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GOODS & SERVICE TAX (GST)

BASICS of GST

- GST is a tax on goods and services with comprehensive and continuous chain of setoff benefits from the Producer's point and Service provider's point up to the retailer level.

- GST is a levy based on consumption based destination tax, and not at various stages (from manufacturing to retail outlets). It is essentially a tax only on value addition at each stage and supplier at each stage are permitted to setoff through a tax credit mechanism, which would eliminate the burden of all cascading effects, whereby eleminating burden of different taxes such as Service tax, VAT, Excise, Octroi, etc.

- Under GST structure, all different stages of production and distribution can be interpreted as a mere pass through and tax essentially sticks on final consumption within the taxing jurisdiction.

- Previously, a manufacturer needs to pay tax when a finished product moves out from the factory, and it is again taxed at the retail outlet when sold. The taxes are levied at the multiple stages such as CENVAT, Central sales tax,

Continued.......

State Sales Tax, Octroi, etc. has been replaced by GST as central and State levy.

- All goods and services, barring a few exceptions, have been brought into the GST base. There are no distinction between goods and services.

- Basic features of law such as chargeability, definition of taxable event and taxable person, measure of levy including valuation provisions, basis of classification etc. are uniform across these statutes as far as practicable.

- With discontinuation of CST, a new statute known as IGST have come into exsistenace for inter-state transfer of the Goods and Services.

- By removing the cascading effect of taxes (CST, additional customs duty, surcharges, luxury Tax, Entertainment Tax, etc.),CGST & SGST will be charged on same price .

MEANING AND SCOPE OF SUPPLY UNDER GST

Supply includes :

(a) All forms of supply of goods and/or services such as sale, transfer, barter, exchange, license, rental, lease or disposal made or agreed to be made for a consideration by a person in the course or furtherance of business,

(b) Importation of services, whether or not for a consideration and whether or not in the course or furtherance of business, and

(c) Supply made or agreed to be made without a consideration

Meaning & Scope of Supply

Inward Supply

"*Inward Supply*" in relation to a person, shall mean receipt of goods and/or services whether by purchase, acquisition or any other means with or without consideration.

Outward Supply

"*Outward Supply*" in relation to a taxable person, means supply of goods or services or both, whether by sale, transfer, barter, exchange, license, rental, lease or disposal or any other mode, made or agreed to be made by such person in the course or furtherance of business.

Continuous Supply

Means a supply of goods / services which is provided, or agreed to be provided, continuously or on recurrent basis, under a contract, for a period exceeding three months with periodic payment obligations and includes supply of such services as the Government may, subject to such conditions, by notification, specify (For goods supply to be throgh wire, cable, pipeline or other conduit and invoice are made on periodic or regular basis).

When it is not a 'Supply'

- **Activities and transactions specified in Schedule III:**

– Services by an employee to the employer in the course of or in relation to his employment;

– Services of funeral, burial, crematorium or mortuary including transportation of the deceased.

– Sale of land or building other than under construction flats

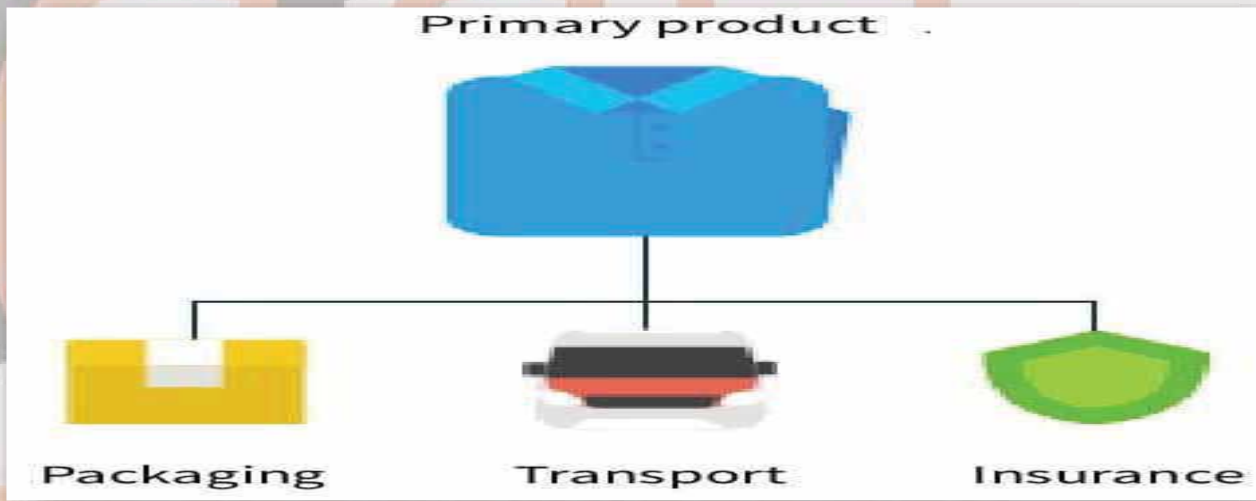
– Actionable claims, other than lottery, betting and Gambling

- **Such activities or transactions undertaken by the Central Government, a State Government or any local authority in which they are engaged as public authorities, as may be notified by the Government on the recommendations of the Council**

Composite Supply

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

Illustration



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

Principal Supply

Means: The supply of goods or services which constitutes the predominant element of a composite supply and to which any other supply forming part of that composite supply is ancillary and does not constitute, for the recipient an aim in itself, but a means for better enjoyment of the principal supply.

Mixed Supply

Means : Two or more individual supplies of goods or services, or any combination thereof, made in conjunction with each other by a taxable person for a single price where such supply does not constitute a composite supply;

Illustration

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

Taxability : Mixed Supply

The tax liability on a mixed supply comprising two or more supplies shall be treated as supply of that particular supply which attracts the highest rate of tax .

Exempt Supply

- Supply of any goods and/or services which are NOT TAXABLE under this Act

Petroleum crude & petrol	High speed diesel	Natural gas
Electricity	Alcohol for Human Consumption	Aviation Turbine Fuel

- Supply of goods and/or services under this Act which attract NIL rate of tax or which may be exempt from tax (Non-Taxable Supply)

Zero Rated Supply

- **Means export of goods or services or both; or supply of goods or services or both to a Special Economic Zone developer or a Special Economic Zone unit (eligible for ITC)**

According to the law, the point of taxation means the point in time when goods have been deemed to be supplied or services have been deemed to be provided. The point of taxation enables us to determine the rate of tax, value, and due dates for payment of taxes.

The liability to pay GST will arise at the time of supply as determined for goods and services. There are separate provisions for time of supply for goods and time of supply for services. The liability to pay GST on supply shall arise at the time of supply as determined by GST provisions

How to Determine Time of Supply

The time of supply of goods shall be the earlier of the following dates:

the date of issuing invoice **(or the last day by which invoice should have been issued) i.e.**

a. Immediately on removal of goods where supply involves movement,

b. Delievry of goods or making available

The time of supply of Service shall be the earlier of the following dates:

a. Date of issue of invioce,

b. Receipt of payment / advance

c. Provision of service

Exception

If the supplier of taxable service receives an amount up to INR 1000 in excess of invoice amount, the time of supply for the extra amount shall be the date of issue of invoice (at the option of the supplier).

For both the above clauses, the supply shall be assumed to have been made to the extent it is covered by the invoice or the payment (as the case may be).

For the second clause, the date of receipt of payment shall be the earlier of:

the date on which the dealer enters the payment in their books

OR

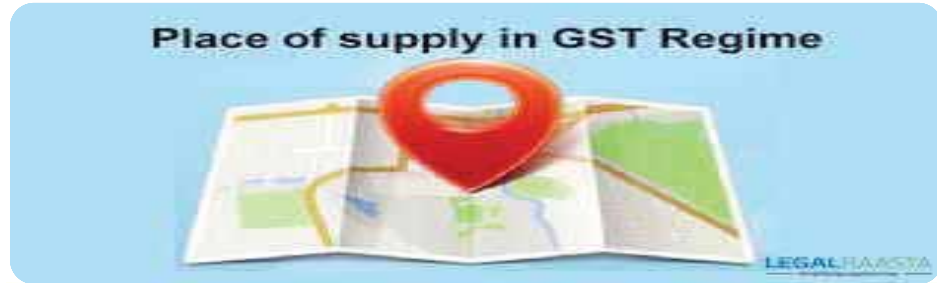
the date on which the payment is credited to their bank account

Illustartion

If the date of invoice is 15th August 2018, and date of receipt of payment is 10th September 2018. The date when the supplier recorded the receipt in his books is 11th September 2018.

Thus, the time of supply will be 15th August 2018.

How to Determine Place of Supply



'Place of Supply' under GST is an important factor, it defines whether the transaction will be counted as intra-state (i.e within the same state) or inter-state (i.e. between two states) and accordingly the chargeability of tax, i.e levy of SGST, CGST & IGST will be determined.

While determining the levy of taxes based on place of supply, two things are considered:

Location of Supplier: It is the registered place of business of the supplier

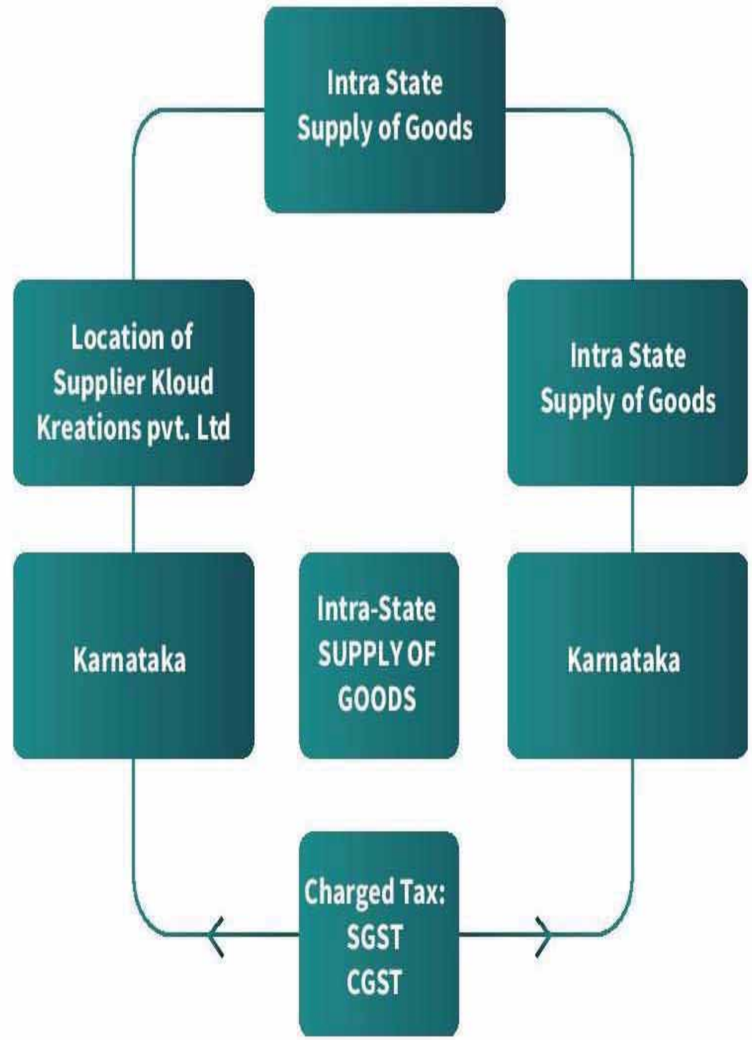
Place Of Supply: As per Section 10, 11, 12, 13 & 14 of IGST Act

Let's understand this with the help of two examples

Example 1: Determining Place of Supply for Intra-State Supply of Goods

Let us assume there is a supplier of craft products, Kloud Kreations Pvt. Ltd with the registered office in Bangalore, Karnataka. It supplies goods to schools in Manipal, Karnataka.

Here, since the supplier as well as the recipient are located in same state i.e Karnataka, it will be counted as 'Intra-State Supply Of Goods' and hence SGST and CGST will be levied.



Example 2: Determining Place of Supply for Inter-State Supply of Goods

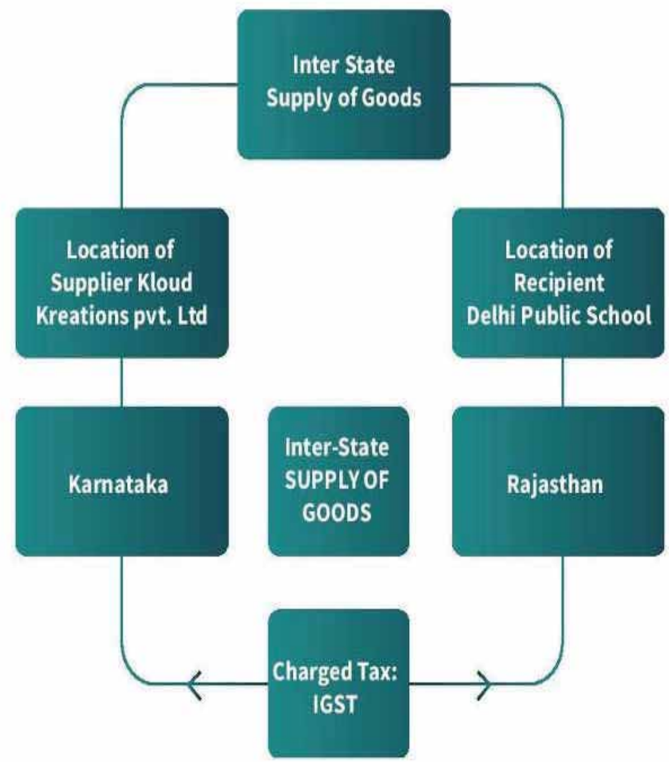
Let us assume the supplier of craft products, Kloud Kreations Pvt. Ltd has their registered office in Bangalore, Karnataka and the recipient i.e Delhi Public School is located in Jaipur, Rajasthan. Here, since the supplier and the recipient are located in different states i.e Karnataka and Rajasthan, it will be counted as 'Inter-State Supply Of Goods' and hence IGST will be levied.

There are specific provisions for determination of place of supply of goods which depend on:

The place of supply of goods: where the supply involves movement of goods

The place of supply of goods: where the supply involves no movement of goods

The place of supply of goods: in case of export and import of goods



Determiniing Place of Supply of Services under GST

Let us first understand why an accurate determination of place of supply is important for businesses.The reasons for this are listed below:

- **Wrong classification of supply between interstate or intra- state and vice-versa may lead to hardship to the taxpayer as per section 19 of IGST Act and section 70 of CGST Act.**

- **Where wrong taxes have been paid on the basis of the wrong classification, refund will have to be claimed by the taxpayer.**

- **The taxpayer will have to pay the correct tax along with interest for delay on the basis of revised/correct classification.**

- **Also, correct determination of place of supply will help us in knowing the incidence of tax. As if place of supply is determined as a place outside India, then tax will not have to be paid on that transaction.**

How to Determine the Place Of Supply Of Services

GST is destination based tax i.e consumption tax, which means tax will be levied where goods and services are consumed and will accrue to that state.

Under GST, there are three levels of Tax, IGST, CGST and SGST and based on the "place of supply" so determined, the respective tax will be levied. IGST is levied where transaction is inter-state, and CGST and SGST are levied where the transaction is intra-state.

For understanding

Place of Supply for Services the following two concepts are very important namely:

- **location of the recipient of services**
- **location of the supplier of services**

Let's understand these two concepts in detail as they will form the base for determining the place of supply in case of supply of services:

1. a) Location of the recipient of services:

S.No	Case	Location of Recipient of Service
A	where a supply is received at a place of business for which the registration has been obtained	such place of business
B	where a supply is received at a place other than the place of business for which registration has been obtained (a fixed establishment elsewhere)	such fixed establishment
C	where a supply is received at more than one establishment, whether the place of business or fixed establishment	the location of the establishment most directly concerned with the receipt of the supply
D	in absence of such places	the location of the usual place of residence of the recipient

1. b) Location of the provider/supplier of services:

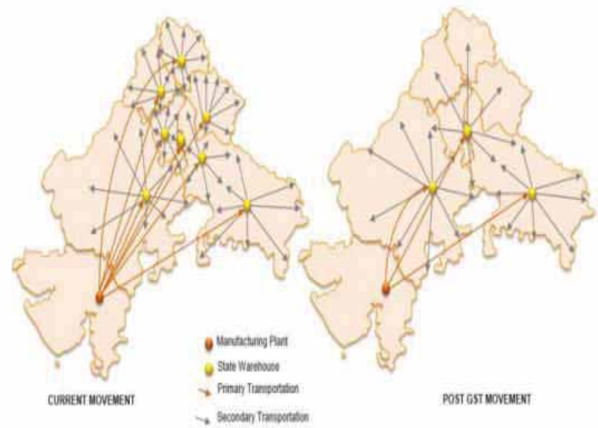
S.No	Case	Location of Recipient of Service
A	where a supply is made from a place of business for which the registration has been obtained	the location of such place of business
B	where a supply is made from a place other than the place of business for which registration has been obtained (a fixed establishment elsewhere)	the location of such fixed establishment
C	where a supply is made from more than one establishment, whether the place of business or fixed establishment	the location of the establishment most directly concerned with the receipt of the supply
D	in absence of such places,	the location of the usu-al place of residence of the supplier

The transactions in terms of supply of services can be broadly categorized as below:

1. Domestic Transactions

These are the transactions where both the parties i.e the supplier as well as recipient of service are in India. Domestic transactions can be further categorized as below:

- Inter-State (i.e between two different states)
- Intra-State (i.e within the same state)



General Rule for Domestic Transactions

In general, the place of supply for services will be the location of the service recipient (the recipient needs to be a registered person). In cases, where service is provided to an unregistered person, the place of supply will be the:

- **location of the service recipient** (if the address is available on record)
- **location of service provider** (if location of recipient is not available)

2. International Transactions

These are the transactions where either of the service recipient or the provider is outside India. Transactions in which both the recipient as well as provider are outside India are not covered here.

General Rule for International Transactions

The place of supply, for services treated as international transactions, will be:

- the location of service recipient

- the place of supply shall be location of the supplier, in case where the location of service recipient is not available

Time of Supply under Reverse Charge

Reverse charge means the liability to pay tax is by the recipient of goods/services instead of the supplier. In case of reverse charge, the time of supply shall be the earliest of the following dates:

- **the date of payment**

OR

- **the date immediately after sixty (60) days from the date of issue of invoice by the supplier** (30 days for goods)

If it is not possible to determine the time of supply using the above rules, then the time of supply shall be the date of entry in the books of account of the receiver of service.

For the first clause, the date of payment shall be earlier of:

- **the date on which the recipient entered the payment in his books**

OR

- **the date on which the payment is debited from his bank accounts**

When Supplier is Located Outside India

In case of 'associated enterprises', where the supplier of service is located outside India, the time of supply shall be:

- the date of entry in the books of account of the receiver

OR

- the date of payment, whichever is earlier

Let's understand this with an example. Assuming for a transaction:

Date of payment	15th July 2018
Date of invoice	1st July 2018
Date of entry in books of receiver	18th July 2018
Time of supply of service	15th May 2018

If for some reason the time of supply could not be determined supply using the above clauses, then it would be 18th July 2018 i.e., date of entry in books.

Time of supply for vouchers

In the case of supply of vouchers, the time of supply is determined as:

- **the date of issue of voucher, if the supply can be identified at that point**

OR

- **the date of redemption of voucher, in all other cases**

<u>When the time of supply cannot be determined, then it will be</u>:

- **the date on which a periodical return has to be filed**

OR

- **the date on which the CGST/SGST is paid, in any other case**

In the GST regime, the tax collection event will be the earliest of the dates as given above. The various events like issuing an invoice or making a payment in case of supply of goods/ services or completion of event, in case of supply of service triggering the tax levy, confirms that the government wants to ensure the tax is collected at the earliest point of time. This will be altogether a new concept for the current VAT and central excise taxpayers.

Valuation of supply under GST

GST will be charged on the 'transaction value'. Transaction value is the price actually paid (or payable) for the supply of goods/services between unrelated parties (i.e., price is the sole consideration).

The value of supply under GST shall include:

- Any taxes, duties, cess, fees and charges levied under any act, except GST. GST Compensation Cess will be excluded if charged separately by the supplier.
- Any amount that the supplier is liable to pay which has been incurred by the recipient and is not included in the price.
- The value will include all incidental expenses in relation to sale such as packing, commission etc.
- Subsidies linked to supply, except Government subsidies will be included.
- Interest/late fee/penalty for delayed payment of consideration will be included.

Discounts given after supply will be allowed only if:

it is mentioned in the agreement entered into before sale **input tax credit proportionate to the discount has been reversed by the recipient of the supply** and it can be clearly tracked to relevant tax invoice.

To continue with our example, XYZ is a wholesaler selling tools like drills, polishers, spades etc. XYZ now sells the power drill to a trader *TDR for INR 4,000 offering a 1% discount. XYZ incurs INR 150 packing charges, with general credit policy of 60 Days.*

To encourage prompt payment, XYZ offers additional 0.5% discount.

Power Drill	4000
Packing Charges	150
Discount @1%(on sale vlaue)	(40)
Subtotal	**4,110**
Add: CGST @9%	370
Add: SGST @9%	370
Total	**4850**

Discount of 0.5% is not deducted in the invoice because it will be given at the time of payment. However, since this discount was known at the time of supply, and can be linked to this specific invoice, and the discount amount can be reduced from the transaction value.

For this, XYZ Ltd. will issue a credit note to TDR for INR 20 (0.5% of INR 4,000 = INR 20+ GST@ 18% on INR 20 = INR 3.60), and this must be linked to the relevant tax invoice.

Here, discount has been given after supply. But it was agreed upon at the time of supply and can be traced to the relevant invoice. So it will be allowed to be deducted from the transaction value.

When Discount is Given AFTER Supply AND it is NOT KNOWN at the Time of Supply

XYZ is facing serious liquidity problems and requests WHL to pay within 2 days. It offers additional 1% discount. WHL agrees and pays.

Discount is Given	Allowed as Deduction from Transaction Value?
On or before time of supply	✓
After supply but it was known before/at time of supply and can be traced to relevant invoice	✓
Given after supply but it was NOT agreed upon before/at time of supply (whether or not traceable to relevant invoice)	✗

GST Returns

A return is a document that a taxpayer is required to file as per the law with the tax administrative authorities. Under the GST law, a normal taxpayer will be required to furnish three returns monthly and one annual return. Similarly, there are separate returns for a taxpayer registered under the composition scheme, taxpayer registered as an Input Service Distributor, a person liable to deduct or collect the tax (TDS/TCS).

What are the types of GST Returns?

Here is a list of all the returns to be filed under the GST Law along with the due dates.

Any regular business:

As per the CGST Act (Note : subject to change by Notifications/orders)

Return Form	Particulars	Interval	Due Date
GSTR-1	Details of outward supplies of taxable goods and/or services effected	Monthly*	10th of the next month
GSTR-2	Details of inward supplies of taxable goods and/or services effected claiming input tax credit.	Monthly*	15th of the next month
GSTR-3	Monthly return on the basis of finalization of details of outward supplies and inward supplies along with the payment of amount of tax.	Monthly*	20th of the next month
GSTR-9	Annual Return	Annually	31st December of next financial year
GSTR-3B (Other than Composition Dealer)	Provisional return for the months of July 2017 to March 2018	Monthly	20th of the next month

A dealer opting for composition scheme :

A composition dealer will enjoy the benefits of lesser returns & compliance along with payment of taxes at nominal rates. A composition dealer will file only 2 returns:

Return Form	Particulars	Interval	Due Date
GSTR-4	Return for compounding taxable person	Quarterly	18th of the month succeeding quarter**
GSTR-9A	Annual Return	Monthly	31st December of next financial year

Returns to be filed by specific registered dealers:

Return Form	Particulars	Interval	Due Date
GSTR-5	Return for Non-Resident foreign taxable person	Monthly	20th of the next month***
GSTR-6	Return for Input Service Distributor	Monthly	13th of the next month
GSTR-7	Return for authorities deducting tax at source.	Monthly	10th of the next month
GSTR-8	Details of supplies effected through e-commerce operator and the amount of tax collected	Monthly	10th of the next month
GSTR-10	Final Return	Once. When registration is cancelled or surrendered	Within three months of the date of cancellation or date of cancellation order, whichever is later.
GSTR-11	Details of inward supplies to be furnished by a person having UIN and claiming refund	Monthly	28th of the month following the month for which statement is filed

Due Dates based on Latest Orders and Notifications

GSTR-1

Quarterly Returns (Taxpayers with Annual Turnover upto Rs. 1.5 Crore can opt for quarterly return filing)

Period (Quarterly)	Due dates
July- Sept	10th Jan 2018
Oct-Dec	15th Feb 2018
Jan- Mar	30th April 2018

For turnover of more than Rs 1.5 cr

Period	**Dates**
July to Nov	10th Jan 2018
Dec	10th Feb 2018
Jan	10th Mar 2018
Feb	10th Apr 2018
March	10th May 2018

GSTR-2 and GSTR-3

GSTR-2 and GSTR-3 filing dates for July 2017 to March 2018 will be worked out later by a Committee of Officers

GSTR-3B

GSTR-3B has been extended to March 2018
All businesses have to file GSTR-3B by 20th of next month until March 2018 (Propsed to extent till June'2018).
Due date for the month February 2018 is 20th March 2018
Due date for the month January 2018 is 20th February 2018
Due date for the month December 2017 was extended to 22nd January 2018

GSTR-4

Due date for the quarter January 2018 to March 2018 is 18th April 2018
The Due date for the period October -December 2017 is 18th January 2018
The due date for the period July-September 2017 is 24th December 2017

GSTR-5

Due date for February 2018 is 20th March 2018

Due date for January 2018 is 20th February 2018

The due date for the period July-December 2017 is 31st January 2018

GSTR-5A

Due date for February 2018 is 20th March 2018

Due date for January 2018 is 20th February 2018

The due date for the period July-December 2017 is 31st January 2018

GSTR-6

Latest Update

Due date of GSTR-6 for the months from July 2017 to February 2018 is extended to 31st March 2018

Other Due Dates

TRAN-01 – 27th December 2017

ITC-01 – 31st January 2017

GSTR-1

The taxpayer records all his outward supplies of goods and services in details in this form. This has to be mandatorily done by the 10th of the next month. This will form the basis of all future flow and match for credit reconciliations. GSTR-1 is a detailed form containing 13 different heads.

The critical headings are:

- GSTIN of the Taxable Person – Auto populated result
- Name – Auto populated result
- Aggregate Turnover in the preceding Financial Year and for April to June 2017: Aggregate Turnover is the total value of all taxable supplies made (excluding the value of inward supplies on which tax is payable by a person on reverse charge basis), exempt supplies, exports of goods or services or both.
- Taxable outward supplies made to registered persons (including UIN-holders): All B2B supplies should be mentioned in this section.
- Taxable outward inter-State supplies to un-registered persons where the invoice value is more than Rs 2.5 lakh

- Zero-rated supplies and deemed exports
- Taxable supplies (Net of Debit notes and credit notes) to unregistered person other than supplies covered in Table 5.
- Nil-rated, exempt and non-GST outward supplies
- Amendments to taxable outward supply details furnished in returns for earlier tax periods in table 4, 5 and 6 (including current and amended debit notes, credit notes, and refund vouchers)
- Amendments to taxable outward supplies to unregistered persons furnished on returns for earlier tax periods
- Consolidated Statement of Advances Received or adjusted in the current tax period, plus amendments from earlier tax periods
- HSN/Description-wise summary of outward supplies: This section requires a registered dealer to provide HSN/Description wise summary of goods sold. (> 1.5 cr. Tunrover only HSN)
- Documents issued during the tax period: This head will include details of all invoices issues in a tax period, any kind of revised invoice, debit notes, credit notes, etc.

GSTR 3B Return

In order to ease the burden on tax payers, tax authorities have introduced a simple return form called as GSTR 3B. This has to be used only for the month of July and March. Every registered tax payer (Except for composition scheme) needs to file a separate GSTR 3B for each GSTIN they have.

This is more like a self-declaration return and the tax payer is not required to provide invoice level information in this form. Only total values for each field have to be provided.

- Filing of GSTR 3B Return made further simple and user friendly,
- System shows best utilization of ITC based on law, which can be edited as per requirement.
- The amount to be paid in cash after taking into consideration ITC, get displayed in a table.
- One click Challan preparation based on cash amount shown in table in payment section (no chance of payment of tax under wrong head),

Filling GSTR 3B is now made for user friendly

- Fill either CGST or SGST/UGST amount, other tax will get auto fille
- You can now save the Form on confirming details filled in the Table. You can fill balance details later.
- Preview Form or download it for cross verifying saved details in any table(s) anytime.
- No more Submit requirement to freeze details and know the liability.
- Changes in any table can be made before making payment towards liabilities.
- Once you proceed to payment, you can also see details of existing balances in cash and credit ledgers (Table 6.1 - Payments Table).
- Wow! System suggested Tax Credit (ITC) is already filled for discharging liability. Be aware, it is only suggestion. You can edit the same before finalizing the Return.

- Once you confirm ITC and cash utilization for payment of tax liability in Payments Table, system does automatic calculation for shortfall in cash ledger.
- Once you are Ok with shortfall, System will generate pre-filled challan for shortfall and navigate to payments option.
- Once you make online payment, system will navigate back to Payments Table.
- Satisfied with the details filled, click "Proceed to file", select authorized signatory, Submit with EVC or DSC.
- Your Return is filed!

You can Track Return status as well as download the Return from through Track Return Status functionality available at your dashboard

GSTR-1A

The form shall be auto-populated after filing of GSTR-2 on the 15th of the next month, having all the correct or changed information. The supplier shall have the choice to accept or reject the changes made by the recipient. Following such acceptance, the GSTR-1 shall be revised to such extent.

GSTR-2A

It is available on the 11th of the next month for the recipients to see and validate the information therein. Recipients have time between 11th – 15th of the next month to change any information, delete or add, based on their books of accounts.

What is GSTR-2?

Every registered taxable person is required to give details of Inward Supply, i.e., purchases for a tax period in GSTR-2.

Why is GSTR-2 important?

GSTR-2 contains details of all the purchases transactions of a registered dealer for a month. It will also include purchases on which reverse charge applies.

The GSTR-2 filed by a registered dealer is used by the government to check with the sellers' GSTR-1 for buyer-seller reconciliation.

What is buyer-seller reconciliation?

Buyer-seller reconciliation or invoice matching or is a process of matching taxable sales by the seller with the taxable purchases of the buyer.

It is vital because ITC on purchases will only be available if the details of purchases filed in GSTR-2 return of buyer matches with the details of sales filed in GSTR-1 of the seller.

For example, Ajay buys 100 pens worth Rs. 500 from Vijay Stationery. Vijay Stationery must show Rs. 500 sales in his GSTR-1. Ajay must show the same Rs. 500 purchase in GSTR-2 to claim ITC. Unless the amounts match, Ajay will not be able to claim ITC.

Note: Most of the headings under GSTR-2 are auto-populated from counter-party GST return so it will involve minimal time.

When is GSTR-2 due?

As per the Act: Due Date for Filing GSTR-2 is 15th of next month.

There is a 5-day gap between GSTR-1 & GSTR-2 filing to correct any errors and discrepancies.

For business' with turnover less than 1.5 crores, quarterly returns are applicable whose due dates will be announced later.

Input Tax Credit in Detail

When you buy a product/service from a registered dealer you pay taxes on purchase, while making sales, tax is collected and periodically the same is adjusted with the tax you already paid at time of purchase and balance liability of tax (tax on sales (minus) tax on purchase) is to be paid to the government. This mechanism is called utilisation of input tax credit (tax on purchase adjustment against tax liability on output i.e. sales).

Following are some of the conditions that need to be addressed for availing ITC:

1. **Lapsed of Input credit** :

   Registered person will not be entitled to take eligible ITC in respect of any supply after the filling of Annual return or filling of next financial year september return.

2. Generally accepted accounting principles should be followed:
The amount of credit under GST law will be calculated in accordance with generally accepted accounting principles. Further rules in this regard are yet to be notified.

3. ITC is attributable to the purpose of business only:
In case goods and/or services supplied are used by the taxable person partly for the purpose of any business and partly for any other purpose, the the ITC shall be restricted to the extent of the input tax as is attributable to the purpose of business.

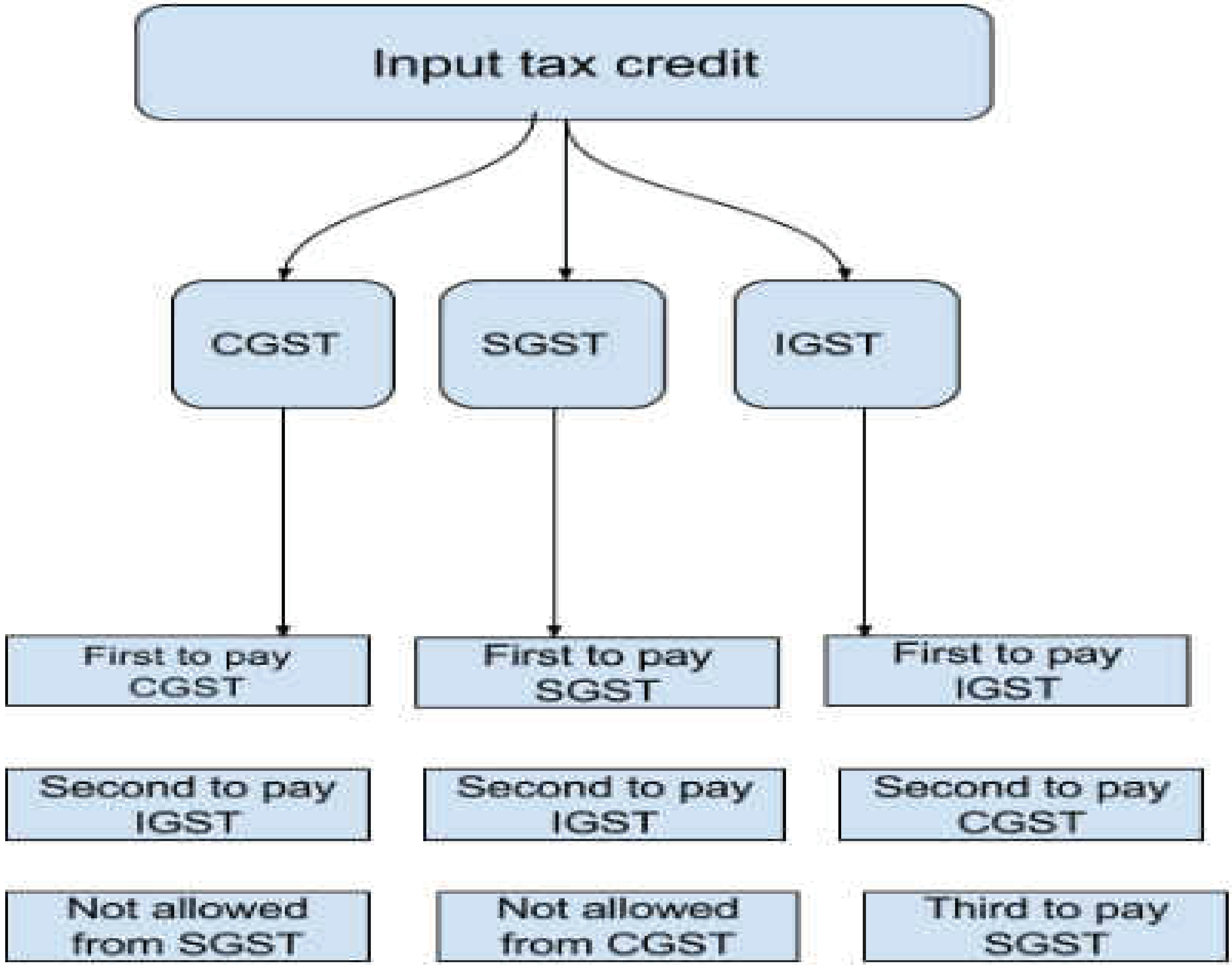
4**. ITC is attributable to taxable supply:**
There can be a business scenario when the goods and /or service are used by the registered taxable person partly for effecting taxable supplies and partly for the purpose of non-taxable supplies.
In such cases, input credit attributable to exempt/ non-taxable supply will not be available. However, the amount of input tax on zero-rated supplies will be available as credit.

5. Proper tax invoice must be furnished:

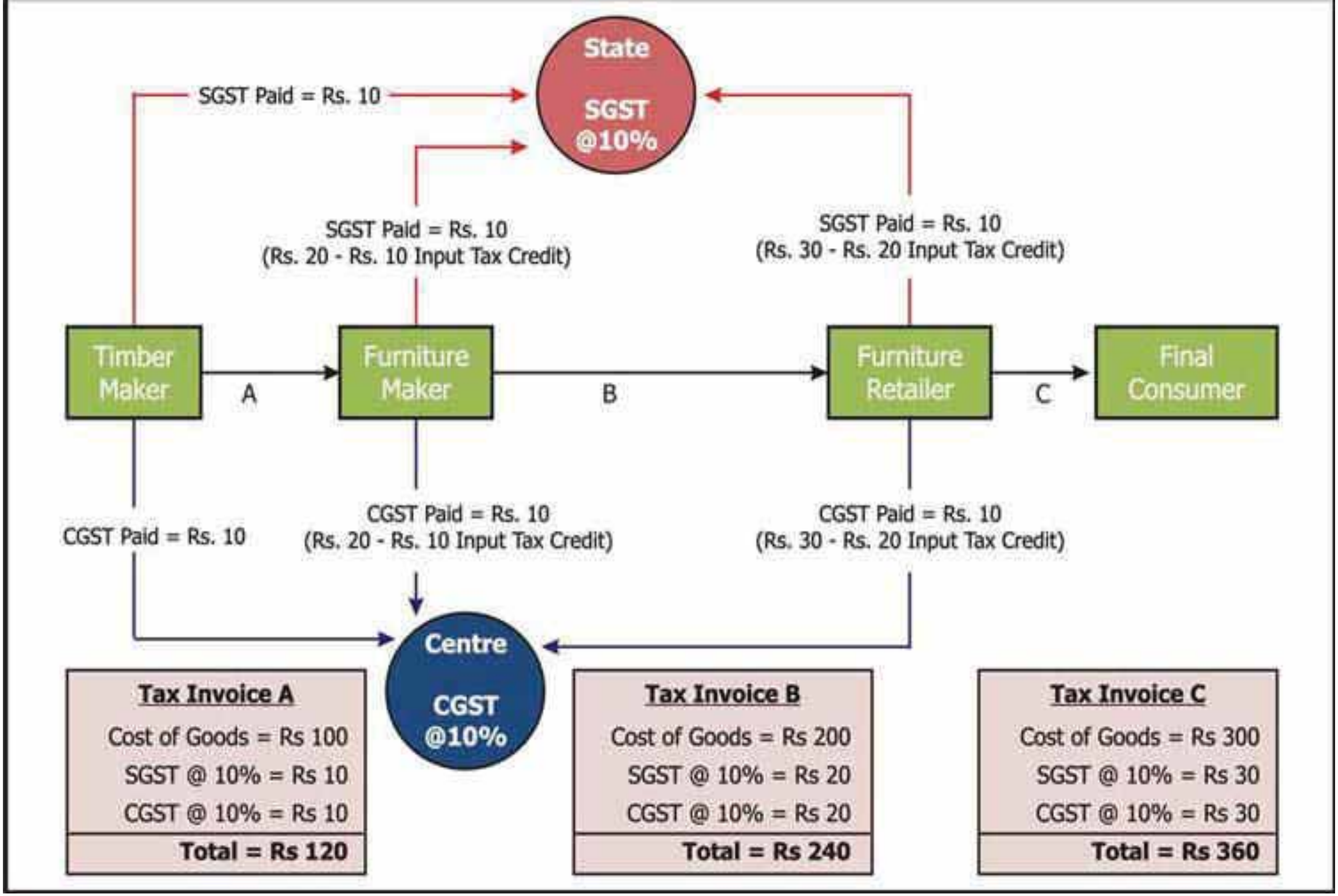
Businesses registered under GST will not be provided the credit of any input tax in respect of any supply of goods and/or services unless:

- the business is in possession of a tax invoice, debit note, supplementary invoice or such other taxpaying document as may be required under the notified GST law
- the business has actually received mentioned goods and/ or services
- GST charged in respect of such supply has been actually paid to the credit of government against such supply
- The business has furnished the proper return under GST law.

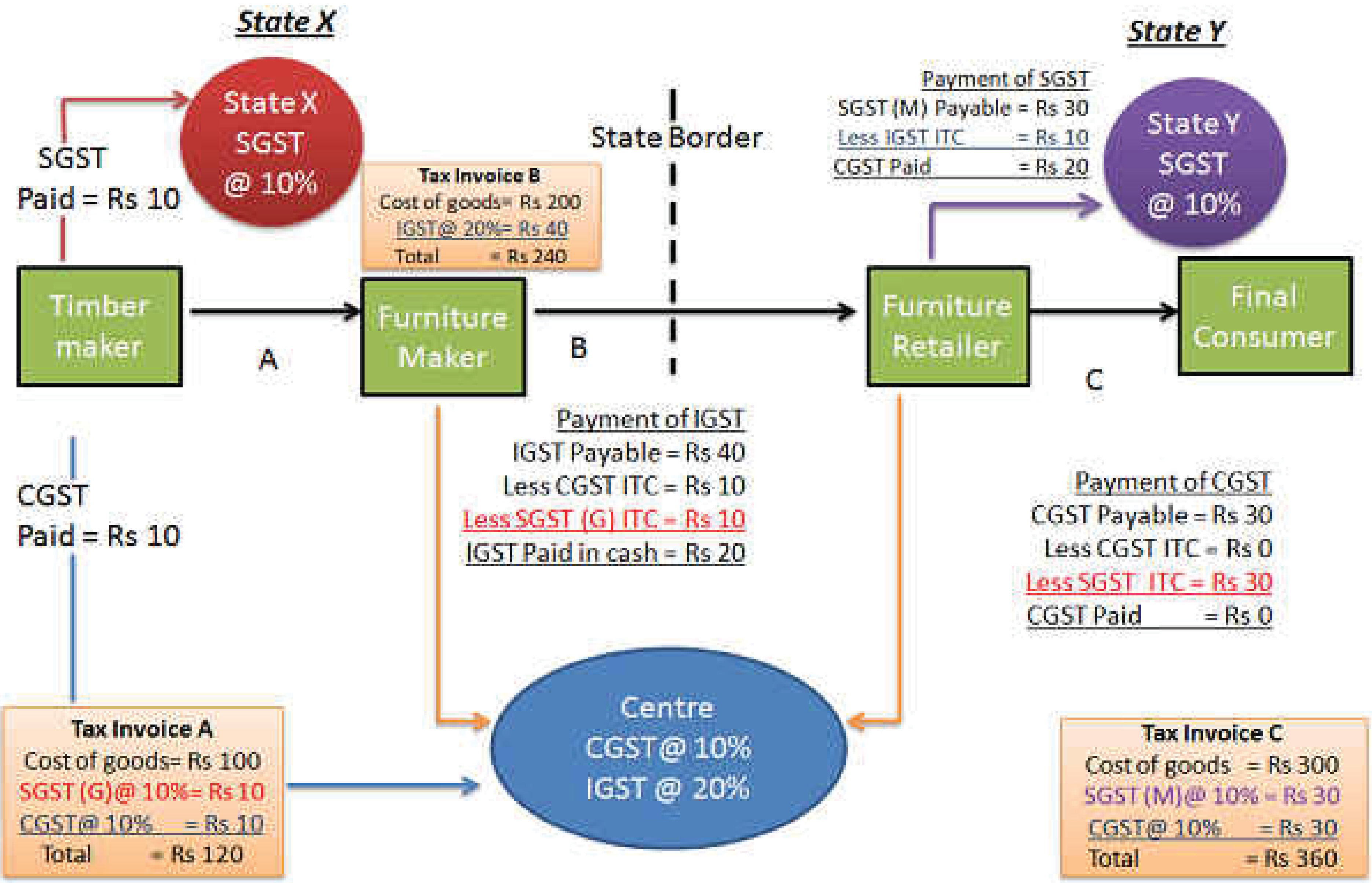
Also, where the goods against an invoice are received in lots or installments, the registered taxable person shall be entitled to the credit upon receipt of last lot or installment.


Input tax credit
CGST
SGST
IGST
First to pay CGST
First to pay SGST
First to pay IGST
Second to pay IGST
Second to pay IGST
Second to pay CGST
Not allowed from SGST
Not allowed from CGST
Third to pay SGST

Dual GST within State : Working Example



IGST Model: Working Example



What is GSTR3?

GSTR-3 is a monthly return with the summarized details of sales, purchases, sales during the month along with the amount of GST liability. This return is auto-generated pulling information from GSTR- 1 and GSTR-2.

Why is GSTR-3 important?

GSTR-3 will show the amount of GST liability for the month. The taxpayer must pay the tax and file the return.

Common Errors/Difficulty faced while filing GSTR

- RP have migrated from Service Tax to GST. At the time of registration; RP are invariably given registration as SEZ unit. Even though RP have no SEZ supplies neither we are located in SEZ.

- RP has only Intra-state sales but the liability is been considered in Other than RCM as well as RCM in GSTR 3B while we are offsetting it. Because of this RP are not able to file the return also. RP have not entered any details in RCM in table 3.1 in GSTR 3B.

- At the time of GST 3B there was no sales, but later on there sales arises while filing GSTR 1, and since there is no option to revise GSTR 3B there arises a difference between both GSTR 1 and GSTR 3B.

- RP are already registered in GST but when RP are making Amendment in it there is an error that the Name of Partner does not match as per PAN. However, earlier based on the same details RP were given registration and later on this error is arising.

- RP cannot enter same HSN with different UQC and hence RP have to merge the details.

- After submitting the data for GSTR 1 RP are not able to file the return immediately. The return can be filed only after 10 -15 minutes.

- When there is error of GSTIN, RP cannot correct the same in Offline utility and the entry has to be deleted and entered again. There are no option to correct all the details.

- There is no option to change the periodicity of returns if it has been mistakenly selected as Monthly instead of quarterly or vice-versa.

- RP have filed our GST 3B in time, but still RP are getting mails from the officer for non-filing of the same.

- RP have entered all the details in GSTR 3B, but while submitting RP are getting error that "No data found for GSTIN" and RP are not able to upload the same.

- RP have filed grievance but there is no reply received for the same and it stands pending which results in delay in filing of GSTR.

- As per the Act, registration must be provided in 7 working days; however registration is actually provided in not less than 1 month period. Also, there was error in the return which was not processed in 7 working days.

What is GSTR-9?

GSTR 9 is an annual return to be filed once in a year by the registered taxpayers under GST including those registered under composition levy scheme. It consists of details regarding the supplies made and received during the year under different tax heads i.e. CGST, SGST and IGST.

It consolidates the information furnished in the monthly/quarterly returns during the year.

Who should file GSTR-9 ?

All the registered taxable persons under GST must file GSTR 9. However, following persons are not required to file GSTR 9

Casual Taxable Person

Input service distributors

Non-resident taxable persons

Persons paying TDS **under section 51 of GST Act**

What are different types of return under GSTR-9

There are 4 types of return under GSTR 9 :

- GSTR 9 : GSTR 9 should be filed by the regular taxpayers filing GSTR 1, GSTR 2, GSTR 3.
- GSTR 9A – GSTR 9A should be filed by the persons registered under composition schemeunder GST.
- GSTR 9B – GSTR 9B should be filed by the e-commerce operators who have filed GSTR 8during the financial year.
- GSTR 9C – GSTR 9C should be filed by the taxpayers whose annual turnover exceeds Rs 2 crores during the financial year. All such taxpayers are also required to get their accounts audited and file a copy of audited annual accounts and reconciliation statement of tax already paid and tax payable as per audited accounts along with GSTR 9C.

When is GSTR-9 due ?

GSTR-9 shall be filed on or before 31st December of the subsequent financial year.
For instance for FY 2017-18, the due date for filing GSTR 9 is 31st December, 2018.

What is the Penalty for the late filing of GSTR-9 return ?

Late fees for not filing the GSTR 9 within the due date is Rs. 100 per day per act up to a maximum of an amount calculated at a quarter percent of the taxpayer turnover in the state or union territory. Thus it is Rs 100 under CGST & 100 under SGST, total penalty is Rs 200 per day of default. There is no late fee on IGST.

Details to be provided in GSTR-9

GSTR 9 has total of 9 sections.

1. **Provide GSTIN: Each taxpayer will be allotted a state-wise PAN-based 15-digit Goods and Services Taxpayer Identification Number (GSTIN). GSTIN of the taxpayer will be auto-populated at the time of return filing.**

2. **Legal name of the registered person: Name of the taxpayer will be auto-populated at the time of logging into the common GST Portal.**

3. **Date of statutory Audit:** Mention the date of the statutory audit.

4. **Auditors:** Mention the name of the auditors of the entity who has audited the accounts of the entity.

5. Details of Expenditure:

Details of goods and services purchased during the financial year must be provided. Such information needs to be provided along with the HSN/ SAC codes applicable and the taxable value of such goods and services. These details are mentioned in GSTR 2. This information is divided into following heads :

a) **Total value of purchases on which ITC availed (inter-State)**
b) **Total value of purchases on which ITC availed (intra-State)**
c) **Total value of purchases on which ITC availed (Imports)**
d) **Other Purchases on which no ITC availed**
e) **Sales Return**
f) **Other Expenditure (Expenditure other than purchases)**

6. **Details of income: Details of all supplies and sales made during the year needs to be provided here. Such details are also mentioned in GSTR 1. These categories are as follows :**

a) **Total value of supplies on which GST paid (inter-State Supplies) :** It includes the supplies made in other states on which IGST is paid.

b) **Total value of supplies on which GST Paid (intraState Supplies) :** It includes supplies within the state on which SGST and CGST is paid.

c) **Total value of supplies on which GST Paid (Exports):** It includes export of goods and services made during the year on which IGST is paid

d) **Total value of supplies on which no GST Paid (Exports) :** It includes export of goods and services made during the year on which no IGST is paid

e) **Value of Other Supplies on which no GST paid :** It includes the details of supply of goods and services made during the year without any GST paid on it. i.e CGST and SGST in case of intra supply and IGST in case of inter state supply.

f) **Purchase Returns :** Detail of purchase return made during the year is to be provided here.

g) **Other Income (Income other than from supplies) :** Any other income earned during the year other than supplies mentioned in above points should be mentioned here.

7. Return Reconciliation Statement

After furnishing all the information, the system will auto-reconcile the transactions and will determine tax liability payable against the tax actually paid. The system will also populate the amount of tax difference, interest, penalty if any.

8. Other

If there is any other payable the same will be auto-populated here. It may include arrears or any liability because of the assessment.

9. Profit as per the Profit and Loss Statement

In this section, mention the breakup of gross-profit, profit after tax and net profit.

Once all the particulars are furnished correctly, the taxpayer is required to sign digitally either through a digital signature certificate (DSC) or Aadhar based signature verification to authenticate the return.

What is GSTR-4?

GSTR-4 is a GST Return that has to be filed by a Composition Dealer. Unlike a normal taxpayer who needs to furnish 3 monthly returns, a dealer opting for the composition scheme is required to furnish only 1 return which is GSTR-4.

Who should file GSTR-4?

A taxpayer opting for the Composition Scheme is required to file GSTR-4.

When is GSTR-4 due?

GSTR 4 has to be filed on a quarterly basis.

The due date for filing GSTR 4 is 18th of the month after the end of the quarter.

How to revise GSTR-4?

GSTR-4 cannot be revised after filing on the GSTN Portal. Any mistake in the return can be revised in the next month's return only. It means that, if a mistake is made in the GSTR-4 filed for the July-September quarter, the rectification for the same can be made only when filing the next quarter's GSTR-4.

What is GSTR-5?

Every registered non-resident taxable person is required to furnish a return in GSTR-5 in GST Portal.

Who is a Non-Resident Foreign Taxpayer?

Non-Resident foreign taxpayers are those suppliers who do not have a business establishment in India and have come for a short period to make supplies in India. Such person is required to furnish details of all taxable supplies in GSTR-5

Why is GSTR-5 important?

It will contain all business details for non-resident (NR) including the details of sales & purchases.

Information from GSTR-5 will flow into GSTR-2 of buyers.

When is GSTR-5 due?

As per GST Act, GSTR-5 is a monthly return due every 20th of next month. For instance, the return of September 2017 will be due on 20th October 2017.

Latest Update:

Due date of GSTR-5 for the months of July to December 2017 has been extended to 31st January 2018.

Due date of GSTR-5A (OIDAR) for the months of July to December 2017 is also extended to 31st January 2018.

If the Non-Resident is registered u/s 27

This is a special certificate of registration issued to a casual taxable person or a non-resident taxable person. The registration is of a temporary nature and is valid for the period specified in the application or 90 days from the effective date of registration, whichever is earlier.

Such a person can make taxable supplies only after the issuance of the certificate of registration

In such a case, the NR must file GSTR-5 within 7 days after the last day of the period of registration.

What happens if GSTR-5 is not filed?

If GSTR-5 return is not filed then the next month's return cannot be filed. Hence, late filing of GST return will have a cascading effect leading to heavy fines and penalty.

Details to be provided in GSTR-5

There are 14 headings in GSTR-5 format prescribed by the government.

1. GSTIN
2. Name of the Taxpayer
3. Inputs/Capital goods received from Overseas (Import of goods)
4. Amendment in the details furnished in any earlier return.
5. Taxable outward supplies made to registered persons (including UIN holders)
6. Taxable outward inter-State supplies to un-registered persons where invoice value is more than Rs 2.5 lakh

7. Taxable supplies (net of debit notes and credit notes) to unregistered persons other than the supplies mentioned at Table 6
8. Amendments to taxable outward supply details furnished in returns for earlier tax periods in Table 5 and 6 [including debit note/credit notes and amendments thereof]
9. Amendments to taxable outward supplies to unregistered persons furnished in returns for Earlier tax periods in Table 7
10. Total Tax Liability
11. Tax payable and paid
12. Interest, late fee and any other amount payable and paid
13. Refund claimed from electronic cash ledger
14. Debit entries in electronic cash/credit ledger for tax/interest payment [to be populated after payment of tax and submissions of return]

What is GSTR 6?

GSTR 6 is a monthly return that has to be filed by an Input Service Distributor.

It contains details of ITC received by an Input Service Distributor and distribution of ITC.

There are a total of 11 sections in this return.

Why is GSTR 6 important?

GSTR 6 contains details of all the documents issued for distribution of Input Tax Credit and the manner of distribution of credit and tax invoice on which credit is received.

GSTR 6 has to be filed by every ISD even if it is a nil return.

When is GSTR 6 due?

The due date for filing of GSTR 6 as per GST Act is 13th of next month.

Who should file GSTR 6?

GSTR 6 has to be filed by every Input Service Distributor.

How to revise GSTR 6?

There is no provision under GST for revising GSTR 6. Any mistakes made in the return can be corrected while filing GSTR 6 of the following month.

What is GSTR 6A?

GSTR 6A is an automatically generated form based on the details provided by the suppliers of an Input Service Distributor in their GSTR 1.

GSTR-6A is a read-only form. Any changes to be made in GSTR-6A have to be done while filing GSTR-6.

Note: You do not have to file GSTR-6A. It is a read-only document.

You can view GSTR-6A by going to the Return Dashboard on the GST Portal and clicking on 'PREPARE ONLINE' on GSTR6A tile.

Details to be provided in GSTR 6

1. GSTIN
2. Name of the Registered Person
3. Input tax credit received for distribution

4. Total ITC/Eligible ITC/ Ineligible ITC to be distributed for the tax period.
5. Distribution of input tax credit reported in Table 4.
6. Amendments in information furnished in earlier returns in Table No. 3.
7. Input tax credit miss-matches and reclaims to be distributed in the tax period
8. Distribution of input tax credit reported in Table No. 6 and 7 (plus/minus)
9. Redistribution of ITC distributed to a wrong recipient
10. Late Fees (if any)
11. Refund claimed from electronic cash ledger

What is GSTR-10?

A taxable person whose GST registration is cancelled or surrendered has to file a return in the form of GSTR-10. This return is called as final return.

When is GSTR 10 due?

GSTR 10 must be filed within three months from the date of cancellation or date of cancellation order whichever is later. For instance if the date of cancellation is 1st September, 2017, then the GSTR 10 must be filed by 30th November, 2017.

Who should file GSTR-10?

GSTR 10 is required to be filed only by the persons whose registration under GST has been cancelled or surrendered. The regular persons registered under GST are not required to file this return.

What is the difference between Final Return and Annual Return?

Annual return has to be filed by every registered person paying tax as normal taxpayer under GST. Annual return is to be filed once a year in Form GSTR 9.

Whereas Final return is required to be filed by the persons whose registration has been cancelled or surrendered in Form GSTR 10

What is the penalty for not filing GSTR 10 on time?

If the GSTR 10 is not filed within the due date, a notice will be sent to the such registered person. The person will be given 15 days time for filing the return with all the documents required. If the person still fails to file the return, the tax officer will pass the final order for the cancellation with the amount of tax payable along with interest/penalty.

Details to be provided in GSTR-10

GSTR 10 has a total of 10 sections.

Following are the sections which will be auto-populated at the time of system login:

1. GSTIN
2. Legal Name
3. Business Name
4. Address
5. Application Reference Number
6. Effective Date of Surrender/Cancellation
7. Whether cancellation order has been passed
8. **If Yes, Unique ID of Cancellation order**
9. **Date of Cancellation Order**
10. Particulars of Closing Stock

10A Amount of Tax Payable on Closing Stock

What is GSTR-7?

GSTR 7 is a return to be filed by the persons who is required to deduct TDS (Tax deducted at source) under GST. GSTR 7 contains the details of TDS deducted, TDS liability payable and paid, TDS refund claimed if any etc.

Who are required to deduct TDS under GST?

As per GST law following people/entities need to deduct TDS:

1. A department or establishment of the Central or State Government, or
2. Local authority, or
3. Governmental agencies, or
4. Persons or category of persons as may be notified, by the Central or a State Government on the recommendations of the Council.

As per Notification No. 33/2017 – Central Tax, 15th September 2017

The following entities also need to deduct TDS-

1. An authority or a board or any other body which has been set up by Parliament or a State Legislature or by a government, with 51% equity (control) owned by government
2. A society established by the Central or any State Government or a Local Authority and the society is registered under the Societies Registration Act, 1860
3. Public sector undertakings

The above deductor are required to TDS where the total value of supply under the contract exceeds Rs 2.5 Lakhs. The rate for TDS is 2% (CGST 1% + SGST 1%) in case of intra state supply and 2 % (IGST) in case of interstate supplies.

However, the TDS will not be deducted when the location of the supplier and place of supply is different from the registration place (State) of the recipient.

NOTE: As per the 22nd GST Council meeting on 6th October 2017, the provisions of TDS has been put on hold and will come into force later.

Why is GSTR-7 important?

GSTR 7 shows the details of TDS deducted, amount of TDS paid and payable, any refund of TDS claimed. The deductee i.e. the person whose TDS has been deducted can claim the input credit of such TDS deducted and utilize for the payment of output tax liability. The details of TDS deducted is available electronically to each of the deductees in PART 'C' of Form GSTR 2A after the due date of filing of Form GSTR 7. Also the certificate for such TDS deducted shall be made available to the deductee in Form GSTR 7A on the basis of return filed in GSTR 7

When is GSTR 7 due?

Filing of GSTR 7 for a month is due on 10th of the following month. For instance, due date of filing GSTR 7 for October is 10th November.

What is GSTR-8?

GSTR-8 is a return to be filed by the e-commerce operators who are required to deduct TCS (Tax collected at source) under GST. GSTR-8 contains the details of supplies effected through e-commerce platform and amount of TCS collected on such supplies.

Who should file GSTR-8?

Every e-commerce operator registered under GST is required to file GSTR-8. E-commerce operator has been defined under GST Act as any person who owns or manages a digital or electronic facility or platform for electronic commerce such as Amazon etc. All such e-commerce operators are mandatory required to obtain GST registration as well as registered for TCS (Tax collection at source).

Who classifies as an e-commerce operator?

E-commerce operator is any person who owns or manages the digital or electronic facility or platform for electronic commerce such as Amazon, Flipkart, etc. The e-commerce operator provides a platform whereby the sellers can reach out to a large number of customers by getting registered online on their platform. Customers also get benefits as they get access to multiple sellers and competitive prices for the desired product.

Why is GSTR-8 important?

GSTR-8 shows the details of supplies effected through the e-commerce platform and the amount of TCS collected on such supplies. Currently, the Government has put the TCS provisions on hold. It is expected to be applicable from 1st April 2018 onwards.

In case of TCS being applicable, the supplier can take the input credit of such TCS deducted by the e-commerce operator after filing of GSTR-8 by the e-commerce operator. The amount of such TCS will be reflected in Part C of Form GSTR-2A of the supplier.

For instance, consider that Shanta Enterprises supplies garments worth Rs 20,000 through Amazon. Now Amazon being the e-commerce operator will deduct the TCS @ 2% and deposit Rs 400 with the Government. The amount of Rs 200 will get reflected in GSTR-2A of Shanta Enterprises after filing of GSTR-8 by Amazon.

What is GSTR-11?

GSTR-11 is the return to be filed by the persons who has been issued a Unique Identity Number(UIN) in order to get refund under GST for the goods and services purchased by them in India

Who are Unique Identity Number(UIN) holders under GST Act?

Unique Identity Number is a special classification made for foreign diplomatic missions and embassies who are not liable to taxes in Indian territory.

The following organizations can apply for a UIN:

A specialized agency of the United Nations Organization

A Multilateral Financial Institution and Organization notified under the United Nations (Privileges and Immunities) Act, 1947,

Consulate or Embassy of foreign countries

Any other person or class of persons as notified by the Commissioner.

The above persons/organizations can apply for UIN using Form GST REG- 13.

Purpose of UIN

The purpose of issuing UIN is that any amount of tax collected from the bodies/person holding UIN is refunded back to them. But in order to claim the refund of GST paid by them, they need to file GSTR 11.

Input Tax Credit on Job Work

Manufacturers today are operating in a competitive business environment. These manufacturing units are now focusing on their core products and most of the work is outsourced to outsiders or Job workers. Such practices often ensure cost efficient products while simultaneously accelerating the production cycle.

Job work is understood as the processing or working on of goods supplied by the principal, to complete a part or whole of the process. The work may be in the initial process, intermediate process, assembly, packing or any other completion process. The goods sent for job work maybe raw material, component parts, semi finished goods and even finished goods. The resultant goods could also be a variation of the same or the complete product.

Tax Liability under GST Regime

The GST law has exclusive provisions on Job Work and related activities. **The GST law allows the principal to send taxable goods, without payment of tax, to a job worker.**

There can be further movement of such goods from one job worker to another. **However, such goods must be brought back to principal's place of business and must be removed after payment of tax thereon.**

In simple words, a principal can remove goods from the place of supply without payment of tax, provided such goods are sent for job work and are intended to be brought back for
a taxable supply. Such removal of goods is allowed only after
a declaration stating the same is made.

Claiming Input Tax on Job Work

There are three different scenarios that can affect the ITC on job work:

1. Capital goods are sent for job work after the appointed day

The principal can send capital goods to the job worker after the appointed day of GST implementation (July 1st) and these will have to be sent back within 3 years from the date of movement. Such goods will not be taxed to the job worker.

For example: *Let's say A sends a machine to job worker B for paint work on 1 August 2017. If B sends the machine back to A by 1 August 2020 then there will be no tax applicable to B and input tax credit will be available to A.*

2. Other goods are sent for job work after the appointed day

All other goods (except capital goods) sent to job worker after GST implementation have to be returned to the manufacturer within a period of 1 year and are not liable to be taxed to the job worker.

For example: *X sends plastic glasses to a job workerY packaging on 15 July 2017. No tax will be applicable toY if the goods are returned by 15 July 2018, and the input tax credit of the same will be available to X.*

3. Goods were sent before the appointed day and are returned after the appointed date

Input tax credit will be allowed on those inputs which are sent for job work but are returned within a period of six months from the appointed date (July 1st). An extension of two months may be granted if there is sufficient cause. A job worker will not be liable to deduct tax on goods in both these cases provided that both the principal and job worker declare their stock on the appointed date.

For example: *P had sent goods to a job worker Q on 10 January 2017. Q delivers the goods back to P on 25 November 2017. There will be no tax liability on Q as the goods were sent back within a period of 6 months from appointed date (July 1) and input tax credit on this transaction will be available to P.*

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