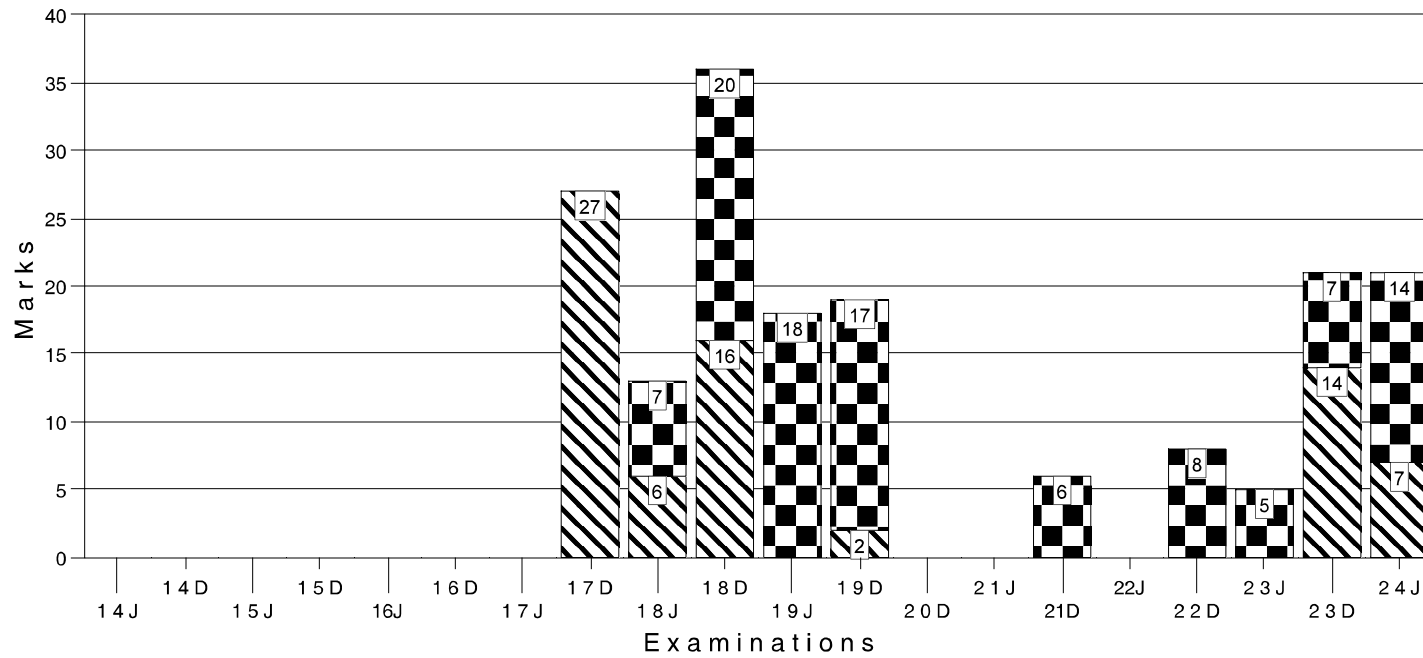


## Marks of Objective, Short Notes, Distinguish Between, Descriptive & Practical Questions

### Legend



<b>1</b>	<b><i>SUPPLY UNDER GST - A REFRESH</i></b>
<b>THIS CHAPTER INCLUDES</b>	
<ol style="list-style-type: none"> <li>1. Introduction</li> <li>2. Supply - Taxable, Non-taxable, Exempted, Deemed Supplies, Reverse Charge</li> <li>3. Notification on Exempted Supplies</li> </ol>	<ol style="list-style-type: none"> <li>4. Important Circulars covering Clarifications on Supply</li> <li>5. Analysis of Key Advance Rulings</li> </ol>

## **DESCRIPTIVE QUESTIONS**

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**2017 - Dec [9]** (b) What is the impact of GST on Centre-State relations and how are they streamlined? **(4 marks)**

(c) How is the concept of “Consideration” understood for levy of GST? **(4 marks)**

(d) State the benefits of GST to the customers. **(3 marks)**

**Answer:**

(b) Before introduction of GST in India i.e. upto 30.6.2017 the structure of indirect taxes in India was based on three lists in VII<sup>th</sup> Schedule to Constitution of India. The centre had the power to levy tax on the manufacture of Excisable goods (except alcoholic liquor for human consumption, opium, narcotics etc.) while the States had the powers to levy tax on sale of goods. However in case of interstate sale CST was levied by centre but tax was collected and retained by state Government. In case of services the Central Government was empowered to levy service tax.

In case of importation of goods into or exportation from India, tax as additional duties of customs, which was in addition to the Basic Customs Duty and additional duty of customs {commonly known as Counter

Veiling Duty (CVD) and Special Additional Duty (SAD)} counter balances excise duties, sales tax, State VAT and other taxes levied on the like domestic product the duties are levied and collected by Central Government.

Due to introduction of GST there was requirement for amendment in constitution, so that GST can be levied and collected simultaneously by central and state government. Hence Article 246A and 269A is inserted in constitution of India by Constitution (One hundred and first Amendment) Act 2016.

**(c) Consideration Sec. 2(31):** in relation to the supply of goods or services or both includes:

<p><b>(a) Any payment made or to be made</b></p>	<ul style="list-style-type: none"> <li>• <b>Whether in money or otherwise</b></li> <li>• In respect of , in response to or for the inducement of, the supply of goods or services or both,</li> <li>• whether by the recipient or any other person</li> <li>• but does not include any subsidy given by the Central Government or a State Government.</li> </ul>
<p><b>(b) the monetary value of any act or forbearance</b></p>	<ul style="list-style-type: none"> <li>• In respect of , in response to or for the inducement of, the supply of goods or services or both,</li> <li>• whether by the recipient or any other person</li> <li>• but does not include any subsidy given by the Central Government or a State Government.</li> </ul>

**Provided that** a deposit given in respect of the supply of goods or services or both shall not be considered as payment made for such supply unless the supplier applies such deposit as consideration for the said supply.

**Explanation:**

1. Consideration can be in monetary form i.e. by cash, cheque or credit card bank transfer etc. or in Non monetary form i.e. in kind such as Barter, exchange, doing agreeing to do an act etc. or partly in monetary form and partly in non monetary form.
2. In respect of, in response to means there must be direct link between the supply and the consideration.
3. Inducement means to give something to a person so that other person will do something in return.

**(d) Benefits of GST to the customers:**

- (i) Reduction in price of goods and services
- (ii) Uniform price throughout the country
- (iii) Trust in Simpler tax system: The previous indirect tax structure was very complicated to understand. GST increase the level of transparency and trustworthiness of consumer.
- (iv) Better accessibility of goods and services.
- (v) Due to introduction of Composition scheme small supplier will be exempted from tax or pays Tax at lower rate which reduce cost for the consumer.
- (vi) Average tax burden on companies is likely to come down which is expected to reduce prices and lower prices mean more consumption.

**2017 - Dec [10]** (a) Write a brief note on the liability under GST. **(5 marks)**

**(b)** What is the taxable event under GST? What are the four broad parts under which the same may be considered? **(5 marks)**

**(c)** Briefly explain the concepts of composite supply and mixed supply under GST, with an illustration for each. **(6 marks)**

**Answer:**

- (a)** Under the GST regime, liability to pay tax arises when turnover of person exceed ₹ 20 lakhs (₹ 10 lakhs for Special Category States) except in certain specified cases where the taxable person is liable to pay GST even though he has not crossed the threshold limit.

The CGST / SGST is payable on all intra- state supply of goods and/or services and IGST is payable on all inter- state supply of goods and/or services.

A Composition Scheme provides for payment of concessional rate of tax and filing of quarterly returns instead of monthly return for small taxpayers.

The threshold for composition scheme is ₹ 1.5 Crore of aggregate turnover in the preceding financial year. The benefit of composition scheme can be availed up to the turnover of ₹ 1.5 Crore in current financial year. (75 lakhs for 8 special category states viz 1. Arunachal Pradesh, 2. Manipur, 3. Meghalaya, 4. Mizoram, 5. Nagaland, 6. Sikkim, 7. Tripura, Assam, Himachal Pradesh 8. Uttarakhand.

**Note:** In case of Jammu & Kashmir the Turnover limit will be ₹ 150 lakhs.

**1. Aggregate Turnover: According to Section 2(6) of CGST Act 2017 Aggregate Turnover means aggregate value of**

<ul style="list-style-type: none"> <li>• All taxable supplies (excluding value of inward supplies on which tax is payable by a person on reverse charge basis.</li> <li>• Exempt supplies</li> <li>• Export of goods or services or both and</li> <li>• Inter- state supplies of persons having the same PAN.</li> </ul>	<p><b>But Excludes</b></p> <ul style="list-style-type: none"> <li>• Central tax</li> <li>• State tax</li> <li>• Union territory tax</li> <li>• Integrated Tax and Cess.</li> </ul>
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In short we can say that Aggregate Turnover is sum of all supplies i.e. = **Taxable + Exempt+ Non taxable+ Export** either on his own account or on account of somebody else.

- (b) Taxable event means that event on happening of which the liability of tax is fixed. Under old law taxable event for various taxes were different. Under GST the Taxable event is SUPPLY of Goods or Services or Both. **Section 7** of CGST provides for scope of Supply.

Sub section (1) supply includes:

- (a) All forms of supply of goods or services or both such as sale, transfer, barter, exchange, license, rental, lease or disposal made or agreed to be made for a Consideration by a person in the Course or Furtherance of Business.

- (aa) the activities or transactions, by a person, other than an individual, to its members or constituents or *vice-versa*, for cash deferred payment or other valuable consideration.
- (b) Importation of services for a consideration whether or not in the course or Furtherance of Business.
- (c) The activities specified in Schedule I, made or agreed to be made without a consideration.
- (d) Activities to be treated as supply of goods or Services as referred to Schedule –II.

(c)

Composite Supply Sec 2(30)	Mixed Supply Sec. 2 (74)
<p>Composite supply means a supply made by taxable person to a recipient consisting of two or more taxable supplies of goods or services or both or any combination thereof, which are <b>NATURALLY BUNDLED</b> and supplied with each other in the ordinary course of business, one of which is a principal supply.</p> <p><b>For Example:</b></p> <ul style="list-style-type: none"> <li>(i) Sale of laptop with bag.</li> <li>(ii) Package of accommodation facilities and breakfast.</li> </ul>	<p>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 <b>SINGLE PRICE</b> where such supply does not constitute a composite supply.</p> <p>In case of Mixed supplies goods &amp;/or services is not <b>BUNDLED</b> due to Natural necessities and they can be supplied individually in the ordinary course of Business.</p> <p><b>For Example:</b> selling of water bottle along with refrigerator. As in this case bottle can be sold separately.</p>

**2018 - June [2]** (a) What is the difference in tax consequence between intra-State (from HO to branch in same State) and inter-State stock transfers (from HO to branch in different State) of the same supplier, which is a private limited company ? What kind of GST will be levied? **(6 marks)**

**Answer:**

GST is levied on supply of goods or services or both by supplier having a GST number. However, in case of intra state i.e. supply of goods or services or both by HO to branch in same state, will not attract any GST if supplier has only one GST registration. But if a supplier has taken more than one registration in one state, then GST will be levied which comprise of CGST plus SGST.

In case of inter state stock transfer from HO to branch in different state of same supplier IGST will be levied because in case of inter state supplies separate registration is required.

In case of intra state supply CGST plus SGST will be levied and in case of inter state supply IGST will be levied.

**2018 - Dec [4]** (a) (i) State the functions of the GSTN, i.e. the role assigned to GSTN. **(5 marks)**

**Answer:**

**Goods and Services Tax Network (GSTN) is as per Section 8 of the Companies Act, 2013,**(not for profit), non-Government, Private Limited Company. It is a special purpose vehicle set up by Government of India and all State Government for laying the IT infrastructure for GST to provide a shared IT infrastructure and Services to Central and State Governments, tax payers and other stakeholders for implementation of GST. GSTN provides three front end services to the taxpayers (i) Registration (ii) Payment (iii) return through GST common portal.

**Functions of the GSTN:**

The function of GSTN includes:

1. Facilitating registration
2. Forwarding the returns to Central and State Authorities
3. Computation and settlement of IGST
4. Matching of tax payment details with banking network
5. Providing MIS reports to the Central and the State Government based on the taxpayer return information,
6. Providing analysis of tax payers profile and
7. Running the matching engine for matching, reversal and reclaim of input tax credit.

**2018 - Dec [4]** (b) In the light of the provisions of GST law as it stands w.e.f. 01.07.2022, briefly explain as to whether it is taxable service and who is the person responsible for paying GST in the following situations:

- (i) Legal services provided by Senior Advocates to business entities.
- (ii) Mere Contracts for representation service provided by the Senior Advocates to any business entity has been entered into through another advocate or firm of advocates. State the turnover criteria of the previous year which applies, including the one for special category States. **(4 marks)**

**Answer:**

- (i) Legal services provided by senior advocates to business entities is taxable service if aggregate turnover of business entity exceed ₹ 20 lakhs (₹10 lakhs in case of special category state) in preceding financial year.  
In case tax is payable, it is to be paid by recipient of service which is the business entity, who is litigant, applicant or petitioner.
- (ii) If contract for representation service provided by the senior advocates to an business entity through advocate or firm of advocates then also it is treated as taxable service if aggregate turnover of business entity exceed ₹ 20 lakh (₹ 10 lakh in case of special category state) in proceeding financial year.  
In case tax is payable it is to be paid by recipient of service i.e. business entity, who is the litigant, applicant or petitioner.

**2018 - Dec [7]** (b) Enumerate and Explain the advantages of GST. How has introduction of GST benefitted the consumers and general public?

**(7 marks)**

**Answer:**

GST stands for Goods and Services Tax. GST which is effective from 1.07.2017 is very significant step in the field of indirect tax reforms in India. GST has replaced various indirect taxes such as Service Tax, VAT, Excise etc. except Customs in India. The main reason behind this was to consolidate all indirect taxes into one thus making "ONE NATION, ONE TAX". GST in India is a comprehensive multistage tax it has eliminated cascading effect of taxation and reduce tax burden on goods and services.



**Advantage of GST:**

- (a) It has eliminated cascading effect of taxation.
- (b) It boosts foreign investment
- (c) Indian products would be more competitive in the international markets.
- (d) The ITC process is more accurate and transparent because of electronic matching.
- (e) Uniformity in rates of SGST and IGST reduce tax evasion.
- (f) Simplified methods of registration, refund, returns, payment.
- (g) The final price of goods will be lower.
- (h) All interaction are handled by the common GSTN website.

**Benefits of GST to the customers**

- (i) Reduction in price of goods and services
- (ii) Uniform price throughout the country
- (iii) Trust in Simpler tax system: The previous indirect tax structure was very complicated to understand. GST increase the level of transparency and trustworthiness of consumer.
- (iv) Better accessibility of goods and services.
- (v) Due to introduction of Composition scheme small supplier will be exempted from tax or pays tax at lower rate which reduce cost for the consumer.
- (vi) Average tax burden on companies is likely to come down which is expected to reduce prices and lower prices mean more consumption.

**2019 - Dec [2]** In the following cases based on information given and the query, give your comments on the taxability under GST and the rate of GST applicable, if any:

- (ii) Mr. A booked a Rajdhani train ticket, which includes meal. Is it composite supply or mixed supply? **(2 marks)**

**Answer:**

It is a bundle of supplies. It is composite supply where the products cannot be sold separately. The transportation of passenger is, therefore, the principal supply. Rate of tax applicable to the principal supply will be charged to the whole composite bundle. Therefore, rate of GST applicable to transportation of passengers by rail will be charged by IRCTC on the booking of Rajdhani ticket.

**2023 - Dec [2]** (a) What do you mean by composite supply and mixed supply? Briefly discuss the manner in which the tax liability on composite supplies and mixed supplies is determined. **(7 marks)**

**Answer:**

<b>Composite Supply Sec 2(30)</b>	<b>Mixed Supply Sec 2 (74)</b>
<p>Composite supply means a supply made by taxable person to a recipient consisting of two or more taxable supplies of goods or services or both or any combination thereof, which are naturally bundled and supplied with each other in the ordinary course of business, one of which is a principal supply.</p> <p><b>For Example:</b></p> <p>(i) Sale of laptop with bag. (ii) Package of accommodation facilities &amp; breakfast.</p>	<p>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.</p> <p>In case of Mixed supplies goods &amp;/or services is not bundled due to natural necessities and they can be supplied individually in the ordinary course of Business.</p> <p><b>For Example:</b> selling of water bottle along with refrigerator. As in this case bottle can be sold separately.</p>
<p>In case of composite supply rate of tax of principal supply shall be taken.</p>	<p>In Mixed supply which attract the highest rate of tax shall be taken.</p>

**2023 - Dec [4]** (b) With reference to CGST Act, 2017, Explain in brief the term “Related persons” and “Distinct persons”. **(7 marks)**

**Answer:**

For the purposes of this CGST Act, as per Explanation to Sec.15:

- (a) persons shall be deemed to be “**related persons**” if-
- (i) such persons are officers or directors of one another’s businesses;
  - (ii) such persons are legally recognised partners in business;
  - (iii) such persons are employer and employee;

- (iv) any person directly or indirectly owns, controls or holds twenty-five per cent. or more of the outstanding voting stock or shares of both of them;
  - (v) one of them directly or indirectly controls the other;
  - (vi) both of them are directly or indirectly controlled by a third person;
  - (vii) together they directly or indirectly control a third person; or
  - (viii) they are members of the same family;
- (b) the term “person” also includes legal persons;
- (c) persons who are associated in the business of one another in that one is the sole agent or sole distributor or sole concessionaire, howsoever described, of the other, shall be deemed to be related.

**Distinct Persons:**

Distinct persons specified under section 25 of CGST Act, 2017:

Every place of business of a person where separate registration is obtained for output supply will be considered as distinct person.

Section 25(4), A person who has obtained or is required to obtain 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 for the purposes of this Act.

Section 25(5), Where a person who has obtained or is required to obtain registration in a State or Union territory in respect of an establishment, has an establishment in another State or Union territory, then such establishments shall be treated as establishments of distinct persons for the purposes of this Act.

**2024 - June [4]** (b) “Supply of external storage battery with UPS, constitutes as “Mixed Supply” Discuss the validity of the above statement with the help of Key advance ruling, if any. **(7 marks)**

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**PRACTICAL QUESTIONS**

**2018 - June [3]** (b) Vimala Transports & Co., a partnership firm based at Chennai, is running a regular tourist bus service, carrying passengers and goods from Chennai to Bengaluru in Karnataka State and Trivandrum in Kerala State, with effect from 1<sup>st</sup> September,2022.

The firm wants to know whether such inter-State movement of various modes of conveyance carrying goods or passengers or both, between distinct persons as specified in section 25(4) of the CGST Act [except in cases where such movement is for further supply of the same conveyance], is coming under IGST.

You are required to advise the firm suitably.

**(7 marks)**

**Answer:**

Sec. 25(4) of CGST Act, 2017 provide that a person who has obtained or required to obtain more than one registration whether in one state or union territory or more than one state or union territory shall in respect of each such registration be treated as distinct person.

Sec. 7(2) of CGST Act provide that activities or transactions undertaken by Central Government or State Government or any local authority as may be notified by the Government on recommendation of council shall be neither be treated as supply of goods nor a supply of services. GST Councils' by Circular No. 1/1/2017 IGST dated 7/7/17 recommended that inter state movement of various modes of conveyance between distinct persons not involving further supply of such conveyance shall neither be treated as a supply of goods or service therefore, IGST will not be leviable.

As in the given case Vimala Transport & Co. make inter state movement of various modes of conveyance carrying goods or passengers or both between distinct persons as specified U/s 25(4) of CGST Act including bus services may not be treated as supply. Hence, IGST will not be payable on such supply.

**2018 - Dec [2]** (a) Shankar Pvt. Ltd. was awarded a contract in July 2023 for providing flooring and wall tiling services in respect of a building located in Delhi by Padmapriya Ltd. As per the terms of contract, Shankar Pvt. Ltd. was to provide all the required material for execution of the contract. However, Padmapriya Ltd. also provided a portion of the material.

Whether the services provided by Shankar Pvt. Ltd. are subject to GST? If yes, determine the GST liability of Shankar Pvt. Ltd. from the following particulars:

Particulars	₹
(i) Gross amount charged by the Shankar Pvt. Ltd.	6,00,000
(ii) Fair market value of the material supplied by Padmapriya Ltd.	1,00,000
(iii) Amount charged by Padmapriya Ltd. for the material [included in (i) above]	60,000

**Note:** CGST 6% and SGST 6%

**(8 marks)**

**Answer:**

Work contract is treated as supply of service so service provided by Shankar Pvt. Ltd., are subject to GST. Amount of GST liability of Shankar Pvt. Ltd.,

Particulars	₹
1. Gross amount charged by Shankar Pvt. Ltd.	6,00,000
<b>Add:</b> Fair market value of material supplied by Padmapriya Ltd.,	1,00,000
<b>Less:</b> Amount charged by Padmapriya for material included in	(60,000)
(i) above value of taxable supply	<u>6,40,000</u>
CGST 6% of 6,40,000 = ₹ 38,400	
SGST 6% of 6,40,000 = ₹ 38,400	
Total GST payable = ₹ <u>76,800</u>	

**2018 - Dec [4]** (a) (ii) Brahmi Foundation, Noida is registered as a trust under section 12AA of the Income-tax Act, 1961. With effect from 01.08.2022, it intends to offer its guest houses to the pilgrims visiting the Noida shrine at ₹ 900 per day and their marriage hall at ₹ 12,000 per day. They want to know whether these will attract GST liability. Advise them suitably. **(5 marks)**

**Answer:**

Entry 13 of notification number 12/2017 provide that service of renting of premises by an entity registered as charitable trust or religious trust u/s 12 AA of the income tax 1961 is exempt from GST if

- (i) Rent of rooms are less than ₹ 1,000 per day
- (ii) Rent of premises, community hall, kalyan mandapam or open area the like are less than ₹ 10,000 per day.

As in the given case Brahmi Foundation, Noida, offer guest houses to the pilgrims visiting the Noida shrine at ₹ 900 per day, so it is from the GST. However as marriage halls are rented at ₹ 12000 per day.

Hence GST will be payable on it.

To avoid GST Brahmi foundation is advised to renting of marriage hall at less than ₹ 10,000 per day.

**2018 - Dec [7]** (a) Under the Service Tax regime, tour operator services were charged at abated rate of 9% whereas in Goods & Services Tax Act, 2017 rate of tax fixed is 5% which resulted in reduction of tax from 9% to 5%. You are asked to determine the benefit, if any to be passed by the tour operator to the recipient of services. **(7 marks)**

**Answer:**

As per Section 171(1) any reduction in rate of tax on any supply of goods or services or the benefit of input tax credit shall be passed on to the recipient by way of commensurate reduction in prices.

As in the given case under service tax regime, tour operator. Services are charged as abated rate of 9% where as in GST Act 2017 rate of tax fixed is 5% resulted in reduction of tax from 9% to 5%. Therefore, the tax rate reduction benefit to the extent of 4% is to be passed on to the recipient.

**For example**

Particulars	Service Tax Regime	GST Regime
Taxable, value Assume	100	100
Tax Rate	9%	5%
Tax	9	5
Invoice Value	109	105

∴ Reduction of ₹ 4 i.e. (109-105) is benefit to be passed on to recipient

**2019 - June [2]** (a) Mr. Raghuram is running a consulting firm and also a readymade garment showroom, registered in same PAN. Turnover of the showroom is ₹ 60 lakh and receipt of the consultancy firm is ₹ 12 lakh in the preceding financial year. You are required to answer the following:

- (i) Is Mr. Raghuram eligible for Composition Scheme?
- (ii) Whether it is possible for Mr. Raghuram to opt for composition only for Showroom?

- (iii) Rework, if Mr. Raghuram is running a restaurant as well as ready-made garment showroom, whether he is eligible for Composition?
- (iv) If the turnover of garment showroom is ₹ 75 lakh in the preceding financial year and there is no consulting firm whether he is eligible for Composition? **(8 marks)**

**Answer:**

- (i) As per Section 10(1) of the CGST Act, 2017; a registered person engaged in trading of goods and supplier of services whose aggregate turnover in the preceding Financial Year did not exceed ₹ 1.5 crore may opt to pay, in lieu of the tax payable by him; an amount calculated at the specified rates.  
A composition supplier may supply services other than restaurant services of value—
- (a) not exceeding 10% of turnover in a state or union territory in the preceding financial year or
- (b) ₹ 5,00,000 whichever is higher in this case since the consultancy services supplied by Mr. Raghuram exceed 10% of ₹ 60 lakh.  
Therefore, Mr. Raghuram is not eligible for composition scheme. Hence, he has to pay tax under regular provision at the applicable rates.
- (ii) Mr. Raghuram is not eligible for composition scheme only for showroom because if a business is ineligible to opt composition scheme for one business then it is also ineligible for other business.
- (iii) Mr. Raghuram who is engaged in providing restaurant services & readymade garments show room are eligible to opt for composition scheme as his turnover is ₹ 72 lakhs (i.e less than 1.5 crore).
- (iv) Yes, Mr. Raghuram is eligible for composition scheme as turnover of preceding financial year does not exceed ₹ 1.5 crore.

**2019 - June [2]** (b) M/s Samson Ltd. being a trader of laptops has two units, one in Chennai and other in Mumbai.

<b>Place</b>	<b>P.Y. Turnover ₹ in lakhs (Excluding taxes)</b>
Chennai	52
Mumbai	12

You are required to answer the following:

- (i) Is M/s Samson Ltd. eligible for composition levy in the current year?
- (ii) If so, can M/s Samson Ltd. opt composition scheme for Chennai location and normal scheme for Mumbai?
- (iii) Whether need to give separate intimations for opting composition scheme in each State? **(6 marks)**

**Answer:**

- (i) M/s Samson Ltd. is eligible for composition levy in the current year because its aggregate turnover (i.e. turnover of Chennai & Mumbai) does not exceed ₹ 1.5 crore.
- (ii) M/s Samson Ltd. can't opt for composition scheme for Chennai location and normal scheme for Mumbai. Where the person has taken more than one registration under same PAN, then he shall not be eligible to opt for composition scheme unless all such registered persons opt for payment of tax under composition scheme.
- (iii) Separate intimation is not required to be given for opting composition scheme in each state. Once composition scheme is opted for any place of business then it shall deemed to be intimation for all other places of business registered on the same PAN.

**2019 - June [3]** (a) (i) CMA Mr. Sandesh, an unregistered person under GST, has place of profession in Bhubaneswar, Odisha, supplies taxable services to Infosys Ltd., a registered person under GST in Bangalore.

- (I) Is it inter-State supply or intra-State supply?
- (II) Who is liable to pay GST?

**Note:** CMA Mr. Sandesh turnover in the P.Y. is ₹ 18 lakhs. **(4 marks)**

**Answer:**

If a person makes interstate supply then he has to compulsorily obtain registration under GST. However, service providers providing aggregate supply including interstate. Services are exempted from registration even if value of service exceed ₹20 lakh.

- (I) As in the given case Mr. Sandesh who has place of profession in Bhubaneswar Odisha and supplies taxable services to infosys Ltd. in Bangalore, it is inter-state supply.
- (II) In the given Mr. Sandesh is not liable to pay IGST, since he is not required to register under Act.



**2019 - Dec [2]** In the following cases based on information given and the query, give your comments on the taxability under GST and the rate of GST applicable, if any:

- (i) Space Bazar offers a free bucket with detergent purchased. Is it composite supply or mixed supply? Assume rate of GST for detergent @ 28% and bucket @ 18%.
- (iii) Mr. Ravi being a dealer in laptops, sold a laptop bag along with the laptop to a customer, for ₹55,000. CGST and SGST for laptop @ 18% and for laptop bag @28%. What would be the rate of tax leviable? Also find the GST liability.
- (iv) Renting of vacant land to a stud farm for ₹1,50,000. Is it a supply of service? Will GST be leviable?
- (v) A contract awarded by Kolkata Municipal Corporation (KMC) for repair of a particular road to M/s B Ltd., with terms and conditions that the entire work should be completed within 30 days. However, there is a delay of 10 days to complete the work. KMC charged liquidated damages of ₹1,20,000 and the same recovered from M/s B Ltd. Applicable rate of CGST 9% and SGST 9%. Previous year turnover of M/s B Ltd. ₹2 crores.  
Find the following:
  - (a) Who is liable to pay GST on what amount?
  - (b) Total tax liability if any.
- (vi) M/s X Ltd. paid penalty under section 49 of the CGST Act, 2017, ₹2,00,000 to the Department in the month of October, 2023. Is it taxable under the GST law?
- (vii) M/s M & Co. a sole proprietor, is in the business of selling furniture. Its owner took a set of furniture to furnish his house permanently. Will the transaction be a supply in terms of GST Act?

Note: ITC on such furniture not availed

**(2 × 6 = 12 marks)**

**Answer:**

(i)	This is a mixed supply. These items can be sold separately. Product which has the higher rate, will apply on the whole mixed bundle. i.e., 28%.
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(iii)	If the laptop bag is supplied along with the laptop in the ordinary course of business, the principal supply is that of the laptop and the bag is an ancillary. Therefore, it is a composite supply and the rate of tax would be that applicable to the laptop. Hence, applicable rate of GST 18% on ₹ 55,000. CGST is ₹ 4,950 and SGST is ₹ 4,950.
(iv)	It is supply of service. GST is liable to be paid.
(v)	In the ordinary course it is a supply of service. However, non performance of contract by the supplier of service in case of supplies to Government, local authority is covered under exemption. The fine or penalty chargeable by Government or local authority imposed for violation of statute, bye-laws, rules or regulations or contract are not leviable to GST. Hence no liability to GST and no tax liability.
(vi)	Such payment is not a supply of service. The fine or penalty chargeable by Government or local authority imposed for violation of statute, bye-laws, rules or regulations are not leviable to GST. The penalty of ₹ 2,00,000 is not taxable under GST law.
(vii)	No, the transfer of the furniture by the owner without consideration is not a supply of goods, because credit is not allowed in case of personal consumption of business assets under sec 17(5)(g) of CGST Act, and ITC on such furniture is not availed.

**2019 - Dec [7]** (a) Mr. Shankar is running a fancy stores and is also having a consulting firm, registered under the same PAN. During the earlier year, the turnover was ₹150 lakhs in the grocery stores and receipts in the consulting firm was ₹9 lakh. In the light of these facts, answer the following (having regard to the legal provision prevailing in April, 2019):

- (i) Examine whether Mr. Shankar eligible to opt for Composition Scheme under the CGST Act.
- (ii) Can he opt for Composition Scheme in respect of the grocery store alone, though he has the consulting firm also, in addition to the store?

**(2 + 3 = 5 marks)**

**Answer:**

<b>Eligibility to opt for Composition Scheme</b>	
(i)	No. Shankar is not eligible for Composition Scheme. The reason is that the turnover in the earlier year was in excess of ₹ 150 lakhs. <b>Note:</b> W.e.f. 01.02.2019, other services, with restaurant & catering services, also eligible vide CGST (Amendment) Act, 2018 for composition scheme, subject to 10% of turnover in a State or Union Territory in preceding financial year or 5,00,000 whichever is higher.
(ii)	No, it is not possible for Mr. Shankar to opt for Composition Scheme, for the grocery store alone. All the registrations under the same PAN have to opt for composition scheme in terms of proviso to Section 10(2) of the CGST Act, 2017.

**2021 - Dec [1]** Draco Pvt. Ltd. is a company engaged in refining the crude petroleum into petrol. It also sells crude oil to other similar companies. On October 2023, it acquired a license for exploration of crude petrol from Punjab by entering into Production sharing contract (PSC) from government. On March 2024 its research team entered into exploration of crude petroleum and incurred the following expenses:

Expenses for exploration - ₹50 lakhs Expenses incurred for development- ₹8 lakhs Expenses incurred for production – ₹70 lakhs Royalty paid – ₹15 lakhs. After incurring following expenses, Draco Pvt. Ltd. sold the crude petroleum extracted from Punjab to Marvel Pvt. Ltd of Delhi for a consideration of ₹ 2 Crores on 1<sup>st</sup> December 2023. As per PSC, the company is entitled to provide 40% of “profit petroleum”. The Board of directors (BOD) of Draco Pvt. Ltd wants to know if GST is payable on “profit petroleum” paid to government. Compute “profit petroleum” payable paid to government and advice the BOD accordingly. **(6 marks) [Sec. C - Two LAQ]**

**Answer:**

- (i) Profit Petroleum = Sale Price – Expenses  
 $2,00,00,000 - (50,00,000 + 8,00,000 + 70,00,000 + 15,00,000)$   
 $= ₹ 57,00,000$
- (ii) Amount payable to Government  $57,00,000 \times 40\% = ₹ 22,80,000$
- (iii) No GST is payable on share of profit.

**2022 - Dec [3]** (a) Krishna (P) Ltd., having its head office in Ludhiana, Punjab is engaged in the supply of various goods on the following activities with respective turnovers in a financial year:

Particulars	Amount
Supply of petrol at Ludhiana, Punjab	14,00,000
Value of inward supplies on which tax is payable on reverse charge basis	7,00,000
Supply of transformer oil at Ludhiana, Punjab	3,00,000
Value of branch transfer from Ludhiana, Punjab to Jaipur, Rajasthan without payment of consideration	2,00,000
Value of taxable supplies at Dehradun, Uttarakhand branch	20,50,000

It argues that it does not have taxable turnover crossing threshold limit of ₹ 40,00,000 either at Ludhiana, Punjab or Jaipur, Rajasthan and including turnover at Uttarakhand branch. Further, it believes that the determination of aggregate turnover is not required for the purpose of obtaining registration but is required for determining the eligibility for composition levy.

Determine the aggregate turnover of Krishna (P) Ltd. You are also required to review the technical veracity of the arguments of Krishna (P) Ltd.

**(8 marks)**

**Answer:**

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

- (i) Taxable supplies
- (ii) Exempt supplies
- (iii) Export of goods and/or services and
- (iv) *Inter-state* supplies of person having the same PAN, to be computed on All India basis and

**Excludes:** Value of inward supplies on which tax is payable by a person on reverse charge basis, central tax, state tax, union territory tax, integrated tax & cess.

**Computation of Aggregate Turnover of Krishna (P) Ltd.**

<b>Sl. No.</b>	<b>Particulars</b>	<b>Amount ₹</b>
1.	Sale of petrol at Ludhiana, Punjab (Petroleum product are outside the scope of GST hence, it is non taxable supply. Exempt supply includes non taxable supply. Aggregate turnover includes exempt supplies)	14,00,000
2.	Inward supplies on which tax is payable on reverse charge basis (Aggregate turnover specifically excludes value of inward supplies on which tax is payable by a person on Reverse charge basis)	NIL
3.	Supply of Transformer oil at Ludhiana, Punjab (Transformer oil is not a petroleum product and it is taxable supply and included in the aggregate turnover)	3,00,000
4.	Branch transfer to place of business in Jaipur, Rajasthan (Supply made without consideration to distinct person is a supply u/s 7(1)(c) and included in Aggregate Turnover)	2,00,000
5.	Value of taxable supplies at Dehradun, Uttarakhand (Aggregate turnover shall be calculated on All India PAN basis. Therefore, this transaction should be included in Aggregate Turnover)	2,05,000
	<b>Total Aggregate Turnover</b>	<b>39,50,000</b>

As per Section 22 of CGST ACT, a person is liable to get registered, if Aggregate turnover exceed threshold limit for registration. i.e.

Exemption from obtaining registration for supplier engaged exclusively in "supply of goods"		
<b>Sl. No.</b>	<b>States</b>	<b>Amount</b>
1.	Manipur, Mizoram, Nagaland, Tripura	₹ 10 Lakhs

2.	Uttarakhand, Meghalaya, Sikkim, Arunachal Pradesh, Puducherry, Telangana	₹ 20 Lakhs
3.	Rest States of India	₹ 40 Lakhs

The argument of Krishna (P) Ltd. that it does not have taxable turnover crossing threshold limit of ₹ 40,00,000 either at Ludhiana, Punjab or Jaipur, Rajasthan and including turnover at Uttarakhand branch, therefore, it is not liable to registration is not correct because in this case aggregate turnover to be considered is ₹ 20,00,000 and same is to be computed on all India basis.

The believes of Krishna (P) Ltd. that the determination of aggregate turnover is not required for the purpose of obtaining registration but is required for determining the eligibility for composition levy is wrong since the aggregate turnover is required for determining the eligibility for registration as well as composition levy.

As per **Section 24 of CGST ACT 2017**, person making *inter-state* supply of Goods is compulsorily required to get registration irrespective of threshold limit.

Hence, in the present case Krishna (P) Ltd. is making supplies to their branch in Jaipur, Dehradun, they are compulsorily required to get registration.

**2023 - June [2]** (a) Manihar Enterprises, registered in Delhi under normal GST provisions, is engaged in the supply of various goods and services exclusively to Government Departments, agencies etc. and persons notified under section 51. It has provided the information relating to the supplies made, their contract values and the payment due against each of them in the month of October, 2023 respectively as under:

S. No.	Particulars	Total contract value (inclusive of GST) (₹)	Payment due in Oct, 2023 (₹)
(i)	Interior decoration of Andhra Bhawan located in Delhi. Service	12,39,000	12,39,000

	contract is entered into with the Government of Andhra Pradesh (registered only in Andhra Pradesh)		
(ii)	Supply of printed books and printed post cards to a West Delhi Post Office [Out of total contract value of ₹ 9,72,000 contract value for supply of books (exempt from GST) is ₹ 7,00,000 and for supply of printed post cards (taxable under GST) is ₹ 2,72,000.]	9,72,000	50,000 for book & 20,000 for printed post cards

You are required to determine the amount of GST, if any, to be deducted from each of the receivable given above assuming the rate of CGST, SGST and IGST as 9%, 9% and 18% respectively.

Will your answer be different, if Manihar Enterprises is registered under the Composition Scheme? **(5 marks)**

**Answer:**

Particulars	Total contract value (₹)	Payment due (₹)	Tax to be deducted		
			CGST (₹)	SGST (₹)	IGST (₹)
Interior decoration of Andhra Bhawan located in Delhi. (Note 1)	12,39,000	12,39,000	Nil	Nil	Nil
Supply of printed books and printed post cards to a West Delhi Post Office. (Note 2)	9,72,000	—	Nil	Nil	Nil

**Note1:**

**Section 51 (1) of the CGST ACT, 2017 provide that** no tax shall be deducted if the location of the supplier & the place of supply is in state or union territory which is different from the state or as the case may be union territory of registration of the recipient.

According to **section 12 (3) of the IGST Act, 2017** the place of supply of services directly in relation to an immovable property including services provided by interior decorators, shall be the location at which the immovable property is located or intended to be located.

Accordingly, the place of supply of the interior decoration of Andhra Bhawan shall be Delhi.

Since the location of the supplier (Manihar Enterprises) & the place of supply is Delhi & the state of registration of the recipient - Government of Andhra Pradesh is Andhra Pradesh, no tax is liable to be deducted in the given case.

**Note 2:** If the contract is made for both taxable & exempted supply, tax shall be deducted if the total value of taxable supply in the contract exceeds ₹ 2,50,000. As in the given situation the total value of taxable supply under the contract does not exceed ₹ 2,50,000, therefore, tax is not required to be deducted.

$$\begin{aligned} \text{Total value of supply (excluding CGST \& SGST)} &= \left( \frac{2,72,000 \times 100}{118} \right) \\ &= ₹ 2,30,509 \end{aligned}$$

**2023 - Dec [5]** (b) Compute the GST liability of Mr. Ravi, an air travel agent, for the quarter ended December 31, 2023 using the following details:

	Particulars	Amount (₹)
(i)	Basic air fare collected for domestic booking of tickets	60,00,000
(ii)	Basic air fare collected for international booking of tickets	70,00,000
(iii)	Commission received from the airlines on the sale of domestic and international tickets	4,75,000
(iv)	Year ending bonus received from airlines	40,000

In the above case, would the GST liability of Mr. Ravi be reduced if he opts for the special provision for payment of GST as per Rule 32(3) of the CGST Rules, 2017?

The applicable rate of GST 18%.

**(7 marks)**



**Answer:**

Statement Showing GST liability of Mr. Ravi for the quarter ended 31<sup>st</sup> December, 2023 as per Normal provision.

Particulars	Amount in ₹
Commission Received from airlines on the sale of domestic & International tickets	4,75,000
Year ending bonus or Incentive	40,000
Taxable supply of Service	5,15,000
GST @ 18% on 5,15,000	92,700

Statement showing GST liability of Mr. Ravi for the quarter ended 31<sup>st</sup> December, 2023 as per Rule 32 (3) of CGST Rule 2017.

Particulars	Amount in ₹
(1) Basic air fare (domestic booking) ( 60,00,000 × 5%)	3,00,000
(2) Basic air fare (international booking) (70,00,000× 10%)	7,00,000
Total taxable supply of service	10,00,000
GST @ 18% on 10,00,000	1,80,000

**Note:** The GST liability of Mr. Ravi would not be reduced in the aforesaid option.

Therefore, special provision under Rule 31(3) of CGST Rule, 2017, is not economical.

**2024 - June [3]** (a) M/s PNR, a proprietary concern registered under the normal provisions of GST in the State of Kerala, is engaged in providing various services under one roof. The concern provides the following information pertaining to supplies made/input services availed by it during the month of March, 2024:

S. No.	Particulars	Amount (₹)
1.	Amount collected for loading, unloading, packing and warehousing of potato chips.	15,000
2.	Fees paid for yoga camp conducted by a charitable trust registered under section 12AA of the Income-tax Act, 1961 for employees of the firm.	20,000

3.	Interest received on fixed deposits from a Nationalised bank.	40,000
4.	Professional services provided to foreign diplomatic mission located in Trivandrum, Kerala.	50,000
5.	Receipts from running an educational institution (including receipts for providing residential dwelling service of ₹ 18,20,000 by the institution to the students). The educational institution is an institution as defined under Notification No. 12/2017 CT (R) dated 28.06.2017/Notification No. 9/2017 IT (R) dated 28.06.2017.	35,00,000
6.	Supply value including cost of fuel for provision of renting of motor vehicle service to AJL Ltd. The vehicle is used for carrying goods only.	2,00,000

Assess the GST liability (inclusive of liability for the supplies received also) of M/s PNR for the month of March, 2024 with necessary explanation for the treatment of each item. Rate of tax for both inward and outward supply is CGST and SGST @ 9% each except for the service of renting a vehicle for which CGST and SGST @ 2.5% each is applicable. *All the supplies are intra-State only. All amounts are exclusive of GST, if applicable.*

**(7 marks)**

**2024 - June [8]** (a) K Hotels Ltd. (KL), is a supplier registered under the normal GST provisions in the State of Tamil Nadu, running chain restaurants. In the restaurant run by it, KL supplies tobacco (smokes) independently and not as composite supply. These items are supplied alone and not along with food. When such cigarettes products are supplied by the restaurant, a single price is charged by KL in its tax invoice.

You are required to critically examine whether such supply of smokes will be treated as Mixed supply or composite supply, in the light of decided case laws or rulings of the AAR.

**(7 marks)**

**TOPIC NOT YET ASKED BUT EQUALLY IMPORTANT FOR EXAMINATIONS****DESCRIPTIVE QUESTIONS****Q. 1.** What is the Taxable Event under GST?**Answer:**

Taxable event means that event on happening of which the liability of tax is fixed. Under old law taxable event for various taxes were different.

Under GST the Taxable event is SUPPLY of Goods or Services or Both.

OLD LAWS	GST
<ul style="list-style-type: none"> <li>• Excise - manufacture</li> <li>• Service Tax - Provision of Service</li> <li>• VAT – Intra-state sales of goods.</li> <li>• CST– on sale of goods ( inter-state sale)</li> </ul>	<ul style="list-style-type: none"> <li>• On Supply of Goods or Service or both</li> <li style="text-align: center;">↓</li> <li>• GST will be levied on each state of Supply Chain</li> </ul>

**Q. 2.** Explain the scope of Supply.**Answer :**

**Section 7** of CGST provides for scope of Supply.

Sub section (1) supply includes:

(a) All forms of supply of goods or services or both such as sale, transfer, barter, exchange, license, rental, lease or disposal made or agreed to be made for a CONSIDERATION by a person in the Course or Furtherance of BUSINESS.

(aa) the activities or transactions, by a person, other than an individual, to its members or constituents or *vice-versa*, for cash deferred payment or other valuable consideration.

**Explanation:** For the purposes of this clause, it is hereby clarified that, notwithstanding anything contained in any other law for the time being in force or any judgement, decree or order of any court, tribunal or authority the person and its members or constituents shall be deemed to be two separate persons and the supply activities or transactions *inter se* shall be deemed to take place from one such person to another.

- (b) Importation of services for a consideration whether or not in the course or Furtherance of Business.
- (c) The activities specified in Schedule I, made or agreed to be made without a consideration.
- 7(1A)** where certain activities or transactions constitute a supply in accordance with the provisions of sub-section (1), they shall be treated either as supply of goods or supply of services as referred to in Schedule.
- (2) Notwithstanding anything contained in sub section (1): Following shall be treated **NEITHER** as supply of goods **NOR** a supply of services
- Activities or transaction specified in Schedule III or
  - Such activities or transactions undertaken by the Central Government, a State Government or any Local authority in which they are engaged as public authorities, as may be notified by the Government on the recommendation of the Council.
- (3) Subject to the provisions of sub-sections (1), (1A) and (2), the Government may, on the recommendations of the Council, specify, by notification, the transactions that are to be treated as–
- a supply of goods and not as a supply of services; or
  - a supply of services and not as a supply of goods.

<b>Schedule I ( i.e. Activities to be treated as supply even if it is made without consideration)</b>	<b>Schedule II (Activities or transaction to be treated as supply of goods or Services)</b>	<b>Schedule III Activities Neither treated as supply of goods nor Supply of Services)</b>
1. Permanent transfer or disposal of Business asset where ITC credit has been availed on such assets.	1. Any transfer of title in goods is a supply of goods. 2. Any transfer of right in goods or of undivided share in goods without transfer of title of goods is supply of services	1. Service by an employee to the employer; 2. Fees taken in any Court or tribunal established under any law. 3. (a) Function performed by MP,

	<p>3. Any transfer of title in goods under agreement to transfer goods in future date upon payment of full consideration is Supply of goods.</p>	<p>MLA, Member of LA, Municipalities for performing function of that office as members.                  (b) Duties performed by any person as chairperson or member or a director in body established by C. Govt or State Govt or Local Authority.                  4. Services of Funeral, burial, crematorium or mortuary including transportation of the deceased.                  5. Sale of land and sale of building.                  6. Actionable claim other than lottery, betting and gambling.</p>
<p>2. Supply of Goods or services or both between Related or distinct person, when made in the course or furtherance of business. However, gifts not</p>	<p>4. Any lease, tenancy, easement, license to occupy land is supply of services.                  5. Any lease or letting out of the Building including commercial, industrial for Business</p>	<p>7. Supply of goods from a place in the non taxable territory to another place in the non taxable territory without such goods catering into India.</p>

<p>exceeding ₹50,000 in a financial year by an employer to an employee shall not be treated as supply of goods or services or both.</p>	<p>or commerce wholly or partly is a supply of services.</p>	
<p>3. Supplies by Principal to Agent or Vice Versa</p>	<p>6. Any treatment or process applied to goods of Another person is a supply of Services.</p>	<p>8. (a) Supply of warehouses goods to any person before clearance for home consumption.</p>
<p>4. Import of Services by Taxable person from Related person or from any of his other establishment outside India, in course of or Furtherance of Business.</p>	<p>7. Transfer of Business Assets is a supply of goods. 8. Following is treated as supply of Services: (a) Renting of Immovable property (b) Construction of Complex, building, civil structure for sale to a buyer wholly or partly except where the entire consideration is received After Issuance of Completion Certificate. (c) Temporary transfer or permitting the use of any Intellectual property right.</p>	<p>(b) Supply of goods by the consignee to any other person, by endorsement of documents of title to the goods after the goods have been dispatched from the port of origin located inside India been before clearance for home consumption.</p>

	(d) Transfer of right to use goods for any purpose.	
	9. Composite supply i.e. work contract is a supply of services.	<p>1. <b>Circular No. 32/06/2018-GST 2018:</b> GST is not leviable on the fee or penalty or pre-deposit amount charged by consumer Disputes Redressal Commission i.e. District Forums, the state consumer disputes redressal commissions and the national consumer disputes redressal commission.</p> <p>2. <b>Circular No.140/10/2020 - GST dated 10.06.2020:</b> Remuneration paid to independent directors, or those directors who are not employees of the company, is taxable in hands of the company on reverse charge basis.</p>

**Q. 3.** Whether supplies made without consideration will also come within the purview of supply under GST?

**Answer:**

Yes, but only those activities which are specified in Schedule I to the CGST Act / SGST Act. The said provision has been adopted in IGST Act as well as in UTGST Act also.

**Q. 4.** Will giving away essential commodities by a charitable institution be taxable activity?

**Answer:**

In order to be a supply which is taxable under GST, the transaction should be in the course or furtherance of business. As there is no quid pro quo involved in supply for charitable activities, it is not a supply under GST.

**Q. 5.** Who can notify a transaction to be supply of goods or services?

**Answer:**

Central Government or State Government, on the recommendations of the GST Council, can notify an activity to be the supply of goods and not supply of services or supply of services and not supply of goods or neither a supply of goods nor a supply of services.

**Q. 6.** What is composite supply and mixed supply?

**Answer:**

Composite Supply Sec 2(30)	Mixed Supply Sec. 2 (74)
Composite supply means a supply made by taxable person to a recipient consisting of two or more taxable supplies of goods or services or both or any combination thereof, which are NATURALLY BUNDLED and supplied with each other in the ordinary course of business, one of which is a principal supply.	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. In case of Mixed supplies goods &/or services is not BUNDLED due to Natural necessities and they can be supplied individually in the ordinary course of Business.



<p><b>For Example:</b></p> <p>(i) Sale of laptop with bag.</p> <p>(ii) Package of accommodation facilities &amp; breakfast.</p> <p>In case of composite supply rate of tax of principal supply shall be taken.</p>	<p><b>For Example:</b> selling of water bottle along with refrigerator. As in this case bottle can be sold separately.</p> <p>In Mixed supply which attract the highest rate of tax shall be taken.</p>
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• **Classification of Supply (Goods + Goods) - Examples**

	<b>Situations</b>	<b>Classification</b>	<b>Composite or Mixed Supply</b>	<b>Applicable Rate</b>
1	Supply of Laptop with Bag	Laptop Rate 18%	Composite Supply	18% rate is applicable
2	A supply of a package consisting of canned foods, Sweets, chocolates, cakes, dry fruits, aerated drink and fruit juices when supplied for a single price is a mixed supply. All can be sold separately	Aerated waters, containing added sugar or other sweetening matter or flavoured is taxed at 28% with 12% Compensation Cess. Dry Fruits is taxed at the rate of 12%. Cake is taxed at the rate of 18%.	Mixed Supply	Aerated drinks will be treated as principal supply. Hence rate of aerated drinks will be considered i.e. 28%
3	Consider a kit which contains a tie, a watch, a Wallet, and a pen, as a combo, for ₹10,000. Watch, wallet, and pen	Watch 18%. Tax rate Wallet is taxed at 5%. Pens are taxed at the rate of 18%. Tie are taxed at rate of 5%.	Mixed Supply	Hence rate applicable will be 18%

are bundled as a kit. The supply of a tie does not naturally necessitate the supply of other elements (watch, wallet, pen) and vice versa. The kit is supplied for a single price.			
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• **Classification of Supply (Service + Service) - Examples**

	<b>Situations</b>	<b>Classification</b>	<b>Composite or Mixed Supply</b>	<b>Applicable Rate</b>
1	A 5-star hotel in Prayagraj provides a 4 day/3 night's package with the breakfast and one day Prayagraj Darshan. The inclusion of Prayagraj Darshan in this package is not a natural requisite to accommodation in the hotel.	Accommodation in a 5-star hotel where rate is ₹7500 and above is taxed at the rate of 18%. Supply of services of Tour Operator is taxed at 5%. The rate applicable will be 18%. (The hotel would hire an operator for sight seeing purpose)	Mixed Supply	Highest rate 28% is applicable

• **Classification of Supply (Service + Service) - Examples**

	<b>Situations</b>	<b>Classification</b>	<b>Composite or Mixed Supply</b>	<b>Applicable Rate</b>
1	Mr C buys a AC from a dealer. The contract for the purchase of the AC is inclusive of its delivery. In this case, the principal supply is the goods (the AC) and the incidental supply is the services (its delivery).	Transportation of Goods is taxed at the rate of 5%. AC are taxed at the rate of 18%.	Composite Supply	Hence rate applicable will be 18%
2	A car repair workshop supplies both repair services and car batteries to its customers. When it charges a customer for supply of repair services and a car battery at a single inclusive price.	Batteries are taxed at the rate of 18%. Service of Repair (others) is at 12%.	Mixed Supply	Hence it will be taxed at 18%

**Q. 7.** Explain provision of Composition scheme under GST Act.

**Answer:**

The government has introduced composition scheme for small dealers. Under this scheme the dealer are required to maintain fewer record/book of accounts and not required to file monthly return.

Composition scheme is optional scheme.

**Section 10 of CGST Act 2017 provides the provision relating to composition scheme:**

1. Section 10(1) provides that, Notwithstanding anything to contrary contained in this Act but subject to the provisions of section 9(3) and 9(4), a registered person whose aggregate turnover in the preceding financial year did not exceed ₹ 1.5 crore may opt to pay in lieu of the tax payable by him U/S 9(1), an amount of tax calculated at such rate as may be prescribed under Rule 7 of CGST rules. However in case of Special category states except (Assam, Himanchal Pradesh and Jammu and Kashmir) the limit is ₹ 75 lakh.

**Rates of Tax under Composition Scheme:**

Sl. No.	Nature of Eligible Person	CGST Rate	SGST Rate	Total Rate
(a)	Manufacturer other than manufacturer of Notified goods	0.5% of Turnover in the state or union territory	0.5% of Turnover in the state or union territory	1% of Turnover in the state or union territory
(b)	Restaurant Service	2.5% of the turnover in the state or union territory	2.5% of the turnover in the state or union territory	5% of the turnover in the state or union territory
(c)	Other supplier	0.5% of the turnover of taxable supplies of goods and services in the state or union territory	0.5% of the turnover of taxable supplies of goods and services in the state or union territory	1% of the turnover of taxable supplies of goods and services in the state or union territory

**Note:** The value of exempt supply of services provided by way of extending deposits, loan or advances in so far as the consideration is represented by way of interest or discount shall not be taken into account for determining value of turnover in a state or union territory. Provided further that a person who opts to pay tax under clause (a) or (b) or (c) may supply services other than those referred to in clause (b), of value not exceeding 10% of turnover in state or Union territory in the preceding financial year or ₹ 5,00,000 whichever is higher.

2. **Persons ineligible to opt for composition scheme: section 10(2):**  
Following categories of persons are ineligible to opt for composition scheme:
- (a) Supplier of services (other than restaurant and outdoor catering service) except supply services of value not exceeding 10% of turnover in a state or union territory in preceding Financial Year or ₹ 5,00,000 well.
  - (b) Supplier of goods or services which are not taxable under CGST Act /SGST Act/UTGST Act.
  - (c) An inter- state supplier of goods or services.
  - (d) Person supplying services through an electronic commerce operator who is required to collect tax at source U/S 52.
  - (e) Manufacturer of notified goods. (i.e. Ice-cream and other edible ice, Panmasala, Aerated water, tobacco and manufacture and tobacco substitute, fly ash bricks, fly ash aggregates, fly ash blocks, bricks of fossil meals, building bricks, earthen or roofing tiles)
  - (f) casual taxable person or non resident taxable person
3. **Composition scheme is applicable uniformly for all transaction with same PAN section 10(2):**  
All registered person having the same PAN have to opt for composition scheme. So if one of registered person opt for normal scheme, other become ineligible for composition scheme.
4. **Section 10(3):**  
Provide that the benefit of Composition scheme will be available to registered person till he satisfied all the conditions mentioned U/s 10 (2) and rules.
5. **Section 10(4):**  
Provides that taxable person opting for composition scheme shall collect tax from recipient on supplies made by him. A taxable person shall also not be entitled to availed ITC.

**Q. 8.** Explain the provisions of composition scheme for supplier of Services notified by N/N 2/2019 dt 7.3.2019 or suppliers of services who are not eligible to opt for composition scheme u/s 10(1) and 10(2) of CGST Act, 2017.

**Answer:****New Composition scheme for Supplier of Services who is not previously covered U/s 10:**

According to Section 10(2A) & N/N 2/2019 dt 7.3.2019, Composition scheme has also been formulated for supplier of services (to those who are not eligible for the presently available composition scheme). Under the scheme, a registered person, whose aggregate turnover in the preceding financial year was fifty lakh rupees or below may opt to pay tax equal to 6% on his Aggregate turnover and needs to file his returns annually with quarterly payment from FY 2019-20.

**Rates of Tax:**

Nature of Eligible Person	CGST Rate	SGST Rate	Total Rate
Service Provider/Mixed Supplier other than Restaurant service	3% Aggregate Turnover	3% Aggregate Turnover	6% Aggregate Turnover

**Q. 9.** Explain the difference between Composition taxpayer as per section 10 of Central Goods and Services Tax Act, 2017 and Composition as per Notification No. 2/2019 -Central Tax (Rate) dated 07<sup>th</sup> March 2019.

**Answer:**

Particulars	Composition scheme U/s 10	Composition scheme for supplier of service as per Notification No. 2/2019-Central Tax (Rate) dated 07 <sup>th</sup> March 2019.
<b>Eligibility</b>	A registered person, whose aggregate turnover in the preceding financial year did not exceed ₹ 1.5 crore / ₹ 75 lakhs for special category states except Jammu and Kashmir,	A registered person, whose aggregate turnover in the preceding financial year was ₹ 50 lakh rupees or below

	Assam, Himanchal Pradesh, may opt to pay, in lieu of the tax payable by him	
<b>Nature of Eligible Person</b>	Manufacturers, Traders (goods) and restaurant/ catering service providers	Supplier of services
<b>Rate of tax</b>	Rate of tax payable is different for each category of specified registered persons	Rate of tax payable 6% of Aggregate Turnover i.e. CGST 3% & SGST 3%
<b>Words to be mention on top of Bill</b>	Composition taxable person, not eligible to collect tax on supplies at the top of the bill of supply issued by him	Taxable person paying tax in terms of notification No. 2/2019-Central Tax (Rate) dated 07.03.2019, not eligible to collect tax on supplies
<b>Limit of T/O After which Composition scheme does not apply</b>	If Turnover exceed ₹ 150 lakh Cr/₹ 75 lakh in case of Special category states current FY, he should convert to normal registration	This scheme is for only upto first supply of ₹ 50 lakhs, once he crosses the limit of ₹ 50 lakh then normal provision of tax will apply.

**Q. 10.** Will a taxable person, having multiple registrations, be eligible to opt for composition scheme only for a few of registrations?

**Answer:**

All registered persons having the same Permanent Account Number (PAN) have to opt for composition scheme. If one registered person opts for normal scheme, others become ineligible for composition scheme.

**Q. 11.** Can composition scheme be availed of by a manufacturer and a service supplier?

**Answer:**

Yes, a manufacturer can opt for composition scheme generally. However, a manufacturer of goods, which would be notified on the recommendations of the GST Council, cannot opt for this scheme. The goods so notified are ice cream and other edible ice, whether or not containing cocoa (Tariff Heading-21050000), pan masala (Tariff Heading – 21069020) Aerated water (Tariff Heading 22021010)& tobacco and manufactured tobacco substitutes (Tariff Heading – 24). Earlier person engaged in restaurant service only was eligible to opt for composition scheme, if turnover does not exceed ₹ 1.5 crore (in case of special category stake ₹ 75 lakh). Now by N/N 2/2019 dt 7. March 2019 provides that all the service provider other than restaurant service. Who turnover does not exceed ₹ 50 lakh can opt for composition scheme and pay tax @ 6%.

**Q. 12.** Can the registered person under composition scheme claim input tax credit?

**Answer:**

No, registered person under composition scheme is not eligible to claim input tax credit.

**Q. 13.** Can the customer who buys from a registered person who is under the composition scheme claim composition tax as input tax credit?

**Answer:**

No, customer who buys goods from registered person who is under composition scheme is not eligible for composition input tax credit because a composition scheme supplier cannot issue a tax invoice.

**Q. 14.** Can composition tax be collected from customers?

**Answer:**

No, the registered person under composition scheme is not permitted to collect tax. It means that a composition scheme supplier cannot issue a tax invoice.

**Q. 15.** How to compute 'aggregate turnover' to determine eligibility for composition scheme?



**Answer:**

Computation of aggregate turnover is given in Section 2(6). Accordingly, 'aggregate turnover' means value of all outward supplies (taxable supplies + exempt supplies + exports + inter-state supplies) of a person having the same PAN and it excludes taxes levied under central tax (CGST), State tax (SGST), Union territory tax (UTGST), integrated tax (IGST) and compensation cess. Also, the value of inward supplies on which tax is payable under reverse charge is not taken into account for calculation of 'aggregate turnover'.

**Q. 16.** What is Composition scheme or Composition levy and its objective?

**Answer:**

As per Section 10(1) of CGST Act, 2017 Registered person whose aggregate turnover in the financial year did not exceed ₹ 1.5 crore ( ₹ 75 lakh for North eastern state may opt for composition levy.

**Service Sector:**

Composition scheme has also formulated for supplier of services to those who are not eligible for the presently available composition scheme. Under the scheme, a registered person, whose aggregate turnover in the preceding financial year was fifty lakh rupees or below may opt to pay tax equal to 6% on his aggregate turnover.

**Objective:** The objective of composition scheme:

- is to bring simplicity and reduce the compliance cost for small taxpayers.
- Suppliers opting for composition levy need not to classify their goods or services, the rate of tax applicable on same etc.
- The supplier are not required to raise any tax invoice but simply need to issue Bill of Supply wherein no tax will be charged for the recipient.
- Supplier is required to pay at the end of quarter a specified percentage of his turnover for the quarter as tax without availing ITC.

**Q. 17.** What restrictions have been imposed on person who opts for composition levy scheme?

**Answer:**

**Following restriction have been imposed on person opting for composition levy:**

- (i) The goods held in stock by composition dealer should have been purchased from registered supplier otherwise he should have to pay applicable tax under reverse charge u/s 9(4) of CGST Act.
- (ii) A dealer opting for composition levy should not have engaged in manufacture of goods notified u/s 10(2)(e) of CGST Act i.e. Ice cream and other edible ice, Panmasala Aerated water and, Tobacco and other manufactured tobacco substitutes.
- (iii) A composition dealer shall mention the words “composition taxable person, not eligible to collect tax on supplies” at top of every bill of supply issued by him.
- (iv) A taxable person opting for composition scheme shall not collect any tax from the recipient on supplies made by him.
- (v) A taxable person opting for composition scheme is not entitled to any credit of input tax.
- (vi) Composition scheme has to be adopted by all the registered persons having the same PAN. In other word if one of such registered person opt for normal scheme other become ineligible for composition scheme.

**Q. 18.** Explain the provision for penalty for wrong availment of Composition scheme or violation of condition.

**Answer:**

**According to Section 10(5)** if the proper officer has reason to believe that a taxable person has paid tax under section 10(1) despite of not being eligible, such person shall in addition to any tax that may be payable by him under any other provision of this Act , be liable to pay penalty. Provision of Section 73 and Section 74 of CGST Act shall apply for determination of tax and penalty.

➡ **Rule 6 of CGST Rules provides that**

- Where the proper officer has reason to believe that the registered person was not eligible to pay tax u/s 10 or has contravened the provision of the Act , he may issue a notice to such person in Form GST CMP-05 to show cause within 15 days of the receipt such notice as to why option to pay tax u/s 10 shall not be denied.
- The registered person upon receipt of notice reply in **FORM GST CMP-06** ,

- The proper office shall issue an order in FORM GST CMP 07 within 30 days of the receipt of such reply either accepting the reply or denying the option to pay tax u/s 10 from the date of the option or from the date of the event concerning such contravention as the case may be.
- However such person shall be allowed to avail ITC in respect of Stock of inputs & inputs contained in Semi finished or finished goods held in stock by him on the date on which the option is denied and furnishes a statement of details of stock held within 30 days from date of the order passed in **FORM GST CMP -07**.

**Q. 19.** HCL company two registered business verticals in Prayagraj. Its aggregate turnover for the preceding year for both the business verticals was ₹ 1.25 crores. It wishes to pay tax under composition levy for one of the vertical in the current year while under normal levy for other vertical. You are required to advice HCL whether he can do so?

**Answer:**

A registered person with an aggregate turnover in a preceding financial year up to ₹ 1.5 crores is eligible for composition levy. As in the given case the aggregate turnover of HCL does not exceed ₹ 1.5 crores, so it is eligible for composition levy in the current year.

However, all registered persons having the same Permanent Account Number (PAN) have to opt for composition scheme. If one such registered person opts for normal scheme, others become ineligible for composition scheme. Thus, HCL Company either has to opt for composition levy for both the verticals or under normal levy for both the verticals.

**Q. 20.** Determine whether the supplier in the following cases are eligible for composition levy:

- (i) Mr. A is a registered person engaged in providing consultancy services in Uttar Pradesh his turnover in preceding year does not exceed ₹ 50 lakh.
- (ii) ABC Ltd is a Manufacturer Helmet has registered offices in UP and MP and make inter- state supply of Helmet. Turnover in preceding year does not exceed ₹ 1.5 crore.

**Answer:**

- (i) A supplier of services or mixed supplier would be eligible for composition scheme, if his turnover in the preceding financial year doesn't exceed ₹ 50 lakh. As per Section 10(1) of the CGST Act, 2017, tax rate will be 6% (3% CGST + 3% SGST)  
As in the given case Mr. A is providing consultancy services, whose preceding Financial year turnover doesn't exceed ₹ 50,00,000, so he can opt for composition scheme.
- (ii) Supplier of inter-State outward supplies of goods is not eligible for composition levy. As in the given case, ABC Ltd a manufacturer makes inter-state supply of goods hence he is not eligible for composition levy.

**Q. 21.** Mr. Himanshu has registered office in UP and Madhya Pradesh and supplies goods in neighboring states. His turnover during previous year does not exceed ₹ 1.5 crore. **Determine whether he is eligible for composition levy.**

**Answer:**

As Mr. Himanshu is engaged in inter -state outward supplies of goods therefore he is not eligible for composition levy.

**Q. 22.** Explain the power of the Government to grant exemption from tax.

**Answer:**

**Section 11 of CGST Act 2017/ Section 6 of IGST Act 2017** provide power of the Government to grant exemption from tax.

(i) **Exemption may be:**

- (a) **General Exemption: Section 11(1) of CGST Act 2017 /Section 6 (1) of IGST Act 2017** empower the Government of India, if it is necessary in public interest to do so on recommendation of the GST council by notification, exempt generally, either absolutely or subject to conditions as may be specified their in, goods or services or both of any specified description from the whole or any part of the tax leviable thereon with effect from such date as may be specified in such notification.

(b) **Absolute Exemption:** In case of Absolute Exemption a taxable person must avail all the benefits of notification without any condition.

(c) **Conditional Exemption:** When conditional exemption is granted then it is upto the registered person to avail it or not. For example Composition scheme.

**Note:** Exemption would be in respect of Goods or Services or both and not specifically for any classes of persons.

(ii) **Special Exemption: 11(2) of CGST Act 2017 /Section 6 (2) of IGST Act 2017** empower the Government of India, if it is necessary in public interest to do so on recommendation of the GST council by Special order in each case under circumstances of an exceptional nature to be stated in such order, exempt from payment of tax any goods or services or both on which tax is leviable

(iii) **Power to clarify scope of exemption: 11(3) of CGST Act 2017 /Section 6 (3) of IGST Act 2017** empower the Government of India if it considers necessary to do so for the purpose of clarifying the scope or applicability of any notification issued u/s 11(1)/6(1) or order issued U/S 11(2)/6(2) insert an explanation in such notification or order as the case may be by notification at any time within ONE YEAR of issue of the notification u/s 11(1)/6(1) or order U/S 11(2)/6(2) & every such explanation shall have effect as if it had always been the part of such first notification or order.

**Q. 23.** Define electronic commerce operator (ECO)? Explain the provision regarding liability of Electronic commerce operator to pay GST.

**Answer:**

**As per section 2(45) of the CGST Act 2017** Electronic commerce operator mean any person who owns, operates or manages digital or electronic facility or platform for electronic commerce.

**Electronic commerce operator** display product as well as services on their electronic portal i.e. website maintained by him which are actually supplied by some other person to the consumer. The consumer buys goods / services through these portal. On placing the order for a particular product/service, the actual supplier supplies the selected product /service to the consumer.

The consideration for the product/service is collected by the Electronic commerce operator from the consumer and after the deduction of commission by ECO passed the balance amount to the actual supplier.

- **Liability of Electronic commerce operator to pay GST:** The Government may on recommendation of GST council , by notification specify categories of services the tax on which shall be paid by ECO if such services are supplied through it.

**Following services have been notified by the Government in this regard:**

- Services by way of transportation of passenger by a radio-taxi, motor cab and motor cycle
- Services by way of providing accommodation in hotel, inns, guest house, clubs or other commercial places meant for residential or lodging purpose Except where the person supplying such service through ECO is liable for registration u/s 22(1) of CGST Act.
- Services by way of house keeping such as plumbing, carpentering etc Except where the person supplying such service through ECO is liable for registration u/s 22(1) of CGST Act.

**Except where the person supplying such service through ECO** is liable for registration u/s 22(1) of CGST Act means if person makes supply of service through ECO and his aggregate turnover Exceed ₹ 20 lakhs ( or ₹ 10 lakhs in case of special category states), then liability to pay GST will be on the person providing the service and not on ECO.

**Q. 24.** Who is liable to pay GST for Specified services when supplied through Electronic commerce operator?

**Answer:**

In case of specified services supplied through ECO the liability to GST is as under:

<b>Location of Electronic commerce operator</b>	<b>Person liable to pay tax</b>
1. If the ECO is located in taxable territory	ECO
2. If ECO does not have any physical presence in the taxable territory	The person representing ECO located in taxable territory.

3. If the ECO has neither the physical presence nor any representative in the taxable territory	ECO would be required to appoint a person in India who would discharge tax liability on its behalf.
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**Q. 25.** What is GST council and its role?

**Answer:**

**Article 279-A** of the Constitution empowers the President to constitute a joint forum of the Centre and States namely, Goods and Service Tax Council (GST Council). GST Council came into force on 12<sup>th</sup> September, 2016. President constituted the GST Council on 15<sup>th</sup> September, 2016.

- **GST Council consists of the following members**

- (1) Chairperson - Union Finance Minister
- (2) Members - Union Minister of State in charge of Revenue or Finance, Minister in charge of Finance or Taxation or any other Minister nominated by each State Government.

- **Role of GST council:**

It makes recommendations to Union and the States on:

- (i) The taxes, cesses and surcharges levied by the union, the States and the local bodies which may be subsumed in GST.
- (ii) The goods and services that may be exempted from the Goods and services Tax,
- (iii) Limit of turnover upto which Goods and services tax may be exempted,
- (iv) Principles of levy, apportionment of goods and services taxes levied on supplies in the course of interstate trade or commerce.
- (v) The rates including floor rates with brands of goods & services tax,
- (vi) Special provision with respect to the states of Arunachal Pradesh, Assam, J&K, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura, Himachal Pradesh and Uttarakhand
- (vii) Any other matters relating to the Goods and services tax, as the Council may decide.

- **Quorum for GST council** should be one half of the total number of Members.

- **Decision of GST council** should be taken at meeting by a majority of not less than  $3/4^{\text{th}}$  of votes of the members present and voting in accordance with the followings principles i.e.

1. The votes of the Central Government shall have $1/3^{\text{rd}}$ of the total votes cast and	2. The votes of all the state Government shall have $2/3^{\text{rd}}$ of the total votes cast, in that meeting.
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**Q. 26.** Write note on Salient Feature of GST.

**Answer:**

- It is levied on Supply of Goods or services or Both in India including Jammu & Kashmir.
- The GST law came into force from 1.7.2017. In J&K from 8.7.2017.
- GST is consumption based tax on supply of Goods or services i.e. GST is a value added tax.
- Supply of Goods or Service is Taxable event.
- Dual GST for supply of Goods or Services within state i.e. in case of supply of Goods or services within State or Union Territory (i.e. Intra state Supply) = CGST is payable to Central and SGST is payable to State government and UTGST is payable to Union Territory.
- IGST is levied in case of INTER STATE SUPPLY. (For example for supply of goods from UP to MP)
- Central Government levy and administer CGST & IGST while respective states / Union territory levy and administer SGST/UTGST.

**Q. 27.** Name the central and state taxes which are subsumed under GST.

**Answer:**

There were seventeen types of taxes is subsumed under GST, they are as under:

Central taxes	State Taxes
1. Central excise duty	1. State VAT.
2. Duties of Excise (Medicinal and Toilet Preparations)	2. CST
3. Additional Duties of Excise(Goods of Special Importance)	3. Luxury tax
	4. Entry tax
	5. Entertainment tax



4. Additional Duties of Excise (Textile and Textile Products	6. Tax on Advertisement
5. Additional duties of Customs i.e. CVD which is equal to Excise duty.	7. Purchase tax
6. Special Additional Duty of Customs which is equal to VAT.	8. Tax on Lotteries , Betting and gambling
7. Service tax	9. State Surcharge and cesses.
8. Cess and surcharge	

**Q. 28.** Name the taxes that are not subsumed under GST.

**Answer:**

**Following taxes are not subsumed under GST:**

- (i) Basic custom duty
- (ii) Electricity and Power
- (iii) Tax on petroleum products
- (iv) Alcoholic liquor for human consumption
- (v) Stamp duty

**Q. 29.** What is written in Entry 84 and Entry 54 of VII<sup>th</sup> Schedule of List I union List and List II of State List after amendment in Constitution?

**Answer:**

<b>Union List I:</b> Entry 84 has been substituted as follows	<b>State List II:</b> Entry 54 has been substituted as follows
Duties of Excise on the following goods manufactured or produced in INDIA namely: (a) Petroleum crude (b) High speed diesel (c) Motor spirit ( i.e. Petrol) (d) Natural Gas (e) Aviation turbine fuel and (f) Tobacco and Tobacco product	Taxes on sale of (a) Petroleum crude (b) High speed diesel (c) Motor sprit ( i.e. Petrol) (d) Natural Gas (e) Aviation turbine fuel and alcoholic liquor for human consumption but not including sale in the course of Interstate trade or commerce or sale in course of International trade or commerce of such goods.

**Q. 30.** What is SGST/CGST/IGST/?

**Answer:**

- The GST levied on the INTRA-STATE supply of Goods or services by the centre is Central GST (CGST) and that by State is State GST (SGST). Law relating to CGST is made by Central Government i.e. CGST Act 2017. There are 1 to 174 sections under CGST Act. Law relating to SGST is made by States i.e. SGST Act 2017. There are 1 to 174 sections under SGST Act.

**For example:** Mr. Himanshu , a dealer in Uttar Pradesh sold goods to Mr. Ravi in Uttar Pradesh for ₹ 20,000. The GST rate is 18% comprising of CGST rate of 9% and SGST rate of 9 %. In such case the dealer (Himanshu) Collect ₹ 3600 and ₹ 1800 will go to the Central Government and ₹1800 will go to the Uttar Pradesh.

- On INTER STATE supply of goods and services Integrated GST (IGST) is collected by centre. IGST is also applicable on Import.

**For example:** Mr. Himanshu , a dealer in Uttar Pradesh sold goods to Mr. Ravi in Madhya Pradesh for ₹ 20000. The GST rate is 18% comprising of CGST rate of 9% and SGST rate of 9 %. In such case the dealer (Himanshu) Collect ₹ 3,600 as IGST. This IGST will go to the Centre.

**Q. 31.** What is UTGST?

**Answer:**

The full form of UTGST is Union Territory Goods and services tax. It is Part of GST in India. GST under supply of goods and services takes place in 5 Union territories (i.e. Andaman and Nicobar, Lakshadweep, Daman and Diu and Dadra and Nagar Haveli, Ladakh and Chandigarh are accounted under UTGST.

**Q. 32.** What do you mean by CESS?

**Answer:**

**CESS: section 2(22):** "Cess" shall have same meaning as assigned it in Goods & services tax (compensation to States) Act.

According to Section 2(c) of The goods and services tax (Compensation to States) Act 2017 cess means the goods and services tax compensation cess levied under Section 8.

**Section 8 provides that:**

1. There shall be levied cess on

Such intra-state supplies of goods or services or both as provided in Section 9 of the Central Goods and services tax Act	and	Such inter-state supplies of goods or services or both as provided for in section 5 of the IGST Act
and collected in such manner as may be prescribed on the recommendation of the Council, for the purpose		

2. The Cess shall be levied on supplies of goods or services as specified in column (2) of schedule On the basis of value, quantity or on such basis at such rate not exceeding the rate set forth in corresponding entry in column (4) of the schedule i.e.

<p>(a) Pan masala,          (b) Tobacco and Manufactured tobacco substitutes including tobacco products          (c) Coal, briquettes, ovoids &amp; similar solid fuel manufactured from coal, lignite whether or not agglomerated, excluding jet, peat including peat litter whether or not agglomerated          (d) Aerated waters          (e) Motor car and other Motor vehicles principally designed for transport of person.</p>
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**Q. 33.** What are rates of Tax under GST Law?

**Answer:**

Rate	Applicability
0% i.e. Zero Rate	Food grain and Agricultural produce cultivated out of Land ex. Rice etc.
0.25%	Diamonds and precious stones.
5%	Essential items like Egg, Dairy products etc.
12%	Standard Rate for Goods on which duty in the pre GST regime is levied from 13% to 15%.

18%	Standard Rate for Goods on which duty in the pre GST regime is levied from 15% to 18%.
28%	Luxury goods and sin goods like Luxury car, tobacco product etc.

**Q. 34.** What is Goods and Service tax Network? Explain the function of GSTN.

**Answer:**

**Goods and Services Tax Network (GSTN) is as per Section 8 of the Companies Act, 2013,**(not for profit), non-Government, Private Limited Company. It is a special purpose vehicle set up by Government of India and all State Government for laying the IT infrastructure for GST to provide a shared IT infrastructure and Services to Central and State Governments, tax payers and other stakeholders for implementation of GST. GSTN provides three front end services to the taxpayers (i) Registration (ii) Payment (iii) return through GST common portal.

**Functions of the GSTN:**

The function of GSTN includes:

- Facilitating registration
- Forwarding the returns to Central and State Authorities
- Computation and settlement of IGST
- Matching of tax payment details with banking network
- Providing MIS reports to the central and the state government based on the taxpayer return information,
- Providing analysis of tax payers profile and
- Running the matching engine for matching, reversal and reclaim of input tax credit.

## **PRACTICAL QUESTIONS**

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**Q. 1.** (Intra-state supply of Goods)

XYZ Ltd. having registered office in Prayagraj makes supply of goods to ABC Ltd having registered office in Kanpur for ₹ 4,00,000. ABC Ltd. sells the goods to its customer in Kanpur for ₹ 42,00,000. What would be the tax implication under GST? Assume Rate of Tax is 18%

**Answer:**

Particulars	XYZ Ltd.	ABC Ltd.
Value of supply of Goods	40,00,000	42,00,000
Total Tax Liability		
CGST @ 9%	3,60,000	3,78,000
SGST @ 9%	3,60,000	3,78,000
Less: Input Tax credit		
CGST	Nil	3,60,000
SGST	Nil	3,60,000
Tax Payable in cash		
CGST	3,60,000	18,000
SGST	3,60,000	18,000

**Q. 2.** (Inter-state purchase of goods and intra state supply of Goods)

XYZ Ltd. having registered office in Prayagraj makes supply of goods to ABC Ltd. having registered office in Delhi for ₹ 20, 00,000. ABC Ltd. sells the goods to its customer in Delhi for ₹ 21, 00,000. What would be the tax implication under GST? Assume Rate of Tax is 18%.

**Answer:**

Particulars	XYZ Ltd.	ABC Ltd.
Value of supply of Goods	20,00,000	21,00,000
Total Tax Liability		
CGST @ 9%	Nil	1,89,000
SGST @ 9%	Nil	1,89,000

IGST @ 18%	3,60,000	Nil
Less Input Tax credit		
CGST	Nil	1,89,000
SGST	Nil	1,71,000
IGST		
Tax Payable in cash		
CGST	Nil	Nil
SGST	Nil	18,000
IGST	3,60,000	Nil

**Q. 3.** (Intra-state purchase of goods and inter state supply of Goods)  
XYZ Ltd having registered office in Prayagraj makes supply of goods to ABC Ltd having registered office in Kanpur for ₹ 20,00,000. ABC Ltd sells the goods to its customer in Mumbai for ₹ 21,00,000. What would be the tax implication under GST? Assume Rate of Tax is 18%

**Answer:**

Particulars	XYZ Ltd.	ABC Ltd.
Value of supply of Goods	20,00,000	21,00,000
Total Tax Liability		
CGST @ 9%	1,80,000	Nil
SGST @ 9%	1,80,000	Nil
IGST @ 18%	Nil	3,78,000
Less Input Tax credit		
CGST	Nil	1,80,000

SGST	Nil	1,80,000
IGST	Nil	
Tax Payable in cash		
CGST	1,80,000	Nil
SGST	1,80,000	Nil
IGST	Nil	18,000

**Q. 4.** (Inter-state purchase of goods & inter state supply of Goods)

XYZ Ltd. having registered office in Prayagraj makes supply of goods to ABC Ltd. having registered office in Delhi for ₹ 20,00,000. ABC Ltd. sells the goods to its customer in Mumbai for ₹ 21, 00,000. What would be the tax implication under GST? Assume Rate of Tax is 18%

**Answer:**

Particulars	XYZ Ltd.	ABC Ltd.
Value of supply of Goods	20,00,000	21,00,000
Total Tax Liability		
CGST @ 9%	Nil	Nil
SGST @ 9%	Nil	Nil
IGST @ 18%	3,60,000	3,78,000
Less Input Tax credit		
CGST	Nil	Nil
SGST	Nil	Nil
IGST	Nil	3,60,000
Tax Payable in cash		
CGST	Nil	Nil
SGST	Nil	Nil
IGST	3,60,000	18,000

**Important Definitions:**

1. Aggregate Turnover: According to Section 2(6) of CGST Act 2017 Aggregate Turnover means aggregate value of

<ul style="list-style-type: none"> <li>• All taxable supplies (excluding value of inward supplies on which tax is payable by a person on reverse charge basis.</li> <li>• Exempt supplies</li> <li>• Export of goods or services or both and</li> <li>• Inter- state supplies of persons having the same PAN</li> </ul>	<p style="text-align: center;"><b>But Excludes</b></p> <ul style="list-style-type: none"> <li>• Central tax</li> <li>• State tax</li> <li>• Union territory tax</li> <li>• Integrated Tax and</li> <li>• Cess.</li> </ul>
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In short we can say that Aggregate Turnover is sum of all supplies i.e. = **Taxable + Exempt+ Non taxable+ Export** either on his own account or on account of somebody else.

2. **BUSINESS [Section 2(17)]: Business includes**

- |  |
|--|
| <ol style="list-style-type: none"> <li>a. Any trade, commerce, manufacture, profession, vocation, adventure, wager or any other similar activity whether or not it is for a pecuniary benefit.</li> <li>b. Any activity or transaction in connection with or incidental or ancillary to sub clause(a)</li> <li>c. Any activity or transaction in nature of sub-clause (a) whether or not there is volume, frequency, continuity or regularity of such transaction.</li> <li>d. Supply or acquisition of goods including Capital Goods and services in connection with commencement or closure of business.</li> <li>e. Provision by a club, association, society or any such body (for subscription or any other consideration) of facilities or benefits to its members.</li> <li>f. Admission for consideration of persons to any premises.</li> <li>g. Services supplied by a person as holder of an office which has been accepted by him in the course or furtherance of his trade, profession or vocation.</li> <li>h. Activities of a race club including by way of totalisator or a licence to book maker or activities of licenses book maker in such club.</li> <li>i. Any activity or transaction undertaken by the central government, state government or any local authority in which they are engaged as public authority.</li> </ol> |
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**3. CAPITAL GOODS [Section 2(19)]:** means the value of which is capitalized in the books of account of the person claiming the input tax credit and which are used or intended to be used in the course of or furtherance of business.

**4. EXEMPT SUPPLY [Section 2(47)]:** means supply of any goods or services or both which attracts

Nil rate of Tax or	Which may be wholly exempt from tax U/S 11 of CGST or u/s 6 of IGST and	Includes non taxable supply.
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**5. INDIA [Section 2(56)] India means**

- (a) The territory of India as referred in article 1 of the Constitution
- (b) Its territorial water, seabed and sub soil underlying such water, continental shelf, EEZ or any other maritime Zone as referred to in the territorial water, continental shelf, EEZ and other maritime Zone Act 1976 and
- (c) The air space above its territory & territorial waters.

**6. PERSON section 2(84):** includes

- (a) An individual
- (b) A Hindu Undivided family
- (c) A company
- (d) A firm
- (e) A LLP
- (f) An association of person or a body of Individual, whether incorporated or not in India or Outside India
- (g) Any Corporation established by/ under any central , state or provincial Act or Government Company as defined in Section 2(45) of Companies Act 2013
- (h) Any co-operative society registered under law relating to co-operative societies
- (I) A local authority
- (j) Central government or a state government
- (k) Society as defined under society Registration Act 1860
- (l) Trust
- (m) Every Artificial jurisdiction person not falling within any of the above

7. **REVERSE CHARGE Section 2(98):** Means the liability to pay tax by recipient of supply of goods or services or both instead of the supplier of such goods or services or both under Section 9(3)/9(4) or u/s 5(3)/5(4) of IGST Act.
8. **QUARTER: Sec 2(92) :** Means a period comprising of Three consecutive calendar months ending on last day of MARCH, JUNE, SEPTEMBER and DECEMBER of calendar year.
9. **Family means:** Spouse and children of the person and parent, grandparents, brother and sisters of the person if they are WHOLLY or mainly dependent on said person.
10. **FUND means Consumer welfare fund establishment u/s 57.**