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Reg. No. :

Name :

V Semester B.Com. Degree (CBCSS-Reg./Sup./Imp.)

Examination, November - 2019

(2016 Admn. Onwards)

5B14 COM (C FINANCE - III): GOODS AND SERVICE TAX

Time : 3 Hours

Max. Marks : 40

PART - A

This part consists of **FOUR** questions carrying $\frac{1}{2}$ marks each. $(4 \times \frac{1}{2} = 2)$

1. Return of Outward Supplies is required to be filed by every registered person on or before _____ of next month:
2. A supply of a package consisting of canned foods, sweets, chocolates cakes, dry fruits, aerated drinks and fruit juices when supplied for a single price is a _____.
3. Aggregate Turnover consists of:
4. The Composition Scheme is _____:

PART - B

Answer any **FOUR** questions in one or two sentences each. $(4 \times 1 = 4)$

Each question carries **ONE** mark each.

5. What is manufacture under GST?
6. What is service under GST?
7. What is composite supply?
8. What is consideration?
9. What is ITC?
10. What is credit note?

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PART- C

Answer any **SIX** questions. Each question carries **THREE** marks each.
(6x3=18)

11. Who are the persons not liable to be registered under GST?
12. What are the different models of GST?
13. Write down the functions of GST council
14. Write down different forms of supply mentioned Schedule 1.
15. Who is deemed as related person in GST?
16. Write down any five situations in which input tax credit is not available
17. What is e cash register?
18. Write down the mechanism of utilizing ITC.

PART - D

Answer any **TWO** questions. Each question carries **EIGHT** marks each.
(2x8=16)

19. Explain in detail the conditions of claiming input tax credit.
 20. Who are required to take registration under GST?
 21. What are the different types of return? Explain the applicability and due date of filing return.
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Answer key

1. 15th
2. Mixed supply
3. Taxable Supplies(b) Exempt Supplies(c) Inter State Supplies
4. Optional
5. Manufacture: means processing of raw material or inputs in any manner that results in emergence of a new product having a distinct name, character and use and the term "manufacturer" shall be construed accordingly [Section 2(72) of CGST Act].
6. Services: means anything other than goods, money and securities but includes activities relating to the use of money or its conversion by cash or by any other mode, from one form, currency or denomination, to another form, currency or denomination for which a separate consideration is charged. [Section 2(102) of CGST Act].
7. Means that in a composite supply, goods or services or both are bundled owing to natural necessities. The elements in a composite supply are dependent on the 'principal supply'
8. 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 or both, whether by the recipient or by any other person but shall not include any subsidy given by the Central Government or a State Government
9. Input Tax Credit (ITC) is considered as a cornerstone of GST. In the previous tax regime, there was a non-availability of credit at various points of supply chain, which led to a cascading effect of tax and increased the cost of goods and services. This flaw has been removed under GST and a seamless flow of credit throughout the value chain will be provided which will help in reducing the cascading effect of tax.
10. When taxable value or tax charged in a tax invoice is found to exceed the taxable value or tax payable in respect of supply issue credit note.
11. Person supplying exempted goods or services or goods or services which are not liable for tax under GST.
 An agriculturist, to the extent of supply of produce out of cultivation of land.
12. Australian Model wherein, tax is collected by the Centre and distributed to the States
 Canadian Model wherein there are three variants of taxes
 Kelkar-Shah Model based on Canada Model wherein taxes are collected by the Centre however, two different rates of tax are to be levied by the Centre and the States and
 Bagchi-Poddar Model which envisages a combination of Central Excise, Service Tax and VAT to make it a common base of GST to be levied both by the Centre and the States separately
13. Functions of the GST Council sleeked to include making recommendations on:

- Taxes, cesses, and surcharges levied by the Centre, States and local bodies which may be subsumed in the GST;
- Goods and services which may be subjected to or exempted from GST; Model GST laws, principles of levy, apportionment of IGST and principles that govern the place of supply;
- Threshold limit of turnover below which goods and services may be exempted from GST;
- rates including floor rates with bands of GST;
- Special rates to raise additional resources during any natural calamity;
- special provision with respect to Arunachal Pradesh, Jammu and Kashmir, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura, Himachal Pradesh and Uttarakhand; and
- any other matters

14. Schedule I lists activities that are to be treated as supply even if they are without a consideration. The important point to note here is that though the following activities will be considered as supply even if there is no consideration involved, it is required that the activity is done either in the course or furtherance of business. The forms of Supply listed in Schedule I are as follows:

Permanent transfer or disposal of business assets where input tax credit(ITC) has been availed on such assets : When ITC is availed on a particular asset and the asset is disposed off or transferred permanently without a consideration, it will be considered as supply and attract GST. Example: Suppose, if for office purpose, XYZ ltd purchases 10 laptops worth Rs. 500000 + GST Rs. 25000 and further avails ITC of Rs. 25000 on GST paid, and after few years XYZ ltd. gives away these laptops to office staff, it will be deemed as supply without consideration.

Branch transfer: Supply of goods or services between related parties and between distinct persons (as in section 25) will attract tax. Thus, even if goods or services are transferred from head office to branch office, GST liability will arise.

Although gifts from an employer to an employee not exceeding Rs. 50,000 will not be considered as supply

Principal – Agent Transaction: In the previous indirect tax regime, supply of goods between principal to his agent or agent to its principle was not taxable but under GST, such a supply will be taxable.

Import of services: Any services imported by a taxable person from a related person or from any of his other establishments, will attract GST. Thus, for example if a head office which is located out of India provides interior designing services to its branch office in India, the service will be a taxable service under GST.

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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

16. a.) Goods or services partly used for business purpose :The Act specifically states that input tax credit can only be taken for the amount of input tax paid on goods or services or both used for the purpose of business. Thus, if goods or services or both are used partly for purpose of business and partly for other purpose, only that amount of input tax which is attributable to the purpose of business will be allowed as credit.
- b.) Zero rated and Exempted Supplies :Where Goods or services or both are used partly for taxable supplies including zero rated supplies under IGST or under CGST Act, and partly for exempted supplies, only that amount of input tax which is attributable to the taxable supplies including zero rated supplies will be allowed as credit.
- c.) Motor Vehicle and other conveyance :Input tax credit is not available on motor vehicle and other conveyance. However,if motor vehicle and other conveyance are used for taxable supply of transportation of such vehicles/conveyances, transport of passengers or imparting training on flying,driving and navigating such vehicles or conveyances or for transportation of such goods, Input Tax Credit will be allowed.
- d.) Food and beverages, outdoor catering, beauty treatment, health services, cosmetic and plastic surgery :Input tax credit is not available on supply of above mentioned services except where an inward supply of goods or services or both of a particular category is used by a registered person for making an outward taxable supply of the same category of goods or services or both or as an element of a taxable composite or mixed supply. Thus, if a caterer uses a service of another caterer, Input Tax Credit will be allowed.
- e.) Membership of a club, health and fitness centre : Input tax credit is not available on supply of membership of a club, health and fitness centre
17. E-cash ledger: The electronic cash ledger under sub-section (1) of section 49 shall be maintained for each person, liable to pay tax, interest, penalty, late fee or any other amount, on the Common Portal for crediting the amount deposited and debiting the payment there

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from towards tax, interest, penalty, fee or any other amount. Thus, Payment can be made in cash by debiting the e-cash ledger maintained on the common portal

18. Utilization of CGST Credit : CGST credit has to be first utilized against CGST liability and if any balance is available, same can be utilized against IGST.

Utilization of SGST : SGST has to be first utilized against SGST liability and if any balance is available, same can be utilized against IGST.

Utilization of IGST :IGST has to be first utilized against IGST liability and if any balance is available, same can be utilized against CGST and if still any balance is available same can be utilized against SGST.

19. (i) Eligibility for taking ITC [Section 16(1)]

(a) Registration under GST: Every registered person shall be entitled to ITC charged on inward supply of goods and / or services. This is subject to the provisions relating to use of ITC under section 49 and the conditions and restrictions in the rules. [Section 49 prescribes provisions relating to payment of tax, interest, penalty & other amounts. Payment of Tax.]

(b) Goods/services to be used for business purposes:ITC will be available on goods and/or services which are used in the course or furtherance of the business [See definition of business]; the "intention to use" the goods and/or services in the course or furtherance of business would also lead to availing of credit on such goods and/or services. Thus, tax paid on goods and or/services which are used or intended to be used for non-business purposes cannot be availed as credit. ITC will be credited in Electronic Credit Ledger.

(ii) Conditions for taking ITC [Section 16(2)] ;The registered person will be entitled to ITC on a supply only if ALL the

following four conditions are fulfilled:

(a) Possession of taxpaying document [Section 16(2)(a) read with rule 36 of the CGST Rules]

ITC can be availed on the basis of any of the following documents:

- i) Invoice issued by a supplier of goods and/or services
- ii) Invoice issued by recipient (receiving goods and/or services from unregistered supplier) along with proof of payment of tax (in case of reverse charge)
- iii) A debit note issued by supplier
- iv) Bill of entry or similar document prescribed under Customs Act

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v) Revised invoice

vi) Document issued by Input Service Distributor²

The documents basis which ITC is being taken should have all the relevant particulars as prescribed in rule 46 of the CGST Rules:

(b) Receipt of the goods and / or services [Section 16(2)(b)] The person taking the ITC must have received the goods and / or services.

"Bill to Ship to" Model also included: Under this model, the goods are delivered to a third party on the direction of the registered person who purchases the goods from the supplier. Receipt of goods u/s 16(2)(b) includes delivery to another person on the direction of the registered person by way of transfer of documents of title to goods or otherwise either before or during the movement of goods. It would be deemed that the registered person has received the goods in such scenario. So, ITC will be available to the registered person on whose order the goods are delivered to third person.

(c) Tax leviable on supply actually paid to Government [Section 16(2)(c)]

Tax should actually have been paid, by cash or through utilization of ITC, on the goods and / or services for which ITC is being taken. However, provisional ITC can be taken initially, prior to matching in the common portal, and used for payment of self-assessed tax on outward supply

(d) Filing of return [Section 16(2)(d)] ;The registered person taking the ITC must have filed his return under section 39.

Note: The details of inward supplies are to be filed in GSTR - 2 by the 15th of the month succeeding the month in which the supplies were received³.

With the furnishing of such details, electronic credit ledger gets credited with the relevant ITC.

(iii) Goods received in lots: ITC available only on receipt of last lot

[First proviso to section 16(2)]

In case the goods covered under an invoice are not received in a single consignment but are received in lots / installments, the ITC can be taken only upon receipt of the last lot / instalment

(iv) Payment for the invoice to be made within 180 days [Second proviso to section 16(2) read with rule 37 of CGST Rules]

The registered person must pay the supplier, the value of the goods and/or services along with the tax within 180 days from the date of issue of invoice. In the event of failure to do so, the details of such supplies and corresponding credits thereon must be furnished in the GSTR 2 of the month immediately following such 180 days. Such credits availed by the registered person would be added to his output tax liability of the month in which the details are furnished, with interest Interest will be paid @ 18% from the date of availing credit till the date when the payment is made to the supplier. However, once the payment is made, the recipient will be entitled to avail the credit again without any time limit [see discussion on time limit for availing credit under point (vi)]. In case part payment has been made, proportionate credit would be allowed.

(v) If depreciation claimed on tax component, ITC not allowed [Section 16(3)] If the person taking the ITC on capital goods and plant and machinery has claimed depreciation on the tax component of the cost of the said items under the Income-tax Act 1961, the ITC on the said tax component shall not be allowed. Thus, in respect of the tax paid on such items, dual benefit cannot be claimed under Income-tax Act, 1961 and GST laws simultaneously. In other words, either depreciation on the tax component can be claimed under Income Tax Act or ITC of such tax paid can be availed under GST laws.

(vi) Time limit for availing ITC: Due date of filing of return for the month of September of succeeding financial year or date of filing of annual return, whichever is earlier [Section 16(4)]

ITC on invoices pertaining to a financial year or debit notes relating to invoices pertaining to a financial year can be availed any time till the due date of filing of the return for the month of September of the succeeding financial year or the date of filing of the relevant annual return, whichever is earlier. It may be noted that the return for the month of September is to be filed by 20th October and annual return of a financial year is to be filed by 31st December of the succeeding financial year.

5) explain the features of indirect tax system and point out the deficiencies of VAT

FEATURES OF INDIRECT TAXES

- (i) An important source of revenue: Indirect taxes are a major source of tax revenues for Governments worldwide and continue to grow as more countries move to consumption oriented tax regimes. In India, indirect taxes contribute more than 50% of the total tax revenues of Central and State Governments.
- (ii) Tax on commodities and services: It is levied on commodities at the time of manufacture or purchase or sale or import/export thereof. Hence, it is also known as commodity taxation. It is also levied on provision of services.

(iii) Shifting of burden: There is a clear shifting of tax burden in respect of indirect taxes. For example, GST paid by the supplier of the goods is recovered from the buyer by including the tax in the cost of the commodity.

(iv) No perception of direct pinch: Since, value of indirect taxes is generally inbuilt in the price of the commodity, most of the time the tax payer pays the same without actually knowing that he is paying tax to the Government. Thus, tax payer does not perceive a direct pinch while paying indirect taxes.

(v) Inflationary: Tax imposed on commodities and services causes an all-round price spiral. In other words, indirect taxation directly affects the prices of commodities and services and leads to inflationary trend.

(vi) Wider tax base: Unlike direct taxes, the indirect taxes have a wide tax base. Majority of the products or services are subject to indirect taxes with low thresholds.

(vii) Promotes social welfare: High taxes are imposed on the consumption of harmful products (also known as 'sin goods') such as alcoholic products, tobacco products etc. This not only checks their consumption but also enables the State to collect substantial revenue.

(viii) Regressive in nature: Generally, the indirect taxes are regressive in nature. The rich and the poor have to pay the same rate of indirect taxes on certain commodities of mass consumption. This may further increase the income disparities between the rich and the poor. In the earlier indirect tax regime, a manufacturer of excisable goods charged excise duty and value added tax (VAT) on intra-State sale of goods. However, the VAT dealer on his subsequent intra-State sale of goods charged VAT (as per prevalent VAT rate as applicable in the respective State) on value comprising of (basic value + excise duty charged by manufacturer + profit by dealer). Further, in respect of tax on services, service tax was payable on all 'services' other than the Negative list of services or otherwise exempted. The earlier indirect tax framework in India suffered from various shortcomings. Under the earlier indirect tax structure, the various indirect taxes being levied were not necessarily mutually exclusive.

To illustrate, when the goods were manufactured and sold, both central excise duty (CENVAT) and State-Level VAT were levied. Though CENVAT and State-Level VAT were essentially value added taxes, set off of one against the credit of another was not possible as CENVAT was a central levy and State-Level VAT was a State levy.

Moreover, CENVAT was applicable only at manufacturing level and not at distribution levels. The erstwhile sales tax regime in India was a combination of origin based (Central Sales Tax) and destination based multipoint system of taxation (State-Level VAT). Service tax was also a value added tax and credit across the service tax and the central excise duty was integrated at the central level. Despite the introduction of the principle of taxation of

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value added in India - at the Central level in the form of CENVAT and at the State level in the form of State VAT - its application remained piecemeal and fragmented

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1. Supplier: Supplier of taxable goods or services or both exceeding the specified threshold limit of Rs. 10 lakhs (for special category States) and Rs. 20 lakhs for other states and Union territories
2. Licensee: Every person who is a registered licensee or holds a license under an existing law, on the day immediately preceding the appointed day i.e 1st July
3. Transferee: Where a business, which is carried by a taxable person is transferred as a going concern shall be liable to be registered with effect from the date of such transfer or succession
4. Transferee under a scheme: Transfer pursuant to sanction of a scheme or an arrangement for amalgamation or, as the case may be, demerger of two or more companies pursuant to an order of a High Court, Tribunal or otherwise, the transferee shall be liable to be registered, with effect from the date on which the Registrar of Companies issues a certificate of incorporation giving effect to such order of the High Court or Tribunal
5. Interstate supplier: An interstate supplier is compulsorily required to get registered under GST
6. Casual Taxable person: A person who occasionally undertakes transactions involving supply of goods or services or both in the course or furtherance of business, whether as principal, agent or in any other capacity, in a State or a Union territory where he has no fixed place of business is termed as a casual taxable person. Such persons if making taxable supply of goods or services or both comes under the ambit of taxable persons
7. Payer of Reverse charge: Persons who are required to pay tax under reverse charge shall get registered under GST
8. Person under Section 9(5) of CGST Act, 2017: As stated in section 9(5) of CGST Act, 2017, the Government may, on the recommendations of the Council, by notification, specify categories of services, the tax on intra-State supplies of which shall be paid by the electronic commerce operator if such services are supplied through it, and all the provisions of this Act shall apply to such electronic commerce operator as if he is the supplier liable for paying the tax in relation to the supply of such services
9. Non-resident: A non-resident taxable person making taxable supply
10. Deductor of tax at source: Persons who are required to deduct tax under section 51 whether or not separately registered under this Act
11. Supplier on behalf of another person: Persons who make taxable supply of goods or services or both on behalf of other taxable persons whether as an agent or otherwise
12. Input Service Distributor: Whether or not separately registered under this Act
13. Supplier through Electronic Commerce Operator: Persons who supply goods or services or both (other than supplies specified under sub-section (5) of section 9), through such electronic commerce operator who is required to collect tax at source under section 52
14. Electronic Commerce Operator: Every Electronic Commerce Operator

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15. Supplier of online information: Every person supplying online information and database access or retrieval services from a place outside India to a person in India, other than a registered person
16. Any other person: Any other person or class of persons as notified by the Government on recommendations of the Council
- 21.

GSTR-1	Details of outward supplies of taxable goods and/or services effected/provided	Registered Taxable Supplier	10th of the next month
GSTR-2	Details of inward supplies of taxable goods and/or services effected claiming input tax credit.	Registered Taxable Recipient	15th of the next month
GSTR-3	Monthly return on the basis of finalization of details of outward supplies and inward supplies along with the payment of amount of tax.	Registered Taxable Person	20th of the next month 18th of the month succeeding quarter
GSTR-4	Quarterly return for compounding taxable person.	Composition Supplier	20th of the next month
GSTR-5	Return for Non-Resident foreign taxable person	Non-Resident Taxable Person	13th of the next month
GSTR-6	Return for Input Service Input Service Distributor		10th of the next month 10th of the next month
GSTR-7	Return for authorities deducting tax at source.	Tax Deductor	31st December following the financial year
GSTR-8	Details of supplies effected through e-commerce operator and the amount of tax collected	E-commerce Operator/Tax Collector	
	Annual Return		Within three months of the date

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GSTR-9		Registered Taxable Person	of cancellation or date of cancellation order, whichever is later.
GSTR-10	Final Return Details of inward supplies to be furnished by a person having UIN Person having UIN and claiming refund	Taxable person whose registration has been surrendered or cancelled	
GSTR-11			28th of the month following the month for which statement is filed