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GST

- 1. 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, on its introduction, there will be majorly GST and customs duty. GST is a destination based consumption tax. Hence, the state where a supply of goods and services are consumed, the taxes shall reach such state.
- 2. Applicability of Goods and Services Tax:** All forms of supply of goods and/or services for consideration and for the 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 there is no consideration.
- 3. 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 is 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.
- 4. Understanding of GST:** Every taxable person who is making a supply shall put either CGST/SGST or IGST on his invoice depending upon place of supply of goods and services as stated above. For example, if an architect is making a taxable supply to any person and assume the place of supply is in the same state as of the architect, then he is supposed to charge CGST and SGST on his invoice. In the same manner, if a dealer is making a supply of taxable goods, he is supposed to charge CGST and SGST in his invoice. CGST must be paid to the credit of Central Government and SGST must be paid to the credit of State Government.
Let us assume in the above example, the architect and place of supply are in different states, then the architect is supposed to charge IGST on such invoice and pay to the credit of Central Government. Then, the Central Government shall transfer the state share of IGST to the respective state where such supply is ultimately consumed.
- 5. Payment of Goods and Services Tax:** GST is required to be paid by the supplier of the goods and/or services in majority of the instances. GST must be charged from recipient of the goods and/or service and the same must be paid to the credit of Central Government. GST is required to be paid even if the same is not collected from the recipient. The law deems that the consideration received is inclusive of tax. GST shall be paid before filing the GSTR 3 return which is due by 20th of next month. It can be paid by utilising the eligible credit from his electronic credit ledger and balance can be paid in cash from electronic cash ledger, where as in case of reverse charge mechanism, tax is required to be paid only in cash from electronic cash ledger. If tax is not paid, then 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.

- 6. Reverse Charge for Specified Services:** In case of certain supply of goods or services, instead of supplier, recipient is required to pay the GST to Government. This is called reverse charge. 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. Apart from the notified services, any service or goods procured from unregistered person shall also attract compliance under reverse charge.
- 7. Requirement of Registration:** Every supplier shall be liable to be registered in each state/union territory from where he makes a taxable supply of goods or services or both, if his aggregate turnover in a financial year exceeds Rs 20 lakhs (Limit for special category states is Rs 10 lakhs). Aggregate turnover would include all value of taxable supplies, non-taxable supplies, exempt supplies and export supplies having same PAN Number, to be computed on all India basis. Registration can be obtained electronically in GST portal. Certain class of persons are not required to register under GST namely agriculturist, employee providing supplies to employer, supplier engaged exclusively in making exempted supplies. Certain person as specified under Section 24 including a person making inter-state supplies are mandatorily required to register, irrespective of the threshold.
- 8. Composition Scheme:** If the aggregate turnover does not exceed Rs 75 lakhs in a financial year, then the taxable person can opt for payment of GST under composition scheme till first 75 lakhs in the current year. The rate prescribed for the taxpayers opted to pay tax under this scheme is 2% of the turnover in State in case of a manufacturer, 5% of the turnover in State in case of persons engaged in making supplies referred to in clause (b) of paragraph 6 of Schedule II and 1% of the turnover in State or turnover in Union territory in case of other suppliers. Persons opting for composition must register and file returns on quarterly basis under GST. However, they shall not be eligible either to avail credits or pass on such composition tax. The scheme shall not be available for some of the notified persons and persons engaged in supply of any service other than restaurant services.
- 9. Valuation of GST:** Value of supply of goods or services shall be the transaction value of the supply, which is price actually 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. Certain items are to be mandatorily included in the scope of transaction value. If valuation cannot be made vide Section 15, then resort must be made to Rule 27 to Rule 35 of CGST Rules 2017.

- 10. Returns under GST:** Every taxable person must file a monthly return of outward supplies in GSTR-1 and inward supplies in GSTR-2. The outward supplies of a taxable person shall be matched with inward supplies of corresponding taxable person and accordingly the duty liability and credits will be determined. Then, a return in GSTR-3 must be filed showing the duty liability under GSTR-1 and credit availability under GSTR-2. If payable is greater than credit, tax must be paid in cash and if payable is less than the credit, the credit can be carried forward. There are separate returns notified for casual, non-resident taxable person and composition tax payer and other tax payers.
- 11. Credits under GST:** Every taxable person making an outward supply shall be eligible to avail the credits unless if they are expressly stated not to be eligible 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.