ICSI - GST

A Newsletter from The Institute of Company Secretaries of India

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IN PURSUIT OF PROFESSIONAL EXCELLENCE
Statutory body under an Act of Parliament

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Inside The Issue

From The President

FROM THE PRESIDENT

At the global front, where India is progressing as an emerging leader with an all-encompassing growth and sustainable development, Government is moving forward with the Vision New India, 2022 to uphold India as a self-reliant, self-sufficient Nation ensuring peace, prosperity, welfare, progression, growth and advancement to all its stakeholders.

The way to New India, 2022 is keen-sighting the enactment, implementation and application of various reforms in the economy, social and polity. Out of many, the successful roll out of GST is witnessing one of the biggest economic and taxation reforms undertaken in streamlining the structure of indirect taxes in making India a financial super power.

The endless benefits endorsed by GST and providing a single digital platform and overall a boost to foreign investment is promoting equitable growth as well as equitable distribution in the longer run.

Along with the victorious implementation of GST, it is also imperative to encourage the directed and accessible implementation of GST throughout the country. Professionals all among the Nation, including the Company Secretaries, are working dedicatedly in promoting the maximum of the opportunities and in effectually resolving the challenges of GST in the larger interest of the stakeholders and society as a whole.

Accordingly, to embolden the role of professionals to effectively assist the GST functioning, the Institute is regularly bringing out the publication of GST Newsletter to apprise the professional about facts and facets of GST as well as the cutting-edge updates taking place in GST regime in India. Succeeding this series, we are happy to bring out this September Issue of GST Newsletter. I am sure that this GST Newsletter would be a worthy foundation for describing the contemporary information on GST to professionals, academicians, students, and public as a whole.

As the Nation makes this transition, let us celebrate this proud moment. Happy journey into New India!

CS (Dr.) Shyam Agrawal
President, ICSI

GLIMPSES
GST PROGRAMMES

Seminar on GST at Bhubaneshwar in august presence of Shri Dharmendra Pradhan, Hon'ble Minister of State for Petroleum and Natural Gas.

President, ICSI addressing participants in Seminar on GST- a New Era held on 20th August 2017 at Bhubaneswar.

3rd ICSI-GST Core Advisory Group Meeting held on August 04, 2017 under the Chairmanship of Dr. Girish Ahuja

GST in NEWS

1. GST Council Meeting

The GST Council in its 20th meeting, held on August 5, 2017 at New Delhi, appealed to the Indian industry to pass on the input credit to customers.

The major highlights of the meeting are as under:

- The E-way bill would be rolled out from October 1, 2017. Goods more than Rs 50,000 in value will have to be pre-registered online before they can be moved. There will be no check posts and the whole process will be technology-driven with minimum human intervention
- The tax rate on some tractor parts has been reduced to 18% from 28%
- The job work rate for all kinds of work in the textile chain has been kept at 5%
- Work contracts under GST will be taxed at 12% with input tax credit
- 71 lakh central and state taxpayers have migrated to the Goods and Services Tax system. Another 15.67 lakh new applications for registration have been received
- The National Anti-profiteering Authority has been proposed to be a three-tier structure including a committee at the state level to deal with local complaints

The next meeting of the GST Council will be held at Hyderabad on September 9, 2017

2. GST mop-up in first month beats government's estimate

- The government has managed to mop up Rs 92,283 crores from goods and services tax during the first month of the new regime, from a little under 65% of the registered taxpayers
- The collections are marginally higher than the internal estimate of Rs 91,000 crore and officials are expecting more collection since several taxpayers are still filing returns

3. Over 1.9 million file GST returns

- As many as 19,42,354 taxpayers had filed returns for July under GST regime
- Officers of the GST Network (GSTN), responsible for the information technology (IT) backbone of the GST, said they hoped 2.8 million more would do so by the deadline
- Those who wished to claim transitional input tax credit could file returns by August 28, 2017

4. GSTN names 69 companies in second shortlist of GSPs

- The GST Network has shortlisted 69 more companies to become GST Suvidha Providers which include HDFC Bank, Zoho Corporation and two of the remaining Big Four consulting companies – PwC and KPMG

5. **GST rollout improves business efficiency by 30%: PM Narendra Modi**

- Trucks (carrying goods) are saving 30 per cent (travel) time post GST as check posts have been removed. This has helped save thousands of crores of rupees and more importantly time – Hon'ble PM
- Post-GST, travel time for long-haul trucks have reduced by at least a fifth according to Ministry of Road Transport and Highways

6. **Government extends tax exemption for industry in north east, hilly states**

- Industries in the north eastern and Himalayan states will continue to get tax exemption till March 2027, albeit as refund, under the current GST regime – Shri Arun Jaitley after the Cabinet meeting headed by Prime Minister Narendra Modi
- As per the scheme, industries which commenced operations during the period got excise tax holiday for 10 years, he said, adding that there is a separate residuary period for every industry because of commencement of production and their consequent entitlement of 10 year exemption

7. **Number of slabs in GST will be reduced later: Shri Arjun Ram Meghwal**

- The number of tax slabs in the Goods and Services Tax regime would be reduced with improvement in revenue-Union Minister of State for Finance and Corporate Affairs

8. **Tax-GDP ratio may rise to 11.9% due to GST, closer scrutiny: Government**

- The government expects the goods and services tax and increased surveillance to boost tax revenues over the next two years, taking India's tax-to-GDP ratio close to 12%

9. **GSTN starts registration of casual taxpayers for occasional businessmen**

- GST Network said it has started the facility for registration of casual taxpayers -- those who conduct businesses occasionally which will be valid for 90 days

10. **Government notifies dates in September for filing first GST returns**

- In line with the recommendations of Goods and Services Tax Council, the government has notified dates for filing of first GST returns, for the months of July and August
- The date of filing returns was extended earlier by the Council by a month to give more time to the taxpayers to come into the system
- For July, the three forms -- GSTR 1, GSTR 2 and GSTR 3 will have to be filed between September 1 and 5, September 6 and 10 and September 11 and 15, respectively
- For the month of August, the three forms will have to be filed between September 16 and 20, September 21 and 25 and September 26 and 30, respectively
- The GSTR-3B form for July has to be filed by August 20, while for August it needs to be filed before September 20
- For September, the last date for GST return filing for forms GSTR 1, GSTR 2 and GSTR 3 will be October 10, October 15 and October 20, respectively and there is also likely to be a penalty for delayed filing

11. State GST Bills

- Kerala government passed in the state assembly, the Kerala Goods and Services Tax Bill, 2017
- The West Bengal Goods and Services Tax Bill, 2017, was passed by the state assembly with the legislation replacing the ordinance promulgated earlier

12. Lok Sabha passes Bills to extend GST to J&K

- The lower house passed the Central Goods and Services Tax (Extension to Jammu and Kashmir), Bill, 2017 and the Integrated Goods and Services Tax (Extension to Jammu and Kashmir), Bill, 2017 after a brief discussion

13. Centre to levy 3 % IGST on banks for gold imports

- Banks indulged in importing gold and precious metals will have to shed 3 per cent Integrated-Goods and Services Tax (IGST)
- Banks did not pay any Value added Tax on import of precious metals previously. They only paid customs duty- CBEC
- Further, the banks would be responsible to pay IGST on such imports and not any overseas supplier, as per which the ownership is vested during movement of gold or silver.

14. Finance Minister Arun Jaitley indicates scope for rationalisation of rates under GST

- Finance Minister Arun Jaitley indicates scope for rationalisation of rates under GST while replying to debate on the two bills related to GST in J&K in August,2017

GST POINT is a platform to reply to the queries, difficulties and challenges faced by consumers, manufacturers, traders, MSMEs, public at large, professionals, etc. in understanding and implementation of the Goods and Services Tax Laws.

The queries will be received and replied over the phone on the issues and challenges faced by stakeholders in day to day working while implementing the GST. The help line would be open for two hours, twice a week and the queries would be addressed by subject experts. The queries may be raised at 011-45341095.

जीएसटी का वादा*

सुनों सुनों मेरे देशवासियों, सुन लो प्रिय प्रदेश वासियों ।
हो गया अवतरित मैं, भारत की पावन धरती पर।
मेरे जन्म ने बना दिया, 1जुलाई को ऐतिहासिक।
नाम है मेरा जीएसटी।

सुनों सुनों मेरे देशवासियों, सुन लो प्रिय प्रदेश वासियों।
मत समझो तुम मुझे मुसीबत, मैं तो लाया हूँ विकास की हकीकत।
कयूँ उलझे हो, कयूँ विचलित हो?
विश्वास दिलाता हूँ तुम सबको, मैं उलझन नहीं सुलझन हूँ, सबकी।

सुनों सुनों मेरे देशवासियों, सुन लो प्रिय प्रदेश वासियों ।
हूँ साधारण करता हूँ असाधारण ।
कह दो जाकर महंगाई को, अब तुम्को जाना होगा, भारत की इस उज्जवल धरती से।
कह दो जाकर बेईमानी को, अब ना चल पाएगी तेरी, कोई भी कारस्तानी।

सुनों सुनों मेरे देशवासियों, सुन लो प्रिय प्रदेश वासियों।
बोझ नही हूँ, मैं तुम सब पर, यह समझोगे, तब तुम सब।
जब जानोगे मुझको गहराई से।
जन्मा हूँ लेकर बड़े उद्धेश्य, लाऊँगा प्रगति अवश्य।

सुनों सुनों मेरे देशवासियों, सुन लो प्रिय प्रदेश वासियों।
करता हूँ वादा तुमसे, दूर करूँगा 'कर' की चोरी।
भरदूगाँ खज़ाना देश का, करदूगाँ भारत को।
सोने की चिडिया फिर से।

**Contributed by Ms. Payal Katariya, FCS, and Special Invitee, ICSI-GST Core Advisory Group*

WORKING CAPITAL–A FINANCIAL ENCOUNTER UNDER GST*

1. INTRODUCTION:

Working capital is a financial metric which represents operating liquidity available to a business. Working capital is the lifeline of a business to carry out day-to-day operations. It is the backbone and support system to any business. A healthy working capital indicates a successful business.Gross working capital is equal to current assets. Working capital is calculated as current assets minus current liabilities. If current assets are less than current liabilities, an entity has a working capital deficiency; also called a working capital deficit. Managing working capital efficiently is a problem that plagues both small and large businesses. Inability to manage working capital may have adverse effects, including premature closure of businesses. Positive working capital is required to ensure that a firm is able to continue its operations and that it has sufficient funds to satisfy both maturing short-term debt and upcoming operational expenses. The management of working capital involves managing inventories, accounts receivable and payable, and cash.

Let us take a look at the ways in which GST impacts the working capital for your organization. The purpose of this Article is for proper working capital management and how one can practice GST provisions for the advantages of their organization.

2. NEED MORE WORKING CAPITAL

Generally, business organizations are focusing on periodical assessment of their working capital needs. This is because the tax bucket your business falls under, will change depending on various factors such as:

- ✓ the nature of business,
- ✓ locationalof branches/depot.
- ✓ Rate of Taxes on Goods and Services,
- ✓ Timeline of availment of Input Tax Credit etc.

It is simply depicting that the cash flow of the organization will be negatively impacted and organization should look for new source of working capital finance or enhancement of earlier source of finance. To run the day to day operation of the business, the working capital should require only the negative things under GST are that you need more working capital under GST regime. Therefore, one such important challenge under GST regime is optimization of their working capital.

3. IMPACT OF GST ON WORKING CAPITAL:

Now, I will discuss some of business scenarios, where it will directly or indirectly impact a company's working capital.

Contributed by Mr. P.K. Singh, Author, and Member, ICSI GST Core Advisory Group

3.1 ANOTHER STATE/ UNION TERRRITORY BRANCH TRANSFER OF GOODS AND ALL SEPARATELY REGISTERED BUSINESS VERTICAL WITHIN THE STATE/UNION TERRITORY:

As per Section 25(2) of CGST Act, 2017,a person seeking registration under this Act shall be granted a single registration in a State or Union territory:

Provided that a person having multiple business verticals in a State or Union territory may be granted a separate registration for each business vertical, subject to such conditions as may be prescribed.

Supply of goods or services or both between related persons or between distinct persons as specified in section 25, when made in the course or furtherance of business.

i. Section 25(4) of CGST Act, "A person who has obtained or is required to obtain more than one registration, whether in one State or Union territory or more than one State or Union territory shall, in respect of each such registration, be treated as distinct persons for the purposes of this Act."

ii. Section 25(5) of CGST Act, "Where a person who has obtained or is required to obtain registration in a State or Union territory in respect of an establishment, has an establishment in another State or Union territory, then such establishments shall be treated as establishments of distinct persons for the purposes of this Act."

As per Rule 11 of CGST Rules,2017,All separately registered business verticals of such person shall pay tax under this Act on supply of goods or services or both made to another registered business vertical of such person and issue a tax invoice for such supply.

As per provision of GST Laws 'an establishment in a State or Union territory and any other establishment being a business vertical registered within that State or Union territory, then such establishments shall be treated as establishments of distinct persons.

An establishment of a person in a State or Union Territory and another establishment in another State or Union Territory will be treated as establishments of distinct persons for the purpose of this Act.

Thus, Supply of goods or services or both between related persons or between distinct persons as discussed above, when made in the course or furtherance of business is treated as supply and thus taxable. **Therefore, a stock transfer from one business vertical to another business vertical within a State or Union Territory and one establishment to establishment in another State or Union Territory will be taxable supply** and need more working capital to pay the tax on the transactions amongst branches as discussed. The amount of tax will be blocked till the final outward supply of goods from the branches. This may sometimes take months, during which the paid tax money won't reach the business.

3.2 SERVICES ARE EXPENSIVE:

The impact of GST varies with the type of business. For example, the services industry will be taxed at 18% under GST instead of the previous 15%. This means a considerable increase in the amount of taxes paid by these businesses and it will negatively impact on the services recipients' working capital if it on reverse charges mechanism. Service based businesses should consider how much working capital they'll need for their company's day-to-day operations under the new tax rate. This will help them prepare for the transition and make sure they have the right resources available.

3.3 IN THE COURSE OR FURTHERANCE OF BUSINESS:

GST has broadened the scope of input tax credit to include any input or services "used or intended to be used in the course of or for furtherance of business". This is positive impact on working capital. In this way businesses will be allowed to claim input tax credit on all inputs and input services including advertising and other expenses subject to the negative list given in Section 17(5) of CGST Act,2017. This will reduce cost of operation, and directly increase the net margins for businesses, thereby, strengthening their working capital.But in order to use this, businesses need to procure goods or services from registered businesses, and account for the tax paid on business overheads.

3.4 VENDORS MANAGEMENT:

Input tax credit will be dependent on supplier's compliance and responsibility to file the return declaring outward supplies along with tax payment. To claim the input tax credit, the eligibilities and conditions mentioned under section 16 of CGST Act,2017 must be fulfilled. If this is not done then it will affect the cash flow and working capital. In a situation where the supplier fails to furnish the valid return the input tax credit claimed by the business will be reversed and the provider shall have to discharge it along with interest. This also means the seller must identify those suppliers who have on-time compliance credibility. If the vendors' management fails then it will negatively impact the working capital of the company.

3. 5BUSINESS EXPENSES:

The business expenses under the negative list of section 17(5) and import of raw materials from other countries will increase the cost of manufacture. The change in your business expenses will depend on the operating costs and profits margins. The increase of tax rate to procure the materials from other countries and non availment of input tax credit on negative list of goods/services has negatively impacted the working capital of the company. Increase in tax rate or cost of the procurement because of blockage of input tax credit means an increase in working capital. Petroleum Product has been kept out of GST hence; the tax paid on Petroleum Product is not eligible as credit and same became the cost. Each industry requires the Petroleum Product such as Fertilizer Industry, Power Sector, Logistic Sector etc.Seriously consider these factors when you set your prices and assess the amount of working capital your company needs.

3.6SAVINGS ON WAREHOUSING COST ON FREE MOVEMENT OF GOODS:

In order to avoid payment of taxes for shipping goods across State/Union Territory borders, businesses have multiple warehouses in different States/Union Territories. This implies additional tax burden on each warehouse under the earlier tax regime.Because of this, business was required more operating costs and working capital. Under GST, goods can freely move in India. This will help businesses operate their warehouses more efficiently thereby helping them manage their working capital.

3.7MULTIPLE REGISTRATION FOR SUPPLIERS OF GOODS OR SERVICES BECAUSE NO PROVISION FOR CENTRALISED REGISTRATION UNDER GST:

This will increase the working capital requirement of the company because State-wise registration is required and vertical registration within the State is also permitted. To fulfill the compliances of GST, every branch need an experience person to do the day to day invoicing and accounting, computation of tax and filing of returns under GST. To comply with the provisions of GST, a team of experienced employees is required at every branch and this will lead to increase the cost of the company and negatively impact the working capital.

3.8 TIME OF SUPPLY:

Under the GST, the tax is levied when the stock is transferred. As a result, businesses will not be able to claim tax credits till the time of final sale, which may result in a huge time lag. Working capital levels might experience a drop during this time. In other words, company needs more working capital till the final sale and realization of amount from the suppliers.

3.9 IMPORT IS COSTLIER NOW:

The levy of basic custom duty plus cess and Integrated Goods and Services Tax (IGST) on the imported goods leads to more working capital requirement. In case the company is in the business of procuring raw materials from outside India, the import will be costlier and making procurement expensive. This will block the working capital till the adjustment of input tax credit on IGST.

3.10 MORE WORKING CAPITAL REQUIREMENT FOR EXPORTERS:

A registered person making zero rated supply (exporter) shall be eligible to claim refund under either of the following options, namely:—

(a) he may supply goods or services or both under bond or Letter of Undertaking, subject to such conditions, safeguards and procedure as may be prescribed, without payment of integrated tax and claim refund of unutilized input tax credit; or

(b) he may supply goods or services or both, subject to such conditions, safeguards and procedure as may be prescribed, on payment of integrated tax and claim refund of such tax paid on goods or services or both supplied, in accordance with the provisions of section 54 of the Central Goods and Services Tax Act or the rules made thereunder.

An exporter shall have to arrange additional finance for payment of duties on inputs & such finance shall be blocked till the time refund has been received by the Exporter in case of Option (b) and in the current scenario, the facility of refund is not yet activated means form GST RFD-01 (Application for Refund) cannot be filed now and due to this, the amount paid as a IGST will take more time and this needs more working capital requirement for the exporters. Regarding option (a) also working capital for an amount equal to Input duties paid by exporter shall be blocked till the time refund is received.

3.11 TAX ON ADVANCE RECEIPTS:

If anyone paid advance before the supply of goods or services will have to pay GST on it. At the time of receiving advance, supplier will have to give the Receipt voucher. The receipt voucher should contain Name of supplier, address, GST number, unique alphanumeric receipt voucher number of less than 16 characters, date of issue, name of the person who gave advance, his address, GST number, description of goods or services, amount of advance, rate of GST, amount of GST, and signature of supplier. Also at the time of filing of GST return the details of such receipts are to be mentioned in the return. The advance receipt can be adjusted only when the invoice will issue in this regard and due to this more working capital is required.

4. CONCLUSION:

It is obvious now that the Company needs to increase its working capital to ensure a healthy cash flow under GST in spite of proper tax planning and management. Under the GST regime, the working capital of a business shall be impacted greatly. Apart from the above discussion, penalty provisions and in case of appeal also require more working capital. It is advisable that the head of concerned department or top management of the Company seriously consider all the aspects discussed above, to help in mitigating any risks that may arise on usage of working capital. The more requirement of working capital will increase the cost of the products or services because company has to pay interest to avail more working capital.

Company Secretary - Naturally a GST Expert*

Historically, a Company Secretary is known for his inquisitiveness to align with the legal jurisprudence. He has got various titles such as 'compliance officer', 'conscious keeper' and so on. All such titles also tend to define his personality bit closer to the legal profession than any other field of economic practise. Indirect Taxation or its principle specie “Goods and Services Tax” [GST] is currently in news for a great opportunity it is going to offer to various classes of professionals. Off course, as members of the Institute of Company Secretaries of India, it is our bounden responsibility to understand Indirect Taxation in its new avatar i.e. GST and find out how our members can carve an exclusive role for them in both practise and employment. Below mentioned are few areas where Company Secretaries can play a meaningful role and create niche area for themselves.

1. Expert opinion

Section 153 of Central Goods and Service Tax Act, 2017 stipulates that any officer of the rank of Assistant Commissioner or above may take an expert opinion at any stage of scrutiny, inquiry, investigation or any other proceedings.

There appears an immense opportunity for the practising 'Company Secretaries' given the fact that an expert opinion would be required mostly on the issues requiring legal interpretation. By virtue of their skill sets, the Company Secretaries are best placed to interpret the law and opine on contentious issues.

Although, the legislation has not spelled who all are qualified to be an expert in the field of GST, a Company Secretary should be a natural choice for the authorities to avail of their expertise in the interpretation law.

Well, easier said than done, we need to work hard and present ourselves before the authorities as experts in the field of GST.

The GST Council may also consider to define the list of the professions who can be taken as experts by the authorities under Section 157 of CGST Act, 2017.

2. Appearance before the Officers/ Tribunal

Under Section 116 the Central Goods and Service Tax Act, 2017, only an authorised representative is allowed to appear before an officer or appellate Tribunal. The said provision specially authorises a practising Company Secretary for the above purpose. While similar provision was available inpre-GST laws, our members in all these years were more focussed on corporate laws and the available space was occupied largely by other professions.

Contributed by Mr. Gurinder Pal Singh, Head Indirect Taxes, L&T Power, and Member, ICSI-GST Core Advisory Group

Now, it is an opportunity for the Company Secretaries to make an all-out attempt to enter into this area considering that their legal acumen is possibly the best in class. More importantly, our most of the members have degree in Law and thus best suited to understand the procedures and intricacies involved in appearances. Academically, the Institute has already taken steps by way of allocating one full 100 marks paper for "Drafting and Appearances" in Professional stage.

3. Goods and Services Tax Practitioners

Section 48 of the Central Goods and Service Tax Act, 2017 speaks about the Goods and Services Tax Practitioners. GST practitioners would basically be the approved persons who can be authorized representative for the registered persons while filing various replies, appeals returns under GST provisions besides carrying our out the necessary legal compliances. Significantly, Rule 83 of the CGST Rules, 2017 has listed few qualifications for being a GST Practitioner which prominently included final examination of the Institute of Company Secretaries of India as one such qualification. Now, it is upon us to seize this opportunity given that the GST registrants will soon cross 10 million mark.

4. Assistance and mentoring for smooth transition under GST regime including registration therein

A change is always resisted. Since long, we have been following a complex tax regime for Indirect taxes. Now, a sudden transition to GST would not be easy which requires more detailingespecially in the transitional phase while dealing registration processes, transitional credits and invoicing, etc. In this view, the local chapters should set up camps in the industrial/ trading localities to prepare business [especially SMEs] and ensure smooth transition at their end. This exercise will build strong relationship between SME community and our professionals.

5. GSP/ASP

GST legislation(s) have carved a role for intermediaries by the name of GSP and ASP which shall play critical role in facilitating compliances by the registered persons. It is of common knowledge that the compliances under GST are not only heavy but also technology driven. Thus, these intermediaries are here to play an important role in driving this tech heavy tax regime. While, we the Company Secretaries are more akin to legal side of the profession but let us not forget that the Companies Act was the first economic legislation where under the compliances were digitally mandated by the Government and the company secretaries were key stakeholders in managing such change.

In fact, over the years, our member in practise have added vast technical infrastructure and competencies for ensuring web based and digital compliances. It is therefore important for us occupy space in this intermediary business. In the alternative, we may have tie ups with major GSPs/ ASPs for providing one stop solution to the trade and industry.

6. GST and more

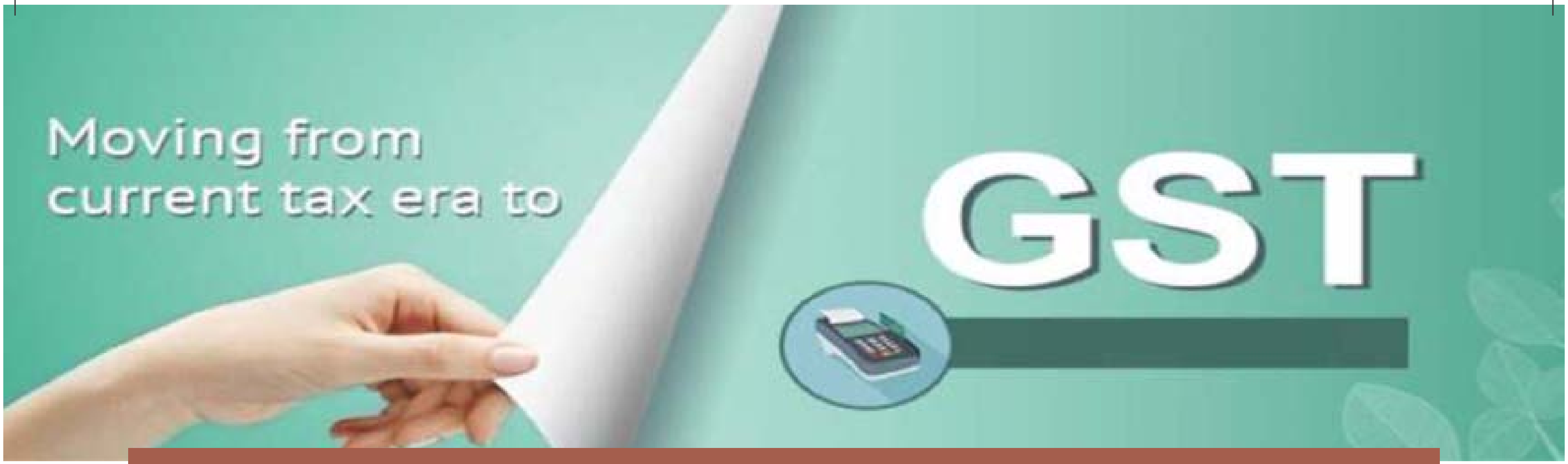
While, our focus area, without fail, should be GST, let us not ignore other facets of Indirect Taxes which shall continue alongside the GST. The significant ones are Foreign Trade Policy and Customs lawwhich equally offer host of practising opportunities for the Company Secretaries and are connected with GST in so many ways. Besides, the continuance of VAT and excise duty on petroleum productswill provide good opportunities with petroleum companies and retailers.

GST QUIZ*

1	Threshold limit for composite tax levy for maximum states	a) Rs.60 lakhs b) Rs.50 lakhs c) Rs.40 lakhs d) Rs.75 lakhs
2	Taxable levy in case of restaurant services under composite scheme	a) Two percent b) Three per cent c) Five per cent d) Half per cent
3	Whether person opted for composite scheme eligible for input tax	a) Yes b) No c) None of the above d) Only B
4	Whether person opted for composite scheme collect tax under GST	a) No b) Yes c) Only A d) None of the above
5	The liability to pay tax on goods shall arise	a) At the time of supply b) At the time reaching goods to supplier c) At the time of preparing invoice d) None of the above

Answer: Q1- D, Q2- C, Q3-D, Q4-C,Q5-A

Contributed by Mr. A. Rengarajan, Practising Company Secretary, and Member, ICSI-GST Core Advisory Group



Composition scheme / Composition levy*

What is composition levy under GST?

The composition levy is an alternative method of levy of tax designed for small taxpayers whose turnover is up to Rs. 75 lakhs (Rs. 50 lakhs in case of few States).

Moreover, it is optional and the eligible person opting to pay tax under this scheme can pay tax at a prescribed percentage of his turnover every quarter, instead of paying tax at normal rate.

Basic Eligibility
Composition scheme is available to small taxpayers whose aggregate turnover in the ***preceding financial year*** did not cross Rs. 75 lakhs/50 lakhs.

Small Taxpayers

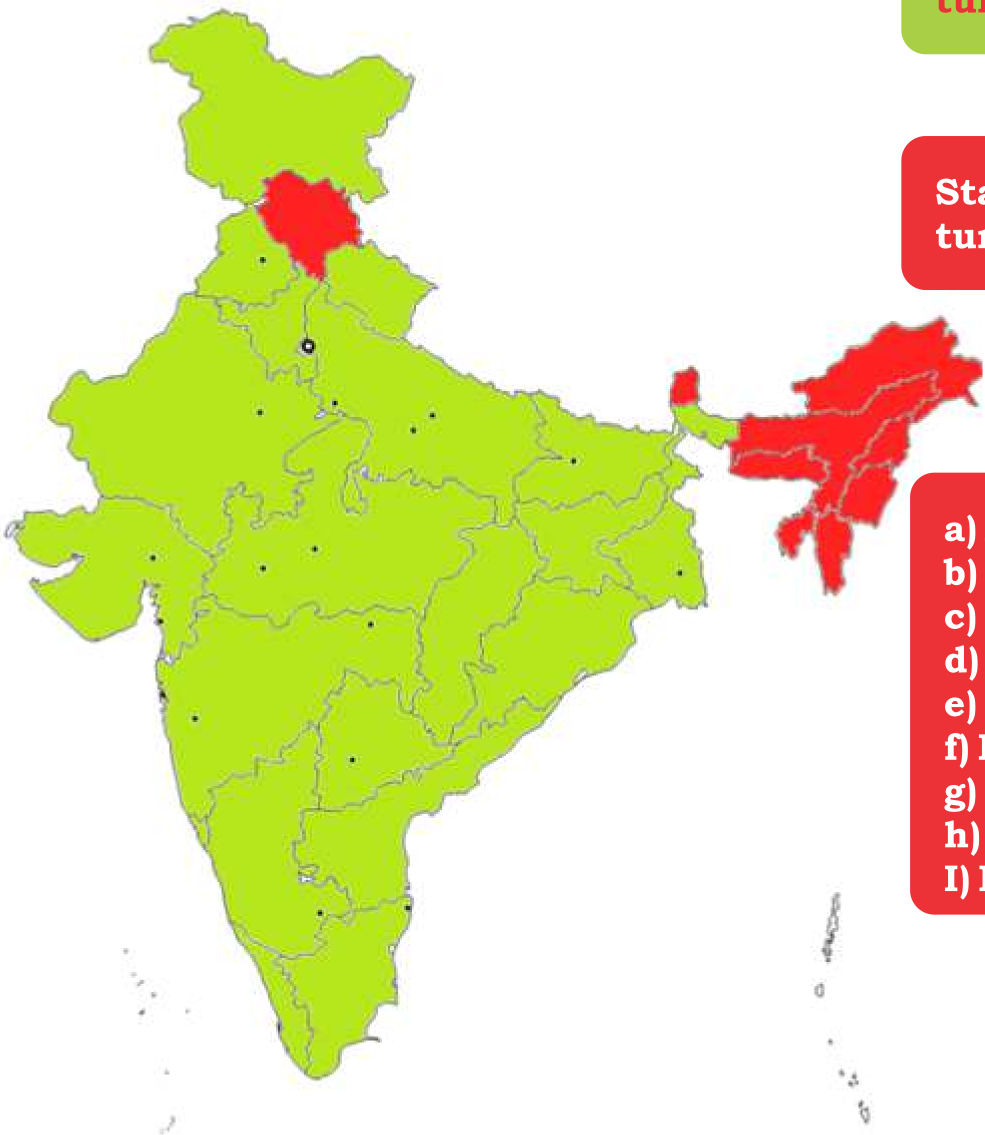
Composition Scheme

Aggregate turnover* < 75 lakhs

Aggregate turnover < 50 lakhs

***Contributed by Ms. Payal Katariya, FCS, and Special Invitee ICSI-GST Core Advisory Group**

States having the turnover limit of INR 50 Lakhs



States with aggregate turnover < 75 lakhs

States with aggregate turnover < 50 lakhs

a) Arunachal Pradesh
b) Assam
c) Manipur
d) Meghalaya
e) Mizoram
f) Nagaland
g) Sikkim
h) Tripura
I) Himachal Pradesh

Computation of Aggregate turnover

Aggregate turnover means Total for a PAN pertaining to Goods / Services / All Business verticals and All India Basis

Includes value of:

» All Taxable supplies

» Exempt supplies

» Exports

Excludes value of:

» Inward supplies under reverse charge

» Central, State / UT and Integrated taxes and cess

Who can't avail Composition Scheme?

- Casual Taxable person or a non-resident taxable person
- Supplier of services, other than restaurant service
- Supplier who has purchased any goods or servcies from unregistered supplier unless he has paid GST on such goods or services on reverse charge basis;
- Persons supplying goods which are not taxable under GST law;
- Persons making any inter-State outward supplies of goods;
- Suppliers making any supply of goods through an electronic commerce operator who is required to collect tax at source under section 52;

Important Note: There is no restriction on procuring goods from inter-state suppliers by persons opting for the composition scheme

Registration		
Situation	Form	Apply
Provisional Registration	CMP 01	Before16th August 2017
New Registration	REG 01	Within 30 days
Registered under regular GST	CMP 02	Prior to commencement of Financial year

Effective date of Composition Scheme?

Situation	Effective Date
Persons who have been granted provisional registration and who opt for composition levy (Intimation is filed under Rule 3 (1) in **FORM GST CMP-01)**	1st July, 2017
Persons opting for composition levy at the time of making application for new registration in the same registration application itself (The intimation under Rule 3 (2) in **FORM GST REG-01)**	Effective date of regi stration; Intimation shall be considered only after the grant of registration and his option to pay tax under composition scheme shall be effective from the effective date of registration.
Persons opting for composition levy after obtaining registration (Theintimation is filed under Rule 3(3) in **FORM GST CMP-02)**	The beginning of the next financial year.

Compliances & Obligations after registration

- Composition dealer will issue **"Bill of Supply"**
- On the bill a wording "composition taxable person, not eligible to collect tax on supplies" shall prominently written.
- "Composition Taxable Person" should be prominently displayed in his place of business.
- Composition dealer shall not charge any tax on the bill of supply.
- Such person is required to furnish the **details of stock,** including the inward supply of goods received from unregistered persons, held by him on the day preceding the date from which he opts to pay tax under the composition scheme, electronically, in FORM GST CMP-03, on the common portal, either directly or through a Facilitation Centre notified by the Commissioner, within a period of sixty days from the date on which the option for composition levy is exercised or within such further period as may be extended by the Commissioner in this behalf.

Rate of tax under Composition Scheme

Sr. No.	Category of Dealer	CGST Tax Rate	SGST Tax Rate	Total Tax
1	Manufacturers, other than manufacturers of such goods as may be notified by the Government (Ice cream, Pan Masala, Tobacco products etc.)	1.0%	1.0%	2.0%
2.	Traders or any other supplier eligible for composition levy	0.5%	0.5%	1.0%
3.	Restaurant Services	2.5%	2.5%	5.0%

Returns

- Composition dealer require to file quarterly return in form GSTR-4 last date of filing for F Y 2017-18 are 18th October 2017, 18th January 2018 and 18th April 2018
- Annual Return in form GSTR-9A
- for the F Y 2017-18 to be filed by 31st December 2018

Action to be taken after crossing threshold limit

After crossing threshold limit Composite dealer will be required to file an intimation for withdrawal from the scheme in **FORM GST CMP-04** within **seven days** from the day on which the threshold limit has been crossed.

However, such person shall be allowed to avail the input tax credit in respect of the stock of inputs and inputs contained in semi-finished or finished goods held in stock by him and on capital goods held by him on the date of withdrawal and furnish a statement within **30 days** of withdrawal containing the details of such stock held in **FORM GST ITC-01** on the common portal

Voluntarily withdrawal from the Composition scheme

The registered person who intends to withdraw voluntarily from the composition scheme can file a duly signed or verified application in FORM GST CMP-04.

Every person who has filed an application for withdrawal from the composition scheme, may electronically furnish, a statement in FORM GST ITC-01 containing details of the stock of inputs and inputs contained in semi-finished or finished goods held in stock by him on the date of withdrawal, within a period of thirty days of withdrawal.

Cancellation of composition permission by proper officer.

•Where the proper officer has reason to believe that the dealer opting compensation scheme, in not eligible to pay tax as per scheme or has contravenes the provision of GST Act or Rules, he may issue notice in form **GST CMP-05** to show cause within **15 days** of receiving the notice why the permission shall not be denied.

- The dealer shall file reply to the notice in form **GST CMP-06.**
- The proper officer within **30 days** of receiving reply, shall issue an order in form **GST CMP-07** either accepting the reply or denying the option to pay tax as per composition scheme.
- When cancellation order is passed, submit details of stock as on that date and file form **GST ITC-01** within **30 days** from the date of order.
- Can Claim ITC as per GST ITC-01 form.

Consequences of contravention of any provisions of composition levy

If a taxable person has paid tax under the composition scheme though he was not eligible for the scheme then the person would be liable to penalty and the provisions of section 73 or 74 shall be applicable for determination of tax and penalty.

Important Interpretations

- Can't provide services along with goods supplied
- Not dealing in tax free or zero rated supply of goods
- The dealer cannot claim credit for tax paid on purchase
- The scheme is optional and dealer can opt out to be a normal dealer after filing application or giving intimation
- Manufacture of Ice cream, ice, pan masala, tobacco & substitute not allowed
- Not supplying goods through ecommerce operator
- composition dealer cannot collect tax paid by him on outward supplies from his customers
- The dealer cannot collect from customer GST at schedule rate
- Can't issue tax invoice

Important Interpretations

- The option to pay tax under composition scheme will have to be exercised for all States

- Any intimation or application for withdrawal in respect of any place of business in any State or Union territory, shall be deemed to be an intimation in respect of all other places of business registered on the same Permanent Account Number.

GST SECTORAL SERIES : TEXTILES*

Source: http://www.cbec.gov.in/resources//htdocs-cbec/gst/sectoral-booklets-textiles.pdf

FAQ: TEXTILES

Question 1: As per Chapter 53 heading 5303 of the GST rate schedule, raw jute has been kept at the NIL rate slab. Thus, it is presumed that suppliers dealing only in raw jute are not required to register themselves under GST. But Jute Mills are asking their raw jute suppliers to mandatorily register themselves else their supplies would not be accepted. Please clarify whether raw jute suppliers are liable for registration?

Answer: Raw jute has been kept at NIL rate of GST i.e. there would be no tax on raw jute. Therefore, as per Section 23 (1) (a) of the CGST Act, 2017 the suppliers dealing only in raw jute are not required to register.

Jute mills are not required to pay tax under Reverse Charge Mechanism (RCM) as mentioned under Section 9(4) of the CGST Act, 2017 because both the goods have been kept at NIL rate of duty.

Similarly, Raw Silk has also been kept at NIL rate of GST i.e. there would be no tax on raw silk. Therefore, the suppliers dealing only in raw silk are also not required to register.

Question 2: Cotton under chapter heading 5201 and 5203 has been kept in 5% rate slab. Does this mean that cotton farmer is required to register under GST?

Answer: No. As per Section 23(1)(b) of the CGST Act, 2017 an agriculturist, to the extent of supply of produce out of cultivation of land is not liable to registration.

Question 3: Does the buyer of raw cotton (who is a registered person) from the farmer need to pay GST on Reverse Charge basis?

Answer: Yes. As the cotton under heading 5201 and 5203 has been placed under 5% rate and the cotton farmer is not liable to registration, the buyers of raw cotton (who are registered persons) from the farmers are required to pay tax on reverse charge basis as per Section 9 (4) of the CGST Act, 2017.

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Question 4: In respect of goods classified under Chapters 61, 62 and 63, the rate of tax for goods of sale value not exceeding Rs.1000/- is 5% and for those exceeding Rs.1000/- is 12%. Is this value transaction value or MRP?

Answer: As per the rate schedule, all goods of sale value not exceeding Rs.1000/- per piece would be taxed at 5% and the goods of sale value exceeding Rs.1000/- per piece would be taxed at 12%. Therefore, it is the sale value i.e. the transaction value on which the tax has to be paid and not the MRP.

Question 5: No rates have been announced for Jute bags and Jute blended bags. It is feared that they may be placed under Chapter 42 for leather wherein the rate for leather bags is indicated as 28%. It is suggested that the Jute bags may be kept at zero % to promote production of green Jute Diversified products for combating pollution and safe guarding environment?

Answer: The bags made of jute are clearly specified in the rate schedule under heading 4202 22 30. The rates for Hand bags and shopping bags of jute is 18%.

Question 6: Man-made textile yarns have been kept at 18% while fabrics have been kept at 5%. If I buy yarn worth Rs. 100 by paying tax at 18% i.e. Rs. 18/- and I sell grey fabrics at Rs. 150/- considering 50% value addition by paying tax at 5% i.e. Rs. 7.50, what will be the treatment of remaining input credit of Rs. 11.50. Whether I would get refund of remaining credit and how much credit would I get?

Answer: You will be eligible for full ITC of Rs. 18/- paid on your inputs i.e. yarn but whatever credit remains unutilized will remain in your electronic credit ledger and no refund of the same will be allowed.

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Note: Reference to CGST Act, 2017 includes reference to SGST Act, 2017 and UTGST Act, 2017 also.

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Your product was not unconditionally exempt from the whole of the duty of excise under the Central Excise Tariff. If you do not possess invoices/other documents evidencing payment of excise duty in respect of your stock of goods, you will be allowed to avail input tax credit on goods held in stock on the appointed day at the rate of 40% of the central tax on your intra-State supply of goods after the appointed day or 20% of the integrated tax on your inter-State supply of goods after paying central tax/integrated tax on such supply. You are allowed to enjoy the scheme for six months from the appointed day or till such stock is sold out, whichever is earlier, and tax paid by you shall be credited as central tax in your electronic credit ledger.

Question 20: I am a manufacturer of readymade garments. If I send any inputs to the job worker, will it be treated as taxable supply under the GST Act? Can I supply the goods after completion of job work from the place of business of the job worker?

Answer: You can send your inputs or capital goods to a job-worker for job work without payment of tax and also bring back the same, after completion of job work, within one year or three years respectively.

You can also supply the inputs or capital goods from the place of business of the job worke subject to the condition condition that you have to declare the place of business of the job-worker as your additional place of business if the job-worker is not a registered person.

However, if the inputs or the capital goods, other than moulds and dies, jigs and fixtures or tools, which have been sent to the job-worker are not received back within the specified time period, it shall be deemed that you have supplied the inputs or capital goods on the day when you have sent it to the job-worker and you have to pay tax on such supply accordingly.

Question 7: We are a small saree manufacturer at Surat. We buy ready dyed fabrics and get job work, hand work, stitching etc. done to create designer sarees. Wholesalers and retailers from all over India buy these sarees on credit basis for 30 days to 240 days. I as a trader have some queries regarding implementation of GST from 1st July 2017:

(a) Whatever is sold, 15-30% is returned. What would be treatment of goods returned and how would I adjust my taxliability if the entire GST has already been paid?
(b) What would happen to my opening stock on 1st July 2017. Will I get input credit on it or do I just need to supply it after adding 5% GST on it?
(c) Is government assuring of payment within 180 days. There are rumours that the wholesaler/retailer has to pay within 180 days. Is it true?
(d) How will I make my invoices if a buyer under the composition scheme come to buy our sarees?
(e) We are confused about GST implementation as there was no tax on us before. Will we get relaxation for the return filing?

Answer:

(a) You can issue a credit note in respect of the goods returned and adjust your tax liability if the person returning the goods has reversed the credit availed by him at the time of original supply. Such credit note cannot be issued after September of the fol lowing year or filing of annual return whichever is earlier.

(b) Full credit of the tax paid on the stock would be available if the documents evidencing tax pay ment are available. However, if only documents relating to procurement are available with no documents evidencing tax payment, deemed credit would be admissible in respect of textiles only if the goods were taxable under the Central Excise Act. Such credit would be available after the tax has been paid on supply of these goods. This facility is available for 6 months period only or till the date of sale of such stock whichever is earlier and is limited to 40% of the central tax paid by you.

(c) As per the second proviso to Section 16(2)(d) of the CGST Act, 2017 if a recipient of the supply does not pay to its supplier the value of the supply along with the tax within 180 days from the date of issue of invoice by the supplier, the amount of ITC availed proportionate to the unpaid amount would be added to the output tax liability of the recipient of the supply along with the interest thereon. The credit so reversed can be reclaimed when the value is paid to the supplier along with the tax thereon. Thus the government is not assuring payment within 180 days.

(d) A normal invoice has to be issued irrespective of whether the buyer is under composition scheme or not. The difference would be only when you receive supplies from the person registered under the composition scheme.

(e) Relaxation in filing of returns for the month of July and August, 2017 has already been provided as per which for the first two months of GST implementation, the tax would be payable based on a simple return (Form GSTR-3B) containing summary of outward and inward supplies which will be submitted before 20th of the succeeding month. However, the invoice-wise details in regular GSTR – 1 would have to be filed for the month of July and August, 2017 as per the timelines given below:

Month	GSTR – 3B	GSTR - 1	GSTR-2 (auto populated from GSTR-1)
July, 2017	By 20th August	By 5th Setember	6th – 10th September
August, 2017	By 20th Setember	By 20th Stember	21st – 25th September

Answer:

(a) When you make supplies out of this stock after 1st July, 2017 you will be liable to pay tax as applicable to the goods sold by you.

(b) GST rate on fabric is flat 5% irrespective of composition.

(c) Upto Rs. 1.5 cr turnover, no HSN code is required to be mentioned. For those having turnover of Rs. 1.5 to 5 Cr, first 2 digits of the HSN code are required i.e. the chapter number. Only those who have turnover above Rs. 5 Cr are required to mention 4 digits of the HSN code. You will start getting the HSN code in your supplier's invoice, so it would not cause any issues once the supplies under new regime take place.

(d) ITC would be admissible as per the Transitional provisions of GST Law.

(e) Rate of tax linked to the sale value applies only to garments and not for sarees and suilengths which are fabrics.

Question 19: I am an un-registered trader dealing in textile fabrics which was exempted from tax under the State VAT Act. If I get registered under the GST Act, will I be eligible to avail of input tax credit on my stock of goods lying on the appointed day?

Answer: Since the goods you are dealing with are exempted from tax under the State Act, you will not be eligible to avail input tax credit as SGST under the SGST Act, 2017 on your stock of goods lying on the appointed day.

But, you will be eligible to enjoy CENVAT credit as Central Tax on your stock if you have invoices or other prescribed documents evidencing payment of excise duty under the existing law and such invoices/prescribed documents were issued not earlier than twelve months immediately preceding the appointed day.

Question 17: What would be the GST rate on old cotton dhoti used for cleaning purpose? It is a used product recycled for cleaning purpose. Is there any GST on old dhoti because there is no VAT on old dhoti?

Answer: Dhoti is classifiable under Chapter 52 or Chapter 54 as fabrics. Old dhoti is classifiable under heading 63.09 as worn clothing. The tax for chapter 63 is similar to apparels and related to sale value whereas cotton fabrics/man-made fabrics, irrespective of value, are taxed at 5%. Whatever be the classification, as presumably the old cotton dhoti would be below the sale value of Rs.1000/- per piece, it would be taxed at 5%.

Question 18: We are small traders of textile dealing in Suiting, Shirting, Sarees, Dress Material, Blankets, Dhoti etc. We have some queries regarding implementation of GST from 1st July 2017:

(a) What will be the status of opening Stock of Textile items? Will 5% be added on closing stock as on 30th June 2017?

(b) What is the GST rate in Fabrics, as there are various types of fabrics like cotton, synthetics, man-made fabrics, acrylic, Mixture of cotton and other fabrics etc. Will there be flat rate of 5% on all fabrics or different rate?

(c) Please provide clarification on HSN number. Is it mandatory to quote in invoice by B2C traders & B2B traders? Further there are various codes in one type of item, would it not create confusion among traders?

(d) As per news in CNBC, input tax credit would not be allowed in textile for some period? Please clarify.

(e) Is Rs 1000/- bracket for 18% rate applicable on Sarees and suit lengths or will it attract flat rate?

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Question 8: I have a manufacturing unit of Cotton trouser where customer gives me fabric and I have to convert it into trouser. What would be the rate applicable on me 5 % or 18 %?

Answer: The services provided by you fall under the category of job work by virtue of the definition of job work provided under Section 2 (68) of the CGST Act, 2017. The rate for job work in relation to trouser, which is a wearing apparel, is 18%.

Question 9: We are manufacturing Floor Coverings falling under Chapter 57. As per GST Council meeting dated 11.06.2017, the rate on Coir mats, mattings and floor coverings falling under Chapter 57 have been reduced from 12% to 5%. Kindly clarify as to whether rate of 5% will be applicable on all types of mattings and floor coverings of Chapter 57 or only to those made of coir?

Answer: 5% rate will apply to only the specified items of coir.

Question 10: We are manufacturing laminated textile under chapter 59. Previously, our product was exempted under Notification no. 30/2004-CE. But in States we were paying 4% VAT. Also we are doing job work of textile lamination for some customers. Our invoice value is sum total of raw material used for job work, labour charges and profit. Under GST regime:

(a) Whether we will get input credit on material?

(b) How can we make invoice, which rate, or we have to make two different invoice, one for material used for lamination and other for service charges?

Answer:

(a) Yes. You would be eligible for credit of tax paid on material used for job work.

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(b) No. You are not required to raise two different invoices. You would be raising one invoice similar one to what you have been doing till now and GST at the applicable rate will be charged on the invoice value. You can pay your tax liability by using Input Tax Credit (ITC). However, invoice should carry all the details as required by the CGST Act, 2017 and the CGST Rules.

Question 11: We are in Furnishing Fabrics Industries for curtain and upholstery fabrics. We mainly deal in Woven, Knitted, Polyester and Coated fabrics. You are requested to help us to know the chapter number under which our fabrics as mentioned herein above are covered and GST rate applicable to us?

Answer: The woven fabrics are classifiable under the various headings depending upon their composition. The knitted or crocheted fabrics fall under Chapter 60. Polyester fabrics fall under Chapter 54 and 55 and Coated fabrics fall under Chapter 59.

Question 12: There is a gross confusion on the tax applicable for Embroidered Sarees and Fabric. Typically, principal manufacturers supply fabric/Sarees to Job workers and get various embroidery designs done on the fabric/sarees. We understand that the textile jobworker would charge an output supply GST of 5% on the composite jobwork supply. This embroidery fabric/saree are then sold by the principal manufacturers to wholesale and retail sellers. What would be the output GST applicable on such embroidered fabric/sarees when the same is sold by the principal manufacturer?

Answer: The rate of 5% would be chargeable on the job process relating to the textile yarns (other than Man Made Fibre/Filament) and fabrics. Sarees are treated as fabrics and a saree remains fabrics only as no new item emerges having distinct name, character and use. Stitching of two or more different kinds of fabrics also does not take away its classification. Therefore, the sarees whether embroidered or not would be taxed at the same rate at which the fabric is taxed.

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Question 13: Will the 5 % fabric GST be applied or 12% GST of embroidery strips/badges be applied?

Answer: Embroidery strips/ badges (narrow woven fabrics) are classified under heading 5810 and chargeable to tax at 12%.

Question 14: What is the difference between Fabric and Made-ups? Whether Shawl is a fabric or apparel or made-up. What is the rate on Shawls?

Answer: Shawls fall in the category of articles of apparel and clothing accessories and are classified under heading 61.17, if knitted or crocheted and under heading 62.14, if not knitted or crocheted. The rate of tax is 5% if the sale value of shawl does not exceed Rs.1000/- per piece and the rate is 12% if the sale value exceeds Rs.1000/- per piece.

Question 15: Dress material are sold by length. They can include upto 3 pieces. These can be plain or embroidered (value-addition or further worked upon). Where should dress material be classified?

Answer: Dress sets are classified under heading 6307 and the rate of tax on the dress materials/patterns is similar to the apparels i.e. for dress material of sale value not exceeding Rs.1000/-, tax at 5% would be charged and for dress material of sale value exceeding Rs.1000/-, tax at 12% would be charged.

Question 16: Please clarify the ITC (HS) of yarn made from worn clothing, the material composition of which varies from lot to lot. It is uncertain as the clothing may be of cotton/woollen/man made fibre**?**

Answer: Under HSN, the classification of yarn is on predominance basis. So the yarn having predominance of wool would fall under Chapter 51. If all kinds are in equal proportion i.e. no fibre is predominant, it will get classified in the chapter covering the fibre last in the numerical order, so Chapter 54 or 55 in case MMF are present.

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GST SECTORAL SERIES : MSME

Source: http://www.cbec.gov.in/resources//htdocs-cbec/gst/sectoral-booklets-msme.pdf

Question 55: Whether a registered person under the composition scheme needs to learn HSN code of any input purchases and output supplies?

Answer: No, a registered person under the composition scheme would not need to specify HSN code of their products in bill of supply or return.

Question 56:. What return a registered person under the composition scheme needs to file and at what frequency?

Answer: A registered person under the composition scheme of GST is required to furnish quarterly return called GSTR-4 between the 11th day and 18th day of the month succeeding the quarter.

Question 57: What details are required to be furnished in the return to be filed by the registered person under the composition scheme?

Answer: GSTR-4 may be referred for details required to be filled in the return. It is a very simple return containing consolidated details of outward supplies, details of import of services or other supplies attracting reverse charge and inward supplies which shall be auto-populated.

Note: Reference to CGST Act, 2017 includes reference to SGST Act, 2017 and UTGST Act, 2017 also.

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FAQ: MSME

Question 1: What is GST?

Answer: GST stands for Goods and Services Tax, which is levied on supply of goods or services. "Supply" is a legal term which has very broad sweep and various types of economic activities are covered by it. For example, sale of goods is a type of supply.

Question 2: On what supply is GST levied?

Answer: GST is levied on all types of supplies which are – (i) made for a consideration and (ii) are for the purpose of furtherance of business. There are some exceptions when these conditions are not met, yet supply is considered to have been made, for example, interstate stock transfer of goods even without consideration or importation of services even if not in the furtherance of business.

Question 3: Will GST be levied on all goods or services or both?

Answer: No, GST will not be levied on alcohol for human consumption. GST on Crude, Motor Spirit (Petrol), High Speed Diesel, Aviation Turbine Fuel and Natural Gas will be levied with effect from a date to be decided by the GST Council. Electricity and sale of land and building are exempted from levy of GST. Securities are neither goods nor services for the purposes of the CGST Act, 2017 and therefore supply of securities is not taxable.

Question 4: How many types of GST will be levied on different kinds of supply of goods or services?

Answer: GST is a dual levy to be simultaneously levied by both Centre and State. On every supply within a State/ Union Territory without legislature (intra-State supply), GST levied will have two components - Central Tax and State Tax/ Union Territory Tax popularly called CGST and SGST/UTGST. On every supply across States (inter-State), Integrated Tax popularly called IGST will be levied. The rate of CGST and SGST/UTGST would be equal. IGST would be levied at a rate equal to the sum total of CGST and SGST/UTGST.

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Question 5: Whether a registered person will have to approach two authorities - Centre as well as State for various permissions, audit etc. under the Act?

Answer: No, a registered person will have to approach only one tax authority for all practical purposes. Each registered person would have one tax administration office, either of the Centre or of the State. Legal provisions (called cross-empowerment) have been made to ensure that one officer can discharge all functions under CGST, SGST and IGST Act. The registered person would be informed of the tax administration concerned with him. A single registration is granted for the purposes of CGST, SGST/UTGST and IGST.

Question 6: What is destination based consumption tax?

Answer: When a supply originates in one State and is consumed in another State, tax can accrue to either of the two States. In a destination based consumption tax, taxes accrue to the State where the supply is consumed. In origin based tax, the tax accrues to the State where the supply originates. GST is basically a destination based consumption tax. For example, if a car is manufactured in Chennai but is purchased eventually by a consumer in Mumbai, SGST (or the State component in IGST) would accrue to Maharashtra and not to Tamil Nadu.

Question 7: Who will pay GST?

Answer: GST is generally paid by the supplier, i.e. the one who makes the supply after collecting it from the recipient. The supplier collects GST from the recipient of the supply as part of the consideration. However, in a few exceptional cases, the recipient, would be liable to pay GST to the Government on reverse charge basis.

Question 8: What is Input Tax Credit?

Answer: A person doing business will be purchasing goods/ availing services for making further supplies in the course or furtherance of business. When such purchases are made by him, tax would have been charged by his supplier and collected from him. Since tax is collected from him, he can avail credit of the tax paid by him to his supplier (that is to say, he can use this amount for making payment of tax due from him on further supply made by him). This is known as input tax credit for the recipient.

Question 51: What are the accounts a manufacturer under the composition scheme needs to maintain?

Answer: Rules on Accounts and Records provide details of the accounts to be maintained. They are maintained under normal course of business by any small manufacturer. The details to be maintained in accounts inter-alia consists of goods supplied, inward supplies attracting reverse charge, invoices, bills of supply, delivery challans, credit notes, debit notes, receipt vouchers, payment vouchers, refund vouchers etc.

Question 52: Does a manufacturer under the composition scheme need to maintain details of accounts of every supply received and made?

Answer: No, the requirement to maintain detailed accounts of stocks in respect of goods received and supplied, work in progress, lost, destroyed etc. does not apply to a manufacturer under the composition scheme. Such a person shall maintain a true and correct account of production or manufacture of goods, inward and outward supply of goods, stock of goods, tax payable and paid.

Question 53: Does a manufacturer under the composition scheme needs to maintain account of inputs tax credit?

Answer: A manufacturer under the composition scheme need not maintain account of input tax, input tax credit claimed etc. as he is neither allowed to avail of input tax credit nor can he issue an invoice showing tax using which buyer can avail input tax credit.

Question 54: Can a manufacturer under the composition scheme maintain his accounts manually? And can he issue his bill of supply manually?

Answer: Yes, a manufacturer under the composition scheme can maintain his accounts in registers serially numbered and also issue bill of supply manually following the conditions specified in rules in this regard.

Question 47: Can a person paying tax under composition scheme make exports or supply goods to SEZ?

Answer: No, because exports and supplies to SEZ from Domestic Tariff Area are treated as inter-State supply. A person paying tax under composition scheme cannot make inter-State outward supply of goods.

Question 48: Can a manufacturer under composition scheme do job-work for other manufacturers?

Answer: Job-work is a supply of service and not eligible for composition scheme. Any manufacturer or processor who wishes to carry out job-work for others would not be eligible for composition scheme.

Question 49: How can tax payments be made by a registered person under the composition scheme?

Answer: A registered person under composition scheme would not have input tax credit and he would make all his tax payments by debit in the electronic cash ledger maintained at the common portal. The taxpayer can deposit cash anytime in the electronic cash ledger at his convenience. The payment in electronic cash ledger can be made through all modes available like e-payment through net-banking, credit card and debit card, over the counter of banks, RTGS or NEFT.

Question 50: Does a registered person under the composition scheme pay his taxes every month?

Answer: No, registered person under the composition scheme will not pay taxes every month. He would file return and pay taxes on a quarterly basis i.e. for each quarter of the financial year. Due date for payment of tax for them would be on or before the 18th day after the end of such quarter.

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Question 9: Is GST going to increase compliance burden on the trade?

Answer: No. On the contrary GST will result in streamlining of processes and reduction of compliance burden. GST is a simple tax which uniformly applies across the country. GST has been designed to have minimal human interface and would be implemented through strong IT platform run by GSTN. Also, in the earlier regime there were multiple compliances required for taxes such as Central Excise, Service tax, VAT etc. with Centre and State. GST makes it single and uniform compliance for indirect taxes across the country. Under GST, there is just one interface with no face-to-face meeting between taxpayers and tax authorities and practically every activity will be done online.

Question 10: What is the threshold for registration in GST?

Answer: A person having business which has aggregate turnover of more than Rs. 20 lakhs calculated for a given PAN across the country would need to register under GST. There are some exceptions to this rule as mentioned in section 24 of the CGST Act, 2017. Aggregate turnover is defined in section 2(6) of the said Act.

For example, assume that a taxable person's business is in many States on same PAN. All supplies are below Rs. 10 lakhs but collectively they are above Rs. 20 lakhs. He would be required to register under GST.

Question 11: Is an agriculturist liable to registration?

Answer: No. An agriculturist, to the extent of supply of produce out of cultivation of land, is not liable to registration.

Question 12: What is the most important precaution to be taken to avail the facility of threshold exemption?

Answer: An MSME availing threshold exemption should not make any inter-State supply whatsoever, though the MSME may receive supply from other States.

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Question 13: I am engaged exclusively in the business of supplying goods or services which are exempt from GST. Am I liable for registration?

Answer: No.

Question 14: How do I make supply, if I have not applied for registration?

Answer: You should apply for registration at the earliest on the GST common portal and obtain application reference number (ARN). You need not disrupt your business and may continue to make supplies on invoices without GSTIN. The application for registration must be made within 30 days of the turnover crossing Rs.20 lakhs or attracting any of the conditions mentioned in section 24 of the CGST Act, 2017. After registration, you can issue revised invoices as permitted under section 31(3)(a) of the said Act. These supplies should be shown in the return and taxes paid on them.

Question 15: How can an application for fresh registration be made under GST? Within what time will registration be granted?

Answer: Application for fresh registration is to be made electronically on the GST common portal (www.gst.gov.in) in **FORM GST REG-01.** If the details and documents are in order, registration will be granted within 3 working days, except in cases where an objection has been raised within this period in which case registration will be granted within a maximum period of 17 days.

Question 16: I was registered under VAT but not under Central Excise. Do I need to apply for new registration?

Answer: No. Existing registrants of VAT having valid PAN have been issued Provisional ID and password. If you have not received provisional ID, please contact your tax administration to obtain the same. This Provisional Identity Number (PID) would eventually be your GSTIN, when the migration process is completed.

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Question 44: What are the other compliances which a provisionally registered person opting to pay tax under the composition levy need to make?

Answer: Such person is required to furnish the details of stock, including the inward supply of goods received from unregistered persons, held by him on the 30th day of June, 2017 electronically, in **FORM GST CMP-03**, on the common portal, either directly or through a Facilitation Centre notified by the Commissioner, within a period of sixty days from the date on which the option for composition levy is exercised or within such further period as may be extended by the Commissioner in this behalf. Further, if on 1st July, 2017 such person holds in stock goods that have been received from outside the State or imported from outside the Country, he is not eligible to opt for composition scheme.

Question 45: Can a person paying tax under composition levy, withdraw voluntarily from the scheme?

Answer: Yes, the registered person who intends to withdraw from the composition scheme can file a duly signed or verified application in **FORM GST CMP-04**. In case he wants to claim input tax credit on the stock of inputs and inputs contained in semi-finished or finished goods held in stock by him on the date of withdrawal, he is required to furnish a statement in **FORM GST ITC-01** containing the details of such stock within a period of thirty days of withdrawal.

Question 46: Will withdrawal intimation in any one place be applicable to all places of business?

Answer: Yes. Any intimation or application for withdrawal in respect of any place of business in any State or Union territory, shall be deemed to be an intimation for withdrawal in respect of all other places of business registered on the same Permanent Account Number.

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Question 42: What is the effective date of composition levy?

Answer: There can be three situations with respective effective dates as shown below:

Situation	Effective date of composition levy
Persons who have been granted provisional registration and who opt for composition levy (Intimation is filed under Rule 3(1) in **FORM GST CMP-01**)	1st July, 2017.
Persons opting for composition levy at the time of making application for new registration in the same registration application itself (The intimation under Rule 3(2) in **FORM GST REG-01**)	Effective date of registration; Intimation shall be considered only after the grant of registration and his option to pay tax under composition scheme shall be effective from the effective dat of registration.
Persons opting for composition levy after obtaining registration (The intimation is filed under Rule 3(3) in **FORM GST CMP-02**)	The beginning of the next financial year.

Question 43: What is the validity of composition levy?

Answer: The option exercised by a registered person to pay tax under the composition scheme shall remain valid so long as he satisfies all the conditions specified in the law. The option is not required to be renewed.

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Question 17: If I have obtained provisional GSTIN (PID), can I use the same on the invoice to make supply without waiting for final GSTIN?

Answer: Provisional GSTIN (PID) would eventually be your final GSTIN. The number would remain the same. Yes, you can use this PID on invoice for making supply without waiting for final GSTIN.

Question 18: I am a SME selling printed books after printing and have a turnover of twenty-five lakhs rupees per annum. I print only Children's picture, drawing or colouring books which are exempt from GST. Do I need to register?

Answer: No. A person dealing with only exempted supplies is not liable to registration irrespective of his turnover. Section 23(1)(a) of the CGST Act, 2017 refers.

Question 19: If I register voluntarily though my turnover is less than Rs. 20 lakhs, am I required to pay tax on supplies made post registration?

Answer: Yes. If you obtain voluntary registration despite the turnover being below Rs. 20 lakhs, you would be treated as a normal taxable person and would need to pay tax on supplies even if they are below the threshold for registration. You will also be entitled to take input tax credit.

Question 20: How will taxpayer get the certificate of registration?

Answer: The taxpayer can himself download the certificate of registration online from the GST common portal (www.gst.gov.in).

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Question 21: Can registration particulars once furnished be amended?

Answer: Yes, request for amendment has to be made online. All amendments in registration particulars, except some core fields, can be amended in the system without the intervention of any official by merely filing the details of the amendment. Also for some amendments, approval may be needed. Examples of fields which require approval are- legal name of business, address of the place of business and addition, deletion or retirement of partners or directors etc. responsible for day to day affairs of the business. Examples of fields which can be amended without any approval are- change of telephone number, email ID, bank account etc.

Question 22: In which State will a person be registered?

Answer: A person liable to be registered has to apply for registration in each State from where he makes or intends to make outward supplies under GST. Within each State, generally only one registration is required to be obtained.

Question 23: Are all manufacturers necessarily required to be registered under GST?

Answer: No, there is no provision requiring that a manufacturer irrespective of threshold or nature of supply to register himself under GST. For example, a manufacturer dealing only in exempted goods or where his turnover is only intra-State and below Rs. 20 lakhs, is not required to be registered.

Question 24: Who is liable to issue a 'tax invoice' and how many copies are required to be issued?

Answer: Every registered person (other than a registered person availing the benefit of composition or a registered person supplying exempted goods or services) supplying goods or services or both is required to issue 'tax invoice'. Invoice should be issued in triplicate in case of supply of goods. The original copy is meant for buyer, duplicate for transporter and triplicate copy for record of the seller. A registered person under composition scheme or supplying exempted goods or services shall issue a bill of supply instead of a tax invoice.

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Question 39: How is a manufacturer under the composition scheme required to bill his supply? Can a registered person, who purchases goods from a composition manufacturer take input tax credit?

Answer: A manufacturer opting to pay tax under the composition scheme cannot issue a tax invoice to his buyer but would issue a Bill of Supply. He cannot collect any tax supplies made by him on his Bill of Supply and is required to show only the price charged for the supply. Consequently, the registered person buying goods from a composition manufacturer cannot take input tax credit.

Question 40: How would a manufacturer under the composition scheme who receives inputs or input services from an unregistered person pay GST? What will be the tax rate if the purchase is from a person availing composition?

Answer: GST will have to be paid on inputs and input services received by such manufacturer under reverse charge at normal rates and not at the composition rates. Purchase from a person under the composition scheme is purchase from a registered person and hence will not attract tax under reverse charge under section 9(4) of the CGST Act, 2017. Any person migrating from the existing law to a composition scheme and holding stock of goods purchased from unregistered persons is required to pay tax on such goods.

Question 41: In case a person has registration in multiple States, can he opt for payment of tax under composition levy only in one State and not in other States?

Answer: No. An intimation that composition scheme has been availed in one State shall be deemed to be an intimation in respect of all other places of business registered on the same Permanent Account Number in other States.

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Question 36: A person availing composition scheme during a financial year crosses the turnover of Rs. 75 Lakhs / Rs. 50 Lakhs during the course of the year i.e. say, he crosses the turnover of Rs. 75 Lakhs/Rs. 50 Lakhs in December? Will he be allowed to pay tax under composition scheme for the remainder of the year i.e. till 31st March?

Answer: No. The option to pay tax under composition scheme shall lapse from the day on which his aggregate turnover during the financial year exceeds Rs. 75 Lakhs/ 50 Lakhs. Once he crosses the threshold, he shall file an intimation for withdrawal from the scheme in **FORM GST CMP-04** within seven days of the occurrence of such event. He shall also furnish a statement in **FORM GST ITC-01** containing details of the stock of inputs and capital goods as per the rules in this regard. This would help him join the input tax credit chain and avail credit of tax that he has paid on his inputs/goods lying in stock on the day he crosses over.

Question 37: For the purpose of availing composition how will aggregate turnover be computed for the purpose of composition?

Answer: Aggregate turnover shall be computed on the basis of turnover on all India basis. It includes aggregate value of all taxable supplies (excluding the value of inward supplies on which tax is payable by a person on reverse charge basis), exempt supplies, exports of goods or services or both and inter-State supplies of persons having the same Permanent Account Number but excludes GST and cess.

Question 38: Can a person who has opted to pay tax under the composition scheme avail Input Tax Credit on his inward supplies?

Answer: No, a taxable person opting to pay tax under the composition scheme is out of the credit chain. He cannot take input tax credit on the supplies received.

Question 25: What details are to be contained in a 'tax invoice'?

Answer: The tax invoice shall contain details as specified in the rule in this regard. The key details specified in the rules are - name, address and GSTIN of the supplier and the recipient (if registered), a unique number of the invoice and the date of issue, description of goods, value of goods, rate of tax, amount of tax and signature.

Question 26: Is it necessary to issue invoices even if the value of transaction is very low?

Answer: A registered person may not issue a tax invoice if the value of the goods/services supplied is less than Rs.200/-, subject to the condition that the recipient is not a registered person and the recipient does not ask for such invoice (if the recipient asks for the invoice then the same must be issued, irrespective of the value). In such cases, the registered person shall issue a consolidated invoice at the end of the day in respect of all such supplies.

Question 27: When should a tax invoice be issued for goods?

Answer: Tax invoice for goods shall be issued on or before the time of removal/delivery of goods. In case of continuous supply of goods, it shall be issued on or before the time of issue of statement of accounts /receipt of payment.

Question 28: In case of supply of exempt goods or when tax is paid under Composition Scheme, is the registered person required to issue a tax invoice? How a bill of supply is different from a tax invoice?

Answer: No. In such cases, the registered person shall issue a Bill of Supply and not a tax invoice. The bill of supply is different from a tax invoice both in name and details contained. While most of the details to be provided in a bill of supply are similar to tax invoice, the bill of supply does not contain the rate of tax and the amount of tax charged as the same cannot be collected.

Question 29: If goods are transported in semi-knocked down condition, when shall the complete invoice be issued?

Answer: When goods are transported in semi-knocked down condition, the complete invoice shall be issued before dispatch of the first consignment. Delivery challan shall be issued for subsequent consignments. Original copy of invoice shall be sent along with the last consignment.

Question 30: Is there any scheme for payment of taxes under GST for small traders and manufacturers?

Answer: Yes. Composition levy is an alternative method of levy of tax designed for small taxpayers whose turnover is up to Rs. 75 lakhs (Rs.50 lakhs for special category States, excluding J&K and Uttrakhand). It is a kind of turnover tax. The objective of the scheme is to provide a simplified tax payment regime for the small tax payers. The scheme is optional and is mainly for small traders, manufacturers and restaurants.

Question 31: What is the eligibility criteria for opting for composition levy? Which are the Special Category States in which the turnover limit for Composition Levy for CGST and SGST purpose shall be Rs. 50 lakhs?

Answer: Composition scheme is a scheme for payment of GST available to small taxpayers whose aggregate turnover in the preceding financial year did not cross Rs.75 Lakhs. In the case of 9 special category States, the limit of turnover is Rs.50 Lakhs in the preceding financial year, namely - Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura and Himachal Pradesh. However, if you are a manufacturer of ice-cream, pan masala or tobacco or tobacco products or if you are a service provider other than a restaurant, you are not eligible for composition scheme.

Question 32: What is the form in which an intimation to pay tax under the composition scheme needs to be made by the taxable person?

Answer: Composition scheme is optional and intimation that option has been availed should be made electronically in FORM **GST CMP-01** by the migrating taxable person. A person who has

already obtained registration and opts for payment under composition levy subsequently needs to give intimation electronically in **FORM GST CMP-02.**

Question 33: What is the rate of tax under Composition levy for a manufacturer?

Answer: Composition rate for manufacturers is 2% (1% CGST and 1% SGST).

Question 34: Are all manufacturers eligible for composition scheme?

Answer: A manufacturer is eligible to avail composition scheme except manufacturers:

(a) whose aggregate turnover in the preceding financial year crossed Rs. 75 lakhs;
(b) who have purchased goods or services from unregistered suppliers unless they have paid GST on such goods or services on reverse charge basis;
(c) who make any inter-State outward supplies of goods;
(d) who make supply of goods through an electronic commerce operator;
(e) who manufacture the following goods.

Sl. no	Tariff Head	Description
1	2105 00 00	Ice cream and other edible ice, whether or not containing cocoa
2	2106 90 20	Pan masala
3	24	Tobacco and manufactured tobacco substitutes

Question 35: When will a registered person have to pay tax?

Answer: A registered person will have to pay GST on monthly basis on or before 20th of the succeeding month and if he has opted for composition levy he will have to pay GST on a quarterly basis on or before the 18th day of the month after the end of the quarter.

GST EVENTS

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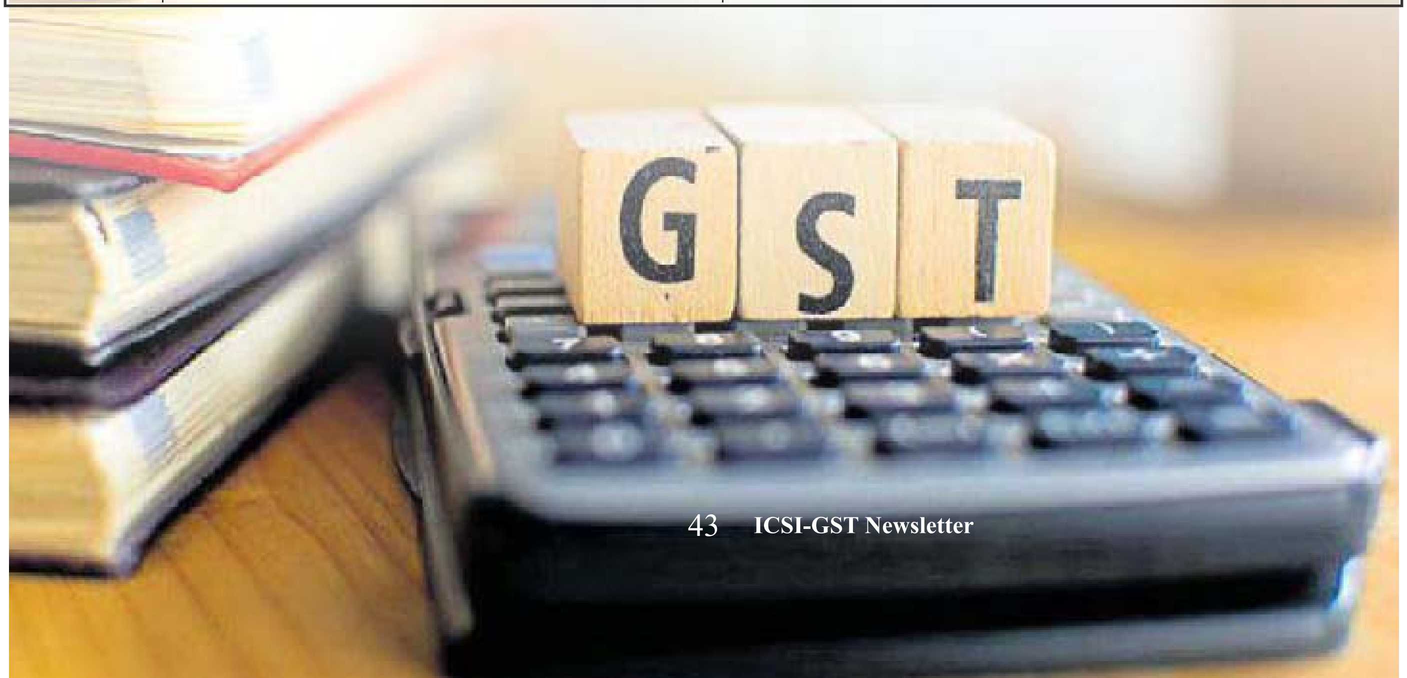

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