SUGGESTED SOLUTION

CA FINAL NOV'19

SUBJECT- IDT

Test Code – FNJ 7198

BRANCH - () (Date :)

Head Office : Shraddha, 3rd Floor, Near Chinai College, Andheri (E), Mumbai – 69.

Tel : (022) 26836666

Answer 1:

(A) **Yes ,** PQR Ltd. can avail input tax credit on receipt of taxable supply of goods. But it is required to pay the consideration along with tax within 180 days from the date of issue of invoice.

(i) **If PQR Ltd. does not make payment within 180 days from the date of invoice :** As per Rule 37 of CGST Rules, 2017, a registered persons, who has availed of input tax credit on any inward supply of goods or services or both, but fails to make payment to the supplier within 180 days from the date of issue of invoice shall furnish the details of such supply and the amount of input tax credit proportionate to such unpaid amount, availed of, in FORM GSTR – 2 in succeeding month after expiry of 180 days.

In this case since PQR Ltd. does not make any payment within 180 days from date of invoice i.e. upto 11^{th} May 2019, therefore amount equal to input tax credit availed by PQR Ltd. shall be added towards its output tax liability along with interest for the month of June, 2019 in which details of such supplies are required to be furnished.

Interest shall be calculated @ 18% [as given u/s 50(1) for the period starting from date of availing credit till the date when input tax credit added to the output tax liability is paid. **(amount in Rs.)**

Amount of Input tax	[A]	12,000
Date of availing credit	[B]	15.12.2018
Date of payment of ITC added to output tax liability	[C]	15.06.2019
No. of days for which interest to be paid	[D] = [B] – [C]	182
Interest @ 18% to be paid on 15.07.2019 (Rs. 12000 × 18% × 182/365)		**1,077**

(ii) **Re – credit of Input tax if payment made after 180 days :** If PQR Ltd makes payment on 15.09.2019 that is after 180 days from date of issue of invoice, then, it shall be entitled to avail the credit of input tax. **[6 Marks]**

(B)

Beauty Cosmetics Ltd. would be required to prepare two separate e-way bills since each invoice value exceeds Rs. 50,000 and each invoice is considered as one consignment for the purpose of generating e-way bills.

The *FAQs on E-way Bill* issued by CBIC clarify that if multiple invoices are issued by the supplier to one recipient, that is, for movement of goods of more than one invoice of same consignor and consignee, multiple e-way bills have to be generated. In other words, for each invoice, one e-way bill has to be generated, irrespective of the fact whether same or different consignors or consignees are involved. Multiple invoices cannot be clubbed to generate one e-way bill. However, after generating all these e-way bills, one consolidated e-way bill can be prepared for transportation purpose, if goods are going in one vehicle. **[4 Marks]**

Answer : 2

(A) **Records of Works Contractors [Rule 56(14)] :** Every registered person executing works contract shall keep separate accounts for works contract showing –

(a) the names and addresses of the person on whose behalf the works contract is executed;

(b) description, value and quantity (wherever applicable) of goods or services received fro the execution of works contract;
(c) description, value and quantity (wherever applicable) of goods or services utilized in the execution of works contract ;
(d) the details of payment received in respect of each works contract; and
(e) the names and addresses of suppliers from whom he received goods or services.

Thus, XYZ Ltd. will be required to maintain the above records. **[5 Marks]**

(B)

No.	**Date of issue of invoice by supplier of services**	**Date immediately following 60 days from invoice**	**Date of payment by recipient of services.**	**Time of supply of services [Earlier of (2) & (3)]**
	(1)	**(2)**	**(3)**	**(4)**
(i)	29.08.2018	29.10.2018	10.10.2018	10.10.2018
(ii)	01.08.2018	01.10.2018	10.10.2018	01.10.2018
(iii)	29.08.2018	29.10.2018	Part payment made on 30.08.2018 and balance amount paid on 01.11.2018	30.08.2018 for part payment and 29.10.2018 for balance amount.
(iv)	01.08.2018	01.10.2018	Payment is entered in the books of account on 28.08.2018 and debited in recipient's bank account on 30.08.2018	28.08.2018 (i.e. when payment is entered in the books of account of the recipient)
(v)	29.08.2018	29.10.2018	Payment is entered in the books of account on 30.08.2018 and debited in recipient's bank account on 26.08.2018	26.08.2018 (i.e. when payment is debited in the recipient's bank account)

[5 Marks]

Answer 3:

(A) The value of taxable supply of service shall be computed as follows (amount in Rs.):

1.	Sale of 10,000 US $	10,000
	(Selling Rate – RBI reference rate) × Units of foreign currency sold = Rs. (71 – 70) × 10,000	
2.	Purchase of 1,000 Euro	1,000
	(RBI reference rate – Buying rate) × Units of foreign currency purchased of = Rs. (71 – 70) × 1000	
3.	Purchase of 1,000 GBP = Rs. (100 – 99) × 1000	1,000
4.	Sold 50,000 units of currency ABC = 50,000 × Rs. 15 × 1%	7,500
	(1% of the gross amount of currency exchanged in Indian Rupees)	
5.	Direct conversion of GBP into US $	

[Value of Service = 1% of (Lower of 'Amount 1 or Amount 12')	
Amount 1 = 9,680 US $ × Rs. 70 = Rs. 6,77,600	
Amount 2 = 6,800 GBP × Rs. 100 = Rs. 6,80,000	6,776
Total value of taxable supply	**26,276**
CGST @ 9%	2,365
SGST @ 9%	2,365
Total GST payable	**4,730**

[4 marks]

(B) Computation of the amount to be credited to the electronic credit ledger and amount of common credit attributable towards exempted supplies, for the month of April, 2019 (amount in Rs.) :

Particulars		**Ineligible Credit**	**Amount to be credited to ECrL.**
Machine 'A' [Since exclusively used for non – business purposes, ITC is not available under rule 43(1)(a) of CGST Rules, 2017]		19,200	
Machine 'B' [Since taxable supplies include zero – rated supplies under rule 43(1)(b) of CGST Rules, 2017. Hence, full ITC is available]			38,400
Machine 'C' [Commonly used for taxable and exempt supplies – Rule 43(1)(c) of the CGST Rules, 2017]	96,000		96,000
Machine 'D' [Owing to change in use from exclusively exempt to both taxable and exempt, common credit to be reduced by ITC @ 5% per quarter or part thereof in terms of proviso to rule 43(1) (c) of CGST Rules, 2017] = Rs. 1,92,000 – Rs. 76,800 (Rs. 1,92,000 × 5% × 8 quarters)	1,15,200		1,15,200
Machine 'E' [Owing to change in use from exclusively taxable to both taxable and exempt, common credit to be reduced by ITC @ 5% per quarter or part thereof in terms of proviso to Rule 43(1) (d) of CGST Rules, 2017] = Rs. 2,88,000 – Rs. 1,72,800 (Rs. 2,88,000 × 5% × 12 quarters)	1,15,200		
Total common credit	**3,26,400**		
Common credit for the tax period (in the given case, a month) under rule 43(1)(e) of CGST Rules, 2017 (Rs. 3,26,400 ÷ 60)	5,440		
Common credit attributable to exempt supplies in April, 2019 u/r 43(1)(g) of the CGST Rules, 2017		2,720	
= (Turnover of exempt supplies/ Total turnover) × Common credit			
= (Rs. 12,00,000/ Rs. 24,00,000) × Rs. 5,440			
[Such credit, along with the applicable interest, shall be added to the output tax liability of Oberoi Industries]			
Amount to be credited to the electronic credit ledger of Oberoi Industries for the month of April, 2019			2,49,600

[6 Marks]

Answer 4:

(A) This supply would be regarded as mixed supply, since in this case each of the goods in the package have individual identity and can be supplied separately, but are deliberately supplied conjointly for a single consolidated price. The 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, the package will be chargeable to 28% GST.

The tax liability will be arrived as under :

Value of taxable supply per package	Rs. 500
No. of packages	10,000
Total Taxable Value of supply	Rs. 50,00,000
Applicable GST Rate	28%
Total Tax liability	**Rs. 14,00,000**

[5 marks]

(B)

As per section 39(9) of the CGST Act, 2017, if any registered person after furnishing a return discovers any omission or incorrect particulars therein, he shall rectify such omission or incorrect particulars in the return to be furnished for the month or quarter during which such omission or incorrect particulars are noticed, subject to payment of interest.

However, section 39(9) does not permit rectification of error or omission discovered on account of scrutiny, audit, inspection or enforcement activities by tax authorities. Further, no such rectification of any omission or incorrect particulars shall be allowed after the due date for furnishing of return for the month of September or second quarter following the end of the financial year, or the actual date of furnishing of relevant annual return, whichever is earlier. **[5 Marks]**

Answer 5: **[10 Marks]**

1) B
2) A
3) A
4) C
5) C
6) B
7) D
8) B