GST In India - An Introduction

Timeline of GST In India

In the year 2000, the then Prime Minister mooted the concept of GST and set p.a committee to design a Goods and Services Tax (GST) model for the country.

In 2003, the Central Government formed a task force under Vijay Kelkar, which in 2004 strongly recommended fully integrated GST on notional basis.

Subsequently, the then Union Finance Minister, Shri P. Chidambaram, while presenting the Union Budget 20062007 announced that GST would be introduced from April 1, 2010. Since then, GST missed several deadlines and continued to be shrouded by the clouds of uncertainty.

The talks of ushering in GST, however, gained momentum in the year 2014 when the NDA Government tabled the Constitution (122 Amendment) Bill, 2014 on GST in the Parliament on 19th December, 2014. The Lok Sabha passed the Bill on 6th May, 2015 and Rajya Sabha on 3 August, 2016.

Subsequent to ratification of the Bill by more than 50% of the States, Constitution (122 Amendment) Bill, 2014 received the assent of the President on 8 September, 2016 and became Constitution (101 Amendment) Act, 2016, which paved the way for introduction of GST in India.

In the following year, on 27th March, 2017, the Central GST legislations Central Goods and Services Tax Bill, 2017, Integrated Goods and Services Tax Bill, 2017, Union Territory Goods and Services Tax Bill, 2017 and Goods and Services Tax (Compensation to States) Bill, 2017 were introduced in Lok Sabha.

Lok Sabha passed these bills on 29 March, 2017 and with the receipt of the President's assent on 12th April, 2017, the Bills were enacted. The enactment of the Central Acts was followed by the enactment of the State GST laws by various State Legislatures, Telangana, Rajasthan, Chhattisgarh, Punjab, Goa and Bihar were among the first ones to pass their respective State GST laws. By 30 June, 2017, all States and Union Territories had passed their respective SGST and UTGST Acts except Jammu and Kashmir.

With effect from 1st July, 2017, the historic indirect tax reform - GST was introduced. GST law was extended to Jammu and Kashmir on 8th July, 2017.

Timeline of GST In India

2000 – Committee

PM Vajpayee ji mooted the concept of GST & set up a committee to design GST

2004 – Task Force

Central Government formed a task force under Vijay Kelkar

2006 – Proposal

Shri P. Chidambaram, while presenting the Union Budget announced that GST would be introduced from April 1, 2010.

2013 – Till 2013

Several Deadlines missed Due Economic Crisis & Other many Issues

2014 – NDA GOVT

NDA Government tabled the Constitution (122nd Amendment) Bill, 2014 on GST in the Parliament on 19th December, 2014.

2016 – Constitution

the Constitution (101st Amendment) Bill, 2016

LS Passed on 6th May 2015

RS Passed on 3rd Aug 2016

President Assent on 8th Sept 2016

2017 – Implementation

Lok Sabha passed bills on 29th March, 2017 & with the receipt of the President's assent on 12th April, 2017, the Bills were enacted

With effect from 1st July, 2017, the historic indirect tax reform - GST was introduced. GST law was extended to Jammu & Kashmir on 8th July, 2017.

Need for GST In India

Under the earlier indirect tax regime, despite the introduction of the principle of taxation of value added in India-at the Central level in the form of CENVAT and at the State level in the form of State VAT - its application always remained piecemeal and fragmented on account of the following reasons:

- Double taxation of a transaction as both goods and services as the distinction between goods and services was often blurred, e.g. Software was liable to both VAT and service tax.
- CENVAT did not include chain of value addition in the distributive trade below the stage of production. Similarly, in the State-level VAT, CENVAT load on the goods was not removed leading to the cascading of taxes. To illustrate, when

the goods were manufactured and sold, both central excise duty (CENVAT) and State-Level VAT were levied.

- Though CENVAT and State-Level VAT were essentially value added taxes, set off of one against the credit of another was not possible as CENVAT was a central levy and State-Level VAT was a State levy
- There were several taxes in the States, such as, Luxury Tax, Entertainment Tax, etc. which were not subsumed in the VAT.
- VAT on goods was not integrated with tax on services, at the State level, to remove the cascading effect of service tax. With service sector being the fastest growing sector in the economy, the exclusion of services from the tax base of the States potentially eroded their tax- buoyancy.
- CST was another source of distortion in terms of its cascading nature since it was non-VATABLE. Being an origin based tax, CST was also against one of the basic principles of consumption taxes that tax should accrue to the jurisdiction where consumption takes place.

One Nation One Tax

A comprehensive tax structure covering both goods and services viz. Goods and Services Tax (GST) addresses the above-mentioned problems. Simultaneous introduction of GST at both Centre and State levels has integrated taxes on goods and services for the purpose of set-off relief and ensures that both the cascading effects of CENVAT and service tax are removed and a continuous chain of set-off from the original producers point/ service providers point up to the retailer's level consumer level is established.

In the GST regime, the major indirect taxes have been subsumed in the ambit of GST. The erstwhile concepts of manufacture or sale of goods or rendering of services are no longer applicable since the tax is now levied on "Supply of Goods and/or services".

Taxes Subsumed & Not Subsumed in GST

Taxes Subsumed under GST

1. Central Excise Duty & Additional Excise Duties
2. Services Tax
3. Excise Duty under Medicinal & Toilet Preparation Act
4. CVD & Special CVD
5. Central Sales Tax
6. Central/State Surcharges & Cesses in so far as they relate to supply of Goods & Services
7. Entertainment tax (except those levied by local bodies)
8. Tax on Lottery, betting, Gambling & Entry tax (all forms) & Purchase tax
9. Value added tax / Sales Tax
10. Luxury tax & Tax on advertisement

Taxes not Subsumed under GST

PRODUCTS	EXCIES	VAT	GST	Purview
Alcoholic liquor for Human Consumption (state)	Applicable	Applicable	N.A	No
Petroleum crude, diesel, petrol, ATF & Natural Gas (center)	Applicable	Applicable	N.A	No GST *
Tobacco (center)	Applicable	--	Applicable	Yes
Opium, Indian hemp & other narcotic drug (state)	Applicable	--	Applicable	Yes

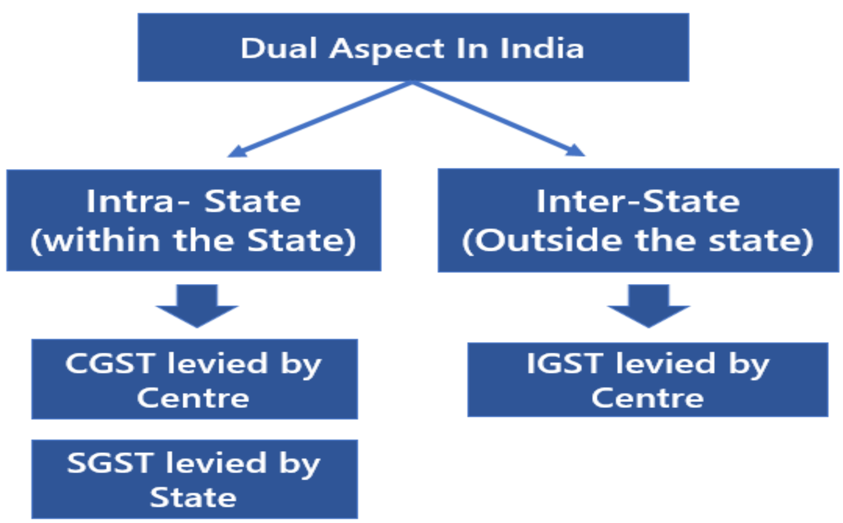
* GST will be levied on these products by way of Notification

Dual GST Model

India has adopted a Dual GST model in view of the federal structure of the country. Consequently, Centre and States simultaneously levy GST on taxable supply of goods or services or both which, takes place within a State or Union Territory. Thus, tax is imposed concurrently by the Centre and States, i.e. Centre and States simultaneously tax goods and services. Now, the Centre also has the power to tax intra-State sales & States are also empowered to tax services. GST extends to whole of India including the State of Jammu and Kashmir.

CGST/SGST/UTGST/IGST

- GST is a destination based tax applicable on all transactions CGST/SGST UTGST IGST involving supply of goods and services for a consideration subject to exceptions thereof.
- GST in India comprises of Central Goods and Services Tax (CGST) - levied and collected by Central Government,
- State Goods and Services Tax (GST) - levied and collected by State Governments/Union Territories with Legislatures and Union Territory Goods and Services Tax (UTGST) levied and collected by Union Territories without Legislatures, on intra-State supplies of taxable goods and services.
- Inter-State supplies of taxable goods and/or services are subject to Integrated Goods and Services Tax (GST).
- IGST is the sum total of CGST and SGST UTGST and is levied by Centre on all inter-State supplies.



Union territory Taxation

With in union territory transaction without own legislature UTGST & CGST
With in union territory transaction with own legislature SGST & CGST
Outside Union territory to state or union territory IGST in all cases

UT with own legislature
(SGST & CGST)

- Jammu & Kashmir
- Puducherry
- Delhi

UT without own legislature
(UTGST & CGST)

- Andaman and Nicobar Islands
- Lakshadweep
- Dadra and Nagar Haveli
- Daman and Diu

GST Council: Article 279A

Article 279A of the Constitution empowers the President to constitute a joint forum of the Centre and States namely, Goods & Services Tax Council (GST Council).

The provisions relating to GST Council came into force on 12th September, 2016. President constituted the GST Council on 15 September, 2016.

The GST Council shall consist of the following members, namely:

(a) the Union Finance Minister is the Chairperson 3;

(b) the Union Minister of State in charge of Revenue or Finance is the Member;

(c) the Minister in charge of Finance or Taxation or any other Minister nominated by each State Government are the Members.

The Members of the GST Council referred to clause (c) above shall, as soon as may be, choose one amongst themselves to be the Vice Chairperson of the Council for such period as they may decide.

The GST Council shall make recommendations to the Union and the States on

(a) the taxes, cesses and surcharges levied by the Union, the States and the local bodies which may be subsumed in the goods and services tax;

(b) the Union Minister of State in charge of Revenue or Finance is the Member;
(c) the goods and services that may be subjected to, or exempted from the goods and services tax;

(d) the threshold limit of turnover below which goods and services may be exempted from goods and services tax;

(e) the rates including floor rates with bands of goods and services tax;

(f) any special rate or rates for a specified period, to raise additional resources during any natural calamity or disaster;

(g) special provision with respect to the States of Arunachal Pradesh, Assam, Jammu and Kashmir, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura, Himachal Pradesh and Uttarakhand Such States are referred as Special Category States; and

(h) any other matter relating to the goods and services tax, as the Council may decide.

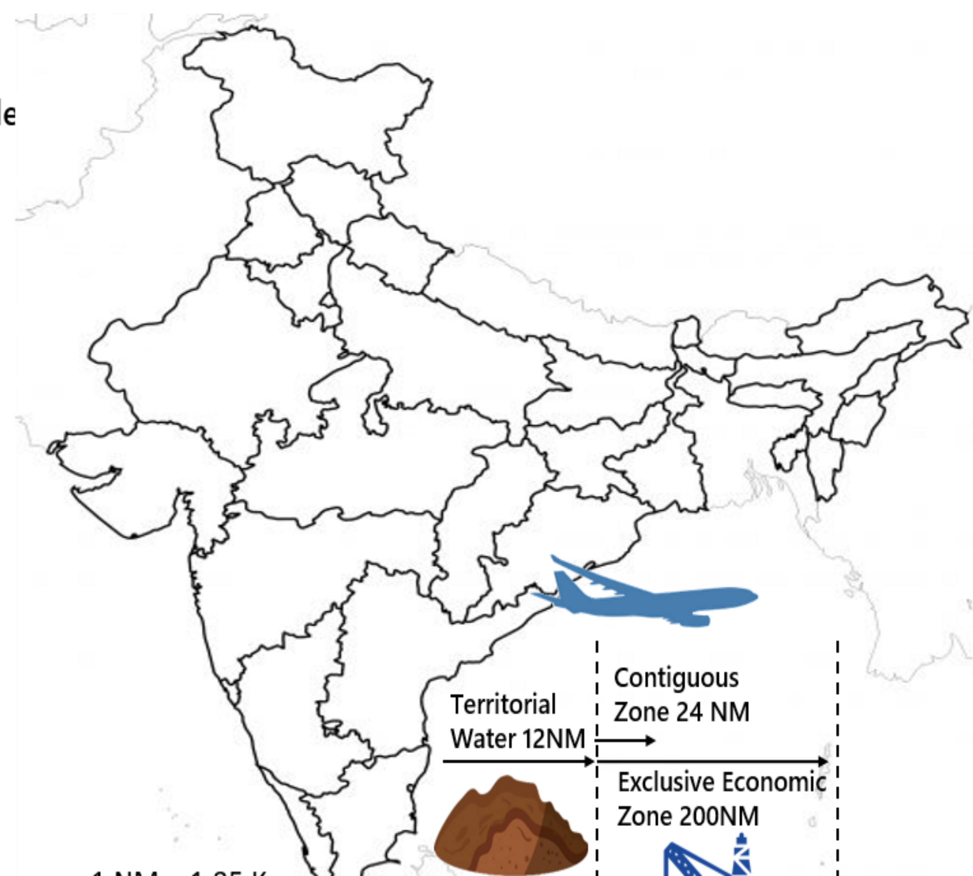
Good & Service Tax Act's

Name	Governing Act	Levied by	Event of Levy
CGST	Central Goods and Services Tax Act, 2017	Central Government	On Intra State supply of Goods and Services
SGST	State Goods and Services Tax Act, 2017	State Government	On Intra State supply of Goods and Services
UTGST	Union Territory Goods and Services Tax Act, 2017	Union Territories	On Intra State supply of Goods and Services
IGST	Integrated Goods and Services Tax Act, 2017	Central Government	On Inter State supply of Goods and Services
GST Cess	GST Compensation Cess Act, 2017	Central Government	On Intra/Inter State supply of Goods and Services

"INDIA" Means

SEC 2 (56) "INDIA" Means
Territory of India as referred to in article 1 of Constitution (The territory of the Union of India viz., state and the union territories.)

- Its Territorial Water
- seabed and Sub-soil underlying such waters
- continental shelf
- or Any other maritime zone
- Exclusive Economic Zone
- The air space above its territory and territorial waters



Other Important Definitions

Taxable Supplies

- Regular Taxable Supplies :
  Supply of an item or service which attracts a GST rate greater than 0% within India
- Nil Rated Supplies :
  Supply of goods which attract 0% GST by default is known as nil rated supplies. Grains, Salt, Jaggery, etc.
- Zero Rated Supplies :
  In case of exports, supplies to a SEZ unit or deemed exports, the GST associated with the items or services involved becomes 0 even though the same would attract a GST rate greater than 0% when sold within India. These are deemed as zero rated supplies.

Non- Taxable Supplies

- Exempt Supplies :
  The supply of exempt goods or services does not attract CST even though they are within the purview of GST. A registered taxpayer cannot claim ITC on inputs used for making such supplies. Bread, Fresh fruits, Fresh milk, Curd, etc.
- Non GST Supplies :
  This refers to supply of items which are outside the purview of the GST law. Electricity, Diesel, Petrol and Alcohol for human consumption.

The end...

Supply under GST

Supply under GST

- A taxable event is any transaction or occurrence that results in a tax consequence. Before levying any tax, taxable event needs to be ascertained. It is the foundation stone of any taxation system; it determines the point at which tax would be levied.

- Under the earlier indirect tax regime, the framework of taxable event in various statutes was prone to catena of interpretations resulting in litigation since decades. The controversies largely related to issues like whether a particular process amounted to manufacture or not, whether the sale was pre-determined sale, whether a particular transaction was a sale of goods or rendering of services etc.

- The GST laws resolve these issues by laying down one comprehensive taxable event i.e. "Supply"-Supply of goods or services or both. Various taxable events namely manufacture, sale, rendering of service, purchase, entry into a territory of State etc. have been done away with in favour of just one event i.e. Supply.

- GST Law, by levying tax on the "supply' of goods and/or services, departs from the historically understood concepts of taxable event' under the State VAT Laws, Excise Laws and Service Tax Law i.e. sale, manufacture and service respectively.

- In the GST regime, the entire value of supply of goods and or services is taxed in an integrated manner, unlike the earlier indirect taxes, which were charged independently either on the manufacture or sale of goods, or on the provisions of services.

Goods & Services

Goods means every kind of movable property other than money and securities but includes actionable claim, growing crops, grass and things attached to or forming part of the land which are agreed to be severed before supply or under a contract of supply.

Services anything other than goods includes separate consideration is charged use of money or conversion of money.

Section 7: Supply

Forms of Supply

Various forms of supply contemplated in section 7(1)(a) are sale, transfer, barter, exchange, license, rental, lease or disposal. These forms of supply are only illustrative and not exhaustive.

Made or agreed to be made

- Goods are already delivered or Service is already provided to the recipient
- There is an agreement for supply of goods or provision of service
- An advance has been received against the supply of goods or provision of service

Consideration

- Consideration does not always mean money. It can be in money or in kind. It covers anything which might be possibly done, given or made in exchange for something else. Further, a consideration need not always flow from the recipient of the supply. It can also be made by a third person.
- However, any subsidy given by the Central Government or a State Government is not considered as consideration. A deposit given in respect of the supply of goods or services or both shall not be considered as payment made for such supply unless the supplier applies such deposit as consideration for the said supply

Example:

Art works sent by artists to galleries for exhibition is not a supply as no consideration flows from the gallery to the artists.

Artists give their work of art to galleries where it is exhibited for supply. However, no consideration flows from the gallery to the artist when the art works are sent to the gallery for exhibition and therefore, the same is not a supply.

It is only when a buyer selects a particular art work displayed at the gallery, that the actual supply takes place and applicable GST would be payable at the time of such supply.

In course or furtherance of business

GST is essentially a tax only on commercial transactions.

Hence, only those supplies that are in the course or furtherance of business qualify as supply under GST. Resultantly, any supplies made by an individual in his personal capacity do not come under the ambit of GST unless they fall within the definition of businesses.

Meaning of supply made in the course or furtherance of business:

Any activity undertaken in course/ for furtherance of business would constitute a supply. In order to understand the term in the course or furtherance of businesses, we need to first understand the term businesses.

Business as defined under section 2(17) of the CGST Act, inter alle includes any trade, commerce, manufacture, profession, vocation etc. whether or not undertaken for a monetary benefit.

Examples:

- Vikas buys a car for his personal use and after a year sells it to a car dealer. Sale of car by Rishabh to car dealer is not a supply under CGST Act because said supply is not made by Vikas in the course or furtherance of business.

- Radhika sold her old gold bangles and earrings to Mahavir Jewelers' Sale of old gold jewellery by an individual to a jeweller will not constitute supply as the same cannot be said to be in the course or furtherance of business of the individual.

- Aamir Kumar, a famous actor, paints some paintings and sells them. The consideration from such sale is to be donated to a Charitable Trust -Kind Human. The sale of paintings by the actor qualifies as supply.

- A Resident Welfare Association provides the service of depositing the electricity bills of the residents in lieu of some nominal charges. Provision of service by a club or association or society to its members is treated as supply as this is included in the definition of business

Section 7: Deemed Supply – No Consideration

There are instances where an activity or transaction is treated as supply, even if the same is without consideration. These are specifically mentioned in Schedule I appended to the CGST Act. The same has been discussed in the subsequent paras:

In the past regime, in every tax statute, "consideration" played the most important role for levying taxes. For instance, if any service was provided for free to a person, such service was not subject to service tax. However, under GST, the importance of consideration has been diluted in certain cases - this is an important departure from the earlier indirect tax regime.

As per Schedule 1, in the following four cases, activities made without consideration will be treated as supply under section 7 of the CGST Act:

1. Permanent Transfer/Disposal of Business Assets

Any kind of disposal or transfer of business assets made by an entity on permanent basis even though without consideration qualifies as supply. However, it is important to note that this provision would apply only if input tax credit has been availed on such assets.

Following conditions need to be satisfied:

- There must be a disposal or transfer of business assets.
- Transfer/disposal must be permanent.
- ITC must have been availed on such business,

Even without consideration – will not be Deemed Supply:

- Business assets on which ITC is blocked/not available under GST
- Business assets though eligible for ITC, ITC has not been availed by the registered person.

NO Consideration

- Assets Transfer/Disposal ITC Availed – Deemed Supply
- Assets Transfer/Disposal ITC not availed – will be not be Deemed Supply

Section 7: Deemed Supply – No Consideration

2. Supply between related person or distinct persons – Branch Transfer

   Supply between related person or distinct persons Para 2. of Schedule :
   Supply of goods or services or both between related persons' or between distinct persons as specified in section 25, will qualify as supply provided it is made in the course or furtherance of business.

   Let us understand the terms 'related persons' and distinct persons'. Influence of another person is called a related person
   Related persons: A person who is under person like members of the same family

   Under GST law various categories of related persons have been specified. The term "related person" has been defined in explanation to section 15. The said definition has been explained below:

   - Such persons are officers/directors of one another's business
   - Such persons are legally recognized partners
   - Such persons are employer & employee (Value of Gift more than 50,000 in a F.Y)
   - A third person controls/owns/ holds (directly indirectly) ≥ 25% voting stock/shares of both of them
   - One of them controls (directly/indirectly) the other
   - A third person controls (directly/indirectly) both of them
   - Such persons together control (directly/indirectly) a third person
   - Such persons are members of the same family
   - One of them is the sole agent/sole distributor of the other

3. Principal - Agent

Supply of goods by a principal to his agent, without consideration, where the agent undertakes to supply such goods on behalf of the principal is considered as supply.

Similarly, supply of goods by an agent to his principal, without consideration, where the agent undertakes to receive such goods on behalf of the principal is considered as supply.

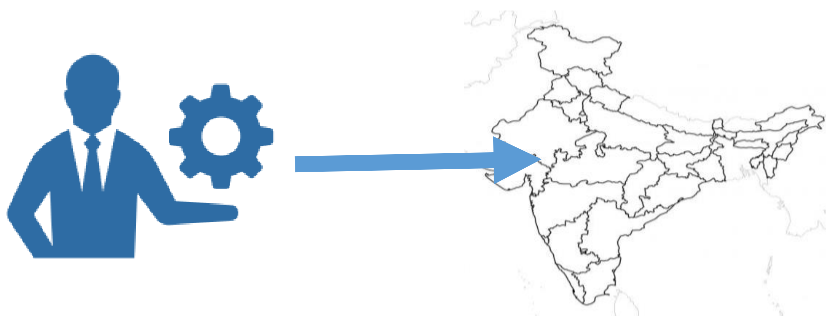
Example: When Mr. Vipul (the Principal) located in Maharashtra supplies certain goods to his agent Mr. Chetan (located in Delhi) and Mr. Chetan undertakes to supply the said goods in Delhi on behalf of Mr. Vipul.
In the aforesaid case, supply of goods by Mr. Vipul to Mr. Chetan shall fall within the ambit of the term 'supply' even if made without consideration and shall be liable to GST

Section 7: Deemed Supply – No Consideration

Example:
Mr. Rohit works as an agent and is located in Maharashtra, Mr. Jayesh is a manufacturer and located in Maharashtra.
Mr. Rohit agrees to purchase certain goods from New Delhi market on behalf of Mr. Jayesh every month and supply the same to Mr. Jayesh.
Supply of goods by Mr. Rohit to Mr. Jayesh shall fall within the ambit of term' supply' even if made without consideration

4. <u>Import of Service without consideration</u>

From a related person outside India or from any of his other establishments outside India, in the course or furtherance of business



Section 7: Activities not to be treated as supplies

No GST on Employment

Services by any Court or Tribunal

Services by funeral, burial or mortuary

Functions performed by the MPs, MLA's

Sales of Land

Sales of Building

WHY?

Immovable Property

Under construction OC NOT received

GST APPLICABLE ✓

1st Occupancy certificate (OC) received

GST NOT APPLICABLE ✗

Activities to be treated as supplies of Goods or Services

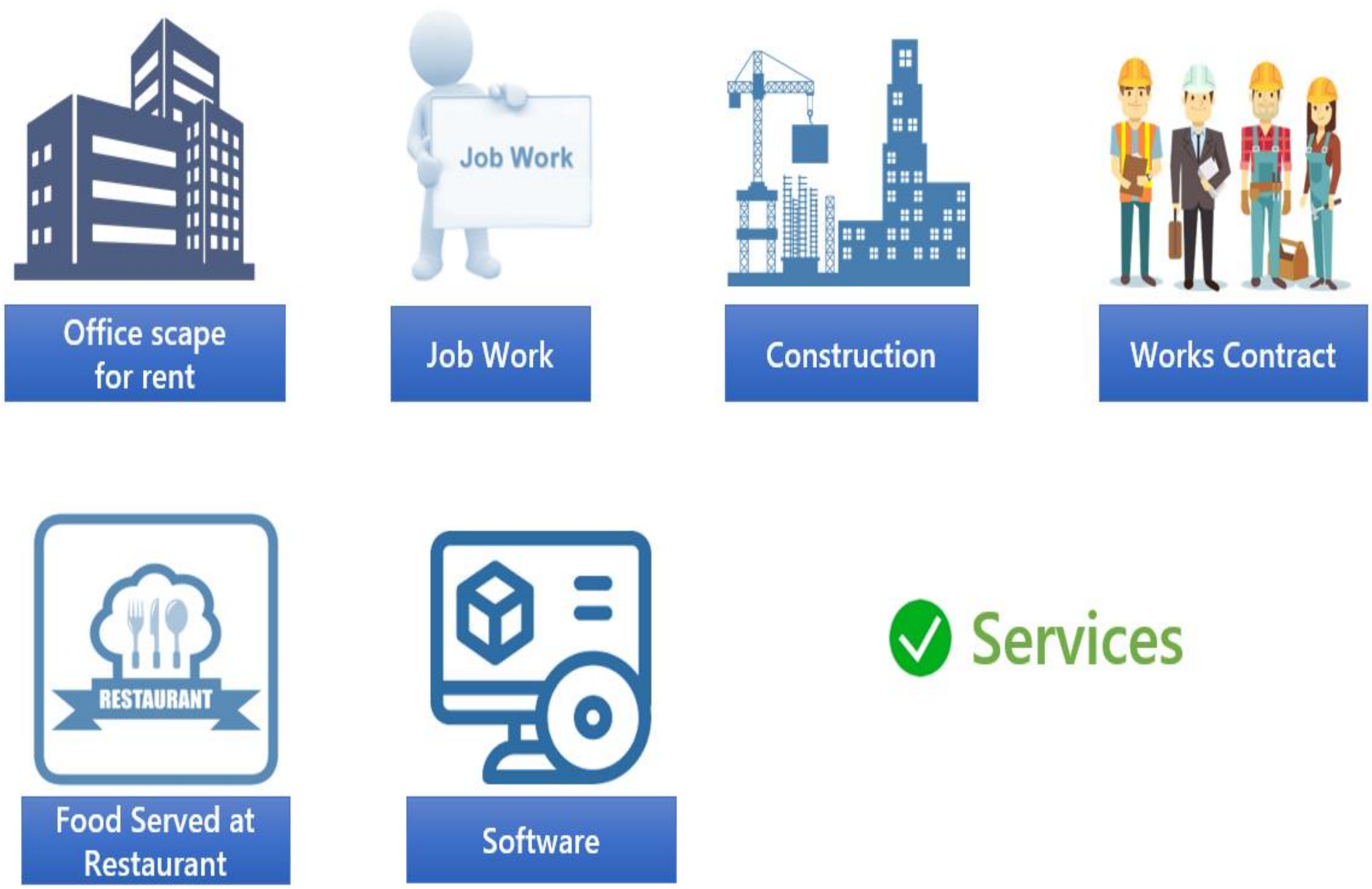
Schedule II

Section 7(1A)of the CGST Act classifies certain activities/ transactions constituting supply, either as supply of goods or supply of services. Schedule II to the CGST Act contains the list of activities or transactions which have been classified either

Example:

Under Earlier laws, the restaurants used to charge both service tax and VAT on the value of food served. This so because both sale of goods and provision of service were involved and therefore taxable event under both the Statutes i.e. Respective VAT law and service lax law got triggered.

Under GST, the supply by a restaurant is treated as composite supply concept of composite supply is discussed subsequently in this chapter since food and service is naturally bundled in ordinary course of business. Further, that such composite supply shall be treated as supply of service. Hence, the entire value of invoice shall be treated as value of service and leviable to GST accordingly.



Section 8 : Composite supply & Mixed Supply

GST is payable on individual goods or services or both at the notified rates. The application of rates poses no problem if the supply is of individual goods or individual services, which is clearly identifiable and such goods or services are subject to a particular rate of tax.

However, in certain cases, supplies are not such simple and clearly identifiable supplies. Some of the supplies are a combination of goods or combination of services or combination of goods and services both and each individual component of such supplies may attract a different rate of tax.

In such a case, the rate of tax to be levied on such supplies may be a challenge. It is for this reason, that the GST Law identifies composite supplies and mixed supplies and provides certainty in respect of tax treatment under GST for such supplies.

Composite Supply

Composite supply means a supply made by a taxable person to a recipient and: comprises two or more taxable supplies of goods or services or both, or any combination thereof.

- are naturally bundled and supplied in conjunction with each other, in the ordinary course of business
- one of which is a principal supply [Section 2(30) of the CGST Act). This means that in a composite supply, goods or services or both are bundled
- owing to natural necessities. The elements in a composite supply are dependent on the principal supply.

Principal supply means the supply of goods or services which constitutes the predominant element of a composite supply and to which any other supply forming part of that composite supply is ancillary.

How to determine the tax liability on composite Supplies?

A composite supply comprising of two or more supplies, one of which is a principal supply, shall be treated as supply of such principal supply.

Examples:

- Poshaak Manufacturers entered into a contract with Cheeku Ltd. for supply of readymade shirts packed in designer boxes at Cheeku Ltd.'s outlet. Further, Poshaak Manufacturers would also get them insured during transit. In this case, supply of goods, packing materials, transport & insurance is a composite supply wherein supply of goods is principal supply.

- When a consumer buys a television set and he also gets warranty and a example maintenance contract with the TV, this supply is a composite supply. In this example, supply of TV is the principal supply, warranty and maintenance services are ancillary.

Mixed Supply

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 individual supplies are independent of each other and are not naturally bundled.

How to determine if a particular supply is a mixed supply?

In order to identify if the particular supply is a mixed supply, the first requisite is to rule out that the supply is a composite supply.

A supply can be a mixed supply only if it is not composite supply. As a corollary it can be said that if the transaction consists of supplies not naturally bundled in the ordinary course of business then it would be a mixed supply.

Once the amenability of the transaction as a composite supply is ruled out, it would be a mixed supply, classified in terms of supply of goods or services attracting highest rate of tax.

How to determine the tax liability on mixed supplies?

A mixed supply comprising of two or more supplies shall be treated as supply of that particular supply that attracts highest rate of tax.

Example:

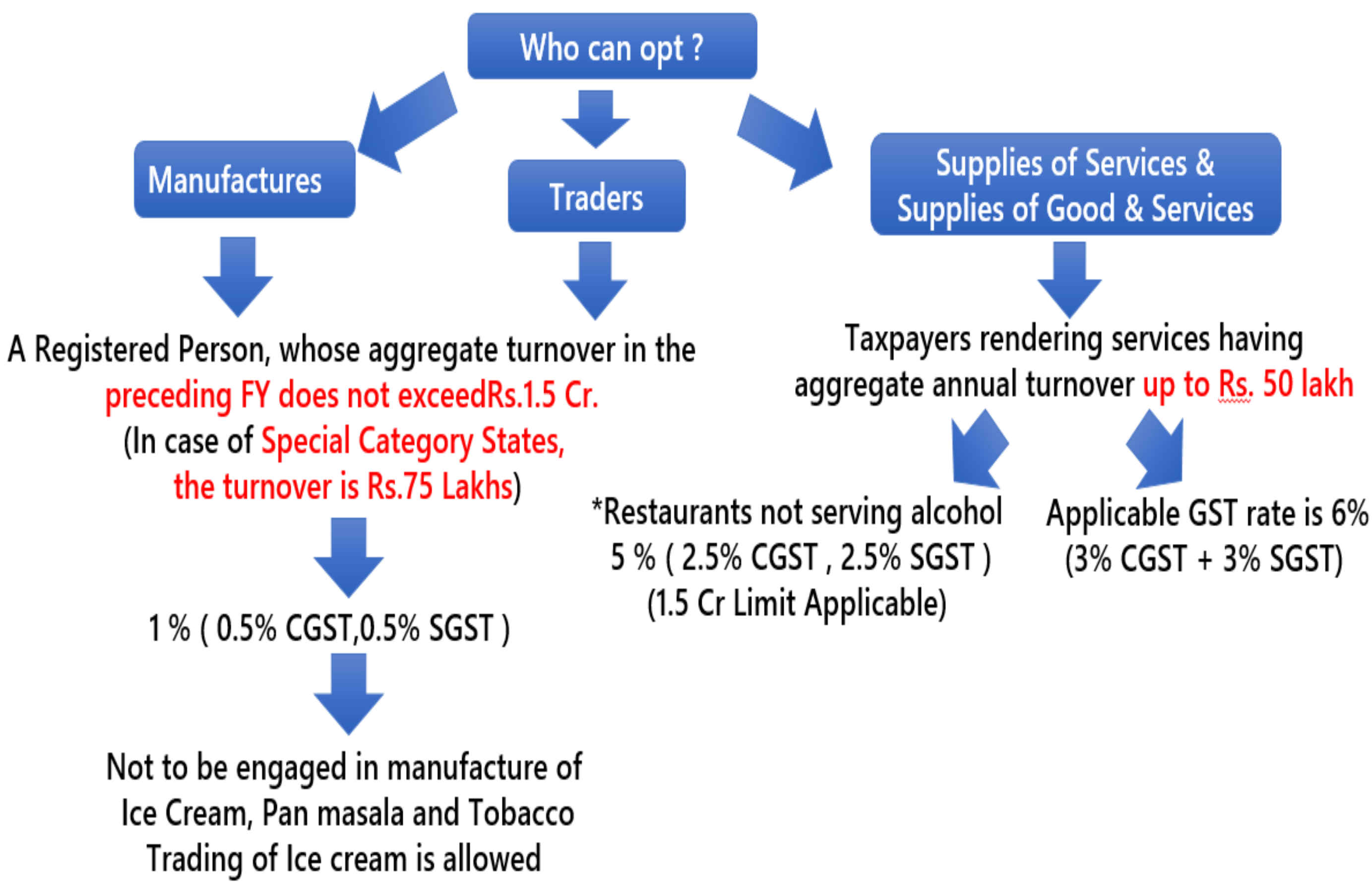
- A supply of a package consisting of canned foods, sweets, chocolates, cakes, dry fruits, aerated drink and fruit juices when supplied for a single example price is a mixed supply. Each of these items can be supplied separately and is not dependent on any other. It shall not be a mixed supply these items are supplied separately.
- A shopkeeper selling storage water bottles along with refrigerator. Bottles and the refrigerator can easily be priced and sold independently and are not naturally bundled. So, such supplies are mixed supplies.

Section 10 : Composition Scheme

The composition levy is an alternative method of levy of tax designed for small taxpayers whose turnover is up to prescribed limit. The objective of composition scheme is to bring simplicity and to reduce the compliance cost for the small taxpayers. Primarily, the composition scheme is available to the suppliers of goods and restaurant service, but composition suppliers are permitted to supply services upto a specified marginal value in the year of opting for composition. Small taxpayers with an aggregate turnover in a preceding financial year up to 1.5 crore shall be eligible for composition levy.

Traders/Suppliers opting for composition levy need not worry about the classification of their goods or services or both, the rate of GST applicable on their goods and/or services, etc. They are not required to raise any tax invoice, but simply need to issue a Bill of Supply wherein no tax will be charged from the recipient.

An eligible person opting to pay tax under the composition scheme shall, instead of paying tax on every invoice at the specified rate, pay tax at a prescribed percentage of his turnover every quarter.



Do's & Don'ts after Opting Composition Scheme:

Do's	Don'ts
Issue Bill of Supply	Cannot take Input Tax Credit
Mention details and status of composition Dealer on Bills & Boards	Cannot collect GST from consumers
	Cannot make inter-State outward supplies
	Cannot Supply goods through an ECO
	Cannot supply GST exempted goods

<u>Withdrawal of scheme:</u>

Such person is required to pay tax under regular scheme under section 9(1) from the day he ceases to satisfy any of the conditions prescribed for composition levy. He shall issue tax invoice for every taxable supply made thereafter. Further, he is required to file an intimation for withdrawal from the scheme in prescribed form within 7 days of the occurrence of such event.

The end...

Levy & Collection of GST

Reverse Charge Mechanism

- CGST/IGST shall be paid by the recipient of goods or services or both, on reverse charge basis, in the following cases:

  Supply of goods or services or both, notified by the Government on the recommendations of the GST Council.
  Supply of specified categories of goods or services or both by an unregistered supplier to specified class of registered persons.

- All the provisions of the CGST/IGST Act shall apply to the recipient in the aforesaid cases as if he is the person liable for paying the tax in relation to the supply of such goods or services or both. Let us first understand the concept of reverse charge mechanism

- Generally, the supplier of goods or services is liable to pay GST. However, under the reverse charge mechanism, the liability to pay GST is cast on the recipient of the goods or services.
- Reverse charge means the liability to pay tax is on the recipient of supply of goods or services instead of the supplier of such goods or services in respect of notified categories of supply.
- However, the underlying principle of an indirect tax is that burden of such tax has to be ultimately passed on to the recipient. GST being an indirect tax, this principle holds good for GST.
- Therefore, under reverse charge mechanism, only the compliance requirements, (ie to obtain registration under GST deposit the tax with the Government filing returns etc) have been shifted from supplier to recipient. The burden to pay GST ultimately lies on the recipient only.

Reverse Charge Mechanism

Government has notified the following categories of services wherein whole of the CGST shall be paid on reverse charge basis by the recipient of services:

Category of Supply of service	Supplier of Services	Recipient of Services
Supply of services by a Goods Transport Agency (GTA) in respect of transportation of goods by road	Goods Transport Agency (GTA)	To any business entity except government
Services supplied by an individual advocate including a senior advocate or firm of advocates by way of legal services, directly or indirectly.	An individual advocate including a senior advocate or firm of Advocates.	Any business entity located in the taxable territory.
Services supplied by an arbitral tribunal to a business entity.	An arbitral tribunal.	Any business entity located in taxable territory.
Services provided by way of sponsorship to any body corporate or partnership firm.	Any person	Any body corporate or partnership firm located in the taxable territory.
Services supplied by a director of a company/ body corporate to the said company/ body corporate.	A director of a company or a body corporate	The company or a body corporate located in the taxable territory.
Services supplied by an insurance agent to any person carrying on insurance business.	An insurance agent	Any person carrying on insurance business, located in the taxable territory.
Services supplied by a recovery agent to a banking company or a financial institution or a non-banking financial company.	A recovery agent	A banking company or a financial institution or a non-banking financial company, located in the taxable territory.
Supply of services by an author, music composer, photographer, artist or the like by way of transfer or permitting the use or enjoyment of a copyright	Author or music composer, photographer, artist, or the like	Publisher, music company, producer or the like, located in the taxable territory.

Reverse Charge Mechanism

Electronic Commerce Operator (ECO) is any person who owns/operates/manages an electronic platform for supply of goods/services/both.

Sometimes, ECO itself supplies the goods or services through its electronic portal. However, many a times, the products/services displayed on the electronic portal are actually supplied by some other person to the consumer.

When a consumer places an order for a particular product/ service on this electronic portal, the actual supplier supplies the selected product/Service to the consumer.

The price/ consideration for the product/service is collected by the ECO from the consumer and passed on to the actual supplier after the deduction of commission by the ECO.

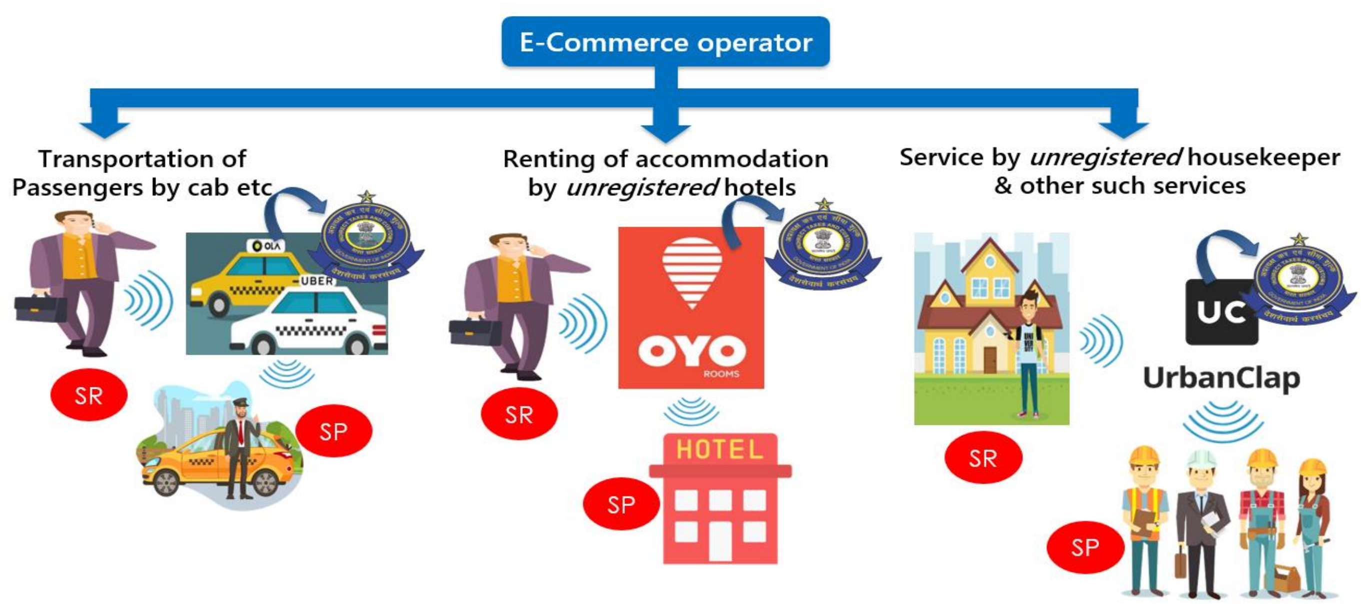
The Government may notify specific categories of services the tax on supplies of which shall be paid by the electronic commerce operator (ECO) if such services are supplied through it. Such services shall be notified on the recommendations of the GST Council.

As amended has notified the following categories o services supplied through ECO for this purpose

(a) Services by way of transportation of passengers by a radio taxi, motor cab, maxi cab and motor cycle;

(b) Services by way of providing accommodation in hotels, inns, guest houses, clubs, campsites or other commercial places meant for residential or lodging purposes,

(c) Services by way of house-keeping, such as plumbing, carpentering etc



Treatment of Advance Received

Time of supply determines when the tax liability arises. Section 12 to 14 of CGST Act 2017 deals with time of supply provisions. Time of supply is different for goods and for services and it depends on different aspects to determine time of supply. General rule is time of supply is earlier of date of Invoice or receipt of payment whichever is earlier. In case of Advances, time of supply is at the time of receipts of advance.

In circumstances where part advance is received then time of supply for such advance is at the time of receipt of advance and for balance amount, once Invoice is raised. If transaction is cancelled after receipt of advance then advance received may be refunded or adjusted as the case may be based on the contract.

CBIC issued Notification 66/2017 dated 15th November 2017 exempting the payment of GST on advance paid on goods however the liability on advance payment in case of services continues.

Certain aspects to be considered here are:

1. If GST rate at the time of advance payment is higher and then reduced subsequently by the time of raising of Invoice then differential rate can be adjusted at the time of Invoice if supply occurred post the reduction in the tax rate.

2. If there is no clarity on the rate %age at the time of paying advance, then 18% to be considered as rate of tax as per Rule 50.

3. If the nature of supply not determinable at the time of payment of advance then the same shall be considered as Inter State supply as per Rule 50

4. Notification 66/2017 exempting payment of GST on advance is not applicable for Composition dealers

As per Section 31 (3) (d) of the CGST Act, 2017, a registered person shall, on receipt of advance payment with respect to any supply of goods or services or both, issue a receipt voucher or any other document, containing such particulars as may be prescribed as contained in Rule 50 of the CGST Rules, 2017

If supply is not made subsequent to receipt of advance then the advance may be refunded back and refund voucher shall be issued as per Rule 51 of CGST rules

Table 11 of GSTR1 requires details of advances received/adjusted etc., to be disclosed

Marginal GST - GST on Margin

As we all welcome GST there are many things left unsaid that needs to be clarified and creating lot of trouble and confusion in the minds of the traders. Government is coming up with various notifications for the smooth working of this new tax regime and one of such important notification issued by the government is to give marginal relief to dealers dealing in second hand goods

Example: Car Dealers, Jewellers, etc.

1. To avoid double taxation on the supply of goods which has already been taxed e. Second hand Goods.

2. GST is calculated on the difference between the value at which the goods are supplied and the price at which the goods are purchased e. profit margin unlike GST charged on the transaction value for the goods in normal condition. If there is no margin, then, no GST would be payable on such transaction.

Applicability:

This scheme is applicable only for the persons who is dealing in buying and selling of second hand goods i.e. used goods sold as such or after minor changes which should not change the nature of the goods.

Any supply of second hand goods, where no ITC was claimed on the purchase of such goods and the nature of goods is unchanged, are eligible under the GST Margin Scheme, and the tax on such supplies will be levied only on the difference value. There will be no tax if the margin value is zero or negative.

Example:

A company say M/s XYZ Ltd, who deals in buying and selling of second hand cars, purchases a second hand Car (Original price Rs. 3 lakh) for Rs. 2 lakhs from an unregistered person and sells the same after minor furbishing in July, 2017 for Rs. 2,50,000/-.

The supply of the car to the company for Rs. 2 lakh shall be exempted and the supply of the same by the company to its customer for Rs. 2.5 lakh shall be taxed and GST shall be levied. The value for GST purpose shall be Rs. 50000/-, i.e. the difference between the selling and the purchase price of the company.

Exemption from GST – Section 11

Under GST, essential goods/services, i.e. public consumption products/ services, have been exempted. Items such as unbranded atta/maida/besan,unpacked food grains, milk,eggs,curd,lassi and fresh vegetables are among the items exempted from GST. Further, essential services like health care services, education services, etc. have also been exempted.

Health care Sector:

- Exemption related to Health Care by clinical establishment, an authorized medical practitioner or paramedics.
- Health care service by way of diagnosis or treatment or when care for illness, injury
  (E.g. Allopathy, Yoga, Naturopathy, Ayurveda, Homeopathy, Siddha, Unani)
- Health care services Excludes Hair Transplant or Cosmetic or Plastic Surgery, except when undertaken to restore or to reconstruct anatomy or functions of body affected due to congenital defects, developmental abnormalities, injury or trauma.

Religious Activities – Conduct of religious ceremony:

- Charitable Activities – Provided by entity registered under sec 12 AA of Income Tax Act 1961 including Yoga
- Services provided by specified organization with respect to Kailash Mansarovar & Haj Pilgrimage Exempted

Exemption Not available for following cases:

Renting	Exemption not available
Renting of Rooms	where changes are 1000 or more per day
Renting of Premises, community halls, kalyanmandapam or open area and the like	where changes are 10,000 or more per day
Renting of shops or others spaces for business or commerce	where changes are 10,000 or more per month

Exemption from GST

Renting of hotels, Inn, guest house, Restaurant services:

NATURE OF SERVICE	PARTICULARS	TAXABLE AMOUNT	TAX RATE	CONDITIONS
Hotel Accommodation	Value of room rental	upto Rs.1000	0%	No Condition
		Between Rs.1001 and Rs.7500	12%	
		Rs.7501 and above	18%	
Restaurant Service	Restaurant is part of specified premises*	Any Amount	18%	No Condition
	Restaurant is not part of specified premises*	Any Amount	5%	No Input tax credit
Outdoor Catering	Supply by or at specified premises*	Any Amount	18%	No Condition
	Supply by and at other than specified premises*	Any Amount	5%	No Input tax credit

List of Exempted Goods under GST

S. No.	Description of Goods
1	Live asses, mules and hinnies
2	live bovine animals
3	Live swine
4	Live sheep and goats
5	Live poultry, that is to say, fowls of the species Gallus domesticus, ducks, geese, turkeys and guinea fowls.
6	Other live animal such as Mammals, Birds, Insects
7	Meat of bovine animals, fresh and chilled.
8	Meat of bovine animals frozen [other than frozen and put up in unit container]
9	Meat of swine, fresh, chilled or frozen [other than frozen and put up in unit container]
10	Meat of sheep or goats, fresh, chilled or frozen [other than frozen and put up in unit container)
11	Meat of horses, asses, mules or hinnies, fresh, chilled or frozen (other than frozen and put up in unit container)
12	Edible offal of bovine animals, swine, sheep, goats, horses, asses, mules or hinnies, fresh, chilled or frozen [other than frozen and put up in unit container]
13	Meat and edible offal, of the poultry of heading 0105, fresh, chilled or frozen [other than frozen and put up in unit container]
14	Other meat and edible meat offal, fresh, chilled or frozen [other than frozen and put up in unit container]
15	Pig fat, free of lean meat, and poultry fat, not rendered or otherwise extracted, fresh, chilled or frozen [other than frozen and put up in unit container]
16	Pig fat, free of lean meat, and poultry fat, not rendered or otherwise extracted, salted, in brine, dried or smoked [other than put up in unit containers]
17	Meat and edible meat offal, salted, in brine, dried or smoked; edible flours and meals of meat or meat offal [other than put up in unit containers].

18	Fish seeds, prawn / shrimp seeds whether or not processed, cured or in frozen state [other than goods falling under Chapter 3 and attracting 5%]
19	Live fish.
20	Fish, fresh or chilled, excluding fish fillets and other fish meat of heading 0304
21	Fish fillets and other fish meat (whether or not minced), fresh or chilled.
22	Crustaceans, whether in shell or not, live, fresh or chilled; crustaceans, in shell, cooked by steaming or by boiling in water live, fresh or chilled.
23	Molluscs, whether in shell or not, live, fresh, chilled; aquatic invertebrates other than crustaceans and molluscs, live, fresh or chilled.
24	Aquatic invertebrates other than crustaceans and molluscs, live, fresh or chilled.
25	Fresh milk and pasteurized milk, including separated milk, milk and cream, not concentrated nor containing added sugar or other sweetening matter, excluding Ultra High Temperature (UHT) milk
26	Curd; Lassi; Butter milk
27	Chena or paneer, other than put up in unit containers and bearing a registered brand name;
28	Birds' eggs, in shell, fresh, preserved or cooked
29	Natural honey, other than put up in unit container and bearing a registered brand name
30	Human hair, unworked, whether or not washed or scoured; waste of human hair
31	All goods i.e. Bones and horn-cores, unworked, defatted, simply prepared (but not cut to shape), treated with acid or gelatinised; powder and waste of these products
32	All goods i.e. Hoof meal; horn meal; hooves, claws, nails and beaks; antlers; etc.
33	Semen including frozen semen
34	Live trees and other plants; bulbs, roots and the like; cut flowers and ornamental foliage
35	Potatoes, fresh or chilled.
36	Tomatoes, fresh or chilled.
37	Onions, shallots, garlic, leeks and other alliaceous vegetables, fresh or chilled.
38	Cabbages, cauliflowers, kohlrabi, kale and similar edible brassicas, fresh or chilled.
39	Lettuce (Lactuca sativa) and chicory (Cichorium spp.), fresh or chilled.
40	Carrots, turnips, salad beetroot, salsify, celeriac, radishes and similar edible roots, fresh or chilled.
41	Cucumbers and gherkins, fresh or chilled.
42	Leguminous vegetables, shelled or unshelled, fresh or chilled.
43	Other vegetables, fresh or chilled.
44	Dried vegetables, whole, cut, sliced, broken or in powder, but not further prepared.
45	Dried leguminous vegetables, shelled, whether or not skinned or split [other than put up in unit container and bearing a registered brand name)
46	Manioc, arrowroot, salep, Jerusalem artichokes, sweet potatoes and similar roots and tubers with high starch or inulin content, fresh or chilled; sago pith.
47	Coconuts, fresh or dried, whether or not shelled or peeled
48	Brazil nuts, fresh, whether or not shelled or peeled
49	Other nuts, fresh such as Almonds, Hazelnuts or filberts (Coryius spp.), walnuts Chestnuts (Castanea spp.), Pistachios, Macadamia nuts, Kola nuts (Cola spp.), Areca nuts, fresh, whether or not shelled or peeled
50	Bananas, including plantains, fresh or dried
51	Dates, figs, pineapples, avocados, guavas, mangoes and mangosteens, fresh.
52	Citrus fruit, such as Oranges, Mandarins (including tangerines and satsumas); clementines, wilkings and similar citrus hybrids, Grapefruit, including pomelos, Lemons (Citrus limon, Citrus limonum) and limes (Citrus aurantifolia, Citrus latifolia), fresh.
53	Grapes, fresh
54	Melons (including watermelons) and papaws (papayas), fresh.
55	Apples, pears and quinces, fresh.
56	Apricots, cherries, peaches (including nectarines), plums and sloes, fresh.

57	Other fruit such as strawberries, raspberries, blackberries, mulberries and loganberries, black, white or red currants and gooseberries, cranberries, bilberries and other fruits of the genus vaccinium, Kiwi fruit, Durians, Persimmons, Pomegranates, Tamarind, Sapota (chico), Custard apple (ata), Bore, Lichi, fresh.
58	Peel of citrus fruit or melons (including watermelons), fresh.
59	All goods of seed quality
60	Coffee beans, not roasted
61	Unprocessed green leaves of tea
62	Seeds of anise, badian, fennel, coriander, cumin or caraway; juniper berries [of seed quality]
63	Fresh ginger, other than in processed form
64	Fresh turmeric, other than in processed form
65	Wheat and meslin [other than those put up in unit container and bearing a registered brand name]
66	Rye (other than those put up in unit container and bearing a registered brand name]
67	Barley [other than those put up in unit container and bearing a registered brand name)
68	Oats (other than those put up in unit container and bearing a registered brand name]
69	Maize (corn) [other than those put up in unit container and bearing a registered brand name]
70	Rice (other than those put up in unit container and bearing a registered brand name]
71	Grain sorghum [other than those put up in unit container and bearing a registered brand name)
72	Buckwheat, millet and canary seed; other cereals such as Jawar, Bajra, Ragi) (other than those put up in unit container and bearing a registered brand name]
73	Wheat or meslin flour [other than those put up in unit container and bearing a registered brand name).
74	Cereal flours other than of wheat or meslin, [maize (corn) flour, Rye flour, etc.] [other than those put up in unit container and bearing a registered brand name)
75	Cereal groats, meal and pellets [other than those put up in unit container and bearing a registered brand name]
76	Cereal grains hulled
77	Flour, of potatoes [other than those put up in unit container and bearing a registered brand name)
78	Flour, of the dried leguminous vegetables of heading 0713 (pulses) [other than guar meal 1106 10 10 and guar gum refined split 1106 10 90], of sago or of roots or tubers of heading 0714 or of the products of Chapter 8 i.e. of tamarind, of singoda, mango flour, etc. [other than those put up in unit container and bearing a registered brand name]
79	All goods of seed quality
80	Soya beans, whether or not broken, of seed quality.
81	Ground-nuts, not roasted or otherwise cooked, whether or not shelled or broken, of seed quality.
82	Linseed, whether or not broken, of seed quality.
83	Rape or colza seeds, whether or not broken, of seed quality.
84	Sunflower seeds, whether or not broken, of seed quality.
85	Other oil seeds and oleaginous fruits (i.e. Palm nuts and kernels, cotton seeds, Castor oil seeds, Sesamum seeds, Mustard seeds, Safflower (Carthamus tinctorius) seeds, Melon seeds, Poppy seeds, Ajams, Mango kernel, Niger seed, Kokam) whether or not broken, of seed quality.
86	Seeds, fruit and spores, of a kind used for sowing.
87	Hop cones, fresh.
88	Plants and parts of plants (including seeds and fruits), of a kind used primarily in perfumery, in pharmacy or for insecticidal, fungicidal or similar purpose, fresh or chilled.
89	Locust beans, seaweeds and other algae, sugar beet and sugar cane, fresh or chilled.
90	Cereal straw and husks, unprepared, whether or not chopped, ground, pressed or in the form of pellets
91	Swedes, man golds, fodder roots, hay, lucerne (alfalfa), clover, sainfoin, forage kale, lupines, vetches and similar forage products, whether or not in the form of pellets.
92	Lac and Shellac 93. 1404 90 40 Betel leaves
93	Betel leaves
94	Jaggery of all types including Cane Jaggery (gur) and Palmyra Jaggery

95	Puffed rice, commonly known as Muri, flattened or beaten rice, commonly known as Chira, parched rice, commonly known as khoi, parched paddy or rice coated with sugar, or gur, commonly known as Murki
96	Pappad, by whatever name it is known, except when served for consumption
97	Bread (branded or otherwise), except when served for consumption and pizza bread
98	Prasadam supplied by religious places like temples, mosques, churches, gurudwaras, dargahs, etc.
99	Water [Other then aerated, mineral, purified, distilled, medicinal, ionic, battery, de-mineralized and water sold in sealed Container
100	Non- alcoholic Toddy, Neera including date and palm neera.
101	Tender coconut water other than put up in unit container and bearing a registered brand name
102	Aquatic feed including shrimp feed and prawn feed, poultry feed & cattle feed, including grass, hay & straw, supplement & husk of pulses, concentrates additives, wheat bran & de-oiled cake
103	Salt, all types
104	Electrical energy
105	Di calcium phosphate (OCP) of animal feed grade conforming to IS specification No.5470 :2002
106	Human Blood and its components
107	All types of contraceptives
108	All goods and organic manure (other than put up in unit containers and bearing a registered brand name)
109	Kajal [other than kajal pencil sticks), Kumkum, Bindi, Sindur, Alta
110	Municipal waste, sewage sludge, clinical waste
111	Plastic bangles
112	Condoms and contraceptives
113	Firewood or fuel wood
114	Wood charcoal (including shell or nut charcoal), whether or not agglomerated
115	Judicial, Non-judicial stamp papers, Court fee stamps when sold by the Government Treasuries or Vendors authorized by the Government
116	Postal items, like envelope, Post card etc., sold by Government
117	Rupee notes when sold to the Reserve Bank of India
118	Cheques, lose or in book form
119	Printed books, including Braille books
120	Newspapers, journals and periodicals, whether or not illustrated or containing advertising material
121	Children's picture, drawing or coloring books
122	Maps and hydro graphic or similar charts of all kinds, including atlases, wall maps, topographic plans and globes, printed
123	Silkworm laying, cocoon
124	Raw silk
125	Silk waste
126	Wool, not carded or combed
127	Fine or coarse animal hair, not carded or combed
128	Waste of wool or of fine or coarse animal hair
129	Gandhi Topi
130	Khadi yarn
131	Jute fibers, raw or processed but not spun
132	Coconut, coir fiber
133	Indian National Flag
134	Human hair, dressed, thinned, bleached or otherwise worked
135	Earthen pot and clay lamps
136	Glass bangles (except those made from precious metals)

137	Agricultural implements manually operated or animal driven i.e. Hand tools, such as spades, shovels, mattocks, picks, hoes, forks and rakes; axes, bill hooks and similar hewing tools; secateurs and pruners of any kind; scythes, sickles, hay knives, hedge shears, timber wedges and other tools of a kind used in agriculture, horticulture or forestry.
138	Amber charkha
139	Hand loom [weaving machinery]
140	Spacecraft (including satellites) and suborbital and spacecraft launch vehicles
141	Parts of goods of heading 8801
142	Hearing aids
143	Indigenous handmade musical instruments
144	Muddhas made of sarkanda and phool bahari jhadoo
145	Slate pencils and chalk sticks
146	Slates
147	Passenger baggage
148	Puja samagri namely: (i) Rudraksha, rudraksha mala, tulsi kanthi mala, panchgavya (mixture of cow dung, desi ghee, milk and curd); (ii) Sacred thread (commonly known as yagnopavit); (iii) Wooden khadau; (iv) Panchamrit; (v) Vibhuti sold by religious institutions; (vi) Unbranded honey; (vii) Wick for diya; (viii) Roll; (ix) Kalava (Raksha sutra); (x) Chandan tika.
149	Supply of lottery by any person other than State Government, Union Territory or Local authority subject to the condition that the supply of such lottery has suffered appropriate central tax, State tax, Union territory tax or integrated tax, as the case may be, when supplied by State Government, Union Territory or local authority, as the the case may be, to the lottery distributor or selling agent reappointed by the State Government, Union Territory or local authority, as the case maybe.

List of Exempted Services under GST

1. Services by Government or a local authority excluding the following services—

(i) Services by the Department of Posts by way of speed post, express parcel post, life insurance, and agency services provided to a person other than Government;

(ii) Services in relation to an aircraft or a vessel, inside or outside the precincts of a port or an airport;

(iii) Transport of goods or passengers; or

(iv) Any service, other than services covered under clauses (i) to (iii) above, provided to business entities.

2. Services by the Reserve Bank of India

3. Services by a foreign diplomatic mission located in India

4. Services relating to cultivation of plants and rearing of all life forms of animals, except the rearing of horses, for food, fiber, fuel, raw material or other similar products or agricultural produce by way of—

(i) Agricultural operations directly related to production of any agricultural produce including cultivation, harvesting, threshing, plant protection or testing or

(ii) Supply of farm Labour;

(iii) processes carried out at an agricultural farm including tending, pruning, cutting, harvesting, drying, cleaning, trimming, sun drying, fumigating, curing, sorting, grading, cooling or bulk packaging and such like operations which do not alter the essential characteristics of agricultural produce but make it only marketable for the primary market;

(iv) Renting or leasing of agro machinery or vacant land with or without a structure incidental to its use;

(v) Loading, unloading, packing, storage or warehousing of agricultural produce;

(vi) Agricultural extension services;

(vii) Services by any Agricultural Produce Marketing Committee or Board or services provided by a commission agent for sale or purchase of agricultural produce.

5. Service by way of access to a road or a bridge on payment of toll charges

6. Transmission or distribution of electricity by an electricity transmission or distribution utility

7. Services by way of renting of residential dwelling for use as residence

8. Services by way of—

(i) extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount (other than interest involved in credit card services);

(ii) Inter se sale or purchase of foreign currency amongst banks or authorised dealers of foreign exchange or amongst banks and such dealers;

9. Services by way of transportation of goods

(i) By road except the services of—

(A) A goods transportation agency; or

(B) A courier agency;

(ii) By inland waterways;

10. Services provided to the United Nations or a specified international organization.

Exemption may be notified by way of issuing notification under section 55 of CGST/SGST Act.

11. Services provided by operators of the Common Bio-medical Waste Treatment Facility to a clinical establishment by way of treatment or disposal of bio-medical waste or the processes incidental thereto;

12. Services by a veterinary clinic in relation to health care of animals or birds;

13. Services by an entity registered under section 12AA of the Income tax Act, 1961 (43 of 1961) by way of charitable activities; [Charitable activities may be defined as presently in notification No 25/2012-ST.

14. Services by a specified organization in respect of a religious pilgrimage facilitated by the Ministry of External Affairs of the Government of India, under bilateral arrangement;

15. Services provided by-

(a) An arbitral tribunal to –

(i) Any person other than a business entity; or

(ii) A business entity with a turnover up to rupees twenty lakh (ten lakh rupees in a special category state) in the preceding financial year;

(b) A partnership firm of advocates or an individual as an advocate other than a senior advocate, by way of legal services to-

(i) An advocate or partnership firm of advocates providing legal services;

(ii) Any person other than a business entity; or

(iii) A business entity with a turnover up to rupees twenty lakh (ten lakh rupees in a special category state) in the preceding financial year; or

(c) A senior advocate by way of legal services to-

(i) Any person other than a business entity; or

(ii) A business entity up to rupees twenty lakh (ten lakh rupees in a special category state) in the preceding financial year;

16. Services provided,-

(a) By an educational institution to its students, faculty and staff;

(b) To an educational institution, by way of,-

(i) Transportation of students, faculty and staff;

(ii) catering, including any mid-day meals scheme sponsored by the Government;

(iii) Security or cleaning or house-keeping services performed in such educational institution;

(iv) Services relating to admission to, or conduct of examination by, such institution; upto higher secondary.

Provided that nothing contained in clause (b) of this entry shall apply to an educational institution other than an institution providing services by way of pre-school education and education up to higher secondary school or equivalent

17. Services provided by the Indian Institutes of Management, as per the guidelines of the Central Government, to their students, by way of the following educational programmes, except Executive Development Programme, –

(a) two year full time residential Post Graduate Programmes in Management for the Post Graduate Diploma in Management, to which admissions are made on the basis of Common Admission Test (CAT), conducted by Indian Institute of Management;

(b) Fellow Programme in Management;

(c) five year integrated Programme in Management.

18. Services provided to a recognized sports body by-

(a) An individual as a player, referee, umpire, coach or team manager for participation in a sporting event organized by a recognized sports body;

(b) Another recognized sports body;

19. Services by an artist by way of a performance in folk or classical art forms of (i) music, or (ii)dance, or (iii)theatre, if the consideration charged for such performance is not more than one lakh and fifty thousand rupees:

Provided that the exemption shall not apply to service provided by such artist as a brand ambassador;

20. Services by way of collecting or providing news by an independent journalist, Press Trust of India or United News of India;

21. Services by way of giving on hire –

(a) To a state transport undertaking, a motor vehicle meant to carry more than twelve passengers; or

(b) To a goods transport agency, a means of transportation of goods;

22. Transport of passengers, with or without accompanied belongings, by –

(a) Air, embarking from or terminating in an airport located in the state of Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, or Tripura or at Bagdogra located in West Bengal;

(b) Non-air conditioned contract carriage other than radio taxi, for transportation of passengers, excluding tourism, conducted tour, charter or hire; or

(c) Stage carriage other than air-conditioned stage carriage

23. Services of life insurance business provided by way of annuity under the National Pension System regulated by Pension Fund Regulatory and Development Authority of India (PFRDA) under the Pension Fund Regulatory And Development Authority Act, 2013 (23 of 2013)

24. Services of life insurance business provided or agreed to be provided by the Army, Naval and Air Force Group Insurance Funds to members of the Army, Navy and Air Force, respectively, under the Group Insurance Schemes of the Central Government

25. Services provided by an incubate up to a total turnover of fifty lakh rupees in a financial year subject to the following conditions, namely:-

(a) The total turnover had not exceeded fifty lakh rupees during the preceding financial year; and

(b) a period of three years has not been elapsed from the date of entering into an agreement as an incubate;

26. Service by an unincorporated body or a non- profit entity registered under any law for the time being in force, to its own members by way of reimbursement of charges or share of contribution –

(a) as a trade union;

(b) for the provision of carrying out any activity which is exempt from the levy of GST; or

(c) up to an amount of five thousand rupees per month per member for sourcing of goods or services from a third person for the common use of its members in a housing society or a residential complex;

27. Services by an organizer to any person in respect of a business exhibition held outside India;

28. Services by way of slaughtering of animals;

29. Services received from a provider of service located in a non- taxable territory by –

(a) Government, a local authority, a governmental authority or an individual in relation to any purpose other than commerce, industry or any other business or profession;

(b) An entity registered under section 12AA of the Income tax Act, 1961 (43 of 1961) for the purposes of providing charitable activities; or

(c) A person located in a non-taxable territory;

Provided that the exemption shall not apply to –

(i) Online information and database access or retrieval services received by persons specified in clause (a) or clause (b); or

(ii) Services by way of transportation of goods by a vessel from a place outside India up to the customs station of clearance in India received by persons specified in clause (c);

30. Services of public libraries by way of lending of books, publications or any other knowledge-enhancing content or material;

31. Services by Employees' State Insurance Corporation to persons governed under the Employees' Insurance Act, 1948 (34 of 1948);

32. Services by way of transfer of a going concern, as a whole or an independent part thereof;

33. Services by way of public conveniences such as provision of facilities of bathroom, washrooms, lavatories, urinal or toilets;

34. Services by government, local authority or governmental authority by way of any activity in relation to any function entrusted to a municipality under Article 243 W of the Constitution.

35. Services received by the Reserve Bank of India, from outside India in relation to management of foreign exchange reserves;

36. Services provided by a tour operator to a foreign tourist in relation to a tour conducted wholly outside India.

37. Services by way of pre-conditioning, pre-cooling, ripening, waxing, retail packing, labelling of fruits and vegetables which do not change or alter the essential characteristics of the said fruits or vegetables;

38. Services by way of admission to a museum, national park, wildlife sanctuary, tiger reserve or zoo;

39. Services provided by Government or a local authority to a business entity with a turnover up to rupees twenty lakh (ten lakh rupees in a special category state) in the preceding financial year.

Explanation.- For the purposes of this entry, it is hereby clarified that the provisions of this entry shall not be applicable to (a) services at S. No. 1 (i), (ii)and (iii); and

(b) Services by way of renting of immovable property;

40. Services provided by Employees Provident Fund Organization (EPFO) to persons governed under the Employees Provident Funds and Miscellaneous Provisions Act, 1952 (19 of 1952);

41. Services provided by Insurance Regulatory and Development Authority of India (IRDA) to insurers under the Insurance Regulatory and Development Authority of India Act, 1999 (41 of 1999);

42. Services provided by Securities and Exchange Board of India (SEBI) set up under the Securities and Exchange Board of India Act, 1992 (15 of 1992) by way of protecting the interests of investors in securities and to promote the development of, and to regulate, the securities market;

43. Services provided by National Centre for Cold Chain Development under Ministry of Agriculture, Cooperation and Farmer's Welfare by way of cold chain knowledge dissemination;

44. Services by way of transportation of goods by an aircraft from a place outside India up to the customs station of clearance in India.

45. Services provided by Government or a local authority to another Government or local authority:

Provided that nothing contained in this entry shall apply to services at S. No. 1 (i), (ii)and (iii) above

46. Services provided by Government or a local authority by way of issuance of passport, visa, driving license, birth certificate or death certificate.

47. Services provided by Government or a local authority by way of tolerating non-performance of a contract for which consideration in the form of fines or liquidated damages is payable to the Government or the local authority under such contract;

48. Services provided by Government or a local authority by way of- (a) registration required under any law for the time being in force; (b) testing, calibration, safety check or certification relating to protection or safety of workers, consumers or public at large, including fire license, required under any law for the time being in force;

49. Services provided by Government or a local authority by way of assignment of right to use natural resources to an individual farmer for cultivation of plants and rearing of all life forms of animals, except the rearing of horses, for food, fiber, fuel, raw material or other similar products;

50. Services by Government, a local authority or a governmental authority by way of any activity in relation to any function entrusted to a Panchayat under article 243G of the Constitution:

This shall be continued by way of notification under section 7(2)(b) of CGST/SGST Acts.

51. Services provided by Government or a local authority by way of assignment of right to use any natural resource where such right to use was assigned by the Government or the local authority before the 1st April, 2016:

Provided that the exemption shall apply only to service tax payable on one time charge payable, in full upfront or in installments, for assignment of right to use such natural resource;

52. Services provided by Government or a local authority by way of allowing a business entity to operate as a telecom service provider or use radio frequency spectrum during the period prior to 1st April, 2016, on payment of license fee or spectrum user charges, as the case may be;

53. Services provided by Government by way of deputing officers after office hours or on holidays for inspection or container stuffing or such other duties in relation to import export cargo on payment of Merchant Overtime charges (MOT).

54. Services by an acquiring bank, to any person in relation to settlement of an amount upto two thousand rupees in a single transaction transacted through credit card, debit card, charge card or other payment card service.

Explanation. — For the purposes of this entry, "acquiring bank" means any banking company, financial institution including non-banking financial company or any other person, who makes the payment to any person who accepts such card

55. Services of leasing of assets (rolling stock assets including wagons, coaches, locos) by Indian Railways Finance Corporation to Indian Railways

56. Services provided by any person for official use of a foreign diplomatic mission or consular post in India or for personal use or for the use of the family members of diplomatic agents or career consular officers posed therein. This exemption is available on reciprocal basis based on a certificate issued by MEA (Protocol Division): this shall be continued by way of notification under section 55 of CGST/SGST Acts.

57. Taxable services, provided or to be provided, by a Technology Business Incubator (TBI) or a Science and Technology Entrepreneurship Park (STEP) recognized by the National Science and Technology Entrepreneurship Development Board (NSTEDB) of the Department of Science and Technology, Government of India or bio-incubators recognized by the Biotechnology Industry Research Assistance Council, under Department of Biotechnology, Government of India;

58. Taxable service provided by State Government Industrial Development Corporations/ Undertakings to industrial units by way of granting long term (thirty years, or more) lease of industrial plots from so much of tax leviable thereon, as is leviable on the one time upfront amount (called as premium, salami, cost, price, development charges or by any other name) payable for such lease.

59. Services provided to the government by way of transport of passengers with or without accompanied belongings, by air, embarking from or terminating at a regional connectivity scheme airport, against consideration in the form of viability gap funding (VGF).

Provided that nothing contained in this entry shall apply on or after the expiry of a period of 1 year from the date of commencement of operations of the regional connectivity scheme airport as notified by the Ministry of Civil Aviation

60. Services provided by cord blood banks by way of preservation of stem cells or any other service in relation to such preservation;

61. Services by way of training or coaching in recreational activities relating to,-

(i) Arts or culture. Or

(ii) Sports by charitable entities registered under section 12AA of Income tax Act, 1961;

62. Any services provided by, _

(i) The National Skill Development Corporation set up by the Government of India;

(ii) A Sector Skill Council approved by the National Skill Development Corporation;

(iii) An assessment agency approved by the Sector Skill Council or the National Skill Development Corporation;

(iv) A training partner approved by the National Skill Development Corporation or the Sector Skill

Council in relation to

(a) The National Skill Development Programme implemented by the National Skill Development Corporation; or

(b) A vocational skill development course under the National Skill Certification and Monetary Reward Scheme; or

(c) Any other Scheme implemented by the National Skill Development Corporation.

63. Services of assessing bodies empanelled centrally by Directorate General of Training, Ministry of Skill Development and Entrepreneurship by way of assessments under Skill Development Initiative (SDI) Scheme

64. Services provided by training providers (Project implementation agencies) under Deen Dayal Upadhyaya Grameen Kaushalya Yojana under the Ministry of Rural Development by way of offering skill or vocational training courses certified by National Council For Vocational Training.

65. Services by way of sponsorship of sporting events organized,-

(a) By a national sports federation, or its affiliated federations, where the participating teams or individuals represent any district, State, zone or Country;

(b) by Association of Indian Universities, Inter-University Sports Board, School Games Federation of India, All India Sports Council for the Deaf, Paralympic Committee of India or Special Olympics Bharat;

(c) By Central Civil Services Cultural and Sports Board;

(d) As part of national games, by Indian Olympic Association; or

(e) Under Panchayat Yuva Kreeda Aur Khel Abhiyaan (PYKKA) Scheme;

66. Services provided by way of pure labour contracts of construction, erection, commissioning, installation, completion, fitting out, repair, maintenance, renovation, or alteration of a civil structure or any other original works pertaining to the Beneficiary-led individual house construction / enhancement under the Housing for All (Urban) Mission/Pradhan Mantri Awas Yojana (PMAY);

67. Services by way of pure labour contracts of construction, erection, commissioning, or installation of original works pertaining to a single residential unit otherwise than as a part of a residential complex;

68. Services of general insurance business provided under following schemes –

(a) Hut Insurance Scheme;

(b) Cattle Insurance under Swarnajaynti Gram Swarozgar Yojna (earlier known as Integrated Rural Development Programme);

(c) Scheme for Insurance of Tribals;

(d) Janata Personal Accident Policy and Gramin Accident Policy;

(e) Group Personal Accident Policy for Self-Employed Women;

(f) Agricultural Pump set and Failed Well Insurance;

(g) Premia collected on export credit insurance;

(h) Weather Based Crop Insurance Scheme or the Modified National Agricultural Insurance Scheme, approved by the Government of India and implemented by the Ministry of Agriculture;

(i) Jan Arogya Bima Policy;

(j) National Agricultural Insurance Scheme (Rashtriya Krishi Bima Yojana);

(k) Pilot Scheme on Seed Crop Insurance;

(l) Central Sector Scheme on Cattle Insurance;

(m) Universal Health Insurance Scheme;

(n) Rashtriya Swasthya Bima Yojana; or

(o) Coconut Palm Insurance Scheme;

(p) Pradhan Mantri Suraksha BimaYojna;

(q) Niramaya Health Insurance Scheme implemented by Trust constituted under the provisions of the National Trust for the Welfare of Persons with Autism, Cerebral Palsy, Mental Retardation and Multiple Disabilities Act, 1999 (44 of 1999); or

(r) Any other insurance scheme of the State Government as may be notified by Government of India on the recommendation of GSTC.

69. Services of life insurance business provided under following schemes –

(a) Janashree Bima Yojana (JBY); or

(b) Aam Aadmi Bima Yojana (AABY);

(c) Life micro-insurance product as approved by the Insurance Regulatory and Development Authority, having maximum amount of cover of fifty thousand rupees;

(d) Varishtha Pension BimaYojana;

(e) Pradhan Mantri Jeevan JyotiBimaYojana;

(f) Pradhan Mantri Jan DhanYogana;

(g) Pradhan Mantri Vaya Vandan Yojana; and

(h) Any other insurance scheme of the State Government as may be notified by Government of India on the recommendation of GSTC.

70. Services by way of collection of contribution under Atal Pension Yojana (APY).

71. Services by way of collection of contribution under any pension scheme of the State Governments.

72. Service of transportation of passengers, with or without accompanied belongings, by—

(i) Railways in a class other than—

(A) First class; or

(B) An air-conditioned coach;

(ii) Metro, monorail or tramway;

(iii) Inland waterways;

(iv) Public transport, other than predominantly for tourism purpose, in a vessel between places located in India; and

(v) Metered cabs or auto rickshaws (including E-rickshaws);

73. Services by a person by way of-

(a) Conduct of any religious ceremony;

(b) renting of precincts of a religious place meant for general public, owned or managed by an entity registered as a charitable or religious trust under section 12AA of the Income-tax Act, 1961 (hereinafter referred to as the Income-tax Act), or a trust or an institution registered under sub clause (v) of clause (23C) of section 10 of the Income-tax Act or a body or an authority covered under clause (23BBA) of section 10 of the Income-tax Act:

Provided that nothing contained in (b) of this exemption shall apply to,-

(i) Renting of rooms where charges are Rs 1000/- or more per day;

(ii) Renting of premises, community halls, kalyanmandapam or open area, etc where charges are Rs 10,000/- or more per day;

(iii) Renting of shops or other spaces for business or commerce where charges are Rs 10,000/-or more per month.

74. Services by a hotel, inn, guest house, club or campsite, by whatever name called, for residential or lodging purposes, having declared tariff of a unit of accommodation less than one thousand rupees per day or equivalent;

75. Services by way of transportation by rail or a vessel from one place in India to another of the following goods –

(a) Relief materials meant for victims of natural or man-made disasters, calamities, accidents or mishap;

(b) defence or military equipment's;

(c) Newspaper or magazines registered with the Registrar of Newspapers;

(d) Railway equipment's or materials;

(e) Agricultural produce;

(f) Milk, salt and food grain including flours, pulses and rice; and

(g) Organic manure

76. Services provided by a goods transport agency, by way of transport in a goods carriage of,-

(a) Agricultural produce;

(b) Goods, where gross amount charged for the transportation of goods on a consignment transported in a single carriage does not exceed one thousand five hundred rupees;

(c) Goods, where gross amount charged for transportation of all such goods for a single consignee does not exceed rupees seven hundred fifty;

(d) Milk, salt and food grain including flour, pulses and rice;

(e) Organic manure;

(f) Newspaper or magazines registered with the Registrar of Newspapers;

(g) Relief materials meant for victims of natural or man-made disasters, calamities, accidents or mishap; or

(h) defence or military equipment's;

77. Services by the following persons in respective capacities –

(a) Business facilitator or a business correspondent to a banking company with respect to accounts in its rural area branch;

(b) any person as an intermediary to a business facilitator or a business correspondent with respect to services mentioned in clause (g); or

(c) Business facilitator or a business correspondent to an insurance company in a rural area;

78. Carrying out an intermediate production process as job work in relation to cultivation of plants and rearing of all life forms of animals, except the rearing of horses, for food, fibre, fuel, raw material or other similar products or agricultural produce;

79. Services by way of loading, unloading, packing, storage or warehousing of rice;

80. Services by way of right to admission to, –

(i) Circus, dance, or theatrical performance including drama or ballet;

(ii) Award function, concert, pageant, musical performance or any sporting event other than a recognized sporting event;

(iii) recognized sporting event;

Where the consideration for admission is not more than Rs 250 per person in (i), (ii) and (iii) above.

81. Services provided by Government or a local authority where the gross amount charged for such services does not exceed Rs.5000/.

Provided that nothing contained in this entry shall apply to services S. No. 1 (i), (ii)and (iii) above:

Provided further that in case where continuous supply of service, as defined in sub-section (33) of section2 of the CGST Act, 2017, is provided by the Government or a local authority, the exemption shall apply only where the gross amount charged for such service does not exceed Rs. 5000/- in a financial year; [This may be continued by way of an omnibus threshold exemption from payment of GST under section 9 (4) of CGST/SGST Act in respect of supplies upto Rs 10,000/-].

82. (i) Health care services by a clinical establishment, an authorized medical practitioner or para-medics;

(ii) Services provided by way of transportation of a patient in an ambulance, other than those specified in (i) above;

83. Services provided by the Goods and Services Tax Network (GSTN) to the Central Government or State Governments/Union Territories for implementation of Goods and Services Tax (GST)

84. Pure services (excluding works contract service or other composite supplies involving supply of any goods) provided to Government, a local authority or a Governmental authority by way of any

activity in relation to any function entrusted to a Panchayat under Article 243G of the Constitution or to any function entrusted to a Municipality under Article 243W of the Constitution

85. Services provided to the Government under any insurance scheme for which total premium is paid by Government

86. Services provided to the Government under any training programme for which total expenditure is borne by the Government.

The end…

Place, Time & Value of Supply

Sec.10 to 13 of IGST Act Place of Supply

- The basic principle of GST is that it should effectively tax the consumption of such supplies at the destination thereof or as the case may at the point of consumption. The place of supply provisions determine the place i.e. taxable jurisdiction where the tax should reach. The place of supply and the location of the supplier are the two determinants to ascertain the nature of supply i.e., whether a supply is intra-State or inter-State.

- In other SGST of Supply CGST IGST words, these two factors are required to determine whether a supply is subject to SGST/UTGST plus CGST in a given State/ Union territory or else would attract IGST if it is an inter-State supply.

- If an inter State transaction is wrongly treated as intra-State or vice versa and tax paid accordingly, the correct tax will need to be paid and refund claimed for tax wrongly paid. Though no interest is levied in such a case procedural requirements increase and working capital gets blocked where the amount involved is huge.

- Hence, determining correct place of supply is of paramount importance

- Chapter V of the IGST Act [Sections 10 to 13] prescribes the provisions relating to place of supply of goods and services in cross border transactions as well as domestic transactions

- Goods being tangible do not pose any significant problems for determination of their place of consumption. Services being intangible pose problems w.r.t determination of place of supply mainly due to following factors:

(a) location of service provider;

(b) location of service receiver;

(c) place where the activity takes place/ place of performance;

(d) place where the service is consumed; and

(e) place/person to which/whom actual benefit flows

Sec.10 to 13 of IGST Act Place of Supply

- **Supply involving movement of goods [Section 10(1))]**

In case of supply involving movement of goods, the place of supply is the location of the goods at the time when the movement of goods terminates (ends) for delivery to the recipient.

The location of the goods is a question of fact to be ascertained by observing the journey that the goods supplied make from their origin from supplier to termination with the recipient. This movement, however, can be undertaken by the supplier or recipient or even any other person after having disclosed the destination of the movement of goods.

It is important to understand that this provision does not apply in cases where there is no movement of goods. Also, the provision does not link itself to transfer of property in goods but to the movement of the goods.

Example:

Mr. A of Nasik Maharashtra sells 10 refrigerators to Mr. B of Pune, Maharashtra for delivery at Mc B's place of business in Pune. The place of supply is Pune in Maharashtra.

Mr. A of Nasik, Maharashtra sells 20 refrigerators to Mr. of Ahmedabad, Gujarat for delivery at Mr. C's place of business in Ahmedabad. The place of supply is Ahmedabad.

- **Supply involving movement of goods delivered to recipient on the destruction of third person - Bill to Ship to Sale Section 10(1)(6)**

Clause (b) of section 10(1) lays down the provisions to determine the place of supply in cases where there is a tripartite arrangement of supply, commonly known as bill to ship to transactions or where there is a sale of goods in transit by the original buyer/ agents.

As per section 10(1)(b),the goods are delivered to a recipient or any other person by the supplier on the instructions of the buyer (third person), who may be acting as an agent or on his own account before or during movement of goods (but not after the movement terminates) whether or not there is a transfer of documents of title to the goods it is deemed that the third person has received the goods and the place of supply is the principal place of business of such third person

In simple words, where goods are delivered by the supplier to the recipient at the instruction of a third person, the place of supply is the principal place of business of such third person and not of the actual recipient. It is important to identify the two supplies involved in this transaction by supplier to third person and by third person ta recipient. This provision deals only with the first limb of supply i.e., supply by supplier to third person

Even though section 2(93) of CGST Act defines recipient inter alia, as the payer of the consideration; in this provision, recipient is the one who actually collects the goods and the third person is the one who enjoys privity with the supplier to be able to direct him to deliver the goods.

Example:

Mr. X (a supplier registered in Uttar Pradesh having principal place of business at Noida) asks Mr. Y of Ahmedabad, Gujarat to deliver 50 washing machines to his buyer Mr. Z at Jaipur, Rajasthan. In this case, two supplies are involved, one between Mr. X and Mr. Z and other between Mr. Y and Mr. X

While the former supply is covered under clause (a) of section 10(1), the latter one i.e, between Mr. Y and Mr. X is covered under clause (b) of section 10(1), Accordingly, in this case, the place of supply of goods is not the location of delivery of such goods (Jaipur) but the principal place of business of third person i.e. principal place of business of Mr. X located at Noida

- Supply not involving movement of goods [Section 10(1)]

If the supply does not involve movement of goods, the place of supply is the location of goods at the time of delivery to the recipient.

Mr. A (New Delhi) has leased his machine (cost 8,00,000) to example Mr.B (Noida, Uttar Pradesh) for production of goods on a monthly rent of 40,000. After 14 months Mr. B requested Mr. A to sell the machine to him for 4,00,000, which is agreed to by Mr. A. In this case, there will be no movement of goods and the same will be sold on as is where is basis.

Thus, the location of the machine at the time of such sale will be the place of supply i.e., Noida.

Sec.10 to 13 of IGST Act Place of Supply

- **Supply involving installation or assembly of goods [Section 10(1)(d)]**

If the supply involves goods which are to be installed or assembled at site, the place of supply is the place of such installation or assembly.

Example:
Mr. A (New Delhi) purchases machine from Mr. B (New Delhi for being installed in his factory at Noida, Uttar Pradesh. The place of supply is the site example at which the machine is installed i.e., Noida.

Pure Refineries (Mumbai, Maharashtra) gives a contract to PQ Ltd. (Ranchi, Jharkhand) to assemble a power plant in its Kutch, Gujarat refinery. The place of supply is the site of assembly of power plant in., Kutch even though pure refineries is located in Maharashtra.

- **Goods supplied on board a conveyance [section 10(1)(e)]**

When goods are sold during a journey on board a conveyance, it becomes difficult to determine the place of supply of goods - whether it is the location from where the journey originates or whether it is the destination or whether it is any of the locations covered by the conveyance during the journey.

Example:
Goods sold on board a conveyance can be books and miscellaneous items sold by the hawkers in train etc. Section 10(1)(e) lays down that place of supply of goods supplied on a board a conveyance like aircraft train, vessel, motor vehicle is the location where such goods have been taken on board.

Place of supply of goods supplied on board a conveyance is determined under this provision even if the supply has been made bank of the passenger on board the conveyance and not by the carrier of the conveyance.

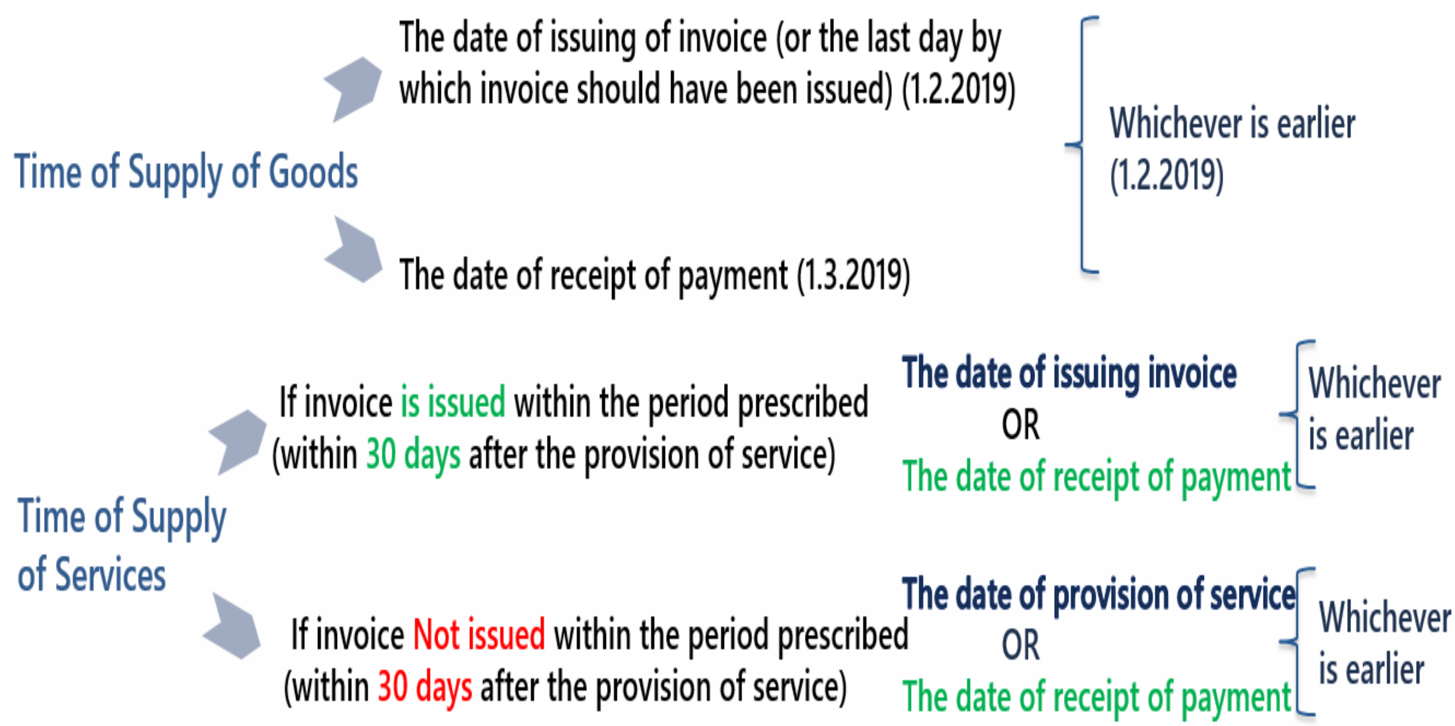
Example:
Mr. X (New Delhi) boards the New Delhi-Kota train at New Delhi example He sells the goods taken on board by him (at New Delhi), in the train, at Jaipur during the journey. The place of supply of goods is the location at which the goods are taken on board ie, New Delhi and not Jaipur where they have been sold.

Sec. 12 Time of Supply [CSGT]

GST is payable on supply of goods or services. A supply consists of elements that can be separated in time, like purchase order / agreement, despatch (of goods), delivery (of goods) or provision or performance of service, entry in the records, payment, and entry of the payment in the records or deposit in the bank.

So, at which of these points of time does GST become payable? Does it become payable when an agreement to supply goods or services is made, or when the goods are shipped or the services are provided, or when the invoice is issued or when payment is made? What if the goods are shipped over a period of time? What if the service is provided over a period of time? Provisions relating to time of supply provide answer to all such and other questions that arise on the timing of the liability to pay CGST and SGST/UTGST (intra-State supply) and IGST (inter-State supply) as time of supply fixes the point in time when the liability to pay tax arises.

The CGST Act provides separate provisions for time of supply for goods and services vide sections 12 and 13 of CGST Act. Section 14 provides for the method of determining the time of supply in case there is a change in the rate of tax on supply of goods or services.



Sec. 12 Time of Supply [CSGT]

Let us understand this using an example:

1. Mr. A provides services worth Rs. 20000 to Mr. B on 1st January.
2. The invoice was issued on 20th January and the payment for the same was received on 1st February.

In the present case, we need to 1st check if the invoice was issued within the prescribed time.

The prescribed time is 30 days from the date of supply i.e. 31st January.
The invoice was issued on 20th January.
This means that the invoice was issued within a prescribed time limit.

The time of supply will be earliest of –
1. Date of issue of invoice = 20th January
2. Date of payment = 1st February

This means that the time of supply of services will be 20th January.

Continuous Supply of Services:

"Continuous supply of services" means a supply of services which is provided, or Agreed to be provided, continuously or on recurrent basis, under a contract, for a period exceeding three months with periodic payment obligations and includes a supply notified as being a continuous supply of services.

Where the due date of payment is ascertainable from the contract,
The invoice must be issued on or before the due date of payment;

Where the due date of payment is not ascertainable from the contract,
The invoice must be issued before or at the time when supplier of service receives payment;

Where the payment is linked to the completion of an event, the invoice should be issued on or before the date of completion of that event.

Sec. 15 Value of Supply [CSGT]

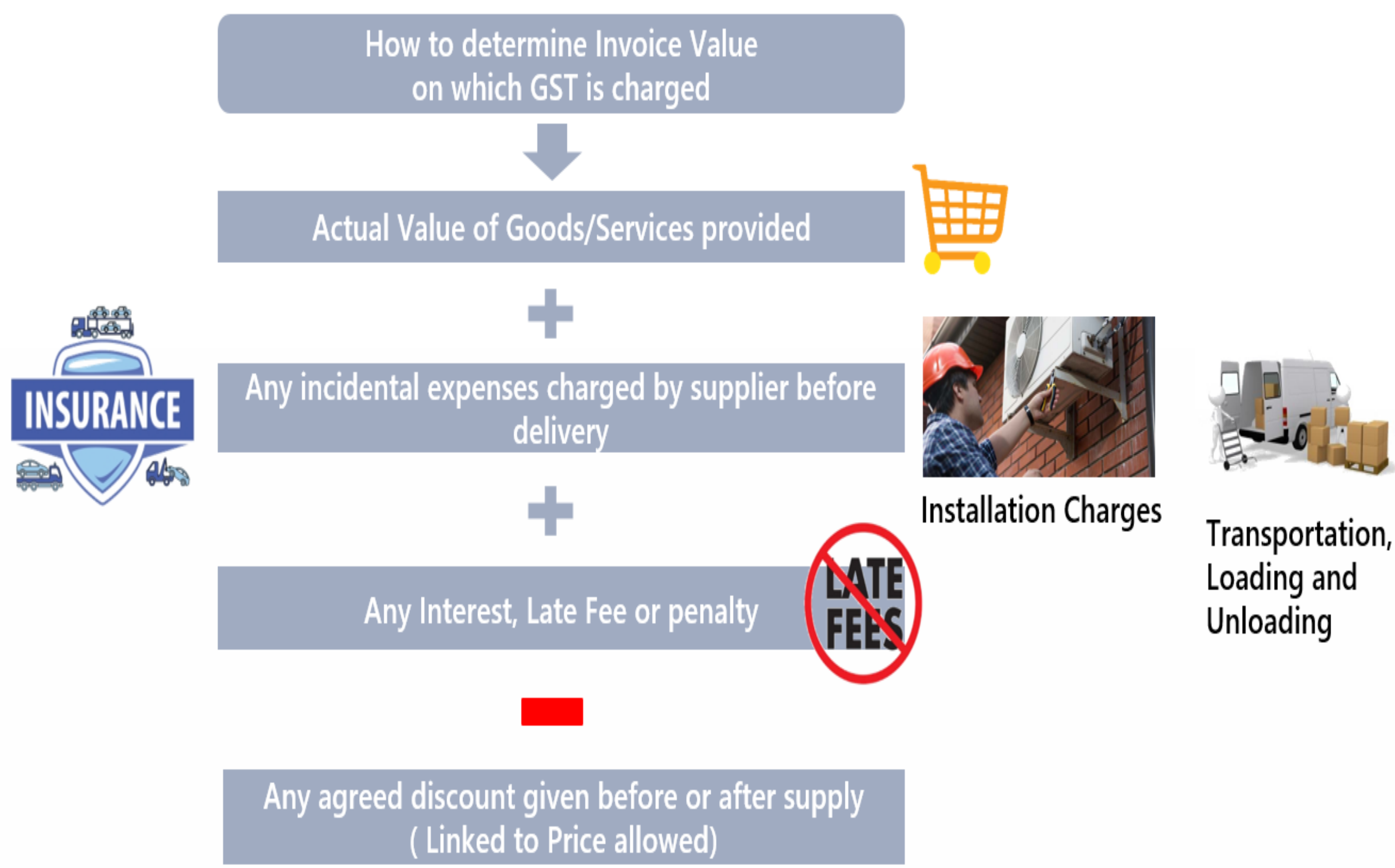
Every fiscal statue makes provision for the determination of value as tax which is normally payable on ad valorem basis. In GST also, tax is payable on ad valorem basis ie, percentage of value of the supply of goods or services.

Thus, it becomes important to know how to arrive at the value on which tax is to be paid. Provisions relating to value of supply' set out the mechanism to compute such value basis which CGST and SGST/UTGST (intra-State supply) and IGST (inter State supply) should be paid.

Section 15 of the CGST Act Supplemented with the Chapter IV: Determination of Value of Supply of CGST Rules prescribes the provisions for determining the value of supply of goods and services made in different circumstances and to different persons.

Section 15 of the CGST Act provides common provisions for determining the value of supply of goods and services. It provides the mechanism for determining the value of a supply which is made between unrelated persons and when price and only the price is the sole consideration for the supply.

In most of the cases of regular normal trade, the invoice value is the taxable value. However, when value cannot be determined under section 15 and for certain specific transactions, the value is determined using Chapter IV: Determination of Value of Supply of CGST Rules.



Sec. 15 Value of Supply [CSGT]

<u>Let's understand with the help of example:</u>

Value of goods Rs. 50,000
Transportation Charges Rs.500 (charged by supplier)
Transport Insurance Rs. 1000
Installation charges Rs. 1500

Discount at the time of supply – Rs.500

Discount after supply (which was not agreed – rs.1000)

Find the value of supply as per valuation rules?

Particulars	Amount
Value of Goods	50,000
Transport Charges	500
Transport Insurance	1000
Installation charges	1500
Discount	(500)
Value of Supply Add CGST @ 9% Add SGST @ 9 % Total Invoice Value	52,500 4725 4725 61,950

Hence Amount payable

Particulars	Amount
Invoice Value	61950
Less Discount **Final amount Payable**	(1000) **60,950**

The end…

Input tax credit

Sec.16 Input Tax Credit

In earlier indirect tax regime, the credit mechanism for indirect taxes levied by the Union Government, (central excise duty and service tax) was governed by the CENVAT Credit Rules, 2004; and the credit mechanism for state-level VAT on sale of goods was governed by the States under their respective VAT laws. The VAT legislations allowed ITC of VAT on inputs and capital goods in transactions within the state, but not on inputs and capital goods coming in the State from outside the state, on which central sales tax was paid. CENVAT Credit Rules, 2004 allowed availing and utilization of credit of duty/tax paid on both goods (capital goods and inputs) and services by the manufacturers and the service providers across the country.

The credit across goods and services was integrated vide the CENVAT Credit Rules, 2004 in the year 2004 to mitigate the cascading effects of central levies namely central excise duty and service tax. However, the credit chain remained fragmented on account of State-Level VAT as the credit of central taxes could not be set off against a State levy and vice versa. The chain further got distorted as ITC was not available on inter-State purchases. This resulted in cascading of taxes leading to increase in costs of goods and services. The GST regime promises seamless credit on goods and services across the entire supply chain with some exceptions like supplies charged to tax under composition scheme and supply of exempted goods and/or services. ITC is considered to be the lifeline of the GST regime. In fact, it is the provisions of ITC which essentially make GST a value added tax i.e, collection of tax at all points of supply chain after allowing credit of tax paid at earlier points.

Chapter V of the CGST Act (Sections 16 to 21] & Chapter V: Input Tax Credit of the CGST Rules (Rules 36-45] prescribe the provisions relating to ITC. Further, section 49 and rule 88A prescribe the provisions relating to the manner of utilization of ITC. State GST laws alse prescribe identical provisions in relation to HTC. First the statutory provisions of these sections together with the relevant rules have been extracted followed by their analysis.

Sec.16 Input Tax Credit

Criteria for availment of ITC

1. Person should be registered person to take ITC
2. Goods or services are user/indented to be in the course or furtherance of business.
3. Tax invoice /debit note or other taxpaying documents is in possession.
4. Should have received the goods or service or both.
5. Should have furnished the periodical returns.
6. Payment should be made within 6 months (or else reversal of ITC)
7. Goods sent on Job work ITC can be claimed (goods must be received back within 1 year)

ITC MODEL

Outward Supplies for month

Particulars	Amount
Value of Supply	10,00,000
Add 9 % CGST	90,000
Add 9 % SGST	90,000
Total	11,80,000

Inward Supplies for month

Particulars	Goods	Capital Goods	Expenses
Inward Supply	5,00,000	2,00,000*	1,00,000*
9 % CGST	45,000	18,000	9,000
9% SGST	45,000	18,000	9,000
Total Total GST Paid	5,90,000 90,000	2,36,000 36,000	1,18,000 18,000

Tax payable for the month

Particulars	Amount
Outward Supplies	1,80,000 (90,000 + 90,000)
Inward Supplies :-	
Goods	(90,000)
Capital Goods	(36,000)
Expenses Total ITC Net Tax Payable	(18,000) (90,000+36,000+18,000)- 1,44,000 36,000 (1,80,000 – 1,44,000)

Sec. 17(5) Block Credit (ITC)

Sr No.	Goods & Services on which Credit is blocked	Exceptions to goods & Services (Credit allowed)
1.	Motor Vehicles for Transportation of persons with seating capacity <13 persons (including the driver)	• Making further taxable supply of such motor vehicles • Making Taxable supply of Transportation of passengers • Making taxable for imparting, training on driving such motor vehicles. • Motor vehicles used for transportation of goods, dumpers, trippers etc.
2.	General Insurance, Servicing, Repairs & Maintenance relating to Above INELIGIBLE Motor Vehicles	• Manufacture of Ineligible Motor vehicles • Supplier of General Insurance Services in respect of Ineligible motor vehicles
3.	Leasing, Renting or hiring of motor vehicles	• Such Services when used for making an outward taxable supply • Such Services when provided by an employer to employee under a statutory obligation

Examples related to motor vehicles :

- ITC on cars purchased by a manufacturing company for official use of its employees is blocked.
- ITC on cars purchased by a car dealer for sale to customers is allowed.
- ITC on cars purchased by a company engaged in renting out cars for transportation of passengers, is allowed.
- ITC on cars purchased by a car driving school is allowed.
- ITC on buses (seating capacity for 24 persons) purchased by a company for transportation of its employees from their residence to office and back, is allowed.
- ITC on trucks purchased by a company for transportation of its finished goods is allowed.
- ITC on aircraft purchased by a manufacturing company for official use of its CEO is blocked.
- ITC on general insurance taken on a car used by employees of a manufacturing company for official purposes, is blocked.

Sec. 17(5) Block Credit (ITC)

- ITC on maintenance & repair services availed by a company for a truck used for transporting its finished goods, is allowed.
- ITC on general insurance services taken on cars manufactured by a car manufacturing company is allowed.

Sr No.	Goods & Services on which Credit is blocked	Exceptions to goods & Services (Credit allowed)
4.	Food & beverages, Outdoor catering, Beauty treatment, Health services Cosmetic & plastic surgery Life insurance & health insurance	• Such Services when used for making an outward taxable supply • Such Services when provided by an employer to employee under a statutory obligation
5.	Membership of a club, health and fitness center	• Such Services when provided by an employer to employee under a statutory obligation
6.	Travel benefits extended to employees on vacation such as leave or home travel concession	• Such Services when provided by an employer to employee under a statutory obligation

Examples related to employee benefits:

- Manufacturing company purchases food items for being served to its customers, free of cost. ITC on such goods is blocked.
- AB & Co., a caterer of Amritsar, has been awarded a contract for catering in a marriage to be held at Ludhiana. The firm has given the contract for supply of snacks, to be served in the marriage, to CD & Sons, a local caterer of Ludhiana. ITC on such outdoor catering services availed by AB & Co., is allowed.
- ITC on outdoor catering services availed by a garment exporter for a marketing event organized for its prospective customers, is blocked.
- Outdoor catering service is availed by a company to run a free canteen in its factory. The Factories Act, 1948 requires the company to set up a canteen in its factory. ITC on such outdoor catering is allowed.

Sec. 17(5) Block Credit (ITC)

- The Managing Director of a company has taken membership of a club, the fees for which is paid by the company. ITC on such service is blocked.
- A company avails services of a travel agency for organizing a free vacation for its top performing employees. ITC on such services is blocked.

Sr No.	Goods & Services on which Credit is blocked	Exceptions to goods & Services (Credit allowed)
7.	Works contract services for construction of immovable property	• It is an input service for further supply of works contract service • Immovable property is plant and machinery
8.	Free samples, gifts, goods lost/stolen etc	• ITC reversal when return of time expired medicines/drugs are treated as fresh supply – ITC is allowed
9.	No ITC if depreciation is claimed on tax component of capital Goods	

Particulars	Case I	Case II
Capital Goods	1,00,000	1,00,000
Add : GST @ 18%	18,000	18,000
Total	1,18,000	1,18,000
Depreciation Charged on	1,18,000	1,00,000
	ITC ✗	ITC ✓

Sec. 17(5) Block Credit (ITC)

Summary of ITC with block credit:

Outward Supplies for month

Particulars	Amount
Value of Supply	10,00,000
Add 9 % CGST	90,000
Add 9 % SGST	90,000
Total	11,80,000

Inward Supplies for month

Particulars	Goods	Capital Goods	Expenses
Inward Supply	5,00,000	2,00,000*	1,00,000*
9 % CGST	45,000	18,000	9,000
9% SGST	45,000	18,000	9,000
Total Total GST Paid	5,90,000 90,000	2,36,000 36,000	1,18,000 18,000

It was found capital goods included motor car was purchased of Rs.1 00,000* – GST 18,000(1,00,000 * 18/100) & Expenses Included food expenses for employee of Rs. 50,000*- GST 9,000 (50,000 *18/100)

Particulars	Amount
Outward Supplies	1,80,000
Inward Supplies :-	
Goods	(90,000)
Capital Goods	36,000-18,000 = (18000)
Expenses Eligible ITC Net Tax Payable	18,000-9000 = (9000) (90,000 + 18000 + 9000) – 1,17,000 63,000 (1,80,000-1,17,000)

Sec. 20 Input Service Distributor (ISD)

- Companies may have their Head Office at one place and units at other places which may be registered separately. The Head Office would be procuring certain services which would be for common utilization of all units across the country. The bills for such expenses would be raised on the Head Office but the Head Office itself would not be providing any output supply so as to utilize the credit which gets accumulated on account of such input services.

- ISD is an office of a business which receives tax invoices for input services and distributes available ITC to other branch offices of the same business.

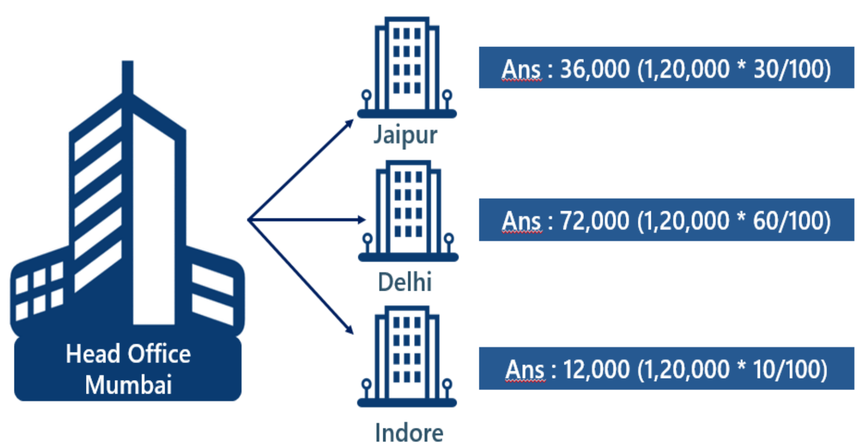
- Since the common expenditure is meant for the business of all units, it is but natural that the credit of input services in respect of such common invoices should be apportioned between all the consuming units ISD mechanism enables proportionate distribution of credit of input services amongst all the consuming units. The concept of ISD under GST is a legacy carried over from the service tax regime.

- Thus, the concept of ISD is a facility made available to business having a large share of common expenditure and where billing/payment is done from a centralized location. The mechanism is meant to simplify the credit taking process for entities and the facility is meant to strengthen the seamless flow of credit under GST.

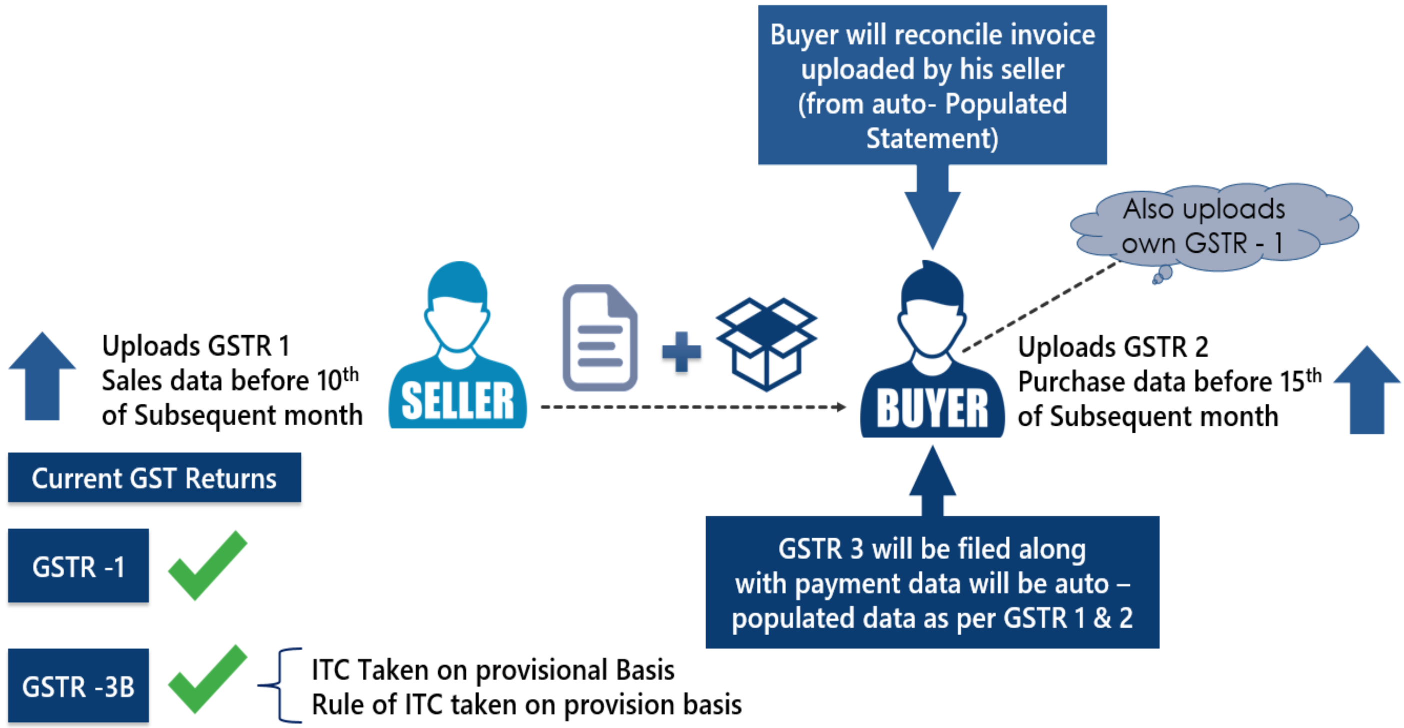
- It is important to note that the ISD mechanism is meant only for distributing the credit on common invoices pertaining to INPUT SERVICES and not goods (inputs or capital goods).

Example:

ITC of HO Rs. 1,20,000
Turnover of Branches as follows:
Jaipur - 30,00,000
Delhi - 60,00,000
Indore – 10,00,000



Provisional ITC



The end…

GST Registration

HSN Code & SAC

The HSN system is used by more than 200 countries and economies for reasons such as:

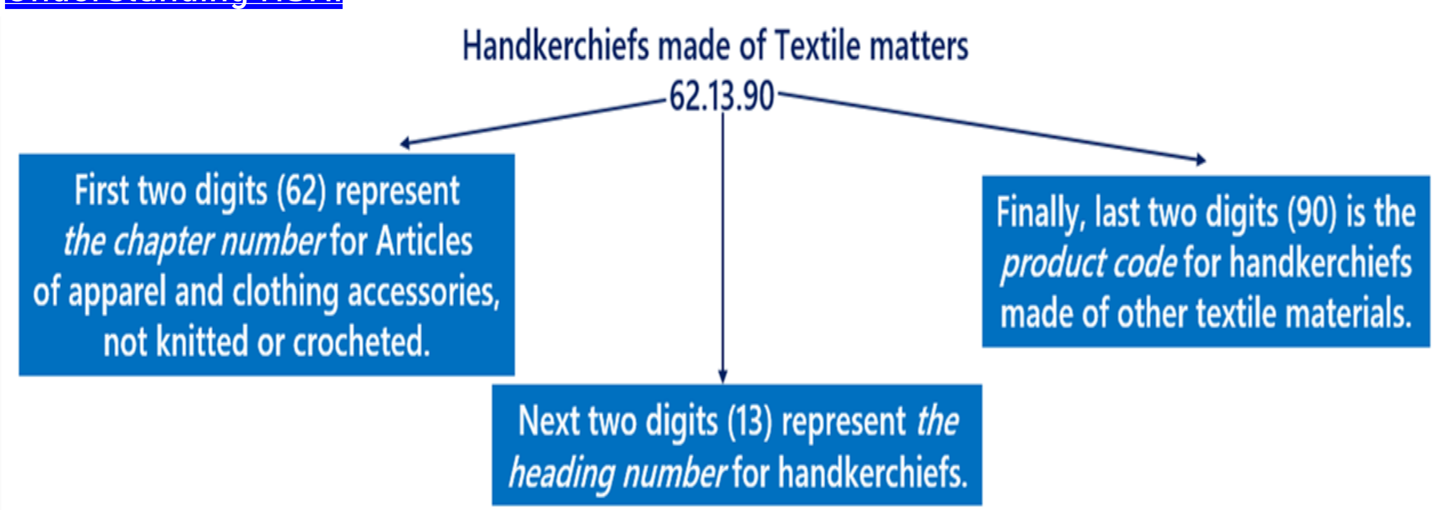
- Uniform classification
- Base for their Customs tariffs
- Collection of international trade statistics

Over 98% of the merchandise in international trade is classified in terms of the HSN.

Harmonized System of Nomenclature number for each commodity is accepted by most of the countries. The HSN number remains same for almost all goods. However, HSN number used in some of the countries varies little, based on the nature of goods classified.

India is a member of World Customs Organization (WCO) since 1971.
It was originally using 6-digit HSN codes to classify commodities for Customs and Central Excise.
Later Customs and Central Excise added two more digits to make the codes more precise, resulting in an 8 digit classification.

Understanding HSN:



India has 2 more digits for a deeper classification:

If the handkerchiefs are made from a man-made fiber,
Then the HSN code is 62.13.90.10.
If the handkerchiefs are made from silk or waste from silk.
Then the HSN code is 62.13.90.90.

HSN Code & SAC

HSN in GST

HSN codes to be declared:

- These HSN codes must be declared in every tax invoice issued by the taxpayer under GST.
- The turnover for previous year will be considered as a basis to find out number of HSN digits to be used.

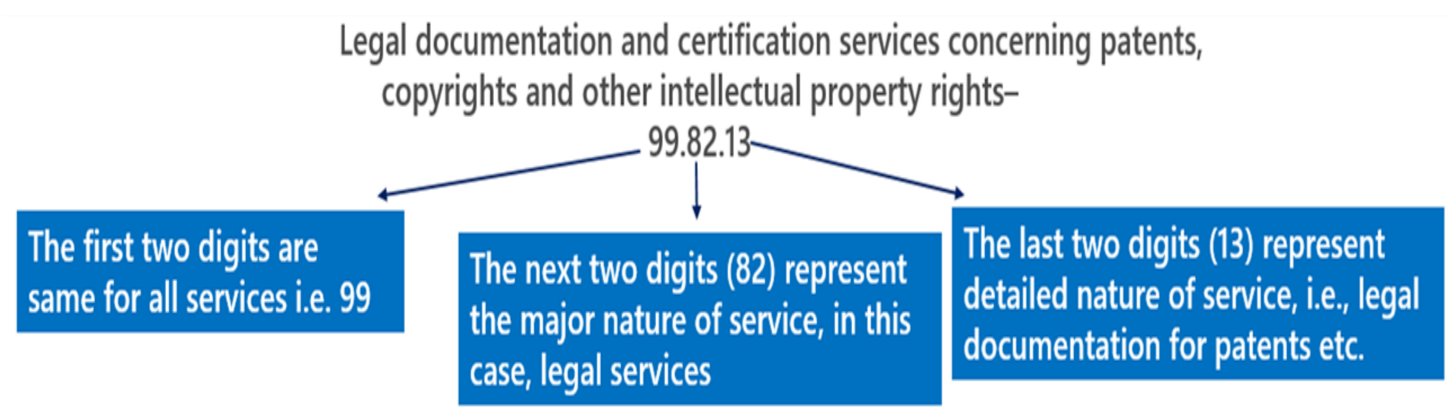
All 8 digits of HSN code is mandatory in case of export and imports under the GST.

The purpose of HSN codes is to make GST systematic and globally accepted.
HSN codes will remove the need to upload the detailed description of the goods.
This will save time and make filing easier since GST returns are automated.
A dealer or a service provider must provide HSN/SAC wise summary of sales in his GSTR-1 if his turnover falls in below slabs:

- The purpose of HSN codes is to make GST systematic and globally accepted.
- HSN codes will remove the need to upload the detailed description of the goods.
- This will save time and make filing easier since GST returns are automated.
- A dealer or a service provider must provide HSN/SAC wise summary of sales in his GSTR-1 if his turnover falls in below slabs

Turnover	No. of digits of HSN to be declared
Upto 1.5 crore	0
1.5 crore- 5 crore	2
More than 5 crore	4

Like goods, services are also classified uniformly for recognition, measurement and taxation. Codes for services are called Services Accounting Code or SAC.



Registration

Under any taxation law, registration is the most fundamental requirement for identification of tax payers ensuring tax compliance in the economy. It is the first step towards becoming GST complaint. Under indirect tax regime, without registration, a person can neither collect tax from his customers nor claim any credit of tax paid by him. Registration legally recognizes a person as supplier of goods or services or both and legally authorizes him to collect taxes from his customers and pass on the credit of the taxes paid on the goods or services supplied to the purchasers/recipients. He can claim the input tax credit of taxes paid and can utilize the same for payment of taxes due on supply of goods or services, Registration ensures the seamless flow of input tax credit from suppliers to recipients at the national level.

Under GST law, a supplier is required to obtain State-wise registration. There no concept of a centralized registration under GST like the erstwhile service tax regime. A supplier has to obtain registration in every State/UT from where he makes a taxable supply provided his aggregate turnover exceeds a specified threshold limit. Thus, he is not required to obtain registration from a State/UT from where he makes a non-taxable supply.

Since registration in GST is PAN based, once a supplier is liable to register, he has to obtain registration in each of the States/UTs in which he operates unde the same PAN. Further, he is normally required to obtain single registration in a State/UT. However, where he has multiple places of business in a State/UT, he has the option either to get a single registration for said State/UT (wherein it can declare one place as principal place of business.

(PPOB) and other branches as additional place(s) of business (APOB) or to get separate registrations for each place of business in such State/UT.

Registration under GST is not tax specific, which means that there is single registration for all the taxes i.e. CGST, SGST/UTGST, IGST and GST compensation cess.

Registration

Sec. 22 Persons Liable for registration

Every Supplier of goods & services or both is required to obtain registration
In the State or the union territory from where he makes the taxable supply
If his aggregate turnover exceeds specified threshold limit in a F.Y.

Applicable Threshold limit

Normal Category States

Aggregate T/O in a FY
Exceed Rs. 40 Lakh

Special Category States

Aggregate T/O in a FY
Exceed Rs. 20 Lakh

1. Arunachal Pradesh
2. Assam
3. Jammu & Kashmir
4. Manipur
5. Meghalaya
6. Mizoram
7. Nagaland
8. Sikkim
9. Tripura
10. Himachal Pradesh
11. Uttarakhand

If a person with POB in different across India has one branch in a special category State, the threshold limit for GST Registration will be reduced to Rs. 10/20 Lakh.

Registration threshold limits as per State/UT

State / UT	Exclusively in Supply of Goods	In Supply of both Goods & Services
Manipur	10 Lakh	10 Lakh
Mizoram	10 Lakh	10 Lakh
Nagaland	10 Lakh	10 Lakh
Tripura	10 Lakh	10 Lakh
Puducherry	20 Lakh	20 Lakh
Telegana	20 Lakh	20 Lakh
Arunachal Pradesh	20 Lakh	20 Lakh
Meghalaya	20 Lakh	20 Lakh
Sikkim	20 Lakh	20 Lakh
Uttarakhand	20 Lakh	20 Lakh
Others	40 Lakh	20 Lakh

Registration

Sec. 23 Persons not liable for GST Registration

(1) Person engaged exclusively in the business of supplying goods and /or services not liable to tax/wholly exempt from tax

(2) An agriculturist, to the extent of supply of produce out of cultivation of land

(3) Persons making only reverse charge supplies

(4) Persons making inter-State taxable supplies of notified handicraft goods up to Rs. 20,00,000(a person making inter-State supplies of goods is liable to be registered compulsorily under GST irrespective of the threshold limit)

Sec. 24 Persons not liable for GST Registration

(1) Persons making any inter-State taxable supply. (Exceeds threshold limit)
(2) Casual taxable persons (CTP) making taxable supply.
(3) Non-resident taxable persons (NRTP) making taxable supply.
(4) E-commerce Operator ECO.
(5) Persons who make taxable supply of goods or services or both on behalf of other taxable persons whether as an agent or otherwise.
(6) Input Service Distributor, whether or not separately registered under this Act.
(7) Persons who are required to pay tax under reverse charge under section 9(5) and
(8) Such other person or class of persons as may be notified by the Government on the recommendations of the Council.

Sec. 25 Process Registration

Where and by when to apply for registration ?

Particulars	Where	When
Person who is liable to be registered under sec. 22 or sec. 24	In Every such state/UT In which he is so liable	Within 30 days from date on which becomes liable for registration
A CTP or NRTP	Same above	At least 5 days prior to the commencement of business

If Registration applied with in 30 days
Effective date of registration –From the date when become liable for registration

If Registration not applied with in 30 days
Effective date of registration –
From the date of grant of registration

If Registration not applied with in 30 days
ITC on closing stock will not be available

Voluntary registration Section 25(3)
Person who is liable to not be registered under sec. 22 or sec. 24 may get himself registered voluntarily
i.e turnover below 10/20/40 lakhs

Registration

Documents Required:

Document	Individual/HUF	Firm/LLP/Companies
Pan Card	Yes	Yes
Aadhar Card	Yes	Not Applicable
Business Incorporation	Not Applicable	Deed/ Registration Certificate
Authorized persons	Proprietor KYC*	All Partners/Directors KYC*
Authorized signatory	Not Applicable	Letter of authorization /board resolution for authorized signatory
Place of Business (POB)	Rent agreement & Latest Utility Bill	Rent agreement & Latest Utility Bill
If POB residential address	Utility Bill & Consent Letter of owner	Utility Bill & Consent Letter of owner
Digital signature	Optional (EVC)	Mandatory

Other Common Requirement

1. List of Goods & Services
2. Email ID & Phone for communication purpose

*(KYC Pan card, Aadhar Card, Email & Phone No., Residential Address, Passport Size Photo)

Registration

Provision for Aadhaar Authentication Process in GST Registration :

Aadhaar Authentication process has been introduced, for the Persons applying for GST registration.

Under this, Individuals, Authorised signatory of all types of businesses, Managing and Authorised partners of a partnership firm and Karta of an Hindu undivided family, applying for new registration

Applicants, who, either do not provide Aadhar, while applying for or new registration or whose Aadhar authentication fails in validation

It would be subjected to site verification by the tax department. However, Tax authority based on the documents produced can grant registration.

New timelines for grant of registration:

AADHAAR

successful authentication of Aadhar, registration will be deemed approved within 03 working days

AADHAAR

If Aadhar authentication is not opted for or if authentication fails in validation and no SCN is issued within 21 days by tax official, registration will be deemed approved

Once registration application is submitted

an authentication link will be shared on GST registered mobile numbers and email ids mentioned in the GST application

On clicking the verification link, a window for Aadhar Authentication will open where they have enter Aadhar Number and the OTP received by them on the mobile number linked with Aadhar

Applicant can access the link again for authentication by navigating to *My saved applications > aadhaar authentication status > resend verification link*

Persons already registered on GST portal are not required to undergo Aadhar authentication at this stage

Persons who are not resident/citizen of India are exempted from the Aadhaar authentication process

Registration

GST Registration Process

Every person liable to get registered and person seeking voluntary registration shall, before applying for registration, declare his Permanent Account Number (PAN), mobile number, e- mail address, State/UT in Part A of FORM GST REG-01 on GST Common Portal.

PAN, mobile number & e-mail address are validated.

PAN validated online by Common Portal from CBDT database

Mobile number and email verified through one time password sent to it.

Temporary Reference Number (TRN) is generated and communicated to the applicant on the validated mobile number and e-mail address.

Using TRN, applicant shall electronically submit application in Part B of application form, along with specified documents at the Common Portal.

On receipt of such application, an acknowledgement in the prescribed form shall be issued to the applicant electronically. A **Causal Taxable Person (CTP)** applying for registration gets a TRN for making an advance deposit of tax in his electronic cash ledger and an acknowledgement is issued only after said deposit.*

Application shall be forwarded to the Proper Officer.

The procedure after receipt of application by the Proper Officer is depicted in Part II.

The end…

E-way Bill,
LUT Bond
& E- Invoicing

E-Way Bill

E-Way Bill is an Electronic Way bill for movement of goods to be generated on the E-Way Bill Portal. A GST registered person cannot transport goods in a vehicle whose value exceeds Rs. 50,000 (Single Invoice/ Bill/ Delivery Challan) without an e-way bill That is generated on ewaybillgst.gov.in. Alternatively, e-way bill can also be generated or cancelled through sms, android app and by site-to-site integration through api. When an e-way bill is generated, a unique e-way bill number (ebn) is allocated and is available to android app and is available to the supplier, recipient, and the transporter.

When Should E- Way Bill be issued

E- Way bill will be generated when there is a movement of goods in a vehicle/ conveyance of value more than Rs. 50,000 (either each Invoice or in aggregate of all invoices in a vehicle/conveyance) -

- In relation to a 'supply'
- For reasons other than a 'supply' (say a return)
- Due to inward 'supply' from an unregistered person

For this purpose, a supply may be either of the following:

- A supply made for a consideration (payment) in the course of business
- A supply made for a consideration (payment) which may not be in the course of business
- A supply without consideration (without payment)In simpler terms, the term 'supply' usually means a:

1. Sale – sale of goods and payment made
2. Transfer – branch transfers for instance
3. Barter/Exchange – where the payment is by goods instead of in money

Therefore, eWay Bills must be generated on the common portal for all these types of movements. For certain specified Goods, the eway bill needs to be generated mandatorily even if the value of the consignment of Goods is less than Rs. 50,000:

1. Inter-State movement of Goods by the Principal to the Job-worker by Principal/ registered Job-worker***,
2. Inter-State Transport of Handicraft goods by a dealer exempted from GST registration

Who should generate an E- Way Bill?

- Registered Person - Eway bill must be generated when there is a movement of goods of more than Rs 50,000 in value to or from a registered person. A Registered person or the transporter may choose to generate and carry eway bill even if the value of goods is less than Rs 50,000.
- Unregistered Persons - Unregistered persons are also required to generate e-Way Bill. However, where a supply is made by an unregistered person to a registered person, the receiver will have to ensure all the compliances are met as if they were the supplier.
- Transporter - Transporters carrying goods by road, air, rail, etc. also need to generate e-Way Bill if the supplier has not generated an e-Way Bill.

Cases when E-Way bill is not required

In the following cases it is not necessary to generate e-Way Bill:

1. The mode of transport is non-motor vehicle
2. Goods transported from Customs port, airport, air cargo complex or land customs station to Inland Container Depot (ICD) or Container Freight Station (CFS) for clearance by Customs.
3. Goods transported under Customs supervision or under customs seal
4. Goods transported under Customs Bond from ICD to Customs port or from one custom station to another.
5. Transit cargo transported to or from Nepal or Bhutan
6. Movement of goods caused by defence formation under Ministry of defence as a consignor or consignee
7. Empty Cargo containers are being transported
8. Consignor transporting goods to or from between place of business and a weighbridge for weighment at a distance of 20 kms, accompanied by a Delivery challan.
9. Goods being transported by rail where the Consignor of goods is the Central Government, State Governments or a local authority.
10. Goods specifed as exempt from E-Way bill requirements in the respective State/Union territory GST Rules.

    Note: Part B of e-Way Bill is not required to be filled where the distance between the consigner or consignee and the transporter is less than 50 Kms and transport is within the same state.

Validity of E- Way Bill

An e-way bill is valid for periods as listed below, which is based on the distance travelled by the goods. Validity is calculated from the date and time of generation of e-way bill-

Type of conveyance	Distance	Validity of EWB
Other than Over dimensional cargo	Less Than 100 Kms	1 Day
	For every additional 100 Kms or part thereof	Additional 1 Day
For Over dimensional cargo	Less Than 20 Kms	1 Day
	For every additional 20 Kms or part thereof	Additional 1 Day

Some Important FQA's About E-way Bill?

- What is the responsibility and liability for the transporter in E-Way bill system?

  Transporters carrying goods by road, air, rail, etc. also need to generate e Way Bill if the supplier has not generated an e Way bill due to any reason. Generate e way bill on basis of information shared by the suppliers/ consignors regarding the Invoice/challan. To know more refer to our article on 'Compliance on e-Way Bills by Transporter' If the transporter does not generate in the above circumstances when he is required to, he may face penalty of Rs 10,000 or tax sought to be evaded (wherever applicable) whichever is greater, further liable for confiscation of goods and seizure of vehicle.

- How many e-way bills are required to be generated to ship a consignment to a customer involving multiple transporters (having different Transporter IDs) in between? How will the one invoice-one e-way bill validation be complied here since end customer is only one?

  One e-Way bill needs to be generated against the Invoice. Above situation is known as "Transshipment". Transporter can also re-assign another transporter by updating transporter ID on the eway bill portal. Once transporter re-assigns another transporter, seller cannot make any changes to assigned transporter. So, the user has to generate different delivery challans against the invoice based on the different Transporter ID, because different e-way bills against a single invoice is not possible and will also cause the problem in populating the data in the GSTR-1.

- How is the criteria of "Value of Consignment of Goods" applied?

  Value of consignment of Goods" is interpreted as follows:
  1. Invoice Value* exceeds Rs. 50,000 OR
  2. If a vehicle carries goods against multiple Invoices, then where the aggregate Invoice value* exceed Rs. 50,000
  So, if either of above points is satisfied, the user should generate e-Way Bill.
  *Invoice Value means transaction value as per Invoice inclusive of all the taxes excluding the Value of exempt goods that are being carried along the taxable goods and billed together.

- Is e-Way bill required, if the value of shipment per customer per day exceeds Rs 50,000? How will we take multiple invoices under single e-way bill?

  Here, it depends whether the supplier himself is the transporter or not. If he is the transporter, then he is required to generate the e-way bill for all the invoices but if not, then the transporter will be required to generate the e-way bill against all the invoices in the Vehicle.

- For Selection of Sub Type in case of Outward Supply, What do terms "CKD/SKD" & "Line sales" mean?

  "CKD/SKD" means the movement of the goods in completely knocked down condition or Semi Knocked Down condition. For eg: Movement of Fan in different parts, which will be assembled later. "Line Sales" Vertical sales made from one unit / department/division of an organization to another unit/department/division next in production line within that Organization

Export Under GST

The motive of any developing economy's government is to expand its export base. The rationale for the same is to maintain the balance of payments, create job opportunities and boost economic growth.

By providing certain benefits and reliefs on exports, the government promotes the trade. The exporters can avail these benefits and reliefs and thus undertake a free-flowing and beneficial trade. On the same note, the government provides certain benefits under the GST regime to exporters.

There is no incidence of the tax (net effect) in a case where an exporter export goods/services from India.

Under GST regime, the exporter has either of the two options:

- Export under bond without payment of tax
- Export along with tax payment and claim refund later

Here we give an insight into the details about when to opt for LUT and when to opt for Bond. Not only this but also how to claim the refund of IGST paid on exports in simple steps.

Brief on refund of IGST paid on Exports

Under GST laws, the exporter has option to pay IGST on exports and then claim refund of the same. The process of claiming refund has been made easy for the export dealers. For export of goods or services or both, there is no need to file refund application (GST RFD-01) separately. The shipping bill filed by the exporter is a refund claim in itself.

The exporter charges IGST on the invoice for export at the applicable rate (rates specified for different goods and services). On payment of IGST, the refund can be claimed for the following two elements:

- Input tax credits on goods and services which remained unutilised;
- IGST paid on export of goods or services.

The law specifies that shipping bill is to be considered as a refund claim on satisfying following two conditions.

- The person carrying export goods should file an export manifest and
- The applicant should have filed the returns GSTR-3 or GSTR-3B appropriately. A refund is initiated on filing table 6A in Form GSTR-1.

On filing the above documents appropriately, the refund is processed by the department.

What is Letter of Undertaking (LUT) and Bonds?

Letter of Undertaking (LUT)

It is a type of bank guarantee, under which a bank allows its customer to raise money from another Indian bank's foreign branch as a short-term credit.

The purpose of such undertakings is to ensure that owner of the ship or aircraft would:

- employ security on the vehicle;
- enter an appearance acknowledge ownership;
- pay any final decree entered against the vehicle whether it is lost or not.

Bonds

It is a financial instrument in which the issuer of bond owes the holders a debt and is obliged to pay them interest or to repay the principal at a later date. It is a highly secured and highly liquid financial instrument which is mostly negotiable. This means that the ownership of the bond can be transferred. The most common types of bonds are municipal bonds and corporate bonds.

In case of furnishing bonds for exports, the general parlance is B-1 Surety / Security (General Bond) is furnished. These kinds of bonds have a surety (another person) who guarantees the performance on the part of the obligor (person furnishing the bond).

Who can use Letter of Undertaking (LUT) and Bonds for exports

Any registered taxpayer exporting goods or services can make use of LUTs. However, any person who has been prosecuted for tax evasion for an amount of Rs. 2.5 Crores or above under the act is not eligible to furnish LUTs.

The validity of such LUT's is for a period of one year (till the end of financial year). An exporter furnishing LUT's are required to furnish fresh LUT for each financial year. If the conditions mentioned in LUT are not satisfied within the time-limit, the privileges are revoked and the exporter will have to furnish bonds.

For all the other assesses (along with the ones who have been prosecuted for tax evasion of Rs. 2.5 Crores or above under the GST laws), bonds should be furnished if the export is being made without payment of IGST.

The Letter of undertakings can be furnished and submitted online through the GST portal (refer 7.0 for steps to furnish LUT's). At the same time, the bonds are required to be furnished manually as the hardcopy of the same has to be remitted to the department.

Example of transactions for which LUT/Bonds can be used:

- Zero-rated supply to SEZ without payment of IGST
- Export of goods to a country outside India without payment of IGST
- Providing services to a client in a country outside India without payment of IGST

E- Invoicing

The transportation of goods from one place to another is facilitated by the filing of 'E-Way Bills' on the common GST portal. Similarly, the GST Council, in its 35th meeting, has decided to implement a system of e-Invoicing, which will be applicable to specified categories of persons. The CBIC formally notified the system of e-Invoicing under GST vide Notification No. 68/2019 - Central Tax, which inserted sub-rules (4), (5) and (6) under rule 48 of the CGST Rules, 2017 for the implementation of e-Invoicing.

E-Invoicing does not imply the generation of invoice on GST portal. That would be a myth. Instead, e-Invoicing involves the submission of an already generated standard invoice on a common e-invoice portal. Thus it automates multi-purpose reporting with a one-time input of invoice details. The CBIC notified a set of common portals for the preparation of e-invoices via Notification No.69/2019 - Central Tax.

What is e-Invoicing under GST

'e-Invoicing' or 'electronic invoicing' is a system in which B2B invoices are authenticated electronically by GSTN for further use on the common GST portal. Under the electronic invoicing system, an identification number will be issued against every invoice by the Invoice Registration Portal (IRP) to be managed by the GST Network(GSTN). The first IRP was launched by the National Informatics Centre at einvoice1.gst.gov.in. All invoice information will be transferred from this portal to both the GST portal and e-way bill portal in real-time. Therefore, it will eliminate the need for manual data entry while filing GSTR-1 return as well as generation of part-A of the e-way bills, as the information is passed directly by the IRP to GST portal.

To whom is e-Invoicing applicable?

e-Invoicing has been made applicable from 1st October 2020 to all businesses whose aggregate turnover has exceeded Rs.500 crore limit in any of the preceding financial years from 2017-18 to 2019-20. Notification No.61/2020 - Central Tax prescribed the turnover limit for the implementation of e-Invoicing from 1st October 2020. Notification No.71/2020 - Central Tax prescribes the time period considered for determining eligibility under e-Invoicing.

Further, from 1st January 2021, e-Invoicing will be applicable to businesses exceeding the Rs.100 crore turnover limit in any of the financial years between 2017-18 to 2019-20, as intimated in Notification No.88/2020 - Central Tax.

However, irrespective of the turnover, e-Invoicing shall not be applicable to the following categories of registered persons for now, as notified in CBIC Notification No.13/2020 - Central Tax:

- An insurer or a banking company or a financial institution, including an NBFC
- A Goods Transport Agency (GTA)
- A registered person supplying passenger transportation services
- A registered person supplying services by way of admission to the exhibition of cinematographic films in multiplex services
- An SEZ unit (excluded via CBIC Notification No. 61/2020 - Central Tax)

Current system in place for issuing invoices

Currently, businesses generate invoices through various softwares, and the details of these invoices are manually uploaded in the GSTR-1 return. Once the GSTR-1 is filed by the respective suppliers, the invoice information is reflected in form GSTR-2A for the recipients for viewing only. On the other hand, the consignor or transporters must generate e-way bill by again importing the invoices in excel or JSON manually. Under the e-Invoicing system to be implemented from 1st October 2020, the process of generating and uploading invoice details will remain the same. It will be done by importing using the excel tool/JSON or via API integration, either directly or through a GST Suvidha Provider (GSP). The data will seamlessly flow to GSTR-1 preparation and for the e-way bill generation too. The e-Invoicing system will be the key tool to enable this.

Electronic invoicing benefit to businesses

Businesses will have the following benefits by using e-invoice initiated by GSTN:

1. E-invoice resolves and plugs a major gap in data reconciliation under GST to reduce mismatch errors.
2. E-invoices created on one software can be read by another, allowing interoperability and help reduce data entry errors.
3. Real-time tracking of invoices prepared by the supplier is enabled by e-invoice.
4. Backward integration and automation of the tax return filing process – the relevant details of the invoices would be auto-populated in the various returns, especially for generating the part-A of e-way bills.
5. Faster availability of genuine input tax credit.
6. Lesser possibility of audits/surveys by the tax authorities since the information they require is available at a transaction level.

GSTN's e-Invoicing initiative

GSTN had released the draft version of e-invoice format in an excel template and made it available for public feedback around 20 August 2019. The same was approved by the GST Council with some alterations at the 37th GST Council meeting held on 20 September 2019. GSTN associated with ICAI drafted the format to be compliant with the GST and other Indian tax laws. Apart from these, the format adheres to international and various industry standards. The e-invoice format looks exhaustive and a single format caters to different industries and businesses.

Any existing accounting or invoicing software/ application provider (SAP/Tally/Busy) must follow the PEPPOL standard for invoice generation. Taxpayers will, therefore, be able to generate a compliant invoice at the source. GSTN referred the PEPPOL (Pan European Public Procurement Online) standard, which works on Univeral Business Language (UBL) version of electronic XML.

Currently, PEPPOL is the most used standard across the globe. The system advocates diversified business applications and trading communities to exchange information along their supply chains using a common or a standard format. It enables a single point of data entry into electronic commerce for businesses. Thereafter, the data flows across different portals with the help of an IRP.

The GSTN's e-invoice contains the following parts:
(1) E-invoice schema: It consists of the technical field name, description of each field, whether it is mandatory or not, and has a few sample values along with explanatory notes.
(2) Masters: Masters will specify the set of inputs for certain fields, that are pre-defined by GSTN itself. It includes fields like UQC, State Code, invoice type, supply type, etc.
(3) E-invoice template: The template is as per the GST rules and enables the reader to correlate the terms used in other sheets. The mandatory fields are marked in green and optional fields are marked in yellow.

When will e-Invoicing get implemented?

The first phase of e-Invoicing was implemented from 1st October 2020 for taxpayers with an aggregate turnover exceeding Rs.500 crore. From 1st January 2021, e-Invoicing will be extended to businesses with an aggregate turnover exceeding Rs.100 crore. The government plans to bring all businesses under the scope of e-Invoicing from 1st April 2021. The aggregate turnover will include the turnover of all GSTINs under a single PAN, across India.

What is the process of getting an e-invoice?

The following are the stages involved in generating or raising an e-invoice.

1: The taxpayer has to ensure to use the reconfigured ERP system as per PEPPOL standard. He could coordinate with the software service provider to incorporate the standard set for e-Invoicing, i.e. e-invoice schema (standards) and must have the mandatory parameters notified by the CBIC, at least.

2: Any taxpayer has got primarily two options for IRN generation.
(1) The IP address of the computer system can be whitelisted on the e-invoice portal for a direct API integration or integration via GST Suvidha Provider (GSP).
(2) Download the Bulk generation tool to bulk upload the invoices. It will generate a JSON file which can be uploaded on the e-invoice portal to generate IRNs in bulk.

3: The taxpayer must thereafter raise a normal invoice on that software. He must give all the necessary details like, billing name and address, GSTN of the supplier, transaction value, Item rate, GST rate applicable, tax amount, etc.

4: Once either of the above options is chosen, raise the invoice on the respective ERP softwares or billing softwares. Thereafter, upload the details of invoice especially mandatory fields onto the IRP using the JSON file or via application service provider (app or through GSP) or through direct API. The IRP will act as the central registrar for e-Invoicing and its authentication. There are several other modes of interacting with IRP such as SMS-based and mobile app-based.

5: IRP will validate the key details of the B2B invoice, checks for any duplications and generates an invoice reference number (hash) for reference. There are four parameters based on which IRN is generated: Seller GSTIN, Invoice number, and FY in YYYY-YY) and document type (INV/DN/CN).

6: IRP generates the invoice reference number (IRN), digitally signs the invoice and creates a QR code in Output JSON for the supplier. On the other hand, the seller of the supply will get intimated of the e-invoice generation through email (if provided in the invoice).

7: IRP will send the authenticated payload to GST portal for GST returns. Additionally, details will be forwarded to the e-way bill portal, if applicable. The GSTR-1 of the seller gets auto-filled for the relevant tax period. In turn, it determines the tax liability.

A taxpayer can continue to print his invoice as being done presently with logo. e-Invoicing system only mandates all taxpayers to report invoices on IRP in electronic format.

How will e-Invoicing curb tax evasion?

It will help in curbing tax evasion in the following ways:

- Tax authorities will have access to transactions as they take place in real-time since the e-invoice will have to be compulsorily generated through the GST portal.
- There will be less scope for the manipulation of invoices since the invoice gets generated prior to carrying out a transaction.
- It will reduce the chances of fake GST invoices and the only genuine input tax credit can be claimed as all invoices need to be generated through the GST portal. Since the input credit can be matched with output tax details, it becomes easier for GSTN to track fake tax credit claims.

The end...

GST RETURNS

GSTR - 1

About GSTR-1

GSTR-1 is a monthly or quarterly return that should be filed by every registered dealer. It contains details of all outward supplies i.e sales.

The return has a total of 13 sections, listed down as follows:

- Tables 1, 2 & 3: GSTIN, legal and trade names, and aggregate turnover in the previous year
- Table 4: Taxable outward supplies to registered persons (including UIN-holders) excluding zero-rated supplies and deemed exports
- Table 5: Taxable outward inter-state supplies to unregistered persons where the invoice value is more than Rs.2.5 lakh
- Table 6: Zero-rated supplies as well as deemed exports
- Table 7: Taxable supplies to unregistered persons other than the supplies covered in table 5 (net of debit notes and credit notes)
- Table 8: Outward supplies that are nil rated, exempted and non-GST in nature
- Table 9: Amendments to outward supplies that are taxable and reported in table 4,5 & 6 of the earlier tax periods' GSTR-1 return (including debit notes, credit notes, refund vouchers issued during the current period)
- Table 10: Debit note and credit note issued to unregistered person
- Table 11: Details of advances received or adjusted in the current tax period or amendments of the information reported in the earlier tax period.
- Table 12: Outward supplies summary based on HSN codes
- Table 13: Documents issued during the period.

Due Date of GSTR-1

The due dates for GSTR-1 are based on your turnover.
Businesses with sales of up to Rs.1.5 crore have an option to file quarterly returns.
Other taxpayers with sales above Rs.1.5 crore must file the return every month.

For businesses with turnover	Month/Quarter	Due Date
More than Rs.1.5 crore	October 2020	11th November 2020
	November 2020	11th December 2020
	December 2020	11th January 2021
	January 2021	11th February 2021

	February 2021	11th March 2021
	March 2021	11th April 2021
Turnover up to Rs.1.5 crore	Oct-Dec 2020	13th January 2021*
	Jan-Mar 2021	13th April 2021*

*Prior to October 2020, quarterly GSTR-1 was due by the last date of the month following the relevant quarter up to September 2020.

Who should file GSTR-1?

Every registered person is required to file GSTR-1 irrespective of whether there are any transactions during the month or not. For nil GSTR-1 filers, there is a facility to file through an SMS that started from the 1st week of July 2020.

The following registered persons are exempt from filing the GSTR-1:

- Input Service Distributors
- Composition Dealers
- Suppliers of online information and database access or retrieval services (OIDAR), who have to pay tax themselves (as per Section 14 of the IGST Act)
- Non-resident taxable person
- Taxpayer liable to collect TCS
- Taxpayer liable to deduct TDS

How to revise GSTR-1?

A return once filed cannot be revised. Any mistake made in the return can be rectified in the GSTR-1 filed for the next period (month/quarter). It means that if a mistake is made in GSTR-1 of December 2020, rectification for the same can be made in the GSTR-1 of January 2021.

Late Fees and Penalty

As per the GST law, a late fee for not filing GSTR-1 is Rs. 200 per day of delay (Rs. 100 as per the CGST Act and Rs. 100 as per SGST Act). The late fee will be charged from the date after the due date.

However, as per the latest notifications, the late fees have been reduced to Rs. 50 per day and Rs 20 per day (for nil return).

GSTR – 2B

GSTR-2B is a new static month-wise auto-drafted statement for regular taxpayers introduced on the GST portal. The statement was launched from the tax period August 2020 and can be generated from 12th September 2020 onwards.

Introduction to GSTR-2B

GSTR-2B provides eligible and ineligible Input Tax Credit (ITC) for each month, similar to GSTR-2A but remains constant for a period.

GSTR2B is available to all the regular taxpayers. Every recipient can generate it on the basis of the GSTR-1, GSTR-5 and GSTR-6 furnished by their suppliers. The statement will clearly show document-wise details of ITC eligibility.

ITC information will be covered from the filing date of GSTR-1 for the preceding month (M-1) up to the filing date of GSTR-1 for the current month (M). For instance, GSTR-2B generated for July 2020 will contain documents filed by their suppliers from 12 a.m. on 12th July 2020 up to 11:59 p.m. on 11th August 2020. The statement for July 2020 will be generated on 12th August 2020.

Importance and benefits of GSTR 2B

The data in GSTR-2B is reported in a manner that allows taxpayers to conveniently reconcile ITC with their own books of accounts and records. It will help them in easier identification of documents to ensure the following:

- The input tax credit is not availed twice against a particular document.
- The tax credit is reversed as per the GST law in their GSTR-3B, wherever required.
- GST is correctly paid on a reverse charge basis for the applicable documents, including import of services.
- The statement indicates the respective tables or column of GSTR-3B under which the input tax credit of an invoice/debit note must be taken.

When GSTR-2B was made available?

GSTR-2B has been made available from August 2020 onwards. It can be generated by recipient taxpayers once a month on the 12th of the month next to the tax period. For instance, GSTR 2B for August 2020 can be accessed on 12th September 2020.

The timelines for the generation of GSTR-2B can be checked out on the government portal under the ‘View Advisory’ tab.

Steps to access GSTR-2B on the GST portal

The following are the steps to access GSTR 2B, mostly available from 12th August 2020:

Step 1: Log in to the GST portal. Taxpayer must use his/her credentials to login.

Step 2: Navigate to the 'Returns Dashboard'.

Step 3: Select the relevant tax period.

Select the month and year.

Step 4: Click on the 'GSTR-2B' tab.

Step 5: Click on the 'Download' button to save the statement on your system.

Contents and features of GSTR-2B

The input tax credit on purchases from any regular taxpayers and non-resident taxable persons will be available. Further, the input tax credit distributed by the input service distributor shall also be available.

The contents of GSTR-2B is as follows:

1. Summary statement showing ITC available and non-available for every section.
2. Advisory for every section that clarifies the kind of action that taxpayers must take.
3. Document-wise details such as invoices, credit notes, debit notes, etc. to view and download.
4. Cut-off dates and advisory for generating and using GSTR-2B.
5. Import of goods and import from SEZ units/developers (available from GSTR 2B of August 2020 onwards).

The input tax credit will marked as not available in the following two scenarios:

- Where the time limit to avail input tax credit on an invoice or debit note has expired under section 16(4) of the CGST Act (earlier of 30th September of the year following the financial year or date of filing annual returns).
- The state of the supplier and place of supply is the same, whereas the recipient is located in another state.

The notable features of GSTR-2B are as follows:

1. To view and download the summary statement as a PDF file.
2. Can obtain section-wise details or complete download of ITC instantly.
3. Availability of section-wise advisory.
4. Allows text search for all the generated records.
5. Option to view, filter and sort data, as required.
6. Hide/view the columns as per the user's convenience.
7. Where the file contains more than 1,000 records, options for a full download of GSTR-2B and the advanced search is available.
8. An email or an SMS will be sent to the taxpayer informing about the generation of GSTR 2B.

QRMP Scheme

Q 1: What is QRMP scheme? What are its benefit?

A: Quarterly Return, Monthly Payment of Taxes (QRMP) Scheme is a scheme to simplify compliance for small taxpayers. Under this scheme, taxpayers having an aggregate turnover at PAN level up to Rs. 5 crore can opt for quarterly GSTR-1 and GSTR-3B filing. Payment can be made in the first two months by a simple challan in FORM GST PMT-06. For the ease of taxpayers, system has assigned quarterly frequency to small taxpayers automatically.

Q 2: Why have I been assigned quarterly filing without opting for the same?

A: Taxpayers eligible for the simplified compliance scheme were assigned quarterly frequency by the GST system. All taxpayers were informed regarding the frequency assigned to them by e-mail and SMS.

Q 3: Why have I been assigned quarterly frequency by system even when my aggregate turnover on PAN is greater than Rs. 5 crore?

A: For the purpose of determining the eligibility for QRMP, the turnover was determined on the basis of the values declared by taxpayers in Table-3.1 of GSTR-3B (except inward supplies attracting reverse charge) for the Financial Year 2019-20. If a component of the turnover, like exempted or non-GST turnover, was not declared by a taxpayer in GSTR-3B or was declared in next financial year, then the turnover computed by the system for such taxpayers could be less than Rs. 5 crore. Such taxpayers may have been assigned to QRMP on the basis of values declared by them in GSTR-3B. Such taxpayers are advised to opt-out of scheme for quarter Apr-Jun'21 by 30th April 2021.

Q 4: Why have I been assigned monthly frequency by system even when my aggregate turnover on PAN is upto Rs. 5 crore?

A: At the time of assigning the frequency by the system, system considered the aggregate turnover of the taxpayer and the filing status of FORM GSTR-3B for the month of October 2020. If the said GSTR- 3B was not filed till 30th November 2020, the taxpayer were assigned to monthly frequency.
The system allows the taxpayer to opt for QRMP scheme only if the last applicable return in FORM GSTR-3B, whose due date is over, is filed.

Illustration:

If the taxpayer is trying to opt for QRMP Scheme on 25th Feb'21, from Quarter Apr-Jun'21 onwards then it will be allowed only if the return in form GSTR-3B is filed for the month Jan'21.

If the taxpayer is trying to opt for QRMP Scheme on 19th Feb'21, from Quarter Apr-Jun'21 onwards then it will be allowed only if the return in form GSTR-3B is filed for the month Dec'20.

Q 5: I want to opt-out of QRMP scheme and become monthly filer. Why the portal is not allowing me to do same for the quarter Jan-Mar, 2021?

A: The last date to choose or change the filing frequency for the quarter of January to March 2021 was 31st January, 2021. After 31st January 2021, the filing frequency cannot be changed for the quarter January to March 2021.
However, for the quarter of April to June 2021, taxpayers may change their filing frequency from quarterly to monthly from 1st February, 2021 to 30th April, 2021.
It may be noted that profile selection is not a recurring requirement every quarter. Once a frequency has been opted for, it is applicable for all future periods unless changed further.

Q 6: What is IFF? Is it another compliance requirement?

A: Invoice Furnishing Facility (IFF) is an optional facility made available as per Rule-59(2) of the CGST Rules, 2017. This is provided for those quarterly taxpayers who want to pass on input tax credit (ITC) to their recipients (buyers/customers) in first two months of a quarter. Since IFF is an optional facility, it poses no additional compliance burden. It is a facility for those quarterly filers who intend to pass ITC to their recipients in first two months of the quarter. It may be noted that since IFF is an optional facility, IFF for a month will expire after the due date of 13th of next month, and cannot be filed after this date.

Q 7: Is filing IFF mandatorily or optional?

A: Invoice Furnishing Facility (IFF) is an optional facility to those taxpayers who want to pass on input tax credit (ITC) to their recipients (buyers/customers) in first two months of a quarter. Those taxpayers who do not have to pass credit to their recipients need not file IFF in the first two months of the quarter. They may declare their outward supplies in the quarterly FORM GSTR-1. It may be noted that since IFF is an optional facility, IFF for a month will expire after the due date of 13th of next month, and cannot be filed after this date.

Q 8: How do I make payment of my liability in first two months of the quarter?

A: In first two months of the quarter, payment of liability can be made by either of the following two methods:

a. Fixed Sum Method: Portal will generate a pre-filled challan in Form GST PMT-06. The system generated pre-filled challan in this case is commonly also known as 35% challan.

b. Self-Assessment Method: The actual tax due is to be paid through challan, in Form GST PMT-06, by considering the tax liability on inward and outward supplies and the input tax credit available for the period as per law.

The due date for making payment by challan is 25th of the next month.

Q 9: What is fixed sum method of payment?

A: In fixed sum method, the taxpayer is required to pay a system generated challan in the first two months of a quarter. The system generated pre-filled challan in this case is commonly also known as 35% challan. If fixed sum method is opted for by the taxpayer & there is no ITC to be passed in that month, then except for paying system generated challan, no other compliance requirement is there in the first two months of the quarter

Q 10: How is the 35% challan computed under the fixed sum method?

A: Under the fixed sum method, depending on the filing frequency in the previous quarter, the 35% challan is calculated by either of the following methods:

Method (a) :
An amount which is equivalent to the amount paid as tax from electronic cash ledger in their GSTR-3B return for the last month of the immediately preceding quarter, where the GSTR-3B return was furnished on monthly basis.

OR

Method (b) :

35% of amount paid as tax from electronic cash ledger in their return for the preceding quarter, where the GSTR-3B return was furnished on quarterly basis; or

It may be noted that since QRMP scheme is introduced in January 2021, all taxpayers were monthly filers in December 2020. Hence, the 35% challan will be populated as per method (a) for the quarter of January to March 2021 for quarterly filers.

Illustration:

Method (a) :

Taxpayer paid liability by cash amounting to Rs. 5500/- [IGST: Rs. 2,000/-, CGST: Rs. 1,000/-, SGST: Rs. 2,500/-] in monthly GSTR-3B for December 2020. The 35% challan generated as per the fixed sum method for January to March 2021 quarter will be of Rs. 5,500/- with the same head-wise break-up.

Method (b) :
Taxpayer paid liability by cash amounting to Rs. 7000/- [IGST: Rs. 1,000/-, CGST: Rs. 2,000/-, SGST: Rs. 4,000/-] in quarterly GSTR-3B for January to March 2021. The 35% challan generated as per the fixed sum method for April to June 2021 quarter will be of Rs. 2,450/- [IGST: Rs. 350/-, CGST: Rs. 700/-, SGST: Rs. 1,400/-].

Q 11: How do I declare B2C supplies in IFF for first two month of quarter if I have opted for QRMP?

A: Supplies made to unregistered persons (also called B2C supplies) are not required to be declared in IFF. These may be declared in FORM GSTR-1 for the quarter.

Q 12: How will I reconcile the values declared in IFF & GSTR-1 with quarterly GSTR-3B?

A: Taxpayers will be provided with a draft GSTR-3B, which will contain the details of the liability to be paid by taxpayers in the quarterly GSTR-3B. This will be prepared on the basis of the supplies declared in FORM GSTR-1 for the quarter. It will also contain data from the optional IFF, if any is filed in either of the first two months of the quarter. The said system computed values will also be auto- populated in quarterly GSTR-3B.

Q 13: How do I claim ITC for the first two months of the quarter?

A: In first two months of the quarter, no declaration pertaining to ITC is required to be made. The available ITC for the entire quarter will be made available by the system in quarterly FORM GSTR-2B. This quarterly facility will be in addition to the FORM GSTR-2B being made available on monthly basis, which can still be used for doing self-assessment.

Q 14: How do I again become a Monthly filer?

A: Filing frequency either monthly or quarterly can be selected as per timelines mentioned in below table.

Kindly navigate: Services > Returns > Opt-in for Quarterly Return

Effective Quarter (1)	Period during which filing frequency can be selected (2)	Last date for selecting the filing frequency (3)
January–February–March#	1st November to 31st January	31st January
April – May – June	1st February to 30th April	30th April
July – August – September	1st May to 31st July	31st July
October – November – December	1st August to 31st October	31st October

GSTR - 9 & 9C

Comparison of GSTR-9 & GSTR-9C:

Points of comparison	GSTR-9 Annual Return	GSTR-9C Reconciliation Statement
Nature	Informational/ a consolidation of all GST returns	Analytical statement on GST returns certified by GST Auditor/ CA/CMA for GST authorities to take necessary action
Who must file	GST Registered taxpayer	GST registered taxpayer to whom GST audit is applicable
Not applicable to	Casual Taxable Person Non-Resident Taxable Person Input Service Distributor Unique Identification Number Holders Online Information and Database Access Retrieval Service providers Composition Dealers Persons subject to TCS or TDS provisions	Those mentioned under GSTR-9 but also a registered person whose aggregate turnover in an FY is less than Rs. 2 Crores
Due date for filing	31 December of next FY*	31 December of next FY* *, either with or after filing GSTR-9

Late fees & penalty	Late fees of Rs 200 per day of delay subject to a maximum cap of an amount at 0.25% of total turnover in respective State/UT	No specific provision, Hence, subject to a general penalty of Rs 25,000
Filing of the return	On GST portal or through facilitation centre	On GST portal or through facilitation centre at the time of or after filing GSTR-9
Format of the return	Consolidated summary details of the turnover, ITC and tax paid, late fees as per the GST returns filed between July 2017 and March 2018 along with its amendments made between April 2018 and September 2018. Further, declaration of demands/ refunds, supplies from composition dealers, Job works, goods sent on an approval basis, HSN wise summary of outward and inward supplies, late fees payable is required.	Part-A -Reporting of reconciliation needed between turnover, tax paid and ITC. Report on Auditor's recommendation of any additional tax liability. Part -B -Certificate by GST Auditor/ CA/ CMA
Who must certify/ attest	No certification required by CA/CMA but must be attested by the taxpayer using a digital signature	Certification of GST Auditor is required who is either a CA/CMA through digital signature and must be attested by the taxpayer using a digital signature
Annexures	No annexures to be attached	Annexure of Audited financial statement is required

HAPPY LEARNING!

The end…