

## **FAQs pertaining to Goods & Service Tax (G.S.T)**

### **How will the goods and services be classified under GST regime?**

Ans. HSN (Harmonised System of Nomenclature) code shall be used for classifying the goods under the GST regime Taxpayers whose turnover is above

Rs. 1.5 crores but below Rs. 5 crores shall use 2-digit code and the taxpayers whose turnover is Rs. 5 crores and above shall use 4-digit code. Taxpayers whose turnover is below Rs. 1.5 crores are not required to mention HSN Code in their invoices.

Services will be classified as per the Services Accounting Code (SAC)

### **What is the scope of composition scheme under GST?**

Ans. Small taxpayers with an aggregate turnover in a preceding financial year up to [Rs. 50 lakhs] shall be eligible for composition levy. Under the scheme, a taxpayer shall pay tax as a percentage of his turnover in a state during the year without the benefit of ITC. The floor rate of tax for CGST and SGST/UTGST shall not be less than [1% for manufacturer & 0.5% in other cases; 2.5% for specific services as mentioned in para 6(b) of Schedule II viz Serving of food or any other article for human consumption]. A tax payer opting for composition levy shall not collect any tax from his customers. The government may increase the above said limit of 50 lakhs rupees to up to one crore rupees, on the recommendation of GST Council.

Tax payers making inter- state supplies or making supplies through ecommerce operators who are required to collect tax at source shall not be eligible for composition scheme.

### **Whether the composition scheme will be optional or compulsory?**

Ans. Optional.

### **What is the purpose of Compliance rating mechanism?**

Ans. As per Section 149 of the CGST/SGST Act, every registered person shall be assigned a compliance rating based on the record of compliance in respect of specified parameters. Such ratings shall also be placed in the public domain. A prospective client will be able to see the compliance ratings of suppliers and take a decision as to whether to deal with a particular supplier or not. This will create healthy competition amongst taxable persons.

### **What is Anti-Profiteering measure?**

Ans. As per section 171 of the CGST/SGST Act, any reduction in rate of tax on any supply of goods or services or the benefit of input tax credit shall be passed on to the recipient by way of commensurate reduction in prices. An authority may be constituted by the government to examine whether input tax credits availed by any registered person or the reduction in the tax rate have actually resulted in a commensurate reduction in the price of the goods or services or both supplied by him.

**Whether supplies made without consideration will also come within the purview of supply under GST?**

Ans. Yes, but only those activities which are specified in Schedule I to the CGST Act / SGST Act. The said provision has been adopted in IGST Act as well as in UTGST Act also.

**Will giving away essential commodities by a charitable institution be taxable activity?**

Ans. In order to be a supply which is taxable under GST, the transaction should be in the course or furtherance of business. As there is no quid pro quo involved in supply for charitable activities, it is not a supply under GST.

**What is meant by Reverse Charge?**

Ans. It means the liability to pay tax is on the recipient of supply of goods and services instead of the supplier of such goods or services in respect of notified categories of supply.

**Is the reverse charge mechanism applicable only to services?**

Ans. No, reverse charge applies to supplies of both goods and services, as notified by the Government on the recommendations of the GST Council.

**What will be the implications in case of receipt of supply from unregistered persons?**

Ans. In case of receipt of supply from an unregistered person, the registered person who is receiving goods or services shall be liable to pay tax under reverse charge mechanism.

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

Ans. No. The option availed shall lapse from the day on which his aggregate turnover during the financial year exceeds Rs.50 Lakhs.

**Will a taxable person, having multiple registrations, be eligible to opt for composition scheme only for a few of registrations?**

Ans. All registered persons having the same Permanent Account Number (PAN) have to opt for composition scheme. If one registered person opts for normal scheme, others become ineligible for composition scheme.

**Can composition scheme be availed of by a manufacturer and a service supplier?**

Ans. Yes, a manufacturer can opt for composition scheme generally. However, a manufacturer of goods, which would be notified on the recommendations of the GST Council, cannot opt for this scheme. This scheme is not available for services sector, except restaurants.

### **Who are not eligible to opt for composition scheme?**

Ans. Broadly, five categories of registered person are not eligible to opt for the composition scheme. These are:

- (i) supplier of services other than supplier of restaurant service;
- (ii) supplier of goods which are not taxable under the CGST Act/SGST Act/UTGST Act.
- (iii) an inter-State supplier of goods;
- (iv) person supplying goods through an electronic commerce operator;
- (v) manufacturer of certain notified goods.

### **How to compute 'aggregate turnover' to determine eligibility for composition scheme?**

Ans. The methodology to compute aggregate turnover is given in Section 2(6).

Accordingly, 'aggregate turnover' means value of all outward supplies (taxable supplies+exempt supplies+exports + inter-state supplies) of a person having the same PAN and it excludes taxes levied under central tax (CGST), State tax (SGST), Union territory tax (UTGST), integrated tax(IGST) and compensation cess.

Also, the value of inward supplies on which tax is payable under reverse charge is not taken into account for calculation of 'aggregate turnover'. The value of goods after completion of job work is not includible in the turnover of the job-worker. It will be treated as supply of goods by the principal and will accordingly be includible in the turnover of the Principal.

### **Is there an option to take centralized registration for services under GST Law?**

Ans. No, the tax payer has to take separate registration in every state from where he makes taxable supplies.

### **If the taxpayer has different business verticals in one state, will he have to obtain separate registration for each such vertical in the state?**

Ans. No, however the taxpayer has the option to register such separate business verticals independently in terms of the proviso to Section 25(2) of the CGTST Act, 2017.

### **Whether the job worker will have to be compulsorily registered?**

Ans. No, a Job worker is a supplier of services and will be obliged to take registration only when his turnover crosses the prescribed threshold of 20/10 Lakhs.

### **Whether the goods will be permitted to be supplied from the place of business of a job worker?**

Ans. Yes. But only in cases where the job worker is registered, or if not, the principal declares the place of business of the job worker as his additional place of business.

**Is there any system to facilitate smaller dealers or dealers having no IT infrastructure?**

Ans. In order to cater to the needs of tax payers who are not IT savvy, following facilities shall be made available: -

**Tax Return Preparer(TRP):** A taxable person may prepare his registration application /returns himself or can approach the TRP for assistance. TRP will prepare the said registration document / return in prescribed format on the basis of the information furnished to him by the taxable person. The legal responsibility of the correctness of information contained in the forms prepared by the TRP will rest with the taxable person only and the TRP shall not be liable for any errors or incorrect information.

**Facilitation Centre (FC):** shall be responsible for the digitization and/or uploading of the forms and documents including summary sheet duly signed by the Authorized Signatory and given to it by the taxable person. After uploading the data on common portal using the ID and Password of FC, a print-out of acknowledgement will be taken and signed by the FC and handed over to the taxable person for his records. The FC will scan and upload the summary sheet duly signed by the Authorized Signatory.

**Whether time limit for payment of tax can be extended or paid in monthly installments?**

Ans. No, this is not permitted in case of self-assessed liability. In other cases, competent authority has been empowered to extend the time period or allow payment in instalments. (Section 80 of the CGST/SGST Act).

**What happens if the taxable person files the return but does not make payment of tax?**

Ans. In such cases, the return is not considered as a valid return. Section 2(117) defines a valid return to mean a return furnished under sub-section (1) of section 39 on which self-assessed tax has been paid in full. It is only the valid return that would be used for allowing input tax credit (ITC) to the recipient. In other words, unless the supplier has paid the entire self-assessed tax and filed his return and the recipient has filed his return, the ITC of the recipient would not be confirmed.

**Is it mandatory for e-commerce operator to obtain registration?**

Ans. Yes. The benefit of threshold exemption is not available to e-commerce operators and they would be liable to be registered irrespective of the value of supply made by them.

**Whether a supplier of goods or services supplying through e-commerce operator would be entitled to threshold exemption?**

Ans. No. The threshold exemption is not available to such suppliers and they would be liable to be registered irrespective of the value of supply made by them. This requirement, however, is applicable only if the supply is made through such electronic commerce operator who is required to collect tax at source.

**It is very common that customers of e-commerce companies return goods. How these returns are going to be adjusted?**

Ans. An e-commerce company is required to collect tax only on the net value of taxable supplies. In other words, value of the supplies which are returned are adjusted in the aggregate value of taxable supplies

**Is every e-commerce operator required to collect tax on behalf of actual supplier?**

Ans. Yes, every e-commerce operator is required to collect tax where consideration with respect to the supply is being collected by the e-commerce operator.

**Is a job worker required to take registration?**

Ans. Yes, as job work is a service, the job worker would be required to obtain registration if his aggregate turnover exceeds the prescribed threshold.

**Can the principal supply the goods directly from the premises of the job worker without bringing it back to his own premises?**

Ans. Yes. But the principal should have declared the premises of an unregistered job worker as his additional place of business. If the job worker is a registered person then goods can be supplied directly from the premises of the job worker. The Commissioner may also notify goods in which case goods sent for job work can be directly supplied from the premises of the job worker.

**What would be treatment of the waste and scrap generated during the job work?**

Ans. The waste and scrap generated during the job work can be supplied by the job worker directly from his place of business, on payment of tax, if he is registered. If he is not registered, the same would be supplied by the principal on payment of tax.

**Who is responsible for the maintenance of proper accounts related to job work?**

Ans. It is completely the responsibility of the principal to maintain proper accounts of job work related inputs and capital goods.

**Should job worker and principal be located in same State or Union territory?**

Ans. No this is not necessary as provisions relating to job work have been adopted in the IGST Act as well as in UTGST Act and therefore job-worker and principal can be located either in same State or in same Union Territory or in different States or Union Territories.

**Can GST paid on reverse charge basis be considered as input tax?**

Ans. Yes. The definition of input tax includes the tax payable under the reverse charge.

**Is input tax credit allowed only after matching?**

Ans. No, input tax credit is allowed provisionally for two months. The supply details are matched by the system and discrepancies are communicated to concerned supplier and recipient. In case mismatch continues, the ITC taken would be reversed automatically.

**Can provisionally allowed ITC be used for payment of all liabilities?**

Ans. No, provisionally allowed ITC can be used only for the payment of self-assessed output tax in the return

**It is not possible many a times to establish a one-to-one link between quantum of input services used in the course or furtherance of business by a supplier. In such situations, how distribution of ITC by the ISD is to be done?**

Ans. In such situations, distribution would be based on a formula. Firstly, distribution would be done only amongst those recipients of input tax credit to whom the input service being distributed are attributable. Secondly, distribution would be done amongst the operational units only. Thirdly, distribution would be done in the ratio of turnover in a State or Union territory of the recipient during the period to the aggregate of all recipients to whom input service being distributed is attributable. Lastly, the credit distributed should not exceed the credit available for distribution.

**Can a company have multiple ISD?**

Ans. Yes, different offices like marketing division, security division etc. may apply for separate ISD.

**What are the provisions for recovery of excess/wrongly distributed credit by ISD?**

Ans. The excess/wrongly distributed credit can be recovered from the recipients of credit along with interest by initiating action under section 73 or 74.

**How to distribute common credit among all the recipients of an ISD?**

Ans. The common credit used by all the recipients can be distributed by ISD on pro rata basis i.e. based on the turnover of each recipient to the aggregate turnover of all the recipients to which credit is distributed.

**Whether all invoices will have to be uploaded?**

Ans. No. It depends on whether B2B or B2C plus whether Intra-state or Inter-state supplies.

For B2B supplies, all invoices, whether Intra-state or Inter- state supplies, will have to be uploaded. Why So? Because ITC will be taken by the recipients, invoice matching is required to be done.

In B2C supplies, uploading in general may not be required as the buyer will not be taking ITC. However still in order to implement the destination based

principle, invoices of value more than Rs.2.5 lacs in inter-state B2C supplies will have to be uploaded. For inter-state invoices below Rs. 2.5 lacs and all intra-state invoices, state wise summary will be sufficient.

**If a return has been filed, how can it be revised if some changes are required to be made?**

Ans. In GST since the returns are built from details of individual transactions, there is no requirement for having a revised return. Any need to revise a return may arise due to the need to change a set of invoices or debit/ credit notes. Instead of revising the return already submitted, the system will allow changing the details of those transactions (invoices or debit/credit notes) that are required to be amended. They can be amended in any of the future GSTR- 1/2 in the tables specifically provided for the purposes of amending previously declared details.

**What would be the Duty Structure for a 100% EOU Unit supplying goods under DTA?**

Although the details pertaining to the clearance to and from EOU are awaited and also the formats, documents and procedures are not yet notified, however, it appears that the duty structure is going to remain same, however, the CVD and SAD that is presently leviable shall be subsumed into GST, i.e. IGST would be leviable instead of CVD and SAD.

**What would be Duty Structure for a 100% EOU supplying goods to 100% EOU within State and Outside State?**

The goods supplied to the EOU shall be taxable and the receiver shall claim refund from the department. The duty structure shall be IGST

**How the credit is to be availed for the balances lying as on 30.06.2017 for VAT / Service Tax / Cenvat?**

The details would be required to be uploaded in the system in the form Trans-01 within 90 days of appointed date. The format is self-explanatory. Section 140 of the Act, deals with credit balance.