

## Questions for Practice by CA. YASHVANT MANGAL CA CS CMA Finals – GST

**Q. 1.** Mangal Industries Ltd. (MIL), a manufacturer of transformer, registered in GST, supplied transformer to Jain Electricals at an agreed upon price of Rs. 10,00,000/-. Further, MIL charged the following additional amounts in relation to the said supply:-

S. No.	Particulars	Amount (Rs.)
1.	Transportation charges (Freight)	35,000
2	Transit Insurance	5,000
3.	Primary Packing Charges	7,000
4.	Special Packing Charges	3,000
5.	Accessories Compulsorily supplied along with the Transformer	50,000
6.	Installation and Erection charges	10,000
7.	Warranty Charges	4,000
8.	Design and Development Charges	6,000

**Additional Information:-**

- (i) Cash discount @ 2% on price of the transformer has been allowed to Jain Electricals at the time of supply and also recorded on the Invoice.
- (ii) CGST rate = 14%, SGST rate = 14%

Compute the value of supply of transformer and the amount of CGST and SGST payable.

**Solution:**

**Computation of value of supply and GST payable by MIL**

S. No.	Particulars	Amount (Rs.)
	Price of the Transformer	10,00,000
	<b>Add:</b>	
1.	Transportation Charges [Freight] (Note 1)	35,000
2.	Transit Insurance (Note 1)	5,000
3.	Primary packing Charges (Note 2)	7,000
4.	Special Packing Charges (Note 2)	3,000
5.	Accessories compulsorily supplied along with the transformer (Note 3)	50,000
6.	Installation and erection charges (Note 4)	10,000
7.	Warranty Charges (Note 4)	4,000
8.	Design and Development charges (Note 4)	6,000
	<b>Total</b>	<b>11,20,000</b>
	<b>Less:</b>	
	2% Cash discount on Price of Transformer [10,00,000 x	(20,000)

	2%] (Note 5)	
	Value of Taxable supply of Transformer	<b>11,00,000</b>
	CGST @ 14%	<b>1,54,000</b>
	SGST @ 14%	<b>1,54,000</b>

**Notes:**

- (1) The given supply is a composite supply involving supply of goods (i.e. transformer) and services (Freight and transit insurance) where the principal supply is the supply of goods (i.e. transformer). As per section 8(a) of the CGST Act, 2017, a composite supply is treated as a supply of the principal supply involved therein and charged to tax accordingly.
- (2) All incidental expenses including packing (whether primary, secondary or special) charged by a supplier to the recipient of a supply are includible in the value of supply in terms of Section 15 (2)(c) of the CGST Act, 2017.
- (3) Accessories compulsorily supplied alongwith the transformer is a composite supply, wherein principle supply is supply of transformer. Therefore, the value of these accessories will be included in the value if transformer and will be taxed accordingly.
- (4) Any amount charged for anything done by the supplier in respect of the supply of goods at the time of, or before delivery of goods is includible in the value of supply in terms of Section 15(2)(c) of the CGST Act, 2017. Therefore, Installation and erection charges, warranty charges and Design and Development charges are includible in the value of transformer.
- (5) Cash discount was given at the time of supply and also recorded in the invoice. Therefore, the same is excludible from the value of transformer as per Section 15(9)(a) of the CGST Act, 2017.

**Q. 2** Mangal Industries Ltd. (MIL) is a manufacturer of Transformer, registered in GST, located in Mumbai (Maharashtra). The supply of transformers is affected as under:-

- (i) The wholesale price of the transformer (excluding all taxes and other expenses) at which it is supplied in the ordinary course of the business to various customers is Rs. 10,50,000/-. However, the actual price at which the transformer is supplied to an individual customer varies within a range of +/- 10% depending upon the terms of contract of supply with the particular customer.
- (ii) It is the policy of MIL to deliver the transformer at customer's premises at its own risk and install the transformer to bring it in working condition. For this purpose, it charges the following additional charges:
  - (a) Freight (Transportation charges) - Rs. 35,000/-
  - (b) Transit Insurance - Rs. 5,000/-
  - (c) Installation and Erection charges - Rs. 10,000/-
- (iii) MIL also supplies some accessories which are compulsorily supplied along with the transformer, for which it charges Rs. 50,000/- additionally.

- (iv) MIL provides two year free warranty for the transformer. However, MIL also provides an extended three year warranty on payment of additional charges of Rs. 4,000/-.
- (v) Apart from all these, MIL also charges the following incidental expenses:-  
 (a) Primary packing charges - Rs. 7,000/-  
 (b) Design and developmental charges - Rs. 6,000/-
- (vi) MIL also does special packing of the transformer in special boxes on request of the customer for which it charges Rs. 3,000/- in addition to the primary packing charges.
- (vii) A cash discount of 2% on the price of the transformer is also offered to the customers making instant payment on supply of transformer.

MIL has supplied a transformer to M/s Jain electrical, Mumbai at a price of Rs. 10,00,000/- (excluding all taxes and other expenses). M/s Jain electrical has opted for three year extended warranty and has made full payment immediately on supply of transformer. M/s Jain electrical has also requested to deliver the transformer in special boxes.

Assume the rates of GST as under:-

Particulars	CGST	SGST	IGST
Transformer	14%	14%	28%
Transportation	2.5%	2.5%	5%
All other services	9%	9%	18%
Accessories	6%	6%	12%

Compute the value of supply of transformer and the amount of GST payable [CGST & SGST or IGST, as the case may be] on the transformer and support your conclusions with legal provisions in the form of explanatory notes. Make suitable assumptions, wherever needed.

**Solution:** “Same as solution of Q. No. 1”

**Note:** Students must Note that, this is just different pattern of asking the question. Student’s main focus should be to extract the relevant information to solve the questions.

**Q. 3** What would be your answer in the above question with the following changes:

(vii) A cash discount if 2% on the price of the transformer is offered at the time of supply, if the customer agrees to make the payment within 15 days of the receipt of the transformer at the premises. In the event of failure to make the payment within the stipulated time, MIL-

- (a) Recovers the discount given; and  
 (b) Charges interest @ 1% per month or part of the month on the total amount due from the customer (towards the transformer supplied) from the date of making

the supply till the date of payment. However, no interest is charged on the tax dues.

**Given that:-**

MIL had installed the transformer at the premises of Jain Electricals on 01.03.2018 and Jain Electricals agreed to make payment within 15 days thereby availing discount of 2%. However, Jain Electricals paid the consideration on 31<sup>st</sup> May, 2018.

**Solution: “Same Answer”** i.e. liability for the month of march 2018 (Note 7):-

$$\text{CGST} = \text{Rs. } 1,54,000/-$$

$$\text{SGST} = \text{Rs. } 1,54,000/-$$

Further, Tax liability for the month of May, 2018 will be computed as under (Note 7):

Particulars	Amount (Rs.)
Interest collected @3% on Rs. 11,20,000 (Note 6)	33,600
Cash Discount recovered (Note 6)	20,000
Cum-tax value of interest and cash discount	53,600
CGST = (Rs. 53,600 / 128) x 14 (Rounded off)	5,863
SGST = (Rs. 53,600 / 128) x 14 (Rounded off)	5,863

**Note:-**

(6) Interest for the delayed payment of any consideration for any supply is includible in the value of supply in terms of Section 15(2)(d) of the CGST Act, 2017. Further, Cash discount recovered will also be includible in the value of supply as now the transaction value i.e. the price of the transformer is without any discount.

The discount not allowed and interest have to be considered as cum tax value and tax payable thereon has to be computed by making back calculations in terms of Rule 35 of the CGST Rules, 2017.

(7) It has been assumed that the invoice for the supply has been issued on 01.03.2018, the date on which supply is made and installation of the transformer is done on the same day. Thus, the time of supply of the transformer is 01.03.2018 in terms of Sec. 12(1)(a) of the CGST Act, 2017.

Further, as per section 12(6) of the CGST Act, 2017, the time of supply in case of addition in value by way of interest, late fees, penalty, etc. for delayed payment of consideration for goods is the date on which the supplier receives such addition in value. Thus, the time of supply of interest received and the cash discount recovered on account of delayed payment of consideration is 31<sup>st</sup> May, 2018, the date on which full payment was made. The supplier may issue a debit note for such interest and cash discount recovered.

**Q.4.** What would be your answer in the above question, if the transformer was installed by MIL at the manufacturing unit of Jain Electricals located in Ahmedabad, Gujarat?

**Ans: “Same Answer”.** But, instead of charging CGST & SGST @ 14% each, IGST @ 28% would be charged. Because, the location of the supplier is in Maharashtra (i.e. Mumbai); and the place of supply of transformer i.e. place of installation of the transformer i.e. Ahmedabad, Gujarat in terms of Sec 10(1)(d) of the IGST Act, 2017. Therefore, the given supply is an inter-state supply as the location of supplier and place of supply are in two different states [Sec 7(10)(a) of the IGST Act, 2017]. Thus, the supply will be leviable to IGST in terms of Section 5(1) of the IGST Act, 2017.

**Q. 5.** M/s Agrawal & Co., a registered supplier, supplying goods and services for construction of buildings and complexes has the following receipts (exclusive of GST) for a given month:

- (a) Hire charges for excavators - Rs. 10,00,000/-
- (b) Service charges for supply of manpower for operation of the excavator - Rs. 50,000/-
- (c) Service charges for soil testing and seismic evaluation at various sites - Rs. 1,50,000/-

The excavators are invariably hired out along with operators. Similarly, excavator operators are supplied only when the excavator is hired out.

The GST paid during the said month on services received by M/s Agrawal & Co. is as follows:

- (a) Annual maintenance for excavators - Rs. 25,000/-
- (b) Health insurance for excavator operators - Rs. 10,000/-
- (c) Scientific and technical consultancy for soil testing & seismic evaluation - Rs. 15,000/-

Compute the net GST payable by M/s Agrawal & Co. for the given month.

Assume the rates of GST to be as under:

- (i) Hiring out of excavators – 12%
- (ii) Supply of manpower services and soil-testing & seismic evaluation services – 18%

Note: - Opening balance of input tax credit of GST is Nil.

**Solution:**

**Computation of net GST payable by M/s Agrawal & Co.**

Particulars	GST payable (Rs.)
Gross GST liability [Refer Working Note 1 below]	1,53,000
Less: Input tax credit [Refer Working Note 2 below]	(40,000)
Net GST liability	1,13,000

**Working Notes:**

- (1) **Computation of gross GST liability**

Particulars	Value received (Rs.)	Rate of GST	GST Payable (Rs.)
Hiring charges for excavators	10,00,000	12%	1,20,000
Service charges for supply of manpower for operation of excavators [Refer Note (i)]	50,000	12%	6,000
Service charges for soil testing and seismic evaluation [Refer Note (ii)]	1,50,000	18%	27,000
<b>Gross GST liability</b>			<b>1,53,000</b>

**Notes:**

- (i) Since the excavators are invariably hired out along with operators and excavator operators are supplied only when the excavator is hired out, it is a case of composite supply under section 2(30) of the CGST Act, 2017 wherein the principal supply is the hiring out of the excavator. As per section 8(a) of the CGST Act, 2017, the composite supply is treated as the supply of the principal supply. Therefore, the supply of manpower for operation of the excavators will also be taxed at the rate applicable for hiring out of the excavator (principal supply), which is 12%.
- (ii) Soil testing and seismic evaluation services being independent of the hiring out of excavator will be taxed at the rate applicable to them, which is 18%.

**(2) Computation of input tax credit available for set off**

Particulars	GST paid (Rs.)	ITC available (Rs.)
Annual maintenance services for excavators [Refer Note (i)]	25,000	25,000
Health insurance for excavator operators [Refer Note (ii)]	10,000	-
Scientific and technical consultancy [Refer Note (i)]	15,000	15,000
<b>Total input tax credit available</b>		<b>40,000</b>

**Notes:**

- (i) Section 17(5)(d) of the CGST Act, 2017 blocks credit on goods and/or services received by a taxable person for construction of an immovable property on his own account. Here, though the excavators are used for building projects, the same are not used by M/s Agrawal & Co. on its own account for construction of immovable property; instead they are used for outward taxable supply of hiring out of machinery.

Therefore, the annual maintenance service for the excavators does not get covered by the bar under section 17 of the CGST Act, 2017 and the credit thereon will be available. The same applies for scientific & technical consultancy for construction projects because in this case also, the service is

used for providing the outward taxable supply of soil testing and seismic evaluation service and not for construction of immovable property.

- (ii) Section 17(5)(b)(iii) of the CGST Act, 2017 allows input tax credit on health insurance only when:
- (a) the Government notifies the services as obligatory for an employer to provide to its employees under any law for the time being in force; or
  - (b) the said service is used for making an outward taxable supply of the same category of service or as part of a taxable composite or mixed supply.

Since, in the given case, the health insurance service does not fall under any of the above two categories, the credit thereon will not be allowed.

**Q. 6.** M/s Agrawal & Co., a registered supplier, supplies the following goods and services for construction of buildings and complexes -

- (a) excavators for required period at a per hour rate
- (b) manpower for operation of the excavators at a per day rate
- (c) soil-testing and seismic evaluation at a per sample rate.

The excavators are invariably hired out along with operators. Similarly, excavator operators are supplied only when the excavator is hired out.

M/s XYZ receives the following services:

- (a) Annual maintenance services for excavators;
- (b) Health insurance for operators of the excavators;
- (c) Scientific and technical consultancy for soil testing and seismic evaluation.

For a given month, M/s Agrawal & Co. has the following receipts (exclusive of GST):

- (a) Hire charges for excavators - Rs. 10,00,000
- (b) Service charges for supply of manpower for operation of the excavator - Rs. 50,000
- (c) Service charges for soil testing and seismic evaluation at various sites - Rs. 1,50,000

The GST paid during the said month on services received by M/s Agrawal & Co. is as follows:

- (a) Annual maintenance for excavators - Rs. 25,000
- (b) Health insurance for excavator operators - Rs. 10,000
- (c) Scientific and technical consultancy for soil testing and seismic evaluation - Rs. 15,000

Compute the net GST payable by M/s Agrawal & Co. for the given month.

Assume the rates of GST to be as under:

- (i) Hiring out of excavators – 12%
- (ii) Supply of manpower services and soil-testing and seismic evaluation services – 18%

Note: - Opening balance of input tax credit of GST is Nil.

**Solution: “Same Answer as of above question”**

**Note:** Students must note that this is just a different pattern of asking the question. Student’s main focus should be to extract the relevant information to solve the questions.

**Q. 7.** Does inter-state branch transfer of the goods without any consideration amounts to Supply of goods ?

**Ans.:** Yes, inter-state branch transfer of the goods without any consideration amounts to Supply of goods.

Because, movement of goods in the course or furtherance of business without any consideration to a ‘distinct person’ as specified in section 25(4) of the CGST Act, 2017 is deemed to be a supply in terms of Para 2 of Schedule I of the said Act.

As per section 25(4) of the CGST Act, 2017, a person who has obtained more than one registration, whether in one State or Union territory or more than one State or Union territory shall, in respect of each such registration, be treated as ‘distinct persons’.

**Q. 8.** If answer to the above question is yes, then, can purchase value be taken for the purposes of charging GST ?

**Ans.:** As per Rule 28(a) of the CGST Rules, 2017, the purchase value can be taken as taxable value, being the open market value in terms of Rule 28(a) of the CGST Rules 2017. (However, if the branch office is eligible to take full input tax credit, any value may be declared in the tax invoice and that will be taken to be the open market value in terms of the second proviso to the same rule.)

**Q. 9.** Does inter-State movement of various modes of conveyance between ‘distinct persons’, not involving further supply of such conveyance, including trucks carrying goods or passengers or both; or for repairs and maintenance, amounts to Supply of such conveyance ?

**Ans.:** In view of the GST Council’s recommendation, it has been clarified that the inter-State movement of various modes of conveyance between ‘distinct persons’ as specified in section 25(4), not involving further supply of such conveyance, including trucks carrying goods or passengers or both; or for repairs and maintenance, may be treated ‘neither as a supply of goods nor supply of service’ and therefore, will not be leviable to GST.

However, a delivery challan is to be issued by the assessee in terms of rule 55(1)(c) of CGST Rules, 2017 for sending the truck to its distinct person.

Further, if any repairing is done for such conveyance by such distinct person, then, applicable CGST/SGST/IGST, shall be levied only on the amount charged for repairs and maintenance done for such conveyance [Circular No. 1/1/2017 IGST dated 07.07.2017].

Further, if any goods are contained in such conveyance, then, such goods contained in the conveyance will be deemed to be supplied as discussed in previous questions.

**Q. 10.** M/s Maheshwary Web Offset Ltd. is a manufacturer of Newspaper Printing Machineries. It provides two year free on-site warranty for the machineries supplied



by it. It supplied a Newspaper Printing machinery to Mangal Printers on 01.05.2018. Due to some technical fault, the machinery broke down on 17.07.2018. In such cases, the repairing work is done by the company as under:

- The company has self-contained mobile workshops, which are container trucks fitted out for carrying out the repairs. The trucks are equipped with items like repair equipments, consumables, tools, parts etc. to handle a wide variety of repair work.
- The truck is sent to the client location for carrying out the repair work. Depending upon the repairs to be done, the equipment, consumables, tools, parts etc. are used from the stock of such items carried in the truck.
- A stand-alone machine is also sent to the client’s premises in such truck for carrying out the repair work and after carrying out the repairing work, such stand-alone machine is brought back.
- The customer is billed after the completion of the repair work depending upon the nature of the work and the actual quantity of consumables, parts etc. used in the repair work.

Following information is provided:

- (i) Value of items contained in the truck – Rs. 15,00,000/-
- (ii) Value of stand – alone machine – Rs. 35,00,000/-
- (iii) Value of truck – Rs. 48,00,000/-

Note:

- (a) In this case, value of items consumed during repairing of the machine at the location of M/s Mangal Printers is Rs. 8,00,000/-.
- (b) After repairing stand – alone machine is brought back.
- (c) Charges for repairing including value of items consumed during such repairing is Nil (because machine was covered under free warranty period). Open Market Value of such repairing including value of items consumed during such repairing is Rs. 13,00,000/-.

Compute the amount of GST payable by M/s Maheshwary Web Offset Ltd. in this case of repairing the machinery. And, also specify the document(s), if any, which need to be issued by the company for the above transaction.

All the given amounts are exclusive of GST, wherever applicable. Assume the rates of taxes to be as under:

Items used for repairs	
CGST – 6%	SGST – 6%
Container truck	
CGST – 14%	SGST – 14%
Stand-alone machines	
CGST – 2.5%	SGST – 2.5%
Repairs and maintenance of Machinery	
CGST – 9%	SGST – 9%

You are required to make suitable assumptions, wherever necessary.

**Ans.:** No GST is payable by M/s Maheshwary Web Offset Ltd. in this case of repairing the machinery.

**Notes:**

- (i) Supply of goods/services without consideration is deemed to be supply only when it is covered under Schedule I of the CGST Act, 2017. But, in this case, stand-alone machine and container truck are moved to a client location under free warranty period, which is nowhere covered in the scope of the term “Supply” as per section 7 of the CGST Act, 2017. Hence, the same will not be leviable to GST.
- (ii) Stand-alone machinery is just to facilitate client, so that his work is not affected during repairing of the machine. Stand-alone machinery is neither supplied to client nor any separate charges are charged for sending this machinery to client. Therefore, no GST shall be payable on the value of Stand-alone machinery.
- (iii) Since, items consumed during repairing of the machinery is invariably supplied along with the repairing services, therefore, it is a case of composite supply with repairing services under section 2(30) of the CGST Act, 2017, wherein ‘repairing of the machinery service’ is the principal supply.  
Further, as per section 8(a) of the CGST Act, 2017, the composite supply is treated as the supply of the principal supply. Therefore, the items consumed during repairing of the machinery will also be taxed at the rate applicable for repairing of the machinery service (i.e. principal supply). Since, no GST is payable on the repairing of the machinery service in this case as per note (i) as discussed above, therefore, no GST is payable on items consumed during repairing of the machinery.
- (iv) Container Truck is just to facilitate on-site repairing at client’s location which is not supplied to client. Therefore, it is not supply and hence, no GST is payable on it.

In this case, only a delivery challan is to be issued in terms of rule 55(1)(c) of CGST Rules, 2017 for sending the repairing items, stand-alone machines and container truck to the client location.

**Q. 11.** What would be your answer in the above question, if the machinery was not covered under warranty period and M/s Maheshwary Web Offset Ltd. has charged Rs. 13,00,000/- for repairing to M/s Mangal Printers?

**Ans.:** GST payable by M/s Maheshwary Web Offset Ltd. in this case of repairing the machinery shall be:

Value of Supply of Repairing of Machinery Service	Rs. 13,00,000/-
CGST @ 9%	Rs. 1,17,000/-
SGST @ 9%	Rs. 1,17,000/-

**Notes:**

- (i) Since, repairing of the machinery service is a taxable supply of service, therefore, GST will be charged on the amount charged for repairing of the

- machinery service (i.e. Rs. 13,00,000) at the given rate i.e 9% CGST & 9% SGST.
- (ii) Since, items consumed during repairing of the machinery is invariably supplied along with the repairing services, therefore, it is a case of composite supply with repairing services under section 2(30) of the CGST Act, 2017, wherein 'repairing of the machinery service' is the principal supply.  
Further, as per section 8(a) of the CGST Act, 2017, the composite supply is treated as the supply of the principal supply. Therefore, the items consumed during repairing of the machinery will also be taxed at the rate applicable for repairing of the machinery service (i.e. principal supply), which is 9% CGST & 9% SGST.
- (iii) Stand-alone machinery is just to facilitate client, so that his work is not affected during repairing of the machine. Stand-alone machinery is neither supplied to client nor any separate charges are charged for sending this machinery to client. Therefore, no GST shall be payable on the value of Stand-alone machinery.
- (iv) Container Truck is just to facilitate on-site repairing at client's location which is not supplied to client. Therefore, it is not supply and hence, no GST is payable on it.

In this case, since, the activity is a supply of service, a tax invoice for repairing service is to be issued by M/s Maheshwary Web Offset Ltd. in terms of section 31(2) of the CGST Act, 2017. Further, a delivery challan is to be issued in terms of rule 55(1)(c) of CGST Rules, 2017 for sending the repairing items, stand-alone machines and container truck to the client location.

**Q. 12.** What would be your answer in the above question, if such repairing was carried out by M/s Maheshwary Web Offset Ltd. of the machinery located at its own another unit located in another state? Further, the machinery was not covered under warranty period and M/s Maheshwary Web Offset Ltd. has not charged any amount for such repairing.

**Ans.:**

GST payable by M/s Maheshwary Web Offset Ltd. in this case of repairing the machinery shall be:

Value of Supply of Repairing of Machinery Service	Rs. 13,00,000/-
IGST @ 18%	Rs. 2,34,000/-

**Notes:**

- (i) It is supply of services. Because, supply of services in the course or furtherance of business although without any consideration to a 'distinct person' as specified in section 25(4) of the CGST Act, 2017 is deemed to be a supply in terms of Para 2 of Schedule I of the said Act.  
As per section 25(4) of the CGST Act, 2017, a person who has obtained more than one registration, whether in one State or Union territory or more than one State or Union territory shall, in respect of each such registration, be treated as 'distinct persons'.  
Further, as per Rule 28(a) of the CGST Rules, 2017, the open market value (i.e. Rs. 13,00,000/-) shall be taken for the purpose of valuation of the services provided to distinct person.

- Since, repairing of the machinery service is a taxable supply of service, therefore, GST will be charged on Rs. 13,00,000/-.
- (ii) Since, the services are provided to another unit of M/s Maheshwary Web Offset Ltd. located in another state, therefore, it is inter-state supply of service in terms of section 7(3) read with section 12(2)(a) of the IGST Act, 2017. Hence, chargeable to IGST as per provisions of section 5(1) of the IGST Act, 2017.
- (iii) Since, items consumed during repairing of the machinery is invariably supplied along with the repairing services, therefore, it is a case of composite supply with repairing services under section 2(30) of the CGST Act, 2017, wherein 'repairing of the machinery service' is the principal supply.  
Further, as per section 8(a) of the CGST Act, 2017, the composite supply is treated as the supply of the principal supply. Therefore, the items consumed during repairing of the machinery will also be taxed at the rate applicable for repairing of the machinery service (i.e. principal supply), which is 18% IGST. It is assumed that remaining items are brought back with the container truck immediately after completion of the repairing work.
- (iv) Stand-alone machinery is just to facilitate client, so that his work is not affected during repairing of the machine. Stand-alone machinery is neither supplied to client nor any separate charges are charged for sending this machinery to client. Therefore, no GST shall be payable on the value of Stand-alone machinery.
- (v) Container Truck is just to facilitate on-site repairing at client's location which is not supplied to client. Therefore, it is not supply and hence, no GST is payable on it.

In this case, since, the activity is a supply of service, a tax invoice for repairing service is to be issued by M/s Maheshwary Web Offset Ltd. in terms of section 31(2) of the CGST Act, 2017. Further, a delivery challan is to be issued in terms of rule 55(1)(c) of CGST Rules, 2017 for sending the repairing items, stand-alone machines and container truck to another unit located in another state.

**Q. 13.** Power Engineering Pvt. Ltd., a registered supplier, is engaged in providing expert maintenance and repair services for large power plants that are in the nature of immovable property, situated all over India. The company has its Head Office at Bangalore, Karnataka and branch offices in other States. The work is done in the following manner:

- The company has self-contained mobile workshops, which are container trucks fitted out for carrying out the repairs. The trucks are equipped with items like repair equipments, consumables, tools, parts etc. to handle a wide variety of repair work.
- The truck is sent to the client location for carrying out the repair work. Depending upon the repairs to be done, the equipment, consumables, tools, parts etc. are used from the stock of such items carried in the truck.
- In some cases, a stand-alone machine is also sent to the client's premises in such truck for carrying out the repair work.
- The customer is billed after the completion of the repair work depending upon the nature of the work and the actual quantity of consumables, parts etc. used in the repair work.

- Sometimes the truck is sent to the company’s own location in other State(s) from where it is further sent to client locations for repairs.

Work out the GST liability [CGST & SGST or IGST, as the case may be] of Power Engineering Pvt. Ltd., Bangalore on the basis of the facts as described, read with the following data for the month of November 20XX.

S. No.	Particulars	Rs.
A.	Truck sent to own location in Tamil Nadu (i) Value of items contained in the truck - Rs. 3,00,000 (ii) Value of truck - Rs. 25,00,000	
B.	Truck sent to a client location in Tamil Nadu for carrying out repairs. Stand- alone machine is also sent in the truck to client location for repairs (i) Value of items contained in the truck – Rs. 2,85,000 (ii) Value of stand-alone machine - Rs. 4,00,000 (iii) Value of truck - Rs. 20,00,000	
C.	Truck sent to a client location in Karnataka for carrying out repairs (i) Value of items contained in the truck - Rs. 1,06,000 (ii) Value of truck - Rs. 20,00,000	
D.	Invoices raised for repair work carried out in Tamil Nadu [including the invoice for repair work done in ‘B’] -	70,00,000
E.	Invoices raised for repair work carried out in Karnataka [including the invoice for repair work done in ‘C’]	12,00,000

Also, specify the document(s), if any, which need to be issued by Power Engineering Pvt. Ltd., Bangalore for the above transactions.

All the given amounts are exclusive of GST, wherever applicable. Assume the rates of taxes to be as under:

Items used for repairs		
CGST – 6%	SGST – 6%	IGST – 12%
Container truck, Stand-alone machines		
CGST – 2.5%	SGST – 2.5%	IGST – 5%
Works contract for repairs and maintenance of immovable property		
CGST – 9%	SGST – 9%	IGST – 18%

You are required to make suitable assumptions, wherever necessary.

[RTP – CA Final – May, 2018]

**Ans.:**

**Computation of GST Liability of Power Engineering Pvt. Ltd., Bangalore  
for the month of November 20XX**

S.No	Particulars	Rs.
A.	Items sent in container truck to own location in Tamil Nadu - IGST @ 12% [Note 1]	36,000
	Container truck sent to own location in Tamil Nadu [Note 2]	-
B.	Stand-alone machine sent in container truck to client location in Tamil Nadu, for carrying out repairs [Note 3]	-
	Container truck sent to client location in Tamil Nadu [Note 3]	-
	Items sent in container truck to client location in Tamil Nadu, for carrying out repairs [Note 4]	-
C.	Container truck sent to client location in Karnataka [Note 3]	-
	Items sent in container truck to client location in Karnataka, for carrying out repairs [Note 4]	-
D.	Invoices raised for repair work carried out in Tamil Nadu: IGST @ 18% [Note 5 and Note 6]	12,60,000
E.	Invoices raised for repair work carried out in Karnataka: CGST 9% + SGST 9% [Note 5 and Note 7]	2,16,000
<b>Total GST liability</b>		<b>15,12,000</b>

**Notes:**

(1) Movement of goods without any consideration to a 'distinct person' as specified in section 25(4) of the CGST Act, 2017 is deemed to be a supply in terms of Schedule I of the said Act. The purchase value is taken as taxable value, being the open market value in terms of rule 28(a) of the CGST Rules 2017. (However, if the regional office is eligible to take full input tax credit, any value may be declared in the tax invoice and that will be taken to be the open market value in terms of the second proviso to the same rule.)

In the given case-

- the location of the supplier is in Bangalore (Karnataka); and
- the place of supply of items contained in the truck is the location of such goods at the time at which the movement of goods terminates for delivery to the recipient i.e., Tamil Nadu in terms of section 10(1)(a) of the IGST Act, 2017.

Therefore, the given supply of items is an inter-State supply as the location of the supplier and the place of supply are in two different States [Section 7(1)(a) of IGST Act, 2017]. Thus, the supply is leviable to IGST in terms of section 5(1) of the IGST Act, 2017.

Since the activity is a supply, a tax invoice is to be issued by Power Engineering Pvt. Ltd. in terms of section 31(1)(a) of the CGST Act, 2017 for sending the items to its own location in Tamil Nadu.

(2) As per section 25(4) of the CGST Act, 2017, a person who has obtained more than one registration, whether in one State or Union territory or more than one State or Union territory shall, in respect of each such registration, be treated as 'distinct persons'.

Schedule I to the CGST Act, 2017 specifies situations where activities are to be treated as supply even if made without consideration. Supply of goods and/or services between 'distinct persons' as specified in section 25 of the CGST Act, 2017, when made in the course or furtherance of business is one such activity included in Schedule I under para 2.

However, in view of the GST Council's recommendation, it has been clarified that the inter-State movement of various modes of conveyance between 'distinct persons' as specified in section 25(4), not involving further supply of such conveyance, including trucks carrying goods or passengers or both; or for repairs and maintenance, may be treated 'neither as a supply of goods nor supply of service' and therefore, will not be leviable to IGST. Applicable CGST/SGST/IGST, however, shall be leviable on repairs and maintenance done for such conveyance [Circular No. 1/1/2017 IGST dated 07.07.2017].

Since the activity is not a supply, tax invoice is not required to be issued by Power Engineering Pvt. Ltd. However, a delivery challan is to be issued by the company in terms of rule 55(1)(c) of CGST Rules, 2017 for sending the truck to its own location in Tamil Nadu.

(3) Supply of goods without consideration is deemed to be a supply inter alia when the goods are supplied to a 'distinct person'. However, in this case, stand-alone machine and container truck are moved to client location and not between 'distinct persons'. Hence, the same will fall outside the scope of definition of supply and will not be leviable to GST.

Here again, a delivery challan is to be issued in terms of rule 55(1)(c) of CGST Rules, 2017 for sending the stand-alone machines and container truck to client location.

(4) As per section 2(119) of the CGST Act, 2017, 'works contract' means a contract for, inter alia, repair, maintenance of any immovable property wherein transfer of property in goods (whether as goods or in some other form) is involved in the execution of such contract.

In this case, the supplier provides maintenance and repair services for power plants that are in the nature of immovable property and uses consumables and parts, wherever necessary, for the repairs. Hence, the contract is that of a works contract.

Further, as per section 2(30) of the CGST Act, 2017, a works contract is a 'composite supply' as it consists of taxable supplies of both goods and services which are naturally bundled and supplied in conjunction with each other. The composite supply of works contract is treated as supply of service in terms of para 6(a) of Schedule II to the CGST Act, 2017.

The items used in relation to the repair and maintenance work could be consumables or could be identifiable items/parts. In either case, the transfer of property in goods is incidental to a composite supply of works contract service. Thus, the value of the items actually used in the repairs will be included in the invoice raised for the service and will be charged to tax at that point of time.

Here again, a delivery challan is to be issued in terms of rule 55(1)(c) of CGST Rules, 2017 for sending the items for carrying out the repairs.

(5) The activity is a composite supply of works contract, which is treated as supply of

service. As per section 8(a) of the CGST Act, 2017, a composite supply is treated as a supply of the principal supply involved therein and charged to tax accordingly.

Since the activity is a supply of service, a tax invoice is to be issued by Power Engineering Pvt. Ltd. in terms of section 31(2) of the CGST Act, 2017.

(6) In the given case-

- the location of the supplier is in Bangalore (Karnataka); and
- the place of supply of works contract services relating to the power plant (immovable property) is the location at which the immovable property is located i.e., Tamil Nadu in terms of section 12(3)(a) of the IGST Act, 2017.

Therefore, the given supply is an inter-State supply as the location of the supplier and the place of supply are in two different States [Section 7(1)(a) of IGST Act, 2017]. Thus, the supply will be leviable to IGST in terms of section 5(1) of the IGST Act, 2017.

(7) In the given case, the location of the supplier and the place of supply of works contract services are within the same State. Therefore, the given supply is an intra-State supply in terms of section 8(1) of IGST Act, 2017 and thus, chargeable to CGST and SGST.