

TiE CHENNAI - TiE ESSENTIALS

SESSION NO- 10

GST INTRODUCTION & REGISTRATION

Goods and Services Act

Session Focus: Introduction and Registration.

- **Earlier Regime and New Regime**
- **Features**
- **Types of GST**
- **Rates**
- **Registration- Earlier and Now**
- **Advantages of Registration**
- **Threshold Limits**
- **Person Not Liable for Registration**
- **Compulsory Registration.**
- **Composition Scheme**
- **Procedure for Registration**

Taxes fully subsumed in GST:

Excise Duty

Excise Duty levied under Mediclinal and Toileteries Preparation Act

Countervailing Duties under Customs

Special Additional Duties under Customs

Central Sales Tax

Surcharges and Cesses relating to supply of Goods and Services

Vat/Sales Tax

Entry Tax

Entertainment Tax

Taxes on lottery and betting

Luxury Tax on Hotels

Taxes not subsumed in GST:

Basic Customs Duty- Import Duty/Export Duty

Stamp Act

Professional Tax

Road Tax on Vehicles etc

Toll charges

Taxes on consumption or Sale of Electricity.

FEATURES

Paradigm Shift:

It replaces the existing Central Government Taxes such as Excise, Service Tax, CST and State Government Taxes such as VAT and Entry Tax.

Only Few Items such as Tax on Supply of Petrol, Diesel, Alcohol, and Stamp Duty are kept away from GST.

Value Added Tax:

GST is levied on the value added at each stage of the value chain. Taxes paid on inputs shall be available as credit against the output tax Liability

Pass through credit”

In GST there is a complete “ Pass through of Credit” right from the Manufacturer to the ultimate consumer.

Exceptions: Petroleum Products, Stamp Duty, Alcohol(These are not within the perview of GST)

Credit Mechanism under GST:

Set off of SGST----- Against output SGST and IGST

Set off of CGST----- Against output CGST and IGST

Set off of IGST ----- Against output IGST, CGST, SGST

TYPES OF GST

For Intra State Supplies:

CGST and SGST

For Inter State Supplies:

IGST

RATES:

NIL:

Goods: Raw Agricultural Produce like unpacked wheat, unpacked rice, fresh fruits and vegetables, coffee, beans, wheat,

Services:

Agriculture related services (Basic) ,Toll for road and bridge (Toll management charges taxable), Services by recognised institutions,

0.1%: Supply of goods by a registered supplier to Merchant Exporter for Export (w.e.f. 23.10.2017)

0.25%:Rough Diamonds, rougt precious or semi precious stones.....

3%: Gold, Silver, Platinum, Imitation and other Jewellery, pearl, diamonds.....

5%: Packaged food (Wheat, barley, oats, maize, rice, rye, aata, maida.....)

Confectionaries like Khakhra, plain chapathi or rotti, Unbranded Namkeens, bhujia....

Services: Supply of food in A/C or Non A/C(without ITC benefit), Transport of goods by rail and vessel, Jobwork of printing and news papers and books,

12%:

Diary products like condensed milk, butter, cheese, Ghee.....

Books like colouring books, picture books, corrugated paper, cartons.....

Services like outdoor catering, transport of goods by rail in containers, air transport of passengers in business class....

18%:

All goods not specified elsewhere,

28%:

Molasses, Pan Masala, Aerated Water, Tobacco Products.....

Services like, Race course-Totalizators or book maker, Accommodation in Hotels having declared Tariff of R.7500 or more.....

Registration: Erstwhile Law:

Service Provider – Central Board of Excise and Customs

Dealer of Goods- State VAT Department

Manufacturer- Central Excise and VAT and With Service Tax Department for reverse charge services.

GST Law: All under one single registration

Advantages:

- ✓ Legal recognition for the supplier of goods and services
- ✓ Authorised to collect GST
- ✓ Claim and pass on input credit
- ✓ Facilitates seamless single point filing of return, payment of tax, claiming of ITC and refund.

Threshold Limits:

Rs.20 Lakhs for Services and Rs.40 Lakhs for exclusive goods supply:

All States(Non Special Category) +

Jammu and Kashmir, Assam, Himachal Pradesh.

Exceptions:

Persons who are required to take compulsory registration.

Persons engaged in making the following supplies:

- ✓ Icecream and other edible ice whether or not containing cocoa.
- ✓ Tobacco and Manufactured Tobacco Substitues.
- ✓ Interstate supply of goods
- ✓ Persons opted for voluntary registration

Rs.20 Lakhs – Goods and Services

Arunachalpradesh

Uttarkhand

Meghalaya

Sikkim

Telangana

Puducherry

Rs.10 Lakhs for Goods and Services

Manipur

Mizoram

Nagaland

Tripura

Location of the Supplier:

Registration should be done in the place from where he makes the taxable supply. Location of the supplier is relevant for the registration and not the place of supply. The place of supply is relevant only to decide whether it is IGST or CGST/SGST.

Example:

1.X from Chennai is making a supply to Y in Andhra.

X should register at Chennai and not Andhra. However tax is IGST and not CGST/SGST.

2.CA from Chennai is doing Audit at Karnataka.

CA should register at Chennai and not Karnataka. However tax is IGST .

Aggregate Turnover:

Includes:

Taxable Supplies

Exempt Supplies

Non-Taxable Supplies

Exports

Inter-State Supplies

Supplies to Distinct Persons u/s 25

Of a person having the same PAN and computed on All India Basis.

Excludes:

Central Tax

State Tax

Union Territory Tax

Integrated Tax

Cess

Value of all inward supplies liable to RCM

Outward supply taxable under reverse charge would still continue to be included in the aggregate turnover.

However a person making only outward supply liable to RCM is exempted from Registration

Example:

How is Aggregate Turnover to be computed?

Say a dealer has 5 different offices in 5 different States. When will he be liable for Registration?

Aggregate turnover of a person having same PAN to be computed on All India Basis. In order to determine whether the Dealer is liable for registration, Turnover of all the offices would be taken in to account and only if the same exceeds threshold limit, the dealer is liable.

However, if the person has even one branch in any Special Category State, the threshold limit for GST registration will be considered at Rs.10 Lakhs.

Should the value of Exempted Turnover also be included?

A Dealer in sale of Petroleum Products provides the following information:

Sale of Petrol and Diesel – Rs65 L

Sale of Oil and Lubricants – Rs.16 L

Is he liable for registration?

Value of Exported/ Exempted/ Non Taxable/ Inter State/Distinct Person supply to be included in aggregate turnover.

Hence he is liable for Registration.

Persons Not Liable for Registration:

- ✓ Any person who is exclusively dealing in goods or services that is wholly exempt.
- ✓ An agriculturalist to the extent of supply of produce out of cultivation of land.
- ✓ Persons making only supply of goods or services chargeable under reverse charge mechanism.
- ✓ Persons supplying handicraft goods and making interstate supply are exempt, if the aggregate is less than 20/10 L.
- ✓ Job workers making interstate supply of services to a registered person have been exempted subject to Threshold Limits. However, this is not applicable with respect to jewellery, goldsmith's and silversmith's wares and other articles.
- ✓ Person making interstate supply of services are not required to register if the aggregate turnover is less than 20/10. The exemption is not available to a supplier making interstate supply of goods.
- ✓ Persons who are suppliers of service and supplying services through e commerce operators are not required to register under GST if their aggregate turnover is less than 20/10.

Example:

Ahmed from Kerala engaged in the business of supplying Tocacco based Pan Masala with an Aggregate Turnover of Rs.24L

To be registered.

Mr. X from Mizoram is engaged in the supply of papers with an Aggregate Turnover of Rs.13 Lakhs.

To be registered since he is in Mizoram

If he is in Meghalaya , it is not compulsory since the Turnover is less than 20 Lakhs.

Compulsory and Voluntary Registration:

Persons making interstate supply of goods. (Threshold limit is available only for services 20/10)

Persons who are required to pay tax under reverse charge

Persons who are required to pay tax as ecommerce operators

Persons who are required to deduct tax (TDS) whether or not separately registered under this Act.

Persons who make taxable supply of goods or services or both on behalf of other taxable persons whether as an agent or otherwise

Input service distributors whether or not separately registered under this Act

Person who takes voluntary registration. All the provisions will apply as if he has mandatory registration.

Examples:

A person effects Exempt supply of Rs.22L

Any person who is engaged exclusively in the business of supplying goods or services or both that are not liable to tax or wholly exempt from tax under this Act or under IGST Act shall not be liable to registration. Therefore, the person making exempt supplies only is not liable to register.

A Dealer provides the following information:

- a. Intra State Sales (within TN) Rs. 5L
- b. Intern State Sales (TN to Andhra) Rs.5 L

Any one making interstate sales is supposed to register irrespective of the turnover.

However, if the above are services, then he can get the basic threshold exemption of Rs.20/10 L

Composition Levy

Rs.75 L (Arunachal Pradesh, Mizoram, Nagaland, Manipur, Sikkim, Meghalaya, Tripura, Uttarakhand.

Rs.150L (Assam, Himachal Pradesh, Jammu, Kashmir and all other State and Union Territoreis)

Rs.50 L for Service Providers.

The scheme shall lapse from the day the aggregate turnover exceeds this limit during any financial year.

This is applicable to Supplier of Goods and Restaurants.

However, the supply of services is allowed up to a particular percentage.

Benefits:

1% of Turnover for manufacturer

5% for restaurant service

1% of taxable turnover for trader

6% for Service Providers.

Simple procedures and returns

A Composition Dealer has to pay tax under Reverse Charge Mechanism wherever applicable.

The rate applicable to the supplies is the rate at which GST has to be paid. This means that rate under composition scheme should not be used for reverse charge purposes.

Also, no ITC is available for tax paid under reverse charge for a composition dealer.

Conditions:

Not a manufacturer of PAN masala, Tobacco, Ice cream.

No interstate supply to be made.

Not allowed to take ITC. But on all his purchases should have paid tax.

Not allowed to collect GST.

Adopt this scheme uniformly in all the states the business is registered.

RCM under GST

Generally, the supplier of goods or services is liable to pay GST. However under RCM, the liability to pay GST is cast on the recipient of the Goods and Services.

Examples:

- ✓ Sponsorship received by a person from a company or firm – Company/ Firm is liable to GST under RCM
- ✓ Advocate services by an individual advocate/ senior advocate/ firm of advocates – Business entity is liable to pay under RCM.
- ✓ Services supplied by Director of a company – Company is liable to pay (provided he is not in employment with the company because salary is not liable to GST).

ITC

Only registered person is eligible to take ITC.

To take ITC – You should have the tax invoice issued by the vendor, should have received the goods or services. One cannot take ITC on Advance paid to vendors.

When customers pay us advance, we have to issue receipt voucher and not tax invoice. If no supply is made subsequently then Refund voucher has to be issued against the payment.

Ineligible ITC

ITC paid for following expenses are blocked credits and the business cannot take ITC on this.

Staff welfare expenses like Food and beverages, health services, cosmetic services, insurance – not used for outward supply of same category of services are blocked credits. Anything that are in the nature of personal consumption are blocked credits.

GST Returns

- ✓ GSTR 3B – Monthly Return – To be filed - 20th of next month
- ✓ GSTR 1 – Statement of Outward Supply – To be filed – 10th of next month
- ✓ If Turnover is less than 1.5Cr GSTR 1 can be filed Quarterly i.e 10th of the month following the quarter.
- ✓ GSTR 9 – Annual Return – 31st December of next FY
- ✓ GSTR 9C – Reconciliation Statement – To be submitted along with Annual Return.

