

**SYLLABUS****Class – B.Com. I Year (Tax Procedure)****SUBJECT – GOODS AND SERVICES TAX**

UNIT-I	Meaning and features of goods and Service Tax (GST) Background, Necessity and implementation of -GST. Favorable impacts and difficulties of GST. Important terms and definitions - Business, place of business, Composite supply, Goods, Input goods and Input service, Input tax, Exempt supply, Gross Turnover, Capital goods, Tax invoice, Electronic cash ledger, Electronic Credit Ledger, Inward Supply, Outward Supply, Person, Supplier, Jobwork, Reverse Charge, Recipient and other definitions under Sec. 2. Classification of Goods and Services Tax.
UNIT-II	Meaning and scope of Supply, Tax Liability on composite and mixed supplies. Levy and Collection of Tax. Registration under GST. Persons Liable I not liable for registration. Compulsory registration; process for registration, Issue of Registration Number (GSTIN). Amendment and Cancellation' of Registration.
UNIT-III	List of exempt goods under GST. Time and place of supply of goods and services Determination of value of Taxable supply. Preparation of Tax invoice-rules, proforma and practical problems.
UNIT-IV	Composition Levy - Persons eligible to opt composition, intimation for composition option. Conditions and restriction for composition. Rate tax of the composition levy and rules regarding Return Practical Problems relating to composting levy
UNIT-V	Rules, Provisions and procedure for Input Tax Credit. Provisions regarding Job-work. Classification of taxable goods and Services at the basis of tax rates (Practical Problems).



UNIT-I

MEANING OF GOODS AND SERVICES TAX (GST)

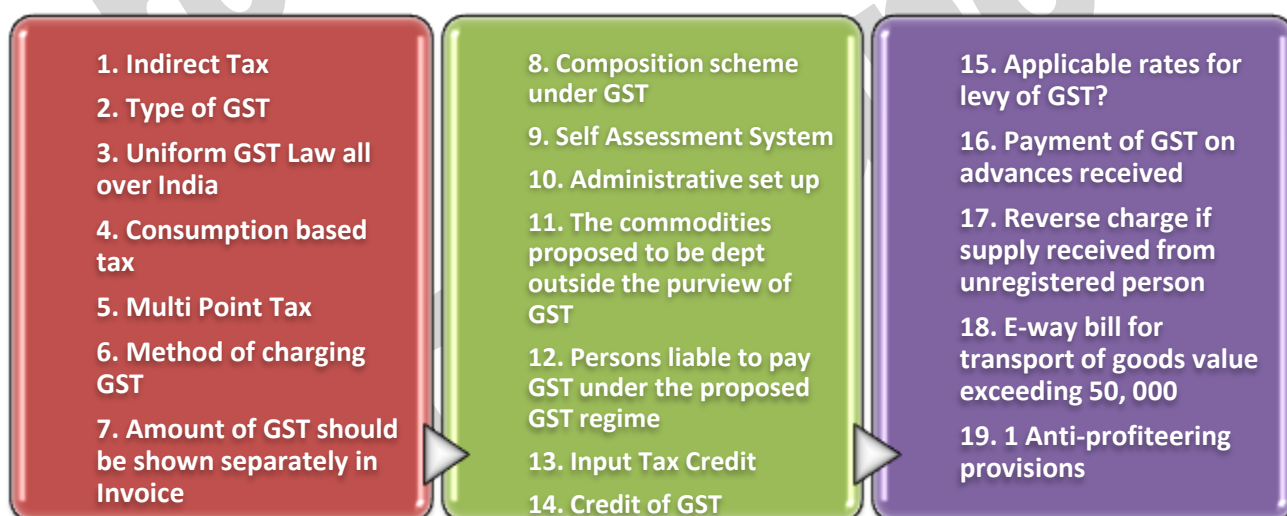
GST is a destination based tax on consumption of goods and services. It is proposed to be levied at all stages right from manufacture up to final consumption with credit of taxes paid at previous stages available as set off. In a nutshell, only value addition will be taxed and burden of tax is to be borne by the final consumer.

The tax would accrue to the taxing authority which has jurisdiction over the place of consumption which is also termed as place of supply.

Though GST is multi point tax but it is not levied on total value in every stage. It is levied on only value addition by the supplier. In input credit method the total GST payable on supply Less Input credit shall be net GST payable.

SALIENT FEATURES OF GST SYSTEM

GST is the latest concept in respect of taxation on supply of goods and services in course of business, commerce and services activities and transactions. Most of the countries adopted this system, as well as in India it adopted. The salient features of the system are as under.



BENEFITS OF GST





GST BRINGS BENEFITS FOR ALL SECTIONS

GST is a win-win situation for the entire country. It brings benefits to all the stakeholders of industry, Government and the consumer. It will lower the cost of goods and services give a boost to the economy and make the products and services globally competitive. The significant benefits of GST are discussed hereunder.

Common Man Friendly

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| <ol style="list-style-type: none">1. Huge number of items are either tax exempt or in 5% tax bracket.2. Maximum benefits to the poor & the common man.3. Will ensure the poor get their due.4. Level playing field for small traders in any part of the country.5. Single tax system for goods and Services both. | <ol style="list-style-type: none">1. Reduction in prices of goods and services due to elimination of cascading.2. Uniform prices throughout the country.3. Transparency in taxation system.4. Increase in employment opportunities. |
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Advantages for Trade & Industry

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| <ol style="list-style-type: none">1. Common procedures for registration, duty payment, return filing and refund of taxes.2. Seamless flow of tax credit from manufacturer/supplier to user/retailer to eliminate cascading of taxes.3. More efficient neutralization of taxes to make our exports more competitive internationally.4. Benefit of exemption/compounding scheme for a large segment of small scale suppliers to make their products cheaper. | <ol style="list-style-type: none">5. Reduction in multiplicity of taxes6. Mitigation of cascading/double taxation7. More efficient neutralization of taxes especially for exports.8. Development of common national market9. Simpler tax regime fewer rates and exemptions. |
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Benefits to Economy

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| <ol style="list-style-type: none">1. To create a unified common National market.2. To make India a manufacturing hub.3. To boost investments & exports.4. To generate more employment by increased economic activity. | <ol style="list-style-type: none">5. Freedom of movement of goods & services.6. Consumers to benefit by increased competition.7. Level-playing field for producers & consumers across the country.8. Strengthening the sense of nationhood and unity. |
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Central / State Governments

1. A unified common national market to boost Foreign Investment and "Make in India" campaign.
2. Boost to export/manufacturing activity, generation of more employment, leading to reduced poverty and increased GDP growth.
3. Improving the overall investment climate in the country which will benefit the development of states.
4. Uniform SGST and IGST rates to reduce the incentive for tax evasion.
5. Reduction in compliance costs as no requirement of multiple record keeping.

Simplified Tax Structure

1. Reduction in multiplicity of taxes now leviable on goods & services, leading to simplification.
2. Simpler tax regime with some essential exemptions.
3. Harmonization of laws, procedures and rates of tax across the country.
4. Common system of classification of goods & services to ensure certainty in tax administration.

SHORT COMINGS OR LIMITATIONS OF GST

1. Long term process	7. Higher prices	13. Conflict of interest between Centre and State
2. Difficulty in set off	8. More formalities	14. Post supply discounts and price reductions after supply not eligible for deduction from value
3. Problem in refund	9. Corruption	15. Artificial disallowances of input tax credit
4. Multiple rates of tax	10. Flip side of GST-No 'ease of doing business' in GST	16. Composition Scheme only if all purchases are from registered persons
5. Accounting problem	11. Accounting challenger	17. Valuation provisions copied from excise and service tax law
6. Conflict between States and Central	12. System is master-not human being	18. Interest on delayed payment



IMPORTANT TERMS AND DEFINITIONS – SEC.-2

1. Goods-section 2(52)

“Goods” means every kind of movable property other than money and securities but includes actionable claim, growing crops, grass and things attached to or forming part of the land which are agreed to be severed before supply or under a contract of supply;

- (1) Goods includes all types of movable property like-cloth, sugar, iron, kirana goods vehicles etc.
- (2) Money and securities are not covered under the definition, so these are not goods.
- (3) Growing crops, grass and things attached to or forming part of the land which are agreed to be severed before supply or under a contract of supply will be treated as goods.
- (4) Actionable claim, other than lottery, betting and gambling will not be treated as supply of goods.
- (5) Intangibles like copyright and carbon credit would continue to be covered under ‘goods’.

2. Services-Section 2(102)

“Services” means anything other than goods, money and securities but includes activities relating to the use of money or its conversion by cash or by any other mode, from one form, currency or denomination to another form, currency or denomination for which consideration is charged;

So, In reference of GST “Service” means-

- (1) Any activity carried out by a person for another for consideration
- (2) But shall not include-

(A) (i) A transfer of title in goods or immovable property, by way of sale, gift or in any other manner, or

(ii) Delivery or supply of any goods which is deemed to be a sale.

(iii) A transition in money or actionable claim.

(B) A provision of service by an employee to the employer in the course of or in relation to his employment

(C) Fees taken in any Court or tribunal established under any law for the time being in force. So service meant by an activity which is performed by a person to other person for a value or consideration.

3. Capital goods – Section 2(19)

“Capital Goods” means goods, the value of which is capitalized in the books of account of the person claiming the input tax credit, and which are used or intended to be used in the course or furtherance of business.

Goods will be regarded as capital goods if the following conditions are satisfied:

- (a) The value of such goods is capitalized in the books of account of the person claiming input tax credit;
- (b) Such goods are used or intended to be used in the course or furtherance of business.

If the value of goods is not capitalized in books of accounts, the person purchasing the capital goods would still be eligible to claim input tax credit on such goods as inputs.



Supply of goods and services or both is basic factor of GST, the word 'Supply' is not clearly defined in the Act, however Sec. 7(1) is concerned in respect of 'Supply'.

TYPES OF SUPPLY

Supply is basic factor of goods services tax. Various types of supplies are defined below –

1. Inward Supply – Section 2(67)
2. Outward Supply – Section 2(83)
3. Principal Supply – Section 2(90)
4. Mixed Supply – Section 2(74)



5. Continuous supply of Goods – Section 2(32)
6. Continuous supply of services
7. Intra-State supply of Goods – Section 2(64)
8. Intra State supply of Goods - Section 2(65)

LAW RELATED TO GST

Dual GST is imposed in India therefore the following Acts and Rules are enforced to implement GST effectively-

1. CGST Act. 2017

Central Goods and Service Tax Act. 2017 is applicable for CGST.

It is levied and Collected by Central Govt. – it extends to the whole of India including State of Jammu and Kashmir. All provisions of Act made effective from 1-7-2017

2. SGST Act. 2017

State Goods and service Tax Acts are framed and enforced by various State Government. These Act subject matter and provisions are almost same according to the model Act CGST 2017.

State Goods and Service Tax – Levied and Collected by State Govt./Union Territory. (with state legislative i.e. Delhi and Pondicherry)

SGCT Act. 2017. Provisions made effective by respective State Government. It shall extend to the whole of India.

3. IGST Act. 2017

All provisions of Act. made effective from 1-7-2017, except section 15 which provides for refund of IGST to international tourist leaving India. Integrated Goods and Services Tax (extension to Jammu and Kashmir) Act, 2017 with effect from 8th July 2017.

Integrated Goods and Service Tax shall be levied by Central on all inter-state Supplies.[IGST=CGST+SGST]

4. UTGST Act. 2017

All provisions of Act made effective from 1-7-2017 in Union territories.

It extends to the Union territories of the Andaman and Nicobar Islands, Lakshadweep, Dadra and Nagar Haveli, Daman and Diu, Chandigarh and other territory.

Union Territories Goods and Service Tax shall be Levied and Collected Union Territories (Without state legislative on intra-State Supplies).

5. GST (Compensation to State) Act. 2017

An Act to provide for compensation to the states for the loss of revenue arising on account of implementation of the goods and service tax in pursuance of the provisions of constitution (101 amendments Act-2016)



6. CGST Rules

CGST Rules, 2017 effective from 1-7-2017, make provisions for various procedures and forms. These rules shall be applicable for CGST and SCGT both.

7. CGST Rules apply to IGST also

CGST Rules shall apply, as far as may be, to IGST

GST COUNCIL

GST Council is the Apex Constitutional Authority to decide policies of GST.

GST Council has been constituted by Notification dated 15-09-2016. Union Finance Minister is Chairman of Council. Following are members of Council – (a) Union Minister of State in-charge of Revenue or Finance and (b) Minister in-charge of Finance or Taxation or any other Minister nominated by each State Government.

The GST Council has started work in right earnest and various meeting of GST Council have already been held. Various issues are being sorted out in the meetings of GST Council.

Members of the GST Council

The GST Council shall consist of the following members, namely:

- (a) The Union Finance Minister Chairperson;
- (b) The Union Minister of State in charge of Revenue of Finance Member;
- (c) The Minister in charge of Finance or Taxation or any other Minister nominated by each State Government.....Members.

Note:- The State Finance Minister's shall choose one amongst themselves as Vice-Chairperson of the Council for such period as they may decide.

Role of GST Council

The GST Council shall make recommendations to the Union and the States on-

- (1) The taxes, cases and surcharges levied by the Union, the States and the local bodies which may be subsumed in the goods and services tax;
- (2) The goods and services that may be subjected to, or exempted from the goods and services tax.
- (3) Model Goods and Services Tax Laws. Principles of levy apportionment of goods and Services Tax levied on supplies in the course of inter-State trade or commerce under Article 269A and the Principles that govern the place of supply;
- (4) The threshold limit of turnover below which goods and services may be exempted from goods and services tax;
- (5) The rates including floor rates with bands of goods and services tax;
- (6) Any special rate or rates for a specified period, to raise additional resources during any natural calamity or disaster;
- (7) Special provision with respect to the State of Arunachal Pradesh, Assam, Jammu and Kashmir, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura, Himachal Pradesh and Uttarakhand; And
- (8) Any other matter relating to the goods and services tax, as the Council may decide.



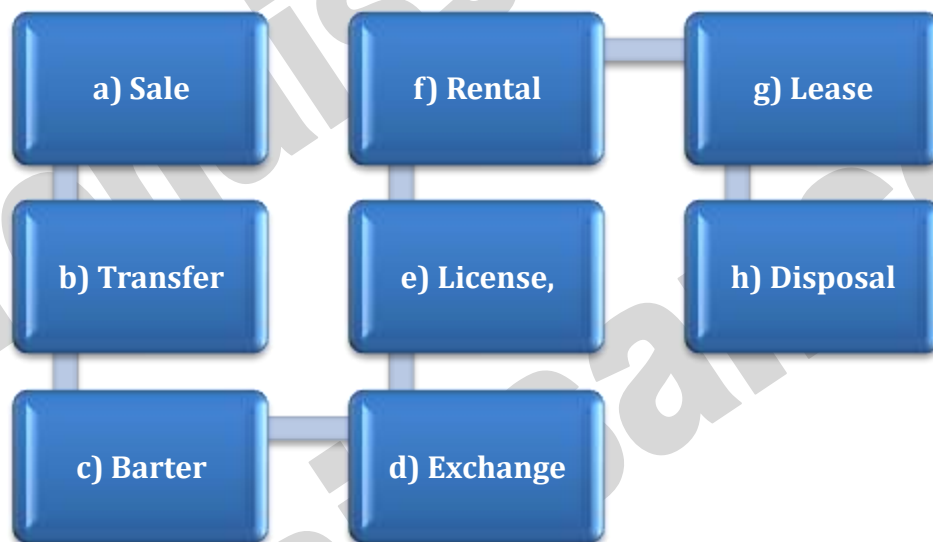
UNIT-II

SUPPLY : MEANING, LEVY AND COLLECTION OF TAX

Supply of goods and services or both is basic factor of GST, the word 'Supply' is not clearly defined in the Act, however se. 7(1) is concerned irrespective of 'Supply'.

Meaning of Supply

Supply includes all forms of supply of goods or services or both and includes agreeing to supply when they are for a consideration and in the course or furtherance of business. It specifically includes the following activities –

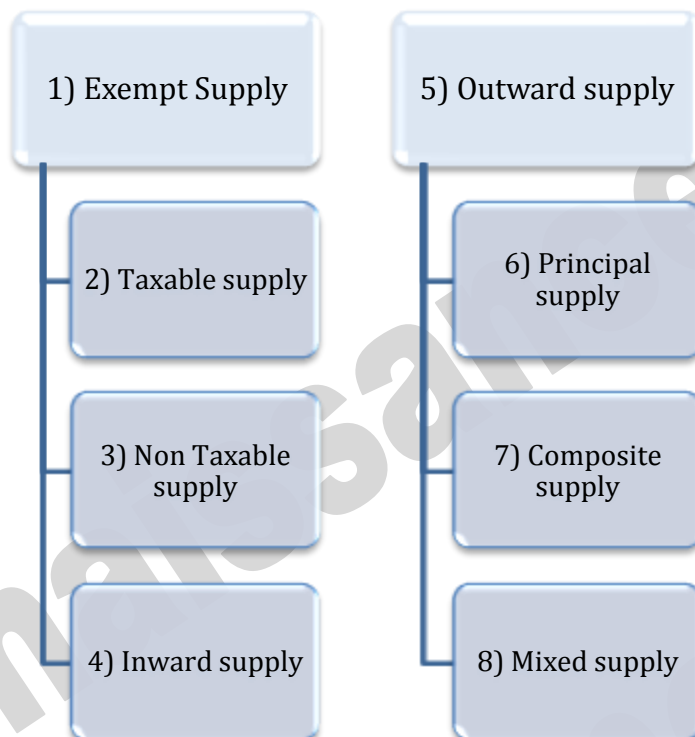


The definition of 'Supply' in section 7(1) of CGST Act is 'inclusive' definition. Section 7(1) of CGST Act, states that for the purpose of CGST Act, the expression 'supply' includes –

- All forms of supply of goods or services or both such as sale, transfer, barter, exchange, license, rental, lease or disposal made or agreed to be made for a consideration by a person in the course or furtherance of business.
- Importation of services, for a consideration whether or not in the course or furtherance of business.
- The activities specified in Schedule I, made or agreed to be made without a consideration and
- The activities to be treated as supply of goods or supply of services as referred to in Schedule II.

Different types of Supply

The different types of supplies under GST law is discussed as under –



COMPOSITE SUPPLY AND MIXED SUPPLY

For taxability point of view it is necessary to decide whether it is composite supply or mixed supply-

- I. **Composite supply** is a supply consisting of two or more taxable supplies of goods or service or both or any combination thereof, which are bundle in natural course and are supplied in conjunction with each other in the ordinary course of business and where one of which is principal supply. For example, when a consumer buys a television set and he also gets warranty and a maintenance contract with the TV, this supply is a composite supply. In this example, supply of TV is the principal, supply, warranty and maintenance service are ancillary.
- II. **Mixed supply** is combination of more than one individual supplies of goods or service or any combination thereof made in conjunction with each other for a single price, which can ordinarily be supplied separately. For example, a shopkeeper selling storage water bottles along with refrigerator. Bottles and the refrigerator can easily be priced and sold separately.

Distinction between 'composite supply' and 'mixed supply'

A composite supply is 'naturally bundled' while 'mixed supply' is not naturally bundle in ordinary course of business.

A supply can be 'mixed supply' only if it is for a single price, while a supply can be 'composite supply' even if separate prices are charged.

Trade practice is also relevant. A vehicle repair shop also supplies spare parts. However, the long trade practice is to treat these two supplies separately. Hence, such activity is not 'composite supply'. It is also not 'mixed supply' as single price is not charged.

Tax liability in case of composite and mixed supply [Section 8]

The tax liability on a composite or a mixed supply shall be determined in the following manner, namely;

- (a) A composite supply comprising two or more supplies, one of which is a principal supply, shall be treated as a supply of such principal supply; and



(b) A mixed supply comprising two or more supplies shall be treated as a supply of that particular supply which attracts the highest rate of tax

REGISTRATION UNDER GST: AT A GLANCE

Provisions, Roles, Procedure and Forms

No.	Subject	Particulars	Form Number	Time limit
1.	Threshold limit for registration Sec. 22& 24	(a) Normal category states if aggregate turnover exceeding Rs. 20 lakh (b) Special category states if aggregate turnover exceeding Rs. 10 lakh. (c) no threshold limit for (i) interstate supplies. (ii) Casual taxable persons, (iii) Input service distributors (iv) E-commerce operator (v) Persons liable for TDS/TCS (vi) Persons liable for reverse charge.		
2.	Persons not liable to be registered Sec. 23	(i) Exclusively supplier of extended goods or services. (ii) Agriculturist (iii) Notified persons.		
3.	Meaning of Aggregate turnover	Total supply of- (i) Taxable goods and services. (ii) Exempted goods and services. (iii) Interstate supply (iv) Exports		
4.	Place of Registration	(i) State of Main place of business (ii) Each state if business places are situated in different states.		
5.	Application for registration in normal category Sec. 25	Information- (i) Permanent Account Number (PAN) (ii) Mobile Number (iii) E-mail address.	GST REG-01 Part-A	Within 30 days when the person becomes liable for registration.
6.	Verification of information	Allotment of temporary reference number.	E-mail by department	
7.	Submission of documents		GST-REG-02 Part-B	
8.	Acknowledgement	E-acknowledgement for registration application.	GST REG-02	Within 3 working days from the date of submission of application.
9.	E-Notice for clarification	E-notice for Seeking Additional Information/	GST REG-03	



No.	Subject	Particulars	Form Number	Time limit
		Clarification/Documents relating to Application for Registration i Amendment / Cancellation.		
10.	Clarification by applicant.	E-clarification/additional information/document for Registration/ Amendment/ Cancellation	GST REG-04	Within 7 working days from the date of receipt of notice.
11	Order	Order of Rejection of Application for Registration/Amendment/ Revocation of Cancellation.	GST REG-05	Within 7 working days from the date of clarification.
12.	Registration Certificate GSTIN	Issue of Registration Certificate. Issue of permanent Registration certificate. GSTIN-consists Two character for the state code Tin for PAN Two for entity code one checsum characters.	GST REG-25 provisional certificate in Form GST REG-25 permanent certificate GST - REG-06	Within 3 working days.
13.	Registration procedure in special cases Sec. 27	Application for Registration as tax deductor at source or tax collector at source.	GST REG-07	Within 30 days when the person becomes liable for registration
		Order of Cancellation of Application for Registration as TDS/TCS	GST REG-08	Within 30 days from date of application.
		Application for Regis- Nation for Non-Resident Taxable Person.	GST REG-09	At least 5 days prior to the commencement of business.
		Application by supplier of OIDAR services.	GST REG-10	Within 30 days when the person becomes liable for registration.
		6Application by NR / Casual taxable person seeking extension in period of operation.	GST REG-11	Before the end of the validity of registration.
		Order of Allotment of Temporary Registration/ Suo Moto Registration.	GST REG-12	N.A.
		Application Form for grant of Unique Identity Number (DIN) to UN Bodies/ Embassies/others.	GST REG-13	N.A.
14.	Amendment procedure Sec. 28	Application for Amendment in Registration Particulars (For all types of registered persons)	GST REG-14	Within 15 days of such amendment.



No.	Subject	Particulars	Form Number	Time limit
		Order of amendment	GST REG-15	Within 15 working days from the date of receipt of application of amendment.
15.	Cancellation procedure Sec. 29	Application for cancellation of registration.	GST REG-16	Within 30 days of occurrence of the event warranting cancellation
		Show Cause Notice for Cancellation of Registration.	GST REG-17	N.A.
		Reply to the Show Cause Notice issued for Cancellation.	GST REG-18	Within 7 working days from the date of service of such notice.
		Order for Cancellation of Registration.	GST REG-19	Within 30 days from the date of application/ receipt of reply of SCN.
		Order for dropping the proceedings for cancellation of registration.	GST REG-20	N.A.
16.	Revocation procedure Sec. 30	Application for Revocation of Cancelled Registration	GST REG-21	Within 30 days from the date of service of the order of cancellation of registration.
		Order, for revocation of cancellation of registration,	GST-REG-22	Within 30 days from the date of receipt of the application.
		Show Cause Notice for rejection of application for revocation of cancellation of registration.	GST REG-23	-
		Reply to the notice for rejection of application for revocation of cancellation of registration.	GST REG-24	Within 7 working days from the date of the service of notice.

**PLACE AND TIME OF SUPPLY**

Dual GST system is adopted in India. Which type of GST shall be applicable on supply, depends on place of supply. It is necessary to determine Central GST + State GST or integrated GST shall be payable, the place of supply is an important factor. In case of Intra-State supply CGST+SGST shall be payable while in case of Inter-State supply IGST shall be payable. GST is a destination based tax, therefore place of supply should be determined.

The basic principle behind provisions relating to place of supply is that GST is destination based tax. Thus, tax is finally payable where goods and services are consumed. This issue is relatively easy in case of goods, but not so easy in case of services. Hence, in many cases, location of person receiving the service is relevant.

Provision to determine whether the transaction is intra-State or inter-State are contained in IGST Act. Export and import of goods and service are also covered under IGST provisions.

Supplies are categorized in the following two divisions from place of supply point of view

Inter-State supply of goods :

Where the location of the supplier and the place of supply are in the same State or Union territory shall be Intra-State Supply. So supply of goods where-

- (i) The location of the supplier, and
- (ii) The place of supply of goods are in the same State or same Union territory shall be treated as intra-State supply

Intra-State supply of services

Where location of the supplier and place of supply are in same State Union territory shall be Intra-State supply.

So, supply of services where-

- (i) The location of the supplier and
- (ii) The place of supply of services

Are in the same State or same Union territory shall be treated as intra-State supply i.e. supply within state.

Determination of place of supply of Goods – Sec. 10

The place of supply of goods. Other than supply of goods imported into or exported from India, shall be as under :

S. No.	Nature of Transaction	Particulars	Place of Supply
1	Movement of goods	Where the supply involves movement of goods, whether by the supplier or the recipient or by any other person.	The location of the goods at the time at which the movement of goods terminates for delivery to the recipient.
2	Delivery of goods	Where 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	The principal place of business of such person.



S. No.	Nature of Transaction	Particulars	Place of Supply
		goods or otherwise, it shall be deemed that the said third person has received the goods.	
3	No movement of goods	Where the supply does not involve movement of goods, whether by the supplier or the recipient.	The location goods the time of the delivery to the recipient:
4	Assembling or Installation of goods.	Where the goods are assembled or installed at site.	Place Of such installation or assembly.
5	Supply on board	Where the goods are supplied on board a conveyance including a vessel,	Location at which such goods are taken on board motor vehicle.
6	Place of supply cannot be determined	Where the place of supply of goods cannot be determined.	Place of supply shall be determined in goods imported into or exported from India
7	Goods imported or exported	(a) imported into India (b) exported from India	Location of the importer. Location outside India.

PLACE OF SUPPLY OF SERVICES- SEC. 12 OF IGST

Provisions relating to determination of Supply of Service when location of supplier and recipient is in India.

I. Place of supply of services where location of supplier and recipient is in India (Sec. 12 of GST) shall be determined as under-

No.	Services	Nature of transaction	Place of Supply
1	General provision	Supply of services : (a) Made to a registered person (b) Made to any person other than a registered person.	Location of such person (i) The location of the recipient when address on record exists: and (ii) The location or supplier of services in other cases.
2	Services provided in relation to immovable property	Directly in relation to an immovable property, including services provided by architects, interior decorators, surveyors, engineers and other related experts or estate agents, any service provided by way of grant of rights to use immovable property or for carrying out or co-ordination of construction work.	Location at which immovable property is located.
3	Lodging accommodation	By way of lodging accommodation by a hotel, inn, guest house, home stay, club or campsite, including a house boat or any other vessel:	Location at which such hotel, lodgem. boat or vessel is located
4	Marriage hall etc.	Services by way of accommodation in any immovable property for	Location at which the immovable property is



No.	Services	Nature of transaction	Place of Supply
		organising any maniage or reception or matters related thereto, official, social, cultural. religious or business function including services provided in relation to such function at such Property.	located.
5	Ancillary services	Any services ancillary to the services referred to in clauses above (2), (3) and (4).	Location at which the immovable property or boat or vessel, is located or intended to be located.
6	Location of the immovable property outside India	If the location of the immovable property or boat or vessel is located or intended to be located outside India. Explanation- Where the immovable property or boat or vessel is located in more than one state or union territory the supply of services shall be treated as made in eac ¹ /4. of the respective States or Union territories. in proportion to the value for services separately collected or determined in terms of the contract or agreement into in this regard or, in the absence of such contract or agreement on such other basis as may be prescribed.	Location of the recipient
7	Restaurant and catering services	Restaurant and catering services, personal grooming, fitness, beauty treatment, health service including cosmetic and plastic surgery.	Location where the services are actually performed.
8	Training and performance services.	Services in relation to training and performance appraisal to- (a) A registered person (b) A person other than a registered person	Location of such person. Location where the services ere actually performed.
9	Services related to entry for event or function.	Services provided by way of admission to a cultural artistic. sporting. scientific, educational, entertainment event or amusement park or any other place and services ancillary thereto.	Where the event is actually held or where the park or such other place is located.
10	Organisation of cultural, sporting, fair, exhibition services.	Services provided by way of. Organisation of a cultural, artistic. sporting. scientific, educational or entertainment event including	(i) To a registered person. shall be the location of such person:



No.	Services	Nature of transaction	Place of Supply
		supply of services in relation to a conference, fair, exhibition, celebration or similar events; or services ancillary to organisation of any of the events. Explanation : Where the event is held in more than one State or Union territory and a consolidated amount is charged for supply of services relating to such event, the place of supply of such services shall be taken as being in each of the respective States or Union territories in proportion to the value for services separately collected or determined in terms of the contract or agreement entered into in this regard or, in the absence of such contract or agreement, on such other basis as may be prescribed.	(ii) To a person other than a registered person, shall be the place where the event is actually held and if the event is held outside India, the place of supply shall be the location of the recipient.
11	Transportation of Goods.	Services by way of transportation of goods including by mail or courier to recipient.	(a) A registered person . location of such person: (b) A person other than a registered person location at which such goods are handed over for their transportation.
12	Passenger Transportation.	Passenger transportation service to-Where the right to passage is given for future use and the point of embarkation is not known at the time of issue of right to passage. Explanation: the return journey shall be treated as a separate journey, even if the right to passage for onward and return journey is issued at the same time.	A registered person, shall be the location of such person. A person other than a registered person, shall be the place where the passenger embarks on the conveyance for a continuous journey. Determined in accordance with the provisions of sub-section (2).
13	Services on board a conveyance.	Services on board a conveyance. including a vessel, an aircraft, a train or a motor vehicle	Location of the first scheduled point of departure of that conveyance for the journey.
14	Telecommunication	Tele-communicationservices including data transfer, broadcasting, cable and direct to home television services to any person- (a) In case of services by way of fixed telecommunication line. leased circuits internet leased circuit cable or dish antenna, be	The address of the recipient as per the records of the supplier of services and where such address is not available, the place of supply shall be location of the supplier of services.



No.	Services	Nature of transaction	Place of Supply
		<p>the location where the tele-communication line, leased circuit or cable connection or dish antenna is installed for receipt of services;</p> <p>(b) In case of mobile connection for tele-communication and Internet services provided on post-paid basis. be the location of billing address of the recipient of services on the record of the supplier of services'</p> <p>(c) In cases where mobile connection for telecommunication. internet service and direct to home television services are provided on pre-payment basis through a voucher or any other means-</p> <p>(i) Through a selling agent or a re-seller or a distributor of subscriber identity module card or re-charge voucher, be the address of the selling agent or re-seller or distributor as per the record of the supplier at the time of supply; or</p> <p>(ii) By any person to the final subscriber. be the location where such prepayment is received or such vouchers are sold;</p> <p>Note: (1) Where the address of the recipient as per the records of the supplier of services is not available, the place of supply shall be location of the supplier of services:</p> <p>(2) If such pre-paid service is availed or the recharge is made through Internet banking or other electronic mode of payment, the location of the recipient of services on the record of the supplier of services shall be the place of supply of such services.</p> <p>Explanation : Where the leased circuit is installed in more than one State or Union territory and a consolidated amount is charged for supply of services relating to such circuit, the place of supply of</p>	



No.	Services	Nature of transaction	Place of Supply
		such services shall be taken as being in each of the respective States or Union territories in proportion to the value for services separately collected or determined in terms of the contract or agreement entered into in this regard or in the absence of such contract or agreement, on such other basis as may be prescribed.	
15	Banking and other financial services.	Supply of Banking and other financial services. Including stock broking services to any person. Note: If the location of recipient of services is not on the records of the supplier.	Location of the recipient of services on the records of the supplier of services location of the supplier of services.
16	Insurance services	Supply of insurance services	(a) To a registered person, be the location of such person; (b) To a person other than a registered person. be the location of the recipient of services on the records of the supplier of services.
17	Advertisement services	Supply of advertisement services to the Central Government, a State Govt. a statutory body or a local authority meant for the States or Union territories identified in the contract or agreement shall be taken as being in each of such States or Union territories and the value of such supplies specific to each State or union territory in the absence of such contract or agreement, on such other basis as may be prescribed.	In proportion to the amount attributable to services provided by way of dissemination in the respective States or Union territories as may be determined in terms of the contract or agreement entered into in this regard.

PLACE OF SUPPLY OF SERVICES WHERE LOCATION OF SUPPLIER OR LOCATION OF RECIPIENT IS OUTSIDE INDIA SEC.13

The provisions of this section shall apply to determine the place of supply of services where the location of the supplier of services or the location of the recipient of service is outside India.

No.	Services	Nature of Services	Place of Services
1	General provision	The place of supply of service except the services specified in sub The place of supply of services heading (2) to 13 Note : Where the location of the	Location of the recipient of services.



No.	Services	Nature of Services	Place of Services
		recipient of services is not available in the ordinary course of business	Location of the supplier of services.
2	Performance based service.	<p>(a) Services supplied in respect of goods which are required to be made physically available by the recipient of services to the supplier of services, or to a person acting on behalf of the supplier of services in order to provide the services.</p> <p>(b) When such services are provided from a remote location by way of electronic means.</p> <p>(c) Services supplied in respect of goods which are temporarily imported into India for repairs and are exported after repairs without being put to any other use in India than that which is required for such repairs.</p> <p>(d) Services supplied to an individual represented either as the recipient of services or a person acting on behalf of the recipient which require the physical presence of the recipient or the person acting on his behalf, with the supplies for the supply of services.</p>	<p>Location where the services are actually performed.</p> <p>Location where goods are situated at the time of supply of services.</p> <p>Location of the recipient supplier.</p> <p>Location where the services actually performed.</p>
3	Services relating to immovable property	Supply of services supplied directly in relation to an immovable property, including services supplied in this regard by experts and estate agents, supply of accommodation by a hotel, inn, guest house, club or campsite, by whatever name called, grant of rights to use immovable property, services for carrying out or co-ordination of construction work, including that of architects or interior decorators.	Where the immovable property is located or intended to be located.
4	Service relating to Events.	Services supplied by way of admission to, or organization of a cultural, artistic, sporting,	Where the event is actually held.



No.	Services	Nature of Services	Place of Services
		scientific, educational or entertainment event, or a celebration, conference, fair, exhibition or similar events and of service ancillary to such admission or organization.	
5	Services provided at more than one location	Where any services referred to in sub-section (3) or sub-section (4) or sub-section (5) is supplied at more than one location, including a location in the taxable territory, its place of supply	Location in the taxable territory.
6	Services provided in more than one state or Union Territory	Where the services referred to in sub section (3) or sub-section (4) or sub-section (5) are supplied in more than one State or Union Territory.	Place of supply of such services shall be taken as being in each of the respective States or Union territories and the value of such supplies specific to each State or Union territory shall be in proportion to the value for services separately collected or determined in tens of the contract or agreement entered into in this regard or, in the absence of such contract or agreement on such other basis as may be prescribed.
7	Services by Banking company.	(a) Services supplied by a banking company or a financial institution, or a non-banking financial company, to account holders. (b) Intermediary services (c) Services consisting of hiring of means of transport, including yachts but excluding aircrafts and vessels. up to a period of one month.	Location of the supplier of services. Location of the supplier Location of the supplier.
8	Transportation of goods.	Services of transportation of goods, other than by way of mail or courier.	Place of destination of such goods.
9	Passenger Transportation.	Passenger transportation services.	Place where the passenger embarks on the conveyance for a continuous journey.
10	Services on board a conveyance	Services provided on board a conveyance during the course of a passenger transport operation, including services intended to be	First scheduled point of departure of that conveyance for the journey.



No.	Services	Nature of Services	Place of Services
		wholly or substantially consumed while on board.	
11	Online information and database services.	<p>The place of supply of online information and database access or retrieval services.</p> <p>(i) Advertising on the Internet;</p> <p>(ii) Providing cloud services;</p> <p>(iii) Provision of e-books, movie, music, software and other intangibles through tele-communication networks or internet.</p> <p>(iv) Providing data or information, retrievable or otherwise, to any person in electronic form through a computer network;</p> <p>(v) Online supplies of digital content (movie television shows, music and the like);</p> <p>(vi) Digital data storage; and</p> <p>(vii) Online gaming</p>	Location of the recipient of services.

Time of Supply at a glance

Time of supply determines when liability to pay GST arises. The provisions are given through the following table —

Nature of transaction	Situation-A	Situation-B	Situation-C	Time of supply
Supply of goods	Issue of tax invoice	Receipt of-payment (even advance payment received)		Whichever is earlier
Tax on receipt of goods payable on reverse charge basis.	Receipt of goods	Date of payment to recipient (even advance payment made)	30 days from date of invoice of supplier.	Whichever is earlier.
Supply of vouchers for goods when supply is identifiable at that point.	Issue of voucher	Redemption of voucher		Date of issue of voucher
Supply of vouchers for goods when supply is not identifiable At that point.	Issue of voucher	Redemption of voucher		Redemption of voucher

TIME OF SUPPLY OF SERVICES: AT A GLANCE



Nature of transaction	Event A	Event B	Event C	Time of Supply
Supply of service	Invoice if issued within prescribed time.	Provision of service if Invoice not issued within prescribed time.	Date of receipt of payment from recipient (even advance payment received)	Whichever is . earlier.
Tax on receipt of service . payable under reverse charge a hen service provider is not associated enterprise out of India	Date of payment to supplier of service (even advance payment made)	Date 60 days from date of invoice of supplier		Whichever is earlier.
Tax on receipt of service payable under reverse charge when service provider is associated enterprise out of India.	Date of payment to associate enterprise (even advance payment made)	Date of entry in books of account of recipient of supply		Whichever is earlier.
Supply of vouchers for service when supply is identifiable at that point	Issue of voucher	Redemption of voucher		Date of issue of voucher
Supply of vouchers for service when supply is not identifiable at that point	Issue of voucher	Redemption of voucher		Redemption of voucher



UNIT-III

DETERMINATION OF TAXABLE VALUE OF GOODS SUPPLIED: WITH PRACTICAL PROBLEMS

The value of taxable supply of goods and services shall ordinarily be 'the transaction value' which is the price paid or payable, when the parties are not related and price is the sole consideration.

According to Sec. 15 – The value of supply of goods or services or both shall be the transaction value, that is the price actually paid or payable for the said supply of goods or services or both where the supplier and the recipient of the supply are not related and the price is the sole consideration for the supply.

Thus, following are main requirements or transaction value'.

- (1) Price actually paid or payable.
- (2) Price is for the goods
- (3) It includes, in addition to the price charged, any amount the buyer is liable to pay to assesses in respect of the supply
- (4) It includes packing charges weighment, loading freight, insurance, incidental expenses Supplies incurred before supply or any other amount payable by buyer to the manufacture.
- (5) It does not include GST but includes other taxes.
- (6) The transaction value will not be applicable for the purpose of payment of duty if the recipient and supplier are related.
- (7) If the goods are supplier to related person or valuation will be done on the basis of rules as may be prescribed.

Example of Transaction Value — Suppose a T.V. manufacturing company supply a specific model of T.V.. to dealers at the invoice price Rs. 8,000. –Apart from this the manufacturer also charged Rs. 400 for packing' and Rs. 600 for after sales service of the product. In this case the transaction value shall be Rs. 8,000 + 400 + 600 = 9,000 for determination of Taxable Value.

INCLUSIONS OF TRANSACTION VALUE

The following items will be included in transaction value for finding out taxable value, if the items are not included in transaction value or invoice price separately charged.

(1) Packing charges

Cost of normal packing will be covered, as in most cases; it is in connection with or in respect of supply. Packing supplied by recipient should be included, just like cost of any other material supplied.

Sometimes goods are packed in durable and returnable containers e.g. cooking gas packed in cylinders, cold drinks packed in bottles etc. As we know the gas cylinder or bottle of cold drink is returned to the manufacturer for refilling 'Returnable' means it should be normally returnable as per agreement or understanding between buyer and seller. Mere physical capability of returning is not enough. Manufacturer often takes security deposit from buyer to ensure return of the container. However, these are not sold to the buyer. deposit is forfeited if the container is not returned.

Cost of such durable and returnable packing will not be included. Supply of such container may be in 'relation' to supply. However, the relation is only Remote and indirect. There is no supply of container. It is transaction of bailment.' There is no direct 'connection' between supply of durable and returnable containers and the sale. So, in some cases, goods are packed in returnable packing, like gas cylinder, drums etc. In such case, tax is payable only on consideration received for the supply.

Thus, it is not required to add amortised cost of durable and returnable packing.



(2) Taxes Other than GST

Any taxes duties, fees and charges levied under any statute other than the GST Act.

Act. are includible in value, if charged separately.

but CGST, SGST, IGST and UTGST are not included.

Thus, SCS and CGST will be payable on net value only.

'Value' for GST will not include ISGT, CGST, SGST and GST Compensation Cess. However, other taxes (like entertainment tax or some other cess) will be includable if charged separately in invoice.

(3) Amount paid by recipient on behalf of supplier

Any amount that the supplier is liable to pay in relation to such supply but which has been incurred by the recipient of the supply and not included in the price actually paid or payable for the goods or services or both is included in value.

(4) Incidental expenses

Incidental expenses, such as commission and packing, charged by the supplier to the recipient of a supply, including any amount charged for anything done by the supplier in respect of the supply of goods and/or services at the time of or before delivery of the goods or as the case may be supply of services.

Expenses like weightment, loading in factory, inspection, testing before supply will be includible in 'value'. Design charges incurred before supply will also

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

Interest or late fee or penalty for delayed payment of any consideration for any supply is includible in value.

(6) Outward freight, packing and other charges in tax invoice

In case of FOR basis contracts, the supplier arranges transport. In that case, he pays GST under reverse charge on outward freight. He then charges outward freight in the tax invoice. In such case, the outward freight charged is part of value of goods and GST is payable on value including outward freight. Similarly, packing charge, weightment charges and other charges are includible in value for levy GST. The GST rate is same as applicable to goods, as this is a composite supply.

(7) Subsidies directly linked in supply

Subsidies directly linked to the price excluding subsidies provided by the Central and State Governments are includible in 'Value' for charge of GST. Explanation. The amount of subsidy shall be included in the value of supply of the supplier who receives subsidy.

(I) Installation charges

If supplier takes responsibility for installation erection of machinery or plant/at site of recipient and charged for it, such amount shall be part of value if such installation fees charged separately it will be added to transaction value.

(II) Design and Engineering charges

Design and Engineering Charges are essential for purpose of manufacture and hence have to be included in value.

(III) Compulsory after Sales Service/service in warranty period is included

The heads 'servicing' and 'warranty' have been specifically included in definition of payments included in 'transaction value'

Manufactures often give free after sale service during warranty period. Though these are called 'free services', cost of such services is already included in the price of product, promise for provision of after sale service certainly increases its marketability, it is in connection with sale and its cost is included



Exclusion from Transaction Value

The following items shall be excluded from transaction value while find out taxable value of supply –

(1) Discount or incentive given after supply

The value of the supply shall not include any discount that is given:

(a) Before or at the time of the supply provided such discount has been duly recorded in the invoice issued in respect of such supply; and

(b) After the supply has been effected, provided that (i) such discount is established in terms of an agreement entered into at or before the time of such supply and specifically linked to relevant invoices; and (ii) input tax credit as is attributable to the discount has been reversed by the recipient of the supply.

Thus, discount after supply is permissible as deduction only if it was known before or at the time of supply

(2) When value is inclusive of GST

Legally, GST is to be indicated separately in tax invoice. However, provision has been made for situations where GST is not shown separately in tax invoice.

If value of supply is inclusive IGST, CGST SGST or UTGST, the tax payable will be calculated by back calculations as follows —

Tax amount = [Value inclusive of tax + Tax rate in %] / 100 + sum of applicable tax rates in %

Note that the provision applies only the value of supply included GST. The rule does not say that the value is deemed to be inclusive of GST.

For example, when GST is payable under reverse charge, the amount charged by supplier goods or services cannot be taken as inclusive of GST.

Computation of Taxable Value of Supply by Manufacturer : Chart

Transaction value or invoice price of Goods		
Add: Following items if these are not included in transaction Value		
(1) Taxes other than GST Except GST any tax duty cess, charge which are paid by recipient to supplier are incurred on behalf of supplier		
(2) Packing Charge Any type of packing e.g. primary packing. Secondary packing, transport packing. Returnable packing shall not be included.		
(3) Other cost and expenses related to supply Design and Engineering Charges, Consultancy fees, Testing fees, Inspection fees etc.		
(4) Loading Wieghment charges etc. Loading charges, weighment charges, handling charges etc.		
(5) Freight and transit insurance Outward freight and insurance		
(6) After sales service Value of free after sales service in warranty period		
(7) Installation charges Machine plant or any structure installation charges at the site of recipient		



(8) Expenses by recipient on behalf of supplier Expenditure by recipient on behalf of supplier (9) Interest, penalty for delayed payment Interest, late fees or penalty for delayed payment (10) Subsidy or incentive Subsidy directly linked to supply other than Government subsidy Less : : The following Discount before or at the time or after supply shown in invoice (Trade Discount, Cash Discount or Quantity Discount) Taxable value of supply		
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Calculation of GST Payable on Taxable Supply

	Value of Taxable		
	(as per calculation)		
	(GST Payable) effective rate 5%, 12%, 18% or 28%		
a)	In case of Intra-State Supply		
(i)	CGST 50% of rate applicable i.e. In case of 5%		
	(2.5%). 12% (6%), 18% (9%), 28% (14%)		
(ii)	SCST 50% of rate applicable		
	i.e. 2.5%. 6%, 9%, 14%.		
	Or		
b)	Inter State supply		
	Full rate 5%. 12%, 18%. 28%		
	Total GST Payable		
Less	: Input Tax Credit		
	on Inward Supply		
	Tax paid on purchase i.e.		
	Total GST Payable		

Note : If transaction value included GST then the following formula shall be applied

$$\frac{\text{Taxable value} * \text{Rate of GST}}{\text{Rate of GST} + 100}$$



PREPARATION OF TAX INVOICE

Tax invoice is an important document regarding supply of taxable goods or service or both. A registered person is required to issue tax invoice regarding supply and tax thereon.

PROVISIONS RELATING TO TAX INVOICE - SEC. 31 TO 34

Provisions relating to tax invoice, Bill of supply Receipt voucher, Refund voucher, Credit note - Debit note Delivery challan are given under Sec. 31 to 34 in GST Act, Besides Rule 46 to 55 are also should be kept in view in this respect.

Detailed discussion regarding above documents are given below accordingly relevant Provisions and Rules —

TAX INVOICE - SEC. 31

Invoice or Tax invoice means the tax invoice which is issued by the supplier on supply of goods or services or both. Taxable Value of supply and tax charged are shown in the tax invoice.

Supplier may be classified in to categories (a) Supplier of Goods (b) Supplier of services. Provisions relating to issue invoice in case of goods and in case of services are as under —

TAX INVOICE IN RESPECT OF GOODS

The provisions relating to tax invoice are as under —

1. Supplier of goods to issue a tax invoice - Section 31(1) A registered person supplying taxable goods shall issue a tax invoice showing —
 - (i) the description,
 - (ii) quantity and value of goods,
 - (iii) the tax charged thereon, and
 - (iv) such other particulars as may be prescribed.
2. Time limit for issuance of invoice in case of supplier of goods-Section 31(1) : A registered person supplying taxable goods shall issue invoice before or at the time of —
 - (a) Removal of goods for supply to the recipient, where the supply involves movement of goods or
 - (b) delivery of goods or making available thereof to the recipient, in any other case.
- (3) Issuance of invoice in case of continuous supply of goods -Section 31(4) : In case of continuous supply of goods, where successive statements of accounts or successive payments are involved, the invoice shall be issued before or at the time each such statement is issued or, as the case may be, each such payment is received.
- (4) Goods sent on approval Section 31(7) : Where the goods being sent or taken on approval for sale or return are removed before the supply takes place, the invoice shall be issued —
 - (a) Before or at the time of supply, or
 - (b) 6 months from the date of removal, whichever is earlier?

TAX INVOICE IN RESPECT OF SERVICES

The provisions relating to tax invoice in respect of supplier of services are as under -

1. **Supplier of taxable services to issue tax invoice within prescribed time - Section 31(2) :**
 - (i) A registered person supplying taxable services shall, before, or
 - (ii) After the provision of service but within a prescribed period, issue a tax invoice, showing —



2. Time limit for issuing tax invoice [Rule 47]:

Taxable supply of services — Time limit - 30 days from the date of supply of service :

The invoice in the case of the taxable supply of services, shall be issued within a period of 30 days from the date of the supply of service.

Where the supplier of services is an insurer or a banking company or a financial institution, including a non-banking financial company, the period within which the invoice or any document in lieu thereof is to be issued shall be 45 days from the date of the supply of service.

3. Issuance of invoice in case of continuous supply of services -Section 31(5)

In case of continuous supply of services —

- (a) where the due date of payment is ascertainable from the contract the invoice shall be issued on or before the due date of payment.
- (b) where the due date of payment is not ascertainable from the contract the invoice shall be issued before or at the time when the supplier or service receives the payment.
- (C) Where the payment is linked to the completion of an event the invoice shall be issued on or before the date of completion of that event.

REVISED TAX INVOICE AND CREDIT OR DEBIT NOTES: SEC. 34

The relevant provision regarding credit and debit note are discussed as under-

CREDIT NOTE:

-Provisions regarding credit note are follows -

Issuance of Credit Note - Section 34(1)

Where a tax invoice has been issued for supply of any goods or services-or both and the (a) taxable value or tax charged in that tax invoice is found to exceed the taxable value or tax payable in respect of such supply, or (b) where the goods supplied are returned by the recipient, or (c) where goods or services or both supplied are found to be deficient.

The registered- person, who has supplied such goods or services or both, may issue to the recipient a credit note containing such particulars as may be prescribed.

(2) Details of credit note to be given in return

Any registered person who issues a credit note in relation to a supply of goods or services or both shall declare the details of such credit note —

- (a) in the return for the month during which such credit note has been issued but not later than September following the end of the financial year in which such supply was made, or
- (b) the date of furnishing of the relevant annual return,

Whichever is earlier, and the tax liability shall be adjusted in such manner as may be prescribed.

(3) Output tax liability of the supplier not to be reduced - if tax incidence passed on:

No reduction in output tax liability of the supplier shall be permitted, if the incidence of tax and interest on such supply has been passed on to any other person.



(4) Particulars in revised tax invoice, credit notes and debit notes:

A revised tax invoice and credit or debit notes shall contain the following particulars, namely:

- (a) The word "Revised Invoice", wherever applicable, indicated prominently;
- (b) Name, address and GSTIN of the supplier;
- (c) Nature of the document;
- (d) a consecutive serial number not exceeding sixteen characters, in one or multiple series, containing alphabets or numerals or special characters hyphen or dash and slash symbolized as and "/" respectively, and any combination thereof, unique for a financial year;
- (e) Date of issue of the document;
- (f) Name, address and GSTIN or UIN, if registered, of the recipient;
- (g) Name and address of the recipient and the address of delivery, along with the name of State and its code, if such recipient is unregistered;
- (h) Serial number and date of the corresponding tax invoice or, as the case may be, bill of supply;
- (i) value of taxable supply of goods or services, rate of tax and the amount of the tax credited or, as the case may be, debited to the recipient; and
- (j) Signature or digital signature of the supplier or his authorized representative.

DEBIT NOTE:

(1) Issuance of Debit note [Section 34(3)]

Where a tax invoice has been issued for supply of any goods or services or both and

- (a) The taxable value or tax charged in that tax invoice is found to be less than the taxable value or tax payable in respect of such supply,
- (b) The registered person, who has supplied such goods or services or both,
- (c) Shall issue to the recipient a debit note containing such particulars as may be prescribed.

(2) Details of debit note to be given in return

Any registered person who issues a debit note in relation to a supply of goods or services or both shall declare the details of such debit note in the return for the month during which such debit note has been issued and the tax liability shall be adjusted in such manner as may be prescribed.

ELECTRONIC WAY BILL

Inspection of goods in movement [Section 68]: The relevant provisions are discussed as under —

(1) Carrying of e-way bill [Section 68(1)]

The Government may require the person in charge of a conveyance carrying any consignment of goods of value exceeding such amount as may be specified to carry with him such documents and such devices as may be prescribed.

(2) Validation of e-way bill [Section 68(2)]

The details of documents required to be carried under section 68(1) shall be validated in such manner as may be prescribed.

(3) Transit check of e-way bill [Section 68(3)]

Where any conveyance referred to in Section 68(1) is intercepted by the proper officer at any place, he may require the person in charge of the said conveyance to produce the documents prescribed under the said sub-section and devices for verification, and the said person shall be liable to produce the documents and devices and also allow the inspection of goods.

Till such time as an E-way bill system is developed and approved by the Council, the Government may, by notification, specify the documents that the person in charge of a conveyance carrying any consignment of goods shall carry while the goods are in movement or in transit storage.



UNIT-IV

COMPOSITION LEVY

Composition levy is a scheme for small and medium tax payers to tax paying under GST. Very small taxable persons whose total turnover is less than Rs. 20 lakh are not required to register under GST (The limit is 10 lakh I case of special states)

However, **Supplier whose turnover between Rs. 20 lakh to 1 crore is required to pay GST. Suppliers of this category are small and medium range tax payers. Under GST a simple tax paying scheme known as 'Composition levy' is provided for such medium tax payers.**

GST requires heavy compliance cost due to detailed accounting and paper work involved.

Small taxable persons do not have sufficient knowledge and expertise to comply with the requirements relating to records and accounts.

Hence, for them, a simplified composition scheme has been provided; vide section 10 of CGST Act.

MEANING AND CONCEPT OF COMPOSITION SCHEME

Small taxpayers with Rs. 1 crore (50 lakh in case of N.E. States) shall be eligible for composition levy. Under the scheme, a taxpayer shall pay tax as a percentage of his turnover in a state during the year without the benefit of Input Tax Credit. The floor rate of tax for CGST and SGST/UTGST shall be-

(a) 1% for supplier of goods as trader or distributor.

(b) 2% for manufacturers.

(c) 5% for restaurant services.

A composition supplier is required to file quarterly returns instead of monthly return.



FORMS AND RETURNS UNDER COMPOSITION LEVY

Form No.	Particulars	Time Frame
GST CMP-01	Intimation to pay tax u/s 10	Prior to the appointed day, but not later than 30 days after the said day.
GST REG-01-Part B	Granting option to pay tax u/s 10	N. A.
GST CMP-02	Declaration to pay tax u/s 10	Prior to the commencement of the financial year.
GST CMP-03	Intimation of details of stock on date of opting for composition levy.	Within 60 days of the date from which the option for composition levy is exercised
GST CMP-04	Application for withdrawal from Composition levy	Compulsory : Within 7 days of cessation to satisfy any of the condition mentioned under section 10. Voluntarily : Before the date of such withdrawal.
Form GSTR-4A	Auto populated details on inward supplies made available to the recipient registered-under compositor scheme on the basic of FORM GSTR-1 furnished by the supplier.	Quarterly
Form GSTR-4	All outward supplies of goods and services including auto populated details from Form GSTR-4A and tax payable details. Details of any additions, modification, or deletions in form GSTR-4A should also be submitted in Form GSTR-4.	Quarterly 18 th of month succeeding the quarter
Form GSTR-9A	Consolidated details of quarterly returns filed along with tax payment details.	31 st December of next financial year.



UNIT-V

INPUT TAX CREDIT

Input Tax Credit (ITC) is the core concept of GST. ITC avoids cascading effects of taxes and ensures that tax is collected in the State in which goods or services or both are consumed.

A registered person is entitled to take credit of input tax charged on supply of goods or services or both to him which are used or intended to be used in the course or furtherance of business, subject to other conditions and restrictions. Input Tax Credit is deducted against tax payable on goods or services supplied.

PROVISIONS OUTPUT RELATING TO INPUT TAX CREDIT-SECTION 16 TO 19

Provisions regarding Input Tax Credit are given under section 16 to 19 of GST Act. Rules 36 to 45 are applicable in this regard, detailed discussion is given below.

MEANING OF INPUT TAX CREDIT

"Input Tax Credit" means credit of 'Input Tax' – Section 2(56) of CGST Act.

Input Tax Credit is related to Input Tax, therefore the meaning of Input Tax i.e. tax paid by supplier in respect of goods purchased or services obtained from registered person.

Input Tax Credit is available for inputs and capital goods both. **When a registered person purchased goods or inputs for resupply, he pays tax on such goods and services obtained. In this case he is entitled to get input tax credit against tax payable on goods or services are both.** Tax paid by him shall be deducted against output tax and net amount shall be deposited.

MAIN FEATURES OF INPUT TAX CREDIT

Input Tax Credit is special factor of GST. Its salient features or main points are as follows-

- | | |
|--|---|
| 1. ITC available for Input Tax | 8. Composition every Levy not allowed |
| 2. Eligible items for ITC | 9. Claim of ITC on provisional basis |
| 3. Only registered person eligible to take ITC | 10. Inputs or capital goods received in installments |
| 4. Conditions necessary for obtaining ITC? | 11. Utilization of ITC-For payment of output tax |
| 5. Time limit for taking ITC | 12. Burden of proof-Person taking the credit |
| 6. Is credit of tax paid every input generally allowed | 13. Input tax credit only after supplier makes payment of GST |
| 7. Input tax Credit is not allowable | 14. Taking input tax credit in respect of inputs sent for job work. |

Chapter -16

PROVISIONS REGARDING JOB WORK

Job work means undertaking any treatment or process by a person on goods belonging to another registered taxable person. The person who is treating or processing the goods belonging to other person is called 'Job Worker' and the person to whom the goods belongs is called 'Principal'.

MAIN PROVISIONS RELATING TO JOB WORK

1) Good sent to a job worker will be treated as supply

It will be treated as a supply as supply includes all forms of supply such as sale, transfer, etc. However, the registered taxable person (the principal), under intimation and subject to such conditions as may be prescribed send any inputs and/or capital goods, without payment of tax,



to a job worker for job work and from there subsequently to another job worker(s) and shall either bring back such inputs/capital goods after completion of job work or otherwise within 1 year/3 years of their being sent out or supply such inputs/capital goods after completion of job work or otherwise within 1 year / 3 years of their being sent out, from the place of business of a job worker on payment of tax within India or with or without payment of tax for export.

2) Job worker required to take registration

Job work is a service, the job worker would be required to obtain registration if his aggregate turnover exceeds the prescribed threshold.

3) Applicability of provisions of job work

The provisions relating to job work are applicable only when registered taxable person intends to send taxable goods. In other words, these provisions are not applicable to exempted or non-taxable goods or when the sender is a person other than registered taxable person.

4) Job work provisions should be followed

The principal can send the inputs or capital goods after payment of GST without following the special procedure. In such a case, the job worker would take the input tax credit and supply back the processed goods (after completion of job work) on payment of GS

5) Location of job worker and principal

This is not necessary as provisions relating to job work have been adopted in the IGST Act as well as in UTGST Act and therefore job worker and principal can be located either in same State or in same Union worker and principal can be located either in same State or in same Union Territory or in different States or Union Territories.

6) Maintenance or proper accounts related to job work

It is completely the responsibility of the principal to maintain proper account of job work related inputs and capital goods.

7) Inputs and capital goods sending directly to the premises of job worker

The principal is allowed to do so. The input tax credit of tax paid on inputs or capital goods can also be availed by the principal in such a scenario. The inputs or capital goods must be received back within one year or three years respectively failing which the original transaction would be treated as supply and the principal would be liable to pay tax accordingly.

8) Circumstances can the principal supply goods directly from the / premises of job worker

The goods can be supplied directly from the place of business of job worker without declaring it as additional place of business in two circumstances namely where the job worker is a registered taxable person or where the principal is engaged in supply of such goods as may be notified by the Commissioner.

9) Goods of principal directly supplied from the job worker's premises

It will be included in the aggregate turnover of the principal. However, the value of goods or services used by the job worker for carrying out the job work will be included in the value of services supplied by the job worker.

10) Treatment of the waste and scrap generated during the job work

The waste and scrap generated during the job work can be supplied by the job worker directly from his place of business, on payment of tax, if he is registered. If he is not registered, the same would be supplied by the principal on payment of tax.

11) ITC in respect of inputs/capital goods sent to a job worker

Principal shall be entitled to take credit of taxes paid on inputs or capital goods sent to a job worker whether sent after receiving them at his place of business or even when such the inputs or capital goods are directly sent to a job worker without their being first brought to his place of business. However, the inputs or capital goods, after completion of job work, are required to be received back or supplied from job worker's premises, as the case may be, within a period of one year or three years of their being sent out.



12) When the inputs or capital goods are not received back or supplied from the place of business of job worker within prescribed time period

If the inputs or capital goods are not received back by the principal or are not supplied from the place of business of job worker within the prescribed time limit, it would be deemed that such inputs or capital goods had been supplied by the principal to the job worker on the day when the said inputs or capital goods were sent out by the /principal (or on the date of receipt by the job worker where the inputs or capital goods were sent directly to the place of business of job worker). Thus the principal would be liable to pay tax accordingly.

13) Treatment jigs and fixtures are non-usable after their use and normally sold as scrap. What is the treatment of such items in job work provisions?

The condition of bringing back capital goods within three years is not applicable to moulds, dies, jigs and fixtures or tools.

The term inputs, for the purpose of job work, includes intermediate goods arising from any treatment or process carried out on the inputs by the principal or job worker.

Chapter -17

TAX LIABILITY UNDER REVERSE CHARGE

MEANING OF REVERSE CHARGE

Normally, GST is payable by 'taxable person' who is supplying goods and service. Taxable person means a person who is registered or liable to be registered requires every supplier of goods or services or both to register.

GST is payable by 'taxable person'. However, in some cases, GST is payable by person recipient of the goods or services or both. This is termed as 'reverse charge'.

'Reverse charge' means the liability to pay tax by the person receiving goods services or both instead of the supplier of such goods and/or services.

General provisions applicable where reverse charge applies

Though person receiving the goods or services is liable to pay GST and IGST, he is not supplier of those goods and services. He is only discharging liability, which is of supplier of goods and services.

Hence, some specific provisions have been made, which are summarised below.' These are discussed at appropriate places.

1. **Aggregate turnover** - 'Aggregate turnover' does not include value of supplies in which' tax is levied under reverse charge.
2. **Output tax**- "Output tax" excludes tax payable by him on reverse charge basis.
3. **Time of supply of goods** - Separate provisions relating to supply of goods where tax is payable on reverse charge basis.
4. **Time of supply of service** - Separate provisions relating to supply of services where tax is payable on reverse charge basis.
5. **Furnishing details of inward supplies** - Every person liable to pay service tax under reverse charge is required to furnish details of inward supplies.
6. **Liability to be registered** - Persons who are required to pay tax under reverse charge are required to be registered, irrespective of the threshold limit specified.

Tax under, reverse charge to be paid through electronic cash register only

When GST is payable under reverse charge, it should be paid by cash i.e. through Electronic Cash Ledger only the GST under reverse charge cannot be paid by utilizing input tax credit i.e. it cannot be paid by utilising Electronic Credit Ledger.

**Input Tax Credit only after payment is made**

Supply on which GST paid is actually the input service of recipient. Hence, he can avail its input tax credit. He can avail the ITC on such services (On which he is liable to pay GST under reverse charge) only after making payment of that tax in his electronic cash ledger.

Reverse charge in case of receipt of supply from unregistered person (not applicable up to 31.3.18)

In case of receipt of supply of goods or services or both by a registered person from unregistered supplier, IGST/CGST will be payable by the recipient.

This will also apply to registered persons paying GST under composition scheme.

The provision will apply even to small value supplies also like tea from tea vendor, repair services of petty contractors, stationery items, petty purchases etc., if such total supplies exceed 5,000 per day.

Persons providing services where service recipient is liable to pay GST under reverse charge need not register under GST

Persons who are making supplies of taxable goods or services or both, where total tax is payable on recipient of goods or services are exempt from registration.

Person not liable to register is not required to pay GST under reverse charge

Following persons are not required to register under GST :

- (a) Person engaged exclusively in supplying goods or services which are not liable to tax or are wholly exempted
- (b) Agriculturist.

It is clear that only a registered person is liable to pay tax. Thus, a person who is not required to register is not required to pay GST under reverse charge.

Supply of goods where GST payable under reverse charge

In case of supply of goods - following are under reverse charge -

- (a) cashew nuts, bidi wrapper leaves, tobacco leaves and silk yarn supplied by agriculturist - registered person receiving goods will be liable
- (b) In case of supply of lottery by State Government, lottery distributor or selling agent is liable.

GOODS LIABLE TO BE TAXED ON REVERSE CHARGE BASIS

The Central Government has specified the supply of following goods in respect of which the central tax shall be paid on reverse charge basis by the recipient of the intra-State supply of such goods and all the provisions of the said A shall apply to such recipient, namely:

GOODS : TABLE - I

S. No.	Description of supply of goods	Supplier of goods	Recipient of supply
1	Cashew nuts, not shelled or peeled	Agriculturist	Any registered person
2	Bidi wrapper leaves (tendu)	Agriculturist	Any registered person
3	Tobacco leaves	Agriculturist	Any registered person
4	Silk yarn	Any person who manufactures silk yarn from raw silk or silk Cocoons for supply of silk yarn.	Any registered person



5	Supply of lottery	State Government, Union Territory or any local authority	Lottery distributor or selling agent.
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SERVICES, UNDER REVERSE CHARGE TABLE - II

List out categories of services on which tax will be payable under reverse charge mechanism under CGST Act, 2017.

1. Any service supplied by any person who is located in a non-taxable territory to any person (other than non-taxable online recipient (This is import of service)	Any person located in the taxable territory (other than non-taxable online recipient).
2. Supply of Services by a goods transport agency (GTA) in respect of transportation of goods by road to- (a) any factory registered under or governed by the Factories Act, or (b) any society registered (c) any co-operative society established by, or under any law: or (d) any person registered under the any GST Act (e) any body corporate established, by or under any law (f) any partnership firm whether registered or not under any law including association of persons; or (g) any casual taxable person	The recipient is liable if he is located in taxable territory.
3. Services supplied by an individual advocate including a senior advocate by way of representational services before any court, tribunal or authority, directly or indirectly, to any business entity located in the taxable territory, including where contract for provision of such service has been entered through another advocate or a firm of advocates, or by a firm of advocates, by way of legal services, to a business entity.	Any business entity located in the taxable territory
4. Services supplied by an arbitral tribunal to a business entity.	Any business entity located in the taxable territory.
5. Services provided by any person way of sponsorship to any body corporate or partnership firm	Any body corporate or partnership firm located in the taxable territory



6. Services supplied by the Central Government, State Government, Union territory or local authority to a business entity excluding - (1) renting of immovable property, and (2) services specified below- (i) services by the Department of Posts by way of speed post, express parcel post, life insurance, and agency services provided to a person other than (ii) Central Government, State Government or Union territory or local authority (iii) Services in relation to an aircraft or a vessel, inside or outside the precincts of a port or an airport (iv) Transport of goods or passengers.	Any business entity located in the taxable territory [These services provided to business entity whose aggregate turnover is upto ₹ 25 lakh are exempt. These services are also exempt if reverse charge will not apply.
7. Services supplied by a director of a company or a body corporate to the said company or the body corporate.	The company or a body corporate located in the taxable territory
8. Services supplied by an insurance agent to any person carrying on insurance business.	Any person carrying on insurance business located in the taxable territory.
9. Services supplied by a recovery agent to a banking company or a financial institution or a non-banking financial company.	A banking company or a financial institution or a non-banking financial company located in the taxable territory.
10. Services supplied by a person located in non-taxable territory by way of transportation of goods by a vessel from a place outside India up to the customs station of clearance in India.	Importer
11. Supply of services by an author, music composer, photographer, artist or the like by way of transfer or permitting the use or enjoyment of a copyright relating to original literary, dramatic, musical or artistic works to a publisher; music company, producer or the like	Publisher, music company, producer or the like, located in the taxable territory.