SECTION B: GOODS AND SERVICES TAX

1. *Section B comprises of questions from 5-8. In Section B, answer question no. 5 which is compulsory and any two questions from question nos. 6-8.*
2. *Working notes should form part of the answer.*
3. *All questions in Section B should be answered on the basis of position of GST law as amended by Finance (No. 2) Act, 2024 and the significant notifications/ circulars which have become effective upto 31st October, 2024.*

Question 5

(a) *MLM Private Limited, a registered person in Udaipur, Rajasthan engaged in various lines of business, provided the following details regarding the transactions undertook in the month of March, 2024:*

<table>
<tr><th>Outward Transactions</th><th>Amount (₹)</th></tr>
<tr><td>Advance received from Mr. Gokul for Business support services to be supplied in the month of April, 2024.</td><td>2,00,000</td></tr>
<tr><td>Provided commissioning services under Pure labour contract to M/s Raj Builders of Jaipur, Rajasthan for Multi-storey residential complex.</td><td>5,00,000</td></tr>
<tr><td>Stock transferred without consideration to its branch in Jodhpur, Rajasthan. Branch has same GSTIN.</td><td>1,25,000</td></tr>
<tr><td>Outward sale of goods to various unrelated persons:
<table>
<tr><th>Particulars</th><th>Market Value (₹)</th><th>Transaction Value (₹)</th></tr>
<tr><td>Intra-State</td><td>5,00,000</td><td>5,75,000</td></tr>
</table></td><td>As provided in the column</td></tr>
<tr><td>Provided warehousing services for Kidney beans (Rajma), Red lentils and other pulses.</td><td>50,000</td></tr>
<tr><th>Inward Transactions</th><th>Amount (₹)</th></tr>
<tr><td>Received Car rental services from Carman Private Limited, an unregistered company in Udaipur engaged in car renting services. MLM Private Limited paid rent on monthly basis (Cost of fuel also</td><td>1,20,000</td></tr>
</table>

included in the monthly rent). [Rate of CGST and SGST is 6% each]	
Intra-State inward supply of various goods and services for use in the course or furtherance of business.	*7,50,000 [Goods] 2,50,000[Services]*

Additional Information

(i) The Company paid ₹ 50,000 to Mr. Ajay, an independent director, as sitting fees.

(ii) The Company made donation of ₹ 4,50,000 to a local old age home (a trust not registered under GST) for setting a Water Cooler at old age home with the name of company embedded on the water cooler to express their support for the good cause.

(iii) All the figures are exclusive of GST.

(iv) All inward and outward supplies are intra-State except where otherwise stated.

(v) Subject to information given above, all the conditions necessary for availing the ITC have been fulfilled.

(vi) Rates of GST are given below except where otherwise stated:

Particulars	**CGST**	**SGST**	**IGST**
Supply of Goods	6%	6%	12%
Supply of Services	9%	9%	18%

Calculate the net GST Payable in cash by MLM Private Limited for the month of March, 2024. Support your calculations with relevant reasons. ***(10 Marks)***

(b) Ajay, a registered person, provided the following details about transactions entered into by him in the month of July, 2024:

(i) He sold 3,000 units of goods to Wellness Pharma @ ₹ 400 each. Under section 206C(1H) of Income Tax Act, 1961, he is required to collect tax (TCS) of ₹ 2,000 from Wellness Pharma. He included ₹ 2,000 as TCS in tax invoice issued to the party.

(ii) Under a contract with State Government, he sold 1,000 units of goods (unit price is ₹ 400 per unit) @ ₹ 200 per unit to families of Economic

Weaker Section (identified by State Government). Balance ₹ 200 per unit will be paid to him by State Government as subsidy.

(iii) Issued credit notes worth ₹ 1,50,000 net of GST as discount to its registered dealers who purchased more than 5,000 units between October, 2023 to December, 2023 under Festival Bonanza Scheme declared on 01.10.2023. The above discount was provided invoice wise with a condition of reversal of ITC by registered dealer.

(iv) Sold goods to Old Age Home for consideration of ₹ 1,00,000 (Normal Sale Value is ₹ 2,00,000). SAMVEDNA, an NGO registered under Section 12AA of Income Tax Act, 1961 gave them a subsidy of ₹ 30,000 to acknowledge his services to elderly people living in old age home.

(v) After analysis of sale report of first quarter, he decided to give discount of 1% to shopkeepers whose total purchases exceeds ₹ 25,00,000 during the quarter ending June, 2024. Total discount given to such shopkeepers is ₹ 1,30,000.

Compute the taxable value of supply for the month of July, 2024 on which Mr. Ajay shall pay GST. Suitable notes and assumptions should form part of your answer. All the amounts stated above are exclusive of GST. ***(5 Marks)***

Answer

(a) Computation of net GST payable in cash by MLM Private Limited for the month of March 2024

Particulars	**Value (₹)**	**CGST (₹)**	**SGST (₹)**
GST payable under forward charge			
Advance received from Mr. Gokul for business support services [Tax is payable at the time of receipt of advance for supply of services.]	2,00,000	18,000 [2,00,000 × 9%]	18,000 [2,00,000 × 9%]
Commissioning services under pure labour contract for multi-storied residential complex	5,00,000	45,000 [5,00,000 × 9%]	45,000 [5,00,000 × 9%]

[Taxable, since pure labour contract services pertain to a residential complex.]			
Intra-State branch transfer [Such transfer is not a supply as the branch has the same GSTIN as that of the head office and thus, is not a distinct person.]	--	--	--
Intra-State supply of goods to unrelated persons [Transaction value is the value of supply]	5,75,000	34,500 [5,75,000 × 6%]	34,500 [5,75,000 × 6%]
Warehousing services for pulses[1] [Exempt, since warehousing of pulses is exempt from GST]	--		
Total output tax		97,500	97,500
Less: ITC available		72,000	72,000
Net GST payable [A]		**25,500**	**25,500**
GST payable under reverse charge			
Services of an independent director availed **[B]** [Tax on services provided by a director to a company is payable under reverse charge. Further, tax payable under reverse charge cannot be set off against ITC and thus, has to be paid in cash since the tax payable under reverse charge is not an output tax.]	50,000	4,500 [50,000 × 9%]	4,500 [50,000 × 9%]
Net GST payable in cash [A] + [B]		30,000	30,000

[1] *The reversal provisions under rule 42 of the CGST Rules, 2017 have not been given effect to in the above answer on account of specific exclusion of the same via Study guidelines applicable for May, 2025 examination.*

Working Note:

Computation of ITC available

Particulars	Value (₹)	CGST (₹)	SGST (₹)	IGST (₹)
Car rental services [Tax is not payable under reverse charge mechanism since supplier is a body corporate. Further, no tax is payable under forward charge also since supplier is unregistered and thus, no ITC is available.]	--			
Intra-State inward supply of goods [ITC of goods used in the course/furtherance of business is available.]	7,50,000	45,000 [7,50,000 × 6%]	45,000 [7,50,000 × 6%]	
Intra-State inward supply of services [ITC of services used in the course/ furtherance of business is available.]	2,50,000	22,500 [2,50,000 × 9%]	22,500 [2,50,000 × 9%]	
Services of an independent director availed [ITC of services used in the course/ furtherance of business is available.]	50,000	4,500 [50,000 × 9%]	4,500 [50,000 × 9%]	
Donation made to local old age home there's no *quid pro quo* and thus, it is not a supply [Since the name of donor – the company - is displayed in such a manner:	--			

• which can be said to be an expression of gratitude and public recognition of donor's act of philanthropy • which is not aimed at giving publicity/ advertisement/ promotion to the donor's business Hence, no ITC is available.]				
Total		72,000	72,000	

(b) Computation of taxable value of supply on which GST shall be paid by Mr. Ajay for July 2024:

Particulars	Amount (₹)
Goods sold to Wellness Pharma [3,000 units × ₹ 400] [TCS collected under the Income Tax Act, 1961 is not includible as it is an interim levy / not having the character of tax.]	12,00,000
Goods sold to Economic Weaker Section families [1,000 units × ₹ 200] [Subsidy given by the State Government is not includible in the value of supply.]	2,00,000
Credit note issued [Post supply discount is allowed as deduction from the value of supply if (i) it is agreed at the time of supply, (ii) proportionate ITC is reversed by the recipient, and (iii) it is specifically linked to relevant invoices.]	(1,50,000)
Sold goods to old age home [Transaction value is the value of supply. Subsidy received from a non-Governmental organisation is includible in the value only if it is directly linked to the price of the goods.	1,00,000

Thus, subsidy received from the NGO-SAMVEDNA is not includible in the value since it is blanket subsidy and not directly linked to the price of the goods]	
Discount given to shopkeepers [Post supply discount is not allowed as deduction from the value of supply since in the given case, the same is not agreed at the time of supply.]	-
Value of taxable supply on which GST is to be paid by Mr. Ajay	13,50,000

Question 6

(a) *M/s Poorvi Ltd, a registered supplier of various goods and services, provided the following information pertaining to GST paid on inward supplies for the month of August, 2024.*

Sr No.	***Particulars***	***GST Paid (₹)***
1.	*Purchased goods which are used for activities related to his obligation under corporate social responsibility referred to in section 135 of The Companies Act, 2013.*	*3,00,000*
2.	*Purchased raw material worth ₹5,90,000 including GST in 5 lots. 3. lots of raw material worth ₹ 3,00,000 excluding GST received in the current month and remaining lots will be received in the month of September, 2024.*	*90,000*
3.	*Company paid for outdoor catering expenses for the lunch of its factory employees during the lunch hours as per the policy of the company. There is no legal obligation to provide such lunch facility to the employees.*	*50,000*
4.	*Purchased goods from M/s Om Traders -all goods and invoices were received by the company in August 2024, but one invoice out of these invoices has not been furnished by the supplier in the statement of outward supplies (using IFF). The GST paid on the invoice not furnished is ₹50,000.*	*2,00,000*

5.	*Purchased raw material to manufacture finished goods. Such finished goods to be sold to potential customers under Scheme 'Buy one get one free'.*	*1,50,000*

Compute the amount of net ITC available to M/s Poorvi Ltd. for the month of August 2024 with necessary explanations for the treatment of all the items in the table as per the provision of the CGST Act, 2017 or CGST Rules, 2017 wherever applicable. Subject to information given above, all other conditions necessary for availing the ITC have been fulfilled. ***(5 Marks)***

(b) Examine the following independent cases and determine whether the services are taxable under GST Law:

(i) Dhruv Printing Press, a registered entity under GST, received an order of ₹ 1,50,000 from Vishwakarma Technical Institute, a private ITI providing courses notified under Apprentices Act, 1961 for printing of pre-examination items like question papers, OMR sheets, Answer booklets required for conducting of examination by the institute.

(ii) State Board of Education, a registered entity, charged ₹ 50,000 per year as affiliation charges from a school run by Dharampal Trust, registered under section 12AA of Income Tax Act, 1961 which gives education from class 1 to class 10.

(iii) Wecare Hospital, a registered entity, charged ₹ 19,500 for 3 days from Mr. Sahil who was admitted in Intensive Cardiac Care Unit (ICCU) due to heart attack.

(iv) Citcare Hospital, a registered entity, entered into an arrangement with Swadisht Caterers, a registered entity, to supply food to in-patients as per advice of doctor/nutritionist. Swadisht Caterers sends monthly bill to hospital for the food supplied by them to the admitted patients of hospital. Determine the taxability of Citcare Hospital. ***(5 Marks)***

Answer

(a) Computation of net ITC available to M/s Poorva Ltd. for August 2024

	Particulars	₹
1.	Goods used for activities related to corporate social responsibility [ITC in respect of goods used for activities relating to obligations under corporate social responsibility (CSR) is not available under section 17 of the CGST Act, 2017 as the same is blocked.]	-
2.	Raw material purchased in lots [When goods are received in lots, ITC can be taken only upon receipt of the last lot].	-
3.	Outdoor catering expenses [ITC on outdoor catering services is blocked as ITC is not available under section 17 since such services are being provided by employer to employee without any statutory obligation.]	-
4.	Goods purchased from M/s Om Traders [2,00,000 – 50,000] [ITC can be availed only if the details of the invoice have been furnished by the supplier in Statement of outward supplies or GSTR-1 OR using Invoice Furnishing Facility (IFF). Thus, ITC of GST amounting to ₹ 50,000 paid on supply in respect of which the details of invoice have not been furnished, is not available.]	1,50,000
5.	Raw material ["Buy one get one free" offer is not an individual supply of two goods, it is supply of two goods for the price of one. Thus, ITC is available on the inputs used in relation to supply of goods as part of said offer.]	1,50,000
	Total ITC	3,00,000

(b)

	Particulars	**Taxability**
(i)	Vishwakarma Technical Institute qualifies as an educational institution[2]. Thus, services provided by Dhruv Printing Press to Vishwakarma Technical Institute are exempt since services are being provided to an educational institution by way of services relating to conduct of examination by such institution.	Exempt
(ii)	Affiliation services by State educational boards are exempt only when they are provided to Government Schools. Thus, affiliation charges of ₹ 50,000 charged by State Board of Education from a school run by Dharampal Trust is taxable.	Taxable
(iii)	Renting of room by a clinical establishment to a person receiving health care services are exempt provided room charges are upto ₹ 5,000 per day. However, this limit does not apply to renting of Intensive Cardiac Care Unit (ICCU). Thus, amount of ₹ 19,500[3] charged by Wecare Hospital from Mr. Sahil admitted in ICCU is exempt.	Exempt
(iv)	Food supplied to the in-patients as advised by the doctor/nutritionists is a part of composite supply of healthcare by Citcare Hospital and is not separately taxable. Thus, said supply is exempt.	Exempt

Question 7

(a) Mr. Ranjan availed ITC of ₹ 1,00,000 in GSTR-3B for the month of June, 2024. The Output tax liability for June 2024 was Nil. His intra-State output supply for the month of July 2024 was ₹ 5,00,000 (excluding GST). He utilized the available ITC against the output tax liability for the month of July 2024 while

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[2] *Vishwakarma Technical Institute qualifies as an educational institution since it is an ITI which provides courses notified under Apprentices Act, 1961, i.e. approved vocational education courses.*

[3] *It has been most logically assumed that ₹ 19,500 is room rent charges for ICCU.*

filing GSTR-3B. Mr. Ranjan found on 22nd September, 2024 that he wrongly availed ITC of ₹ 1,00,000 in the month of June 2024. He reversed the unutilized amount of wrongly availed ITC standing in credit ledger on 30th September, 2024 and paid the utilized amount of ITC by cash. The GST rate is 18%. Calculate the interest payable under the applicable GST law, if Mr. Ranjan filed:

(i) Form GSTR-3B for the month of June 2024 on 19 July, 2024.

(ii) Form GSTR-3B for the month of July 2024 was filed on 25 August, 2024.

(Note: The due date of filing of GSTR-3B is 20th day of the following month. But the due date of filing of GSTR-3B was extended to 22nd August, 2024 for the month of July 2024) ***(5 Marks)***

(b) Briefly discuss the provisions related to inspection and verification of goods in transit as laid in Rule 138C of CGST Rules, 2017. ***(5 Marks)***

Answer

(a) Output tax liability for the month of July, 2024

= ₹ 5,00,000 x 18%

= ₹ 90,000.

Mr. Ranjan has utilized wrongly availed ITC amounting to ₹ 90,000 for discharging this tax liability while filing GSTR-3B for the month of July 2024.

In case of wrongful availment and utilization of ITC, the interest shall be calculated on the amount of ITC wrongly availed and utilised, for the period starting from the date of utilisation of such wrongly availed ITC till the date of reversal of such credit or payment of tax in respect of such amount at the specified rate.

No interest is payable for ₹ 10,000 since it was not utilized even though wrongly availed.

The date of utilisation of such ITC shall be taken to be earlier of the following:-

(a) Due date of filing of return [22nd August, 2024]

or

(b) Actual date of filing of return [25th August, 2024].

i.e. 22nd August, 2024

Amount of ITC wrongly availed and utilized = ₹ 90,000

Date of utilization of wrongly availed ITC =22nd August, 2024

Date of payment of tax = 30th September, 2024[4]

Period of delay = 23rd August, 2024 to 30th September, 2024 (Both days inclusive) = 39 days

Rate of interest - 18%

Interest will be as follows:

= ₹ 90,000 x 18% x 39/365

= ₹ 1,731 (rounded off) [₹ 865 each under CGST and SGST]

(b) A summary report of every inspection of goods in transit shall be recorded online by the proper officer in Part A of a prescribed form within 24 hours of inspection and the final report in Part B of said form shall be recorded within 3 days of such inspection.

However, where the circumstances so warrant, the Commissioner, or any other officer authorised by him, may, on sufficient cause being shown, extend the time for recording of the final report in Part B of said form, for a further period not exceeding 3 days.

The period of 24 hours or, as the case may be, 3 days shall be counted from the midnight of the date on which the vehicle was intercepted.

Where the physical verification of goods being transported on any conveyance has been done during transit at one place within the State/Union territory or in any other State/Union territory, no further physical verification of the said conveyance shall be carried out again in the State/Union territory, unless a specific information relating to evasion of tax is made available subsequently.

Question 8

(a) 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

[4] *It has been logically assumed that date of payment is same as date of reversal i.e 30.09.2024.*

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. ***(5 Marks)***

(b) (i) Explain the provisions relating to the validity period of the registration certificate issued to Casual Taxable Person and Non-Resident Taxable Person. ***(2 Marks)***

(ii) List the deficiencies in the erstwhile value-added taxation which led to evolution of Goods and Services Tax. ***(3 Marks)***

OR

(b) Section 31 of the CGST Act, 2017 requires that a tax invoice shall be issued before or at the time of delivery/ removal of goods. Specify the situations where a tax invoice can be issued after delivery of goods. Discuss the provisions related to issue of tax invoice and delivery challan in case of transportation of goods in a semi knocked down or completely knocked down condition or in batches or lots. ***(5 Marks)***

Answer

(a) 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 ₹ 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.

(b) (i) Registration Certificate granted to Non-Resident Taxable Person and Casual Taxable Person will be valid for:

(i) Period specified in the registration application, or

(ii) 90 days from the effective date of registration**

whichever is earlier.

**The 90 days period can be extended by a further period not exceeding 90 days on sufficient cause being shown by the said taxable person.

(ii) List of 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, being non-VATable, caused tax cascading. Being origin-based, it violated the consumption tax principles.

(b) Alternative

Situations where a tax invoice can be issued after delivery of goods are as follows:

(1) Supply of liquid gas where the quantity at the time of removal from the place of business of the supplier is not known

(2) Transportation of goods for reasons other than by way of supply

(3) Such other supplies as may be notified by the Board

Where the goods are being transported in a semi knocked down or completely knocked down condition or in batches or lots:

(a) Supplier shall issue the complete invoice before dispatch of the first consignment

(b) Supplier shall issue a delivery challan for each of the subsequent consignments, giving reference of the invoice.

(c) Copies of the corresponding delivery challan shall accompany each consignment along with a duly certified copy of the invoice.

(d) Original copy of the invoice shall be sent along with the last consignment.