

**ICAI CA Inter GST – AI BASED Drafted Question (Pattern Based on Q.5(a))**

**SECTION – B**

**Question 5**

M/s Vertex Biofuel Technologies Ltd., a registered person in Hyderabad (Telangana), engaged in manufacture of industrial biofuel equipment and consultancy services, has furnished the following particulars relating to transactions undertaken during the month of September, 2026:

<b>Sr. No.</b>	<b>Particulars</b>	<b>Amount (Rs.)</b>
(i)	Supplied solar-powered irrigation systems to various farmers situated in Andhra Pradesh. Out of total invoice value of 32,00,000, subsidy of 8,00,000 was directly received from State Government under notified agricultural promotion scheme. Subsidy amount was not linked to selling price payable by farmers.	32,00,000
(ii)	Supplied machinery to M/s Delta Warehousing Ltd., Indore (Madhya Pradesh). Machinery was assembled at supplier's factory in Telangana and thereafter dismantled for transportation. Installation was carried out at recipient's warehouse in Madhya Pradesh.	24,00,000
(iii)	Collected additional amount from local customers towards delayed encashment of post-dated cheques issued against taxable supplies made earlier.	1,80,000
(iv)	Supplied developed software along with transfer of permanent usage rights to M/s Orion Analytics Pvt. Ltd., Bengaluru (Karnataka).	18,00,000
(v)	Agreed to refrain from providing technical consultancy services to competitor entity for a period of 3 years under restrictive commercial covenant.	9,50,000

**Inward Transactions**

<b>Sr. No.</b>	<b>Particulars</b>	<b>Amount (Rs.)</b>
(i)	Procured services of arbitral tribunal for settlement of commercial dispute with supplier. Members of arbitral tribunal are registered under GST.	6,00,000
(ii)	Purchased goods from SEZ unit situated in Visakhapatnam (Andhra Pradesh).	14,00,000
(iii)	Paid commission to foreign agent situated in Germany for procuring export orders outside India.	11,00,000
(iv)	Purchased food and beverages for annual dealers' conference organised for distributors and franchise holders.	5,40,000
(v)	Procured services of recovery agent located within same state for collection of overdue receivables from customers. Recovery agent is a partnership firm registered under GST. Recipient company is NBFC registered with RBI.	7,20,000

**Additional Information:**

(i) During August, 2026, company had supplied goods to customer in Maharashtra. Subsequently, goods worth Rs. 3,20,000 were returned by recipient in September, 2026 on account of quality deficiencies.

(ii) All figures given above are exclusive of GST wherever applicable.

(iii) Subject to information given above, all conditions necessary for availing input tax credit have been fulfilled and details are reflected in GSTR-2B.

(iv) Assume that all inward supplies are used exclusively for effecting taxable outward supplies unless otherwise specified.

(v) Wherever details required for determination of place of supply are not specifically provided, the same may be determined as Inter-state.

(vi) Applicable GST rates are: IGST 18%, CGST 9%, SGST 9%

**You are required to:**

Compute the net minimum GST liability payable in cash by M/s Vertex Biofuel Technologies Ltd. for the month of September, 2026 after utilisation of input tax credit.

**Answer**

**(a) Computation of net minimum GST liability payable in cash by M/s Vertex Biofuel Technologies Ltd. for the month of September, 2026:**

Particulars	Value (Rs.)	CGST (Rs.)	SGST (Rs.)	IGST (Rs.)
Supply of solar-powered irrigation systems to farmers in Andhra Pradesh  [Subsidy directly linked to price and received from Central Government/State Government is excluded from value of supply. Since subsidy is not linked to price payable by farmers, same shall not form part of taxable value. Further, it is an inter-State supply.]	32,00,000	-	-	5,76,000 [32,00,000 × 18%]
Supply of machinery with installation at recipient's warehouse in Madhya Pradesh  [Place of supply in case of installation of machinery is place of installation. Hence, it is an inter-State supply.]	24,00,000	-	-	4,32,000 [24,00,000 × 18%]
Additional amount collected for delayed encashment of post-dated cheques  [Interest/late fee/penalty for delayed payment of consideration is includible in value of supply.]  [1,80,000/118 × 100 = 1,52,542]	1,52,542	13,729 [1,52,542 × 9%]	13,729 [1,52,542 × 9%]	-
Supply of developed software along with permanent transfer of usage rights  [It is a Supply liable to GST.]	18,00,000	-	-	3,24,000 [18,00,000 × 18%]
Agreeing to refrain from providing technical consultancy services under restrictive covenant  [Agreeing to obligation to refrain from an act is supply of service liable to GST. Further, it is an inter-State supply.]	9,50,000	-	-	1,71,000 [9,50,000 × 18%]
Less: Goods returned by customer in September, 2026  [Value of goods returned can be reduced through issuance of credit note.]	(3,20,000)	-	-	(57,600) [3,20,000 × 18%]
<b>Total output tax liability</b>		<b>13,729</b>	<b>13,729</b>	<b>14,45,400</b>

**Add: GST payable under Reverse Charge Mechanism (RCM)**

Particulars	Value (Rs.)	CGST (Rs.)	SGST (Rs.)	IGST (Rs.)
Services received from arbitral tribunal [Services supplied by arbitral tribunal to business entity are liable to GST under reverse charge. Supplier is located outside Telangana and hence, it is an inter-State supply.]	6,00,000	-	-	1,08,000 [6,00,000 × 18%]
Commission paid to foreign agent situated in Germany [Import of services for business purposes is liable to GST under reverse charge.]	11,00,000	-	-	1,98,000 [11,00,000 × 18%]
Recovery agent services received by NBFC [Services supplied by recovery agent to banking company/financial institution/NBFC are liable to GST under reverse charge.]	7,20,000	64,800 [7,20,000 × 9%]	64,800 [7,20,000 × 9%]	-
<b>Total GST payable under RCM</b>		<b>64,800</b>	<b>64,800</b>	<b>3,06,000</b>
<b>Total GST liability</b>		78,529	78,529	17,51,400
Less: Eligible ITC [Refer Working Note below]				
IGST credit utilized against IGST liability				(5,58,000)
CGST credit utilized against CGST liability, thereafter IGST		(13,729)		(51,071)
SGST credit utilized against SGST liability, thereafter IGST			(13,729)	(51,071)
<b>Payable in Cash</b>		<b>64,800</b>	<b>64,800</b>	<b>10,91,258</b>

**Working Note:**

**Computation of eligible ITC available for set-off**

Particulars	CGST (Rs.)	SGST (Rs.)	IGST (Rs.)
GST paid under reverse charge on arbitral tribunal services [ITC of tax paid under reverse charge is available.]	-	-	1,08,000
IGST paid on purchase from SEZ unit [Supply by SEZ unit to DTA unit is treated as inter-State supply and ITC is available.]	-	-	2,52,000 [14,00,000 × 18%]
Commission paid to foreign agent under reverse charge [ITC of GST paid under reverse charge is available.]	-	-	1,98,000
Food and beverages purchased for annual dealers' conference [ITC on food and beverages is blocked credit.]	Nil	Nil	Nil

<b>Particulars</b>	<b>CGST (Rs.)</b>	<b>SGST (Rs.)</b>	<b>IGST (Rs.)</b>
Recovery agent services received under reverse charge [ITC of GST paid under reverse charge is available.]	64,800	64,800	-
<b>Total eligible ITC</b>	64,800	64,800	5,58,000