Goods and Services Tax (GST) 1

STUDY NOTES

- GST is a comprehensive indirect tax for the whole nation. It is a value added tax.
- **Types of GST in India**
  - **(i) Central Goods and Services Tax (CGST) :** For any intrastate supply (supply within the state) **half of the GST** collected as the output GST is deposited with the Central Government as **CGST**.
  - **(ii) State GST (SGST)/Union Territory GST (UGST/UTGST) :** For any local supply (supply within the same state or Union Territory) half of the output GST is deposited with the respective state or UT Government as the beneficiary. This is known as SGST/UGST.
  - **(iii) Integrated GST (IGST) :** The GST levied on the supply of goods or services in case of interstate trade within India or in case of exports/imports is known as IGST. The entire tax collected under IGST is paid to the account of the Central Government. However, as per the law, the Central Government distributes the IGST between the respective State Governments.
- **Input Tax Credit (ITC)**
  When a dealer sells his goods (or services), he charges the output GST from his customer which he has to deposit in the Government account. But in running his business he had paid Input GST on the goods (or services) he had availed. This Input GST, he utilizes as Input Tax Credit (ITC) and deposits the excess amount of output GST with the Government. Thus, *Input Tax Credit (ITC) is a provision of reducing the tax (GST) already paid on inputs (purchases) in order to avoid the cascading of taxes (taxation on taxes).*

GST Payable = Output GST – ITC

- **Utilization of ITC** The amount of ITC available to any registered dealer shall be utilized to reduce the Output Tax Liability in the sequence shown in the table :

ITC	Output Tax Liability	Balance ITC
IGST	IGST – CGST – SGST	is carried forward
CGST	CGST – IGST	to be set off
SGST/UGST	SGST – IGST	against the output GST liability in the future

  Note : If output GST is more than the ITC, then the balance is to be paid to the Government.

QUESTION BANK

A. Multiple Choice Questions   [1 Mark]

Choose the correct option:

1. IGST is charged on :
   - (a) interstate transaction
   - (b) intrastate transaction
   - (c) both (a) and (b)
   - (d) none of these

2. GST payable is equal to :
   - (a) ITC – output GST
   - (b) output GST + ITC
   - (c) output GST – ITC
   - (d) output GST

3. A dealer in Mumbai sold a washing machine to a consumer in Mumbai for ₹18,000. If the rate of GST is 18%, then SGST is :
   - (a) ₹1620
   - (b) ₹3240
   - (c) nil
   - (d) none of these

4. In a transaction from Delhi to Lucknow, MRP = ₹10,000, discount = 10%, GST = 28%. Here IGST is:
   - (a) ₹2520
   - (b) ₹5040
   - (c) nil
   - (d) none of these

5. A refrigerator was sold for ₹15,000 under intrastate transaction from station A to station B and the GST rate is 18%. CGST is equal to:
   - (a) ₹1400
   - (b) ₹1350
   - (c) ₹1300
   - (d) ₹2700

6. A dealer purchased goods worth ₹15,000 and sold them for ₹21,000 within the state. If the rate of GST is 12%, then the net SGST paid by the dealer is :
   (a) ₹360   (b) ₹720   (c) ₹800   (d) ₹850

7. A dealer in Delhi sold a water heater whose marked price is ₹22,000 to a consumer in Delhi at a discount of 25%. If the rate of GST is 18%, then the SGST paid is :
   (a) ₹1485   (b) ₹2970   (c) ₹1980   (d) nil

8. Anushka bought 400 g of almonds at ₹1200 per kg. If the rate of GST is 5%, then the amount paid by Anushka is :
   (a) ₹504   (b) ₹480   (c) ₹1260   (d) ₹630

9. A dealer in Agra sold an LED to a customer in Agra for ₹28,000. If SGST is ₹2,520, then the rate of GST is :
   (a) 12%   (b) 18%   (c) 9%   (d) 28%

10. Mr. Sharma purchased goods worth ₹40,000 from a dealer (within the same state). If the rate of GST is 18%, then CGST is :
    (a) ₹3600   (b) ₹7200   (c) ₹8000   (d) nil

11. The tax invoice of a mobile company in Delhi shows cost of services provided by it as ₹1200. If the rate of GST is 18%, then amount of the bill is :
    (a) ₹1,400   (b) ₹1,308   (c) ₹1,416   (d) ₹1,500

12. A shopkeeper in Rampur sold an oven to a customer in Rampur for ₹26,400. If the rate of GST is 28%, then IGST is :
    (a) ₹3696   (b) ₹7392   (c) ₹1848   (d) nil

13. A dealer in Bhopal (M.P.) supplies goods worth ₹30,000 to a dealer in Delhi. The dealer in Delhi supplies the same goods to a customer in Delhi at a profit of ₹5,000. If the rate of GST is 18%, then the net GST paid by the dealer in Delhi is :
    (a) ₹900   (b) ₹2700   (c) ₹5400   (d) nil

14. A dealer in Patna (Bihar) supplies goods worth ₹15,000 to a dealer in Sonepat (Haryana). The dealer in Sonepat supplies the same goods to a dealer in Rohtak (Haryana) at a profit of ₹3,000. If the rate of GST is 18%, then the net GST paid by the dealer in Sonepat is :
    (a) ₹540   (b) ₹700   (c) ₹720   (d) nil

15. A retailer purchases an iron for ₹1500 from a dealer and sells it to a consumer at 10% profit. If the sales are intrastate, and the rate of GST is 12%, then the selling price of the iron including GST by the retailer is :
    (a) ₹1550   (b) ₹1848   (c) ₹1950   (d) ₹2016

16. A shopkeeper purchased a fan for ₹1500 from a dealer and sold it to a customer at 10% profit. If the sales are intrastate and the rate of GST is 12%, then the tax (under GST) received by the central government is :
    (a) ₹18   (b) ₹99   (c) ₹198   (d) nil

17. Goods from Delhi are sold to Ranchi (Jharkhand) for ₹20,000 and then from Ranchi to Cuttack (Odisha). If the rate of GST is 18%, and the profit made at Ranchi is ₹5,000, then the net GST payable by the dealer in Ranchi is :
    (a) ₹1000   (b) ₹900   (c) ₹850   (d) ₹875

18. A shopkeeper bought an article from a dealer at ₹1000. He sold it to the customer at ₹1200. If the rate of GST is 12%, then the amount paid by the customer to buy the item is :
    (a) ₹1200   (b) ₹1300   (c) ₹1344   (d) ₹1350

19. Three friends A, B and C live in Delhi. A sells medicine worth ₹50,000 to B, B sells the same medicine to C at a profit of ₹6000. If the rate of GST is 12%, then SGST paid by B is :
    (a) ₹300   (b) ₹360   (c) ₹400   (d) ₹425

20. Mr. Gupta wanted to book a semidelux room in a hotel for ₹750. Since semidelux room was not available, he booked a delux room for ₹1400. If GST for a room below ₹1000 is 18% and GST for a room above ₹1000 is 28%, then the extra GST paid by Mr Gupta for the delux room is :
    (a) ₹257   (b) ₹280   (c) ₹300   (d) ₹425

Answers

1. (a)	2. (c)	3. (a)	4. (a)	5. (b)	6. (a)	7. (a)	8. (a)	9. (b)	10. (a)
11. (c)	12. (d)	13. (a)	14. (a)	15. (b)	16. (b)	17. (b)	18. (c)	19. (b)	20. (a)

B. Short Answer Type Questions   [3 Marks]

1. Find the amount of bill for the following interstate transaction of goods, if the GST rate is 28%.

Items	I	II	III
Marked price (₹)	7000	14700	28200
Discount (%)	20	10	10

Sol.

Marked Price (₹)	Discount %	Discount (₹)	CP (₹)	GST (₹)	Amount Payable(₹)
7,000	20	$= 7000 \times \dfrac{20}{100} = 1400$	7000–1400 = 5600	$5600 \times \dfrac{28}{100} = 1568$	5600 + 1568 = 7168
14,700	10	$= 14700 \times \dfrac{10}{100} = 1470$	14700 –1470 = 13230	$13230 \times \dfrac{28}{100} = 3704.40$	13230 + 3704.40 = 16934.40
28,200	10	$= 28200 \times \dfrac{10}{100} = 2820$	28200 – 2820 = 25380	$25380 \times \dfrac{28}{100} = 7106.40$	25380 + 7106.40 = 32486.40

Total amount of bill = ₹(7168 + 16934.40 + 32486.40) = ₹56,588.80

2. A registered garment house in Ludhiana (Punjab) sold three lots of garments to a dealer in Bhatinda (Punjab) for ₹10,00,000; ₹6,00,000 and ₹5,00,000. It also charged ₹10,000 on each lot as transportation charges. But on the occasion of Diwali, a discount of 1% was given on each lot. If the rate of GST is 5%, calculate : (i) IGST (ii) CGST and (iii) SGST.

Sol. Total cost of 3 garment lots

   = ₹(10,00,000 + 6,00,000 + 5,00,000) + ₹30,000

   = ₹21,00,000 + ₹30,000 = ₹21,30,000

Discount = 1% of ₹21,00,000 = ₹21,000

SP = ₹(21,30,000 – 21,000) = ₹21,09,000

   (i) IGST = 0

   (ii) CGST = 2.5% of ₹21,09,000 = ₹52,725

   (iii) SGST = 2.5% of ₹21,09,000 = ₹52,725

3. Saurav went to watch a new movie in a multiplex. He wanted to buy a movie ticket for ₹80, but it was not available. So, he bought a ticket for ₹120. If the GST for a ticket below ₹100 is 18%, and GST for a ticket above ₹100 is 28%, how much extra GST and extra amount did Saurav pay for the ticket?

Sol. CP of movie ticket = ₹80, and below ₹100 GST = 18%.

   Then, GST = ₹80 $\times \dfrac{18}{100}$ = ₹14.40

   Total cost = ₹(80 + 14.40) = ₹94.40

   He bought movie ticket for ₹120

   Above ₹100, GST = ₹28%.

   Then, GST = ₹120 $\times \dfrac{28}{100}$ = ₹33.60

   Now, the cost of movie ticket with GST = ₹(120 + 33.60) = ₹153.60

   Extra GST paid = ₹33.60 – ₹14.40 = ₹19.20

   Extra amount he paid = ₹153.60 – ₹94.40 = ₹59.20.

4. A dealer in Rohtak (Haryana) bought a gold ring from a manufacturer in Gurugram (Haryana) for ₹80,000. He sold this ring to a dealer in Nainital (Uttarakhand) for ₹95,000. If the rate of GST is 3%, find (i) the net GST payable at Rohtak and (ii) Input Tax Credit (ITC) for dealer in Nainital.

Sol.   Purchase price = ₹80,000

GST payable = 3% of 80,000 = ₹2400

Selling price = ₹95,000

GST payable = 95,000 × 3% = $95000 \times \dfrac{3}{100}$ = ₹2850

(i) Net GST payable at Rohtak = ₹2850 – ₹2400 = ₹450

(ii) ITC for dealer in Nainital = ₹2850.

5. A retailer in Jaipur (Rajasthan) buys goods from a dealer in Alwar (Rajasthan) at a discount of 20%. The retailer sells it to a customer in Jaipur at the printed price. If the printed price of the goods is ₹16,000 and the GST rate is 8%, calculate:

(i) the price paid by the customer for the goods.

(ii) the CGST and the SGST payable by the retailer in Jaipur to the government.

Sol.   (i) Price paid by the customer = ₹16,000 + 8% GST = ₹16,000 + ₹1280 = ₹17,280

(ii) CGST paid by the retailer in Jaipur to the government = SGST paid by the same retailer

= 4% of (20% of ₹16,000) = 4% of ₹3200 = ₹128.

C. Long Answer Type Questions   [4 Marks]

1. An e-learning company in Delhi sets the marked price of an e-book as ₹75,000. It sells the e-book to a dealer in Patna (Bihar) at a discount of 30%. The dealer in Patna raises the marked price of the e-book by 30% and then sells it to a dealer in Ranchi (Jharkhand). If the rate of GST is 5%, find the GST paid by the dealer in Patna to the government.

Sol.   M.P of e-book   =   ₹75,000

Discount   = 30% of ₹75,000

= $\dfrac{30}{100}$ × ₹75,000 = ₹22,500

C.P. of e-book for the dealer of Patna = ₹75,000 – ₹22,500 = ₹52,500

Price raised by the dealor in Patna   = 30% of M.P

= 30% of ₹75000 = ₹22,500

Price for dealer in Rachi   = ₹75,000 + ₹22,500

= ₹97,500.

Output GST   = 5% of ₹97,500 = ₹4875

Input GST   = 5% of ₹52,500 = ₹2625

GST paid by dealer in Patna   = ₹4875 – ₹2625 = ₹2250

2. A manufacturer in Noida (UP) sold a carton of hair oil to a dealer in Raipur (Chhattisgarh) for ₹22,000. The dealer in Raipur sold it to a consumer in Bastar (Chhattisgarh) at a profit of ₹5,000. If the rate of GST is 18%, find:

(i) the net IGST, CSGT, and SGST payable by the dealer in Raipur.

(ii) the cost price of the hair oil for the consumer.

Sol.   IGST collected by the manufacturer in Noida from the dealer in Raipur = 18% of ₹22,000 = ₹3960.
The profit made by the dealer in Raipur = ₹5000

(i) So, IGST paid by this dealer to the government = 0 (since the transaction is introstate) **Ans.**

For the dealer in Raipur

CGST collected = SGST collected

= 9% of ₹27,000 = ₹2430.

So, CGST paid by this dealer = 0 (as he has already paid ₹3960 as IGST) **Ans.**

SGST paid by this dealer = (2430 + ₹2430) – ₹3960 = ₹900   **Ans.**

(ii) Amount paid by the customer

= ₹27,000 + 2 × ₹2430 = ₹31860 **Ans.**

3. A dealer in Jodhpur (Rajasthan) supplied floor tiles worth ₹17,00,000 to a dealer in Delhi and another worth ₹3,00,000 to a dealer in Jaipur (Rajasthan). The total value of his receipt of tiles in interstate transactions was ₹15,00,000. If the rate of GST is 18%, calculate the net IGST, CGST, and SGST payable by the dealer in Jodhpur.

Sol. For the dealer in Jodhpur

Details	IGST@18%	CGST @9%	SGST @9%
Output tax payable at ₹17,000 (interstate	₹3,06,000		
Output tax payable at ₹3,00,000 (introstate)		₹27,000	₹27,000
ITC at ₹15,00,000 (interstate)	₹2,70,000		
Net tax payable	₹36,000	₹27,000	₹27,000

4. A shopkeeper sells an item for ₹2,150. For a customer, he reduced the price of the item in such a way that the customer has to pay only ₹2,124 including GST. If the rate of GST is 18%, calculate the amount of reduction allowed by the shopkeeper.

Sol. Let the reduced MP be ₹x.

$x + 18\%$ of $x = 2124$

$\Rightarrow x + \dfrac{18}{100} x = 2124 \Rightarrow \dfrac{118x}{100} = 2124$

$\Rightarrow x = \dfrac{2124 \times 100}{118} = ₹1800$

∴ Reduction made = ₹2150 – ₹1800 = ₹350

5. A fruit juice company in Allahabad (UP) sold fruit juice worth ₹16,000 to a dealer in Hapur (UP). The whole lot of juice was then supplied to a dealer in Rudrapur (Uttarakhand) for ₹17,500. If the rate of GST is 12%, find:
   (i) the net GST payable at Hapur.
   (ii) input Tax credit (ITC) for the dealer in Rudrapur.

Sol. CP of fruit juice in Hapur = ₹16,000

Input GST = 12% of ₹16,000 = ₹1920

CP of fruit juice in Rudrapur = ₹17,500

Input GST in Rudrapur = ₹17,500 × $\dfrac{12}{100}$ = ₹2100

   (i) GST payable at Hapur = ₹(2100 – 1920) = ₹180
   (ii) ITC for the dealer in Rudrapur = ₹2100.

6. Radheshyam is a dealer of footwear in Moradabad (UP). He purchased footwear worth ₹2,00,000. He sold 50% of these footwear to a dealer in Agra (UP) for ₹1,30,000 and the rest of the stock remains in his godown. If the rate of GST is 5%, find the excess credit of CGST and SGST to be carried forward.

Sol. Total C.P. of footwear = ₹2,00,000

50% of C.P. of footwear = ₹1,00,000

CGST = 2.5% of ₹100000 = ₹2500

SGST = 2.5% of ₹100000 = ₹2500

SP of footwear dealer in Agra = ₹1,30,000

   CGST = 2.5% of ₹1,30,000 = ₹3250
   SGST = 2.5% of ₹1,30,000 = ₹3250

CGST to be carried forward = ₹3250 – ₹2500 = ₹750

SGST to be carried forward = ₹3250 – ₹2500 = ₹750.

7. The marked price of a Video Camera Recorder is ₹80,000. A dealer in Delhi buys it from a dealer in Mumbai (Maharashtra) at a discount of 20% on the marked price. The dealer then sells it to a consumer in Rohtak (Haryana) at a discount of 10% on the marked price. If the rate of GST is 18%, calculate the amount of tax payable by the dealer in Delhi to the government.

Sol. M.P. of video camera = ₹80,000

Discount = 20% of ₹80,000 = ₹16,000

Now, discount 10%

Then, 10% of ₹80,000 = ₹8,000

GST paid by the dealer in Delhi to the government 18% of ₹8,000 = $\dfrac{18}{100}$ × ₹8,000 = ₹1440.