

Unit-I

CHAPTER - 1

GOODS AND SERVICES TAX (GST) SYSTEM

INTRODUCTION

The introduction of Goods and Services Tax (GST) on 1st July 2017 was a very significant step in the field of indirect tax reforms in India. By amalgamating a large number of Central and State taxes into a single tax, the aim was to mitigate cascading or double taxation in a major way and pave the way for a common national market. GST will be a comprehensive indirect tax on consumption of goods and services throughout India, to replace taxes levied by the Central and State governments. The GST is consumption based tax levied on the supply of Goods and Services which means based on the input tax credit method; it would be levied and collected at each stage of sale or purchase of goods or services. GST replaces at least 17 State and federal taxes.

TIMELINE CHART OF GST IN INDIA

For 17 years, the idea of 'One Nation, One Tax' witnessed several delays. The Prime Minister Narendra Modi led Union government would certainly claim the credit for giving a single tax regime to the country. GST is truly a law of unified India and is the first line for reform measure undertaken by the country since the 1950s. GST of Indian economy demands the

The seed of GST in India was first sown in the year 1956 when a Sabha. Bihari Vajpayee, who was the then Prime Minister, led the way to pass the In 2005, the then Finance Minister P. Chidambaram announced that there was a requirement of tax reforms in India. In 2016: 18 days. President Bill. Mukherjee announced that the GST will be introduced. ST Bills.

Unit - I

CHAPTER - 1

GOODS AND SERVICES TAX (GST) SYSTEM

INTRODUCTION

The introduction of Goods and Services Tax (GST) on 1st July 2017 was a very significant step in the field of indirect tax reforms in India. By amalgamating a large number of Central and State taxes into a single tax, the aim was to mitigate cascading or double taxation in a major way and pave the way for a common national market. GST will be a comprehensive indirect tax on consumption of goods and services throughout India, to replace taxes levied by the Central and State governments. The GST is consumption based tax levied on the supply of Goods and Services which means based on the input tax credit method; it would be levied and collected at each stage of sale or purchase of goods or services. GST replaces at least 17 State and federal taxes.

TIMELINE CHART OF GST IN INDIA

For 17 years, the idea of 'One Nation, One Tax' witnessed several delays. The Prime Minister Narendra Modi led Union government would certainly claim the credit for giving a single tax regime to the country. GST is truly a law of unified India and is the first reform measure undertaken by the country since the 1950s. GST of Indian economy demands the a Sabha.

The seed of GST in India was first sown in the year 1996. In 2005, the then Finance Minister P. Chidambaram announced that there was a requirement of tax reforms in India. In 2010, the then Finance Minister U. Daya Kumar announced that the GST will be introduced. In November 2016, the President Pranab Mukherjee gave his assent to pass the GST Bill. In August 2016, the President Pranab Mukherjee gave his assent to pass the GST Bill. In August 2016, the President Pranab Mukherjee gave his assent to pass the GST Bill.

Part-I

CHAPTER - 1

GOODS AND SERVICES TAX (GST) SYSTEM

INTRODUCTION

The introduction of Goods and Services Tax (GST) on 1st July 2017 was a very significant step in the field of indirect tax reforms in India. By amalgamating a large number of Central and State taxes into a single tax, the aim was to mitigate cascading or double taxation in a major way and pave the way for a common national market. GST will be a comprehensive indirect tax on consumption of goods and services throughout India, to replace taxes levied by the Central and State governments. The GST is consumption based tax levied on the supply of Goods and Services which means based on the input tax credit method; it would be levied and collected at each stage of sale or purchase of goods or services. GST replaces at least 17 State and federal taxes.

TIMELINE CHART OF GST IN INDIA

For 17 years, the idea of 'One Nation, One Tax' witnessed several delays. The Prime Minister Narendra Modi led Union government would certainly claim the credit for giving a single tax regime to the country. GST is truly a law of unified India and is the mainline for reform measure undertaken by the country since the 1950s. GST demands the a Sabha.

The seed of GST in India was first sown in the year 1956. Bihari Vajpayee, who was the then Prime Minister, failed to pass the In 2005, the then Finance Minister P. Chidambaram announced in the Budget that there was a requirement of tax reforms in India. President Bill. Mukherjee announced that the GST will be introduced in the next GST Bills.

2017	January 2017: Jaitley announces July 1, 2017 as GST rollout deadline. March 2017: Four Key GST Bills — Central GST (CGST), Integrated GST (IGST), State GST (SGST) and Union Territory GST (UTGST) — passed by Lok Sabha and Rajya Sabha. May 2017: GST Council unveils four slab-rates for GST regimes. Rates fixed at 5, 12, 18 and 28%. Over 80% of goods of mass consumption either exempted or taxed under 5% slab. June 28, 2017: Mamata Banerjee announces her party's decision to skip midnight launch of GST during a joint parliamentary session. June 29, 2017: Congress, Left too decide to skip launch. June 30, 2017 Midnight: GST all set for rollout.
------	--

DEFINITION OF GST

Goods and Services Tax is a tax on supply of goods or services or both except taxes on supply of alcoholic liquor for human consumption.

- ❖ Stock transfers and branch transfers are also covered under GST.
- ❖ GST will be paid on free supplies made to related persons.
- ❖ GST will not be payable to free gifts and free samples given to unrelated persons but input tax credit is allowed.

OBJECTIVES OF GST

- To create a common national market for goods or services or both
- To eliminate the double taxation i.e. cascading effects of taxes on production and distribution cost of goods and services.
- To improve the competitiveness of original goods and services in market

2011	UPA tables Constitution Amendment Bill in the Lok Sabha for GST. GST Bill sent to Parliamentary Standing Committee led by Yashwant Sinha. Asim Dasgupta resigns, replaced Sushil Kumar Modi of Bihar and later by then Kerala Finance Minister KM Mani .
2012	Chidambaram holds meetings with State finance ministers sets December 31, 2012 as deadline for GST rollout.
2013	In Budget speech, Chidambaram says government has set aside Rs 9000 crore to compensate States for losses incurred because of GST. Parliamentary Standing Committee submits its report on GST. GST Bill gets ready for introduction in Parliament. In October 2013, then Gujarat CM Naredra Modi opposes GST Bill. He claims the State would incur losses worth INR 14,000 cr. every year due to GST.
2014	GST Bill cleared by Standing Committee lapses. December 2014 : Finance Minister Arun Jaitley introduces GST Bill in Lok Sabha. Congress objects.
2015	February 2015 : Jaitley sets April 1, 2016 deadline for GST rollout. May 2015 : Lok Sabha passes GST Constitutional Amendment Bill. Congress demands the Bill be sent to Select Committee of Rajya Sabha.
2016	August 2016 : Congress, BJP agree to pass the Constitution Amendment Bill. September 2016 : 18 States ratify GST Bill within 15-20 days. President Pranab Mukherjee gives assent to the Bill. Mukherjee forms GST Council to frame separate GST Bills.

During the budget session of the year 2011, the **Constitutional Amendment Bill** was introduced in the Lok Sabha to bring the GST on all goods and services. Ultimately, the **GST bill** was passed in Lok Sabha as the **Constitution Bill**. In 2016, the bill was passed in the Rajya Sabha as well. The rollout of the GST has been deferred from its initially intimated date of April 1, 2017. Finally, the GST is implemented as the significant taxation reform from July 1, 2017.

2000	On the advice by economic advisory panel of three former RBI Governors IS Patel, Bimal Jalan and C.Rangarajan, Prime Minister Atal Bihari Vajpayee sets up a committee headed by then Finance Minister of West Bengal Asim Dasgupta to design a GST model.
2003	Vajpayee forms a task force under Vijay Kelkar to recommend tax reforms.
2005	Kelkar committee recommends rolling out of GST as suggested by 12 th Finance Commission. Finance Minister P Chidambaram talks about GST in Union Budget.
2006 <i>and held</i>	Chidambaram sets April 1, 2010 as deadline for GST implementation
	Finance Minister Pranab Mukherjee, announces basic structure of GST as designed by Dasgupta committee. Mukherjee retains 2010 deadline. BJP opposes GST structure.
	Finance Ministry starts mission-mode computerisation of commercial taxes in States, to lay the foundation for rollout. Dasgupta says in an interview that his committee has completed 80% of GST work by then.

Value added Tax:-

tax components but function of sheer **business intelligence** and innovation.

Function

4. **Eliminates the cascading effect of tax**

Cascading tax effect can be best described as 'Tax on Tax'. GST will be applicable at all stages from manufacturing to consumption. GST will provide tax, credit benefit at every stage in chain. Today, at every stage margin is added and tax is paid on whole amount. In GST tax credit benefit is given and tax will be paid on margin amount only. It will reduce cascading effect of tax thereby reducing cost of product. Let us take an example to understand what Tax on Tax is:

Before GST regime:

A consultant offering services for say, INR 50,000 and charged a service tax of 15% ($\text{INR } 50,000 \times 15\% = \text{INR } 7,500$).

Then say, he would buy office supplies for INR 20,000 paying 5% as VAT ($\text{INR } 20,000 \times 5\% = \text{INR } 1,000$).

He had to pay INR 7,500 output service tax without getting any deduction of INR 1,000 VAT already paid on stationery.

His total outflow is Rs 8,500.

Under GST

GST on service of INR 50,000 @18%	9,000
Less: GST on office supplies ($\text{INR } 20,000 \times 5\%$)	1,000
Net GST to pay	8,000

5. **Reduces average tax burdens**

The cost of tax that consumers have to bear will be certain and it is expected that GST would reduce the average tax burdens on the consumers.

State Goods and Services Tax (SGST) or Union Territory Goods and Services Tax (UTGST) is payable to the State Government or Union Territory as the case may be. Area up to 12 nautical miles inside the sea is a part of State or Union Territory.

9. The inter-state supplies within India would attract an Integrated GST (IGST), which is the aggregate of CGST and the SGST of the destination State will be payable to the Central Government. IGST is payable if supply is beyond 12 nautical miles but up to 200 nautical miles.
10. The UTGST makes provisions for levy of tax on intra-UT supply of goods and services in the Union Territories without legislature.

BENEFITS OF GST

[BENEFITS OF GST]

1. **Reduces transaction costs and unnecessary wastages**

A single registration and a single compliance will suffice for both SGST and CGST provided government produces effective IT infrastructure and integration of States level with the Union.

2. **Eliminates the multiplicity of taxation**

The biggest benefit of GST is an elimination of multiple indirect taxes. All taxes that currently exist will not be in picture. This means current taxes like excise, octroi, sales tax, CENVAT, Service tax, turnover tax, etc. will not be applicable and all that will fall under common tax called GST.

3. **One Point Single Tax**

Businessmen focus on business rather than worrying about their taxation that may crop at later stages. This will help the business community to decide their supply chain, pricing modalities and in the long run helps the consumers being goods competitive as price will no longer be the function of

6. Ease of business

GST will bring one country one tax concept. This will prevent unhealthy competition among States. It will be beneficial to do interstate business.

7. Higher threshold for registration

Earlier, in the VAT structure, any business with a turnover of more than INR 5 lakh (in most states) was liable to pay VAT. Of course, this limit differed state-wise. Also, service tax was exempted for service providers with a turnover of less than INR 10 lakh. Under GST regime, however, this threshold has been increased to INR 20 lakh, which exempts many small traders and service providers.

8. Composition scheme for small businesses

Under GST, small businesses (with a turnover of INR 20 to 75 lakh) can benefit as it gives an option to lower taxes by utilizing the Composition Scheme. This has brought down the tax and compliance burden on many small businesses.

9. Simple and easy online procedure

The entire process of GST (from registration to filing returns) is made online, and it is simple. This has been beneficial for start-ups especially, as they do not have to run from pillar to post to get different registrations such as VAT, excise and service tax.

10. Easy Return Filing and Documentation

For a businessman, GST will be a boon. No multiple taxes means compliance and documentation will be easy. Return filing, tax payment and refund process will be easy and hassle free. Under GST, one unified return is to be filed.

11. Improved efficiency of logistics

Under GST, restrictions on inter-state movement of goods have been lessened. Reduction in unnecessary logistics costs increasing profits for businesses involved in the supply of goods through transportation.

12. Increase in GDP

As demand will grow, production will grow and hence it will increase gross domestic product. It is estimated that GDP will grow by 1-2% due to GST.

13. Reduction in Tax Evasion

GST is a single tax which will include various taxes, making the system efficient with very little chances of corruption and Tax Evasion.

14. Boost to the 'Make in India'

GST will give a major boost to the 'Make in India' initiative of the Government of India by making goods and services produced in India competitive in the National as well as International markets. Also all imported goods will be charged integrated tax (IGST) which is equivalent to Central GST + State GST. This will bring equality with taxation on local products.

15. Enhances exports

Under the GST, exports will be zero-rated. This will boost Indian exports in the international market, thus, improving the balance of payments position. Exporters with clean track record will be rewarded by getting immediate refund of 90% of their claims arising on account of exports, within seven days.

16. Increase in Government Revenue

GST is expected to bring buoyancy to the Government Revenue by widening the tax base and improving the taxpayer compliance. GST is likely to improve India's ranking in the Ease of Doing Business Index and is estimated to increase the GDP growth by 1.5 to 2%.

17. More transparency

GST will bring more transparency to indirect tax laws. Since the whole supply chain will be taxed at every stage with credit

paid at the previous stage being available for set off at the next stage of supply, the economics and tax value of supplies will be easily distinguishable. This will help the industry to take credit and the government to verify the correctness of taxes paid and the consumer to know the exact amount of taxes paid.

CBEC has released few advantages which would accrue to Citizens, Trade/Industry and the Central/State Government with the introduction of GST.

The advantages to the Citizens are listed as

- Simpler tax system.
- Reduction in prices of goods and services due to elimination of cascading effects:
- Uniform prices throughout the country.
- Transparency in taxation system.
- Increases employment opportunities.

The advantages accruing to the Trade/Industry are listed as

- ❖ Reduction in multiplicity of taxes.
- ❖ Mitigation of cascading/double taxation.
- ❖ More efficient neutralization of taxes especially for exports.
- ❖ Development of common national market.
- ❖ Simpler tax regime-fewer rates and exemptions.

The advantages accruing to the Central/State Government are listed as

- A unified common national market to boost Foreign Investment and "Make in India" campaign.
- Boost to export/manufacturing activity, generation of more employment, leading to reduced poverty and increased GDP growth.

- ❖ Special Additional Duty of Customs(SAD)
 - ❖ Service Tax
 - ❖ Cesses and surcharge in so far as they relate to supply of goods and services.
14. State taxes that would be subsumed within the GST are:-
- State VAT
 - Central Sales Tax
 - Purchase Tax
 - Luxury Tax
 - Entry Tax (All forms)
 - Entertainment Tax and Amusement Tax (except those levied by the local bodies)
 - Taxes on advertisements
 - Taxes on lotteries, betting and gambling
 - State cesses and surcharges in so far as they relate to supply of goods and services.
15. Taxes that may or may not be subsumed due to no consensus between the Central and State Governments
- Stamp Duty
 - Vehicle Tax
 - Electricity Duty
 - Other Entry taxes and Octroi
 - Entertainment Tax (levied by local bodies)
 - Basic customs duty and safeguard duties on import of goods into India
16. Tobacco and tobacco products would be subject to GST. In addition, the Centre would have the power to levy Central Excise duty on these products.
17. A common threshold exemption would apply to both CGST and SGST. Tax payers with an annual turnover not exceeding

needs to be deposited with Central Govt. and SGST with State Govt.

9. **Inter State Transactions:** Integrated Goods and Service Tax (IGST) shall be levied on Inter State transactions of goods and services which are based on **destination principle**. Tax gets transferred to Importing State.
10. An Integrated GST (IGST) would be levied on inter-state supply (including stock transfers) of goods or services. This shall be levied and collected by the Government of India and such tax shall be apportioned between the Union and the States in the manner as may be provided by Parliament by Law on the recommendation of the GST Council.
11. Import of goods or services would be treated as inter-state supplies and would be subject to IGST in addition to the applicable customs duties.
12. CGST, SGST & IGST would be levied at rates to be mutually agreed upon by the Centre and the States. The rates would be notified on the recommendation of the GST Council. The GST Council has decided that GST would be levied at four rates viz. 5%, 12%, 16% and 28%. In addition to these rates, **a cess would be imposed on "demerit" goods to raise resources for providing compensation to States as States may lose revenue owing to the implementation of GST.**
13. GST would replace the following taxes currently levied and collected by the Centre:-
 - ❖ Central Excise, Duty
 - ❖ Duties of Excise (Medicinal and Toilet Preparations)
 - ❖ Additional Duties of Excise (Goods of Special Importance)
 - ❖ Additional Duties of Excise (Textiles and Textile Products)
 - ❖ Additional Duties of Customs (commonly known as CVD)

- Improving the overall investment climate in the country will benefit the development of States.
- Uniform SGST and IGST rates to reduce the incentive for tax evasion.
- Reduction in compliance costs as no requirement of multiple records keeping.

SALIENT FEATURES OF GST

The salient features of GST are as under:

1. GST is applicable on 'supply' of goods or services as against the present concept on the manufacture of goods or on sale of goods or on provision of services.
2. Distinction between goods and services is mostly eliminated
3. GST is based on the principle of destination-based consumption taxation as against the present principle of origin-based taxation.
4. GST is levied at single point at the time of consumption of goods or services by the ultimate consumer.
5. It is a comprehensive levy and collection on both goods and services at the same rate with benefit of input tax credit or subtraction of value of penultimate transaction value.
6. A common law and procedures throughout the country under a single administration.
7. There are three prime models of GST:
 - ❖ GST at Central (Union) Government Level only
 - ❖ GST at State Government Level only
 - ❖ GST at both, Union and State Government Levels
8. **Intra State Transactions:** In case of Intra State transactions, seller collects both CGST & SGST from the buyer and CGST

transferred by the Centre to the Importing State. Further the SGST portion of IGST collected on B2C supplies would also be transferred by the Centre to the Destination State. The transfer of funds would be carried out on the basis of information contained in the returns filed by the taxpayers.

22. The laws, regulations and procedures for levy and collection of CGST and SGST would be harmonized to the extent possible.

23. The whole GST system will be backed by a robust IT system. In this regard, Goods and Services Tax Network (GSTN) has been set up by the Government. It will provide front end services and will also develop back end IT modules for States who opted for the same.

24. Uniform GST Registration, payment and Input tax Credit

25. The GST (Compensation to the State) Act provides for compensation to the states for loss of revenue arising on account of implementation of the goods and services tax for a period of five years.

GST COUNCIL

GST Council is the apex constitutional authority to decide policies of the GST. As per Article 279A (1) of the amended Constitution, the GST Council has been constituted by the President. The mechanism of GST Council would ensure harmonization on different aspects of GST between the Centre and the States as well as among the States. It has been specifically provided that the GST Council, in its discharge of various functions, shall be guided by the need for a harmonized structure of GST and for the development of a harmonized national market for goods and services. The GST Council will make recommendations to the Central and State Governments relating to GST. The Council shall establish a mechanism to adjudicate disputes arising out of its recommendation or implementation thereof. Decision in GST

Council will be taken with at least 75% of weighted average voting in favour of the decision. Union Government will have 33.33% voting power and States will have 66.67% voting power.

Members of the GST Council

As per Article 279A of the amended Constitution, the GST Council which will be a joint forum of the Centre and the States shall consist of the following members:

- a. Union Finance Minister - Chairperson
- b. The Union Minister of State, in-charge of Revenue or finance - Member
- c. The Minister In-charge of finance or taxation or any other Minister nominated by each State Government - Member
- d. Vice Chairman will be elected from amongst its members

Functions of the GST Council

The Council will make recommendations to the Union and the States on important issues related to GST, like

- The taxes to be subsumed
- The goods and services that may be subjected to GST
- The goods and services that may be exempted from GST
- Model GST Laws
- Principles of levy
- Apportionment of IGST
- Principles that govern Place of Supply
- Threshold limits
- GST rates including the floor rates with bands
- Special rates for raising additional resources during natural calamities/disasters

(Handwritten)
14.10.2017
Kandamatt
GST

- To improve the GDP growth of the country.
- To replace the existing **multiple tax structures** of Centre and State taxes
- To give full credit for inputs taxes **collected**
- To reduce tax evasion and corruption
- To increases Compliance

SCOPE OF GST

1. GST is One Country – One Tax system.
2. GST is applicable throughout India (including Jammu and Kashmir).
3. GST covers all goods and services (except alcoholic liquor for human consumption) for the levy of goods and services tax. Area up to 200 nautical miles inside is considered as India for this purpose.
4. In case of petroleum and petroleum products, it has been provided that these goods shall not be subject to the levy of GST till a date notified on the recommendation of the GST Council.
5. Only a registered person can charge and collect GST on the taxable supplies of goods and services made by him. GST is charged on the value or selling price of the products.
6. The amount of GST incurred on input (input tax) can be deducted from the amount of GST charged (output tax) by the registered person.
7. Exports and direct tax like income tax, corporate tax and capital gain tax will not be affected by GST.
8. For supplies within the State or Union Territory, Central Goods and Services Tax (CGST) is payable to the Central

Action Plan of GST

- ❖ List number of Taxes, cesses, and surcharges to be subsumed under GST
- ❖ Preparation of list of goods and services subject to, or exempt from GST
- ❖ Determination of threshold limit of turnover for application of GST
- ❖ Fixation of rates
- ❖ Preparation of model GST Laws, principles of levy, apportionment of tax benefits
- ❖ Firming up place of supply rules
- ❖ Recommend on Compensation to states losing on revenue post implementation of GST, subject to maximum time limit of 5 years.
- ❖ Passage of SGST laws by all State legislatures
- ❖ Recommendation of Model GST Rules by GST Council
- ❖ Notification of GST Rules
- ❖ Recommendation of GST Tax rates by GST Council
- ❖ Establishment and upgradation of IT framework
- ❖ Meeting implementation challenges
- ❖ Effective coordination between Centre & State tax administrations
- ❖ Reorganization of field formations
- ❖ Training of Officials
- ❖ Outreach programs for all stakeholders including Trade & Industry

IMPORTANT TERMS

GST has introduced a number of terms and acronyms that a business needs to get familiar. While some of these might sound jargonish, a good understanding of these terms will help business owners run their business smoothly. Section 2 of the Goods and Services Tax Act deals with definitions, phrases and expressions that are necessary to ensure proper implementation and interpretation of the law. Some of the major terms are compiled here.

1. **Actionable claim:** It refers to a claim on any unsecured debt or any beneficial interest in movable property of the claimant.

2. **Address of delivery:** It refers to the address of the recipient of goods and/or services indicated on the tax invoice issued by a taxable person for delivery of such goods and/or services.

3. **Address on record:** It means the address of the recipient as noted in the files of the supplier. This may or may not be the same as the address of delivery.

4. **Adjudicating authority:** It means any authority competent to pass any order or decision relating to the GST Act, but does not include the Central Board of Excise and Customs, the Revisional authority, authority for the advance ruling and appellate authority for an advance ruling, appellate authority, or the appellate tribunal.

5. **Aggregate turnover:** It means the total value of all taxable supplies, exempt supplies, exports of goods and/or services, and interstate supplies of a person having the same PAN, computed on the pan-India basis and excluding taxes. However, the value of inward supplies on which taxation is based on reverse-charge mechanism shall not be admitted.

turnover (not 10 Lakh for special category States) would be exempt from GST. For small taxpayers with an aggregate turnover in a financial year upto INR 50 lakhs, a composition scheme is available. Under the scheme, a taxpayer shall pay tax as a percentage of his turnover in a State during the year without benefit of Input Tax Credit. This scheme will be optional.

The list of exempted goods and services would be kept to a minimum and it would be harmonized for the Centre and the States as well as across States as far as possible.

19. Exports and Supplies to SEZ units will be zero rated. Thus, goods or services that are exported would not suffer input taxes or taxes on finished products.
20. Credit of CGST paid on inputs may be used only for paying CGST on the output and the credit of SGST paid on inputs may be used only for paying SGST. Input Tax Credit (ITC) of CGST cannot be used for payment of SGST and vice versa. In other words, the two streams of Input Tax Credit (ITC) cannot be cross-utilised, except in specified circumstances of inter-state supplies for payment of IGST. The credit would be permitted to be utilised in the following manner:-
 - a. ITC of CGST allowed for payment of CGST & IGST in that order;
 - b. ITC of SGST allowed for payment of SGST & IGST in that order;
 - c. ITC of IGST allowed for payment of IGST, CGST & SGST in that order.
21. Accounts would be settled periodically between the Centre and the States to ensure that the credit of SGST used for payment of IGST is transferred by the Exporting State to the Centre. Similarly, IGST used for payment of SGST would be

6. ✓ **Appellate tribunal:** It means the Goods and Services Tax Appellate Tribunal set up under section 109.
7. ✓ **Appropriate government:** It refers to the Central Government for IGST, UTGST and CGST, and the State Government for SGST.
8. **APRN Number:** It is the unique number generated after a successful GST enrolment or transaction on the GST common portal.
9. ✓ **Assessment:** It means the determination of tax liability inclusive of self-assessment, re-assessment, provisional assessment, summary assessment, and best judgment assessment.
10. **Associated persons are:**
- companies controlled by the same persons
 - companies and individuals with a 25% or greater interest in the company
 - partnerships, partners and associates of partners
 - relatives by blood, marriage or adoption to the second degree (including people in a de facto relationship or civil union)
 - trustees of a trust and a beneficiary of a trust, except if :
 - the trustee is a charitable or non-profit body with wholly or principally charitable, benevolent, philanthropic or cultural purposes and the supply is made in carrying out these purposes, or
 - the beneficiary is a charitable or non-profit body with wholly or principally charitable, benevolent, philanthropic or cultural purposes and the supply enables them to carry out these purposes

25. **Fixed establishment:** It is a place, other than the place of business, that has a sufficient degree of permanence and suitable structure regarding human and technical resources as to supply/receive/use of services for its own
26. **Forward charge:** It means the tax liability of the supplier of goods and/or services to levy the tax on the recipient of the goods and/or services and to remit the same to the credit of the government.
27. **Goods:** It refers to all types of movable property, including actionable claim, growing crops, grass and things attached to the land that are agreed to be severed before supply or under a contract of supply. Excludes securities and money. For GST, "goods" has a broad meaning. It includes all types of personal and real property, except money and choose in action

28. **Goods and Services Tax Network (GSTN):** It is a non-profit, public-private partnership company. Its main purpose is to provide IT infrastructure and services to Central and State Governments, taxpayers, and other stakeholders to facilitate the implementation of GST.

29. **GST Council:** It is the council designated by the Indian government with the task to govern the GST, decide GST rules and ensure proper implementation of GST in the country.

30. **GSTIN:** GSTIN or Goods and Services Taxpayer Identification Number is a unique number assigned to each registered entity. It is 15 characters (combination of digits and letters) long and is based on the PAN of the business.

31. **GST Service Provider (GSP):** It refers to third-party applications that assist the taxable person in accessing the GST portal in an enriched manner by being more user-friendly and customer-centred.

- Any payment made or to be made, whether in money or kind
- Monetary value of any act or forbearance, whether or not voluntary
- However, the subsidy given by the Central and/or State Governments are not included.
18. **Council:** It refers to the Goods and Services Tax Council set up under Article 279A of the Constitution.
19. **Credit note:** It means a document issued by a taxable person in relation to the tax invoice exceeding the taxable value and/or tax payable in respect of supply, or where the goods supplied are returned by the recipient, or where the services supplied are found to be deficient.
20. **Debit note:** It means a document issued by a taxable person relating to the taxable value and/or tax charged as per the tax invoice when found to be less than the taxable value and/or tax payable in respect of such supply.
21. **Digital signature certificate (DSC):** It refers to a secure digital key that certifies the identity of the holder, issued by a Certifying Authority (CA). It typically holds information about the identity of the holder. It is the digital equivalent of a handwritten signature.
22. **Electronic commerce:** It means the supply of goods and/or services including digital products over a digital or electronic network.
23. **Exempt supply:** It means supply of any goods and/or services that are not taxable and includes such supply of goods and/or services that attract zero rate of tax or that may be exempt from tax as per section 11.
24. **E-Way Bill:** It is an electronic (digital) bill required to be produced to facilitate the movements of goods with the value above INR 50,000.

- trustees and the settlor of a trust, except if the trustee is a charitable or non-profit body with wholly or principally charitable, benevolent, philanthropic or cultural purposes
 - trustees of two trusts that have a common settlor, except if:
 - either trustee is a charitable or non-profit body with wholly or principally charitable, benevolent, philanthropic, or cultural purposes and;
 - the supply is made in, or enables, the carrying out of the charitable, benevolent, philanthropic, or cultural purpose
 - two persons who are each associated with a third person
11. **Bill of Supply:** A bill of supply is a non-formal document issued by a supplier of GST exempted goods/services or by a composition dealer. The bill of supply doesn't contain any tax information.
12. **Capital goods:** Goods that are capitalized in the books of accounts of the person claiming the credit and are intended to be used during business.
13. **Casual taxable person:** A person occasionally undertaking transactions involving the supply of goods and/or services during business, whether as principal, agent or in any other capacity, in a taxable territory where he has no fixed place of business.
14. **CGST:** It is the tax levied under the Central Goods and Services Tax Act, 2017.
15. **Common portal:** It refers to the online GST portal approved by the Central and State Governments, on the recommendation of the Council.
16. **Composite supply:** It means a supply consisting of two or more goods and/or services, which are naturally bundled and provided together, one being a principal supply.
17. **Consideration:** It relates to the supply of goods or services involving:

32. **GSTR-1:** GST return form used for furnishing the details of outward supplies (sales) on the common portal.
33. **GSTR-2:** GST return form for providing the details on inward supplies (purchases) on the GST portal.
34. **GSTR-3:** It is a GST return form used by a normal taxpayer for entering the details of tax liability and making payment of tax on the GST Portal.
35. **GSTR 3B:** A special return form for filing of GST returns for the months of July and August 2017.
36. **GSTR-4:** GST form to be used by composition registered dealers for filing their quarterly GST returns on the portal.
37. **GSTR-5:** GST form to be used by registered non-resident taxpayers to file monthly GST returns.
38. **GST Return:** The form on which a GST registered taxpayer will enter the details of his taxable supplies, etc. for calculation of his tax liability.
39. **GST Registration:** The registration of eligible taxpayers under GST regime through the GSTN portal.
40. **GST Fraud:** Activities such as providing wrong tax information; evasion of taxes, claiming unjust input credits, not paying tax, not passing the benefits of ITC to the customer, etc., which somehow demean the rules and laws of GST, are termed as GST fraud.
41. **GST Tax Invoice:** The GST compliant tax document to be issued by the registered supplier to the recipient of taxable goods and services on which GST has been charged.
42. **GST Offences:** The frauds and illegal activities around GST procedures and tax returns are counted as GST offences.
43. **GST Penalties:** The penalties in the form of a fee and/or jail-term against the GST offences, frauds and crimes.

44. **GST Appeals:** The appeal request filed by a GST taxpayer against the GST penalties liable on committing a GST fraud or offence.
45. **GST Ledgers:** The three electronic (online) accounts assigned to each registered GST taxpayer for managing their cash, tax credit and output tax liability on the GST portal.
46. **GST Calculator:** An online tool used for calculating GST rates and amount for various products and services taxable under GST regime.
47. **Harmonized System Nomenclature (HSN) Code:** The Harmonised System of Nomenclature of HSN is an internal system of naming goods. It is a numeral used to classify goods for taxation purposes provided by the World Customs Organization. HSN is assigned to goods by organising them in a hierarchical manner and is 8 digits long. However, a good can be identified broadly by using no less than 2 digits, and very specifically by using all the 8 digits. Depending on the turnover or nature of sale, a business might be required to quote a 2-digit HSN, a 4-digit HSN or an 8-digit-HSN (mandatory for exports).
48. **IGST:** It means Integrated Goods and Services Tax Act, 2017. Integrated tax means the IGST levied under IGST Act, 2017.
49. **Input service distributor:** It means an office of the supplier of goods and/or services that receives tax invoices issued under section 31 toward the receipt of input services and issues a prescribed document for distributing the credit of CGST, SGST, UTGST and/or IGST paid for the said services.
50. **Input tax** in relation to a fixed registered person, means the central tax, state tax, integrated tax or Union territory

tax charged on any supply of goods or services or both made to him and includes:

- IGST charged on the import of goods.
- Tax payable under subsections (3) and (4) of section 9.
- Tax payable under subsections (3) and (4) of section 5 of the IGST Act.
- Tax payable under subsections (3) and (4) of section 9 of the respective SGST Act; or
- Tax payable under subsections (3) and (4) of section 7 of the UTGST Act.

However, it does not include the tax paid under the composition levy.

51. **Input tax credit:** Input Tax Credit or ITC is the tax that a business pays on a purchase and that it can use to reduce its tax liability when it makes a sale. The tax already paid on inputs (purchases) can be claimed back to pay the liability of output taxes (on sales). It is called input tax credit or ITC.

52. **Intra State supply of goods:** It means the supply of goods during intrastate trade or commerce S. 8 (1) of IGST Act, 2017.

53. **Intra State supply of services:** It means the supply of services during intrastate trade or commerce S. 8 (1) 8 of IGST Act, 2017.

54. **Invoice:** It shall have the meaning as assigned to "Tax Invoice" as under section 31.

55. **Inward supply:** It refers to the receipt of goods and/or services, whether by purchase, acquisition or any other means and with or without any consideration.

56. **Job work:** It means undertaking any treatment or process by a person on goods belonging to another registered taxable person.

57. **Local authority means:** 31.

Unit - I

CHAPTER - 3

LEVY AND COLLECTION OF TAX IN GST

TAX INCIDENCE IN GST

The incidence of tax is the basis for any taxation system. Tax incidence determines the point at which the tax is to be levied (taxable event). Tax becomes payable when liability to pay tax arises and liability to pay tax arises by the happening of the taxable event. Tax can be imposed only on taxable event.

Taxable event is that on happening of which the charge is fixed. It is that event the occurrence of which attracts tax liability. Such liability does not accrue at any earlier or later point of time. Even though taxable event happens to be at a particular point of time, the levy and collection of such tax may postponed to a later date.

Goods and Services Tax (GST) is a tax on supply of goods or services or both except taxes on supply of alcoholic liquor for human consumption. It is important to note that the word used is 'supply' and not 'sale' or 'manufacture'.

GST is normally payable by the supplier of goods or services. However, when the same is payable by the recipient of goods or services, it is called reverse charge.

Under GST regime, liability to pay tax arises when a person crosses turnover threshold of INR20 lakhs (INR10 lakhs for North Eastern & Special Category States) except in certain cases where the taxable person is liable to pay tax even though he does not exceed threshold limit.

Charging Section in CGST, SGST, UTGST and IGST (Section 9)

Section 9(1) of CGST Act is the charging section. It reads as follows:

Subject to Section 9 (2) of CGST Act (which states GST on petroleum products will be levied at a later stage) there shall be

61. **Output tax:** It means the CGST/SGST on taxable supply of goods and/or services made by a taxable person or by his agent. Excludes tax payable on a reverse-charge basis.
62. **Outward supply:** It refers to the supply of goods and/or services, whether by sale, transfer, barter, exchange, licence, rental, lease, or disposal, or any other means made or agreed to be made during business.
63. **Person** includes:
- An individual
 - A Hindu undivided family
 - A company
 - A firm
 - A Limited Liability Partnership
 - An association of persons or a body of individuals, whether incorporated or not, in India or outside India
 - Any corporation set up by or under any Central, State, or Provincial Act or a government company as defined in section 2(45) of the Companies Act, 2013
 - A body corporate incorporated by or under the laws of a country outside India
 - A cooperative society registered under any law relating to cooperative societies
 - A local authority
 - Central government or a State government.
 - Society as defined under the Societies Registration Act, 1860
 - A trust
 - Every artificial juridical person not falling within any of the preceding sub-clauses

- o Panchayat as defined in clause (d) of Article 243 of the Constitution
- o Municipality as specified in clause (e) of Article 243P of the Constitution
- o A municipal committee, a zilla parishad, a district board, and any other authority legally entitled to or entrusted by the Central or any State Government with the control or management of a municipal or local fund
- o Cantonment board as defined in section 3 of the Cantonments Act, 2006 (41 of 2006)
- o Regional council or a district council formed under the Sixth Schedule to the Constitution
- o Development board formed under Article 371 of the Constitution
- o Regional council formed under Article 371A of the Constitution

58. Market value: It refers to the full amount that a recipient of supply would pay to obtain the goods and/or services of like kind and quality at or about the same time and at the same commercial level, where the recipient and supplier are not related.

59. Mixed supply: It means two or more individual supplies of goods and/or services made together by a taxable person for a single price where such supply does not form a composite supply.

60. Non-resident taxable person: It is someone who occasionally undertakes transactions involving the supply of goods or services, whether as principal or agent or in any other capacity, but with no fixed place of business in India.

levied a tax called the Central Goods and Services Tax (CGST) on all intra state supplies of goods or services or both, except on supply of alcoholic liquor for human consumption, on the value determined under Section 15 of CGST Act and at such rates not exceeding 20% as may be notified by Central Government on the recommendations of the GST Council and collected in a such a manner as may be prescribed.

The CGST on the supply of petroleum crude, high speed diesel, motor spirit, natural gas and aviation turbine fuel shall be levied with effect from such date as may be notified by the Government on the recommendation of the GST Council (Sec. 9(2)).

Section 9(3): Govt. will decide who is liable to pay GST under Reverse Charge.

Section 9(4): supply by a not registered person, to a registered person, reverse charge applicable. Reverse charge provisions would not be applicable if the aggregate value of such supplies of goods or services or both received by a taxable person from any or all the suppliers, who are not registered, does not exceeds INR 5,000 in a day.

Sections 5 (1), 5 (2), 5 (3) and 5 (4) of IGST Act have parallel provisions in respect of IGST. There is parallel provision in SGST Act also.

Concept of Supply

The concept of supply is the foundation stone of the GST architecture. The provisions relating to meaning and scope of supply are contained in Chapter III of the CGST Act read with various Schedules given under the said Act.

Meaning of Supply (Section 7)

The term 'supply' has been inclusively defined in the Act. The meaning and scope of supply under GST can be understood in terms of following six parameters or characteristics:

1. Supply of goods or services or both. (Supply of anything other than goods / services does not attract GST)
2. Supply should be made for a consideration
3. Supply should be made in the course or furtherance of business
4. Supply should be made by a taxable person
5. Supply should be a taxable supply
6. Supply should be made within the taxable territory

Exceptions:

- (1) Any transaction involving supply of goods or services without consideration is not a supply, barring few exceptions, in which a transaction is deemed to be a supply even without consideration.
- (2) Import of services for a consideration, whether or not in the course or furtherance of business is treated as supply.

Supply includes {Section 7(1)}

- (a) all forms of supply of goods or services or both such as
 - ★ sale,
 - ★ transfer,
 - ★ barter,
 - ★ exchange,
 - ★ licence,
 - ★ rental,
 - ★ lease or
 - ★ disposal made or agreed to be made for a consideration by a person in the course or furtherance of business;
- (b) Import of services for a consideration whether or not in the course or furtherance of business;
- (c) The activities specified in Schedule I, made or agreed to be made without a consideration; and

- (d) The activities to be treated as supply of goods or supply of services as referred to in Schedule II.

Supply excludes (Section 7(2))

- (a) Activities or transactions specified in Schedule III; or
- (b) Such activities or transactions undertaken by the Central Government, a State Government or any local authority in which they are engaged as public authorities, as may be notified by the Government on the recommendations of the Council.

Note: Activities specified in Schedule III (i.e. Negative list):

1. Services by employee to employer in the course of or in relation to his employment.
2. Services by court or Tribunal
3. Services by Member of Parliament and others
4. Services by funeral, burial, etc.
5. Sale of land/Building
6. Actionable claim other than lottery, betting and gambling.

Section 7(3) - the Government may, on the recommendations of the Council, specify, by notification, **the transactions that are to be treated as—**

- (a) Supply of goods and not as a supply of services; or
- (b) Supply of services and not as a supply of goods.

Supply can be of following types: -

a. Composite Supply

It is made by a taxable person to a recipient and consists of two or more taxable supplies of goods or services or both or any combination thereof, which are naturally bundled and supplied in conjunction with each other in the ordinary course of business, one of which is a principal supply;

4. Any treatment or process which is applied to another person's goods.
Where by or under the direction of a person carrying on a business, goods held or used for the purposes of the business are put to any private use or are used or made available to any person for use, for any purpose other than a purpose of the business, whether or not for a consideration, the usage or making available of such goods;
6. Renting of immovable property;
7. 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.
8. Temporary transfer or permitting the use or enjoyment of any intellectual property right;
9. Development, design, programming, customisation, adaptation, upgradation, enhancement, implementation of information technology software; Agreeing to the obligation to refrain from an act, or to tolerate an act or a situation, or to do an act;
10. Agreeing to the obligation to refrain from an act, or to tolerate an act or a situation, or to do an act.
11. Transfer of the right to use any goods for any purpose (whether or not for a specified period) for cash, deferred payment or other valuable consideration.
12. Works contract; and
13. 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.

furtherance of business. However, gifts not exceeding fifty thousand rupees in value in a financial year by an employer to an employee are not treated as supply of goods or services or both.

3. Supply of goods =

- a. by a principal to his agent where the agent undertakes to supply such goods on behalf of the principal; or
- b. by an agent to his principal where the agent undertakes to receive such goods on behalf of the principal.
4. Import of services by a taxable person from a related person or from any of his other establishments outside India, in the course or furtherance of business.

Activities which are treated as Supply of Goods

1. Any transfer of the title in goods;
2. Any transfer of the title in goods under an agreement which stipulates that property in goods pass at a future date upon payment of full consideration as agreed;
3. Where goods forming part of the assets of a business are transferred or disposed of by or under the directions of the person carrying on the business so as no longer to form part of those assets, whether or not for a consideration;
4. Supply of goods by any unincorporated association or body of persons to a member thereof for cash, deferred payment or other valuable consideration.

Activities which are treated as Supply of Services

1. Any transfer of right in goods or of undivided share in goods without the transfer of title thereof;
2. Any lease, tenancy, easement, licence to occupy land;
3. Any lease or letting out of the building including a commercial, industrial or residential complex for business or commerce, either wholly or partly;

For example, where goods are packed and transported with insurance, the supply of goods, packing materials, transport and insurance is a composite supply and supply of goods is a principal supply.

b. Mixed Supply

When two or more individual supplies of goods or services or any combination thereof, made in conjunction with each other by a taxable person for a single price where such supply does not constitute a composite supply, it is called a mixed supply.

For example, a supply of a package consisting of canned foods, sweets, chocolates, cakes, dry fruits, aerated drinks and fruit juices when supplied for a single price is a mixed supply. Each of these items can be supplied separately and is not dependent on any other. It is not a mixed supply if these items are supplied separately.

c. Continuous Supply of Goods

It is 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 notified by the Government.

d. Continuous Supply of Services

It is a supply of services which is provided or agreed to be provided, continuously or on recurrent basis, under a contract, for a period exceeding three months with periodic payment obligations and includes supply of such services as notified by the Government.

The following activities are treated as supply even if they are made without any consideration

1. Permanent transfer or disposal of business assets where input tax credit has been availed on such assets.
2. Supply of goods or services or both between related persons or between distinct persons, when made in the course or

Activities or transactions which are treated neither as a supply of goods nor supply of services

1. Services by an employee to the employer in the course of or in relation to his employment;
2. Services by any District Court, High Court, Supreme Court or Tribunal;
3. Functions performed by the Members of Parliament, Members of State Legislature, Members of Panchayats, Members of Municipalities and Members of other local authorities;
4. Duties performed by any person who holds any post in pursuance of the provisions of the Constitution in that capacity;
5. 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 of that body.
6. Services of funeral, burial, crematorium or mortuary including transportation of the deceased.
7. Sale of land and sale of building unless it is constructed with an intention to sale and chargeable to tax under Works contract
8. Actionable claims, other than lottery, betting and gambling.

Note: Definitions for the terms goods and services are provided in Chapter - 1.

Composition Scheme

The Government of India provides for simplified and easy of doing business scheme for payment of taxes and filling of returns to certain categories of taxable person. It is a simplified scheme for small businessmen, to provide them relief from the complex compliance provisions under the law.

As a result such taxable person is not required to maintain elaborate records and filing detailed returns. Section 10 of the CGST Act, provides for composition levy to such person.

Optional Nature

Composition Scheme is optional in nature, where businessmen can opt to pay a fixed percentage of turnover as fees in lieu of tax and be relieved from the detailed compliance of the provisions of law. Composition levy would be generally opted by persons who are supplying goods and services or both to the end consumers.

Person eligible for Composition Levy u/s 10 of CGST Act:

A Registered person, whose aggregate turnover in the preceding financial year did not exceed INR1.5 crores can opt in for Composition Scheme. In case of North Eastern States and Himachal Pradesh, the limit is INR 75 lakh.

Aggregate Turnover: (Section 2 (6) of the CGST Act, 2017):

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 and inter-State supplies of persons having the same Permanent Account Number (PAN), to be computed on all India basis but excludes central tax, State tax, Union Territory Tax, integrated tax and cess.

Composite Tax Rates

The rate of tax shall not exceed

Nature of eligible person	Rate of tax		Total rate of tax
	CGST	SGST	
Manufacturer	0.5 %	0.5 %	1 %
Traders (Goods)	0.5 %	0.5 %	1 %
Restaurant Services	2.5 %	2.5 %	5 %

Tax is very hard.

Persons not eligible for opting of Composition Scheme

Following persons are not eligible for opting Composition scheme:

- ☆ Supplier of services except restaurant service;
- ☆ Supplier of goods which are not taxable under CGST Act / SGST Act / UTGST Act
- ☆ An inter State supplier of goods
- ☆ Persons supplying goods through an electronic commerce operator who is required to collect tax at source u/s. 52
- ☆ Manufacturer of certain notified goods clause (b) of paragraph 6 of Schedule II

Uniform adoption of Composition Scheme

All registered persons having same PAN have to opt for composition scheme. If one registered person opts for normal scheme, other becomes ineligible for composition scheme.

Validity of composition levy

- ☆ The composition scheme is available to a registered person till he satisfies all the conditions mentioned in the applicable section and rules.
- ☆ The option to pay tax under composition scheme lapses from the day on which aggregate turnover during the financial year exceeds the prescribed limit.
- ☆ Such person is liable to pay normal tax u/s 9 (1) from the day he ceases to satisfy any of the conditions prescribed for composition scheme.
- ☆ A taxable person opting for composition scheme shall not collect any tax from the recipient on supplies made by him.
- ☆ A taxable person opting for composition scheme shall not be entitled to any input tax credit

- A. Section 12 for time of supply of goods, and
- B. Section 13 for time of supply of services

A. Time of Supply in case of Goods (Section 12)

Section 12(1) of CGST Act, 2017, the liability to pay tax on goods shall arise at the time of supply, as determined in accordance with the provisions of this section. Following are the methods for determination of time of supply in case of goods.

i. Time of supply of goods in normal cases [Section 12(2)]

The time of supply of goods shall be the earliest of the following dates, namely:

- a. The date of issue of invoice by the supplier, or
- b. The date on which he is required to issue the invoice with respect to the supply, or
- c. The date on which the supplier receives the payment with respect to the supply.

Note: Where the supplier of taxable goods receives an amount up to INR 1,000 in excess of the amount indicated in the tax invoice, the time of supply to the extent of such excess amount shall, at the option of the said supplier, be the date of issue of invoice in respect of such excess amount.

ii. Time of supply of goods under reverse charge mechanism [Section 12(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 earliest of the following dates, namely.,

- a. The date of receipt of goods; or
- b. 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

- ☆ Withdraw from the scheme if not eligible

Penalty for violation of composition scheme

Following are the consequences for non-compliance with the conditions specified therein:

- ☆ Shall be liable to pay additional taxes at the rates applicable to regular taxable person
- ☆ Shall be liable to penalty
- ☆ The amount of tax and penalty shall be recovered in terms of Section 73 & 74 of CGST Act, 2017.

Person responsible to pay taxes

Generally, the person effecting the supplies is liable to pay taxes. However, following are certain exceptions:

- ☆ **Reverse charge:** Supply of goods or services or both, as may be notified by the Government on the recommendations of the Council, the tax on which shall be paid by the recipient under reverse charge; and
- ☆ **E-Commerce:** Categories of services as may be notified by the Government on the recommendations of the Council the tax on which shall be paid by the electronic commerce operator if such services are supplied through it.

TIME OF SUPPLY

The liability to pay tax on goods or services arises at the Time of Supply. Time of Supply means the point in time when goods or services are considered supplied. When the seller knows the time, it helps him to identify due date for payment of taxes. Time of Supply is determined by following the prescribed rules which are separate for goods and services.

The CGST Act, 2017 provides separate provisions for time of supply of goods and services, viz.,

Conditions which may render a person in-eligible for the scheme

A person is in-eligible for the scheme, if

- ☆ He wrongly opts for the scheme.
- ☆ His turnover exceeds INR 1.5 crore (In the case of North East and special category states, namely Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura and Himachal Pradesh, the limit of turnover is INR 75 Lakhs in the preceding financial year)
- ☆ He contravenes eligibility criteria or any of the conditions of the scheme

Conditions & Restrictions under the scheme

- ☆ A person opting for the scheme has to adhere to the following conditions
- ☆ Issue bill of supply in the prescribed manner
- ☆ Pay all taxes on purchases including taxes to be paid on reverse charge basis
- ☆ Don't claim input tax credit of purchases
- ☆ Mention the words "composition taxable person" on every notice board or signboard displayed at the prominent place at his every place of business.
- ☆ Whereever a person, registered under any of the existing laws and who has been given provisional registration, gives an intimation for the composition scheme, he shall not be allowed the composition scheme in case the goods held in stock by him on the appointed day have been purchased in the course of inter-State trade or commerce or imported from a place outside India or received from his branch situated outside the State or from his agent or principal outside the State.

- c. The date immediately following 30 days from the date of issue of invoice or any other document, by whatever name called, in lieu thereof by the supplier.

Note : Where it is not possible to determine the time of supply under clause (a) or clause (c), the time of supply shall be the date of entry in the books of account of the recipient of supply.

iii. Time of supply of goods in case of supply of vouchers in respect of goods [Section 12(4)]

In case of supply of vouchers by a supplier, the time of supply shall be

- a. If the supply is identifiable at that point – the date of issue of voucher, or
- b. All other cases – the date of redemption of voucher.

Example: Mr A buys vouchers from Lifestyle of worth INR 10,000 for a shirt dated December 01, 2018. Mr. A gifts such vouchers to Mr. B who redeems such vouchers with Amazon India on January 31, 2019. Time of supply is the date of issue of vouchers, viz., December 01, 2018.

iv. Time of supply of goods in case of residuary cases of supply of goods [Section 12(5)]

Where it is not possible to determine the time of supply as per the provisions stated above, the time of supply shall –

- a. Where a periodical return has to be filed – the date of return to be filed, or
- b. In any other case – the date on which the tax is paid

v. Time of supply of goods in case of addition in value by way of interest, late fee or any delayed payment of consideration {Section 12 (5)}

Date on which the supplier receives such value _____

Value to be determined

If the
cannot be d
determined in
Government u

Value of notifi

The value
on the recommen
such manner as

PLACE OF SUPP

Concepts of Place

Goods and Services tax is a consumption based tax levied on the consumption of goods and services for the State where the goods and services are ultimately consumed. It is levied on the value added at each stage of the production or movement of goods and services. It is a major source of the tax revenue. For Goods and Services Tax, India is divided into 29 States and 5 Union Territories. The tax is levied on the supply of goods and services (SGST) or Union Territory (UTGST). The tax is levied on Intra-State and Integrated Goods and Services Tax (IGST) on Inter-State. In order to ascertain the tax liability, the tax is levied on Inter-State or intra-State, rule of law is applied. The rules of law which are discussed as under:

1. Inter-State Supply

Supply of goods or services are
location of the supplier and place of
following combination:

- two different states; or
- two different Union Territories;

★ **Where there is movement of goods**

Place of supply of goods where the supply involves movement of goods is the location of the goods at the time at which the movement of goods terminates for delivery to the recipient. Such movement of goods may be made by the supplier or the recipient or by any other person.

★ **Where there is no movement of goods**

In case where the supply does not involve movement of goods, whether by the supplier or the recipient, the place of supply is the location of such goods at the time of the delivery to the recipient.

★ **Where goods are installed or assembled**

If the goods are assembled or installed at site, the place of supply is the place of such installation or assembly.

★ **Where goods are shipped on board**

In a situation where the goods are supplied on board a conveyance, including a vessel, an aircraft, a train or a motor vehicle, the place of supply is the location at which such goods are taken on board.

★ **Bill To / Ship To**

In case the goods are delivered by the supplier to a recipient or any other person on the direction of a third person, whether acting as an agent or otherwise, before or during movement of goods, either by way of transfer of documents of title to the goods or otherwise, it is deemed that the said third person has received the goods and the place of supply of such goods is the principal place of business of such person.

Place of Supply of Services

Place of supply of services are also determined following provisions of the IGST Act, 2017 which is different for different situations. The same is discussed as under -

e. the supplier of service and the recipient of service are not merely establishments of a distinct person;

Establishments of distinct persons include the following establishments, where a Person has -

a. an establishment in India and any other establishment outside India;

b. an establishment in a State or Union territory and any other establishment outside that State or Union territory; or

c. an establishment in a State or Union territory and any other establishment being a business vertical registered within that State or Union territory.

4. Export of Goods

Export of goods means taking goods out of India to a place outside India. Place of supply of goods exported from India is the location outside India.

5. Import of Service

Import of service takes place when all the following conditions are fulfilled -

a. the supplier of service is located outside India;

b. the recipient of service is located in India; and

c. the place of supply of service is in India;

6. Import of Goods

Import of goods takes place when goods are brought into India from a place outside India. Place of supply of imported goods into India is the location of the importer.

Place of Supply of Goods

Place of supply of goods is to be determined following the provisions of the IGST Act, 2017 which is different for different situations. The same is discussed as under -

c. any State and any Union Territory.

Inter mean between and **Inter-State supply takes place** between two different tax territories i.e. **either a State or a Union Territory.**

Import of goods or services are also **treated as Inter-State supply** and subject to IGST.

2. Intra-State Supply

Supply of goods or services are treated as **Intra-State**, where location of the supplier and the place of supply are in the same State or in the same Union Territory. Intra means within and Intra-State supply takes place within a particular tax territory i.e. either within a State or within a Union Territory.

There are certain exceptions to the above general provision and in the following cases, supply of goods is not treated as Intra-State supply-

- supply of goods to or by a Special Economic Zone developer or a Special Economic Zone unit;
- goods imported into the territory of India till they cross the customs frontiers of India; or
- supplies made to a tourist who is a person not normally resident in India and enters India for a stay of not more than six months.

3. Export of Service

Export of Service means the supply of any service when all the following conditions are fulfilled

- the supplier of service is located in India;
- the recipient of service is located outside India;
- the place of supply of service is outside India;
- the payment for such service has been received by the supplier of service in convertible foreign exchange; and

Value to be determined as per Rules

If the value of the supply of goods or services or both cannot be determined under Section 15(1), the same shall be determined in such a manner as may be prescribed by the Central Government under Chapter IV of CGST Rules, 2017

Value of notified supplies

The value of supply may be notified by the Government on the recommendations of the Council and be determined in such manner as prescribed.

PLACE OF SUPPLY

Concepts of Place of Supply

Goods and Services Tax is based on the principle of 'destination based consumption tax'. This means State GST is the revenue for the State where ultimately the goods or service move and ultimately consumed there. This is in contrary to the earlier principle of 'originating based taxation system' where the State where sale or movement of goods were made, that particular State was getting the tax revenue. For GST, there are 36 tax territories in India, which consists of 29 States, 2 Union Territory with State legislature and 5 Union Territories. Central GST (CGST) and State GST (SGST) or Union Territory GST (UTGST) is paid when supply is Intra-State and Integrated GST (IGST) is paid when supply is Inter-State. In order to ascertain whether supply of goods or service is Inter-State or Intra-State, rules under GST law are to be referred, which are discussed as under.

1. Inter-State Supply

Supply of goods or services are treated as Inter-State, where the location of the supplier and place of supply are in any of the following combination:

- a. two different states; or
- b. two different Union Territories; or

☆ General Rule

- a. The Place of supply of services made by a registered person is the location of the receiver. However, if the recipient is not registered, then Place of supply is the location of the recipient where the address on record exists. If address of the recipient is not available on records, then Place of supply is the location of the supplier of service.
- b. In case of services related to an immovable property, like services provided by architects, interior decorators, surveyors, engineers, estate agents, etc., place of supply is the location at which the immovable property is located.
- c. Place of supply for services provided by a hotel, lodge, guest house, inn or club is the location at which such hotel, lodge, guest house, inn or club is located.
- d. Services provided by a marriage mandapam, convention hall, venue where marriage function or receptions, conference or any social or business function is held, then location at which such marriage mandapam, convention hall, venue is located is the place of supply.
- e. For services rendered by restaurant and catering service, beauty parlour, Spa, health club or Fitness centre, place of supply is the location where such services are actually performed.
- f. Place of supply relating to training and performance appraisal is the location of the recipient, if the recipient is the registered. However, if the recipient is not registered, then place of supply is the location where such training and performance appraisal services are rendered.
- g. When a cultural, artistic, sporting, scientific, educational or entertainment event is organized or services are supplied in relation to a conference, fair, exhibition or celebration then place of supply is the location of recipient, if the recipient is registered.

Even if the location of event is outside India, the place of supply is the location of recipient. If the recipient is not registered then place of supply is the location where the event is held.

h. Place supply for goods transported from one place to another by any means i.e. by road, rail, air, water, mail, courier, etc. is the location of recipient, if the recipient is registered. If the recipient is not registered, then place of supply is the location where goods are handed over for their transportation.

i. Similarly, place supply of passenger transportation is the location of recipient, if the recipient is registered. If the recipient is not registered, then place of supply is the location where the passenger starts his journey.

j. When services are rendered during journey in a train, aircraft, motor vehicle or a vessel, then place of supply is the location where the journey begins.

k. For telecommunication services like data transfer, broadcasting, cable and direct to home television, place of supply is the location where the telecommunication line, leased circuit, cable connection or dish antenna is installed.

l. In case of mobile connection for telecommunication, internet services provided on post-paid basis, place of supply is the location of billing address of the recipient.

★ Exceptions

Whenever the recipient is not registered, place of supply is the location of the service provider.

Tax Rates

The tax rates for 1211 items were released in GST Council meeting on 18th May, 2017 and for services on 19th May, 2017. The tax rates for 74% of the items are at or below 18% and balance items at 28% rate. One of the major changes in GST is that there are multiple tax rates based on the usage of the services. This is a significant shift from the existing process of having a single rate for all the services.

The final rates for the goods and services have been notified on 28th June 2017 wide various notifications for the Central Taxes and States have notified the same accordingly.

INPUT TAX CREDIT

The basic concept of Input Tax Credit (ITC) is to avoid the cascading effect of duty. Uninterrupted and seamless chain of ITC is one of the key features of Goods and Services Tax. The protocol to avail and utilize the credit of these taxes is as follows:

Credit of	To be utilized first for payment of	May be utilized further for payment of
CGST	CGST	IGST
SGST / UTGST	SGST / UTGST	IGST
IGST	IGST	CGST then SGST / UTGST

Note: Credit of CGST cannot be used for payment of SGST / UTGST and credit of SGST / UTGST cannot be utilized for payment of CGST.

Input: Input means any goods other than capital goods used or intended to be used by a supplier in the course or furtherance of business.

Input Service: It means any service used or intended to be used by a supplier in the course or furtherance of business.

Input tax: It means (in relation to the registered person) the Central Tax, State Tax, Integrated Tax or Union Territory Tax charged on any supply of goods or services or both made to him and included.

- ★ The Integrated Goods and Services Tax charged on import of goods.
- ★ The tax payable under the provisions of Sec. 9(3) and 9(4)
- ★ The tax payable under the provisions of Sec. 5(3) and 5(4) of the IGST Act.

Special circumstances under which ITC is available:

- a. A person who has applied for registration within 30 days of becoming liable for registration is entitled to ITC in respect of goods held in stock (inputs as such and inputs contained in semi-finished or finished goods) on the day immediately preceding the date from which he becomes **liable to pay** tax.
- b. A person who has taken voluntary **registration under section 23(3)** of the CGST Act, 2017 is **entitled to ITC in respect of** goods held in stock on the day, immediately preceding the date of registration.
- c. A person switching over to normal scheme from composition scheme is entitled to ITC in respect of goods held in stock and capital goods on the day immediately preceding the date from which he becomes liable to pay tax as normal taxpayer.
- d. Where an exempt supply of goods or services or both become taxable, the person making such supplies shall be entitled to take ITC in respect of goods held in stock relatable to exempt supplies. He shall also be entitled to take credit on capital goods used exclusively for such exempt supply, subject to reductions for the earlier usage as prescribed in the rules.
- e. ITC, in the above cases, is to be availed within one year from the date of issue of invoice by the supplier.
- f. In case of change of constitution of a registered person on account of sale, merger, demerger, etc, the unutilised ITC shall be allowed to be transferred to the transferee.
- g. A person switching over from composition scheme under Section 10 to normal scheme or where a taxable supply become exempt, the ITC availed in respect of goods held in stock as well as capital goods will have to be paid.

- ★ An Input Service Distributor invoice or Input Service Distributor credit note.

Time limit to avail the input tax credit [Section 16(4) of the CGST Act, 2017]:

Time limit for availing of credit by registered taxable person is prescribed in the following manner.

- (a) Filing of return under section 39 for the month of September following end of financial year to which such invoice pertains or
- (b) Filing of annual return whichever is earlier.

ITC on invoices pertaining to a financial year or debit notes relating to invoices pertaining to a financial year can be availed any time till the due date of filing of the return for the month of September of the succeeding financial year or the date of filing of the relevant annual return, whichever is earlier.

Exception: the time limit u/s 16(4) does not apply to claim for re-availing of credit that had been reversed earlier. It is worthy to that the return for the month of September is to be filed by 20th October and annual return of a financial year is to be filed by 31st December of the succeeding financial year.

Return for month of September

Every registered taxable person is required to file return in the prescribed form by 20th of the following month. Thus, return for the month of September is required to be filed by 20th of October. The credit thereof shall be availed by 30th September and declared in return.

Annual Return of the succeeding financial year

Every registered taxable person is required to file annual return by 31st December following end of financial year. Thus, for the financial year 2017-18, the annual return is required to be filed by 31st December 2018.

★ The tax payable under the provisions of Sec. 9(3) and 9(4) of the SGST Act.

★ The tax payable under the provisions of Sec. 7(3) and 7(4) of the UTGST Act

★ It includes tax paid on reverse charge basis

★ It does not include the tax paid under the composition levy.

Input Tax Credit: It means the credit of input tax.

Conditions to be fulfilled for entitlement of Input tax Credit

A registered person will be entitled to claim input tax credit only on fulfilling the following conditions as per section 16 of the CGST Act, 2017.

★ He is in possession of tax invoice / debit note issued by the registered person or any other tax paying documents

★ He has received the goods or services or both

★ The tax charged on such supply is paid to the Government

★ He has furnished a valid return

Documents on the basis of which ITC can be claimed

The input tax credit shall be availed by a registered person, including the Input Service Distributor, on the basis of any of the following documents (Rule 36(1) of the CGST Rules, 2017), namely,-

★ An invoice issued by the supplier of goods or services or both as per section 31

★ An invoice issued by the recipient along with proof of payment of tax

★ An invoice issued under reverse charge;

★ A debit note issued by supplier

★ A bill of entry or similar document prescribed under Customs Act

★ Revised invoice

satisfied, the proper officer will revoke the cancellation order ordered by him.

However, if the officer concludes to reject the request for revocation of cancellation, he will first observe the principle of natural justice by way of issuing notice to the person and hearing him on the issue.

Physical verification for registration

Physical verification is to be resorted to only where it is found necessary in the subjective satisfaction of the proper officer.

If at all, it is felt necessary, it will be undertaken only after granting the registration and the verification report along with the supporting documents and photographs, shall have to be uploaded on the common portal within fifteen working days.

TAX INVOICE

Under the GST regime, an "invoice" or "tax invoice" means the tax invoice referred to in section 31 of the CGST Act, 2017.

The GST law mandates that any registered person buying goods or services from an unregistered person needs to issue a payment voucher as well as a tax invoice.

The type of invoice to be issued depends upon the category of registered person making the supply.

For example, if a registered person is making or receiving supplies (from unregistered persons), then a tax invoice needs to be issued by such registered person.

If a registered person is dealing only in exempted supplies or is availing the composition scheme (composition dealer); then such a registered person needs to issue a bill of supply in lieu of invoice.

The invoice should contain description, quantity and value & such other prescribed particulars (in case of supply of goods), and the.

description and value & such other prescribed particulars (in case of supply of services),

An invoice or a bill of supply need not be issued if the value of the supply is less than INR 200/-, subject to specified conditions.

[Importance of tax invoice under GST]

It not only evidences the supply of goods or services, but is also an essential document for the recipient to avail Input Tax Credit (ITC). *(Input Tax Credit)*

A registered person cannot avail Input Tax Credit unless he is in possession of a tax invoice or a debit note.

GST is chargeable at the time of supply. Invoice is an important indicator of the time of supply.

Thus, the tax invoice is the primary document evidencing the supply and vital for availing Input Tax Credit.

Time of issue of a tax invoice or a bill of supply by a registered person

Goods

The time for issuing an invoice would depend on the nature of supply viz. whether it is a supply of goods or services.

- ☆ A registered person supplying taxable goods shall, before or at the time of removal of goods (where supply involves movement of goods) or delivery or making available thereof to the recipient, issue a tax invoice showing the description, quantity and value of goods, the tax charged thereon and such other particulars as prescribed in the Invoice Rules.
- ☆ The Government may, on the recommendations of the Council, by notification, specify the categories of goods or supplies in respect of which a tax invoice shall be issued, within such time and in such manner as may be prescribed.

Unit-I

CHAPTER - 1

GOODS AND SERVICES TAX (GST) SYSTEM

INTRODUCTION

The introduction of Goods and Services Tax (GST) on 1st July 2017 was a very significant step in the field of indirect tax reforms in India. By amalgamating a large number of Central and State taxes into a single tax, the aim was to mitigate cascading or double taxation in a major way and pave the way for a common national market. GST will be a comprehensive indirect tax on consumption of goods and services throughout India, to replace taxes levied by the Central and State governments. The GST is consumption based tax levied on the supply of Goods and Services which means based on the input tax credit method; it would be levied and collected at each stage of sale or purchase of goods or services. GST replaces at least 17 State and federal taxes.

TIMELINE CHART OF GST IN INDIA

For 17 years, the idea of 'One Nation, One Tax' witnessed several delays. The Prime Minister Narendra Modi led Union government would certainly claim the credit for giving a single tax regime to the country. GST is truly a law of unified India and is the mainline for reform measure undertaken by the country since the 1950s. GST of Indian economy.

The seed of GST in India was first sown in the year 1986, when a Sabha Bihari Vajpayee, who was the then Prime Minister, decided to pass the In 2005, the then Finance Minister P. Chidambaram introduced 18 that there was a requirement of tax reforms in India. President indirect taxation. In 2010, the then Finance Minister, Dr. Manmohan Singh Mukherjee announced that the GST will be introduced in the form of a Bill.