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Computation of GST Liability

Build Your Confidence (BYC)

B1. CA2021(DEC)(NS) – ABC Ltd., a registered supplier in Surat, Gujarat, has calculated output net GST liability after adjusting ITC in the books for the month of February 2023: CGST : Rs. 3,00,000; SGST : Rs. 2,50,000; IGST : Rs.3,00,000. During the above month, the following additional information is provided by ABC Ltd.:

#	Particulars	Rs.*
1	The company had given on hire 5 trucks to one of the transporters of Vadodara (a goods transport agency) for transporting goods for 10 days. The hiring charges for the trucks were Rs. 7,500 per truck per day.	3,75,000
2	The company sold goods to X & Co. of Delhi on 6.1.2023 with a condition that interest @ 2% per month will be charged on invoice value if X & Co. failed to make payment within 30 days of the delivery of the goods. Goods were delivered and also the invoice was issued on 6.1.2023. X & Co. paid the consideration for the goods on 20.2.2023 along with applicable interest.	5,00,000
3	The company sought legal consultancy services for its business from A & Advocates, a partnership firm of advocates situated at Bhuj, Gujarat.	1,50,000
4	The company ordered 3,000 packets of tools which are to be delivered by the supplier of Delhi via 3 lots of 1,000 packets monthly. The supplier raised the invoice for full quantity in February 2023 and the last lot would be delivered in April 2023.	5,00,000
5	The company supplied 10,000 packets of tools to one of its customer at Rs. 10 per packet in Gujarat in January 2023. Afterwards, the company re-values it at Rs. 9 per packet in February 2023 and the company issued credit note to the customer for Rs. 1 per packet.	

*Excluding GST

The rate of GST is 9% CGST, 9% SGST and 18% IGST. You are required to compute the actual net liability of GST to be paid in cash along with working notes for the month of February 2023.

Computation of net GST liability of ABC Ltd. to be paid in cash for February 2023

Particulars	VOS	IGST	CGST	SGST
Net output GST liability (after adjusting ITC) as given in question		3,00,000	3,00,000	2,50,000
Hiring of trucks to GTA for transportation of goods: Exempt u/e 22 of exemption notification	3,75,000		-	-
Interest received on delayed payment: 2% p.m. for 15 days (6.2.2023 to 20.2.2023) on 5,90,000 (5,00,000 value of supply plus 18% GST) = 5,900. Interest is stated to be charged on invoice value; invoice value is assumed to be inclusive of GST. Interest is added to value of supply u/s 15. Interest charged is assumed to be inclusive of GST. GST included in such amount = $5,900 \times (18/118) = 900$. Time of supply for interest is date on which such addition in value is received. Thus, it is added to IGST liability of February 2023 (being in relation to inter-State supply).	5,000	900	-	-
Revaluation of packets of tools supplied. Since discount was not known at the time of supply, it will not be excluded from value of supply u/s 15(3).	-	-	-	-
Total output tax liability		3,00,900	3,00,000	2,50,000
Less: ITC pertaining to tax paid under RCM (see below)			(13,500)	(13,500)

Less: ITC pertaining to packets of tools received in lots: ITC can be taken on receipt of last lot in April 2023.		-		
Net output tax liability (under forward charge) (A)		3,00,900	2,86,500	2,36,500
Tax payable under RCM for legal services provided by partnership firm of advocates (assuming that aggregate turnover of ABC Ltd. in the preceding FY exceeds the registration threshold). Supply is intra-State liable to CGST/SGST each @ 9% of 1,50,000. Tax payable under RCM is not 'output tax'. Hence, ITC cannot be utilised for its payment. It needs to be paid in cash. After payment, it can be utilised for payment of output tax (see above). (B)	1,50,000	-	13,500	13,500
Total GST to be paid in cash (through electronic cash ledger)		3,00,900	3,00,000	2,50,000

Mistake by students: Failed to mention that hiring of trucks to GTA for transportation of goods is exempt. Failed to state that tax payable under RCM cannot be set off against ITC and needs to be paid in cash.

B2. CA2021(DEC)(OS) – M/s. ABC & Co., a chartered accountancy firm, having office in Bengaluru registered under GST in the State of Karnataka, submitted the following information for the month of April 2022:

#	Services provided	Rs.*
1	Statutory audit services provided (intra-State supplies)	1,20,000
2	ITR filing services provided within Karnataka (intra-State supplies)	1,60,000
3	Internal audit services provided to Mumbai client (inter-State supplies)	1,80,000

**Excluding GST*

ABC & Co. had also incurred the following expenses in the month of April, 2022 for the purpose of providing the taxable services:

#	Particulars	Rs.*
1	Car purchased by firm for the use of senior partner of the firm for official use	7,84,000 (42,000 CGST and 42,000 SGST)
2	Office rent paid to landlord who is registered in State of Karnataka	5,900 (CGST 450 and SGST 450)
3	Professional fee paid to Mr. Rajesh, a practicing Chartered Accountant, for professional services availed	2,36,000 (CGST 18,000 and SGST 18,000); TDS deducted 20,000 u/s 194J of the Income Tax Act, 1961
4	Computer purchased for office purpose	56,000 (CGST 3,000 and SGST 3,000)

**Including GST*

Out of the above 4 suppliers/service providers, landlord of office to whom rent was paid did not upload his GSTR-1 within the specified time allowed under GST resulting in the GST amount not reflecting in GSTR-2A of ABC & Co.

Compute the net GST payable (CGST, SGST and IGST after adjustment of ITC) by ABC & Co. for the month of April 2022. Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively assuming that all the remaining conditions of utilisation of ITC are fulfilled.

Computation of net GST payable by ABC & Co. for April 2022

Particulars	VOS	IGST	CGST	SGST
Statutory audit services provided (intra-State supplies)	1,20,000	-	10,800	10,800
ITR filing services provided within Karnataka (intra-State supplies)	1,60,000	-	14,400	14,400
Internal audit services provided to Mumbai client (inter-State supplies)	1,80,000	32,400	-	-
Total output tax liability		32,400	25,200	25,200
Less: ITC of CGST utilised for payment of CGST and ITC of SGST utilised for payment of SGST		-	(21,000)	(21,000)
Net GST payable		32,400	4,200	4,200

Statement of ITC that can be availed

Particulars	CGST	SGST
Car: Blocked on motor vehicle for transportation of persons (assumed that seating capacity of car (including driver) ≤ 13 persons)	-	-
Office rent: Not eligible as details not furnished by supplier in GSTR-1 and, thus, not communicated to ABC & Co in GSTR-3B	-	-
Professional fee: Eligible	18,000	18,000
Computer purchased for office purpose: Eligible	3,000	3,000
	21,000	21,000