

CASE STUDIES - GST

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CASE STUDIES ON GST

Question

Salman Khan and Sharukh Khan's movie both is releasing on 1st October 2019. Salman forbided Sharukh to release movie and paid Rs 10 Lakhs to him for not releasing movie on 1st October 2019.

Is amount on Rs 10 lakh taxable in hands of Sharukh?

If Yes, What is nature of services provided?



Solution

- As per Section 7 read with Schedule II of CGST Act 2017, Agreeing to do an Act or Tolerance of an Act is Supply under GST Law.
- As per Section 2 (31) of CGST Act 2017, the monetary value of any act or forbearance, whether or not voluntary is consideration under GST.
- Thus Sharukh khan has supplied services to Salman Khan of Agreeing to do an Act / Tolerance of an act and in relation to supply of such services Sharukh has received consideration of Rs 10 Lakhs.
- Sharukh Khan is required to collect GST on Rs 10,00,000.
- If Sharukh does not collect GST than he it shall be treated as Rs 10 Lakh is inclusive of GST and sharukh shall be required to pay GST as Rs (10 Lakh * 18/118).

CASE STUDIES ON GST

Question

Mr. A (Unregistered) in Maharashtra wants to work in USA. Hence he obtain career consultancy services from UK Based Consultant and he paid him Rs 50,000 as consideration.

Mr. A seeks your advise regarding GST.

What is section number for same?



Solution

- As per Section 7(1)(b), Import of Services for a consideration whether or not in course or furtherance of business is Supply under GST Law.
- Mr. A has Imported Services for consideration of Rs 50,000.
- Hence Mr. A shall be required to get registered under GST Law and pay GST under Reverse Charge Mechanism irrespective of fact that it is not in course or furtherance of Business or Profession.

CASE STUDIES ON GST

Question

Mr. A is professor (Registered in Maharashtra) giving online coaching. He seeks your advise for Place of Supply for following Recipient

- a) Mr. B (Registered in Delhi).
- b) Mr. C (Un-Registered) but address on record says Goa.
- c) Mr. D (Un-Registered) and address is not available



Solution

- a) In given case, Mr. B is Registered in Delhi. Hence Place of Supply of Services shall be Delhi ie **Location of Registered Recipient.**
- b) In given case, Mr. C is Unregistered but address on Record says Goa. Hence Place of Supply shall be Goa ie **Location as per Address on Records.**
- c) In given case, Mr. D is Unregistered and address is also not available. Hence Place of Supply shall be Maharashtra ie **Location of Supplier of Services.**

CASE STUDIES ON GST

Question

Mr. A dealer of Air Conditioners, permanently transfers an Air Conditioner **costing Rs 50,000** from his Stock in Trade **(ITC availed at time of purchase of A.C.)** for personal use at his Residence.

Will Transaction be considered as Supply?

If Yes what shall be value of supply (M.V is not available)?



Solution

- As per Section 7 (c) read with Schedule I of CGST Act 2017, Permanent Transfer / Disposal of Business Assets on which Input Tax Credit is availed shall be Supply under GST Law even though it is without consideration.
- In given case, Mr. A had availed Input Tax Credit on purchase of Asset.
- Hence permanent transfer of such asset to his residence even though without consideration shall be Supply as per Section 7 (c) read with Schedule I of CGST Act 2017.
- Mr. A shall be required to pay GST as per Rule 27, 28 ie Cost + 10% ie Rs 55,000.

CASE STUDIES ON GST

Question

Mr. N has made a new product (Product A).

He incurred cost (excl GST) of Rs 50,00,000 and availed ITC of Rs 2,50,000.

In order to penetrate into market he gave supplied all products to customers for free.

Whether this will be considered as Supply under GST ?

What shall be Value of Supply (M.V. not available)?

Solution

- As per Section 7 (c) read with Schedule I of CGST Act 2017, **Permanent Transfer / Disposal of Business Assets on which Input Tax Credit is availed shall be Supply** under GST Law even though it is without consideration.
- In given case, Mr. N had availed Input Tax Credit on purchase of Product A.
- Hence permanent transfer of such product even though without consideration shall be Supply as per Section 7 (c) read with Schedule I of CGST Act 2017.
- Mr. N shall be required to pay GST as per Rule 27, 28 ie Cost + 10% ie Rs 55,00,000/-.

CASE STUDIES ON GST

Question

Mr. D has office in Maharashtra & Kerela.

He has goods costing Rs 50,00,000 and availed ITC of Rs 2,50,000 in Maharashtra Godown.

He transferred goods from Maharashtra to his office in Kerela without consideration.

He seeks your advise regarding Taxability and also Value of Supply.



Solution

- As per Section 25 (2) of CGST Act 2017, every person shall obtain separate registration for separate states. Hence Mr. D is required to get registered in state of Maharashtra and Kerela.
- As per Section 7 (c) read with Schedule I of CGST Act 2017, Supply of Goods or Services or both between **Related or Distinct Person** shall be Supply under GST Law even though such goods or services or both are supplied without consideration.
- In given case, Mr. D have supplied goods from Maharashtra to Kerela without consideration. Thus As per Schedule I of CGST Act 2017, such transferred shall be considered as Supply under GST.
- Value of Supply shall be as per Rule 28 of Valuation Rules.
- Since Open Market Value and Value of like kind and Quality is not available, **Value of Supply shall be 110 % of Cost of Production is Rs 50 Lakhs * 110% = Rs 55,00,000/-**
- Mr. D is required to charge GST on Rs 55,00,000/-
- He can also use Proviso 1 ie 90% of Price at Kerela.

CASE STUDIES ON GST

Question

Mr. A purchased New Car from Dealer X.

Sales Price of Car is Rs 10,00,000/-.

Mr. A paid Rs 8,00,000 and gave his old car.

Dealer X seeks your advise whether he should charge GST on Rs 8,00,000/- or Rs 10,00,000/-?



Solution

- As per Section 7 (a) of CGST Act 2017, Supply includes all forms of supply of goods and/or services 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.
- As per Section 2 (31) of CGST Act 2017, Consideration includes any payment made or to be made, **whether in money or otherwise**, in respect of, in response to, or for the inducement of, the supply of goods or services, whether by the recipient or by any other person but shall not include any subsidy given by the Central Government or a State Government;
- As per **Rule 27 of CGST Rules 2017**, if price is not sole consideration in relation to supply than Value of Supply shall be "Open Market Value"
- Hence In given case, Value of Supply shall be Open Market Value ie Rs 10,00,000/-
- Dealer is required to charge GST on Rs 10,00,000/-

Question:

Mr. Sunil More, a supplier of goods has business model in which he supplies goods to client and collects cash immediately.

He gives customers 15 days time where they can return the goods and Mr. Sunil shall return entire cash so collected.

Normally 75% of Goods are returned by Customers.

Mr. Sunil More seeks your advise whether Time of Supply shall be Date of Sales? or Date after 15 days of date of sale where customer can not return the goods after 15 days

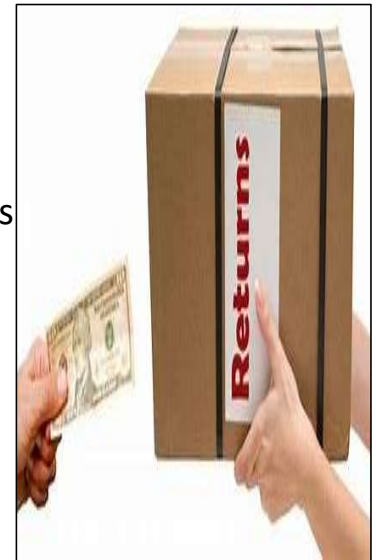
Ans:

As per section 12(2) of CGST Act, Time of supply shall be “Date of Removal of Goods”.

Goods Return within 15 days is suppliers method to increase his sales.

It is immaterial that 75% of Goods are returned by customers.

Time of supply shall be “Date of Removal of Goods”.



CASE STUDIES ON GST

Question

Mr. A of X Ltd violated Companies Policy.

Hence Company has recovered Rs 50,000 from Mr. A.

X Ltd seeks your advise regarding GST Applicability on Rs 50,000. Also what is nature of services provided by X Ltd?

Solution

- As per Section 7 read with Schedule II of CGST Act 2017, **Agreeing to do an Act or Tolerance of an Act is Supply under GST Law.**
- In given case, X Ltd has provided Services of Tolerance of an Act and hence Rs 50,000 so recovered shall be treated as Consideration received in relation to Tolerance Services provided.
- X Ltd shall be liable to collect and pay GST on Rs 50,000/-



CASE STUDIES ON GST

Question

A Ltd a builder had given contract to B Ltd to construct a Building within 3 years.

B Ltd could not complete the Building within 3 years hence A Ltd recovered Rs 8 Crores / Compensation.

a) A Ltd seeks your advise on GST ?

b) A Ltd also seeks your advise on earnest money (Rs 5 Lakhs) forfeited of Mr. Z who had earnest money but later cancelled the Flat.



Solution

- As per Section 7 read with Schedule II of CGST Act 2017, **Agreeing to do an Act or Tolerance of an Act is Supply under GST Law.**
- In given case, A Ltd has provided Services of Tolerance of an Act and hence Rs 8 Crores so recovered shall be treated as Consideration (Compensation) received in relation to Tolerance Services provided.
- A Ltd shall be liable to collect and pay GST on Rs 8 Crores.
- In Point b) also A Ltd has provided Services of Tolerance of an Act and hence Earnest money of Rs 5 Lakhs so forfeited shall be treated as Consideration received in relation to Tolerance Services provided. A Ltd shall be required to collect and pay GST on Rs 5 Lakhs.

CASE STUDIES ON GST

Question

Mr. A, **Second Hand Dealer of Car** purchases Car from Mr. X for Rs 2 Lakhs.

After cleaning the Car he sells the same Car to Mr. Y for Rs 2,15,000

- a) What shall be Value of Supply
- b) What shall be Value of Supply if car is sold for Rs 1.8 Lakhs
- c) What shall be Value of Supply if Mr. X had charged GST (2,00,000 + 12%) and Mr. A had claimed Input Tax Credit.

Solution

As per Rule 32(5) of CGST Rules, ABC & Co shall be required to pay **GST only on Margin** ie difference between Selling Price & Purchase Price provided No Input Tax Credit is claimed on purchase of Goods.

- a) Value of Supply shall be on Margin of Rs 15,000 (Rs 2,15,000 – Rs 2,00,000)
- b) Value of Supply shall be NIL (Car is sold in Loss)
- c) Value of Supply shall be Rs 2,15,000 as Mr. A had availed Input Tax Credit on purchase of Motor Car.

CASE STUDIES ON GST

Question

Mr. A is Registered Supplier of Goods in state of Maharashtra.

In order to increase sales, he does an exhibition of his goods in state of delhi and sells goods in state of Delhi worth Rs 5 Lakh + 18% IGST.

Mr. A seeks your advise whether he has correctly paid IGST ?

Solution

- Mr. A is an Un-Registered Dealer in State of Delhi.
- Mr. A is required to get registered as “ **Casual Taxable Person**” in State of Delhi.
- Mr. A can get registered for minimum 1 day and maximum for 90 days.
- He can also extend his registration as Casual Taxable Person by further 90 days by permission of GST Commissioner.
- Mr. A is also required to pay Estimated GST Liability 5 days in advance.
- Mr. A shall charge CGST and SGST of Delhi State.



CASE STUDIES ON GST

Question

Mr. A has huge office building.

In order to improve security of office building it approaches Co B for designing, providing, installing, commissioning, operation and maintenance of CCTV Cameras.

Co B designs security systems & install CCTV cameras, tests it, runs it, make necessary changes and completes installation.

Co B charges Rs 50 Lakhs plus GST as sale of CCTV Cameras.

Co B seeks your advise on Classification and GST Rate?



Solution

- **Composite supply** means a supply is comprising two or more goods/services, which are naturally bundled and supplied in conjunction with each other in the ordinary course of business, one of which is a principal supply.
- Tax Rate on Principal Supply shall be applied on Entire Supply.
- In given case, **Principal Supply is Installation of Security Systems** ie designing, providing, installing, commissioning, operation and maintenance.
- Supply of **CCTV Cameras is ancillary**.
- Hence GST Rate applicable on Security Systems shall be applicable on entire Consideration of Rs 50 Lakhs.
- **Company B must charge GST Rate of Security Systems of 18%**. Co B's contention to treat entire Supply as Sale of CCTV Cameras is incorrect.

CASE STUDIES ON GST

Question

A LTD came with an offer of 1 plus 1 offers / 20% extra quantity offers on shampoos, hair oils etc. Mr. A seeks your advise about

- a) Whether he is required to reverse Input Tax Credit on Extra Quantities given?
- b) Whether such extra quantities given shall be considered as Free Supply and be subjected to GST?



Solution

- As per **Circular No. 92/11/2019-GST-F.No. 20/16/04/2018-GST**, it is clarified that discounts offered by the suppliers to customers (including staggered discount under “Buy more, save more” scheme and post supply / volume discounts established before or at the time of supply) shall be excluded to determine the value of supply.
- It is further clarified that the supplier shall be entitled to avail the ITC for such inputs, input services and capital goods used in relation to the supply of goods or services or both on such discounts. **Hence reversal of ITC credit is not required.**
- **Hence A Ltd is neither required to reverse Input Tax Credit nor is required to charge GST treating as Free Supplies.**
- **Consideration so charged in total shall be Value of Supply.**

CASE STUDIES ON GST

Question

PQR, a Partnership Firm, offer periodic / year ending discounts to their stockists.

For example- Get additional discount of 1% if you purchase 10000 pieces in a year, get additional discount of 2% if you purchase 15,000 pieces in a year.

- a) PQR Firm seeks your advise for treatment of Discount under GST.
- b) PQR Firm also wish to know about documents required
- c) Also Stockists are seeking your advise about Eligibility of Input Tax Credit.

Solution

- Discounts are not shown on the invoice as the actual quantum of such discounts gets determined after the supply has been effected and generally at the year end. However such discounts are known at time of supply.
- However **Agreement is entered into** at or before the time of supply with customers.
- In commercial parlance, such discounts are colloquially referred to as **“volume discounts”**
- Such discounts are passed on by the supplier through **CREDIT NOTES** and also reduce GST.
- Circular No. 92/11/2019-GST-F.No. 20/16/04/2018-GST Clarifies that discounts offered by the suppliers to customers shall be excluded to determine the value of supply as discounts is established before or at the time of supply. However they must satisfy the parameters laid down in sub-section (3) of section 15 of the said Act.
- It is further clarified that the supplier shall be entitled to avail the ITC for such inputs, input services and capital goods used in relation to the supply of goods or services or both on such discounts.
- However Stockists shall be required to reverse ITC component for ITC in Credit Notes received.

CASE STUDIES ON GST

Question

Mr. A supplies 10000 packets of biscuits to M/s B at Rs. 10/- per packet.

Afterwards M/s A give discount of Re 1 per packet for early payment.

Subsequently, M/s A issues credit note to M/s B for Rs. 1/- per packet.

a) Mr. A seeks your advise for treatment of Discount under GST.

b) Also Mr. B is seeking your advise about Eligibility of Input Tax Credit.



Solution

- Co A has given **SECONDARY DISCOUNT** ie discount was not known before / during the supply.
- As per Section 34, Where one or more tax invoices have been issued for supply of any goods or services or both and
 - a) Taxable Value or Tax charged in that tax invoice is found to exceed the taxable value or tax payable in respect of such supply, or
 - b) where the goods supplied are returned by the recipient, or
 - c) where goods or services or both supplied are found to be deficient,
- Than the registered person, who has supplied such goods or services or both, may issue to the recipient one or more credit notes for supplies made in a financial year containing such particulars as may be prescribed.”
- In given case, Mr. A cannot issue credit note as per Section 34 as Mr. A is not falling in any of the conditions for issue of credit note as per Section 34.
- Circular 92/11/2019-GST-F.No. 20/16/04/2018-GST clarifies that **financial / commercial credit note(s) can be issued by the supplier** ie without touching GST Component.
- **Also Mr. B is not required to reverse Input Tax Credit.**

CASE STUDIES ON GST

Question



ABC HUF, offer free gifts (Televisions, Mobiles) to distributors on meeting certain targets to incentivize the distribution process.

ABC HUF had purchased such Televisions and Mobiles and had availed Input Tax Credit on it.

ABC HUF seeks your advise whether it shall be subjected to GST for Free Gifts to distributors.

Solution

- As per Section 7 (c) read with Schedule I of CGST Act 2017, Permanent Transfer / Disposal of Business Assets on which Input Tax Credit is availed shall be Supply under GST Law even though it is without consideration.
- In given case, ABC **HUF had availed Input Tax Credit on purchase** of Television and Mobiles.
- Hence permanent transfer of such asset to distributors even though without consideration shall be Supply as per Section 7 (c) read with Schedule I of CGST Act 2017.
- ABC HUF shall be required to pay GST as per Valuation Rules.

CASE STUDIES ON GST

Question

Mr. A, an NRI wants to start a New Business in India (Delhi).

But he wants to do business only for 15 to 20 days and his expected Turnover shall be 8 Lakhs.

Mr. A seeks your advise.

Solution

- Mr. A is required to get registered as “ **NRI**” in State of Delhi.
- Mr. A can get registered for minimum 1 day and maximum for 90 days.
- He can also extend his registration as Casual Taxable Person by further 90 days by permission of GST Commissioner.
- Mr. A is also required to pay Estimated GST Liability 5 days in advance on Rs 8 Lakhs.
- Mr. A shall charge CGST and SGST of Delhi State.

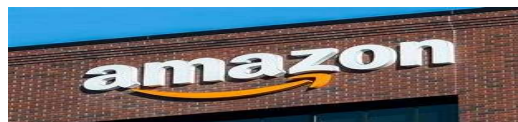


CASE STUDIES ON GST

Question

Amazon offered cashback to its customers on purchase of products that were available on its website. Suppliers (Eg Mr. A) registered on Amazon Portal are not offering any cash back or discount.

Can Suppliers (Eg Mr. A) treat it as discount and charge GST only on Net Value (Invoice Less Cashback)



Solution

- E-Commerce operators like paytm and amazon offer various cashbacks to customers on the purchase of products that are available on their website.
- **These cashback coupons are not provided by the supplier and the expenditure in this regard is borne by the E-Commerce operator to increase the customer base on their website.**
- In this case, the customer is required to pay the entire price of the product and only subsequent to the purchase the cashback amount is credited in his wallet.
- Since, this type of cashback is also discount offered at the time of sale which cannot be recorded on the invoice issued by the supplier (as the supplier has nothing to do with the cashback), **such cashback shall not have the effect of reducing the GST liability.**
- It shall be considered as **Marketing Expenses in books of E Commerce Operator.**

CASE STUDIES ON GST

Question

Mr. A is supplier of Fabric and Cloth registered in Maharashtra.

To increase his sales he went to Gujarat for Exhibition for 7 days.

He has charged IGST on Invoices for supply made to Gujarat State. Mr. A seeks your advise?

Solution

- Mr. A is an Un-Registered Dealer in State of Gujarat.
- Mr. A is required to get registered as “ **Casual Taxable Person**” in State of Gujarat.
- Mr. A can get registered for minimum 1 day and maximum for 90 days.
- He can also extend his registration as Casual Taxable Person by further 90 days by permission of GST Commissioner.
- Mr. A is also required to pay Estimated GST Liability 5 days in advance.
- Mr. A shall charge CGST and SGST of Gujarat State.

CASE STUDIES ON GST

Question

Mr. A placed an order of Material B (GST Rate – 12%) with ABC Pvt Ltd.

Selling Price of Material B was Rs 5,00,000/-.

ABC Ltd packed goods, insured the goods (GST Rate – 18%), transported goods (GST Rate – 5%) and hence raised an Invoice of Rs 5,10,000/-.

ABC Ltd seeks clarity on Nature of Supply?



Solution

- Composite supply means a supply is comprising two or more goods/services, which are **naturally bundled** and supplied in with each other in the ordinary course of business, one of which is a principal supply.
- Tax Rate of Principal Supply shall be applicable on entire supply.
- In given case, Supply of Material B is Principal Supply. Packing, Insurance and Transportation are ancillary activities.
- Hence Rate of GST on Material B shall be Rate applicable on entire supply.

CASE STUDIES ON GST

Question

Columbia Asia Hospital Pvt Ltd is engaged in providing Health Care Services (Exempt).

It is operating from 6 states and also registered in GST in 6 states.

Employees of head office are engaged in Accounting, Administrative, and maintenance of IT Systems.

a) Company seeks your advise about Supply and Value of Supply?



Solution

- Appellate Authority for Advance Ruling has held that Employees of head office are engaged in Supply of Accounting, Administrative and Maintenance of IT Systems to its other distinct units.
- Such activity is to be treated as a taxable supply in terms of the entry 2 of Schedule I read with Section 7 of the CGST Act .
- Valuation shall be as per Valuation Rules ie Rule 28 of CGST Rules 2017.

CASE STUDIES ON GST

Question

XYZ Ltd (Regd in Maharashtra) is going to organize Events for **PQR Ltd (URD)** in multiple states.

a) XYZ Ltd seeks clarity on Value of Supply if Contract is silent about consideration.

However he gives details that Number of Events in Maharashtra shall be 3, in goa it shall be 2 and in Delhi it shall be 5 **and Total Contract Value is Rs 10 Lakhs (Excluding GST).**

Solution

- As per sub section 7 of Section 12 of IGST Act, Where the event is held in more than one State or Union territory and a consolidated amount is charged for supply of services relating to such event, the place of supply of such services shall be taken as being in each of the respective States or Union territories in proportion to the value for services separately collected or determined in terms of the contract or agreement entered into in this regard or, in the absence of such contract or agreement, on such other basis as may be prescribed.
- In Case a) XYZ shall charge GST on 1 Lakh in Maharashtra, 5 Lakh in Goa and 2 Lakhs in Delhi.
- In Case b) XYZ shall charge GST on any reasonable basis.
- Hence XYZ shall charge GST on basis of number of Events ie it should charge GST on 3 Lakhs in Maharashtra (3/10), 2 Lakhs in Goa (2/10) and 5 Lakhs in Delhi (5/10)

Question.

Mr Abhisekh (Registered in Maharashtra) is supplier of services. He seeks your advise on Place of Supply regarding following transactions.

- a) Supplied Passenger Transportation Services to Mr B (Registered in Kerela). Mr B started his journey from Mumbai and destination was delhi.
- b) Supplied consultancy services to Mr C (Registered in Maharashtra). Such services were provided when both Mr Abhisekh and Mr C were in UK for holiday. Mr Abhisekh had raised an Invoice of Rs 5,000. Mr C is saying GST shall not be applicable as it is Export of Services.
- c) Supplied Immovable Property services to Mr D (Registered in Delhi). Immovable Property is situated in Dubai.
- d) Supplied Immovable Property Services to Mr E of UK. Immovable Property is in Delhi (India).
- e) Supplied services in relation to transportation of goods to Mr F (Registered in Goa). Goods were loaded from Mumbai and Destination was MP.
- f) Supplied Restaurant / Catering Services to Mr K. Restaurant was in Maharashtra and Mr K had come from Delhi to have lunch with clients.

Ans a) As per Section 12(9) of CGST Act 2017, POS for Passenger Transportation Services shall **be location of Registered Person** if this services are supplied to Registered Person. **Hence POS shall be Kerela**. It is immaterial where Mr B commences or ends his journey.

Ans b) As per Section 12(9) of CGST Act 2017, POS for General Services shall **be location of Registered Person** if this services are supplied to Registered Person. **Hence POS shall be Maharashtra**. It is immaterial that Mr Abhisekh and Mr C are in UK.

Ans c) As per Proviso to Section 12(3) of CGST Act 2017, POS for Immovable Property Services shall be **Location of Registered Recipient if property is situated outside India**. Hence POS shall be Delhi.

Ans d) As per Section 12(3) of CGST Act 2017, POS shall be **location of Immovable Property**. Hence POS shall be Delhi. It is immaterial that Mr E is ok UK.

Ans e) As per Section 12(8) of CGST Act 2017, POS for Goods Transportation Services shall **be location of Registered Person** if this services are supplied to Registered Person. **Hence POS shall be Goa**. It is immaterial that goods are loaded in Mumbai and unloaded in MP.

Ans f) As per Section 12(4) of CGST Act 2017, POS for Restaurant Services shall be location where **services are actually performed**. Hence POS shall be Maharashtra.

Question.

Mr. Rajeev Kapoor (Registered in Maharashtra) is partner of firm.
He allowed partnership firm to carry business from his premises.
He is not recovering any amount from Firm (Free Supply).
He seeks your advise regarding GST Applicability on such transaction.

Ans:

- As per Schedule I of CGST Act 2017, Supply of services between related person shall be taxable supply whether consideration is charged or not.
- In given case, Mr. Rajeev has supplied “FREE SERVICES” to Firm.
- As per Rule 28 of CGST Rules 2017, Supply of services between related person shall be “Market Value of such services”
- Hence he shall be liable to pay GST on “Market Value”.

CASE STUDIES ON GST

Question

PQR Firm is supplier of Material A which is very useful products for farmers.

Selling Price of Product is Rs 10,000 + GST.

Government announced subsidy of 50% on Material A.

- a) Subsidy was given to Supplier ie Government was paying 50% directly to Supplier.
- b) Subsidy was given by Tata Ltd.

Solution

As per Section 2 (31) of CGST Act 2017, any payment made or to be made, whether in money or otherwise, in respect of, in response to, or for the inducement of, the supply of goods or services, whether by the recipient or by any other person **but shall not include any subsidy given by the Central Government or a State Government;**

- a) In case a) since subsidy is given by Government to Supplier, such subsidy shall not form part of consideration. Hence PQR shall charge GST only on Rs 5,000 ($10,000 * 50\%$)
- b) In case c) since subsidy is paid by TATA Ltd ie not by government, such subsidy shall not be excluded from Value of Supply and GST shall be charged on entire Rs 10,000/-.



CASE STUDIES ON GST

Question

C Ltd is into business of Footwear.

It has canteen in its premises for its employees where it **recovers the consideration from its employees** without any profit margin.

a) C Ltd seeks your advise about Supply and Value of Supply?

Solution

As per Section 2 (17) of CGST Act 2017, Business includes

a) Any trade, commerce, manufacture, profession, vocation, adventure, wager or any other similar activity, whether or not it is for a pecuniary benefit; **(Pecuniary Benefit means Monetary Benefits)**

b) Any activity or transaction in connection with or incidental or ancillary to (a) above;

Supply of Canteen services to employees is an activity incidental or ancillary to its activity of Footwear.

Hence supply of canteen services is subjected to GST.



CASE STUDIES ON GST

Question:

Mr. A is registered as a Composition Dealer in state of Maharashtra.
He seeks your advise if he can give after sales services to customers?

Solution:

As per CGST Amendment Act 2018, a composition dealer can also supply services to an extent of 10% of Turnover or Rs 5 Lakhs whichever is higher.



CASE STUDIES ON GST

A Ltd (Maharashtra) has given Contract to Indian Company (B Ltd) (Maharashtra), to construct a Building in Dubai.

- a) What will be Place of Supply for Services Provided by B Ltd?
- b) What will be Place of Supply if C Ltd (Company of Dubai) had given a Contract to B Ltd (Maharashtra) to construct building in Dubai?



Solution

- a) As per Section 12 (3) of CGST Act 2017, read with Section 13 of IGST Act 2017, Place of Supply of Services in relation to immovable property outside India shall be **location of registered recipient as recipient is of India**. In given case since supplier (B Ltd) and recipient (A Ltd) both are in India, place of supply shall be Maharashtra).
- b) It is immaterial that Immovable property is outside india.
- c) In given case, Since Recipient (C Ltd) and place of supply both are outside India, place of supply shall be Dubai.

CASE STUDIES ON GST

X sells a mobile phone to Y. The cost of mobile phone is Rs 40,000/-.

However, X gives Y an option to pay in installments, Rs 11,000/- every month before 10th day of the following month, over next four months (Rs 11,000/- * 4 = Rs. 44,000/-).

Further, as per the contract, if there is any delay in payment by Y beyond the scheduled date, Y would be liable to pay additional / penal interest amounting to Rs. 500/- per month for the delay.



Solution

- As per the provisions of sub-clause (d) of sub-section (2) of section 15 of the CGST Act, the amount of penal interest is to be included in the value of supply.
- Transaction between X and Y is for supply of taxable goods i.e. mobile phone. Accordingly, Interest of Rs 4,000 (44,000 – 40,000) and the **penal interest if any of Rs 500 would be taxable as it would be included in the value of the mobile, irrespective of the manner of invoicing.**
- Hence X shall charge GST on Rs 44,000/-
- If Y does not pay on time and X charges Penal Interest of Rs 500, than X shall charge GST on Rs 500 also as such penal interest are in relation to supply of mobile
- It is as per **GST Circular No. 102/21/2019-GST**

CASE STUDIES ON GST

X sells a mobile phone to Y. The cost of mobile phone is Rs 40,000/-.

Y has the option to avail a loan at interest of 2.5% per month for purchasing the mobile from M/s ABC Ltd.

The terms of the loan from M/s ABC Ltd. allows Y a period of four months to repay the loan and an additional / penal interest @ 1.25% per month for any delay in payment.

Solution

- Services by way of extending deposits, loans or advances insofar as the consideration is represented by way of interest or discount **(other than interest involved in credit card services)] are exempt under GST.**
- Interest of Rs 4,000/- is charged for a transaction between Y and M/s ABC Ltd., and the same is getting covered under Sl. No. 27 of notification No. 12/2017- Central Tax (Rate) dated 28.06.2017.
Hence GST shall not be levied on Rs 4,000/-
- Also **'penal interest' charged thereon on a transaction between Y and M/s ABC Ltd. would not be subject to GST,** as the same is in relation to Interest Income earned on Loans.
- It is as per **GST Circular No. 102/21/2019-GST.**

CASE STUDIES ON GST

Mr. A was CFO of ABC Ltd.

He is also CFO of PQR Ltd which is related party of ABC Ltd.

Mr. A receives entire salary from ABC Ltd and does not receive any salary/professional fees from PQR Ltd

Mr. A seeks your advise ?

CFO OF
ABC LTD

CFO OF
PQR LTD

Solution

- ABC Ltd and PQR Ltd are related person as per GST.
- In given case, PQR Ltd is not paying any salary, commission, professional fees to CFO (Mr. A).
- It shall be treated as Free CFO Services provided by Mr. A.
- **Since Mr. A is receiving entire salary from ABC Ltd, it shall be treated as if ABC Ltd is providing Free CFO Services to PQR Ltd.**
- ABC Ltd is required to raise an Invoice and charge GST.

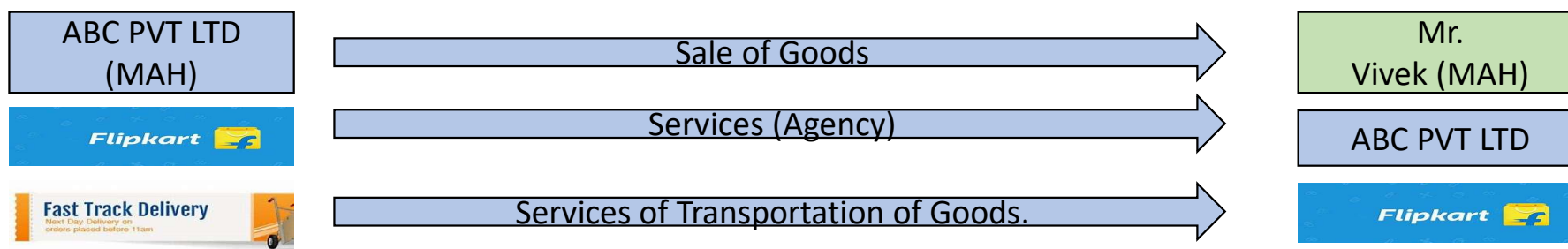
CASE STUDIES ON GST

Mr.. Vivek of Pune, Maharashtra ordered mobile through Flipkart (Registered in Delhi).

Flipkart directed ABC Mobile Pvt Ltd (Maharashtra) to deliver Mobile to Mr. Vivek.

Flipkart also arranged transportation of mobile from ABC Mobile Pvt Ltd to Mr. Vivek through Fast Track Couriers (Registered in Maharashtra).

We seek your advise on number of transaction in above case study and what shall be place of supply in each transaction?



Solution

There are 3 supplies involved in this transaction.

- Supply of Goods by ABC Mobile Pvt Ltd to Mr. Vivek. Since it involves movement of goods, **Place of Supply shall be location where delivery gets terminated for Recipient of Goods**. Hence Place of Supply shall be Pune (Maharashtra). Hence ABC Pvt Ltd shall charge CGST and SGST to Vivek.
- Supply of Transport Services by Fast Track Couriers to Flipkart. Since it is supply to registered recipient, **Place of supply shall be location of Registered Recipient**. Hence POS shall be Delhi and Fast Track Couriers shall charge IGST Delhi to Flipkart.
- Supply of Commission Services (General Services) by Flipkart to ABC Mobile Pvt Ltd. Since it is supply of general services to registered recipient, **Place of Supply shall be location of Registered Recipient**. Hence POS shall be Maharashtra and Flipkart should charge IGST Maharashtra to ABC Mobile Pvt Ltd.

PRATIK SUDHIR SHAH 9819122318 pratiksh2704@gmail.com

CASE STUDIES ON GST

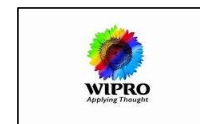
Wipro Ltd , (Registered in Bangalore) organized an annual conference of its employees working across India at a Uday resort in Udaipur (Rajasthan).

It hired M/s Red Events Ltd. (Registered in Maharashtra), Event Management Company for managing the event.

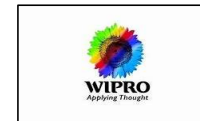
Wipro Ltd seeks your advise for following:



Accommodation Services to Wipro Ltd



Event Management Services to Wipro Ltd



Solution

- a) Uday Resort is supplying **services of accommodation** to Employees of Wipro Ltd. As per Section 12(3) of CGST Act 2017, Place of Supply shall be Location of Immovable Property. **Uday Resort shall charge CGST and SGST (Rajasthan) to Wipro Ltd.**
- b) M/s Red Events is supplying services of **Organizing an Event**. As per Section 12 (7) of CGST Act 2017, Place of Supply shall be
 - i) location of Registered Recipient if recipient is registered
 - ii) location where event is held if recipient is un-registered.

In given case, Since Wipro Ltd is registered in Bangalore, Place of Supply of Services of Organizing an event shall be Bangalore and **M/s Red Events Ltd has to charge IGST Bangalore**. It is immaterial that event is held in state of Rajasthan.

CASE STUDIES ON GST

ABC School is an Educational Institution earning School Fees (Exempt under GST).

He has let out few classes to ICAI for conducting their classes in evening and earning Rental Income of Rs 1500 per month.

Total School Fees Revenue is Rs 5 Crores.

Solution

Aggregate Turnover” means the aggregate value of

- all taxable supplies (excluding the value of inward supplies on which tax is payable by a person on reverse charge basis),
- exempt supplies,
- exports of goods or services or both
- inter-State supplies of persons having the same PAN, to be computed on all India basis
- but excludes central tax, State tax, Union territory tax, integrated tax and cess.
- Educational Services provided by ABC school is exempt. But Rental Income provided by ABC School is Taxable.
- Since Aggregate Turnover (Taxable + Exempt) is exceeding Rs 20 Lakhs, ABC School is required to get registered under GST.
- Also ABC School is required to collect GST on Rental Income and pay GST.



CASE STUDIES ON GST

Question

ABC Club Ltd collects membership fees from members and organizes 12 Events from them in a year. Club has not earned any profit from membership fees. **Total Membership Fees is Rs 42,00,000?**

- a) ABC Club Ltd seeks advise whether Membership Fees satisfies criteria of Definition of Business?
- b) Also if ABC Ltd is required to get registered under GST ?



Solution

- As per Section 2 (17) of CGST Act 2017, **Business includes provision by a club**, association, society, or any such body (for a subscription or any other consideration) of the facilities or benefits to its members;
- As per Section 2 (84) of CGST Act 2017, **Person includes an Society, Clubs**, Association of Persons or a Body of Individuals.
- As per Section 22 of CGST Act 2017, a person is required to get registered under GST Law if his turnover exceeds Rs 20 Lakhs.
- Thus ABC Club Ltd is required to get registered under GST Law since membership fees is exceeding Rs 20 Lakhs.

CASE STUDIES ON GST

Question

Mr. X has taken loan on 1st August 2017 from SBI Ltd of Rs 2,00,000/- and purchased Motor Vehicle. He defaulted in paying Loan Amount and subsequently SBI repossessed the Motor Vehicle from Mr. X on 1st Jan 2018. Later SBI sold the car on 25.03.2018 for Rs 1,80,000/-

- a) SBI seeks your advise on Value of Supply?
- b) What shall be Value of Supply if Car was sold for Rs 1,20,000/-?



Solution

- As per Proviso to Rule 32 (5) of CGST Rules 2017. **SBI is required to pay GST only on Margin.**
- Cost of Motor Vehicle for SBI shall be **“Original Cost of Purchase of Car Less 5% per quarter from Date of Purchase by Buyer till date of Sale of Car by XYZ Ltd”**
- Cost of Car for SBI shall be Rs 1,70,000/- ((Rs 200000 – 15% (5% per quarter from 1st Aug 2017 to 25th Mar 2018))
- Sale Price of Car by SBI is Rs 1,80,000/-
- Hence GST Shall be paid only on margin of Rs 10,000 (1,80,000 – 1,70,000)
- In Point b, No GST is payable as there is no Margin (Car sold in Loss).

CASE STUDIES ON GST

Question

Mr. A purchased multiple products from D.Mart.

Product A – Rs 5,000 + 18% GST.

Product B – Rs 20,000 + 12% GST.

Product C – Rs 2,000 + 5% GST.

Product D- Rs 500 (Exempt under GST Law)

Product E – Rs 1,000 + 28% GST.

D-Mart mentioned all products in Invoices separately and raised single tax invoice.

Whether such supply by D-Mart is Composite Supply or Mixed Supply?

Solution:

This is neither a composite supply or mixed supply.

It is supply of multiple products, all mentioned in tax invoices separately.

D-Mart is also recovering price and GST separately for each product.

Hence product wise respective GST Rate shall be applicable.



Q 17.

Mr. Satish is an agent/broker of Company A (US Company).

Mr. Satish identifies customers in India and arranges/facilitates supply of goods and services in India for Company A (US Company).

He gets commission from Company A in US Dollar for arranging / facilitating supply of goods and services.

Mr. Satish had obtain LUT as it is export of services.

Mr. Satish had availed Input Tax Credit of Rs 50,000 for providing such services.

Mr Satish seeks your advise regarding Refund.

Ans:

- In given case, Mr. Satish has acted as an “Intermediary”.
- He has arranged / facilitated supply of goods and services for Company A.
- Place of Supply shall be “LOCATION OF SUPPLIER”
- Such services shall not be covered as “Export”.
- Mr. Satish shall be liable to pay GST.
- He can utilize “Input Tax Credit” of Rs 50,000.

