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**SUGGESTED SOLUTION**

**INTER MAY 2019 EXAM**

**SUBJECT- IDT**

**Test Code – CIM 8124**

**BRANCH - () (Date :)**

**Head Office :Shraddha, 3<sup>rd</sup> Floor, Near Chinai College, Andheri (E), Mumbai – 69.**

**Tel : (022) 26836666**

**Answer 1:**

1) C 2) C 3) A 4) C

- 5) Yes, as per section 29(5) of the CGST Act, every registered person whose registration is cancelled shall pay an amount, by way of debit in the electronic cash ledger, equivalent to the credit of input tax in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock or capital goods or plant and machinery on the day immediately preceding the date of such cancellation or the output tax payable on such goods, whichever is higher.
- 6) Electronic ledger or E-ledger are statement of cash and input tax credit in respect of each registered taxpayer. In addition, each taxpayer shall also have an electronic tax liability register. Once a taxpayer is registered on GSTN, two e-ledgers (Cash & input tax credit ledger) and an electronic tax liability register will be automatically opened and displayed on his dashboard at all times. Tax liability register will reflect total tax liability of a taxpayer (after netting) for the particular month.
- 7) i) Person making any inter – state supply  
ii) Casual Taxable person making taxable supply  
iii) Person who is required to pay tax under reverse charge  
iv) Non – Resident taxable persons making taxable supply  
v) Person who is required to deduct tax u/s 51  
vi) Input Service Distributor  
vii) Person who supply goods or services through electronic commerce operator  
viii) Every electronic commerce operator, who is required to collect tax at source u/s 52  
ix) Such other person or class of persons as may be notified by the Government

**(Note : Students can write any 4 names amongst above)**

**Answer 2:**

**(A)**

**Computation of ITC available with Shridhar Co. Ltd. for the month of March**

S. No.	Items	ITC (Rs.)
(i)	Sweets for consumption of employees working in the factory [Note-1]	Nil
(ii)	Raw material [Note-2]	1,00,000
(iii)	Trucks used for the transport of raw material [Note-3]	2,00,000
(iv)	Electrical transformers [Note-4]	4,00,000
	<b>Total ITC</b>	<b>7,00,000</b>

**Notes:-**

1. ITC on food or beverages is specifically disallowed unless the same is used for making outward taxable supply of the same category or as an element of the taxable composite or mixed supply-Section 17(5)(b)(i).
2. Being goods used in the course or furtherance of business, ITC thereon is available in terms of section 16(1).
3. Though ITC on motor vehicles has been specifically disallowed under section 17(5)(a), ITC on motor vehicles used for transportation of goods is allowed under section 17(5)(a)(ii).
4. Being goods used in the course or furtherance of business, ITC thereon is available in terms of section 16(1).

(B)

### Computation of value of special machine

Particulars	Rs.
Price of machinery	5,00,000
Add: Freight [Note 1]	13,000
Packing charges [Note 2]	10,000
Designing charges [Note 3]	<u>17,000</u>
Total	5,40,000
Less: 2% cash discount on price of machinery [Rs. 5,00,000 x 2%] [Note 4]	<u>10,000</u>
Value of taxable supply	5,30,000

#### Notes:

- (1) Supply of machinery (goods) with supply of ancillary services like freight is a composite supply, the principle supply of which is the supply of machinery. Thus, value of such ancillary supply is includible in the value of composite supply.
- (2) All incidental expenses including packing charged by the supplier to the recipient of a supply are includible in the value of supply in terms of section 15(2)(c) of CGST Act, 2017.
- (3) Designing charges are includible in the value of supply as any amount charged for anything done by the supplier in respect of the supply of goods at the time of, or before delivery of goods is so includible in terms of section 15(2)(c) of CGST Act, 2017.
- (4) Cash discount was given at the time of supply and also recorded in invoice, so the same is not to be included while computing value of supply in terms of section 15(3)(a) of CGST Act, 2017.

#### Answer 3:

(A)

As per Notification No. 66/2017 CT dated 15.11.2017, a registered person (excluding composition supplier) has to pay GST on the outward supply of goods at the time of supply as specified in section 12(2)(a) of CGST Act, 2017 i.e., date of issue of invoice or the last date on which invoice ought to have been issued in terms of section 31.

Therefore, the time of supply of goods is 3<sup>rd</sup> December which is the date on which the invoice for the consignment was issued.

(B)

The following four conditions are to be satisfied by the registered person for obtaining input tax credit:-

- (i) he is in possession of tax invoice or debit note or such other tax paying documents as may be prescribed;
- (ii) he has received the goods or services or both;
- (iii) the supplier has actually paid the tax charged in respect of the supply to the Government; and
- (iv) he has furnished the return under section 39.

(C)

Yes, advance tax is to be paid by Mr. X at the time of obtaining registration. Since Mr. X occasionally undertakes supply of goods in the course or furtherance of business in a State where he has no fixed place of business, thus he qualifies as casual taxable person in terms of section 2(20) of CGST Act, 2017.

While a normal taxable person does not have to make any advance deposit of tax to obtain registration, a casual taxable person shall, at the time of submission of application for registration is required, in terms of section 27(2) read with proviso thereto, to make an advance deposit of tax in an amount equivalent to the estimated tax liability of such person for the period for which the registration is sought. If registration is to be extended beyond the initial period of 90 days, an advance additional amount of tax equivalent to the estimated tax liability is to be deposited for the period for which the extension beyond 90 days is being sought.

**Answer : 4**

**(A) Aggregate Turnover – All Turnover made in all states**

**Definition of Aggregate Turnover :** As per Sec. 2(6), Aggregate Turnover refers to Aggregate value of all taxable supplies, (excluding the value of inward supplies, exports of goods or services or both and inter – State charge basis), exempt supplies and exports of goods and / or services of a person having the same PAN, to be computed on all India basis and excludes taxes, if any, charged under the CGST Act, SGST Act and the IGST Act, as the case may be. Explanation – Aggregate turnover does not include the value of supplies on which tax is levied or reverse charge basis and the value of inward supplies.

**(i) Aggregate Turnover of Rajesh Dynamics :**

Particulars	Rs.
Supply of Petrol – Exempt Supply	18,00,000
Supply of Transformer Oil – Taxable Supply	2,00,000
Branch Transfer – Taxable Supply	1,50,000
Taxable Supply – Manipur Branch – Taxable Supply	11,50,000
<b>Aggregate Turnover</b>	<b>33,00,000</b>

**(ii) Other Conditions :**

- Interstate Supply branch transfer – 1,50,000
- Manipur (being Special Category State – Turnover limit Rs. 10 Lakhs), taxable supply – Rs. 11,50,000.

**Conclusion :** Since, the value of Aggregate Turnover exceeds the specified limit u/s 22, Registration of Rajesh Dynamics is mandatory under GST Law and the contention of Rajesh Dynamics is not tenable.

**(B) Computation of GST payable by Mr. Ajay on outward supplies for the month of August 2017**

S.NO.	Particulars	(Rs.)	GST (Rs.)
	Intra – State supply of goods		
<b>(i)</b>	CGST @ 9% on Rs. 2,00,000	18,000	
	SGST @ 9% on Rs. 2,00,000	18,000	36,000
<b>(ii)</b>	Inter – State supply of goods		
	IGST @ 18% on Rs. 10,00,000		1,80,000
	Total GST payable		<b>2,16,000</b>

**Computation of total ITC**

Particulars	CGST (Rs.)	SGST(Rs.)	IGST(Rs.)
Opening ITC	20,000	30,000	25,000
Add : ITC on Intra – State purchases of goods valuing Rs. 5,00,000	45,000	45,000	Nil
<b>Total ITC</b>	<b>65,000</b>	<b>75,000</b>	<b>25,000</b>

**Computation GST payable from cash ledger**

Particulars	CGST (Rs.)	SGST (Rs.)	IGST (Rs.)
GST payable	18,000	18,000	1,80,000

Less : ITC from Respective Heads	(18,000)	(18,000)	(25,000)
Less : ITC Balance from CGST utilized of IGST			(47,000)
Less : ITC Balance from SGST utilized of IGST			(57,000)
<b>Net GST Payable in Cash</b>	<b>Nil</b>	<b>Nil</b>	<b>51,000</b>

**Note :**

The amount of Input Tax Credit (ITC) available in the Electronic Credit Ledger of the registered person would be eligible for set off as under :

- CGST would be allowed first to be utilized against CGST and the for IGST.
- SGST / UTGST would be allowed first to be utilized against SGST / UTGST and then against IGST.

**Answer : 5**

**1. Computation of Input Tax Credit**

Particulars	Rs.
Health Insurance of Factory Employees (Note 1)	-
Raw Materials 50% received (Note 2)	Nil
Work Contractors Service used for installation of Plant & Machinery (Note 3)	12,000
Purchase of Manufacturing machine directly sent to job worker's place (Note 4)	50,000
Purchase of car used by director for business meetings only (Note 5)	-
Outdoor catering service availed for business meetings (Note 6)	-
<b>Total Input Tax Credit</b>	<b>62,000</b>

**2. Computation of Output Tax**

Particulars	Value	GST (Rs.)
Hiring Receipts for Machine (Note 7)	5,25,000	63,000 (5,25,000 × 12%)
Service Charges for supply of manpower operator (Note 8)	2,35,000	28,200 (2,35,000 × 12%)
Output IGST		<b>91,200</b>
Less : Eligible IGST Credit (from above table)		(62,000)
<b>Net IGST payable</b>		<b>29,200</b>

**Notes :**

1. Sec. 17(5)(b) (iii) of the CGST Act 2017, allows input tax credit on health insurance only when :
  - (a) The government notifies the services as obligatory for an employer to provide to its employees under any law for the time being in force, or
  - (b) The said service is used for making an outward taxable supply of the same category of service or as part of a taxable composite or mixed supply.

Since in the given case, the health insurance service does not fall under any of the above two categories, the credit thereon will not be allowed.
2. As per Sec. 16(2) of CGST Act, 2017, to avail input tax credit, the registered person should have received the goods or services or both. Where the goods against an invoice are received in lots / installments, ITC is allowed upon receipt of the last lot / installment vide first proviso to section 16(2) of the CGST Act, 2017. Therefore, ABC Company Ltd. will be entitled to ITC of raw materials on receipt of second installment in December, 2017.
3. Works contract services when supplied for construction of an immovable property (other than plant and machinery) except where it is an input service for further supply of works contract service is not available as input tax credit. Since, the work contractor's service is used for installation of Plant & Machinery, ITC is allowed.
4. Even if the goods are delivered by the supplier to a recipient or any other person on the direction of

such registered person, whether acting as an agent or otherwise, before or during movement of goods, either by way of transfer of documents of title of goods or through other documents, it shall be deemed that the Registered person has received the goods. Hence, credit is allowed on goods sent directly to Job worker.

5. Input tax credit is not allowable in respect of motor vehicles and other conveyances except when they are used for making the following taxable supplies, namely –
  - Further supply of such vehicles conveyances.
  - Transportation of passengers or
  - Imparting training on driving, flying navigation such vehicles or conveyances.
6. Input tax credit is not available on Food and Beverages, Outdoor Catering, Beauty Treatments, Health Services, Cosmetic and Plastic Surgery except where an inward supply of goods or services or both of a particular category is used by a registered person for making an outward taxable supply of the same category of goods or services or both or as an element of taxable composite or mixed supply. Hence, credit is not allowed on the catering services received.
7. As per schedule II, transfer of the right to use any goods for any purpose (whether or not for a specified period) for cash, deferred payment or other valuable consideration is considered as supply of service and hence tax rate for service of hiring of machine 12% is applicable.
8. Since the machines are invariably hired out along with operators and also operators are supplied only when machines are hired out, it is a case of composite supply u/s 2(30) of the CGST Act 2017, wherein the principal supply is the hiring out of the machine.