

Edition

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GST

THE

Master the Concept

MASTER NOTES

Finance Act (No.2) 2024



The Master Notes

Welcome to this comprehensive GST study material, meticulously designed to provide conceptual clarity and equip students with the knowledge and confidence to excel in their examinations.

Crafted with dedication and attention to detail, this resource serves as a one-stop solution for all GST-related exam needs, combining clear explanations with practical insights. Whether you're a beginner or revising for advanced concepts, this material is your trusted guide to mastering GST.

With comprehensive explanations, practical examples, and exam-focused content, this book ensures that all your preparation needs are met in one place.

Trust this single source to guide you towards success.

wishing you an incredible journey of learning and outstanding results in your exam

#008080 - Headings

#C84C32 - Key Words

#1F497D - Normal Text

Dear Students,

We've worked really hard to make this book as accurate and error-free as possible. We even went through multiple rounds of proofreading to ensure everything is clear and correct. But, being human, there's always a chance that some small errors might have slipped through.

If you do come across any, let us know and help us improve future editions of the book!

Thank you for your trust and support and wishing you all clarity, confidence and success

Warm regards,



GST

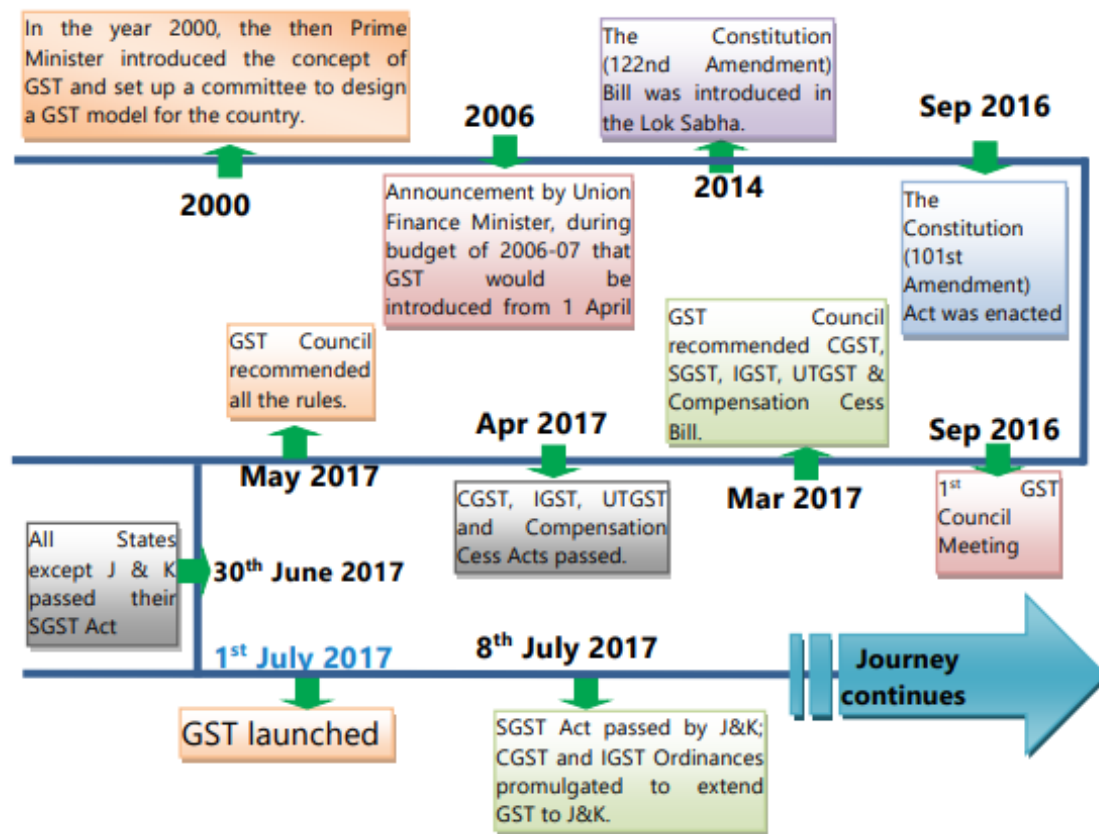
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1. GST in India –an introduction

1. Overview of taxation system in India

Role of Taxes	Taxes fund public expenditure to meet developmental needs and serve as fiscal policy tools
Definition of Tax	Mandatory financial charge imposed by legislative authority on individuals or property owners. Not voluntary but an enforced contribution.
Types of Taxes	
Direct Tax	Imposed directly on taxpayers (individuals or entities) and cannot be shifted to others .
Indirect Tax	• Paid initially by one party (e.g., manufacturers, sellers) but ultimately borne by consumers (regressive in nature). • Levied on consumption, expenditure, or privileges rather than income or property.
Transition to GST	On July 1, 2017, India introduced the GST, consolidating numerous indirect taxes. Customs duty remains post-GST.

2. Genesis of GST in India



3. Concept of GST

- GST is a **value-added tax** levied on the **supply** of goods (manufacture/sale) and

services.

- GST provides a **comprehensive and continuous chain of tax credits**, taxing only the **value added** at each stage.
- Suppliers can **avail credit** of GST paid on purchases and **set it off** against GST payable on their supplies. **Final consumer** bears GST.
- GST taxes only the **value added** at each stage, ensuring there is **no cascading of taxes**.

4. Need for GST in India

Earlier Indirect Tax Issues

Double Taxation	Certain transactions were taxed as both goods and services due to unclear distinctions between the two.
Cascading Taxes	• CENVAT did not include value addition in distributive trade after production. • State VAT did not remove the CENVAT load, leading to cascading taxes.
Lack of Cross Set-Off	CENVAT and State VAT credits could not be set off .
Multiplicity of Taxes	Additional taxes like Luxury Tax and Entertainment Tax were not subsumed under VAT, requiring multiple payments
Exclusion of Services	Services were excluded from the State tax base, leading to cascading effects and eroding the tax buoyancy of States.
6. CST Distortions	CST, being an origin-based tax , was non-VATABLE and against the principle that taxes should accrue to the jurisdiction of consumption.

Introduction of GST

Comprehensive Tax Structure	GST integrates taxes on goods and services at both the Centre and State levels , ensuring: • Removal of cascading effects • Continuous chain of set-off • Subsuming of major indirect taxes into GST.
Change in Tax Basis	Under GST, taxes are levied on the "Supply of Goods and/or Services" , replacing the earlier concepts of manufacture, sale

5. Framework of GST as introduced in India

➤ Dual GST:

Federal Structure	India's adopted of a Dual GST Model , where both the Centre and States levy GST simultaneously.
Scope of Taxation	GST is imposed on the entire supply chain , from production to distribution , with concurrent taxation by the Centre and States.

Empowerment	- The Centre can tax intra-State sales. - States are empowered to tax services.
Coverage	GST extends to the whole of India , including the Jammu and Kashmir .

➤ **CGST/SGST/UTGST/IGST:**

Nature of GST	GST is a destination-based tax applied to supply of goods or services or both for consideration, with certain exceptions.
Components of GST	• CGST: Levied and collected by the CG on intra-State supplies. • SGST: Levied and collected by SG/UTs with Legislatures on intra-State supplies. • UTGST: Levied and collected by UT without Legislatures on intra-State supplies.
Intra-State Supply	When the supplier and place of supply are in the same State/Union Territory , it is treated as intra-State supply.
Inter-State Supply	When the supplier and place of supply are in: (i) Two different States (ii) Two different Union Territories (iii) A State and a Union Territory, it is treated as inter-State supply.
Tax on Inter-State Supply	• IGST is levied by the CG on inter-State supplies • IGST is the sum of CGST and SGST/UTGST.

➤ **Legislative Framework**

CGST Act, 2017 governs the levy of **CGST**.

UTGST Act, 2017 governs the levy of **UTGST** in **UT's** without Legislatures.

States and UT with Legislatures have their own **SGST** legislations

Despite multiple **SGST** legislations, key features like **chargeability**, **taxable event**, **taxable person**, **classification**, **valuation**, and **procedures** are uniform across all **SGST** laws..

➤ **Extent & commencement of GST law:**

Central Goods and Services Tax Act, 2017 (CGST Act, 2017)

Extends to the **whole of India**.

India means:

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

State GST law of the respective State/Union Territory with Legislature

Extends to the whole of that **SG/UT**: **Delhi**, **Puducherry**, and **Jammu & Kashmir**.

Integrated Goods and Services Tax Act, 2017 (IGST Act, 2017)

Extends to the whole of India.

Union Territory Goods and Services Tax Act, 2017 (UTGST Act, 2017)

Extends to UT (without legislature): Andaman and Nicobar Islands, Lakshadweep, Dadra and Nagar Haveli and Daman and Diu, Ladakh, Chandigarh, Other territory.

➤ Exemptions

Law also contains provisions for granting exemption on essential goods or services.

➤ Seamless flow of credit

GST as Destination-Based Tax	Revenue from SGST accrues to the consuming States .
Credit Flow in Inter-State Supply	- Inter-State suppliers in the exporting State can set off available credit against IGST payable. - Buyers in the importing State can avail credit of IGST.
Revenue Transfers	- The exporting State transfers the credit of SGST/UTGST used in IGST payment to the Centre. - The Centre transfers the credit of IGST used in SGST/UTGST payment to the importing State.
Order of ITC Utilization IGST Credit: Used first for IGST payment, then for CGST and SGST/UTGST in any order and proportion. CGST Credit: Used next for CGST payment, then for IGST payment SGST/UTGST Credit: Used for SGST/UTGST payment, then for IGST payment (only after CGST credit is fully utilized).	
Restrictions	- ITC of CGST cannot be used for SGST/UTGST payment and vice versa. - ITC of SGST/UTGST for IGST payment is allowed only after full utilization of CGST credit.

➤ GST Common Portal

GST IT Challenges	- Centre and States operated under different laws, procedures, and IT systems, making integration for GST complex. - GST required a uniform IT infrastructure to integrate tax administrations and provide a common interface.
Need for IT Infrastructure	- GST being a destination-based tax, inter-State trade (IGST) required a robust settlement mechanism. - A Common Portal was essential to act as a clearing house for claims and fund transfers between Centre and States.
Common GST Electronic	The GST portal (www.gst.gov.in) is managed by the Goods and Services Network (GSTN), a wholly-owned Government



Portal	company. - It provides a uniform interface for taxpayers and a shared IT infrastructure for Centre and States. - Accessible via Internet (taxpayers, CAs, Tax Advocates) and Intranet (tax officials).
Eco-System	The GST system links all stakeholders, including State/UT Tax Departments, Central Tax authorities, taxpayers, banks.
Functions of GSTN	- Facilitates registration. - Forwards returns to Central and State authorities. Computes and settles IGST. - Matches tax payment details with banking networks. - Provides MIS reports and taxpayer profile analysis to Central and State Governments.
E-Way Bill Portal	The e-way bill portal (www.ewaybillgst.gov.in), managed by the National Informatics Centre (NIC) , generates electronic documents evidencing goods movement.
Invoice Registration Portal (IRP)	The IRP , managed by NIC , is used for e-invoice uploading/reporting by businesses with an annual turnover exceeding ₹5 crore (from FY 2017-18 onwards).

➤ GSPs/ASPs

Role of GSPs	GST Suvidha Providers (GSPs) are selected IT, IT-enabled, and financial technology companies with access to the GST System to develop taxpayer applications.
Features of GSP Applications	Return filing and reconciliation of purchase register data with auto-populated data for acceptance/rejection/modification. Dashboards for monitoring GST compliance activities. Role-based access for dividing GST-related tasks - Applications for tax professionals to manage clients - Integration of existing accounting packages/ERP with the GST System.
Optional Usage	GSPs are an additional channel for taxpayers to interact with the GST System, and their services are optional .
ASPs	Application Service Providers (ASPs) assist GSPs by acting as a link between taxpayers and GSPs.

➤ Compensation Cess

- GST Compensation Cess** is imposed to compensate States for revenue loss due to GST implementation.
- Levied on **specified luxury items or demerit goods** (e.g., pan masala, tobacco, aerated waters, motor cars) on the **value of taxable supply**.
- Applicable on both **intra-State** and **inter-State** supplies.

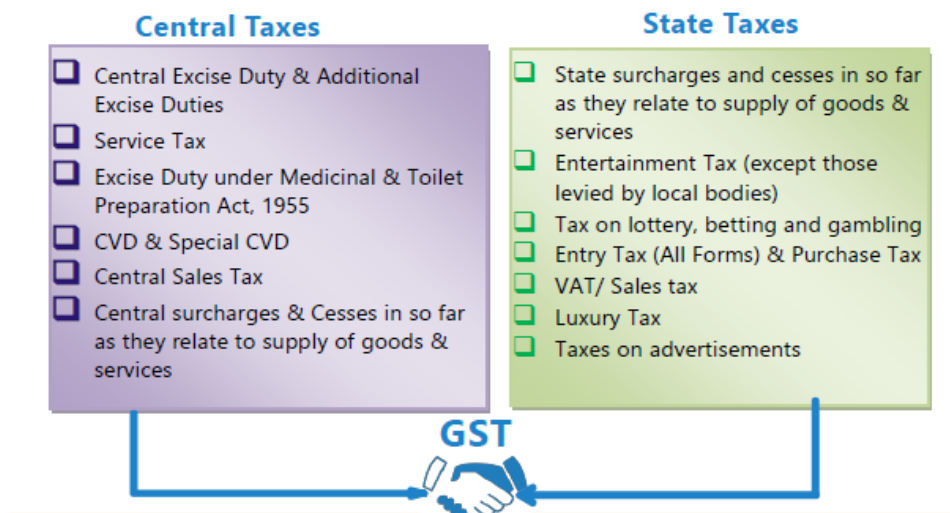
- Initially levied for **5 years** (up to 30th June, 2022).
- Levy and collection extended till **31st March, 2026**.
- States receive compensation for a **5-year period** from the date their **SGST Act** comes into force.

➤ GST - A tax on goods and services

Goods/Services Outside GST	
Alcoholic Liquor	- Outside GST. - Subject to State excise duty for manufacture/production. CST/VAT applies to inter-State/intra-State sales.
Petroleum Products	- Petroleum crude, diesel, petrol, ATF, and natural gas are not currently under GST. - GST will apply from a date to be notified by GST Council. - Until then, central excise duty and CST/VAT will apply.
3. Real Estate	Sale/purchase of immovable property is outside the ambit of GST.
Goods Subject to GST and Other Taxes	
Tobacco	- Subject to GST and central excise duty. - Excise duties retained by the CG for tobacco manufactured in India.
Opium, Hemp, and Narcotics	- Subject to GST and State excise duties. SG retain power to levy excise duties

6. Taxes subsumed in GST

- Taxes to be subsumed should be **indirect taxes** on the supply of goods or services.
- Taxes should be part of the **transaction chain**, from **import/manufacture/production** to **consumption** of goods or services.
- It should enable a **free flow of tax credit** at both **intra-State & inter-State** levels.
- Taxes, levies, and fees **not specifically related** to the supply of goods and services would not be subsumed under GST.
- Efforts should ensure **revenue fairness** for both the **Union** and the **States** individually.



7. Benefits of GST

Benefits to the Economy

- Unified National Market:** GST creates a common market with uniform tax rates and procedures, removing economic barriers and integrating the national economy.
- Boost to 'Make in India':** Enhances competitiveness of Indian goods and services domestically and internationally, with parity in taxation.
- Increased Investment and Employment:** Subsuming major taxes and input tax set-off reduces production costs, enhances exports, encourages investment, and generates employment, boosting GDP.

Simplified Tax Structure

- Ease of Doing Business:** Simplified tax regime with fewer exemptions, uniform laws, procedures, and tax rates. Common definitions, forms improve efficiency.
- Certainty in Tax Administration:** Standardized procedures for registration, refunds, tax returns, and classifications ensure predictability and uniformity.

Easy Tax Compliance

- Technology-Driven Automation:** Processes like registration, returns, and refunds are automated through the GSTN portal, reducing human interaction and enabling faster decisions. Features like e-Invoice & auto-populated returns ease compliance.
- Simplified Compliance:** Harmonized laws, procedures, and rates reduce compliance costs, streamline record-keeping, and minimize resource investments.

Advantages for Trade and Industry

- Reduced Tax Burden:** Lower average tax rates reduce prices, increase consumption, and boost industrial growth.
- Mitigation of Cascading Effects:** Destination-based tax with input tax credit eliminates "tax on tax," streamlines operations, and enhances competitiveness.
- Support for Small Businesses:** Higher threshold limits and composition schemes benefit small traders, enabling them to expand nationally with minimal investments.

8. Constitutional provisions

Three-Tier	India has a federal system comprising the CG, SG, and Local
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Federal Structure	Government. The power to levy taxes and duties is distributed among these tiers as per the Constitution. The Constitution of India, the supreme law of the land, comprises: --A Preamble, 25 Parts, 448 Articles, 12 Schedules Any tax law that contradicts the Constitution is deemed ultra vires (beyond the powers) and is declared illegal and void.
Article 265	Prohibits arbitrary collection of taxes, stating that “ no tax shall be levied or collected except by authority of law. ” This ensures that taxes are levied only by the legislative body with the appropriate authority.
Article 245	Defines the legislative powers of the Parliament and State Legislatures. • Parliament: Can make laws for the whole or any part of India. • State Legislatures: Can make laws for the whole or any part of their respective States. • Extra-territorial laws made by Parliament are not deemed invalid.
Article 246	Allocates authority to the Union and State Governments for levying taxes.
Seventh Schedule to Article 246	Divides subjects of taxation into three lists: • List I (Union List): Entries 82-91 empower the CG to levy taxes • List II (State List): Entries 45-63 empower SG to levy taxes. • Parliament may legislate on State List matters for areas outside State jurisdiction. LIST – I UNION LIST It contains the matters in respect of which the Parliament (Central Government) has the exclusive right to make laws. LIST – II STATE LIST It contains the matters in respect of which the State Government has the exclusive right to make laws. LIST – III CONCURRENT LIST It contains the matters in respect of which both the Central & State Governments have power to make laws.
Article 246A	Introduced by the Constitution (101st Amendment) Act, 2016 , grants the power to levy GST to both the CG and SG.

➤ Need for constitutional amendment

Pre-GST Taxation Framework	Centre's Taxation Powers: • Levied excise duty on goods produced or manufactured in India. • Imposed taxes on inter-State sales, collected and retained by the States where goods originated. • Taxed services exclusively, along with applicable cesses. • Levied customs duties on imported goods. States' Taxation Powers:
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	- Levied VAT on goods entering trade after manufacture. - Imposed State-specific taxes, such as entry tax, Octroi, luxury tax, entertainment tax, lottery and betting tax, and local taxes by Panchayats.
Need for GST and Constitutional Amendment	Integration of central excise duty, additional customs duties, State VAT, State-specific taxes, and service tax into a single Goods and Services Tax (GST) required amending the Constitution.
Constitution (101st Amendment Act), 2016 (CAA)	Key Provisions: - Introduced 20 sections, with Article 279A empowering the President to constitute the GST Council, notified on 12.09.2016. - Remaining provisions became effective from 16.09.2016. Compensation to States: Parliament to compensate States for revenue losses due to GST implementation for five years.

➤ **Significant provisions of Constitution (101st Amendment) Act, 2016**

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

Legislative Powers	Grants power to both the CG & SG to make laws regarding GST imposed by the Centre or respective State.
Exclusive Power for Inter-State GST	The Centre has exclusive authority to legislate on GST for inter-State supply of goods and/or services.
Deferred Application for Certain Goods	The following goods will be governed by Article 246A provisions from a date recommended by the GST Council: Petroleum Crude, High-Speed Diesel, Motor Spirit (Petrol), Natural Gas, Aviation Turbine Fuel (ATF)
Supremacy Clause	Article 246A operates notwithstanding Articles 246 and 254 , with Article 254 addressing the supremacy of Parliament's laws.

- Article 248 amended: Residuary powers of legislation amended**

Residuary Powers	Grants Parliament the authority to make laws on matters not listed in the Concurrent List or State List , including the power to impose taxes not mentioned in either list.
Amendment and Limitation	The power under Article 248 is now subject to Article 246A , which governs the authority to legislate on GST by both the Centre and States.

- Power of Parliament to legislate with respect to a matter in the State List, in**

the national interest/in case of emergency, extended to GST provided under Article 246A

Article 249	Parliament can legislate on State List matters in the national interest if the Council of States approves with a two-thirds majority of members present and voting.
Article 250	Grants Parliament the authority to legislate on matters in the State List during a proclamation of Emergency .
Amendment	Articles 249 and 250 have been amended to extend Parliament's power to legislate on GST under Article 246A, in addition to matters in the State List, in the national interest or during an emergency.

- **Article 268: Duties levied by the Centre but collected and appropriated by the States**

Original Scope	• Article 268 pertains to duties levied by the Centre but collected and appropriated by the States. • Includes stamp duties and duties of excise on medicinal and toilet preparations as mentioned in the Union List. • Duties are: - Collected by the Centre in Union Territories. - Collected by the respective States in other cases.
Amendment by CAA	The CAA omits " and such duties of excise on medicinal and toilet preparations " from Article 268.
Impact of Amendment	Duties of excise on medicinal & toilet preparations are now subsumed under the GST , which is levied by both the Centre and States .

- **Article 268A: Article 268A empowering Union to levy service tax omitted**

Initial Framework	Service tax was introduced in 1994 under the residual Entry 97 of the Union List.
Constitutional Amendment	Article 268A was inserted by the Constitution (88th Amendment) Act, 2003 , creating a separate Entry 92C in the Union List for service tax.
Non-Implementation	Article 268A and Entry 92C were never notified .
Omission by CAA	Article 268A has been omitted by the Constitution

- **Article 269A: Levy and collection of GST on inter-State supply**

Inter-State GST Collection	• GST on inter-State trade is levied and collected by the CG. • The tax is apportioned between the Union and States as per a law formulated by Parliament on GST Council recommendations.
Import Transactions	• Import of goods or services into India is deemed to be inter-State trade or commerce, and the Centre to levy IGST. • Replaces countervailing duties under the Customs Tariff Act,

	1975.
Fund Allocation	Amounts collected as IGST and used to pay SGST (or vice versa) do not form part of the Consolidated Fund of India/State , facilitating fund transfers between the Centre and States.
Place of Supply Principles	Parliament is empowered to determine the principles regarding the place and timing of supply for inter-State trade or commerce involving goods, services, or both.

• **Article 270: Distribution of the goods and services tax (GST) between the Centre and the States**

Article 270 is amended to enable the **distribution of GST** between the Centre and the States.

Distribution is carried out by an **order of the President**, based on the recommendations of the Finance Commission.

- Applies to tax amounts apportioned or payable to the Central Government for taxes levied under:
- Article 246A(1) and (2) - Clause (1) of 269A.

• **Article 271 amended:** Empowers Parliament to increase any of the duties, or taxes referred to in articles 269 or 270. It further provides that such surcharge is not shareable and remains with the Centre. Now this article is amended to exclude GST from its purview.

• **Definitions of 'Goods and Services Tax', 'Services' and 'State' incorporated under Article 366**

Goods and Services Tax (GST)	• GST refers to any tax on the supply of goods, services, or both, excluding taxes on the supply of alcoholic liquor for human consumption. • GST can be levied on all goods and services except alcoholic liquor for human consumption.
Services	Services mean anything other than goods .
State	With reference to Articles 246A, 268, 269, 269A, and 279A, State includes a Union territory with a Legislature .
Goods	Defined under clause (12) of Article 366 as " goods includes all materials, commodities, and articles " in an inclusive manner.

• **Article 286: Article 286 imposing restrictions as to imposition of tax on the sale or purchase of goods amended**

Original Scope	Prohibits States from imposing taxes on the sale or purchase of goods if such transactions occur: ○ Outside the State. ○ During import into or export out of the territory of India.
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Amendments under GST	The terms "sale or purchase" were replaced with "supply", and "goods" was replaced with "goods or services or both" to align with GST provisions.
Impact on State Powers	- States cannot impose GST on inter-State supply of goods or services. - Inter-State GST is levied by the CG under Article 269A.
Omission of Clause (3)	Clause (3), which allowed Parliament to impose restrictions on State laws regarding taxes on goods of special importance in inter-State trade, has been omitted.

• **GST Council: Article 279A**

Establishment	- Empowers the President to constitute the GST Council as a joint forum of the Centre and States. - Provisions came into effect on 12th September, 2016, and the GST Council was constituted on 15th September, 2016.
Composition	Chairperson: Union Finance Minister. Members: - Union Minister of State in charge of Revenue or Finance. - Finance/Taxation Ministers or nominated Ministers from each State Government. - Members shall choose a Vice-Chairperson among themselves.
Functions	The GST Council makes recommendations on: - Taxes, cesses, and surcharges to be subsumed in GST. - Goods and services to be taxed or exempted. - Model GST laws, principles of levy, apportionment under Article 269A, and place of supply rules. - Threshold turnover limits for GST exemption. - GST rates, including floor rates and bands. - Special rates for natural calamities. - Special provisions for Special Category States. - Other matters related to GST. - Recommends the date for levying GST on petroleum crude, diesel, petrol, natural gas, and aviation turbine fuel.
Guiding Principles	Ensure a harmonised structure of GST and the development of a harmonised national market for goods and services.
Quorum and Voting	Quorum: One-half of the total members. Voting: Decisions require at least three-fourths of weighted votes of members present and voting: - Central Government's vote: one-third weightage. - State Governments' votes: two-thirds weightage.
Validity of Proceedings	No act or proceedings are invalid due to: Vacancies or defects in the Council's constitution.



	b. Defective appointment of a member. c. Procedural irregularities not affecting the case's merits.
Dispute Resolution Mechanism	GST Council establishes a mechanism to adjudicate disputes: a. Between the Government of India and one or more States. b. Between India and one or more States on one side and other States on the other. c. Between two or more States .

- **Article 368 amended:** Article 368 has been amended to include Article 279A also within its purview. Consequently, at least two-thirds of the majority in each House of the Parliament and ratification by at least half of the States is specifically required to make any amendment in Article 279A relating to GST Council.

2. Supply under GST

1. Scope of this chapter:

Section 7	Meaning and scope of supply
Section 8	Taxability of composite and mixed supplies
Schedule I	Activities treated as supply even if made without consideration
Schedule II	Activities or transactions treated as supply of goods or as supply of services
Schedule III	Activities or transactions which shall be treated neither as supply of goods nor as supply of services.

2. Taxable event under GST- supply:

1. Taxable event refers to any **transaction or occurrence that triggers** a tax liability.
2. Identifying the taxable event forms the **foundation of any taxation system** and determines the point at which tax is applied.
3. Under GST laws, the comprehensive taxable event is **"Supply."**

3. Important definitions:

Goods [Section 2(52)]

- a. Every kind of **movable property**.
- b. **Other than money and securities**.
- c. But **includes actionable claim**, growing crops, grass, and things attached to or forming part of the land **which are agreed to be severed** before supply or under a contract of supply.

Services [Section 2(102)]

- a. Anything **other than goods, money, and securities**.
- b. Includes **activities relating to the use of money or its conversion** by cash or by any other mode, from one form, currency, or denomination to another form, currency, or denomination for which a separate consideration is charged.

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

Actionable Claim

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

**Money [Section 2(75)]**

Money means the

- a. **Indian legal tender** or
- b. any foreign currency, cheque, promissory note, bill of exchange, letter of credit, draft, pay order, traveller cheque, money order, postal or electronic remittance, or **any other instrument recognized by the Reserve Bank of India**

when **used as a consideration** to settle an obligation or exchange with Indian legal tender of another denomination **but shall not include any currency that is held for its numismatic value.**

Supplier [Section 2(105)]

- a. Supplier in relation to any goods or services or both, shall mean the **person supplying the said goods or services or both** and shall include an agent acting as such on behalf of such supplier in relation to the goods or services or both supplied.
- b. However:
 - A person who **organizes or arranges**, directly or indirectly, supply of specified actionable claims
 - Includes a person **who owns, operates, or manages digital or electronic platforms** for such supply.
 - Shall be **deemed to be a supplier** of such actionable claims
 - Whether such actionable **claims are supplied by him or through him**
 - Whether **consideration in money or money's worth**, including **virtual digital assets**, for supply of such actionable claims is paid or conveyed to him or through him or placed at his disposal in any manner.
 - All the **provisions of this Act** shall apply to such a supplier of specified actionable claims, as if he is the supplier liable to pay the tax in relation to the supply of such actionable claims.

4. Concept of Supply [Section 7 of the CGST act]:

- **Forms of supply:** Various forms of supply contemplated in section 7(1)(a) are **as listed below** These are only illustrative and not exhaustive.

Form	Details
I. Sale and Transfer	a. A contract of sale involves transferring or agreeing to transfer the property in goods to the buyer for a price. Black's Law Dictionary defines 'transfer' as conveying or handing over possession or control from one place or person to another.
II. Barter and Exchange	a. 'Barter' refers to exchanging goods or services for other goods or services without using money. b. 'Exchange' refers as giving or taking one thing for another. c. Barter involves only goods/services, while exchange may include goods partly paid for in money. d. In barter, the activity constitutes both supply and consideration.
III. License,	a. A 'license' is permission granted by a competent authority to engage in an otherwise unlawful activity.

Lease, Rental, and Disposal	b. 'Rental' refers to an arrangement to rent something or the amount paid for it. c. 'Lease' involves a legal agreement to use property or equipment for a specified period in exchange for payment. d. 'disposal' refers to sale, pledge, giving away, use, consumption, or other disposition of a thing. e. The above are classified as supplies of service since there is no transfer of title (Sch II).
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➤ **Inclusive definition:**

- The definition of 'supply' is an inclusive definition not exhaustive.
- This is further substantiated by the use of words 'such as' in the definition.

➤ **Three components to constitute a supply:**

- Supply should be of goods or services.
- Supply should be made for a consideration.
- Supply should be made in the course or furtherance of business.

➤ **Meaning of 'Consideration' [Section 2(31)]:** Consideration in relation to the supply of goods or services or both includes:

- any payment made or to be made (money or otherwise), in respect of, in response to, or for the inducement of, the supply of goods or services or both, whether by the recipient or by any other person but shall not include any subsidy given by the Central Government or a State Government,
- the monetary value of any act or forbearance, in respect of, in response to, or for the inducement of, the supply of goods or services or both, whether by the recipient or by any other person but shall not include any subsidy given by the Central Government or a State Government.

Additionally, deposits for goods or services are not considered as consideration unless they are applied by the supplier towards the supply.

Let us examine the existence of consideration in the following three scenarios:

Donations received by charitable institutions from individual donors, without quid pro quo	
Definition of Quid Pro Quo	Quid pro quo, meaning "something for something," is essential to determining whether donations are treated as consideration.
Treatment of Donations	Donations to charitable organizations are considered non-taxable if there is no quid pro quo.
Gratitude Acknowledgment	religious or charitable organizations often acknowledge donors by placing nameplates or similar markers as expression of gratitude.
Non-Taxable Acknowledgment	When it is only expressions of gratitude or public recognition no taxable service is deemed to be supplied.
Illustrative	A blackboard donated to a charitable institution with



Examples	inscription, "Good wishes from Mr. Bhushan," is non-taxable. A room constructed in a temple with the inscription, "Donated by Smt. Durga Devi in memory of her father," is also non-taxable as it does not advertise any business.
Art works sent by artists to galleries for exhibition is not a supply as no consideration flows from the gallery to the artists	
Artworks Sent to Galleries	Artists give their work to galleries where it is exhibited for supply. However, no consideration flows from the gallery and therefore, the same is not a supply.
Supply and GST Applicability	It is only when a buyer selects a particular art work displayed at the gallery, that the actual supply takes place , and applicable GST would be payable at the time of such supply.
No Claim Bonus offered by the insurance company	
No Supply of Service	The insured does not provide any service to the insurance company in exchange for the NCB offered by the insurer.
Issue Under Consideration	whether the deduction of NCB from the insurance premium constitutes consideration for a supply by the insured, based on an obligation to refrain from lodging claims in previous policy periods.
Clarification	NCB is a reduction in the gross premium when no claims are made during previous policy periods. The insured is not contractually obligated to refrain from making claims to receive the NCB, nor do they provide any supply to the insurance company by not lodging claims. Therefore, NCB is not considered consideration for any supply by the insured.

➤ **Meaning of 'Business' [Section 2(17)]:**

Business includes -

- any **trade, commerce, manufacture, profession, vocation, adventure, wager or any other similar activity**, whether or not it is for a pecuniary benefit;
- any activity or transaction **in connection with or incidental or ancillary** to (a) above;
- any activity or transaction in the nature of (a) above, **whether or not there is volume, frequency, continuity or regularity** of such transaction;
- supply or acquisition of goods** including capital assets and services in connection with commencement or closure of business;
- provision by a club, association, society, or any such body** (for a subscription or any other consideration) of the facilities or benefits to its members, as the case may be;
- admission**, for a consideration, of persons to any premises; and
- services supplied by a person as the **holder of an office** which has been accepted by him in the course or furtherance of his trade, profession or vocation;
- activities of a race club** including by way of totalisator or a license to book maker or activities of a licensed book maker in such club
- any activity or **transaction undertaken by the Central Government, a State**

Government or any local authority in which they are engaged as public authorities. For any trade, commerce, or any other similar activity to qualify as business, frequency, volume, continuity or regularity of such transaction is not a pre-requisite.

Some of the examples of supply made/not made 'in the course or furtherance of business' are as follows:

1. Rishabh's sale of his personal car to a car dealer is not considered a supply
2. Royal Turf Race Club facilitates wagering on horse races and earns a commission by deducting it from the total bet value. These qualify as a supply

- **Deemed supply even without consideration:** The activities specified in **Schedule I**, made or agreed to be made **without a consideration**, will be deemed as supply as per Section 7(1)(c).
- **Circumstances in which activities not in the course or furtherance of business treated as supply:** In case of importation of services for a consideration, the condition of supply to be made in the course or furtherance of business has been relaxed as per Sec 7(1)(b).

5. Schedule I: Activities without consideration – Deemed supply:

I. Permanent transfer/disposal of business assets [Para 1 of schedule I]:

Section	Details
Supply of Business Assets	Disposal or transfer of business assets on a permanent basis qualifies as supply, even without consideration, provided input tax credit (ITC) has been availed on such assets.
Conditions for Supply	To qualify as supply under this provision, the following conditions must be met cumulatively: • Disposal or transfer of business assets. • The transfer/disposal must be permanent. • ITC must have been availed on the business assets.
Exclusions from Supply	Permanent transfer/disposal of the following business assets, without consideration, will not qualify as supply under this provision: • Business assets on which ITC is blocked or not available. • Business assets eligible but ITC has not been availed.
Transfer to Subsidiary	The provision covers the transfer of business assets from a holding company to a subsidiary for nil consideration .

II. Supply between related persons or distinct persons [Para 2 of schedule I]:

- a. Supply of goods or services or both between '**related persons**' or between '**distinct persons**' as specified in section 25, will qualify as supply even if made without

consideration if made in the course or furtherance of business.

- b. **Related persons:** A person **who is under influence of another person** is called a related person like members of the same family or subsidiaries of a group company etc.

Persons including legal person are deemed as related persons if

- Such persons are officers/directors of one another's business
- Such persons are legally recognised partners
- Such persons are employer & employee
- A third person controls/ owns/ holds (directly/ indirectly) $\geq 25\%$ voting stock/shares of both of them
- One of them controls (directly/indirectly) the other
- A third person controls (directly/indirectly) both of them
- Such persons together control (directly/indirectly) a third person
- Such persons are members of the same family*
- One of them is the sole agent/sole distributor/sole concessionaire of the other

- c. **Family [Section 2(49)]:** means, —

- the **spouse and children** of the person, and
- the **parents, grand-parents, brothers and sisters** of the person if they are **wholly or mainly dependent** on the said person.

- d. **Distinct Persons specified under section 25:**

- A person with **multiple registrations**, whether within the same State/Union Territory or across different States/Union Territories, is treated as distinct persons for each registration.
- Further, where a person who has obtained or is required to obtain registration in a State/UT in respect of an establishment, has an establishment in another State or UT, then such establishments shall be treated **as establishments of distinct persons** [Section 25(5)].

Let us examine the taxability of the below transactions in light of Para 2 of Schedule I:

Stock transfers or branch transfers qualify as supply	
GST Applicability on Transfers	Such transactions qualify as supply under GST if the transfer of goods or services occurs between: • Different locations of the same legal entity with separate GST registrations (treated as distinct persons), or • Establishments of distinct persons.
Exclusions from Supply	Transfers between units of the same legal entity under a single GST registration (within the same state) do not qualify as supply .
Supply of goods or services or both between an employer and employee:	
• Employer and employee are considered related persons • Employee services provided to an employer during employment are excluded from GST under Sch III and are not considered a supply.	

- Perquisites provided by the employer to the employee under a contractual agreement are not subjected to GST.

Gifts by employer to employee:

- Gifts upto Rs.50,000 in value in a financial year by an employer to an employee shall not be treated as supply of goods or services or both.
- Gifts of value more than Rs.50,000 made without consideration are supply and are subject to GST, when made in the course or furtherance of business.

III. Principal – agent [Para 3 of schedule I]:

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

Note: Only supply of goods and not supply of services is covered here.

Agent	A person, including a factor, broker, commission agent, arhatia, del credere agent, an auctioneer, or any other mercantile agent, by whatever name called, who carries on the business of supply or receipt of goods or services or both on behalf of another.
Principal	A person on whose behalf an agent carries on the business of supply or receipt of goods or services or both.

➤ How to decide whether a principal – agent relationship falls within the ambit of Para 3 of Schedule I:

Invoice Issued by Agent in His Name	If the agent issues the invoice for further supply in their own name, any provision of goods from the principal to the agent falls within the scope of Para 3.
Invoice Issued by Agent in Principal's Name	If the invoice to the customer is issued by the agent in the name of the principal, the agent does not fall under the scope of Para 3.
Goods Procured in Agent's Name	If the agent procures goods on behalf of the principal and the invoice is issued in the agent's name, the further provision of goods by the agent to the principal is covered by Para 3.

Examples:

- Auctioneer (Mandaar):** Mandaar organizes an auction for goods on behalf of Manimani Bank, but the invoice is issued by the bank to the buyer. Mandaar provides auction services only and is not an agent under Para 3 of Schedule I.

2. **Auctioneer (Gambhir):** Gambhir auctions a painting for Gautam and issues the invoice in his own name while transferring the title of the painting on behalf of Gautam. Gambhir is considered an agent under Para 3 of Schedule I, as he is involved in the supply of goods.
3. **C&F Agent/Commission Agent:** A C&F or commission agent taking possession of goods and issuing invoices in their name acts as an agent for the supply of goods under Para 3 of Schedule I. Disclosure of the principal's name is irrelevant.

➤ **Clarification of issues pertaining to Del-credere agent (DCA):**

• **Meaning of DCA:**

- a. A DCA is a **selling agent engaged by a principal** to assist in the supply of goods or services by **connecting with potential buyers** on the principal's behalf.
- b. The key distinction of a DCA is the **guarantee of payment to the supplier**.
- c. To guarantee timely payment, the DCA may:
 - Extend short-term, transaction-based loans to the buyer.
 - Pay the supplier directly and recover the amount from the buyer with interest later.
 - The buyer repays the loan to the DCA along with mutually agreed interest.
- d. Circular No. 73/47/2018 GST dated 05.11.2018 has clarified the following issues in this regard:

Determination of DCA as an Agent under Para 3 of Schedule I

- **Not an Agent:** If the supplier issues the invoice to the customer directly or through the DCA, the DCA is not considered an agent under Para 3.
- **Agent:** If the DCA issues the invoice in their own name, they are considered an agent under Para 3.

Treatment of Interest on Short-Term Loan by DCA (Not an Agent)

Activities:

- Supply of goods from the supplier (principal) to the recipient.
- Agency services provided by the DCA to the supplier, recipient, or both.
- Extension of a short-term loan by the DCA to the recipient.

Clarifications:

- When the DCA is not an agent under Para 3, the loan is considered an independent supply of service provided by the DCA on a Principal-to-Principal basis.
- The interest charged by the DCA is not included in the value of the goods supplied by the supplier to the recipient.

Treatment of Interest on Credit by DCA (Agent)

Activities:

- Supply of goods by the supplier (principal) to the DCA.
- Further supply of goods by the DCA to the recipient.
- Agency services provided by the DCA to the supplier, recipient, or both.
- Extension of credit by the DCA to the recipient.

Clarifications:

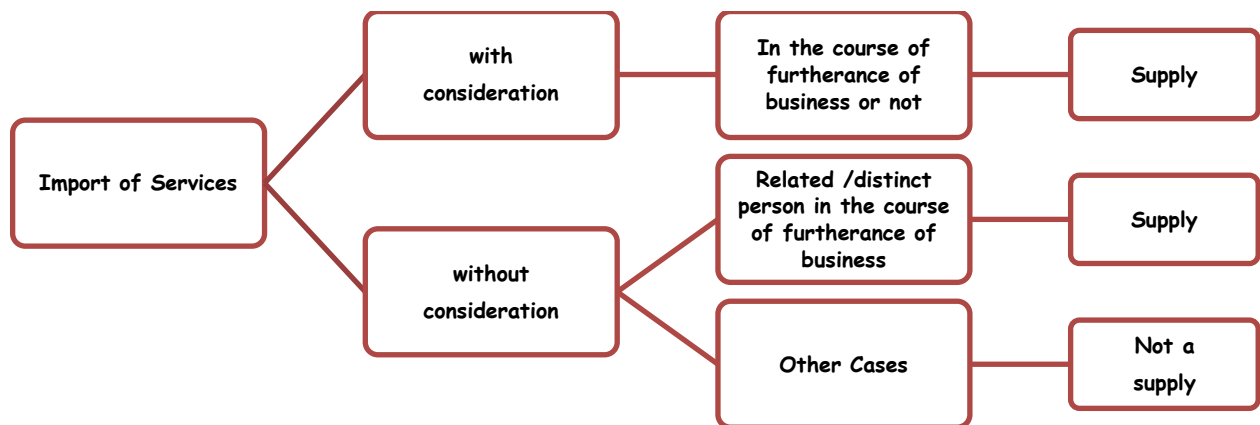
- When the DCA is an agent under Para 3, the credit extended by the DCA is not treated as a separate supply but is subsumed into the supply of goods by the DCA to the recipient.
- The interest charged on the credit must be included in the value of the goods supplied by the DCA to the recipient as per Section 15(2)(d).

IV. Importation of services [Para 4 of Schedule I]:

Import of services by a person from a related person or from his establishments located outside India, without consideration, in the course or furtherance of business shall be treated as "supply".

Examples:

1. Jhumroo Associates received free legal consultancy services from its head office in Malaysia. As they are related persons, the services qualify as a supply under GST, even without any consideration.
2. Chakmak, a proprietor in Delhi, received architect services from his son in the US for his house without consideration. This does not qualify as a supply since it is not for business purposes. However, if the services are for his office in Delhi, they qualify as a supply as they are received in the course of business.

**➤ Clarification on sales promotion schemes:****Analysis of Common Schemes**

Free Samples and Gifts: Goods provided free of cost without consideration do not qualify as "supply" under GST unless covered under Schedule I.

Buy One, Get One Free Offer:

- This is not treated as a separate supply but as a bundled supply with a single price for the entire transaction.
- Treated as two goods supplied for the price of one.

Taxability depends on classification as composite or mixed supplies, determining the applicable tax rate.

6. Activities/transactions between a person, other than an individual, and its members / constituents for consideration [sec 7(1)(aa)]:

- Activities or transactions involving the supply of goods or services **between a person (e.g., association, club) and its members/constituents** for cash, deferred payment, or other valuable consideration are considered "supply" as per Section 7(1)(aa).
- As per the explanation to Section 7(1)(aa), associations, clubs, or similar entities and their members/constituents **are deemed to be two separate persons**, and transactions between them are deemed as supply from one person to another.
- The explanation includes a **non-obstante clause**, giving it an overriding effect over any other law, judgment, decree, or order of any Court, tribunal, or authority.
- The explanation **prevents the application of the doctrine of mutuality** to such entities and their members.

Examples:

- A Resident Welfare Association (RWA) supplies air-conditioners to its members at a concessional price.
- A Resident Welfare Association collects maintenance charges from its members for services provided. In both cases, the RWA and its members are deemed to be separate persons, and the supply is deemed to take place from the RWA to its members.

7. Activities/transactions to be treated as supply of goods or supply of services:

Para No.	Activity / Transaction	Type	Nature of Supply
1.	Transfer	Any transfer of title in goods. <i>Example: Shivaji sells readymade garments to its customers.</i>	Supply of Goods
		Any transfer of right in goods/undivided share in goods without transfer of title thereof. <i>Example: Genius Equipments Ltd. gives a machinery on rent to Suhaasi Manufacturers.</i>	Supply of Services
		Any transfer of title in goods under an agreement which stipulates that property in goods shall pass at a future date upon payment of full consideration as agreed. <i>Examples:</i> 1. Dhruva Capitals supplied goods on hire purchase basis to customers.	Supply of Goods



		2. <i>Optima Manufacturers supplies toys to retailers on 'sale or return basis'.</i>	
2.	Land and Building	Any lease, tenancy, easement, licence to occupy land.	Supply of Services
		Any lease or letting out of building including a commercial, industrial or residential complex for business or commerce, wholly or partly.	Supply of Services
3.	Treatment or Process	Any treatment or process which is applied to another person's goods <i>Example: Damani Dying House dyes the clothes given by Shubham Textiles Ltd. on job work basis.</i>	Supply of Services
4.	Transfer of Business Assets	Goods forming part of business assets are transferred or disposed of by/under directions of person carrying on the business so as no longer to form part of those assets.	Supply of Goods
		Goods held/used for business are put to private use or are made available to any person for use for any purpose other than business, by/ under directions of person carrying on the business.	Supply of Services
		Goods forming part of assets of any business carried on by a person who ceases to be a taxable person, shall be deemed to be supplied by him, in the course or furtherance of his business, immediately before he ceases to be a taxable person. <i>Example: Arun, a trader, is winding up his business. Any goods left in stock shall be deemed to be supplied by him.</i> Exceptions: a. Business is transferred as a going concern to another person. b. Business is carried on by a personal representative who is deemed to be a taxable person.	Supply of Goods
5.	a. Renting of immovable property <i>Examples:</i> 1. <i>Renting of a commercial complex.</i> 2. <i>Renting of precincts of a religious place.</i> 3. <i>Renting of property to an educational institution.</i> 4. <i>Permitting use of immovable property for placing vending/dispensing machines.</i>		



b. Construction of complex, building, civil structure, etc.

Construction of a complex, building, civil structure or a part thereof, including a complex or building intended for sale to a buyer, wholly or partly, except where the entire consideration has been received after issuance of completion certificate, where required, by the competent authority or after its first occupation, whichever is earlier.

Example: Rathi Builders has constructed individual residential units for agreed consideration of Rs.1.2 crore per unit. Rs.90 lakh per unit were received before issuance of completion certificate by the competent authority and its first occupation, and balance after completion.

The term **construction** includes additions, alterations, replacements, or remodeling of any existing civil structure.

The expression **competent authority** means the Government or any authority authorised to issue completion certificate under any law for the time being in force and in case of non-requirement of such certificate from such authority, from any of the following, namely:—

- i. an architect registered with the Council of Architecture constituted under the Architects Act, 1972; or
- ii. a chartered engineer registered with the Institution of Engineers (India); or
- iii. a licensed surveyor of the respective local body of the city or town or village or development or planning authority.

c. Temporary transfer or permitting use or enjoyment of any intellectual property right

Example (48) Temporary transfer of patent.

d. Development, design, programming, customisation, adaptation, upgradation, enhancement, implementation of IT software

Example: Suvidha Solutions develops an accounting software for a business firm.

e. Agreeing to obligation to refrain from an act, or to tolerate an act or situation, or to do an act.

f. Transfer of right to use any goods for any purpose (whether or not for specified period) for cash, deferred payment or other valuable consideration.

Example: Machinery given on hire.

**Supply of
Services**



6.	Following composite supplies :- ➤ Works contract Works contract means a contract for building, construction, fabrication, completion, erection, installation, fitting out, improvement, modification, repair, maintenance, renovation, alteration or commissioning of any immovable property wherein transfer of property in goods (whether as goods or in some other form) is involved in the execution of such contract [Section 2(119)]. ➤ Restaurant services: Supply, by way of or as part of any service or in any other manner whatsoever, of goods, being food or any other article for human consumption or any drink (other than alcoholic liquor for human consumption), where such supply or service is for cash, deferred payment or other valuable consideration.	Supply of Services
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- ✓ **Some important clarifications:** CBIC has clarified the taxability of tenancy rights, Joint Venture (JV) and Priority Sector Lending Certificates (PSLCs) as under:

1. **Taxability of 'tenancy rights' under GST:** CBIC has clarified the taxability of 'tenancy rights' under GST as under:

Pagadi System Overview	Tenancy rights involve a tenant paying rent to occupy a landlord's property. Tenants can sell these rights and share the proceeds with the landlord as agreed. The landlord can reclaim possession by paying the current tenancy premium.
GST on Transfer of Tenancy Rights	The transfer of tenancy rights for consideration is considered a supply of service under GST, classified as lease or renting of property. GST applies even if stamp duty and registration charges are paid .
Negative List Exclusion	Transfer of tenancy rights is not considered a sale of land/building (Para 5 of Sch III) and attracts GST .
Taxability of Transfers	The transfer/surrender of tenancy rights for consideration, including tenancy premium, is taxable under GST .
Exemption for Residential Tenancy	• Renting of residential dwellings for residence is exempt from GST if: ✓ Tenant is an unregistered person, or ✓ Tenant is a registered sole proprietor renting for personal residence. ✓ Exemption applies to tenancy premium, periodic rent, or both.
Key Points to	Tenancy services related to exempted persons are not

Note

taxable, but other tenancy transactions are subject to GST.

2. Applicability on liquidated damages, compensation and penalty arising out of breach of contract or other provisions of law:

a. **Agreeing to the obligation to refrain from an act or to tolerate an act or a situation**, or to do an act" has been **specifically declared to be a supply of service** in para 5(e) of Schedule II to the CGST Act, 2017 if the same constitutes a "supply" within the meaning of the CGST Act.

b. Expression "**Agreeing to the obligation to refrain from an act or to tolerate an act or a situation, or to do an act**" has three limbs:

i. **Agreeing to the obligation to refrain from an act:**

Examples:

- *Non-compete agreements involve one party agreeing not to compete in a specific product, service, or geographical area in exchange for consideration from the other party.*
- *A builder agrees to limit construction to fewer floors than permitted by municipal authorities in exchange for compensation from a neighboring housing project seeking to protect its sunlight.*
- *An industrial unit agrees to halt manufacturing during certain hours in exchange for compensation from a neighboring school to avoid noise during those hours.*

ii. **Agreeing to the obligation to tolerate an act or a situation**

Examples:

- *Shopkeeper allowing a hawker to operate from the common pavement in front of his shop against a monthly payment by the hawker,*
- *An RWA tolerating the use of loud speakers for early morning prayers by a school located in the colony subject to the school paying an agreed sum to the RWA as compensation.*

iii. **Agreeing to the obligation to do an act:**

An industrial unit installs zero emission/discharge equipment at the request of a neighboring residential complex's RWA, in exchange for consideration, despite being within permissible limits and under no legal obligation to do so.

c. **Conditions to be fulfilled to get covered under para 5(e) of Schedule II:**

Existence of an Agreement or Contract	• Activities like refraining, tolerating, or doing must arise from an explicit or implied agreement where the first party is contractually obligated to act, tolerate, or refrain. • A contract must be Standalone or part of another agreement, not assumed solely from payment, and must involve a clear promise in exchange for the
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	payment.
Flow of Consideration	Consideration must flow from the second party to the first party and be directly linked to the agreement for refraining, tolerating, or performing an act.

8. Non-supplies under GST:

Our discussion under this heading will revolve around the following:

- I. Non-supplies listed in Schedule III
- II. Non-supplies notified vide notification
- III. Non-supplies clarified by way of circular

I. Non-supplies listed in Schedule III:

Para No.	Activities or transactions which shall be treated neither as a supply of goods nor a supply of services
1.	Services by an employee to the employer in the course of or in relation to his employment. <i>Examples:</i> 1. Services provided by casual worker are services provided by the worker in the course of employment. 2. Annapurna, a director in Nilgiri Ltd., receives remuneration classified as salaries and subject to TDS under Section 192 of the Income-tax Act, 1961. Her services to the company are provided in the course of employment. Only services that are provided by the employee to the employer in the course of employment are outside the realm of supply. However, services provided outside the ambit of employment for a consideration would qualify as supply. <i>Examples:</i> 1. Services provided on contract basis i.e. principal-to-principal basis are not services provided in the course of employment. 2. Any amount paid by employer to employee for not joining a competing business cannot be considered for providing services in the course of employment. 3. Annapurna, an independent director in Nilgiri Ltd., receives a sitting fee of Rs.12,000. Independent director should not have been an employee of the company, services provided by Annapurna to Nilgiri Ltd. are not in course of employment.
2.	Services by any court or Tribunal established under any law for the time being in force. Explanation - The term "Court" includes District Court, High Court and Supreme Court



3.	a. Functions performed by the Members of Parliament, Members of State Legislature, Members of Panchayats, Members of Municipalities and Members of other local authorities. b. Duties performed by any person who holds any post in pursuance of the provisions of the Constitution in that capacity. <i>Example: Duties performed by President of India, Vice President of India, Prime Minister of India, Chief Justice of India, Speaker of the Lok Sabha, Chief Election Commissioner, C & AG, Chairman of Union Public Service Commission, Attorney General of India, in that capacity.</i> c. Duties performed by any person as a Chairperson or a Member or a Director in a body established by the Central Government or a State Government or local authority and who is not deemed as an employee before the commencement of this clause.
4.	Services of funeral, burial, crematorium or mortuary including transportation of the deceased.
5.	Sale of land and, subject to paragraph 5(b) of Schedule II, sale of building, (i.e. in case, where entire consideration for sale of building received after issuance of completion certificate or after its first occupation, whichever is earlier). ➤ It is clarified that sale of developed land is also sale of land and is covered under this para and accordingly, does not attract GST. ➤ However, any service provided for development of land, like levelling, laying of drainage lines shall attract GST at applicable rate.
6.	Actionable claims, other than specified actionable claims. ➤ 'Actionable claims' are specifically included in the definition of goods under section 2(52). However, this para of Schedule III specifically excludes actionable claims, other than specified actionable from the ambit of definition of supply. ➤ Co-joint reading of said provisions implies that only specified actionable claims are treated as supply. All other actionable claims are outside the ambit of definition of supply. ➤ Now the question arises, what are the specified actionable claims? Specified actionable claim means the actionable claim involved in or by way of— - betting; - casinos; - gambling; - horse racing; - lottery; or - online money gaming [Section 2(102A)].

- **Online money gaming** means online gaming in which players pay or deposit money or money's worth, including virtual digital assets, in the expectation of winning money or money's worth, including virtual digital assets, in any event including game, scheme, competition or any other activity or process, whether or not its outcome or performance is based on skill, chance or both and whether the same is permissible or otherwise under any other law for the time being in force.
- **Online gaming** means offering of a game on the internet or an electronic network and includes online money gaming [Section 2(80A)].
- Some of the other examples of actionable claims are: Right to recover insurance money, claim for arrears of rent, claims for future rents (if these can be assigned), unsecured loans, unsecured debentures, bills of exchange, promissory notes, bank guarantee, Fixed Deposit Receipt, right to the benefit of a contract, etc. These are not considered as supply of goods or services.

II. Non-supplies notified vide notification

Till now, following two activities/transactions have been notified under said clause:

Activity in relation to Panchayat/Municipality functions

Services by way of any activity in relation to a **function entrusted to a Panchayat under article 243G of the Constitution or to a Municipality under article 243W of the Constitution** are treated neither as a supply of goods nor as a supply of service.

Grant of alcoholic liquor license:

- The grant of alcoholic liquor licenses by State Governments (SG) is **not considered a supply of goods or services**, even though fees are charged.
- This exemption is limited to liquor licenses. **Other licenses or privileges** granted by the government, such as mining rights or spectrum, are **subject to GST**, which business entities must pay under the **reverse charge mechanism**.

III. Non-supplies clarified by way of circular

CBIC has clarified that following activities/transactions are non- supplies:

Inter-State movement of various modes of conveyance

Inter-State movement of various modes of conveyance, between distinct persons including

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

a. **carrying goods or passengers or both**; or

b. for **repairs and maintenance**,

c. except in cases where such movement is for further supply of the same conveyance

d. shall be treated '**neither as a supply of goods or supply of service**' and therefore not be leviable to IGST.

However, **applicable CGST/SGST/IGST**, as the case may be, shall be leviable on **repairs and maintenance done** for such conveyance.

Inter-State movement of rigs, tools and spares, and all goods on wheels [like cranes]:

- a. Above circular shall mutatis mutandis apply to inter-State movement of rigs, tools and spares, and all goods on wheels [like cranes], except in cases where movement of such goods is for further supply of the same goods, such inter-State movement shall be treated 'neither as a supply of goods or supply of service,' and consequently no IGST would be applicable on such movements.
- b. In this context, it is also reiterated that applicable CGST/SGST/IGST, as the case maybe, is leviable on repairs and maintenance done for such goods.

9. Supply leviable to GST:

For a supply to attract GST, primarily two additional conditions need to be satisfied. These are -

- (i) Supply must be made by a taxable person and
- (ii) Supply must be a taxable supply.

Meaning of Taxable Person	A "taxable person" is anyone registered or required to register under sections 22 or 24. This includes those who are liable but unregistered and those who voluntarily register, even if not required.
Taxable Supply [Section 2(108)]	- For a supply to attract GST, the supply must be taxable. - Taxable supply means any supply of goods, services, or both that is leviable to tax under the GST Law.
Exempt Supply [Section 2(47)]	- Exempt supply refers to goods or services, or both, which attract a nil rate of tax or are wholly exempt from tax. - Includes non-taxable supply.

10. Composite and mixed supplies [section 8]

1. **Composite supplies [section 2(30)]:** Composite supply means a supply made by a taxable person to a recipient and:
 - a. comprises two or more taxable supplies of goods or services or both, or any combination thereof.
 - b. which are naturally bundled and supplied in conjunction with each other, in the ordinary course of business
 - c. one of which is a principal supply.
- **Principal supply [Section 2(90)]:** It means the supply of goods or services which constitutes the predominant element of a composite supply and to which any other supply forming part of that composite supply is ancillary.
- **How to determine whether the services are bundled in the ordinary course of business?** It would depend upon the normal or frequent practices followed

in the area of business to which services relate.

Criteria	Explanation	Example
Perception of the consumer or service recipient	Large number of service recipients reasonably expect certain services to be provided as a package, the package is considered naturally bundled in the ordinary course of business.	Mobile phones are always sold with batteries.
Industry practice	When a majority of service providers in a particular business area offer similar bundles of services, it indicates natural bundling in the ordinary course of business.	Airlines commonly bundle catering services with air transport.
Nature of services	If one service is the main service and others are incidental or ancillary, enhancing the enjoyment of the main service, it is considered a naturally bundled service in the ordinary course of business.	Hotel stay often includes free breakfast and dinner as ancillary services, making the package naturally bundled.
Other indicative indicators (not determinative but suggestive)	Single price: The customer pays a single amount regardless of the extent of services used. Advertised as a package: The bundle is marketed as a single package. Unavailability separately: Individual elements of the package are not sold separately. Integral to overall supply: Removing one or more elements would alter the nature of the service provided.	

➤ Some of the examples of composite supplies have been given below:

1. **Hotel Conference Package:**

- A 5-star hotel provides a lump sum package for a conference, including accommodation, meals, conference room, fitness room, and other services.
- The **principal service** is "convention service," capturing the essence of the package, and it can be taxed accordingly.
- Alternatively, the hotel can charge individually for services, provided no value is offloaded to services taxed at concessional rates.

2. **Readymade Shirts with Packing and Insurance:**

- Poshak Manufacturers supplies shirts packed in designer boxes, insured during transit, to Cheeku Ltd.
- This is a **composite supply** where the **principal supply** is the supply of goods (shirts).

3. **Television with Warranty and Maintenance:**

- A television is sold with mandatory warranty and maintenance services.
 - This is a **composite supply** where the **principal supply** is the TV, with warranty and maintenance as ancillary services.
4. **Travel Ticket with Additional Services:**
- A travel ticket includes transportation, food, free insurance, and airport lounge access.
 - The **principal supply** is passenger transportation, with other services treated as ancillary.
- **How to determine the tax liability on composite supply?**
- a. A composite supply is **treated as a supply of its principal supply**, and the entire value is taxed at the **GST rate applicable to the principal supply**.
Rati Computers supplies a laptop (Rs.52,000) with a laptop bag (Rs.3,000) for Rs.55,000 as a composite supply, where the laptop is the principal supply. The tax rate of 18% (applicable to the laptop) is charged on the entire value of Rs.55,000.

- **Some important clarification regarding certain composite supplies:**

1. Printing Industry Issues	
Printing of books, etc.	In the case of printing of books, pamphlets, brochures, annual reports, and the like, • where only content is supplied by the publisher or the person who owns the usage rights to the intangible inputs • while the physical inputs including paper used for printing belong to the printer, • supply of printing [of the content supplied by the recipient of supply] is the principal supply and therefore such supplies would constitute supply of service.
Supply of printed items	In case of supply of printed envelopes, letter cards, printed boxes, tissues, napkins, wall paper etc. by the printer, • using its physical inputs including paper to print the design, logo etc. supplied by the recipient of goods, • predominant supply is supply of goods and the supply of printing of the content [supplied by the recipient of supply] is ancillary to the principal supply of goods and therefore such supplies would constitute supply of goods.
2. Food Supplied to Patients	
In-patients	Food supplied to in-patients as per doctor/nutritionist advice is part of a composite health care service and not separately taxable .
Others	Food supplied to out-patients, attendants, or visitors is taxable .
3. Bus Body Building	

Supply of goods and services in bus body building is composite supply. Classification depends on the principal supply, determined based on facts of each case

4. Retreading of Tyres

Retreading process	Retreading of tyres is a composite supply where service is the principal supply , and rubber is ancillary.
Retreaded tyres	Supply of retreaded tyres, where old tyres belong to the supplier, is a supply of goods .

5. Food & Beverages in Cinemas

a. Restaurant service	Supply of food or beverages in a cinema hall is taxable as 'restaurant service' as long as: - the food or beverages are supplied by way of or as part of a service, and - supplied independent of the cinema exhibition service.
b. Bundled supply with tickets	If food/beverage supply is bundled with cinema tickets as a composite supply , the entire supply is taxed at the rate for cinema exhibition service.

2. **Mixed supplies [section 2(74)]**: A mixed supply involves **two or more independent goods or services provided together** for a single price, which are **not naturally bundled** and do not form a composite supply.

- **How to determine if a particular supply is a mixed supply?** A supply can be a mixed supply only if it is **not a composite supply**. As a corollary, it can be said that if the transaction consists of **supplies not naturally bundled in the ordinary course of business**, then the possibility of it being a mixed supply needs to be checked.
- **Taxability of mixed supply**: The total value of mixed supply shall be treated as supply of that particular **supply that attracts highest rate of tax**.
- **Examples**:
 - A package of canned foods, sweets, and beverages sold at a single price is a mixed supply, as the items can be supplied separately and are not interdependent.
 - Selling water bottles with a refrigerator at a single price is a mixed supply, as they can be priced and sold independently.
 - Renting a house for residential and commercial use under a single deed at a lump sum is a mixed supply, as the purposes are not naturally bundled..
 - Sringaar Enterprises supplies 10,000 kits (Rs.50 each, total Rs.5,00,000) to Raghav General Store, with each kit containing a face cream, face tissue packet, and nail paint. As a mixed supply, it is taxed at the highest applicable rate, 28% (face tissue packet), on the entire value of Rs.5,00,000.

3. **More than one supply made together and taxed at the individual rates**: There

can also be a case where an activity/transaction involves more than one supply of goods or services or both, but neither they are composite supplies nor can be categorised as mixed supplies, that is, all supplies carry independent significance. In such a case, if separate consideration is indicated against each supply, each such supply shall be charged at the respective rate applicable to that particular supply.

11. Amendments made vide the Finance (no. 2) Act, 2024

The following amendments are applicable for students appearing for Sep'25 Examination.

Provisions as amended by the Finance (No. 2) Act, 2024	Remarks
<u>Sch III - Para 9</u> Activity of apportionment of co-insurance premium by the lead insurer to the co-insurer for the insurance services jointly supplied by the lead insurer and the co-insurer to the insured in co-insurance agreements, subject to the condition that the lead insurer pays the central tax, the State tax, the Union territory tax and the integrated tax on the entire amount of premium paid by the insured.	Schedule III is amended so as to include two activities/services in the list.
<u>Sch III - Para 10</u> Services by insurer to the reinsurer for which ceding commission or the reinsurance commission is deducted from reinsurance premium paid by the insurer to the reinsurer, subject to the condition that the central tax, the State tax, the Union territory tax and the integrated tax is paid by the reinsurer on the gross reinsurance premium payable by the insurer to the reinsurer, inclusive of the said ceding commission or the reinsurance commission.	

3. Charge of GST

Levy & collection of CGST & IGST [section 9 of the CGST act & section 5 of the IGST act]

➤ **Reverse charge mechanism:**

Reverse charge refers to the liability to pay **tax being shifted to the recipient of goods or services** instead of the supplier for notified categories of supply.

The recipient of goods or services or both must pay CGST/IGST on a reverse charge basis in the following cases:

- Supply of **goods/services/both notified** by the Govt on recommendation of the GST Council.
- Supply of **specified categories of goods/services/both** by an unregistered supplier to specified classes of registered persons, as notified by the Govt on the recommendation of the GST Council.

All provisions of the CGST Act/IGST Act apply to the recipient in these cases.

➤ **Goods and services notified under reverse charge mechanism** under section 9(3) of the CGST Act/ section 5(3) of the IGST Act are as follows:

A. Supplies of goods taxable under reverse charge, i.e. supply of the goods where tax is payable by the recipient:

Certain goods, including unshelled cashew nuts, bidi wrapper leaves, tobacco leaves, raw cotton (from agriculturists), silk yarn (from manufacturers), lottery (from governments to distributors), used vehicles, seized goods, waste, scrap (from governments to registered persons), and priority sector lending certificates (between registered persons), are taxable under reverse charge.

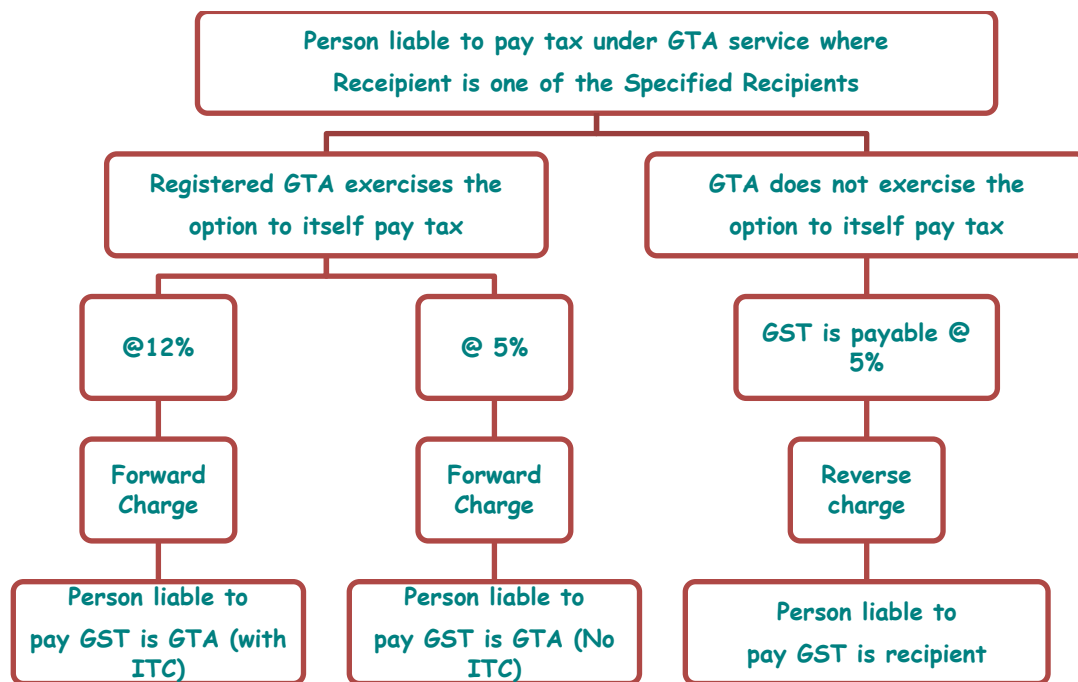
B. Supply of services taxable under reverse charge under section 9(3) of the CGST Act, i.e. the services where tax is payable by the recipient: Notification No. 13/2017 CT (R) dated 28.06.2017 as amended has notified the following categories of supply of services wherein whole of the tax shall be paid on reverse charge basis by the recipient of services:

S. No.	Supplier of service	Recipient of Service
1.	Supply of services by Goods Transport Agency (GTA) in respect of transportation	a. Any factory registered under or governed by the Factories Act, 1948; or b. any society registered under the Societies Registration Act, 1860 or under any other law for the time being in force in any part of India; or c. any cooperative society established by or under any law; or

of goods by road to	d. any person registered under the CGST Act or the IGST Act or the SGST Act or the UTGST Act; or e. any body corporate established, by or under any law; or f. any partnership firm whether registered or not under any law including association of persons; or g. any casual taxable person; located in the taxable territory. [Hereinafter referred as Specified recipients]
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➤ **Some important points regarding GTA services:**

- **Recipient of GTA Services:** The person who pays or is liable to pay freight located in the taxable territory.
- LLP shall also be considered as a partnership firm or a firm.
- **Person liable to pay GST on GTS services:**



Note: If recipient is other than the specified recipients (Unregistered individual end consumer/unregistered casual taxable person), GST will be exempt.

S. No.	Supplier of service	Recipient of Service
2.	Services provided by An individual advocate including a senior advocate or firm of advocates , by way of legal services, directly or indirectly.	Any business entity located in the taxable territory.
3.	Services supplied by an arbitral tribunal.	Any business entity



		located in taxable territory.
4.	Services provided by way of sponsorship (any person)	Any body corporate or partnership firm located in the taxable territory.
5.	Services supplied by the Central Government, State Government, Union territory or local authority excluding, - 1. renting of immovable property, and 2. services specified below- i. services by the Department of Posts and the Ministry of Railways (Indian Railways) ii. services in relation to an aircraft or a vessel, inside or outside the precincts of a port or an airport; iii. transport of goods or passengers.	Any business entity located in the taxable territory.
5A	Services supplied by Central Government excluding the Ministry of Railways (Indian Railways) , State Government, Union territory/ local authority by way of renting of immovable property	Any person registered under the CGST Act, 2017
5AA	Service by way of renting of residential dwelling (any person)	Any registered Person
5AB	Services by way of renting of any immovable property other than residential dwelling. (Any Unregistered person)	Any registered person
6.	Services supplied by a director of a company/ body corporate to the said company/ body corporate.	Company or a body corporate located in the taxable territory.

➤ Taxability of remuneration paid to the director:

Scenario	Details	Taxability
i. Director not an employee	Services provided by independent directors or directors who are not employees, for remuneration, are outside the scope of Schedule III of the CGST Act.	Remuneration is taxable, and the company is liable to pay GST on a reverse charge basis .
ii. Director is an employee		
a. Employer-Employee Relation	If the director's activities are performed as part of an employer-employee relationship (contract of service), they fall under Schedule	Remuneration is not taxable as it is considered a service by an employee to

	III.	the employer.
b. Salaries (TDS under Section 192 of IT Act)	The portion of the director's remuneration declared as Salaries in the company's accounts and subjected to TDS under Section 192 of IT Act.	Not taxable under GST as it falls within Para 1 of Schedule III.
c. Fees for Professional/Technical Services (TDS under Section 194J of IT Act)	The portion of remuneration declared separately as fees for professional/technical services, subjected to TDS under Section 194J of IT Act.	Treated as taxable, and the company must pay GST on a reverse charge basis.

▲ Tax on services supplied by director of a company in his personal capacity such as renting of immovable property to the company/body corporate not payable under reverse charge:

- Services provided by a director to their company/body corporate in their capacity as a director are taxable under the RCM
- However, services provided by the director in a private or personal capacity, such as renting immovable property, are not taxable under RCM.

S. No.	Supplier of service	Recipient of Service
7.	Services supplied An insurance agent	Any person carrying on insurance business, located in the taxable territory.
8.	Services supplied by A recovery agent	A banking company or a financial institution or a nonbanking financial company, located in the taxable territory.

S. No.	Category of supply of services	Supplier of service	Recipient of Service
9.	Supply of services by a music composer, photographer, artist or the like by way of transfer or permitting the use or enjoyment of a copyright covered under section 13(1)(a) of the Copyright Act, 1957 relating to original dramatic, musical or artistic works to a music company, producer or the like.	Music composer, photographer, artist, or the like	Music company, producer or the like, located in the taxable territory.
9A	Supply of services by an author by way of transfer or permitting the use or enjoyment of a copyright	Author	Publisher located in the taxable territory.

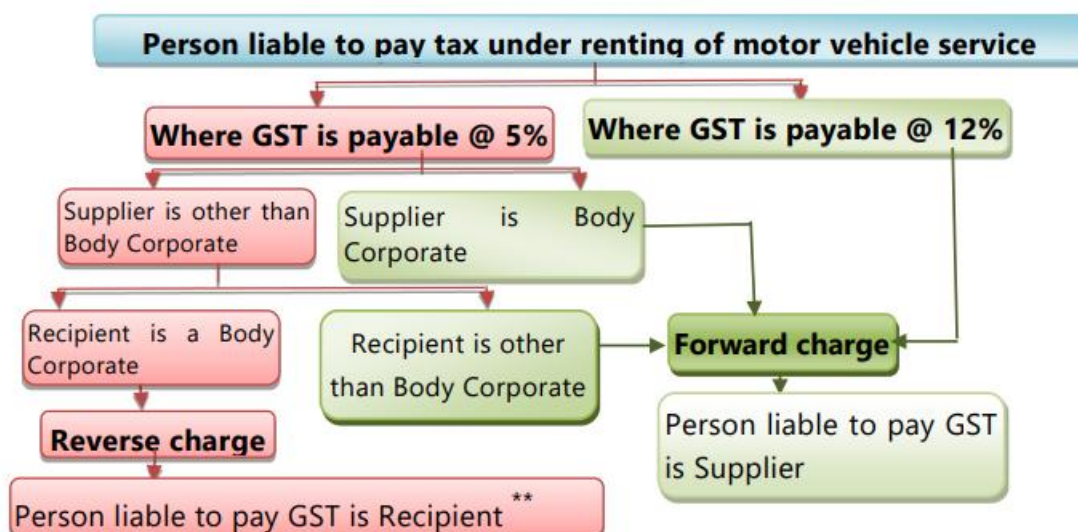
	covered under section 13(1)(a) of the Copyright Act, 1957 relating to original literary works to a publisher.		
	However, an author can choose to pay tax under forward charge if- (i) he has taken registration under the CGST Act and filed a declaration, in the prescribed form, that he exercises the option to pay CGST on the said service under forward charge in accordance with section 9(1) and to comply with all the provisions as they apply to a person liable for paying the tax in relation to the supply of any goods and/or services and that he shall not withdraw the said option within a period of 1 year from the date of exercising such option; (ii) he makes a declaration on the invoice issued by him to the publisher.		

S. No.	Supplier of service	Recipient of Service
10.	Supply of services by Members of Overseeing Committee constituted by RBI	RBI
11.	Services supplied by Individual Direct Selling Agents (DSAs) other than a body corporate, partnership or LLP firm	A banking company or a NBFC, located in the taxable territory
12.	Services provided by Business facilitator	A banking company, located in the taxable territory
13	Services provided by An agent of business correspondent	A business correspondent, located in the taxable territory

S. No.	Category of supply of services	Supplier of service	Recipient of Service
14.	Security services (services provided by way of supply of security personnel) provided to a registered person. However, nothing contained in this entry shall apply to: i. a. a Department or Establishment of the Central Government or State Government or Union territory; or b. local authority; or c. Governmental agencies; which	Any person other than a body corporate	A registered person, located in the taxable territory.

	has taken registration under the CGST Act, 2017 only for the purpose of deducting tax under section 51 of the said Act and not for making a taxable supply of goods or services; or ii. a registered person paying tax under composition scheme.		
15.	Services provided by way of renting of any motor vehicle designed to carry passengers where the cost of fuel is included in the consideration charged from the service recipient, provided to a body corporate.	Any person, other than a body corporate who supplies service to a body corporate & doesn't issue an invoice charging CGST @6% to service recipient. [Please refer the analysis given subsequently.]	Any body corporate located in the taxable territory

- **Person liable to pay GST on renting of motor vehicles service:** Service by way of renting of any motor vehicle designed to carry passengers where the **cost of fuel is included in the consideration charged** from the service recipient are taxable at the following two rates:
- @ 5% (2.5% CGST+2.5% SGST/UTGST or 5% IGST)** provided supplier has taken only the limited ITC (of input services in the same line of business)
 - @ 12% (6% CGST+6% SGST/UTGST or 12% IGST)** where supplier of services opts to pay GST at said rate (no restriction on availing ITC)



➤ **Important Clarification [vide Circular No. 177/09/2022 GST dated 03.08.2022]:**

Now there may arise a doubt as to whether RCM is applicable on:

- service of renting of motor vehicle designed to carry passengers or
- service of transportation of passengers.

Services of Renting of Motor Vehicles: Covers renting of motor vehicles for transporting passengers for a specified period where the renter determines the operation, including schedules, routes, and other considerations.

Passenger Transport Services: Covers passenger transport services provided on pre-determined routes and schedules.

- When a body corporate hires a motor vehicle for a specified period, during which the vehicle remains at its disposal (e.g., for employee transport), the service falls under "services of renting of motor vehicles designed to carry passengers".
- In such cases, the body corporate is liable to pay GST under the RCM.
- When a body corporate avails passenger transport services for specific journeys or voyages (without renting the vehicle for a specified period), the service falls under "passenger transport services".
- In this scenario, the body corporate is not liable to pay GST under RCM.

S. No.	Category of supply of services	Supplier of service	Recipient of Service
16.	Services of lending of securities under Securities Lending Scheme, 1997 ("Scheme") of Securities and Exchange Board of India, as amended	Lender i.e., a person who deposits securities registered in his name/in the name of any other person duly authorized on his behalf with an approved intermediary for the purpose of lending under Scheme of SEBI	Borrower i.e., a person who borrows the securities under the Scheme through an approved intermediary of SEBI.

Note: The provisions of reverse charge notification, in so far as they apply to the Central Government, State Government, shall also apply to the Parliament and State Legislature, Courts and Tribunals.

C. Additional services notified for reverse charge under IGST purposes: The following additional services are also notified by said notification for reverse charge under IGST purposes:

S. No.	Category of supply of service	Supplier of service	Recipient of Service
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1.	Any service supplied by any person who is located in a nontaxable territory to any person other than nontaxable online recipient.	Any person located in a nontaxable territory	Any person located in the taxable territory other than non-taxable online recipient.
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- **Non-taxable online recipient [Section 2(16) of the IGST Act, 2017]:** It means any unregistered person receiving online information and database access or retrieval services located in taxable territory.

Explanation: For the purposes of this clause, the expression "unregistered person" includes a person registered solely in terms of section 24(vi) of the CGST Act, 2017 (person required to pay tax under reverse charge mechanism).

Tax payable by ECO on notified services

Electronic Commerce Operator (ECO)	- An ECO is a person who owns, operates, or manages an electronic platform for the supply of goods/services. - ECOs may either supply goods/services themselves or facilitate supply by other suppliers. - When a consumer places an order, the actual supplier provides the product/service, but the ECO collects the payment and transfers it to the supplier after deducting its commission.
Tax Responsibility	The Government, based on GST Council recommendations, may notify specific categories of services for which the ECO is liable to pay GST (CGST/SGST/IGST) if supplied through the platform.

Notified Services on which tax is payable by ECO

- services by way of transportation of passengers by a radio-taxi, motorcab, maxicab, motor cycle, or any other motor vehicle except omnibus;
- Services by way of transportation of passengers by an omnibus except where the person supplying such service through ECO is a company
- services by way of providing accommodation in hotels, inns, guest houses, clubs, campsites or other commercial places meant for residential or lodging purposes, except where the person supplying such service through electronic commerce operator is liable for registration under section 22(1).
- services by way of house-keeping, such as plumbing, carpentering etc, except where the person supplying such service through electronic commerce operator is liable for registration under sub-section 22(1).
- supply of restaurant service other than the services supplied by restaurant, eating joints etc. located at specified premises.

Note:

- Tax on passenger transportation services by an omnibus provided by a company

through an ECO is payable by the company, not the ECO.

- For above notified services supplied through an ECO, the ECO is liable to pay GST as if they are the supplier.
- ECOs must report and pay GST on notified services, including restaurant services, through Form GSTR-3B as outward taxable supplies.

Meaning of various terms

Radio taxi	Means a taxi including a radio cab, by whatever name called, which is in two-way radio communication with a central control office and is enabled for tracking using GPS or GPRS.
Maxi cab	Motor vehicle Designed to carry more than 6 passengers, but not more than 12 passengers, excluding the driver, for hire or reward.
Motor cab	Motor vehicle designed to carry not more than 6 passengers excluding the driver for hire or reward.
Motor car	Motor vehicle other than a transport vehicle, omnibus, road-roller, tractor, motor cycle, or invalid carriage.
Omnibus	Motor vehicle constructed or adapted to carry more than 6 persons excluding the driver.
Specified premises	Premises providing hotel accommodation service having declared tariff of any unit of accommodation above ₹7,500 per unit per day or equivalent.
Company	A company incorporated under the CA 2013 or any previous company law.

Clarification of issues

- ECOs are no longer required to collect TCS or file Form GSTR-8 for restaurant services on which they pay GST under section 9(5).
- ECOs, already registered for supplying their own goods/services, do not need a separate registration for paying GST on restaurant services under section 9(5).
- ECOs are responsible for paying GST on all restaurant services supplied through their platform, including services from unregistered persons.
- The aggregate turnover of a person supplying restaurant services through ECOs will include the value of such supplies, as per section 2(6). This turnover will be considered for threshold limits and other provisions under the CGST Act.
- ECOs are not recipients of restaurant services supplied through their platform. Such services are not treated as inward supply (liable to RCM) for the ECO and should not be reported as such in Form GSTR-3B.
- ECOs can continue to claim ITC for their own platform services. ITC reversal is not required for restaurant services where ECOs pay GST under section 9(5). ECOs must pay GST on restaurant services entirely in cash without utilising ITC.
- For supplies not covered under section 9(5) but facilitated by ECOs, GST liability remains with the supplier. ECOs will continue to collect and deposit TCS on such supplies.
- ECOs must issue invoices for restaurant services supplied under section 9(5).

- When a customer orders both restaurant services and other goods/services through an ECO, the ECO must raise separate invoices for restaurant services. The liability to issue invoices for non-restaurant services lies with the respective suppliers, and ECOs remain responsible for TCS compliance on such supplies.

Person liable to pay GST for above specified services when supplied through ECO

If the ECO is located in taxable territory

Person liable to pay tax is the ECO

If the ECO does not have physical presence in the taxable territory

Person liable to pay tax is the person representing the ECO

If the ECO has neither the physical presence nor any representative in the taxable territory

Person liable to pay tax is the person appointed by the ECO for the purpose of paying the tax

Classification under GST

Classification of Goods	
Classification of Goods	It involves identifying the chapter, heading, sub-heading, and tariff item where a product belongs. Sections → Chapter → Heading → Sub-heading → tariff item
Reference to Customs Tariff Act	These classifications are based on the Schedules of rate notifications under GST, which refer to the First Schedule of the Customs Tariff Act, 1975.
HSN	The Indian Customs Tariff follows the (Harmonized System of Nomenclature) HSN, a global nomenclature developed by the World Customs Organization (WCO) for systematic classification of goods.
Structure of HSN	The HSN includes about 5,000 commodity groups, each identified by a 6-digit code that can be extended. India extends these codes to 8 digits.
Rules and Notes	The Indian Customs Tariff incorporates Rules of Interpretation and General Explanatory Notes, which provide clear guidelines for interpreting the classification schedule.
Determination of Rates	Once a product's classification is identified, the applicable GST rate is determined as per the rate notification issued under GST.
Classification of services	
Scheme of Classification of Services	A new classification scheme for services under GST has been introduced, based on a modified version of the United Nations Central Product Classification.

Structure of Classification	Services are categorized into sections, headings, and groups under Chapter 99. The sections under Chapter 99 include: Section 5: Construction Services Section 6: Distributive Trade Services; Accommodation, Food and Beverage Services; Transport Services; Gas and Electricity Distribution Services Section 7: Financial and Related Services; Real Estate Services; Rental and Leasing Services Section 8: Business and Production Services Section 9: Community, Social, and Personal Services; Other Miscellaneous Services
Detailed Classification	Each section is subdivided into headings, groups, and further into "Tariff Items" or Service Codes. Sections → Chapter → Heading → group → tariff item/service code
Tax Rate Determination	The rate of tax is determined based on the Service Code under which the service is classified.

Rates of GST

GST rates prescribed for various goods:	
CGST Rates	Seven CGST rates have been notified for goods: 0.125%, 0.75%, 1.5%, 2.5%, 6%, 9%, and 14% . Equivalent rates of SGST/UTGST are also applicable.
IGST Rates	Seven IGST rates have been notified for goods: 0.25%, 1.5%, 3%, 5%, 12%, 18%, and 28% .
Exempt Goods	Certain specified goods are exempted from tax.
GST rates prescribed for various services:	
CGST Rates for Services	Six CGST rates have been notified for services: 0.75%, 2.5%, 3.75%, 6%, 9%, and 14% . Equivalent SGST/UTGST rates are also applicable.
IGST Rates for Services	Six IGST rates have been notified for services: 1.5%, 5%, 7.5%, 12%, 18%, and 28% .
Nil Rate for Specified Services	Certain specified services have been notified with a nil tax rate .
Highest Rate for Gambling and Entertainment Services	Services related to gambling, admission to entertainment events, or access to amusement facilities (e.g., casinos, race clubs, IPL events) attract the highest tax rate of 28% (CGST @ 14% and SGST @ 14% or IGST @ 28%).
Lower Rate for Specific Services	A lower rate of 5% (CGST @ 2.5% and SGST @ 2.5% or IGST @ 5%) applies to services like: GTA services, taxed at 5% without ITC. Restaurant services (excluding 'specified premises'), taxed at

	5% without ITC.
Standard Rate for Other Services	Services not covered under specific headings are taxed at 18% (CGST @ 9% and SGST @ 9% or IGST @ 18%).
GST rates in real estate sector:	
GST Rates for Construction	• 1% (without ITC): Applicable for affordable houses (area up to 60 sqm in metros/90 sqm in non-metros and value up to ₹45 lakh). • 5% (without ITC): Applicable for: - All houses other than affordable houses. - Commercial apartments (shops, offices, etc.) in a Residential Real Estate Project (RREP) where commercial apartments constitute no more than 15% of the total carpet area.
Conditions for Above Rates	• Input Tax Credit (ITC) shall not be available. • 80% of inputs and input services (excluding specified items like development rights, lease payments, electricity, etc.) must be procured from registered persons.
Reverse Charge for Shortfall	If inputs and input services procured from registered suppliers fall short of 80%, GST at 18% must be paid on the shortfall under the reverse charge mechanism (section 9(4)).
GST on Cement from Unregistered Persons	For cement procured from unregistered suppliers , the promoter must pay GST at 28% (CGST 14% + SGST 14%) under reverse charge (section 9(4)).
GST on Capital Goods	GST on capital goods is payable by the promoter under reverse charge (section 9(4)) at applicable rates.

Amendments made vide the Finance (no.2) act, 2024

The below amendments are applicable for September'25 examinations:

Section No.	Provisions as amended by the Finance (No. 2) Act, 2024	Remarks
9(1)	Subject to the provisions of sub-section (2), there shall be levied a tax called the central goods and services tax on all intra-State supplies of goods or services or both, except on the supply of alcoholic liquor for human consumption and un-denatured extra neutral alcohol or rectified spirit used for manufacture of alcoholic liquor, for human consumption , on the value determined under section 15 and at such rates, not exceeding twenty per cent, as may be notified by the Government on the recommendations of the Council and collected in such manner as may be prescribed and shall be paid by the taxable person.	Section 9 has been amended to take Extra Neutral Alcohol used in manufacture of alcoholic liquor for human consumption out of purview of central tax.

4. Registration

Persons liable for registration [section 22]

Applicability of Registration	Every supplier of goods/services/both is required to obtain registration, in the State/UT from where he makes the taxable supply, if his aggregate turnover exceeds specified threshold limit in a FY.
Meaning of Aggregate Turnover (Section 2(6))	- It means the aggregate value of: - All taxable supplies (excluding the value of inward supplies on which tax is payable by a person on reverse charge basis). - Exempt supplies. - Exports of goods or services or both. - Inter-State supplies of persons having the same Permanent Account. - Be computed on all-India basis but excludes central tax, State tax, Union territory tax, integrated tax and cess.

Note: Aggregate turnover to include all supplies made by the taxable person, whether on his own account or made on behalf of all his principals. [Explanation (i) to Section 22].

➤ Applicable threshold limit:

General Threshold	As per Section 22(1), the threshold limit for GST registration is Rs.20 lakh in a financial year.
Special Category States	- The limit is reduced to Rs.10 lakh if the supplier operates in Special Category States. Article 279A(4)(g) lists 11 Special Category States: Arunachal Pradesh, Assam, Jammu and Kashmir, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura, Himachal Pradesh, Uttarakhand
Applicable Special Category States for Registration	- As per Exp (iii) to Section 22, only the following States are considered Special Category States for registration purposes: Mizoram, Tripura, Manipur, Nagaland - Therefore, the threshold limit of Rs.10 lakh is applicable only to these four States.

➤ Persons exclusively engaged in supply of goods:

Notification No. 10/2019 CT dated 07.03.2019 exempts any **person who is engaged exclusively in supply of goods** and whose aggregate turnover in the financial year does not exceed Rs.40 lakh, from the requirement to obtain a registration.

Exceptions to this exemption are as follows (i.e., the limit of 40 lakhs will not be applicable in the following cases):

**a. Persons required to take compulsory registration under Section 24:****b. Persons engaged in making supplies of:**

- i. Ice cream and other edible ice (with or without cocoa) [2105 00 00].
- ii. Pan masala [2106 90 20].
- iii. All goods under Chapter 24 (Tobacco and tobacco substitutes).
- iv. Fly ash bricks, aggregates, and blocks [6815].
- v. Bricks of fossil meals or siliceous earths [6901 00 10].
- vi. Building bricks [6904 10 00]
- vii. Earthen or roofing tiles [6905 10 00].

c. Persons engaged in making intra-State supplies in specific states:

- **States:** Arunachal Pradesh, Uttarakhand, Meghalaya, Sikkim, Telangana, and Puducherry.
- **Special Category States:** Nagaland, Mizoram, Manipur, Tripura.
- **Note:** Inter-State supplies of goods are subject to compulsory registration under Section 24.

d. Voluntary registrants or those continuing registration under CGST Act:

Persons who have opted for voluntary registration or wish to maintain their registration.

Note: For the purposes of section 22(1), a person shall be considered to be engaged exclusively in the supply of goods even if he is engaged in exempt supply of services provided by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount.

The above information is presented in an alternate manner as follows:

States with threshold limit of Rs.10 lakh for supplier of goods and/or services	States with threshold limit of Rs.20 lakh for supplier of goods and/or services	States with threshold limit of Rs.20 lakh for supplier of services/ both goods and services and threshold limit of Rs.40 lakh for supplier of goods (Intra-State)
➤ Manipur ➤ Mizoram ➤ Nagaland ➤ Tripura	➤ Arunachal Pradesh ➤ Meghalaya ➤ Sikkim ➤ Uttarakhand ➤ Puducherry ➤ Telangana	➤ Jammu and Kashmir ➤ Assam ➤ Himachal Pradesh ➤ All other States

➤ **Registration required only for a place of business from where taxable supply takes place:**

- A supplier **must register for each place of business** in India where taxable supply is made. Registration is not needed in a State/UT where only exempt or non-taxable supply is made.

- Registration is required in the State(s) "from where taxable supply is made," not in the State(s) "where taxable supply is made."
- Registration is **mandatory only in State(s) with a fixed establishment**. This Applies to services like repair & maintenance, transportation, security, erection & commissioning, and construction contracts, where temporary travel to other States occurs.
- Registration is **not required for a State with only a liaison or marketing office** and no taxable supply. Such a supplier is **treated as 'unregistered'** for that State, even if registered in other States.
- If exempt/non-taxable supplies are made from a Special Category State and taxable supplies from another State, the threshold limit is not reduced.

➤ Person liable for registration in case of transfer of business:

In cases of business transfer due to succession or other reasons (including transfer/change in ownership due to the sole proprietor's death), the **transferee/successor must register from the date of transfer/succession**.

If a business is transferred due to a scheme or arrangement for amalgamation or de-merger of companies, as sanctioned by a High Court/Tribunal, the **transferee must register from the date the Registrar of Companies issues a certificate of incorporation giving effect to the order**.

Sec 24 - compulsory registration in certain cases

The category of persons requiring compulsory registration under GST have been enlisted below with the relevant exceptions:

1. Persons making any inter-state taxable supply.

Exception: However, threshold limit of Rs.20 lakh (Rs.10 lakh in case of Mizoram, Tripura, Manipur and Nagaland) is available in case of **inter-State supply of taxable services and of notified handicraft goods and notified handmade goods**.

2. Casual taxable persons (CTP) making taxable supply.

Exception: However, threshold limit of Rs.20 lakh (Rs.10 lakh in case of Mizoram, Tripura, Manipur and Nagaland) is available in case of **CTP who is making inter-State taxable supplies of notified handicraft goods and notified hand-made goods** and is availing the benefit of exemption from registration as mentioned in point above.

3. Persons who are required to pay tax under reverse charge on inward supplies received.

Exception: However, persons engaged **exclusively in making outward supplies, tax on which is liable to be paid on reverse charge basis [except suppliers of metal scrap (Chapter 72 to 81)]** are exempt from registration.

4. Non-resident taxable persons (N RTP) making taxable supply.

5. E-commerce:

- Every **ECO** who is **required to collect tax at source** under section 52,
- Persons **who are required to pay tax under section 9(5)** i.e. e-commerce

- operator who is required to pay tax on specified services.
- (iii) Persons who supply goods and/or services, other than supplies specified under section 9(5), through such ECO who is required to collect TCS.
- (iv) **Exceptions are as follows:**
- The threshold limit of ₹ 20 lakh (₹ 10 lakh in case of Mizoram, Tripura, Manipur and Nagaland) is available in case of suppliers supplying services through ECO.
 - The threshold limit for registration is available to persons making intra-State supplies of goods through ECO.

6. Persons who are required to deduct tax under section 51, whether or not separately registered under this Act.
7. Persons who make taxable supply of goods or services or both on behalf of other taxable persons whether as an agent or otherwise.
8. Every person supplying online information and data base access or retrieval (OIDAR) services from a place outside India to a person in India, other than a registered person.
9. Input Service Distributor, whether or not separately registered under CGST Act.
10. Every person supplying online money gaming from a place outside India to a person in India.
11. Such other person or class of persons as may be notified by the Government on the recommendations of the Council.

Section 23 - persons not liable for registration

Section 23(1): Section 23 (1) lists the following persons as not liable to be registered:

Any person engaged exclusively in the supply of goods or services, or both, that are not liable to tax or wholly exempt from tax under the CGST Act/IGST Act is not required to register.

An agriculturist, to the extent of supply of produce out of cultivation of land:

1. An agriculturist supplying produce out of cultivation of land is not required to register.
2. **Definition of Agriculturist (Section 2(7)):**
An individual/HUF undertaking cultivation of land:
 - By own labour, or
 - By family labour, or
 - By servants on wages payable in cash/kind, or by hired labour under personal supervision or the supervision of a family member.

Note:

- Exemption from registration applies only to individuals/HUFs agriculturists.
- If an agriculturist engages in supplies other than produce from cultivation of land, they are liable to registration based on the applicable threshold limit.

Illustrations:

1. Deshbandhu, an agriculturist in Punjab, previously exempt from GST registration under Section 23 for supplying wheat, started trading taxable pre-packaged puffed rice. With a total turnover of Rs.41 lakh (Rs.32 lakh exempt and Rs.9 lakh taxable), exceeding the Rs.40 lakh threshold, he becomes liable for GST registration.

Section 23(2): Section 23 (2) grants the Government, a power to notify category of persons as being exempted from obtaining registration under GST law.

The following category of persons have been notified under the said section:-

A. Persons making only reverse charge supplies	
Exemption from Registration	Persons exclusively making supplies of taxable goods/services where tax is payable by the recipient under RCM [as per Section 9(3)] are exempted from GST registration.
Exception for Metal Scrap	This exemption does not apply to supplies of metal scrap (Chapters 72-81 of the Customs Tariff Act, 1975). They must obtain registration, even though the tax is payable under RCM.
B. Persons making inter-State supplies of taxable services up to Rs.20 lac	
Exemption from Compulsory Registration	Persons making inter-State supplies of taxable services are exempt from obtaining compulsory GST registration if their aggregate turnover, computed on an all-India basis, does not exceed Rs. 20 lakh in a financial year.
Special Category States	For the Special Category States of Mizoram, Tripura, Manipur, and Nagaland , the exemption applies only if the aggregate turnover, computed on an all-India basis, does not exceed Rs. 10 lakh in a financial year.
C. Persons making inter-State taxable supplies of notified handicraft goods and notified handmade goods up to Rs.20 lakh:	
Under Section 24 and Notification No. 10/2017 IT, persons making inter-State supplies of goods must register under GST, regardless of the threshold limit. However,	
• Persons making inter-State taxable supplies of a. notified handicraft goods. b. notified products predominantly crafted by hand (some use of machinery is allowed). • Turnover Limit: Aggregate turnover must not exceed Rs. 20 lakh in a financial year (Rs. 10 lakh for Special Category States: Mizoram, Tripura, Manipur, Nagaland). • Other Requirements: The person must have a PAN and generate an e-way bill.	
[Notification No. 3/2018 IT dated 22.10.2018]	
D. Casual Taxable Persons making inter-State taxable supplies of notified handicraft goods and notified handmade goods up to Rs.20 lakh:	
Under Section 24, CTPs are required to register compulsorily under GST, irrespective of the threshold limit.	



- CTPs making inter-State taxable supplies of **notified handicraft goods**.
- CTPs making inter-State taxable supplies of **notified products crafted predominantly by hand** (some use of machinery is permissible)
- **Notification Benefit:** CTPs must avail the benefit of Notification No. 03/2018 IT, dated 22.10.2018.
- **Turnover Limit:** The aggregate value of such supplies, calculated on an all-India basis, must not exceed **Rs. 20 lakh** in a financial year (**Rs. 10 lakh** for Special Category States: Mizoram, Tripura, Manipur, Nagaland).
- The person must have a **PAN** and generate an **e-way bill**.

E. Persons making supplies of services through an ECO [other than supplies specified under section 9(5)] with aggregate turnover up to Rs.20 lakh:

Persons making supplies of services (excluding those specified under Section 9(5)) through an ECO required to collect TCS u/s 52 are exempt from obtaining compulsory registration if their aggregate turnover, computed on an all-India basis, does not exceed **Rs. 20 lakh** in a FY (**Rs. 10 lakh** for Mizoram, Tripura, Manipur, and Nagaland).

All service providers, whether supplying intra-State, inter-State, or through an ECO, are exempt from registration if their aggregate turnover does not exceed **Rs. 20 lakh** (**Rs. 10 lakh** for Special Category States).

F. Persons making intra-State supplies of goods through an ECO with aggregate turnover up to the threshold limit:

Exemption for Persons Making Supplies of Goods Through ECOs:

Persons making supplies of goods through an ECO required to collect TCS under Section 52 are exempt from obtaining registration if their aggregate turnover in the preceding and current FY does not exceed the threshold limit under Section 22(1).

This exemption is subject to the following conditions:

1. Such persons shall **not make any inter-State supply** of goods.
2. Such persons shall not make supplies of goods through ECO in **more than one State/Union Territory**.
3. Such persons **must have a PAN** issued under the Income-tax Act, 1961.
4. Before making supplies through ECO, **must declare** on the common portal:
 - Their PAN,
 - Address of their place of business, and
 - State/UT in which they seek to make supplies.
 These details are subject to validation on the common portal.

5. Enrolment Number:

- Such persons must be granted an enrolment number on the common portal upon successful validation of the declared PAN.
 - They shall not be granted more than one enrolment number in a State/UT.
6. No supplies of goods shall be made through ECO without an enrolment number.
 7. **Transition to Registration:** If such persons are subsequently granted registration under Section 25, the enrolment number ceases to be valid from the effective date of registration.

(Notification No. 34/2023 CT dated 31.07.2023)

- Liability to register in respect of services provided by the commission agent as per APMC Act for sale/ purchase of agricultural produce:

Registration requirements for commission agents

i. **Mandatory registration under Section 24:**

- A commission agent must register mandatorily if:

- The principal is a **taxable person**, and
- The supplies made by the commission agent are **taxable**.

Generally, commission agents under APMC Act act on behalf of **agriculturists** (non-taxable persons), so they are **not liable for mandatory registration** under this provision.

ii. **Exemption under Section 23(1)(a):** Since services provided by commission agents for sale/purchase of agricultural produce are **exempt from GST**, such agents are **not required to register**.

iii. **Liability under Reverse Charge Mechanism (RCM):** If a commission agent is liable to pay tax under RCM for other services procured, they are **compulsorily required to register** as per RCM provisions.

PROCEDURE FOR REGISTRATION [SECTIONS 25, 26 & 27]

I. Where and by when to apply for registration? [Section 25(1)]:

Particulars	Where	When
Person who is liable to be registered under section 22 or section 24	in every such State/UT in which he is so liable	within 30 days from the date on which he becomes liable to registration
A casual taxable person or a non-resident taxable person		at least 5 days prior to the commencement of business
Every person who makes a supply from the territorial waters of India	in the coastal State/UT where the nearest point of the appropriate base line is located.	within 30 days from the date on which he becomes liable to registration

II. State-wise registration [Section 25(2) read with rule 11]

A. One registration per State

- There is **no centralized registration**. Businesses with branches in multiple States must obtain separate registrations for each State.
- Within a State, an entity is typically granted a single registration. It must designate one location as the **Principal Place of Business (PPOB)** and list other branches as **Additional Places of Business (APOB)** under the same registration

B. Separate registration for different places of business within a State/UT



may be granted

- Taxpayers are **not mandatorily** required to obtain separate GST registration for each place of business within a State.
- However, they **may opt for independent registrations**.
- Each **separately registered** place must pay tax on supplies made to another registered place of business of the same person.
- A **tax invoice or bill of supply** must be issued for such supplies.
- Taxpayers must submit a separate application in **Form GST REG-01** for each place of business.
- Provisions of **rules 9 and 10** (verification and grant of registration) apply *mutatis mutandis* to these applications.

C. Composition levy in case of separate registration for multiple places of business within a State/UT:

A person paying tax for one place of business under the normal scheme **cannot opt for composition levy** for any other place of business.

If **one separately registered place of business** becomes ineligible for composition levy, all other registered places of business under the same person also become ineligible.

Provisions of **rules 9 and 10**, relating to verification and grant of registration, apply *mutatis mutandis* to applications under this rule.

III. Voluntary registration [Section 25(3)]

- A person **not liable for registration** u/s 22 24 may voluntarily register.
- Upon voluntary registration, **all provisions of the GST** Act applicable to registered persons will apply to them and such person must pay tax even if their aggregate turnover does not exceed the threshold limit for registration (₹40 lakh/₹20 lakh/₹10 lakh, as applicable).

IV. Distinct Persons/ establishments of distinct persons [Section 25(4) & (5)]

A person with **more than one GST registration**, whether in the same or different State/Union Territory, is treated as a distinct person for each registration.

- If a person has an establishment in one State/Union Territory and another in a different State/Union Territory, **these establishments are treated as distinct persons**.

V. PAN must for obtaining registration [Section 25(6) & (7)]

A PAN is mandatory to be eligible for GST registration(except NRTP),

VI. Unique Identity Number (UIN) [Section 25(9) & (10) read with rule 17]:

Requirement to Obtain	Specialized UN agencies, Multilateral Financial Institutions, organizations under the United Nations (Privileges and
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UIN	Immunities) Act, 1947, consulates, embassies, and other notified persons must obtain a UIN from the GSTN portal.
Purpose of UIN	Claiming refunds for taxes paid on notified supplies of goods and/or services received and Other notified purposes
Features of UIN	- The UIN is centralized and valid throughout India. - A UIN holder is not considered a registered or taxable person.
Issuance of UIN	The proper officer assigns a UIN and issues a certificate in Form GST REG-06 within 3 working days of receiving the application or a recommendation from the Ministry of External Affairs.

VII. Suo-motu registration by the proper officer [Section 25(8) read with rule 16]

If a person liable for registration fails to apply, the proper officer may register them temporarily and issue an order in the prescribed form following a survey, enquiry, inspection, search, or other proceedings under the Act.

The person must either:

- Submit an application for registration in the prescribed form within 90 days of the temporary registration, or
- File an appeal against the temporary registration.

If the Appellate Authority upholds the registration liability, the application for registration must be submitted within 30 days of the appellate order.

Provisions for verification and issuance of registration certificates under rules 9 and 10 apply *mutatis mutandis* to applications from persons with temporary registration.

The GSTIN granted will be effective from the date of the temporary registration order issued by the proper officer.

VIII. Procedure for registration [Section 25 read with rules 8, 9 & 10]

Procedure for Registration (Rules 8, 9, and 10)
- Rules 8, 9, and 10 govern the application, verification, approval, and issuance of registration certificates. - The procedure applies to persons paying tax under the composition levy, those seeking voluntary registration, and casual taxable persons. - Applications must be submitted in Form GST REG-01.
Exceptions to the Procedure
- The procedure does not apply to: - Non-resident taxable persons (NRTP). - Persons required to deduct tax at source (Section 51). - Persons required to collect tax at source (Section 52). - Persons supplying OIDAR services from outside India to non-taxable online recipients (Section 14 of the IGST Act). - Persons supplying online money gaming from outside India to persons in India

(Section 14A of the IGST Act).

- Separate forms and procedures are prescribed for these categories.

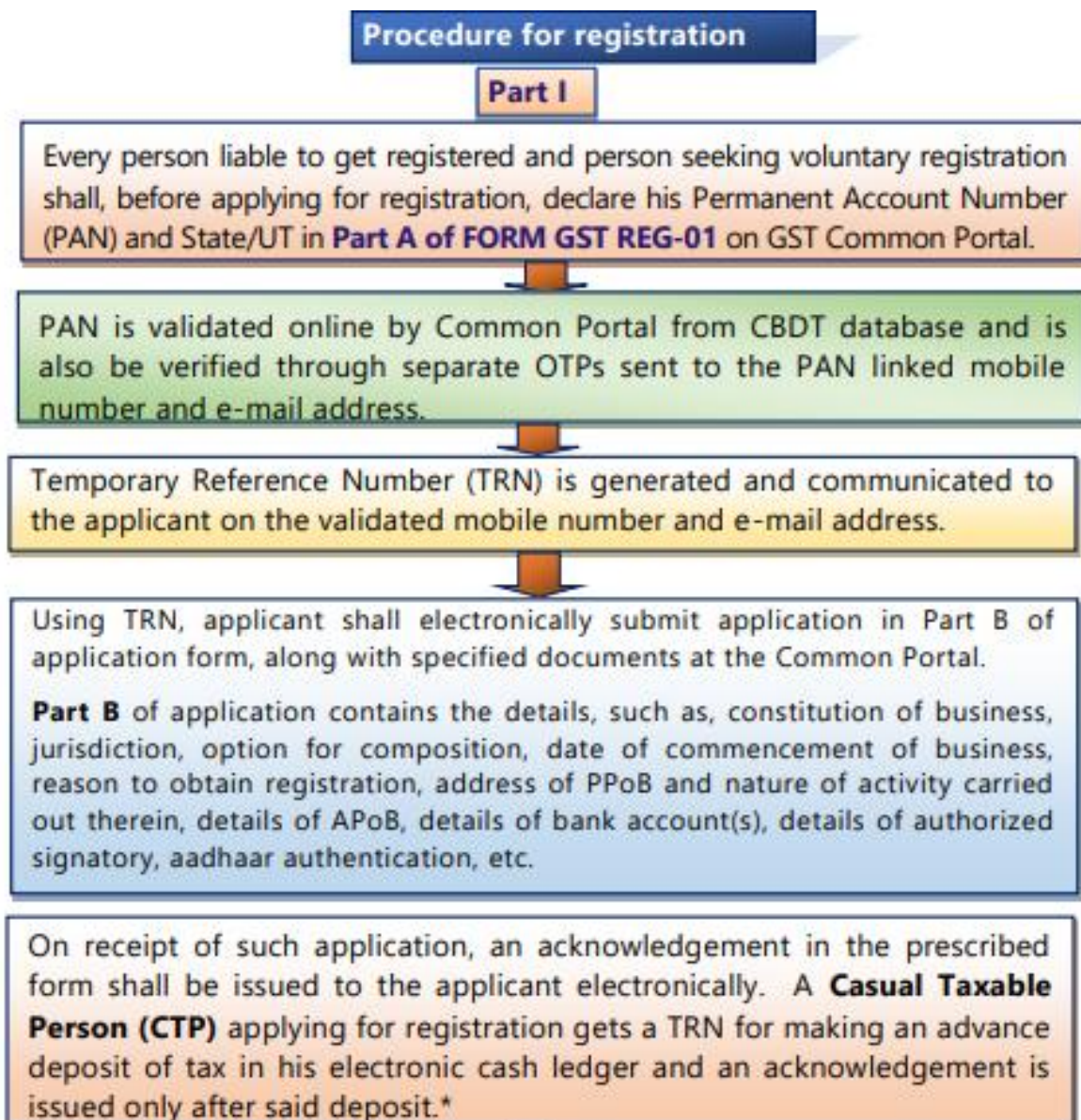
Facilitation Centres

- Facilitation centres assist taxpayers in tasks such as:
 - Submitting applications for registration, Amending registration certificates, Submitting applications for cancellation or revocation of registration, They handle the digitization and uploading of forms and documents.

Registration for Special Economic Zones (SEZ)

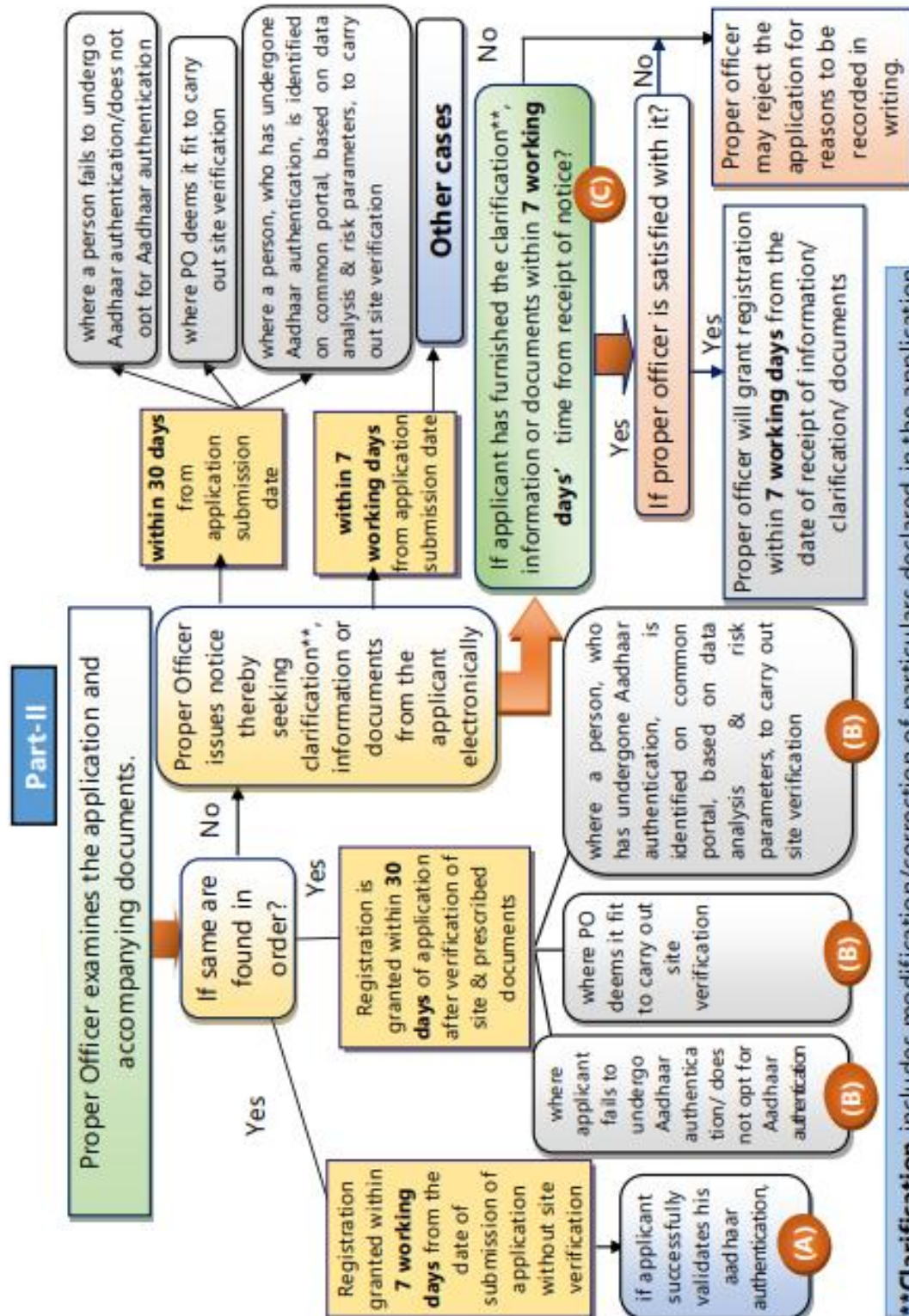
- SEZ units or developers must obtain a separate registration distinct from their business outside the SEZ in the same State/Union Territory.
- For a taxpayer with one unit in an SEZ and another outside the SEZ within the same State/UT, separate registrations are required for both units.

Procedure for registration:



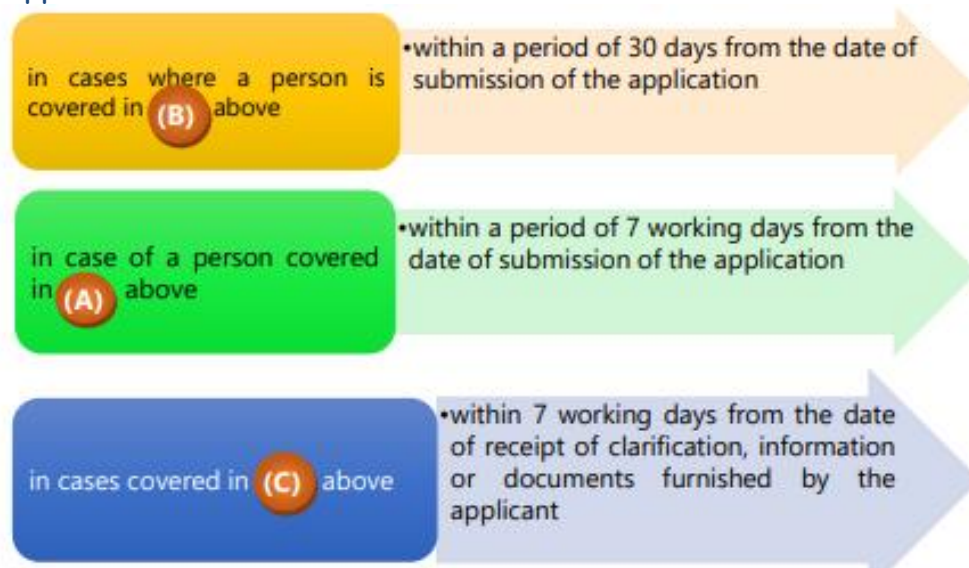
Application shall be forwarded to the Proper Officer.

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



Deemed Approval of Application

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



Scenario	Timeframe for Registration Approval	SCN Issuance Timeframe	Applicant Response Time
Successful Aadhaar authentication and no SCN issued	Registration deemed approved within 7 working days	SCN can be issued within 7 working days	Response within 7 working days of SCN issuance
Aadhaar authentication not opted for, fails validation, or site verification deemed necessary, and no SCN issued	Registration deemed approved within 30 days	SCN can be issued within 30 days	Response within 7 working days of SCN issuance

Aadhaar authentication [section 25(6a), (6b), (6c) & (6d) read with rules 8, 9, 10b & 25]:

➤ How is the aadhaar authentication done?

New registrants
The applicant can choose whether to opt for Aadhaar authentication while filing the GST registration application.
If opted, an "authentication link" is sent to the mobile numbers and email



IDs of the selected promoter/partner and primary authorized signatory. Clicking the link opens a window where the Aadhaar number and OTP are entered for verification.
- On successful Aadhaar authentication the application being deemed approved within 7 working days, unless a tax official issues a SCN. - These applications are not marked for mandatory site visits unless deemed necessary by the tax official.
- If Aadhaar authentication is not opted for or fails - the application is not deemed approved within 7 working days - but will be deemed approved after 30 calendar days if no action is taken by the tax official.
- If the tax official raises an SCN within 30 calendar days, the applicant must respond within 7 working days. - The tax official has 7 working days to act on the reply. - If no action is taken by the tax official within 7 working days after receiving the applicant's reply, the application is deemed approved.
Existing registrants:
All the regular taxpayers and composition taxpayer are required to get Aadhaar authenticated for existing GST registration. He can get himself Aadhaar authenticated on GST portal using either Aadhaar authentication link or uploading E-KYC documents

➤ **Persons required to undergo aadhaar authentication:**

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

New applicant
Individual Applicants: Must authenticate or provide proof of Aadhaar. Non-Individual Applicants: Aadhaar authentication applies to key personnel (e.g., Karta, Managing Director, partners, trustees, etc.).
- Applicants opting for Aadhaar authentication must complete it during registration. Date of submission of application: Earlier of: - Date of Aadhaar authentication 15 days from submission of Part B of Form GST REG-01.
For Individuals: Applicant authenticates their Aadhaar. For Non-Individuals: Authentication for notified personnel (e.g., Karta, Managing Director, wholtime Director, such number of partners, Members of Managing Committee of Association, authorized signatories, partners, Trustees etc.).
Risk-based biometric-based aadhaar authentication of registration applicants
An applicant who has opted for Aadhaar authentication and is identified on



the common portal, based on data analysis and risk parameters, shall be followed by biometric- based Aadhaar authentication and taking photograph:

- i. of the applicant where the applicant is an individual or
 - ii. of notified individuals (mentioned as above) in relation to the applicant where the applicant is not an individual,
- along with the verification of the original copy of the documents uploaded with the application form at one of the notified Facilitation Centres.

- Application complete only after biometric authentication.

Where an applicant does not opt for authentication of Aadhaar number

- **Photographs:** Required for individual applicants or notified personnel of non-individual applicants.
- Includes document verification at Facilitation Centers.
- Application complete only after these steps.

Persons already registered

Every registered person **must authenticate or furnish proof of Aadhaar** in the prescribed form, manner, and timeframe.

Aadhaar authentication applies to following individuals based on the entity type:

- **Proprietorship:** Proprietor
- **Partnership:** Any partner
- **HUF:** Karta
- **Company:** Managing Director or whole-time director
- **Association/Society:** Member of Managing Committee
- **Trust:** Trustee

All Entities: Authorized Signatory

Aadhaar authentication is mandatory for the following:

- Filing an application for revocation of cancellation of registration (Rule 23)
- Filing a refund application in Form RFD-01 (Rule 89)
- Claiming a refund of IGST paid on exported goods (Rule 96).

➤ Where aadhaar number is not assigned:

In case of new applicant:

- If an Aadhaar number is not assigned to:
 - An individual, or
 - A person/class of persons (other than individuals),

alternate and viable means of identification will be provided as per Rule 9.
- **Registration will be granted within 30 days** of application submission only after physical verification of the principal place of business (as per Rule 25) and document verification, in the following cases:
 - Failure to authenticate or non-opted Aadhaar authentication.
 - Post-Aadhaar authentication, identification on the common portal based on data analysis and risk parameters for physical verification.
 - When the proper officer, with approval from an officer (rank not below



Assistant Commissioner), deems physical verification necessary.
In case of an already registered persons [Rule 10B]:
Alternate and viable means of identification will be offered.
If Aadhaar is not assigned, the person must furnish • Aadhaar Enrolment ID slip • Provide one of the following documents: ○ Bank passbook with photograph ○ Voter identity card issued by the Election Commission of India ○ Passport ○ Driving license issued by the Licensing Authority
The person must undergo Aadhaar authentication within 30 days of Aadhaar allotment.
Registration will be deemed invalid, and other provisions of the Act will apply as if the person does not have registration.

➤ **Persons/class of persons exempt from aadhaar authentication:**

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

Following persons have been notified in this regard:

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

Deficiency in registration application [Rule 9(2), (3) and (4)]:

Deficient Applications or Clarifications	If an application under Rule 8 is deficient in information/documents or requires clarification, a notice will be issued electronically within 7 working days of submission.
Response by Applicant	Applicant must furnish clarification, information/documents electronically within 7 working days of receiving the notice.
Additional Provisions for Site Verification	A notice may be issued within 30 days of application submission in cases where: 1. Applicant fails to undergo Aadhaar authentication/does not opt for it. 2. Applicant flagged for physical site verification based on data analysis and risk parameters. 3. Proper officer deems site verification necessary.
Approval of Registration	If the proper officer is satisfied with the response provided, the application will be approved within 7 working days from



	receipt of clarification/information/documents.
Rejection of Application	If the applicant does not reply or the response is unsatisfactory, the proper officer may reject the application, providing reasons in writing and informing the applicant electronically.

IX. Furnishing of bank account details [Rule 10A]

Bank Account Details Requirement	While filing Part B of the registration application on the GST portal, applicants must provide bank account details.
Relaxation under Rule 10A	Registered persons (except TDS deductor/TCS collectors) can provide bank account details: 1. Within 30 days of registration, or 2. Before filing outward supply details in GSTR-1 or IFF, whichever is earlier.
Exceptions	TDS deductor/TCS collectors (Rule 12) and those with suo-motu registration (Rule 16) must provide bank account details at the time of filing the registration application.

X. Physical verification of business premises in certain cases [Rule 25]

If physical verification of the place of business is required **after grant of registration**, the PO must complete the verification and upload the report (with documents and photographs) on the portal within **15 working days following the date of such verification.**

If verification is required **before grant of registration** (as per Rule 9(1) proviso), the PO must complete the verification and upload the report (with documents and photographs) **at least 5 working days** prior to the completion of the time period specified in the said proviso.

XI. Issuance of registration certificate [Rule 10]

- Upon approval of the registration application, a certificate (**Form GST REG-06**) with the PPOB and APOB is issued to the applicant on the Common Portal.
- GST Identification Number ("GSTIN") i.e. the GST registration no. is communicated to applicant, **within 3 days after the grant of registration.**

GSTIN format

State Code	PAN										Entity Code	Check sum character

XII. Display of registration certificate and GSTIN on the name board [Rule 18]:

Every registered person shall **display his registration certificate** in a prominent **location** at his PPOB and at every APOB. Further, his **GSTIN** also has to be displayed **on the name board** exhibited at the entry of his PPOB and at every APOB.



XIII. Effective date of registration [rule 10]:

Where an applicant submits application for registration	Effective date of registration is
Within 30 days from the date the person becomes liable to registration	Date on which person becomes liable to registration
After 30 days from the date the person becomes liable to registration	Date of grant of registration

XIV. Special provisions for grant of registration in case of non-resident taxable person (NRTP) and casual taxable person (CTP) [sections 25 & 27 read with rules 13 & 15]:

CTP	- Occasionally supplies goods/services in the course or furtherance of business in a State/UT without a fixed place of business. - Cannot opt for composition levy.
NRTP	- Occasionally supplies goods/services in India without a fixed place of business or residence. - Cannot opt for composition levy. - Key Distinction: CTPs operate in the course or furtherance of business, whereas NRTPs do not need to meet the business test.
Special Registration	Compulsory Registration: Must register 5 days before starting business, irrespective of the threshold. PAN Requirement: CTPs: Require a PAN. NRTPs: Individuals submit a valid passport and application signed by an Indian resident with PAN. Businesses submit a tax identification number, equivalent unique number, or PAN (if available). Application Forms: CTP: GST REG-01 (PAN-based). NRTP: Special prescribed form.
Period of Validity	- Valid for the earlier of: - Period specified in the registration application. 90 days from the effective registration date (extendable by another 90 days upon application). - Verification and grant rules apply as for other registrations.
Advance	Requirement: CTPs and NRTPs must make an advance

**Deposit**

deposit of tax equivalent to their estimated liability for the registration period.

- b. **Process:** A Temporary Reference Number (TRN) is issued for the deposit, credited to their electronic cash ledger. Application acknowledgment is issued post-deposit.
- c. **For Extensions:** Additional deposit equivalent to estimated tax liability is required for the extended period.
- d. **ITC Consideration:** Advance tax liability should account for eligible Input Tax Credit (ITC).

➤ **Clarification: Registration of participants of long running exhibitions [Circular No. 71/45/2018 GST dated 26.10.2018]:**

- A taxable person participating in exhibitions **longer than 180 days cannot be CTP**. Instead, they must register as a normal taxable person.
- While applying for normal registration, the person must **upload a copy of the allotment letter** granting permission to use the premises for the exhibition.
- The allotment/consent letter **will serve as proof of the place of business**.
- Advance tax payment is not required for registration in such cases.
- The registration can be surrendered once the exhibition concludes.

XV. Deemed registration [section 26]

- GST registration is **not tax-specific**; a single registration covers CGST, SGST/UTGST, IGST, and cess.
- Registration/UIN granted under any SGST Act/UTGST Act is considered granted under the CGST Act unless the application is rejected under the CGST Act.
- Rejection of an application for registration/UIN under SGST Act/UTGST Act is considered a rejection under the CGST Act.

XVI. Special provisions for grant of registration in case of persons required to deduct tax at source under section 51 or to collect tax at source under section 52 [rule 12]:

- Registration applications must be submitted in the prescribed form on the GST Common Portal, and registration is granted **within 3 working days** after due verification.
- If a person registered under Rule 12(2) or identified through an enquiry or proceeding under the CGST Act is no longer liable to deduct TDS (Section 51) or collect TCS (Section 52), the **proper officer may cancel the registration**.
- Cancellation is **communicated electronically** in the prescribed form.
- The proper officer **must follow the cancellation procedure** as per the Act and rules.

Section 28: amendment of registration

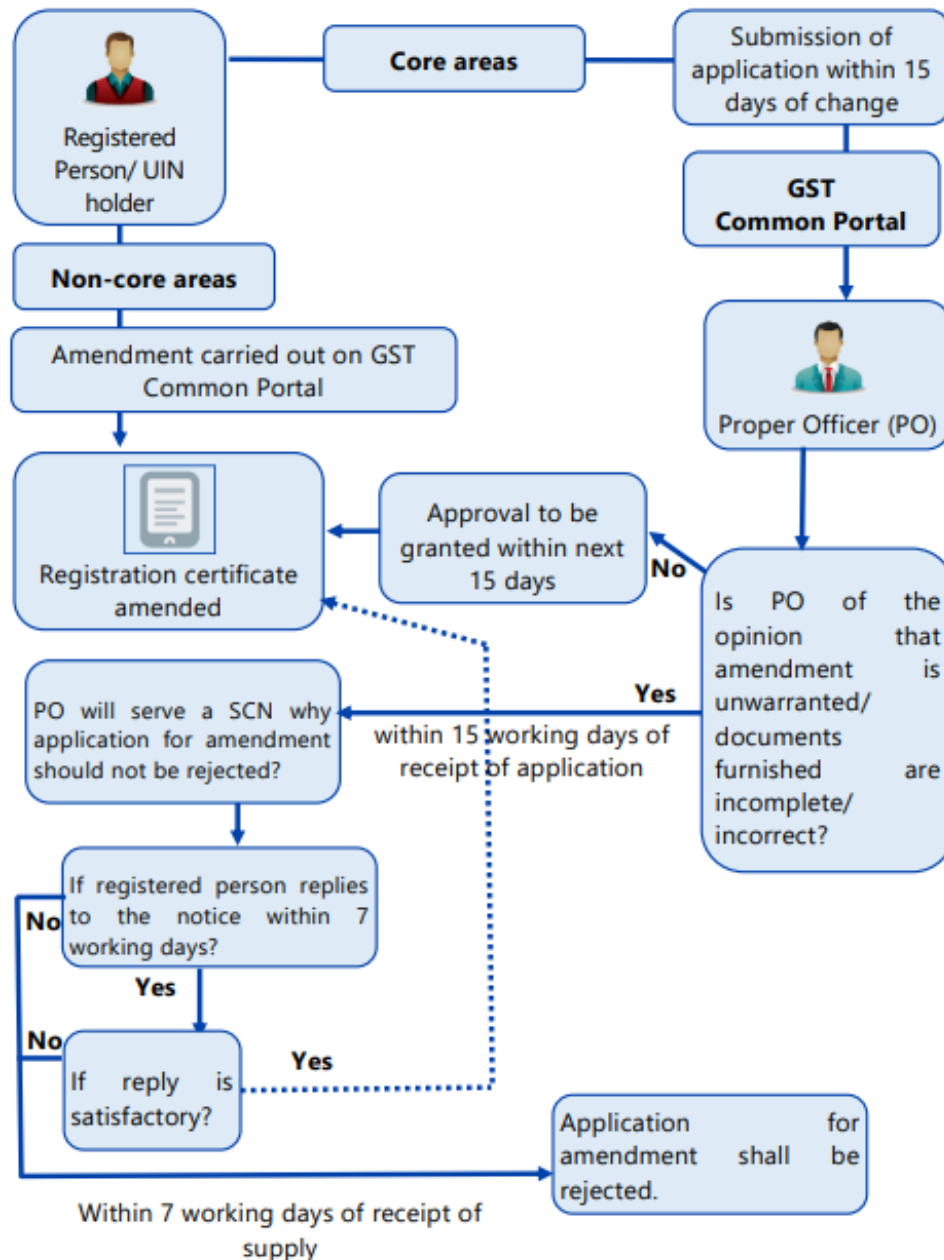
- A. Categories of details in registration application:** A registered person or UIN holder may need to make some changes/amendments in the registration application. There are two categories of details in registration application - core and non-core fields.

Core Fields	Core fields include: a. Name of the business (legal name) if there is no change in PAN. b. Addition/deletion of stakeholders. c. Principal place of business (other than change in State). d. Additional place of business (other than change in State).
Non-Core Fields	Non-core fields include all other fields, such as: a. Name of day-to-day functionaries. b. E-mail IDs. c. Mobile numbers.

- B. Procedure for amendment:** The provisions relating to amendment of registration are contained in section 28 read with rule 19.

Application for Changes	Registered persons must submit an application for changes in registration/UIN particulars within 15 days of the change on the Common Portal, along with relevant documents.
Core Field Amendments	Require approval or rejection by the proper officer based on the provided or ascertained information. - Amendments take effect from the date of the event triggering the change.
Non-Core Field Amendments	Automatically amended upon application submission on the Common Portal. No approval required from the proper officer.
Rejection of Amendments	Proper officer must provide an opportunity to be heard before rejecting an amendment application.
Deemed Rejection/ Approval	Rejection or approval of amendments under the SGST/UTGST Act is deemed as rejection or approval under the CGST Act.
Effective Date of Amendments	Cannot be earlier than the application submission date unless the Commissioner issues an order with reasons recorded in writing and subject to conditions.
Change in PAN	Requires a fresh GST registration since GST registration is PAN-based. For constitution changes resulting in a PAN change, a new registration is mandatory.
Change in State	A change in place of business to another State requires fresh GST registration as GST registrations are State-specific. The person must cancel the existing registration and apply for a new one in the new State.
Key Points on Automatic Amendment of Registration	

- If the proper officer **fails to take action**:
 - Within 15 working days** from the date of submission of the application, or
 - Within 7 working days** from the date of receipt of the reply to the show cause notice,
- The certificate of registration will **automatically stand amended** to the extent applied for.
- The amended certificate will be made available to the registered person on the Common Portal.



Section 29 & 30 - cancellation or suspension of registration and revocation of cancellation

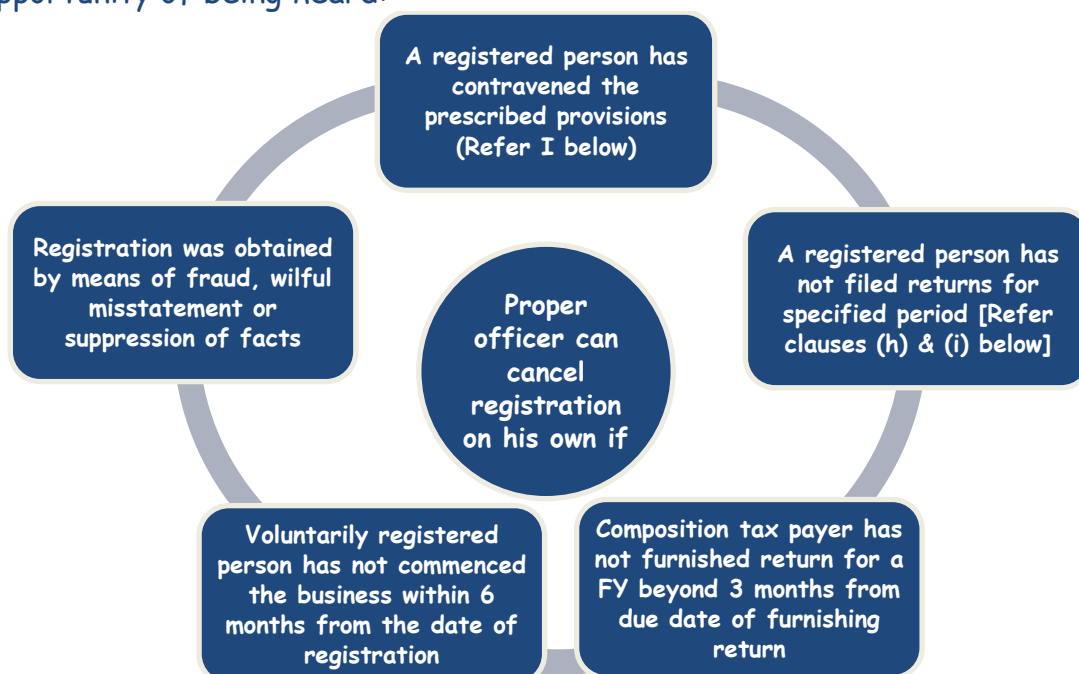
- A. Circumstances where registration is liable to be cancelled [section 29(1) & (2)]:**
- Circumstances when the registration can be cancelled either suo motu by

proper officer or on an application of the registered person or his legal heirs (in case death of such person)

Cancellation by the registered person on its own or by the Department

1. Business discontinued 2. Transferred fully for any reason including death of the proprietor 3. Amalgamated with other legal entity 4. Demerged or 5. Otherwise disposed of	Change in the constitution of the business	Taxable person who is no longer liable to be registered under section 22 or section 24 or who intends to opt out of the voluntary registration.
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2. **Circumstances when the proper officer can cancel registration on his own:** In the following cases, registration can be cancelled by the proper officer from such date, including any retrospective date, as he may deem fit after giving an opportunity of being heard:



- I. **Prescribed contraventions which make a registered person liable to cancellation of registration [Rule 21]:** The registered person-
- Does not conduct any business from the declared place of business, or
 - Issues invoice/bill without supply of goods/services in violation of the provisions of this Act, or the rules made thereunder.
 - Violates the provisions of section 171.



- d. Violates the provision of rule 10A (discussed earlier in this chapter).
- e. Avails input tax credit in violation of the provisions of section 16 of the CGST Act or the rules made thereunder; or
- f. Furnishes the details of outward supplies in Form GSTR-1 as amended in FORM GSTR-1A if any, under section 37 for one or more tax periods which is in excess of the outward supplies declared by him in his valid return under section 39 for the said tax periods; or
- g. Violates the provision of rule 86B.
- ga. violates the provisions of third or fourth proviso to rule 23(1).
- h. Required to file return under section 39(1) for each month or part thereof (i.e. monthly return filer), has not furnished returns for a continuous period of 6 months.
- i. Required to file return under proviso to section 39(1) for each quarter or part thereof (i.e. quarterly return filer), has not furnished returns for a continuous period of two tax periods.

B. Suspension of registration [first proviso to section 29(1) and second proviso to section 29(2) read with rule 21a]: During GST registration cancellation proceedings, the proper officer may suspend the registration, halting the taxpayer's routine compliances until the process is completed.

The period and manner of suspension of registration is as follows:

Suspension on Application for Cancellation
the registration shall be deemed to be suspended from: a. the date of submission of the application or b. the date from which the cancellation is sought, whichever is later, pending the completion of proceedings for cancellation of registration.
Suspension Initiated by the Department
Where the proper officer has reasons to believe that the registration of a person is liable to be cancelled, he may suspend the registration of such person with effect from a date to be determined by him, pending the completion of the proceedings for cancellation of registration
Suspension Based on Analysis of Information
i. Apart from the above, where, a comparison of the returns furnished by a registered person under section 39 with: a. the details of outward supplies furnished in Form GSTR-1 as amended by GSTR-1A if any; or b. the details of inward supplies derived based on the details of outward supplies furnished by his suppliers in their Form GSTR-1 as amended in GSTR-1A if any, of the previous tax period, if any, or ii. such other analysis, as may be carried out on the recommendations of the Council, show that



- there are **significant differences or anomalies** indicating contravention of the **provisions** of the CGST Act or the rules made thereunder, leading to cancellation of registration of the said person,
 - There is a **contravention of the provisions of rule 10A** by the registered person, his **registration shall be suspended**.
- iii. Intimation of suspension is **sent via prescribed form to the registered email**.
- iv. Differences and anomalies are highlighted, and the person is **asked to explain within 30 days** why registration should not be cancelled
- v. **No refunds** under Section 54 during the suspension period.

Restrictions on Suspended Registrations

Registered persons with suspended registration:

- **Cannot make taxable supplies or issue tax invoices.**
- **not be required to furnish any return** under section 39.

Revocation of Suspension

Suspension is deemed revoked upon:

- **Completion of cancellation proceedings**, effective from the suspension start date.
- **Filing of pending GST returns** for:
 - Non-filing beyond three months for composition taxpayers.
 - Non-filing for such continuous tax period for other taxpayers (if registration is not cancelled under rule 22).
- **Compliance with rule 10A** (furnishing bank account details) if suspension was for its contravention (if registration is not cancelled under rule 22).

Provisions for Supplies During Suspension

If suspension is revoked:

- Provisions of **Section 31(3)(a) (revised tax invoices)** and **Section 40 (first return)** apply to supplies made during the suspension period.

C. Procedure for cancellation of registration [rules 20 and 22]

Voluntary cancellation by registered person

A registered person must submit the cancellation application electronically in the prescribed form **within 30 days** of the event warranting cancellation.

The application must include:

- Details of inputs held in stock, inputs in semi-finished/finished goods, and capital goods as of the cancellation date.
- The liability thereon.
- Details of the payment made against such liability.
- Relevant supporting documents, if applicable.

If the applicant is no longer liable to be registered, the proper officer must **issue the cancellation order within 30 days** of the application submission date.

Suo-motu cancellation by the Department:

The proper officer cannot suo-motu cancel registration without issuing a **show**



cause notice (SCN) and providing the registered person a reasonable opportunity of being heard.

The reply to the SCN must be submitted **within 7 days** of service of the notice.

If the reply to the SCN is **satisfactory**, the proper officer **shall drop the proceedings** and pass an order in the prescribed form.

If the registered person, instead of replying to the SCN for non-filing of returns, **furnishes all pending returns** and makes full payment of tax dues, interest, and late fees, the proper officer shall drop the proceedings and pass an order.

Where registration is liable for cancellation, the proper officer shall **issue the cancellation order within 30 days** from the date of the reply to SCN.

Effective date of cancellation:

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

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

1. Debiting Ledger for Cancellation:

A registered person whose registration is cancelled must debit their electronic credit or cash ledger by an amount equivalent to the **higher of**:

i. **Input Tax Credit (ITC)** on:

- Stock of inputs, semi-finished/finished goods, or
- Capital goods or plant and machinery, as of the day immediately preceding the cancellation date.

ii. **Output Tax Payable** on such goods.

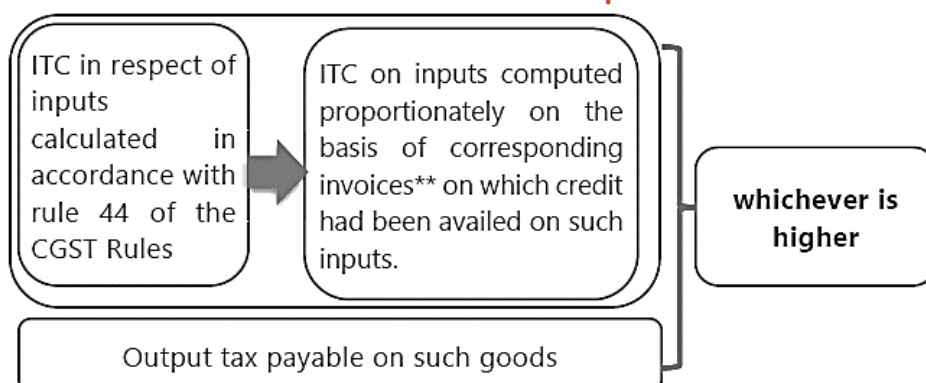
2. Special Provisions for Capital Goods/Plant and Machinery:

The taxable person must pay the higher of:

- ITC taken on the capital goods or plant and machinery, reduced by the prescribed percentage points, or
- Tax on the transaction value of such capital goods or plant and machinery under Section 15.

3. The manner of determination of amount of credit to be reversed is prescribed under rule 44. On conjoint reading of section 29(5) and rule 44, it can be inferred as follows:

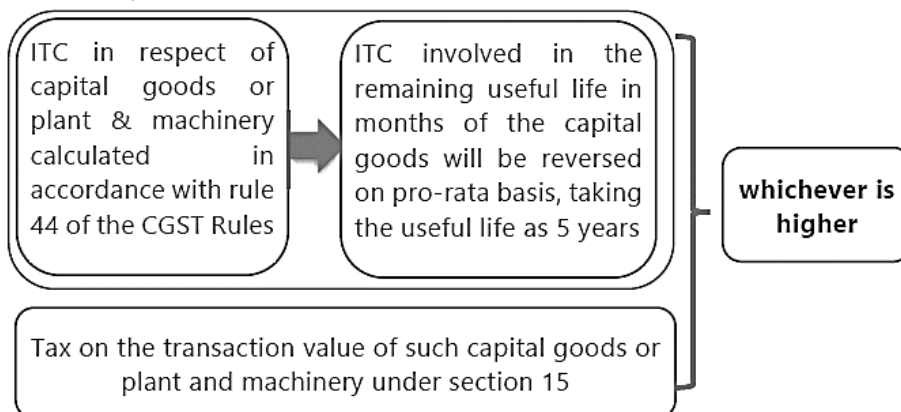
- **Amount of credit to be reversed in respect of INPUTS:**





Note: If tax invoices are not available, the ITC to be reversed will be based on the prevailing market price (MP) of such goods on the date of cancellation.

- Amount of credit to be reversed in respect of capital goods or plant & machinery:



Note: It is important to note that this requirement to debit the electronic credit and/or cash ledger by suitable amounts is not a prerequisite for applying for cancellation of registration. This can also be done at the time of submission of Final Return.

Illustration:

- Capital goods have been in use for 4 years, 6 month and 15 days. The useful remaining life in months = 5 months ignoring a part of the month.
 ITC taken on such capital goods = C
 ITC attributable to remaining useful life = $C \times 5/60$

D. Other points about cancellation:

UIN Holders	A person granted a UIN under Rule 17 cannot apply for cancellation of registration [Rule 20].
Liability	Cancellation of registration does not affect the liability to pay tax and other dues for any period prior to the cancellation date [Section 29(3)].
Deemed Cancellation	Cancellation under SGST/UTGST Act is deemed to be a cancellation under CGST Act [Section 29(4)].
Notification of Cancellation	- The taxpayer is notified about the cancellation via SMS and email. - The cancellation order is issued and intimated to the primary authorized signatory.
Filing Restrictions	Taxpayer cannot file returns for the period after the cancellation date but can submit returns for periods prior to the cancellation for which registration was active.

E. Revocation of cancellation of registration [section 30 read with rule 23]:

1. Procedure for revocation of cancellation



A registered person whose registration is cancelled suo motu by the PO may apply for revocation within **90 days** from the date of service of the cancellation order (subject to Rule 10B).

The **90-day period** can be extended by a maximum of **180 additional days** by the Commissioner or an authorized officer (not below the rank of Additional/Joint Commissioner) upon sufficient cause and reasons recorded in writing.

Must be submitted in the prescribed form **through the Common Portal** or a notified Facilitation Centre.

If the proper officer is satisfied with the grounds for revocation, he shall revoke the cancellation by an order **within 30 days** of receiving the application and communicate it to the applicant.

If the proper officer intends to reject the application:

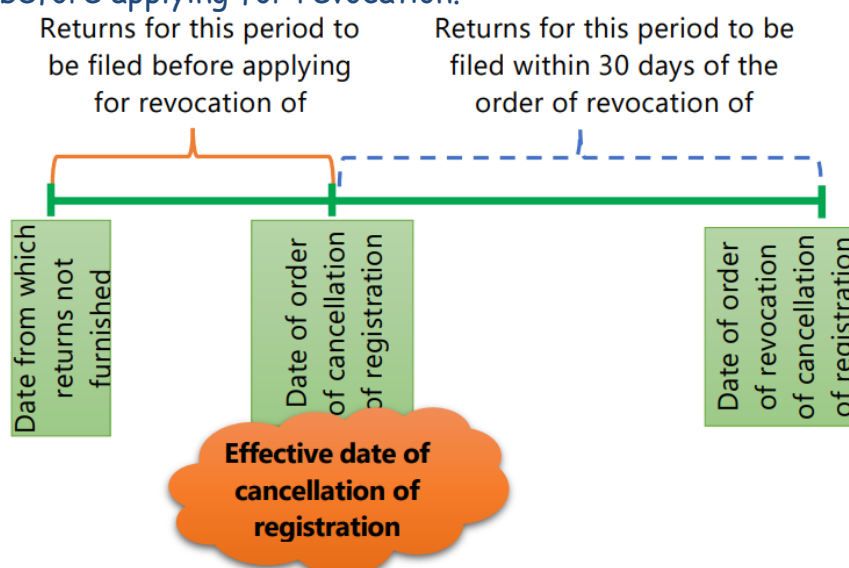
- An **SCN** must be issued before rejection.
- The applicant must respond to the SCN within **7 working days**.
- The officer must dispose of the application (either accept or reject) within **30 days** after receiving the clarification.

2. If registration was cancelled for failure of registered person to furnish returns:

- To revoke a GST registration cancelled for non-filing of returns, the **taxpayer must file all pending returns** and clear outstanding dues. The cancellation may take effect from the order date or a retrospective date.

Where the registration has been cancelled from the date of the order:

The person seeking revocation **must furnish all returns due up to the date of the cancellation order** and pay all related tax, interest, penalties, and late fees before applying for revocation.



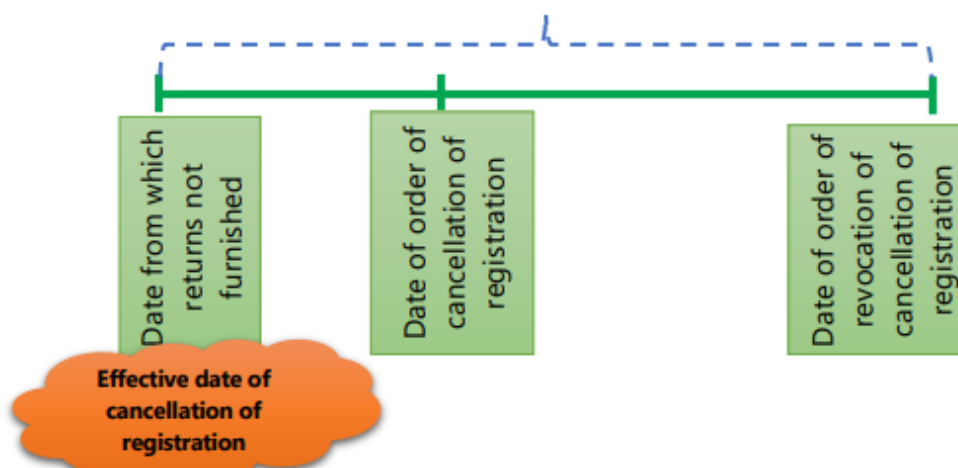
Where the registration has been cancelled with retrospective:

Where the registration has been cancelled with retrospective effect, it is **not possible to furnish the returns** before filing the application for



revocation of cancellation of registration.

Returns for this period to be filed within 30 days of the order of revocation of cancellation



Note:

- UIN Holders, GST Practitioner cannot apply for revocation of cancelled registration.
- In case the registration is cancelled on the request of the taxpayer or his legal heir, one cannot apply for revocation of cancelled registration.
- The revocation of cancellation of registration under the SGST Act/ UTGST Act, as the case may be, shall be deemed to be a revocation of cancellation of registration under CGST Act.

Amendments made vide the finance (no. 2) act, 2024

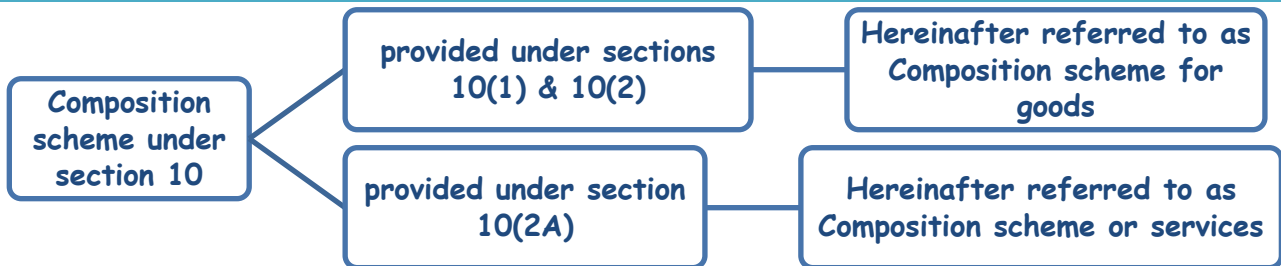
The below amendments are applicable for students appearing for September'25 exams.

Section No	Provisions as amended by the Finance (No. 2) Act, 2024	Remarks
30	Sub-section (2) The proper officer may, in such manner and within such period as may be prescribed, by order, either revoke cancellation of the registration or reject the application. Provided that the application for revocation of cancellation of registration shall not be rejected unless the applicant has been given an opportunity of being heard. Provided further that such revocation of cancellation of registration shall be subject to such conditions and restrictions, as may be prescribed.	New proviso in sub-section (2) of section 30 has been incorporated, so as to provide for an enabling clause to prescribe conditions and restrictions for revocation of cancellation of registration.

5. COMPOSITION LEVY

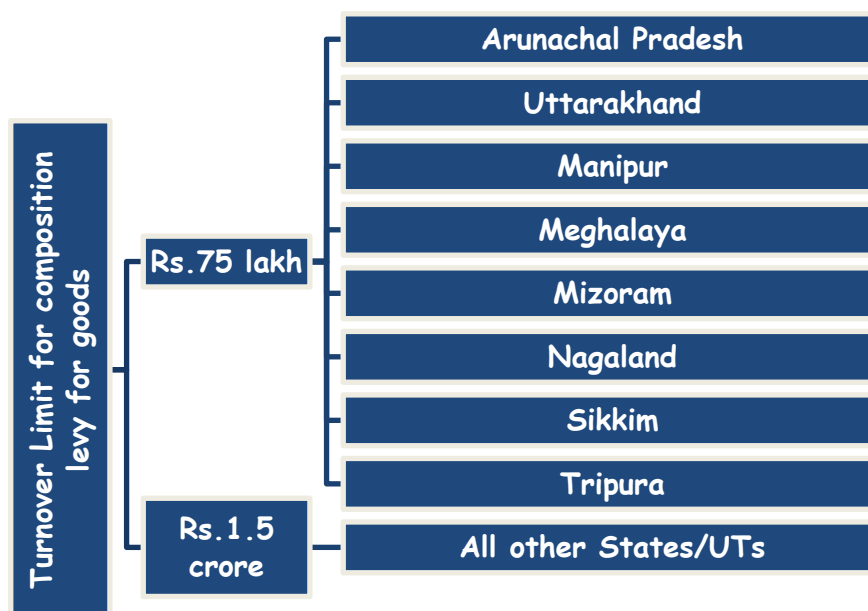
1. Overview of the scheme:

Objective	The composition levy is an alternative tax scheme designed for small taxpayers to simplify compliance and reduce costs.
Scope of Scheme	Initially, it covered small traders, manufacturers, and restaurant service providers (excluding those supplying alcoholic liquor). Over time, suppliers under the composition scheme could also supply a limited value of other services .
Invoicing and Compliance	- Suppliers opting for composition levy issue a Bill of Supply instead of a tax invoice and do not charge tax separately. - No need to classify goods/services or determine tax rates.
Payment and Returns	- Tax is paid quarterly on the total turnover (Form GST CMP-08). No input tax credit is available. - Returns are filed annually.



2. Turnover limit for opting for composition levy [section 10(1), 10(2a) & 10(3)]

a. Turnover limit in case of composition levy for goods:



The option to avail the composition scheme under section 10(1) shall lapse with effect

from the day on which his aggregate turnover during a FY exceeds the threshold limit of Rs.1.5 crore [Rs.75 lakh in 8 specified special category States] [Section 10(3)].

b. Turnover limit in case of composition levy for services under 10(2A):

- i. Sec 10(2A) provides the turnover limit of Rs.50 lakh in the preceding FY for becoming eligible for composition levy under section 10(2A).
- ii. Further, the option of a registered person to avail composition scheme under section 10(2A) shall lapse with effect from the day on which his aggregate turnover during a FY exceeds the threshold limit of Rs.50 lakh [Section 10(3)].

3. Aggregate turnover under composition levy [Section 2(6) read with explanation 1 to section 10]:

The definition of aggregate turnover as contained in section 2(6) is analysed as follows:

The aggregate turnover is the sum of value of all outward supplies falling in the following four categories

- ☐ Taxable supplies
- ☐ Exempt supplies
- ☐ Exports of goods or services or both
- ☒ Inter-State supplies

It excludes:

- ☐ The value of inward supplies on which tax is payable by a person on reverse charge basis
- ☐ Taxes including cess paid under GST law.

It is computed on all India basis for a person having same PAN.

Further, explanation 1 to section 10 clarifies that for the purposes of computing aggregate turnover of a registered person for determining his eligibility to pay tax under this section, aggregate turnover_

- **includes** value of supplies from 1st April of a FY up to the date of his becoming liable for registration and
- **excludes** value of exempt supply of services provided by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount.

Note: The value of exports and inter-State supplies are relevant only while determining the aggregate turnover of the preceding FY. These values are not relevant for determining the aggregate turnover of the current FY in which the composition supplier has opted for composition levy as he is not permitted to make inter-State supplies and exports in the said FY.

4. Rates of tax under the composition levy scheme [Section 10(1) and section 10(2A) read with Rule 7]:

i. Rates of tax in case of composition levy for goods u/s 10(1):

S. No.	Category of registered persons	Rate of tax
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1.	Manufacturers , other than manufacturers of notified goods, i.e. ice cream, pan masala, tobacco, aerated waters, fly ash bricks; fly ash aggregate, fly ash blocks, bricks of fossil meals or similar siliceous earths, building bricks, earthen or roofing tiles.	$\frac{1}{2}$ % of the turnover in the State/Union territory
2.	Suppliers making supplies referred to in clause (b) of paragraph 6 of Schedule II [referred to as " Restaurant service " in discussion under this chapter]	$2\frac{1}{2}$ % of the turnover in the State/Union territory
3.	Any other supplier eligible for composition levy under section 10 of CGST Act and Chapter-II [Composition Levy] of CGST Rules.	$\frac{1}{2}$ % of turnover of taxable supplies of goods & services in the State/Union territory

Note - Students may note that the 'aggregate turnover' of preceding FY is relevant for the purpose of determining eligibility to avail composition scheme, but the tax has to be paid in accordance with the applicable rates on the 'turnover' (or 'turnover of taxable supplies' in case of third category of registered persons above) in a State/UT.

ii. **Rates of tax in case of composition levy for services u/s 10(2A):** A registered person opting for composition levy for services shall **pay tax @ 3% [Effective rate 6% (CGST+ SGST/UTGST)]** of the turnover of supplies of goods and services in the State or Union territory.

5. Turnover in State or turnover in Union territory under composition levy [Section 2(112) read with explanation 2 to section 10]:

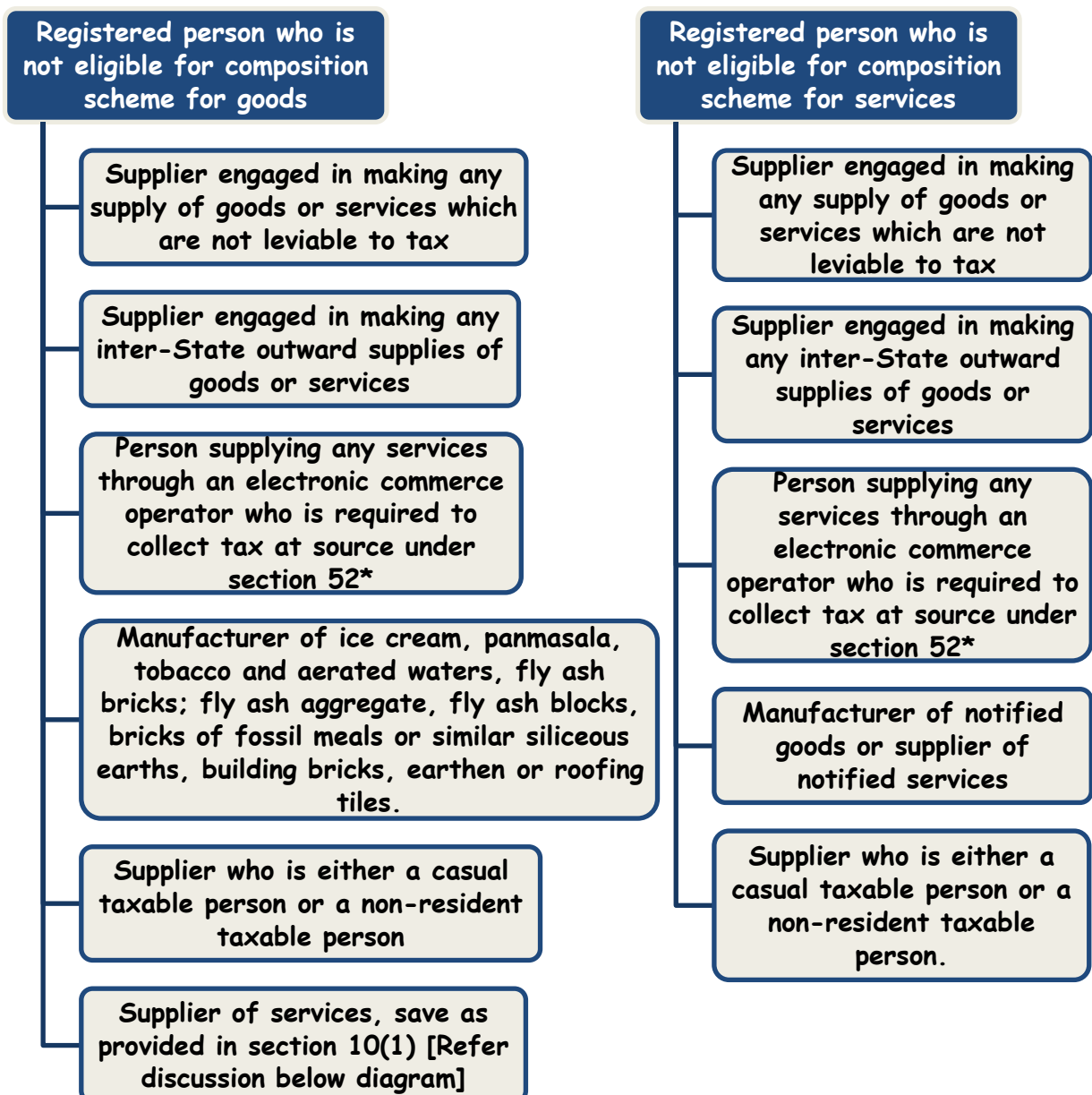
Section 2(112)	Turnover in State/Union Territory includes: • Taxable supplies (excluding inward supplies subject to reverse charge). • Exempt supplies made within the State/Union territory. • Exports of goods or services • Inter-State supplies of goods or services from the State/Union territory. Excludes:- Central tax, State tax, Union territory tax, integrated tax, and cess.
Explanation 2 to Section 10	Exclusions for determining tax payable under Section 10: - Supplies made from April 1 of a financial year up to the date the person becomes liable for registration under the Act. - Exempt supply of services involving deposits, loans, or advances, where the consideration is in the form of interest or discount.

Illustration:

Champak, a photographer in Delhi, started providing services in April with a quarterly turnover of Rs.20 lakh (April-June), Rs.30 lakh (July-Sept), and Rs.20 lakh (Oct-Dec). Initially eligible for the GST composition scheme for services due to no turnover in the preceding FY, he registered under the scheme upon exceeding Rs.20 lakh in turnover.

For the Rs.30 lakh turnover (July-Sept), he paid tax at 6% (3% CGST and 3% SGST), amounting to Rs.1,80,000 (Rs.90,000 each for CGST and SGST). Once his aggregate turnover reached Rs.50 lakh by the end of the July-Sept quarter, his composition scheme eligibility lapsed. For the Oct-Dec turnover of Rs.20 lakh, he paid tax at the normal rate of 18%, amounting to Rs.3,60,000.

6. Who are NOT eligible to opt for composition scheme? [Section 10(2) and (2A)]



7. Persons engaged in marginal supply of services other than restaurant services is eligible for composition levy under 10(1) and (2):

A person engaged in a marginal supply of services (other than restaurant service) is still eligible for composition levy on goods as per the second proviso to section 10(1) read with section 10(2)(a).

Instances occur where a manufacturer or trader also supplies a small percentage of other services, or where a restaurant service provider offers a small percentage of non-restaurant services.

To accommodate such cases, the second proviso to section 10(1) allows marginal supply of non-restaurant services. This marginal supply is limited **to the higher of:**

- a. **10% of the turnover in a State/UT in the preceding financial year, or**
- b. **Rs.5 lakh.**

8. Interest income to be excluded for determining the value of turnover in a State or Union territory under second proviso to section 10(1) [Explanation to second proviso to section 10(1)]:

Explanation after second proviso to Section 10(1)	Clarifies that the value of exempt services provided by way of extending deposits, loans, or advances , where the consideration is in the form of interest or discount, is excluded from determining turnover in a State/Union territory.
Second proviso to Section 10(1)	Interest on loans, deposits, or advances is excluded from the computation of value of marginal supply of services.
Applicability	The provisions relating to composition levy apply to both goods under Section 10(1) and services under Section 10(2A).

9. Conditions and restrictions for composition levy [Rule 5]:

Person opting for composition levy has to comply with the following conditions:

- a. He shall **pay tax under section 9(3)/9(4) (reverse charge)** on inward supply.
- b. He is neither a **CTP nor a NRTP**.
- c. He shall mention the words **"composition taxable person, not eligible to collect tax on supplies"** at the top of the bill of supply issued by him; and
- d. He shall **mention the words "composition taxable person"** on every notice or signboard displayed at a prominent place at his principal place of business and at every additional place or places of business.
- e. Further, **where the goods held in stock by him are liable to be taxed under reverse charge** under section 9(4), the tax thereon has been paid under reverse charge under section 9(4).
- f. In addition to the above conditions, **a registered person opting for composition scheme for goods under section 10(1) must not be engaged in the manufacture**

of goods as notified under section 10(2)(e), during the preceding FY. The following goods have been hereby notified vide Notification No. 14/2019 CT dated 07.03.2019 as amended:

Tariff item, subheading, heading or Chapter	Description
2105 00 00	Ice cream and other edible ice, whether or not containing cocoa
2106 90 20	Pan masala
24	All goods, i.e. Tobacco and manufactured tobacco substitutes
2202 1010	Aerated Waters
6815	Fly ash bricks; fly ash aggregate; Fly ash blocks
6901 00 10	Bricks of fossil meals or similar siliceous Earths
6904 10 00	Building bricks
6905 10 00	Earthen or roofing tiles

10. Intimation of opting for composition levy [Rules 3 & 4]

- A person applying for registration can opt for composition levy in **Part B of Form GST REG-01**.
 - This intimation is valid only after registration is granted.
 - The option is **effective from the date of registration**.
- a. A registered person opting for composition levy must **electronically file an intimation** in the prescribed form on the GST Common Portal (www.gst.gov.in) **before the start of the financial year** for which the option is exercised.
 - b. The registered person **must furnish a statement** as per rule 44(4) **within 60 days** from the start of the financial year.
 - c. Intimation for one place of business in a State/Union territory **applies to all business locations registered under the same PAN**.
 - d. The option is effective from the **beginning of the financial year**.

11. Validity of composition levy [Section 10(3) read with rule 6]:

- i. **Withdrawal from the composition scheme by a taxpayer who ceases to satisfy any of the prescribed conditions**

Validity	A registered person's option to pay under the composition levy remains valid as long as they meet all the prescribed conditions.
Transition to Regular Scheme:	If conditions for composition are no longer met, the registered person must switch to the regular taxation scheme under section 9(1) from that day onwards. They must start issuing tax invoices for every taxable supply and file an intimation for withdrawal from the composition scheme in the prescribed form within 7 days of the event.

Effective Date of Withdrawal:	The withdrawal from the composition scheme takes effect from the date mentioned in the intimation . However, this date cannot be earlier than the start of the financial year in which the intimation is filed.
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ii. Withdrawal from the composition scheme by a taxpayer who intends to withdraw from the said scheme

- A registered person intending to withdraw from the composition scheme **must file an application** in the prescribed form before the withdrawal date.
- The withdrawal will take effect from the date specified in the application, which **cannot be earlier than the start of the financial year** in which the application is filed.

iii. Denial of option to pay tax under the composition scheme by tax authorities:

Issuance of Show Cause Notice (SCN)	If the proper officer believes that a registered person is ineligible for the composition scheme or has violated the CGST Act/Rules, an SCN may be issued.
Action upon receipt of reply to SCN	The proper officer may : • Accept the reply and take no further action, or • Deny the option to pay tax under the composition scheme from the relevant date.
Effective date of denial	The effective date for denial of the composition levy option, as determined by the tax authorities, may include a retrospective date but not earlier than the date of contravention .

Note:

- a. A person withdrawing or denied the option under the composition scheme **must submit a statement** in the prescribed form detailing the stock of inputs, semi-finished, and finished goods held on the withdrawal/denial date **within 30 days of the effective date**.
- b. Any intimation or application for withdrawal or denial of the composition scheme for one place of business **will automatically apply to all other places** of business registered under the same PAN.

12. Composition scheme to be adopted uniformly by all the registered persons having the same PAN [Proviso to section 10(2) and proviso to section 10(2A)]

All registered persons having the same Permanent Account Number (PAN) have to opt for composition scheme. If one such registered person opts for normal scheme, others become ineligible for composition scheme..

13. Composition scheme supplier cannot collect tax [Section 10(4)]

Taxable person opting for the composition scheme **shall not collect tax from the**

recipient on supplies made by him. It implies that a composition scheme supplier cannot issue a tax invoice.

14. Composition scheme supplier cannot enter credit chain [Section 10(4)]

Taxable person opting for the composition scheme shall not be entitled to any credit of input tax.

15. Imposition of penalty in case of irregular availment of the composition scheme [Section 10(5)]

If a taxable person has paid tax under the composition scheme though he was not eligible for the scheme, the person would be liable to penalty and the provisions of section 73 or 74 of the CGST Act shall be applicable for determination of tax and penalty.

16. Amendments made vide the finance (no.2) act, 2024

Students appearing in September 2025 examination should read the amended provisions given hereunder in place of the related provisions discussed in the chapter.

Section No.	Existing provisions	Provisions as amended by the Finance (No. 2) Act, 2024	Remarks
10(5)	If the proper officer has reasons to believe that a taxable person has paid tax under sub-section (1) or sub-section (2A), as the case may be, despite not being eligible, such person shall, in addition to any tax that may be payable by him under any other provisions of this Act, be liable to a penalty and the provisions of section 73 or section 74 shall, mutatis mutandis, apply for determination of tax and penalty.	If the proper officer has reasons to believe that a taxable person has paid tax under sub-section (1) or sub-section (2A), as the case may be, despite not being eligible, such person shall, in addition to any tax that may be payable by him under any other provisions of this Act, be liable to a penalty and the provisions of section 73 or section 74 or section 74A shall, mutatis mutandis, apply for determination of tax and penalty.	Sub-section (5) of section 10 has been amended, so as to incorporate a reference to the new section 74A in the said sub-section.

6. EXEMPTIONS FROM GST

Introduction

Exempt supply	It refers to supply of any goods/services/both which attracts nil rate of tax or wholly exempt from tax and includes non-taxable supply.
Non-taxable supply [Section 2(78)]	Non-taxable supply means a supply of goods/services/both which is not leviable to tax under CGST Act or under the IGST Act. It is also included within the purview of ' exempt supply '.

Power to grant exemption from GST has been granted vide section 11 of the CGST Act and vide section 6 of the IGST Act. State GST laws also contain identical provisions.

It is important to note that exemption under GST may be provided in any of the following manner:

a.	Exemption to specified activities or transactions Sometimes, exemption is provided in respect of specified activities or transactions (status of the supplier/recipient is immaterial).
b.	Exemption to specified suppliers At times, exemption is given to specified suppliers only (status of recipient/transactions becomes immaterial).
c.	Exemption to specified recipients In some cases, exemption is given to specified recipient only (status of supplier /transactions becomes immaterial). (1) <i>Services provided to the CG, SG, UT etc.</i>
d.	Exemption to specified suppliers and specified recipients: Sometimes, exemption is given only when activities or transactions are carried out by specified suppliers for specified recipients only . (1) <i>Services by NPS Trust to its members against administration fees.</i>

Power to grant exemption from tax [section 11 of the CGST act/section 6 of the IGST act]

Exemption: Compulsory or Optional	
1. Absolute/ Unconditional Exemption	An absolute exemption is mandatory , meaning if goods or services are fully exempt from tax, the registered person cannot collect or pay tax on such supplies .
2. Partial Unconditional	If goods or services are partially exempt , the registered person cannot collect or pay tax beyond the effective reduced rate .
3. Conditional Exemption	However, where the exemption is conditional, it is at the option of the registered person whether to avail the same or not.

Explanation Inserted Within 1 Year for Clarifying Scope or Applicability
1. Issuance of Explanation Within 1 Year

The Government can issue an explanation within one year to clarify the scope or applicability of a notification or order, with retrospective effect from the date of its original issue. The inserted explanation for a specific notification entry is effective from the entry's inception, not from the notification's effective date.

Note: Similar provisions to exempt IGST are provided under section 6 of the IGST Act.

Goods exempt from tax

Under GST, everyday items used by the common man have been included in the list of exempted items.

Some of the examples of the goods exempted from tax have been provided herein:

- Live fish (0301)
- Fresh Milk (0401)
- Potatoes (0701)
- Grapes (0806)
- Indian National Flag (63)
- Plastic Bangles (3926)

List of services exempt from tax
I. Specific services exempt from CGST and IGST

Notification No. 12/2017 Central Tax (Rate) dated 28.06.2017 (hereafter referred to as "the Notification"), has exempted the various services wholly from CGST.

1. Charitable and religious activities:

Entry No.	Description of services
1.	Services by an entity registered under section 12AA/12AB of the Income-tax Act, 1961 by way of charitable activities.
13	Services by a person by way of- a. conduct of any religious ceremony; b. renting of precincts of a religious place meant for general public, owned or managed by an entity registered as a charitable or religious trust under section 12AA/12AB of the Income-tax Act, 1961 or a trust or an institution registered under section 10(23C)(v) of the Income-tax Act or a body or an authority covered under section 10(23BBA) of the said Income-tax Act. However, nothing contained in entry (b) of this exemption shall apply to- i. renting of rooms where charges are Rs.1,000 or more per day; ii. renting of premises, community halls, kalyanmandapam or open area, and the like where charges are Rs.10,000 or more per day;

	iii. renting of shops or other spaces for business or commerce where charges are Rs.10,000 or more per month .
60	Services by a specified organisation in respect of a religious pilgrimage facilitated by the Government of India, under bilateral arrangement.
80	Services by way of training or coaching in- a. recreational activities relating to arts or culture, by an individual, or b. sports by charitable entities registered under section 12AA or 12AB of the Income-tax Act.

A. Services provided by charitable/religious trust:

To claim exemption under Entry 1, following two conditions must be satisfied:-

- Entity must be **registered u/s 12AA/12AB** of the Income tax Act, 1961, and
- The entity **must carry out one or more of the specified charitable activities**.

Charitable activities: 'Charitable activities' means activities relating to-

I. Public health	by way of- A. care or counseling of i. terminally ill persons or persons with severe physical or mental disability; ii. persons afflicted with HIV or AIDS; iii. persons addicted to a dependence-forming substance such as narcotics drugs or alcohol; or B. public awareness of preventive health, family planning or prevention of HIV infection;
II. Advancement of religion, spirituality or yoga	
III. Advancement of educational programmes / skill development	relating to,- A. abandoned, orphaned or homeless children; B. physically or mentally abused and traumatized persons; C. prisoners; or D. persons over the age of 65 years residing in a rural area;
IV. Preservation of environment	including watershed, forests & wildlife.

- Only services by charitable/religious trusts registered under Section 12AA/12AB of the Income-tax Act that qualify as "**charitable activities**" are **GST-exempt**. Other services, like advertising rights or admission fees, are taxable.

1. In the following paras, we have examined some of the services supplied by the entities registered under section 12AA/12AB of the Income-tax Act:

Management of Educational Institutions by Charitable Trusts

- Educational institutions operated by charitable trusts providing education or skill development to **abandoned, orphaned, homeless children, physically or mentally abused individuals, prisoners, or persons aged 65 years or above** in rural areas are considered charitable activities.



- Income from such activities is **fully exempt** from GST.
- A rural area is a **village as defined in land revenue records**, excluding regions under municipal committees, corporations, town area committees, cantonment boards, or notified/declared urban areas by the Central or State Government.
- Activities of a school, college, or institution run by a trust that do not meet the definition of charitable activities are **not exempt under Entry 1**. However, they may still be exempt **under Entry 66** if the institution qualifies as an "educational institution."

Hostel Accommodation Provided by Trusts	Hostel accommodation services provided by trusts to students do not fall within the ambit of charitable activities as defined above.
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Religious Yatras or Pilgrimage

- Exemption applies only to services of religious pilgrimage provided by **specified organizations under a Government of India (GoI)** facilitated bilateral arrangement.
- The specified organizations are:
 - Kumaon Mandal Vikas Nigam Limited (**KMVN**), a Government of Uttarakhand undertaking.
 - The Haj Committee** of India or any State Haj Committee (including a Joint State Committee)

Arranging Yoga and Meditation Camps by Charitable Trusts

- Residential programs or camps including lodging and boarding are exempt, **provided their primary purpose is to advance religion, spirituality, or yoga**.
- However, if the charitable or religious trust **primarily offers accommodation or serves food and drinks** for consideration, these activities are **taxable**. Similarly, fitness camps (aerobics, dance, music, etc.) are taxable.

Hospitals Managed by Charitable Trusts	Exemption available to healthcare services under Entry 74 applies to health care services provided by a clinical establishment, an authorized medical practitioner, or paramedics of a religious or charitable trust .
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Training or Coaching in Arts, Culture or Sports

- Under Entry 80, services of training or coaching in:
 - Recreational activities** related to arts or culture **by an individual**.
 - Sports by a charitable entity** registered under section 12AA or 12AB of the Income-tax Act are exempt from GST.
- All forms of arts, culture, or sports are included (e.g., dance, music, painting, sculpture, literature, theatre, various sports).

GST on Services Provided to Charitable Trusts	Services provided to charitable or religious trusts are not outside the ambit of GST . Unless specifically exempted, all goods and services supplied to charitable or religious trusts are subject to GST.
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B. Conduct of any religious ceremony:

Charges for conducting religious ceremonies are exempt from GST. These ceremonies include life-cycle rituals like birth, marriage, and death, performed as per religious texts by authorized persons.

C. Renting of precincts of religious place meant for general public:

Exemption under Entry 13(b)	GST exemption is granted for renting the precincts of a religious place meant for the general public, owned by an entity registered under Income Tax Act sections, provided the consideration charged does not exceed the specified ceiling limits.
Definition of Religious Place	A religious place is primarily used for prayers, worship, meditation, or spirituality.
General Public	Refers to a broad group of individuals identified by common, impersonal qualities.
Interpretation of 'Precincts'	Includes all immovable property within the outer boundary walls of the religious place and any immovable property in its immediate vicinity owned or managed by the same religious place.
Taxable Activities	Activities other than conducting religious ceremonies and renting the precincts of a religious place are taxable, regardless of how consideration is received.
Donation-related GST	Donations tied to promoting a donor's business are subject to GST, while unconditional donations with mere recognition of the donor's name as gratitude are not taxable.

2. Agriculture related services

Entry No.	Description of services
24	Services by way of loading, unloading, packing, storage or warehousing of rice.
24A	Services by way of warehousing of minor forest produce.
24B	Services by way of storage/ warehousing of cereals, pulses, fruits and vegetables
54	Services relating to cultivation of plants and rearing of all life forms of animals, except the rearing of horses, for food, fibre, fuel, raw material or other similar products or agricultural produce by way of— a. agricultural operations directly related to production of any agricultural produce including cultivation, harvesting, threshing, plant protection or testing; b. supply of farm labour; c. processes carried out at an agricultural farm including tending,

	pruning, cutting, harvesting, drying, cleaning, trimming, sun drying, fumigating, curing, sorting, grading, cooling or bulk packaging and such like operations which do not alter the essential characteristics of agricultural produce but make it only marketable for the primary market; d. renting or leasing of agro machinery or vacant land with or without a structure incidental to its use; e. loading, unloading, packing, storage or warehousing of agricultural produce; f. agricultural extension services; g. services by any Agricultural Produce Marketing Committee or Board or services provided by a commission agent for sale or purchase of agricultural produce.
55	Carrying out an intermediate production process as job work in relation to cultivation of plants and rearing of all life forms of animals, except the rearing of horses, for food, fibre, fuel, raw material or other similar products or agricultural produce.
55A	Services by way of artificial insemination of livestock (other than horses).

A. Entry 54:

- Entry 54 includes activities like breeding of fish (pisciculture), rearing of silkworms (sericulture), cultivation of ornamental flowers (floriculture), and horticulture, forestry, etc.
- "Agricultural produce"** refers to produce obtained from the cultivation of plants and the rearing of all life forms of animals (except horses) for food, fibre, fuel, raw materials, or similar products, on which **no further processing is done, or only such processing as is normally done by a cultivator or producer that does not alter the essential characteristics** of the produce but makes it marketable for the primary market.
- Let us examine what is exempt under Entry 54:

Exempt Agricultural Operations	Entry 54 exempts agricultural operations directly related to production of agricultural produce (e.g., cultivation, harvesting, threshing, plant protection, testing).
Processes at Farm Level	Processes like tending, pruning, cutting, harvesting, drying, cleaning, trimming, sun drying, fumigating, curing, sorting, grading, cooling, or bulk packaging, which do not alter the essential characteristics of the produce and only make it marketable at the primary market , are exempt.
Non-Exempt Processes	Processes altering the essential characteristics of agricultural produce (e.g., making potato chips, tomato ketchup) are taxable. Processes making produce marketable at the retail level

	(e.g., grinding, sterilizing, extracting, packing in retail packs) are not covered by the exemption.
Supply of farm labour is exempt.	
Renting or Leasing	Renting or leasing of agro machinery or vacant land (with or without structures incidental to its agricultural use) is exempt . <i>Illustration: Leasing vacant land with a greenhouse and a storage shed for agriculture is exempt.</i>
Agricultural Extension Services (AES)	• Exempts AES which involve applying scientific research and knowledge to agricultural practices through farmer education/training • Involves training courses, kisan call centres, farm visits, on-farm trials, kisan melas, kisan clubs, advisory bulletins, etc.
APMC/Boards and Commission Agents	• Services by Agricultural Produce Marketing Committees (APMCs)/Boards or by commission agents for sale/purchase of agricultural produce are exempt • Only services directly related to agricultural produce are exempt; other commercial services (e.g., renting shops) are taxable.
Warehousing of Agricultural Produce • Loading, unloading, packing, storage, or warehousing of agricultural produce is exempt. • Processed tea/coffee: Green tea leaves/coffee beans in unprocessed form are agricultural produce; processed tea/coffee are not. • Jaggery: Not agricultural produce due to alteration of essential characteristics of sugarcane. • Pulses: Dehusked or split pulses are not agricultural produce as processing is not done by farmers at farm level. • Processed products (tea, processed coffee, jaggery, processed spices, processed dry fruits, processed cashew nuts) are not agricultural produce and are outside the scope of this exemption.	

B. ENTRY 55:**1. Custom milling of paddy into rice:**

- Milling of paddy **is not considered an intermediate production process** associated with cultivation. It occurs after cultivation and harvesting of paddy. It is typically performed by rice millers, not cultivators.
- Milling **alters the essential characteristics** of paddy. It **does not qualify as an intermediate production process** related to cultivation and is therefore **not exempt** under Entry 55 of GST provisions.

3. Educational services

Entry	Description of services
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No.	
66	Services provided - a. by an educational institution to its students, faculty and staff; - aa. by an educational institution by way of conduct of entrance examination against consideration in the form of entrance fee; b. to an educational institution, by way of,- i. transportation of students, faculty and staff; ii. catering, including any mid-day meals scheme sponsored by the Central Government, State Government or Union territory; iii. security or cleaning or house-keeping services performed in such educational institution; iv. services relating to admission to, or conduct of examination by, such institution; v. supply of online educational journals or periodicals. However, nothing contained in sub-items (i), (ii) and (iii) of item (b) shall apply to an educational institution other than an institution providing services by way of pre-school education and education up to higher secondary school or equivalent. Further, nothing contained in sub-item (v) of item (b) shall apply to an institution providing services by way of,- i. pre-school education and education up to higher secondary school or equivalent; or ii. education as a part of an approved vocational education course.
66A	Services of affiliation provided by a Central or State Educational Board or Council or any other similar body, by whatever name called, to a school established, owned or controlled by the Central Government, State Government, Union Territory, local authority, Governmental authority or Government entity.

OUTPUT SERVICES

Services provided by an educational institution to its students, faculty and staff and by way of conduct of entrance examination against consideration in the form of entrance fee are exempt from GST.

It is important to analyse the term educational institution first.

Educational institution means an institution providing services by way of,-

- i. pre-school education and education up to higher secondary school or equivalent;
- ii. education as a part of a curriculum for obtaining a qualification recognised by any law for the time being in force;
- iii. education as a part of an approved vocational education course.

- **Sub-clause (ii):**

Education services provided	Covered in sub-clause (ii)	Reasons
Conduct of degree courses by colleges, universities or institutions	✓	These courses lead to grant of qualifications recognized by law
Training given by private coaching institutes	✗	Such training does not lead to grant of a recognized qualification.
Education as a part of a prescribed curriculum for obtaining a qualification recognized by a law of a foreign country	✗	Only a course recognized by an Indian law is covered herein.

- **Sub-clause (i):** An institution providing pre-school education and education up to higher secondary school or equivalent qualify as an educational institution.
- **Sub-clause (iii):** covers institutions providing services by way of education as a part of approved vocational education course.
- An **approved vocational education course** means,

Designated Trades	• Courses offered by institutions affiliated with the National Council for Vocational Education and Training (NCVET) or State Council for Vocational Training (SCVT) in designated trades notified under the Apprentices Act, 1961. • A designated trade refers to any trade, occupation, or vocational subject in engineering, non-engineering, or technology specified by the Central Government after consulting the Central Apprenticeship Council.
Modular Employable Skill (MES) Courses	MES courses, approved by NCVET and conducted by registered trainers, provide skill training for employment or self-employment. They target school dropouts, workers seeking skill upgrades, and those needing certification for informal skills, with certification awarded upon completion to boost employability.

- In view of the above definition, some of the institutions providing education services have been examined as under:

Private ITIs

- Private ITIs qualify if they provide approved vocational courses
- Services for designated trades under the Apprentices Act, 1961, are exempt from GST. Services for non-designated trades are taxable.
- Services for entrance exams (entrance fee) and services related to admission or examination conduct for designated trades are exempt from GST.
- Services provided by/to private ITIs for non-designated trades are taxable.

Government ITIs

- Services provided by Government ITIs to trainees/students are exempt under Entry 6 (services by Central/State Governments to individuals).
- Exemption includes vocational training and examinations conducted by Government ITIs.

Unrecognized Institutions

Private coaching centers or unrecognized institutions are not treated as educational institutions under GST and cannot claim related exemptions.

• Educational institutions up to Higher Secondary Schools:

Educational institutions providing education up to higher secondary school level are exempt from GST on:

- Output services.
- Specified input services.

Lodging/boarding services in hostels provided by institutions offering:

- Pre-school education.
- Education up to higher secondary level or equivalent.
- Education leading to a qualification recognized by law.

Annual subscription/fees for hostel accommodation do not attract GST.

Boarding Schools

Composite Supply	• Boarding schools provide education coupled with lodging and food, which may be considered a composite supply if charges for these services are inseparable. • Taxability will be determined as per Section 8.
Naturally Bundled Services:	• The services are naturally bundled in the ordinary course of business. • The principal supply (education) determines the taxability of the entire bundle.
Tax Exemption:	Since education is the predominant service, the entire consideration for the supply will be exempt from GST.

• Dual Qualification:

Nature of Dual Qualifications	Dual qualifications are treated as two separate services because:
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	- Each qualification has its own curriculum and fees. - Services for each qualification are assessed separately.
Artificial Bundling of Services	If two courses are bundled together with a single fee, and only one leads to a qualification recognized by law: - The bundling is considered artificial and not naturally occurring in business. - Such a scenario is treated as a mixed supply u/s 8.
Taxability	For mixed supplies, the taxability is determined by the supply that attracts the highest GST rate.

• **Incidental auxiliary services:**

- However, incidental auxiliary courses provided by way of hobby classes or extra-curricular activities in furtherance of overall well-being will be an example of naturally bundled course, and therefore treated as composite supply.
- If extra billing is being done, it may be a case of artificial bundling of two different supplies, not supplied together in the ordinary course of business, and therefore will be treated as a mixed supply, attracting the rate of the higher taxed component for the entire consideration.

• **IIM'S**

IIMs	IIMs qualify as "educational institutions"
Long-Duration Programs (≥ 1 Year)	these programs are exempt from GST.
Short-Duration Programs (< 1 Year)	- They short-term programs for executives/professionals, awarding certificates, which do not qualify as recognized qualifications. - These are not exempt from GST, and GST is payable on such services.

• **Central and State Education Boards:**

Central and State Educational Boards	These Boards, including the National Board of Examination (NBE), are treated as "educational institutions" only for the purpose of providing services related to the conduct of examinations for students.
Services Provided by Educational Boards	- Conducting entrance examinations for admission to educational institutions. - Offering input services for conducting such exams. - Accrediting educational institutions or professionals to authorize them to provide specific services.

GST Exemption on Examination Services	GST is exempt on: - Services provided by Central or State Boards (e.g., NBE) for conducting examinations, including entrance exams for admission to educational institutions (Entry 66(aa)). Input services related to admission or the conduct of examinations, such as online testing services, result publication, and printing of admit cards or question papers (Entry 66(b)(iv)).
GST Applicability on Other Services	GST is applicable to services like accreditation of institutions or professionals (e.g., accreditation fee or registration fee for FMGE screening tests) to authorize them to provide specific services.

• **Other output services:**

Supply of Food in a Mess or Canteen	- Catering services provided by an educational institution to its students, faculty, and staff are exempt (covered under item (a) of Entry 66). - Catering services provided by an outside contractor to the educational institution attract GST unless provided to institutions offering pre-school or up to higher secondary education.
Supply of Food in Anganwadis	Serving food to anganwadis is exempt from GST under this provision.
Entrance Fee and Related Services	- Entry 66 exempts services provided: - By an educational institution to its students, faculty, and staff. - By way of entrance examinations (including fees for admission, application, eligibility certificates, or migration certificates). - These activities by educational institutions are exempt from GST.
Fees Charged from Prospective Employers	Services provided by educational institutions like IITs/IIMs to corporate houses/MNCs for campus recruitment are subject to GST .
Maritime Courses Approved by DG Shipping	- These are considered educational institutions. - Courses conducted by them are exempt from GST, subject to specified conditions.
Approved Flying Training Courses by DGCA	- Flying Training Organizations (FTOs) approved by the Directorate General of Civil Aviation (DGCA) are considered educational institutions. - Approved flying training courses mandating completion

certificates are exempt from GST.

- Exemption applies as these courses are part of a curriculum leading to a qualification recognized by law.

• **Input services:**

- Regarding, input services, it may be noted that where output services are exempted, the educational institutions may not be able to avail credit of tax paid on the input side.
- The auxiliary education services [services which educational institutions ordinarily carry out themselves but may obtain as outsourced services from any other person] specified in item (b) of entry 66 only have been exempted [Sub- items (i) to (v) of item (b) of Entry 66].
- The exemptions available in respect of input and output services of an educational institution have been tabulated as follows:

Type of educational institution			
	Educational institution providing pre-school education and education up to higher secondary school or equivalent	Educational institution providing education as a part of a curriculum for obtaining a recognized qualification	Educational institution providing education as a part of approved vocational education course
Exempt input services	i. transportation of students, faculty and staff; ii. catering, including any mid-day meals scheme sponsored by the Central Government, State Government or Union territory; iii. security or cleaning or house-keeping services performed in such educational institution; iv. services relating to admission to, or conduct of examination by, such institution	i. services relating to admission to, or conduct of examination by, such institution ii. supply of online educational journals or periodicals	Services relating to admission to, or conduct of examination by, such institution
Exempt output	Services provided by an educational institution - a. to its students, faculty and staff;		

services	aa. by way of conduct of entrance examination against consideration in the form of entrance fee.
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Example:**1. Online Journals for Pre-Schools:**

- Little Millennium, a pre-school, subscribed to online journals on child development.
- **GST Applicability:** Services of supplying online educational journals or periodicals to pre-schools are **not exempt**.

2. Transportation Services:

- SM Transporters provided transportation services for students and faculty to Pathwheels School (higher secondary level).
- **GST Applicability:** Transportation services for students, faculty, and staff of institutions providing education up to higher secondary or equivalent are **exempt**.

3. Examination-Related Services:

- Shiksha College, offering recognized degree courses, engaged paper setters, examiners, and printing services for examinations.
- **GST Applicability:** Services related to admission or conduct of examinations for educational institutions are **exempt**.

4. Security and Housekeeping Services:

- Gyaani Public School hired Suvidha Services Ltd. for security and housekeeping.
 - **Within School Premises:** Exempt.
 - **Outside School Premises:** Security and housekeeping services for events like Annual Day held outside the school campus are **taxable**.

- **Affiliation services:**

Affiliation provided by universities to colleges:	
• Affiliation involves monitoring and ensuring that an institution meets the required standards (infrastructure, technical capabilities, faculty, etc.) to conduct courses and award degrees/titles on behalf of the university. These are not related to student admissions or the conduct of examinations. • The CBIC clarifies that these services are not exempt	
Affiliation provided by Central and State educational boards and councils or other similar bodies to schools:	
• Affiliation by educational boards or councils ensures that schools meet standards in infrastructure, finances, and faculty to operate under their authority. These are not related to student admissions or conduct of examinations. • Affiliation services provided to schools by Central or State educational boards/councils, or similar bodies, are taxable as clarified by CBIC. • Affiliation services provided to government schools (established, owned, or	

controlled by CG/SG,UT, local authority, governmental authority, or government entity) **are exempt** under Entry 66A.

4. Health care services

Entry No.	Description of services
46	Services by a veterinary clinic in relation to health care of animals or birds.
74	Services by way of- a. health care services by a clinical establishment, an authorised medical practitioner or para-medics; However, nothing in this entry shall apply to the services provided by a clinical establishment by way of providing room [other than Intensive Care Unit (ICU)/Critical Care Unit (CCU)/Intensive Cardiac Care Unit (ICCU)/Neo natal Intensive Care Unit (NICU)] having room charges exceeding Rs.5000 per day to a person receiving health care services. b. services provided by way of transportation of a patient in an ambulance, other than those specified in (a) above.

- **Health care services by a clinical establishment**, an authorised medical practitioner or para-medics are exempt from GST [Entry 74(a)].
- However, services provided by a clinical establishment **by way of providing room [ICU/CCU/ICCU/NICU] having room charges exceeding Rs.5000 per day** to a person receiving health care services will not be exempt.
- **Meaning of Health care services:** Health care services means
 - any service by way of **diagnosis or treatment** or care for illness, injury, deformity, abnormality or pregnancy in **any recognised system of medicines** in India and
 - includes services by way of **transportation of the patient to and from** a clinical establishment, but
 - **does not include hair transplant or cosmetic or plastic surgery**, except when undertaken to restore or to reconstruct anatomy or functions of body affected due to congenital defects, developmental abnormalities, injury or trauma.

Examples

1. Plastic surgeries like repairing a cleft lip are included in health care services as they reconstruct anatomy or body functions affected by congenital defects.
2. Palliative care whether provided at a clinical establishment, the patient's home, or elsewhere, qualifies as health care services.



Recognized Medical System

Following systems of medicines are the recognized systems of medicines in India:-

- **Allopathy, Yoga, Naturopathy, Ayurveda, Homeopathy, Siddha, Unani.** Any other system of medicine that may be recognized by Central Government.

Example: Reiki healing treatment is not a recognized system of medicines. Therefore, it is not included in health care services.

Clinical Establishment

It means:

- a **hospital, nursing home, clinic, sanatorium or any other institution** by, whatever name called, that offers services or facilities requiring **diagnosis or treatment or care** for illness, injury, deformity, abnormality or pregnancy in any recognised system of medicines in India, or
- a place established as **an independent entity or a part of an establishment** to carry out **diagnostic or investigative services** of diseases.

Thus, diagnostic or investigative services of diseases provided by pathological labs are not liable to GST.

Authorised Medical Practitioner

Means a medical practitioner **registered with any of the councils** of recognised system of medicines established/recognised by law in India & includes a medical professional **having requisite qualification to practice** in any recognised system of medicines in India as per any law for the time being in force.

Paramedics

- Paramedics are **trained health care professionals**, for example, nursing staff, physiotherapists, technicians, lab assistants etc.
- Services by them in a clinical establishment would be in the capacity of employee and not provided in independent capacity and will thus be considered as services by such clinical establishment.
- Similar services in independent capacity are also exempted.

Rent of Rooms Provided to In-patients

Rent of the rooms having room **charges upto Rs.5000 per day** to a person receiving health care services in hospitals is exempt.

Services by Senior Doctors/ Consultants/ Technicians

- Hospitals hire senior doctors/consultants/technicians independently. Such persons do not have any contract with patient. Hospitals **pay them consultancy charges** and there is no employer-employee relationship between them.
- It is clarified by CBIC that services provided by such senior doctors /consultants/ technicians, **whether employees or not**, are healthcare services which **are exempt from GST** [Circular No. 32/06/2018 GST dated 12.02.2018].

Amount Charged by Hospitals from Patients

- In above cases, suppose hospitals charge the patients, say, Rs.10,000/- and pay to the consultants/technicians only Rs.7,500/- and keep the balance for

providing ancillary services which include nursing care, infrastructure facilities, paramedic care, etc. It can be inferred that hospitals also provide healthcare services

- The **entire amount charged by them from the patients including the retention money** and the fee/payments made to the doctors etc., is towards the healthcare services provided by the hospitals to the patients **and is exempt**.

Food Supplied to Patients

- Health care services will include food supplied to the patients; but such food may be prepared by the canteens run by the hospitals or may be outsourced.
- When **outsourced**, there is no ambiguity that the suppliers shall **charge tax as applicable and hospital will get no ITC**.
- Food supplied **to the in-patients** as advised by the doctor/nutritionists is a part of composite supply of healthcare and **not separately taxable**.
- **Other supplies** of food by a hospital to patients (not admitted) or their attendants or visitors **are taxable**.

Ambulance services provided National Health Mission (NHM)

NHM is a flagship program of the Government of India providing technical and financial support to States for strengthening healthcare systems, including free ambulance services (Dial 102/108 services).

Provision of Free Ambulance Services

- **State Government Model:** Some SGs directly provide free ambulance services.
- **Outsourced Model:** Many States outsource the service to private service providers (PSPs), who charge a fee from the State Governments.

In both models, ambulance services are provided free of cost to patients.

Services provided by State Governments and PSPs for transportation of patients in ambulances are **exempt under Entry 74**.

Ambulance Services by PSPs Under NHM

- Ambulance services provided by PSPs on behalf of SGs (against fees or other considerations) **are exempt because:**
 - These relate to **"health and sanitation"** and **"public health,"** functions entrusted to Panchayats and Municipalities under Articles 243G and 243W.
- **Exemption applicability:**
 - **Entry 3:** If it is a pure service without any composite supply involving goods.
 - **Entry 3A:** If it is a composite supply of goods and services where the value of goods does not exceed 25% of the total value of the supply

Services other than health care services:	Other services such as renting of shops, auditoriums in the premises of the clinical establishment, display of advertisements etc. will be subject to GST .
Services by way of Assisted Reproductive	Since, the abnormality/disease/ailment of infertility is treated using ART procedure such as IVF, it is

Technology (ART) & In vitro fertilization (IVF):

clarified that services by way of IVF are also covered under the definition of health care services.

5. SERVICES PROVIDED BY GOVERNMENT

Entry No.	Description of services
4	Services by governmental authority by way of any activity in relation to any function entrusted to a municipality under article 243W of the Constitution are exempt.
5	Services by a governmental authority by way of any activity in relation to any function entrusted to a Panchayat under article 243G of the Constitution.
6	Services by the Central Government, State Government, Union territory or local authority excluding the following services— - services by the Department of Posts and the Ministry of Railways (Indian Railways); - services in relation to an aircraft or a vessel, inside or outside the precincts of a port or an airport; - transport of goods or passengers; or - any service, other than services covered under entries (a) to (c) above, provided to business entities.
7	Services provided by the Central Government, State Government, Union territory or local authority to a business entity with an aggregate turnover of up to such amount in the preceding financial year as makes it eligible for exemption from registration under the Central Goods and Services Tax Act, 2017 Explanation - For the purposes of this entry, it is hereby clarified that the provisions of this entry shall not be applicable to following services:- - item (a), (b) and (c) of Entry 6 above. - services by way of renting of immovable property.
8	Services provided by the Central Government, State Government, Union territory or local authority to another Central Government, State Government, Union territory or local authority. However, nothing contained in this entry shall apply to services referred in item (a), (b) and (c) of Entry 6 above.
9	Services provided by Central Government, State Government, Union territory or a local authority where the consideration for such services does not exceed Rs.5,000. However, nothing contained in this entry shall apply to services referred in item (a), (b) and (c) of Entry 6 above Further, in case where continuous supply of service* is provided by the Central Government, State Government, Union territory or a local



	authority, the exemption shall apply only where the consideration charged for such service does not exceed Rs.5,000 in a FY. *as defined in section 2(33)
9C	Supply of service by a Government Entity to Central Government, State Government, Union territory, local authority or any person specified by Central Government, State Government, Union territory or local authority against consideration received from Central Government, State Government, Union territory or local authority, in the form of grants.
9D	Services by: an old age home run by: ✓ Central Government, State Government or ✓ an entity registered under section 12AA/12AB of Income-tax Act, 1961 to its residents (aged 60 years or more) against consideration upto Rs.25,000 per month per member , provided that the consideration charged is inclusive of charges for boarding, lodging and maintenance.
9E	Services provided by Ministry of Railways (Indian Railways) to individuals by way of a. sale of platform tickets b. facility of retiring rooms/waiting rooms; c. cloak room services; d. battery operated car services
9F	Services provided by one zone/division under Ministry of Railways (Indian Railways) to another zone(s)/division(s) under Ministry of Railways (Indian Railways)
24C	Services by the Department of Posts by way of post card, inland letter, book post and ordinary post (envelopes weighing less than 10 grams).
34A	Services supplied by Central Government, State Government, Union territory to their undertakings or Public Sector Undertakings(PSUs) by way of guaranteeing the loans taken by such undertakings or PSUs from the banking companies and financial institutions ²⁸ .
47	Services provided by the Central Government, State Government, Union territory or local authority by way of- a. registration required under any law for the time being in force; b. testing, calibration, safety check or certification relating to protection or safety of workers, consumers or public at large, including fire license, required under any law for the time being in force.
61	Services provided by the Central Government, State Government, Union territory or local authority by way of issuance of passport, visa, driving license, birth certificate or death certificate.
62	Services provided by the Central Government, State Government, Union territory or local authority by way of tolerating non-performance of a

	contract for which consideration in the form of fines or liquidated damages is payable to the Central Government, State Government, Union territory or local authority under such contract.
63	Services provided by the Central Government, State Government, Union territory or local authority by way of assignment of right to use natural resources to an individual farmer for cultivation of plants and rearing of all life forms of animals, except the rearing of horses, for food, fibre, fuel, raw material or other similar products.
65	Services provided by the Central Government, State Government, Union territory by way of deputing officers after office hours or on holidays for inspection or container stuffing or such other duties in relation to import export cargo on payment of Merchant Overtime charges.
65B	Services supplied by a State Government to Excess Royalty Collection Contractor (ERCC) by way of assigning the right to collect royalty on behalf of the State Government on the mineral dispatched by the mining lease holders. However, at the end of the contract period, ERCC shall submit an account to the SG and certify that amount of GST deposited by mining lease holders on royalty is more than GST exempted on the service provided by SG to the ERCC of assignment of right to collect royalty and where such amount of GST paid by mining lease holders is less than the amount of GST exempted, the exemption shall be restricted to such amount as is equal to the amount of GST paid by the mining lease holders and the ERCC shall pay the difference between GST exempted on the service provided by SG to the ERCC of assignment of right to collect royalty and GST paid by the mining lease holders on royalty. Explanation- Mining lease holder means a person who has been granted mining lease, quarry lease or license or other mineral concession under the Mines and Minerals (Development and Regulation) Act, 1957, the rules made thereunder or the rules made by a State Government under section 15(1) of the said Act.
74A	Services provided by rehabilitation professionals recognised under the Rehabilitation Council of India Act, 1992 by way of rehabilitation, therapy or counselling and such other activity as covered by the said Act at medical establishments, educational institutions, rehabilitation centers established by Central Government, State Government or Union territory or an entity registered under section 12AA/12AB of the Income-tax Act, 1961.

➤ Meanings

Government

- As per section 2(53), 'Government' means the Central Government.
- Various State/UT (with Legislatures) GST Acts define 'Government' as the

Government of respective SG/UT.

- For UT (without State Legislatures), 'Government' means the Administrator or any Authority or officer authorized to act as Administrator by the CG.
- Regulatory bodies/agencies like Competition Commission of India, Press Council of India, etc., do not fall under the definition of Government.

Local Authority

Defined in section 2(69) and includes the following:

- A **Panchayat** as defined in clause (d) of article 243 of the Constitution;
- A **Municipality** as defined in clause (e) of article 243P of the Constitution;
- A **Municipal Committee, Zilla Parishad, District Board**, or any other authority legally entitled to or entrusted by the Central/State Government with the control or management of a municipal or local fund;
- A **Cantonment Board** as defined in section 3 of the Cantonments Act, 2006;
- A **Regional Council or District Council** constituted under the Sixth Schedule to the Constitution;
- A **Development Board** constituted under articles 371 and 371J of the Constitution;
- A **Regional Council constituted under article 371A** of the Constitution.

Note: Local authority does not include bodies like Delhi Development Authority, Ahmedabad Development Authority, Bangalore Development Authority, etc., which are described as 'local bodies' by local laws but do not meet the definition of a local authority.

Governmental Authority

An authority, board, or any other body:

- Set up by an Act of Parliament or State Legislature; or
- Established by any Government, with **90% or more participation by way of equity or control**, to carry out functions entrusted to a Municipality under article 243W or to a Panchayat under article 243G of the Constitution.

Government Entity

An authority, board, or any other body, including a society, trust, or corporation:

- Set up by an Act of Parliament or State Legislature; or
- Established by any Government, with **90% or more participation by way of equity or control**, to carry out a function entrusted by the Central Government, State Government, Union Territory, or a local authority.

- **Exemption to services provided by Government:** Not all services provided by the Government or a local authority are exempt from tax. As for instance, following services are not exempt:
- services by the **Department of Posts and the Ministry of railways**;
 - services in relation to an **aircraft or a vessel**, inside or outside the precincts of an airport or a port;
 - transport of goods or passengers**; or
 - any service, other than services covered under (a) to (c) above, **provided to**

business entities [with aggregate turnover exceeding such amount in the preceding FY as makes it eligible for exemption from registration].

Services mentioned in clause (a) to (c) above have been referred to as **"specified services"** in discussion hereunder.

➤ **Statutory collections made by the Real Estate Regulatory Authority (RERA):**

- RERA is 'governmental authority' and is covered under the scope of entry no. 4.
- It is hereby clarified that statutory collections made by RERA are covered under the entry no. 4 and thus, **exempt from GST**.

➤ **Services provided to a business entity**

Exemption Under Entry 7	- Services provided to a business entity are exempt if the entity's aggregate turnover in the preceding financial year qualifies for exemption from registration under the CGST Act. Exception: This exemption does not apply to specified services or renting of immovable property services.
Definition of Renting of Immovable Property	- Renting includes allowing, permitting, or granting access, entry, occupation, or use of immovable property, wholly or partly, with or without transfer of possession or control. - It also includes letting, leasing, licensing, or similar arrangements.
GST on Services Provided by Government or Local Authorities	GST on services (excluding specified services) provided by the Central Government, State Government, Union Territory, or local authority to a business entity (with turnover exceeding the exemption threshold) is payable under reverse charge by the business entity.
Exceptions to Reverse Charge	Reverse charge provisions do not apply to: - Renting of immovable property services provided to unregistered persons. - Specified services provided to such business entities.

Services provided by the Department of Posts	
- Services like post cards, inland letters, book posts, and ordinary posts (envelopes under 10 grams) are exempt under Entry 24C. - Services such as money orders, savings accounts, postal orders, pension payments, and agency services (e.g., distributing mutual funds, processing passport applications, collecting utility bills) are taxable. - The Department of Posts must pay GST on taxable services, and the reverse charge mechanism does not apply.	
Accommodation services supplied	Accommodation services provided by Air Force Mess and other similar messes, such as, Army mess, Navy mess,



by Air Force Mess and other similar messes to its personnel:	Paramilitary and Police forces mess to their personnel or any person other than a business entity are covered by Entry 6 provided the services supplied by such messes qualify to be considered as services supplied by Central Government, State Government, Union Territory or local authority.
Services provided by one Dept of the Government to another Dept:	Services (except specified services) provided by one Department of the Central Government/ State Government to another Department of the Central Government/ State Government are exempt under Entry 8.
Services by govt authority in relation to any function entrusted to Panchayat/ Municipality:	Services provided by governmental authority by way of any activity in relation to any function entrusted to a municipality under Article 243W and to a Panchayat under article 243G of the Constitution are exempt vide Entry 4 and Entry 5 respectively.
Services provided by police/security agencies of Government to PSUs/corporate entities/sports events held by private entities - Services provided by Police/security agencies of Government to PSU/private business entities are not exempt from GST. - Such services are taxable supplies and the recipients are required to pay the tax under reverse charge mechanism on the amount of consideration paid to Government for such supply of services. Example: The Karnataka Cricket Association requested security services from the Commissioner of Police, Bangalore, for a cricket match. These security services, provided by police personnel for an agreed consideration, are not exempt from GST. The Karnataka Cricket Association is liable to pay GST on the consideration under the reverse charge mechanism.	
Services provided by way of tolerating non-performance of a contract: In case of supplies made to Government, services [provided by Government] by way of tolerating the non-performance of contract by the supplier of service is covered under the exemption under Entry 62. Thus, any consideration received by the Government from any person or supplier for non-performance of contract is exempted from tax. Example: Damages of ₹10,00,000 paid by M/s. ABC to the Karnataka Public Works Department for missing the construction deadline are exempt from GST.	
District Mineral Foundations Trusts (DMFTs) set up by the State Governments are Governmental Authorities and eligible for the same exemptions from GST as available to any other Governmental Authority: - DMFTs manage receipts and expenditures from Mineral Development Funds to benefit areas and individuals affected by mining operations. - They provide services such as drinking water supply, environmental protection, healthcare, education, welfare of women and children, and supply of medical equipment, aligning with activities listed in the Eleventh and Twelfth Schedules	

of the Constitution.

- c. The **beneficiaries** include individuals, families, farmers, self-help groups (SHGs), and others in mining-affected areas. These services are provided **free of charge**, with no consideration received from the beneficiaries.
- d. DMFTs, being classified as Governmental Authorities, are **eligible for GST exemptions** similar to those available to other Governmental Authorities.

6. Construction services

Entry No.	Description of services
10	Services provided by way of pure labour contracts of construction, erection, commissioning, installation, completion, fitting out, repair, maintenance, renovation, or alteration of a civil structure or any other original works pertaining to the beneficiary-led individual house construction or enhancement under the Housing for All (Urban) Mission or Pradhan Mantri Awas Yojana .
10A	Services supplied by Electricity Distribution Utilities by way of construction, erection, commissioning, or installation of infrastructure for extending electricity distribution network upto the tube well of the farmer or agriculturalist for agricultural use.
11	Services by way of pure labour contracts of construction, erection, commissioning, or installation of original works pertaining to a single residential unit otherwise than as a part of a residential complex .

ANALYSIS:

Housing for All (Urban) Mission / PMAY	
Objective	Provision of Housing for All by 2022 (75 years of independence). Launched by Ministry of Housing and Urban Poverty Alleviation (MoHUPA).
Programme Verticals	• Slum rehabilitation • Affordable Housing for weaker sections via credit-linked subsidy. • Affordable Housing in partnership with Public & Private sectors. • Subsidy for beneficiary-led house construction/enhancement.
EWS Assistance	• For Economically Weaker Section (EWS) families to construct new houses or enhance existing ones. Central assistance provided for those unable to access other components of the mission.
Entry 10: Exemption from GST	
Scope of Exemption	• Pure labour contracts for construction, erection, commissioning, installation, completion, fitting out, repair, maintenance, renovation, or alteration • Pertains to beneficiary-led individual house construction/enhancement under PMAY.

Original Works Definition	• All new constructions. • Additions/alterations to abandoned/damaged structures to make them functional • Erection, commissioning, installation of plant, machinery, or prefabricated structures.
Entry 11: Exemption from GST	
Scope of Exemption	• Pure labour contracts for construction, erection, commissioning, or installation of original works for single residential units (not part of a residential complex).
Definitions	• Residential complex: Building(s) with more than one single residential unit • Single residential unit: Self-contained unit for use by one family, wholly or principally for residential purposes.

7. Passenger transportation services

Entry No.	Description of services
15	Transport of passengers, with/ without accompanied belongings, by - air, in economy class, embarking from or terminating in an airport located in the State of Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, or Tripura or at Bagdogra located in West Bengal; non-air conditioned contract carriage other than radio taxi, for transportation of passengers, excluding tourism, conducted tour, charter or hire; or stage carriage other than air- conditioned stage carriage. However, nothing contained in items (b) and (c) above shall apply to services supplied through an electronic commerce operator, and notified under sub-section (5) of Section 9 of the CGST, 2017.
16	Services provided to the Central Government, by way of transport of passengers with or without accompanied belongings, by air, embarking from or terminating at a RCS (Regional Connectivity Scheme) airport, against consideration in the form of viability gap funding. However, nothing contained in this entry shall apply on or after the expiry of a period of 3 years from the date of commencement of operations of the RCS airport as notified by the Ministry of Civil Aviation.
17	Service of transportation of passengers, with or without accompanied belongings, by— railways in a class other than— - first class; or - an air-conditioned coach; - metro, monorail or tramway; - inland waterways;



- d. public transport, other than predominantly for tourism purpose, in a vessel between places located in India; and
- e. metered cabs or auto rickshaws (including e- rickshaws).
- However, nothing contained in item (e) above shall apply to services supplied through an electronic commerce operator, and notified under sub-section (5) of Section 9 of the CGST, 2017.

➤ Entry 15

Clause (a)	Transport of passengers by air, embarking from or terminating in an airport located in the States of North-East India or at Bagdogra located in West Bengal is exempt from GST provided said transportation is in economy class..
Clause (b)	- Passenger transportation service provided by a non-air conditioned contract carriage other than radio taxi, for transportation of passengers, excluding tourism, conducted tour, charter or hire are exempt from GST. - Conducted tour is a short visit to a place in which someone shows you around and tells you information about it. Contract carriage: A contract carriage is a motor vehicle hired as a whole for carrying specified passengers under a contract, at a fixed or agreed rate, either on a time basis or point-to-point, without picking up or dropping off other passengers during the journey. It includes maxicabs and motor cabs, even if separate fares are charged. - Further, radio taxi means a taxi including a radio cab, by whatever name called, which is in two-way radio communication with a central control office and is enabled for tracking using the Global Positioning System or General Packet Radio Service. <i>Example: Subroto has hired a non-air conditioned bus from Mohit Travels for organising a recreation tour from Delhi to Jaipur. Said transportation of passengers for tourism purposes is excluded therefrom and hence taxable.</i> Hiring of non-air conditioned contract carriages by firms for transportation of their employees to and from work: ✓ Exemption under this clause would apply where transportation takes place over pre-determined route on a pre-determined schedule. ✓ The exemption shall not be applicable where contract carriage is hired for a period of time, during which the contract carriage is at the disposal of the service recipient and the recipient is thus free to decide the manner of usage (route and schedule) subject to conditions of agreement entered into with the service provider.
Clause	Passenger transportation services provided by a stage carriage other

(c)	than air- conditioned stage carriage are also exempt. The term stage carriage means a motor vehicle constructed or adapted to carry more than 6 passengers excluding the driver for hire or reward at separate fares paid by or for individual passengers, either for the whole journey or for stages of the journey [Section 2(40) of the Motor Vehicles Act, 1988]. Example: Passenger transport services by non-air-conditioned buses operated by a State Transport Corporation within the state, with individual tickets issued, are exempt from GST.
Proviso:	It is important to note that in case where services of transport of passengers, by non-air conditioned contract carriage other than radio taxi excluding tourism, conducted tour, charter or hire or by non-air conditioned stage carriage, are supplied through ECO, such services are not exempt. Further, tax on such services shall be paid by ECO.

➤ **Entry 16:**

- Services provided to the Central Government, by way of transport of passengers by air, **embarking from or terminating at a RCS airport**, against consideration in the form of viability gap funding **are exempt**.
- The RCS aims to enhance affordable regional air connectivity by offering concessions from governments and airport operators to reduce operational costs and providing financial support (VGF) to cover any revenue gaps on regional routes.
- Under RCS, the underserved airports of India are aimed to be connected to key airports through cheap air flights that will cost Rs.2,500 for per hour flight.

➤ **Entry 17**

Exempt Modes of Transport	
1. Railways: Exempt unless in:	First-class; or Air-conditioned coaches.
2. Other Exempt Modes:	- Metro, monorail, or tramway. - Inland waterways. - Public transport (not predominantly for tourism purposes) via vessels between locations in India. - Metered cabs or auto rickshaws (including e-rickshaws).
Definitions	
Metered Cab:	A contract carriage with an approved automatic fare meter under State Transport Authority rules, excluding radio taxis.
E-Rickshaw:	A battery-powered, three-wheeled vehicle (max 4000 watts) for goods or passenger transport, compliant with prescribed specifications.
GST Applicability	

- Services of metered cabs, auto rickshaws (including e-rickshaws) supplied via ECO are not exempt. GST on such services is payable by the ECO.

Clause (d) of Entry 17: Public Transport by Vessels

Exemption Criteria:	Public transport vessels between locations in India are exempt if not predominantly for tourism purposes. Exemption applies even if some passengers are tourists, provided the primary purpose is not tourism.
Exclusions:	Leisure, charter vessels, and cruise ships (primarily serving tourism purposes) are not exempt, even if non-tourists are aboard.
Examples:	Services between Kolkata and Port Blair or inter-island services (e.g., Port Blair to Neil Island) are exempt.
Private Operators:	Applies to both private and government-operated public transport services if they meet public transport criteria.
Definition of Public Transport:	- Open to the public, regardless of ownership. - Excludes services combining transport with tourism activities like sightseeing, food, music, or accommodations (e.g., shikara rides, cruises).

8. Goods transportation services

Entry No.	Description of services
18	Services by way of transportation of goods- a. by road except the services of— i. a goods transportation agency; ii. a courier agency; b. by inland waterways.
20	Services by way of transportation by rail or a vessel from one place in India to another of the following goods - a. relief materials meant for victims of natural or man-made disasters, calamities, accidents or mishap; b. defence or military equipments; c. newspaper or magazines registered with the Registrar of Newspapers; e. agricultural produce; f. milk, salt and food grain including flours, pulses and rice; and g. organic manure.
Goods Transport Agency (GTA) Service	
21	Services provided by a goods transport agency, by way of transport in a goods carriage of - a. agricultural produce; d. milk, salt and food grain including flour, pulses and rice; e. organic manure; f. newspaper or magazines registered with the Registrar of Newspapers;



	g. relief materials meant for victims of natural or man-made disasters, calamities, accidents or mishap; or h. defence or military equipments.
21A	Services provided by a GTA to an unregistered person , including an unregistered CTP, other than the following recipients, namely: - a. any factory registered under/governed by the Factories Act, 1948; or b. any Society registered under the Societies Registration Act, 1860 or under any other law for the time being in force in any part of India; or c. any Co-operative Society established by or under any law; or d. any body corporate established, by or under any law; or e. any partnership firm whether registered or not under any law including association of persons; f. any CTP registered under the CGST Act/IGST Act/SGST Act/UTGST Act.
21B	Services provided by a GTA , by way of transport of goods in a goods carriage, to, - a. a Department or Establishment of the CG/SG/UT; or b. local authority; or c. Governmental agencies, which has taken registration under the CGST Act, 2017 only for the purpose of deducting tax under section 51 and not for making a taxable supply of goods or services.

ANALYSIS:

Transportation of following goods by rail/vessel/GTA in goods carriage is exempt:	
a. agricultural produce b. milk, salt and food grain including flours, pulses and rice c. organic manure d. newspaper or magazines registered with the Registrar of Newspapers e. relief materials meant for victims of natural or man-made disasters, calamities, accidents or mishap f. defence or military equipments Note: A goods carriage is a motor vehicle designed or used for carrying goods, whether specifically constructed for that purpose or not.	
Transportation of goods by road	
General Exemption (Entry 18):	- Transportation of goods by road is exempt from GST. Exceptions: Services provided by GTA and courier agencies.
GTA Services (Entry 21A):	GTA services to unregistered persons , including unregistered casual taxable persons , are exempt.
Taxable GTA Services:	GTA services provided to the following entities are liable to tax , even if unregistered under GST:



	- Factories (registered under Factories Act) - Societies (registered under Societies Act) - Co-operative societies - Body corporates - Partnership firms, including Associations of Persons (AOP)
Exemptions for Specific Groups (Entry 21B):	GTA services to Central/State Government departments, establishments, local authorities, or governmental agencies are exempt if registered under GST only for TDS purposes (and not for taxable supplies).
Who is a GTA - Goods Transport Agency?	
- A GTA is any person who: - Provides services related to the transport of goods by road. - Issues a consignment note (by any name). - Without consignment note, the transporter does not fall under the definition of a GTA. Responsibilities of GTA: When a consignment note is issued, it signifies the transfer of lien on goods to the transporter. The transporter assumes responsibility for the safe delivery of goods to the consignee. Only services of a GTA with agency functions are taxable under GST. Exemption for Individual Operators: Individual truck/tempo operators who do not issue a consignment note are excluded from the definition of GTA. Services provided by such operators are exempt under Entry 18.	
Consignment note:	
It means a document, issued by a GTA against the receipt of goods for the purpose of transport of goods by road in a goods carriage, which is serially numbered, and contains: - the name of the consignor and consignee, - registration number of the goods carriage in which the goods are transported, - details of the goods transported, - details of the place of origin and destination, - gross weight of the consignment; - GSTIN of the person liable for paying tax whether consignor, consignee or GTA other particulars as prescribed for a tax invoice.	
Significance of the term 'in relation to' in the definition of GTA:	
- The term "in relation to" expands the scope of GTA to include ancillary services like loading, unloading, packing, and warehousing as part of goods transport by road. - When provided during transportation, these are treated as a composite supply, with their value included in the GTA invoice. - However, if ancillary services are invoiced separately, they are not considered part of the composite supply. - The invoicing method does not alter the composite nature unless billed independently.	

What is courier agency?

Means any person engaged in the door-to-door transportation of time-sensitive documents, goods or articles utilising the services of a person, either directly or indirectly, to carry or accompany such documents, goods or articles.

Express cargo service

- Transporters offering door-to-door transportation with arrangements for speedy and timely delivery provide a service known as Express Cargo Service.
- These services fall under the scope and definition of a courier agency.
- Transportation of goods by road under Express Cargo Service is not exempt.

Transport of minerals within a mining area by vehicles deployed with driver for a specific duration of time:

Issue Considered:

Whether transport of minerals within a mining area (e.g., from mining pit head to railway siding or beneficiation plant) by vehicles with drivers for a specified duration is exempt under Entry 18.

- Vehicles such as tippers, dumpers, loaders, and trucks are hired by the mining lease operator. Fuel expenses are borne by the recipient of the service.
- Vehicles are used as per the operator's requirements during the contract period.
- These services are classified as "rental services of transport vehicles with operator", not transportation of goods. The recipient (mining operator) controls the schedules, routes, and operational details.
- Renting vehicles with operators is not considered transportation of goods by road. Such services are not eligible for exemption under Entry 18.

9. Banking and financial services

Entry No.	Description of services
27	Services by way of— a. extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount (other than interest involved in credit card services); b. inter se sale or purchase of foreign currency amongst banks or authorised dealers of foreign exchange or amongst banks and such dealers.
27A	Services provided by a banking company to Basic Saving Bank Deposit account holders under Pradhan Mantri Jan Dhan Yojana (PMJDY).
34	Services by an acquiring bank, to any person in relation to settlement of an amount upto Rs.2,000 in a single transaction transacted through credit card, debit card, charge card or other payment card service. Explanation.— For the purposes of this entry, "acquiring bank" means any banking company, financial institution including non-banking financial company or any other person, who makes the payment to any person who accepts such

	card.
39A	Services by an intermediary of financial services located in a multi services SEZ with International Financial Services Centre (IFSC) status to a customer located outside India for international financial services in currencies other than Indian rupees (INR). Explanation.- For the purposes of this entry, the intermediary of financial services in IFSC is a person,- - who is permitted or recognised as such by the Government of India or any Regulator appointed for regulation of IFSC; or - who is treated as a person resident outside India under the Foreign Exchange Management (International Financial Services Centre) Regulations, 2015; or - who is registered under the Insurance Regulatory and Development Authority of India (International Financial Service Centre) Guidelines, 2015 as IFSC Insurance Office; or - who is permitted as such by Securities and Exchange Board of India (SEBI) under the Securities and Exchange Board of India (International Financial Services Centres) Guidelines, 2015.

ANALYSIS:

Entry 27	Services related to deposits, loans, or advances, where consideration is represented by interest or discount. Example: FD's, Loans/ overdraft facilities, Mortgages
Exclusions	- Investments like equity where profit-sharing applies. - Fees or charges collected over interest, such as service/documentation fees, broking charges, etc. - Processing fees on loans, minimum balance charges, and similar charges are taxable.
Invoice/Cheque Discounting	Discounting services exempt only if represented by a discount; fees/charges over discount are taxable.
Credit Card Interest	Interest on outstanding credit card balances is taxable under GST and not exempt.
Delayed Payment Charges	- Charges for delayed brokerage payments or margin trading facilities are exempt. - Late payment charges Late payment charges.
Additional/Penal Interest	Penal interest for overdue loans is exempt as it satisfies the definition of "interest" under Entry 27 and does not count as liquidated damages.
Foreign Exchange	Exempt only for transactions among banks, authorized dealers, or between banks and dealers. Services provided to the public or RBI are taxable.

Example 1: X sells a mobile phone to Y for Rs.40,000 with an option to pay in four monthly installments of Rs.11,000 each (totaling Rs.44,000). If Y delays payment

beyond the due date, a penal interest of Rs.500 per month applies. Even if X issues a separate invoice for loan services with interest and penal charges, the penal interest is included in the value of the mobile phone as the primary transaction is the supply of taxable goods. Thus, the penal interest is taxable, irrespective of how it is invoiced.

Example 2: X sells a mobile phone to Y for Rs.40,000, with the option for Y to avail a loan from M/s. ABC Ltd. at an interest rate of 2.5% per month, repayable within four months. For delayed payments, a penal interest of 1.25% per month applies. The penal interest charged by M/s. ABC Ltd. is exempt from GST under Entry 27. However, any service fees or other charges levied by M/s. ABC Ltd. are not considered "interest" under the exemption notification and are therefore taxable. The value of supply for GST on the mobile phone remains Rs.40,000.

10. Life insurance business services

Entry No.	Description of services
28	Services of life insurance business provided by way of annuity under the National Pension System regulated by the Pension Fund Regulatory and Development Authority of India (PFRDA) under the Pension Fund Regulatory and Development Authority Act, 2013.
29	Services of life insurance business provided or agreed to be provided by the Army, Naval and Air Force Group Insurance Funds to members of the Army, Navy and Air Force, respectively, under the Group Insurance Schemes of the Central Government.
29A	Services of life insurance provided or agreed to be provided by the Naval Group Insurance Fund to the personnel of Coast Guard under the Group Insurance Schemes of the Central Government.
29B	Services of life insurance provided/agreed to be provided by the Central Armed Police Forces (under Ministry of Home Affairs) Group Insurance Funds to their members under the Group Insurance Schemes of the concerned Central Armed Police Force.
36	Services of life insurance business provided under following schemes- - Janashree Bima Yojana; - Aam Aadmi Bima Yojana; - Life micro-insurance product as approved by the Insurance Regulatory and Development Authority, having maximum amount of cover of Rs.2,00,000; - Varishtha Pension Bima Yojana; - Pradhan Mantri Jeevan Jyoti Bima Yojana; - Pradhan Mantri Jan Dhan Yojana; - Pradhan Mantri Vaya Vandan Yojana.

11. Services provided by specified bodies

Entry No.	Description of services
30	Services by the Employees' State Insurance Corporation to persons governed under the Employees' State Insurance Act, 1948.
31	Services provided by the Employees Provident Fund Organisation to the persons governed under the Employees Provident Funds and the Miscellaneous Provisions Act, 1952.
31A	Services by Coal Mines Provident Fund Organisation to persons governed by the Coal Mines Provident Fund and Miscellaneous Provisions Act, 1948.
31B	Services by National Pension System (NPS) Trust to its members against consideration in the form of administrative fee.

12. General insurance business services

Entry No.	Description of services
35	Services of general insurance business provided under following schemes - Hut Insurance Scheme; - Cattle Insurance under Swarnajaynti Gram Swarozgar Yojna⁴⁷; - Scheme for Insurance of Tribals; - Janata Personal Accident Policy and Gramin Accident Policy; - Group Personal Accident Policy for Self-Employed Women; - Agricultural Pumpset and Failed Well Insurance; - premium collected on export credit insurance; - Restructured Weather Based Crop Insurance Scheme (RWCIS), approved by the Government of India and implemented by the Ministry of Agriculture; - Jan Arogya Bima Policy; - Pradhan Mantri Fasal Bima Yojana (PMFBY); - Pilot Scheme on Seed Crop Insurance; - Central Sector Scheme on Cattle Insurance; - Universal Health Insurance Scheme; - Rashtriya Swasthya Bima Yojana; - Coconut Palm Insurance Scheme; - Pradhan Mantri Suraksha Bima Yojna; - Niramaya Health Insurance Scheme implemented by the Trust constituted under the provisions of the National Trust for the Welfare of Persons with Autism, Cerebral Palsy, Mental Retardation and Multiple Disabilities Act, 1999. - Bangla Shasya Bima
36A	Services by way of reinsurance of the insurance schemes specified in

	serial number 35 or 36 or 40. "Retrocession" means a re-insurance transaction whereby a part of assumed reinsured risk is further ceded to another Indian Insurer or a CBR (Cross Border Re-insurer). It has been clarified that the term "reinsurance" includes "retrocession" services.
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13. Pension schemes

Entry No.	Description of services
37	Services by way of collection of contribution under the Atal Pension Yojana.
38	Services by way of collection of contribution under any pension scheme of the State Governments.

14. Business facilitator/correspondent

ENTRY 39: Services by the following persons in respective capacities -

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

RCM applicability	- For taxable services by BF to a banking company, the banking company pays GST under reverse charge. - For taxable services by an intermediary agent to BC, GST is payable under reverse charge by the BC.
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15. Services provided to government

Entry No	Description of service
3	Pure services provided TO Government: ➤ Pure services (excluding works contract service or other composite supplies involving supply of any goods) ➤ provided to the CG, SG or UT or local authority ➤ by way of any activity: ✓ in relation to any function entrusted to a Panchayat under article 243G of the Constitution or ✓ in relation to any function entrusted to a Municipality under article 243W of the Constitution.
3A	Composite supply of goods and services TO Government: ➤ Composite supply of goods and services in which the value of supply of



	goods constitutes not more than 25% of the value of the said composite supply ➤ provided to the CG, SG or UT or local authority ➤ by way of any activity: ✓ in relation to any function entrusted to a Panchayat under article 243G of the Constitution or ✓ in relation to any function entrusted to a Municipality under article 243W of the Constitution.
3B	Services provided to a Governmental Authority by way of: a. water supply; b. public health; c. sanitation conservancy; d. solid waste management; and e. slum improvement and upgradation.
11A	Service provided by Fair Price Shops to CG, SG or UT by way of sale of food grains, kerosene, sugar, edible oil, etc. under Public Distribution System against consideration in the form of commission or margin.
40	Services provided to the CG, SG or UT under any insurance scheme for which total premium is paid by the CG, SG or UT.
72	Services provided to the CG, SG or UT administration under any training programme for which 75% or more of the total expenditure is borne by the CG, SG or UT administration. It is clarified that free coaching services provided by coaching institutions and NGOs under the central scheme of "Scholarships for students with Disabilities" where 75% or more of the expenditure is borne by the Government to coaching institutions by way of grant in aid is covered under this entry and hence is exempt from GST.

ANALYSIS:

Pure Services	Supply of services without involving any supply of goods.
Composite Supply	Supply involving both goods and services. Entry 3A exempts composite supply to the Government if the value of goods does not exceed 25% of the composite supply value.
Examples	Pure Services: Services like manpower for cleanliness, architecture, consulting, or advisory services without any supply of goods. Composite Supply: Maintenance of streetlights involving both services (maintenance) and goods (replacement of parts).
Conditions for Exemption	Services (pure or composite) must be provided to: • CG, SG or UT, or local authority. • Must relate to functions listed under: ○ Article 243G of Constitution (11th Schedule) for Panchayats. ○ Article 243W of Constitution (12th Schedule) for Municipalities.

Pure or composite services procured by entities like the Indian Army or other Government Ministries/Departments not performing functions listed under the 11th and 12th Schedules are not eligible for exemption under Entries 3 and 3A.

16. Leasing services

Entry No.	Description of services
41	Upfront amount (called as premium, salami, cost, price, development charges or by any other name) payable in respect of service by way of granting of long term lease of 30 years, or more of industrial plots or plots for development of infrastructure for financial business, provided by the State Government Industrial Development Corporations or Undertakings or by any other entity having 20% or more ownership of CG, SG or UT to the industrial units or the developers in any industrial or financial business area. Upfront amount paid in instalments: Aforesaid exemption is admissible irrespective of whether such upfront amount is payable/paid in one/more instalments, provided the amount is determined upfront. Location charges or preferential location charges (PLC) collected in addition to the lease premium for long term lease: Location charges or preferential location charges (PLC), paid upfront along with the lease premium, are considered part of the overall consideration for the long-term lease. As such, they are eligible for the same tax treatment and are exempt under Entry 41. Explanation - For the purpose of this exemption, the CG, SG or UT shall have 20% or more ownership in the entity directly or through an entity which is wholly owned by the CG, SG or UT. Conditions: 1. Leased plots must be used for their allotted purpose, such as industrial or financial activities in designated areas. 2. The SG is responsible for monitoring and enforcing this condition. 3. In case of any violation or change in land use, the original lessor, lessee, and any subsequent lessee or owner will be jointly and severally liable to pay the central tax that was exempted, along with interest and penalties. 4. Lease or sale agreements must include terms stating that the central tax exemption on the original lease was conditional and that all parties agree to comply with these conditions.

17. Legal services

ENTRY 45: Legal Services provided by

An Arbitral Tribunal to:	(i) Any person other than a business entity; (ii) A business entity with an aggregate turnover up to such amount in the preceding FY as makes it eligible for exemption from registration under the CGST Act, 2017; (iii) The CG, SG, UT, local authority, Governmental Authority, or Government Entity.
A Partnership Firm or an Advocate other than senior advocate	(i) An advocate or partnership firm of advocates providing legal services; (ii) Any person other than a business entity; (iii) A business entity with an aggregate turnover up to such amount in the preceding FY as makes it eligible for exemption from registration under the CGST Act, 2017; (iv) The CG, SG or UT, local authority, Governmental Authority, or Government Entity.
Senior Advocate to	(i) Any person other than a business entity; (ii) A business entity with an aggregate turnover up to such amount in the preceding FY as makes it eligible for exemption from registration under the CGST Act, 2017; (iii) The CG, SG or UT, local authority, Governmental Authority, or Government Entity.

➤ Relevant definitions:

Legal Service	Means any service provided in relation to advice, consultancy or assistance in any branch of law, in any manner, and includes representational services before any court, tribunal, or authority.
Advocate	Means an advocate entered in any roll under the provisions of the Advocates Act, 1961.
Arbitral Tribunal	Means a sole arbitrator or a panel of arbitrators.
Senior Advocate	An advocate may, with his consent, be designated as senior advocate if the Supreme Court or a High Court is of opinion that by virtue of his ability, standing at the Bar, or special knowledge or experience in law, he is deserving of such distinction.

Under Entry 45, following services are exempt from GST



Legal services provided by

- Arbitral tribunal
- Partnership firm of advocates or an individual as an advocate other than a senior advocate by way of legal services
- Senior advocate by way of legal services

provided to

- any person other than BE
- Business Entity with an aggregate turnover up to such amount in the preceding FY as makes it eligible for exemption from registration under GST.
- CG/SG/UT/LA/GA/GE

Legal services provided by a partnership firm of advocates/ individual as an advocate other than a senior advocate to another advocate/ partnership firm of advocates providing legal services.

- Thus, legal services provided to a business entity with an aggregate turnover exceeding such amount in the preceding FY as makes it eligible for exemption from registration under the CGST Act, 2017 are liable to GST. Further, tax is payable by the business entity on such services under reverse charge.

18. Sponsorship of sports events

ENTRY 53: Services by way of sponsorship of sporting events organised -

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

19. Skill development services

Entry No	Description of services
69	Any services provided by, _ a. the National Skill Development Corporation set up by the Govt of India; b. the National Council for Vocational Education and Training; c. an Awarding Body recognized by the National Council for Vocational Education and Training; d. an Assessment Agency recognized by the National Council for Vocational Education and Training; e. a Training Body accredited with an Awarding Body that is recognized by the National Council for Vocational Education and Training, in relation to-

	i. the National Skill Development Programme or any other scheme implemented by the National Skill Development Corporation; or ii. a vocational skill development course under the National Skill Certification and Monetary Reward Scheme; or iii. any National Skill Qualification Framework aligned qualification or skill in respect of which the National Council for Vocational Education and Training has approved a qualification package.
70	Services of assessing bodies empanelled centrally by the Directorate General of Training, Ministry of Skill Development and Entrepreneurship by way of assessments under the Skill Development Initiative Scheme.
71	Services provided by training providers (Project implementation agencies) under Deen Dayal Upadhyaya Grameen Kaushalya Yojana (DDUGKY) implemented by the Ministry of Rural Development, Government of India by way of offering skill or vocational training courses certified by the National Council for Vocational Training.

20. Entry 78 - performance by an artist:

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

- music, or
- dance, or
- theatre,

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

- If consideration from such activities exceeds Rs.1,50,000, entire consideration is subject to GST.
- Further, **all other activities by an artist in other art forms** e.g. western music or dance, modern theatres, performance of actors in films or television serials **would be taxable**. Activities of artists in **still art forms** e.g. painting, sculpture making etc. are taxable.
- No exemption apply to service provided by such artist as a brand ambassador.

21. Right to admission to various events

Entry No.	Description of services
79	Services by way of admission to a museum, national park, wildlife sanctuary, tiger reserve or zoo .
79A	Services by way of admission to a protected monument so declared under the Ancient Monuments and Archaeological Sites & Remains Act 1958 or any of the State Acts, for the time being in force.
81	Services by way of right to admission to- a. circus, dance, or theatrical performance including drama or ballet;



- b. award function, concert, pageant, musical performance or any sporting event other than a recognised sporting event ;
 - c. recognised sporting event;
 - d. planetarium,
- where the consideration for right to admission to the events or places as referred to in items (a), (b), (c) or (d) above is **not more than Rs.500 per person.**

Recognised sporting event means any sporting event, -

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

Recognised sports body means -

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

22. Services by an unincorporated body or a non- profit entity

Entry No.	Description of services
77	Service by an unincorporated body or a non- profit entity registered under any law for the time being in force, to its own members by way of reimbursement of charges or share of

	contribution - a. as a trade union b. for the provision of carrying out any activity which is exempt from the levy of GST; or c. up to an amount of Rs.7,500 per month per member for sourcing of goods or services from a third person for the common use of its members in a housing society or a residential complex.
77A	Services provided by an unincorporated body or a non-profit entity registered under any law for the time being in force, engaged in,- i. activities relating to the welfare of industrial or agricultural labour or farmers ; or ii. promotion of trade, commerce, industry, agriculture, art, science, literature, culture, sports, education, social welfare, charitable activities and protection of environment, to its own members against consideration in the form of membership fee upto an amount of Rs.1000/- per member per year .

➤ **Co-operative housing society:**

- A Co-operative Housing Society, as a **collective body**, provides services to its members, such as collecting statutory dues, building maintenance, and security.
- These services, **similar to those of a club**, are treated as services provided by one person to another.
- GST applies** to the activities of the housing society or Resident Welfare Association (RWA), requiring registration if their aggregate turnover exceeds the threshold limit, **unless specifically exempted under GST law**.

➤ **GST exemption on services provided by a co-operative housing society:**

Scenario	Details	GST Implication
Aggregate Turnover Above Threshold (₹20 Lakh)	Housing Society/RWA must register under GST.	Registration does not automatically require charging GST unless the services are taxable.
Exempt Services (Entry 77(c))	Monthly contribution up to ₹7,500 per member for common use services is exempt from GST.	No GST to be charged even if RWA is registered under GST.

In other words,

Annual turnover of RWA	Monthly maintenance charge	Whether exempt?
More than Rs.20 lakh*	More than Rs.7500/-	No
	Rs.7500/- or less	Yes
Rs.20 lakh or less	More than Rs.7500/-	Yes

	Rs.7500/- or less	Yes
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* Rs.10 lakh in case of States of Manipur, Mizoram, Nagaland and Tripura

Person Owning Multiple Flats	
Ceiling of ₹7,500	The exemption of ₹7,500 per month per member applies separately for each residential apartment owned.
Example	If a person owns two apartments and pays ₹15,000 (₹7,500 per apartment), the exemption applies to both apartments individually.
Input Tax Credit (ITC) Utilization	
- RWAs registered under GST can claim ITC for GST paid on: Capital Goods: Generators, water pumps, furniture, etc. Goods: Taps, pipes, sanitary fittings, etc. Input Services: Repairs and maintenance services. - ITC can be used to offset GST liability when charges exceed ₹7,500 per member per month.	
Exclusion of Statutory Dues from GST Calculation	
Statutory Dues: Property tax, electricity charges, water tax, etc., forming part of the maintenance bill, are excluded when calculating the ₹7,500 limit.	

23. Other exempt services

Entry No.	Description of services
2	Services by way of transfer of a going concern, as a whole or an independent part thereof. Transfer of a going concern means transfer of a running business which is capable of being carried on by the purchaser as an independent business, but shall not cover mere or predominant transfer of an activity comprising a service. Transfer of business for a lump sum consideration commonly referred to as slump sale is covered under this entry. Such sale of business as a whole will comprise comprehensive sale of immovable property, goods and transfer of unexecuted orders, employees, goodwill etc.
12	Services by way of renting of residential dwelling for use as residence except where the residential dwelling is rented to a registered person. Explanation: For the purpose of exemption under this entry, this entry shall cover services by way of renting of residential dwelling to a registered person where, - i. the registered person is proprietor of a proprietorship concern and rents

	the residential dwelling in his personal capacity for use as his own residence; and ii. such renting is on his own account and not that of the proprietorship concern. Explanation 2: Nothing contained in this entry shall apply to- - accommodation services for students in student residences; - accommodation services provided by Hostels, Camps, Paying Guest accommodations and the like Further, tax on renting of residential dwelling to a registered person is payable by the registered person under RCM whether used for commercial purposes or residential purposes.
12A	Supply of accommodation services having value of supply less than or equal to twenty thousand rupees per person per month provided that the accommodation service is supplied for a minimum continuous period of ninety days.
19C	Satellite launch services
22	Services by way of giving on hire - - to a State Transport Undertaking (STU), a motor vehicle meant to carry more than 12 passengers; or State Transport Undertaking: means any undertaking providing road transport service, where such undertaking is carried on by- - the Central Government or a State Government; - any Road Transport Corporation established under section 3 of the Road Transport Corporations Act, 1950. - any municipality or any corporation or company owned or controlled by the Central Government or one or more State Governments, or by the Central Government and one or more State Governments. Explanation: For the purposes of this clause, road transport service means a service of motor vehicles carrying passengers or goods or both by road for hire or reward [Section 2(42) of the Motor Vehicles Act, 1988]. STUs provide public transport services. When STUs lease buses from private entities for consideration, such services are exempt from GST. However, the supply of motor vehicles to Government Departments other than STUs is taxable. (aa) to a local authority, an Electrically operated vehicle (EOV) meant to carry more than 12 passengers;



	The expression "giving on hire" in this entry includes renting of vehicles. Accordingly, where the said vehicles are rented or given on hire to STUs or Local Authorities, said services are eligible for above exemption irrespective of whether such vehicles are run on routes, timings as decided by the STUs or Local Authorities and under effective control of STUs or Local Authorities which determines the rules of operation or plying of vehicles. b. to a goods transport agency, a means of transportation of goods. c. motor vehicle for transport of students, faculty and staff, to a person providing services of transportation of students, faculty and staff to an educational institution providing services by way of pre-school education and education upto higher secondary school or equivalent.
23	Service by way of access to a road or a bridge on payment of toll charges. With regard to said entry, following issues have been clarified: i. Overloading charges collected at toll plazas for overloaded vehicles on national highways are treated the same as toll charges. ii. Additional fees, two times the applicable toll, are charged for vehicles without a valid functional Fastag. These are considered as toll charges, and are treated the same as regular toll charges.
25	Transmission/distribution of electricity by an electricity transmission/distribution utility. However, in this regard CBIC has clarified that the other services provided by DISCOMS (distribution companies) to consumer against charges are liable to GST such as,- i. Application fee for releasing connection of electricity; ii. Rental Charges against metering equipment; iii. Testing fee for meters/transformers, capacitors etc.; iv. Labour charges from customers for shifting of meters or shifting of service lines; v. charges for duplicate bill.
25A	Supply of services by way of providing metering equipment on rent, testing for meters/transformers/capacitors etc., releasing electricity connection, shifting of meters/service lines, issuing duplicate bills etc., which are incidental or ancillary to the supply of transmission and distribution of electricity provided by electricity transmission and distribution utilities to their consumers.
44	Services provided by an incubatee up to a total turnover of Rs. 50 lakh in a financial year subject to the following conditions, namely:- a. the total turnover had not exceeded Rs. 50 lakh during the preceding financial year; and



	b. a period of 3 years has not elapsed from the date of entering into an agreement as an incubatee. Incubatee: means an entrepreneur located within the premises of a Technology Business Incubator (TBI)/ Science and Technology Entrepreneurship Park (STEP) recognised by the National Science and Technology Entrepreneurship Development Board of the Department of Science and Technology, Government of India (NSTEDB) and who has entered into an agreement with the TBI/STEP to enable himself to develop and produce hi-tech and innovative products.
44A	Research and development services against consideration received in the form of grants supplied by - a. a Government Entity; or b. a research association, university, college or other institution, notified under clauses (ii) or (iii) of sub-section (1) of section 35 of the Income Tax Act, 1961. The condition to be fulfilled in this case is that the research association, university, college or other institution, notified under clauses (ii) or (iii) of sub-section (1) of section 35 of the Income Tax Act, 1961 is so notified at the time of supply of the research and development service.
48	Taxable services, provided or to be provided, by a TBI/STEP recognised by NSTEDB or bio- incubators recognised by the Biotechnology Industry Research Assistance Council, under the Department of Biotechnology, Government of India (BIRAC).
49	Services by way of collecting or providing news by an independent journalist, Press Trust of India or United News of India.
50	Services of public libraries by way of lending of books, publications or any other knowledge- enhancing content or material.
52	Services by an organiser to any person in respect of a business exhibition held outside India
57	Services by way of pre-conditioning, pre- cooling, ripening, waxing, retail packing, labelling of fruits and vegetables which do not change or alter the essential characteristics of the said fruits or vegetables.
58	Services provided by the National Centre for Cold Chain Development under the Ministry of Agriculture, Cooperation and Farmer's Welfare by way of cold chain knowledge dissemination .
59	Services by a foreign diplomatic mission located in India.
61A	Services by way of granting National Permit to a goods carriage to operate through-out India/ contiguous States.
65A	Services by way of providing information under the RTI Act.
68	Services provided to a recognised sports body by- a. an individual as a player, referee, umpire, coach or team manager for participation in a sporting event organised by a recognized sports body; b. another recognised sports body.



	However, services by individuals such as selectors, commentators, curators, technical experts are taxable. The service of a player to a franchisee which is not a recognized sports body is also taxable.
76	Services by way of public conveniences such as provision of facilities of bathroom, washrooms, lavatories, urinal or toilets.

➤ **GST on payment of honorarium to the Guest Anchors:**

- a. **Services provided by the guest anchors in lieu of honorarium attract GST liability.** However, guest anchors whose aggregate turnover in a financial year does not exceed Rs.20 lakh (Rs.10 lakh in case of specified Special Category States) shall not be liable to take registration and pay GST.

Amendments made vide the finance (no. 2) act, 2024

The below amendments are applicable for students appearing for September'25 examination:

Section No	Provisions as amended by the Finance (No. 2) Act, 2024	Remarks
11A of the CGST Act, 2017	Power not to recover Goods and Services Tax not levied or short-levied as a result of general practice. Notwithstanding anything contained in this Act, if the Government is satisfied that- a. a practice was, or is, generally prevalent regarding levy of central tax (including non-levy thereof) on any supply of goods or services or both; and b. such supplies were, or are, liable (v) central tax, in cases where according to the said practice, central tax was not, or is not being, levied, or (vi) a higher amount of central tax than what was, or is being, levied, in accordance with the said practice, the Government may, on the recommendation of the Council, by notification in the Official Gazette, direct that the whole of the central tax payable on such supplies, or, as the case may be, the central tax in excess of that payable on such supplies, but for the said practice, shall not be required to be paid in respect of the supplies on which the central tax was not, or is not being levied, or was, or is being, short-levied, in accordance with the said practice.	Section 11A of the CGST Act, 2017 has been inserted to empower the Government to regularize non-levy or short levy of central tax due to any general practice prevalent in trade.

7. TIME OF SUPPLY

Section 12 - time of supply of goods

- **Situations covered by Section 12:** Section 12 provides for the determination of time of supply in the following situations:
- ✓ Supply of goods under forward charge;
 - ✓ Supply of goods under reverse charge;
 - ✓ Supply of vouchers that can be used to pay for goods;
 - ✓ Residual cases
 - ✓ Addition to value of supply of goods

Time of supply of goods under forward charge [sec 12(2) read with sec 31]:		
Time of Supply of Goods (Section 12(2))	of	The time of supply for goods taxable under forward charge is the earlier of: - The date of invoice issuance or the last date on which the invoice should have been issued under Section 31. - The date of receipt of payment by the supplier.
No Tax on Receipt of Advance	of	- As per Notification No. 66/2017 CT dated 15.11.2017, taxpayers (excluding composition suppliers and those supplying specified actionable claims) are required to pay GST on goods based on the time of supply specified in Section 12(2)(a). - GST becomes payable only when the invoice is issued or ought to have been issued. - This relief applies to goods but not to services.
Date of Receipt of Payment	of	Refers to the earlier of: - The date payment is recorded in the supplier's books. - The date payment is credited to the supplier's bank account.
Significance of Partial Coverage		- Time of supply is limited to the extent the invoice or payment covers the supply. - Tax is payable based on the issuance of the invoice, regardless of advance or partial payment. Example: If an invoice is issued for 80 kg out of a contract for 100 kg, the time of supply applies only to 80 kg.
Time Limit for Invoice Issuance under Section 31		
Supply Involving Movement: Invoice issued before or at the time of removal. Other Cases: Invoice issued before or at the time of delivery/availability. Continuous Supply: Invoice issued before or at the time of issuing periodical statements/payments. Goods on Approval for Sale/Return: Invoice issued before or at the time of supply or within 6 months from removal.		
For payments up to ₹1,000 in excess of invoice value, the supplier can opt to treat		

the invoice date as the time of supply for the excess amount. As GST is payable based on invoice issuance, this provision has limited relevance for goods.

Time of supply of goods under reverse charge [section 12(3)]:

- The time of supply of goods on which GST is payable on RCM basis will be the **earliest of the following dates:**
 - ✓ Date on which the goods are received, or
 - ✓ Date on which payment is recorded in the books of account of the recipient, or the date on which the same is debited in his bank account, whichever is earlier, or
 - ✓ Date immediately following 30 days from the date of issue of invoice (or document by some other name in lieu of invoice) by the supplier.

Note:

1. If it is **not possible to determine** the time of supply by using these parameters, then the time of supply will be the **date of entry of goods in the books of account of the recipient of supply.**
2. **GST on advances is not required for goods under forward charge but is payable under RCM when payment is made or recorded before receiving the goods.**

Time of supply of vouchers exchangeable for goods [section 12(4)]

- Vouchers are instruments used as payment for goods or services of a specified value. They obligate designated suppliers to accept them as full or partial consideration, with terms, covered goods/services, and supplier details specified in the voucher or its documentation.
- The time of supply for vouchers exchangeable for goods depends on:
 - **Date of issue of the voucher:** If the supply it covers is identifiable at the time of issue.
 - **Date of redemption of the voucher:** In cases where the supply it covers is not identifiable at the time of issue.

Time of supply of goods in residual cases [section 12(5)]:

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

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

Time of supply in case of enhancement in value on account of interest/late fee etc. for delayed payment of consideration [section 12(6)]

Inclusion in Taxable Value	Interest, late fee, or penalty is includible in the value of taxable supply (as detailed in Chapter - Value of Supply).
Time of Supply for Additions in Value (Sec12(6))	The time of supply for additions in value due to interest, late fee, or penalty for delayed payment of consideration is the date when the supplier receives such addition.

Time of supply of services [section 13]

- **Scope of section 13:** Section 13 provides for the determination of the time of supply in the following situations:
- Supply of service taxable under forward charge,
 - Supply of service taxable under reverse charge,
 - Supply of vouchers that can be used to pay for services,
 - Residual cases,
 - Addition to value of supply of services.

Time of supply of services under forward charge [sec 13(2) read with sec 31 and rule 47 of CGST rules]:	
Time of Supply for Services	The time of supply is determined as follows: • If the invoice is issued within the prescribed time under Section 31: The earlier of the date of issue of invoice or date of receipt of payment (to the extent it covers the supply of services). • If the invoice is not issued within the prescribed time under Section 31: The earlier of the date of provision of service or date of receipt of payment (to the extent it covers the supply of services).
Alternative Method	The time of supply will be the date on which the recipient of the service records receipt of the service in their books of account.
Date of Receipt of Payment	Refers to the earlier of: • The date the payment is recorded in the supplier's books. • The date the payment is credited to the supplier's bank account.
Significance of "To the Extent"	If part of the consideration is paid in advance or the invoice is issued for part payment, the time of supply applies only to the extent covered by the invoice or part payment, and is determined accordingly.
Time limit for issuance of invoice for supply of services under section 31:	
Section 31(2) & Rule 47	Tax invoice must be issued either: • Before the provision of service, or • Within 30 days (or 45 days for insurance companies, banking companies, financial institutions, including NBFCs) from the date of supply of service.
Insurance and Banking Services	For insurance companies, banking companies, financial institutions, NBFCs, telecom companies, or notified suppliers making taxable supplies to distinct persons (as per Section 25), the invoice can be issued:



	- Before or at the time of recording such supply in the books of account, or - Before the end of the quarter during which the supply was made.
Continuous Supply of Services	Invoices must be issued: - On or before the due date of payment, if ascertainable from the contract. - Before or at the time of receiving payment, if the due date is not known. - On or before the date of completion of a milestone event if the payment is linked to such an event.
Definition of Continuous Supply of Services (Section 2(33))	Services provided continuously or recurrently under a contract for a period exceeding 3 months with periodic payment obligations. Includes services notified by the Government.
Cessation of Services	If a service ceases before its completion, the invoice must be issued at the time of cessation for the extent of supply made before cessation. [Section 31(6)].
Excess payment upto Rs.1000: Option of taking invoice date as time of supply.	
a. Proviso to Sub-section (2) of Section 13: For a payment of up to ₹1,000 received in excess of the invoice value, the supplier can choose to take the date of the invoice issued with respect to such excess amount as the time of supply of services in relation to this excess value. b. Practical Application: This provision is particularly helpful in cases of monthly or periodical bills, such as telephone or electricity bills, where customers often pay slightly higher amounts than the billed amount. c. Purpose of the Provision: The provision simplifies tax compliance by avoiding the need to pay GST on such petty advances and issue a 'receipt voucher' under GST.	
Time of supply of services taxable under reverse charge [section 13(3)]	
TOS of Services under RCM	The time of supply of services on which GST is payable on a reverse charge basis (excluding services from associated enterprises located outside India) is determined as per Section 13(3)(a) and (b).
Determination of TOS	The time of supply is the earlier of: - The date of payment, or - The date immediately following 60 days from the date of issue of the invoice (or any other document in lieu of invoice) by the supplier.
Alternative Method	If the above parameters cannot determine the time of supply, it will be the date of entry of the service in the recipient's books.
Date of Payment	The "date of payment" refers to the earlier of: The date the payment is recorded in the recipient's books or

	The date the payment is debited from the recipient's bank account.
Import of Services Between Associated Enterprises	For services received from an associated enterprise located outside India, the time of supply is the earlier of: - The date of payment for the service, or - The date of entry of the service in the recipient's books
Time of supply of vouchers exchangeable for services [section 13(4)]	
The time of supply of vouchers that are exchangeable for services is stipulated as:- the date of issue of the voucher - if the supply is identifiable at that point, or the date of redemption of the voucher - in other cases.	
Time of supply of services in residual cases [section 13(5)]	
If the situation is not covered by any of the provisions discussed above, the time of supply is fixed under sub-section (5) of section 13, in the following manner: - Date on which periodical return for the period is required to be filed, or - In any other case, date on which GST is paid.	
Time of supply in case of enhancement of value on account of interest/late fee etc. For delayed payment of consideration [section 13(6)]	
Section 13(6) prescribes that time of supply in case of addition in value by way of interest/ late fee/penalty for delayed payment of consideration for a service is the date on which the supplier receives such addition in value.	

Clarification on time of supply in respect of supply of services of construction of road and maintenance thereof of National Highway Projects of National Highways Authority of India (NHAI) in Hybrid Annuity Mode (HAM) model:

Issue

Under the Hybrid Annuity Mode (HAM) model of National Highways Authority of India (NHAI), the concessionaire has to construct the new road and provide Operation & Maintenance of the same which is generally over a period of 15-17 years and the payment of the same is spread over the years. What is the time of supply for the purpose of payment of tax on the said service under the HAM model?

Clarification

Nature of HAM Contracts	- Under the HAM highway development projects follow the Design, Build, Operate, and Transfer (DBOT) model. - The concessionaire is responsible for both the new construction and Operation & Maintenance (O&M) of highways - The contract integrates construction and O&M into a single agreement with staggered payment terms to ensure accountability for repairs and maintenance.
Payment Terms	- Payments are made in installments spread over the contract period, based on completion of specified events or timeframes outlined in the agreement - Payment terms align with the 'Continuous Supply of Services'



	definition under Section 2(33) of the CGST Act, 2017
Time of Supply under GST	• When the invoice is issued on or before the specified date/event: Time of supply is the earlier of: ○ Date of invoice issuance ○ Date of payment receipt • When the invoice is not issued on time: Time of supply is the earlier of: ○ Date of service provision (deemed as the due payment date). ○ Date of payment receipt
Invoice Issuance	For continuous supply of services, invoices must be issued on or before the due date of payment per Section 31(5) of the CGST Act .
Taxable Value and Interest Component	Payments from NHAI include an interest component in the annuity/installments, which must be included in the taxable value for GST purposes, as per Section 15(2)(d) of the CGST Act .
Contractual Obligation	The concessionaire is contractually bound to complete both construction and O&M, and the contract cannot be artificially split based on payment terms

Amendments made vide the finance (no. 2) act, 2024

The below amendments are applicable for students appearing for Sep'25 examination.

Section No.	Provisions as amended by the Finance (No. 2) Act, 2024
13(3)	In case of supplies in respect of which tax is paid or liable to be paid on reverse charge basis, the time of supply shall be the earlier of the following dates, namely:— a. the date of payment as entered in the books of account of the recipient or the date on which the payment is debited in his bank account, whichever is earlier; or b. the date immediately following sixty days from the date of issue of invoice or any other document, by whatever name called, in lieu thereof by the supplier, in cases where invoice is required to be issued by the supplier, or c. the date of issue of invoice by the recipient, in cases where invoice is to be issued by the recipient. Provided that where it is not possible to determine the time of supply under clause (a) or clause (b) or clause (c), the time of supply shall be the date of entry in the books of account of the recipient of supply.

8. Value of supply

Section 15 - value of supply

➤ Scope of section 15:

- A. 15(1) - Supplies made solely for a price in money to unrelated persons.
- B. 15(4) - Supplies involving non-monetary consideration, or to related persons.
- C. 15(5) - Supplies of specified categories of goods or services

Transaction value [section 15(1)]:

When a transaction of supply of goods / services is made between two **persons who are not related** to each other, and **price is the sole consideration** for the supply, the value of the supply is the **"transaction value"**.

Price is the sole consideration:

- a. Under section 15(1), the transaction value **is the price actually paid or payable** for the said supply of goods or services or both.
- b. It **includes the amount already paid** at the time the supply is being valued for tax, as well as the **amount payable and not yet paid** at that time. The word 'payable' refers to price that is agreed to be paid for the goods / services.

Inclusions in value [section 15(2)]

a. Taxes other than GST & GST Compensation Cess [Section 15(2)(a)]

- Taxes, duties, cesses, fees, and charges levied under laws **other than the CGST Act, SGST Act, UTGST Act, IGST and GST Compensation cess**, if charged separately by the supplier, are includible in the value of supply.
- Any taxes, duties, etc., **not subsumed in GST** form part of the taxable value for GST levy.
- It is clarified that TCS under the Income Tax Act, 1961 **is not includible in the taxable value** for GST purposes. TCS is an interim levy and not a tax, serving merely as a collection modality.

b. Payments made to third parties by the recipient on behalf of the supplier in relation to the supply [Section 15(2)(b)]

- A supplier **may incur expenses** to make a supply of goods/services. These expenses, paid by the supplier, are **included in the price charged to the customer**.
- If the **customer directly pays** some of these expenses to third parties instead of the supplier, these amounts will still form part of the value of supply if:
 - The **supplier has a contractual obligation** to make such payments.
 - The **payment is related to the supply**.

Example

- Grand Biz contracts with ABC Co. to organize a dealers' meet and contracts with vendors for goods/services like water, catering, etc.
- If ABC Co. pays the soft drinks vendor directly for Grand Biz's liability, the amount is added to the value of supply for GST purposes.

c. Incidental expenses [Section 15(2)(c)]:

Inclusion of Incidental Expenses in Value of Supply	Incidental expenses, such as commission and packing , or any activities performed by the supplier related to the supply at or before the time of delivery of goods/services , must be added to the value of supply.
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Examples

1. Commission paid to an agent and recovered from the buyer.
2. Packing charges billed to the recipient.
3. Inspection or certification charges incurred before/at the time of supply and billed to the recipient.
4. Installation and testing charges at the recipient's site
5. Weighment, loading, designing charges, etc., incurred before/at the time of supply and billed to the recipient.

Outward Freight and Transit Insurance

- If the supplier delivers goods to the buyer's premises and arranges transport and insurance, the contract **becomes a composite supply**, with the supply of goods as the principal supply.
- Outward freight and transit insurance form part of the composite supply value, **attracting GST at the same rate as the goods**.
- If the contract is on an ex-factory basis, where the buyer arranges and pays for outward freight and insurance, these expenses are not included in the value of supply of goods.

d. Interest, late fee or penalty for delayed payment [Section 15(2)(d)]:

- The value for a supply will include **not only the base price but also the charges for delay in payment**.
- Time of supply for such interest/ late fee/ penalty is the date when such amount is received by the supplier and same rate of tax as applicable on the main supply of goods / service are applicable on such charges as well.

e. Subsidies linked with price [Section 15(2)(e)]:

- The subsidy is **added to the value of supply of the supplier** who receives the subsidy.
- It must be noted that **only subsidies directly linked to the price of goods/services** are added to the value. **Blanket subsidy/donation received are not includible** in the value.
- Note that if the **subsidy is given by the SG/CG**, it is not to be added.

Example: The selling price of a notebook is Rs.50. For notebooks sold to students in Government schools, a company uses its CSR funds to pay the seller Rs.30, so that the students pay only Rs.20 per notebook. The value of the notebook will be Rs.50, as this is a non-government subsidy. If the same subsidy is given/granted by the CG/SG, the value of the notebook would be Rs.20.

Incentive paid by MeitY to acquiring banks under Incentive scheme for promotion of RuPay Debit Cards and low value BHIM-UPI transactions considered as subsidy:

The Ministry of Electronics and Information Technology (MeitY) **incentivizes**

acquiring banks for RuPay Debit Card and BHIM-UPI transactions up to ₹2000, paying a percentage of the transaction value. As per the Payments and Settlements Systems Act, 2007, banks and system providers cannot charge fees to users for these transactions. The incentive is classified as a subsidy directly linked to the service price, not consideration for services supplied to the government. Therefore, it is excluded from the taxable value under GST and is not taxable.

Exclusion of discounts from value [section 15(3)]

Discounts that are allowed as deduction from the value are as follows:

a. Discounts given before or at the time of supply and shown in the tax invoice

b. Post supply discounts

- It is not always commercially feasible to determine or record all discounts at the time of supply, such as cash discounts or quantity/volume/performance discounts.
- In these cases, GST is initially paid on the gross value indicated in the invoice without considering the discount. The supplier later provides the discount to the buyer by issuing credit notes.
- Post-supply discounts are allowed as deductions from the value of supply if the following two conditions are met:
 - The discount is per an agreement existing at the time of supply and can be calculated invoice-wise.
 - The buyer reverses the proportionate ITC corresponding to the discount. This reversal ensures the supplier's output tax liability is reduced by the same amount.
- If these conditions are not fulfilled:
 - The supplier cannot reduce GST liability but may issue a commercial credit note for the discount value.
 - In such cases, the buyer is not required to reverse any ITC.

Allowability of certain specific types of discounts offered by the suppliers as clarified vide Circular No. 92/11/2019 GST dated 07.03.2019:

Type of Discount	Description	Impact on Value of Supply
Staggered Discounts	Discounts increase with purchase volume, e.g., 10% for purchases above ₹5,000, 20% above ₹10,000 etc. These discounts are displayed on the invoice.	Excluded from the value of supply as they are shown on the invoice.
Periodic/ Year-Ending Discounts	Offered based on total purchases over a period, e.g., 1% additional discount for 10,000 pieces in a year. Established via agreements made at or before supply but not shown on the invoice. Actual discount is determined later, usually at year-end. Passed on via credit notes.	Excluded from the value of supply if they meet Section 15(3) conditions, including Input Tax Credit (ITC) reversal by the recipient based on supplier-issued documents.

Secondary Discounts	Discounts unknown at the time of supply and offered after supply is completed, e.g., a supplier reduces the price of a product post-supply and issues a credit note for the difference. Financial/commercial credit notes may be issued but do not include GST.	Not excluded from the value of supply as they fail to meet Section 15(3)(b) conditions. Credit notes do not affect the value of supply for GST purposes.
No Claim Bonus permissible as deduction under section 15(3)(a) for the purpose of calculation of value of supply of the insurance services provided by insurance company to insured: - Insurance companies disclose the availability of NCB as a discount, subject to conditions, in the policy documents and also mention the NCB amount in the invoices. This disclosure aligns with the requirements of Section 15(3)(a) for excluding discounts from the value of supply. - As per Section 15(3)(a), the value of supply excludes any discount given before or at the time of supply if it is duly recorded in the invoice. Hence, NCB is considered a permissible deduction for determining the value of supply of insurance services.		
Supplies where value cannot be determined u/s 15(1) and notified supplies [Sub-sections (4) and (5) of Section 15]:		
Section 15(4) lays down that where sub-section (1) is not applicable, i.e. if the transaction is with a related party, and/or price is not the sole consideration for the supply of goods / services, then the value will be determined in the manner as prescribed, which means as stipulated in the rules for valuation, i.e. Chapter IV: Determination of Value of Supply of CGST Rules. These rules will be discussed at the CA Final level.		

Examples of discount deductible from value of supply

- PBPL sold goods to OPL for Rs.50,000 (excluding taxes and discounts) on 15th Jan, charging Rs.9,000 as IGST @ 18%. PBPL offered a 2% discount if payment was made within one month. OPL availed ITC of Rs.9,000 in Jan and paid Rs.57,820 (Rs.50,000 + Rs.9,000 - Rs.1,000 discount - Rs.180 IGST) on 10th Feb. PBPL issued a credit note of Rs.1,180 (Rs.1,000 discount + Rs.180 IGST) on 11th Feb. OPL reversed the ITC of Rs.180, and PBPL reduced its GST liability for Feb by Rs.180.
- If PBPL offers a 2% discount to OPL after negotiation at the time of payment, without prior agreement in the terms of supply, the discount will not qualify for deduction from the taxable value. PBPL will issue a commercial credit note and OPL will not reverse any ITC.
- A company announces turnover discounts after reviewing dealer performance during the year. The discounts are based on performance slabs and are given as cash-back. As these discounts were not known at the time of supply of the goods, they will not be deducted from value of those goods.

9. Tax invoice, credit and debit notes

Introduction

Definition and Purpose	An invoice is a commercial document issued by a supplier to a recipient. It identifies both parties, lists items sold/services supplied etc. It serves as evidence of the transaction and, in certain cases, as a demand for payment or a document of title when paid in full.
Its importance	Invoicing is crucial for ensuring tax compliance in any indirect taxation system. A tax invoice evidences payment for goods/services, including the tax portion, ensuring transparency in taxable transactions.
Invoice Under GST	Under GST, an "invoice" or "tax invoice" refers to the tax invoice as defined in Section 31 of the CGST Act, 2017 , mandating issuance for every supply of goods or services.

Relevant definitions

Credit note:	means a document issued by a registered person u/s 34(1) [Sec2(37)].
Debit note:	means a document issued by a registered person u/s 34(3) [Sec2(38)].
Continuous supply of goods:	means [Section 2(32)]: - a supply of goods which is provided, or agreed to be provided, continuously or on recurrent basis under a contract whether or not by means of a wire, cable, pipeline or other conduit, and for which the supplier invoices the recipient on a regular or periodic basis and - includes supply of such goods as the Government may, subject to such conditions, as it may, by notification, specify
Continuous supply of services:	means [Section 2(33)]: - supply of services which is provided, or agreed to be provided, continuously or on recurrent basis under a contract - for a period exceeding 3 months with periodic payment obligations - includes supply of such services as the Government may, subject to such conditions, as it may, by notification, specify
Quarter	A period of three consecutive calendar months , ending on the last day of March, June, September, and December [Section 2(92)].
Return	Any return prescribed or required to be furnished under this Act or its rules [Section 2(97)].

Section 31 - tax invoice

There is no format prescribed for the Tax Invoice. Only certain fields have been prescribed as mandatory fields.



A. Tax invoice issued by a supplier of taxable goods/ taxable services:

A tax invoice shall be issued by a registered person supplying taxable goods/services /both. Such tax invoice shall show the prescribed particulars.

➤ Time limit for issuance of invoice [sec 31(1), (2), (4) & (5) read with rule 47]:

Nature of Supply	The time for issuing an invoice depends on whether the supply involves goods or services.
Alternate Documents for Services	The Government may notify categories of services for which: - Another document may be deemed a tax invoice. - A tax invoice may not be required, subject to specified conditions.
Notification for Categories of Supplies	The Government, on the Council's recommendation, may specify categories of goods or services where tax invoices must be issued within a prescribed time and manner.

In case of taxable supply of goods	In case of taxable supply of services
Invoice shall be issued before or at the time of,— (a) removal of goods for supply to the recipient, where the supply involves movement of goods; or (b) delivery of goods or making available thereof to the recipient, in any other case.	Invoice shall be issued before or after the provision of service, but within a period of 30 days from the date of supply of service. - In case of an insurer or banking company or financial institution, including a NBFC, the invoice can be issued within a period of 45 days from the date of supply of service. - An insurer or a banking company or a financial institution, including NBFC, or a telecom operator, or any other class of supplier of services as may be notified by the Government, making taxable supplies of services between distinct persons as specified in section 25, may issue an invoice ✓ before or at the time such supplier records the same in his books of account or ✓ before the expiry of the quarter during which the supply was made.
In case of continuous supply of goods	In case of continuous supply of services
a. Where successive statements of accounts/ successive payments are involved, the invoice shall be issued before/at the time each such	a. due date of payment is ascertainable from the contract - the invoice shall be issued on or before the due date of payment b. on or before the due date of payment - the invoice shall be issued before or at the time when the supplier of service receives the payment c. payment is linked to the completion of an event - the invoice shall be issued on or before the date



statement is issued or each such payment is received.

of completion of that event.

➤ **Where supply of services ceases before its completion [section 31(6)]:**

- An invoice must be issued **at the time the supply ceases**.
- The invoice should cover the extent of the supply made before such cessation.

➤ **Goods sent on sale or return basis [section 31(7)]:**

Issuance of Invoice	If goods are sent or taken on approval for sale or return and removed before supply occurs, the invoice must be issued: a) Before/at the time of supply , or b) 6 months from the date of removal , whichever is earlier .
Movement of Goods	• Goods can be moved on a delivery challan along with the applicable e-way bill, if required. • The invoice may be issued at the time of delivery.
Carrying Invoice	The person carrying the goods can carry the invoice book to issue an invoice as per the stipulated time, once the supply is completed.

➤ **Particulars of a tax invoice [sections 31(1) & (2) read with rule 46]:**

Format	No specific format is prescribed, but the invoice must include the mandatory fields applicable to the transaction.
Supplier Details	Name, address, and GSTIN of the supplier.
Invoice Number	A consecutive serial number (max 16 characters) in one or multiple series, using alphabets, numerals, hyphen, dash, or slash, unique for a financial year.
Date of Issue	The date on which the invoice is issued.
Recipient Details	• If registered: Name, address, GSTIN or UIN. • If unregistered: ○ Value ₹50,000 or more: Name, address, delivery address, State name, and code. ○ Value less than ₹50,000: The recipient may request the same details.
Special Cases	For online money gaming, ECO services, or OIDAR services to unregistered recipients, the invoice must include the recipient's State name, deemed as the address on record.
Details of Goods or Services	• HSN code, description, and quantity (or Unique Quantity Code for goods). • Total value and taxable value after discounts or abatements.
Tax Details	• Tax rates (CGST/SGST/UTGST/IGST, cess).

	Amount of tax charged.
Additional Information	- Place of supply and State name (for inter-State trade). - Delivery address if different from the place of supply. - Whether tax is payable on a reverse charge basis. - Signature or digital signature of the supplier or authorized representative (not required for electronic invoices under the IT Act, 2000). - Quick Response (QR) Code with embedded Invoice Reference Number (IRN) for e-invoices.
E-Invoicing Declaration	Taxpayers exempted from mandatory e-invoicing must include a declaration stating that, despite exceeding the turnover threshold, they are not required to prepare e-invoices.

- **Rule 46 - number of HSN digits required on tax invoice and class of registered person not required to mention HSN:**

S. No.	Aggregate Turnover (AT) in the preceding FY	Number of Digits of HSN Code
1.	AT ≤ Rs.5 crores	For B2B supply - 4 For B2C supply - 4 (optional)
2.	AT > Rs.5 crores	For B2B supply and B2C supply - 6

- **Manner of issuing the invoice [sections 31(1) & (2) read with rule 48]:**

In case of taxable supply of Goods	In case of taxable supply of Services
Invoice shall be prepared in triplicate	Invoice shall be prepared in duplicate
 Triplicate Original copy → ORIGINAL FOR RECIPIENT Duplicate copy → DUPLICATE FOR TRANSPORTER TriPLICATE copy → TRIPLICATE FOR SUPPLIER	 Duplicate Original copy → ORIGINAL FOR RECIPIENT Duplicate copy → DUPLICATE FOR SUPPLIER

B. E - invoicing

- **E-invoicing' has been introduced for reporting of business to business (B2B) invoices to GST system for certain notified category of taxpayers:**

Applicability	E-invoicing is mandatory for registered businesses with an aggregate turnover exceeding ₹5 crores (based on PAN) in any preceding FY from 2017-18 onwards .
Reporting	E-invoicing is not voluntary ; only notified persons are authorized to



Requirement	report invoices on the Invoice Registration Portal (IRP) .
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➤ **What is e-invoicing:**

Definition	E-invoicing is not the generation of invoices by a Government portal .
Invoice Creation	- Taxpayers create GST invoices using their own Accounting/Billing/ERP Systems as per the e-invoice scheme. - These invoices are then reported to the IRP.
Role of IRP	- The IRP generates a unique Invoice Reference Number (IRN), digitally signs the invoice, and returns it to the supplier. - A GST e-invoice is valid only if it has a valid IRN.
Documents Covered	- E-invoicing applies to invoices, credit notes, and debit notes issued by notified persons: - For transactions with registered persons (B2B), or - For exports.

➤ **Advantages of e-invoicing:**

- Enables **auto-reporting** of B2B invoices into GST returns and **auto-generation of e-way bills**.
- Businesses report B2B invoice data once in the e-invoice form, which is used for multiple purposes (e.g., GSTR-1, e-way bill).
- E-way bills and GSTR-1 are auto-populated with e-invoice data.
- Minimizes **transcription errors**
- Buyers can reconcile** the information with their purchase orders
- Facilitates **standardization** and **inter-operability**, reducing disputes, improving payment cycles, and lowering processing costs.
- Improves **overall business efficiency**.
- Provides a complete trail of B2B invoices, enabling **system-level matching** of ITC and output tax.
- Helps **reduce tax evasion**.
- Prevents **fictitious ITC** claims through fake invoices.
- Real-time access to invoice data enables tax authorities to **curb fraudulent activities** and reduce fraud cases.

➤ **E-invoicing statutory provisions**

Requirement for E-Invoicing (Rule 48(4))	- Notified registered persons must prepare e-invoices by uploading details from Form GST INV-01. - An IRN must be obtained as per the prescribed manner.
Exemption from E-Invoicing	The Commissioner, on the recommendations of the Council, may exempt certain persons or classes of registered persons from e-invoicing for a specified period, subject to conditions and restrictions specified in the notification.

Non-Compliant Invoices	- Any invoice issued in a manner other than that specified in Rule 48(4) will not be treated as a valid invoice. - Where e-invoicing applies, issuing invoice copies in triplicate/duplicate is not required.
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➤ **Class of persons notified to mandatorily issue e-invoice**

Notified Class	Registered persons (except specified classes) with an aggregate turnover exceeding ₹5 crore in any preceding financial year from 2017-18 onwards must prepare e-invoices for: B2B supplies (goods/services/both to a registered person). Exports.
Exclusion	Notified persons are not required to report B2C invoices on the IRP.
Inapplicability	E-invoicing does not apply to invoices issued by Input Service Distributors (ISD) or for import of goods (Bills of Entry) .
RCM Applicability (Sec 9(3))	E-invoicing applies to invoices for supplies by notified persons where tax is payable under RCM by the recipient.
Reverse Charge (Section 9(4)) and Import of Services	E-invoicing does not apply to: - Supplies received by a notified person from unregistered persons under RCM (Section 9(4)). Import of services.

➤ **Exemption from e-invoicing:**

Entities Exempt from E-Invoicing	Special Economic Zone (SEZ) units (not SEZ developers). Insurers, banking companies, or financial institutions, including NBFCs. GTA (Goods Transport Agency) supplying services related to transportation of goods by road. Suppliers of passenger transportation services. Persons supplying services for admission to multiplex screens (cinematograph films). Government departments and local authorities. Exemption applies even if turnover exceeds ₹5 crore in any preceding financial year from 2017-18 onwards.
SEZ Developers and Supplies to SEZ Units	- SEZ developers with turnover exceeding ₹5 crore must issue e-invoices. - Supplies made by notified persons to SEZ units require e-invoicing. Example: Maharaja Private Limited operates both an SEZ unit and a DTA unit under the same PAN, with a combined aggregate turnover exceeding Rs.5 crore, though the DTA unit's turnover is



	Rs.2.5 crore. E-invoicing is not applicable to the SEZ unit but is applicable to the DTA unit.
Declaration Requirement	Exempt taxpayers must declare: <i>"I/We hereby declare that though our aggregate turnover in any preceding financial year from 2017-18 onwards is more than the aggregate turnover notified under sub-rule (4) of rule 48, we are not required to prepare an invoice in terms of the provisions of the said sub-rule."</i>
Clarification on Entity-Wide Exemption	Exemption applies to the entity as a whole, irrespective of the nature of supplies. Example: A banking company providing banking services, may also be involved in making supply of some goods, including bullion. The said banking company is exempted from mandatory issuance of e-invoice for all supplies of goods and services and thus, will not be required to issue e-invoice with respect to any supply made by it

➤ **How e-invoice is generated?**

Invoice Preparation	- The taxpayer generates the invoice using their own ERP/accounting/billing system or a manual system. - The invoice must conform to the e-invoice schema and include mandatory parameters.
Uploading to IRP	- The invoice details are uploaded/reported to the IRP. - This process registers the supply transaction on the IRP.
IRP Processing	The IRP processes the uploaded invoice, generates a unique IRN , digitally signs the e-invoice, and adds a QR Code .
Sharing with Receiver	The supplier shares the digitally signed e-invoice (along with the QR Code) with the receiver.

➤ **How e-invoice data is consumed by GST system for generation of e-way bill or populating relevant parts of GST returns?**

Storage in GST System	Upon successful reporting of invoice details to the IRP , the invoice data (payload), including the IRN , is saved in the GST System .
Auto-Population in GST Returns	- The GST system auto-populates the invoice details into: GSTR-1 of the supplier. GSTR-2A of the respective receivers. The source is marked as 'e-invoice', showing the IRN and IRN date, unless details were modified/re-uploaded by the taxpayer.

Integration with E-Way Bill	- The e-invoice schema includes fields like 'Transporter ID' and 'Vehicle Number', which are required for generating e-way bills. - These fields can be entered during e-invoice generation to enable e-way bill creation without additional data entry.
Simplified Reporting	The e-invoice reporting software allows simultaneous reporting of e-invoices and generation of e-way bills using the same data.

➤ **Cancellation/amendment of reported invoice:**

Cancellation of IRN	The seller can cancel the IRN for a reported e-invoice by reporting it on the IRP within the specified time.
Amendment of E-Invoice	- Amendments to an already uploaded e-invoice can only be made on the GST portal while filing GSTR-1. - Amendments cannot be done through the IRP.

➤ **Implications for businesses**

Nature of E-Invoicing	E-invoicing does not require invoices to be prepared or generated on the Government portal. It involves registering the invoice on the Government portal to intimate that it has been issued to the buyer.
Continuation of Current Practices	- Businesses will continue issuing invoices as they did earlier. - ERP/Accounting and Billing Software providers must implement necessary updates to enable the reporting of invoices to the IRP and obtaining the IRN.

➤ **Important terms**

a. E-invoice Schema:	
Need for a Standardized Schema	- Businesses use diverse accounting/billing software, each generating invoices in unique electronic formats. - These formats are not inherently compatible with the GST System or other systems, causing interoperability issues.
Purpose of E-Invoicing	E-invoicing ensures machine-readability and uniform interpretation of invoices. A standardized format eliminates the need for manual or fresh data entry.
Introduction of E-Invoice Schema	- The e-invoice schema is a uniform standard format containing specified fields, applicable across all businesses in India. - It is notified as Form GST INV-1.
Reporting Requirements	- The schema defines the particulars to be reported electronically to the Invoice Registration Portal (IRP). - Invoice details must be reported in JSON format (JavaScript Object Notation), a machine-readable language for data exchange between systems.



b. Invoice Registration Portal (IRP):

IRP is the website for uploading/reporting of invoices by the notified persons. Following IRPs have been notified for the purpose of preparation of the e-invoice:

www.einvoice1.gst.gov.in

www.einvoice6.gst.gov.in

www.einvoice2.gst.gov.in

www.einvoice7.gst.gov.in

www.einvoice3.gst.gov.in

www.einvoice8.gst.gov.in

www.einvoice4.gst.gov.in

www.einvoice9.gst.gov.in

www.einvoice5.gst.gov.in

www.einvoice10.gst.gov.in

c. Invoice Reference Number:

Validity	A GST invoice is valid only if it has a valid IRN .
Invoice Number	- Assigned by the supplier. - Internal to the business, with formats varying across businesses. - Governed by relevant GST rules.
Invoice Reference Number (IRN)	- A unique reference number (hash) generated by the IRP upon successful registration of the e-invoice. - Example of IRN: 35054cc24d97033afc24f49ec4444dbab81f542c555f9d30359d c75794e06bbe - Consists of a unique 64-character hash.

d. Other points:

E-Commerce Operators	The e-invoicing system allows ECO to report invoices to the IRP , generated on behalf of suppliers.
Bulk Uploading	Bulk uploading of invoices to the IRP is possible.
No Requirement for Physical Copy	CBIC has clarified that carrying a physical copy of the tax invoice is not required if an e-invoice has been generated. - Displaying the QR code with the embedded IRN electronically for verification by the proper officer is sufficient.

e. Quick Response (QR) code:

Purpose of QR Code	- Upon successful invoice registration on the IRP, a signed e-invoice is returned with the IRN and QR Code. - The QR Code enables quick validation, access to invoices from handheld devices, and offline verification by tax officers.
Contents of QR Code	GSTIN of supplier GSTIN of recipient - Invoice number as given by the supplier - Date of generation of invoice - Invoice value (taxable value and gross tax) - Number of line items - HSN code of the main item (line item with highest taxable value)

	- Unique Invoice Reference Number (IRN) - Date of generation of IRN
E-Invoicing for Government Departments/PSUs Registered for TDS Deduction	
Applicability	E-invoicing is applicable for supplies made by registered persons (turnover exceeding the threshold) to Government Departments, establishments, Government agencies, local authorities, or PSUs registered solely for TDS deduction under Section 51 .
Clarification	- These entities, registered for TDS deduction under Section 24(vi), are treated as registered persons u/s 2(94) of GST law. - Suppliers must issue e-invoices for such supplies under R 48(4).
Authentication	Each e-invoice is authenticated with the digital signature of the IRP .
Upload and Cancellation	- Each e-invoice must be uploaded for registration on the IRP within the timeline. - E-invoices can be canceled within 24 hours of IRP registration.

C. Dynamic QR code on B2C invoices

Applicability	All B2C invoices issued by registered persons with an aggregate turnover exceeding ₹500 crores (from 2017-18 onwards) must have a Dynamic QR Code .
Provision	The sixth proviso to Rule 46 mandates QR codes on tax invoices for B2C supplies, except for specified categories.
Purpose	To promote digital payments , enabling customers to scan and pay directly without entering payment details.
Non-Applicability	
Dynamic QR code is not applicable	Invoice issued to an unregistered person by following suppliers - Insurers, banking companies, financial institutions, including NBFCs. - Goods transport agencies (GTA) for road transport. - Passenger transport service providers. - Cinematograph exhibitors in multiplexes. - OIDAR service providers.
Exports	Dynamic QR Code is not required for export supplies as these are treated as B2B for e-invoicing purposes.
Parameters in Dynamic QR Code	- Supplier's GSTIN and UPI ID. - Payee's bank account and IFSC. - Invoice number, date, and value. - GST amount with a breakup (CGST, SGST, IGST, Cess). - Must enable scanning for digital payments.

D. Special cases

➤ Revised tax invoice [section 31(3)(a) read with rule 53] when issued?:

When Issued	A registered person granted registration with an effective date earlier than the date of issuance of the registration certificate can issue Revised Tax Invoices for taxable supplies made between: - The effective date of registration, and - The date of issuance of the registration certificate.
Time Limit	• Revised Tax Invoices must be issued within 1 month from the date of issuance of the registration certificate. • The invoice must prominently display the words "Revised Invoice."
Purpose	• Addresses the time lag between the effective date of registration and the issuance of the certificate.
ITC Availability	Revised invoices enable recipients to avail Input Tax Credit (ITC) on supplies made during the interim period.

Consolidated Revised Tax Invoices

Issuance	• A registered person may issue a Consolidated Revised Tax Invoice for all taxable supplies made to unregistered recipients during the relevant period. • For inter-State supplies valued up to ₹2.5 lakh, a State-wise consolidated revised invoice may be issued.
Types of Revised Invoices	• For inter-State B2C taxable supply up to ₹2,50,000: State-wise consolidated revised invoice. • For inter-State B2C taxable supply exceeding ₹2,50,000: Recipient-wise revised invoice. • For all intra-State B2C taxable supplies, irrespective of the amount: Recipient-wise consolidated revised invoice.
Time Limit	Revised or consolidated revised invoices must be issued within one month from the date of registration.

Particulars of Revised Tax Invoice

Mandatory Fields

- Name, address, and GSTIN of the supplier.
- A unique consecutive serial number (max 16 characters) in one or multiple series, containing alphabets, numerals, or special characters (hyphen, dash, slash).
- Date of issue of the document.
- Name, address, and GSTIN or UIN (if registered) of the recipient.
- Serial number and date of the corresponding tax invoice or bill of supply.
- Signature or digital signature of the supplier or authorized representative.

➤ No tax invoice required to be issued if value < rs.200 – a consolidated tax invoice can be issued [section 31(3)(b) read with fourth proviso to

**rule 46]:**

Conditions for Non-Issuance of Tax Invoice	A registered person is not required to issue a tax invoice if: • The value of goods/services supplied is less than ₹200. • The recipient is unregistered. • The recipient does not require such an invoice.
Consolidated Tax Invoice	A Consolidated Tax Invoice can be issued at the end of the day for all such transactions made during the day.
Benefits for Small Transactions	Small taxpayers (e.g., retailers) handling multiple small transactions (up to ₹200 per transaction) can avoid issuing invoices for each transaction and issue a single consolidated invoice for the day.
Exceptions	• A tax invoice must be issued if the customer demands it. • This option is not available to suppliers providing services related to admission to cinematograph films in multiplex screens.
The above provisions also apply to the Bill of Supply .	

➤ **Bill of supply [section 31(3)(c) read with rule 49]:**

Requirement for Bill of Supply	
• Registered persons supplying exempted goods or services or both, or under composition levy must issue a Bill of Supply instead of a tax invoice. • Persons under composition levy must include the words "composition taxable person, not eligible to collect tax on supplies" at the top of the Bill of Supply.	
Particulars of Bill of Supply	
Tax Details	• Registered persons under composition levy do not collect tax on outward supplies. • Bills of Supply do not contain tax rate or tax amount details. • Value mentioned in the Bill of Supply is not a taxable value.
Mandatory Details in Bill of Supply	• Name, address, and GSTIN of the supplier. • A unique consecutive serial number (max 16 characters). • Date of issue. • Name, address, and GSTIN or UIN (if registered) of the recipient. • HSN Code and description of goods or services. • Value of supply considering discounts or abatements. • Signature or digital signature of the supplier or authorized representative (not required for electronic bills under the IT Act, 2000).
Special Note	Any tax invoice or similar document issued under any other Act for a non-taxable supply is treated as a Bill of Supply under the GST Act.
Invoice-Cum-Bill of Supply (Rule 46A)	



Applicability	For registered persons supplying taxable and exempted goods/services to unregistered persons, a single "invoice-cum-bill of supply" can be issued.
Rules Applied	- Rule 46A overrides rules 46, 49, and 54 of the CGST Rules. - The combined document must comply with the particulars specified in: Rule 46 (for tax invoices), Rule 49 (for bills of supply). Rule 54 (where applicable).

➤ **Receipt voucher [section 31(3)(d) read with rule 50]**

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

Name, address and GSTIN of the supplier;
A consecutive serial number not exceeding 16 characters, in one or multiple series, containing alphabets or numerals or special characters - hyphen or dash and slash and any combination thereof, unique for a FY
Date of its issue;
Name, address and GSTIN or UIN, if registered, of the recipient;
Description of goods or services;
Amount of advance taken;
Rate of tax (central tax, State tax, integrated tax, Union territory tax or cess);
Amount of tax charged in respect of taxable goods or services (central tax, State tax, integrated tax, Union territory tax or cess);
Place of supply along with the name of State and its code, in case of a supply in the course of inter-State trade or commerce;
Whether the tax is payable on reverse charge basis; and
Signature/digital signature of supplier/his authorized representative

- c. Where at the time of receipt of advance, rate of tax and/or nature of supply is not determinable

Where at the time of receipt of advance	
i. rate of tax is not determinable	tax shall be paid at the rate of 18%
ii. nature of supply is not determinable	same shall be treated as inter-State supply

➤ **Refund voucher [section 31(3)(e) read with rule 51]:**

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

b. **Particulars of Refund Voucher**

Name, address and GSTIN of the supplier;
A consecutive serial number not exceeding sixteen characters, in one or multiple series, containing alphabets or numerals or special characters -hyphen or dash and slash and any combination thereof, unique for a FY;
Date of its issue;
Name, address and GSTIN or UIN, if registered, of the recipient;
Number and date of Receipt Voucher issued
Description of goods/services in respect of which refund is made
Amount of refund made
Rate of tax (central tax, State tax, integrated tax, Union territory tax or cess)
Amount of tax paid in respect of such goods or services (central tax, State tax, integrated tax, Union territory tax or cess)
Whether the tax is payable on reverse charge basis; and
Signature/digital signature of supplier/his authorized representative

➤ **Invoice and payment voucher [section 31(3)(f) & (g) read with second proviso to rule 46 and rule 52]:**

Reverse Charge Liability	- The recipient is liable to pay tax under reverse charge for supplies notified under Section 9(3). - Supplies can be received from both registered and unregistered suppliers.
Reverse Charge for Builder/Promoter [Section 9(4)]	- Builders/promoters must purchase at least 80% of inputs and input services from registered persons. - Shortfall requires tax payment under reverse charge on the deficient inward supplies. Specific Cases: - Tax payable on cement received from unregistered persons. - GST on capital goods purchased from unregistered persons is payable under reverse charge.
Invoice Issuance by Recipient	Recipients liable to pay tax under Section 9(3) or 9(4) must issue an invoice for supplies received from unregistered suppliers.
Payment Voucher	Recipients liable to pay tax under reverse charge must issue a Payment Voucher at the time of making payment to the supplier.
Key Requirement	- Invoices are required only when supplies are received from unregistered suppliers. - Payment vouchers are mandatory whenever payment is made under reverse charge.
Particulars of Payment Voucher	

- Name, address and GSTIN of the supplier if registered;
- A consecutive serial number not exceeding 16 characters, in one or multiple series, containing alphabets or numerals or special characters -hyphen or dash and any combination thereof, unique for a FY
- Date of its issue;
- Name, address and GSTIN of the recipient;
- Description of goods or services;
- Amount paid;
- Rate of tax (central tax, State tax, integrated tax, Union territory tax or cess);
- Amount of tax payable in respect of taxable goods or services (central tax, State tax, integrated tax, Union territory tax or cess);
- Place of supply along with the name of State and its code, in case of a supply in the course of inter-State trade or commerce; and
- Signature/digital signature of supplier/his authorized representative

➤ **Delivery challan [rule 55]:**

Rule 55 specifies the cases where for the purpose of transportation of goods without issue of Invoice, Delivery Challan be issued.

These are provided in the following table:

Nature of supply	Deliver challan to be issued	Particulars of Delivery Challan
1. Supply of liquid gas where the quantity at the time of removal from the place of business of the supplier is not known, 2. Transportation of goods for job work, 3. Transportation of goods for reasons other than by way of supply, or 4. Such other supplies as may be notified by the Board	• serially numbered not exceeding 16 characters • in one or multiple series • at the time of removal of goods for transportation	Date and number of the delivery challan
		Name, address and GSTIN of the consigner, if registered
		Name, address and GSTIN or UIN of the consignee, if registered
		HSN code and description of goods,
		Quantity (provisional, where the exact quantity being supplied is not known)
		Taxable value
		Tax rate and tax amount - central tax, state tax, integrated tax, union territory tax or cess, where the transportation is for supply to the consignee
		Place of supply, in case of inter-state movement
		Signature

Delivery	The delivery challan shall be prepared in triplicate, in case of
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challan Triplicate	in	supply of goods, in the following manner:
		Original copy Duplicate copy Triplicate copy
		ORIGINAL FOR CONSIGNEE DUPLICATE FOR TRANSPORTER TRIPLICATE FOR CONSIGNOR
Declaration in E-Way Bill		When goods are transported on a delivery challan instead of an invoice, this must be declared in the E-Way Bill .
Tax Invoice After Delivery		If goods are transported for supply but a tax invoice could not be issued at the time of removal, the supplier must issue the tax invoice after the delivery of goods .
Goods transported in SKD/CKD condition or in batches or lots		
Invoice Issuance		The supplier must issue the complete invoice before dispatching the first consignment.
Delivery Challans		A delivery challan must be issued for each subsequent consignment, referencing the original invoice.
Accompanying Documents		Copies of the corresponding delivery challan must accompany each consignment along with a certified copy of the invoice.
Goods may be moved within the State/from the State of registration to another State for supply on approval basis and art works may be sent by artists to galleries for exhibition on delivery challan along with e-way bill wherever applicable:		
Jewellery Goods Approval	or for	- Suppliers registered in one State may carry goods (e.g., jewellery) to other States for approval purposes. - If approved by the buyer, the supplier issues a tax invoice at the time of supply. - Goods can be moved within the same State or to another State on delivery challan along with an e-way bill (where applicable). - Suppliers may carry an invoice book to issue the invoice after supply is confirmed.
Artists Sending Artworks		- Artists registered in one State may send artworks to other States or within the same State for approval purposes. - If the artwork is selected, the supplier issues a tax invoice at the time of supply. - Artworks can be moved on delivery challan along with an e-way bill (where applicable).

➤ **Supplier permitted to issue any document other than tax invoice [proviso to section 31(2) read with rules 54]**

Govt may, on the recommendations of the Council, may, specify the categories of services in respect of which--

- any other document issued in relation to the supply shall be deemed to be a tax

- invoice; or
- b. tax invoice may not be issued.

Following suppliers may issue a tax invoice, but they are also permitted to issue any other document in lieu of tax invoice, containing the following information:

Optional information	Mandatory information
Insurer/Banking company/ Financial institution, including NBFC	
- Serial number (It is not mandatory for a bank/ insurance company to serially number the invoices/ document). - Address of the recipient of taxable service	- Other information (other than serial no. and address of recipient) as prescribed for a Tax Invoice, under rule 46. - A customer may avail numerous services from the bank / insurer in a given tax period. Such entities may issue a consolidated tax invoice/ statement/ advice, any other document in lieu thereof, by whatever name called may be issued/ made available, physically/ electronically, for supply of services made during a month at the end of the month. - However, the signature or digital signature of the supplier or his authorized representative shall not be required in the case of issuance of a consolidated tax invoice or any other document in lieu thereof in accordance with the provisions of the Information Technology Act, 2000.
Goods Transport Agency (GTA) supplying services in relation to transportation of goods by road in a goods carriage	
	- Gross weight of the consignment - Name of the consignor and the consignee - Registration number of goods carriage in which the goods are transported - Details of goods transported - Details of place of origin and destination - GSTIN of the person liable for paying tax whether as consignor, consignee or GTA - Other information as prescribed for a tax invoice, under rule 46
Supplier of Passenger transportation service	
- Serial number - Address of the recipient of taxable service	Tax invoice shall include ticket in any form, by whatever name called. Other information (other than serial no. and address of recipient) as prescribed for a tax invoice, under rule 46. However, signature or digital signature of the supplier or his authorized representative shall not be required in the case of issuance of ticket in accordance with the provisions of the Information Technology Act, 2000.
Registered person supplying services by way of admission to exhibition of	

cinematograph films in multiplex screens	
Details of recipient of service	- Supplier is required to issue an electronic ticket and the said electronic ticket shall be deemed to be a tax invoice. - Other information (other than details of recipient of service) as prescribed for a tax invoice, under rule 46. - However, supplier of such service in a screen other than multiplex screens may, at his option, follow the above procedure.

Note: It is important to note here that keeping in view the large number of transactions in banking, insurance and passenger transportation sector, taxpayers need not mention the address of the customer and the serial number in their invoices.

Credit and debit notes [section 34]

➤ Issuance of credit note:

Circumstances for Issuing Credit Note	- The supplier declared a value exceeding the actual value of goods or services (Taxable value exceeds actual value). - The supplier charged a higher tax rate or amount than applicable (Tax charged exceeds tax payable). - Goods are returned by the recipient (Sales return). - The quality of goods or services is unsatisfactory to the recipient. Other Similar Reasons.
Purpose	To regularize the above situations.
Convenience and Legal Method	- A credit note allows the supplier to amend or revise the value of goods or services in the original tax invoice. - Simplifies the process of reducing tax liability in returns without requiring a refund process.
Provisions of Section 34(1)	Credit notes can be issued for supplies made in a financial year and must contain prescribed particulars.
Restriction on Credit Notes for Secondary Discounts	- Credit notes cannot be issued for secondary discounts, as they do not reduce the supplier's tax liability. Financial/Commercial Credit Notes can be issued to reduce the value payable by the recipient but do not reduce the supplier's tax liability

➤ Issuance of debit note:

Circumstances for Issuing a Debit Note	- The supplier declared a value less than the actual value of goods or services provided. - The supplier declared a lower tax rate than applicable for the supply.
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	- The quantity received by the recipient is more than what is applicable for the kind of goods or services or both supplied - Other similar reasons.
Purpose	To regularize above situations.
Provisions of Section 34(3)	If one or more tax invoices are issued, and the taxable value or tax charged is less than the payable amount, the supplier can issue a Debit Note for the supplies in a financial year, containing the prescribed particulars.
Impact on Tax Liability	- Issuing a debit note or supplementary invoice creates additional tax liability. - Its treatment is identical to a tax invoice.
Convenience and Legal Method	- A debit note allows the supplier to enhance the value of goods or services in the original tax invoice. - It simplifies the process of paying the enhanced tax liability in returns without additional processes.
ITC for Recipients	A debit note issued per Sec 34 of the CGST Act, 2017 is a valid document for the recipient to claim ITC under R 36(1)(c).

➤ Details of debit note/credit note to be declared in return

I. Credit Note:

Declaration in Returns	Details of a credit note must be declared in the return for the month it was issued, but no later than: 30th November following the end of the FY of the supply, or - The date of furnishing the annual return, whichever is earlier.
Tax Liability Adjustment	Tax liability is adjusted as prescribed, but no reduction in output tax liability is allowed if the incidence of tax and interest has been passed to another person.
Single Cr/Db Note	A single credit/debit note can be issued for more than one invoice to adjust the tax liability.

II. Debit Note:

Issuance of Debit Note	Any registered person issuing a debit note for a supply of goods or services must declare the details in the return for the month in which it was issued.
Tax Liability Adjustment	The tax liability shall be adjusted as per the prescribed manner.

➤ Particulars of the debit and credit notes [rule 53(1a)]

Supplier Details	- Name, address, and GSTIN of the supplier. - Nature of the document (credit or debit note).
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Document Numbering	A consecutive serial number not exceeding 16 characters, in one or multiple series, containing alphabets, numerals, or special characters (hyphen, dash, slash, or any combination thereof), unique for a financial year.
Date of Issue	Date of the document's issuance.
Recipient Details	- Name, address, and GSTIN or UIN (if registered). - For unregistered recipients: Name, address, and delivery address, along with the State name and code.
Reference Details	Serial number(s) and date(s) of the corresponding tax invoice(s) or bill(s) of supply.
Supply Details	Value of the taxable supply, tax rate, and the amount of tax credited or debited to the recipient.
Signature	Signature or digital signature of the supplier or authorized representative.

Prohibition of unauthorised collection of tax [section 32]

A **unregistered person** is **not allowed to collect tax** on any supply of goods/services.

A **registered person** can only collect tax in accordance with the provisions of the GST Act and the rules made under it.

Amount of tax to be indicated in tax invoice and other documents [sec 33]

When a **supply is made for consideration**, the person **liable to pay tax** must prominently indicate the **amount of tax**.

The amount of tax should be indicated in all **documents** related to **assessment, tax invoices**, and similar documents.

The tax amount should **form part of the price** at which the supply is made.

Amendments made vide the finance (no. 2) act, 2024

The below amendments are applicable to students appearing for Sep'25 Examination.

Section 31	Provisions as amended by the Finance (No. 2) Act, 2024
(3)	<u>Clause (f)</u> a registered person who is liable to pay tax under sub-section (3) or sub-section (4) of section 9 shall within the period as may be prescribed issue an invoice in respect of goods or services or both received by him from the supplier who is not registered on the date of receipt of goods or services or both; Explanation.—For the purposes of clause (f), the expression “supplier who is not registered” shall include the supplier who is registered solely for the purpose of deduction of tax under section 51.

10. Accounts and records

Section 35 - Accounts and other records

➤ Who is required to maintain books of accounts and at which place?

Every registered person:	
Who is Required to Maintain Books: Every Registered Person	
Primary and Additional Places	
- Books must be maintained at the PPOB and at the APOB as specified in the registration certificate. For multiple places of business, accounts for each place must be maintained at that specific location. - Documents found at locations not mentioned in the registration certificate are presumed to belong to the registered person unless proven otherwise.	

➤ Which accounts and records are required to be maintained?

True and Correct Account	Must be maintained for: - Production or manufacture of goods - Inward and outward supply of goods/services - Stock of goods - Input tax credit availed - Output tax payable and paid - Other prescribed particulars.
Additional Accounts	The Commissioner may notify taxable persons to maintain additional accounts/documents for specified purposes.
Exception for Specific Classes	The Commissioner may permit specific classes of persons to maintain accounts differently, with reasons recorded in writing.
The additional records to be maintained by specified persons are as under	
Registered Person	
Additional Accounts to be Maintained (as per Rules)	
True and correct account of:	
- Goods/services imported/exported. - Supplies attracting reverse charge payment, along with supporting documents (e.g., invoices, bills of supply, delivery challans, credit/debit notes, receipt/payment vouchers, refund vouchers). - Separate account of advances received, paid, and adjustments made. - Particulars of: - Names and addresses of suppliers of taxable goods/services. - Names and addresses of recipients of supplied goods/services, as required. - Address of premises where goods are stored, including during transit, with stock particulars.	
Taxable Goods	If taxable goods are found stored at undeclared locations

Stored Without Declaration	without valid documents, the proper officer may assess tax liability as if such goods were supplied by the registered person.
Stock of Goods: Accounts must include details of opening balance, receipt, supply, losses (e.g., theft, destruction), disposals (e.g., gift, free samples), and balance stock (raw materials, finished goods, scrap, wastage). Tax Details: Records of tax payable (including reverse charge), tax collected/paid, input tax, ITC claimed, and registers for tax invoices, credit/debit notes, and delivery challans issued or received.	
Composition Scheme Suppliers	Suppliers under the composition scheme are not required to maintain stock and tax records.
Agent	• Authorization details for receiving/supplying goods /services. • Description, value, and quantity of goods/services handled for principals. • Accounts of goods/services received and supplied. • Details of tax paid on behalf of principals.
Manufacturer	Monthly production accounts showing raw material/services used, goods manufactured, and wastage/by-products.
Service Provider	Accounts for goods used in service provision, input services utilized, and services supplied.
Person Executing Works Contract	• Names and addresses of persons for whom works contracts are executed. • Details of goods/services received & utilized for execution. • Payment details for each contract. • Supplier details for goods/services received.
Custodian/Clearing Forwarding Agent	Records of goods handled on behalf of registered persons, including dispatch and delivery details.
Owner/ Operator of Warehouse/ Godown and Transporter	
Maintenance of Records (All Owners/Operators and Transporters)	All owners or operators of warehouses, godowns, or other storage places, and all transporters (registered or unregistered), must maintain records of the consignor, consignee, and other relevant details of the goods as prescribed.
Enrolment for Non-Registered Persons	• Persons not registered under GST must obtain a unique enrollment number by applying electronically using Form GST ENR-01 on the GST Common Portal. • Enrollment in any State or UT is deemed valid for all other States or Union Territories. • Enrolled persons can amend their details in the prescribed form but are not eligible to use any GSTIN.
Transporter Records	Transporters must maintain records of goods transported, delivered, and stored in transit, including the GSTIN of the

	consignor and consignee for each branch.
Warehouse/Godown Owner or Operator Records	• Maintain books of accounts for the period goods remain in the warehouse, including details of dispatch, movement, receipt, and disposal of goods. • Goods must be stored in a manner that allows identification item-wise and owner-wise. • Facilitate physical verification or inspection by proper officers on demand.

➤ **How the accounts and records will be maintained?**

Manual Maintenance	Books of account maintained manually must be serially numbered .
Electronic Maintenance	• Books of account include data stored on any electronic device. • Must be authenticated using a digital signature. • Proper electronic backup is required to ensure recovery in case of accidental or natural destruction. • Relevant records must be produced on demand, in hard copy or electronically readable format. • Details of files, passwords, codes, and a sample print copy of stored information must be provided on demand.
Prohibition on Erasing /Overwriting	• No entry in registers, accounts, or documents can be erased, effaced, or overwritten. • Incorrect entries (other than clerical errors) must be scored out with attestation, and the correct entry recorded. • For electronically maintained records, a log of every edited or deleted entry must be kept.
Preservation and Accessibility	• Accounts, invoices, bills of supply, credit/debit notes, and delivery challans must be preserved as per Section 36. • For manual records, these must be kept at every related place of business mentioned in the registration certificate. • For digital records, they must be accessible at the place of business where they are maintained.
Production on Demand	Every registered person must produce required books of accounts under any applicable law upon demand.

➤ **What are the consequences of failure to maintain the accounts?**

- If a registered person fails to account for goods and/or services as required under Section 35(1), the **proper officer will determine the tax payable** on such goods or services.
- Such goods or services **will be treated as if they were supplied by the person**.
- The provisions of **Sec 73/74** will apply, with necessary modifications, to determine the tax liability for the unaccounted goods or services.

Section 36 - Period of retention of accounts

Every registered person must retain books of account and records for **72 months** from the due date of furnishing the annual return for the year to which they pertain.

If a registered person is a party to an **appeal, revision, or proceedings** before any Appellate Authority, Tribunal, Court, or under investigation for an offence under Chapter XIX: - The records must be retained for **one year after the final disposal** of the appeal, revision, proceedings, or investigation, or for the standard 72-month period, whichever is later.

Amendment made vide the finance (no. 2) act, 2024

The following amendments are applicable for students appearing for September'25 exams:

Section No.	Existing provisions	Provisions as amended by the Finance (No. 2) Act, 2024	Remarks
35(6)	Subject to the provisions of clause (h) of sub-section (5) of section 17, where the registered person fails to account for the goods or services or both in accordance with the provisions of sub-section (1), the proper officer shall determine the amount of tax payable on the goods or services or both that are not accounted for, as if such goods or services or both had been supplied by such person and the provisions of section 73 or section 74, as the case may be, shall, mutatis mutandis, apply for determination of such tax.	Subject to the provisions of clause (h) of sub-section (5) of section 17, where the registered person fails to account for the goods or services or both in accordance with the provisions of sub-section (1), the proper officer shall determine the amount of tax payable on the goods or services or both that are not accounted for, as if such goods or services or both had been supplied by such person and the provisions of section 73 or section 74 or section 74A , as the case may be, shall, mutatis mutandis, apply for determination of such tax.	Sections 73 and 74 have been replaced with section 74A for determination of tax pertaining to the period beginning from financial year 2024-25. Consequently, sub-section (6) of section 35 has been amended, so as to incorporate a reference to the new section 74A in the said section.

11. E-way Bill

Electronic way bill [section 68 read with relevant CGST rules, 2017]

Statutory Requirement

Section 68	The Govt may require the person in charge of a conveyance carrying goods of value exceeding a specified amount to carry prescribed documents.
Rule 138	E-way bill is the prescribed document to be carried.

what is e-way bill?

A waybill is a receipt or document issued by a carrier, detailing the shipment of goods, including the consignor, consignee, origin, destination, and route of the consignment.

Electronic Way Bill (E-Way Bill)

- A compliance mechanism involving a **digital interface**.
- The **person initiating the movement** of goods uploads relevant details before the movement and generates the e-way bill on the GST portal.
- **Serves as an electronic document** evidencing the movement of goods.

What are the benefits of e-way bill?

- **Replaces physical interface** with digital interface, eliminating state check-posts.
- Enables **quicker movement** of goods.
- **Enhances truck turnaround time**, increases average distances traveled, reduces travel time, and lowers logistics costs, benefiting the logistics industry.

Generation of e-way bill

Electronic Generation	E-way Bill is generated electronically in Form GST EWB 01 on the common portal: www.ewaybillgst.gov.in .
Modes of Generation	E-way Bill can be generated through: • Web (Online), Android App, SMS, Bulk Upload Tool, API (Application Program Interface) integration.

Registration requirement of the person generating the e-way bill

Eligibility for Generation	• The facility for generation, cancellation, updation, and assignment of e-way bills is available to suppliers, recipients, and transporters. • The person generating the e-way bill must be registered on the GST portal and the e-way bill portal using their GSTIN.
Unregistered Transporters	• Must enroll on e-way bill portal before generating e-way bill. • Enrollment generates a 15-digit Unique Transporter ID (TRANSIN). • TRANSIN is similar to GSTIN and is based on State code, PAN, and check sum digit.

Use of TRANSIN	Transporters share the TRANSIN with their clients, who use it to assign goods for transportation while generating e-way bills.
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- **Provisions relating to e-way bill:** E-way Bill provisions [as contained in rules 138, 138A, 138B, 138C, 138D and 138E - Chapter XVI of the CGST Rules, 2017]:

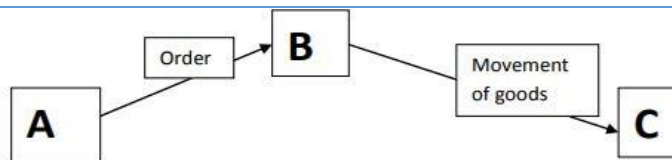
When is e-way bill required to be generated? [Rule 138(1)]:	
Requirement	An e-way bill must be generated when there is a movement of goods with consignment value exceeding ₹50,000: 1. In relation to a supply. 2. For reasons other than supply. 3. Due to inward supply from an unregistered person. The registered person causing the movement must furnish the details in Part A of Form GST EWB-01 before commencing the movement.
Timing	Information must be furnished prior to commencement of movement , whether the movement is related to supply /not.
Who Causes Movement of Goods?	• If the supplier arranges transportation, the supplier causes the movement. If the recipient arranges transportation, the recipient causes the movement. • For goods supplied by an unregistered supplier to a registered recipient, the recipient causes the movement if they are known at the commencement of the movement.
Consignment Value of Goods	
• Determined as per S 15 and declared in invoice, bill of supply, or delivery challan. • Includes CGST/IGST/SGST/UTGST, and cess. • Excludes exempt supply value when both exempt and taxable supplies are in one invoice. • For non-supply movements, the delivery challan must state the value of goods, which is adopted for the e-way bill.	

Special situations where e-way bill needs to be issued even if the value of the consignment is less than Rs.50,000

- When handicraft goods are transported inter-State by a person exempted from registration under clauses (i) &(ii) of Sec 24, the **e-way bill must be generated**, irrespective of the consignment value.

E-way Bill in case of 'Bill To Ship To' Model:

In a "Bill To Ship To" model of supply, there are **three persons involved**, namely:



In this complete scenario, two supplies are involved and accordingly two tax invoices are required to be issued:

Invoice -1: which would be issued by 'B' to 'A'.

Invoice -2: which would be issued by 'A' to 'C'.

It is clarified that as per the CGST Rules, 2017, for the movement of goods which is taking place from "B" to "C" on behalf of "A", either A or B can generate the e-way bill but it may be noted that **only one e-Way Bill** is required to be generated [Press Release dated 23.04.2018].

Information to be furnished in e-way bill

Structure of E-Way Bill

- **Part A:**
 - Contains details such as GSTIN of supplier and recipient, place of delivery (with PIN code), document details (e.g., Tax Invoice, BoS, DC, Bill of Entry), value of goods, HSN code, and reasons for transportation.
 - **Must be furnished by the registered person** causing the movement of goods with a consignment value exceeding ₹50,000.
 - Alternatively, it can be furnished by:
 - ✓ The **transporter**, on authorization from the registered person.
 - ✓ The **e-commerce operator or courier agency**, on authorization from the consignor, if goods are transported through them.
- **Part B:**
 - Contains transport details such as transporter document number (Goods Receipt Number, Railway Receipt Number, Airway Bill Number, or Bill of Lading Number) and vehicle number (for road transport).
 - **Must be furnished by the person transporting the goods.**

Part-A Slip Generation	• After entering all details in Part A, a temporary number (Part-A slip) is generated. • This slip can be shared with the transporter/retained for later use by the supplier to complete Part B.
Use of Part A Without Transportation Details	• The supplier can enter invoice details in Part A of the e-way bill when transportation details are not yet available. • This allows the supplier to prepare Part A in advance and later enter transportation details in Part B.
Final E-Way Bill Generation	• Once the goods are ready for movement and transportation details are available, Part B details are entered, and the e-way bill is generated. • The e-way bill can be generated after completing both Parts.

Who is mandatorily required to generate e-way bill?



Responsibility for Generating E-Way Bill	
Self-transportation (Own/Hired/Railways/Air/Vessel)	The consignor or consignee must generate the e-way bill.
Transporter by Road	The transporter must generate the e-way bill if goods are handed over for transportation.
Value > Rs. 50,000	If neither the consignor nor consignee generates the e-way bill, the transporter is responsible.
Detailed Scenarios	
Registered Person (Consignor/Recipient)	Must generate the e-way bill when transporting goods in own/hired/public conveyance by road by filling Part B on the common portal (Rule 138(2)).
Transporter (By Road)	If the registered person doesn't generate the e-way bill, they must provide transporter details in Part B. The transporter generates the e-way bill based on Part A information (Rule 138(3)).
Railways/Air/Vessel	The registered person (supplier/recipient) must generate the e-way bill by furnishing transport document details (Goods Receipt, Railway Receipt, Airway Bill, Bill of Lading) in Part B, before/after movement begins (Rule 138(2A)).
Other Important Points	
Railways	No need to carry the e-way bill during transport, but an invoice/delivery challan/bill of supply must accompany the goods. The e-way bill must be presented at the time of delivery. Delivery is contingent on producing the required e-way bill (Proviso to Rule 138(2A)).
Consignments < Rs. 50,000	E-way bill generation is optional for registered persons or transporters (First Proviso to Rule 138(3)).
Unregistered Persons	May generate the e-way bill for transportation via own/hired conveyance or transporter (Second Proviso to Rule 138(3)).
Unregistered Supplier to Registered Recipient	The recipient is considered responsible for the movement of goods if known at the commencement of transportation (Explanation 1 to Rule 138(3)).

When is it not mandatory to furnish the details of conveyance in Part-B?	
General Requirement	E-way bill is valid for road transport only when the information in Part-B (conveyance details) is furnished.
Exceptions	Conveyance details in Part-B are not mandatory when goods are transported for a distance of up to 50 km within the same

	State/Union Territory: 1. From the consignor's place of business to the transporter's place of business for further transportation. 2. From the transporter's place of business to the consignee's place.
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Unique e-way bill number (EBN):	
Unique E-Way Bill Number	Upon generating the e-way bill on the common portal, a unique e-way bill number (EBN) is assigned.
Access to EBN	The EBN is made available to the supplier, recipient, and transporter on the common portal [Rule 138(4)].
Transfer of goods from one conveyance to another	
Requirement for Updating Part-B	When goods are transferred from one conveyance to another, the consignor, recipient (who provided Part A information), or transporter must update the conveyance details in Part B of the e-way bill on the portal before the transfer and further movement of goods [Rule 138(5)].
Reasons for Transfer	• Transfer may be required due to unforeseen events like vehicle breakdown. • The transporter must update the new conveyance details before continuing the movement.
Transshipment via Multiple Vehicles	When goods are transported through transshipment using multiple vehicles (same mode), the transporter must update the vehicle number in Part B for each leg of the journey.
Updating Part-B	Part-B can be updated multiple times , but updates must be made within the e-way bill's validity period.
Multiple Modes of Transportation	Goods can be transported using different modes (e.g., road, ship, air). The mode of transportation and related details (e.g., transport document or vehicle number) can be updated in Part B using the "Update Vehicle Number" option.
Assigning the e-way bill number to another transporter:	
Assignment of E-Way Bill Number	The consignor, recipient, or transporter who has provided Part A details can assign the e-way bill number to another registered or enrolled transporter for updating Part B and continuing the consignment's movement [Rule 138(5A)].
Restriction After Part-B Update	Once the transporter updates the conveyance details in Part B, the consignor or recipient who furnished Part A details cannot assign the e-way bill number to another transporter [Proviso to Rule 138(5A)].
Consolidated E-way bill:	
Definition	• A Consolidated E-Way Bill (EWB) in Form GST EWB-02 is generated when multiple consignments are transported in one

	conveyance. It combines multiple e-way bills for consignments carried in a single vehicle, allowing the transporter to carry a single document [Rule 138(6)].	
Nature of Consolidated EWB	- Acts like a trip sheet, listing different e-way bills for various consignments in a vehicle. - Each individual e-way bill within the consolidated EWB has its own validity period, and the consignment must reach its destination within this period. - Consolidated EWB does not have an independent validity.	
Generation by Transporter	- If the consignor/consignee has not generated an e-way bill and the consignment value exceeds ₹50,000 in aggregate for goods in a conveyance, the transporter must generate the e-way bill (Form GST EWB-01) based on invoices, bills of supply, or delivery challans. - The transporter may also generate a Consolidated EWB (Form GST EWB-02), but this is optional [Rule 138(7)].	
E-Commerce or Courier Agency	When goods are transported via an e-commerce operator or courier agency, Part A of Form GST EWB-01 can be furnished by the operator or agency. This provision is not yet effective.	
Information submitted for e-way bill can be used for filing GST Returns		
Utilization for GSTR-1 Filing	- The information provided in Part A of the e-way bill is made available to the registered supplier on the common portal. - The supplier can use this information to furnish details in Form GSTR-1 [Rule 138(8)].	
Notification for Unregistered Parties	If the information is provided by an unregistered supplier or recipient, they will be informed electronically, provided their mobile number or email address is available [Proviso to Rule 138(8)].	
Cancellation of e-way bill:		
Cancellation Conditions	- An e-way bill can be cancelled if goods are not transported or are not transported as per the details provided. - Cancellation must be done electronically on the common portal within 24 hours of generation [Rule 138(9)].	
Restriction on Cancellation	An e-way bill cannot be cancelled if it has been verified during transit under Rule 138B [First Proviso to Rule 138(9)].	
Validity for Part B Update	The unique e-way bill number (EWB) is valid for 15 days for updating details in Part B [Second Proviso to Rule 138(9)].	
Validity period of e-way bill/consolidated e-way bill [Rule 138(10)]:		
S.No	Distance within country	Validity period from relevant date*
1.	Upto 200 km	One day in cases other than Over Dimensional Cargo

		or multimodal shipment in which at least one leg involves transport by ship
2.	For every 200 km or part thereof thereafter	One additional day in cases other than Over Dimensional Cargo or multimodal shipment in which at least one leg involves transport by ship
3.	Upto 20 km	One day in case of Over Dimensional Cargo or multimodal shipment in which at least one leg involves transport by ship
4.	For every 20 km or part thereof thereafter	One additional day in case of Over Dimensional Cargo or multimodal shipment in which at least one leg involves transport by ship
Relevant Date and Validity Period		- The validity period is counted from the time the e-way bill is generated. - Each day ends at midnight following the date of generation. - Validity begins when the first entry is made in Part B (vehicle entry for road transport or transport document number for rail/air/ship). - Subsequent Part B entries do not reset the validity period.
Examples of Validity Calculation		- E-way bill generated at 00:04 hrs. on 14th March: First day ends at midnight of 15th-16th March. - E-way bill generated at 23:58 hrs. on 14th March: First day ends at midnight of 15th-16th March. - Goods handed to transporter on Friday but moved on Monday: Validity starts on Monday when Part B is updated.
Distance-Based Validity		- For a distance of 500 km using normal cargo, an e-way bill is valid for 3 days. - Over-dimensional cargo refers to items exceeding dimensional limits under Rule 93 of the Central Motor Vehicle Rules, 1989.
Extension of Validity Period		Extension by Commissioner: - The Commissioner may extend validity for certain categories of goods via notification, based on recommendations of the Council. Extension by Transporter: - In exceptional circumstances (e.g., natural calamities, accidents, law and order issues, trans-shipment delays), transporters can extend validity within 8 hours of expiry by updating Part B and providing detailed reasons.
Acceptance of e-way bill:		
Access to E-Way Bill Details		E-way bill details are made available on the common portal to: Supplier: If Part A information is furnished by the recipient or transporter. Recipient: If Part A information is furnished by the supplier

	or transporter.
Acceptance or Rejection	The supplier or recipient must communicate acceptance or rejection of the consignment covered by the e-way bill [Rule 138(11)].
Deemed Acceptance	If no response is given within the specified time, the details are deemed accepted.
Time Limit for Communication	Acceptance or rejection must be made within: 72 hours of details being made available on the portal, or - The time of delivery of goods, whichever is earlier [Rule 138(12)].

E-way bill generated in one State is valid in another State:

The e-way bill generated under this rule or under rule 138 of the Goods and Services Tax Rules of any State or Union territory shall be valid in every State and Union territory [Rule 138(13)].

Points to remember

1. An e-way bill is invalid without a vehicle number.
2. E-way bill cannot be edited; it must be canceled within 24 hours and regenerated.
3. The vehicle number on the e-way bill can be updated multiple times and must match the transporting vehicle.
4. Separate e-way bills must be generated for each invoice, even for the same consignor and consignee. However, a consolidated e-way bill can be created for transportation if goods are moved in a single vehicle.

Situations where e-way bill is not required to be generated:

Notwithstanding anything explained above, no e-way bill is required to be generated in the following cases:

a. where the goods being transported are the ones given below:

S. No.	Description of Goods
1.	Liquefied petroleum gas for supply to household and nondomestic exempted category (NDEC) customers
2.	Kerosene oil sold under PDS
3.	Postal baggage transported by Department of Posts
4.	Natural or cultured pearls and precious or semi-precious stones; precious metals and metals clad with precious metal (Chapter 71)
5.	Jewellery, goldsmiths' and silversmiths' wares and other articles (Chapter 71) [excepting imitation Jewellery (7117)]
6.	Currency
7.	Used personal and household effects
8.	Coral, unworked (0508) and worked coral (9601)]

Non-Motorized Transport	E-way bill is not required when goods are transported using a non-motorized conveyance.
Customs to	When goods are transported from customs port, airport, air

Clearance Locations	cargo complex, or land customs station to an inland container depot or container freight station for clearance by Customs.
Intra-State Movement in Notified Areas	Movement of goods within areas notified under Rule 138(14)(d) of the State/Union Territory GST Rules.
Exempt Goods	Transport of goods that are exempt from tax (excluding de-oiled cake) .
Specific Exclusions	Transport of alcoholic liquor for human consumption, petroleum crude, high-speed diesel, motor spirit (petrol), natural gas, or aviation turbine fuel.
No Supply Items	Transport of goods classified as "no supply" under Schedule III of the CGST Act.
Customs Bond or Supervision	- Goods under customs bond transported between customs ports/stations and inland container depots/container freight stations. - Transit cargo under customs supervision/seal for Nepal /Bhutan.
Exempt Supplies Under Specific Notifications	- Supply of goods by CSD to Unit Run Canteens/customers or by Unit Run Canteens to customers - Supply of heavy water/nuclear fuels by Dept. of Atomic Energy to NPCIL.
Defence Movement	Movement of goods caused by defence formations under the Ministry of Defence as consignor or consignee.
Government as Consignor	When the Central Government, State Government, or local authority is the consignor, and goods are transported by rail.
Empty Cargo	Transport of empty cargo containers.
Weighbridge Transport (≤ 20 km)	Transport of goods up to 20 km between a consignor's place of business and a weighbridge (for weighment) or back, accompanied by a delivery challan as per Rule 55.
Empty LPG Cylinders	Transport of empty cylinders for packing liquefied petroleum gas (LPG) for reasons other than supply.
Documents and devices to be carried by a person-in-charge of a conveyance [Rule 138A]:	
Mandatory Documents	Invoice, Bill of Supply, or Delivery Challan as applicable. - E-way Bill: A physical copy, electronic form, or mapped to an RFID embedded on the conveyance (except for rail, air, or vessel transport).
E-Way Bill Number	The person-in-charge can quote the e-way bill number for verification. Tax officers will perform necessary checks.
RFID Usage	RFID (Radio Frequency Identification Device) is used for identification. The Commissioner may require certain transporters to embed RFID on their conveyance and map it to

	the e-way bill before moving goods.
E-Invoice with QR Code	- If an e-invoice with a QR code containing the Invoice Reference Number (IRN) is issued, it can be presented electronically for verification. - Information in Part A of the e-way bill is auto-populated from the e-invoice.
Alternative Documents	- The Commissioner may allow the person-in-charge to carry the following instead of an e-way bill: a. Tax Invoice, Bill of Supply, or Bill of Entry. b. Delivery Challan (for non-supply movement of goods).
Verification of documents and conveyances [Rule 138B]:	
Authorization for Verification	The Commissioner or an empowered officer may authorize proper officers to intercept any conveyance to verify the e-way bill (physical or electronic) for inter-State and intra-State goods movement.
Use of RFID for Verification	RFID readers must be installed at designated locations for verifying the movement of goods. - Conveyance verification is performed using these readers where the e-way bill is mapped with the RFID.
Physical Verification	Physical checks are conducted by proper officers authorized by the Commissioner or an empowered officer.
Special Verification Cases	For specific information regarding tax evasion, physical verification of a conveyance can be conducted by any officer with prior approval from the Commissioner or an authorized officer.
Inspection and verification of goods [Rule 138C]	
Recording Inspection Reports	- A summary report of inspection must be recorded online in Part A of a prescribed form within 24 hours of the inspection. - The final report must be recorded in Part B of the form within 3 days of the inspection.
Extension of Time	The Commissioner or an authorized officer may extend the time for recording the final report in Part B by up to an additional 3 days for sufficient cause.
Time Calculation	The 24-hour and 3-day periods are counted from midnight of the date the vehicle was intercepted.
No Repeated Verification	If goods have been physically verified during transit at one location, they cannot be verified again in the same State/Union Territory or another State/Union Territory unless specific information on tax evasion is received.
Facility for uploading information regarding detention of vehicle [Rule 138D]:	
Detention	If a vehicle is intercepted and detained for more than 30

Reporting	minutes , the transporter may upload the information on the common portal in the specified form.
Blocking of e-waybill generation facility [Rule 138E]	
Definition of Blocking	- Blocking disables a taxpayer from generating an e-way bill. - It applies only to the defaulting supplier's GSTIN, not to the recipient's or transporter's GSTIN. - Suspended GSTINs cannot generate e-way bills as suppliers but can do so as recipients or transporters.
Conditions for Blocking	E-way bill generation is blocked for outward movement of goods if a registered person: - Under the composition scheme, fails to furnish self-assessed tax statements for 2 consecutive quarters. - Under the regular scheme, fails to furnish returns for 2 tax periods. - Fails to furnish Form GSTR-1 for any 2 months/quarters. - Has registration suspended under Rule 21A of CGST Rules.
Exceptions and Permissions	- The jurisdictional Commissioner may allow e-way bill generation on application by the taxpayer, provided sufficient cause is shown and reasons are recorded in writing. - The taxpayer is given a reasonable opportunity to be heard before rejection of such a request.
Rail Transport Exclusion	Terms such as "transported by railways" and "movement of goods by rail" exclude cases where railways lease parcel space for goods transportation.
Example	Mr. B (Haryana, regular filer) generates an e-way bill for goods supplied to Mr. A (Delhi, defaulting filer). This is allowed. Mr. A, defaulting filer for GSTR-1 for 2 months, cannot generate an e-way bill for outward movement of goods to Mr. H.
Tax invoice or bill of supply to accompany transport of goods [Rule 55A]	
Person-in-charge of the conveyance shall carry a copy of the tax invoice or the bill of supply issued in accordance with the provisions of rules 46, 46A or 49 in a case where such person is not required to carry an e-way bill under these rules.	

12. Input tax credit

Section 16 - Eligibility and conditions for taking input tax credit

A. Eligibility for taking ITC [section 16(1)]:

a. Registration under GST	
- Every registered person is entitled to ITC on GST charged on inward supply. - Subject to the provisions of Sec 49 and conditions/restrictions in GST rules.	
b. Goods/services to be used for business purposes:	
- ITC is available on goods and/or services used or intended to be used in the course or furtherance of business. - The definition of 'business' is broad and inclusive, allowing for both direct and indirect relations of inputs and input services with business. Intention to Use: The intention to use for business suffices for ITC eligibility. However, if inputs are not eventually used for the intended purpose, ITC is disallowed u/s 17(5) of CGST Act. Non-Business Use: - Tax paid on goods and/or services used for non-business purposes is not eligible for ITC. - Eligible ITC is credited to the electronic credit ledger.	

B. Conditions for taking ITC [section 16(2)]:

Non-obstante Clause: All conditions under Section 16(2) must be fulfilled, irrespective of other sub-sections, for ITC eligibility.

a. Possession of Tax-Paying Document	
ITC can be availed on the basis of the following documents:	- Invoice/revised invoice issued by the supplier. - Invoice issued by the recipient for reverse charge (subject to tax payment). - Debit note issued by the supplier. - Bill of entry/similar document prescribed under Customs Act. - Document issued by input service distributor.
Mandatory Details on Documents:	Amount of tax charged, Description of goods/services, Total value of supply, GSTIN of supplier and recipient, Place of supply (for inter-State supply).
Exclusion:	No ITC allowed for tax paid on fraud-related demands.
b. Details of invoices/debit notes uploaded by the supplier in his GSTR-1 or using IFF and details communicated in Form GSTR-2B [Section 16(2)(aa) read with rule 36(4)]:	
Conditions for Availing ITC	A registered person can avail ITC on goods or services only if the supplier has furnished the invoice/debit note details in the statement of outward supplies (Form GSTR-1, amended in Form



	GSTR-1A, if applicable, or via IFF). These details must also be communicated to the recipient in Form GSTR-2B.
Role of GSTR-1A	It allows a registered person to amend or furnish additional details of outward supplies after submitting Form GSTR-1 but before filing the return in Form GSTR-3B for the same tax period.
Non-Reflective Invoices in GSTR-2B	• ITC cannot be availed for invoices/debit notes that are not furnished by the supplier in GSTR-1 or IFF and are not reflected in the recipient's GSTR-2B. • However, ITC on such invoices/debit notes may be claimed in subsequent months when the supplier provides the required details.
Ineligible ITC	Invoices subject to restrictions under Section 17(5) cannot be used to claim ITC, even if they are furnished by suppliers.
ITC Outside Section 37(1)	• Full ITC can be availed for: ○ IGST paid on imports, ○ Documents issued under reverse charge, and ○ Credit received from Input Service Distributors (ISD), As these fall outside the scope of Section 37(1).

c. Receipt of the goods and / or services [Section 16(2)(b)]

A registered person can claim ITC only if they have **received the goods and/or services.**

"Bill to Ship to" Model for Goods

1. In this model:

- The vendor ('A') bills the customer (registered person)
- 'B' but ships the goods to a third party
- 'C' on 'B's direction.
- Two supplies occur: from 'A' to 'B' and from 'B' to 'C'.
- Although the customer ('B') does not physically receive the goods, Section 16(2)(b) **deems the goods to be received by the registered person ('B').**

2. Explanation to Section 16(2)(b): Goods delivered to another person on the registered person's direction, either before or during transit, are deemed to have been received by the registered person.

3. ITC Eligibility: ITC is **available to the registered person ('B')** on whose order the goods are delivered to the third party ('C').

"Bill to Ship to" Model for Services

1. Similarly, if **services are provided to a third party** on the direction of the registered person, it is deemed that the registered person has received the services.

2. Explanation to Section 16(2)(b): Services provided to any person on the registered person's direction and account are deemed to have been received by the registered person.

3. ITC Eligibility: ITC is available to the registered person on whose direction the

services are provided to a third party.

d. Details of ITC in respect of the said supply communicated to the registered person under section 38 not restricted [Section 16(2)(ba)]:

Details in GSTR-1 and GSTR-2B

- Section 38 mandates that details of outward supplies furnished by registered suppliers in **GSTR-1** (or amended in **GSTR-1A**) or using IFF are auto-generated in **GSTR-2B** for recipients of such supplies every month.
- GSTR-2B** contains details of inward supplies:
 - On which **ITC is available** to the recipient.
 - On which **ITC cannot be availed**, either wholly or partly.

Restrictions on ITC Availability

ITC will not be available for inward supplies furnished by a registered supplier who:

- Is a new registrant (for a specified period from taking registration).
- Has defaulted in payment of tax for a prescribed period.
- Whose output tax payable as per **GSTR-1/IFF** exceeds the output tax paid in **GSTR-3B** by a prescribed limit (Rule 88C).
- Has availed ITC exceeding the credit available to them as per **GSTR-2B** by a prescribed limit during a prescribed period.
- Has defaulted in discharging tax liability under Section 49(12) and Rule 86B, i.e., has discharged more tax liability from the electronic credit ledger than permitted under Rule 86B.
- Falls under other specified classes of persons as notified.

e. Tax leviable on supply actually paid to Government [Section 16(2)(c)]

Payment of Tax by Supplier	The supplier must have actually paid the tax charged on the goods and/or services for which ITC is being claimed, either in cash or by utilizing ITC, as per Section 41.
Self-Assessed ITC	A registered person can claim eligible ITC as self-assessed in their return , and the amount is credited to the electronic credit ledger.

Reversal of ITC

- The recipient **can claim** ITC in **GSTR-3B** if the supplier furnishes details of the invoice/debit note in **GSTR-1** (or **GSTR-1A/IFF**).
- If the supplier **fails to file GSTR-3B** for the corresponding tax period by **30th September** of the following financial year, the recipient **must reverse the ITC in their GSTR-3B** by 30th November of the same year.
- If ITC is **not reversed within** the specified period, the **amount becomes payable with interest** under Section 50.
- Once the supplier pays the outstanding tax and files **GSTR-3B** for the relevant tax period, the **recipient may re-avail the reversed ITC** in their subsequent **GSTR-3B** return.

f. Filing of return [Section 16(2)(d)]

To avail ITC on eligible inward supplies, the registered person must have filed their return in **GSTR-3B** under Section 39.

C. Goods received in lots: ITC available only on receipt of last lot [first proviso to section 16(2)]:

In case the goods covered under an invoice are received in lots / instalments, ITC can be taken only upon receipt of the last lot / instalment.

D. Payment for the invoice to be made within 180 days [second proviso to section 16(2) read with rule 37]

A registered person must pay the supplier the value of goods and/or services along with tax within 180 days from the date of invoice issuance (2nd Proviso to S 16(2)).

If payment is not made within 180 days, the registered person must:

- Reverse/pay an amount equal to ITC availed, proportionate to unpaid amount.
- Pay applicable interest under Section 50.
- Reflect the reversal in Form GSTR-3B for the tax period immediately following the 180-day period.

1. The 180-day condition does not apply to:

- Supplies on which tax is payable under reverse charge.
- Deemed supplies without consideration (Schedule I).
- Additions to value of supply for the supplier's liability incurred by the recipient under Section 15(2)(b).

2. For exceptions (b) and (c), the value of supply is deemed to have been paid.

Once the payment is made to supplier, the registered person may reclaim the reversed ITC in their subsequent GSTR-3B return.

E. If depreciation claimed on tax component, ITC not allowed [section 16(3)]:

Restriction on ITC	If a person claims depreciation on the tax component of the cost of capital goods and plant and machinery under the Income-tax Act, 1961, ITC on the same tax component is not allowed under GST law.
No Dual Benefit	- Dual benefit cannot be claimed simultaneously under the Income-tax Act, 1961, and GST law. - The person must choose between: - Claiming depreciation under the Income-tax Act, or - Availing ITC of the tax paid under GST law.

F. Time limit for availing ITC: 30th November of succeeding financial year or date of filing of relevant annual return, whichever is earlier [section 16(4)]:

ITC Availability	ITC on invoices or debit notes from a FY can be availed until 30th November of the succeeding financial year or - the date of filing the relevant annual return, whichever is earlier.
Debit Notes	The date of the debit note, not the original invoice date,

	determines the relevant financial year for availing ITC.
Exception	The time limit does not apply when re-availing credit that was previously reversed.
Clarification on RCM Supplies from Unregistered Persons	
Relevant Financial Year for ITC Availment	- For supplies received from unregistered suppliers under RCM, the relevant FY for calculating the time limit for availing ITC under Section 16(4) is the FY in which the invoice is issued by the recipient under Section 31(3)(f) of the CGST Act. - Subject to: - Payment of tax on the supply by the recipient. - Fulfilment of conditions and restrictions u/s 16 & 17.
Delayed Issuance of Invoice	If the recipient issues the invoice after the time of supply and pays tax accordingly, interest is payable on the delayed tax payment.
Penal Action for Delay	In cases of delayed issuance of invoices by the recipient, penal action may be initiated under Section 122 of the CGST Act.

G. Time limit for taking ITC in case of revoked registration cancellation [S 16(6)]:

If a taxpayer's registration is cancelled and later revoked, they cannot file returns for the period from cancellation to revocation until the registration is reinstated.

If the taxpayer did not claim ITC on any invoice or debit note for that FY and the time limit under Section 16(4) lapses during the cancellation period, ITC cannot be claimed on those invoices or debit notes.

The time limit for availing ITC under Section 16(4) is extended until the date of return filing if the returns for the cancellation-to-revocation period are filed within 30 days of revocation, provided the ITC time limit under Section 16(4) had not already expired at the time of registration cancellation.

H. Restriction of ITC in proportion of (i) taxable supplies (ii) business purposes [sub-sections (1) and (2) of section 17]:

ITC is restricted in proportion of the use of the goods and/or services

- in the taxable and / or zero-rated supplies
- for business purposes.

I. ITC not allowed on certain supplies [section 17(5)]:

ITC has been blocked for specified goods and services.

Section 17- Apportionment of credit & blocked credits

➤ Apportionment of ITC [sub-sections (1) and (2) of section 17 read with rule 42 and rule 43 of the CGST rules]

Fundamental	ITC on inputs, input services, and capital goods can be claimed
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Principle	only when the output is taxable. ITC is unavailable when the output is exempt unless it is a zero-rated supply
Taxable and Exempt Supplies	Exclusive Use: - Full ITC for taxable supplies. - No ITC for exempt supplies. Common Use: Proportionate ITC is available based on the ratio of taxable to exempt supplies.
Business and Non-Business Purposes	Exclusive Use: - Full ITC for business purposes. - No ITC for non-business purposes. Common Use: Proportionate ITC is available for business purposes only.
Zero-Rated Supplies	Defined under Section 16(2) of the IGST Act as: - Exports. - Supplies for authorized operations to SEZ units/developers. ITC is available on inward supplies for zero-rated supplies, despite their exempt nature.
Detailed Provisions	- Sections 17(1), 17(2), and Rules 42 and 43 outline calculations for proportionate ITC based on usage. - ITC attributable to business purposes and taxable/zero-rated supplies can be claimed.

➤ **Blocked credits [section 17(5)]:**

In GST, Input Tax Credit (ITC) is generally allowed on tax paid for inputs, input services, or capital goods used for the supply of taxable goods/services, except for a specific list of items under Section 17(5).

Blocked List	ITC is not allowed on the following items: - Items for personal consumption - Inputs and input services that lead to the formation of immovable property (except plant and machinery) - Telecommunication towers and pipelines laid outside factory premises - Taxes paid due to detection of tax evasion and similar circumstances.
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The various goods and/or services on which credit is blocked are discussed hereunder:

I. Motor vehicles and other conveyances and related services (insurance, servicing and repair and maintenance)

Motor Vehicles	The CGST Act defines motor vehicles, excluding: - Vehicles running on fixed rails - Special-purpose vehicles used in factories or enclosed premises
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	Vehicles with fewer than 4 wheels and engine capacity up to 25cc (e.g., railways, two/three-wheelers with up to 25cc, bicycles).
ITC on Motor Vehicles	ITC is generally blocked on motor vehicles, vessels, and aircraft used for passenger transportation, with certain exceptions.
ITC on Related Services	ITC is also blocked on services related to motor vehicles, vessels, and aircraft, including: - General insurance, Servicing, Repair and maintenance
Basic Principle	ITC is blocked on both the vehicles (motor vehicles, vessels, and aircraft) and the services related to them (insurance, servicing, repair, and maintenance).

The blocked credits relating to motor vehicles, vessels, aircrafts and related services are discussed hereunder:

(i) Motor vehicles for transportation of persons with seating capacity $\leq$ 13 persons (including the driver) – Referred to as ineligible motor vehicle in this table

Exceptions: ITC is allowed when ineligible motor vehicles when used for any of the following eligible purposes

- making further taxable supply of such motor vehicles (e.g traders);
- making taxable supply of transportation of passengers (e.g travel operator);
- Making taxable supply of imparting training on driving such motor vehicles

Remarks:

- ITC on motor vehicles for transportation of persons with seating capacity $>$ 13 persons (including the driver) used for any purpose is allowed.
- ITC on motor vehicles other than ineligible motor vehicles (e.g. motor vehicle used for transportation of goods, dumpers, tippers etc.) used for any purpose is allowed.

(ii) Vessels and aircrafts

Exceptions: ITC is allowed when vessels and aircraft used for following purposes-

- making further taxable supply of such vessels or aircraft;
- making taxable supply of transportation of passengers;
- making taxable supply of imparting training on navigating such vessels;
- making taxable supply of imparting training on flying such aircrafts;
- transportation of goods.

(iii) General insurance, servicing, repair and maintenance relating to: Ineligible motor vehicles, Vessels and Aircrafts

Exceptions:

- Such services relating to ineligible motor vehicles, vessels or aircraft when used for eligible purposes
- Such services when received by-
 - Manufacturer of ineligible motor vehicles, vessels or aircraft; or
 - Supplier of general insurance services in respect of ineligible motor vehicles, vessels or aircraft insured by him

Note: ITC is not allowed on services of general insurance, servicing, repair and maintenance relating to motor vehicles, vessels or aircraft, ITC on which is not



allowed.

(iv)	Leasing, renting or hiring of motor vehicles, vessels or aircraft on which ITC is not allowed	- Such services when used for making an outward taxable supply of the same category of services or as an element of a taxable composite or mixed supply - Such services when provided by an employer to its employees under a statutory obligation	- ITC on leasing, renting or hiring of motor vehicles, vessels or aircraft on which ITC is allowed, is also allowed**. - ITC on such services is allowed in the case of subcontracting, i.e. when such services are used by the taxpayer who is in the same line of business.
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****The term "leasing" referred in above table refers to leasing of motor vehicles, vessels and aircrafts only and not to leasing of any other items.**

Accordingly, availment of ITC is not barred in case of leasing, other than leasing of motor vehicles, vessels and aircrafts.

▲ **Clarification on ITC availability in respect of demo vehicles which are motor vehicles for transportation of passengers having approved seating capacity of not more than 13 persons (including the driver), in terms of clause(a) of section 17(5):**

The use of "such motor vehicles" instead of "said motor vehicle" in sub-clause (A) of section 17(5)(a) indicates that **ITC blockage does not apply to motor vehicles that are supplied or used for further supply of similar motor vehicles.**

Demo vehicles are used by authorized dealers for trial runs and to demonstrate features to potential buyers, helping them decide on purchasing a particular type of motor vehicle.

Since demo vehicles aid in the **sale of similar motor vehicles**, they are considered used for making a 'further supply of such motor vehicles'. Therefore, **ITC for demo vehicles is not blocked** under clause (a) of section 17(5), as they are excluded from this blockage in sub-clause (A).

II. Food & beverages, outdoor catering, health services and other services

S. No.	Goods and/or services on which credit is blocked	Exceptions to goods and/or services mentioned in column (2) on which credit is allowed	Remarks
(1)	(2)	(3)	(4)
(i)	- Food and beverages - Outdoor	Such goods and/or services when used by a registered person	ITC on such goods and/or services is allowed in the case of sub-

	- catering - Beauty treatment - Health services - Cosmetic and plastic surgery - Life insurance and, health insurance	- for making an outward taxable supply of the same category of goods and/or services or as an element of a taxable composite or mixed supply - Such goods and/or services when provided by an employer to its employees under a statutory obligation	- contracting, i.e. when such goods and/or services are used by the taxpayer who is in the same line of business, e.g. outdoor catering service availed by another outdoor caterer. - When such goods and/or services are provided by the employer to its employees without any statutory obligation, ITC thereon is blocked.
(ii)	Membership of a club, health and fitness centre	Such services when provided by an employer to its employees under a statutory obligation	When such goods and/or services are provided by the employer to its employees without any statutory obligation, ITC thereon is blocked.
(iii)	Travel benefits extended to employees on vacation such as leave or home Travel concession	Such services when provided by an employer to its employees under a statutory obligation	When such goods and/or services are provided by the employer to its employees without any statutory obligation, ITC thereon is blocked.

III. Works contract services for construction of immovable property [sec17(5)(c)]:

- Blocked ITC:** Input services related to construction activities (e.g., construction of office or factory buildings) are not eligible, except for builders, developers, and contractors undertaking construction for others.
- Allowed ITC:** Routine construction-related services like repairs, maintenance, and renovation of office or factory buildings are eligible.
- Capitalized Expenses:** ITC of construction services is not available when the expenses are capitalised in the books of account. Here, it needs to be noted that capitalization of an expense does not depend on whether the taxpayer intends to avail ITC, but on the basis of Accounting Standards and GAAP.

Definition and Scope of Works Contract

- Defined as a composite supply of goods and services related to immovable property.
- The scope under GST is limited to immovable property, unlike erstwhile laws that included movable property.
- Immovable property includes land, benefits arising from land, and things attached or permanently fastened to the earth.



Meaning of Construction	a. Includes reconstruction, renovation, additions, alterations, or repairs to the extent they are capitalized. b. ITC is allowed if these activities are not capitalized, even if they involve immovable property or plant and machinery, irrespective of the recipient's line of business.
Meaning of Plant and Machinery	a. Includes apparatus, equipment, and machinery fixed to earth by foundations/structural supports for outward supply of goods/services. b. Excludes land, buildings, civil structures, telecommunication towers, and pipelines laid outside factory premises.
Eligibility for ITC on Works Contract Services	ITC on works contract services is allowed only in the following situations: a. When availed for providing further works contract services. b. For the construction of eligible plant and machinery, irrespective of the recipient's line of business or capitalization of expense. c. When the value of the works contract service is not capitalized, irrespective of the recipient's line of business.

IV. Self-construction of immovable property [clause (d) of section 17(5)]:

ITC is not allowed if a taxpayer procures goods and services and constructs an immovable property for use in the course or furtherance of business, without availing the services of a works contractor.

ITC on goods and/or services used in construction is blocked when the taxable person constructs the immovable property for their own use, even if it is used in the course or furtherance of business.

ITC on goods and/or services used in construction of immovable property is allowed only in the following cases:

- i. For construction of eligible plant and machinery.
- ii. When the value of goods and/or services is not capitalized.
- iii. When the construction is not on own account.

▲ Clarification on availability of ITC on ducts and manholes used in network of optical fiber cables (OFCs) in terms of section 17(5):

Issue	Whether ITC on the ducts and manholes used in network of optical fiber cables (OFCs) for providing telecommunication services is barred in terms of clauses (c) and (d) of section 17(5) read with Explanation to section 17?
Clarification	
Role of Ducts and Manholes	Ducts and manholes are basic components of the OFC network, essential for laying, upkeep, and maintenance of optical fiber cables used in telecommunication services.



Definition as "Plant and Machinery"	Based on the Explanation in Section 17, ducts and manholes are covered under the definition of "plant and machinery" as they are part of the OFC network used for outward transmission of telecommunication signals.
Exclusion from Definition	Ducts and manholes are not excluded from the definition of "plant and machinery" as: a. They are not in the nature of land, building, or civil structures. b. They are not telecommunication towers or pipelines laid outside factory premises.
ITC Availability	Input tax credit is not restricted for ducts and manholes used in OFC networks under clauses (c)/(d) of Section 17(5).

V. Inward supplies charged to tax under composition levy [section 17(5)(e)]

- Tax paid on goods and/or services under the composition scheme is **not available as ITC** for the recipient.
- Since a composition supplier **cannot collect tax from recipients**, it is clear that no ITC can be availed by the recipients on such supplies.
- Section 17(5)(e) **explicitly blocks the ITC on inward supplies** received by a taxable person from a composition supplier.

VI. Inward supplies received by a non-resident taxable person [section 17(5)(f)]

- Tax paid on goods and/or services received by a NRTP **is not available as ITC**. However, tax paid on imported goods is allowed as ITC.
- **ITC on goods imported** by a non-resident taxable person is **allowed**.
- **ITC on services** imported by a non-resident taxable person is **blocked**.

VII. Input supplies used/intended to be used for CSR activities [sec17(5)(fa)]:

ITC is not available on goods or services received by a taxable person that are used or intended to be used for activities related to their CSR obligations under section 135 of the Companies Act, 2013.

VIII. Inward supplies used for personal consumption [Clause (g) of section 17(5)]

- ITC **can only be availed for goods and/or services** used in the course or furtherance of business, as per section 16.
- If goods/services are used partly for business and partly for other purposes, section 17(1) limits **ITC to the portion attributable to business purposes**.
- Section 17(5)(g) **specifically blocks** ITC on goods/services used for personal consumption.
- Mr. X takes 4 tyres for his personal car from his showroom; ITC on these tyres is blocked as they are for personal consumption.

IX. Free samples, gifts, goods lost/stolen etc. [Clause (h) of section 17(5)]

- ITC is **not available** on goods disposed of as gifts or free samples.
- ITC is **blocked** on goods that are lost, stolen, destroyed, or written off.
- ITC is available **only for goods used in taxable output supply**. If no tax is payable on the output supply (like gifts, free samples, or lost goods), ITC on inputs related to those goods is not available.
- ITC on gifts, free samples, and goods that are lost, destroyed, or written off is **blocked as no taxable supply is made**.

^ ITC in the hands of the supplier in respect of sales promotional schemes:

Samples and Free Gifts

- Samples distributed free of cost are **not considered a "supply"** and ITC is **not available** to the supplier on inputs, input services, and capital goods used for gifts/free samples distributed without consideration.
- If distribution of gifts/free samples falls under Schedule I, the supplier is eligible for ITC.

Buy One Get One Free Offer

- This is treated as a **supply of two goods for the price of one**, not an individual supply of free goods. Taxability depends on whether it is a **composite or mixed supply**, with the rate determined under section 8.
- **ITC is available** for inputs, input services, and capital goods used in such offers.

Discounts (Including 'Buy More, Save More')

- Discounts offered (including post-supply discounts and "Buy More, Save More" offers) are **excluded from the value of supply** if they meet the conditions of section 15(3). **ITC is available** for inputs, input services, and capital goods used in relation to supply during such discounts.

Secondary Discounts

Secondary discounts offered after the supply **has been made are not excluded** from the value of supply. There is **no impact on ITC availability** for the supplier.

^ ITC reversal when return of time expired medicines/drugs are treated as fresh supply:

Return by a Registered Person (Non-Composition Taxpayer)	a. The registered person can treat the return of time-expired goods as a fresh supply by issuing an invoice. b. The value shown in the original invoice may be used as the value of the return supply. c. The recipient (wholesaler or manufacturer) can avail ITC on the return supply, subject to conditions in Section 16.
Return by a Composition Taxpayer	a. The composition taxpayer returns the goods by issuing a bill of supply and pays tax at the composition rate. b. The recipient (wholesaler or manufacturer) cannot avail ITC on the return supply.
Return by	The unregistered person may return the goods using a

Unreg Person	commercial document without charging tax.
Goods Destroyed by Manufacturer	a. If goods returned as fresh supply by the retailer/wholesaler are destroyed by the manufacturer: The manufacturer must reverse the ITC availed on the return supply under Section 17(5)(h). b. The reversal applies to ITC availed on the return supply, not the ITC related to the manufacture of the original goods.
Clarification Applicability	This clarification applies to the return of goods for any reason, not limited to time expiration.
Example	If ITC of Rs.10/- was availed during the manufacture of medicines valued at Rs.100/-, and ITC of Rs.15/- was availed on their return as fresh supply, the manufacturer must reverse Rs.15/- if the goods are destroyed, not Rs.10/-.

X. Tax paid in fraud cases, detention, confiscation etc. [section 17(5)(i)]:

Tax paid under sections 74, 129 and 130 is **not available as ITC**. These sections prescribe the provisions relating to tax paid as a result of evasion of taxes, or upon detention of goods or conveyances in transit, or towards redemption of confiscated goods/conveyances.

Section 18 - Credit in special circumstances

Section 18 provides for:

Entitlement of ITC

ITC on inputs in stock, inputs in finished goods or work-in-progress, and capital goods in the following cases:

- At the time of registration/voluntary registration.
 - On coming into regular tax-paying status by exiting composition levy.
- On coming into tax-paying status due to exempt supply becoming taxable for a registered person

Reversal of ITC

Reversal of ITC on inputs in stock, inputs in finished goods or work-in-progress, and capital goods in the following cases:

- At the time of exit from regular tax-paying status by opting composition levy.
- At the time of exit from tax-paying status due to taxable supply becoming exempt for a registered person.

Amount Payable on Supply of Capital Goods or Plant and Machinery: Amount payable on supply of capital goods or plant and machinery on which ITC has been taken.

Transfer of ITC

Transfer of ITC on account of a change in the constitution of the registered person.

I. Entitlement of ITC at the time of registration/voluntary registration or switching to regular tax paying status or coming into tax-paying status [sub-

sections (1) and (2) of section 18 read with rule 40]:

The credit on inputs held in stock and contained in semi-finished goods or finished goods held in stock and capital goods at the time of registration/voluntary registration or coming into regular tax/tax-paying status is available in the following manner:

S. No.	Persons eligible to take credit	Goods entitled to ITC		Restriction/conditions
		Inputs held in stock/capital goods	As on	
(1)	(2)	(3)	(4)	(5)
1.	Person who has applied For registration within 30 days from the date on which he becomes liable to registration and has been granted such registration	Inputs held in stock and inputs contained in semi-finished or finished goods held in stock	The day immediately preceding the date from which he becomes liable to pay tax	→ ITC to be availed within 1 year from the date of the issue of the tax invoice by the supplier.
2.	Person who is not required to register, but obtains voluntary registration	Inputs held in stock and inputs contained in semi-finished or finished goods held in stock	The day immediately preceding the date of registration	
3.	Registered person who ceases to pay composition tax and switches to regular scheme	Inputs held in stock and inputs contained in semi-finished or finished goods held in stock and capital goods	The day immediately preceding the date from which he becomes liable to pay tax under regular scheme	→ ITC on capital goods will be reduced by 5% per quarter of a year or part of the year from the date of invoice. → ITC claimed shall be verified with the corresponding details furnished by the corresponding supplier.
4.	Registered person whose exempt supplies become taxable supplies	Inputs held in stock and inputs contained in semi-finished	The day immediately preceding the date from which	→ ITC to be availed



		or finished goods held in stock relatable to such exempt supply and capital goods exclusively used for such exempt supply	such supply becomes taxable	within 1 year from the date of the issue of the tax invoice by the supplier.
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Registered persons must file an electronic declaration on the common portal within 30 days (extendable by the Commissioner) of becoming eligible to avail ITC. The declaration must detail inputs held in stock, inputs in semi-finished or finished goods, and capital goods. If the total ITC claim (CGST, SGST/UTGST, IGST combined) exceeds Rs. 2,00,000, the declaration must be certified by a practicing Chartered Accountant or Cost Accountant.

Examples	ITC Eligibility
'Z' becomes liable to pay tax on 1st August and gets registration on 15th August w.e.f. 1st August.	Eligible for ITC on inputs and semi-finished/finished goods as on 31st July, but not on capital goods .
'A' applies for voluntary registration on 5th June and gets registration w.e.f. 22nd June.	Eligible for ITC on inputs and semi-finished/finished goods as on 21st June, but not on capital goods .
'B' was paying tax under the composition scheme till 30th July, and from 31st July, is liable to pay tax under the regular scheme.	Eligible for ITC on inputs, semi-finished/finished goods, and capital goods as on 30th July. ITC on capital goods will be reduced by 5% per quarter from the invoice date.

II. Reversal of ITC on switching to composition levy or exit from tax-paying status [section 18(4) read with rule 44]:

ITC **must be reversed** when a registered person switches to composition levy or when supplies become wholly exempt from tax.

Reversal of ITC on Inputs	a. Reversal is done proportionately based on the invoices on which ITC was availed. b. If invoices are not available, ITC is reversed based on the prevailing market price of the goods on the date of switch-over/exemption. c. The market value-based reversal must be certified by a practicing Chartered Accountant/Cost Accountant.
Reversal of ITC on Capital Goods	a. ITC on the remaining useful life of capital goods is reversed on a pro-rata basis (useful life = 5 years).

	b. Example: If capital goods have been used for 4 years, 6 months, and 15 days, the remaining useful life = 5 months. ITC to be reversed is: ITC attributable to remaining life = $(C \times 5) / 60$
Reversal Procedure	The registered person must debit the reversal amount in the electronic credit or cash ledger for inputs and capital goods on the day before the switch-over/exemption date.
Lapse of ITC	Any balance ITC in the electronic credit ledger lapses .
Cancellation of Registration	Reversal of ITC is required for inputs, semi-finished goods, finished goods, capital goods, and plant and machinery on the day before cancellation.
Calculation of Reversal Amount	Reversal is calculated separately for CGST, SGST/UTGST, and IGST. The reversal amount is added to the output tax liability of the registered person.

III. Amount payable on supply of capital goods or plant and machinery on which ITC has been taken [section 18(6) read with rule 40(2) & rule 44(6)]:

When capital goods or plant and machinery on which ITC has been availed are supplied outward, the registered person **must pay the higher of:**

- ITC taken on such goods, **reduced by 5% per quarter or part thereof** from the date of invoice (i.e., ITC for the remaining useful life in quarters).
- Tax on the transaction value** of such goods.

ITC for the remaining useful life must be **calculated separately** for CGST, SGST/UTGST, and IGST.

If the ITC for the remaining useful life exceeds the tax payable on the transaction value, the **higher ITC amount must be paid** and added to the output tax liability.

For refractory bricks, moulds, dies, jigs, and fixtures supplied as scrap, tax may be paid on the **transaction value**.

As per Rule 44(6), ITC for the remaining useful life (in months) is reversed on a pro-rata basis, considering a useful life of **5 years**.

IV. Transfer of ITC on account of change in constitution of registered person [section 18(3) read with rule 41]:

- Unutilized ITC in the electronic credit ledger **can be transferred to a new entity** in case of sale, merger, demerger, amalgamation, lease, transfer, or change in business ownership, provided there is a **specific provision for transfer of liabilities**.
- Ownership change includes transfer due to the death** of a sole proprietor.
- in a demerger, ITC is **apportioned based on the value of assets** of the new units as specified in the demerger scheme. Circular No. 133/3/2020 GST (dated 23.03.2020) extends this formula to all forms of business reorganization involving partial transfer of business assets and liabilities.

- "Value of assets" refers to the **total value of all business assets**, irrespective of whether ITC has been availed on them.

Procedure for ITC Transfer

- The registered person must file details of change in constitution in **Form ITC-02** on the common portal.
- A **certificate from a practicing Chartered Accountant/Cost Accountant** confirming the provision for transfer of liabilities must be submitted.
- Upon the **transferee's acceptance on the common portal**, the unutilized ITC is credited to the transferee's electronic credit ledger.
- The transferee **must record the transferred inputs** and capital goods in their books of account.

V. **Transfer of ITC on obtaining separate registrations for multiple places of business within a state/ union territory [rule 41A]:**

The registered person (transferor) can transfer unutilized ITC, either wholly or partly, to newly registered places of business within the State/Union Territory. The transfer is based on the **ratio of the value of assets held at the time of registration**.

The 'value of assets' refers to the **total value of assets of the business**, irrespective of whether ITC has been availed or not.

The registered person must **submit the required details within 30 days** from obtaining the separate registrations. Upon acceptance by the transferee, the unutilized ITC is credited to their electronic credit ledger.

How ITC is utilised

ITC Utilization	a. ITC is credited to the electronic credit ledger of a registered person. b. ITC can be utilized for CGST, SGST/UTGST, and IGST based on the nature of supplies.
Intra-State, Inter-State, and Import Purchases	a. Intra-State/Inter-State Purchases: CGST and SGST/UTGST ITC cannot be interchanged. b. Import Purchases: IGST is paid to the Central Clearing Authority.
ITC Utilization Under GST	
ITC for Intra-State, Inter-State, and Imports	A supplier making intra-State, inter-State, and import purchases is eligible for ITC to pay output tax liability.
Dual GST Structure	CGST and SGST/UTGST: • Indian GST is a dual tax system with CGST accruing to the Central Government and SGST/UTGST to the respective State Government/Union Territory.

	ITC of CGST and SGST/UTGST cannot be interchanged, and cross-utilization is not permissible.
IGST Utilization	Nature of IGST: IGST is a transitory tax collected by the Central Clearing Authority. Cross-Utilization: - ITC of IGST can be used to pay CGST or SGST/UTGST (and vice versa). - Cross-utilization between IGST and CGST/SGST/UTGST is permissible.
Flexibility in Utilization	- Taxpayers can utilize ITC of IGST (after exhausting IGST liability) for CGST and/or SGST/UTGST in any proportion and order. Condition: The entire ITC of IGST must be utilized before using ITC of CGST or SGST/UTGST. Adjustments: If IGST ITC is used for SGST/UTGST payment (or vice versa), corresponding debit/credit adjustments are made to the respective State/UT accounts.

Sections 49(5), 49A, 49B, rule 88A and Circular No. 98/17/2019 GST dated 23.04.2019 together prescribe the sequence of utilisation of ITC. A combined reading of such provisions shows that the order of utilization of ITC is as per the order (of numerals) given below:

ITC of	Output liability IGST	Output liability CGST	Output liability SGST/UTGST
IGST	(I)	(II) - In any order and in any proportion	
(III) ITC of IGST to be completely exhausted mandatorily			
CGST	(V)	(IV)	Not permitted
SGST/UTGST	(VII) Only after ITC of CGST has been utilized fully	Not permitted	(VI)

The numerals given above can be further explained in the following manner:

(I)	IGST credit should be first utilized towards payment of IGST.
(II)	Remaining IGST credit, if any, can be utilized towards payment of CGST and SGST/UTGST in any order and in any proportion, i.e. remaining ITC of IGST can be utilized - - first towards payment of CGST and then towards payment of SGST; or - first towards payment of SGST and then towards payment of CGST; or - towards payment of CGST and SGST simultaneously in any proportion e.g. 50: 50, 30: 70, 40: 60 and so on.
(III)	Entire ITC of IGST should be fully utilized before utilizing the ITC

	of CGST or SGST/UTGST.
(IV) & (V)	ITC of CGST should be utilized for payment of CGST and IGST in that order. ITC of CGST cannot be utilized for payment of SGST/UTGST
(VI) & (VII)	ITC of SGST /UTGST should be utilized for payment of SGST/UTGST and IGST in that order. However, ITC of SGST/UTGST should be utilized for payment of IGST, only after ITC of CGST has been utilized fully. ITC of SGST/UTGST cannot be utilized for payment of CGST.

- CGST credit cannot be utilized for payment of SGST/UTGST and SGST/UTGST credit cannot be utilized for payment of CGST.
- ITC of IGST need to be exhausted fully before proceeding to utilize the ITC of CGST and SGST/UTGST in that order.

Example: Amount of ITC available & output tax liability under different tax heads

Head	Output tax liability (Rs.)	ITC (Rs.)
IGST	1000	1300
CGST	300	200
SGST/UTGST	300	200
Total	1600	1700

Option 1

ITC of	IGST liability (Rs.)	CGST liability (Rs.)	SGST/UTGST liability (Rs.)	Balance of ITC (Rs.)
IGST	1000	200	100	0
ITC of IGST has been completely exhausted				
CGST	0	100	-	100
SGST/UTGST	0	-	200	0
Total	1000	300	300	100

Option 2

ITC of	IGST liability (Rs.)	CGST liability (Rs.)	SGST/UTGST liability (Rs.)	Balance of ITC (Rs.)
IGST	1000	100	200	0
ITC of IGST has been completely exhausted				
CGST	0	200	-	0
SGST/UTGST	0	-	100	100
Total	1000	300	300	100

Option 3

ITC of	IGST liability (Rs.)	CGST liability (Rs.)	SGST/UTGST liability (Rs.)	Balance of ITC (Rs.)
IGST	1000	150	150	0
ITC of IGST has been completely exhausted				
CGST	0	150	-	50
SGST/UTGST	0	-	150	50

Total	1000	300	300	100
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There can be other options also for utilization of ITC of IGST against CGST and SGST.

• Restrictions on utilisation of ITC [rule 86A]:

The **Commissioner or an authorized officer** (not below the rank of Assistant Commissioner) can impose restrictions on ITC utilization if there is **reason to believe that the ITC has been fraudulently availed or is ineligible**.

Circumstances for Imposing Restrictions

Fraudulent or Ineligible ITC:

- ITC availed based on tax invoices/debit notes/documents:
 - Issued by a **non-existent supplier** or a supplier not conducting business from the declared location.
 - Without actual receipt** of goods or services.
 - Related to supplies where the **tax has not been paid to the Government**.
- Registered person availing ITC is **found non-existent or not conducting business** from the registered place of business.
- Registered person availing ITC **lacks possession of valid tax invoices, debit notes, or prescribed documents**.

Impact of Restrictions	Restricted ITC cannot be used to discharge liabilities under Section 49. Refund of unutilized ITC is not allowed.
Duration of Restrictions	Restrictions can be imposed for up to 1 year from the date of imposition.
Withdrawal of Restrictions	The Commissioner or authorized officer can withdraw the restrictions if satisfied that the conditions for imposing them no longer exist.

• Restrictions on the use of amount available in electronic credit ledger [R 86B]:

Applicability of rule 86B	
✓	Rule 86B is applicable to registered person having value of taxable supply (other than exempt supply & zero-rated supply) in a month exceeding ₹ 50 lakh .
✓	Therefore, in cases wherein value of taxable supply in a month is upto Rs. 50 lakh, then this restriction would not be applicable.
Nature of restriction imposed:	
a.	The registered person subject to this rule cannot use ITC to discharge more than 99% of the output tax liability.
b.	ITC can be utilized only up to 99% of the output tax liability. The remaining 1% must be discharged using the electronic cash ledger .
Exceptions to rule 86B:	
Payment of Income Tax Over Rs. 1 Lakh	
Rule 86B does not apply if the following persons have paid income tax exceeding Rs. 1 lakh in each of the last two financial years for which the return filing	

deadline under Section 139(1) of the Income-tax Act has passed:

- Registered person, Karta, proprietor, managing director, or any two partners.
- Whole-time directors.
- Members of managing committees of associations.
- Board of trustees.

Refund of ITC Over Rs. 1 Lakh

Rule 86B does not apply if the registered person has **received a refund of more than Rs. 1 lakh** for unutilized ITC in the preceding financial year, arising from:

- Zero-rated supplies made without payment of tax.
- Inverted duty structure.

Payment of Output Tax Liability in Excess of 1% via Cash Ledger

- Rule 86B does not apply if the registered person has **cumulatively discharged more than 1% of their total output tax liability** through the electronic cash ledger in the current financial year.
- **Cumulative Calculation:** Cash payments for all preceding months of the current financial year are considered cumulatively, rather than assessed month by month.
- **Exclusion:** GST liability paid under the reverse charge mechanism is excluded when calculating cash payments.
- **Example:**
Up to August, a registered person's total output tax liability is Rs.30 lakh. Rs.1 lakh is paid via the electronic cash ledger, which exceeds 1% of Rs.30 lakh (Rs.30,000). Rule 86B does not apply in September, even if the taxable turnover in September exceeds Rs.50 lakh.

Specified Registered Persons

Rule 86B does not apply to the following entities:

- Government departments, Public sector undertakings, Local authorities. Statutory bodies.

The Commissioner or an authorized officer may remove restrictions after verification and applying necessary safeguards.

Amendments made vide the finance act, 2024

Said amendments are applicable for September 2025 examinations

Section No.	Provisions as amended by the Finance (No. 2) Act, 2024	Remarks
17(5)(i)	any tax paid in accordance with the provisions of section 74 in respect of any period up to FY 2023-24.	Section 17(5) of the CGST Act, 2017 has been amended, so as to restrict the non-availability of input tax credit in respect of tax paid under section 74 of the said Act only for demands upto FY 2023-24. It also removes reference to sections 129 and 130 in the said sub-section.



13. Payment of tax

Payment of tax, interest, penalty and other amounts

Statutory provisions	
Section 49	Payment of tax, interest, penalty and other amounts
Section 49A	Utilisation of input tax credit subject to certain conditions
Section 49B	Order of utilisation of input tax credit
Section 53A	Transfer of certain amounts
Chapter IX: Payment of Tax of the CGST Rules	
Rule 85	Electronic Liability Register
Rule 86	Electronic Credit Ledger
Rule 86A	Conditions of use of amount available in electronic credit ledger.-
Rule 87	Electronic Cash Ledger
Rule 88	Identification number for each transaction
Rule 88A	Order of utilization of input tax credit

Electronic cash ledger [section 49(1),(3),(6),(10) & (11) read with rule 87 of CGST rules]:

Electronic Cash Ledger	The ECL contains a summary of all the deposits/payments made by a taxpayer, maintained on GST Portal. It must be maintained in the prescribed form.
Deposits and Debits	Any deposit made towards tax, interest, penalty, late fee, or any other amount is credited to the Electronic Cash Ledger. Any debit represents a payment made from the ledger for tax, interest, penalty, late fee, or other amounts.
Modes of Deposit	Deposits can be made through the following modes: 1. Internet Banking through authorized banks. 2. Unified Payment Interface (UPI) from any bank. 3. Immediate Payment Services (IMPS) from any bank. 4. Credit or Debit Card through authorized banks. 5. NEFT or RTGS from any bank. 6. Over the Counter Payment through authorized banks for deposits up to ₹10,000 per challan per tax period (via cash, cheque, or demand draft).
Exemptions for Over-the-Counter Payments	The ₹10,000 limit does not apply to deposits made by: • Government Departments or any notified persons. • Proper Officers or Authorized Officers recovering outstanding dues, including through attachment or sale of properties. • Proper Officers or Authorized Officers collecting payments during investigations, enforcement activities, or making ad hoc deposits.



• Payment by Challan

CPIN, CIN, BRN, and E-FPB	
CPIN	Common Portal Identification Number is a 14-digit unique number generated for every successfully created Challan. Valid for 15 days.
CIN	Challan Identification Number is an 17-digit number (CPIN + 3-digit Bank Code) generated by banks after the payment is successful and credited to the government account. CIN is communicated to the taxpayer and GSTN.
BRN	Bank Reference Number (BRN) is the transaction number given by the bank for payment against a Challan.
E-FPB	Electronic Focal Point Branch (E-FPB) refers to authorized bank branches that collect GST payments . RBI acts as E-FPB for NEFT/RTGS/IMPS transactions. E-FPB opens accounts for major government heads and credits GST payments to the appropriate government accounts.
Manual or physical Challans are not allowed under GST. Challans must be generated online on the GST Common Portal. A single Challan is prescribed for all taxes, fees, penalties, interest, and other payments under GST.	
Other Aspects relating to Challan	
- Any person can generate a Challan in Form PMT-06 on the GST Portal and enter the amount to be deposited. E-Challan validity is 15 days. The commission for payment through e-challan must be borne by the person making the payment. - The mandate form obtained after NEFT/RTGS/IMPS payment must be submitted to the bank, and its validity is 15 days. - Upon successful credit to the government account, CIN is generated by the bank and reflected in the electronic cash ledger. If CIN is not generated or reflected, a representation can be made through Form GST PMT-07 on the GST Portal. - If the bank fails to communicate CIN, the electronic cash ledger may be updated based on the e-Scroll from RBI. - The date of credit into the government treasury is deemed to be the date of debit in the electronic cash ledger, not the actual deposit date. - Amounts deducted under Section 51 (TDS) or collected under Section 52 (TCS) and claimed by the taxpayer will be credited to the electronic cash ledger. - If a discrepancy is found in the electronic cash ledger, the registered person must communicate it to the jurisdictional officer through the common portal. - Unregistered persons must make payments through the electronic cash ledger based on the temporary identification number generated through the common portal.	

• Manner of utilization of amount reflected in Electronic Cash Ledger:



General Utilization	The amount in the electronic cash ledger can be used for making payments towards tax, interest, penalty, fee, or any other amount in the prescribed manner.
Ledger Organization	The electronic cash ledger is displayed major head-wise (e.g., IGST, CGST, SGST/UTGST, CESS). Each major head is divided into five minor heads: Tax, Interest, Penalty, Fee, and Others .
Depositing into Electronic Cash Ledger	Registered taxpayers can make cash deposits into the electronic cash ledger using any online or offline modes permitted by the GST Portal. These deposits can be used to pay taxes, interest, penalties, fees, or other liabilities.

• Transfer of amount reflected in Electronic Cash Ledger:

Transfer of Amount	Registered persons can transfer amounts between major/minor heads within the electronic cash ledger, or to the electronic cash ledger of another person for IGST/CGST, provided there is no unpaid liability in their electronic liability register.
Transfer Process	If a deposit is made under an incorrect head, it can be transferred to the correct head using Form GST PMT-09 .
Transfers to Other Persons' Ledgers	A registered person can transfer any amount from their electronic cash ledger to distinct person's ledger for central tax or integrated tax, using Form GST PMT-09 , subject to no unpaid liabilities .
Form GST PMT-09	Form GST PMT-09 can be used for: (i) Transferring erroneous deposits between minor heads of the same or different major heads. (ii) Transferring unutilized amounts between minor heads. (iii) Transferring amounts to distinct person's electronic cash ledger for CGST/IGST.
Example	For instance, if a person deposited Rs.1,000 in the "Interest" column of CGST & SGST, instead of "Fee", the amount can be transferred using Form GST PMT-09 to the "Fee" head.
Transfer Between Centre and States	Section 53A of the CGST Act allows the transfer of amounts between the Centre and States within the ECL.

Electronic credit ledger [section 49(2), (4) & (5), section 49A, section 49B read with rule 86, 86A, 86B and 88A of CGST rules]

Electronic Credit Ledger	Section 49(2) of the CGST Act states that the self-assessed Input Tax Credit (ITC) by a registered person is credited to the Electronic Credit Ledger (ITC Ledger).
Maintenance	The Electronic Credit Ledger must be maintained in the prescribed



form as per the CGST Rules.

• **Non-utilisation of ITC for tax liability under reverse charge mechanism:**

- ITC in the Electronic Credit Ledger can only be used for payment of output tax (CGST, SGST, UTGST, IGST).
- "Output tax" excludes tax payable under reverse charge mechanism (Section 9(3) & 9(4) of CGST/SGST Act, 2017, and Section 5(3) & 5(4) of IGST Act, 2017).
- ITC cannot be utilized for tax payable under reverse charge mechanism.

• **Manner of utilisation of ITC:** Refer Chapter - Input Tax credit

• **Conditions of use of amount available in electronic credit ledger [Rule 86A]:**

- If the Commissioner or an authorized officer (not below the rank of Assistant Commissioner) has reasons to believe that ITC is fraudulently availed or ineligible, he may prohibit its use.
- The prohibition will be applied for discharge of any liability u/s 49 or for claiming a refund of any unutilized amount, after recording reasons in writing.

• **Restrictions on use of amount available in electronic credit ledger [Rule 86B]:** refer ITC chapter

• **Other Aspects of Electronic Credit Ledger**

If a discrepancy is noticed, the registered person must communicate it to the jurisdictional officer via the common portal in the prescribed form. No direct entry shall be made in the electronic credit ledger, except as provided by the provisions.

▲ **CBIC has provided clarifications regarding utilization of the amounts available in the ECrL and the ECL for payment of tax and other liabilities:**

Issue 1: Use of Electronic Credit Ledger for Payment of Tax	
Clarification	
Clarification on Payment of Output Tax	Payments towards output tax, whether self-assessed in returns or arising from proceedings under GST laws, can be made using the electronic credit ledger balance.
Restriction on RCM	Since output tax excludes reverse charge tax, the electronic credit ledger cannot be used to pay taxes under the RCM.
Issue 2: Use of Electronic Credit Ledger for Non-Tax Liabilities	
Clarification:	



- The ECrL can only be used for output tax payment under CGST/IGST, **not for interest, penalty, fees, or other liabilities under GST laws.**
- It cannot be used for **erroneous refunds** sanctioned in cash.

Issue 3: Use of Electronic Cash Ledger for Payment of Liabilities

Clarification:

The electronic cash ledger **can be used for payment towards tax, interest, penalty, fees,** or any other liability under GST laws as per section 49(3).

Common Points for Electronic Cash & Credit Ledger

- Refund claims from the electronic cash or credit ledger **result in a debit to the respective ledger.**
- If the refund is fully or partially rejected, the **rejected amount is credited back** to the ledger by the proper officer through a prescribed order.
- Each debit or credit to the cash or credit ledger is **assigned a unique identification number.**
- This unique ID is also **linked to the corresponding entry** in the electronic liability register for liability discharge. .

Electronic liability register [section 49(7), (8) & (9) read with rule 85 of CGST rules]

- The Electronic Liability Register is the third ledger, which is **automatically updated** on the common portal.
- The term "Electronic Liability Register" is not defined in the Act, but it is **used to record and maintain all liabilities of a taxable person separately.**

Order of discharge of tax and other dues

Discharge Sequence	1. Self-assessed tax and other dues related to previous tax period returns must be discharged first. 2. Self-assessed tax and other dues related to the current tax period returns should be discharged next. 3. Any other payable amounts, including demands under sections 73 or 74, come last.
Definitions	• "Tax dues" refers to tax payable under the Act (excluding interest, fees, and penalties). • "Other dues" include interest, penalty, fee, or any other amount payable under the Act or rules.

Presumption that incidence of tax is passed on

Deeming Clause	When a taxable person pays GST under the corresponding Act, they are deemed to have passed the tax incidence to the recipient of
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	goods/services.
CGST Act Applicability	If tax is paid under the CGST Act, the taxable person is presumed to have passed on the CGST incidence to the recipient, unless proven otherwise.

• **Chapter IX of CGST Rules provide the following:**

i. **Debit to electronic liability register:**

- Amounts payable towards tax, interest, late fee, and other amounts as per the return filed.
- Amounts payable towards tax, interest, penalty & other amounts determined in a proceeding by a proper officer or ascertained by the said person.
- Interest payable under Section 50, which may accrue from time to time.

ii. **Debit to Electronic Credit/Cash ledger:**

Debit to Electronic Credit Ledger and Credit to Electronic Liability Register	Debit to Electronic Cash Ledger and Credit to Electronic Liability Register
Payment of all the liabilities of a registered person as per his return subject to sec 49/49A/49B.	Payment of all the liabilities of a registered person as per his return subject to sec 49/49A/49B..
	Payment of TDS deducted u/s 51, TCS deducted by ECO u/s 52, amount payable under RCM, amount payable u/s 10, amount payable towards payment of interest, penalty, fee or any other amount under the Act.

• **How do the payment systems benefit the taxpayer and the Commercial Tax Department?**

- Payments can be made online 24/7 without waiting in queues.
- Instant online receipts are provided for payments made online.
- Tax consultants can make payments on behalf of clients.
- A single challan form is created online, replacing the old multi-copy system.
- Revenue will be credited to the govt treasury faster than the old system.
- The system ensures greater transparency in payment processes.
- Online payments made after 8 PM will be credited to the taxpayer's account on the same day.

Section 50 - interest on delayed payment of tax

Section 50	Applies interest for default in tax payment within the stipulated time.
Ledgers use	A registered person uses the ECrL first, and then the ECL for tax



	payments, promoting better working capital management.
Insufficient funds	The GST portal does not allow partial tax payments if there are insufficient funds in both the electronic credit and cash ledgers.
Proviso under Sec 50	Interest will be levied only on the net taxes paid through the electronic cash ledger, not on the total taxes paid through both ledgers.
Late return filing	If a return is filed late but before the initiation of proceedings under Sections 73 or 74, interest applies only to the portion of tax paid from the electronic cash ledger.
Interest applicability	Interest will only be due on the net cash liability and not on the gross tax liability.
When interest is payable?	Interest is payable when there is a delay in the full or partial payment of tax within the prescribed period.
Rate of interest	
Rate of Interest	The interest rate for delayed tax payment or wrongful availment/ utilization of input tax credit shall be notified by the Government based on the Council's recommendation.
Maximum Rate	The rate shall not exceed 18% in case of belated payment of tax or wrongful availment and utilization of input tax credit.
Computation of period for calculation of interest:	
The period will generally start from the date following the due date of payment and continue until the actual date of payment of tax.	
Manner of calculating interest on delayed payment of tax [Rule 88B]	
Interest on Late Filing of Returns	If supplies for a tax period are declared in the return furnished after the due date u/s 39 (excluding cases after proceedings u/s 73 or 74), interest on tax payable is calculated on the portion paid via the electronic cash ledger. Interest is charged for the delay beyond the due date at the rate notified under section 50(1).
Exclusion of Credited Amounts	Amounts credited to the Electronic Cash Ledger under section 49(1) on or before the due date , but debited for tax payment after the due date, are excluded from interest calculation if the amount remains in the ledger from the due date until debited while filing the return.
Interest in Other Cases	For all other cases u/s 50(1), interest is calculated on unpaid tax for the period from the due date of tax payment to the actual payment date at the specified rate.
Interest on Wrong ITC Utilization	U/s 50(3), interest on wrongly availed and utilized ITC is calculated for the period from the date of its utilization to the date of its reversal or tax payment, at the rate specified.
Explanation on ITC Utilization	
Definition of Utilization: ITC is considered utilized when the balance in the	



electronic credit ledger falls below the amount of wrongly availed ITC. The extent of utilization is the amount by which the balance falls below the wrongly availed ITC.

• Date of Utilization:

- If the balance falls below the wrongly availed ITC due to tax payment in a return, the utilization date is the earlier of the due date or the actual filing date of the return.
- In other cases, the utilization date is the date of debit in the electronic credit ledger.

Other relevant points relating to interest

- The term "tax" refers to the tax payable under the Act, along with the rules made thereunder.
- Interest for belated tax payment must be paid voluntarily, even without a demand.
- The interest payable will be debited to the Electronic Liability Register.
- The interest liability can be settled using the balance in the Electronic Cash Ledger, but not from the balance in the Electronic Credit Ledger.

▲ Clarification on charging of interest under section 50(3) in cases of wrong availment of IGST credit and reversal thereof:

whether in the cases of wrong availment of IGST credit and reversal thereof, for the calculation of interest under R 88B, whether the balance of ITC available in ECrL under the head of IGST only needs to be considered or total ITC available in ECrL, under heads of IGST, CGST and SGST taken together, has to be considered.

Utilization of ITC in ECL for Interest Calculation

- Since ITC in the ECL under IGST, CGST, and SGST can be collectively used for IGST liability, the **total ITC in the ECL across these heads is considered** for interest calculation under rule 88B.
- It also determines if the ECL balance falls below the amount of wrongly availed ITC and to what extent.

No Interest on Reversed Wrong IGST Credit

If IGST credit is **wrongly availed but subsequently reversed**, **no interest** under section 50(3) is liable if, during the period from availment to reversal, the **combined ITC balance across IGST, CGST, and SGST** in the ECL never falls below the wrongly availed IGST credit, even if the IGST balance individually falls below the wrongly availed amount.

Interest When Combined ITC Balance Falls Short

- If the total ITC balance in the ECL under IGST, CGST, and SGST **falls below the amount of wrongly availed IGST credit**, it is considered as utilization of the wrongly availed credit. The extent of utilization is determined by how much the combined balance falls below the wrongly availed amount.
- This **attracts interest under section 50(3)**, read with section 20 of the IGST Act, 2017, and rule 88B(3).



ITC for compensation cess can only be used to pay compensation cess and cannot be utilized for CGST, SGST, or IGST payments or reversals. Therefore, compensation cess credit in the electronic credit ledger (ECL) **cannot be considered** when calculating interest under Rule 88B(3) for wrongly availed and utilized IGST, CGST, or SGST credits.

Transfer of input tax credit [section 53 of CGST act & section 18 of IGST act]

- If CGST is used to pay IGST dues, the CGST amount is reduced by the credit used, and the equivalent amount is transferred from the CGST to IGST account.
- If IGST is used to pay CGST/UTGST dues, the IGST amount is reduced by the credit used, and the equivalent amount is transferred from the IGST to the CGST/UTGST account (Section 18 of the IGST Act).
- If IGST is used to pay SGST dues, the IGST amount is reduced by the credit used and apportioned to the appropriate SG. The CG transfers the apportioned amount to the respective SG's account.
- "Appropriate State" refers to the State or UT where the taxable person is registered or liable to be registered under the CGST Act.

Amendments made vide the finance (no. 2) act, 2024

The below amendments are applicable for students appearing for Sep'25 examination.

Section No.	Provisions as amended by the Finance (No. 2) Act, 2024	Remarks
49(8)	Every taxable person shall discharge his tax and other dues under this Act or the rules made thereunder in the following order, namely:— a. self-assessed tax, and other dues related to returns of previous tax periods; b. self-assessed tax, and other dues related to the return of the current tax period; c. any other amount payable under this Act or the rules made thereunder including the demand determined u/s 73 or 74 or 74A .	Section 49(8) of the CGST Act has been amended, so as to incorporate a reference to the new section 74A in the said section.
50(1)	Provided that the interest on tax payable in respect of supplies made during a tax period and declared in the return for the said period furnished after the due date in accordance with the provisions of section 39, except where such return is furnished after commencement of any proceedings u/s 73 or 74 or 74A in respect of the said period, shall be payable on that portion of the tax which is paid by debiting the electronic cash ledger.	Section 50(1) of the CGST Act has been amended, so as to incorporate a reference to the new section 74A in the said section.

14. Place of supply

Section 10 - place of supply of goods other than supply of goods imported into, or exported from India

Section 10 defines the rules for determining the place of **supply of goods within India**.

Sub-section (1): Sets out five rules to determine the POS in specific situations:

1. Supply involving movement of goods
2. Goods delivered on 'bill to ship to' model
3. Supply not involving movement of goods
4. Goods assembled/installed at the site
5. Goods supplied on board a conveyance

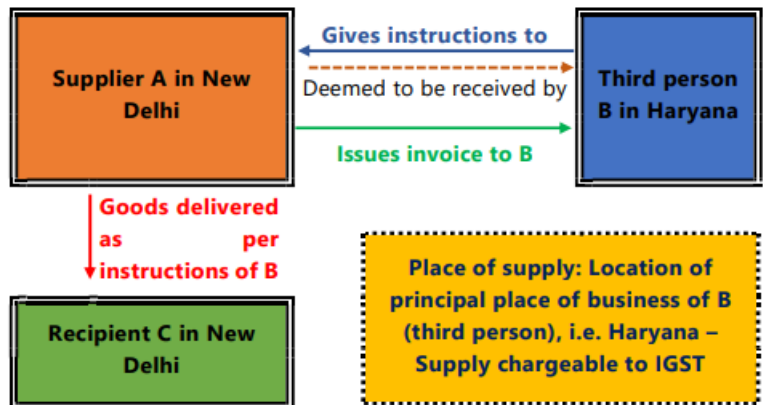
In cases where the POS cannot be determined, Govt may prescribe a method.

Supply involving movement of goods [section 10(1)(a)]:

Place of Supply	The place of supply is the location where the movement of goods terminates for delivery to the recipient.
Determination of Location	The location of goods is determined by observing the goods' journey from the supplier to the recipient. The movement can be carried out by the supplier, recipient, or a third party (e.g., transporter) after disclosing the destination.

Supply involving movement of goods where goods are delivered to recipient on the instruction of third person - 'Bill to Ship to' supply [section 10(1)(b)]

When goods are delivered by supplier to recipient at the instruction of a third person, the POS is the principal place of business of the third person, not the actual recipient.

Two Supplies in the Transaction	• First Limb: Supply from the supplier to the third person. This provision governs this limb of supply. • Second Limb: Supply from the third person to the recipient. This is governed by section 10(1)(a), where the place of supply is the location of goods when the movement terminates for delivery to the recipient.
Supply by supplier to third person	<u>Supply by supplier to third person</u> 



	In this provision, recipient' is the one who actually collects the goods and the third person is the one who enjoys privity with the supplier to be able to direct him to deliver the goods and also usually makes payment to the supplier.
Supply by third person to recipient	Supply by third person to recipient <pre> graph TD SA[Supplier A in New Delhi] -- "Places an order for supply of goods" --> RC[Recipient C in New Delhi] TPB[Third person B in Haryana] -.-> "Issues invoice to C" RC </pre> Place of supply: Location of goods at the time when the movement of goods terminates for delivery to C (recipient), i.e. New Delhi – Supply chargeable to IGST

Supply not involving movement of goods [section 10(1)(c)]

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

Examples

- 1 Purchase of leased machinery on an "as is where is" basis, without moving the goods.
- 2 Purchased of building along with pre-installed office furniture and fixtures under a separate contract.

Supply of goods to an unregistered person [section 10(1)(ca)]:

Place of Supply	If goods are supplied to an unregistered person, the POS will be: • The location as per the address recorded in the invoice. • The location of the supplier if the address of the unregistered person is not recorded in the invoice.
Recording Address	The name of the State recorded in the invoice is considered the address of the person for this provision.
Examples	Unregistered persons buying goods in one state and transporting them to another (e.g., migrant workers, tourists, or individuals purchasing vehicles across states to benefit from lower taxes).
Place of supply of the goods (particularly being supplied through e-commerce platform) to unregistered persons where billing address is different from the address of delivery of goods	
Issue	Mr. A (unregistered person) located in X State places an order on an ECO for supply of a mobile phone, to be delivered at an address located in Y State. Mr. A, provides the billing address located in X State. What would be the POS of the said supply i.e. State X or Y?
Clarification	As per the provisions of section 10(1)(ca) discussed above, the place of



supply of goods shall be the address of delivery of goods recorded on the invoice i.e. State Y in the present case where the delivery address is located. Also, in such cases involving supply of goods to an unregistered person, where the billing address and delivery address are different, the supplier may record the delivery address as the **address of the recipient on the invoice** for the purpose of determination of place of supply of the said supply of goods.

Supply involving installation or assembly of goods [section 10(1)(d)]

- If the supply involves goods to be installed or assembled at a site, **the place of supply is the location where the installation or assembly occurs.**
- This involves a **composite supply**, the supply of goods and the ancillary supply of installation/assembly services. The principal supply is the goods being installed.

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

The POS is the **location where the goods were taken on board the conveyance**, such as an aircraft, train, vessel, or motor vehicle. This provision applies even if **the goods are supplied by passengers on board the conveyance and not by the carrier.**

Section 12 - Place of supply of services where location of supplier of service and the location of the recipient of service is in India

Default Provision	Section 12 provides a default provision for determining the place of supply, with specific provisions for certain services.
Registered vs. Unregistered	Section 12 provides different places of supply for services supplied to registered and unregistered persons.

I. Default provision [section 12(2)]

Applies when the supply of service **doesn't fall under specific cases in Section 12.**

The provision can be summarized as under:

Nature of Supply	Place of Supply	
	Recipient is registered	Recipient is unregistered
Supply of services other than the ones specified in subsections (3) to (14) of section 12	Location of recipient	a. If the address of the unregistered person is available in the records of the supplier, the location of such unregistered person. b. In other cases, the location of the supplier of services

II. Services in relation to an immovable property or lodging accommodation

in a hotel / boat / vessel etc. [section 12(3)]

Services Covered	• Directly related to immovable property • Lodging accommodation in a hotel, house-boat, vessel etc.
Categories of Services 1. Services related to immovable property (e.g., architects, interior decorators, surveyors, estate agents) 2. Granting rights to use immovable property or coordinating construction work 3. Lodging services (e.g., hotels, guest houses, campsites, vessels) 4. Accommodation services for organizing events (e.g., weddings, social/official/cultural/religious/business functions) 5. Ancillary services to the above	
Applicability	Applies to both constructed/developed and yet-to-be-constructed/developed properties.

Nature of Supply	Location of immovable property/ boat/ vessel	Place of Supply
Supply of services relating to immovable property or lodging accommodation in a hotel/ boat/ vessel or accommodation in an immovable property for social/ business/ religious/ cultural functions	In India	Location/intended location of such immovable property/ boat/ vessel
	Outside India	Location of the recipient

- **Immovable property/Boat/Vessel located in more than one State/Union territory:**

If the property or vessel is located in more than one State/Union Territory, the service is deemed supplied in each State/UT, proportionate to the value of the services as per the contract or agreement.

- **Manner of determining proportionate value of service in the absence of a contract or agreement:**

In the absence of a contract or agreement, the proportionate value of services supplied in different States/Union territories (is computed in accordance with rule 4 of IGST Rules as under:

S.No.	Type of service in relation to immovable property	Factor which determines the proportionate value of service supplied in different States/Union territories
a.	Service provided by way of lodging	Number of nights stayed in



	accommodation by hotel, inn, guest house etc. and its ancillary services (other than the cases where such property is a single property located in 2 or more contiguous States/ Union territories or both)	such property
b.	- All other services provided in relation to immovable property including services by way of accommodation in any immovable property for organising any marriage or reception etc. and in cases of supply of accommodation by a hotel, inn, guest house, club or campsite, by whatever name called where such property is a single property located in 2 or more contiguous States or/and Union territories ➤ Services ancillary to services mentioned above	Area of the immovable property lying in each State/ Union territories
c.	Services by way of lodging accommodation by a house boat or vessel and its ancillary services	Time spent by the boat or vessel in each such State/ Union territories, to be determined on the basis of declaration made by the service provider Refer Example 19

Examples

A hotel charges Rs.30,000 for stays in Delhi (2 nights) and Agra (1 night). The POS is Delhi and Uttar Pradesh, apportioned as Rs.20,000 in Delhi and Rs.10,000 in UP (2:1 ratio).

A 20,000 sq. ft. land spans State S1 (12,000 sq. ft.) and State S2 (8,000 sq. ft.). The service is apportioned between S1 and S2 in a 3:2 ratio, based on the land area.

A houseboat service operates in Kerala (22 hours) and Karnataka (2 hours). The place of supply is Kerala and Karnataka, apportioned in an 11:1 ratio.

III. Restaurant and catering service, personal grooming, fitness, beauty and health services [section 12(4)]

The place of supply of restaurant and catering services, personal grooming, fitness, beauty treatment, health service including cosmetic and plastic surgery is the location where such services are actually performed.

IV. Training and performance appraisal services [section 12(5)]



B2B Supply	If the recipient is a registered person, the place of supply is the location of the recipient .
B2C Supply	If the recipient is unregistered, the place of supply is where the service is actually performed .

V. Services by way of admission to events/amusement park/other places [section 12(6)]:

POS	The place of supply for services related to admission to certain events or places is where the event is held or where the park/place is located .
Services covered	i. Sporting, Cultural, Educational, Scientific, Artistic, Entertainment ii. Admission to amusement parks or any other similar places iii. Services ancillary to the above-mentioned services
Examples	• Mr. A buys a ticket for a circus in Gurugram, Haryana. The place of supply is Gurugram. • Mr. B buys a ticket for an amusement park in Noida, Uttar Pradesh. The place of supply is Noida.

VI. Organisation of events [section 12(7)]

Types of Events Covered	Cultural, artistic, sporting, scientific, educational, entertainment, conferences, fairs, exhibitions, celebrations, etc. and services ancillary to above
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Nature of Supply	Place of Supply	
	Recipient is registered	Recipient is unregistered
Organisation of events or services ancillary to the same or assigning of sponsorship to such events	Location of recipient	Location where the event is held
Organisation of events outside India		Location of recipient

➤ Event held in more than one State/Union territory

- If an event is held in more than one State/Union territory and a consolidated amount is charged, the place of supply is **deemed to be in each respective State/Union territory**. The value for services is apportioned **based on the contract or agreement**.
- This provision applies only when the recipient is unregistered; for registered recipients, the place of supply is their location.

➤ Manner of determining proportionate value of service in the absence of a contract or agreement:

In the absence of a contract or agreement, the proportionate value of services in



different States/Union territories is determined based on **Rule 5 of the IGST Rules** using **generally accepted accounting principles**.

An event management company charges Rs.10,00,000 for events in States S1 (3 events) and S2 (2 events). The value is apportioned in a 3:2 ratio, resulting in Rs.6,00,000 for S1 and Rs.4,00,000 for S2.

VII. Transportation of goods including mail or courier [section 12(8)]

Transportation of Goods to Registered Person	The POS for such services (including by mail or courier) is the location of the registered person .
Transportation of Goods to Unregistered Person	For unregistered persons, the place of supply is the location where goods are handed over for transportation .
Transportation of Goods Outside India	If goods are transported outside India, and both the supplier and recipient are in India, the place of supply is determined as per the above provisions.

VIII. Passenger transportation service [section 12(9)]

Nature of Supply	Place of Supply	
	Recipient is registered	Recipient is Unregistered
Passenger transportation	Location of the recipient	Location where the passenger embarks on the conveyance for a continuous journey
Issue of right to passage for future use and the point of boarding not known at the time of issue of right to passage		a) If the address of the unregistered person is available in the records of the supplier, the location of such unregistered person. b) In other cases, the location of the supplier of services

Note: The **return journey** is treated as a separate journey, even if the tickets for onward and return journey are issued at the same time.

Examples

1. Mr. Shyam, an unregistered person from Gurugram, booked a two-way air ticket for a journey from New Delhi to Mumbai. The onward journey started from New Delhi on 10th December, and the return journey from Mumbai on 14th December. Each journey is treated as separate, even if booked together. As an unregistered person, the place of supply for the onward journey is New Delhi, and for the return journey, it is Mumbai, based on the embarkation locations for each journey.

Examples of issue of right to passage for future use-point of boarding not known at the time of issue of right

1. An airline may issue seasonal tickets, containing say 10 voucher which could be used for travel between any two locations in the country.
2. The card issued by New Delhi metro could be used by a person located in Noida, or New Delhi or Faridabad, without the New Delhi metro being able to distinguish the location or journeys at the time of receipt of payment.

IX. Service supplied on board a conveyance [section 12(10)]

POS is the location of the **first scheduled point of departure of that conveyance for the journey**

Note - Conveyance includes a vessel, an aircraft, a train or a motor vehicle.

X. Telecommunication service [section 12(11)]

Telecommunication Services	Includes services like telephone, data transfer (internet), broadcasting, cable, DTH (Direct to Home) services, etc.
Categories for Place of Supply	1. Fixed Telecommunication Line Services: Includes leased circuits, internet leased circuit, cable, or dish antenna. 2. Post-Paid Services: Includes post-paid mobile connection and post-paid internet services. 3. Pre-Paid Services: Includes pre-paid mobile connection, pre-paid internet, and DTH services.

The place of supply of the various types of telecommunication services is tabulated as under:

Nature of Supply	Place of Supply	Recipient
• Fixed telecommunication line • Leased circuits • Internet leased circuit • Cable or dish antenna	Location where the telecommunication line, leased circuit or cable connection or dish antenna is installed for receipt of services	ANY PERSON
Post-paid mobile connection and internet services	• Location of billing address of the recipient of services in the records of the supplier of services • Location of the supplier of services, if the address is not available	
Pre-paid mobile connection, internet services and DTH services (recharge coupon, vouchers, net pack etc.)	Address of the selling agent/ re-seller/ distributor at the time of supply	



Services provided through a • selling agent • re-seller • distributor of subscriber identity module card or recharge voucher		
Services provided by any person to final subscriber	Location where such pre- payment is received or such vouchers are sold	
Pre-paid services, the payment for which is made through internet banking/ other electronic mode of payment	Location of the recipient of services in the records of the supplier of services	
Other cases	• The address of the recipient as per the records of the supplier of services • Location of the supplier of services, if the address is not available	

If a leased circuit is installed in more than one State/UT and a consolidated amount is charged, the place of supply is deemed to be in each State/Union territory, in proportion to the value of services **as per the contract or agreement**.

In the absence of a contract or agreement, the value of services in different States/Union territories is determined by Rule 6 of the IGST Rules, **based on the number of points in each State/Union territory**.

Determining Points in Circuit	• Two Points: Starting and ending points of the circuit are each a point. • Intermediate Points: Any intermediate point with leased circuit benefit is also counted as a point.
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Examples

- 1. Intermediate point or place in the circuit:** Company T installs a leased circuit connecting Company C's offices in Chennai, Bengaluru, and Mysuru, starting in Chennai (Tamil Nadu) and ending in Mysuru (Karnataka), with an additional connection in Bengaluru (Karnataka). The place of supply is apportioned between Tamil Nadu and Karnataka in a 1:2 ratio.
- 2. Intermediate point or place in the circuit:** Company T installs a leased circuit connecting Company C's offices in Kolkata (West Bengal), Patna (Bihar), and Guwahati (Assam), with one point in each state. The place of supply is distributed equally among West Bengal, Bihar, and Assam in a 1:1:1 ratio..

XI. Financial and stock broking services [section 12(12)]

- For banking, financial, and stock broking services, the place of supply is the **location of the recipient as per the supplier's records**.
- If the recipient's location is not available in the supplier's records, the place of supply **is the location of the supplier**.

XII. Insurance services [section 12(13)]

for Registered Recipients	For insurance services, the POS is the location of the registered recipient .
For Unreg Recipient	If provided to an unregistered person, the place of supply is the location of the recipient in the supplier's records .

XIII. Advertisement service to the government [section 12(14)]:

Nature of Supply	Place of Supply
Advertisement service to the Central Government / State Government/ Statutory body / Local authority meant for the State / Union territory identified in contract or agreement	Each of such States/ Union territories where the advertisement is broadcasted/ run / played/ disseminated.
The value of such supplies specific to each State/Union territory is in proportion to the amount attributable to the services provided by way of dissemination in the respective States/Union territories determined in terms of the contract or agreement entered into in this regard.	

Manner of determining proportionate value of service in the absence of a contract or agreement:

In the absence of a contract or agreement between the supplier and recipient of services, the proportionate value of advertisement services attributable to different States/Union territories (where the advertisement is broadcasted/ run /played/disseminated) is computed in accordance with rule 3 of IGSTRules as under:

S. No.	Type of advertisement	Value of service attributable to dissemination in different States/Union territories where the advertisement is broadcasted/ run /played/disseminated
1.	Advertisements in newspapers and publications	Amount payable for publishing an advertisement in all the editions of a newspaper or publication, which are published in each State/Union territory
2.	Advertisements through printed material like pamphlets, leaflets, diaries, calendars, Tshirts, etc.	Amount payable for the distribution of a specific number of such material in each State/Union territory



3.	Advertisements in hoardings (other than those on trains)	Amount payable for the hoardings located in each State/ Union territory
4.	Advertisements on trains	Amount attributable to each State/Union territory calculated in the ratio of length of the railway track in each of such State/Union territory, for that train
5.	Advertisements on the back of utility bills of oil and gas companies, etc.	Amount payable to each State/Union territory for the advertisements on bills pertaining to consumers having billing addresses in each of such State/Union territory
6.	Advertisements on railway tickets	Amount attributable to each State/Union territory calculated in the ratio of number of Railway Stations in each of such State/Union territory
7.	Advertisements on radio stations	Amount payable to such radio station, which by virtue of its name is part of each State/Union territory
8. Advertisement on television channels		
Amount attributable to each State/Union territory calculated basis the viewership of such channel in each of such State/ Union territory which shall be derived as under: - Viewership can be ascertained from the channel viewership figures published by the Broadcast Audience Research Council. - Figures for the last week of a given quarter is used for calculating viewership for the succeeding quarter. - Where the channel viewership figures relate to a region comprising of more than one State/Union territory, the viewership figures for a State/ Union territory of that region, is calculated in ratio of the populations of that State/Union territory, as determined in the latest Census. - The ratio of the viewership figures for each State or Union territory so calculated, when applied to the amount payable for the service, shall represent the portion of the value attributable to the dissemination in that State or Union territory		
9.	Advertisements in cinema halls	Amount payable to a cinema hall or screens in a multiplex in each State/ Union territory.
10. Advertisements on internet It is deemed that such service is provided all over India.		
Amount attributable to each State/Union territory calculated basis the internet subscribers in each of such State/ Union territory which shall be derived in the following manner: Internet subscribers can be ascertained from the internet subscriber figures published by the Telecom Regulatory Authority of India (TRAI).		



- b. Figures for the **last quarter of a given financial year** will be used for calculating the number of internet subscribers for the succeeding financial year.
- c. Where the internet subscriber figures relate to a region comprising of more than one State/Union territory, the subscriber figures for a State/Union territory of that region shall be calculated in the **ratio of the populations** of that State/Union territory, as determined in the latest census.

The ratio of the subscriber figures for each State or Union territory so calculated, when applied to the amount payable for the service, shall represent the portion of the value attributable to the dissemination in that State or Union territory

11. Advertisements through SMS

Amount attributable to each State/Union territory calculated **on the basis of the telecom subscribers** in each of such State/ Union territory.

- a. Telecom subscribers in a telecom circle can be ascertained from the **telecom subscribers figures** published by the TRAI.
- b. Figures for a **given quarter will be used for calculating the subscribers** for the succeeding quarter.
- c. Where such figures relate to a telecom circle comprising of more than one State / Union territory, the subscriber figures for that State / Union territory shall be calculated in the **ratio of the populations** of that State/Union territory, as determined in the latest census.

Examples:

1. Advertisements through printed material like pamphlets, leaflets, diaries, calendars, T-shirts, etc.

As part of the 'Swachh Bharat' campaign, ABC engaged GH to print 1,00,000 pamphlets for Rs.1,00,000, to be distributed across Haryana, Uttar Pradesh, and Rajasthan. The distribution breakdown, determined by the Ministry or department, was 20,000 for Haryana, 50,000 for Uttar Pradesh, and 30,000 for Rajasthan. This allocation, reflected in the print order, determines the place of supply as Haryana, Uttar Pradesh, and Rajasthan, with the value attributed in the ratio of 2:5:3. GH must issue separate State-wise invoices to ABC, indicating Rs.20,000 for Haryana, Rs.50,000 for Uttar Pradesh, and Rs.30,000 for Rajasthan.

2. Advertisements in hoardings (other than those on trains):

As part of the 'Saakshar Bharat' campaign, ABC engaged IJ to put up hoardings near airports in Delhi, Mumbai, Chennai, and Kolkata. The release order specifies a city-wise and location-wise payment breakdown. The place of supply is attributed to the Union Territory of Delhi and the States of Maharashtra, Tamil Nadu, and West Bengal. IJ must issue separate invoices for each location, reflecting the value of the hoardings in Delhi, Maharashtra, Tamil Nadu, and West Bengal.

3. Advertisements on trains

ABC places an order with KL for advertisements on the Hazrat Nizamuddin Vasco Da Under the 'Janani Suraksha Yojana' campaign, Gama Goa Express runs through Delhi, Haryana, Uttar Pradesh, Madhya Pradesh, Maharashtra, Karnataka, and Goa. The value

of supply is apportioned based on the track length in each State or Union Territory, which KL must determine from **www.indianrail.gov.in**. The place of supply is attributed to these regions, with the value divided proportionally.

For instance, if the ratio of track lengths is 0.5:0.5:2:2:3:3:1 and the total payment is Rs.1,20,000, the allocation is: Delhi (Rs.5,000), Haryana (Rs.5,000), Uttar Pradesh (Rs.20,000), Madhya Pradesh (Rs.20,000), Maharashtra (Rs.30,000), Karnataka (Rs.30,000), and Goa (Rs.10,000). KL must issue separate invoices for each State and Union Territory, reflecting the corresponding value.

4. Advertisements on railway tickets

ABC engaged MN to display advertisements for the 'Ujjwala' scheme on railway tickets sold at stations in Madhya Pradesh and Chhattisgarh. The place of supply is apportioned between the two States based on the ratio of railway stations, as determined from Railways or **www.indianrail.gov.in**.

For a station ratio of 713:251 and a total bill of Rs.9,640, the value is allocated as Rs.7,130 for Madhya Pradesh and Rs.2,510 for Chhattisgarh. MN must issue separate State-wise invoices to ABC, reflecting the value for each State.

5. Advertisement on television channels

ABC issued a release order to QR channel for telecasting an advertisement on the 'Pradhan Mantri Kaushal Vikas Yojana' in November 2017. The advertisement is to be broadcast in the Union territory of Delhi and the States of Uttar Pradesh, Uttarakhand, Bihar, and Jharkhand during the first phase.

The place of supply is Delhi, Uttar Pradesh, Uttarakhand, Bihar, and Jharkhand. To calculate the value of supply for each region, QR follows these steps:

1. Viewership Data: QR uses the Broadcast Audience Research Council's viewership figures from September 2017:

- Delhi: 1,00,000
- Uttar Pradesh and Uttarakhand combined: 2,00,000
- Bihar and Jharkhand combined: 1,00,000

2. Population Ratios:

- For Uttar Pradesh and Uttarakhand, the population ratio is 9:1. Applying this to 2,00,000 gives viewership figures of 1,80,000 for Uttar Pradesh and 20,000 for Uttarakhand.
- For Bihar and Jharkhand, the population ratio is 4:1. Applying this to 1,00,000 gives viewership figures of 80,000 for Bihar and 20,000 for Jharkhand.

3. State-wise Viewership: The viewership figures are:

- Delhi: 1,00,000
- Uttar Pradesh: 1,80,000
- Uttarakhand: 20,000
- Bihar: 80,000
- Jharkhand: 20,000

4. Ratio and Value Attribution: The ratio of viewership is 10:18:2:8:2 (simplified to 5:9:1:4:1). Applying this ratio to the total cost of Rs.20,00,000, the State-wise values are:



- Delhi: Rs.5,00,000
- Uttar Pradesh: Rs.9,00,000
- Uttarakhand: Rs.1,00,000
- Bihar: Rs.4,00,000
- Jharkhand: Rs.1,00,000

QR must issue separate invoices for each State and Union territory, reflecting the value attributable to each jurisdiction.

Clarifications on place of supply

1. Place of supply in case of supply of services in respect of advertising sector:

(i) Issue: There may be a case wherein there is supply (sale) of space or supply (sale) of rights to use the space on the hoarding/ structure (immovable property) belonging to vendor to the client/advertising company for display of their advertisement on the said hoarding/ structure. What will be the place of supply of services provided by the vendor to the advertising company in such case?

Clarification

- A hoarding or structure erected on land is **considered an immovable structure or fixture** as it is embedded in the earth.
- The place of supply in such case is governed by Section 12(3)(a).
- As per Section 12(3)(a), the place of supply for services directly related to immovable property **location of the immovable property**.
- Therefore, for services involving the sale of space on hoardings or structures for advertising, or granting rights to use such hoardings or structures for advertising, the place of supply is the location of the hoarding or structure.

(ii) Issue: There may be another case where the advertising company wants to display its advertisement on hoardings/ billboards at a specific location availing the services of a vendor. The responsibility of arranging the hoardings/ billboards lies with the vendor who may himself own such structure or may be taking it on rent or rights to use basis from another person. The vendor is responsible for display of the advertisement of the advertising company at the said location.

During this entire time of display of the advertisement, the vendor is in possession of the hoarding/structure at the said location on which advertisement is displayed and the advertising company is not occupying the space or the structure. In this case, what will be the place of supply of such services provided by the vendor to the advertising company?

Clarification

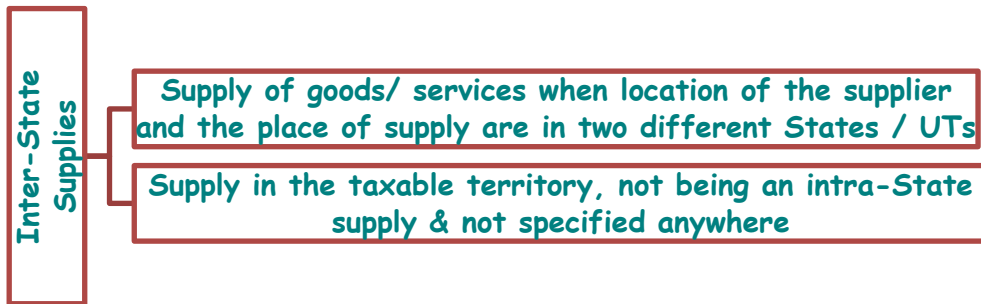
- In this case, the vendor provides services to the advertising company without supplying (selling) space or granting rights to use the space on the hoarding/structure (immovable property) for displaying advertisements. As a result, the **service does not qualify as the sale of advertising space or the supply of rights to use immovable property** and is not covered under **Section 12(3)(a)**.
- Instead, the vendor offers advertisement services by displaying the advertising

company's advertisement for a specified period on a structure owned or rented by the vendor at a specific location.

- These services are purely advertisement services, and the POS is determined under **Section 12(2)**.

Section 7 of the IGST act - Inter-state supply

This section provides as to when the supplies of goods and/or services shall be treated as **Supply in the course of inter-State trade/commerce**.

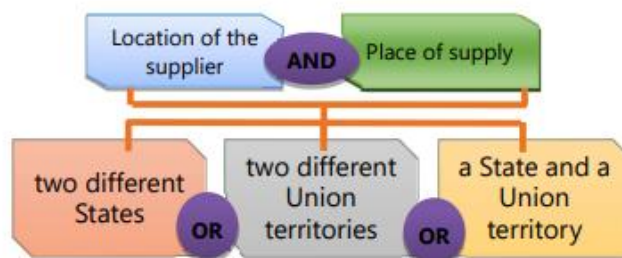


A. Supply of goods' in the course of inter-state trade/commerce [section 7(1)]:

It primarily covers two kinds of supplies - Supply of goods within India and supply of goods imported into India.

Supplies within India:

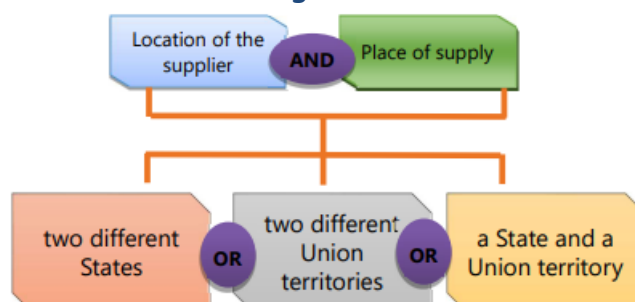
Supply of goods shall be considered as supply of goods in course of inter-State trade or commerce in the following cases:



B. 'Supply of services' in the course of inter-state trade/commerce [section 7(3)]:

Supplies within India:

Supply of services shall be considered as supply of services in course of inter-State trade or commerce in the following cases:





C. Supply of goods or services or both in the course of inter- state trade or commerce [section 7(5)(c)]

Certain supplies are treated as supplies in the course of inter-State trade or commerce, and shall equally apply to supply of goods and to supply of services. Clause (c) of section 7(5) is a residuary clause and stipulates that supply of goods and/or services in the taxable territory, not being an intra-State supply & not covered elsewhere in this section 7(5) are considered as inter-State supplies

Section 8 of the IGST act - intra-state supply

A. Which supplies of goods/services shall be treated as intra-state supplies? [section 8(1) and 8(2) of the IGST act]

a. Supply of goods/services where the location of the supplier and the place of supply of goods/services are in the same State or same Union territory shall be treated as intra-State supply. Such supplies are exigible to CGST and SGST.

B. Establishments of distinct persons:

Refer supply chapter.

Any supply between any of the above establishments shall be treated as supply between establishments of distinct persons. Further, a person carrying on a business through a branch or an agency or a representational office in any territory shall be treated as having an establishment in that territory.

Section 9 of the IGST act - Supplies in territorial waters

Definition of Territorial Waters

- Not defined in GST law. - As per the United Nations Convention on the Law of the Sea, territorial sea refers to coastal waters extending up to 12 nautical miles from a coastal state's baseline.
- Section 3(2) of the Maritime Zones Act, 1976 also defines this limit as 12 nautical miles from the baseline.

Supplier Location in Territorial Waters

Section 9 of the IGST Act deems that if the supplier's location is in territorial waters, it is considered to be in the coastal State/Union Territory nearest to the baseline.

Place of Supply in Territorial Waters

Similarly, if the place of supply is in territorial waters, it is deemed to be in the coastal State/Union Territory nearest to the baseline.

15. Returns

Introduction	
Definition of "Return"	A statement regularly furnished by taxpayers detailing business activities, taxable measures, deductions, exemptions, and tax liability for a specific period.
Purposes of Returns	Serves as a communication tool between taxpayers and tax administrators, facilitating compliance verification, finalizing tax liabilities, aiding policy decisions, and supporting audits and anti-evasion efforts..
Significance Under GST	a. Self-Assessment Basis: Taxpayers estimate and deposit tax along with returns. b. Returns act as working documents for tax authorities. c. Filing returns affects not just the filer's liability but also impacts the liabilities of transaction counterparts.
Electronic Filing	All returns under GST laws are filed electronically.
Modes of Filing Returns	
a. Direct Filing: Taxpayers can file returns online on the GST common portal. b. Offline Utilities: Provided by GSTN to prepare statements offline c. GST Suvidha Providers (GSPs): GSTN's ecosystem for integration with the common portal.	
Data Consolidation	Details furnished in returns are consolidated and stored on the common portal , serving both Central and State Governments.

Furnishing details of outward supplies - section 37 read with rule 59

I. Who is required to furnish details of outward supplies? [S 37(1) and R 59(1)]

Definition of Outward Supply	a. Outward supply refers to the supply of goods/services/ both, by a taxable person in the course or furtherance of business. b. Includes supply through sale, transfer, barter, exchange, licence, rental, lease, disposal, etc. [Section 2(83)].
Who Must Furnish?	Every registered person , including casual registered persons, must furnish details of outward supplies of goods and services.
Exceptions	The following are not required to furnish details: a. Input Service Distributor (ISD). b. Non-Resident Taxable Person (NRTP). c. Composition scheme taxpayers. d. Persons deducting tax at source. e. E-commerce operators collecting tax at source (not agents). f. Suppliers of OIDAR services from non-taxable territory to non-taxable online recipients.

II. What is form for submission of details of outward supplies? [sec 37(1) read with rule 59(1)]

Details of outward supplies must be furnished electronically in **Form GSTR-1** for the relevant month or quarter via **common portal** or through a **Facilitation Centre**

Taxpayers can file a Nil GSTR-1 **via SMS** using their registered mobile number.

III. What is the due date of submission of gstr-1? [section 37(1)]

Class of registered person	Time limit for furnishing Form GSTR-1 for each quarter/month
opting QRMP scheme	13th day of the month succeeding such quarter
Others	11th day of the month succeeding such month

IV. IFF for taxpayers opting for QRMP scheme [sub-rules (2) and (3) of rule 59]

Purpose	IFF allows quarterly taxpayers under QRMP scheme to file details of outward supplies in the first two months of the quarter, ensuring credit availability to recipients.
Optional Nature	IFF is an optional facility . Taxpayers may choose to file all outward supply details in GSTR-1 without using IFF.
Impact on ITC	IFF ensures that supply details are reflected in the recipient's GSTR-2A, GSTR-2B, GSTR-4A, or GSTR-6A , enabling timely ITC claims. Without IFF, buyers face delays in claiming ITC.
Usage Limitations	a. Taxpayers can file outward supply details for the first two months of the quarter via IFF, with a cumulative value limit of ₹50 lakh per month. b. Invoices for the last month of the quarter must be uploaded in GSTR-1.
Due Date for Filing IFF	Invoices must be furnished in IFF by the 13th of the succeeding month . After this date, the facility is unavailable.
Continuous Upload Facility	Taxpayers can save invoices in IFF from the 1st day of the month until the 13th of the succeeding month (e.g., for July, invoices can be saved from 1st August to 13th August).
No Duplication in GSTR-1	Invoices filed in IFF for the first two months of the quarter do not need to be re-furnished in GSTR-1 . Example: If 2 invoices are furnished in IFF, they appear in GSTR-2B for the first month. The remaining invoices appear in GSTR-2B after filing GSTR-1 for the quarter.
No Late Fee for IFF	a. No late fee is applicable for IFF as it is optional and cannot be filed after the due date. b. If invoices are not uploaded via IFF, taxpayers must upload invoice details for all three months in GSTR-1.

V. What are the cases where a registered person is debarred from furnishing details of outward supplies in gstr-1/iff? [section 37(4) read with rule 59(6)]

A registered person cannot file GSTR-1 or IFF for a tax period if they **have not filed details of outward supplies for any previous tax periods.**

Exception

The Government may allow specific registered persons or classes of persons to file GSTR-1/IFF even if they have not filed details for previous tax periods, through a notification.

Rule 59(6) Conditions

- i. **Non-filing of GSTR-3B:** Filing GSTR-1 is not allowed if GSTR-3B for the preceding month is not filed.
- ii. **QRMP Scheme:** Filing GSTR-1/IFF is not allowed if GSTR-3B for the preceding tax period is not filed.
- iii. **Rule 88C Intimation:** Filing GSTR-1/IFF is restricted unless the registered person has either paid the amount specified in the intimation or explained unpaid amounts as required under Rule 88C.
- iv. **Rule 88D Intimation:** Filing GSTR-1/IFF is restricted unless the registered person has paid the excess ITC specified in the intimation or provided a valid explanation.
- v. **Bank Account Details:** Filing GSTR-1/IFF is not allowed if bank account details are not provided as required under Rule 10A.

Exceptions to Period Restriction

Taxpayers cannot file GSTR-1 **before the end of the current tax period**, except in the following cases:

- a. **Casual taxpayers:** After business closure.
- b. **Cancellation of GSTIN:** For normal taxpayers.
- c. **Registration cancellation application:** Allowed after confirming receipt of the application.

VI. What are the contents of gstr-1?

Basic & Other Details

- GSTIN
- Legal name
- Trade name, if any
- Aggregate turnover in previous year
Year and Month
- HSN-wise summary of outward supplies
- Details of documents issued during the tax period

Details of Outward Supplies

- B2B including UIN holders
- B2C inter-State supplies where invoice value > Rs.2.5 lakh
- Consolidated details of other B2C supplies
- Zero rated and 32
- Deemed exports
- Debit/ Credit notes issued
- Nil rated/ Exempted/ Non- GST
- Amendments for prior period
- Advances received/advances adjusted

GST is a destination-based consumption tax. Hence, the tax revenue is transferred

to the State which is the place of supply of the particular transaction. Since, the place of supply is crucial for determining the share of every State in the tax revenue, GSTR-1 also captures information relating to place of supply.

VII. What kind of details of outward supplies are required to be furnished in gstr-1 and iff? [explanation to section 37 read with sub-rules (4) and (5) of rule 59]

Uploading of invoices in IFF and GSTR-1 depends on whether the supply is B2B or B2C. Further, uploading of invoice in GSTR-1 also depends on whether the supply is intra-State or inter-State.

B2B means business to business transaction. In such type of transactions, the recipient is also a registered supplier and hence, takes ITC.

B2C means business to consumer transaction. In such type of transactions, the recipient is consumer or unregistered and hence, will not take or cannot take ITC.

A. Details of outward supplies required to be furnished in IFF:

Details to be Submitted in IFF	The registered person must provide B2B invoice details for both inter-State and intra-State supply transactions, along with debit and credit notes related to these invoices issued during the month.
Components of Outward Supplies in IFF	a. Invoice-wise details: For inter-State and intra-State supplies made to registered persons. b. Debit and Credit Notes: Any such notes issued during the month for previously issued invoices.
Scope of IFF	IFF includes invoices for B2B supplies , regardless of whether they are intra-State or inter-State, as recipients rely on these invoices to claim ITC.

B. Details of outward supplies required to be furnished in GSTR-1/GSTR-1A:

- The registered person is required to furnish
 - details of invoices and revised invoices issued in relation to supplies made by him to registered and unregistered persons and debit notes and credit notes in GSTR-1 and
 - additional details or the amendments of the details of outward supplies of goods or services or both furnished in Form GSTR-1A, as per the requirement of the registered person in the following manner:

S. No.	Invoice-wise details of ALL	Consolidated details of ALL	Debit and credit notes
(i)	Inter-State and Intra-State supplies made to registered persons, i.e. B2B	Intra-State supplies made to unregistered persons for each rate of tax	Issued during the month for invoices issued previously

	supplies		
(ii)	Inter-State supplies made to unregistered persons with invoice value exceeding Rs.1,00,000, i.e. B2C supplies	Inter-State supplies made to unregistered persons with invoice value upto Rs.1,00,000 for each rate of tax separately for each State	

B2B Supplies	All invoices for inter-State and intra-State B2B supplies must be uploaded in GSTR-1/GSTR-1A, as recipients claim ITC based on these invoices.
B2C Supplies a. General Rule: Invoice uploading is not required as buyers do not claim ITC. b. Exceptions: - Inter-State B2C supplies above ₹1 lakh require invoice-wise details to implement the destination-based principle. - Inter-State B2C supplies up to ₹1 lakh require a State-wise summary. - Intra-State B2C supplies require consolidated details.	
Invoice Upload Timing	a. Invoice details can be uploaded anytime during the tax period and modified or deleted any number of times until submission of IFF/GSTR-1. b. Uploaded invoices remain in draft form until submission, and changes can be made irrespective of the due date.
Scanned Copies of Invoices	Scanned copies are not required . Only specific fields such as invoice number, date, value, taxable value, tax rate, and tax amount need to be furnished.
Special Cases (Schedule I Supplies)	For supplies under Schedule I of the CGST Act with no consideration, the taxable value must be calculated as prescribed and reported.
Item Description	Detailed descriptions are not required. Only HSN codes for goods and accounting codes for services must be provided.
Indication of HSN details:	
Aggregate Annual turnover in the preceding financial year	Number of Digits of HSN Code
Upto Rs.5 crore	For B2B supply - 4 For B2C supply - 4 (optional)
More than Rs.5 crore	6

VIII. How are the details of outward supply furnished in period amended? [proviso to rule 59(1)]:

Purpose	a. Form GSTR-1A is an optional facility to amend or add details in Form GSTR-1 after filing but before filing Form GSTR-3B. b. Allows: - Adding missed particulars for the current tax period. - Amending declared particulars (including IFF data for quarterly taxpayers).
Key Provisions	Amendments can only be made after filing Form GSTR-1 but before filing Form GSTR-3B for the same tax period.
Key Features a. Optional Facility: Taxpayers can choose to use it. b. Single Filing: Can be filed only once per return period. c. Scope of Amendments: Limited to the current tax period's Form GSTR-1. d. ITC Reflection: ITC for amendments made in GSTR-1A will reflect in Form GSTR-2B of the next tax period for the recipient. e. Liability Adjustment: Changes made in GSTR-1A will auto-populate in Form GSTR-3B of the same tax period. f. Filing Method: Must be filed electronically via the common portal or a notified Facilitation Centre.	
Filing Details a. Monthly Taxpayers: - GSTR-1A is available from the due or actual filing date of Form GSTR-1 until filing Form GSTR-3B of the same period. - Amended details auto-populate in Form GSTR-3B for the same tax period. b. QRMP Taxpayers: - - GSTR-1A becomes available after filing Form GSTR-1 or its due date, whichever is later, until filing Form GSTR-3B of the same period. - Supplies declared in IFF for M1 and M2 of a quarter can only be amended via GSTR-1A (quarterly).	
Specific Cases	a. Recipient GSTIN Changes: GSTIN amendments for a supply must be made through the next period's Form GSTR-1, not GSTR-1A. b. No Due Date: GSTR-1A has no specific due date but follows the filing timeline of GSTR-3B.

IX. How are the details of outward supply furnished in prior periods amended? [section 37(3)]

Scope of Amendment/Correction	a. Amendment Table: Tables 9, 10, and 11(II) of GSTR-1 allow amendments to details of taxable outward supplies from earlier periods. b. Table 9: Includes details of original debit/credit notes, refund vouchers issued in the current tax period, and
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	revisions to those issued in earlier periods. c. Supplier must provide details of the original invoice (number and date) being amended.
Rectification of Errors	a. Errors or omissions must be rectified in the tax period when they are noticed. b. Tax and interest, if applicable, must be paid for short payments through the return for the period of rectification.
Example of Rectification	If a supplier notices an error in the August GSTR-1 during October, the rectification can be made in the October GSTR-1.
Time Limit for Rectification	Amendments are permitted until the earlier of: 30th November following the end of the financial year to which the details pertain, or - Date of filing the annual return for the relevant financial year.
Clarification on "Due Date"	The term "due date" is not mentioned in Section 37(3). Hence, the actual date of filing is considered for determining the rectification deadline, not the due date.

X. Nil gstr-1 [rule 67a]

Mandatory Filing	All normal and CTP must file GSTR-1, even for periods with no business activity. Nil GSTR-1 is required for such periods.
Criteria	a. A Nil GSTR-1 has no entries. b. It cannot be filed if the taxpayer has: - Made any outward supplies (exempt/nil-rated/non-GST supplies). - Received supplies taxable under reverse charge. - Amendments or declarations for earlier supplies or debit/credit notes.
Filing Through SMS	Nil GSTR-1 can be filed via SMS using the registered mobile number. Verification is done through OTP sent to the registered mobile number.
Filing Timeline	Nil GSTR-1 can be filed starting from the 1st day of the subsequent month: For April: Filing begins 1st May. For April-June quarter: Filing begins 1st July.
Voluntary Cancellation	Taxpayers opting for voluntary GSTIN cancellation must file GSTR-1 for the active period before cancellation.
Conversion to Composition Scheme	a. Taxpayers converted to the composition scheme at the start of a financial year must file GSTR-1 for the period they were registered as a normal taxpayer. b. GSTR-1 will accept invoices for the period prior to conversion, even if filed late.

- ▲ What are the precautions that a taxpayer is required to take for a hassle-free compliance under GST?

Importance of Timely Uploading	Timely uploading of outward supply details in GSTR-1 is crucial under GST.
Best Practices Based on Invoice Volume	a. Small Number of Invoices: Taxpayer can upload all invoices in one go. b. Large Number of Invoices: Regular uploading of invoices, debit notes, or credit notes is recommended.
Benefits of Regular Uploading	a. GST common portal supports regular uploading and allows modifications until the return is submitted. b. Regular uploads reduce the risk of failure or default caused by last-minute rushes. c. Bulk Uploading: Offline utilities or ERP software can be used for efficient bulk uploads.
Ensuring ITC Availability	a. Taxpayers should ensure their suppliers upload invoices of inward supplies regularly. b. Recipients can: - Follow up with suppliers to encourage timely uploading. - Use the system to verify if suppliers have uploaded relevant invoices.

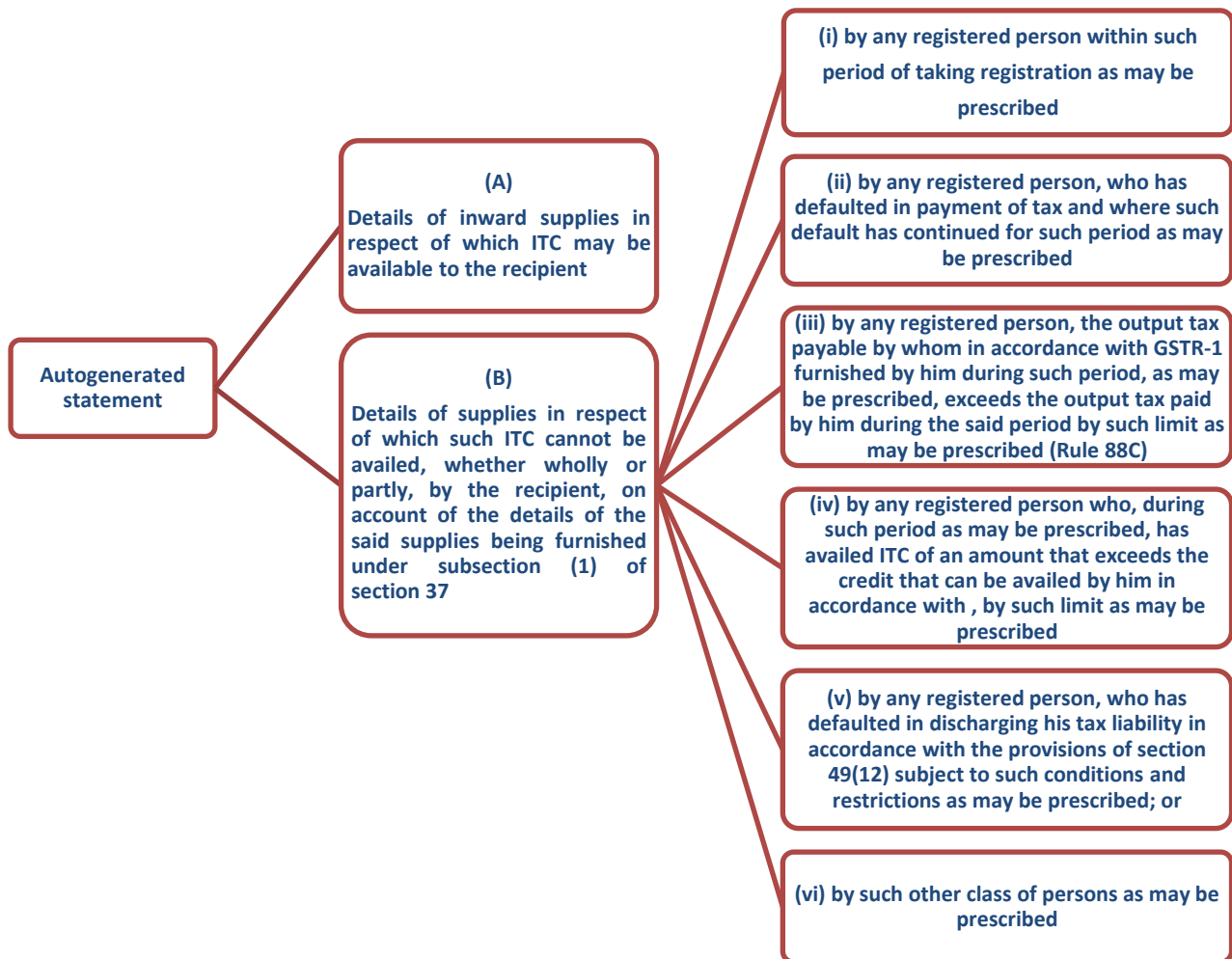
XI. Maximum time-limit for furnishing form gstr-1 [section 37(5)]

A registered person can furnish details of outward supplies in **Form GSTR-1** within **3 years** from the due date for that tax period.

The Government may extend this time limit for specific registered persons or classes of persons, subject to prescribed conditions and restrictions.

Communication of details of inward supplies and input tax credit - section 38 read with rule 60

The details of outward supplies furnished by the registered persons under section 37(1) and of such other supplies as may be prescribed, and an Auto-Generated Statement containing the details of ITC shall be made available electronically to the recipients of such supplies in such form and manner, within such time, and subject to such conditions and restrictions as may be prescribed.



➤ RULE 88C

Purpose of Rule 88C	Addresses discrepancies in tax liability between Form GSTR-1 (outward supplies) and Form GSTR-3B (tax return) when the liability in GSTR-1 exceeds GSTR-3B by a specified extent.
Procedure Under Rule 88C	Notification of Difference: If a discrepancy is identified, the registered person is electronically intimated on the portal and via email. Actions Required by the Taxpayer (within 7 days): - Option 1: Pay the differential tax liability along with interest under section 50. - Option 2: Explain the difference on the portal. Consequences of Non-Compliance: Failure to pay or furnish a satisfactory explanation results in: - Inability to file Form GSTR-1/IFF for the subsequent tax period. - Recovery of unpaid amounts as per Section 79.

➤ Rule 88D - manner of dealing with difference in ITC available in form GSTR-2B and form GSTR-3B:

Purpose	To address discrepancies where ITC availed in Form GSTR-3B exceeds the ITC available in Form GSTR-2B by a specified amount and percentage.
Procedure 1. Notification of Discrepancy: - The registered person is electronically intimated on GST portal and email. - The intimation highlights the discrepancy and directs the taxpayer to either: Pay the Excess ITC: Along with interest under section 50, through the prescribed form, or Explain the Difference: Submit reasons for the discrepancy on the portal, within 7 days. 2. Actions Required by the Taxpayer: Upon receipt of the intimation, the registered person must either: Pay the Excess ITC: Fully or partially, with interest under section 50, and furnish proof on the portal. Provide an Explanation: Submit reasons electronically for any unpaid amount of excess ITC	
Consequences of Non-Compliance	If the registered person: - Fails to pay within 7 days, or - Furnishes an unsatisfactory explanation, the unpaid amount will be demanded under Section 73/Section 74.

➤ **Form and manner of ascertaining details of inward supplies - GSTR- 2A and GSTR-2B [rule 60]**

• **FORM GSTR-2A**

Form GSTR-2A Overview	A system-generated, read-only statement of inward supplies for a recipient.- Updated on a real-time basis.
Details Included in Form GSTR-2A 1. Outward Supplies by Suppliers: Details furnished in Form GSTR-1 or using the IFF are made available to the recipient in Form GSTR-2A. 2. Other System-Generated Inward Supply Statements:- Form GSTR-4A: For composition taxpayers. 3. Additional Inward Supply Details:- - Invoices furnished by: NRTP in Form GSTR-5. TDS deductors in Form GSTR-7. TCS e-commerce operators in Form GSTR-8. Available to the recipient, deductee, or concerned person in Form GSTR-2A. Imports and SEZ Transactions: Details of IGST paid on imports or goods brought into DTA from SEZ units/developers (via bill of entry) are included.	

Access and Updates	Details in Form GSTR-2A are: - Available for view/download by the recipient. - Incrementally updated as suppliers upload or modify their return details.
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• FORM GSTR-2B

Overview	Form GSTR-2B is a static, auto-generated monthly statement containing details of eligible ITC, made available to registered persons (recipients) once a month.
Contents of Form GSTR-2B	
Outward Supply Details	Furnished by suppliers in Form GSTR-1 (excluding QRMP scheme suppliers) between, the day after the due date of GSTR-1 for the previous month to the due date for the current month.
Invoices from Specific Entities: Includes invoices furnished by: - Non-resident taxable persons in GSTR-5. - Suppliers under the QRMP scheme in Form GSTR-1 or IFF • 1st month of the quarter: Between the day after the due date of GSTR-1 for the preceding quarter to the IFF due date for the 1st month. • 2nd month of the quarter: Between the IFF due date for the 1st month to the IFF due date for the 2nd month. - • 3rd month of the quarter: Between the IFF due date for the 2nd month to the GSTR-1 due date for the quarter.	
Additional Details:	Amendments in GSTR-1A filed between the day after the GSTR-1 due date for the previous tax period to the GSTR-1 due date for the current tax period.
Import Details:	IGST paid on imports or goods brought into DTA from SEZ units/developers (via bill of entry).
Features and Cut-Off Dates Supplier Data: - Includes documents filed in GSTR-1, 5, and 6 by suppliers/ISDs within the cut-off dates. - Reflects import data received by the 13th of the succeeding month. Cut-Off Dates: Monthly GSTR-1: From 00:00 hours on the 12th of the relevant month to 23:59 hours on the 11th of the succeeding month. Quarterly GSTR-1/IFF, GSTR-5, and GSTR-6: From 00:00 hours on the 14th of the relevant month to 23:59 hours on the 13th of the succeeding month. Reflection of Details: - Data filed in GSTR-1, 5, and 6 appears in the next open GSTR-2B of the recipient, regardless of the supplier's/ISD's filing date.	

- b. Example: A QRMP supplier filing an invoice on **13th August** for **July** reflects in the GSTR-2B of **July**, generated on **14th August**.

Availability

1. **1st and 2nd Month of a Quarter:** Available **one day after the due date** for furnishing outward supply details:
 - a. Through IFF (for QRMP taxpayers) or
 - b. GSTR-1 (for non-QRMP taxpayers), whichever is later.
2. **3rd Month of a Quarter:** Available **one day after the due date** for furnishing outward supply details in GSTR-1 (QRMP taxpayers).

Furnishing of returns under section 39

1. GSTR-3B [SECTION 39(1) READ WITH RULE 61 & 61A]

a. Person eligible to file return [Section 39(1)]

Who Must File Monthly Returns	Every registered person, except: 1. Input Service Distributors (ISD). 2. Non-resident taxable persons (NRTP). 3. Composition taxpayers. 4. TDS deductors. 5. TCS collectors (e-commerce operators). 6. Suppliers of OIDAR services to non-taxable online recipients.
Alternate Filing Frequency	The Government may notify certain classes of registered persons to file quarterly returns instead of monthly, subject to conditions and restrictions. This includes the QRMP scheme , which is discussed separately.

b. Return to be filed in Form GSTR-3B

Purpose of GSTR-3B	A summary return filed under Section 39 . Includes: 1. Summary of outward supplies. 2. Inward supplies liable to reverse charge. 3. Eligible ITC. 4. Payment of tax. Does not require invoice-wise details of outward supplies.
Mode of Filing	Filed electronically through the common portal, either directly or via a Facilitation Centre .
Nil GSTR-3B Filing	Nil GSTR-3B can be filed via SMS using the registered mobile number of the taxpayer.
Frequency	Can be filed either monthly or quarterly , depending on the taxpayer's eligibility and choice.

c. Due date for filing return

Monthly GSTR-3B	Must be filed on or before the 20th of the month succeeding the month for which the return is furnished.
Quarterly GSTR-3B	For taxpayers under the QRMP scheme, the due date is on or before the 22nd or 24th of the month succeeding the quarter.

d. Quarterly Return Monthly Payment (QRMP) Scheme

Purpose	A trade facilitation measure to ease compliance for small taxpayers.
Eligibility	Optional scheme for taxpayers with an aggregate annual turnover of up to ₹5 crore (PAN-based) in the preceding FY.
Key Features	a. Quarterly Filing: Taxpayers file Form GSTR-1 and GSTR-3B on a quarterly basis. b. Monthly Payment: Taxpayers pay taxes monthly through a simple challan. c. Compliance Reduction: Only 4 returns (GSTR-3B and GSTR-1 each) are filed annually.
Invoice Filing Facility (IFF)	Allows taxpayers to file details of outward supplies monthly for the first two months of the quarter, enabling recipients to claim ITC without waiting for the quarterly GSTR-1.
GSTIN-Wise Opting	QRMP scheme selection is GSTIN-specific. Taxpayers with multiple GSTINs under the same PAN can opt for QRMP for some GSTINs and not for others.
Eligibility for QRMP scheme	
Eligibility Criteria	Turnover Limit: Aggregate turnover up to ₹5 crore in the preceding FY..
Aggregate Turnover	Calculated based on details furnished in returns for the tax periods of the preceding financial year.
Condition for Opting	Taxpayers must have furnished the last return due (e.g., GSTR-3B) by the date of exercising the option to opt for the QRMP scheme.
Example	To opt for the QRMP scheme for the July-September quarter on 27th July, the taxpayer must have filed the GSTR-3B for June, which was due on 20th July.
Manner of exercising option of QRMP scheme	
Timeframe for Exercising Option	Taxpayers can opt for QRMP scheme for a quarter between the 1st day of the 2nd month of the preceding quarter and the last day of the 1st month of the relevant quarter. Example: For July-September, option period is 1st May to 31st July.
No Need to Re-Opt Quarterly	Once opted, the taxpayer continues to file quarterly returns for future tax periods unless they:

	a. Become ineligible due to notified conditions or restrictions. b. Opt for monthly return filing via the common portal.
Option of QRMP scheme to lapse	
Turnover Exceeding ₹5 Crore	a. If a registered person's aggregate turnover exceeds ₹5 crore during a quarter, they become ineligible for QRMP from the first month of the succeeding quarter. b. They must opt for monthly return filing from that quarter.
Opting Out of QRMP Scheme	Taxpayers can opt out of QRMP for a quarter between the 1st day of the 2nd month of the preceding quarter and the last day of the 1st month of the relevant quarter.
Form and manner of filing return - GSTR-3B under QRMP scheme	
Due date for filing return in case of a taxpayer opting for QRMP scheme - Quarterly GSTR-3B on or before 22nd or 24th of the month succeeding the quarter for which return is furnished (Refer the Table given below for details).	
Due dates for taxpayers opting for QRMP scheme	
Class of registered persons	Due date
Registered persons whose principal place of business is in the States of Chhattisgarh, Madhya Pradesh, Gujarat, Maharashtra, Karnataka, Goa, Kerala, Tamil Nadu, Telangana, Andhra Pradesh, Union territories of Daman & Diu & Dadra & Nagar Haveli, Puducherry, Andaman and Nicobar Islands or Lakshadweep.	22nd day of the Month succeeding such quarter.
Registered persons whose principal place of business is in the States of Himachal Pradesh, Punjab, Uttarakhand, Haryana, Rajasthan, Uttar Pradesh, Bihar, Sikkim, Arunachal Pradesh, Nagaland, Manipur, Mizoram, Tripura, Meghalaya, Assam, West Bengal, Jharkhand or Odisha, the Union territories of Jammu and Kashmir, Ladakh, Chandigarh or Delhi.	24th day of the month succeeding such quarter.

e. Nil GSTR-3B

Mandatory Filing	Filing of GSTR-3B is mandatory for all normal and casual taxpayers, even if there is no business activity during a tax period. In such cases, a Nil GSTR-3B must be filed.
Definition of Nil GSTR-3B	1. A return with no entries in any tables. 2. Cannot be filed if the taxpayer has: a. Made any outward supply (including nil-rated, exempt, or non-GST supplies).

	b. Received taxable supplies under reverse charge. c. Intends to claim ITC.
Mode of Filing	A Nil GSTR-3B can be filed via SMS using the registered mobile number. Verification is done through an OTP sent to the mobile number.
Filing Timeline	A Nil GSTR-3B can be filed anytime on or after the 1st day of the subsequent month/quarter for the relevant tax period.

f. **Maximum time-limit for furnishing Form GSTR-3B [Section 39(11)]**

Maximum Time-Limit	A registered person can furnish Form GSTR-3B for a tax period within 3 years from its due date.
Extension	The Government may extend this time limit for specific registered persons or classes of persons, subject to conditions and restrictions.

g. **Broad contents of GSTR-3B**

Basic Details	Other details relating to supplies
• GSTIN • Legal name of the registered person • Year and Month / Quarter	• Summarised details of outward supplies and inward supplies liable to reverse charge • Summarised details of inter-State supplies made to unregistered persons, composition taxable persons and UIN holders • Eligible and ineligible ITC • Values of exempt, nil-rated and non- GST inward supplies • Payment of tax • TDS/TCS credit

h. **Rectification of errors/omissions [Section 39(9)]**

• GST returns do not require revisions. • Errors or omissions in returns filed under Section 39 (e.g., composition returns, TDS returns, ISD returns, NRTP returns) can be corrected in the return filed for the period in which the error is noticed. • Any tax liability arising from such corrections must be paid along with applicable interest. • Rectification is not permitted for errors or omissions identified during scrutiny, audit, inspection, or enforcement activities by tax authorities. In these case ITC may not be passed to the receiver. • Rectification is allowed until the earlier of: a. 30th November following the end of the financial year to which the details pertain, or b. Actual date of filing of the annual return.

- If the annual return for a financial year is filed before **30th November** of the following financial year, no further rectification of errors or omissions for that year is permitted after the return is filed.

Notes:

- ✓ A return furnished under section 39(1) on which self- assessed tax has been paid in full is considered as a valid return.
- ✓ Filing of returns for current month is possible only when returns for any of the previous tax periods and GSTR-1 for the said tax period has been furnished.
- ✓ A taxpayer needs to electronically sign the submitted returns.
- ✓ Taxpayers can electronically sign their returns using a DSC (mandatory for all types of companies and LLPs), E-sign (Aadhaar-based OTP verification), or EVC (Electronic Verification Code sent to the registered mobile number of the authorized signatory).

2. **GSTR-4 - return for composition supplier [section 39(2) and second proviso to section 39(7) read with rule 62]**

a. **Person eligible to file return, periodicity and form of return**

Eligibility and Filing Requirements	a. Composition suppliers (under Section 10) must furnish a return electronically for each FY or part thereof. b. The return includes details of turnover, inward supplies, tax payable, tax paid, and other particulars.
Annual Return (Form GSTR-4)	Must be filed annually through the common portal or via a Facilitation Centre notified by the Commissioner.
Quarterly Tax Payment Statement	a. Composition suppliers must file Form GST CMP-08 quarterly, containing details of payment of self-assessed tax. b. Due Date: By the 18th of the month following the quarter.

While a composition supplier is required to file the return GSTR-4 yearly, he is required to pay the tax quarterly.

b. **Due date for filing form GSTR-4 and form GST CMP-08:**

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

Due date of filing GSTR-4 for a financial year



By 30th day of June following the end of such financial year

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

Due date of filing **GST CMP-08**
for a quarter



By 18th day of the month
succeeding such quarter

c. What kind of details of outward supplies are required to be furnished in **gstr-4**?

- Invoice-wise details:** Inter-State and intra-State inward supplies from registered and unregistered persons.
- Consolidated details:** Outward supplies made.

d. **Auto-population of inward supplies:**

The inward supplies of a composition supplier received from registered persons filing **GSTR-1** will be auto populated in **Form GSTR-4A** for viewing.

The broad contents of **GSTR-4** are given below.

Basic & Other Details	Details regarding Inward and Outward Supplies
• GSTIN • Legal name and Trade name • TDS/TCS credit received [Table 7] • Tax, interest, late fee payable and paid [Table 8] • Refund claimed from Electronic cash ledger [Table 9]	• Invoice-wise details of all inward supplies (i.e., intra and inter-State supplies and from registered and unregistered persons) including reverse charge supplies and import of services [Table 4] • Summary of self-assessed liability as per GST CMP-08 (Net of advances, credit & debit notes and any other adjustments due to amendments etc.) [Table 5] • Tax rate wise details of outward supplies/inward supplies attracting reverse charge (Net of advances, credit & debit notes and any other adjustments due to amendments etc.) - Consolidated details of outward supplies [Table 6]

Consolidated details of outward supplies	
Outward Supplies	Composition taxpayers must provide consolidated details of outward supplies in Table 6 of GSTR-4 , not invoice-wise.
Inward Supplies	Invoice-wise details of inter-State and intra-State inward supplies from registered and unregistered persons must be furnished in Table 4 of GSTR-4 .
ITC and Tax Liability	Composition taxpayers: 1. Not eligible for ITC. 2. Discharge tax liability by debiting the electronic cash ledger only.

e. **NIL GST CMP-08 [RULE 67A]:**

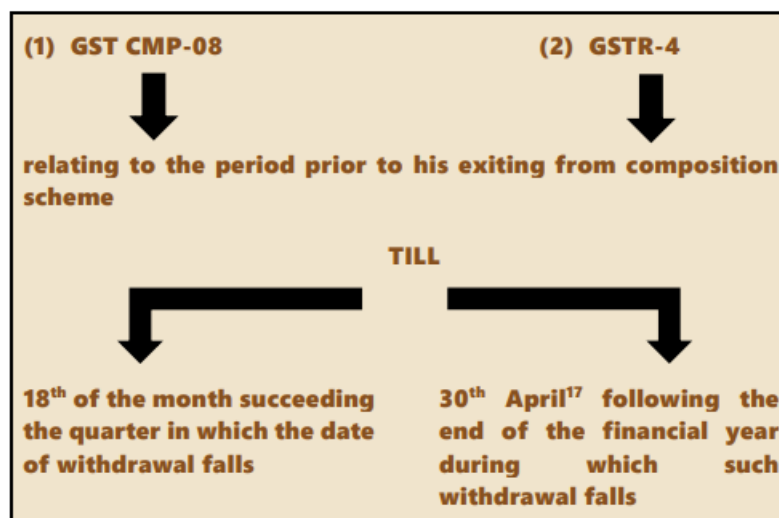
Mandatory Filing	Filing GST CMP-08 is mandatory for all composition taxpayers, even if there is no business activity (Nil GST CMP-08).
Definition of Nil CMP-08	1. A return with no entries in any tables. 2. Cannot be filed if the taxpayer has: a. Made any outward supplies. b. Received any supplies taxable under reverse charge.
Mode of Filing	a. Nil GST CMP-08 can be filed via SMS using the registered mobile number. Verification is done through an OTP sent to the registered mobile number.

f. **Statements/ return for the period prior to opting for composition scheme:**

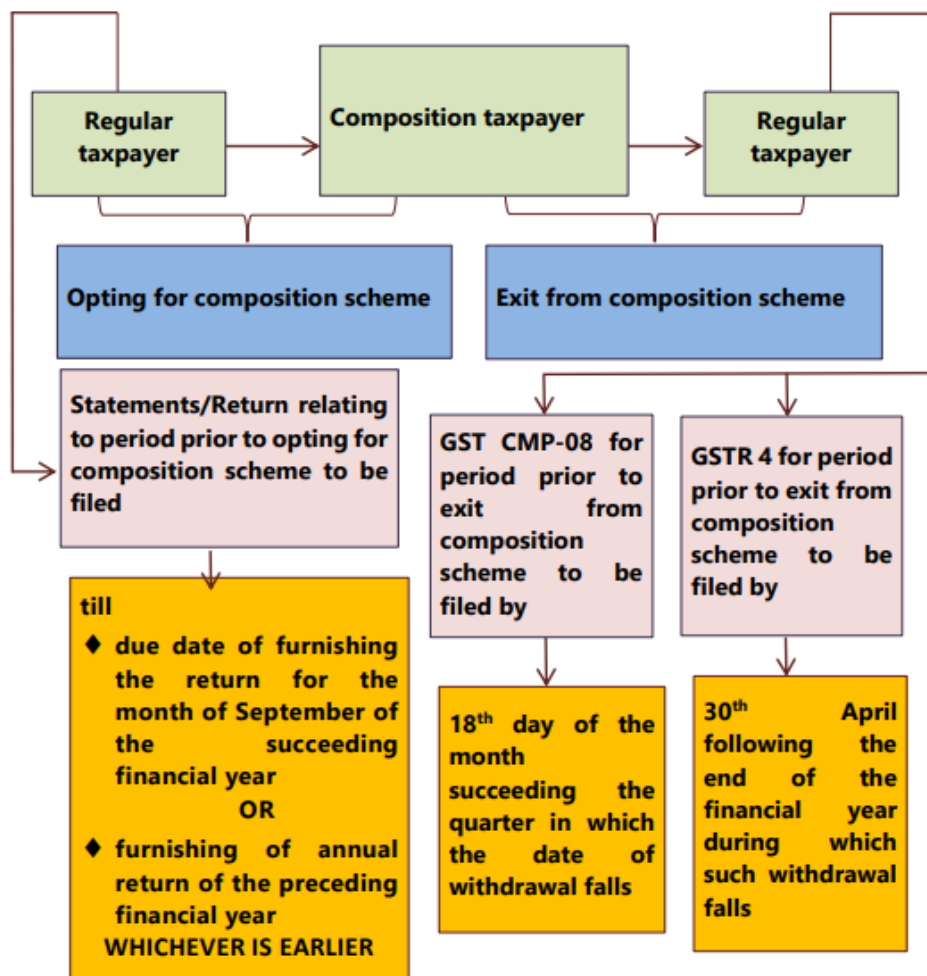
Filing Requirements	A registered person opting for the composition scheme from the beginning of a financial year must furnish statements/returns for the period prior to opting for the scheme.
Filing Deadline	Returns/statements must be furnished by the earlier of: 1. The due date for the September return of the succeeding financial year, or 2. Filing of the annual return for the preceding financial year.
ITC Eligibility	The composition supplier is not eligible to claim ITC on invoices or debit notes received for supplies made during the period before opting for the composition scheme.

g. **Gstr-4 for the period prior to exiting from composition scheme:**

A registered person opting to withdraw from the composition scheme at his own motion or where option is withdrawn at the instance of the proper officer will, where required, furnish-



The provisions explained in points (f) and (g) above have been explained by way of a diagram:



Note: As stated earlier, due date for filing Form GSTR-4 shall be 30th June following the end of such financial year, from FY 2024-25 onwards.

As per section 29(2), a proper officer is empowered to cancel the registration of a taxable person if, inter alia;

- a person paying tax under composition scheme has not furnished his GSTR-4 for a financial year beyond 3 months from the due date of furnishing the said return
- any other taxable person has not furnished returns for such continuous tax period as may be prescribed.

3. GSTR-5 - return for non-resident taxable persons[sec 39(5) & rule 63]:

- NRTPs file a simplified monthly return in Form GSTR-5 instead of the standard returns required for normal taxpayers.
- GSTR-5 incorporates details of both outward supplies & inward supplies made.
- Must be furnished within 13 days after the end of the calendar month or within 7 days after the last day of the validity period of registration, whichever is earlier.
- NRTPs must pay all amounts due (tax, interest, penalty, fees, or other charges) under the CGST Act or Rules by the last date of filing GSTR-5.
- NRTPs are not required to file an annual return.

4. GSTR-7 - return for tax deducted at source [sec 39(3) & 51 & rule 66]:

- TDS is applicable when taxable goods/services are supplied to a **Central/State Government department, local authority, or government agency** and the supply value exceeds ₹2,50,000.
- Deductors must file **Form GSTR-7** on a monthly basis.
- Must be filed **on or before the 10th day** of the month succeeding the month in which TDS was deducted.
- TDS details furnished in GSTR-7 are electronically available to the deductee (supplier) on the common portal. Deductees can claim this TDS amount as credit in their **electronic cash ledger** after validation.

System-generated certificate issued to both **deductor** and **deductee** after:

1. Deducator files GSTR-7.
2. Deductee validates details and files their return.

Includes details such as **value of supply, rate of deduction, TDS amount, and payment to Government**.

Filing **Nil GSTR-7** is not mandatory if no TDS is deducted in the tax period.

5. Due date for payment of tax [section 39(7)]:

General Rule	Registered persons required to file returns under Section 39(1), (3), or (5) must pay tax by the last date for furnishing such returns .
QRMP Scheme	a. Taxpayers under the QRMP scheme must pay tax for the first two months of a quarter by the 25th day of the month following each month. b. For the third month, payment aligns with the due date for filing quarterly GSTR-3B.
Monthly GSTR-3B, GSTR-5, GSTR-7 Filers	Tax payment due dates are linked to the return filing due dates for these forms.
Composition Scheme	Tax payment for each quarter must be made by the 18th day of the month following the quarter, while GSTR-4 for the financial year is due by 30th June of the following financial year.
NRTPs and Casual Taxable Persons	Must make an advance deposit of tax equivalent to their estimated liability for the registration period or its extension as per Section 27(2) .
Discharge of Liability	Taxpayers must pay all liabilities, including tax, interest, penalties, or fees , by debiting their electronic cash or credit ledger and reporting the details in the return.
Monthly payment of tax under QRMP Scheme [First proviso to section 39(7) read with sub-rules (3) and (4) of rule	
Tax Payment	Tax for the 1st and 2nd months of the quarter must be

Requirement	deposited in Form GST PMT-06 by the 25th day of the succeeding month .
Extension of Due Date	The Commissioner may extend the due date for specified taxpayers upon the recommendation of the Council , and such extensions notified by State/UT Commissioners are deemed applicable nationally.
Deposit Consideration	a. For the 1st month , taxpayers can use the electronic cash ledger balance . b. For the 2nd month , the balance can be used excluding the tax due for the 1st month .
Utilization of Deposited Amount	The amounts deposited in the first two months are debited at the time of filing Form GSTR-3B for the quarter to offset the tax liability.
Excess Deposit	Any amount remaining after filing GSTR-3B can be either: 1. Claimed as a refund , or 2. Used for liabilities in subsequent quarters .

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

Fixed Sum Method

Option Name	Fixed Sum Method for monthly tax payment during the first two months of the quarter under the QRMP scheme.
Reason Selection	Taxpayers must select " Monthly payment for quarterly taxpayer " while generating the challan on the GST portal.
Auto-Generated Challan	a. The GST portal provides an auto-generated/pre-filled challan in Form GST PMT-06 . b. The calculated amount is system-generated & cant be edited.
Amount Calculation	The challan amount is: 1. 35% of the tax paid in cash for the preceding quarter if returns were filed quarterly, or 2. Tax paid in cash for the last month of the preceding quarter if returns were filed monthly.

For easy understanding, the same is explained by way of examples given below:

i. In case the last return filed was on quarterly basis for quarter ending March:

Tax paid in cash in quarter (January - March)		Tax required to be paid in each of the months - April and May	
CGST	100	CGST	35
SGST	100	SGST	35
IGST	500	IGST	175

	Cess	50	Cess	17.5
ii. In case the last return filed was monthly for tax period March:				
Tax paid in cash in March		Tax required to be paid in each of the months - April and May		
CGST	50	CGST	50	
SGST	50	SGST	50	
IGST	80	IGST	80	
Cess	-	Cess	-	
No Deposit Required	Taxpayers are not required to deposit any amount in the following cases: 1. For the 1st month: If the electronic cash/credit ledger has adequate balance or if there is nil tax liability . 2. For the 2nd month: If the electronic cash/credit ledger has adequate balance for the cumulative tax liability for the 1st and 2nd months, or if there is nil tax liability .			
Eligibility Restriction	Taxpayers who have not furnished the return for a complete tax period preceding the month are not eligible to use the fixed sum method.			
Definition of Complete Tax Period	A complete tax period refers to a tax period in which the person was registered from the first day to the last day of the tax period.			
Self-Assessment Method:				
Tax Payment Options	Taxpayers can pay the tax due by considering: a. Tax liability on inward and outward supplies, and - b. ITC available , using Form GSTR PMT-06.			
ITC Calculation	An auto-drafted input tax credit statement is provided monthly in Form GSTR-2B to assist in ascertaining the available ITC.			
Tax Payment Flexibility	Registered persons under the QRMP scheme can choose between the two tax payment methods for either of the two months within a quarter.			
Adjustment of Deposits	a. At the time of filing the quarterly return in Form GSTR-3B, the amount deposited in the first two months of the quarter is debited. b. Any remaining balance after filing Form GSTR-3B can: - Be claimed as a refund, or - Be used for other purposes in subsequent quarters.			
Refund Conditions	a. Refund claims are allowed only after the Form GSTR-3B for the quarter has been furnished. b. The deposit cannot be utilized for any purpose until the return for the quarter is filed.			

➤ **Applicability of interest**

Fixed Sum Method	
No Interest	No interest payable if: 1. Tax due is deposited using the auto-calculated fixed sum amount by the due date. 2. Entire tax liability for the quarter is discharged in Form GSTR-3B by the due date.
Interest Applicable	a. If the system-calculated amount is not deposited by the due date, interest is payable at the applicable rate from the due date of Form GST PMT-06 until payment is made. b. If GSTR-3B is filed late, interest applies to unpaid liability.
Examples 1. A registered person under the QRMP Scheme paid Rs.35 each for January and February using the fixed sum method, based on a prior quarter's tax liability of Rs.100. However, his actual liability was Rs.40 for January and Rs.42 for February. No interest is payable on the shortfall (Rs.5 and Rs.7) as long as the full quarterly liability is discharged in Form GSTR-3B by the due date. 2. A registered person under the QRMP Scheme paid Rs.35 each for January and February using the fixed sum method, based on a prior quarter's tax liability of Rs.100. His total quarterly liability, net of credit, was Rs.125, leaving a shortfall of Rs.55 (Rs.125 - Rs.70). Since he filed the quarterly GSTR-3B on 30th April, interest is payable at the applicable rate on Rs.55 for the period between the GSTR-3B due date and 30th April.	
Self-Assessment Method	
• Interest applies on unpaid tax or late payment for the first two months, calculated as per Section 50, on the tax liability net of ITC. • Interest, if any, must be paid through Form GSTR-3B. • No late fee is applicable for a delay in tax payment for the first two months of the quarter under either method.	

6. **Other returns/ statements:**

A. First return [section 40]

- Applicable when a person becomes liable for registration after crossing the threshold limit and applies for registration within **30 days** of becoming liable.
- Covers the period between becoming liable for registration and the grant of the registration certificate, during which the person may have made outward supplies.
- The registered person may issue **revised tax invoices** for supplies made during the intervening period within **1 month** from the date of registration.
- Outward supplies made during the intervening period must be declared in the **first return** furnished after registration is granted.

- Allows the recipient to **avail ITC** on taxable supplies made during the intervening period.
- The format of the first return is the **same as the regular return**.

B. GSTR - 8 - Statement for tax collection at source:

Monthly Statement (Form GSTR-8)	• An ECO liable to collect TCS must file a monthly statement in Form GSTR-8 electronically containing details of supplies made through the ECO, supplies returned, and the TCS amount collected.
Filing Deadline and TCS Deposit	• Deadline: on/before the 10th of the succeeding month. • Extension: The Commissioner/Commissioner of State GST/UTGST may extend the deadline. • The TCS amount must also be deposited by the 10th of the succeeding month.
TCS Details and Credit for Suppliers	• The TCS details furnished by the ECO in GSTR-8 will be made available to suppliers electronically on the common portal after the filing. • Suppliers can claim the TCS amount as credit in their electronic cash ledger.
Rectification of Errors/ Omissions • ECOs discovering discrepancies in GSTR-8 (not due to scrutiny, audit, inspection, or enforcement) must rectify them in the GSTR-8 filed for the month the discrepancy is noticed. • Interest under Section 50 applies to such corrections. • Rectifications are not permitted after 30th November following the end of the FY or the date of filing the relevant annual statement (GSTR-9B), whichever is earlier.	
Maximum Time Limit for Filing GSTR-8	ECOs can file GSTR-8 up to 3 years from the relevant due date. This limit can be extended by the Government for specific ECOs or classes of ECOs, subject to conditions.

C. Gstr - 9/9A and gstr-9B - annual return & annual statement [sections 44, 52(5) read with rule 80]:

Who is required to furnish the annual return and what is the due date?	
• All registered persons are required to file an annual return. However, following persons are not required to file annual return: CTP , NRTP and Input service distributors • Persons authorized to deduct/collect tax at source u/s 51/52, and The Commissioner may, on the recommendations of the Council, exempt any class of registered persons from filing annual return under this section. • The annual return needs to be filed by 31st December of the next FY.	
What is the prescribed form for annual return/statement?	
• The annual return is to be filed electronically in Form GSTR-9 through the	



common portal.

- **Person registered under composition levy:** A person paying tax under composition scheme is required to file the annual return in Form GSTR-9A.
- It may be noted that an ECO required to collect tax at source has to file an annual statement referred to in section 52(5) in Form GSTR-9B (yet to be notified). The statement for a financial year needs to be filed by 31st December of the next financial year

Who is required to furnish a self-certified reconciliation statement?

- All registered persons are required to file furnish a **self- certified reconciliation statement** along with annual return if their aggregate turnover during a FY exceeds Rs.5 crores. However, following persons are not required to file self-certified reconciliation statement:
CTP, NRTP, Input service distributors and Persons authorized to deduct/collect tax at source under section 51/52, and
- Such registered person should furnish, electronically, the annual return along with a copy of self-certified reconciliation statement, **duly certified, in Form GSTR-9C.**

Self-certified reconciliation statement will reconcile the value of supplies declared in the return furnished for the financial year with the audited annual financial statement.

Exemption from the requirement of furnishing annual return including self-certified reconciliation statement:

The **department of the CG/SG or a local authority**, whose books of account are subject to audit by the **CAG** of India or an auditor appointed for auditing the accounts of local authorities under any law for the time being in force, are exempt from the requirement of furnishing an annual return including self-certified reconciliation statement.

Maximum time-limit for furnishing annual return:

3 years from the due date of furnishing said annual return. This time limit can be extended by the Govt for a registered person or a class of registered persons subject to such conditions and restrictions as may be specified therein.

D. Gstr - 10 - final return [section 45 read with rule 81]

Who is required to file?	Every registered person required to furnish returns under Section 39(1) and whose registration has been cancelled.
Form to be filed	Form GSTR-10 (Final Return), to be filed electronically through the common portal.
Time-limit for filing	The final return must be filed within 3 months from the: 1. Date of cancellation, or 2. Date of order of cancellation, whichever is later.

E. Gstr - 11 - Details of inward supplies of persons having UIN [rule 82]

Who is required to file?	Every person issued a Unique Identity Number (UIN) must furnish the details of inward supplies in Form GSTR-11 .
When UIN is for claiming tax refunds	Details of inward supplies of taxable goods/services for which tax refund is claimed must be provided in Form GSTR-11 , along with the refund application.
When UIN is for other purposes	Details of inward supplies of taxable goods/services must be furnished in Form GSTR-11 as required by the PO.

7. Default/delay in furnishing return [sections 46 & 47]

Notice to return defaulters [Section 46 read with rule 68]	
Issuance of Notice	A notice in the prescribed form is issued electronically to a registered person who fails to furnish: - Returns under Section 39 (Normal Return), Section 44 (Annual Return), Section 45 (Final Return), Section 52 (TCS Statement)
Compliance Requirement	The registered person is required to furnish the return within 15 days .
Consequences of Non-Compliance	- Tax liability will be assessed under Section 62 based on the material available with the proper officer. - Applicable interest and penalty will also be payable.
Late fees for delay in filing return [Section 47]:	
Applicability	Late fees apply for delays in furnishing returns or details of outward supplies under Section 47 .
Scenarios Attracting Late Fees	Delay in filing any of the following by their respective due dates incurs late fees: Statement of Outward Supplies [Section 37] Returns (including those under the QRMP Scheme) [Section 39] Final Return [Section 45] TCS Statement [Section 52]

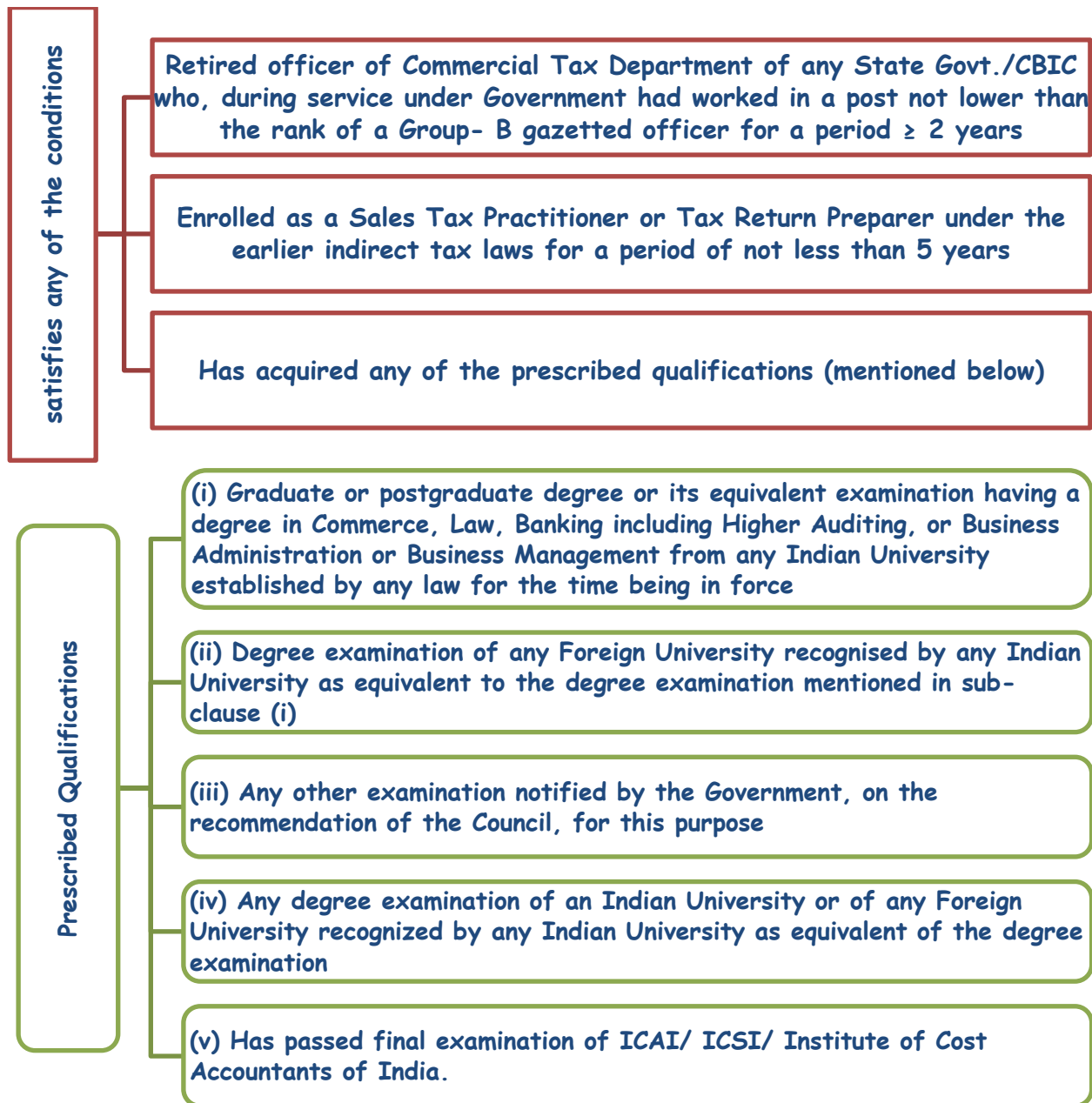
Note: It may be noted that the late fee payable is with reference to only the CGST Act. An equal amount of late fee is payable by such person under the respective SGST/UTGST Act as well.

The late fee can be waived off partially or fully by the Central Government [Section 128]. In view of this, late fees for delayed filing of Forms GSTR-1, GSTR-3B, GSTR-4, GSTR-7 and GSTR-9 have been rationalized.

Goods and services tax practitioners [section 48]

1. What is the eligibility criteria for GSTP?

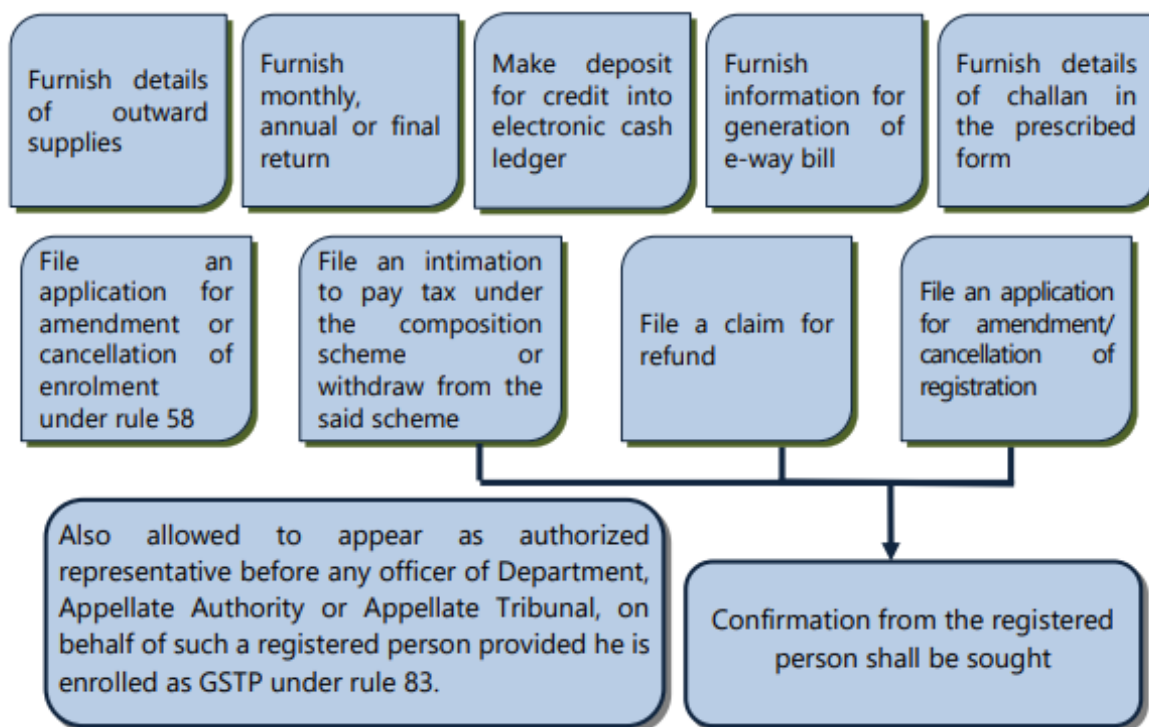
Indian citizen+ sound mind + Not insolvent + Not convicted by court +



2. What is the procedure for enrolment as gstp?

- To enroll as a GSTP, an electronic application must be submitted through the common portal. After scrutiny, a GSTP certificate is issued, or the application is rejected with reasons provided.
- GSTPs enrolled as Sales Tax Practitioners or Tax Return Preparers under earlier laws must pass an exam within 30 months from the appointed date to retain their status.
- All GSTPs must pass periodic exams conducted by NACIN to remain enrolled.
- Enrolment remains valid until canceled.

3. What are the activities which can be undertaken by a GSTP?



➤ **Furnishing returns through GSTP:**

- When a registered person opts to furnish his return through GSTP, such registered person:

Gives his consent in prescribed form to any GSTP to prepare and furnish his return

Before confirming submission of any statement prepared by GSTP, ensures that the facts mentioned in the return are true and correct.

- The registered person is responsible for the accuracy of returns or details filed by the GST Practitioner (GSTP). Before confirming, the registered person must verify the correctness of the information. Failure to respond to a confirmation request is treated as deemed confirmation.

4. Other points

Authorisation	- A registered person gives consent and authorises a GSTP in a prescribed form, listing authorised activities. - The GSTP accepts the authorisation in Part B of the same form. - The GSTP can undertake only the tasks mentioned in the form.
Withdrawal of Authorisation	The registered person may withdraw the authorisation at any time.

Statements by GSTP	- Any statement furnished by the GSTP is made available to the registered person on the common portal. - Confirmation for every statement is sought from the registered person via email or SMS.
Responsibilities of GSTP	- Prepare all statements with due diligence. - Affix a digital signature or electronically verify statements using their credentials.
Misconduct by GSTP	If found guilty of misconduct, the GSTP's enrolment may be cancelled, and a show cause notice will be issued.

Amendments made vide the finance (no. 2) act, 2024

The following amendments are applicable for students appearing for September'25 exam.

Section	Provisions as amended by the Finance (No. 2) Act, 2024	Remarks
39(3)	Every registered person required to deduct tax at source under section 51 shall electronically furnish a return for every calendar month of the deductions made during the month in such form and manner and within such time as may be prescribed. Provided that the said registered person shall furnish a return for every calendar month whether or not any deductions have been made during the said month.	Sub-section (3) of section 39 has been substituted, so as to mandate the electronic furnishing of return for each month by the registered person required to deduct tax at source, irrespective of whether any deduction has been made in the said month or not. It also empowers the Government to prescribe by rules, the form, manner and the time within which such return shall be filed.

16. Tax deduction at source and Collection of tax at source

Section 51 of CGST act - tax deduction at source

- Deductors of tax at source**

Section 51 of the CGST Act, 2017, empowers the Central Government to mandate specified persons (deductors) to deduct tax at source from payments made to suppliers of taxable goods or services.

- Central/State Government department or establishment [Section 51(1)(a)]
- Local Authority [Section 51(1)(b)]
- Governmental Agencies [Section 51(1)(c)]
- Notified Persons/category of persons [Section 51(1)(d)]

Provisions of TDS apply to **certain prescribed authorities of the Ministry of Defence**, with exemptions for others, as detailed in Notification 57/2018 CT dated 23.10.2018.

Entities Notified under Section 51(1)(d) of CGST Act

1. Authorities, Boards, or Bodies	i. Set up by an Act of Parliament or a State Legislature or ii. established by any Government, with 51% or more equity or control by the Government. This applies to both items (i) and (ii).
2. Societies	Established by the Central Government, State Government, or a Local Authority under the Societies Registration Act, 1860.
3. Public Sector Undertakings	
4. Registered Person Receiving Metal Scrap	Registered persons receiving supplies of metal scrap (Chapters 72 to 81 of the Customs Tariff Act, 1975) from other registered persons.

- Categories of persons not liable to deduct TDS:**

When goods and/or services are supplied **from a public sector undertaking (PSU) to another PSU**, whether or not a distinct person

When supply of goods and/or services takes place **between one person to another person** specified in clauses (a), (b), (c) and (d) of section 51(1) of said Act, **except the person referred to in clause (d)**.

- Deductees:**

The deductees are the suppliers whose total value of supply of taxable goods and/or services under a **contract exceeds Rs. 2,50,000, exclusive of tax and cess as per the invoice**.

- **Standard rate of deduction**

- 1% under CGST Act, 2017 for taxable goods and/or services when the total contract value exceeds Rs. 2,50,000 (excluding taxes and cess).
- TDS is applicable if the total value of supplies under a contract exceeds Rs. 2,50,000, regardless of individual supply values.
- Deductors must deduct 1% from the payment made or credited to the supplier under CGST Act, 2017.

Section 20 of the IGST Act mandates a 2% TDS.

- **No TDS:**

The Proviso to Section 51(1) lays down that when the location of the supplier and the place of supply is in a State/ Union territory which is different from the State/ Union territory of registration of the recipient, there will be no TDS.

Location of Supplier	Place of Supply	Registration of Recipient	TDS u/s 51
State A	State A	State A	Yes
State A	State A	State B	No
State A	State B	State B	Yes
UT1	UT1	UT1	Yes
UT1	UT2	UT2	Yes
UT1	UT1	UT2	No

- **Value of supply :**

The amount indicated in the invoice, excluding the CGST, SGST/UTGST, IGST and cess, is the value of supply for TDS under Section 51 of the CGST Act, 2017

- **Deposit of TDS with the government:**

The amount of tax deducted at source should be deposited to the Government account by the deductor by 10th of the succeeding month in which the deduction is made.

- **TDS certificate:**

A TDS certificate is required to be issued by deductor in prescribed form to the deductee.

The content of Form GSTR 7A (TDS Certificate) are given below:

1. TDS Certificate No.
2. GSTIN of deductor
3. Name of deductor
4. GSTIN of deductee
5.
 - (a) Legal name of the deductee
 - (b) Trade name, if any

6. Tax period in which tax was deducted and accounted for in GSTR-7
 7. Details of supplies
- Amount of tax deducted

Non-Remittance by the Deductor

If the deductor has not remitted the amount deducted as TDS to the Government within the prescribed time limit, he is **liable to pay interest under Section 50**.

Reflection of Amount of TDS

Credit for Deductee The deductee can claim credit of the tax deducted here.

Return by Deductor Filed under section 39(3) (GSTR-7).

Determination of Amount in Default

Any default in determining the amount under Section 51 shall be made in the manner specified in Section 73 or Section 74, as the case may be.

Refund on excess/erroneous deduction

Refund on Erroneous Deduction Both **deductor and deductee** can claim a refund for excess or erroneous deduction.

Refund Application Section **54 provisions for refunds apply**, except when the deducted amount is credited to the supplier's electronic cash ledger, in which case no refund is allowed.

Registration [rule 12 of CGST rules, 2017]

Application for Registration Persons required to deduct tax u/s 51 **must submit an electronic registration application** through the common portal.

Registration Grant The proper officer **will grant registration within 3 working days** after verifying the application.

Cancellation of Registration If the proper officer determines that the **person is no longer liable to deduct tax u/s 51**, they may cancel the registration following the procedures in Rule 22 of the CGST Rules.

Collection of tax at source [section 52 of CGST act]

Overview of TCS:

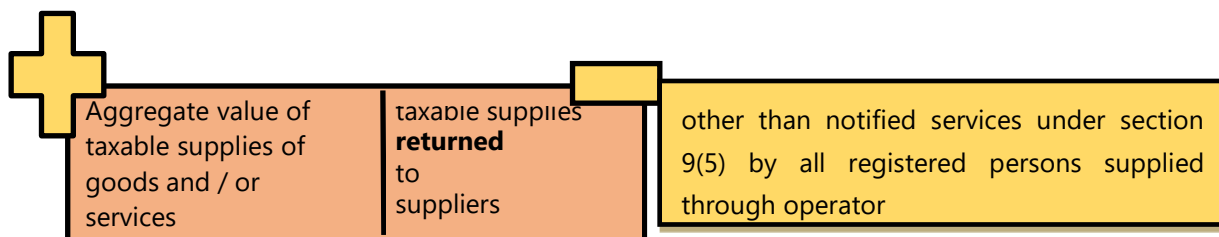
TCS refers to the **tax which is collected by the ECO** when a supplier supplies taxable goods or services through portal of e-commerce operator and the payment for that supply is collected by said electronic commerce operator.

Who is liable to collect TCS ?

Every Electronic Commerce Operator (ECO), except agents, must collect tax at source (TCS) on the net value of taxable supplies made through it, where the ECO collects consideration on behalf of the supplier.

Rate of TCS **0.25%** of the net value of intra-State taxable supplies. **0.5%** of the net value of inter-State taxable supplies.

Net value of taxable supplies



Currently, services notified under section 9(5) are given as below:

- Passenger transportation** via radio-taxis, motorcabs, maxicabs, motorcycles, or motor vehicles (excluding omnibuses).
- Passenger transportation by omnibuses** unless supplied through ECO by a company.
- Accommodation services** in commercial establishments, except when the supplier through an ECO is liable for registration under Section 22(1) of the CGST Act.
- Housekeeping services** like plumbing or carpentering, unless the supplier through an ECO is liable for registration under Section 22(1).
- Restaurant services**, excluding those located in specified premises.

Further, the power conferred on the ECO to collect tax at source, is without prejudice to other modes of recovery from operator. The powers of ECO are restricted only to the extent of TCS under circumstances specified therein and nothing more.

Deposit of TCS by ECO to Government

The TCS amount collected by the ECO has to be remitted to the Government Treasury **within 10 days after the end of the month** in which the collection was made.

Registration

- Persons required to collect tax under Section 52 **must apply for registration**.
- Upon verification, the proper officer will **grant registration within 3 working days** of the application.
- If the proper officer determines that a person is no longer liable to collect tax u/s 52, the **registration may be canceled** following Rule 22 of the CGST Rules.

Filing of Monthly & Annual Statements by ECO

- Monthly Form GSTR-8:** ECOs must file Form GSTR-8 within 10 days of month-end, detailing outward supplies, returns, and TCS collected.
- TCS Credit:** TCS details filed by ECOs are made available to registered suppliers via the portal, enabling them to claim the TCS in their electronic cash ledger.
- Annual (Form GSTR-9B):** ECOs must file Form GSTR-9B by Dec 31 following the FY.
- Due Date Extension:** The Commissioner can extend filing deadlines.

Notice to the Operator seeking details

- A **Deputy Commissioner or higher-ranked officer** can request an operator to provide details of goods/services supplied or stock in warehouses.
- The operator must furnish the requested information **within 15 working days**.
- Failure to comply may result in penal action under Section 122(13) and a **penalty of up to ₹25,000**.



WINNER!

I've poured my efforts into crafting this material to guide you, but your dedication is the key to making it a reality. Success is a partnership, so let's work together to master GST and reach the top. Bring your determination, and I'll bring the guidance—together, we'll make it happen.

Wish you
Best of luck on your journey to success!"



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