

Mandatory Registration under Section 24(vii) of the CGST Act: A Clarion Call for Agents and Brokers

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The Central Goods and Services Tax (CGST) Act, 2017, necessitates compulsory registration for specific categories of individuals, including agents and brokers, under Section 24(vii). This provision encompasses a broad range of agents and intermediaries facilitating transactions between suppliers and buyers. Despite its extensive scope, numerous agents and brokers remain unregistered due to a lack of awareness about their obligations under the GST regime.

Types of Agents and Brokers

Section 24(vii) applies to:

1. Commission agents operating in market yards, providing services for goods like agricultural produce, pulses, spices, jaggery, current, and resins, turmeric, oil seeds, maize, etc.
2. Real estate agents facilitating buying and selling of immovable property, including agricultural land, plots, and buildings.
3. Commission agents dealing in various goods, such as white goods, furniture, and gift articles.
4. Brokers providing banking, financial institutions, and mutual fund services (except those exempted as recipients of services paying under RCM).

Lack of Awareness and Non-Compliance

These agents and brokers often remain unregistered due to:

1. Limited access to tax consultants and lack of awareness about GST obligations.
2. Misconceptions about the threshold limit of ₹20 lakhs under Section 22, believing they are not liable until they cross ₹20 lakhs.
3. Absence of clarificatory circulars from the GST Council explaining all categories of agents and brokers and their liability to pay GST by obtaining registration under compulsory registration. Despite seven years passing, they remain unaware.

Consequences of Non-Registration

The GST department may discover unregistered agents and brokers through income tax returns of suppliers and these agents. If notices are issued, these entities will face:

- Huge liability with interest and penalty
- Potential reputational damage

Unfortunately, most will be unable to bear the shock of huge liability, having earned only 2-5% commission or brokerage, while facing a tax liability of 18% plus interest and penalty, potentially reaching 100% for the previous six years.

Conclusion

Mandatory registration under Section 24(vii) is a critical aspect of the GST Act. Agents and brokers must recognize their obligations and register accordingly to avoid penalties and liabilities. Tax consultants and associations should play a vital role in disseminating this information to these agents and brokers, ensuring compliance.