the year, i.e., till 31st March?

(ICAI study material)

Answer:

No. The option to pay tax under composition scheme lapses from the day on which the aggregate turnover of the person availing composition scheme during the financial year exceeds the specified limit (Rs 1.5 crore/75 lakhs). Once he crosses the threshold, he is required to file an intimation for withdrawal from the scheme in prescribed form **(GST CMP 04)** within 7 days of the occurrence of such event.

Every person who has furnished such an intimation, may electronically furnish at the common portal, a statement in prescribed form **(GST ITC 01)** containing details of the stock of inputs and inputs contained in semi-finished or finished goods held in stock by him on the date on which the option is withdrawn, within a period of 30 days from the date from which the option is withdrawn.

3.

Determine whether the supplier in the following cases are eligible for composition levy provided their turnover in preceding year does not exceed Rs 1.5 crore:

(i) Mohan Enterprises is engaged in trading of pan masala in Rajasthan and is registered in the same State.

(ii) Sugam Manufacturers has registered offices in Punjab and Haryana and supplies goods in neighboring States.

(ICAI study material)

Answer:

(i) A supplier engaged in the **manufacture of goods as notified** under section 10(2)(e), is not eligible for composition scheme. Ice cream and other edible ice, whether or not containing cocoa, Pan masala, Aerated water and Tobacco and manufactured tobacco substitutes, Fly ash bricks or fly ash aggregates; Fly ash blocks, Bricks of fossil meals or similar siliceous earths, Building bricks, Earthen or roofing tiles, **are hereby notified.** However, in the given case, since Mohan Enterprises is engaged in trading of pan masala and not manufacture and his turnover does not exceed Rs. 1.5 crore, he is eligible for composition scheme subject to fulfilment of specified conditions.

(ii) Since supplier of inter-State outward supplies of goods is not eligible for composition levy, Sugam Manufacturers is not eligible for composition levy.

4.

Mr. H registered in Hyderabad, who is selling goods from Telangana to Tamil Nadu. Turnover of Mr. H is Rs. 73 Lakh in the preceding financial year. Whether Mr. H is eligible for Composition? Whether your answer will change if Mr. H is making purchase from Tamil Nadu and selling goods in Telangana?

(CMA study material)

Answer:

Mr. H is not eligible for composition as he is making interstate outward supply of goods.

If Mr. H is making purchase from Tamil Nadu, then he is eligible for composition scheme as there is restriction on outward interstate supply not on inward interstate supply.

5.

Shubhlaxmi Foods is engaged in supplying restaurant service in Maharashtra. In the preceding financial year, it had a turnover of Rs. 140 lakhs from the restaurant service. Further, it had earned the bank interest of Rs. 20 lakhs from the fixed deposits. You are required to advise Shubhlaxmi Foods whether it is eligible for the composition scheme under sub-sections (1) and (2) of section 10 in the current financial year.

Further, assuming that in the current financial year, its turnover is Rs. 130 lakhs from the supply of restaurant services and Rs. 10 lakhs from the supply of farm labour in Maharashtra. It has also earned the bank interest of Rs. 30 lakhs from the fixed deposits. Compute the tax payable by Shubhlaxmi Foods in the current FY.

(ICAI study material) & (ICAI practice paper May 20)

Answer:

As per section 10(1) read with Notification No. 14/2019 CT dated 7.03.2019, a registered person, whose aggregate turnover in the preceding financial year did not exceed Rs. 1.5 crore, may opt to pay, in lieu of the tax payable by him, an amount calculated at the specified rates if, inter alia, he is not engaged in the supply of services other than restaurant services.

However, the scheme permits supply of other marginal services for a specified value along with the supply of goods and restaurant service, as the case may be. Such marginal services can be supplied for a value up to 10% of the turnover in the preceding year or Rs. 5 lakhs, whichever is higher [Second proviso to section 10(1)]. Although exempt services are included in determining the value of turnover in a State/UT, explanation to section 10(1) clarifies that for the purposes of second proviso to section 10(1), the value of exempt supply of services provided by way of extending deposits, loans/advances in so far as the consideration is represented by way of interest or discount shall not be taken into account for determining the value of turnover in a State/UT.

Further, the exempt services are also included in the aggregate turnover [Section 2(6)]. However, explanation 1 to section 10 excludes value of exempt supply of services provided by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount from aggregate turnover.

In this backdrop, in the given case, the aggregate turnover of Shubhlaxmi Foods in the preceding FY is Rs. 140 lakhs (since bank interest of Rs. 20 lakhs from the fixed deposits will not be taken into account for computing aggregate turnover). Resultantly, it is eligible to opt for composition scheme under sub-sections (1) and (2) of section 10 in the current FY.

Further, apart from restaurant services, it can provide services upto Rs. 14 lakhs [i.e., 10% of Rs. 140 lakh or Rs. 5 lakhs, whichever is higher], in the current FY. As already seen, bank interest of Rs. 20 lakhs from fixed deposits will not be considered while determining this limit.

Further, tax payable @ 5% (2½% CGST+ 2½% SGST) of the turnover in the State by Shubhlaxmi Foods in the current financial year is as follows:

= 5% of Rs. 1,40,00,000 [Rs. 1,30,00,000 + Rs. 10,00,000]

[Bank interest of Rs. 30 lakhs from the fixed deposits is not considered while computing turnover in the State for determining the tax payable under composition scheme]

= Rs. 7,00,000 [CGST = Rs. 3,50,000 and SGST = Rs. 3,50,000]

6.

Bansal and Chandiok started a partnership firm of Chartered Accountants in Jaipur (Rajasthan) on 1.04.20XX. The firm specializes in providing audit services to banks, in Rajasthan. It provided the following details of its turnover:

Quarter	Amount (in Rs)
Apr-Jun	**10 lakhs**
Jul-Sep	**20 lakhs**

It crossed the threshold limit of Rs 20 lakh on 1.08.20XX. Bansal and Chandiok wishes to opt to pay tax at concessional rate u/s 10(2A). Examine whether the firm is eligible for this scheme? If yes, then determine the tax payable by it in quarters (i) Apr-Jun & (ii) Jul-Sep?

(ICAI study material) & (ICAI practice paper May 20)

Answer:

The composition scheme under sub-sections (1) and (2) of section 10 is available in case of goods and restaurant service. Further, marginal services upto specified limit can be provided along with the supply of goods or restaurant service, as the case may be. Since, in the given case, Bansal and Chandiok is supplying services other than restaurant services, it is not eligible to pay tax under sub-sections (1) and (2) of section 10. However, section 10(2A) provides an option to a registered person, who is not eligible to pay tax under sub-sections (1) and (2) of section 10, of paying tax @ 6% (CGST-3% and SGST/UTGST-3%) provided his aggregate turnover in the preceding financial year is upto Rs. 50 lakhs. Said person can pay tax @ 6% of the turnover in State or turnover in Union territory up to an aggregate turnover of Rs. 50 lakhs, subject to specified conditions.

In the given case, Bansal and Chandiok has started the supply of services in the current financial year. Therefore, its aggregate turnover in the preceding financial year is Nil. Consequently, it is eligible to avail the benefit of composition scheme under section 10(2A) of the CGST Act in the current financial year. It becomes eligible for the registration when its aggregate turnover exceeds Rs. 20 lakhs. While registering under GST, it has to opt for composition scheme u/s 10(2A).

Tax payable by the firm is as follows:

(i) **Apr-Jun quarter:** Tax payable by the firm in first quarter is nil since the firm's turnover [Rs. 10 lakhs] has not yet exceeded the threshold limit of Rs.20 lakh (viz. the threshold limit applicable for registration in the State of Rajasthan).

(ii) **July-Sep quarter:** While computing the tax payable by the firm in second quarter, the turnover from 1st April to the date from which he becomes liable for registration under the Act is to be excluded. Tax payable will be computed as under-

Particulars	Amount
Total Turnover	Rs 30,00,000
Less: Threshold Limit for registration	Rs 20,00,000
Taxable Turnover	Rs 10,00,000
Tax @ 6% (i.e., 3% CGST i.e. 30,000 & 3% SGST i.e. 30,000)	Rs 60,000

7.

Mr. Prem is running a restaurant in New Delhi. In the preceding financial year, it has an aggregate turnover of Rs. 120 lakhs from the restaurant services. In the current financial year, apart from restaurant service, he also wants to provide food delivery services to other small restaurants. He estimated the turnover of such services is upto Rs. 5 lakhs.

Mr. Prem wishes to opt for composition scheme under sub-sections (1) and (2) of section 10 in the current financial year. You are required to advise him for same.

(ICAI study material) & (ICAI practice paper May 20)

Answer:

As per section 10(1), a registered person, whose aggregate turnover in the preceding financial year did not exceed Rs. 1.5 crore, may opt to pay, in lieu of the tax payable by him, an amount calculated at the specified rates if, inter alia, he is not engaged in the supply of services other than restaurant services.

However, the scheme permits supply of other marginal services for a specified value along with the supply of goods and restaurant service, as the case may be. Such marginal services can be supplied for a value up to 10% of the turnover in the preceding year or Rs. 5 lakhs, whichever is higher.

In the present case, since the aggregate turnover of Mr. Prem was Rs. 120 lakhs in preceding FY (i.e., it did not exceed Rs. 1.5 crore), he is eligible for composition scheme in the current FY. Further, in the current FY, he can also supply services other than restaurant services for a value upto Rs. 12 lakhs (10% of Rs. 120 lakh) or Rs. 5 lakhs, whichever is higher. Thus, till the time his turnover from food delivery services does not exceed Rs. 12 lakhs, he is eligible for the scheme.

8.

M/s Heeralal and Sons, registered in Karnataka, has opted to avail the benefit of composition scheme under sub-sections (1) and (2) of section 10. It has furnished the following details for the quarter ended on 30th June.

S. No.	Items	Rs
(i)	Taxable turnover of goods within the State	15,00,000
(ii)	Exempted turnover of goods within the State	17,00,000
	Total Turnover	32,00,000

Using the above information, calculate tax to be paid by the firm for quarter ended on 30th June in following independent situations:

(i) M/s Heeralal and Sons is a manufacturer

(ii) M/s Heeralal and Sons is a trader

(ICAI study material – updated) & (ICAI practice paper May 20)

Answer:

Computation of amount payable under composition scheme

(i) If M/s Heeralal and Sons is a manufacturer:

Tax is to be paid @ 1% (1/2% CGST+ 1/2% SGST) of the turnover in the State as under:
1% of Rs 32,00,000 [Rs 15,00,000 + 17,00,000]
= Rs 32,000 [CGST = Rs 16,000 and SGST = Rs 16,000]

(ii) If M/s Heeralal and Sons is a trader:

Tax is to be paid @ 1% (1/2% CGST+ 1/2% SGST) of the turnover of taxable supplies of goods and services in the State as under:
= 1% of Rs 15,00,000
= Rs 15,000 [CGST = Rs 7,500 and SGST = Rs 7,500]

9.

Mr. Yash, doing business in the State of Kerala, commenced his business in the month of April 2020 and provides the following further information.

(i) His intra-State turnover for the first two quarters was as follows:
   1. April, 2020 - June, 2020 - Rs. 40 lakh
   2. July, 2020 - September, 2020 - Rs. 100 lakh

(ii) In each of the quarters, exempt supply made by him was 25% of the total turnover for the said quarter.

(iii) Since the product supplied by him was eligible for composition scheme, he opted for registration under composition scheme with effect from 1st July, 2020.

You are required to compute the tax payable by Mr. Yash under GST laws from the above information:

(i) If he is a manufacturer

(ii) If he is a trader

(CA Final July 21) & (ICAI study material)

Answer:

As per section 10 of the CGST Act, 2017 read with rule 7 of the CGST Rules, 2017, a registered person opting for composition levy for goods pays tax at the rates mentioned below during the current FY, in lieu of the tax payable by him under regular scheme:

Manufacturers, other than manufacturers of notified goods: 1% (½% CGST+ ½% SGST/U TGST) of the turnover in the State/ Union territory

Trader: 1% (½% CGST+ ½% SGST/UTGST) of turnover of taxable supplies of goods & services in the State/ Union territory

Turnover prior to getting registered will not be considered for determining the turnover in a State/Union Territory.

(i) If Mr. Yash is a manufacturer

CGST = Rs. 100 lakh x 0.5% = Rs. 50,000
SGST = Rs. 100 lakh x 0.5% = Rs. 50,000

(ii) If Mr. Yash is a trader

CGST = Rs. 75 lakh (as 25% of turnover is exempt) x 0.5% = Rs. 37,500
SGST = Rs. 75 lakh (as 25% of turnover is exempt) x 0.5% = Rs. 37,500

10. (Updated)

Ranveer Industries, registered in Himachal Pradesh, is engaged in making inter-State supplies of readymade garments. The aggregate turnover of Ranveer Industries in the preceding financial year is Rs. 70 lakhs. It has opted for composition levy under sub-sections (1) and (2) of section 10 in the current financial year and paid tax for the April – June quarter of current year under composition levy.

The proper officer has levied penalty for wrongly availing the scheme on Ranveer Industries in addition to the tax payable by it.

Examine the validity of the action taken by proper officer.

(ICAI study material – amended) & (ICAI practice paper May 20)

Answer:

As per section 10(1), a registered person, whose aggregate turnover in the preceding financial year did not exceed Rs. 1.5 crore in a State/UT [Rs. 75 lakhs in case of Special Category States except Assam, Himachal Pradesh and Jammu and Kashmir], may opt for composition scheme.

However, he shall not be eligible to opt for composition scheme if, inter alia, he is engaged in making any inter-State outward supplies of goods.

In the given case, since Ranveer Industries is engaged in making inter-State supplies of readymade garments, it is not eligible to opt for composition scheme in current year irrespective of its turnover not exceeding the threshold limit of **Rs. 1.5 crores** in the preceding FY.

Further, if the proper officer has reasons to believe that a taxable person has paid tax under composition scheme despite not being eligible, such person shall, in addition to any tax payable, be liable to a penalty and the provisions of section 73/74/74A shall, mutatis mutandis, apply for determination of tax and penalty.

Thus, the action taken by the proper officer of levying the penalty for wrongly availing the composition scheme is valid in law.

11.

Mr. Rajbeer, a registered person at Delhi, is in the business of selling goods relating to interior decoration under the firm name M/s. Rajbeer & Sons. He has opted for composition scheme for the Financial Year (FY) 2018-19.

His turnover for FY 2018-19 is Rs 80 lakh and is expected to achieve Rs 130 lakh in FY 2019-20. Discuss whether M/s Rajbeer & Sons can still enjoy the benefits of composition scheme in FY 2019-20.

His son Karan wants to start business of providing services relating to interior decoration, after completing post-graduation course in interior decoration under same firm name M/s Rajbeer & Sons with effect from 01.04.19 and wants to enjoy the benefits of composition scheme under GST. Advise Mr. Rajbeer and his son Karan.

(CA final Nov 2019) & (ICAI study material)

Answer:

As per section 10 of the CGST Act, 2017, a registered person, whose aggregate turnover in the preceding financial year did not exceed Rs 1.5 crore in a State/UT may opt for composition scheme, provided he is, inter alia, engaged in supply of goods and/or restaurant service.

However, a person who opts for composition scheme is permitted to supply services other than restaurant service of value not exceeding 10% of turnover in a State/UT in the preceding financial year or Rs 5 lakh, whichever is higher.

In the given case, M/s. Rajbeer & Sons, engaged in business of selling goods relating to interior decoration, is eligible for composition scheme in FY 2019-20 since its aggregate turnover in preceding FY (viz. Rs 80 lakh) does not exceed Rs 1.5 crore.

If Karan wishes to start the business of providing services relating to interior decoration under the same firm name M/s Rajbeer & Sons, the sole proprietorship needs to be first converted into a partnership firm. Further, new GST registration under the new PAN is required to be obtained.

In such a case, the firm can provide services relating to interior decoration up to a value of Rs 5 lakh (10% of zero turnover of last year or Rs 5 lakh, whichever is higher) to continue enjoying the benefit of composition scheme in FY 2019-20.

Notes: It has been assumed that M/s Rajbeer & Sons is a sole proprietorship.

12.

Examine whether the suppliers are eligible for composition levy u/s 10 of the CGST Act, 2017 in the following independent cases in the beginning of the current financial year.

(a) Technology Enterprises, registered in Jalandhar, Punjab, is engaged in manufacturing computer systems. Its aggregate turnover in the preceding financial year is Rs. 125 lakhs. Technology Enterprises supplies the computer systems manufactured by it within the State of Punjab only. With a view to expand its business operations, it will also start providing the repairing services of computer systems in the current FY.

(b) M/s. Siddharth & Sons, registered in Delhi, owns a restaurant 'Tasty Foods' with a turnover of Rs. 112 lakhs in the preceding financial year. In view of the growing customer demand, it will also start intra-State trading of beverages in Delhi.

(c) Sitaram Associates, registered in Sikkim, is engaged in running a food chain 'Veg Kitchen' in the State. It has a turnover of Rs. 73 lakhs in the preceding FY. In the current FY, it decides to shut down the food chain owing to huge losses being incurred in the said business. Instead, it will start providing intra-State architect services.

(d) Deepti Services Ltd., registered in Uttarakhand, is exclusively providing hair styling services. It has turnover of Rs. 34 lakhs in the preceding financial year.

Will your answer be different, if Deepti Services Ltd. also start supplying beauty products along with providing hair styling services in the current financial year?

(ICAI study material) & (RTP Nov 20) (Similar Question in RTP Nov 19)

Answer:

As per section 10(1) of the CGST Act, 2017, the following registered persons, whose aggregate turnover in the preceding financial year did not exceed Rs. 1.5 crore, may opt to pay tax under composition levy:

(i) Manufacturer,

(ii) Persons engaged in making supplies referred to in clause (b) of paragraph 6 of Schedule II (restaurant services), and

(iii) Any other supplier eligible for composition levy.

The composition scheme under sub-sections (1) and (2) of section 10 can essentially be availed in respect of goods and only one service namely, restaurant service. However, the scheme permits supply of other marginal services for a specified value along with the supply of goods and restaurant service, as the case may be. Such marginal services can be supplied for a value up to 10% of the turnover in the preceding year or Rs. 5 lakhs, whichever is higher. Further, the registered person should not be engaged in making any inter-State outward supplies of goods.

Furthermore, newly inserted section 10(2A) of the CGST Act, 2017 provides an option to a registered person, who is not eligible to pay tax under section 10(1) and 10(2), of paying tax @ 6% (CGST-3% and SGST/UTGST-3%) provided his aggregate turnover in the preceding financial year is upto Rs. 50 lakhs. Said person can pay tax @ 6% of the turnover in State or turnover in Union territory up to an aggregate turnover of Rs. 50 lakhs, subject to specified conditions. One of such condition is that the registered person should not be engaged in making any inter-State outward supplies of goods or services.

In view of the above-mentioned provisions, the answer to the given independent cases is as under: -

(a) The turnover limit for being eligible for composition scheme under sub-sections (1) and (2) of section 10 of the CGST Act, 2017 for Jalandhar (Punjab) is Rs. 1.5 crore in the preceding financial year. Thus, Technology Enterprises can opt for said composition scheme as its aggregate turnover is less than Rs. 1.5 crore in the preceding financial year and it is making intra-State supplies. Further, since the registered person opting for composition scheme can also supply services (other than restaurant services) for a value up to 10% of the turnover in the preceding year or Rs. 5 lakhs, whichever is higher. Thus, Technology Enterprises can supply repair services up to a value of Rs. 12.5 lakh [10% of Rs.125 lakhs] in the current financial year.

(b) **In the given case: -**

(i) the turnover in the preceding year is less than the eligible turnover limit under composition scheme under sub-sections (1) and (2) of section 10 of the CGST Act, 2017 for Delhi, i.e., Rs. 1.5 crore.

(ii) the supplier is engaged in providing restaurant service which is an eligible supply under said composition scheme.

(iii) the supplier wants to engage in trading of goods which is also an eligible supply under said composition scheme.

Thus, M/s. Siddharth & Sons is eligible for composition scheme under sub-sections (1) and (2) of section 10 of the CGST Act, 2017.

(c) The turnover limit for being eligible for composition scheme under sub-sections (1) and (2) of section 10 of the CGST Act, for Sikkim is Rs. 75 lakhs in the preceding financial year. However, a registered person who is exclusively engaged in supplying services other than restaurant services are not eligible for said composition scheme. Thus, Sitaram Associates cannot opt for composition scheme under sub-sections (1) and (2) of section 10.

However, the benefit of composition scheme under section 10(2A) of the CGST Act, 2017 is available in case of a registered person who is not eligible to pay tax under sub-sections (1) and (2) of section 10 provided its aggregate turnover in the preceding financial year does not exceed Rs. 50 lakhs.

Thus, in view of the above-mentioned provisions, Sitaram Associates cannot avail the benefit of composition scheme under section 10(2A) also as its aggregate turnover in the preceding financial year is more than Rs. 50 lakhs.

(d) A service provider can opt for the composition scheme under sub-sections (1) and (2) of section 10 of the CGST Act, 2017 only if he is engaged in supply of restaurant services. Said scheme permits supply of marginal services for a specified value, but only when the same are supplied along with goods and/ or restaurant service.

Since Deepti Services Ltd.is exclusively engaged in supply of services other than restaurant services, it is not eligible for composition scheme sub-sections (1) and (2) of section 10 even though its turnover in the preceding year is less than Rs. 75 lakhs, the eligible turnover limit for Uttarakhand.

However, since Deepti Services Ltd. is not eligible to opt for composition scheme under sub-sections (1) and (2) of section 10 and its aggregate turnover in the preceding financial year does not exceed Rs. 50 lakh, Deepti Services Ltd.is entitled to avail benefit of composition scheme u/s 10(2A) of the CGST Act, 2017 in the current financial year.

Further, the answer will remain the same even if Deepti Services Ltd. also start supplying beauty products along with providing hair styling services in the current financial year since it fulfils the conditions laid down for availing the benefit of composition scheme under section 10(2A) of the CGST Act. It can avail the benefit of composition scheme under section 10(2A) till the time its aggregate turnover in the current year doesn't exceed Rs. 50 lakhs.

13.

Mr. X, a trader dealing exclusively in supply of goods and paying tax under normal scheme (also eligible for composition scheme), submit the following details for coming financial year 2023-24. You are required to determine which scheme will be more beneficial to him and whether Mr. X should opt for composition scheme. Estimated data for coming financial year 2023-24 are as follows:

Particulars	Amount
Inward supplies of goods from registered suppliers (amount exclusive of GST and goods chargeable to normal rate of GST @12%	**70,00,000**
Outward supplies of goods to unregistered customers (sale price of goods inclusive of GST) - Normal Rate of GST is @12%)	**90,00,000**

Other information is as given below:

(i) Inherent nature expenses Rs. 4,50,000 per year under both the schemes.

(ii) Books of account maintenance cost under normal scheme Rs. 2,00,000 yearly whereas under composition scheme it will be Rs. 75,000 yearly.

(iii) Return filing expenses under normal scheme Rs. 48,000 yearly whereas under composition scheme it will be Rs. 12,000 yearly.

(CA Final May 23- 4 marks)

Answer:

Particulars	Composition scheme (Rs.)	Regular scheme (Rs.)
Tax payable under GST law	90,000 [Rs. 90,00,000 × 1%]	9,64,286 [Rs. 80,35,714* × 12%]
Less: ITC on inward supplies	A person opting for composition scheme is not entitled to any ITC.	8,40,000 [Rs. 70,00,000 × 12%]
Net amount payable under GST law	90,000 [Forms part of cost]	1,24,286
Inherent expenses	4,50,000	4,50,000
Add: Books of accounts maintenance cost	75,000	2,00,000
Add: Return filing expenses	12,000	48,000
Add: Cost of inward supplies	78,40,000	70,00,000
Total cost involved	84,67,000	76,98,000
Sale Proceeds	90,00,000	80,35,714
Profit Margin (Sale proceeds Less Total Cost)	**5,33,000**	**3,37,714**

Thus, it can be concluded that Mr. X should opt for composition scheme for FY 2023-24 as it is more beneficial for him.

Note:

1. Outward supplies excluding GST = Rs. 80,35,714.29 (Rs. 90,00,000 × 100/112)
2. It has been assumed that GST is not charged on the inherent expenses, books of account maintenance cost and return filing expenses.
3. Alternate presentations/ answers are possible.

14.

Varun & Arun Associates started a partnership firm of architects in Bhopal (Madhya Pradesh) on 01.04.2020. The firm provides architecture services, in Madhya Pradesh. It provided the following details of its turnover:

April – June	**Rs. 20 lakhs**
July – Sept	**Rs. 30 lakhs**
Oct – Dec	**Rs. 20 lakhs**

The firm has obtained the registration under section 22 of the CGST Act, 2017 and pays tax under composition scheme. Determine the tax liability of Varun & Arun Associates for the quarters: Apr-Jun, Jul-Sept and Oct-Dec.

Note: The rates of tax on architectural services are CGST- 9% and SGST-9%.

(ICAI study material) & (RTP Nov 20)

Answer:

The composition scheme under sub-sections (1) and (2) of section 10 of the CGST Act, 2017 is available in case of goods and restaurant service. Further, marginal services upto specified limit can be provided along with the supply of goods or restaurant service, as the case may be. Since, in the given case, Varun & Arun Associates is supplying services other than restaurant services, it is not eligible to pay tax under sub-sections (1) and (2) of section 10.

However, section 10(2A) of the CGST Act, 2017 provides an option to a registered person, who is not eligible to pay tax under sub-sections (1) and (2) of section 10, of paying tax @ 6% (CGST-3% and SGST/UTGST-3%) provided his aggregate turnover in the preceding financial year is upto Rs. 50 lakhs. Said person can pay tax @ 6% of the turnover in State or turnover in Union territory up to an aggregate turnover of Rs. 50 lakhs, subject to specified conditions.

In the given case, Varun & Arun Associates has started the supply of services in the current financial year. Therefore, its aggregate turnover in the preceding financial year is Nil. Consequently, it is eligible to avail the benefit of composition scheme u/s 10(2A) of the CGST Act in the current financial year. It becomes eligible for the registration when its aggregate turnover exceeds Rs. 20 lakhs. While registering under GST, it has to opt for composition scheme u/s 10(2A).

For determining its turnover of the State for payment of tax under composition scheme for services, turnover of April-June quarter [Rs. 20 lakhs] shall be excluded as the value of supplies from the first day of April of a FY up to the date when such person becomes liable for registration under this Act are to be excluded for this purpose.

On next Rs. 30 lakhs [turnover of July-Sept quarter], it shall pay tax @ 6% [3% CGST and 3% SGST], i.e., CGST Rs. 90,000 and SGST Rs. 90,000.

By the end of July-Sept quarter, its aggregate turnover reaches Rs. 50 lakhs*.

Consequently, its option to avail composition scheme u/s 10(2A) shall lapse by the end of July-Sept quarter and thereafter, it is required to pay tax at the normal rate. Thus, the tax payable for Oct-Dec quarter is Rs. 20 lakhs × 9%, i.e., CGST - Rs. 1,80,000 and SGST - Rs. 1,80,000.

15.

M/s. T is a registered dealer of Andhra Pradesh trading in different types of machinery and its related different types of services. Their aggregate turnover for the preceding financial year 2022-23 for sale of machinery was Rs. 1.32 crores, it was first year so they had not started for providing service related to machinery. From FY 2023-24 they are planning to provide repair and maintenance service of Rs. 6.25 lakh for which they have to purchase some raw material of Rs. 5 lakh from the other State (till date they are purchasing within State only).

From the information given above, examine whether M/s. T can opt for composition scheme under Section 10(1), 10(2A) or 10(2) of the CGST Act, 2017 for FY 2023-24?

(CA Inter Sep 24)

Answer: A registered person is eligible to opt for composition scheme for goods in the current financial year (FY) provided his aggregate turnover does not exceed Rs. 1.50 crore [other than in specified Special Category States] in the preceding FY.

Since aggregate turnover of M/s. T in the preceding FY does not exceed Rs. 1.5 crore, he is eligible for composition scheme for goods under section 10(1) and 10(2) of the CGST Act, 2017 in the current FY.

As per section 10(2A) of the CGST Act, 2017, a registered person who is eligible to pay tax under section 10(1) and (2) is not eligible for opting for composition under section 10(2A) of the CGST Act, 2017.

As per section 10(2A) of the CGST Act, 2017, person engaged in the supply of service is eligible for composition scheme for payment of tax @ 3% CGST and 3% SGST provided his aggregate turnover does not exceed Rs. 50 lakh in the preceding FY.

Since turnover of previous year is Rs. 1.32 crore and firm is not dealing in the service only, M/s T cannot opt for composition scheme under section 10(2A) of the CGST Act, 2017 for FY 2023-24.

A person who opts to pay tax under composition scheme under section 10(1) and 10(2) of the CGST Act, 2017 is also permitted to supply services [other than restaurant services] upto a value not exceeding:

(a) 10% of the turnover in a State/U.T. in the preceding financial year, or

(b) Rs. 5 lakh, whichever is higher.

Thus, M/s T is permitted to supply services upto a value of Rs. 13,20,000 i.e. 10% of Rs. 1.32 crores, in current FY.

Further, there is no restriction on composition supplier to receive inter- State inward supplies of goods or services.

Thus, it can be concluded that M/s T can opt for composition scheme of goods under section 10(1) of the CGST Act, 2017 for FY 2023-24.

4. Composition Levy

Section 10 of CGST Act: Composition levy

1. **Harish Trading Company situated in Haryana, is a dealer of seeds (exempt by exemption notification) & chemical fertilizers (taxable). He is about to cross the threshold limit of registration under GST and wants to opt for Composition Scheme under section 10(1) and 10(2) of the CGST Act. His entire supply is made exclusively within the State of Haryana. You being his Chartered Accountant, advise whether he can do so or not?**
   (a) Yes, since aggregate turnover is less than Rs. 1.5 crore.
   (b) No, a person effecting supply exempted by way of exemption notification cannot opt for composition scheme under section 10(1) and 10(2) of the CGST Act.
   (c) No, a trader cannot opt for composition scheme.
   (d) No, a supplier of chemical fertilizer cannot opt for composition scheme.

2. **What is the threshold limit of turnover in the preceding financial year to be eligible for composition levy in Delhi?**
   (a) Rs 50 lakh
   (b) Rs 75 lakh
   (c) Rs 80 lakh
   (d) Rs 1.5 crore

3. **Mr. Fardeen Khan, is the owner of a proprietorship firm (located in the State of Arunachal Pradesh), which is engaged in trading of ice-cream (not containing cocoa) and supplies the same locally within the same State itself. The turnover details of his firm are as under:**
   For the period April, 20XX to March, 20XX: Rs. 70,00,000/-
   He wants to opt for Composition Scheme. State the composition turnover limit for the State of Arunachal Pradesh and whether he is eligible to opt for Composition Scheme.
   (a) Rs. 75,00,000/-: Yes
   (b) Rs. 75,00,000/-: No
   (c) Rs. 1,00,00,000/-: Yes
   (d) Rs. 80,00,000/-: Yes

4. **What happens if the turnover of a registered person paying taxes under composition scheme during the year 2018-19 crosses threshold limit?**
   (a) He can continue under composition scheme till the end of the financial year
   (b) He will be liable to pay tax at normal rates of GST on the entire turnover for the financial year 2018-19
   (c) He will cease to remain under the composition scheme with immediate effect
   (d) He will cease to remain under the composition scheme from the quarter following the quarter in which the aggregate turnover exceeds threshold limit

5. **Whether tax will be paid under reverse charge by a composition dealer:**
   (a) RCM is applicable, tax payable under RCM @ 1%
   (b) RCM is not applicable to composition dealer
   (c) RCM is applicable but tax payable at the rate applicable to those services
   (d) None of the above

6. **What is the threshold limit of turnover in the preceding financial year to be eligible for composition levy in Uttarakhand?**
   (a) Rs 50 lakh
   (b) Rs 75 lakh
   (c) Rs 80 lakh
   (d) Rs 1.5 crore

7. **What is the threshold limit of turnover in the preceding financial year to be eligible for composition levy in Assam?**
   (a) Rs 50 lakh
   (b) Rs 75 lakh
   (c) Rs 80 lakh
   (d) Rs 1.5 crore

8. **What is the threshold limit of turnover in the preceding financial year to be eligible for composition levy in Karnataka?**
   (a) Rs 50 lak
   (b) Rs 75 lakh
   (c) Rs 80 lakh
   (d) Rs 1.5 crore

9. **Which are the three special category states allowing a limit of 1.5 crores under composition scheme?**
   (a) Assam, Arunachal Pradesh, Sikkim
   (b) Assam, Arunachal Pradesh, J&K
   (c) Assam, Himachal Pradesh, J&K
   (d) Assam, Himachal Pradesh, Sikkim

10. What is the specified value of service [other than restaurant services] allowed to registered person opting for composition scheme u/s 10(1)?
(a) Higher of: 10% of TO in state/UT in CFY or 5 lakhs
(b) Lower of: 10% of TO in state/UT in PFY or 10 lakhs
(c) Higher of: 10% of TO in state/UT in PFY or 5 lakhs
(d) Lower of: 10% of TO in state/UT in PFY or 5 lakhs

11. Which of the following persons can opt for the composition scheme under sub-sections (1) and (2) of section 10 of the CGST Act, 2017?
1. RP whose aggregate turnover in the preceding FY did not exceed Rs. 75 lakhs.
2. RP whose aggregate turnover in the preceding FY did not exceed Rs. 1.5 crore.
3. A person engaged in manufacture of pan masala, tobacco & tobacco substitutes.
4. A person engaged in the manufacture of ice cream, other edible ice, whether or not containing cocoa.
5. A person engaged exclusively in providing restaurant service.
6. A person engaged exclusively in supply of medicines.
(a) 1, 2, 3, 5
(b) 1, 2, 5, 6
(c) 2, 3, 4, 5
(d) 3, 4, 5, 6

12. X & Co., a supplier registered under GST in Meghalaya, wants to opt for composition levy. The aggregate turnover limit for composition levy is-
(a) Rs. 50 lakh
(b) Rs. 75 lakh
(c) Rs. 1.5 crore
(d) none of the above

13. Can a registered person under composition scheme collect GST on his outward supplies from recipients?
(a) Yes, in all cases
(b) Yes, only on such goods as may be notified by the Central Government
(c) Yes, only on such services as may be notified by the Central Government
(d) No

14. Which of the following is not eligible for opting composition scheme under sub-sections (1) and (2) of section 10 of the CGST Act, 2017?
(a) M/s ABC, a firm selling garments solely in Ahmedabad, having aggregate turnover of Rs. 78 lakhs in the preceding F.Y.
(b) A start-up company exclusively operating a restaurant in Delhi, having aggregate turnover of Rs. 98 lakh in the preceding F.Y.
(c) A courier service company operating solely in Mumbai having aggregate turnover of Rs. 90 lakhs in the preceding F.Y.
(d) A trader selling grocery items solely in Orissa having an aggregate turnover of Rs. 95 lakhs in the preceding F.Y.

Section 10(2) of CGST Act

15. RP shall not be eligible to opt for composition levy u/s 10(1) if such person is manufacturer of _____
(a) Ice cream, aerated water, Tobacco and manufactured tobacco substitutes.
(b) Ice cream, Pan masala, Tobacco and manufactured tobacco substitutes.
(c) Ice cream, Pan masala, Aerated water, Tobacco and manufactured tobacco substitutes.
(d) All of the above.

16. Which of the following is/are correct with respect to person ineligible to opt for composition scheme?
(a) He is engaged in the supply of services and in supply of goods or service which are not leviable to tax
(b) He is engaged in making any supply of services through an ECO, liable to deduct TCS.
(c) He is not engaged in the supply of services and in supply of service which are not leviable to tax
(d) Both a & b

17. C & Co., a registered supplier in Delhi, opted for composition levy under sub-sections (1) and (2) of section 10 of the CGST Act, 2017. It sold goods in the fourth quarter of a financial year for Rs. 15,00,000 (exclusive of GST). The applicable GST rate on these goods is

12%. C & Co. purchased goods from Ramesh & Co., registered in Delhi, for Rs. 9,55,000 on which Ramesh & Co. had charged CGST of Rs. 57,300 and SGST of Rs. 57,300. C & Co. had also purchased goods from E & Co., registered in Haryana, for Rs. 2,46,000 on which E & Co. had charged IGST of Rs. 29,520. GST liability of C & Co. for the fourth quarter of the financial year is-

(a) CGST Rs. 7,500 & SGST Rs. 7,500
(b) CGST Rs. 3,180 & SGST Rs. 32,700
(c) CGST Rs. 32,700 & SGST Rs. 3,180
(d) CGST Nil and SGST Nil

Section 10(2A) of CGST Act

18. Miss. Raksha is engaged in providing private coaching services in Noida, Uttar Pradesh and is not registered under GST till 25-Sep-20XX. Her aggregate turnover is Rs 19,00,000/- on 30-Sep-20XX. She got GST registration on 30-Sep-20XX. Which of the following options are available to her?

(a) She can pay tax @ 18%, charge it from the customer and avail full input tax credit on procurements made.
(b) She can pay tax @ 6% under composition scheme for service providers but she cannot charge GST from customers and also cannot avail input tax credit.
(c) She is not liable for registration since her aggregate turnover is less than Rs 40,00,000/-
(d) Either (a) or (b)

19. Which of the following statements is not correct for a taxpayer who has opted for a composition scheme?

(a) A registered person supplying goods under the composition scheme shall issue a bill of supply.
(b) Last date for payment of liability towards tax, interest, penalty, fee or any other sum is the 20th day of each month.
(c) A composition dealer shall mention the words "Composition taxable person, not eligible to collect tax on supplies" at the top of the bill of supply issued by him.
(d) Last date for payment of liability towards tax, interest, penalty, fee or any other sum is the 18th day of the month following each quarter.

Answers:

Qs	Ans	Reason
1.	**a**	An eligible RP, whose aggregate turnover in the PFY does not exceed 1.5 crores in states other than Manipur, Mizoram, Nagaland, Sikkim, Meghalaya, Tripura, Uttarakhand, Arunachal Pradesh, may opt to pay tax under composition scheme. **In the given case,** Harish Trading Company situated in Haryana, is eligible to opt for composition since his turnover has crossed registration limit but not 1.5 crores which is limit up to which a person is eligible for composition.
2.	**d**	**An eligible RP,** whose aggregate turnover in the PFY **does not exceed 1.5 crores** in states **other than** Manipur, Mizoram, Nagaland, Sikkim, Meghalaya, Tripura, Uttarakhand, Arunachal Pradesh, may opt to pay tax under composition scheme.
3.	**a**	An eligible RP, whose aggregate turnover in the PFY **does not exceed** Rs.75 lakh in the state of Manipur, Mizoram, Nagaland, Sikkim, Meghalaya, Tripura, Uttarakhand, Arunachal Pradesh, may opt to pay tax under composition scheme. Further, **manufacturers of Ice cream** shall not be eligible but **traders of ice cream** shall be eligible to pay tax under composition scheme. Since Fardeen Khan has not crossed the threshold limit of Rs. 75 lakhs and he is a trader in ice-cream; hence he is eligible for composition scheme.
4.	**c**	If the turnover of a registered person paying taxes under composition scheme during the year crosses the threshold limit, He will cease to remain under the composition scheme with immediate effect and shall file an intimation in **GST CMP 04** within 7 days of the event.
5.	**c**	**As per Rule 5,** a person opting for composition scheme shall pay tax under section 9(3)/9(4) on inward supply of goods or services or both at the rate applicable to those services.
6.	**b**	An eligible RP, whose aggregate turnover in the PFY **does not exceed** Rs.75 lakh in the state of Manipur, Mizoram, Nagaland, Sikkim, Meghalaya, Tripura, Uttarakhand, Arunachal Pradesh, may opt to pay tax under composition scheme.

Qs	Ans	Reason
7.	**d**	An eligible RP, whose aggregate turnover in the PFY **does not exceed 1.5 crores** in states **other than** Manipur, Mizoram, Nagaland, Sikkim, Meghalaya, Tripura, Uttarakhand, Arunachal Pradesh, may opt to pay tax under composition scheme.
8.	**d**	An eligible RP, whose aggregate turnover in the PFY **does not exceed 1.5 crores** in states **other than** Manipur, Mizoram, Nagaland, Sikkim, Meghalaya, Tripura, Uttarakhand, Arunachal Pradesh, may opt to pay tax under composition scheme.
9.	**c**	An eligible RP, whose aggregate turnover in the PFY **does not exceed 1.5 crores** in states **other than** Manipur, Mizoram, Nagaland, Sikkim, Meghalaya, Tripura, Uttarakhand, Arunachal Pradesh, may opt to pay tax under composition scheme.
10.	**c**	A person who opts to pay tax under composition scheme may supply services of value **not exceeding 10%** of turnover in a State/ UT in the PFY or **Rs.5 Lakhs,** whichever is **higher.**
11.	**b**	**As per section 10(1),** RP with ATO upto 75 lacs/1.5 cr shall be eligible under composition scheme. **As per section 10(2),** RP shall not be eligible to opt for composition scheme if he is engaged in the manufacture of Ice cream and other edible ice, whether or not containing cocoa, pan masala, tobacco & tobacco substitutes, aerated water, Fly ash bricks or fly ash aggregates, Bricks of fossil meals or similar siliceous earths, Building bricks & Earthen or roofing tiles.
12.	**b**	An eligible RP, whose aggregate turnover in the PFY does not exceed Rs.75 lakh in the state of Manipur, Mizoram, Nagaland, Sikkim, Meghalaya, Tripura, Uttarakhand, Arunachal Pradesh, may opt to pay tax under composition scheme.
13.	**d**	**Section 10(4) of CGST act**: A taxable person to whom the provisions of sub-section (1) or, as the case may be, sub-section (2A) apply **shall not collect any tax from the recipient** on supplies made by him nor shall he be entitled to any credit of input tax.
14.	**c**	(a) **M/s ABC, a firm selling garments solely in Ahmedabad, having aggregate turnover of Rs. 78 lakhs in the preceding F.Y.:** Intrastate supplier of goods is eligible for composition up to a turnover of Rs. 1.5 crore. (b) **A start-up company exclusively operating a restaurant in Delhi, having aggregate turnover of Rs. 98 lakhs in the preceding F.Y.:** supplier of restaurant services is eligible for composition up to a turnover of Rs. 1.5 crore. (c) **A courier service company operating solely in Mumbai having aggregate turnover of Rs. 90 lakhs in the preceding F.Y.:** Supplier of services are **not eligible** for composition u/s 10(1) & (2) of the CGST act. (d) **A trader selling grocery items solely in Orissa having an aggregate turnover of Rs. 95 lakhs in the preceding F.Y.:** Intrastate supplier of goods is eligible for composition up to a turnover of Rs. 1.5 crore.
15.	**d**	**RP shall not be eligible to opt for composition scheme if** he is engaged in the manufacture of Ice cream and other edible ice, whether or not containing cocoa, pan masala, tobacco & tobacco substitutes, aerated water, Fly ash bricks or fly ash aggregates, Bricks of fossil meals or similar siliceous earths, Building bricks & Earthen or roofing tiles.
16.	**d**	**RP shall be eligible to opt for composition scheme if he is not engaged** in the supply of services and in supply of goods or service which are not leviable to tax, is not engaged in making any supply of services through an ECO, is not engaged in making interstate outward supplies of goods or services.
17.	**a**	**GST liability of C & Co. for the fourth quarter of the financial year is-** **CGST = Rs. 15,00,000 x 0.5%= Rs. 7,500** **SGST = Rs. 15,00,000 x 0.5%= Rs. 7,500** **No ITC is available to a person under composition scheme.**
18.	**d**	**As per Section 10(2A)** a RP, not eligible to opt to pay tax under 10(1) and 10(2), whose aggregate turnover in PFY does not exceed fifty lakh rupees, may opt to pay tax under section 9(1) or an amount of tax calculated at such rate as may be prescribed, but not exceeding 6% under composition scheme.
19.	**b**	Last date for payment of liability towards tax, interest, penalty, fee or any other sum is the 18th day of the month following each quarter.

5. Registration

Aggregate Turnover

1.

In the month of April 2020, Z started supply of goods in his proprietary firm and also set up a one-man company named Z Ltd. He needs your assistance to work out his aggregate turnover for the purpose of GST registration. The turnover details up to the month of July, 2020 are as under:

Sl No	Particulars	Amount in Lakhs
(i)	Supplies of taxable goods of his firm	31.50
(ii)	Supplies of taxable goods to a 100% EOU of his firm	1.50
(iii)	Exports of taxable goods of his firm	2.60
(iv)	Exempt supplies of his firm	2.40
(v)	Supplies of non-taxable goods of his firm	3.00
(vi)	Supplies of taxable goods by the one-man company set up in his name	2.70
(vii)	Value of supplies on which Z is liable to pay tax under reverse charge mechanism (RCM)	0.80

Note: All his supplies are intra-State except export.

(CA Final July 21)

Answer: Computation of aggregate turnover of proprietary firm of Z

Particulars	In Lakhs
Supplies of taxable goods [Taxable supplies are included in aggregate turnover.]	31.50
Supplies of taxable goods to a 100% EOU [Deemed exports being taxable supplies are included in aggregate turnover.]	1.50
Exports of taxable goods [Included in aggregate turnover.]	2.60
Exempt supplies [Included in aggregate turnover.]	2.40
Supplies of non-taxable goods [Exempt supplies are included in aggregate turnover. Exempt supplies include non-taxable supplies also.]	3.00
Supplies of taxable goods by one-man company set up in Z's name [Not included as one person company is a separate entity with separate PAN.]	-
Value of supplies on which Z is liable to pay tax under RCM [Value of inward supplies on which tax is payable on reverse charge basis are excluded from the aggregate turnover.]	-
Aggregate turnover of proprietorship firm of Z	**41.00**
Computation of aggregate turnover of Z Ltd. - one man company of Z	
Supplies of taxable goods by one-man company set up in Z's name [Taxable supplies are included in aggregate turnover.]	2.70
Aggregate turnover of Z Ltd.	**2.70**

Note: It has been most logically assumed that the amounts given in the question are excluding GST wherever required.

2.

With the help of the following information in the case of M/s Jayant Enterprises, Jaipur (Rajasthan) for the financial year, determine the aggregate turnover for the purpose of registration under the CGST Act, 2017.

SN	Particulars	Amount
(i)	Sale of diesel on which Sale Tax (VAT) is levied by Rajasthan Government	1,00,000
(ii)	Supply of goods, after completion of job work, from the place of Jayant Enterprises directly by principal.	3,00,000

SN	Particulars	Amount
(iii)	**Export supply of goods to England (U.K.)**	**5,00,000**
(iv)	**Supply to its own additional place of business in Rajasthan.**	**5,00,000**
(v)	**Outward supply on which GST is to be paid by recipient under RCM.**	**1,00,000**

All the above amounts are excluding GST.

You are required to provide reasons for treatment of various items given above.

Whether Jayant Enterprises is required to register under GST?

(CA Final-MAY 2018) & (ICAI study material)

Answer: Computation of aggregate turnover of M/s Jayant Enterprises for the FY

Particulars	Rs
Supply of diesel on which Sales Tax (VAT) is levied by Rajasthan Govt [Note-1]	1,00,000
Supply of goods, after the completion of job work, from the place of Jayant Enterprises, directly by the principal [Note-2]	Nil
Export supply to England [Note-3]	5,00,000
Supply to its own additional place of business in Rajasthan [Note-4]	Nil
Outward supply on which GST is to be paid by recipient under RCM [Note 5]	1,00,000
Aggregate turnover	**7,00,000**

***** The above solution has been worked out on the assumption that supply to another place of business is without consideration (as per general business practices).

Notes:

1. **As per section 2(47) of the CGST Act, 2017,** exempt supply includes non-taxable supply. Thus, supply of diesel, being a non-taxable supply, is an exempt supply and exempt supply is specifically includible in aggregate turnover in terms of section 2(6) of the CGST Act, 2017.
2. Supply of goods after completion of job work by a registered job worker shall be treated as the supply of goods by the principal in terms of explanation (ii) to section 22 of the CGST Act, 2017.
3. Export supplies are specifically includible in the aggregate turnover in terms of section 2(6) of the CGST Act, 2017.
4. Supply made without consideration to units within the same State (under same registration) is a not a supply and hence not includible in aggregate turnover.
5. Outward supplies taxable under reverse charge would be part of the "aggregate turnover" of the supplier of such supplies. Such turnover is not included as turnover in the hands of recipient.

As per section 22 read with Notification No. 10/2019 CT dated 07.03.2019, a supplier is liable to be registered in the State/ Union territory from where he makes a taxable supply of goods and/or services, if his aggregate turnover in a financial year exceeds the threshold limit. The threshold limit for a person making exclusive intra-State taxable supplies of goods is as under: -

(i) Rs. 10 lakhs for the States of Mizoram, Tripura, Manipur and Nagaland.

(ii) Rs. 20 lakhs for the States of Arunachal Pradesh, Meghalaya, Puducherry, Sikkim, Telangana and Uttarakhand.

(iii) Rs. 40 lakhs for rest of India.

The threshold limit for a person making exclusive taxable supply of services or supply of both goods and services is as under: -

(i) Rs. 10 lakhs for the States of Mizoram, Tripura, Manipur and Nagaland.

(ii) Rs. 20 lakhs for the rest of India.

The applicable turnover limit for registration, in the given case, will be Rs. 20 lakhs as Rajasthan is not a Special Category State and M/s. Jayant Enterprises is engaged in supply of goods and services (Job work services). **Although,** the aggregate turnover of M/s Jayant Enterprises does not exceed Rs. 20 lakhs, it is compulsorily required to register in terms of section 24(i) irrespective of the turnover limit as it is engaged in making inter-State supply of goods in the form of exports to England.

3.

Rajesh Dynamics, having its head office in Chennai, carries on the following activities with respective turnovers in a financial year

Particulars	Amount
Supply of petrol at Chennai	**18,00,000**
Value of inward supplies on which tax is payable on RCM basis	**9,00,000**

Particulars	Amount
Supply of transformer oil at Chennai, Tamil Nadu	**2,00,000**
Value of branch transfer of transformer oil from Chennai to Bengaluru without payment of consideration	**1,50,000**
Value of taxable supplies at Manipur branch	**11,50,000**

It argues that it does not have taxable turnover crossing threshold limit of Rs 40,00,000 either at Chennai or Bengaluru and including turnover at Manipur branch. It believes that the determination of aggregate turnover is not required for the purpose of obtaining registration but is required for determining composition levy.

Decide based on the above facts:

(i) The aggregate turnover of Rajesh Dynamics.

(ii) All conditions that fulfil the requirements for registration under CGST Act, 2017 in the given circumstances.

(CA Final May 18-Old) & (ICAI study material) & (CA Final Nov 22 – Similar) - updated

Answer:

Computation of aggregate turnover of Rajesh Dynamics

Particulars	Rs
Supply of petrol at Chennai [Being a non-taxable supply, it is an exempt supply & thus, includible in aggregate turnover vide section 2(6) of CGST Act, 2017]	18,00,000
Value of inward supplies on which tax is payable on reverse charge basis [Inward supplies taxable under reverse charge are excludible.]	Nil
Supply of transformer oil at Chennai, Tamil Nadu [Being a taxable supply, it is includible in aggregate turnover]	2,00,000
Value of branch transfer from Chennai to Bengaluru without payment of consideration [Being a taxable interstate supply, it is includible in aggregate turnover]	1,50,000
Value of taxable supplies of Manipur Branch [Supplies made under same PAN are includible.]	11,50,000
Aggregate turnover	**33,00,000**

Rajesh Dynamics is not liable to be registered in Chennai, Tamil Nadu, if his aggregate turnover in a financial year does not exceeds Rs. 40 lakhs. However, since Rajesh Dynamics also makes taxable supplies from Manipur, a specified Special Category State, the threshold exemption gets reduced to Rs. 10 lakhs in terms of section 22(1).

Rajesh Dynamics' argument that it is not liable to registration since the threshold exemption of Rs. 40 lakhs is not being crossed either at Chennai, Tamil Nadu, Bengaluru, Karnataka or Manipur is not correct as firstly, the aggregate turnover to be considered in its case is Rs. 10 lakh and not Rs. 40 lakh and secondly, the same is computed on all India basis and not State-wise.

Further, Rajesh Dynamics is also wrong in believing that aggregate turnover is computed only for the purpose of determining the eligibility limit for composition levy since the aggregate turnover is required for determining the eligibility for both registration and composition levy.

Further, Rajesh Dynamics is compulsorily required to register under section 24 irrespective of the turnover limit as it is liable to pay tax on inward supplies under reverse charge and it also makes inter-State branch transfer of taxable supply.

Thus, Rajesh Dynamics is liable to obtain registration in all the States from where it makes a taxable supply.

Section 22, 23 & 24: Person liable & not liable for Registration

4.

Comment on the liability to get registered under the GST law in the given independent situations for the financial year 2020-21. Your answer should also include relevant provisions of law, notifications or circulars.

(i) Miss Riddhima is exclusively engaged in the export of readymade garments from the State of Rajasthan and her export turnover during the year is Rs. 17 lakh. Apart from export turnover, she has earned interest on bank FDR for Rs. 2 lakh also.

(ii) Ajanta Enterprises is exclusively engaged in the trading of exempt goods under GST in the State of Haryana and has not taken the GST registration. During the year, its turnover from exempt supplies is Rs. 47 lakh and Ajanta Enterprises also sold old generator for Rs. 1.25 lakh during the year.

(iii) Mr. P supplier of goods has presence in two States, one in Haryana and other in Rajasthan. He is registered in the State of Rajasthan even without crossing the threshold limit. His turnover during the year in Rajasthan is Rs. 32 lakh and in Haryana is Rs. 5 lakh. Is he mandatorily required to get registered in the State of Haryana also?

(iv) Mr. John is engaged in the business of buying and selling of shares on his own account from the secondary market and his income from this activity is assessed as business income under the Income-tax Act 1961. During the year his total sales turnover from shares was Rs. 90 lakh.

(CA Final Dec 21)

Answer:

(i) Export of goods is treated as inter-State supply.

Miss Riddhima is liable to obtain registration compulsorily irrespective of the quantum of her aggregate turnover since she is engaged in making inter-State supply (exports) of goods.

Note: It has been assumed that the exporter of goods – Miss Riddhima – has availed the export benefits available under GST.

(ii) Any person engaged exclusively in making exempt supplies is not liable to registration. **However,** Ajanta Enterprises is liable to get registered as it has also made a taxable supply along with exempt supplies during the year and its aggregate turnover (Rs. 48.25 lakh) exceeds the threshold limit for registration.

(iii) Since registration in GST is PAN based, once a supplier is liable to register, he has to obtain registration in each of the States/UTs in which he operates under the same PAN.

Therefore, Mr. P is liable to get registered in Haryana also, provided he is not engaged exclusively in making exempt supplies from Haryana.

However, it is also possible to take a view that a person who is voluntarily registered in one State needs to obtain registration in other States from where he makes a taxable supply only if his aggregate turnover exceeds applicable threshold limit for registration.

In that case, Mr P is not liable to obtain registration from Haryana since the aggregate turnover does not exceed the threshold limit for registration.

(iv) A supplier is liable to obtain registration in a State/UT from where he makes a taxable supply of goods and/or services. Shares are excluded from the definition of goods as well as services. Hence, buying and selling of shares is not a supply of goods and/or services under GST law.

Thus, Mr. John is not liable to obtain registration since he is not engaged in making a taxable supply of goods and/or services.

5.

State with brief reason which of the following suppliers are liable to be registered:

(a) Agent supplying goods on behalf of some other taxable person and its aggregate turnover does not exceed threshold limit applicable for registration during the financial year.

(b) An agriculturist who is only engaged in supply of produce out of cultivation of land.

Answer:

(a) **As per section 22 of the CGST Act, 2017 read with Notification No. 10/2019 CT dated 07.03.2019,** a supplier is liable to be registered in the State/ Union territory from where he makes a taxable supply of goods and/or services, if his aggregate turnover in a financial year exceeds the threshold limit. The threshold limit for a person making exclusive intra-State taxable supplies of goods is as under: -

(i) Rs.10 lakh for the States of Mizoram, Tripura, Manipur and Nagaland.

(ii) Rs.20 lakh for the States of Arunachal Pradesh, Meghalaya, Puducherry, Sikkim, Telangana and Uttarakhand.

(iii) Rs.40 lakh for rest of India.

However, as per section 24, a person supplying goods/services or both on behalf of other taxable persons whether as an agent or otherwise is liable to be compulsorily registered even if its

aggregate turnover does not exceed Rs. 20 lakhs during the financial year.

(b) **As per section 23,** an agriculturist who is only engaged in supply of produce out of cultivation of land is not required to obtain registration.

6.

Happy Ltd. located at Alwar (Rajasthan), exclusively manufactures and sells the product "Shine & Shine", which is exempt from GST. Happy Ltd. sells "Shine & Shine" only within Rajasthan. The turnover of Happy Ltd. in the previous year was Rs 60 lakhs. Happy Ltd. purchased additional machinery (Capital Goods) for manufacturing "Shine & Shine" on 1st April, 2018. The invoice for supply of machinery also was issued on 1st April, 2018. The purchase price of the machinery was Rs 25 lakh exclusive of CGST and SGST @ 12% (6% + 6%). On 1st December, 2018 exemption available on the product "Shine & Shine" was withdrawn by the Central Government and CGST and SGST @18% (9% + 9%) was imposed thereon. The turnover of Happy Ltd. on 30th September, 2018 was Rs 45 lakh.

Examine the issue and answer (with supporting explanatory note for each answer) Does Happy Ltd. have to register under CGST Act, 2017?

(CA Final Nov 18) - updated

Answer:

As per section 22 of the CGST Act, 2017 read with Notification No. 10/2019 CT dated 07.03.2019, a supplier is liable to be registered in the State/ Union territory from where he makes a taxable supply of goods and/or services, if his aggregate turnover in a financial year exceeds the threshold limit. The threshold limit for a person making exclusive intra-State taxable supplies of goods is as under: -

(i) Rs.10 lakh for the States of Mizoram, Tripura, Manipur and Nagaland.

(ii) Rs.20 lakh for the States of Arunachal Pradesh, Meghalaya, Puducherry, Sikkim, Telangana and Uttarakhand.

(iii) Rs.40 lakh for rest of India.

The threshold limit for a person making exclusive taxable supply of services or supply of both goods and services is as under: -

(i) Rs.10 lakh for the States of Mizoram, Tripura, Manipur and Nagaland.

(ii) Rs.20 lakh for the rest of India.

In view of combined reading of above provisions, although the 'aggregate turnover' of Happy Ltd. exceeds the applicable threshold limit of Rs 40 lakh on 30.09.2018 [Rs 45 lakh], it was not required to be registered till 30.11.2018 as it supplied only exempted goods till that day.

However, Happy Ltd. needs to register within 30 days from 01.12.2018 (the date on which its supplies became taxable) as its turnover had already exceeded the threshold limit of Rs 40 lakh on 01.12.2018.

7.

State with brief reason, whether following suppliers of taxable goods are required to register under the GST Law:

(i) Mr. Raghav is engaged in wholesale cum retail trading of medicines in the State of Assam. His aggregate turnover during the financial year is Rs 9,00,000 which consists of Rs 8,00,000 as Intra-State supply and Rs 1,00,000 as Inter-State supply.

(ii) Mr. S.N Gupta of Rajasthan is engaged in trading of taxable goods on his own account and also acting as an agent of Mr. Rishi registered under GST in Delhi. His turnover in the financial year 2021-22 is of Rs 12 lakhs on his own account and Rs 9 lakhs on behalf of principal. Both turnovers are Intra-State supply.

(CA IPCC May 19) - updated

Answer:

(i) Person making any inter-State taxable supply of goods is required to obtain registration compulsorily under GST laws irrespective of the quantum of aggregate turnover.

Thus, in the given case Mr. Raghav is required to obtain registration compulsorily under GST laws even though his aggregate turnover does not exceed the threshold limit for registration.

(ii) Persons who make taxable supply of goods on behalf of other taxable persons whether as an agent or otherwise are required to obtain registration compulsorily under GST laws irrespective of the quantum of aggregate turnover. Aggregate turnover includes all supplies made by the taxable person, whether on his own account or made on behalf of all his principals.

Since Mr. S.N Gupta is also acting as an agent of Mr. Rishi of Delhi, he is required to obtain registration compulsorily under GST laws.

8.

Briefly explain whether the following persons are liable for registration as per the provisions of the CGST Act, 2017:

(a) Sachin, an exclusive supplier of Non-taxable goods only.

(b) Person making interstate taxable supply of services aggregating Rs 8,00,000 only.

(c) Where the tax on the goods dealt with are payable on reverse charge basis.

(d) Jagdish, an individual, who undertakes cultivation of land by the labour of family and his own labour for producing paddy, to the tune of Rs 60 lakhs.

(e) Ranjan, a trader is coming to Mumbai from Bangalore for an exhibition. The exhibition is to continue for seven days in Mumbai. Ranjan expects supply of goods for Rs 8,00,000.

(CS Prof Old Dec 19 - 5 marks)

Answer:

(a) **As per Section 23(1)(a),** any person engaged exclusively in the business of supplying goods or services or both that are not liable to tax or wholly exempt from tax under this Act or under the IGST Act is not liable to take registration.

In the present case, since Sachin is engaged exclusively in the business of supplying goods that are not liable to tax, he is covered under the aforesaid provision, thus not liable for registration.

(b) **Section 24 of CGST Act** provides for compulsory registration of persons making inter-state taxable supplies. However, Notification No. 10/2017-I.T., dated 13-10-2017 confers exemption to the supplier of services from obtaining registration where the aggregate turnover calculated on all India basis does not exceed Rs. 20 lakhs [Rs. 10 lakhs in case of special category states of Mizoram, Manipur, Nagaland and Tripura] in a financial year.

In the present case, since the aggregate turnover Is Rs. 8,00,000/- below the minimum threshold, there is no requirement to take registration.

(c) **As per Notification No. 5/2017-CT, dated 19-6-17,** the person who are only engaged in making supplies of taxable goods or services or both, the total tax on which is liable to be paid on reverse charge basis by the recipient of such goods and services or both are exempted from obtaining registration under GST law.

Thus, in the instant case, registration is not required.

(d) **As per Section 23(1)(b) of the CGST Act,** the agriculturist, to the extent of supply of produce out of cultivation of land, is exempt from registration.

Therefore, Jagdish is not required to obtain registration.

(e) **As per Section 24(ii) of the CGST Act,** casual person making taxable supply is mandatorily required to obtain registration regardless of the aggregate turnover effected by it. Here, Ranjan is casual taxable person, **thus** required to obtain registration.

9.

Rishabh Enterprises - a sole proprietorship firm - started an air-conditioned restaurant in Virar, Maharashtra in the month of February wherein the customers are served cooked food as well as cold drinks/non-alcoholic beverages. In March, the firm opened a liquors shop in Uttarakhand for trading of alcoholic liquor for human consumption.

Determine whether Rishabh Enterprises is liable to be registered under GST law with the help of the following information:

Particulars	February (Rs)*	March (Rs)*
Serving of cooked food and cold drinks/non-alcoholic beverages in restaurant in Maharashtra	5,50,000	6,50,000
Sale of alcoholic liquor for human consumption in Uttarakhand		5,00,000
Interest received from banks on the fixed Deposits	1,00,000	1,00,000
Supply of packed food items from restaurant in Maharashtra	1,50,000	2,00,000

***excluding GST**

You are required to provide reasons for treatment of various items given above.

(ICAI Practice paper May 20) & (ICAI study material – amended)

Answer:

As per section 22 of the CGST Act, 2017 read with Notification No. 10/2019 CT dated 07.03.2019, a supplier is liable to be registered in the State/ Union territory from where he makes a taxable supply of goods and/or services, if his aggregate turnover in a financial year exceeds the threshold limit. The threshold limit for a person making exclusive intra-State taxable supplies of goods is as under: -

(i) Rs.10 lakh for the States of Mizoram, Tripura, Manipur and Nagaland.
(ii) Rs.20 lakh for the States of Arunachal Pradesh, Meghalaya, Puducherry, Sikkim, Telangana and Uttarakhand.
(iii) Rs.40 lakh for rest of India.

The threshold limit for a person making exclusive taxable supply of services or supply of both goods and services is as under: -

(i) Rs.10 lakh for the States of Mizoram, Tripura, Manipur and Nagaland.
(ii) Rs.20 lakh for the rest of India.

As per section 2(6) of the CGST Act, 2017, aggregate turnover includes the aggregate value of:

(i) all taxable supplies,
(ii) all exempt supplies,
(iii) exports of goods and/or services and
(iv) all inter-State supplies of persons having the same PAN.

The above is computed on all India basis. Further, the aggregate turnover excludes central tax, State tax, Union territory tax, integrated tax and cess. Moreover, the value of inward supplies on which tax is payable under reverse charge is not taken into account for calculation of 'aggregate turnover'.

In the given question, since Rishabh Enterprises is engaged in making taxable supplies of goods and services from Maharashtra and Uttarakhand, the threshold limit for obtaining registration is Rs. 20 lakhs.

In the light of the afore-mentioned provisions, the aggregate turnover of Rishabh Enterprises is computed as under:

Computation of aggregate turnover of Rishabh Enterprises

Particulars	Turnover of February (Rs)	Cumulative turnover of February & March (Rs)
Serving of cooked food and cold drinks/non-alcoholic beverages in restaurant in Maharashtra	5,50,000	12,00,000 [Rs 5,50,000+6,50,000]
Add: Sale of alcoholic liquor for human consumption in Uttarakhand [Note-1]	-	5,00,000
Add: Interest received from banks on the Fixed Deposits [Note-2]	1,00,000	2,00,000 [Rs 1,00,000+1,00,000]
Add: Supply of packed food items from restaurant in Maharashtra	1,50,000	3,50,000 [Rs 1,50,000+2,00,000]
Aggregate Turnover	**8,00,000**	**22,50,000**

Notes:

1. **As per section 2(47) of the CGST Act, 2017,** exempt supply includes non-taxable supply. Thus, supply of alcoholic liquor for human consumption in Uttarakhand, being a non-taxable supply, is an exempt supply and is, therefore, includible while computing the aggregate turnover.
2. **Services by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount (other than interest involved in credit card services) is exempt** vide exemption notification. Thus, interest received from banks on the fixed deposits is an exempt supply and is, therefore, includible while computing the aggregate turnover.

Rishabh Enterprises was not liable to be registered in the month of February since its aggregate turnover did not exceed Rs 20 lakh in that month. However, since its aggregate turnover exceeds Rs 20 lakh in the month of March, it should apply for registration within 30 days from the date on which it becomes liable to registration. Further, he is not liable to be registered in Uttarakhand since he is not making any taxable supply from Uttarakhand.

10.

Decide with reason whether the registration is required under CGST Act, 2017 in the following independent cases:

(i) A casual taxable person (CTP) has provided inter-State supply of notified products being textiles hand printing amounting to Rs. 19.25 lakh during the month of January, 2020. Those products were made by craftsmen by both hand and machines equally. CTP had obtained PAN and generated e-way bill for supply.

(ii) Mr. Bantu of Delhi doing trading business across India and his intra-State turnover details are as below,

(1) Taxable supplies made from Delhi - Rs. 18 lakhs.

(2) Exempt supplies made from Andhra Pradesh - Rs. 10 lakhs.

(3) Both taxable and exempt supplies made from Tamil Nadu - Rs. 5,00,000 and Rs. 6,00,000 respectively.

(CA Final Nov 20) (CA Final MTP Nov 24)

Answer:

(i) **As per section 24,** a casual taxable person (CTP) is liable to be registered compulsorily under GST irrespective of the threshold limit.

However, CTPs making inter-State taxable supplies of notified products, when made by the craftsmen predominantly by hand even though some machinery may also be used in the process, have been exempted from obtaining registration if their aggregate turnover does not exceed Rs. 20 lakhs [Rs. 10 lakhs for specified special category States].

Since, in the given case, the notified products were made by craftsmen by both hand and machines equally, they are not eligible for exemption and are required to obtain registration mandatorily.

(ii) For a supplier exclusively engaged in intra-State supply of goods, the threshold limit of turnover to obtain registration in the States of Delhi, Andhra Pradesh and Tamil Nadu is Rs. 40 lakhs. Aggregate turnover includes value of all taxable and exempt supplies under same PAN.

Thus, aggregate turnover of Mr. Bantu doing trading business across India
= Rs. (18 lakh +10 lakh + 5 lakh + 6 lakh) = Rs. 39 lakhs.

Therefore, Mr. Bantu is not liable for registration as his turnover does not exceed Rs. 40 lakhs.

Note: It has been assumed that Mr. Bantu makes only intra-State supplies across India.

11.

Raghuram Pvt. Ltd., Pune, Maharashtra, provides house-keeping services. The company supplies its services exclusively through an e-commerce website owned and managed by Technosavvy Pvt. Ltd., Pune. The turnover of Raghuram Pvt. Ltd. in the current financial year is Rs. 18 lakh. Advise Raghuram Pvt. Ltd. as to whether it is required to obtain GST registration. Will your advice be any different if Raghuram Pvt. Ltd. sells readymade garments exclusively through the e-commerce website owned and managed by Technosavvy Pvt. Ltd.?

(MTP march 2018), (ICAI study material) & (CA Final RTP May 22)

Answer:

As per section 22 of the CGST Act, 2017, every supplier of goods or services or both is required to obtain registration in the State/ Union territory from where he makes the taxable supply if his aggregate turnover exceeds threshold limit in a financial year.

However, section 24 of the CGST Act, 2017 enlists certain categories of persons who are mandatorily required to obtain registration, irrespective of their turnover. Persons who supply goods or services or both through such electronic commerce operator (ECO), who is required to collect tax at source under section 52 of the CGST Act, 2017, is one such person specified under clause (ix) of section 24. However, where the ECO is liable to pay tax on behalf of the suppliers of services under a notification issued under section 9(5), the suppliers of such services are entitled for threshold exemption.

Section 2(45) of the CGST Act, 2017 defines ECO as any person who owns, operates or manages digital or electronic facility or platform for electronic commerce.

Electronic commerce is defined under section 2(44) of the CGST Act, 2017 to mean the supply of goods or services or both, including digital products over digital or electronic network. Since Technosavvy Pvt. Ltd. owns and manages a website for e commerce where both goods and services are supplied, it will be classified as an ECO under section 2(45).

Notification No. 17/2017 CT (R) dated 28.06.2017 issued under section 9(5) of the CGST Act, 2017 specifies services by way of house-keeping, except where the person supplying such service through ECO is liable for registration under section 22(1), as one such service where the ECO is liable to pay tax on behalf of the suppliers.

In the given case, Raghuram Pvt. Ltd. provides house-keeping services through an ECO. It is presumed that Technosavvy Pvt. Ltd. is an ECO which is required to collect tax at source under section 52 of the CGST Act, 2017. However, house-keeping services provided by Raghuram Pvt. Ltd., which is not liable for registration under section 22(1) of the CGST Act, 2017 as its turnover is less than Rs. 20 lakh, is a service notified under section 9(5) of the CGST Act, 2017. Thus, Raghuram Pvt. Ltd. will be entitled for threshold exemption for registration and will not be required to obtain registration even though it supplies services through ECO.

Section 24 read with notification issued u/s 23(2) specifies that the persons making supplies of goods through an ECO who is required to collect tax at source u/s 52 and having an aggregate turnover in the preceding FY and in the current FY not exceeding the amount of aggregate turnover above which a supplier is liable to be registered in the State/UT in accordance with the provisions of section 22(1), as the category of persons exempted from obtaining registration under the said Act, subject to the following conditions, namely:—

(i) such persons shall not make any inter-State supply of goods;
(ii) such persons shall not make supply of goods through ECO in more than one State/UT;
(iii) such persons shall be required to have a PAN issued under the Income Tax Act, 1961;
(iv) such persons shall, before making any supply of goods through ECO, declare on the common portal their PAN, address of their place of business and the State/UT in which such persons seek to make such supply, which shall be subjected to validation on the common portal;
(v) such persons have been granted an enrolment number on the common portal on successful validation of the PAN declared as per clause (iv);
(vi) such persons shall not be granted more than one enrolment number in a State/UT;
(vii) no supply of goods shall be made by such persons through electronic commerce operator unless such persons have been granted an enrolment number on the common portal; and
(viii) where such persons are subsequently granted registration under section 25 of the said Act, the enrolment number shall cease to be valid from the effective date of registration.

In the second case, Raghuram being a supplier of readymade garments is a supplier of goods and turnover less than registration limit shall not be required to obtain compulsory registration subject to fulfilment of the above conditions.

12.

Bindusara commences the business of supplying taxable goods locally within the State of Rajasthan in April. He is not yet registered under GST. As his aggregate turnover reaches Rs. 8 lakh by the end of the month of June, Bindusara starts exploring the option to sell the goods supplied by him within Rajasthan on a popular electronic commerce platform – E-vastustore by listing the goods on the said platform.

He approaches you for advice on following issues in this regard:

(A) Bindusara wishes to continue his business without registering under GST since it will enhance the compliance burden under GST law. Can he supply the goods through E-vastustore without obtaining GST registration? You are required to advise him.

(B) Discuss the GST implications in case Bindusara supplies goods through electronic commerce platform - E-vastustore.

(CA Final RTP may 24)

Answer to (A):

Yes, Bindusara can supply goods through E-vastustore without obtaining GST registration.

As per section 24(ix), persons who supply goods and/or services, other than services notified under section 9(5), through such electronic commerce operator (hereinafter referred as ECO) who is required to collect TCS under section 52 is required to obtain registration mandatorily.

However, the persons making supplies of goods through an ECO who is required to collect TCS and having an aggregate turnover in the preceding financial year and in the current financial year not exceeding the threshold limit in accordance with the provisions of section 22(1), are exempted from

obtaining registration, vide Notification No. 34/2023 CT dated 31.07.2023, subject to the following conditions, namely:

(i) such persons shall not make any inter-State supply of goods;

(ii) such persons shall not make supply of goods through ECO in more than one State/Union territory;

(iii) such persons shall be required to have a PAN issued under the Income-tax Act, 1961;

(iv) such persons shall, before making any supply of goods through ECO, declare on the common portal:
   a. their PAN
   b. address of their place of business and
   c. State/UT in which such persons seek to make such supply,

   which shall be subjected to validation on the common portal;

(v) such persons have been granted an enrolment number on the common portal on successful validation of the PAN declared above;

(vi) such persons shall not be granted more than one enrolment number in a State/UT;

(vii) no supply of goods shall be made by such persons through ECO unless such persons have been granted an enrolment number on the common portal; and

(viii) where such persons are subsequently granted registration under section 25, the enrolment number shall cease to be valid from the effective date of registration.

Thus, Bindusara can supply goods through E-vastustore without obtaining GST registration till the time its aggregate turnover does not exceed the threshold limit in accordance with the provisions of section 22(1) thereby complying with the aforesaid conditions.

Answer to (B):

As Bindusara is not required to obtain registration under GST, there shall be no GST implications on the supplies made by him through electronic commerce platform - E-vastustore.

However, the electronic commerce operator - E-vastustore – is required to submit the details of supplies made through it by the unregistered suppliers (including Bindusara) having enrolment number in Form GSTR 8. Further, no tax at source shall be collected by the E-vastustore in respect of such supplies.

13. (New addition)

Ms. Kanak Arora runs a proprietary concern, M/s Kanak Traders, from three locations. All three are under her own PAN and none is registered under GST:

- **Faridabad, Haryana: a petrol pump and a lubricants shop (principal place of business)**
- **Ludhiana, Punjab: a stall in the fruit market that sells only fresh fruits**
- **Imphal, Manipur: a small depot selling lubricants**

She has given the following details for FY 2025-26:

No.	Particulars	Amount
1	Supply of petrol at the Faridabad outlet	14,00,000
2	Supply of transformer oil at Faridabad (base price ₹2,50,000 + delivery charges of ₹10,000 recovered separately from customers)	2,60,000
3	Purchases of lubricants from registered dealers	20,00,000
4	Inward supplies on which she paid tax under reverse charge (unregistered GTA)	11,00,000
5	Crates and packing material sent from Faridabad to the Ludhiana stall for its own use, without consideration (open market value)	3,00,000
6	Supply of fresh fruits at Ludhiana	5,00,000
7	Supply of lubricants at the Imphal depot	2,40,000
8	Export of lubricants to Dubai	2,60,000
9	Supply of lubricants to a 100% EOU in Haryana	1,50,000
10	Her goods sent to a registered job worker in Gurugram, then supplied from the job worker's premises directly to her customers after job work	3,00,000
11	Goods of Verma & Co. processed by her as job worker and supplied from her premises directly to Verma's customers	4,00,000
12	Job work charges received from Verma & Co.	40,000
13	Direct Selling Agent services provided by her to a bank (the bank pays tax under reverse charge)	1,00,000

No.	Particulars	Amount
14	Interest on fixed deposits (not included in any figure above)	2,00,000
15	Sale of an old generator used at the petrol pump	1,25,000
16	Sale of listed shares held as stock-in-trade	9,00,000
17	Supplies by Kanak Retail (OPC) Pvt. Ltd., her one-person company	2,70,000
18	LED TV sent free to her brother's residence, not in the course of business (open market value)	40,000
19	Lubricants moved from the petrol pump to the lubricants shop godown, both in Faridabad under one GSTN	1,00,000

Ms. Kanak's four arguments:

1. **"Petrol is outside GST, so it cannot count towards any GST turnover."**
2. **"My taxable turnover at Faridabad is tiny, Ludhiana sells only exempt fruit, and no State crosses ₹40 lakh. I need no registration anywhere."**
3. **"Even if I must register, it can only be in Haryana, where my head office is."**
4. **"If I do register, I will opt for composition from FY 2026-27, since my turnover is far below ₹1.5 crore."**

You are required to:

(a) Compute the aggregate turnover of M/s Kanak Traders for FY 2025-26, giving reasons for each item.

(b) Examine each of her four arguments, stating the applicable threshold and the States in which she must register.

(AI Based master Question)

Answer: Section 2(6), aggregate turnover is the value of all taxable supplies, exempt supplies, exports and inter-State supplies of persons with the same PAN, on an all-India basis. It excludes inward supplies on which tax is paid under reverse charge, and CGST/SGST/UTGST/IGST/cess.

(a) Computation of the aggregate turnover of M/s Kanak Traders

No.	Item	₹ included	Trap and reason
1	Petrol	14,00,000	Petrol is a non-taxable supply, which s. 2(47) treats as exempt, and exempt supplies are part of ATO
2	Transformer oil + delivery charges	2,60,000	Transformer oil is taxable even though it is a petroleum product. Incidental charges recovered from the customer form part of value (s. 15(2)(c))
3	Purchases	–	ATO counts outward supplies only
4	Inward reverse charge supplies	–	Specifically excluded, but this liability alone forces registration under section 24
5	Crates sent to Ludhiana	3,00,000	Different States means distinct persons, so a free transfer is still a supply (Sch. I). Valued at open market value (rule 28) because Ludhiana is unregistered and cannot take ITC.
6	Fresh fruits at Ludhiana	5,00,000	Exempt supplies are included even though Ludhiana itself need not register
7	Imphal depot	2,40,000	Same PAN, so it counts. Manipur also cuts the threshold to ₹10 lakh
8	Export	2,60,000	Exports specifically included
9	Supply to EOU	1,50,000	Deemed export, a taxable supply: included
10	Her goods supplied from the job worker's premises	3,00,000	Explanation (ii) to s. 22 treats it as the **principal's** supply, so it is included in her ATO
11	Verma's goods supplied from her premises	–	The same rule from the other side: it is Verma's supply, not the job worker's
12	Job work charges	40,000	Her own taxable service
13	DSA services, reverse charge paid by the bank	1,00,000	Outward supplies under reverse charge stay in the **supplier's** ATO. Only inward reverse charge supplies are excluded

No.	Item	₹ included	Trap and reason
14	FD interest	2,00,000	An exempt service, so included for registration. "Not included above" means it must be added separately
15	Old generator	1,25,000	Sale of a business asset is a supply
16	Shares	–	Securities are neither goods nor services
17	OPC supplies	–	The one-person company has a separate PAN
18	LED TV to brother	–	Not in the course of business. A family member is a related person, but Sch. I needs "in the course of business"
19	Pump to godown, same State	–	Not a supply: same person, same State.
	Aggregate turnover	**38,75,000**	

Answer to (b)

1. Wrong. Non-taxable supply is part of exempt supply, and exempt supplies are part of ATO.

2. As soon as a person makes taxable supply from special category state limit falls to 10 lacs. In the given case she is supplying lubricant from Manipur, hence the limit applicable for her is 10 lacs.
   Also registration is compulsory regardless of turnover because she makes inter-State taxable supplies (export, crates to Ludhiana) and pays tax under reverse charge.

3. Registration is needed in every State from which she makes taxable supplies: Haryana and Manipur. Punjab is not required, because Ludhiana makes only exempt supplies

4. Composition from FY 2026-27." Turnover passes the test but she is not eligible:
   Turnover test: exclude interest on deposits and loans (Explanation to s. 10): ₹38,75,000 – ₹2,00,000 = ₹36,75,000. This is within ₹75 lakh, the limit applicable because she has a registration in Manipur, a specified special category State.
   Services cap: job work ₹40,000 + DSA ₹1,00,000 = ₹1,40,000, within ₹5 lakh.
   She can't opt composition:
   (i) she supplies petrol, which is not leviable to GST;
   (ii) she makes inter-State outward supplies of goods

Section 25: Procedure for Registration

14. (New addition)

(a) Mohit Sharma runs "Mohit Enterprises," a small electronics accessories trading firm based out of a single shop in Karol Bagh, Delhi. Having heard from fellow traders in the market about a new "Fast Track Registration" facility under rule 14A that promises registration within days rather than weeks, Mohit decides to explore this option. He determines that his output tax liability on supplies made to registered dealers and retailers (i.e., B2B supplies), taking together CGST, SGST and IGST, is Rs. 2.30 lakh per month. Mohit is keen to avoid the delay and hassle of a physical site visit. He duly applies for registration under rule 8, opts for Aadhaar authentication and completes it successfully using his personal Aadhaar linked to his PAN. Examine whether Mohit Enterprises is eligible to obtain registration under Rule 14A.

(b) Kavya Agarwal of Jaipur, who owns "Kavya Industries," has recently diversified her single garment-manufacturing business into two distinct verticals operating from two different premises within the same city, one dealing in men's ethnic wear and the other in women's western wear. Both verticals are run under the same PAN and individually, each has monthly B2B output tax liability of Rs. 2.2 lakh and Rs.1.8 lakh and satisfy other conditions prescribed under rule 14A. Kavya's tax consultant advises her that she should obtain two separate Fast Track Registrations under rule 14A- one for each vertical -so that both verticals can get quick, Aadhaar-based registration without any site visit. Examine whether Kavya Industries can validly obtain two separate rule 14A registrations for its two business verticals within the same State, as advised by her consultant.

Answer:

(a) Rule 14A provides a simplified and faster mode of GST registration for small taxpayers whose monthly output tax liability on B2B supplies does not exceed Rs. 2.5 lakh. Under this option, a person can get registered electronically within 3 working days, based purely on Aadhaar authentication, without the need for physical verification (no site visit). A person is eligible to opt for this facility provided:

- He has made an application for registration under rule 8
- His total output tax liability on supply of goods and/or services made to registered persons (CGST and SGST/UTGST and IGST and compensation cess) does not exceed Rs. 2.5 lakh per month.
- He must opt for and undergo successful Aadhaar authentication.

Where these conditions are met, registration is granted electronically by the common portal within 3 working days of successful Aadhaar authentication, without any physical/site verification.

Further, rule 14A restricts a taxpayer to only one registration per State/UT against the same PAN under this option.

In view of above provisions, registration requirements in given cases are as follows:

(a) Monthly B2B output tax liability of Mohit Enterprises is determined at Rs. 2.30 lakh, which is within the prescribed threshold of Rs. 2.5 lakh. Mohit has also applied under rule 8 and successfully completed Aadhaar authentication. All conditions prescribed under rule 14A are thus satisfied.
Thus, Mohit Enterprises is eligible to opt for Fast Track Registration under rule 14A.

(b) Although both verticals of Kavya Industries independently satisfy the tax-liability and Aadhaar-authentication conditions, rule 14A expressly permits only a single registration per State/UT under the same PAN. Since both verticals are located within the same State (Rajasthan) and operate under the same PAN, the restriction applies regardless of the fact that they represent distinct business lines.
Thus, Kavya Industries cannot obtain two separate rule 14A registrations for its two verticals. Only one Fast Track Registration under rule 14A can be obtained for a State and the consultant's advice to seek two such registrations is not correct in law.

15.

Rameshwar Industries is engaged in the manufacturing semi-conductors in the State of Assam. It makes only intra-State outward supplies.

Following details have been made available by Rameshwar Industries:

Date of commencement of business	**March 14, 2024**
Date when turnover exceeded Rs. 10 lakh	**March 29, 2024**
Date when turnover exceeded Rs. 20 lakh	**April 15, 2024**
Date when turnover exceeded Rs. 40 lakh	**April 28, 2024**
Date, of application for registration as per the provisions of Section 22·of the CGST Act, 2017	**May 15, 2024**
Date of issuance of certificate of registration	**May 29, 2024**

Based on the above information, You are required to determine the following by briefly stating the relevant provision,

a. Effective date of registration of Rameshwar Industries
b. Period for which revised tax invoice can be issued
c. Timeline within which such revised tax invoice is to be issued.

(CA Inter Jan 25 - 5 Marks)

Answer:

a. Where an applicant submits application for registration within 30 days from the date he becomes liable to registration, effective date of registration is the date on which he becomes liable to registration.
Rameshwar Industries became liable to registration on 28th April, 2024 when its turnover exceeded the applicable threshold limit of Rs. 40 lakh (since it is engaged exclusively in supply of goods). Since it applied for registration within 30 days, the effective date of registration is 28th April, 2024.

b. Revised tax invoices can be issued against the invoices already issued during the period starting with the effective date of registration till the date of issuance of certificate of registration. Therefore, in the

given case, Rameshwar Industries can issue the revised tax invoices against the invoices already issued during the period beginning with 28th April, 2024 till 29th May, 2024.

c. Revised tax invoices are to be issued within 1 month from the date of issuance of certificate of registration i.e. within 1 month from 29th May, 2024 i.e. upto 29th June, 2024.

16.

Pari & Sons is an unregistered supplier of services in Karnataka. On 10th August, 20XX aggregate turnover of Pari & Sons exceeded Rs 20,00,000. The firm applied for registration on 27th August, 20XX and was granted the registration certificate on 1st September, 20XX.

Under CGST Rules, 2017, you are required to advise Pari & Sons as to what is the effective date of registration in its case. It has also sought your advice regarding period for issuance of revised tax invoices.

(CA Final-MAY 2018), (MTP Nov 20) & (ICAI study material)

Answer:

Section 22(1) of the CGST Act, 2017 provides that every supplier is liable to be registered under this Act in the State/UT, other than special category States, from where he makes a taxable supply of goods or services or both, if his aggregate turnover in a financial year exceeds Rs 20 lakh.

Section 25(1) of the CGST Act, 2017 provides that a supplier whose aggregate turnover in a FY exceeds Rs 20 lakh in a State/UT is liable to apply for registration within 30 days from the date of becoming liable to registration (i.e., the date of crossing the threshold limit of Rs 20 lakh).

Where the application is submitted within the said period, the effective date of registration is the date on which the person becomes liable to registration vide rule 10 of the CGST Rules, otherwise, it is the date of grant of registration in terms of rule 10.

In the given case, since Pari & Sons have applied for registration on 27.08.20XX which is within 30 days from the date of becoming liable to registration (10.08.20XX), its effective date of registration is 10.08.20XX.

Further, every registered person who has been granted registration with effect from a date earlier than the date of issuance of registration certificate to him, may issue revised tax invoices in respect of taxable supplies effected during this period within 1 month from the date of issuance of registration certificate.

In view of the same, Pari & Sons may issue revised tax invoices against the invoices already issued during the period between effective date of registration (10.08.20XX) and the date of issuance of registration certificate (01.09 20XX), on or before 01.10.20XX.

17.

"Aadhaar authentication is not required for persons who are already registered under GST." Examine and discuss the correctness of the statement. You are required to elaborate the relevant legal provisions.

(CA Inter RTP Nov 22) – New addition

Answer:

The given statement is incorrect. Aadhaar authentication has been made mandatory for the new registrants as well as for the existing registrants. With regard to existing registrants, section 25(6A) of the CGST Act, 2017 stipulates that every registered person shall undergo authentication, or furnish proof of possession of Aadhaar number, in the prescribed form, manner and time. New rule 10B of the CGST Rules, 2017 prescribes the manner in which aadhaar authentication needs to be done by a registered person.

A registered person, who has been issued a certificate of registration under GST, shall undergo authentication of the Aadhaar number of: -

- Proprietor, in the case of proprietorship firm,
- Any partner, in the case of a partnership firm,
- Karta, in the case of a Hindu undivided family,
- Managing director or any whole-time director, in the case of a company,
- Any of the Members of the Managing Committee of an Association of persons or
- body of individuals or a Society, or
- Trustee in the Board of Trustees, in the case of a Trust;

and of the Authorized Signatory, in order to be eligible for the following purposes:

- for filing of application for revocation of cancellation of registration [Rule 23]
- for filing of refund application in Form RFD-01 [Rule 89]

- for refund of the IGST paid on goods exported out of India [Rule 96]

First proviso to section 25(6A) of the CGST Act, 2017 provides that if an Aadhaar number is not assigned to an existing registered person, such person shall be offered alternate and viable means of identification in the prescribed manner. Such manner has been prescribed by rule 10B of the CGST Rules, 2017 as follows:

If Aadhaar number has not been assigned to the person required to undergo authentication of the Aadhaar number, such person shall furnish the following identification documents, namely: –

(a) his/ her Aadhaar Enrolment ID slip; and

(b)

(i) Bank passbook with photograph; or

(ii) Voter identity card issued by the Election Commission of India; or

(iii) Passport; or

(iv) Driving license issued by the Licensing Authority

However, once Aadhaar number is allotted to such person, he shall undergo the authentication of Aadhaar number within a period of 30 days of the allotment of the Aadhaar number.

The afore-said rule 10B shall not be applicable to persons notified under section 25(6D) of the CGST Act, 2017, i.e. to persons exempt from aadhaar authentication.

18.

Comment and discuss with explanations the validity of the below statements with reference to provisions related to registration under GST law:

(i) "There is no need of registration at all if a person is engaged in supply services (intra-State and/or inter-State) only through an E-Commerce Operator (ECO)."

(ii) "There is no requirement of the physical verification of business premises."

(iii) "There is no requirement to provide the details of bank account at the time of application of registration."

(CA Final Sep 25 - 5 Marks)

Answer:

(i) The statement is partially valid/not valid.

Person who is engaged in supply of services only through ECO who is required to collect TCS under section 52 is required to obtain registration compulsorily.

Exceptions:

(i) Such persons having an aggregate turnover not exceeding Rs. 20 lakh (Rs. 10 lakh in case of specified Special Category States) in a FY, are exempt from obtaining compulsory registration.

(ii) Persons making notified supplies through an ECO.

(ii) The statement is partially valid/not valid

Physical verification of business premises for grant of registration under GST law is not required.

However, if the proper officer is satisfied that physical verification is necessary after grant of registration, he may get verification of place of business done.

In case of failure to undergo/opt for aadhaar authentication, where identified on the common portal based on data analysis and risk parameters, or where proper officer deems it necessary, physical verification is required to be conducted before the grant of registration.

After verification, proper officer shall upload verification report along with other documents, including photographs, in the prescribed form within specified time.

(iii) The statement is valid/partially valid.

After the grant of registration, the registered person is allowed to furnish his bank account details:

(i) within 30 days from date of grant of registration,

or

(ii) before furnishing

(b) the details of outward supplies under section 37 OR

(c) GSTR-1/using IFF whichever is earlier.

However, this relaxation is not available to those granted registration as TDS deductor/TCS collector or suo-motu registration.

Section 27: CTP & NRTP

19.

What is the validity period of the registration certificate issued to a casual taxable person and non- resident taxable person?

(ICAI study material)

Answer:

In terms of section 27(1) read with proviso thereto, the certificate of registration issued to a "casual taxable person" or a "non-resident taxable person" shall be valid for a period specified in the application for registration or 90 days from the effective date of registration, whichever is earlier. However, the proper officer, at the request of the said taxable person, may extend the validity of the aforesaid period of 90 days by a further period not exceeding 90 days.

Section 29: Cancellation or suspension of registration

20.

Dharma Dutta has taken voluntary registration and has not opted for the composition scheme of levy. He is aggrieved by the cancellation of his registration under GST, although he is filing Nil returns, as he has not conducted any business for the past 8 months. He wants to know the circumstances under which the proper officer can cancel registration on his own. Or
Can the proper Officer Cancel the Registration on his own?

(CA final Nov 2019)-updated

Answer:

GST registration may be cancelled Suo motu by GST Officer if the registered person: -

(a) a RP has contravened such (rule 21) provisions of the Act/rules

Rule 21: Registration to be cancelled in certain cases

- does not conduct any business from the declared place of business; or
- issues invoice or bill without supply of g/s in violation of the provisions of the Act, or the rules made thereunder; or
- violates the Anti profiteering provisions.
- violates the provision of rule 10A (furnishing of Bank account details on portal)
- avails input tax credit in violation of the provisions of section 16 of the Act or the rules made thereunder; or
- furnishes the details of outward supplies in FORM GSTR-1**/as amended in GSTR 1A, if any,** under section 37 for one or more tax periods which is in excess of the outward supplies declared by him in his valid return under section 39 for the said tax periods; or
- violates the provision of rule 86B.
- **violates the provision of third and fourth proviso to rule 23(1).**
- being a registered person required to file return under section 39(1) for each month or part thereof, has not furnished returns for a continuous period of six months;
- being a registered person required to file return under proviso to subsection (1) of section 39 for each quarter or part thereof, has not furnished returns for a continuous period of two tax periods.

(b) a person paying tax under section 10 (Composition supplier) has not furnished the return for a financial year beyond three months from the due date of furnishing the said return; or

(c) any registered person, other than a person specified in clause (b), has not furnished returns for such continuous tax period as may be prescribed; or

(d) any person who has taken voluntary registration has not commenced business within 6 months from the date of registration.

(e) Registration has been obtained by means of fraud, willful misstatement or suppression of facts

21.

Mr. X of Haryana intends to start business of supply of building material to various construction sites in Haryana. He has taken voluntary registration under GST in the month of April. However, he has not commenced the business till December due to lack of working capital. The proper officer suo-motu cancelled the registration of Mr. X. You are required to

examine whether the action taken by proper officer is valid in law?
Mr. X has applied for revocation of cancellation of registration after 40 days from the date of service of the order of cancellation of registration. Department contends that application for revocation of cancellation of registration can only be made within 30 days from the date of service of the order of cancellation of registration. However, Mr. X contends that the period of submission of application may be extended on sufficient grounds being shown. You are required to comment upon the validity of contentions raised by Department and Mr. X.

(CA Inter RTP May 22) – New addition

Answer:

As per section 29 of the CGST Act, 2017, the proper officer may cancel the registration of a person from such date, including any retrospective date, as he may deem fit, where, -

(a) a registered person has contravened such provisions of the Act or the rules made thereunder as may be prescribed (rule 21); or
(b) a person paying tax under section 10 (Composition supplier) has not furnished the return for a financial year beyond three months from the due date of furnishing the said return; or
(c) any registered person, other than a person specified in clause (b), has not furnished returns for such continuous tax period as may be prescribed (Rule 21); or
(d) any person who has taken voluntary registration under sub-section (3) of section 25 has not commenced business within six months from the date of registration; or
(e) registration has been obtained by means of fraud, wilful misstatement, or suppression of facts:

Thus, in view of the above-mentioned provisions, suo-motu cancellation of registration of Mr. X by proper officer is valid in law since Mr. X, a voluntarily registered person, has not commenced his business within 6 months from the date of registration.

Further, where the registration of a person is cancelled suo-motu by the proper officer, such registered person may apply for revocation of the cancellation to such proper officer, within 90 days from the date of service of the order of cancellation of registration. **However,** the said period of 90 days may, on sufficient cause being shown and for reasons to be recorded in writing, be extended for a period not exceeding 180 days by Commissioner or officer authorised by the commissioner. **Thus,** considering the above provisions, the contention of Department is not valid in law.

22.

Under the provision of section 29(1) of CGST Act, 2017 read with rule 21A of CGST Rules, 2017 related to suspension of registration if the registered person has applied for cancellation of registration, what is the period and manner of suspension of registration?

(CA Inter Jan 21)-New addition

Answer:

Where a registered person has applied for cancellation of registration, the registration shall be deemed to be suspended from:

(a) the date of submission of the application or
(b) the date from which the cancellation is sought, whichever is later, pending the completion of proceedings for cancellation of registration.

Such person shall not make any taxable supply during the period of suspension and shall not be required to furnish any return.

The expression **"shall not make any taxable supply"** mean that the registered person shall not issue a tax invoice and, accordingly, not charge tax on supplies made by him during the suspension period.

Miscellaneous

23.

Mahadev Enterprises, a sole proprietorship firm, opened a shopping complex dealing in supply of goods at multiple locations, i.e. in Himachal Pradesh, Uttarakhand and Tripura in the month of June. It has furnished the following details relating to the sale made at such multiple locations for the month of June: -

Particulars	Himachal Pradesh	Uttarakhand	Tripura
	(Rs)	(Rs)	(Rs)
Intra- State sale of taxable goods	22,50,000	-	7,00,000
Intra-State sale of exempted goods	-	-	6,00,000
Intra-State sale of non-taxable goods	-	21,00,000	40,000

*** excluding GST**

With the help of the above-mentioned information, answer the following questions giving reasons: -

(1) Determine whether Mahadev Enterprises is liable to be registered under GST law and what is the threshold limit of taking registration in this case assuming that it is not required to pay any tax on inward supplies under reverse charge.

(2) Explain with reasons whether your answer in (1) will change in the following independent cases:

(a) If Mahadev Enterprises is dealing in taxable supply of goods only from Himachal Pradesh;

(b) If Mahadev Enterprises is dealing in taxable supply of goods and services only from Himachal Pradesh;

(c) If Mahadev Enterprises is dealing in taxable supply of goods only from Himachal Pradesh and has also affected inter - State supplies of taxable goods amounting to Rs 4,00,000.

(RTP Nov 19) & (ICAI study material)

Answer:

As per section 22 of the CGST Act, 2017 read with Notification No. 10/2019 CT dated 07.03.19, a supplier is liable to be registered in the State/Union territory from where he makes a taxable supply of goods and/or services, if his aggregate turnover in a financial year exceeds the threshold limit.

The threshold limit for a person making exclusive intra- State taxable supplies of goods is as under:

(i) Rs 10 lakhs for the States of Mizoram, Tripura, Manipur and Nagaland.

(ii) Rs 20 lakhs for the States of Arunachal Pradesh, Meghalaya, Puducherry, Sikkim, Telangana and Uttarakhand.

(iii) Rs 40 lakhs for rest of India.

The threshold limit for a person making exclusive taxable supply of services or supply of both goods and services is as under:

(i) Rs 10 lakhs for the States of Mizoram, Tripura, Manipur and Nagaland.

(ii) Rs 20 lakhs for the rest of India.

As per section 2(6) of the CGST Act, 2017, aggregate turnover includes the aggregate value of:

(i) all taxable supplies,

(ii) all exempt supplies,

(iii) exports of goods and/or services and

(iv) all inter-State supplies of persons having the same PAN.

The above is computed on all India basis.

In the light of the afore-mentioned provisions, the aggregate turnover of Mahadev Enterprises is computed as under:

Computation of State-wise aggregate turnover of Mahadev Enterprises

Particulars	Himachal Pradesh	Uttarakhand	Tripura
	(Rs)	(Rs)	(Rs)
Intra- State sale of taxable goods	22,50,000	-	7,00,000

Particulars	Himachal Pradesh	Uttarakhand	Tripura
	(Rs)	(Rs)	(Rs)
Intra-State sale of exempted goods	-	-	6,00,000
Intra-State sale of non-taxable goods [Note-2]	-	21,00,000	40,000
Aggregate Turnover	**22,50,000**	**21,00,000**	**13,40,000**

In the given case, Mahadev Enterprises is engaged in exclusive intra-State supply of goods from Himachal Pradesh, Tripura and Uttarakhand. However, since Mahadev Enterprises makes taxable supply of goods from one of the specified Special Category States (i.e., Tripura), it will not be eligible for the higher threshold limit of Rs. 40 lakhs; instead, the threshold limit for registration will be reduced to Rs. 10 lakhs.

(1) In view of the above-mentioned provisions, Mahadev Enterprises is liable to be registered under GST law with the aggregate turnover amounting to Rs. 56,90,000 (computed on all India basis). The applicable threshold limit of registration in this case is Rs. 10 lakhs. Further, he is not liable to be registered in Uttarakhand since he is not making any taxable supply from Uttarakhand.

(2)

(a) If Mahadev Enterprises is dealing in supply of goods only from Himachal Pradesh, the applicable threshold limit of registration would be Rs. 40 lakhs. Thus, Mahadev Enterprises will not be liable for registration as its aggregate turnover would be Rs. 22,50,000.

(b) If Mahadev Enterprises is dealing in taxable supply of goods and services only from Himachal Pradesh then higher threshold limit of Rs. 40 lakhs will not be applicable as the same applies only in case of exclusive supply of goods. Therefore, in this case, the applicable threshold limit will be Rs. 20 lakh and hence, Mahadev Enterprises will be liable to registration.

(c) In case of inter-State supplies of taxable goods, section 24 requires compulsory registration irrespective of the quantum of aggregate turnover. Thus, Mahadev Enterprises will be liable to registration.

5. Registration

Aggregate Turnover

1. An exempt supply includes-
- **(i) Supply of goods or services or both which attracts Nil rate of tax**
- **(ii) Non-taxable supply**
- **(iii) Supply of goods or services or both which are wholly exempt from tax under section 11 of the CGST Act or under section 6 of IGST Act**

(a) (i)
(b) (i) and (ii)
(c) (ii) and (iii)
(d) (i), (ii) and (iii)

2. Which of the following is treated as exempt supply under the CGST Act, 2017?
- **(i) Sale of liquor**
- **(ii) Supply of health care services by a hospital**
- **(iii) Transmission of electricity by an electricity transmission utility**

(a) (i)
(b) (ii)
(c) (ii) and (iii)
(d) (i), (ii) and (iii)

3. Aggregate turnover includes:
(a) Taxable supplies
(b) Exempt supplies
(c) Exports
(d) All of the above

4. Kwality Bells Private Limited, registered under GST in Chennai, Tamil Nadu, provided following outward supplies in the current year:

Particulars	Amount	
	Taxable	Exempt
Intra-State supplies	**40,00,000**	**15,00,000**
Inter-State supplies (zero-rated supplies)	**30,00,000**	**10,00,000**
Supply of goods procured from China directly from China to UK without such goods entering into India	**20,00,000**	**-**
Supply of goods imported from UK, in high seas, to a local vendor by way of endorsement of documents of title to the goods before clearance for home consumption	**5,50,000**	**6,00,000**

Compute the aggregate turnover of Kwality Bells Private Limited under GST law for the current year.
(a) Rs. 95,00,000
(b) Rs. 1,26,50,000
(c) Rs. 1,20,50,000
(d) Rs. 1,15,00,000

5. How the aggregate turnover is calculated for determining threshold limit of registration?
(a) Aggregate value of all taxable supplies (excluding the value of inward supplies on which tax is payable by a person on reverse charge basis and inter-State supplies), exempt supplies and export of goods/services.
(b) Aggregate value of all taxable supplies (excluding the value of inward supplies on which tax is payable by a person on reverse charge basis), exempt supplies, export of goods/services and inter-State supplies of a person computed for each State separately.
(c) Aggregate value of all taxable intra-State supplies, export of goods/services and exempt supplies of a person having same PAN computed for each State separately.
(d) Aggregate value of all taxable supplies (excluding the value of inward supplies on which tax is payable by a person on reverse charge basis), exempt supplies, export of goods/services and inter-State supplies of a person having same PAN computed on all India basis and excluding taxes if any charged under CGST Act, SGST Act and IGST Act.

6. Rama Ltd. has provided following information for the month of September:

Particulars	Amount
Intra-State taxable outward supply	**Rs 8 lakhs**
Inter-State exempt outward supply	**Rs. 5 lakhs**
Turnover of exported goods	**Rs 10 lakhs**
Payment made for availing GTA services **Note:** GTA not paying tax @ 18%	**Rs 80,000**

Calculate the aggregate turnover of Rama Ltd.

(a) Rs. 8,00,000
(b) Rs. 23,80,000
(c) Rs. 23,00,000
(d) Rs. 18,00,000

Section 22, 23, 24: Person liable for registration

7. Ram, an individual, based in Gujarat, is in employment and earning Rs. 10 lakhs as salary. He is also providing consultancy services to different organizations on growth and expansion of business. His turnover from the supply of such services is Rs. 12 lakhs. Determine whether Ram is liable for taking registration as per provisions of the Act?

(a) Yes, as his aggregate turnover is more than Rs. 20 lakhs.
(b) No, as his aggregate turnover is less than Rs. 40 lakhs.
(c) No, as services in the course of employment does not constitute supply and therefore, aggregate turnover is less than Rs. 20 lakhs.
(d) Yes, since he is engaged in taxable supply of services.

8. The person making inter-State supplies from Madhya Pradesh which is not notified handicraft goods or predominantly hand-made notified products, is compulsorily required to get registered under GST, ____

(a) if his aggregate turnover exceeds Rs. 40 lakhs in a financial year
(b) if his aggregate turnover exceeds Rs. 20 lakhs in a financial year
(c) if his aggregate turnover exceeds Rs. 10 lakhs in a financial year
(d) irrespective of the amount of aggregate turnover in a financial year.

9. Mr. X, a casual taxable person, is not involved in making taxable supplies of notified handicraft goods or predominantly hand-made notified products. Which of the following statements is true for Mr. X - a casual taxable person?

(a) Mr. X is not required to take registration under GST under any circumstances.
(b) Mr. X is required to get registration under GST if the aggregate turnover in a financial year exceeds Rs. 20 lakhs.
(c) Mr. X is required to get registration under GST if the aggregate turnover in a financial year exceeds Rs. 40 lakhs.
(d) Mr. X has to compulsorily get registered under GST irrespective of the threshold limit.

10. Which of the following persons is required to obtain compulsory registration?

(a) Persons exclusively engaged in making intra-State supplies, tax on which is to be paid by the recipient on reverse charge basis under section 9(3) of the CGST Act, 2017.
(b) Persons making inter-State supplies from other than special category states of taxable services up to Rs. 20,00,000
(c) Persons making supplies of services from other than special category states through an ECO required to collect TCS (other than supplies specified under section 9(5) of the CGST Act) with aggregate turnover up to Rs. 20,00,000
(d) Persons who make taxable supply of goods or services or both on behalf of other taxable persons whether as an agent or otherwise.

11. Mr. Z of Himachal Pradesh starts a new business and makes following supplies in the first month-

(i) Intra-State supply of taxable goods amounting to Rs. 17 lakh
(ii) Supply of exempted goods amounting to Rs. 1 lakh
(iii) Inter-State supply of taxable goods amounting to Rs. 1 lakh

Whether he is required to obtain registration, if the aforesaid goods are not handicraft goods or predominantly hand-made products, as notified?

(a) Mr. Z is liable to obtain registration as the threshold limit of Rs. 10 lakhs is crossed.
(b) Mr. Z is not liable to obtain registration as he makes exempted supplies.
(c) Mr. Z is liable to obtain registration as he makes the inter-State supply of goods.
(d) Mr. Z is not liable to obtain registration as the threshold limit of Rs. 20 lakhs is not crossed.

12. Mr. A has started intra-State supply of goods from Delhi. He is required to obtain registration if his aggregate turnover exceeds _____ during a financial year.
(a) Rs 10 lakh
(b) Rs 20 lakh
(c) Rs 30 lakh
(d) Rs 40 lakh

13. Which of the statements is correct?
(a) Person making any inter-State taxable supply of goods is required to obtain registration compulsorily.
(b) A person to whom a UIN has been granted cannot apply for cancellation of registration.
(c) The cancellation of registration under either SGST Act/UTGST Act shall be deemed to be a cancellation of registration under CGST Act
(d) All of the above

14. Mr. Champak, located in the State of Himachal Pradesh, a job worker, is engaged in providing job work services relating to silverware articles to his Principal, Mr. Mote Lal, in the State of Rajasthan. The details of his turnover are as under:
a) For the period July, 2017 to March, 2018: Rs. 19,00,000/-.
Mr. Champak, has earned continuous rental income of Rs. 15,000/- per month from his residential flat in Delhi for nine months from July, 2017 to March, 2018. He has also made wholly exempt supplies of handicraft items of Rs. 50,000/- during the period, December, 2017 to March, 2018.
Compute the aggregate turnover of Mr. Champak for the FY 2017-18 under the CGST Act, 2017, and also state whether he is liable for registration under the Act or not.
(a) Rs. 20,85,000/-; Liable for registration
(b) Rs. 20,35,000/-; Liable for registration
(c) Rs. 19,00,000/-; Not liable for registration
(d) Rs. 19,50,000/-; Liable for registration

15. Mrs. Reena is a consultant. She has provided the following details relating to services provided and received by her:
Supply of management consultancy services for Rs. 500,000/- p.a.
Supply of accounting services for Rs. 2,00,000/- p.a.
Renting of immovable property for residential purposes for Rs. 10,000/- p.m.
Management consultancy services provided to a hospital for Rs. 50,000/- one time
Services provided to a client outside India for Rs. 50,000/- p.m.
Services received from a lawyer for Rs. 100,000/-
Note: Assume that amounts given above are exclusive of GST, wherever applicable. What shall be her aggregate turnover for the financial year under GST provided her aggregate turnover during previous financial year was Rs. 24 lakhs?
(a) Rs. 9,10,000
(b) Rs.15,70,000
(c) Rs. 14,70,000
(d) Rs. 8,20,000

16. State whether the following statements are true or false:
(i) ZRS means supply of any goods or services or both which attracts nil rate of tax.
(ii) Exempt supply means export of goods or services or both, or supply of goods or services or both to a Special Economic Zone developer or a Special Economic Zone unit.
(iii) Non-taxable supply means supply of goods or services or both which is not leviable to tax under CGST Act, 2017 but leviable to tax under the Integrated GST Act, 2017.
(iv) ITC may be availed for making zero rated supply of exempt goods.
(a) False, False, False, True
(b) True, False, False, False
(c) True, True, False, False
(d) False, False, False, False

17. Mr. Dev Anand is engaged in providing services of facilitating sale and purchase of securities to various clients. He is also

engaged in trading of securities. His turnover details are as follows:
Trading of securities Rs 40,00,000/-
Brokerage on account of facilitating transactions in securities Rs 30,00,000/-
You are required to ascertain aggregate turnover of Mr. Dev Anand under GST:
(a) Rs 30,00,000/-
(b) Rs 40,00,000/-
(c) Rs 70,00,000/-
(d) Rs NIL.

18. Mr. Pappu Singh, commenced his business in Feb 20XX. He has established following units:
(i) Unit A (in SEZ) and Unit B (non-SEZ) in the State of Maharashtra
(ii) Unit C in Delhi
(iii) Unit D and E in the State of Goa
Mr. Pappu Singh has approached you to help him in determining the States and number of registrations he is required to take under GST (presuming the fact that he is making taxable supply from each State and his aggregate turnover exceeds the threshold limit):
(a) Maharashtra-2: Delhi-1, Goa–Optional 1 or 2
(b) Maharashtra-Optional 1 or 2: Delhi-1, Goa-Optional 1 or 2
(c) Maharashtra-1: Delhi-1, Goa-1
(d) Maharashtra-2: Delhi-1, Goa-2

19. Raghav of Assam is exclusively engaged in intra-State taxable supply of readymade garments. His turnover in the current financial year (FY) from Assam showroom is Rs 28 lakh. He has another showroom in Tripura with a turnover of Rs 11 lakh in the current FY. He is required registration in the state of
(a) Assam
(b) Tripura
(c) Assam and Tripura both
(d) No registration required

20. Mr. Manjot is a trader supplying goods from his firm M/s. Singh Traders. The office of the firm is located in Delhi whereas its godowns are located in the State of Uttar Pradesh, Punjab and Jammu & Kashmir (J & K) respectively.
M/s. Singh Traders made following intra-State supplies from different States during the current financial year:
(i) Delhi - Taxable supplies: Rs. 21,00,000
(ii) Punjab – Exempted supplies: Rs. 6,00,000
(iii) Uttar Pradesh – Taxable and exempted supplies: Rs. 3,00,000 each respectively.
(iv) J & K – Taxable and exempted supplies: Rs. 8,00,000 and Rs. 3,00,000 respectively.
Ascertain the States in which Mr. Manjot is required to take registration under GST:
(a) Delhi, Punjab, Uttar Pradesh and J & K
(b) Delhi, Uttar Pradesh and J & K
(c) Delhi and Uttar Pradesh
(d) Delhi

21. Which of the following persons are not liable for registration?
(a) Any person engaged exclusively in supplying services wholly exempt from tax.
(b) Persons making any inter-State taxable supply of goods
(c) Both (a) and (b)
(d) None of the above

22. A person is not liable for registration under GST Act if
(a) Non-resident person making a taxable supply.
(b) An agriculturist selling produce out of cultivation of land.
(c) Dealer engaged in inter-state trade above the threshold limit for registration.
(d) Casual taxable person making taxable supply.

23. Byomkesh Mukherjee & Sons, a registered person located in the state of West Bengal, is engaged in the supply of taxable goods. He desires to take part in a trade fair to be held in the State of Gujarat for supply of such goods. He does not have a fixed place of business in Gujarat. Which of the following statement(s) is correct in the context of obtaining registration in Gujarat?
(a) He has to obtain registration as regular tax payer under section 22 of the CGST Act
(b) He has to obtain registration as composition tax payer under section 10 of the CGST Act
(c) He has to obtain registration as casual taxable person as defined u/s 2(20) of the CGST Act
(d) He is not required to obtain registration if

his ATO does not exceed Rs. 40 lakhs.

24. State which of the following statement is incorrect:

(i) An agent, supplying goods on behalf of principal where invoice is issued in the name of principal, is required to get compulsorily registered under GST.

(ii) Persons who are required to deduct tax u/s 51, whether or not separately registered under this Act are compulsory required to get registered under GST without any threshold.

(iii) Every person supplying online information and database access or retrieval services from a place outside India to a registered person in India is compulsory required to get registered under GST without any threshold.

(iv) Persons who supply services, other than supplies specified u/s 9(5), through such electronic commerce operator who is required to collect tax at source u/s 52 are compulsory required to get registered under GST without any threshold.

(a) (i), (ii)
(b) (iii), (iv)
(c) (i), (iii), (iv)
(d) (i), (ii), (iii) and (iv)

25. Mr Ram, a jeweller registered under GST in Mumbai, wants to sell his jewellery in a Trade Expo held in Delhi. Which of the following statements is false in his case?

(a) He needs to get registration in Delhi as casual taxable person.
(b) He needs to pay advance tax on estimated tax liability.
(c) He needs to mandatorily have a place of business in Delhi.
(d) He needs to file GSTR-1/ IFF and GSTR-3B for Delhi GSTIN for the month or quarter, as the case may be, when he gets registered in Delhi.

Section 25: Procedures for registration

26. What is the validity of the registration certificate granted under GST for a normal tax payer?

(a) One year
(b) Two years
(c) Valid till it is cancelled
(d) Five years.

27. Within how many days a person should apply for registration under GST, apart from provisions of voluntary registration?

(a) Within 60 days from the date he becomes liable for registration.
(b) Within 30 days from the date he becomes liable for registration.
(c) No time limit
(d) Within 90 days from the date he becomes liable for registration.

28. Lakshmi became liable to be registered under GST law on 10th Nov 18. She submitted the application for registration on 18th Nov 18. The registration certificate was issued on 9th Dec 18. The effective date of registration will be

(a) 10th November, 2018
(b) 18th November, 2018
(c) 9th December, 2018
(d) None of these

29. Under GST Act the term UIN stands for

(a) User Identification Number
(b) Utility Identification Name
(c) Unique Identification Number
(d) Unique Individual Number

Section 27: CTP/NRTP

30. Which of the following is/are incorrect?

(a) CTP shall pay net estimated tax liability in advance.
(b) CTP shall pay gross estimated tax liability in advance.
(c) Extension of registration of CTP beyond 90 days can be by further by 180 days.
(d) (b) & (c)

31. The registration certificate granted to CTP/non-resident taxable person is valid for _____ days from the effective date of registration or period specified in registration application, whichever is earlier.

(a) 30
(b) 60
(c) 90
(d) 120

32. A non-resident taxable person is required to apply for registration:

(a) within 30 days from the date on which he becomes liable to registration
(b) within 60 days from the date on which he becomes liable to registration
(c) at least 5 days prior to the commencement of business
(d) within 180 days from the date on which he becomes liable to registration

Section 29: Cancellation/suspension of registration

33. Where a RP has applied for cancellation, pending cancellation, the registration shall be deemed to be suspended _____.
(a) From the date of submission of the applicant OR the date from which the cancellation is sought, whichever is later.
(b) From the date of submission of the applicant OR the date from which the cancellation is sought, whichever is earlier.
(c) From the date of submission of the applicant.
(d) From the date from which the cancellation is sought.

Section 30: Revocation of cancellation of registration

34. Prem & Sons had taken GST registration on 1st January, but failed to furnish GST returns for the next 6 months. Owing to this, the proper officer cancelled its registration on 25th July and served the order for cancellation of registration on 31st July. Now, Prem & Sons wants to revoke the cancellation of registration. Upto which date an application for revocation of cancellation of registration can be filed assuming no extension to said time-limit has been granted?
(a) 30th August
(b) 31st August
(c) 25th August
(d) 29th October

35. Within how many days an application for revocation of cancellation of registration can be made provided no extension to said time-limit has been granted?
(a) Within 7 days from the date of service of the cancellation order.
(b) Within 15 days from the date of the cancellation order.
(c) Within 45 days from the date of the cancellation order.
(d) Within 90 days from the date of service of the cancellation order.

36. Which of the following statements are correct?
(i) Revocation of cancellation of registration under SGST/UTGST Act shall be deemed to be a revocation of cancellation of registration under CGST Act.
(ii) Cancellation of registration under SGST/UTGST Act shall be deemed to be a cancellation of registration under CGST Act.
(iii) Revocation of cancellation of registration under SGST/UTGST Act shall not be deemed to be a revocation of cancellation of registration under CGST Act.
(iv) Cancellation of registration under SGST/UTGST Act shall not be deemed to be a cancellation of registration under CGST Act.
(a) (i) and (ii)
(b) (i) and (iv)
(c) (ii) and (iii)
(d) (iii) and (iv)

Answers:

Qs	Ans	Reason
1.	**d**	**Section 2(47): Exempt supply means supply of any goods or services or both** • which attracts nil rate of tax or • which may be wholly exempt from tax under section 11, or u/s 6 of the IGST Act, and • includes non-taxable supply;
2.	**d**	**Section 2(47): Exempt supply means supply of any goods or services or both** • which attracts nil rate of tax or • which may be wholly exempt from tax under section 11, or u/s 6 of the IGST Act, and • includes non-taxable supply; **Applying the above definition:** **(i) Sale of liquor:** Non-taxable supply, hence Exempt supply. **(ii) Supply of health care services by a hospital:** Wholly Exempt supply.

<table>
<tr><th>Qs</th><th>Ans</th><th>Reason</th></tr>
<tr><td></td><td></td><td>(iii) Transmission of electricity by an electricity transmission utility: Wholly Exempt supply.</td></tr>
<tr><td>3.</td><td>d</td><td>Aggregate Turnover means value of all taxable supplies (excluding value of inward supplies on which tax is paid under RCM), exempt supplies, export of goods or services or both, inter-state supplies, but excludes CGST, SGST, UTGST, IGST and cess.</td></tr>
<tr><td>4.</td><td>a</td><td><u>Following are included in Aggregate turnover (ATO)</u>
• Intrastate supplies: Taxable & Exempt supplies: Included in ATO
• Inter-State supplies (zero-rated supplies): Taxable supplies: Included in ATO
<u>Following are not included in Aggregate turnover (ATO)</u>
• Supply of goods procured from China directly from China to UK without such goods entering into India: Supply from one non-taxable territory to another without goods entering into India: Not a supply & hence not included in ATO.
• Supply of goods imported from UK, in high seas, to a local vendor by way of endorsement of documents of title to the goods before clearance for home consumption: High seas sale: Not a supply & hence not included in ATO.
Hence ATO = (40 lakhs + 15 lakhs) + (30 lakhs + 10 lakhs) = Rs. 95 lakhs.</td></tr>
<tr><td>5.</td><td>d</td><td>Aggregate value of
- all taxable supplies (excluding the value of inward supplies on which tax is payable by a person on reverse charge basis),
- exempt supplies,
- export of goods/services and
- inter-State supplies of a person having same PAN computed on all India basis and
- excluding taxes if any charged under CGST Act, SGST Act and IGST Act.</td></tr>
<tr><td>6.</td><td>c</td><td>
<table>
<tr><th>Particulars</th><th>Rs.</th><th>Included/Excluded in Aggregate turnover</th></tr>
<tr><td>Intra-State taxable outward supply</td><td>8 lakhs</td><td>Included</td></tr>
<tr><td>Inter-State exempt outward supply</td><td>5 lakhs</td><td>Included</td></tr>
<tr><td>Turnover of exported goods</td><td>10 lakhs</td><td>Included</td></tr>
<tr><td>Payment made for availing GTA services
Note: GTA not paying tax @ 18%</td><td>80,000</td><td>Inward supplies on which tax is paid under RCM is not included in ATO.</td></tr>
</table>
</td></tr>
<tr><td>7.</td><td>c</td><td>In Gujarat the aggregate turnover limit applicable for registration for a supplier of service is Rs. 20 lakhs.
<u>Computation of Aggregate turnover</u>
<table>
<tr><td>Consultancy services</td><td>Rs. 12 lakhs</td><td>Taxable supply, hence included in Aggregate turnover</td></tr>
<tr><td>Salary</td><td>-</td><td>Not a supply at all hence not included in turnover.</td></tr>
<tr><td>Aggregate turnover</td><td>Rs 12 lakhs</td><td></td></tr>
</table>
Since the ATO did not exceed the turnover limit applicable, Ram is not liable for taking registration.</td></tr>
<tr><td>8.</td><td>d</td><td>As per section 24(i): Person making interstate persons making any inter-State taxable supply are required compulsory registration irrespective of turnover.</td></tr>
<tr><td>9.</td><td>d</td><td>As per section 24(ii): casual taxable persons making taxable supply are required compulsory registration, irrespective of their turnover. Hence, Mr. X has to compulsorily get registered under GST irrespective of the threshold limit.</td></tr>
<tr><td>10.</td><td>d</td><td>(a) Persons exclusively engaged in making intra-State supplies, tax on which is to be paid by the recipient on reverse charge basis: Supplier is not required compulsory registration.
Note: Recipient is required compulsory registration.</td></tr>
</table>

<table>
<tr><th>Qs</th><th>Ans</th><th>Reason</th></tr>
<tr><td></td><td></td><td>(b) Persons making inter-State supplies from other than special category states of taxable services up to Rs. 20,00,000: Interstate supplier of services is exempt from compulsory registration up to 20 lakhs.
(c) Persons making supplies of services from other than special category states through an ECO required to collect TCS (other than supplies specified under section 9(5) of the CGST Act) with aggregate turnover up to Rs. 20,00,000: Supplier of services from ECO is exempted from compulsory registration up to 20 lakhs.
(d) Persons who make taxable supply of goods or services or both on behalf of other taxable persons whether as an agent or otherwise: Compulsory registration required as per section 24(vii).</td></tr>
<tr><td>11.</td><td>c</td><td>As per section 24(i): Person making any inter-State taxable supply of goods is required to obtain registration compulsorily.</td></tr>
<tr><td>12.</td><td>d</td><td>As per Section 22 read with notification issued u/s 23(2), Every supplier shall be liable to register under this act in state/UT where he makes taxable supply of goods, if his aggregate turnover exceeds 20 lakhs, however exclusive supplier of goods have been exempted from registration upto 40 lakhs. Hence Mr. A shall be required to obtain registration if his ATO exceeds 40 lakhs during a FY.</td></tr>
<tr><td>13.</td><td>d</td><td>(a) Person making any inter-State taxable supply of goods is required to obtain registration compulsorily: Correct, refer section 24(i).
(b) A person to whom a UIN has been granted cannot apply for cancellation of registration: Correct, refer rule 20. Rule 20 w.r.t. cancellation of registration is not applicable to a TDS deductor, TCS collector and a person granted UIN.
(c) The cancellation of registration under either SGST Act/UTGST Act shall be deemed to be a cancellation of registration under CGST Act: Correct, refer section 29(4).</td></tr>
<tr><td>14.</td><td>a</td><td>Aggregate Turnover means value of all taxable supplies (excluding value of inward supplies on which tax is paid under RCM), exempt supplies, export of goods or services or both, inter-state supplies, but excludes CGST, SGST, UTGST, IGST and cess.
<table>
<tr><td>JW service</td><td>Taxable service</td><td>-</td><td>19,00,000</td></tr>
<tr><td>Renting service</td><td>Exempt service</td><td>15000 x 9</td><td>1,35,000</td></tr>
<tr><td>Sale of Handicraft goods</td><td>Exempt goods</td><td></td><td>50,000</td></tr>
<tr><td colspan="3">Aggregate Turnover</td><td>20,85,000</td></tr>
</table>
Since ATO exceeds 20 lakhs, Champak is liable for registration.</td></tr>
<tr><td>15.</td><td>c</td><td>Aggregate Turnover means value of all taxable supplies (excluding value of inward supplies on which tax is paid under RCM), exempt supplies, export of goods or services or both, inter-state supplies, but excludes CGST, SGST, UTGST, IGST and cess.
Services received from a lawyer for Rs.100,000/- is inward supply on which tax is payable under RCM, it is not to be included in ATO.
Therefore ATO = 5,00,000 + 2,00,000 + 1,20,000 (Rs. 10,000*12) + 50,000 + 6,00,000(Rs. 50,000 * 12) = Rs. 14,70,000.</td></tr>
<tr><td>16.</td><td>a</td><td>(i) False, ZRS can be Nil rate, i.e., exempt supply or taxable supply. (Section 16)
(ii) False, Exempt supply includes Nil rated, wholly exempt or non-taxable supply (Section 2(47))
(iii) False, Non-taxable supply means supply which is not leviable to tax under CGST Act as well as IGST act. (Section 2(78))
(iv) True, ITC may be availed for making zero rated supply of exempt goods (Section 16).</td></tr>
<tr><td>17.</td><td>a</td><td>Aggregate Turnover means value of all taxable supplies (excluding value of inward supplies on which tax is paid under RCM), exempt supplies, export of goods or services or both, inter-state supplies, but excludes CGST, SGST, UTGST, IGST and cess.
Further, goods mean every kind of movable property other than money, securities but services include facilitating/arranging transactions in securities.
Hence,
Trading in securities: shall not be included in ATO.
Brokerage on account of facilitating transactions in securities: Included in ATO.</td></tr>
</table>

Qs	Ans	Reason
18.	**a**	Every supplier shall be liable to be registered under this act in state/UT, (other than special category states) from where he makes taxable supply of goods or services or both, if his aggregate turnover (ATO) in a FY exceeds 20 lakh rupees. **Its already presumed in the question that** Pappu is making taxable supply from each State and his aggregate turnover exceeds the threshold limit, **Hence, he is required to register in Maharashtra Delhi & Goa.** **Further as per proviso to section 25(1),** a person having a SEZ unit or being a SEZ developer shall have to apply for a separate registration, as distinct from his place of business located outside the SEZ in the same State or Union territory. **Hence Pappu is required 2 registrations in Maharashtra.** **Section 25(2): A person seeking registration under this Act shall be granted a single registration in a State or Union territory.** **Proviso:** a person having multiple place of business (POB) in a State/UT **may** be granted a separate registration for each such POB, subject to such conditions as may be prescribed. **Hence for Unit D and E in the State of Goa:** It is optional to apply for separate registration as per proviso to section 25(2).
19.	**c**	**Section 22(1) read with notification u/s 23(2):** Threshold limit for registration applicable to a person supplying goods from Assam & Tripura shall be Rs. 10 lakhs. **ATO of Raghav:** Rs (28 + 11) lakhs = Rs 39 lakhs. **Since** ATO exceeds applicable threshold, Raghav is required registration from all the states he is making taxable supplies: hence he is required registration from Assam & Tripura both.
20.	**b**	**Section 22 read with notification under section 23(2): Aggregate Turnover** (ATO) limit applicable to Mr. Manjot is Rs. 40 lakhs. **ATO =** Rs 21,00,000 + 6,00,000 + 3,00,000 + 3,00,000 + 8,00,000 + 3,00,000) = Rs. 44 lakhs. **Since** ATO exceed Rs 40 lakhs, Manjot is required to take registration from each state he is making taxable supplies. Hence, he is required to take registration from Delhi, UP and J&K. Registration is not required to be taken from Punjab since he is supplying only exempt supplies from Punjab. **(Refer section 23(1)).**
21.	**a**	(a) **Any person engaged exclusively in supplying services wholly exempt from tax:** as per section 23, any person exclusively engaged in supplying of goods/services /both that are not liable to tax or wholly exempt shall not be liable for registration. (b) **Persons making any inter-State taxable supply of goods:** Required compulsory registration as per Section 24.
22.	**b**	**As per Section 23,** an agriculturist to the extent of supply of produce out of cultivation of land either by own/family members or by hired labour shall not be liable for registration. **As per section 24,** Interstate trade, CTP & NRTP are required compulsory registration.
23.	**c**	**Section 24:** Byomkesh Mukherjee will be a CTP (as defined u/s 2(20) of the CGST Act) in the state of Gujarat and hence required to take compulsory registration.
24.	**c**	**Refer section 24: Compulsory registration** **(i) Incorrect.** Agent is required compulsory registration only if invoice for further supply is raised in his name. **(ii) Correct** **(iii) Incorrect,** OIDAR is required compulsory registration only if supplying services to person other than RP. **(iv) Incorrect,** person supplying services through ECO are exempted from registration upto 20 lakhs or 10 lakhs.
25.	**c**	**(a) He needs to get registration in Delhi as casual taxable person:** True **(b) He needs to pay advance tax on estimated tax liability:** True **(c) He needs to mandatorily have a place of business in Delhi:** This statement is false; he can be a CTP without having a place of business. **(d) He needs to file GSTR-1/ IFF and GSTR-3B for Delhi GSTIN for the month or quarter, as the case may be, when he gets registered in Delhi:** True.
26.	**c**	**GST registration is valid lifetime, unless its cancelled.**

Qs	Ans	Reason
27.	**b**	**Section 25(1):** Every person who is liable to be registered u/s 22/24 shall apply for registration in every such State/UT in which he is so liable within thirty days from the date on which he becomes liable to registration.
28.	**a**	**As per rule 10 of CGST rules,** If application submitted within 30 days of becoming liable, it is effective from date person becomes liable. If registration applied after 30 days of becoming liable, it is effective from date of the grant. **Applying rule 10,** in the present case, since application is submitted within 30 days of becoming liable, it is effective from date person becomes liable i.e., 10.11.18.
29.	**c**	**UIN** stands for Unique Identification Number.
30.	**d**	(a) **CTP/NRTP shall pay net estimated tax liability in advance:** correct (b) **CTP shall pay gross estimated tax liability in advance:** Incorrect, CTP pays net estimated tax liability in advance. (c) **Extension of registration beyond 90 days can be by further 180 days:** Incorrect, further extension only 90 days is possible.
31.	**c**	**As per section 27(1):** The certificate of registration issued to CTP/NRTP shall be valid for period specified in the application for registration/ **90 days** from the effective date of registration, **whichever is earlier.**
32.	**c**	**As per first proviso to Section 25(1):** A casual taxable person or a non-resident taxable person shall apply for registration at least 5 days prior to commencement of business.
33.	**a**	Where a RP has applied for cancellation, pending cancellation, the registration shall be deemed to be suspended from the date of submission of the application or from the date from which the cancellation is sought, whichever is **later.**
34.	**d**	**As per section 30:** Subject to such conditions as may be prescribed, any RP, whose registration is cancelled by the PO on his own motion, may apply to such officer for revocation of cancellation of the registration in the prescribed manner within **90 days** from the date of service of the cancellation order. **Date of service of cancellation order =** 31st July **90 days from 31st July =** 29th October.
35.	**d**	**As per section 30:** Subject to such conditions as may be prescribed, any RP, whose registration is cancelled by the PO on his own motion, may apply to such officer for revocation of cancellation of the registration in the prescribed manner **within 90 days from the date of service of the cancellation order.**
36.	**a**	**The following two statements are incorrect:** • Revocation of cancellation of registration under SGST/UTGST Act shall not be deemed to be a revocation of cancellation of registration under CGST Act. • Cancellation of registration under SGST/UTGST Act shall not be deemed to be a cancellation of registration under CGST Act.

CA Ramesh Soni

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