As per New CBCS Syllabus for B.Com. (All Streams), 3rd Year, 6th Semester
for Various Universities in Telangana State w.e.f. 2018-19

Theory and Practice of
GST

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PREFACE

Theory and Practice of GST is a dynamic subject. The subject had been incorporated for the first time as per the CBCS curriculum for Commerce Undergraduate level for the Universities of Telangana State w.e.f. 2018-19 onwards to have the knowledge of how the GST is implemented in all the sectors implemented by Central Government.

We had make it clear as the subject is new to these Universities. We had given basic terms to understand the subject and clear explanation of how the GST will work in all the sectors where it can be applicable.

We had taken screenshots wherever the subject demands and explained the programmes in Tally.version 9. The book had been written strictly according to the syllabus. Though some of the content in the syllabus is repeated in various chapters, those repeated content had been rectified and is given content the as per the required part of the subject.

We are sure that the book will be useful to the students and faculty concern. This Book is written in simple and lucid language for easy understanding of the subject. The book is strictly written as per the Amendment of Assessment Year. The Rules are explained with number of illustrations.

We would like to thank our Publishers M/s Himalaya Publishing House Pvt Ltd, Mr. Niraj Pandey (Director), and Mr. Vijay Pandey (General Manager – Marketing) and Mr. G. Anil Kumar (Sales Manager) Hyderabad, who had been guiding us and inspiring us to give the best of our knowledge to bring out light of this project.

Though we had taken every care in presenting this book in simple and lucid style, due to oversight, some unknown mistakes may have occurred. In such cases, we request our beloved teachers and students, to bring those oversights to the notice of the authors in improving the book. Those suggestions and criticisms will be accepted wholeheartedly and we assure you that we shall incorporate them in our consequent revised editions.

February 2019 **Authors**

Hyderabad

SYLLABUS

Objective: To equip the students with the knowledge regarding Theory and Practice of GST

UNIT – I: Introduction to GST

Introduction – GST – Taxes Subsumed under GST – Determination of Tax – Registration –Process of Registration – Cancellation and Renovation of Registration – Supply of Goods and Services – Transition to GST – Registered Business – Availed Input Tax Credit – Unavailed CENVAT Credit and Input VAT on Capital Goods – Availing the Input Credit Held in Closing Stock – Invoicing – Tax Invoice – Bill of Supply – Credit Note, Debit Note and Supplementary Invoice – Transportation of Goods without Issue of Invoice – Input Credit Mechanism – Input Tax – GST Returns – Payment of Tax.

UNIT – II: Getting Started with GST

Introduction – Enabling GST and Defining Tax Details – Transferring Input Tax Credit to GST – Intra-state Supply of Goods – Intra-state Inward Supply – Intra-state Outward Supply – Return of Goods – Purchase Returns – Sales Returns – Supplies Inclusive of Tax – Defining Tax Rates at Master and Transaction Levels – Defining GST Rates at Stock Group Level – Defining GST Rate at Transaction Level – Hierarchy of Applying Tax Rate Details – Reports.

UNIT – III: Recording Advanced Entries, GST Adjustment and Return Filing

Introduction – Accounting of GST Transactions – Purchases from Composition Dealer – Purchases from Unregistered Dealers – Exports – Imports – Exempted Goods – SEZ Sales –Advance Receipts and payments – Mixed Supply and Composite Supply under GST – Mixed Supply of Goods – Composite Supply of Goods – GST Reports – Generating GSTR – Report in ERP – Input Tax Credit Set Off – GST Tax Payment – Time line for payment of GST tax – Modes of Payment – Challan Reconciliation – Exporting GSTR – Return and Uploading in GST Portal.

UNIT – IV: Getting Started with GST (Services)

Introduction – Determination of supply of services – Determining the Place of Supply of Services – Enabling GST and Defining Tax Details – Transferring Input Tax Credit to GST –Intra-state Supply of Goods – Intra-state Inward Supply – Intra-state Outward Supply – Inter-state Supply – Inter-state Outward Supply – Inter-state Inward Supply – Inter-state Outward Supply of Services – Cancellation of Services – Cancellation of Inward Supplies – Cancellation of Outward Supply of Services – Defining Tax Rates at Master and Transaction Levels.

UNIT – V: Recording Advanced Entries and Migration to ERP

Introduction – Accounting Multiple Services in a Single Supply – Recording Partial Payment to Suppliers – Outward Supplies – Recording Outward Supply with Additional Expenses – Supply of Services – Business to Consumers – Time of Supply of Services – Place of Supply of Services – Determining Place of Supply of Services – Exempt Supply of Services under GST –Export Supply of Services – Reverse Charge on Services under GST – Advance Receipts from Customers under GST – Advance Receipt and Issuing Invoice on Same Month – Advance Receipt and Issuing Invoice on Different Month – Reversal of GST on Account of Cancellation of Advance Receipt – Generating GSTR – Report in ERP – Input Tax Credit Set Off – Migration to ERP – Activate Goods and Services Tax (GST) in ERP – Set Up GST Rates – Update Masters – Update Party GSTIN/UIN – Creation of GST Duty Ledgers.

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Chapter 1

Introduction to GST

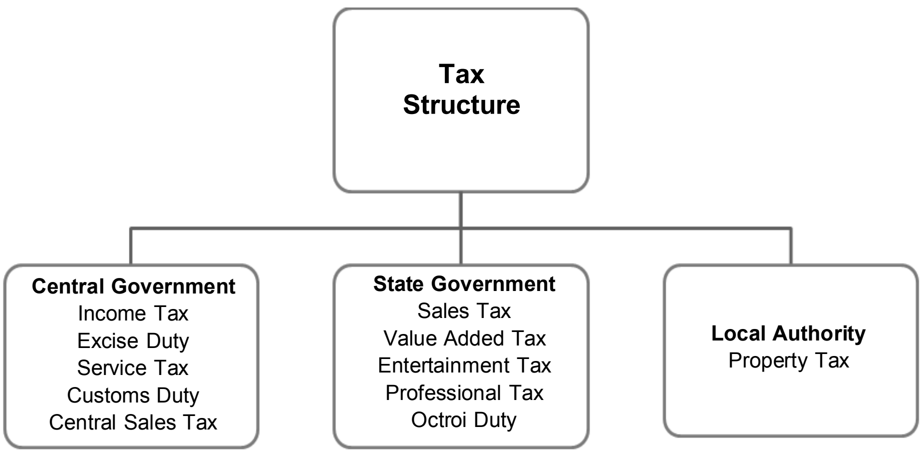
INTRODUCTION

Taxes in India are levied by the Central Government and the State Government. Some taxes are also levied by the Local Authorities such as Municipalities. The Constitution of India has given the power to levy the tax to Central and State governments.

Current Taxation System

Currently, Indian consumers have to pay indirect tax on goods and services such as Value Added Tax, Service Tax, Excise Duty, Customs Duty, etc. Under the current system, each State has a right to levy their own tax on the goods coming into their dominion for sale and consumption, while the Centre levies taxes on manufacture of the goods. All these taxes levied on the traders are passed down to the consumer.

The taxes levied by the State and Central Governments are given in the table below:



Of these, excise duty/CENVAT, customs duty, service tax, central and state sales tax, VAT, octroi, entry tax, road toll, luxury tax and entertainment tax are applicable to goods and services.

Let us take an example of a dress manufactured in Surat, Gujarat. At the spot of manufacture, an excise duty/CENVAT has to be paid to the Central Government. If the dyes for the dress are bought from Madhya Pradesh, then the manufacturer has to pay the state taxes applicable for the dyes in Madhya Pradesh while buying it, and also pay Gujarat's "import duty" on the product. Similarly, if the buttons for the dress are bought from Rajasthan, then another set of taxes are added to the manufacturing cost. At the end of this chain, when the product reaches the market for sale, VAT is added to it. So, all the taxes paid for the production of the dress so far gets added to the cost of the dress, which rises considerably from its actual manufacturing cost.

The current system is burdened with multiple taxation on the same object with no way to offset the taxes already paid at each stage of production-retailing-consumption. If CENVAT and service tax are paid at the manufacturing level, these can be offset against future payments, but none of the other taxes paid at any stage can be reclaimed. In order to eradicate these taxes, GST was formed.

How GST Works?

GST proposes to abolish the varying levels of taxation between States, and consider the country as a single whole organism when it comes to taxes on goods and services instead of as a segmented creature. All the sundry taxes will be clubbed into just two levels – Central GST and State GST. What a trader will essentially be able to do is claim a refund on the taxes already paid at different stages of value addition. The consumer who buys the product will have to pay only the GST charged by the last dealer in the supply chain, as everyone else would have the opportunity to set-off the taxes paid at the previous stages. If we take the example above under the GST system, the CENVAT on manufacturing the dress and the taxes paid on dyes and buttons can be offset at each level, thereby considerably reducing the total taxes paid.

GST will also prevent the multiple taxation occurring on certain goods, and ensure transparency with regards to the rate of taxation and the total amount that goes to the government as taxes on a product. Currently, a consumer is not aware of the total amount of taxes s/he pays for a product, apart from VAT which is mentioned on the bill.

Here is a list of taxes that the GST will likely replace:

- Service Tax
- Cess and surcharges related to supply of goods or services
- Central Excise Duty
- Excise Duties on medicinal and toilet preparations
- Additional Excise Duties on textiles and textile products
- Additional Excise Duties on goods of special importance
- Additional Customs Duties (CVD)
- Special Additional Duty of Customs (SAD)

These are the taxes that could be absorbed into the GST regime:

- Central Sales Tax
- State VAT
- Entry Tax
- Purchase Tax
- Entertainment Tax (not levied by local bodies)
- Luxury Tax
- Taxes on advertisements
- State cess and surcharges
- Taxes on lotteries, betting and gambling

The exact rates of GST have not been decided yet. This will be done only after repeated consultations on the reports are made by the GST Council. The rates being discussed as of now hover around 18%, which may be higher than the current system for certain goods and services, and lower for the others.

WHAT IS GST?

1. The full form of GST is Goods and Services Taxes.
2. GST is also termed as One Nation One Tax, which removed the barriers of inter-state transactions having a uniform tax structure across nation.
3. It is levied on the production, supply, transfer or leasing of goods and on rendering of services. GST was first introduced in France in 1954, followed by Russia in 1991 and China in 1994.

A Brief History of GST

The journey of GST began 15 years ago when the then NDA Government constituted a task force on indirect taxation under the chairmanship of Dr. Vijay Kelkar. The task force presented its report in 2013, suggesting a comprehensive Goods and Services Tax (GST) based on the Value Added Tax Principle.

The proposal to introduce the GST was first mooted in the Budget Speech for the financial year 2006-07. Since the proposal involved restructuring and reform of indirect taxes not only levied by the Centre but also the States, the responsibility of preparing a design and a plan of action for the implementation of the GST was assigned to the empowered committee of State Finance Ministers which had been formed earlier for the implementation of the Value Added Tax.

The empowered committee submitted its first discussion paper on GST in November 2009. A proposal was made to introduce a national level Goods and Services Tax (GST) by April 1, 2010. This target was failed due to political differences. Thereafter, number of steps were taken towards introduction of GST in India. At last, the President of India approved the Constitution

Amendment Bill for Goods and Services Tax (GST) on September 8, 2016, following the Bill's passage in the Indian Parliament and its ratification by more than 50% of state legislatures. This law will replace all indirect taxes levied on goods and services by the Central Government and State Government and implement GST by April 1, 2017. The implementation of GST will have a far-reaching impact on almost all the aspects of the business operations in India.

Key Features of GST

The introduction of 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.

The overall tax burden would be reduced and Indian product would become competitive in domestic and international markets. Following are the some of the features of GST:

1. **Common tax rate:** GST will make India a common market with common tax rates and procedures and remove economic barrier.
2. **Two components:** The GST levied by the Centre would be called Central GST (CGST) and that to be levied by the States would be called State GST (SGST).
3. **Unified tax regime:** The GST integrates Goods and Service Taxes into one unified tax regime. Previously, the goods and services were imposed and administered differently.
4. **Levy of IGST:** An Integrated GST (IGST) would be levied on inter-state supply of goods or services. This would be collected by the Central Government.
5. **Input Tax Credit (ITC) Set-off:** ITC for CGST and SGST will be taken for taxes allowed against Centre and State respectively.
6. **GST on Imports:** Centre will levy IGST on inter-state supply of goods and services. Import of goods will be subject to basic customs duty and IGST.
7. **Maintenance of Records:** A taxpayer or exporter would have to maintain separate details in books of account for availment, utilisation or refund of Input Tax Credit of CGST, SGST and IGST.
8. **Administration of GST:** Administration of GST will be the responsibility of the GST Council, which will be the apex policy making body of the GST. Members of GST Council comprised of the Central and State Ministers in charge of the finance portfolio.
9. **Goods and Service Tax Council:** The GST Council will be a joint forum of the Centre and the States. The Council will make recommendations to the Union and the States on important issues like tax rates, exemption list, threshold limits, etc. One-half of the total number of Members of the Council will constitute the quorum of GST Council.
10. **The four-tier rate structure:** A four-tier slab tax rate structure of 5%, 12%, 18% and 28% besides the 0% tax on essentials has been adopted for the GST.

11. **Applicability:** GST would apply to all goods and services except alcohol for human consumption, electricity and real estate.
12. **GST Network:** It is the IT backbone of GST which has been created by private company with the control of Government, to function as a common pass through portal for taxpayers. On this common portal, taxpayers will submit their registration applications, file returns, make payments, claim refunds, etc.

Advantages of GST

- This is a federal law, which means that the States will no longer have the right to make new laws on taxation towards goods and services.
- It simplifies the tax system and makes it easier to understand as well as cheaper to implement at various levels.
- Tax evasion at various stages will be eliminated as tax offsets can be collected only if taxes have been paid originally. You will also be able to buy raw materials or constituent materials for production only from those who have paid taxes, in order to claim benefits.
- It will be cheaper to buy input goods and services for production from other states.
- The current supply and distribution chain may undergo a change with a change in taxation system that does away with excise and customs duties.
- The consumer will get the end-product at cheaper rates because of elimination of multiple taxes and the tax cascade.
- As of now, petroleum and petroleum products have been kept out of the GST regime until further notice.
- Sale of newspapers and advertisements are also likely to fall under the GST regime, allowing the government to increase its revenue considerably.
- While there will be Central GST and State GST, the tax applicable on goods and services being exported and imported between states in India would fall under an Integrated GST (GST) system in order to avoid conflict of dominion.

Disadvantages of GST

- GST is not good news for all sectors, though. In the current system, many products are exempted from taxation. The GST proposes to have minimal exemption list. Currently, higher taxes are levied on fewer items, but with GST, lower taxes will be levied on almost all items.
- GST is not applicable on liquor for human consumption. So, alcohol rates will not get any advantage of GST.
- Stamp duty will not fall under the GST regime and will continue to be imposed by the State.

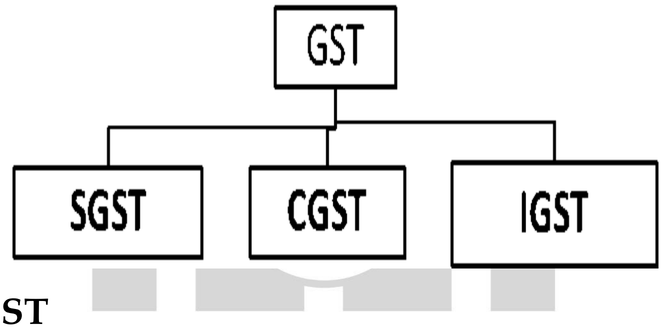
TAXES SUBSUMED UNDER GST

The following are the taxes subsumed by Central Government:

1. Central Excise Duty
2. Service Tax
3. Additional Custom Duty
4. Special Additional Duty of Customs

The following are the taxes subsumed by State Government:

1. VAT
2. Sales Tax
3. Entertainment and Amusement Tax
4. Tax on Lotteries, Gambling and Betting
5. Octroi and Luxury Tax



Structure of GST

(a) State Goods and Services Tax – State GST (SGST)
(b) Central Goods and Services Tax – Central GST (CGST)
(c) Integrated Goods and Services Tax – Integrated GST (IGST)

DETERMINATION OF TAX

Who is Liable to Pay GST?

Taxable Person: Businesses and traders with annual turnover above ₹ 20 lakhs are liable to pay GST. The threshold for paying GST is ₹ 10 lakhs in the case of north-eastern and special category states.

GST is applicable on inter-state trade irrespective of this threshold.

Difference between VAT and GST in India with Example

Consider a consultant providing services to his clients.

Under VAT Regime

The consultant charged 15% service tax on services of ₹ 70,000. So, his output tax was ₹ 70,000 × 15%	₹ 10,500
Then, if he purchased office supplies for ₹ 25,000 paying 5% as VAT: ₹ 25,000 × 5%	₹ 1,250
He had to pay ₹ 10,500 output service tax without getting any deduction of ₹ 1,250 VAT already paid on stationery.	
His total tax outflow is	**₹ 11,750**

Under GST Regime

GST on service of ₹ 70,000 @18%	₹ 12,600
Less: GST on office supplies (₹ 25,000 * 5%)	₹ 1,250
Net GST to pay	**₹ 11,350**

Now, consider a machine manufacturer and the implications of VAT and GST for him.

Pre-GST Implementation Scenario

Before the implementation of GST, if a machine manufacturer had to sell a machine, he had to pay Excise duty and VAT on it. So, if the price of machine sold was ₹ 5,000, then the Excise duty @ 12.5% was ₹ 625 which would bring the value to ₹ 5,625. VAT of ₹ 816, i.e., @ 14.5% would be charged on this value. So, the customer has to pay ₹ 6,441.

Now, let us see how the same manufacturer sells his product in the GST regime.

Post-GST Implementation Scenario

In the GST regime, only GST is charged on the price of machinery. So, the seller charges CGST @ 9% and SGST @ 9% on the value of machinery which is ₹ 5,000. So, the buyer in this case pays ₹ 5,000 + ₹ 450 (CGST) + ₹ 450 (SGST) i.e., ₹ 5,900 to buy the machine.

As you can assess from both the scenarios, the cascading effect of tax has vanished and the total tax payable is less under GST regime.

Hence, we can deduce from these points that there are a number of differences between GST and VAT. GST is a probable solution for the different issues taxpayers faced under the VAT regime.

Persons Liable for GST Registration – Section 22 of the CGST Act

(a) State or UTs: Every supplier of the goods or services or both needs to register in a State or a Union Territory, if his turnover exceeds ₹ 20 lakhs.

(b) Special Category States: In case of special category states namely Andhra Pradesh, J&K, Assam, Nagaland, Mizoram, Sikkim, Uttarakhand, etc., the person shall be liable to be registered if his turnover exceeds ₹ 10 lakhs.

(c) Aggregate Turnover: It means aggregate value of all taxable supplies, exempt supplies, exports, and inter-state supplies of persons having the same PAN but excludes taxes.

(d) Registration: Any person who is registered before the appointed day, i.e., 1st July 2017 is liable to be registered under the CGST Act.

(e) Registration of Transferee or Successor: If a registered business by a taxable person is transferred to another person, then such a person, be it successor or a transferee, shall be liable to be registered under the Act.

(f) Registration in Case of Amalgamation or Demerger: A transfer due to sanction of a scheme or an arrangement for amalgamation or a demerger takes place between two or more companies in accordance with the order of the High Court or Tribunal, and the transferee shall be liable to be registered.

Persons Not Liable to be Registered – Section 23 of the CGST Act

Following persons are not liable for registration:

(a) Exempted Goods or Services: Any person who is engaged exclusively in supply of those goods or services which are wholly exempted from tax or are not liable to pay tax under CGST or under IGST Act.

(b) An Agriculturist: For those supply only which is produced out of cultivation of land.

(c) Notified Person: Furthermore, the government on the recommendation of the GST council may issue notification and specify special category of persons who are not liable for registration.

PROCEDURE FOR GST REGISTRATION

What is GST Registration?

In the GST Regime, businesses whose turnover exceeds ₹ 20 lakhs (₹ 10 lakhs for north-eastern and hilly states) is required to register as a normal taxable person. This process of registration is called GST registration. For certain businesses, registration under GST is mandatory.

For certain businesses, registration under GST is mandatory. If the organization carries on business without registering under GST, it will be an offence under GST and heavy penalties will apply.

GST registration usually takes between 2-6 working days.

Documents Required for GST Registration

(i) PAN of the Applicant
(ii) Aadhaar card
(iii) Proof of business registration or Incorporation certificate
(iv) Identity and Address proof of Promoters/Director with Photographs
(v) Address proof of the place of business
(vi) Bank Account statement/Cancelled cheque
(vii) Digital Signature
(viii) Letter of Authorization/Board Resolution for Authorized Signatory

(a) Details to be furnished: Before applying for registration process, a person has to declare the following:

- PAN
- Mobile number
- E-mail address
- State or UT

in Part A of Form GST REG-01 on the Common Portal, either directly or through a Facilitation Centre notified by Commissioner.

(b) Reference Number: On successful verification of the PAN, mobile number and e-mail, a temporary reference number shall be generated and communicated to the applicant.

(c) Application: Using the reference number, the applicant shall electronically submit an application in Part B of Form GST REG-01, duly signed or verified through Electronic Verification Code (EVC), along with documents specified in the form.

(d) Specified Documents: The following specified documents are required to be submitted along with the application:

1. Documents required for Private Limited Company, Public Company (limited company)/One Person Company (OPC):
   (i) Company documents:
   - PAN card of the company
   - Registration Certificate of the company
   - Memorandum of Association (MOA)/Articles of Association (AOA)
   - Copy of Bank Statement
   - Declaration to comply with the provisions
   - Copy of Board resolution

   (ii) Director related documents:
   - PAN and ID proof of directors

(iii) Registered Office documents:
- Copy of electricity bill/landline bill, water bill
- No Objection Certificate of the owner
- Rent Agreement (in case premises are rented)

2. Documents required for Limited Liability Partnerships (LLPs):

(i) LLP Documents:
- PAN card of the LLP
- Registration Certificate of the LLP
- LLP Partnership Agreement
- Copy of Bank Statement of the LLP
- Declaration to comply with the provisions
- Copy of Board resolution

(ii) Designated Partner related documents:
- PAN and ID proof of designated partners

(iii) Registered Office documents:
- Copy of electricity bill, landline bill, water bill
- No Objection Certificate of the owner
- Rent Agreement (in case premises are rented)

3. Documents required for Normal Partnerships:

(i) Partnership documents:
- PAN card of the Partnership
- Partnership Deed
- Copy of Bank Statement
- Declaration to comply with the provisions

(ii) Partner related documents:
- PAN and ID proof of designated partners

(iii) Registered Office documents:
- Copy of electricity bill/landline bill, water bill
- No Objection Certificate of the owner
- Rent Agreement (in case premises are rented)

4. Documents required for Sole Proprietorship/Individual:

(i) Individual documents:
- PAN card and ID proof of the individual
- Copy of Cancelled cheque or Bank Statement
- Declaration to comply with the provisions

(ii) Registered Office documents:
- Copy of electricity bill/landline bill, water bill
- No Objection Certificate of the owner
- Rent Agreement (in case premises are rented)

CANCELLATION AND RENOVATION OF REGISTRATION OF GST

Cancellation of GST registration simply means that the taxpayer will not be a GST registered person any more. He will not have to pay or collect GST.

Consequences of Cancellation

1. The taxpayer will not pay GST anymore
2. For certain businesses, registration under GST is mandatory. If the GST registration is cancelled and business is still continued, it will mean an offence under GST and heavy penalties will apply.

Scenarios of GST Registration Cancellation by an Officer

- The business has been discontinued or transferred fully, or amalgamated with another entity, demerged or disposed of;
- There is a change in the constitution of the business;
- A registered person has failed to comply with the GST provisions;
- A composition taxpayer has not furnished returns for 3 consecutive quarters;
- A regular dealer has not furnished returns for a continuous period of 6 months;
- A person who has taken voluntary registration has not commenced business within 6 months from the date of registration;
- A person does not conduct business from the declared place of business;
- A person issues an invoice or bill of supply without actually supplying goods or services;
- Registration has been obtained by fraud, wilful misstatement or suppression of facts.

Liability When Registration is Cancelled

A person whose registration is cancelled should either reverse the input tax credit availed on inputs in stock or pay tax equal to the input tax credit availed.

Return to be Filed in Case of GST Registration Cancellation

Return	*Due Date*	*Details to be Furnished*
Form GSTR-10	Within 3 months after date of order of cancellation	Furnish details of inputs and capital goods held, tax paid and payable

Cancellation of registration by an officer due to non-compliance with the GST provisions is a serious and damaging event for any business. Registered persons should avoid these scenarios where their registration is forcefully.

SUPPLY OF GOODS AND SERVICES

Definition of Goods – Section 2(52) of GST Act

"Goods" means every kind of movable property other than money and securities but includes actionable claims, growing crops, grass and things attached to or forming part of the land which are agreed to be severed before supply or under a contract of supply.

1. The above is summarized as under:

(a) Goods include:

- Every kind of movable property
- Actionable claims
- Growing crops, grass and things attached to or forming part of the land which are agreed to be severed before supply or under a contract of supply.

2. A goods does not include:

(a) Money and

(b) Securities

3. Actionable claims: As per Section 2(52) of the CGST/SGST Act, actionable claims are to be considered as goods. Schedule III read with Section 7 of the CGST/SGST Act lists the activities or transactions which shall be treated neither as supply of goods nor supply of services. The Schedule lists actionable claims other than lottery, betting and gambling as one of such transactions. Thus, only lottery, betting and gambling shall be treated as supplies under the GST regime. All the other actionable claims shall not be supplies, and therefore GST is not applicable on it.

4. Whether transaction in securities be taxable in GST?: Securities have been specifically excluded from the definition of goods and services. Hence, the supply of securities shall not be liable to GST.

5. Definition of Service – Section 2(102) of GST Act: *"Services"* means anything other than goods, money and securities but includes activities relating to the use of money or its conversion by cash or by any other mode, from one form, currency or denomination, to another form, currency or denomination for which a separate consideration is charged.

Supply of Goods and Services: According to GST, supply of goods takes place under two situations:

1. Intra-state supply
2. Inter-state supply

It has been specified in Article 246A (of Amendment Bill) that Parliament has exclusive power to make laws with respect to GST where the supply of goods, or of services, or both takes place in the course of inter-state trade or commerce.

Accordingly, tax under the GST laws would be imposed in the following manner:

(a) **Intra-state supplies:** Centre shall impose CGST and the respective state shall impose SGST; and

(b) **Inter-state supplies:** Centre shall impose IGST.

But deciding whether a particular transaction is inter-state or intra-state is not an easy task.

For example, in case of hotel services, where the receiver may have an office in another state and may be visiting the hotel only temporarily, or where goods are sold on a train journey passing through different states.

It thus becomes imperative to define *"intra-state supply"*; and *"inter-state supply"*.

Accordingly, the Integrated Goods and Services Tax Act, 2016 ("IGST Act") defines the principles for determining supply of goods and/or services in the course of inter-state trade or commerce, and also in the course of intra-state trade or commerce. The said provisions are contained in Section 3 and 3A of the IGST Act.

Supply of goods and services in the course of inter-state trade or commerce means any supply where the:

(i) Location of the supplier and the place of supply

(ii) Are in different States

Supply of goods and services in the course of intra-state trade or commerce means any supply where the:

(i) Location of the supplier and the place of supply

(ii) Are in same State

Thus, for determining whether a supply is inter-state or intra-state, it is important to determine its *"place of supply"*.

"Place of supply" is also required for determining whether any supply is "export of service" or not.

Exceptions to the Above Amendement Bill

As per Article 286 (of Amendment Bill), no law of a state shall impose a tax on supply of goods or of services or both where such supply takes place:

- Outside the state, or
- In the course of import of the goods or services or both into, or export of the goods or services or both out of, the territory of India.

Transitional Provisions under GST Law

After the introduction of Goods and Services Tax (GST), there has been a significant change in the indirect tax structure in India. So, to cope up with the change, transitional provisions have been inserted in the new law to ensure smooth and hassle-free adoption of new scheme while safeguarding the interests of existing taxpayers.

Steps to Undertake for Smooth Migration

Under GST, if you are a taxpayer already registered for any of the taxes getting subsumed in GST like Central Excise, Service Tax and State VAT, then you will be automatically migrated to GST, and your registration under GST will be confirmed after provision of additional information.

Getting Final Registration under GST

For getting final registration, you will need to complete the migration process within three months. You will be able to do this by furnishing information through Form GST REG-26 on the GST portal In the meantime, the provisional ID can be used as GST Identification Number (GS TIN).

Steps for Migrating to GST Regime

- **Step 1: Enroll Online:** Taxpayers with a valid Permanent Account Number (PAN) must enroll on the common portal by validating their e-mail address and mobile number.
- **Step 2: Get REG-25:** After enrolment, registration on a provisional basis and a certificate of registration in Form REG-25 will be granted.
- **Step 3: Submit Documents:** After obtaining the provisional registration, an application in Form GST REG-26 needs to be submitted within 3 months with requisite information/ documents.
- **Step 4: Registration Granted:** If the information submitted is found to be correct and complete, final registration will be granted in Form GST REG-06.

Note: Migration mistakes may lead to show cause notice.

Input Tax Credit

One of the fundamental features of GST is the seamless flow of input credit across the chain (from the manufacture of goods till it is consumed) and across the country.

Input Tax Credit under GST: Input tax credit means at the time of paying tax on output, one can reduce the tax if a person has already paid on inputs and pay the balance amount.

For Example:

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:

- Tax payable on output (FINAL PRODUCT) is ₹ 450
- Tax paid on input (PURCHASES) is ₹ 300
- You can claim INPUT CREDIT of ₹ 300 and you only need to deposit ₹ 150 in taxes.

Who can Claim ITC?

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

- The dealer should be in possession of tax invoice.
- The said goods/services have been received.
- Returns have been filed.
- The tax charged has been paid to the government by the supplier.
- When goods are received in installments, ITC can be claimed only when the last lot is received.
- 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:

- Personal use
- Exempt supplies
- Supplies for which ITC is specifically not available

Input Tax Credit – Deviation From U

UNAVAILED CENVAT CREDIT OF CAPITAL GOODS

Where a registered person under GST has unavailed CENVAT Credit as on 30.06.2017, he will be allowed to take credit of that amount immediately subject to the following conditions:

1. Registered person under GST should not be registered under Composition Levy provisions.
2. He shall be entitled to take credit of unavailed CENVAT Credit in respect of capital goods.
3. It will not be allowed where the said amount of credit is not admissible as Input Tax Credit under this Act.

"Unavailed CENVAT Credit" means the amount that remains after subtracting the amount of CENVAT Credit already availed in respect of capital goods by the taxable person under the existing law from the aggregate amount of CENVAT Credit to which the said person was entitled in respect of the said capital goods under the existing law.

Unavailed State VAT Credit of Capital Goods

A registered person under GST (other than those who opt to pay GST under Composition Levy) shall be entitled to take credit of Unavailed Input Tax Credit under State VAT laws in respect of capital goods. However, it will not be allowed where the said amount of credit is not admissible as Input Tax credit Under this Act as well as in existing law.

"Unavailed Input Tax Credit" means the amount that remains after subtracting the amount of input tax already availed in respect of capital goods by the taxable person under the existing law from the aggregate amount of input tax credit to which the said person was entitled in respect of the said capital goods under the existing law.

AVAILING THE INPUT CREDIT HELD IN CLOSING STOCK

Eligibility conditions to avail Closing Stock Input Credit if:

1. The closing stock held either in form of raw materials, semi-finished goods, or finished goods, and must be intended to be used for taxable supplies.
2. The person is eligible for input tax credit under GST, he/she should be a regular tax payer only. A Taxable person opting for composition levy under GST is not allowed to claim Input Tax Credit.
3. You have invoices or any other prescribed duty/tax paying documents in respect of the closing stock of inputs (including semi-finished goods and finished goods).
4. The benefit of such credit is passed on, by way of reduced prices, to the recipient. In the current tax regime, duty/tax is added as product cost where the Input Tax Credit is not allowed. On transition to GST, ITC will be allowed, and this should naturally result in the reduction of base cost, and subsequently reduced final price to customers.

5. The date of invoices or any other prescribed duty/tax paying documents is within 12 months from the date of transitioning to GST.
6. The supplier of services is not eligible for any abatement under the Act.

TAX INVOICE UNDER GST

Under GST, a tax invoice is an essential document for the recipient to avail Input Tax Credit (ITC).

A registered person cannot avail Input Tax Credit unless he is in possession of a tax invoice or a debit note. GST is chargeable at the time of supply. Invoice is an important indicator of the time of supply.

Contents of Tax Invoice

The contents of tax invoice are:

(a) Name, address and GSTIN of the supplier.

(b) A consecutive serial number, in one or multiple series, containing alphabets or numerals or special characters hyphen or dash and slash symbolised as "-" and "/" respectively, and any combination thereof, unique for a financial year.

(c) Date of its issue.

(d) Name, address of the recipient and address of delivery, along with the name of State and its code, if such recipient is unregistered and where the value of taxable supply is fifty thousand rupees or more.

(e) Name, address and GSTIN or UIN, if registered of the recipient.

(f) HSN code of goods or Accounting Code of services.

(g) Description of goods or services.

(h) Quantity in case of goods and unit or Unique Quantity Code thereof.

(i) Total value of supply of goods or services or both.

(j) Taxable value of supply of goods or services or both taking into account discount or abatement, if any.

(k) Rate of tax (Central tax, State tax, Integrated tax, Union territory tax or cess).

(l) Amount of tax charged in respect of taxable goods or services (Central tax, State tax, Integrated tax, Union territory tax or cess).

(m) Place of supply along with the name of State, in case of a supply in the course of inter-state trade or commerce.

(n) Address of delivery where the same is different from the place of supply.

(o) Whether the tax is payable on reverse charge basis.

(p) Signature or digital signature of the supplier or his authorized representative.

(q) HSN Code (for the class of persons as may be required).

BILL OF SUPPLY

Bill of Supply is a document to be issued by a registered person supplying exempted goods or services or both or paying tax under the provisions of Section 10 instead of a tax invoice.

What are the Contents of Bill of Supply?

The contents of a Bill of Supply are as follows:

(a) Name, address and Goods and Services Tax Identification Number of the supplier;

(b) A consecutive serial number not exceeding sixteen characters, in one or multiple series, containing alphabets or numerals or special characters – hyphen or dash and slash symbolised as "-" and "/" respectively, and any combination thereof, unique for a financial year;

(c) Date of its issue;

(d) Name, address and Goods and Services Tax Identification Number or Unique Identity Number, if registered, of the recipient;

(e) Harmonised System of Nomenclature Code for goods or services;

(f) Description of goods or services or both;

(g) Value of supply of goods or services or both taking into account discount or abatement, if any; and

(h) Signature or digital signature of the supplier or his authorised representative.

Manner of Issuing Invoice: The invoice shall be prepared in triplicate in the case of supply of goods, in the following manner namely, by making on face of the invoice:

(i) Original for recipient

(ii) Duplicate for transporter and

(iii) Triplicate for supplier

1. The invoice shall be prepared in duplicate, in the case of the supply of services, in the following manner, namely:

(i) Original for recipient and

(ii) Duplicated for supplier

2. The serial number of invoice issued during a tax period shall be furnished electronically through the common portal in Form GSTR.

When goods supplied are returned or when there is a revision in the invoice value due to goods (or services) not being up to the mark or extra goods being issued, a Debit Note or Credit Note is issued by the supplier and receiver of goods and services.

A Debit Note or a Credit Note can be issued in two situations:

(a) When the amount payable by buyer to seller decreases: There can be a change in the value of goods after the goods are delivered and invoice is issued by the seller. This can be due to a return of goods or due to the bad quality of the goods delivered, etc. In this case, the value of goods decreases due to which a Debit Note is issued by the purchaser to the seller. The Debit Note provides details of the amount of money debited from the sellers' account and also states the reason for the same.

The reason behind this – In the purchaser's books of account, the seller will have a credit balance. When a debit note is issued, the credit balance of the seller's account decreases, thus reducing the seller's balance. It means that that lesser amount is required to be paid by the buyer to the seller to settle his liability. Thus, debit note reduces the liability for the buyer. The seller issues a Credit Note as a response or acknowledgment to the Debit Note

(b) When the amount payable by buyer to seller increases: When the value of invoice increases due to extra goods being delivered or the goods already delivered have been charged at an incorrect value, a Debit Note is required to be issued. The Debit Note, in this case, is issued by the seller to the buyer. And the buyer as an acknowledgment to the receipt of Debit Note issues a Credit Note.

The reason behind this – In the seller's books of account the buyer will have a debit balance. When a debit note is issued, the debit balance of the buyer's account increases. It means that more amount is required to be paid by the buyer to the seller to settle his liability. Thus, Credit Note increases the liability for the buyer.

Debit Note under GST

Cases when Debit Note is to be issued by the supplier:

A	Original tax invoice has been issued and taxable value in the invoice is less than actual taxable value.
B	Original tax invoice has been issued and tax charged in the invoice is less than actual tax to be paid.

Note: Debit note will include a supplementary invoice.

Credit Note under GST

Cases when Credit Note is to be issued by the supplier:

A	Original tax invoice has been issued and taxable value in the invoice exceeds actual taxable value.
B	Original tax invoice has been issued and tax charged in the invoice exceeds actual tax to be paid.
C	Recipient returns the goods to the supplier.

CGST – Rule 55

Transportation of goods without issue of Invoice (Chapter-VI: Tax Invoice, Credit and Debit Notes):

1. For the purposes of:
   (a) Supply of liquid gas where the quantity at the time of removal from the place of business of the supplier is not known,
   (b) Transportation of goods for job work,
   (c) Transportation of goods for reasons other than by way of supply, or
   (d) Such other supplies as may be notified by the Board, the consignor may issue a delivery challan, serially numbered not exceeding sixteen characters, in one or multiple series, in lieu of invoice at the time of removal of goods for transportation, containing the following details, namely:
      (i) Date and number of the delivery challan;
      (ii) Name, address and Goods and Services Tax Identification Number of the consigner, if registered;
      (iii) Name, address and Goods and Services Tax Identification Number or Unique Identity Number of the consignee, if registered;
      (iv) Harmonised System of Nomenclature code and description of goods;
      (v) Quantity (provisional, where the exact quantity being supplied is not known);
      (vi) Taxable value;
      (vii) Tax rate and tax amount – Central tax, State tax, Integrated tax, Union territory tax or cess, where the transportation is for supply to the consignee;
      (viii) Place of supply, in case of inter-state movement; and
      (ix) Signature.
2. The delivery challan shall be prepared in triplicate, in case of supply of goods, in the following manner, namely:
   (a) The original copy being marked as ORIGINAL FOR CONSIGNEE;
   (b) The duplicate copy being marked as DUPLICATE FOR TRANSPORTER; and
   (c) The triplicate copy being marked as TRIPLICATE FOR CONSIGNER.
3. Where goods are being transported on a delivery challan in lieu of invoice, the same shall be declared as specified in Rule 138.
4. Where the goods being transported are for the purpose of supply to the recipient but the tax invoice could not be issued at the time of removal of goods for the purpose of supply, the supplier shall issue a tax invoice after delivery of goods.

5. Where the goods are being transported in a semi-knocked down or completely knocked down condition:
   (a) The supplier shall issue the complete invoice before dispatch of the first consignment;
   (b) The supplier shall issue a delivery challan for each of the subsequent consignments, giving reference of the invoice;
   (c) Each consignment shall be accompanied by copies of the corresponding delivery challan along with a duly certified copy of the invoice; and
   (d) The original copy of the invoice shall be sent along with the last consignment.

INPUT CREDIT MECHANISMS

Input Tax Credit (ITC) is the backbone of the GST regime. GST is nothing but a value added tax on goods and services combined. It is these provisions of Input Tax Credit that make GST a value added tax i.e., collection of tax at all points after allowing credit for the inputs. The procedures and restrictions laid down in these provisions are important to make sure that there is seamless flow of credit in the whole scheme of transition without any misuse. Thus, the clarity of rules of availment and utilization will have significant impact on making GST a taxpayer-friendly tax. Input Credit Mechanism is available to a person when he/she is covered under GST ACT.

GST RETURN – SECTION 37

Filing GST return under GST regime is crucial as non-compliance and delay will result in penalties and affects the compliance rating and timely refunds.

What is GST Return?

A return is a document containing details of income which a taxpayer is required to file with the tax administrative authorities. This is used by tax authorities to calculate tax liability.

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

- Purchases
- Sales
- Output GST (On sales)
- Input Tax Credit (GST paid on purchases)

To file GST returns, GST-compliant sales and purchase invoices are required. You can generate GST-compliant invoices for free on Clear Tax Bill Book.

Who Should File GST Returns?

In the GST regime, any regular business has to file two monthly returns and one annual return. This amounts to 26 returns in a year.

The beauty of the system is that one has to manually enter details of one monthly return – GSTR-1. The other return GSTR-3B will get auto-populated by deriving information from GSTR-1 filed by you and your vendors.

There are separate returns required to be filed by special cases such as composition dealers.

What are the Types of GST Returns?

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

Any Regular Business

As per the CGST Act

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

Note: Subject to change by notifications/orders.

A Dealer Opting for Composition Scheme

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

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

Returns to be Filed by Certain Specific Registered Dealers

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

PROCESS OF RETURN FILING

As it is mandatory, every register person is required to file returns for the prescribed tax period within the stipulated due dates as provided in the law. The GSTN upon enrolment will provide a user ID and password which shall be used by him for filing the tax return on the common portal.

Filing First Return after Registration

While filing first return after the registration, the details of outward supplies in the period between the date on which the taxable person became liable to registration till the date on which registration has been granted shall be included the first return furnished after grant of registration.

Annual Return

Every registered person other than Input Service Distributor, a person paying TDS, a casual taxable person and a non-resident taxable person shall furnish an annual return for every financial year electronically in such form and manner as may be prescribed. This return needs to be filed by 31st December of the next financial year. In this return, the taxpayer needs to furnish details of expenditure and details of income for the entire financial year.

Final Return

Every registered taxable person who applies for cancellation of registration shall furnish a final return within 3 months of the date of cancellation or date of cancellation order, whichever is later, in such manner as may be prescribed.

Levy of Late Fee

Any registered taxable person who fails to furnish the details of outward or inward supplies or return required by the due date shall be liable to pay a late fee of one hundred rupees for every day during which such failure continues subject to a maximum of five thousand rupees.

MULTIPLE CHOICE QUESTIONS

1. GST is an example of __________.
   (a) Direct Tax (b) Indirect Tax
   (c) Import Duty (c) none of these
2. __________ is the chairman of GST Council.
   (a) State Finance Minister (b) Union Finance Minister
   (c) RBI Governor (d) Auditor General of India
3. GSTN is __________.
   (a) Government Company (b) Private Company
   (c) Multinational Company (d) None of these
4. IGST is levied by __________.
   (a) Central Government (b) State Government
   (c) Both (a) and (b) (d) None of these
5. __________ form to be filed for cancellation of GST registration.
   (a) GSTR-1 (b) GSTR-2
   (c) GSTR-10 d) GSTR-3
6. __________ tax will be imposed for intra-state supply of Goods and Services.
   (a) SGST (b) CGST
   (c) UTGST (d) VAT
7. GSTN portal is used for __________.
   (a) Registration (b) Tax payment
   (c) Filing of returns (d) All of these
8. Taxes subsumed under GST are __________.
   (a) VAT (b) Octroi Duty
   (c) Income Tax (d) Both (a) and (b)
9. All exports are supplied to SEZ units would be __________ rated.
   (a) 12% (b) 5%
   (c) 0% (d) 15%
10. GST is to be levied only at final destination of __________.
    (a) consumption (b) production
    (c) distribution (d) marketing

Answers:

1. (b), 2. (b), 3. (b), 4. (a), 5. (c), 6. (a), 7. (d), 8. (d), 9. (c), 10. (a).

Fill in the Blanks

1. __________ is an accepted mode of payment under GST.
2. GSTR-3 needs to be filed on __________ basis.
3. Tax payment should be made on or before __________.
4. ITC means __________.
5. __________ will be levied on inter-state supply of goods and services.
6. IGST has replaced __________.
7. SGST is levied by the State Government for __________ transactions.
8. GST in India has been introduced as __________ levy.
9. UTGST stands for __________.
10. According to GST, supply may be either __________ or __________.

Answers:

1. Electronic payment, 2. Monthly, 3. 20th of every month, 4. Input Tax Credit, 5. IGST, 6. CST, 7. Intra-state, 8. Dual, 9. Union Territory Goods and Services Tax, 10. Goods, Services.

Short Answer Questions

1. What is GST?
2. How to file First Return after Registration?
3. Explain the process of Return Filing.
4. Explain briefly steps for migrating to GST Regime.
5. Explain the list of taxes that the GST will likely replace.
6. Explain the advantages and disadvantages of GST.
7. What are the documents required for GST?
8. Who is liable to pay GST?
9. Explain briefly the term Supply under GST.
10. What is Input Credit Mechanism?

Long Answer Questions

1. "Indian consumers have to pay indirect tax on goods and services such as Value Added Tax." Explain.
2. "GST is also termed as One Nation One Tax." Explain.
3. "GST-compliant sales and purchase invoices are required." Explain.
4. "Registration under GST is mandatory." Explain.
5. "A registered person cannot avail Input Tax Credit." Explain.
6. "Unavailed Input Tax Credit" means the amount that remains after subtracting the amount." Explain.