UNIT-4 CGST AND SGST ACT

Structure

4.0 LEARNING OBJECTIVES

After studying this unit, you will be able to know:

- The basic difference between CGST, SGST, IGST
- The objectives and salient features of Central Goods and Service Tax
- Origin & Commencement of SGST Act
- Salient features of IGST 2017

4.1 INTRODUCTION

The Goods and Services Tax (GST) is a destination-based indirect tax, which means the end-users must pay tax on the goods and services they buy or they consume. The tax is collected by the state that consumes the goods or services, not by the state that manufactures them. To determine whether GST applies, we must first determine whether the transaction is intrastate (within the same state) or interstate (between states). The retailer may apply CGST and SGST if the products are supplied within the same state. Similarly, if the supply is made between two states, the supplier is required to charge IGST.

4.2 CENTRAL GOODS AND SERVICES TAX (CGST)

Meaning:

Central Goods and Service Tax is the full name of the CGST under GST legislation. It's known as the CGST Act of 2017. The CGST Act was passed to provide for the levy and collection of tax on intra-state supplies of goods or services by the Central Government, as well as matters related to or incidental to those supplies.

Origin and Commencement of CGST Act

- The CGST Act applies to the entire country of India, except the states of Jammu and Kashmir.
- Due to the Constitution's special powers on taxes, Jammu and Kashmir would have to approve the levy of GST in its State assembly.
- The CGST Act will take effect on a date that the Central Government will announce in the Official Gazette, i.e. on the appointed date. As may be notified, different provisions may become effective on different dates.

4.2.1 Objective of CGST Act 2017

Under prior taxation legislation, the Central Government used to levy taxes on the manufacture of certain goods (Central Excise duty), the provision of certain services (service tax), and inter-state sales of goods (Central Sales tax).

State governments levied value-added taxes on retail sales, as well as entry taxes, luxury taxes, and purchase taxes on goods entering the state, among other things. As a result, the same supply chain is subjected to different taxes.

Difficulties faced under former taxation laws shall be listed as below:

- Because taxes levied by the federal government cannot be offset against taxes levied by state governments, there is a cascade of taxes.
- Certain taxes imposed by state governments cannot be used to offset the payment of other taxes imposed by them;
- The country's wide range of Value Added Tax Laws, each with its own set of tax rates and tax procedures, divides the country into distinct economic spheres.
- Tariff and non-tariff barriers, such as octroi, entry taxes, checkpoints, and so on, obstruct the free flow of trade in the world. Furthermore, the large number of taxes imposes a high cost of compliance on taxpayers in terms of the number of returns, payments, and so on.

Due to the above challenges, all of the aforementioned taxes have been merged into a single tax known as the goods and services tax, which will be levied on supplies that include goods and services at every stage of the supply chain, beginning with manufacturing or import and ending with retail.

So any tax imposed by the Central Government or State Governments on the supply of goods or services has been converted to goods and services tax, which is a dual levy in which the Central Government imposes and collects tax in the form of central goods and services tax (CGST Act 2017) and the State Government levy and collect tax in the form of state goods and services tax (SGST Act 2017).

4.2.2 Salient Features of CGST Act 2017:

The features of the Central Goods and Services Tax Act, 2017, are as follows:

- To impose a tax on all intra-State supplies of goods or services or both; to extend the scope of the input tax credit by allowing it to be claimed for taxes paid on supplies of goods or services, or both, used or intended to be used in the course or furtherance of business; and to impose an obligation on electronic commerce operators.
- To collect tax at the point of sale at a rate of not more than 1% of the transaction's value;
- To impose an obligation on electronic commerce operators to collect tax at source.
- To provide for the conduct of an audit of registered persons to verify compliance with the provisions of the Act.
- To establish the Goods and Services Tax Appellate Tribunal by the Central Government.
- To hear appeals against the orders passed by the Appellate Authority;
- To provide for the recovery of tax arrears through various methods, including detention and sale of goods, movable and immovable property of defaulting taxable persons;
- To provide for powers of inspection, search, seizure, and arrest for officers;
- To include provisions for penalties for violating the proposed legislation's provisions;
- To include an anti-profiteering clause to ensure that businesses pass on the benefits of lower tax rates on goods and services to customers, or both and
- To provide for elaborate transitional provisions for a smooth transition of existing taxpayers to goods and services tax regime.

Taxonomy of CGST Law

- The 2017 CGST Act includes 174 sections divided into 21 chapters and three schedules dealing with supplies without consideration, the classification of activities as goods or services, and activities that are neither goods nor services. The following are the schedules:
    - Schedule I. Activities that are to be handled as supply, even if they are done without thought
    - Schedule II: Activities that should be classified as either a supply of goods or a supply of services
    - Activities or transactions that are neither a supply of goods nor a supply of services are included in Schedule III.

4.3 STATE GOODS AND SERVICE TAX (SGST)

State Goods and Services Tax (SGST) is the full name of the tax. SGST is a component of GST, just like CGST and IGST. The State Goods and Service Tax Act of 2017 is the legislation that governs SGST. As a result, after the SGST was implemented, all other indirect taxes levied by the state government under the previous taxation system were absorbed into the SGST. Furthermore, the SGST leaves all tax revenue in the hands of state governments.

What is SGST?

In India, SGST is one of the tax components of GST. State Goods and Service Tax is now included in the SGST Act. It is one of three categories of the Goods and Service Tax (CGST, IGST, and SGST), all of which are based on the principle of "one tax, one country." The State Goods and Service Tax Act of 2017 governs the SGST.

When the SGST is implemented, the current state taxes of State Sales Tax, VAT, Luxury Tax, Entertainment Tax (unless levied by local governments), Taxes on lottery, betting, and gambling, Entry tax not instead of Octroi, State Cesses and Surcharges about the supply of goods and services, and so on, will be merged into a single tax called SGST.

All the tax proceeds collected under the head SGST are for the State Government.

4.3.1 Applicability of GST

To know whether the supply of goods or services or both attracts SGST, we need to know if the supply is intrastate or interstate. Intra-state supply is a type of supply in which the supplier and recipient are both located in the same state. The provider must collect both CGST and SGST in this type of supply. The CGST amount is deposited with the federal government, while the SGST amount is submitted to the state government. Inter-State supply is a type of supply in which the supplier's location and the recipient's location are in different states. Also, any supply made to SEZ units or EOU is considered an Inter-State supply.

In the case of inter-state supply, the supplier needs to collect IGST. This IGST collected by the supplier is submitted to the Central Government.

4.3.2 Features of SGST:

- The states levy and collect SGST on all goods and services provided for consideration.
- The collected tax is deposited into the state's bank account.
- The State Goods and Service Tax Department of each state have its SGST act. The basic features of the GST law for all states, such as charges, valuation, taxable event, measure, classification, and so on, would remain consistent throughout each state's act.

- Exempted goods and services are not subject to the SGST because they are not subject to GST. Furthermore, where the total annual turnover is less than the prescribed limit, SGST is not applicable.

4.4 DIFFERENCE BETWEEN CGST, SGST & IGST

Key differences between CGST and SGST:

Parameters	**CGST**	**SGST**	**IGST**
Full-Form	Central Goods and Services Tax	State Goods and Services Tax	Integrated Goods and Services Tax
Supply	Intra-State	Intra-State	Inter-State
Levied by	Central Government	State Government	Central Government
Collected by	Central Government	State Government	Central Government
ITC Utilization	(i) CGST (ii) IGST	(i) SGST (ii) IGST	(i) IGST (ii) In any proportion towards CGST and SGST
Applicability of composition scheme	Applicable	Applicable	Not Applicable
Registration Criteria	Any taxpayer whose aggregate turnover exceeds 40 Lakh INR (20 Lakh INR in special states) do not need to obtain registration.	Any taxpayer whose aggregate turnover exceeds 40 Lakh INR (20 Lakh INR in special states) do not need to obtain registration.	Every taxpayer who is carrying out inter-state supply needs to obtain registration irrespective of turnover prescribed.

SGST Example

Let us see how the different components under GST work in India. Assuming the GST rate applicable to the product by 18%.

Sales From	Sales To	Amount of Sale	Type of Tax	GST Amount
Delhi	Delhi	2,00,000 INR	CGST+SGST (18,000+18,000)	36,000 INR
Delhi	UP	2,00,000 INR	IGST	36,000 INR
Andaman & Nicobar	Andaman & Nicobar	2,00,000 INR	CGST+UTGST (18,000+18,000)	36,000 INR
Andaman & Nicobar	Delhi	2,00,000 INR	IGST	36,000 INR
UP	Lakshadweep	2,00,000 INR	IGST	36,000 INR

What determines whether CGST, GST on IGST is applicable for a supply?

To determine if a taxable transaction is subject to the Central Goods and Services Tax (CGST), State Goods and Services Tax (SGST), or Integrated Goods and Services Tax (IGST), one must first determine if the transaction is intrastate or interstate.

- Intra-State supply of goods or services occurs when the supplier's location and the place of supply, i.e., the buyer's location, are both in the same state. A seller must obtain both CGST and SGST from the buyer in a transaction involving supply within the state. The State GST is deposited with the State Government, while the Central GST is deposited with the Central Government.

- When the supplier and the place of supply are in different states, this is referred to as inter-state supply. The transaction is often believed to be Inter-State when goods or services are exported or imported, or when goods or services are supplied to or by an SEZ unit. A seller must collect IGST from the buyer in a transaction involving supply between two states or outside the state.

Case study to understand CGST, SGST and IGST

For Rs. 10,000, an Indore merchant is selling a printer to a Bhopal trader. A 14 per cent CGST and a 14 per cent SGST will be applied to this transaction. The trader in

Bhopal will be required to charge Rs. 1,400 in CGST and Rs. 1400 in SGST, with the funds going to the Central and State Government accounts, respectively.

In this case, the merchant from Bhopal is supplying the printer to his Bengaluru shop. Because this is an interstate transaction, the Bhopal shopkeeper will levy a 28 per cent IGST, or Rs. 2800, on the product's basic value (Rs. 10,000), and deposit the IGST into the government account.

The State Goods and Service Tax (SGST) is one of the three major types of Goods and Service Tax (CGST, IGST, and SGST), and it is based on the principle of "one tax, one country." The State Goods and Service Tax Act of 2016 governs the SGST. Alcohol for human consumption is not included in the SGST supplies. Furthermore, this imposed tax is governed by the State Goods and Services Tax (SGST) Act, 2017. As per section 15 of the SGST Act, this tax is levied on the transaction value of the goods or services delivered.

The transaction value is the price paid or payable for the supply of goods or services in question. In a nutshell, this tax is collected by the state in which the goods or services are consumed, rather than the state in which the goods are produced, as the name implies.

Why GST?

- Several indirect taxes were levied by both the state and the federal government before the introduction of GST on July 1, 2017.
- The centre levied a Central State Tax (CST) on goods sold within state lines.
- Different states used to have their own set of rules and regulations, which was a major issue.
- There were also some extra taxes, such as the entertainment tax, the local tax, and the octroi.

All of these disparate taxes resulted in a lack of tax uniformity, which became a significant impediment to intra-country trade. It also resulted in the federal and state governments combining their taxes, which often had different tax rates.

An example of CGST and SGST

Assume Ayan is a distributor in Gurgaon who sold 20,000 rupees worth of merchandise to Mahesh in Bangalore. The GST rate is 18 per cent, which includes the CGST rate of 9% and the SGST rate of 9%. In this case, the dealer receives Rs. 3600, of which Rs. 1800 goes to the Central Government and Rs. 1800 goes to the Haryana Government.

Where SGST is Applicable?

The application of SGST/UTGST and other GST tax components such as IGST and CGST is determined by the supply nature of a transaction. There are two kinds of supply when it comes to transactions: intra-state supply and inter-state supply.

Intra-State Supply

Any supply where the provider and the place of supply are both located in the same State or Union Territory is referred to as intra-state supply. A manufacturer must collect both CGST and SGST in such a case of the supply of goods and services. The CGST portion is deposited with the Central Government after all taxes have been collected. The SGST is then deposited with the state government in question.

Let's look at another example: Madhur Traders, a Rajasthan-based distributor, receives products from Gunjan Enterprises, a Rajasthan-based manufacturer. Gunjan Enterprises supplies goods worth Rs 2, 00,000 after adding 18 per cent GST. GST is deposited to both the Central and State Governments because it is an intra-state supply. However, the total GST of Rs 36,000 is divided equally between the two heads. This translates to a deposit of Rs 18,000 into the CGST account. An additional Rs 18,000 is deposited into the SGST section.

Inter-State Supply

Well, Inter-State Supply happens in the supply where the location of the supplier and the place of supply falls in these:

- Two different States
- 2 Different Union Territories
- A-State and a Union Territory

Also, any supply that occurs in a taxable territory that is not an Intra-State supply is referred to as an Inter-State supply. The following items are also considered inter-state supplies:

- Merchandise to or from Special Economic Zones (SEZs)
- Imported goods and services from India
- Outside of India, services or products are exported.
- Supplying foreign visitors with goods or services
- As a result, the Central Government only levies and collects IGST on interstate supplies of goods or services.

Satya Ltd, a manufacturer in MP, for example, produces and delivers products to Bhatia Traders, a Punjab-based dealer. Satya Ltd supplies goods worth Rs 1, 00,000 after adding 18 per cent GST. GST is only deposited to the Central Government because it is a type of inter-state supply. As a result, the entire GST of Rs 18,000 is deposited solely under the CGST head.

SGST, CGST and IGST rates of some daily use items

ITEMS	SGST	CGST	IGST
Tea, coffee (except instant), spices, edible oil, and sugar are all items that are used daily. This GST slab also includes charcoal, essential medicines, and Indian sweets.	2.50%	2.50%	5%
Processed food and computers	6%	6%	12%
Hair oil, body soaps and toothpaste, capital goods, and industrial intermediaries.	9%	9%	18%
Consumer durables such as air conditioners and refrigerators, cigarette packs, aerated drinks, and high-end motorcycles are examples of luxury products.	14%	14%	28%

How frequently are SGST rates revised?

Since the implementation of the Goods and Services Tax, the GST rates have been revised several times (GST). The most recent rate change took effect on March 14, 2020, at the 39th GST Council Meeting. Several GST Council Meetings have taken place to rate changes that were implemented later. By visiting the official website, https://cbic-gst.gov.in/, you will stay up to date on all kinds of GST and rate changes.

4.5 INTEGRATED GOODS AND SERVICE TAX (IGST)

The IGST full form under GST law is Integrated Goods and Service Tax. It is called the IGST Act of 2017.

The IGST Model's scope gives meaning to the GST Act, which includes IGST as one of its components. The IGST Act specifies that the Centre will levy IGST (CGST plus SGST) on all inter-State taxable goods and services transactions, with appropriate provisions for consignment or stock transfer of goods and services.

After adjusting the available credit of IGST, CGST, and SGST on his purchases, the seller making supply outside the state would pay IGST on value addition and the exporting state will send the credit for SGST used in IGST payment to the Centre.

The importing dealer, on the other hand, would claim IGST credit when settling his output tax liability in his state. The Centre will then transfer the IGST credit used in SGST payment to the importing State.

The relevant data will also be sent to the Central Agency, which will act as a clearinghouse, check the claims, and notify the respective governments so that the funds can be transferred.

What is IGST?

"Integrated Goods and Services Tax" (IGST) means the tax levied under this Act on the supply of any goods and/or services in the course of inter-State trade or commerce and for this purpose.

Finer point 1	A supply of goods and/or services made during the importation of goods and/or services into India's territory is considered to be a supply of goods and/or services made during inter-State trading or commerce.
Finer point 2	The export of goods and/or services is considered a supply of goods and/or services in the course of interstate trade or commerce.

The Integrated Goods and Services Tax (IGST) is a tax levied under the IGST Act on the supply of any goods and/or services in the course of interstate trade or commerce (IGST). Imported goods and services will be subject to the Integrated GST. Any supply of goods or services made in the course of importing goods or services into Indian Territory is called an interstate trading or commerce supply and is subject to the IGST. For transactions that look-alike of import transactions and export of goods and services, shall be deemed to be supplied in the course of inter-state trade or commerce. Interstate trade or commerce will, therefore include:

- Supplies made in the course of – Inter-state trade or commerce
- Import into Indian territory (deemed to be inter-state)
- Export (deemed to be inter-state)

Inter-state transactions, as well as import and export transactions (deemed to be inter-state transactions), relating to the supply of goods and/or services, will be subject to Integrated GST.

4.5.1 Origin and commencement of IGST Act

The Integrated Goods and Services Tax Act, 2017 (IGST) is a law passed to tax, collect, and administer the IGST in India. This Act would apply to the entire country of India, including the state of Jammu and Kashmir. And it will take effect on a date that the Central Government will announce via a notification.

4.5.2 Salient features of IGST Act 2017

- Inter-State transactions continue to be processed through an uninterrupted ITC chain.
- There is no requirement for the interstate seller or buyer to pay tax upfront, nor there is a significant blockage of funds.

- There will be no refund of taxes paid in the exporting state because the ITC will have been used up when paying the tax.
- Model of self-monitoring
- Streamlining is limited to interstate distributors, and both the federal and state governments should be able to streamline their procedures quickly.
- Dealers making interstate supplies will be e-registered, and correspondence with them will be done via email, resulting in a significant increase in compliance.
- The IGST Model can take 'Business to Business as well as 'Business to Consumer' transactions into an account.

Taxonomy of IGST

The IGST Act comprises the following 11 Chapters, 33 Sections and 8 Definitions.

IGST Example

Mr X, a trader registered in Bangalore, sold goods to Mr Y, a registered trader in Chennai, for Rs. 10 Lakhs and further Mr Y sold these goods to Mr Z, a registered retailer from Jaipur, for Rs. 11 Lakhs.

First transaction between Mr X and Mr Y	· Mr X will collect IGST at the CGST + SGST rate on Rs. 10 Lakhs. · As we all know that CGST SGST and IGST full form expands to Central GST/ State GST and Integrated GST respectively. · Mr Y will get the credit which he can use for further payment of his GST.
Second transaction between Mr Y and Mr Z	· Mr Y will collect IGST at the CGST + SGST rate of Rs. 11 Lakhs. · Mr Z will get the credit which he can use for further payment of his GST.
Who pockets the taxes here? [Note: Key point to remember: GST is a consumption-based tax.]	· Tamil Nadu will get the SGST on Rs. 10 Lakhs from Karnataka on the first transaction between Mr X and Mr Y. · Tamil Nadu will also be collecting tax on the second transaction between Mr Y and Mr Z on the number of Rs. 11 Lakhs which it will further transfer to the Central Government (CGST) and the Rajasthan government (SGST).

Interstate trade will undoubtedly benefit because transactions between states will not be taxed twice. This is in contrast to previous tax rules, which required you to pay tax in Chennai and then again in the state where you eventually sold the goods. This reduces the tax burden on merchants, allowing them to increase their inter-state trade.

4.6 LET US SUM UP

The goods and services tax (GST) is a reformative financial taxation scheme enacted in the Indian constitution for incorporating all business units into the database of tax-paying organizations on an equal footing. The goods and services tax (GST) is in place to replace all indirect taxes. We'll go over all of the aspects of taxes and GST in this section. The CGST, SGST, and IGST are the three main components of taxation. For the uninitiated, a short explanation of what each of these components means and what role they play in the GST taxation economy. The GST bill has been passed, and the new rules will include CGST, SGST, and IGST. The Central Government will levy CGST and IGST, while the State Government will levy SGST.

4.7 KEYWORDS

GST: GST (Goods and Services Tax) is a destination-based, indirect, multi-stage consumption tax that will replace almost all existing Central and State taxes, including but not limited to CENVAT, Octroi, Sales Tax, and Excise Duty. From July 1, 2017, GST replaced all existing direct and indirect federal and state taxes.

GSTIN: GSTIN, i.e. In the GST regime, a business's legal and special identity with the government of India is its GST Identification Number. GSTIN is a 15-character alphanumeric PAN-based unique number that is assigned to each state.

CGST, SGST and IGST: GST consists of three major taxes – Central GST, i.e. CGST, State GST i.e. SGST and Integrated GST i.e. IGST.

The different taxes would enable the taxpayers to take a credit against each other, enhancing ease and transparency in the taxation cycle.

- ***CGST**:* Central GST [CGST] is the GST, to be levied by the Centre, on intra-state businesses.
- ***SGST**:* State GST [SGST] is the GST, to be levied by the State, on intra-state businesses.
- ***IGST**:* Integrated GST [IGST] is the GST, to be levied by the Centre, on inter-state businesses and imports.

Reverse Charge: Reverse Charge is a mechanism and supervisory arrangement that is used to track and improve tax coverage, compliance, synchronization, and tractability in unorganized, partially organized, and fully organized industries.

In most cases, the purchaser of goods or services is responsible for paying GST. The liability may, however, be transferred to the recipient in certain circumstances, such as imports and other notified supplies, under the reverse charge mechanism. Reverse charge means that the recipient of goods or services bears the tax liability rather than the supplier, but only for certain types of supply.

Mixed Supply: A mixed supply is any arrangement of goods or services made by a GST payer for a single price that combines two or more individual supplies of goods or services. The mixed supply's components are not organically bundled, but it is a deliberate fusion from a company standpoint.

A mixed supply could be a gifting set consisting of a pen, a tie, a wallet and a key ring.

Composite Supply: A composite supply is an organic combination of two or more individual goods and services, or any other natural arrangement of goods and services made for a single price by a GST payer.

A composite supply is further broken into two parts:

- ***Principal Supply***: The major and the foremost element in the Composite Supply of goods or services.
- ***Dependent Supply***: This is the dependent element and rests on the Principal Supply.

A composite supply might be a breakfast package combined with a hotel stay, which would be considered a natural mix. The stay package is the Principal Supply in this regard, while the breakfast is a Composite Supply.

Continuous Supply: A continuous supply is one in which goods and/or services are delivered at regular intervals [fortnightly / monthly] and payments are made in the same way.

A composite supply could be the services provided by a telecom operator.

ITC: The credit manufacturers earn for paying input taxes on inputs used in the manufacturing of goods is known as the input tax credit [ITC]. Similarly, if a dealer purchases goods for resale, he is entitled to an input tax credit.

To avoid double taxation on items used as inputs to produce other items, the manufacturer of the next item may claim credit for taxes paid on the inputs while paying tax on the output. If the tax on inputs is higher than the tax on outputs, the difference can be refunded.

Input Tax Credit is not a one-size-fits-all solution for PAN India; it varies by state and does not apply to composite taxpayers.

GSTR: GSTR, i.e. A GST Return is a document that captures the details of a taxpayer's income and is required to be filed with the authorities to determine his tax liability. There are eleven different types of GST returns, ranging from GSTR-1 to GSTR-11, that capture and cater to various types of taxpayers.

A **GST** primarily includes:

- Sales data
- Purchase data
- Output GST [Derived from Sales]
- Input Tax Credit [GST paid on purchases]

GST Compliance Rating: GST Compliance Rating is a numerical value and a score between [0 -10] assigned by the government to all taxpayers, indicating whether or not they are GST compliant. The rating is given to all GSTIN and GSTIN holders based on several factors, including, but not limited to, your return filing habits, the accuracy of your fed data, and so on.

Though the actual rating format is still to be announced, however, it should be similar to having a 0-10 scale, where zero accounts for the lowest score and 10 denotes a cent per cent compliance.

The rating will be a key factor in obtaining the ITC and keeping it flowing smoothly. If the ITC does not arrive on time, it would hurt working capital. If manufacturers do not comply, the rating will affect legitimate buyers' ability to obtain input tax credits.

4.8 FURTHER READINGS

- Swain AK & Agrawal – GST: Concepts and Applications, Himalayan Publishing House.
- GST Manual: Taxman's Publication Ltd., New Delhi.
- GST and Indirect Taxes, Sanjeet Sharma, V.K. Global Pub. Pvt. Ltd, New Delhi.
- Mishra, Padhi and Bera – Text Books on GST & Practice, Vikash Publishing House Pvt. Ltd. New Delhi.
- www.tallysolutions.com
- www.mastersindia.co

4.9 MODEL QUESTIONS

Q1: Write the difference between SGST, IGST and CGST
Q2: Discuss the salient feature of the IGST Act 2017
Q3: Write a brief note on Input Tax Credit.
Q4: What are the areas where SGST is applicable?
Q5: What determines whether CGST, GST on IGST is applicable for a supply?

UNIT-5 GST LEVY OF AND EXEMPTION OF TAX

Structure

5.0 LEARNING OBJECTIVES

After completing this unit, you will be able to know:

- The levy and collection of GST under the CGST, IGST & UTGST Act
- Meaning & Scope of supply under GST
- Time, Place and Value of Supply
- GST registration procedure by a taxable person

5.1 INTRODUCTION

One of the most significant post-independence tax reforms has been the Goods and Services Tax. GST is a ground-breaking indirect tax reform that will eliminate interstate trade barriers to create a common national market. Multiple indirect taxes levied by the federal and state governments have been included by GST. The Indian Constitution gives the government the authority to levy any tax. Article 265 of the Indian Constitution states that no tax can be levied or collected unless it is authorized by law. The charging section of any Taxing Law is required for the levy (imposition) and collection (payment) of taxes. A taxable event, or the point in time when the tax will be levied, is the very foundation for the charging of tax in any taxing statute. Previously, each indirect tax had its own set of taxable events (for example, manufacturing in the case of Excise Duty, provision of services in the case of Service Tax, sale of goods in the case of VAT/CST, and so on). The supply of goods or services, or both, is a taxable event under the GST regime.

To levy GST, Section 9 of the CGST Act/SGST Act and Section 5 of the IGST Act are the Charging Sections. All intra-state deliveries of goods and/or services will be subject to CGST and SGST, while all inter-state supplies of goods and/or services will be subject to IGST.

5.2 LEVY AND COLLECTION OF GST UNDER CGST ACT (SECTION 9)

1. Levy of central goods and service tax [Section 9(1)]:

Except for the supply of alcoholic liquor for human consumption, the central goods and services tax (CGST) is levied under the CGST Act on all intra-State supplies of goods, services, or both. It shall be levied at such rates, not exceeding 20%, as the Government may inform in response to the Council's recommendations, and collected in the manner prescribed, and shall be paid by the taxable person. [Under the SGST/UTGST] similar rates are required.

2. Central tax on petroleum products to be levied from the date to be notified [Section 9(2)]:

The central tax on petroleum crude, high-speed diesel, motor spirit (commonly known as gasoline), natural gas, and aviation turbine fuel will take effect as soon as the Government notifies the Council of its recommendations.

3. Tax payable on reverse charge basis [Section 9(3)]:

The Government may, on the Council's recommendation, define categories of supply of goods or services or both, for which the tax is paid on a reverse charge basis by the recipient of such goods or services or both, by notification. Also, all of the provisions of this Act apply to such recipients as if he were the person responsible for paying the tax on the supply of such goods or services, or both.

4. Tax payable on the reverse charge if the supplies are made to a registered person by an unregistered person [Section 9(4)]:

All provisions of this Act apply to such a recipient as if he is the person liable for paying the tax about the supply of taxable goods or services or both by a non-registered supplier to a registered person. [Section 9(4) has been postponed until 31. .2018]

5. Tax payable on intra-State supplies by the electronic commerce operator on notified services [Section 9(5)]

As per section 2(45) of the CGST Act, 2017, “electronic commerce operator” means any person who owns, operates or manages a digital or electronic facility or platform for electronic commerce. Further, “electronic commerce” means the supply of goods or services or both, including digital products over digital or electronic networks.

Thus, Electronic Commerce Operators **(ECOs)** such as Flip kart, Uber, and Make my Trip display goods and services on their electronic portals that are provided by someone else to the consumer. These portals allow customers to purchase such goods and services. When a customer places an order for a product or service, the actual supplier fulfils the order and delivers the product or service to the customer. The ECO collects the product/service price/consideration from the customer and passes it on to the real supplier after deducting the ECO's commission.

On the Council's recommendation, the Government may, by notification, identify categories of services for which the electronic commerce operator (ECO) is responsible for paying the tax on intra-State supplies if such services are provided through it.

Also, all of the provisions of this Act apply to such electronic commerce operator (ECO) as if he were the supplier responsible for paying the tax on the services provided.

Where an electronic commerce operator (ECO) does not have a physical presence in the taxable territory, any person who represents such an ECO in the taxable territory for any purpose is liable to pay tax.

When an ECO does not have a physical presence in the taxable territory and also does not have a representative in the taxable territory, the ECO must nominate a person in the taxable territory to pay tax on his behalf, and that person will be liable to pay tax. The Government vide Notification No. 17/2017 CT (R) dated 28.06.2017 has notified the following categories of services supplied through ECO for this purpose—

1. Services by way of transportation of passengers by a radio-taxi, motor cab, maxi cab and motorcycle;
2. Services involving the provision of lodging in hotels, guest houses, clubs, campgrounds, or other commercial establishments intended for residential or lodging purposes, except where the person delivering such service through an electronic commerce operator is required to register under section 22(1) of the CGST Act.

5.3 LEVY AND COLLECTION OF GST UNDER IGST ACT. (SECTION 5)

The provisions of section 5 of the IGST Act are similar to those of section 9 of the CGST Act, with the following exceptions:

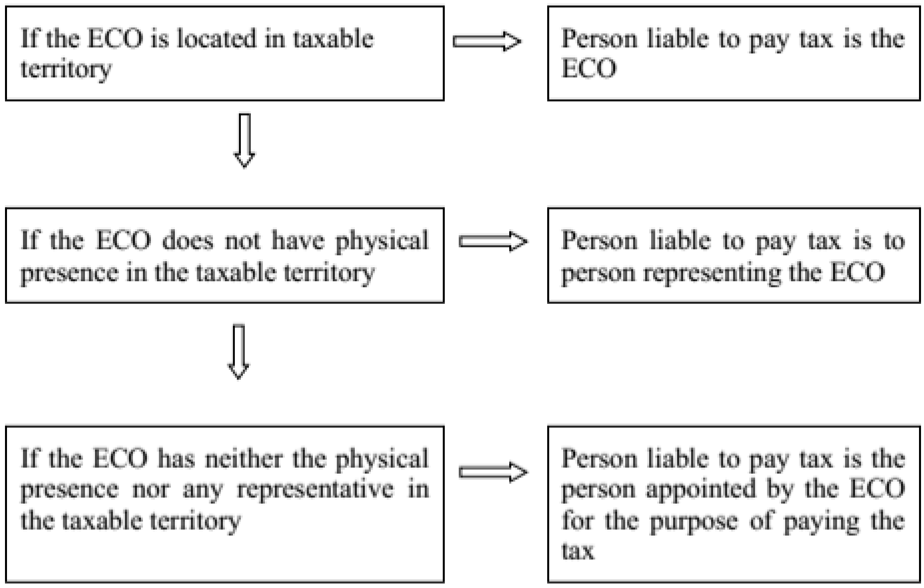
1. The term CGST has been replaced by IGST under the IGST Act
2. The IGST Act mandates the imposition of an integrated tax on all interstate supplies and goods imported into India.
3. According to section 5(1) of the IGST Act, the maximum rate is 40% (i.e. 20% CGST + 20% UTGST).

5.4 LEVY AND COLLECTION OF GST UNDER UTGST Act. (Section 7)

The provisions under section 7 of the UTGST Act and section 9 of the CGST Act are similar except the word CGST has been replaced by the word UTGST under the

- UTGST Act.
- Under UTGST Act, a tax called UT tax is be levied on all intra-State supplies,
- The maximum rate of 7(1) of the UTGST Act is 20%.

Taxability of ECO for specified services



5.5 EXEMPTION FROM GST PURVIEW: (Source: Aditya Birla Capital)

It's just as important to understand what is taxed under the Goods and Services Tax as it is to understand the list of exemptions. There are a few exemptions under GST, just like with all other taxes, where goods and services are exempt from taxation. The following is a list of examples of Goods and Services Tax exemptions.

Exempted Goods:

- **Food:** Fruits and vegetables, cereals, meat and fish, potatoes and other edible tubers and roots, tender coconut, tea leaves, jaggery, coffee beans, ginger, turmeric, milk, curd, etc.
- **Raw materials:** Silk waste, raw silk, raw jute fibre, unprocessed wool, handloom fabrics, cotton for khadi yarn, khadi, charcoal, and firewood.
- **Tools/Instruments:** Shovels, spades, agricultural tools, handmade musical instruments, hearing aids, and tools used by physically challenged individuals.
- **Miscellaneous:** Contraceptives, semen, human blood, vaccines, organic manure, earthen pots, beehives, live animals (except horses), maps, books, journals, newspapers, non-judicial stamps, kites, and pooja props.
  Note: *The above list of exempted goods is listed under GST rules but may be subject to change as the council suggests. Also, the above mentioned are examples of a few exempted goods, and more goods qualify for Nil GST.*

Exempted Services

- Agriculture-related services, such as harvesting, farming, supply, packaging, warehousing, renting or lease of equipment, are all GST-free.
- Individuals are transported using public transportation, metered taxis, auto-rickshaws, metros, and other modes of transportation.
- Transportation of agricultural products and commodities outside of India
- Transportation of goods for which the gross cost is less than Rs 1500/-
- GST is not charged on services offered by the Reserve Bank of India or any international diplomatic mission in India.
- The United Nations is one of the organizations that provide services to diplomats.
- Certain healthcare and educational services, such as mid-day meal catering, services supplied by a veterinarian, clinic, or paramedics, are also GST-free. Ambulance and charity services are also included in the list.

Some of the other exemptions of services under GST Include:

- Services provided by tour guides to foreign tourists.
- Library services
- Services for conducting religious ceremonies
- Distribution of electricity
- Services by authorized sports organizations

Note: *The above list is a few examples of services exempted from GST, and more services qualify for nil GST. The above list is also subject to the time change as per the rules of the GST council.*

5.6 MEANING AND SCOPE OF SUPPLY UNDER GST

The supply of goods or services, or both, is a taxable event under GST. Various taxable events, such as manufacturing, sale, rendering of service, purchase, entry into a state's territory, and so on, have been eliminated in favour of a single taxable event, supply. Any tax on the supply of goods, services, or both, except taxes on the supply of alcoholic liquor for human consumption, is defined as a "goods and services tax" in the constitution.

The GST would be imposed on intra-state supplies by both the federal and state governments at the same time. However, only the Parliament has the authority to enact legislation relating to the imposition of a goods and services tax on interstate commerce.

The term "supply" has been defined broadly in the Act. The following six parameters can be used to describe a transaction as a supply to understand the meaning and scope of supply under GST.

- Supply of goods or services. Supply of anything other than goods or services does not attract GST.

- Supply should be made for a consideration
- Supply should be made in the course or furtherance of business
- Supply should be made by a taxable person
- Supply should be a taxable supply
- While these six parameters define the notion of supply, there are a few exceptions to the requirement that supplies be made for consideration and in the course of business. Except in a few cases where a transaction is considered to be a supply even without consideration, any transaction involving the supply of goods or services without consideration is not a supply. Further importation of services for a fee, whether or not in the course or furtherance of business, is considered a supply.

Supply of goods or services or both

In the GST Law, all goods and services are specified. Securities are not included in either the definition of goods or the definition of services. Money is excluded from both the definition of goods and the definition of services; however, operations involving the use of money or its conversion from one form, currency, or denomination to another form, currency, or denomination for which a separate consideration is charged are included in services.

A few operations are listed in Schedule II of the CGST Act, 2017 as being handled as either a supply of goods or a supply of services. Any transfer of title in goods, for example, is a supply of goods, whereas any transfer of right in goods without the transfer of title is a service.

Further Schedule III to the CGST Act, 2017 spells out activities that shall be treated as neither supply of goods nor supply of services or in other words, outside the scope of GST. A few important notes are: –

- An employee's services to his or her employer in the course of or in connection with his or her jobs.
- Funeral, burial, cremation, or mortuary services, as well as transportation of the dead.
- Sale of land and building where the full consideration is received after the completion certificate is issued or the building is occupied for the first time.

Actionable claims are included in the definition of goods, however, schedule III provides that actionable claims other than lottery, betting and gambling shall be neither goods nor services.

Supply for consideration

In the CGST Act of 2017, the term "consideration" is defined explicitly. It can be monetary or non-monetary. Subsidies from the federal government or state governments are not counted as compensation. It makes no difference if the payment is made by the recipient or someone else.

A deposit is given in consideration for the supply of goods or services, or both are not considered payment unless the purchaser uses the deposit as consideration for the supply.
Furthermore, when goods or services are exchanged, the same activity is both a supply and consideration. Hair cut is a supply of services from the barber when he cuts hair in exchange for a portrait. It's a payment for the painting you've received.

However, the requirement of ‘Consideration' as a precondition for a supply to be called a supply under GST has some exceptions. The operations listed below will be considered as a supply under the CGST Act, 2017, even though they are performed without payment.

- Permanent transfer or disposition of company assets for which an input tax credit has been claimed.
- When made in the course or furtherance of business, a supply of goods or services, or both, between related or distinct persons as defined in section 25
- Gifts from an employer to an employee worth less than fifty thousand rupees in a financial year are not considered a supply of goods or services or both.
- Supply of goods— (a) by a principal to his agent, with the agent agreeing to supply the goods on the principal's behalf; or (b) by an agent to his principal, with the agent agreeing to receive the goods on the principal's behalf.
- Import of services by a taxable person from a related person or any of his other establishments outside India, in the course or furtherance of business.

Supply in the Course or Furtherance of Business
GST is a tax that only applies to commercial transactions. As a result, only supplies made in the course or furtherance of the company qualify as GST supplies. As a result, any supplies made by an individual in his capacity are not subject to GST unless they fall within the Act's definition of a company. The CBEC explained in a press release dated July 13, 2017, that an individual's sale of old gold jewellery to a jeweller does not constitute supply because it cannot be said to be in the course or furtherance of the individual's business. Even if it is a vocation, selling products or providing services is considered a supply under GST. There is one exception to the ‘Course or Furtherance of Business' rule, which is the importation of services for consideration.

Supply by a taxable Person
A taxable person must make a supply that is subject to GST. As a result, a supply between two non-taxable individuals does not qualify as a GST supply. A person who is registered or liable to be registered under section 22 or section 24 is referred to as a "taxable person." As a result, even if a person is not registered but is required to be, he or she is a taxable person. Similarly, a person who is not required to be registered but has voluntarily registered and obtained registration is a taxable person.

It should be observed that GST is a state-centric system in India. As a result, a person who makes supplies in multiple states must register in each state separately. Furthermore, if a person has multiple business verticals, he or she may register in more than one state. For GST, a person who has obtained or is required to obtain more than one registration, whether in one State or Union territory or more than one State or Union territory, is treated as a separate person for each such registration. As a result, a supply between these organizations is a supply under GST.

Taxable supply

A supply must be taxable to be subject to GST. The term "taxable supply" has been interpreted broadly to include any supply of goods, services, or both that is subject to taxation under the Act. Exemptions may be granted to specific goods or services, as well as to a specific group of people or businesses who supply them.

Supply in the taxable territory

The place of supply, except for Jammu and Kashmir, must be in India for a supply to be subject to GST. Sections 10, 11, 12, and 13 of the IGST Act 2017 specify the place of supply of any goods or services.

Inter/Intra State supply

Whether a supply is handled as an Intra State supply or an Inter-State supply is determined by the location of the supplier and the location of the supply. The nature of the supply must be determined to determine whether integrated tax or Central plus State tax must be paid. The term "inter-state supply of goods" refers to a supply of goods where the supplier and the recipient are located in different states or union territories. Intra-State supply of goods refers to when the supplier's location and the place of supply are both within the same State or Union territory. Imports and supplies to and from SEZs are considered interstate supplies.

Composite/Mixed supply

A composite supply is one made by a taxable person to a recipient that consists of two or more supplies of goods or services or any combination of them that are naturally bundled and delivered in tandem in the ordinary course of business, one of which is a principal supply. For example, a ticket from Mumbai to Delhi may include food service onboard, free insurance, and access to an airport lounge. In this case, passenger transportation is the most important component of the composite supply and is regarded as the primary supply, while all other supplies are considered ancillary.

The GST Law lays down the tax liability on a composite or mixed supply in the following manner.

- Composite Supply comprising two or more supplies one of which is a principal supply shall be treated as supply of such principal supply.
- Mixed Supply comprising two or more supplies shall be treated as supply of that particular supply which attracts the highest rate of tax.

Under the GST Act, a taxable person is a person who conducts business in India and is registered or required to be registered under the GST Act. A taxable person is someone who engages in economic activity, such as trade and commerce.

Individuals, HUFs, companies, firms, LLPs, an AOP/ BOI, any corporation or Government company, body corporate incorporated under the laws of a foreign country, co-operative societies, local authorities, governments, trusts, and artificial juridical persons are all included under the term "person."

5.7 TAXABLE PERSON UNDER GST

Who is Liable to get registered under GST?

GST registration is mandatory for-

- Any business whose turnover in a financial year exceeds Rs 20 lakhs (Rs 10 lakhs for North Eastern and hill states).

Note: If your turnover is the supply of only exempted goods/services which are exempt under GST, this clause does not apply.

- Every person who is already registered under a previous law (such as Excise, VAT, or Service Tax), must also register under GST.
- When a registered company is transferred to someone else or merges, the transferee is required to take registration with effect from the date of transfer.
- Anyone who facilitates the interstate flow of goods is a casual taxable person (see below)
- A taxpayer who is not a resident of the United States (see below)
- Those who pay tax under the reverse charge mechanism are agents of a supplier.
- Distributor of input services (see below)
- An E-commerce operator or aggregator* is a person who sells through an e-commerce aggregator.
- Person supplying online information & database access/retrieval services from a place outside India to a person in India, other than a registered taxable person

***Latest Updates:*

Update as of 27th June 2020

The deadline for completion or compliance has been extended to August 31, 2020, in cases where the deadline falls between March 20th and August 30th 2020. However, it does not apply to situations where a person wishes to register for GST under the CGST Act's sections 25 (Normal registration) and 27 (Registration as a casual taxable person/non-resident taxable person).

Update as of 3rd April 2020

The deadline for completion or compliance has been extended to June 30, 2020, in cases where the deadline falls between March 20th and June 29th 2020. It excludes situations where a person may register for GST under the CGST Act's sections 25 (Normal registration) and 27 (Registration as a casual taxable person/non-resident taxable person).

As per the 23rd, GST Council Meet on 10th November 2017
Service providers providing services on e-commerce platforms are exempted from registration if their annual turnover is below 20lakhs (10 lakhs for Special states. 20 lakhs for J&K)

As per the 22nd GST Council meeting of 6th October 2017
Service providers providing inter-state services are exempted from registration if their annual turnover is below 20lakhs (10 lakhs for Special states. 20 lakhs for J&K)

Notification No. 7/2017 – Integrated Tax dated 14th September 2017
Job workers making the inter-state supply of services to a registered person are exempted from registration if their turnover is below 20lakhs (10 lakhs for Special states)

Who is a Casual Taxable Person under GST?
A person who supplies goods and/or services on an as-needed basis in a GST-applicable territory but does not have a fixed place of business. According to GST, such a person would be considered a casual taxable person. A person with a place of business in Bangalore who provides taxable consultancy services in Pune where he has no place of business is considered a casual taxable person in Pune.

Who is a Non-resident Taxable person under GST?
When a non-resident occasionally supplies goods/services in a territory where GST applies but does not have a fixed place of business in India. As per GST, he will be treated as a non-resident taxable person. It is similar to the above except the non-resident has no place of business in India.

Who is an Input Service Distributor?
An 'Input Service Distributor' is an office of a goods/services supplier that receives tax invoices on receipt of input services and issues tax invoices to distribute the CGST/SGST/IGST credit paid on the said services to your branch with the same PAN. (It must be a taxable goods/services provider with the same PAN as the above-mentioned office.)

5.8 GST REGISTRATION BY TYPE OF TAXABLE PERSON

- Within thirty days of becoming liable to registration in each state, a person must apply for registration in the state in which he is liable.
- Non-residents and casual workers should apply at least five days before their first day of work.
- Because the GST registration number will be based on the PAN, having a PAN will be a requirement for obtaining registration.
- Because GST registration will be done on a state-by-state basis, the assessee must obtain separate registrations for each state.

- The assessee has the option of obtaining a separate registration in the same State for each of the "company verticals."

Special registration for the casual taxable person and non-resident taxable person (section 24)

- A non-resident taxable person or a casual taxable person must apply for registration at least five days before the start of business. Section 24 of the GST Act contains special provisions for non-residents and casual taxable persons.
- Temporary registration for a non-resident taxable person can be obtained for 90 days (extendable for additional 90 days).
- A person who obtains registration under Section 24 is obliged to make a GST advance deposit (based on his estimated tax liability)

Collecting GST

Only a registered taxable person can collect GST. The taxable person must prominently indicate the GST amount on tax invoices.

Returns

A typical taxpayer would be required to file three monthly and one annual tax returns. Separate returns must be filed by a taxpayer registered under the composition scheme, an Input Service Distributor, and a person liable to deduct or collect tax (TDS/TCS).

5.9 TIME, PLACE & VALUE OF SUPPLY

There are three kinds of taxes that can be charged in a GST invoice. In the case of an intrastate transaction, SGST and CGST are applied, and in the case of an interstate transaction, IGST is applied. However, determining whether a transaction is interstate or intrastate is a difficult task.

Consider an online training session with participants from all over the world. Consider hotel services, where the receiver may have an office in another state and is only visiting the hotel for a short time, or merchandise sold on a train trip that passes through several states.

The IGST Act establishes certain rules that determine whether a transaction is interstate or intrastate to help address some of these issues. The place of supply rules is the name for these rules. There are three key concepts to remember.

Why are time, place and value of supply important?

The point in time where goods/services are considered supplied is referred to as the time of supply. Knowing the 'time' assists the seller in determining the tax payment due date.

The location of supply is necessary for determining whether IGST or CGST/SGST should be applied to the invoice.

Because GST is calculated on the sale price, the value of the supply is critical. If the value is wrongly computed, the amount of GST charged will be incorrect as well.

Time of Supply:

The point in time where goods/services are considered supplied is referred to as the time of supply. Knowing the ‘time' assists the seller in determining the tax payment due date. At the time of supply, CGST/SGST or IGST must be paid. Goods and services each have their basis for determining when they will be delivered. Let's take a closer look at them.

A. Time of Supply of Goods

<u>Time of supply of goods</u> is the earliest of:

- Date of issue of invoice
- Last date on which invoice should have been issued
- Date of receipt of advance/ payment*.

For example:

Mr X sold goods to Mr Y worth Rs 1, 00,000. The invoice was issued on 15th January. The payment was received on 31st January. The goods were supplied on 20th January.

*Note: GST does not apply to advances under GST. GST in Advance is payable at the time of issue of the invoice. Notification No. 66/2017 – Central Tax issued on 15.11.2017

Let us analyze and arrive at the time of supply in this case.

Time of supply is earliest of –

- Date of issue of invoice = **15th January**
- Last date on which invoice should have been issued = 20th January

Thus the time of supply is 15th January.

What will happen if, in the same example an advance of Rs 50,000 is received by Mr X on 1st January?

The time of supply for the advance of Rs 50,000 will be 1st January (since the date of receipt of advance is before the invoice is issued). For the balance of Rs 50,000, the time of supply will be 15th January.

B. Time of Supply for Services

<u>Time of supply of services</u> is earliest of:

- Date of issue of invoice
- Date of receipt of advance/ payment.
- Date of provision of services (if the invoice is not issued within the prescribed period)

Let us understand this using an **example**:
On January 1st, Mr A provides Mr B with services worth Rs 20000. The invoice was sent out on January 20th, and payment was returned on February 1st. In this case, we must first determine whether the invoice was issued within the specified time frame. The deadline is 30 days from the date of supply, which is January 31st. The invoice was sent out on January 20th. This indicates that the invoice was sent out within a specified time frame.

The time of supply will be earliest of –

- Date of issue of invoice = **20th January**
- Date of payment = 1st February

This means that the time of supply of services will be 20th January.

C. Time of Supply under Reverse Charge
In case of reverse charge the time of supply for service receiver is earliest of:

- Date of payment*
- 30 days from date of issue of invoice for goods (60 days for services)

*w.e.f. 15.11.2017 'Date of Payment' is not applicable for goods and applies only to services. Notification No. 66/2017 – Central Tax

For example:
M/s ABC Pvt. Ltd undertook service of a director Mr X worth Rs. 50,000 on 15th January. The invoice was raised on 1st February. M/s ABC Pvt Ltd made the payment on 1st May.

The time of supply, in this case, will be earliest of –

- Date of payment = 1st May
- 60 days from date of the date of invoice = **2nd April**

Thus, the time of supply of services is 2nd April.

2. Place of supply
It is very important to understand the term 'place of supply' for determining the right tax to be charged on the invoice.

Here is an **example:**

Location of Service Receiver	**Place of supply**	**Nature of Supply**	**GST Applicable**
Maharashtra	Maharashtra	Intra-state	CGST + SGST
Maharashtra	Kerala	Inter-state	IGST

A. Place of Supply of Goods
In most cases, the place of supply is the same as the place where the goods are shipped. As a result, the place where goods are supplied is also the place where ownership of goods changes.

What happens if goods don't move? The location of goods at the time of delivery to the recipient is the place of supply in this case.
For instance, in the case of supermarket sales, the source of supply is the supermarket itself.

In situations where goods are assembled and installed, the location where the installation is done will be the place of supply.

A supplier in Kolkata, for example, sends equipment to a customer in Delhi. The equipment has been installed in the recipient's factory in Kanpur. Kanpur will be the supplier of equipment in this case.

B. Place of Supply for Services
In most cases, the location of the service recipient is the location of the service provider. When services are supplied to an unregistered dealer and their location is unavailable, the service provider's location will be the place of service provision. For the following services, special provisions have been made to ascertain the location of the supply.

- Services related to immovable property
- Restaurant services
- Admission to events
- Transportation of goods and passengers
- Telecom services
- Banking, Financial and Insurance Services.

In the case of services related to immovable property, the location of the property is the place of provision of services.

Example 1: *Mr Anil from Delhi, for example, helps Mr Ajay with interior design services (Mumbai). Ooty is the location of the property. In this case, the place of supply would be Ooty, Tamil Nadu, where the immovable property is located.*

Example 2: *From Bangalore to Hampi, a registered taxpayer provides passenger transportation services. The passengers are not GST registered. In this case, where will the supply come from? The place of supply is the location from which the departure takes place, in this case, Bangalore.*

3. Value of Supply of Goods or Services
The value of supply is the amount of money a seller would like to receive in exchange for the goods and services delivered. The amount collected by the seller from the buyer

is the supply value. However, if the parties are connected and a fair value cannot be charged, or if the transaction is barter or exchange, the GST law mandates that the transactional value be the value on which GST is charged. This is the value at which unrelated parties can transact in the normal course of business. Even though the full amount of GST has not been paid, it ensures that it is properly charged and collected.

5.10 LET US SUM UP

Section 8: Central/State Goods and Services Tax Levy and Collection On the recommendation of the Council, a tax called the Central/State Goods and Services Tax (CGST/SGST) shall be levied on all intra-State supplies of goods and/or services on the value determined under section 15, at such rates as the Central/State Government may notify in this regard, but not exceeding fourteen per cent, and collected in such manner as may be prescribed.

Section 9. Composition levy: Despite anything in the Act to the contrary, on the recommendation of the Council, the proper officer of the Central or State Government may, subject to such conditions and restrictions as may be prescribed, permit a registered taxable person whose aggregate turnover in the preceding financial year did not exceed fifty lakh rupees, to engage in certain activities.

Section 10. Taxable person: Taxable Person means a person who is registered or liable to be registered under Schedule V of this Act.

Section 11. Power to grant exemption from tax: Where an exemption in respect of any goods and/or services from the whole of the tax leviable thereon have been granted absolutely, the taxable person providing such goods and/or services shall not pay the tax on such goods and/or services.

5.11 KEYWORDS

- **GST:** A tax that customers have to bear when they buy any goods or services, such as food, clothes, items of daily needs, transportation etc.
- **Reverse Charge:** In the case of notified categories of supply, reverse charge means that the recipient of the goods or services bears the tax liability rather than the supplier of the goods or services. This means that instead of paying the GST to the supplier, the receiver would have to pay it directly to the government.
- **UTGST:** UTGST is only applicable when any goods or services or both are consumed in the given five regions of India that includes Andaman & Nicobar Islands, Dadra & Nagar Haveli, Chandigarh, Lakshadweep, and Daman & Diu called as Union territories of India.
- **Taxable Supply:** The taxable supply refers to the sale of taxable goods or the delivery of taxable services. The importation of taxable goods can also be referred to as the taxable supply.

- **Input Service Distributor:** Input Service Distributor (ISD) means an office of the supplier of goods or services or both which receives tax invoices towards receipt of input services and issues a prescribed document to distribute the credit of central tax (CGST), State tax (SGST)/ Union territory tax (UTGST) or integrated tax.

5.12 FURTHER READINGS

- Swain AK & Agrawal – GST: Concepts and Applications, Himalayan Publishing House.
- GST Manual: Taxman's Publication Ltd., New Delhi.
- GST and Indirect Taxes, Sanjeet Sharma, V.K. Global Pub. Pvt. Ltd, New Delhi.
- Mishra, Padhi and Bera – Text Books on GST & Practice, Vikash Publishing House Pvt. Ltd. New Delhi
- www.cleartax.in
- www.incometaxmanagement.com

5.13 MODEL QUESTIONS

Q1: Write the meaning and scope of supply under GST.
Q2: What is the GST registration procedure by a taxable person?
Q3: Write a brief note on the Levy of central goods and service tax.
Q4: Discuss the goods and services which are exempted under GST.
Q5: Who Is Liable To Get Registered Under GST?
Q6: Why time, place and value of supply is important under GST?

UNIT-6 COMPUTATION OF TAX LIABILITY

Structure

6.0 LEARNING OBJECTIVES

After studying this unit, you will be able to know:

- About the GST Composition Scheme
- How to claim the input tax credit and how the input tax credit works under GST
- The Procedure relating to levy, collection and exemption of IGST
- TDS and TCS under GST

6.1 INTRODUCTION

The primary goal of implementing the GST was to eliminate taxation on taxation, or double taxation, which occurs at the manufacturing and consumption levels. Every registered person must calculate his monthly tax liability by subtracting the Input Tax Credit (ITC) from the Outward Tax Liability. If there is an outstanding tax liability, it must be paid to the government. On the GST portal, there will also be an Electronic Cash Ledger.

6.2 GST COMPOSITION SCHEME

The Composition Scheme is a simple and straightforward GST scheme for taxpayers. Small taxpayers can avoid time-consuming GST paperwork by paying GST at a fixed rate of turnover. Any taxpayer with a turnover of less than Rs. 1.5 crore will participate in this scheme.

***CBIC has notified the increase to the threshold limit from Rs 1.0 Crore to Rs. 1.5 Crores.**

1. Who can opt for the Composition Scheme?

A taxpayer whose turnover is below Rs 1.5 crore* can opt for the Composition Scheme. In the case of North-Eastern states and Himachal Pradesh, the limit is now Rs 75* lakh.

A composition dealer may also provide services up to ten per cent of turnover or Rs.5 lakhs, whichever is higher, according to the CGST (Amendment) Act, 2018. This amendment shall take effect on February 1st, 2019. Furthermore, at its 32nd meeting, the GST Council recommended raising this limit for service providers on January 10, 2019.*

Turnover of all businesses registered with the same PAN should be taken into consideration to calculate turnover.

***CBIC has notified the increase to the threshold limit from Rs 1.0 Crore to Rs. 1.5 Crores.**

To file GSTR-4 (Annual Return) on the GST portal, an Excel-based offline tool is now available. The GSTR-4 (Annual Return) filing option is now available on the GST portal. The deadline to file GSTR-4 (Annual Return) has been extended from July 15, 2020, to August 31, 2020.

- The deadline to opt into the composition scheme in form CMP-02 for the fiscal year 2020-21 has been extended until June 30, 2020. It applies to both taxpayers who are registered under section 10 of the CGST Act and taxpayers who choose the scheme announced in CGST (Rate) notification no. 2/2019 dated March 7, 2019.
- As a result, the deadline for submitting Form ITC-03 has been extended to July 31, 2020.
- By July 7, 2020, dealers will submit their challan-cum-statement in form CMP-08 for the January-March 2020 quarter.
- The deadline for composition distributors to file GSTR-4 annual returns for FY 2019-20 has been extended to July 15, 2020.

Service providers can opt into the Composition Tax Scheme, according to the 32nd GST Council Meeting held on January 10, 2019, and the government has set the threshold turnover for service providers at Rs. 50 lakhs to be eligible for this scheme.

2. Who cannot opt for the Composition Scheme?

- Ice cream, pan masala, or tobacco manufacturer
- A person who makes inter-state supplies
- A casual taxable person or non-resident taxable person
- Any firm which supplies goods through an e-commerce platform.

3. What are the conditions for availing of the Composition Scheme?

- A dealer who chooses the composition scheme is not eligible for an Input Tax Credit.
- The distributor is unable to sell goods that are not subject to GST, such as alcohol.
- Transactions under the Reverse Charge Mechanism require the taxpayer to pay tax at regular rates.
- If a taxable person operates several companies (such as textiles, electronic accessories, groceries, and so on) under the same PAN, they must either register all of them individually or opt-out of the scheme.
- Every notice or signboard prominently displayed at the taxpayer's place of business must include the words "composition taxable person."
- Every bill of supply issued by the taxpayer must include the words "composition taxable person."
- A manufacturer or trader can now provide services up to ten per cent of turnover or Rs.5 lakhs, whichever is higher, under the CGST (Amendment) Act, 2018. This change will take effect on February 1st, 2019.

4. How can a taxpayer opt for a composition scheme?

A taxpayer must file GST CMP-02 with the government to opt for a composition scheme. By logging into the GST Portal, we can do this online. A dealer who wishes to participate in a Composition Scheme should provide this notice at the start of each fiscal year.

5. How Should a Composition Dealer raise a bill?

A tax invoice cannot be issued by a composition distributor. This is because a composition dealer is unable to charge tax to their clients. They must pay tax from their funds. As a result, the dealer is required to issue a Bill of Supply. At the top of the Bill of Supply, the dealer may write "composition taxable person, not eligible to collect tax on supplies."

6. What are the GST rates for a composition dealer?

The following chart explains the rate of tax on turnover applicable for composition dealers:

Composition Scheme - Applicable GST Rates			
Type of Business	CGST	SGST	Total
Manufacturer and Traders (Goods)	0.5%	0.5%	1.0%
Restaurants not serving alcohol	2.5%	2.5%	5.0%
Other service Providers*	3.0%	3.0%	6.0%

*The 32nd GST Council meeting proposed for the inclusion of Service Providers under the Composition Scheme, with the above-mentioned rates of tax. However, a notification is yet to be issued in this regard.

(Source: ClearTax.in)

As per notification dated 01.01.2018, turnover in the case of traders has been defined as 'Turnover of taxable supplies of goods.

7. How should GST payment be made by a composition dealer?

GST Payment has to be made out of pocket for the supplies made.
The GST payment to be made by a composition dealer comprises of the following:

- GST on supplies made.
- Tax on reverse charge
- Tax on purchase from an unregistered dealer*

*With effect from 1st February 2019, only on the specified categories of goods and services, as well as the notified class of registered persons, but this has yet to be notified. As a result, until then, it is not relevant.

8. What are the returns to be filed by a composition dealer?

A distributor must pay tax in a quarterly statement CMP-08 by the 18th of the month following the quarter's end. From FY 2019-20 onwards, a return in form GSTR-4 must be filed annually by the 30th of April of the following fiscal year. GSTR-9A is an annual return that must be filed by December 31st of the following fiscal year. For fiscal years 2017-18 and 2019-20, it was waived.

Also, note that a dealer registered under the composition scheme is not required to maintain detailed records.

9. What are the advantages of the Composition Scheme?

The following are the advantages of registering under the composition scheme:

- Lesser compliance (returns, maintaining books of record, issuance of invoices)
- Tax liability is limited
- High liquidity as taxes are at a lower rate

10. What are the disadvantages of the Composition Scheme?
Let us now see the disadvantages of registering under the GST composition scheme:

- A company with a restricted geographic scope. The dealer is prohibited from transacting across state lines, and composition dealers are not eligible for an input tax credit.
- Under GST, non-taxable goods such as alcohol and goods bought through an e-commerce portal will be inaccessible to the taxpayer.

6.3 INPUT TAX CREDIT

There has already been enough said about how important a reform GST would be. However, if there is one feature of this new tax that stands out, it is the GST input credit mechanism. The CBIC has announced that taxpayers can claim an input tax credit in the GSTR-3B return from February to August 2020, without having to follow the GSTR-2A rule that limits provisional ITC claims to 10% of the eligible ITC. Taxpayers must adjust ITC cumulatively starting in February 2020 when filing the GSTR-3B for September 2020.

The CBIC has revised the extent of provisional input tax credit claims from 20% to 10%.

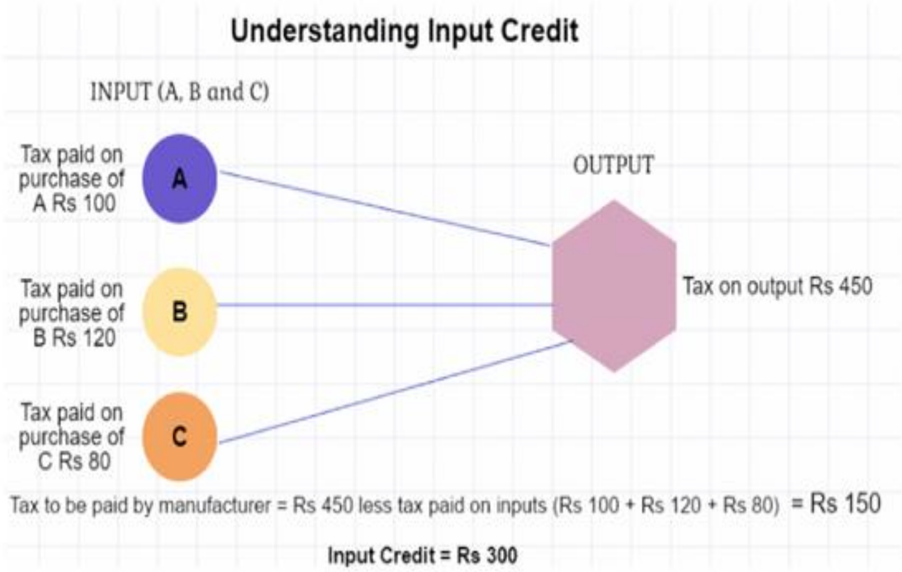
The CBIC has announced that a registered person's input tax credit in respect of invoices or debit notes will be limited to 20% of the eligible credit available in respect of invoices or debit notes based on details uploaded by suppliers.

6.3.1 What is input credit?

Input Tax Credit or ITC is the tax that a business pays on a purchase and that it can use to reduce its tax liability when it makes a sale. In other words, businesses can reduce their tax liability by claiming credit to the extent of GST paid on purchases. Input credit means at the time of paying tax on output, you can reduce the tax you have already paid on inputs.

Say, you are a manufacturer –

- Tax payable on output (FINAL PRODUCT) is Rs 450
- Tax paid on input (PURCHASES) is Rs 300
- You can claim INPUT CREDIT of Rs 300 and you only need to deposit Rs 150 in taxes.



(Source: ClearTax.in)

Input Credit in GST

If you are subject to the GST Act, you can use the Input Credit Mechanism. If you're a GST-registered manufacturer, supplier, agent, e-commerce operator, aggregator, or any of the other people listed here, you can claim INPUT CREDIT for the tax you paid on your purchases.

6.3.2 How to claim input credit under GST?

To claim input credit under GST –

- You must have a **tax invoice (of purchase) or debit note** issued by a registered dealer

Note: Credit will be available against the tax invoice upon receipt of the last lot or instalment when goods are received in lots or instalments.

- You should have **received the goods/services**

Note: If a recipient fails to pay the value of a service or the tax on it within three months of receiving an invoice and has already received an input credit based on the invoice, the credit will be applied to his output tax liability, along with interest.

- The **tax charged on your purchases** has been **deposited/paid** to the government by the supplier in cash or via claiming input credit
- **The supplier has filed GST returns**

Input credit is only allowed if your supplier has deposited the tax he collected from you, which is possibly the most ground-breaking GST reform. As a result, before you can claim input credit, it must be matched and validated.

Therefore, to allow you to claim input credit on Purchases all your suppliers must be GST compliant as well.

There's more you should know about input credit –

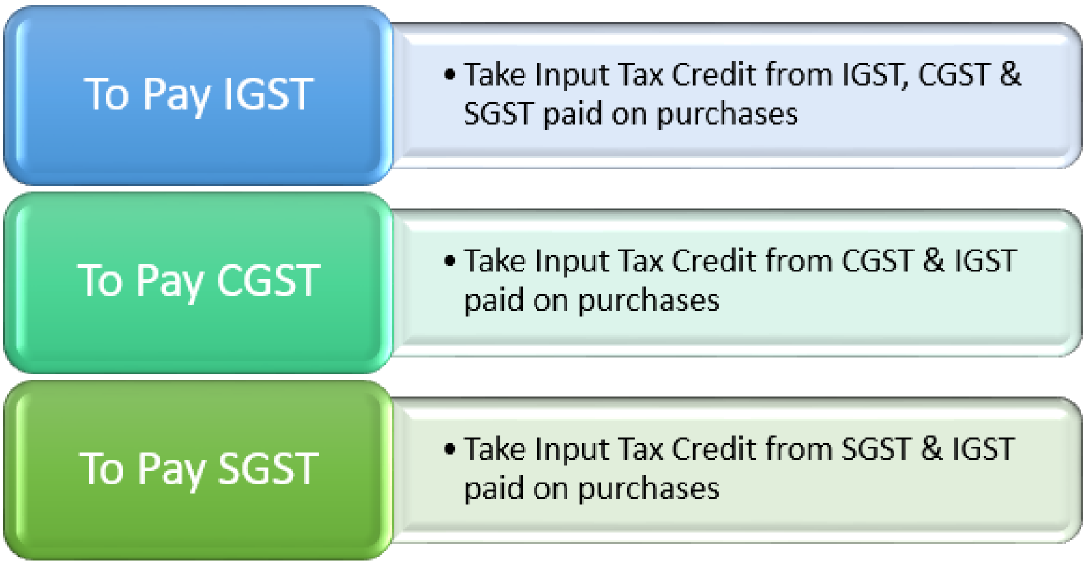
- It is possible to have unclaimed input credit. Due to the tax on purchases being higher than the sale tax. In such a case, you are allowed to carry forward or claim a refund.

If the tax on inputs > tax on output –> carry forward input tax or claim refund
If tax on output > tax on inputs –> pay balance

No interest is paid on input tax balance by the government

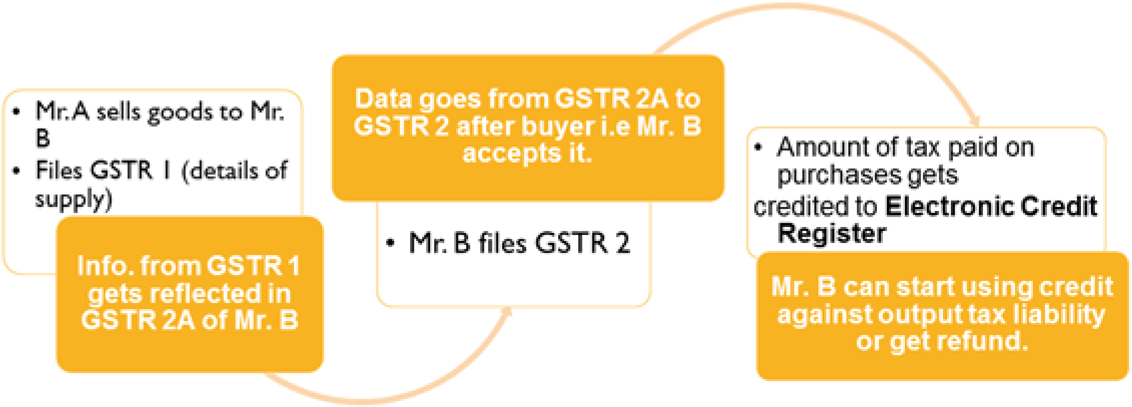
- Purchase invoices less than one year are not eligible for the input tax credit. The year begins with the date of the tax invoice.
- Input credit can be claimed on both goods and services (except those on the exempted/negative list) since GST is levied on both goods and services.
- Capital goods are eligible for an input tax credit.
- Personal use of goods and services are exempt from input tax.
- After the filing of a GST return for September following the end of the financial year to which such invoice relates, or the filing of the applicable annual return, whichever comes first, no input tax credit will be allowed.

6.3.3 How INPUT CREDIT works under GST



(Image Source: Cleartax. in)

Suppose there is a seller Mr A and he sells his goods to Mr B. Here Mr B i.e. the buyer will be eligible to claim the credit on purchases based on the invoices. Let's understand how:



(Image Source: ClearTax.in)

Step 1: In GSTR 1, Mr A will upload the details of all tax invoices that have been released.

Step 2: The specifics of Mr B's sales will auto-populate/appear in GSTR 2A, and the same data will be pulled when Mr B files GSTR 2. (i.e details of inward supply).

Step 3: Mr B will then approve the details that the purchase was made and reported properly by the seller, and the tax on purchases will be credited to Mr B's "Electronic Credit Ledger," which he can then apply against future output tax liability and receive the refund.

- CGST: CGST ITC availed against CGST but cannot be used to pay SGST liability
- SGST: SGST ITC availed against SGST but cannot be used to pay CGST liability
- CGST and SGST ITC cannot be used to pay each other

6.4 PROCEDURE RELATING TO LEVY, COLLECTION AND EXEMPTION OF IGST:

What is Integrated Goods and Services Tax (IGST)?

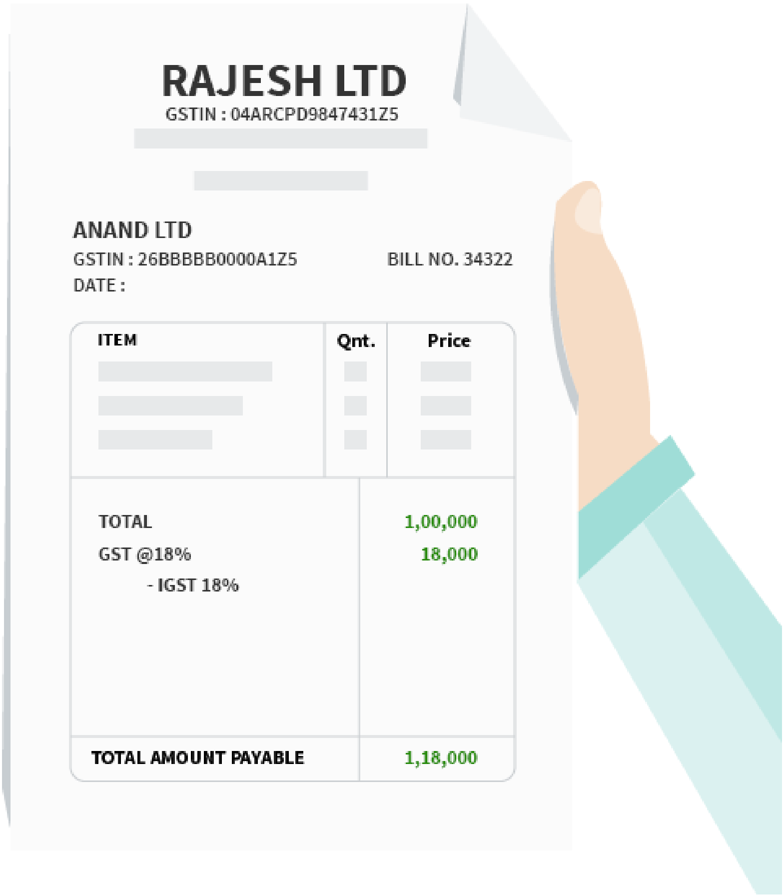
IGST, which will be governed by the IGST Act, is a tax levied on all inter-state supplies of goods and/or services under the GST. In all cases of import into India and export from India, the IGST may apply to any supply of goods and/or services.

Note: Under IGST,

- Exports would be zero-rated.
- Tax will be shared between the Central and State Government.

An example for IGST:

Consider that a businessman Rajesh from Maharashtra had sold goods to Anand from Gujarat worth Rs. 1, 00,000. The GST rate is 18% comprising 18% IGST. In such a case, the dealer has to charge Rs. 18,000 as IGST. This IGST will go to the Centre.



(Image Source: cleartax.in)

6.4.1 LEVY OF IGST under Section 5 of IGST Act.

The IGST may apply to interstate supplies of goods and/or services. Under the IGST Act, an Integrated Goods and Services Tax (IGST) equal to CGST and SGST is levied and collected on interstate supplies of goods and/or services.

Levy of the IGST tax specified under section 5 of the IGST Act, which envisages that:

(a) **Applicability:** IGST will be levied on all inter-state supplies of goods and/or services;

For example, D Ltd. supplier of machinery located in Delhi supplies the machinery to M Ltd. in Mumbai. Such Supply is interstate and wifi is subject to IGST.

(b) **Valuation:** At **ad** *valorem basis* on the value as determined under sec. 15 of the CGST Act.

(c) **Prescribed rates:** Rates of the tax will be notified by the Centre and State Government based on the principle specified by the GST Council.

(d) **IGST on imported goods:** The integrated tax on goods imported into India shall be:

Valued, levied and collected by the provisions of section 3 of the Customs Tariff Act, 1975,

- At the point when duties of customs are levied on the said goods under section 12 of the Customs Act, 1962.

(e) **Rate limited to 40%:** The rates so notified shall, however, not exceed 40% in any case.

(f) **Non-applicability:** GST will not apply to alcoholic liquor for human consumption.

(g) **IGST on petroleum products:** The five petroleum products, namely petroleum Crude, High-speed diesel, Motor Spirit (Petrol), Natural Gas, and Aviation Turbine Fuel, will be subject to GST beginning on the date notified by the government based on the council's recommendation.

(h) **IGST in reverse charge:** The Centre/States Governments (on the advice of the council) will notify categories of goods and services for which the recipient would be liable to pay GST on a reverse charge basis. This act's provisions shall extend mutatis mutandis to such a person.

(i) **IGST on purchase from unregistered supplier:** The IGST about the supply of taxable goods or services or both by a non-registered supplier to a registered person shall be paid on a reverse charge basis by such person as the recipient, and all the provisions of this Act shall apply to such recipient as if he were the person responsible for paying the tax about such supply of goods or services or both.

(j) **IGST levy on e-commerce operator:** On the recommendation of the GST Council, the government will also notify the category of e-commerce operators for payment of IGST on services provided through them, and all provisions of this Act will apply to them as if they were the person liable for payment of tax under this Act. If an e-commerce operator does not have a physical presence in India, any person acting on behalf of such an e-commerce operator in India is liable to pay tax. Even though no one is representing an e-commerce operator in India, the e-commerce operator must appoint someone in the taxable territory to pay taxes and comply with other regulations.

Levy of IGST

IGST levies and collects taxes, while Integrated GST levies and collects taxes. Levy and Collection of Tax Under IGST, Section 4 of Chapter III of the Model IGST Act provide for the levy and collection of tax (IGST). Section 4 of the IGST Act corresponds to section 6 of the CST Act, 1956, which deals with the liability to tax on interstate sales. Now it's your turn. Check out the “Levy and Collection of Tax Under IGST” section below for more information. (Integrated GST)”

Inter-State Goods and Service Tax (IGST)

All deliveries of goods and/or services in the course of interstate trade or commerce will be subject to the IGST. The IGST will also apply to goods and services imported from outside the country, as stated in the Constitutional Amendment Act of 2016.

The VAT credit balance, as well as the Cenvat Credit balance, can be carried forward from the previous regime. Furthermore, where duty-paying documents are available, the duty and tax paid on closing stock will be available as credit for previously exempted goods/services that may not have been claimed as set-off. For those who do not have duty-paying papers, a lower deemed credit is available.

Levy and Collection

Except for the supply of alcoholic liquor for human consumption, a tax called the integrated goods and services tax shall be levied on all inter-State supplies of goods or services or both, subject to the provisions of sub-section (2), on the value determined under section 15 of the Central Goods and Services Tax Act and at such rates, not exceeding forty per cent, as may be notified by the Government.

The integrated tax on goods imported into India shall be levied and collected by section 3 of the Customs Tariff Act, 1975, on the value as determined under the said Act at the point where customs duties are imposed on the said goods under section 12 of the Customs Act, 1962.

The integrated tax on petroleum crude, high-speed diesel, motor spirit (commonly known as gasoline), natural gas, and aviation turbine fuel will be imposed with effect from the date that the Government may notify based on the Council's recommendations.

6.4.2 IGST exemption categories under GST Law

- Exemption on goods imported by Diplomatic missions
- Exemption on import by the Inspection team of OPCW as per terms
- Import of pedagogic materials exempted from IGST
- Temporary import of scientific equipment is exempted
- Exemption to specified goods imported for display or use at specified event
- Import by the charitable organization as a gift is exempted from IGST
- No IGST for the Importation of Commercial Samples and Advertising material
- Import of containers of durable nature for re-export are exempted from IGST
- Exemption on paper money, wool apparels from Indian Red Cross as gifts
- IGST exemption on items specified under notification 151/94
- Import of Printed materials and items specified under Notfn 130/2010
- Exemption on specified goods under Notification 10/2014;
- Exempted specified goods imported by the Vice President of India under Notfn 106/58;
- Exempted food articles imported by a foreigner with a CIF value of Rs.1 lakh.
- Imports of defence and internal security forces are exempt from the IGST.
- Articles of foreign origin are exempted from duty for repairs and subsequent export.
- Click here for more information on the exemption on the import of research equipment to institutions.
- Import goods on a returnable basis that are used for display are exempt from IGST.

- When ministers receive donations, they are exempt from IGST, and when an Indian team receives challenge cups, medals, or prizes, no IGST is due.
- As per Notification 43/96, re-imports are exempt from IGST.
- When the Defense Forces receive challenge medals, cups, or awards, no IGST is due.
- Under Notfn 271/58, the Army, Navy, or Air Force are exempt from IGST on tour articles.
- The IGST exemption on re-import of goods not produced in India is specified in Notfn 174/66.
- Exemption from IGST on re-import of Indian goods, as outlined by notification 158/95
- Re-imported goods that are specified in Notification 241/82 are exempt from IGST.Exemption from IGST on re-import of goods exported under Notfn 94/96 schemes
- As per Notification 134/94, imports of repairs, reconditioning, and reengineering are exempt from IGST
- Exemption of IGST on import of artworks, antiques etc. for exhibition, Notification 26/2011
- IGST exemption on re-import of unclaimed postal articles
- IGST exempted to engine and parts of aircraft as per Notification 117/61
- Re-import of food, drink and catering cabin equipment as per Notification 26/62
- IGST exemptions for passenger luggage and residence transfers IGST exemptions for imports by SEZ units IGST concessional rate of 5% including domestic supplies
- Government museums benefited from the IGST exemption on exhibition objects.
- There is no IGST on mail imports worth less than Rs 1000 CIF.
- There is no IGST payable on a dead person's personal and household effects.
- On scientific and technological instruments, apparatus, and accessories, there is no IGST to pay.
- There is no IGST owed on the movement of aircraft, helicopters, and other similar vehicles.
- Goods imported for testing in specified test centres are exempt from the IGST.
- There is no IGST on re-exporting film equipment from another country.

6.5 PAYMENT OF TAX, TCS, TDS

Four basic questions can explain the basic application of TDS as provided under GST law:

Q1: Who is liable to deduct TDS under GST?
Following people are responsible for deducting tax-:

- A department or establishment of the Central or State Government, or
- The local authority, or

- Governmental agencies, or
- Such persons or category of persons as may be notified, by the Central or a State Government on the recommendations of the Council.

For example: If the Finance Department, Government of India, enters into a contract with Reliance then the department would be liable to deduct TDS.

Q2: What is the rate of TDS to be deducted under GST?
The max rate of TDS is 2% under GST, to be notified by CBIC.

Q3: Is there any limit for deducting TDS under?
If the total value of supply under a contract exceeds Rs 2.5 lakhs then the person/entity would be liable to deduct TDS.

Q4: Time limit for payment of TDS?
The deductor would be liable to make the payment of TDS by the 10th day of the next month.

For example, the X department of Central Government deducts TDS @2% from Yon 5 August 2017 then it is liable to make payment by 10 September 2017.

Impact of TDS on Government civil contractors
Every year, the Indian government distributes more than 10,000 civil contracts throughout the country. National highway construction/repair contracts typically cost more than Rs 100 crores. Big construction companies buy these contracts, which are then subcontracted to smaller firms, who are then subcontracted to yet another small company. Due to GST, and in particular the TDS liability, this loop will have issues.
The government will have to deduct TDS from the contractor, ensuring that the contractor and all other subcontractors pay their taxes. Many small civil/labour contractors are currently not in compliance with tax laws. It would be mandatory for them to register for GST and comply with all tax obligations.

For example, The government awarded ABC a Rs 10 lakh contract to repair an 800-meter road. ABC subcontracts work to XYZ, who then subcontracts it to DEF, a modest civil/labour contractor.

DEF would not have registered under service tax/VAT previously, but he will now be required to register under GST to claim the ITC credit.

The intention of including the TDS clause in the GST is to ensure that the unorganized construction sector pays its fair share of taxes.

TCS compliance for the e-commerce sector
For all e-commerce aggregators, a clause has been inserted into the GST legislation. Under the GST law, e-commerce aggregators are responsible for deducting and

depositing tax at a rate of 1% from each transaction. Any dealers/traders selling goods/services online will be paid after a 1% tax was deducted. It's a big change that'll cost online aggregators like Flipkart, Snapdeal, and Amazon a lot of money in terms of compliance and administration. They'd have to deposit the tax by the 10th of the following month

All the traders/dealers selling goods/services online would need to get registered under GST even if their turnover is less than 20 Lakhs for claiming the tax deducted by E-Commerce operators.

For example:
Mr Vinay Dua is an entrepreneur who sells ready-to-wear clothing on Amazon India. He gets a Rs 10,000 order, tax and commission included. A commission of Rs 200 is charged by Amazon. As a result, Amazon will have to deduct 1% tax (TCS) from the total, which includes the money paid as a commission (Rs. 200) and GST (Rs. 1800 when GST is 18%). As a result, Amazon will deduct tax for Rs 100. (1 per cent of Rs. 10000).

TDS and TCS under GST
The TDS rule would aid in achieving transparency in government contract activities and tax compliance. To adopt the TCS rule inserted under GST, online sellers such as Amazon, flip kart, Snap deal, and others would need to make changes to their online payment process and administration/finance department.

6.6 LET US SUM UP

GST is payable by the supplier of goods or services in general. However, in certain circumstances, such as imports and other notified supplies, the recipient may be held liable under the reverse charge mechanism. Furthermore, in some notified cases of intra-state service supply, the onus of paying GST may be placed on the e-commerce operators who provide the services. E-commerce operators must collect tax (TCS) on the net value [i.e. aggregate value of taxable supplies of goods and/or services excluding such value of services on which the operator is made liable to pay GST under Section 51(1) (d)] and Government Departments must deduct tax (TDS) on payments to vendors exceeding a specified limit [2.5 lakh under one contract as per S.51 (1)(d)]. Liability to pay happens when goods are supplied, as explained in Section 12, and when services are supplied, as explained in Section 13. The earliest of the three events, namely receiving payment, issuing an invoice, or completing the supply, determines the time. In the preceding sections, various scenarios and tax implications have been discussed.

6.7 KEYWORDS

- **Input Tax Credit:** Input tax credit (ITC) is the tax paid by the buyer on the purchase of goods or services. Such tax which is paid at the purchase when reduced from liability payable on outward supplies is known as an input tax credit.
- **PAN:** A permanent account number (PAN) is a ten-character alphanumeric identifier, issued in the form of a laminated "PAN card", by the Indian Income Tax Department, to any "person" who applies for it or to whom the department allots the number without an application.
- **TDS:** Tax deduction at source is a means of collecting tax on income, dividends or asset sales, by requiring the payer to deduct tax due before paying the balance to the payee.
- **TCS:** Tax collected at source (TCS) is the tax payable by a seller which he collects from the buyer at the time of sale. Section 206C of the Income-tax act governs the goods on which the seller has to collect tax from the purchasers
- **CBIC:** The Central Board of Indirect Taxes and Customs is the nodal national agency responsible for administering Customs, GST, Central Excise, Service Tax & Narcotics in India
- **GSTR:** A monthly or quarterly return that should be filed by every registered dealer. It contains details of all outward supplies i.e sales.

6.8 FURTHER READINGS

- Swain AK & Agrawal – GST: Concepts and Applications, Himalayan Publishing House.
- GST Manual: Taxman's Publication Ltd., New Delhi.
- GST and Indirect Taxes, Sanjeet Sharma, V.K. Global Pub. Pvt. Ltd, New Delhi.
- Mishra, Padhi and Bera – Text Books on GST & Practice, Vikash Publishing House Pvt. Ltd. New Delhi.
- www.cleartax.in

6.9 MODEL QUESTIONS

Q1: What are the advantages and disadvantages of the GST composition scheme?
Q2: How to claim input credit under GST?
Q3: What is the difference between TDS and TCS?
Q4: Give a brief note on the input tax credit.
Q5: What are the IGST exemption categories under GST Law?