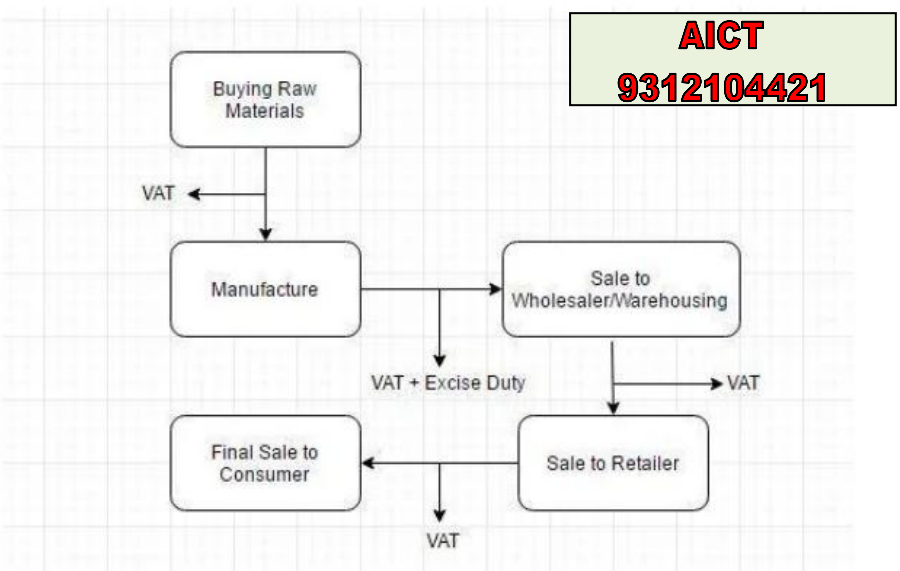
Goods & Services Tax GST (India) What is GST? Indirect Tax Law Explained

1. What is GST in India?

GST is known as the Goods and Services Tax. It is an indirect tax which has replaced many indirect taxes in India such as the excise duty, VAT, services tax, etc. The Goods and Service Tax Act was passed in the Parliament on 29th March 2017 and came into effect on 1st July 2017.

In other words, Goods and Service Tax (GST) is levied on the supply of goods and services. Goods and Services Tax Law in India is a **comprehensive, multi-stage, destination-based tax** that is levied on every **value addition.** GST is a single domestic indirect tax law for the entire country.

Before the Goods and Services Tax could be introduced, the structure of indirect tax levy in India was as follows:



Under the GST regime, the tax is levied at every point of sale. In the case of intra-state sales, Central GST and State GST are charged. All the inter-state sales are chargeable to the Integrated GST.

Now, let us understand the definition of Goods and Service Tax, as mentioned above, in detail.

Multi-stage

An item goes through multiple change-of-hands along its supply chain: Starting from manufacture until the final sale to the consumer.

Let us consider the following stages:

- Purchase of raw materials
- Production or manufacture
- Warehousing of finished goods
- Selling to wholesalers
- Sale of the product to the retailers
- Selling to the end consumers
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The Goods and Services Tax is levied on each of these stages making it a multi-stage tax.

Value Addition

A manufacturer who makes biscuits buys flour, sugar and other material. The value of the inputs increases when the sugar and flour are mixed and baked into biscuits.

The manufacturer then sells these biscuits to the warehousing agent who packs large quantities of biscuits in cartons and labels it. This is another addition of value to the biscuits. After this, the warehousing agent sells it to the retailer.

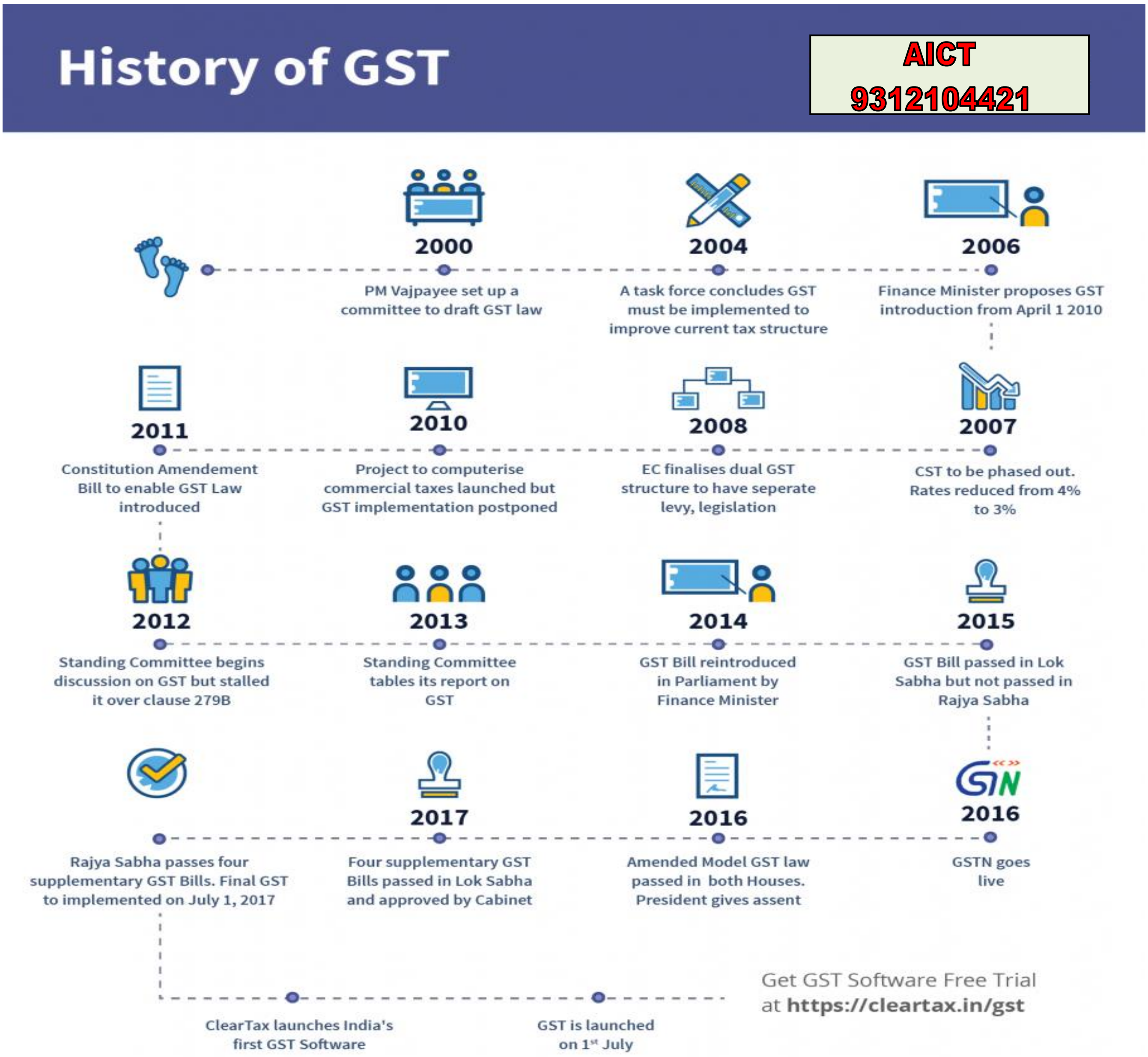
The retailer packages the biscuits in smaller quantities and invests in the marketing of the biscuits, thus increasing its value. GST is levied on these value additions, i.e. the monetary value added at each stage to achieve the final sale to the end customer.

Destination-Based

Consider goods manufactured in Maharashtra and sold to the final consumer in Karnataka. Since the Goods and Service Tax is levied at the point of consumption, the entire tax revenue will go to Karnataka and not Maharashtra.

2. The Journey of GST in India

The GST journey began in the year 2000 when a committee was set up to draft law. It took 17 years from then for the Law to evolve. In 2017, the GST Bill was passed in the Lok Sabha and Rajya Sabha. On 1st July 2017, the GST Law came into force.



3. Objectives Of GST

1. **To achieve the ideology of 'One Nation, One Tax'**

   GST has replaced multiple indirect taxes, which were existing under the previous tax regime. The advantage of having one single tax means every state follows the same rate for a particular product or service. Tax administration is easier with the Central Government deciding the rates and policies. Common laws can be introduced, such as e-way bills for goods transport and e-invoicing for transaction reporting. Tax compliance is also better as taxpayers are not bogged down with multiple return forms and deadlines. Overall, it's a unified system of indirect tax compliance.

2. **To subsume a majority of the indirect taxes in India**

   India had several erstwhile indirect taxes such as service tax, Value Added Tax (VAT), Central Excise, etc., which used to be levied at multiple supply chain stages. Some taxes were governed by the states and some by the Centre. There was no unified and centralised tax on both goods and services. Hence, GST was introduced. Under GST, all the major indirect taxes were subsumed into one. It has greatly reduced the compliance burden on taxpayers and eased tax administration for the government.

3. **To eliminate the cascading effect of taxes**

   One of the primary objectives of GST was to remove the cascading effect of taxes. Previously, due to different indirect tax laws, taxpayers could not set off the tax credits of one tax against the other. For example, the excise duties paid during manufacture could not be set off against the VAT payable during the sale. This led to a cascading effect of taxes. Under GST, the tax levy is only on the net value added at each stage of the supply chain. This has helped eliminate the cascading effect of taxes and contributed to the seamless flow of input tax credits across both goods and services.

4. **To curb tax evasion**

   GST laws in India are far more stringent compared to any of the erstwhile indirect tax laws. Under GST, taxpayers can claim an input tax credit only on invoices uploaded by their respective suppliers. This way, the chances of claiming input tax credits on fake invoices are minimal. The introduction of e-invoicing has further reinforced this objective. Also, due to GST being a nationwide tax and having a centralised surveillance system, the clampdown on defaulters is quicker and far more efficient. Hence, GST has curbed tax evasion and minimised tax fraud from taking place to a large extent.

5. **To increase the taxpayer base**

   GST has helped in widening the tax base in India. Previously, each of the tax laws had a different threshold limit for registration based on turnover. As GST is a consolidated tax levied on both goods and services both, it has increased tax-registered businesses. Besides, the stricter laws surrounding input tax credits have helped bring certain unorganised sectors under the tax net. For example, the construction industry in India.

6. **Online procedures for ease of doing business**

Previously, taxpayers faced a lot of hardships dealing with different tax authorities under each tax law. Besides, while return filing was online, most of the assessment and refund procedures took place offline. Now, GST procedures are carried out almost entirely online. Everything is done with a click of a button, from registration to return filing to refunds to e-way bill generation. It has contributed to the overall ease of doing business in India and simplified taxpayer compliance to a massive extent. The government also plans to introduce a centralised portal soon for all indirect tax compliance such as e-invoicing, e-way bills and GST return filing.

7. **An improved logistics and distribution system**

   A single indirect tax system reduces the need for multiple documentation for the supply of goods. GST minimises transportation cycle times, improves supply chain and turnaround time, and leads to warehouse consolidation, among other benefits. With the e-way bill system under GST, the removal of interstate checkpoints is most beneficial to the sector in improving transit and destination efficiency. Ultimately, it helps in cutting down the high logistics and warehousing costs.

8. **To promote competitive pricing and increase consumption**

   Introducing GST has also led to an increase in consumption and indirect tax revenues. Due to the cascading effect of taxes under the previous regime, the prices of goods in India were higher than in global markets. Even between states, the lower VAT rates in certain states led to an imbalance of purchases in these states. Having uniform GST rates have contributed to overall competitive pricing across India and on the global front. This has hence increased consumption and led to higher revenues, which has been another important objective achieved.

4. Advantages Of GST

GST has mainly removed the cascading effect on the sale of goods and services. Removal of the cascading effect has impacted the cost of goods. Since the GST regime eliminates the tax on tax, the cost of goods decreases.

Also, GST is mainly technologically driven. All the activities like registration, return filing, application for refund and response to notice needs to be done online on the GST portal, which accelerates the processes.

5. What are the components of GST?

There are three taxes applicable under this system: CGST, SGST & IGST.

- **CGST:** It is the tax collected by the Central Government on an intra-state sale (e.g., a transaction happening within Maharashtra)
- **SGST:** It is the tax collected by the state government on an intra-state sale (e.g., a transaction happening within Maharashtra)
- **IGST:** It is a tax collected by the Central Government for an inter-state sale (e.g., Maharashtra to Tamil Nadu)

In most cases, the tax structure under the new regime will be as follows:

Transaction	New Regime	Old Regime	Revenue Distribution
Sale within the State	CGST + SGST	VAT + Central Excise/Service tax	Revenue will be shared equally between the Centre and the State
Sale to another State	IGST	Central Sales Tax + Excise/Service Tax	There will only be one type of tax (central) in case of inter-state sales. The Centre will then share the IGST revenue based on the destination of goods.

Illustration:

- Let us assume that a dealer in Gujarat had sold the goods to a dealer in Punjab worth Rs. 50,000. The tax rate is 18% comprising of only IGST.

In such a case, the dealer has to charge IGST of Rs.9,000. This revenue will go to Central Government.

- The same dealer sells goods to a consumer in Gujarat worth Rs. 50,000. The GST rate on goods is 12%. This rate comprises CGST at 6% and SGST at 6%.

The dealer has to collect Rs.6,000 as Goods and Service Tax, Rs.3,000 will go to the Central Government and Rs.3,000 will go to the Gujarat government since the sale is within the state.

6. Tax Laws before GST

In the earlier indirect tax regime, there were many indirect taxes levied by both the state and the centre. States mainly collected taxes in the form of Value Added Tax (VAT). Every state had a different set of rules and regulations.

Inter-state sale of goods was taxed by the centre. CST (Central State Tax) was applicable in case of inter-state sale of goods. The indirect taxes such as the entertainment tax, octroi and local tax were levied together by state and centre. These led to a lot of overlapping of taxes levied by both the state and the centre.

For example, when goods were manufactured and sold, excise duty was charged by the centre. Over and above the excise duty, VAT was also charged by the state. It led to a tax on tax effect, also known as the cascading effect of taxes.

The following is the list of indirect taxes in the pre-GST regime:

- Central Excise Duty
- Duties of Excise
- Additional Duties of Excise
- Additional Duties of Customs
- Special Additional Duty of Customs
- Cess
- State VAT
- Central Sales Tax
- Purchase Tax
- Luxury Tax
- Entertainment Tax
- Entry Tax
- Taxes on advertisements
- Taxes on lotteries, betting, and gambling

CGST, SGST, and IGST have replaced all the above taxes.

However, certain taxes such as the GST levied for the inter-state purchase at a concessional rate of 2% by the issue and utilisation of 'Form C' is still prevalent.

It applies to certain non-GST goods such as:

i. Petroleum crude;
ii. High-speed diesel
iii. Motor spirit (commonly known as petrol);
iv. Natural gas;
v. Aviation turbine fuel; and

vi. Alcoholic liquor for human consumption.

It applies to the following transactions only:

- Resale
- Use in manufacturing or processing
- Use in certain sectors such as the telecommunication network, mining, the generation or distribution of electricity or any other power sector

7. How Has GST Helped in Price Reduction?

During the pre-GST regime, every purchaser, including the final consumer paid tax on tax. This condition of tax on tax is known as the cascading effect of taxes.

GST has removed the cascading effect. Tax is calculated only on the value-addition at each stage of the transfer of ownership. Understand what the cascading effect is and how GST helps by watching this simple video:

The indirect tax system under GST will integrate the country with a uniform tax rate. It will improve the collection of taxes as well as boost the development of the Indian economy by removing the indirect tax barriers between states.

Illustration:

Based on the above example of the biscuit manufacturer, let's take some actual figures to see what happens to the cost of goods and the taxes, by comparing the earlier GST regimes.

Tax calculations in earlier regime:

Action	Cost (Rs)	Tax rate at 10% (Rs)	Invoice Total (Rs)
Manufacturer	1,000	100	1,100
Warehouse adds a label and repacks at Rs.300	1,400	140	1,540
Retailer advertises at Rs. 500	2,040	204	2,244
Total	1,800	444	2,244

The tax liability was passed on at every stage of the transaction, and the final liability comes to a rest with the customer. This condition is known as the **cascading effect of taxes,** and the value of the item keeps increasing every time this happens.

Tax calculations in current regime:

Action	Cost (Rs)	Tax rate at 10% (Rs)	Tax liability to be deposited (Rs)	Invoice Total (Rs)
Manufacturer	1,000	100	100	1,100

Warehouse adds label and repacks at Rs. 300	1,300	130	30	1,430
Retailer advertises at Rs. 500	1,800	180	50	1,980
Total	1,800		180	1,980

In the case of Goods and Services Tax, there is a way to claim the credit for tax paid in acquiring input. The individual who has already paid a tax can claim credit for this tax when he submits his GST returns.

In the end, every time an individual is able to claims the input tax credit, the sale price is reduced and the cost price for the buyer is reduced because of lower tax liability. The final value of the biscuits is therefore reduced from Rs.2,244 to Rs.1,980, thus reducing the tax burden on the final customer.

8. What are the New Compliances Under GST?

Apart from online filing of the GST returns, the GST regime has introduced several new systems along with it.

e-Way Bills

GST introduced a centralised system of waybills by the introduction of "E-way bills". This system was launched on 1st April 2018 for inter-state movement of goods and on 15th April 2018 for intra-state movement of goods in a staggered manner.

Under the e-way bill system, manufacturers, traders and transporters can generate e-way bills for the goods transported from the place of its origin to its destination on a common portal with ease. Tax authorities are also benefited as this system has reduced time at check -posts and helps reduce tax evasion.

E-invoicing

The e-invoicing system was made applicable from 1st October 2020 for businesses with an annual aggregate turnover of more than Rs.500 crore in any preceding financial years (from 2017-18). Further, from 1st January 2021, this system was extended to those with an annual aggregate turnover of more than Rs.100 crore.

These businesses must obtain a unique invoice reference number for every business-to-business invoice by uploading on the GSTN's invoice registration portal. The portal verifies the correctness and genuineness of the invoice. Thereafter, it authorises using the digital signature along with a QR code.

e-Invoicing allows interoperability of invoices and helps reduce data entry errors. It is designed to pass the invoice information directly from the IRP to the GST portal and the e-way bill portal. It will, therefore, eliminate the requirement for manual data entry while filing GSTR-1 and helps in the generation of e-way bills too.

GST Return – What is GST Return? Who Should File, Due Dates & Types of GST Returns

All gst registered businesses have to file monthly or quarterly GST returns and an annual GST return based on the type of business. These GSTR filings are done online on the GST portal.

What is a GST Return?

A GST return is a document containing details of all income/sales and/or expenses/purchases that a GST-registered taxpayer (every GSTIN) is required to file with the tax administrative authorities. This is used by tax authorities to calculate net tax liability.

Under GST, a registered dealer has to file GST returns that broadly include:

- Purchases
- Sales
- Output GST (On sales)
- Input tax credit (GST paid on purchases)

To file GST returns or for GST filings, check out the Clear GST software that allows the import of data from various ERP systems such as Tally, Busy, custom Excel, to name a few. There is also the option to use the desktop app for Tally users to directly upload data and file.

WHO SHOULD FILE GST RETURNS?

Under the GST regime, regular businesses having more than Rs.5 crore as annual aggregate turnover (and taxpayers who have not opted for the QRMP scheme) have to file two monthly returns and one annual return. This amounts to 25 returns each year.

Taxpayers with a turnover of up to Rs.5 crore have the option to file returns under the QRMP scheme. The number of GSTR filings for QRMP filers is 9 each year, which include 4 GSTR-1 and GSTR-3B returns each and an annual return. Note that QRMP filers have to pay tax on a monthly basis even though they are filing returns quarterly.

There are also separate statements/returns required to be filed in special cases such as composition dealers where the number of GSTR filings is 5 each year (4 statement-cum-challans in CMP-08 and 1 annual return GSTR-4).

How many returns are there under GST?

There are 13 returns under GST. They are the GSTR-1, GSTR-3B, GSTR-4, GSTR-5, GSTR-5A, GSTR-6, GSTR-7, GSTR-8, GSTR-9, GSTR-10, GSTR-11, CMP-08, and ITC-04. However, all returns do not apply to all taxpayers. Taxpayers file returns based on the type of taxpayer/type of registration obtained.

Eligible taxpayers, i.e. with a turnover exceeding Rs.5 crore are also required to also file a self-certified reconciliation statement in Form GSTR-9C.

Besides the GST returns that are required to be filed, there are statements of input tax credit available to taxpayers, namely GSTR-2A (dynamic) and GSTR-2B (static). There is also an Invoice Furnishing Facility (IFF) available to small taxpayers who are registered under the QRMP scheme to furnish their Business to Business (B2B) sales for the first two months of the quarter. These small taxpayers will still need to pay taxes on a monthly basis using Form PMT-06.

We have explained the various GST returns, along with applicability and due dates in the section below.

What are the different types of GST returns and the due dates to file them?

Here is a video to understand who should file GST Return and by when should it be filed –

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

Return Form	Description	Frequency	Due Date
GSTR-1	Details of outward supplies of taxable goods and/or services affected.	Monthly Quarterly (If opted under the QRMP scheme)	11th of the next month. 13th of the month succeeding the quarter.
IFF (Optional by taxpayers under the QRMP scheme)	Details of B2B supplies of taxable goods and/or services affected.	Monthly (for the first two months of the quarter)	13th of the next month.
GSTR-3B	Summary return of outward supplies and input tax credit claimed, along with payment of tax by the taxpayer.	Monthly Quarterly (For taxpayers under the QRMP scheme)	20th of the next month. 22nd or 24th of the month succeeding the quarter***
CMP-08	Statement-cum-challan to make a tax payment by a taxpayer registered under the composition scheme under Section 10 of the CGST Act.	Quarterly	18th of the month succeeding the quarter.
GSTR-4	Return for a taxpayer registered under the composition scheme under Section 10 of the CGST Act.	Annually	30th of the month succeeding a financial year.
GSTR-5	Return to be filed by a non-resident taxable person.	Monthly	20th of the next month. (Amended to 13th by Budget 2022; yet to be notified by CBIC.)
GSTR-5A	Return to be filed by non-resident OIDAR service providers.	Monthly	20th of the next month.
GSTR-6	Return for an input service distributor to distribute the eligible input tax credit to its branches.	Monthly	13th of the next month.
GSTR-7	Return to be filed by registered persons deducting tax at source (TDS).	Monthly	10th of the next month.

Return Form	Description	Frequency	Due Date
GSTR-8	Return to be filed by e-commerce operators containing details of supplies effected and the amount of tax collected at source by them.	Monthly	10th of the next month.
GSTR-9	Annual return by a regular taxpayer.	Annually	31st December of the next financial year.
GSTR-9C	Self-certified reconciliation statement.	Annually	31st December of the next financial year.
GSTR-10	Final return to be filed by a taxpayer whose GST registration is cancelled.	Once, when the GST 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 a refund	Monthly	28th of the month following the month for which statement is filed.
ITC-04	Statement to be filed by a principal/job-worker about details of goods sent to/received from a job-worker	Annually (for AATO up to Rs.5 crore) Half-yearly (for AATO > Rs.5 crore)	25th April where AATO is up to Rs.5 crore. 25th October and 25th April where AATO exceeds Rs.5 crore. (AATO = Annual aggregate turnover)

***For the taxpayers with aggregate turnover equal to or below Rs 5 crore, eligible and remain opted into the QRMP scheme, 22nd of month next to the quarter for taxpayers in category X states/UTs and 24th of month next to the quarter for taxpayers in category Y states/UTs

- Category X: Chhattisgarh, Madhya Pradesh, Gujarat, Maharashtra, Karnataka, Goa, Kerala, Tamil Nadu, Telangana or Andhra Pradesh or the Union territories of Daman and Diu and Dadra and Nagar Haveli, Puducherry, Andaman and Nicobar Islands and Lakshadweep.
- Category Y: Himachal Pradesh, Punjab, Uttarakhand, Haryana, Rajasthan, Uttar Pradesh, Bihar, Sikkim, Arunachal Pradesh, Nagaland, Manipur, Mizoram, Tripura, Meghalaya, Assam, West Bengal, Jharkhand or Odisha or the Union Territories of Jammu and Kashmir, Ladakh, Chandigarh and New Delhi.

Please note: GST filings as per the CGST Act are subject to changes by CBIC notifications/orders.

Upcoming Due Dates to file GST Returns

The due dates for filing GST returns can be extended by issuing orders or notifications. Here, we have the list of GST return due dates for the FY 2021-22 and FY 2022-23.

Upcoming due dates for all returns up to June 2022:

For easy access to upcoming GST due dates, here is the GST calendar for all returns up to June 2022:

GSTR-1

Quarterly filing of GSTR-1:

(Annual turnover up to Rs.5 crore can opt for quarterly filing)

Quarter	Due date*
Jan-Mar 2022	13th April 2022
Apr-Jun 2022	13th July 2022

Note: Taxpayers with a turnover of up to Rs.5 crore can opt to furnish their Business to Business (B2B) sales for the first two months of the quarter using an Invoice Furnishing Facility (IFF). The deadline will be the 13th of the following month. However, GSTR-1 will still need to be filed quarterly, but the invoices already declared in the IFF need not be declared again.

Monthly filing of GSTR-1:

(Annual turnover of more than Rs.5 crore must file monthly only)

Month	Due Date*
January 2022	11th February 2022
February 2022	11th March 2022
March 2022	11th April 2022
April 2022	11th May 2022
May 2022	11th June 2022
June 2022	11th July 2022

GSTR-2 and GSTR-3

The filing of these forms is currently suspended.

GSTR-3B

GSTR-3B is a monthly summary return to be filed by all taxpayers except those registered under the composition scheme.

Quarterly filing of GSTR-3B:

(Annual turnover up to Rs.5 crore can opt for quarterly filing)

Quarter	**Due date***
Jan-Mar 2022	22nd or 24th April 2022***
Apr-Jun 2022	22nd or 24th July 2022***

Monthly filing of GSTR-3B: (Annual turnover of more than Rs.5 crore must file monthly only)

Month	**Due Date***
January 2022	20th February 2022
February 2022	20th March 2022
March 2022	20th April 2022
April 2022	20th May 2022
May 2022	20th June 2022
June 2022	20th July 2022

***Category X: Chhattisgarh, Madhya Pradesh, Gujarat, Maharashtra, Karnataka, Goa, Kerala, Tamil Nadu, Telangana or Andhra Pradesh or the Union Territories of Daman and Diu and Dadra and Nagar Haveli, Puducherry, Andaman and Nicobar Islands and Lakshadweep.

Category Y: Himachal Pradesh, Punjab, Uttarakhand, Haryana, Rajasthan, Uttar Pradesh, Bihar, Sikkim, Arunachal Pradesh, Nagaland, Manipur, Mizoram, Tripura, Meghalaya, Assam, West Bengal, Jharkhand or Odisha or the Union Territories of Jammu and Kashmir, Ladakh, Chandigarh and New Delhi.

PMT-06 - Taxpayers with a turnover of up to Rs.5 crore can opt to file a quarterly GSTR-1 and GSTR-3B under the QRMP scheme (with an optional use of the Invoice Furnishing Facility (IFF) to furnish their B2B sales for the first two months of the quarter).

These taxpayers will still need to pay taxes monthly using PMT-06 for the first two months of the quarter. The due dates are as follows:

Period (Quarterly)	**Due date***
January 2022	25th February 2022
February 2022	25th March 2022
April 2022	25th May 2022
May 2022	25th June 2022

CMP-08

Period (Quarterly)	**Due date***
Jan-Mar 2022	18th April 2022
Apr-Jun 2022	18th July 2022

GSTR-4

The due date to file GSTR-4 for the FY 2021-22, the annual return by composition taxpayers, is 30th April 2022. However, as per the CGST Notification no. 7/2022 dated 26th May 2022, the late fee has been waived for the delay in filing GSTR-4 for FY 2021-22 between 1st May and 30th June 2022.

GSTR-5

Summary of outward taxable supplies and tax payable by the non-resident taxable persons:

Period (Monthly)	**Due Date***
January 2022	20th February 2022#
February 2022	20th March 2022#
March 2022	20th April 2022#
April 2022	20th May 2022#
May 2022	20th June 2022#
June 2022	20th July 2022#

#Amended to 13th by Budget 2022; yet to be notified by CBIC.

GSTR-5A

Summary of outward taxable supplies and tax payable by an Online Information and Database Access or Retrieval Services (OIDAR) provider:

Period (Monthly)	**Due Date***
January 2022	20th February 2022
February 2022	20th March 2022
March 2022	20th April 2022
April 2022	20th May 2022
May 2022	20th June 2022
June 2022	20th July 2022

GSTR-6

Details of Input Tax Credit (ITC) received and distributed by an Input Service Distributor (ISD):

Period (Monthly)	**Due Date***
January 2022	13th February 2022
February 2022	13th March 2022
March 2022	13th April 2022
April 2022	13th May 2022
May 2022	13th June 2022
June 2022	13th July 2022

GSTR-7

Summary of Tax Deducted at Source (TDS) and deposited under GST laws:

Period (Monthly)	**Due Date***
January 2022	10th February 2022
February 2022	10th March 2022
March 2022	10th April 2022
April 2022	10th May 2022
May 2022	10th June 2022
June 2022	10th July 2022

GSTR-8

Summary of Tax Collected at Source (TCS) by e-commerce operators under GST laws:

Period (Monthly)	**Due Date***
January 2022	10th February 2022
February 2022	10th March 2022
March 2022	10th April 2022
April 2022	10th May 2022
May 2022	10th June 2022
June 2022	10th July 2022

GSTR-9

GSTR-9 is the annual return to be filed by taxpayers. The due date for filing GSTR-9 for FY 2020-21 is 28th February 2022, and for filing GSTR-9 for FY 2021-22 is 31st December 2022*.

GSTR-9C

GSTR-9C is the annual self-certified reconciliation statement to be filed by taxpayers with a turnover exceeding Rs.5 crore. The due date for filing GSTR-9C for FY 2020-21 is 28th February 2022, and for filing GSTR-9C for FY 2021-22 is 31st December 2022*.

ITC-04

Statement to be filed by a principal/job-worker about details of goods sent to/received from a job-worker:

Period	**Due date***
Oct 2021 – Mar 2022(Half-yearly filers)	25th April 2022
Apr 2021 – Mar 2022(Annual filers)	25th April 2022

***The due dates are subject to changes by CBIC notifications/orders.**

Late Fees for not Filing Return on Time

If GST returns are not filed within the specified time limits, you will be liable to pay interest and a late fee.

Interest is charged at 18% per annum. It has to be calculated by the taxpayer on the amount of outstanding tax to be paid. The time period will be from the next day of filing to the date of payment.

Late fees are charged at Rs.100 per day per Act. Hence, it will be Rs.100 under CGST and Rs.100 under SGST. The total will be Rs.200 per day, subject to a maximum of Rs.5,000. Please note that from the month of/quarter ended June 2021, the maximum amount of late fees has been revised as below.

Taxpayer category	**Late fee capped at**
Taxpayers whose total amount of central tax payable is Nil	Rs.250^
Taxpayers with an annual aggregate turnover up to Rs.1.5 crore in the previous financial year	Rs.1,000^
Taxpayers with an annual aggregate turnover exceeding Rs.1.5 crore and up to Rs.5 crore in the previous financial year	Rs.2,500^

^Taxpayers should note that an equal penalty will apply under SGST. There are no late fees under IGST.

How are GST returns filed or submitted?

There are prescribed formats for each of the above GST returns. These forms need to be filed on the GST portal. However, they may seem complex and difficult to understand by many taxpayers. Do not worry, you can also file your returns very easily .

Does GST have to be paid monthly?

GST is to be paid monthly by regular taxpayers, even those who have opted for quarterly filing of returns, i.e. the QRMP scheme.

However, for small taxpayers, there is an option to choose the composition scheme under GST, if their annual aggregate turnover is up to Rs.1.5 crore for manufacturers/dealers and Rs.50 lakh for pure service providers. They can file a quarterly statement-cum-challan and pay taxes quarterly.

What is input tax credit?

Input credit means at the time of paying tax on output, you can reduce the tax you have already paid on inputs and pay the balance amount.

Here's how:

When you buy a product/service from a registered dealer you pay taxes on the purchase. On selling, you collect the tax. You adjust the taxes paid at the time of purchase with the amount of output tax (tax on sales) and balance liability of tax (tax on sales *minus* tax on purchase) has to be paid to the government. This mechanism is called utilization of input tax credit.

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

Who can claim ITC?

ITC can be claimed by a person registered under GST only if he fulfils ALL the conditions as prescribed.

a. The dealer should be in possession of tax invoice

b. The said goods/services have been received

c. Returns have been filed.

d. The tax charged has been paid to the government by the supplier.

e. When goods are received in installments ITC can be claimed only when the last lot is received.

f. No ITC will be allowed if depreciation has been claimed on tax component of a capital good

A person registered under composition scheme in GST cannot claim ITC.

What can be claimed as ITC?

ITC can be claimed only for business purposes. ITC will not be available for goods or services exclusively used for: a. Personal use b. Exempt supplies c. Supplies for which ITC is specifically not available

How to claim ITC?

All regular taxpayers must report the amount of input tax credit(ITC) in their monthly GST returns of Form GSTR-3B. The table 4 requires the summary figure of eligible ITC, Ineligible ITC and ITC reversed during the tax period. The format of the Table 4 is given below: A taxpayer can claim ITC on a provisional basis in the GSTR-3B to an extent of 20% of the eligible ITC reported by suppliers in the auto-generated GSTR-2A return. Hence, a taxpayer should cross-check the GSTR-2A figure before proceeding to file GSTR-3B. A taxpayer could have claimed any amount of provisional ITC until 9 October 2019. But, the CBIC has notified that from 9 October 2019, a taxpayer can only claim not more than 20% of the eligible ITC available in the GSTR-2A as provisional ITC. This means taht the amount of ITC reported in the GSTR-3B from 9 October 2019 will be the total of the actual ITC in GSTR-2A and the provisional ITC being 20% of the actual eligible ITC in the GSTR-2A. Hence, matching of the purchase register or expense ledger with the GSTR-2A becomes crucial.

Reversal of Input Tax Credit

ITC can be availed only on goods and services for business purposes. If they are used for non-business (personal) purposes, or for making exempt supplies ITC cannot be claimed . Apart from these, there are certain other situations where ITC will be reversed.

ITC will be reversed in the following cases-

1) Non-payment of invoices in 180 days– ITC will be reversed for invoices which were not paid within 180 days of issue.

2) Credit note issued to ISD by seller– This is for ISD. If a credit note was issued by the seller to the HO then the ITC subsequently reduced will be reversed.

3) Inputs partly for business purpose and partly for exempted supplies or for personal use – This is for businesses which use inputs for both business and non-business (personal) purpose. ITC used in the portion of input goods/services used for the personal purpose must be reversed proportionately.

4) Capital goods partly for business and partly for exempted supplies or for personal use – This is similar to above except that it concerns capital goods.

5) ITC reversed is less than required- This is calculated after the annual return is furnished. If total ITC on inputs of exempted/non-business purpose is more than the ITC actually reversed during the year then the difference amount will be added to output liability. Interest will be applicable.

The details of reversal of ITC will be furnished in **GSTR-3B.** To find out more about the segregation of ITC into business and personal use and subsequent calculations, please visit our article.

Reconciliation of ITC

ITC claimed by the person has to match with the details specified by his supplier in his GST return. In case of any mismatch, the supplier and recipient would be communicated regarding discrepancies after the filling of GSTR-3B. Learn how to go about reconciliation through our article on GSTR-2A Reconciliation. Please read our article on the detailed explanation of the reasons for mismatch of ITC and procedure to be followed to apply for re-claim of ITC.

Documents Required for Claiming ITC

The following documents are required for claiming ITC: 1. Invoice issued by the supplier of goods/services 2. The debit note issued by the supplier to the recipient (if any) 3. Bill of entry 4. An invoice issued under certain circumstances like the bill of supply issued instead of tax invoice if the amount is less than Rs 200 or in situations where the reverse charge is applicable as per GST law. 5. An invoice or credit note issued by the Input Service Distributor(ISD) as per the invoice rules under GST. 6. A bill of supply issued by the supplier of goods and services or both.

Special cases of ITC

ITC for Capital Goods

ITC is available for capital goods under GST.

However, ITC is not available for- i. Capital Goods used exclusively for making exempted goods ii. Capital Goods used exclusively for non-business (personal) purposes

Note: No ITC will be allowed if depreciation has been claimed on tax component of capital goods.

ITC on Job Work

A principal manufacturer may send goods for further processing to a job worker. For example, a shoe manufacturing company sends half-made shoes (upper part) to job workers who will fit the soles. In such a situation the principal manufacturer will be allowed to take credit of tax paid on the purchase of such goods sent on job work.

ITC will be allowed when goods are sent to job worker in both the cases:

1. From principal's place of business
2. Directly from the place of supply of the supplier of such goods

However, to enjoy ITC, the goods sent must be received back by the principal within 1 year (3 years for capital goods).

ITC Provided by Input Service Distributor (ISD)

An input service distributor (ISD) can be the head office (mostly) or a branch office or registered office of the registered person under GST.ISD collects the input tax credit on all the purchases made and distribute it to all the recipients (branches) under different heads like CGST, SGST/UTGST, IGST or cess.

ITC on Transfer of Business

This applies in cases of amalgamations/mergers/transfer of business. The transferor will have available ITC which will be passed to the transferee at the time of transfer of business**.**