

## **GOODS AND SERVICE TAX (GST) – CONCEPT**

### **Introduction:**

The introduction of Goods and Services Tax (GST) would be a very significant step in the field of indirect tax reforms in India. By amalgamating a large number of Central and State taxes into a single tax, it would mitigate cascading or double taxation in a major way and pave the way for a common national market. From the consumer point of view, the biggest advantage would be in terms of a reduction in the overall tax burden on goods, which is currently estimated to be around 25%-30%. Introduction of GST would also make Indian products competitive in the domestic and international markets. Studies show that this would have a boosting impact on economic growth. Last but not the least, this tax, because of its transparent and self-policing character, would be easier to administer.

### **BACKGROUND**

There is number of taxes being levied on very same transaction by Central Government, State Government or local authority. The taxable event in each case is different. However, the major sources of income of Government from taxation are from excise duty levied on manufacture of goods, customs duty levied on importation of goods, service tax levied on rendering of service and VAT levied on sale of goods. The entries in List I, List II and List III of Schedule VII of Constitution of India provide power to Central or State Government to levy tax.

The Central Government did not have power to levy tax on sale of goods and the State Governments did not have power to levy duty/tax on manufactures of goods or rendering of service. Therefore, Constitution of India has been amended to provide powers to both Central Government and State Governments to levy tax on goods and services on activities.

There is number of taxes being levied on very same transaction by Central Government, State Government or local authority. The taxable event in each case is different. However, the major sources of income of Government from taxation are from excise duty levied on manufacture of goods, customs duty levied on importation of goods, service tax levied on rendering of service and VAT levied on sale of goods. The entries in List I, List II and List III of Schedule VII of Constitution of India provide power to Central or State Government to levy tax.

The Central Government did not have power to levy tax on sale of goods and the State Governments did not have power to levy duty/tax on manufactures of goods or rendering of service. Therefore, Constitution of India has been amended to provide powers to both Central Government and State Governments to levy tax on goods and services on activities.

To address all these and other issues, the Constitution (122<sup>nd</sup> Amendment) Bill was introduced in the 16th Lok Sabha on 19.12.2014. The Bill provides for a levy of GST on supply of all goods or services except for Alcohol for human consumption. The tax shall be levied as Dual GST separately but concurrently by the Union (central tax - CGST) and the States (including Union Territories with legislatures) (State tax - SGST) / Union territories without legislatures (Union

territory tax- UTGST). The Parliament would have exclusive power to levy GST (integrated tax - IGST) on inter-State trade or commerce (including imports) in goods or services. The Central Government will have the power to levy excise duty in addition to the GST on tobacco and tobacco products. The tax on supply of five specified petroleum products namely crude, high speed diesel, petrol, ATF and natural gas would be levied from a later date on the recommendation of GST Council.

### **Formation of GST Council:**

As provided by Article 279A, the President shall constitute Goods and Service Tax Council within 60 days from the date of commencement of the Constitution 122<sup>nd</sup> Amendment Act, 2014. The GST Council shall consist of Union Finance Minister as a Chairperson, Union Minister of State in charge of Finance as a member, the State Finance Minister or State Revenue Minister of any other Minister nominated by each State as a member of the Council. The Council shall select one of them as Vice Chairperson of Council.

A Goods and Services Tax Council (GSTC) shall recommend on the GST rate, exemption and thresholds, taxes to be subsumed and other features. This mechanism would ensure some degree of harmonization on different aspects of GST between the Centre and the States as well as across States. One half of the total number of members of GSTC would form quorum in meetings of GSTC. Decision in GSTC would be taken by a majority of not less than three-fourth of weighted votes cast. Centre and minimum of 20 States would be required for majority because Centre would have one-third weightage of the total votes cast and all the States taken together would have two-third of weightage of the total votes cast.

### **Constitutional Amendment**

The assignment of concurrent jurisdiction to the Centre and the States for the levy of GST would require a unique institutional mechanism that would ensure that decisions about the structure, design and operation of GST are taken jointly by the two. For it to be effective, such a mechanism also needs to have Constitutional force. Constitution (One Hundred and First) Amendment Act, 2016:

The Constitution Amendment Bill was passed by the Lok Sabha and Rajya Sabha in August, 2016. Further the bill had been ratified by required number of States and received assent of the President on 8th September, 2016 and has since been enacted as Constitution (101st Amendment) Act, 2016 w.e.f. 16th September, 2016.

Article-246A has been incorporated in Constitution of India to provide powers to make laws with respect to goods and services tax. Article 246A begins with the words ‘Notwithstanding anything contained in Articles 246 and 254, ...’ Article 246 makes provision with regard to subject matter of laws made by Parliament and by the Legislatures of States. It provides that Parliament has exclusive power to make laws with respect to any matters enumerated in List I in Seventh Schedule. The clause (3) in Article further provides that legislature of State has power to make laws of such

States with respect to matters listed in List II. Further clause (2) provides that Parliament and legislature of States both have powers to make laws with respect to matter enumerated in List III.

Article 246A provides power to Parliament and legislature of every State to make laws with respect to goods and services tax imposed by Union or by such State. Clause (2) further provides that Parliament has exclusive power to make laws with respect to goods and services tax when transaction is in the course of Inter-State trade or commerce i.e. Integrated Goods and Service Tax (IGST).

## **ACTS & Rules**

For smooth functioning of GST the Central Government has passed CGST & IGST Acts. Similarly respective states & Union territories have passed SGST/UTGST Acts. CGST enables Centre to collect tax which is the Centres share and SGST enables states to collect which is the States share. IGST is on interstate movement of goods/Services.

Parliament has enacted following four Acts:

1. CGST Act, 2017
2. IGST Act, 2017
3. Union Territory GST Act, 2017
4. Goods and Service Tax compensation to state Act, 2017 and

SGST Act, 2017 shall be enacted by state legislature.

### **CGST Act, 2017**

CGST Act, 2017 is having 174 Sections and it covers under 21 Chapter.

### **IGST Act, 2017**

IGST Act, 2017 is having 25 Sections and it covers under 9 Chapter.

### **Union Territory GST Act, 2017**

Union Territory GST Act, 2017 is having 26 Sections and it covers under 9 Chapter.

### **Goods and Service Tax compensation to state Act, 2017**

Goods and Service Tax compensation to state Act, 2017 is having 14 Sections.

GST is having 162 Rules and it covers under 19 Chapter.

## **Salient Features of GST:**

The salient features of GST are as under:

- (i) GST would be applicable on “supply” of goods or services as against the present concept of tax on the manufacture of goods or on sale of goods or on provision of services.

(ii) GST would be based on the principle of destination based consumption taxation as against the present principle of origin based taxation.

(iii) It would be a dual GST with the Centre and the States simultaneously levying it on a common base. The GST to be levied by the Centre would be called Central GST (CGST) and that to be levied by the States [including Union territories with legislature] would be called State GST (SGST). Union territories without legislature would levy Union territory GST (UTGST).

(iv) An Integrated GST (IGST) would be levied on inter-State supply (including stock transfers) of goods or services. This would be collected by the Centre so that the credit chain is not disrupted.

(v) Import of goods would be treated as inter-State supplies and would be subject to IGST in addition to the applicable customs duties.

(vi) Import of services would be treated as inter-State supplies and would be subject to IGST.

(vii) CGST, SGST /UTGST& IGST would be levied at rates to be mutually agreed upon by the Centre and the States under the aegis of the GSTC.

(viii) GST would replace the following taxes currently levied and collected by the Centre:

- a. Central Excise Duty;
- b. Duties of Excise (Medicinal and Toilet Preparations);
- c. Additional Duties of Excise (Goods of Special Importance);
- d. Additional Duties of Excise (Textiles and Textile Products)
- e. Additional Duties of Customs (commonly known as CVD);
- f. Special Additional Duty of Customs (SAD);
- g. Service Tax;
- h. Cesses and surcharges insofar as they relate to supply of goods or services.

(ix) State taxes that would be subsumed within the GST are:

- a. State VAT;
- b. Central Sales Tax
- c. Purchase Tax;
- d. Luxury Tax;
- e. Entry Tax (All forms);
- f. Entertainment Tax (except those levied by the local bodies);
- g. Taxes on advertisements;
- h. Taxes on lotteries, betting and gambling;
- i. State cesses and surcharges insofar as they relate to supply of goods or services.

(x) GST would apply to all goods and services except Alcohol for human consumption.

(xi) GST on five specified petroleum products (Crude, Petrol, Diesel, ATF&Natural gas) would be applicable from a date to be recommended by the GSTC.

(xii) Tobacco and tobacco products would be subject to GST. In addition, the Centre would continue to levy Central Excise duty.

(xiii) A common threshold exemption would apply to both CGST and SGST. Taxpayers with an annual turnover of Rs. 20 lakh (Rs. 10 lakh for special category States as specified in article 279A of the Constitution) would be exempt from GST. A compounding option (i.e. to pay tax at a flat rate without credits) would be available to small taxpayers (including to specified category of manufacturers and service providers) having an annual turnover of up to Rs. 50 lakh. The threshold exemption and compounding scheme would be optional.

(xiv) The list of exempted goods and services would be kept to a minimum and it would be harmonized for the Centre and the States as well as across States as far as possible.

(xv) Exports would be zero-rated.

(xvi) Credit of CGST paid on inputs may be used only for paying CGST on the output and the credit of SGST/UTGST paid on inputs may be used only for paying SGST/UTGST. In other words, the two streams of input tax credit (ITC) cannot be cross utilized, except in specified circumstances of inter-State supplies for payment of IGST. The credit would be permitted to be utilized in the following manner:

a) ITC of CGST allowed for payment of CGST & IGST in that order;

b) ITC of SGST allowed for payment of SGST & IGST in that order;

c) ITC of UTGST allowed for payment of UTGST & IGST in that order;

d) ITC of IGST allowed for payment of IGST, CGST & SGST/UTGST in that order. ITC of CGST cannot be used for payment of SGST/UTGST and vice versa.

(xvii) Accounts would be settled periodically between the Centre and the State to ensure that the credit of SGST used for payment of IGST is transferred by the originating State to the Centre. Similarly the IGST used for payment of SGST would be transferred by Centre to the destination State. Further the SGST portion of IGST collected on B2C supplies would also be transferred by Centre to the destination State. The transfer of funds would be carried out on the basis of information contained in the returns filed by the taxpayers.

(xviii) Input Tax Credit (ITC) to be broad based by making it available in respect of taxes paid on any supply of goods or services or both used or intended to be used in the course or furtherance of business.

(xix) Electronic filing of returns by different class of persons at different cutoffdates.

(xx) Various modes of payment of tax available to the taxpayer including internet banking, debit/ credit card and National Electronic Funds Transfer (NEFT) / Real Time Gross Settlement (RTGS).

(xxi) Obligation on certain persons including government departments, local authorities and government agencies, who are recipients of supply, to deduct tax at the rate of 1% from the payment made or credited to the supplier where total value of supply, under a contract, exceeds two lakh and fifty thousand rupees.

(xxii) Refund of tax to be sought by taxpayer or by any other person who hasborne the incidence of tax within two years from the relevant date.

(xxiii) Obligation on electronic commerce operators to collect ‘tax at source’, at such rate not exceeding two per cent. (2%) of net value of taxable supplies, out of payments to suppliers supplying goods or services through their portals.

(xxiv) System of self-assessment of the taxes payable by the registered person.

(xxv) Audit of registered persons to be conducted in order to verify compliance with the provisions of Act.

(xxvi) Limitation period for raising demand is three (3) years from the due date of filing of annual return or from the date of erroneous refund for raising demand for short-payment or non-payment of tax or erroneous refund and its adjudication in normal cases.

(xxvii) Limitation period for raising demand is five (5) years from the due date of filing of annual return or from the date of erroneous refund for raising demand for short-payment or non-payment of tax or erroneous refund and its adjudication in case of fraud, suppression or wilful misstatement.

(xxviii) Arrears of tax to be recovered using various modes including detaining and sale of goods, movable and immovable property of defaulting taxable person.

(xxix) Officers would have restrictive powers of inspection, search, seizure and arrest.

(xxx) Goods and Services Tax Appellate Tribunal would be constituted by the Central Government for hearing appeals against the orders passed by the Appellate Authority or the Revisional Authority. States would adopt the provisions relating to Tribunal in respective SGST Act.

(xxxi) Provision for penalties for contravention of the provision of the proposed legislation has been made.

(xxxii) Advance Ruling Authority would be constituted by States in order to enable the taxpayer to seek a binding clarity on taxation matters from the department. Centre would adopt such authority under CGST Act.

(xxxiii) An anti-profiteering clause has been provided in order to ensure that business passes on the benefit of reduced tax incidence on goods or services or both to the consumers.

(xxxiv) Elaborate transitional provisions have been provided for smooth transition of existing taxpayers to GST regime.

### **Rate of GST:**

Goods and Services Tax (GST) is an indirect tax which was introduced in India on 1 July 2017 and was applicable throughout India which replaced multiple cascading taxes levied by the central and state governments. It was introduced as The Constitution (One Hundred and First Amendment) Act 2017, following the passage of Constitution 122nd Amendment Bill. The GST is governed by a GST Council and its Chairman is the Finance Minister of India. Under GST, goods and services are taxed at the 0%, 5%, 12%, 18% and 28% rates. There is a special rate of 0.25% on rough precious and semi-precious stones and 3% on gold. In addition a cess of 15% or other rates on top of 28% GST applies on few items like aerated drinks, luxury cars and tobacco products. GST was initially proposed to replace a slew of indirect taxes with a unified tax and was therefore set to dramatically reshape the country's 2 trillion dollar economy. The rate of GST in India is between double to four times that levied in other countries like Singapore.

### **The commodities proposed to be kept outside the purview of GST**

Article 366(12A) of the Constitution as amended by 101st Constitutional Amendment Act, 2016 defines the Goods and Services tax (GST) as a tax on supply of goods or services or both, except supply of alcoholic liquor for human consumption. So alcohol for human consumption is kept out of GST by way of definition of GST in constitution. Five petroleum products viz. petroleum crude, motor spirit (petrol), high speed diesel, natural gas and aviation turbine fuel have temporarily been kept out and GST Council shall decide the date from which they shall be included in GST. Furthermore, electricity has been kept out of GST.

### **Meaning of GST and its working**

GST is one indirect tax for the whole nation, which will make India one unified common market. GST is a single tax on the supply of goods and services, right from the manufacturer to the consumer. Credits of input taxes paid at each stage will be available in the subsequent stage of value addition, which makes GST essentially a tax only on value addition at each stage. The final consumer will thus bear only the GST charged by the last dealer in the supply chain, with set-off benefits at all the previous stages.

***Following are the duties and taxes, which merged under GST (at Central Level):-***

1. **Central Excise Duty (including Additional Excise Duty):-** Central Excise Duty was basically imposed on manufacturing of goods in India and the collection for this duty was done by Central Board of Excise and Customs.
2. **Service Tax:** – Service Tax was a tax that was levied by the government on the services provided and it actually borned by the customers. It was an indirect tax, wherein the service provider collects the tax from service receiver and pays to the Government.
3. **Additional Customs Duty:** – Commonly referred to Countervailing Duty, equivalent to Central Excise Duty which was imposed on Manufacturing. It was calculated on value base of goods including landing charges and basic customs duty (excluding anti-dumping duty, safeguarding duty, etc).
4. **Special Additional Duty of Customs:** – It was payable on good imported and this was instead of VAT/ Sales Tax.
5. **Central Surcharges and Cess:** – Surcharge was a charge on tax and as a name suggest, it was an additional charge and it was basically on personal income tax (on high income slabs) and on corporate income tax. Cesswas imposed by central government and was levied for specific purpose.

***Following are the duties and taxes, which merged under GST (at State Level):–***

1. **Value Added Tax (VAT):-** VAT was an indirect tax on the goods and services that was provided at state level or domestic. It was imposed at each stage in the chain of distribution and production from the raw materials till the valuation of the product and it was borned by the end users (customers) in Distribution channel.
2. **Central Sales Tax:** – CSTwas levy on sales, which was affected by inter-state trade. CST was an indirect tax on consumers as it was centrally levied so it was administered by the concerned state where the sales originated.
3. **Octroi& Entry Tax:** – Octroi was a tax which was charged by local authority say, Municipality and Entry Tax was charged by State.
4. **Purchase Tax:**– Purchase tax was a tax that was imposed on the purchase of goods by the state government, and it was applied to wide range of goods.
5. **Luxury Tax:-** A Luxury Tax was levy on articles that were either expensive or optional
6. **Taxes on lottery, betting and gambling:-** Tax which was imposed on Lottery winnings, Gambling and Betting calculated as Tax Deduction at Source and it was deducted from Income,
7. **Entertainment Tax:-** Entertainment Tax was a tax levied by the government on things related to entertainment like : movie tickets, commercial shows, etc.

## GST administration in India

Keeping in mind the federal structure of India, there are three components of GST – Central GST (CGST), State GST (SGST)/(UTGST) and Integrated GST (IGST). Both Centre and States will simultaneously levy GST across the value chain. Tax will be levied on every supply of goods and services. Centre would levy and collect Central Goods and Services Tax (CGST) and States/Union Territory would levy and collect the State Goods and Services Tax (SGST)/(UTGST) on all transactions within a State/Union Territory . Similarly, Integrated GST (IGST) will be levied and administered by Centre on every inter-state supply of goods and services, which is the aggregate of CGST and the SGST of the destination state. The input tax credit of CGST would be available for discharging the CGST liability on the output at each stage. Similarly, the credit of SGST/UTGST paid on inputs would be allowed for paying the SGST/UTGST on output. No cross utilization of credit would be permitted.

## The benefits of GST

The benefits of GST can be summarized as under:

- **For business and industry**

1. Easy compliance: A robust and comprehensive IT system would be the foundation of the GST regime in India. Therefore, all tax payer services such as registrations, returns, payments, etc. would be available to the taxpayers online, which would make compliance easy and transparent.
2. Uniformity of tax rates and structures: GST will ensure that indirect tax rates and structures are common across the country, thereby increasing certainty and ease of doing business. In other words, GST would make doing business in the country tax neutral, irrespective of the choice of place of doing business.
3. Removal of cascading: A system of seamless tax-credits throughout the value-chain, and across boundaries of States, would ensure that there is minimal cascading of taxes. This would reduce hidden costs of doing business.
4. Improved competitiveness: Reduction in transaction costs of doing business would eventually lead to an improved competitiveness for the trade and industry.
5. Gain to manufacturers and exporters: The subsuming of major Central and State taxes in GST, complete and comprehensive set-off of input goods and services and phasing out of Central Sales Tax (CST) would reduce the cost of locally manufactured goods and services. This will increase the competitiveness of Indian goods and services in the international market and give boost to Indian exports. The uniformity in tax rates and procedures across the country will also go a long way in reducing the compliance cost.

- **For Central and State Governments**

1. Simple and easy to administer: Multiple indirect taxes at the Central and State levels are being replaced by GST. Backed with a robust end-to-end IT system, GST would be simpler and easier to administer than all other indirect taxes of the Centre and State levied so far.

2. Better controls on leakage: GST will result in better tax compliance due to a robust IT infrastructure. Due to the seamless transfer of input tax credit from one stage to another in the chain of value addition, there is an in-built mechanism in the design of GST that would incentivize tax compliance by traders.
  3. Higher revenue efficiency: GST is expected to decrease the cost of collection of tax revenues of the Government, and will therefore, lead to higher revenue efficiency.
- **For the consumer**
    1. Single and transparent tax proportionate to the value of goods and services: Due to multiple indirect taxes being levied by the Centre and State, with incomplete or no input tax credits available at progressive stages of value addition, the cost of most goods and services in the country today are laden with many hidden taxes. Under GST, there would be only one tax from the manufacturer to the consumer, leading to transparency of taxes paid to the final consumer.
    2. Relief in overall tax burden: Because of efficiency gains and prevention of leakages, the overall tax burden on most commodities will come down, which will benefit consumers.

### **Levy of Central GST (CGST) and State GST (SGST)/UTGST**

The Central GST and the State GST would be levied simultaneously on every transaction of supply of goods and services except the exempted goods and services, goods which are outside the purview of GST and the transactions which are below the prescribed threshold limits. Further, both would be levied on the same price or value unlike State VAT which is levied on the value of the goods inclusive of CENVAT . While the location of the supplier and the recipient within the country is immaterial for the purpose of CGST, SGST would be chargeable only when the supplier and the recipient are both located within the State.

**Illustration I:** Suppose hypothetically that the rate of CGST is 10% and that of SGST is 10%. When a wholesale dealer of steel in Uttar Pradesh supplies steel bars and rods to a construction company which is also located within the same State for, say Rs. 100, the dealer would charge CGST of Rs. 10 and SGST of Rs. 10 in addition to the basic price of the goods. He would be required to deposit the CGST component into a Central Government account while the SGST portion into the account of the concerned State Government. Of course, he need not actually pay Rs. 20 (Rs. 10 + Rs. 10) in cash as he would be entitled to setoff this liability against the CGST or SGST paid on his purchases (say, inputs). But for paying CGST he would be allowed to use only the credit of CGST paid on his purchases while for SGST he can utilize the credit of SGST alone. In other words, CGST credit cannot, in general, be used for payment of SGST . Nor can SGST credit be used for payment of CGST .

**Illustration II:** Suppose, again hypothetically, that the rate of CGST is 10% and that of SGST is 10%. When an advertising company located in Mumbai supplies advertising services to a company manufacturing soap also located within the State of Maharashtra for, let us say Rs. 100, the ad company would charge CGST of Rs. 10 as well as SGST of Rs. 10 to the basic value of the service.

He would be required to deposit the CGST component into a Central Government account while the SGST portion into the account of the concerned State Government. Of course, he need not again actually pay Rs. 20 (Rs. 10+Rs. 10) in cash as it would be entitled to set-off this liability against the CGST or SGST paid on his purchase (say, of inputs such as stationery, office equipment, services of an artist etc.). But for paying CGST he would be allowed to use only the credit of CGST paid on its purchase while for SGST he can utilise the credit of SGST alone. In other words, CGST credit cannot, in general, be used for payment of SGST. Nor can SGST credit be used for payment of CGST.

### **Levy of IGST on Inter-State Transactions of Goods and Services**

In case of inter-State transactions, the Centre would levy and collect the Integrated Goods and Services Tax (IGST) on all inter-State supplies of goods and services under Article 269A (1) of the Constitution. The IGST would roughly be equal to CGST plus SGST. The IGST mechanism has been designed to ensure seamless flow of input tax credit from one State to another. The inter-State seller would pay IGST on the sale of his goods to the Central Government after adjusting credit of IGST, CGST and SGST on his purchases (in that order). The exporting State will transfer to the Centre the credit of SGST used in payment of IGST. The importing dealer will claim credit of IGST while discharging his output tax liability (both CGST and SGST) in his own State. The Centre will transfer to the importing State the credit of IGST used in payment of SGST. Since GST is a destination-based tax, all SGST on the final product will ordinarily accrue to the consuming State.

### **The role of GST Council**

A GST Council constituted comprising the Union Finance Minister (who is the Chairman of the Council), the Minister of State (Revenue) and the State Finance/Taxation Ministers to make recommendations to the Union and the States on

- (i) the taxes, cesses and surcharges levied by the Centre, the States and the local bodies which are subsumed under GST;
- (ii) the goods and services are subjected to or exempted from the GST;
- (iii) the date on which the GST shall be levied on petroleum crude, high speed diesel, motor spirit (commonly known as petrol), natural gas and aviation turbine fuel;
- (iv) model GST laws, principles of levy, apportionment of IGST and the principles that govern the place of supply;
- (v) the threshold limit of turnover below which the goods and services may be exempted from GST;
- (vi) the rates including floor rates with bands of GST;
- (vii) any special rate or rates for a specified period to raise additional resources during any natural calamity or disaster; (viii) special provision with respect to the North- East States, J&K, Himachal Pradesh and Uttarakhand; and
- (ix) any other matter relating to the GST, as the Council may decide.

The mechanism of GST Council ensures harmonization on different aspects of GST between the Centre and the States as well as among States. It has been provided in the Constitution (one hundred and first amendments) Act, 2016 that the GST Council, in its discharge of various functions, shall be guided by the need for a harmonized structure of GST and for the development of a harmonized national market for goods and services. The Constitution (one hundred and first amendment) Act, 2016 provided that every decision of the GST Council shall be taken at a meeting by a majority of not less than 3/4th of the weighted votes of the Members present and voting. The vote of the Central Government shall have a weightage of 1/3rd of the votes cast and the votes of all the State Governments taken together shall have a weightage of 2/3rd of the total votes cast in that meeting. One half of the total number of members of the GST Council shall constitute the quorum at its meetings.

### **Liability to pay Tax under GST**

Under the GST regime, tax is payable by the taxable person on the supply of goods and/or services. Liability to pay tax arises when the taxable person crosses the turnover threshold of Rs.20 lakhs (Rs. 10 lakhs for NE & Special Category States) except in certain specified cases where the taxable person is liable to pay GST even though he has not crossed the threshold limit. The CGST / SGST is payable on all intra-State supply of goods and/or services and IGST is payable on all inter-State supply of goods and/or services. The CGST /SGST and IGST are payable at the rates specified in the Schedules to the respective Acts.

### **GST on Import**

The Additional Duty of Excise or CVD and the Special Additional Duty or SAD levied on imports subsumed under GST. As per explanation to clause (1) of article 269A of the Constitution, IGST levied on all imports into the territory of India. Unlike in the prior to GST regime, the States where imported goods are consumed will now gain their share from this IGST paid on imported goods. Full and complete set-off will be available on the GST paid on import on goods and services.

### **GST on Export**

Exports will be treated as zero rated supplies. No tax will be payable on exports of goods or services, however credit of input tax credit will be available and same will be available as refund to the exporters. The Exporter will have an option to either pay tax on the output and claim refund of IGST or export under Bond without payment of IGST and claim refund of Input Tax Credit (ITC).

### **Composition scheme under GST( Section 10 of CGST Act,2017)**

Small taxpayers with an aggregate turnover in a preceding financial year up to Rs. 75 lakhs shall be eligible for composition levy. Under the scheme, a taxpayer shall pay tax as a percentage

of his turnover in a state during the year without the benefit of ITC. The rate of tax for CGST and SGST/UTGST shall not be less than [1% for manufacturer & 0.5% in other cases; 2.5% for specific services as mentioned in para 6(b) of Schedule II viz Serving of food or any other article for human consumption]. A tax payer opting for composition levy shall not collect any tax from his customers. Tax payers making inter- state supplies or making supplies through ecommerce operators who are required to collect tax at source shall not be eligible for composition scheme. Broadly, five categories of registered person are not eligible to opt for the composition scheme. These are: (i) supplier of services other than supplier of restaurant service; (ii) supplier of goods which are not taxable under the CGST Act/SGST Act/UTGST Act. (iii) an inter-State supplier of goods; (iv) person supplying goods through an electronic commerce operator; (v) manufacturer of certain notified goods. The registered person under composition scheme is not permitted to collect tax. It means that a composition scheme supplier cannot issue a tax invoice.

## **Registration( Section 22 to 30 )**

The major features of the registration procedures under GST are as follows:

1. **Existing dealers:** Existing VAT/Central excise/Service Tax payers have to migrate for registration under GST.
2. **New dealers:** Single application to be filed online for registration under GST.
3. The registration number will be PAN based and will serve the purpose for Centre and State.
4. Unified application to both tax authorities.
5. Each dealer to be given unique ID GSTIN.
6. Deemed approval within three days.
7. Post registration verification in risk based cases only.

Registration under Goods and Service Tax (GST) regime will confer following advantages to the business:

- Legally recognized as supplier of goods or services.
- Proper accounting of taxes paid on the input goods or services which can be utilized for payment of GST due on supply of goods or services or both by the business.
- Legally authorized to collect tax from his purchasers and pass on the credit of the taxes paid on the goods or services supplied to purchasers or recipients.
- Getting eligible to avail various other benefits and privileges rendered under the GST laws.

A person without GST registration can neither collect GST from his customers nor can claim any input tax credit of GST paid by him. Where the application for registration has been submitted within thirty days from the date on which the person becomes liable to registration, the effective date of registration shall be the date on which he became liable for registration. In case of a person taking registration voluntarily while being within the threshold exemption limit for paying tax, the effective date of registration shall be the date of order of registration.

As per Section 22 of the CGST/SGST Act 2017, every supplier (including his agent) who makes a taxable supply i.e. supply of goods and / or services which are leviable to tax under GST law, and his aggregate turn over in a financial year exceeds the threshold limit of twenty lakh rupees

shall be liable to register himself in the State or the Union territory from where he makes the taxable supply. In case of eleven special category states (as mentioned in Art.279A(4)(g) of the Constitution of India), this threshold limit for registration liability is ten lakh rupees.

On the other hand, as per Section 23 of the Act, an agriculturist in respect of supply of his agricultural produce; as also any person exclusively making supply of non-taxable or wholly exempted goods and/or services under GST law will not be liable for registration.

Besides, Section 24 of the Act mentions certain categories of suppliers, who shall be liable to take registration even if their aggregate turnover is below the said threshold limit of 20 lakh rupees. The following categories of persons shall be required to be registered compulsorily irrespective of the threshold limit:

- i) persons making any inter-State taxable supply; ii) casual taxable persons; iii) persons who are required to pay tax under reverse charge; iv) electronic commerce operators required to pay tax under sub-section (5) of section 9; v) non-resident taxable persons; vi) persons who are required to deduct tax under section 51; vii) persons who supply goods and/or services on behalf of other registered taxable persons whether as an agent or otherwise; viii) Input service distributor (whether or not separately registered under the Act) ix) persons who are required to collect tax under section 52; x) every electronic commerce operator xi) every person supplying online information and data base retrieval services from a place outside India to a person in India, other than a registered person; and, xii) 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.

As per Section 25 of the CGST/SGST Act every person shall have a Permanent Account Number issued under the Income Tax Act, 1961(43 of 1961) in order to be eligible for grant of registration. However as per the proviso to the aforesaid section 25(6), a person required to deduct tax under Section 51, may have, in lieu of a PAN, a Tax Deduction and Collection Account Number issued under the said Income Tax Act, in order to be eligible for grant of registration. Also, as per Section 25(7) PAN is not mandatory for a non-resident taxable person who may be granted registration on the basis of any other document as maybe prescribed.

Every person who is liable to take a Registration will have to get registered separately for each of the States where he has a business operation and is liable to pay GST in terms of Sub-section (1) of Section 22 of the CGST/SGST Act. In terms of the proviso to Sub-Section (2) of Section 25, 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.

In terms of Section 25(9) of the CGST/SGST Act, all notified UN bodies, Consulate or Embassy of foreign countries and any other class of persons so notified would be required to obtain a unique identification number (UIN) from the GST portal. The structure of the said ID would be uniform across the States in conformity with GSTIN structure and the same will be common for the Centre and the States. This UIN will be needed for claiming refund of taxes paid on notified supplies of goods and services received by them, and for any other purpose as may be notified. The taxable supplier supplying to these organizations is expected to mention the UIN on the invoices and treat such supplies as supplies to another registered person (B2B) and the invoices of the same will be uploaded by the supplier.

## **Time of Supply ( Section 12 &13 of CGST Act)**

The time of supply fixes the point when the liability to charge GST arises. It also indicates when a supply is deemed to have been made. The CGST/SGST Act provides separate time of supply for goods and services. Section 12 & 13 of the CGST/SGST Act provides for time of supply of goods/Services. The time of supply of goods/services shall be the earlier of the following namely, (i) the date of issue of invoice by the supplier or the last date on which he is required under Section 31, to issue the invoice with respect to the supply; or (ii) the date on which the supplier receives the payment with respect to the supply.

## **Value of Supply (Section 15 of CGST Act, 2017)**

The value of taxable supply of goods and services shall ordinarily be ‘the transaction value’ which is the price paid or payable, when the parties are not related and price is the sole consideration. Section 15 of the CGST/SGST Act further elaborates various inclusions and exclusions from the ambit of transaction value. For example, the transaction value shall not include refundable deposit, discount allowed subject to certain conditions before or at the time of supply. Transaction value refers to the price actually paid or payable for the supply of goods and/or services where the supplier and the recipient are not related and price is the sole consideration for the supply. It includes any amount which the supplier is liable to pay but which has been incurred by the recipient of the supply. The inclusions specified in Section 15 (2) which could be added to transaction value are as follows: a) Any taxes, duties, cesses, fees and charges levied under any statute, other than the SGST/CGST Act and the Goods and Services Tax (Compensation to the States for Loss of Revenue) Act, 2016, if charged separately by the supplier to the recipient; b) Any amount that the supplier is liable to pay in relation to such supply but which has been incurred by the recipient of the supply and not included in the price actually paid or payable for the goods and/or services; c) Incidental expenses, such as commission and packing, charged by the supplier to the recipient of a supply, including any amount charged for anything done by the supplier in respect of the supply of goods and/or services at the time of, or before delivery of the goods or as the case may be supply of the services; d) Interest or late fee or penalty for delayed payment of any consideration for any supply; and e) Subsidies directly linked to the price excluding subsidies provided by the Central and State Government.

## **Payment of Tax under GST (Section 49 to 53 of CGST Act, 2017)**

In the GST regime, for any intra-state supply, taxes to be paid are the Central GST (CGST, going into the account of the Central Government) and the State/UT GST (SGST, going into the account of the concerned State Government). For any inter-state supply, tax to be paid is Integrated GST (IGST) which will have components of both CGST and SGST. In addition, certain categories of registered persons will be required to pay to the government account Tax Deducted at Source (TDS) and Tax Collected at Source (TCS). In addition, wherever applicable, Interest, Penalty, Fees and any other payment will also be required to be made.

In general, the supplier of goods or services is liable to pay GST. However, in specified cases like imports and other notified supplies, the liability may be cast on the recipient under the

reverse charge mechanism. Further, in some notified cases of intra-state supply of services, the liability to pay GST may be cast on e-commerce operators through which such services are supplied. Also Government Departments making payments to vendors above a specified limit [2.5 lakh under one contract as per S.51(1)(d)] are required to deduct tax (TDS) and E-commerce operators are required to collect tax (TCS) on the net value [i.e. aggregate value of taxable supplies of goods and/or services but excluding such value of services on which the operator is made liable to pay GST under Section 9(5) of the CGST Act, 2017] of supplies made through them and deposit it with the Government.

Liability to pay arises at the time of supply of Goods and at the time of supply of services. The time is generally the earliest of one of the three events, namely receiving payment, issuance of invoice or completion of supply.

The payment processes under GST Act(s) have the following features:

- Electronically generated challan from GSTN Common Portal in all modes of payment and no use of manually prepared challan;
- Facilitation for the tax payer by providing hassle free, anytime, anywhere mode of payment of tax;
- Convenience of making payment online;
- Logical tax collection data in electronic format;
- Faster remittance of tax revenue to the Government Account;
- Paperless transactions;
- Speedy Accounting and reporting;
- Electronic reconciliation of all receipts;
- Simplified procedure for banks
- Warehousing of Digital Challan.

Payment can be done by the following methods:

- (i) Through debit of Credit Ledger of the tax payer maintained on the Common Portal – ONLY Tax can be paid. Interest, Penalty and Fees cannot be paid by debit in the credit ledger. Tax payers shall be allowed to take credit of taxes paid on inputs (input tax credit) and utilize the same for payment of output tax. However, no input tax credit on account of CGST shall be utilized towards payment of SGST and vice versa. The credit of IGST would be permitted to be utilized for payment of IGST, CGST and SGST in that order.
- (ii) In cash by debit in the Cash Ledger of the tax payer maintained on the Common Portal. Money can be deposited in the Cash Ledger by different modes, namely, E-Payment (Internet Banking, Credit Card, Debit Card); Real Time Gross Settlement (RTGS)/ National Electronic Fund Transfer (NEFT); Over the Counter Payment in branches of Banks Authorized to accept deposit of GST.

Payment of taxes by the normal tax payer is to be done on monthly basis by the 20th of the succeeding month. Cash payments will be first deposited in the Cash Ledger and the tax payer shall debit the ledger while making payment in the monthly returns and shall reflect the relevant debit entry number in his return. As mentioned earlier, payment can also be debited from the Credit Ledger. Payment of taxes for the month of March shall be paid by the 20th of April. Composition tax payers will need to pay tax on quarterly basis.

Electronic Ledgers or E-Ledgers are statements of cash and input tax credit in respect of each registered taxpayer. In addition, each taxpayer shall also have an electronic tax liability register. Once a taxpayer is registered on Common Portal (GSTN), two e-ledgers (Cash & Input Tax Credit ledger) and an electronic tax liability register will be automatically opened and displayed on his dash board at all times.

Tax Liability Register will reflect the total tax liability of a taxpayer (after netting) for the particular month. The cash ledger will reflect all deposits made in cash, and TDS/TCS made on account of the taxpayer. The information will be reflected on real time basis. This ledger can be used for making any payment on account of GST. Input Tax Credit as self-assessed in monthly returns will be reflected in the ITC Ledger. The credit in this ledger can be used to make payment of TAX ONLY and not other amounts such as interest, penalty, fees etc.

### **Levy of and Exemption from Tax**

Article 246A of the Constitution, which was introduced by the Constitution (101st Amendment) Act, 2016 confers concurrent powers to both, Parliament and State Legislatures to make laws with respect to GST i. e. central tax (CGST) and state tax (SGST) or union territory tax (UTGST). However, clause 2 of Article 246A read with Article 269A provides exclusive power to the Parliament to legislate with respect to inter-State trade or commerce i.e. integrated tax (IGST). Taxable event under GST is supply of goods or services or both. CGST and SGST/ UTGST will be levied on intra-State supplies. IGST will be levied on inter-State supplies. Supplies made without consideration will also be taxable under GST only in those activities which are specified in Schedule I to the CGST Act / SGST Act . The said provision has been adopted in IGST Act as well as in UTGST Act also. Central Government or State Government, on the recommendations of the GST Council, can notify an activity to be the supply of goods and not supply of services or supply of services and not supply of goods or neither a supply of goods nor a supply of services.

### **Composite supply and mixed supply**

Composite supply is a supply consisting of two or more taxable supplies of goods or services or both or any combination thereof, which are bundled in natural course and are supplied in conjunction with each other in the ordinary course of business and where one of which is a principal supply. For example, when a consumer buys a television set and he also gets warranty and a maintenance contract with the TV, this supply is a composite supply. In this example, supply of TV is the principal supply, warranty and maintenance service are ancillary. Mixed supply is combination of more than one individual supplies of goods or services or any combination thereof made in conjunction with each other for a single price, which can ordinarily be supplied separately. For example, a shopkeeper selling storage water bottles along with refrigerator. Bottles and the refrigerator can easily be priced and sold separately.Composite supply shall be treated as supply of the principal supply. Mixed supply would be treated as supply of that particular goods or services which attracts the highest rate of tax.

## **Reverse Charge**

It means the liability to pay tax is on the recipient of supply of goods and services instead of the supplier of such goods or services in respect of notified categories of supply. Reverse charge applies to supplies of both goods and services, as notified by the Government on the recommendations of the GST Council. In case of receipt of supply from an unregistered person, the registered person who is receiving goods or services shall be liable to pay tax under reverse charge mechanism. The Central/State government can specify categories of services the tax on which shall be paid by the electronic commerce operator, if such services are supplied through it and all the provisions of the Act shall apply to such electronic commerce operator as if he is the person liable to pay tax in relation to supply of such services.

## **Tax Deducted at Source (TDS) (Section 51 of CGST Act, 2017)**

TDS stands for Tax Deducted at Source (TDS). As per section 51, this provision is meant for Government and Government undertakings and other notified entities making contractual payments where total value of such supply under a contract exceeds Rs. 2.5 Lakhs to suppliers. While making any payments under such contracts, the concerned Government/authority shall deduct 1% of the total payment made and remit it into the appropriate GST account. Any amount shown as TDS will be reflected in the electronic cash ledger of the concerned supplier. He can utilize this amount towards discharging his liability towards tax, interest fees and any other amount. TDS Deductor will account for such TDS in the following ways:

1. Such deductors need to get compulsorily registered under section 24 of the CGST/SGST Act.
2. They need to remit such TDS collected by the 10th day of the month succeeding the month in which TDS was collected and reported in GSTR 7.
3. The amount deposited as TDS will be reflected in the electronic cash ledger of the supplier.
4. They need to issue certificate of such TDS to the deductee within 5 days of crediting the TDS to the govt/c, failing which fees of Rs.100 per day subject to maximum of Rs.5000/- will be payable by such deductor.

## **Tax Collected at Source (TCS) (Section 52 of the CGST Act, 2017)**

This provision is applicable only for E-Commerce Operator under section 52 of CGST/SGST Act. Every E-Commerce Operator, not being an agent, needs to withhold an amount calculated at the rate not exceeding one percent of the “net value of taxable supplies” made through it where the consideration with respect to such supplies is to be collected by the operator. Such withheld amount is to be deposited by such E-Commerce Operator to the appropriate GST account by the 10th of the next month. The amount deposited as TCS will be reflected in the electronic cash ledger of the supplier.

## **Electronic Commerce**

Electronic Commerce has been defined to mean the supply of goods or services or both, including digital products over digital or electronic network. Electronic Commerce Operator has been defined to mean any person who owns, operates or manages digital or electronic facility or platform for electronic commerce. The benefit of threshold exemption is not available to e-commerce operators and they would be liable to be registered irrespective of the value of supply made by them. The threshold exemption is also not available to suppliers and they would be liable to be registered irrespective of the value of supply made by them. This requirement, however, is applicable only if the supply is made through such electronic commerce operator who is required to collect tax at source. Only in case of certain notified services an e-commerce operator be liable to pay tax in respect of supply of goods or services made through it, instead of actual supplier. In such cases tax shall be paid by the electronic commerce operator if such services are supplied through it and all the provisions of the Act shall apply to such electronic commerce operator as if he is the person liable to pay tax in relation to supply of such services.

## **Input Tax Credit (Section 16 to 21 of CGST Act, 2017)**

Input tax means the central tax (CGST), State tax (SGST), integrated tax (IGST) or Union territory tax (UTGST) charged on supply of goods or services or both Or on capital goods made to a registered person. It also includes tax paid on reverse charge basis and integrated tax goods and services tax charged on import of goods. It does not include tax paid under composition levy. A registered person is entitled to take credit of input tax charged on supply of goods or services or both to him which are used or intended to be used in the course or furtherance of business, subject to other conditions and restrictions.

Following four conditions are to be satisfied by the registered taxable person for obtaining ITC:

- (a) he is in possession of tax invoice or debit note or such other tax paying documents as may be prescribed;
- (b) he has received the goods or services or both;
- (c) the supplier has actually paid the tax charged in respect of the supply to the government; and (d) he has furnished the return under section 39.

A registered person can take input tax credit without payment of consideration for the supply along with tax to the supplier, but he is required to pay the consideration along with tax within 180 days from the date of issue of invoice. This condition is not applicable where tax is payable on reverse charge basis. If no payment is made within 180 days than the amount of ITC would be added to output tax liability of the person. He would also be required to pay interest. However, he can take ITC again on payment of consideration and tax. A registered person cannot take ITC in respect of any invoice or debit note for supply of goods or services after the due date for furnishing the return under section 39 for the month of September following the end of financial year to which such invoice/invoice relating to debit note pertains or furnishing of the relevant annual return,

whichever is earlier. So, the upper time limit for taking ITC is 20th October of the next FY or the date of filing of annual return whichever is earlier.

The input tax credit of goods or services or both attributable only to taxable supplies can be taken by registered person. The manner of calculation of eligible credit would be provided by rules. The input tax credit of goods or services or both attributable only to the purpose of business can be taken by registered person. The manner of calculation of eligible credit would be provided by rules. Further, ITC in respect of following supplies,

- (a) motor vehicles and other conveyances except when they are used— (i) for making the following taxable supplies, namely:— (A) further supply of such vehicles or conveyances ; or (B) transportation of passengers; or (C) imparting training on driving, flying, navigating such vehicles or conveyances; (ii) for transportation of goods;
- (b) the following supply of goods or services or both— (i) food and beverages, outdoor catering, beauty treatment, health services, cosmetic and plastic surgery except where an inward supply of goods or services or both of a particular category is used by a registered person for making an outward taxable supply of the same category of goods or services or both or as an element of a taxable composite or mixed supply; (ii) membership of a club, health and fitness centre; (iii) rent-a-cab, life insurance and health insurance except where— (A) 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 (B) such inward supply of goods or services or both of a particular category is used by a registered person for making an outward taxable supply of the same category of goods or services or both or as part of a taxable composite or mixed supply; and (iv) travel benefits extended to employees on vacation such as leave or home travel concession;
- (c) works contract services when supplied for construction of an 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 or machinery) on his own account including when such goods or services or both are used in the course or furtherance of business. Explanation.—For the purposes of clauses (c) and (d), the expression “construction” includes re-construction, renovation, additions or alterations or repairs, to the extent of capitalisation, to the said immovable property;
- (e) goods or services or both on which tax has been paid under section 10;
- (f) goods or services or both received by a non-resident taxable person except on goods imported by him;
- (g) goods or services or both used for personal consumption;
- (h) goods lost, stolen, destroyed, written off or disposed of by way of gift or free samples; and
- (i) any tax paid in accordance with the provisions of sections 74, 129 and 130.

A banking company or a financial institution including a non-banking financial company engaged in supply of specified services would either avail proportionate credit or avail 50% of the eligible input tax credit.

## **Input Service Distributor in GST (Section 20 of CGST Act, 2017)**

ISD means an office of the supplier of goods or services or both which receives tax invoices towards receipt of input services and issues a prescribed document for the purposes of distributing the credit of central tax (CGST), State tax (SGST)/ Union territory tax (UTGST) or integrated tax (IGST) paid on the said services to a supplier of taxable goods or services or both having same PAN as that of the ISD. An ISD is required to obtain a separate registration even though it may be separately registered. The threshold limit of registration is not applicable to ISD. The registration of ISD under the existing regime (i.e. under Service Tax) would not be migrated in GST regime. All the existing ISDs will be required to obtain fresh registration under new regime in case they want to operate as an ISD.

The input tax credit of input services shall be distributed only amongst those registered persons who have used the input services in the course or furtherance of business. The distribution of credit would be done only amongst those recipients of input tax credit to whom the input service being distributed are attributable and would be done in the ratio of turnover in a State or Union territory of the recipient during the period to the aggregate of all recipients to whom input service being distributed is attributable. Lastly, the credit distributed should not exceed the credit available for distribution. ISD is required to file monthly return by 13th of the following month.

## **Returns Process and matching of Input Tax Credit (Section 37 to 48 of CGST Act, 2017)**

The major features of the returns filing procedures under GST are as follows:

1. **Common return** would serve the purpose of both Centre and State Government.
2. There are eight forms provided for in the GST business processes for filing for returns. Most of the average tax payers would be using only four forms for filing their returns. These are return for supplies, return for purchases, monthly returns and annual return.
3. **Small taxpayers:** Small taxpayers who have opted composition scheme shall have to file return on quarterly basis.
4. Filing of returns shall be completely online. All taxes can also be paid online.

Every person registered under GST have to file returns in some form or other. A registered person have to file returns either monthly (normal supplier) or quarterly basis (Supplier opting for composition scheme). An ISD have to file monthly returns showing details of credit distributed during the particular month. A person required to deduct tax (TDS) and persons required to collect tax (TCS) also have to file monthly returns showing the amount deducted/collected and other details as may be prescribed. A non-resident taxable person also has to file returns for the period of activity undertaken.

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.

The recipient has to file the inward supply details in GSTR-2 . The credit on such invoices will also be given provisionally but will be subject to matching. On matching, if the invoice is not uploaded by the supplier, both of them will be intimated. If the mismatch is rectified, provisional credit will be confirmed. But if the mismatch continues, the amount will be added to the output tax liability of the recipient in the returns for the month subsequent to the month in which such discrepancy was communicated. The special feature of GSTR-2 is that the details of supplies received by a recipient can be auto populated on the basis of the details furnished by the counterparty supplier in his GSTR-1.

Composition tax payers need to file a quarterly return in Form GSTR-4 by the 18th of the month after the end of the quarter. Since they are not eligible for any input tax credit, there is no relevance of GSTR-2 for them and since the credit of tax paid under Composition Levy is not eligible, there is no relevance of GSTR-1 for them. In their return, they have to declare summary details of their outward supplies along with the details of tax payment. They also have to give details of their purchases in their quarterly return itself, most of which will be auto populated.

The ISDs need to file only a return in Form GSTR6 and the return has the details of credit received by them from the service provider and the credit distributed by them to the recipient units. Since their return itself covers these aspects, there is no requirement to file separate statement of inward and outward supplies.

Under GST, the deductor submitting the deductee wise details of all the deductions made by him in his return in Form GSTR-7 to be filed by 10th of the month next to the month in which deductions were made. The details of the deductions as uploaded by the deductor shall be auto populated in the GSTR-2 of the deductee. The taxpayer shall be required to confirm these details in his GSTR-2 to avail the credit for deductions made on his behalf. To avail this credit, he does not require to produce any certificate in physical or electronic form. The certificate will only be for record keeping of the tax payer and can be downloaded from the Common Portal.

All taxpayers filing return in GSTR-1 to GSTR-3, other than ISD's, casual/non-resident taxpayers, taxpayers under composition scheme, TDS/TCS deductors, are required to file an annual return. Casual taxpayers, non- resident taxpayers, ISDs and persons authorized to deduct/collect tax at source are not required to file annual return.

Final Return has to be filed only by those registered persons who have applied for cancellation of registration. The Final return has to be filed within three months of the date of cancellation or the date of cancellation order.

## **Refunds (Section 54 of CGST Act, 2017)**

Refund has been discussed in section 54 of the CGST/SGST Act. "Refund" includes (a) any balance amount in the electronic cash ledger so claimed in the returns, (b) any unutilized input tax credit in respect of (i) zero rated supplies made without payment of tax or, (ii) where the credit has accumulated on account of rate of tax on inputs being higher than the rate of tax on output supplies (other than nil rated or fully exempt supplies), (c) tax paid by specialized agency of United

Nations or any Multilateral Financial Institution and Organization notified under the United Nations (Privileges and Immunities) Act, 1947, Consulate or Embassy of foreign countries on any inward supply.

Unutilized input tax credit can be allowed as refund in accordance with the provisions of sub-section (3) of section 54 in the following situations: - (i) Zero rated supplies made without payment of tax; (ii) Where credit has accumulated on account of rate of tax on inputs being higher than the rate of taxes on output supplies (other than nil rated or fully exempt supplies)

However, no refund of unutilized input tax credit shall be allowed in cases where the goods exported out of India are subjected to export duty, and also in the case where the supplier of goods or services or both avails of drawback in respect of central tax or claims refund of the integrated tax paid on such supplies. A person claiming refund is required to file an application before the expiry of two years from the “relevant date” as given in the Explanation to sec. 54 of the CGST/SGST Act.

### **Use of IT for the implementation of GST**

For the implementation of GST in the country, the Central and State Governments have jointly registered Goods and Services Tax Network (GSTN) as a not-for-profit, non-Government Company to provide shared IT infrastructure and services to Central and State Governments, tax payers and other stakeholders. The key objectives of GSTN are to provide a standard and uniform interface to the taxpayers, and shared infrastructure and services to Central and State/UT governments. GSTN is working on developing a state-of-the-art comprehensive IT infrastructure including the common GST portal providing frontend services of registration, returns and payments to all taxpayers, as well as the backend IT modules for certain States that include processing of returns, registrations, audits, assessments, appeals, etc. All States, accounting authorities, RBI and banks, are also preparing their IT infrastructure for the administration of GST. There would no manual filing of returns. All taxes can also be paid online. All mis-matched returns would be auto-generated, and there would be no need for manual interventions. Most returns would be self-assessed.