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> CA INTER <

# TAXATION (GST)

SEP 2025 & JAN 2026 Exams



Concept Book

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| <input type="checkbox"/> Headings in <b>TEAL BLUE</b> | <input type="checkbox"/> Keywords in <b>RED</b>   |
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Best Wishes... Radhe Radhe!!

## **Taxation (GST)**

Edition: July 2025

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# > CA INTER < TAXATION (GST)

## About the Book

नमस्कार दोस्तों, राधे राधे !!

This Concept Book is prepared by **CA Surender Mittal (AIR 5)**. He also got **AIR 1** in **UPSC ICoAS** exam and has formerly served as an Assistant Commissioner in the Goods and Services Tax (GST) Department with the Government of India. It contains all provisions of CA Inter Taxation (GST) in **130 pages**. It also contains approx **150 examples** for better understanding of the provisions. This Concept Book is **fully amended** for Sep 25 & Jan 26 Exams.

This book is fully prepared as per **ICAI Syllabus**. All adjustments relating to **ICAI Questions** are also covered in this book.

This book has been prepared for those **learning the subject for the first time as well as for last day revision before the exam**. On first time reading, refer this book along with lectures or revision videos. On last day before exam, you can refer only keywords marked in **RED** in this book.

Best wishes

CA Surender Mittal

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# INDEX

## Goods and Services Tax

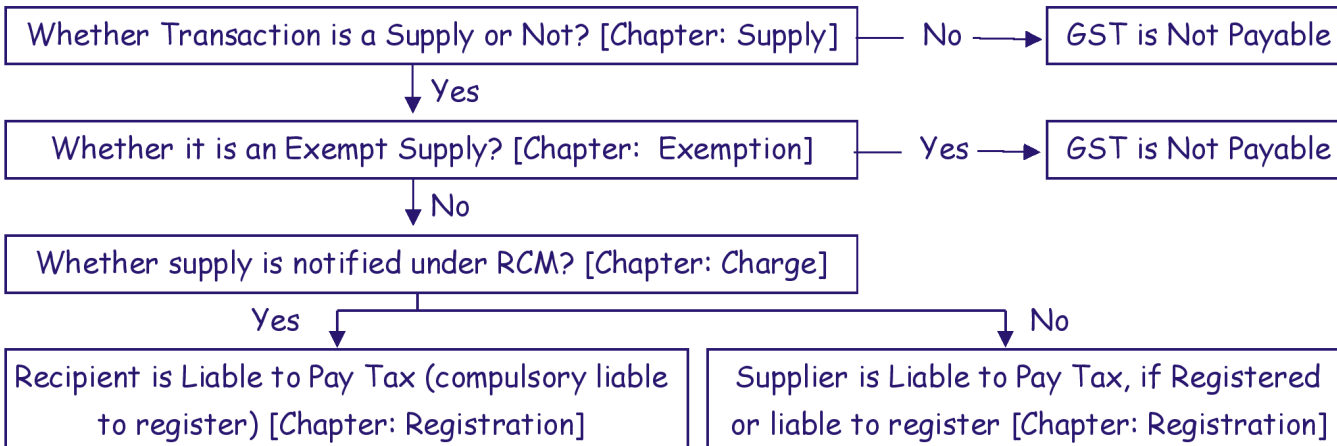
Chapter No.	Chapter	Page No.
1	GST in India - An Introduction	1.1 - 1.5
2	Supply under GST	2.1 - 2.13
3	Exemptions from GST	3.1 - 3.18
4	Charge of GST	4.1 - 4.14
5	Time of Supply	5.1 - 5.6
6	Value of Supply	6.1 - 6.5
7	Place of Supply	7.1 - 7.10
8	Input Tax Credit	8.1 - 8.15
9	Electronic Commerce Transaction and TCS	9.1 - 9.4
10	Registration	10.1 - 10.11
11	Tax Invoice, Credit and Debit Notes	11.1 - 11.6
12	Accounts and Records	12.1 - 12.2
13	E-Way Bill	13.1 - 13.5
14	Payment of Tax and TDS	14.1 - 14.7
15	Returns	15.1 - 15.6



# Flow of GST



## How Each Chapter Have its Importance [GST Flow]- GST Payable



## When to Pay, How Much to Pay, Which Tax to Pay

▪ When to Pay GST	Chapter - Time of Supply
▪ How Much to Pay GST	Value of Supply x Rate of Tax ➤ Value of Supply - Chapter: Value of Supply ➤ Rate of Tax - Determined by Government [Not in Syllabus]
▪ Which Tax to Pay	Whether supply is Inter or Intra state [Chapter: place of supply] ➤ Intra State Supply - CGST + SGST/UTGST ➤ Inter State Supply - IGST

## GST Compliances

▪ One time Compliance	Registration [Chapter: Registration]
▪ Continuous Compliance	<ul style="list-style-type: none"> <li>▪ Generation and issuance of Documents [Chapter: Tax invoice, credit &amp; debit note and E-way Bill]</li> <li>▪ Maintenance of BOA [Chapter: Accounts and Records]</li> </ul>
▪ Periodical Compliance	<ul style="list-style-type: none"> <li>▪ Deduction of TDS (if applicable) [Chapter: Payment of Tax &amp; TDS]</li> <li>▪ Collection of TCS (if applicable) [Chapter: Electronic Commerce]</li> <li>▪ Filing Returns [Chapter: Returns]</li> <li>▪ Payment of Tax [Chapter: Payment of Tax]</li> </ul>

## Payment of Tax

Cash [Chapter: Payment of Tax]	Input Tax Credit (Using Tax paid at earlier stage) [Chapter: Input Tax Credit]
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# GST in India – An Introduction

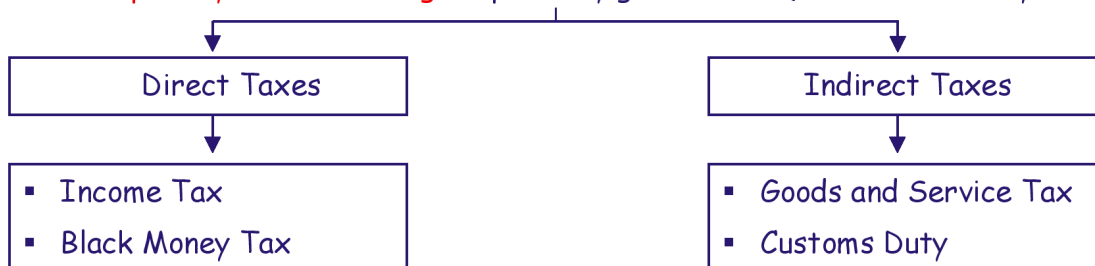


## About this Chapter



## Overview of Tax

Tax is a **compulsory financial charge** imposed by government (it is not voluntary like donation or gift)



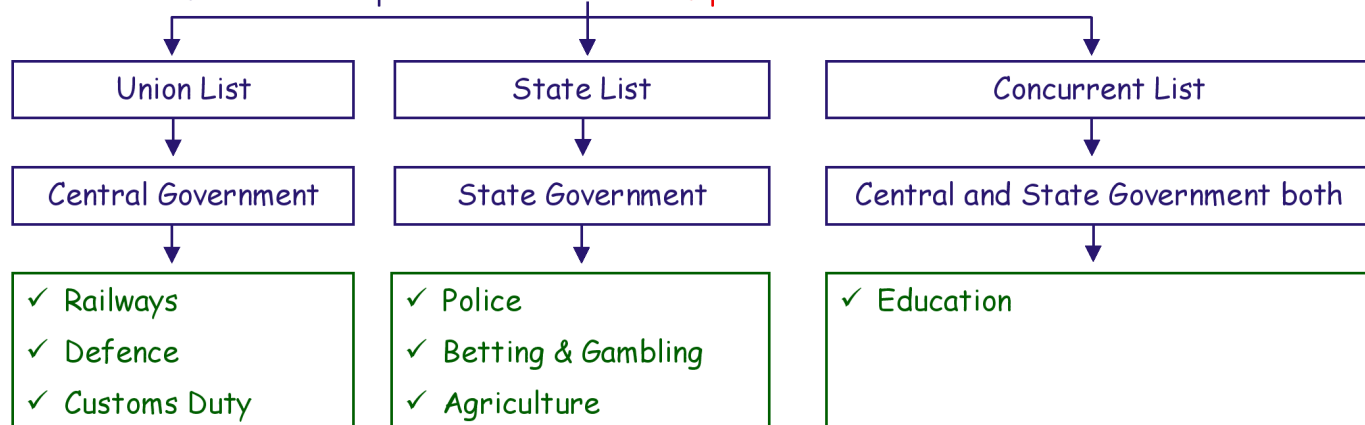
### Examples

- (i) Mr. Ram earns ₹ 10,00,000 and pays the Income tax of ₹ 1,50,000 to the government.
- Tax paid to government by Mr. Ram
  - Burden borne by Mr. Ram
- ← Direct Tax
- (ii) Mr. Ram purchased a laptop of ₹ 1,00,000 and paid ₹ 1,00,000 + ₹ 18,000 (GST) = ₹ 1,18,000 to shopkeeper. Shopkeeper received ₹ 1,18,000 and deposited ₹ 18,000 to government.
- Tax paid to government by Shopkeeper
  - Burden borne by Mr. Ram
- ← Indirect Tax

## Origin of Taxes – Constitutional Provisions

As per Article 265 of the constitution, "No taxes can be levied or collected **without authority of law**".

7<sup>th</sup> schedule of Article 246 provides **distribution of power** to make laws between Centre and State.



❖ Distribution of power to levy tax in earlier tax regime

➤ Excise Duty	————→	on Manufacturing	————→	Central Government
➤ VAT	————→	on Sale	————→	State Government
➤ Service Tax	————→	on Service	————→	Central Government



Intention of the government was to bring the multiple taxes under one umbrella there comes the concept of **GST - One Nation One Tax**.

Due to distribution of powers to levy tax between centre and state, it was not possible to bring GST. So, government brought **101<sup>st</sup> constitutional amendment** and inserted **Article 246A** which gives central (parliament) and state government (legislature) concurrent power to levy tax. Accordingly, 2 types of transactions occur as below [Detailed discussion in chapter: "Place of Supply"].

**Example 1**

Mr. Ram (Seller)	-	Rajasthan		Both are in same state, hence called as <b>Intra State Supply</b>
Mr. Raju (Buyer)	-	Rajasthan		
i.e., Sale of ₹ 1,00,000 and GST @ 18% = ₹ 18,000				
CGST @9%	₹ 9,000	Central Government		Two types of GST are levied on single transaction, hence <b>Dual GST Concept</b>
SGST @9%	₹ 9,000	State Government		

**Example 2**

Mr. Ram (Seller)	-	Rajasthan		Both are not in same state, hence called as <b>Inter State Supply</b>
Mr. Raju (Buyer)	-	Punjab		
i.e., Sale of ₹ 1,00,000 and GST @ 18% = ₹ 18,000				
IGST @18%	₹ 18,000		Central Government (50%)	→ ₹ 9,000
			State Government (50%)	→ ₹ 9,000
(Consuming State - Punjab)				

**Article 269A:** "IGST on interstate supply shall be collected by central government and apportioned between central and state government" as GST is a **destination or consumption-based tax**, revenue shall accrue to the consuming state.

**Source of GST [Various Laws for levying GST]**

- GST has been enacted through following Acts

GST Acts	No of Acts
CGST Act	[1]
SGST Act	[31] [28 States + 3 UTs with legislative assembly (Delhi, Puducherry, Jammu and Kashmir)]
UTGST Act	[1]

IGST Act	[1]
GST (Compensation to States) Act	[1]
<b>Total</b>	<b>[35]</b>

• Other than GST Acts

- ✓ Circulars and Notifications issued by Central Board of Indirect Taxes and Customs (CBIC)
- ✓ Finance Act

### Need of GST – Deficiency in Earlier Tax Regime

- For removing **cascading effect** of tax (Taxes on Taxes).
- For removing **blockage of credit chain**.
- For removing **multiple taxes** on single transaction.
- For removing **double taxation** of certain transaction **as both goods and services** [i.e. restaurant]

(i) Manufacturer

Particulars	Pre-GST		Post-GST		Diff.
Cost of Production	10%	1,000	20%	1,000	
(+) Profit		500		500	
<b>Basic Price</b>		<b>1,500</b>		<b>1,500</b>	
(+) Excise Duty [central government]		150		-	
	10%	1,650			
(+) VAT [state government]		165			
(+) GST [both]				300	
<b>Final Price</b>		<b>1,815</b>		<b>1,800</b>	<b><u>15</u></b>

(ii) Distributor


Particulars	Pre-GST		Post-GST		Diff.
Cost of Production		1,815		1,800	
(+) Additional Cost		200		200	
(+) Profit		500		500	
<b>Basic Price</b>		<b>2,515</b>		<b>2,500</b>	
(-) Credit of taxes paid on input	20%	(165)	20%	(300)	
<b>Basic Price net of credit</b>		<b>2,350</b>		<b>2,200</b>	
(+) VAT [state government]		470			
(+) GST [both]				440	
<b>Final Price</b>		<b>2,820</b>		<b>2,640</b>	<b><u>180</u></b>



## Benefits of GST

- **Creation of unified national market**: Common Market with common tax rates and procedures.
- **Boost to “Make in India” initiative**: Making Indian products competitive in national and international market.
- **Boost to Investment and Employment**: Boost in exports and investment leading to increase in GDP and employment.

## Taxes Subsumed in GST

<u>Central Taxes</u>	<u>State Tax</u>
<ul style="list-style-type: none"> <li>▪ Excise Duty</li> <li>▪ Countervailing Duty (CVD)</li> <li>▪ Service Tax</li> <li>▪ Central Sales Tax (CST)</li> </ul>	<ul style="list-style-type: none"> <li>▪ VAT or Sales Tax</li> <li>▪ Entertainment Tax</li> <li>▪ Octroi or Entry Tax</li> <li>▪ Luxury Taxes</li> </ul>
	

### Exceptions:

<b>Goods which are not covered in GST</b> <b>[Non-Taxable Supply]</b> <b><u>Levied Excise + VAT/CST</u></b>	<u>Permanently Excluded</u>	<ul style="list-style-type: none"> <li>▪ <b>Alcoholic liquor</b> for human consumption</li> <li>▪ Un-denatured <b>extra neutral alcohol (ENA)</b> or rectified spirit used for manufacture of alcoholic liquor for human consumption</li> </ul>
	<u>Temporary Excluded</u> [GST will be applicable from the date notified by the <b>GST Council</b> ]	<ul style="list-style-type: none"> <li>▪ Petrol</li> <li>▪ Diesel</li> <li>▪ Petroleum Crude</li> <li>▪ Natural Gas</li> <li>▪ Aviation Turbine Fuel (ATF)</li> </ul>
<b>Goods covered in GST as well as in earlier tax regime</b> <b><u>Levied GST + Excise</u></b>		<ul style="list-style-type: none"> <li>▪ Tobacco and Tobacco Products</li> <li>▪ Opium, Indian hemp, Other Narcotic Drugs and Narcotics</li> </ul>

## GST Council

As GST is the tax which is levied by both centre and state, so for avoidance of any disputes between centre and state, a common body was required to take decisions.

Hence through insertion of **Article 279A**, the **President of India** has been empowered to constitute GST Council.

Composition of GST Council
<ul style="list-style-type: none"> <li>Union Finance Minister – Chairperson</li> <li>Union State Finance Minister – Member</li> <li>Finance Minister [if not available, then nominated minister] of each state – Member</li> </ul>
GST Council shall make Recommendation on Following Matters
<ul style="list-style-type: none"> <li>Tax rates to be applied on various goods and services</li> <li>Goods and services which are to be exempted</li> <li>Taxes which need to be subsumed in GST</li> <li>When does the above mentioned 5 petroleum products to be brought into GST</li> <li>Special category states</li> <li>Determining thresholds for registration or composition</li> <li>Other decisions</li> </ul>
Procedural Aspects of Decision Making by GST Council
<ul style="list-style-type: none"> <li>One half of the total number of members of GST council shall make the quorum.</li> <li>Every decision of the GST council shall be taken by 3/4<sup>th</sup> of the weighted votes of members present and voting.</li> <li>Votes of Central Government shall have weightage of 1/3<sup>rd</sup> of total votes and rest is of states.</li> <li>No act or proceeding of GST council shall be invalid merely by reason of: <ul style="list-style-type: none"> <li>✓ Vacancy or defect in constitution of GST council</li> <li>✓ Defect in appointment of member of the council</li> <li>✓ Any procedural irregularity of the council</li> </ul> </li> </ul>

## Other Basic Concepts

Special Category States [AMI SHE TUMAAR MENKA]	
(i) Arunachal Pradesh [AR]	(ii) Assam [A]
(iii) Mizoram [MI]	(iv) Manipur [Ma]
(v) Meghalaya [ME]	(vi) Nagaland [N]
(vii) Tripura [T]	(viii) Sikkim [S]
(ix) Jammu and Kashmir [KA]	(x) Himachal Pradesh [H]
(xi) Uttarakhand [U]	
GST Common Portal	
Common portal established by government for all GST related services [www.gst.gov.in]	

# Supply under GST

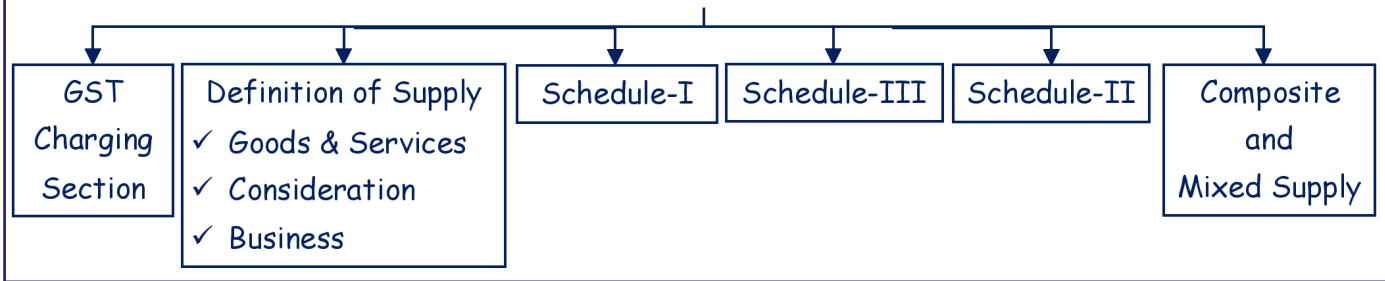


## About this Chapter

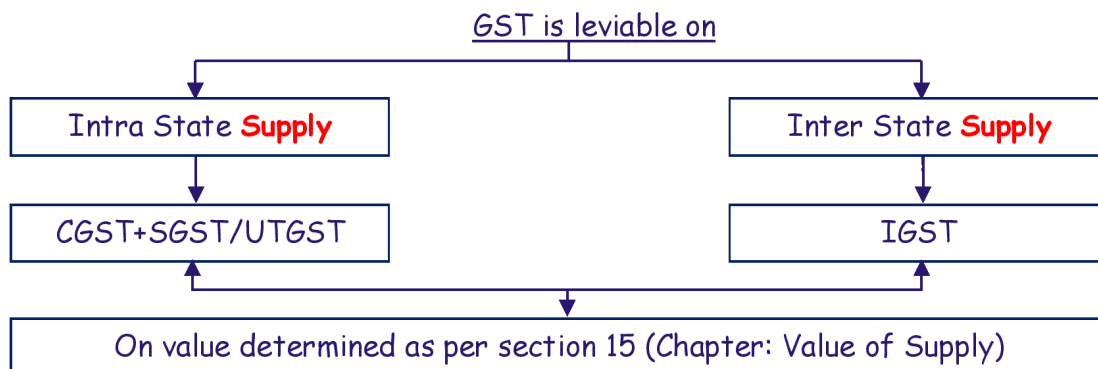
In this chapter, discussion will revolve around which transaction is supply and which is not!

### Why it is important to understand what is Supply under GST?

As charging section specifically mentions that GST will be levied only when there is a supply, accordingly supply is a taxable event to levy GST, hence supply carries too much importance.



## GST Charging Section [Section 9 of the CGST Act and Section 5 of the IGST Act]



## Supply [Section 7 of the CGST Act]

### Supply includes:

	(I)	(II)	(III)
1. <u>Any Transaction</u>	of <u>Goods or Services</u>	for <u>Consideration</u>	and <u>In Business</u>
Transactions such as <ul style="list-style-type: none"> <li>▪ Sale/Transfer</li> <li>▪ Barter/Exchange</li> <li>▪ Licence</li> <li>▪ Rental/Lease</li> <li>▪ Disposal etc.</li> </ul>	Explained Further	Exception in <b>Schedule-I</b>	Exception - <b>Import of Services</b> for consideration

Examples to understand type of transactions

Sale	Mr. Ram has sold a car for ₹ 5,00,000 to Mr. Shyam.
Transfer	ABC Ltd. has transferred goods from its plant to its retail outlet.
Barter	CA Ram filed return for Dr. Rawan against consultancy provided by Dr. Rawan.
Exchange	Mr. A purchased Iphone-17 against which he paid ₹ 50,000 and old Iphone-11.
Licence	The government of Punjab gave the rights of mining to ABC Ltd in Bathinda.
Rental	ABC Ltd. gave its godown for use to XYZ Ltd. against rent of ₹ 10,000 p.m.
Lease	Shyam has given his machine on lease to Ram against ₹ 2,00,000 p.a.
Disposal	PQR Ltd. has donated its stock to needy people.

2. Activities or Transaction By A person other than individual to its members or vice versa for Consideration

Example: A club provides its members with food and recreational activities for fees of ₹ 10,000.

## (I) Goods and Services

Goods means	Services means
<ul style="list-style-type: none"> <li>Any kind of movable property</li> <li>Actionable claim</li> <li>Growing crops, grass attached to earth, to be severed before supply</li> </ul>	<ul style="list-style-type: none"> <li>Anything other than goods</li> <li>Use of money (i.e. Interest)</li> <li>Conversion of currency</li> <li>Facilitating and arranging transaction in securities</li> </ul>

Excludes: Money and Securities

### Special Points Related to Goods and Services

#### (i) Meaning of Actionable Claim

Any claim to any unsecured debt or beneficial interest in any movable property enforceable in the court of law i.e., betting, gambling, unsecured debt, insurance claim, lottery etc.

#### (ii) Meaning of Money

Indian or foreign currency, cheque, promissory notes, bills of exchange, letter of credit etc. recognised by RBI to settle any obligation but exclude currency held for its numismatic value.

#### (iii) Clarification on Money and Securities

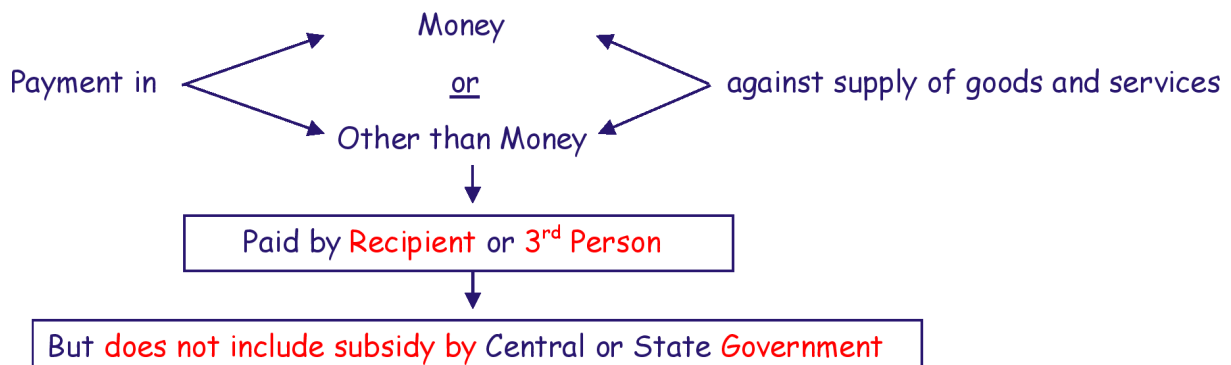
<ul style="list-style-type: none"> <li>Issue of Loan, Deposit, Advance, Letter of Credit, Bank guarantee, Certificate of Deposit, Commercial Paper</li> </ul>	Transaction in money, hence not covered in Goods or Service
<ul style="list-style-type: none"> <li>Activities related to above products or securities i.e., brokerage, transfer fees, commission, issuance charges, service charges or any other fees or charges</li> </ul>	Facilitating or arranging transaction, hence covered in Services.
<ul style="list-style-type: none"> <li>Interest and Discount</li> </ul>	Use of money - Services

**(iv) Use of Schedule-II**

There are some cases where confusion arises in **determining whether activity is a supply of goods or services**. **Schedule-II** provides guidance on the same (discussed later).

**(v) Schedule-III Transactions**

There are some cases given in **Schedule-III** which will **neither treated as supply of goods nor supply of services** (discussed later).

**(II) Consideration**

**Example:** Mr. Ram purchased goods worth ₹ 1,00,000 from Mr. Shyam for which payment is:

- Made by Ram — Consideration
- Made by Jay on behalf of Ram — Consideration
- Made by Central or State Government — Not a Consideration

**Special Points Related to Consideration****(i) Consideration in form of deposit**

Deposit given for supply of goods or service shall **not be considered as consideration** unless supplier apply such deposit as consideration **i.e., refundable deposit etc.**

**(ii) Gift or donation to charitable organization**

If any donation is received by the charitable organization, same shall be considered as consideration only if there is *quid pro quo*. However, if below mentioned **all the conditions are satisfied**, then there will be no consideration, hence **no supply**:

- Gift or donation is **made to charitable organization**,
- Payment has the **character of gift or donation** and
- Purpose is **philanthropic and not advertisement** (no commercial gain).

**Example:** Mr. Naveen donated fans to a school run by charitable organization and school has:

Mentioned on fan	Supply or Not Supply
"Donated by Mr. Naveen"	No Supply, as no mention of business activity
"Donated by Naveen and Associates "	Supply of advertisement services against donation

(iii) Art-Work sent to galleries for exhibition

➤ Shown in exhibition till it is not sold	→	No consideration, hence <b>no supply</b>
➤ Sold from exhibition to interested person	→	Consideration is there, hence <b>supply</b>

(iv) Schedule-I Transactions

Normally transaction is supply only if consideration is involved, but in some cases given in **Schedule-I**, it will be **treated as supply even if no consideration is involved**. (discussed later)

**(III) In The Course or Furtherance of Business**

Only those transactions which are done in the course or furtherance of business will lead to supply, transaction done in personal capacity will not be considered supply. So, it is important to know what is business. As per the GST Act, **business includes**:

- **Trade, commerce, manufacturing, profession, vocation** or any incidental or ancillary activity to it.
- Acquisition or supply of goods including **capital goods** for commencement or closure of business.
- Facility by **club** to its members.
- **Admission** to premise [zoo, movie theatre etc.].
- Race club, bookmaker etc.
- Any other business activity for **profit or not for profit**.
- Any activity of **government or local authorities** as public authorities.

Notes:

- (i) It is not necessary that activity is to be conducted as main business, **it can be ancillary** to the business **i.e., sale of fixed asset etc.**
- (ii) Transaction is supply only if it is done in the course or furtherance of business, however **in case of Import of service, no such business condition** is applicable **if made for consideration**.

Example

Mr. Yuji obtained the services of lawyer of London for his divorce matter in India for which \$ 5,000 is paid to the lawyer. Since it is an import of service it will be considered as supply even it is not in the course of business.

**Schedule-I: Supply Even Without Consideration**

Normally consideration is must in a transaction to qualify as supply under GST but some transactions discussed in Schedule-I are considered as supply even if no consideration is involved.

(1) Permanent Transfer or Disposal of Business Asset: shall be **considered as supply even if no consideration** is involved, if:

- **Permanent transfer or disposal** of business asset has been done **and**
- **ITC was taken** on purchase of such asset.



**Examples**

- (i) ABC Ltd. purchased A.C. for office and taken ITC on same, now he transferred this A.C. to its subsidiary company without any consideration.

Transaction is a supply as it falls under Schedule-I in terms of permanent transfer or disposal of asset, even if no consideration is involved.

- (ii) Mr. Gaurav is engaged in business of electronics. He gifted motor car free of cost to his customer. On such motor car, no ITC was taken by Mr. Gourav.

Transaction is not a supply as no consideration is involved. Also, it does not fall into Schedule-I in terms of transfer or disposal as ITC has not been taken on such motor car.

- (iii) Mr. Hari provides free samples/gifts to the prospective customer.

Transaction is not a supply as no consideration is involved. It can be considered supply under Schedule-I, if ITC has been taken on such goods.

- (2) **Supply of Goods or Service between Related Person or Distinct Person:** shall be **considered supply even if no consideration** is involved, if:

- Supply has been made between **related or distinct person** and
- Supply has been made in the course or furtherance of **business (of supplier)**.

**Meaning of Certain Terms**

- (i) **Related Person:** As per GST, following persons are deemed as related if:

- Such person are **officers, directors** of one another's business
- Such person are recognised **partners**
- Such person are **Employer-Employee**
- Third person controls/owns/holds **≥ 25% voting** stock or share of **both of them**
- One **controls** the another
- Third person controls both** of them and such persons **together controls third person**.



- Sole agent**, sole distributor or sole concessionaire of one another
- Members of the same **family**

- (ii) **Members of the Same Family:**

- Spouse and Children - **Always**
- Parents, Grandparents and Siblings - **Only if dependent** on such person

- (iii) **Distinct Person and Establishment of Distinct Person:**

GST has **PAN based registration** but it is not centralised. Every person has to take registration **separately for each state from** where they make any taxable supply (refer detailed discussion in chapter "Registration").

Distinct Person

A person who has **obtained or required to obtain** more than 1 registration under same PAN whether in one State/UT or more than 1 State/UT.

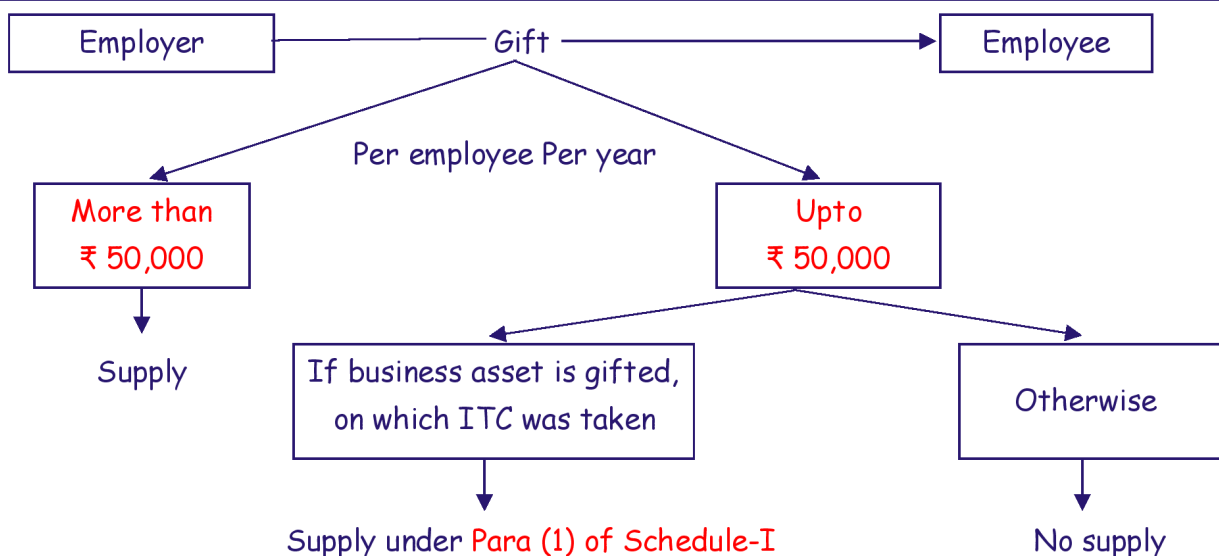
Establishment of Distinct Person

A person who has **obtained or required to obtain** registration in a State/UT and has another establishment (neither registered nor required to register) in another State/UT.

Example

ABC Ltd. registered in Mumbai (MH) is a trader of paper and it has following branches:

- (i) Pune branch selling paper (separately registered) - Mumbai and Pune: obtained more than 1 registration in one state, so distinct person.
- (ii) Jaipur branch selling paper and registered in the state of Rajasthan - Mumbai and Jaipur: obtained more than 1 registration in more than 1 state, so distinct person.
- (iii) Chandigarh branch selling clothes and not registered - Mumbai and Chandigarh: obtained or required to obtain more than 1 registration in more than 1 state/UT, so distinct person.
- (iv) Ludhiana branch selling petrol and neither registered nor required to register - Mumbai and Ludhiana: obtained registration in 1 state and has another establishment in another state, so establishment of distinct person.
- (v) Thane (not separately registered, declared as additional place of business) - Mumbai and Thane: neither obtained nor required to obtain more than 1 registration in 1 state/UT, so neither distinct person nor establishment of distinct person.

**Special Point related to Perquisite and Gift by Employer to Employee**

However, any perquisite or incentive provided by employer as per employment contract, is not a gift, hence not covered here **i.e., production bonus, sales bonus to employee etc.**



Examples of supply without consideration between related or distinct person

- (i) A Ltd. transferred some stock from its manufacturing unit (Mumbai) to its retail outlet (Gujarat). — Supply even without consideration (distinct person).
- (ii) Mr. Shyam (event manager) provides event services to his brother for family function — Supply even without consideration (related person) only if brother is dependent on Shyam.
- (iii) Mr. Ram (an architect) provides architectural services to his wife— Supply even without consideration (related person).

**(3) Supply of Goods between Principal and Agent (Only Goods):** shall be **considered as supply even if no consideration is** involved.

Notes:

- (i) Agent includes factor, broker, commission agent, arhatia, del credere agent, auctioneer etc. who either purchase on behalf of principal or sale on behalf of principal.
- (ii) How to decide whether principal - agent relationship falls under Schedule-I or not?

Goods procured or sold with invoice issued in <b>name of Agent</b>	Falls in Schedule-I
Goods procured or sold with invoice issued in <b>name of Principal</b>	Not fall in Schedule-I

Example

Agent issue Invoice in his own Name	Agent issue Invoice in Principal's Name
<p>Mr. Shyam (Principal)</p> <p>Mr. Hari (Agent)</p> <p>Customer</p> <p>Agency Services</p> <p>Sale of Goods</p> <p>Sale of Goods by Agent to Customer</p>	<p>Mr. Shyam (Principal)</p> <p>Mr. Hari (Agent)</p> <p>Customer</p> <p>Agency Services</p> <p>Sale of Goods by Principal to Customer</p>
<u>Here, Following Supplies Took Place</u> <ul style="list-style-type: none"> <li>• Sale of goods by Shyam to Hari whether consideration is involved or not</li> <li>• Agency Services by Hari to Shyam only if consideration is involved</li> <li>• Sale of goods by Hari to the customer only if consideration is involved</li> </ul>	<u>Here, Following Supplies Took Place</u> <ul style="list-style-type: none"> <li>• Sale of goods by Shyam to the customer only if consideration is involved</li> <li>• Agency Services by Hari to Shyam only if consideration is involved</li> </ul> <p><u>Note:</u> No transaction of goods between principal and agent &amp; agent and customer.</p>

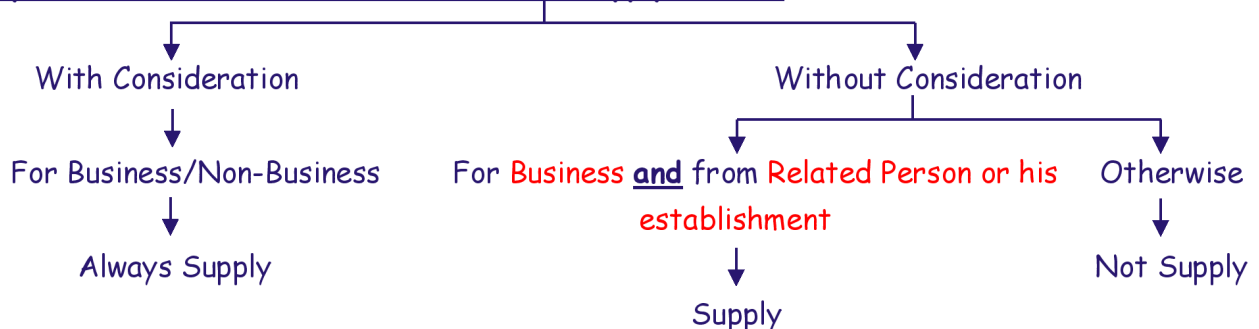
**(4) Importation of Services:** shall be **considered as supply even if no consideration is** involved, if:

- Service is received from **related person** or his other **establishments** outside India **and**
- Service is received by recipient in the course or furtherance of **business (of recipient)**.

**Example**

Mr. Hari obtained architectural services from his son (settled in London) for his new home and also for the real estate project started by Mr. Hari in his business.

- Architect services for home: **Not supply**, as services are not imported for business.
- Architect services for real estate project: **Supply**, as services are imported for business and from related person, even if received without any consideration.

**Special Points****A. Import of Service - Summarised whether supply or not?****B. Whether various Sales Promotion Schemes Qualify as Supply under GST?**

➤ Free Sample and Gift	No consideration, hence <b>no supply</b> except fall under Schedule-I
➤ Buy One Get One	It is considered as two or more supply for a single price, hence <b>entire transaction is supply</b>

**Schedule-III: Negative List: Transaction which are Neither Supply of Goods nor Services****(1) Services under Employer-Employee relationship**

Includes (Not Supply)	Excludes (Supply)
<ul style="list-style-type: none"> <li>▪ Amount paid for premature termination</li> <li>▪ Wages to casual worker</li> <li>▪ Director Salary [If TDS u/s 192]</li> </ul>	<ul style="list-style-type: none"> <li>▪ Contractual basis</li> <li>▪ Non-compete fees</li> <li>▪ Director Salary [TDS u/s other than 192]</li> </ul>

**(2) Services by Court or Tribunal [District, High court or Supreme court] including Quasi-Judicial Authority i.e., Tribunal, Consumer Court, ITAT, GSTAT etc.**

However arbitral tribunal is not covered here, hence GST will be applicable on its services.

**(3) Services by:**

- **MP, MLA** or member of local authority.
- Person performing duties on constitutional post i.e., **President, CAG, AG, PM etc.**
- Chairperson, member or director of body established by Government i.e., **Niti Ayog director.**

**(4) Service of Funeral, Burial, Crematorium, Mortuary and Transportation of deceased.**

**(5) Sale of Land and Sale of Building [except transaction in schedule-II].**

Note: Sale of land can be as it is or after some development i.e., levelling, laying down drainage lines, water lines etc. it will be covered under schedule-III

**(6) Actionable claim other than specified actionable claims:** Any actionable claim except specified actionable claim is not treated as supply, i.e., insurance claim, recovery of unsecured debt etc.

Notes:

**(i) Specified actionable claim means:**

- Betting, Lottery, Gambling, Horse racing
- Online Money Gaming and Casinos

**(ii) Online Money Gaming means:** online gaming [game on internet or electronic network] in which player pay or deposit money including virtual digital assets and whose outcome or performance is based on skill or chance or both [can be legally permissible or not].**(iii) Supplier of Specified actionable claim means:** person who organise or arrange supply of such claims including person who own or operate digital platform for such supply.**(7) Apportioned premium to co-insurer** by lead insurer for joint supply of insurance services, provided lead insurer paid full GST on the entire insurance premium paid by the insured.

Example: A Ltd. got its machinery insured from Bajaj Insurance (lead insurer) and TATA AIG (co-insurer) for premium of ₹ 200 crores and A Ltd. will pay full premium to Bajaj and it will share ₹ 80 crores of premium with TATA as per co-insurance agreement. Determine taxability.

- A Ltd. paid ₹ 200 crores premium to Bajaj: Taxable as supply of service
- Bajaj paid ₹ 80 crores premium to TATA: Not taxable, as not a supply as per Schedule-III

**(8) Ceding commission or re-insurance commission** deducted by insurer from re-insurance premium paid by the insurer to the re-insurer, provided re-insurer paid the GST on gross reinsurance premium payable by insurer.

Example: A Ltd. got its machinery insured from Bajaj Insurance for premium of ₹ 200 crores and Bajaj re-insured the same risk from TATA AIG for ₹ 180 crores and deducted commission of ₹ 2 crores for bringing re-insurance business. Determine taxability.

- A Ltd. paid ₹ 200 crores premium to Bajaj: Taxable as supply of service
- Bajaj paid ₹ 180 crores premium to TATA: Taxable as supply of service
- Deduction of ₹ 2 crore commission by Bajaj: Not taxable, as not supply as per Schedule-III

**Transactions which are Neither Supply of Goods nor Services**

**[Declared by Separate Notification or Clarification]**

**(1) Activities of panchayat, municipality** entrusted to them by constitution under article 243G/W.**(2) Grant of alcoholic liquor licence by state government:** This does not apply to any other licence issued by state or central government.

- (3) **Inter-state movement of modes of conveyance** (trucks, buses, rigs etc.) between distinct persons except such movement is made for further supply of such modes of conveyances. However, repair & maintenance service along with material used for repair is treated as supply.  
**Example:** Janki has a truck (value ₹ 6 crores) fitted with machines, used in repairing at Pune office. Some default arises in Jamnagar office, truck was sent to Jamnagar for repairing. Movement of mode of conveyance (i.e., truck of ₹ 6 crores) between distinct person won't be supply as movement has not been made for further supply of truck.  
 However, repairing services provided by Pune office to Jamnagar will be considered as supply.

### Schedule-II: Determining Transactions whether Supply is of Goods or of Services

(1)	<b>Nature of Transaction</b>	<b>Nature of Supply</b>
	▪ <b>Transfer of title</b> in goods	Supply of Goods
	▪ Even if title of goods <b>transfer at future date</b> [i.e., hire purchase, sale or return basis]	Supply of Goods
	▪ <b>Transfer of rights</b> in goods without transfer of title	Supply of Services
(2)	<b>Lease or rental or licence</b> for land or building —————> Supply of Services	
(3)	<b>Job Work</b> (treatment or process applied <b>on other's goods</b> ) —————> Supply of Services <b>Note:</b> However, Job worker may use some of his own goods to provide Job work services. <b>Example</b> Mr. Mittal has some old furniture, he sent the furniture to Mr. Pal. to re-design it. Mr. Pal would charge ₹ 2,00,000 for the same. Here, designing done by Mr. Pal is job work, hence it is a supply of service.	
(4)	<b>Transfer of Business Asset</b>	
	▪ <b>Permanent transfer</b> or disposal	Supply of Goods
	▪ Put to <b>private use</b>	Supply of Service
	<b>Note:</b> If business ceases to be taxable person, asset lying shall be deemed to be supplied as supply of Goods <b>except:</b> ➤ In case business transferred as <b>going concern</b> to another person. ➤ In case business continued by personal representative.	
(5)	<b>Nature of Transaction</b>	<b>Nature of Supply</b>
	▪ <b>Temporary transfer</b> or permitting use of <b>intellectual property rights (IPR)</b>	Supply of Service

<ul style="list-style-type: none"> <li>Software related services i.e., development, design etc.</li> </ul>	Supply of Service
<ul style="list-style-type: none"> <li>Agreeing to obligation to <b>do an act</b>, <b>tolerate an act/situation</b> or <b>refrain from an act</b> <ul style="list-style-type: none"> <li>✓ It would be supply only if <b>contractually liable</b> for the same through express/implied contract.</li> <li>✓ Consideration flow in return from other party</li> </ul> </li> </ul>	Supply of Service

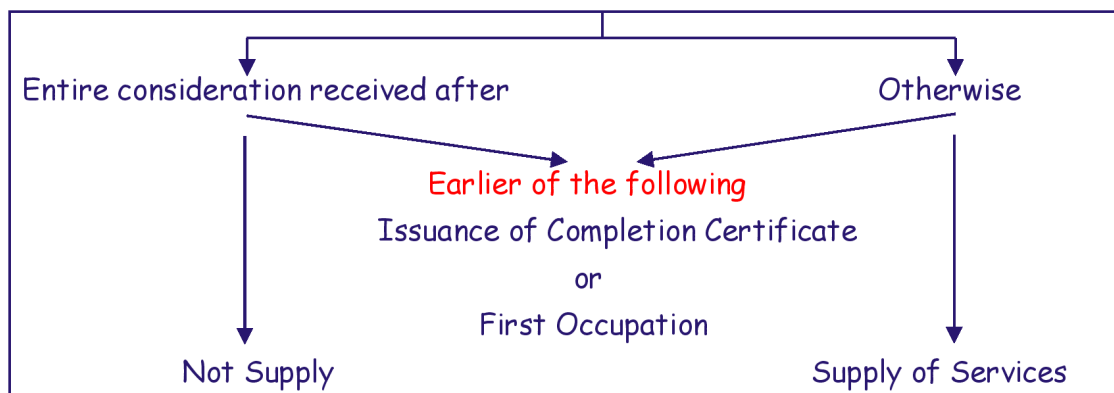
### Examples

- (i) Infosys limited develops a software for some business along with regular updates.  
Supply of service, as software related services.
- (ii) School has paid ₹ 4,00,000 to nearest factory for installing noise cancelling instrument.  
Supply of service, as factory has agreed to do an act.
- (iii) A society received ₹ 20,000 from a hawker to tolerate the noise made by hawker.  
Supply of service, as society has agreed to tolerate an act.
- (iv) Mr. X (employee) agreed to not compete in any particular area after resigning for which company has paid ₹ 5,00,000 to Mr. X.  
Supply of service, as Mr. X agreed to refrain from an act.

(6) **Renting** of Immovable Property → Supply of Services

(7) Supply of goods being food or drinks other than alcoholic liquor by way of or as part of any service or any other manner whatsoever (**Restaurant services**) → Supply of Services

(8) Construction services of Building and Civil Structure



Hence even a single ₹ is received before above date, the full value shall be considered as supply of services.

### Example

A Ltd. started a project of 10 plots and received consideration as below. Completion certificate received on 01/09/2024 and first occupation made on 01/01/2025. Determine taxability.

07/11/2022	4 flats to X Ltd.	@ ₹ 50 lacs each	₹ 2 crores
01/12/2024	6 flats to Y Ltd.	@ ₹ 50 lacs each	₹ 3 crores



What will be the taxability if payment was received as below:

07/11/2022	10 flats to X Ltd.	@ ₹ 20 lacs each	₹ 2 crores
01/12/2024	10 flats to X Ltd.	@ ₹ 30 lacs each	₹ 3 crores

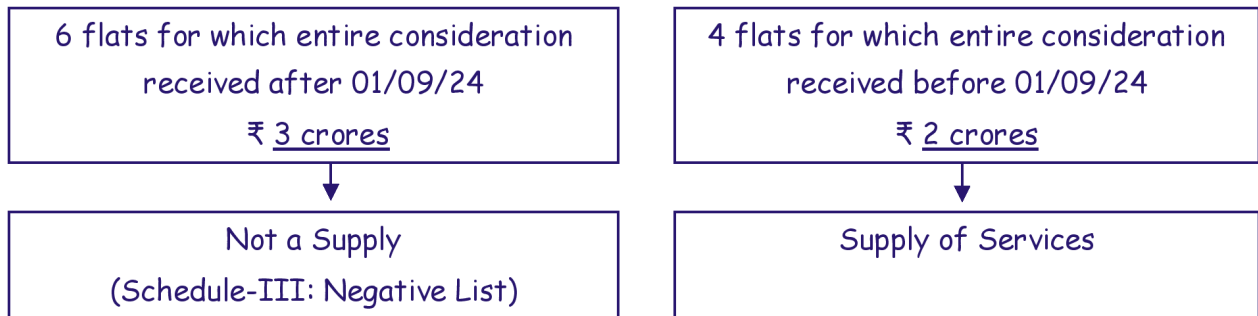
### Solution

01/09/2024 Completion certificate issued

01/01/2025 First flat occupied by X Ltd.

So, whichever is earlier is 01/09/2024

### Case-I



### Case-II



Hence total ₹ 5 crores shall be treated as supply of services

### Tenancy Right Taxability (Pagdi System)

Amount received against transfer of tenancy right [Tenancy Right Premium] is supply of service. Merely because stamp duty is payable, does not mean that it is not a supply.

- **Service provided by owner** in form of tenancy premium - **Taxable Supply**  
However, in case of **residential dwelling for use as residence** to unregistered person or registered proprietor using for personal purpose is exempt. As rent is **exempt**, in such case, tenancy premium would also be **Exempt**.
- **Services provided by outgoing tenant** by surrendering tenancy rights - **Taxable Supply**

## **Composite Supply and Mixed Supply [Section 8]**

### Meaning of Composite and Mixed Supply

(1) **Composite Supply:** means supply comprising:

- Two or more supplies
- Which are **naturally bundled** and supplied together **in ordinary course** of business.
- One of which is **principal supply**.

If **all conditions** satisfy, it will be considered as Composite Supply.

Notes:

- (i) Naturally Bundled: Whether combination made in ordinary course of business.
- (ii) Principal Supply: **Predominant element** of combination of supplies in the composite supply.

**(2) Mixed Supply**: means supply comprising:

- Two or more supplies made **for a single price and**
- Does not constitute a composite supply.

Examples

- (i) A Ltd. provides transportation services to Mr. Jack along with loading and unloading services. It is a composite supply and transportation is predominant element.
- (ii) Clark hotel provides accommodation services along with breakfast for ₹ 5,000 per night. It is a composite supply and accommodation is predominant element.
- (iii) A sweet shopkeeper made a basket consisting of chocolates and dry fruits and sold for ₹ 1,000. It is a mixed supply since it is not naturally bundled.

**Taxability of Composite and Mixed Supply**

Type of Supply	Tax Rate
▪ Composite Supply	Tax rate applicable on <b>principal supply</b>
▪ Mixed Supply	<b>Highest tax rate</b> applicable on supplies involved
▪ Price for each item in combination given separately and not a composite supply	<b>Respective rate</b> will be applicable for each item

**Various Circulars Related to Composite and Mixed Supply****(i) Printing industry provides printing services along with using paper themselves**

Nature of Transaction	Nature of Supply	Justification
Printing of books, pamphlet, annual report, brochures etc.	Supply of Service	Intellectual property is more important hence <b>printing service</b> is pre-dominant
Printing of napkins, tissues, letterhead, envelope etc.	Supply of Goods	<b>Supply of paper</b> is pre-dominant

**(ii) Supply of food and beverages in cinemas**

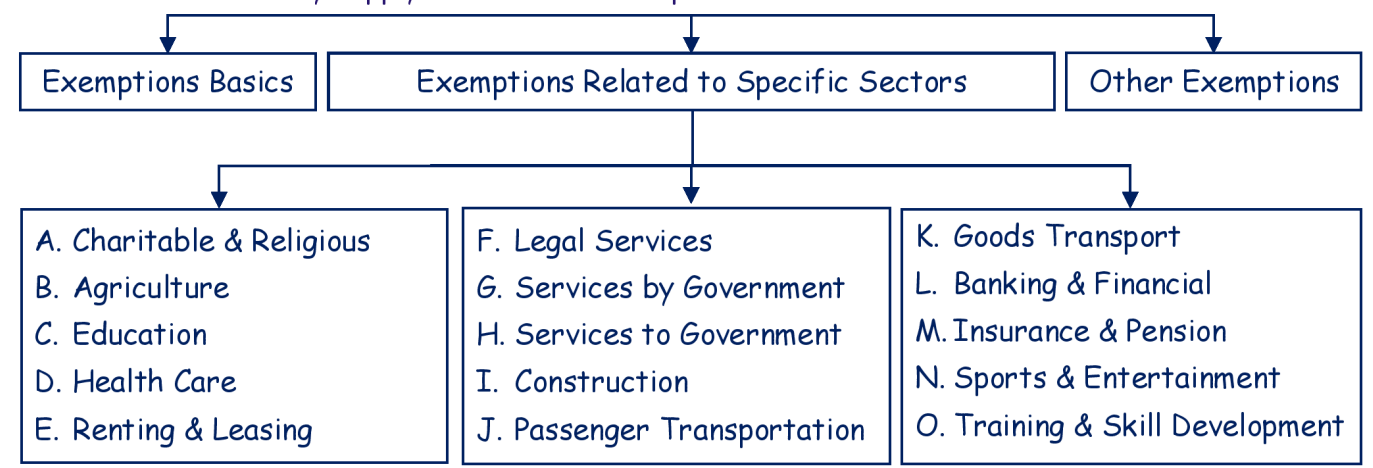
Nature of Transaction	Nature of Supply
If provided <b>independent</b> of cinema exhibition services	considered <b>restaurant services</b>
If provided <b>bundled with cinema</b> exhibition services	considered <b>cinema exhibition services</b> being composite supply

# Exemptions from GST

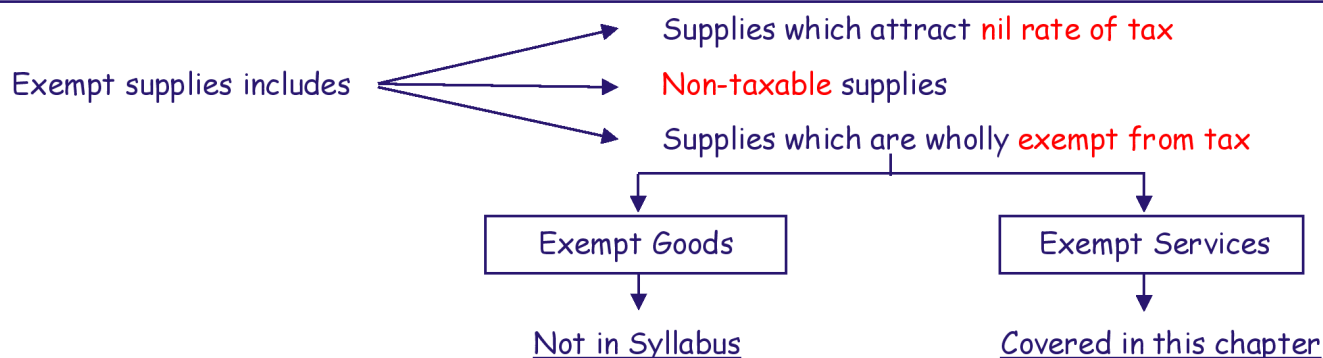


## About this Chapter

In this chapter, discussion will revolve around services which are exempt from GST. It is important to understand that any supply which is not exempt is taxable.



## Exemptions Basics



Note: Non-taxable supplies are supply of goods which are not leviable to GST, i.e., alcohol for human consumption, ENA and rectified spirit for alcohol for human consumption and 5 petroleum products.

Central or state government may grant exemption on recommendation of GST council **by way of**:

- Issue of **notification**
- **Special order**

If government adds any explanation within 1 year of issue of notification or order, such explanation shall have retrospective effect as it was part of original notification or order.

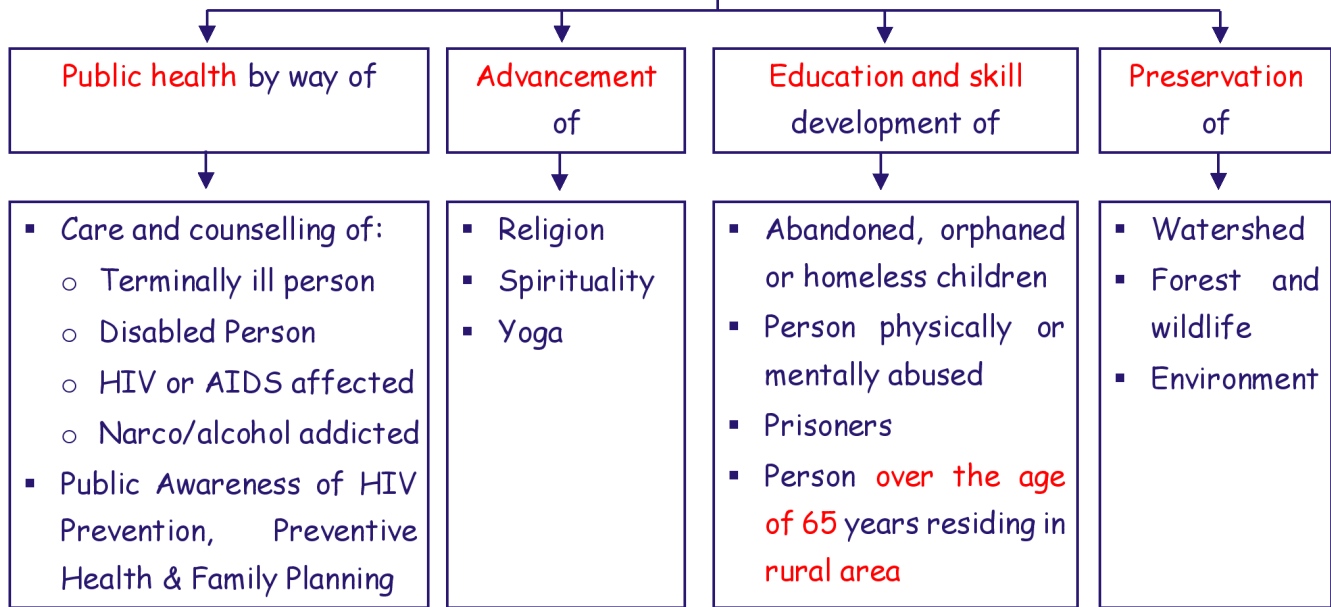


## Services Exempted under CGST and IGST Both Acts

## (A) Charitable and Religious Activities

## Exemptions related to Charitable and Religious Activities

- (1) Services by any trust registered u/s 12AA/AB of the Income-tax Act, 1961 by way of charitable activities. Charitable activities are defined as below:

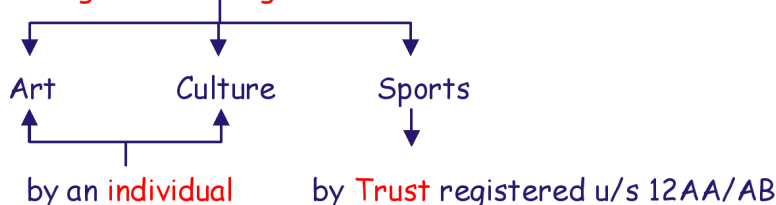


- (2) Services by way of:
- Conducting religious ceremonies, i.e., pooja, ceremonies on death, birth, marriage etc.
  - Renting of precincts at religious place, i.e., mandir, masjid, gurudwara, church having property within outer boundary wall, provided by charitable or religious trust registered u/s 12AA/AB or 10(23C) of the Income-tax Act only if:
    - Room rent is less than ₹ 1,000 per day.
    - Rent of premise, hall, pandal or open area etc. is less than ₹ 10,000 per day.
    - Rent of shop or space for business purpose is less than ₹ 10,000 per month.

Note: If given on rent to multiple people, combined rent to be seen per day or per month.

- (3) Services of religious pilgrimage provided by:
- Kumaon Mandal Vikas Nigam Limited for Kailash-Mansarovar yatra.
  - Haj committee of India or state haj committee for Mecca pilgrimage.
- However, if provided by any other organisation, same shall be taxable.

- (4) Training and coaching in the field of



Note: Here art includes:

- Dance & Singing
- Painting
- Theatre
- Literature etc.

**Example:** Ram charitable trust provides training in cultural music to some student for ₹ 800 p.m. it is not an exempt supply as training in art by individual is exempt not by charitable trust.

### Notes:

- (i) Residential program or camps for activities which are exempt but **provided along with taxable services**, i.e., yoga camp with foods, drinks, stay etc., **full service is exempt** if it is a composite supply and exempt supply is the principal supply.
- (ii) **Any other services** other than mentioned above, provided by any trust is **taxable**, i.e., advertisement services, hostel services etc.
- (iii) Any service provided **to charitable trust is not exempt**, just because it is provided to charitable trust.

## (B) Agriculture Sector

### Meaning of Certain Terms

- ❖ Agriculture means **cultivation of plant** and **rearing of animals (except horses)** for:
  - Food    ○ Fiber    ○ Fuel    ○ Raw material    ○ Similar products
- ❖ Agricultural produce means any produce of **agriculture on which**:
  - Either **no processing is done or** → Usually done by producer or cultivator
  - Such **processing is done as** → **and**
  - Does **not alter its essential characteristics** but to make it marketable for primary market

### Examples

Agriculture Produce		Not Agriculture Produce
✓ Tea leaf or coffee beans	Processing done i.e., drying etc. →	✓ Tea or coffee
✓ Sugarcane	Processing →	✓ Jaggery
✓ Whole pulses	De-husking, splitting →	✓ De-husked or split pulses
✓ Tomato/Potato	Processing →	✓ Ketchup/ Potato chips
✓ Paddy or wheat	Milling →	✓ Rice or flour

### Exemptions related to Agriculture Sector

- (1) Services by way of agriculture operations, i.e., cultivation, harvesting, threshing, testing etc.
- (2) Supply of **farm labour**.
- (3) Intermediate production process as **job work** in relation to agriculture.  
Note: Milling of paddy into rice is not covered here as it is carried after harvesting.
- (4) **Processes** carried out **at agriculture farm** which **does not alter essential character** of produce but makes it only marketable in primary market.

- (5) Renting or leasing of **agro machinery or vacant land** with or without structure incidental to use.
- (6) Loading, unloading, packing, storage, warehousing of **agriculture produce and rice**.
- (7) Storage or warehousing of cereals, pulses, fruits and vegetables.
- (8) Warehousing of minor forest produce.
- (9) Pre-conditioning, pre-cooling, ripening, waxing, retail packing, labelling of fruits and vegetable, which **does not alter essential character** of such fruit or vegetable.
- (10) Agriculture extension services (**farmer education** and training) i.e., kisan call centres, kisan melas, training courses, farm visits etc.
- (11) Services by **APMC i.e., licences fees, rent etc. and commission agent for agricultural produce**.
- (12) **Artificial insemination** to livestock (except horses).
- (13) Services by **national centre for cold chain development** by cold chain knowledge dissemination

Example: Mr. Ram provided his land along with storage structure to a farmer for agriculture activities and also supplied farm labour for harvesting the produce, Activities of renting agro land along with incidental structure is exempt as per point (5) and supply of farm labour for agriculture is exempt.

### (C) Education Sector

#### Meaning of Certain Terms

- ❖ **Educational institution** means institution providing services by way of:
  - **Pre-school** education and education **upto higher secondary school** or equivalent.
  - Education as a part of curriculum to obtain **qualification recognised by Indian law** (i.e., college)
  - Education as part of an **approved vocational education** course (i.e., ITI)

Note: Board or authority established by government [i.e., CBSE, RBSE, National Testing Agency (NTA) and National Board of Examination etc.] **shall also be considered** as an educational institution but only for the purpose of conducting exams.

- ❖ **Approved vocational education** courses means:

Courses run by ITI or ITC	Approved by National or Sector Council for vocational Education & training (NCVET/SCVT) in designated trade
Modular Employable skill course	

Note: Designated trade covers following trades such as electrician, photographer, footwear maker, tailor, cable operator, gardner, painter, baker, weaver etc.

#### Exemptions related to Education Sector

- (1) Any service provided **by an educational institution:** [**Output Services**]

- To **Student**      ○ To **Faculty**      ○ To **Staff**

**And**

By way of conducting **entrance exam** against entrance fees.

## (2) Following services provided to an educational institution: [Input Services]

<ul style="list-style-type: none"> <li>▪ Transport of students, faculty and staff</li> <li>▪ Catering including mid-day meal</li> <li>▪ Security, cleaning, housekeeping services only if performed within such educational institute.</li> </ul>	Only if provided to pre-school or school upto higher secondary school or equivalent
<ul style="list-style-type: none"> <li>▪ Service (not goods) related to admission or conduct of examination by such educational institution</li> </ul>	If provided to any educational institution
<ul style="list-style-type: none"> <li>▪ Supply of online educational journals or periodicals</li> </ul>	Only if provided to an institute providing education as a part of curriculum to obtain qualification

**Notes:**(i) Special cases for exemptions of education sector:

Special Case	Taxability
Training by private coaching institute, i.e., SSC, banking, CA coaching etc.	Not Exempt
Education as part of curriculum for qualification recognised in foreign law	Not Exempt
Mid-day meal service to or by Anganwadi	Exempt
Services of Boarding school (Education + Stay + Food)	Exempt as composite supply
Fee charged from prospective employers or companies participating in recruitment or placement drive	Not Exempt [as not provided to student, faculty or staff]
Services by IIM provided by way of long duration program [1 year or more + degree or diploma]	Exempt
Services by IIM provided by way of short duration program [less than 1 year + participation certificate]	Not Exempt
Maritime training course is approved by the DG (shipping)	Exempt
DGCA approved flying training courses conducted by DGCA approved flying training organisation	Exempt

## (ii) Taxability of courses in college providing two (dual) qualification (1 is exempt and 1 is taxable):

Fees for each qualification is prescribed separately	Separately assessed, fees for taxable as taxable and fees for exempt as exempt
Fees for each qualification is not prescribed separately	Mixed supply and full value will be <u>Taxable</u>

- (iii) Board or authority established by government [i.e., CBSE, RBSE, National Testing Agency (NTA) and National Board of Examination etc.] are considered as educational institution only for the purpose of conducting examination hence:

<p><b>Output service</b> related to exam including entrance exam</p> <p><b>Input services</b> related to exam, i.e., testing, printing, admission etc.</p> <p>Fee charged for admission or issuance of <b>eligibility/migration certificate</b></p>	Exempt
<p><b>Others, i.e., accreditation/affiliation</b> to institutions or professionals etc. [I.e., Affiliation services by university to colleges or central or state board to schools]</p> <p><b>Note:</b> However, if service of <b>affiliation provided</b> by central or state board or other similar body <b>to a school established, owned or controlled by CG, SG, UT, LA</b>, government authority or entities is <b>Exempt</b></p>	Taxable

- (iv) **Food catering services** run by

Scenario	Taxability
✓ Educational institution	Exempt
✓ <u>Outsourced 3<sup>rd</sup> party which provides such services to:</u>	
➤ Pre-school and school upto H.S.C.	Exempt
➤ Other educational institute or directly to student, faculty or staff etc.	Taxable

### Example

Fees charged from students by boarding school (including fees for residence)	Exempt
Receipt of Gandhi ITI affiliated to NCVET	Exempt
Fees charged by AIRICA for CA Final Coaching	Taxable
Receipt for inhouse training of faculties and staff by Hans College	Exempt
Fees charged for transport of students by Hans College from students	Exempt
Receipt from Hans College for transport of students/staff of Hans College	Taxable
Receipt from Ryan School for transport of students/staff of Ryan School	Exempt
Catering and Security services to Ryan School in School premise	Exempt
Security and housekeeping services to Ryan School for event at banquet hall	Taxable
Supply of online periodical journal to Ryan School	Taxable
Paper procured for printing the question paper by Ryan School	Taxable



**(D) Health Care Service Sector****Meaning of Certain Terms**

❖ **Health care services** means:

- ✓ Diagnosis, Treatment or Care for illness, injury, deformity, abnormality, pregnancy (including IVF pregnancy technique), in any recognised medical system i.e., [AYUSH NA]
  - Allopathy [A]    ○ Homeopathy [H]    ○ Naturopathy [N]    ○ Ayurveda [A]    ○ Yoga [Y]
  - Unani [U]        ○ Sidhha [S]
- ✓ **Transportation of patients** to and from clinical establishments

Note: Following are not considered as health care services:

- **Hair transplant, cosmetic or plastic surgery** unless required to restore or reconstruct anatomy or function due to defect, abnormality, injury or trauma.
- **Services by cord blood bank** in relation to preservation of stem cells.

**Exemptions related to Health Care Sector**

(1) **Healthcare services** by:

- Clinical establishments (i.e., hospital, nursing home, clinic, pathological lab etc.)
- Authorised medical practitioner
- Paramedics (nursing staff, physiotherapists, technicians, lab assistants etc.)
- **Veterinary clinic** for healthcare of animals or birds

(2) **Ambulance services** provided by **government or private entity** for transportation of patients.

**Notes:**

- (i) Services of providing room to in-patient (admitted) by clinical establishments is also **Exempt** except where room charges are **more than ₹ 5,000 per day**. However, in case of critical care units (i.e., ICU/CCU/ICCU/NICU) it will be exempt, irrespective of the room charges.
- (ii) Services provided by doctor, consultant or technician to hospital (whether such person is employee or not) is also **Exempt** [i.e., Amount retained by both hospital & such person is exempt].
- (iii) **Food catering** services provided by **Hospital** to **In-patient** is also **exempt**. [However, it is taxable if provided to out-patients, visitors]

**Example**

Amount charged for medical treatment through Reiki method	Taxable
Amount charged for palliative care at home for terminally ill patient	Exempt
Amount charged by cord blood bank	Taxable
Amount charged by hospital for deluxe room @ ₹ 6,500 per day	Taxable
Amount charged by hospital for critical care unit room @ ₹ 6,500 per day	Exempt
Plastic surgery to repair cleft lip of new born baby	Exempt

**(E) Renting and Leasing Services****Exemptions related to Renting and Leasing Services**

- (1) Services of **renting of residential dwelling** for **use as residence** shall be exempt if provided to:
- An **unregistered person**
  - A registered person (only if proprietor) taken on rent for his own residence
- Note: However, above exemption is not applicable on accommodation services provided:
- By Hostels, camps, PG accommodations and like
  - To students in student residences
- Except if above accommodation services **are provided for minimum** continuous period of **90 days** and value is **upto ₹ 20,000** per person **per month**, then it will be **Exempt**.
- (2) **Upfront amount including preferential location charges** paid in one or more installments (i.e., premium, salami, cost, price or other name) on service provided of **long-term lease (atleast 30 years)** of industrial plot or plot for developing financial business infrastructure
- To industrial unit or developers in industrial or financial business area
  - By state government industrial development corporation/undertaking (i.e., MIDC, RICCO) or entity in which CG, SG or UT has atleast 20% ownership

**(F) Legal Services****Exemptions related to Legal Services**

- (1) **Legal services** provided by an advocate or firm of advocate are exempt if provided to:
- Any person **other than business entity**
  - Business entity having aggregate **turnover upto amount making it eligible** to get **registered** in **preceding financial year**
  - CG, SG, UT, LA, government entity or authority
  - Advocate or firm of advocate
- Note: Legal services provided by advocate or firm of advocate to other than above recipient (i.e., Business entity having aggregate **turnover more than amount making it eligible** to get **registered** in **preceding financial year**) shall be taxable.
- (2) **Legal services** provided by senior advocate or arbitral tribunal are exempt if provided to:
- Any person **other than business entity**
  - Business entity having aggregate **turnover upto amount making it eligible** to get **registered** in **preceding financial year**
  - CG, SG, UT, LA, government entity or authority
- Note: Legal services provided by senior advocate or arbitral tribunal to other than above recipient (i.e., Business entity having aggregate **turnover more than amount making it eligible** to get **registered** in **preceding financial year**, advocate, firm of advocate) shall be taxable.

**(G) Government Services (Services by Government)****Meaning of Certain Terms**

○ Central Government - "CG"

○ State Government - "SG"

○ Union Territory - "UT"

○ Local Authority - "LA"

- ❖ **Government means central or state government** working through **its offices and departments**. However, regulatory bodies or other autonomous bodies, i.e., SEBI, RBI, FSSAI, IRDA, DGCA, CCI etc. do not fall into the definition of Government.
- ❖ Government authority or entity means an authority, board or body in which **government has 90% or more** participation by way of equity or control if:
  - Set up **by an Act** of parliament or state legislature or
  - Established by any **government**
- ❖ Local authority means panchayat, municipality, zila parishad, district board, cantonment board, regional council, district council, development board  
**But excludes** body described as local body due to local law such as **development authorities**, i.e., Delhi development authority (DDA), Jaipur development authority (JDA) etc.

**Exemptions related to Services by Government****(I) Services Which are Always Exempt**

- (1) Services **by government authority** by way of activity in relation to:
  - Function entrusted to **panchayat** under article 243G of the constitution (i.e., sanitation etc.)
  - Function entrusted to **municipality** under article 243W of the constitution. (i.e. gardens etc.)**Example:** Taxability of statutory collections made by Real Estate Regulatory Authority (RERA)  
 RERA is a governmental authority and such collection made by them is for functions entrusted to them under article 243W of constitution. Hence same shall be exempt.
- (2) Services **by government entity** to CG, SG, UT or LA or nominated person where **consideration is paid by CG, SG, UT or LA** in form of grants.
- (3) Service by CG, SG or UT of **guaranteeing loan taken by its PSU** or undertakings **from banks and FIs**.
- (4) Services by CG, SG, UT by deputing officers after officer hours for cargo handling of import or export for **merchant overtime charges**.
- (5) Services by an old age home to its residents **aged 60 years or more** charging **upto ₹ 25,000 per month per member** run by:
  - Central or state government
  - Entity registered u/s 12AA/AB
- (6) Services **by department of post** by way of post card, inland letter, book post and ordinary post weighing **less than 10 grams**.



- (7) Services by **rehabilitation professional** by way of therapy or counselling at:
- Medical establishments (i.e., hospitals etc.)
  - Educational institutions
  - Rehabilitation centres - established by CG, SG, UT or trust registered u/s 12AA/AB.
- (8) Services by CG, SG, UT or LA to anyone by way of:
- **Registration**, Testing, calibration, checks or **licences** etc. required under any law
  - **Issue of passport**, driving licence, birth certificate, death **certificate etc.**
  - Assigning **right to natural resource to farmer** for agriculture activity [except rearing horse]
- Example:** Mr. Ram paid ₹ 15,000 for registration of its vehicle to Rajasthan government. Such service by the government by way of registration is exempt.
- (9) Services provided by ministry of railways (Indian Railways) **to individuals** by way of sale of **platform ticket**, facility of **retiring/waiting** rooms, **cloak room** services and **battery-operated car** services.
- (10) Services by one division or zone to another division or zone under ministry of railways.
- (11) **Research and development services** against consideration in form of grants, supplied by:
- Government Entity
  - Research association, university, colleges or other institutions notified u/s 35 of income tax Act (only if notified at the time of supply)
- (12) Service by state government to excess royalty collector contractor **[ERCC]** by assigning royalty collection rights from mining lease holder.
- However, **if GST deposited by mining lease holder is less than exempted amount**, ERCC shall pay differential amount.
- Example:** Government of Rajasthan has given ERCC rights to Mr. Shiva for a mine located in Bhilwara. Government has exempted ₹ 2 crores of GST on royalty to ERCC. Mining lease holder has made payment of GST of ₹ 1.5 crores to government. In this case GST deposit of ₹ 1.5 crores is less than ₹ 2 crores (i.e., exempted amount). Hence Mr. Shiva shall make payment of ₹ 50 lacs of GST to the Government.

## (II) **Services other than mentioned above**

- (1) Service by CG, SG, UT or LA provided **to a person other than business entity or to business entity** having turnover upto the amount making an entity eligible to get registered except following services:

(a) Services by <b>department of posts</b> and <b>ministry of railways</b>	Taxable
(b) <b>Transport</b> of goods or passengers	
(c) <b>Services to an aircraft or vessel</b> , inside or outside the port	
(d) Service of renting of immovable property to any business entity	

**Example:** Central government provides general insurance service directly to students of college

or private school where premium is paid by parents of the students are exempt as service provided by the CG to any person other than business entity are exempt.

- (2) Services by CG, SG, UT or LA to CG, SG, UT or LA except items (a), (b), (c) above.
- (3) Services provided by CG, SG, UT or LA where consideration is upto ₹ 5,000 and in case of continuous supply consideration is upto ₹ 5,000 per year except for items (a), (b), (c) above.

### (H) Services Provided to Government

#### Exemptions related to Services Provided to Government

- (1) Pure services (100% labour) or composite supply involving supply of goods not more than 25%, provided to CG, SG, UT or LA by way of activities in relation to work entrusted to a panchayat or municipality under article 243G/W of the constitution.  
Note: However, if service is not supplied in relation to work entrusted to a panchayat or municipality by constitution, same shall not be exempt i.e., Housekeeping, offices maintenance  
Example: ABC LLP provides the services to state government for street beautification for which it charged ₹ 10 lacs which includes ₹ 2 lacs worth of goods used by the ABC LLP.  
 Here the services provided for ₹ 10 lacs is exempt since it's a composite supply provided to state government which does not include more than 25% of goods.
- (2) Services provided to a government authority by way of water supply, public health, sanitation conservancy, solid waste management, slum improvement and upgradation.
- (3) Services by fair price shop under public distribution system (PDS) to CG, SG or UT against commission or margin.
- (4) Services provided to CG, SG or UT under any insurance scheme where total premium is paid by CG, SG or UT and reinsurance of the same.
- (5) Services provided to CG, SG or UT under any training program for which 75% or more expenditure is borne by CG, SG or UT.  
Example: AIR1CA Institute provided coaching to some CA students for which 80% of the expenses is borne by the central government under a scheme. Services provided is exempt since central government has borne more than 75% of expenditure for such training

### (I) Construction Sector

#### Exemptions related to Construction Sector

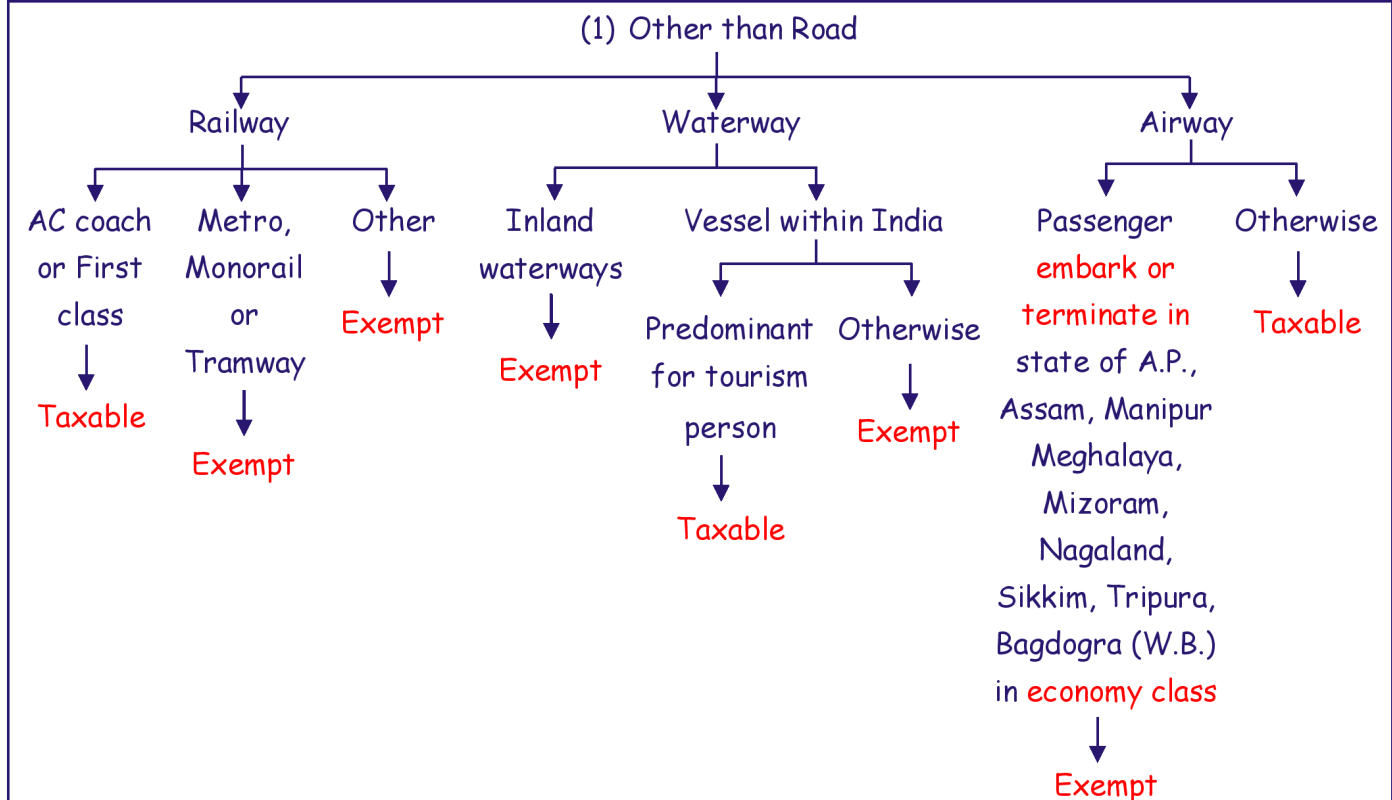
- (1) Services by way of pure labour contracts of construction, erection, commissioning, repair, maintenance, renovation or alteration under house for all (urban) mission or PM Awas Yojana.
- (2) Services by way of pure labour contracts of construction, erection, commissioning of original work pertaining to single residential unit other than as part of residential complex.  
 Here repairing, renovation and maintenance is not covered.

**Note:** Pure Labour contract means contract to provide only services (goods are not covered).

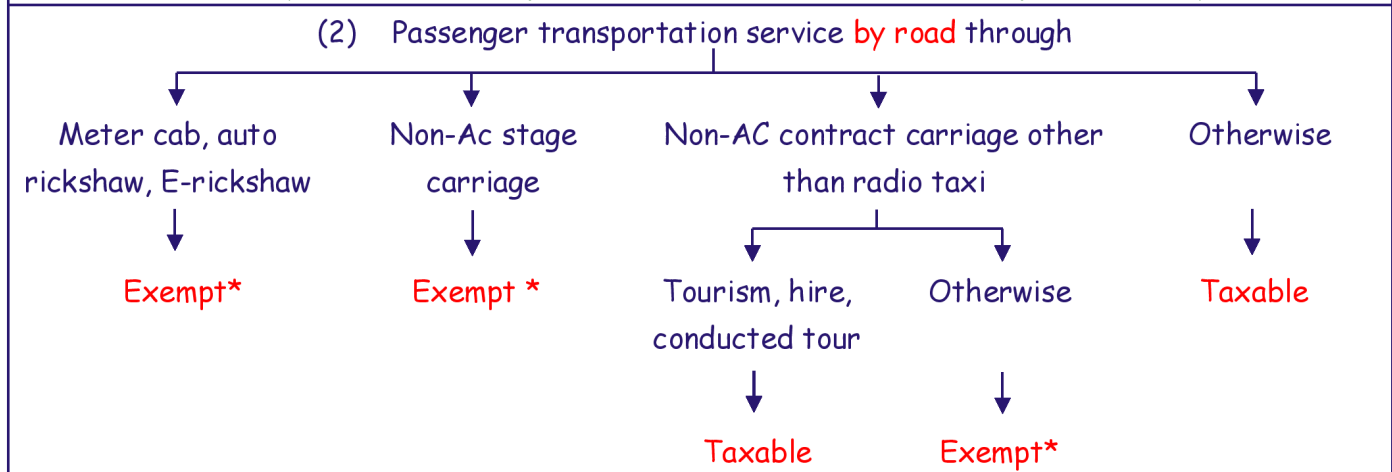
- (3) Services by electricity distribution utility for construction, erection, commissioning of **electricity network upto farmer's tubewell**.
- (4) Supply of services by way of transfer of transferable development rights (TDR), floor space index (FSI), **long term lease ( $\geq 30$  years)** of land by owner to developer/promoter

## (J) Passenger Transportation

### Exemptions related to Passenger Transportation



**Example:** ABC Ltd. operates vessel between Goa and Diu for local residents. However, few tourists also use such facility. Service is exempt, as vessel is running in India & not predominantly for tourism.



\*If service is notified u/s 9(5) & provided through electronic commerce operator, it will be taxable.

Notes:

- (i) Stage carriage means motor vehicle to carry more than 6 passengers for hire or reward at separate fares by or for individual passengers.
- (ii) Contract carriage means motor vehicle to carry passenger under a contract.
- (iii) Exemption in case of non-ac contract carriage would be available only if transportation takes place on predetermined route and pre-determined schedule.
- (iv) Hire means "taken on rent for a period of time" and how to use etc. is at the disposal of person who takes on rent (recipient), hence exemption will not be available in such case.

Example: BCG Ltd. contracts for a non ac carriage with ABC transporter for transportation of its employees to and from office. Designated spots and times are being predetermined for pickup and drop. Services are exempt since contract carriage is not used for hire, tourism or conducted tour.

- (3) Services provided to central government by way of transportation of passengers embarking from or terminating at regional connectivity scheme (RCS) airport against viability gap funding for 3 years from the start of operation of such airport.

- (4) Services by way of giving on hire or renting:

- To a state transport undertaking i.e., BEST, DTC etc., a motor vehicle meant to carry more than 12 passengers.
- To a local authority an electric vehicle meant to carry more than 12 passengers.
- To a Goods Transport Agency, a means of transportation of goods, i.e., trucks etc.
- To a person providing transport service to an educational institute providing education of preschool and H.S.C, a motor vehicle for transport of student, faculty and staff.

Example

- (i) ABC Ltd. has given a bus on rent to Rajasthan Roadways against ₹ 40,000 p.m. and an electric vehicle having seating capacity of 15 people to Jaipur municipality - Exempt
- (ii) ABC Ltd. has given a bus on rent to Dev Transporter who provides the transportation facility for student, faculty, and staff of the school.
  - Services by ABC Ltd. to Dev Transporter is Exempt
  - Services by Dev Transporter to School is Exempt

## (K) Goods Transport

### Exemptions related to Goods Transport

- (1) Transport of goods by:
  - Road except GTA or courier agency
  - Inland waterways

Notes:

- (i) GTA is the goods transporter who issues the consignment note.
- (ii) Transport through truck, tempo, **non-motorised vehicle** or by **individual** which is not GTA shall be **Exempt**.
- (iii) **Transport of minerals** from mine pit to railway siding or beneficiation plant is done through **vehicle taken on hire** along with driver, same is under control of the mine holder. Hence same is not the transport of goods but hiring of vehicle **hence GST is applicable**.

- (2) Service of transport **by rail, vessel or GTA** of following goods: **(by air not covered here)**
- **Relief material** for victims of natural, man-made disaster, calamities, accident or mishap
  - Defence or **Military equipments**
  - **Newspaper or Magazine** registered with registrar for newspaper
  - **Agricultural produce or Milk, Salt, Food Grain** including **flour, Pulse, Rice** **and**
  - **Organic Manure**.

**Example:** Ram Trust hired a GTA for ₹ 20 lacs and a cargo aircraft for ₹ 30 lacs to transport goods for uttrakhand floods. In such case, ₹ 20 lacs is exempt and ₹ 30 lacs is taxable.

- (3) Service of transport by GTA **is exempt on** if **provided to** following person:

▪ Department or establishment of <b>government</b>	who has taken registration <b>only</b> <b>for deducting TDS u/s 51 i.e.,</b> <b>GST Department.</b>
▪ <b>Local Authority</b>	
▪ <b>Government Agency</b>	
▪ <b>Unregistered individual</b> and unregistered casual taxable person.	

- (4) Service by way of granting **national permit** to goods carriage.
- (5) Services associated with **transit cargo to and from Nepal or Bhutan** (land locked countries). Hence even movement of empty containers from Nepal or Bhutan is also exempt.
- (6) Services by way of **access to road, bridge** including **overloading charges or extra charges for non-fast tag** on toll charges.
- (7) Transport of goods through an **aircraft from place outside India** to custom station in India.

### (L) Banking and Financial Services

#### Exemptions related to Banking and Financial Services

- (1) Services of extending loan, deposit or advance against **interest or discount except interest** on delayed payment of **credit card**.
- (2) Sale or purchase of foreign currency **among banks, authorised dealers of forex or inter se**.
- (3) Services by banking company under **Pradhan Mantri Jan Dhan Yojna (PMJDY)**.
- (4) Services by acquiring bank (including payment aggregator) of processing of transaction of amount upto **₹ 2,000 per transaction** by **debit or credit card or other payment card service**.
- (5) Services by **intermediary located in IFSC** to a customer located outside India for international



financial services in foreign currency.

(6) Services by:

- Business facilitator (BF) or Business correspondent (BC) to rural branch of banking company
- Intermediary to BF or BC with respect to above service

Note: BF/BC act as intermediary between bank and customers for which they get commission.

Notes: Special Points related to Banking and Financial Services

(i) Interest under finance lease transaction is like purchasing the asset and lend it further, not purely in nature of loan, hence interest in such case is	Taxable
(ii) Interest or discount on fixed deposit, loan, other deposit, mortgage loan, overdraft facility, invoice discounting, margin trading facility, CBLO transaction, commercial paper, certificate of deposit, repo or reverse repo	Exempt
(iii) Fee, charges, processing fee, file charge etc. related to products in point (ii)	Taxable
(iv) Additional or penal interest on the overdue loan taken for purchase of any goods: <ul style="list-style-type: none"> <li>➤ If paid to supplier of goods</li> <li>➤ If paid to third party providing loan</li> </ul>	Taxable Exempt

### (M) Insurance and Pension Business

#### Exemptions related to Insurance and Pension Business

(1) Life insurance services under below schemes: <ul style="list-style-type: none"> <li>▪ Janashree, Aam Aadmi, Varishtha Pension Bima Yojna,</li> <li>▪ Pradhan Mantri Jeevan Jyoti, Jan Dhan, Vaya Vandan Yojna,</li> <li>▪ Life micro insurance product upto max cover of ₹ 2,00,000.</li> </ul>
(2) General insurance services under various scheme such as: <ul style="list-style-type: none"> <li>▪ Hut, cattle, agricultural pump set and failed well insurance</li> <li>▪ Rashtriya Swasthya, Bangla Shasya Bima Yojna</li> <li>▪ Janata personal, Group personal and Gramin accident policy</li> <li>▪ Jan Arogya, Pradhan Mantri Fasal Bima Yojna</li> <li>▪ Universal health, Niramaya health insurance scheme.</li> </ul>
(3) Reinsurance of above insurance schemes in points (1) and (2).
(4) Services by way of collection of contribution under Atal Pension Yojna or any pension scheme of State Government.
(5) Life Insurance Services: <ul style="list-style-type: none"> <li>▪ By way of annuity under NPS by PFRDA</li> <li>▪ By Army, Naval, Airforce group insurance fund to its personnels or coast guards</li> <li>▪ By Central Armed Police Force to its personnels</li> </ul>

<p>(6) Services by:</p> <ul style="list-style-type: none"> <li>▪ Employee state insurance corporation [ESIC]</li> <li>▪ Employee provident fund organisation [EPFO]</li> <li>▪ Coal mines provident fund organisation</li> <li>▪ NPS trust against admin fees</li> </ul>	<p>To the person governed by respective Acts</p>
<p>(7) Services by Business facilitator (BF) or Business correspondent (BC) to rural Branch of Insurance company.</p>	
<p>(8) Service of insurance provided by Motor Vehicle Accident Fund against contribution made by insurers out of premium collected for 3<sup>rd</sup> party insurance of motor vehicles.</p>	

## (N) Sports and Entertainment

### Exemptions related to Sports and Entertainment

<p>(1) Sponsorship services for sports events organised by various organisations, i.e.,</p> <ul style="list-style-type: none"> <li>▪ National sports federation and its affiliated federations</li> <li>▪ Various sports councils, i.e., inter-university Sports board, school games federation etc.</li> <li>▪ Paralympic committee or Indian Olympic Association</li> <li>▪ Panchayat yuva kreeda, Khel abhiyan yojna etc.</li> </ul>	<p>(2) Services provided to a recognised sports body by:</p> <ul style="list-style-type: none"> <li>▪ Another recognised sports body</li> <li>▪ Individual as player, referee, umpire, coach, team manager for participation in sporting events organised by recognised sports body</li> </ul> <p><u>Notes:</u></p> <p>(i) Services by a player or any person mentioned above to a franchisee which is not a recognised sports body is also <u>not Exempt</u>.</p> <p>(ii) Services by selector, commentators, technician, curator are <u>not Exempt</u>.</p> <p>(iii) Recognised sports body means:</p> <ul style="list-style-type: none"> <li>✓ Indian Olympic Association and Sports Authority of India</li> <li>✓ National Sports Federation recognised by Ministry of Sports and Youth Affairs</li> <li>✓ International Olympic Association or any Federation recognised by it</li> <li>✓ A Federation or body regulating a sport internationally and its affiliates in India.</li> </ul>
<p>(3) Services by an artist through performance in folk or classical art forms of:</p> <ul style="list-style-type: none"> <li>▪ Music</li> <li>▪ Dance</li> <li>▪ Theatre</li> </ul> <p>However, if above services are provided as brand ambassador - <u>Not Exempt</u>.</p>	

If amount is upto ₹ 1,50,000  
(If more, entire amount taxable)

Example: Ms. Sanya (Artist) provides following services in various events:

Performed hip hop dance for consideration of ₹ 1,40,000	Taxable
Performed carnatic music/kathak dance for consideration of ₹ 1,50,000	Exempt
Performed kathak dance for consideration of ₹ 1,45,000 as brand ambassador	Taxable
Performed kathak dance for consideration of ₹ 1,55,000	Taxable

(4) Service by way of admission to museum, national park, wildlife sanctuary, tiger reserve, zoo or protected monuments.

(5) Service by way of admission to:

- Circus, dance, or theatrical performance
- Award function, concert, musical performance
- Sporting event
- Planetarium

If amount of ticket is upto ₹ 500  
[If more, entire amount taxable]

Example: Entry tickets are sold for music concert of Diljit. Silver @ ₹500 Gold @ ₹800. Ticket @ ₹500 are exempt from GST and @ ₹800 are taxable under GST.

### (O) Training and Skill Development

#### Exemptions related to Training and Skill Development

- |   |   |
|---|---|
| <p>(1) Any service provided by:</p> <ul style="list-style-type: none"> <li>▪ National council for vocational education and training (NCVET)</li> <li>▪ National skill development corporation [NSDC]</li> <li>▪ Awarding body recognised by NCVET</li> <li>▪ Assessment agency recognised by NCVET</li> <li>▪ Training body accredited with awarding body</li> <li>▪ Training partner approved by the NSDC</li> </ul> | <p><u>In relation to</u></p> <ul style="list-style-type: none"> <li>✓ National skill development program</li> <li>✓ Vocational skill development course</li> <li>✓ Any other qualification or skill for which NCVET has approved a qualification package</li> </ul> |
|---|---|
- (2) Services by assessing bodies empanelled by ministry of skill development.
- (3) Services by providing training under Deen Dayal Upadhyay Grameen Kaushalya Yojna.

### (P) Other Exempt Services

#### Exemptions related to Other Exempt Service

- (1) Services by way of transfer of business as going concern.
- (2) Satellite launch services.
- (3) Services by foreign diplomatic mission located in India.  
However, services provided to foreign diplomatic mission is not Exempt.



(4)	Services of <b>transmission or distribution of electricity and supplies incidental to it</b> (i.e., releasing connection, rental, shifting or testing charges for meter and charges for duplicate bills etc.) provided by electricity transmission and distribution utilities to consumer.
(5)	Services by way of <b>collection or providing news</b> by independent journalist, Press Trust of India, United News of India.
(6)	Services of <b>public libraries</b> .
(7)	Services by an <b>organiser</b> to any person <b>for exhibition held outside India</b> .
(8)	Service of providing <b>information under RTI Act, 2005</b> .
(9)	Services by way of <b>public convenience</b> , i.e., bathroom, washroom, lavatories, urinal, toilets.
(10)	Services <b>by incubatee upto turnover of ₹ 50 lacs</b> in financial year subject to following condition: <ul style="list-style-type: none"> <li>▪ Turnover had not exceeded ₹ 50 lacs during preceding financial year.</li> <li>▪ <b>Period of 3 years</b> has not elapsed from entering into agreement as incubatee.</li> </ul>
(11)	Taxable supplies <b>by TBI/STEP or bio incubators</b> . <u>Note:</u> Incubatee means entrepreneur in the premise of technology business incubator [TBI] science and technology entrepreneurship park [STEP].
(12)	Services <b>by unincorporated body or registered NPO to its own members</b> by way of reimbursement of charge or <b>share of contribution</b> : <ul style="list-style-type: none"> <li>▪ <b>As trade union</b></li> <li>▪ For carrying out any <b>activity which is exempt</b> under GST</li> <li>▪ <b>Upto ₹ 7,500 per month per flat</b> in case of <b>housing society or residential complex</b> for sourcing goods or services <b>for common use of its member</b>. (If more, entire amount taxable)  However, amount collected purely as reimbursement for amount paid as statutory dues i.e. <b>property or water tax, electricity charge etc.</b> shall <b>not be considered</b> in above limit.</li> </ul>
(13)	Services provided <b>by unincorporated body or registered NPO</b> under any law, engaged in: <ul style="list-style-type: none"> <li>▪ Activities related to welfare of industrial, agriculture labour or farmer</li> <li>▪ Promotion of trade, commerce, industry, agriculture, art, science, culture, sport etc.</li> </ul> Against consideration in form of <b>membership fees upto ₹ 1,000 per member per year</b> .

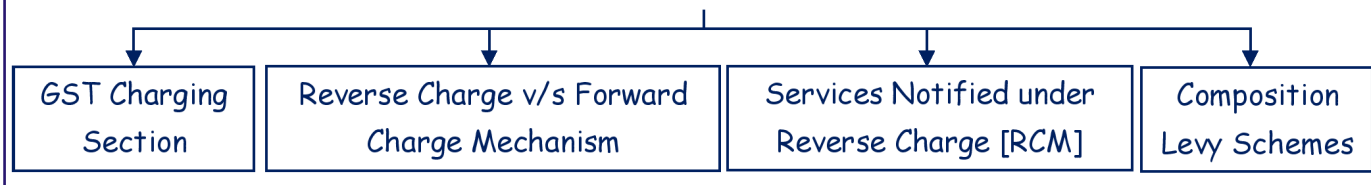
**Note:** Supply of all Goods and Services are taxable unless Exempt or Schedule-III Supply. Hence, any service other than covered in this Chapter or in Schedule-III shall be Taxable.

# Charge of GST

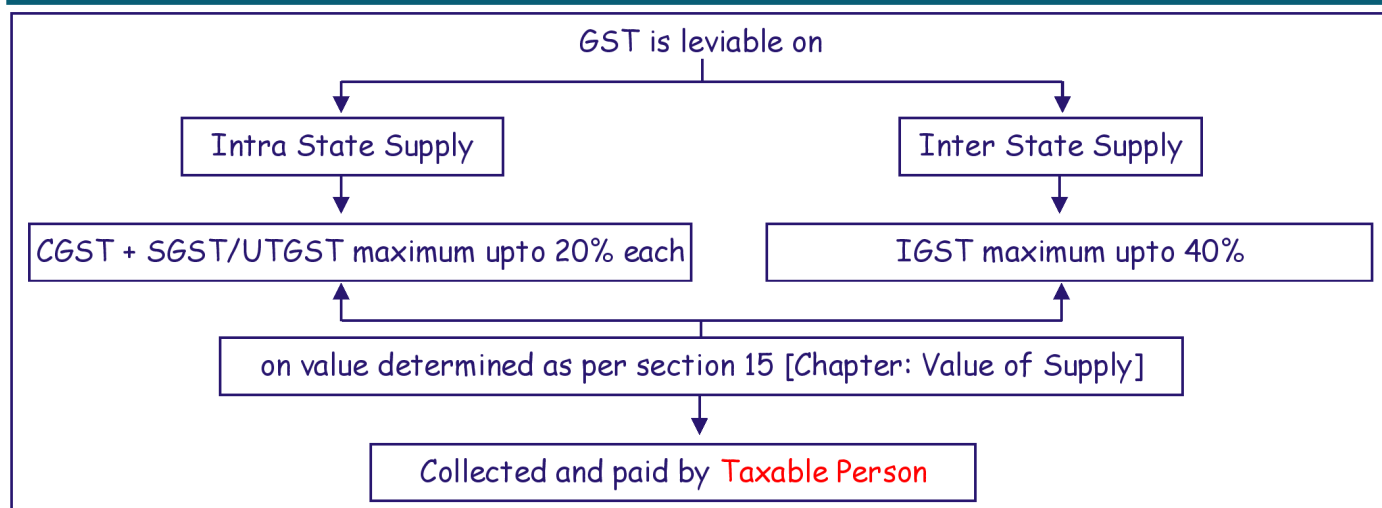


## About this Chapter

In this chapter, discussion will revolve around mechanism to levy GST



## GST Charging Section [Section 9 of the CGST Act and Section 5 of the IGST Act]



Notes: Taxable person means:

- Person who is **registered in GST**
- Person who is **liable to be registered in GST** [Detailed discussion in chapter: "Registration"]

## Forward Charge Mechanism (FCM) v/s Reverse Charge Mechanism (RCM)

Forward Charge Mechanism (FCM)	<p>In GST, normally <b>supplier is liable to collect tax and pay</b> to the government which is called <b>forward charge mechanism (FCM)</b>.</p> <p><u>Example:</u> Mr. Ram purchased a laptop of ₹ 1,00,000 and Supplier collected ₹ 1,18,000 [₹ 1,00,000 + ₹ 18,000 (GST)] and deposited ₹ 18,000 to government.</p>
Reverse Charge Mechanism (RCM)	<p>Government may on recommendation of the GST council notify <b>category of goods and services</b> on which GST is to be paid by recipient <b>directly</b> to government which is called <b>reverse charge mechanism (RCM)</b>.</p> <ul style="list-style-type: none"> <li>▪ Supply of Goods notified under RCM [Not in Syllabus]</li> <li>▪ Supply of Services notified under RCM</li> </ul> <p><u>Example:</u> Mr. Ram received a service of ₹ 1,00,000 &amp; Mr. Ram paid ₹ 1,00,000 to the supplier and deposited ₹ 18,000 (GST) to the government himself.</p>

## Services Notified under RCM

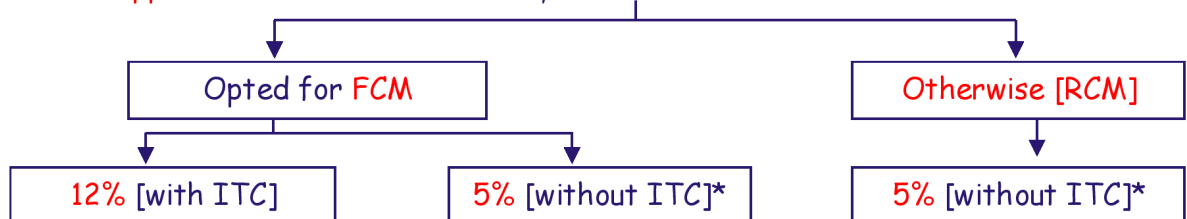
- (1) Services of transportation of goods by road by **goods transport agency (GTA)**, if not opted for forward charge mechanism (FCM), **supplied**
- To any **registered person** under GST
  - To any **factory**
  - To any co-operative **society**
  - To any **body corporate, partnership firm or AOP**
  - To any casual taxable person (CTP)

Notes:

- (i) GTA is the goods transporter who issues the consignment note.
- (ii) In case of GTA services, person **who is liable to pay freight** is **considered as recipient**.
- (iii) GTA service is **exempt if provided to** following person, so question of RCM does not arise:

✓ Department or Establishment of <b>Government</b>	who has taken <b>registration only for deducting TDS u/s 51 i.e., GST Department.</b>
✓ Local <b>Authority</b>	
✓ Government <b>Agency</b>	
✓ Unregistered <b>Individual</b>	

- (iv) GTA service is **exempt if transported** following goods, so question of RCM does not arise:
- ✓ **Relief material** for victims of disaster, calamities or accident
  - ✓ Defence or **military equipments**
  - ✓ Registered **newspaper or magazine**
  - ✓ **Agricultural produce**
  - ✓ **Milk, salt or food grain including flour, pulse and rice**
  - ✓ **Organic manure**
- (v) **Tax rate applicable** in case of services by GTA



\*Restriction on availing ITC is for the GTA (supplier) and not for the recipient, recipient can take full ITC even if applicable tax rate is 5%. [Detailed discussion in chapter: "Input Tax Credit"]

- (vi) In case of an **unregistered GTA**, it can be **assumed that the GTA did not opt for FCM**. Therefore, **RCM will be applicable** and **5% tax rate** will apply accordingly.
- (vii) **Unless given** in question that **GTA has opted for FCM**, **always assume RCM** is applicable.

Example:

- (i) XYZ Ltd. took services of goods transport from ABC transporter paying tax @12%, in such case, tax is payable under forward charge by ABC transporter.

- (ii) XYZ Ltd. took services of goods transport from ABC transporter not opting FCM, in such case, tax is payable under reverse charge by XYZ Ltd.
- (iii) XYZ Ltd. took services of transport of milk from ABC transporter not opting FCM, in such case, tax is not payable since it is exempt.

(2)	Legal services provided by advocate, senior advocate, firm of advocate or arbitral tribunal	To any <u>Business entity</u> located in taxable territory
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Note:

Legal services are **exempt** if provided to any business entity whose **turnover in preceding financial year does not exceed turnover limit for registration** or person other than business entity, so question of RCM does not arise in such cases.

Example:

- (i) Harish Salve (Advocate) provides legal services to ABC Ltd. (registered) having turnover of 18 lacs in preceding F.Y. In such case, tax is not payable since it is exempt.
- (ii) Harish Salve (Advocate) provides legal services to ABC Ltd. having turnover of 52 lacs in preceding F.Y. In such case, tax is payable under reverse charge by ABC Ltd.

(3)	Sponsorship services provided by <u>Any Person other than body corporate</u>	To <u>Partnership Firm</u> or <u>Body Corporate</u> located in taxable territory
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Example:

- (i) RSA firm provides sponsorship services to XYZ Ltd. for which it paid ₹ 2 lacs to RSA firm. In such case, tax is payable under reverse charge by XYZ Ltd.
- (ii) ABC Ltd. provides sponsorship services to XYZ Ltd. for which it paid ₹ 2 lacs to ABC Ltd. In such case, tax is payable under forward charge by ABC Ltd.

(4)	Any services provided by central or state government or union territory or local authority	To any <u>Business entity</u> located in taxable territory
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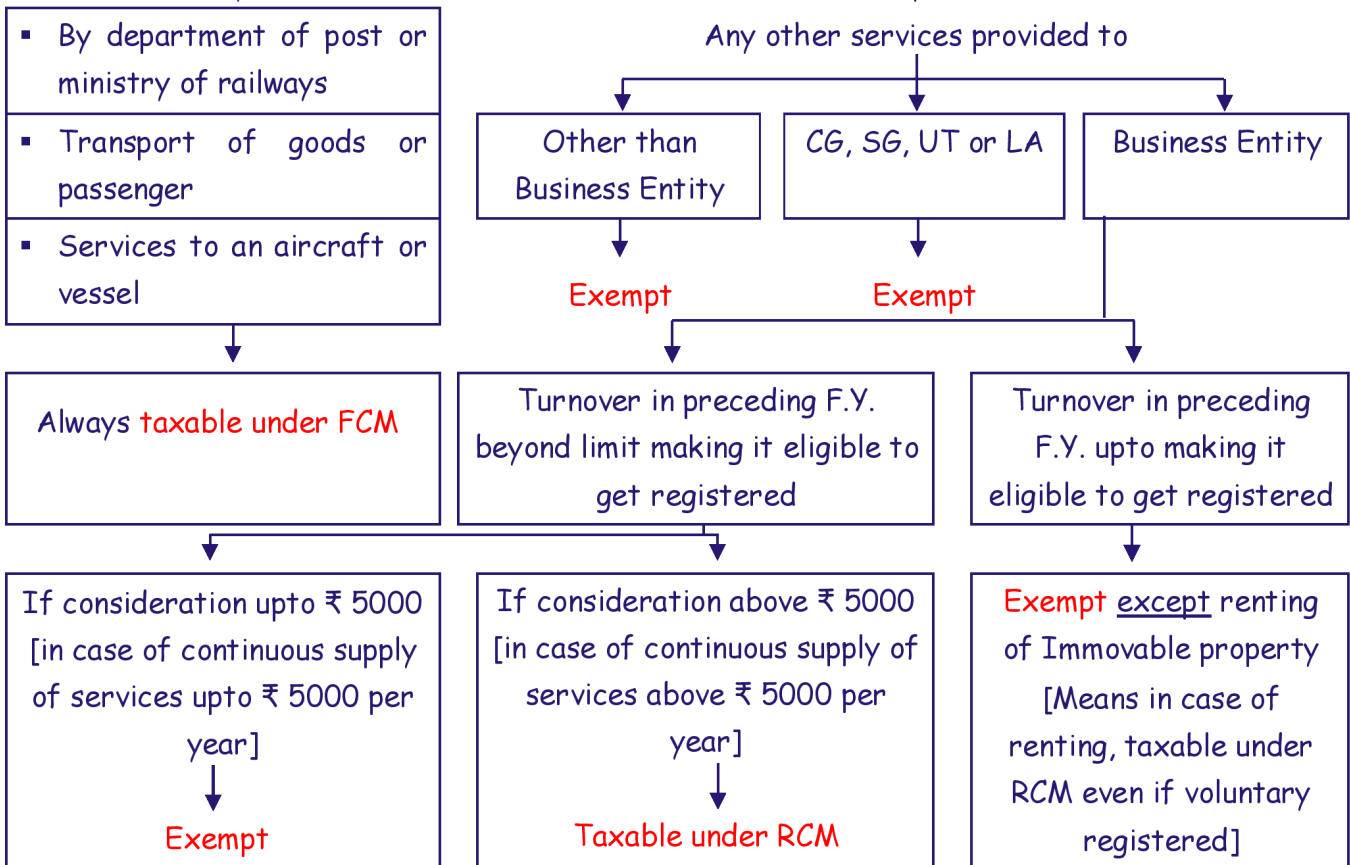
Notes:

- (i) This Entry is not applicable in case of:

➤ Services by department of posts and ministry of railways	FCM applicable
➤ Transport of goods or passengers	
➤ Services to an aircraft or vessel, inside or outside the port	
➤ Renting of immovable property	Entry No. 5

- (ii) Service by **government**, union territory or local authority is **exempt** if provided:
- To business entity whose **turnover in preceding financial year does not exceed turnover limit for registration** or if value is upto ₹ 5,000.
  - To person other than business entity
- So question of RCM does not arise in such cases.

Combined reading of RCM point (4 & 5) & Exemption provision relating to services by CG, SG, UT, LA



(5)	Service of transfer of development rights (TDR), floor space index (FSI), Long term lease ( $\geq 30$ years) for construction by any person	To any <u>Promoter</u>
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Note:

Supply of TDR, FSI, long term lease is **exempt** if constructed flats are sold before issuance of completion certificate [cc] hence

If constructed flats are sold before issuance of completion certificate.	Exempt
If constructed flats are sold after issuance of completion certificate.	Taxable (RCM)

Example: Lodha Developers wants to develop a residential building for which it obtains TDR from Mr. Ram (owner of land) against ₹ 2 crores. All the flats in the building have been sold after CC is received. In such case, tax is payable under reverse charge by Lodha Developers.

(6)	Services by <b>director</b>	To any <u>Company or Body Corporate</u> located in taxable territory
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Note: Overview of taxability of remuneration to director

Scenario	Taxability
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TDS deducted under <b>section 192</b>	No Supply as covered under <b>Schedule-III</b>
TDS deducted under <b>other than section 192</b>	Taxable under RCM, i.e., <b>director sitting fees</b>
Service is not rendered in director capacity	Taxable under FCM, i.e., <b>rental service</b>

Example: Mr. Hari is a director of ABC Ltd. Company has paid sitting fees of ₹ 2 lacs for attending meetings on which TDS u/s 194J was deducted, the salary of ₹ 5 lacs on which TDS u/s 192 was deducted and it has also paid rent of ₹ 3 lacs for a godown given on rent by Mr. Hari. In such case:

- On ₹ 2 lacs, tax is payable under reverse charge by ABC Ltd.
- On ₹ 5 lacs, tax is not payable being not a supply as per schedule-III.
- On ₹ 3 lacs, tax is payable under forward charge by Mr. Hari as rental service has not been rendered in director capacity.

(7)	Services by <b>Insurance Agent</b> (licenced)	To any <b>Insurance business</b> located in taxable territory
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Example: Mr. Govind sold a LIC policy for which LIC paid ₹ 7,000 as commission to Mr. Govind. In such case, tax is payable under reverse charge by LIC.

(8)	Services by <b>Recovery Agent</b>	To any <b>Banking company or FI or NBFC</b> located in taxable territory
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Example:

- (i) Mr. Ram (recovery agent) provides service to Mr. Lalaji for recovering his loan for which Lalaji paid ₹ 20,000 to him. In such case, tax is payable under forward charge by Ram.
- (ii) Mr. Ram (recovery agent) provides service to SBI Bank for recovering bank loan for which SBI paid ₹ 20,000 to him. In such case, tax is payable under reverse charge by SBI Bank.

(9)	Services by <b>Individual Direct Selling Agent (DSA)</b>	To any <b>Banking company or NBFC</b> located in taxable territory
-----	--	--

Example:

- (i) Mr. Hari provides DSA service to SBI Bank for which SBI Bank paid ₹ 20,000 to him. In such case, tax is payable under Reverse charge by SBI Bank.
- (ii) RSA firm provides DSA service to SBI Bank for which SBI Bank paid ₹ 20,000 to the firm. In such case, tax is payable under forward charge by RSA firm.

(10)	Services by <b>Business Facilitator (BF)</b>	To any <b>Banking company</b> located in taxable territory
	Services by <b>Agent of Business Correspondent (BC)</b>	To <b>Business correspondent</b> located in taxable territory

Combined reading of RCM & Exemption provision relating to services by BF or BC

Services by business correspondent to banking company	Services by business facilitator to banking company	Services by agent of business correspondent to business correspondent	Services by agent of business facilitator to business facilitator
<u>To Rural Branch</u> Exempt <u>To Urban Branch</u> Taxable (FCM)	<u>To Rural Branch</u> Exempt <u>To Urban Branch</u> Taxable (RCM)	<u>To Rural Branch</u> Exempt <u>To Urban Branch</u> Taxable (RCM)	<u>To Rural Branch</u> Exempt <u>To Urban Branch</u> Taxable (FCM)

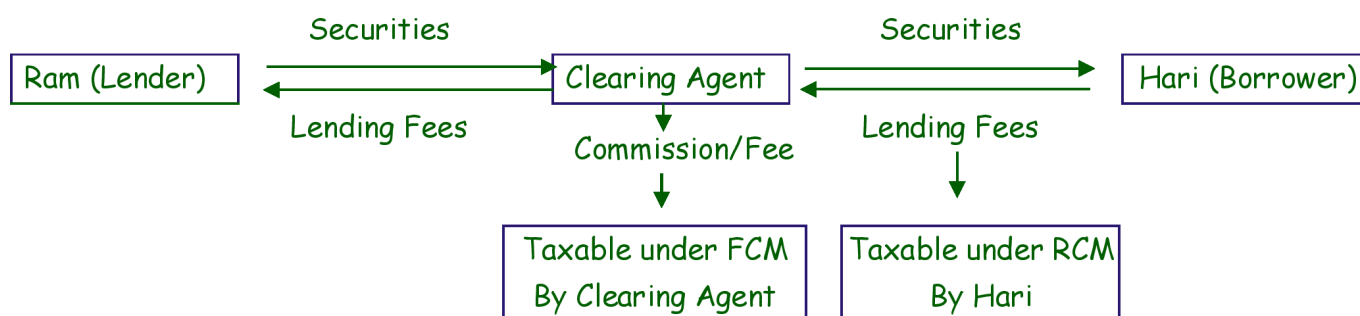
Example:

- (i) Mr. Shadow (BF) provides services to the rural branch of Axis bank for which he received ₹ 5 lacs and the urban branch of SBI Bank for which he received ₹ 3 lacs.
- On ₹ 5 lacs, tax is not payable being exempt supply under GST
  - On ₹ 3 lacs, tax is payable under Reverse charge by SBI bank
- (ii) Mr. Tinku (BC) provides services to the Indore SBI branch for which he received ₹ 2 lacs and further appointed an agent Mr. Pinku who provides his services to Tinku for ₹ 1 lac.
- On Services provided by Mr. Tinku (₹ 2 lacs), tax is payable under forward charge by Tinku
  - On Services provided by Mr. Pinku (₹ 1 lac), tax is payable under reverse charge by Tinku

- (11) Services by RBI Overseeing Committee members To Reserve Bank of India (RBI)

- (12) Security lending services  
[Transaction explained in chapter: "Supply"] To Security Borrower

Taxability under Security Lending Scheme



- (13) Security services (by way of supply of security personnel) by person other than body corporate To any Registered Person located in taxable territory

Note: RCM would not be applicable if security services provided to the following recipient:



✓ Department or Establishment of <b>Government</b> ✓ <b>Local Authority</b> ✓ <b>Government Agency</b>	Who has taken registration only for deducting <b>TDS u/s 51</b>	<b>FCM would be applicable in such cases</b>
✓ <b>Composition Taxable Person</b>		

Example: RSA firm provides security services by way of supply of security personnel to XYZ Ltd (Registered). In such case, tax is payable under reverse charge by XYZ Ltd.

(14)	Service by <b>Music Composer</b> or <b>Photographer</b> or <b>Artist</b> or <b>Author</b> through transferring copyright	To <b>Music company or Producer or Publisher</b> located in taxable territory
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Note:

However, **author** has option to pay tax under **FCM** subject to following **conditions**:

- Author is **registered under GST** and makes **declaration** to opt for **FCM**.
- Author shall **not withdraw** such option till **1 year** from **opting** for **FCM**.
- Author shall make **declaration on invoice** issued to publisher.

Example: Mr. Rahgir wrote a book and sold its rights to Rupa publications for ₹ 10 lacs and composed a song and sold its rights to T-series music company for ₹ 20 lacs.

- On ₹ 10 lacs, tax is payable under reverse charge by Rupa publications, if Rahgir not opted for **FCM**.
- On ₹ 20 lacs, tax is payable under reverse charge by T-series music company only.

(15)	Service of <b>renting residential dwelling</b> by any <b>person</b>	To <b>Registered Person</b> [used for residence or commercial]
	Service of renting immovable property <b>other than residential dwelling</b> by any <b>unregistered person</b>	To <b>Registered Person other than composition taxable person</b> [used for residence or commercial]

Example: Following are the details of renting services for residential dwelling

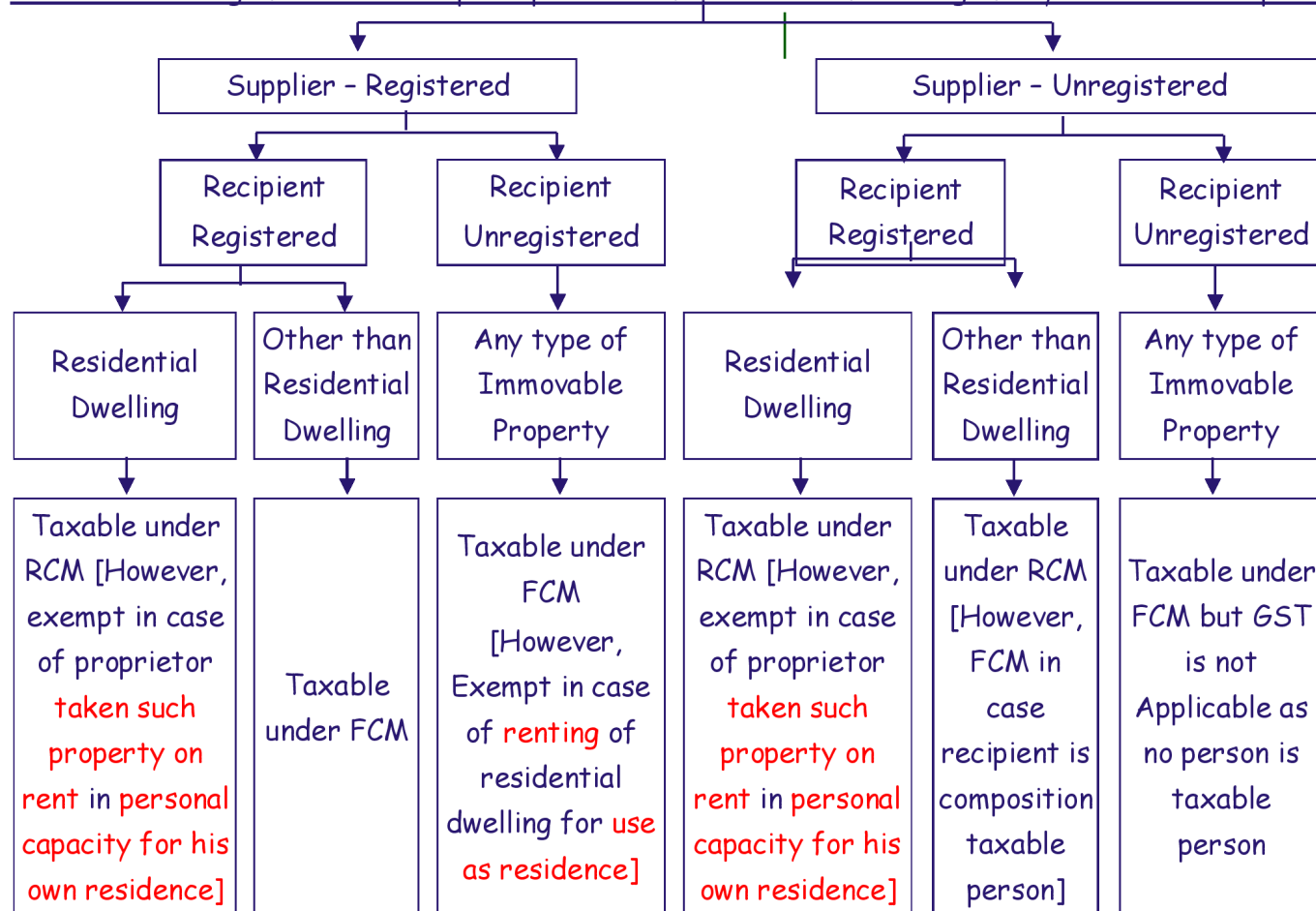
Supplier	Tenant	Purpose	Taxability
Registered or Unregistered	Unregistered	Residence	Exempt
	Registered (proprietor for personal use)	Residence	Exempt
	Registered person other than above	Residence	RCM
	Registered	Commercial	RCM
	Unregistered	Commercial	FCM

Example: Following are the details of renting services for commercial property

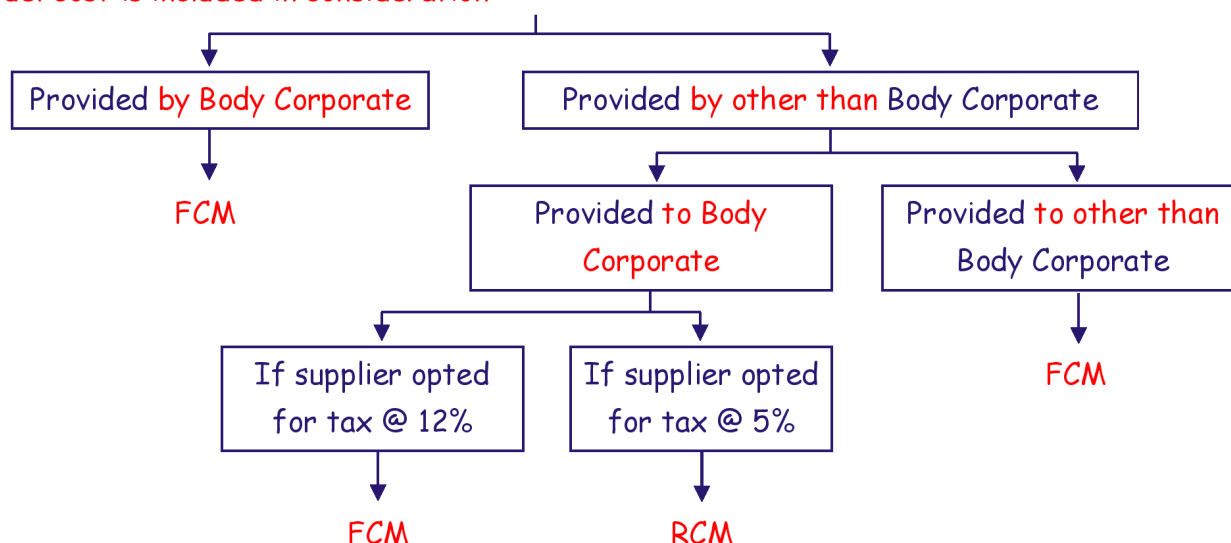
Supplier	Tenant	Taxability
Registered	Unregistered	FCM
Registered	Registered	FCM

Unregistered	Registered (composition taxable person)	FCM
Unregistered	Registered (other than composition taxable person)	RCM
Unregistered	Unregistered	FCM

Combined reading of RCM & Exemption provisions for Service of Renting of any Immovable Property



(16) Any service provided by way of **renting of motor vehicle** [designed to carry **passenger**] where **fuel cost is included in consideration**:



Note:

There is clear distinction between service of renting of motor vehicle and passenger transport service.

- In case of **service of renting, vehicle** is taken on rent for a period of time during which **recipient defines** how and when vehicle will run including **schedule and route** etc.
- In case of **passenger transport service, route and schedule** is pre-determined.

This entry is applicable only on service of renting of motor vehicle for passengers.

Example: Mr. Josh provides motor vehicle on rent against the consideration including fuel cost to BCG Ltd. for ₹ 5 lacs and RSA firm for ₹ 2 lacs. Rate of Tax @5%.

- On ₹ 5 lacs, tax is payable under reverse charge by BCG Ltd.
- On ₹ 2 lacs, tax is payable under forward charge by Mr. Josh.

**Explanations for above RCM Entries**

- (i) Body corporate means **any incorporated entity** which has its own existence i.e., **LLP, Company**.
  - Includes: Company incorporated outside India.
  - Excludes: Co-operative society, Partnership Firm.
- (ii) **LLP** shall also be **considered as a partnership firm**.
- (iii) Business entity means any person carrying out business.
- (iv) Responsibility to issue **invoice in case of RCM**

Scenario	Responsible Person for Invoicing
If <b>supplier is registered</b> under GST	Supplier
Otherwise	Recipient [Self-Invoicing]

- (v) If **all goods and services** provided by any supplier is **taxable under RCM**, such person is **not required to take registration** under GST.
 

Example: ABC Ltd. provides **GTA services** and its turnover crossed ₹ 40 lacs during the F.Y. ABC Ltd. is not required to take any registration under GST as its all services are taxable under RCM.
- (vi) If person is liable to pay tax under **reverse charge mechanism (RCM)** on inward supplies received, he is compulsorily required to take registration.

## Composition Levy Schemes [Section 10]

For reducing compliance burden and providing simple tax mechanism for small taxpayers, government brought composition levy scheme. This scheme is **not compulsory** but **voluntary and optional**.

### Composition Schemes

#### Composition Scheme u/s 10(1) and 10(2) [for supplier of goods and restaurant services]

- As per this composition scheme, if **aggregate turnover** of any supplier of **goods and restaurant service provider** does not exceed **₹ 1.5 crores** [₹ 75 lacs in some special category state] in **preceding financial year**, he may opt to pay **tax at specified rate** (as defined below).
- Applicable aggregate turnover limits for various states for opting the composition scheme:

AR rehMAN ka NAME SUMIT H]	✓ Arunachal Pradesh [AR]	✓ Mizoram [MI]	₹ 75 Lacs
	✓ Manipur [ME]	✓ Meghalaya [ME]	
	✓ Sikkim [S]	✓ Tripura [T]	
	✓ Uttarakhand [U]	✓ Nagaland [NA]	
HAJ	✓ Himachal Pradesh [H]	✓ Assam [A]	₹ 1.5 Cr
	✓ Jammu and Kashmir [J]	✓ Any other states	

#### Composition Scheme u/s 10(2A)

- This scheme can be opted by anyone who is not eligible to opt composition u/s 10(1) and 10(2).
- As per this composition scheme, if aggregate turnover of any supplier does not exceed **₹ 50 lacs** in **preceding financial year**, he may opt to pay **tax at specified rate** (as defined below).

#### Aggregate Turnover and Specified Rates for Composition Scheme u/s 10(1), 10(2) and 10(2A)

- (i) **Aggregate Turnover:** Turnover calculated on **All India basis** of a person **having same PAN**.

Aggregate turnover <u>includes</u> total <b>outward supplies</b> :	
<ul style="list-style-type: none"> <li>➤ <b>Taxable</b> Supplies</li> <li>➤ <b>Exempt</b> Supplies</li> <li>➤ Export and <b>Inter-state</b> Supplies</li> <li>➤ Taxes <b>other than GST</b></li> </ul>	Supplies from 1 <sup>st</sup> April of financial year to the date of being liable to be registered is also included in aggregate turnover.
Aggregate turnover <u>excludes</u> following items:	
<ul style="list-style-type: none"> <li>➤ <b>Inward supplies</b> taxable under RCM</li> <li>➤ Taxes including cess <b>under GST</b></li> <li>➤ <b>Interest or discount</b> on loan, deposit, advance etc. being exempt supply</li> </ul>	

#### Note:

Value of **export and inter-state supply** is **relevant only in case where aggregate turnover is calculated for preceding year**, as composition supplier cannot make export and inter-state supplies in the year in which he has opted for composition scheme.

(ii) **Specified Rates:** Applicable based on category of supplier in case of composition scheme

Category of Supplier	Tax (CGST+SGST) payable on Turnover
Manufacturer	(0.5% + 0.5%) on Turnover in State/UT
Restaurant service provider	(2.5% + 2.5%) on Turnover in State/UT
Any other (i.e., trader etc.)	(0.5% + 0.5%) on Taxable supplies in State/UT
Service composition u/s 10(2A)	(3% + 3%) on Turnover in State/UT

(iii) **Turnover in State/UT:** Turnover is calculated state or UT wise.

Turnover in state or union territory <b>includes</b> total outward supplies:
<ul style="list-style-type: none"> <li>➤ Taxable Supplies</li> <li>➤ Exempt Supplies</li> <li>➤ Export and Inter-state Supplies [Not relevant for composition point of view as composition supplier cannot make such supplies]</li> <li>➤ Taxes other than GST</li> </ul>
Turnover in state or union territory <b>excludes</b> following items:
<ul style="list-style-type: none"> <li>➤ Inward supplies taxable under RCM</li> <li>➤ Taxes including cess under GST</li> <li>➤ Interest or discount on loan, deposit, advance etc. being exempt supply</li> <li>➤ Supplies from 1<sup>st</sup> April of financial year to the date of being liable to be registered</li> </ul>

**Note:**

In composition scheme, tax has to be paid on taxable as well as exempt supply, as both are included in turnover in state/UT except in case of trader.

### Person who are Not Eligible to Opt for Composition Scheme

#### Ineligibility to Opt Composition u/s 10(1) and 10(2) and 10(2A)

A person shall not be eligible to opt any composition scheme if he:

- (1) Supplies goods and service which are not liable to tax [makes any non-taxable supply]
- (2) Makes any inter-state outward supplies.
- (3) Supplies any service through ECO who is required to collect TCS u/s 52.  
However, person is eligible to opt composition scheme if he supplies goods through ECO
- (4) Is a Casual taxable person (CTP) or Non-resident taxable person (NRTP).
- (5) Is engaged in manufacturing of following goods during current or preceding financial year:
  - Fly ash bricks, fly ash aggregate or fly ash blocks
  - Bricks of fossil meal and building bricks
  - Earthen or roofing tiles



- Ice cream and other edible Ice
- Pan masala, all tobacco goods and tobacco substitute
- Aerated water

(6) If aggregate turnover exceeds applicable limit (i.e., ₹ 1.5 crores, ₹ 75 lacs or ₹ 50 lacs) during current financial year. In such case, person shall not be eligible to continue as composition taxable person from that date.

#### Ineligibility to Opt Composition u/s 10(1) and 10(2)

(7) A person shall not be eligible to opt for composition scheme u/s 10(1) and 10(2), if he makes supply of services other than restaurant service [marginal services] exceeding:

- 10% of Turnover in State/UT in preceding financial year
  - or
  - ₹ 5,00,000
- ← Whichever is Higher

#### Notes:

- (i) For computing value of services and turnover for above limit, interest on loan, deposit, advance, being exempt supply, shall not be considered.
- (ii) In first year of business, there will be Nil turnover in preceding financial year. Hence in first year of business, person can provide marginal services of value upto ₹ 5 lacs.

#### Example

Mr. Ram manufactures footwear and last year his turnover was ₹ 145 lacs (including ₹ 25 lacs as interest from FD). He has opted for composition this year. He also wants to provide some footwear cleaning service and restaurant services. Determine maximum amount of service that can be provided to remain eligible for composition scheme u/s 10(1) and 10(2).

#### Solution

- Maximum marginal services [other than restaurant services] that can be provided will be higher of:
  - ✓ 10% of (₹ 145 lacs - ₹ 25 lacs) = ₹ 12 lacs, or
  - ✓ ₹ 5 lacs
 = ₹ 12 lacs, provided aggregate turnover does not exceed ₹ 150 lacs.
- Restaurant services can be provided without any limit provided aggregate turnover does not exceed ₹ 150 lacs.

#### Additional Points and Procedural Requirements Related to Composition Scheme

- (i) Composition supplier cannot collect tax, he shall issue bill of supply rather than issuing tax invoice.
- (ii) Composition supplier shall mention on bill "composition taxable person not eligible to collect tax on supplies".



- (iii) Composition supplier shall mention "composition taxable person" **at every place of business.**
- (iv) Composition supplier shall **pay tax under RCM** on supplies taxable under RCM.
- (v) Composition supplier **cannot claim input tax credit.**
- (vi) All registered person having same PAN [means **all business** of same person] shall **opt composition otherwise none of them** will be eligible. If one of them becomes ineligible or opt out voluntarily, all of them will become ineligible for the scheme.

Note:

If any person having more than one **place of business** covering **more than one state or union territory**, then **lowest limit applicable** to any of those states/UT will be applicable limit.

Example

Mr. Shyam has business at Mumbai (turnover of ₹ 55 lacs) and Manipur (turnover of ₹ 35 lacs). Check eligibility for the composition Scheme u/s 10(1) and 10(2).

Solution

- Aggregate turnover is ₹ 90 lacs (calculated on all India basis i.e., ₹ 55 lacs + ₹ 35 lacs).
- Applicable limit in the state of Maharashtra is ₹ 1.5 crores and Manipur is ₹ 75 lacs.
- Lower of turnover limit for any of the state from where business is conducted shall be considered as applicable limit. Hence, in this case applicable limit would be ₹ 75 lacs.
- Since aggregate turnover (₹ 90 lacs) exceeds applicable limit (₹ 75 lacs), he shall not be eligible to continue in composition scheme from Manipur as well as Maharashtra.

(vii) Opting for composition Scheme

Person applying for composition <b>at the time of registration</b>	Apply in Part-B of Form REG-01 <b>at the time of applying for registration</b>
<b>Already registered</b> person applying for composition	Apply in form CMP-02 <b>before start of such financial year</b> for which composition is to be opted

(viii) Withdrawal from composition scheme

Failure to comply with any condition	<b>File intimation within 7 days from breach</b> and pay normal taxes
Opting out from scheme voluntarily	File application for such withdrawal

Example

RSA firm is a garment manufacturer registered in Jammu. Firm wanted to opt for composition scheme u/s 10(1) & 10(2) for the current financial year. Turnover in the previous financial year from the sale of garments is ₹ 1.2 crores, sale of tobacco is ₹ 30 lacs (which includes ₹ 10 lacs excise duty and ₹ 5 lacs GST). It has also earned interest of ₹ 20 lacs on FD.

In the current year upto 30<sup>th</sup> June, RSA firm has made the sale of garments of ₹ 50 lacs and earned interest of ₹ 10 lacs on FD. It has also provided restaurant services of ₹ 20 lacs to its employees and

provided other exempt services for ₹ 5 lacs. It has also received an interstate supply of legal services from a lawyer for ₹ 10 lacs. Assume tax rate @18%. Determine the following:

- (1) Aggregate Turnover for previous financial year.
- (2) Whether RSA firm can opt for the composition in current financial year.
- (3) Whether RSA firm can continue in the composition scheme during current financial year.
- (4) Tax to be paid for the quarter ended June in current financial year.
- (5) What would be your answer in point (3) if RSA firm started manufacturing fly ash bricks during current financial year.

#### Solution

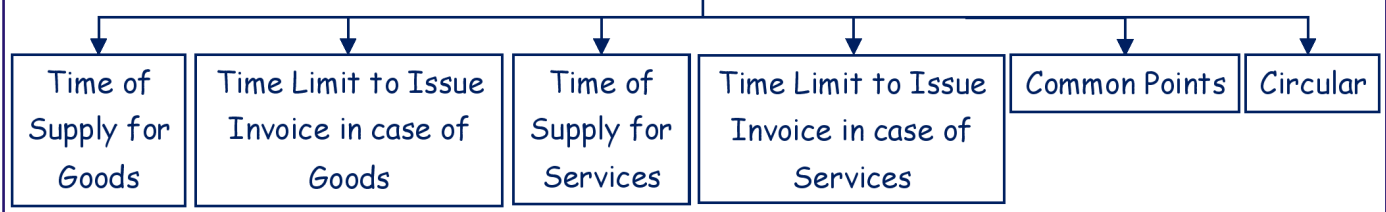
- (1) Aggregate Turnover for previous financial year  
 $= ₹ 1.2 \text{ crores} + ₹ 25 \text{ lacs} (₹ 30 \text{ lacs} - ₹ 5 \text{ lacs}) = ₹ 1.45 \text{ crores}$
- (2) Yes, RSA firm can opt for composition scheme u/s 10(1) & 10(2). Since RSA firm turnover in the preceding financial year does not exceed ₹ 1.5 crores (applicable to state of Jammu and Kashmir).
- (3) Yes, it can continue in the composition scheme during the current financial year as:
  - Its turnover does not cross the threshold of ₹ 1.5 crores during the current financial year
  - It does not breach the conditions for composition scheme i.e. Marginal Service
    - Maximum marginal services [except restaurant services] that can be provided is higher of:
      - ✓ 10% of ₹ 145 lacs = ₹ 14.5 lacs, or
      - ✓ ₹ 5 lacs
    - Restaurant services can be provided without any limit provided aggregate turnover does not exceed ₹ 1.5 crores.
- (4) Tax to be paid for the quarter ended June in current financial year
  - On sales: 1% of [ ₹ 50 lacs + ₹ 20 lacs + ₹ 5 lacs ] = ₹ 75,000 [CGST ₹ 37,500, SGST ₹ 37,500]
  - On inward supply under RCM = 18% of ₹ 10 lacs = ₹ 1,80,000.
  - Total Tax Payable = ₹ 2,55,000
- (5) No, it cannot continue in the composition scheme during current financial year as it has started manufacturing the notified product i.e. fly ash brick

# Time of Supply

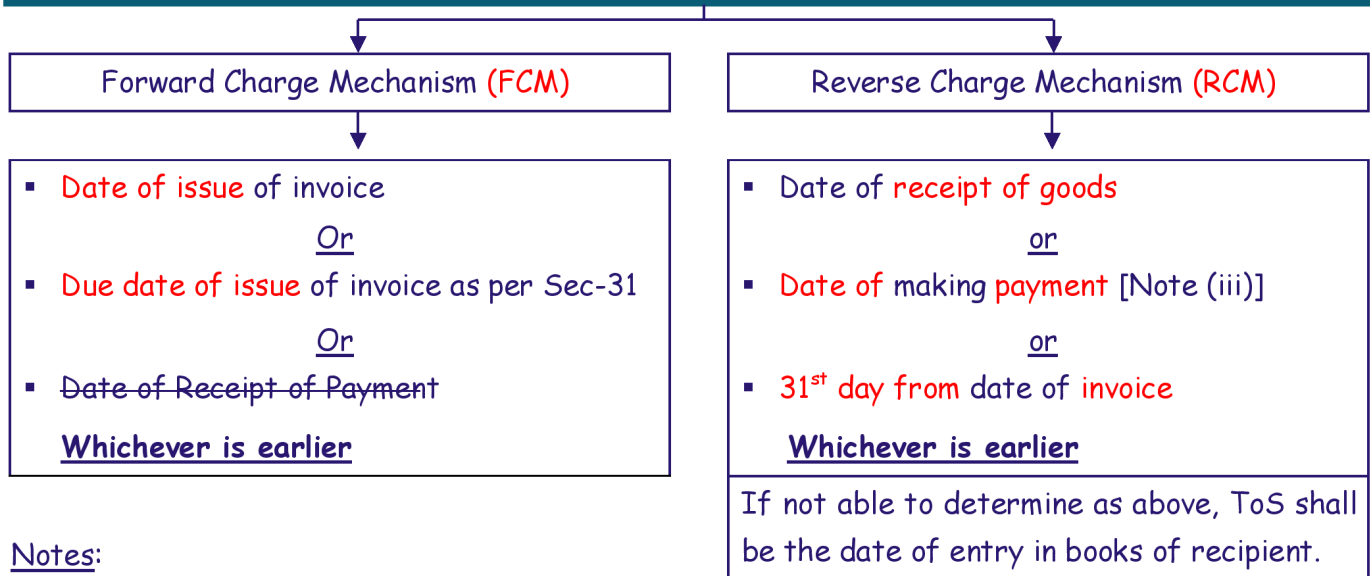


## About This Chapter

In this chapter discussion will revolve around how to determine "Time of Supply". It is important to determine time of supply to decide the point of time at which tax must be paid, as there are lot of events happening over the period of transaction i.e., payment, invoice, delivery, contract etc.



## Time of Supply (ToS) for Goods [Section 12]



### Notes:

- (i) Earlier, date of receipt of payment was also considered for determining time of supply. Later on, government notified that **in case of goods, GST on advance shall not be levied (so date of receipt of payment shall not be considered)**.  
However, date of receipt of payment shall be considered for determining ToS in below cases:
  - Supply of goods in form of **actionable claims, i.e., online money gaming, lottery etc.**
  - Supply of goods made by **composition supplier**.
- (ii) Date of **receipt of payment** shall be **earlier of**:
  - Date of **recording payment in supplier's** books
  - Date of **credit in supplier's bank** account
- (iii) Date of **making payment** shall be **earlier of**:
  - Date of **recording payment in recipient's** books
  - Date of **debit in recipient's bank** account

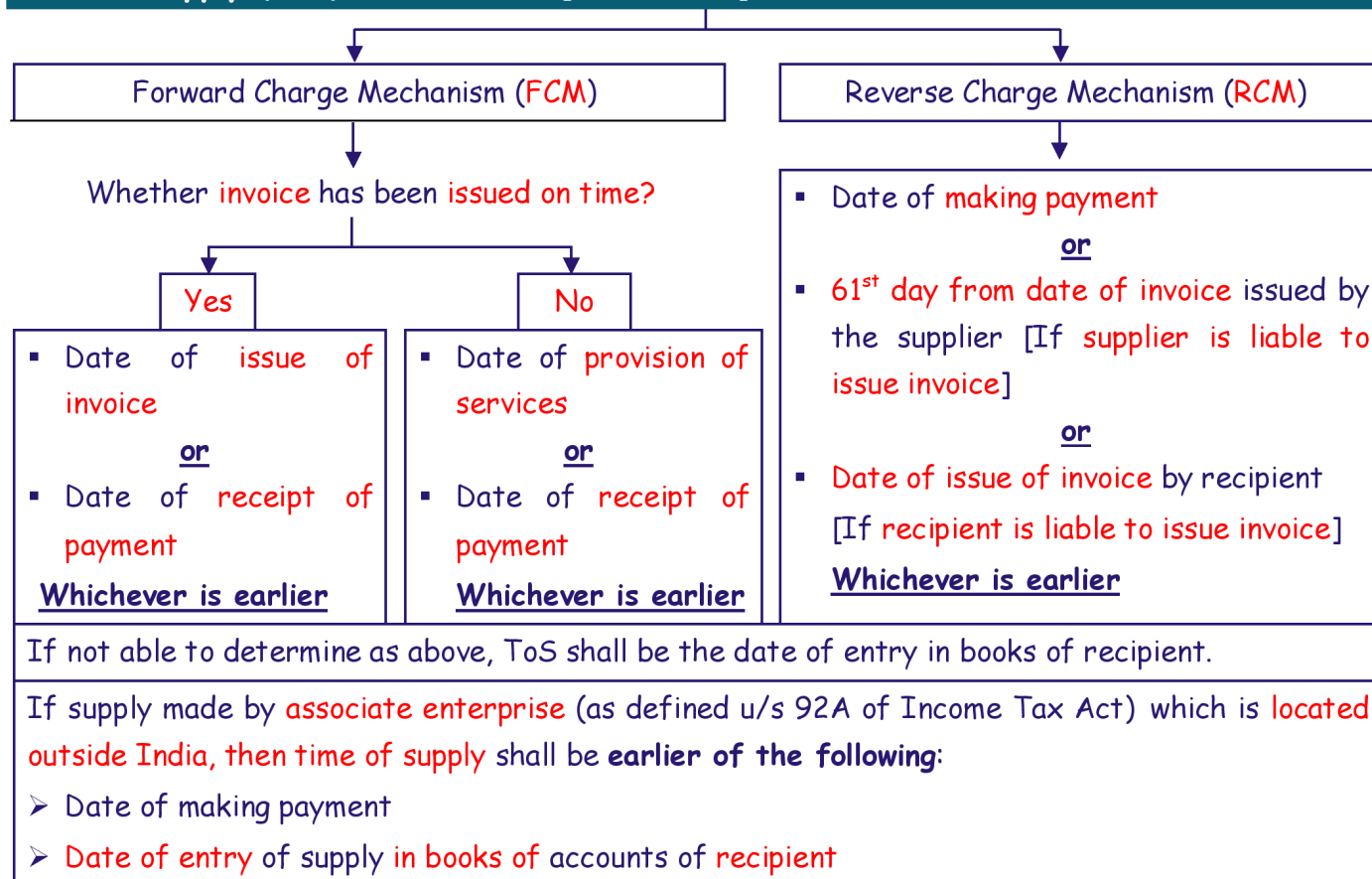
## Due Date for Issue of Invoice in case of Goods [Section 31]

Scenario	Due Date for Issue of Invoice
(A) Movement of goods involved [Movement can be done by supplier or recipient]	Before or at the time of removal of goods
(B) Movement of goods not involved	Before or at time of goods made available to recipient
(C) Continuous supply of goods i.e., gas supply through pipeline	Before or at the time of: <ul style="list-style-type: none"> <li>Issuance of periodical statement</li> <li>or</li> <li>Receipt of periodical payment</li> </ul> [Due date is not relevant but actual date is]
(D) Sale of goods on approval or return basis	<ul style="list-style-type: none"> <li>Before or at the time of approval/supply</li> <li>or</li> <li>6 months from removal of goods</li> </ul> <u>Whichever is earlier</u>
(E) In case of recipient is required to issue invoice for RCM supplies (supplier is unregistered)	<ul style="list-style-type: none"> <li>Within 30 days of receipt of such supply of goods</li> </ul>

## Examples

- (i) A Ltd. sold a machine to customer which was dispatched on 10<sup>th</sup> Aug for which payment was made on 5<sup>th</sup> Aug and invoice was issued on 17<sup>th</sup> Aug. Determine ToS.  
ToS will be 10<sup>th</sup> Aug being due date of issuing invoice while goods removed for supply.
- (ii) B Ltd. kept ready the consignment of goods and inform the customer on 2<sup>nd</sup> June. Customer collected the goods from B Ltd. on 10<sup>th</sup> June and B Ltd. received payment on 5<sup>th</sup> June. Invoice was issued on 12<sup>st</sup> June. Determine ToS.  
ToS will be 10<sup>th</sup> June being earliest of the due date of issuing invoice (10<sup>th</sup> June while goods removed) or date of issue of invoice (12<sup>th</sup> June).
- (iii) C Ltd. sold a machine with installation at site & received consideration of ₹ 15 lacs on 10<sup>th</sup> April. Machine was assembled at site on 15<sup>th</sup> April and invoice was issued on 18<sup>th</sup> April. Determine ToS.  
ToS will be 15<sup>th</sup> April being earliest of the due date of issuing invoice (15<sup>th</sup> April while goods made available) or date of issue of invoice (18<sup>th</sup> April).
- (iv) D Ltd. sold goods to E Ltd. which is taxable under RCM. Invoice was issued on 1<sup>st</sup> June, goods were received by E Ltd. on 10<sup>th</sup> July and payment was made by E Ltd. on 15<sup>th</sup> June. However, payment was received by D Ltd. on 17<sup>th</sup> June. Determine ToS.  
ToS will be 15<sup>th</sup> June being earliest of the date of making payment (15<sup>th</sup> June) or date of goods received (10<sup>th</sup> July) or 31<sup>st</sup> day from invoice (2<sup>nd</sup> July).  
Date of receiving payment (17<sup>th</sup> June) shall not be considered, as supply is taxable under RCM.

### Time of Supply (ToS) for Services [Section 13]



### Due Date for Issue of Invoice in case of Services [Section 31]

Scenario	Due Date for Issue of Invoice
(A) Normal supply of services	Within 30 days from provision of service
(B) In case of service provided by Banking, Insurance, Financial Institution or NBFC	Within 45 days from provision of service
(C) In case of service provided by Banking, Insurance, Financial Institution, NBFC or Telecom Company to its distinct person	Before expiry of the quarter during which such supply has been made
(D) Continuous supply of services (when service is supplied continuously for more than 3 months) i.e., Construction etc: <ul style="list-style-type: none"> <li>▪ Due date of payment visible</li> <li>▪ Due date of payment not clear</li> <li>▪ Payment linked to completion of milestone (25%, 50%, 75% etc.)</li> </ul>	On or before due date of payment Before or at the time of actual payment On or before completion of milestone
(E) Services ceased before completion	At the time such services cease to the extent of supply made before cessation



(F) In case of recipient is required to issue invoice for <b>RCM supplies</b> (supplier is unregistered)	<b>Within 30 days</b> of receipt of such supply of services
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### Examples

- (i) A Ltd. provides services to Ram on 5<sup>th</sup> June. Invoice for the same was issued on 25<sup>th</sup> June and payment was credited on 15<sup>th</sup> June. Determine ToS. Also determine ToS, if invoice was issued on 15<sup>th</sup> July.
- ToS in first case will be 15<sup>th</sup> June, being earliest of the date of receiving payment (15<sup>th</sup> June) or date of issue of invoice (25<sup>th</sup> June), as the invoice has been issued within time (issued within 30 days from provision of service).
  - ToS in second case will be 5<sup>th</sup> June, being earliest of the date of receiving payment (15<sup>th</sup> June) or date of provision of service (5<sup>th</sup> June), as the invoice has not been issued within time (issued after 30 days from provision of service).
- (ii) B Ltd. (registered) provides services taxable under RCM to Shyam on 5<sup>th</sup> June. Invoice for the same was issued on 25<sup>th</sup> June. Payment was debited in bank account of Shyam on 15<sup>th</sup> July and entered in books of accounts of Shyam on 18<sup>th</sup> July. Determine ToS.
- Also determine ToS if B Ltd. is unregistered and self-invoice is issued by Shyam on 20<sup>th</sup> June. Date of making payment is 15<sup>th</sup> July, being earliest of date of debit in bank account of Shyam (15<sup>th</sup> July) and date on which payment is entered in books of accounts of Shyam (18<sup>th</sup> July).
- ToS in first case will be 15<sup>th</sup> July, being earliest of the date of making payment (15<sup>th</sup> July) or 61<sup>st</sup> day from date of invoice issued by supplier (25<sup>th</sup> Aug). [Since supplier is registered, so supplier is liable to issue invoice in such case].
  - ToS in second case will be 20<sup>th</sup> June, being earliest of the date of making payment (15<sup>th</sup> July) or date of invoice issued by recipient (20<sup>th</sup> June). [Since supplier is unregistered, so recipient is liable to issue invoice in such case].
- (iii) A Ltd. provides construction services which will take 2 years to complete. ₹ 50 lacs is due on completion of 25% work which got completed on 15<sup>th</sup> July and payment for the same was received on 1<sup>st</sup> August. Invoice was issued on 25<sup>th</sup> July. Determine ToS.
- ToS will be 15<sup>th</sup> July, being earliest of the date of provision of service (15<sup>th</sup> July) or date of receiving payment (1<sup>st</sup> Aug), as invoice has not been issued within time (This is a case of continuous supply of service and since payment is linked to completion of milestones so invoice must be issued on or before completion of milestone).

### Common Points for Time of Supply of Goods and Services

- (1) Time of supply in case of **supply of vouchers** for goods or services:

Scenario	Time of Supply
▪ If <b>supply is identifiable</b> at time of issue of voucher i.e., Zomato Voucher, Jewellers Voucher etc.	<b>Date of issue</b> of voucher



▪ If <b>supply is not identifiable</b> at time issue of voucher i.e., Shopper's Stop, Reliance Retail Voucher etc.	<b>Date of Redemption</b> of Voucher
---	--------------------------------------

- (2) Time of supply in case of addition in value on account of **interest or fee or penalty** etc. shall be the **day on which such additions are received** by the supplier.

Example: A Ltd. sold goods to customers on 5<sup>th</sup> April for ₹ 10 lacs. A Ltd. received consideration along with interest of ₹ 50,000 for delayed payment on 5<sup>th</sup> September. Determine ToS.

ToS for the supply of goods shall be on 5<sup>th</sup> April. However, ToS for addition in value in terms of interest shall be 5<sup>th</sup> September (when the same has been received by the supplier).

- (3) Any other case (residual cases):

Scenario	Time of Supply
▪ If periodical return is to be filed	Due date of returns
▪ Otherwise	Date on which GST is paid

- (4) In case of supplies made under FCM, if **advance has been received** (i.e., **payment received - invoice value**) is **upto ₹ 1,000**, supplier has an option to choose time of supply in such case as Date of **receipt of payment** or Date of **issue of invoice**.

### Circular Related to Time of Supply [Continuous Supply of Service]

**Time of supply** in case of services of construction and maintenance of national highway projects of National Highways Authority of India (NHAI) under **hybrid annuity modal**.

#### What is Hybrid Annuity Model

Here concessioner (contractor) is required to develop the highways under single contract of:

- ✓ **Construction** services and
- ✓ Operation and maintenance (**O&M**) of highways during the contract period.

**Payments** are **spread in installments** over the period, which is to be **paid after specific periods** or **on completion of certain events** specified in the contract.

It is a **continuous supply of service**, hence invoice must be issued on or before due date of payment or completion of event specified in the contract. Accordingly, **time of supply shall be:**

Scenario	Time of Supply	
If <b>Invoice</b> is issued <b>within time limit</b>	<ul style="list-style-type: none"> <li>▪ Date of <b>issue of invoice</b></li> <li>or</li> <li>▪ Date of <b>receiving payment</b></li> </ul>	whichever is <b>earlier</b>
If Invoice is <b>not issued within time limit</b>	<ul style="list-style-type: none"> <li>▪ Date of <b>provision of service*</b></li> <li>or</li> <li>▪ Date of <b>receiving payment</b></li> </ul>	whichever is <b>earlier</b>

\***Due date of payment** as per contract shall be **deemed as date of provision** of service.

**Example**

Sky Constructions Ltd. (contractor) secures a contract from NHAI under hybrid annuity model in which contractor will construct highway and maintain highway for 20 years. NHAI shall pay consideration to contractor in installments which was paid as below:

Construction Payment: ₹ 100 crores on 75% completion of construction which was completed on 30<sup>th</sup> April 2024. Invoice was issued on 25<sup>th</sup> March 2024. Payment was received on 20<sup>th</sup> March 2024.

Maintenance Payment: ₹ 60 crores every year on 25<sup>th</sup> March of that F.Y. Invoice was issued on 5<sup>th</sup> April 2025 for F.Y. 2024-25. Payment was received on 10<sup>th</sup> April 2025.

Determine ToS.

**Solution**

It is a continuous supply of service, so invoice in case of construction payment must be issued on or before completion of milestone (since payment is linked to completion of milestones) and invoice in case of maintenance payment must be issued on or before due date of payment (since due date of payment is visible).

Construction Payment: Due Date of issue of invoice: 30<sup>th</sup> April 2024, Actual Date of issue of invoice: 25<sup>th</sup> March 2024.

Invoice is issued within time limit, so ToS shall be 20<sup>th</sup> March 2024 i.e. earlier of:

- Date of issue of invoice i.e., 25<sup>th</sup> March 2024
- Date of receiving payment i.e., 20<sup>th</sup> March 2024

Maintenance Payment: Due Date of issue of invoice: 25<sup>th</sup> March 2025, Actual Date of issue of invoice: 5<sup>th</sup> April 2025.

Invoice is not issued within time limit, so ToS shall be 25<sup>th</sup> March 2025 i.e. earlier of:

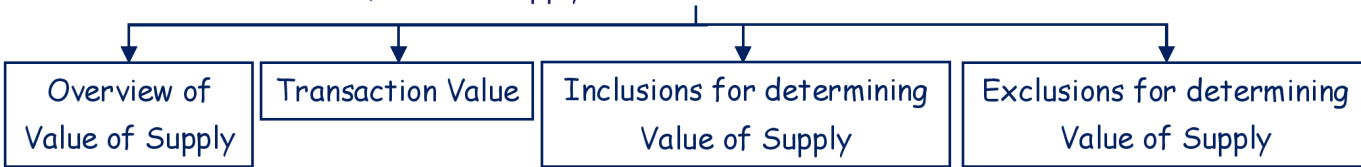
- Date of provision of service i.e., 25<sup>th</sup> March 2025 [due date of payment]
- Date of receiving payment i.e., 10<sup>th</sup> April 2025

# Value of Supply



## About This Chapter

GST is normally payable on ad-valorem basis means % of the value of supply (VoS). Hence to determine the tax amount, value of supply needs to be determined.



## Value of Supply – Overview

Tax Amount = Value of Supply [Determined in this Chapter] x Rate of Tax [Determined by Govt.]

Scenario	Value of Supply
<ul style="list-style-type: none"> <li>Supply made to <b>unrelated person</b> <u>and</u></li> <li>Price is the <b>sole consideration</b></li> </ul>	Transaction value as per section 15(1) adjusted with section 15(2) and 15(3)
<ul style="list-style-type: none"> <li>Otherwise</li> </ul>	As per prescribed rule [Not in Syllabus]

## Value of Supply [Section 15(1)]

Value of supply shall be **transaction value** (which means price actually paid or payable for supply), if:

- Supplier and recipient are **not related person**. [Definition of related person is explained in chapter: "Supply under GST"]. and
- Price** is the **sole consideration** [ Means full consideration is in money form]

Example: Ron sold certain goods to Harry for ₹ 9 lacs [MRP ₹ 12 lacs]. Here no other consideration is involved also Ron and Harry are not related person. In such case, value of supply is ₹ 9 lacs.

## Inclusions for Determining Value of Supply [Section 15(2)]

Following items shall be **added to transaction value** to arrive at value of supply:

- Taxes, duties, cess, fees and surcharge etc. other than GST**, i.e., municipal tax, excise duty etc. if **charged separately** by the supplier.

Note: **TCS is not included** as it is not a separate tax but it is just a mechanism to collect tax.

- Payment made to 3<sup>rd</sup> party directly** by the recipient, only if **supplier is contractually liable** to provide that part of supply and has not been included in price.

Example: Mr. Ron availed catering services from ABC Ltd. for ₹ 20 lacs, which includes ₹ 2 lacs for decoration. Ron paid ₹ 18 lacs to ABC Ltd. and ₹ 2 lacs directly to X Ltd. (Decorator). Calculate value of supply for services provided by ABC Ltd.

Value of supply shall be ₹ 20 lacs as it includes ₹ 2 lacs paid directly to X Ltd. (3rd party) by recipient [Since decoration was responsibility of ABC Ltd (supplier)].

**Note: Transportation Cost**

Transportation cost incurred by supplier and charged from customer (recipient)	Composite supply and shall be part of the main supply
Transportation cost paid by recipient but supplier was liable to provide delivery (FOR basis)	Included in value of supply
Transportation cost paid by recipient and supplier was not liable to provide delivery (ex-factory basis)	Not included in value of supply
If goods are sold on FOR basis, then delivering goods is supplier's responsibility, however if goods are sold on ex-factory basis, then recipient is liable for transportation of goods.	

(3) Incidental expenses charged from recipient, i.e., packing expenses, commission, loading, weight charges, installation, and testing charges etc.

(4) Any amount charged for anything done by supplier at the time or before delivery, i.e., any customisation charges, modification charges, inspection charges etc.

(5) Interest, late fee or penalty for delayed payment:

- Included only if actually recovered from the recipient. If it is waived off, it shall not be included in value of supply.
- Treated as composite supply, hence tax rate will be the same as applicable on main supply.
- Considered as supply in period in which it is actually received by the supplier [explained in chapter: "Time of Supply"]
- Generally considered as inclusive of GST (unless given in question as exclusive of GST).

Value of supply related to Interest, late fee and penalty (if inclusive of GST) shall be:	= $\frac{\text{Interest, late fee, penalty}}{100 + \text{tax rate}} \times 100$
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**Note: Taxability of Interest in case of Del-Crede Agent (DCA) Transaction**

Normal Transaction between principal and agent has been discussed in chapter- Supply under GST. Del-credere agent guarantees timely payment to principal if buyer delays payment, he makes payment to principal on time and later collects payment from buyer along with interest. Hence taxability of interest charged by DCA from customers shall be decided as below:

Whether transaction between principal-agent is a Schedule-I transaction (whether agent issued invoice in his own name).

Yes, Schedule-I Transaction	No, not a Schedule-I Transaction
Following supplies took place:	Following supplies took place:
(i) Supply of goods by Principal to DCA	(i) Supply of goods by Supplier to Buyer

(ii) Supply of goods by DCA to Buyer (iii) Agency service by DCA to Principal (iv) Credit facility by DCA to Buyer	(ii) Agency services by DCA to Supplier (iii) Credit facility by DCA to Buyer
Transaction (iv) is not independent, it is linked with transaction (ii) so interest is charged for delay payment for main supply.	Transaction (iii) is independent credit facility it is not linked with any supply of goods.
Interest is <b>Taxable</b> being <b>composite supply</b>	Interest on loan, deposit, advance is <b>Exempt</b>

(6) **Subsidy** shall be **included** in value of supply, **only if**:

- Subsidy is provided **by other than** central or state **government** **and**
- Subsidy is **directly linked to price**.

#### Examples

- Lunch provided in a canteen of HUL on concessional rate of ₹ 50, where HUL pay subsidy of ₹ 20 to the contractor per lunch. Here value of supply would be ₹ 70 as subsidy is provided by other than central or state government hence included in value of supply.
- Lunch in mid-day meal or Indira Gandhi Rasoi Scheme at concessional rate, subsidy is provided by central or state government, hence not included in value of supply.

#### Notes:

(i) Treatment of **Price linked** subsidy in the questions

- If it is specifically given in question that value is **after considering subsidy** or **Net of subsidies** **or** if there is **only mentioned that subsidy is received** nothing else, it will be assumed that price is charged after reducing subsidy, then:

Subsidy is given by Central or State Government	Not Part of VOS	No further treatment required
If Subsidy is given by any other person	Part of VOS	Add back as such subsidy shall form part of value of supply

- If given in question that price is exclusive or without adjusting such subsidy then:

Subsidy is given by Central or State Government	Not Part of VOS	Reduce the subsidy amount
If Subsidy is given by any other person	Part of VOS	No adjustment required

- Subsidy provided to establish plant, promote entrepreneurship etc. **cannot be considered as subsidy directly linked to price**, as this subsidy does not impact prices directly.



### Exclusion for Determining Value of Supply - Discount [Section 15(3)]

Based on timing of discount, there are two types of discounts as below:

- Pre or on supply discount
- Post supply discount.

**(1) Pre or on Supply Discount:** (i.e., "Buy more Save more", Trade Discount etc.)

- Discount has been given before making supply or while making supply and
- Discount has been **shown in Invoice**.

Then such discount shall be **excluded from the value of supply**.

**(2) Post Supply Discount:** All discounts cannot be decided on or before supply (i.e., payment discount, volume discount, secondary discount), so post supply discounts are provided.

Post supply discount can be reduced from value of supply only if satisfy following **conditions**:

- Discount must be **as per terms** decided in contract existing **at the time of supply** and
- Discount can be **linked to invoices** and
- Proportionate **ITC** has been **reversed by the recipient**.

Note: No Claim Bonus (NCB) by Insurance Companies

If no claim is made under insurance policy in previous period, gross premium for current period is reduced by an amount called as **No Claim Bonus**.

such **pre-supply discount** shall not be included in value of supply as **recorded in invoice** so, **value of supply would be net premium (after reducing NCB)**.

#### Example

ABC Ltd. has provided following particulars relating to goods sold on FOR basis by it to Mr. Ram

List Price of the Goods	₹ 1,00,000
Tax levied by municipality and Swachh Bharat Cess [it also includes TCS of ₹ 5,000]	₹ 40,000
Packing charges and transit insurance charges	₹ 60,000
Transport charges paid by Mr. Ram to Raju transport Agency	₹ 30,000
Interest and Late fees paid for the delayed payment of the consideration [no further amount shall be paid regarding this]	₹ 10,000
Subsidy received from local NGOs [out of which ₹ 20,000 was for establishing plant in that underdeveloped area]. List price is net of Subsidies.	₹ 30,000
Subsidy received from Central Government for sale of that product. List price is net of Subsidies.	₹ 15,000
Discount of 3% of list price given at the time of supply recorded in invoice, however discount of ₹ 2,000 given at the time of payment.	

Calculate Value of Supply. Assume Tax Rate @18%. All amount exclusive of tax unless otherwise given.



## Solution

## Computation of Value of Supply

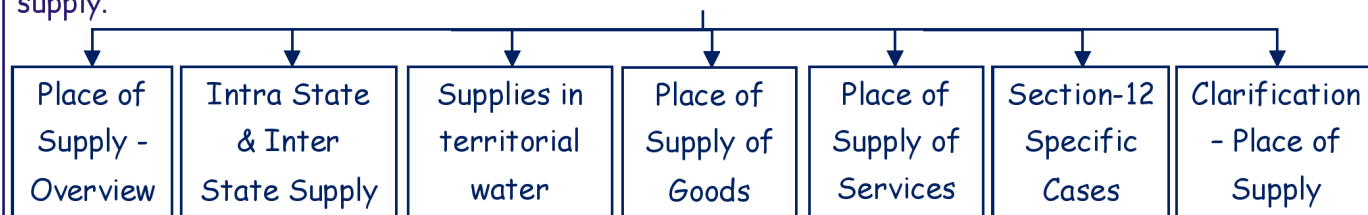
List Price of the Goods	₹ 1,00,000
(+) Tax levied by Municipality and Swachh Bharat Cess [₹ 40,000 - ₹ 5,000]	₹ 35,000
(+) Packing charges and Transit Insurance charges	₹ 60,000
(+) Transport charges paid by Mr. Ram to third party when supplier was responsible to deliver being supply on FOR basis	₹ 30,000
(+) Interest and Late fees [₹ 10,000*18/118]	₹ 8,475
(+) Price Linked Subsidy Received from NGO [₹ 30,000 - ₹ 20,000]	₹ 10,000
(-) Discount of 3% of list price given at the time of supply recorded in invoice, however discount of ₹ 2,000 given at the time of payment.	(₹ 3,000)
<b>Value of Supply</b>	<b>₹ 2,40,475</b>

# Place of Supply



## About This Chapter

It is important to determine place of supply for determining type of supply, i.e., intra or inter-state supply.



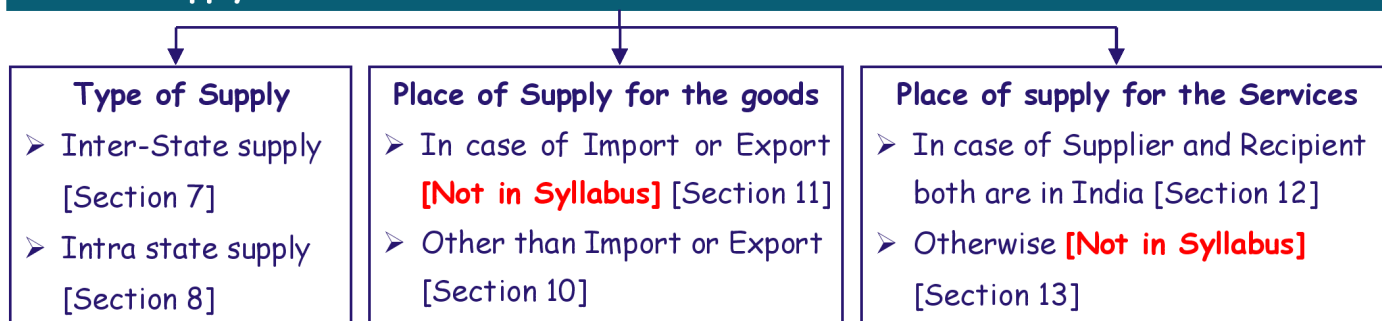
## Understanding of Input Tax Credit Mechanism

Revenue	←	Input	→	Business	→	Output
Capital	←					
		6,00,000		10,00,000		
		+1,08,000		+1,80,000		
assume tax rate @18%		<u>₹ 7,08,000</u>		<u>₹ 11,80,000</u>		
		Output Tax Liability		₹ 1,80,000		
		(-) Already paid on inputs [input tax credit]		₹ (1,08,000)		
		<b>Net tax to be paid</b>		<b>₹ 72,000</b>		

**Example:** Supplier A supplies leather worth ₹ 5,00,000 and services of ₹ 1,00,000 to supplier B and he manufactures the shoes and supplies the same for ₹ 10,00,000 to consumer. assumed tax rate @ 18%. Show how ITC flows.

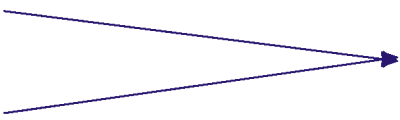
Supplier A make a sale of ₹ 6,00,000, collects ₹ 7,08,000 and deposits ₹ 1,08,000 of GST with government. Now supplier B make sale of ₹ 10,00,000, collects ₹ 11,80,000 and has liability to deposit ₹ 1,80,000 with government. As he has ITC of ₹ 1,08,000 so he just needs to pay ₹ 72,000. [Net of ITC]. That is how the credit chain works in the GST.

## Place of Supply - Overview

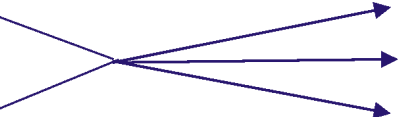


## Inter-State and Intra-State Supply [Section 7 and Section 8 of IGST Act]

**Intra-State Supply:** In case of any supply of goods or services, subjected to section 10 and 12 if:

- Location of **supplier**  
And  
➤ **Place of supply**
- 
- In the **same state** or union territory

**Inter-State Supply:** In case of any supply of goods or services, subjected to section 10 and 12 if:


- Location of **supplier**  
and  
➤ **Place of supply**
- 
- Two **different states**  
Two **different UTs**  
One state and one UT

However, following supplies shall always be an **Inter-state supply** irrespective of above provisions:

- Supply **to SEZ** unit or developer or supply **by SEZ** unit or developer (**even in same state**).
- **Import** of goods or import of services.
- Supplies made **to tourists**.
- Supplier is located in India and **place of supply** is **outside India**.
- Supply in **taxable territory** but **not intra state** (residual).

## Supplies in Territorial Waters [Section 9 of the IGST Act]

India's landmass is divided into states or UTs, but what if, the location of supplier and place of supply is in India's coastal territory (sea). In such case, which state or UT is to be taken as location of supplier and place of supply is clarified as below:

- Location of **Supplier**  
or  
• **Place of Supply**
- 
- Is in **territorial water** → Deemed in **nearest coastal State/UT**.

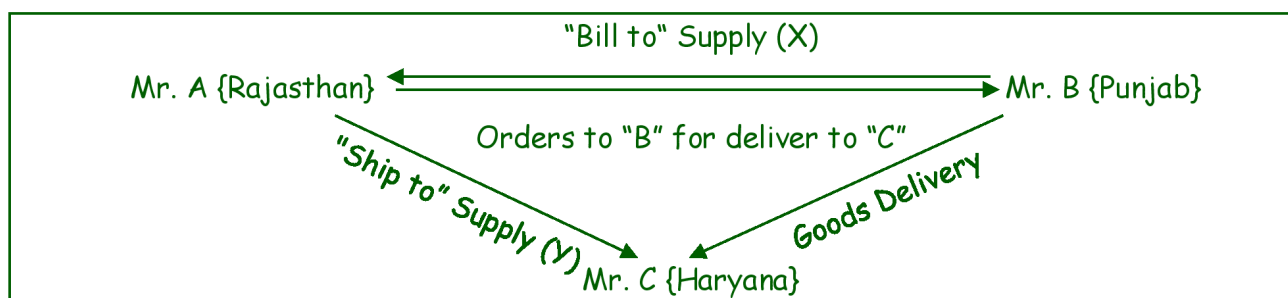
## Place of Supply of Goods in case other than Import/Export [Section 10 of IGST Act]

S.N.	Scenario	Place of Supply
(1)	Supply involves <b>movement</b> of goods by supplier or recipient or another person	Location <b>where movement</b> of goods <b>terminates</b> (ends)
(2)	Supply does <b>not</b> involve <b>movement</b> of goods (in " <b>as is where is</b> " condition)	Location <b>where goods made available</b> or location of delivery to the recipient
(3)	Notwithstanding point (1) and (2) in case of over-the-counter sale made to any <b>unregistered person</b>	<b>Address of recipient</b> mentioned in the invoice [even only state name will suffice] If not recorded, location of supplier
	<b>Note:</b> If <b>billing address</b> and <b>delivery address</b> is different, <b>later can be mentioned</b> on invoice.	

(4)	Supply involves assembly or installation	Location of <b>such assembly</b> or installation
(5)	Goods supplied on board a conveyance	Location where goods are <b>taken on board</b>

**Examples**

- Pappu (Registered in Jaipur) sale and deliver a machine to Mohan at his place in Pune: POS in this case will be Pune (Maharashtra) the location where movement ends.
- Kapu (Registered in Mumbai) sale a flat in Hisar to Sonu of Indore along with an AC which is pre-installed in flat: POS for AC sale will be Hisar where AC is made available to Sonu.
- Pappu (Unregistered) of Jaipur purchase a laptop from Croma of Delhi and records his state name in invoice as Rajasthan: POS in such case will be Rajasthan as address in invoice.
- Tipu of Chennai sale a machine to Ram of Shimla which is to be installed at factory located in Jaipur: POS in such case will be Jaipur where such machinery has been installed.
- Kapu of Pune purchases a power bank from Shyam of Mumbai while travelling by train to Jaipur. Shyam boarded train from Mumbai: POS in such case will be Mumbai where goods are taken on board.

**Note: Bill to Ship to Model:**

Supply, where goods are delivered to a **recipient** (here Mr. C) by the **supplier** (here Mr. B) on the instruction of **third person** being original buyer (here Mr. A) before or during movement of goods. In such case **two supplies arises** for which place of supply is to be determined:

- Place of supply for the "Supply-X", i.e., **supplier to third person** is the location of the principal **place of business** of such **third person**, i.e., POS for "Supply-X" will be Rajasthan.
- Place of supply for the "Supply-Y", i.e., **third person to recipient** is the location, where **movement of goods end**, i.e., POS for "Supply-Y" will be Haryana.

## Place of Supply in case of Supply of Services

Where location of **supplier** and location of **recipient** both are in **India**, Section 12 will be used to determine place of supply as below:

▪ Nature of Supply fall into specific cases of section 12	Specific Provision will apply [As discussed further]
▪ Otherwise	<p>General provisions applicable, place of supply would be:</p> <ul style="list-style-type: none"> <li>➤ Made to registered person <ul style="list-style-type: none"> <li>↳ Location of recipient</li> </ul> </li> <li>➤ Made to unregistered person <ul style="list-style-type: none"> <li>↳ Location of recipient</li> </ul> </li> </ul> <p style="text-align: center;">↓</p> <p style="text-align: center;">If address not on record</p> <p style="text-align: center;">↓</p> <p style="text-align: center;">Location of supplier</p>

Examples: Mr. Ramu (Delhi) provides legal service to ABC Ltd. (Jaipur). Determine POS.

As both supplier and recipient are in India Section 12 would apply and place of supply would be Jaipur (location of recipient).

## Specific Cases under Section 12 of IGST Act

### (1) Service related to Immovable Property and Lodging/Accommodation

- Construction, agency, engineering, survey, interior decoration, architecture, rental or lease etc. of immovable property.
- Lodging or accommodation services by hotel, inn, guest house, houseboat, club, homestay, campsite, vessel etc.
- Accommodation for any marriage or any function including related services at such property.
- Ancillary services related to above.

Scenario	Place of Supply
▪ Such property, boat, vessel located in India	Location of such immovable property, boat, vessel etc.
▪ Such property, boat, vessel located outside India	Location of recipient

Note: If such property etc. located in more than 1 State/UT, then follow below mentioned provision to determine place of supply in each of such State/UT (in absence of contract or agreement between supplier and recipient):

(a) Lodging and accommodation services where different property located in  $\geq 2$  State/UT

Based on **no. of nights** stayed in property located in each State/UT

- (b) Lodging and accommodation services where single property located in  $\geq 2$  State/UT and any other services mentioned above

Based on **area of property** in each State/UT

- (c) Lodging and accommodation services by house boat or vessel

Based on time spent in each State/UT

Example: Mr. Ron from Pune provides architectural services to Mr. Harry of Jaipur for his properties situated in Delhi and London for which he charges ₹ 2 lacs and ₹ 5 lacs respectively. Determine POS. Since both supplier and recipient are in India, section 12 will be applicable. The nature of service is covered in above specific case, hence POS for ₹ 2 lacs will be Delhi (where property is situated) and for ₹ 5 lacs will be Jaipur (location of recipient as property is situated outside India).

## (2) Restaurant and Catering Services, Personal Grooming, Fitness, Beauty, and Health Services including Cosmetic and Plastic Surgery

Scenario	Place of Supply
▪ Always	Place where services are performed

Example: Mr. Hakim from Pune provides hair styling services to Ms. Shradha Kapoor of Mumbai while shooting movie in Dehradun (Uttarakhand). Determine POS.

Since both supplier and recipient are in India, section 12 will be applicable. The nature of service is covered in above specific case, hence POS for ₹ 2 lacs will be Dehradun (where such services are performed)

## (3) Training and Performance Appraisal Services

Scenario	Place of Supply
▪ Recipient is registered	Location of recipient
▪ Otherwise	Place where service are performed

Note: As per GST Act "recipient" means:

- **Person liable to pay consideration**, where consideration is payable for supply.
- **Person to whom goods or services are provided**, where consideration is not payable for supply.

Hence in case if a company (registered) provides training to their employees from third party supplier, for which fees has been paid by the company. In such case recipient would be company only and POS would be location of the recipient i.e., Company.

Example: ABC Ltd. (Registered in Pune) hired Mr. Mittal of Jaipur to train their employees on GST. Training is conducted at a resort in Kolkata. Determine POS. Will your answer would change if ABC Ltd. is unregistered.

Since both supplier and recipient are in India, section 12 will be applicable. The nature of service is



covered in above specific case, hence POS for ₹ 2 lacs will be Pune (location of recipient since recipient i.e., ABC Ltd. is a registered person).

However, if ABC Ltd. is unregistered, POS will be Kolkata (place where such services are performed).

#### (4) Admission to any Events, Amusement Park or Other Places

Scenario	Place of Supply
▪ Always	Location of place or event held

Example: Entry ticket for visiting an aquarium located at Goa is sold for ₹ 500 per person. POS in that case would be Goa (location of such place).

#### (5) Organising Event and Assigning Sponsorship for such Event

Scenario	Place of Supply
▪ Recipient is registered	Location of recipient
▪ Recipient is unregistered	
✓ Location where event held is in India	Location where event held
✓ Location where event held is outside India	Location of recipient

Note: If such event is held in more than 1 State/UT then POS will be proportionately in each State/UT based on GAAP (in absence of contract or agreement between supplier and recipient).

Example: Mr. Ron (Registered in Pune) avails event organisation services from XYZ Ltd. based in Gurgaon for a product launch. Events are held at Delhi and Mauritius for which it charges ₹ 3 lacs and ₹ 8 lacs respectively. Determine POS. What will be the POS if Mr. Ron is unregistered.

- Since recipient i.e., Mr. Ron is registered, POS for both of the events will be Pune (location of recipient) irrespective of the location of the event.
- If recipient i.e., Mr. Ron is unregistered, POS for Delhi event will be Delhi (location where event is held) and POS for Mauritius event will be Pune (location of recipient).

#### (6) Transportation of Goods, including Mail or Courier

Scenario	Place of Supply
▪ Recipient is registered	Location of recipient
▪ Recipient is unregistered	Place where goods handed over to transport

Example: Mr. Ron (Registered in Pune) gets his goods transported from Mumbai to Ludhiana through ABC Transporter of Mumbai. Determine POS. What will be the POS if Mr. Ron is unregistered.

- Since recipient i.e., Mr. Ron is registered, POS will be Pune (location of recipient)
- If recipient i.e., Mr. Ron is unregistered, POS will be Mumbai (place where goods are handed over for transportation)

(7) Transportation of Passenger	
Scenario	Place of Supply
▪ Recipient is registered	Location of recipient
▪ Recipient is unregistered	Location where person embarks on the Journey
▪ Supply for future journey and boarding point is not known [i.e., Delhi Metro Card]	Location of recipient (If NA, Location of supplier)

Note: In case of return journey, both sides are considered as a separate journey.

Example: Mr. Ron (Registered in Pune) traveled on a round-trip ticket with AIR India from Mumbai to Amritsar and returned next day. Determine POS. What will be POS if Mr. Ron is unregistered.

- Since recipient i.e., Mr. Ron is registered, POS will be Pune (location of recipient)
- If recipient i.e., Mr. Ron is unregistered, POS will be location where person embarks on journey hence Mumbai (for Mumbai to Amritsar leg) and Amritsar (for Amritsar to Mumbai leg).

(8) Service provided On Board a Conveyance	
Scenario	Place of Supply
▪ Always	First schedule point of departure of that conveyance

Example: Mr Ron is travelling on a flight from Delhi to Bangalore having mid stop at Mumbai. He received massage services onboard after Mumbai but before landing at Bangalore. Determine POS.

Delhi

PoS - Delhi

Mumbai

↓

Services performed

Bangalore

(9) Telecommunication Services	
Scenario	Place of Supply
▪ Service provided using fixed line, leased circuits, dish antenna, cable line etc.	Location of such instrument
▪ Postpaid connection	
✓ Billing address of recipient available	Location of recipient in billing address
✓ Billing address of recipient not available	Location of supplier
▪ Pre-paid connection, DTH services (recharge coupon, vouchers, net pack etc.)	
✓ Through agent, distributor, reseller etc.	Location of agent or distributor
✓ Online mode	Location of recipient

Note: If Leased circuit goes through more than 1 State/UT and consolidated amount is charged in such case POS will be determined in each State/UT based on no. of points in each State/UT (in absence of contract or agreement between supplier and recipient).

Example: ABC Ltd. (Registered in Jaipur) avails landline services from BSNL. Telephone is installed in the workspace located at Gurgaon also billing address is given in Jaipur. Determine POS  
POS will be Gurgaon (location where such fixed telecommunication line is installed).

#### (10) Advertisement Services to Central/State Government/UT/local Authority/Statutory Body

Scenario	Place of Supply
▪ Always	Each of State/UT where such advertisement is played/run/broadcasted.

Note: If advertisement played/run/broadcasted in more than 1 State/UT, POS will be determined as per below points (in absence of contract or agreement between supplier and recipient):

- Advertisement in hoardings: Amount payable for hoardings in each State/UT
- Advertisement on railway tickets: No. of railway stations in each such State/UT
- Advertisement on trains: Length of railway track in each such State/UT
- Advertisement in television channel: Viewership of channel in each State/UT
- Advertisement on internet/through SMS: No. of internet subscriber (internet)/telecom subscription (SMS).

- Viewership of channel shall be taken based on data published by BARC (Broadcast Audience Research Council) for last week of preceding quarter.
- Internet subscribers shall be taken based on internet subscriber data released by TRAI (Telecom Regulatory Authority of India) for last quarter of preceding financial year.
- Telecom Subscriber shall be taken based on telecom subscriber data released by TRAI for preceding quarter.

If above figures are related to any region having more than 1 states, then viewership for particular State/UT is determined based on population data of last census.

Example: Central government avails advertisement services from Zee News (Registered in Delhi) during the month of August for a total cost of ₹ 50 lacs. Advertisements are broadcasted in Punjab, Haryana and Rajasthan. As per BARC data of last week of June, combined viewership of Zee News in Punjab and Haryana is 3 crores while in Rajasthan, it is 2 crores. Last census indicates that population of Punjab is 2 crores and that of Haryana is 1 crore. Determine POS.

POS for ₹ 50 lacs will be allocated based on viewership in each state where advertisement runs.

So, for Rajasthan, allocation is  $[\text{₹ } 50 \text{ lacs} \times 2/5] = \text{₹ } 20 \text{ lacs}$  and, for Punjab and Haryana it is  $[\text{₹ } 50 \text{ lacs} \times 3/5] = \text{₹ } 30 \text{ lacs}$

Since there is no viewership data available for Punjab and Haryana separately, POS will be further

determined based on population data. Thus for Punjab allocation will be  $[\text{₹ } 30 \text{ lacs} \times 2/3] = \text{₹ } 20 \text{ lacs}$  and Haryana it will be  $[\text{₹ } 30 \text{ lacs} \times 1/3] = \text{₹ } 10 \text{ lacs}$ .

#### (11) Banking and Financial Services including Stock Broking Services

Scenario	Place of Supply
▪ If recipient's address available	Location of recipient
▪ If recipient's address not available	Location of supplier

Example: Mr. Shyam of Jaipur traveled to Delhi to enroll his son at Delhi University and paid college fee using a DD from a bank located in Delhi. Bank issued the DD without any KYC. POS would be Delhi (location of supplier since location of Shyam is not available with the bank).

#### (12) Insurance Services

Scenario	Place of Supply
▪ Always	Location of Recipient

Example: Mr. Ron, residing in Jaipur, purchases term insurance from TATA AIA (Mumbai) for an annual premium of ₹ 15,000. POS would be Jaipur (location of Recipient).

Please Note: If in any case location of supplier and place of supply is in the same state but such state is different from state of location of recipient. Such supply is the Intra state supply and CGST/SGST of the supplier's state will be applicable, so recipient will not be able to claim the ITC. Such case may arise in case of services mentioned in Point (1), (2), (8) etc.

Example: ABC Ltd. (Registered in Jaipur) has booked stay at Taj Hotel in Mumbai for its directors who are there to attend some meetings. In such case both POS and location of supplier (i.e. Taj Hotel) are in Mumbai hence ABC Ltd. would not be able to take ITC in Rajasthan.

### Clarifications on Place of Supply

(1) Location of recipient of service means:

Supply received related to registered place of recipient	Such registered place of business
Supply received related to fixed establishment other than registered place	Location of such fixed establishment

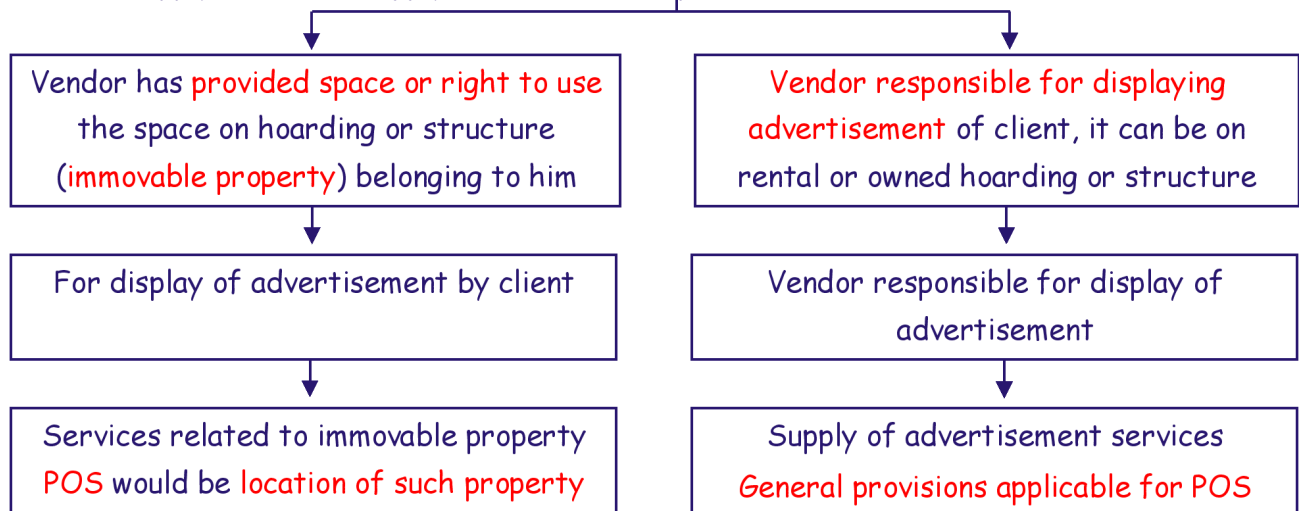
(2) Location of supplier of service means:

Supply made from registered place of supplier	Such registered place of business
Supply made from fixed establishment other than registered place	Location of such fixed establishment

(3) Cargo handling service, Legal service, market research and data hosting services do not get

covered in any specific case so General provisions shall apply.

(4) Place of supply in case of supply of service in respect of **advertising sector**



Example: Coca Cola (Registered in Surat) avails advertisement services against ₹ 50 lacs from ABC Advertiser Agency of Pune for display of advertisement on hoardings at several locations in Mumbai. ABC Advertiser took rights to utilise the space on hoarding attached to earth from Tom Holdings, who owns those rights, for ₹ 10 lacs. Determine POS.

- POS for advertising services provided by ABC advertiser to Coca Cola for ₹ 50 lacs will be Surat (location of recipient as per general provisions of section 12).
- POS for rights to use the immovable property provided by Tom Holdings to Coca Cola for ₹ 10 lacs would be Mumbai (location of such immovable property).

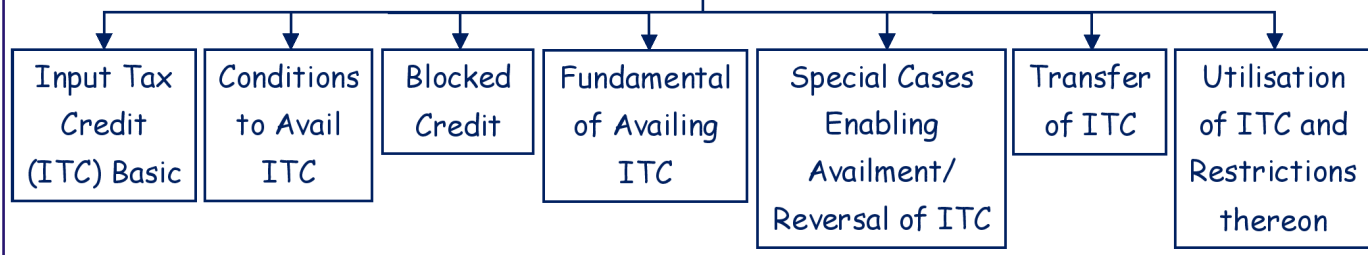


# Input Tax Credit



## About this Chapter

In this chapter, we will discuss what is input tax credit, how to avail it, how to use it etc.



## Understanding of Input Tax Credit Mechanism

Revenue	←	Input	→	Business	→	Output
Capital	←					
		6,00,000		10,00,000		
		(+) 1,08,000		(+) 1,80,000		
assume tax rate @18%		<u>₹ 7,08,000</u>		<u>₹ 11,80,000</u>		
		Output Tax Liability		₹ 1,80,000		
		(-) Already paid on inputs (input tax credit)		₹ (1,08,000)		
		<b>Net tax to be paid</b>		<b>₹ 72,000</b>		

**Example:** Ram supplies leather worth ₹ 5 lacs and services of ₹ 1 lac to Harry. Harry manufactures shoe and supplies the same for ₹ 10 lacs to consumers. Assume tax rate @ 18%. Show how ITC flows. Ram makes a sale of ₹ 6,00,000, collects ₹ 7,08,000 and deposits ₹ 1,08,000 of GST with government and files GSTR-1 with details of sale till 11<sup>th</sup> or 13<sup>th</sup> of next month which will reflect in GSTR-2B of Harry.

Now Harry makes a sale of ₹ 10,00,000, collects ₹ 11,80,000 and has liability to deposit ₹ 1,80,000 with government. As he has ITC of ₹ 1,08,000. He just needs to pay ₹ 72,000 (Net of ITC).

That is how the credit chain works in the GST.

## ITC Basic Concept Clarity

- ITC availment means taxpayer claimed ITC in return and credited the same to its balance of ITC in electronic credit ledger at GST portal.
- ITC utilisation means using the ITC availed to make tax payment of output GST liability.
- **Basic Principles (Criteria) to Avail ITC:**
  - ✓ Only **registered person** can avail ITC.
  - ✓ Goods and services on which ITC is to be availed are intended to be used or **used for business**.



## Conditions for Availment of Input Tax Credit (ITC) [Section 16]

### 7 conditions to avail input tax credit

Possession of tax paying document	Details uploaded by supplier	Goods and Services received	ITC not restricted in GSTR-2B	Tax paid to government	Return filed u/s 39	Credit is not blocked u/s 17(5)
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#### (1) Possession of Tax Paying Document

Registered person must have possession of **valid tax paying document** to avail ITC, i.e.,

- Invoice, debit note, revised invoice
- Invoice in case of RCM along with proof of tax payment
- Document issued by ISD (Input Service Distributor)
- Bill of entry [in case of import]

#### Notes:

- (i) Delivery challan and bill of supply are not considered as tax paying document.
- (ii) Following **mandatory details** are required on valid tax paying document, i.e.,
  - ✓ GSTIN of supplier and recipient
  - ✓ Description and Value of goods and services
  - ✓ Tax amount
  - ✓ Place of supply [in case of interstate supply]
- (iii) If e-invoice requirement is applicable on any supplier, in such case invoice other than e-invoice will not be considered as valid tax paying document.

#### (2) Details of Invoice, Debit Note uploaded by the supplier

**No ITC** can be availed in respect of invoices or debit notes for which details are required to be furnished u/s 37(1) **unless**:

- Details of such invoice or debit note has been **furnished** by supplier **in GSTR-1 (as amended in GSTR-1A) or** through Invoice Furnishing Facility (IFF).

#### and

- Such details have been communicated to registered person **in GSTR-2B** of the recipient.
- So, ITC can be availed only on the invoices reflecting in GSTR-2B, however this rule does **not apply** in below cases:

○ IGST paid on <b>imports</b>	So, in these cases, ITC can be availed even if invoices or debit notes are not reflecting in GSTR-2B
○ Reverse charge mechanism ( <b>RCM</b> )	
○ Credit from <b>ISD</b>	

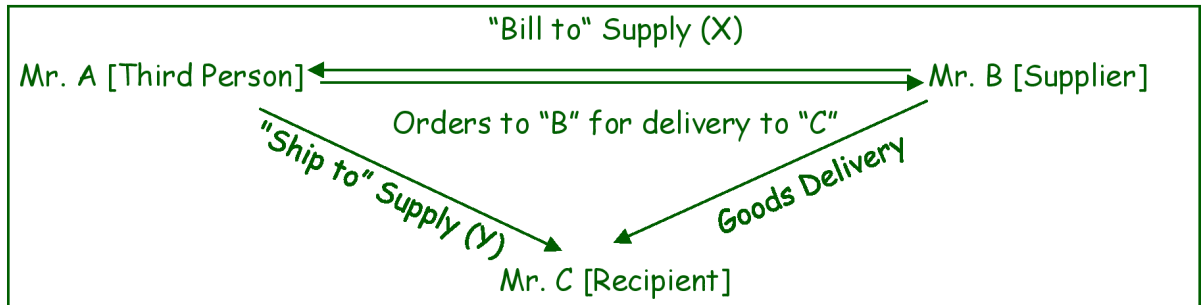
Note: Normally invoices of sale are uploaded by supplier monthly in GSTR-1 which get reflected in GSTR-2B of the recipient, but if supplier is filing return on quarterly basis it may upload such invoices through IFF facility. [Detailed discussion in chapter: "Returns"]

**(3) Receipt of Goods or Services**

Registered person must have **received goods or services** in order to avail ITC.

**Notes:**

- (i) If goods are purchased on **ex-factory basis**, **delivery of goods by supplier at factory gate to anyone** including transporter, shall be **considered as received** by the recipient.
- (ii) If goods are received in installments/lots, ITC can be availed only on receipt of **last lot**.
- (iii) In bill to ship to model, if goods/services are delivered to recipient on instruction of 3<sup>rd</sup> person, it is deemed to be received by such 3<sup>rd</sup> person and such person can avail ITC.

**(4) ITC on invoices communicated in GSTR-2B is not restricted**

- GSTR-2B contains details of inward supplies on which **ITC is available** and on which ITC cannot be availed, hence ITC **cannot be availed** on such inward supplies **which are restricted**.
- **ITC is not available** if tax paid towards **demand on account of fraud**, wilful misstatement and suppression of facts.

**(5) Tax leviable on supply paid to Government**

No mechanism at present to ascertain whether tax is paid by supplier to government or not, so registered person can take ITC as self-assessed in returns subjected to below restriction: If supplier has shown outward supplies in GSTR-1 but **tax is not paid** on the same in GSTR-3B **till 30<sup>th</sup> September** following the end of year, recipient has to **reverse the ITC** for the same in any GSTR-3B **till 30<sup>th</sup> November** following the end of such year. If GSTR-3B is filed by supplier later on, ITC can be taken by recipient.

**(6) Filing of return u/s 39**

Registered person shall **file return u/s 39 (GSTR-3B)** to avail ITC.

**Further Special Points for Availment of ITC****(A) Maximum time limit to avail ITC**

ITC on any invoice or debit note may be availed by **earlier** of the following:

- **30<sup>th</sup> November**, following the year of issuance of invoice or debit note [due date not matter] or
- Date of **filing of Annual Return**

**Note:** If registration is cancelled during above period and revoked later on, ITC can be taken in GSTR-3B which is filed within 30 days from order of revocation.

**Example**

- (i) ABC Ltd. issued an invoice to Mr. Pal on 01/02/2024 and further charged an additional amount via debit note dated 03/04/2024. Mr. Pal filed his annual return for F.Y. 23-24 on 31/12/2024 and for F.Y. 24-25 on 15/10/2025. What is Time limit to avail ITC?
- ITC for the invoice [F.Y. 23-24] can be availed by 30/11/2024.
  - ITC for the debit note [F.Y. 24-25] can be availed by 15/10/2025.
- (ii) Sona Ltd. avails legal service from an unregistered lawyer on 05/08/2024. It issued self-invoice on 15/04/2025. Annual return filed in Dec 2026. What is Time limit to avail ITC?
- ITC for the invoice [F.Y. 25-26] can be availed by 30/11/2026. [late issuance of invoice will not make any difference, time limit to avail ITC will be based on invoice date]

**(B) Payment within 180 days**

- Registered person shall make **payment to supplier within 180 days** from date of issue of invoice, otherwise credit availed shall be paid along with interest u/s 50, i.e., **@18% p.a.**
- Such credit shall be **added to output tax** liability while furnishing GSTR-3B for the period in which 180 days has been elapsed.
- Interest @ 18% p.a. shall be levied **from** date of utilisation **to** payment of credit availed.
- However, ITC can be re-availed if payment has been made later on [maximum time limit to avail ITC shall not be applicable in this case].
- However, if amount paid partially, credit to be reversed proportionally to amount not paid.
- This rule shall **not be applicable** in following cases:

- |   |   |
|---|---|
| <ul style="list-style-type: none"> <li>○ Reverse charge mechanism (<b>RCM</b>) supplies</li> <li>○ Deemed supply under <b>Schedule-I</b></li> <li>○ Addition to value being made on payment to third party directly by the recipient</li> </ul> | <p>No impact of not making payment within 180 days in these cases</p> |
|---|---|

**Example**

ABC Ltd. avails advertisement service for ₹ 25 lacs from Karim Ltd. with invoice dated 25<sup>th</sup> March and ABC Ltd. availed the ITC immediately. ABC Ltd. made payment of ₹ 10 lacs in April but did not pay rest till Dec due to a dispute. Calculate ITC to be reversed assuming tax rate @18%.

As 180 days completes in the month of September and payment has not been made, ITC must be reversed in return of September of ₹ 2,97,458 [(₹ 29,50,000 - ₹ 10,00,000) × 18/118]

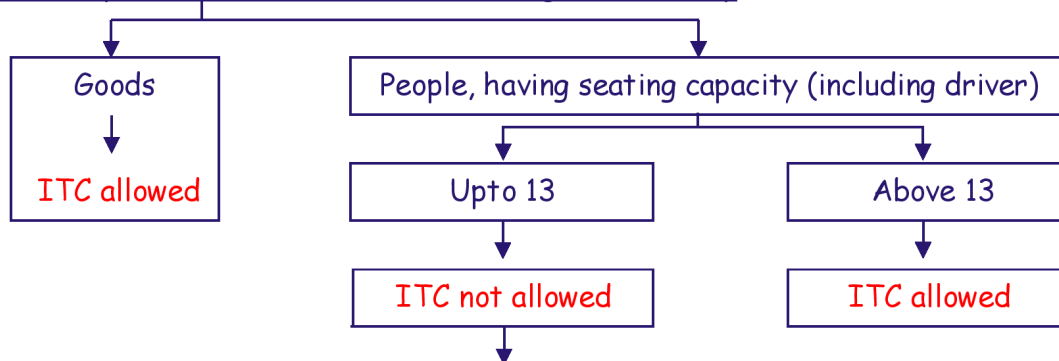
**(C) GST on purchase of Capital Goods**

Either capitalise the tax component on purchase of capital goods and take depreciation under Income Tax Act or take ITC of the tax paid on purchase of such capital goods.

**Example**

ABC Ltd. has availed following inward supplies in June and paid GST thereon. Determine ITC available.

Inward Supplies	GST Paid	ITC Available
Sugar, out of which one invoice having GST of ₹ 20,000 is missing	₹ 2,00,000	₹ 1,80,000
Goods, out of which goods having GST of ₹ 25,000 is not received	₹ 1,00,000	₹ 75,000
50-ton rice. Received first lot of 35 ton in June	₹ 5,00,000	Nil
Capital Goods capitalised at full value including tax paid	₹ 3,00,000	Nil
Machine used for manufacturing process	₹ 10,00,000	₹ 10,00,000
Cotton, got it delivered to job worker (third person)	₹ 2,00,000	₹ 2,00,000
Pesticide, to be delivered in September	₹ 2,50,000	Nil
Cotton from unregistered dealer	Nil	Nil
Services for which E-invoice received but IRN was not mentioned	₹ 2,00,000	Nil
Service from lawyer, Invoice not reflected in GSTR-2B	₹ 1,00,000	₹ 1,00,000

**Blocked Credit [Section 17(5)]****(1) ITC on purchase of motor vehicle designed to carry**

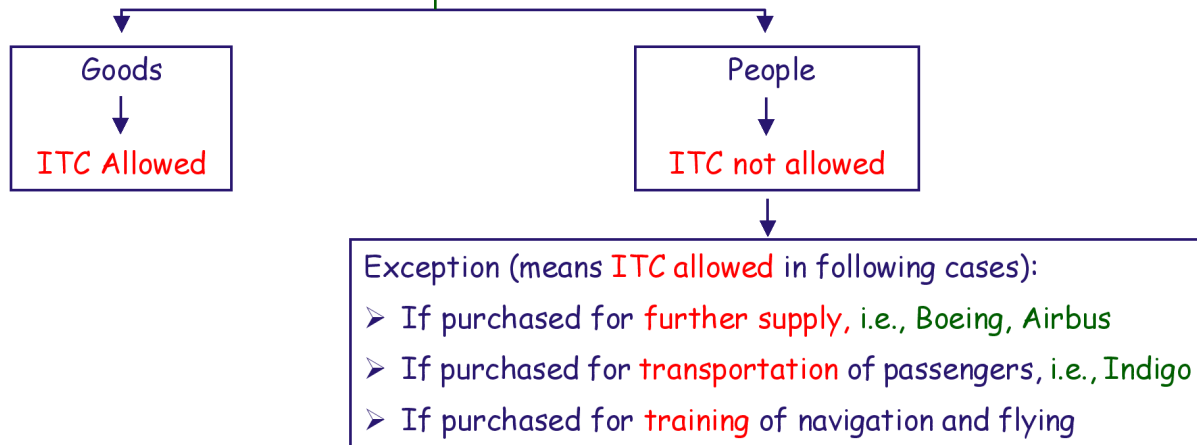
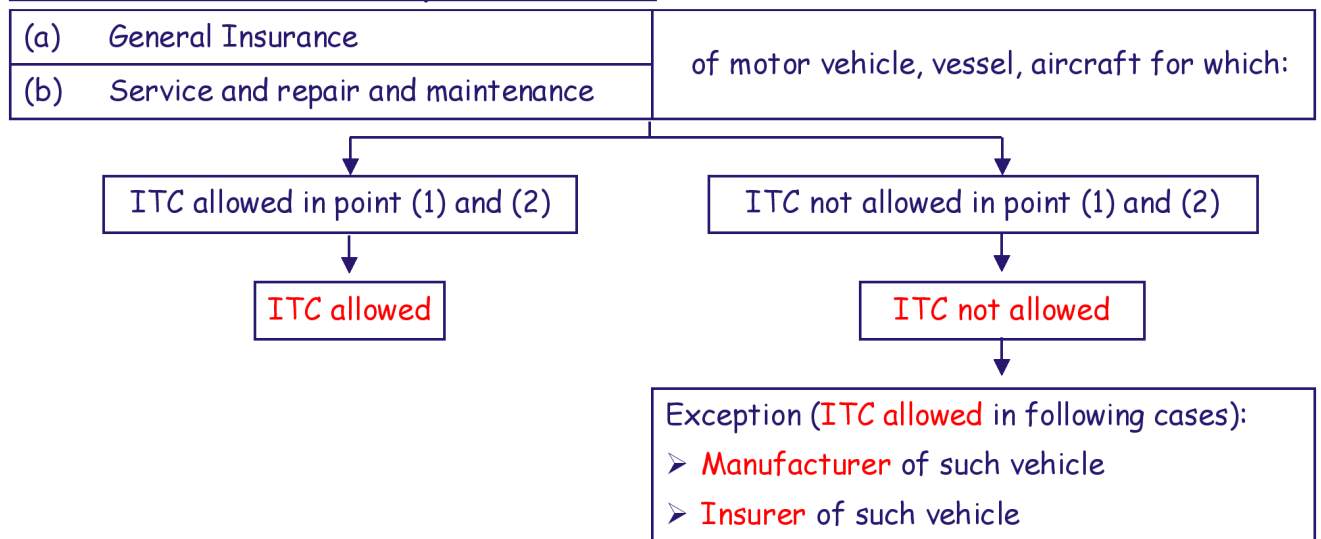
Exception (means ITC allowed in following cases):

- If purchased for further supply of such motor vehicles, i.e., Car purchased for sale or for demo by car dealer
- If purchased for transportation of passenger, i.e., travel operator
- If purchased for training for driving, i.e., driving school.

**Notes:**

- (i) Bike is designed for carrying people hence ITC is blocked even if used for carrying goods.
- (ii) As per definition of motor vehicle following items are not included in motor vehicle:
  - Vehicle running upon fixed rails i.e., Railway
  - Special purpose vehicle (SPV) used in enclosed premise, i.e. fork lift
  - Vehicle with less than 4 wheels and upto 25 cc engine.

ITC allowed

**(2) ITC on purchase of Vessel and Aircraft used to carry****(3) Notified Services for above point (1) and (2)****Examples**

Purchase of a car (6-seater) for use of employees and directors	ITC Blocked
Purchase of 10 cars (6-seater) for further sale by car dealer including 1 for demo	ITC Available
Purchase of 3 tyre tempo having engine capacity of 35 CC for labour	ITC Blocked
Purchase of 3 tyre tempo having engine capacity of 25 CC for employees	ITC Available
Purchase of truck for transportation of goods	ITC Available
Purchase of bus (30-seater) for transportation of employees from office to home	ITC Available
Purchase of car (6-seater) for providing travel operator services	ITC Available
Purchase of private jet by Reliance Ltd. for its promoter's travels	ITC Blocked
Purchase of an aircraft by Indigo to provide transportation service	ITC Available
Repairing services for car (6-seater) for use of employees and directors	ITC Blocked
Insurance services for truck for transportation of goods	ITC Available
Repairing services availed by Bajaj insurance for 6-seater vehicle insured by them	ITC Available

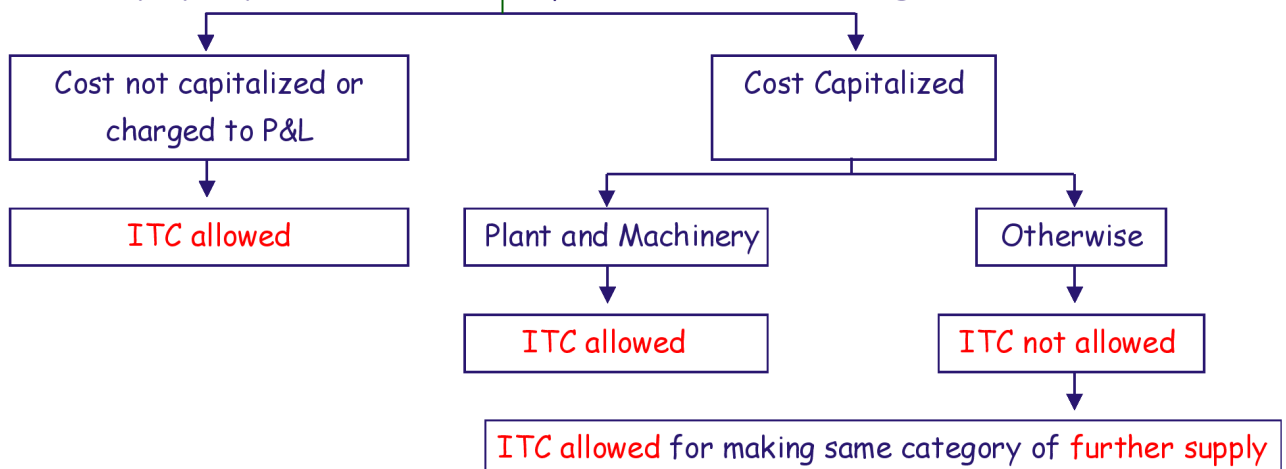


(4)	▪ Outdoor catering	▪ Food and beverage (confectionary)	ITC not allowed
	▪ Beauty treatment	▪ Cosmetic and plastic surgery	
	▪ Health services	▪ Life and health insurance	
	▪ Membership of a Club, Health and Fitness centre	▪ Travel benefit to employees on vacation like leave travel concession	
	▪ Renting, leasing, hiring of motor vehicle, aircraft, vessel on which ITC is not allowed in point (1) and point (2).		
<u>Exception (ITC allowed in following cases):</u>			
(i) Above mentioned supplies received to provide same category of taxable supply or as an element of a taxable composite or mixed supply.			
(ii) Above mentioned supplies are provided to employees due to statutory obligation on employers. However, company's policy is not a statutory obligation.			

#### Examples

- (i) ABC Ltd. takes a car on hire from XYZ Ltd. for office use by its director. XYZ Ltd. took such car on rent from Maruti Ltd. for the same. Check eligibility of credit.
- ✓ For ABC Ltd., ITC is blocked as hired the motor vehicle on which ITC is blocked.
  - ✓ For XYZ Ltd., ITC is allowed under exception as car is taken on rent to provide same category of supply.
- (ii) ABC Ltd. purchased food items and availed canteen services for its employees for which contract is awarded to XYZ Ltd. Whether ITC is available to company?
- ✓ ITC is available if company is statutorily obligated to provide such services.
  - ✓ ITC is blocked if company is not statutorily obligated.
- (iii) Gym and health centre membership paid for the senior employees (as per company policy).
- ✓ ITC is blocked as company is not statutorily obligated.

#### (5) Work contract service procured or goods and services procured for self-construction of Immovable property (i.e., construction, repair etc. of office building, warehouse etc.)





Notes:

- (i) Plant and Machinery means apparatus, equipment, machinery fixed to earth by foundation including such foundation or structure **except**:
- ✓ Land and building or other civil structure
  - ✓ Telecommunication tower
  - ✓ Pipeline outside factory
- ITC not allowed in such cases
- (ii) ITC on **ducts and manholes** used for optical fibre cable network **is not blocked**, as the same is considered as plant and machinery, being integral part of the fibre cable network.

Examples

Purchase of cement and tiles for construction of own office building (capitalised)	ITC Blocked
Cement used for making foundation structure through which plant is fixed to land	ITC Available
Availed work contract service for construction of staff quarter and parking shed	ITC Blocked
Work contract service for laying of pipeline from river upto the factory gate	ITC Blocked
Work contract service for repairing of building charged to P&L	ITC Available
ABC Ltd. subcontract the work for construction of building to Ajay constructions for which it received the contract from Ron Associates	ITC Available to ABC Ltd.

- (6) Tax paid on Inward Supply from Composition supplier - ITC not allowed
- (7) Tax paid on Inward Supply for Personal Consumption - ITC not allowed
- (8) Goods and Services received to be used for CSR activities - ITC not allowed
- (9) ITC in respect of Free Samples, Gifts, Lost, Destroyed or Stolen goods

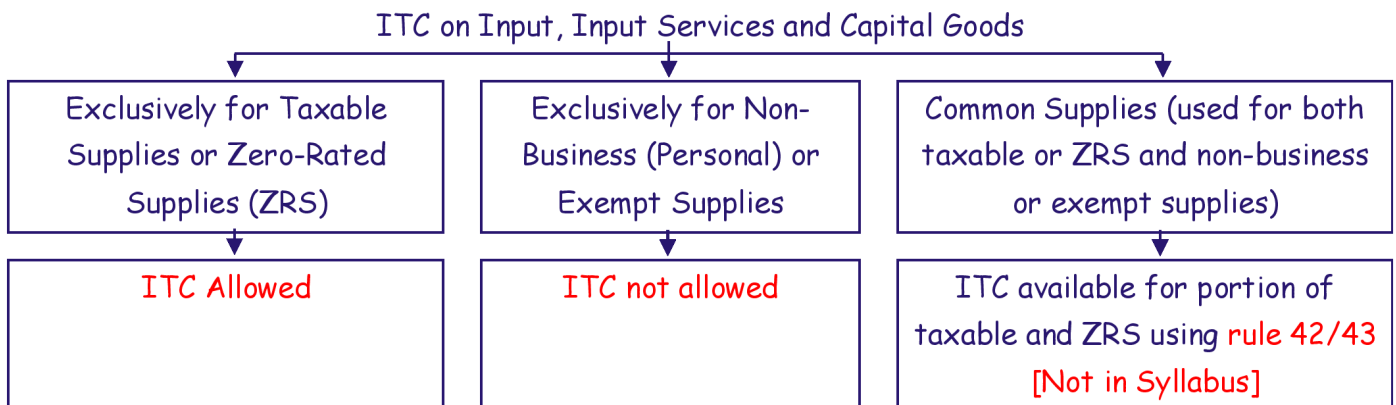
Lost, Destroyed, Stolen, Written off Goods	
▪ If ITC taken already	Reverse it
▪ If ITC not taken	ITC not allowed
Gift and Free Samples	
▪ If ITC not Taken	ITC not allowed
▪ If ITC taken	
✓ Schedule-I transaction	ITC allowed but have to pay tax on transaction
✓ Otherwise	Reverse it

Based on above few situations this concept may be applied in following cases:

Sales promotion scheme	Eligibility of ITC
Samples and Free gifts	Not eligible unless such transaction falls in schedule I
Buy One Get One, Buy More Save More and Secondary discount	Eligible for ITC

**(10) Non-Resident Taxable Person (NRTP)**

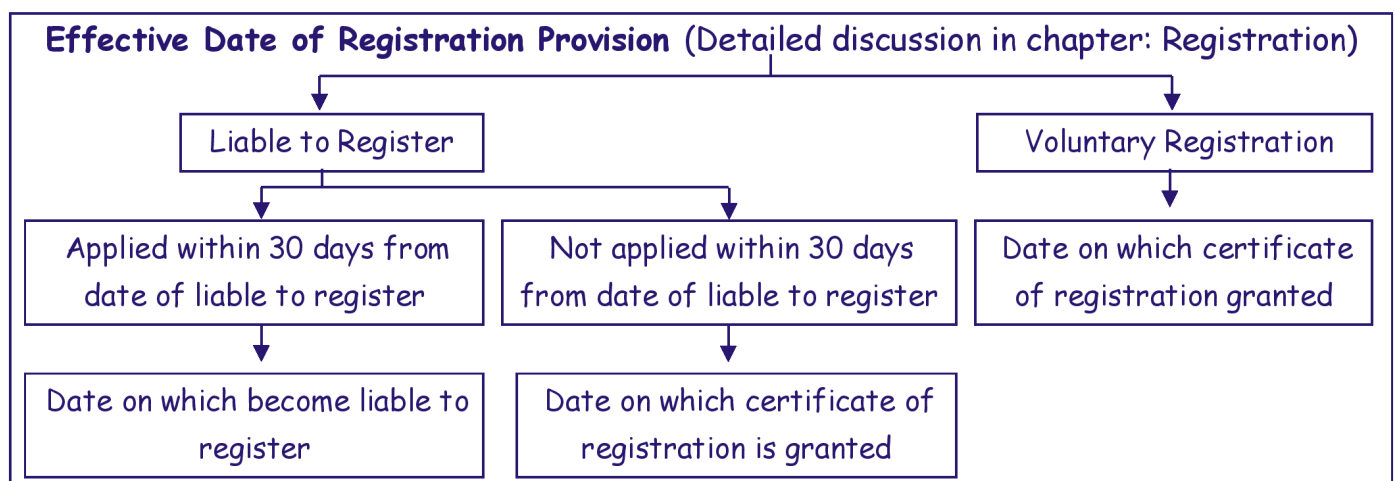
ITC on domestic goods and services	ITC not allowed
ITC on import of services	ITC not allowed
ITC on import of goods	ITC allowed

**(11) Tax paid under Section 74 for period upto financial year 2023-24 - ITC not allowed****Fundamentals for Availment of Input Tax Credit [Section 17]****Notes:**

- (i) Exempt supply means nil rated supply, supply of exempted goods/services and non-taxable supply
- (ii) Zero rated supply means exports and supply to SEZ developer or unit.
- (iii) Nil rated supply and zero-rated supply are not the same thing as zero-rated supply is a specific term used for export and supply to SEZ unit or developer.

**Examples**

- (i) Material purchased which is used for making supply to SEZ - ITC is available
- (ii) Material purchased which is used for making exports - ITC is available
- (iii) Material purchased for personal use of the directors - ITC is not available



### Special Cases Enabling Availment of Credit [Section 18]

<p>Earlier <b>Composition</b> Supplier</p> <p>↓</p> <p>Now became <b>Regular</b> supplier</p> <p>↓</p> <p>Entitle for credit on:</p> <ul style="list-style-type: none"> <li>▪ Stock of Inputs as Raw material, Semi finished or Finished goods</li> <li>▪ Capital Goods</li> </ul> <p><b>As on</b></p> <p>✓ Day immediately preceding date on which liable to pay tax under regular scheme</p>	<p>Earlier making <b>Exempt</b> supplies</p> <p>↓</p> <p>Now making <b>Taxable</b> supplies</p> <p>↓</p> <p>Entitle for credit on:</p> <ul style="list-style-type: none"> <li>▪ Stock of Inputs as Raw material, Semi finished or Finished goods</li> <li>▪ Capital Goods</li> </ul> <p><b>As on</b></p> <p>✓ Day immediately preceding date on which exempt supplies became taxable supplies</p>	<p>Earlier unregistered and now <b>became liable to register and applied registration within 30 days</b></p> <p>↓</p> <p>Entitle for credit on:</p> <ul style="list-style-type: none"> <li>▪ Stock of Inputs as Raw material, Semi finished or Finished goods</li> </ul> <p><b>As on</b></p> <p>✓ Day immediately preceding date on which became liable to register</p>	<p>Earlier unregistered and now registered voluntarily</p> <p>↓</p> <p>Entitle for credit on:</p> <ul style="list-style-type: none"> <li>▪ Stock of Inputs as Raw material, Semi finished or Finished goods</li> </ul> <p><b>As on</b></p> <p>✓ Day immediately preceding date of grant of registration</p>
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#### Notes:

- ITC can be availed only if **invoice is not older than 1 year** (rule applies to capital goods also).
- Amount of credit to be availed in case of capital goods:  

$$= \text{Total ITC} - 5\% \text{ per quarter or part of quarter [from date of invoice to date of availment].}$$

Note: Quarter in GST means Jan-March, April-June, July to September, October- December
- If any product was exempt earlier and now became taxable, **ITC on capital goods can be availed** only if such **supplier was registered while goods were exempt**. i.e., ABC Ltd. is making exempt supplies till 30<sup>th</sup> June and not registered under GST. On 1<sup>st</sup> July such exempt supply becomes taxable and ABC Ltd. get registered, ITC is not available on Capital Goods.
- For availment of such credit taxpayer has to file electronic declaration in form **GST ITC-01 within 30 days from the relevant date** containing details of inputs and capital goods.
- If amount of **aggregate credit exceeds ₹ 2,00,000** (CGST+SGST/UTGST+IGST), details must be **certified by CA/CMA** in practice.

#### Examples

- Mr. Ravi withdraws from composition scheme on 1<sup>st</sup> October. It can take ITC on Inputs and Capital goods in stock as on 30<sup>th</sup> September.
- Mr. Ravi become liable to register on 1<sup>st</sup> June, applied for registration on 25<sup>th</sup> June and registration has been granted on 15<sup>th</sup> July. It can take ITC on inputs in stock on 31<sup>st</sup> May.

### Special Cases Leading to Reversal of Credit [Section 18]

<p><b>Regular Supplier</b></p> <p>↓</p> <p>Now became <b>Composition supplier</b></p>	<p>Making <b>taxable</b> supplies</p> <p>↓</p> <p>Such supplies became <b>Exempt</b> supplies</p>	<p><b>Cancellation of Registration</b></p> <p>↓</p>	<p><b>Supply of capital goods</b> on which ITC taken</p> <p>↓</p>
<p>Reversal of ITC equal to ITC on:</p> <ul style="list-style-type: none"> <li>Stock of inputs as Raw material, Semi finished or Finished goods</li> <li>Capital goods</li> </ul> <p><b>As on</b></p> <ul style="list-style-type: none"> <li>✓ Day immediately preceding date of switch over to composition scheme</li> </ul>	<p>Reversal of ITC equal to ITC on:</p> <ul style="list-style-type: none"> <li>Stock of inputs as Raw material, Semi finished or Finished goods</li> <li>Capital goods</li> </ul> <p><b>As on</b></p> <ul style="list-style-type: none"> <li>✓ Day immediately preceding date on which taxable supplies became exempt supplies</li> </ul>	<p>Reversal of ITC equal to ITC on:</p> <ul style="list-style-type: none"> <li>Stock of inputs as Raw material, Semi finished or Finished goods</li> <li>Capital goods</li> </ul> <p><b>As on</b></p> <ul style="list-style-type: none"> <li>✓ Day immediately preceding date of cancellation of registration</li> </ul>	<p>Amount to be paid:</p> <ul style="list-style-type: none"> <li>➤ Total ITC — 5% per quarter or part of quarter (from date of invoice)</li> <li><b>or</b></li> <li>➤ Tax on transaction value</li> </ul> <p><u>Whichever is higher</u></p>
<p><b>Amount of reversal to be made</b></p> <ul style="list-style-type: none"> <li>➤ <u>Inputs in form of raw material, semi finished or finished goods:</u> <ul style="list-style-type: none"> <li>✓ If <b>Invoice available</b> - proportionate reversal based on invoice</li> <li>✓ If <b>Invoice not available</b> - reversal shall be based on prevailing <b>market price</b> as on relevant date (<b>certified by practicing CA/CMA</b>).</li> </ul> </li> <li>➤ <u>Capital Goods:</u> <ul style="list-style-type: none"> <li>✓ Reversal of <b>ITC for remaining useful life</b> (in full months), added to output tax liability taking useful life as 5 years, i.e., 60 months.</li> </ul> </li> </ul> <p><u>Note:</u> after reversal, if ITC balance still lies, same shall lapse. If ITC available is lower than reversal to be made same shall be added to the output tax liability.</p>			<p><u>Note:</u> In case refractory bricks, jigs, moulds, dies, tools, fixtures etc. are supplied, tax on transaction value can be paid directly.</p>

#### Example

Ravi Ltd. purchased a machine on 1<sup>st</sup> June 2024 for ₹ 10 lacs and sold the same on 15<sup>th</sup> October 2026 for ₹ 4 lacs. Amounts are exclusive of taxes, Rate of Tax @18%. Determine tax payable on sale.

Tax liability shall be ₹ 81,000, which is higher of the below:

- Tax on Transaction Value [₹ 4 lacs × 18%] = ₹ 72,000.
- ITC reversal [₹ 1,80,000 - (₹ 1,80,000 × 5% × 11 quarters)] = ₹ 81,000.

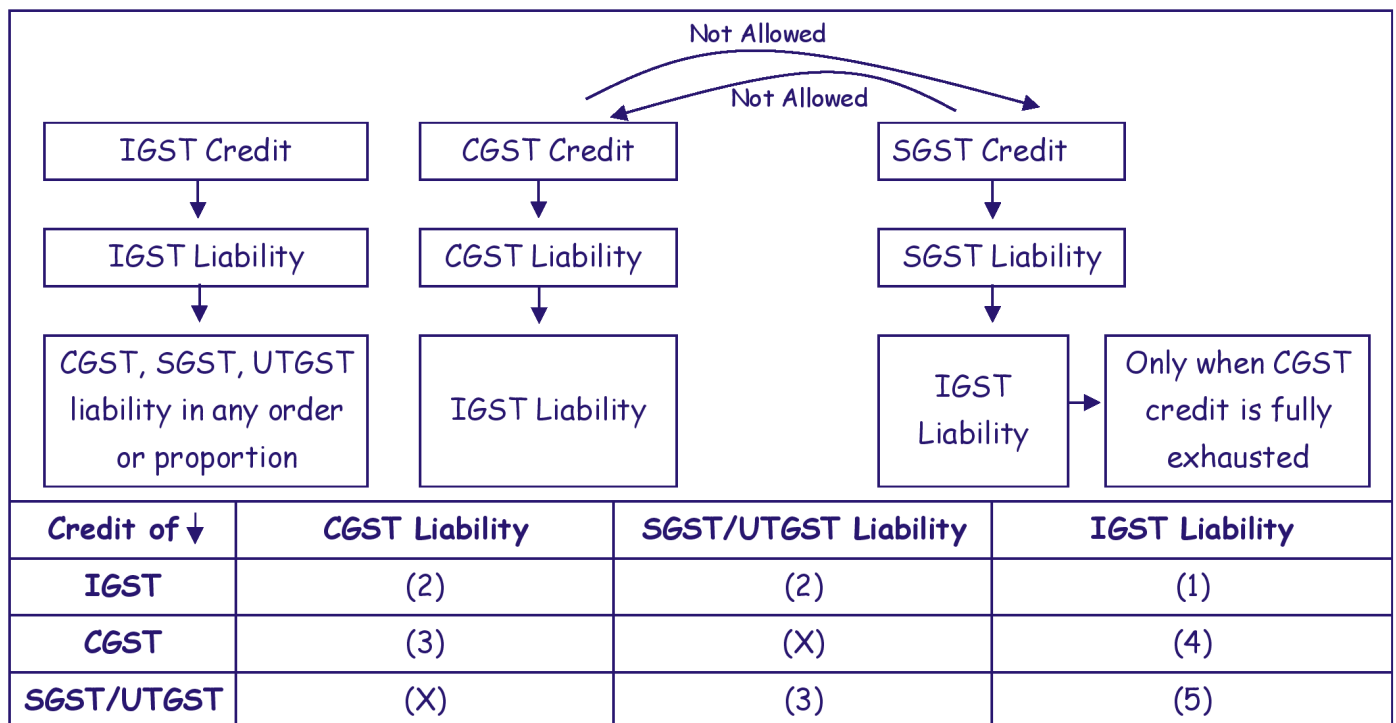
### Transfer of ITC on Account of Change in Constitution [Section 18]

In case of sale, merger, demerger, amalgamation, lease or transfer or change in ownership (can also be due to death of proprietor), **ITC remaining unutilised** in credit ledger can be **transferred to succeeding business** (transferee).

#### Conditions and Method

- Registered person shall furnish **details** of such reconstitution in **form ITC-02** along with **certificate from CA/CMA** in practice that change is done with provision of transfer of liability.
- On acceptance of details by transferee on electronic portal, ITC will be transferred and credited to transferee's credit ledger.
- Transfer is affected on **State Level** not on all India level.
- In case of demerger, Transfer of ITC would be proportionate to assets transferred hence value of assets (whether ITC taken or not on such assets):
- Registered person obtaining separate registration for multiple places of business within a state/UT may transfer ITC on obtaining separate registration in ratio of value of assets to any or all the newly registered places of business.

### Utilisation of ITC [Section 49]



- CGST, SGST, UTGST credit can be utilised only when IGST credit has been utilised fully.
- SGST, UTGST credit can be utilised towards IGST liability only when CGST credit has been utilised fully.
- IGST credit after payment of IGST liability can be used to pay any liability (CGST/SGST/UTGST) in any order or any proportion provided total cash payment is minimum.



However, if any specific instruction is given, same has to be followed (i.e., SGST to be paid in cash maximum, CGST to be paid in cash maximum).

- (iv) ITC can be utilised to make **payment of output tax only** (tax on sale) means credit cannot be utilised to pay following liabilities and **must be compulsorily paid through cash**:
- ✓ Amount other than taxes, i.e., fees, penalty interest etc.
  - ✓ Tax on input under reverse charge mechanism (RCM).
- (v) Any tax paid under reverse charge mechanism (RCM) can be taken as ITC in same period.
- (vi) If any input, input service, capital goods purchased from an unregistered person, in such case no tax to be paid, as unregistered supplier cannot collect tax, so no question of taking ITC arises.

**Example 1**

Type of Tax	Opening ITC Balance	Credit Available	Tax Liability
IGST	11,00,000	7,00,000	22,00,000
CGST	10,00,000	6,00,000	14,00,000
SGST	8,00,000	5,00,000	9,00,000

**Solution**

Total ITC available	IGST	CGST	SGST
Opening Balance	11,00,000	10,00,000	8,00,000
(+) Credit Available	7,00,000	6,00,000	5,00,000
<b>Total</b>	<b>18,00,000</b>	<b>16,00,000</b>	<b>13,00,000</b>

How to Use ITC	IGST	CGST	SGST
Gross GST Liability	22,00,000	14,00,000	9,00,000
(-) IGST Credit	(18,00,000)		
(-) CGST Credit	(2,00,000)	(14,00,000)	
(-) SGST Credit	(2,00,000)		(9,00,000)
<b>GST Paid through cash</b>	<b>0</b>	<b>0</b>	<b>0</b>

Note: SGST Credit of ₹ 2,00,000 is to be carried forward.

**Example 2**

Assume SGST credit available is only 5,00,000 and IGST liability is 15,00,000 in above example

**Solution**

How to use ITC	IGST	CGST	SGST
Gross GST Liability	15,00,000	14,00,000	9,00,000
(-) IGST Credit	(15,00,000)		(3,00,000)

(-) CGST Credit		(14,00,000)	
(-) SGST Credit			(5,00,000)
<b>GST Paid through cash</b>	<b>0</b>	<b>0</b>	<b>1,00,000</b>
<u>Note:</u> CGST Credit of ₹ 2,00,000 is to be carried forward.			

### Restriction on use of ITC [Rule 86A and Rule 86B]

#### Rule 86A

- **Commissioner** or an officer authorised not below the rank of **Assistant Commissioner** may impose restriction on use and refund of ITC available in credit ledger, if he has reason to believe that ITC is taken fraudulently or ITC is ineligible, in following circumstances:
  - (i) ITC is availed based on tax invoice, debit note or other prescribed documents:
    - Issued by **non-existent supplier**/supplier not conducting business from its declared place.
    - **Without actual receipt** of goods or services.
    - For supply for which **tax has not been paid** to the government.
  - (ii) **Recipient** availing ITC found **non-existent** or not conducting business from declared place.
  - (iii) Recipient availing ITC is not in possession of valid tax paying documents.
- Such restriction can be imposed for a period of **1 year** and such restriction can be withdrawn by commissioner or officer authorised.

#### Rule 86B

- Rule 86B shall be applicable, in case of registered person making **taxable supply** (excluding zero rated and exempt supply) in a **month exceeding ₹ 50,00,000**.
- Such person can **pay maximum 99% of the output tax liability through ITC balance**, rest has to be paid in cash. So, 1% of output tax liability mandatorily needs to be discharged through cash.
- **Exception:** [Circumstances when rule 86B will not be applicable]
  - (i) If any of the following person **deposited income tax more than ₹ 1,00,000 in each of the last 2 financial years** for which time limit u/s 139(1) of filing income tax return has been expired:
    - ✓ Registered person
    - ✓ Proprietor or Karta or Managing Director
    - ✓ Any of its two partners or Whole Time Director or Member of managing committee or Board of trustees.
  - (ii) If registered person received **refund of more than ₹ 1,00,000** for unutilised ITC in **preceding financial year** due to:
    - ✓ Zero rated supply made without payment of tax [under Bond or LUT]
    - ✓ Supply made under Inverted Duty Structure.

- (iii) If registered person paid more than 1% of YTD output tax liability through electronic cash ledger in current financial year (GST paid under RCM shall not be considered)

Example: If any person made payment of tax through cash ₹ 1,50,000 out of total tax liability of ₹ 60,00,000 till Oct'24 in this F.Y. Rule 86B shall not be applicable in Nov'24.

- (iv) Rule 86B shall not be applicable on specified registered person, i.e.,

- ✓ Government Department
- ✓ Local Authority
- ✓ Public Sector Undertaking (PSU)
- ✓ Statutory Body

- (v) Proper officer may remove restriction after due verification and safeguard

#### Example

Output tax liability	₹ 2,00,00,000
ITC available	₹ 1,99,00,000
Determine ITC to be utilised and tax to be paid assuming rule 86B is applicable	

#### Solution

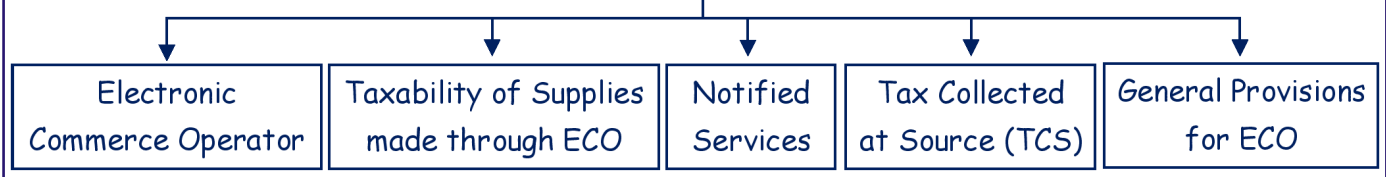
99% of Output tax liability $[2,00,00,000 \times 99\%]$	₹ 1,98,00,000
ITC Available	₹ 1,99,00,000
Lower of the above (maximum credit utilisation)	₹ 1,98,00,000
Cash payment	₹ 2,00,000

# Electronic Commerce Transaction and TCS



## About this Chapter

In this chapter, discussion will revolve around electronic commerce transactions, i.e.,

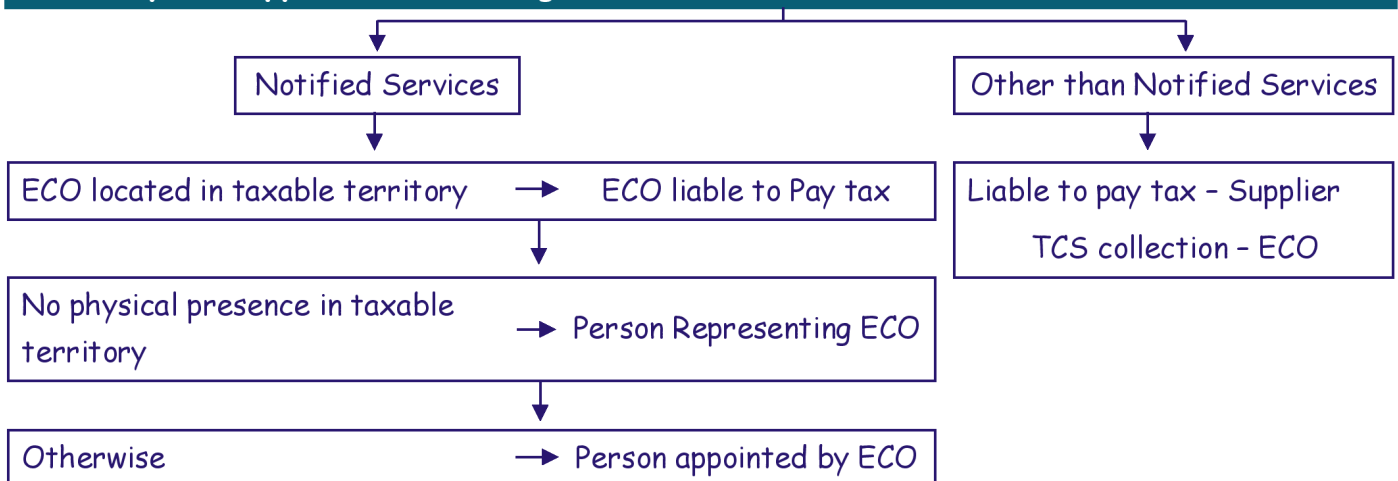


## Electronic Commerce Operator (ECO)

- Electronic Commerce Operator means any person who **owns, operate or manages electronic platform** for supply of goods or services, i.e., **Amazon, Flipkart, Uber, Swiggy etc.**
- If any transaction occurs through electronic commerce operator, it has special nature because in these transactions more than 2 parties are involved, i.e., ECO, Supplier and Recipient, hence government has provided special provision for the taxability of the same:

Type of Supply	Role of ECO
Notified services u/s 9(5)	ECO will pay tax to the Government
Otherwise	Supplier will pay tax but ECO will collect TCS

## Taxability of Supplies made through ECO

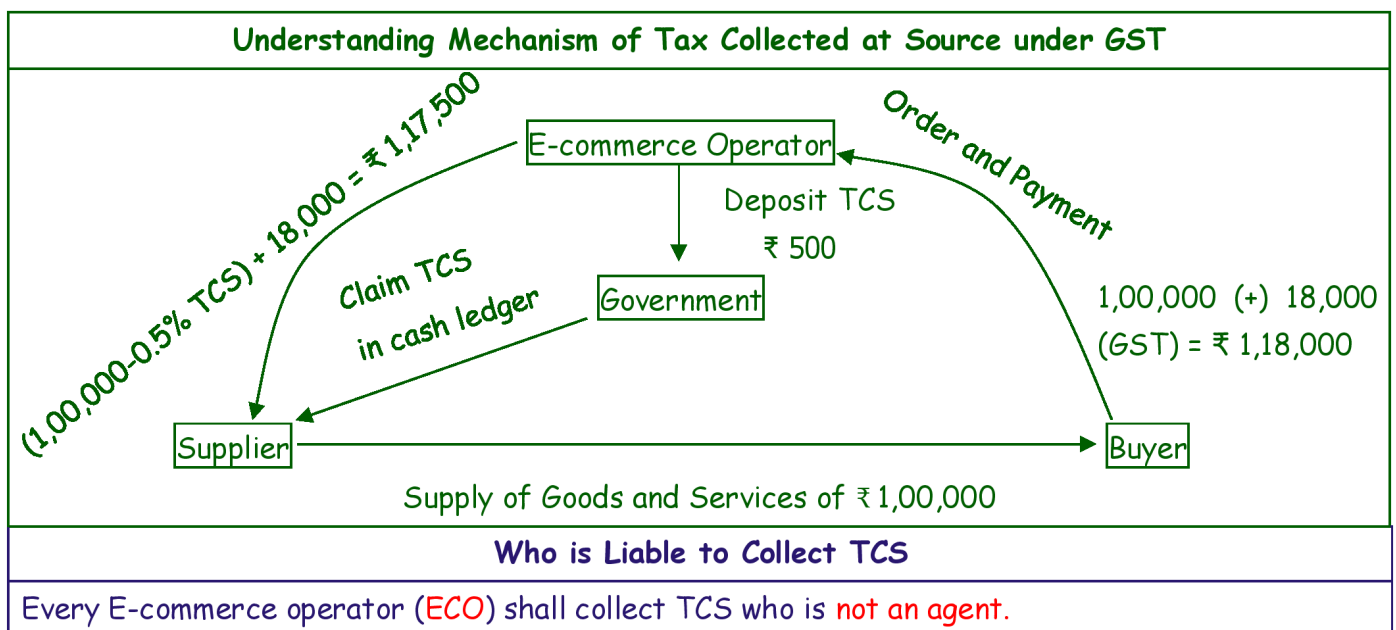


## Electronic Commerce Operator – Notified Services u/s 9(5) of CGST and 5(5) of IGST

As per section 9(5) of the CGST and 5(5) of IGST Act, government may notify certain services for which **ECO is required to pay tax** as if ECO is the supplier, if supplied through it. Government has notified the following services:

<p>(1) <b>Passenger transportation</b> services by way of:</p> <ul style="list-style-type: none"> <li>➤ Radio Taxi</li> <li>➤ Motor Cab, Maxi Cab</li> <li>➤ Motor Cycle or any other motor vehicle</li> </ul> <p><b>Example:</b> OLA, Uber, Rapido etc.</p>	<p><u>Except:</u></p> <p>Passenger transportation through <b>Omnibus</b> [covered in point 2]</p>
<p>(2) <b>Transportation of passenger by an Omnibus.</b></p>	<p><u>Except:</u></p> <p>Supplier of such services is a <b>company</b> [in such case supplier would be liable to pay tax]</p>
<p>(3) <b>Accommodation services</b> in hotel, inn, guest house, clubs, campsites etc. for residential or lodging purpose.</p> <p><b>Example:</b> OYO, Airbnb etc.</p>	<p><u>Except:</u></p> <p><b>Supplier is liable to register</b> u/s 22 [in such case supplier would be liable to pay tax]</p>
<p>(4) <b>House Keeping Services</b> i.e., plumbing, carpentering etc.</p> <p><b>Example:</b> Urban clap etc.</p>	<p><u>Except:</u></p> <p><b>Supplier is liable to register</b> u/s 22 [in such case supplier would be liable to pay tax]</p>
<p>(5) <b>Restaurant services</b></p> <p><b>Example:</b> Zomato, Swiggy etc.</p>	<p><u>Except:</u></p> <p>Services supplied <b>from specified premises</b></p> <p><b>Note:</b> Specified premise means where hotel accommodation <b>tariff is above ₹ 7,500 per day</b>. [if tariff not given for full day, then convert equivalent to full day].</p>

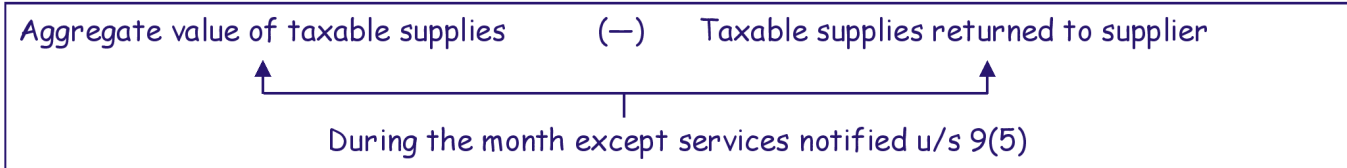
## Tax Collected at Source (TCS) [Section 52]





### How Much TCS to Collect

TCS shall be collected @0.25% (CGST) + @0.25% (SGST) or @0.5% (IGST) on net value of taxable supplies [supplier wise]. Here **net value of taxable supplies** means:



If net value of taxable supplies is negative in any period, ignore the same.

**Example:** Mr. Roy sold 5 printers of value ₹ 2,00,000 during august month through Amazon. However, 3 printers valuing ₹ 90,000 sold in June month has been returned by buyers. Amazon shall collect TCS of ₹ 550 [0.5% of (₹ 2,00,000 - ₹ 90,000)] for the month of august.

### When to Collect TCS

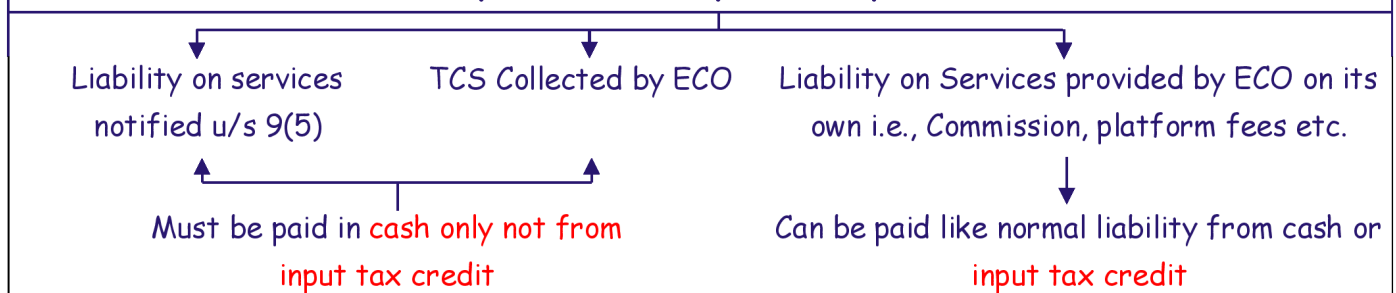
TCS needs to be collected **once supply has been made** irrespective of time of collection of payment, i.e., Supply took place in May month through ECO and amount is collected in July month, TCS for such supply needs to be collected in month of May.

### Cases Where TCS is Not Required to be Collected

In following cases TCS is not required to be collected:

- ECO supplies their **own product** through website hosted by him i.e., Titan sells its watches through its own website.
- ECO supplies products of different vendors and **amount is collected by vendors** only.
- Supply of services which are **notified under section 9(5)**.
- In case supplies made are **exempt supplies**.
- In case recipient is required to pay tax under reverse charge mechanism (**RCM**).
- In case **import** of goods or services.
- In case supplier is an unregistered person.

### Payment of Liability of Tax by ECO



### Compliance Provisions

ECO shall deposit the TCS collected to government by 10<sup>th</sup> of the succeeding month and also GSTR-8 need to be filed before 10<sup>th</sup> of the succeeding month. Supplier can claim such TCS in their electronic cash ledger at the portal.

## General Provisions in case of Electronic Commerce Transaction

## Registration

- Normally if aggregate turnover of any supplier exceeds 10/20/40 Lac, same shall be liable to be registered under GST (Detailed discussion in chapter: "Registration")
- However, ECO and person supplying through ECO are liable to register in manner detailed below:
  - ECO who is required to collect tax at source (TCS) under section 52 - Mandatory Registration
  - ECO who is required to pay tax under section 9(5) - Mandatory Registration
  - Person making supplies through ECO - Registration requirement as below:

Nature of Supply made through ECO	Registration requirement
Services notified u/s 9(5)	Benefit of turnover limit of 10/20 lac is available
Other services - TCS collected by ECO	Benefit of turnover limit of 10/20 lac is available
Goods- TCS collected by ECO	Benefit of turnover limit available subjected to below conditions

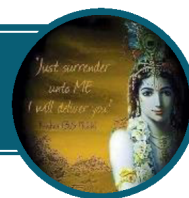
**Note:** Person supplying goods through ECO liable to collect TCS, is exempted from registration till its turnover cross limit for registration, provided following conditions are fulfilled:

- Supplier shall not make any inter-state supply of goods.
- Supplier shall not make supply of goods through ECO in more than one State or UT.
- Supplier shall be required to have PAN no. and obtain enrolment no. based on PAN.
- Supplier shall before making any supply through ECO, declare PAN and address in the state or UT where supply is to be made.

## Other Provisions

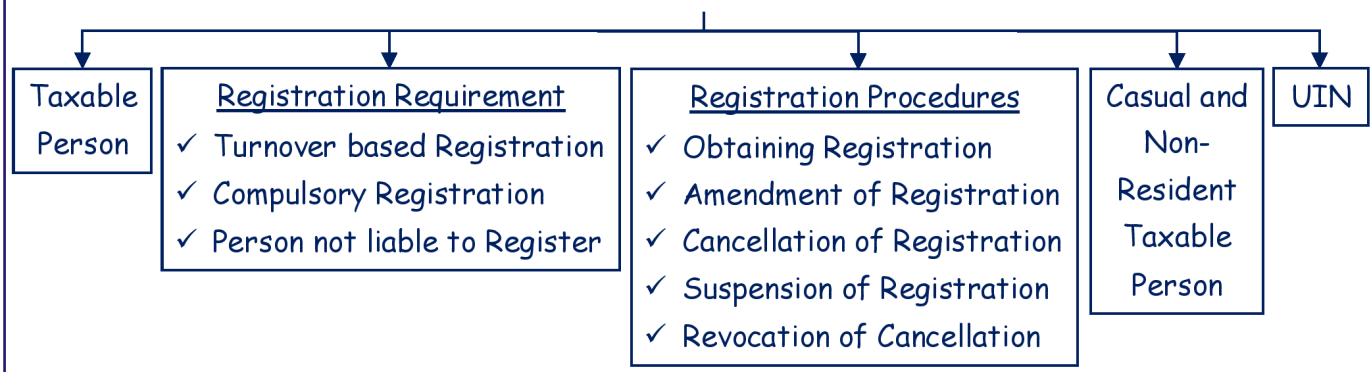
- (i) Any goods or services provided through ECO shall be considered in aggregate turnover of supplier of such goods or services not the ECO.
- (ii) In case ECO pays tax, i.e., services notified u/s 9(5), invoice shall be raised by the ECO only.

# Registration



## About this Chapter

In this chapter, discussion will revolve around registration answering question like who, when, why, where, and how registration needs to be taken under GST.



## Taxable Person

As per charging section of GST "Tax is to be collected and paid by the **Taxable Person**" where taxable person means:

- Person who is **registered** under GST or
- Person who is **liable to be registered** under GST.

Consequently:

- ✓ **Every registered** person under GST is a taxable person under GST
- ✓ Unregistered person is also a taxable person under GST if he is **liable to be registered** under GST
- ✓ Every **voluntary registered person** is also a taxable person under GST even if he was not liable to be registered

### Determining whether Person is liable to be Registered or Not

Section 22 - Person liable for registration based on turnover criteria

Section 23 - Person not liable for registration

Section 24 - Person liable for registration compulsorily

## Person Liable for Registration [Section 22]

Every supplier shall be liable to obtain registration:

<b>When</b>	If <b>aggregate turnover</b> exceeds <b>specified limit</b> in a financial year.
<b>Where</b>	Only in the state or union territory <b>from where taxable supplies</b> are made.

- (1) **Aggregate Turnover:** Turnover calculated on **All India basis** of a person having same PAN.

Aggregate turnover <b>includes</b> total <b>outward supplies</b> :	
➤ <b>Taxable</b> Supplies	➤ Outward supplies under RCM
➤ <b>Exempt</b> Supplies	➤ Supplies <b>between distinct person</b>
➤ Export <b>and Inter State</b> Supplies	➤ Supply of goods made on behalf of principal by agent shall be included in agent's turnover (Only if invoice is issued in his own name).
➤ Taxes <b>other than GST</b>	
Aggregate turnover <b>excludes</b> following items:	
➤ <b>Inward supplies</b> taxable under RCM	
➤ Taxes (CGST/ SGST/ UTGST/ IGST) including cess <b>under GST</b>	

**Notes:** Supply between Principal Place of Business (PPoB) and Additional Place of Business (APoB) shall not be considered as supply, hence not to be included in aggregate turnover.

- (2) **Specified limits** (State wise) of aggregate turnover for the purpose of registration:

States	Turnover limit	Turnover limit
	In case supply of <b>only goods</b>	Otherwise
▪ Manipur, Mizoram, Nagaland, Tripura <b>{MAINTAIN}</b>	10 lacs	10 lacs
▪ Sikkim, Telangana, Uttarakhand, Meghalaya, Puducherry, Arunachal Pradesh <b>{STUMP-Arun}</b>	20 lacs	20 lacs
▪ Himachal Pradesh, Assam, Jammu and Kashmir, and other states <b>{HAJ}</b>	40 lacs	20 lacs

**Notes:**

- Person shall be **considered making "supply of only goods"**, **even** if he is making supply of **service by way of interest** or discount on loan, deposit, advance.
- Threshold of ₹ 40 lacs shall not be available** in following cases if:
  - Person is required to take compulsory registration under section 24
  - Person is engaged in **making supply of** following items (however **threshold of 10/20 lacs** would be available in these cases):
    - Ice cream and other edible ice
    - PAN masala, Tobacco products and its substitute
    - Fly ash bricks, aggregates and blocks, Earthen and roofing tiles
    - Building bricks, fossil meal bricks or similar siliceous earths
- If any person having more than one **place of business** covering **more than one state or union territory**, **lowest limit applicable** to any of those states/UT will be relevant specified limit.

However, state or union territory making exclusively exempt supply would not be considered for determining limit.

- (iv) Registration is required only in those states **from where any taxable supplies are made**.
- (v) Business transfer due to amalgamation or merger of two companies, transferee needs to be registered from date of certificate of incorporation is issued by registrar of company.

#### Example

ABC Ltd. operates furniture showrooms with turnover of ₹ 7 lacs at Delhi, ₹ 9 lacs in Sikkim and has a liquor shop at Manipur with turnover of ₹ 6 lacs. Determine applicable specified limit and assess need for registration.

#### Solution

Aggregate Turnover of ABC Ltd. is ₹ 22 lacs [₹ 7 lacs + ₹ 9 lacs + ₹ 6 lacs].

Specified Limit: Applicable specified limit shall be ₹ 20 lacs [being lower of limit applicable on states Sikkim (₹ 20 lacs) and Delhi (₹ 40 lacs)]. Manipur shall not be considered for determining limit as no taxable supplies are made from Manipur.

Requirement of registration: Registration is required from Delhi and Sikkim as aggregate turnover exceeds specified limit and taxable supplies are made from Delhi and Sikkim only.

### Compulsory Registration [Section 24]

In following cases a person needs to take registration even if his aggregate turnover does not cross the specified limit for registration:

- (i) Person making **inter-state taxable supply** of **goods**  
**Except**: Limit of ₹ 10 lacs or ₹ 20 lacs is available in case of inter-state supply of notified handicrafts and handmade goods only if they have obtained PAN and generated E-way bill.
- (ii) **Casual taxable person** making taxable supply  
**Except**: Limit of ₹ 10 lacs or ₹ 20 lacs is available in case of inter-state supply of notified handicrafts and handmade goods only if they have obtained PAN and generated E-way Bill.
- (iii) Person liable to pay tax under **reverse charge mechanism (RCM)** on **inward supplies** received.
- (iv) **Non-resident taxable person (N RTP)** making taxable supply.
- (v) Person who is required to deduct tax **(TDS)** u/s 51.
- (vi) Person making taxable supply acting as an **agent for taxable person**.
- (vii) **ECO** who is required to collect tax at source (TCS) under section 52.
- (viii) **ECO** who is required to pay tax under section 9(5).
- (ix) **Person** who is **supplying goods and services through ECO**, who is liable to collect TCS except defined in section 23 (Benefit of specified limit of turnover for registration is available to supplier supplying **services** through ECO or supplying **goods** through ECO on some conditions ).



## Person Not Liable for Registration [Section 23]

Following person need not to take any registration under GST:

- (i) Person engaged exclusively in non-taxable supply and supply of exempt goods or services.  
Example: Mr. Hari made exempt supply of ₹ 39 lacs and a taxable supply of ₹ 2 lacs, Mr. Hari must take registration.
- (ii) **An agriculturist** (Individual or HUF), to extent of supply of produce from cultivation of land.
- (iii) Person making only **RCM supplies (outward supplies)**. [Except supplier of metal scrap]
- (iv) Person making inter-state supplies of taxable service upto ₹ 10 lacs or ₹ 20 lacs.
- (v) Any person or CTP making inter-state supply of notified handicraft or handmade (more than 50% by hand) goods upto ₹ 10 lacs or ₹ 20 lacs, provided such person has obtained PAN and generated E-way bill.
- (vi) Person having turnover upto limit for registration u/s 22, **supplying goods through ECO** who is liable to collect TCS, provided following conditions are fulfilled:
  - Supplier (Person) shall **not make** any **inter-state supply** of goods.
  - Supplier shall **not make** supply of goods through ECO **in more than one State** or UT.
  - Supplier shall be required to **have PAN no. and obtain enrolment no.** based on PAN.
  - Supplier shall before making any supply through ECO, **declare PAN and address** in state or UT from where supply is to be made.

So, in short following is the registration requirement if supply is made through ECO

Nature of Supply made through ECO	Registration Requirement
Services notified u/s 9(5)	Turnover limit available
Other services - TCS collected by ECO	Turnover limit available
Goods - TCS collected by ECO	Turnover limit available on above conditions

## Special Points - Registration [Section 25]

### GSTIN - GST Identification Number

GSTIN is a unique number in GST to identify taxpayer as PAN in income tax and GSTIN is issued while issuing registration in the below format, **i.e.,**

State Code		PAN										Entity Code		Check
2	7	E	U	M	J	J	4	1	9	6	K	0	1	9

Notes:

- (i) **PAN is mandatory** for registration however NRTP can go for passport-based registration.
- (ii) OIDAR service provider and supplier of online money gaming from a place outside India need not to declare PAN no. and state/UT (under simplified registration scheme).

**When to apply for Registration**

- Person is liable to be registered under section 22 or 24 - Shall **apply within 30 days** from date of becoming liable to get registered
- Casual Taxable Person (CTP) or Non-resident taxable person (NRTP) - Shall apply **at least 5 days prior** to commencement of Business

**Where to apply for Registration**

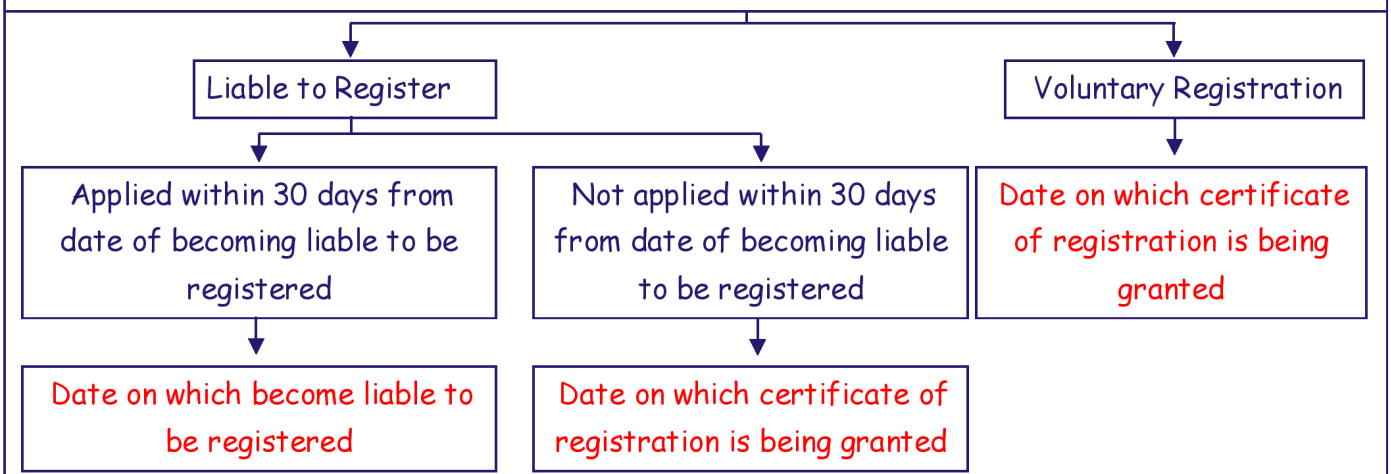
- Registration is required only in those states/UTs **from where any taxable supplies are made.**
- Registration is required **state wise** in GST (there is no concept of centralised registration)
- Single registration cannot be taken for more than 1 states or union territories
- If any person has more than 1 place of business in any single state or union territory, he has following options to take:

Separate Registration	Separate GSTIN
Single Registration	Declare a place as principal place and other additional place of business

- If any person has one place of **business in SEZ** area and another in non-SEZ area even though it is in same state, **separate registration** is required.

**When to apply for Registration**

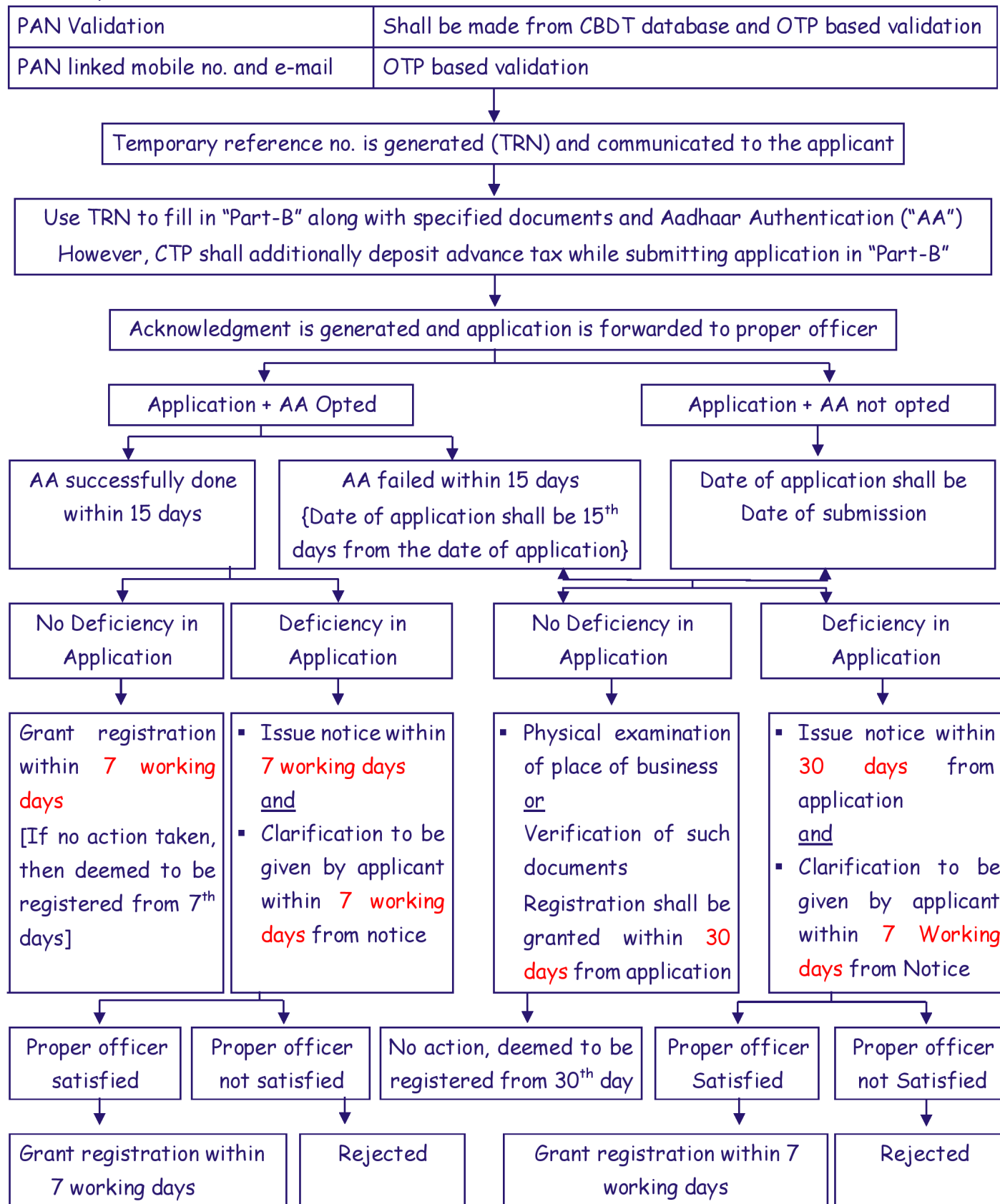
- Person is liable to be registered under section 22 or 24 - Shall **apply within 30 days** from date of becoming liable to get registered
- Casual Taxable Person (CTP) or Non-resident taxable person (NRTP) - Shall apply **at least 5 days prior** to commencement of Business

**Effective Date of Registration****Examples**

- Ron Ltd. become liable to register on 1<sup>st</sup> June and applied for the registration on 10<sup>th</sup> June. Registration certificate is granted on 5<sup>th</sup> July. Effective date of registration would be 1<sup>st</sup> June.
- Ron Ltd. become liable to register on 1<sup>st</sup> June and applied for the registration on 5<sup>th</sup> July. Registration certificate is granted on 15<sup>th</sup> July. Effective date of registration would be 15<sup>th</sup> July.

## Procedure of Registration [Section 25]

Declare PAN, state or UT in Part-A of GST REG-01 and mobile no. and email address based on PAN will be captured from CBDT data base.



Otherwise considered registered from 7 <sup>th</sup> working day from clarification	Otherwise considered registered from 7 <sup>th</sup> working day from clarification
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**Notes:**

- (i) **Biometric based Aadhaar authentication** along with photo and physical document verification will be done at notified facilitation centres of following person:
- In case of Aadhaar authentication has been **opted, selected applicant** based on risk parameters and data analysis
  - In case of Aadhaar authentication is **not opted, All** such applicant.

Application deemed to be completed only after such process is completed.

- (ii) In case of Aadhaar authentication has been done but such applicant has been selected for physical verification of place of business based on risk parameters and data analysis, proper officer shall have 30 days for disposing off the application rather 7 working days.
- (iii) Person required to undergo Aadhaar authentication:

Taxable person applicant	Aadhaar Authentication of
Individual	Himself
Other than Individual	Karta, Managing or Whole-time director, Partners, Board of Trustee and Authorised Signatory etc.

- (iv) Every **existing registered** person shall go under **Aadhaar authentication** to be eligible for:
- Filing application for **revocation of cancellation**
  - Filing refund application under **RFD-01**
  - **Refund of IGST** paid on goods exported out of India
- (v) Aadhaar authentication is **not applicable** on the following:
- Person who is **not a citizen** of India
  - Department, establishment of Central or State **Government**
  - **Local authority**
  - Statutory body or Public Sector Undertaking (**PSUs**)
  - Person applying for Unique Identification Number (**UIN**).
- (vi) If Aadhaar no is not assigned then following documents may be can be furnished:
- Aadhaar enrolment ID slip **and**
  - Bank Passbook/voter id/passport/driving licence
- On allotment of Aadhaar, shall undergo Aadhaar authentication within 30 days
- (vii) Details to be provided in Part-B includes **bank account details**, however bank a/c details can be provided before expiry of:
- **30 days** from grant of registration
  - Filing **GSTR-1** or details in IFF
- ←— Whichever is **earlier**

**Note:**

- ✓ TDS Deductor
- ✓ TCS Collector
- ✓ Department driven registration

Required to provide bank a/c details at the time of filing application for registration

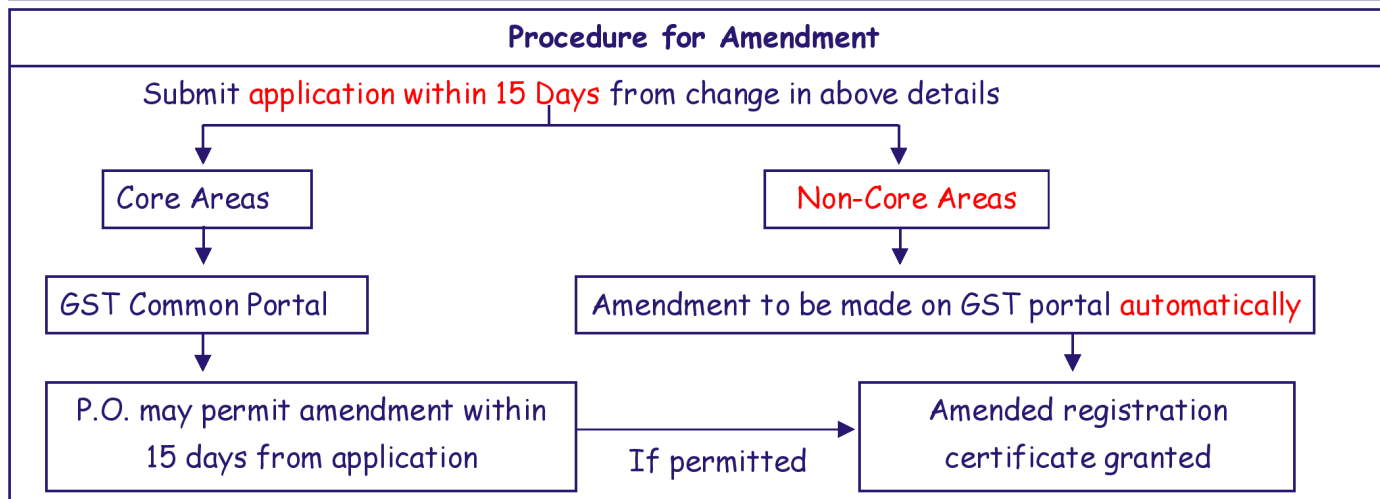
(viii) **Registration certificate** to be issued in form **GST REG- 06** showing principal and additional place of business.

Such person shall display his registration certificate at each principal and additional place of business.

(ix) If Proper officer finds any person liable to register but failed to apply for registration may **suo-moto register said person** on temporary basis, such person may file appeal against such registration or apply for registration within 90 days from such grant of temporary registration.

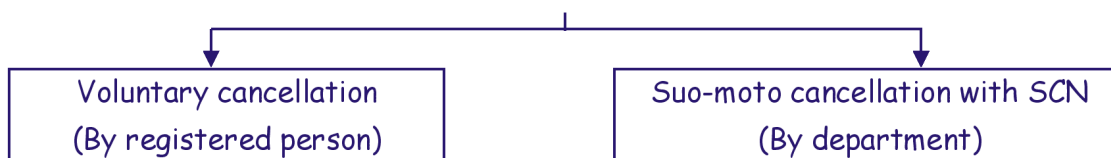
### Amendment of Registration [Section 28]

Information has been categorised into 2 categories for the purpose of amendment as below:	
<b>Non-Core Fields</b>	Email Id, Mobile No., Day-to-Day functionaries
<b>Core Fields</b>	<ul style="list-style-type: none"> <li>▪ <b>Legal name</b> of business</li> <li>▪ <b>Address</b> of principal or additional place of Business</li> <li>▪ Addition or deletion in main Partner, Karta, Managing director or Board of directors etc.</li> </ul>



**Note:** In case of **change in PAN or state**, registration **cannot be amended**, existing registration has to be cancelled and **new registration needs to be taken**.

### Cancellation of Registration [Section 29]





### Circumstances to Voluntarily Cancel the Registration (shall apply within 30 days)

- (i) **Business discontinued**, transferred, amalgamated, merged, demerged, disposal, death.
- (ii) Change in constitution of business
- (iii) Business **no longer liable to be registered** under section 22 or 24
- (iv) Business **opts out** of voluntary registration

### Circumstances when Proper Officer (Department) Cancels Registration

Registration may be cancelled by P.O. from date decided by him including any retrospective date in following cases:

- (i) Registration obtained by means of **fraud, wilful misstatement**, suppression of facts.
- (ii) Person who has taken voluntary registration, has **not commenced business** within 6 months from date of registration.
- (iii) **Return has not been filed** by composition supplier beyond 3 months from due date.
- (iv) If person contravened any of the following provisions:
  - ✓ Person does **not conduct business** from declared place of business.
  - ✓ Person does **not provide bank a/c** details within specified time as discussed above.
  - ✓ Person issue invoices or **bills without supply** of goods or services.
  - ✓ Person avails **ITC in violation** of the provisions of the Act.
  - ✓ Monthly return filer fails to file return for continuous period of 6 months.
  - ✓ Quarterly return filer fails to file return for continuous 2 tax periods.
  - ✓ Person violates **provisions of Rule 86B** (maximum 99% of liability to be paid through ITC).
  - ✓ Furnish details of outward supply under Form GSTR-1 as amended in GSTR-1A in excess of outward supplies declared in GSTR-3B for one or more tax periods.
  - ✓ Violates the provisions of 3<sup>rd</sup> and 4<sup>th</sup> proviso of rule 23 (1) i.e. returns are not filed within time limit prescribed after revocation of cancellation.

### Suspension of Registration [Section 29]

While proceeding for cancellation of registration is pending, P.O. may suspend the registration

<b>Effective Date of suspension</b>	<p>(A) <u>Registered person applied for cancellation</u></p> <ul style="list-style-type: none"> <li>✓ Date of submission of application</li> <li>or</li> <li>✓ Date from which cancellation sought</li> </ul> <p style="text-align: right;">← ————— ← Whichever is Later</p> <p>(B) <u>Cancellation initiated by department</u>: Date determined by proper officer</p>
<b>Effect of suspension</b>	<p>While registration has been suspended, such person:</p> <ul style="list-style-type: none"> <li>✓ Shall <b>not make any taxable supply</b> [shall not issue tax invoices and accordingly not charge tax].</li> <li>✓ Shall not furnish any return.</li> </ul>

Revocation of suspension	On completion of cancellation proceedings suspension shall be revoked with effect from suspension date. [Revised tax invoice & first return is applicable for the period of suspension].
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## Procedure for Revocation of Cancellation by Department [Section 30]

- Taxpayer may **apply within 90 days** from the service of order of cancellation, for revocation of cancellation which can be further **extended by 180 days by commissioner** or officer authorised by him not below the rank of additional or joint commissioner.
- Within 30 days of application:

▪ If proper officer is okay with application	Revoke cancellation
▪ If Proper officer is not okay with application	Reject application within 7 days with SCN

- Proper officer shall dispose such application within 30 days from receipt of reply of SCN.

### Special Provision for Casual Taxable Person & Non-Resident Taxable Person [Section 27]

Casual Taxable Person (CTP)	Non-Resident Taxable Person (NRTP)
Person who occasionally undertakes transaction <ul style="list-style-type: none"> <li>➤ In course or furtherance of business <u>and</u></li> <li>➤ In state or UT, where he has no fixed place of business</li> </ul>	Person who occasionally undertakes transactions but has no fixed place of business or residence in India
<u>Registration</u> <ul style="list-style-type: none"> <li>✓ <b>Compulsory</b> registration u/s 24</li> <li>✓ Application in Form <b>GST REG-01</b></li> <li>✓ <b>PAN</b> is required compulsorily</li> <li>✓ To register <b>5 days before</b> start of business</li> </ul>	<u>Registration</u> <ul style="list-style-type: none"> <li>✓ <b>Compulsory</b> registration u/s 24</li> <li>✓ Application in Form <b>GST REG-09</b></li> <li>✓ <b>Passport</b> is required</li> <li>✓ To register <b>5 days before</b> start of business</li> </ul>
<b>ITC is available</b> on input, input services & capital goods	ITC is available <b>only on imported goods</b>
Composition scheme is not available	
Required to <b>submit advance tax</b> at the time of submission of registration application based on an estimated tax liability net of ITC	

### Notes:

- (i) Registration of casual taxable person and non-resident taxable person is valid for:

- Time period applied for

or

- 90 days from effective date of registration

[Such time may be further extended by 90 days]

Whichever is Lower

- (ii) In case of long running exhibition of more than 180 days, cannot be treated as CTP (must take registration as normal taxpayer). Registration can be surrendered once exhibition is completed.

### Unique Identification Number (UIN)

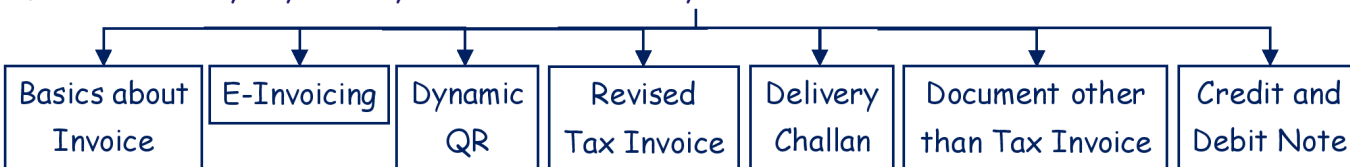
Meaning and Purpose of UIN	<ul style="list-style-type: none"> <li>▪ UIN is a unique no. issued to certain notified persons to identify them for providing refund of tax paid on goods or services supplied to them.</li> <li>▪ UIN is a <b>centralised number</b>, it is not issued state wise.</li> <li>▪ UIN holder is <b>not a registered person</b> hence not a taxable person.</li> </ul>
Eligibility to get UIN	<ul style="list-style-type: none"> <li>▪ Specialised agency of United Nations (UN) or any financial institution of UN</li> <li>▪ <b>Consulate</b> of foreign country</li> <li>▪ <b>Embassies</b> of foreign country</li> </ul>
Procedure to get UIN	<p><b>Step-1:</b> Submission of application for UIN</p> <p><b>Step-2:</b> Recommendation from Ministry of External Affairs (MEA), Government of India</p> <p><b>Step-3:</b> UIN is assigned within 3 days of submission of application</p>

# Tax Invoice, Credit and Debit Notes



## About this Chapter

In this chapter, discussion will revolve around various types of documents to be issued at the time of a transaction, i.e., invoice, debit or credit note, revised invoice etc.



## Basics About Invoice

Whenever a taxable person makes a taxable supply, it must issue the tax invoice. Following points need to be considered:

HSN Code	HSN code is to be mentioned in an invoice or bill of supply to identify goods or services supplied which is normally is an 8-Digit code.							
	Supplier Turnover in Preceding FY	No. of Digit to mention in invoice						
	Aggregate turnover is upto 5 cr.	B2B Supply - 4 Digit B2C Supply - 4 Digit (Optional)						
	Aggregate turnover more than 5 cr.	Any Supply - 6 Digit						
Number of copies	<ul style="list-style-type: none"><li>In case of taxable supply of goods: 3 copies<table><tr><td>➤ 1<sup>st</sup> - Recipient</td><td>➤ 2<sup>nd</sup> - Transporter</td><td>➤ 3<sup>rd</sup> - Supplier</td></tr></table></li><li>In case of taxable supply of services: 2 copies<table><tr><td>➤ 1<sup>st</sup> - Recipient</td><td>➤ 2<sup>nd</sup> - Supplier</td></tr></table></li></ul>			➤ 1 <sup>st</sup> - Recipient	➤ 2 <sup>nd</sup> - Transporter	➤ 3 <sup>rd</sup> - Supplier	➤ 1 <sup>st</sup> - Recipient	➤ 2 <sup>nd</sup> - Supplier
➤ 1 <sup>st</sup> - Recipient	➤ 2 <sup>nd</sup> - Transporter	➤ 3 <sup>rd</sup> - Supplier						
➤ 1 <sup>st</sup> - Recipient	➤ 2 <sup>nd</sup> - Supplier							
No Need of Tax Invoice	<ul style="list-style-type: none"><li>Registered person may not issue tax invoice or bill of supply, if following all the 3 conditions are fulfilled:<ul style="list-style-type: none"><li>➤ Value of supply is less than ₹ 200</li><li>➤ Recipient is unregistered (composition person is considered registered)</li><li>➤ Recipient does not require invoice.</li></ul>A consolidated invoice can be raised for such supplies made during the day.</li><li>This provision is not applicable for registered person providing service by way of admission to exhibition of cinematograph films in multiplex cinemas.</li></ul>							
Bill of Supply	<ul style="list-style-type: none"><li>Person making supplies on which no tax is to be collected, i.e., composition supplier, supply of exempted goods etc. need not to issue any tax invoice but may issue bill of supply only.</li></ul>							

	<ul style="list-style-type: none"> <li>If supplier making taxable and exempt supplies together <b>to unregistered person</b>, no need to issue separate tax invoice for taxable supply and bill of supply for exempt supply, a single <b>Invoice cum bill of supply</b> can be issued.</li> </ul>
<b>Other Documents</b>	<p>On various occasions, documents shall be issued other than invoice as below:</p> <ul style="list-style-type: none"> <li>On receipt of advance - Receipt Voucher</li> <li>On refund of advance - Refund Voucher</li> <li>On making payment (taxable under RCM) - Payment Voucher</li> </ul>
<b>Other Provisions</b>	If at the time of receipt of advance, rate of tax and nature of supply is not determinable, same shall be taken as 18% and Inter-state supply respectively.

**Details to be Included in Various Documents**

Details (illustrative not exhaustive)	Tax Invoice	Bill of supply	Receipt/ Payment voucher	Refund Voucher	Revised Tax Invoice	Debit/Credit Note
Serial No., Date, Name, GSTIN and Address (Supplier)	✓	✓	✓	✓	✓	✓
Name, Address and GSTIN if recipient is registered or if unregistered but value ≥ 50,000	✓	✓	✓	✓	✓	✓
HSN Code	✓	✓				
Description of goods	✓	✓	✓	✓		
Total Amount/Value of supply	✓	✓	✓	✓		
Rate of tax and Tax amount	✓		✓	✓		✓
Place of supply (if inter-state)	✓		✓			

In case of supply of online money gaming or taxable services provided by **ECO or** OIDAR service provider, even provided **to unregistered person**, mention name and address of recipient along with **PIN code and state** (considered address on record).

**E-Invoicing for Invoices, Debit or Credit Notes**

<b>E-Invoicing</b>	E-Invoicing does not mean generating invoice on government portal, but it is just reporting invoice on government portal (Invoice Registration Portal "IRP").
<b>Applicability of E-Invoicing</b>	<p><u>E-Invoicing is applicable if:</u></p> <ul style="list-style-type: none"> <li>Supplier is a <b>notified person</b> and [Notified person means registered person having aggregate turnover more than <b>₹ 5 crores in any</b> of the preceding financial <b>year from 2017-18 onwards</b>]</li> <li>Supplies are <b>B2B</b> supply or <b>export</b> (export even made to unregistered person)</li> </ul>

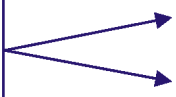


<b>Non-Applicability of E-Invoicing</b>	<p>E-Invoicing <u>not applicable</u> on following:</p> <ul style="list-style-type: none"> <li>Input Service Distributor (ISD)</li> <li>SEZ units (SEZ developers not covered here)</li> <li>Insurance, Banking company, Financial Institution including NBFC</li> <li>Goods transport agency (GTA)</li> <li>Supplier of passenger transportation services</li> <li>Person supplying services by way of admission to exhibition of cinematograph films in multiplex cinemas</li> <li>Government department or local authority</li> </ul> <p><b>Note:</b> If any person is registered only for deducting TDS u/s 51, e-invoices is required to be issued for supplies made to such person taking it as B2B supply.</p>
<b>Applicability of E-invoicing in case of RCM</b>	<p>E-Invoice requirement in case of supplies under RCM shall be as below:</p> <ul style="list-style-type: none"> <li>Supplier is a notified person — Applicable</li> <li>Supplier unregistered person &amp; recipient is notified person — Not Applicable.</li> </ul>
<b>Amendment and Cancellation</b>	<ul style="list-style-type: none"> <li>Amendment in e-invoice already uploaded can be done only while filing GSTR-1</li> <li>Seller can cancel IRN by reporting on IRP in specified time.</li> </ul>
<b>Other Provisions</b>	<p>It shall be considered as no invoice is issued even though normal invoice has been issued, consequently recipient would not be able to avail ITC:</p> <ul style="list-style-type: none"> <li>If E-invoicing is applicable and E-invoice is not issued.</li> <li>If E-invoicing is applicable and E-invoice is issued but IRN (Invoice reference number) is not mentioned on the same.</li> </ul>
<b>Process to Generate E-Invoice</b>	
<p><u>Step-1:</u> Supplier shall upload details required in invoice on IRP through INV-01</p> <p><u>Step-2:</u> Portal return Invoice with Invoice Reference No. (IRN), signature and QR to supplier and:</p> <ul style="list-style-type: none"> <li>➤ Send data to GST system for auto updating of GSTR-1 of supplier and GSTR-2A of buyer</li> <li>➤ Send data to e-way bill system for auto creation of e-way Bill</li> </ul>	

**Example:** Royal Pharma is a pharmaceutical company. Its offices in Delhi and Mumbai for the financial year 2022-23 is ₹ 3 crores and ₹ 4 crores respectively.

- Determine e-invoice requirement for the financial year 2025-26.
  - Would your answer change if Delhi office of Royal Pharma is a unit in SEZ.
  - What if supply is made to government department that took registration only for TDS u/s 51.
- Aggregate Turnover of Royal Pharma is ₹ 7 crores (₹ 3 crores + ₹ 4 crores) in FY 2022-23 which exceeds ₹ 5 crores hence, Both Delhi and Mumbai offices are liable for e-invoicing.
  - However, if Delhi office is a SEZ unit, in that case Delhi is specifically exempted from e-invoicing.
  - Even recipient is registered only for deducting TDS, e-invoice is required to be generated.

## Dynamic QR Code

Type of QR Code	 <p>Static QR - Person based (Containing details of supplier)</p> <p>Dynamic QR - Containing transaction specific payment details</p>
Applicability of Dynamic QR	<p><u>Dynamic QR code is mandatory on invoice if:</u></p> <ul style="list-style-type: none"> <li>Supplier is a <b>notified person</b> <u>and</u> [Notified Person means registered person having aggregate turnover more than ₹ 500 crores in any preceding financial <b>year from 2017-18 onwards.</b>]</li> <li>Supply is <b>B2C</b> supply</li> </ul>
Non-Applicability of Dynamic QR	<p><u>Dynamic QR is <b>not applicable</b> in case of:</u></p> <ul style="list-style-type: none"> <li><b>Insurance, Bank</b>, Financial Institution, NBFC</li> <li><b>GTA</b> for transport of goods by road</li> <li>Supplier of <b>passenger transportation</b> service</li> <li>Person supplying services by way of admission to exhibition of cinematograph films in <b>multiplex cinemas</b></li> <li>Supplier of <b>OIDAR</b></li> <li>In case of <b>Export</b></li> </ul>
Other Provisions	<ul style="list-style-type: none"> <li>Even supply to <b>UIN holder</b> shall be considered as <b>B2C</b> supply.</li> </ul>

Example: Rony Ltd. has aggregate turnover of ₹ 600 crores in FY 2022-23. it supplied goods to ABC Ltd. (a business) and also to Mr. Ram (an end consumer). Dynamic QR requirement is not applicable on Rony for supply made to ABC Ltd. but applicable for supply made to Mr. Ram.

## Revised Tax Invoice

Revised Tax Invoice	Every registered person who has been granted registration certificate from earlier date, shall issue "Revised Tax Invoice" <b>within 1 month</b> from date of issue of registration certificate for the period of effective date of registration to the date of issue of registration certificate.
Example	Mr. Ram achieved turnover of ₹ 20 lacs on 01.09. He applied for registration on 25.09. and he has been granted registration certificate on 04.10. Now Ram shall issue revised tax invoice till 04.11. for the period between 01.09. and 04.10.
Consolidated revised tax invoice	<p><u>Consolidated revised tax invoice can be issued only if:</u></p> <ul style="list-style-type: none"> <li><b>Inter-state</b> B2C supply of value <b>upto ₹ 2,50,000</b> — State wise</li> <li>Inter State B2C supply of value more than ₹ 2,50,000 — Recipient wise</li> <li>Intra State B2C supply of any value — Consolidated invoice.</li> </ul>

### Delivery Challan

<b>What is Delivery Challan</b>	Sometime at the time of removal of goods, quantity is not clear, or transportation of goods is <b>for reason other than supply</b> , in such case <b>delivery challan can be issued</b> and tax invoice can be issued later.
<b>Examples</b>	(i) Supply of liquid gas - quantity while removing not known. (ii) Transportation of goods for job work or for reason other than supply i.e., ➤ Artist work sent to exhibition ➤ Goods sent on sale or approval basis
<b>Documentation</b>	<ul style="list-style-type: none"> <li>▪ Delivery challan to be made in triplicate as invoice.</li> <li>▪ Declare on e-way bill that goods are transported on delivery challan and not on invoice.</li> </ul>
<b>Special Case</b> [Goods sent in knocked down condition or in batch/lots]	If goods sent in completely or semi knocked down (CKD/SKD) condition or in batch/lots: ➤ Supplier shall issue complete invoice before 1 <sup>st</sup> dispatch. ➤ Delivery challan shall be issued for every consignment along with copy of complete invoice. ➤ Original copy of invoice to be sent with last consignment/lot.

### Document Permitted other than Tax Invoice

Government has notified certain cases where supplier may issue any other document in lieu of tax invoice, which are listed as below:

Notified Supplier	Special Points
Insurer, Banking Company, FI including NBFC	<ul style="list-style-type: none"> <li>▪ <b>Monthly statement</b> can be issued</li> <li>▪ <b>No need</b> to mention <b>serial no. and address</b> of the recipient</li> </ul>
GTA for transport of goods through road	<ul style="list-style-type: none"> <li>▪ Details of goods and Gross weight of consignment</li> <li>▪ Name of consignor and consignee</li> <li>▪ Registration no. of carriage</li> <li>▪ GSTIN of payee</li> <li>▪ Other info same as tax invoice</li> </ul>
Supplier of passenger transportation service	<ul style="list-style-type: none"> <li>▪ <b>Ticket</b> can be issued</li> <li>▪ <b>No need</b> to mention <b>serial no. and address</b> of the recipient</li> </ul>
Supplier of service by way of admission to exhibition of cinematograph films in multiplex	<ul style="list-style-type: none"> <li>▪ <b>E-ticket</b> can be issued</li> <li>▪ No need for details of recipient</li> </ul>

**Credit Note [Section 34]**

<b>Cases where credit note is to be issued</b>	<p><u>Credit notes shall be issued in following cases:</u></p> <ul style="list-style-type: none"> <li>▪ Supplier <b>declared value more than actual</b> value of supply</li> <li>▪ Supplier <b>declared tax rate higher</b> than applicable tax rate</li> <li>▪ Quantity <b>received lower</b> than quantity mentioned in invoice</li> <li>▪ Quality of supplied goods or service not satisfactory hence required partial or total reimbursement of invoice value</li> <li>▪ Advance received and invoice issued but services are not provided, now amount needs to be refunded.</li> </ul> <p><b>Note:</b> There is no need to issue invoice wise credit note, a consolidated credit note can be issued for multiple invoices.</p>
<b>Impact of Credit Note</b>	Credit note issued by supplier will <b>reduce his tax liability</b> , provided proportionate ITC has been reversed by the recipients.
<b>Time limit to declare Credit Note in returns</b>	<p>Any registered person who issues credit note shall declare details of such credit note in return of month in which credit note is issued but <b>not later than:</b></p> <ul style="list-style-type: none"> <li>➤ <b>30<sup>th</sup> of November</b> following the end of F.Y. to which original supply relates or</li> <li>➤ Date of furnishing <b>annual return</b></li> </ul> <p>Whichever is earlier.</p>

**Debit Note [Section 34]**

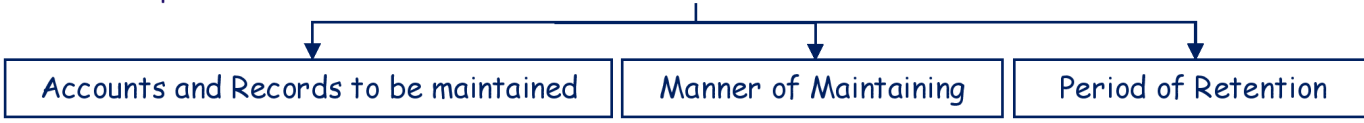
<b>Cases where debit note is to be issued</b>	<p><u>Debit notes shall be issued in following cases:</u></p> <ul style="list-style-type: none"> <li>▪ Supplier <b>declared value less than actual</b> value of supply</li> <li>▪ Supplier <b>declared tax rate lower</b> than applicable tax rate</li> <li>▪ Quantity <b>received higher</b> than quantity mentioned in invoice.</li> </ul>
<b>Impact of Debit Note</b>	Debit note issued by supplier will <b>increase his tax liability</b> .
<b>Time limit to declare Debit Note in returns</b>	Debit note shall be declared in return of month in which debit note is issued [ <b>No maximum time limit</b> in case debit note].

# Accounts and Records



## About this Chapter

In this chapter, discussion will revolve around accounts and records to be maintained



## Accounts and Records to be Maintained by Various Person [Section 35]

Every registered person shall maintain their books of accounts and records



Principal Place of Business (PPoB)

Additional Place of Business (APoB)

### (1) Every registered person shall keep a true and correct account of:

- Production or manufacture of goods
- Inward and outward supply of goods or services
- Stock of goods
- Input tax credit availed
- Output tax payable and paid

These details are not required to be maintained by the composition taxpayer

### (2) Accounts to be maintained by specific person

Specific Person	Records to be Maintained
Manufacturer	<ul style="list-style-type: none"> <li>Monthly production accounts showing <b>quantitative details of input used</b> (raw material and input services) in and quantitative details of <b>goods produced</b> including waste and by-products.</li> </ul>
Service Provider	<ul style="list-style-type: none"> <li><b>Quantitative details of goods used</b> in provision of service including input services utilised and services supplied.</li> </ul>
Agent	<ul style="list-style-type: none"> <li>Particulars of <b>authorisation</b> received by him from each principal to receive or supply goods or services on behalf of such principals.</li> <li>Particulars, i.e., description, value and quantity of <b>goods or services received and supplied</b> on behalf of principal.</li> <li>Details of <b>account statements</b> issued to every principal.</li> <li><b>Tax paid</b> on receipt or on supply of goods on behalf of principal.</li> </ul>
Work Contractor	<ul style="list-style-type: none"> <li><b>Names and address</b> of person on whose behalf work is executed</li> <li>Details of <b>goods or services received</b>, i.e., description, quantity, value</li> <li>Details of <b>goods or services utilised</b>, i.e., description, quantity, value</li> <li>Details of <b>payment received</b></li> <li>Name and address of <b>suppliers</b>.</li> </ul>



<p><b>Owner or operator of a warehouse or godown and transporter</b></p>	<ul style="list-style-type: none"> <li>▪ Book of accounts for period during which goods remained in warehouse including <b>dispatch, receipt, movement, disposal</b></li> <li>▪ Records of <b>goods transported, delivered and stored</b> along with GSTIN of consignor and consignee.</li> </ul> <p><b>Note:</b> If owner or operator of a warehouse or godown and transporter is not already registered, they still have to keep records and for that purpose they shall obtain <b>unique enrolment no.</b></p>
<p><b>Custodian or clearing and forwarding agent</b></p>	<ul style="list-style-type: none"> <li>▪ <b>Detail of goods handled</b> on behalf of registered person</li> <li>▪ Provide details whenever required by the proper officer.</li> </ul>

- (3) If any registered person fails to account for goods or services, proper officer shall determine the demand of tax, as if such goods and services have been supplied.

### Manner of Maintaining Accounts and Records

- Books of accounts and records may be maintained **manually or in electronic mode**.
- **Proper back-up** should be maintained so that information can be restored in case of destruction of records.
- Records should not be erased, effaced or overwritten.
- **Audit trails** have to be maintained for any change or edit in the records maintained.

### Period of Retention of Accounts and Records [Section 36]

Every registered person shall keep and maintain accounts and records minimum for following period:

- **72 months** from the **due date of annual return** of such financial year to which such records relate.
- If registered person is subjected to any appeal, revision, investigation or other proceeding or court case etc., then records shall be maintained till:
  - **1 year from disposal** of such appeal, revision, investigation or other proceeding or court case or
  - **72 months** from **due date of annual return** of such financial year to which such records relate.

Whichever is later.

#### Example

A matter of fake ITC for ABC Ltd. was under appeal for FY 2022-23. Appeal has been disposed of on 30<sup>th</sup> June 2029. Determine the period upto which Books of Accounts are required to be maintained by ABC Ltd. related to FY 2022-23.

ABC Ltd. shall maintain BOA related to FY 2022-23 upto 30<sup>th</sup> June 2030, later of:

- 30<sup>th</sup> June 2030 [1 year from disposal of appeal i.e. 30<sup>th</sup> June 2029]
- 31<sup>st</sup> Dec. 2029 [72 months from due date of annual return for FY 2022-23 i.e., 31<sup>st</sup> Dec. 2023]

# E-Way Bill



## About this Chapter

In this chapter, discussion will revolve around machinery of e-way bill system.

## E-Way Bill

### What is the E-Way Bill

In normal sense way bill is a receipt or document issued by carrier giving details of shipment including details of consignor, consignee, origin and destination, on similar lines government to monitor movement of goods came up with the concept of e-way bill which is an electronic document generated on GST Portal.

E-way bill is generated in Form **GST EWB-01** on GST e-way bill portal.

### When is E-Way Bill Required to be Generated

- (A) Any registered person who causes movement of good of consignment value **more than ₹ 50,000**:
- In relation to a supply
  - For reason other than supply
  - Due to inward supply from unregistered Person.
- Shall **before commencement of movement**, generate e-way bill.

#### Note:

- (i) Consignment value includes GST but excludes exempt supply.
  - (ii) Where movement is done for purpose **other than supply**, a delivery challan must be issued, **value given in delivery challan** needs to be considered for calculation of consignment value.
- (B) E-way bill is required to be **generated compulsorily** in case **inter-state** transfer of **handicraft goods** by person exempted from obtaining registration, irrespective of consignment value

#### Examples

- (i) Mr. Ram sent goods taxable @18%, of value ₹ 25,000 and exempt goods of value ₹ 28,000. Determine the consignment value and requirement of e-way bill.
- (ii) Mr. Raju sent some goods for purpose other than supply in the same state on delivery challan of value ₹ 45,000. Determine the consignment value and requirement of e-way bill.

#### Solution

- (i) Consignment value shall be  $(₹ 25,000 \times 118\%) = ₹ 29,500$  (value of exempt supply shall not be included), as consignment value is less than ₹ 50,000, no need to generate e-way bill.
- (ii) Consignment value shall be ₹ 45,000, as movement is for reason other than supply and delivery challan has been issued so the same value shall be taken as consignment value. As consignment value is less than ₹ 50,000, no need to generate e-way bill.

Who will Generate E-Way Bill		
Part	Details	Person Responsible to Generate
Part-A	<ul style="list-style-type: none"> <li>▪ Details of goods supplied</li> <li>▪ GSTIN of supplier and recipient</li> <li>▪ Place of dispatch and delivery</li> <li>▪ Document no., date and value etc</li> </ul>	<p>Person causing movement shall be responsible, i.e.,</p> <p>a. Supplier registered and undertakes transport ✓ <b>Supplier</b></p> <p>b. If recipient arranges transport ✓ <b>Recipient</b></p> <p>c. Unregistered supplier supplied to registered recipient ✓ <b>Recipient</b></p> <p>*Transporter, e-commerce or courier agency may also generate Part-A if authorised by consignor.</p>
Part-B	<ul style="list-style-type: none"> <li>▪ Transporter detail</li> <li>▪ Transport doc No.</li> <li>▪ Vehicle No.</li> </ul>	<p>a. In case transport through road by transporter ✓ <b>Transporter</b></p> <p>b. Transport in own conveyance or in hired conveyance or in public transport ✓ <b>Person causing movement as above</b></p> <p>c. Transport through rail, air or vessel ✓ <b>Person causing movement as above</b></p>

**Notes:****(i) In case of bill to ship to model**

- As there are two supplies involved in "bill to ship to" (Discussed in detail in chapter: place of supply) but **single movement** of goods is involved hence only **single e-way bill** needs to be generated.
- Supplier or intermediate supplier, any one of them can generate e-way bill.

**(ii) Exemption from filing of Part-B**

Normally e-way is valid only if Part-B is also filled, however e-way bill will **be valid even though Part-B is not filled** if goods transported for **distance upto 50 km within state or UT**

- From consignor place to transporter place
- From transporter place to consignee place.

**(iii)** After e-way bill has been generated, if multiple consignments are transported in single conveyance, transporter may generate the **consolidated e-way bill** indicating serial no. of e-way bill of each consignment (optional not mandatory).

**(iv)** Where consignor and consignee does not generate e-way bill as their consignment value is not more than ₹ 50,000 but aggregate value of such consignments carried in conveyance is more than ₹ 50,000 in case of inter-state supply, **transporter shall generate** e-way bill for the same.

### Process of E-Way Bill Generation

**Step-1:** Consignor or consignee shall file Part-A and temporary number will be generated.

**Step-2:** Then transporter or supplier shall file Part-B and e-way bill gets generated.

**Note:** Every unregistered transporter needs to take enrolment on e-way bill portal called transporter ID (Similar to GSTIN). However, if transporter is registered in more than 1 states, he may apply for single unique enrolment number by submitting details of all GSTINs.

### Validity Period in E-Way Bill

Distance	Validity Period from Relevant Date	
Upto 200 km	1 Day	In case other than over dimensional cargo or multimodal shipment in which at least one leg involves transport by ships.
For every 200 km or Part thereof	1 Additional Day	
Upto 20 km	1 Day	In case of over dimensional cargo or multimodal shipment in which at least one leg involves transport by ships.
For every 20 km or Part thereof	1 Additional Day	

**Note:** Validity period from relevant date means validity of e-way bill shall be counted from midnight of the day on which e-way bill is generated, i.e., E-way bill generated 2:00 am of 13<sup>th</sup> September for Journey of 500 km so validity would be 3 days from 12:00 am of 13-14<sup>th</sup> September midnight that is 12:00 am of 16-17<sup>th</sup> September.

### Transfer, Cancellation or Extension of E-Way Bill

- In case of transfer of goods from one conveyance to another, person making movement or transporter can update conveyance detail in Part-B [any no. of times].  
Vehicle no. carrying the goods and vehicle details in e-way bill must always match.
- If goods are not transported or not transported as per details provided, e-way bill can be cancelled within 24 hours of its generation.  
[However, if e-way bill has been verified during the trip, it cannot be cancelled]
- In exceptional circumstance, i.e., floods, strikes etc., if trip could not be completed within validity of e-way bill, validity can be extended with reason within 8 hours from expiry time.

### Acceptance of E-Way Bill

- Details of e-way bill shall be made available to:
  - Supplier (if registered), if Part-A filled by recipient or transporter
  - Recipient (if registered), if Part-A filled by supplier or transporter.
- Such person shall communicate their acceptance or rejection on common portal within:
  - 72 hours of the detail being made available on common portal  
or
  - Time of delivery of goods
 Whichever is earlier.

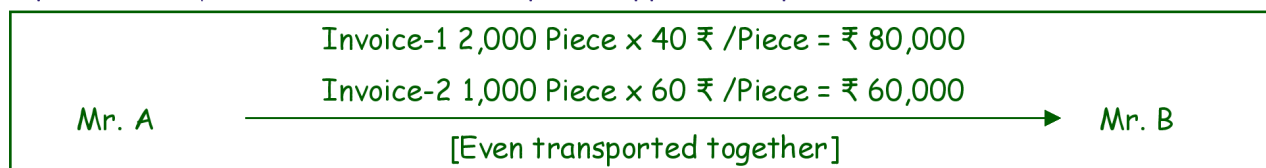
## Situations where E-Way Bill is Not Required

- (i) In case of transportation of the following specified goods:
  - LNG for supply
  - Kerosine oil sold under public distribution system (PDS)
  - Postal baggage transported by postal department
  - Pearls, semi-precious, precious stones, precious metal and metal clad
  - Jewellery, goldsmiths, and silversmith wares except imitation jewellery
  - Currency
  - Used personal and household effects
  - Coral worked or unworked
- (ii) In case of transportation on non-motorised vehicle
- (iii) In case of goods transported are exempt from GST
- (iv) In case of goods transported is alcoholic liquor for human consumption and five petroleum products kept out of GST purview
- (v) In case of transportation of goods to or from Nepal/Bhutan
- (vi) In case of transportation of item treated as no supply under Schedule-III
- (vii) In case of movement of goods caused by defence ministry
- (viii) In case of consignor is Central or state government or Local authority, for transport of goods by rail
- (ix) In case of transportation of empty cargo container
- (x) In case of transportation of empty cylinder for packing LNG for reason other than supply
- (xi) In case of transportation of goods transported within 20 km for weighment
- (xii) In case of transportation of goods exempt in terms of:
  - Supply of goods to or by unit run canteens
  - Supply of heavy water and nuclear fuels by Department of atomic energy to NPCIL
- (xiii) In case of goods transported from custom port, airport, land custom station to inland container depot (ICD) or a container freight station (CFS) and vice-a-versa

## Other Provision

(i) Invoice wise E-way Bill

If multiple invoices are issued between same consignor and consignee, multiple e-way bill has to be generated as an e-way bill is generated invoice specific and every invoice requires separate e-way bill even vehicle, transport, supplier, recipient are the same, i.e.,





**(ii) Documents and device to be carried**

Person in charge of conveyance shall carry following documents and device:

- Invoice or bill of supply or delivery challan as the case may be
- Copy of e-way bill (N.A. in case of movement through rail, air, vessel).

In case of movement of imported goods, carry a copy of Bill of entry (BOE) filed by importer and shall indicate the number and date of BOE in Part-A of e-way bill.

**(iii) Verification of documents and conveyance**

Commissioner or empowered officer may authorise proper officer to intercept any conveyance to verify e-way bill

- Once physical verification is done during transit, no further verification shall be allowed within same state unless specific information of tax evasion.
- Summary of inspection is to be uploaded on portal within 24 hours and final report within 3 days (can be extended the time with further 3 days by commissioner).
- Time of 24 Hours and 3 Days shall be counted from midnight of date on which vehicle was intercepted.

**(iv) Blocking of E-way bill facility**

Following person can be blocked from generating e-way bill (as a supplier) [no restriction on inward supplies]:

- **Composition taxpayer** who has **not furnished statement for 2 consecutive quarters.**
- **Regular taxpayer** who has **not furnished return for 2 consecutive tax periods.**
- Regular taxpayer who has not furnished GSTR-1 for 2 consecutive months or quarters.
- Taxpayer whose **registration has been suspended.**

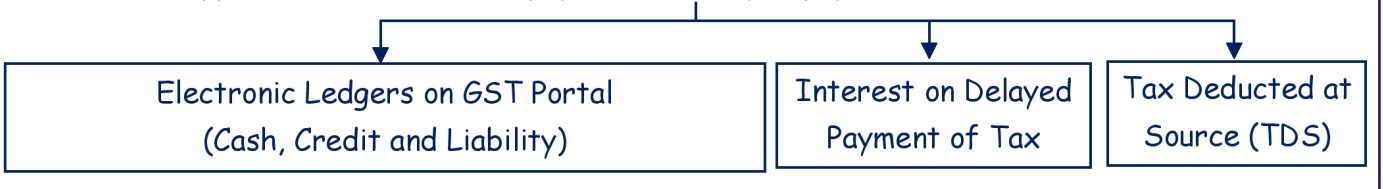
However, Commissioner may allow generating e-way bill on sufficient cause shown

# Payment of Tax and TDS



## About this Chapter

In this chapter, discussion will revolve around mechanism to pay tax to the government as well as the interest applicable in case of non-payment or delayed payment.



Three types of ledgers are maintained on the GST common portal for each taxpayer as mentioned below and each such ledger has its use, which we will discuss in detail:

- Electronic Cash Ledger - It reflects **cash balance** of such taxpayer with Department
- Electronic Credit Ledger - It reflects **credit (ITC) balance** of such taxpayer with Department
- Electronic liability Ledger - It reflects **liabilities** of such taxpayer towards Department

## Electronic Cash Ledger

Electronic cash ledger is divided into **four major heads** and further each major head has **five minor heads** as detailed below:

IGST	CGST	SGST/UTGST	Cess	← Major Heads
<ul style="list-style-type: none"> <li>○ Tax</li> <li>○ Interest</li> <li>○ Penalty</li> <li>○ Fees</li> <li>○ Others</li> </ul>	<ul style="list-style-type: none"> <li>○ Tax</li> <li>○ Interest</li> <li>○ Penalty</li> <li>○ Fees</li> <li>○ Others</li> </ul>	<ul style="list-style-type: none"> <li>○ Tax</li> <li>○ Interest</li> <li>○ Penalty</li> <li>○ Fees</li> <li>○ Others</li> </ul>	<ul style="list-style-type: none"> <li>○ Tax</li> <li>○ Interest</li> <li>○ Penalty</li> <li>○ Fees</li> <li>○ Others</li> </ul>	<div> <div>←</div> <div>Minor Heads</div> <div>←</div> </div>

## How to Deposit Tax in Cash Ledger



## Notes:

- In GST **only E-challans** (Form PMT-06) are allowed, E-Challans have the validity of 15 days. Few terms used while making payment through challan
  - **CPIN**: 14 Digit Common portal identification Number created for every challan generated.
  - **CIN**: 17 Digit Challan identification number generated by bank on completion of payment [14 Digit CPIN + 3 Digit Bank Code]

- **BRN:** Bank reference no, transaction no given by bank for payment against challan.
  - **E-FPB:** Electronic Focal Point Branch is a branch of authorised bank which is authorised to collect payment of GST for government.
- (ii) **Maximum ₹ 10,000** can be deposited by over-the-counter payment in any tax period except:
- Government department or any deposit made by any person notified by commissioner
  - Proper officer or officer authorised to recover dues from any person during investigation including recovery through sale of property etc.
- (iii) Amount deposited shall be credited to E-cash ledger which can be used to pay any liability.
- (iv) Amount available in one major or minor head **cannot be used** to pay liability in any other major or minor head.
- However, any amount available in one major or minor head **can be transferred** to other major or minor head using form **GST PMT-09** and then it can be used to pay any liability.
- (v) A registered person can transfer any amount of sum available in their e-cash ledger **for IGST or CGST** to distinct person's E-cash ledger **of IGST or CGST**, only if such registered person does not have any liability in his E-liability ledger.
- (vi) Any refund claimed from cash ledger is debited to the E-cash ledger and if rejected, amount debited earlier shall be credited again to E-cash ledger.

<u>Debit</u>	<u>Electronic Cash Ledger</u>	<u>Credit</u>
Amount utilised towards payment of liability		Amount deposited into E-cash ledger
Amount of refund claimed		Amount of refund claim rejected
Transfer of balance from		Transfer of balance into
		TDS/TCS

### Electronic Credit Ledger

<u>Debit</u>	<u>Electronic Credit Ledger</u>	<u>Credit</u>
ITC utilised for payment of output tax liability		ITC availed on inward supplies as self-assessed
Amount of refund claimed from E-Credit ledger		Amount of refund claim rejected

#### Notes:

- (i) Amount in E-credit ledger can be utilised to pay **only "Output Tax"**, so any other type of dues, i.e., penalty, interest & **RCM liability**, fees etc. **compulsorily must be paid through E-cash ledger**.
- (ii) ITC can be utilised to pay any output liability whether self-assessed in returns or due to any proceeding initiated under GST.

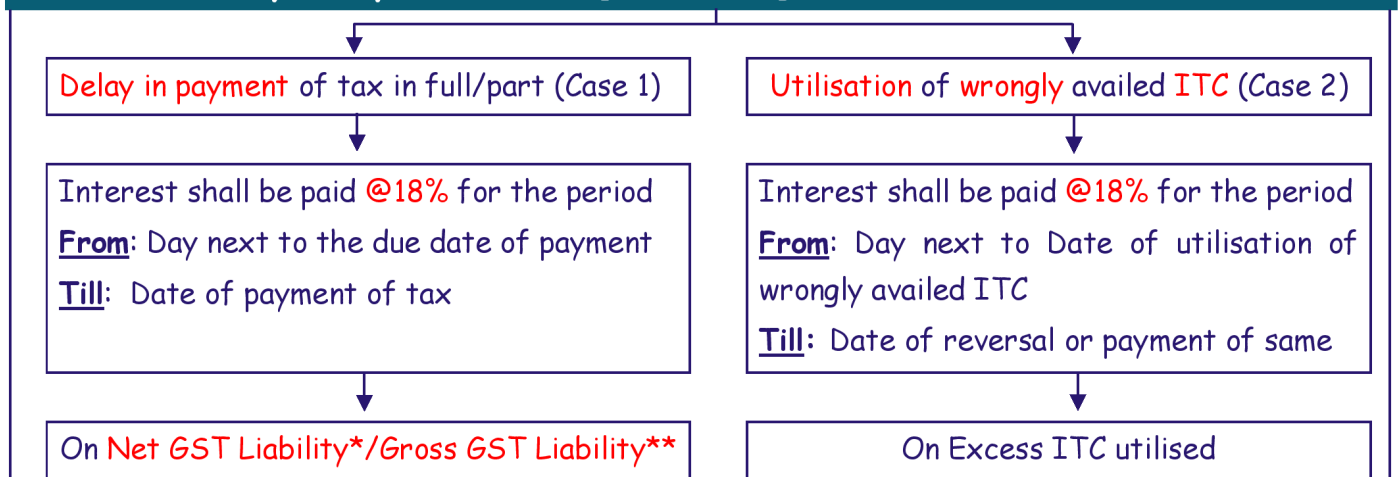
## Electronic Liability Ledger

Debit	Electronic Liability Ledger	Credit
Any self-assessed liability		Any payment made from E-cash ledger
Any demand raised by the department		Any amount utilised from E-credit ledger

Any liability lying in E-liability ledger shall be discharged in the following order:

- Self-assessed tax and other dues for previous tax periods.
- Self-assessed tax and other dues for current period.
- All other dues including demand determined u/s 73 and 74 or 74A.

## Interest on Delayed Payment of Tax [Section 50]



### \*Net Tax Liability

If both of the following conditions are fulfilled, interest shall be calculated on **net tax liability**:

- Return has been **filed belatedly for the said tax period** for which tax is due **and**
- Proceeding u/s 73/74 has not been initiated.

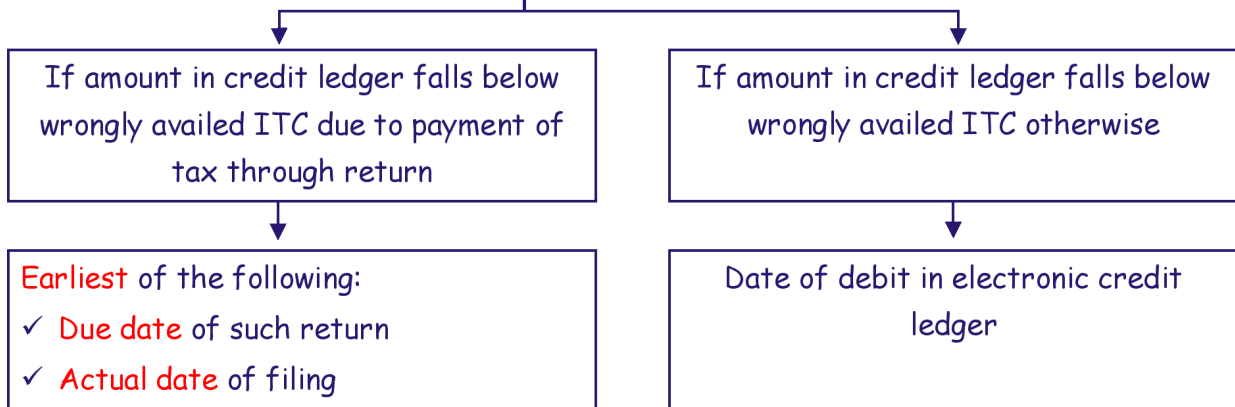
### \*\*Gross Tax Liability

If tax is **paid through return of other tax periods** or proceeding has been initiated u/s 73/74, interest shall be calculated on **gross tax liability**.

### Notes:

- Net GST Liability** means tax payable after utilisation of input tax credit. (Case 1)
- In case of Net GST Liability, If **amount** was **lying in the cash ledger** from due date till the payment after due date, said amount is **not be considered** for calculation of interest. (Case 1)
- Excess ITC utilised** means ITC wrongly availed (-) ITC balance in credit ledger. (Case 2)
- For levying interest for excess utilisation of ITC in case of IGST, Excess ITC utilised means **ITC (IGST) wrongly availed (-) ITC (IGST, CGST, SGST/UTGST) balance** in credit ledger. As IGST could have been paid with either of ITC of IGST/CGST/SGST/UTGST. (Case 2)

(v) Date of utilisation of wrongly availed ITC (Case 2)



**Case 1**

Details of Tax liability for the month of February are as follows:

- |  |            |
|--|------------|
| (a) Liability on output  | ₹ 1,50,000 |
| (b) RCM liability  | ₹ 40,000   |
| (c) Input tax credit balance (ITC)   | ₹ 70,000   |
| (d) Cash ledger balance of ₹ 20,000 is lying from the month of Feb to April. |            |

**Scenario (i):** Calculate interest payable if return for Feb month is filed on 17<sup>th</sup> April.

**Scenario (ii):** Calculate interest payable if return for Feb month is filed on 20<sup>th</sup> march, but failed to report above liability in the same, now it has reported in the return of march filed on 17<sup>th</sup> April.

**Solution to Case 1**

- (i) Due date for filing return of February month - 20/03/20XX  
Interest shall be payable from 21/03/20XX to 17/04/20XX.  
Interest shall be  $[(₹ 1,50,000 - ₹ 70,000) + ₹ 40,000 - ₹ 20,000] \times 18\% \times 28/365 = ₹ 1,381$ .
- (ii) Interest shall be  $(₹ 1,50,000 + ₹ 40,000) \times 18\% \times 28/365 = ₹ 2,624$ .

**Case 2**

ITC has been availed of ₹ 15,00,000 in the return of January filed in the month of February, out of which goods having input tax credit of ₹ 5,00,000, not yet received.

Now in the return of March month filed in April month, liability paid through using credit balance and making cash payment in GSTR-3B on 17/04/20XX (particulars as below).

Later realised that ITC has been wrongly availed of ₹ 5,00,000 hence same has been paid back on 20<sup>th</sup> June, calculate the interest payable. Details of return of March month is as follows:

	Situation 1	Situation 2	Situation 3
Tax Liability	18,00,000	13,00,000	8,00,000
Credit Utilised	15,00,000	13,00,000	8,00,000
Cash Payment	3,00,000	—	—



Credit Available	15,00,000	15,00,000	15,00,000
Credit Utilised	15,00,000	13,00,000	8,00,000
<b>Credit Balance</b>	<b>0</b>	<b>2,00,000</b>	<b>7,00,000</b>

**Solution to Case 2**

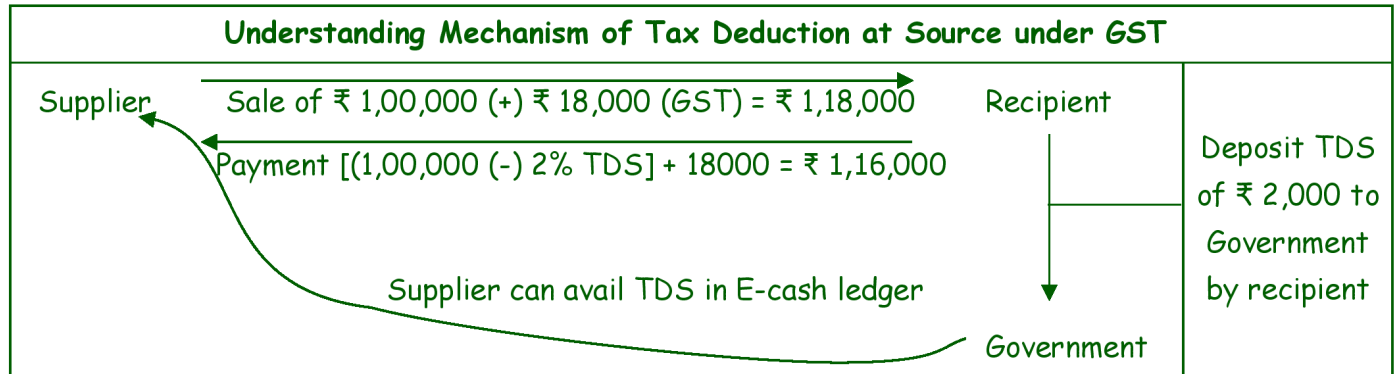
(i) Calculation of amount of wrongly availed ITC utilised

Particulars	Situation 1	Situation 2	Situation 3
ITC wrongly availed	5,00,000	5,00,000	5,00,000
(—) ITC Balance	0	2,00,000	7,00,000
<b>ITC Wrongly Utilised</b>	<b>5,00,000</b>	<b>3,00,000</b>	<b>0</b>

(ii) Calculation of Interest Payable

Particulars	Situation 1	Situation 2	Situation 3
From day next to the date of utilisation (i.e., earlier of due date or actual date of return)	18/04	18/04	No Interest Payable as ITC wrongly utilised is Nil
To Date of payment	20/06	20/06	
Total days	64 days	64 days	
ITC wrongly utilised	5,00,000	3,00,000	
Interest @18%	₹ 15,781	₹ 9,469	

## Tax Deduction at Source (TDS) [Section 51]



### Who is Liable to Deduct TDS

Following person shall be required to deduct TDS u/s 51:

- Departments or establishments of central or state **government**
- Local authority
- Government agencies
- Public sector undertakings (PSUs)
- **Society established by** central or state **government** or local authority under society Act
- An **authority or board** or any other body
  - ✓ **Setup by an Act** of parliament or state legislature or
  - ✓ Established by any government
 with **51% or more participation** by way of equity or control (applicable to both above).
- Any registered person receiving supplies of metal scrap from other registered person

### When to Deduct TDS

TDS shall be deducted only when supply of taxable goods or services under a **contract is more than ₹ 2,50,000**.

#### Notes:

- (i) Contract value is to be taken **exclusive of taxes**.
- (ii) Only **contract value** has to be seen, invoice value does not matter.
- (iii) Value of **exempt supply** shall **not be included** in the contract value.

### How Much to Deduct TDS

TDS shall be deducted **@1% (CGST) + @1% (SGST) or @2% (IGST)** on payment made or credited to the supplier for taxable goods and services.

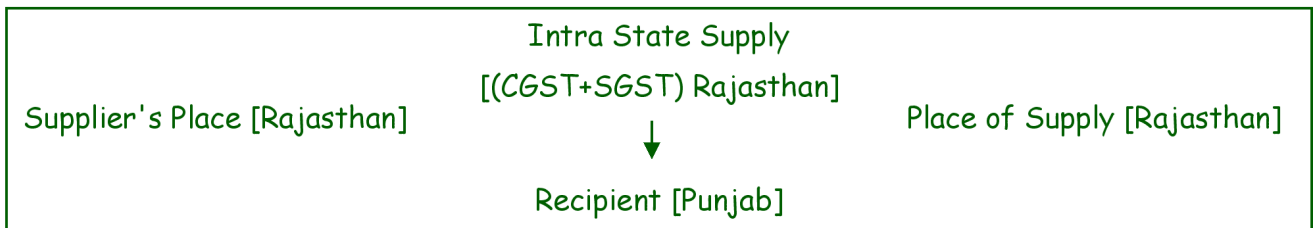
**Example:** ABC Ltd. make interstate supply of goods of ₹ 6 lacs to local authority under a contract. Payment of ₹ 2 lacs is made during august month. TDS would be 2% of ₹ 2 lacs i.e., ₹ 4,000.

### Cases Where TDS is Not Required to be Deducted

In following cases, TDS is not required to be deducted:

- Value of taxable supplies in a contract **does not exceeds ₹ 2,50,000**
- In case **only exempt supplies** are being made
- If taxable supplies made are **taxable under reverse charge mechanism (RCM)**
- If payment has been made to an **unregistered supplier**
- Good/services supplied by a public sector undertaking (PSU) **to another PSU**
- Good/services supplied **between person notified to deduct TDS** except recipient of metal scrap
- Where supplier's place and place of supply are in same state but recipient's place is in any other state

#### Example



In this case TDS is to be deducted in form of Rajasthan's state tax but it would not be possible for recipient in Punjab to deduct TDS of the same, hence TDS would not be applicable on such transaction.

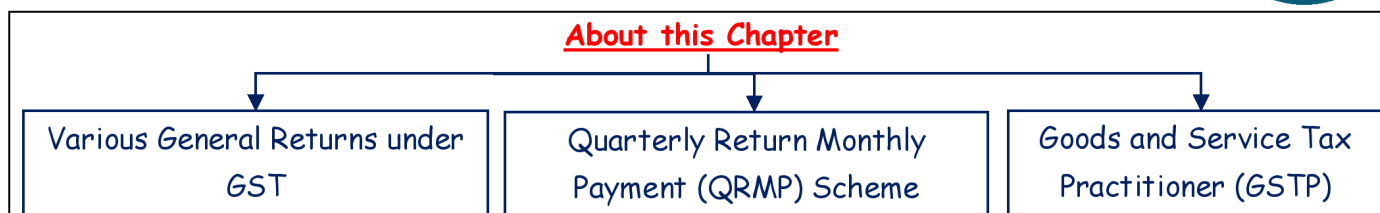
#### Other Provisions

- (i) Any person required to deduct TDS as above, **apply for registration** separately and proper officer shall grant the registration within 3 working days.
- (ii) Deductor shall **deposit the TDS** deducted to the government by **10<sup>th</sup> of the succeeding month**.
- (iii) Once TDS is deposited, **TDS Certificate** shall be provided to deductee in form **GSTR-7A**.
- (iv) TDS deducted shall **reflect in E-cash ledger of deductee** and can be used **to pay any liability**.
- (v) If deductor has failed to deposit TDS - Interest @18% shall be leviable.

# Returns



## About this Chapter



## Various General Returns under GST [Section 37 to 47]

In GST, Various statement and returns are prescribed to be filed by different person through which such person provides details of their business activities to the government. Transaction wise details are given of sale, purchase, taxes etc. and tax is paid through returns. However, no requirement of uploading pdf or scanned copies of document i.e. invoices etc.

### Normal Returns



Returns	Return Filers	Due Date
GSTR-1	Every registered person including casual taxable person except: <ul style="list-style-type: none"> <li>Input Service Distributor (ISD)</li> </ul>	<ul style="list-style-type: none"> <li>In case of QRMP:               <ul style="list-style-type: none"> <li>✓ 13<sup>th</sup> of the next month to the quarter</li> </ul> </li> <li>Otherwise:               <ul style="list-style-type: none"> <li>✓ 11<sup>th</sup> of the next month</li> </ul> </li> </ul>
GSTR-3B	<ul style="list-style-type: none"> <li>Non-Resident Taxable Person (NRTP)</li> <li>Composition taxpayer</li> <li>TDS deductor or TCS collector</li> </ul>	<ul style="list-style-type: none"> <li>In case of QRMP:               <ul style="list-style-type: none"> <li>✓ 22<sup>nd</sup> or 24<sup>th</sup> of next month to the quarter</li> </ul> </li> <li>Otherwise:               <ul style="list-style-type: none"> <li>✓ 20<sup>th</sup> of next month</li> </ul> </li> </ul>

### Notes:

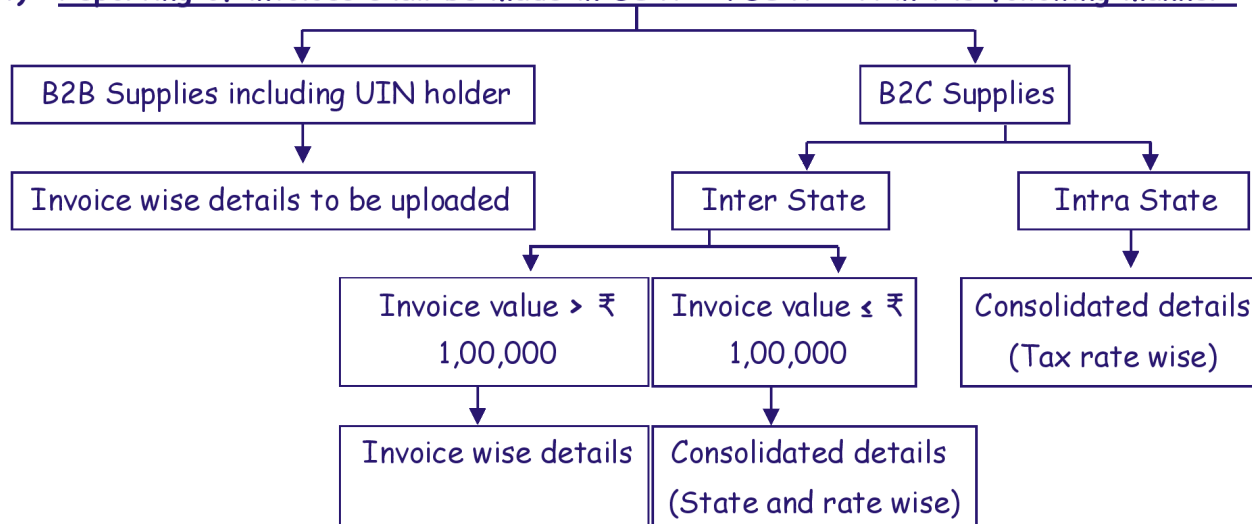
- (i) Generally a taxpayer **cannot file GSTR-1 before end of tax period except in case of:**
  - Casual Taxable person after **closure** of their business,
  - **Cancellation of registration** (GSTIN) of a normal taxpayer.
- (ii) If outwards **supplies declared in GSTR-1/IFF being more than GSTR-3B** for a tax period or **ITC availed in GSTR-3B being more than available in GSTR-2B**, officer shall intimate taxpayer on portal or through email and direct to:
  - Pay the differential liability/ Excess ITC availed as the case may be within 7 days
  - Explain the difference within 7 days

Taxpayer shall pay the amount (partially/fully) or explain the difference within 7 days. If not done or explanation found unacceptable, department will recover the same.

**(iii) Registered person shall not be allowed to furnish GSTR-1 or invoices in IFF facility if:**

- He has **not furnished GSTR 3B** for the preceding tax period.
- He has **not furnished details of bank account** under rule 10A.
- He has been issued an intimation u/r 88C for outwards supplies declared in GSTR-1/IFF being more than GSTR-3B, and such person neither paid the tax nor replied with reason.
- He has been issued an intimation u/r 88D for ITC availed in GSTR-3B being more than available in GSTR-2B, and such person neither paid the tax nor replied with reason.

**(iv) Reporting of invoices shall be made in GSTR-1/GSTR-1A in the following manner:**



**(v) Rectification of Errors**

- In GST, mechanism of revised return is not available as the return or statement are filed with invoice wise details. Rectification can be done through amendment tables in return of subsequent months but maximum upto:

- ✓ 30<sup>th</sup> November following the end of the financial year
  - ✓ Actual date of filing annual return
- ← Earlier

➤ **Rectification through GSTR-1A**

- ❖ Taxpayer may amend or furnish additional details in GSTR-1A, after furnishing the GSTR-1 but before filing GSTR-3B for such period for any amendment of details furnished in GSTR-1 or IFF facility.
- ❖ Such details shall reflect in GSTR-2B of recipient in next period.
- ❖ Change in GSTIN of recipient for a supply reported in GSTR-1 can be made in GSTR-1 of subsequent period only.

- **No rectification of GSTR-3B** can be done once error has been **discovered by tax authorities**.

GSTR - 2A	GSTR-2A is a system generated statement updated on <b>real time basis</b> , based on GSTR-1 and IFF facility filed by the suppliers.
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GSTR - 2B	Auto generated statement containing details of eligible ITC available on a particular date (static statement). This statement is <b>generated as on the last day of filing details in GSTR-1</b> and IFF facility.
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**Note: Difference between GSTR-2A and GSTR-2B**

GSTR-2A	GSTR-2B
System generated read only statement	Auto generated statement
Updated on real time basis	It's a static statement
Available all the time	Available only after last date of GSTR-1 is over
Do not provide bifurcation of eligible and ineligible input tax credit	Provide bifurcation of eligible and ineligible input tax credit

GST-CMP-08	Composition Supplier	Quarterly	18 <sup>th</sup> of the next month
GSTR-4	Composition Supplier	Annual	30 <sup>th</sup> June of following F.Y.

**Note:** Composition supplier pay tax on quarterly basis in CMP-08 and file return annually in GSTR-4.

GSTR-5	Non-resident taxable person (NRTP)	Monthly	Earlier of the Following: ✓ 13 <sup>th</sup> of the next month <b>or</b> ✓ 7 <sup>th</sup> day from end of validity
GSTR-7	TDS Deductor	Monthly	10 <sup>th</sup> of the next month
GSTR-8	TCS Collector	Monthly	10 <sup>th</sup> of the next month
GSTR-9	Every registered person except: ▪ CTP, NRTP ▪ ISD ▪ TDS Deductor/TCS Collector	Annual	▪ 31 <sup>st</sup> December of next F.Y. ▪ If BoA is subjected to the audit by CAG, no need to file GSTR-9/9C.
GSTR-9C	Every registered person whose aggregate turnover <b>exceed ₹ 5 crores</b> except: ▪ CTP, NRTP ▪ ISD ▪ TDS deductor/TCS Collector	Annual	▪ GSTR-9C shall be self certificate reconciliation statement between audited financial statement and GSTR-9.
GSTR-11	UIN Holder	Details of inward supplies to obtain refund of tax	

**Other Points**

- (i) Even if no activity during the period, Nil GSTR-1, GSTR-3B, GST-CMP-08, GSTR-7 has to be filed. Nil return can be filed through SMS verified through OTP.
- (ii) GSTR-1, GSTR-3B, GSTR-8 and Annual return **cannot be filed after 3 years** from expiry of due dates of furnishing such statement or returns.

### Special Returns

- (1) **First Return:** When a person becomes liable to register and apply within 30 days there could be time gap between effective date of registration and issuance of registration certificate. So, return for supplies during the period from effective date of registration to date of grant of registration shall be called first return. First return should be filed **within 1 month from the date of grant of registration**.
- (2) **Final Return (GSTR-10):** Any person whose registration has been surrendered or cancelled shall file final return **within 3 months of later** of the following:
  - Date of cancellation  
or
  - Date of order of cancellation

### Quarterly Return Monthly Payment (QRMP) Scheme

Normally a regular taxpayer file monthly returns and pays tax monthly but government in order to reduce compliance burden allowed quarterly return and monthly tax payment to the following person [**GSTR-1 and GSTR-3B is to be filed quarterly**]:

- Any registered person having aggregate turnover **upto ₹ 5 crores** in preceding financial year. [If aggregate turnover crosses limit of ₹ 5 crores during the financial year, such person shall become ineligible for QRMP scheme from next quarter].
- Taxpayer must have opted for QRMP scheme (scheme is **voluntary not mandatory**).
- All the returns have been filed for previous period before opting QRMP scheme.

### Invoice Furnishing Facility (IFF)

In case of QRMP Scheme, as the returns were being filed quarterly so recipients were facing problem in taking ITC as details are not being uploaded monthly by the supplier, hence:

- Suppliers has been provided with the **option to submit monthly invoices** for 1<sup>st</sup> and 2<sup>nd</sup> month of each quarter but maximum upto aggregate **of ₹ 50 lacs per month till 13<sup>th</sup> of the next month**.
- Rest invoices can be uploaded while filing quarterly GSTR-1.

### Monthly Payment of Tax under QRMP

- **Timelines for payment of tax under QRMP Scheme:**

For 1 <sup>st</sup> and 2 <sup>nd</sup> month of the quarter	By 25 <sup>th</sup> of the next month through GST PMT-06
For last month of the quarter	By due date of filing return

- **Following amount of tax needs to be paid for 1<sup>st</sup> and 2<sup>nd</sup> month of the quarter:**

Fixed Sum Method	<u>Auto populated challan of amount:</u> ✓ If <b>last return</b> was filed <b>quarterly</b> <ul style="list-style-type: none"> <li>○ <b>35%</b> of the tax paid in cash in last return</li> </ul>
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	<p>✓ If <b>last return</b> was filed <b>monthly</b></p> <ul style="list-style-type: none"> <li>○ <b>100%</b> of tax paid in cash in return of last month of preceding quarter.</li> </ul> <p><b>Notes:</b></p> <p>(i) In following cases, no amount of tax needs to be deposited for:</p> <ul style="list-style-type: none"> <li>➤ 1<sup>st</sup> month, If balance in cash &amp; credit ledger <math>\geq</math> liability for 1<sup>st</sup> month</li> <li>➤ 2<sup>nd</sup> month, If balance in cash &amp; credit ledger <math>\geq</math> liability for 1<sup>st</sup> and 2<sup>nd</sup> month</li> </ul> <p>(ii) No interest needs to be paid even if tax paid is less than actual liability in 1<sup>st</sup> and 2<sup>nd</sup> month, however interest needs to be paid in case of any delay in filing GSTR-3B.</p>
Self-Assessment Method	Registered person shall deposit tax considering outward and inward supply for the month along with Interest u/s 50, if any tax is unpaid or paid post due dates.

#### Other Points for QRMP Scheme

- (i) QRMP scheme is available **GSTIN wise**, person may opt the scheme for one GSTIN and not for another GSTIN, having same PAN.
- (ii) A registered person may opt for QRMP scheme for any quarter by opting on common portal from 1<sup>st</sup> day of 2<sup>nd</sup> month of preceding quarter till the last day of the 1<sup>st</sup> month of the relevant quarter i.e., for opting QRMP for April-June quarter, can exercise his option between 1<sup>st</sup> Feb to 30<sup>th</sup> April.

#### Goods and Service Tax Practitioners (GSTPs) [Section 48]

Goods and service tax practitioners (GSTPs) are the people who can work for compliance of GST on behalf of the clients. Following are the eligibility criteria to become GSTP:

<ul style="list-style-type: none"> <li>▪ <b>Indian Citizen</b> (+)</li> <li>▪ Person of <b>Sound Mind</b> (+)</li> <li>▪ <b>Not Adjudged Insolvent</b> (+)</li> <li>▪ <b>Not Convicted</b> by Court</li> </ul>	And	<ul style="list-style-type: none"> <li>▪ <b>Retired officer</b> of commercial tax or CBIC, who worked at <b>not lower than</b> rank of <b>group-B gazetted officer</b> for period of <math>\geq 2</math> years <b>or</b></li> <li>▪ Enrolled as <b>STP/TRP</b> in earlier tax laws for <math>\geq 5</math> years <b>or</b></li> <li>▪ <b>Graduate or post graduate</b> in commerce, law, banking, audit or business from Indian university <b>or</b></li> <li>▪ Foreign university degree equivalent to above degree <b>or</b></li> <li>▪ <b>Passed final exam</b> by ICAI, ICSI, ICMAI <b>or</b></li> <li>▪ Any other examination notified</li> </ul>
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**Activities which can be undertaken by GSTP**

- (i) Furnish details of outward supplies and furnish monthly, annual or final return
- (ii) Make deposit into cash ledger and furnish details for challan
- (iii) Furnish information for e-way bill generation
- (iv) Allowed to appear as authorised representative etc.
- (v) File a refund claim
- (vi) App. for registration amendment or cancellation.

Confirmation from registered  
person shall be sought