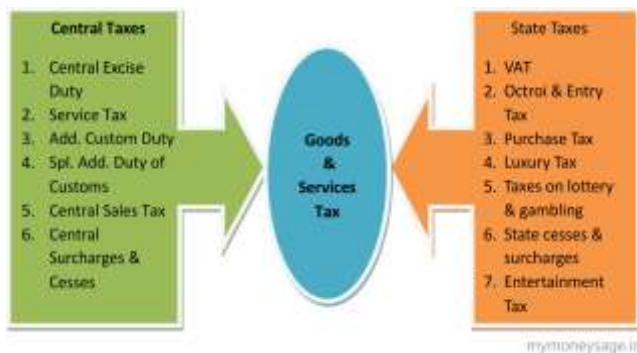


Goods and Services Tax – An Overview

1. BACKGROUND OF GST

GST is one indirect tax for the whole nation, which will make India one unified Common Market. It is a single tax on the supply of Goods and Services, from manufacture to consumer. The final consumer will thus bear only the GST charged by the last dealer in the supply chain, with set-off benefits at all the previous stages. Therefore, GST is a **destination based tax**.

2. IMPACT OF GST



3. GST will now comprise of:

- a. Central GST (CGST) - levied by Centre
- b. State GST (SGST) - levied by State
- c. Integrated GST (IGST) - levied by Central Government on inter state supply of goods and services.

4. SEAMLESS FLOW OF ITC

ITC is the backbone of the GST regime. It has been **defined** as credit of IGST/CGST/SGST charged on any supply of goods and or services used or intended to be used in the course or furtherance of business and include the tax payable under reverse charge.

5. REMOVAL OF CASCADING EFFECT

An important benefit of the introduction of GST will be the removal of the cascading tax effect. In simple words, "cascading tax effect" means a tax on tax.

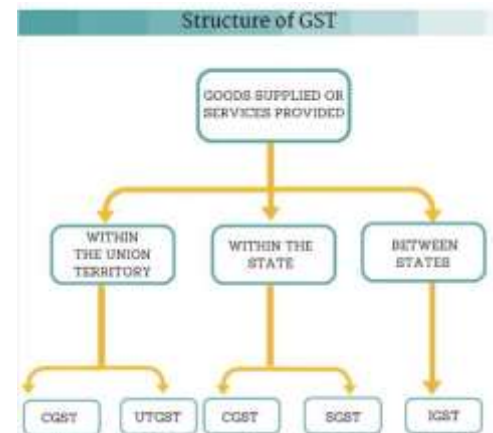
E.g.: Earlier no Input Tax Credit of Excise and CST was available for trader.

6. MATCHING CONCEPT UNDER GST

Invoice matching is a mechanism under which all the taxable supplies made under GST will be matched against all the taxable supplies received by the buyer. It is relevant because, under the Goods and Services Tax law, **input tax credit** of purchase of goods and/or services will only be available if the details of inward supply return of buyer matches with the details of outward supplies of the supplier.

7. Definition of Certain Terms


- i. **IGST:** IGST is a mechanism to monitor the inter-State trade of goods and services and ensure that the SGST component accrues to the Consumer State.




- ii. **Aggregate Turnover:** means the aggregate value of all taxable supplies;-
 - (excluding the value of inward supplies on which tax is payable by a person on reverse charge basis),

Goods and Services Tax – An Overview

- exempt supplies, exports of goods and services or both,
 - inter-state supplies of persons having the same PAN, to be computed on all India basis but (excludes central tax, state tax, union territory tax, integrated tax and cess.)
- iii. **Reverse Charge:** means the liability to pay tax by the recipient of supply of such goods or services or both.
At present, 12 services are listed in RCM (Concerned Services in Annexure- 1).
- iv. **Taxable Supply:** means a supply of goods or services or both which is leviable to tax.

It includes: sale, exchange, barter, disposal, and by whatever name called.
- v. **Exempt Supply:** means supply of goods or services or both which attracts NIL rate (of tax or which may be wholly exempt(cereal grains, salt of all types, Healthcare and education services from tax and includes non-taxable supply (petroleum products , natural gas etc., services by an employee to the employer in the course of or in relation to employment.)
- vi. **Zero Rated:** Following taxable supplies of goods and/or services are considered as Zero Rated Supplies:
 - Export of goods and/or services
 - Supply of goods and/or services to a SEZ developer or SEZ unit.
- vii. **Goods:** means every kind of movable property other than money and security but includes actionable claim (Unsecured Debtors).
- viii. **Service:** means anything other than goods, money any securities.
- ix. **Composite Supply:** Composite supply means a supply comprises two or more goods/services, which are naturally bundled and supplied in with each other in the ordinary course of business, one of which is a principal supply.
- 
- x. **Mixed Supply:** Mixed supply under GST means two or more individual supplies of goods or services, or any combination, made together by a taxable person for a single price. It shall not be a mixed supply if these items are supplied separately.

For tax under GST, a mixed supply comprising two or more supplies shall be treated as supply of that item which has the highest rate of tax. E.g.: a Hamper.
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Goods and Services Tax – An Overview

8. REGISTRATION

(a) Person Liable for Registration u/s 22

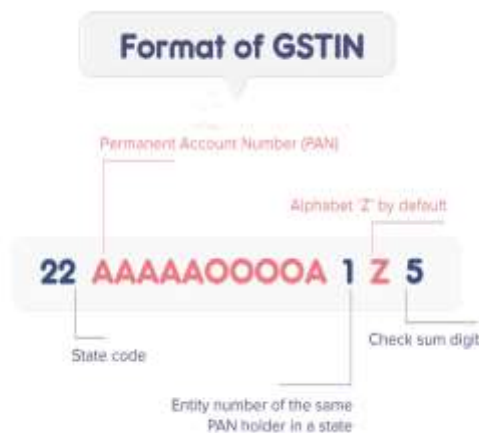
Every supplier who makes a taxable supply of both goods or services or both, from either:

- Special Category States: aggregate turnover in FY exceeds Rs 10L,
- Other than Special Category: States: aggregate turnover in FY exceeds Rs 20L.

Registration Number: All the business entities registering under GST will be provided a unique identification number known as GSTIN (GST Identification No)

Presently, any dealer registered under state VAT law has a unique TIN number assigned to him by state tax authorities. Similarly, service tax registration number is assigned to a service provider by Central Board of Excise and Customs (CBEC).

Under GST regime, all these parties will come under one single authority and the different identification numbers will be replaced by a single type of registration number for everyone (GSTIN).



(b) Compulsory Registration u/s 23

- ❖ Persons making any inter-State taxable supply;
- ❖ Casual taxable persons making taxable supply;
- ❖ Persons who are required to pay tax under reverse charge;
- ❖ Persons who are required to pay tax under sub-section (5) of section 9 (electronic commerce operator)
- ❖ Non-resident taxable persons making taxable supply
- ❖ Persons who are required to deduct tax under section 51 (TDS) Government & notified
- ❖ Persons who supply goods or services or both on behalf of other registered taxable persons whether as an agent or otherwise;
- ❖ Input service distributor;
- ❖ persons who supply goods and/or services, other than supplies specified under subsection (5) of section 9, through such electronic commerce operator who is required to collect tax at source under section 52,
- ❖ Every electronic commerce operator;
- ❖ Every person supplying online information and database access or retrieval services from a place outside India to a person in India, other than a registered taxable person; and
- ❖ Such other person or class of persons as may be notified by the Central Government or a State Government on the recommendations of the Council.

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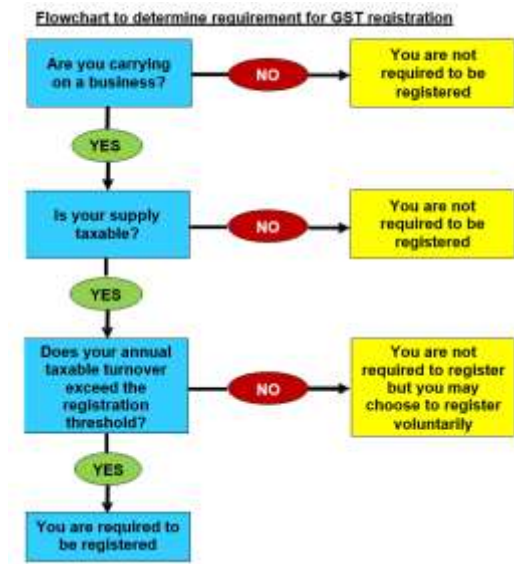
(c) Persons not liable for registration u/s 23

a) any person engaged exclusively in the business of supplying goods or services or both that are not liable to tax or wholly exempt from tax under this Act or under the Integrated Goods and Services Tax Act;

b) an agriculturist, to the extent of supply of produce out of cultivation of land.

(B) The Government may, on the recommendations of the Council, by notification, specify the category of persons who may be exempted from obtaining registration under this act (as notified on 11.06.2017)

- o Individual Advocates (incl Sr Advocates)
- o Individual Sponsorship Service Providers (including Players)



9. COMPOSITION LEVY u/s 10

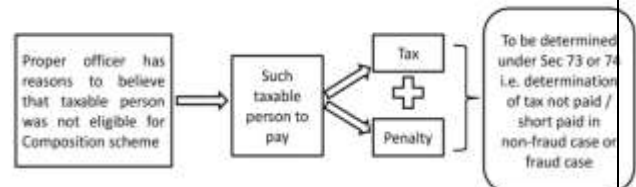
It is an option provided to Registered Person whose aggregate turnover exceeds Rs 75L.

- Manufacture- 2% of turnover for both CGST/SGST.
- Suppliers of Food Related Service (Restaurant Services) - 5% of turnover.
- Other Suppliers - 1% of turnover for both CGST/SGST.

Conditions for opting to pay tax under Composition Scheme

- ❖ Restricted from making supply of goods which are not liable to GST e.g., petroleum products, electricity etc.
- ❖ Restricted from effecting inter-State outward supplies
- ❖ Restricted from making supplies through an e-commerce operator.
- ❖ Restriction on manufacture of notified goods. (yet to be notified)
- ❖ Would be applicable for all transactions under the same PAN.
- ❖ Shall not collect tax.
- ❖ Not entitled to input tax credit.
- ❖ Mentioning Words “ Composition Taxable Person;

- o should be mentioned at the top of the bill of supply issued by him and,
- o On every notice, sign board displayed at prominent place at his principal place of business and every additional place or places of business.



Taxmantrā-

Goods and Services Tax – An Overview

INPUT TAX CREDIT (ITC)

Every registered person shall, be entitled to take credit of input tax charged on any supply of goods or services or both to him which are used or intended to be used in the course or furtherance of his business and the **said amount shall be credited to the electronic credit ledger of such person.**

CONDITIONS FOR AVAILING ITC

- Possession of Tax Invoice or Debit Note issued by a supplier,
- Receipt of goods and/or services both. (Deemed to be received where goods are received by either recipient or on the direction of recipient, e.g. - sent directly to Job worker).
- Tax charged has actually paid to the Govt., either in cash or through utilization of ITC.
- He has furnished returns.
- Where the goods against an invoice are received in lots or installments, the registered person shall be entitled to take credit upon receipt of the last lot or installment.
- Recipient has to pay supplier of goods and/or services, the value + tax thereon in 180 days from the issue of invoice (other than the cases where tax is charged on RCM basis.)

Failure: an amount equal to the input tax credit availed by the recipient shall be added to his output tax liability, along with interest thereon, in such manner as may be prescribed.

Recipient shall be entitled for the ITC when the payment is made.

- **No ITC** is available after the due date of furnishing the return for the month of September following the end of financial

year to which such invoice or invoice relating to such debit note pertains or furnishing of the relevant annual return, whichever is earlier.

BLOCKED CREDITS

ITC shall not be available in respect of following;

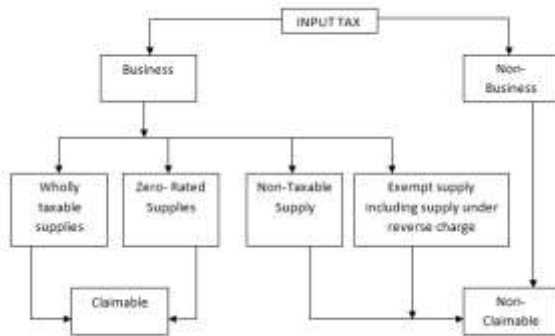
- motor vehicles and other conveyances, except when they are used for providing the taxable supplies of further supply of vehicles/conveyances, transportation of passengers/goods, or imparting training on driving, flying, navigating such vehicles/conveyances;
- goods/services provided in relation to food and beverages, outdoor catering, beauty treatment, health services, cosmetic and plastic surgery except when used for providing similar taxable supplies;
- membership of club, health and fitness center;
- Rent-a-cab, life insurance, health insurance (except where mandated by Government), except when they are used for providing similar services;

ITC IN CASE OF CAPITAL

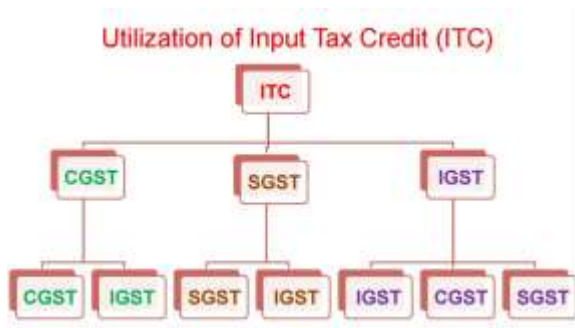
GOODS: Where the registered person has claimed depreciation on the tax component of the cost of capital goods and plant and machinery under the provisions of the Income Tax Act, 1961, the input tax credit shall not be allowed on the said tax component.

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APPORTIONMENT OF CREDIT (Sec 17)



UTILIZATION OF ITC



10. TRANSITION PROVISIONS

Registration: Every person registered under current VAT/ Excise / Service Tax law will be granted a provisional registration under GST on appointed day. Therefore every present registered assessee will be automatically registered under GST unless he surrenders his registration under present law before appointed day. After grant of provisional registration (by migration) the assessee may be asked to submit additional documents as notified to him to get the final registration certificate under GST. If such documents are not submitted then such registration would be liable for cancellation.

Carry Forward of CENVAT Credit: Registered Person is allowed to take the

amount of Input Credit or CENVAT credit carried forward in the last return filed before appointed day the present law. But such credit shall not be allowed if he has not filed in last six months all returns before the appointed day.

Like, a person registered under VAT can carry forward all the Input Tax Credit available to him (as per the last VAT return filed by him) when he migrates to GST.

Not registered under Current Tax

Law: A person who was not liable to be registered under the current Excise laws is allowed to take input on his stock on the appointed day if **he is in possession of Invoice or other duty payment documents**. Such Invoices were not more than twelve months old. (I.e. should not be earlier than 1.06.2016).

For example, a trader migrating under GST has stock of Rs. 100000 just before the appointed day on which Excise Duty of Rs. 12500 has been paid. He is in the possession of invoice that has Excise duty charged in it. Now such person is entitled to carry forward this Excise Duty of Rs. 12500 to GST.

Not in possession of such Excisable

Invoice: A trader who is not in the possession of such Excise paid invoice but his goods were taxable under Excise laws, then such person is also entitled to take partial credit of such excise duty when he migrates to GST. In case the new GST rate on his goods is below 18% then partial credit allowed to him will be 40% of the CGST tax charged by him when he sells such goods. And in case GST rate is 18% or more on his goods then he shall be allowed a credit of 60% of the CGST tax that will be charged by him when he will sell these goods.

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11. OTHER PROVISIONS

A. ELECTRONIC WAY BILL :

Every registered person (or the registered recipient if the supplier is un-registered) who causes movement of goods of consignment value exceeding 50,000/- rupees (optional if below this amount)-

- in relation to a supply; or
- for reasons other than supply; or
- due to inward supply from an unregistered person,

Shall, before commencement of movement, furnish information relating to the said goods, electronically.

- Upon generation of e- way Bill, EBN shall be made available to the supplier, the recipient and the transporter.
- Any transporter transferring goods from one conveyance to another in the course of transit, shall before such transfer and further movement of goods, generate a new e-way bill.
- Validity of E-way Bill

S. No.	Distance	Validity
1	<100 km	1 Day
2	100km-300km	3 Days
3	500km-1000km	10 Days
4	1000km or more	15 Days

- The details of e-way bill shall be communicated to recipient for his acceptance or rejection. In case the same is not accepted/rejected within 72 hours, the same shall be deemed accepted.

B. GST RETURNS

- GST Tax Payer at Normal Returns

FORM NO.	PARTICULARS	BY
GSTR1	Outward Supply	10 th of next Month
GSTR2	Inward Supply	15 th of next month
GSTR3	Monthly Return	20 th of next month
GSTR8	Annual Return	31 st Dec of Next FY

Therefore, in all there are 37 Returns to be filled up.

- GST Tax Payer at Compounding Rates

GSTR4	Quarterly Return	18 th of next month to the Quarter
GSTR8	Annual Return	31 st Dec of Next FY

Therefore, a person choosing Composition Levy has to fill up 5 Returns.

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- For late filing of Return, the following late fee shall be levied:

Defaulted Return	Late Fine
Details of Outward Supply	Rs. 100/- of delay maximum of Rs. 5000.
Details of Inward Supply	Same as above
Monthly Return	Same as above
Final Return in case of cancel of Registration	Same as above
Annual Return	Rs. 100/- delay Maximum= 0.25% on Turnover in the state/UT.

C. TDS u/s 51

- Deduction is required where the total value of supply under 'a contract' exceeds INR 2.5 lakhs. Value of supply shall exclude the tax indicated in the invoice.
- The deductors have to deduct @ of 1% from the payment made or credited to the supplier of taxable goods and / or services, notified by the Central Government or State Government on the recommendations of the Council.
- The deductee can claim credit of the tax deducted, in his electronic cash ledger. This deduction would also be reflected in the return of the Deductor (Sec 39(3)).
- It is possible to claim refund arising on account of excess or

erroneous deduction u/s 54. Such refund may be claimed either by the Deductor or the Deductee, but not both. Further, no refund would be available to the Deductor once the amount deducted has been credited to the electronic cash ledger of the Deductee.

D. TCS u/s 52

- Persons Liable to collect TCS:** Every E-Commerce Operator on the net value of taxable supply made by him/her.
- Return:** Tax collecting E-Commerce Operator to make statement of outward supplies made through him in that particular month. (Monthly Return)
 - He shall also file Annual Return.
- Penalty:** If TCS is not collected or short collected or collected but not paid to Government shall be liable to penalty of Rs. 10,000 or an amount equivalent to tax evaded.

E. ASSESSMENT

- Scrutiny of Returns- When return is filed by the registered person, the PO may scrutinize the return and related particulars.
- Assessment of Non-filers of Return- When return is not filed, either monthly or annually, even after service of notice, the PO may proceed to assess the tax liability at the best of his judgment.

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F. AUDIT

- The chartered accountant or cost accountant shall carry an audit of books of accounts maintained by registered person, as prescribed u/s 35.
- The Commissioner or any officer authorized by him may conduct audit at Place of Business of the registered person or in their office. u/s 65
- A notice shall be served of not less than 15 working days.
- It shall be completed within 3 months from the date of commencement of audit.
- The PO shall within 30 days inform the registered person about the findings and reason for such findings.

G. SPECIAL AUDIT u/s 66

- It shall be conducted by Officer not below the rank of Assistant Comm. (AC) with the prior approval of the Commissioner.
- It shall be conducted if the AC is of the opinion that the value have not been correctly declared or the credit availed is not within the normal limits.
- He shall give a direction to get his records including books of accounts examined and audited by a CA or a Cost Accountant and submit a report.
- The period of submission of reports is within a period of 90 Days and the said period may be extended by a further period of 90 days.
- Other Points- Opportunity of Being Heard.
- Expenses to be borne by Commissioner.

H. ANTI PROFITEERING MEASURE

APM is introduced to so that any reduction in rate of tax on any supply of goods or services or the benefit of input tax credit shall be passed on to the recipient by way of commensurate reduction in prices.

12. TAX INVOICE, CREDIT AND DEBIT NOTES

A. TAX INVOICE

- **Supplying Taxable Goods-**
It involves either (a) Removal of goods or (b) Delivery of goods for supply to the recipient.

In both the cases, supplier has to issue a Tax Invoice showing the description, quantity and value of goods, the tax charged thereon and such other particulars as may be prescribed.

- **Supplying Taxable Services-**
The invoice shall be issued within 30 Days before or after the date of supply of service showing the description, value, tax charged thereon and much other particulars as may be prescribed.

IMPORTANT POINTS

(a) **Revised Invoice** -A registered person may, within 1 month from the date of issuance of Registration Certificate issue a Revised Invoice against the invoice already issued during the period beginning with the effective date of registration till the date of issuance of certificate of registration to him.

(b) **No issue of Invoice-** A registered person may not issue a

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tax invoice if the value of goods or services or both supplied is less than Rs.200/-

- c. **Exempted Goods or Services-** A registered person supplying exempted goods or services or both or paying tax under Composition Levy shall issue instead of Tax Invoice, a Bill of Supply.
- d. **Receipt of Advance-** issue of Receipt Voucher by the supplier.

If no tax invoice is issued subsequently- issue a refund voucher against such payment.
- e. **Tax payment on RCM** and supplies received from unregistered person- has to prepare a Tax Invoice or bill of supply- to record and confirm facts relating to supplies received from such persons.
- f. **Continuous Supply of Service-** the invoice shall be issued before or at the time each such payment are involved.
- g. **Cessation of Supply of Service-** the invoice shall be issued at the time when the supply ceases.

CREDIT NOTES

It is issued in 3 cases-

- Taxable value or tax paid, exceed the taxable value,
- Goods supplied are returned by the recipient.
- Goods and/or services supplied are found to be deficient.

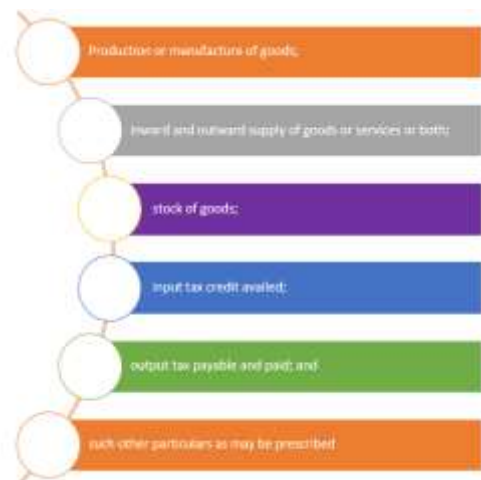
DECLARATION: - in return of the month of issue of C/N but not later than September following the end of Financial Year in which such supply was made, or the date of furnishing of the relevant annual return, whichever is earlier.

DEBIT NOTES

DECLARATION- If a Debit Note is issued, the registered person is required to declare the details of such Debit Note in the return for the month of issue of such Debit Note and the tax liability shall be adjusted.

13. ACCOUNTS AND RECORDS

- Following accounts to be maintained at principal place of business (if more than one place of business is mentioned in RC, the accounts related to each place of business shall be kept at such places of business.)



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- **Retention Period of Accounts**

(a) In case of Normal Cases- 72 Months from the due date of furnishing of annual return for the year pertaining to such accounts and records.

(b) In case of Appeal/Hearing-

- 72 Months from the due date of filing of annual return
- 1 year after disposal of appeal/proceedings or hearings, whichever is earlier.

14. PAYMENT OF TAX, INTEREST, PENALTY AND OTHER AMOUNTS

Mode of Payment- internet banking, credit or debit cards, NEFT, RTGS or any other mode as may be prescribed.

The input tax credit as self-assessed in the return of a registered person shall be credited to his electronic credit ledger, to be maintained in such manner as may be prescribed.

The amount available in the electronic credit ledger may be used for making any payment towards output tax under this Act or under the IGST Act in such manner and subject to such conditions and within such time as may be prescribed.

Interest on Delayed Payment of Tax:

- Fails to pay or any part thereof to the Government within the period subscribed, shall pay interest @ not exceeding 18%

- Who makes excess claim of Input Tax Credit or excess reduction of output tax liability, shall pay interest @ not exceeding 24%.

Imp Note- Payment above Rs. 10,000/- shall be made electronically.