

INDIRECT TAX
FOR . M.COM (CBCS)
PROBLEMS & SOLUTIONS

COMPILATION BY

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PRABHT KUMAR COLLEGE, CONTAI

Problem 1

Calculate the taxable value of supply from the followings

	₹
a) Advertisement through hoardings	1,00,000
b) Performances of a folk dance artist	80,000
c) Hotel room tariff @ ₹ 2,500/- per room	1,50,000
d) Rent received for residential dwelling use as residence per month	20,000
e) Received from outdoor catering service	1,50,000
f) Received by a professional training centre	1,80,000
g) Received from service by way of transportation of passengers by inland waterways	50,000
Assuming GST @ 18% i.e. CGST - 9% & SGST - 9%	

Answer:

Statement showing GST liability against taxable supply					
	Particulars	Amount (₹)	Taxability	CGST @ 9%	SGST @ 9%
a)	Advertisement through hoardings	1,00,000	Taxable	9,000	9,000
b)	Performances of a folk dance artist	80,000	Exempted		
c)	Hotel room tariff @ ₹ 2,500/- per room	1,50,000	Taxable	13,500	13,500
d)	Rent received for residential dwelling use as residence per month	20,000	Exempted		
e)	Received from outdoor catering service	1,50,000	Taxable	13,500	13,500
f)	Received by a professional training centre	1,80,000	Taxable	16,200	16,200
g)	Received from service by way of transportation of passengers by inland waterways	50,000	Exempted		
	Total tax liability			52,200	52,200

Problem 2

M/s Hariharan is dealer of old car and engaged in purchase and sale of old cars in Bihar, furnishes the details of following transactions for the month of August 2020

1. Purchased old car for ₹ 80,000/- and sold for ₹ 1,20,000/- in Bihar
2. Purchased old car for ₹ 75,000/- and sold for ₹ 65,000/- in Bihar
3. Purchased old car for ₹ 90,000/- but unable to sell during the month of August '20
4. Purchased old car for ₹ 1,00,000/- and sold for ₹ 1,30,000/- in Orissa

Calculate the GST payable in above cases assuming tax rate is 28%

Answer:

M/S Hariharan							
Calculation of GST payable for month of August 2020							
Sl.No	Particulars		Profit / Loss	CGST @ 14%	SGST @ 14%	IGST @ 28%	
	Purchase	sale					
1	80,000	1,20,000	40,000	5,600	5,600		
2	75,000	65,000	-10,000				note (i)
3	90,000						note (ii)
4	1,00,000	1,30,000	30,000			8,400	note (iii)
	GST payable			5,600	5,600	8,400	
Note:							
(i) As per Rule 32(5), no GST is payable in negative margin							
(ii) No GST is payable on unsold goods							
(iii) IGST to be paid for sale outside the state							

Problem 3

M/s Super Agro Ltd furnishes the following details of various services provided for the month of April 2020

		₹
1)	Plantation of tea and coffee	260000
2)	Processing of tomato ketchup	210000
3)	Sale of rice on commission basis	250000
4)	Rearing of silkworm and horticulture	330000
5)	Rent of vacant land for various ceremony	540000
6)	Sale of wheat on commission basis	80000
7)	Rent of agro machinery	325000

Determine the tax liability of each transaction

Answer:

M/s Super Agro Ltd			
Calculation of Tax Liability			
	Particulars	Tax Liability (₹)	Remarks
1)	Plantation of tea and coffee	Nil	Non taxable, agricultural product
2)	Processing of tomato ketchup	2,10,000	This is not agriculture produce, as further processing is done. Hence subject to tax
3)	Sale of rice on commission basis	2,50,000	Rice is not an agriculture produce as further processing is not done by cultivator or produce, so GST is payable.
4)	Rearing of silkworm and horticulture	Nil	Income related to agriculture, so non taxable.
5)	Rent of vacant land for various ceremony	5,40,000	Taxable (exempt if only use for agricultural purpose)
6)	Sale of wheat on commission basis	Nil	Wheat is an agricultural product. Hence non taxable.
7)	Rent of agro machinery	Nil	Renting of agriculture machines is exempt.

Problem 4

Find the time of supplies in case of following details provided by Mr. Gupta, a registered dealer and manufacturer:

- (i) Sold goods to Aircon Ltd for ₹ 25,000/- and issued invoice for sale on 06.09.2020
Aircon Ltd collect the goods from warehouse of Mr. Gupta on 14.09.2020.
- (ii) Aircon Ltd made the full payment on 26.09.2020
- (iii) Received goods from Mr. Suman an unregistered person for ₹ 2,20,000/- on 12.05.2020 who issued the invoice on 02.05.2020. Mr. Gupta made payment for the Sale on 19.05.2020.

Answer:

(i) Time of supply will be earlier of the following –

Date of Invoice	06.09.2020
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Or

Date on which goods are delivered	14.09.2020
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Hence the time of supply is 06.09.2020

(ii) Time of supply will be earlier of the following –

Date of invoice	06.09.2020
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Date of payment	26.09.2020
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The time of supply is 06.09.2020

(iii) Time of supply will be the earliest of the following –

Receipt of goods	12.05.2020
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Date of payment	19.05.2020
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Date immediately following 30 days From the date of invoice	01.06.2020
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Time of supply of goods is 12.05.2020

Problem 5

Mr. Sahoo located at Bhubaneswar provide H.R Training at Bhubaneswar to the following company

(i) M/s Goodhope Ltd registered at Patna who is also registered person under GST

(ii) M/s Sunny Ltd located at Assam who is not registered person under GST

Find the place of supply and GST liability

Answer:

(i) M/s Goodhope Ltd is a registered person under GST

Place of supply is Patna

Mr. Sahoo is liable to pay IGST

(ii) M/s Sunny Ltd is not a registered person under GST

Place of supply is Bhubaneswar

Mr. Sahoo is liable to pay CGST and SGST

Problem 6

M/s Nanda Bakery sells a special type of fruit cake for New Year with MRP ₹ 200/- per pound. The customer being offered a discount @ 10% per cake. In the month of January 2020, M/s Nanda Bakery sold 600 nos, cakes.

Find the GST liability considering rate of tax is 18%

Answer:

M/s Nanda Bakery	
Calculation of GST liability	
Particulars	₹
Transaction Value (taxable supply)	1,08,000
Add : CGST @ 9% on 1,08,000	9,720
Add : SGST @ 9% on 1,08,000	9,720
Invoice price (taxable supply)	1,27,440

Working Notes	
Calculation of transaction value	
Particulars	₹
MRP ₹ 200*600	1,20,000
Less : Discount 10% on ₹ 1,20,000/-	12,000
Transaction value	1,08,000

Problem 7

M/s Favorite Driving Agency, imparts training, has given the following details for the month of April 2020

		₹
(a)	Received for providing training on driving plus GST @ 18%	12,00,000
(b)	Purchase a new Maruti Alto for ₹ 430000/- plus GST @ 28%	4,30,000

State the GST liability of M/s Favorite Driving Agency

If M/s Favorite Driving Agency purchased a goods vehicle also for ₹ 28,00,000/- plus 28% GST then what will be the GST liability.

Answer:

The GST payable by M/s Favorite Driving Agency

Particulars	₹
GST on output supply	2,16,000
Less : ITC on purchase of Maruti Alto	1,20,400
GST payable	95,600

GST liability when M/s Favorite Agency purchased a goods vehicle for ₹ 28,00,000/-

Particulars	₹	₹
GST on output supply		2,16,000
Less : ITC on purchase of Maruti Alto	1,20,400	
ITC on goods vehicle	7,84,000	9,04,400
Net Excess ITC c/f		-6,88,400

Problem 8

Mr Prakash a dealer made the inter-state supply of goods and services based at Indore furnishes the following information for the Financial Year 2020 – 21

		₹
(i)	sale of taxable goods from Head office located at Delhi	2,50,000
(ii)	Supply of taxable services by branch office at Jalandhar	80,000
(iii)	Supply of goods exempted from GST	30,000
(iv)	Export of goods and services	1,50,000
(v)	Sale of goods by acting as an agent on behalf of principal	17,00,000

Find out the aggregate turnover for the F.Y 2020-21.

Answer:

Aggregate Turnover of Mr Prakash		
	Particulars	₹
(i)	sale of taxable goods from Head office located at Delhi	2,50,000
(ii)	Supply of taxable services by branch office at Jalandhar	80,000
(iii)	Supply of goods exempted from GST	30,000
(iv)	Export of goods and services	1,50,000
(v)	Sale of goods by acting as an agent on behalf of principal	17,00,000
(vi)	Aggregate Turnover	22,10,000

As the aggregate turnover exceeds the threshold limit of ₹ 20 lakhs, Mr Prakash is required to register under GST Act if not registered already.

Problem 9

PQR a registered supplier of service at Kolkata (West Bengal) has furnished the following information for the month of August 2020, which are exclusive of taxes

		₹
(i)	Intra state taxable supply of service	7,60,000
(ii)	Legal fees paid to an advocate located within the state of West Bengal	30,000
(iii)	Rent paid to State Government for his office building	40,000

Compute the net GST liability for the month of August 2020, considering rate of GST is 18% i.e. CGST – 9%, SGST – 9% and IGST – 18%

Answer:

Net GST liability of PQR for the month of August 2020				
	Particulars	CGST @ 9%	CGST @ 9%	Remarks
(i)	Intra state taxable supply of service	68,400	68,400	18% on ₹ 7,60,000/-
(ii)	Legal fees paid to an advocate located within the state of West Bengal	2,700	2,700	Tax payable under reverse charge
(iii)	Rent paid to State Government for his office building	3,600	3,600	Tax payable under reverse charge
	Gross tax payable	74,700	74,700	
	Less : Input Tax Credit			
	Legal fees paid	2,700	2,700	
	Rent paid to state Government	3,600	3,600	
	Total Input Credit	6,300	6,300	
	Net Tax liability	68,400	68,400	

Note: Credit can be taken on basis of GSTR 3B. Therefore PQR can take ITC in the same month.

Problem 10

Example : 98

M/s X Ltd. being a manufacturer of laptops has five factories in Chennai, Salem, Coimbatore and Madurai.

Place	P.Y. Turnover ₹ in lakhs (Including Taxes @ 18%)
Chennai I	57.91
Salem	12.00
Coimbatore	8.00
Madurai	30.00
Chennai II	43.60
Total	151.51

M/s X Ltd is eligible for composition levy in the current year.

Answer:

Aggregate turnover = $151.51 \times 100/118 = ₹128.39831$ lakhs

Note: Since, Aggregate turnover in the preceding financial year does not exceed ₹1.50 crore and hence, M/s X Ltd. is eligible for Composition Scheme.

Problem 11

Example : 114

Mr. C of Chennai is running a Kirana business. He furnished the following:

Supply of goods	P.Y turer	Current Year
Wheat & rice (exempted supply)	₹80 lakhs	₹88 lakhs
Packed products (taxable supply)	₹8 lakhs	₹12 lakhs
Rent from commercial property	₹10 lakhs	₹2 lakhs
Rent from residential dwelling	₹2 lakhs	₹6 lakhs

You are required to answer the following:

(a) Mr. C of Chennai is eligible for composition levy scheme in the current year?

(b) If so, find the GST under composition levy in the current year?

Answer:

(a) Turnover in the previous year does not exceed ₹1.50 crore (i.e. in the given case it is ₹100 lakhs).

However, Mr. C is not eligible for composition scheme since, supply of service in the P.Y. exceeds 10% of total turnover (i.e. ₹12 L/₹100 x 100 = 12%).

(b) GST will not be levied as composition scheme.

Example : 106

Hotel King Pvt. Ltd. is a registered person under GST. P.Y. turnover was ₹100 lakhs. Applicable GST 18%. Inputs cost ₹7,80,000 (exclusive of GST 18%). Profit margin is 40% on cost. Find the invoice price and advise the best option to pay tax if any. There is no opening balance and closing balance for the tax period.

Answer:

Composition Levy		Normal provision		
Particulars	Value in ₹	Particulars	Value in ₹	
Cost of inputs	7,80,000	Cost of inputs	7,80,000	
Add: GST 18% on inputs	1,40,400	Add: GST 18% on inputs	Not cost	
Total cost	9,20,400	Total cost	7,80,000	
Add: Profit margin 40%	3,68,160	Add: Profit margin 40%	3,12,000	
Invoice Price	12,88,560	Add: GST 18% CGST & SGST	1,96,560	
CGST 2.5%	32,214	Invoice Price	12,88,560	
SGST 2.5%	32,214		CGST 9%	SGST 9%
Total GST liability	64,428	Output tax	98,280	98,280
		Less: ITC	-70,200	-70,200
		Let Liability	28,080	28,080
		Total Tax is ₹56,160		

Advise:

Normal scheme is economical.

Problem 12

Example : 122

M/s C Ltd. of Chennai being a trader provided the following information relating to the preceding financial year is as follows:

Particulars	Value (₹ in lakh)
Intra-State supply taxable goods	20
Intra-State supply of exempted goods	30
Intra-State supply of taxable services	5
Intra-State outward supply of services on which recipient is liable to pay GST	4
Export of goods	35
Inter-State inward supply of goods	200
CGST & SGST paid	2

M/s C Ltd. is eligible for composition scheme in the current financial year?

Answer:

Statement showing aggregate turnover of M/s C Ltd. in the preceding financial year

Particulars	Value (₹ in lakh)	Remarks
Intra-State supply taxable goods	20	Addable into aggregate turnover as per section 2(6) of the CGST Act, 2017
Intra-State supply of exempted goods	30	-do-
Intra-State supply of taxable services	5	-do-
Intra-State outward supply of services on which recipient is liable to pay GST	4	-do-
Export of goods	35	Treated as inter-State Supply of goods and hence addable in to the aggregate turnover.
Inter-State inward supply of goods	Nil	Not addable. Since, it is not the turnover of M/s C Ltd.
CGST & SGST	Nil	Not addable
Aggregate Turnover	94	

Working note (1):

Service portion on aggregate turnover = ₹ 9.40 lakhs

₹ 9.40 lakh (i.e. 10% on ₹ 94 lakh) or

₹ 5 lakhs

Whichever is higher

In the given case total services supplied is ₹ 9 lakh only (which is well within the limits)

M/s C Ltd. being trader dealing in intra-State as well as Inter-State (i.e. export of goods) supplies and hence, not eligible for composition levy in the current year, even though aggregate turnover in the preceding financial year does not exceeds ₹1.50 crore.

Problem 13

For a trader, marked price of a refrigerator = Rs. 15,680 inclusive of GST at the rate of 12% on the marked price. Gagan, a customer for this refrigerator, asks the trader to reduce the marked price of the refrigerator to such extent that its reduced price plus GST on it is equal to marked price of the refrigerator. Find the required reduction.

Solution

Let the marked price be Rs. x .

$$x + 12\% \text{ of } x = 15,680$$

$$1.12x = 15,680$$

$$x = \text{Rs. } 14,000$$

Initial marked price = Rs. 14,000

Let Gagan asked for priced reduction of Rs. y .

New price = $14,000 - y$

GST on new price = $12\% \text{ of } (14,000 - y)$

According to the question,

$$14,000 - y + 0.12(14,000 - y) = 14,000$$

$$-1.12y + 1680 = 0$$

$$y = 1500$$

Required reduction in price is Rs. 1500.

Problem 14

Use the information appended below to find out the assessable value.

Item No.	Description	USD
1	Cost of Machine at the factory of the US Exporter	17500
2	Transport Charges from the said factory until the sea port for onward shipment	2500
3	Handling Charges at the Port of Shipment	200
4	Buying Commission paid by Importer	50
5	Freight Charges until the Indian Port	2500
	Please use an exchange rate of \$1=63.84 INR	

Description	USD	INR
Cost of Machine at the factory of the US Exporter	17,500	
Transport Charges from the said factory until the sea port for onward shipment	2,500	
Handling Charges at the Port of Shipment	200	
F.O.B. Value	20,200	
Insurance Charges @ 1.125%	227	
Freight Charges @ 20%	2,500	
Buying Commission paid by Importer	-	
C.I.F. Value	22,927	
Landing Charges at 1% of C.I.F. Value	229	
Assessable Value	23,157	14,78,312

Notes :

- 1) All costs up to the Port of Shipment will be included in the F.O.B. Value
- 2) Insurance Charges shall be added on @ 1.125% of F.O.B. Value as the value of Insurance Charges as it is not ascertainable
- 3) The actual freight charges of USD 2500 are included as it is within the maximum that can be added on is USD 4040 (which is 20% of F.O.B. Value)
- 4) Buying Commission is not to be included in the computation

Problem 15**Illustration 2**

Ms. Nisha imported 2500 Tonnes of goods and materials valued at USD 50 per tonne (C.I.F.). Exchange Rate per notification (CBEC) was \$1= INR 63.84. The Basic Customs Duty was chargeable @ 10% and over and above, there was an anti-dumping duty levied on the goods, which was the differential between the amount so calculated as the Landed Value Incl. Basic Customs Duty and Cess and INR 100,00,000/-. Calculate the Anti-Dumping Duty.

Description	Tonnes	Rate	USD	INR
C.I.F. Value	2,500	50	1,25,000	79,80,000
Landing Charges at 1% of C.I.F. Value				79,800
Assessable Value				80,59,800
Basic Customs Duty @ 10%				8,05,980
Cess @ 3%				24,179
Landed Value				88,89,959
Landed Value per Notification				1,00,00,000
Anti Dumping Duty				11,10,041

Note : Anti-Dumping duty is levied to promote the local industry and to curb imports, and to ensure that India is not used as a dumping ground, which could otherwise have serious repercussions on the economic growth of the Nation. This Anti-dumping duty is continued even under the GST regime.

XYZ imports Pan Masala into India and the C.I.F value is INR 500/-. The rates of tax for Pan Masala (HSN Code 21069020) are Basic Customs Duty 37.5%; IGST 28% and Compensation Cess 60%.

Compute Total Import Duty.

Description	INR	
C.I.F. Value	500	
Landing Charges at 1% of C.I.F. Value	5	
Assessable Value	505	
Basic Customs Duty @ 37.5%	189	A
Education & Secondary Higher Education Cess	6	B
AV + BCD + Cess 700		
IGST @ 28%	196	C
Cess @ 60%	420	D
Total Import Duty Payable (A+B+C+D)	811	
Total Value incl. Import Duty	1,316	

Problem 16

Calculate the total import duty payable if :

- F.O.B. Value is GBP 18000
- Freight Charges incurred (actual) are GBP 7500
- Design & Development Charges incurred at UK are GBP 2500
- Selling Commission at India paid to a local agent @ 2% of F.O.B. Value
- Date of Bill of Entry : 24th Oct 2017 (Rate of Basic Customs Duty is 20% and Exchange Rate as notified by CBEC is INR 68 to 1 GBP)
- Date of Entry Inward : 20th Oct 2017 (Rate of Basic Customs Duty is 18% and Exchange Rate as notified by CBEC is INR 70 to 1 GBP)
- IGST @ 18%
- Insurance Charges could not be ascertained

Item	GBP	INR	
F.O.B	18,000		
Design & Development	2,500		
Insurance	203		
Freight	3,600		
C.I.F.	24,303	16,52,570	
Local Commission		24,480	
C.I.F. Value (Adj.)		16,77,050	
Landing Chgs.		16,771	
Assessable Value		16,93,821	

Basic Customs Duty		3,38,764	A
Education & Secondary Higher Education Cess		10,163	B
Total for IGST (AV + All Customs Duties)		20,42,748	
IGST		3,67,695	C
Total Import Duty		7,16,622	A+B+C

Notes :

- Insurance is taken @ 1.125% of F.O.B. value, as the charges aren't ascertainable
- Freight can be taken at actuals but capped to 20% of F.O.B.
- Selling Commission is paid in Indian Rupees to local agents appointed by exporters to usher their sales in India and hence included in C.I.F. Value
- The Exchange Rate in force per CBEC notification, on the date when the Bill of Entry is presented is to be considered
- IGST is levied on Assessable Value + All Customs Duties
- Cess is levied on BCD @ 3%