

J.K. SHAH[®]
CLASSES

**CA INTER
INDIRECT TAX**

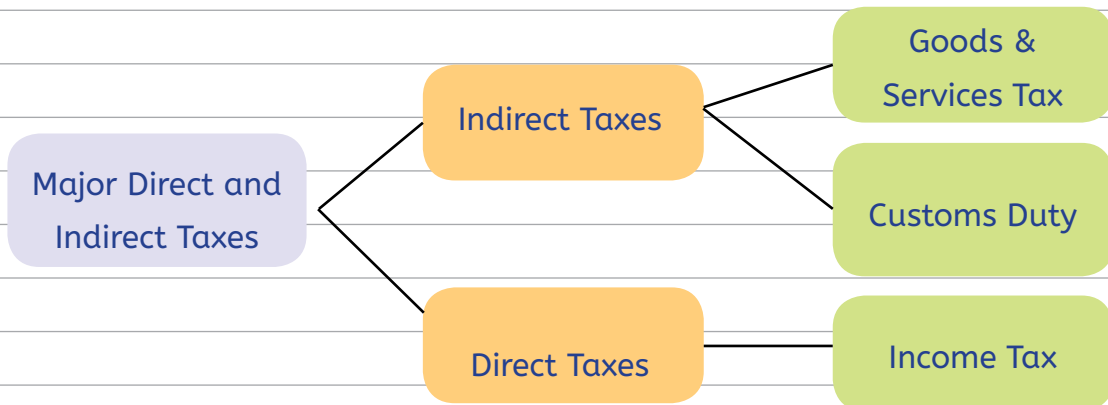
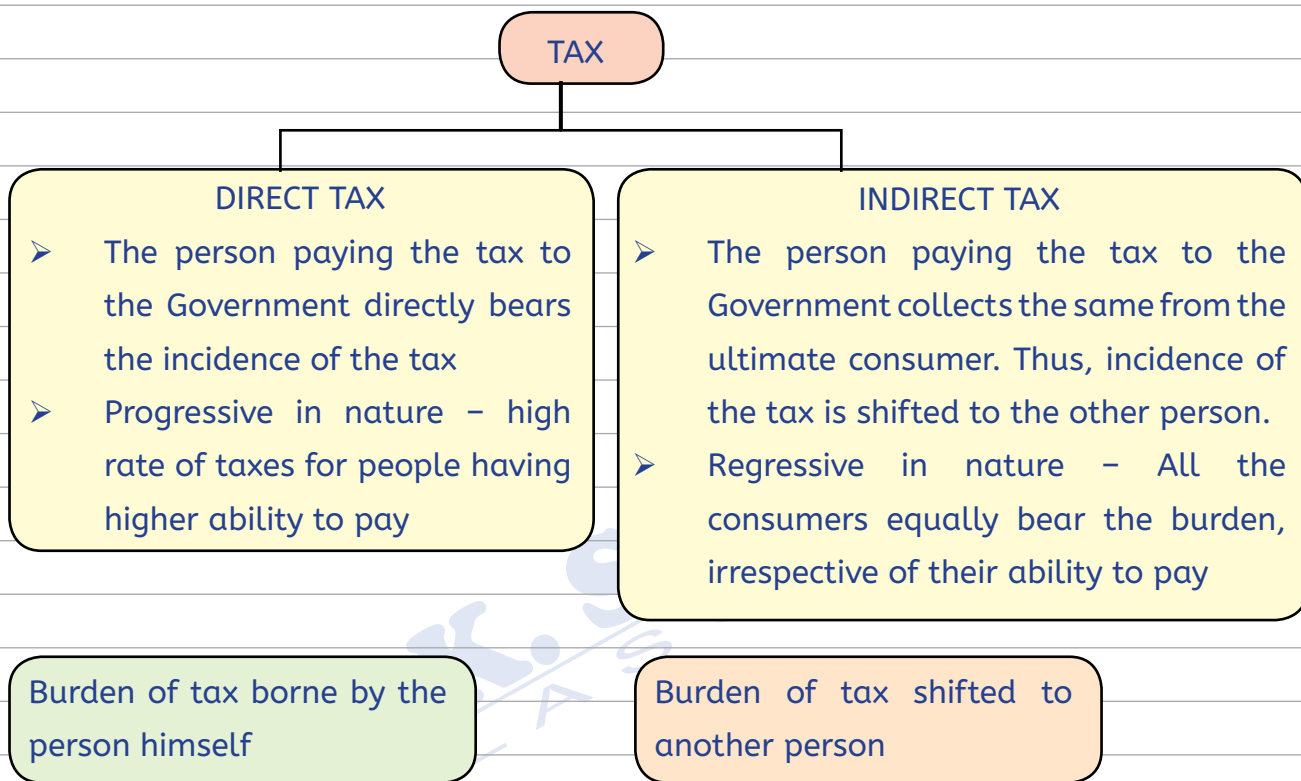
**INTER CA REVISION
NOTES**

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1 GST IN INDIA – AN INTRODUCTION

1. DIFFERENCE BETWEEN DIRECT AND INDIRECT TAX



2. TAXES TO BE SUBSUMED

TAXES TO BE SUBSUMED IN GST

AT CENTRAL LEVEL:

1. Excise Duty
2. Service tax
3. Countervailing duty
4. Special Additional custom duty
5. Central Sales Tax
6. CESSSES AND SURCHAREGES

AT STATE LEVEL:

1. VAT / SALES TAX
2. ENTERTAINMENT TAX (except levied by local body)
3. LUXURY TAX
4. TAX ON LOTTERY, BETTING & GAMLING
5. ENTRY TAX
6. CESSSES AND SURGCHARGES

SINGLE UNIFORM TAX



GST

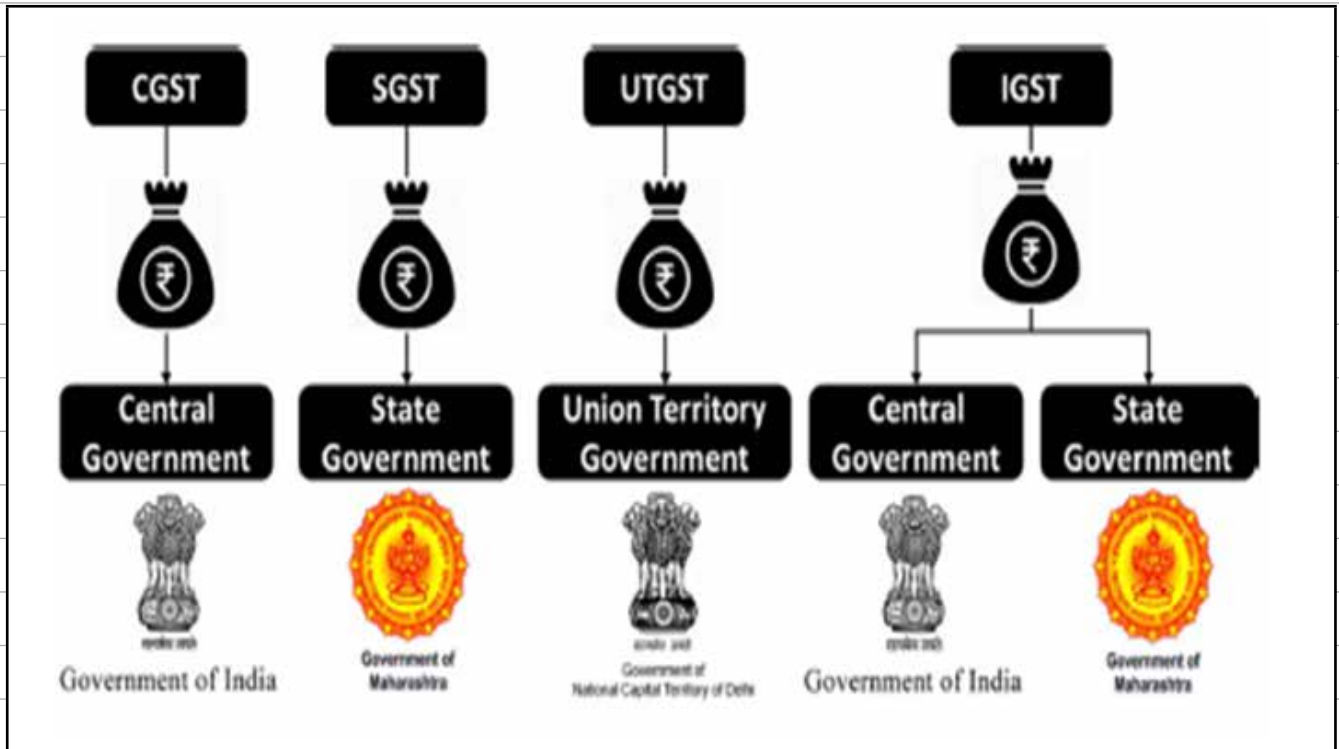
Exclude

- Electricity Duty
- Property tax & Stamp Duty
- Basic Custom Duty
- Excise duty/VAT/CST on
 - Alcoholic liquor for human consumption
 - Petroleum Crude
 - High Speed Diesel
 - Motor Sprit (Commonly known as Petrol)
 - Natural Gas
 - Aviation Turbine Fuel

3. FRAMEWORK OF GST IN INDIA

DUAL GST MODEL

A dual GST will be in keeping with the constitutional requirement of fiscal federalism. GST in India will be dual model based i.e., state and central government will both levy GST termed as SGST/UTGST and CGST respectively. However, chargeability, definition of taxable event and taxable person, measure of levy including valuation provisions, basis of classification etc. would be uniform under both CGST and SGST laws.



4. CONSTITUTIONAL PROVISION

Article 246 : Subject - matter of laws made by parliament and by the Legislatures of States

Article 246A : was added to the constitution to provide for concurrent powers to Central Government and State Government to levy GST on intra state supplies of goods and services.

Article 269A : provides that Central Government has exclusive powers to make a law for Inter State supplies and it will be apportioned as provided by Parliament.

Article 279A : provides for GST Council which is empowered to make recommendations to the Central Government and State Government with regard to GST. It is headed by the Union Finance Minister.

5. Within GST or out of GST:



Alcohol for human consumption.

Power to tax remains with the State.



Five petroleum products – crude oil, diesel, petrol, natural gas and ATF.

GST Council to decide the date from which GST will be applicable.



Entertainment tax levied by local bodies.

Power to tax remains with the local bodies.



Tobacco

Within the purview of GST. Power to levy excise duties, also retained.

2

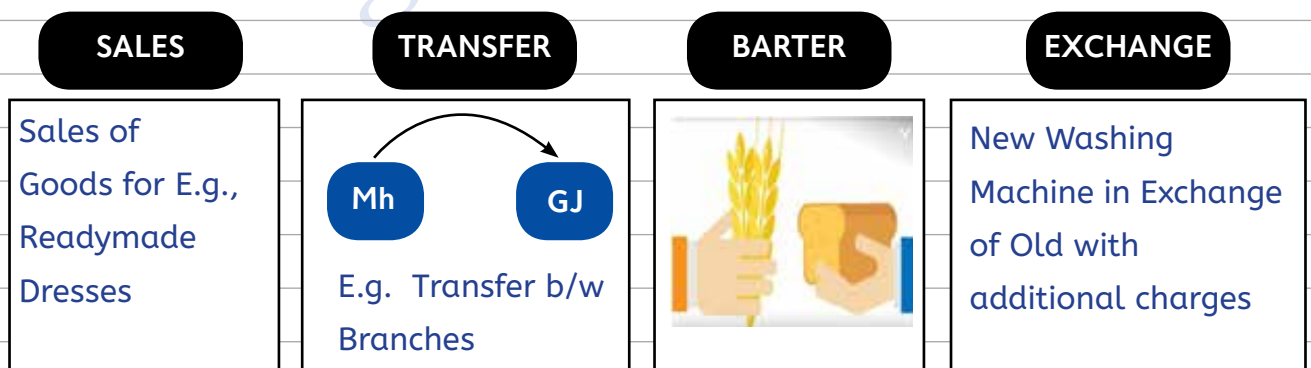
TAXABLE EVENT SUPPLY

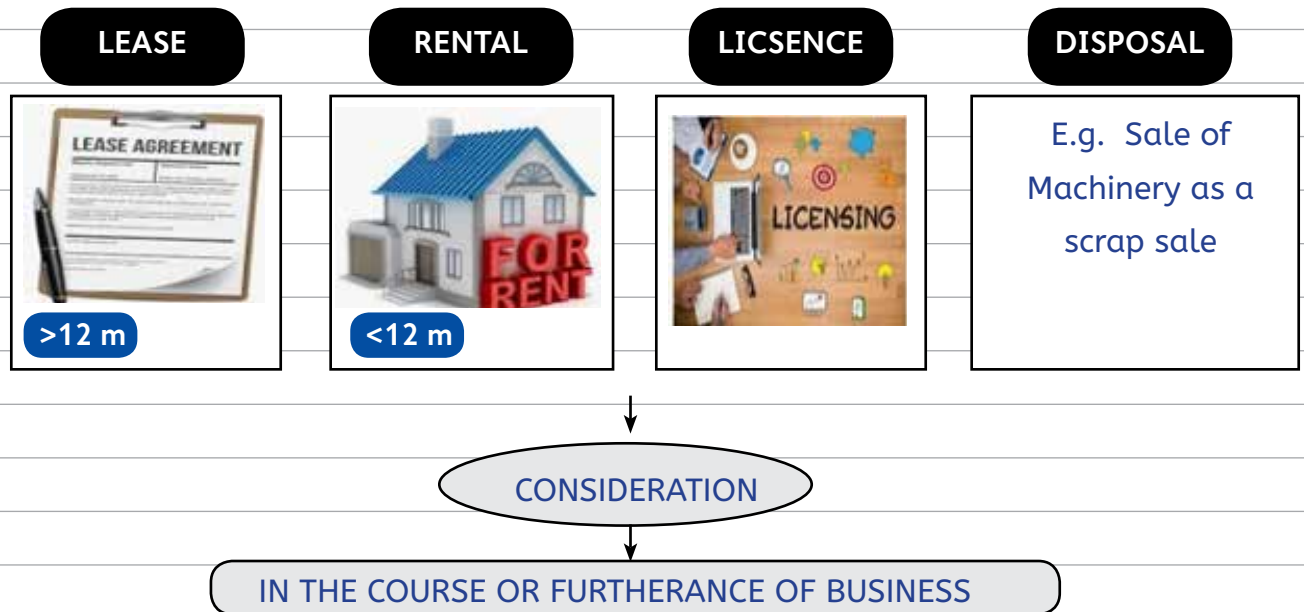
- ❖ **GOODS:** Sec 2(52) of CGST Act, 2017 states that Goods means every kind of movable property other than money and securities but includes actionable claim, growing crops, grass and things attached to or forming part of the land which are agreed to be severed before supply or under a contract of supply.
- ❖ **SERVICES:** Sec 2(102) of CGST Act, 2017 states that service means anything other than goods, money and securities but includes activities relating to the use of money or its conversion by cash or by any other mode, from one form, currency or denomination, to another form, currency or denomination for which separate consideration is charged.

NOTE -> "Services" includes facilitating or arranging transactions in securities.

[Section 7(1)(a)] SUPPLY FOR CONSIDERATION IN COURSE OR FURTHERANCE OF BUSINESS

SUPPLY INCLUDES





Section 7(1) (aa) The Activities or transactions, by a person, other than an individual, to its members or constituents or vice-versa, for cash, deferred payment or other valuable consideration.

[Section 7(1) (b)] IMPORTATION OF SERVICES

- ❖ Import of services for a consideration whether or not in the course or furtherance of business.

[(Sec 7(1)(c)] r.w SCHEDULE I – SUPPLY WITHOUT CONSIDERATION

1. PERMANENT TRANSFER/DISPOSAL OF BUSINESS ASSETS WHERE ITC WAS TAKE

- Any kind of disposal or transfer of business assets made by an entity on permanent basis even though without consideration.
- This clause is wide enough to cover transfer of business assets from holding to subsidiary company for nil consideration. However, it is important to note that this provision would apply if input tax credit has been availed on such assets.

Example : Dealer of laptops or dealers of cloth gives laptops or clothes free of cost to their friend.

2. SUPPLY BETWEEN RELATED PERSON OR DISTINCT PERSONS

- Related person is defined under Section 15 of CGST Act which means the following:
 - a. Such persons are officers or directors of one another's businesses;

- b. Such persons are legally recognised partners in business;
- c. Such persons are employer and employee;
- d. Any person directly or indirectly owns, controls or holds twenty-five per cent or more of the outstanding voting stock or shares of both of them;
- e. One of them directly or indirectly controls the other;
- f. Both of them are directly or indirectly controlled by a third person;
- g. Person who are associated as sole agent or sole distributor or sole concessionaire.
- h. Together they directly or indirectly control a third person; or they are members of the same family;

FAMILY MEANS

- i. the spouse and children of the person, and
- ii. the parents, grand-parents, brother and sisters of the person if they are wholly or mainly dependent on the said person. [sec 2(49) of CGST Act]

- **Supply of goods or services or both between an employer and employee:** By virtue of aforesaid definition of related person, employer and employee are related persons. However, services provided by an employee to the employer in the course of or in relation to his employment shall not be treated as supply of services [Schedule III (Negative List)]

Further, Schedule I provides that gifts not exceeding ₹ 50,000 in value in a financial year by an employer to an employee shall not be treated as supply of goods or services or both.

EXAMPLE :



Value exceeding 50,000

SHAH Pvt Ltd



TOP EXECUTIVE

Tax Payable Under GST

- **Distinct persons:** As per section 25 of CGST Act, A person who has obtained/is required to obtain more than one registration, whether in one State/Union territory or more than one State/Union territory shall, in respect of each such registration, be treated as distinct persons.

Stock transfers or branch transfers : In view of the aforesaid discussion, transactions between different locations (with separate GST registrations) of same legal entity (eg., stock transfers or branch transfers) will qualify as ‘supply’ under GST.

3. IMPORTATION OF SERVICE

Import of services by a person from a related person or from his establishments located outside India, in the course or furtherance of business shall be treated as “supply”

4. 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.

❖ CLARIFICATION ON VARIOUS DOUBTS RELATED TO TREATMENT OF SALES PROMOTION SCHEMES UNDER GST

It has been noticed that there are several promotional schemes which are offered by taxable persons to increase sales volume and to attract new customers for their products. Taxability of two such schemes has been clarified as under.

A. FREE SAMPLES AND GIFTS:

- It is a common practice among certain sections of trade and industry, such as, pharmaceutical companies which often provide drug samples to their stockists, dealers, medical practitioners, etc. without charging any consideration.
- Therefore, the goods or services or both which are supplied free of cost (without any consideration) shall not be treated as “supply” under GST (except in case of activities mentioned in Schedule I of the CGST Act).

B. BUY ONE GET ONE FREE OFFER:

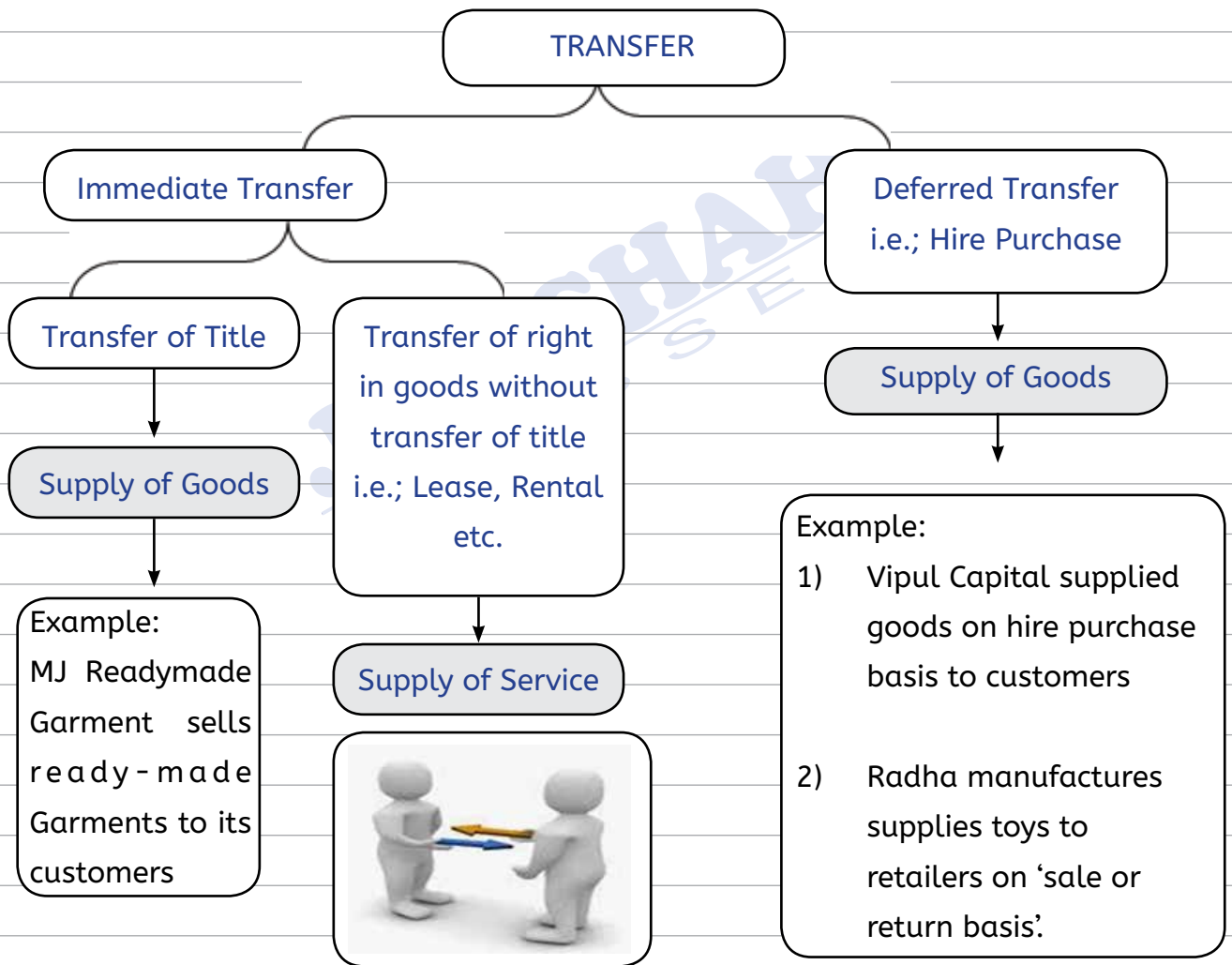
- Sometimes, companies announce offers like ‘Buy One, Get One free’

EXAMPLE : “Buy one soap and get one soap free” or “Get one tooth brush free along with the purchase of tooth paste”.

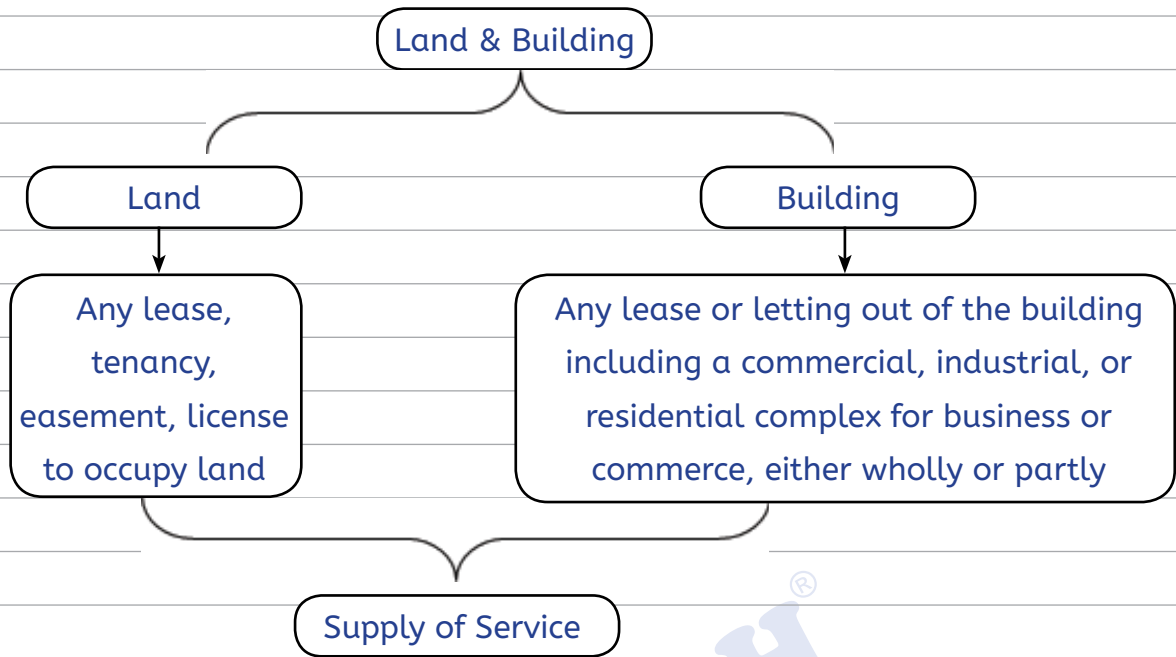
- Taxability of such supply will be dependent upon as to whether the supply is a composite supply or a mixed supply and the rate of tax shall be determined as per the provisions of section 8 of the CGST Act

SCHEDULE II - ACTIVITIES TO BE TREATED AS SUPPLY OF GOODS OR SUPPLY OF SERVICE [Sec 7(1A)]

1. TRANSFER



2. Land and Building



E.g., A shop let out in a market area



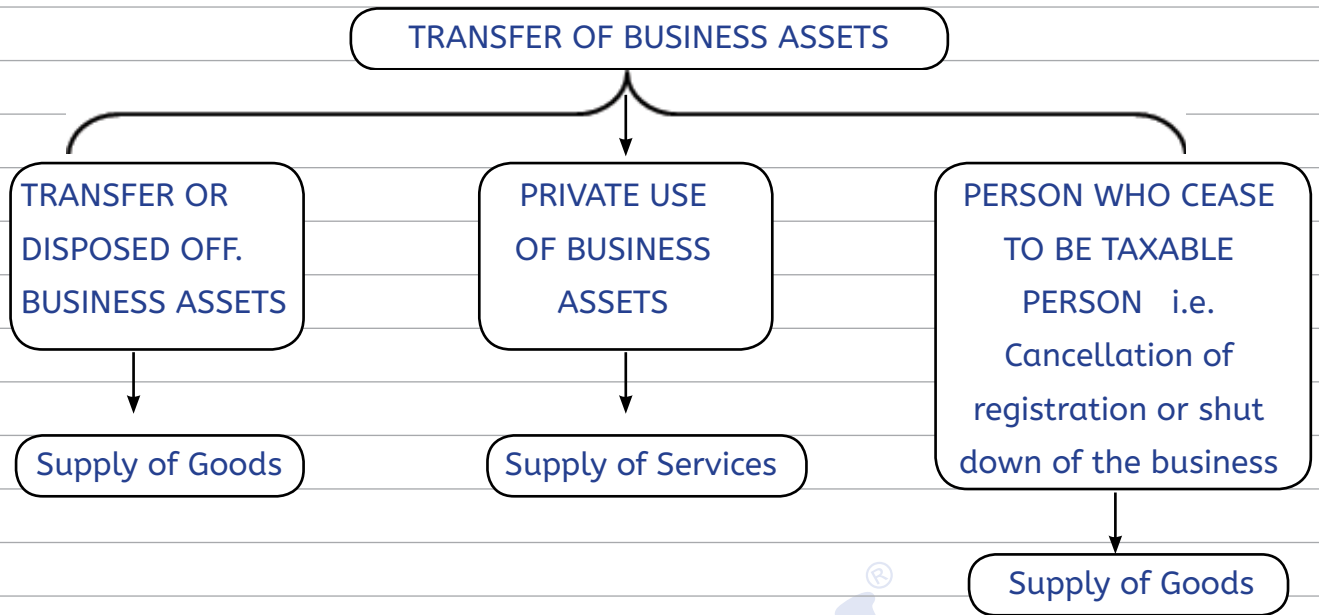
3. Treatment or Process (e.g.; Job Work)

→ Any treatment or process which is applied to another person's goods : Supply of Service



E.g., Bombay Dying House dyes the clothes given by Jigar Textiles Ltd. on job work basis.

4. TRANSFER OF BUSINESS ASSETS




EXAMPLE:

1. Raju, a trader, is winding up his business. Any goods left in stock shall be deemed to be supplied by him and GST shall be payable.
2. Mr. Shyam, a sole proprietor, owns a laptop used for making office presentation. He transfers said laptop to his son for making school project.

EXCEPTION:

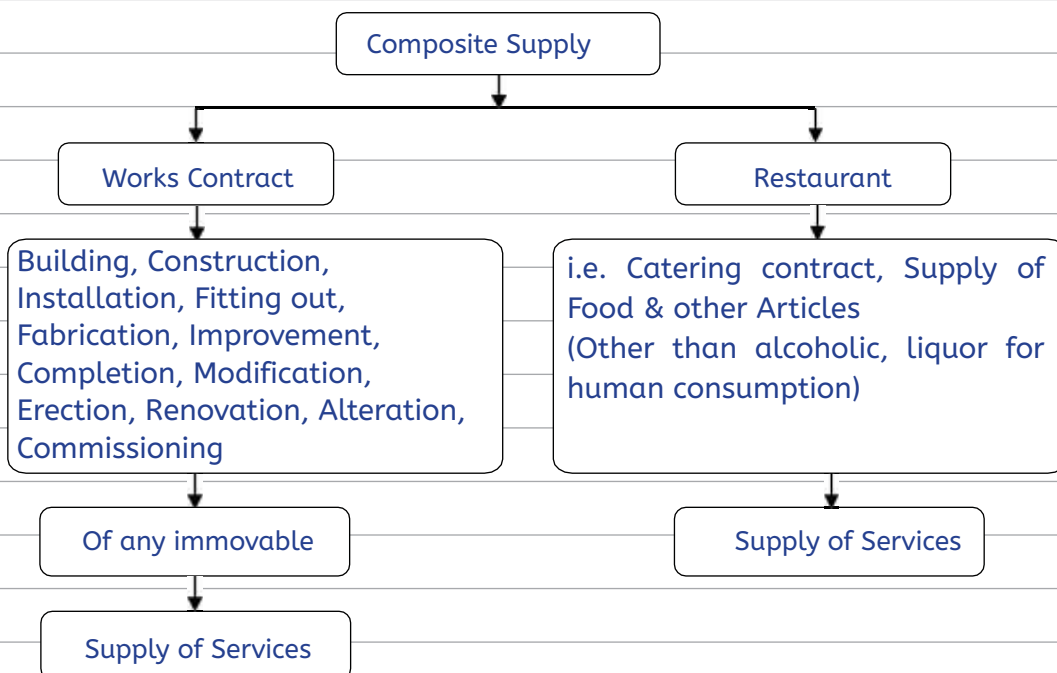
- No GST will be leviable in the following cases.
1. Transferred as a going concern.
 2. Business is carried on by a personal representative who is deemed to be a taxable person.

5. Supply of Services

(a)	<p>Renting of immovable property</p> 	<ol style="list-style-type: none"> i) Renting of a commercial complex. ii) Renting of precincts of religious place. iii) Renting of property to an education institution. vi) Permitting use of immovable property for placing vending/dispensing machines.
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(b)	Construction of complex civil structure, building etc. NOTE: - Where the entire consideration has been received after issuance of completion Certificate, or after its first occupation, whichever is earlier → Covered under Negative List → No Supply	i)	Adani Builders has constructed individual residential units For agreed consideration of Rs.2.4 crore per unit. Rs.1.8 crore per unit were received before issuance of completion certificate by the competent authority and balance after completion.
(c)	Temporary transfer or permitting the use of intellectual property right.		Temporary transfer of patent.
(d)	Agree to obligation to refrain from an Act, or to tolerate an act or situation, or to do an act. Note: - If early termination is paid to employee → Negative list	i) ii) iii)	Non-compete fee Compensation for early termination of contract Mr. A has entered into an agreement with Mr. B, that A will not sale in the specified areas where B is having business. Non-compete agreements constitute supply of service.
(e)	Development, design, programming, Customization, adaption, upgradation, enhancement of IT software.	i)	XYZ Solutions develops an accounting software for a business.
(f)	Transfer of right to use any goods for any purpose.		Machinery given on hire.

6. Composite Supply



NEGATIVE LIST UNDER GST – SCHEDULE III of CGST ACT

1. **Services by an Employee to the Employer in the course of or in relation to his employment**
2. **Services by any court or Tribunal established under any law for the time being in force.**
3.
 - a. The functions performed by the Member of Parliament, Member of State Legislature, Members of Panchayat, Members of Municipalities and Members of other local authorities.
 - b. The duties performed by any person who holds any post in pursuance of the provisions of the Constitution. E.g., Governors of State, C&AG etc.
 - c. The duties performed by any person as a Chairperson or a Member or a Director in a body established by the Central Government or a State Government or local authority and who is not deemed as an employee before commencement of this clause. E.g., Chairperson of IRDA, MIDC etc.

DO YOU KNOW

Amounts/fees charged by Consumer Disputes Redressal Commission: Consumer Disputes Redressal Commissions (National/ State/ District) may not be tribunals literally as they may not have been set up directly under Article 323B of the Constitution. However, they are clothed with the characteristics of a Tribunal. Consequently, fee paid by litigants while registering complaints to said Commissions are not leviable to GST. Any penalty in cash imposed by or amount paid to these Commissions will not attract GST

4. **Services of Funeral, Burial, Crematorium or Mortuary including transportation of the deceased.**
5. **Sale of Land and, subject to clause (b) of Paragraph 5 of Schedule II, sale of Building.**
6. **Actionable Claims, other than lottery, betting and gambling.**
7. **Services by way of any activity in relation to a function entrusted to a Panchayat under article 243G of the Constitution by CG, SG or local authority**
8. **Alcoholic Liquor License fee charged by State Government**

SECTION 8 COMPOSITE AND MIXED SUPPLY

1) COMPOSITE SUPPLY [Sec 2(30) of CGST Act, 2017]

- 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]

Principal Supply [Sec 2(90)] 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. [Section 2(90) of CGST Act]

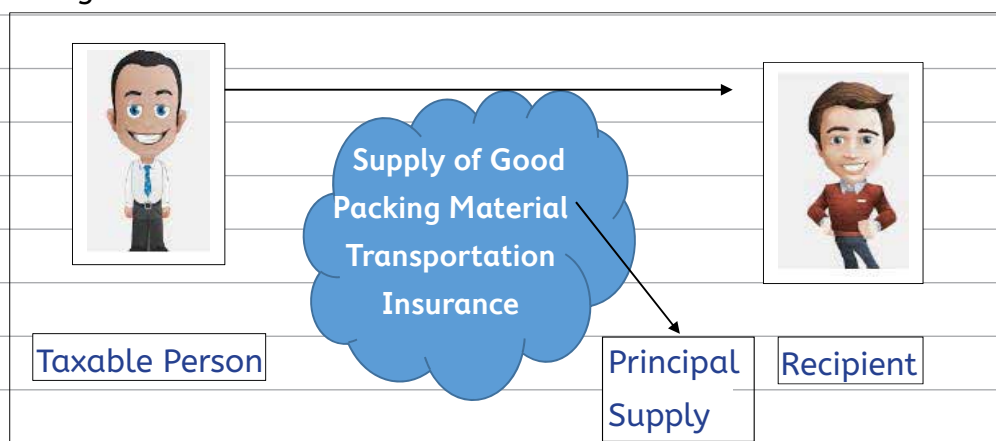
EXAMPLE

1. Hotel Accommodation with Breakfast, Laundry, etc.
2. Laptop with Warranty
3. Mobile with Earphone, Headphone, Charger

TAX Rate → Rate of Principal Supply

EXAMPLE 1 :

Taxable person supplies goods to recipient for Rs.6 Lakhs (including transportation charges, packing material and Insurance.



TAX Rate → Rate of Principal Supply will be applicable on Rs. 6 lakhs.

EXAMPLE 2 :

When a consumer buys a television set and he also gets warranty and a 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, [Sec 2(74) of CGST Act, 2017]

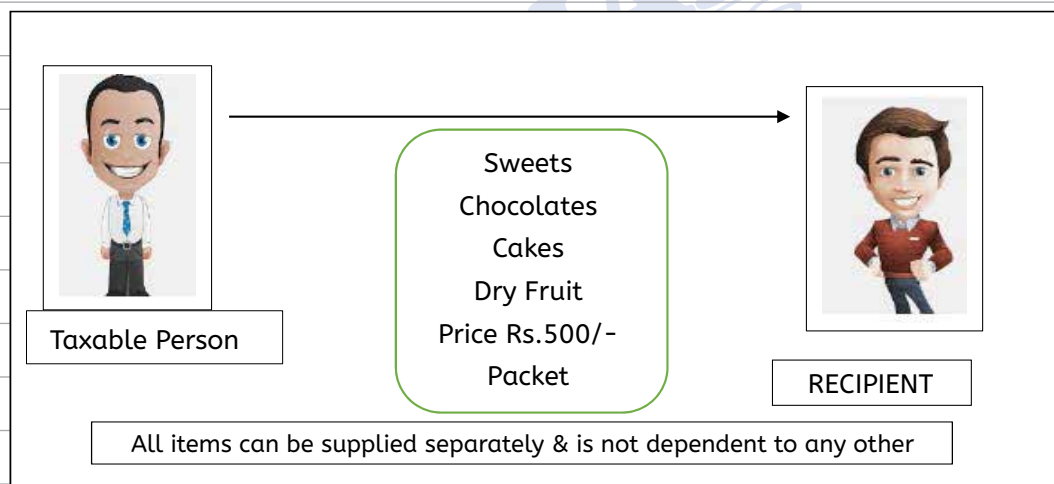
- two or more individual supplies of goods or services, or any combination thereof, made in conjunction with each other by a taxable person
- for a single price where such supply does not constitute a composite supply [Section 2(74) of the CGST Act].

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

TAX Rate → Supply that attracts Highest Rate of Tax.

EXAMPLE 1 :

Taxable person supplies packet consisting of Sweets, Chocolates, Cakes & Dry Fruits to recipient for Rs.500 (All items can be supplied separately & is not dependent to any other).



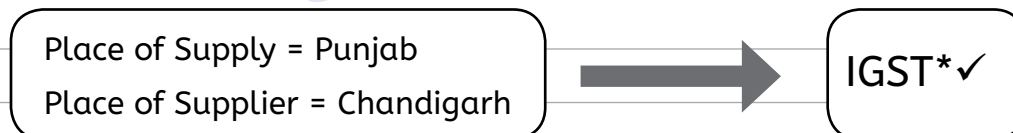
TAX RATE → Highest rate of tax will be applied on Rs. 500

3**CHARGES TO GST****INTER & INTRA STATE TRANSFER****❖ INTER STATE SUPPLY**

SUPPLY OF GOODS/SERVICES SHALL BE TREATED AS INTER-STATE SUPPLY: Where the location of the supplier and the place of supply are in –

- Two different states
- Two different Union Territories or
- A State and A Union Territory

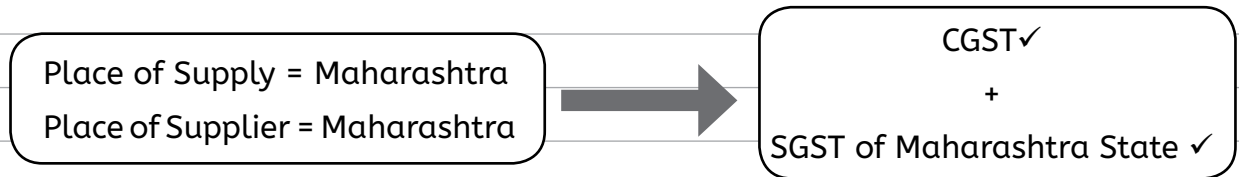
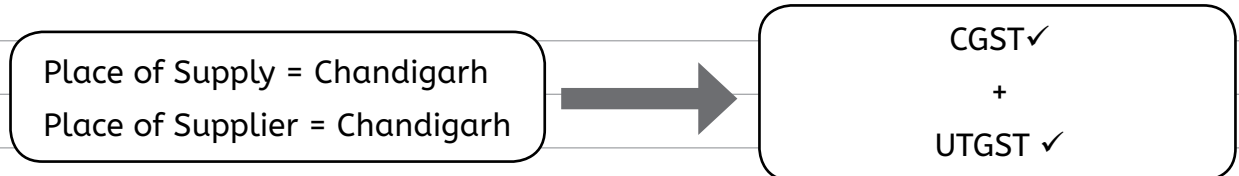
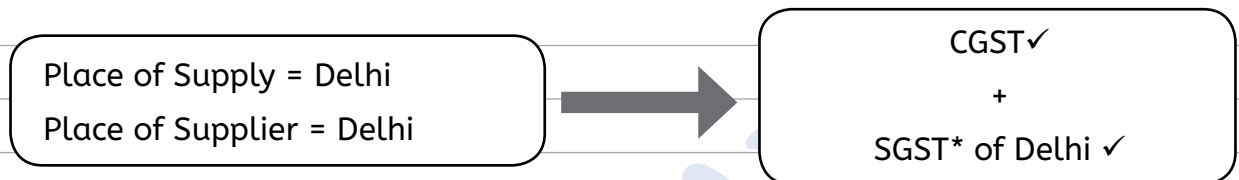
Integrated Goods & Service Tax i.e. IGST shall be charged on an Inter State Transfer

EXAMPLE 1:**EXAMPLE 2:****❖ INTRA STATE TRANSFER**

SUPPLY OF GOODS/SERVICES SHALL BE TREATED AS INTRA-STATE SUPPLY: Where the location of the supplier and the place of supply are in –

- Same State
- Same Union Territory

Central Goods & Service Tax i.e., CGST and State Goods & Service Tax i.e. SGST / Union Territory Goods & Service Tax i.e. UTGST shall be charged on an Intra State Transfer

EXAMPLE 1:**EXAMPLE 2:****EXAMPLE 3:**

*NOTE: State includes a Union Territory with Individual Legislature. Delhi, Puducherry & Jammu & Kashmir have their own individual legislature and hence covered under State GST Law.

CENTRAL GOODS AND SERVICES TAX ACT, 2017

Central Goods and Services Tax Act, 2017 extends to whole of India including Jammu & Kashmir.

STATE GST LAW

State GST law of the respective State/Union Territory with State Legislature [Delhi, Puducherry, Jammu & Kashmir] ** extends to whole of that State/Union Territory.

**NOTE: State: includes a Union territory with Legislature [Section 2(103) of the CGST Act].

EXAMPLE: Maharashtra GST Act, 2017 extends to whole of the State of the Maharashtra.

UNION TERRITORIES GOODS AND SERVICE TAX ACT, 2017

Union Territory Goods and Services Tax Act, 2017 extends to the Union territories**

**NOTE: Union Territory means the territory of –

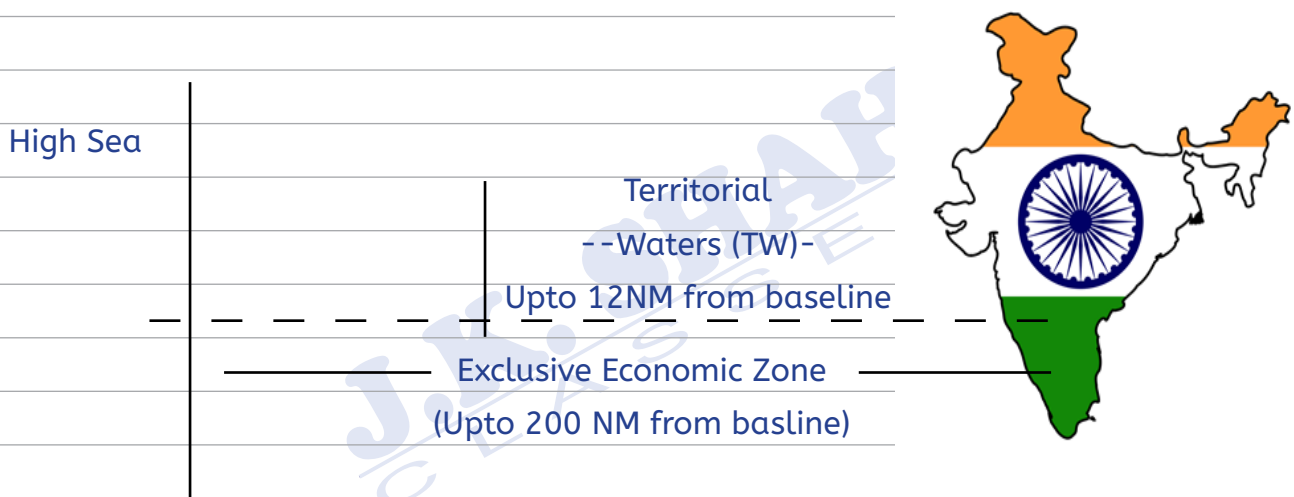
- the Andaman and Nicobar Islands;
- Lakshadweep;
- Dadra and Nagar Haveli & Daman & Diu;

- d) Chandigarh; and
- f) Ladakh

DEFINITION OF INDIA

“India” means –

- Territory of India as referred to in article 1 of the Constitution.
- its territorial waters, seabed and sub-soil underlying such waters, continental shelf, exclusive economic zone or any other maritime zone as referred to in the Territorial Waters, Continental Shelf, Exclusive Economic Zone and other Maritime Zones Act, 1976
- the air space above its territory and territorial waters



**CHARGING SECTION [SECTION 9 OF THE CGST ACT]
[SECTION 5 OF THE IGST ACT]****Section 9(1):**

- A tax called the Central Goods and Services Tax (CGST) shall be levied on all intra-State supplies of goods or services or both.
- Except for alcoholic liquor for human consumption
- Where a rate not exceeding 20% shall be levied
- On the value determined **u/s 15**
Shall be payable by a taxable person.

Section 5 (1)

- A tax called Integrated Goods and Service Tax (IGST) is levied on all Inter state supplied of goods or services or both.
- Except for alcoholic liquor for human consumption
- Where a rate not exceeding 40% shall be levied
- On the value determined **u/s 15**
Shall be payable by taxable person.

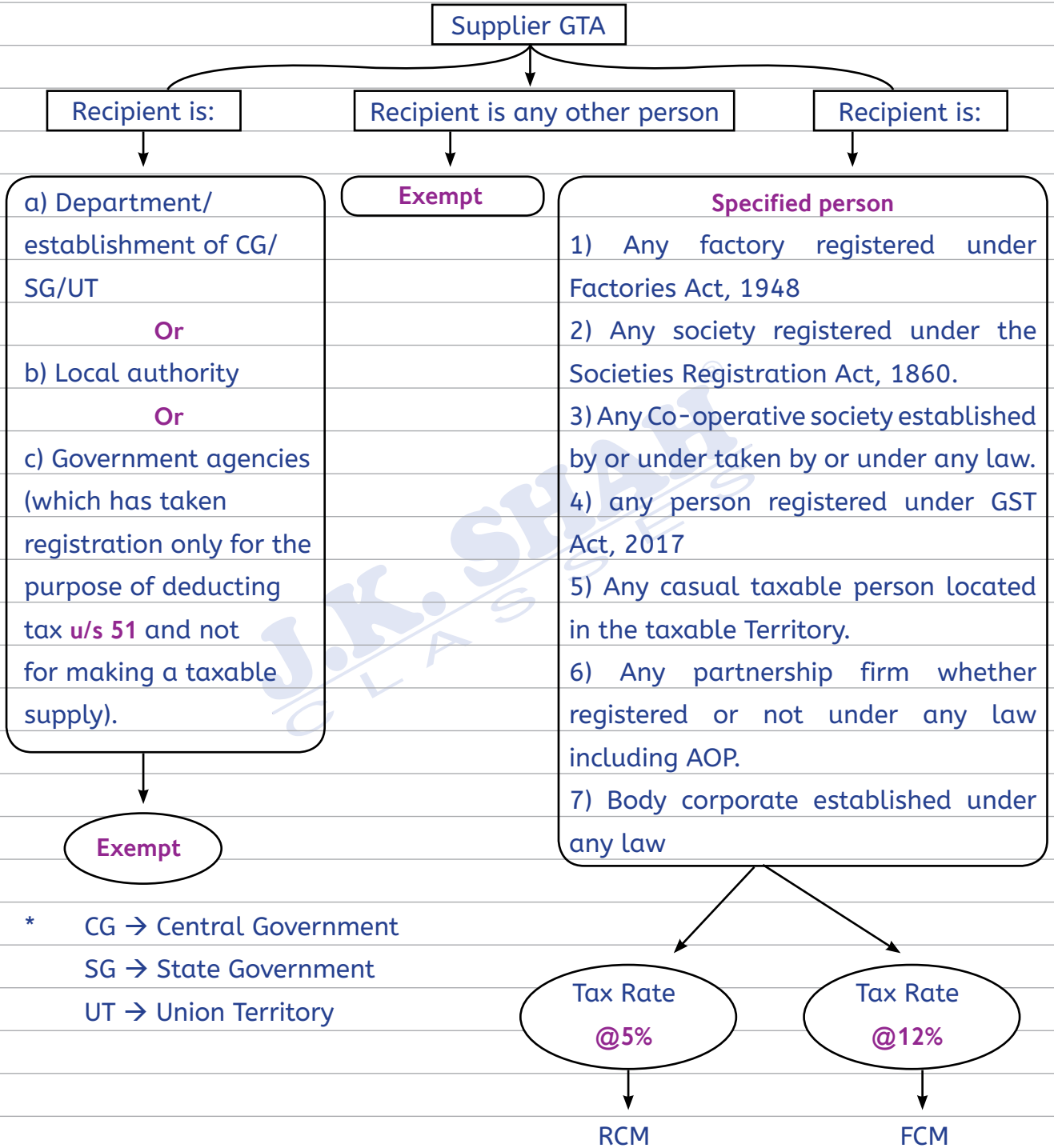
Section 9(2) of CGST Act/Section 5(2) of IGST Act

CGST/IGST on supply of the following items has not been levied immediately. It shall be levied with effect from such date as may be notified by the Government on the recommendations of the Council:

- petroleum crude
- high speed diesel
- motor spirit (commonly known as petrol)
- natural gas and
- aviation turbine fuel

Section 9(3) LIST OF SERVICES TAXABLE UNDER REVERSE CHARGE, I.E THE SERVICES WHERE TAX (CGST) IS PAYABLE BY THE RECIPIENT;

1) Services provided by GTA who has not paid GST @12% in respect of Transportation Goods by Road to specified person.



* CG → Central Government
SG → State Government
UT → Union Territory

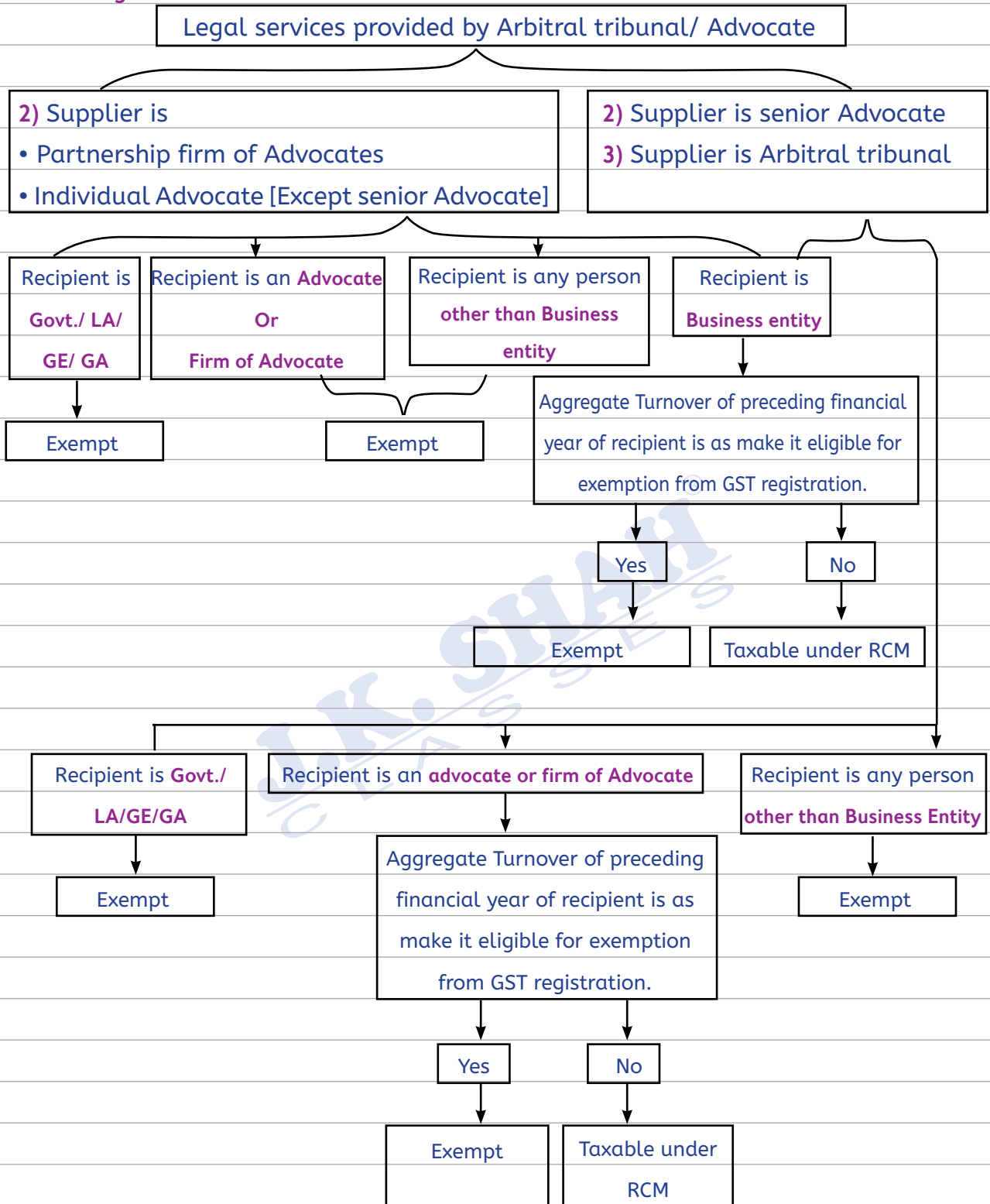
Note :- If question says GTA is unregistered person then RCM will be applicable

Example:

SUPPLIER	RECIPIENT	RATE OF TAX	EFFECT
GTA	CTP(Registered)	6% CGST	FCM
GTA	CTP(Registered)	5% IGST	RCM
GTA	FIRM(Unregistered)	12% IGST	FCM
GTA	FIRM(Registered)	5% IGST	RCM
GTA	FIRM(Registered)	12% IGST	FCM

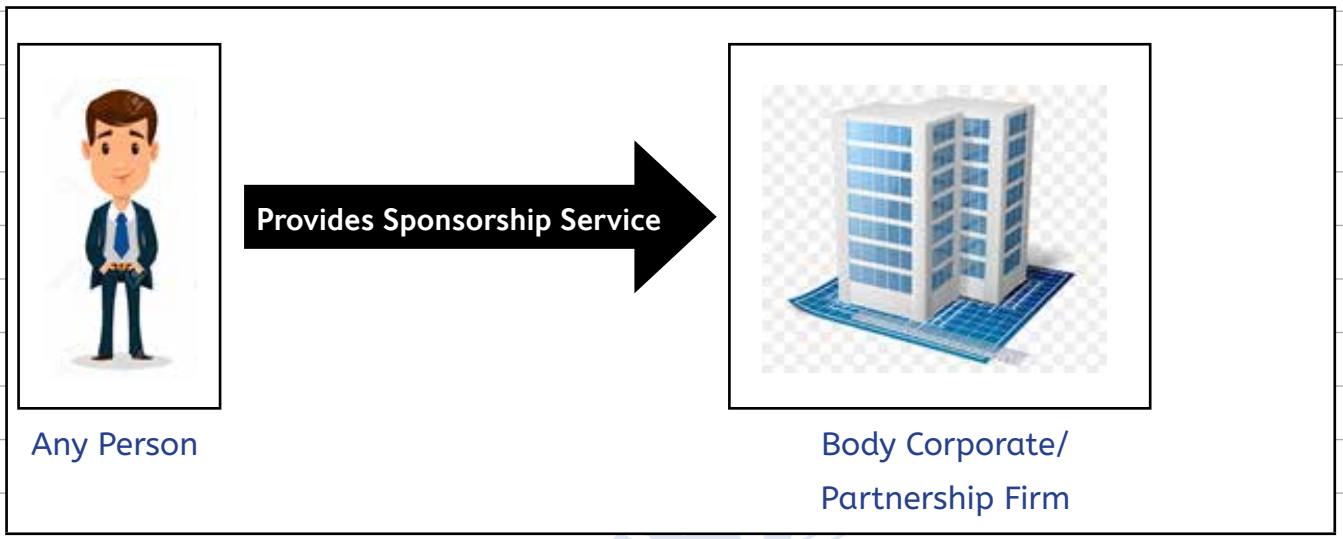
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CLASSES

2 & 3: Legal Services

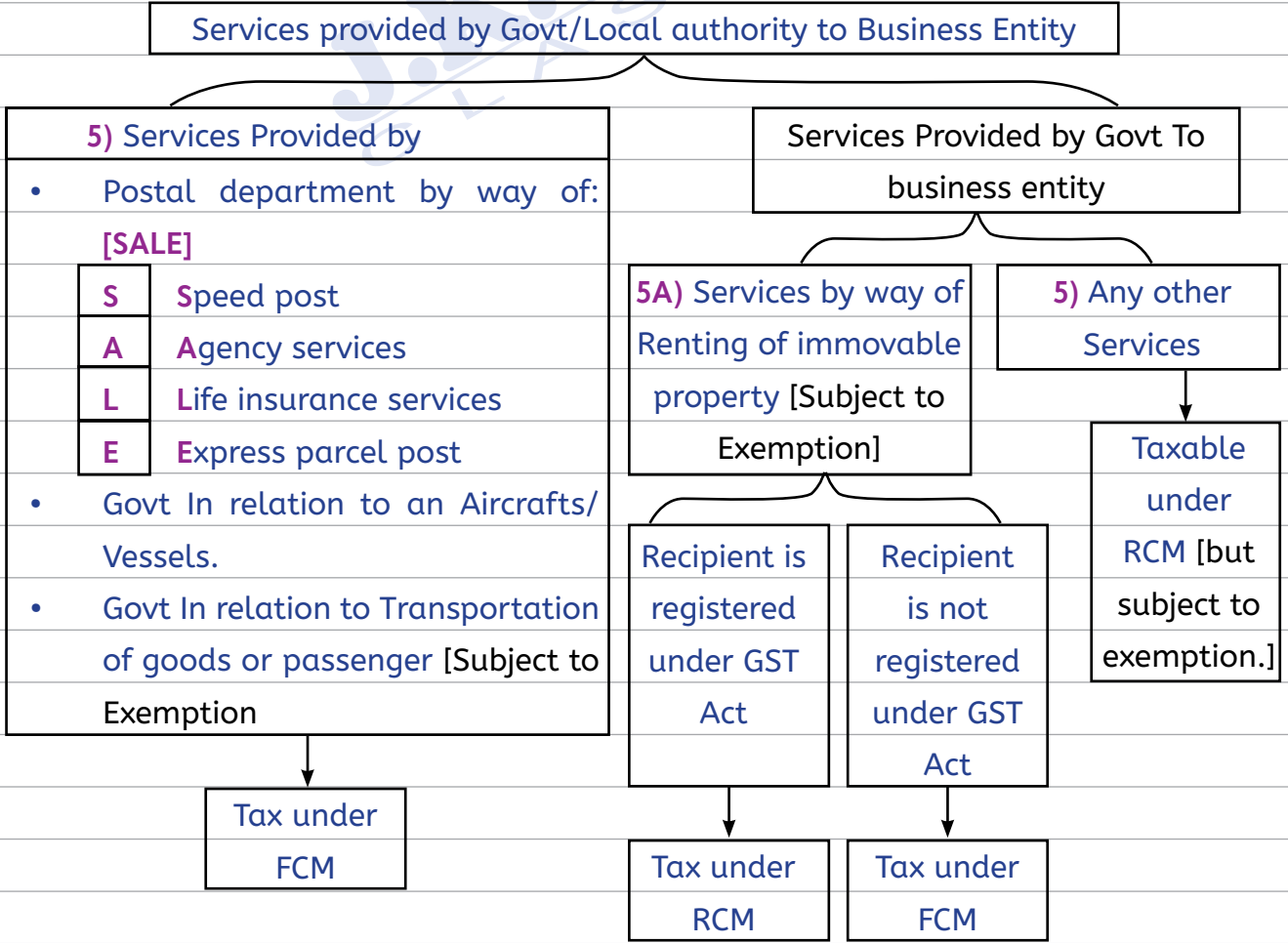


- * **GE** → Government Entity
- * **GA** → Government Authority
- * **LA** → Local Authority

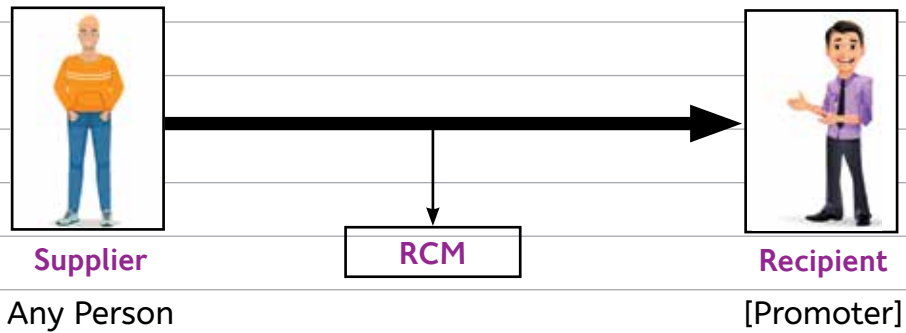
Sr. No	CATEGORY OF SUPPLY OF GST	SUPPLIER OF SERVICE	RECIPIENT OF SERVICE
4	Services provided by way of Sponsorship to anybody corporate or partnership firm.	Any Person	Any body corporate or partnership firm located in the taxable territory.



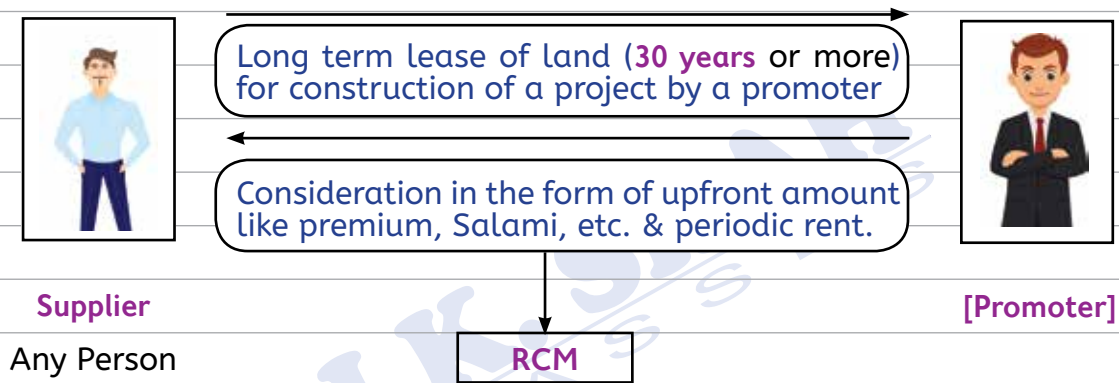
5) Services provided by Govt/Local authority to business Entity



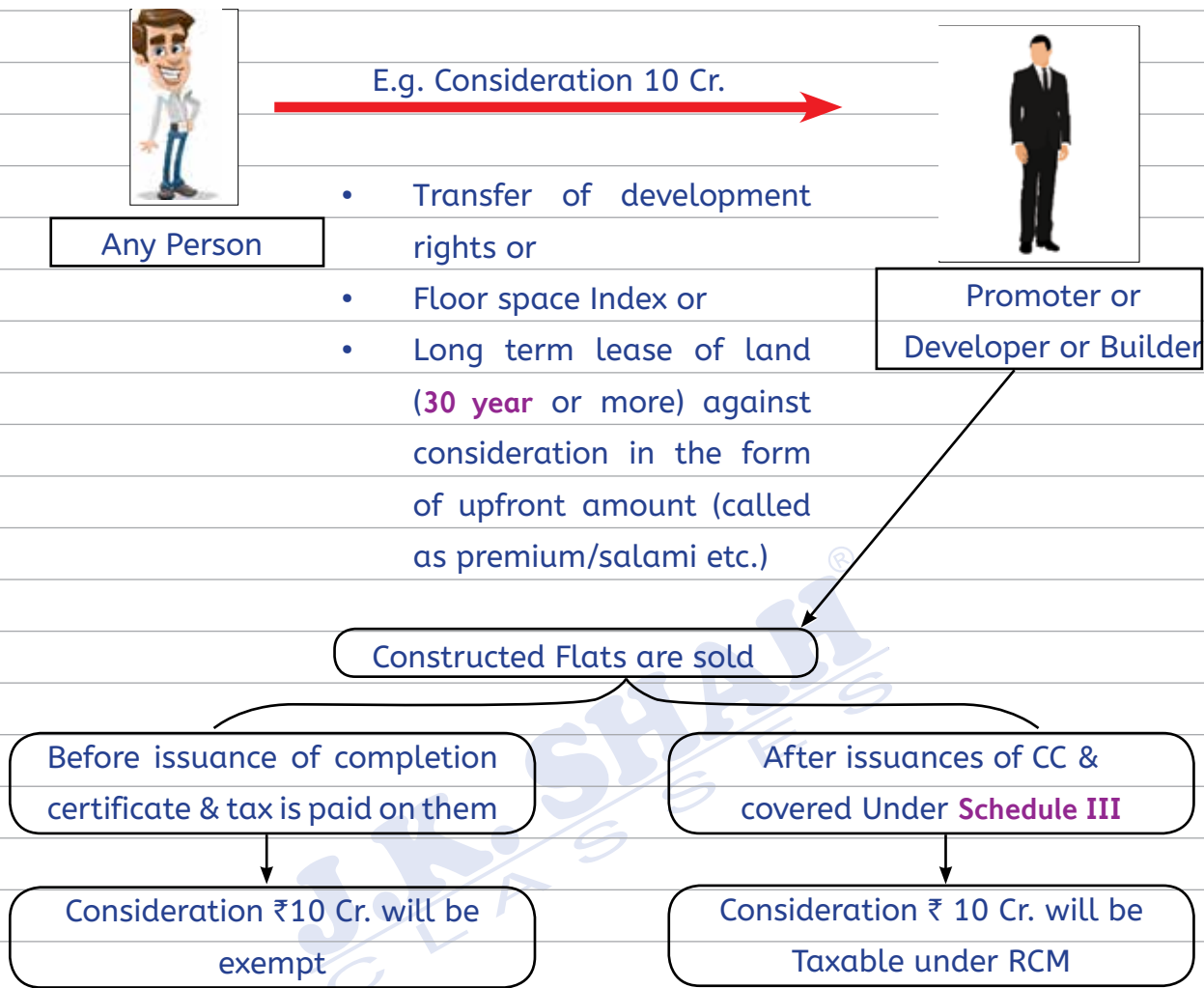
5B) Transfer of development rights or floor space index (including additional FSI)



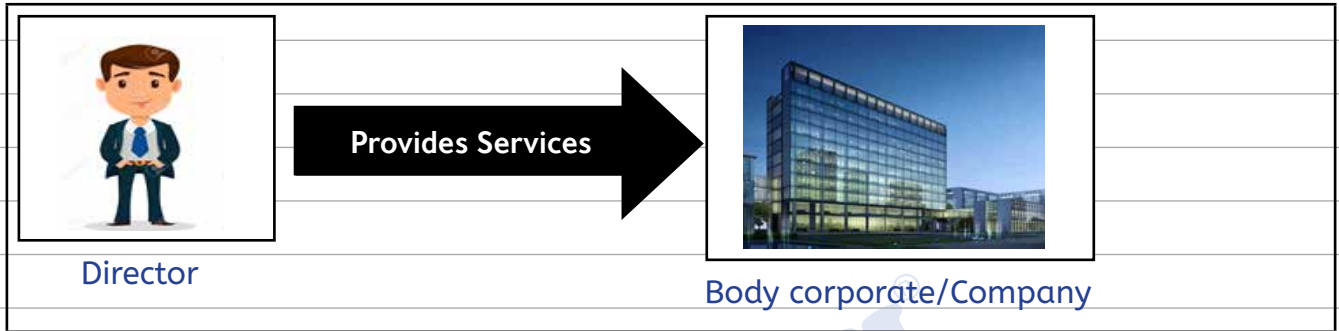
5C) Long term lease of Land (30 years or more)



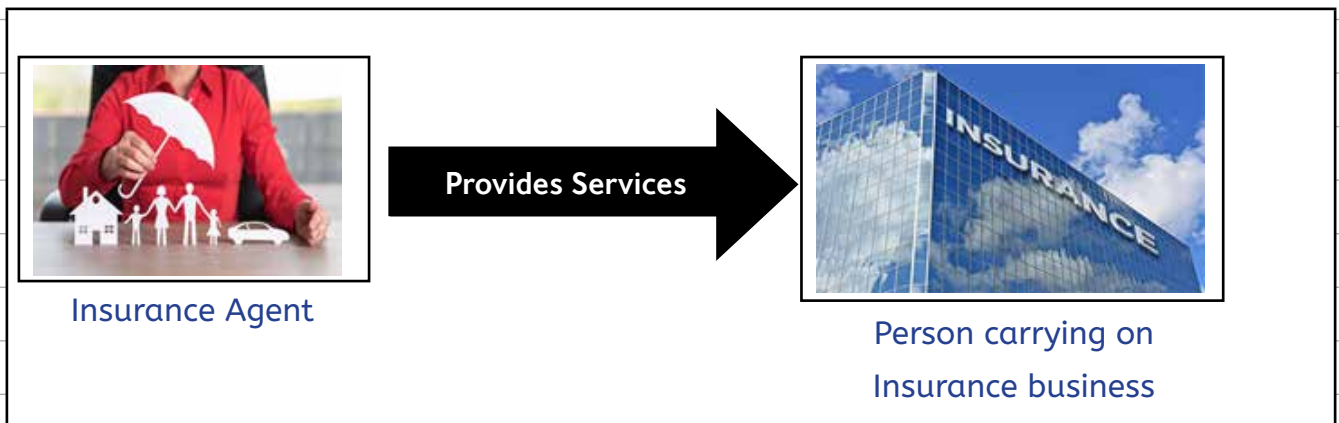
Analysis of 5B & 5C



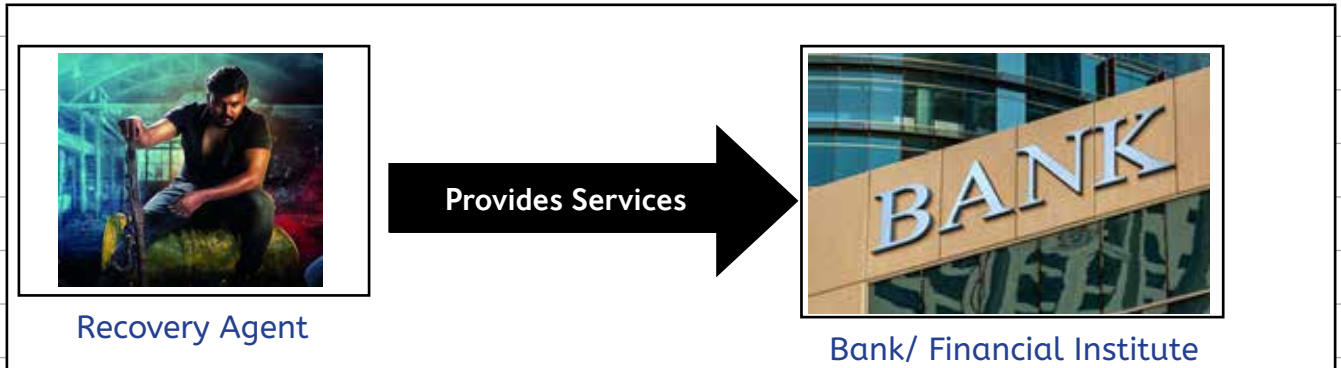
Sr. No	CATEGORY OF SUPPLY OF GST	SUPPLIER OF SERVICE	RECIPIENT OF SERVICE
6	Services supplied by a Director of a company / body corporate to the said company/body corporate.	A director of a company or a body corporate	The company or a body corporate located in the taxable territory as per Sec 2(11) of Companies Act, 2013.



Sr. No	CATEGORY OF SUPPLY OF GST	SUPPLIER OF SERVICE	RECIPIENT OF SERVICE
7	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.



Sr. No	CATEGORY OF SUPPLY OF GST	SUPPLIER OF SERVICE	RECIPIENT OF SERVICE
8	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 nonbanking financial company, located in the taxable territory.



Sr. No	CATEGORY OF SUPPLY OF GST	SUPPLIER OF SERVICE	RECIPIENT OF SERVICE
9	Supply of services by a Music composer , photographer, artist or the like by way of transfer or permitting the use or enjoyment of a copyright covered under section 13(1)(a) of the Copyright Act, 1957 relating to original literary, dramatic, musical or artistic works to a publisher, music company, producer or the like.	Music composer, photographer, artist, or the like	Music company, producer or the Like located in taxable territory.
9A	Supply of services by an author by way of transfer or permitting the use or enjoyment of a copyright covered under section 13(1)(a) of the Copyright Act, 1957 relating to original literary works to a publisher.	Author	Publisher located in the taxable territory.

However, **an author can choose to pay tax under forward charge** if-

- (i) he has taken registration under the CGST Act and filed a declaration, in the prescribed form, that he exercises the option to pay CGST on the said service under forward charge in accordance with section 9(1) and to comply with all the provisions as they apply to a person liable for paying the tax in relation to the supply of any goods and/or services and that he shall not withdraw the said option within a period of 1 year from the date of exercising such option;
- (ii) he makes a declaration on the invoice issued by him in prescribed form to the publisher.



Sr. No	CATEGORY OF SUPPLY OF GST	SUPPLIER OF SERVICE	RECIPIENT OF SERVICE
10	Supply of services by the members of Overseeing Committee to Reserve Bank of India (RBI)	Members of Overseeing Committee constituted by the Reserve Bank of India (RBI)	Reserve Bank of India (RBI)

Sr. No	CATEGORY OF SUPPLY OF GST	SUPPLIER OF SERVICE	RECIPIENT OF SERVICE
11	Services supplied by individual Direct Selling Agents (DSAs) other than a body corporate, partnership or limited liability partnership (LLP) firm to bank or non-banking financial company (NBFCs).	Individual Direct Selling Agents (DSAs) other than a body corporate, partnership or LLP firm	A banking company or a NBFC, located in the taxable territory

Sr. No	CATEGORY OF SUPPLY OF GST	SUPPLIER OF SERVICE	RECIPIENT OF SERVICE
12	Services provided by business facilitator to a banking company.	Business facilitator	A Banking company, located in the taxable territory

Sr. No	CATEGORY OF SUPPLY OF GST	SUPPLIER OF SERVICE	RECIPIENT OF SERVICE
13	Services provided by an agent of business correspondent to business correspondent.	An agent of business correspondent	A business correspondent, located in the taxable territory.

Sr. No	CATEGORY OF SUPPLY OF GST	SUPPLIER OF SERVICE	RECIPIENT OF SERVICE
14	<p>Security service (services provided by way of supply of security personnel) provided to a registered person.</p> <p>However, nothing contained in this entry shall apply to:</p> <p>(i) (a) a Department or Establishment of the Central Government or State Government or Union territory; or</p> <p>(b) local authority; or</p> <p>(c) Governmental agencies; which has taken registration under the CGST Act, 2017 only for the purpose of deducting tax under section 51 of the said Act and not for making a taxable supply of goods or services; or</p> <p>(ii) a registered person paying tax under composition scheme.</p>	Any person other than a body corporate	A registered person, located in the taxable territory.

Sr. No	CATEGORY OF SUPPLY OF GST	SUPPLIER OF SERVICE	RECIPIENT OF SERVICE
15	Service provided by renting of any motor vehicle designed to carry passenger where the cost of fuel is included in the consideration charged from the service recipient provided to a body corporate.	Any person other than body corporate, who supplies the service to a body corporate and does not issue an invoice charging CGST @6% to the service recipient.	Any body corporate located in the taxable territory.

Sr. No	CATEGORY OF SUPPLY OF GST	SUPPLIER OF SERVICE	RECIPIENT OF SERVICE
16	Service of lending of securities under securities lending scheme, 1997 ("scheme") of SEBI	Lender, i.e., a person who deposits securities registered in his name/in the name of any other person duly authorized on his behalf with an approved intermediary for the purpose of lending under scheme of SEBI	Borrower i.e., a person who borrows a security under a scheme through an approved intermediary of SEBI.

[SEC 10] Composition Scheme

Basis	Composition scheme (Section 10)	Composition Scheme for Services (Section 10(2A))												
1. Optional Scheme	It is an optional Scheme	It is an optional Scheme												
2. Eligible Person	<ul style="list-style-type: none"> ➤ Manufacturer [other than notified Goods] <div style="border: 1px solid black; padding: 5px; margin: 5px 0;"> <p>Notified Goods:</p> <ul style="list-style-type: none"> (i) Ice cream and other edible ice, whether or not containing cocoa. (ii) Pan Masala (iii) Tobacco and manufactured tobacco substitutes (iv) Aerated Water (v) Fly ash bricks or fly ash aggregate with 90% or more fly ash content; Fly ash blocks (vi) Bricks of fossil meals or similar siliceous earths (vii) Building bricks (viii) Earthen or roofing tiles </div> <ul style="list-style-type: none"> ➤ Trader ➤ Service Provider [only supplier making supplies under Schedule II -> para 6 -> Clause (b) [Restaurant service] 	<ul style="list-style-type: none"> ➤ Exclusively engaged in supplying services other than restaurant services. ➤ Any person who is not eligible for composition scheme. <p>(Except Manufacturer of Notified Goods)</p>												
3. Aggregate Turnover (ATO) for Eligibility	<p>Applicable to registered person, whose aggregate turnover in preceding year is not exceeding 1.5 crore or 75 Lacs [in special category states]</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <th colspan="4">Special Category States:</th> </tr> <tr> <td>Meghalaya</td> <td>Manipur</td> <td>Mizoram</td> <td>Arunachal Pradesh</td> </tr> <tr> <td>Nagaland</td> <td>Sikkim</td> <td>Uttarakhand</td> <td>Tripura</td> </tr> </table>	Special Category States:				Meghalaya	Manipur	Mizoram	Arunachal Pradesh	Nagaland	Sikkim	Uttarakhand	Tripura	A registered person whose aggregate turnover in the preceding financial year does not exceed Rs. 50 Lakh.
Special Category States:														
Meghalaya	Manipur	Mizoram	Arunachal Pradesh											
Nagaland	Sikkim	Uttarakhand	Tripura											

4. Tax Rate	Registered person is a	CGST	SGST	1. CGST → 3% of Turnover in a state/UT 2. SGST → 3% of Turnover in a state/UT
	Manufacturer	0.5% of Turnover in a State/UT	0.5% of Turnover in a State/UT	
	Trader	0.5% of Taxable Turnover in a state/UT	0.5% of Taxable Turnover in a state/UT	
	Restaurant	2.5% of Turnover in a state/UT	2.5% of Turnover in a state/UT	

5. Is composition scheme holder eligible for making supply of service [other than restaurant service]	Composition scheme taxpayers permitted to render services other than restaurant services upto a specified limit: This specified value is value not exceeding: a) 10% of the turnover (Excluding Interest on loan, advance & deposit) in a State/Union territory in the preceding financial year; or b) Rs. 5 lakh, Whichever is Higher
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6. Aggregate Turnover (ATO)	Aggregate Turnover	
	Inclusions	Exclusions
	Value of all outward supplies i.e. – <ul style="list-style-type: none"> • Taxable supplies • Exempt supplies • Exports • Inter-State supplies of persons having same PAN to be computed on all India basis 	<ul style="list-style-type: none"> • CGST • SGST • UTGST • IGST • Cess • Value of inward supplies on which tax is payable under reverse charge.
Note: 1) Interest income on loan, advance and deposit to be excluded while computing aggregate turnover for determining eligibility for composition scheme.		

<p>7. Who cannot opt for Composition Scheme/ Composition Scheme for Services</p>	<p>a) A service provider (except Restaurant Services and a Registered person whose Value of Service < 10% of the Turnover in a state/UT in preceding F.Y. OR Rs. 5 Lakh, whichever is Higher [This point is only applicable for composition Scheme]</p> <p>b) Person making non-taxable supplies.</p> <p>c) Person making inter-state supply of good/ services.</p> <p>d) A Person engaged in making supplies of goods or services through electronic commerce operator responsible for collecting tax at source.</p> <p>e) Manufacturer of notified goods.</p> <p>f) Non-resident Taxable Person or Casual Taxable Person.</p>
<p>8. Something To Know</p>	<p>1) The option availed by a registered person u/s 10 shall lapse with effect from the day on which aggregate T/O during Financial year exceeds limits specified. [Same u/s 10(2A)]</p> <p>2) Composition scheme to be adopted uniformly by all the registered persons having the same PAN.</p> <p>3) A taxable person who is covered u/s 10/u/s 10(2A) shall neither collect any tax from the recipient on supplies made by him nor shall he be entitled to any credit of input tax.</p> <p>4) There is no restriction on Composition Supplier to procure goods from Inter-State Supplier.</p> <p>5) A taxable person u/s 10/u/s 10(2A) shall mention the words “Composition Taxable Person”. On sign board displayed at prominent place at his Principal place of Business and Additional place of Business.</p> <p>6) A taxable person shall pay Tax under RCM on inward supply of goods or services U/S 9(3)/ 9(4).</p>

EXAMPLE 1:

Z Ltd. a manufacturing unit in Rajasthan has opted for composition scheme furnishes you with the following information for Financial Year 2021-22 It requires you to determine its composition tax liability and total tax liability. In Financial Year 2021-22 total value of supplies including inward supplies taxed under reverse charge basis are ₹ 87,40,000. The break up of supplies are as follows:

Particulars	₹
(1) Intra State Supplies of Goods X chargeable @ 5% GST	3,000,000
(2) Intra State Supplies made which are chargeable to GST at Nil rate	1,800,000
(3) Intra State Supplies which are wholly exempt under Sec 11 of CGST Act, 2017	240,000
(4) Value of inward supplies on which tax payable under RCM (GST Rate 5%)	700,000
(5) Intra State Supplies of Goods Y chargeable @ 18% GST	3,000,000

Solution:

(1) The composite tax liability of A Ltd. shall be as under:

Particular	₹
(1) Supplies made under forward charge	3,000,000
(2) Supplies made which are chargeable to GST at Nil rate	1,800,000
(3) Supplies which are wholly exempt under section 11 of GST Act, 2017	240,000
(4) Value of inward supplies on which tax payable under RCM (GST Rate 5%) (not to be included)	Nil
(5) Intra State Supplies of Goods Y chargeable @ 18% GST	3,000,000
Aggregate turnover	8,040,000
Rate of Companies Tax (Effective Rate)	1%
Total Companies Tax	80,400

(2) Tax payable under reverse charge basis

Particulars	₹
Value of inward supplies on which tax payable under RCM	700,000
Rate of GST	5%
Tax payable under RCM	35,000
Total tax liability	115,400

EXAMPLE 2:

M & P Co. a trading concern, has opted for composition scheme in FY 2021-22. It furnishes you with the following details of supplies made for the quarter ending 30th September, 2018. You are required to determine composition tax liability.

Particulars	₹
(1) Intra – State Taxable Supply	300,000
(2) Intra – State Exempt Supply	200,000

Solution:

M & P Co. will be liable to pay tax @ 1% of the turnover of taxable supplies of goods in the State. Thus, the composite tax liability will be:

CGST = 0.5% of Rs. 3L = Rs. 1,500

SGST = 0.5% of Rs. 3L = Rs. 1,500

The value of exempt supply shall not be included for computation of GST liability of a trader

J.K. SHAH[®]
CLASSES

4**EXEMPTIONS****1. Power to Exempt – Section 11 of CGST Act, 2017****• Overview****Section 11 of CGST Act, 2017/ Section 6 of IGST Act, 2017**

General Exemption: If the CG is satisfied that it is necessary in the **public interest**, it may on the recommendation of GST Council **exempt**, goods or services of any specified description from the **whole or any part** of the GST leviable thereon, subject to **such conditions** as may be specified in the notification.

Special Exemption: On the recommendation of GST Council, Central Government may by **special order** in each case, **exempt** goods or services of any specified description from the whole or any part of the GST leviable thereon, under circumstances of an **exceptional nature** to be stated in such order, subject to such conditions as may be specified in the order.

2. List of Service Exemptions–Notification no.12/2017 of CGST and 9/2017 of IGST**2.1. Renting of Immovable Property**

- Renting or leasing of **vacant land** relating to agriculture¹.
- Renting of a **residential dwelling for use as residence**. Hotel, Lodge used as residence for temporary or long period will **not** be covered under this entry as they are not residential dwelling.
- Renting of Hotel, Inn, guest house, club or campsite, by whatever name called, for residential and lodging purpose having **value of supply** of a unit of accommodation **below or equal to 1,000 rupees per day or equivalent**.

2.2. Hiring, Leasing, Licensing of Goods

- Services by way of **giving on hire**
 - (a) Motor vehicle meant to carry more than 12 passengers to **State transport undertaking**; or
 - (b) **Electrically operated vehicle** meant to carry more than 12 passengers to **Local authority**; or
 - (c) Means of transportation of goods to a Goods transport agency; or
 - (d) Motor vehicle for transport of students, faculty and staff, to a person providing services of transportation of students, faculty and staff to an educational institution providing services by way of pre-school education and education upto higher secondary school or equivalent.

'Agriculture means the cultivation of plants and rearing of all life forms of animals except rearing of horses, for food, fibre, fuel, raw materials or other similar products.

2.3. Construction Services

- 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 or enhancement under the **Housing for All (Urban) Mission** or **Pradhan Mantri Awas Yojana**.
- 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 complex².
- Services supplied by **electricity distribution utilities** by way of construction, erection, commissioning, or installation of infrastructure for extending electricity distribution network upto the tube well of the farmer or agriculturalist for agricultural use.

2.4. Services provided by Government and Local Authorities

- **Exemption**

Services by the Central Government, State Government, Union territory or local authority excluding the following services—

- (a) 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 the Central Government, State Government, Union territory;**
- (b) services in relation to **an aircraft or a vessel**, inside or outside the precincts of a port or an airport;
- (c) **transport of goods or passengers;** or
- (d) any service, other than services covered under entries (a) to (c) above, **provided to business entities.**

- Additional Points

- **Basic postal services, money orders, book post, registered posts provided by department of post is not taxable. However, agency services are liable to GST.**
- **Any service provided by CG, SG or LA upto ₹ 5,000 is also exempted. This exemption is not applicable to first three limbs of exemption**
- **Exemption:** Any service provided by Government to a business entity whose turnover does not exceed registration limit (₹40/₹20/₹10 lakh) in preceding financial year is exempt except first three limbs and renting of immovable property.

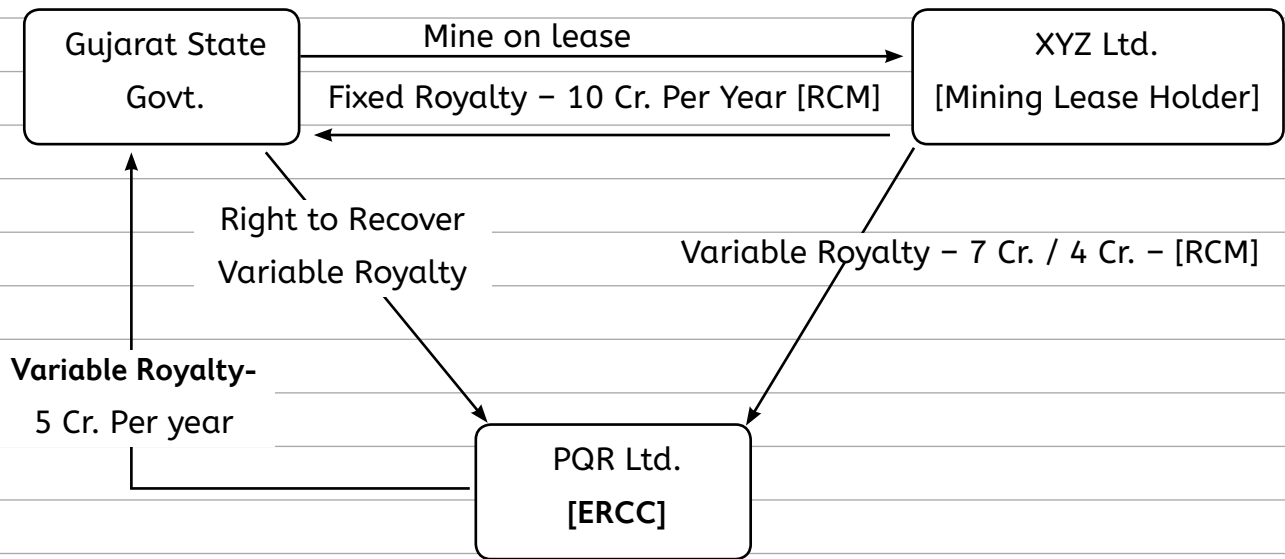
²**Residential complex:** means any complex comprising of a building or buildings, having more than one single residential unit

• Other Points & Exemptions related to Government

Type of service	Taxability
Service provided by Government or local authority to another Government or local authority	Such services have been exempted . However, it does not apply to first three limbs of 1st exemption provided by government .
Service provided to an individual who may be carrying out a profession or business .	Services by way of grant of passport, visa, driving license, birth or death certificates have been exempted .
Services in the nature of allocation of natural resources by Government or a local authority to individual farmers	Exempted. However, Such allocations/auctions to categories of persons other than individual farmers would be leviable to GST.
Services provided in lieu of fee charged by Government or a local authority	Registration required under the law; testing, calibration, safety check or certification relating to protection or safety of workers , consumers or public at large, required under the law, have been exempted .
Fines and penalties	It is clarified that finest and penalty chargeable by Government or a local authority imposed for violation of a statute, bye-laws, rules or regulations are not leviable to GST . Fines and liquidated damages payable to Government for non-performance of contract entered into with Government or local authority have been exempted .
Guarantee Commission	Services supplied by Central Government, State Government, Union territory to their undertakings or PSUs by way of guaranteeing the loans taken by such undertakings or PSUs from the banking companies & financial institutions is exempted..
Long term lease by State Government	One time upfront amount (called as premium, salami, cost, price, development charges or by any other name) leviable in respect of the service, by way of granting long term (thirty years, or more) lease of industrial plots or plots for development of infrastructure for financial business , provided by the State Government Industrial Development Corporations or Undertakings or by any other entity having 20% or more ownership of CG, SG, UT to industrial units is exempted.

Charges for officers	Services provided by the Central Government, State Government, Union territory 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 is exempted.
Assigning right to collect royalty	Services supplied by a State Government to Excess Royalty Collection Contractor (ERCC) by way of assigning the right to collect royalty* on behalf of the State Government on the mineral dispatched by the mining lease holders is exempted.
FSSAI	Services by way of licensing, registration and analysis or testing of food samples supplied by the Food Safety and Standards Authority of India (FSSAI) to Food Business Operators is exempted.
National Permit	Services by way of granting National Permit to a goods carriage to operate through-out India is exempted.
Panchayat and Municipality	Pure Service/ Composite supply of goods or services where value of goods is not more than 25% of the total value provided to Government or local authority by way of any activity in relation to any function entrusted to Panchayat under Article 243G or to Municipalities under Article 243W of the Constitution is exempted.
Commission paid to ration shops	Service provided by Fair Price Shops to Central Government, State Government or Union territory by way of sale of food grains, kerosene, sugar, edible oil, etc. under Public Distribution System against consideration in the form of commission or margin is exempted.

* Example of ERCC :



- ✓ Fixed Royalty of Rs. 10 Cr. From MLH to Gujarat State always taxable as RCM
- ✓ Variable Royalty of Rs. 7 Cr. Or 4 Cr. From MLH to ERCC also taxable as RCM
- ✓ **Variable Royalty of Rs. 5 Cr. From ERCC to Gujarat State Govt is –**
 - Fully Exempt if variable royalty Rs. 7 Cr. Paid by MLH To ERCC
 - Only 4 Cr. Exempt out of 5 Cr. If if variable royalty Rs. 4 Cr. Paid by MLH To ERCC and 1 Cr. Taxable as RCM

2.5. Education related services - Exemption

- Services provided

(a) **BY** an educational institution* to its **students, faculty and staff.**

(aa) **By an education institution* by way of conduct of entrance examination against consideration in the form of entrance fee.**

(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;
- (v) **Supply of online educational journals or periodicals**;

Note 1: However nothing contained in entry (i) (ii) (iii) of item (b) shall apply to an education institution* other than an institution providing services by way of pre-school education and education up to higher secondary school or equivalent.

Note 2: Provided further that nothing contained in sub-item (v) of item (b) shall apply to an institution providing services by way of,-

- (i) Pre-school education and education up to higher secondary school or equivalent; or
- (ii) Education as a part of an approved vocational education course

***Education institution³ means** an institution providing services by way of -

- (i) Pre-school education and education up to higher secondary school or equivalent;
- (ii) Education as a part of a curriculum for obtaining a qualification recognised by any Law for the time being in force;
- (iii) Education as a part of an approved vocational education course^{**};

****Approved vocational education course means,-**

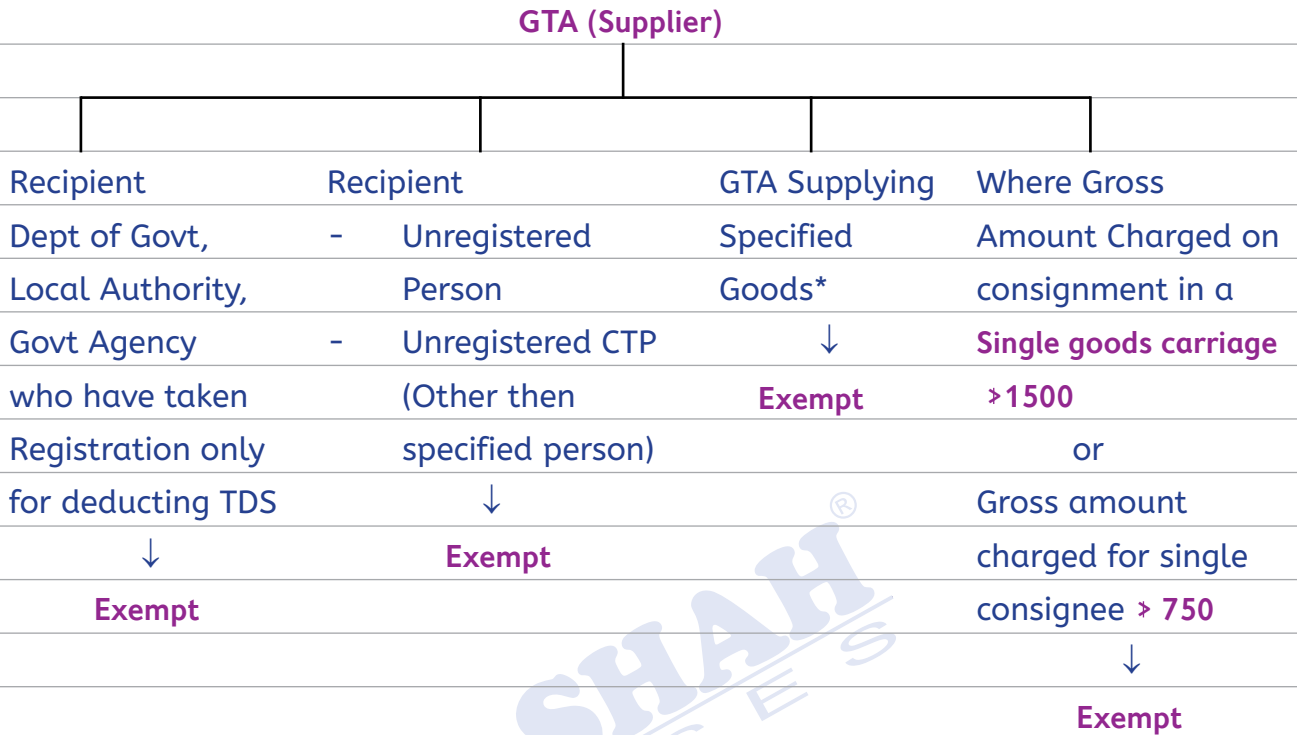
- (i) A course run by an industrial training institute or an industrial training centre affiliated to the **National Council for Vocational Training** or **State Council for Vocational Training** offering courses in designated trades notified under the Apprentices Act, 1961 (52 of 1961.); or
- (ii) A Modular Employable Skill Course, approved by the **National Council of Vocational Training⁴**, run by a person registered with the Directorate General of Employment and Training, Union Ministry of Labour and Employment.

³It is clarified that the **Central and State Educational Boards** shall be treated as **Educational Institution** for the limited purpose of providing services by way of **conduct of examination to the students**.

⁴Circular number 55/2018 clarified that **private Industrial Training Institutes** providing courses approved by NCVT/ SCVT would be exempt.

2.6. Transportation of goods - Exemptions

1) By Road: Exempt except through GTA or courier Agency



* Specified Goods

- Milk, Salt & Food grains including Flour, Pulses & rice
- Agriculture Produce
- Organic manure
- Newspaper & Magazine
- Relief material meant In victims of natural or manmade disaster
- Define or Military Equipment

Eg.

A = 751	T
B = 800	T
C = 400	E
1951	

Truck 1

P = 200	
Q = 400	
R = 800	
1400	→ E

Truck 2

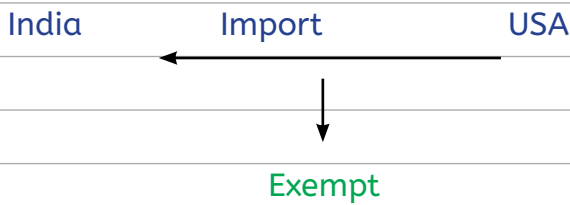
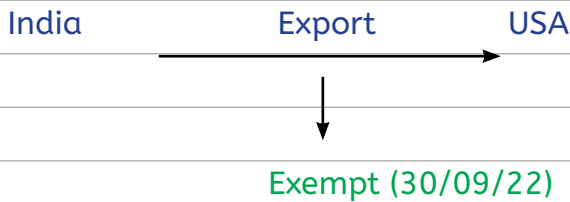
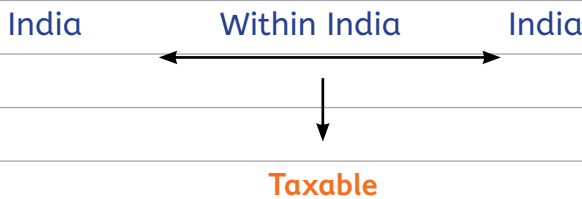
X = 800	T
Y = 900	T
Z = 1000	T
2700	

Truck 3

X - Milk = 2520	
Y - Salt = 880	
Z - Rice = 950	
4350	

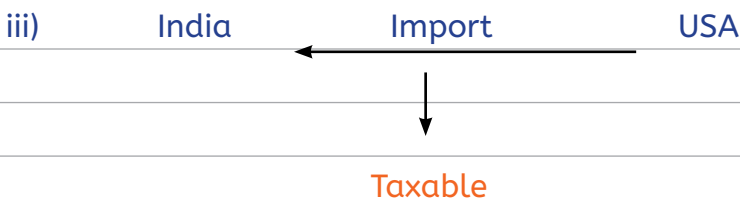
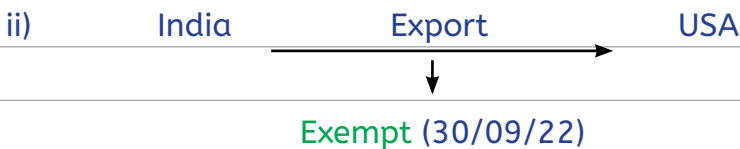
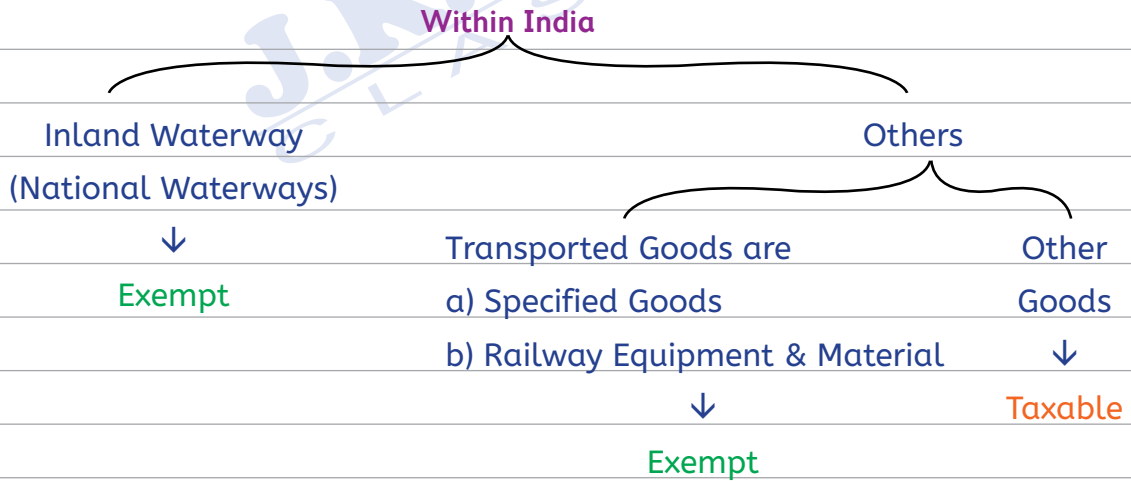
Truck 4

2) **By Air :** Through Aircraft



3) **Transportations of Goods by water :** Through Vessel

i)



4) **Transportations of Goods by Rail : Through Railways**



2.7. **Transportation of passengers - Exemptions**

- 1) **By road :**
- 1) Non AC Contract Carriage
 - 2) Non AC stage Carriage
 - 3) metered cab
 - 4) Auto (including E-rickshaw)
- } Except through Ratio Taxi or Tourism

- 2) **By Air :** Passenger Embarking from / Terminating in an Airport located in 7 sister + 1 Brother + 1 Assam
- Sikkim
 - Arunachal pradesh
 - Nagaland
 - Manipur
 - Mizraim
 - Meghalaya
 - Tripura
- +
bagdogra
+
Assam
- SANM₂ MT Bagdogra Assam

- 3) **By Water (vessel):**
- 1) Inland waterways → Exempt
 - 2) Other including cruise for tourism = Taxable
 - 3) Public Transport → Exempt

- 4) **By Rail:**
- 1) Monorail → **Exempt**
 - 2) Tramway → **Exempt**
 - 3) Metro → **Exempt**
 - 4) other than First Class / AC Coach → **Exempt**
 - 5) First Class / Ac coach → **Taxable**

2.8. Agriculture Related Exemptions

- a) Services relating to **cultivation of plants and rearing of animals except rearing of horses, for food, fibre, fuel, raw material or similar produce or agricultural produce⁹** by way of –
- (i) Agricultural operations directly related to production of any agricultural produce including cultivation, harvesting, threshing, plant protection or testing;
 - (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 produce¹⁵;
- b) Services by way of storage or warehousing of cereals, pulses, fruits, nuts and vegetables, spices, copra, sugarcane, jaggery, raw vegetable fibres such as cotton, flax, jute etc., indigo, unmanufactured tobacco, betel leaves, tendu leaves, coffee and tea
- c) Pre-conditioning, pre-cooling, ripening, waxing, retail packing, labelling of **fruits and vegetables**.
- d) **Services by way of fumigation in a warehouse of agricultural produce.**

- e) Services by way of loading, unloading, packing, storage or warehousing of **rice**.
- f) **Services by way of warehousing of minor forest produce.**
- g) **Carrying out an intermediate production process¹⁰** 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.

⁹**Agricultural produce means** any produce of agriculture on which either **no further processing** is done or such processing is done as is usually done by a cultivator or producer which **does not alter its essential characteristics** but makes it marketable for primary market.

• It is hereby clarified that processed products such as **tea** (i.e. black tea, white tea etc.), processed **coffee beans or powder, pulses** (dehusked or split), **jaggery, processed spices, processed dry fruits, processed cashew nuts** etc. **fall outside the definition of agricultural produce** as they are not prepared after processing on raw agriculture produce. (Circular no. 16/16/2017 GST Dated 15.11.2017)

¹⁰**Milling of paddy is not an intermediate production process** in relation to cultivation of plants. It is a process carried out after the process of cultivation is over and paddy has been harvested.

Further, processing of paddy into rice is not usually carried out by cultivators but by rice millers. Milling of paddy into rice also changes its essential characteristics. Therefore, milling of paddy into rice cannot be considered as an intermediate production process in relation to cultivation of plants for food, fibre or other similar products or agricultural produce.

In view of the above, it is clarified that milling of paddy into rice is not eligible for exemption. (Circular No. 19/19/2017-GST dated 20/11/2017)

2.9. Health Care Services and Charity Related Exemptions

- a) **Health care services¹¹** by a clinical establishment¹², an authorised medical practitioner¹³ or para-medics and **Ambulance services provided by any person¹⁴.**
- b) Services provided by operators of the **Common Bio-medical Waste Treatment Facility** to a clinical establishment by way of treatment or disposal of biomedical waste or processes incidental thereto
- c) Service provided by a **cord blood bank** in relation to preservation of stem cells.
- d) Services by a **veterinary clinic** in relation to health care of animals or birds;

¹¹**Health care services means** any service by way of **diagnosis or treatment or care** for illness, injury, deformity, abnormality or pregnancy in **any recognised system of medicines in India** and includes services by way of transportation of the patient to and from a clinical establishment, **but does not include hair transplant or cosmetic or plastic surgery, except when** undertaken to restore or to reconstruct functions of body affected due to such injury or trauma.

• Circular No. 27/01/2018 GST dated 04.01.2018 has clarified that Renting of rooms provided to in-patients in hospitals are exempt.

¹²**Clinical establishment means** a hospital, nursing home, clinic, sanatorium or any other institution by, whatever name called, that offers services or facilities requiring diagnosis or treatment or care for illness, injury, deformity, abnormality or pregnancy in any recognised system of medicines in India.

¹³Circular no. 32/06/2018 – GST Dated 12/02/2018 has clarified that **Consultancy Charge** provided to visiting senior doctor by hospital is exempt and also **food** provided to **in-patients** in hospitals are exempt.

¹⁴Circular number 51/25/2018 has clarified that **ambulance** service provided by **private operators** to Government under **National Health Mission** is not liable to GST.

e) Services by an entity registered under **section 12AA/12AB** of the Income tax Act, 1961 (43 of 1961) by **way of charitable activities***;

***Charitable activities means** activities relating to -

- (i) **Public health** by way of -
 - (a) Care or counseling of (i) terminally ill persons or persons with severe physical or mental disability, (ii) persons afflicted with HIV or AIDS, or (iii) persons addicted to a dependence-forming substance such as narcotics drugs or alcohol; or
 - (b) Public awareness of preventive health, family planning or prevention of HIV infection;
- (ii) **Advancement of religion or spirituality or yoga;**
- (iii) **Advancement of educational programmes or skill development** relating to,-
 - (a) Abandoned, orphaned or homeless children;
 - (b) Physically or mentally abused and traumatized persons or prisoners;
 - (c) Persons over the age of 65 years residing in a rural area;
- (iv) **Preservation of environment** including watershed, forests and wildlife

f) **Services by an old age home run by Central Government, State Government or by an entity registered under Section 12AA/12AB of the Income-tax Act, 1961 to its residents (aged 60 years or more) against consideration upto 25,000 per month per member.**

g) Services provided by an unincorporated body or a non-profit entity registered under any law for the time being in force, engaged in

<p>i) Activities relating to the welfare of industrial or agricultural labour or farmers; or</p> <p>ii) Promotion of trade, commerce, industry, agriculture, art, science, literature, culture, sports, education, social welfare, charitable activities and protection of environment</p>	<p>i) To its own members against consideration in the form of membership fee upto an amount of one thousand rupees (₹ 1000/-) per member per year</p>
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h) Services by way of training or coaching in recreational activities relating to -

- Arts, Culture, or
- Sports by charitable entities registered under section 12AA/12AB of Income Tax Act, 1961

i) Services by a person by way of-

- Conduct of any religious ceremony;
- Renting of precincts of a religious place meant for general public by an entity registered u/s 12AA/12AB of Income tax Act. 1961 or;

Except

- Rooms for ₹ 1000 or more per day;
- Community hall for ₹ 10,000 or more per day;
- Shops for ₹ 10,000 or more per month

j) Services provided by rehabilitation professionals recognised under the Rehabilitation Council of India Act, 1992 (34 of 1992) by way of rehabilitation, therapy or counselling and such other activity as covered by the said Act at medical establishments, educational institutions, rehabilitation centers established by Central Government, State Government or Union territory or an entity registered under section 12AA/12AB of the Income-tax Act, 1961

2.10. RBI, Embassy and Financial Sector Related Exemptions

a) Services by the Reserve Bank of India;

- b) Services received by the Reserve Bank of India, from outside India in relation to management of foreign exchange reserves;
- c) Services **by** a Foreign Diplomatic Mission located in India;
- d) **Banking and other financial services** - Services by way of—
- (i) extending deposits, loans or advances in so far as the consideration is represented by way of **interest or discount except interest on credit card**;
 - (ii) inter se sale or purchase of foreign currency amongst banks or authorised dealers of **foreign exchange** or amongst banks and such dealers;
- e) Service 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 payment card services.
- f) **Service provided by a Banking Company to Basic Saving Bank Deposit (BSBD) account holders under Pradhan Mantri Jan Dhan Yojana (PMJDY)**.
- g) **Business facilitator** or business correspondent to **banking** company with respect to accounts in its **rural area branch** or any **intermediary** to the business facilitator or business correspondent.
- h) **Business facilitator/ Business Correspondent** to **insurance company** in rural area.

2.11. Other services - Exemptions

- a) **Toll Charges**- Service by way of access to a road or a bridge on payment of toll charges/ annuity.
- b) **Transmission or distribution of electricity** by an electricity transmission or distribution utility;
- c) Arbitral Tribunal and **Advocates** (Not CA,CS,ICWA) by way of legal service¹⁵ -
- (a) an arbitral tribunal to
 - (i) any person other than a business entity; or

- (ii) a business entity with an aggregate turnover up to such amount in the preceding FY as makes it eligible for exemption from registration under the CGST Act, 2017;
 - (iii) the Central Government, State Government, Union territory, local authority, Governmental Authority or Government Entity.
- (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 an aggregate turnover up to such amount in the preceding FY as makes it eligible for exemption from registration under the CGST Act, 2017;
 - (iv) the Central Government, State Government, Union territory, local authority, Governmental Authority or Government Entity.
- (c) a senior advocate by way of legal services to-
- (i) any person other than a business entity; or
 - (ii) a business entity with an aggregate turnover up to such amount in the preceding FY as makes it eligible for exemption from registration under the CGST Act, 2017.
 - (iii) the Central Government, State Government, Union territory, local authority, Governmental Authority or Government Entity.

¹⁵**Legal service** means any service provided in relation to advice, consultancy or assistance in any branch of law, in any manner & includes representational services before any court, tribunal or authority

- d) Services provided by a tour operator to a **foreign tourist** in relation to a tour conducted **wholly outside India**.
- e) Services by an organiser to any person in respect of a business exhibition held outside India;
- f) Service by an **unincorporated body or a non-profit entity registered under any law, to its own members** by way of **reimbursement** of charges or share of contribution -

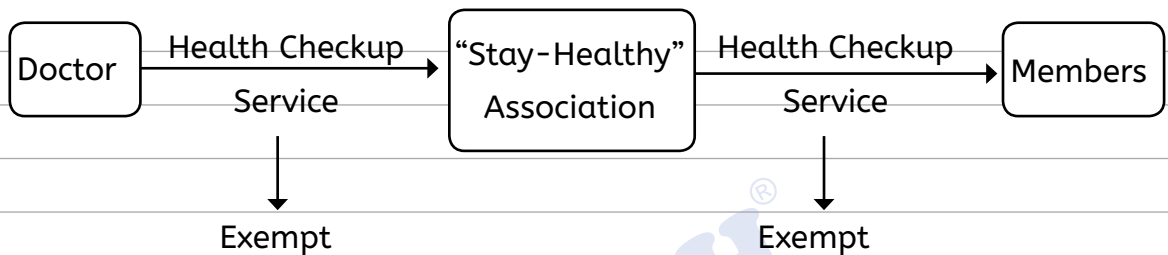
- As a trade union;

Example



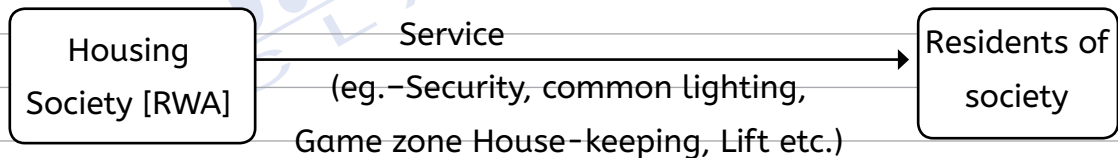
- For the provision of carrying out any activity which is exempt from the levy of GST; or

Example



- Upto an amount of ₹ 7,500 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**;

Example



- g) Services of **admission** to a **museum, zoo, national park, wildlife sanctuary and a tiger reserve. Ancient monuments have been exempted recently.**

- h) Service by way of **Right to admission** to:

<ul style="list-style-type: none"> Circus, dance, or theatrical performances including drama or ballet. Award functions, concerts, pageants, musical performances or any sporting events other than recognized sporting event. Recognized sporting events and Planetarium. 	<p>where the consideration for such admission is upto ₹ 500 per person.</p>
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i) Services by a **performing artist** in folk or classical art forms of (i) music, or (ii) dance, or (iii) theatre **upto ₹ 1,50,000** per performance, **excluding** services provided by such artist as a **brand ambassador**.

j) Services provided **to a recognised 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 recognised sports body;

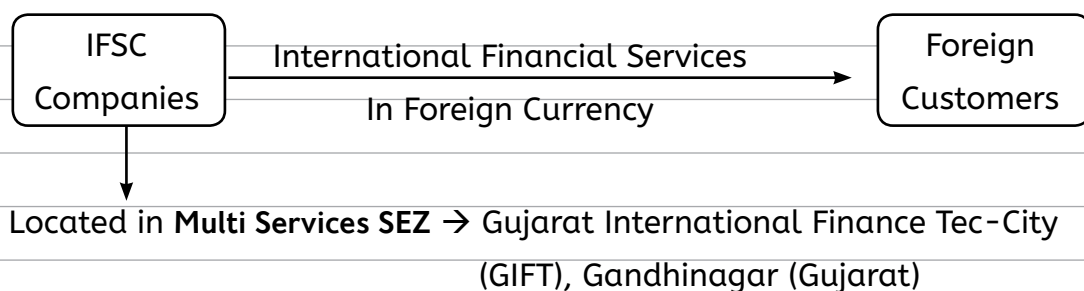
**“Recognised Sports Body” means : (i) the Indian Olympic Association; (ii) Sports Authority of India; (iii) a national sports federation recognised by the Ministry of Sports and Youth Affairs of the Central Government, and its affiliate federations; (iv) national sports promotion organisations recognised by the Ministry of Sports and Youth Affairs of the Central Government; (v) the International Olympic Association or a federation recognised by the International Olympic Association; or (vi) a federation or a body which regulates a sport at international level and its affiliated federations or bodies regulating a sport in India;*

k) Services by way of **sponsorship of sporting events organised**, -

- By a **national sports federation**, or its affiliated federations, where the participating teams or individuals represent any **district, State, Zone or Country**;
- By Association of **Indian Universities, Inter-University Sports Board**, School Games Federation of India, All India Sports Council for Deaf, **Paralympic Committee of India** or Special Olympics Bharat;
- By **Central Civil Services Cultural and Sports Board**;
- As part of **national games**, by Indian Olympic Association; or
- Under **Panchayat Yuva Kreedha Aur Khel Abhiyaan (PYKKA)** Scheme;

l) Services by an **intermediary** of financial services located in a multi services SEZ with International Financial Services Centre (IFSC) status to a customer located outside India for international financial services in currencies other than Indian rupees (INR).

Example



- m) Services provided to the Central Government, State Government, Union territory administration under any training program for which **“75% or more of the”** total expenditure is borne by CG/SG/UT.
- n) Services provided by and to Asian Football Confederation (AFC) and its subsidiaries directly or indirectly related to any of the events under AFC Women's Asia Cup 2022 to be hosted in India.
- o) Services by way of right to admission to the events organised under AFC Women's Asia Cup 2022.
- p) Entry fee and service in relation to FIFA U-17 Women World Cup has been exempted and this exemption will be available whenever the tournament is scheduled.

2.12. Read these exemptions yourself 😊

- a) Services by way of collecting or providing news by an **independent journalist**, Press Trust of India or United News of India;
- b) Services by way of **public conveniences** such as provision of facilities of bathroom, washrooms, lavatories, urinal or toilets;
- c) Services of **public libraries** by way of lending of books, publications or any other knowledge enhancing content or material;
- d) Services by way of slaughtering of animals;
- e) Services by way of **transfer of a going concern**, as a whole or an independent part thereof;
- f) Service provided to the Central Government, State Government or Union Territory under any **insurance scheme** for which **total premium** is paid by CG/SG/UT.
- g) Specified schemes¹⁶ of **general insurance business**. **Services of life insurance business** provided under following schemes -

- (i) Janashree Bima Yojana (JBY); or Aam Aadmi Bima Yojana (AABY);
- (ii) Varista Pension Bima Yojana, Pradhan Mantri Suraksha Bima Yojana, Pradhan Mantri Jeevan Jyoti Bima Yojana and Jan Dhan Yojana, Atal Pension Yojana, Pradhan Mantri Vaya Vandana Yojana;
- (iii) Life micro-insurance product as approved by the Insurance Regulatory and Development Authority, having maximum amount of cover of two lakh rupees;

h) Any service provided by

<ul style="list-style-type: none"> • The National Skill Development Corporation (NSDC) set up by Government of India • A Sector Skill Council approved by NSDC • An assessment agency approved by above two • A training partner approved by above two 	<p>In relation to</p> <ul style="list-style-type: none"> • The National Skill Development programme implemented by NSDC • A Vocational Skill development course under National Skill Certification and Monetary Reward Scheme • Any other scheme implemented by NSDC
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i) Service rendered by training providers under Deen Dayal Upadhyaya Grameen Kaushalya Yojana.

¹⁶Hut insurance scheme, Cattle insurance, scheme for insurance of tribals, Janata Personal Accident Policy and Gramin Accident Policy, Group Personal Accident Policy for Self Employed women, Agricultural Pumpset and Failed Well Insurance, Jan Arogya Bima Policy, Universal Health Insurance scheme, National Agricultural Insurance Scheme, Nirmaya health insurance scheme, Bangla Shasya Bima

j) Services of assessing bodies empanelled centrally by the Directorate General of Training, Ministry of **Skill Development and Entrepreneurship** by way of assessments under the Skill Development Initiative Scheme.

k) Service provided by **Employee Provident Fund Organisation, IRDA to insurers, SEBI and National Centre for Cold chain development.**

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

- m) 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 Scheme of Central Government. Services of life insurance provided or agreed to be provided by the Naval Group Insurance Fund to the personnel of **Coast Guard & Central Armed Police Force under the Group Insurance Schemes** of the Central Government.
- n) Services by **Coal Mines Provident Fund Organization** to persons governed by the Coal Mines Provident Fund and Miscellaneous Provisions Act, 1948.
- o) Service provided under **National Pension system**.
- p) **Services by National Pension System (NPS) Trust to its members against consideration in the form of administrative fee.**
- q) Services provided by the **Goods and Services Tax Network** to the Central Government or State Governments or Union territories for implementation of Goods and Services Tax.
- r) Services by way of providing **information** under the **Right to Information Act, 2005**.
- s) Services by way of **artificial insemination** of **livestock** (other than horses).
- t) Supply of services associated with transit cargo to Nepal and Bhutan.
- u) Satellite launch services supplied by Indian Space Research Organisation, Antrix Corporation Limited or New Space India Limited.
- v) Service provided by the Haj Committee and Kumaon Mandal Vikas Nigam Limited in relation to pilgrimage to Mecca and Kailash Mansarovar.
- w) Services provided by an incubatee up to a total turnover of ₹ 50 lakh in a financial year subject to the following conditions, namely:-
- (a) the total turnover had not exceeded ₹ 50 lakh during the preceding financial year; and
 - (b) a period of 3 years has not elapsed from the date of entering into an agreement

as an incubatee.

Incubatee: means an entrepreneur located within the premises of a Technology Business Incubator (TBI)/ Science and Technology Entrepreneurship Park (STEP) recognised by the National Science and Technology Entrepreneurship Development Board of the Department of Science and Technology, Government of India (NSTEDB) and who has entered into an agreement with the TBI/STEP to enable himself to develop and produce hi-tech and innovative products.

Example – Incubatee – Byju’s [Agreement with TBI / STEP – date 1.4.2020]

Case 1 –

Year	Total Turnover	Eligibility for Exemption
1	30 lakhs	Eligible
2	40 lakhs	Eligible
3	45 lakhs	Eligible
4	47 lakhs	Ineligible

Case 2 –

Year	Total Turnover	Eligibility for Exemption
1	30 lakhs	Eligible
2	55 lakhs	Eligible
3	35 lakhs	Ineligible

- x) Taxable services, provided or to be provided, by a **TBI/STEP** recognised by NSTEDB or bio- incubators recognised by the Biotechnology Industry Research Assistance Council, under the Department of Biotechnology, Government of India (BIRAC).

Examples of Incubators in India – (Start up Incubation)

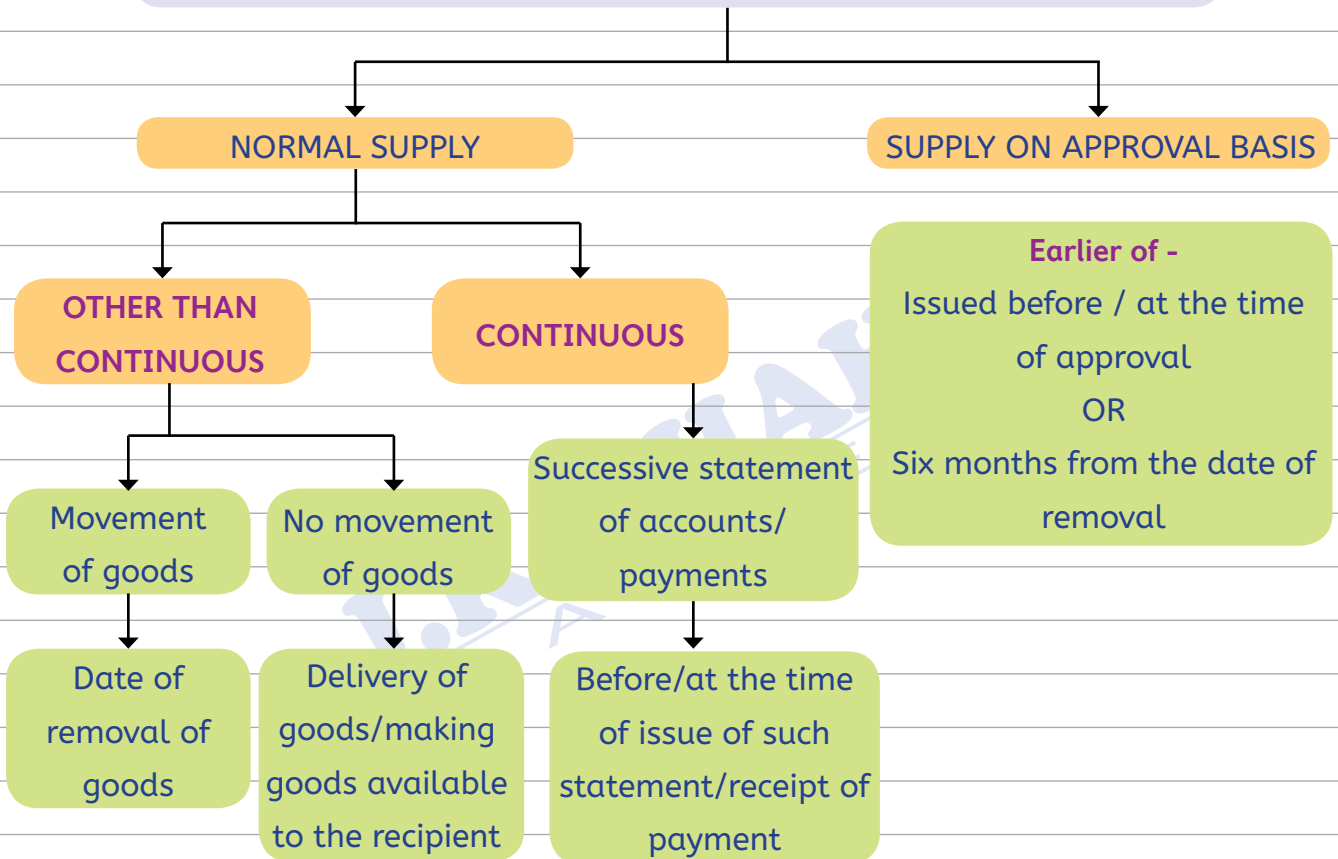
1. The Amity Innovation Incubator – (Noida)
2. Centre for Innovation Incubation and Entrepreneurship – (Ahmedabad)
3. Indian Angel Network

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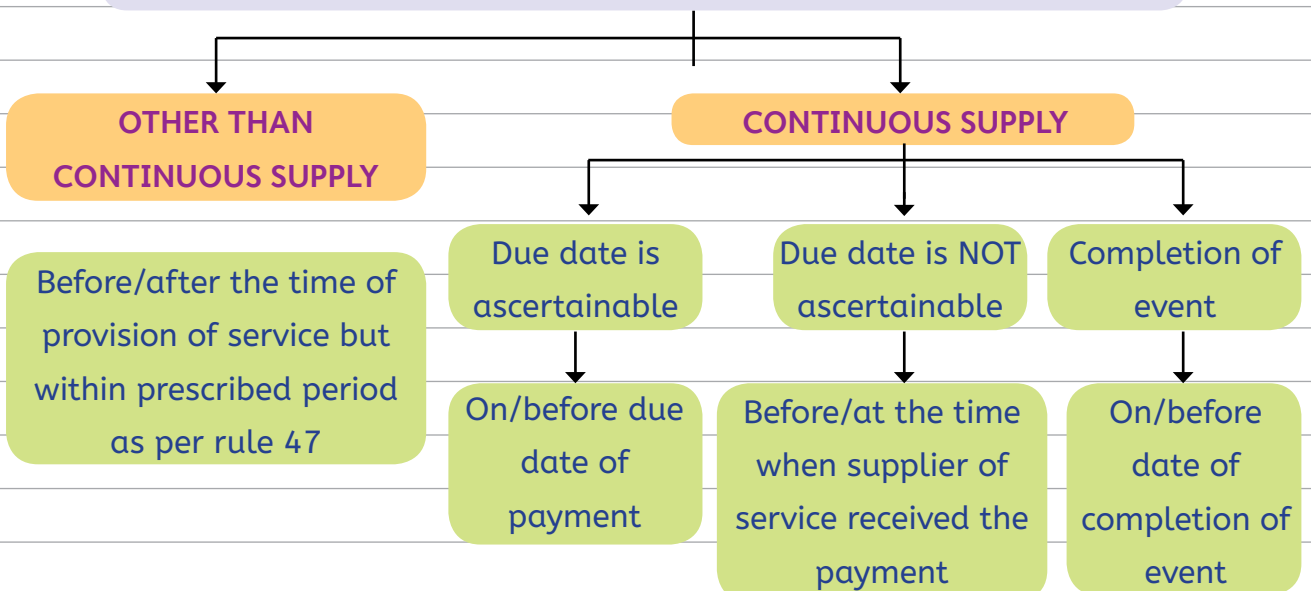
TIME OF SUPPLY (UNIT-I)

SECTION 31 : DUE DATE OF ISSUE OF TAX INVOICE

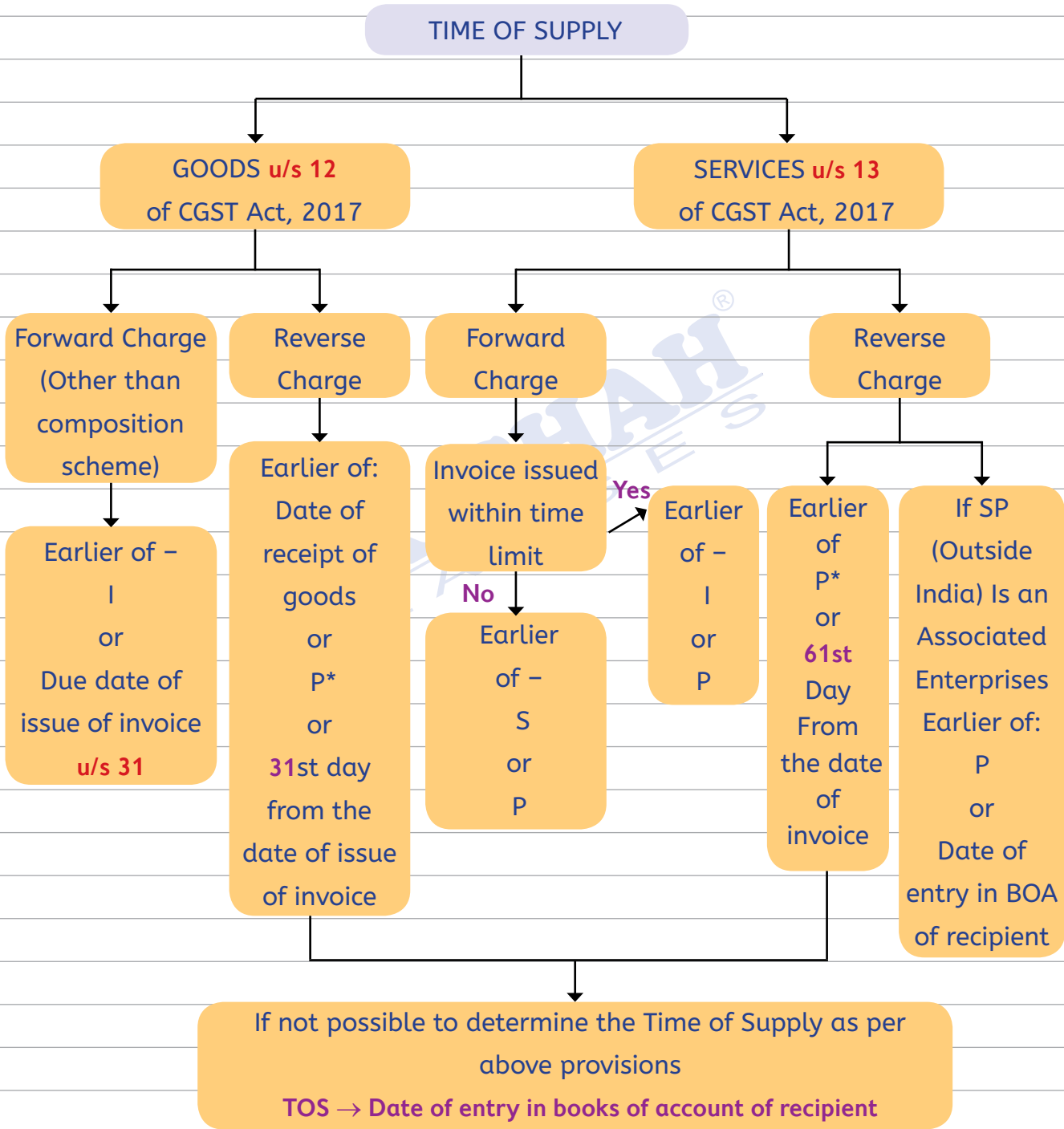
DUE DATE OF ISSUE OF TAX INVOICE IN CASE OF SUPPLY OF GOODS



DUE DATE OF ISSUE OF TAX INVOICE IN CASE OF SUPPLY OF SERVICE



RULE 47: TIME LIMIT FOR ISSUING TAX INVOICE
 Taxable supply of service: The tax invoices shall be issued within 30 days from the date of supply of services.
 For Insurers, Banks etc. The tax invoice shall be issued within 45 days from the date of supply of services.



I = Date of invoice S = Date of provision of service SP = Service Provider	P = <u>DATE OF PAYMENT</u> Date of payment entered in BOA or Date on which payment is credited In Bank A/c, whichever is earlier	P* = <u>DATE OF PAYMENT</u> Date of payment entered in BOA of Recipient or Date on which payment is debited from Bank A/c Whichever is earlier.
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Section 12: Time of Supply for Goods

12(1): The liability to pay tax on goods shall arise at the time of supply as determined in terms of the provisions of this section.

12(2): In Case of Normal Charge:

Time of Supply =

Date of Issue of Invoice

OR

Last Date to Issue Invoice under **Section 31**

Whichever is Earlier

EXAMPLE:

Where Supply involves Movement

Date of Removal	Date of Invoice	Date of Delivery	Date of Receipt of Payment	Time of Supply
01-10-2021	02-10-2021	03-10-2021	15-09-2021	01-10-2021
03-10-2021	01-10-2021	04-10-2021	25-11-2021	01-10-2021
04-11-2021	07-11-2021	06-11-2021	01-10-2021	04-11-2021

EXAMPLE :

Where Goods does not involve any Movement

Date of Invoice	Date When Goods made available to Recipient	Date of Receipt of Payment	Time of Supply
02-10-2021	03-10-2021	15-09-2021	02-10-2021
11-11-2021	05-11-2021	20-11-2021	05-11-2021

12(3): In Case of Reverse Charge Mechanism

Time of Supply =

The date of the receipt of the goods

OR

The date of Payment entered in BOA of Recipient

OR

Date of Debit in Bank Account of Recipient

OR

31st Day from Date of Issue of Invoice

Whichever is Earlier

EXAMPLE:

Determine TOS where Recipient is liable to pay tax

Date of Invoice	Date of Receipt of Goods	Date of Payment as per BOA	Date when Payment debited in Bank A/c	Time of Supply
01-10-2021	05-10-2021	10-10-2021	12-10-2021	05-10-2021
01-10-2021	15-10-2021	10-10-2021	12-10-2021	10-10-2021

12(4): Time of Supply in case of Vouchers

- (a) Where Supply is Identifiable at time of Issue of Voucher – Date of Issue of Voucher
- (b) Where Supply is Not Identifiable at time of Issue of Voucher – Date of Redemption of Voucher

12(5): Residual Cases

In case where time of supply cannot be determined u/s 12 (2), (3), (4) then Time of supply shall be -

If person files periodical return – date of filing return.
In any other case – date when tax is paid.

12(6): Time of Supply in relation to Addition in Value by way of Interest, Late Fees & Penalty -

TOS = Date when interest, penalty, late fee is received (receipt basis)

Section 13: Time of Supply for Services

13(1): The liability to pay tax on services shall arise at the time of supply, as determined in terms of the provisions of this section.

13(2): In Case of Normal Charge -

(a) If Invoice is issued within prescribed Time,

TOS = Date of Issue of Invoice OR Date of Receipt of Payment, Whichever is Earlier.

(b) If Invoice is not issued within prescribed Time,

TOS = Date of Provision / Completion of Service OR Date of Receipt of Payment, Whichever is Earlier.

Note: Date of Receipt of Payment shall be -

Date on Which Payment is entered in BOA of Supplier

OR

Date on Which Payment is credited in Bank Account

Whichever is Earlier

EXAMPLE: Determine TOS in Independent Cases.

Date of Supply of Service	Date of Invoice	Date of Receipt of Payment	Time of Supply
10-11-2021	30-11-2021	15-12-2021	30-11-2021
10-11-2021	30-11-2021	15-11-2021	15-11-2021
10-11-2021	12-12-2021	30-04-2021	30-04-2021
10-11-2021	22-12-2021	12-12-2021	10-11-2021

Small Advance Upto ₹1,000 – Where the Supplier of taxable service receives an amount upto ₹1,000 in excess of the amount indicated in the tax invoice, the TOS to the extent of such excess shall, at the option of Supplier, be the date of Issue of Invoice relating to such excess amount.

13(3): In Case of Reverse Charge Mechanism –

Time of Supply = Earlier of -

Date of Payment as Entered in Books of Accounts

OR

Date of Debit in Bank Account

OR

61st Day from Date of Issue of Invoice

EXAMPLE:

Date of Invoice	Date of Completion of Service	Date of Debit in Bank Account	Entry in Books of Accounts	Time of Supply
30-11-2021	30-11-2021	10-12-2021	12-12-2021	10-12-2021
30-11-2021	30-11-2021	15-11-2021	30-11-2021	15-11-2021
30-11-2021	29-11-2021	10-03-2021	30-11-2021	10-03-2021

Proviso to Section 13(3): When supplier is Outside India & Recipient is in India & Both are Associated Enterprise. Example: Holding & Subsidiary

TOS = Earlier of -

Date of debit entry in the books of A/c of recipient

OR

Date of payment

Note: Section 13(4), 13(5) & 13(6) are Same as 12(4), 12(5) & 12(6)

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VALUE OF SUPPLY (UNIT-II)

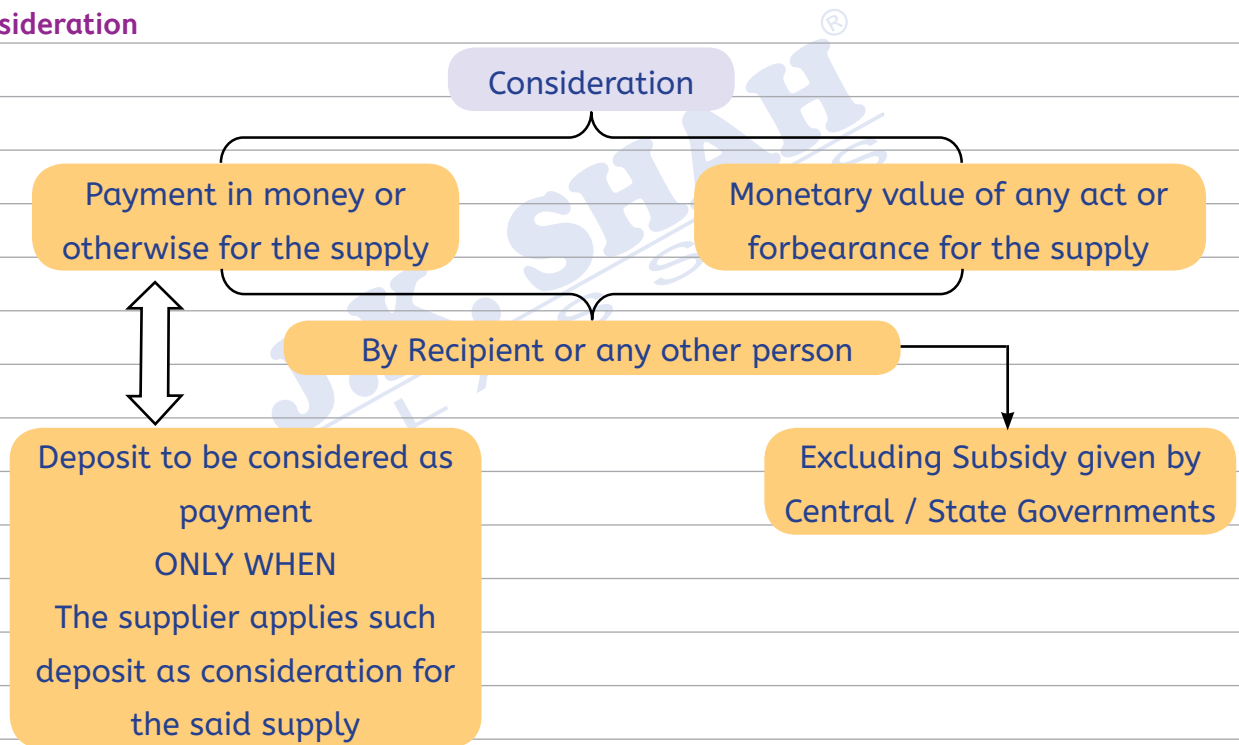
15(1)-Transaction value = Assessable Value

Transaction value means Price actually paid or payable for the said supply of goods or service or both.

The Transaction Value will be accepted as Assessable Value if:

- **Buyer and Seller are not related, and**
- **Price is a sole consideration.**

Consideration



Value of supply = T. V. + Inclusions – Exclusions

Section: 15(2) Inclusions -

Section 15(2)(a): In taxes, duties, cesses, fees and charges levied under any law for the time being in force other than this Act, SGST act, UTGST act, IGST act, GST(compensation to states) act, if charged by supplier

Section 15(2)(b): any amount that the supplier is liable to pay in relation to such supply but which has been incurred by the recipient of the supply and not included in the price actually paid or payable for the goods or services or both;

Section 15(2)(c): incidental expenses, including commission and packing, charged by the supplier to the recipient of a supply and any amount charged for anything done by the supplier in respect of the supply of goods or services or both at the time of, or before delivery of goods or supply of services

Section 15(2)(d): Interest or late fee or penalty for delayed payment of any consideration for any supply

❖ **CLARIFICATION ON SCOPE OF PRINCIPAL AND AGENT RELATIONSHIP UNDER SCHEDULE I OF CGST ACT IN THE CONTEXT OF DEL-CREDERE AGENT (DCA)**

If Del order Agent issued invoice in his own name, he will fall within the ambit of para 3 of schedule 1 & hence Interest charged by him to recipient would be included in value of supply of Goods by him

However when Del credere agent is not para 3 agent Interest charged by him on extending Loans to recipient would amount to Independent supply & will not be included in value of supply of Goods.

15(2)(e): Subsidies directly linked to the price excluding subsidies provided by the Central Government and State Governments

Section 15(3): Exclusion

Discount shall not be included in the value of supply in the following situations-

(a) Before or at the time of the supply if such discount has been duly recorded in the invoice issued in respect of such supply; and

EXAMPLE :

Lifestyle an apparel shop supplies at ₹2,000 wherein it allows a flat discount of 30% on list price.

Value of supply = $2000 - 30\% = 1400$

- (b) Post-Supply Discount: Post-discount to be excluded only when Such discount is established in terms of agreement entered into at or before TOS & Specially linked to Invoice & ITC attributable for such amount has been reversed.

CLARIFICATION ON DISCOUNTS

➤ DISCOUNTS INCLUDING 'BUY MORE, SAVE MORE' OFFERS

- (i) Sometimes, the supplier offers staggered discount to his customers (increase in discount rate with increase in purchase volume). For example - Get 10 % discount for purchases above Rs.5000/-, 20% discount for purchases above Rs.10000/- and 30% discount for purchases above Rs.20000/-. Such discounts are shown on the invoice itself. Such discounts are excluded to determine value of supply.

- (ii) Some suppliers also offer periodic / year ending discounts to their stockists, etc. For example- Get additional discount of 1% if you purchase 10,000 pieces in a year, get additional discount of 2% if you purchase 15,000 pieces in a year. Such discounts are established in terms of an agreement entered into at or before the time of supply though not shown on the invoice as the actual quantum of such discounts gets determined after the supply has been effected and generally at the year end. In commercial parlance, such discounts are colloquially referred to as "volume discounts". Such discounts are passed on by the supplier through credit notes.

Such discounts are excluded to determine the value of supply provided they satisfy the parameters laid down in section 15(3), including the reversal of ITC by the recipient of the supply as is attributable to the discount on the basis of document (s) issued by the supplier.

➤ SECONDARY DISCOUNTS

- (i) These are the discounts which are not known at the time of supply or are offered after the supply is already over. For example, M/s A supplies 10,000 packets of biscuits to M/s B at Rs. 10/- per packet. Afterwards M/s A re-values it at Rs. 9/- per packet. Subsequently, M/s A issues credit note to M/s B for Rs.1/- per packet.

- (ii) such secondary discount shall not be excluded while determining the value of supply as such discounts are not known at the time of supply and condition

laid down under section 15(3) are not satisfied.

- (iii) It may be noted that financial/commercial credit note can be issued by the supplier even if the condition mentioned in the section 15(3) are not satisfied. Such credit note does not include GST, and do not have any impact on value of supply for the purpose of GST

J.K. SHAH[®]
CLASSES

6**INPUT TAX CREDIT****Input Tax Credit is available of Inputs, Capital Goods & Input Services -**

- Inputs: Inputs are those goods which are not capital goods and are used in course or furtherance of business.
- Capital goods: Capital goods are those goods which are capitalized in books of accounts of recipient who shall avail ITC and are used in course or furtherance of business.
- Input Service: Input services are those services which are used in course or furtherance of business.

Section 16: Eligibility & Conditions for Claiming ITC

16(1): 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.

Analysis:

- (a) Person must be registered
- (b) Goods & Services should be used for Business Purpose

16(2): Conditions for Availing Credit:**Section 16 (2)(a): Possession of tax invoice or debit note or other documents as prescribed.**

Following are documents that should be in possession of recipient to avail ITC: Rule 36

- (1) Tax invoice
- (2) Debit note
- (3) Self – Invoice
- (4) Revised tax invoice
- (5) Bill of entry, to avail ITC in respect of IGST paid on imports. (Customs) as IGST is payable.
- (6) ISD invoice

Section 16 (2) (aa): Input tax credit in respect of any supply of goods or services or both is available to a registered person only if **the details of the invoice/debit note in respect of said**

supply has been furnished by the supplier in the statement of outward supplies (GSTR-1) and such details have been communicated to the recipient of such invoice/debit note in the manner specified under section 37.

Section 16 (2) (b): Receipt of goods or service: ITC can be availed by recipient only after goods or services are received.

Proviso to 16 (2) (b): When goods are received in lots or instalments the registered person shall be able to avail ITC only upon receipt of last lot or instalment.

Explanation to 16 (2) (b):

For Purpose of this clause, it shall be deemed that the registered person has received goods, Where the Goods are delivered by supplier to recipient on direction of such registered person by way of transferring document of title to goods

16(2) (c): The tax charged in respect of such supply by supplier to recipient has been actually paid to Government either by utilising ITC or by Cash.

16(2)(d): Recipient has to furnished return u/s 39. Person claiming ITC must furnish the information relating to inward supply in the return covered u/s 39 i.e. GSTR3B.

Proviso to 16(2): If recipient fails to pay the value of supply of goods or service and tax amount to supplier of goods or service within a period of 180 days from date of issue of invoice then the recipient shall add to his output tax liability an amount equal to ITC that he had wrongly availed earlier along with interest.

Interest @ 18% pa shall be payable from the date of availing ITC upto the date of adding such amount to output tax.

If recipient makes the payment of the amount towards value of supply of goods or service and tax to supplier after 180 days then the recipient can avail ITC of same.

Exception : 1) Suppliers on which tax is payable under RCM (Reverse charge mechanism

2) Supplies made without consideration

3) Any amount that supplier is liable to pay but increased by recipient on behalf of supplier

Section 16 (3) : Depreciation Tax Component

Where registered person has claimed depreciation tax component of cost of capital goods under provisions of Income Tax Act 1961, the ITC shall not be allowed. In relation to input tax paid on such capital goods.

EXAMPLE:

Mr. A purchased Capital Goods of 100 Lacs & paid GST @ 18% on Same. Life of the Asset is 10 Years.

Option 1: Claim Depreciation on Value including Tax	Option 2: Claim Depreciation on Value & Claim ITC of Tax Paid.
Depreciation on: 118	Depreciation on: 100
ITC: 0	ITC : 18

Section 16 (4): Time limit to avail ITC

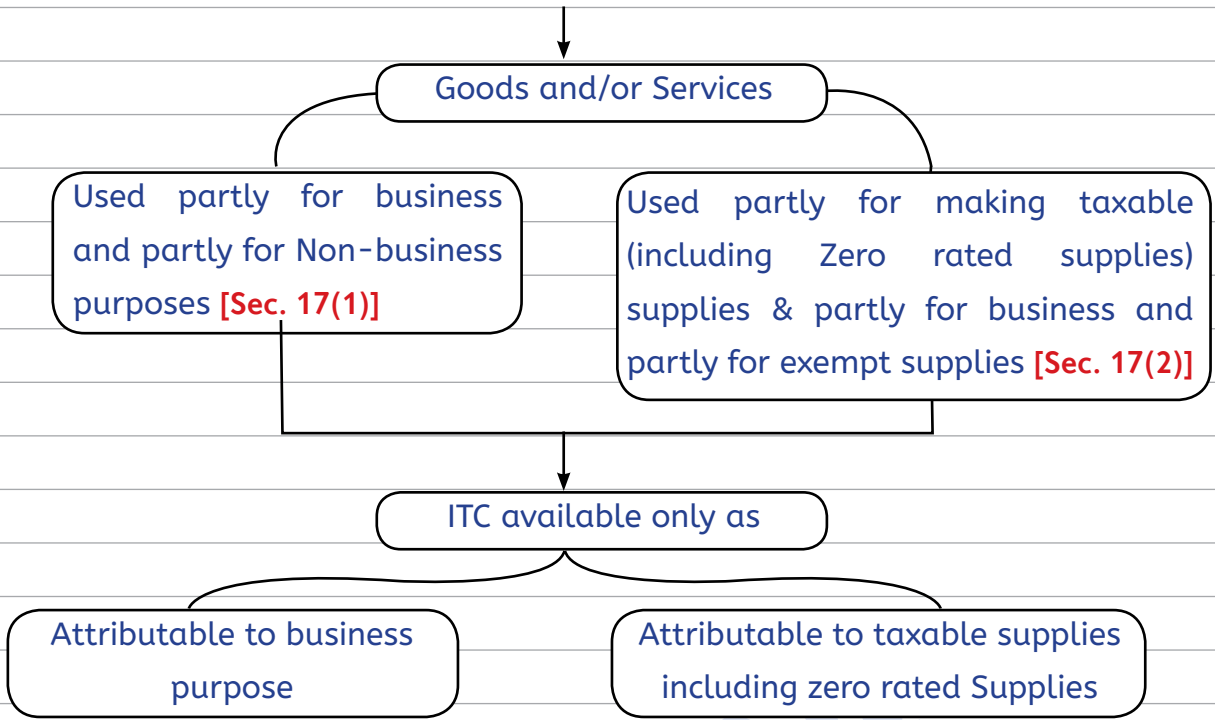
Due date of filing return u/s 39 for September month following the financial year in which such is raised or invoice relating to such debit note pertains.

OR

Actual date of filing annual returns for relevant FY

Whichever is earlier

Section-17: Apportionments of Credit and Blocked Credits

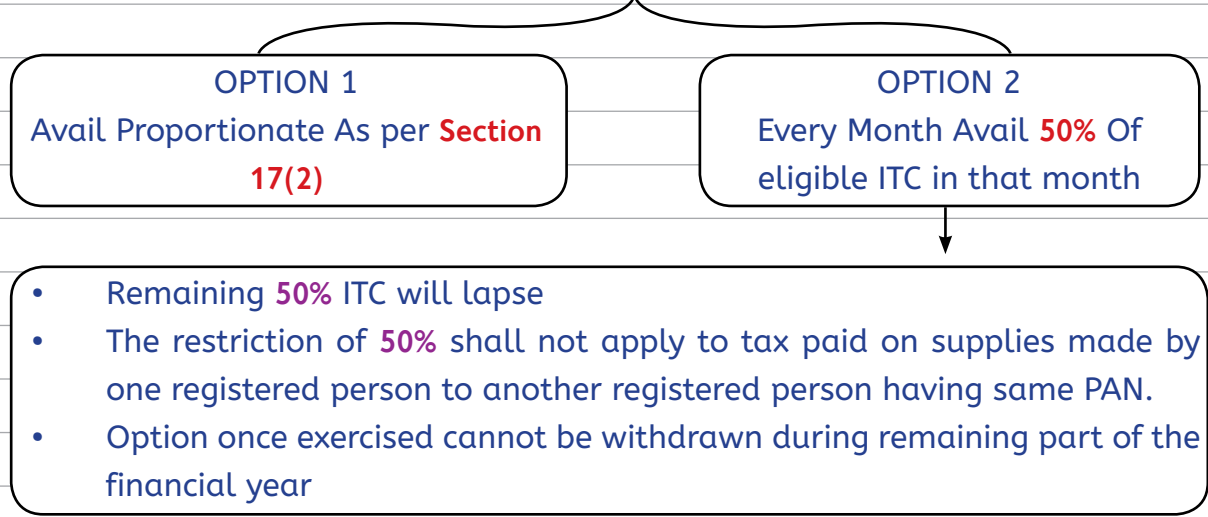


Section 17(3): Exempt supplies include supplies charged to tax under reverse charge, transactions in securities, sale of land, sale of building when entire consideration is received charge transactions in securities, sale of land, sale of building when entire consideration is received post completion certificate (All other items of **Schedule III**, ITC will not be required to be reversed, but in case of Sale of Land & Sale of Building ITC will be required to be reversed)

Note :- The value of Exempted Supply in respect of

- Land & Building - Value adopted for paying stamp duty
- Security - **1%** of Sale value of security

Special provision for banking companies and NBFC's [Section 17(4)]



Section 17(5): Blocked Credit i.e., Non-Availability of ITC in Certain Cases

(a) Motor Vehicle for transportation of persons having approved seating capacity of not more than 13 persons (including the driver) except when they are used for:

- (i) Further supply of such vehicles or conveyances; or
- (ii) Transportation of passengers; or
- (iii) Imparting training on driving, flying, navigating such vehicles or conveyances;

(aa) Vessel and Aircraft except when they are used for –

- (i) For making the following taxable supplies, namely –
 - (A) further supply of such vessels or aircraft, or
 - (B) transportation of passengers, or
 - (C) imparting training on navigating such vessels, or
 - (D) imparting training on flying such aircraft
- (ii) For transportation of Goods.

(ab) Services of general insurance, repair and maintenance in respect of motor vehicles, vessels and aircraft on which credit is available is allowed.**(b) Food & Beverages, Outdoor Catering, Beauty treatment etc.****(i) Supply of –**

- food and beverages,
- outdoor catering,
- beauty treatment,
- health services,
- cosmetic and plastic surgery,

➤ However, ITC would be available when inward supply of goods or services or both of a particular category is used by a registered person for making an outward taxable supply of the same category of goods or services or both or as an element of a taxable composite or mixed supply;

➤ ITC would be admissible where it is obligatory for an employer to provide such supplies to its employees under any law for the time being in force.

(ii) Membership of a club, health and fitness centre;

- ITC would be admissible where it is obligatory for an employer to provide such supplies to its employees under any law for the time being in force.

(iii) **Travel benefits extended to employees on vacation such as leave or home travel concession;**
➤ ITC would be admissible where it is obligatory for an employer to provide such supplies to its employees under any law for the time being in force.

(iv) **Rent-a-Cab Life Insurance & Health Insurance**

- However, ITC would be available when inward supply of goods or services or both of a particular category is used by a registered person for making an outward taxable supply of the same category of goods or services or both or as an element of a taxable composite or mixed supply;
- ITC would be admissible where it is obligatory for an employer to provide such supplies to its employees under any law for the time being in force.

(c) **Works contract services when supplied for construction of an immovable property**

Except

- 1) For further supply of same category service (Sub contracting) :
- 2) For construction of plant & Machinery*
ITC is allowed to all irrespective of their line of Business
- 3) When ITC on works contract service is not capitalised
(i.e. if Expense charged to revenue ITC is allowed)

*** Plant & Machinery includes foundation and structural support**

But Exclude

- Land & Building, Civil structure
- Telecommunication Towers
- Pipeline laid outside the factory

(d) **Goods or services or both received by a taxable person for construction of an immovable property : Except (Same as point No. c)**

(e) **Inward Supply of Goods or services or both on which tax has been paid under section 10 i.e. Composition Scheme**

(f) **Goods or services or both received by a non-resident taxable person except on goods imported by him;**

- (g) Goods or services or both used for personal consumption;
- (h) Goods lost, stolen, destroyed, written off or disposed of by way of gift or free samples;
- (i) Any tax paid in accordance with the provisions of sections 74 (Tax not / short paid due to fraud etc.), 129 (Detention, seizure and release of goods and conveyance in transit) and 130 (confiscation of goods or conveyance and levy of penalty)

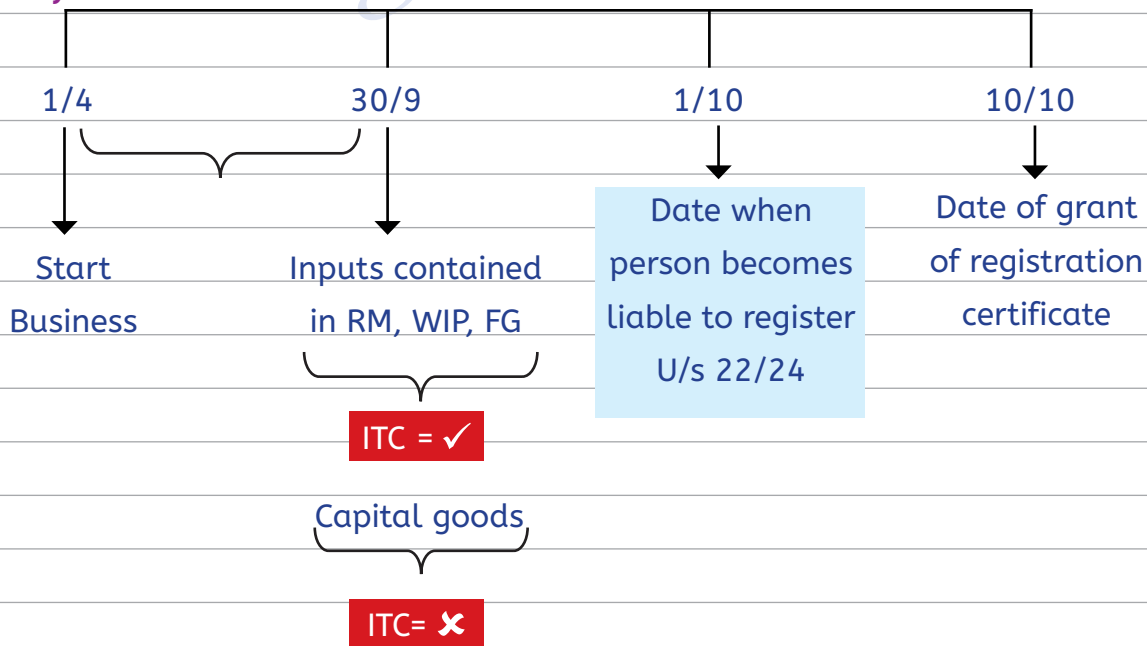
Section 18: Availability & Reversal of ITC in Special Cases

Sec18 (1): Availability of ITC

Section 18(1)(a):

Subject to such conditions and restrictions as may be prescribed person who has applied for registration under this Act within 30 days from date on which he becomes liable to registration and has been granted such registration shall be entitled to take credit of input tax in respect of inputs held in stock and inputs contained in semi – finished or finished goods held in stock on day immediately preceding date from which he becomes liable to pay tax under provision of Act.

Analysis:

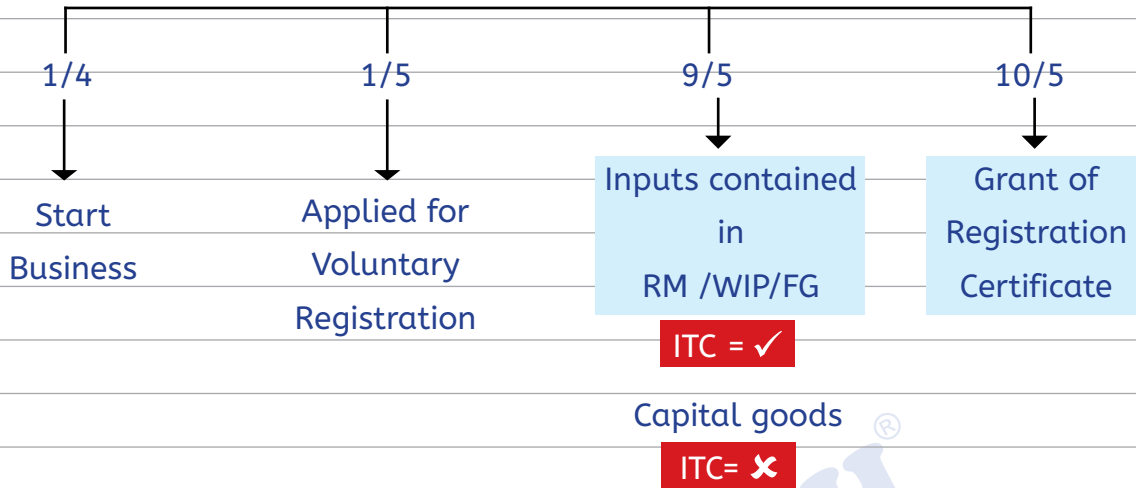


Section 18(1)(b):

A person who takes registration u/s 25 (3) (i.e., Voluntary registration) shall be entitled

to take credit of input tax in respect of inputs held in stock and inputs contained in WIP / FG held in stock on day immediately preceding the date of grant of registration.

Analysis:

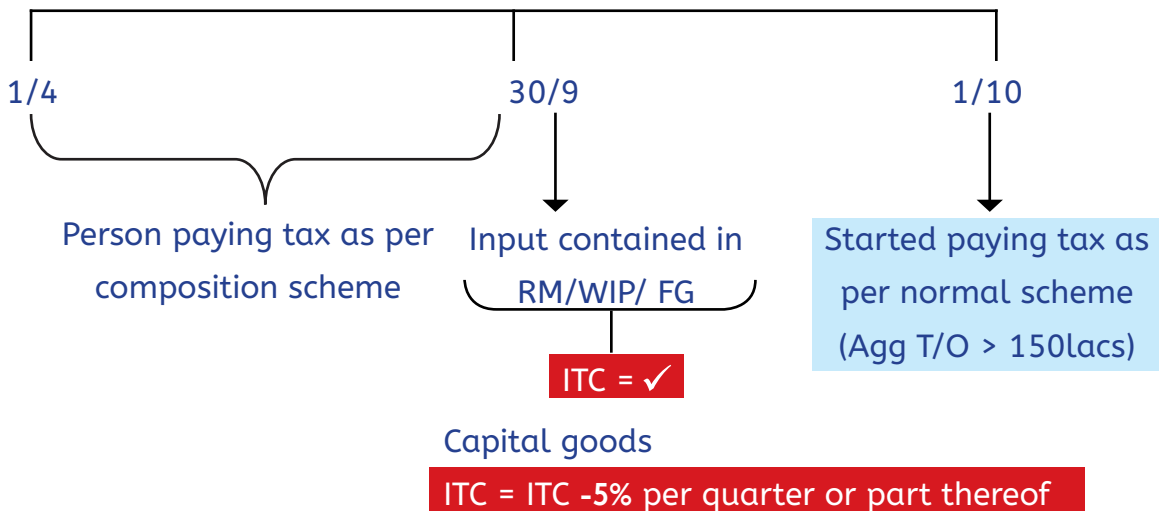


Section 18 (1) (c):

Where any registered person ceases to pay tax u/s 10 he shall be entitled to take credit of ITC in respect of inputs contained in stock, inputs contained in WIP / FG held in stock and on capital goods on the day immediately preceding the date from which he becomes liable to pay tax u/s 9.

ITC on capital goods = ITC - 5% per quarter or part thereof

Analysis:

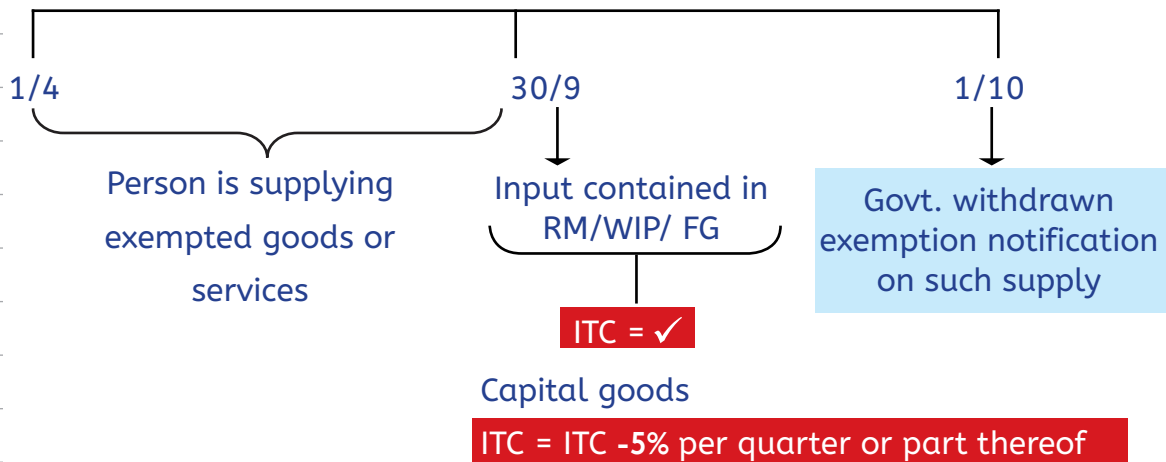


Section 18(1)(d):

Where an exempt supply of goods or services or both by a registered person becomes taxable supply, such person shall be entitled to take ITC of inputs held in stock, WIP / FG and on capital exclusively used for such exempt supply on the day immediately preceding the date from which such supply becomes taxable.

ITC on capital goods = ITC – 5% per quarter or part thereof.

Analysis:



Section 18(2):

A registered person cannot avail ITC w.r.t goods after expiry of one year from date of issue of invoice that registered person is entitled to take u/s 18 (1).

EXAMPLE:

HUL Ltd. becomes liable to register w.e.f 1/4/21 as it exceeds ₹20 lacs and it applies for registration within 30 days. Following are details as on 31/3/21:

- (1) DOI 1/1/21 inputs contained in stock = 12 lacs (GST @ 20% inclusive)
- (2) DOI 1/2/20 inputs contained in WIP = 11.80 lacs (GST @ 18% inclusive)
- (3) DOI 1/10/20 inputs contained in FG = 15 lacs (GST @ 10% exclusive)
- (4) CG purchase for 100 lacs + GST @ 20%, exclusive on 26/06/20, invoice date 26/06/20.

Ans : Computation of ITC to be availed by HUL Ltd.:

1. Inputs contained in Stock = 2L $\left[\frac{12L}{120} \times 20 \right]$

2. Inputs contained in FG = 1.5L [15L × 10%]

3. Total = 3.5L

NOTE:

ITC shall not be allowed on capital goods u/s 18 (1) (a) when a person is becoming liable to register.

According to **Section 18 (2)** ITC shall be allowed only on those inputs whose credit is availed within 1 year of DOI. Hence ITC shall not be allowed w.r.t. inputs contained in WIP.

Will your answer be different if on 1/4/21 if government has withdrawn exemption notification on goods supplied by HUL?

Ans.: Yes, it can avail ITC on capital goods also.

Date of issue of invoice = 26/6/20

Date when exemption notification is withdrawn = 1/4/21

No of Quarters = 4 Quarters

= ITC available (-) 5% per quarter

= 20 Lacs (-) (5% x 4 quarters) (26/06/20 - 31/03/21)

= 20 Lacs (-) 20%

= 20 Lacs (-) 4 lacs

= 16 lacs

∴ Total ITC available 3.5l + 16l = 19.50 l

Section 18 (4): Reversal of ITC

ITC had already been taken; due to change he would not have output liability so reversal of ITC claimed on inputs.

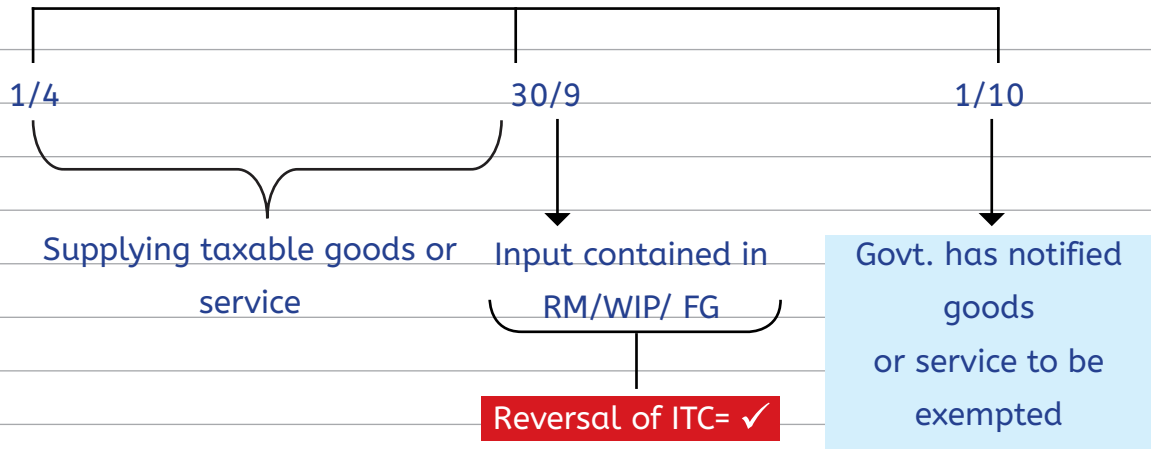
In Section 18 (4) ITC shall be reserved in following two situations:

- (1) When a supplier who pays tax as per normal scheme options to pay tax under composition scheme u/s 10.
- (2) When a supplier of taxable goods or service is supplying exempted goods or service after exemption notification is issued by government.
Reversal of Inputs held in Stock / WIP / FG on the day immediately preceding the date of Switchover / date of Exemption.

Reversal of Capital Goods: $ITC\text{ Available} \times \frac{\text{Remaining Useful life}}{60\text{ Months}}$

Analysis:

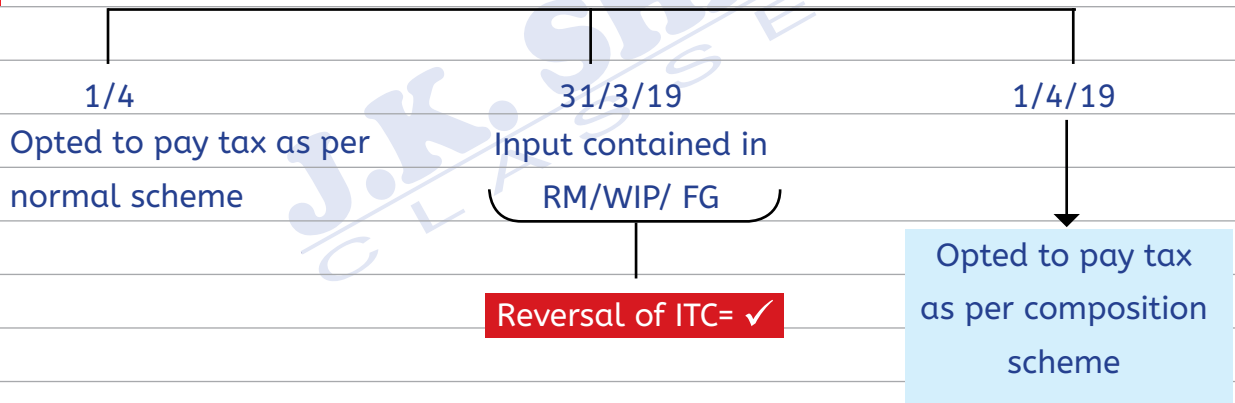
Eg:



Capital goods:

Reversal of ITC = $ITC\text{ availed} \times \frac{\text{Remaining useful life}}{60\text{ Months}}$

Eg:



Capital goods:

Reversal of ITC = $ITC\text{ availed} \times \frac{\text{Remaining useful life}}{60\text{ Months}}$

Section 18 (6)

In case of supply of goods or plant or machinery where ITC has already been taken in full:
Reverse ITC to extent of =

ITC availed – 5% per quarter or part thereof

OR

Transaction value x rate of tax

Whichever is **Higher**

But in case moulds, dies, jigs and fixtures, Reversal of ITC = Transaction value * rate of tax

Section 18 (3): ITC in case of transfer of business.

When there is a change in constitution of registered person account of sale, merger, demerger, amalgamation, lease or transfer of business with specific provision of transfer of liabilities, the said registered person shall be allowed to transfer ITC which remains unutilised in his

E-credit ledger to such sold, merged, demerged, amalgamated, leased or transferred business in such manner as may be prescribed.

J.K. SHAH[®]
CLASSES

7

REGISTRATION

Registration is the most fundamental requirement for identification of Tax Payer. Under GST Regime - Without Registration, a person can neither collect tax from Customers nor can he claim ITC of the Tax paid by him on purchase.

Registration under GST is not Tax Specific, which means single registration for all taxes i.e. CGST, SGST, IGST, UTGST & Cesses. However registration is to be taken State-wise, there is no Centralized Registration.

This Chapter covers provision from Sec 22 to Sec 30.

SECTION 22: PERSON LIABLE FOR REGISTRATION

Sec 22 (1): Threshold Limit

If the aggregate turnover of the Supplier in the Financial year Exceeds ₹ 20 Lakhs than every supplier shall be liable to get registered under this Act, in relevant State or Union Territory from where he is making taxable supply of Goods or Services or Both.

Provided that: In case of Special Category States i.e. Manipur, Mizoram, Tripura & Nagaland, the threshold limit is 10 Lakhs instead of 20 Lakhs.

Aggregate Turnover:	
Inclusions	Exclusions
Value of all outward Supplies i.e.	➤ CGST
➤ Taxable Supplies	➤ SGST
➤ Exempt Supplies	➤ UTGST
➤ Exports	➤ IGST
➤ Inter-State Supplies	➤ CESS
Of persons having Same PAN to be computed on all India basis.	➤ Value of Inward Supplies on which Tax is payable under Reverse Charge.

Note 1: In above outward supplies even supplies where tax is payable as per RCM is included.

Note 2: Exempt supply means supply of goods or service which attract NIL rate of tax. Exempt supply u/s 11, u/s 6 of IGST Act and includes non-taxable supplies like petrol diesel, etc.

Note 3: Include interest earned loan, deposits, advances in the computation of aggregate turnover.

Note 4 : Taxable supply means supply of goods &/or services which is chargeable to tax under CGST Act.

Note 5 : Taxable person means a person who is registered or liable to be registered u/s 22 or section 24.

Enhance Limit for Supplier of Goods:

Any person, who is engaged in Exclusive Supply of Goods & whose aggregate turnover in the financial year does not exceeds ₹ 40 Lakhs is Exempt from Obtaining Registration.

However, the Exemption is not applicable to following Persons:

- a) Person required compulsory registration under **section 24**.
- b) Person Engaged in making supplies of the Goods being:
 - Ice-Cream & Other Edible Ice, whether or not containing Cocoa.
 - Pan-Masala, &
 - Tobacco & Manufactured Tobacco Substitutes.
 - Fly ash bricks or fly ash aggregate with 90% or more fly ash content; Fly ash blocks
 - Bricks of fossil meals or similar siliceous earths
 - Building bricks
 - Earthen or roofing tiles
- c) Person making Intra-State Supply in the States of Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Puducherry, Sikkim, Telangana, Tripura, Uttarakhand; &
- d) Person exercising option of Voluntary Registration under this Act.

Explanation: A person shall be considered to be engaged exclusively in the supply of Goods even if he is engaged in exempt supply of services provided by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount.

Sec 22 (2): Every Person who were registered under Existing Law such as Service Provided under Finance Act, 1994 (Service Tax), Trader under VAT Law, Manufacturer under Central Excise Act shall get registered Compulsorily under GST Law from 1st July, 2017.

Sec 22 (3): Where a business carried on by a taxable person registered under this Act

is transferred, whether on account of succession or otherwise, to another person as a going concern, the transferee or the successor, as the case may be, shall be liable to be registered with effect from the date of such transfer or succession.

Example:

Mr. Tom a registered person transferred his running business as a Going Concern to Mr. Jerry on 01st April 2019. In this Case, Mr. Jerry is compulsory liable to be registered under GST Act from date of Transfer of Business i.e. from 01st April. 2019.

Sec 22 (4): In case of transfer pursuant to sanction of a scheme or an arrangement for amalgamation or, as the case may be, de-merger of two or more companies pursuant to an order of a High Court, Tribunal or otherwise, the transferee shall be liable to be registered, with effect from the date on which the Registrar of Companies issues a certificate of incorporation giving effect to such order of the High Court or Tribunal.

SECTION 23: PERSON NOT LIABLE FOR REGISTRATION

1. Person exclusively making supply of Non- Taxable or Wholly Exempted Goods or Services or Both.
2. Agriculturist to the Extent of Supply of Produce out of cultivation Land.
“Agriculturist” means an individual or a Hindu Undivided Family who undertakes cultivation of land—
 - (a) by own labour, or
 - (b) by the labour of family, or
 - (c) by servants on wages payable in cash or kind or by hired labour under personal supervision or the personal supervision of any member of the family.
3. Notified Category of Person: Person only engaged in making taxable supplies, total tax on which is liable to be paid on Reverse Charge Basis.

SECTION 24: COMPULSORY REGISTRATION IN CERTAIN CASES

Notwithstanding anything contained in **sub-section (1)** of **section 22**, the following categories of persons shall be required to be registered under this Act,—

1. **Person Making Inter-State Supply of Goods** except Where Person making Inter-State Supply of Handicraft Items.
Thus, Person making Inter-State Supply of Service shall be liable to register only when they Exceeds Aggregate Turnover of Rs. 10 Lakhs / 20 Lakhs.
2. **Casual Taxable Person**

Casual taxable person means a person who occasionally undertakes transaction involving of business in a state or union territory where he has no fixed place of business.

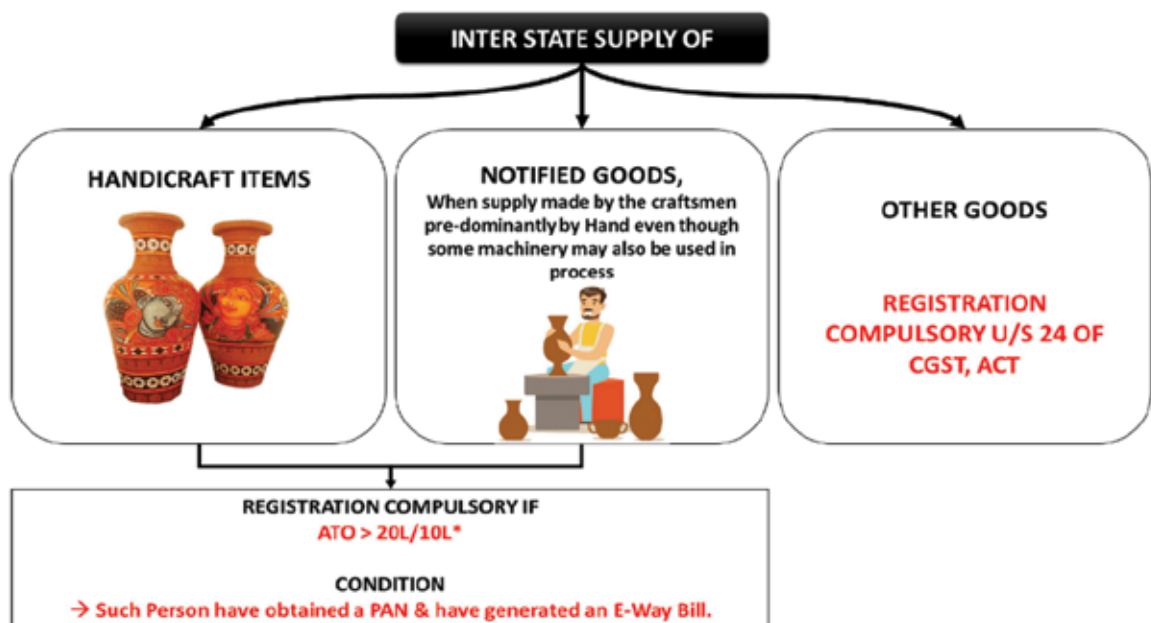
Example:

Mr. Kalu a supplier of pencils has its place of business in Patna, he is participating in exhibition conducted in Mumbai which will last for 10 days. Mr. Kalu has no fixed place of business in Maharashtra.

Answer:

In above case, Mr. Kalu shall compulsorily get registered under Mah SGST Act. u/s 24.

COMMON NOTE FOR 1) & 2) ABOVE



Meaning of Handicraft Goods:

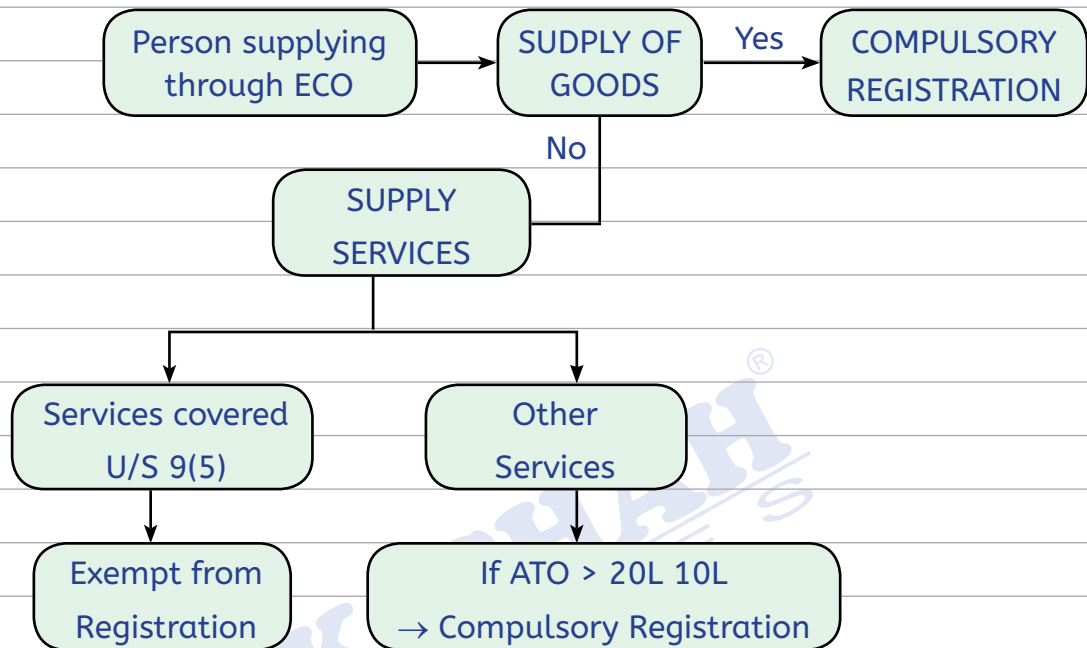
Handicraft goods means goods predominantly made by hand even though some tools or machinery may also have been used in the process; such goods are graced with visual appeal in the nature of ornamentation or in-lay work or some similar work of a substantial nature; possess distinctive features, which can be aesthetic, artistic, ethnic or culturally attached and are amply different from mechanically produced goods of similar utility.

3. **Persons who are required to pay tax under reverse charge** i.e. Recipient of Supply is Liable to pay Tax.[Cases Notified under **Section 9(3)** of CGST Act]

4. Ecommerce Operator

(i) Every ECO (Electronic Commerce Operator) who are required to collect tax u/s 52,

- (ii) persons who supply goods and/or services [other than supplies specified under section 9(5)], through such ECO who is required to collect tax at source under section 52, but threshold limit of Rs. 20 lakh (Rs. 10 lakh in case of Special Category States Tripura, Nagaland, Mizoram, Manipur) is available in case of suppliers supplying services through ECO



5. Non Resident Taxable Person (NRTP)

NRTP means any person who occasionally undertakes transaction involving supply of goods or services but has no fixed place of business or residence in India.

6. Persons who make taxable supply of goods or services or both on behalf of other taxable persons whether **as an agent** or otherwise.
8. Persons who are required to pay tax **u/s 9(5)**.
9. **Such other person or class of persons as may be notified by the Government** on the recommendations of the Council.

Section 25: PROCEDURE FOR REGISTRATION

Sec 25(1) Time limit for application:

Every person who is liable to be registered under **section 22** or **section 24** shall apply for registration in every such State or Union territory in which he is so liable within thirty

days from the date on which he becomes liable to registration, in such manner and subject to such conditions as may be prescribed.

Effective Date of Registration (Rule 10)

Condition	Effective Date
Where Application is made within 30 Days from the date he becomes liable for Registration	Effective date shall be the date when person becomes liable for Registration.
Where Application is made after 30 Days from the date he becomes liable for Registration	Effective date shall be date of grant of Registration Certificate.

However, a casual taxable person or a non-resident taxable person shall apply for registration at least five days prior to the commencement of business.

Sec 25(2) MAY Take multiple registrations within the state:

Taxpayers may opt for multiple registrations within a State/U.T in respect of multiple places of business located within the same State/U.T on the same PAN.

Sec 25(3) Voluntary Registration:

A person, though not liable to be registered under **section 22** or **section 24** may get himself registered voluntarily, and all provisions of this Act, as are applicable to a registered person, shall apply to such person.

Sec 25(4) & (5) Distinct Person:

A person who has obtained or is required to obtain more than one registration, whether in one State or Union territory or more than one State or Union territory shall, in respect of each such registration, be treated as distinct persons for the purposes of this Act.

Where a person who has obtained or is required to obtain registration in a State or Union territory in respect of an establishment, has an establishment in another State or Union territory, then such establishments shall be treated as establishments of distinct persons for the purposes of this Act.

Sec 25(6) PAN is necessary for getting GST Registration:

Every person shall have a Permanent Account Number issued under the Income-tax Act,

1961 in order to be eligible for grant of registration:

However, a person required to deduct tax under **section 51** may have, in lieu of a Permanent Account Number, a Tax Deduction and Collection Account Number issued under the said Act in order to be eligible for grant of registration.

Section 25 (6A), (6B), (6C) & (6D) – Aadhaar Authentication:

A. As per section 25(6A), (6B) and (6C), following persons are required to undergo aadhaar authentication:

(i) **New applicant:** Every (i) individual applicant or (ii) an applicant, other than an individual, shall undergo authentication/furnish proof of possession of Aadhaar number.

In order to be eligible for registration following persons should get Aadhaar authentication

- a) Individual;
- b) Authorized signatory of all types;
- c) Managing and Authorized Partner; and
- d) Karta of an HUF

(ii) **Persons already registered (new rule 10B)**

The registered person, who has been issued a certificate of registration under GST, shall undergo authentication of the Aadhaar number of:-

- Proprietor, in the case of proprietorship firm,
- Any partner, in the case of a partnership firm,
- Karta, in the case of a Hindu undivided family,
- Managing director or any whole-time director, in the case of a company,
- Any of the Members of the Managing Committee of an Association of persons or body of individuals or a Society, or of the
- Trustee in the Board of Trustees, in the case of a Trust;

B. Where Aadhaar number is not assigned

1. In case of new applicant

If an aadhaar number is not assigned to a new applicant – either

(i) an individual or (ii) person/class of persons (other than individual), such individual/person/class of persons shall be offered alternate and viable means of identification.

2. In case of an already registered persons

If Aadhaar number has not been assigned to the person required to undergo

authentication of the Aadhaar number, such person shall furnish the following identification documents, namely: –

- (a) her/his Aadhaar Enrolment ID slip; and
- (b) (i) Bank passbook with photograph; or
- (ii) Voter identity card issued by the Election Commission of India; or
- (iii) Passport; or
- (iv) Driving license issued by the Licensing Authority

Such person shall undergo the authentication of Aadhaar number within a period of 30 days of the allotment of the Aadhaar number.

3. Persons/class of persons exempt from aadhaar authentication

Section 25(6D) stipulates that above provisions shall not apply to such person or class of persons or any State or Union territory or part thereof, as may be notified.

Following persons have been notified in this regard:

- A person who is not a citizen of India
- Department or establishment of State Government or Central Government
- Local authority
- Statutory body
- Public Sector Undertaking
- A person applying for Unique Identity Number under **section 25(9)**

Sec 25(7) Documents required for NRTP:

Notwithstanding anything contained in **Section 25(6)**, a non-resident taxable person may be granted registration under **Section 25(1)** on the basis of such other documents as may be prescribed.

Sec 25(8) Registration by proper officer in case of failure of person to get registered:

Where a person who is liable to be registered under this Act fails to obtain registration, the proper officer may, without prejudice to any action which may be taken under this Act or under any other law for the time being in force, proceed to register such person in such manner as may be prescribed.

Sec 25(9) Grant of Unique Identification Number:

Not with standing anything contained in **Section 25(1)**,–

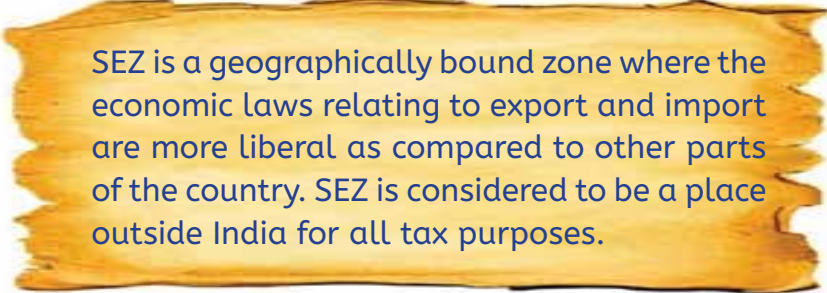
- any specialized agency of the United Nations Organization or Consulate or Embassy of foreign countries;

- and any other person or class of persons, as may be notified by the Commissioner, shall be granted a Unique Identity Number in such manner and for such purposes, including refund of taxes on the notified supplies of goods or services or both received by them, as may be prescribed.

Application for registration by Special Economic Zone (SEZ)

[Second proviso to section 25(1)]

A person having a unit in SEZ/and SEZ developer will have to make a separate application for registration as distinct from his place of business located outside SEZ in the same State/UT. Thus, there may be a case where two units of a taxpayer are located in same State/UT - one in SEZ and another outside SEZ. In that case, separate registrations have to be obtained for each of the two units as separate places of business.



SEZ is a geographically bound zone where the economic laws relating to export and import are more liberal as compared to other parts of the country. SEZ is considered to be a place outside India for all tax purposes.

Procedure for registration

Part I

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.

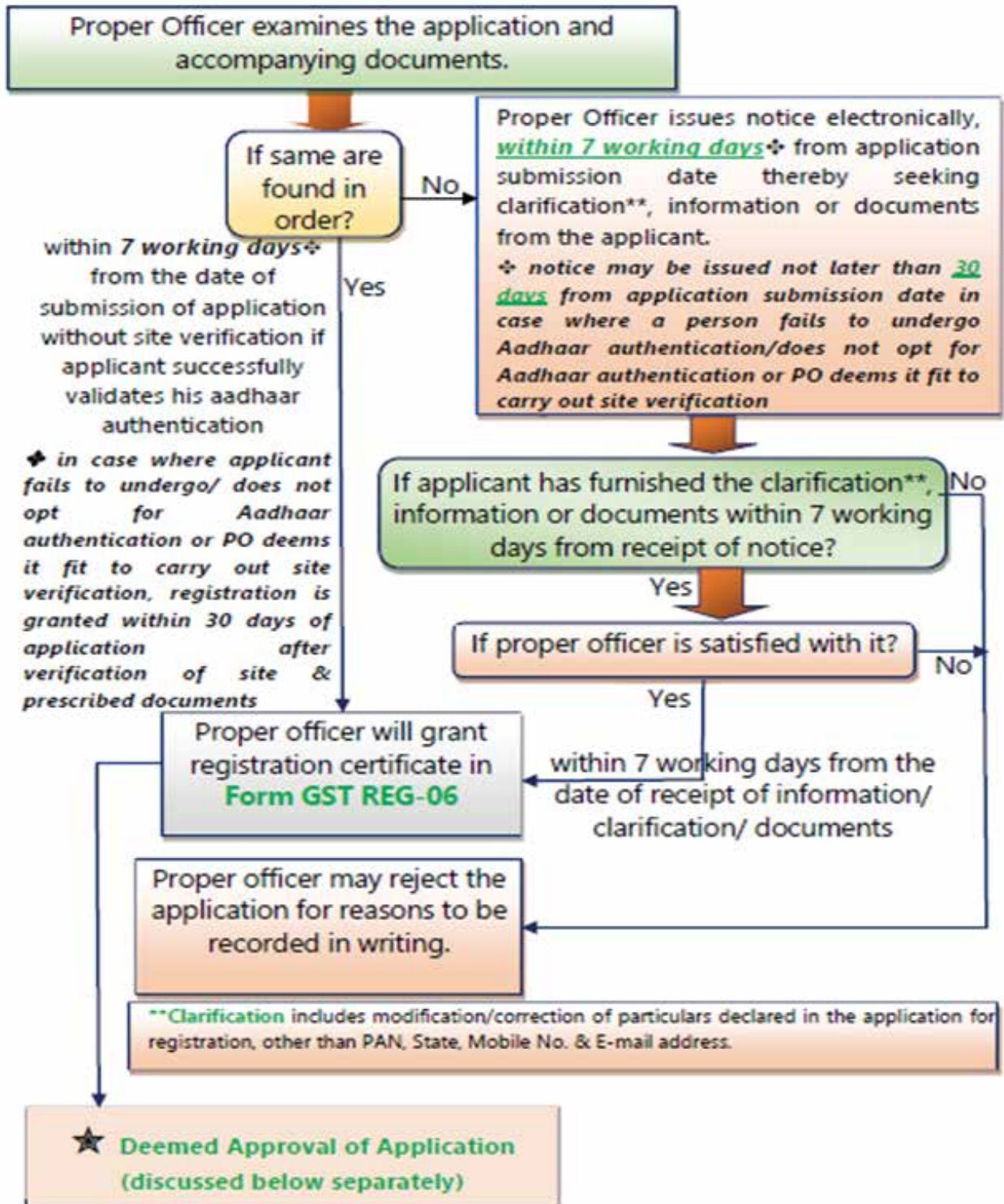
Part B of application contains the details, such as, constitution of business, jurisdiction, option for composition, date of commencement of business, reason to obtain registration, address of PPOB and nature of activity carried out therein, details of APoB, **details of bank account(s)**, details of authorized signatory, etc.

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

* Discussed in detail in subsequent paras.



Deemed Approval of Application

If the proper officer fails to take any action in the following cases within the stipulated time, the application for grant of registration shall be deemed to have been approved-

in case where registration is to be granted after physical verification of the premises of a person (i) who fails to undergo the aadhaar authentication/does not opt for aadhaar authentication or (ii) since proper officer deems it fit to carry out physical verification of places of business

•within a period of 30 days from the date of submission of the application

in case of a person other than those covered above

•within a period of 7 working days from the date of submission of the application

in cases where proper officer issues notice seeking clarification, information or documents from the applicant

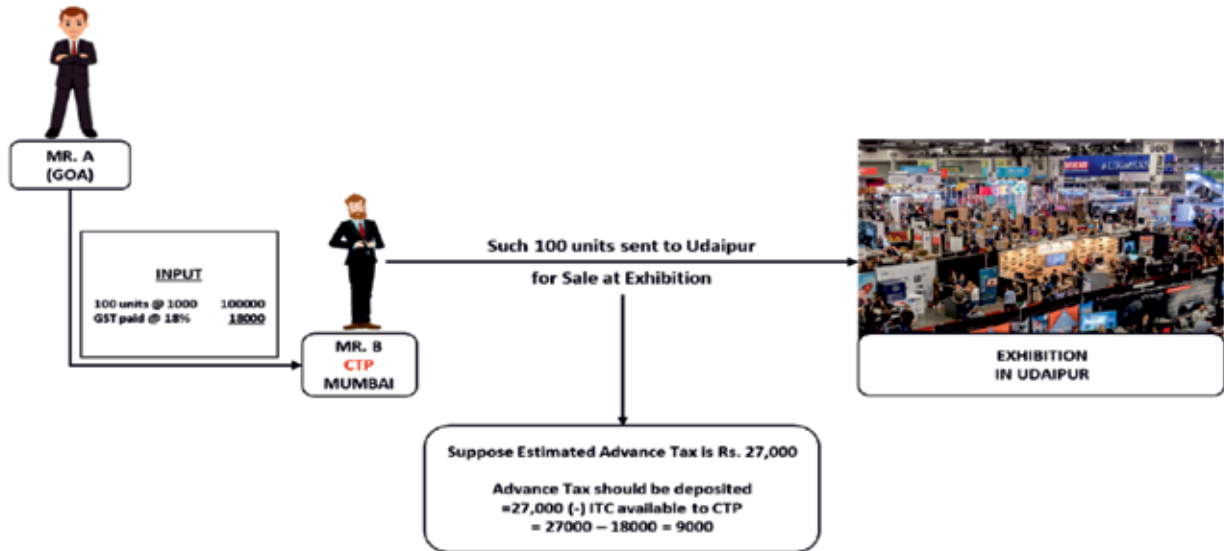
•within 7 working days from the date of receipt of clarification, information or documents furnished by the applicant

Section 26: DEEMED REGISTRATION

1. The grant of registration or the Unique Identity Number under the State Goods and Services Tax Act or the Union Territory Goods and Services Tax Act shall be deemed to be a grant of registration or the Unique Identity Number under this Act subject to the condition that the application for registration or the Unique Identity Number has not been rejected under this Act within the time specified.
2. In case any application for Registration or UIN is rejected in specified time under SGST Act or UTGST Act, shall be deemed to be a rejection of application for registration under this Act.

Section 27: SPECIAL PROVISIONS FOR CASUAL TAXABLE PERSON OR NON RESIDENT TAXABLE PERSON

1. CTP / NRTP registration is valid up to Period Specified in application for Registration or 90 Days from Effective date of Registration, Whichever is Earlier.
2. Taxable Supply to be made only after issuance of Registration Certificate.
3. Advance deposit to be made by CTP or NRT equivalent to Estimated Tax Liability.
4. The Amount Deposited will be credited to Electronic Cash Ledger.



3) REGISTRATION OF PARTICIPANTS OF LONG RUNNING EXHIBITIONS

In case of long running exhibitions (for a period more than 180 days), the taxable person cannot be treated as a CTP and thus such person would be required to obtain registration as a normal taxable person.

In such cases, he would not be required to pay advance tax [Refer Point D.] for the purpose of registration. He can surrender such registration once the exhibition is over [Circular No. 71/45/2018-GST dated 26.10.2018].

Section 28: AMENDMENT OF REGISTRATION

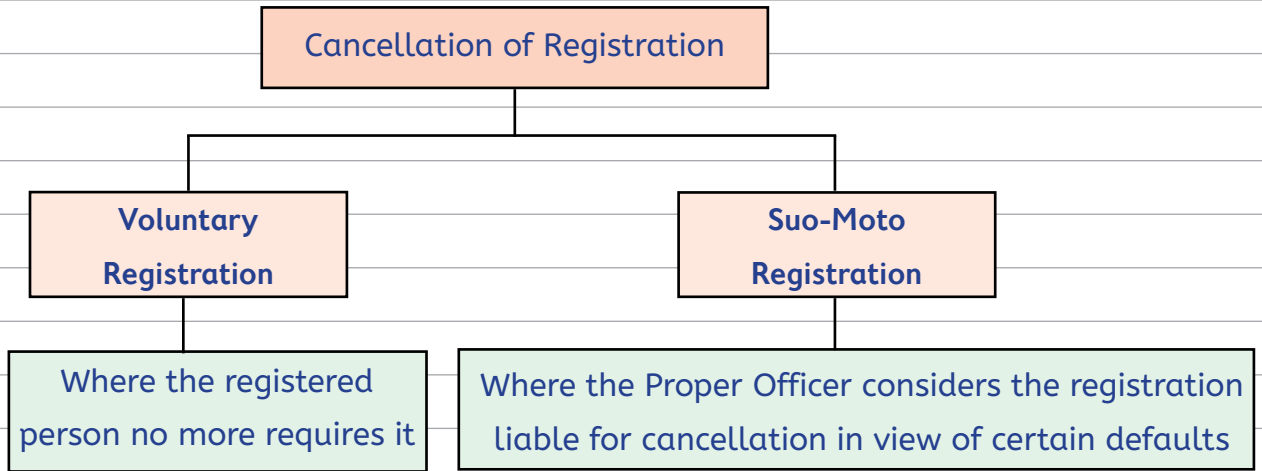
Except for the changes in some core information in the registration application, a taxable person shall be able to make amendments without requiring any specific approval from the tax authority.

In case the change is for legal name of the business, or the State of Place of Business or additional place of business. The taxable person will apply for amendments within 15 days of the event necessitating the change.

The Proper Officer, then will approve the amendment within the next 15 days.

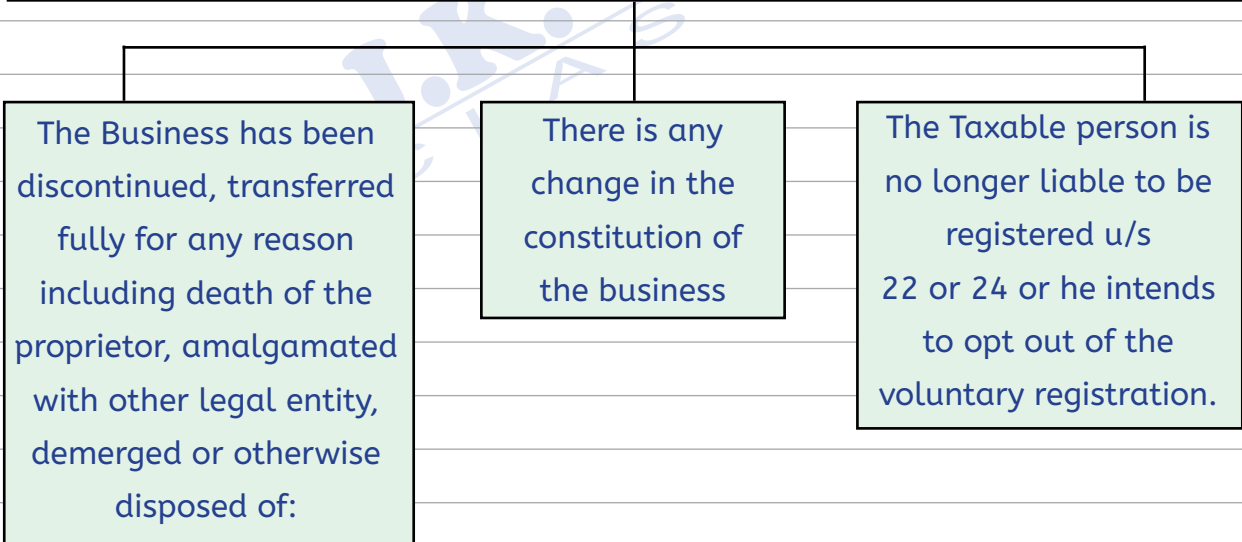
For other changes like the name of day to day functionaries, e-mail ID's, mobile numbers etc. no approval of the Proper Officer is required and the amendments can be affected by the taxable person in his own on the common portal.

Section 29: CANCELLATION OF REGISTRATION



SEC 29 (1): CIRCUMSTANCES FOR CANCELLATION OR SUSPENSION OF REGISTRATION

The Proper Officer may either on his own motion or on an application filed by the registered person or by his legal heirs, in case of death of such person, cancel the registration, in such manner and within such period as may be prescribed, having regard to the circumstances where:



A provision to **section 29(1)** has been inserted to provide that once a registered person has applied for cancellation of registration or the proper officer seeks to cancel his registration, the proper officer may suspend his registration during pendency of the proceedings relating to cancellation of registration filed by such registered person, for such period** and in such manner as may be prescribed.

SEC 29(2): CANCELLATION OF REGISTRATION BY PROPER OFFICER

Reasons thereof [**Sections 29(2)** and Rule 21 of CGST Rules, 2017]. The proper officer may

cancel the registration of a person from such date, including any retrospective date, as he may deem fit, where –

- (a) a registered person has contravened such provisions of the Act or the rules made thereunder as may be prescribed.
- (b) A person paying tax under **Section 10** i.e. composition scheme has not furnished returns for 3 consecutive tax periods.
- (c) any registration person, other than a person specified clause (b), has not furnished returns for a continuous period of 6 months
- (d) Any person who has taken voluntary registration under **Section 25(3)** has not commenced business within 6 months from the date of registration; or
- (e) registration has been obtained by means of fraud, willful misstatement or suppression of facts.
- (f) does not conduct any business from the declared place of business, or
- (g) issues invoice/bill without supply of goods/services in violation of the provisions of this Act, or the rules made thereunder
- (h) avails input tax credit in violation of the provisions of **section 16(2)** of the CGST Act or the rules made thereunder; or
- (i) furnishes the details of outward supplies in Form GSTR-1 under **section 37** for one or more tax periods which is in excess of the outward supplies declared by him in his valid return under **section 39** for the said tax periods; or
- (j) violates the provision of rule 86B

Opportunity of being heard. The proper officer shall not cancel the registration without giving the person an opportunity of being heard.

SEC 29(3): CANCELLATION OF REGISTRATION

Not to affect tax liability: The cancellation of registration under this section shall not affect the liability of the person to pay tax and the other dues under this Act or to discharge any obligation under this Act or the rules made thereunder for any period prior to the date of cancellation whether or not such tax and other dues are determined before or after the date of cancellation.

SEC 29(4): CANCELLATION UNDER SGST/UTGST ACT

Deemed cancellation under CGST Act The cancellation of registration under this act.

SEC 29(5): PAYMENT OF ITC ON CANCELLATION

Pay ITC availed on goods in stock or output tax whichever is higher. As per **Section 29(5)**, every

registered person whose registration is cancelled shall pay an amount calculated in such manner as may be prescribed, by way of debit in the electronic credit ledger or electronic cash ledger, -

- equivalent to the credit of input tax in respect of –
 - inputs held in stock, or
 - inputs contained in semi-finished goods, or
 - inputs contained in finished goods held in stock, or
 - capital goods or plant and machinery

On the day immediately preceding the date of such cancellation, or

- the output tax payable on such goods,
Whichever is higher.

Payment in case of capital goods – ITC in respect of capital goods or plant and machinery calculated in accordance with rule 44

- ITC involved in the remaining useful life in months of the capital goods computed on pro-rata basis, taking the useful life as 5 years.
- The tax on the transaction value of such capital goods or plant and machinery under **Section 15**, whichever is higher.

EXAMPLE:

Capital goods have been in use for 4 years and 4 months.

The useful remaining life in months = 8 months. And sold for 50,000 @18%.

ITC taken on such capital goods = 60,000

Answer:

1. ITC attributable to remaining useful life = $60,000 \times \frac{8}{60} = 8,000$
2. Tax on transaction value = $50,000 \times 18\% = 9,000$
Higher of the two above = 9,000

Section 30: REVOCATION OF CANCELLATION OF REGISTRATION

1. Application for Restoration of Registration to be made within 30 Days from Service of Cancellation Order. **This can be further extended by not exceeding 30 days by Additional commissioner / Joint commissioner and further period by not exceeding 30 days by Commissioner.**
2. The P.O by order either revoke cancellation of the registration or reject application. However before cancellation, Applicant must be given opportunity of being heard.
3. Restoration of RC under SGST / UTGST Act deemed to be restoration under CGST Act.
4. Where registration was cancelled for failure of registered person to furnish returns

4A - Where the registration has been cancelled with effect from the date of order of cancellation of registration.

Example:

The registration of Vinit Associates was cancelled by the proper officer by an order dated 1st June for its failure to furnish returns.

The registration was cancelled with effect from 1st June itself. It applied for revocation of cancellation of registration and the order for revocation of cancellation of Vinit Associates is passed on 31st July.

In this case, Vinit Associates shall be required to furnish all the returns for the period from **1st June to 31st July** within a period of 30 days from 31st July, i.e. by 30th August.

4B - Where the registration has been cancelled with retrospective effect.

Example:

The registration of Vinit Associates was cancelled by the proper officer by an order dated 1st June for its failure to furnish returns.

The registration was cancelled with effect from 1st January itself. It applied for revocation of cancellation of registration and the order for revocation of cancellation of Vinit Associates is passed on 31st July.

In this case, Vinit Associates shall be required to furnish all the returns for the period from **1st January to 31st July** within a period of 30 days from 31st July, i.e. by 30th August.

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**TAX INVOICE, DEBIT
NOTE AND CREDIT NOTE**

1. Time limit for issue of invoice - Section 31

Same as Chapter 5A Time of Supply

2. Manner of issuing an invoice – Rule 48

Case	Number of Copies
Goods	3 Copies – Original for recipient, Duplicate for Transporter and Triplicate for supplier
Services	2 Copies – Original for recipient, Duplicate for supplier

3. Particulars to be mentioned on the invoice – Rule 46

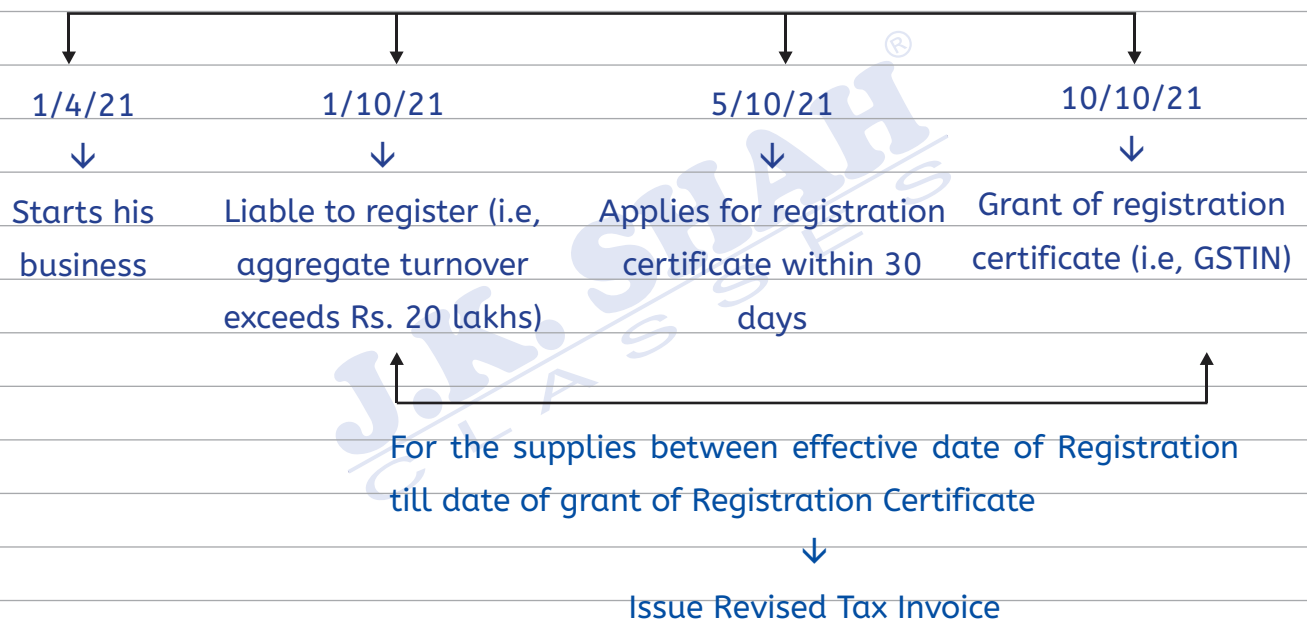
- 1) Name, add & GSTIN of Supplier
- 2) Date of Issue
- 3) Name, add, GSTIN/UID of recipient (if he is registered)
- 4) Description of goods or Service
- 5) Qty in case of goods/Unique Qty Code
- 6) Total value, Taxable value & Rate of Tax
- 7) Amount of Tax, Place of supply, Add of delivery (if different than Place of supply)
- 8) whether it is under RCM.
- 9) Signature, digital signature (**not required incase of E-invoicing**)
- 10) Quick Response Code (IRN Embedded in it - in case of E-invoicing)
- 11) HSN Code - Harmonised System of Nomenclature
SAC Code- Service Accounting Code.

T/O PFY	No of Digits of HSN Code
ATO Upto 5cr	For B2B Supplies = 4 digit For B2C Supplies = 4 digit (Optional)
ATO > 5cr	For B2B & B2C = 6 digit

4. Revised Tax Invoice – Rule 53

- Every registered person who has been granted registration with effect from a date earlier than the date of issuance of certificate of registration to him, may issue revised tax Invoices.
- There would be a time lag between date of grant of certificate of registration and the effective date of registration. For supplies made by such person during this intervening period, the law enables the issuance of a revised invoice can be issued within 1 month, so that ITC can be availed by the recipient on such supplies except for cases where revised invoice is due to **Section 74,129 & 130**.

Example:



- A registered person may issue a **Consolidated Revised Tax Invoice** in respect of all taxable supplies made to an **unregistered recipient during such period**. However, in case of **inter-State supplies**, a consolidated Revised Tax Invoice cannot be issued in respect of all unregistered recipients if the value of a supply exceeds ₹ 2,50,000.

5. Consolidated tax invoice – Rule 46

- A registered person may not issue a Tax Invoice if: (i) Value of the goods/services/ both supplied is **less than ₹ 200**, (ii) the recipient is **unregistered**; and (iii) the recipient **does not require such invoice**.

- Instead such registered person shall issue a **Consolidated Tax Invoice** for such supplies at the close of each day in respect of all such supplies.
- All the above provisions are also applicable to Bill of Supply.

Example :

Kiran & Co. a Printing & stationery dealer has given details for the day. You are required to determine for which all case he can issued consolidated Tax Invoice.

Sr. No.	Recipient of supply	Amount (₹)
1	CA Pravesh & Associates – registered dealer	199
2	Tisha – painter (Unregistered)	500
3	Bhavna orphanage – unregistered entity	389
4	Sneha & Co. an unregistered dealer	156
5	Pranay – student	188

Answer

Kiran & Co. is required to issue consolidated Tax Invoice for the supplies to Sneha & Co. & Pranay a student. As the amount of supply is less than ₹200, recipient is unregistered & recipient doesn't require the same (assumed).

However in supplies to CA Pravesh & Associates, Tisha & Bhavna Orphanage he will have to issue Tax Invoice separately as the all the conditions are not fulfilled.

6. Bill of Supply – Rule 49

- A registered person supplying exempted goods or services or both or paying tax under composition levy shall issue a bill of supply instead of a tax invoice.

7. Invoice cum Bill of Supply – Rule 49

- A registered person supplying exempted and taxable goods or services may issue an invoice cum bill of supply instead of a tax invoice and bill of supply separately.

8. Receipt Voucher – Rule 50

- A registered person shall, on receipt of advance payment with respect to any supply of goods or services or both, issue a Receipt Voucher evidencing receipt of such payment.

- Where at the time of receipt of advance, rate of tax/ nature of supply is not determinable:
 - Rate of tax would be – 18%
 - Nature of supply would be– inter-state supply (IGST)

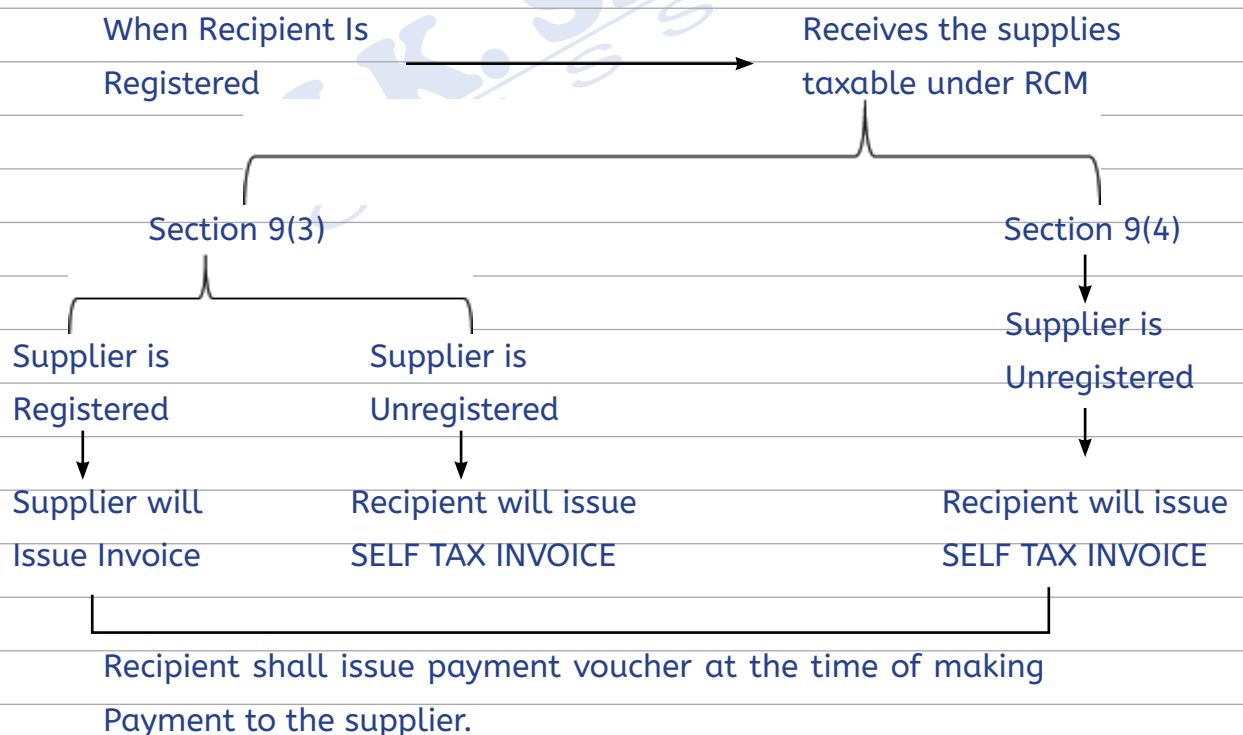
9. Refund Voucher – Rule 51

- Where, on receipt of advance payment with respect to any supply of goods or services or both the registered person issues a **Receipt Voucher**, but subsequently no supply is made and no tax invoice is issued in pursuance thereof, the said registered person may issue to the person who had made the payment, a **Refund Voucher** against such payment.

10. Payment Voucher – Rule 52

- A registered person who is liable to pay tax under reverse charge [under **section 9(3)/9(4)** of the CGST Act] shall issue a **Payment Voucher** at the time of making payment to the supplier.

Invoice and Payment Voucher for RCM - Summary



11. Suppliers permitted to issue any other document – Rule 54

Supplier	Optional information	Mandatory Information
Insurer/ Banking Company including NBFC	Serial Number and Address of recipient	Other information's to be mentioned – Optional for these entities to issue invoice for every transaction. They can issue consolidated invoice for a month per customer.
Goods Transport Agency		Gross weight, Name of consignor and consignee, Registration number of carriage, Details of goods, place of origin and destination, GSTIN of the person liable to pay tax.
Supplier of passenger transportation	Serial Number and Address of recipient	Tax invoice shall include ticket in any form, by whatever name called.
A registered person supplying services by way of admission to exhibition of cinematograph films in multiplex screens.		Issue an electronic ticket and the said electronic ticket shall be deemed to be a tax invoice for all purposes of the Act, <u>even if such ticket does not contain the details of the recipient of service but contains the other information.</u>

Note: An insurer or banking company or other financial institution or telecom operator or any other class of notified supplier of service can raise a single invoice per quarter for transactions between distinct persons.

12. Delivery Challan – Rule 55

- Rule 55 specifies the cases where at the time of removal of goods, goods may be removed on delivery challan and invoice may be issued after delivery.
 - Supply of liquid gas where the quantity at the time of removal from the place of business of the supplier is not known;
 - Transportation of goods for job work;
 - Transportation of goods for reasons other than by way of supply;
 - Transportation of goods in semi knocked down or completely knocked down condition and invoice was issued before dispatch of first consignment;
 - Such other supplies as may be notified by Board;

13. Section 31A – Facility for digital payment to recipient

- The Government may, on the recommendations of the Council, prescribe a class of registered persons who shall provide prescribed modes of electronic payment to the recipient of supply of goods or services or both made by him and give option to such recipient to make payment accordingly, in such manner and subject to such conditions and restrictions, as may be prescribed.

14. Credit Note and Debit Note – Section 34

- **Credit Note:** Where one or more tax invoices have been issued for supply of any goods or services or both and the taxable value or tax charged in that tax invoice is found to exceed the taxable value or tax payable in respect of such supply, or where the goods supplied are returned by the recipient, or where goods or services or both supplied are found to be deficient, the registered person, who has supplied such goods or services or both, may issue to the recipient **one or more credit notes for supplies made in a financial year** containing such particulars as may be prescribed.

- **Reasons for Credit Note issued by Supplier**

- Taxable value in invoice is **more than** Taxable value in respect of such supply;
- Tax charged in invoice is **more than** Tax payable in respect of such supply;
- Where the goods supplied are returned by the recipient;
- **Where goods or services or both are found to be deficient.**

- **Debit Note is** Where one or more tax invoices have been issued for supply of any goods or services or both and the taxable value or tax charged in that tax invoice is less than taxable value or tax payable in respect of such supply.

Note: Last date to issue Credit note is

Due date of filing return u/s 39 for September month following the financial year in which such is raised or invoice relating to such debit note pertains.

OR

Actual date of filing annual returns for relevant F.Y

Whichever is earlier

15. Manner of issuing E-invoice - Rule 48(4)

- The e-invoice shall be prepared by notified class of registered persons, on the recommendation of GST Council, by including such particulars contained in Form GST

INV-01 after obtaining an IRN (Invoice Reference Number) by uploading information contained therein on the prescribed electronic portal (Invoice Registration Portal – Eg: einvoice1.gst.gov.in).

- Every Invoice issued in any other manner shall not be treated as on invoice.
- The requirement of preparing the invoice in duplicate and triplicate in case of supply of services and goods does not apply to such e-invoice. Signature or digital signature is also not required for e-invoice. An e-invoice will have a Quick Response Code (QR Code) having embedded IRN in it.
- **Notified Persons:** E-invoicing is mandatory for the registered person whose aggregate turnover in any of the preceding financial year from 2017-18 exceeds ₹ 20 Crores in case of B2B supplies and exports.
- E-invoice can be cancelled within 24 hours but any amendment is not permitted.
- **Exceptions:** However, irrespective of the turnover, e-invoicing shall not be applicable to the following categories of registered person:
 - SEZ Unit;
 - Insurer or a banking company or a financial institution, including a NBFC;
 - A Goods Transport Agency;
 - A registered person supplying passenger transportation service; and
 - A registered person supplying services by way of admission to the exhibition of cinematograph films in multiplex screens.
 - Government Department and Local Authority

16. Dynamic QR Code

- Any registered person whose aggregate turnover in any of the preceding financial year from 2017-18 exceeds ₹ 500 Crore is required to display a dynamic QR code on every B2C invoice. This Dynamic QR code should be such that a person can scan and pay electronically.
- The Dynamic QR code should capture details of invoice such as GSTIN, invoice value, GST, Bank details, UPI ID, etc.

17. Electronic way bill – Section 68 read with Rule 138, 138A, 138B, 138C, 138D & 138E

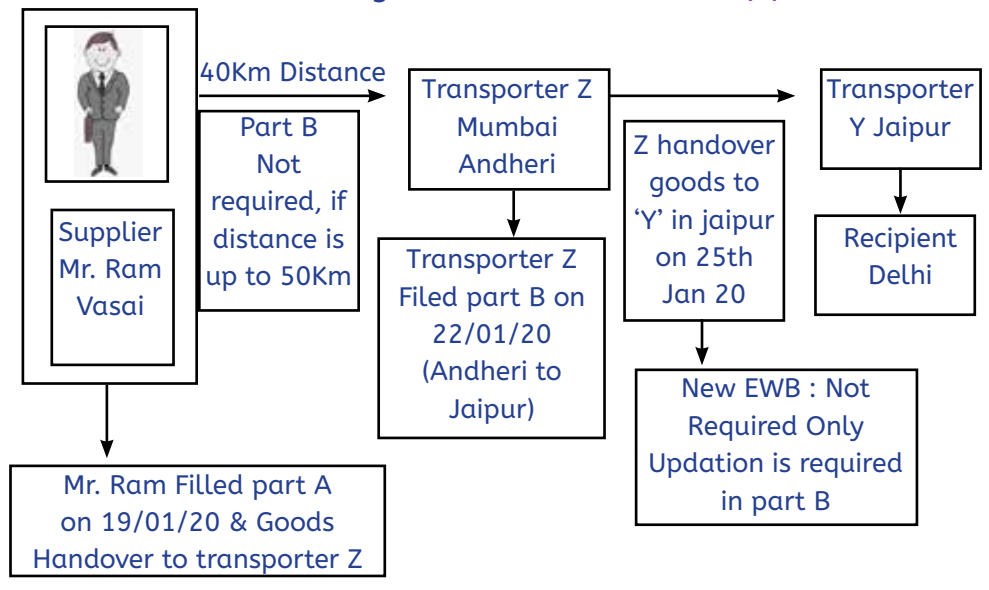
<p>1. What is e-way bill?</p>	<ul style="list-style-type: none"> • It is an electronic way bill (document) for movement of goods which can be generated on e-way bill portal. • E-way bill is required for movement of goods of value in excess of ₹ 50,000. Such movement can be for any purpose including but not Limited to sale, repair, consignment, on approval supply etc.
<p>2. When should e-way bill be issued?</p>	<p>E-way bill will be generated when there is a movement of goods of value more than ₹ 50,000 under following circumstances:</p> <ul style="list-style-type: none"> → In Relation to Supply (Sale, sales return, purchase, purchases return, stock transfer, import, export) → For reason other than supply (stock transfer, Sale on approval basis, goods sent on job work, Exhibition/fairs, own use) → Inward Supply from an unregistered person
<p>3. Exception to General</p>	<p>Generation of of e-way bill is compulsory even if value is less than or equal to to general ₹50,000 in the following cases:</p> <ul style="list-style-type: none"> • Inter-State movement of goods by the Principal to the Job-worker. • Inter-State transport of handicraft goods by a dealer exempted from GST registration.
<p>4. Cancellation Rejection</p>	<ul style="list-style-type: none"> • If the e-way bill is generated with wrong information, it can be cancelled, and new e-way bill can be generated. • Provision for cancellation of e-way bill within 24 hours by the person who have generated the e-way bill. • The Recipient can reject the e-way bill within 72 hours of generation. • Alert Messages are also issued to the Users through Online and SMS.

	Case	Particular	Case
5. Who generates e-way bill	Case.1	Goods are transported by Registered Person Registered Person by Rail / Vessels / Air (as a consignor / consignee) Note: In case of Railway → Not required to Generate EWB at time of movement of goods but it should be generated before or at time of delivery of goods.	Registered Person
	Case 2.	EWB is not generated by Registered Person & Goods are handed over to transporter, for transportation of Goods by road	Transporter
	Case 3.	Movement of Goods is caused by Unregistered Person →	Unregistered Person or transporter may at their option, Generate EWB [Second provision of Rule 138(3)]
	Case 4.	Goods are supplied by Unregistered Person to Registered Person (Recipient) →	Registered Person

6. Not Required up to 50km

Explanation 2 to **rule 138(3)** stipulates that e-way bill is valid for movement of goods by road only when the information in Part-B is furnished. However, details of conveyance may not be furnished in Part-B of the e-way bill where the goods are transported for a distance of up to 50 km within the state/Union territory :

- From the place of business of the consigner to the place of business of the transporter for further transportation [Third proviso to rule 138(3)] or
- From the place of business of the transporter finally to the place of business of the consignee [Proviso to rule **138(5)**]



7. Validity of E-way bill	VALIDITY OF E-WAY BILL		
	Sr.No.	Distance	Validity Period
	1.	Up to 200km (w.e.f 01.01.21]	One day in cases other than Over Dimensional Cargo or multimodal shipment in which at least one leg involves transport by ship.
	2.	For every 200 km or part thereof thereafter	One additional day in cases other than over Dimensional Cargo or multimodal shipment in which at least one leg involves transport by ship.
	3.	Upto 20 km	One day in case of Over Dimensional Cargo or multimodal shipment in which at least one leg involves transport by ship.
4.	For every 20 km. or part thereof thereafter	One additional day in case of Over Dimensional Cargo or multimodal shipment in which at least one leg.	
8. Press release on E-way bill – Bill to ship to transaction	<ul style="list-style-type: none"> Bill-to-Ship-to model of supply which involves two transactions, only one e-way bill is to be generated –either by the person ordering goods to be sent to another or by the person actually sending the goods. (Press Release dated 23-4-2018) 		
9. Transfer goods from one conveyance to another	<p>Where the goods are transferred from one conveyance to another, the goods from consignor or the recipient, or the transporter shall, before such transfer and one further movement of goods, update the details of conveyance in Part B of conveyance to the e-way bill on the common portal [Rule 138(5)].</p> <p>The consignor/recipient, or the transporter, may assign the e-way bill number to another-registered/enrolled transporter for updating the information in Part B for further movement of the consignment[Rule 138(5A)]. However, once the details of the conveyance have been updated by the transporter in Part B, the consignor or recipient, as the case may be, who has furnished the information in Part A shall not be allowed to assign the e-way bill number to another transporter [Proviso to rule 138(5A)].</p>		

10. Documenta- tion Verification and Inspection	<p>Rule 138A: Documents and devices to be carried by a person in charge of a conveyance</p>	<p>1. The person in charge of a conveyance shall carry the invoice or the bill of supply or delivery challan and a copy of the e-way bill or the e-way bill number, either physically electronically or mapped to a Radio Frequency Identification Device (RFID) embedded on to the conveyance in such manner as may be notified by the Commissioner.</p>
	<p>Rule 138B: Verification of documents and conveyances</p>	<p>(a) The Commissioner or empowered officer may authorize proper officer to intercept any of conveyance for verification of e-way bill</p> <p>(b) The commissioner shall get RFID readers installed at places where the verification of movement of goods is required to be carried out and verification of movement of vehicles shall be done through such device readers where e-way bill has been mapped with the said device.</p> <p>(c) The physical verification of conveyances shall be carried out by the proper officer as authorized by the behalf.</p>

	<p>Rule 138C: Inspection & Verification of goods</p>	<p>(a) A summary report of every inspection of goods in transit shall be recorded online by the proper officer within 24 hours of the inspection and final report shall be recorded within 3 days of such inspection</p> <p>(b) Where the physical verification of the goods being transported on any conveyance has been done during transit at one place within the State or any other State, no further physical verification of the said conveyance shall be carried out again in the State, unless a specific information relating to evasion of tax is made available subsequently</p>
	<p>Rule 138D: Facility for uploading information regarding detention of vehicles:</p>	<p>Where a vehicle has been intercepted and detained for a period exceeding 30 minutes, the transporter may upload said information in prescribed form on the common portal</p>

11. Exemptions from generation of E-way bill

- a. Where the goods being transported are specified in Annexure*;
- b. Where the goods are being transported by a **non-motorised conveyance**;
- c. In respect of movement of goods within such **areas** as are notified;
- d. Where the goods being transported are alcoholic liquor for human consumption, petroleum crude, high speed diesel, motor spirit (petrol), natural gas or aviation turbine fuel;
- e. Where supply of goods being transported is treated as no supply under Schedule III of Act;
- f. Where the goods being transported are exempt from tax;
- g. Any movement of goods caused by defence formation under Ministry of defence as a consignor or consignee;
- h. Where empty cargo containers are being transported; and
- i. **Empty cylinders for packing of LPG are being moved for reasons other than supply**;

*LPG, Kerosene (PDS), Postal baggage, precious stones, jewellery, currency, used personal or household effect, Coral

12. Rule 138E – Restriction on furnishing information in Part A of GST EWB-01

- The following persons shall **not** be allowed to furnish information in Part A of Form GST EWB-01 in respect of their outward supply:
 - a. A person paying tax under **composition scheme** who has not furnished the statement of payment of self-assessed tax for **2 consecutive quarters** or
 - b. A person paying tax under **regular scheme** has not furnished the **return** for **2 consecutive tax period** or

- c. A person paying tax under regular scheme has not furnished **GSTR 1** for **any 2 months or quarters**, as the case may be or
 - d. A person whose registration is suspended
- However, **Commissioner** may, on receipt of **application** from such person may **allow** him to furnish information upon **sufficient cause** being shown and make an order in **writing**. He shall not reject the application without giving an opportunity of being heard.

J.K. SHAH[®]
CLASSES

9

PAYMENT OF TAX

1. Definitions

- **Output tax** in relation to a taxable person, means the tax chargeable under this Act on taxable supply of goods or services or both made by him or by his agent but excludes tax payable by him on reverse charge basis.
- **Valid return means** a return furnished under **sub-section (1)** of **section 39** on which self-assessed tax has been paid in full.
- Common portal Identification Number (CPIN) is created for every Challan successfully generated by taxpayer. It is a 14-digit unique number to identify the challan & remains valid for a period of 15 days.
- **CIN** or Challan Identification Number is generated by banks, once payment in lieu of a generated Challan is successful. It is a 17-digit number that is 14-digit CPIN plus 3-digit Bank Code.
- Bank Reference Number (BRN) is a transaction number given by bank for payment against Challan.

2. Major and Minor Heads for payment

Major Heads	Minor Heads
IGST	Tax
CGST	Interest
SGST/ UTGST	Penalty
Compensation Cess	Fee
-----	Others

Note 1: Cross Utilization of Major Head and Minor Head is strictly prohibited.

Note 2: Cross Utilization within Minor head is also not allowed.

Example for Adjustment: An amount of ₹ 1,000 is available under S(Tax) and the taxpayer has a liability of ₹ 200 for S(Interest). Since, there is no amount available under S(Int), therefore, interest payment cannot be made from the amount available S(Tax). However, ₹ 200 can be transferred from S(tax) to S(Int) by filing form GST PMT-09 and then it can be utilised to pay the liability.

3. Rule 86A – Conditions of use of amount available in E-Credit Ledger

- Commissioner or an officer authorised not below the rank of an Assistant Commissioner may, for reasons to be recorded in writing, **not allow debit of an amount in E-Credit Ledger**, if he has reasons to believe that ITC has been fraudulently availed or is ineligible in as much as:
 - a) ITC has been availed on the strength of tax invoices or debit notes or any other document prescribed under rule 36 issued by a registered person who has been found non-existent or not to be conducting any business from any place for which registration has been obtained; or without receipt of goods or services or both; or
 - b) The credit of input tax has been availed on the strength of tax invoices or debit notes or any other document prescribed under rule 36 in respect of any supply, the tax charged in respect of which has not been paid to the Government; or
 - c) The registered person availing the credit of input tax has been found non-existent or not to be conducting any business from any place for which registration has been obtained; or
 - d) The registered person availing any credit of input tax is not in possession of a tax invoice or debit note or any other document prescribed under rule 36,
- The Commissioner, or the officer authorised by him may, upon being satisfied that conditions for disallowing debit of electronic credit ledger as above, no longer exist, allow such debit. Such restriction shall **cease** to have effect **after the expiry** of a period of **1 year** from the date of imposing such restriction.

4. Rule 86B - Restrictions on use of amount available in electronic credit ledger

- The registered person shall not use amount available in electronic credit ledger to discharge his liability towards output tax in excess of 99% of such tax liability, in cases where value of taxable supply other than exempt supply and zero-rated supply, in a month exceeds ₹ 50 Lakh:
- The above restriction is not applicable in the following cases
 - (a) The said person or the proprietor or karta or the managing director or any of its two partners, whole-time Directors, Members of Managing Committee of Associations or Board of Trustees, have paid more than one lakh rupees as income tax in each of last two financial years for which the time limit to file return of income u/s 139(1) has expired; or
 - (b) The registered person has received a refund amount of more than one lakh rupees in the preceding financial year on account of unutilised input tax credit under zero rated supply or inverted tax structure or
 - (c) The registered person has discharged his liability towards output tax through the electronic cash ledger for an amount which is in excess of 1% of the total output tax liability, applied cumulatively, upto the said month in the current financial year; or
 - (d) The registered person is –(i) Government Department; or (ii) a Public Sector Undertaking; or (iii) a local authority; or (iv) a statutory body
- Provided further that the Commissioner or an officer authorised by him in this behalf may remove the said restriction after such verifications and such safeguards as he may deem fit.

5. Payment of tax, interest, penalty and other amounts – Section 49 with the Rules

- **Credit to E Cash Ledger:** Every deposit made towards tax, interest, penalty, fee or any other amount by a person by internet banking or by using credit or debit cards or National Electronic Fund Transfer or Real Time Gross Settlement or by such other mode

shall be credited to the electronic cash ledger.

- **Credit to E Credit Ledger:** The input tax credit as self-assessed in the return of a registered person shall be credited to his electronic credit ledger as provisional credit u/s 41.

- **What happens if the taxable person files the return but does not make payment of tax?**

Solution: In such cases, the return is not considered as a valid return. **Section 2(117)** defines a valid return to mean a return furnished under **sub-section (1)** of **section 39** on which self-assessed tax has been paid in full. It is only the valid return that would be used for allowing input tax credit (ITC) to the recipient. In other words, unless the supplier has paid the entire self-assessed tax and filed his return and the recipient has filed his return, **the ITC of the recipient would not be confirmed.**

- **Sequence to discharge tax and other dues:** Every taxable person shall discharge his tax and other dues under this Act or the rules made thereunder in the following order:
 - Self-assessed tax, and other dues²⁰ related to returns of **previous tax periods**;
 - Self-assessed tax, and other dues related to the return of the **current tax period**;
 - Any other amount payable under this Act or the rules made thereunder **including the demand** determined under **section 73** or **section 74**.

- **Date of Deposit:** The date of credit to the account of the Government in the authorised bank shall be deemed to be the date of deposit in the electronic cash ledger.

- **ONLY CASH PAYMENT** - TDS under **section 51**, or TCS under **section 52**, or the amount payable on reverse charge basis, or the amount payable under Composition Scheme, any amount payable towards interest, penalty, fee or any other amount under the Act shall be paid by debiting the electronic cash ledger.

- Payment challan to be generated online and will be valid for 15 days – Form **GST PMT – 06**.

- **Limit for Over the Counter Payment:** The limit for Over the Counter payment through

²⁰**Other dues means** interest, penalty, fee or any other amount payable under this Act or the rules under GST.

authorised banks for deposits is up to ₹ 10,000 per challan per tax period, by cash, cheque or demand draft. However, the limit of ₹ 10,000 is not applicable to Government Departments or any other deposit to be made by persons as may be notified by the Commissioner in this behalf or deposit by proper officer in case of recovery by department.

- The credit in E Credit ledger can be used to make payment of TAX ONLY and not for other amounts such as interest, penalty, fees etc.

6. Interest on delayed payment of tax – Section 50

Case	Interest
Delay in payment of tax, in full or in part within the prescribed period.	18% per annum from the date following the due date to the date of payment.

Note 1: Provided that the interest on tax payable in respect of supplies made during a tax period and declared in the return for the said period furnished after the due date in accordance with the provisions of **section 39** shall be payable on that portion of the tax that is paid by debiting the electronic cash ledger.

However, this benefit will not be available where such return is furnished after commencement of any proceedings under **section 73** or **74** in respect of the said period.

Note 2: Payment of tax wrongly collected and paid due to wrong place of supply

Section 19 of IGST Act - In case a person has paid IGST instead of CGST+SGST, then he has to claim refund of IGST after payment of CGST+SGST. However, interest is not applicable on such payment due to wrong place of supply.

Same principle is applicable if C+S is paid instead of IGST in terms of **section 77** of CGST Act, 2017.

10**RETURN****Section 37 : Detail of outward supplies (From GSTR – 1)**

- 1) Every Registered Person including CTP has to furnish details of outward supplies in Form GSTR – 1/ IFF & the due date as follows
 - a) Monthly Return Scheme – 11th of Next Month
 - b) QRMP Scheme – GSTR-1 = 13th of Next Month after the Quarter
– IFF = For 1st & 2nd Month = 13th of Next Month following the Quarter
- 2) Following person are not required to file GSTR 1/ IFF
 - i. input service distributor (ISD)
 - ii. non-resident taxable person
 - iii. person paying tax under composition scheme
 - iv. person deducting tax at source
 - v. person collecting tax at source i.e., e-commerce operator (ECO), not being an agent
 - vi. supplier of online information and database access or retrieval services (OIDAR) located in non-taxable territory and providing such services to non-taxable online recipient
- 3) **Extention:** Due date of GSTR 1 / IFF May be extended by Commissioner.
- 4) **Modification:** Modification can be done any no. of times before submitting the return
- 5) **Rectification:** Any error or omission in the returns be rectified in the month's Return in which the error is found.

The last date of rectification is

- Date of filing of monthly return u/s 39 for the month of September following the end of the financial year to which such details pertain or
- Date of filing of the relevant annual return
Which is earlier

Note:

Can a Return be Revised?

No, Revision of return filed in not permitted.

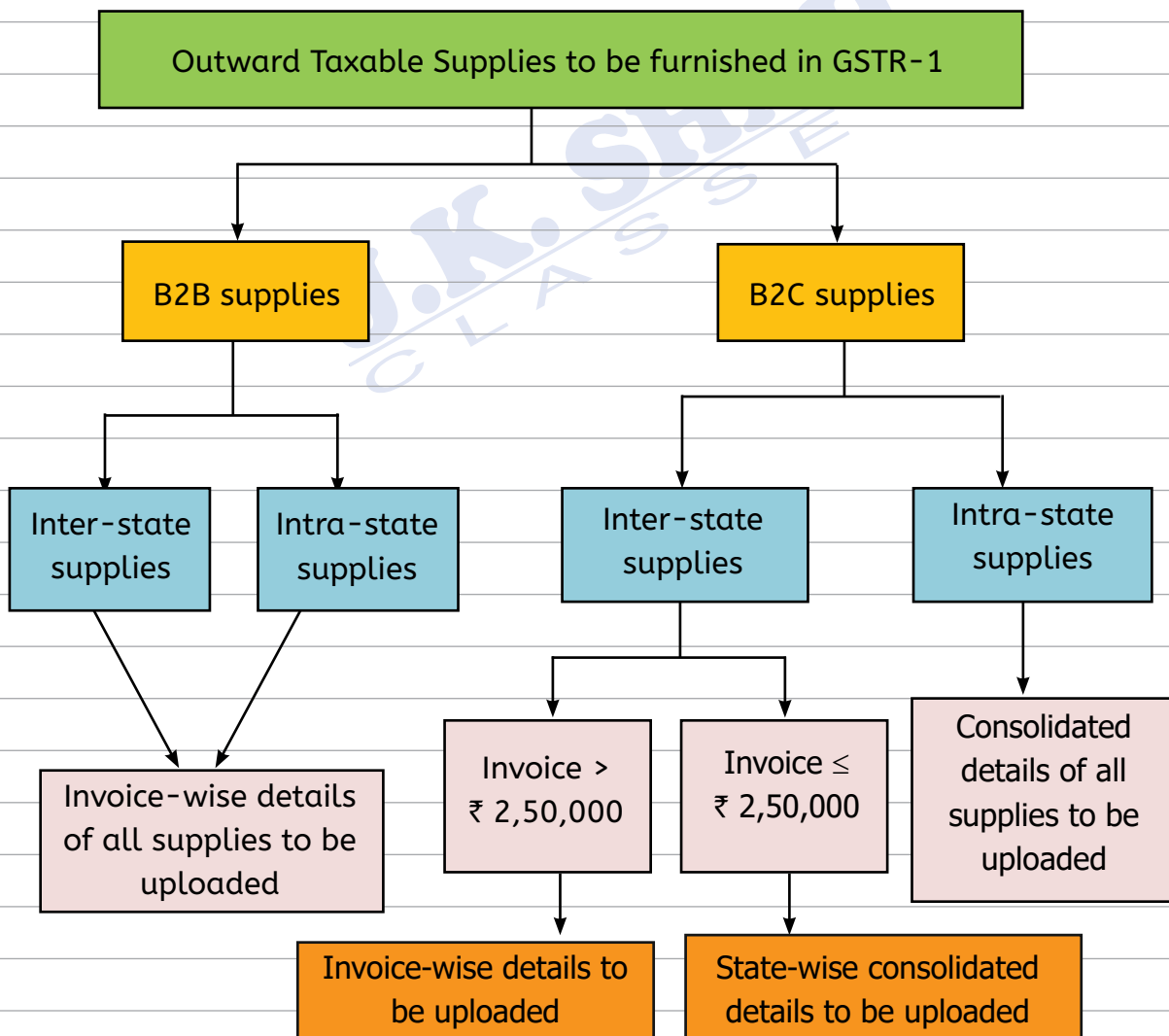
6) NIL Return: If there is no onward supply in a tax period, then Nil Return has to be filed.

7) GSTR – 1 cannot be filed before the end of a current tax period

However in following circumstances one can do

- a) CTP after last day of registration
- b) Cancellation of Registration

8) Onward Taxable supplies to be furnished in GSTR - 1



9) Indication of HSN details

Annual turnover in the preceding financial year	Number of Digits of HSN Code
Upto ₹ 5 core	For B2B supply - 4 For B2C supply - 4 (optional)
More than ₹ 5 crore	6

10) GSTR – 1/ IFF not permitted to be furnished: If

- i. Registered Person has not furnished GSTR- 3B for preceding 2 months
- ii. Registered Person option for QRMP scheme has not furnished return in form GSTR - 3B for preceding tax period
- iii. Registered Person falling under rule 86B has not furnished form GSTR – 3B for preceding tax period.

Section 38: Furnishing details of Inward supplies

Form GSTR – 2B: An auto-drafted read only statement containing the details of eligible ITC is made available to recipient for every month. It is a static statement and is available only once a month on 14th day of relevant months.

Section 39: Furnishing of Returns

1) **GSTR 3B:**

i. **Regular scheme**

Every Registered person who is required to file GSTR – 1 has to file GSTR – 3B giving details of output tax, input tax, RCM Liabilities etc.

The due date are:

- a) Monthly Return Scheme: 20th of Next Month
- b) QRMP scheme: 22nd /24th of next month following the Quarter

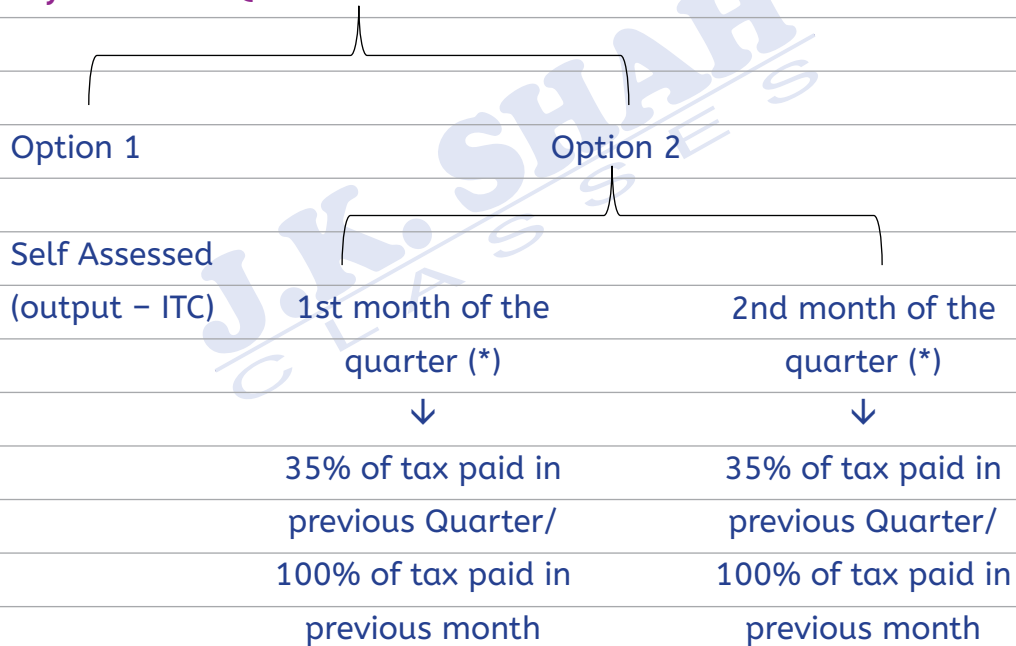
Payment of Tax

- a) Monthly Return = 20th of next month
- b) QRMP Scheme:
 - For 1st & 2nd month of the Quarter = 25th day of next month
 - For 3rd month of the Quarter = 22nd /24th of next month following the quarter.

ii **QRMP Scheme: Quarterly Returns Monthly Scheme**

- 1) **Applicability:** Any person whose Aggregate Turnover of Preceding Financial year is upto 5 crore
- 2) **Due dates:**
 - i) GSTR 1: 13th of Next Month following the quarter
 - ii) GSTR-3B: 22nd/24th of the next Month following the quarter
- 3) **IFF Facility:** (Invoice Furnishing Facility)
 - i. **Applicability Optional = (Upto 50 Lakh each month)**
 - ii. **Due date for 1st and 2nd month of quarter = 13th of next month**

4) **Payment under QRMP schedule**



- How to pay for 1st & 2nd month
 - Deposit in Electronic cash ledger
 - & adjust in the returns i.e. GSTR – 3B for the Quarter

*No Interest for short payment compared to actual tax of 1st & 2nd month of the Quarter

Note: Any short payment will be liable to interest u/s 50 @ 18% P.A.

5) When to opt for QRMP scheme?

One can opt for QRMP Scheme between 1st day of 2nd Month of previous Quarter till last day of 1st month of relevant Quarter

E.g.: CA Sahil & Co. wants to opt for QRMP scheme for the Quarter of April – June when can he opt?

Ans: He can select it between 1st Feb to 30th April.

6) Can we shift between QRMP scheme to monthly scheme?

Ans: Yes, it can be changed between the 1st day of 2nd month of previous Quarter till last day of 1st month of relevant Quarter

QRMP is available only upto 5cr in current year, then shift to monthly scheme from next Quarter

7) Can QRMP scheme taken in one branch having same PAN & monthly in other?

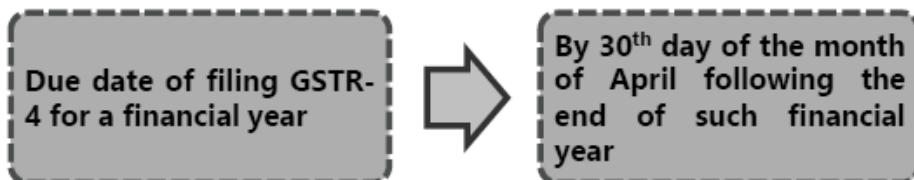
Ans: Yes

8) Can we use money deposited in E – cash ledger in first 2 months for any other purpose.

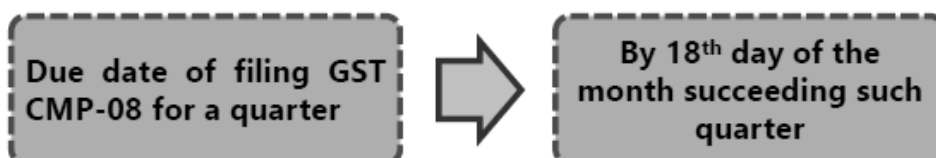
Ans: It is to be used only for Paying Quarterly Liability. But once GSTR – 3B is filed it can be used for any other payment

2) GSTR – 4: For Composition dealer u/s 10**a) Due date for filing GSTR-4 and Statement for payment of self-assessed tax**

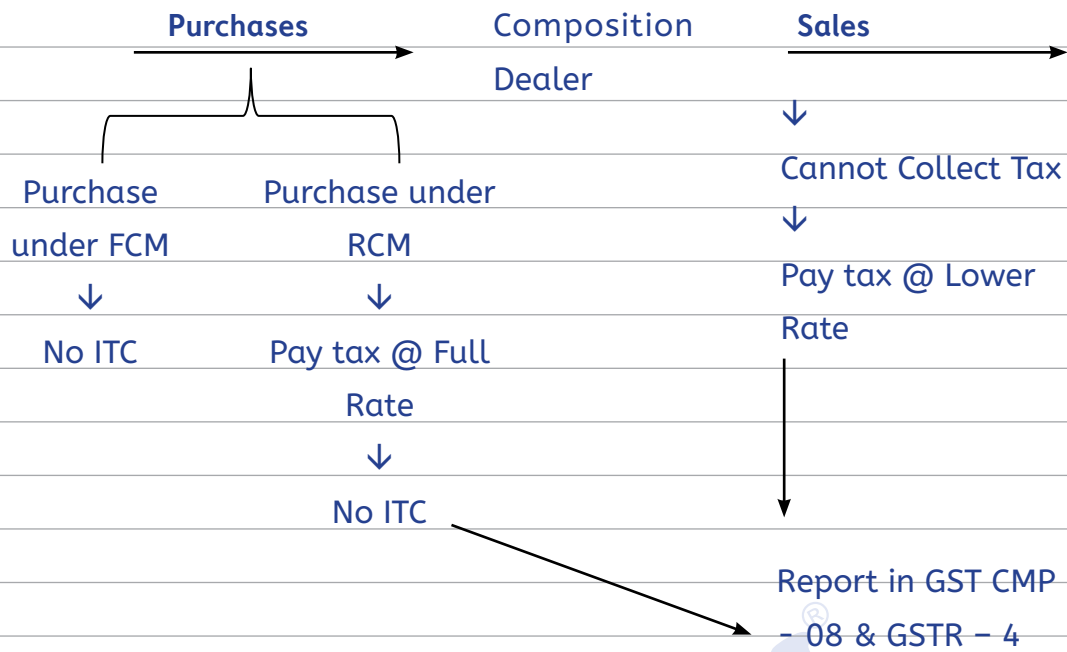
GSTR-4 for a financial year should be furnished by 30th April of the succeeding financial year.



GST CMP-08 (quarterly statement for payment of self-assessed tax) should be furnished by 18th day of the month succeeding such quarter.

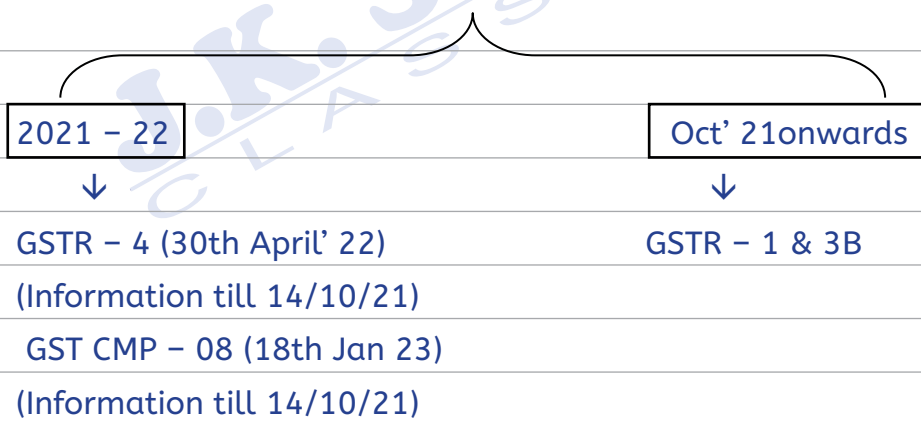


b) Details to be Reported



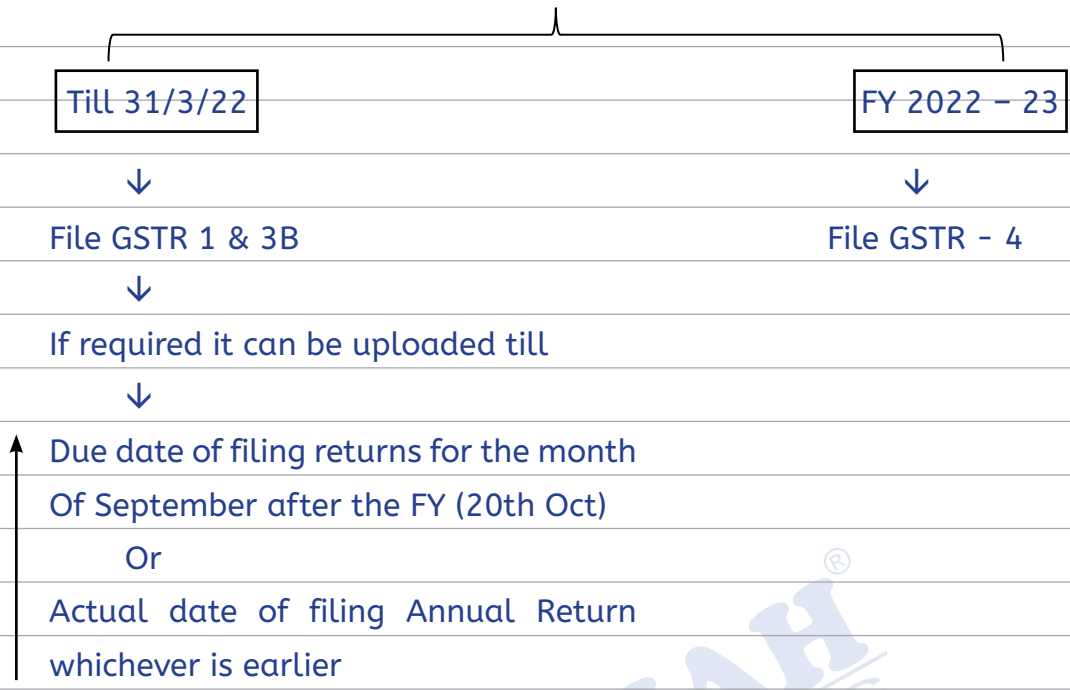
c) Composition Scheme → **Regular scheme**

Shifted on 15/10/21



d) Regular scheme → Composition scheme

Shifted on 1/4/22

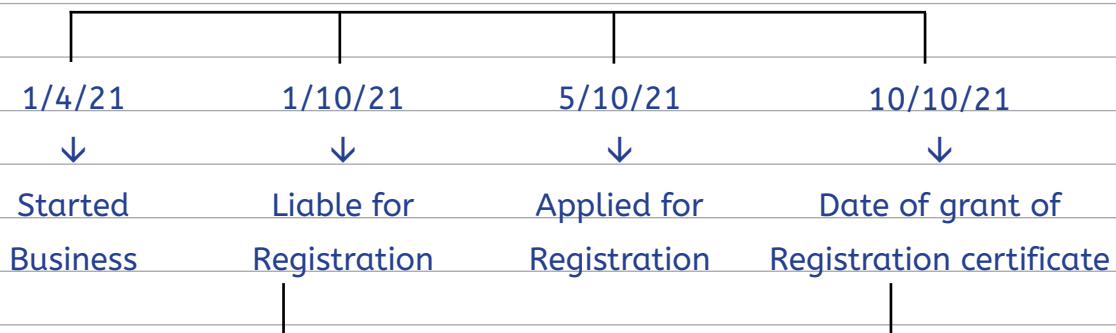


3) **GSTR – 5: Non Resident Taxable Person (NRTP)**

Tax period: Monthly

Due Date: ↑ 20th of next month or
7 days after expiry of Registration certificate
whichever is earlier

Section 40: First Return



For the supplies between effective date of Registration till Date of grant of Registration certificate – Issue Revised Tax Invoice.

↓

Furnish these invoice along with details of outward supply made during said period in first Return within 1 month from Date of grant of Registration certificate

Section 44: Annual Return

- 1) **Applicability:** Every Registered Person who required to File GSTR – 1 except CTP.
- 2) **Form:** Form GSTR – 9/GSTR – 9A (For composition dealer)
- 3) **Due Date:** 31st December of Next financial Year.
- 4) GSTR 9 & 9A is optional for person whose Aggregate turnover is upto 2 crore
- 5) A person whose Aggregate T/O exceeds 5 crore is required to submit reconciliation statement along with Annual Return

This statement is self-certified comparing Annual Return & Audited Financial statement

Form for Reconciliation → GSTR – 9C

- 6) **Extension:** by commissioner

Section 45: Final Return (GSTR – 10)

Applicability: Every person whose Registration has been cancelled or who has surrendered the Registration

Form: Form GSTR – 10

Due Date: | 3 months from Date of cancellation
 | Or
 ↓ 3 months form Date of order of cancellation
 whichever is LATER

Section 46: Notice to defaulter

Proper officer has the power to issue a notice to a person who has not filed his Return giving 15 days time to file Return (Notice to person u/s 39, 44,45,52,(eco))

Section 47: Late fees

- a) Late fee for delay in filing Return
Delay in filing any of the following by due date attract late fees
 - a) Statement of outward supplies (section 37)
 - b) Returns (including returns under QRMP) (section 39)
 - c) Final Returns (section 45)

Quantum of late fees

₹100 for every day during which failure continues
 or
 ₹5000
 whichever is lower

b) Late fees for delay in filing annual Returns (GSTR – 9)

Quantum of late fees: ₹100 for every day during which failure continues
 or
 0.25% of Turnover of Registered person in the state/
 UT
 whichever is lower

Note: Above late fees is under CGST Act, same will be applicable for SGST/UTGST Act.

c) Section 47 has been deferred for GSTR 1, 3B, & 4 (under QRMP too), Final Returns.
(From June 2021/Quarter ending June 2021 onwards)

1) Registered person who have NIL outward supplies in the tax period/whose total amount of tax payable in GSTR – 3B is NIL as the case may be = ₹500 (₹250 each under CGST & SGST & ₹500 under IGST)

2) RP other than those above

If ATO is upto ₹1.5 cr In PFY ↓ ₹2000 (₹1000 each under CGST & SGST & ₹2000 under IGST)	If ATO >1.5 Cr upto 5Cr ↓ ₹5000 (₹2500 each under CGST & SGST & ₹5000 Under IGST)
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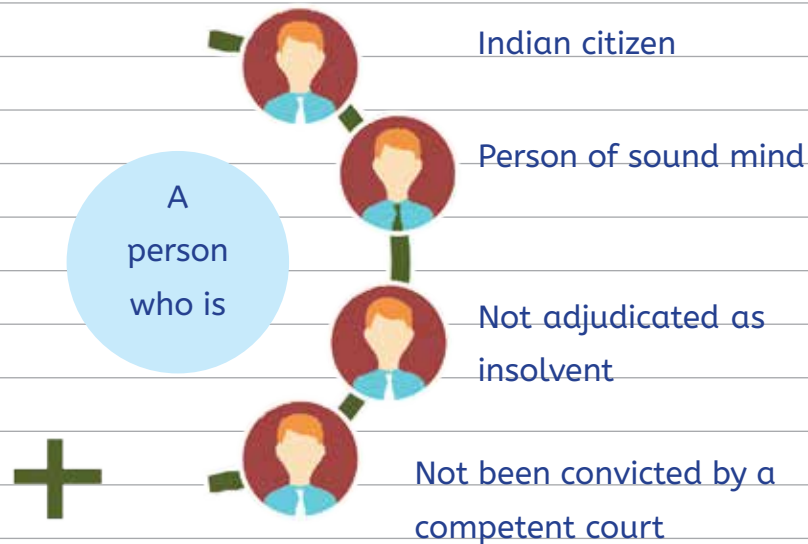
3) RP other than (1) & (2) above = late fees as per sec 47

4) Late fee for delay in filing GSTR – 4 (composition scheme) FY 21-22 onwards

<p>1) Total Tax Payable in GSTR – 4 is NIL ↓ ₹ 500 (₹ 250 each under CGST & SGST & ₹ 500 under IGST)</p>	<p>2) RP other than (1) ↓ ₹ 2,000 (₹ 1000 each under CGST & SGST & ₹ 2,000 under IGST)</p>
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Section 48: Goods & Service Tax Practitioner (GSTP)

- 1) GST Practitioner is given a separate user name & password on the common portal. He can access his client records allowed by the clients & carry out functions such as GST Return, Payment of Tax, reply to notice etc.
- 2) GSTP has to pass an exam conducted by National Academy for customs, Indirect Tax & Narcotics (NACIN).
- 3) The primary responsibility of any error or mistake is always on the client.
- 4) Who is eligible?



satisfies any of the conditions

- Retired officer of Commercial Tax Department of any State Govt./CBIC who, during service under Government had worked in a post not lower than the rank of a Group-B gazetted officer for a period ≥ 2 years
- Enrolled as a Sales Tax Practitioner or Tax Return Preparer under the earlier indirect tax laws for a period of not less than 5 years
- Has acquired any of the prescribed qualifications (mentioned below)

Prescribed Qualifications

- (i) Graduate or postgraduate degree or its equivalent examination having a degree in Commerce, Law, Banking including Higher Auditing, or Business Administration or Business Management from any Indian University established by any law for the time being in force
- (ii) Degree examination of any Foreign University recognised by any Indian University as equivalent to the degree examination mentioned in sub-clause (i)
- (iii) Any other examination notified by the Government, on the recommendation of the Council, for this purpose
- (iv) Has passed final examination of ICAI/ ICSI/ Institute of Cost Accountants of India.