

FAQs on GST – Non Individual (Including Corporate)

1. What is Goods and Service Tax?

- ▶ 'GST' stands for "Goods and Services Tax", and is proposed to be a comprehensive indirect tax levy on manufacture, sale and consumption of goods as well as services at the national level. It will replace all the indirect taxes levied on goods and services by the Indian Central and State Government.

2. What is the nature of GST?

- ▶ It is a destination based tax on consumption of goods and services. It is proposed to be levied at all stages right from manufacture up to final consumption with credit of taxes paid at previous stages available as setoff. In a nutshell, only value addition will be taxed and burden of tax is to be borne by the final consumer.

3. Which of the existing taxes are proposed to be subsumed under GST?

- ▶ The GST would replace the following taxes:
 - a. State VAT
 - b. Central Sales Tax
 - c. Luxury Tax
 - d. Entry Tax (all forms)
 - e. Entertainment and Amusement Tax (except when levied by the local bodies)
 - f. Taxes on advertisements
 - g. Purchase Tax
 - h. Taxes on lotteries, betting and gambling
 - i. State Surcharges and Cesses so far as they relate to supply of goods and services.
 - j. Excise duty
 - k. Excise duty levied under the Medicinal & Toiletries Preparation Act
 - l. Countervailing duty in lieu of excise duty
 - m. Special additional duty of customs
 - n. Service Tax
 - o. Surcharge and Cesses (relating to supply of goods and services).

- ▶ The GST Council shall make recommendations to the Union and States on the taxes, cesses and surcharges levied by the Centre, the States and the local bodies which may be subsumed in the GST.

4. How will the goods and services be classified under GST regime?

- ▶ HSN (Harmonised System of Nomenclature) code shall be used for classifying the goods under the GST regime. Services will be classified as per the Services Accounting Code (SAC).

5. What is the taxable event under GST?

- ▶ Supply of goods and/or services is the taxable event under GST. Central Goods and Service Tax ('CGST') & State Goods and Service Tax ('SGST') or Union Territory Goods and Service Tax ('UTGST') will be levied on intra-state supplies while Integrated Goods and Service Tax ('IGST') will be levied on inter-state supplies.

6. Who is a taxable person under GST?

- a. A person who carries a business in India or in any state of India except Jammu and Kashmir; he would be taxable person or he is required to take registration under the Act
- b. Who are already registered under Excise, Service Tax & VAT, they are taxable person too.
- c. Central Government, State Government & local authorities are taxable person except for the activities which are specified in the law.

7. Who is liable to pay GST under the proposed GST regime?

- ▶ Under the GST regime, tax is payable by the taxable person on the supply of goods and/or services. Liability to pay tax arises when the taxable person crosses the turnover threshold of Rs. 20 lakhs (Rs. 10 lakhs for North Eastern & Special Category States) except in certain specified cases where the taxable person is liable to pay GST even though he has not crossed the threshold limit. The CGST / SGST / UTGST is payable on all intra-State supply of goods and/or services and IGST is payable on all inter- State supply of goods and/or services. The CGST / SGST / UTGST and IGST are payable at the rates specified in the Schedules to the respective Acts.

8. What is the time limit for taking a Registration under GST Act?

- ▶ Any person should take a Registration, within thirty days from the date on which he becomes liable to registration, in such manner and subject to such conditions as may be prescribed or as per the due dates notified by the Government from time to time in this regard.

9. If a person is operating in different states, with the same PAN number, whether he can operate with a single Registration?

- ▶ No. Every person who is liable to take a Registration will have to get registered separately for each of the States where he has a business operation and is liable to pay GST.

10. Whether all assesseees/dealers who are already registered under existing central excise/service tax/ vat laws will have to obtain fresh registration?

- ▶ No. GSTN shall migrate all such assesseees/dealers to the GSTN and shall issue GSTIN and password. They will be asked to submit all requisite documents and information required for registration in a prescribed period of time.

11. When does the liability to pay GST arise in respect of supply of services?

- ▶ The time of supply of services generally shall be as below:
 - a. If invoice is raised within 30 days (45 days in case of services supplied by an insurer or a banking company or a financial company, including a non-banking financial company), then time of supply shall be earliest of the following:
 - The date of issue of invoice or
 - Date of receipt of payment
 - b. If invoice is not raised within prescribed period as mentioned above, then time of supply shall be earliest of the following:
 - The date of provision of service or
 - Date of receipt of payment
- ▶ The time of supply of services in cases other than (a) and (b) shall be the date on which the recipient shows the receipt of services in his books of account. Provided that where supplier receives an amount upto INR 1000 in excess of the amount indicated in the tax invoice in respect of taxable service, he may opt to pay GST on the date of issue of invoice for such excess amount.

12. What is time of supply of service in case of tax payable under reverse charge?

- ▶ The time of supply will be the earliest of the following dates:
 - a. The date on which the payment is made or the date of payment as entered in the books of accounts of the recipient; or
 - b. The date immediately following sixty days from the date of issue of invoice or any other document by the supplier.

13. What is the value of taxable supply to be adopted for the levy of GST?

- ▶ The value of taxable supply of goods and services shall ordinarily be 'the transaction value' which is the actually the price paid or payable, when the parties are not related and price is the sole consideration. Value of supply between distinct or related person shall be open market value of supply. However, where the recipient is eligible for full Input Tax Credit ('ITC'), invoice value shall be deemed to be the open market value. The Act and rules thereof further elaborates various inclusions and exclusions from the ambit of transaction value.

14. How can payment of taxes be done under GST?

- ▶ Payment can be done by the following methods:
 - a. Through debit of Credit Ledger of the tax payer maintained on the Common Portal – only tax can be paid. Interest, Penalty and Fees cannot be paid by debit in the credit ledger. Tax payers shall be allowed to take credit of taxes paid on inputs and utilize the same for payment of output tax. However, no ITC on account of CGST shall be utilized towards payment of SGST and vice versa. The credit of IGST would be permitted to be utilized for payment of IGST, CGST and SGST in that order.
 - b. In cash by debit in the Cash Ledger of the tax payer maintained on the Common Portal. Money can be deposited in the Cash Ledger by different modes, namely, E-Payment (Internet Banking, Credit Card, Debit Card); Real Time Gross Settlement (RTGS)/ National Electronic Fund Transfer (NEFT); Over the Counter Payment in branches of Banks Authorized to accept deposit of GST.

15. When is payment of taxes to be made by the Supplier to the Government treasury?

- ▶ Payment of taxes by the normal taxpayer is to be done on monthly basis by the 20th of the succeeding month. Cash payments will be first deposited in the Cash Ledger

and the taxpayer shall debit the ledger while making payment in the monthly returns and shall reflect the relevant debit entry number in his return. Payment can also be debited from the Credit Ledger.

16. What is input tax?

- ▶ Input tax means the central tax ('CGST'), State tax ('SGST'), integrated tax ('IGST') or Union territory tax ('UTGST') charged on supply of goods or services or both made to a registered person. It also includes tax paid on reverse charge basis and integrated tax goods and services tax charged on import of goods. It does not include tax paid under composition levy.

17. What are the conditions necessary for obtaining Input Tax Credit ('ITC')?

- ▶ Following four conditions are to be satisfied by the registered taxable person for obtaining ITC:
 - a. He is in possession of tax invoice or debit note or such other tax paying documents as may be prescribed;
 - b. He has received the goods or services or both;
 - c. The supplier has actually paid the tax charged in respect of the supply to the government; and
 - d. He has furnished the return under section 39.

18. Can a person take ITC without payment of consideration for the supply along with tax to the supplier?

- ▶ Yes, the recipient can take ITC. But he is required to pay the consideration along with tax within 180 days from the date of issue of invoice. This condition is not applicable where tax is payable on reverse charge basis.

19. Is there any procedure/ order for utilization of input tax credit in GST?

- ▶ The credit mechanism under GST have certain rules like Input CGST should be used for paying Output CGST first and only then it is allowed to be utilised against Output IGST Liability. Similarly, Input SGST can be used for paying Output SGST first and only then it is allowed to be utilised against Output IGST Liability. IGST should be used first for output IGST liability, then it should be used against output CGST liability and at last it should be used against SGST liability

20. What is the time limit for taking ITC?

- ▶ A registered person shall not be entitled to take input tax credit beyond the month of September of the following financial year to which invoice pertains or date of filing of annual return, whichever is earlier. The underlying reasoning for this restriction is that no change in return is permitted after September of next financial year. If annual return is filed before the month of September then no change can be made after filing of annual return.

21. What type of inward and outward supply details are to be filed in the return?

- ▶ A normal registered taxpayer has to file the inward/outward supply details invoice wise in relation to various types of supplies received/made in a month, namely inward/outward supplies from/to registered persons, inward/outward supplies from/to unregistered persons (consumers), details of Credit/Debit Notes, zero rated, exempted and non-GST supplies, exports, and advances received in relation to future supply.

22. What is the need for the Place of Supply of Goods and Services under GST?

- ▶ The basic principle of GST is that it should effectively tax the consumption of such supplies at the destination thereof or as the case may be at the point of consumption. So place of supply provision determine the place ie taxable jurisdiction where the tax should reach. The place of supply determines whether a transaction is intra-state or inter-state. In other words, the place of Supply is required to determine whether a supply is subject to SGST/UTGST plus CGST in a given State or Union territory else would attract IGST if it is an inter-state supply.

23. Will the CENVAT/ ITC carried forward in the last return prior to GST under earlier law be available as ITC under GST?

- ▶ Yes, the registered taxable person shall be entitled to such credit and it will get credited to his electronic credit ledger subject to certain conditions as prescribed.