



GOODS & SERVICE TAX (GST)

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Preface

The idea of moving towards GST was first mooted by the then Union Finance Minister in his Budget speech for 2006-07. Initially, it was proposed that GST would be introduced from 1st April 2010. The Empowered Committee of State Finance Ministers (EC) which had formulated the design of State VAT was requested to come up with a roadmap and structure for GST. Joint Working Groups of officials having representatives of the States as well as the Centre were set up to examine various aspects of GST and draw up reports specifically on exemptions and thresholds, taxation of services and taxation of inter-State supplies. Based on discussions within and between it and the Central Government, the EC released its First Discussion Paper (FDP) on the GST in November, 2009. This spelt out features of the proposed GST and has formed the basis for discussion between the Centre and the States so far.

The introduction of the Goods and Services Tax (GST) is 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, GST will mitigate ill effects of cascading or double taxation in a major way and pave the way for a common national market. From the consumers point of view, the biggest advantage would be in terms of reduction in the overall tax burden on goods, which is currently estimated to be around 25%-30%. It would also imply that the actual burden of indirect taxes on goods and services would be much more transparent to the consumer. Introduction of GST would also make Indian products competitive in the domestic and international markets owing to the full neutralization of input taxes across the value chain of production and distribution. Studies show that this would have a boosting impact on economic growth. Last but not the least, this tax, because of its transparent and self-policing character, would be easier to administer. It would also encourage a shift from the informal to formal economy. The government proposes to introduce GST with effect from 1st July 2017.

GST and Centre-State Financial Relations

Earlier, fiscal powers between the Centre and the States are clearly demarcated in the Constitution with almost no overlap between the respective domains. The Centre had the powers to levy tax on the manufacture of goods (except alcoholic liquor for human consumption, opium, narcotics etc.) while the States have the powers to levy tax on sale of goods. In case of inter-states sales, the Centre has the powers to levy a tax (the Central Sales Tax) but, the tax is collected and retained entirely by the originating States. As for services, it was the Centre alone that is empowered to levy Service Tax. Since the States were not empowered to levy any tax on the sale or purchase of goods in the course of their importation into or exportations from India, the Centre levies and collects this tax in addition to the Basic Customs Duty. This additional duty of customs (commonly known as CVD and SAD) counterbalance excise duty, sales tax, State VAT and other taxes levied on the like domestic product. Introduction of GST required amendments in the Constitution so as to empower the Centre and the States concurrently to levy and collect GST.

The assignment of concurrent jurisdiction to the Centre and the States for the levy of GST required a unique institutional mechanism that would ensure that decisions about the structure, design and operation of GST are taken jointly by the two. To address all these and other issues, the Constitution (122nd Amendment) Bill was introduced in the 16th Lok Sabha on 19.12.2014. The Bill provides for a levy of GST on supply of all goods or services except alcohol for human consumption. The tax shall be levied as Dual GST separately, but concurrently the Union (CGST) and the States (SGST). The Parliament would have exclusive power to levy GST (IGST) on inter state trade or

commerce (including imports) in goods and services. The Central Government will have the power to levy excise duty in addition to GST, on tobacco and tobacco products.

The constitution Amendment Bill was passed by the Lok Sabha in May, 2015. The Bill with certain amendments was finally passed in the Rajya Sabha and thereafter by the Lok Sabha in August, 2016. Further, the Bill has been ratified by the required number of States and has since received the assent of the President on 8th September, 2016 and has been enacted as the 101st Constitution Amendment Act, 2016. The GST Council has also been notified w.e.f. 12th September, 2016. GST Council is being assisted by a Secretariat.

The Goods and Service Tax Council (hereinafter referred to as, “GSTC”) comprises of the Union Finance Minister, the Minister of State (Revenue) and the State Finance Ministers to recommend on the GST rate, exemption and thresholds, taxes to be subsumed and other matters. One-half of the total number of members of GSTC form quorum in meetings of GSTC. Decision in GSTC are taken by a majority of not less than three-fourth of weighted votes cast. Centre has one-third weightage of the total votes cast and all the states taken together have two-third of weightage of the total votes cast.

All decisions taken by the GST Council has been arrived at through consensus. The option of exercising a vote has not been resorted to till date.

To ensure smooth roll-out of the GST, various Committees and Sectoral groups has been formed comprising of members from both Centre and States.

With effect from 1st July 2017 Goods and Services Act has been implemented. There are five acts as under:

1. Integrated Good and Services Tax Act 2017.
2. Central Goods and Services Tax Act 2017.
3. State Goods and Services Tax Act 2017.
4. Union Territory Goods and services Tax Act 2017
5. The Goods and Services Tax (Compensation to States) Act 2017.

Further there are 31 State Goods and Services Tax Act 2017 for all states but all the Acts are in harmonization with Central Goods and Services Tax Act 2017.

1. Salient features of GST

The salient features of GST are as under:

- 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.
- GST is based on the principle of destination-based consumption taxation as against the present principle of origin-based taxation.
- It is a dual GST with the Centre and the States simultaneously levying tax on a common base. GST to be levied by the Centre would be called Central GST(CGST) and that to be levied by the States would be called State GST (SGST).
- An Integrated GST (IGST) would be levied an 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.
- 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.
- 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 five rates viz. 3%, 5%, 12%, 18% and 28%. The schedule or list of items that would fall under each of these slabs has been worked out. 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.
- 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)
 - Special Additional Duty of Customs (SAD)
 - Service Tax
 - Cess and surcharge in so far as they relate to supply of goods and services.
- State taxes that would be subsumed within the GST are:-
 - State VAT
 - Central Sates 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 cess and surcharges in so far as they relate to supply of goods and services.

- GST would apply on all goods and services except Alcohol for human consumption.
- GST on five specified petroleum products (Crude, Petrol, Diesel, ATF & Natural Gas) would be applicable from a date to be recommended by the GSTC.
- 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.
- A common threshold exemption would apply to both CGST and SGST. Tax payers with an annual turnover not exceeding Rs.20 lakh (Rs.10 Lakh for special category States) would be exempt from GST. For small taxpayers with an aggregate turnover in a financial year upto 1 Crores, 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.
- Exports would be zero-rated supplies. Thus, goods or services that are exported would not suffer input taxes or taxes on finished products.
- 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:-
 - ITC of CGST allowed for payment of CGST & IGST in that order;
 - ITC of SGST allowed for payment of SGST & IGST in that order;
 - ITC of IGST allowed for payment of IGST, CGST & SGST in that order.
- 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 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.
- The laws, regulations and procedures for levy and collection of CGST and SGST would be harmonized to the extent possible.
- The whole GST system is 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.

2. Scope of Supply

As per Section 7 of CGST Act, the term 'Supply' includes:

- All forms of supply including any sale, transfer, barter, exchange, license, rental, lease or disposal of goods or services or both
- The transaction is in the course or furtherance of business
- The transaction is for a consideration
- Import of services whether or not in the course or furtherance of business
- The transactions as specified in Schedule I even without consideration
- The transactions as specified in Schedule II

Activities which are not Supply of Goods or Services:

- Transactions as specified in Schedule III
- Transactions undertaken by Central, State Governments or any local authority

Note: Subject to the above provisions, the Government may, on the recommendations of the GST Council, specify, by notification, the transactions that are to be treated as –

- A supply of goods and not as a supply of services; or
- A supply of services and not as a supply of goods

As per Section 8 of CGST Act, the tax liability of Composite Supply or Mixed Supply shall be determined as per below:

- **Composite Supply** – Where a supply consists of two or more taxable supplies of goods or services or both, which are naturally bundled and supplied in conjunction with each other in the ordinary course of business. One of which is a main supply is considered as principal supply. The tax rate of principal supply will apply to other supplies also. Goods supplied along with transportation services. Goods are the principal supply.
- **Mixed Supply** – Where a supply consists of two or more individual taxable supplies of goods or services or any combination thereof, made in conjunction with each other for a single price and which is not a composite supply. The highest tax rate of any supply in the mixed supply will apply for all the supplies. Gift boxes consists different products having different rates.

3. Levy and Collection of Tax

Section 9 of CGST Act, 2017 deals with levy and collection of tax.

The section is divided into three parts:

- 1) First part (Normal charge or forward charge)
- 2) Second part (Reverse charge)
- 3) Third part (E-commerce operator)

First part (Normal charge or forward charge):

9(1) Subject to the provisions of sub-section (2), there shall be levied a tax called the Central Goods and Services Tax on all Intra-State Supplies of Goods or Services or Both, except on the supply of alcoholic liquor for human consumption, on the value determined under section 15 and at such rates, not exceeding twenty per cent., as may be notified by the Government on the recommendations of the Council and collected in such manner as may be prescribed and shall be paid by the Taxable Person.

9(2) The Central Tax on the Supply of petroleum crude, high speed diesel, motor spirit (commonly known as petrol), natural gas and aviation turbine fuel shall be levied with effect from such date as may be notified by the Government on the recommendations of the Council.

GST is a consumption-based tax i.e. the tax should be received by the state in which the goods or services are consumed and not by the state in which such goods are manufactured.

For example: Mr. A (in Haryana), supply any Goods to Mr. B (in Haryana), the tax should be received by the Haryana Govt. because Goods are going to be consumed in Haryana and in that case Mr. A will charge CGST + SGST from Mr. B.

Understanding of the words 'Subject to the provisions of sub-section (2)' According to Section 9(1) there shall be levied a tax called CGST on ALL inter-state supply that means ALL the goods and ALL the services are subject to tax but if you see the Section 9 subsection (1) starts with the wordings 'Subject to the provisions of sub-section (2)' and after reading Section 9 Subsection (2) you will get a list of goods i.e. Petroleum Crude, High Speed Diesel, Motor Spirit, Natural Gas & Aviation Turbine Fuel which are also subject to CGST but on a later date and this date will be notified by the Govt. on the recommendations of the council. Now it can be concluded that there shall be levied a tax called CGST on ALL inter-state supply with immediate effect as the Central Goods & Service Tax come in to force but in case of supply of Petroleum Crude, High Speed Diesel, Motor Spirit, Natural Gas & Aviation Turbine Fuel, CGST shall be levied from the date as Govt. will notify in this regard.

Understanding of words 'at such rates, not exceeding twenty per cent.' - We all of know GST rates has been announced on various Goods & Services. The maximum rate announced of GST is 28% (i.e. 14% CGST+14% SGST) but it can be increased up to 40% (i.e. 20% CGST + 20% SGST). As the Section 9(1) clearly says that 'at such rates, not exceeding twenty percent' that means CGST Rate can be increased max. up to 20%.

Understanding of words 'collected in such manner as may be prescribed' - The CGST shall be collected by the Central Government in the manner as prescribed and the manner is prescribed in GST – Payment of Taxes Rules, 2017.

Understanding of words 'shall be paid by the Taxable Person' - For payment of CGST, the word is used Taxable Person, not the supplier. It means the tax shall be paid by the taxable person not by the supplier. We will gradually see in the GST there will be many instances where tax is levied on a person other than supplier like in reverse charge the tax shall be paid by the recipient not by the supplier that means taxable person is Recipient in case of reverse charge not the supplier. There can be many examples that's why the words are used Taxable Person not the supplier.

'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;

'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 a separate consideration is charged;

Second part (Reverse charge):

Section 9(3) The Government may, on the recommendations of the Council, by notification, specify categories of supply of goods or services or both, the tax on which shall be paid on reverse charge basis by the recipient of such goods or services or both and all the provisions of this Act shall apply to such recipient as if he is the person liable for paying the tax in relation to the supply of such goods or services or both.

Reverse Charge on Goods under section 9(3) Service Provider Service Receiver GST to be paid by:

1. Goods Transport Agency Casual Taxable person, body corporate, partnership firm, any society, factory, any person registered under CGST, SGST, UTGST Act. Service recipient.
2. Recovery Agent Banking Company, NBFC or any financial institution. Service recipient.
3. A director of a company or a body corporate a company or a body corporate Service recipient.
4. An individual advocate or firm of advocates, an arbitral tribunal any business entity. Service recipient.
5. Taxi driver or Rent a cab operator (if service provided by e-commerce operator) Any person E-commerce Operator
6. An insurance agent Any person carrying on insurance business Service recipient.
7. Any person providing sponsorship services Anybody corporate or partnership firm. Service recipient.
8. A person located in non-taxable territory to a person located in non-taxable territory Importer Service recipient.

9. Author or music composer, photographer, artist, etc Publisher, Music company, Producer Service recipient.

10. Any person who is located in a non-taxable territory to any person located in the taxable territory other than non-assessee online recipient (Business Recipient) Service recipient.

Understanding of the words 'Reverse Charge': The basic fundamental of Indirect taxes is taxes are to be collected from the buyer or service recipient by the manufacturer, trader or service provider as the case may be, and deposit the same with concerned authority. Generally, supplier collects the taxes from the recipient and deposits the same after adjusting his output liability with input tax credits to the concerned authority. Under the reverse charge mechanism liability to pay tax on a particular supply is on the recipient of the supply.

Reading of Section 9(3), its self-made clear that only Notified Supplies of Goods or Services or both will attract reverse charge provisions under section 9(3). So far as almost twelve (12) Supplies of Services are listed under Reverse Charge Mechanism and list of Supply of Goods under reverse charge is yet to be notified. Supplies of Goods or Service other than notified services will not be covered under section 9(3).

Section 9(4) The central tax in respect of the supply of taxable goods or services or both by a supplier, who is not registered, to a registered person shall be paid by such person on reverse charge basis as the recipient and all the provisions of this Act shall apply to such recipient as if he is the person liable for paying the tax in relation to the supply of such goods or services or both.

After Reading Section 9(4), It is clear that in case of Registered Person who receives the supply from an unregistered Person would be liable to pay CGST under Reverse Charge Basis. But the supply should be a Taxable Supply; no reverse charge shall be applicable in case of Exempt Supply on Non-Taxable Supply. After reading the section 9(4) carefully you will see that is no any words 'Supply of Goods or Services or both notified by the Govt' it means all the supply of goods or services or both will be covered under section 9(4), in other words we can say all the supply will be under reverse charge u/s 9(4).

If a Registered person receives any supply from an unregistered person (whether notified by Govt. u/s 9(3) or not) will subject to reverse charge u/s 9(4). Provided that the total supply from unregistered person exceeds Rs 5,000 in a day, then reverse charge will be applicable. (Notification No.8/2017-Central Tax)

Example: Mr. X is not registered in GST as his aggregate turnover of taxable supplies is below threshold limit. Mr. Y is a registered dealer purchased goods from Mr. X In such case, Mr. Y could be required to pay tax under reverse charge on value of such goods Thus, Threshold exemption for not-obtaining registration given under Sec. 22(1) is only an administrative relief given to small business entities & it would not render the supplies made by them.

Note: GST reverse charge under section 9(4) is exempted till 30.09.2019 for goods purchased from unregistered dealers.

Third part (E-commerce operator):

Section 9(5) The Government may, on the recommendations of the Council, by notification, specify categories of services the tax on intra-State supplies of which shall be paid by the electronic commerce operator if such services are supplied through it, and all the provisions of this Act shall apply to such electronic commerce operator as if he is the supplier liable for paying the tax in relation to the supply of such services:

Proviso (1): No Physical presence of E-commerce operator (ECO) in the taxable territory. In such case, Representative liable to pay service tax

Proviso (2): If ECO has neither the physical presence nor any representative in the taxable territory. In such case, Person liable to pay tax is the person appointed by ECO for the purpose of paying the tax. It is important to note that this exception is carved out only in respect of supply of service through an ECO. It is not applicable/relevant to supply of goods by ECO.

4. Composition levy

The Composition levy scheme is a very simple, hassle free compliance scheme for small taxpayers. It is a voluntary and optional scheme.

Benefits of composition scheme

- Easy compliance as no elaborate accounts and records to be maintained
- Simple Quarterly Return
- Quarterly payment of tax

Provisions related to composition levy have been provided under section 10 of the Central GST Act, 2017 and Chapter 2 of the CGST Rules, 2017. Under this scheme, a registered taxable person, whose aggregate turnover does not exceed Rs. One Crores (Rs. 75 lakhs for special category States except J & K and Uttarakhand) in the financial year 2016-17 may opt for this scheme.

A taxpayer registered under composition levy scheme has to pay an amount equal to certain fixed percentage of his annual turnover as tax to the government. This tax has to be paid on quarterly basis. Such taxpayer does not have to maintain elaborate accounts and records and instead of two monthly statements and a return (which a normal taxpayer has to file under GST), he has to file a simple quarterly return in FORM GSTR-04. The time Limit for GSTR-4 for the quarter July to September, 2017 has been extended to 24th December, 2017 vide Notification No. 59/2017-CGST.

However, upon opting for this scheme, he cannot issue taxable invoice under GST law and can neither collect GST from his customers nor can claim Input Tax credit on his purchases

Method to calculate Aggregate Turnover:

Aggregate turnover is computed on all India basis for a person having same Permanent Account Number (PAN). It is sum of value of all outward supplies falling in the following four categories:

- Taxable supplies
- Exempt supplies
- Exports of goods or services or both
- Inter-state supplies,

but excludes

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

CBEC vide Order No. 01/2017-Central Tax dated 13th October, 2017 has clarified that a person supplying any exempt services including services by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount, shall not be ineligible for the composition scheme. In computing his aggregate turnover in order to determine his eligibility for composition scheme, value of supply of the exempt services including services by way of extending deposits, loans or advances shall not be taken into account.

Registration and intimation under the scheme:

Registration under GST law is compulsory for opting for the Composition scheme. A person who is registered under existing laws and has obtained a provisional registration under GST has to file an electronic intimation in the FORM GST CMP-01 on the common portal (www.gstn.gov.in). He can file this intimation either before the appointed day (i.e. day on which GST came into force 01/07/2017) or within 30 days (or as extended by the commissioner) of the appointed day (01/07/2017), (which was later extended up to 16/08/2017).

If he intimates after the appointed day, he shall not collect GST and issue bill of supply from the appointed day. Further such person has to furnish a statement containing details of stock including the inward supply of goods received from unregistered persons, held by him on the day preceding the date from which he opts for the scheme, in FORM GST CMP-03, within 60 days (or as extended by the commissioner) of the date from which the option for composition levy is exercised. As per Order No. 11/2017-GST dated 21.12.2017, the period for intimation of details of stock in FORM GST CMP-03 is extended till 31st January, 2018. A person who is not registered under existing law but applies for fresh registration under Rule 8 of the CGST Rules, 2017 may opt for the scheme by providing necessary information under part B of FORM GST REG-01.

Any registered person who wants to opt for composition levy has to file an electronic intimation in the FORM GST CMP-02 prior to the commencement of financial year for which the option to pay tax under composition levy is exercised and also has to furnish a statement in FORM GST ITC-03 in accordance with the sub rule (4) of Rule 44 of CGST Rules, 2017, within 90 days from the commencement of the relevant financial year.

A person having a single PAN and registered in more than one State under GST can opt for the scheme, provided he meets all the conditions of the scheme, only if all such registered persons opt for the Composition scheme. A registered person cannot choose to opt for the Composition scheme in one state and not in other states. Further, an intimation for withdrawal from the scheme; or denial of the scheme with respect to any one registered person under the same PAN will be applicable for all such registered persons.

Effective Date for composition levy: Effective date for the taxpayers who are already registered under the existing laws and obtained provisional registration under GST law and intimates about opting for the scheme either before the appointed day (01/07/2017) or within 30 days (or as extended) of the appointed day, shall be the appointed date. Effective date for registered taxpayer who intimates about opting for the scheme under FORM GST CMP-02, shall be the beginning of the financial year.

Effective date for a person who applies for fresh registration under Rule 8 of the CGST Rules, 2017 by providing necessary information under part B of FORM GST REG-01, shall be the effective date of registration as per sub rule 2 or 3 of Rule 10 of CGST Rules, 2017.

Persons who are not eligible for the scheme. Barring few exceptions, all registered taxable persons whose aggregate turnover has not exceeded Rs. One crore (Rs. 75 lakhs for special category states except J & K and Uttarakhand) in the financial year 2016-17 are eligible to opt for this scheme. List of taxable persons who are not eligible for the scheme is as below:

- i. A casual taxable person i.e. a person who occasionally undertakes supplies in a State or Union Territory where he has no fixed place of business.

- ii. A non-resident Taxable person i.e. a person who occasionally undertakes supplies but has no fixed place of business or residence in India.
- iii. A supplier of services except a person engaged in supply of restaurant service.
- iv. A person engaged in providing inter-state supply of goods.
- v. A person engaged in supply of non-taxable goods i.e. goods which are not taxable under GST law
- vi. A person engaged in supply of goods through an Electronic Commerce Operator (ECO) who is required to collect Tax at source under section 52 of the CGST Act.
- vii. The goods held in stock by him on the appointed day have not 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 where registration under the Composition Scheme has been taken.
- viii. The goods held in stock by him have not been purchased from an unregistered supplier and where purchased, he pays the tax under the reverse charge mechanism.
- ix. A person engaged in manufacturing of goods notified under sec 10 (2) (e) of the CGST Act either in the year 2016-17 or later. Following goods have been notified for which composition scheme is not available.
 - 1. Ice cream and other edible ice, whether or not containing cocoa (2105 00 00)
 - 2. Pan masala (2106 90 20)
 - 3. Tobacco and manufactured tobacco substitutes (24 03)

Rate of Tax under the scheme: There are three rates prescribed for three different categories of suppliers.

- An eligible Manufacturer has to pay 2% (1% CGST and 1% SGST/ UTGST) of turnover in a state or Union Territory, as the case may be.
- An eligible person engaged in making supplies mentioned in clause (b) of para 6 of Schedule II of the CGST Act (supplier of restaurant Service) has to pay 5% (2.5% CGST and 2.5% SGST/UTGST) of turnover in a state or Union Territory, as the case may be.
- An eligible person engaged in any other supply has to pay 1% (0.5% CGST and 0.5% SGST/UTGST) of turnover in a state or Union Territory, as the case may be.

Bill of Supply:

A taxable person opting for the scheme has to issue bill of supply as he is not eligible to issue taxable invoice under GST. He has to mention the words “composition taxable person, not eligible to collect tax on supplies” at the top of every bill of supply issued by him.

5. Time of Supply

In order to calculate and discharge tax liability it is important to know the date when the tax liability arises i.e. the date on which the charging event has occurred. In GST law, it is known as Time of Supply. GST law has provided separate provisions to determine the time of supply of goods and time of supply of services. Sections 12, 13 & 14 of the CGST Act, 2017, deals with the provisions related to time of supply and by virtue of section 20 of the IGST Act, 2017, these provisions are also applicable to inter-State supplies leviable to Integrated tax.

Point of time when supplier receives the payment or date of receipt of payment

The phrase “the date on which supplier receives the payment” or “the date of receipt of payment” means the date on which payment is entered in his books of accounts or the date on which the payment is credited to his bank account, whichever is earlier.

Time of issue of invoice for supply

As per section 31 of the CGST Act, an invoice for supply of goods needs to be issued before or at the time of removal of goods for supply to the recipient, where the supply involves movement of goods. However, in other cases, an invoice needs to be issued before or at the time of delivery of goods or while making goods available to the recipient.

Similarly, an invoice for supply of services needs to be issued before or after the provision of service but not later than thirty days from the date of provision of service.

Time of supply of goods (Default Rule)

Earliest of the following dates:

- Date of issue of invoice by the supplier. If the invoice is not issued, then the last date on which the supplier is legally bound to issue the invoice with respect to the supply
- Date on which the supplier receives the payment

In exercise of powers conferred by this section 148 OF CGST Act, 2017, the government on the recommendations of the GST Council has notified the registered persons (who have not opted for composition levy) as the class of persons who shall pay GST on outward supply of goods at the time of supply specified in clause (a) of sub-section (2) of Section 12. Thus, in respect of supply of goods by normal registered persons (other than composition dealers), the time of supply will be the issue of invoice (or the last date by which invoice has to be issued in terms of Section 31) Therefore, all taxpayers (except composition taxpayers) are exempted from paying GST at the time of receipt of advance in relation to supply of goods. The entire GST shall be payable only when the invoice is issued for such supply of goods. The special procedure will be applicable to this class of persons (registered persons making supplies of goods other than composition dealers) even in situations governed by Section 14 of the Act (change in rate). Notification no. 66/2017-Central Tax dated 15.11.2017 may be referred to.

Time of supply of services (Default Rule)

Earliest of the following dates:

- Date of issue of invoice by the supplier (If the invoice is issued within the legally prescribed period under section 31(2) of the CGST Act) or the date of receipt of payment, whichever is earlier

- Date of provision of service (If the invoice is not issued within the legally prescribed period under section 31(2) of the CGST Act) or the date of receipt of payment, whichever is earlier
- Date on which the recipient shows the receipt of service in his books of account, in case the aforesaid two provisions do not apply.

The supply of goods or services shall be deemed to have been made to the extent it is covered by the invoice or by the payment, as the case may be. For example, Firm 'A' receives an advance of Rs. 2500/- on 29.07.17 for goods worth Rs. 10000/- to be supplied in the month of September, then it is deemed that firm 'A' has made a supply of Rs. 2500/- on 29.07.17 and tax liability on Rs. 2500/- is to be discharged by 20.08.17.

Although tax is payable on any advance received for a supply of goods or services, however for the convenience of trade, it is provided that if a supplier of taxable goods or services receives an amount upto Rs. 1000/- in excess of the amount indicated on the tax invoice, then the supplier has an option to take the date of issue of invoice in respect of such supply as the time of supply. For example, if a supplier has received an amount of Rs. 1500/- against an invoice of Rs. 1100/- on 25.07.17 and the date of invoice of next supply to the said recipient is 14.08.17, then he has an option to treat the time of supply w.r.t Rs. 400/- either as 25.07.17 or 14.08.17.

Time of supply of goods when tax is to be paid on reverse charge basis

Earliest of the following dates:

- Date of receipt of goods
- Date on which the payment is entered in the books of accounts of the recipient or the date on which the payment is debited in his bank account, whichever is earlier
- Date immediately following 30 days from the date of issue of invoice or any other legal document in lieu of invoice by the supplier.

However, if it is not possible to determine the time of supply in aforesaid manner, then the time of supply is the date of entry of the transaction in the books of accounts of the recipient of supply.

Time of supply of services when tax is to be paid on reverse charge basis

Earliest of the following dates:

- 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
- Date immediately following 60 days from the date of issue of invoice or any other legal document in lieu of invoice by the supplier However, if it is not possible to determine the time of supply in aforesaid manner, then the time of supply is the date of entry of the transaction in the books of accounts of the recipient of supply.

Time of supply of services in case of supply by Associated Enterprises located outside India

In this case, the time of supply is the date of entry in the books of account of the recipient or the date of payment, whichever is earlier.

Time of supply in case of supply of vouchers

A voucher has been defined in the CGST Act as an instrument where there is an obligation to accept it as consideration or part consideration for a supply of goods or services or both, and where the goods or services or both to be supplied or the identities of their potential suppliers are either indicated on the instrument itself or in related documentation, including the terms and conditions of use of such instrument. Vouchers are commonly used for transaction in the Indian economy. A shopkeeper may issue vouchers for a specific supply i.e. supply which is identifiable at the time of issuance of voucher. In trade parlance, these are known as single purpose vouchers. For example, vouchers for pressure cookers or television or for spa or haircut. Similarly a voucher can be a general purpose voucher which can be used for multiple purposes. For example a Rs. 1000/- voucher issued by Shoppers Stop store can be used for buying any product or service at any Shoppers Stop store. The time of supply is different in case of single purpose voucher and in the case of general purpose voucher.

Time of supply in the case of single purpose voucher i.e. case where supply is identifiable at the time of issuance of voucher is the date of issue of voucher. However, in all other cases of supply of vouchers, the time of supply is the date of redemption of voucher.

Time of supply of goods or services (Residual provisions)

In case it is not possible to determine the time of supply under aforesaid provisions, the time of supply is:

- Due date of filing of return, in case where periodical return has to be filed
- Date of payment of tax in all other cases

Time of supply of goods or services related to an addition in the value of supply by way of interest, late fees or penalty

Time of supply related to an addition in the value of supply by way of interest, late fee or penalty for delayed payment of any consideration shall be the date on which supplier receives such addition in value. For example, a supplier receives consideration in the month of September instead of due date of July and for such delay he is eligible to receive an interest amount of Rs. 1000/- and the said amount is received on 15.12.17. The time of supply of such amount (Rs. 1000/-) will be 15.12.17 i.e. the date on which it is received by the supplier and tax liability on this is to be discharged by 20.01.18.

Change in Rate of Tax in respect of supply of goods or services

The normal time of supply rules changes if there is a change in the rate of tax of supply of goods or services. In this scenario, time of supply has to be determined in the following manner:

Supply is completed before the change in rate of tax:

Invoice issued before the date of change in tax rate	Payment received before the date of change in tax rate	Time of supply	Applicable rate of tax
No	No	Earliest of the date of invoice or payment	New rate of tax
Yes	No	Date of issue of invoice	Old tax rate
No	Yes	Date of receipt of payment	Old tax rate

However, the special procedure for payment of tax by suppliers of goods (other than composition dealers) notified by Government vide notification no. 66/2017-Central Tax dated 15.11.2017 under section 148 of the CGST Act, 2017, will continue to govern even in the above situation. In a nutshell, suppliers of goods other than composition dealers will have to pay tax at the time of issue of invoice only.

Date of receipt of payment in case of change in rate of tax

Normally the date of receipt of payment is the date of credit in the bank account of the recipient of payment or the date on which the payment is entered into his books of account, whichever is earlier. However, in cases of change in rate of tax, the date of receipt of payment is the date of credit in the bank account if such credit is after four working days from the date of change in rate of tax.

6. Place of Supply

Places of supply provisions have been framed for goods and services, keeping in mind the destination/consumption principle. In other words, the place of supply is based on the place of consumption of goods or services. As goods are tangible, the determination of their place of supply, based on the consumption principle, is not difficult. Generally, the place of delivery of goods becomes the place of supply. However, the services being intangible in nature, it is not easy to determine the exact place where services are acquired, enjoyed and consumed. In respect of certain categories of services, the place of supply is determined with reference to a proxy.

A distinction has been made between B2B (Business to Business) & B2C (Business to Consumer) transactions, as B2B transactions are wash transactions since the ITC is availed by the registered person (recipient) and no real revenue accrues to the Government.

Separate provisions for the supply of goods and services have been made for the determination of their place of supply. Separate provisions for the determination of the place of supply in respect of domestic supplies and cross border supplies have been framed.

It is very important to determine the nature of supply – whether it is inter-State or intra-State, as the kind of tax to be paid (IGST or CGST+SGST) depends on that.

- (i) **Inter-State Supply:** Subject to the place of supply provisions, where the location of the supplier and the place of supply are in: (a) Two different States; (b) Two different Union territories; or (c) A State and a Union Territory. Such supplies shall be treated as the supply of goods or services in the course of inter-State trade or commerce. Any supply of goods or services in the taxable territory, not being an intra-State supply, shall be deemed to be a supply of goods or services in the course of inter-State trade or commerce. Supplies to or by SEZs are defined as inter-State supply. Further, the supply of goods imported into the territory of India till they cross the customs frontiers of India or the supply of services imported into the territory of India shall be treated as supplies in the course of inter-State trade or commerce. Also, the supplies to international tourists are to be treated as inter-State supplies.
- (ii) **Intra-State supply:** It has been defined as any supply where the location of the supplier and the place of supply are in the same State or Union Territory.

Intra-State Supply	<ul style="list-style-type: none"> • Supply of goods within the State or Union Territory. • Supply of services within the State or Union Territory
Inter-State Supply	<ul style="list-style-type: none"> • Supply of goods from one State or Union Territory to another State or Union Territory • Supply of services from one State or Union Territory to another State or Union Territory • Import of goods till they the cross customs frontier • Import of services • Export of goods or services • Supply of goods/services to/by SEZ • Supplies to international tourists • Any other supply in the taxable territory which is not intra-State supply

Thus, the nature of the supply depends on the location of the supplier and the place of supply. Both these terms have been defined in the IGST Act.

Location of Supplier

Broadly, it is the registered place of business or the fixed establishment of the supplier from where the supply is made. Sometimes, a service provider has to go to a client location for providing service. However, such place would not be considered as the location of the supplier. It has to be either a regular place of business or a fixed establishment, which is having sufficient degree of permanence and suitable structure in terms of human and technical resources.

A. Place of supply of goods other than import and export [Section-10 of IGST Act 2017]

Sr. No.	Nature of Supply	Place of Supply
1	Where the supply involves the movement of goods, whether by the supplier or the recipient or by any other person	Location of the goods at the time at which, the movement of goods terminates for delivery to the recipient
2	Where the goods are delivered to the recipient, or any person on the direction of the third person by way of transfer of title or otherwise, it shall be deemed that the third person has received the goods	The principal place of business of such person
3	Where there is no movement of goods either by supplier or recipient	Location of such goods at the time of delivery to the recipient
4	Where goods are assembled or installed at site	The place where the goods are assembled or installed
5	Where the goods are supplied on-board a conveyance like a vessel, aircraft, train or motor vehicle	The place where such goods are taken onboard the conveyance
6	Where the place of supply of goods cannot be determined in terms of sub-sections (2), (3), (4) and (5)	It shall be determined in such manner as may be prescribed

B. Place of supply of goods in case of Import & Export [Section-11]

Sr. No.	Nature of Supply of Goods	Place of Supply
1	Import	Location of importer
2	Export	Location outside India

C. Place of supply of services in case of Domestic Supplies [Section 12] (Where the location of supplier of services and the location of the recipient of services is in India)

(i) In respect of the following 12 categories of services, the place of supply is determined with reference to a proxy. Rest of the services are governed by a default provision.

Sr. No.	Nature of Service	Place of Supply
1	Immovable property related to services, including hotel accommodation	Location at which the immovable property or boat or vessel is located or intended to be located If located outside India: Location of the recipient

2	Restaurant and catering services, personal grooming, fitness, beauty treatment and health service	Location where the services are actually performed
3	Training and performance appraisal	B2B: Location of such Registered Person B2C: Location where the services are actually performed
4	Admission to an event or amusement park	Place where the event is actually held or where the park or the other place is located
5	Organisation of an event	B2B: Location of such Registered person B2C: Location where the event is actually held If the event is held outside India: Location of the recipient
6	Transportation of goods, including mails	B2B: Location of such Registered Person B2C: Location at which such goods are handed over for their transportation
7	Passenger transportation	B2B: Location of such Registered Person B2C: Place where the passenger embarks on the conveyance for a continuous journey
8	Services on board a conveyance	Location of the first scheduled point of departure of that conveyance for the journey
9	Banking and other financial services	Location of the recipient of services on the records of the supplier Location of the supplier of services if the location of the recipient of services is not available
10	Insurance services	B2B: Location of such Registered Person B2C: Location of the recipient of services on the records of the supplier
11	Advertisement services to the Government	The place of supply shall be taken as located in each of such States Proportionate value in case of multiple States
12	Telecommunication services	Services involving fixed line, circuits, dish etc., and place of supply is the location of such fixed equipment. In case of mobile/ Internet post-paid services, it is the location of billing address of the recipient. In case of sale of pre-paid voucher, the place of supply is the place of sale of such vouchers. In other cases, it is the address of the recipient in records

(ii) For the rest of the services other than those specified above, a default provision has been prescribed as under:

Default Rule for the services other than the 12 specified services		
Sr. No.	Description of Supply	Place of Supply
1	B2B	Location of such Registered Person
2	B2C	(i) Location of the recipient where the address on record exists, and (ii) Location of the supplier of services in other cases

D. Place of supply of services in case of cross-border supplies: (Section 13) (Where the location of the supplier of services or the location of the recipient of services is outside India)

(i) In respect of the following categories of services, the place of supply is determined with reference to a proxy. Rest of the services are governed by a default provision.

Sr. No.	Nature of Service	Place of Supply
1	Services supplied for goods that are required to be made physically available from a remote location by way of electronic means (Not applicable in case of goods that are temporarily imported into India for repairs and exported)	The location where the services are actually performed, The location where the goods are situated
2	Services supplied to an individual and requiring the physical presence of the receiver	The location where the services are actually performed
3	Immovable property-related services, including hotel accommodation	Location at which the immovable property is located
4	Admission to or organisation of an event	The place where the event is actually held
5	If the said three services are supplied at more than one locations. i.e., (i) Goods & individual related (ii) Immovable property-related (iii) Event related	
5.1	At more than one location, including a location in the taxable territory	Its place of supply shall be the location in the taxable territory where the greatest proportion of the service is provided
5.2	In more than one State	Its place of supply shall be each such State in proportion to the value of services provided in each State
6	Banking, financial institutions, NBFC Intermediary services, hiring of vehicles' services etc.	Location of the supplier of service
7	Transportation of goods	The place of destination of the goods
8	Passenger transportation	Place where the passenger embarks on the conveyance for a continuous journey
9	Services on-board a conveyance	The first scheduled point of departure of that conveyance for the journey
10	Online information and database access or retrieval services	The location of recipient of service

(ii) For the rest of the services other than those specified above, a default provision has been prescribed as under:

Default Rule for the cross border supply of services other than nine specified services		
Sr. No.	Description of Supply	Place of Supply
1	Any	Location of the recipient of service If not available in the ordinary course of business: The location of the supplier of service

Supplies in territorial waters

Where the location of the supplier is in the territorial waters, the location of such supplier, or where the place of supply is in the territorial waters, the place of supply is deemed to be in the coastal State or Union Territory where the nearest point of the appropriate baseline is located.

Export/Import of services

A supply would be treated as import or export, if certain conditions are satisfied. These conditions are as under:

Export of Services	Import of Services
Means the supply of any service, where (a) the supplier of service is located in India, (b) the recipient of service is located outside India, (c) the place of supply of service is outside India, (d) the payment for such service has been received by the supplier of service in convertible foreign exchange, and (e) the supplier of service and the recipient of service are not merely establishments of a distinct person in accordance with explanation 1 of section 8	Means the supply of any service, where (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

Zero rated supply

Exports and supplies to SEZs are considered as 'zero rated supply' on which no tax is payable. However, ITC is allowed, subject to such conditions, safeguards and procedure as may be prescribed, and refunds in respect of such supplies may be claimed by following either of these options:

- (i) Supply made without the payment of IGST under Bond and claim refund of unutilised ITC or
- (ii) Supply made on payment of IGST and claim refund of the same

Refund of integrated tax paid on supply of goods to tourist leaving India

Section 15 of the IGST Act provides for refund of IGST paid to an international tourist leaving India on goods being taken outside India, subject to such conditions and safeguards as may be prescribed. An international tourist has been defined as a non-resident of India who enters India for a stay of less than 6 months. IGST would be charged on such supplies as the same in the course of export.

7. Value of Supply

Every fiscal statute makes provision for the determination of value as tax which is normally payable on ad-valorem basis. In GST also, tax is payable on ad-valorem basis i.e percentage of value of the supply of goods or services. Section 15 of the CGST Act and Determination of Value of Supply, CGST Rules, 2017 contain provisions related to valuation of supply of goods or services made in different circumstances and to different persons.

Transaction Value

Under GST law, taxable value is the transaction value i.e. price actually paid or payable, provided the supplier & the recipient are not related, and price is the sole consideration. In most of the cases of regular normal trade, the invoice value will be the taxable value. However, to determine value of certain specific transactions, Determination of Value of Supply rules have been prescribed in CGST Rules, 2017.

Compulsory Inclusions

Any taxes, fees, charges levied under any law other than GST law, expenses incurred by the recipient on behalf of the supplier, incidental expenses like commission & packing incurred by the supplier, interest or late fees or penalty for delayed payment and direct subsidies (except government subsidies) are required to be added to the price (if not already added) to arrive at the taxable value.

Exclusion of discounts

Discounts like trade discount, quantity discount etc. are part of the normal trade and commerce. Therefore, pre-supply discounts i.e. discounts recorded in the invoice have been allowed to be excluded while determining the taxable value.

Discounts provided after the supply can also be excluded while determining the taxable value, provided two conditions are met, namely - (a) discount is established in terms of a pre supply agreement between the supplier & the recipient and such discount is linked to relevant invoices and (b) input tax credit attributable to the discounts is reversed by the recipient.

Taxable value when consideration is not solely in money

In some cases, where consideration for a supply is not solely in money, taxable value has to be determined as prescribed in the rules. In such cases following values have to be taken sequentially to determine the taxable value:

- i. Open Market Value of such supply.
- ii. Total money value of the supply i.e. monetary consideration plus money value of the non-monetary consideration.
- iii. Value of supply of like kind and quality.
- iv. Value of supply based on cost i.e. cost of supply plus 10% mark-up.
- v. Value of supply determined by using reasonable means consistent with principles & general provisions of GST law. (Best Judgement method)

Open Market Value means the full value of money excluding taxes under GST laws, payable by a person to obtain such supply at the time when supply being valued is made, provided such supply is between unrelated persons and price is the sole consideration for such supply.

Supply of like kind & quality means any other supply made under similar circumstances, is same or closely resembles in respect of characteristics, quality, quantity, functionality, reputation to the supply being valued.

Illustration:

(1) Where a new phone is supplied for Rs. 20000/- along with the exchange of an old phone and if the price of the new phone without exchange is Rs.24000/-, the open market value of the new phone is Rs 24000/-.

(2) Where a laptop is supplied for Rs. 40000/- along with a barter of printer that is manufactured by the recipient and the value of the printer known at the time of supply is Rs. 4000/- but the open market value of the laptop is not known, the value of the supply of laptop is Rs. 44000/-.

Value of supply between distinct and related persons (excluding Agents)

A person who is under influence of another person is called a related person like members of the same family or subsidiaries of a group company etc.

Under GST law various categories of related persons have been specified and as relation may influence the price between two related persons therefore special valuation rule has been framed to arrive at the taxable value of transactions between related persons. In such cases following values have to be taken sequentially to determine the taxable value:

- i. Open Market Value.
- ii. Value of supply of like kind and quality.
- iii. Value of supply based on cost i.e. cost of supply plus 10% markup.
- iv. Value of supply determined by using reasonable means consistent with principles & general provisions of GST law. (Best Judgement method)

However if the recipient is eligible for full input tax credit, the invoice value will be accepted as taxable value. It has also been provided that where the goods being supplied are intended for further supply as such be the recipient, the value shall, at the option of the supplier, be an amount equivalent to 90% of the price charged for the supply of goods of like kind and quality by the recipient to his unrelated customer.

Value of supply of goods made or received through an agent

- (a) Open market value of goods being supplied, or, at the option of the supplier, 90% of the price charged for the supply of goods of like kind and quality by the recipient to his unrelated customer.

Illustration: Where a principal supplies groundnut to his agent and the agent is supplying groundnuts of like kind and quality in subsequent supplies at a price of Rs. 5000/- per quintal on the day of supply. Another independent supplier is supplying groundnuts of like kind and quality to the said agent at the price of Rs. 4550/- per quintal. The value of the supply made by the principal shall be Rs. 4550/- per quintal or where he exercises the option the value shall be 90% of the Rs. 5000/- i.e. is Rs. 4500/- per quintal.

- (b) In case value cannot be determined under (a) then following values have to be taken sequentially to determine the taxable value: -

- i. Value of supply based on cost i.e. cost of supply plus 10% mark-up.
- ii. Value of supply determined by using reasonable means consistent with principles & general provisions of GST law. (Best Judgement method)

Value of supply of services in case of a Pure Agent

Subject to fulfilment of certain conditions, the expenditure and costs incurred by the supplier as a pure agent of the recipient of supply of service, has to be excluded from the value of supply.

Illustration: Corporate services firm A is engaged to handle the legal work pertaining to the incorporation of Company B. Other than its service fees, A also recovers from B, Registration fee and Approval fee for the name of the company paid to Registrar of the Companies. The fees charged by the Registrar of the companies registration and approval of the name are compulsorily levied on B. A is merely acting as a pure agent in the payment of those fees. Therefore, A's recovery of such expenses is a disbursement and not part of the value of supply made by A to B.

Determination of value in respect of few specific supplies

Methods to determine Taxable value of following five specific supplies have also been prescribed under valuation Rules. These can be used by the supplier if he so desires.

- (a) Purchase or sale of foreign currency including money changing
- (b) Booking of tickets for air travel by an air travel agent
- (c) Life insurance business
- (d) Value of supply of Second hand goods
- (e) Value of redeemable vouchers/Stamps/Coupons/ tokens

The special provisions related to determination of these supplies are as below:

Special provision related to determination of Value of service of purchase or sale of foreign currency including money changing

Option-1

Case 1: Transaction where one of the currencies exchanged is Indian Rupees

Taxable value is difference between buying rate or selling rate of currency and RBI reference rate for that currency at the time of exchange multiplied by total units of foreign currency. However if RBI reference rate for a currency is not available then taxable value is 1% of the gross amount of Indian Rupees provided/received by the person changing the money.

Case 2: Transaction where neither of the currencies exchanged is Indian Rupees. Taxable value will be 1% of the lesser of the two amounts the person changing the money would have received by converting (at RBI reference rate) any of the two currencies in Indian Rupees.

Option-2

The person supplying the service may also exercise the following option to ascertain the taxable value, however, once opted then he cannot withdraw it during the remaining part of the financial year:

- One percent of the gross amount of currency exchanged for an amount upto one lakh rupees, subject to minimum amount of two hundred and fifty rupees.

- One thousand rupees and half of a percent of the gross amount of currency exchanged for an amount exceeding one lakh rupees and up to ten lakh rupees.
- Five thousand rupees and one tenth of a percent of the gross amount of currency exchanged for an amount exceeding ten lakhs rupees subject to a maximum amount of sixty thousand rupees.

Special provision related to determination of value of service of booking of tickets for air travel by an air travel agent

Taxable value is 5% of basic fare in case of domestic travel and 10% of basic fare in case of international travel. Basic fare means that part of the air fare on which commission is normally paid to the air travel agent by the airline.

The expression ‘basic fare’ means that part of the air fare on which commission is normally paid to the air travel agent by the airlines.

Special provision related to determination of value of service in relation to life insurance business

Taxable value varies with nature of insurance policy. The details are as follows:

- Where policy has dual benefits of risk coverage and investment – Taxable value is gross premium charged less amount allocated for investments or savings if such allocation is intimated to the policy holder at the time of collection of premium.
- Single premium annuity policy where allocation for investments and savings is not intimated to the policy holder – taxable value is ten percent of the single premium charged from the policy holder.
- Other cases- Twenty five percent of premium charged from the policy holder in the first year and twelve and a half percent of premium charged for subsequent years.

However, where insurance policy has benefit of risk coverage only, then taxable value is entire premium charged from the policy holder.

Special provision related to determination of value of second hand goods

The taxable value of supply of second hand goods i.e. used goods as such or after such minor processing which does not change the nature of goods shall be the difference between the purchase price and the selling price, provided no input tax credit has been availed on purchase of such goods. However, if the selling price is less than purchase price, that negative value will be ignored.

Persons who purchase second hand goods after payment of tax to supplier of such goods will be governed by this valuation rule only when they do not avail input tax credit on such input supply. If input tax credit is availed, then such supply will be governed by normal GST valuation.

Value of supply of goods repossessed from a defaulting borrower

If the defaulting borrower is not a registered person, the purchase value will be purchase price in the hands of such borrower reduced by five percentage points for every quarter or part thereof, between the date of purchase and the date of disposal by the person making such repossession. However, if the defaulting borrower is registered, the repossessing lender agency will discharge GST at the supply value without any reduction from actual/notional purchase value.

Special provisions related to determination of value of redeemable vouchers/ stamps/ coupons/ tokens

The value of a token, or a voucher, or a coupon, or a stamp (other than postage stamp) which is redeemable against a supply of goods or services or both shall be equal to the money value of the goods or services or both redeemable against such token, voucher, coupon, or stamp.

Value of taxable services provided by a notified class of service providers as referred to in Para 2 of Schedule 1 between the distinct persons

The taxable value is deemed to be Nil wherever input tax credit is available.

Valuation of certain works contract services

(i) 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.

In case of supply of service mentioned above, involving transfer of property in land or undivided share of land, as the case may be, the value of supply of service and goods portion in such supply shall be equivalent to the total amount charged for such supply less the value of land or undivided share of land, as the case may be, and the value of land or undivided share of land, as the case may be, in such supply shall be deemed to be one third of the total amount charged for such supply.

“Total amount” means the sum total of:

- (a) consideration charged for aforesaid service; and
- (b) amount charged for transfer of land or undivided share of land, as the case may be.

Valuation in the case of supply of lottery

Value of supply of lottery shall be 100/112 of the face value or the price notified in the Official Gazette by the organising State, whichever is higher, in case of lottery run by State Government and 100/128 of the face value or the price notified in the Official Gazette by the organising State, whichever is higher, in case of lottery authorised by State Government.

Rate of exchange of currency, other than Indian rupees, for determination of value

The rate of exchange for determination of value of taxable goods or services or both shall be the applicable RBI reference rate for that currency on the date of time of supply as determined in terms of section 12 or section 13 of the CGST Act.

Value of supply inclusive of integrated tax, central tax, State tax, Union territory tax

Where the value of supply is inclusive of GST, the tax amount shall be determined in the following manner, Tax amount= (Value inclusive of taxes X GST tax rate in %)/(100+ sum of GST tax rates in %) For example - If the value inclusive of tax is Rs. 100/- and applicable GST tax rate is 18% then Tax amount = $(100 \times 18) / (100 + 18) = 1800 / 118 = \text{Rs. } 15.25$

8. Input Tax Credit

Uninterrupted and seamless chain of input tax credit (hereinafter referred to as, “ITC”) is one of the key features of Goods and Services Tax. ITC is a mechanism to avoid cascading of taxes. Cascading of taxes, in simple language, is ‘tax on tax’. Under the present system of taxation, credit of taxes being levied by Central Government is not available as set-off for payment of taxes levied by State Governments, and vice versa. One of the most important features of the GST system is that the entire supply chain would be subject to GST to be levied by Central and State Government concurrently. As the tax charged by the Central or the State Governments would be part of the same tax regime, the credit of tax paid at every stage would be available as set-off for payment of tax at every subsequent stage.

Let us understand how ‘cascading’ of taxes takes place in the present regime. Central excise duty charged on inputs used for manufacturing of final product can be availed as credit for payment of central excise duty on the final product. For example, to manufacture a pen, the manufacturer requires, plastic granules, refill tube, metal clip, etc. All these ‘inputs’ are chargeable to central excise duty. Once a ‘pen’ is manufactured by using these inputs, the pen is also chargeable to central excise duty. Let us assume that the cost of all the above mentioned inputs is say, Rs.10/- on which central excise duty @10% is paid, means Re.1. The cost of the manufactured pen is say Rs.20/-, the central excise duty payable on the pen @10% will be Rs.2/- . Now the manufacturer of the pen can use the duty paid on inputs, i.e. Re.1/- for payment of duty on the pen. So he will use Re.1 paid on inputs and he will pay Re.1/- through cash (1+1=2), the price of the pen becomes Rs. 22/-. In effect, he actually pays duty on the ‘value added’ over and above the cost of the inputs. This mechanism eliminates cascading of taxes. However, when the pen is sold by the manufacturer to a trader, he is required to levy VAT on such sale. But under the present system, the manufacturer cannot use the credit of central excise duty paid on the pen for payment of VAT, as the two levies are being levied by Central and State government respectively with no statutory linkage between the two. Hence, he is required to pay VAT on the entire value of the pen, i.e. Rs.22/-, which actually includes the central excise duty to the tune of Rs.2/-. This is cascading of taxes or tax on tax, as now VAT is not only paid on the value of pen i.e. Rs.20/- but also on tax i.e. Rs.2/-.

Goods and Services Tax (GST) would mitigate such cascading of taxes. Under this new system, most of the indirect taxes levied by Central and the State Governments on supply of goods or services or both, would be combined together under a single levy.

GST comprises of the following levies:

- a. Central Goods and Services Tax (CGST) [also known as Central Tax] on intra-state or intra-union territory without legislature supply of goods or services or both.
- b. State Goods and Services Tax (SGST) [also known as State Tax] on intra-state supply of goods or services or both.
- c. Union Territory Goods and Services Tax (UTGST) [also known as Union territory Tax] on intra-union territory supply of goods or services or both.
- d. Integrated Goods and Services Tax (IGST) [also known as Integrated Tax] on inter-state supply of goods or services or both. In case of import of goods also, the present levy of Countervailing Duty (CVD) and Special Additional Duty (SAD) would be replaced by integrated tax.

The protocol to avail and utilise the credit of these taxes is as follows:

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

Credit of CGST cannot be used for payment of SGST/UTGST and credit of SGST/UTGST cannot be utilised for payment of CGST.

Some of the technical aspects of the scheme of Input Tax Credit are as under:

A. Any registered person can avail credit of tax paid on the inward supply of goods or services or both, which is used or intended to be used in the course or furtherance of business.

B. The pre-requisites for availing credit by registered person are:

- a. He is in possession of tax invoice or any other specified tax paying document.
- b. He has received the goods or services. “Bill to ship” scenarios also included.
- c. Tax is actually paid by the supplier.
- d. He has furnished the return
- e. If the inputs are received in lots, he will be eligible to avail the credit only when the last lot of the inputs is received.
- f. He should pay the supplier, the value of the goods or services along with the tax within 180 days from the date of issue of invoice, failing which the amount of credit availed by the recipient would be added to his output tax liability, with interest [rule 2(1) & (2) of ITC Rules]. However, once the amount is paid, the recipient will be entitled to avail the credit again. In case part payment has been made, proportionate credit would be allowed.

C. Documents on the basis of which credit can be availed are:

- a. Invoice issued by a supplier of goods or services or both
- b. Invoice issued by recipient alongwith proof of payment of tax
- c. A debit note issued by supplier
- d. Bill of entry or similar document prescribed under Customs Act
- e. Revised invoice
- f. Document issued by Input Service Distributor

D. No ITC beyond September of the following FY to which invoice pertains or date of filing of annual return, whichever is earlier

E. The Input Service Distributor (ISD) may distribute the credit available for distribution in the same month in which, it is availed. The credit of CGST, SGST, UTGST and IGST shall be distributed as per the provisions of Rule 4(1) (d) of ITC Rules. ISD shall issue invoice in accordance with the provisions made under Rule 9(1) of Invoice Rules.

F. ITC is not available in some cases as mentioned in section 17(5) of CGST Act, 2017. Some of them are as follows:

- a. motor vehicles and other conveyances except under specified circumstances.
- b. goods and/or services provided in relation to:
 - i. Food and beverages, outdoor catering, beauty treatment, health services, cosmetic and plastic surgery, except under specified circumstances;
 - ii. Membership of a club, health and fitness center;
 - iii. Rent-a-cab, life insurance, health insurance except where it is obligatory for an employer under any law;
 - iv. Travel benefits extended to employees on vacation such as leave or home travel concession;
- c. Works contract services when supplied for construction of immovable property, other than plant & machinery, except where it is an input service for further supply of works contract;
- d. Goods or services received by a taxable person for construction of immovable property on his own account, other than plant & machinery, even when used in course or furtherance of business;
- e. Goods and/or services on which tax has been paid under composition scheme;
- f. Goods and/or services used for private or personal consumption, to the extent they are so consumed;
- g. Goods lost, stolen, destroyed, written off, gifted, or free samples;
- h. Any tax paid due to short payment on account of fraud, suppression, mis-declaration, seizure, detention.

G. 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 of input tax 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 of input tax 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 of registration.
- c. A person switching over to normal scheme from composition scheme under section 10 is entitled to ITC in respect of goods held in stock (inputs as such and inputs contained in semi-finished or finished goods) 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 (inputs as such and inputs contained in semi-finished or finished goods) relating 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 all the above cases, is to be availed within 1 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 becomes exempt, the ITC availed in respect of goods held in stock (inputs as such and inputs contained in semi-finished or finished goods) as well as capital goods will have to be paid.

h. In case of supply of capital goods or plant and machinery, on which ITC is taken, an amount equivalent to ITC availed minus the reduction as prescribed in rules (5% for every quarter or part thereof) shall have to be paid. In case the tax on transaction value of the supply is more, the same would have to be paid.

9. Registration

In any tax system registration is the most fundamental requirement for identification of tax payers ensuring tax compliance in the economy. Registration of any business entity under the GST Law implies obtaining a unique number from the concerned tax authorities for the purpose of collecting tax on behalf of the government and to avail Input tax credit for the taxes on his inward supplies. Without registration, a person can neither collect tax from his customers nor claim any input tax credit of tax paid by him.

Need and advantages of registration

Registration will confer the following advantages to a taxpayer:

- He is legally recognized as supplier of goods or services.
- He is legally authorized to collect tax from his customers and pass on the credit of the taxes paid on the goods or services supplied to the purchasers/ recipients.
- He can claim input tax credit of taxes paid and can utilize the same for payment of taxes due on supply of goods or services.
- Seamless flow of Input Tax Credit from suppliers to recipients at the national level.

Liability to register

GST being a tax on the event of “supply”, every supplier needs to get registered. However, small businesses having all India aggregate turnover below Rupees 20 lakh (10 lakhs if business is in Assam, Arunachal Pradesh, Himachal Pradesh, Uttarakhand, Manipur, Mizoram, Sikkim, Meghalaya, Nagaland or Tripura) need not register. The small businesses, having turnover below the threshold limit can, however, voluntarily opt to register.

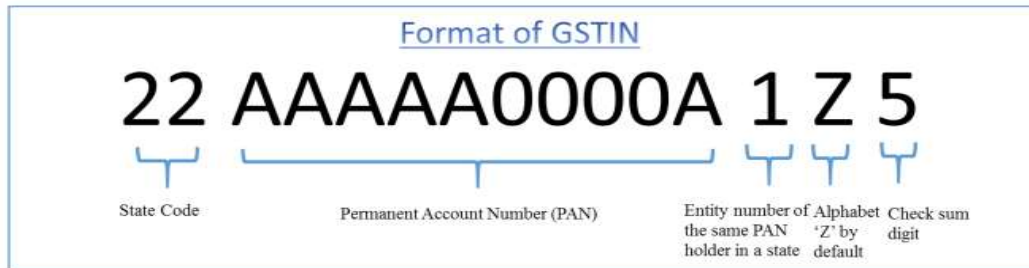
The aggregate turnover includes supplies made by him on behalf of his principals, but excludes the value of job-worked goods if he is a job worker. But persons who are engaged exclusively in the business of supplying goods or services or both that are not liable to tax or wholly exempt from tax or an agriculturist, to the extent of supply of produce out of cultivation of land are not liable to register under GST. Also, if all the supplies being made by a supplier are taxable under reverse charge, there is no requirement for such a supplier to register in light of Notification No. 5/2017-Central Tax dated 19.06.2017.

Nature of Registration

The registration in GST is PAN based and State specific. Supplier has to register in each of such State or Union territory from where he effects supply. In GST registration, the supplier is allotted a 15-digit GST identification number called “GSTIN” and a certificate of registration incorporating therein this GSTIN is made available to the applicant on the GSTN common portal. The first 2 digits of the GSTIN is the State code, next 10 digits are the PAN of the legal entity, the next two digits are for entity code, and the last digit is check sum number. Registration under GST is not tax specific which means that there is single registration for all the taxes i.e. CGST, SGST/UTGST, IGST and cesses.

A given PAN based legal entity would have one GSTIN per State, that means a business entity having its branches in multiple States will have to take separate State wise registration for the

branches in different States. But within a State an entity with different branches would have single registration wherein it can declare one place as principal place of business and other branches as additional place of business. However, a business entity having separate business verticals (as defined in section 2 (18) of the CGST Act, 2017) in a state may obtain separate registration for each of its business verticals. Further a unit in SEZ or a SEZ developer needs to necessarily obtain separate registration.



Generally, the liability to register under GST arises when you are a supplier within the meaning of the term, and also your aggregate turn over in the financial year is above the exemption threshold of 20 lakh rupees (10 lakh rupees in special category states except J & K). However, the GST law enlists certain categories of suppliers who are required to get compulsory registration irrespective of their turnover that is to say, the threshold exemption of 20 lakh rupees or 10 lakh rupees as the case may be is not available to them. Some of such suppliers who need to register compulsorily irrespective of the size of their turnover are those who are: -

- Inter-state suppliers; However, persons making inter-state supplies of taxable services and having an aggregate turnover, to be computed on all India basis, not exceeding an amount of twenty lakh rupees (ten lakh rupees for special category States except J & K) are exempted from obtaining registration vide Notification No. 10/2017-Integrated Tax dated 13.10.2017.
- A person receiving supplies on which tax is payable by recipient on reverse charge basis
- Casual taxable person who is not having fixed place of business in the State or Union Territory from where he wants to make supply. However casual taxable persons making supplies of specified handicraft goods need not take compulsory registration and are entitled to the threshold exemption of Rs. 20 Lakhs. Handicraft goods are specified in Notification no. 33/2017-Central Tax dated 15.09.2017 as amended by Notification no. 38/2017-Central Tax dated 13.10.2017.
- Non-resident taxable persons who is not having fixed place of business in India
- A person who supplies on behalf of some other taxable person (i.e. an Agent of some Principal)
- E-commerce operators, who provide platform to the suppliers to make supply through it
- Suppliers of goods who supply through such e-commerce operator who are liable to collect tax at source. Persons supplying services through e-commerce operators need not take compulsory registration and are entitled to avail the threshold exemption of Rs. 20 Lakhs as per Notification No. 65/2017-Central tax dated 15.11.2017.
- Those ecommerce operators who are notified as liable for GST payment under Section 9(5) of the CGST Act, 2017
- TDS Deductor

- Input service distributor
- Those supplying online information and data base access or retrieval services from outside India to a non-registered person in India

A casual taxable person is one who has a registered business in some State in India, but wants to effect supplies from some other State in which he is not having any fixed place of business. Such person needs to register in the State from where he seeks to supply as a casual taxable person. A non-resident taxable person is one who is a foreigner and occasionally wants to effect taxable supplies from any State in India, and for that he needs GST registration. GST law prescribe special procedure for registration, as also for extension of the operation period of such casual or non-resident taxable persons. They have to apply for registration at least five days in advance before making any supply. Also, registration is granted to them or period of operation is extended only after they make advance deposit of the estimated tax liability.

In respect of supplies to some notified agencies of United Nations organisation, multinational financial institutions and other organisations, a centralised unique identification number (UIN) is issued.

Standardisation of procedures

A total of 30 forms / formats have been prescribed in the GST registration rules. For every process in the registration chain such as application for registration, acknowledgment, query, rejection, registration certificate, show cause notice for cancellation, reply, cancellation, amendment, field visit report etc., there are standard formats. This will make the process uniform all over the country. The decision making process will also be fast. Strict time lines have been stipulated for completion of different stages of registration process.

An application has to be submitted on line through the common portal (GSTN) within thirty days from the date when liability to register arose. The casual and nonresident taxable persons need to apply at least five days prior to the commencement of the business. For transferee of a business as going concern, the liability to register arises on the date of transfer.

The Proper Officer has to either raise a query or approve the grant of registration within three working days failing which registration would be considered as deemed to have been approved. The applicant would have to respond within seven working days starting from the fourth day of filing the original application. The proper officer would have to grant or reject the application for registration within seven working days thereafter.

Amendment of Registration

Except for the changes in some core information in the registration application, a taxable person shall be able to make amendments without requiring any specific approval from the tax authority. In case the change is for legal name of the business, or the State of place of business or additional place of business, the taxable person will apply for amendment within 15 days of the event necessitating the change. The proper officer, then, will approve the amendment within next 15 days. For other changes like name of day to day functionaries, e-mail Ids, Mobile numbers etc. no approval of the proper officer is required, and the amendment can be affected by the taxable person on his own on the common portal.

Generally, the amendments take effect from the date of application for amendment. Commissioner, however, has been given powers to permit amendments with retrospective effect.

Cancellation of Registration

The GST law provides for two scenarios where cancellation of registration can take place; the one when the taxable person no more requires it (voluntary cancellation), and another when the proper officer considers the registration liable for cancellation in view of certain specified defaults (Suo moto cancellation) like when the registrant is not doing business from the registered place of business or if he issues tax invoice without making the supply of goods or services. The taxable person desirous of cancellation of Registration will apply on the common portal within 30 days of event warranting cancellation. He will also declare in the application the stock held on the date with effect from which he seeks cancellation. He will also work out and declare the quantum of dues of payments and credit reversal, and the particulars of payments made towards discharge of such liabilities. In case of voluntary registration (taken despite not being liable for obtaining registration), no cancellation is allowed until expiry of one year from the effective date of registration. If satisfied, the proper officer has to cancel the registration within 30 days from the date of application or the date of reply to notice (if issued, when rejection is concluded by the officer).

Revocation of Cancellation

In case where registration is cancelled suo-moto by the proper officer, the taxable person can apply within 30 days of service of cancellation order, requesting the officer for revoking the cancellation ordered by him. However, before so applying, the person has to make good the defaults (by filing all pending returns, making payment of all dues and so) for which the registration was cancelled by the officer. If satisfied, the proper officer will revoke the cancellation earlier 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 in connection with 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.

10. Tax Invoice, Credit and Debit notes

Generally speaking, an invoice is a commercial instrument issued by a seller to a buyer. It identifies both the trading parties, and lists, describes, and quantifies the items sold, shows the date of shipment and mode of transport, prices and discounts, if any, and the delivery and payment terms.

In certain cases, (especially when it is signed by the seller or seller's agent), an invoice serves as a demand for payment and becomes a document of title when paid in full. Types of invoices include: Bill of Sale or Contract of Sale.

Invoice under GST

Under the GST regime, an "invoice" or "tax invoice" means the tax invoice referred to in section 31 of the CGST Act, 2017. This section mandates the issuance of an invoice or a bill of supply for every supply of goods or services. It is not necessary that only a person supplying goods or services needs to issue an invoice. 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. However, 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 Rs. 200/-, subject to specified conditions.

Importance of tax invoice under GST

Under GST, a tax invoice is an important document. 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). 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. Broadly speaking, the time of supply of goods or services is the date of issuance of an invoice or receipt of payment, whichever is earlier.

Thus the importance of an invoice under GST cannot be over-emphasised. Suffice it to say, the tax invoice is the primary document evidencing the supply and vital for availing Input Tax Credit.

When should a tax invoice or a bill of supply be issued 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 there of 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.

Contents of invoice

There is no format prescribed for an invoice, however, Invoice rules makes it mandatory for an invoice to have the following fields (only applicable field are to be filled):

(a) Name, address and GSTIN of the supplier (b) A consecutive serial number, in one or multiple series, containing alphabets or numerals or special characters like hyphen or dash and slash symbolised as “-” and “/” respectively, and any combination there of, unique for a financial year

(c) Date of its issue

(d) Name, address and GSTIN or UIN, if registered, of the recipient

(e) Name and address of the recipient and the address of delivery, along with the name of State and its code, if such recipient is un-registered and where the value of taxable supply is fifty thousand rupees or more

(f) HSN code of goods or Accounting Code of Services

(g) Description of goods or services

(h) Quantity in case of goods and unit or Unique Quantity Code there of

(i) Total value of supply of goods or services or both

(j) Taxable value of supply of goods or services or both, taking into account the discount or abatement, if any

(k) Rate of tax (Central tax, State tax, Integrated tax, union territory tax or cess)

(l) Amount of tax charged in respect of taxable goods or services (Central tax, State tax, Integrated tax, union territory tax or cess)

(m) Place of supply along with the name of State, in case of a supply in the course of inter-State trade or commerce

(n) Address of delivery where the same is different from the place of supply

(o) Whether the tax is payable on reverse charge basis

(p) Signature or digital signature of the supplier or his authorized representative

Contents of Bill of Supply

A bill of supply shall be issued by the supplier containing the following details:

(a) Name, address and GSTIN of the supplier

(b) A consecutive serial number, in one or multiple series, containing alphabets or numerals or special characters like hyphen or dash and slash symbolised as “-” and “/” respectively, and any combination there of, unique for a financial year

- (c) Date of its issue
- (d) Name, address and GSTIN or UIN, if registered, of the recipient
- (e) HSN Code of goods or Accounting Code for Services
- (f) Description of goods or services or both
- (g) Value of supply of goods or services or both taking into account discount or abatement, if any
- (h) Signature or digital signature of the supplier or his authorized representative

Services

A registered person supplying taxable services shall, before or after the provision of service but within a prescribed period, issue a tax invoice, showing the description, value, tax charged thereon and such other particulars as prescribed in the Invoice Rules.

The Government may, on the recommendations of the Council, by notification and subject to such conditions as may be mentioned therein, specify the categories of services in respect of which:

- (a) Any other document issued in relation to the supply shall be deemed to be a tax invoice; or
- (b) Tax invoice may not be issued.

Thus, it can be seen that in case of goods, an invoice has to be issued before or at the time of supply. In case of services, however, an invoice has to be issued before or after the provision of services. If the invoice is issued after the provision of service, it has to be done within the specified period of 30 days from the date of supply of service, as per invoice rules.

Revised Invoice

A registered person may, within one month from the date of issuance of certificate of registration and in such manner as prescribed in the Invoice Rules, issue a revised invoice against the invoice already issued during the period beginning with the effective date of registration till the date of issuance of certificate of registration to him. This provision is necessary, as a person who becomes liable for registration has to apply for registration within 30 days of becoming liable for registration. When such an application is made within the time period and registration is granted, the effective date of registration is the date on which the person became liable for registration. Thus there would be a time lag between the date of grant of certificate of registration and the effective date of registration. For supplies made by such person during this intervening period, the law enables the issuance of a revised invoice, so that ITC can be availed by the recipient on such supplies.

Receipt Voucher/Refund voucher on receipt of advance payment

Whenever a registered person receives an advance payment with respect to any supply of goods or services or both, he has to issue a receipt voucher or any other document, containing such particulars as prescribed in the Invoice Rules, evidencing the receipt of such payment.

Where any such receipt voucher is issued, but subsequently no supply is made and no tax invoice is issued, the registered person who has received the advance payment can issue a refund voucher against such payment.

A receipt voucher needs to contain the following particulars:

- (a) Name, address and GSTIN of the supplier
- (b) A consecutive serial number containing alphabets or numerals or special characters like hyphen or dash and slash symbolised as “-” and “/” respectively, and any combination thereof, unique for a financial year
- (c) Date of its issue
- (d) Name, address and GSTIN or UIN, if registered, of the recipient
- (e) Description of goods or services
- (f) Amount of advance taken
- (g) Rate of tax (Central tax, State tax, Integrated tax, Union territory tax or cess)
- (h) Amount of tax charged in respect of taxable goods or services (Central tax, State tax, Integrated tax, union territory tax or cess);
- (i) Place of supply along with the name of State and its code, in case of a supply in the course of inter-State trade or commerce
- (j) Whether the tax is payable on reverse charge basis
- (k) Signature or digital signature of the supplier or his authorized representative

It has also been provided in the Invoice Rules that if at the time of receipt of advance,

- (i) He rate of tax is not determinable, the tax may be paid@18%;
- (ii) The nature of supply is not determinable, the same shall be treated as inter-State supply.

Invoice and payment voucher by a person liable to pay tax under reverse charge

A registered person liable to pay tax under reverse charge (both for supplies on which the tax is payable under reverse charge mechanism and supplies received from unregistered persons) has to issue an invoice in respect of goods or service or both received by him. Such a registered person in respect of such supplies also has to issue a payment voucher at the time of making payment to the supplier.

Invoice in case of continuous supply of goods

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.

Invoice in case of continuous supply of services

In case of continuous supply of services, where:

- (a) The due date of payment is ascertainable from the contract, the invoice shall be issued on or before the due date of payment.
- (b) The due date of payment is not ascertainable from the contract, the invoice shall be issued before or at the time when the supplier of service receives the payment.

(c) 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.

Issue of invoice in case, where supply of service ceases under a contract before the completion of supply

In a case where the supply of services ceases under a contract before the completion of the supply, the invoice shall be issued at the time when the supply ceases and such invoice shall be issued to the extent of the supply made before such cessation.

Sale on approval basis

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 before or at the time of supply or six months from the date of removal, whichever is earlier.

Credit and Debit Notes

In cases where tax invoice has been issued for a supply and subsequently it is found that the value or tax charged in that invoice is more than what is actually payable/chargeable or where the recipient has returned the goods, the supplier can issue a credit note to the recipient. A registered person who issues such a credit note has to declare details of such credit note 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 the date of furnishing of the relevant annual return, whichever is earlier. The tax liability of the registered person will be adjusted in accordance with the credit note issued, however 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.

In cases where tax invoice has been issued for a supply and subsequently it is found that the value or tax charged in that invoice is less than what is actually payable/chargeable, the supplier can issue a debit note to the recipient.

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.

A revised tax invoice and credit or debit note has to contain the following particulars:

- (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 containing alphabets or numerals or special characters like hyphen or dash and slash symbolised 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 un-registered

(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.

(j) Signature or digital signature of the supplier or his authorized representative.

Manner of issuing invoice

The invoice shall be prepared in triplicate, in case of supply of goods, in the following manner:

(a) The original copy being marked as ORIGINAL FOR RECIPIENT

(b) The duplicate copy being marked as DUPLICATE FOR TRANSPORTER

(c) The triplicate copy being marked as TRIPLICATE FOR SUPPLIER

The invoice shall be prepared in duplicate, in case of supply of services, in the following manner:

(a) The original copy being marked as ORIGINAL FOR RECIPIENT

(b) The duplicate copy being marked as DUPLICATE FOR SUPPLIER

The serial number of invoices issued during a tax period shall be furnished electronically through the Common Portal in Form GSTR-1.

Tax invoice in Special Cases

An ISD invoice or, as the case may be, an ISD credit note issued by an Input Service Distributor shall contain the following details:

(a) Name, address and GSTIN of the Input Service Distributor

(b) A consecutive serial number containing alphabets or numerals or special characters like hyphen or dash and slash symbolised as , “-”, “/”, respectively, and any combination thereof, unique for a financial year

(c) Date of its issue

(d) Name, address and GSTIN of the recipient to whom the credit is distributed

(e) Amount of the credit distributed

(f) Signature or digital signature of the Input Service Distributor or his authorized representative

Tax Invoice in special cases

Where the Input Service Distributor is an office of a banking company or a financial institution, including a non-banking financial company, a tax invoice shall include any document in lieu thereof, by whatever name called, whether or not serially numbered but containing the prescribed information.

Where the supplier of taxable service is an insurer or a banking company or a financial institution, including a nonbanking financial company, the said supplier shall issue a tax invoice or any other document in lieu thereof, by whatever name called, whether or not serially numbered, and whether or not containing the address of the recipient of taxable service but containing other information as prescribed under rule 1 of Invoice Rules.

Where the supplier of taxable service is a goods transport agency supplying services in relation to transportation of goods by road in a goods carriage, the said supplier shall issue a tax invoice or any other document in lieu thereof, by whatever name called, containing the gross weight of the consignment, name of the consignor and the consignee, registration number of goods carriage in which the goods are transported, details of goods transported, details of place of origin and destination, GSTIN of the person liable for paying tax whether as consignor, consignee or goods transport agency, and also containing other information as prescribed under rule 1 of Invoice Rules.

Where the supplier of taxable service is supplying passenger transportation service, a tax invoice shall include ticket in any form, by whatever name called, whether or not serially numbered, and whether or not containing the address of the recipient of service but containing other information as prescribed under rule 1 of Invoice Rules.

Transportation of goods without an invoice

In the following cases it is permissible for the consignor to issue a delivery challan in lieu of invoice at the time of removal of goods:

- (a) Supply of liquid gas where the quantity at the time of removal from the place of business of the supplier is not known
- (b) Transportation of goods for job work
- (c) Transportation of goods for reasons other than by way of supply
- (d) Such other supplies as may be notified by the Board

The delivery challan, serially numbered not exceeding 16 characters, in one or multiple series, shall contain the following details:

- (i) Date and number of the delivery challan
- (ii) Name, address and GSTIN of the consignor, if registered
- (iii) Name, address and GSTIN or UIN of the consignee, if registered
- (iv) HSN code and description of goods
- (v) Quantity (provisional, where the exact quantity being supplied is not known)
- (vi) Taxable value
- (vii) Tax rate and tax amount – Central tax, State tax, Integrated tax, Union territory tax or cess, where the transportation is for supply to the consignee
- (viii) Place of supply, in case of inter-State movement
- (ix) Signature

The delivery challan shall be prepared in triplicate, in case of supply of goods, in the following manner:

- (a) The original copy being marked as ORIGINAL FOR CONSIGNEE
- (b) The duplicate copy being marked as DUPLICATE FOR TRANSPORTER

(c) The triplicate copy being marked as TRIPLICATE FOR CONSIGNER

Where goods are being transported on a delivery challan in lieu of invoice, the same shall be declared in FORM [WAYBILL].

Where the goods being transported are for the purpose of supply to the recipient but the tax invoice could not be issued at the time of removal of goods for the purpose of supply, the supplier shall issue a tax invoice after the delivery of goods.

Where the goods are being transported in a semi knocked down or completely knocked down condition:

- (a) The supplier shall issue the complete invoice before dispatch of the first consignment
- (b) The supplier shall issue a delivery challan for each of the subsequent consignments, giving reference of the invoice
- (c) Each consignment shall be accompanied by copies of the corresponding delivery challan along with a duly certified copy of the invoice
- (d) The original copy of the invoice shall be sent along with the last consignment.

11. Returns

The basic features of the return mechanism in GST includes electronic filing of returns, uploading of invoice level information, auto-population of information relating to input tax credit from returns of supplier to that of recipient, invoice level information matching and auto-reversal of input tax credit in case of mismatch. The returns mechanism is designed to assist the taxpayer to file returns and avail ITC.

Under GST, a regular taxpayer needs to furnish monthly returns and one annual return. There are separate returns for a taxpayer registered under the composition scheme, non-resident taxpayer, taxpayer registered as an Input Service Distributor, a person liable to deduct or collect the tax (TDS/TCS), a person granted Unique Identification Number. It is important to note that a taxpayer is NOT required to file all the types of returns. In fact, taxpayers are required to file returns depending on the activities they undertake. The GST Council has however recommended to ease the compliance requirements for small tax payers by allowing taxpayers with annual aggregate turnover up to Rs. 1.5 Crore to file details of outward supplies in FORM GSTR-1 on a quarterly basis and on monthly basis by taxpayers with annual aggregate turnover greater than Rs. 1.5 Crore. Further, GST Council has recommended to postpone the date of filing of Forms GSTR-2 and GSTR-3 for all normal tax payers, irrespective of turnover, till further announcements are made in this regard.

All the returns are to be filed online. Returns can be filed using any of the following methods:

1. GSTN portal (www.gst.gov.in)
2. Offline utilities provided by GSTN
3. GST Suvidha Providers (GSPs).

If a tax payer is already using the services of an ERP providers such as Tally, SAP, Oracle etc, there is a high likelihood that these ERP providers would provide inbuilt solutions in the existing ERP systems.

Return	Description	Who files	Standard date of Filing
GSTR-1*	Statement of Outward supplies of Goods or Services	Normal Registered Person	10th of the next month
GSTR-2*	Statement of Inward supplies of Goods or services	Normal Registered person	15th of the next month
GSTR-3*	Return for a normal taxpayer	Normal Registered Person	20th of the next month
GSTR-3B	Simple Monthly Return for the period Jul 2017 to March 2019	Normal Registered Person	20th of the next month
GSTR-4	Quarterly Return	Taxable Person opting for Composition Levy	18th of the month succeeding the quarter

GSTR-5	Monthly return for a nonresident taxpayer	Non-resident taxpayer	20th of the month succeeding tax period & within 7 days after expiry of registration
GSTR-5A	Monthly return for a person supplying OIDAR services from a place outside India to a nontaxable online recipient	Supplier of OIDAR Services	20th of the next month
GSTR-6	Monthly return for an Input Service Distributor (ISD)	Input Service Distributor	13th of the next month
GSTR-7	Monthly return for authorities deducting tax at source	Tax Deductor	10th of the next month
GSTR-8	Monthly statement for E-Commerce Operator depicting supplies effecting through it.	E-Commerce Operator	10th of the next month
GSTR-9	Annual Return	Registered Person other than an ISD, TDS/TCS Taxpayer, casual taxable person and Non-resident taxpayer.	31st December of next Financial Year
GSTR-9A	Simplified Annual Return under Composition Scheme	Taxable Person opting for Composition Levy	31st December of next Financial Year
GSTR-10	Final Return	Taxable person whose registration has been surrendered or cancelled.	Within three months of the date of cancellation or date of order of cancellation, whichever is later.
GSTR-11	Details of inward supplies to be furnished by a person having UIN	Taxable Person opting for Composition Levy	31st December of next Financial Year

* Registered persons having aggregate turnover of up to 1.5 Crore rupees in the preceding financial year or the current financial year shall furnish GSTR-1 on a quarterly basis. Other Registered persons having aggregate turnover of more than 1.5 Crore rupees shall furnish these returns on a monthly basis. Filing of GSTR-2 and GSTR-3 has been postponed till a further announcement in this regard is made.

Note: Due dates have not been notified for GSTR-2 and GSTR-3 for any of the months. That is, a taxpayer need not file GSTR-2 and GSTR-3 for any of the months from July 2017 until a notification is issued in this regard mentioning the due dates. Till such time, Form GSTR-3B is required to be filed by tax payers instead of Form GSTR-3.

Revision of Returns:

The mechanism of filing of revised returns for any correction of errors/ omissions has been done away with. The rectification of errors/omissions is allowed in the return for subsequent month(s). However, no rectification is allowed after furnishing of the return for the month of September following the end of the financial year to which such details pertain, or furnishing of the relevant annual return, whichever is earlier.

Interest on Late GST Payment

An interest of 18 percent is levied on the late payment of taxes under the GST regime. The interest would be levied for the days for which tax was not paid after the due date.

Penalty for non-filing of GST Returns

In case a taxpayer does not file his/her return within the due dates, he/she shall have to pay a late fee of Rs. 200/- i.e. Rs.100/- for CGST and Rs.100/- for SGST per day (up to a maximum of Rs. 5,000/-) from the due date to the date when the returns are actually filed.

Note: In case of **GSTR-3B**,

- For the months July to September, 2017, the late fee payable for failure to furnish the return has been waived completely.
- From the month of October 2017 onwards, the GST Council has recommended that the amount of late fee payable by a taxpayer whose tax liability for that month is 'NIL' is Rs. 20/- per day (Rs. 10/- per day each under CGST & SGST Acts). However, if the tax liability for that month is not 'NIL', the amount of late fee is Rs 50/- per day (Rs. 25/- per day each under CGST & SGST Acts)

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