GST & its Relevance

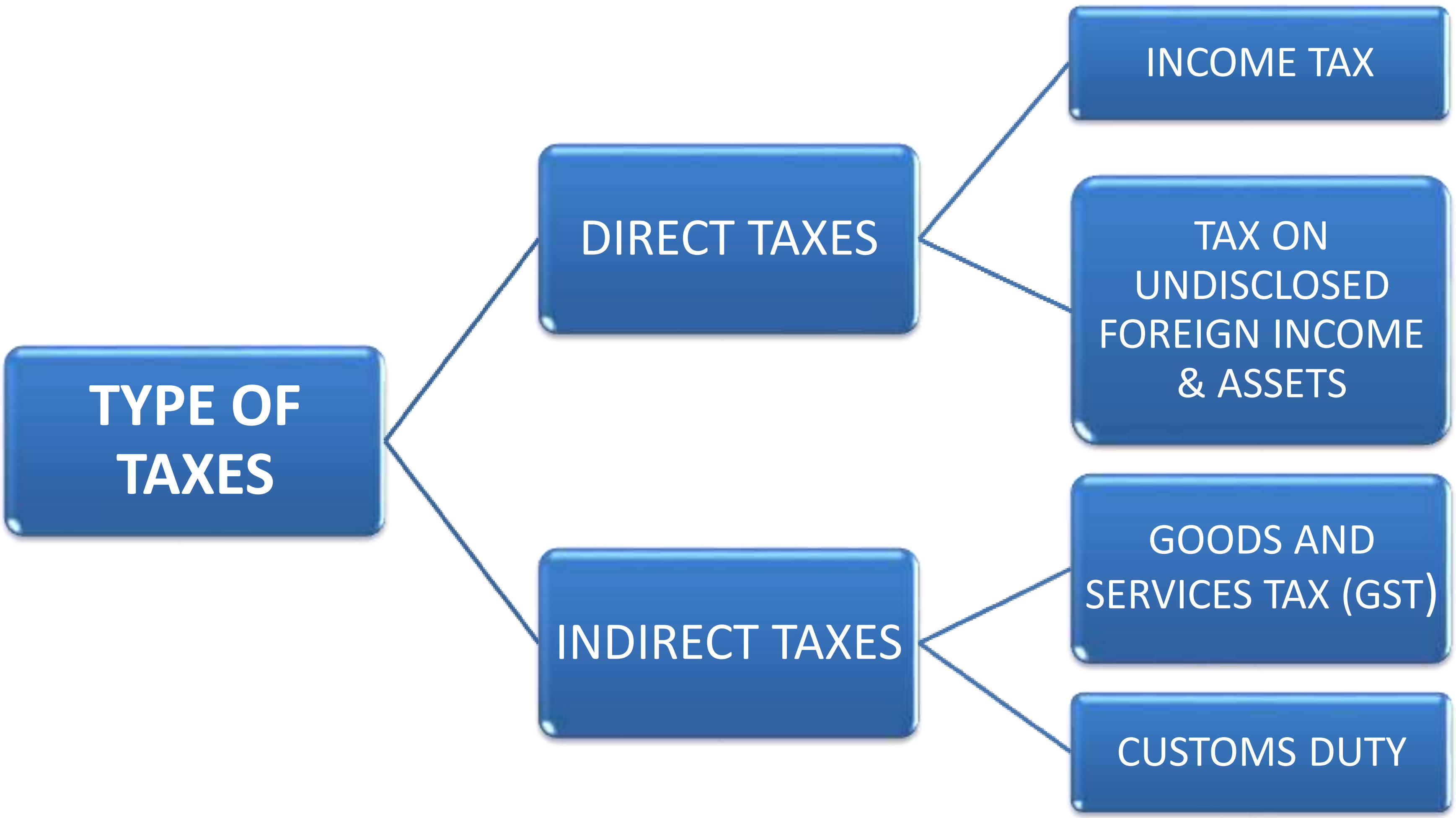
- Overview of Indian Tax System
- Introduction to GST: Evolution & Application
- SGST/CGST Act, 2017: Essential provisions & Procedural requirements
- IGST Act,2017

Understanding the Tax Structure in India

- Taxes are the backbone of any nation's development:- to fund critical projects, including infrastructure, public education etc.
- India has a well-developed tax structure with clearly demarcated authority between Central and State Governments and local bodies.
- The authority of the government to levy tax in India is derived from the Constitution of India, which allocates the power to levy taxes to the Central and State governments.

- Value Added Tax (VAT), stamp duty, State Excise, land revenue and tax on professions are levied by the State Governments. Local bodies are empowered to levy tax on properties, octroi and for utilities like water supply, drainage etc.

- In last 10-15 years, Indian taxation system has undergone tremendous reforms. The tax rates have been rationalized and tax laws have been simplified resulting in better compliance, ease of tax payment and better enforcement.


TYPE OF TAXES
DIRECT TAXES
INDIRECT TAXES
INCOME TAX
TAX ON UNDISCLOSED FOREIGN INCOME & ASSETS
GOODS AND SERVICES TAX (GST)
CUSTOMS DUTY

Types of Taxes in India-

The Indian tax system primarily consists of two types of taxes: Direct Taxes and Indirect Taxes.

1. Direct Taxes: Taxation at the Source-

Direct taxes are levied directly on individuals and corporate entities. The responsibility of paying these taxes lies solely with the taxpayer. This category of taxation is progressive, meaning the tax rate increases with income levels, ensuring a fair distribution of the tax burden. Key types of direct taxes include:

a**. Income Tax:-** Governed by the Income Tax Act 1961, this tax is imposed on the income of individuals and entities. Rates vary based on income slabs, making it a progressive tax. Personal income tax is levied by Central Government and is administered by Central Board of Direct taxes under Ministry of Finance in accordance with the provisions of the Income Tax Act.

b. **Corporate Tax:-** Governed by the Income Tax Act 1961, companies and corporate entities pay corporate tax on their income. Rates are determined annually through the Finance Act, varying by company type and turnover. Companies residents in India are taxed on their worldwide income arising from all sources. Non-resident corporations are essentially taxed on the income earned from a business connection in India or from other Indian sources.

c. **Capital Gains Tax:-** Governed by the Income Tax Act 1961, it is a tax imposed by the government on the profit or gain that arises from the sale of a “capital asset”, such as stocks, bonds, real estate, or other investments. This tax applies in the year the transfer of the capital asset takes place.

2. Indirect Taxes: Taxation Through Goods and Services

Indirect taxes are levied on the production, sale, or consumption of goods and services. Unlike direct taxes, the burden of indirect taxes is borne by end consumers. Historically, this category included various taxes like VAT, excise duty, and entertainment tax. However, with the introduction of the Goods and Services Tax (GST) in 2017, India’s indirect tax system underwent a transformative change.

a. **Goods and Services Tax (GST)**:- The Goods and Services Tax (GST) unified India’s fragmented tax structure by replacing multiple indirect taxes with a simplified regime. It eliminated the cascading effect of taxation, significantly reducing the cost of goods and services. GST is categorized into:

- Central GST (CGST): Levied on intra-state sales, collected by the Central Government.

- State GST (SGST): Levied on intra-state sales, collected by State Governments.

- Integrated GST (IGST): Levied on inter-state sales, collected by the Central Government.

b. Custom Duty: It is an indirect tax levied on goods imported into or exported out of the country.

- The primary objective of customs duty is to regulate the movement of goods across borders, protect domestic industries, and generate revenue for the government. This is levied by the Central Government. The Customs Act, 1962 governs the levy, collection, and enforcement of customs duties in India.

Types of Customs Duty:

- Basic Customs Duty (BCD): Levied on all imported goods at rates specified in the Customs Tariff Act. Rates typically range from 5% to 40%.
- Integrated GST (IGST): Applied on imports to ensure parity with domestic goods, aligning with GST laws.
- Social Welfare Surcharge (SWS): Levied at 10% of the Basic Customs Duty to fund social welfare schemes.
- Safeguard Duty: Imposed on goods to protect domestic industries from an unexpected surge in imports.

- Anti-Dumping Duty: Applied to imported goods sold below fair market value to protect domestic industries from dumping.

- Countervailing Duty (CVD): Levied to counter subsidies provided by exporting countries to their exporters.

- Customs Cess: Additional charges on certain goods to fund specific government initiatives

c. The Central Excise Duty (CED): It is an indirect tax placed on items made in India and intended for domestic use. The taxable event is manufacture,' and central excise duty liability begins when the items are made. It is a manufacturing tax paid by the manufacturer and then passed on to the customers. The duty is governed by the Central Excise Act, 1944, and the Central Excise Tariff Act, 1985. Central Excise Duty is imposed on goods manufactured or produced within India, excluding items produced in Special Economic Zones (SEZs).

Types of Excise Duty:

- Basic Excise Duty (BED): Also known as the Central Value Added Tax (CENVAT), levied under Section 3 of the Central Excise Act, 1944, on all excisable goods except salt.

- Special Excise Duty (SED): Imposed on special goods classified under the Second Schedule of the Central Excise Tariff Act, 1985.

- Additional Excise Duty (AED): Levied on goods of special importance under the Additional Duties of Excise (Goods of Special Importance) Act, 1957.

- Taxable Event: The manufacture or production of excisable goods is the taxable event, and the duty is typically paid by the manufacturer.

Goods and Services Tax

- The Goods and Services Tax (GST) concept underwent several considerations by different governments in India before it was eventually implemented on July 1, 2017.

- The Constitution (101st) Amendment Act, 2016 allows both the centre and states to levy the Goods and Services Tax (GST). Before the 2016 amendment, taxation powers were divided between the centre and states. For example, while the centre exclusively taxed services, the states exclusively taxed goods at the time of sale.

- The primary objective behind introducing GST was establishing a ‘One Nation One Tax’ system. GST effectively assimilated and replaced all the diverse taxes that were previously in existence across the country, categorizing them under:

- Central Goods and Services Tax (CGST) absorbed all the taxes imposed by the central government, such as foremost excise duty, mid surcharges, cess, and other indirect taxes. The centre will levy and collect the Central GST.

- State Goods and Services Tax (SGST) replaced state-level taxes like VAT, sales tax, state cesses, surcharges, and other indirect taxes. the states will levy and collect the State GST, on supply of goods and services within a state.

- Integrated Goods and Services Tax (IGST) involves the interstate movement of goods and services, ensuring a uniform tax rate for transactions across state borders. The centre will levy the Integrated GST (IGST) on inter-state supply of goods and services, and apportion the state's share of tax to the state where the good or service is consumed.

GST Rates in India:

The GST Council has categorized goods and services into the following tax slabs:

- 0% (Nil): Essential goods like milk, eggs, unprocessed food, and books.
- 5%: Basic goods like edible oils, sugar, and essential medicines.
- 12%: Processed foods, smart phones, and some medical devices.
- 18%: Majority of goods and services, including hair oil, toothpaste, and consumer electronics.
- 28%: Luxury goods and sin items like high-end cars, tobacco, and aerated drinks.
- Additional Cess: On luxury and sin goods, calculated over the 28% rate.

- However, certain products and services remain outside the scope of GST. These include alcohol, petrol, diesel, natural gas, airline fuel, wages and salary, electricity, and others. While some items, like alcohol, are excluded to regulate consumption, petrol continues to be a significant source of revenue for the states.

- The 2016 Constitutional amendment creates a **GST Council** consisting of the Union Finance Minister and representatives from all states to implement GST. The Council decide upon subjects including: (i) GST rates, (ii) taxes to be subsumed under GST, (iii) goods and services to be covered under GST, (iv) model laws to be passed by Parliament and state assemblies, (v) apportionment of IGST, and (vi) special provisions for the North-Eastern or Himalayan states.

Supply of goods and services

- **Place of supply of goods:** The Integrated GST provides separate rules for goods and services to determine the place (state) of their supply. In cases where a good has been physically moved, the place of supply will be the final destination of the good. In other cases, the place of supply will be where the good is received by the recipient.

- **Place of supply of services:** Provisions with respect to determining the place of supply of services vary depending upon the nature of services. For example, place of supply for immovable property (such as architects designing a building), will be the location of the immovable property. Specific provisions have also been made for supply of services such as catering, sporting events, transportation of goods, advertisement, telecommunications, among others.

- **Input tax credit**: Every taxpayer while paying taxes on outputs may take credit for taxes paid earlier by the supplier on inputs. However, this will be applicable on B2B supplies

- **Apportionment of IGST revenue**: The IGST collected will be apportioned between the centre and the state where the goods or services are consumed. The revenue will be apportioned to the centre at the CGST rate, and the remaining amount will be apportioned to the consuming state.

- **Date of liability**: The liability to pay GST in relation to supply of goods and services will arise on the date of: (i) issue of invoice, (ii) receipt of payment, whichever is earlier.

- **Exemptions from GST**: The centre may exempt certain goods and services from the purview of GST through a notification. This will be based on recommendations of the GST Council.

Documents Required for Registration vary based on the category of Taxpayers

- Owner’s PAN Card
- Owner’s Aadhaar Card
- Owner’s photograph
- Residential Proof
- Details of Bank Account

- **Registration of taxpayers**: Every person with a turnover exceeding Rs.20 lakh will have to register in every state in which he conducts business.

- **Returns:** Every taxpayer should self-assess and file tax returns on a monthly basis by submitting: (i) details of supplies provided, (ii) details of supplies received, and (iii) payment of tax. In addition to the monthly returns, an annual return will have to be filed by each taxpayer.

- **Refunds and welfare fund:** Any taxpayer may apply for refund of taxes in cases including: (i) payment of excess taxes, or (ii) unutilised input tax credit. The refund may be credited to the taxpayer, or to a Consumer Welfare Fund under certain circumstances.

- **Prosecution and appeal**: For offences such as mis-reporting of: (i) goods and services supplied, (ii) details furnished in invoices, a person may be fined, imprisoned, or both. Such orders can be appealed before the Goods and Services Tax Appellate Tribunal, and further before the High Court.

Other provisions in the GST Act

- **Anti-profiteering measure**: The central government may by law set up an authority to examine if reduction in tax rate has resulted in commensurate reduction in prices of goods and services. The powers of the authority will be prescribed by the government.

How to File GST Returns Online: A Step-by-Step Guide of the GST Filing Process & Procedure

- One of the major aspects of GST compliance is the timely and accurate filing of GST returns.
- Along with regular monthly and annual return forms such as GSTR-1, GSTR-3B and GSTR-9, various other return formats exist under the GST system for different purposes.

GST Filing Process & Procedure

- GST filing involves the official submission of information related to a business's sales, purchases, taxes paid, and input tax credits (ITC) claimed, in structured formats.
- The frequency of furnishing these details in relevant formats varies, and taxpayers are required to file these forms online in the GST portal.
- Along with returns to be submitted by taxpayers, the GST portal also auto-generates certain types of GST return documents to help taxpayers reconcile their purchase invoice data.

Different Types of GST Return Forms

Category of Taxpayers	Returns to be filed	Returns auto-generated by the system	Frequency	Due date for submission / auto generation	Information contained
Regular taxpayers	GSTR-1		Monthly / Quarterly	11th day of the succeeding month for monthly filers; 13th of the month succeeding the quarter for taxpayers under the QRMP scheme	Details of outward supply of goods and services

Regular taxpayers	GSTR-1A		Monthly / Quarterly	After filing GSTR-1 and until the filing of GSTR-3B for the return period	Amendment of GSTR-1 data
Regular taxpayers		GSTR-2A	Monthly	A dynamic statement updated in real time following submission of data by suppliers	Details related to inward purchases and ITC

Regular taxpayers		GSTR-2B	Monthly	A static statement available on the 14th of the succeeding month	Details related to inward purchases and ITC for a tax period

Regular taxpayers	GSTR-3B		Monthly / Quarterly	20th day of the succeeding month for monthly filers; 22nd / 24th of the month following the quarter for taxpayers under the QRMP scheme, based on the principal place of business	Self-declaration on outward supplies, ITC, claimed, tax liability ascertained, and taxes paid

Composition taxable persons	GSTR-4		Annual	30th June of the succeeding year	Details of ITC availed, tax paid for local, interstate and import/exports
Non-resident foreign taxpayers	GSTR-5		Monthly	13th of the succeeding month	All outward supplies made, inward supplies received, credit/debit notes, tax liability and taxes paid

OIDAR (Online Information and Database Access or Retrieval) services provider	GSTR-5A		Monthly	20th of the succeeding month	Outward taxable supplies and tax liability
Input Service Distributor (ISD)	GSTR-6		Monthly	13th of the succeeding month	ITC received and distributed by the ISD
Persons required to deduct tax at source (TDS)	GSTR-7		Monthly	10th of the succeeding month	TDS deducted, the TDS liability payable, TDS paid and TDS claimed, if any

e-Commerce operators liable for collecting tax at source (TCS)	GSTR-8		Monthly	10th of the succeeding month	Supplies made through an e-commerce platform and TCS collected on the same

Regular taxpayers	GSTR-9		Annual	31st December of the succeeding year	All outward supplies made and inward supplies received during the relevant financial year, along with details of taxes payable and paid and a summary value of supplies under every HSN code,

All taxpayers	GSTR-9C		Annual	31st December of the succeeding year	Self-certified reconciliation statement between the books of accounts and the GSTR-9
Taxable person whose registration has been cancelled or surrendered	GSTR-10		Final return	Within 3 months from the date of cancellation or surrender of GST registration	

Unique Identity Number (UIN) holder, like foreign diplomatic missions and embassies, eligible for a refund under GST	GSTR-11		Monthly	28th of the month succeeding the month in which inward supply is received by the UIN holder	Inward supplies received and refund claimed

How to file GST returns online?

- Filing GST returns is a simple task as taxpayers just need to follow a few steps and furnish relevant details in the prescribed formats.

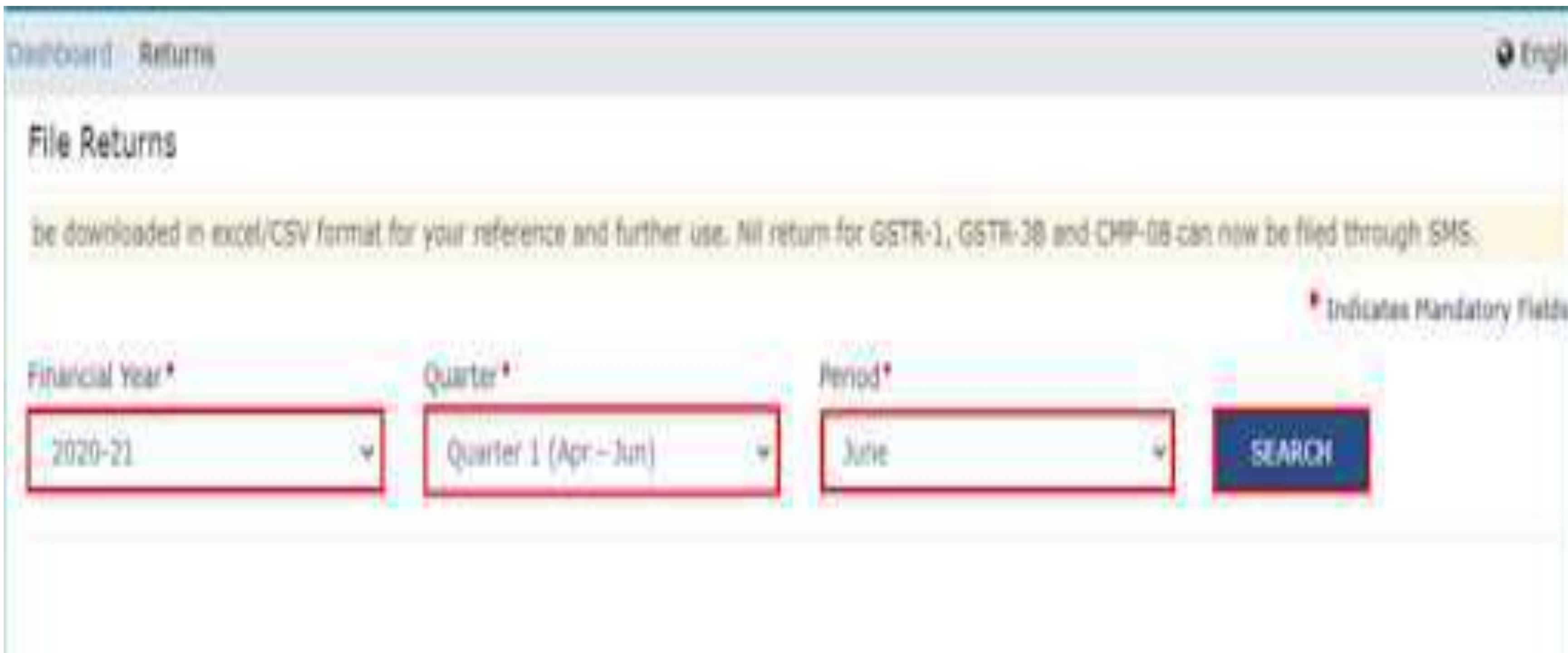
- However, a taxpayer needs to have a GST Identification Number (GSTIN) and an register their account on the GST portal first.

- The following is a step-by-step guide on how to file GST returns online.

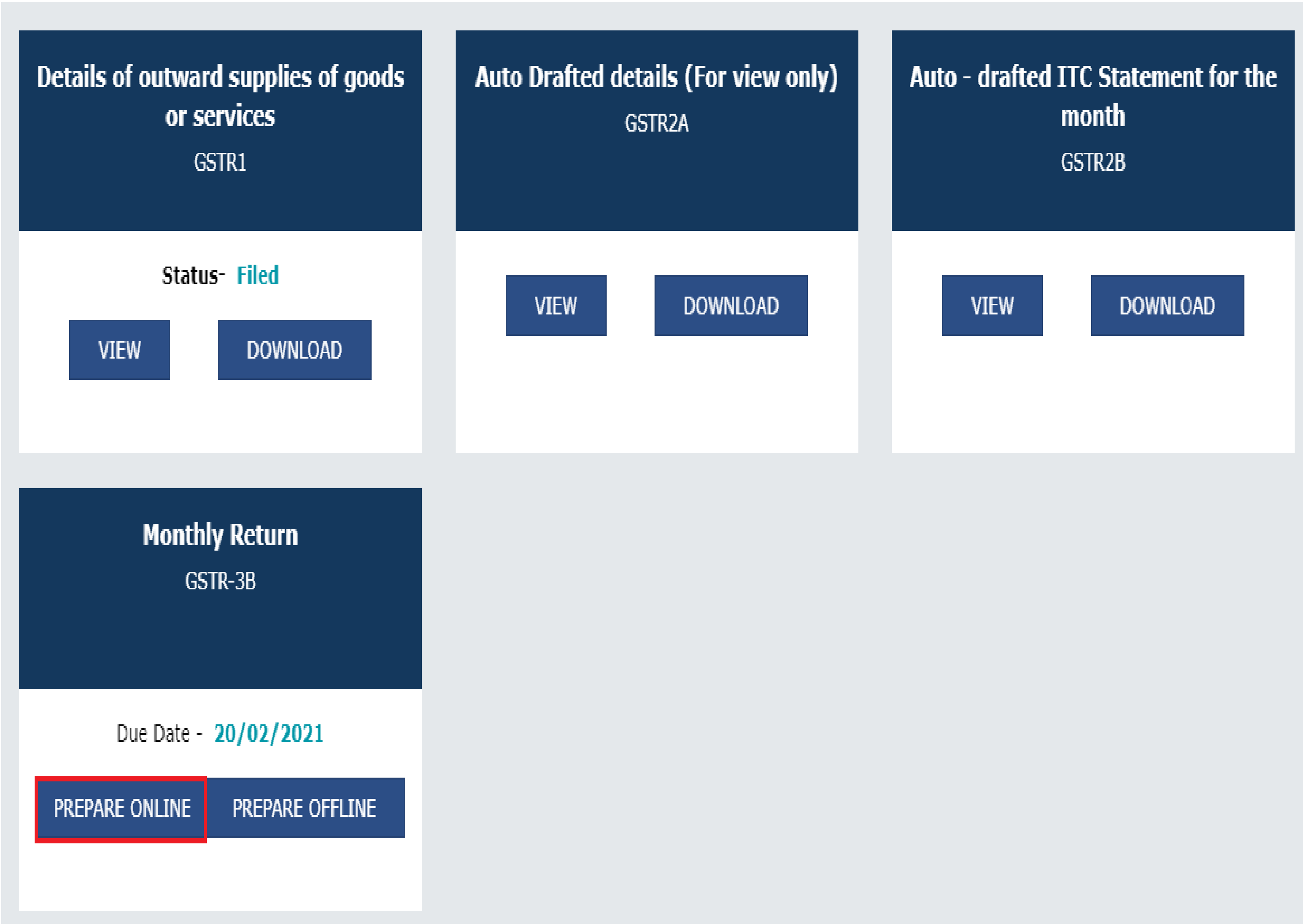
- **Step 1**: Log in to the GST portal with your user ID and password. Next, navigate to the returns dashboard after going to **Services > Returns > Returns Dashboard.**


Dashboard
Services
GST Law
Downloads
Search Taxpayer
Help and Taxpayer Facilities
e-Invoice
News and Updates
Registration
Ledgers
Returns
Payments
User Services
Refunds
e-Way Bill System
Track Application Status
Returns Dashboard
View Filed Returns
Track Return Status
Transition Forms
ITC Forms
Annual Return
TDS and TCS credit received
Tax liabilities and ITC comparison
Opt-in for Quarterly Return

- **Step 2:** On the ‘Return Dashboard’, a page opens with options to select the Financial Year, Quarter and Period (month). Enter the relevant details and click on **‘SEARCH’**.



- **Step 3:** A page opens with return forms relevant to the GSTIN. For example, if you are a regular taxpayer, the page will show forms like GSTR-1, GSTR-2A (view only), GSTR-2B and GSTR-3B.


Details of outward supplies of goods or services
GSTR1
Status- Filed
VIEW
DOWNLOAD
Auto Drafted details (For view only)
GSTR2A
VIEW
DOWNLOAD
Auto - drafted ITC Statement for the month
GSTR2B
VIEW
DOWNLOAD
Monthly Return
GSTR-3B
Due Date - 20/02/2021
PREPARE ONLINE
PREPARE OFFLINE

- **Step 4:** Choose the return form that you need to file and select **‘Prepare Online’**. Fill in all the relevant details, save the form and click on **‘Submit’**. Once submitted, you must navigate to **‘Track Return Status’**. The status should show as **‘Submitted’**.

- **Step 5:** Once the return status shows as **‘Submitted’**, click on **‘Payment of Tax’. ** A **‘Check Balance’** option will be displayed, which needs to be clicked. This will display the credit and cash balances available.

- **Step 6:** Next, click on the **‘Offset liability’** option and make a payment in cash for the remaining amount post the offset of input tax credit.

- **Step 7:** Once the payment has been completed, proceed to file the GST return by checking the declaration box, selecting the authorised signatory, and clicking on **‘File Form with DSC’/’File Form with EVC’** as applicable.

E-way Bill: Rules, Applicability, Limit, Requirement & Generation Process

- It ensures every consignment is properly documented, making the entire process transparent and hassle-free. But what exactly is an E-way Bill, and how does it work?

- EWay Bill or an Electronic Way bill is required for movement of goods under GST. Transporters should carry an eWay Bill when moving goods from one place to another, valid across India if value of consignment exceeds a specified limit.

When should an eWay Bill be issued?

- A registered person cannot transport goods in a vehicle whose value exceeds Rs. 50,000 (Single Invoice/bill/delivery challan) without an e-way bill that is generated on ewaybillgst.gov.in.

- In relation to a ‘supply’

- For reasons other than a ‘supply’ (say a return)

- Due to inward ‘supply’ from an unregistered person

Who should generate an eWay Bill?

- **Registered Person** – Eway bill must be generated when there is a movement of goods of more than Rs 50,000 in value to or from a registered person. A registered person or the transporter may choose to generate and carry eway bill even if the value of goods is less than Rs 50,000.

- **Unregistered Persons** – Unregistered persons are also required to generate e-Way Bill. However, where a supply is made by an unregistered person to a registered person, the receiver will have to ensure all the compliances are met as if they were the supplier.

- **Transporter** – Transporters carrying goods by road, air, rail, etc. also need to generate e-Way Bill if the supplier has not generated an e-Way Bill but are not required to generate the Eway bill (as Form EWB-01 or EWB-02) where all the consignments **in the conveyance** :
- Individually (single Document**) is less than or equal to Rs 50,000 **BUT**
- In Aggregate (all documents** put together) exceeds Rs 50,000
- **Document means Tax Invoice/Delivery challan/Bill of supply
- **Unregistered Transporters will be issued Transporter ID on enrolling on the e-way bill portal after which Eway bills can be generated.**

Cases when an eWay bill is not required

- The mode of transport is non-motor vehicle
- Goods transported from Customs port, airport, air cargo complex or land customs station to Inland Container Depot (ICD) or Container Freight Station (CFS) for clearance by Customs.
- Goods transported under Customs supervision or under customs seal
- Goods transported under Customs Bond from ICD to Customs port or from one custom station to another.
- Transit cargo transported to or from Nepal or Bhutan
- Movement of goods caused by defence formation under Ministry of defence as a consignor or consignee

- Empty Cargo containers are being transported
- Consignor transporting goods to or from between place of business and a weighbridge for weighment at a distance of 20 kms, accompanied by a Delivery challan.
- Goods being transported by rail where the Consignor of goods is the Central Government, State Governments or a local authority.
- Goods specified as exempt from E-Way bill requirements in the respective State/Union territory GST Rules.
- Transport of certain specified goods- Includes the list of exempt supply of goods, Annexure to Rule 138(14), goods treated as no supply as per Schedule III, Certain schedule to Central tax Rate notifications. (PDF of List of Goods).

Sl.No.	Description of Goods
1.	Liquefied petroleum gas for supply to household and non domestic exempted category (NDEC) customers
2	Kerosene oil sold under PDS
3.	Postal baggage transported by Department of Posts
4.	Natural or cultured pearls and precious or semi-precious stones; precious metals and metals clad with precious metal (Chapter 71)
5.	Jewellery, goldsmiths and silversmiths wares and other articles (Chapter 71)
6.	Currency
7.	Used personal and household effects
8.	Coral, unworked (0508) and worked coral (9601)]

State-wise e-Way Bill rules and limits

- Inter-State movement of goods has seen rise in numbers of generation of eway bills ever since its implementation began from 1st April 2018. State-wise e-way bill rules has differed and changed from time-to-time. Many States and Union Territories also joined the league in the generation of eway bills for movement of goods within the State/UT.

How to generate an eWay Bill on the portal?

- Eway bill can also be generated or cancelled through SMS, Android App and by site-to-site integration through API entering the correct GSTIN of parties. Validate the GSTIN with the help of the GST search tool before using it. When an eway bill is generated, a unique Eway Bill Number (EBN) is allocated and is available to the supplier, recipient, and the transporter.

Validity of eWay Bill

- Validity is calculated from the date and time of generation of e-way bill-

Type of conveyance	Distance	Validity of EWB
Other than Over dimensional cargo	Less Than 200 Kms	1 Day
	For every additional 200 Kms or part thereof	additional 1 Day
For Over dimensional cargo	Less Than 20 Kms	1 Day
	For every additional 20 Kms or part thereof	additional 1 Day

- Validity of Eway bill can also be extended by the generator of such Eway bill either eight hours before expiry or within eight hours after its expiry.

Documents or details required to generate an eWay Bill

- Invoice/ Bill of Supply/ Challan related to the consignment of goods
- Transport by road – Transporter ID or Vehicle number
- Transport by rail, air, or ship – Transporter ID, Transport document number, and date on the document

2nd SESSION

Objectives of the SGST/CGST

The implementation of the SGST/CGST Act in 2017 aimed to achieve several key objectives:

- Before GST, central and state governments imposed different taxes on the same products and services, leading to double taxation issues for manufacturers and supply chain stakeholders.
- Double taxation contributed to high rates of tax evasion and cascading effects in the tax system, which the GST aimed to address.

- The presence of octroi, entry tax, check posts, and other barriers hampered the free trade flow across the country, resulting in additional taxation for transporting goods and services between states.

- The multiplicity of taxes imposed a higher compliance burden on taxpayers, making the taxation system more complex.

Features of the CGST Act 2017

The Central Goods and Services Tax (CGST) Act 2017 boasts several notable features. Below are some critical aspects of the CGST:

- CGST applies to all intra-state transactions of goods and services.
- It broadens the scope of input tax credit, ensuring that taxes paid on the supply of goods and services are available for offset.

- Taxpayers can self-assess and determine the taxes they owe under CGST.

- The CGST framework includes provisions for conducting audits aiding taxpayers in complying with the Act’s regulations.

- In the event of taxpayer default, CGST has mechanisms for recovering tax arrears, including detaining and restricting the sale of goods and property.

- Provisions within CGST allow for imposing penalties or fines in cases of non-compliance by taxpayers.
- CGST reduces the overall tax burden on various consumer goods and services.

SGST/CGST Rules

Here are the standard rules under the CGST Act:

- Tax invoices must be issued for taxable goods and services when you are already registered for GST.
- A bill of supply is issued if registered under the GST composition scheme.
- All invoices should have unique serial numbers and be noted sequentially.
- Ensure that GST invoices include your name, address, supply place, and GSTIN.

- CGST and SGST are filed equally, meaning that if the GST rate is 18%, CGST is 9%, and SGST is 9%.
- For sales involving out-of-state businesses, IGST must be levied.
- It’s advisable to refrain from buying goods or services from unregistered dealers.
- Ensure you file GST correctly for intra and interstate sales.
- A tax invoice must accompany all sales of taxable goods and services.

- Collect tax invoices for all your purchases.
- Ensure that your documents include your and the client's GSTIN.
- Submit all required documents on time to avoid penalties.

Section 51. Tax deduction at source:-

(1) Notwithstanding anything to the contrary contained in this Act, the Government may mandate,-

(a) a department or establishment of the Central Government or State Government; or

(b) local authority; or

(c) Governmental agencies; or

(d) such persons or category of persons as may be notified by the Government on the recommendations of the Council, (hereafter in this section referred to as "the deductor"), to deduct tax at the rate of one per cent. from the payment made or credited to the supplier (hereafter in this section referred to as "the deductee") of taxable goods or services or both, where the total value of such supply, under a contract, exceeds two lakh and fifty thousand rupees:

(2) The amount deducted as tax under this section shall be paid to the Government by the deductor within ten days after the end of the month in which such deduction is made, in such manner as may be prescribed.

[1][(3) A certificate of tax deduction at source shall be issued in such form and in such manner as may be prescribed.].

(4) [2][****]

(5) The deductee shall claim credit, in his electronic cash ledger, of the tax deducted and reflected in the return of the deductor furnished under sub-section (3) of section 39, in such manner as may be prescribed.

(6) If any deductor fails to pay to the Government the amount deducted as tax under sub-section (1), he shall pay interest in accordance with the provisions of sub-section (1) of section 50, in addition to the amount of tax deducted.

(7) The determination of the amount in default under this section shall be made in the manner specified in section 73 or section 74 [3][or section 74A].

(8) The refund to the deductor or the deductee arising on account of excess or erroneous deduction shall be dealt with in accordance with the provisions of section 54:

Provided that no refund to the deductor shall be granted, if the amount deducted has been credited to the electronic cash ledger of the deductee.

- * Section 51(1) enforced w.e.f. 18-09-2017 with respect to persons special under (a), (b) and (d) of section 51(1). Provisions of sub-sections (2) to (8) of section 51 have not so far been brought into force.
- 1. Substituted by s. 124 of The Finance Act, 2020 (No. 12 of 2020) for -
- "(3) The deductor shall furnish to the deductee a certificate mentioning therein the contract value, rate of deduction, amount deducted, amount paid to the Government and such other particulars in such manner as may be prescribed. "
- -Brought into force w.e.f. 01st January, 2021 by Notification No. 92/2020-C.T., dated 22-12-2020.
- 2. Omitted by s. 124 by The Finance Act, 2020 (No. 12 of 2020) -

- "(4) If any deductor fails to furnish to the deductee the certificate, after deducting the tax at source, within five days of crediting the amount so deducted to the Government, the deductor shall pay, by way of a late fee, a sum of one hundred rupees per day from the day after the expiry of such five days period until the failure is rectified, subject to a maximum amount of five thousand rupees. "
- -Brought into force w.e.f. 01st January, 2021 vide Notification No. 92/2020-C.T., dated 22-12-2020.
- 3. Inserted by section 127 of The Finance Act (No. 2) Act, 2024 No. 15 of 2024 dated 16.08.2024.

- TDS under GST is required to be deducted at the rate of 2% on payments made to the supplier of taxable goods and/or services by certain notified persons under GST.
- TDS deductors are required to file a return every month u/s 39 of the CGST Act, irrespective of any deductions made during the month, and also to provide for an enabling clause prescribing the time limit for filing such returns

Scenario	Location of supplier	place of supply	Type of GST	Place of recipient	TDS applicability	TDS %
1	Bangalore	Bangalore	CGST & SGST	Bangalore	Yes	2% (1% + 1%)
2	Bangalore	Chennai	IGST	Bangalore	Yes	2%
3	Bangalore	Chennai	IGST	Delhi	Yes	2%
4	Bangalore	Bangalore	CGST & SGST	Delhi	No	–

- The provision pertaining to TDS under GST is given under Section 51 of the CGST Act to be read with CGST Rule 66

How to Deduct TDS on GST Bill Example?

- Here are the scenarios explaining TDS applicability with examples:
- TDS under GST is calculated on the value shown in the contract as and when it is billed. Take an example of the railway department in Karnataka entering into a contract with a XYZ, supplier for anti-corrosion paints in Karnataka, worth INR 4,00,000. The applicable GST rate on anti-corrosion paints is 18%. Let's look into a scenario-

- **Contract value**: INR 4,00,000
- **GST amount**: 18% of INR 4,00,000 = INR 72,000
- **Total invoice value**: INR 4,00,000 + INR 72,000 = INR 4,72,000
- **Amount excluding GST**: INR 4,00,000
- **TDS calculation**: 2% of INR 4,00,000 = INR 8,000
  - CGST (1%): INR 4,000
  - SGST (1%): INR 4,000
- The TDS to be deducted is INR 8,000. XYZ shall receive the below amount after deducting TDS, as follows-
- **Payment to XYZ**: INR 4,72,000 – INR 8,000 = INR 4,64,000

What are the registration requirements for TDS deductors?

- A person who is liable to deduct TDS has to compulsorily register and there is no threshold limit for this. The registration under GST can be obtained without a PAN and by using the existing Tax Deduction and Collection Account Number (TAN) issued under the Income Tax Act. Thus it can be said having TAN is mandatory.

When and to whom should the TDS be paid?

- TDS shall be paid within 10 days from the end of the month in which tax is deducted and filed in Form GSTR-7. The payment shall be made to the appropriate government which means:
- The Central Government in the case of the IGST and the CGST
- The State government in the case of the SGST

What are the provisions relating to the issue of TDS certificates under the GST law?

- Similar to the Income Tax Law, the person deducting tax under GST has to issue the TDS certificate in form GSTR-7A to the concerned person within 5 days of depositing the tax to the government. The GST portal will automatically make GSTR-7A available to the deductee on the basis of the GSTR-7 filed.

How will the Value of supply on which TDS shall be deducted be considered?

- For the purpose of deduction of TDS, the value of supply is to be taken as the amount excluding the tax indicated on the invoice. This means TDS shall not be deducted on the CGST, SGST or IGST component of invoice.
- For example, supplier A makes a supply worth Rs.5,000 to B. The rate of GST is 18%. When B pays A, he/she will pay Rs.5,000 (worth of Supply) + Rs.900 (GST) to A and Rs. 100 (RS. 5000*2%) as TDS to the government. So it can be said that TDS is not deducted on the tax element (GST) of a transaction.

Which form is required to file the TDS return?

- The person deducting tax is required to file a TDS return in form GSTR-7 within 10 days from the end of the month in which the tax has been deducted.

Penalties for not complying with TDS provisions under GST

Scenario No	Scenario	Penalties
1	TDS not deducted	Interest is to be paid @ 18% along with the TDS. Otherwise, the amount shall be determined and recovered as per the provisions of the law.

2	TDS certificate has not been issued or delayed beyond 5 days	A late fee of Rs.100 per day will be charged (subject to a maximum of Rs.5000) under each Act.
3	TDS is deducted but not paid to the government or paid after the 10th of the following month	Interest is to be paid @ 18% along with the TDS, calculated beginning from the next day of the return filing deadline until the actual date of payment. Otherwise, the amount shall be determined and recovered as per the provisions of the law.

4	Late filing of TDS return	A late fee of Rs.100 per each day of delay will be charged (subject to a maximum of Rs.5000) under each Act.

- As stated above, there will be an automatic reflection in the electronic ledger of the deductee (supplier) once the deductor files his/her returns. The deductee can claim credit in their electronic cash ledger of this tax deducted and use it for payments of other taxes.

What is the benefit of TDS to the deductee (Supplier)?

- As stated above, there will be an automatic reflection in the electronic ledger of the deductee (supplier) once the deductor files his/her returns. The deductee can claim credit in their electronic cash ledger of this tax deducted and use it for payments of other taxes.

How to get TDS Refund under GST?

- If any excess amount is deducted and paid to the government, a refund can be claimed as this is not the tax amount that the government has a right on. However, if the deducted amount is already added to the electronic cash ledger of the supplier, the amount so added cannot be got back as a refund by the deductor. Deductee can claim a refund of tax subject to refund provisions of the act.

3rd SESSION

- Central Sales Tax Act, 1956 regulates the inter-state trade or commerce (hereinafter referred to as "CST") the authority for which is constitutionally derived from Article 269 of the Constitution. Further as per article 286 of the Constitution of India, no State can levy sales tax on any sales or purchase of goods that takes place outside the State or in the course of the import of the goods into, or export of the goods out of, the territory of India Only Parliament can levy tax on such transaction.

- The Central Sales Tax Act was enacted in 1956 to formulate principles for determining when a sale or purchase of goods takes place in the course of interstate trade or commerce.

The CST suffers from following shortcomings:

- CST is collected and retained by the origin state, which is an aberration. Any indirect tax, by definition is a consumption tax, the incidence of which is borne by the consumer. Logically, the tax should ac-crue to the destination state having jurisdiction over such consumer.

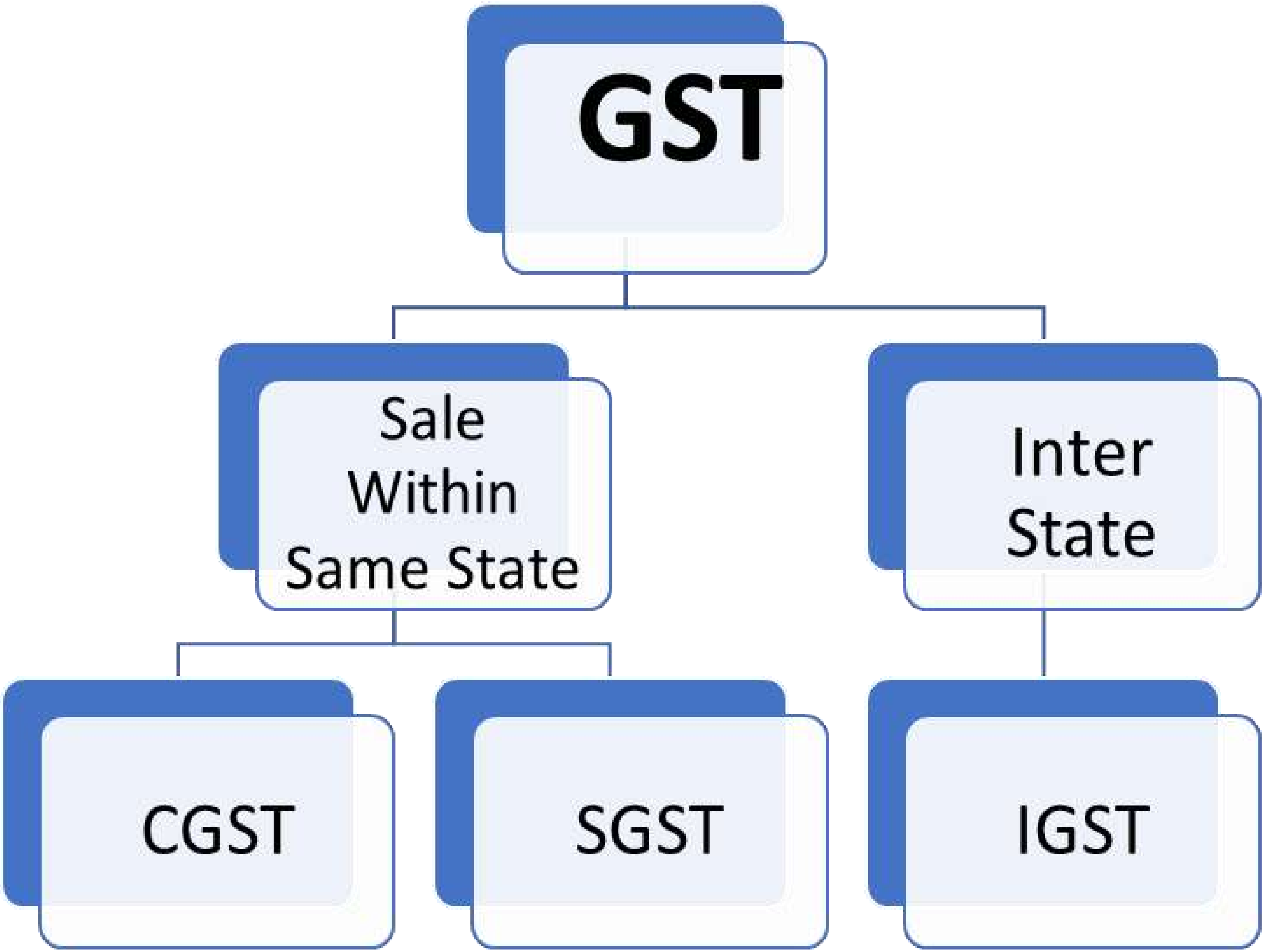
- Input Tax Credit (ITC) of CST is not allowed to the buyer which results in cascading of tax (tax on tax) in the supply chain.

- Various accountal forms are required to be filed in CST viz., C Form, E1,E2, F, I, J Forms etc. which adds to the compliance cost of the business and im-pedes the free flow of trade.

- Another negative feature of CST is the opportunity it provides for “arbitrage” because of the huge differ-ence between tax rates under VAT and CST being levied on intra-State sales and inter-State sales respectively.

- The IGST model would remove all these deficiencies. IGST is a mechanism to monitor the inter-state trade of Goods and services and further to ensure that the SGST component accrues to the consumer state. It would maintain the integrity of Input Tax Credit (hereinafter referred to as "ITC") chain in inter-state supplies. The IGST rate would broadly be equal to CGST rate plus SGST rate. I G S T would be levied by the Central Government on all inter-State transactions of taxable goods or services.

  IGST rate= CGST rate + SGST rate (more or less)


GST
Sale Within Same State
Inter State
CGST
SGST
IGST

- Cross-utilization of credit requires transfer of funds between respective accounts. The utilization of credit of CGST & SGST for payment of IGST by "B" would require transfer of funds to IGST accounts.

Similarly, the utilization of IGST credit for payment of CGST & SGST by "C" would necessitate transfer of funds from IGST account.

- Prescribed order of utilization of IGST/CGST/SGST credit:

The IGST payment can be done by utilizing ITC. The amount of ITC on account of IGST is allowed to be utilized towards payment of IGST, CGST and SGST in that order.

Nature of Supply

- It is very important to determine the nature of supply – whether it is inter-state or intra state, as the kind of tax to be paid (IGST or CGST+SGST) depends on that.

Intra state supply	Interstate supply
❑ Supply of goods within the state or union territory. ❑ Supply of services within the state or union territory	❑ Supply of goods from one state or union territory to other state or union territory. ❑ Supply of service from one state or union territory to other state or union territory. ❑ Import of goods till they cross customs frontier ❑ Import of service. ❑ Export of goods or service. ❑ Supply of goods/services to/by SEZ. ❑ Supplies to international tourists ❑ Any other supply in the taxable territory which is not intra state supply

Place of supply

- Place of supply provisions have been framed for goods & services keeping in mind the destination/consumption principle. In other words, place of supply is based on the place of consumption of goods or services. As goods are tangible, the determination of their place of supply based on the consumption principle is not difficult.

- However, the services being intangible in nature, it is not easy to determine the exact place where services are acquired, enjoyed and consumed.
- A distinction has been made between B2B (Business to Business) B2C (Business to Consumer) transactions as B2B transactions are wash transactions as ITC is availed by such registered person (recipient) and no real revenue accrues to the Govt.

Place of Supply of Goods other than import and export[Section- 10]

S.No.	Nature of supply	Place of Supply
1.	Where the supply involves movement of goods, whether by the supplier or the recipient or by any other person.	Location of the goods at the time at which the movement of goods terminates for delivery to the recipient.
	where the goods are delivered to recipient or any person on the direction of third person by way of transfer of title or otherwise, it shall be deemed that third person has received the goods	The principal place of business of such person

	where there is no movement of goods either by supplier or recipient	Location of such goods at the time of delivery to recipient
	where goods are assembled or installed at site	The place where the goods are assembled or installed
	where the goods are supplied on board a conveyance, like vessel, aircraft, train or motor vehicle	The place where such goods are taken on board the conveyance
	Where the place of supply of goods cannot be determined in terms of subsection (2), (3), (4) and (5)	It shall be determined in such manner as may be prescribed

Place of supply of goods in case of import &Export [Section -11]

S.No.	Nature of supply of goods	Place of Supply
	Import	location of importer
	Export	location outside India

Place of supply of services in case of domestic supplies:
(section12)

S.No.	Nature of service	Place of supply
	Immovable property related services including hotel ac-commodation,	Location at which the immovable property or boat or vessel is located or intended to be located. If located outside India: Location of the recipient.
	Restaurant and ca-tering services, personal grooming, fitness, beauty treatment, healthservice,	Location where the ser-vices are actually per-formed.
	Training and perfor-mance appraisal	B2B : Location of such registered person; B2C: Location where the services are actually performed.

Admission to an event or amusement park	Place where the event is actually held or where the park or such other place is located.
Organization of an event.	B2B : Location of such registered person; B2C: Location where the event is actually held. If event is held outside India :Location of the recipient
Transportation of goods including mails	B2B : Location of such registered person; B2C : Location at which such goods are handed over for their transportation

Passenger transportation.	B2B : Location of such registered person; B2C : Place where the passenger embarks on the conveyance for a continuous journey
Services on board a conveyance	Location of the first scheduled point of departure of that conveyance for the journey.

Telecommunication services.	Services involving fixed line, circuits, dish etc., place of supply is location of such fixed equipment. In case of mobile/ internet post-paid services, it is location of billing address of the recipient. In case of sale of pre-paid voucher, place of supply is place of sale of such vouchers. In other cases it is address of the recipient in records.

Banking and other financial services,	Location of the recipient of services on the records of the supplier. Location of the supplier of services if the location of the recipient of services is not available
Insurance services	B2B : Location of such registered person; B2C : Location of the recipient of services on the records of the supplier
Advertisement services to the Government	The place of supply shall be taken as located in each of such States Proportionate value in case of multiple state

Default Rule for the Services other than twelve Specified Services

S.No.	Description of supply	Place of supply
	B2B	Location of such registered person
	B2C	(i)Location of the recipient where the address on record exists, and (ii) the location of the supplier of services in other cases.

Place of supply of services in case of cross-border supplies :(Section 13)

- **(Where the location of the supplier of services or the location of the recipient of services is outside India)**

S.No	Nature of service	Place of supply
	Services supplied in respect of goods that are required to be made physically available from a remote location by way of electronic means, (Not Applicable in case of goods that are tem -porarily imported into India for repairs and ex -ported.)	the location where the services are actually performed, the location where goods are situated

services supplied to an individual which require the physical presence of the receiver	the location where the services are actually performed.
Immovable property re - lated services including hotel accommodation.	Location at which the immovable property is located.
Admission to or organi - sation of an event.	The place where the event is actually held.

If the said three services supplied at more than one location i.e.(i) goods & individual (ii) immovable property related(iii) event related	
at more than one location including a location in the taxable territory	Its place of supply shall be the location in the taxable territory where the greatest proportion of the service is provided.
in more than one State	its place of supply shall be each such state in proportion to the value of services so provided in each State

Banking, financial institutions, NBFC Intermediary services, hiring of vehicles services etc.	Location of the supplier of service
Transportation of goods.	The place of destination of the goods
Passenger transportation.	Place where the passenger embarks on the conveyance for a continuous journey

Services on board a conveyance.	The first scheduled point of departure of that conveyance for the journey.
online information and database access or retrieval services”	The location of recipient of service.

Export /Import of services: a supply would be treated as Import or export if certain conditions are satisfied.

Export of Services	Import of Services
means the supply of any service where (a) the supplier of service is located in India, (b) the recipient of service is located outside India, (c) the place of supply of service is outside India, (d) the payment for such service has been received by the supplier of service in convertible foreign exchange, and (e) the supplier of service and recipient of service are not merely establishments of a distinct person in accordance with explanation 1 of section 8;	means the supply of any service, where (a) the supplier of service is located outside India, (b) the recipient of service is located in India, and (c) the place of supply of service is in India;

- **<u>Zero rated supply:</u>** Exports and supplies to SEZ are considered as 'zero rated supply' on which no tax is payable.

However, ITC is allowed subject to such conditions, safeguards and procedure as may be prescribed, refund in respect of such supplies may be claimed by following either of these options:

i. supply made without payment of IGST under Bond and claim refund of unutilised ITC or

ii. supply made on payment of IGST and claim refund of the same.

Refund of integrated tax paid on supply of goods to tourist leaving India:

- Section 15 of the IGST Act provides for refund of IGST paid to an international tourist leaving India on goods being taken outside India subject to such conditions and safeguards as may be prescribed. An international tourist has been defined as a non-resident of India who enters India for a stay of less than 6 months. IGST would be charged on such supplies as the same is in the course of export.

How will the Inter-State supplies of Goods and Services be taxed under GST?

- IGST shall be levied and collected by Centre on inter-state supplies. IGST would be broadly CGST plus SGST and shall be levied on all inter-State taxable supplies of goods and services. The inter-State seller will pay IGST on value addition after adjusting available credit of IGST, CGST, and SGST on his purchases. The Exporting State will transfer to the Centre the credit of SGST used in payment of IGST. The Importing dealer will claim credit of IGST while discharging his output tax liability in his own State. The Centre will transfer to the importing State the credit of IGST used in payment of SGST. The relevant information is also submitted to the Central Agency which will act as a clearing house mechanism, verify the claims and inform the respective governments to transfer the funds.

How will the IGST be paid?

- The IGST payment can be done utilizing ITC or by cash. However, the use of ITC for payment of IGST will be done using the following hierarchy,–

- First available ITC of IGST shall be used for payment of IGST;

- Once ITC of IGST is exhausted, the ITC of CGST shall be used for payment of IGST;

- If both ITC of IGST and ITC of CGST are exhausted, then only the dealer would be permitted to use ITC of SGST for payment of IGST.

- Remaining IGST liability, if any, shall be discharged using payment in cash. GST System will ensure maintenance of this hierarchy for payment of IGST using the credit.

How will the settlement between Centre, exporting state and importing state be done?

- There would be settlement of account between the Centre and the states on two counts, which are as follows:-
- Centre and the exporting state: The exporting state shall pay the amount equal to the ITC of SGST used by the supplier in the exporting state to the Centre.

- Centre and the importing state: The Centre shall pay the amount equal to the ITC of IGST used by a dealer for payment of SGST on intra-state supplies.

- The settlement would be on cumulative basis for a state taking into account the details furnished by all the dealer in the settlement period. Similar settlement of amount would also be undertaken between CGST and IGST account.

What treatment is given to supplies made to SEZ units or developer?

- Supplies to SEZ units or developer shall be zero rated in the same manner as done for the physical exports. Supplier shall have option to make supplies to SEZ without payment of taxes and claim refunds of input taxes on such supplies (section 16 of the IGST Act).

Are business processes and compliance requirement same in the IGST and CGST Acts?

- The procedure and compliance requirement are same for processes likes registration, return filing and payment of tax. Further, the IGST act borrows the provisions from the CGST Act as relating to assessment, audit, valuation, time of supply, invoice, accounts, records, adjudication, appeal etc. (Section 20 of the IGST Act)