

Chapter I

Levy and Collection of Tax

FAQ's

Scope of supply (Section 7)

Section 7 of the Central Goods and Services Tax Act, 2017 (“the CGST Act, 2017” or “the CGST Act”) made applicable to IGST vide Section 20 of the Integrated Goods and Services Tax Act, 2017 (“the IGST Act, 2017” or “the IGST Act”) and UTGST vide Section 21 of the Union Territory Goods and Services Tax Act, 2017 (“the UTGST Act, 2017” or “the UGST Act”)

Q1. What is the scope of the term ‘supply’ as defined in the CGST Act, 2017?

Ans. As per Section 7(1) of the CGST Act, 2017, Supply includes:

1. all forms of supply of goods or services or both such as sale, transfer, barter, exchange, licence, rental, lease or disposal made or agreed to be made for a consideration by a person in the course or furtherance of business;
2. import of services for a consideration whether or not in the course or furtherance of business;
3. the activities specified in Schedule I, made or agreed to be made without a consideration; and
4. the activities to be treated as supply of goods or supply of services as referred to in Schedule II.

Q2. Is it required to distinguish whether a particular supply involves supply of goods or services or both?

Ans. Yes, the CGST Act, 2017 specifies certain provisions separately for supply of goods and supply of services viz., Section 12 and Section 13 thereof provides for ascertaining time of supply of goods and time of supply of services respectively; similarly, separate provisions have been specified for ascertaining place of supply of goods and place of supply of services. Further, the rate of tax applicable to supply of goods and supply of services are different. Accordingly, it is important to distinguish whether a particular transaction involves supply of goods or supply of services.

Q3. How to distinguish whether a particular supply involves supply of goods or services or both?

Ans. The Schedule II appended to the CGST Act, 2017 enlists the activities which are to be treated as supply of goods or supply of services. One may refer Schedule II with

reference to Section 7 to classify whether the transaction involves supply of goods or supply of services.

Q4. Whether supply of goods or services without consideration is liable to tax?

Ans. The activities enumerated in Schedule I will qualify as supply even if made without consideration. Accordingly, such supplies in the absence of consideration are liable to tax. To illustrate, following are the activities which will qualify as supply in the absence of consideration and eventually would be liable to tax:

1. Permanent transfer or disposal of business assets where input tax credit has been availed on such assets.
2. Supply of goods or services or both between related persons or between distinct persons as specified in section 25, when made in the course or furtherance of business:
Provided that gifts not exceeding fifty thousand rupees in value in a financial year by an employer to an employee shall not be treated as supply of goods or services or both.
3. Supply of goods—
 - (a) by a principal to his agent where the agent undertakes to supply such goods on behalf of the principal; or
 - (b) by an agent to his principal where the agent undertakes to receive such goods on behalf of the principal.
4. Import of services by a taxable person from a related person or from any of his other establishments outside India, in the course or furtherance of business.

Q5. Whether transfer of goods to another branch located outside the State is taxable?

Ans. In terms of Section 25(4) of the CGST Act, 2017, every person who is required to obtain separate registration for every branch located in different state or union territory shall be treated as distinct persons. Accordingly, the supply of goods (stock transfers) to a branch located outside the State would qualify as supply, liable to tax in terms of clause 2 to Schedule I of the CGST Act, 2017. Further, it is important to note that, supply of goods to a branch / unit located within the same State having separate registration would also be liable to tax since both such units (supplying unit and recipient unit) would qualify as distinct person in terms of Section 25(4).

Q6. Whether gifts given by employer to employee will also qualify as supply?

Ans. In terms of Explanation appended to Section 15 it is clarified that employer and employee will be deemed to be related persons. Accordingly, in terms clause 2 of Schedule I, gift exceeding ₹ 50,000/- by an employer to employee will be a supply, when made in the course or furtherance of business and will be liable to tax. As, in terms of proviso to clause 2 of Schedule I, any gifts for a value not exceeding ₹ 50,000/- in a financial year will not qualify as supply and as such will not be liable to tax.

Further, as per press release dated 10th July, 2017, if services are provided free of charge to all the employees by the employer then the same will not be subjected to GST, provided appropriate GST was paid when procured by the employer. The relevant extract aforesaid press release is as under:

“Another issue is the taxation of perquisites. It is pertinent to point out here that the services by an employee to the employer in the course of or in relation to his employment is outside the scope of GST (neither supply of goods or supply of services). It follows therefrom that supply by the employer to the employee in terms of contractual agreement entered into between the employer and the employee, will not be subjected to GST. Further, the input tax credit (ITC) scheme under GST does not allow ITC of membership of a club, health and fitness centre [section 17(5)(b)(ii)]. It follows, therefore, that if such services are provided free of charge to all the employees by the employer then the same will not be subjected to GST, provided appropriate GST was paid when procured by the employer. The same would hold true for free housing to the employees, when the same is provided in terms of the contract between the employer and employee and is part and parcel of the cost-to-company (C2C).”

Q7. Whether supply of goods by principal to his agent or by agent to his principal is taxable in the absence of consideration?

Ans. In terms of Section 7 read with Schedule I, following would qualify as supply:

1. Supply of goods by a principal to his agent where the agent undertakes to supply such goods on behalf of the principal; or
2. Supply of goods by an agent to his principal where the agent undertakes to receive such goods on behalf of the principal.

Q8. Whether import of services will be liable to tax under GST regime?

Ans. The following import of service will qualify as supply under the CGST Act, 2017:

1. As per Section 7, import of service for a consideration whether or not in the course or furtherance of business is a supply;
2. As per Schedule I, import of service by a taxable person, even if made without consideration, from a related person or from any of his other establishments outside India, in the course or furtherance of business.

Tax liability on composite and mixed supplies (Section 8)

Section 8 of the CGST Act, 2017 made applicable to IGST vide Section 20 of the IGST Act, 2017 and UTGST vide Section 21 of the UTGST Act, 2017

Q9. What is composite supply?

Ans. In terms of Section 2(30) of CGST Act, 2017, composite supply means a supply made by a taxable person to a recipient consisting of two or more taxable supplies of goods or

services or both, or any combination thereof, which are naturally bundled and supplied in conjunction with each other in the ordinary course of business, one of which is a principal supply. The illustration of composite supply appended to Section 2(30) is as follows:

Where goods are packed and transported with insurance, the supply of goods, packing materials, transport and insurance is a composite supply and supply of goods is a principal supply.

Q10. How would the tax liability be determined in case of Composite supply?

Ans. In terms of Section 8 of the CGST Act, 2017, tax liability in case of composite supply should be determined with reference to the principal supply forming part of such composite supply.

Q11. What is Mixed Supply?

Ans. In terms of Section 2(74), mixed supply means two or more individual supplies of goods or services or any combination thereof, made in conjunction with each other by a taxable person for a single price where such supply does not constitute a composite supply. The illustration of mixed supply appended to Section 2(74) is as follows:

A supply of a package consisting of canned foods, sweets, chocolates, cakes, dry fruits, aerated drink and fruit juices when supplied for a single price is a mixed supply. Each of these items can be supplied separately and is not dependent on any other. It shall not be a mixed supply if these items are supplied separately.

Q12. How would the tax liability be determined in case of Mixed supply ?

Ans. In terms of Section 8, the tax liability in case of a mixed supply shall be ascertained with reference to that particular supply which attracts highest rate of tax.

Levy and Collection (Section 9)

Q13. What are the taxes that are levied on an intra-State supply?

Ans. In terms of Section 9 of the CGST Act, 2017, intra-State supplies are liable to CGST. In terms of Section 7 of UTGST Act, 2017, intra-State supplies effected by a taxable person located in Union Territory (within the Union Territory) will be liable to UTGST. Therefore, in case of intra-State supplies in case of State or Union Territory, CGST and SGST or CGST and UTGST will be applicable respectively.

Q14. How to ascertain the taxable value for levy of CGST & SGST/UTGST?

Ans. Section 15 of the CGST Act, 2017 specifies that the value of supply of goods or services or both shall be the transaction value, which is the price actually paid or payable for the said supply of goods or services or both where the supplier and the recipient of the supply are not related and the price is the sole consideration for the supply. Further, Section 15 provides for certain inclusions which will form part of the value *viz.*, incidental expenses, commission, interest, penalty etc. In cases where the

supplier and recipient are related persons or where the price is not the sole consideration, the provisions and method for ascertaining the value of taxable supply as prescribed in the Central Goods and Services Tax Rules (“the CGST Rules” or “the CGST Rules, 2017”) (Rules 27 – 35) shall apply.

Q15. What is the rate of tax that is applicable on intra-State supplies?

Ans. Government has notified different rates of taxes for different category of goods and services. For instance, Notification 01/2017- Central Tax (Rate), dated 28.06.2017 prescribes the rate of central tax for supply of goods and Notification 11/2017- Central Tax (Rate), dated 28.06.2017 prescribes the rate of central tax for supply of services. Further, the provision specifies that the Central/State Government may specify rate of tax not exceeding 20%.

Q16. Who is responsible to pay taxes?

Ans. Generally, the person effecting taxable supplies is liable to pay taxes. However, following are certain exceptions:

- (a) *Reverse charge*: On supply of goods as specified under Notification 04/2017- Central Tax (Rate), dated 28.06.2017 and on supply of services as specified under Notification 13/2017- Central Tax (Rate), dated 28.06.2017 or such other goods or services, as may be notified by the Government on the recommendations of the Council, the tax shall be paid by the recipient under reverse charge; and
- (b) *E-Commerce*: Categories of services as specified under Notification 17/2017- Central Tax (Rate), dated 28.06.2017 or such other services as may be notified by the Government on the recommendations of the Council the tax shall be paid by the electronic commerce operator if such services are supplied through it.

Q17. What does the payment of tax under reverse charge mean?

Ans. In terms of Section 2(98), the term reverse charge means the liability to pay tax by the recipient of supply of goods or services or both instead of the supplier of such goods or services or both under section 9(3) or (4) of the CGST Act, 2017 or under section 5 (3) or (4) of the IGST Act, 2017.

Q18. What are the different types of supplies which are liable to tax under reverse charge mechanism?

Ans. As per Section 9 of the CGST Act, 2017 there are two types of supplies which are liable to tax under reverse charge mechanism: -

1. As per sub-section 3 specified categories of supply of goods or services or both as notified by Government on recommendations of the Council.
2. As per sub-section 4 Supply of taxable goods or services or both by an unregistered supplier to a registered person

However, the supplies made by unregistered suppliers to a registered person are exempted, if the aggregate value of such supplies does not exceed ₹ 5,000/- in a day.

Q19. Whether the tax on intra-State supplies is applicable to every supply?

Ans. No, section 9(1) which is the charging provision for levy and collection of tax on intra-State supplies excludes supply of alcoholic liquor for human consumption. Further, in terms of Section 9(2), tax on supply of petroleum crude, high speed diesel, motor spirit, natural gas and aviation turbine fuel shall be levied with effect from such date as may be notified by the Government on the recommendations of the Council. Accordingly, supply of alcoholic liquor for human consumption is not liable to tax under the CGST Act, 2017.

Q20. Whether CGST and SGST/UTGST is applicable on import of goods or services or both?

Ans. In terms of Section 7 of the IGST Act, 2017, import of goods or services or both shall be treated to be a supply in the course of inter-state trade or commerce. Accordingly, tax under the provisions of IGST Act shall apply on import of goods or services or both.

Reverse Charge

Q21. Is it lawful to collect tax from recipient of supply on reverse charge basis?

Ans. Yes, as long as the tax is on the subject of levy, Government is free to collect this tax from any person – either the supplier or the recipient or anyone else. Even a third party can be called upon to deposit the tax provided there is some nexus such as collection of payment for the supply between two other persons.

Q22. Should tax payable on reverse charge basis be reduced from the value of the supply?

Ans. Contractually if tax is not included in the price payable towards the supply, then tax payable on reverse charge basis cannot be reduced from the value of supply that is paid to the supplier. And if included, then due effect to this understanding must flow by making the deduction from the payment.

Q23. Can supplier demand full payment of invoice when reverse charge is applicable?

Ans. Yes, if the contract provides that the price charged does not include tax.

Q24. What is the effect of reverse charge on input tax credit?

Ans. As regards the recipient who pays tax on reverse charge basis, tax so paid would be available as credit subject to section 17. As regards the supplier whose tax is paid by the recipient, value of such supply will be treated as 'exempt supply' while applying section 17(2) of the CGST Act, 2017 on all the credits availed.

Q25. What is the difference between reverse charge u/s 9(3) and u/s 9(4)?

Ans. Government has notified a list of goods and services along with the type of recipient who is liable to pay tax on those supplies covered under reverse charge as per

section 9(3). If the goods or the services are not listed or the recipient is not notified, then reverse charge does not apply. For example, tax in respect of services of advocate availed by a business entity is payable on reverse charge basis. If the recipient is a religious trust which means it is not a business entity, reverse charge is not applicable.

Whereas, every inward supply of a registered person from an unregistered person will be liable to payment of tax on reverse charge basis by such recipient – this is covered under reverse charge as per section 9(4). It is important to note that only a reasonable inquiry can be undertaken by the recipient as to why the supplier did not charge tax when it was chargeable. However, the supplies made by unregistered suppliers to a registered person are exempted if the aggregate value of such supplies does not exceed ₹ 5,000/- in a day per registered person. Therefore, if one is located in three states with one business vertical within one State, each of the States and business vertical would be eligible.

Q26. Does tax liability u/s 9(5) come within reverse charge?

Ans. No, definition of reverse charge given in section 2(98) refers only to section 9(3) and section 9(4). Tax payment by ecommerce operator in case of specified services under section 9(5) would not be a case of reverse charge but a new specie because the ecommerce operator facilitates the supply through the digital network and collects payment from recipient and passes it on to supplier.

Q27. Is reverse charge applicable after supply or on payment of advance?

Ans. Reverse charge is applicable when there is a supply and the time of supply is determined by section 12 or 13 of the CGST Act. Reverse charge is applicable at the time of advance even though actual supply is yet to take place. Rule 52 provides for the issuance of a Payment Voucher in cases where tax is to be paid on reverse charge basis.

Q28. Is reverse charge applicable on awarding contract or issuing Purchase Order (PO)?

Ans. Reverse charge is applicable only when there is a supply. Supply 'agreed to be made' is regarded as a supply only in case of supply under section 7(1)(a) and 7(1)(c). Even though actual supply is yet to take place, in the case of supplies covered by these two provisions, tax would be payable on award of contract or issue of PO because this itself amounts to supply. However, Table 4 of GSTR-2 requires reference to be made to invoice in respect of supplies liable to reverse charge but Rule 52 does not provide for issuance of invoice earlier than the time of payment. As such the absence of machinery provisions to pay tax at the time of contract / PO, it appears that the liability fails.

Q29. How can tax paid be recouped and adjusted in case of return of goods attracting reverse charge?

Ans. There is no provision in section 34 of the CGST Act or Rule 52 of the CGST Rules, 2017 regarding reversal of tax paid. Equity demands that relief be allowed to the recipient who has paid the tax so that the recipient may apply for refund under section 54 of the CGST Act and not issue credit note or revised invoice for which there

is no provision. This relief to claim refund will be subject to credit not being availed by the recipient on the tax so paid.

Q30. What are implications if supplier charges GST on the invoice though reverse charge is applicable?

Ans. Recipient is free to reduce the GST charged from the value of invoice and pay only the net amount but liable to discharge the reverse charge obligation separately.

Q31. What are implications to supplier if recipient refuses to pay tax on reverse charge?

Ans. There is no recourse back to the supplier in case of default by recipient to discharge reverse charge liability.

Q32. In case supplier has paid GST, is recipient discharged from the liability to pay tax on reverse charge?

Ans. No, even if supplier has somehow paid tax, reverse charge liability must be discharged by the recipient.

Q33. Is GST wrongly paid by supplier available as Input Tax Credit (ITC) to recipient? [In case of Reverse Charge]

Ans. No, GST wrongly paid by supplier cannot be claimed as Input Tax Credit (ITC) by recipient in case of supply reported in GSTR-1 as "liable under reverse charge". However, the supplier can claim for refund for tax wrongly paid.

Q34. Is GST payable for both the components – CGST and SGST (or UTGST)?

Ans. Yes, GST in India is a dual-tax and the provisions of the CGST Act are mirrored in SGST/UTGST Act.

Q35. Is GST on reverse charge basis payable on inter-State supply also?

Ans. Yes, provisions identical to section 9(3) and 9(4) of the CGST Act are available in section 5(3) and 5(4) of the IGST Act.

Q36. In case POS is in the supplier-State, is GST on reverse charge payable by recipient?

Ans. No, if POS is not in the State of the recipient, there is no occasion for the State of recipient to accept tax on reverse charge basis. In the absence of a specific provision in law, such supplies remain untaxed.

Q37. Is GST on reverse charge basis payable even if payment to supplier is not made?

Ans. Section 12 and 13 of the CGST Act provide that the time of supply in case of supplies liable to payment of GST on reverse charge basis is on actual payment to supplier. Hence, unless payment is made, reverse charge is not payable.

Q38. Is condition to pay supplier within 180 days applicable to supplies covered by reverse charge?

Ans. This condition is found in proviso to section 16(2) and applies where tax is charged by the supplier. There is no exception created in Rule 37 in respect of reverse charge. Hence, this condition would also apply to suppliers attracting Section 9(3) and 9(4).

- Q39. Is reverse charge applicable on supply of goods also or is it only on supply of services?
- Ans. Payment of tax on reverse charge is applicable on goods also, you may refer Notification no. 04/2017- Central Tax (Rate) and Integrated Tax (Rate) dated June 28, 2017.
- Q40. Explain effect of section 23 in relating to reverse charge?
- Ans. Persons specified in section 23 are excluded from registration. If such persons are receiving inward supplies liable to tax on reverse charge basis under section 9(3), they will be liable to register by section 24 and comply with other requirements of law. But, if such persons do not attract section 9(3), then they can remain unregistered and therefore not attract section 9(4) too.
- Q41. In case supplier eligible to threshold exemption, is reverse charge applicable?
- Ans. Supplier may not have paid tax due to threshold benefit but this does not excuse recipient from liability under section 9(4) which is attracted if 'supplier is not registered' without inquiring into the reasons for such non-registration.
- Q42. In case supplier is under composition and no tax appears on invoice, is reverse charge attracted u/s 9(4)?
- Ans. Though no tax appears on the invoice, the supplier is nevertheless registered. Hence, section 9(4) is not attracted.
- Q43. Is reverse charge applicable if tax-paid supplies are purchased and resold by an unregistered person?
- Ans. Yes, reverse charge under section 9(4) is attracted because inquiry into two or three level earlier is not permitted. At the first level if the supplier is unregistered, then section is attracted.
- Q44. Is reverse charge u/s 9(4) applicable to all supplies where supplier unregistered or only if the supplier engaged in business of supply without lawfully being registered?
- Ans. Press Release issued by Government states that tax under section 9(4) is not payable if the supplier is not in business but the recipient may not be in a position to accurately conduct this inquiry and reach a conclusion that is acceptable by the Government. Caution is advised while extending the interpretation provided in the press release to all other cases.
- Q45. How to verify if supplier engaged in business or not engaged in business to decide applicability of reverse charge?
- Ans. There is no procedure specified to verify this fact. Relying on GSTIN being disclosed by supplier is not sufficient.
- Q46. Since registration is compulsory to supply inter-State, can reverse charge be held as not applicable?
- Ans. Section 9(4) and 5(4), respectively do not provide any excuse to rely on supplier's obligation to compulsorily obtain registration under section 24.

Q47. Why is supplier (operating under an ecommerce operator liable u/s 9(5)) not liable for compulsory registration u/s 24?

Ans. Since tax is payable by the ecommerce operator under section 9(5), the supplier no longer has any tax liability and insisting on registration will be of no effect.

Q48. Why is supplier operating under ecommerce operator (not liable u/s 9(5)) not allowed threshold benefit for registration purposes?

Ans. Due to the remote nature of the business undertaken, greater vigil is being exercise by the Government

Q49. Is supplier (operating under an ecommerce operator liable u/s 9(5)) exempt from GST in respect of non-ecommerce supplies also?

Ans. No, in respect of supplies directly by such a supplier, GST registration, tax payment and all other compliances are applicable. However, for purposes of threshold benefit, supplies through ecommerce operator would not be included.

Q50. How can there be an inter-State supply u/s 5(5) when supplies are covered u/s 9(5)?

Ans. An intra-State supply or inter-State supply must be determined based on the location of actual supplier and place of supply. Tax payment under these provisions merely require the ecommerce operator to deposit tax, but the nature of supply will still be determined based on the actual supplier.

Q51. Are there any exemptions in case of Reverse Charge mechanism?

Ans. Notification No. 08/2017- Central Tax (Rate) dated June 28, 2017, exempts the supplies made under Section 9(4) of the CGST Act where the supplies made are not exceeding ₹ 5,000/- per day.

Q52. If all the Supplies of a person are under Reverse charge mechanism, can such person not register under the Act although the aggregate turnover is exceeding the prescribed limit?

Ans. It is not necessary for the supplier to take registration since the Notification No. 05/2017- Central Tax dated June 19, 2017, provides for the same. For Example: - In case of an independent director providing services, and his only income is from independent directorship (or such other services covered under RCM) to the company, in this case the director won't be required to take registration.

Composition levy (Section 10)

Q53. What is the rate of tax applicable to a taxable person opting to pay tax under composition scheme?

Ans. Section 10(1) of the CGST Act, 2017 prescribes, subject to such conditions and restrictions as may be prescribed, that the rate of tax shall not exceed:

1. one per cent of the turnover in State or turnover in Union territory in case of a manufacturer;

2. two and a half per cent, of the turnover in State or turnover in Union territory in case of persons engaged in making supplies referred to in clause (b) of paragraph 6 of Schedule II; and
3. half per cent, of the turnover in State or turnover in Union territory in case of other suppliers

Q54. Can every taxable person opt to pay tax under composition scheme?

Ans. No, the registered person whose aggregate turnover in the preceding financial year does not exceed seventy-five lakh rupees (subject to fifty lakh rupees in case of specified states as prescribed under Notification 08/2017-Central Tax, dated 28.06.2017), may opt to pay tax subject to satisfaction of the following conditions:

1. he is not engaged in the supply of services other than supplies referred to in clause (b) of paragraph 6 of Schedule II (Restaurant Services);
2. he is not engaged in making any supply of goods which are not leviable to tax under this Act (like petrol, diesel, alcohol liquor for human consumption, etc.);
3. he is not engaged in making any inter-State outward supplies of goods;
4. he is not engaged in making any supply of goods through an electronic commerce operator who is required to collect tax at source under section 52; and
5. he is not a manufacturer of such goods as may be notified by the Government on the recommendations of the Council:

However, manufacturers of ice cream, pan masala, tobacco and tobacco substitutes are not eligible for composition scheme.

Q55. Whether a supplier of services is eligible to pay tax under composition scheme?

Ans. No, a supplier of services is not eligible to opt for composition scheme. However, a supplier supplying composite supply involving supply of service or goods being food or any other article for human consumption or any drink (other than alcoholic liquor for human consumption) is eligible to opt for payment of taxes under composition scheme.

Q56. A taxable person having same PAN can opt to pay tax under composition scheme by seeking separate registration for branches?

Ans. No, a registered person shall not be eligible to opt for the composition scheme unless all such registered persons (branches having separate registration under a single PAN) opt to pay tax under composition scheme.

Q57. Whether a taxable person under composition Scheme eligible to claim input tax credit?

Ans. No, a taxable person under composition scheme is not eligible to claim input tax credit.

Q58. Can a customer who buys from a taxable person who is under composition scheme claim composition tax as input credit?

Ans. No, the recipient is not eligible to take input tax credit of composition tax paid. Moreover, a taxable person paying taxes under composition scheme is not entitled to collect taxes from the recipient in terms of Section 10(4) of the CGST Act, 2017. Accordingly, there does not arise a question for the recipient to claim input tax credit.

Q59. What is aggregate turnover?

Ans. In terms of Section 2(6) of the CGST Act, 2017, "aggregate turnover" means the aggregate value of all taxable supplies (excluding the value of inward supplies on which tax is payable by a person on reverse charge basis), exempt supplies, exports of goods or services or both and inter-State supplies of persons having the same Permanent Account Number, to be computed on all India basis but excludes central tax, State tax, Union territory tax, integrated tax and cess;

Q60. A taxable person can still pay tax under composition scheme even after the turnover in the current financial year exceeds seventy-five lakh rupees?

Ans. In terms of Section 10(3), the option availed for paying tax under composition scheme shall lapse with effect from the day on which his aggregate turnover during a financial year exceeds the limit specified i.e. seventy-five lakh rupees. However, the threshold limit for special category states have been kept at ₹ 50 lakh rupees except Uttarakhand.

Q61. What are the penal consequences if a taxable person violates the conditions prescribed for composition scheme?

Ans. Following are the consequence for non-compliance with the conditions specified for composition scheme:

1. shall be liable to pay additional taxes at the rates applicable to regular taxable person;
2. shall be liable to penalty; and
3. the amount of tax and penalty shall be recovered in terms of Section 73 or 74 of the CGST Act, 2017.

Power to grant exemption from tax (Section 11)

Q1. Whether Council has powers to grant exemption from payment of taxes?

Ans. No, the power to grant exemption is vested with the Government. In other words, the Government by notification on the recommendations of the Council may grant exemption from tax generally, either absolutely or subject to such conditions as may be notified from the whole or any part of the tax leviable thereon.

Exemption - General FAQ's

- Q2. Does exemption from CGST automatically operate as exemption from SGST?
- Ans. Yes, notification issued under section 11(1) or 11(2) of the CGST Act will be deemed to be issued under the SGST Act / UTGST Act, reference can be taken from section 11(4) of SGST Act and section 8(4) of UTGST Act.
- Q3. Does exemption from IGST automatically operate as exemption from CGST?
- Ans. No, there is no such correlated sections in the two Acts.
- Q4. Does exemption from IGST automatically operate as exemption from GST on imports?
- Ans. GST on import of goods is levied under proviso to section 5(1) of IGST Act which provides that IGST will be levied 'at the point' when customs duties are leviable. Accordingly, to determine the IGST applicable under section 3(7) of Customs Tariff Act, reference must be made to the IGST rate prevailing on the date of levy of such IGST. Hence, any exemption issued under IGST Act will apply to import of goods.
- Q5. Is it possible for CGST to be exempted but not SGST or vice versa for any supply?
- Ans. No, it is not possible since CGST and SGST laws will operate in a coordinated manner. However, SGST exemption does not automatically exempt the supply under CGST. So to this extent there can be difference due to changes in SGST law. But the requirement of 'recommendation of GST Council' being incorporated in the SGST / UTGST Acts, for grant of any such exemptions, the required balance would be maintained.
- Q6. Exemption applies from date of notification or date of publication of notification?
- Ans. Exemption notifications will apply from the date specified in the said notification as the effective date.
- Q7. Is exemption applicable for entire HSN code or not?
- Ans. Exemption issued will make specific reference to HSN code along with description of the goods to be exempted. Exemption must be jointly read so as to apply to the goods described and falling within the specific HSN code. Other goods that may also be classified in the same HSN but not matching the description will not enjoy the exemption.
- Q8. What is the effect of violating condition of exemption?
- Ans. In case of violation, exemption may be withdrawn or consequences for violating the conditions may be imposed. It is important to note that deliberate violation of exemption conditions cannot open alternative classifications or GST rate.
- Q9. What is the effect of mistaken claim of exemption?
- Ans. GST applicable will be recovered with benefit of ITC available only to the limited extent of the time available within section 16(4) when this mistake is realized. There is no

estoppel that ITC must be availed because claim of credit is through the return filed under section 39 (section 16(2) refers) and not from the receipt of tax paid supplies

Q10. What is the effect of omitting to avail exemption?

Ans. GST would have been charged, collected and deposited along with claim of ITC. If the exemption was absolute, explanation to section 11 makes it clear that the exemption must be availed. In case of omission to avail exemption, the tax charged and collected being '*in the name of GST*' is liable to be paid to the Government under section 76. More importantly, the ITC availed in error will also be denied.

Q11. What is the difference between exemption and exclusion from GST?

Ans. Exemption is where tax is leviable but exempted from the payment of the tax. Exclusion from GST is stating that GST will not apply either by treating it neither as supply of goods not as services or by excluding it from section 9.

Q12. What is implication of exemption becoming available due to Court interpretation?

Ans. If a *bona fide* belief about availability of exemption is reversed by a Court, then tax charged and collected from customer must be paid and the ITC availed, now discovered to be in error, will also be recoverable. In the interest of equity, the Courts may need to interfere and avoid this double impact.

Q13. What is implication of mistake by taxable person and tax department about exemption?

Ans. When both the taxable person and tax department have made a mistake, the same consequences will flow but equity demands that a suitable remedy be provided

Q14. How to interpret meaning of an article in an exemption notification?

Ans. An article in an exemption notification may be interpreted by reference to the Rules of Interpretation of Customs Tariff if the notification permits. If not, the article must be interpreted based on non-statutory principle emanating from judicial decisions.

Q15. Where do we find exemption for high sea sales?

Ans. There is no exemption that is specifically issued for high sea sales. All import of goods are liable to IGST not under section 5(1) but under the proviso which takes imported goods into the Customs Act for determination of the liability. And 'the point' at which customs duties are levied is when bill of entry for home consumption is filed. In case of high sea sales, such a bill of entry is filed only by the final recipient (high sea buyer).

Q16. Are words used in exemption notification exactly the same as used in schedules to notification 1/2017?

Ans. No, they are not exactly same. The words used in exemption notification may be understood as 'equal to or less than' (but never 'more than') the words in the schedules to notification.

Q17. Where is the entire scope of an entry provided in detail?

Ans. Scope of an entry is to be found by referring to First Schedule to the Customs Tariff Act in case of goods and Service Classification Scheme in case of services.

Q18. Why GST rate is first notified and then another notification issued granting exemption?

Ans. Rate of GST is required to prescribe the applicable tax and then exemption would be to render the tax inapplicable in certain specific circumstances.

Q19. Does value reduction allowed in the CGST Rules amount to exemption? Whether it affect ITC u/s 17(2)?

Ans. Valuation adjustments prescribed either in the CGST Rules or in any Rate Notification will not affect ITC because ITC adjustment is only possible under section 17(2).

Exemptions on Supply of Goods

Q20. Is supply of exempt goods considered taxable or non-taxable supply?

Ans. Supply of exempt goods is considered non-taxable so that such supplies do not trigger registration, claim for input tax credit and other relevant provisions. But existence of exemption itself indicates that there was a levy of tax but the exemption granted.

Q21. Petrol is exempt good or non-taxable good?

Ans. Five petroleum products i.e., petroleum crude, high speed diesel, motor spirit, natural gas and aviation turbine fuel are excluded from levy for the time being and as such petrol is non-taxable good.

Q22. Is alcohol (human consumption) an exempt good?

Ans. Yes, alcohol is an exempt good though it is not leviable to tax. It is required to treat all non-leviable goods and leviable-but-non-taxable goods to be classified as exempt goods in order to restrict input tax credit.

Q23. Even within the same HSN code, why are certain goods exempt from GST?

Ans. This is because exemption is sought to be extended only to a small sub-set of goods coming within that HSN heading.

Q24. Exemption to food products states 'fresh or chilled', does it apply if 'frozen'?

Ans. Freezing is a deliberate process of rapid cooling to preserve the product for an unnaturally long duration of time. Exemption that is to be allowed for normal storage duration is identified by attaching such a qualification – fresh or chilled but not frozen.

Q25. What does 'goods of seed quality' mean?

Ans. Seeds are those parts of the plant that can germinate without debris, without infections and give rise to another plant of same species & sold ultimately to farmers. The seeds are often consumed. In order to differentiate between grain that is not suitable for

germination or not intended for germination, exemption entries qualify the grain with the words 'of seed quality'.

Q26. Why are exemptions to fruits and vegetables given HSN chapter-wise instead of blanket exemption?

Ans. Since HSN based classification is adopted, exemption must be clearly provided so that even minor differences do not cause distortion in the scope of any exemption. For example, leguminous vegetables may need to be exempted when dried and supplied but other vegetables may need to be exempted when they are fresh or chilled.

Q27. Why are there repetitions of similar nature of articles?

Ans. There are no repetition except where there is a variation in the form in which it is being presented – fresh or dried – and in case where exemption is to be extended only in certain forms

Q28. Why is Rupee note exempted, it is already excluded from definition of goods and services?

Ans. Rupee note is money which is neither good nor service but when the Government Press supplies currency notes to (say) RBI, there is a supply and tax needs to be discharged. Printing of currency is a taxable supply of the paper and ink but not of the currency.

Q29. Are University text books exempted?

Ans. Exemption is granted to printed books and this would cover University books.

Q30. What about articles not listed under exemption entry 148, 'puja samagri'?

Ans. Articles given for consumption or adornment (food or flower) are exempted. But, various articles are also given after oblation to be worn or tied or carried along. These are not exempted due to the nature of the article and the limited extent when it qualifies as supply.

Q31. Is 'lucky draw' eligible to exemption from GST?

Ans. Lucky draw is a game of chance and schedule III identifies 'lottery and bingo' as the only taxable supplies. As such, lucky draw is not taxable but the prize (if not in money) will be liable to tax as there is consideration though not in monetary form

Exemptions on Supply of Services

Q32. Is immovable property exempt from GST?

Ans. Yes, but only land and building as per entry 6 in schedule III. Immovable property comprises of various other forms other than just land and buildings and they may not be exempt from GST. They could be taxable as 'services'.

Q33. Is lease of exempt goods treated as supply of exempt services?

Ans. Yes, lease is liable to tax at the same rate at which the goods are liable. Once the

goods are exempt, then by the same provision prescribing such a rate of tax for lease would also stand exempted

Q34. What is the scope of exemption to education?

Ans. Entry 13 in the notification exempts 'educational institution' from tax on services provided 'to student, faculty or staff'. As such any income flowing to the institution must bear a direct nexus to the relationship of 'student, faculty or staff' whatever may be the service that is provided. But, if the income is indicated to be otherwise than under this relationship, even though between same persons, exemption will abate. For example, payment towards building fund by a student admittedly is not in pursuance of that relationship because it is not towards tuition or any associated service.

Q35. What is the extent to which 'health care' exempt?

Ans. Health care is exempt to the extent it is not cosmetic in nature. Cosmetic treatment even if conducted in a hospital by a medical doctor would be taxable. Trails and opinions given by medical professionals on specimen or facts provided are taxable as the supply of services by the medical professional is not in respect of a patient or patient's report for diagnosis or treatment.

Q36. Is ITC liable to be reversed due to 1/3rd reduction in taxable value of construction services?

Ans. Any reduction in ITC must arise under section 17 and this 1/3rd reduction in value that is explained in note 2 below the Notification 8/2017-Integrated Tax (Rate) dated June 28, 2017, it is not stated to be an 'exempt supply' for the purposes of section 17. As such, though it appears logical to reverse ITC, there is no machinery provision to require this reversal of ITC.

Q37. Is GST applicable on the interest component of financial leasing arrangements?

Ans. Yes, as there is no exclusion from valuation as provided for special cases in Rule 32.

Q38. How to avail ITC of the GST paid to airline and hotel if GST is charged by travel agent?

Ans. GSTIN of the recipient must be provided to airline or hotel who will issue their invoice and file their GSTR-1 citing this GSTIN and credit will flow to the recipient, subject to section 17. Accordingly, travel agents who issue a consolidated invoice are causing loss of credit of taxes paid to airline or hotel and merely passing on credit of their taxes (5% as tour operator and 0.9%/1.8% on ticketing).

Q39. Is exemption available on one-time payment towards land on long-term lease (allotted by State Industrial Board)?

Ans. No, tax is payable even when consideration for lease is not over the duration of lease. Serial no 41 in exemption Notification 8/2017-Central Tax (Rate) dated June 28, 2017

specifically exempts such one-time payments but only to land lease by Government Industrial Boards. As such, all others are liable to GST

Q40. Why are 3 entries in Integrated Tax exemption notification missing from Central Tax exemption?

Ans. Yes, serial no 11, 49 and 54 are missing in Notification 12/2017-Central Tax(Rate) compared to Notification 8/2017-Integrated Tax (Rate) dated June 28, 2017 because these entries relate to supplies that are always in the nature of inter-State and can never be intra-State supplies

Q41. What difference between transport of goods and Goods Transportation Agency (GTA)?

Ans. Services in relation to transport of goods with issue of consignment note is GTA.

Q42. When GTA is under reverse charge, what is the meaning of ITC not being allowed in the condition?

Ans. GTA is liable to pay tax on forward charge in case the recipient is 'other than body corporate'. The condition applies to such cases where GTA pays tax on forward charge basis. When tax is paid on reverse charge basis, the recipient of GTA service would not be affected by this restriction of credit and can avail.

The GTA has an option to take ITC & go for 12% full credit for his supplies to customers who wish to get credit. Also, credit on Motor vehicles & consumables, Input services can be taken if this option is exercised.

MCQ's

Scope of supply (Section 7)

Q1. What are different types of supplies covered under the scope of Supply?

- (a) Supplies made with consideration
- (b) Supplies made without consideration
- (c) Both of the above
- (d) None of the above

Ans. (c) *Both of the above*

Q2. What are the factors differentiating Composite Supply & Mixed Supply?

- (a) Nature of bundling i.e. artificial or natural
- (b) Existence of Principal Supply
- (c) Both of the above
- (d) None of the above

Ans. (c) *Both of the above*

Levy and Collection (Section 9)

Q3. What are the taxes levied on an intra-State Supply?

- (a) CGST
- (b) SGST
- (c) CGST and SGST
- (d) IGST

Ans. (c) *CGST and SGST*

Q4. What is the maximum rate prescribed under CGST?

- (a) 12%
- (b) 28%
- (c) 20%
- (d) 18%

ANS. (c) *20%*

Q5. Who will notify the rate of tax to be levied under CGST?

- (a) Central Government suo moto
- (b) State Government suo moto
- (c) GST Council suo moto
- (d) Central Government as per the recommendations of the GST Council

Ans. (d) *Central Government as per the recommendations of the GST Council*

Q6. What are the supplies on which reverse charge mechanism would apply?

- (a) Notified categories of goods or services or both
- (b) Inward supply of goods or services or both from an unregistered dealer
- (c) Both (a) and (b)
- (d) None of the above

Ans. (c) *Both (a) and (b)*

Q7. Which of the following taxes will be levied on Imports?

- (a) CGST
- (b) SGST
- (c) IGST
- (d) CGST and SGST

Ans. (c) *IGST*

Q8. Is there any maximum rate prescribed under UTGST?

- (a) 14%
- (b) 28%
- (c) 20%
- (d) 30%

Ans. (c) 20%

Reverse Charge

Q9. What are the supplies on which reverse charge mechanism would apply?

- (a) Notified categories of goods or services or both
- (b) Inward supply of goods or services or both from an unregistered dealer
- (c) Both the above
- (d) None of the above

Ans. (b) *Inward supply of goods or services or both from an unregistered dealer.*

Q10. Which of the following services are covered under Reverse Charge Mechanism under Section 9(3) of CGST Act, 2017

- i. Legal Consultancy
 - ii. Goods Transport Agency
 - iii. Manpower Supply
 - iv. Rent-a-Cab
- (a) i & iii
 - (b) i & iv
 - (c) i & ii
 - (d) All the above

Ans. (c) *i & ii*

Q11. In case of GTA Services, provided to an Individual not registered under GST and not a business entity, liability to pay GST is on

- (a) Supplier
- (b) Recipient
- (c) Both
- (d) None of the above

Ans. (a) *Supplier*

Q12. Sponsorship services provided by Mr. A to M/s AB Ltd., liability to pay GST is on:

- (a) Mr. A
- (b) M/s AB Ltd.
- (c) Both
- (d) None of the above

Ans. (b) *M/s AB Ltd.*

Q13. In case of renting of land, inside an Industrial estate, by State Government to a manufacturing company, GST is :

- (a) Exempted
- (b) Applicable under Normal Charge
- (c) Applicable under Reverse Charge
- (d) None of the above

Ans. (b) *Applicable under Normal Charge*

Q14. Services by an Insurance Agent to Ms. ABC Insurance Co. Ltd., GST is to be paid by:

- (a) Insurance Agent
- (b) ABC Insurance Co. Ltd.
- (c) Both
- (d) None of the above

Ans. (b) *ABC Insurance Co. Ltd.*

Q15. Sitting Fees received by director of XYZ Ltd., is liable for GST in the hands of the.....

- (a) Director
- (b) XYZ Ltd
- (c) Both of above
- (d) None of the above

Ans. (b) *XYZ Ltd.*

Q16. Services by a Recovery Agent to M/s ZZZ bank Ltd., is liable for GST in the hands of:

- (a) M/s ZZZ bank Ltd.
- (b) Recovery Agent
- (c) Both the above
- (d) None of the above

Ans. (a) *M/s ZZZ bank Ltd.*

Q17. Silk yarn procured by M/s ABC Silks Ltd. from a Trader, GST is payable by:

- (a) Trader
- (b) M/s ABC Silks Ltd
- (c) Both the above
- (d) None of the above

Ans. (b) *M/s ABC Silks Ltd*

Q18. Lottery procured from State Government by a lottery distributor, GST is payable by:

- (a) Lottery Distributor
- (b) State Government
- (c) Both the above
- (d) None of the above

Ans. (a) *Lottery Distributor*

Q19. Reverse charge u/s 9(3) of the CGST Act is applicable on:-

- (a) Only on Notified Services
- (b) Only on Notified Goods
- (c) Notified Goods & Services
- (d) None of the above

Ans. (c) *Notified Goods & Services*

Q20. If Tobacco leaves procured from an Agriculturist by a registered person, then: -

- (a) Reverse charge is applicable
- (b) Normal charge is applicable
- (c) Joint charge is applicable
- (d) None of the above

Ans. (a) *Reverse charge is applicable*

Q21. M/s. PQR Ltd. has availed rent-a-cab service from M/s ABC Travels (Proprietor) service then which one of the following is true:-

- (a) Reverse charge is applicable as this is a notified service.
- (b) Reverse charge is applicable if ABC Travels is not registered.
- (c) Joint charge is applicable
- (d) None of the above

Ans. (a) *Reverse charge is applicable if ABC Travels is not registered.*

Q22. The exemption from Reverse Charge Mechanism is available for Goods and Services from unregistered dealers upto a maximum of (under Notification 8 / 2017)-

- (a) ₹ 5,000 per day for all URD purchases under Section 9(4)
- (b) ₹ 5,000 per month for all URD purchases under Section 9(4)
- (c) ₹ 5,000 per month for all URD purchases under Section 9(3) and 9(4)
- (d) ₹ 5,000 per month for all URD purchases under Section 9(3)

Ans (a) *₹ 5,000 per day for all URD purchases under Section 9(4)*

Q23. Reverse Charge is applicable:

- (a) Only on supplies
- (b) Only on advances
- (c) On both supplies and advances
- (d) None of the above

Ans. (c) *On both supplies and advances*

Q24. Reverse Charge is applicable:

- (a) Only on intra state supplies
- (b) Only on inter-state supplies
- (c) Both intra and interstate supplies
- (d) None of the above

Ans. (c) *Both intra and interstate supplies*

Q25. Banking services provided by Department of post :

- (a) Taxable & Reverse Charge Mechanism is applicable
- (b) Taxable & Normal Charge is applicable
- (c) Exempt from GST
- (d) Nil rated

Ans. (c) *Exempt from GST*

Q26. If a supplier is under the threshold for registration and provides the proof for the same, does the recipient still have to comply with Reverse Charge Provisions?

- (a) Yes
- (b) No

Ans. (a) *Yes*

Q27. If a supplier is under the Composition scheme, does RCM still apply to the recipient

- (a) Yes
- (b) No

Ans. (b) No

Q28. If all supplies made by a supplier are covered under RCM, should they still register under the Act if the threshold exceeds the prescribed limit

- (a) Yes
- (b) No - Notification No. 05/2017- Central Tax

Ans. (b) No - Notification No. 05/2017- Central Tax

Q29. When can credit for tax paid under Reverse Charge Mechanism be taken?

- (a) Same month
- (b) Next month
- (c) Any of the two months

Ans. (a) Same month

Composition levy (Sections 10)

Q30. Which of the following persons can opt for composition scheme?

- (a) Person making any supply of goods which are not leviable to tax under this Act;
- (b) Person making any inter-State outward supplies of goods;
- (c) Person effecting supply of goods through an e-commerce operator liable to collect tax at source
- (d) None of the above

Ans. (d) None of the above

Q31. What is the threshold limit of turnover in the preceding financial year for opting to pay tax under composition scheme?

- (a) ₹ 20 lacs
- (b) ₹ 10 lacs
- (c) ₹ 75 lacs
- (d) None of the above

Ans. (c) ₹ 75 lacs

Q32. What is the rate applicable under CGST to a registered person being a manufacturer opting to pay taxes under composition scheme?

- (a) 2.5%
- (b) 1%
- (c) 0%
- (d) No composition for manufacturer

Ans. (b) 1%

Q33. What is the rate applicable under CGST to a registered person being a hotelier (providing accommodation also) opting to pay taxes under composition scheme?

- (a) 1%
- (b) 0.5%
- (c) 2.5%
- (d) Not eligible for composition scheme thus liable to pay normal tax

Ans. (d) *Not eligible for composition scheme thus liable to pay normal tax - Composition scheme is available to restaurant only. Even composition scheme is not extended to any other service provider*

Q34. Mr. Richard, a trader in Delhi has opted for composition scheme of taxation under GST. Determine the % of total GST payable by him under composition scheme:

- (a) 0.5% CGST & 0.5% SGST
- (b) 2.5% CGST & 2.5% UTGST
- (c) 5% IGST
- (d) 5% UTGST

Ans. (a) 0.5% CGST & 0.5% SGST

Q35. Can a registered person opt for composition scheme only for one out of his 3 business verticals having same Permanent Account Number?

- (a) Yes
- (b) No
- (c) Yes, subject to prior approval of the Central Government
- (d) Yes, subject to prior approval of the concerned State Government

Ans. (b) No

Q36. Can Composition scheme be availed if the registered person effects interstate supplies?

- (a) Yes
- (b) No
- (c) Yes, subject to prior approval of the Central Government
- (d) Yes, subject to prior approval of the concerned State Government

Ans. (b) No

Q37. Can a registered person under Composition Scheme claim input tax credit?

- (a) Yes
- (b) No
- (c) Input tax credit on inward supply of goods only can be claimed
- (d) Input tax credit on inward supply of services only can be claimed

Ans. (b) No

Q38. Can a registered person opting for composition scheme collect tax on his outward supplies?

- (a) Yes
- (b) No
- (c) Yes, if the amount of tax is prominently indicated in the invoice issued by him
- (d) Yes, only on such goods as may be notified by the Central Government

Ans. (b) No

Q39. Which of the following will be excluded from the computation of 'aggregate turnover'?

- (a) Value of Taxable supplies
- (b) Value of Exempt Supplies
- (c) Non-taxable supplies
- (d) Value of inward supplies on which tax is paid on reverse charge basis

Ans. (d) Value of inward supplies on which tax is paid on reverse charge basis

Q40. What will happen if the turnover of a registered person opting to pay taxes under composition scheme during the year 2017-18 crosses ₹ 75 lakhs?

- (a) He can continue under composition scheme till the end of the financial year
- (b) He will be liable to pay tax at normal rates of GST on the entire turnover for the financial year 2017-18
- (c) He will cease to remain under the composition scheme with immediate effect

- (d) He will cease to remain under the composition scheme from the quarter following the quarter in which the aggregate turnover exceeds ₹ 50 lacs

Ans. (c) *He will cease to remain under the composition scheme with immediate effect.*

Exemption

Q41. Which one of the following is true?

- (a) Entire income of any trust is exempted from GST
- (b) Entire income of a registered trust is exempted from GST
- (c) Incomes from specified/defined charitable activities of a trust are exempted from GST
- (d) Incomes from specified/defined charitable activities of a registered trust are exempted from GST

Ans. (d) *Incomes from specified/defined charitable activities of a registered trust are exempted from GST*

Q42. Select the correct statement?

- (a) Transfer of a going concern wholly is exempted from GST
- (b) Transfer of a going concern partly is exempted from GST
- (c) Transfer of going concern wholly or party is exempted from GST from GST
- (d) None of the above

Ans. (c) *Transfer of going concern wholly or party is exempted from GST from GST*

Q43. Service by whom, by way of any activity in relation to any function entrusted to a municipality under Article 243 W of the Constitution, is exempted?

- (a) Central Government or State Government or Union territory or Local authority
- (b) Governmental authority
- (c) Both (a) and (b)
- (d) Only a municipality under Article 243 W of the Constitution

Ans. (c) *Both (a) and (b)*

Q44. Which is a wrong statement?

- (a) All services of Department of Post are exempted
- (b) All services by State/Central Governments/local authorities in relation to an aircraft or a vessel in a Port or an Airport are exempted

- (c) All services by State/Central Governments/local authorities in relation to transport of passengers are exempted
- (d) All the above mentioned

Ans. (d) *All the above mentioned*

Q45. Services to a single residential unit is exempted if:

- (a) It is pure labour service only
- (b) It is works contract only
- (c) It is a part of residential complex only
- (d) It is on ground floor without further super structure

Ans. (a) *It is pure labour service only*

Q46. Which exemption option is right from the following?

- (a) For letting out any immovable property
- (b) For letting out any residential property for use as residence
- (c) For letting out any residential property irrespective of its use
- (d) For none of the above

Ans. (b) *For letting out any residential property for use as residence*

Q47. Services by a hotel, inn, guest house, club or campsite are exempted for residential / lodging purposes -

- (a) If the declared tariff for a unit of accommodation is below Rs 10,000
- (b) If the declared tariff for a unit of accommodation is below Rs 1,000
- (c) If the declared tariff for a unit of accommodation is exactly Rs 1,000
- (d) If the declared tariff for a unit of accommodation is above Rs 1,000

Ans. (b) *If the declared tariff for a unit of accommodation is below Rs 1,000*

Q48. Transportation of passengers exempted if -

- (a) It is by air conditioned stage carriage
- (b) It is by air conditioned contract carriage
- (c) It is by non-air conditioned stage carriage for tourism, charter or hire
- (d) None of the above

Ans. (d) *None of the above*

Q49. Transportation of passengers is exempted -

- (a) In an air conditioned railway coach
- (b) In a vessel for public tourism purpose between places in India
- (c) In a metered cab/auto rickshaw / e rickshaw
- (d) In all the above mentioned

Ans. (c) *In a metered cab/auto rickshaw / e rickshaw*

Q50. Transportation of goods is not exempted if it is -

- (a) by a goods transport agency / courier agency
- (b) by inland waterways
- (c) by an aircraft from a place outside India upto the customs station of clearance in India
- (d) by all the above mentioned

Ans. (a) *by a goods transport agency / courier agency*

Q51. Transportation of agricultural produces, milk, salt and food grain including flour, pulses and rice, 'relief materials meant for victims of natural or man-made disasters, calamities, accidents or mishap', newspaper or magazines registered with the Registrar of Newspapers - is exempted –

- (a) If it is by a goods transport agency
- (b) If it is by a rail - within India
- (c) If it is by a vessel - within India
- (d) If it is by all of the above

Ans. (d) *If it is by all of the above*

Q52. Which of the following is exempted –

- (a) Services by way of loading, unloading, packing, storage or warehousing of rice
- (b) Services by way of loading and unloading of jute
- (c) Services by way of packing and storage or warehousing of rubber
- (d) None of the above

Ans. (a) *Services by way of loading, unloading, packing, storage or warehousing of rice*

Q53. Core services of which organization is not exempted -

- (a) Services provided by the Insurance Regulatory and Development Authority of India to insurers
- (b) Services provided by the Securities and Exchange Board of India set up under the Securities and Exchange Board of India Act, 1992 (15 of 1992) by way of protecting the interests of investors
- (c) Services by Port Trusts
- (d) Services by the Reserve Bank of India

Ans. (c) *Services by Port Trusts*

Q54. If the aggregate turnover of in FY 2016-17 of M/s ABCD Enterprises, Kanchipuram, Tamil Nadu, India was Rs 18 lakh, exemption is available for the following services rendered to ABCD Enterprises -

- (a) Arbitral Tribunal services
- (b) Legal services by firm of advocates
- (c) Legal services by senior advocate
- (d) All of the above

Ans. (d) *All of the above*

Q55. Which of the following is exempted?

- (a) All kinds of long term (30 or more years) leases of industrial plots
- (b) Long term (30 or more years) leases of industrial plots by State Government Industrial Development Corporations or Undertakings to industrial units
- (c) Short term (up to 30 years) leases of industrial plots by State Government Industrial Development Corporations or Undertakings to industrial units
- (d) All kinds of short term (up to 30 years) lease of industrial plots

Ans. (b) *Long term (30 or more years) leases of industrial plots by State Government Industrial Development Corporations or Undertakings to industrial units*

Q56. One of the following is exempted from GST -

- (a) Any business exhibition
- (b) A business exhibition in India
- (c) A business exhibition outside India
- (d) None of the above

Ans. (c) *A business exhibition outside India*

Q57. Which of the following is not exempted -

- (a) Health care service to human beings by authorized medical practitioners / para medics
- (b) Health care services to Animals/Birds
- (c) Slaughtering of animals
- (d) Rearing horses

Ans. (a) *Rearing horses*

Q58. Services by educational institution is not exempted if the services are to -

- (a) Any common man
- (b) Its own students, faculty / staff
- (c) Both a & b
- (d) None of the above

Ans. (b) *Its own students, faculty / staff*

Q59. Services by a Non Profit entity (Registered or Unregistered) are exempted -

- (a) If they are to its own members provided the contribution received is up to ₹ 5,000 per month from a member
- (b) If they are to its own members, provided the contribution received is up to ₹ 5,000 per month from a member towards sourcing goods/services from any third person for common use of members
- (c) If they are to its own members, provided the contribution is less than ₹ 5,000 per month from a member towards sourcing goods/services from any third person for common use of members
- (d) If they are to its own members, provided the contribution is up to ₹ 5,000 per month per member for common use specified members

Ans. (b) *If they are to its own members, provided the contribution received is up to ₹ 5,000 per month from a member towards sourcing goods/services from any third person for common use of members*

Q60. Which of the following are exempted services?

- (a) Services by an artist by way of a performance in folk or classical art forms of music/ dance / theatre with consideration therefor not exceeding ₹ 1 lakh
- (b) Services by an artist by way of a performance in folk or classical art forms of music/ dance with consideration therefor not exceeding ₹ 1.5 lakh

- (c) Services by an artist by way of a performance in folk or classical art forms of music/ dance / theatre with consideration therefor not exceeding ₹ 1.5 lakh
- (d) Services by an artist as a brand ambassador by way of a performance in folk or classical art forms of music/ dance / theatre with consideration therefor not exceeding ₹ 1.5 lakh

Ans. (c) *Services by an artist by way of a performance in folk or classical art forms of music/ dance / theatre with consideration therefor not exceeding ₹ 1.5 lakh*