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GOODS AND SERVICE TAX

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UNIT I

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GOODS AND SERVICE TAX

Indirect Tax-Problems of Indirect Tax- Need for introduction to Good and Service Tax- Commodities kept out the Preview of GST- Others Indirect Taxes

INTRODUCTION TO GST

The Goods and Services Tax (GST) in India succeeded the Value Added Tax (VAT) system and is applied to the supply of goods and services. Although both VAT and GST follow similar tax slabs, GST introduced a more comprehensive, multi-stage, destination-based tax system. It is considered comprehensive because it has replaced almost all indirect taxes, except for certain state taxes. Being multi-staged, GST is levied at each step of the production process, but refunds are provided at every stage except the final consumer. As a destination-based tax, GST is collected at the point of consumption rather than the point of origin, as was the case with earlier tax systems.

Goods and services are categorized into five tax slabs for GST: 0%, 5%, 12%, 18%, and 28%. However, certain items like petroleum products, alcoholic

beverages, and electricity remain outside the GST framework and are taxed by state governments under the previous system. Special rates include 0.25% on rough precious and semi-precious stones and 3% on gold. Additionally, a cess of 22% or more is levied on top of the 28% GST for luxury items like aerated drinks, luxury cars, and tobacco products. Prior to GST, the statutory tax rate for most goods was around 26.5%, whereas post-GST, many goods fall within the 18% tax bracket.

GST was implemented on July 1, 2017, following the One Hundred and First Amendment to the Indian Constitution, and this day is now observed as GST Day. GST replaced multiple taxes previously imposed by both central and state governments.

To encourage GST billing, the Government of India, in collaboration with state governments, launched the "Invoice Incentive Scheme" (Mera Bill MeraAdhikaar). This initiative aims to promote a culture where consumers request invoices for their purchases, reinforcing the idea that asking for a bill is both a right and a responsibility.

The GST rates, rules, and regulations are overseen by the GST Council, which comprises the finance ministers of the central government and all states. The GST system, designed to replace various indirect taxes with a unified tax structure, is expected to significantly reshape India's $3.5 trillion economy. While the GST has received some criticism, one notable benefit has been the reduction of interstate travel time by 20%, due to the removal of interstate check posts.

INDIRECT TAX

An indirect tax is collected by one entity in the supply chain, such as a manufacturer or retailer, and paid to the government. However, the tax is passed onto the consumer by the manufacturer or retailer as part of the purchase price of a good or service. The consumer is ultimately paying the tax by paying more for the product.The tax imposed on the use of products and services is known as an indirect tax. It is not imposed directly on an individual's income. Rather, in addition to the cost of the products or services the seller purchased, they must also pay the tax. A single party in the supply chain like a manufacturer or retailer collects and pays the government an indirect tax.

The most common example of an indirect tax is import duties. The duty is paid by the importer of a good at the time it enters the country. If the importer goes

on to resell the good to a consumer, the cost of the duty, in effect, is included in the price that the consumer pays. The consumer is likely to be unaware of this, but they will be indirectly paying the import duty. Essentially, any taxes or fees imposed by the government at the manufacturing or production level are an indirect tax. In recent years, many countries have imposed fees on carbon emissions to manufacturers. These are indirect taxes since their costs are passed along to consumers. Congressional Research Service. "Attaching a Price to Greenhouse Gas Emissions with a Carbon Tax or Emissions Fee: Considerations and Potential Impacts, Sales taxes can be direct or indirect. If they are imposed only on the final supply to a consumer, they are direct. If they are imposed as value-added taxes (VATs) along the production process, then they are indirect.

Examples of an Indirect Tax

Excise Duty, Customs Duty, Entertainment Tax, Service Tax, Sales Tax, Gross Receipts Tax and Value-Added Tax (VAT) are examples of Indirect taxes.

An example of GST (Indirect tax): Explanation

Let's say you eat at a restaurant. You could see your entire payment plus the GST on the bill (Indirect tax). The GST rate is 5%, so let's say the total was Rs.2500.

Then, you will be required to pay Rs.2625(2500+125). The service provider passes on the indirect tax to you in the amount of Rs.125.

OVERVIEW OF INDIRECT TAX IN INDIA

Indirect taxes are those taxes where the burden is shifted from one person to another, typically paid by consumers but collected and remitted by businesses. In India, the most significant reform in the structure of indirect taxes occurred with the introduction of the Goods and Services Tax (GST) in 2017, which unified most indirect taxes into a single framework.

Pre-GST Era: Before GST, indirect taxes were fragmented, with multiple taxes levied by both the central and state governments:

a) **Central Excise Duty:** Imposed on the manufacture of goods.

b) **Service Tax:** Applied to services.

c) **Value Added Tax (VAT):** Levied by states on the sale of goods.

d) **Customs Duty:** Charged on imports and exports.

Other Local Taxes: States also levied additional taxes such as octroi, entry tax, and luxury tax.

GST Regime: GST brought in a significant shift by consolidating most indirect taxes into one. It is a comprehensive, destination-based tax applied at every point of sale or service:

a) **Central GST (CGST):** Levied by the central government.

b) **State GST (SGST):** Levied by individual states.

c) **Integrated GST (IGST):** Applied on interstate transactions and imports.

The GST is applied uniformly across the country, ensuring a seamless flow of goods and services, eliminating the cascading effect of multiple taxes, and simplifying tax compliance.

OBJECTIVES OF GST

- **To achieve the ideology of 'One Nation, One Tax'**

GST has replaced multiple indirect taxes, which were existing under the previous tax regime. The advantage of having one single tax means every state follows the same rate for a particular product or service. Tax administration is easier with the Central Government deciding the rates and policies. Common laws can be introduced, such as e-way bills for goods transport and e-invoicing for transaction reporting. Tax compliance is also better as taxpayers are not bogged down with

multiple return forms and deadlines. Overall, it's a unified system of indirect tax compliance.

- **To subsume a majority of the indirect taxes in India**

India had several erstwhile indirect taxes such as service tax, Value Added Tax (VAT), Central Excise, etc., which used to be levied at multiple supply chain stages. Some taxes were governed by the states and some by the Centre. There was no unified and centralised tax on both goods and services. Hence, GST was introduced. Under GST, all the major indirect taxes were subsumed into one. It has greatly reduced the compliance burden on taxpayers and eased tax administration for the government.

- **To eliminate the cascading effect of taxes**

One of the primary objectives of GST was to remove the cascading effect of taxes. Previously, due to different indirect tax laws, taxpayers could not set off the tax credits of one tax against the other. For example, the excise duties paid during manufacture could not be set off against the VAT payable during the sale. This led to a cascading effect of taxes. Under GST, the tax levy is only on the net value added at each stage of the supply chain. This has helped eliminate the cascading effect of taxes and contributed to the seamless flow of input tax credits across both goods and services.

- **To curb tax evasion**

GST laws in India are far more stringent compared to any of the erstwhile indirect tax laws. Under GST, taxpayers can claim an input tax credit only on invoices uploaded by their respective suppliers. This way, the chances of claiming input tax credits on fake invoices are minimal. The introduction of e-invoicing has further reinforced this objective. Also, due to GST being a nationwide tax and having a centralised surveillance system, the clampdown on defaulters is quicker and far more efficient. Hence, GST has curbed tax evasion and minimised tax fraud from taking place to a large extent.

- **To increase the taxpayer base**

GST has helped in widening the tax base in India. Previously, each of the tax laws had a different threshold limit for registration based on turnover. As GST is a consolidated tax levied on both goods and services both, it has increased tax-registered businesses. Besides, the stricter laws surrounding input tax credits have helped bring certain unorganised sectors under the tax net. For example, the construction industry in India.

- **Online procedures for ease of doing business**

Previously, taxpayers faced a lot of hardships dealing with different tax authorities under each tax law. Besides, while return filing was online, most of the assessment

and refund procedures took place offline. Now, GST procedures are carried out almost entirely online. Everything is done with a click of a button, from registration to return filing to refunds to e-way bill generation. It has contributed to the overall ease of doing business in India and simplified taxpayer compliance to a massive extent. The government also plans to introduce a centralised portal soon for all indirect tax compliance such as e-invoicing, e-way bills and GST return filing.

- **An improved logistics and distribution system**

A single indirect tax system reduces the need for multiple documentation for the supply of goods. GST minimises transportation cycle times, improves supply chain and turnaround time, and leads to warehouse consolidation, among other benefits. With the e-way bill system under GST, the removal of interstate checkpoints is most beneficial to the sector in improving transit and destination efficiency. Ultimately, it helps in cutting down the high logistics and warehousing costs.

- **To promote competitive pricing and increase consumption**

Introducing GST has also led to an increase in consumption and indirect tax revenues. Due to the cascading effect of taxes under the previous regime, the prices of goods in India were higher than in global markets. Even between states, the lower VAT rates in certain states led to an imbalance of purchases in these states.

Having uniform GST rates have contributed to overall competitive pricing across India and on the global front. This has hence increased consumption and led to higher revenues, which has been another important objective achieved.

BENEFITS OF GST:

1. Easy compliance:

A robust and comprehensive IT system would be the foundation of the GST regime in India. Therefore, all taxpayer services such as registrations, returns, payments, etc. would be available to the taxpayers online, which would make compliance easy and transparent.

2. Uniformity of tax rates and structures:

GST will ensure that indirect tax rates and structures are common across the country, thereby increasing certainty and ease of doing business. In other words, GST would make doing business in the country tax neutral, irrespective of the choice of place of doing business.

3. Removal of cascading:

A system of seamless tax credits throughout the value-chain, and across boundaries of States, would ensure that there is minimal cascading of taxes. This would reduce the hidden costs of doing business.

4. Improved competitiveness:

Reduction in transaction costs of doing business would eventually lead to improved competitiveness for the trade and industry. World Bank believes that the implementation of the Goods and Service Tax (GST), combined with the dismantling of inter-state check-posts, is the most crucial reform that could improve the competitiveness of India's manufacturing sector.

5. Gain to manufacturers and exporters:

The subsuming of major Central and State taxes in GST, complete and comprehensive set-off of input goods and services and phasing out of Central Sales Tax (CST) would reduce the cost of locally manufactured goods and services. This will increase the competitiveness of Indian goods and services in the international market and give a boost to Indian exports. The uniformity in tax rates and procedures across the country will also go a long way in reducing compliance costs.

6. Simple and easy to administer:

Multiple indirect taxes at the Central and State levels are being replaced by GST. Backed with a robust end-to-end IT system, GST would be simpler and easier to administer than all other indirect taxes of the Centre and State levied so far.

7. Better controls on leakage:

GST will result in better tax compliance due to a robust IT infrastructure. Due to the seamless transfer of input tax credit from one stage to another in the chain of value addition, there is an in-built mechanism in the design of GST that would incentivize tax compliance by traders.

8. Higher revenue efficiency:

GST is expected to decrease the cost of collection of tax revenues of the Government, and will, therefore, lead to higher revenue efficiency.

9. Single and transparent tax proportionate to the value of goods and services:

Due to multiple indirect taxes being levied by the Centre and State, with incomplete or no input tax credits available at progressive stages of value addition,

the cost of most goods and services in the country today is laden with many hidden taxes. Under GST, there would be only one tax from the manufacturer to the consumer, leading to transparency of taxes paid to the final consumer.

10. Relief in the overall tax burden:

Credits of input taxes paid at each stage will be available in the subsequent stage of value addition, which makes GST essentially a tax only on value addition at each stage. Because of efficiency gains and the prevention of leakages, the overall tax burden on most commodities will come down, which will benefit consumers. 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 stages.

DISADVANTAGES OF GST

To holistically comprehend the GST advantages and disadvantages in India, we must also check out the challenges in the new system.

1. **Increased Costs:** To comply with the GST-suggested accounting practices, businesses need to upgrade their software. The specialised GST-compliant software comes with additional costs of purchasing, installation, training,

and maintenance. All of this has increased the overall operational expenses of businesses.

2. **Higher Tax Liability of SMEs:** Before GST, small and medium enterprises (SMEs) with a turnover in excess of ₹1.5 Cr were liable to pay excise duty. However, under GST, any business with a turnover of more than ₹20 L has to pay taxes. Although, for businesses with an annual turnover of less than ₹1 Cr, a composition scheme exists that allows them to reduce their burden, its caveats and conditions require an in-depth cost-benefit analysis.

3. **Penalties and Fines:** Most SMEs usually lack the resources and infrastructure to comply with the new tax system. Then, there is the complication of grasping the GST-related nuances. If not fully onboard with the new process, companies can face fines and penalties adding to their operational costs.

4. **Impact on Unorganised Sector:** While the unorganised sector such as construction and textile has come under the ambit of GST, the businesses

operating within it are still struggling to become GST-compliant in their infrastructure.

5. **Other Teething Issues:** GST was hurriedly implemented in 2017. Since the financial year was already underway, many companies found it challenging to comprehend the new requirements and adopt the system. However, this has become more congenial in the last six years.

DIFFERENT TYPES OF INDIRECT TAXES

Indirect taxes in India are primarily categorized based on the nature of the transaction and the governing authority. Here is a detailed description of the different types of indirect taxes:

1. Goods and Services Tax (GST)

The GST system is a comprehensive, multi-stage, destination-based tax that has replaced most indirect taxes in India. It is divided into several types:

a) **Central GST (CGST):** Levied by the central government on intra-state supplies of goods and services. The revenue is collected by the central government.

b) **State GST (SGST):** Levied by state governments on intra-state transactions. The revenue is collected by the respective state governments.

c) **Integrated GST (IGST):** Imposed by the central government on inter-state transactions and imports. The revenue from IGST is shared between the central and state governments.

d) **Union Territory GST (UTGST):** Applicable to intra-union territory transactions, levied in union territories without a legislature, like Lakshadweep.

2. Customs Duty

Customs duty is imposed on the import and export of goods. This includes several components:

a) **Basic Customs Duty (BCD):** The standard duty charged on imported goods.

b) **Additional Customs Duty:** Levied to match the excise duty that would have been paid if the goods were manufactured domestically.

c) **Special Additional Duty (SAD):** An additional charge to counterbalance local taxes like VAT. Customs duty helps control trade deficits and protects domestic industries from international competition.

3. Excise Duty

Excise duty, though mostly subsumed under GST, is still levied on certain goods like petroleum, alcohol, and tobacco. This tax is imposed at the time of manufacture and is passed on to consumers.

4. Stamp Duty

Stamp duty is a tax on legal documents related to property transactions, financial instruments, and other transactions requiring validation. It is levied by state governments and differs from state to state. This tax is essential for registering property sales, leases, and other legal contracts.

5. Property Tax

Levied by local municipalities or state governments, property tax is charged on the ownership of land or buildings. The tax is calculated based on the value of the

property and is a key source of revenue for local authorities to fund civic services like water supply and road maintenance.

6. Entertainment Tax

This tax is levied by state governments on entertainment-related activities such as movie tickets, exhibitions, and amusement parks. Post-GST, many entertainment services have been brought under GST, but some states still impose a separate entertainment tax.

7. Toll Tax

Toll taxes are imposed on users of certain public infrastructures like highways, bridges, and tunnels. The revenue collected from tolls is used to maintain and improve these infrastructures.

8. Luxury Tax

Luxury tax is imposed on luxury goods and services such as high-end hotel accommodations, expensive cars, and jewellery. After GST, this tax has largely been incorporated into the GST framework for most items, but it can still apply to some luxury services in certain states.

9. Environmental Taxes

These are imposed on goods or services that have an environmental impact, like the tax on plastic usage or carbon emissions. These taxes aim to reduce environmental harm by discouraging certain activities or promoting sustainability.

These indirect taxes are critical for government revenue collection and economic regulation, ensuring that consumption and certain activities contribute to the national and state budgets. They differ from direct taxes like income tax, as the burden of payment is shifted to the end consumer through the price of goods or services.

FEATURES OF INDIRECT TAX

Indirect taxes have several key features that distinguish them from direct taxes, such as income tax or property tax. Here are the main features of indirect taxes:

1. Shiftability of Tax Burden

The burden of indirect taxes is shifted from the taxpayer to the end consumer. For example, manufacturers or service providers initially pay the tax, but they pass it on to consumers in the form of higher prices for goods or services.

2. Tax on Goods and Services

Indirect taxes are levied on the sale, production, or consumption of goods and services, not directly on individuals' income or wealth. Examples include the Goods and Services Tax (GST), customs duty, and excise duty.

3. Multiple Points of Taxation

Indirect taxes can be imposed at various stages of the production or distribution process, such as manufacturing, importing, or selling. GST, for example, is applied at every stage of value addition, making it a multi-stage tax.

4. Uniform Application

Many indirect taxes, particularly GST, are uniformly applied across the country, ensuring the same rate of tax on a particular good or service, irrespective of location. This eliminates disparities across states and regions.

5. No Direct Link to Taxpayer’s Ability to Pay

Unlike direct taxes, indirect taxes are not based on an individual's ability to pay. Both the rich and poor pay the same tax on goods and services, making indirect

taxes regressive in nature. This means that low-income individuals may feel a greater burden compared to high-income individuals.

6. Encourages Savings and Investment

Indirect taxes, such as GST, apply to consumption rather than income, encouraging people to save and invest since savings are not taxed directly.

7. Revenue Generation

Indirect taxes are a major source of revenue for governments. They are relatively easier to administer and collect, as businesses and service providers act as intermediaries in collecting taxes from consumers.

8. Cascading Effect (Pre-GST)

Before GST, indirect taxes often had a cascading effect, where taxes were imposed on taxes. For example, VAT could be applied on a product that already had excise duty included in its price. The GST system addressed this issue by allowing businesses to claim input tax credit.

9. Impact on Prices

Indirect taxes directly affect the price of goods and services. When an indirect tax is levied, the cost of the product or service increases, which can influence consumer behaviour and demand.

10. Administered by Central and State Governments

Indirect taxes are imposed and collected by both central and state governments. While central taxes include GST (CGST, IGST) and customs duty, state governments collect taxes like SGST and state excise duty (on items like alcohol).

11. Broader Tax Base

Indirect taxes cover a broader section of the population since everyone who purchases goods or services is subject to these taxes, making them more inclusive than direct taxes, which are only paid by income earners above a certain threshold.

These features make indirect taxes an essential part of the taxation system, contributing to revenue collection while impacting pricing, consumption, and economic behavior.

ADVANTAGES OF INDIRECT TAX

Indirect taxes offer several advantages that make them an integral part of a country's tax system. Here are the key benefits of indirect taxes:

1. Convenience in Collection

Indirect taxes are relatively easier to collect because they are included in the price of goods and services. The responsibility for collecting the tax falls on businesses and retailers, which pass the cost on to consumers. This makes tax collection less burdensome for the government compared to direct taxes, which require individual assessments.

2. Broad Coverage

Indirect taxes are levied on the consumption of goods and services, ensuring that everyone contributes to government revenue, including those who may not be paying direct taxes (such as individuals below the income tax threshold). This broadens the tax base significantly.

3. Less Evasion

Indirect taxes are harder to evade compared to direct taxes. Since they are incorporated into the price of goods and services, consumers end up paying the tax whenever they make a purchase. This reduces opportunities for tax evasion.

4. Encourages Savings and Investment

Since indirect taxes are consumption-based and not levied on income or savings, they do not discourage saving and investment. Individuals can save more of their income without being directly taxed, which can lead to higher levels of investment in the economy.

5. Elasticity and Flexibility

Indirect taxes can be easily adjusted by the government to influence demand and consumption. For example, if the government wants to discourage the use of harmful products (such as tobacco or alcohol), it can increase the tax on those items, making them more expensive and reducing their consumption.

6. Uniformity under GST

The implementation of GST has created a uniform tax structure across the country, replacing the fragmented tax system that existed earlier. This has reduced

compliance burdens for businesses and created a seamless national market, facilitating the free flow of goods and services across states.

7. Promotes Economic Growth

Indirect taxes, particularly when well-designed like GST, create a streamlined and efficient tax system. This promotes economic growth by reducing the cascading effect of taxes, lowering production costs, and improving business competitiveness.

8. Revenue Stability

Indirect taxes provide a stable and consistent source of revenue for governments. Since they are collected on a wide variety of goods and services, they generate income even in times of economic downturns, as people continue to purchase basic necessities.

9. Incentive for Compliance

The input tax credit mechanism under GST encourages businesses to comply with tax laws. Businesses can claim a credit for the tax they have already paid on inputs,

which helps in reducing the overall tax burden and increases transparency in tax compliance.

10. Regulation of Harmful Goods

Indirect taxes can be used to regulate the consumption of harmful or socially undesirable goods, such as tobacco, alcohol, and environmentally damaging products. Higher taxes on these items can discourage their use and generate additional revenue for public welfare initiatives.

11. Equitable Distribution of Tax Burden

While indirect taxes are generally considered regressive, they can be structured to distribute the tax burden more equitably. For example, luxury goods can be taxed at a higher rate than essential items, ensuring that wealthier individuals pay more through consumption.

12. Encourages Formalization

Under the GST regime, businesses need to be part of the formal economy to claim input tax credits. This encourages small and medium-sized enterprises (SMEs) to

register and comply with tax regulations, thus formalizing the economy and improving transparency.

These advantages make indirect taxes a practical and effective tool for revenue generation, economic regulation, and promoting compliance, while supporting economic growth and equity.

PROBLEMS OF INDIRECT TAX

While indirect taxes offer many advantages, they also present several challenges and problems. Here are the key issues associated with indirect taxes:

1. Regressive Nature

One of the primary criticisms of indirect taxes is that they are regressive. Since indirect taxes are the same for everyone, regardless of income, they disproportionately affect lower-income individuals. Poorer people spend a higher percentage of their income on goods and services, meaning they bear a heavier tax burden relative to their earnings compared to wealthier individuals.

2. Inflationary Impact

Indirect taxes increase the cost of goods and services by being included in their final price. This can lead to inflationary pressures, especially when high tax rates are imposed on essential commodities like fuel or food. As prices rise, consumers face higher living costs, which can reduce their purchasing power and slow down overall economic activity.

3. Cascading Effect (Before GST)

Before the introduction of the Goods and Services Tax (GST) in India, indirect taxes like VAT and excise duty often led to a cascading effect, where taxes were levied on top of other taxes. This resulted in "tax on tax," raising the cost of goods and distorting the supply chain. While GST has largely eliminated this issue, certain sectors or products not covered under GST may still experience this problem.

4. Complex Compliance Procedures

Indirect taxes, especially under GST, can have complex compliance procedures. Businesses need to maintain detailed records of their purchases and sales, file multiple returns, and ensure timely payments. For small businesses, this can be

challenging due to limited resources and expertise in managing complex tax filings, especially with frequent changes in tax rules.

5. Tax Evasion in Unorganized Sectors

Indirect taxes, especially on high-value items, can encourage tax evasion. In the unorganized sector, especially among small businesses, non-compliance with GST regulations remains a problem. Many businesses underreport their sales to evade taxes or opt to deal in cash, leading to revenue losses for the government.

6. High Administrative Costs

Managing indirect tax systems requires significant administrative resources. The government needs robust infrastructure for monitoring, collecting, and enforcing tax laws. This increases the administrative burden, especially in developing countries with large informal sectors, where tax compliance is more difficult to enforce.

7. Burden on Businesses

Indirect taxes are collected by businesses on behalf of the government, placing a significant administrative burden on them. Companies, especially small and

medium enterprises (SMEs), must invest in software, personnel, and processes to comply with tax regulations. Non-compliance can lead to penalties, adding to their challenges.

8. Exemptions and Complexity

Despite efforts to simplify indirect tax systems, there are still many exemptions and varying tax rates on different goods and services. For instance, under GST, different rates apply to different categories of products, such as 5%, 12%, 18%, and 28%. Understanding and applying the correct tax rates can be complex, especially for businesses dealing with a wide range of products.

9. Impact on Consumption Behavior

High rates of indirect taxes can discourage consumption, particularly for goods and services deemed luxury or non-essential. While this can be beneficial in the case of harmful products (such as tobacco), it can also negatively affect industries like automobiles, hospitality, and consumer goods, leading to reduced demand and economic slowdown in those sectors.

10. Inconsistent Tax Rates

Despite the unifying effect of GST, certain products such as petroleum, alcohol, and real estate remain outside its purview and are subject to different tax regimes at the state level. This results in inconsistent tax rates across the country, leading to price variations and market inefficiencies.

11. No Direct Link to Ability to Pay

Unlike direct taxes, which are levied based on an individual's ability to pay (like income tax), indirect taxes are levied on consumption. This means that a wealthy person and a low-income individual pay the same tax on a product, regardless of their financial capacity. As a result, indirect taxes may not align with the principle of equity in taxation.

12. Potential for Tax Avoidance

In certain sectors, businesses and individuals may engage in tax avoidance strategies, such as underreporting sales or purchasing items in informal markets to avoid paying indirect taxes. This is particularly common in sectors that are partially or wholly outside the GST framework, such as real estate and small retail businesses.

13. Revenue Volatility

Indirect tax revenue can be volatile because it depends on consumption patterns. During economic downturns, when people reduce spending on goods and services, the government may experience a decline in revenue from indirect taxes. This makes it a less reliable source of income during periods of economic instability.

NEED FOR INTRODUCTION TO GOOD AND SERVICE TAX

The introduction of the Goods and Services Tax (GST) in India was driven by the need to reform the country's complex and fragmented indirect tax system. Prior to GST, the tax structure consisted of multiple taxes at different stages, leading to inefficiencies and complications. Here are the main reasons that highlighted the need for GST:

1. Simplification of the Tax Structure

Before GST, India had a multi-layered indirect tax system with different taxes levied by the central and state governments, including VAT, service tax, excise duty, and customs duty. Each state had its own rates and tax laws, creating

complexity for businesses. GST was introduced to simplify this structure by replacing multiple taxes with a single, unified system across the country, making compliance easier for businesses.

2. Elimination of the Cascading Effect of Taxes

The previous tax system suffered from a "tax on tax" problem, where taxes were imposed on goods at every stage of production and distribution without credit for the taxes paid in earlier stages. This cascading effect increased the overall cost of goods and services. GST addressed this issue by providing an input tax credit, which allows businesses to claim credit for the taxes paid on inputs, thereby reducing the overall tax burden and preventing the cascading effect.

3. Creation of a Unified National Market

The pre-GST system created fragmentation in the Indian market due to different state-level taxes, which led to barriers to inter-state trade and commerce. Goods were subject to multiple checks at state borders, causing delays and additional costs. GST helped create a unified national market by applying the same tax rates across states, removing trade barriers, and facilitating the free flow of goods and services throughout the country.

4. Boost to Economic Efficiency

The complexity of the earlier tax regime discouraged investment and hampered the ease of doing business in India. GST aimed to improve economic efficiency by streamlining tax administration, reducing compliance costs, and creating a transparent and predictable tax system. A simplified tax structure encourages businesses to operate efficiently and expand their operations, leading to economic growth.

5. Increased Tax Compliance

The GST regime promotes better tax compliance through its digital infrastructure and input tax credit mechanism. Since businesses can only claim credit for the taxes paid on their purchases if their suppliers have also complied with GST, it encourages voluntary compliance throughout the supply chain. This system also reduces opportunities for tax evasion, ensuring higher revenue for the government.

6. Reduction in Tax Evasion

Under the previous system, multiple indirect taxes created opportunities for tax evasion, especially in sectors like manufacturing and retail. The introduction of

GST, with its comprehensive digital filing and return system, has made it more difficult to evade taxes. The integration of businesses into the formal economy and the transparency provided by the GST network (GSTN) helps in tracking transactions and preventing tax evasion.

7. Increased Government Revenue

By broadening the tax base and improving compliance, GST aims to increase government revenue. Under the old tax regime, tax evasion and inefficiencies reduced the amount of revenue collected. With GST, the government can better track the movement of goods and services, leading to higher tax collections and more funds for public spending and infrastructure development.

8. Encouragement of Formalization of the Economy

GST incentivizes small and medium enterprises (SMEs) to register under the tax system, thereby reducing the size of the informal sector. Through input tax credit benefits and streamlined processes, businesses are encouraged to move from the informal to the formal economy. This helps the government track business activity more effectively, improving transparency and boosting overall economic growth.

9. Fostering Competitiveness

The pre-GST system resulted in higher production costs due to tax cascading and inefficiencies, making Indian goods and services less competitive in the global market. With GST reducing the overall tax burden, businesses can lower their costs, making Indian products more competitive in international markets. This is especially important for sectors like manufacturing, where India aims to enhance its global standing.

10. Enhancing the Ease of Doing Business

By eliminating multiple taxes and reducing bureaucratic complexities, GST significantly enhances the ease of doing business in India. A transparent and uniform tax system across states allows businesses to operate more efficiently, reduces compliance costs, and creates a more business-friendly environment.

11. Harmonization of Tax Rates

Prior to GST, different states imposed varying rates of VAT and other state-level taxes. This created discrepancies and price variations across the country. GST harmonized tax rates, ensuring that goods and services are taxed uniformly

throughout India, leading to price stability and reducing confusion for both businesses and consumers.

COMMODITIES KEPT OUT THE PREVIEW OF GST

While the Goods and Services Tax (GST) in India covers a vast range of goods and services, some commodities have been kept out of its purview. These commodities are typically subject to state-level taxes or other forms of taxation. The primary reasons for excluding certain items from GST include political, social, or economic considerations. Here are the major commodities kept outside the GST framework:

1. Petroleum Products

Petroleum products remain one of the most significant exclusions from GST. These include:

- Crude oil
- Petrol (Gasoline)
- Diesel
- Natural gas
- Aviation turbine fuel (ATF)

These products continue to be taxed under the old system with excise duty (levied by the central government) and Value Added Tax (VAT) (levied by state governments). The decision to exclude these products is due to the substantial revenue they generate for both the central and state governments. Bringing petroleum products under GST would potentially reduce government revenue, especially for states that depend heavily on VAT from these products.

2. Alcohol for Human Consumption

Alcoholic beverages for human consumption are outside the ambit of GST. They continue to be taxed under state excise duties and VAT, which are significant revenue sources for state governments. The exclusion of alcohol from GST was largely due to political and economic reasons, as states rely heavily on the revenue generated from alcohol sales.

3. Electricity

Electricity and electricity-related products are also excluded from GST. Instead, they are subject to electricity duty, which is imposed by the state governments. This exclusion means that electricity suppliers cannot claim input tax credits on their purchases under GST, leading to potential cascading effects. However, the

decision to keep electricity out of GST was driven by the need for state governments to retain control over electricity duties.

4. Real Estate (Partially Excluded)

The sale of land and the sale of buildings (except under construction) are exempt from GST. However, under-construction properties are subject to GST at a reduced rate. The exclusion of land and fully constructed buildings from GST was made to avoid complications in taxing immovable property and to allow state governments to continue collecting stamp duty and registration charges, which are significant revenue sources for them.

5. Stamp Duty on Real Estate

Although the GST framework covers construction-related activities, the stamp duty on property transactions remains outside GST. Stamp duty is a significant source of revenue for state governments, particularly during property sales and transfers, and they were unwilling to cede this authority to the GST Council.

6. Tobacco (Partially Excluded)

Although GST is applicable to tobacco products, they are also subject to additional central excise duty. This means that, unlike other products, tobacco is taxed twice: first under GST and then under excise duty. The government retains this dual taxation structure to keep tight control over the revenue from tobacco, as it is both a significant source of revenue and a health concern.

7. Entertainment Tax (Partially Excluded)

While entertainment services such as movie tickets have been brought under GST, some states continue to levy an additional local entertainment tax on activities like cable TV and live events. This allows states to maintain control over revenue from local entertainment sectors, though the GST largely covers entertainment in many regions.

8. Lottery, Betting, and Gambling

While GST does apply to lotteries, betting, and gambling, the tax rate is much higher (28%), and certain forms of these activities may still be subject to additional state taxes or duties. The taxation of lotteries remains complex, with different treatment for state-run and private lotteries.

9. Agricultural Land and Related Activities

Agricultural land and most activities related to agriculture, such as the supply of seeds, fresh fruits, and vegetables, are exempt from GST. The exemption of agricultural produce is designed to protect the farming community and ensure that the cost of basic food items remains low for consumers.

These exclusions reflect a balance between central and state revenue interests, as well as the political and economic complexities of certain sectors. Keeping these commodities outside the GST framework allows state governments to retain important revenue sources, even as GST seeks to simplify and unify the broader indirect tax structure in India. However, there have been ongoing discussions about potentially including some of these items, particularly petroleum products and electricity, under GST in the future to further streamline the tax system.

OTHER INDIRECT TAXES

In addition to the Goods and Services Tax (GST), which is now the primary indirect tax in India, there are still other indirect taxes that exist outside of its purview or in specific contexts. These taxes are levied by either the central or state governments, depending on the type of goods or services being taxed. Here's a description of some of the key indirect taxes that remain in place:

1. Customs Duty

Customs duty is a tax imposed on goods imported into or exported from India. The central government levies this duty to regulate trade, protect domestic industries, and generate revenue. It consists of various components, such as:

Basic customs duty (BCD): The primary tax on imported goods.

Countervailing duty (CVD) and special additional duty (SAD): Previously levied to offset the domestic taxes on imports, although many components have been subsumed into GST.

Anti-dumping duty: Imposed on certain goods to protect domestic industries from unfair competition from cheaper imports.

Safeguard duty: Applied to protect specific industries from sudden increases in imports that could harm domestic producers.

2. Excise Duty (Limited Scope)

While GST has replaced central excise duty on most goods, excise duty is still levied on certain products, particularly petroleum products (like petrol, diesel, and natural gas) and tobacco products. These items generate significant revenue for the

government, and their exclusion from GST ensures that the government can continue to collect excise taxes on them.

State excise duty is also levied by state governments on alcoholic beverages for human consumption, which remains outside the scope of GST.

3. Stamp Duty

Stamp duty is a tax on the legal recognition of certain documents, such as property transactions, agreements, and financial securities. It is levied by both the central and state governments, depending on the type of document. In the case of property transfers, state governments levy stamp duty, which remains outside the GST framework. Stamp duty is an important source of revenue for state governments.

4. Property Tax

Property tax is levied by local municipal bodies on real estate properties, both residential and commercial. The tax amount depends on factors such as the location, size, and value of the property. Property taxes are a crucial source of revenue for municipal authorities to fund public services like sanitation, road maintenance, and public infrastructure.

5. Entertainment Tax (Limited Scope)

Although GST has absorbed entertainment taxes related to movie tickets and other entertainment services, some states still levy a local entertainment tax on events like live performances, theater shows, and cable television services. This tax is imposed by state or local governments and varies by region. The tax is mainly used to regulate local entertainment industries and generate revenue for the state.

6. Toll Tax

Toll tax is charged by governments or private contractors for the use of certain public infrastructure, primarily highways, bridges, and tunnels. It is collected from vehicles as they pass through toll gates. The revenue generated from toll taxes is used to fund the construction, maintenance, and operation of such infrastructure projects.

7. Vehicle Tax (Road Tax)

Vehicle tax or road tax is a tax imposed by state governments on vehicles used for personal or commercial purposes. The tax is typically a one-time charge levied at the time of vehicle registration, although certain commercial vehicles may be

subject to annual taxes. The revenue from vehicle taxes is used for the maintenance of roads and transportation infrastructure.

8. Luxury Tax (Pre-GST)

Prior to the introduction of GST, luxury tax was imposed by state governments on high-end goods and services, such as luxury hotels, resorts, and expensive goods like jewelry. However, after the introduction of GST, most luxury goods and services are taxed under the higher GST slabs (18% or 28%). Some luxury services, like expensive hotel stays, continue to be taxed at higher rates under GST.

9. Electricity Duty

Electricity duty is levied by state governments on the consumption of electricity. It is charged as a percentage of the electricity bill and varies by state. This tax is not included under GST, and the revenue generated is used by state governments to fund power infrastructure and other related services.

10. Alcoholic Beverages Taxes

Taxes on alcoholic beverages for human consumption are levied by state governments through state excise duty and VAT. Alcohol remains outside the scope

of GST due to its importance as a revenue source for state governments. The tax rates vary from state to state and are a significant part of the state's own revenue generation.

11. Betting, Gambling, and Lottery Taxes

While GST is levied on lottery tickets, betting, and gambling activities at a high rate of 28%, these activities may also be subject to additional taxes at the state level. States have the authority to impose specific taxes on gambling, betting, and lottery operations within their jurisdictions, generating additional revenue from these activities.

12. Cess and Surcharges

Cess is a tax on tax, imposed by the government to raise funds for specific purposes. For instance:

- Education cess and health cess were previously levied on income tax but have been absorbed into the GST structure to some extent.
- Swachh Bharat cess and KrishiKalyan cess were additional levies to support specific initiatives.

- Under GST, the GST Compensation Cess is imposed on luxury and sin goods (like tobacco, aerated drinks, and large vehicles) to compensate states for revenue losses during the initial years of GST implementation.

These indirect taxes continue to coexist alongside GST and contribute to government revenue generation. While the scope of indirect taxes has been significantly streamlined under GST, the remaining taxes reflect the specific needs of states, local governments, and particular sectors that require independent taxation.

Unit II

Unit II

GST STRUCTURE

CGST-SGST-IGST-Futures- Exemption - Schemes-Composition Scheme-Ordinary Scheme -GST Structured Rates

STRUCTURE OF GST

The Goods and Services Tax (GST) in India is a comprehensive, multi-tiered tax structure designed to simplify the indirect tax system. It replaces multiple state and central taxes with a unified tax applicable on both goods and services. The GST structure is divided into several components to ensure fair distribution of tax revenue between the central and state governments. Here's an overview of the key components and structure of GST in India:

1. TYPES OF GST

The GST framework consists of three main types, depending on the transaction and the jurisdiction:

Central GST (CGST):

Levied by the central government on intra-state supplies of goods and services.

The revenue from CGST goes to the central government.

State GST (SGST) / Union Territory GST (UTGST):

- Levied by the state or union territory governments on intra-state supplies of goods and services.
- The revenue from SGST goes to the respective state governments, while UTGST applies to union territories without a legislature (like Chandigarh and Lakshadweep).
- SGST/UTGST is charged along with CGST for transactions within a state or union territory.

Integrated GST (IGST):

- Levied by the central government on inter-state supplies of goods and services, including imports and exports.
- The revenue from IGST is distributed between the central and the destination state governments. IGST ensures the seamless flow of tax credits and avoids the cascading of taxes during inter-state transactions.

2. GST Rate Structure

GST follows a multi-tiered tax rate structure, ensuring that different types of goods and services are taxed according to their nature and social importance. The GST Council, which consists of representatives from both the central and state governments, decides these rates. The major tax slabs are:

- **0% GST (Exempted Goods and Services):**
- Items like fresh fruits, vegetables, food grains, milk, and educational services are exempt from GST.
- **5% GST:**Applicable to essential items like packaged food, medicines, and transportation services.
- **12% GST:**Applicable to processed food items, apparel, and other daily-use products.
- **18% GST:**Applicable to standard goods and services, including household appliances, electronics, and most consumer goods.
- **28% GST:**Applied to luxury items and sin goods such as automobiles, aerated drinks, tobacco, and high-end consumer goods.
- In addition to the 28% slab, certain goods like tobacco products, luxury cars, and aerated drinks attract an additional compensation cess to compensate states for revenue loss during the transition to GST.

3. Input Tax Credit (ITC) Mechanism

One of the key features of the GST system is the input tax credit (ITC) mechanism. It allows businesses to claim credit for the taxes paid on inputs (raw materials, services, etc.) used in the production of goods or services. This prevents the cascading effect of taxes (tax on tax) by ensuring that tax is paid only on the value added at each stage of the supply chain.For example, if a manufacturer pays GST on raw materials, they can claim that amount as credit against the GST they collect from their customers, ensuring that only the value added is taxed.

4. GST Registration

Businesses with an annual turnover exceeding ₹20 lakhs (₹40 lakhs for goods in some states) are required to register under GST. For special category states, the threshold is ₹10 lakhs.Small businesses with turnover up to ₹1.5 crore can opt for the composition scheme, under which they pay a fixed percentage of their turnover as tax but cannot claim the benefit of input tax credit.

GST registration is mandatory for specific businesses like e-commerce operators, casual taxable persons, and those engaged in interstate supply of goods and services.

5. GST Returns and Compliance

Businesses registered under GST are required to file regular returns, which include details of sales, purchases, and the amount of GST collected and paid. The key types of GST returns are:

- **GSTR-1:** Details of outward supplies of goods and services.
- **GSTR-2A/2B:** Auto-populated returns based on supplier's GSTR-1 (currently simplified).
- **GSTR-3B:** A summary return for the tax liability of the business, filed monthly or quarterly.
- **GSTR-9:** Annual return, giving a detailed summary of all transactions for the financial year.

Compliance with these returns is critical to claim input tax credits and ensure smooth operations within the GST framework.

6. GST Council

The GST Council is a key part of the GST structure, responsible for making decisions regarding tax rates, exemptions, and any changes in the tax law. It consists of:

- The Union Finance Minister (as the chairperson),
- The Minister of State for Finance (as a member),
- Finance Ministers or representatives from each state government.

The council ensures that the interests of both the central and state governments are considered while determining tax policies under GST.

7. GST Compensation Cess

The GST Compensation Cess is imposed on certain luxury and sin goods, such as cigarettes, luxury cars, and coal. The revenue collected from this cess is used to compensate states for any shortfall in revenue due to the implementation of GST. This cess is temporary and will be phased out once the compensation period ends.

8. Exemptions under GST

While most goods and services are taxed under GST, some items remain outside its purview. Key exempted items include:

- Alcohol for human consumption
- Petroleum products (petrol, diesel, crude oil, natural gas, aviation turbine fuel)
- Electricity
- Real estate (except under-construction properties)

These items are subject to other forms of taxation like excise duties, VAT, and local levies.

9. Dual GST Structure

India follows a dual GST model where both the central and state governments levy GST on the same transaction. This ensures a fair division of the tax revenues:

- CGST goes to the central government,
- SGST/UTGST goes to the state government or union territory,
- IGST is collected by the central government but is later apportioned between the center and the destination state.

10. Reverse Charge Mechanism (RCM)

Under the reverse charge mechanism, the recipient of goods or services is liable to pay GST instead of the supplier. This applies in certain cases, such as imports or when unregistered suppliers provide goods or services to registered businesses.

GST STRUCTURE

The Goods and Services Tax (GST) structure in India is designed as a comprehensive indirect tax system that replaces multiple indirect taxes previously levied by the central and state governments. It follows a dual tax model, ensuring both central and state governments share the revenue collected from the taxation of goods and services. The GST structure is aimed at streamlining the tax system and reducing the cascading effect of taxes (tax on tax). Below is a detailed description of the key components of the GST structure:

1. Dual GST Model

India follows a dual GST model, which means that both the central government and the state governments levy GST on the same transaction. This model ensures the distribution of tax revenue between the center and the states. The components of the dual GST system are:

- **Central GST (CGST):** Collected by the central government on intra-state supplies (i.e., supplies within a state).
- **State GST (SGST):** Collected by the state government on intra-state supplies.
- **Union Territory GST (UTGST):** Collected in Union Territories without their own legislatures (like Chandigarh).
- **Integrated GST (IGST):** Collected by the central government on inter-state supplies (i.e., supplies between states) and on imports. The revenue from IGST is shared between the central government and the destination state.

2. Tax Slabs

GST is levied at different rates, depending on the type of goods and services. These tax rates are decided by the GST Council and are divided into the following slabs:

- **0% (Exempted Goods and Services):** Essential items like fresh fruits, vegetables, grains, and educational services.
- **5%:** Basic necessities, such as packaged food items, medicines, and transportation services.

- ✓ **12%:** Standard goods like processed food, apparel, and general household goods.
- ✓ **18%:** The most common GST rate applied to many goods and services, including electronics, appliances, and furniture.
- ✓ **28%:** Luxury and sin goods, such as automobiles, tobacco, and high-end consumer goods. Some of these also attract an additional compensation cess.

3. Input Tax Credit (ITC) Mechanism

A crucial feature of GST is the input tax credit (ITC) mechanism, which allows businesses to claim credit for the taxes they paid on inputs used in the production or supply of goods and services. This prevents the cascading effect of taxes and ensures that tax is levied only on the value added at each stage of the supply chain. Businesses can claim ITC for taxes paid on purchases and deduct it from the taxes collected on sales.

4. GST Council

The GST Council is the governing body that oversees GST implementation and makes decisions on tax rates, exemptions, and any changes to the law. It consists of:

- The Union Finance Minister (Chairperson),
- The Minister of State for Finance, and
- State Finance Ministers from all states.

The Council ensures that the interests of both the central and state governments are taken into account in decisions related to GST.

5. GST Returns and Compliance

Businesses registered under GST are required to file periodic returns detailing their sales, purchases, and the amount of GST collected and paid. The key GST returns are:

- **GSTR-1:** Details of outward supplies (sales) made by the business.
- **GSTR-2A/2B:** Auto-generated details of inward supplies (purchases) based on the supplier's GSTR-1.
- **GSTR-3B:** A summary return that reports tax liabilities and is filed monthly or quarterly.
- **GSTR-9:** Annual return providing a comprehensive summary of all transactions.

- Filing accurate and timely GST returns is critical for businesses to claim input tax credits and avoid penalties.

6. Threshold Limits and Composition Scheme

Businesses with an annual turnover above ₹20 lakhs (₹40 lakhs in some states for goods) must register under GST and comply with its provisions. For service providers, the threshold is ₹20 lakhs.

The Composition Scheme is available for small businesses with a turnover of up to ₹1.5 crore. Under this scheme, businesses can pay a lower, fixed percentage of their turnover as tax but cannot claim input tax credit. This scheme simplifies compliance for small businesses.

7. Compensation Cess

The compensation cess is an additional levy imposed on luxury and sin goods (like tobacco, aerated drinks, luxury cars) over and above the GST rates. The revenue collected from this cess is used to compensate states for any loss of revenue during the transition to GST.

8. Exemptions from GST

Certain goods and services are exempt from GST. Key exemptions include:

a) **Alcohol for human consumption:** Continues to be taxed under state excise laws.

b) **Petroleum products:** Such as petrol, diesel, and crude oil, which remain outside GST and are subject to excise duty and state VAT.

c) **Electricity:** Excluded from GST and continues to be taxed by states.

d) **Real estate transactions:** Except for under-construction properties, real estate is exempt from GST and subject to stamp duty and registration charges.

9. Reverse Charge Mechanism (RCM)

Under the reverse charge mechanism, the recipient of goods or services is liable to pay GST instead of the supplier in certain situations. This typically applies to transactions with unregistered suppliers or certain notified goods and services. The reverse charge mechanism ensures tax compliance in cases where the supplier is not registered under GST.

10. IGST for Inter-State Transactions

For inter-state transactions (i.e., sales from one state to another), Integrated GST (IGST) is levied. IGST allows for seamless transfer of tax credits across state borders and ensures that the tax is distributed between the central and the state governments of the destination state.

11. GST Compliance Rating

The GST compliance rating is a mechanism to evaluate businesses based on their compliance with GST regulations, such as timely filing of returns and payment of taxes. This rating system encourages businesses to adhere to GST rules and ensures greater transparency.

CGST

Central Goods and Services Tax (CGST) is one of the key components of the dual GST system in India. It is levied by the central government on all intra-state supplies of goods and services, meaning transactions that take place within the same state. The CGST is imposed alongside the State Goods and Services Tax (SGST), with both taxes being collected separately by the central and state governments. Here's a detailed description of CGST:

1. Levy of CGST

CGST is applied to the supply of goods and services within a state. When a business or individual conducts transactions within the same state, both CGST and SGST are levied. The total tax is divided equally between the central and state governments.

For example, if a product attracts an 18% GST rate, the tax will be split into:

- 9% CGST (central government),
- 9% SGST (state government).

2. Administration of CGST

The central government administers and collects CGST under the Central Goods and Services Tax Act, 2017. The Act governs all rules, procedures, and guidelines related to CGST, including registration, tax collection, filing returns, input tax credit, and compliance.

3. Input Tax Credit (ITC) under CGST

The Input Tax Credit (ITC) mechanism under CGST allows businesses to claim credit for the tax paid on inputs (goods or services) while supplying goods or services. The credit for CGST can be utilized only against CGST or IGST liabilities (in case of interstate transactions), but not against SGST or UTGST liabilities.

This mechanism helps eliminate the cascading effect of taxes and ensures tax is levied only on the value addition at each stage of production or supply.

4. Applicability of CGST

CGST is applicable to all taxable supplies within a state, except for items like:

- Alcohol for human consumption, which is outside the GST regime,
- Petroleum products, which are taxed separately under central excise and state VAT,
- Electricity, which is also outside the purview of GST.

5. Rates of CGST

The rates of CGST are aligned with the overall GST rates and fall under multiple slabs: 0%, 5%, 12%, 18%, and 28%. These rates are decided by the GST Council based on the nature of the goods or services.

6. Returns and Compliance

Businesses registered under CGST are required to file periodic returns detailing their sales, purchases, and the amount of CGST collected and paid. Common forms include:

- GSTR-1 (for reporting outward supplies),
- GSTR-3B (summary return),
- Annual return (GSTR-9), among others.

Proper compliance with CGST is crucial for claiming input tax credit and avoiding penalties.

7. Revenue Sharing

CGST is part of the dual taxation structure where the central government collects its share of the revenue from intra-state supplies. This system ensures a fair

distribution of taxes between the center and the states, as the state governments simultaneously collect SGST on the same transaction.

8. Exemptions and Thresholds

Certain businesses are exempt from CGST if their annual turnover is below a specified threshold:Businesses with an annual turnover below ₹20 lakhs (₹10 lakhs for special category states) are exempt from registering under GST.

Businesses with an annual turnover of up to ₹1.5 crore can opt for the Composition Scheme, where they pay a lower tax rate but cannot claim input tax credit.

ADVANTAGES OF CENTRAL GOODS AND SERVICES TAX (CGST):

1. **Uniform Taxation**: CGST ensures a uniform tax structure across the country, promoting consistency in tax rates for goods and services within a state. This simplifies taxation for businesses, much like standardizing academic formats simplifies submissions for researchers.
2. **Elimination of Cascading Effect**: CGST replaces various central taxes such as central excise duty, service tax, and central sales tax. This prevents the cascading effect (tax-on-tax), reducing the overall tax burden on businesses,

similar to how well-defined research guidelines prevent redundancy in academic work.

3. **Streamlined Compliance**: CGST integrates multiple central taxes into one, simplifying compliance for businesses by reducing the number of tax filings. This process is comparable to how simplifying journal submission guidelines helps researchers manage their work more effectively.
4. **Enhanced Tax Revenue for Central Government**: By consolidating central taxes into CGST, the central government ensures a steady and more efficient revenue collection process. This revenue can be used for national-level initiatives, similar to how citations and research outputs contribute to national or global academic recognition.
5. **Input Tax Credit (ITC) Benefits**: CGST allows businesses to claim ITC for taxes paid on inputs, reducing the effective tax they need to pay. This system is akin to researchers building on previous work, where proper credit is given through citations, allowing for continuous advancement without repeated effort.
6. **Increased Transparency and Efficiency**: The CGST system is supported by digital platforms that provide real-time monitoring of tax payments and collections, promoting greater transparency and efficiency. This resembles

the transparency expected in academic research where clear records of citations and data ensure credibility.

7. **Encourages Formalization of Economy**: CGST incentivizes businesses to register and file taxes, pushing more businesses into the formal economy. A similar parallel exists in academic research, where peer review and formal publication processes promote higher standards in research output.

DISADVANTAGES OF CENTRAL GOODS AND SERVICES TAX(CGST):

1. **Increased Compliance Burden for Small Businesses**: CGST, though simplified, still requires businesses to file returns online regularly. Small businesses with limited resources may find this burdensome, much like how smaller research institutions may struggle to meet the demands of frequent publication.
2. **Limited Autonomy for States**: Since CGST is a centrally administered tax, state governments have limited control over tax rates and policies. This centralization is similar to how centralized academic guidelines limit flexibility for regional or institutional research agendas.
3. **Complexity in Implementation**: While CGST aims to simplify tax structures, its implementation can be challenging for businesses that need to

manage both CGST and State GST (SGST). This dual compliance is similar to how researchers must adhere to different academic standards depending on publication formats or international guidelines.

4. **Impact on Cash Flow for Businesses**: The delay in receiving input tax credits under CGST can affect the cash flow of businesses, particularly small ones. This situation mirrors delays in research grant funding, which can slow down academic projects and outputs.
5. **Technical and Digital Challenges**: CGST relies heavily on digital filing and compliance, which may pose challenges for businesses in regions with limited access to reliable internet infrastructure. This is similar to academic researchers facing hurdles with access to digital journals or databases in underdeveloped areas.
6. **Penalties for Non-Compliance**: Businesses that fail to comply with CGST regulations face significant penalties, which can be financially damaging, especially for small and medium enterprises. Similarly, in academia, non-compliance with ethical standards or submission guidelines can result in retractions or reputation loss for researchers.
7. **Risk of Tax Evasion**: Despite increased transparency, businesses may still attempt to evade taxes through underreporting or other fraudulent practices.

This challenge mirrors academic misconduct where plagiarism or data falsification undermines the credibility of research.

CGST offers significant benefits in creating a unified, transparent, and efficient tax system, fostering both national economic growth and business ease. However, challenges like increased compliance burdens, cash flow issues, and limited state autonomy must be addressed to ensure its full potential is realized.

SGST

State Goods and Services Tax (SGST) is a crucial component of the dual GST structure in India, where it is levied by the state government on the supply of goods and services within a state. SGST is applicable to all intra-state transactions (i.e., transactions occurring within the same state), and it is collected alongside the Central Goods and Services Tax (CGST). The revenue from SGST goes directly to the state government, while CGST goes to the central government.

FEATURES OF SGST:

1. Levy of SGST

SGST is imposed on all intra-state supplies of goods and services. This means that for transactions taking place within the boundaries of a single state, both SGST and CGST are levied simultaneously. The total GST on such a transaction is divided between SGST and CGST equally.For example, if a good attracts a GST rate of 18%, it would be split as:

- 9% SGST (for the state government),
- 9% CGST (for the central government).

2. Administration of SGST

SGST is governed by the State Goods and Services Tax Act, 2017, which is based on a uniform model law recommended by the GST Council. Each state government is responsible for administering, collecting, and enforcing SGST, ensuring uniformity across all states while allowing the state to receive tax revenue.

3. Input Tax Credit (ITC) under SGST

Similar to CGST, the Input Tax Credit (ITC) mechanism under SGST allows businesses to claim credit for the taxes they paid on purchases (inputs). However, SGST credit can be utilized only to pay SGST or Integrated GST (IGST) but not CGST or Union Territory GST (UTGST).

This system prevents the cascading effect of taxes by ensuring that taxes are levied only on the value added at each stage of production or supply.

4. Applicability of SGST

SGST applies to all intra-state supplies, except for certain items that remain outside the GST framework. These include:

Alcohol for human consumption, which is outside GST and remains taxed by states through excise duties,

Petroleum products, such as petrol, diesel, and crude oil, which are taxed under VAT and central excise,Electricity, which is also excluded from GST and taxed under state laws.

5. Rates of SGST

SGST rates are aligned with the overall GST rates, which fall under several slabs: 0%, 5%, 12%, 18%, and 28%. The applicable SGST rate is determined by the GST Council based on the nature of the goods or services. The SGST rate is always equal to the CGST rate for any given good or service in intra-state transactions.

6. SGST Returns and Compliance

Businesses registered under SGST are required to file regular returns to the state tax authorities. These returns include information about sales, purchases, and the SGST collected and paid. Common GST returns that businesses must file include:

GSTR-1: For reporting outward supplies,

GSTR-3B: Summary of tax liabilities (filed monthly or quarterly),

GSTR-9: Annual return.

Compliance with SGST rules is essential for businesses to claim input tax credit and ensure smooth business operations.

7. Revenue Sharing with SGST

In the GST system, states are empowered to collect SGST on all intra-state transactions. This revenue is vital for state governments to manage their budgets and expenditures. The dual GST model ensures that both the central and state governments benefit from tax revenues generated within the state.

8. Thresholds and Composition Scheme

Businesses with a turnover below certain thresholds are exempt from registering under GST:

The exemption threshold is generally ₹20 lakhs for businesses (₹10 lakhs in special category states).

Small businesses with an annual turnover up to ₹1.5 crore can opt for the Composition Scheme, which allows them to pay a lower fixed tax rate but without the benefit of input tax credit. Under this scheme, small taxpayers pay SGST and CGST at a reduced rate based on their turnover.

9. Exemptions from SGST

Similar to CGST, certain essential goods and services are exempt from SGST. These typically include:

- Unprocessed food items,
- Educational services,
- Health care services.

10. Dual GST Model and SGST

SGST is part of India's dual GST model, in which both the central and state governments levy taxes on the same transaction. In intra-state transactions, both CGST and SGST are collected together. The central government collects CGST, while the state government collects SGST, ensuring a balanced distribution of revenue.

ADVANTAGES OF STATE GOODS AND SERVICES TAX (SGST):

1. **Revenue for States**: SGST ensures that the revenue from taxes on intra-state sales stays within the respective state, providing state governments with the necessary funds for development and welfare activities. This autonomy in revenue collection empowers states to manage their local economies better, much like how institutions can manage their own academic resources and funding.
2. **Elimination of Multiple Taxes**: SGST subsumes various state-level taxes such as VAT, entry tax, and luxury tax, simplifying the tax structure. This reduction of multiple taxes into one makes compliance easier for businesses, similar to how standardized journal guidelines simplify submissions for researchers.

3. **Encourages Local Trade**: SGST creates a favorable environment for local businesses to grow by standardizing the tax regime within the state. This can foster greater trade within the state, akin to how local research institutions benefit from collaboration under unified academic standards.
4. **Input Tax Credit (ITC) Availability**: Businesses can claim ITC for SGST paid on inputs, reducing the overall tax burden. This is similar to how researchers benefit from collaboration by building on existing knowledge and acknowledging prior work through citations.
5. **Boosts Formalization of the Economy**: SGST promotes formalization by ensuring that businesses register and file their taxes online. This brings more businesses into the formal sector, which improves the state's economy, much like how standardized publication practices bring more visibility to smaller research institutions.
6. **Aligned with GST Framework**: SGST operates under the broader GST framework, ensuring consistency with Central GST (CGST) and Integrated GST (IGST), creating a balanced system for both intra-state and inter-state transactions. This alignment promotes uniformity in tax administration, similar to how academic standards across institutions encourage consistency in research quality.

DISADVANTAGES OF STATE GOODS AND SERVICES TAX (SGST):

1. **Limited Autonomy in Tax Rates**: States have limited flexibility in determining tax rates under SGST since rates are largely decided by the GST Council. This reduces the ability of state governments to adjust tax policies based on their unique economic needs, akin to how academic institutions may be restricted by external guidelines in research priorities.
2. **Complexity in Compliance for Multi-State Businesses**: Businesses operating in multiple states must comply with different SGST regulations for each state. This can complicate compliance efforts, similar to how researchers may face challenges when adhering to varying publication standards across different journals.
3. **Delayed Revenue Sharing**: Since SGST involves collaboration between state and central tax authorities, delays in revenue sharing between the center and the states can impact state governments' cash flow, just as delays in research funding can hinder academic projects.
4. **Increased Compliance Burden for Small Businesses**: Small businesses, especially those without the technological resources, may find it challenging to comply with SGST's online filing requirements. This situation is similar

to how smaller academic institutions may struggle to adopt digital platforms for research dissemination.

5. **Risk of Revenue Shortfall**: Some states with less economic activity may struggle to generate sufficient revenue through SGST. The variation in economic capabilities across states could lead to imbalances, similar to how academic institutions in less developed regions may struggle to achieve the same level of recognition or funding as more prominent institutions.
6. **Potential for Tax Evasion**: Like any tax system, SGST can be vulnerable to evasion through underreporting or fraudulent practices. Businesses may attempt to manipulate records to lower their tax liability, just as some researchers might bypass ethical standards in publishing.

SGST provides a balanced approach to state-level taxation, enhancing state revenues while integrating into the broader GST framework. However, challenges such as limited autonomy and compliance complexity must be addressed to maximize the benefits of the system.

IGST

Integrated Goods and Services Tax (IGST) is a crucial component of the GST system in India, levied by the central government on inter-state transactions, i.e., supplies of goods and services that occur between two states or from one state to another. IGST also applies to imports and exports. It helps maintain seamless taxation across state borders and ensures that tax credits can be transferred between states. Below is a detailed description of IGST:

1. Levy of IGST

IGST is applicable to:

Inter-state transactions: Supplies of goods and services between different states or Union Territories.

Imports: Goods or services brought into India from other countries.

Exports: Although exports are considered "zero-rated" under GST (meaning they attract no tax), the mechanism of IGST still applies for accounting purposes.

Unlike the dual GST structure (CGST + SGST) applied within a state, IGST is collected as a single tax by the central government for inter-state transactions. The tax is later apportioned between the central and the destination state.

2. Administration of IGST

IGST is governed by the Integrated Goods and Services Tax Act, 2017. The central government is responsible for the administration, collection, and enforcement of IGST. The collected revenue is then divided between the central and state governments based on the "destination principle"—the state where the goods or services are consumed receives the tax revenue.

3. Input Tax Credit (ITC) under IGST

IGST plays a critical role in maintaining the smooth flow of Input Tax Credit (ITC) across state borders. Businesses can claim credit for IGST paid on inter-state purchases and offset it against the following:

- IGST liability on subsequent inter-state supplies,
- CGST liability for intra-state supplies,
- SGST/UTGST liability for intra-state supplies.

The ITC mechanism ensures that businesses do not face the burden of double taxation when moving goods or services across states and that the tax is levied only on the value added.

4. Applicability of IGST

IGST is applicable to the following types of transactions:

Inter-state supplies: Goods or services moving from one state to another.

Imports: Goods or services entering India from another country.

Exports: Goods or services leaving India, although they are treated as zero-rated for tax purposes, allowing exporters to claim refunds of input taxes paid.

Supplies to or from Special Economic Zones (SEZs): SEZs are treated as a separate territory for tax purposes, so IGST applies to supplies to or from an SEZ.

5. Rates of IGST

The IGST rates are the same as those under the GST regime, which fall into different slabs: 0%, 5%, 12%, 18%, and 28%. The applicable rate for any good or service depends on its classification under the GST law, and the IGST rate for a given product is equal to the combined CGST and SGST rates.

6. Destination Principle

IGST operates on the destination principle, meaning that tax revenue is allocated to the state where the goods or services are consumed. This ensures that the state

where the final consumption takes place receives the tax revenue, regardless of where the goods or services originated.For example, if a company in Maharashtra supplies goods to a customer in Karnataka, IGST is levied, and the tax revenue is transferred to Karnataka, the destination state.

7. Filing IGST Returns

Businesses involved in inter-state transactions are required to report IGST in their GST returns, such as:

- **GSTR-1:** Reporting outward supplies (sales).
- **GSTR-3B:** Summary return of tax liabilities.
- **GSTR-9:** Annual return.

Proper reporting of IGST is essential for claiming input tax credits and ensuring compliance with GST regulations.

8. IGST on Imports and Exports

Imports: IGST is levied on goods and services imported into India, along with basic customs duty (BCD). The importer can claim credit for the IGST paid on imported goods, which can be offset against other GST liabilities.

Exports: Exports are treated as "zero-rated" supplies under GST. This means that exporters do not have to pay IGST on their supplies but can claim refunds for the input tax credit on the goods or services they export.

9. Settlement of IGST Revenue

The revenue collected under IGST is distributed between the central government and the destination state. The central government initially collects IGST and later transfers the portion of tax related to the destination state. This ensures a fair distribution of tax revenue based on consumption.

10. Reverse Charge Mechanism (RCM)

In certain cases, IGST is collected under the reverse charge mechanism (RCM), where the recipient of the goods or services is liable to pay the tax instead of the supplier. This often applies to transactions involving unregistered suppliers or certain specified goods and services.

ADVANTAGES OF INTEGRATED GOODS AND SERVICES TAX (IGST):

1. **Seamless Interstate Trade**: IGST simplifies the taxation of goods and services that move across state borders, ensuring a smooth and uninterrupted flow of trade between states. It eliminates the need for businesses to pay separate state and central taxes, promoting ease of doing business across India.
2. **Avoids Double Taxation**: By allowing input tax credit (ITC) to be transferred between states, IGST prevents the cascading effect of taxes (tax on tax). This leads to a reduction in the overall tax burden on businesses, similar to how academic peer review processes ensure that researchers aren't double penalized for errors.
3. **Uniformity Across States**: IGST provides a uniform tax structure for interstate transactions, ensuring that businesses don't face inconsistent tax rates or rules when trading between states. This uniformity is akin to standardized guidelines in academic research, which create a consistent framework across institutions.
4. **Simplified Compliance**: Businesses only need to comply with one tax regime for interstate trade, reducing the complexity of tax filings. This

streamlined process is similar to how a standardized academic publication process simplifies submissions for researchers.

5. **Enhanced Transparency**: IGST promotes greater transparency in the taxation process by integrating technology for tax reporting and ensuring accountability. It ensures that taxes are correctly calculated and transferred to the appropriate authorities, akin to how citation systems in academic publications ensure transparency in acknowledging sources.
6. **Encourages Exports**: Under IGST, exports are treated as zero-rated supplies, meaning that businesses can claim refunds for the taxes paid on input goods and services. This boosts competitiveness in the global market, helping Indian businesses thrive internationally.

DISADVANTAGES OF INTEGRATED GOODS AND SERVICES TAX (IGST):

1. **Complexity in Implementation**: Despite its intent to simplify interstate trade, IGST can be complex for small businesses, especially those that operate in multiple states. They need to ensure compliance with different state regulations, which can increase administrative burdens, much like how

dealing with different journal requirements can complicate the submission process for researchers.

2. **Delay in Input Tax Credit (ITC) Settlement**: The process of claiming ITC under IGST involves coordination between states and the central government. Delays in processing ITC claims can affect a business's cash flow, just as delays in research grant approvals can hinder academic progress.
3. **Technical Challenges**: The requirement for businesses to file returns and make payments through an online portal can pose challenges for small or technologically unsophisticated businesses, especially in rural areas. These businesses may struggle to meet compliance requirements, similar to how smaller academic institutions may face challenges with digital research platforms.
4. **Dependence on Accurate Reporting**: IGST relies heavily on businesses accurately reporting interstate transactions. Errors or misreporting can lead to penalties or delays in receiving ITC. This situation is analogous to the challenges in research where inaccurate citations or data errors can lead to retractions or reputational damage.

5. **Administrative Burden for the Government**: Coordinating tax collections and settlements between the central and state governments can be administratively burdensome. This system requires effective communication and resource allocation, much like the need for coordination between different academic review boards for collaborative research projects.
6. **Potential for Tax Evasion**: Although IGST aims to promote transparency, there are still risks of tax evasion through misreporting of interstate transactions. Businesses may underreport or manipulate transactions to avoid paying the correct amount of tax, a challenge similar to academic plagiarism where some individuals try to bypass ethical research standards.

By balancing the efficiency and uniformity that IGST offers with the complexities involved in its implementation, businesses can benefit from a simplified tax structure for interstate trade while navigating the challenges effectively, much like academics benefit from standardized citation systems while addressing submission complexities.

UTGST

Union Territory Goods and Services Tax (UTGST) is a component of the GST system specifically applicable to Union Territories (UTs) in India without a legislature. It is levied by the central government on intra-UT supplies of goods and services, similar to how State Goods and Services Tax (SGST) is levied in states. UTGST ensures that Union Territories, which do not have their own state legislature, can still collect their share of GST.

Features of UTGST:

1. Levy of UTGST

UTGST is levied on intra-UT supplies of goods and services, i.e., transactions that take place within the boundaries of a Union Territory. When goods or services are supplied within a UT without a legislature, both UTGST and CGST are imposed on the transaction, similar to how SGST and CGST are applied within states.For example, if a product attracts a GST rate of 18%, it will be divided as:

- 9% CGST (collected by the central government),
- 9% UTGST (collected by the central government for the Union Territory).
- 2. Union Territories Covered under UTGST

UTGST applies to the following Union Territories:

- Andaman and Nicobar Islands
- Chandigarh
- Dadra and Nagar Haveli and Daman and Diu
- Lakshadweep
- Ladakh

Union Territories such as Delhi and Puducherry, which have their own legislatures, follow the SGST law instead of UTGST.

3. Administration of UTGST

UTGST is governed by the Union Territory Goods and Services Tax Act, 2017. The Act provides for the levy and collection of taxes in Union Territories without a legislature. The central government administers UTGST and ensures that the revenue is allocated to the respective Union Territory.

4. Input Tax Credit (ITC) under UTGST

Like CGST and SGST, businesses can claim Input Tax Credit (ITC) for UTGST paid on purchases. However, UTGST credit can only be used to offset UTGST or

IGST liabilities, and not CGST or SGST. This ensures that businesses are taxed only on the value they add to the product or service and can recover tax paid on inputs.

5. Applicability of UTGST

UTGST is applicable to all taxable supplies of goods and services within a Union Territory. It is similar to SGST in states, but is specific to Union Territories without a legislature. The items exempt from UTGST are the same as those exempt under GST in states, such as:

- Alcohol for human consumption, which remains outside GST.
- Petroleum products and electricity, which are taxed separately by other laws.

6. Rates of UTGST

The rates of UTGST are aligned with the overall GST rate structure, which includes slabs of 0%, 5%, 12%, 18%, and 28%. These rates are uniform across the country, including the Union Territories, and are determined by the GST Council.

7. UTGST Returns and Compliance

Businesses operating in Union Territories that are subject to UTGST are required to file GST returns in a manner similar to those under SGST and CGST. These returns include:

- **GSTR-1:** Reporting outward supplies,
- **GSTR-3B:** Summary return of tax liabilities,
- **GSTR-9:** Annual return.

Compliance with UTGST rules is essential for businesses to claim input tax credit and avoid penalties for non-compliance.

8. Dual GST Structure in Union Territories

In Union Territories without a legislature, UTGST operates in tandem with CGST under the dual GST model, similar to how SGST and CGST work together in states. Both taxes are levied on intra-UT supplies, with the central government collecting UTGST on behalf of the Union Territory.

9. Exemptions and Thresholds

The same thresholds and exemptions that apply to GST in states also apply to UTGST. For example:

- Businesses with a turnover below ₹20 lakhs (₹10 lakhs for special category UTs) are exempt from registering under GST.
- Small businesses can opt for the Composition Scheme if their turnover is below ₹1.5 crore, allowing them to pay a lower tax rate without availing input tax credit.

10. Revenue Allocation

The central government collects UTGST on behalf of the Union Territories and ensures that the revenue is allocated to the respective Union Territory. This revenue is used by the Union Territory for local governance and development, similar to how SGST is used by state governments.

ADVANTAGES OF UNION TERRITORIES GOODS AND SERVICES TAX (UTGST):

1. **Uniform Taxation Across Territories**: UTGST creates a consistent tax framework across all Union Territories, making it easier for businesses to operate without having to navigate different tax laws in different regions.

This uniformity is especially useful for companies that operate in multiple territories, much like how academic standards across institutions benefit students and researchers in a unified system.

2. **Reduction in Tax Complexity**: By replacing various indirect taxes with a single tax regime, UTGST simplifies the compliance process for businesses. It mirrors the importance of streamlining processes, similar to how structured workshops or standardized academic publications can lead to more efficient knowledge dissemination.
3. **Improved Revenue Collection**: Union Territories, which previously had limited avenues for collecting indirect taxes, now have access to a robust tax collection system through UTGST. This structured taxation helps fund development activities, analogous to how research citations contribute to the recognition and growth of academic expertise.
4. **Encourages Business Growth**: The simplified tax structure under UTGST lowers the entry barriers for new businesses and investors. A clear, consistent tax regime fosters a positive business environment, similar to how uniform regulations in the academic field can promote wider participation and contributions from scholars across regions.

5. **Better Transparency and Accountability**: The system is integrated with technology that ensures real-time tracking of transactions and taxes paid, reducing opportunities for tax evasion. This transparency is akin to the clarity and accountability expected in high-quality academic research and review processes.

DISADVANTAGES OF UNION TERRITORIES GOODS AND SERVICES TAX (UTGST):

1. **Dependency on the Central Government**: Since Union Territories operate under central governance; their financial autonomy is limited under UTGST. They cannot independently alter tax structures or rates, which could limit their ability to adapt to specific local economic needs. This scenario is somewhat parallel to institutions that rely heavily on centralized academic standards, leaving little room for flexibility.
2. **Implementation Challenges**: Smaller Union Territories may lack the technological infrastructure to handle the complexities of GST compliance, including the need for frequent digital filings. Just as smaller educational institutions might face challenges keeping up with digital advancements in

research dissemination, Union Territories need to invest in their capabilities for efficient tax administration.

3. **Impact on Small Businesses**: Similar to how navigating multiple academic publications can be a challenge, small businesses may find compliance with the GST framework complex and burdensome. They often lack the resources and technical knowledge to ensure accurate and timely filings, which could strain their operations.
4. **Limited Customization for Local Needs**: Union Territories cannot independently adjust tax rates or structures to cater to specific regional demands, which can be a limitation. This situation mirrors the constraints in academic environments where institutions may have to conform to generalized guidelines rather than address local priorities.
5. **Potential Revenue Shortfall for Some Territories**: While UTGST aims to provide a steady flow of revenue, not all Union Territories may benefit equally. Smaller or less developed territories may struggle to generate the same level of revenue compared to more economically active regions. This is similar to disparities in academic publishing and citations, where not all regions or disciplines receive equal recognition or support.

By balancing the centralized nature of UTGST with the growth potential it offers, Union Territories can foster both economic development and regional consistency, much like the role of unified academic standards in promoting wider participation across different institutions.

FUTURES OF GST

The future of Goods and Services Tax (GST) in India is likely to evolve with ongoing reforms, technological advancements, and policy changes aimed at enhancing its effectiveness and efficiency. Here's a comprehensive look at the potential futures of GST:

1. Increased Simplification and Uniformity

Harmonization of Rates: There might be efforts to streamline and reduce the number of GST slabs to simplify compliance and reduce tax rates, making the system more transparent and easier to manage.

Simplified Compliance: The introduction of a more straightforward and user-friendly compliance system is anticipated, potentially through improved digital platforms and reduced paperwork.

2. Expansion of the GST Base

Inclusion of New Sectors: There could be moves to bring more sectors into the GST net, including those currently exempt or outside the GST regime, such as petroleum products and real estate, to broaden the tax base.

Service Sector Expansion: Further expansion of GST coverage in the service sector could be expected, aiming to capture more service-based transactions and increase tax revenue.

3. Technological Advancements

Advanced IT Infrastructure: Enhanced digital infrastructure, including more sophisticated GST filing systems and real-time data analytics, will likely improve compliance, reduce fraud, and simplify the tax administration process.

Blockchain Technology: Adoption of blockchain technology could enhance transparency, security, and efficiency in tax collection and compliance.

4. Refinement of GST Rates and Slabs

Rationalization of Slabs: There may be a move towards rationalizing GST slabs to reduce complexity, such as consolidating rates or eliminating some slabs to make the system more coherent.

Sector-Specific Adjustments: Future adjustments might include sector-specific changes to GST rates to address unique challenges or stimulate particular industries.

5. Enhanced Input Tax Credit Mechanism

Improved Credit Utilization: Changes to the Input Tax Credit (ITC) mechanism might be implemented to improve the efficiency of credit utilization and minimize disputes related to credit claims.

Automated Reconciliation: Greater automation in reconciling ITC claims and returns could reduce errors and discrepancies, making the system more accurate and reliable.

6. Focus on Compliance and Enforcement

Stronger Enforcement Measures: There could be an increase in enforcement actions to address tax evasion and fraud, including more rigorous audits and penalties for non-compliance.

Incentives for Compliance: Implementation of incentive structures for businesses that consistently comply with GST regulations might be considered to encourage better adherence to tax laws.

7. State and Union Territory Integration

Increased Cooperation: Greater coordination between the central and state governments in implementing and administering GST could be expected, aiming for a more harmonized approach across all jurisdictions.

Resolution of Disputes: Improved mechanisms for resolving inter-state disputes and revenue-sharing issues could enhance the overall effectiveness of the GST system.

8. Economic Impact Adaptations

Economic Adjustments: GST policies may be adjusted in response to economic conditions, such as during economic downturns or booms, to ensure the tax system supports economic stability and growth.

Support for Small Businesses: Continued focus on easing the burden on small and medium enterprises (SMEs) through special schemes or exemptions could be anticipated to foster growth and compliance among smaller businesses.

9. International Alignments

Global Standards: Alignment with international GST/VAT standards and practices might be pursued to facilitate cross-border trade and investment, making India's GST system more compatible with global norms.

Trade Agreements: Changes in GST policies could be influenced by trade agreements and international economic agreements to ensure compliance and competitiveness in the global market.

10. Public Awareness and Education

Increased Awareness: Greater efforts might be made to educate businesses and the public about GST regulations, benefits, and compliance requirements to improve understanding and participation in the system.

Training Programs: Enhanced training and support programs for tax professionals and businesses could be developed to ensure proper implementation and adherence to GST rules.

EXEMPTION IN GST

In the Goods and Services Tax (GST) regime in India, certain goods and services are exempt from GST, meaning they do not attract tax under GST laws. Exemptions can be absolute (where no GST is levied at all) or conditional (where GST is not levied under specific conditions). Here's a detailed overview of exemptions under GST:

1. Categories of Exemptions

Absolute Exemptions

a) **Alcohol for Human Consumption:** This category includes all forms of alcoholic beverages, which are outside the GST framework. States continue to levy excise duties on alcohol.

b) **Petroleum Products:** Items such as petrol, diesel, natural gas, and aviation turbine fuel (ATF) are currently outside the GST scope and are taxed under central excise and state VAT laws.

c) **Electricity:** The supply of electricity is exempt from GST and is taxed under state-level regulations.

d) **Real Estate:** Sale of land and buildings (except those involving the construction of residential units under certain conditions) is generally

outside the GST purview. Real estate transactions are typically subject to state stamp duties and registration fees.

Conditional Exemptions

1) **Healthcare Services:** Services provided by hospitals, clinics, and healthcare professionals are exempt from GST, ensuring that medical expenses remain affordable.
2) **Educational Services:** Services provided by educational institutions and certain educational services are exempt. This includes services related to primary, secondary, and higher education, as well as vocational training.
3) Pu**blic Transport Services:** Public transportation services, including bus, rail, and metro services, are exempt to ensure accessibility and affordability for the general public.
4) **Agricultural Products:** Certain agricultural products, including fresh fruits, vegetables, and grains, are exempt from GST to support the agriculture sector and keep food prices manageable.
5) **Charitable Activities:** Services provided by charitable organizations for religious, charitable, or philanthropic purposes are exempt, including donations and activities related to public welfare.

2. Threshold Exemptions

- ❖ **Small Businesses:** Businesses with an annual turnover below a specified threshold are exempt from GST registration and compliance. For most states, this threshold is ₹20 lakhs (₹10 lakhs for special category states).
- ❖ **Composition Scheme:** Small businesses with a turnover up to ₹1.5 crore can opt for the Composition Scheme, paying GST at a lower rate and availing fewer compliance requirements, though they cannot claim input tax credit.

3. Zero-Rated Supplies

- ❖ **Exports:** Exports of goods and services are considered "zero-rated" under GST. This means that while no GST is charged on exports, exporters can claim a refund of the input tax credit (ITC) on inputs used in the export process.
- ❖ **Supplies to Special Economic Zones (SEZs):** Supplies of goods and services to SEZs are also zero-rated, allowing businesses to claim refunds on input taxes.

4. Specific Exemptions

- **Certain Financial Services:** Certain financial services, such as those related to the issuance of insurance policies and the provision of credit, may be exempt or have reduced rates.
- **Specific Government Services:** Some services provided by government agencies, such as public administrative services and certain regulatory functions, may be exempt from GST.

5. Input Tax Credit (ITC) Restrictions

Exempt Supplies: Businesses making exempt supplies cannot claim ITC on inputs used to make those supplies. However, they can claim ITC on inputs used for taxable supplies.

6. Revised Exemptions

Periodic Revisions: The list of exempt goods and services is subject to periodic revisions by the GST Council. Exemptions are updated based on economic needs, policy changes, and sector-specific requirements.

7. Sector-Specific Exemptions

Transport Services: While public transport is generally exempt, certain transport services such as freight services might have partial exemptions or specific rules.

Tourism and Hospitality: Some tourism and hospitality services might be exempt or subject to reduced rates to promote the tourism sector.

SCHEMES IN GST

In the Goods and Services Tax (GST) system in India, various schemes are designed to simplify tax compliance, provide relief to small businesses, and address specific sector needs. Here's an overview of the key GST schemes:

1. Composition Scheme

Objective: To simplify compliance for small businesses by allowing them to pay GST at a lower, fixed rate instead of the regular rates.

Eligibility:

- **Turnover:** Available to businesses with a turnover up to ₹1.5 crore (₹75 lakhs for special category states).

- **Type of Business:** Applicable to manufacturers, traders, and restaurants. Service providers are generally excluded, except for those providing services related to food and beverages.

Features:

1. **Fixed Rate:** Businesses pay GST at a fixed percentage of their turnover, which is lower than the standard GST rates. Rates are typically 1% for manufacturers, 5% for restaurants, and 1% for traders.
2. **No ITC:** Businesses under this scheme cannot claim Input Tax Credit (ITC) on inputs, capital goods, or input services.
3. **Simplified Returns:** Simplified compliance with quarterly returns (GSTR-4) and no need to maintain detailed records of input tax credits.

Conditions:

No Inter-State Supply: Businesses under the Composition Scheme cannot make inter-state supplies.

Invoicing Requirements: They must issue bills of supply instead of tax invoices.

2. Input Tax Credit (ITC)

Objective: To avoid the cascading effect of taxes by allowing businesses to claim credit for the GST paid on inputs used in their business.

Eligibility:

- **Taxable Supplies:** Businesses can claim ITC on goods and services used for making taxable supplies.
- **Proper Documentation:** ITC can be claimed only if the supplier has correctly filed GST returns and the recipient's details match with the supplier's.

Features:

- **ITC Utilization:** ITC can be used to offset output tax liability. For example, if a business pays GST on purchases, it can use that credit to reduce its tax liability on sales.
- **Restrictions:** ITC cannot be claimed on exempt supplies, personal use items, or in cases where input tax is blocked.

3. Reverse Charge Mechanism (RCM)

Objective: To shift the liability of paying GST from the supplier to the recipient in specific cases, usually to ensure tax compliance and address unregistered suppliers.

Applicability:

- **Unregistered Suppliers:** In certain transactions, if the supplier is unregistered, the recipient is liable to pay GST.
- **Specified Goods and Services:** RCM applies to specific goods and services, such as legal services and certain import services.

Features:

- **Liability to Pay:** The recipient is responsible for paying the GST under RCM and can claim ITC for the tax paid.
- **Reporting:** Transactions under RCM need to be reported separately in GST returns (GSTR-1 and GSTR-3B).

4. Zero-Rated Supply

Objective: To promote exports and supplies to Special Economic Zones (SEZs) by ensuring that such transactions are not taxed but allow for a refund of input tax.

Applicability:

- **Exports:** Goods and services exported out of India are considered zero-rated.
- **SEZ Supplies:** Supplies to SEZ units or developers are also zero-rated.

Features:

- **No GST Charged:** No GST is charged on zero-rated supplies.
- **Refunds:** Exporters and SEZ suppliers can claim a refund of the ITC on inputs used to produce zero-rated supplies.

5. Special Economic Zones (SEZ) Scheme

Objective: To promote economic growth in SEZs by providing tax incentives and exemptions.

Features:

- **Zero-Rated Supplies:** Supplies made to SEZ units or developers are zero-rated under GST.
- **Refund of ITC:** SEZ units can claim refunds on the ITC of inputs used in the production of goods or services exported from SEZs.

6. E-Invoicing

Objective: To reduce tax evasion and simplify the invoicing process through digital means.

Features:

- **Mandatory E-Invoicing:** Large businesses with a turnover above ₹100 crore are required to generate invoices electronically and get them authenticated by the GST System.
- **Integration:** E-invoicing integrates with the GST Network (GSTN) to ensure real-time data capture and compliance.

7. Advance Ruling

Objective: To provide clarity on GST-related issues and reduce disputes by allowing businesses to seek pre-emptive rulings on specific tax matters.

Features:

- **Pre-Assessment:** Businesses can apply for an advance ruling to get clarity on taxability, classification, and eligibility for ITC.
- **Binding Ruling:** The ruling provided is binding on the applicant and the tax authorities, offering certainty in tax matters.

8. Anti-Profiteering Measures

Objective: To ensure that the benefits of tax rate reductions and input tax credits are passed on to consumers.

Features:

- **Regulation:** The National Anti-Profiteering Authority (NAA) monitors and investigates instances where businesses do not pass on the benefits of reduced tax rates or ITC to consumers.
- **Penalties:** Businesses found guilty of profiteering may face penalties and be required to compensate consumers.

9. Input Service Distributor (ISD)

Objective: To facilitate the distribution of ITC on input services among different branches or units of a business.

Features:

- **Centralized ITC Distribution:** An ISD can distribute ITC on input services to its branches or units that are registered under GST.
- **Separate Returns:** ISD needs to file a separate return (GSTR-6) for distributing ITC.

COMPOSITION SCHEME

The Composition Scheme under Goods and Services Tax (GST) in India is designed to simplify the tax compliance process for small businesses and ease their regulatory burden. Here's a detailed description of the Composition Scheme:

Objective

The Composition Scheme aims to provide a simpler tax compliance mechanism for small businesses by allowing them to pay GST at a lower, fixed rate on their turnover, rather than the regular tax rates applicable under GST. This scheme reduces paperwork and the complexity of the GST compliance process for small taxpayers.

Eligibility Criteria

- **Turnover Limit:** The scheme is available to businesses with a turnover of up to ₹1.5 crore in aggregate across all states (₹75 lakhs for special category states such as Sikkim, Arunachal Pradesh, etc.).
- **Type of Business:** It is applicable to manufacturers, traders, and restaurants. Service providers are generally excluded, except those providing services related to food and beverages.
- **Conditions:** Businesses opting for the scheme must not engage in inter-state supplies of goods or services. They must also ensure that they do not claim Input Tax Credit (ITC) on their purchases.

Features

1. **Fixed Tax Rates:** Businesses under the Composition Scheme pay GST at a fixed percentage of their turnover, which is lower than the standard GST rates. The rates are typically 1% for manufacturers, 5% for restaurants, and 1% for traders.
2. **No ITC:** Businesses opting for this scheme cannot claim ITC on the tax paid on inputs, capital goods, or input services.
3. **Simplified Returns:** Compliance is simplified with quarterly returns (GSTR-4) instead of monthly returns. The scheme also eliminates the need for detailed input tax credit records.
4. **Billing Requirements:** Businesses must issue a Bill of Supply instead of a tax invoice, as they cannot collect GST from customers.

ADVANTAGES OF COMPOSITION SCHEME

1. **Reduced Compliance Burden:** The scheme simplifies tax compliance by reducing the number of returns and record-keeping requirements.
2. **Lower Tax Rates:** The fixed tax rates under the scheme are generally lower, reducing the overall tax burden for small businesses.

3. **Ease of Administration:** The scheme helps businesses avoid the complexities of regular GST filing and record-keeping.

Restrictions

1. **Intra-State Supplies Only:** Businesses cannot make inter-state supplies of goods or services while under this scheme.
2. **No ITC Benefits:** Businesses cannot claim ITC, which might affect their cost structure if their inputs are subject to GST.
3. **Limited Scope:** Service providers, except for certain specific services, are generally excluded from the scheme, limiting its applicability.

OPTING IN AND OUT

Registration: Businesses can opt for the Composition Scheme at the time of GST registration or later by filing a declaration.

Revocation: Businesses can exit the scheme if they exceed the turnover limit or if they wish to engage in inter-state supplies. They must then comply with regular GST provisions and adjust their tax reporting accordingly.

ORDINARY SCHEME IN GST

The Ordinary Scheme under the Goods and Services Tax (GST) system in India is the default scheme applicable to businesses that do not opt for the Composition Scheme. It is designed for larger businesses or those that do not meet the criteria for the Composition Scheme. Here's a detailed overview of the Ordinary Scheme:

Objective

The Ordinary Scheme is intended to provide a comprehensive tax structure for businesses that engage in regular and complex transactions. It allows businesses to claim Input Tax Credit (ITC) on their purchases, thereby reducing their overall tax burden and ensuring that the tax is levied only on the value addition at each stage of the supply chain.

Eligibility

- ❖ **Applicability:** The Ordinary Scheme is applicable to all businesses that do not opt for the Composition Scheme. There are no specific turnover limits for opting for this scheme, making it suitable for both small and large businesses.
- ❖ **No Restrictions:** Businesses under this scheme can engage in intra-state and inter-state supplies of goods and services.

Features

- **Regular GST Rates:** Businesses under the Ordinary Scheme are required to charge GST at the standard rates applicable to their goods and services. The GST rates vary across different goods and services, typically including 5%, 12%, 18%, and 28% slabs.

- **Input Tax Credit (ITC):** Businesses can claim ITC on the GST paid on inputs, capital goods, and input services used in the course of their business. This allows them to offset the input tax against their output tax liability.

- **Detailed Returns:** Businesses are required to file monthly returns, including GSTR-1 (outward supplies), GSTR-3B (summary of outward and inward supplies), and GSTR-9 (annual return). The detailed documentation ensures accurate reporting and compliance.

- **Billing Requirements:** Businesses must issue tax invoices for their supplies, which include details of GST charged. This helps in maintaining transparency and accuracy in the tax system.

Advantages

- **ITC Benefits:** The ability to claim ITC on inputs reduces the effective tax burden by allowing businesses to recover taxes paid on inputs, capital goods, and services.
- **Flexibility:** The Ordinary Scheme allows businesses to engage in both intra-state and inter-state transactions without restrictions.
- **Comprehensive Reporting:** The detailed reporting under this scheme ensures transparency and helps businesses maintain accurate financial records.

DISADVANTAGES OF COMPOSITION SCHEME

Complex Compliance: The requirement for detailed documentation and monthly returns can be complex and time-consuming, especially for small businesses.

Higher Tax Rates: Businesses under the Ordinary Scheme must charge GST at standard rates, which can be higher compared to the fixed rates under the Composition Scheme.

REGISTRATION AND COMPLIANCE

1. **Registration:** Businesses are automatically subject to the Ordinary Scheme unless they specifically opt for the Composition Scheme. They must obtain GST registration and comply with the regular GST provisions.
2. **Returns:** Businesses need to file regular GST returns and maintain detailed records of their transactions, including purchases, sales, and tax payments.

GST STRUCTURED RATES

The Goods and Services Tax (GST) in India is structured with multiple tax slabs, each corresponding to different rates of tax for various goods and services. The GST rate structure is designed to accommodate the diverse nature of goods and services and to align with economic and policy objectives. Here is an overview of the structured GST rates in India:

1. GST Rates

Standard Rates

5% GST:

Goods: Essential items such as certain food items, household goods, and footwear.

Services: Some services like transportation of goods and services provided by restaurants.

12% GST:

Goods: Products like processed food, certain household goods, and items such as mobile phones and accessories.

Services: Services related to air travel, certain construction services, and insurance services.

18% GST:

Goods: Products including consumer durables, some electronics, and luxury items.

Services: Services such as financial services, legal services, and certain business support services.

28% GST:

Goods: High-end products including luxury items, automobiles, and certain consumer goods.

Services: Premium services and specific high-value services.

Zero-Rated Supplies

Exports: Goods and services exported out of India are zero-rated, meaning no GST is charged, but exporters can claim a refund of the input tax credit.

Supplies to Special Economic Zones (SEZs): Supplies to SEZ units and developers are zero-rated, allowing for the refund of input tax credits.

Exempt Supplies

Goods: Items such as fresh fruits, vegetables, and some essential goods are exempt from GST.

Services: Certain services including healthcare services, educational services, and public transportation are exempt from GST.

2. GST Slabs Summary

a) **0%:** Goods and services that are exempt from GST or are zero-rated (e.g., exports, essential items).

b) **5%:** Basic goods and services with lower tax rates to keep essential items affordable.

c) **12%:** Goods and services with intermediate rates to balance affordability and revenue generation.

d) **18%:** Common rate for a wide range of goods and services, reflecting moderate tax levels.

e) **28%:** Higher rate for luxury and non-essential items, aimed at high-value transactions.

3. Special Rates

1% GST: Applied to the Composition Scheme for small businesses, with specific lower rates for certain categories (e.g., manufacturers and traders).

4. Transitional Rates

GST on Certain Products: Some goods and services may have transitional rates as the GST system evolves or adjusts to new economic policies.

5. GST Rate Changes

Revisions and Updates: GST rates are subject to periodic revisions by the GST Council based on economic conditions, sector-specific needs, and policy changes.

Unit III

Unit III

GST Registration Process

GST processing Registration-Types -Compulsory Registration-Cancellation

GST REGISTRATION PROCESS

The GST Registration Process involves several steps for businesses to register under the Goods and Services Tax (GST) system in India. Here's a concise guide:

1. Eligibility Check

- ❖ Businesses with a turnover exceeding ₹20 lakhs (₹10 lakhs for special category states) must register.
- ❖ Registration is mandatory for certain businesses regardless of turnover (e.g., e-commerce, interstate sales).

2. Documents Required

- ❖ PAN Card of the business
- ❖ Proof of business registration or incorporation certificate

- Identity and address proof of promoters/directors
- Bank account details
- Address proof of the place of business
- Digital Signature (for companies and LLPs)

3. Steps for Online Registration

- Visit GST Portal: Go to GST Portal.
- Fill in Part A of Form GST REG-01:
- Enter PAN, mobile number, and email ID.
- Verify through OTP.
- Receive Temporary Reference Number (TRN): Use TRN to continue the application.
- Fill in Part B of Form GST REG-01:
- Provide business details, promoters' information, place of business, and bank details.
- **Upload Documents:** Submit the required documents.
- **Verification:** The application is verified either by Aadhaar-based OTP or physical verification.

- **Receive GSTIN:** Upon approval, a unique GST Identification Number (GSTIN) is issued.

4. Post-Registration

Log in to the portal to download the GST Registration Certificate.

Start filing GST returns regularly as per the prescribed format.

GST PROCESSING REGISTRATION

The GST Registration Process involves applying for registration under the Goods and Services Tax (GST) regime in India. Here's a step-by-step guide:

1. Pre-Application Steps

Determine Eligibility: Businesses with an annual turnover exceeding ₹20 lakhs (₹10 lakhs for special category states) or specific categories (e.g., e-commerce operators) must register.

Collect Documents: Key documents include:

- PAN of the business and partners/directors.
- Proof of business registration.
- Identity and address proof of partners/directors.

- Address proof of the business location.
- Bank account details (with a canceled cheque).
- Digital signature for companies and LLPs.
- Aadhaar number of promoters.

2. Online Registration Process

Visit the GST Portal: Access the official GST website: GST Portal.

New Registration Application:

- Go to ‘Services’ > ‘Registration’ > ‘New Registration’.
- Fill out Part A of GST REG-01, providing PAN, email, and mobile number.
- OTP verification is done through email and mobile.
- A Temporary Reference Number (TRN) is generated.

Login Using TRN:

Return to the GST portal and log in using the TRN.

Fill out Part B of GST REG-01, where you provide:

Business details (name, constitution, and business activity).

- Promoter details.
- Principal place of business.
- Bank account details.

- Details of goods/services provided.

Upload Documents: Upload all required documents, such as:

- PAN card.
- Proof of business premises.
- Constitution of business (for companies, MOA/AOA).

Authorization form or Board Resolution for authorized signatory.

Aadhaar Authentication: Complete the Aadhaar authentication process (if opted).

3. Verification & Approval

After submission, the application undergoes processing. The GST officer may approve the registration or ask for additional information via Form GST REG-03.

If approved, you will receive your GST Identification Number (GSTIN) along with the GST Registration Certificate within 3 to 7 working days.

If rejected, you'll be informed via Form GST REG-05 with the reason for rejection.

4. Post-Registration

Once registered, you will need to file GST returns regularly, maintain proper records, and comply with other GST rules.

Special Categories (Optional)

For certain businesses (e.g., casual taxable persons, non-resident taxable persons), special provisions for registration may apply. The registration process remains similar but requires advance tax deposits and other specific conditions.

TYPES OF GST REGISTRATION

There are several types of GST registration depending on the nature of the business and its operations. Below are the main types:

1. Normal Taxpayer Registration

Applicable for: Businesses with annual turnover exceeding ₹20 lakhs (₹10 lakhs for special category states).

Features:

- Regular taxpayers can claim input tax credit (ITC).
- No deposit required.
- No expiry of registration.
- Suitable for most businesses, traders, manufacturers, and service providers.

2. Composition Scheme Registration

Applicable for: Small taxpayers with turnover up to ₹1.5 crores (₹75 lakhs for special category states).

Features:

- ❖ Taxpayers pay GST at a fixed percentage of their turnover (1% for traders, 2% for manufacturers, 5% for restaurants).
- ❖ Cannot claim input tax credit (ITC).
- ❖ Simplified tax returns (quarterly filing).
- ❖ Cannot deal in interstate supply of goods or services.

3. Casual Taxable Person Registration

Applicable for: Individuals or businesses who do not have a fixed place of business but occasionally supply goods or services in different locations (e.g., event organizers, exhibition stalls).

Features:

- ❖ Valid for a maximum of 90 days (can be extended).
- ❖ Deposit of advance GST based on estimated turnover required.
- ❖ Suitable for businesses operating temporarily in different states.

4. Non-Resident Taxable Person Registration

Applicable for: Individuals or businesses residing outside India but supplying goods or services to Indian customers occasionally.

Features:

- Requires advance GST payment based on estimated liability.
- Valid for 90 days (can be extended).
- Cannot claim ITC.
- Meant for foreign businesses without a fixed place of business in India.

5. Input Service Distributor (ISD) Registration

Applicable for: Businesses that receive input services and distribute the tax credit to their branches or units across India.

Features:

- Centralized office distributes the input tax credit (ITC) to its branches.
- Separate registration required for the ISD.

6. TDS (Tax Deductor at Source) Registration

Applicable for: Government departments or establishments required to deduct GST TDS when making payments to suppliers.

Features:

- TDS is deducted at 2% from payments to suppliers.
- Mandatory for specific categories as defined under the GST law.

7. TCS (Tax Collector at Source) Registration

Applicable for: E-commerce operators who collect tax at source on behalf of their suppliers under the GST law.

Features:

- Applicable to e-commerce platforms like Amazon, Flipkart, etc.
- They need to collect TCS from suppliers using their platform at 1%.

8. E-commerce Operator Registration

Applicable for: Businesses involved in facilitating the supply of goods or services through an online platform.

Features:

- Mandatory for e-commerce platforms, regardless of turnover.
- They need to collect and deposit the TCS.
- Each type of GST registration is tailored to specific business needs based on size, location, and the nature of the operation.

COMPULSORY REGISTRATION UNDER GST

Compulsory GST Registration is mandatory for certain businesses and individuals under specific conditions, regardless of their turnover. Here are the categories that require compulsory GST registration:

1. Interstate Supply of Goods

Any business involved in the supply of goods across state boundaries, regardless of turnover, must register for GST.

This applies to businesses engaged in the movement of goods from one state to another.

2. Casual Taxable Persons

Individuals or businesses that occasionally supply goods or services in different states where they do not have a fixed place of business.

Examples include event managers or exhibitors conducting temporary operations.

3. Non-Resident Taxable Persons

Individuals or entities residing outside India but supplying goods or services within India occasionally are required to register under GST.

4. E-Commerce Operators

Any business that operates an e-commerce platform, facilitating the supply of goods or services by others, must register for GST.

Even if the operator has no direct involvement in the sale of goods/services, they must collect Tax Collected at Source (TCS).

5. Agents of Suppliers

Individuals or businesses acting as agents or intermediaries for other suppliers must compulsorily register for GST, regardless of turnover.

This applies to businesses acting on behalf of others for the supply of goods or services.

6. Reverse Charge Mechanism (RCM)

Businesses liable to pay tax under the reverse charge mechanism (where the recipient of goods/services pays GST instead of the supplier) must register under GST.

7. Tax Deductors (TDS/TCS)

Government departments and entities required to deduct Tax Deducted at Source (TDS) or Tax Collected at Source (TCS) must register for GST.

TDS applies when making payments to suppliers for goods/services, while TCS applies to e-commerce operators.

8. Input Service Distributors (ISD)

A business that receives input services and distributes the input tax credit to its branches or units must register as an Input Service Distributor (ISD).

9. Businesses Involved in Online Information and Database Access or Retrieval Services (OIDAR)

Service providers located outside India offering online services (e.g., software, streaming, or digital products) to consumers in India must compulsorily register for GST.

10. Persons Supplying Goods through E-Commerce Platforms

Sellers supplying goods or services through an e-commerce operator must register for GST, even if their turnover is below the threshold limit.

11. Voluntary Registration

Businesses can opt for voluntary GST registration, even if not required under turnover or other compulsory conditions, to avail benefits like input tax credit (ITC).

12. Other Specified Categories

Any business dealing in notified goods or services as specified by the government for compulsory GST registration.

Examples include businesses involved in the supply of goods like tobacco, pan masala, or ice cream.

These categories must mandatorily register for GST, irrespective of their annual turnover, as per the GST law. Failure to register can result in penalties and legal consequences.

CANCELLATION UNDER GST

The cancellation of GST registration can occur in three ways: voluntary cancellation by the taxpayer, cancellation by the GST officer, or cancellation due to legal changes. Here’s a concise guide on the process:

1. Voluntary Cancellation by the Taxpayer

A taxpayer can voluntarily apply for cancellation of GST registration under the following circumstances:

Discontinuation or closure of business.

- Change in constitution of the business (e.g., from proprietorship to partnership).
- No longer liable to pay GST due to falling below the turnover threshold.
- Transfer or sale of business (the transferee needs to register).

Steps to Apply:

- Login to the GST portal.
- Go to Services > Registration > Application for Cancellation of Registration.
- Fill Form GST REG-16, providing:
- Reason for cancellation.
- Details of stock, liabilities, and input tax credit.
- Submit the application.

- Once submitted, the tax officer verifies the application and issues Form GST REG-19 (order for cancellation) within 30 days, if all conditions are satisfied.

2. Cancellation by GST Officer

- A GST officer may cancel the registration in the following cases:
- Non-filing of returns for a consecutive period (usually 6 months for regular taxpayers, 3 months for composition scheme taxpayers).
- Violation of GST laws, such as fraud or intentional tax evasion.
- Non-operation of business at the declared place.
- Non-compliance with the provisions of the composition scheme.

Process:

The officer issues a show cause notice (Form GST REG-17) to the taxpayer.

- The taxpayer must respond in Form GST REG-18 within 7 working days.
- If the explanation is unsatisfactory or no reply is received, the officer cancels the registration via Form GST REG-19.

3. Cancellation Due to Legal Changes

In some cases, a GST registration may be canceled due to legal changes, such as:

- ❖ Merger or amalgamation of businesses.
- ❖ Death of the taxpayer (for proprietorship businesses).
- ❖ Change in business constitution those results in a new legal entity.

4. Revocation of Cancellation

If a GST registration is canceled by the officer but the taxpayer wishes to continue operations, they can apply for revocation within 30 days from the date of cancellation:

- ❖ Login to the GST portal and file an application for revocation.
- ❖ File any pending returns or pay due taxes.
- ❖ The officer reviews and may approve or reject the revocation request.

5. Consequences of Cancellation

Once the GST registration is canceled, the taxpayer is no longer required to pay GST or file returns.

- ❖ The taxpayer must pay any outstanding liability, such as tax on stock or capital goods.

- Input tax credit on remaining stock is reversed.

Important Points:

Composition scheme dealers or small businesses can also apply for cancellation if they cease operations or if their turnover falls below the threshold.

Businesses must maintain records for up to 6 years, even after cancellation.

Cancelling a GST registration should be carefully considered, as it affects tax obligations and compliance status.

Unit IV

Unit IV

Input Tax Credit

Input Tax Credit -Adjustment of credit note and debit note- Problems of Input Tax Credit

INPUT TAX CREDIT (ITC) UNDER GST

One of the fundamental features of GST is the seamless flow of input credit across the chain (from the manufacture of goods till it is consumed) and across the country. Input tax credit means at the time of paying tax on output, you can reduce the tax you have already paid on inputs and pay the balance amount.When you buy a product/service from a registered dealer you pay taxes on the purchase. On selling, you collect the tax. You adjust the taxes paid at the time of purchase with the amount of output tax (tax on sales) and balance liability of tax (tax on sales minus tax on purchase) has to be paid to the government. This mechanism is called utilization of input tax credit.

For example- you are a manufacturer:

- Tax payable on output (final product) is Rs 450
- Tax paid on input (purchases) is Rs 300
- You can claim input credit of Rs 300 and deposit only Rs 150 in taxes

WHO CAN CLAIM ITC?

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

- The dealer should be in possession of tax invoice
- The said goods/services have been received
- Returns have been filed.

The tax charged has been paid to the government by the supplier.

- When goods are received in instalments ITC can be claimed only when the last lot is received.
- No ITC will be allowed if depreciation has been claimed on tax component of a capital good
- A person registered under composition scheme in GST cannot claim ITC.

WHAT CAN BE CLAIMED AS ITC?

ITC can be claimed only for business purposes. ITC will not be available for goods or services exclusively used for:

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

HOW TO CLAIM ITC?

All regular taxpayers must report the amount of input tax credit (ITC) in their monthly GST returns of Form GSTR-3B. The table 4 requires the summary figure of eligible ITC, ineligible ITC and ITC reversed during the tax period.

The format of the Table 4 is given below:

4. Eligible ITC

Details	Integrated Tax	Central Tax	State/UT Tax	Cess
1	2	3	4	5
(A) ITC Available (whether in full or part)				
(1) Import of goods				
(2) Import of services				
(3) Inward supplies liable to reverse charge (other than 1 & 2 above)				
(4) Inward supplies from ISD				
(5) All other ITC				
(B) ITC Reversed				
(1) As per rules 42 & 43 of CGST Rules				
(2) Others				
(C) Net ITC Available (A) – (B)				
(D) Ineligible ITC				
(1) As per section 17(5)				
(2) Others				

A taxpayer could have claimed any amount of provisional ITC until 9 October 2019. Later on, the government restricted the provisional ITC as below:

Applicable date	**% of provisional ITC**
Upto 09.10.2019	No limit
09.10.2019 to 31.12.2019	20%
01.01.2020 to 31.12.2020	10%
01.01.2021 to 31.12.2021	5%
From 01.01.2022 onwards	Nil

Accordingly, a taxpayer can claim ITC only if the same appears appears in their GSTR-2B. Hence, no provisional ITC can be claimed from 1st January 2022 onwards. Hence, matching of the purchase register with the GSTR-2B is crucial for ITC claims.

REVERSAL OF INPUT TAX CREDIT

ITC can be availed only on goods and services for business purposes. If they are used for non-business (personal) purposes, or for making exempt supplies ITC cannot be claimed. Apart from these, there are certain other situations where ITC will be reversed.

ITC will be reversed in the following cases-

1) Non-payment of invoices in 180 days– ITC will be reversed for invoices which were not paid within 180 days of issue.

2) Credit note issued to ISD by seller– This is for ISD. If a credit note was issued by the seller to the HO then the ITC subsequently reduced will be reversed.

3) Inputs partly for business purpose and partly for exempted supplies or for personal use – This is for businesses which use inputs for both business and non-business (personal) purpose. ITC used in the portion of input goods/services used for the personal purpose must be reversed proportionately.

4) Capital goods partly for business and partly for exempted supplies or for personal use – This is similar to above except that it concerns capital goods.

5) ITC reversed is less than required- This is calculated after the annual return is furnished. If total ITC on inputs of exempted/non-business purpose is more than the ITC actually reversed during the year then the difference amount will be added to output liability. Interest will be applicable.

The details of reversal of ITC will be furnished in GSTR-3B. Read our article to understand more about the segregation of ITC into business and personal use and subsequent calculations.

ITC RECONCILIATION

ITC claimed by the person has to match with the details specified by his supplier in his GST return. In case of any mismatch, the supplier and recipient would be communicated regarding discrepancies after the filling of GSTR-3B. Learn how to go about reconciliation through our article on GSTR-2A Reconciliation. Please read our article on the detailed explanation of the reasons for mismatch of ITC and procedure to be followed to apply for re-claim of ITC.

DOCUMENTS REQUIRED FOR CLAIMING ITC

The following documents are required for claiming ITC:

- Invoice issued by the supplier of goods/services
- The debit note issued by the supplier to the recipient (if any)
- Bill of entry
- An invoice issued under certain circumstances like the bill of supply issued instead of tax invoice if the amount is less than Rs 200 or in situations where the reverse charge is applicable as per GST law.
- An invoice or credit note issued by the Input Service Distributor (ISD) as per the invoice rules under GST.
- A bill of supply issued by the supplier of goods and services or both.

➢ Special Cases of ITC

ITC FOR CAPITAL GOODS

ITC is available for capital goods under GST. However, ITC is not available for-

i. Capital Goods used exclusively for making exempted goods

ii. Capital Goods used exclusively for non-business (personal) purposes

Note: No ITC will be allowed if depreciation has been claimed on tax component of capital goods.

ITC ON JOB WORK

A principal manufacturer may send goods for further processing to a job worker. For example, a shoe manufacturing company sends half-made shoes (upper part) to job workers who will fit the soles. In such a situation the principal manufacturer will be allowed to take credit of tax paid on the purchase of such goods sent on job work.

ITC will be allowed when goods are sent to job worker in both the cases:

- ✓ From principal's place of business
- ✓ Directly from the place of supply of the supplier of such goods
- ✓ However, to enjoy ITC, the goods sent must be received back by the principal within 1 year (3 years for capital goods).

ITC PROVIDED BY INPUT SERVICE DISTRIBUTOR (ISD)

An input service distributor (ISD) can be the head office (mostly) or a branch office or registered office of the registered person under GST. ISD collects the input tax credit on all the purchases made and distribute it to all the recipients (branches) under different heads like CGST, SGST/UTGST, IGST or cess.

ITC ON TRANSFER OF BUSINESS

This applies in cases of amalgamations/mergers/transfer of business. The transferor will have available ITC which will be passed to the transferee at the time of transfer of business.

ADJUSTMENT OF CREDIT NOTE AND DEBIT NOTE UNDER GST

Under the Goods and Services Tax (GST) regime, credit notes and debit notes are essential for adjusting transactions involving tax invoices. Here's a concise explanation of how they work and how their adjustments are made under GST:

1. Credit Note under GST

A credit note is issued by a supplier to the recipient in cases where:

- ❖ The supplier has charged excess tax on the original invoice.
- ❖ There has been a return of goods by the buyer.
- ❖ The goods or services supplied are deficient or damaged.
- ❖ The quantity of goods or services supplied is less than what was invoiced.

Adjustment Process:

The supplier issues a credit note to reduce the tax liability.

- ➢ The adjustment is made in the GST return (GSTR-1) for the month in which the credit note is issued.
- ➢ The corresponding adjustment of tax is made in GSTR-3B, reducing the output tax liability for the supplier.

- The recipient of the credit note must reverse any input tax credit (ITC) if claimed on the excess tax or returned goods.

Conditions:

- A credit note must be issued by September 30th of the next financial year or before the filing of the annual return, whichever is earlier.
- The adjustment in output tax liability is allowed only if the recipient has reduced the ITC accordingly.

2. Debit Note under GST

A debit note is issued by a supplier to the recipient in cases where:

The supplier has charged less tax on the original invoice.

There is an increase in the value of goods or services after the original invoice is issued (e.g., additional services or extra quantity of goods supplied).

Adjustment Process:

- The supplier issues a debit note to increase the tax liability.

- ❖ The supplier reports the debit note in GSTR-1 of the month in which it is issued, and the additional tax is included in GSTR-3B, increasing the output tax liability.
- ❖ The recipient can claim additional ITC based on the debit note, provided the note is reflected in the recipient's GSTR-2B (ITC statement).

Conditions:

- ➢ A debit note can be issued at any time without any limitation on the period, unlike the credit note.
- ➢ The supplier and recipient must adjust the tax liability or ITC accordingly based on the details of the debit note.

3. Impact on GST Returns

a) **Credit Note:** Reported in Table 9B of GSTR-1 and reduces the tax liability in GSTR-3B.

b) **Debit Note:** Reported in Table 9B of GSTR-1 and increases the tax liability in GSTR-3B.

The corresponding adjustments made by the supplier are automatically reflected in the recipient's GST return for proper ITC adjustments.

4. Treatment in Books of Accounts

a) **Credit Note:** Recorded as a reduction in sales in the supplier's books and a reduction in purchases or expenses for the buyer.

b) **Debit Note:** Recorded as an increase in sales in the supplier's books and an increase in purchases or expenses for the buyer.

INPUT TAX CREDIT ('ITC') – TRAJECTORY OF ISSUES AND RESOLUTIONS

Input Tax credit ('ITC') eligibility has been the most debated and discussed aspect of GST. One of the key objectives of GST in India was to avoid cascading effect of tax and to allow seamless credits in the supply chain, ultimately reducing the cost of goods and services to the end consumer. How far the said objective has been achieved would be a point for deliberation.Under GST, the ITC scheme has been designed to allow credits as well as to curb fraudulent practices. There have been many issues under GST law pertaining to ITC, where the Government has amended the law or clarified the issue to resolve the ambiguities and ease out the availment of ITC.The GST law originally envisaged matching of invoices before

availing corresponding ITC. However, due to issues with the GST Portal, this provision was kept in abeyance. Subsequently, in a move towards achieving the objective of allowing the ITC only on the invoices as disclosed by the supplier, ITC was required to be availed on provisional basis and was available to the extent invoices are appearing in FORM GSTR 2A/ GSTR 2B (i.e. disclosed by the supplier in his outward supply returns) plus certain percentage of this matched ITC from October 2019. This resulted in complicated calculations and required tracking of ITC on invoices appearing in returns of outward supplies of the suppliers coupled with certain ad hoc assumptions. The provisions relating to matching invoices, as originally envisaged, never saw the daylight. But the exercise of calculating eligible and available ITC on monthly basis became a tedious task for taxpayers. Subsequently, the Government further amended the provisions to allow ITC only on the invoices appearing in FORM GSTR 2B from January 2022, thus, making availment of ITC more stringent but simpler.For FY2017-18 and FY2018-19, despite the provisions relating to claim of ITC on invoice matching basis being in abeyance, the GST authorities have issued several notices on mismatch of ITC availed by taxpayers in FORM GSTR-3B vis-à-vis FORM GSTR-2A. Recently, the Government has issued circular no. 183 containing guidelines to determine availability of ITC in cases of differences between ITC claimed in GSTR 3B and

ITC as available in GSTR 2A for the said years, basis other supporting documents and details.Another issue plaguing the industry is fulfilment of condition of payment of tax to the Government exchequer by the supplier, in the absence of any formal tracking mechanism. The Government has now introduced rule 37A in the CGST Rules, providing that such tracking can be done based on status of filing of FORM GSTR 3B of supplier. In case of non-filing of FORM GSTR 3B by supplier for the period of relevant supply, by 30th September following the end of financial year, taxpayer is now required to reverse ITC availed in the GSTR 3B to be filed on or before 30th November following the end of financial year and can re-avail ITC after supplier files FORM GSTR 3B.

There was an ambiguity as to whether the interest would be applicable only on wrong availment of ITC, which was not utilised. The Government has amended the law retrospectively to clarify that interest is applicable on wrong availment and utilization of ITC.

Despite the above-mentioned clarifications/ amendments which have ironed out some of the creases in eligibility and availment of ITC, several other ITC related issues still needs addressing. To list a few cases where the ITC on legitimate

business transactions is disputed or restricted, ITC on marketing material/ free samples, ITC on CSR expenses or ITC on construction of immovable properties, which are used for outward supply such as malls, hotels, ports, etc. come on top of the list.

The industry is hopeful that the Government will hear their plea and will work toward resolving the balance ITC related issues to achieve the objective of seamless credit flow in the upcoming budget.

DIFFICULTIES ININPUT TAX CREDIT

Input Tax Credit (ITC) is a crucial component of the Goods and Services Tax (GST) system, allowing businesses to claim credit for the tax paid on inputs (goods and services) used in the course of business. However, there are several challenges and problems associated with claiming ITC under GST. Here are some key issues:

1. Mismatch in Returns

ITC claims are dependent on the supplier's GST return filings (GSTR-1). If the supplier fails to upload correct invoice details, there will be a mismatch between the purchaser's ITC claim and the supplier's tax report.

The recipient cannot claim ITC unless the invoice is reflected in GSTR-2B (auto-generated ITC statement), leading to delays and discrepancies.

2. Blocked Credits

Certain inputs are ineligible for ITC under GST as per Section 17(5) of the CGST Act. Examples include:

- Motor vehicles (except under specific conditions).
- Goods/services used for personal consumption.
- Membership of clubs, health, and fitness services.
- Works contract services for the construction of immovable property.
- This leads to businesses bearing the burden of taxes on these blocked credits.

3. Time Limit for Claiming ITC

ITC must be claimed within a specific time limit, i.e., by the due date of filing GSTR-3B for September of the next financial year or the date of filing the annual return (GSTR-9), whichever is earlier.

Failure to claim ITC within this period results in a loss of credit, which adds to the tax cost for businesses.

4. Compliance Burden

- ✓ To claim ITC, businesses must ensure that:
- ✓ The supplier has filed GSTR-1 and the details match in GSTR-2B.
- ✓ All invoices are properly maintained, documented, and uploaded by the supplier.
- ✓ Payments to suppliers are made within 180 days, failing which the ITC has to be reversed.
- ✓ These requirements increase the compliance burden on businesses, especially smaller enterprises.

5. Frequent Changes in Rules

The government frequently changes rules related to ITC claims, documentation requirements, and timelines. This creates confusion and increases the risk of non-compliance.

For instance, the introduction of restrictions on claiming ITC based on GSTR-2B matching created additional challenges for businesses that were relying on provisional ITC.

6. Fraudulent ITC Claims

Fake invoices and fraudulent claims have become a major concern, where businesses claim ITC based on invoices without actual supply of goods or services. To combat this, tax authorities have introduced strict measures, such as blocking ITC for suspicious transactions, leading to legitimate businesses facing issues if their supplier is involved in such fraudulent practices.

7. Restrictions on ITC on Capital Goods

Though ITC on capital goods is allowed, certain capital goods used for exempted goods or non-business purposes are ineligible for ITC. This creates ambiguity and compliance issues for businesses that have both taxable and exempted supplies.

8. ITC on Mixed Supply and Composite Supply

Determining ITC eligibility on mixed and composite supplies can be complex, especially when different GST rates are applicable on various components of a transaction.

The segregation of ITC on such supplies can be difficult, leading to disputes with tax authorities.

9. Partial ITC for Common Inputs

For businesses involved in both taxable and exempt supplies, ITC must be proportionately divided between the two. This requires complex calculations and documentation, increasing the chances of errors.

10. Delayed ITC Utilization

In cases where the supplier delays filing returns or payment of taxes, the recipient cannot utilize the ITC. This leads to working capital issues, especially for small and medium-sized enterprises (SMEs) that depend on timely credit availability.

11. Reversal of ITC for Non-Payment to Suppliers

If a recipient fails to pay the supplier within 180 days of the invoice date, they must reverse the ITC claimed on that invoice. Once the payment is made, the ITC can be reclaimed, but this causes cash flow problems and added administrative work.

12. Audit and Scrutiny Risks

Incorrect or mismatched ITC claims may trigger audits and scrutiny by GST authorities, leading to penalties, interest, and reversal of ITC.

Businesses must maintain meticulous records and reconcile ITC claims regularly to avoid issues during audits.

13. ITC on Imports

Claiming ITC on imports of goods or services requires strict documentation, including filing a Bill of Entry and paying Integrated GST (IGST). Any error or delay in filing can delay ITC, impacting cash flow.

Unit V

Unit V

Returns Payment Refund process and assessment

Process of return filling- Types of return- E- ledger and E- Payment process of GST-Assessment Methods-Refund under GST-Refund under special occasion - Authority of GST

PROCESS OF RETURN FILLING UNDER GST

The process of return filing under GST is designed to ensure that businesses regularly report their sales, purchases, tax collected, and tax paid. GST returns must be filed online on the GST portal, and the type of return varies based on the nature of the taxpayer (regular taxpayer, composition dealer, etc.). Here is the step-by-step process for filing GST returns:

1. Determine the Type of GST Return to File

The GST returns vary based on the nature of the taxpayer and their registration type. Common types of GST returns include:

GSTR-1: For reporting outward supplies (sales).

GSTR-3B: Summary return to declare tax liabilities and claim ITC.

GSTR-4: For taxpayers registered under the Composition Scheme.

GSTR-9: Annual return.

GSTR-2A/2B: Auto-generated for inward supplies (ITC).

2. Preparation for Filing

Before filing a GST return, ensure the following:

- Have all sales invoices, purchase invoices, and expense receipts ready.
- Ensure that the supplier has uploaded invoices in their GSTR-1, as the recipient can claim ITC only if the invoices are reflected in GSTR-2B.
- Reconcile your data (sales, purchases, ITC) with the GST portal records to avoid mismatches.

3. Login to the GST Portal

- Go to the GST portal.
- Use your GSTIN (Goods and Services Tax Identification Number) and password to log in.

4. Filing GSTR-1 (For Outward Supplies)

Due date: 11th of the next month.

Steps:

- ❖ Go to Services > Returns > Returns Dashboard.
- ❖ Select the financial year and return filing period.
- ❖ Select GSTR-1.
- ❖ Upload invoice details of outward supplies (sales), including:
- ❖ B2B invoices (Business to Business).
- ❖ B2C invoices (Business to Consumer).
- ❖ Credit and debit notes.
- ❖ Submit the form and file the return using Electronic Verification Code (EVC) or Digital Signature Certificate (DSC).

5. Filing GSTR-3B (Monthly Summary Return)

Due date: 20th of the next month.

Steps:

In the GST portal, go to Returns and select GSTR-3B.

Enter details for:

- ❖ Outward supplies: Total sales and tax collected.
- ❖ Inward supplies (eligible for ITC).
- ❖ ITC claimed for the month.

- Tax payable and tax paid.
- Calculate the net tax liability after adjusting ITC.
- Pay any balance tax using the payment challan available on the GST portal.
- File the return using EVC or DSC.

6. Payment of Tax

- Ensure the correct payment of tax (if applicable) after adjusting the ITC.
- Use Form PMT-06 for tax payment under GST.
- Make payments through the GST portal via net banking, debit/credit card, or NEFT/RTGS.

7. GSTR-2A/2B (Auto-Generated for Inward Supplies)

- GSTR-2A is an auto-populated return reflecting the details of purchases as uploaded by your suppliers in GSTR-1.
- GSTR-2B is a monthly statement generated for ITC, which is more static and can be used for ITC reconciliation.
- These forms do not require filing but should be used to reconcile ITC before filing GSTR-3B.

8. Filing GSTR-4 (Composition Dealers)

Due date: 30th of April (annually).

- ❖ For taxpayers registered under the Composition Scheme, GSTR-4 must be filed once a year.
- ❖ Composition dealers must report their turnover, tax liability, and pay tax at a fixed rate (1%, 5%, etc., depending on the nature of the business).

9. Filing GSTR-9 (Annual Return)

Due date: December 31st of the next financial year.

- ❖ GSTR-9 is the annual summary return, and all taxpayers must file it to provide a summary of all supplies made and received during the year.
- ❖ It includes details from GSTR-1, GSTR-3B, and ITC claims.

10. Revise or Rectify Mistakes

GSTR-3B and GSTR-1 cannot be revised once filed. Any correction must be made in the return for the following month.

Ensure proper reconciliation of data with books of accounts and supplier invoices before submission.

11. Late Filing and Penalties

Failure to file returns on time attracts late fees and penalties:

- Late fee of ₹50 per day for regular returns (₹25 each for CGST and SGST).
- ₹20 per day for nil returns.
- Interest on unpaid tax at 18% per annum.
- 12. Compliance and Record-Keeping
- Maintain records of invoices, returns, and payments for up to 6 years for audit and compliance checks.
- Regular reconciliation between books of accounts and GST returns is crucial to avoid mismatches and scrutiny.

TYPES OF RETURN UNDER GST

There are several types of returns under GST, each catering to different types of taxpayers, reporting requirements, and tax liabilities. Below is a summary of the main GST returns:

1. **GSTR-1 (Outward Supplies Return)**

- **Who should file**: Regular taxpayers.
- **Frequency**: Monthly or quarterly (depending on turnover).

- **Due Date**:
    - **Monthly**: 11th of the following month.
    - **Quarterly**: 13th of the month following the quarter (for small taxpayers under the QRMP scheme).
- **Purpose**: To report details of **outward supplies** (sales) of goods or services.

2. **GSTR-2A (Inward Supplies Return – Auto-Generated)**

- **Who should file**: Auto-generated for recipients of goods/services.
- **Frequency**: Monthly.
- **Due Date**: Automatically generated.
- **Purpose**: Reflects the details of inward supplies based on the supplier's GSTR-1 filings. Used for **reconciliation** of Input Tax Credit (ITC).

3. **GSTR-2B (ITC Statement – Auto-Generated)**

- **Who should file**: Auto-generated for recipients of goods/services.
- **Frequency**: Monthly.
- **Due Date**: Generated on the 14th of every month.
- **Purpose**: A static report providing details of **Input Tax Credit** (ITC) available, based on the supplier's filings. Helps in matching ITC claims.

4. **GSTR-3B (Summary Return for Tax Payment)**

- **Who should file**: Regular taxpayers.
- **Frequency**: Monthly (or quarterly under QRMP scheme).
- **Due Date**: 20th of the following month (monthly filers), or 22nd/24th of the month following the quarter (quarterly filers).
- **Purpose**: A simplified return to declare total tax liability, **tax paid**, and claims ITC. It is a self-declaration form for tax payment.

5. **GSTR-4 (For Composition Scheme Taxpayers)**

- **Who should file**: Taxpayers registered under the **Composition Scheme**.
- **Frequency**: Annually.
- **Due Date**: 30th of April following the financial year.
- **Purpose**: To declare the total turnover and tax liability for businesses under the composition scheme.

6. **GSTR-5 (For Non-Resident Taxable Persons)**

- **Who should file**: **Non-resident taxable persons** (NRIs who make taxable supplies in India).
- **Frequency**: Monthly.

- **Due Date**: 20th of the following month or within 7 days after the end of the registration period, whichever is earlier.
- **Purpose**: To declare the inward and outward supplies, tax liability, and ITC by non-resident taxpayers.

7. **GSTR-6 (For Input Service Distributors – ISD)**

- **Who should file**: **Input Service Distributors (ISD)**.
- **Frequency**: Monthly.
- **Due Date**: 13th of the following month.
- **Purpose**: To provide details of **ITC received and distributed** to the relevant branches or units of the same company.

8. **GSTR-7 (For Tax Deductors at Source – TDS)**

- **Who should file**: **Tax Deductors** (government departments, agencies, or specified persons).
- **Frequency**: Monthly.
- **Due Date**: 10th of the following month.
- **Purpose**: To report **TDS deducted** and deposited on behalf of suppliers under GST.

9. **GSTR-8 (For E-Commerce Operators – TCS)**

- **Who should file**: **E-commerce operators** liable to collect **TCS (Tax Collected at Source**).
- **Frequency**: Monthly.
- **Due Date**: 10th of the following month.
- **Purpose**: To report **TCS collected** on supplies made through e-commerce platforms and deposited with the government.

10. **GSTR-9 (Annual Return for Regular Taxpayers)**

- **Who should file**: Regular taxpayers.
- **Frequency**: Annually.
- **Due Date**: 31st December following the financial year.
- **Purpose**: A comprehensive annual return summarizing the **total inward and outward supplies**, tax liabilities, and ITC claimed during the financial year.

11. **GSTR-9A (Annual Return for Composition Dealers)**

- **Who should file**: Taxpayers under the **Composition Scheme**.
- **Frequency**: Annually.
- **Due Date**: 31st December following the financial year.

- **Purpose**: To provide a consolidated return for composition taxpayers summarizing their turnover and tax liabilities for the year.

12. **GSTR-9C (Reconciliation Statement)**

- **Who should file**: Taxpayers with an aggregate turnover exceeding **₹5 crore**.
- **Frequency**: Annually.
- **Due Date**: 31st December following the financial year.
- **Purpose**: A **reconciliation statement** between the taxpayer's **audited financial statements** and the GSTR-9 filed, often requiring certification by a chartered accountant.

13. **GSTR-10 (Final Return for Canceled GST Registrations)**

- **Who should file**: Taxpayers whose **GST registration is canceled** or surrendered.
- **Frequency**: Once, after cancellation.
- **Due Date**: Within 3 months of the cancellation date or order.
- **Purpose**: To report all **liabilities and assets** after the cancellation of GST registration.

14. **GSTR-11 (For Persons with UIN)**

- **Who should file**: Persons with a **UIN (Unique Identification Number)**, such as foreign embassies or UN bodies.
- **Frequency**: Monthly.
- **Due Date**: 28th of the following month.
- **Purpose**: To claim a refund of taxes paid on **inward supplies**.

Summary of GST Returns

Return Type	Who Files	Frequency	Purpose
GSTR-1	Regular taxpayers	Monthly/Quarterly	Report outward supplies
GSTR-2A	Auto-generated	Monthly	Details of inward supplies
GSTR-2B	Auto-generated	Monthly	ITC statement for reconciliation
GSTR-3B	Regular taxpayers	Monthly/Quarterly	Summary of tax liabilities and ITC
GSTR-4	Composition dealers	Annually	Turnover and tax liability
GSTR-5	Non-resident taxable	Monthly	Tax liability for NRIs

	persons		
GSTR-6	Input Service Distributors (ISD)	Monthly	Distribute ITC to branches
GSTR-7	TDS deductors	Monthly	Report TDS deducted
GSTR-8	E-commerce operators	Monthly	Report TCS collected
GSTR-9	Regular taxpayers	Annually	Annual summary of transactions
GSTR-9A	Composition dealers	Annually	Annual return for composition scheme
GSTR-9C	Taxpayers > ₹5 crore turnover	Annually	Reconciliation statement
GSTR-10	Canceled GST registrations	Once	Final return upon cancellation
GSTR-11	UIN holders	Monthly	Refund of taxes paid

Each type of GST return serves a specific purpose, ensuring that taxpayers remain compliant with GST laws by reporting their sales, purchases, taxes paid, and claiming eligible credits in a timely manner.

E- LEDGER AND E- PAYMENT PROCESS OF GST

The **E-Ledger** and **E-Payment process under GST** are essential components of the GST system that facilitate the tracking of tax liabilities, input tax credits, and payments. These processes are fully digital and accessible via the GST portal, simplifying compliance and tax management for businesses.

1. E-Ledger under GST

An **E-Ledger** is a digital record of a taxpayer's transactions with respect to GST. It consists of three different ledgers maintained on the GST portal:

a. Electronic Cash Ledger

- **Purpose**: It acts like a wallet for taxpayers where they can deposit money to pay GST liabilities (tax, interest, penalty, fees, etc.).
- **Usage**: The deposited amount is used to pay off various GST liabilities when filing returns.
- **Sources of Fund Deposit**:
  - Internet banking.
  - Debit/Credit card.

- NEFT/RTGS.
- Over-the-counter payment (for amounts up to ₹10,000).

- **Components**:
  - **Tax**: Payment of tax liabilities under CGST, SGST, IGST, or Cess.
  - **Interest**: Payment of interest on late payments.
  - **Penalty and Fees**: Amounts for penalties and late fees.
- **How to Access**: Taxpayers can view the cash ledger on the GST portal by logging into their account and navigating to **Services > Ledgers > Electronic Cash Ledger**.

b. Electronic Credit Ledger

- **Purpose**: This ledger reflects the input tax credit (ITC) that a taxpayer has accumulated from their inward supplies (purchases) and can use to pay off their GST liabilities.
- **Usage**: ITC can be utilized to offset tax liabilities for CGST, SGST, and IGST, but not for payment of interest, penalties, or late fees.
- **Utilization Rule**:
  - **IGST credit** can be used to pay IGST, CGST, and SGST.
  - **CGST credit** can be used only for CGST and IGST.

  - **SGST credit** can be used only for SGST and IGST.
- **How to Access**: It can be viewed under **Services > Ledgers > Electronic Credit Ledger**.

c. Electronic Liability Ledger

- **Purpose**: This ledger shows the taxpayer's total outstanding tax liabilities, including any due taxes, interest, penalties, and fees.
- **Usage**: It records liabilities arising from the filing of GSTR-3B, GSTR-1, GSTR-4, GSTR-7, or any other returns.
- **Automatic Update**: This ledger is automatically updated when the taxpayer files a return and when any liabilities are paid through the **Electronic Cash Ledger** or **Electronic Credit Ledger**.
- **How to Access**: The liability ledger can be accessed on the GST portal under **Services > Ledgers > Electronic Liability Ledger**.

2. E-Payment Process under GST

The **E-Payment process** in GST is the method through which taxpayers pay their tax dues online using various payment modes. This process is integrated with the E-Ledger system, where payments made are reflected.

a. Steps for E-Payment of GST

1. **Login to the GST Portal**:
   - Go to the GST portal.
   - Use your GSTIN and password to log in.
2. **Navigate to the Payment Section**:
   - Once logged in, go to **Services**>**Payments**>**Create Challan**.
3. **Generate Payment Challan**:
   - Select the correct heads for payment: **CGST**, **SGST**, **IGST**, **Cess**, **Interest**, **Penalty**, or **Fees**.
   - Enter the amount to be deposited under each head.
   - Choose the **mode of payment** (Net Banking, Credit/Debit Card, NEFT/RTGS, Over-the-Counter).
4. **Payment Options**:
   - **Net Banking**: Immediate transfer from your bank account to the GST portal.
   - **Credit/Debit Card**: Payment using your card.
   - **NEFT/RTGS**: For higher amounts, you can generate a Challan and use NEFT/RTGS to transfer funds from your bank.

- **Over-the-Counter (OTC)**: Available for payments of up to ₹10,000 in cash, cheque, or demand draft at authorized banks.

5. **Challan Generation**:
   - After selecting the payment method and entering the amounts, a **challan** will be generated. It will contain a **CPIN (Challan Payment Identification Number)**, valid for 15 days.
6. **Make the Payment**:
   - Use your chosen payment method to complete the payment.
   - Once the payment is made, a **CIN (Challan Identification Number)** is generated, which confirms the successful transaction.
7. **Payment Confirmation**:
   - The paid amount is reflected in the **Electronic Cash Ledger**.
   - If there are tax liabilities to be cleared, the taxpayer must offset them by using this balance from the Cash Ledger or Credit Ledger during the return filing.

b. Using Funds from E-Ledgers

- After payment, any balance in the **Cash Ledger** or **Credit Ledger** can be used to offset tax liabilities through the **Electronic Liability Ledger**.

- When filing returns (e.g., GSTR-3B), taxpayers are prompted to use available balances to pay their liabilities.

3. Modes of Payment under GST

- **Net Banking**: Real-time transfer via internet banking.
- **Debit/Credit Cards**: Payments using cards are processed in real-time.
- **NEFT/RTGS**: Payment using offline modes through bank branches. The GST portal generates a challan with all necessary details.
- **Over-the-Counter (OTC)**: Payments of up to ₹10,000 can be made in cash, cheque, or demand draft at authorized bank branches.

4. Tracking Payments

- Taxpayers can track their payment status and history under **Services > Payments >Challan History** on the GST portal.
- The **Cash Ledger** reflects the available balance post-payment, and the **Liability Ledger** is updated when liabilities are cleared.

ASSESSMENT METHODS UNDER GST

1. **Self-Assessment:** This is the first level of assessment, which is done by the taxpayers themselves. In self-assessment, the taxpayer calculates and pays their own tax liability, and files the returns accordingly. This is done on a monthly, quarterly or annual basis, depending on the turnover of the taxpayer. The relevant section under GST for self-assessment is Section 59.

2. **Provisional Assessment:** Provision assessment can be resorted to only in two possible scenarios 1st is when the registered person is unable to determine the value of supply and 2nd is when registered person is unable to determine the rate of tax. Apart from the above two scenarios, provisional assessment cannot be applied by the taxable person for any other purpose. Within the 90 days from the receipt of such request the proper office shall pass an order, allowing payment of tax on a provisional basis at such rate or on such value as may be specified by him. The final assessment order should be passed within six months from the date of communication of provisional assessment order. The relevant section under GST for provisional assessment is Section 60.

3. **Scrutiny Assessment:** Scrutiny assessment is done by the tax authorities to verify the correctness of the returns filed by taxpayers. This is applicable for only registered persons and not to unregistered persons. Notice under section 61 can be issued only if return has been filed by the registered persons. The tax authorities can issue a notice to the taxpayer, asking them to provide additional information or documents to support their returns. The tax authorities can also conduct an audit of the taxpayer's records. Based on the information obtained, the tax authorities can issue an assessment order, which specifies the final amount of tax to be paid by the taxpayer. The relevant section under GST for scrutiny assessment is Section 61.

4. **Best Judgment Assessment:** Best judgment assessment is done when the taxpayer fails to furnish the return under Section 39 or Section 45, even after the service of a notice under Section 46, the proper office may assess the tax liability of the said person to the best of his judgement taking into account all the material which is available or he has gathered and issue an assessment order within a period of five years from the date specified under section 44 for furnishing of the annual return for the financial year to which the tax not

paid relates. The relevant section under GST for best judgment assessment is Section 62.

5. **Assessment of Unregistered Persons:** When a taxable person fails to obtain registration even though liable to do so or whose registration has been cancelled under sub section (2) of Section 29 but who was liable to pay tax, the proper officer may proceed to assess the tax liability of such taxable person to the best of his judgement for the relevant tax periods. He will issue an assessment order within a period of five years from the date specified under section 44 for furnishing of the annual return for the financial year to which the tax not paid relates. No such assessment order shall be passed without giving the person an opportunity of being heard. The relevant section under GST for the assessment of unregistered persons is Section 63.

6. **Summary Assessment:** Summary assessment is done in certain special cases, such as when the tax authorities believe that the taxpayer is trying to evade tax or when there is a threat to revenue. There should be evidence available with the proper officer that tax is payable and remains unpaid. Prior permission is required from the Additional Commissioner and Joint

Commissioner. It is believed that any delay in assessment would harm the revenue's interest. If the taxpayer to whom the liability pertains is not ascertainable, then such liability is fastened to the person in charge of such goods. Generally summary assessment is resorted to in cases of absconding and defaulting taxpayers. There is no time limit prescribed for passing of order. The section does not mention that the said person should be given an opportunity of being heard. The relevant section under GST for summary assessment is Section 64.

PROCEDURE FOR ASSESSMENT UNDER GST

The procedure for assessment under GST is as follows:

1) **Issue of Notice:** The tax authorities can issue a notice to the taxpayer, asking them to provide additional information or documents to support their returns. The notice must specify the reason for the assessment, the period under assessment, and the nature of the information or documents required.

2) **Conduct of Audit:** The tax authorities can conduct an audit of the taxpayer's records to verify the correctness of their returns. The audit can be

done on-site or off-site, and the taxpayer must provide all necessary information and documents to the auditors.

3) **Issue of Assessment Order:** Based on the information obtained through the notice and audit, the tax authorities can issue an assessment order. The assessment order specifies the final amount of tax to be paid by the taxpayer. The assessment order can also include interest, penalties, and fines, if applicable.

4) **Rectification of Errors:** If the taxpayer disagrees with the assessment order, they can request rectification of errors. The request must be made within 30 days of the receipt of the assessment order. The tax authorities will then review the request and issue a revised assessment order if necessary.

5) **Appeal:** If the taxpayer is still dissatisfied with the assessment order after rectification, they can file an appeal with the appropriate appellate authority. The appeal must be filed within three months of the receipt of the assessment order. The appellate authority will then review the case and issue a final order. Read more about Grounds of GST Appeal here.

IMPORTANCE OF ASSESSMENT UNDER GST

Assessment under GST is important for the following reasons:

a) **Ensures Compliance:** Assessment ensures that taxpayers are complying with the GST laws and regulations. GST Compliance is crucial for a smooth business work-flow. This helps prevent tax evasion and ensures that the government collects tax revenue correctly.

b) **Detects Errors and Discrepancies:** Assessment helps detect any errors or discrepancies in the returns filed by taxpayers. This helps prevent the loss of tax revenue due to mistakes or intentional evasion.

c) **Improves Taxpayer Education:** Assessment helps educate taxpayers on the correct procedures for calculating and paying their taxes. This helps improve GST compliance and reduces the number of errors or discrepancies in the returns filed.

d) **Common Mistakes to Avoid**

It is crucial to understand some of the common mistakes that taxpayers make when filing their returns. These mistakes can result in incorrect assessment and ultimately lead to penalties and interest. Here are some of the common mistakes to avoid when filing GST returns:

e) **Incorrect classification of goods and services:** GST rates vary depending on the classification of goods and services. Taxpayers need to ensure that they classify their goods and services correctly to avoid incorrect assessments.

f) **Incorrect calculation of tax liability:** Taxpayers must ensure that they accurately calculate their tax liability based on the GST rates applicable to their goods or services. Incorrect calculation can result in incorrect assessment and penalties.

g) **Delayed filing of returns:** GST returns must be filed on time to avoid penalties and interest. Taxpayers must ensure that they file their returns by the due date to avoid any additional charges.

h) **Failure to report input tax credit:** Taxpayers are allowed to claim the input tax credit on their purchases to reduce their tax liability. Failure to report input tax credit can result in incorrect assessment and penalties.

i) **Incorrect reporting of turnover:** Taxpayers must ensure that they report their turnover accurately to avoid incorrect assessment.

It is also important for taxpayers to keep proper records of their transactions and maintain compliance with the GST laws and regulations. This will help them to ensure that their assessments are accurate and avoid any legal or financial complications in the future.

REFUND UNDER GST

Situations Leading to Refund Claims

The relevant date provision embodied in Section 54 of the CGSTAct, 2017, provision contained in Section 77 of the CGST Act, 2017and the requirement of submission of relevant documents aslisted in Rule 1(2) of Refund Rules is an indicator of the varioussituations that may necessitate a refund claim. A claim for refundmay arise on account of:

1. Export of goods or services

2. Supplies to SEZs units and developers
3. Deemed exports
4. Refund of taxes on purchase made by UN or embassies etc.
5. Refund arising on account of judgment, decree, order ordirection of the Appellate Authority, Appellate Tribunal orany court
6. Refund of accumulated Input Tax Credit on account ofinverted duty structure
7. Finalisation of provisional assessment
8. Refund of pre-deposit
9. Excess payment due to mistake
10. Refunds to International tourists of GST paid on goods inIndia and carried abroad at the time of their departure fromIndia
11. Refund on account of issuance of refund vouchers for taxespaid on advances against which, goods or services have notbeen supplied
12. Refund of CGST & SGST paid by treating the supply as intraState supply which is subsequently held as inter-State supplyand vice versa

Thus, practically every situation is covered. The GST law requiresthat every claim for refund is to be filed within 2 years from therelevant date.

CREDIT NOTES

Further, Section 34 of the CGST Act, 2017 provides for issuanceof credit notes for post supply discounts or if goods are returnedback within a stipulated time. When such credit notes are issued,obviously it would call for reduction in output liability of thesupplier. Hence, the taxes paid initially on the supply wouldbe higher than what is actually payable. In such a scenario, theexcess tax paid by the supplier needs to be refunded. However,instead of refunding it outright, it is sought to be adjustedafter verifying the corresponding reduction in the input taxcredit availed by the recipient. Section 43 of the CGST Act,2017 provides for procedure for reduction in output liability onaccount of issuance of such credit notes. This is another form ofrefund by adjustments in the output tax liability. Such refund isnot governed under the general refund provisions contained inSection 54 of the CGST Act, 2017.

TREATMENT FOR ZERO RATED SUPPLIES

One of the major categories under which, claim for refund may arisewould be, on account of exports. All exports (whether of goods orservices) as well as supplies to SEZs have been categorised as ZeroRated Supplies in the IGST Act. “Zero rated

supply” under Section 16of the IGST Act, 2017 means any of the following supplies of goods orservices or both, namely:

(a) Export of goods or services or both; or

(b) Supply of goods or services or both to a Special Economic Zonedeveloper or a Special Economic Zone unit.

On account of zero rating of supplies, the supplier will be entitled toclaim input tax credit in respect of goods or services or both usedfor such supplies even though they might be non-taxable or evenexempt supplies. Every person making claim of refund on accountof zero rated supplies has two options. Either he can export underBond/LUT and claim refund of accumulated Input Tax Credit orhe may export on payment of integrated tax and claim refund ofthereof as per the provisions of Section 54 of CGST Act, 2017. Thus,the GST law allows the flexibility to the exporter (which, will includethe supplier making supplies to SEZ) to claim refund upfront asintegrated tax (by making supplies on payment of tax using ITC) orexport without payment of tax by executing a Bond/LUT and claimrefund of related ITC of taxes paid on inputs and input services usedin making zero rated supplies.

Grant of Provisional Refund in Case of Zero Rated Supplies

GST law also provides for grant of provisional refund of 90% ofthe total refund claim, in case the claim relates for refund arisingon account of zero rated supplies. The provisional refund wouldbe paid within 7 days after giving the acknowledgement. Theacknowledgement of refund application is normally issued withina period of 14 days but in case of refund of integrated tax paid onzero rated supplies, the acknowledgement would be issued within aperiod of three days. The provisional refund would not be granted tosuch supplier who was, during any period of five years immediatelypreceding the refund period, was prosecuted.

PAYMENT OF WRONG TAX

Under GST it might happen that the taxable person may payintegrated tax instead of central tax plus state tax and vice versabecause of incorrect application of the place of supply provisions. Insuch cases, while making the appropriate payment of tax, interestwill not be charged and the refund claim of the wrong tax paidearlier will be entertained without subjecting it to the provision ofunjust enrichment.

Claim by a Person who has borne the Incidence of Tax

Any tax collected by the taxable person more than the tax due onsuch supplies must be credited to the Government account. The lawmakes explicit provision for

the person who has borne the incidenceof tax to file refund claim in accordance with the provisions ofSection 54 of the CGST Act, 2017.

Refunds to Casual/Non-Resident Taxable Persons

Casual/Non-resident taxable person has to pay tax in advance at thetime of registration. Refund may become due to such persons at theend of the registration period because the tax paid in advance maybe more than the actual tax liability on the supplies made by themduring the period of validity of registration period. The law envisagesrefund to such categories of taxable persons also. But the amountof excess advance tax shall not be refunded unless such personhas filed all the returns due during the time their registration waseffective. It is only after such compliance that refund will be granted.

Refund to UN Bodies and Other Notified Agencies

Supplies made to UN bodies and embassies may be exempted frompayment of GST as per international obligations. However, thisexemption is being operationalized by way of a refund mechanism.So, a taxable person making supplies to such bodies would chargethe tax due and remit the same to government account. However,the UN bodies and other entities notified under Section 55 of

theCGST Act, 2017 can claim refund of the taxes paid by them on theirpurchases. The claim has to be made before the expiry of six monthsfrom the last day of the quarter in which such supply was received.

Refund to International Tourist

An enabling mechanism has been introduced in Section 15 of theIGST Act, 2017 whereby an international tourist procuring goods inIndia, may while leaving the country seek refund of integrated taxpaid by them. The term, "tourist" has been defined and refers to anyperson who is not normally a resident of India and who enters Indiafor a stay of not more than 6 months for legitimate non-immigrantpurposes.

Unjust Enrichment

Talking about unjust enrichment, a presumption is always drawnthat the businessman will shift the incidence of tax to the finalconsumer. This is because GST is an indirect tax whose incidence isto be borne by the consumer. It is for this reason that every claimof refund (barring specified exceptions) needs to pass the testof unjust enrichment. And every such claim if sanctioned is firsttransferred to the Consumer Welfare Fund. The GST law makes thistest inapplicable in case of

refund of accumulated ITC, refund onaccount of exports, refund of payment of wrong tax (integrated tax instead of central tax plus state tax and vice versa), refund of taxpaid on a supply, which is not provided or when refund voucheris issued or if the applicant shows that he has not passed on theincidence of tax to any other person. In all other cases, the testof unjust enrichment needs to be satisfied for the claim to be paidto the applicant. For crossing the bar of unjust enrichment, if therefund claim is less than Rs.2 Lakhs, then a self-declaration of theapplicant to the effect that the incidence of tax has not been passedto any other person will suffice to process the refund claim. Forrefund claims exceeding Rs. 2 Lakhs, a certificate from a CharteredAccountant/Cost Accountant will have to be given.

Standardisation of Procedure

The GST laws make standardised provisions for making a refundclaim. Every claim has to be filed online in a standardised form whichwill be acknowledged (if complete in all aspects) in 14 days. Theclaim for refund of amount lying in the credit balance of the cashledger can be made in the monthly returns also. The Proper Officerhas to convey deficiencies if any in the refund claim within 14 daysand in such cases the claim will be sent back to the applicant alongwith the notified deficiencies, and the applicant can file the refundclaim again after making

goods the deficiencies. No deficiencymemos can be raised after the mandatory 14 day period. The claim,if in order, has to be sanctioned within a period of 60 days from thedate of receipt of the claim. If this mandatory period is exceeded,interest will become payable along with refund from the expiry of60 days till the date of payment of refund (rate of interest has beenrecommended as 6% and 9% under the provisions of Section 56 ofthe CGST Act, 2017 by the GST Council in its meeting held on 18thand 19th May, 2017). However, if the refund claim is on account ofpre-deposit made before any appellate authority, the interestbecomes payable from the date of making such payment.

Documentation

The applicant needs to file elaborate documents along with therefund claim. Standardised and easy to understand documentshave been prescribed. Thus, for every claim, the main documentprescribed is a statement of relevant invoices (NOT THE INVOICESITSELF) pertaining to the claim. In case refund is on account ofexport of services, apart from the statement of invoices, the relevantbank realisation certificates evidencing receipt of payment in foreign currency is also required to be submitted. If it is a claim made by thesupplier to the SEZ unit, an endorsement from the Proper Officerevidencing receipt of such goods/services in

the SEZ also needs tobe submitted. Further, a declaration is also required from the SEZunit to the effect that they have not availed ITC of the tax paid bythe supplier. If the claim is for refund of accumulated ITC, only astatement containing invoice details as prescribed in the Refundrules need to be given. In case of claim of refund on account of anyorder or judgment of appellate authority or court, the referencenumber of the order giving rise to refund should also be given. Forcrossing the bar of unjust enrichment, if the refund claim is less thanRs.2 Lakhs, then a self-declaration by the applicant to the effect thatthe incidence of tax has not been passed to any other person willsuffice to process the refund claim. For refund claims exceeding Rs.2 Lakhs, a certificate from a Chartered Accountant/Cost Accountantwill have to be given. It is to be noted that such document need notbe given if it is a claim arising on account of zero rated supplies orclaim of accumulated ITC or payment of wrong tax (integrated taxinstead of central tax and state tax and vice versa) or a claim wheresupply is not done or a refund voucher has been issued.

Compliance with Natural Justice

In case the claim is sought to be rejected by the Proper Officer, anotice has to be given online to the applicant stating the ground onwhich the refund is sought to be

rejected. The applicant needs torespond online within 15 days from the receipt of such notice. Thusno claim can be rejected without putting the applicant to notice.

Payment to be Credited Online

The refund claim, wherever due, will be directly credited to thebank account of the applicant. The applicant need not come to theauthorities to collect the cheques or for any other issues relating tothe refund claim.

Power with the Commissioner to Withhold Refund in Certain Cases

GST law provides that where an order giving rise to a refund is thesubject matter of an appeal or further proceedings or where anyother proceedings under this Act is pending and the Commissioneris of the opinion that grant of such refund is likely to adversely affectthe revenue in the said appeal or other proceedings on account ofmalfeasance or fraud committed, he may, after giving the taxableperson an opportunity of being heard, withhold the refund till suchtime as he may determine. But it has been adequately safeguardedby provision for payment of interest @ 9% if, as a result of appeal,or further proceedings, the applicant becomes eligible for refund.

REFUND UNDER SPECIAL OCCASION UNDER GST

Under GST, refunds for special occasions or situations can be claimed in certain circumstances where taxpayers are eligible for a refund of the tax paid. These special occasions or scenarios often involve specific conditions or criteria that must be met. Here's an overview of how refunds can be claimed under special circumstances:

Refunds under Special Occasions or Situations

1. **Refund for Export of Goods or Services**
   - **Definition**: Taxpayers can claim refunds for the tax paid on inputs or input services used to manufacture goods or provide services that are exported.
   - **Conditions**:
     - The export must be made in accordance with the rules specified under GST.
     - Refund can be claimed for the unutilized input tax credit (ITC) on inputs used in the export.

    - **Procedure**: File Form **RFD-01** to claim the refund. The refund application should include details of exports, proof of export, and relevant tax invoices.

2. **Refund of Excess Payment**
    - **Definition**: A refund can be claimed if the taxpayer has paid excess tax, either in terms of amount or as a result of an error.
    - **Conditions**:
        - Excess payment must be identified and substantiated.
        - Refund can be claimed for excess payment of CGST, SGST, IGST, or Cess.
        - **Procedure**: File Form **RFD-01** and provide details of the excess payment and supporting documentation.
3. **Refund for Purchase of Goods by Diplomatic Missions**
    - **Definition**: Diplomatic missions and UN bodies are eligible for a refund of the tax paid on goods and services purchased in India.
    - **Conditions**:
        - The goods must be used exclusively for official purposes.
        - The organization must have a Unique Identification Number (UIN).

- **Procedure**: File Form **RFD-10** to claim the refund. Provide proof of purchase and details of the UIN.

4. **Refund for Tax Paid on Inputs for Exempt Supplies**
   - **Definition**: Taxpayers making exempt supplies can claim a refund of the input tax credit on inputs used for making such supplies.
   - **Conditions**:
     - The supplies must be exempt from tax under GST.
     - The refund is calculated based on the input tax credit related to exempt supplies.
     - **Procedure**: File Form **RFD-01** with the details of the exempt supplies and ITC claimed.
5. **Refund for Tax Paid on Inputs for Special Economic Zones (SEZ)**
   - **Definition**: Refund can be claimed for input tax credit on inputs used in the manufacture of goods or provision of services within SEZ.
   - **Conditions**:
     - The goods or services must be supplied to an SEZ unit or developer.
     - The supply must be made in accordance with SEZ rules.

- **Procedure**: File Form **RFD-01** and include details of supplies to SEZ units or developers along with necessary documentation.

6. **Refund on Account of Cancellation of Registration**
    - **Definition**: A refund of the balance in the electronic cash ledger can be claimed if the GST registration is canceled.
    - **Conditions**:
        - The cancellation of registration must be effective.
        - Refund is processed for the balance amount after settling any outstanding liabilities.
        - **Procedure**: File Form **RFD-01** and provide details related to the cancellation and remaining balance.

GENERAL PROCESS FOR CLAIMING REFUND

1. **Filing Application**: Refund applications must be submitted through Form **RFD-01** on the GST portal, providing details relevant to the special occasion or situation.

2. **Documentation**: Necessary supporting documents, such as invoices, proof of export, or proof of excess payment, must be attached to the application.
3. **Verification**: The application is verified by the tax authorities who may seek additional information or clarification if needed.
4. **Refund Sanction**: Upon successful verification, the refund is sanctioned, and the amount is credited to the taxpayer’s bank account or electronic cash ledger.

AUTHORITY OF GST

The **authorities of GST (Goods and Services Tax)** are responsible for implementing, administering, and enforcing GST laws. Their roles and responsibilities are critical in ensuring that GST is effectively administered and that taxpayers comply with the provisions of the GST Act. Here's a detailed explanation of the key authorities involved in GST:

1. **Central Board of Indirect Taxes and Customs (CBIC)**

- **Overview**: The CBIC is the apex authority for GST related to central taxes (CGST) and customs.

- **Responsibilities**:

  - **Policy Formulation**: Develops and implements policies related to CGST, UTGST, and customs.
  - **Procedures and Guidelines**: Issues circulars, notifications, and instructions to ensure uniform implementation of GST across the country.
  - **Training and Capacity Building**: Organizes training programs and workshops for GST officers and stakeholders.
  - **Dispute Resolution**: Addresses policy-level disputes and issues that arise in the administration of GST.

2. State/Union Territory (UT) GST Authorities

- **Overview**: Each state and UT has its own GST authority responsible for SGST and UTGST.
- **Responsibilities**:

  - **Administration**: Manages GST compliance, enforcement, and collection of SGST and UTGST within the respective jurisdiction.

- **Rules and Notifications**: Issues state-specific rules, notifications, and guidelines to manage GST operations locally.
- **Audits and Assessments**: Conducts audits, assessments, and inspections to ensure compliance with SGST laws.
- **Grievances and Disputes**: Handles grievances and disputes related to SGST and UTGST, including resolving taxpayer issues at the state level.

3. Goods and Services Tax Council

- **Overview**: A constitutional body established under Article 279A of the Indian Constitution.
- **Composition**: Consists of the Union Finance Minister as the Chairperson, and Finance Ministers of the States and UTs as members.
- **Responsibilities**:
    - **Policy Formulation**: Formulates GST policy, including tax rates, exemption lists, and changes to GST laws.
    - **Recommendations**: Provides recommendations on issues related to GST, including rate changes, procedural reforms, and other policy matters.

- **Dispute Resolution**: Resolves disputes between the Centre and States or among States regarding GST implementation.

4. Commissionerate of GST

- **Overview**: Each state and central jurisdiction is divided into Commissionerates, which oversee GST administration within their respective areas.
- **Responsibilities**:

  - ✓ **Implementation**: Ensures proper implementation of GST rules and procedures within the Commissionerate's jurisdiction.
  - ✓ **Assessment and Enforcement**: Conducts assessments, audits, and enforcement actions to ensure compliance.
  - ✓ **Guidance and Support**: Provides assistance and guidance to taxpayers regarding GST compliance and resolves issues.

5. GST Audit Officers

- **Overview**: Specialized officers appointed to conduct audits of taxpayer records and compliance.
- **Responsibilities**:

- **Detailed Audits**: Perform in-depth audits of taxpayers' records, returns, and documents.
- **Discrepancies**: Identify discrepancies or non-compliance issues and recommend corrective actions.
- **Reporting**: Prepare audit reports and work with tax authorities to resolve any issues found.

6. GST Appeals Tribunal

- **Overview**: An appellate body that handles disputes and appeals related to GST assessments and decisions.
- **Responsibilities**:
    - **Appeals**: Adjudicates appeals filed by taxpayers against orders issued by GST authorities.
    - **Dispute Resolution**: Provides a mechanism for resolving disputes between taxpayers and GST authorities.
    - **Fair Judgment**: Ensures fair and just resolution of appeals based on the merits of the case.

7. **GST Practitioner**

- **Overview**: Authorized professionals who assist taxpayers in complying with GST laws.
- **Responsibilities**:
  - ➢ **Advice and Assistance**: Provide advice on GST-related matters, including compliance, returns, and documentation.
  - ➢ **Return Filing**: Assist in the preparation and filing of GST returns.
  - ➢ **Representation**: Represent taxpayers before GST authorities, helping in resolving queries and issues.

8. **Taxpayer**

- **Overview**: Individuals or entities liable to pay GST and comply with GST laws.
- **Responsibilities**:
  - ❖ **Compliance**: Maintain accurate records, file timely and correct GST returns, and pay applicable GST.
  - ❖ **Documentation**: Ensure proper documentation of all transactions, including invoices and receipts.

- **Rectifications**: Address any discrepancies or issues identified by GST authorities.

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