

# ONE PAGE

on  
**GST for SME**



## Goods and Services Tax (“GST”) for SMEs

### 1. Applicability of this document:

This document on GST is applicable to all Micro, Small and Medium Enterprises having turnover up to Rs. 1.5 Crore.

### 2. Levy of GST:

**a. Brief about GST:** GST stands for Goods and Services Tax. It is introduced to subsume multiple indirect taxes both at centre and state level. The current duties namely Central Excise, Service Tax, Additional Excise Duties, Additional Customs Duties, Value Added Tax, Octroi, Entertainment Tax and Luxury Tax are being subsumed into one tax namely GST. Hence, after its introduction, GST and customs duty will form the indirect taxes. GST is a destination based consumption tax. Hence, the state where a supply of goods and services are consumed will receive the corresponding GST paid.

**b. Applicability of GST:** All forms of supply of goods and/or services for consideration and for furtherance of business or commerce are taxable except those transactions covered in Schedule III of the Central Goods and Services Act, 2017 (“CGST Act”) and Exemption Notifications. There are certain transactions mentioned vide Schedule I and II which shall be taxable even when there is no consideration. The GST is applicable to whole of India W.E.F. 1st day of July 2017. GST is not applicable on supply of alcoholic liquor for human consumption and electricity. Petroleum products are temporarily kept outside GST and will be brought under GST from the date to be decided by GST Council.

**c. Types of GST:** There are two kinds of GST- Intra State GST and Inter State GST. If the location of supplier and place of supply are within a state, Central Goods & Services Tax (CGST) and State Goods & Services Tax (SGST) must be charged. If the location of supplier and place of supply are in different states, a tax called Integrated Goods & Service Tax (IGST) must be charged. Whether a supply is an Inter-State or Intra-State shall be determined by Section 7 and Section 8 read with Section 10 to Section 14 of Integrated Goods & Services Tax Act, 2017. Further, the rate of IGST is arrived by summation of CGST and SGST.

**d. Time of supply:** GST is payable at the time of supply which is nothing but earlier of invoice date or payment date. However, the suppliers of goods including the supplier under composition scheme are relieved from paying tax on advance and can pay tax on invoice basis even though money is received in advance. This benefit was not extended to suppliers of services.

### 3. Registration under GST:

- a. Every supplier shall be liable to be registered in the state or union territory, from where he makes a taxable supply of goods/services/both, if his aggregate turnover in a financial year exceeds Rs 20 lakhs. (Limit for special category states is Rs 10 lakhs).
- b. Registration is compulsory irrespective of the aggregate turnover if the supplier is engaged in inter-state supply. However, W.E.F 13.10.2017, this condition has been relaxed for service providers alone engaged in inter-state supply having aggregate turnover less than 20 lakhs. Suppliers who have already registered but are falling under this category must deregister under GST to claim such exemption from registration.
- c. Separate registrations must have been taken for each branch in different states.



#### **4. Reverse Charge for Specified Services:**

- a. In case of certain supply of goods or services, instead of supplier, recipient is required to pay the GST to Government. This is colloquially called reverse charge mechanism(RCM). The notified goods for this purpose includes cashew nuts, beedi wrapper leaves, Tobacco leaves, Silk yarn and lottery. The notified services for this purpose include goods transport agency, sponsorship services, advocate services, arbitral tribunal services and specified services provided by government and other notified services.
- b. Apart from the notified services, any service or goods procured from unregistered person shall also attract compliance under reverse charge if limit exceeds Rs. 5,000/- per day. However, the said reverse charge on service or goods procured from unregistered person is suspended from 13th October 2017 to 31st March 2018.
- c. Amount paid as reverse charge is eligible as Input credit in the same month/Quarter to which such expense relates.

#### **5. Invoicing under GST:**

Every registered person must raise the Tax invoices, debit notes, credit notes, RCM invoices, Receipt voucher for advances, Payment voucher for payment towards supplies under reverse charge, Refund voucher for refund of advance amounts in the formats as prescribed under CGST Rules and the same must be disclosed in the GSTR-1 return. Failure to raise these documents as per the CGST rules may lead to cancellation of the registration under GST.

#### **6. Composition Scheme:**

If the aggregate turnover does not exceed Rs 100 lakhs in a preceding financial year, then the taxable person can opt for payment of GST under composition scheme till first 100 lakhs in the current year. The rate prescribed for the taxpayers opted to pay tax under this scheme is 2% of the turnover in case of a manufacturer, 5% of the turnover in case of restaurants and 1% of the turnover in case of traders. Other suppliers of services are ineligible to opt for composition scheme. Persons opting for composition must register and file quarterly return in GSTR-4 along with tax payment on or before 18th of month following the quarter. However, they shall not be eligible either to avail credits or pass on such composition tax. The scheme shall not be available for some notified goods viz. ice cream, pan masala and tobacco products. Last date for moving into composition scheme is 31st March 2018.

#### **7. Credits under GST:**

Every taxable person making an outward supply shall be eligible to avail the credits unless they are expressly restricted as per Section 17(5) of CGST Act. All credits shall be allowed under the electronic credit ledger and shall be available for set-off against tax payable. However, when credits are utilised, there are certain restrictions like CGST cannot be used for payment of SGST, SGST cannot be used for payment of CGST, IGST must be used to pay IGST, CGST and SGST in such order. Input credit is not available to supplier who is providing exempt, non-GST, nil rated supplies.



## 8. Returns under GST:

Every taxable person must file three returns in a month (GSTR-1, 2&3) while GSTR-1 is to provide details of outward supplies made (due by 10th of next month) while GSTR-2 is for inward supplies (due by 15th of next month) and GSTR-3 is to submit the details of assessment of tax liability, input credit & setoff, tax payment, exemptions claimed, refunds, interest etc (due by 20th of next month. Whenever, the due dates for filing the above-mentioned returns gets extended, then the taxable person is required to file GSTR-3B for every month by 20th of subsequent month. In this return, summary details of outward supplies, input credit availed, and tax liability shall be disclosed along with tax payment thereof. However, the requirement of filing GSTR-2 and GSTR-3 has been suspended till March 2018 and GSTR-3B and GSTR-1 are made mandatory for these months. Tax payers having annual aggregate turnover less than Rs. 1.5 crores, are given relaxation file to GSTR-1 quarterly with due dates notified as under;

Period	Due Date
Jul-Sep	31st Dec 2017
Oct-Sep	15th Feb 2018
Jan-Mar	30th April 2018

## 9. Payment of GST:

The law requires payment of tax on or before filing the GSTR-3/GSTR-3B of the respective month which is generally due by 20th of subsequent month. If tax is not paid before filing the return, the return shall not be treated as valid return and the taxable person shall be denied filing all the succeeding returns until the earlier return was made good with tax payment. GST being indirect tax, the supplier can charge and collect the tax amount from recipient. The tax liability can be met by using ITC in electronic credit ledger and the balance shall be met in through cash deposit in electronic cash ledger maintained in GST Portal. Delay in payment of tax attracts interest at 18% p.a.

## 10. Valuation of GST:

Value of supply of goods or services shall be the transaction value of the supply, which is price paid or payable if the supplier and recipient are not related persons and price is the sole consideration for supply being valued. The scope of transaction value has been laid down vide Section 15. If valuation cannot be made vide Section 15, then resort must be made to Rule 27 to Rule 35 of CGST Rules 2017.

## 11. Zero rated Supply:

Zero rated supply includes export of goods or services or both or supply of goods or services or both to a Special Economic Zone developer or a Special Economic Zone unit. The supplier must charge IGST on such supplies. However, there is an exemption provided from charging IGST if the supplier has obtained Bond or LUT from the GST department as the case maybe.

## **12. Deemed exports:**

Supply of goods by a registered person against Advance Authorisation, Supply of capital goods by a registered person against Export Promotion Capital Goods Authorisation, Supply of goods by a registered person to Export Oriented Unit are treated as deemed exports. The supplier is required to charge GST and pay the tax at the time of transaction and subsequently after supply is completed can claim refund of tax by taking declaration from the recipient that he has not availed ITC and is not going to claim refund of the tax amount.