

UNIT IV

GST (Goods and Services Tax) – Definitions & Concepts

1. GST – Definition

GST is a comprehensive, multi-stage, destination-based indirect tax that is levied on every value addition. It has replaced various indirect taxes like VAT, service tax, excise duty, etc.

- **CGST:** Central Goods and Services Tax (collected by Central Government)
- **SGST:** State Goods and Services Tax (collected by State Government)
- **IGST:** Integrated Goods and Services Tax (on inter-state supply)

2. Business-Related Person's Capital Goods

Capital goods are goods used in the course of business to produce other goods or services. E.g., machinery, equipment.

- ITC (Input Tax Credit) can be claimed on capital goods if used for taxable supplies.
- Not available for goods used for personal purposes or exempt supplies.

3. Levy and Collection of Tax

- GST is levied on **supply of goods or services or both**, except on exempted goods/services.
- Collected at the time of supply.
- Tax is levied as per **Section 9 of the CGST Act, 2017**.

4. Mixed Supply vs Composite Supply

Type	Definition	Example	Tax Rate
Composite Supply	Supply of two or more goods/services naturally bundled, supplied together	Flight ticket (includes meal)	Tax rate of principal item
Mixed Supply	Two or more independent goods/services together for a single price	Gift box (chocolates, toys, perfumes)	Highest tax rate in the combo

5. Unregistered Supplier

An unregistered supplier is a person not registered under GST.

Advantages:

- No need to maintain complex records
- No GST compliance burden

Disadvantages:

- Cannot collect GST
- Cannot claim ITC
- May be less preferred by registered buyers

6. Time and Value of Supply**Time of Supply:**

- Determines when GST is to be paid.
- For goods: earlier of date of issue of invoice or date of payment.
- For services: earlier of date of invoice (if issued within 30 days) or date of payment.

Value of Supply:

- Transaction value (price actually paid or payable)
- Includes taxes (other than GST), packing, commission, and incidental charges.

7. Goods and Services

- **Goods:** Every kind of movable property (excluding money and securities) – e.g., electronics, furniture.
- **Services:** Anything other than goods – includes activities like transportation, consultancy, banking.

8. Input Tax Credit (ITC)

Allows businesses to reduce their tax liability by claiming credit for the tax paid on purchases (inputs).

Conditions to claim ITC:

- Possession of a tax invoice
- Goods/services must be received
- Tax must have been paid to the government
- Return must be filed

9. Registration under GST

Every supplier is required to register under GST if they cross the threshold limit (usually ₹20 lakhs, ₹10 lakhs for NE states).

Person Liable for Registration:

- Aggregate turnover exceeds threshold limit
- Casual taxable person
- Inter-state supply
- E-commerce operators

Person Not Liable for Registration:

- Agriculturists for supply of produce
- Persons exclusively dealing in exempted goods/services

Casual Taxable Person:

- Occasionally supplies goods/services in a state/UT where they don't have a fixed place of business.
- Must register at least 5 days before starting business.

10. Cancellation and Revocation of Registration

- **Deemed Cancellation:** E.g., when the business is discontinued or transferred.
- **Voluntary Cancellation:** Can apply if not liable for registration.
- **Revocation of Cancellation:** Application must be made within 30 days of cancellation order if cancelled by authorities.

11. VAT (Value Added Tax) – (Pre-GST Era)

- Indirect tax levied on **value added** at each stage of production/distribution.
- Collected by **state governments**.
- Replaced by **GST** in 2017 to create a uniform tax system.

GST Practical Sums (With Solutions)**1. Calculation of GST on Composite Supply**

Q. A company provides a combo of hotel accommodation and breakfast for ₹5,000 per night. The GST rate for hotel accommodation is 12% and for food service is 5%. What is the GST to be charged if it is a composite supply?

Solution:

Since it is a **composite supply**, the **principal supply is hotel accommodation**, so the rate applicable is 12%.

GST = 12% of ₹5,000 = ₹600

Total Invoice = ₹5,600

2. Calculation of GST on Mixed Supply

Q. A gift box contains chocolates (18%), toys (12%), and perfumes (28%). The box is sold for ₹1,000. What is the GST applicable?

Solution:

Since it is a **mixed supply**, the **highest tax rate applies**, i.e., **28%**.

GST = 28% of ₹1,000 = ₹280

Total Invoice = ₹1,280

3. Time of Supply – Goods

Q. Invoice issued: 5th August 2025

Goods delivered: 7th August 2025

Payment received: 3rd August 2025

What is the **time of supply**?

Solution:

For goods, the time of supply is **earlier of invoice date or payment date**.

Answer: 3rd August 2025

4. Time of Supply – Services

Q. Invoice date: 10th August 2025

Service provided: 9th August 2025

Payment received: 20th August 2025

What is the **time of supply**?

Solution:

If the invoice is issued within 30 days of service, the **invoice date is taken**.

Answer: 10th August 2025

5. Input Tax Credit (ITC) Calculation

Q. A manufacturer purchases raw materials worth ₹1,00,000 + 18% GST. He sells the final product for ₹2,00,000 + 18% GST. What is the **net GST payable** after ITC?

Solution:

- GST on purchase (ITC) = 18% of 1,00,000 = ₹18,000
- GST on sale = 18% of 2,00,000 = ₹36,000

- **Net GST payable = 36,000 – 18,000 = ₹18,000**

6. Registration Threshold Check

Q. Mr. A is a supplier of goods in Delhi. His aggregate turnover in the financial year is ₹35 lakhs. Is he liable for GST registration?

Solution:

Threshold for registration in case of goods = **₹40 lakhs** in most states.

Since his turnover is ₹35 lakhs < ₹40 lakhs, **registration is not mandatory**.

7. GST on Capital Goods

Q. A business purchases machinery for ₹2,00,000 + 18% GST. The machinery is used exclusively for taxable supplies. Can the business claim ITC? What amount?

Solution:

Yes, ITC can be claimed on capital goods used for taxable supplies.

ITC = 18% of 2,00,000 = ₹36,000

8. Late Registration Penalty

Q. A business crosses the threshold for registration on 1st July but applies for registration on 1st September. He made taxable supplies of ₹5,00,000 during this period. GST rate is 18%. What is his liability?

Solution:

He is liable to pay **GST + penalty** for delay.

- GST = 18% of ₹5,00,000 = ₹90,000
- Penalty under Section 122 (if no fraud): **₹10,000 or tax evaded**, whichever is higher.

Penalty = ₹90,000 (since it is higher than ₹10,000)

Total Payable = ₹90,000 (GST) + ₹90,000 (Penalty) = ₹1,80,000

9. Value of Supply Calculation

Q. Mr. X sells goods for ₹50,000. Additional charges:

- Packing: ₹1,000
 - Freight: ₹2,000
 - Discount shown on invoice: ₹3,000
- GST rate: 18%. What is the value of supply and GST?

Solution:

Value = ₹50,000 + ₹1,000 + ₹2,000 – ₹3,000 = ₹50,000

$\text{GST} = 18\% \text{ of } ₹50,000 = ₹9,000$

Total = ₹59,000

Additional GST Practice Sums

1. Time of Supply – Advance Payment

Q. A supplier receives an advance of ₹50,000 on 10th August and raises the invoice on 18th August. When is the time of supply?

Solution:

Time of supply is the **earlier of the date of payment or invoice.**

Answer: 10th August

2. Reverse Charge Mechanism (RCM)

Q. A registered business receives legal services from an advocate worth ₹40,000. GST rate is 18%. Who pays the tax and how much?

Solution:

Under RCM, the **recipient pays** the tax.

$\text{GST} = 18\% \text{ of } ₹40,000 = ₹7,200$

Business pays ₹7,200 to govt and can claim ITC (if eligible).

3. Capital Goods – Partial Use for Personal Use

Q. A capital asset costing ₹1,00,000 + 18% GST is used **80% for business** and **20% for personal use**. What is the eligible ITC?

Solution:

$\text{ITC} = 18\% \text{ of } ₹1,00,000 = ₹18,000$

$\text{Eligible ITC} = 80\% \text{ of } ₹18,000 = ₹14,400$

4. Mixed Supply – Festival Package

Q. A Diwali gift pack contains:

- Sweets (GST 5%)
- Decorative lights (GST 12%)
- Perfume (GST 28%)
Price: ₹2,000
What is the GST?

Solution:

As it is a **mixed supply**, the **highest rate applies** = 28%

GST = 28% of ₹2,000 = ₹560

Total Invoice = ₹2,560

5. Composite Supply – Tour Package

Q. A travel agency charges ₹30,000 for a tour package including transport and hotel stay. Transport GST = 5%, Hotel = 12%.

What rate is applicable?

Solution:

This is a **composite supply**, and **hotel (principal supply)** rate applies = 12%

GST = 12% of ₹30,000 = ₹3,600

Total = ₹33,600

6. Late Filing Penalty

Q. A taxpayer files his GSTR-3B return 15 days late. Late fee is ₹50 per day (₹25 CGST + ₹25 SGST). What is the total penalty?

Solution:

₹50 × 15 days = ₹750

Penalty = ₹750

7. Input Tax Credit on Blocked Items

Q. A firm buys a car for ₹6,00,000 + ₹72,000 GST for directors' use. Can it claim ITC?

Solution:

No. ITC is **blocked for motor vehicles used for personal/non-business use**.

Answer: ITC of ₹72,000 cannot be claimed.

8. Deemed Supply

Q. A company gives away laptops (stock) as gifts to employees. Value = ₹1,20,000 + 18% GST. Is this a taxable supply?

Solution:

Yes. As per **Schedule I**, gifts > ₹50,000 to employees are deemed supplies.

GST = 18% of ₹1,20,000 = ₹21,600

Tax payable = ₹21,600

9. Value of Supply Including Subsidy

Q. A manufacturer sells goods for ₹90,000. Government subsidy received = ₹10,000 directly linked to price. GST @18%. What is the taxable value?

Solution:

Subsidies directly linked to price are included.

Value = ₹90,000 + ₹10,000 = ₹1,00,000

GST = 18% of ₹1,00,000 = ₹18,000

Total Invoice = ₹1,18,000

10. Threshold Exemption

Q. A service provider in Assam earns ₹9,50,000 in a year. Is he liable for registration?

Solution:

Threshold in special category states (like Assam) = ₹10 lakhs

₹9.5 lakhs < ₹10 lakhs → **No registration required**
