CA Intermediate Taxation - GST

# Q&A+MCQ Book

Sep 26/Jan 27 & onwards

**Version X**

**Thoughtfully** asked



**Clearly** answered



CA Ramesh Soni

# CHARTMASTER's

# Q&A & MCQ Book

On

# Goods and Services Tax
# (Group 1 – Paper 3 - Section B)

For

## CA Intermediate
## Sep 26/Jan 27 & onwards


## CA RAMESH SONI

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**CHARTMASTER'S Q&A & MCQ Book**

On Taxation - GST

**For CA Intermediate**

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# CHARTMASTER's GST


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# 1. GST in India - An Introduction – Q & A

## Basics

**1.**

**Explain the salient features of indirect taxes.**

**(ICAI Study Material)**

**Answer:**

(i) **An important source of revenue:** Indirect taxes are a major source of tax revenues for Governments worldwide and continue to grow as more countries move to consumption-oriented tax regimes. In India, indirect taxes contribute more than 50% of the total tax revenues of Central and State Governments.

(ii) **Tax on commodities and services:** It is levied on commodities at the time of manufacture or purchase or sale or import/export thereof. Hence, it is also known as commodity taxation. It is also levied on provision of services.

(iii) **Shifting of burden:** There is a clear shifting of tax burden in respect of indirect taxes. For example, GST paid by the supplier of the goods is recovered from the buyer by including the tax in the cost of the commodity.

(iv) **No perception of direct pinch:** Since, value of indirect taxes is generally inbuilt in the price of the commodity, most of the time the tax payer pays the same without actually knowing that he is paying tax to the Government. Thus, tax payer does not perceive a direct pinch while paying indirect taxes.

(v) **Inflationary:** Tax imposed on commodities and services causes an all-round price spiral. In other words, indirect taxation directly affects the prices of commodities and services and leads to inflationary trend.

(vi) **Wider tax base:** Unlike direct taxes, the indirect taxes have a wide tax base. Majority of the products or services are subject to indirect taxes with low thresholds.

(vii) **Promotes social welfare:** High taxes are imposed on the consumption of harmful products (also known as 'sin goods') such as alcoholic products, tobacco products etc. This not only checks their consumption but also enables the State to collect substantial revenue.

(viii) **Regressive in nature:** Generally, the indirect taxes are regressive in nature. The rich and the poor have to pay the same rate of indirect taxes on certain commodities of mass consumption. This may further increase the income disparities between the rich and the poor.

**2.**

**List any four State levies, which are subsumed in GST.**

**(ICAI Study Material) & (CA INTER MOCK TEST PAPER-18) (CA Inter May 18-similar)**

**Answer:**

**The GST would replace the following taxes:**

**(i) Taxes currently levied by the Centre:**

(a) Central Excise duty & Additional Excise Duties
(b) Central Sales Tax
(c) Excise Duty under Medicinal & Toilet Preparation Act
(d) Additional Duties of Customs (commonly known as CVD) and Special CVD
(e) Service Tax
(f) Central Surcharges and Cesses so far as they relate to supply of goods and services

**(ii) State taxes that would be subsumed under the GST are: (CA Inter Jan 25 – 3 marks)**

(a) State VAT
(b) Luxury Tax
(c) Entry Tax (all forms)
(d) Entertainment and Amusement Tax (except when levied by the local bodies)
(e) Taxes on advertisements
(f) Purchase Tax
(g) Taxes on lotteries, betting and gambling
(h) State Surcharges and cesses so far as they relate to supply of goods and services

**3.**

**List the taxes, which are not subsumed in GST**

**Answer:**

(a) Basic Customs Tax
(b) Property tax and stamp duty
(c) Electricity duty
(d) Excise duty on alcohol
(e) Excise duty on petrol, diesel etc.
(f) Entertainment tax charged by local bodies (municipality).

**4.**

**List the deficiencies in the erstwhile value-added taxation which led to evolution of Goods and Services Tax.**

**(CA Inter May 25 – 3 marks)**

**Answer: Deficiencies in the erstwhile value-added taxation which led to evolution of GST:**

a. Certain transactions were being double taxed as both goods and services due to unclear distinction between goods and services.
b. There was cascading of taxes because CENVAT excluded value addition in distribution stage and in the State-level VAT, CENVAT load on the goods was not removed.
c. Credit of CENVAT and State-Level VAT could not be set-off against each other.
d. For a single transaction, multiple taxes in multiple forms were required to be paid. Several State taxes like Luxury Tax, Entertainment Tax, etc. were not subsumed in the VAT.
e. State-level VAT and service tax were not integrated, thereby causing tax cascading.
f. CST caused tax cascading. Being origin- based, it violated the consumption tax principles.

**5.**

**GST is a destination-based tax on consumption of goods or services or both. Discuss the validity of the statement.**

**(ICAI study material)**

**Answer:** The given statement is valid. GST is a destination-based tax on consumption of goods or services or both. GST is known as destination-based tax since the tax would accrue to the taxing authority which has jurisdiction over the place of consumption which is also termed as place of supply.

**For example,** if A in Delhi produces the goods and sells the goods to B in Haryana. In this case, the tax would accrue to the State of Haryana and not to the State of Delhi. On the other hand, under pre-GST regime, origin-based taxation was prevailing in such cases.

Under origin-based taxation, the tax used to accrue to the State from where the transaction originated. In the given case, under origin-based taxation, the central sales tax would have been levied by Centre and collected by the State of Delhi and not by the State of Haryana.

**6.**

**Under Goods and Services Tax (GST), only value addition is taxed and burden of tax is to be borne by the final consumer. Examine the validity of the statement.**

**(ICAI study material)**

**Answer:** The statement is valid. Goods and Services Tax is a destination-based tax on consumption of goods and services. It is levied at all stages right from manufacture up to final consumption with credit of taxes paid at previous stages available as setoff. Resultantly, only value addition is taxed and burden of tax is to be borne by the final consumer.

**7.**

**What are the benefits which the Country will accrue from GST? or**

**"The new GST regime is a boom for all". Comment on the rationale of GST in the light of the above statement. Or**

**(CBIC FAQ) & (ICAI study material)**

**Answers:**

- **Creation of Unified national market:** GST aims to make India a common market with common tax rates and procedures & remove the economic barriers thus paving the way for an integrated economy at the national level.

- **Boost to 'Make in India' initiative:** GST will give a major boost to the 'Make in India' initiative of the Government of India by making goods and services produced in India competitive in the national as well as international market.
- **Enhanced investment and employment:** The subsuming of major Central and State taxes in GST, complete and comprehensive setoff of input tax on goods and services and phasing out of Central Sales Tax (CST) reduces the cost of locally manufactured goods and services and increases the competitiveness of Indian goods and services in the international market and thus, gives boost to investments and Indian exports. With a boost in exports and manufacturing activity, more employment is generated and GDP is increased.
- **Ease of doing business:** Simpler tax regime with fewer exemptions along with reduction in multiplicity of taxes under GST has led to simplification and uniformity. The uniformity in laws, procedures and tax rates across the country makes doing business easier.
- **Automated procedures with greater use of IT:** There are simplified and automated procedures for various processes such as registration, returns, refunds, tax payments.
- **Reduction in compliance costs:** The compliance cost is lesser under GST as multiple record-keeping for a variety of taxes is not needed, therefore, there is lesser investment of resources and manpower in maintaining records.
- **Benefits to industry:** GST has given more relief to trade and industry through a more comprehensive and wider coverage of input tax set-off and service tax set-off, subsuming of several Central and State taxes in the GST and phasing out of CST. The transparent and complete chain of set-offs which results in widening of tax base and better tax compliance also leads to lowering of tax burden on an average dealer in trade and industry.
- **Mitigation of ill effects of cascading:** By subsuming most of the Central & State taxes into a single tax and by allowing a set-off of prior-stage taxes for the transactions across the entire value chain, it would mitigate the ill effects of cascading, improve competitiveness and improve liquidity of the businesses.
- **Benefits to small traders and entrepreneurs:** GST has increased the threshold for GST registration for small businesses. Further, single registration is needed in one State. Small businesses have also been provided the additional benefit of composition scheme. With the creation of a seamless national market across the country, small enterprises have an opportunity to expand their national footprint with minimal investment.

**8.**

**Which are the commodities which have been kept outside the purview of GST? Examine the status of taxation of such commodities after introduction of GST?**

**(CBIC FAQ) & (ICAI study material)**

**Answer:** Article 366(12A) of the Constitution as amended by 101st Constitutional Amendment Act, 2016 defines the Goods and Services tax (GST) as a tax on supply of goods or services or both, except supply of alcoholic liquor for human consumption. Therefore, alcohol for human consumption is kept out of GST by way of definition of GST in the Constitution. Five petroleum products viz. petroleum crude, motor spirit (petrol), high speed diesel, natural gas and aviation turbine fuel have temporarily been kept out of the purview of GST; GST Council shall decide the date from which they shall be included in GST. The erstwhile taxation system (CST/VAT & central excise) still continues in respect of the said commodities.

**9.**

**What type of GST is proposed to be implemented? Why is Dual GST required? Or**
**A dual GST has been implemented in India. Elaborate.**

**(CBIC FAQ) & (ICAI study material)**

**Answer:** A dual GST has been implemented in India with the Centre and States simultaneously levying it on a common tax base. The GST levied by the Centre on intra-State supply of goods and / or services is called the Central GST (CGST) and that levied by the States/ Union territory is called the State GST (SGST)/ Union GST (UTGST). Similarly, Integrated GST (IGST) is levied and administered by Centre on every inter-State supply of goods and/or services.

India is a federal country where both the Centre and the States have been assigned the powers to levy and collect taxes through appropriate legislation. Both the levels of Government have distinct responsibilities to perform according to the division of powers prescribed in the Constitution for which

they need to raise resources. A dual GST, therefore, keeps with the Constitutional requirement of fiscal federalism.

**10.**

**Discuss the leviability of GST or otherwise on the following:**

**(a) Alcoholic liquor for human consumption**

**(b) Petroleum crude, diesel, petrol, ATF and natural gas**

**(c) Tobacco**

**(d) Opium, Indian hemp and other narcotic drugs and narcotics**

**(ICAI study material)**

**Answer:**

**(a) Alcoholic liquor for human consumption:** is outside the realm of GST. The manufacture/production of alcoholic liquor continues to be subjected to State excise duty and inter-State/intra-State sale of the same is subject to CST/VAT respectively.

**(b) Petroleum crude, diesel, petrol, ATF and natural gas:** As regards petroleum crude, diesel, petrol, ATF and natural gas are concerned, they are not presently leviable to GST. GST will be levied on these products from a date to be notified on the recommendations of the GST Council.

Till such date, central excise duty continues to be levied on manufacture/production of petroleum crude, diesel, petrol, ATF and natural gas and inter-State/intra-State sale of the same is subject to CST/ VAT respectively.

**(c) Tobacco:** Tobacco is within the purview of GST, i.e., GST is leviable on tobacco. However, Union Government has also retained the power to levy excise duties on tobacco and tobacco products manufactured in India. Resultantly, tobacco is subject to GST as well as central excise duty.

**(d) Opium, Indian hemp and other narcotic drugs and narcotics:** Opium, Indian hemp and other narcotic drugs and narcotics are within the purview of GST, i.e., GST is leviable on them. However, State Governments have also retained the power to levy excise duties on such products manufactured in India. Resultantly, Opium, Indian hemp and other narcotic drugs and narcotics are subject to GST as well as State excise duties.

## Constitutional Provisions

**11.**

**Why was the Constitution of India amended recently in the context of GST? or**
**Why was the need to amend the Constitution of India before introducing the GST?**

**(ICAI study material)**

**Answer:** Earlier, the fiscal powers between the Centre and the States are clearly demarcated in the Constitution with almost no overlap between the respective domains. The Centre has the powers to levy tax on the manufacture of goods (except alcoholic liquor for human consumption, opium, narcotics etc.) while the States have the powers to levy tax on the sale of goods. In the case of inter-State sales, the Centre has the power to levy a tax (the Central Sales Tax) but, the tax is collected and retained entirely by the States. As for services, it is the Centre alone that is empowered to levy service tax.

Introduction of the GST required amendments in the Constitution so as to simultaneously empower the Centre and the States to levy and collect this tax. The Constitution of India has been amended by the Constitution (one hundred and first amendments) Act, 2016 for this purpose. Article 246A of the Constitution empowers the Centre and the States to levy and collect the GST.

**12.**

**Discuss Article 246A which grants the power to make laws with respect to Goods and Services Tax.**

**(ICAI Study material)**

**Answer:** Article 246A stipulates that Parliament, and, the Legislature of every State, have power to make laws with respect to goods and services tax imposed by the Union or by such State.

Parliament has exclusive power to make laws with respect to goods and services tax where the supply of goods, or of services, or both takes place in the course of inter-State trade or commerce.

However, in respect to petroleum crude, high speed diesel, motor spirit (commonly known as petrol), natural gas and aviation turbine fuel, the aforesaid provisions shall apply from the date to be notified by the Government on the recommendations by the GST Council.

**13.**

**Discuss Article 269A pertaining to levy and collection of GST on inter-State supply.**

**(ICAI Study material)**

**Answer:** Article 269A of the Constitution stipulates that Goods and Services Tax on supplies in the course of inter-State trade or commerce shall be levied and collected by the Government of India and such tax shall be apportioned between the Union and the States in the manner as may be provided by Parliament by law on the recommendations of the Goods and Services Tax Council.

Here, supply of goods, or of services, or both in the course of import into the territory of India shall be deemed to be supply of goods, or of services, or both in the course of inter-State trade or commerce.

Parliament is empowered to formulate the principles for determining the place of supply, and when a supply of goods, or of services, or both takes place in the course of inter-State trade or commerce.

## GST Council

**14.**

**No act or proceedings of the Goods and Services Tax Council shall be invalid merely by certain reasons. What are they?**

**(CA Inter Sep 24 – 3 marks)**

**Answer: No act or proceedings of the GST Council shall be invalid merely by reason of—**

(a) any vacancy in, or any defect in, the constitution of the Council; or

(b) any defect in the appointment of a person as a Member of the Council; or

(c) any procedural irregularity of the Council not affecting the merits of the case.

**15.**

**What would be the role of GST Council? Or**

**"The GST Council stands as the backbone of the whole GST law." What is the role of GST Council under GST? Or**

**Enumerate any five matters on which the GST council may make recommendation under Article 279A of the constitution of India.**

**(Author Recommendation)**

**Answer:** A GST Council would be constituted comprising the Union Finance Minister (who will be the Chairman of the Council), the Minister of State (Revenue) and the State Finance/Taxation Ministers to make recommendations to the Union and the States on

- the taxes, cesses and surcharges levied by the Centre, the States and the local bodies which may be subsumed under GST;
- the goods and services that may be subjected to or exempted from the GST;
- the date on which the GST shall be levied on petroleum crude, high speed diesel, motor sprit (commonly known as petrol), natural gas and aviation turbine fuel;
- model GST laws, principles of levy, apportionment of IGST;
- the threshold limit of turnover below which the goods and services may be exempted from GST;
- the rates of GST;
- any special rate or rates for a specified period to raise additional resources during any natural calamity or disaster;
- special provision with respect to the North-East States, J&K, Himachal Pradesh and Uttarakhand; and
- any other matter relating to the GST, as the Council may decide.

**16.**

**List the special category States as prescribed in Article 279A of the Constitution of India.**

**(ICAI Study Material)**

**Answer:** There are 11 Special Category States, namely, States of Himachal Pradesh, Uttarakhand, Mizoram, Manipur, Meghalaya, Arunachal Pradesh, Assam, Nagaland, Sikkim, Tripura, Jammu & Kashmir.

## GSTN

**17.**

**What is GSTN and its role in the GST regime? Or Discuss any two functions of GSTN or Discuss the need and functions of the common GST portal.**

**Answer:** GSTN stands for Goods and Services Tax Network (GSTN). It is not-for Profit Company incorporated under provisions of Sec 8 of Companies Act, 2013. GSTN has been set up to cater to the needs of GST. GSTN has made up site/ portal which have been notified as common GST electronic portal. Thus, GSTN has provided IT infrastructure under GST law. GST portal developed by it is used by Central Government as well as by the State Governments. GST portal is referred as 'common portal'. This portal is the taxpayer interface with the Government.

**GSTN is providing facilities to taxpayers as well as Government. Following are some important functions which are performed by GSTN**

(i) Facilitation of registration (as under GST, registration is online);
(ii) Payment of GST (Challan for GST payment is created online);
(iii) Returns filing (as under GST, all returns are online);
(iv) Maintenance of ledgers of taxpayers (e-liability, e-credit and e-cash ledger for each registered taxpayer);
(v) Running the matching engine for matching, reversal and reclaim of input tax credit (presently, it has been deferred);
(vi) Providing analysis of tax payers' profile (based on such analysis, cases will be selected for scrutiny/ audit);
(vii) Sharing of information in taxpayers returns with Centre and State Governments / tax authorities;
(viii) providing various MIS reports to the Central and the State Governments based on the tax payer return information;
(ix) Computation and settlement of IGST (transfer of funds in between Central Tax Account, State Tax Accounts and Integrated Tax Account);

# 1. GST in India – An Introduction - MCQ

## Basics

**1. The functions of Goods and Services Network (GSTN) include:**
(a) facilitating registration
(b) forwarding the returns to Central and State authorities
(c) computation and settlement of IGST
(d) All of the above

**2. Tobacco products are subject to:**
(a) Excise duty
(b) Excise duty plus GST
(c) Only GST
(d) VAT

**3. India has adopted its GST model from**
(a) US
(b) UK
(c) Europe
(d) Canada

**4. Which is known as the GST common portal?**
(a) www.cbic.gov.in
(b) www.gstn.gov.in
(c) www.gst.gov.in
(d) all of the above

**5. Which one of the following is/are correct?**
(a) Direct Taxes are regressive in nature; Indirect Taxes are progressive in nature.
(b) Direct Taxes are progressive in nature; Indirect Taxes are regressive in nature.
(c) Direct Taxes are progressive in nature; Indirect Taxes are progressive in nature.
(d) Direct Taxes are regressive in nature; Indirect Taxes are regressive in nature.

**6. Which of the following is not a feature of GST?**
(a) GST is a destination-based tax.
(b) GST is a Value Added Tax.
(c) GST is an Origin based tax.
(d) None of the above.

**7. India has adopted _____ of GST.**
(a) National Model.
(b) Australian Model.
(c) Dual Model.
(d) None of the above.

**8. The First Country to implement GST was**
(a) Canada.
(b) India.
(c) Australia.
(d) France.

## Taxes subsumed & not subsumed into GST

**9. Which of the following taxes have not been subsumed in GST?**
(a) Entertainment Tax (except those levied by local bodies)
(b) Entertainment tax charged by local bodies.
(c) Both of the above.
(d) None of the above.

**10. Which of the following taxes have been subsumed in GST?**
(a) Central Sales Tax
(b) Central Excise Duty
(c) VAT
(d) All of the above

**11. Various taxes have been subsumed in GST to make one nation one tax one market for consumers. Out of the following, determine which taxes have been subsumed in GST.**
**(i) Basic customs duty levied under Customs Act, 1962**
**(ii) Taxes on lotteries**
**(iii) Entertainment Tax (levied by local bodies)**
(a) (ii)
(b) (ii) and (iii)
(c) (iii)
(d) (i), (ii) and (iii)

## Constitutional Provisions

**12. List-I of the Constitution contains matters in respect of which _____ has the exclusive right to make laws.**
(a) Central Government
(b) State Government
(c) Both Centre and State Governments
(d) None of the above

**13. According to Article 366(12A), GST means any tax on supply of goods or services or both except for taxes on the supply of:**
(a) Alcoholic liquor for human consumption
(b) Tobacco & Tobacco products
(c) Petroleum Crude, High Speed Diesel, Motor Spirit, Natural Gas and Aviation Turbine Fuel
(d) All of the above

**14. _____of the Constitution provides that no tax shall be levied or collected except by authority of law?**
(a) Article 254
(b) Article 245
(c) Article 265
(d) Article 256

## Article 279A – GST Council

**15. Which article of the Constitution outlines the composition & function of GST Council**
(a) 270
(b) 279A
(c) 246A
(d) 269A

**16. Provisions related to GST Council came into force with effect from**
(a) 17th July, 2017.
(b) 12th September, 2016.
(c) 15th September, 2016.
(d) None of the above.

**17. President constituted the GST Council on:**
(a) 17th July, 2017.
(b) 12th September, 2016.
(c) 15th September, 2016.
(d) None of the above.

**18. GST Council consist of __no of members.**
(a) 33
(b) 34
(c) 37
(d) None of the above.

**19. Which of the following is not the correct option?**
(a) Centre has a weightage of one-third of total votes cast and State government together have a weightage of two-thirds of the total votes cast.
(b) Centre has a weightage of two-third of total votes cast and State government together have a weightage of one-thirds of the total votes cast.
(c) Centre has a weightage of half of total votes cast and State govt together have a weightage of half of the total votes cast.
(d) Both (b) & (c).

**20. On Petroleum Crude, High Speed Diesel, Motor Spirit, Natural Gas & Aviation Turbine Fuel:**
(a) GST will not be levied at all
(b) GST will be levied from a date to be notified on the recommendations of the GST Council
(c) GST is levied, but exempted by notification in public interest.
(d) None of the above

**21. Choose the correct from the following with respect to Special Category States.**
(a) Arunachal Pradesh, Assam, Jammu and Kashmir, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura, Andhra Pradesh and Uttarakhand
(b) Arunachal Pradesh, Assam, Jammu and Kashmir, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Telangana, Himachal Pradesh and Uttarakhand
(c) Arunachal Pradesh, Jammu and Kashmir, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura, Himachal Pradesh and Uttarakhand
(d) Arunachal Pradesh, Assam, Jammu and Kashmir, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura, Himachal Pradesh and Uttarakhand.

## GSP/ASPs

**22. Which of the following is/are correct?**
(a) GSPs will act as link between taxpayer and GSTN Portal and ASP will act as link between taxpayer and GSPs.
(b) ASPs will act as link between taxpayer and GSTN Portal and GSP will act as link between taxpayer and GSPs.
(c) GSPs will act as link between ASP and taxpayer and ASP will act as link between taxpayer and GSPs.
(d) GSPs will act as link between taxpayer and GSTN Portal and ASP will act as link between GSTN Portal and GSPs.

## Miscellaneous

**23. Which of the following statement is/are incorrect:**
**1. Manufacture/production of alcoholic liquor for human consumption is subject to State excise duty and inter-State/intra-State sale of the same is subject to GST respectively.**
**2. Central excise duty is levied on manufacture/production of petroleum crude, diesel, petrol, ATF and natural gas and inter-State/intra-State sale of the same is subject to CST/ VAT respectively.**

3. **Union Govt retains the power to levy Central excise duties on tobacco and tobacco products manufactured in India. Tobacco is subject to GST as well as central excise duty.**
4. **Opium, Indian hemp and other narcotic drugs and narcotics are subject to VAT/CST as well as State excise duties.**

(a) (1), (2) & (3)
(b) (1) & (4)
(c) (1), (2), (3) & (4)
(d), (3) & (4)

**24. Which of the following statements is incorrect?**

(a) Alcoholic liquor for human consumption is outside the realm of GST
(b) Manufacture/ production of alcoholic liquor is subject to State excise duty.
(c) Inter-State/intra-State sale of the alcohol is subject to CST/ VAT respectively.
(d) Alcoholic liquor for human consumption is subject to GST.

**25. Presently, _____ is leviable on _____ of petroleum and diesel.**

**(i) GST; supply**
**(ii) Central excise duty; manufacture/production**
**(iii) Central sales tax; inter-State sale**
**(iv) Value Added Tax; intra-State sale**
**(v) State excise duty; manufacture**
**Choose the most appropriate answer:**

(a) (ii), (iii) and (iv)
(b) (i)
(c) (i) and (ii)
(d) (i) and (v)

**26. _____ is leviable on _____ of Tobacco**

**(i) GST; supply**
**(ii) Central excise duty; manufacture**
**(iii) Central sales tax; inter-State sale**
**(iv) Value Added Tax; intra-State sale**
**(v) State excise duty; manufacture**
**Choose the most appropriate answer:**

(a) (ii), (iii) and (iv)
(b) (i)
(c) (i) and (ii)
(d) (i) and (iv)

**27. _____ is leviable on _____ of opium and Indian hemp.**

**(i) GST; supply**
**(ii) Central excise duty; manufacture**
**(iii) Central sales tax; inter-State sale**
**(iv) Value Added Tax; intra-State sale**
**(v) State excise duty; manufacture**
**Choose the most appropriate answer:**

(a) (ii), (iii) and (iv)
(b) (i)
(c) (i) and (v)
(d) (i) and (ii)

**Answers:**

| Qs | Ans | Reason |
|---|---|---|
| **1.** | **d** | **Functions of GSTN include** Facilitating Registration, Providing MIS report, Computation & settlement of IGST, matching of tax payment details with banking network, forwarding returns to central & state authorities, providing analysis of taxpayer's profile. |
| **2.** | **b** | **Both** Central excise duty and GST are levied on Tobacco products. |
| **3.** | **d** | India has adopted the GST model from Canada. |
| **4.** | **c** | **The following are the common portals:** www.gst.gov.in, ewaybillgst.gov.in, einvoice1-10.gst.gov.in. |
| **5.** | **b** | Direct taxes are progressive in nature, as the rich pay more taxes compared to the poor. Indirect taxes are regressive in nature because they equally impact the rich and poor. |
| **6.** | **c** | **Features of GST:** It's a tax on supply of goods or service, it is a consumption tax, it is **a destination-based tax**, it is value added tax. **GST is not origin-based tax.** |
| **7.** | **c** | **India has adopted the Dual model** of GST which is imposed concurrently by the centre & the state. |
| **8.** | **d** | **France** was the first country to implement GST. |
| **9.** | **b** | **Taxes not subsumed under GST:** Basic custom duty, Entertainment tax levied by local bodies, property tax & stamp duty, electricity duty. |
| **10.** | **d** | **Following are the taxes subsumed into GST.**<br>**Central taxes subsumed -** Central Excise duty, Service Tax, Central sales tax, CVD & Special CVD, Surcharges & cesses.<br>**State taxes subsumed –** State surcharges & cesses, Tax on lottery, betting, gambling, entry tax, purchase tax, VAT & sales tax, Luxury tax.<br>**Since** Central Sales Tax, Central Excise duty, VAT are subsumed, answer is D. |

| Qs | Ans | Reason |
|---|---|---|
| 11. | a | **(i) Basic customs duty:** Not subsumed into GST<br>**(ii) Taxes on lotteries:** Subsumed into GST<br>**(iii) Entertainment Tax (levied by local bodies):** Not subsumed into GST. |
| 12. | a | **Seventh Schedule to Article 246** divides legislative powers into List I - Union List, List II- State List, List III- Concurrent List, Matters enumerated in List I, the CG has the exclusive power to make law. |
| 13. | a | **According to Article 366(12A),** GST means any tax on supply of goods or services or both except Alcoholic Liquor for human consumption. |
| 14. | c | **Article 265 of the constitution** provides that no tax shall be levied or collected except by authority of law. |
| 15. | b | **Article 279A of the constitution** provides the outline of the composition and functions of the GST Council. |
| 16. | b | GST Council came into force on **12th September, 2016** |
| 17. | c | The President constituted the GST Council on **15th September, 2016.** |
| 18. | a | **Members of the GST Council** consist of 33 members including 2 union members and 31 State finance ministers/ministers nominated by state. |
| 19. | d | The Question is asking Which is **not** the correct option.<br>**(b) & (c) are not the correct option, hence answer is (d).** |
| 20. | b | GST on Petroleum crude, High speed diesel, Motor spirit, Natural gas and Aviation Turbine Fuel shall be levied from a date to be notified on the recommendations of GST Council. |
| 21. | d | **Special Category States** are with respect to the states of Arunachal Pradesh, Assam, Jammu & Kashmir, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura, Himachal Pradesh and Uttarakhand. |
| 22. | a | GSPs will act as link between taxpayer and GSTN Portal and ASP will act as link between taxpayer and GSPs. |
| 23. | b | **Correct Sentences are stated below**<br>1. Manufacture/production of alcoholic liquor for human consumption is subject to State excise duty and inter-State/intra-State sale of the same is subject to **CST/VAT respectively.**<br>2. Central excise duty is levied on manufacture/production of petroleum crude, diesel, petrol, ATF and natural gas and inter-State/intra-State sale of the same is subject to CST/ VAT respectively.<br>3. Union Govt retains the power to levy Central excise duties on tobacco and tobacco products manufactured in India. Resultantly, tobacco is subject to GST as well as central excise duty.<br>4. Opium, Indian hemp and other narcotic drugs and narcotics are subject to GST as well as State excise duties. |
| 24. | d | **(a) Alcoholic liquor for human consumption is outside the realm of GST –** correct, GST is not leviable on alcoholic liquor for human consumption.<br>**(b) Manufacture/ production of alcoholic liquor is subject to State excise duty-** correct<br>**(c) Inter-State/intra-State sale of the alcohol is subject to CST/ VAT respectively -** correct<br>**(d) Alcoholic liquor for human consumption is subject to GST-** Incorrect**.** |
| 25. | a | **(i) GST; supply – Not leviable**<br>**(ii) Central excise duty; manufacture/production -** leviable<br>**(iii) Central sales tax; inter-State sale** - leviable<br>**(iv) Value Added Tax; intra-State sale-** leviable<br>**(v) State excise duty; manufacture –** Not leviable. |
| 26. | c | On manufacturing of tobacco, Central Excise duty is levied and on sale, GST is levied. |
| 27. | c | On manufacturing of Opium, state excise duty is levied and on sale, GST is levied. |

## 2. Supply - Q & A

### Basics

**1.**

**What is the taxable event under GST? Or**

**Meghraj & Co. wishes to commence the business of supplying ready-made garments within Punjab and in the neighbouring States of Delhi and Haryana. Kindly state as to what is the taxable event under GST and leviability of CGST, SGST/UTGST and IGST on the same?**

**(ICAI study material)**

**Answer:** Taxable event under GST is supply of goods or services or both. CGST and SGST/ UTGST will be levied on intra-State supplies. IGST will be levied on inter-State supplies.

### Section 7(1)(b): Import of services with/without consideration

**2.**

**Examine whether the activity of import of service in the following independent cases would amount to supply under section 7 of the CGST Act, 2017?**

**(i) Miss Shriniti Kaushik received vaastu consultancy services for her residence located at Bandra, Mumbai from Mr. Racheal of Sydney (Australia). The amount paid for the said service is 5,000 Australian dollars.**

**(ii) Miss Shriniti Kaushik received interior decoration services for her residence located at Bandra, Mumbai from her brother, Mr. Varun residing in Sydney (Australia) [wholly dependent on Miss Shriniti]. Further, Miss Shriniti did not pay any consideration for the said service.**

**(iii) Will your answer change if in the above case, if Miss Shriniti has taken interior decoration services with regard to her business premises and not her residence?**

**Note: Any specific exemption by way of notification needs to be ignored.**

**(ICAI study material) & (RTP CA INTER-NOV 2018)**

**Answer:**

**(i) Supply, under section 7 of the CGST Act, 2017, inter alia,**

- includes import of services for a consideration
- even if it is not in the course or furtherance of business.

Thus, although the import of service for consideration by Miss. Shriniti Kaushik is not in course or furtherance of business [as the interior decoration services have been availed in respect of residence], it would amount to supply.

**(ii) 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, 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,** Miss Shriniti Kaushik has received interior decoration services from her brother. In view of the above, Miss Shriniti and her brother shall be considered to be related as Miss Shriniti's brother is wholly dependent on her.

**However,** Miss Shriniti has taken interior decoration services for her residence and not in course or furtherance of business.

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

**(iii) In the above case,** if Miss Shriniti has taken interior decoration services with regard to her business premises, services provided by Miss Shriniti's brother to her would be treated as supply under section 7 read with Schedule I, as the same are provided in course or furtherance of business.

**3.**

**Mrs. Pragati received legal advice for her personal problems & paid 1,000 pounds as a legal fee to Miss Unnati of U.K. (London). Explain whether the above activity of import of service would amount to supply under section 7 of the CGST Act, 2017?**

**If in above case both of them are real sisters & no consideration is paid, then will it change your answer? Further in the above case both of them are real sisters & Mrs. Pragati receives legal advice for her business & she didn't pay any consideration then what will be your answer?**

**(CA INTER MTP - AUG 2018)**

**Answer:**

**Answers to each given situation is as follows:**

**1) Import of legal service for consideration of 1,000 pound:**

Importation of service for consideration is supply whether or not in the course or furtherance of business [section 7(1) (b) of CGST Act]. Thus, even if Mrs Pragati has received such service for his personal purpose, import will qualify as supply as it is being made for consideration.

**2) Import of legal service without consideration:**

**(a)<u>Import of legal service in personal matter</u>**

Import of any service without consideration amounts to supply in terms of Section 7(1)(c) read with Schedule I (Para 4) **only if following conditions are fulfilled:**

1. Import is in course or furtherance of business;
2. Import is from related person or own establishment outside India

Import of legal service will not amount to supply as such import it not in course or furtherance of business (as such advice is for personal matter)

**(b)<u>Import of legal service in business matter</u>**

Import of service is for **business matter**, then such import **without consideration** would amount to supply if it is from **related person or his other establishment** outside India.

Import from real sister is not import from 'related person'. GST law has defined related person to include members of same family. Sister is considered as family member if she is wholly or mainly dependent upon the person. In given question, it seems Mrs Unnati in UK is quite independent and no way dependent upon Mrs Pragati and therefore, Mrs Pragati and Mrs. Unnati are not 'related person' under GST law.

Since import of service without consideration is not from related person or other establishment outside India, it will not amount to supply under GST law.

**4.**

**Examine whether the following activities would amount to "supply" under GST law?**

**(i) Glory Ltd. is engaged in manufacturing and selling of cosmetic products. Seva Trust, a charitable organisation, approached Glory Ltd. to provide financial assistance for its charitable activities. Glory Ltd. donated a sum of Rs. 2 lakhs to Seva Trust with a condition that Seva Trust will place a hoarding at the entrance of the trust premises displaying picture of products sold by Glory Ltd.**

**(ii) Mr. Swamy of Chennai is working as a manager with ABC Bank. He consulted M/s. Jacobs and Company of London and took its advice for buying a residential house in Mumbai and paid them consultancy fee of 200 UK Pound for this import of service.**

**(CA Inter May 22)**

**Answer:**

(i) An activity qualifies as supply under GST only if it is for a consideration and is in course/furtherance of business. Donations received by the charitable organizations are treated as consideration only when there's an obligation on part of the recipient of the donation to do anything.

Since in the given case, the display of products sold by the donor – Glory Ltd. - in charitable organisation's premises aims at advertising/promotion of its business, it is supply for consideration in course/furtherance of business and thus, qualifies as supply under GST law.

(ii) Supply includes importation of services, for a consideration whether or not in the course/furtherance of business. Thus, in the given case, the import of services by Mr. Swamy amounts to supply although it is not in course/furtherance of business.

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

**5.**

**As per Section 7 of the CGST Act, 2017 for the purposes of Goods and Services Tax, the expression "supply" includes all forms of supply of goods or services or both such as sale, transfer, barter, exchange, licence, rental, lease or disposal made or agreed to be made for a consideration by a person in the course or furtherance of business. Discuss as per the provisions of the CGST Act, 2017 (or rules thereunder), when an activity can be treated as supply even if there is no consideration, or even if it is not in the course or furtherance of business.**

**(CA Inter May 25 – 5 marks)**

**Answer:** An activity can be treated as supply, even if there is no consideration in the following cases:

1) Permanent transfer or disposal of business assets where ITC has been availed on such assets.
2) Supply of goods and/or services between related/distinct persons, when made in the course/furtherance of business.
   (However, gifts not exceeding Rs. 50,000 in value in a financial year by an employer to an employee shall not be treated as supply).
3) Supply of goods —
   (a) by a principal to his agent where the agent undertakes to supply such goods on behalf of the principal; or
   (b) by an agent to his principal where the agent undertakes to receive such goods on behalf of the principal.
4) Import of services by a person from a related person or from any of his other establishments outside India, in the course/furtherance of business

In case where the services are imported for a consideration, whether or not in the course or furtherance of business, such activity is treated as supply.

**6.**

**Examine whether the following activities would be treated as supply under GST law?**

**Wesco Ltd, a registered person in Ahmedabad (Gujarat) having head office located in Singapore, received management consultancy services free of cost from its head office.**

**(CA Inter Nov 23 -2 Marks)**

**Answer: As per schedule I,** in case of 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 shall be treated as "supply".

**Hence,** services received by Wesco Ltd. qualify as supply even though such services have been provided free of cost by the head office.

**7.**

**With reference to provisions of the CGST Act, 2017 discuss in brief, when ''Importation of services" is to be considered as supply and when it is not to be considered as supply.**

**(CA Inter Nov 20)**

**Answer:** Importation of services for a consideration whether or not in the course or furtherance of business is to be considered as supply.

Importation of services by a person without consideration is deemed as supply provided the following two conditions are satisfied: -

(a) such import is from related person or from his establishments located outside India, and

(b) such import is in the course or furtherance of business.

In case any or both of the above two conditions is/are not satisfied, the import of services without consideration shall not be deemed as supply.

**8.**

**Damodar Private Ltd., registered in Delhi, has transferred some goods to its branch, registered in West Bengal, so that the goods can be sold from the branch. The goods have been transferred without any consideration. The company believes that the transaction undertaken by it does not qualify as supply as no consideration is involved. Ascertain whether the transfer of goods by Damodar Private Ltd. to its branch office qualifies as supply.**

**(ICAI study material)**

**Answer: As per Schedule I of the CGST Act,** supply of goods or services or both between related persons or between distinct persons as specified in section 25, when made in the course or furtherance of business, is deemed as supply even if made without consideration.

**In the given case,** since the Damodar Private Ltd. and its branch located in another State are distinct persons, supply of goods between them qualifies as supply.

**9.**

**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, 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.

**10.**

**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'.

**11.**

**Examine whether the following activities would amount to supply under section 7 of 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. Persons shall be deemed to be "related persons" if they are members of the same family. Further, 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 the 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.

**12.**

**Sahab Sales, an air-conditioner dealer in Janakpuri, Delhi, needs 4 air-conditioners for his newly constructed house in Safdarjung Enclave. Therefore, he transfers 4 air - conditioners [on which ITC has already been availed by it] from its stock, for the said purpose. Examine whether the said activity amounts to supply under section 7 of the CGST Act, 2017.**

**Further, a Janakpuri resident, Aakash, approached Sahab Sales. He sold an air- conditioner to Sahab Sales for Rs. 5,000. Aakash had bought the said air-conditioner six months before, for his residence. Does sale of the air conditioner by Aakash to Sahab Sales amount to supply under section 7 of the CGST Act, 2017**

**(CA INTER RTP - 2018)**

**Answer:** Section 7 defines the scope of 'supply'. In general, supply covers those transactions where goods or services or both are supplied for consideration in course of or furtherance of business (Section 7(1) (a)). Besides that, scope of supply has been extended to cover certain specified transactions which are undertaken even without any consideration (Section 7(1) (c) read with Schedule I). One such transaction without consideration is where business assets on which ITC has been availed are transferred or disposed off permanently.

**In view of said provisions, the answer to given situations are as follows:**

**(a) Permanent transfer of air-conditioner (trading stock which is his business asset on which he has availed ITC):** permanent transfer of air conditioners by Sahab Sales from its stock for personal use at its residence, though without consideration, would amount to supply.

**(b) Sale by Aakash (non-business entity) of his second-hand air-conditioner:** Such sale will not qualify as supply under section 7 of the CGST Act, 2017 as although it is made for a consideration, but it's not in the course or furtherance of business.

**13.**

**Describe the provisions relating to import of services by a registered person as contained in the section 7(1)(b), 7(1)(c) and Schedule 1 of the CGST Act, 2017.**

**(CA Inter Sep 24 - 5 Marks)**

**Answer: As per the provisions of section 7(1)(b), 7(1)(c) and Schedule I of the CGST Act, 2017,** import of services for a consideration shall be considered as supply, whether or not in the course or furtherance of business

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 shall be treated as supply even if made without consideration.

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

**14.**

**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

(c) There must be an expressed or implied agreement or contract must exist.

(d) 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.

**15.**

**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. The technical services provided by R-TECH consultancy are otherwise chargeable to GST at the rate of 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.**

**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 GST is not separately collected, it will be assumed that it is included in Rs 66 lakh.

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** |

**16.**

**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.**

**(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 is exempt [Entry 12 of Notification No. 12/2017 CT (R) dated 28.06.201732], 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.

**17.**

**Transfer of title and/or possession is necessary for a transaction to constitute supply of goods. Examine.**

**(ICAI study material)**

**Answer:**

Title as well as possession both has to be transferred for a transaction to be considered as a supply of goods. In case title is not transferred, the transaction would be treated as supply of service in terms of Schedule II (1) (b) of the CGST Act. In some cases, possession may be transferred immediately but title may be transferred at a future date like in case of sale on approval basis or hire purchase arrangement. Such transactions will also be termed as supply of goods.

**18.**

**State whether the following supplies would be treated as supply of goods or supply of services as per Schedule II of the CGST Act:**

**(a) Renting of immovable property**
**(b) Goods forming part of business assets are transferred or disposed of by/under directions of person carrying on the business.**
**(c) Transfer of right in goods without transfer of title in goods.**
**(d) Transfer of title in goods under an agreement which stipulates that property shall pass at a future date.**
**(e) Temporary transfer or permitting use or enjoyment of any intellectual property right.**
**(f) Any treatment or process which is applied to another person's goods.**
**(g) Transfer of title in goods.**

**(ICAI study material)**

**Answer:**

(a) Supply of services
(b) Supply of goods
(c) Supply of services
(d) Supply of goods
(e) Supply of services
(f) Supply of services
(g) Supply of goods

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

**19.**

**List any 5 (Five) activities/transactions specified under Schedule III of the CGST Act, 2017 which shall be neither treated as supply of goods nor as supply of services. Detailed explanations is not required.**

**(CA Inter May 23-5 marks)**

**Answer:** Activities or transactions which shall be treated neither as a supply of goods nor a supply of services are as under:-

(1) Services by an employee to the employer in the course of or in relation to his employment
(2) Services by any court or Tribunal established under any law for the time being in force.

(3) Functions performed by the Members of Parliament, Members of State Legislature, Members of Panchayats, Members of Municipalities and Members of other local authorities.

(4) Duties performed by any person who holds any post in pursuance of the provisions of the Constitution in that capacity.

(5) Duties performed by any person as a Chairperson or a Member or a Director in a body established by the Central Government or a State Government or local authority and who is not deemed as an employee before the commencement of this clause.

(6) Services of funeral, burial, crematorium or mortuary including transportation of the deceased.

(7) Sale of land and, subject to paragraph 5(b) of Schedule II, sale of building. (i.e. in case, where entire consideration for sale of building received after issuance of completion certificate or after its first occupation, whichever is earlier).

(8) Actionable claims, other than **specified actionable claims.**

**"Specified actionable claim" means the actionable claim involved in or by way of—**

(i) betting;
(ii) casinos;
(iii) gambling;
(iv) horse racing;
(v) lottery; or
(vi) online money gaming;'

(9) 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 in co-insurance agreements, subject to the condition that the lead insurer pays the CT, the ST, the UTT and the IT on the entire amount of premium paid by the insured.

(10) 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, 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.

**20.**

**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.

## Section 7(2)(b)

**21.**

**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

**22.**

**Mrs. Kajal, a registered supplier of Jaipur (Rajasthan) & also engaged in event management services, 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 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.**

**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**<br>[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% |
| (ii) | **Supply of kits to Ram Fancy Store**<br>[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**<br>[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 | 5% |

| S. No. | Particulars | Rate of GST |
|---|---|---|
| | service. | |
| (v) | **Chairs and coolers hired out to Function Garden**<br>[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% |

**23.**

**Brishti Ltd. is manufacturer of cosmetic products: (1) Hair oil (GST Rate - 18%), (2) Sun screen cream (GST Rate- 28%), (3) Shampoo (GST rate - 28%), and (4) Hair comb (GST Rate - 12%). The said products are supplied in a single package and the Price per package is Rs. 500 (exclusive of taxes). 20,000 packages were supplied by the company to its dealer. Determine the nature of supply and its tax liability.**

**(CMA INTER - MTP DEC 2018 -5 MARKS)**

**Answer: The treatment would be as follows:**

| | |
|---|---|
| **Nature of Combination Supply:**<br>Each of the goods in the package has individual identity and can be supplied separately but are deliberately supplied conjointly for a single consolidated price. Hence, the supply would constitute a mixed supply. | Mixed supply |
| **Treatment under GST:** Highest tax rate applicable<br>As per section 8(b) of the CGST Act, tax rates applicable in case of mixed supply would be the rate of tax attributable to that one supply (goods, or services) which suffers the highest rate of tax from amongst the supplies forming part of the mixed supply. Therefore, entire package will be chargeable to 28% GST. | 28% GST |
| **Value of Supply:**<br>Value of taxable supply per package | 500 |
| No. of packages | 20,000 |
| **Total Value** | **1,00,00,000** |
| **GST Liability @ 28%** | **28,00,000** |

**24.**

**Determine whether the following supplies amount to composite supplies:**

**i. A hotel provides 4 days-3 nights' package wherein the facility of breakfast and dinner is provided along with the room accommodation.**

**ii. A toothpaste company has offered the scheme of free soap along with the toothpaste.**

**(ICAI study material)**

**Answer:** Under composite supply, **two or more taxable supplies of** goods or services or both, or any combination thereof, are **naturally bundled** and supplied in conjunction with each other, in the **ordinary course of business**, one of which is **a principal supply.**

**In view of the same,**

i. since, supply of breakfast and dinner with the accommodation in the hotel are naturally bundled, said supplies qualify as 'composite supply'.

ii. since supply of soap along with the toothpaste are not naturally bundled, said supplies do not qualify as 'composite supply'.

**25.**

**Dumdum Electronics has sold the following electronic items to Akbar Retail Store.**

**(i) Refrigerator (500 litres) taxable @ 18%**

**(ii) Stabilizer for refrigerator taxable @ 12%**

**(iii) LED television (42 inches) taxable @ 12%**

**(iv) Split air conditioner (2 Tons) taxable @ 28%**

**(v) Stabilizer for air conditioner taxable @12%**

**Dumdum Electronics has issued a single invoice, indicating price of each of the above items separately in the same. Akbar Retail Store 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 in this case.**

**(ICAI Study Material)**

**Answer: In the given case,** the items supplied by Dumdum Electronics are not naturally bundled in the ordinary course of business.

**Therefore,** such supply is not a composite supply. Further, although Akbar Retail Store has paid a composite discounted price for these goods, Dumdum Electronics has not charged a single price for the said supply. Therefore, said supply is also not a mixed supply.

Supply of these goods is, therefore, supply of individual items which are taxable at the respective rates applicable to them.

**26.**

**Manikaran, a registered supplier of Delhi, has supplied 20,000 packages at Rs. 30 each to Mukhija Gift Shop in Punjab. Each package consists of 2 chocolates, 2 fruit juice bottles and a packet of toy balloons. Determine the rate(s) of GST applicable in the given case assuming the rates of GST to be as under:**

| Goods/services supplied | GST rate |
|---|---|
| Chocolates | 18% |
| Fruit juice bottles | 12% |
| Toy balloons | 5% |

**(ICAI study material)**

**Answer:**

**As per section 2(74) of the CGST Act, 2017,** mixed supply means two or more individual supplies of goods or services, or any combination thereof, made in conjunction with each other by a taxable person for a single price where such supply does not constitute a composite supply.

Supply of a package containing chocolates, fruit juice bottles and a packet of toy balloons is a mixed supply as each of these items can be supplied separately and is not dependent on any other. **Further, as per section 8(b) of the CGST Act, 2017,** the mixed supply is treated as a supply of that particular supply which attracts the highest rate of tax. Thus, in the given case, supply of packages is treated as supply of chocolates [since it attracts the highest rate of tax] and the rate of GST applicable on the package of Rs. 6,00,000 (20,000 × Rs. 30) is 18%.

## Miscellaneous & Circular based questions

**27. (Solve after Place of supply)**

**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** |

**28.**

**Examine whether the following activities would be treated as supply under GST law?**
**Mr. Sonu from Chandigarh purchased a water cooler from Malhotra Bros. of Hoshiarpur for Rs.25,000 to donate it to a temple situated in Hoshiarpur. Mr. Sonu directed Malhotra Bros. to engrave the words on the water cooler- "Donated by Mr. Sonu from Chandigarh" and dispatch the water cooler directly to the temple.**

**(CA Inter Nov 23 -2 Marks)**

**Answer:**

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).
Since the name of the donor, Mr. Sonu is displayed in temple as an expression of gratitude and public recognition of his act of philanthropy and is not aimed at advertising or promotion of his business, hence, donation of water cooler by Mr. Sonu to temple is without quid pro quo and is, thus, not a supply under GST law.
However, supply of water cooler by Malhotra Bros. to Mr. Sonu is supply as it is made for consideration in course or furtherance of business.

**29.**

**Examine the implications of GST on supply of food and beverages at cinema halls.**

**(CA Inter RTP May 24)**

**Answer:**

Eating joint is a wide term which includes refreshment or eating stalls/ kiosks/ counters or restaurant at a cinema also.
The cinema operator:
(i) may run these refreshment/eating stalls/kiosks/counters/ restaurant themselves
or
(ii) they may give it on contract to a third party.
The customer may like to avail the services supplied by these refreshment/snack counters or choose not to avail these services. Further, the cinema operator can also install vending machines, or supply any other recreational service such as through coin-operated machines etc. which a customer may or may not avail.

It is hereby clarified vide circular that:

(i) supply of food or beverages in a cinema hall is taxable as 'restaurant service' as long as:
   (a) the food or beverages are supplied by way of or as part of a service, and
   (b) supplied independent of the cinema exhibition service.

(ii) where the sale of cinema ticket and supply of food and beverages are clubbed together, and such bundled supply satisfies the test of composite supply, the entire supply will attract GST at the rate applicable to service of exhibition of cinema, the principal supply.

**30.**

**"Diligent Force" a professional training institute gets its training material of "Aptitude Quotient" printed from "Durga printing House" a printing press. The content of the material is provided by the Diligent Force who owns the usage rights of the same while the physical inputs including paper used for printing belong to the Durga Printing House.**

**Ascertain whether supply of training material by the Durga Printing House constitutes supply of goods or supply of services.**

**(RTP Nov 19)**

**Answer:**

**CBIC Circular has clarified that** supply of books printed with contents supplied by the recipient of such printed goods, is composite supply and the question, whether such supplies constitute supply of goods or services would be determined on the basis of what constitutes the principal supply.

**Principal supply** has been defined in section 2(90) of the CGST Act as 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.

**In the case of printing of books** where 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.

**Thus,** in view of the above-mentioned provisions, the supply of training material by the Durga Printing House would constitute supply of services.

**31.**

**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)**

**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.

Taxability of such supply will be dependent upon as to whether the supply is a composite supply or a mixed supply and the rate of tax shall be determined accordingly.

**32.**

**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 lakh 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: It has been clarified vide Circular** 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.

**33.**

**Examine the existence of "consideration" for donation received by charitable institutions from individual donors, without quid pro quo an important feature as defined in section 2(31) of the CGST Act, 2017.**

**(CA Inter May 24 – 5 marks)**

**Answer:** Donations received by the charitable institutions from individual donors 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.

If the name of the donor is displayed in charitable institution's premises as an expression of gratitude and public recognition of his act of philanthropy and is not aimed at advertising or promotion of his business, there is no supply for the payment in the form of donation.

## 2. Supply - MCQ

### Goods & services

1. **Goods as per section 2(52) 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. **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)(c): Activities/transactions specified in Schedule I

6. **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)

7. **_____ 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

8. **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) When a person imports services without consideration for the purposes of his business from his elder son living outside India.

9. **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

**10. 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.
(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.
(d) A machinery disposed off free of cost on which input tax credit has been availed.

**11. 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

**12. Mr. Venkat hired a professional firm based in UK to receive the legal consultancy services for his family dispute. The services received by Mr. Venkat _____ in case such services are received by Mr. Venkat**

**(I) free of cost; or**
**(II) for a consideration of US$ 1,000.**

(a) (I) amount to supply; (II) amount to supply
(b) (I) do not amount to supply; (II) amount to supply
(c) (I) amount to supply; (II) do not amount to supply
(d) (I) do not amount to supply; (II) do not amount to supply

**13. 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

**14. Which of the following activities/ transactions qualify as supply of goods?**

(a) Dhruvtara Electronics supplies washing machines to its customers.
(b) Bigbang Steels Ltd. supplies a machinery on rent to Jigayasa Manufacturers.
(c) Larsen Technicians given by Deendayal Automobiles on job work basis. retreads the tyres
(d) Vigyaan Technologies develops a customized software for a business school.

**15. 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

**16. 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

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

**17. 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)

**18. Which of the following activities are considered neither as supply of goods nor supply of services?**
(a) Inter- State movement of trucks between distinct persons for repairs and maintenance.
(b) Grant of mining rights by the Governments to businesses.
(c) Services provided by an employer to the employee.
(d) Lottery.

**19. 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 specified actionable claims.
(d) All of the above

## Section 8: Tax liability on composite and mixed supplies

**20. 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

**21. 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

**22. 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

**23. 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 grams each) taxable @ 12%, 1 packet of Roasted Smoked Almonds (100 gram) taxable @ 18%, 1 packet of Bournville Chocolate (50 mg) 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

**24. 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

**25. 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

**26. Jaskaran supplies gift packages at Rs. 30 each to its customers. Each package consists of 2 chocolates, 2 fruit juice bottles and a packet of toy balloons. Rates of GST applicable on chocolates, fruit juice bottles and toy balloons are 18%, 12% and 5% respectively. Jaskaran is liable to pay GST @_____.**
(a) 18%, 12% and 5% separately on value of supply of chocolates, fruit juice bottles and toy balloons respectively
(b) 18% on the price charged for the gift package
(c) 12% on the price charged for the gift package
(d) 5% on the price charged for the gift package

**27. 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**<br>• Other than money and Securities<br>**But includes**<br>• actionable claim,<br>• 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.<br>**From the above definition it is clear than money and securities are not goods.** |
| **2.** | **b** | **Goods means every kind of movable property**<br>• **Other than money and Securities**<br>• **But includes**<br>• **actionable claim,**<br>• **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.**<br>**Money means**<br>• 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 |

| Qs | Ans | Reason |
|---|---|---|
| | | 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<br>• **but shall not include any currency that is held for its numismatic value;**<br>**<u>Applying the above definition</u>:**<br>**(i) Ten-paisa coin having sale value of Rs. 100:** Currency held for numismatic value is not money and hence goods.<br>**(ii) Shares of unlisted company:** Shares are securities and hence not goods.<br>**(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<br>**Money means**<br>• 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<br>• **but shall not include any currency that is held for its numismatic value;**<br>**Since** money does not include any currency that is held for its numismatic value, Currency held for its numismatic value shall fall under goods. |
| **5.** | **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. |
| **6.** | **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.<br>(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.<br>(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. |
| **7.** | **a** | **As per Section 7(1)(c),** activities specified in Schedule I made without a consideration shall be treated as deemed supply. |
| **8.** | **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.<br>**Since** the supplier has not claimed ITC on such car, it does not qualify as supply. |
| **9.** | **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.<br>Further, the commission earned by James Bond shall be included his turnover.<br>**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. |
| **10.** | **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. |
| **11.** | **a** | **<u>Schedule I, Para 4</u>.**<br>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<br>**Related party definition under GST included family**<br>**Section 2(49): Family means, –**<br>(i) the spouse and children of the person, and |

| Qs | Ans | Reason |
|---|---|---|
| | | (ii) the parents, grand-parents, brothers and sisters of the person if they are wholly or mainly dependent on the said person.<br>**Applying the above:**<br>**(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.<br>**(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.<br>**(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.<br>**(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. |
| **12.** | **b** | (I) Importation of service free of cost does not amount to supply under schedule I para 4;<br>(II) Importation of service for a consideration amounts to supply under section 7(1)(b). |
| **13.** | **c** | **<u>Schedule I, Para 4</u>.**<br>**Related party definition under GST included family**<br>**Section 2(49): Family means, –**<br>(i) the spouse and children of the person, and<br>(ii) the parents, grand-parents, brothers and sisters of the person if they are wholly or mainly dependent on the said person.<br>**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 |
| **14.** | **a** | **(a) Dhruvtara Electronics supplies washing machines to its customers -** Supply of goods<br>**(b) Bigbang Steels Ltd. supplies a machinery on rent to Jigayasa Manufacturers –** Renting i.e. giving right to use is a supply of service.<br>**(c) Larsen Technicians given by Deendayal Automobiles on job work basis. retreads the tyres** – Job work is a supply of service.<br>**(d) Vigyaan Technologies develops a customized software for a business school –** Customising software is a supply of Service. |
| **15.** | **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.<br>(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.<br>(c) **Repairing of mobile phone:** as per para 5(e) of schedule II, to do an act is a supply of service.<br>(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. |
| **16.** | **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. |
| **17.** | **d** | **(i) Permanent transfer of business assets where ITC has been availed on such assets:** It's a supply, Supply of goods<br>**(ii) Temporary transfer of intellectual property right:** It's a supply, Supply of service.<br>**(iii) Transportation of the deceased:** Section 7(2)(a) read with schedule III: neither as supply of goods nor supply of services.<br>**(iv) 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. |
| **18.** | **a** | (a) **Inter- State movement of trucks between distinct persons for repairs and maintenance –** it is considered as neither supply of goods nor supply of service as per circular.<br>(b) **Grant of mining rights by the Governments to businesses –** activity will be considered as a supply.<br>(c) **Services provided by an employer to the employee –** activity will be considered as supply.<br>(d) **Lottery:** activity of selling lottery is a supply. |

| Qs | Ans | Reason |
|---|---|---|
| **19.** | **d** | **Schedule III specifies activities or transaction** that shall be treated as neither supply of goods nor supply of services |
| **20.** | **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. |
| **21.** | **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. |
| **22.** | **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.**<br>(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.**<br>(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.**<br>(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.** |
| **23.** | **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. |
| **24.** | **c** | **Composite supply** comprises two or more taxable supplies, naturally bundled and supplied in conjunction, one of which is a principal supply. |
| **25.** | **a** | It is a composite supply and taxable at the rate of principal supply. |
| **26.** | **b** | **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. |
| **27.** | **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. |

# 3. Charge of GST – Q & A

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

### Services provided by CG/SG/UT/LA

**1.**

**"Under the GST law, taxes on taxable services supplied by the Central Government or the State Government to a business entity in India are payable by recipient of services".**
**State the exceptions of the above statement.**

**(CA Inter May 22 – 5 marks - amended)**

**Answer:**

**Tax on following services supplied by the Central Government or State Government to a business entity in India is payable by the recipient of services:**

(1) services of renting of immovable property provided to an unregistered business entity.
(2) services by the Department of Posts and the Ministry of Railways (Indian Railways);
(3) services in relation to an aircraft or a vessel, inside or outside the precincts of a port or an airport.
(4) services of transport of goods or passengers.

### Goods Transport Services (GTA) & Author's services of permitting use of copyright

**2.**

**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-amended)**

**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.

**3.**

**'Veer Transport', a registered Goods Transport Agency (GTA) paying IGST @ 12%, 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 @ 12%, 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.

### Author

**4.**

**Mr. Kamal Jain, an unregistered famous author, received Rs. 20 lakh of consideration from PQR Publications Ltd. for supply of services by way of temporary transfer of a copyright covered under section 13(1)(a) of the Copyright Act, 1957 relating to original literary works of his new book. Also, state if Kamal has an option to pay GST under FCM.**
**Assume that recipient is located in taxable territory. Ignore the aggregate turnover and exemption.**

**(CA Inter Nov 20)**

**Answer:**

Supply of services by an author by way of transfer of a copyright covered under section 13(1)(a) of the Copyright Act, 1957 relating to original literary works to a publisher located in the taxable territory is taxable under reverse charge mechanism.

**Thus, in the given case,** the recipient of service, i.e., PQR Publications Ltd. is liable to pay GST. The tax can be paid by the author under forward charge if the author is a registered person. Since in the given case, the author is an unregistered person, the said option is not available to him.

**5.**

**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**

**6.**

**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:**

(i) **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.

(ii) **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.

**7.**

**Raghu Associates provided sponsorship services to WE-WIN Cricket Academy, an LLP. Determine the person liable to pay tax in this case.**

**(ICAI study material)**

**Answer:**

**In case of services provided by any person other than body corporate** by way of sponsorship to

any body corporate/partnership firm, GST is liable to be paid under reverse charge by such body corporate/partnership firm located in the taxable territory. Further, for the reverse charge purposes, Limited Liability Partnership formed and registered under the provisions of the LLP Act, 2008 is also be considered as a partnership firm.

**Therefore,** in the given case, WE-WIN Cricket Academy is liable to pay GST under reverse charge.

**8.**

**Panini Private Limited 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 Private Limited. Examine who is the person liable to pay tax in the given case.**

**(ICAI study material)**

**Answer:**

Reverse charge notification, provides that sponsorship services provided by any person other than body corporate to a body corporate/partnership firm located in the taxable territory, shall be liable to GST under reverse charge.

**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. 5 lakhs from Panini Private Ltd, against the provision of sponsorship service. Since the recipient of sponsorship services- Panini Private Limited is a body corporate, the tax on said services is payable by the recipient - Panini Private Ltd, under reverse charge.

**9.**

**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.

## Renting of Residential House

**10.**

**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.

## Securities lending Services

**11.**

**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 (hereafter referred to as SLS) 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.

**Director services**

**12.**

**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.**

**(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.

**13.**

**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.**

**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 Circular No.140/10/2020 GST dated 10.06.2020, the part of director's remuneration which is declared as salary in the books of a company and subjected to TDS under section 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.

**Arbitral Tribunal, Sponsorship services & Renting of immovable property services 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 business entity.**

**(ICAI study material)**

**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 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 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

**Advocate & Senior advocate services**

**15.**

**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.

## Insurance Agent, Recovery Agent & Security Services

**16.**

**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 by **any person other than body corporate** 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 **provided the supplier is any person other than body corporate.**

## Miscellaneous

**17.**

**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%] | 1,03,500 | 1,03,500 |

| SN. | Particulars | CGST | SGST |
|---|---|---|---|
| | [(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.<br>(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**<br>[Tax on renting of immovable property services provided by Indian Railways is not payable under reverse charge.] | Nil | Nil |
| 3. | **Security services received**<br>[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**<br>[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** |

## Section 9(5) of CGST/5(5) of IGST act: Levy of GST on ECO

**18.**

**Harishchandra of New Delhi makes a request for a motor cab to "Super ride" for travelling from New Delhi to Gurgaon (Haryana). After Harishchandra pays the cab charges using his debit card, he gets details of the driver - Jorawar Singh and the cab's registration number.**

**"Super ride" is a mobile application owned and managed by Perry India Ltd. located in India. The application "Super ride" facilitates a potential customer to connect with the persons providing cab service under the brand name of "Super ride". Perry India Ltd. claims that cab service is provided by Jorawar Singh and hence, he is liable to pay GST. With reference to the provisions of IGST Act, 2017, determine who is the person liable to pay GST in this case?**

**(ICAI study material – CA Final)**

**Answer: Section 5(5) of the IGST Act, 2017** provides that tax on inter-State supplies of specified services notified by Government shall be paid by the electronic commerce operator (ECO) located in taxable territory if such services are supplied through it. Services by way of transportation of passengers by a motor cab supplied through ECO is one of the notified services.

**Electronic commerce operator (ECO)** means any person who owns, operates or manages digital or electronic facility or platform for supply of goods or services or both.

**Since** Perry India Ltd. owns and manages a mobile application in the name of "Super ride", to facilitate supply of passenger transportation service in motor cabs over a digital network, it is an ECO. Thus, Perry India Ltd., an ECO located in India, is liable to pay GST in the given case.

## 3. Charge of GST - MCQ

### Section 9(2): CGST on 5 specified products

**1. On supply of which of the following item(s), GST shall be levied with effect from such date as may be notified by the Government on the recommendations of the Council:**
(a) Petroleum crude
(b) Alcoholic liquor for human consumption
(c) Both (a) and (b)
(d) None of the above

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

**2. 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. GST is payable @ 5% on such GTA services. Which of the following statement is correct in the given context: Note: GTA has not opted to pay GST itself.**
(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.

**3. Sindhu Transporters, an unregistered Goods Transport Agency, provides the services of transportation of goods by road to Bindusaar Manufacturers, registered under GST. GST is payable by _____@_____, in the given case.**
(a) Sindhu Transporters; 5%
(b) Sindhu Transporters; 12%
(c) Bindusaar Manufacturers; 5%
(d) Bindusaar Manufacturers; 12%

**4. Nilanchal Chamber of Commerce organized a business summit. Safal Private Limited, a manufacturer of readymade garments, sponsored the summit and paid a sponsorship fee of Rs. 1,20,000 to Nilanchal Chamber of Commerce. Mr. Godbole, an independent director of Safal Private Limited, provided the services worth Rs. 50,000 to the company. The value on which Safal Private Limited is liable to pay GST is ____.**
(a) Rs. 1,20,000
(b) Rs. 1,70,000
(c) Rs. 50,000
(d) Nil

**5. 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 NGO** to a body corporate located in Kerala
(d) Service of renting of motor vehicle for passengers provided to a recipient other than body corporate.

**6. GST is not payable by recipient of services in the following cases: -**
**(i) Services provided by an Individual 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)

**7. 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

**8. Nilanchol Chamber of Commerce organised a business summit. Safal Private Limited, a registered manufacturer of readymade garments, sponsored the summit and paid a sponsorship fee of Rs. 1,50,000 to Nilanchol Chamber of Commerce. Mr. Godbole, an independent director of Safal Private Limited, provided the taxable services worth Rs. 40,000 to the Safal Private Limited in the capacity of director in this regards. The total value on which Safal Private Limited is liable to pay GST (as per provision applicable till 28th February 2025) is _____.**

(a) Rs. 1,50,000
(b) Rs. 1,90,000
(c) Rs. 40,000
(d) NIL

**Answers:**

| Qs | Ans | Reason |
|---|---|---|
| **1.** | **a** | **As per Section 9(2),** GST on High-speed diesel, Petroleum crude, Motor spirit, Aviation turbine fuel, Natural gas shall be levied from such date as may be notified by the government on the recommendations of the council. |
| **2.** | **a** | **GST is payable under RCM on GTA service availed by a recipient even though the goods transported are exempt supply.**<br>Also, in case of GTA service the person who pays the freight is the recipient also liable to pay GST on GTA services.<br>Hence in the given case, XX ltd is liable to pay GST on the GTA services i.e. Rs 9,000 * 5% = Rs. 450. |
| **3.** | **c** | Recipient being a registered person under GST and the supplier being unregistered GTA, the RP i.e. Bindusaar manufacturer shall be liable to pay the GST under RCM @ 5%. |
| **4.** | **b** | **Safal Private Limited being a company is liable to pay GST under RCM on:**<br>1. Sponsorship amount = Rs. 1.2 lacs<br>2. Amount paid to Independent director = Rs. 50,000. |
| **5.** | **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.<br>**Note: Assumed turnover of business entity in PFY exceeded Registration imit.**<br>**(b) Sponsorship services provided to a partnership firm located in Jammu & Kashmir:** RCM is applicable.<br>**(c) Sponsorship services provided to a body corporate located in Kerala:** RCM is applicable.<br>**(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. |
| **6.** | **c** | **(i) Services provided by way of sponsorship to ABC Ltd. located in India:** Sponsorship services **<u>provided by an Individual</u>** to a body corporate, ABC ltd (i.e. the recipient) is liable to pay GST under RCM.<br>**(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.<br>**(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<br>**(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. |

<table>
<tr><th>Qs</th><th>Ans</th><th>Reason</th></tr>
<tr><td>7.</td><td>c</td><td>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.<br>The ATO limit applicable for Mizoram is Rs. 10 lakhs.<br>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.<br>GST liability: Rs 50,000 * 18% = Rs. 9,000, payable by Burger Queen.</td></tr>
<tr><td>8.</td><td>b</td><td>Computation of Amount on which GST is payable under RCM
<table>
<tr><th>Particulars</th><th>Amount</th></tr>
<tr><td>Sponsorship fee</td><td>Rs. 1,50,000</td></tr>
<tr><td>Director fees</td><td>Rs. 40,000</td></tr>
<tr><td>Total</td><td>Rs. 1,90,000</td></tr>
</table></td></tr>
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**CA Ramesh Soni**

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