

# Chapter 1: Introduction To GST

## TAX

It is a compulsory charge levied by the government. Taxes are of two types:

a) direct Tax & b) Indirect tax

## DIRECT AND INDIRECT TAXES

Taxes are broadly classified into direct and indirect taxes.

### Direct Taxes:

- A direct tax is a kind of charge, which is imposed directly on the taxpayer and paid directly to the Government by the persons on whom it is imposed.
- A direct tax is one that cannot be shifted by the taxpayer to someone else. E.g. income tax.

### Indirect Taxes:

- An indirect tax is one that can be shifted by the taxpayer to someone else.
- Its incidence is borne by the consumers who ultimately consume the product or the service, while the immediate liability to pay the tax may fall upon another person such as a manufacturer or provider of service or seller of goods.
- They are regressive in nature because they are not based on the principle of ability to pay.
- Indirect taxes are levied on consumption, expenditure, privilege, or right but not on income or property.  
E.g. GST, Custom Duty

## FEATURES OF INDIRECT TAXES

- **An important source of revenue** : Indirect taxes are a major source of tax revenues for Governments worldwide and continue to grow as more countries move to consumption oriented tax regimes. In India, indirect taxes contribute more than 50% of the total tax revenues of Central and State Governments.
- **Tax on commodities and services** : It is levied on commodities at the time of manufacture or purchase or sale or import/export thereof. Hence, it is also known as commodity taxation. It is also levied on provision of services.
- **Shifting of burden** : There is a clear shifting of tax burden in respect of indirect taxes. For example, GST paid by the supplier of the goods is recovered from the buyer by including the tax in the cost of the commodity.
- **No perception of direct pinch**: Since, value of indirect taxes is generally inbuilt in the price of the commodity, most of the time the tax payer pays the same without actually knowing that he is paying tax to the Government. Thus, tax payer does not perceive a direct pinch while paying indirect taxes.
- **Inflationary**: Tax imposed on commodities and services causes an all-round price spiral. In other words, indirect taxation directly affects the prices of commodities and services and leads to inflationary trend.
- **Wider tax base** : Unlike direct taxes, the indirect taxes have a wide tax base. Majority of the products or services are subject to indirect taxes with low thresholds.

- **Promotes social welfare** : High taxes are imposed on the consumption of harmful products (also known as 'sin goods') such as alcoholic products, tobacco products etc. This not only checks their consumption but also enables the State to collect substantial revenue.
- **Regressive in nature** : Generally, the indirect taxes are regressive in nature. The rich and the poor have to pay the same rate of indirect taxes on certain commodities of mass consumption. This may further increase the income disparities between the rich and the poor.

### CONCEPT OF GST

- GST is a value added tax levied on manufacture, sale and consumption of goods and services.
- GST offers comprehensive and continuous chain of tax credits from the producer's point/service provider's point upto the retailer's level/consumer's level thereby taxing only the value added at each stage of supply chain.
- The supplier at each stage is permitted to avail credit of GST paid on the purchase of goods and/or services and can set off this credit against the GST payable on the supply of goods and services to be made by him. Thus, only the final consumer bears the GST charged by the last supplier in the supply chain, with set-off benefits at all the previous stages.
- Since, only the value added at each stage is taxed under GST, there is no tax on tax or cascading of taxes under GST system. GST does not differentiate between goods and services and thus, the two are taxed at a single rate.

### Why India Needed GST

Following reasons demanded implementation of GST:

- Double taxation of a transaction as both goods and services
- Non-inclusion of several local levies in State VAT such as luxury tax, entertainment tax, etc.
- Cascading of taxes on account of (i) levy of Non-VATable CST and (ii) inclusion of CENVAT in the value for imposing VAT.
- Non-integration of VAT & service tax
- No CENVAT after manufacturing stage

### Position Before GST

Particulars	A Manufacturer Delhi	B Manufacturer Delhi	C Trader Kanpur	D Trader Bhopal	E Trader Bhopal
Input	1000	2000	4590	5100	6000
Processing	500	1000	-	-	-
Profit	500	1000	410	900	1000
Selling Price	2000	4000	5000	6000	7000
Excise @12.5%	250	500	-	-	-
Total	2250	4500	5000	6000	7000
Vat @4%	90	-	-	240	280
CST @2%	-	90	100	-	-
Invoice price	2340	4590	5100	6240	7280

**Position After GST**

Particulars	A Manufacturer Delhi	B Manufacturer Delhi	C Trader Kanpur	D Trader Bhopal	E Trader Bhopal
Input	1000	2000	4000	4500	5400
Processing	500	1000	-	-	-
Profit	500	1000	500	900	1000
Selling Price	2000	4000	4500	5400	6400
GST @ 12%	240	480	540	648	768
Invoice price	2240	4480	5040	6048	7168

Particulars	A Manufacturer Delhi	B Manufacturer Delhi	C Trader Kanpur	D Trader Bhopal	E Trader Bhopal
Output Tax Liability	240	480	540	648	768
Input Tax Credit	-	240	480	540	648
Net Tax Liability	240	240	60	108	120

**FRAMEWORK OF GST AS INTRODUCED IN INDIA****Dual GST**

- India has adopted a Dual GST model in view of the federal structure of the country.
- Centre and States simultaneously levy GST on taxable supply of goods or services or both, which takes place within a State or Union Territory. Thus, tax is imposed concurrently by the Centre and States, i.e. Centre and States simultaneously tax goods and services.
- GST is a destination based tax applicable on all transactions involving supply of goods and services for a consideration subject to exceptions thereof. GST in India comprises of:
  - On **intra-State supplies** of taxable goods and/or services
    - a) **Central Goods and Services Tax (CGST)** - levied and collected by Central Government,
    - b) **State Goods and Services Tax (SGST)** - levied and collected by State Governments/Union Territories with Legislatures and
    - c) **Union Territory Goods and Services Tax (UTGST)** - levied and collected by Union Territories without Legislatures.
  - **Inter-State supplies** of taxable goods and/or services are subject to Integrated Goods and Services Tax (IGST). IGST is the sum total of CGST and SGST/UTGST and is levied by Centre on all inter-State supplies.

**BENEFITS OF GST**

GST is a win-win situation for the entire country. It brings benefits to all the stakeholders of industry, Government and the consumer. The significant benefits of GST are discussed hereunder:

**Benefits to economy**

- (i) **Creation of unified national market:** GST aims to make India a common market with common tax rates and procedures and remove the economic barriers thus paving the way for an integrated economy at the national level.

- (ii) **Boost to 'Make in India' initiative:** GST gives a major boost to the 'Make in India' initiative of the Government of India by making goods and services produced in India competitive in the national as well as international market. This will create India as a — Manufacturing hub.
- (iii) **Enhanced investment and employment:** The subsuming of major Central and State taxes in GST, complete and comprehensive setoff of input tax on goods and services and phasing out of Central Sales Tax (CST) reduces the cost of locally manufactured goods and services and increases the competitiveness of Indian goods and services in the international market and thus, gives boost to investments and Indian exports. With a boost in exports and manufacturing activity, more employment is generated and GDP is increased.

### Simplified tax structure

- (i) **Ease of doing business:** Simpler tax regime with fewer exemptions along with reduction in multiplicity of taxes under GST has led to simplification and uniformity. The uniformity in laws, procedures and tax rates across the country makes doing business easier.
- (ii) **Certainty in tax administration:** Common system of classification of goods and services ensures certainty in tax administration across India.

### Easy tax compliance

- (i) **Automated procedures with greater use of IT:** There are simplified and automated procedures for various processes such as registration, returns, refunds, tax payments. All interaction is through the common GSTN portal, therefore, less public interface between the taxpayer and the tax administration.
- (ii) **Reduction in compliance costs:** The compliance cost is lesser under GST as multiple record-keeping for a variety of taxes is not needed, therefore, there is lesser investment of resources and manpower in maintaining records. The uniformity in laws, procedures and tax rates across the country goes a long way in reducing the compliance cost.

### Advantages for trade and industry

- (i) **Benefits to agriculture and Industry:** GST has given more relief to industry, trade and agriculture through a more comprehensive and wider coverage of input tax set-off and service tax set-off, subsuming of several Central and State taxes in the GST and phasing out of CST. The transparent and complete chain of set-offs which results in widening of tax base and better tax compliance also leads to lowering of tax burden on an average dealer in industry, trade and agriculture.
- (ii) **Mitigation of ill effects of cascading:** By subsuming most of the Central and State taxes into a single tax and by allowing a set-off of prior-stage taxes for the transactions across the entire value chain, it helps in mitigating the ill effects of cascading, improving competitiveness and improving liquidity of the businesses.
- (iii) **Benefits to small traders and entrepreneurs:** GST has increased the threshold for GST registration for small businesses. Further, single registration is needed in one State. Small businesses have also been provided the additional benefit of composition scheme. With the creation of a seamless national market across the country, small enterprises have an opportunity to expand their national footprint with minimal investment.

### Constitutional Provisions regarding GST.

The Constitution of India is the **Supreme law in India**. The Parliament can make law only with regard to the matters which are allowed as per the constitution otherwise the law made by parliament shall be

called Ultra vires i.e. it is not enforceable. The constitution consists of a preamble, 25 parts containing 448 articles and 12 Schedules.

India has a **three-tier federal structure**, comprising the Union Government, the State Governments and the local Government. The power to levy taxes and duties is distributed among the three tiers of Governments, in accordance with the provision of the Indian Constitution.

Power to levy taxes emerges from the Constitution of India.

**Article 265:** No tax shall be levied or collected except by authority of Law.

**Article 245:** Subject to the provisions of the Constitution, Parliament may make laws for the whole or any part of the territory of India, and the Legislature of a State may make laws for the whole or any part of the State.

**Article 246:** It gives the respective authority to Union and state Governments for levying tax and such authority is given in Seventh Schedule of Indian Constitution and there are three list in Seventh Schedule.

1. **Union List** – If any matter is mentioned in Union List, parliament can make law with regard to such matter. (there are 97 entries)
2. **State List** – If matter is mentioned in State List, State legislature, can make law with regard to such matter. (there are 66 entries)
3. **Concurrent List** – If matter is mentioned in Concurrent List, both of the government can make law with regard to such matter. (there are 47 entries)

**Some of the important entries in the Union List are as given below:**

82. Taxes on income other than agricultural income.
83. Duties of customs including export duties.
84. Duties of excise on following goods manufactured or produced in India, namely
  - (a) petroleum crude;
  - (b) high speed diesel;
  - (c) motor spirit (commonly known as petrol);
  - (d) natural gas;
  - (e) aviation turbine fuel; and
  - (f) tobacco and tobacco products.

**Some of the important entries in State List are as given below:**

46. Taxes on agricultural income
51. Duties of excise on alcoholic liquors for human consumption; opium, Indian hemp and other narcotic drugs.
53. Taxes on the consumption or sale of electricity.
54. Taxes on sale of petroleum crude, high speed diesel, motor spirit (commonly known as petrol), natural Gas, aviation turbine fuel and alcoholic liquor for human consumption, but not including sale in the course of international trade or commerce of such goods.

**Amendment in the Constitution for the purpose of GST  
(Constitution (101st Amendment) act, 2016)**

**Article 246A: Power to make laws with respect to Goods and Services Tax:**

1. This article grants power to Centre and State Governments to make laws with respect to GST— imposed by Centre or such State for Intra state supply.
2. Centre has the exclusive power to make laws with respect to GST in case of inter-state supply of— goods / services.
3. However, in respect to the following goods, GST shall apply from the date recommended by the— GST Council.

- Petroleum crude
- High speed diesel
- Motor spirit (commonly known as petrol)
- Natural gas
- Aviation turbine fuel

#### Article 269A: Levy and collection of GST on inter-state supply

1. Article 269A stipulates that GST on supplies in the course of inter-state trade or commerce shall be levied and collected by the Government of India and such tax shall be apportioned between the Union and the States in the manner as may be provided by parliament by law on the recommendations of the Goods and Services Tax Council.
2. Import of goods / services into India will also be deemed to be Inter State supply.

#### GST Council: Article 279A

- Article 279A of the Constitution empowers the President to constitute a joint forum of the Centre and States namely, Goods & Services Tax Council (GST Council).
- The provisions relating to GST Council came into force on 12th September, 2016. President constituted the GST Council on 15th September, 2016.
- The Union Finance minister is the Chairman of this Council and Ministers in charge of Finance/Taxation or any other Minister nominated by each of the States & UTs with Legislatures are its members. Besides, the Union Minister of State in charge of revenue or Finance is also its member.
- The function of the Council is to make recommendations to the Union and the States on important issues like tax rates, exemptions, threshold limits, dispute resolution etc.
- It shall also recommend the date on which GST be levied on petroleum crude, high speed diesel, motor spirit, natural gas and aviation turbine fuel.

#### Taxes to be subsumed in GST

Central levies to be subsumed		State levies to be subsumed	
(i)	Central Excise Duty & Additional Excise Duty.	(i)	State surcharges and Cesses in so far as they relate to supply of goods and services.
(ii)	Service Tax.	(ii)	Entertainment Tax (except those levied by local bodies)
(iii)	Excise Duty under Medicinal and Toilet Preparation Act.	(iii)	Tax on lottery, betting and gambling.
(iv)	Countervailing Duty & Special Countervailing Duty.	(iv)	Entry tax (All forms) & Purchase tax.
(v)	Central Sales Tax	(v)	VAT/Sales tax.
(vi)	Central surcharges and Cesses in so far as they relate to supply of goods and services.	(vi)	Luxury tax.
		(vii)	Taxes on advertisements.

# Chapter 2 : Supply Under GST

Article 265 of the Constitution of India mandates that no tax shall be levied or collected except by the authority of law. The Charging Section is a must in any taxing statute for levy and collection of tax. Before imposing any tax, it must be shown that

1. The transaction falls within the ambit of the taxable event and
2. The person on whom the tax is so imposed also gets covered within the scope and ambit of the charging Section by clear words used in the Section.

“No one can be taxed by implication.”

❖ **Section 9** is the charging provision of the CGST Act. It provides that

1. All intra-State supplies would be liable to CGST. The levy is on supply of all goods or services or both except on the supply of alcoholic liquor for human consumption. However, supply of petroleum crude, high speed diesel, motor spirit (petrol), natural gas and aviation turbine fuel are also included in GST.
2. It also provides for the value on which tax shall be paid, the maximum rate of tax that can be levied on such supplies, the manner of collection of tax by the Government and the person who will be liable to pay such tax.

Under the GST law, the levy of tax is as follows:

- (a) **In the hands of the supplier** - on the supply of goods and / or services (forward charge mechanism);
- (b) **In the hands of the recipient** – on receipt of goods and / or services (reverse charge mechanism) [ Only for the goods specified by central government under this behalf]

## Levy of tax

Every supply will be liable to tax. The nature of tax would depend upon the nature of supply, viz., inter-State supplies will be liable to IGST and intra-State supplies will be liable to CGST and SGST (UTGST).

1. Supply should involve goods and / or services – viz., either as wholly goods or wholly services. Even where a supply involves both, goods and services, the law provides that such supplies would be classifiable either as, wholly goods or wholly services. Schedule II of the Act provides for this classification.
2. Supply will be an intra-State supply if the location of the supplier and the place of supply are within the same State and the transaction will be an inter-State supply if the location of the supplier and the place of supply are in different States

## Tax shall be payable by a 'taxable person'

The tax shall be payable by a 'taxable person' i.e. person/ separate establishments of persons registered or liable to be registered under sections 22 and 24 of the CGST Act.

## Tax payable

Every intra-State supply will attract CGST as well as SGST, as follows: (a) Imposition of CGST by the Government of India, (b) Imposition of SGST by the respective State or (UTGST by Central Government through Administrator in case of specified Union Territories and other territories as defined).

## Rate and value of tax

The rate of tax will be as specified in the notification that would be issued in this regard, subject to a maximum of 20%.

### Meaning of Goods Section 2(52)

"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. (As per schedule 3 actionable claim shall not be considered to be supply except lottery, betting and gambling.)

**Actionable claim:** means a claim to any debt, other than a debt secured by mortgage of immovable property or by hypothecation or pledge of movable property, or to any beneficial interest in movable property not in the possession, either actual or constructive, of the claimant, which the civil courts recognise as affording grounds for relief, whether such debt or beneficial interest be existent, accruing, conditional or contingent [Section 2(1) of CGST Act read with section 3 of the Transfer of Property Act, 1882].

**Money:** means the Indian legal tender or any foreign currency, cheque, promissory note, bill of exchange, letter of credit, draft, pay order, traveller cheque, money order, postal or electronic remittance or any other instrument recognised by the Reserve Bank of India when used as a consideration to settle an obligation or exchange with Indian legal tender of another denomination but shall not include any currency that is held for its numismatic value [Section 2(75) of CGST Act].

### Meaning of Services Section 2(102)

"services" 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 a separate consideration is charged.

Explanation.—For the removal of doubts, it is hereby clarified that the expression "services" includes facilitating or arranging transactions in securities.

## Section 7 Meaning Of Supply

### Section 7(1)

(a) Supply includes all forms of supply (goods and / or services) and includes agreeing to supply when they are for a consideration and in the course or furtherance of business. It specifically includes

- (i) Sale
- (ii) Transfer
- (iii) Barter
- (iv) Exchange
- (v) License
- (vi) Rental
- (vii) Lease
- (viii) Disposal.

#### Consideration

- Consideration can be in money or in kind.
- Further, a consideration need not always flow from the recipient of the supply. It can also be made by a third person.



- However, any subsidy given by the Central Government or a State Government is not considered as consideration.
- A deposit given in respect of the supply of goods or services or both shall not be considered as payment made for such supply unless the supplier applies such deposit as consideration for the said supply.

#### Business Includes:

- Any trade/commerce, manufacture, profession etc. even if there is no monetary benefit.
- Supply/acquisition of goods including capital goods & services - in connection with commencement / closure of business.
- Provision of facilities by club/ association etc.
- Admission to any premises for consideration.
- Services as holder of office accepted in course/ furtherance of trade, profession.
- Activities of a race club including by way of totalisator or a license to book maker or activities of a licensed book maker in such club.
- Any activity by Government / local authority as public authorities.

For any trade, commerce, or any other similar activity to qualify as business, frequency, volume, continuity or regularity of such transaction is not a pre-requisite.

#### Examples

- Rishabh buys a car for his personal use and after a year sells it to a car dealer. Sale of car by Rishabh to car dealer is not a supply under CGST Act because said supply is not made by Rishabh in the course or furtherance of business
- Manikarnika sold her old gold bangles and earrings to 'Aabhushan Jewellers'. Sale of old gold jewellery by an individual to a jeweller will not constitute supply as the same cannot be said to be in the course or furtherance of business of the individual
- Sundaram Acharya, a famous actor, paints some paintings and sells them. The consideration from such sale is to be donated to a Charitable Trust – 'Kind Human'. The sale of paintings by the actor qualifies as supply
- A Resident Welfare Association provides the service of depositing the electricity bills of the residents in lieu of some nominal charges. Provision of service by a club or association or society to its members is treated as supply as this is included in the definition of 'business
- Services by way of admission to circus, cinema halls, amusement parks including theme parks, water parks, etc. are considered as supply as these are services by way of admission of persons to any premises for a consideration.
- Royal Turf Race Club is engaged in facilitating the wagering (betting) transactions on horses placed through totalisator<sup>10</sup>. For providing the service of facilitating wagering transactions, Royal Turf Race Club gets commission which is deducted and retained by the club from the total bet value. Said services amount to supply as the activities of a race club are included in business

**(b) Supply includes import of a service, made for a consideration and whether or not in the course or furtherance of business.**

This implies that import of services even for personal consumption would qualify as 'supply' and therefore would be liable to tax. This would not be subject to the threshold limit as tax is expected to be payable on reverse charge basis, and the threshold limits do not apply in case of supplies attracting tax on reverse charge basis.

(c) The activities specified in Schedule I, made or agreed to be made without consideration.

### Schedule I

**1. Permanent transfer of business assets where input tax credit has been availed:**

The word 'transfer' in this clause suggests that there should be another person who would receive the business assets at the other end. The use of the words 'permanent transfer' implies that the goods should be transferred without any intention or requirement of having to receive the goods back. However, even in these types of transactions, it is essential that there is delivery of the business assets.

E.g. Infosys limited upgraded their 1000 Laptops and donated their old laptops (ITC Claimed) to the Government Schools. In this case, such donation is treated as supply as per Schedule I.

**2. Supply of goods and / or services between related person, or between distinct persons:**

Any supply of goods and / or services in the course of business or furtherance of business by a taxable person to a related person (as defined by way of explanation below Section 15(5)), or by one taxable person to another taxable person (as Provided in Section 25 of the Act), when made without consideration, would qualify as 'supply'.

E.g.; Free supplies to related persons, stock transfers to a unit outside the State/a different business vertical, etc. will be reckoned as supplies.

#### Meaning of Distinct person

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 [Section 25(4) of the CGST Act].

Eg. Mohan, a Chartered Accountant, has a registered head office in Delhi. He has also obtained registration in the State of West Bengal in respect of his newly opened branch office. Mohan shall be treated as distinct persons in respect of registrations in West Bengal and Delhi.

Further, 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 [Section 25(5) of the CGST Act].

Stock transfers or branch transfers qualify as supply provided the transfer of goods or services is between:

- (i) different locations (with separate GST registrations) of same legal entity as these are transactions between distinct persons, or
- (ii) establishments of distinct persons.

#### Examples

- a) Raghurib Fabrics transfers 1000 shirts from his factory located in Lucknow to his retail showroom in Delhi so that the same can be sold from there. The factory and retail showroom of Raghurib Fabrics are registered in the States where they are located. Although no consideration is charged, supply of goods from factory to retail showroom constitutes supply.
- b) Raghurib Fabrics transfers 1000 shirts from his factory located in Lucknow to his retail showroom in Kanpur so that the same can be sold from there. It has taken one registration in the State of Uttar Pradesh declaring Lucknow factory as its principal place of business and Kanpur showroom as its additional place of business. Since no consideration is charged,

supply of goods from factory to retail showroom in same State under single registration does not constitute supply.

### Meaning of Related Person

"Related persons" means

- (i) Such persons are partners in business. Example - Mr. A and Mr. B are partners in a business, They will be considered to be related persons.
- (ii) Any person holds twenty-five per cent or more of shares of both of them. Example – Mr. A has 25% shares in X limited and 25% shares in Y limited, in this case X ltd & Y ltd will be considered to be related persons.
- (iii) One of them controls the other, eg. A limited is holding 51% shares of X limited, they are related persons.
- (iv) Together they directly or indirectly control a third person, eg. ABC limited has 26% shares of X limited and PQR limited has 27% shares of X limited, in this case ABC & PQR shall be related person
- (v) Such persons are employer and employee;
- (vi) They are members of the same family; As per section 2(49) "family" means,— (i) the spouse and children of the person, and (ii) the parents, grand-parents, brothers and sisters of the person if they are wholly or mainly dependent on the said person.

3. Supply of goods by a principal to his agent, where the agent undertakes to supply such goods on behalf of the principal.

**E.g.** A company is located in the Nagpur and employs an agent in the Mumbai to undertake sales on behalf of the company. Goods transferred by the company to the premises of the agent in the Mumbai would be qualify as a 'supply'.

4. Supply of goods by an agent to his principal, where the agent undertakes to receive such goods on behalf of the principal

**E.g.** A company is located in Kanpur and employs an agent in the Jaipur to undertake purchases on behalf of the company. Goods procured and transferred by the agent to the company would qualify as a 'supply'.

If agent has the authority to pass or receive the title of the goods on behalf of the principal i.e. where the invoice for further supply is being issued by the agent in his name then, any provision of goods from the principal to the agent would fall within the schedule I. However, where the invoice is issued by the agent to the customer in the name of the principal, such agent shall not fall within the schedule I. Similarly, where the goods being procured by the agent on behalf of the principal are invoiced in the name of the agent then further provision of the said goods by the agent to the principal would be covered by Schedule I.

### Clarification of issues pertaining to Del-credere agent (DCA)

A DCA is a selling agent who is engaged by a principal to assist in supply of goods or services by contacting potential buyers on behalf of the principal. The factor that differentiates a DCA from other agents is that the DCA guarantees the payment to the supplier.

In such scenarios where the buyer fails to make payment to the principal by the due date, DCA makes the payment to the principal on behalf of the buyer (effectively providing an insurance against default by the buyer), and for this reason the commission paid to the DCA may be relatively higher than that paid to a normal agent.

**Issue 1**

**Whether a DCA falls under the ambit of agent under Para 3 of Schedule I of the CGST Act?**

**Clarification**

whether or not the DCA will fall under the ambit of agent under Para 3 of Schedule I of the CGST Act depends on the following possible scenarios:

- a) In case where the invoice for supply of goods is issued by the supplier to the customer, either himself or through DCA, the DCA does not fall under the ambit of agent.
- b) In case where the invoice for supply of goods is issued by the DCA in his own name, the DCA would fall under the ambit of agent.

**Issue 2**

**Whether the temporary shortterm transaction based loan extended by the DCA to the recipient (buyer), for which interest is charged by the DCA, is to be included in the value of goods being supplied by the supplier (principal) where DCA is not an agent under Para 3 of Schedule I of the CGST Act?**

**Clarification**

In such a scenario, following activities are taking place:

1. Supply of goods from supplier (principal) to recipient;
2. Supply of agency services from DCA to the supplier or the recipient or both;
3. Supply of extension of loan services by the DCA to the recipient.

It is clarified that in cases where the DCA is not an agent under Para 3 of Schedule I of the CGST Act, the temporary short-term transaction based loan being provided by DCA to the buyer is a supply of service by the DCA to the recipient on Principal to Principal basis and is an independent supply. Therefore, the interest being charged by the DCA would not form part of the value of supply of goods supplied (to the buyer) by the supplier.

**Issue 3**

**Where DCA is an agent under Para 3 of Schedule I of the CGST Act and makes payment to the principal on behalf of the buyer and charges interest to the buyer for delayed payment along with the value of goods being supplied, whether the interest will form a part of the value of supply of goods also or not?**

**Clarification**

In such a scenario following activities are taking place:

1. Supply of goods by the supplier (principal) to the DCA
2. Further supply of goods by the DCA to the recipient
3. Supply of agency services by the DCA to the supplier or the recipient or both
4. Extension of credit by the DCA to the recipient.

It is clarified that in cases where the DCA is an agent under Para 3 of Schedule I of the CGST Act, the temporary short-term transaction based credit being provided by DCA to the buyer no longer retains its character of an independent supply and is subsumed in the supply of the goods by the DCA to the recipient. It is emphasised that the activity of extension of credit by the DCA to the recipient would not be considered as a separate supply as it is in the context of the supply of goods made by the DCA to the recipient.

It is further clarified that the value of the interest charged for such credit would be required to be included in the value of supply of goods by DCA to the recipient as per section 15(2)(d) of the CGST Act

5. Import of services by a taxable person from a related person, or from any of his other establishments outside India, in the course or furtherance of business

Note: Importation of services as covered by the definition does not include importation without consideration. Therefore, this clause is inserted to rope in such services that are received from related persons / their establishments outside India.

### Examples

- Jhumroo Associates received legal consultancy services from its head office located in Malaysia. The head office has rendered such services free of cost to its branch office. Since Jhumroo Associates and the head office are related persons, services received by Jhumroo Associates will qualify as supply even though the head office has not charged anything from it.
- A Ltd. Of india has Foreign Subsidiary company B Ltd of USA. A Ltd. Received management consultancy services from B Ltd without consideration. In this case this supply will be covered under this clause of Schedule I.
- Chakmak, a proprietor registered in Delhi, has sought architect services from his son located in US, with respect to his newly constructed house in Delhi. Although services have been received by Chakmak without consideration from his son - a related person, yet it will not qualify as supply since the same has not been received in course or furtherance of business.

### Section 7(1A)

Where transaction is considered as supply under sub section (1), they shall be treated either as supply of goods or supply of service as referred in schedule II.

#### Schedule II

S. No	Activity/ Transaction	Type	Nature of Supply
1.	<b>Transfer</b>	Any transfer of title in goods Eg. Rotomac Sells Pen To Customer	Goods
		Any transfer of right in goods/ undivided share in goods without transfer of title in goods. Eg. Car given on rent by Zoom Car.	Services
		Any transfer of title in goods under an agreement which stipulates that property shall pass at a future date upon payment of full consideration as agreed. Eg. Maruti Suzuki Sold car on Hire Purchase To Mr. X	Goods
2.	<b>Land and Building</b>	Any lease, tenancy, easement, licence to occupy land Eg. Lease agreement for land	services
		Any lease or letting out of building including a commercial, industrial or residential complex for business or commerce, wholly or partly. Eg. Shop Is Let-out in shopping mall	services
3.	<b>Treatment or Process</b>	Any treatment or process which is applied to another person's goods Eg. XYZ Printer does printing job for Rotomac Pens	Services
4.	<b>Transfer of Business Assets</b>	Goods forming part of business assets are transferred or disposed off by/under directions of person carrying on the business so as no longer to form part of those assets.	Goods
		Goods held/used for business are put to private use or are made available to any person for use for any purpose other than business, by/ under directions of person carrying on the business.	Services

	<p>Goods forming part of assets of any business carried on by a person who ceases to be a taxable person, shall be deemed to be supplied by him, in the course or furtherance of his business, immediately before he ceases to be a taxable person.</p> <p>Eg. Mr. X, a Electronic trader, is winding up his business. Any goods left in stock shall be deemed to be supplied by him.</p> <p>Exception</p> <ol style="list-style-type: none"> <li>1. Business is transferred as a going concern to another person</li> <li>2. Business is carried on by a personal representative who is deemed to be a taxable person.</li> </ol>	Goods
<b>5.</b>	<b>Following Supply shall be considered as supply of service</b>	
	<p><b>a) Renting of immovable property.</b> For E.g.:</p> <ul style="list-style-type: none"> <li>• Renting of precincts of a religious place.</li> <li>• Renting of property to an educational institution.</li> </ul>	
	<p><b>b) Construction of a complex, building, civil structure or a part thereof, including a complex or building intended for sale to a buyer, wholly or partly, except where the entire consideration has been received after issuance of completion certificate, where required, by the competent authority or after its first occupation, whichever is earlier.</b></p> <p>Eg. DLF has constructed individual residential units for agreed consideration of Rs. 2 crore per unit. Rs. 1 crore per unit were received before issuance of completion certificate by the competent authority and balance after completion</p>	
	<p><b>c) Temporary transfer or permitting use or enjoyment of any intellectual property right</b></p>	
	<p><b>d) Development, design, programming, customisation, adaptation, upgradation, enhancement, implementation of IT software.</b></p> <p>Eg. XYZ software developers developed ERP software for A ltd.</p>	
	<p><b>e) Agreeing to obligation to refrain from an act, or to tolerate an act or situation, or to do an act.</b> Eg. Late delivery charges recovered from supplier for non-fulfilment of contract within stipulated time</p>	
<b>6.</b>	<p><b>Following composite supplies :-</b></p> <p><b>a) Works contract services.</b> Works contract: means a contract for building, construction, fabrication, completion, erection, installation, fitting out, improvement, modification, repair, maintenance, renovation, alteration or commissioning of any immovable property wherein transfer of property in goods (whether as goods or in some other form) is involved in the execution of such contract [Section 2(119) of CGST Act].</p> <p><b>b) Supply by way of or as part of any service or in any other manner whatsoever, of goods, being food or any other article for human consumption or any drink.</b></p>	

## Section 7(2)

Certain supplies will be neither a supply of goods, nor a supply of services: The law lists down matters which shall not be considered as 'supply' for GST. This list includes:

**A. Activities/ transactions in Schedule III(Negative List)**

- (a) Services by an employee to an employer in the course or in relation to his employment.
- (b) Services by any Court or Tribunal established under any law for the time being in force;
- (c) Functions performed by MPs, MLAs, etc.; the duties performed by a person who holds any post in pursuance of the provisions of the Constitution in that capacity; the duties performed by specified persons in a body established by the Central State Government or local authority, not deemed as an employee;
- (d) Sale of land and Sale of Building (except sale of under-construction premises where the part or full consideration is received before issuance of completion certificate or before its first occupation, whichever is earlier.
- (e) Actionable claims, other than lottery, betting and gambling and
- (f) Services of funeral, burial, crematorium or mortuary including transportation of the deceased.

*“Service by way of grant of alcoholic liquor licence, against consideration in the form of licence fee or application fee or by whatever name it is called, shall be neither supply of Goods nor supply of Services”*

It may be noted that services provided by the Government to business entities including by way of grant of privileges, licences, mining rights, natural resources such as spectrum etc. against payment of consideration in the form of fee, royalty etc. are taxable under GST. Tax is required to be paid by the business entities on such services under reverse charge.

- B.** An employer and employee are treated as “related persons” and hence any supply of goods or services by employer to employee without consideration would be considered as supply as per schedule I. However, gifts not exceeding Rs. 50,000 in value in a financial year by an employer to employee shall not be treated as supply of goods or services or both.

**Section 7(3)**

The Central Government or the State Government may notify such other transactions to either qualify as 'supply of goods' or as 'supply of services' This notification must be issued only upon recommendations from the Council.

**Section 8 Composite And Mixed Supplies**

**As per section 2(30), "composite supply"** means a supply made by a taxable person to a recipient consisting of two or more taxable supplies of goods or services or both, or any combination thereof, which are naturally bundled and supplied in conjunction with each other in the ordinary course of business, one of which is a principal supply.

**Eg.** 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.

**Eg.** Charger supplied alongwith mobile phone is a composite supply.

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

**As per section 2(74), "mixed supply"** means two or more individual supplies of goods or services, or any combination thereof, made in conjunction with each other by a taxable person for a single price where such supply does not constitute a composite supply:

**Eg.** A gift pack comprising of chocolates and sweets is a mixed supply

**Eg.** A supply of a package consisting of canned foods, sweets, chocolates, cakes, dry fruits, aerated drink and fruit juices when supplied for a single price is a mixed supply.

The tax liability on a composite or a mixed supply shall be determined in the following manner, namely:—

- (a) a composite supply comprising two or more supplies, one of which is a principal supply, shall be treated as a supply of such principal supply; and
- (b) a mixed supply comprising two or more supplies shall be treated as a supply of that particular supply which attracts the highest rate of tax.

#### **Buy one get one free offer**

It may appear at first glance that in case of offers like "Buy One, Get One Free", one item is being "supplied free of cost" without any consideration. In fact, it is not an individual supply of free goods, but a case of two or more individual supplies where a single price is being charged for the entire supply. It can at best be treated as supplying two goods for the price of one.

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 accordingly

#### **CLARIFICATIONS**

1. Art works sent by artists to galleries for exhibition is not a supply  
Artists give their work of art to galleries where it is exhibited for supply. However, no consideration flows from the gallery to the artist when the art works are sent to the gallery for exhibition and therefore, the same is not a supply. It is only when a buyer selects a particular art work displayed at the gallery, that the actual supply takes place and applicable GST would be payable at the time of such supply. [Circular No. 22/22/2017 GST dated 21.12.2017].
2. CBIC has clarified Taxability of 'tenancy rights'/pagadi under GST as under:  
Pagadi system, i.e. transfer of tenancy rights against tenancy premium, is prevalent in some States. The activity of transfer of tenancy right against consideration [i.e. tenancy premium] is squarely covered under supply of service liable to GST. It is a form of lease or renting of property and such activity is specifically declared to be a service in of Schedule II i.e. any lease, tenancy, easement, licence to occupy land is a supply of services.

Although stamp duty and registration charges have been levied on such transfer of tenancy rights, it shall be still subject to GST since merely because a transaction/supply involves execution of documents which may require registration and payment of registration fee and stamp duty, would not preclude them from the 'scope of supply' and from payment of GST.

The transfer of tenancy rights cannot be treated as sale of land/ building. Thus, it is not a negative list activity and consequently, a consideration for the said activity shall attract levy of GST. To sum up, transfer of tenancy rights to a new tenant against consideration in the form of tenancy premium is taxable. Further, services provided by outgoing tenant by way of surrendering the tenancy rights against consideration in the form of tenancy premium is liable to GST [Circular No.44/18/2018 CGST dated 02.05.2018]



**3. Inter-State movement of various modes of conveyance**

Inter-State movement of various modes of conveyance, between distinct persons as specified in section 25(4) of the CGST Act, including-

- Buses,
- Trains,
- Trucks,
- Tankers,
- Trailers,
- Vessels,
- Containers,
- Aircrafts,

(a) carrying goods or passengers or both; or

(b) for repairs and maintenance,

except in cases where such movement is for further supply of the same conveyance, such inter-State movement shall be treated 'neither as a supply of goods or supply of service' and therefore not be leviable to IGST. Thus, above activity may not be treated as supply and consequently IGST will not be payable on such supply. However, applicable CGST/SGST/IGST, as the case may be, shall be leviable on repairs and maintenance done for such conveyance.

**Donations / Charity / Gift**

GST is not leviable where all the following three conditions are satisfied namely:

- a) Gift or donation is made to a charitable organization
- b) Payment has the character of gift or donation
- c) Purpose is philanthropic (i.e., it leads to no commercial gain) and not advertisement

**Examples**

- Bhushan donated a blackboard to Yoganisht Sansthan - a charitable yoga institution. Yoganisht Sansthan printed underneath the blackboard so donated - "Good wishes from Mr. Bhushan".
- Smt. Durga Devi donated some money to a temple in the memory of her late father. The Temple Trust constructed a room in the temple complex from such donation and wrote "Donated by Smt. Durga Devi in the memory of her father" on the door floor of the room.

In above examples, it may be noticed that there is no reference or mention of any business activity of the donor which otherwise would have got advertised.

# Chapter 3: Charge Of GST

## Section 9(1)

Subject to the provisions of sub-section (2), there shall be levied a tax called the central goods and services tax on all intra-State supplies of goods or services or both, except on the supply of alcoholic liquor for human consumption, on the value determined under section 15 and at such rates, not exceeding twenty per cent., as may be notified by the Government on the recommendations of the Council and collected in such manner as may be prescribed and shall be paid by the taxable person.

## Section 9(2)

The central tax on the supply of petroleum crude, high speed diesel, motor spirit (commonly known as petrol), natural gas and aviation turbine fuel shall be levied with effect from such date as may be notified by the Government on the recommendations of the Council

## Section 9(3)

The Government may, on the recommendations of the Council, by notification, specify categories of supply of goods or services or both, the tax on which shall be paid on reverse charge basis by the recipient of such goods or services or both and all the provisions of this Act shall apply to such recipient as if he is the person liable for paying the tax in relation to the supply of such goods or services or both.

## section 2(98). Reverse charge

Reverse charge means the liability to pay tax by the recipient of supply of goods or services or both instead of the supplier of such goods or services or both under section 9(3) or 9(4).

### Reverse Charge On Services

Service	Service Provider	Service Recipient
<b>Sponsorship Services</b>	Any Person	Any body corporate or partnership firm
<b>Goods Transportation</b>	<p><b>Goods Transport Agency</b> (GTA has not taken the Input Tax Credit (ITC) on goods and services used in supplying GTA service)</p> <p>Rate Applicable @ 5% (2.5% CGST+2.5% SGST/UTGST or 5% IGST)</p>	<p>(a) any factory;</p> <p>(b) any society registered under Societies Registration Act, 1860;</p> <p>(c) any co-operative society;</p> <p>(d) any person registered under GST;</p> <p>(e) any body corporate; or</p> <p>(f) any partnership firm/AOP/BOI;</p> <p>(g) any casual taxable person.</p> <p>However, reverse charge mechanism (RCM) shall not apply to services provided by a GTA, by way of transport of goods in a goods carriage by road to-</p> <p>(a) a Department/ establishment of the Central Government/ State Government/ Union territory; or</p> <p>(b) local authority; or</p> <p>(c) Governmental agencies, which has taken</p>

		<p>registration under the CGST Act only for the purpose of deducting tax under section 51 and not for making a taxable supply of goods or services</p> <p><b>(d) Where GTA opts to avail ITC on goods and services used in supplying GTA service (Rate Applicable 12% (6% CGST+6% SGST/UTGST or 12% IGST))</b></p> <p><b>Note 1: GST shall be paid by the consignor or consignee whosoever is liable to pay freight charges.</b>  <b>Note 2: If GTA has given services to Unregistered persons, it will be exempt from GST. (Notification no. 32/2017 CT(R) dated 13-10-2017.)</b></p>
<b>Legal Services</b>	individual advocate or firm of advocates	Any business entity located in the taxable territory if Turnover exceeds threshold limit.
<b>Legal Services</b>	Arbitral Tribunal	Any business entity located in the taxable territory if Turnover exceeds threshold limit.
<b>Services by Government or local authority</b>	Government or local authority	<p>Any business entity located in the taxable territory if Turnover exceeds threshold limit.</p> <p>However, No reverse charge is applicable in the following cases-</p> <ol style="list-style-type: none"> <li><b>(1) Services by the Department of Posts by way of speed post, express parcel post, life insurance, and agency services provided to a person other than Government;</b></li> <li><b>(2) Services in relation to an aircraft or a vessel, inside or outside the precincts of a port or an airport;</b></li> <li><b>(3) Transport of goods or passengers;</b></li> <li><b>(4) renting of immovable property</b></li> </ol>
<b>Renting of immovable property</b>	Central Government, State Government, Union territory or local authority	Any person registered under the CGST Act, 2017
<b>Services by Director</b>	Director	<p><b>Company/body corporate</b></p> <p><b>Circular No. 140/10/2020 – GST dated 10th June 2020</b></p> <ol style="list-style-type: none"> <li><b>a. Independent directors or directors who are not an employee:</b>  Remuneration paid to directors who are not employees of the company, shall be subject to levy of GST in the hands of the company under the reverse charge mechanism.</li> <li><b>b. Directors who are also an employee (Whole Time Director/MD etc.) of the company: -</b> <ul style="list-style-type: none"> <li>• Remuneration on which tax is deducted at source under section 192 (TDS on salary) of the Income-tax Act, GST is not leviable as the said remuneration is paid in the course of or in relation to an employment contract.</li> <li>• Remuneration which is paid over and above salaries and on which tax is deducted at source under section 194J (TDS on fees for professional or technical services) of the Income-tax Act, GST is payable on such remuneration by the company under the</li> </ul> </li> </ol>

		reverse charge mechanism.
<b>Insurance Agent Services</b>	an insurance agent	Any person carrying on insurance business.
<b>Recovery Agent Services</b>	a recovery agent	A banking company or a financial institution or a nonbanking financial company
<b>transfer or permitting the use or enjoyment of a copyright</b>	music composer, photographer, artist or the like	A music company, producer or the like
<b>transfer or permitting the use or enjoyment of a copyright relating to the original literary work</b>	Author	Publisher Located in taxable territory. Note: However, an author can choose to pay tax under forward charge if- a) 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 and that he shall not withdraw the said option within a period of 1 year from the date of exercising such option; b) he makes a declaration on the invoice issued by him in prescribed form to the publisher
<b>transportation of goods by a vessel from a place outside India up to the customs station of clearance in India</b>	a person located in non-taxable territory	Importer
<b>Selling of financial products</b>	Individual Direct Selling Agents (DSAs) other than a body corporate, partnership or limited liability partnership firm	bank or non-banking financial company (NBFCs) located in Taxable Territory.
<b>supply of services to RBI</b>	Members of overseeing committee	RBI
<b>Security services</b>	Any person other than a body corporate	A registered person, located in the taxable territory. Except: a) a Department or Establishment of the Central Government or State Government or Union territory; or b) local authority c) Person deducting tax under section 51 of CGST Act d) A registered person paying tax under section 10 of the said Act.
<b>Services provided by an agent of business correspondent to business correspondent</b>	Services provided by an agent of business correspondent to business correspondent	A business correspondent, located in the taxable territory.
<b>Services provided by business</b>	Business facilitator	A banking company, located in the taxable territory.

<b>facilitator to a banking company</b>		
<b>Service by way of renting of any motor vehicle designed to carry passengers where the cost of fuel is included in the consideration charged from the service recipient</b>	<b>Any person other than a body corporate</b> (taken only the limited ITC (of input services in the same line of business)) Rate Applicable: 5% (2.5% CGST+2.5% SGST/UTGST or 5% IGST)	<b>Any body corporate located in the taxable territory</b>  <b>However No RCM shall be applicable if: Supplier of services opts to pay GST at 12%. In this case, there is no restriction on availing ITC on goods and services used in supplying renting of motor vehicles service by the supplier of service.</b>
<b>Services of lending of securities under Securities Lending Scheme, 1997 ("Scheme") of Securities and Exchange Board of India, as amended</b>	<b>Lender i.e., a person who deposits the securities registered in his name or in the name of any other person duly authorised on his behalf with an approved intermediary for the purpose of lending under the Scheme of SEBI</b>	<b>Borrower i.e., a person who borrows the securities under the Scheme through an approved intermediary of SEBI</b>
<b>Services from non-taxable territory to taxable territory</b>	<b>any person who is located in a non-taxable territory</b>	<b>any person located in the taxable territory. Except: No such reverse charge shall be applicable in case of OIDAR services received by an unregistered person.</b>

## REVERSE CHARGE ON GOODS

<b>Description of supply of Goods</b>	<b>Supplier of Goods</b>	<b>Recipient of supply</b>
<b>Cashew nuts, not shelled or peeled</b>	<b>Agriculturist</b>	<b>Any registered person</b>
<b>Bidi wrapper leaves (tendu)</b>	<b>Agriculturist</b>	<b>Any registered person</b>
<b>Tobacco leaves</b>	<b>Agriculturist</b>	<b>Any registered person</b>
<b>Silk yarn</b>	<b>Any person who manufactures silk yarn from raw silk or silk worm cocoons for supply of silk yarn</b>	<b>Any registered person</b>
<b>Raw Cotton</b>	<b>Agriculturist</b>	<b>Any registered person</b>
<b>Supply of lottery.</b>	<b>State Government, Union Territory or any local authority</b>	<b>Lottery distributor or selling agent</b>
<b>Used vehicles, seized and confiscated goods, old and used goods, waste and scrap</b>	<b>Central Govt, State Govt, Union Territory or a local authority</b>	<b>Any registered person</b>

## GST rates in real estate sector

The effective rate of GST on real estate sector for the new projects by promoters are as follows:

Youtube: @cajasmeetsingh

Telegram: @cajasmeetsingh

Instagram: @taxbyjasmeet

1. 1% without ITC on construction of affordable houses (area 60 sqm in metros/ 90 sqm in non-metros and value upto ` 45 lakh).
2. 5% without ITC is applicable on construction of:
  - (a) all houses other than affordable houses, and
  - (b) commercial apartments such as shops, offices etc. in a residential real estate project (RREP) in which the carpet area of commercial apartments is not more than 15% of total carpet area of all apartments.

Conditions:

Above tax rates shall be available subject to following conditions:

- (a) ITC shall not be available.
- (b) 80% of inputs and input services used in supplying the service shall be purchased from registered persons.

Except (i.e Can be procured from Unregistered Person)

- services by way of grant of development rights, long term lease of land or Floor Space Index(FSI) (including additional FSI)
- electricity, high speed diesel, motor spirit, natural gas.

However, if value of inputs and input services purchased from registered supplier is less than 80% then,

- promoter has to pay GST on reverse charge basis, under section 9(4) of the CGST Act, at the rate of 18% on all such inward supplies (to the extent short of 80% of the inward supplies from registered supplier).
- where cement is received from an unregistered person, the promoter shall pay tax on supply of such cement on reverse charge basis, under section 9(4), at the rate of 28% (CGST 14% + SGST 14%).

GST on capital goods shall be paid by the promoter on reverse charge basis, under section 9(4) of the CGST Act at the applicable rates.

# Chapter 4: Composition Scheme

## Composition Scheme Section 10

- ❖ The composition levy is an alternative method of levy of tax designed for small taxpayers whose turnover is up to prescribed limit.
- ❖ Small taxpayers with an aggregate turnover in a preceding financial year up to Rs. 1.5 crore shall be eligible for composition levy. However, Threshold limit is Rs. 75 lakh in respect of 8 of the Special Category States namely:

Nagaland	Uttarakhand	Sikkim	Tripura
Arunachal Pradesh	Mizoram	Manipur	Meghalaya

- ❖ The objective of composition scheme is to bring simplicity and to reduce the compliance cost for the small taxpayers.
- ❖ The composition scheme is available to the suppliers of goods and restaurant service.
- ❖ However as per second proviso to section 10(1), composition suppliers are permitted to supply other services upto :
  - a) 10% of turnover in the state or union territory in the preceding financial year or
  - b) Rs.5,00,000
 whichever is higher.

**Eg.** Ramsewak is engaged in supply of goods. His aggregate turnover in preceding FY is Rs. 60 lakh. Since his aggregate turnover in the preceding FY does not exceed Rs. 1.5 crore, he is eligible for composition scheme in current FY.

The value of supply of exempt services by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount, shall not be taken into account –

- i. for determining the eligibility for composition scheme under second proviso to section 10(1). Thus while computing value of services [other than restaurant services] as referred in second proviso to section 10(1), interest on loans/deposit/advances will not be taken into account.
- ii. In computing aggregate turnover in order to determine eligibility for composition scheme.

- ❖ An eligible person opting to pay tax under the composition scheme shall, instead of paying tax on every invoice at the specified rate, pay tax at a prescribed percentage of his turnover every quarter. At the end of a quarter, he would pay the tax, without availing the benefit of input tax credit. Return is to be filed annually by a composition supplier.
- ❖ While computing the threshold limit of Rs. 1.5 crore, inclusions in and exclusions from 'aggregate turnover' are as follows:

Inclusions	Exclusions
Value of all outward supplies 1. Taxable supplies 2. Exempt supplies 3. Exports 4. Inter-State supplies of persons having the same PAN be computed on all India basis	Value of inward supplies on which tax is payable under reverse charge Taxes Under GST (i.e. CGST/SGST/UTGST/IGST/Compensation Cess)

**The rate shall be as given under Rule 7**

S. no	Category Of Registered Person	Rate Of Tax
1	Manufacturer, other than manufacturer of Ice cream, Pan masala & Tobacco	0.5% CGST + 0.5% SGST of Turnover in the State/Turnover in the Union Territory
2	Person engaged in restaurant services	2.5% CGST & 2.5% SGST of Turnover in the State/Turnover in the Union Territory
3	Any other Supplier of goods	0.5% CGST + 0.5% SGST of Taxable Supplies in the State/Turnover in the Union Territory

**A) Conditions for opting to pay tax under composition scheme:**

- (i) **Restricted from making supply of goods which are not liable to GST:** Certain goods are not liable to GST, e.g. petroleum, alcohol for human consumption, etc. – a person opting for composition scheme shall not be entitled to make any supply of non-GST goods.
- (ii) **Restricted from effecting inter-State outward supplies:** The taxable person should not affect any inter-State outward supplies. This means that even stock transfers to branches outside the State would not be permitted. However, in so far as it relates to inter-State inward procurements / receipts, there is no restriction.
- (iii) **Restricted from making supplies through an e-commerce operator:** A person opting for composition scheme is not allowed to affect any supply of goods through an ecommerce portal, unless such portal is owned by the same person.
- (iv) **Restriction on manufacture of notified goods:** The person opting for the scheme should not be a manufacturer of certain goods as are notified in this regard. However, there is no restriction in case the person is engaged in trading of such goods.  
**Notified Goods:**
  - (i) Ice cream and other edible ice, whether or not containing cocoa
  - (ii) Pan masala
  - (iii) Tobacco and manufactured tobacco substitutes
  - (iv) Manufacture of Aerated Water
- (v) **Would be applicable for all transactions under the same PAN:** Composition scheme would become applicable for all the business verticals having separate registrations within the State and all other registrations outside the State which are held by the person with same PAN.
- (vi) **Shall not collect tax:** Taxable person opting to pay tax under the composition scheme is prohibited from collecting tax on the outward supplies.
- (vii) **Not entitled to input tax credit:** Taxable person opting to pay tax under the composition scheme will not be eligible to claim any input tax credits.
- (viii) Such supplier shall mention the words “composition taxable person not eligible to collect tax on supplies” at the top of the bill of supply. (not allowed to issue tax invoice)



**As per Rule 3,**

A person applying for registration may give option for composition scheme in part B of **REG-01**. Such intimation shall be considered only after the grant of registration to the applicant and his option to pay tax under composition levy shall be effective from the date from which registration is effective.

**As per Rule 4,**

A registered person who opts to pay tax under composition levy scheme shall electronically file an intimation in prescribed form on the GST Common Portal , prior to the commencement of the FY for which said option is exercised. Option to pay tax under section 10 shall be effective from the beginning of the next financial year but such person shall also furnish statement in ITC-03 for reversal of tax credit within a period of 90 days from the date of commencement of composition scheme.

**As per Rule 5,**

Such person should be neither casual taxable person nor non - resident taxable person.

**As per Rule 6,**

If turnover exceeds Rs.1,50,00,000 he will be shifted to normal scheme with immediate effect and he will give an intimation in CMP-04 within 7 days of exceeding the limit.

Any person who is in the composition scheme may opt out of the scheme at any time and shall file an application in CMP-04 and he will get shifted to normal scheme with immediate effect. He shall be required to submit ITC-01 for availing ITC within 30 days from the date of withdrawal. Such withdrawal shall be applicable to all the places in all the states/UTs.

**CLARIFICATION****Person providing exempted service is eligible for composition scheme**

A person supplies restaurant service and also supplies any exempt services including services by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount, the said person shall not be ineligible for the composition scheme Further, while computing aggregate turnover of such person in order to determine his eligibility for composition scheme, value of supply of any exempt services including services by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount, shall not be taken into account [**Order No.01/2017 CT dated 13.10.2017**].

**Section 10(2A) Presumptive Scheme For Service Provider**

This Section provides an option to a registered person whose aggregate turnover in the preceding financial year is upto Rs. 50 lakh and who is not eligible to pay tax under sub section (1), to pay tax @ 3% [Effective rate 6% (CGST+ SGST/ UTGST)] on first supplies of goods and/or services upto an aggregate turnover of Rs. 50 lakh made on/after 1st April in any financial year, subject to specified conditions.

**Conditions to be fulfilled:**

1. registered person is not engaged in making any supply which is not leviable to tax under the said Act. Under composition scheme, restriction is only on supply of goods not leviable to tax
2. not engaged in making any inter-State outward supply – neither of goods nor of services.
3. neither a casual taxable person nor a non-resident taxable person
4. not engaged in making any supply through an electronic commerce operator who is required to collect tax at source under section 52.

5. not engaged in making supplies of notified goods, namely, ice cream and other edible ice, whether or not containing cocoa , Pan masala, manufacturer of aerated water and all goods of Chapter 24, i.e. Tobacco and manufactured tobacco substitutes.
6. The registered person shall not collect any tax from the recipient on supplies made by him nor shall he be entitled to any credit of input tax
7. The registered person shall issue a bill of supply\*\* instead of tax invoice. Such bill of supply will have the following words at its top - 'taxable person paying tax in terms of Notification No. 2/2019 CT (R) dated 07.03.2019, not eligible to collect tax on supplies'.

#### Other significant points

1. Where more than one registered persons are having the same PAN, tax on supplies by all such registered persons is paid at concessional rate under this notification.
2. Where any registered person who has availed of ITC opts to pay tax under this notification, he shall pay an amount, by way of debit in the electronic credit ledger or electronic cash ledger. Said amount shall be equivalent to the ITC in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock and on capital goods as if the supply made under this notification attracts the provisions of section 18(4) of the CGST Act and the rules made thereunder.
3. In computing aggregate turnover in order for determining eligibility for this scheme, interest on loans/deposit/advances will not be taken into account.
4. Tax on inward supplies on which he is liable to pay tax under section 9(3)/9(4) (reverse charge) at the Normal applicable rates.

# Chapter 5: Time Of Supply

## Introduction

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

So, at which of these points of time does GST become payable?

Does it become payable when an agreement to supply goods or services is made, or when the goods are shipped or the services are provided, or when the invoice is issued or when payment is made?

What if the goods are shipped over a period of time? What if the service is provided over a period of time?

Provisions relating to 'time of supply' provide answer to all such and other questions that arise on the timing of the liability to pay CGST and SGST/UTGST (intra-State supply) and IGST (inter-State supply) as time of supply fixes the point in time when the liability to pay tax arises.

## Time Of Supply Of Goods

**Section 12 (1)** provides for the determination of time of supply in the following situations:

- Supply of goods where supplier is liable to pay tax;
- Supply of goods that are taxable under reverse charge;
- Supply of vouchers that can be used to pay for goods;
- Residual cases
- Addition to value of supply of goods by way of interest or late fee or penalty for delayed payment.

### Supply of goods where supplier is liable to pay tax (forward charge)

[Section 12(2) read with section 31]

As per section 12(2), the time of supply of goods that are taxable under forward charge, is the earlier of the following two dates:

- i. Date of issue of invoice by the supplier or the last date on which the invoice ought to have been issued in terms of section 31, to the extent the invoice covers the supply of goods; or
- ii. Date of receipt of payment by the supplier, to the extent the payment covers the supply of goods.

### Exemption To Pay Tax on advance payment received for supply of goods [NN 66/2017]

- All taxpayers (except composition suppliers) are exempted from paying GST at the time of receipt of advance in relation to supply of goods.
- The entire GST shall be payable only when the invoice for the supply of such goods is issued or ought to have been issued.

**Time limit for issuance of invoice for supply of goods**

- As per section 31(1), the invoice needs to be issued either before or **at the time of removal of goods** (where supply involves movement of goods) or **delivery of goods/** making goods available to recipient (in any other case).
- **In case of continuous supply of goods**, the invoice should be issued before or at the time of issuance of periodical statement/receipt of periodical payment [Section 31(4)].
- In case of **goods sent or taken on approval for sale or return**, invoice should be issued before or at the time of supply or 6 months from the date of removal, whichever is earlier [Section 31(7)].

**Test Your Knowledge**

1. A machine has to be supplied at site. It is done by sourcing various components from vendors and assembling the machine at site. The details of the various events are:
  - **17th September** : Purchase order with advance of Rs. 50,000 is received for machine worth Rs. 12 lakh and entry duly made in the seller's books of account
  - **20th October**: The machine is assembled, tested at site, and accepted by buyer
  - **23rd October**: Invoice raised
  - **4th November**: Balance payment of Rs. 11,50,000 received
 Determine the time of supply(ies) in the above scenario for the purpose of payment of tax.
2. Gas is supplied by a pipeline. Monthly payments are made by the recipient as per contract. Every quarter, invoice is issued by the supplier supported by a statement of the goods dispatched and payments made, and the recipient has to pay the differential amount, if any. The details of the various events are:
  - **August 5, September 5, October 6**: Payments of Rs. 2 lakh made in each month
  - **October 3**: Statement of accounts issued by supplier, with invoice for the quarter July – September
  - **October 17**: Differential payment of Rs. 56,000 received by supplier for the quarter July – September as per statement of accounts
 Determine the time of supply for the purpose of payment of tax

3. From the following information determine the time of supply if goods are supplied on approvals basis :

S. No.	Removal of goods	Issue of invoice	Accepted by recipient	Receipt of payment
i.	01-12-2018	15-12-2018	05-12-2018	25-12-2018
ii.	01-12-2018	15-12-2018	15-12-2018	12-12-2018
iii.	01-12-2018	25-07-2019	25-07-2019	20-07-2019

4. Determine the Time of supply in each of the following independent cases in accordance with provisions of sections 12 of the CGST Act, 2017 in case supply involves movement of goods.

S. No.	Date of removal	Date of invoice	Date when goods made available to recipients	Date of receipt of payment
1.	1-10-2019	5-10-2019	3-10-2019	15-11-2019
2.	8-10-2019	4-10-2019	4-10-2019	25-11-2019

### Supply of goods that are taxable under reverse charge [Section 12(3)]

The time of supply for such goods will be the earliest of the following dates:

- i. Date on which the goods are received, or
- ii. Date on which payment is recorded in the books of account of the recipient, or the date on which the same is debited in his bank account, whichever is earlier, or
- iii. Date immediately following 30 days from the date of issue of invoice (or document by some other name in lieu of invoice) by the supplier.

If it is not possible to determine the time of supply by using these parameters, then the time of supply will be the date of entry of goods in the books of account of the recipient of supply.

### Test Your Knowledge

5. Determine the time of supply from the given information.
  - **May 4** Supplier invoices goods taxable on reverse charge basis to Bridge & Co. (30 days from the date of issuance of invoice elapse on June 3)
  - **May 12** Bridge & Co receives the goods
  - **May 30** Bridge & Co makes the payment
6. Determine the time of supply from the given information.
  - May 4** Supplier invoices goods taxable on reverse charge basis to Pillar & Co. (30 days from the date of issuance of invoice elapse on June 3)
  - June 12** Pillar & Co receives the goods, which were held up in transit
  - July 3** Payment made for the goods
7. Determine the time of supply in each of following independent cases in accordance with provisions of section 12 of the CGST Act, 2018 in case recipient of goods is liable to pay tax under reverse charge mechanism.

S. No.	Date of Invoice	Date of receipt of goods	Date of payment in books	Date when payment debited in bank account
1.	01-10-2018	05-10-2018	10-10-2018	12-10-2018
2.	01-10-2018	15-10-2018	10-10-2018	12-10-2018
3.	01-10-2018	15-11-2018	18-11-2018	20-11-2018

### Vouchers [Section 12(4)]

As commonly understood, vouchers are instruments that can be exchanged as payment for goods or services of the designated value. As per the definition, they are instruments, that certain persons (potential suppliers) are obliged to accept as consideration, part or full, for goods and/or services .

The time of supply of vouchers exchangeable for goods is-

- Date of issue of the voucher, if the supply that it covers is identifiable at that point, or
- Date of redemption of the voucher in other cases.

### Test Your Knowledge

8. XYZ Ltd. has purchased for its customers 100 vouchers dated 24-12-2018 worth Rs. 1,000 each from ABC Ltd, a footwear manufacturing company. The vouchers were issued by ABC Ltd. on 25-12-2018. The vouchers can be encashed at retail outlets of ABC Ltd. The employees of XYZ Ltd. encashed the same on 01-01-2019. Determine time of supply of vouchers.
9. Ms Reema purchased a gift voucher from Shoppers Stop (a departmental store) worth Rs. 1,500 on 30-10-2018 and gifted it to her friend on occasion of her birthday on 04-11-2018. Her friend encashed the same on 01-01-2019 for purchased of a handbag. Determine the time of supply.

### Residual case [Section 12(5)]

If the situation is not covered by any of the provisions discussed above, the time of supply is fixed under sub-section (5) of section 12, in the following manner:

- Due date for filing of the periodical return, or
- In any other case, date on which GST is paid.

### Enhancement in value on account of interest/late fee etc. for delayed payment of consideration [Section 12(6)]

Section 12(6) prescribes that time of supply in case of addition in value by way of interest/ late fee/penalty for delayed payment of consideration for goods is the date on which the supplier receives such addition in value.

### Test Your Knowledge

10. Mr. X, a registered supplier supplied certain goods to Mr. Y on 6 months credit with a penalty clause in the agreement levying a penalty of 5% of the invoice value in case of delayed payment. The invoice was dated 01-11-2018. Mr. Y could not make the payment on the due date due to unavoidable reasons. He however made the payment of the invoice value on 05-05-2019. Mr. X raised a debit note for the penalty amount. There being dispute on this, the matter was in arbitration which was finally resolved with Mr. Y agreeing to pay half of the penalty amount. The amount was paid by Mr. Y on 12-12-2019. Determine the time of supply in light of the GST law.

### Time Of Supply Of Services

**Section 13** provides for the determination of the time of supply in the following situations:

- Supply of service on which the supplier is liable to pay tax,
- Supply of service that is taxable under reverse charge basis,
- Supply of vouchers that can be used to pay for services,
- Residual cases,
- Addition to value of supply of services by way of interest or late fee or penalty for delayed payment.

**Supply of service where supplier is liable to pay tax (forward charge)  
[Section 13(2) read with section 31 and rule 47 of CGST Rules]**

- a) **if the invoice is issued within the time prescribed under section 31**  
Date of invoice or date of receipt of payment (to the extent the invoice or payment covers the supply of services), whichever is earlier
- b) **if the invoice is not issued within the time prescribed under section 31,**  
Date of provision of service or date of receipt of payment (to the extent the payment covers the supply of services)

If the above two methods [(A) and (B)] are not applicable, the time of supply will be the date on which the recipient of service shows receipt of the service in his books of account.

“Date of receipt of payment” refers to the

- a) date on which the payment is recorded in the books of account of the entity (supplier of service) that receives the payment, or  
b) the date on which the payment is credited to the entity’s bank account, whichever is earlier.

“to the extent the invoice or payment covers the supply of services”

Suppose, a part of the consideration is paid in advance or invoice is issued for part payment, the time of supply will not cover the full supply. The supply shall be deemed to have been made to the extent it is covered by the invoice or the part payment.

**Time limit for issuance of invoice for supply of services**

- i. As per section 31(2) read with rule 47 of CGST Rules, the tax invoice needs to be issued either before the provision of service or within 30 days (45 days in case of insurance companies/ banking companies/ financial institutions including NBFCs) from the date of supply of service.
- ii. As per Section 31(5), In case of continuous supply of services, the invoice should be issued either
  - a) on/ before the due date of payment or
  - b) before/ at the time when the supplier of service receives the payment, if the due date of payment is not known
  - c) on/ before the date of completion of the milestone event when the payment is linked to completion of an event.
- iii. In case of cessation of supply of services before completion of supply, the invoice (to the extent of the supply made before such cessation) should be issued at the time when the supply ceases [Section 31(6)].
- iv. In case of insurance companies/ banking companies/ financial institutions including NBFCs/ telecom companies/ notified supplier of services making taxable supplies between distinct persons as specified in section 25(4) , invoice may be issued before or at the time of recording such supply in the books of account or before the expiry of the quarter during which the supply was made [Second proviso to rule 47].

**Receipt of services that are taxable under reverse charge [Section 13(3)]**

The time of supply of service on which GST is payable on reverse charge basis (except on services received from associated enterprises located outside India) is determined as follows:

The time of supply for such service will be the earlier of the following:

- Date of payment, or
- Date immediately following 60 days since issue of invoice (or any other document in lieu of invoice) by the supplier.

If it is not possible to determine the time of supply by using these parameters, then the time of supply will be the date of entry of the service in the books of account of the recipient of supply.

“Date of payment” in the above situation refers to the date on which the payment is recorded in the books of account of the entity that receives the service (recipient of service), or the date on which the payment is debited from the entity’s bank account, whichever is earlier.

**Import of services between associated enterprises**

In the case of service received from an associated enterprise located outside India, the time of supply will be

- a) the date of payment for the service, or
- b) the date of entry of the service in the books of account of the recipient, whichever is earlier.

### Test Your Knowledge

**11.** Determine the time of supply from the given information under reverse charge

- May 4: The supplier of service issues invoice for service provided. There is a dispute about amount payable, and payment is delayed.
- August 21: Payment made to the supplier of service
- 

**12.** Determine the time of supply from the given information.

- May 4: A German company issues email informing its associated company ABC Ltd. of the cost of technical services provided to it.
- July 2: ABC Ltd transfers the amount to the account of the German company

### Vouchers [Section 13(4)]

The time of supply of vouchers that are exchangeable for services is stipulated as

- the date of issue of the voucher if the supply is identifiable at that point, or
- the date of redemption of the voucher in other cases.

### Residual case [Section 13(5)]

If the situation is not covered by any of the provisions discussed above, the time of supply is fixed under sub-section (5) of section 13, in the following manner:

- Date on which periodical return for the period is required to be filed, or
- In any other case, date on which GST is paid.



**Enhancement of value on account of interest/late fee etc. for delayed payment of consideration  
[Section 13(6)]**

**It prescribes that time of supply in case of addition in value by way of interest/ late fee/penalty for delayed payment of consideration for a service is the date on which the supplier receives such addition in value.**

# Chapter 6: Value Of Supply

## Section 15(1) Transaction value

**Transaction Value** is the price actually paid or payable for the said supply of goods or services or both.

Transaction value shall be accepted as Value of Supply if following two conditions are satisfied:

1. Supply is between two unrelated persons, and
2. Price is the sole consideration.

## Section 15(2) Inclusions In Value Of Supply

The value of supply includes Following Elements:

1. Taxes, duties, cesses, fees and charges other than CGST, SGST, UTGST, GST Compensation Cess, if charged separately.  
Note: TCS under Income-Tax Act, 1961 not includible in the taxable value for the purpose of GST
2. Any amount that the supplier is liable to pay in relation to supply but which has been incurred by the recipient of the supply and not already included in the price.
3. Incidental expenses, such as, commission and packing, charged by the supplier to the recipient of a supply
4. Any amount charged for anything done by the supplier in respect of the supply of goods and/or services at the time of, or before delivery of goods /supply of services
5. Interest or late fee or penalty for delayed payment of consideration
6. Subsidies, directly linked to the price, other than subsidies given by the State or Central Governments

## Section 15(3) Exclusion of discounts from Value Of Supply

The value of the supply shall not include any discount which is given—

1. Before or at the time of the supply if such discount has been duly recorded in the invoice issued in respect of such supply;
2. After the supply has been effected, if—
  - i. Such discount is established in terms of an agreement entered into at or before the time of such supply and specifically linked to relevant invoices; and
  - ii. Input tax credit as is attributable to the discount on the basis of document issued by the supplier has been reversed by the recipient of the supply.

# Chapter 7: Input Tax Credit

## Section 16

- (1) **Registered person to take credit:** Every registered person subject to Section 49, 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. The input tax credit is credited to the electronic credit ledger.

Input tax credit can be taken on the basis of any of the following documents:

- (i) Invoice issued under section 31
- (ii) Debit note issued under section 34
- (iii) Bill of entry
- (iv) Invoice prepared in respect of reverse charge basis u/s 9(3) and 9(4)
- (v) Document issued by ISD u/r 7(1) for distribution of credit referred u/r 4(1)(g)

- (2) **Conditions for availment of credit by registered person:** Subject to section 41, input tax credit is available only if –
- a) The said goods or services or both are used or intended to be used in the course or in the furtherance of his business;
  - b) He is in possession of tax invoice/ debit note / tax-paying document issued by a supplier registered under this Act (listed above);
  - c) He has received the said goods or services or both subject to job-work facilities and restrictions relating to input tax credit in Section 19;
  - d) The supplier has paid the said amount of tax (as charged in the invoice) to appropriate Government in cash or by way of utilization of input tax credit, as admissible;
  - e) He – claimant of input tax credit – has furnished return under section 39 in FORM-GSTR 3B;

As per rule 36(4), ITC to be availed by a registered person in respect of invoices or debit notes, the details of which have not been uploaded by the suppliers in GSTR-1, cannot exceed ~~10%~~ **5%** of the eligible credit available in respect of invoices or debit notes the details of which have been uploaded by the suppliers in GSTR-1.

1. **Goods received in installments:** If goods are received in installments against a single invoice, credit can be taken upon receipt of last installment of goods.
2. If recipient of goods or service or both has not paid the supplier within 180 days from date of invoice (except in case of reverse charge), the amount equal to input tax credit availed along with the interest will be added to output liability of the recipient.. The said input tax credit can be re-availed on payment of value of supply and tax payable thereon.

- (3) **Claim of depreciation on tax component disqualifies a recipient of Capital goods from availment of input tax credit.**
- (4) **ITC cannot be availed after the due date of filing the return for September month of the next Financial year or on furnishing the relevant Annual Return whichever is earlier.**  
Eg. X Ltd. has received invoice dated 10th December, 2019, In this case last date for taking ITC shall be 20th October 2020 but if annual return has been filed on 31st July 2020, last date shall be 31st July 2020.

If any debit note has been issued in connection with any invoice, date of debit shall be taken into consideration for the purpose of determining the time limit and not the date of invoice to which it relates, eg. Invoice is issued on 12/02/2020 and debit note is issued on 28/05/2020 in this case ITC can be taken maximum upto 20/10/2021 or the date of filing annual return whichever is earlier.

### Restrictions on use of amount available in electronic credit ledger [Rule 86B]

W.e.f. 01.01.2021, a new rule 86B has been inserted in the CGST Rules to restrict the amount available in electronic credit ledger which a registered person can use to discharge his output tax liability to 99% of such tax liability in cases where the value of taxable supply other than exempt supply and zero-rated supply, in a month exceeds ` 50 lakh. This rule overrides all other rules.

It implies that a registered person shall not use the amount available in electronic credit ledger to discharge his liability towards output tax in excess of 99% of such tax liability, in cases where the value of taxable supply other than exempt supply and zero-rated supply, in a month exceeds ` 50 lakh.

#### Example

The total value of inter-State supply of Raman & Sons for the month of February 2021 is of ` 100 lakh. Said supply is taxable @ 18% IGST. Thus, total output tax liability of Raman & Sons is ` 18 lakh. Amount available in electronic credit ledger is ` 20 lakh (IGST).

In terms of restriction imposed by rule 86B, Raman & Sons can discharge 99% of its output tax liability, i.e. ` 17,82,000 (99% of ` 18,00,000) from the amount available in electronic credit ledger. However, it has to mandatorily discharge the balance 1% of the output tax liability i.e. ₹ 18,000 (1% of ` 18,00,000) through electronic cash ledger only.

#### Exceptions:

This restriction shall not apply in following cases:-

- (a) Where the said person/proprietor/karta/managing director/any of its two partners, whole-time directors, members of Managing Committee of Associations or Board of Trustees, as the case may be, have paid more than ` 1 lakh as income tax<sup>1</sup> in each of the last 2 financial years
- (b) Where the registered person has received a refund of more than ` 1 lakh in the preceding FY on account of unutilised ITC in case of (i) zero rated supplies made without payment of tax or (ii) inverted duty structure.
- (c) Where 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.
- (d) Where the registered person is:-
  - Government Department
  - Public Sector Undertaking
  - Local authority
  - Statutory body

However, 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.

**Example 1:** From the following information determine the amount of input tax credit admissible to ABC Ltd. in respect of various inputs purchased during the month of September, 2019.

<b>Purchases</b>	<b>CGST &amp; IGST (Rs.)</b>
Goods purchased without invoice	25,000
Goods purchased from PQR Ltd. (full payment is made by ABC Ltd. to PQR Ltd. against such supply but tax has not been deposited by PQR Ltd.)	1,20,000
Purchases of goods not to be used for business purposes	18,000
Purchases of goods from TT Ltd. is received in month of September 2019, but goods were received in month of October 2019)	24,000
Goods purchased against valid invoice from FF Ltd. Tax has been deposited by FF Ltd. ABC Ltd. has made payment to FF Ltd. for such purchases in the month of October 2019.	36,000

**Example 2:** XYZ Ltd. purchased goods valuating Rs. 6,00,000 (exclusive of CGST and SGST @9% each) under the cover of invoice dated 25-12-2019. The company made payment to the supplier on the same date. Since there was a doubt regarding admissibility of tax credit on such inputs, the company did not take the input tax credit at the time of receipt of input. The company did not take the input tax credit at the time of receipt of input. The company obtained clarification from a legal consultant who opined that the goods were eligible as inputs under input tax credit Rules. The opinion was received on 05-05-2020. The company now wants to avail input tax credit of the tax paid on such inputs. Can it do so? The company has filed its annual return for the year 2019-20 on 12-08-2020.

**Example 3:** X Pvt. Ltd. a registered manufacturer is engaged in taxable supply of goods. Procured the following goods during the month of October, 2019. The same has been capitalized in the books of accounts of X Ltd. Determine the amount of input Tax credit available by giving necessary explanations for treatment of various items.

<b>Items</b>	<b>Input tax (Rs.)</b>
Electrical transformers used in the factory	2,16,000
Moulds and dies used in the factory	26,000
Pollution control equipment used in the factory	2,34,000
Capital goods purchased on which depreciation has been taken on full value including input tax thereon	1,35,000
Capital goods used as parts purchased from supplier who paid tax of Rs. 10,000 under consumption scheme and the composite tax has not been collected from X Ltd.	

### **Section 17: Apportionment of Credit and Blocked credit**

1. Where the goods or services or both are used by the registered person partly for the purpose of any business and partly for other purposes, the amount of credit shall be restricted to so much of the input tax as is attributable to the purposes of his business.
2. Where the goods or services or both are used by the registered person partly for effecting taxable supplies including zero-rated supplies under this Act or under the Integrated Goods and Services Tax Act, and partly for effecting exempt supplies under the said Acts, the amount of credit shall be restricted to so much of the input tax as is attributable to the said taxable supplies including zero-rated supplies.

3. The value of exempt supply shall be computed as per rule 42 and 43. Exempt supplies shall include supplies on which the recipient is liable to pay tax on reverse charge basis, transactions in securities, sale of land and building. If Goods/Services have been supplied by a person and GST is to be paid by the recipient under reverse charge, it will be considered to be exempt supply for the supplier and tax credit is not allowed.

‘Explanation.—For the purposes of this sub-section, the expression “value of exempt supply” shall not include the value of activities or transactions specified in Schedule III, except those specified in paragraph 5 of the said Schedule.’

### Apportionment of ITC of Inputs Rule 42 & 43

As per Rule 42,

1. ITC pertaining to the inputs exclusively used in taxable supplies shall be allowed.
2. ITC pertaining to the inputs exclusively used in Non business purposes, Non-taxable supplies and exempt supplies shall be disallowed.
3. ITC pertaining to the inputs for both taxable supplies and Exempt Supplies shall be allowed i.e. (common credit). However, subsequently proportionate amount relating to exempt supplies shall be reversed on the basis of turnover.

i.e  $\text{Common Credit} \times \frac{\text{Exempt Supply Turnover}}{\text{Total Turnover}}$

As per Rule 43,

1. Input tax on capital goods used/ intended to be used exclusively for non-business purposes or making exempt supplies Such amount will not be allowed.
2. Input tax on capital goods used/ intended to be used exclusively for taxable supplies including zero rated supplies. Such amount shall be allowed.
3. ITC pertaining to the capital goods which are used/intended to be used commonly for making taxable as well as exempt supplies & business & non-business purposes shall be allowed i.e. common credit. However following amount is added to the output tax liability every month.

(Common Credit / 60 month) x  $\frac{\text{Aggregate value of exempt supplies made during the tax period}}{\text{Total turnover in the State during the tax period}}$

4. ITC on Capital goods procured to effect exclusively exempt supply & non-business supply now used for providing taxable as well as exempt supply Shall be allowed i.e. common credit. However following amount is added to the output tax liability every month:

(Common Credit / 60 month) x  $\frac{\text{Aggregate value of exempt supplies made during the tax period}}{\text{Total turnover in the State during the tax period}}$

However, ITC pertaining to the period during which such capital goods were used exclusively for exempt supply & non-business supply shall be calculated at the rate of 5% p.q. or part thereof and added to the output tax liability of the tax period in which such credit is claimed.

5. ITC pertaining to the Capital goods procured to effect exclusively taxable supply & zero-rated supply now used for providing taxable as well as exempt supply shall be reversed as follows:

(Common Credit / 60 month) x  $\frac{\text{Aggregate value of exempt supplies made during the tax period}}{\text{Total turnover in the State during the tax period}}$

Example 4: Mr. Shyam Furnishes you the following details for the month of Dec'19, determine ITC available:

Particulars	GST Paid
1. Raw Material A purchased in the month of Dec, used Exclusively For Taxable Supplies (Invoice pertaining to the ITC of Rs.20,000 Received in Jan'20)	1,00,000
2. Raw Material B purchased in the month of Dec, used Exclusively For Exempt Supplies	50,000
3. Raw Material C purchased in the month of Dec, used Exclusively For Non-business purpose	35,000
4. Raw Material D purchased in the month of Dec, used Exclusively For Export Supplies	75,000
5. Raw Material E purchased in the month of Dec, used Taxable Supplies, Export Supplies and Exempt Supplies	1,80,000
6. Capital Good P purchased in the month of Dec, used For Export Supplies and taxable Supplies	4,00,000
7. Capital Good Q purchased in the month of Dec, used For Exempt Supplies	6,00,000
8. Capital Good R purchased in the month of Dec, used For Export Supplies, Taxable Supplies & Exempt Supplies	8,00,000
9. Turnover For the month of Dec:	
Exempt Supplies	20,00,000
Taxable Supplies	70,00,000
Export Supplies	10,00,000

Capital good Z purchased in the month of August 2019, for making Taxable supplies is now also being used for exempt supply along with taxable supplies. Rs.2,40,000 is paid as GST at the time of purchase.

6. A banking company or a financial institution including a non-banking financial company, engaged in supplying services by way of accepting deposits, extending loans or advances shall have the option to either comply with the provisions of sub-section (2), or avail of, every month, an amount equal to fifty per cent of the eligible input tax credit on inputs, capital goods and input services in that month and the rest shall lapse.  
Provided that the option once exercised shall not be withdrawn during the remaining part of the financial year.  
Provided further that the restriction of fifty per cent shall not apply to the tax paid on supplies made by one registered person to another registered person having the same Permanent Account Number.
7. Notwithstanding anything contained in sub-section (1) of section 16 and subsection (1) of section 18, input tax credit shall not be available in respect of the following namely:
1. (a) motor vehicles for transportation of persons having approved seating capacity of not more than thirteen persons (including the driver), except when they are used for making the following taxable supplies, namely:—
    - a. further supply of such motor vehicles; or
    - b. transportation of passengers; or
    - c. imparting training on driving such motor vehicles;
  - (aa) vessels and aircraft except when they are used—
    - (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;

As per Section 2(28) of The Motor Vehicles Act, 1988 "motor vehicle" or "vehicle" means any mechanically propelled vehicle adapted for use upon roads whether the power of propulsion is transmitted thereto from an external or internal source and includes a chassis to which a body has not been attached and a trailer ; but does not include a vehicle running upon fixed rails or a vehicle of a special type adapted for use only in a factory or in any other enclosed premises or a vehicle having less than four wheels fitted with engine capacity of not exceeding twenty-five cubic centimeters.

**(ab)** services of general insurance, servicing, repair and maintenance in so far as they relate to motor vehicles, vessels or aircraft referred to in clause (a) or clause (aa):

Provided that the input tax credit in respect of such services shall be available—

- (i) where the motor vehicles, vessels or aircraft referred to in clause (a) or clause (aa) are used for the purposes specified therein;
- (ii) where received by a taxable person engaged—
  - (I) in the manufacture of such motor vehicles, vessels or aircraft; or
  - (II) in the supply of general insurance services in respect of such motor vehicles, vessels or aircraft insured by him;

**(b)** the following supply of goods or services or both—

- i. food and beverages, outdoor catering, beauty treatment, health services, cosmetic and plastic surgery, leasing, renting or hiring of motor vehicles, vessels or aircraft referred to in clause (a) or clause (aa) except when used for the purposes specified therein, life insurance and health insurance:

Provided that the input tax credit in respect of such goods or services or both shall be available where an inward supply of such goods or services or both 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;

- ii. membership of a club, health and fitness centre; and
- iii. travel benefits extended to employees on vacation such as leave or home travel concession:

Provided that the input tax credit in respect of such goods or services or both shall be available, where it is obligatory for an employer to provide the same to its employees under any law for the time being in force.

2. Works contract services when supplied for construction of immovable property, other than plant and machinery, except where it is for further supply of works contract service;
3. Goods or services received by a taxable person for construction of an immovable property on his own account, other than plant and machinery, even though it is used in course or furtherance of business;
4. Goods or services or both on which the tax paid under composition scheme.
5. goods or services or both received by a non-resident taxable person except on goods imported by him.
6. Goods or services or both used for personal consumption.
7. Goods lost, stolen, destroyed, written off or disposed of by way of gift or free samples.
8. Tax paid in terms of sections 74, 129 and 130.

Section 2(119) "Works Contract" means a contract for building, construction, fabrication, completion, erection, installation, fitting out, improvement, modification, repair, maintenance, renovation, alteration or commissioning of any immovable property wherein transfer of property in goods (whether as goods or in some other form) is involved in the execution of such contract.

1. Determine the amount of input tax credit available to Posco Ltd. in respect of the following items procured by them in the month of January, 2020:

S. No.	Item	Input tax paid (Rs.)



(i)	Input used for the manufacture of the final product	72,000
(ii)	Food and beverages procured from sweet caterers for being used in dealer's meet	48,000
(iii)	Goods used for providing services during warranty period	12,000
(iv)	Goods used for setting up Telecommunication Towers being immovable property	90,000
(v)	Inputs stolen from the factory store	13,200

2. Determine the amount of input tax credit admissible to PQR Ltd. in respect of the following goods procured by it in month of January, 2020:

S. No.	Item	Input tax paid (Rs.)
1.	Goods used in constructing an additional floor of office building	28,000
2.	Packing materials used in a factory	6,000
3.	Goods destroyed due to natural calamities	12,500
4.	Goods used for repairing the office building and cost of such repairs is debited to profit and loss account	12,000
5.	Paper for photocopying machine used in Administrative Office	950
6.	Goods given as gifts	25,000
7.	Inputs used for tests or quality control check	15,600

3. compute the input tax credit available with Ujjwal Motors Ltd., manufacturer of cars, in respect of the following services availed by it in the month of October, 2019:

S. No.	Services billed	Input tax paid (Rs.)
(i)	Accounting and Auditing Services	7,200
(ii)	Health insurance services for employees (services are not provided under Government obligation)	16,200
(iii)	Routine maintenance of the cars manufactured by Ujjwal Motors Ltd.	18,000
(iv)	Repairs services for office building (cost of repairs is charged to profit and loss Account)	14,400
(v)	Hotel accommodation and Conveyance facility to employees on vacation	3,360
(vi)	Testing services availed for car engines	9,000

4. Yes Bank, having a branch in Jaipur engaged in supply of services by way of accepting deposits and extending loans opted for the option to avail credit of 50% of input tax of the month to which input tax relates under Section 17(4). Its head office is in Mumbai and branch in Ahmedabad. Input tax Credit (CGST & SGST) available for the month August, 2019 is Rs. 90,000 which includes:

Total Input tax Credit includes credit relating to –

Particulars	Input tax (Rs.) [CGST & SGST]
Services availed from its distinct establishment i.e., from Mumbai Head office	18,000

Outdoor catering services received for its employees	14,400	42
Goods that has obsolete and whose value has been written off in books	2,500	
Auditing services	22,500	
Goods which are used for personal use of employees	6,500	

### Section 18: Availability of credit in special circumstances

#### 1. a) Compulsory Registration:

As per section 18(1)(a)/Rule 40, A person who has applied for registration under this Act within 30 days from the 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 / semi-finished / finished goods on the day immediately preceding the date from which he becomes liable to pay tax under the provisions of this Act. No tax credit shall be allowed for capital goods.

Note: If any person has applied for registration after expiry of 30 days, tax credit shall not be allowed of inputs or capital goods

#### b) Voluntary Registration:

As per section 18(1)(b)/Rule 40, A person who takes voluntary registration shall be entitled to take credit of input tax in respect of inputs held in stock and inputs/ semi-finished / finished goods on the day immediately preceding the date of grant of registration. No tax credit shall be allowed for capital goods.

**Example:** Mr. Ram applies for voluntary registration on 5th June and obtains registration on 22nd June. Mr. Ram is eligible for ITC on inputs held in stock/ semi-finished goods / finished goods as on 21st June. Mr. Ram cannot take ITC on capital goods.

#### c) Shifting from composition scheme to normal scheme:

As per Section 18 (1) (c) / Rule 40. If any registered person has shifted from composition scheme to normal scheme, such person shall be entitled to take credit of input tax in respect of inputs held in stock/ semi-finished / finished goods and on capital goods on the day immediately preceding the date from which he becomes liable to pay tax. The credit on capital goods shall be reduced by 5% per quarter of a year or part thereof from the date of invoice.

**Example:** Mr. Shyam has opted for composition scheme at the time of registration and purchased a plant and machinery Rs. 30,00,000 and paid input tax at a rate of 18% and tax credit was not allowed but after a period of 8 months and 10 days the dealer has opted for payment u/s 9 i.e. normal scheme.

Compute amount of tax credit allowed to Mr. Shyam.

(b) Presume time period is 11 months and 20 days

#### d) Exempt supply becomes taxable supply.

As per Section 18 (1) (d) / Rule 40. If any exempt supply becomes taxable supply, in that case, registered person shall be entitled to take credit of input tax in respect of inputs held in stock/ semi-finished / finished goods and on capital goods on the day immediately preceding the date from which it becomes taxable. The credit on capital goods shall be reduced by 5% per quarter of a year or part thereof from the date of invoice.

**Example:** X Ltd. purchased one plant and machinery Rs.20,00,000 and paid input tax Rs.3,00,000 and it is being used for exempted goods but after 7 months and 10 days, it is used for taxable goods. In this case, its tax credit allowed shall be?

For this purpose the applicant has to submit form no. ITC-01 within 30 days from the date on which he becomes eligible to avail ITC. Further ITC-01 should be verified by Chartered Accountant/ Cost Accountant if the total amount of ITC is exceeding Rs. 2,00,000

2. A registered person shall not be entitled to take input tax credit under sub-section (1), in respect of any supply of goods or services or both to him after the expiry of one year from the date of issue of tax invoice relating to such supply.

**Example:** Mr. Shyam purchased goods vide invoice dated 01/07/2019 Rs.10,00,000 plus GST Rs.2,00,000 and he is unregistered. Limit of Rs. 20,00,000 has crossed on 01/08/2020 and he applied for registration on 01/08/2020 and was granted registration on 10/08/2020, in this case as per section 18(2) tax credit for the goods lying in the stock is not allowed because one year has elapsed from the date of invoice.

3. **ITC in case of Amalgamation/ Demerger etc. Section 18 (3)/Rule 41**

Where there is a change in the constitution of a registered person on account of sale, merger, demerger, amalgamation, lease or transfer of the business with the specific provisions for transfer of liabilities, in such cases, the said registered person shall be allowed to transfer the input tax credit which remains unutilised in his electronic credit ledger to such sold, merged, demerged, amalgamated, leased or transferred business in such manner as may be prescribed. For this purpose information shall be submitted in Form No. ITC-02 by the transferor and the transferee shall accept it on the common portal and ITC shall be credited to electronic credit ledger of transferee.

4. **Tax credit in case of shifting from normal scheme to composition scheme section 18 (4)/ 18(5) / Rule 44**

Where any registered person who has availed of input tax credit opts to pay tax under composition scheme or, where taxable supply becomes exempt supply, he shall pay an amount, by way of debit in the electronic credit ledger or electronic cash ledger, equivalent to the credit of input tax in respect of stock. In case of capital goods, remaining tax credit has to be reversed taking the life to be 60 month and part of the month shall be ignored After payment of such amount, the balance of input tax credit, if any, lying in his electronic credit ledger shall lapse. For this purpose the applicant has to submit form no. ITC-03

**Example:** Mr. Shyam has opted for payment under section 9 and he purchased a plant and machinery Rs. 60,00,000 and paid input tax at a rate of 20% but he has shifted to composition scheme after 38 month and 10 days. Compute amount of tax credit to be reversed by Mr. Shyam.

- (b) Presume time period is 11 month and 20 days  
(c) Presume time period is 55 month and 21 days

5. **Reversal of Tax credit in case of supply of capital goods on which tax credit has been taken Section 18 (6)/ Rule 44**

In case of supply of capital goods, on which input tax credit has been taken, the registered person shall pay an amount on the basis of remaining life considering total life to be 60 months however part of the month shall be ignored as per rule 44 or the tax on the transaction value of such capital goods, whichever is higher.

**Example:** If a plant and machinery was purchased for Rs. 20,00,000 and input tax credit was Rs. 2,00,000 and supplier has sold it for Rs.12,00,000 (GST Rate = 18%) after using for one year and 2 months and 15 days, amount to be reversed shall be?

# Chapter 8: REGISTRATION

## REGISTRATION UNDER SECTION 22

SUPPLIER	Registration Requirement			
Exclusive Supply of Service Or Supply Of Notified Goods Or Supply Both Goods & Services	Shall be liable to be registered in the State / Union Territory if his aggregate turnover in a financial year exceeds Rs. 20,00,000. However for following specified states, threshold limit is Rs. 10,00,000.			
	Manipur	Mizoram	Nagaland	Tripura
Exclusive Supply Of Goods Except Notified Goods.	Registration shall be required if turnover has exceeded Rs. 40,00,000.			
	Limit Shall Be Rs. 20,00,000 In Following States:		Limit Shall Be Rs. 10,00,000 In Following States:	
	<ul style="list-style-type: none"> <li>• Arunachal Pradesh</li> <li>• Telangana</li> <li>• Uttrakhand</li> <li>• Meghalya</li> <li>• Puducherry</li> <li>• Sikkim</li> </ul>		<ul style="list-style-type: none"> <li>• Manipur</li> <li>• Mizoram</li> <li>• Nagaland</li> <li>• Tripura</li> </ul>	

Notified Goods: Ice-Cream and other edible ice, Pan Masala, Tobacco and manufactured tobacco substitutes.

As per section 2(6), "aggregate turnover" (To be calculated on all india basis)

Particulars	Amount
Value of all taxable outward supplies(FCM/RCM) exempt supplies	xx
exports of goods or services or both	xx
inter-State supplies of persons having the same Permanent Account Number	xx
<b>Total</b>	<b>xx</b>

### Exclusions:

- a) central tax, State tax, Union territory tax, integrated tax and cess.
- b) value of inward supplies on which tax is payable by a person on reverse charge basis.

1. Aggregate turnover shall include all supplies made by the taxable person whether on his own account or on behalf of all his principals.
2. If a business is carried by a taxable person who is registered under this Act has transferred his business to any other person, the transferee shall obtain fresh registration from the date of transfer of business provided transferee is not a registered entity.

### Persons not liable for registration Section 23

(1) The following persons shall not be liable to registration, namely:—

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

- (b) an agriculturist, to the extent of supply of produce out of cultivation of land.
- (2) The Government may, on the recommendations of the Council, by notification, specify the category of persons who may be exempted from obtaining registration under this Act.

As per notification number CT-5/2017 dated 19.06.2017, Government has exempted the persons from registration who are only engaged in making supplies of taxable goods or services or both, total tax on which is liable to be paid on reverse charge basis by the recipient of such goods or services under section 9(3).

### Compulsory Registration

Notwithstanding anything contained in section 22, following persons must take registration irrespective of their turnover:

1. Persons making any inter-State taxable supply of goods except Inter State supply of handicrafts goods (section 22 shall be applicable) provided supplier has obtain PAN and also e-way bill has to be generated.
2. Casual taxable persons making taxable supply

As per section 2 (20), "casual taxable person" means a person who occasionally undertakes transactions involving supply of goods or services or both in the course or furtherance of business, whether as principal, agent or in any other capacity, in a State or a Union territory where he has no fixed place of business.

3. Persons who are required to pay tax under reverse charge
4. Non-resident taxable persons making taxable supply
5. Persons who make taxable supply of goods / services on behalf of other taxable persons whether as an agent or otherwise.
6. Persons who are required to pay tax under section 9 (5)

#### GST is payable by an electronic commerce operator covered u/s 9(5).

As per section 9(5), The Government may, on the recommendations of the Council, by notification, specify categories of services the tax on supplies of which shall be paid by the electronic commerce operator if such services are supplied through it, and all the provisions of this Act shall apply to such electronic commerce operator as if he is the supplier liable for paying the tax in relation to the supply of such services.

If an electronic commerce operator does not have a physical presence in the taxable territory, any person representing such electronic commerce operator for any purpose in the taxable territory shall be liable to pay tax.

Further if an electronic commerce operator does not have a physical presence in the taxable territory and also he does not have a representative in the said territory, such electronic commerce operator shall appoint a person in the taxable territory for the purpose of paying tax and such person shall be liable to pay tax.

**Notification no. 17/2017-central tax (rate), dated 28-6-2017**, in case of the following categories of services, the tax on intra-State supplies shall be paid by the electronic commerce operator—

- (i) services by way of transportation of passengers by a radio-taxi, motorcab, maxicab and motor cycle;

- |                          |   |
|--------------------------|---|
| <p>(ii)</p> <p>(iii)</p> | <p>services by way of providing accommodation in hotels, inns, guest houses, clubs, campsites or other commercial places meant for residential or lodging purposes, except where the person supplying such service through electronic commerce operator is liable for registration under section 22 of the said Central Goods and Services Tax Act;</p> <p>services by way of house-keeping, such as plumbing, carpentering etc., except where the person supplying such service through electronic commerce operator is liable for registration under section 22 of the said Central Goods and Services Tax Act.</p> |
|--------------------------|---|

7. Every electronic commerce operator.
8. Persons supplying goods through electronic commerce operator shall also be required to take registration.

### Procedure For Registration Section 25

1. Every person liable to be registered shall apply for registration in every such State/UT in which he is so liable within 30 days from the date on which he becomes liable for registration.
2. However, as per section 25(3) any person can take voluntary registration and procedure for registration shall be same.
3. *As per Section 25(6A) every registered person to undergo authentication/furnish proof of possession of aadhaar number, in prescribed form and manner and within prescribed time.*
4. *Section 25(6B) and (6C) Read with Rule 8(4A), require every individual and Karta, Managing Director, Whole Time Director, partners of firm etc. respectively, to undergo authentication/furnish proof of possession of aadhaar number in prescribed manner. Such authentication is mandatory to be eligible for grant of registration*
5. *Section 25(6D) provides that the provisions of section 25(6A)/(6B)/(6C) shall not apply to notified person/class of persons/any notified State/UT/part thereof.*

#### Following persons have been exempted from aadhaar authentication

- (i) *A person who is not a citizen of India*
- (ii) *Department or establishment of State Government or Central Government*
- (iii) *Local authority*
- (iv) *Statutory body*
- (v) *Public Sector Undertaking*
- (vi) *A person applying for Unique Identity Number*

Where an applicant, other than a person notified under sub-section (6D) of section 25, opts for authentication of Aadhaar number, he shall, while submitting the application, with effect from 21st August, 2020, undergo authentication of Aadhaar number and the date of submission of the application in such cases shall be the date of authentication of the Aadhaar number, or fifteen days from the submission of the application in Part B of FORM GST REG-01, whichever is earlier

**Rule 8,** Every person applying for registration shall declare his Permanent account number, mobile number, e-mail address, State or Union territory in Part A of form GST REG-01 and it is to be applied on the common portal. The particulars so given shall be verified by the GST Authority and a temporary reference number (TRN) shall be generated simultaneously.

Using the TRN the applicant shall submit Part – B of REG-01 alongwith specified documents. On receipt of application an acknowledgement shall be given in REG-02.

**Rule 9**, GST authority shall forward the application to the proper officer and if it is in order, a registration certificate shall be issued within **7 working days** from the date of submission of application (Part-B). If the application is not complete in every aspect, he will issue a notice to the applicant in REG-03 within **7 working days** from the date of submission and applicant shall furnish clarification in REG-04 within a period of 7 working days and if proper officer is satisfied he shall issue registration certificate in REG-06 within 7 working days from the date of receipt of clarification. If no clarification is submitted or the proper officer is not satisfied, the proper officer shall reject the application by issuing REG-05.

If proper officer fails to take action within 3 working days from the date of submission of application or within 7 working days from the date of receipt of clarification, registration shall be deemed to have been approved

### **Proviso To Rule 9(1)**

Where a person, other than those notified under section 25(6D), fails to undergo authentication of Aadhaar number, then the registration shall be granted only after physical verification of the principal place of business in the presence of the said person, not later than **30 days** from the date of application. A site survey (Physical verification) will be done and identification documents will be verified.

The verification report along with the other documents, including photographs, shall be uploaded in prescribed form on the common portal within a period of 15 working days following the date of such verification. In such cases, deemed approval of registration application [as provided in rule 9(5)] will not be applicable.]

Provided that where a person, other than a person notified under sub-section (6D) of section 25, fails to undergo authentication of Aadhaar number rule 8 or does not opt for authentication of Aadhaar number, the notice in FORM GST REG-03 may be issued not later than **30 days** from the date of submission of the application.

If the proper officer fails to take any action, -

- a) within a period of **7 working days** from the date of submission of the application in cases where a person successfully undergoes authentication of Aadhaar number or is notified under subsection (6D) of section 25; or
- b) within the time period prescribed above (**30 days**), in cases where a person, other than a person notified under sub section (6D) of section 25, fails to undergo authentication of Aadhaar number; or
- c) within a period of **30 days** from the date of submission of the application in cases where a person does not opt for authentication of Aadhaar number; or
- d) within a period of 7 working days from the date of the receipt of the clarification, information or documents furnished by the applicant, the application for grant of registration shall be deemed to have been approved

**As per Rule 10**, Certificate of registration shall be granted in form no. REG-06 and if supplier has more than one branch in a State or Union Territory, he will get one registration certificate and all the

places of the supplier shall be mentioned in the certificate. The supplier shall be allotted goods and service tax identification number and it will consist of

- (a) two characters for the State code.
- (b) ten characters for the Permanent Account Number or the Tax Deduction and Collection Account Number.
- (c) two characters for the entity code and
- (d) one checksum character.

### Effective Date of Registration

#### 1. Mandatory Registration

If applicant has submitted application within a period of 30 days, he will be considered to be registered from the date on which he becomes liable to registration and if application is given after 30 days, effective date of registration shall be the date of granting registration.

#### 2. Voluntary Registration

In this case, effective date of registration shall be the date of granting registration.

*Rule 10A, a registered person has an option to give his bank account details after obtaining registration, within 45 days from the date of grant of registration or the due date of furnishing return, whichever is earlier.*

*This option is not available for those who have been granted registration as TDS deductor/ TCS collector or who have obtained suo-motu registration.*

*However, if a person violates the provisions of rule 10A, his GST registration is liable to be cancelled [Rule 21].*

### Registration of casual taxable person and Non-Resident taxable person.

**Section 24**, Every casual taxable person and Non-Resident taxable person shall also be required to take registration irrespective of the turnover and procedure shall be same.

**Section 25**, they should apply for registration atleast 5 days prior to commencement of business. Also, along with registration application they have to deposit GST in advance by estimating their tax liability.

**Section 27**, Certificate shall be valid for the specified period but maximum 90 days however proper officer may extend it further but for maximum 90 days. Such person shall make advance deposit of GST as estimated by him for the extended period as well along with extension application.

**Rule 13**, A non-resident taxable person shall electronically submit an application, along with a self attested copy of his valid passport. In the case of a business entity incorporated or established outside India, the application for registration shall be submitted along with its tax identification number or unique number on the basis of which the entity is identified by the Government of that country or its Permanent Account Number, if available.

### Extension in period of operation by Casual taxable person and Non-Resident taxable person

As per Rule 15, Where a registered casual taxable person intends to extend the period of registration indicated in his application of registration, an application in FORM GST REG-11 shall be submitted by such person before the end of the validity of registration granted to him.



## Amendment of Registration Section 28/ Rule 19

If any person has taken registration, subsequent amendment is allowed with regard to the following:

### Core areas ( Amendment is allowed only after approval of proper officer)

- name of business
- address of the business
- addition/deletion of partners/directors of business which does not warrant cancellation of registration

### Non-core areas ( Approval of proper officer not required however, e-verification shall be done)

- Change in mobile number or e-mail address of the authorised signatory.

### Procedure for Amendment in core areas

1. Every registered person shall apply online for amendment in core areas in form no. REG – 14 within 15 days of any change along with the documents relating to such change.
2. The proper officer approve the amendment in core areas within 15 working days from the date of receipt of application and issue an order in form REG-15 and such amendment shall take effect from the date of such change. Further such amendment shall be applicable for all the registration with same PAN.
3. If the proper officer is of the opinion that the document is incomplete or incorrect, proper officer shall serve a show cause notice why application for amendment is not to be rejected in REG-03 within 15 working days from the date of receipt of application. And the registered person shall furnish a reply in REG-04 within 7 working days from the date of service of notice.
4. Where reply furnished is satisfactory then Proper officer shall allow the amendment on the other hand if reply is not satisfactory or where no reply is furnished, the proper officer shall reject the application and pass an order in REG-05.

Where a change in constitution of any business results in change of the PAN, certificate shall be cancelled and the person shall apply for fresh registration in REG-01.

## Cancellation of Registration Section 29 / Rule 20 to 22

### 1. Cancellation at the request of the applicant

In the following cases a registered person or successor shall file an application for cancellation of registration-

1. the business has been discontinued, transferred fully for any reason including death of the proprietor, amalgamated with other legal entity, demerged or transferred as going concern.
2. there is any change in the constitution of the business.
3. the taxable person is no longer liable to be registered u/s 22 or 24.

### 2. Cancellation by GST officer own his own motion

The Registration certificate can be cancelled by proper officer on his own motion in the following cases:

1. a registered person does not conduct any business from the declared place of business.

2. a registered person issues invoice or bill without supply of goods or services in violation of the Act.
3. Violation of conditions of taking ITC as prescribe u/s 16, mismatch of GSTR-1 and GSTR- 3B, or violation of rule 86B
4. a registered person violates the provisions of section 171 of the Act i.e. if rate of GST has been decreased, benefit should be given to the customer.
5. a person paying tax under composition scheme has not furnished returns for 3 consecutive tax periods.
6. any registered person (other than composition scheme) has not furnished returns for a continuous period of 6 months.
7. any person who has taken voluntary registration and has not commenced business within 6 months from the date of registration.
8. registration has been obtained by means of fraud, wilful misstatement or suppression of facts.

### Suspension of registration Rule 21A

- (1) Where a registered person has applied for cancellation of registration, the registration shall be deemed to be suspended from the date of submission of the application or the date from which the cancellation is sought, whichever is later, pending the completion of proceedings for cancellation of registration.
- (2) Where the proper officer has reasons to believe on his own that the registration of a person is liable to be cancelled, he may, **without** affording the said person a reasonable opportunity of being heard, suspend the registration of such person with effect from a date to be determined by him, pending the completion of the proceedings for cancellation of registration.
- (2A) Where, a comparison of the returns furnished by a registered person under section 39 with:
  - a) the details of outward supplies furnished in Form GSTR-1; or
  - b) the details of inward supplies derived based on the details of outward supplies furnished by his suppliers in their Form GSTR-1,
 or such other analysis, as may be carried out on the recommendations of the Council, show that there are significant differences or anomalies indicating contravention of the provisions of the CGST Act or the rules made thereunder, leading to cancellation of registration of the said person, his registration shall be suspended.
 

Said person shall be intimated in prescribed form by sending a communication to his e-mail address provided at the time of registration or as amended from time to time.

In this intimation for suspension and notice for cancellation of registration, the said differences and anomalies are highlighted and said person is asked to explain, within a period of 30 days, as to why his registration shall not be cancelled [New sub-rule (2A)].
- (3) A registered person, whose registration has been suspended, shall not make any taxable supply during the period of suspension and shall not be required to furnish any return under section 39.
 

*It means that the registered person shall not issue a tax invoice and, accordingly, not charge tax on supplies made by him during the period of suspension.*
- (3A) In a case where the cancellation is initiated by the Department on its own and registration of a person has been suspended, such person shall not be granted any refund under section 54 of the CGST Act, during the period of suspension of his registration [New sub-rule (3A)].

- (4) The suspension of registration shall be deemed to be revoked upon completion of the proceedings by the proper officer and such revocation shall be effective from the date on which the suspension had come into effect.

**Proviso, The suspension of registration may be revoked by the proper officer, anytime during the pendency of the proceedings for cancellation, if he deems fit.**

- (5) *Where any order having the effect of revocation of suspension of registration has been passed, the provisions of section 31(3)(a) [revised tax invoices] and section 40 [first return] in respect of the supplies made during the period of suspension and the procedure specified therein shall apply.*

#### **Amount payable on cancellation of registration [Section 29(5) & (6)]**

The cancellation of registration shall be effective from a date to be determined by the proper officer and mentioned in the cancellation order. He will direct the taxable person to pay arrears of any tax, interest or penalty including the amount liable to be paid under section 29(5)

A registered person whose registration is cancelled will have to debit the electronic credit or cash ledger by an amount equivalent to:

- a) input tax credit (ITC) in respect of:
  - i) stock of inputs and inputs contained in semi-finished/finished goods' stock or
  - ii) capital goods or plant and machinery on the day immediately preceding the date of cancellation,
- b) the output tax payable on such goods whichever is higher

#### **Amount of credit to be reversed in respect of INPUTS:**

- a) ITC on inputs computed proportionately on the basis of corresponding invoices on which credit had been availed on such inputs, Or
  - b) Output tax payable on such goods
- Whichever is higher.

#### **Amount of credit to be reversed in respect of CAPITAL GOODS OR PLANT & MACHINERY**

- a) As per 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, or
  - b) Tax on the transaction value of such capital goods or plant and machinery under section 15
- Whichever is higher.

#### **Other Points**

1. The cancellation of registration will not affect liability of registered person to pay tax and other dues under the Act for any period prior to the date of cancellation [Section 29(3)]
2. The cancellation of registration under either SGST Act/UTGST Act shall be deemed to be a cancellation of registration under CGST Act [Section 29(4)].
3. Once registration is cancelled by the tax authority, the taxpayer will be intimated about the same via sms and email. Order for cancellation of registration will be issued and intimated to the primary authorized signatory by email and sms.

4. Taxpayer would not be allowed to file return for the period after date of cancellation mentioned in the cancellation order. However, he can submit returns of the earlier period (i.e. for the period before date of cancellation mentioned in the cancellation order for which registration was active).

#### Revocation of cancellation of registration Section 30/Rule 23

1. Where the registration of a person is cancelled suo-motu by the proper officer, such registered person may apply for revocation of the cancellation to such proper officer, within 30 days from the date of service of the order of cancellation of registration.
2. If the proper officer is satisfied that there are sufficient grounds for revocation of cancellation, he may revoke the cancellation of registration, by an order within 30 days of receipt of application and communicate the same to applicant.
3. Otherwise, he may reject the revocation application. However, before rejecting the application, he has to first issue SCN to the applicant who shall furnish the clarification within 7 working days of service of SCN. The proper officer shall dispose the application (accept/reject the same) within 30 days of receipt of clarification.
4. **Provided that such period may, on sufficient cause being shown, and for reasons to be recorded in writing, be extended,—**
  - (a) by the Additional Commissioner or the Joint Commissioner, as the case may be, for a period not exceeding thirty days;
  - (b) by the Commissioner, for a further period not exceeding thirty days, beyond the period specified in clause (a).”

# Chapter 9: TAX INVOICE, CREDIT AND DEBIT NOTES; E-WAY BILL

## TAX INVOICE ISSUED BY A SUPPLIER OF TAXABLE GOODS/ TAXABLE SERVICES

Time limit for issuance of invoice [Sections 31(1), (2), (4) & (5) read with rule 47]									
<b>In Case Of Goods</b>									
<b>Supply Involves Movement Of Goods</b>	Invoice shall be issued before or at the time of removal of goods for supply to the recipient								
<b>Supply Doesn't Involves Movement Of Goods</b>	Invoice shall be issued before or at the time of delivery of goods or making available thereof to the recipient								
<b>In case of continuous supply of goods</b>	Where successive statements of accounts/ successive payments are involved, the invoice shall be issued before/at the time each such statement is issued or each such payment is received.								
<b>Goods sent on sale or return basis [Section 31(7)]</b>	Where the goods being sent or taken on approval for sale or return are removed before the supply takes place, the invoice shall be issued: <ol style="list-style-type: none"> <li>before/at the time of supply or</li> <li>6 months from the date of removal whichever is earlier</li> </ol>								
<b>In Case Of Services</b>									
<b>Generally</b>	Invoice shall be issued before or after the provision of service, but within a period of 30 days* from the date of supply of service. *45 days in case of an insurer or banking company or financial institution, including a nonbanking financial company (NBFC)								
<b>In case of continuous supply of services</b>	<table border="1"> <thead> <tr> <th>Case</th> <th>the invoice shall be issued</th> </tr> </thead> <tbody> <tr> <td>due date of payment is ascertainable from the contract</td> <td>on or before the due date of payment</td> </tr> <tr> <td>due date of payment is not ascertainable from the contract</td> <td>before or at the time when the supplier of service receives the payment</td> </tr> <tr> <td>payment is linked to the completion of an event</td> <td>on or before the date of completion of that event.</td> </tr> </tbody> </table>	Case	the invoice shall be issued	due date of payment is ascertainable from the contract	on or before the due date of payment	due date of payment is not ascertainable from the contract	before or at the time when the supplier of service receives the payment	payment is linked to the completion of an event	on or before the date of completion of that event.
	Case	the invoice shall be issued							
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due date of payment is not ascertainable from the contract	before or at the time when the supplier of service receives the payment								
payment is linked to the completion of an event	on or before the date of completion of that event.								
<b>Where supply of services ceases before its completion [Section 31(6)]</b>	In a case where the supply of services ceases under a contract before the completion of the supply, the invoice shall be issued at the time when the supply ceases and such invoice shall be issued to the extent of the supply made before such cessation.								
<b>Manner of issuing the invoice</b>	<table border="1"> <thead> <tr> <th>Supply of Goods</th> <th>Supply of Services</th> </tr> </thead> <tbody> <tr> <td>           Triplicate           <ul style="list-style-type: none"> <li>Original copy for recipient</li> <li>Duplicate copy for transporter; and</li> <li>Triplicate copy for supplier</li> </ul> </td> <td>           Duplicate           <ul style="list-style-type: none"> <li>Original copy for recipient; and</li> <li>Duplicate copy for supplier</li> </ul> </td> </tr> </tbody> </table>	Supply of Goods	Supply of Services	Triplicate <ul style="list-style-type: none"> <li>Original copy for recipient</li> <li>Duplicate copy for transporter; and</li> <li>Triplicate copy for supplier</li> </ul>	Duplicate <ul style="list-style-type: none"> <li>Original copy for recipient; and</li> <li>Duplicate copy for supplier</li> </ul>				
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The serial number of invoices issued during a month / quarter shall be furnished electronically in FORM GSTR-1.									
<b>SPECIAL CASES</b>									
<b>Revised Tax Invoice [Section 31(3)(a) read with rule 53]</b>									
<b>When to be issued?</b>	<ul style="list-style-type: none"> <li>Every registered person who has been granted registration with effect</li> </ul>								

	<p>from a date earlier than the date of issuance of certificate of registration to him, may issue Revised Tax Invoices. Such invoices shall be issued against the invoices already issued during said period.</p> <ul style="list-style-type: none"> <li>• Shall be issued within 1 month from the date of issuance of certificate of registration. The words “Revised Invoice” shall be indicated prominently on such invoices</li> </ul>						
<b>Consolidated Revised Tax Invoices in certain cases</b>	<ul style="list-style-type: none"> <li>• A registered person may issue a Consolidated Revised Tax Invoice in respect of all taxable supplies made to an unregistered recipient during such period.</li> <li>• 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.</li> </ul>						
<b>Other Cases</b>							
<b>No Tax Invoice required to be issued if value &lt; ₹ 200 [Section 31(3)(b) read with fourth proviso to rule 46]</b>	<p>Registered person may not issue a Tax Invoice if:</p> <ol style="list-style-type: none"> <li>Value of the goods/services/both supplied &lt; ₹ 200,</li> <li>The recipient is unregistered; and</li> <li>The recipient does not require such invoice.</li> </ol> <p>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. However, they need to issue an invoice when the customer demands.</p> <p><b>Exception</b> As per proviso to rule 46 , <i>Section 31(3)(b) is not available to a supplier engaged in making supply of services by way of admission to exhibition of cinematograph films in multiplex screens.</i></p> <p><b>Rule 54(4A)</b> <i>A registered person who is supplying services by way of admission to exhibition of cinematograph films in multiplex screens shall be required to issue an electronic ticket. The said electronic ticket is deemed to be a tax invoice, even if such ticket does not contain the details of the recipient of service but contains the other information as mentioned under rule 46.</i></p>						
<b>Bill of Supply [Section 31(3)(c) read with rule 49]</b>	<p>Following Persons are required to issue Bill of supply Instead Of Tax invoice</p> <ul style="list-style-type: none"> <li>• Registered person supplying exempted goods or services or both or</li> <li>• Registered person paying tax under composition levy (or Sec 10(2A))</li> </ul> <p>Note: Any tax invoice or any other similar document issued under any other Act for the time being in force in respect of any non-taxable supply shall be treated as bill of supply for the purposes of the Act.</p>						
<b>Receipt Voucher [Section 31(3)(d) read with rule 50]</b>	<p>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.</p> <p>Where at the time of receipt of advance, rate of tax and/or nature of supply is not determinable</p> <table border="1"> <thead> <tr> <th>Where at the time of receipt of advance</th> <th>Applicable</th> </tr> </thead> <tbody> <tr> <td>rate of tax is not determinable</td> <td>18%</td> </tr> <tr> <td>nature of supply is not determinable</td> <td>inter-State supply</td> </tr> </tbody> </table>	Where at the time of receipt of advance	Applicable	rate of tax is not determinable	18%	nature of supply is not determinable	inter-State supply
Where at the time of receipt of advance	Applicable						
rate of tax is not determinable	18%						
nature of supply is not determinable	inter-State supply						

<b>Refund Voucher [Section 31(3)(e) read with rule 51]</b>	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.
<b>Invoice and Payment Voucher [Section 31(3)(f) &amp; (g) read with second proviso to rule 46 and rule 52]</b>	<ul style="list-style-type: none"> <li>• A registered person who is liable to pay tax under reverse charge [under section 9(3)/9(4) of the CGST Act] shall issue an Invoice in respect of goods or services or both received by him from the supplier who is not registered on the date of receipt of goods or services or both.</li> <li>• Besides, 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.</li> </ul>

#### Tax Invoice in special cases Rule 54.

<b>Banking / Financial Institutions</b>	Where the supplier of taxable service is an insurer or a banking company or a financial institution, the said supplier may issue a consolidated tax invoice or any other document in lieu thereof, by whatever name called for the supply of services made during a month at the end of the month, whether issued or made available, physically or electronically whether or not serially numbered, and whether or not containing the address of the recipient of taxable service.
<b>Goods Transport Agency</b>	<p>Where the supplier of taxable service is a goods transport agency, the said supplier may issue a tax invoice or any other document in lieu thereof, by whatever name called, containing</p> <ul style="list-style-type: none"> <li>• The gross weight of the consignment,</li> <li>• Name of the consigner and the consignee,</li> <li>• Registration number of goods carriage in which the goods are transported,</li> <li>• Details of goods transported,</li> <li>• Details of place of origin and destination,</li> <li>• Goods and Services Tax Identification Number of the person liable for paying tax whether as consigner, consignee or goods transport agency</li> </ul>
<b>Passenger Transportation Service</b>	Where the supplier of taxable service is supplying passenger transportation service, a tax invoice shall include ticket in any form, by whatever name called, whether or not serially numbered, and whether or not containing the address of the recipient of service.

#### PROHIBITION OF UNAUTHORISED COLLECTION OF TAX [SECTION 32]

A person who is not a registered person shall not collect in respect of any supply of goods or services or both any amount by way of tax under this Act.

No registered person shall collect tax except in accordance with the provisions of this Act or the rules made thereunder.

**AMOUNT OF TAX TO BE INDICATED IN TAX INVOICE AND OTHER DOCUMENTS [SECTION 33]**

Notwithstanding anything contained in this Act or any other law for the time being in force, where any supply is made for a consideration, every person who is liable to pay tax for such supply shall prominently indicate in all documents relating to assessment, tax invoice and other like documents, the amount of tax which shall form part of the price at which such supply is made.

**CREDIT AND DEBIT NOTES [SECTION 34]****Credit Note**

During the course of trade or commerce, after the invoice has been issued, there can be situations like:

- The supplier has erroneously declared a value which is more than the actual value of the goods or services provided.
- The supplier has erroneously declared a higher tax rate than what is applicable for the kind of the goods or services or both supplied.
- The quantity received by the recipient is less than what has been declared in the tax invoice.
- The quality of the goods or services or both supplied is not to the satisfaction of the recipient thereby necessitating a partial or total reimbursement on the invoice value
- Any other similar reasons.

The credit note is a convenient and legal method by which the value of the goods or services in the original tax invoice can be amended or revised. The issuance of the credit note easily allows the supplier to decrease his tax liability in his returns without requiring him to undertake any tedious process of refunds.

It is important to note that credit note(s) are not permitted to be issued in case secondary discounts<sup>2</sup> are allowed by the supplier since the tax liability of the supplier does not get reduced in such case. However, supplier can issue financial/ commercial credit note(s) to reduce the value of supply payable by the recipient to the supplier [Circular 92/11/2019 GST dated 07.03.2019]

**Debit Note**

There can be situations when after the invoice has been issued:

- The supplier has erroneously declared a value which is less than the actual value of the goods or services or both provided.
- The supplier has erroneously declared a lower tax rate than what is applicable for the kind of the goods or services or both supplied.
- The quantity received by the recipient is more than what has been declared in the tax invoice.
- Any other similar reasons.

The debit note/supplementary invoice is a convenient and legal method by which the value of the goods and/or services in the original tax invoice can be enhanced. The issuance of the debit note allows the supplier to pay his enhanced tax liability in his returns without requiring him to undertake any other tedious process.



### E-Way Bill

<p><b>Meaning of e-way bill and why is it required?</b></p>	<p>E-way bill is an electronic document generated on the GST portal evidencing movement of goods. Section 68 mandates that the Government may require the person in charge of a conveyance carrying any consignment of goods of value exceeding such amount as may be specified to carry with him such documents and such devices as may be prescribed. Rule 138 of CGST Rules, 2017 prescribes e-way bill as the document to be carried for the consignment of goods in certain prescribed cases.</p>
<p><b>When is required to be generated?</b></p>	<p>E-way Bill is mandatory in case of movement of goods of consignment value exceeding Rs. 50,000. Movement should be:</p> <ol style="list-style-type: none"> <li>a) in relation to a supply; or</li> <li>b) for reasons other than supply; or</li> <li>c) due to inward supply from an unregistered person,</li> </ol> <p>Registered person causing movement of goods shall furnish the information relating to the said goods in Part A of Form GST EWB-01 before commencement of such movement.</p> <p>Exceptions to minimum consignment value of ` 50,000 (i.e. Mandatory to Generate E-Way Bill)</p> <ul style="list-style-type: none"> <li>• Inter-State transfer of goods by principal to jobworker</li> <li>• Inter-State transfer of handicraft goods by a person exempted from obtaining registration</li> </ul>
<p><b>Consignment value</b></p>	<p>Consignment value of goods shall be:</p> <ol style="list-style-type: none"> <li>a) Determined in accordance with the provisions of Section 15</li> <li>b) Declared in an invoice, a bill of supply or delivery challan, as the case may be, issued in respect of the said consignment</li> <li>c) It also includes Taxes under GST</li> <li>d) It shall not include value of exempt supply of goods where the invoice is issued in respect of both exempt and taxable supply of goods.</li> </ol>
<p><b>Who causes movement of goods?</b></p>	<p>If supplier is registered and undertakes to transport the goods, movement of goods is caused by the supplier. If recipient arranges transport, movement would be caused by him. If goods are supplied by an unregistered supplier to a registered known recipient, movement shall be caused by such recipient.</p>
<p><b>Information to be furnished in e-way bill</b></p>	<p>Part A: to be furnished by the registered person** who is causing movement of goods.</p> <p>Part B: to be furnished by the person who is transporting the goods.</p> <p>However, information in Part-A may be furnished:</p> <ol style="list-style-type: none"> <li>a) by the transporter if so authorised or</li> <li>b) by the e-commerce operator/courier agency, where the goods are supplied through them.</li> </ol> <p>However, e-way bill generation facility is blocked in respect of any outward movement of goods of the registered person where:</p> <ul style="list-style-type: none"> <li>• A person paying tax under composition scheme or under S.10 (2A) has not furnished the statement for payment of self-assessed tax for 2 consecutive quarters, or</li> </ul>

	<ul style="list-style-type: none"> <li>• A person paying tax under regular scheme has not furnished the returns for 2 consecutive months, or</li> <li>• A person paying tax under regular scheme has not furnished GSTR-1 (Statement of outward supplies) for any 2 months or quarters, as the case may be.</li> </ul> <p>However, Commissioner (jurisdictional commissioner) may, on receipt of an application from a registered person in prescribed form, on sufficient cause being shown and for reasons to be recorded in writing, by order, in prescribed form allow furnishing of the said information in Part A of Form GST EWB-01, subject to prescribed conditions and restrictions.</p> <p>An order rejecting said request shall not be passed without giving the said person a reasonable opportunity of being heard. The permission granted or rejected by the Commissioner of State tax or Commissioner of Union territory tax shall be deemed to be granted or, as the case may be, rejected by the Commissioner</p>				
<b>Who can generate the e-way bill?</b>	E-way bill is to be generated by the registered consignor or consignee (if the transportation is being done in own/hired conveyance or by railways by air or by vessel) or the transporter (if the goods are handed over to a transporter for transportation by road). Where neither the consignor nor consignee generates the e-way bill and the value of goods is more than ₹ 50,000/- it shall be the responsibility of the transporter to generate it				
<b>Other points</b>	<ol style="list-style-type: none"> <li>a) Goods transported by railways shall be delivered only on production of e-way bill.</li> <li>b) E-way bill can be generated even if consignment value is less than ₹ 50,000.</li> </ol>				
<b>Details of conveyance may not be furnished in Part B</b>	In case of intra-State movement of goods upto 50 km distance: <ol style="list-style-type: none"> <li>a) from place of business (PoB) of consignor to PoB of transporter for further transportation or</li> <li>b) from PoB of transporter finally to PoB of the consignee.</li> </ol>				
<b>Transfer of goods to another conveyance</b>	In such cases, the transporter or generator of the e-way bill shall update the new vehicle number in Part B of the EWB before such transfer and further movement of goods				
<b>Consolidated E-way Bill in case of road transport</b>	<p>After e-way bill has been generated, where multiple consignments are intended to be transported in one conveyance, the transporter may indicate the serial number of e-way bills generated in respect of each such consignment electronically on the common portal and a consolidated e-way bill in Form GST EWB-02 may be generated by him on the said common portal prior to the movement of goods.</p> <p>Where the consignor/consignee has not generated the e-way bill in Form GST EWB-01 and the aggregate of the consignment value of goods carried in the conveyance is more than ₹ 50,000, the transporter shall generate individual Form GST EWB-01 on the basis of invoice or bill of supply or delivery challan and may also generate a consolidated e-way bill in Form GST EWB-02 prior to the movement of goods [This provision is not yet effective].</p>				
<b>Cancellation of e-way bill</b>	E-way bill can be cancelled if either goods are not transported or are not transported as per the details furnished in the e-way bill. The e-way bill can be cancelled within 24 hours from the time of generation.				
<b>Validity period of e-way bill/consolidated e-way bill</b>	<table border="1"> <thead> <tr> <th>Shipment By</th> <th>Time Limit</th> </tr> </thead> <tbody> <tr> <td>Normal Cargo</td> <td>One day For every 200 km or part thereof</td> </tr> </tbody> </table>	Shipment By	Time Limit	Normal Cargo	One day For every 200 km or part thereof
Shipment By	Time Limit				
Normal Cargo	One day For every 200 km or part thereof				

	Over Dimensional Cargo	One day For every 20 km or part thereof
	Multimodal shipment in which at least one leg involves transport by ship	One day For every 20 km or part thereof
<b>Acceptance/rejection of e-way bill</b>	The person causing movement of goods shall generate the e-way bill specifying the details of other person as a recipient who can communicate the acceptance or rejection of such consignment specified in the e-way bill. If the acceptance or rejection is not communicated within 72 hours from the time of generation of e-way Bill or the time of delivery of goods whichever is earlier, it will be deemed that he has accepted the details.	
<b>Documents/ devices to be carried by a person-in-charge of a conveyance</b>	<ul style="list-style-type: none"> <li>• invoice or bill of supply or delivery challan</li> <li>• copy of the e-way bill in physical form or the e-way bill number in electronic form or mapped to a RFID** embedded on to the conveyance</li> </ul>	
<b>Verification of documents and conveyances</b>	<p>Commissioner or an officer empowered by him in this behalf may authorise the proper officer to intercept any conveyance to verify the e-way bill or the e-way bill number in physical form for all inter-State and intra-State movement of goods.</p> <p>Physical verification of a specific conveyance can also be carried out by any officer, on receipt of specific information on evasion of tax, after obtaining necessary approval of the Commissioner or an officer authorised by him in this behalf.</p>	
<b>Inspection and verification of goods</b>	<p>A summary report of every inspection of goods in transit shall be recorded online on the common portal by the proper officer within 24 hours of inspection and the final report shall be recorded within 3 days of such inspection.</p> <p>Once physical verification of goods being transported on any conveyance has been done during transit at one place within the State or in 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. Where a vehicle has been intercepted and detained for a period exceeding 30 minutes, the transporter may upload the said information in on the common portal.</p>	
<b>Situations where E-way Bill is not required to be generated</b>		
<p><b>a)</b> where the goods being transported are the ones given below:</p> <ol style="list-style-type: none"> <li>1. Liquefied petroleum gas for supply to household and non-domestic exempted category (NDEC) customers</li> <li>2. Kerosene oil sold under PDS</li> <li>3. Postal baggage transported by Department of Posts</li> <li>4. Natural or cultured pearls and precious or semi-precious stones; precious metals and metals clad with precious metal (Chapter 71)</li> <li>5. Jewellery, goldsmiths' and silversmiths' wares and other articles (Chapter 71)</li> <li>6. Currency</li> <li>7. Used personal and household effects</li> <li>8. Coral, unworked (0508) and worked coral (9601)]</li> </ol> <p><b>b)</b> where the goods are being transported by a non-motorised conveyance</p> <p><b>c)</b> where the goods are being transported from the customs port, airport, air cargo complex and land customs station to an inland container depot or a container freight station for clearance by</p>		

**Customs**

- d)** in respect of movement of goods within such areas as are notified under of rule 138(14)(d) of the State or Union territory GST Rules in that particular State or Union territory
- e)** where the goods [other than de-oiled cake], being transported, are exempt from tax vide Notification No. 2/2017 CT(R) dated 28.06.2017
- f)** where the goods being transported are alcoholic liquor for human consumption, petroleum crude, high speed diesel, motor spirit (commonly known as petrol), natural gas or aviation turbine fuel
- g)** where the supply of goods being transported is treated as no supply under Schedule III of the Act.
- h)** where the goods are being transported –
  - (i)** under customs bond from an inland container depot or a container freight station to a customs port, airport, air cargo complex and land customs station, or from one customs station or customs port to another customs station or customs port, or
  - (ii)** under customs supervision or under customs seal.
- i)** where the goods being transported are transit cargo from or to Nepal or Bhutan
- j)** where the goods being transported are exempt from tax under Notification No. 7/2017 CT (R) 28.06.2017 [Supply of goods by the CSD to the Unit Run Canteens or to the authorized customers and supply of goods by the Unit Run Canteens to the authorized customers] and Notification No. 26/2017 CT (R) 21.09.2017 [Supply of heavy water and nuclear fuels by Department of Atomic Energy to Nuclear Power Corporation of India Ltd. (NPCIL)]
- k)** any movement of goods caused by defence formation under Ministry of defence as a consignor or consignee
- l)** where the consignor of goods is the Central Government, Government of any State or a local authority for transport of goods by rail
- m)** where empty cargo containers are being transported
- n)** where the goods are being transported upto a distance of 20 km from the place of the business of the consignor to a weighbridge for weighment or from the weighbridge back to the place of the business of the said consignor subject to the condition that the movement of goods is accompanied by a delivery challan issued in accordance with rule 55.
- o)** where empty cylinders for packing of liquefied petroleum gas are being moved for reasons other than supply

**E- Invoicing**

The transportation of goods from one place to another is facilitated by the filing of 'e-Way Bills' on the common GST portal. Similarly, in its 35th meeting, the GST Council had decided to implement a system of e-Invoicing, which will apply to specific categories of persons. e-Invoicing does not imply the generation of invoices on the GST portal. That would be a myth. Instead, e-invoicing involves the submission of an already generated standard invoice on a common e-invoice portal. Thus, it automates multi-purpose reporting with a one-time input of invoice details.

**What is e-invoicing under GST?**

'e-Invoicing' or 'electronic invoicing' is a system in which B2B invoices are authenticated electronically by GSTN for further use on the common GST portal. Under the electronic invoicing system, an identification number will be issued against every invoice by the Invoice Registration Portal (IRP), managed by the GST Network (GSTN).

All invoice information will be transferred from this portal to both the GST portal and e-way bill portal in real-time. Therefore, it will eliminate the need for manual data entry while filing GSTR-1 returns and generation of part-A of the e-way bills, as the information is passed directly by the IRP to the GST portal.

**To whom is e-invoicing applicable?**

Taxpayers with an aggregate turnover exceeding Rs.50 crore in any financial year from 2017-18 to 2019-20. the aggregate turnover will include the turnover of all GSTINs under a single PAN across India.

If the invoice is issued by notified person is in respect of supplies covered under RCM, e-invoicing is applicable.

**Exception**

e-Invoicing shall not be applicable to the following categories of registered persons irrespective of their turnovers:

1. An insurer or a banking company or a financial institution, including an NBFC
2. A Goods Transport Agency (GTA)
3. A registered person supplying passenger transportation services
4. A registered person supplying services by way of admission to the exhibition of cinematographic films in multiplex services
5. An SEZ unit (SEZ developer gets covered under e-invoicing provisions)
6. A government department and Local authority

**Process of getting an e-invoice**

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

1. The taxpayer must raise a regular invoice on Accounting software. He must give all the necessary details like billing name and address, GSTN of the supplier, transaction value, item rate, GST rate applicable, tax amount, etc.
2. Thereafter, upload the details of the invoice, especially mandatory fields, onto the IRP. The IRP will act as the central registrar for e-invoicing and its authentication.
3. IRP will validate the key details of the B2B invoice, check for any duplications and generate an invoice reference number (hash) for reference. There are four parameters based on which IRN is generated: Seller GSTIN, invoice number, FY in YYYY-YY, and document type (INV/DN/CN).
4. IRP generates the invoice reference number (IRN), digitally signs the invoice and creates a QR code for the supplier. On the other hand, the seller of the supply will get intimated of the e-invoice generation through email (if provided in the invoice).
5. IRP will send the authenticated payload to the GST portal for GST returns. Additionally, details will be forwarded to the e-way bill portal, if applicable. The GSTR-1 of the seller gets auto-filled for the relevant tax period. In turn, it determines the tax liability.

**Cancellation of Reported Invoice**

Wherever needed, the seller can cancel the IRN for an e-invoice already generated within the specified time. Amendment of e-invoices already uploaded on IRP will be done on GST Portal, there is no option to amend e-invoice on IRP Portal.

**Benefits of e-invoicing to businesses**

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

1. e-Invoice resolves and plugs a major gap in data reconciliation under GST to reduce mismatch errors.

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

### How will e-invoicing curb tax evasion?

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

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

# Chapter 10: Returns Under GST

## GSTR 1 FURNISHING DETAILS OF OUTWARD SUPPLIES [SECTION 37 READ WITH RULE 59 OF THE CGST RULES]

<b>Person Liable to furnish details of outward supply</b>	<p>Every registered person including casual registered person except the following:</p> <ul style="list-style-type: none"> <li>input service distributor (ISD)</li> <li>non-resident taxable person</li> <li>person paying tax under composition scheme</li> <li>person deducting tax at source</li> <li>person collecting tax at source i.e., e-commerce operator (ECO)</li> <li>a supplier of online information and database access or retrieval services (OIDAR)*</li> </ul>		
<b>due date</b>	<p>GSTR-1 of a month can be filed any time between 1st and 10th day of the succeeding month. It may be noted that GSTR-1 cannot be filed during the period from 11th day to 15th day of month succeeding the tax period.</p> <p>However, The registered persons having aggregate turnover of up to 1.5 crore rupees in the preceding financial year or the current financial year, as the class of registered persons shall furnish the details of outward supply of goods or services or both in FORM GSTR-1 for every quarter under proviso to sub-section (1) of section 39 of the said Act, shall be extended till the thirteenth day of the month succeeding such tax period.</p>		
<b>NIL GSTR-1</b>	<p>A Nil GSTR-1 can be filed through an SMS using the registered mobile number of the taxpayer. GSTR-1 submitted through SMS is verified by registered mobile number-based OTP facility.</p>		
<b>Extension</b>	<p>The due date of filing GSTR-1 may be extended by the Commissioner/Commissioner of State GST/Commissioner of UTGST for a class of taxable persons by way of a notification.</p>		
<b>kind of details of outward supplies</b>	<b>Invoice-wise details</b>	<b>Consolidated details</b>	<b>Debit and credit notes</b>
	Inter-State and Intra-State supplies made to registered persons	Intra-State supplies made to unregistered persons for each rate of tax	Issued during the month for invoices issued previously
	inter-State supplies made to unregistered persons with invoice value exceeding Rs. 2,50,000	Inter-State supplies made to unregistered persons with invoice value upto Rs. 2,50,000 for each rate of tax separately for each State	
	<ul style="list-style-type: none"> <li>➤ Invoices can be uploaded any time during the tax period and not just at the time of filing of GSTR-1.</li> <li>➤ Invoices can be modified/deleted any number of times till the submission of GSTR-1 of a tax period. The uploaded invoice details are in a draft version till the GSTR-1 is submitted and can be changed irrespective of due date.</li> </ul>		
<b>Indication of HSN details</b>	<p>The minimum number of digits of HSN code that a filer has to upload</p>		

	depend on his turnover in the last year. Notification No. 12/2017, which has been issued in this regard, provides as under:								
	<table border="1"> <thead> <tr> <th>Annual turnover in the preceding financial year</th> <th>Number of Digits of HSN Code</th> </tr> </thead> <tbody> <tr> <td>Upto Rs. 1.5 core</td> <td>Nil</td> </tr> <tr> <td>More than Rs. 1.5 crore and upto Rs. 5 crore</td> <td>2</td> </tr> <tr> <td>More than Rs. 5 crore</td> <td>4</td> </tr> </tbody> </table>	Annual turnover in the preceding financial year	Number of Digits of HSN Code	Upto Rs. 1.5 core	Nil	More than Rs. 1.5 crore and upto Rs. 5 crore	2	More than Rs. 5 crore	4
Annual turnover in the preceding financial year	Number of Digits of HSN Code								
Upto Rs. 1.5 core	Nil								
More than Rs. 1.5 crore and upto Rs. 5 crore	2								
More than Rs. 5 crore	4								
<b>Communication of details of GSTR-1 to the recipient of supply</b>	The details of outward supplies for a month furnished by the supplier are communicated and made available electronically (auto populated) to the respective recipient(s) in Part A of Form GSTR- 2A/ Form GSTR-4A (in case of registered person opting for composition levy through the common portal after the 10th day of the succeeding month (due date of filing of GSTR-1).								
<b>Rectification of errors</b>	<p>If the supplier discovers any error or omission, he shall rectify the same in the tax period during which such error or omission is noticed, and pay the tax and interest, if any, in case there is short payment, in the return to be furnished for such tax period.</p> <p>However, the maximum time limit within which such amendments or rectification are permissible is earlier of the following dates:</p> <ol style="list-style-type: none"> <li>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</li> <li>Date of filing of the relevant annual return</li> </ol>								
<b>Other Points</b>	<p>GSTR-1 needs to be filed even if there is no business activity (Nil Return) in the tax period.</p> <p>Taxpayer opting for voluntary cancellation of GSTIN has to file GSTR-1 for active period.</p> <p>In cases where a taxpayer has been converted from a normal taxpayer to composition taxpayer, GSTR-1 will be available for filing only for the period during which the taxpayer was registered as normal taxpayer. The GSTR-1 for the said period, even if filed with delay would accept invoices for the period prior to conversion</p>								

### FURNISHING OF RETURNS UNDER SECTION 39

#### A. GSTR-3B [Rule 61(5) of the CGST Rules]

- Section 39(1) prescribes a monthly return in Form GSTR-3 for every registered person, other than an input service distributor or a nonresident taxable person or a composition tax payer, a person deducting tax at source, an electronic commerce operator and supplier of OIDAR services.

Provided that the Government may, on the recommendations of the Council, notify certain class of registered persons who shall furnish a return for every quarter or part thereof, subject to such conditions and restrictions as may be specified therein.

- GSTR-3 is to be filed by 20th day of the month succeeding the relevant calendar month or part thereof.
- However, filing of GSTR3 has been deferred by the GST Council.
- Rule 61(5) has been amended retrospectively with effect from 01.07.2017, to specify that the return in Form GSTR-3B is the return under section 39(1) and that where a return in GSTR-3B is



furnished by a person then such person shall not be required to furnish the return in Form GSTR-3.

5. GSTR-3B is a simple return containing summary of outward supplies, inward supplies liable to reverse charge, eligible ITC, payment of tax etc. Thus, GSTR-3B does not require invoice-wise data of outward supplies.
6. A Nil GSTR-3B can be filed through an SMS using the registered mobile number of the taxpayer. GSTR-3B submitted through SMS is verified by registered mobile number-based OTP facility.

### CONTENTS OF GSTR- 3B

Basic Details	Other details relating to supply
<ul style="list-style-type: none"> <li>➤ GSTIN</li> <li>➤ Legal name of the registered person</li> <li>➤ Tax period</li> </ul>	<ul style="list-style-type: none"> <li>➤ Summarised details of outward supplies and inward supplies liable to reverse charge</li> <li>➤ Summarised details of interState supplies made to unregistered persons, composition taxable persons and UIN holders</li> <li>➤ Eligible ITC</li> <li>➤ Values of exempt, nil-rated and non-GST inward supplies</li> <li>➤ Payment of tax</li> <li>➤ TDS/TCS credit</li> </ul>

### B. GSTR-4 – Return for composition supplier and person paying tax under Notification No. 2/2019

<b>Person Required to file GSTR-4</b>	<p>The following persons are required to file an annual return in FORM GSTR-4:</p> <ul style="list-style-type: none"> <li>➤ Every registered person paying tax under section 10 i.e., composition supplier; or</li> <li>➤ Every registered person paying tax by availing the benefit of Notification No. 2/2019</li> </ul>
<b>Quarterly statement for payment of self-assessed tax:</b>	The persons required to file GSTR-4 are also required to furnish a statement in the FORM GST CMP-08 containing details of payment of self-assessed tax, for every quarter (or part of the quarter), by 18th day of the month succeeding such quarter.
<b>Due date for filing GSTR-4</b>	GSTR-4 for a financial year should be furnished by 30th April of the succeeding financial year.
<b>Consolidated details of outward supplies</b>	<ul style="list-style-type: none"> <li>➤ Composition taxpayers and persons paying tax under Notification No. 2/2019 are neither entitled for any ITC nor entitled to pass on any input tax credit to its customers (registered / unregistered).</li> <li>➤ Therefore, composition taxpayers and persons paying tax under Notification No. 2/2019 are required to provide consolidated details of outward supplies in GSTR-4 (Table 6) and not invoice-wise details.</li> <li>➤ However, details of inter-State and intra-State inward supplies received from registered and un-registered persons are to be provided invoice wise</li> </ul>
<b>Statements/return for the period prior to opting for composition scheme</b>	if a registered person opts to pay tax under composition scheme/Notification No. 2/2019 from the beginning of a financial year, he will, where required, furnish statements/return relating to

	<p>the period prior to paying tax under composition scheme/Notification No. 2/2019 till</p> <ul style="list-style-type: none"> <li>➤ the due date of furnishing the return for the month of September of the succeeding financial year, or</li> <li>➤ furnishing of annual return of the preceding financial year, whichever is earlier</li> </ul>
	<p>A registered person opting to withdraw from the composition scheme at his own motion or where option is withdrawn at the instance of the proper officer and a registered person who ceases to pay tax under Notification No. 2/2019 CT (R) will, where required, furnish-</p> <ul style="list-style-type: none"> <li>(1) GST CMP-08 relating to the period prior to his exiting from composition scheme/ceasing to pay tax under Notification No. 2/2019 CT (R) till 18th of the month succeeding the quarter in which the date of withdrawal/cessation falls</li> <li>(2) GSTR-4 relating to the period prior to his exiting from composition scheme/ceasing to pay tax under Notification No. 2/2019 CT (R) 30th April following the end of the financial year during which such withdrawal/cessation falls</li> </ul>
<b>NIL CMP-08</b>	A Nil GST CMP-08 can be filed through an SMS using the registered mobile number of the taxpayer. A Nil GST CMP-08 submitted through SMS is verified by registered mobile number-based OTP facility.

### C. GSTR-5 - Return for Non-Resident Taxable Persons [Section 39(5) read with rule 63 of the CGST Rules]

<b>Monthly return</b>	A simplified monthly tax return has been prescribed in Form GSTR-5 for a NRTP for every calendar month or part thereof. The details of outward supplies and inward supplies of a NRTP are incorporated in GSTR-5.
<b>Last date of filing return</b>	GSTR-5 should be furnished within 20 days after the end of the calendar month or within 7 days after the last day of validity period of the registration, whichever is earlier
<b>Payment of interest, penalty, fees or any other amount payable</b>	A NRTP should pay the tax, interest, penalty, fees or any other amount payable under the GST law till the last date of filing GSTR-5.

### QRMP Scheme

1. QRMP Scheme is an optional return filing scheme, introduced for small taxpayers having aggregate annual turnover (PAN based) of upto ₹ 5 crore in the current and preceding financial year to furnish their Form GSTR-1 and Form GSTR-3B on a quarterly basis while paying their tax on a monthly basis through a simple challan.
2. Opting of QRMP scheme is GSTIN wise. Distinct persons can avail QRMP scheme option for one or more GSTINs. It implies that some GSTINs for a PAN can opt for the QRMP scheme and remaining GSTINs may not opt for the said scheme
3. Conditions and restrictions:
  - a) Registered persons under QRMP scheme must have furnished the return for the preceding month, as due on the date of exercising such option. A registered person shall not be eligible to

opt for QRMP scheme if he has not furnished the last return due on the date of exercising such option.

Eg. If a registered person intending to avail of QRMP scheme for the quarter 'July to September' is exercising his option on 27th July for the said quarter, he must have furnished the return for the month of June.

Registered persons under QRMP scheme are not required to exercise the option every quarter. Where such option has been exercised once, they shall continue to furnish the return as per the selected option for future tax periods, unless they revise the said option.

- b) A registered person intending to opt for QRMP scheme for any quarter shall indicate his preference for furnishing of return on a quarterly basis from 1st day of the 2nd month of the preceding quarter till the last day of the 1st month of the quarter for which the option is being exercised.

Eg. A registered person intending to avail of QRMP scheme for the quarter 'July to September' can exercise his option from 1st May to 31st July.

However, where such option has been exercised once, the said registered person shall continue to furnish the return on a quarterly basis for future tax periods, unless he—

- i. becomes ineligible for this scheme as per the conditions and restrictions notified in this regard; or
- ii. opts for furnishing of return on a monthly basis, electronically, on the common portal.

#### Option of QRMP scheme to lapse

In case where a registered person's aggregate turnover crosses ` 5 crore during a quarter in a financial year, he shall not be eligible for furnishing of return on quarterly basis from the first month of the succeeding quarter. He shall opt for furnishing of return on a monthly basis, electronically, on the common portal, from the first month of the quarter, succeeding the quarter during which his aggregate turnover exceeds ` 5 crore.

The facility for opting out of the scheme for a quarter will be available from 1st day of 2nd month of preceding quarter to the last day of the 1st month of the quarter.

#### 4. Form and manner of furnishing details of outward supplies - GSTR-1

- a) Taxpayers opting for QRMP scheme may furnish the details of such outward supplies to a registered person, as he may consider necessary, for the 1st and 2nd months of a quarter, using invoice furnishing facility (hereafter referred to as the "IFF").  
Invoices pertaining to last month of a quarter are to be uploaded in GSTR-1 only.
- b) The facility of furnishing details of invoices in IFF has been provided so as to allow details of such supplies to be duly reflected in the Form GSTR-2A and Form GSTR-2B of the concerned recipient. In case where a buyer has made purchases from a person opting for QRMP scheme, he could not have claimed full ITC but due to introduction of IFF, such delay will not occur as the details submitted using IFF will be reflected in the GSTR-2A, GSTR-2B, GSTR-4A or GSTR-6A of the recipients, as the case may be.
- c) The IFF is not mandatory, but an optional facility made available to the registered persons under the QRMP scheme.
- d) Taxpayers using IFF can upload the invoice details upto a cumulative value of ` 50 lakh in each of the first 2 months of the quarter.

- e) The invoices are to be furnished in IFF between the 1st day of the succeeding month till the 13th day of the succeeding month. After 13th of the month, this facility for furnishing IFF for previous month would not be available.
- f) The details of invoices furnished using IFF in the first 2 months of the quarter are not required to be furnished again in GSTR-1 for the said quarter.  
Eg. A registered person who has availed the QRMP scheme wants to declare 2 invoices out of the total 10 invoices issued in the 1st month of quarter since the recipient of supplies covered by those 2 invoices desires to avail ITC in that month itself. Details of these 2 invoices may be furnished using IFF.  
The details of the remaining 8 invoices shall be furnished in Form GSTR-1 of the said quarter. The two invoices furnished in IFF shall be reflected in Form GSTR-2B of the concerned recipient of the 1st month of the quarter and remaining 8 invoices furnished in Form GSTR-1 shall be reflected in Form GSTR-2B of the concerned recipient of the last month of the quarter.
- g) In the IFF, the taxpayer has to submit the B2B (business to business) invoice details of both inter-State and intra-State supply transactions along with debit and credit notes of the B2B invoices issued during the month. The details of outward supplies furnished using IFF shall include the –
- invoice wise details of inter-State and intra-State supplies made to the registered persons;
  - debit and credit notes, if any, issued during the month for such invoices issued previously.
- h) However, if a registered person does not opt to upload invoices using IFF, then he has to upload invoice details for all the 3 months of the quarter in Form GSTR-1
- i) The details of outward supplies of goods and/or services furnished in Form GSTR-1 shall include the–

Invoice-wise details	Consolidated details	Debit and credit notes
Inter-State and Intra-State supplies made to registered persons	Intra-State supplies made to unregistered persons for each rate of tax	Issued during the month for invoices issued previously
inter-State supplies made to unregistered persons with invoice value exceeding Rs. 2,50,000	Inter-State supplies made to unregistered persons with invoice value upto Rs. 2,50,000 for each rate of tax separately for each State	

## 5. Form and manner of filing return – GSTR-3B [Rule 61 substituted with a new rule]

- Every registered person, other than an input service distributor or a non-resident taxable person or a composition taxpayer, a person deducting tax at source, a person collecting tax at source, i.e. an electronic commerce operator and supplier of OIDAR services located in non-taxable territory providing such services to non-taxable online recipient, is required to furnish a return in Form GSTR-3B, electronically.

### 2. Due date for filing return

**In case of a taxpayer opting for QRMP scheme - Quarterly GSTR-3B on or before 22<sup>nd</sup> or 24<sup>th</sup> of the month succeeding the quarter for which return is furnished.**

**22<sup>nd</sup> day**

Registered persons whose principal place of business is in the States of Chhattisgarh, Madhya Pradesh, Gujarat, Maharashtra, Karnataka, Goa, Kerala, Tamil Nadu, Telangana, Andhra Pradesh, Union territories of Daman & Diu & Dadra & Nagar Haveli, Puducherry, Andaman and Nicobar Islands or Lakshadweep.

#### 24<sup>th</sup> day

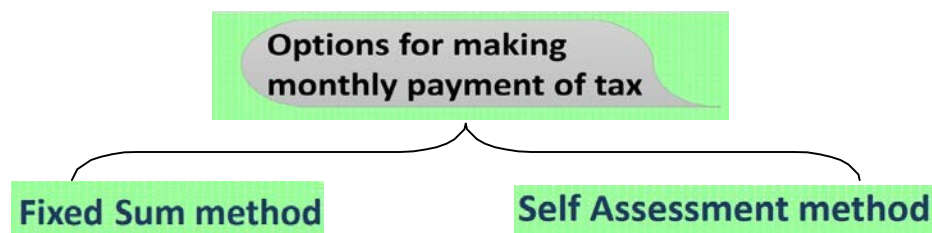
Registered persons whose principal place of business is in the States of Himachal Pradesh, Punjab, Uttarakhand, Haryana, Rajasthan, Uttar Pradesh, Bihar, Sikkim, Arunachal Pradesh, Nagaland, Manipur, Mizoram, Tripura, Meghalaya, Assam, West Bengal, Jharkhand or Odisha, the Union territories of Jammu and Kashmir, Ladakh, Chandigarh or Delhi

**In case of other taxpayers** - Monthly GSTR-3B on or before 20th of the month succeeding the month for which return is furnished.

### 6. Monthly payment of tax

The registered person under the QRMP Scheme would be required to pay the tax due in 1<sup>st</sup> month or 2<sup>nd</sup> month or both the months of the quarter by depositing the tax due<sup>17</sup> in Form GST PMT-06. The payment is to be made by 25<sup>th</sup> day of the month succeeding such month.

While generating the challan, taxpayers should select “Monthly payment for quarterly taxpayer” as reason for generating the challan. The said person can use any of the following two options provided below for monthly payment of tax during the first 2 months –



**Fixed sum method:** If a taxpayer chooses this option, a facility is available on the GST portal for generating an auto-generated/pre-filled challan in Form GST PMT-06. The challan amount is calculated by the system which cannot be edited. The amount is equal to:

- a) 35% of the tax paid in cash in the return for the preceding quarter where the return was furnished quarterly; or 100% of tax liability paid in cash in the return for the last month of the immediately preceding quarter where the return was furnished monthly

However, no such amount may be required to be deposited-

- (a) for the 1<sup>st</sup> month of the quarter, where the balance in the electronic cash ledger/electronic credit ledger is adequate for the tax liability for the said month or where there is nil tax liability;
  - (b) for the 2<sup>nd</sup> month of the quarter, where the balance in the electronic cash ledger/electronic credit ledger is adequate for the cumulative tax liability for the 1<sup>st</sup> and the 2<sup>nd</sup> month of the quarter or where there is nil tax liability
- b) Monthly tax payment through this method would not be available to those registered persons who have not furnished the return for a complete tax period preceding such month.  
A complete tax period means a tax period in which the person is registered from the first day of the tax period till the last day of the tax period.

**Self-Assessment Method:** The said persons, in any case, can pay the tax due by considering the tax

liability on inward and outward supplies and the input tax credit available, in Form GST PMT-06. In order to facilitate ascertainment of the ITC available for the month, an auto-drafted input tax credit statement has been made available in Form GSTR-2B, for every month.

## 7. Applicability of interest

### For registered person making payment of tax by opting Fixed Sum Method

No interest would be payable in case the tax due is paid in the first 2 months of the quarter by way of depositing auto calculated fixed sum amount by the due date.

In case such payment of tax by depositing the system calculated amount in Form GST PMT-06 is not done by due date, interest would be payable at the applicable rate, from the due date of furnishing Form GST PMT-06 till the date of making such payment.

Further, in case Form GSTR-3B for the quarter is furnished beyond the due date, interest would be payable as per the provisions of section 50 of the CGST Act for the tax liability net of ITC.

Eg. A registered person, who has opted for the QRMP Scheme, had paid a total amount of ₹ 100/- in cash as tax liability in the previous quarter of October to December. He opts to pay tax under fixed sum method. He therefore pays ₹ 35/- each on 25<sup>th</sup> February and 25<sup>th</sup> March for discharging tax liability for the first 2 months of quarter viz. January and February.

In his return for the quarter, it is found that total liability for the quarter net of available credit was ₹ 125, but he files the return on 30<sup>th</sup> April. Interest would be payable at applicable rate on ₹ 55 [₹ 125 – ₹ 70 (deposit made in cash ledger in first and second month)] for the period between due date of quarterly GSTR 3B and 30<sup>th</sup> April

### For registered person making payment of tax by opting Self- Assessment Method

Interest amount would be payable as per the provision of section 50 of the CGST Act for tax or any part thereof (net of ITC) which remains unpaid / paid beyond the due date for the first 2 months of the quarter.

## Due date for payment of tax

1. Due dates for payment of tax in respect of the persons required to file GSTR3B and GSTR-5 are linked with the due dates for filing of such returns i.e., the last dates (due dates) of filing such returns are also the due dates for payment of tax in respect of persons required to file such returns.

Provided that every registered person furnishing return under the proviso to sub-section (1) [QRMP Scheme] shall pay to the Government, the tax due taking into account inward and outward supplies of goods or services or both, input tax credit availed, tax payable and such other particulars during a month, in such form and manner, and within such time, as may be prescribed:

2. Persons paying tax under composition scheme (u/s 10 & 10(2A) the due date for payment of tax and filing of GSTR-4 is delinked. They are required to pay tax quarterly by 18<sup>th</sup> of the month succeeding such quarter.
3. NRTPs or casual taxable persons are required to make advance deposit of an amount equivalent to their estimated tax liability for the period for which registration is sought or extension of registration is sought in terms of section 27(2).

## Rectification of errors/omissions [Section 39(9)]

1. Omission or incorrect particulars discovered in the returns filed u/s 39 can be rectified in the return to be filed for the tax period during which such omission or incorrect particulars are noticed. Any tax payable as a result of such error or omission will be required to be paid along with interest.  
However, rectification is not allowed where error or omission discovered on account of scrutiny, audit, inspection or enforcement activities by tax authorities.
2. Time limit for making rectification
  - a) Due date of filing of return for the month of September following the end of the financial year [i.e., 20th October of next financial year] or
  - b) Actual date of filing of the relevant annual return

### First Return [Section 40]

- ❖ When a person becomes liable to registration, he may apply for registration within 30 days of so becoming liable. Thus, there might be a time lag between a person becoming liable to registration and grant of registration certificate.
- ❖ During the pendency of registration, such person might have made the outward supplies, i.e. after becoming liable to registration but before grant of the certificate of registration.
- ❖ section 40 provides that registered person shall declare his outward supplies made during said period in the first return furnished by him after grant of registration

### Annual Return [Section 44 read with rule 80 of the CGST Rules]

<b>Who is required to furnish annual return</b>	All registered persons are required to file an annual return. However, following persons are not required to file the annual return: <ol style="list-style-type: none"> <li>(i) Casual taxable persons.</li> <li>(ii) Non- resident taxable person</li> <li>(iii) Input service distributors and</li> <li>(iv) Persons authorized to deduct/collect tax at source under section 51/52</li> <li>(v) <i>Person supplying OIDAR services from a place outside India to a person in India</i></li> </ol>
<b>due date</b>	The annual return for a financial year needs to be filed by 31st December of the next financial year.
<b>form for annual return</b>	Regular Supplier – GSTR 9 Composition supplier – GSTR 9A
<b>Other Point</b>	Every registered person who is required to get his accounts audited under section 35(5) shall also furnish electronically a copy of audited annual accounts and a self certified reconciliation statement in the prescribed form along with the annual return.

### Final Return [Section 45 read with rule 81 of the CGST Rules]

<b>Who is required to furnish final return</b>	Every registered person who is required to furnish return u/s 39(1) and whose registration has been surrendered or cancelled is required to file a final return electronically in Form GSTR-10 through the common portal.
<b>time-limit for furnishing final return</b>	The final return has to be filed within 3 months of the: <ol style="list-style-type: none"> <li>(i) date of cancellation or</li> <li>(ii) date of order of cancellation</li> </ol>

whichever is later

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**GSTR 11 - Details of inward supplies of persons having UIN [Rule 82 of the CGST Rules]**

<b>When UIN is issued for claiming refund of taxes paid on inward supplies</b>	Such person shall furnish the details of the inward supplies of taxable goods and/or services on which refund of taxes has been claimed, in Form GSTR-11, along with application for such refund claim
<b>UIN is issued for purposes other than refund</b>	Such person shall furnish the details of inward supplies of taxable goods and/or services as may be required by the proper officer in Form GSTR-11.

**DEFAULT/DELAY IN FURNISHING RETURN [SECTIONS 46 & 47]**

<b>Notice to return defaulters [Section 46 read with rule 68 of the CGST Rules]</b>	A notice in prescribed form shall be issued, electronically, to a registered person who fails to furnish return under section 39 [Normal Return] or section 44 [Annual Return] or section 45 [Final Return] or section 52 [TCS Statement]. The notice would require the registered person to furnish the return within 15 days.
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**Late fees levied for delay in filing return [Section 47]****For Delayed Filing Of GSTR-1 And/Or GSTR-3B (Returns By A Regular Supplier):**

Registered Persons Who Have Nil Outward Supplies In The Tax Period; Or Registered Persons Whose Total Amount Of Tax Payable As Per GSTR-3B Is Nil	Lower Of The Following Two: <ul style="list-style-type: none"> <li>Rs 100 for every day during which such failure continues; or</li> <li>Rs 250.</li> </ul>
<b>Other Cases:</b>	
Aggregate Turnover Of Preceding Financial Year Doesn't Exceed Rs 1.5 Cr	Lower Of The Following Two: <ul style="list-style-type: none"> <li>Rs 100 for every day during which such failure continues; or</li> <li>Rs 1,000.</li> </ul>
Aggregate Turnover Of Preceding Financial Year Exceeds Rs 1.5 Cr But Doesn't Exceed Rs 5 Cr	Lower Of The Following Two: <ul style="list-style-type: none"> <li>Rs 100 for every day during which such failure continues; or</li> <li>Rs 2,500.</li> </ul>
Aggregate Turnover Of Preceding Financial Year Exceeds Rs 5 Cr	Lower Of The Following Two: <ul style="list-style-type: none"> <li>Rs 100 for every day during which such failure continues; or</li> <li>Rs 5,000.</li> </ul>

**For Delayed Filing Of GSTR-4 (Return By A Composition Supplier):**

In case of delayed filing of GSTR-4, the amount of late fee payable u/s 47 of the CGST Act shall be determined as follows:

Total Tax Payable As Per GSTR-4 Is Nil	Lower Of The Following Two: <ul style="list-style-type: none"> <li>Rs 100 for every day during which such failure continues; or</li> <li>Rs 250.</li> </ul>
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Total Tax Payable As Per GSTR-4 Is NOT Nil	<b>Lower Of The Following Two:</b> <ul style="list-style-type: none"> <li>• Rs 100 for every day during which such failure continues; or</li> <li>• Rs 1,000</li> </ul>
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**For Delayed Filing Of GSTR-5 (Returns By A NRTP) And GSTR-10 (Final Return):**

In case of delayed filing of GSTR-5/GSTR-10, LOWER of the following two amounts is required to be paid as late fee u/s 47 of the CGST Act:

- Rs 100 for every day during which such failure continues; or
- Rs 5,000.

**For Delayed Filing Of GSTR-9 (Annual Return):**

A registered person who fails to furnish the annual return u/s 44 by the due date is required to pay LOWER of the following two amounts as late fee u/s 47 of the CGST Act:

- Rs 100 for every day during which such failure continues; or
- 0.25% of turnover of registered person in the State/Union Territory.

**Note: An equal amount of late fee would be payable by such person under the respective SGST/UTGST Act as well**

# Chapter 11: Payment Of Tax

## Section 49 Payment of Tax, Interest, Penalty and other Amounts

1. 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 and subject to such conditions and restrictions as may be prescribed, shall be credited to the electronic cash ledger of such person to be maintained in such manner as may be prescribed.

Over the Counter payment (OTC) through authorized banks for deposits up to 10,000 rupees per challan per tax period, by cash, cheque or demand draft. This amount restriction is not applicable to remittances by

- Government Departments
  - Proper Officer or any other Officer recovering outstanding dues or during any investigation or enforcement activity or ad hoc deposit
2. The input tax credit as self-assessed in the return of a registered person shall be credited to his electronic credit ledger, in accordance with section 41, to be maintained in such manner as may be prescribed.
  3. The amount available in the electronic cash ledger may be used for making any payment towards tax, interest, penalty, fees or any other amount payable under the provisions of the Act or the rules made thereunder in such manner and subject to such conditions and within such time as may be prescribed.
  4. The amount available in the electronic credit ledger may be used for making any payment towards output tax under this Act or under the Integrated Goods and Services Tax Act in such manner and subject to such conditions and within such time as may be prescribed.
  5. The amount of input tax credit available in the electronic credit ledger of the registered person shall be utilized as follows

### 1<sup>st</sup> Preference : Credit Of IGST

First towards Output IGST
Balance If any, shall be adjusted Towards output CGST or output SGST @ the option of Assessee

Note: First of all ITC of IGST shall be utilized completely and then, ITC of CGST or SGST/ UTGST shall be used.

### 2<sup>nd</sup> Preference

Credit of CGST	Credit Of SGST
First towards Output CGST	First towards Output SGST
Balance If any, shall be adjusted Towards output IGST (If Exists)	Balance If any, shall be adjusted Towards output IGST (If Exists)

Note: If there is output IGST and also ITC of CGST and SGST/UTGST, ITC of CGST shall be used first and only after that ITC of SGST/UTGST shall be used.

6. The balance in the electronic cash ledger or electronic credit ledger after payment of tax, interest, penalty, fee or any other amount payable under this Act or the rules made thereunder may be refunded in accordance with the provisions of section 54.
7. All liabilities of a taxable person under this Act shall be recorded and maintained in an electronic liability register as may be prescribed.
8. Every taxable person shall discharge his tax and other dues under this Act or the rules made thereunder in the following order, namely:
  - (a) self –assessed tax, and other dues related to returns of previous tax periods;
  - (b) self-assessed tax, and other dues related to the return of current tax period;
  - (c) any other amount payable under the Act or the rules made thereunder including the demand determined under Section 73 or 74.
9. Every person who has paid the tax on goods and /or services under this Act shall, unless the contrary is proved by him, be deemed to have passed on the full incidence of such tax to the recipient of such goods or services or both.

Explanation- For the purposes of this section,

- a. 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;
- b. the expression “tax dues” means the tax payable under this Act and does not include interest, fee and penalty; and “other dues” means interest, penalty, fee or any other amount payable under this Act or the rules made thereunder.

### What are E-Ledgers/register

Electronic Ledgers or E-Ledgers are statements of cash and input tax credit in respect of each registered taxpayer. In addition, each taxpayer shall also have an electronic tax liability register.

### Rule 87 Electronic Cash Ledger.

1. The electronic cash ledger shall be maintained in FORM GST PMT-05 for each person, liable to pay tax, interest, penalty, late fee or any other amount, on the common portal for crediting the amount deposited and debiting the payment therefrom towards tax, interest, penalty, fee or any other amount.
2. Any person shall generate a challan in FORM GST PMT-06 on the common portal and enter the details of the amount to be deposited by him towards tax, interest, penalty, fees or any other amount
3. The deposit shall be made through any of the following modes, namely:—
  - a) Internet Banking through authorised banks;
  - b) Credit card or Debit card through the authorised bank;
  - c) National Electronic Fund Transfer or Real Time Gross Settlement from any bank; or
  - d) Over the Counter payment through authorised banks for deposits up to ten thousand rupees per challan per tax period, by cash, cheque or demand draft

### Payment by Challan

- It is mandatory to generate Challans online on the GST Portal. Manual or physical Challans are not allowed.
- There is single Challan prescribed for all taxes, fees, penalty, interest, and other payments to be made under the GST regime.
- E- challan validity is for 15 days. The commission for making payment through e-challan has to be borne by the person making the payment.
- Any unregistered person has to make payment on the basis of temporary identification number generated through common portal.
- Where the payment is made by way of National Electronic Fund Transfer or Real Time Gross Settlement mode from any bank, the mandate form shall be generated along with the challan on the common portal and the same shall be submitted to the bank from where the payment is to be made
- On successful credit of amount in the concerned (Central/State) Government Account maintained in the authorized bank, a Challan Identification Number (CIN) will be generated by the collecting bank which will be indicated in the challan
- The 'deposit' made by one of the modes and in the prescribed manner will be credited to the Electronic Cash Ledger of the taxable person and the common portal will generate a receipt to this effect.
- If CIN is not generated even after making payment and submission of mandate form or when after generation, it has not reflected in the common portal, the person making the deposit or the person on whose behalf the deposit has been made, can make a representation in prescribed form through the common portal or e-gateway through which the payment has been made.

### Electronic Cash Ledger

Liability Payment	Cash Receipt
<ul style="list-style-type: none"> <li>➤ Tax</li> <li>➤ Interest</li> <li>➤ Penalty</li> <li>➤ Fee</li> <li>➤ Other Amount</li> </ul>	<ul style="list-style-type: none"> <li>➤ Online Payments or Over the counter payments</li> <li>➤ TDS</li> <li>➤ TCS</li> </ul>

### Major and Minor Heads of Payment

Major Heads	Minor Heads ( Each major head have following minor head)
<ul style="list-style-type: none"> <li>➤ IGST</li> <li>➤ CGST</li> <li>➤ SGST/UTGST</li> <li>➤ Cess</li> </ul>	<ul style="list-style-type: none"> <li>➤ Tax</li> <li>➤ Interest</li> <li>➤ Penalty</li> <li>➤ Fee</li> <li>➤ Other Amount</li> </ul>

Note: Cross utilization of funds across major or minor heads is Allowed.

**Rule 85 Electronic Liability Register**

1. The electronic liability register shall be maintained in FORM GST PMT-01 for each person liable to pay tax, interest, penalty, late fee or any other amount on the common portal and all amounts payable by him shall be debited to the said register.
2. The electronic liability register of the person shall be debited by—
  - (a) the amount payable towards tax, interest, late fee or any other amount payable as per the return furnished by the said person;
  - (b) any amount of interest that may accrue from time to time.
3. Payment of every liability by a registered person as per his return shall be made by debiting the electronic credit ledger or the electronic cash ledger and the electronic liability register shall be credited accordingly.
4. 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 and the electronic liability register shall be credited accordingly.

**Electronic Liability Ledger**

<b>Debit (Due)</b>	<b>Credit(Paid)</b>
<ul style="list-style-type: none"> <li>➤ all amounts payable towards tax, interest, late fee and any other amount as per return filed;</li> <li>➤ all amounts payable towards tax, interest, penalty and any other amount determined in a proceeding by an Assessing authority or as ascertained by the taxable person;</li> <li>➤ the amount of tax and interest payable.</li> <li>➤ any interest amount that may accrue from time to time.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Electronic cash ledger for any amount payable under GST</li> <li>➤ Electronic credit ledger for Tax payable under GST</li> </ul>

**Electronic Credit Ledger Rule 86.**

1. The electronic credit ledger shall be maintained in FORM GST PMT-02 for each registered person eligible for input tax credit under the Act on the common portal and every claim of input tax credit under the Act shall be credited to the said ledger.
2. The electronic credit ledger shall be debited to the extent of discharge of any liability
3. ITC cannot be utilised for tax payable under reverse charge mechanism.
4. where a registered person has claimed refund of any tax that has been paid wrongly or in excess through electronic credit ledger, the said refund, if found admissible, will be credited to the electronic credit ledger.

### Common Points for Electronic Cash & Credit Ledger

1. Where a person has claimed refund of any amount from the electronic cash or credit ledger, the said amount shall be debited to the electronic cash or credit ledger.
2. If the refund so claimed is rejected, either fully or partly, the amount debited earlier, to the extent of rejection, shall be credited to the electronic cash or credit ledger by the proper officer by an order made in prescribed form

### Interest on delayed payment of tax Section 50.

1. Every person who is liable to pay tax fails to pay the tax or any part thereof to the Government within the period prescribed, shall for the period for which the tax or any part thereof remains unpaid, pay, on his own, interest @ 18% per annum for the period of delay.

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, except where such return is furnished after commencement of any proceedings under section 73 or section 74 in respect of the said period, shall be levied on that portion of the tax that is paid by debiting the electronic cash ledger

2. A taxable person who makes an undue or excess claim of input tax credit or undue or excess reduction in output tax liability shall pay interest on such undue or excess claim etc @ 24% per annum.

# Chapter 12: Exemptions

## Section 2(47)

Exempt supply has been defined as supply of any goods or services or both which attracts nil rate of tax or which may be wholly exempt from tax and includes non-taxable supply.

## Section 2(78)

Non-taxable supply means a supply of goods or services or both which is not leviable to tax under CGST Act or under the IGST Act.

Thus, under GST, a supply not leviable to tax is also included within the purview of 'exempt supply'.

Power to grant exemption from GST has been granted vide section 11 of the CGST Act and vide section 6 of the IGST Act.

## Section 11

- GST law empowers the Central Government or State Government as the case may be, on recommendation of the GST Council, grant exemption from tax.
- Exemption can be from whole of the tax or part of the tax.
- It should be granted in public interest.
- Exemption can be granted to goods or services or both of any specified description, by way of issuance of notification:
  - Absolutely [i.e. unconditional exemption; exemption is not subject to any conditions (mandatory in nature)] or
  - Conditionally [i.e. exemption is subject to specified conditions].
- Exemption may be granted by a special order in case of the circumstances of an exceptional nature.

### LIST OF SERVICES EXEMPT FROM TAX

- a. Services related to charitable and religious activities (Entry No. 1, 13, 60, 80)
  - a) Services by an entity registered under section 12AA of the Income-tax Act, 1961 by way of charitable activities.
 

'charitable activities' mean activities relating to-

    - PUBLIC HEALTH
    - ADVANCEMENT OF RELIGION, spirituality or yoga;
    - ADVANCEMENT OF EDUCATIONAL PROGRAMMES/SKILL DEVELOPMENT relating to,-
      - (A) abandoned, orphaned or homeless children;
      - (B) physically or mentally abused and traumatized persons;
      - (C) prisoners; or
      - (D) persons over the age of 65 years residing in a rural area;
    - PRESERVATION OF ENVIRONMENT
  - b) Services by a person by way of-
    - i. conduct of any religious ceremony;

Religious ceremonies are life-cycle rituals including special religious poojas conducted in terms of religious texts by a person so authorized by such religious texts. Occasions like birth, marriage, and death involve elaborate religious ceremonies

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

However, nothing contained in entry (b) of this exemption shall apply to-

- i) renting of rooms where charges are Rs. 1,000 or more per day;  
 ii) renting of premises, community halls, kalyanmandapam or open area, and the like where charges are Rs. 10,000 or more per day;  
 iii) renting of shops or other spaces for business or commerce where charges are Rs. 10,000 or more per month.  
 c) Services by a specified organisation in respect of a religious pilgrimage facilitated by the Government of India, under bilateral arrangement.  
 specified organisation
- Kumaon Mandal Vikas Nigam Limited (KMVN), a Government of Uttarakhand Undertaking;
  - 'Haj Committee of India' or 'State Haj Committee including Joint State Committee'.
- d) Services by way of training or coaching in recreational activities relating to-
- (a) arts or culture, or  
 (b) sports by charitable entities registered under section 12AA of the Income-tax Act.  
 Hence, the training or coaching in recreational activities in the areas other than arts, culture or sports is outside the purview of this entry.

Services provided "To" charitable or religious trusts are not outside the ambit of GST. Unless specifically exempted, all goods and services supplied to charitable or religious trusts are leviable to GST.

### Test Your Knowledge

JP Charitable institution, an entity registered under Section 12AA of Income Tax Act, 1961 and registered in GST, has furnished you the following details with respect to the activities undertaken by it during the month of January, 2020. You are required to compute its Taxable Value of GST from the information given below, assuming the rate of GST is 18%. Brief reasoning should be part of your answer.

Particulars	Amount
Membership fees received from members	10,00,000
Amount received for advancement of educational programs relating to abandoned or orphaned or homeless children	4,00,000
Amount received for renting of commercial property owned by Trust	5,00,000
Amount received for counselling of terminally ill person	3,50,000
Fees charged for Yoga Camp conducted by Trust	2,00,000
Amount received relating to preservation of Forest and Wildlife	6,00,000



**Ans: Taxable Value 5,00,000; GST @ 18% 90,000**

**b. Agriculture related services Entry No 24, 24A, 53A, 54, 55, 55A**

- a) Services by way of loading, unloading, packing, storage or warehousing of rice.
- b) Services by way of warehousing of minor forest produce.
- c) Services by way of fumigation in a warehouse of agricultural produce.
- d) Services by way of storage/ 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.
- e) Services relating 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 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 produce.
  - (viii) services by way of fumigation in a warehouse of agricultural produce.
- f) Carrying out an intermediate production process as job work in relation to cultivation of plants and rearing of all life forms of animals, except the rearing of horses, for food, fibre, fuel, raw material or other similar products or agricultural produce.
- g) Services by way of artificial insemination of livestock (other than horses).

**Test Your Knowledge**

'Big Agro Handlers' furnishes the following details with respect to the activities undertaken by them in the month of December, 2019:

<b>Particulars</b>	<b>Amount</b>
Supply of farm labour	58,000
Warehousing of biscuits	1,65,000
Commission on sale of paddy	68,000
Training of farmers on use of new pesticides and fertilizers developed through scientific research	10,000
Renting of vacant land to a stud farm	1,31,500
Testing undertaken for seeds	1,21,500
Leasing of vacant land to a poultry farm	83,500
Warehousing of Pulses, cereals, fruits etc	25,600

Compute the GST Payable by 'Big Agro Handlers' for the month of December, 2019. Rate of CGST @ 9% & SGST @ 9%.

Answer: Taxable Value 2,96,500

**c. Education services Entry No 66**

Services provided –

- (a) by an educational institution to its students, faculty and staff;
- (aa) by an educational 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 Central Government, State Government or Union territory;
  - (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.

However, nothing contained in sub-items (i), (ii) and (iii) of item (b) shall apply to an educational institution other than an institution providing services by way of pre-school education and education up to higher secondary school or equivalent.

Further, 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;
- (ii) education as a part of an approved vocational education course.

Educational institution has been defined to mean, inter alia, an institution providing services by way of education as a part of a curriculum for obtaining a qualification/degree recognized by law.

- IIMs provide various long duration programs (1 year or more) for which they award diploma/ degree certificate duly recommended by Board of Governors as per the power vested in them under the IIM Act, 2017. Therefore, it is clarified that services provided by Indian Institutes of Managements to their students- in all such long duration programs (one year or more) are exempt from levy of GST.
- IIMs also provide various short duration/ short term programs (less than 1 year) for which they award participation certificate to the executives/ professionals as they are considered as “participants” of the said programmes. These participation certificates are not any qualification recognized by law. Such participants are also not considered as students of IIM. Services provided by IIMs as an educational institution to such participants is not exempt from GST.

**Test Your Knowledge**

1. Sarvshiksha, an Educational Trust, runs a play school, ‘Tiny Tots’ and a higher secondary school, ‘Pinnacle Academy’. It also runs a coaching centre which provides coaching for IIT JEE entrance examinations to meritorious students of economically weak background. It also provides coaching classes for examinations of Certified Public Accountant, USA. With reference to the provisions of GST, examine the levability of GST in the above case.

2. Industrial Training Institute (ITI), Manikpuri runs an approved vocational educational programme approved by prescribed authority. Revenue raised a demand for GST on the services provided by ITI Manikpuri.

**d. Health care services (Entry No 46, 74, & 73)**

- a) Services by a veterinary clinic in relation to health care of animals or birds  
 b) Services by way of-  
     (a) health care services by a clinical establishment, an authorised medical practitioner or para-medics;  
     (b) services provided by way of transportation of a patient in an ambulance, other than those specified in (a) above.  
 c) Services provided by the cord blood banks by way of preservation of stem cells or any other service in relation to such preservation.

- "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 anatomy or functions of body affected due to congenital defects, developmental abnormalities, injury or trauma.
- Recognised system of medicine means Allopathy/ Ayurveda/ Homeopathy/ Naturopathy/ Yoga/ Siddha/ Unani. Naturopathy means a system for treating diseases or conditions using natural foods and herbs and various other techniques, rather than artificial drugs
- Reiki is not recognised system of medicine. (Reiki means a healing technique based on the principle that the therapist can transfer energy into the patient by means of touch, to activate the natural healing processes of the patient's body.)

**Test Your Knowledge**

Well-Being Nursing Home has received the following amounts in the month of February, 2020 in lieu of various services rendered by it in the same month. You are required to determine its GST liability for February, 2020 from the details furnished below:-

Particulars	Amount (in Lakhs)
Palliative care for terminally ill patients at patient's home (Palliative care is given to improve the quality of life of patients who have a serious disease)	20
Services provided by cord blood bank unit of the nursing home	24
Hair transplant services	100
Ambulance services to transport critically ill patients from various locations to nursing home	12
Naturopathy treatments.	80
Plastic surgery to restore anatomy of a child affected due to an accident.	30
Reiki healing treatments. Such treatment is not a recognized system of medicine	120
Mortuary services	10

Rate of Tax is CGST @ 9% and SGST @ 9%.

Answer: Taxable Value Rs. 220 Lakh

**e. Services by a hotel**

Services by a hotel inn, guest house, club or campsite, by whatever name called, for residential or lodging purposes, having value of supply of a unit of accommodation upto Rs.1,000 per day.

**Test Your Knowledge**

An adventure sports company organizes trekking tours in Gangotri basin and provides accommodation in camps during the trek. As per the brochure of the company, tariff for a single camp is Rs.800 per day and in addition, Rs. 300 per day is also chargeable for special sleeping suits provided in the camp to keep the trekkers warm during night. The company is offering a discount of 20% on Rs.800. Discuss whether GST is payable on the services provided by the adventure sports company by way of renting of camps. If your answer is yes, what would be the value of taxable service in that case and amount of GST payable?

**f. Construction services Entry No 10, 10A, 11, 41A & 41B**

- a) 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.
- b) 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.
- c) Services by way of pure labour contracts of construction, erection, commissioning, or installation of original works pertaining to a single residential unit otherwise than as a part of a residential complex.
- d) Supply of TDR, FSI, long term lease (premium) of land by a landowner to a developer are exempted subject to the condition that the constructed flats are sold before issuance of completion certificate and tax is paid on them.  
Exemption of TDR, FSI, long term lease (premium) shall be withdrawn in case of flats sold after issue of completion certificate, but such withdrawal shall be limited to 1% of value in case of affordable houses and 5% of value in case of other than affordable houses.

**g. Passenger transportation services**

- a) Transport of passengers, with or without accompanied belongings, by –
  - i) air, embarking from or terminating in an airport located in the State of Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, or Tripura or at Bagdogra located in West Bengal;
  - ii) non-air conditioned contract carriage other than radio taxi, for transportation of passengers, excluding tourism, conducted tour, charter or hire; or
  - iii) stage carriage other than air- conditioned stage carriage.
- b) Service of transportation of passengers, with or without accompanied belongings, by—
  - a) railways in a class other than— (i) first class; or (ii) an air-conditioned coach;
  - b) metro, monorail or tramway;
  - c) inland waterways;

- d) public transport, other than predominantly for tourism purpose, in a vessel between places located in India; and
- e) metered cabs or auto rickshaws (including e-rickshaws).

### Test Your Knowledge

Mr. A boarded Rajdhani Express (fully AC train) from Kanpur on January 5, 2020 and disembarked at New Delhi. He hired a car from a local cab operator for the whole day on a lumpsum consideration and visited Delhi's historical monuments. In the night, he took the Metro to International Airport and boarded a flight to Mumbai. At Mumbai Airport, he used a radio taxi for going to his Hotel. Mr. A returned to Kanpur from a different train, Pushpak Express in sleeper class. With reference to the provisions of GST, examine the levability of GST on the various modes of travel undertaken by Mr. A.

#### **h. Goods transportation services Entry No 18, 20, 21A, 21B**

- a) Services by way of transportation of goods-
  - (a) by road except the services of— (i) a goods transportation agency; (ii) a courier agency;
  - (b) by inland waterways.
- b) Services by way of transportation by rail or a vessel from one place in India to another of the following goods –
  - (a) relief materials meant for victims of natural or man-made disasters, calamities, accidents or mishap;
  - (b) defence or military equipments;
  - (c) newspaper or magazines registered with the Registrar of Newspapers;
  - (d) railway equipments or materials;
  - (e) agricultural produce;
  - (f) milk, salt and food grain including flours, pulses and rice; and
  - (g) organic manure.
- c) Services provided by a goods transport agency, by way of transport in a goods carriage of –
  - (a) agricultural produce;
  - (b) goods, where consideration charged for the transportation of goods on a consignment transported in a single carriage does not exceed Rs.1,500;
  - (c) goods, where consideration charged for transportation of all such goods for a single consignee does not exceed Rs. 750;
  - (d) milk, salt and food grain including flour, pulses and rice;
  - (e) organic manure;
  - (f) newspaper or magazines registered with the Registrar of Newspapers;
  - (g) relief materials meant for victims of natural or man-made disasters, calamities, accidents or mishap; or (h) defence or military equipments.
- d) Services provided by a GTA to an unregistered person, including an unregistered casual taxable person, other than the following recipients, namely: -
  - (a) any factory registered under/governed by the Factories Act, 1948; or
  - (b) any Society registered under the Societies Registration Act, 1860 or under any other law for the time being in force in any part of India; or

- (c) any Co-operative Society established by or under any law for the time being in force; or
  - (d) any body corporate established, by or under any law for the time being in force; or
  - (e) any partnership firm whether registered or not under any law including association of persons;
  - (f) any casual taxable person registered under the Central Goods and Services Tax Act or the Integrated Goods and Services Tax Act or the State Goods and Services Tax Act or the Union Territory Goods and Services Tax Act
- e) Services provided by a GTA, by way of transport of goods in a goods carriage, to, -
- (a) a Department or Establishment of the Central Government or State Government or Union territory; or
  - (b) local authority; or
  - (c) Governmental agencies, which has taken registration under the Central Goods and Services Tax Act, 2017 only for the purpose of deducting tax under section 51 and not for making a taxable supply of goods or services.

### Test Your Knowledge

1. Answer with respect to applicability of GST in the following cases during the month of June, 2019:
  - I. Transport of milk, salt and food grain including flours, pulses and rice and newspaper registered with the Registrar of Newspapers by a goods transport agency in a goods carriage.
  - II. Transportation of petroleum and petroleum products and household effects by railways.
  - III. Transportation of postal mails or mail bags by a vessel.
2. Discuss whether GST is payable in respect of transportation services provided by Raghav Goods Transport Agency in each of the following independent cases:

Transportation of milk	Rs. 20,000
Transportation of books on a consignment transported in a single goods carriage	3,000
Transportation of chairs for a single consignee in the goods carriage	600

i. 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 organised 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;

### Test your Knowledge

An individual acts as a referee in a football match organized by Sports Authority of India. He has also acted as a referee in another charity football match organized by a local sports club. Discuss whether he is required to pay any GST.

**j. Banking and financial services Entry No 26, 27, 27A, 34**

- a) Services by the Reserve Bank of India
- b) Services by way of—
  - (a) extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount (other than interest involved in credit card services);
  - (b) inter se sale or purchase of foreign currency amongst banks or authorised dealers of foreign exchange or amongst banks and such dealers.
- c) Services provided by a banking company to Basic Saving Bank Deposit (BSBD) account holders under Pradhan Mantri Jan Dhan Yojana (PMJDY).
- d) Services by an acquiring bank, to any person in relation to settlement of an amount upto Rs. 2,000 in a single transaction transacted through credit card, debit card, charge card or other payment card service.

“acquiring bank” means any banking company, financial institution including non-banking financial company or any other person, who makes the payment to any person who accepts such card.

### Test Your Knowledge

Robinson Bank Ltd. furnishes the following information relating to services provided and the gross amount received during the month of December, 2019. Compute the value of taxable service and GST payable:

Amount of commission received for debt collection service	10,00,000
Discount earned on bills discounted	4,50,000
Inter se sale or purchase of foreign currency amongst banks	5,70,000
Charges received on credit card and debit card facilities extended	3,80,000
Penal interest recovered from the customers for the delay in repayment of loan	2,60,000
Commission received for service rendered to Government for tax collection	6,00,000

Presume all the above amounts are inclusive of GST and also rate of CGST @ 9% and SGST @ 9%

Answer: Taxable Value 16,77,966.10

**k. Life insurance business services Entry No 28, 29, 29A,29B & 36 (SELF)**

- a) Services of life insurance business provided by way of annuity under the National Pension System regulated by the Pension Fund Regulatory and Development Authority of India under the Pension Fund Regulatory and Development Authority Act, 2013.
- b) Services of life insurance business provided or agreed to be provided by the Army, Naval and Air Force Group Insurance Funds to members of the Army, Navy and Air Force, respectively, under the Group Insurance Schemes of the Central Government
- c) Services of life insurance provided/agreed to be provided by the Central Armed Police Forces (under Ministry of Home Affairs) Group Insurance Funds to their members under the Group Insurance Schemes of the concerned Central Armed Police Force
- d) Services of life insurance provided or agreed to be provided by the Naval Group Insurance Fund to the personnel of Coast Guard under the Group Insurance Schemes of the Central Government.
- e) Services of life insurance business provided under following schemes-
  - (a) Janashree Bima Yojana;
  - (b) Aam Aadmi Bima Yojana;
  - (c) Life micro-insurance product as approved by the Insurance Regulatory and Development Authority, having maximum amount of cover of Rs. 2,00,000;
  - (d) Varishtha Pension Bima Yojana;
  - (e) Pradhan Mantri Jeevan Jyoti Bima Yojana;
  - (f) Pradhan Mantri Jan Dhan Yojana;
  - (g) Pradhan Mantri Vaya Vandana Yojana.

Life micro-insurance product means any term insurance contract with/without return of premium, any endowment insurance contract or health insurance contract, with/without an accident benefit rider, either on individual/group basis, as per terms stated in Schedule-II appended to the regulations

**I. Services provided by specified bodies Entry No 30, 31, 31A, 31B, 32, 33 (Self)**

- a) Services by the Employees' State Insurance Corporation to persons governed under the Employees' State Insurance Act, 1948.
- b) Services provided by the Employees Provident Fund Organisation to the persons governed under the Employees Provident Funds and the Miscellaneous Provisions Act, 1952.
- c) Services by Coal Mines Provident Fund Organisation to persons governed by the Coal Mines Provident Fund and Miscellaneous Provisions Act, 1948.
- d) Services by National Pension System (NPS) Trust to its members against consideration in the form of administrative fee
- e) Services provided by the IRDAI (Insurance Regulatory and Development Authority of India) to insurers under IRDAI Act, 1999
- f) Services provided by the SEBI (Securities and Exchange Board of India) set up under the SEBI Act, 1992 by way of protecting the interests of investors in securities and to promote the development of, and to regulate, the securities market.

**m. General insurance business services Entry No 36, 36A (Self)**

- a) Services of general insurance business provided under following schemes –
  - I. Hut Insurance Scheme;



- II. Cattle Insurance under Swarnajaynti Gram Swarozgar Yojna22;
- III. Scheme for Insurance of Tribals;
- IV. Janata Personal Accident Policy and Gramin Accident Policy;
- V. Group Personal Accident Policy for Self-Employed Women;
- VI. Agricultural Pumpset and Failed Well Insurance;
- VII. premia collected on export credit insurance;
- VIII. Restructured Weather Based Crop Insurance Scheme (RWCIS), approved by the Government of India and implemented by the Ministry of Agriculture;
- IX. Jan Arogya Bima Policy;
- X. Pradhan Mantri Fasal Bima Yojana (PMFBY);
- XI. Pilot Scheme on Seed Crop Insurance;
- XII. Central Sector Scheme on Cattle Insurance;
- XIII. Universal Health Insurance Scheme;
- XIV. Rashtriya Swasthya Bima Yojana;
- XV. Coconut Palm Insurance Scheme;
- XVI. Pradhan Mantri Suraksha BimaYojna;
- XVII. Niramaya Health Insurance Scheme implemented by the Trust constituted under the provisions of the National Trust for the Welfare of Persons with Autism, Cerebral Palsy, Mental Retardation and Multiple Disabilities Act, 1999.
- XVIII. **Bangla Shasya Bima**
- b) Services by way of reinsurance of the insurance schemes specified in serial number 35 or 36.

**n. Pension schemes Entry No 37 & 38 (self)**

- a) Services by way of collection of contribution under the Atal Pension Yojana
- b) Services by way of collection of contribution under any pension scheme of the State Governments.

**o. Business facilitator/correspondent Entry No 39**

Services by the following persons in respective capacities –

- a. business facilitator or a business correspondent to a banking company with respect to accounts in its rural area branch;
- b. any person as an intermediary to a business facilitator or a business correspondent with respect to services mentioned in entry (a); or
- c. business facilitator or a business correspondent to an insurance company in a rural area.

Business Correspondents are retail agents who represent banks and are responsible for delivering banking services at locations other than a bank branch/ATM. BCs support banks in providing its limited range of banking services at affordable cost. Thus, they are pivotal in promoting financial inclusion.

**p. Legal services Entry no. 45**

Services provided by-

- (i) an arbitral tribunal to –
  - i) any person other than a business entity; or
  - ii) a business entity with an aggregate turnover up to Rs. 20 lakh (Rs.10 lakh in the case of Special Category States) in the preceding financial year;

- iii) the Central Government, State Government, Union territory, local authority, Governmental Authority or Government Entity.
- (ii) 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 Rs. 20 lakh (Rs.10 lakh in the case of Special Category States) in the preceding financial year;
  - 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 Rs. 20 lakh (Rs.10 lakh in the case of Special Category States) in the preceding financial year.
  - (iii) the Central Government, State Government, Union territory, local authority, Governmental Authority or Government Entity
- q. Services by way of giving on hire
  - i. To state transport undertaking, a motor vehicle meant to carry more than 12 passengers
  - ii. To a local authority, an Electrically operated vehicle (EOV) meant to carry more than 12 passengers;
  - iii. To a GTA, means of transportation of goods.
  - iv. Motore vehicle for transportation of students, faculty and staff, to a person providing services by way of pre-school education and education upto higher secondary school or equivalent

**r. Performance by an artist Entry 78**

Services by an artist by way of a performance in folk or classical art forms of-

- a) Music
- b) Dance
- c) Theatre

if the consideration charged for such performance is not more than Rs. 1,50,000 are exempt from GST.

Following Services are taxable:

- a) all other activities by an artist in other art forms e.g. western music or dance, modern theatres, performance of actors in films or television serials
- b) service provided by such artist as a brand ambassador.

**Test Your Knowledge**

RXL Pvt. Ltd. manufactures beauty soap with the brand name 'Forever Young'. RXL Pvt. Ltd. has organized a concert to promote its brand. Ms. Ahana Kapoor, its brand ambassador, who is a leading film actress, has given a classical dance performance in the said concert. The proceeds of the concert worth Rs.1,20,000 will be donated to a charitable organization. Whether Ms. Ahana Kapoor will be required to pay any GST?

**s. Right to admission to various events**

- i.** Services by way of admission to a museum, national park, wildlife sanctuary, tiger reserve or zoo
- ii.** Services by way of admission to a protected monument so declared under the Ancient Monuments and Archaeological Sites & Remains Act 1958 or any of the State Acts, for the time being in force.
- iii.** Services by way of right to admission to-
  - a) circus, dance, or theatrical performance including drama or ballet;
  - b) award function, concert, pageant, musical performance or any sporting event other than a recognised sporting event;
  - c) recognised sporting event;
  - d) planetarium,
 where the consideration for right to admission to the events or places as referred to in items (a), (b), (c) above is not more than Rs. 500 per person.
- iv.** Services by way of right to admission to the events organised under FIFA U-17 Women's World Cup 2020.

**t. Import of Services**

Import of services in the following cases is exempt from GST

- (a) If services have been taken by the Central Government/State Government/Union territory/a local authority/a governmental authority.
- (b) An individual for personal purpose
- (c) A charitable Trust.

If any of the above person has taken OIDAR services, exemption shall not be applicable rather the service provider shall collect tax from recipient and shall pay it to the Government. If the recipient is registered under GST, Tax shall be payable by the recipient under reverse charge.

**u. Services by an unincorporated body or a non- profit entity ( Entry No. 77 & 77A)**

- A.** Service by an unincorporated body or a non- profit entity registered under any law for the time being in force, to its own members by way of reimbursement of charges or share of contribution –
  - i. as a trade union
  - ii. for the provision of carrying out any activity which is exempt from the levy of Goods and Services Tax; or
  - iii. up to an amount of Rs. 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
- B.** Services provided by an unincorporated body or a non-profit entity registered under any law for the time being in force, engaged in,-
  - (i) activities relating to the welfare of industrial or agricultural labour or farmers; or
  - (ii) promotion of trade, commerce, industry, agriculture, art, science, literature, culture, sports, education, social welfare, charitable activities and protection of environment, to

its own members against consideration in the form of membership fee upto an amount of Rs. 1000/- per member per year

### Test Your Knowledge

Gokul Residents' Welfare Association received Rs. 9,000 per month as contribution from each member for sourcing of goods and services from third persons for common use of its members. Discuss GST Implication.

**v. Skill Development services (Entry No 69, 70,71)(self)**

A. Any services provided by, \_

- (a) the National Skill Development Corporation set up by the Government of India;
- (b) a Sector Skill Council approved by the National Skill Development Corporation;
- (c) an assessment agency approved by the Sector Skill Council or the National Skill Development Corporation;
- (d) a training partner approved by the National Skill Development Corporation or the Sector Skill Council,

in relation to-

- (iii) the National Skill Development Programme implemented by the National Skill Development Corporation; or
- (iv) a vocational skill development course under the National Skill Certification and Monetary Reward Scheme; or
- (v) any other Scheme implemented by the National Skill Development Corporation.

B. 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.

C. Services provided by training providers (Project implementation agencies) under Deen Dayal Upadhyaya Grameen Kaushalya Yojana (DDUGKY) implemented by the Ministry of Rural Development, Government of India by way of offering skill or vocational training courses certified by the National Council for Vocational Training.

**w. Sponsorship of sports events (Entry 53) (Self)**

Services by way of sponsorship of sporting events organised –

- A. by a national sports federation, or its affiliated federations, where the participating teams or individuals represent any district, State, zone or Country;
- B. by Association of Indian Universities, Inter-University Sports Board, School Games Federation of India, All India Sports Council for the Deaf, Paralympic Committee of India or Special Olympics Bharat;
- C. by the Central Civil Services Cultural and Sports Board;
- D. as part of national games, by the Indian Olympic Association; or
- E. under the Panchayat Yuva Kreedha Aur Khel Abhiyaan Scheme.

**x. Services provided to Government ( Entry No 3,3A,11A,40,72,51)**

- A. Pure services provided TO Government:**
- Pure services (excluding works contract service or other composite supplies involving supply of any goods)
  - provided to the Central Government, State Government or Union territory or local authority or a Governmental authority or a Government Entity
  - by way of any activity in relation to any function entrusted to a Panchayat under article 243G of the Constitution or in relation to any function entrusted to a Municipality under article 243W of the Constitution.
- B. Composite supply of goods and services TO Government:**
- Composite supply of goods and services in which the value of supply of goods constitutes not more than 25% of the value of the said composite supply
  - provided to the Central Government, State Government or Union territory or local authority or a Governmental authority or a Government Entity
  - by way of any activity: in relation to any function entrusted to a Panchayat under article 243G of the Constitution or in relation to any function entrusted to a Municipality under article 243W of the Constitution.
- C. 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.**
- D. Services provided to the Central Government, State Government, Union territory under any insurance scheme for which total premium is paid by the Central Government, State Government, Union territory.**
- E. Services provided to the Central Government, State Government, Union territory administration under any training programme for which total expenditure is borne by the Central Government, State Government, Union territory administration.**
- F. Services provided by the GSTN (Goods and Services Tax Network) to the Central Government or State Governments or Union territories for implementation of Goods and Services Tax.**

**y. Leasing services (Entry No. 41 & 43)**

- A. Upfront amount (called as premium, salami, cost, price, development charges or by any other name) payable in respect of service by way of granting of long term lease of 30 years, or more) 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 Central Government, State Government, Union territory to the industrial units or the developers in any industrial or financial business area.**
- B. Services of leasing of assets (rolling stock assets including wagons, coaches, locos) by the Indian Railways Finance Corporation to Indian Railways.**

**z. Other Exempt Services**

1. Services by way of renting of residential dwelling for use as residence.
2. Transmission or distribution of electricity by an electricity transmission or distribution utility
3. Service by way of access to a road or a bridge on payment of toll charges.

4. Services by way of collecting / providing news by an independent journalist, Press Trust of India or United News of India.
5. Services by way of slaughtering of animals.
6. Services of public libraries by way of lending of books, publications or any other knowledge-enhancing content or material.
7. Services by way of public conveniences such as provision of facilities of bathroom, washrooms, lavatories, urinal or toilets.
8. 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.
9. Services by a foreign diplomatic mission located in India
10. Services by way of providing information under the Right to Information Act, 2005.
11. services by way of admission to a protected monument so declared under the Ancient Monuments and Archaeological Sites and Remains Act 1958 or any of the State Acts, for the time being in force, have been exempted from CGST
12. Services by an old age home run by: Central Government, State Government or an entity registered under section 12AA of the Income-tax Act, 1961 to its residents (aged 60 years or more) against consideration upto Rs.25,000 per month per member, provided that the consideration charged is inclusive of charges for boarding, lodging and maintenance.