

A brief guide to
GST for MSMEs



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A brief guide to
Goods and Services Tax (GST)
for MSMEs

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The Guide is compiled by Federation of Indian Micro and Small & Medium Enterprises (FISME) to spread awareness among Micro, Small & Medium Enterprises (MSMEs) in India about Goods and Services Tax (GST). The Guide attempts to explain the GST- its concept and processes in simple question and answer format without burdening the reader with legal jargon. The Guide aims to allay fears about GST among the MSME community about compliance burden, excessive formalities and complexities of operations.

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'A brief guide to Goods and Services Tax (GST) for MSMEs'

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Caution

While every effort has been made to ensure accuracy of the texts on GST legislation, the guide cannot be taken as official legal interpretation of the GST laws. In addition simplifications are used to make the text simple and clear. It does not substitute reading fine print before arriving at decisions. Further, the views expressed in the 'Guide' about the GST are of author and cannot be construed to be the views of either FISME or SIDBI.

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PREFACE

Goods and Services Tax (GST), a major disruptive measure for the Indian economy, is expected to bring a paradigm shift in doing business in India.

This pioneering indirect tax reform is likely to give a major boost to all the sectors including MSMEs by making goods and services produced in India competitive in the national and international market. It will simplify indirect taxation, reduce complexities, and remove the cascading effect.

GST regime will introduce 'digitalisation' to the core of Indian business where every transaction, will be captured on the nationwide platform of GST Network and the resulting pay-offs to the economy by way of speed, transparency and information reliability will be significant. However, good understanding of non-complexities and trouble-free implementation of GST by the businesses, particularly MSMEs would be a key factor to manage the transition smoothly.

Foreseeing the challenges the MSMEs may face in the GST regime, SIDBI, supported Federation of Indian Micro and Small & Medium Enterprises (FISME) to conduct a country wide programme to disseminate information on GST for benefit of MSMEs. Under the programme, brainstorming sessions have been conducted all over India where MSMEs interacted with experts on taxation. It emerged during these interactions that a user friendly Handbook on GST will be helpful to MSMEs for solutions of the day-to-day issues pertaining to GST. This handbook aims to help readers understand GST basics, important terminologies, concepts and how these may affect MSMEs business in the long run.

We deeply appreciate the efforts and help of FISME team led by Mr. Anil Bhardwaj, Secretary General, FISME, in bringing out this handbook.

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Chapter- I

Introduction

In 2016, the Small Industries Development Bank of India (SIDBI) and Federation of Indian Micro and Small & Medium Enterprises (FISME) ran a national campaign for creating awareness about GST for MSMEs. It was during these early interactions with MSMEs working at the ground level did we realize how most entrepreneurs were keen to know about, what was changing. They were also interested to know about the basic structure of GST regime and how it would be administered. Quite obviously, they looked at it from transactional point of view too: will they be able to do it? What would be cost of compliance? What would be the benefit?

Hence the present SIDBI-FISME 'A brief Guide to GST for MSMEs'. It helps comprehend the basic framework of GST and know about its key stakeholders. It explains important processes such as Registration, Invoicing, Payments, Credits and Refunds, Record keeping among others, in a simple Q&A format without depending upon legal jargons. The Guide also describes the special provisions introduced by GST regime such as Composition scheme, Advance ruling facility, Reverse charge liability etc.

The GST is transformative business process reform. It will impact both the structure and the dynamics of doing business in India substantially. Firstly, its impact is likely to be similar to that of the dismantling of the external trade barriers in 1991. With the removal of barriers on internal trade, it is estimated that India's internal trade could see a massive expansion. Secondly, a reduction of the cascading effect of taxes would make manufacturing and exports more competitive. Thirdly, higher revenues will leave more resources in the hands of State governments for building hard and soft infrastructure which are needed to sustain higher economic growth for continued prosperity.

The real time GST data may finally help address two of MSMEs' major problems: access to finance due to lack of asset based collateral and long delays in payments. Further, the GST system enforces a financial discipline that will drive both the large and the small to fall in line.

At the same time, for a manufacturing unit (no matter how small) to not be a part of the GST credit chain would be punishing. Not only would a GST outsider incur higher cost of cascading taxes, but would also lose business because all large buyers would prefer a GST compliant supplier. Special schemes such as the Composition scheme would be of little help to such small manufacturing units as they would bar the user from inter-state trade. The verdict of the new GST paradigm is clear for manufacturers or service providers, while it may be beneficial or neutral for people who decide to be

inside the GST credit chain. For those who decide to opt out, the cost may be too high to bear.

Keeping in view of India's size, its diversity and complexity, a change in indirect taxes involving both the Center and the States was never going to be an easy affair. A full GST regime similar to the one being attempted to be put in use here has not been tried anywhere in the world. Today it is becoming a reality due to the convergence of Telecom, IT and space technology sectors which enabled a GST backbone like GSTN to be built.

It is but natural to be apprehensive about a step this big. The challenge is how we can overcome the fear and exploit the opportunities that the new regime would offer. The answer may lie in sharing knowledge with each other.

Though a lot of ground has been covered, the GST framework is still evolving. Amendments, changes and clarifications on GST Rules and Regulations are regular occurrence.

The Guide is an introductory step. It is being complemented with a toll-free SIDBI-FISME helpline on GST for MSMEs 1800-11-3585 and an online help through a portal www.gst4msme.com.



“Knowledge is the antidote to fear” - Ralph Waldo Emerson

“What is the easiest thing to do in the world? The Buddha said, “the easiest is sharing your knowledge with others.”

Chapter-II

GST: Concept, Framework & Administration

1. *What is Goods and Services Tax (GST)?*

GST is a single tax to be levied on the supply of goods and services. It will be borne by each part of the goods and services supply chain, right from the manufacturer to the consumer.

Taxes paid on the purchase of goods or services (called Input Tax), whether for resale or for producing/ manufacturing a new item, will be utilised as credits to offset the tax to be paid on sale of the said goods. This process will be repeated as many times as the said goods change hands in the original form or in a new form.

The net burden of tax on the goods every time it is traded will be levying tax at the specified rates on the amount of value added (increase in sales price over purchase price). The final consumer will thus bear only the GST charged by the last dealer in the supply chain, with set-off benefits at all the previous stages¹.

2. *What is so unique about it?*

You may not find GST unfamiliar. It resembles CENVAT and State VAT in many ways. However, GST is comprehensive and has the following unique features which the prevailing indirect taxes lacked:

- Instead of numerous taxes levied by Central and State Governments on Goods and Services, now only one tax will be levied: GST.
- All over India, for one type of product or service, there would be one rate of GST, unlike the earlier regime where each state would levy a different rate of tax.
- It is multi-stage as it is levied at each stage of value addition.
- It is destination based; the tax trails stops where the product or service is finally consumed. It is the consuming state which finally collects the tax.
- Product classification is based on ITC HSN Codes providing transparency and harmonization².
- It is entirely IT based: no manual filing of returns. All taxes can also be paid online. All mismatched returns would be auto-generated and

¹As defined in the PIB note, Ministry of Finance, 3rd Aug 2016

² Products classification is based on Indian Trade Classification which follows Harmonized System of Nomenclature (maintained globally by World Customs Union). It is aligned with India's Customs duty structure.

there would be no need for manual interventions. Most returns would be self-assessed.

3. How many taxes are merged with GST?

The new GST will subsume or merge within itself the following Central (7) and State taxes (11):

Central taxes:

Central Excise Duty (CENVAT), Service Tax, Additional Excise Duties, Additional Customs Duty or Countervailing Duty (CVD), Special Additional Duty (SAD) on Customs, all Surcharges and Cess, Central Sales Tax (CST).

State Taxes:

State VAT or Sales Tax, Central Sales Tax (CST), Luxury Tax, Entry Tax (all forms), Entertainment and Amusement Tax (except when levied by the local bodies), Taxes on advertisements, Purchase Tax, Taxes on lottery, betting and gambling, State Surcharges and Cess so far as they are relate to supply of goods and services.

4. How many Taxes will still remain outside the purview of GST?

The following Taxes will continue to be levied as before:

Central Taxes (outside GST):

Basic Customs Duty, Duties on imports such as Anti-dumping Duty, Safeguard Duty, etc. or Export Duty.

State Taxes (outside GST):

Property Tax, Road and Passenger Tax, Toll Tax, Stamp Duty, Electricity Duty, Tax on Entertainment and Amusement levied and collected by local bodies such as Panchayat/ Municipality/ Regional or District councils.

5. What is the framework of administering GST?

As GST merges both Central and State taxes, its implementation required a series of new legislation, including constitutional amendment. (You may refer the key legal document in Annexure-A).

Firstly, there are four pillars on which the GST will rest:

- The GST Council: It approves the legal framework and the tax structure.
- The Goods and Services Tax Network (GSTN): It provides the IT back-bone on which the entire GST systems will function- starting from registration, payment of tax, refund, credits, audit, etc.

- Central Board Excise & Customs (now being renamed as Central Board of Indirect Taxes- CBIT): Administration of taxpayers in its domain.
- Administrative departments in states: For administration of tax payers in their domain.

Secondly, GST is collected under three heads:

- CGST- Central Government component of GST
- SGST: State Government component of GST (In case of Union Territories-UTGST)
- IGST- Interstate GST. This is when the Centre collects the GST to pass it on to the state in which goods/ services are finally consumed. (In a way, it is a wash-out tax, as the moment the goods/ services reach their final destination, IGST is broken into CGST and SGST, and IGST ceases to exist).

Thirdly, this is how the GST collected is to be shared between the Centre and the States:

- When goods and services are supplied within the State (Intra-State): CGST (50%) + SGST (50%)
- When goods and services cross state border to be consumed in other state: CGST (100%), which is passed on to the consuming state (50%)

Therefore, in either case, 50% of the GST collected goes to the Centre and 50% to the State.

6. What are various Tax slabs under GST?

As per the current GST law, the tax slabs range from 5%, 12%, and 18% to 28%. Besides these slabs, some goods and services are exempt from GST. Essential commodities such as grains, cereals and vegetables are exempt from GST.

The basic formula used for levying different rates of goods and services has been to fit them into their nearby slab of tax in the composite tax incidence in excise, service tax and VAT regime.

An overview of GST rates on Goods and Services supplied is given in Annexure - B.

7. Who will have administrative control over taxpayers?

The Central and State governments have agreed for the following control in administration of GST:

- Tax administrative control of 90% of the taxpayers whose turnover is below Rs.1.5 Cr would vest with the State.

- Tax administrative control of 10% of the taxpayers whose turnover is below Rs. 1.5cr. would vest with the Centre.
- Taxpayers whose turnover is above Rs. 1.5cr would be divided equally between the central and the state government.
- If a new unit is registered in GSTN (in which case turnover is not available) then one unit will go to Centre and next will go to the State where it was registered. Later based on turnover, the unit could be moved to either Centre or to the State accordingly.

8. *Who has formed the GST Council and who are its members?*

The GST Council is a federal constitutional body. As the GST subsumes taxes which were under the Federal list as well as the State list of the Constitution, a constitutional amendment was needed to bring them under one decision making body. With the passing of the 122nd constitution amendment, one of India's most powerful federal bodies has been developed to oversee and administer the goods and services tax. The GST council will be chaired by the Union Finance Minister with a State Finance Minister as Deputy Chairman. All the State Finance Ministers along with the Minister of State for Finance in charge of revenue at the centre will be part of this Council. Every decision of the GST council is required to be taken with a three-fourth majority. While the Central Government's vote will have a one-third weightage, the votes of all the State Governments put together will have a two-third weightage. The Council will also have the final say on the mechanism to resolve disputes that may arise between the Centre and the States or between States.

9. *Who controls the Goods and Services Tax Network (GSTN)?*

The Goods and Services Tax Network (GSTN) is a non-government private limited company, promoted by the Central and State Governments with the specific mandate to build the IT infrastructure and the services required for implementing Goods and Services Tax (GST). The Government of India holds 24.5% equity in GSTN and all States of the Indian Union, including NCT of Delhi and Puducherry, and the Empowered Committee of State Finance Ministers (EC), together hold another 24.5%. Balance 51% equity is with non-Government financial institutions.

Chapter-III

GST: Coverage and requirements of registration

10. Who will be covered under GST?

As a thumb rule, GST applies to most economic activities be it trade, commerce, manufacture, profession, vocation or any other similar activity, irrespective of its volume or frequency, and by all persons, including: Individuals, HUF, Company, Firm, LLP, AOP, Co-operative Society, Society, Trust etc. There are a few exceptions like people engaged in agriculture³.

11. What will be status of small units under Excise exemption up to Rs.1.5 crore?

There was an option available to smaller units that they could either get registered with CENVAT regime right from the beginning, charge and pay required excise duty and claim credit of duty paid on their inputs or they claim exemption from charging and paying excise duty up to the turnover of Rs.1.5 crore.

Post GST, the latter exemption threshold limit is universally brought down to Rs.20 lac (Rs.10 lac for special category states). Therefore, the traditional 'excise exemption scheme' will cease to exist on the day GST comes into force.

12. What will be status of units in the states (such as Himachal, Uttarakhand, etc.) having area based indirect tax exemptions?

There is no provision in GST regime for exempting units from paying taxes. All units in these States will have to register with GST as other units in India and will have to collect and pay the required tax. With GST, all such exemption schemes will cease to exist. The State Governments may, however, reimburse the tax incidence or compensate the local units outside the GST chain.

³Besides raising crops, agriculture includes floriculture, horticulture, sericulture, etc. However, it excludes, but does not include dairy farming, poultry farming, stock-breeding, gathering of fruit or rearing of seedlings or plants.

13. When must one register with GST?

Scenario-1: One must register, collect, and pay GST when one's aggregate turnover⁴ in a financial year exceeds Rs.20 lac. For special category states⁵, the turnover limit is Rs.10 lac.

Scenario-2: One can also register voluntarily with GST, collect and pay GST even before the threshold turnover limit of Rs.20 lac or 10 lac and take advantage of availing credit on input-supplies.

Scenario-3: In the following cases, irrespective of turnover, registration with GST is a must right from the beginning:

- When one makes inter-state supply of goods and service
- Special cases: casual taxable persons, non-resident taxable person, persons required to pay tax under reverse charge mechanism, e-commerce operator etc. (Annexure- C)

14. Government has announced exemption to GST by up to the turnover of Rs.20 lac. What does that mean?

It is to be noted that this is an option available to entities having turnover below Rs.20 lac where they can claim exemption from registration. Technically, exemption is from registration, not from paying tax. If one registers, one has to collect tax on the taxable goods/ services and deposit it irrespective of the turnover. Secondly, this exemption is also not valid, if:

- One deals in inter-state goods or services outside the state
- One deals in goods or services where one is required to pay tax under reverse-charge⁶ mechanism

⁴“Aggregate turnover” means the aggregate value of all taxable supplies, exempt supplies, exports of goods and/or services and Inter-state supplies of a person having the same PAN, to be computed on all India basis and excludes taxes, if any, charged under the CGST Act, SGST Act and the IGST Act, as the case may be.

⁵There are 11 special category States under GST: Arunachal Pradesh, Assam, Jammu & Kashmir, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura, Himachal Pradesh, and Uttarakhand.

⁶As per the GST provision, the liability to pay tax on a particular supply under 'reverse-charge mechanism' is on the recipient rather than on the supplier of certain notified goods and services.

15. What happens to existing units registered with Central and State tax authorities for excise, service tax and state VAT?

All existing assessees, businesses or persons already registered with any of the authorities such as Central Excise, Service, State Sales Tax/ VAT, Entry Tax, Luxury Tax etc, will be migrated to GST. Provisional IDs are being issued to assessees who have valid PAN associated with their registration. With the provisional ID, the assessee may login at GST portal www.gst.gov.in and fill and submit the Form 20.

16. What if you could not get the provisional ID till now?

As PAN is the key number on which GST number is generated, please ensure that PAN number in the records of the department is valid. If there are multiple excise or sales tax registrations on one PAN number, only one ID is provided.

17. What documents are required for registering with GST authorities?

The documents required for registering with GST are:

- PAN card of the firm, email and mobile number
- Proof of constitution of firm/ company like partnership deed, Memorandum of Association (MOA) /Articles of Association (AOA), Certificate of Incorporation.
- Details and proof of place of business, like rent agreement or electricity bill
- Cancelled cheque of your bank account showing name of account holder, MICR code, IFSC code, and bank branch details
- Authorized signatory like list of partners with their identity and address proof, in case of partnership firm or list of directors with their identity and address proof in case of a company

18. What is the process of registration?

There are following steps for GST registration:

- Log in to the online GST Portal: www.gst.gov.in
- Fill Part-A of GST Registration Form REG-01
 - You would be asked to submit: Legal name of business, PAN, Mobile number and email address
 - The details of PAN (and its link with you and the business) will be verified through CBDT database and mobile & email number by sending you OTP pin

- After verification you will be issued Application Reference Number (ARN), which will be sent to your email and mobile phone.
- Fill Part-B of GST Form REG-01.
 - Use ARN number to get access and upload documents according to business type
 - Upload signatures. An acknowledgement is used in Form GST-02
- Finally a certificate of registration will be issued to you by the department
- In case of error or any other difficulty you may need to visit the department

19. If I have more than one unit / offices within one state, will one registration be sufficient?

One registration is sufficient per State per PAN. Business can opt for multiple registrations, if required.

20. If I have businesses in more than one state what should I do?

You need to apply for a separate registration for every State in which you have a business establishment, whether by the same name or a different name. However, merely supplying somebody in other State (where you do not have any office or establishment) does not need your registration in that state. Suppose you have units/ offices in State-A and State-B, you need to apply for registration in both States A & B. However, if you supply from your unit/ office in the State-A to another buyer based in State-B, you require registration in the State-A only.

Chapter-IV

Working with GST- Part A (Invoicing)

21. Why is GST invoice needed?

All registered taxable persons under GST, supplying goods or services, are compulsorily required to issue a GST tax invoice for any type of supplies. However, government may notify some other document for certain category of services⁷.

22. Is format of GST invoice different from earlier invoice?

Now there is one GST invoice which covers all the Central and State Taxes. There is no specific format that one must adhere to but each GST invoice should have the following essential data fields such as: Name of the Supplier, GSTN, Specific Invoice Number, Name & address of recipient, Address of Delivery, HSN Code for goods or Accounting Code for services, Description and Quantity of the goods / services, Value of the goods, Rate & Amount of tax.

23. Why does GST Invoice requires details like place and time?

The key term in administering GST is 'supply' of goods and services whereas earlier different taxes used distinct terms for triggering applicability of taxes such as 'production', 'supply', 'sales' etc.

Secondly, for administering GST, apart from tax rate on the specific goods/ service, there are three important terms we need to understand while supplying goods and services, namely:

- i **Place:** To determine whether the transaction is intra-state or interstate and to determine the type of tax to be levied: SGST, CGST and IGST
- ii. **Time:** The entire GST structure operates in a time bound manner and, therefore, it is important to determine dates for collection, payment, input credit etc.
- iii. **Value:** To determine how much tax is to be charged on the value of goods/ service. Let's not forget it is a tax on every value addition.

⁷For example, services such as bus ticket, bank voucher etc.

24. Is their change in procedure of raising invoice in GST?

Invoice in GST regime is of critical importance. It would be used not just for supplying goods or services but during transfer, barter exchange, license, rental, lease, or disposal. A format of the GST Invoice is given in the Annexure - D. The procedure of raising an invoice is different so much as the adherence of time with regard to raising it.

25. When should an invoice be raised?

Tax invoice shall be issued by the registered dealer within the time prescribed as under:

Goods:

If it is a one time supply involving movement of supply, raise invoice before or at the time of removal of goods. Else raise an invoice before delivery/ making goods available. In case you are required to raise the invoice because of reverse charge liability (from a person not required to register under GST), the invoice should be raised on the date of receipt of goods. In case goods are sent/ sold on approval or such similar terms, invoice shall be issued earlier or at the time it is known that supply has taken place.

Services:

Similarly, in case of supply of services, the invoice has to be issued as follows:

- As a one time supply, invoice should be raised within 30 days from the date of the actual supply.
- In case of continuous supply where due date can be ascertained, within 30 days from the due date.
- In case of continuous supply where due date cannot be ascertained, within 30 days from actual payment date.
- In case of cessation of supply before the contract ends, invoice should be raised at the time of such cessation. (The due date of 30 days is 45 days in case of banks and other financial institutions.)

26. How GST tax is to be charged and entered into the invoice

The standard format of an invoice will have three tax columns: CSGST, SGST and IGST.

	Transaction type	CGST	SGST	IGST
1	Goods/ services supplied within a State : intra-state transaction (GST rate 18%)	9 %	9 %	-
2	Goods/ services supplied outside the State: inter-state transaction (GST rate 18%)	-	-	18%

In case of supplies within the state, the GST rate is divided equally between CGST and SGST. While in case of inter-state, only IGST is charged. (IGST gets converted into CGST and SGST equally later when goods and supplies are finally consumed in a State).

27. How many copies of invoice are required?

GST invoices have to be issued in triplicate in case of supply of goods and duplicate in case of services. For goods' invoice, the original is for the recipient, duplicate for the transporter and the triplicate copy for the supplier. Likewise, in case of supply of services, the original will be meant for the recipient and the duplicate copy will be for the supplier. The description on each kind of invoice has to be printed: "Original for Recipient", Duplicate for Transporter", and "Triplicate for Supplier".

28. Is the invoice raised by an exporter any different?

Besides the information contained in standard GST format, the exporter's invoice will have the following additional information:

- An endorsement supply meant for the export on payment of IGST, or supply meant for export under bond or letter of undertaking without payment of IGST", as the case may be.
- Name of the country of destination.
- Number and date of application for removal of goods for export.

29. Are there other categories where additional information is to be provided by supplier?

There are a few categories where additional information is desired to be mentioned on the invoices, such as: Input Service Distributor (ISD)⁸; Banking Company / NBFC / Financial Institution; Goods Transport Agency, among others.

30. Other than GST invoice and bill of supply, are there any other types of invoices?

Besides the GST invoice and bill of supply, there are vouchers, debit notes, credit notes and supplementary invoice which can be issued by a supplier. If there is an upward revision in prices of a good or service, supplied earlier and the same is chargeable to GST, then the supplier is liable to issue a **supplementary invoice or debit note** to the recipient within 30 days from the date of such price revision.

⁸Many entities having head office and branch offices/ units, use their head office to procure goods and services which then are distributed to the branches. The head office which does the centralized billing for procurement of common services is termed as the 'Input Service Distributor'.

A **credit note** is to be issued when there is a downward revision in price of the goods/ service supplied earlier and GST has already been charged higher amount. The credit note has to be issued on or before 30th September of the next financial year or before filing the annual return of GST, whichever is earlier.

The contents of these documents are the same as in a GST invoice with the difference that the nature of the invoice must be mentioned in bold on top like "SUPPLEMENTARY INVOICE," "DEBIT NOTE" etc. Further, all the above documents, including the tax invoice, have to be maintained for 6 years (currently prescribed by the GST council). Thus, IT system of the firm should be robust enough to help maintain the records and the database for the prescribed period.

31. How stock-transfers are treated under GST?

Stock transfer refers to the process of transferring goods from one branch of an entity to another branch of the same entity. It is not sale and hence, not taxed at the moment. But, under GST, levy of tax is on the 'supply', which includes transfers. In addition, branches need to be treated as a different entity. Accordingly, stock transfers are taxable in the following two cases:

- Intra-State stock transfer: Only when an entity has more than one registration within one State
- Inter-State stock transfer: Transfer between two entities located in different States is taxable

The branch will be treated as any other buyer: invoice will be raised, value disclosed, tax charged, deposited and return filed. As GST abolishes all the declaration forms, there will be no need to furnish any forms for stock transfers. This will ease the process of stock transfers by eliminating the time and effort involved in such activities. But it requires that the branches must also be registered under the GST to avail credit and be in the input-credit chain.

Chapter-V

Working with GST – Part B

(Transition, Input Tax Credit, Returns & Refunds)

32. What provisions have been put in place to enable transition from the existing regime to that of the one post GST?

The GST Act provides elaborate provisions for the smooth transition to a GST regime. The provisions need to be studied in detail otherwise the taxable person may end up incurring loss of credit or bearing corresponding costs for non-adherences/ compliances.

A few important transitional provisions under GST are discussed below:

- i Input Tax Credit (ITC): The ITC claimed in the return filed under previous laws for the period prior to the appointed day (1 July 2017) would be transferred to the electronic credit ledger. Therefore, credit of CENVAT, Input VAT, entry tax and service tax carried forward in a return would be allowed as ITC. Central Taxes would give credit in CGST and State taxes in SGST. Existing manufacturers/ dealers can also claim the CENVAT credit in respect of input held in stock, semi-finished, or finished goods held in stock with certain conditions.
- ii. Claim on refunds: Claims/ Appeals pending for refund on the due amount of CENVAT credit, tax or interest paid before the appointed day shall be disposed of according to the previous laws.

For details, please refer to Annexure- E.

33. What is Input Tax Credit (ITC) in GST regime?

The term may not be new to VAT and Excise assesees. In GST regime, you deposit only the net amount (out of tax collected on sale of goods and services) after deducting the amount of tax you have paid on your input goods or services. It is like taking credit of the amount you paid as tax on purchase of your inputs. Hence the name: Input Tax Credit or ITC. An efficient GST regime allows seamless flow of Input Tax Credits (ITC) across the supply chain. It is done through an IT based system called Goods and Services Tax Network (GSTN) on which data of all invoices of all buyers and suppliers are uploaded and matched. GSTN requires registered dealers to file Invoice-wise details in order to do this matching.

34. *How is the ITC set-off of tax credit affected?*

Let us recall that GST is composed of CGST, IGST, and SGST. Here is how set-offs work in case of GST:

IGST payments can be set off against – IGST, CGST, SGST on inputs

CGST payments can be set off against – IGST and CGST on inputs

SGST payments can be set off against – IGST and SGST on inputs

Therefore, cross utilization of credit of CGST between goods and services would be allowed. Similarly, the facility of cross utilization of credit will be available in case of SGST. However, the cross utilization of CGST and SGST would not be allowed except in the case of inter-State supply of goods and services under the IGST model.



35. *What are the conditions for claiming Input Tax Credit (ITC)?*

The eligibility and conditions for availing ITC are:

- Only a registered dealer can claim ITC
- One must have a tax paid invoice (of purchase) or debit note issued by a registered dealer recorded in the GSTN. If supplies have been made in instalments, then credit is to be claimed upon receipt of invoice of last instalment.
- The goods/ services must have been received by you
- The tax charged by your supplier should have been deposited in appropriate government account and the details entered into GSTN return
- An ITC shall not be allowed after furnishing of return for the month of September, following the end of financial year or furnishing of relevant annual return (December 31st is the due date for filing annual return), whichever is earlier.
- If you have not applied for registration within 30 days from the date on which you become liable to register, you will lose the eligible ITC on inputs and inputs contained in semi-finished or finished goods in stock, on the day before the date on which you become liable to pay tax.
- Proportionate ITC to the extent used for business purposes is admissible when goods and/or services are partly used for other purposes other than those pertaining to business.

- ITC shall not be allowed if depreciation is claimed on tax component of cost of capital goods.
- Registered taxable person is entitled to take credit upon receipt of last lot or instalment, where goods against an invoice are received in lots or instalments.

36. Is ITC available on all goods and services?

No, ITC is not admissible in many situations. A few important ones are as follows:

- Goods and/ or services on which tax is paid under composition scheme
- Goods and/ or services used for personal consumption
- Motor vehicles and other conveyances, except when used for further supply of such vehicles or conveyances, transportation of passengers and goods, imparting training on driving etc.
- Goods and/ or services like food and beverages, outdoor catering, health services etc., except where inward supply of particular category is used for making outward taxable supply of same category.
- Membership of a club, health, and fitness centre.
- Rent-a-cab, life insurance etc., except where it is obligatory for an employer under any law in force.
- Works contract services when supplied for construction of immovable property, other than plant and machinery, except where it is an input service for further supply of works contract service.
- Goods or services received by a taxable person for construction of an immovable property on his own account, other than plant and machinery, even when used in course or furtherance of business.
- Goods lost, stolen, destroyed, written off, or disposed off by way of gift or free samples.
- Any tax paid in terms of Sections 67 (i.e. in fraud cases), 89 (i.e. detention and release of goods and conveyances in transit) or 90 (i.e. confiscation of goods or conveyances and levy of penalty).

37. If my supplier has collected but not deposited tax, or could not file return, will I get input tax credit?

The availability of ITC is made dependent upon payment of tax by supplier. Thus, even if the receiver has paid the amount of tax to the supplier, the goods and/or services so procured are eligible for ITC. No credit would be available till the time the tax so collected by the supplier is deposited with the Government. The system allows credit for one month, even if the ledgers of buyer and suppliers are not reconciled. During one month, the issue should be resolved. If not, ITC will be reversed the next month.

38. *There may be habitual offenders who might charge tax but would not deposit/ file return deliberately. Why should genuine buyer suffer for the neglect of an errant supplier?*

GST authorities are aware of the concern. To enforce discipline and a responsible code of conduct, for the first time, a 'compliance rating mechanism' has been introduced.

39. *What is compliance rating mechanism?*

The GST Act has introduced a novel system according to which every registered person will be assigned a GST compliance score by the government. It will be based on their record of compliance on parameters such as timely uploading of invoices, promptness of paying taxes, timely filing of returns, transparent and error-free reconciliations, and cooperation in dealing with tax authorities. The scores will be updated at periodic intervals.

40. *How would I raise a GST tax invoice if I am exempted or cannot charge tax under composition scheme?*

You cannot raise a tax invoice while supplying exempted goods or service, or if you have opted for composition levy scheme. Instead, you should issue a 'bill of supply'.

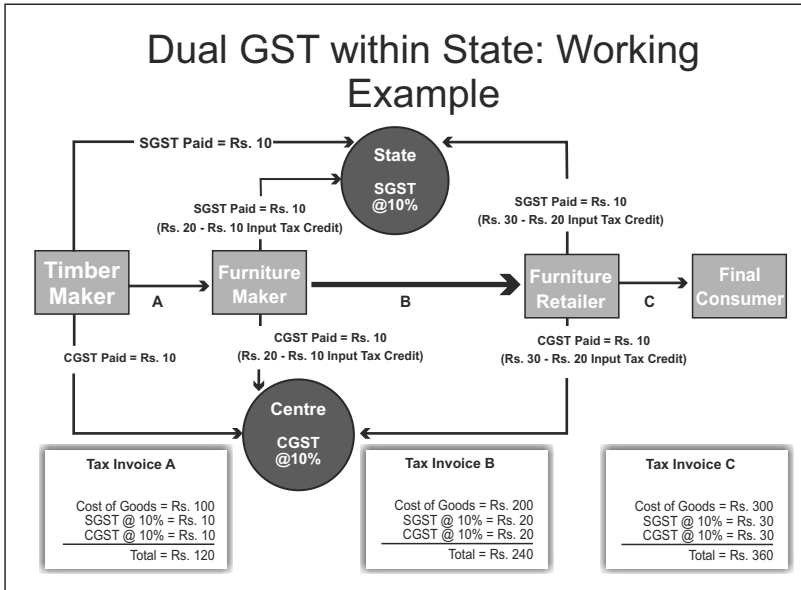
41. *What is a bill of supply?*

A bill of supply is actually an invoice without tax. It is issued when a GST Tax invoice is not to be raised either because of exemption of goods or services, or because of the dealer being under the composition scheme. Except for the tax related part, all other data fields are same in the bill of supply. However, the GST law permits a registered taxable person not to issue a bill of supply if the value of goods or services supplied is less than Rs.200, unless the recipient requires such bill.

42. How will GST work in practice?

GST at work could be seen through the following two graphics.

Firstly, when goods or services are supplied and consumed in the same state.

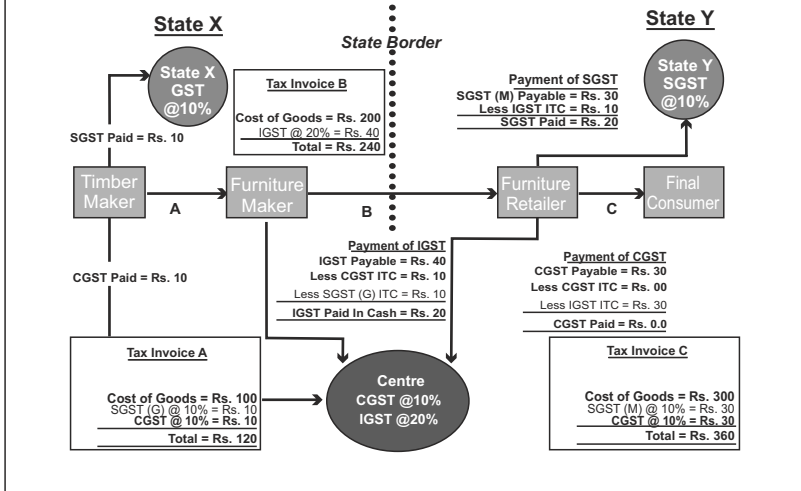


Here the tax structure on the value chain of wooden furniture has been described.

The first supplier in the value chain is the supplier of timber. If GST on the supply of timber is 20%, then the supplier in his invoice will charge 10% SGST and 10% CGST. It is shown in tax invoice A for timber of cost Rs.100. So the total amount invoiced is Rs.120 and the timber manufacturer will deposit the tax of Rs.20 collected through invoice A.

The next supplier in the value chain is the furniture maker who is located in the same state. Furniture of cost of Rs.200 may be made from the timber of cost of Rs.100. As here also the GST rate is 20%, tax will be CGST 10% and SGST 10% on the cost of goods of Rs. 200. The tax invoice B shows the amount of CGST and SGST charged with total invoiced amount of Rs.240. However, the manufacturer will also receive credit of tax already paid, here Rs.10 each as CGST and SGST. So the net amount of tax to be deposited is Rs.40 – Rs.20 = Rs.20; that is CGST Rs.10, and SGST Rs.10.

IGST Model: Working Example



When the same furniture is supplied to the retailer in the same state, through Invoice B, the cost to the final consumer may be Rs.300. Again as above, the retailer will charge Rs.30 as SGST and Rs.30 as CGST; each @ 10% of the invoiced cost. Here, though the consumer will be invoiced for Rs.360, as per tax invoice C, the retailer need not deposit the entire tax amount of Rs.60. The retailer will deduct the credit of input tax of Rs.20 as CGST and Rs.20 as SGST paid to the furniture supplier. So the net amount of tax to be deposited by the retailer will be Rs.10 as CGST and Rs.10 as SGST, total of Rs.20.

In the IGST model above, the GST incidence on a simple inter-state transaction has been explained. Here both the timber maker and the furniture manufacturer are in the same state but the retailer is located in a different state. So the furniture supplier in the tax invoice will charge only IGST at 20%, not CGST and SGST. Again, the actual amount of IGST to be deposited by the furniture manufacturer will be Rs.20 after taking input credits of Rs.20 paid a CGST and SGST to the timber supplier.

This IGST of Rs.40, paid on purchase of the furniture from the manufacturer, becomes ITC for the retailer which he will utilise when he raises his invoice for sale of the furniture to the final consumer and charges CGST and SGST, both at 10% on the invoiced amount of the goods at Rs.300; both the retailer and the consumer being located in the same state. The retailer will offset part of the ITC/IGST viz. Rs.30, against the CGST of Rs.30 invoiced to the customer; (deposit in nil CGST) and balance ITC/IGST of Rs.10 against the amount of SGST of Rs.30 invoiced to the customer. So the retailer will deposit Rs.20 as the net amount of SGST due.

The above examples show that though the net amount of tax to be deposited by all the suppliers in the value chain will be same both for supply within the state or outside the state, allocation of the tax amount to CGST, IGST and SGST will vary and the invoices are to be structured accordingly.

43. How exports and imports are treated under GST?

Let's first examine exports. Exports are rated zero under GST. An exporter would get exemption from payment of GST on the final product and also get refund of GST paid on inputs.

Currently, the levies on imports are: Customs duty, Countervailing Duty (CVD) in lieu of local excise duty, and Special Additional Duty (SAD) in lieu of State taxes. In GST regime, Customs Duty remains out of purview of GST. In place of CVD and SAD, IGST will be levied. The ITC can be availed by a registered dealer against the IGST as per rules.

	Levy of taxes	Tax credit / refund
Exports (also supply to SEZ)	<ul style="list-style-type: none"> • Zero rates tax • No tax to be charged 	<ul style="list-style-type: none"> • Input Tax Credit allowed • Refund admissible
Imports	<ul style="list-style-type: none"> • Basic Customs Duty charged • Treated as inter State supply; IGST charged 	<ul style="list-style-type: none"> • No credit for Customs Duty • Input tax credit allowed against IGST

44. Are units situated in SEZ or Export Oriented Units (EOUs) exempted from paying IGST on imports?

The units situated in SEZ are not required to pay IGST on imports. But EOUs will have to pay IGST (and claim refund on exported goods).

45. How many returns is a taxpayer required to file in a GST regime and when?

Instead of keeping registers and filing separate returns for excise, service tax, State VAT periodically, in the GST regime whatever be your business, you need to file following GST returns:

- GSTR-1 Captures details of outward supplies made by you (data entered by you)
- GSTR-2 Captures details of inward supplies (auto-populated; data entered by your suppliers about supplies made to you)
- GSTR-3 Captures auto-populated data of accepted inward and outward supplies

Simply put, under the GST regime, a normal taxpayer is required to enter data for GSTR-1 only. GSTR-2 and GSTR-3 are auto-populated.

But there may be many additional requirements for specific cases:

- a. If an entity has more than one registration (owing to having branches in more than one state or having various business verticals), separate returns are to be filed for each registration.
- b. Separate return is also required in the case of special category taxpayers such as the ones registered under the composition scheme, taxpayer registered as an Input Service Distributor, a person liable to deduct or collect the tax (TDS/TCS) among others
- c. Dealers under Composition scheme don't have to file monthly return but they are required to file GSTR-4 on a quarterly basis and an annual return in Form GSTR-9A.

Under GST, manufacturing, trading and services are not treated differently. There will be a common e-return for CGST, SGST, and IGST which is to be filed only through online mode. (A detailed table explaining GST returns, their purpose, and due date of their filing is given in Annexure. F.)

46. How do the mechanisms of filing return work in practice?

The mechanism of filing returns works in the following ways:

- i. Every supplier creates GSTR-1 on GSTN portal to record his or her sales invoice details in the given format on 10th of the succeeding month. This is the main return that you have to file.
- ii. GSTN portal will pull your purchase details on the basis of your sales invoice details (in which you have mentioned GSTIN of the buyer). The GSTR-2 will automatically get generated. By 15th of the succeeding month, you can see what has been populated as your inward supplies, and you can then accept the right ones or flag discrepancy, if any, with your respective suppliers. You have to reconcile the record of supplies within two months. If you don't reconcile, you cannot claim the credit. After having reconciled the record, you can submit the GSTR-2.
- iii. The GSTR-3 then gets populated recording your inward and outward supplies. This establishes your tax liability. You will have a personal ledger account on e-filing website where you can see how much input tax credit you have and will also get information pertaining to the balance amount after the payment of tax. If your tax liability is equal to balance, you can pay tax immediately. If your tax liability is more than your balance, you can add amount to your personal ledger via online transaction. If you have more balance than tax liability, then it can be used next time. This is the simple procedure to file return.

You have to maintain your account details in the given format, and at the time of filing returns, submit your file on GSTN portal. In a business to business transaction, the invoice details need to be mentioned because input tax credit can be affected only after matching. But in a business to consumer transaction, you only need to mention the item wise total turnover, even if the turnover is more than Rs.5 crore. Input Tax Credit will, however, be available in B2C transactions as well.

Relaxation for filing in the initial period

While as per GST rules, taxpayers were to begin filing from 10th July, as an interim measure, the filing schedule of GST return has now been relaxed. For the first two months of GST implementation, tax would be payable based on a simple return (Form GSTR-3B), containing summary of outward and inward supplies which will be submitted before the 20th of the succeeding month. However, the invoice-wise details in regular GSTR – 1 would have to be filed for July and August 2017, as per the timelines given below:

Type of Return	Time of filing (For the month of July 2017)	Time of filing (For the month of Aug 2017)
GSTR-3B	20 Aug 2017	2 Sept 2017
GST-1	1-5 Sept 2017	16-20 Sept 2017
GSTR-2 (auto populated from GSTR-1)	6-10 Sept 2017	21-25 Sept 2017

Facility for uploading of outward supplies for July 2017 will be available from 15th July 2017. No late fees and penalty would be levied during the interim period. This is to ease nerves of taxpayers and give them time to familiarize themselves with the requirement of the new tax regime.

47. How the payable GST needs to be calculated?

As we have seen, all registered dealers are required to submit returns by the 20th of every month. But with return, one has to deposit the GST collected. Without payment of tax, filing of return is infructuous and will even attract penalties. For the purpose of paying tax, the GST portal provides three electronic ledger windows to every registered dealer, namely:

- i. Electronic tax liability register (shows your tax liabilities as debit side)

- ii. Electronic cash ledger (tax related deposit made by you, credit side)
- iii. Electronic credit ledger (input tax credits are deposited here, credit side).

Your net GST liability= Amount in liability register (i) – [Amount in cash ledger (ii) + credit ledger (iii)].

48. What is the process of depositing payments?

The payment mechanism involves three steps:

1. Generate a challan
A challan can be generated from the GST portal (Form GST PMT-06) for making payment towards tax, interest, penalty, fees etc. Its validity is 15 days.
2. Make payment
Using the challan, payment can be made through various modes, such as Internet banking, credit or debit cards, National Electronic Fund Transfer (NEFT), or Real Time Gross Settlement (RTGS) from any bank. Up to Rs.10,000, the tax can be deposited by cash or by cheque of demand draft at authorized banks. If payment is made through NEFT or RTGS, a mandate form will be generated along with the challan on the GST portal. The mandate form has to be submitted to the bank within 15 days from where the payment is made. Payment can also be made through credit or debit cards.
3. Ensure credit to electronic cash ledger using CIN
Once the amount paid by a dealer is credited to the concerned government account, a Challan Identification Number (CIN) will be generated and the same will be mentioned in the challan in the GST portal. On receipt of the CIN, the amount paid will be credited to the person's Electronic cash ledger.

49. What would I do if the payment made by me does not figure in electronic cash ledger?

If a person's bank account has been debited but CIN has not been generated or CIN has been generated but not communicated to the GST portal, the person can inform about the same using Form GST PMT-07. You may like to see other payment forms that can be used for various situations mentioned in Annexure- . G

50. When can tax paid be claimed back?

There are a few situations in which the tax paid by a taxpayer can be claimed from the tax authorities , these include: excess payment of taxes,

unutilized input tax credit on account of output supplies being exports, rate of tax on inputs being higher than the rate of tax on outputs (inverted duty structure), etc. In all such cases, the GST regime provides for a hassle free mechanism for refund of taxes through a single mechanism.

51. What is the process of claiming refund?

The process of refund of excess tax is not automatic. The person claiming refund of tax or interest or any other amount paid must file a refund application in Form GST RFD before the expiry of 2 years from the 'relevant date'¹⁰.

- i. If the amount claimed as tax refund is less than Rs.2 Lakhs, the person needs to file a self-declaration based on the documents or other evidence available with him, certifying that the incidence of tax or interest being claimed as refund has not been passed on to another person.
- ii. If the amount claimed as refund is more than Rs.2 Lakhs, self-declaration is not sufficient. The application for refund must be accompanied by documentary evidence to establish that the refund is due to the person, that the amount was paid by him/her, and that the incidence of the tax or interest has not been passed on to another person.

The claim for refund of the balance in the electronic cash ledger must be made through the relevant Form GSTR-3 in case of a regular dealer and Form GSTR-4 in case of a composition dealer.

A few other important provisions related to refunds are:

- The time limit for claiming refund is 2 years
- No refund is paid if the amount is less than Rs. 1000

¹⁰A relevant date for goods exported by sea or air is the date on which the ship or aircraft in which the goods are loaded, leaves India; if goods are exported by land, the relevant date is on which the goods pass the frontier; if goods are exported by post, the date of dispatch of goods by the concerned post office; if services are exported, where the supply of service has been completed prior to the receipt of payment the relevant date is the date of receipt of payment; if services are exported, where the payment has been received in advance, prior to the date of issue of invoice, the date of issue of invoice is the date, and finally in case of unutilized input tax credit, the relevant date is the end of the financial year in which the claim for tax refund arises.

- Processing time for refund application is kept at 60 days. If the refund is not made within 60 days of filing application with documents, interest not exceeding 6%¹¹ shall be payable to taxpayer from the date immediately after the expiry of sixty days from the date of receipt of application till the date of refund of such tax. Where refund arises from an order passed by an adjudicating authority or Appellate Authority or Appellate Tribunal or court and which is not refunded within sixty days from the date of receipt of application filed consequent to such order, interest at rate of 9%¹² or lower is payable.
- Refund will be credited electronically to the account of applicant via ECS, RTGS or NEFT
- Annexure-H enlists specific application forms required for different types of refunds.

52. How can exporters file refund claim?

As we have seen, an exporter gets exemption from paying GST. The refund by exporter can be claimed by one of the following two ways:

- a. The exporter can export under bond, without payment of IGST and claim refund of unutilized input tax credit
- b. He may export on payment of IGST and claim refund of IGST paid on goods and services exported

When the refund is on account of export of goods and/or services, the authorised officer will refund 90% of the total amount claimed as refund on a provisional basis in Form GST RFD-4. Thereafter, after due verification of the documents furnished, the officer will issue an order for final settlement of the refund claim.

Provisional refund will be granted subject to the following conditions:

- The person claiming refund has not been prosecuted for tax evasion of an amount exceeding Rs.250 Lacs during the preceding 5 years.
- The person's GST compliance rating is not less than 5 on a scale of 10

In a related development, the finance ministry has agreed to refund 90% of the duties paid by exporters in the process of manufacturing items for export 'within a period of seven days' under the GST regime.

¹¹Only upper limit is fixed; exact interest rate is not yet specified

¹²Only upper limit is fixed; exact interest rate is not yet specified

The Commerce Secretary, Government of India, has been quoted saying that: “If duty refunds could not be made within seven days, then government will pay interest to exporters. However, it is yet to be decided how much interest will be paid to exporters in such a scenario”¹³.

53. Which documents would be required for refund on exports?

With prescribed application Form GST RFD-01, the following documents are required to be submitted:

- Export Invoice, shipping bill & packing list
- Mate receipt and bill of loading
- Bank realization certificate to be filed by RBI. To be submitted with application in case of advance payment.

¹³The Live Mint report dated 19th June 2017. Available at:
<http://www.livemint.com/Politics/3MdUOljN6ZzAuNet17AKUJ/GST-Exporters-to-get-90-of-duty-refund-within-seven-days.html?gclid=COOQs7H-ydQCFdiHaAodnRIPyA>

Chapter-VI

GST: Records, Audit & Assessment

54. What type of accounts/ records is a taxpayer required to keep under GST?

The GST law mandates that every registered tax payer must maintain the following details in electronic form and keep at the principal place of business specified in registration:

- All goods supplied and received
- Production or manufacture of goods
- Inward and outward supply of goods/ services
- Stock of goods
- Input tax credit availed
- Output tax payable and paid

Record of all taxable supplies whether exempt, zero rated, supplied under reverse charge received, or supplied will have to be kept and maintained.

Secondly, the record must be maintained for 6 years from the date of filing of annual return. In case under investigation, the books of account and other records should be retained for a period of one year after final disposal of such appeal or revision or proceedings or investigation.

Thirdly, all registered tax payers with annual turnover exceeding the prescribed limit are required to get their accounts audited by either a chartered accountant or a cost accountant, and submit their audited accounts (Form GSTR-9) and the reconciliation statement (Form GSTR-9B) to the proper officer.

55. How are tax liabilities assessed under GST?

Self-assessment is the cornerstone of GST. The monthly and annual returns filed by the supplier are to be based on self-assessment only. However, if in a particular case, **the dealer cannot assess the tax liability of the supply**, the CGST or SGST officer may be approached for a 'provisional assessment'. In such a case, the GST shall be paid only after receipt of the 'provisional assessment'. It is only after the tax officer has issued the final assessment will the tax liability be cleared.

56. *Can the GST officer review my self-assessment return?*

Yes, the tax officer can issue a scrutiny assessment after examining the return and other information furnished by a person. The officer may seek explanation on certain transactions in return. In case no satisfactory action is taken within 30 days, the officer will initiate appropriate scrutiny.

57. *What is a summary assessment?*

A summary assessment is issued by the tax officer when he has reasons to believe that the government's tax revenue is being lost. This is generally issued to a registered supplier before he files the return for the period for which the summary assessment is issued.

58. *Could an unregistered supplier be assessed by the GST officer?*

Yes, a CGST or SGST officer can issue a 'Best Judgement assessment' to any taxable person, if it appears that the person has failed to obtain GST registration and paid the tax, even though he/she is liable to do so. The Best Judgement assessment is withdrawn only after the person pays the full assessment amount.

59. *What is a GST audit?*

Audit under GST is the examination of records maintained by the taxable person to verify the correctness of information declared, taxes paid, and to assess the compliance with the provisions of GST. The audit can be done by the taxpayer himself or by the tax authorities. Every registered taxable person whose turnover during a financial year exceeds the prescribed limit [presently above Rs. 1 crore], must get his accounts audited by a CA or a Cost Accountant.

60. *Can the tax authorities initiate audit?*

Tax authorities can conduct audit of the taxpayer if authorised by the Commissioner of CGST/SGST. For this, a notice of 15 day will be given to the taxpayer for submission of records, etc.

Chapter-VII

GST: Special Provisions (Composition Scheme, Job work, Reverse charge, Advance Ruling)

61. *What is a composition scheme?*

Composition scheme is an option given to those registered tax payers who are ready to pay a lump-sum tax but find it difficult to comply with the GST formalities of filing monthly returns and claim input credits. The highlights of the scheme are:

- Available to registered dealers who notify of their willingness to avail the scheme beforehand
- Under the scheme, tax payers who sign up for the scheme must have their aggregate annual turnover less than Rs.75 lac in the preceding year.
- They will be required to maintain minimum records and file only one quarterly return
- They cannot enter GST credit chain. That is, they can neither issue taxable invoices nor charge tax from customers nor claim any input tax credit
- But they have to pay the tax (traders @ 1%, manufacturers @ 2% and restaurants @ 5% on their turnover) out of their own pocket
- The following taxpayers are barred from availing the scheme:
 - o Interstate sellers, including dealers who import or export
 - o e-commerce traders
 - o Deals in goods not covered under the GST Act
 - o Deals in services (exclusions include those dealing in food for human consumption, non-alcoholic drinks, restaurants, etc.)
 - o Deals in products like ice cream, tobacco & cigarettes
 - o Persons having reverse-charge liability
- A person who deals in different business segments (like garments, telecom, electronics, groceries, etc.) having one PAN, must register all such businesses under the scheme.
- It is a good scheme so far as it saves small businesses of compliance burden. But it increases their cost as the taxes they have paid on their inputs can't be claimed and they suffer from cascading effect of taxes
- The Composition Scheme shall stand withdrawn from the day the turnover of the taxpayer crosses the notified threshold limit (currently pegged at Rs.75 lac).

If you want to avail a composition scheme, do assess your eligibility carefully. As we have seen, there are many situations in which a composition scheme may not be permitted. If ineligibility is detected later, you may have to pay a heavy price¹⁴.

62. What are the implications of GST while sending goods for job work?

A registered taxpayer (principal) can send the taxable goods to a job worker for job work without payment of tax. The goods can be sent subject to some conditions.

- Goods sent out for job work must be accompanied with a challan
- Goods sent by principal to a job worker must be returned within the following periods: Inputs, semi-finished or finished goods: within 1 year Capital Goods: within 3 years
- In cases where such goods are not received back within the time limit, they will be treated as supplied to the job worker by the principal with accompanying tax liabilities from the date the goods were first supplied by the principal.
- Principal may receive back the goods on his own after processing them from a job worker or by supplying them to his customers from the place of business of the job worker. Under both the situations, ITC paid on the purchase of goods sent on job work will be allowed to the principal
- Waste and scrap generated during the initial process, intermediate process, assembly, packing or any other completion process may be sold on payment of tax by the Job worker- if he holds a registration or by the Principal- if job worker does not hold a registration.

63. What is Reverse Charge Liability?

In simple terms, a reverse charge is a shift in liability to collect and deposit tax. As per Provisions of GST (under the reverse-charge mechanism), the liability to pay tax on a particular supply is on the recipient, rather than on the supplier of certain notified goods and services. The concept is not entirely new as it was used in case of select services such as unorganized goods transport. Now its scope has been enlarged.

¹⁴If the proper officer has reasons to believe that a taxable person was not eligible to pay tax under the composition scheme, such a person shall, in addition to any tax that may be payable by him under other provisions of GST Act, be liable to pay a penalty and the provisions of Section 66 (Determination of tax not paid/short paid etc. in non-fraud cases) or Section 67 (Determination of tax not paid/short paid etc. in fraud cases), as the case may be, shall apply mutatis mutandis for determination of tax and penalty [Section 9(4)].

In GST regime, reverse charge may be applicable for both services as well as goods. In line with the current dispensation, reverse charge is applicable for the following:

- Insurance agent
- Services of a director to a company
- Manpower supply
- Goods transport agencies
- Non-resident service providers

In addition to the above, reverse charge will also apply for the following:

- Unregistered dealer selling to a registered dealer
This implies that if you are buying taxable goods and services from an unregistered dealer, the liability to deposit tax is yours. Of course you can claim the input-tax credit on it.
- Services through an e-commerce operator
If an e-commerce operator supplies services then reverse charge will apply on the e-commerce operator. He will be liable to pay GST. For example, there are companies who provide services of plumbers, electricians, teachers, beauticians, etc. They are liable to pay GST and collect it from the customers instead of the registered service providers.

Further, if the e-commerce operator does not have a physical presence in the taxable territory, then a person representing such electronic commerce operator for any purpose will be liable to pay tax. If there is no representative, the operator will appoint a representative who will be held liable to pay GST.

A detailed list of services attracting reverse charge liability is in Annexure - I.

64. What is Advance Ruling facility under GST?

Taxpayers have long demanded a facility of Advance Ruling through which they could seek official clarification on tax matters beforehand. The GST regime provides for the facility of Advance Ruling with certain caveats, such as it is binding only on the tax payers who seek clarification or it will be binding only on the jurisdictional officer of the applicant or that its effect would only be prospective.

Advance Ruling can be sought on the following matters:

- Classification of any goods or services or both;
- Applicability of a notification issued under provisions of the GST act(s);
- Determination of time and value of supply of goods or services or both;

- Admissibility of input tax credit of tax paid or deemed to have been paid;
- Determination of the liability to pay tax on any goods or services under the act;
- Whether applicant is required to be registered under the act;
- Whether a specific action of the applicant with respect to any goods or services amounts to or results in a supply of goods or services, within the meaning of that term.

65. What would be the mechanism for using Advance Ruling?

An Authority for Advance Rulings (AAR) is being setup in each state comprising of a member representing CGST and a member representing SGST / UTGST. They will be appointed by the Central and State governments, respectively.

The features of the mechanism are:

- Any person desirous of obtaining registration can be an applicant.
- An applicant can apply for advance ruling even before taking up a transaction (proposed supply of goods or services) or in respect of a supply which is being undertaken. The only restriction is that the question being raised is already not pending or decided in any proceedings in the case of applicant.
- The Authority shall pronounce its ruling in writing within 90 days from the date of receipt of application.
- The application for Advance Ruling should be filed with AAR with a copy of application to the officer in whose jurisdiction the applicant falls. The AAR may then examine the application along with the records and may also hear the applicant. Thereafter, AAR will pass an order either admitting or rejecting the application.
- An appeal could be filed in the Appellate Authority of Advance Ruling. However, the provision of challenging the verdict of Appellate is not provided by the law.

ANNEXURES

Annexure-A

References

1. Goods and Services Tax (GST) Acts

The Government of India enacted the following laws towards empowering itself in charging GST:

- i. Central Goods and Services Tax Act – Empowers Central Government to charge CGST on supplies within the respective states,
- ii. Integrated Goods and Services Tax Act – Empowers central Government to charge IGST on inter - state supply of Goods and Services;
- iii. Union Territories Goods and Services Tax Act – Empowers the Union Territories to charge UTGST on intra state supplies.
- iv. GST (Compensation to the States) Act – Stipulates the methodology for compensating the states for any loss in tax revenues on adopting GST.

Besides the above central laws each state enacted the respective State Goods and Services tax Act, to empower themselves to charge SGST on the supplies made within the state.

The details of the above Acts, their subordinate rules etc. are available at GST website link: <http://www.cbec.gov.in/htdocs-cbec/gst/index>

2. Books and guides:

- i. Guide to Revised Model GST Law by Bimal Jain & Isha Bansal 2017
- ii. The GST Nation- A Guide for Business Transformation by Ajay Srivastava 2017

3. Online Resources:

- i. GST
- ii. GSTN – Goods and Services Tax Network <http://www.gstn.org/>
- iii. SIDBI-FISME online help <http://www.gst4msme.com>
- iv. TaxIndiaOnline <https://taxindiaonline.com/>

GST Rates: An overview

Rate	Goods	Services
No Tax (0%)	<p>Food grains, Cereals, Milk, Jaggery etc</p> <p>Common Salt, Jute, fresh meat, fish chicken, eggs, milk, butter milk, curd, natural honey, fresh fruits and vegetables, flour, besan, bread, prasada, salt, bindi, sindoor, stamps, judicial papers, printed books, newspapers, bangles, handloom, Bones and horn cores, bone grist, bone meal, etc.; hoof meal, horn meal, Cereal grains hulled, jaggery, Salt - all types, Kajal, children's' picture, drawing/ colouring books, Human hair etc</p>	<p>Education, Healthcare, Hotel</p> <p>Education and Healthcare services, Residential accommodation, Hotel/ Lodges with tariff below INR 1000 etc.</p>
5%	<p>Apparel, footwear, Sugar, Tea & Coffee, Drugs & Medicine, Edible Oil, Indian Sweets etc</p> <p>Apparel below Rs 1000, packaged food items, footwear below Rs 500, cream, skimmed milk powder, branded paneer, frozen vegetables, coffee, tea, spices, pizza bread, rusk, saboodana, kerosene, coal, medicines, stent, lifeboats, Cashew nut, Cashew nut in shell, Raisin, Ice and snow, Bio gas, Insulin, Agarbatti, Kites, Postage or revenue stamps..</p>	<p>Transport, Restaurants.. Transport services</p> <p>(Railways, air transport), small restaurants</p>
12%	<p>Apparel, meat, packaged food, Ayurvedic medicine, Fruit juices, Fertilizers</p> <p>Apparel above Rs 1000, frozen meat products , butter, cheese, ghee, dry fruits in packaged form, animal fat, sausage, fruit juices, namkeen, Ayurvedic medicines, tooth powder, agarbatti, colouring books, picture books, umbrella, sewing machine, cellphones, Ketchup & Sauces, All diagnostic kits and reagents, Exercise books and note books, Spoons, forks, ladles, skimmers, cake servers, fish knives, tongs, Spectacles, Playing cards, chess board, carom board and other board games, like ludo</p>	<p>Work contracts..</p> <p>State-run lotteries, Non-AC hotels, business class air ticket, Work Contracts</p>

18%	<p>Capital goods, Industrial intermediaries, Hair Oil, Soap, Toothpaste</p> <p>Footwear (over Rs 500), Biscuits, flavoured refined sugar, pasta, cornflakes, pastries and cakes, preserved vegetables, jams, sauces, soups, ice cream, instant food mixes, mineral water, tissues, envelopes, tampons, note books, steel products, printed circuits, camera, speakers and monitors, Kajal pencil sticks, Headgear and Headgear and parts thereof, Aluminium foil, Weighing Machinery [not electric/ electronic], Printers, Electrical Transformer, CCTV, Optical Fiber, Bamboo furniture, Swimming pools and padding pools, Curry paste; mayonnaise and salad dressings; mixed condiments and mixed seasonings</p>	<p>Hotels, IT & Telecom, Financial services</p> <p>AC hotels that serve liquor, telecom services, IT services, branded garments and financial services will attract 18 per cent tax under GST, Room tariffs between Rs 2,500 and Rs 7,500, Restaurants inside five-star hotels</p>
28%	<p>Air conditioner, Refrigerators, chocolates..</p> <p>Bidis, chewing gum, molasses, chocolate not containing cocoa, waffles and wafers coated with chocolate, pan masala, aerated water, paint, deodorants, shaving creams, after shave, hair shampoo, dye, sunscreen, wallpaper, ceramic tiles, water heater, dishwasher, weighing machine, washing machine, ATM, vending machines, vacuum cleaner, shavers, hair clippers, automobiles, motorcycles, Air conditioner, Refrigerators, Aircraft (personal use)</p>	<p>Cinema tickets, Betting, Gambling, start Hotels..</p> <p>Lotteries (authorised by the states), hotels with room tariffs above Rs 7,500, 5-star hotels, race club betting, cinema tickets</p>
28% Plus cess	<p>Cars</p> <p>Small cars, (1% / 3% cess), Luxury cars (15% cess)</p>	-
Special tax 3%	<p>Gold & silver, Pearls, precious or semi-precious stones, diamonds (other than rough diamonds), imitation jewellery, coins</p>	-
0.25%	<p>Rough diamond</p>	-

For HSN based GST rates, please refer SIDBI-FISME online GST resource portal: www.gst4msme.com

Mandatory Registration : Special Cases

Any person having no fixed place of business- casual taxable persons, are required to obtain Registration (valid for a period 90 days) when supplying goods/services in a taxable territory

Any person having no fixed place of business in India- referred to as non-resident taxable person, supplies goods or services is also required registration (valid for a period of 90 days)

A person required to pay tax under reverse charge mechanism where the person receiving the goods/services has to pay tax instead of the supplier

Agents or any other person who makes supply on behalf of other registered taxable persons

Distributors or input service distributors. This person has the same PAN as the office of the supplier. This person is an officer of the supplier, he receives supplies and issues tax invoice to distribute credit of CGST/SGST/IGST.

E-Commerce Operator or person who supplies (except branded services) via an e-commerce operator

Aggregator supplying services under his brand name

Person supplying online information and database access or retrieval services from a place outside India to a person in India, other than a registered taxable person.

Tax Invoice

When a registered taxable person supplies taxable goods or services, a tax invoice is issued. Based on the rules regarding details in a tax invoice, a sample tax invoice is shown below:

ABC Enterprises Pvt. Ltd.

GSTIN 29AAAAA0000A123
 State Karnataka (22)
 PAN AAAAAB0001A

Total Rs. 6500

Invoice Date 15/05/2016
 Invoice No. GJ640028
 Reference No. PO-0381

TAX INVOICE

Customer Name

XYZ Solutions Private Limited

Customer GSTIN

2222000007A120

Billing Address

XYZ Solutions Private Limited
 Ground Floor, Building A1, 11 & 12
 AAA Tech Park Internal Road
 Hongsandra, Bengaluru
 Karnataka 560000

Shipping Address

XYZ Solutions Private Limited
 Ground Floor, Building A1, 11 & 12
 AAA Tech Park Internal Road
 Hongsandra, Bengaluru
 Karnataka 560000

Payment Terms Net 15 Due Date 15/05/2016 Place of Supply Karnataka (22)

Item	HSN	Qty.	Rate/ Item(Rs.)	Discount/ Item(Rs.)	Taxable Value (Rs.)	SGST Rt.	CGST Rt.	CES Rt.	Total Rs.
1. ABC Herbal Cream Nocell Edition	440103	10 Kg	1000.00	50.00	9500.00	9.00 9.00%	9.00 9.00%	00.00 0%	11640.00
2. ABC Herbal Cream Nocell Edition	440103	10 Kg	1200.00	50.00	9700.00	9.00 9.00%	9.00 9.00%	00.00 0%	11640.00
3. ABC Herbal Cream Nocell Edition	440103	10 Kg	1200.00	50.00	9700.00	9.00 9.00%	9.00 9.00%	00.00 0%	11640.00
4. Freight Charges	--	1 no	1500.00		1500.00	9.00 9.00%	9.00 9.00%	00.00 0%	1700.00
Total (Rs.)					31400.00	2860.00	2860.00	00.00	37120.00
Taxable Amount:									Rs. 30,000.00
Total Tax:									Rs. 5,620.00
Invoice Total:									Rs. 35,620.00
Invoice Total (in words)							Thirty Five Thousand Twenty Only		

*Tax to be paid on Reverse Charge

Notes

All payments to be made in cash.
 Contact us for queries on these conditions.

DUPLICATE
 For Transporter

For ABC Enterprises Pvt. Ltd.
 (Signature)

Important Transitional Provisions in GST

For smooth transition to GST, one has to deal with the transitional provisions with due diligence. Otherwise, the taxable person may end up with loss of credit and corresponding costs for non adherences/ compliances, as envisaged in the transitional provisions.

Transitional provisions under the Model GST Law are covered under Chapter XXVII of the Model CGST/SGST Act, 2016, from section 165 to section 197 and Chapter X of the Model IGST Act, 2016 under section 21 thereof. The gist of important transitional provisions under GST are discussed below-

General Provision [section 165]:
<ul style="list-style-type: none">• All officers appointed under existing central/state laws and continuing in office on the appointed day, shall be deemed to have been appointed as GST officers/ competent authorities.• The central government (or the state government) may issue orders or make rules consistent with the need for smooth transition to GST.
Migration of existing taxpayers having valid PAN to GST [section 166]:
<ul style="list-style-type: none">• On appointed day, certificate of registration shall be issued on provisional basis for a period of 6 months or extended period, by the Competent Authority. Prescribed information to be submitted within the stated time.• Registration certificate may be cancelled on failure to furnish information within stipulated time.• Person to whom provisional certificate has been issued and who is eligible for opting under composition scheme, may opt for the same within prescribed time, otherwise he shall be liable for GST as normal taxable person.
Amount of credit carried forward in last return to be allowed as input tax credit (“ITC”) [section 167]:
<ul style="list-style-type: none">• Carried forward Cenvat credit/VAT/Entry tax in last return under earlier law is allowable under GST to a registered taxable person, provided that the credit is admissible under the Model GST Law.• The taxpayer who would opt for composition scheme will not be allowed to carry forward existing credits.

Unavailed Cenvat credit on capital goods, not carried forward in a return [section 168]:

- Unavailed Cenvat/ VAT credit on capital goods not carried forward in last return under earlier law shall be allowed under GST, provided it is admissible under earlier law as well as under GST.
- The taxpayer who would opt for composition scheme will not be allowed the above benefit.
- No mechanism provided for availing credit on Capital goods in transit immediately before the appointed date.

Credit of eligible duties and taxes in respect of inputs or input services during transit [section 171]:

- A registered taxable person shall be entitled to take credit of eligible duties/taxes/VAT/Entry tax in respect of inputs or input services received on or after the appointed day subject to following:
 - ✓ The invoice or any other duty/tax paying document was recorded in the books of accounts of such person within a period of 30 days (extendable to further 30 days on sufficient cause) from the appointed day.

Exempted goods returned to the place of business on or after the appointed day [section 173]:

- Exempted goods removed/sold, not earlier than 6 months prior to the appointed day, returned to the place of business:
 - ✓ Within a period of 6 months from the appointed day → No tax shall be payable, if goods are identifiable to satisfaction of proper officer
 - ✓ After 6 months from the appointed day and goods are liable to tax under GST → Tax payable by the person returning goods
- No tax shall be payable if the goods are returned by a person not registered under GST Act.

Duty/(tax in SGST Act) paid goods returned to the place of business on or after the appointed day [section 174]:

- Duty/tax paid goods removed/sold, not earlier than 6 months prior to the appointed day, returned to the place of business/supplier on or after appointed day:
 - ✓ By a person other than registered taxable person → Registered taxable person shall be eligible for refund of the duty/tax paid under the earlier law when such goods are returned within a period of 6 months from the appointed day and such goods are identifiable to satisfaction of proper officer.
- By a registered taxable person → Return of the goods shall be deemed to be a supply.

Issue of supplementary invoices, debit or credit notes where price is revised in pursuance of a contract entered prior to the appointed date [section 178]:

- Supplementary invoice/ debit note/ credit note, containing prescribed particulars may be issued within 30 days of such price revision:
 - ✓ Upward revision - supplementary invoice/debit note
 - ✓ Downward revision - supplementary invoice/credit note
- Such supplementary invoice/debit note/credit note shall be deemed to have been issued in respect of an outward supply made under GST Act.
- In case of downward revision, the taxable person shall be allowed to reduce his output tax liability on account of issue of the said credit note only if the recipient has reduced his ITC corresponding to such reduction of tax liability.

Treatment of long term construction/works contracts [section 186]:

- Long Term construction and works contracts entered prior to appointed day but not completed → Goods and/ or services supplied on or after appointed date will be liable to tax under the provisions of GST Act.

Exempted goods returned to the place of business on or after the appointed day [section 173]:

- Exempted goods removed/sold, not earlier than 6 months prior to the appointed day, returned to the place of business:
 - ✓ Within a period of 6 months from the appointed day → No tax shall be payable, if goods are identifiable to satisfaction of proper officer
 - ✓ After 6 months from the appointed day and goods are liable to tax under GST → Tax payable by the person returning goods
- No tax shall be payable if the goods are returned by a person not registered under GST Act.

Duty/(tax in SGST Act) paid goods returned to the place of business on or after the appointed day [section 174]:

- Duty/tax paid goods removed/sold, not earlier than 6 months prior to the appointed day, returned to the place of business/supplier on or after appointed day:
 - ✓ By a person other than registered taxable person → Registered taxable person shall be eligible for refund of the duty/tax paid under the earlier law when such goods are returned within a period of 6 months from the appointed day and such goods are identifiable to satisfaction of proper officer.
- By a registered taxable person → Return of the goods shall be deemed to be a supply.

Issue of supplementary invoices, debit or credit notes where price is revised in pursuance of a contract entered prior to the appointed date [section 178]:

- Supplementary invoice/ debit note/ credit note, containing prescribed particulars may be issued within 30 days of such price revision:
 - ✓ Upward revision - supplementary invoice/debit note
 - ✓ Downward revision - supplementary invoice/credit note
- Such supplementary invoice/debit note/credit note shall be deemed to have been issued in respect of an outward supply made under GST Act.
- In case of downward revision, the taxable person shall be allowed to reduce his output tax liability on account of issue of the said credit note only if the recipient has reduced his ITC corresponding to such reduction of tax liability.

Treatment of long term construction/works contracts [section 186]:

- Long Term construction and works contracts entered prior to appointed day but not completed → Goods and/ or services supplied on or after appointed date will be liable to tax under the provisions of GST Act.

Credit distribution of service tax by Input Service Distributor (ISD) [section 190]:

Only for CGST Law

- Services received prior to appointed day → ISD can distribute credit under GST Act, even if invoices relating to such services are received on or after the appointed day.

Provision for transfer of unutilized Cenvat credit by taxable person having centralized registration under the earlier law [section 191]:

Only for CGST Law

- In case of centralised registration under the earlier law, amount of Cenvat credit carried forward in last return furnished under earlier law → shall be allowed in GST.
- Where return for the period ending with the day immediately preceding the appointed day is filed within 3 months of the appointed day → credit shall be allowed subject to following condition:
 - ✓ said return is either an original return or revised return where credit has been reduced from that claimed earlier.
- Credit must also be admissible as ITC under GST Act.
- Such credit may be transferred to any of the registered taxable persons having the same PAN for which the centralised registration was obtained under the earlier law.

Section	Provisions under the Model IGST Law, 2016
Import of services or inter-state supply of goods and/or services made on or after the appointed day [section 21]	
<ul style="list-style-type: none">• Import of services or inter-state supply of goods and/or services made after the appointed day liable to tax under GST, even if transaction initiated before the appointed day.• A transaction shall be deemed to have been initiated before the appointed day if either the invoice relating to such supply or payment, either in full or in part, has been received or made before the appointed day.• No GST when tax already paid in full under earlier law.• GST payable on balance amount if tax has been paid in part under earlier law. <p style="text-align: right;"><i>[Adapted from Guide to Revised Model GST Law by Bimal Jain & Isha Bansal 2017]</i></p>	

Types of returns under GST and its periodicity

Return form	Particulars	Due date
GSTR-1	Outward supplies	On or before the 10 th day of the month succeeding the tax period
GSTR-2	Inward supplies	On or before the 15 th day of the month succeeding the tax period
GSTR-3	Monthly return (periodic)	On or before the 20 th day of the month succeeding the calendar month or part thereof
GSTR-4	Return by compounding taxpayers (i.e. a registered taxable person who opts to pay tax under the composition scheme [Section 9 of the Model CGST/SGST Act])	Within 18 days after the end of the quarter
GSTR-5	Return by every registered non-resident taxable person	Within 20 days after the end of a calendar month or within 7 days after last day of the validity period of registration, whichever is earlier
GSTR-6	Input Service Distributor (ISD) Return	Within 13 days after the end of the month
GSTR-7	TDS return (i.e. every registered taxable person who is required to deduct tax at source under the provisions of Section 46 of the Model CGST/SGST Act)	Within 10 days after the end of the month in which TDS deduction have been made along with the payment of the same
GSTR-8	Electronic Commerce Operator	Within 10 days after the end of the month in which collection of tax at source is made
GSTR-9	Annual return	On or before the 31 st day of December following the end of the financial year
GSTR-9A	Simplified Annual return for Compounding taxable persons	31 st December of the next financial year*
GSTR-10	Final return	Within 3 months of the date of cancellation of registration or date of cancellation order, whichever is later
GSTR-11	Details of inward supplies to be furnished by a person having Unique Identification Number (“UIN”)	28 th of the month following the month for which statement is filed*

* Such provision were not provided in the Model GST Law and here, reference has been taken from the Draft Return Formats which was put on public domain on September 26, 2016.

[Adapted from Guide to Revised Model GST Law by Bimal Jain & Isha Bansal 2017]

Annexure – G

Forms pertaining to tax payment under GST	
Form	Purpose
Form GST PMT-01	Electronic tax liability register will be maintained in Form GST PMT-01
Form GST PMT-02	Electronic credit ledger will be maintained in Form GST PMT-02
Form GST PMT-03	Order of rejection of claim for refund of balance in Electronic credit ledger/Electronic cash ledger, issued by an authorised officer
Form GST PMT-04	If a person notices any discrepancy in his Electronic credit ledger, he can communicate the same using Form GST PMT-04
Form GST PMT-05	Electronic cash ledger will be maintained in Form GST PMT-05
Form GST PMT-06	Challan for payment of tax, interest, penalty, fees or any other amount
Form GST PMT-07	If CIN Is not generated even after payment or CIN generated but not communicated to the GST portal

Application forms for Refund

no.	Form Number	Purpose
1	GST RFD -01	Refund Application form – Annexure 1 Details of Goods – Annexure 2 Certificate by CA
2	GST RFD -02	Acknowledgement
3	GST RFD -03	Notice of Deficiency on Application for Refund
4	GST RFD -04	Provisional Refund Sanction Order
5	GST RFD -05	Payment Advice to bank
6	GST RFD -06	Provisional Refund Sanction Order under section 54(5)
7	GST RFD -07	Refund adjusted against outstanding demand
8	GST RFD -08	Show cause notice for reject of refund application
9	GST RFD -09	Reply for form GST RFD -08
10	GST RFD -10	Refund Application under Section 55

Services Under Reverse Charge

Sl. No.	Service	Provider of service	Percentage of service tax payable by service provider	Recipient of Service	Percentage of service tax payable by any person other than the service provider
1.	Taxable services provided or agreed to be provided by any person who is located in a non - taxable territory and received by any person located in the taxable territory other than non - assessee online recipient (OIDAR)	Any person who is located in a taxable territory	Nil	Any person located in the taxable territory other than non-assessee online recipient (Business Recipient)	100%
2.	Services provided or agreed to be provided by a goods transport agency (GTA) in respect of transportation of goods by road	Goods Transport Agency (GTA)	Nil	(a) any factory registered under or governed by the Factories Act, 1948; (b) any society registered under the Societies Registration Act, 1860 or under any other law for the time being in force in any part of India; (c) any co - operative society established by or under any law; (d) any person registered under CGST/SGST/UTGST Act; (e) any body corporate established, by or under any law; or	100%

Services Under Reverse Charge

Sl. No.	Service	Provider of service	Percentage of service tax payable by service provider	Recipient of Service	Percentage of service tax payable by any person other than the service provider
				(f) any partnership firm whether registered or not under any law including association of persons. (g) Casual taxable person	
3.	Services provided or agreed to be provided by an individual advocate or firm of advocates by way of legal services, directly or indirectly	An individual advocate or firm of advocates	Nil	Any business entity.	100%
4.	Services provided or agreed to be provided by an arbitral tribunal	An arbitral tribunal	Nil	Any business entity.	100%

Federation of Indian Micro and Small & Medium Enterprises (FISME)

Federation of Indian Micro and Small & Medium Enterprises (FISME) has evolved into a large network of geographical and sectoral associations of Micro, Small and Medium Enterprises (MSMEs). FISME was rechristened and metamorphosed from its earlier avatar in 1995 during India's liberalization process and its accession to WTO. It traces its origin to which was established in 1967. FISME's mindset, mission and activities have been shaped by these national and global developments.

It works for 'Survival and growth of MSMEs'. It focuses on creation of an eco-system which is enabling to entrepreneurship and competitive at the same time.

The key thematic areas of work at FISME constitute:

- a. Securing market access for MSMEs in India and abroad and ensuring competitive functioning of factor-markets
- b. Advocating for reforms in regulatory environment and promotional policies to enhance competitiveness of SMEs vis-à-vis their larger domestic counterparts and foreign firms through research and dialogue
- c. Executing MSME development projects supported by Indian government as well as by all major multilateral and bilateral bodies in India such as UNIDO, ILO, UNCTAD, DFID, GIZ among others.

With over 740 associations as its members, FISME network reaches out to over 2 million MSMEs.

Ministry of MSME, Govt. of India has entrusted FISME to run three IPR Facilitation Centers at New Delhi, Bangalore and Hyderabad.

More at <http://www.fisme.org.in>

About SIDBI

Small Industries Development Bank of India (SIDBI), set up on April 2, 1990 under an Act of Indian Parliament, acts as the Principal Financial Institution for the Promotion, Financing and Development of the Micro, Small and Medium Enterprise (MSME) sector and for Co-ordination of the functions of the institutions engaged in similar activities.

Business Domain of SIDBI

The business strategy of SIDBI is to address the financial and non-financial gaps in MSME eco-system. Financial support to MSMEs is provided by way of (a) Indirect / refinance to banks/FIs for onward lending to MSMEs and (b) direct finance in the niche areas like SIDBI Make in India Soft Loan Fund for MSMEs (SMILE), Risk Capital, Sustainable Finance, Start Up Support, Receivable Financing, Service Sector financing, Micro Finance including channelizing various government subsidies, etc. Further, SIDBI has been spearheading fund of fund support under Start Up India initiatives for the Government of India.

Further, SIDBI has been promoting energy efficiency and cleaner production in the MSME sector through various programmes viz. WB-GEF Project, 4E Scheme and Partial Risk Sharing Facility for promotion of ESCO-implemented energy efficiency projects by way of guarantees.

As on March 31, 2017, SIDBI has made cumulative disbursements of about Rs.4.86 lakh crore benefitting more than 350 lakh persons. By this way, SIDBI complements and supplements efforts of banks/ FIs in meeting diverse credit needs of MSMEs.

Development Outlook

In order to promote and develop the MSME sector, SIDBI adopts a 'Credit Plus' approach, under which, besides credit, SIDBI supports enterprise development, skill up-gradation, marketing support, cluster development, technology modernisation, etc., in the MSME sector through its promotional and developmental support to MSMEs. It is also operating Stand Up India programme for the Government of India.

“Most entrepreneurs are little inclined to find about the details of the legislative history of GST and its legal jargons.

What they are keen to know about, however, is:

What is changing?

They are interested to know about the basic structure of GST regime and how it would be administered.

Will we be able to do it?

How to understand the processes of GST?

What would be cost of compliance?

What would be the benefit?

Whom to ask if I have questions?

How to stay connect with people whose support I would need from time to time ?

If these are your questions too, the guide is for you.

SIDBI-FISME GST support programme for MSMEs

A brief guide to GST for MSMEs

A toll-free helpline number: 1800-11-3585

Online GST support portal for MSMEs: www.gst4msme.com