

THE INDIAN SILK EXPORT PROMOTION COUNCIL

Background paper on GST Outreach Programme

1. **Meaning of GST-** GST stands for “Goods and Services Tax”. Simply put, GST may be defined as a tax on goods and services, which is leviable on every supply of goods and / or services.
2. **Scope of GST** - GST would consolidate into a single tax which would help to overcome the limitations of current tax structure and create efficiencies in tax administration. It will consolidate various Indirect tax levies such as:

- + Central Excise Duty
- + Service tax
- + VAT
- + CST
- + Entry Tax
- + Octroi
- + LBT
- + Countervailing Duty
- + Special Additional Customs Duty
- + Surcharges and
- + Cess

3. **Structure of taxes during GST regime.** - The taxes that will continue after GST will be:-

- Basic Customs Duty
- Export Duties
- Stamp Duties
- Electricity Duties
- Taxes on professions, trades, callings and employments

4. Salient features of GST-

- ✓ GST is collected on value added at each stage of the supply chain
- ✓ At all stages of production and distribution, taxes are a pass through and tax is borne by the final consumer
- ✓ All sectors will be subject to taxes with very few exceptions / exemptions
- ✓ GST would facilitate seamless credit across the entire supply chain and across all States under a common tax base. For example, Central Excise duty paid on purchases and service tax paid on input services are not eligible to be set off against output VAT paid by dealers / distributors / stockiest. GST would enable the dealers / distributors /stockiest to take credit of the GST paid on procurements and offset the same against output GST to be paid on further supply of the goods.

5. GST would have below components –

- a. Central GST (CGST) levied and collected by the Centre.
- b. State GST (SGST) levied and collected by the States.
- c. In case of Union territories, the SGST would be replaced by Union Territory GST (UTGST).
- d. Integrated GST (IGST) would be applicable on all inter-state supplies of goods and services (including imports).
IGST rate would typically be equal to the sum of CGST and SGST rates for any given product.
- e. CGST and SGST would be applicable on intra-state supplies of goods or services in India (generally supplies of goods made within the state). Refer further details in Section AAA.

6. Benefits of GST

- GST would enable a smoother input credit system, which would shift the balance towards the organized sector.
- There would be a common base for levy of GST (as against cascading). For example: at present, VAT is payable on transaction value plus Excise duty, whereas CGST and SGST would both be levied on a common base
- There would be reduced cascading effect due to better tax credit mechanism.
- Non-creditable CST would be done away with, thereby reducing costs. The same would be replaced by IGST which would be creditable to the buyer.
- GST is expected to enable ease of administration (common administration).
- There would be increased tax collections due to wider tax base and better compliance.

Meaning and Scope of Supply

7. Scope of the term 'supply' as defined in CGST Act, 2017?

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

8. Is it required to distinguish whether a particular supply involves supply of goods or services or both?

Yes. The CGST Act, 2017 specifies certain provisions separately for supply of goods and supply of services viz., Section 12 and Section 13 provides for ascertaining time of supply of goods and time of supply of services respectively; similarly separate provisions have been specified for ascertaining place of supply of goods and place of supply of services. Further, the rate of tax applicable to supply of goods and supply of services may be different. Accordingly, it is important to distinguish whether a particular transaction involves supply of goods or supply of services.

9. Whether supply of goods or services without consideration is liable to tax?

The activities enumerated in Schedule I will qualify as supply even if made without consideration. Accordingly, such supplies in the absence of consideration are liable to tax. To illustrate, following are the activities which will qualify as supply in the absence of consideration and eventually would be liable to tax:

- a. Permanent transfer or disposal of business assets where input tax credit has been availed on such assets.
- b. Supply of goods or services or both between related persons or between distinct persons as specified in section 25, when made in the course or furtherance of business:
- c. Provided that gifts not exceeding fifty thousand rupees in value in a financial year by an employer to an employee shall not be treated as supply of goods or services or both.
- d. Supply of goods— by a principal to his agent where the agent undertakes to supply such goods on behalf of the principal; or by an agent to his principal where the agent undertakes to receive such goods on behalf of the principal.
- e. Import of services by a taxable person from a related person or from any of his other establishments outside India, in the course or furtherance of business.

10. Whether transfer of goods to another branch located outside the State is taxable?

Every person is required to obtain separate registration for every branch located in different state or union territory and shall be treated as distinct persons. Accordingly, the supply of goods (stock transfers) to a branch located outside the State would qualify as supply liable to tax in terms of clause 2 to Schedule I of the CGST Act, 2017. Further, it is important to note that, supply of goods to a branch / unit located within the same State having separate registration would also be liable to tax since both such units (supplying unit and recipient unit) would qualify as distinct person in terms of Section 25(4).

11. Whether supply of goods by principal to his agent or by agent to his principal is taxable in the absence of consideration?

Following would qualify as Supply:

- ✚ Supply of goods by a principal to his agent where the agent undertakes to supply such goods on behalf of the principal
- ✚ Supply of goods by an agent to his principal where the agent undertakes to receive such goods on behalf of the principal.

12. Whether import of services will be liable to tax under GST regime?

The following import of service will qualify as supply under CGST Act, 2017:

- ❖ import of service for a consideration whether or not in the course or furtherance of business is a supply;
- ❖ import of service by a taxable person from a related person or from any of his other establishments outside India, in the course or furtherance of business.

Tax liability on composite and mixed supplies

13. What is composite supply?

Composite supply means supply consisting of two or more taxable supplies of goods or services or both, or any combination thereof, which are naturally bundled and supplied in conjunction with each other in the ordinary course of business, one of which is a principal supply. For eg: Where goods are packed and transported with insurance, the supply of goods, packing materials, transport and insurance is a composite supply and supply of goods is a composite supply.

14. How would the tax liability be determined in case of Composite supply?

Tax liability in case of composite supply should be determined with reference to the principal supply forming part of such composite supply.

15. What is mixed 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.

The illustration of mixed supply is as follows:

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.

16. How would the tax liability be determined in case of Mixed supply?

In terms of Section 8, the tax liability in case of a mixed supply shall be ascertained with reference to that particular supply which attracts highest rate of tax.

Registration under GST

17. What is the threshold limit for GST registration in India?

Aggregate turnover requirement for GST registration is as below:

States	Aggregate Turnover
Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura, Himachal Pradesh and Uttarakhand	Rs 10 lacs
Other states	Rs 20 lacs

18. What is aggregate Turnover?

Aggregate turnover includes the aggregate value of:

- All taxable and non-taxable supplies, including interstate supplies
- Exempt supplies, and
- Exports of goods and/or service of a person having the same PAN.
- The above shall be computed on all India basis and excludes taxes charged under the CGST Act, SGST Act and the IGST Act. Aggregate turnover does not include value of supplies on which tax is levied on reverse charge basis, and value of inward supplies.

19. Which are the cases in which registration is compulsory?

The following categories of persons shall be required to be registered compulsorily irrespective of the threshold limit:

- Persons making any inter-State taxable supply;
- Casual taxable persons;
- Persons who are required to pay tax under reverse charge;
- Non-resident taxable persons;
- Persons who are required to deduct tax;
- Persons who supply goods and/or services on behalf of other registered taxable persons whether as an agent or otherwise;
- Input service distributor;
- Persons who supply goods and/or services other than specified services, through electronic commerce operator; every electronic commerce operator;
- Every person supplying online information and data base access or retrieval services from a place outside India to a person in India, other than a registered person; and
- Such other person or class of persons as may be notified by the Central Government or a State Government on the recommendations of the Council.

20. Whether a person can get registration voluntarily though he may not be liable to pay GST?

Yes. As per GST law, a person, though not liable to be registered may get himself registered voluntarily, and all provisions of this Act, as are applicable to a registered taxable person, shall apply to such person.

21. If a person is operating in different states, with the same PAN number, whether he can operate with a single Registration?

No. Every person who is liable to take a Registration must get registered separately for each of the States where he has a business operation and is liable to pay GST.

22. Whether a person having multiple business verticals in a state can obtain for different registrations?

Yes. A person having multiple business verticals in a State may obtain a separate registration for each business vertical, subject to such conditions as may be prescribed.

23. Whether all assesses/dealers who are already registered under existing central excise/service tax/ vat laws will have to obtain fresh registration?

No. GSTN shall migrate all such assesses/dealers to the GSTN network and shall issue GSTIN number and password. They will be asked to submit all requisite documents and information required for registration in a prescribed period. Failure to do so will result in cancellation of GSTIN number. The service tax assesses having centralized registration must apply afresh in the respective states wherever they have their businesses.

24. What is Composition Levy in GST?

Small dealers and businesses whose aggregate turnover in the preceding financial year did not exceed Fifty lakh rupees, may opt for the composition scheme known as Composition Levy under the GST law. Under this scheme, a Composite Tax Payer pays tax only at certain a percentage as may be prescribed.

25. Can every taxable person opt to pay tax under composition scheme?

No. The registered taxable person whose aggregate turnover in the preceding financial year does not exceed seventy five lakhs rupees may opt to pay tax subject to satisfaction of the following conditions:

- a. Registered person is not engaged in the supply of services other than supplies of food & beverages as restaurant services except for alcohol for human consumption;
- b. He is not engaged in making any supply of goods which are not leviable to tax under this Act;
- c. He is not engaged in making any inter-State outward supplies of goods;
- d. He is not engaged in making any supply of goods through an electronic commerce operator who is required to collect tax at source under section 52; and
- e. He is not a manufacturer of such goods as may be notified by the Government on the recommendations of the Council.

26. Whether a supplier of services is eligible to pay tax under composition scheme?

No. A supplier of services is not eligible to opt for composition scheme. However, a supplier supplying composite supply involving supply of service or goods being food or any other article for human consumption or any drink (other than alcoholic liquor for human consumption) is eligible to opt for payment of taxes under composition scheme.

27. A taxable person having same PAN can opt to pay tax under composition scheme by seeking separate registration for branches?

No. A registered person shall not be eligible to opt for the composition scheme unless all such registered persons (branches having separate registration under a single PAN) opt to pay tax under composition scheme.

28. Whether a taxable person under composition Scheme eligible to claim input tax credit?

No, a taxable person under composition scheme is not eligible to claim input tax credit.

29. Can a customer who buys from a taxable person who is under composition scheme claim composition tax as input credit?

No. The recipient is not eligible to take input tax credit of composition tax paid. Moreover, a taxable person paying taxes under composition scheme is not entitled to collect taxes from the recipient in terms of Section 10(4) of the CGST Act, 2017. Accordingly, there does not arise a question for the recipient to claim input tax credit.

30. A taxable person can still pay tax under composition scheme even after the turnover in the current financial year exceeds seventy five lakh rupees?

In terms of Section 10(3), the option availed for paying tax under composition scheme shall lapse with effect from the day on which his aggregate turnover during a financial year exceeds seventy five lakh rupees.

Levy of GST

31. What are the taxes that are levied on an intra-State supply?

Intra-State supplies are liable to CGST & SGST. Intra-State supplies effected by a taxable person located in Union Territory (within the Union Territory) will be liable to CGST & UTGST.

32. Whether MRP valuation would be applicable under GST?

MRP based valuation for the purpose of payment of GST would not continue under the GST regime (unlike the current central excise regime) and supplies should be subject to GST at transaction value (value at which supply takes place to receiver).

33. How will the Inter-State supplies of Goods and Services be taxed under GST?

IGST shall be levied and collected by Centre on inter-state supplies. IGST would be broadly CGST plus SGST and shall be levied on all inter-State taxable supplies of goods and services. The inter-State supplier will pay IGST on value addition after adjusting available credit of IGST, CGST and SGST on his purchases.

34. How will imports/exports be taxed under GST?

All imports/exports will be deemed as inter-state supplies for the purposes of levy of GST (IGST). Accordingly Import would attract BCD + IGST + Customs Cess Compensation Cess (as applicable) and export would be zero rated. Further, under export of goods the exporter shall have option to either export under bond or export under rebate option.

35. How to ascertain the taxable value for levy of CGST & SGST/UTGST?

Section 15 of the CGST Act, 2017 specifies that the value of supply of goods or services or both shall be the transaction value, which is

- a. the price actually paid or
- b. payable for the said supply of goods or services or
- c. both where the supplier and the recipient of the supply are not related and the price is the sole consideration for the supply.
- d. Further Section 15 provides for certain inclusions which will form part of the value viz., incidental expenses, commission, interest, penalty etc.
- e. In cases where the supplier and recipient are related persons or where the price is not the sole consideration, the provisions and method for ascertaining the value of taxable supply as prescribed in valuation rules shall apply.

36. Who is responsible to pay taxes?

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

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

37. What does the payment of tax under reverse charge mean?

The terms reverse charge is defined to mean liability to pay tax by the recipient of supply of goods or services or both instead of the supplier of such goods or services or both.

38. What are the different types of supplies which are liable to tax under reverse charge mechanism?

There are two types of supplies which are liable to tax under reverse charge mechanism which are:-

- a. Specified categories of supply of goods or services or both as notified by government on recommendation of the council
- b. Supply of taxable goods or services or both by an unregistered supplier to a registered person

39. Would GST be applicable on stock transfers?

- ❖ Inter-state self-supplies such as stock transfers will be taxable as a taxable person has to take state wise registration. Such transactions have been made taxable even if there is no consideration.
- ❖ Intra-state self-supplies within same registration should not be taxable.
- ❖ Inter-state stock transfers would be subject to IGST. Stock transfer of goods between the branches located in different states is treated as an inter-state supply and hence liable to IGST and the stock transfer of goods between the branches located in same state is not treated as supply and shall not be liable to GST.
- ❖ Further valuation of supply of goods under stock transfer would be based on the following Rule 2
 - ✚ Open market value (OMV);
 - ✚ If no OMV then value of supply of like kind and quality;
 - ✚ If not determinable as per above then as determined applying Rule 4 or 5 sequentially. In case full credit is available to recipient, the declared value in invoice is deemed as OMV;
 - ✚ Rule 4 - Value of supply of goods or services or both based on cost If value is not determinable by preceding;
 - ✚ Rules, then 110% of Cost of production/manufacture/cost of acquisition of goods or cost of provision of service;

- ✚ Rule 5 - Residual method for determination of value of supply of goods or services or both If value not determinable by preceding rules then same shall be determined using reasonable means consistent with the principles and general provisions of section 15 and these rules Supplier of service can opt for this Rule disregarding Rule 4

40. Are transport charges for supply, paid by the supplier required to be included in the transaction value?

All the expenses incurred by the supplier, in relation to the supply, -are required to be included in the transaction value to the extent they are charged for. Even if the contract is for delivery of goods ex-factory, and the supplier incurs the cost of transportation on behalf of the recipient for delivery of goods to the recipient, the cost should be included in the transaction value if the supplier charges the recipient for the same. However, if the contract price is for delivery of goods is at the location of the recipient, then the transportation charges incurred by the supplier would not be required to be added to the transaction value, as the cost is contained in the said value.

41. Will discounts given to customers be allowed as deduction from transaction value?

Yes, the following two types of discounts would be excluded from transaction value:

- Discount at the time of Sale – Allowed as a deduction provided if the discount is recorded on the face of invoice.
- Post-supply Discount – If such discount is based on the arrangement entered into before or at the time of supply, AND where the same can be linked to relevant invoices, then the same is allowed as a discount on the condition that the recipient reverses the tax credit related to such discount availed earlier.

43. Quantity discounts are not recorded on the face of the invoice. Can the Quantity discounts be claimed as deduction while computing GST?

Quantity Discounts are allowed based on the volume / value of purchases made by the customer for a particular period. The discount is allowed at the end of a particular period based on the pre-agreed rates entered into between the supplier and the recipient. Such discounts will be eligible for exclusions by way of credit notes, only where the supplier is in a position to link the discount to each and every invoice, and the Recipient reverses the credit to the extent of such discount.

44. Will GST be applicable on any interest charged for payment after the credit period?

Interest, Penalty or Late fee charged from the customer would also be liable to GST. However, the law provides that the GST liability on such values can be paid only on receiving such additional amounts.

45. In certain cases, the selling price of the final product is less since subsidy is received from Government. Are subsidies received from Government required to be included in the transaction value?

Subsidies received by the supplier, from Central / State Governments are not required to be included in the transaction value of supplies effected by him, even if the subsidies are directly linked to the supplies made by him.

46. What are types of GST applicable on different types of transactions?

A comparative chart has been provided below, outlining the current indirect taxes typically applicable on various types of transactions and the GST taxes proposed to be levied on the same transactions:

Activity	Present Tax System	GST System
Import of goods	Entry Tax/Octroi/LBT+ BCD, CVD and cesses+ SAD	IGST + BCD
Manufacture	Excise	No Tax
Inter-state sale/purchase (supply) of Goods	Excise +Entry Tax /Octroi/LBT+CST	IGST
Intra-state sale/ purchase (supply) of goods	Excise +Entry Tax /Octroi/LBT+VAT	SGST+CGST
Import of Service	Service tax	IGST
Inter-state sale/ purchase (supply) of Service	Service tax	IGST
Inter-state sale/ purchase (supply) of Service	Service tax	SGST+CGST
Inter-state stock transfer of manufactured goods	Excise + Entry Tax /Octroi / LBT	IGST
Within-state stock transfer of manufactured goods within the same registration	Excise + Entry Tax /Octroi / LBT	No Tax
Inter-state supply of services from one Unit to another Unit of same Legal entry (different GST registration)	No Tax	IGST
Within -state supply of services from one Unit to another Unit of same Legal entry within the same registration	No Tax	No Tax
Inter-state stock transfer	Nil	IGST

Time of supply of goods & services

47. How are the provisions relating to 'time of supply' relevant under GST Law?

The provisions relating to time of supply of goods / services are relevant in ascertaining the time to remit the taxes on a particular transaction involving supply of goods / services under the GST Law. The CGST Act, 2017 provides separate provisions for time of supply of goods and services.

48. What will be the time of supply of goods, generally?

Generally, the time of supply of goods shall be the earliest of the following:

- Date of issue of invoice; or
- Due date of issue of invoice; or
- Date on which supplier receives the payment; or
- Date on which payment is entered in books of accounts of the supplier; or
- Date on which payment is credited to the bank account.

49. What will be the date of payment to ascertain the time of supply of goods?

In terms of the Explanation 2 appended to Section 12, the date of payment shall be the earliest of the following dates:

- a. The date on which supplier receives the payment; or
- b. Date on which payment is entered in books of accounts of the supplier; or
- c. Date on which payment is credited to the bank account.

50. What will be the time of supply where tax is liable to be paid under reverse charge mechanism?

In case of tax liable to be paid under reverse charge mechanism, the time of supply shall be the earliest of the following:

- ✚ Date of receipt of goods by the recipient; or
- ✚ Date on which the payment is entered in the books of accounts of the recipient; or
- ✚ Date on which payment is debited in the bank account of the recipient; or
- ✚ Date immediately following thirty days from the date of issue of invoice by the supplier; Where the time of supply cannot be ascertained as above, the date of entry in the books of accounts of the recipient shall be the time of supply of goods;

51. What would be the 'due date of issuance of invoice' with reference to the provisions relating to time of supply of goods?

Section 31(1) of the CGST Act, 2017 prescribes the time at which the tax invoice should be issued by a registered taxable person supplying goods. Accordingly, the due date for issuance of invoice would be as follows:

- a. Supply involves movement of goods – It is provided that the tax invoice should be issued before or at the time of removal of goods for supply to the recipient. As such, it is inferred that the date of removal of goods shall be the due date of issuance of invoice';
- b. Any other case – delivery of goods or making goods available to the recipient. As such, it is inferred that the date on which goods are delivered to the recipient or the date on which goods are made available to the recipient is the 'due date of issuance of invoice'.

52. Time of supply in case of addition in value by way of interest, late fee or penalty?

In terms of Section 12(6) of the CGST Act, 2017 the date on which the supplier receives interest, penalty or late fee which forms part of value will be the time of supply. However, reference can also be drawn to proviso to Section 12(2) where such additional value is received in the form of interest, penalty and late fee.

Accordingly, the time of supply with respect to the amount received in excess up to Rs. 1,000/- of the amount indicated in tax invoice, the time of supply shall be the date of issue of invoice. Where the amount received exceeds Rs. 1,000/-, the time of supply of goods shall be the earliest of the following (in case where the invoice is already issued):

- (a) Date on which payment is entered in books of accounts of the supplier; or
- (b) Date on which payment is credited to the bank account.

53. How to ascertain the time of supply of services?

In terms of Section 13, the time of supply of services shall be the earliest of the following:

- a. Date of issue of invoice; or
- b. Due date of issue of invoice under Section 31; or
- c. Date when the payment entry in relation to supply of services is recorded in books of accounts; or
- d. Date on which the payment is credited to suppliers bank account.

54. Whether the advance received prior to provision of service is liable to tax under GST Law?

In terms of Section 13 of the CGST Act, 2017 the time of supply of services refers to the date on which payment is received by the supplier. Accordingly, the service provider should remit the applicable taxes on such advances in the month in which the money is received in advance even otherwise the services are not supplied provided.

Subsequently, when the invoice is issued with respect to the advance payments received earlier, the same shall be declared in the returns pertaining to the month in which the invoice is issued, by giving reference of the 'Transaction ID' generated at the time of remitting taxes on the advance payments (in the earlier tax periods).

55. What would be the time of supply of services taxable under reverse charge mechanism?

In terms of Section 13(3) of the CGST Act, 2017, the time of supply of services for remittance of tax under reverse charge mechanism shall be the earliest of the following:

- a. Date of payment recorded in the books of accounts;
- b. Date of debit in bank account;
- c. Sixty days from the date of issue of invoice or any other document by the supplier; or
- d. Date of entry in the books of accounts of the recipient

56. Time of supply of services in case of import of services?

In terms of Section 7(1) of the CGST Act, 2017 supply includes import of services for a consideration whether or not in the course or furtherance of business. Accordingly, the recipient of services would be liable to pay tax on import of service.

The CGST Act, 2017 does not provide separate provisions for ascertaining the time of supply in case of import of services. Accordingly, in terms of Section 13 shall be the earliest of the following:

- Date of issue of invoice; or
- Due date of issue of invoice; or
- Date on which supplier receives the payment; or
- Date on which payment is entered in books of accounts of the supplier; or
- Date on which payment is credited to the bank account.

57. Time of supply in case of addition in value by way of interest, late fee or penalty?

In terms of Section 13(6) of the CGST Act, 2017 the date on which the supplier receives interest, penalty or late fee which forms part of value will be the time of supply.

However, reference can also be drawn to proviso to Section 13(2) where such additional value is received in the form of interest, penalty and late fee. Accordingly, the time of supply with respect to the amount received in excess up to Rs. 1,000/- of the amount indicated in tax invoice, the time of supply shall be the date of issue of invoice. Where the amount received exceeds Rs. 1,000/-, the time of supply of goods shall be the earliest of the following (in case where the invoice is already issued):

- a. Date on which payment is entered in books of accounts of the supplier; or
- b. Date on which payment is credited to the bank account.

Invoices

58. When should a Tax Invoice be issued for supply of Goods?

The answer depends upon the type of goods. If the goods are such that movement of goods are involved, then taxable invoice has to be issued before or at the time of removal of the goods. If supply of goods does not require movement of goods, then taxable invoice has to be issued at the time the goods are delivered to the recipient or when the goods are made available to the recipient.

59. How many copies of an invoice are required for supply of Goods?

The invoice should be prepared in triplicate.

- a. The original is for the recipient,
- b. triplicate for the supplier and
- c. the duplicate for the transporter.

The copies should be marked as 'ORIGINAL FOR RECIPIENT', 'DUPLICATE FOR TRANSPORTER' and 'TRIPLICATE FOR SUPPLIER', as the case may be.

60. What are the content of the Tax invoice?

Following contents are must in the Tax invoice:-

- a. Supplier's name, address and GSTIN
- b. A consecutive serial number in one or multiple series, containing alphabets or numerals or special characters hyphen or dash and slash symbolised as “-” and “/” respectively, and any combination thereof, unique for a financial year
- c. Receiver's name, bill to address and GSTIN/ Unique ID (in case of registered recipient)
- d. Date of its issue
- e. Receiver's name, address and address of delivery along with name of the state and its code if taxable value exceeds or is equal to Rs. 50,000 (in case of unregistered recipient)
- f. HSN code of the goods/ Service Accounting Code ('SAC') for services
- g. Place of supply along with name of state in case of interstate supply
- h. Place of delivery (in case it is different from the place of supply) Rate of GST (CGST, SGST, IGST or cess)
- i. Quantity in case of goods and unit or Unique Quantity Code thereof
- j. Taxable value of goods and services after discount or abatement
- k. Amount of tax charged in respect of taxable goods or services- CGST, SGST, IGST or cess as may be applicable
- l. Total value of supply of goods or services or both
- m. Description of goods and / services
- n. Whether tax is payable under reverse charge
- o. Signature or digital signature of supplier or authorised representative

61. What are the contents of Credit Notes, Debit Notes and Supplementary Tax Invoices

These documents shall contain the following details:

- a. The word 'revised invoice' or 'supplementary invoice' indicated properly as the case may be with date and invoice number of original invoice
- b. Name, address, GSTIN of the supplier
- c. Nature of the Document
- d. a consecutive serial number containing alphabets or numerals or special characters -hyphen or dash and slash symbolised as “-” and “/” respectively, and any combination thereof, unique for a financial year
- e. Date of Issue

- f. Name, and address of the recipient
- g. GSTIN/UID of the recipient, if registered
- h. Name and address of the recipient and address of delivery, along with the name of state and its code, if such recipient is unregistered
- i. Serial number and date of the corresponding tax invoice/bill of supply
- j. Taxable value of goods or services, rate of tax and the amount of tax credited/debited to the recipient
- k. Signature/Digital Signature of the Supplier or his authorised representative.

62. What are the specific requirements of an export supply?

The document should carry one of the following endorsements:

- a. Supply Meant For Export On Payment Of IGST
- b. Supply Meant For Export Under Bond or letter of undertaking without Payment of IGST Also, the document should inter alia contain the following details of the recipient:
 - a. Name and Address of the recipient
 - b. Address of Delivery
 - c. Name of the country of Destination
 - d. Number and date of application for removal of goods for export

63. When is the bill of supply required to be issued?

A Bill of Supply would be required to be issued instead of a tax invoice, in case a registered person is supplying exempted goods or services or both and by assesses opting for composition scheme.

64. What are the contents for bill of supply?

The content for bill of supply are as follows:

- a. a consecutive serial number in one or multiple series, containing alphabets or numerals or special characters -hyphen or dash and slash symbolised as “-” and “/” respectively, and any combination thereof,, unique for a financial year and date of issue of invoice
- b. Supplier's name, address and GSTIN
- c. Receiver's name, address and GSTIN/ Unique ID number (in case of registered recipient)
- d. HSN code of the goods/ SAC for services
- e. Description of goods and services
- f. Value of goods and services after discount or abatement
- g. Signature or digital signature of supplier or authorised representative

Input Tax Credit & Payment of Tax

65. What is the manner/order of utilization of input tax credit?

The manner/order of utilization of input tax credit is as follows:

- a. The amount of IGST credit in the electronic credit ledger can be utilized in the following order; IGST against IGST-CGST-SGST
- b. CGST against CGST-IGST
- c. SGST against SGST-IGST
- d. SGST against CGST or CGST against SGST - Not allowed

66. What are the key requirements for availing input tax credit under GST?

The key requirements for availing input tax credit in respect of any supply of goods and/or services are as under:-

- a. The company is in possession of a tax invoice or debit note issued by a supplier
- b. The company has received goods and/or services
- c. Supplier has actually paid tax to the account of the appropriate Government
- d. Supplier has filed returns
- e. The said transaction is properly reflected in the Return filed by the Supplier as well as the company.
- f. The company should pay to the supplier (value of supply of goods and service along with tax thereon) within period of one hundred and eighty days from date of invoice (not applicable in case of GST paid under reverse charge)

67. What are the implications of Purchase from Unregistered / Composite Dealers?

If the purchases are done from Composite dealer, input tax credit will not be available to the recipient as the Composite dealer cannot issue Tax invoice to charge GST on supplies made by him. In case of purchase from an unregistered dealer, it would attract GST under reverse charge on recipient i.e. on purchaser as if it is the person liable for paying the tax in relation to the supply of goods/services or both purchaser will be eligible to avail input tax credit subject to conditions.

68. Where the goods against an invoice are received in lots or installments, how will a registered taxable person be entitled to ITC?

The registered taxable person shall be entitled to avail credit upon receipt of the last lot or installment.

69. What is the time limit for taking ITC?

ITC cannot be taken beyond the due date of furnishing of the return for the month of September following the end of Financial Year (FY) to which invoice pertains or date of filing of annual return, whichever is earlier. The underlying reasoning for this restriction is that no change in return is permitted after September of next FY. If annual return is filed before the month of September then no change can be made after filing of annual return.

70. Is there any negative list on which ITC is not permitted?

The GST law provides for the negative list with respect to the admissibility of ITC. It has been provided that the ITC on following items cannot be availed:

- a. motor vehicles, except when they are supplied in the usual course of business or are used for providing the following taxable services –
 - further supply of such vehicle or conveyance;
 - transportation of passengers, or
 - transportation of goods, or
 - imparting training on motor driving skills;

- b. food and beverages, outdoor catering, beauty treatment, health services, cosmetic and plastic surgery except where such inward supply of goods or services of a particular category is used by a registered taxable person for making an outward taxable supply of the same category of goods or services; membership of a club, health and fitness centre; rent-a-cab, life insurance, health insurance except where the Government notifies the services which are obligatory for an employer to provide to its employees under any law for the time being in force or where such inward supply of goods or services of a particular category is used by a registered taxable person for making an outward taxable supply of the same category of goods or services; and travel benefits extended to employees on vacation such as leave or home travel concession.

- c. goods and/or services acquired by the principal in the execution of works contract when such contract results in construction of immovable property, other than plant and machinery; except where it is an input service for further supply of works contract service.

- d. goods or services or both received by a taxable person for construction of an immovable property (other than plant and machinery) on his own account including when such goods or services or both are used in the course of furtherance of business;
- d. goods and/or services on which tax has been paid under Composition scheme; and
- e. goods and/or services used for private or personal consumption, to the extent they are so consumed.

- f. goods lost, stolen, written-off or disposed by way of gifts and free samples
- g. of tax assessed on account of fraud and willful suppression, transport of goods / storage of goods while in transit, dealing in supply of goods, which is in contravention of the GST law.

71. Can GST paid on reverse charge be considered as input tax?

Yes. The definition of input tax includes the tax payable under Reverse Charge. The credit can be availed if such goods and/or services are used, or are intended to be used, in the course or furtherance of his business.

72. Does input tax include tax (CGST/ IGST/SGST) paid on input goods, input services and/ or capital goods?

Yes.

73. Where goods and/or services received by a taxable person are used for effecting both taxable and nontaxable supplies, whether the input tax credit is available to the registered taxable person?

The input tax credit of goods and / or service attributable to only taxable supplies can be taken by registered taxable person. The amount of eligible credit would be calculated in a manner to be prescribed in terms of the GST law read with GST ITC Rules. It is important to note that credit on capital goods also would now be permitted on proportionate basis as prescribed under ITC rules in case the registered taxable person is engaged in taxable and non-taxable supplies.

74. What would be the input tax eligibility in cases where taxable person paying tax opts to pay tax under Composition Scheme?

The registered taxable person, who was paying tax opts to pay tax under Composition Scheme, has to pay an amount equivalent to the input tax credit in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock on the day immediately preceding the date of such switch over. It has also been provided that after payment of the amount on such goods, the balance, if any available in electronic credit ledger would lapse. The amount, required to be paid, is to be calculated as per rules that will be framed in this regard.

75. Where the registered taxable person has claimed depreciation on the tax component of the cost of capital goods under the provisions of the Income Tax Act, 1961, will ITC be allowed in such cases?

The input tax credit shall not be allowed on the said tax component.

76. Whether Input tax credit of goods lost, stolen, destroyed, disposed, written off or distributed as free samples is available?

Input tax credit shall not be available in case of goods lost, stolen, destroyed, written off or disposed by way of gift or free samples. Therefore input tax paid on such taxable goods, is not available. Hence in event of expired goods or stocks are destroyed or disposed off, or supplied as physician sample, the supplier would be required to reverse Input tax credit in respect of said stock.

77. What is the treatment of input tax credit in case of sales return?

Where the goods supplied are returned by the recipient, or where services supplied are found to be deficient, the registered taxable person, who has supplied such goods and

/or services, may issue to the recipient a credit note. He may further declare the details of such credit note in the return for the month when such credit note has been issued but not later than September following the end of the year in which such supply was made, or the date of filing of the relevant annual return, whichever is earlier, and the tax liability shall be adjusted in the manner specified.

78. When is payment taxes to be made by the supplier?

Payment of taxes by the normal taxpayer is to be done on monthly basis by the 20th of the succeeding month.

79. Can one use input tax credit for payment of tax under reverse charge basis?

No. The amount available in the electronic credit ledger may be used for making any payment towards 'output tax'. Further, the definition of output tax u/s 2 (82) specifically excludes tax payable under reverse charge basis. Therefore, input tax credit cannot be used for payment of tax under reverse charge basis.

Returns

80. Who needs to file Return in GST regime?

Every registered taxable person is required to file Return in GST regime.

81. What are the key returns under GST are to be filed by the tax payer and what is the due date for the same?

Sr. No	Return	Purpose of return	Periodicity	Due date.
	GSTR- 1	Outward supplies made by taxpayer (other than compounding taxpayer and ISD. Ple registration, then for each such registrations.	Monthly	10 th of the next month
	GSTR- 2	Inward supplies received by a taxpayer	Monthly	(other than a on taxpayer and
	GSTR- 3	Monthly return (other than on taxpayer and ISD)	Monthly	20 th of the next month
	GSTR- 6	Return for Input Service Distributor (ISD)	Monthly	13 th of the next month
	GSTR- 7	Return for Tax Deducted at Source	Monthly	10 th of the next month
	GSTR- 9	Annual Return (other than on taxpayers)	Annual	By 31st Annual December of

				next FY
	GSTR- 9B	Reconcilia on statement and audited annual accounts (every registered taxable person whose aggregate turnover during a financial year exceeds one crore rupees)	Annual	By 31st Annual December of next FY

82. What type of outward supply details are to be filed in the return?

A normal registered taxpayer has to file the outward supply details in GSTR-1 in relation to various types of supplies made in a month, namely outward supplies to registered persons, outward supplies to unregistered persons (consumers), details of Credit/Debit Notes, zero rated, exempted and non-GST supplies, exports, and advances received in relation to future supply and indicate if the said supply attracts GST under reverse charge.

83. Is the scanned copy of invoices to be uploaded along with GSTR-1?

No scanned copy of invoices is to be uploaded. Only certain prescribed fields of information from invoices need to be uploaded.

84. GST Law provides that the ITC would be confirmed only if the inward details filed by the recipient are matched with the outward details furnished by the supplier in his valid return. What happens if there is a mismatch?

In case of mismatch between the inward and outward details, the supplier would be required to rectify the mismatch within a period of two months and if the mismatch continues, the ITC would have to be reversed by the recipient. Further interest shall be leviable from the date of availing the credit till the corresponding additions to be made. In case the supplier pays the output tax with interest then the interest shall be refunded to the recipient and will not exceed the interest as paid by supplier.

85. What is meant by self-assessment?

Under the GST regime, the responsibility to compute the correct output tax liability, eligible input tax credit and output tax liability lies with the assessee. The assessee must determine the rate of tax, value of supply and the output tax payable. The assessee must also decide the eligibility of input tax credit in respect of the various inward supplies. The determination of turnover, rate of tax, value of supply, eligibility to input tax credit, reversal of input tax credit, etc. done by the assessee himself is called as self-assessment. Based on such self-assessment, the assessee has to file the various returns.

86. What is GSTN?

Goods and Service Tax Network ('GSTN') would be a common online portal for registrations, payment of taxes, returns, refunds, etc. Every person engaged in supply of goods or services above basic threshold limit would need to be registered with the GSTN and would be allotted a login name and password on the GSTN portal. After the end of the relevant month, every registered person would be required to upload its outward supply details on the GSTN portal in a prescribed format and timeline. Based on the outward details uploaded, the GSTN would auto populate the input tax credit for every customer / buyer. The buyer would then need to reconcile the input tax credit as per GSTN vis-à-vis the input tax credit as per his books of accounts. The GST registered dealer would need to pay the GST liability after reducing the input tax credit and then file prescribed GST returns on the GSTN portal in a prescribed format. The GST registered dealer would also be required to file annual return in addition to monthly returns.

Job Work

87. What is job work?

Job work means undertaking any treatment or process by a person on goods belonging to another registered taxable person. The person who is treating or processing the goods belonging to other person is called 'job worker' and the person to whom the goods belongs is called 'principal'. This definition is much wider than the one given in Notification No. 214/86 – CE dated 23rd March, 1986. In the said notification, job work has been defined in such a manner so as to ensure that the activity of job work must amount to manufacture. Thus the definition of job work itself reflects the change in basic scheme of taxation relating to job work in the proposed GST regime.

88. Whether goods sent by a taxable person to a job worker will be treated as supply and liable to GST Why?

It will be treated as a supply as supply includes all forms of supply such as sale, transfer, etc. However, the registered taxable person (the principal), under intimation and subject to such conditions as may be prescribed send any inputs and/or capital goods, without payment of tax, to a job worker for job work and from there subsequently to another job worker(s) and shall either bring back such inputs/capital goods after completion of job work or otherwise within 1 year/3years of their being sent out or supply such inputs/capital goods after completion of job work or otherwise within 1 year / 3 years of their being sent out, from the place of business of a job worker on payment of tax within India or with or without payment of tax for export.

89. Is a job worker required to take registration?

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

90. Whether the goods of principal directly supplied from the job worker's premises will be included in the aggregate turnover of the job worker?

No. It will be included in the aggregate turnover of the principal. However, the value of goods or services used by the job worker for carrying out the job work will be included in the value of services supplied by the job worker.

91. Can a principal send inputs and capital goods directly to the premises of job worker without bringing it to his premises?

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

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

Yes. But the principal should have declared the premises of an unregistered job worker as his additional place of business. If the job worker is a registered person then goods can be supplied directly from the premises of the job worker. The Commissioner may also notify goods in which case goods sent for job work can be directly supplied from the premises of the job worker.

Miscellaneous

93. What processes and activities a Company would need to change to be GST compliant?

From a GST compliance perspective, the following key activities and processes would need to be changed to be GST compliant:

- a. Migration of existing indirect tax registrations to GST
- b. Invoice formats to be aligned with the GST law requirements
- c. Sales and purchase register formats in the systems to capture the mandatory fields in order to follow the GST monthly compliances of uploading the sales register/ details of

outward supplies and details of inward supplies, payment of GST, filing of GST returns, etc.

d. Matching the input tax credit computed by the GSTN (based on outward supply register uploaded by vendors) with the input tax credit as per the books

e. Computation of GST liability on a monthly basis and payment of GST

f. Timely payment of CGST, SGST and IGST to the respective Central/State Governments

g. Filing of monthly GST returns

The above stated compliances are broad level. There could be additional compliances / processes / activities to be undertaken to be GST compliant as may be prescribed under the GST law.

94. Why GST Suvidha Provider ('GSP') or Application Service Provider ('ASP') are required?

Taxpayers will have various modes to file the statements and returns. Firstly, they can file their statement and returns directly on the Common Portal online. However, this may be tedious and time taking for taxpayers with large number of invoices. For such taxpayers, an offline utility will be provided that can be used for preparing the statements offline after downloading the auto populated details and uploading them on the Common Portal. GSTN has also developed an ecosystem of GST Suvidha Providers that will integrate with the Common Portal. GSP will be required for companies with large quantum of transaction. Invoice wise details needs to be uploaded to the GSTN system which would not be manually possible. There would be restriction on the size of data that can be uploaded on GSTN at one time. GSP will provide a secured line to companies for uploading of data (invoice wise details into the GSTN). Hence GSP is required as mandated and approved by GSTN. Data has to be transmitted to the GSTN in a particular script which is JSON script. Application Service Providers (ASP) will provide value added services for collating the data, data validation, reconciliation of data uploaded by vendors with purchase data as per the Company's ERP. ASP is not mandated or certified by GSTN. However given the requirement of reconciliation of invoice wise details uploaded by the vendor with the purchase register maintained by the recipient Company, unless the process of return filing is completely automated it would be a real challenge to do compliances within the period provided for the same.

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