

A graphic with a teal background. On the left, there is a light green circle containing a white document with a pen resting on it. To the right of the circle, the text 'GST ACTS & RULES' is displayed. 'GST' is in large, bold, black letters, while '& RULES' is in smaller, white, bold letters. In the background, there is a faint illustration of a large, circular building with many columns, resembling a parliament or a government building.

GST ACTS & RULES

GST ACTS

Prior to GST, tax system on goods and services was facing certain difficulties as under—

- ⦿ There was cascading of taxes
- ⦿ disparate tax rates and dissimilar tax
- ⦿ tariff and non-tariff barriers such as octroi, entry tax, check posts, etc., hinder the free flow of trade throughout the country.
- ⦿ **high compliance cost** for the taxpayers in the form of number of returns, payments, etc.

FOLLOWING ARE THE THREE COMPONENTS OF GST:

- ◉ CGST or Central Goods and Service Tax
- ◉ SGST or State Goods and Service Tax
- ◉ IGST or Integrated Goods and Service Tax



OBJECTIVES OF CGST AND SGST

ACT

- ◉ To levy tax on all intra-State supplies of goods or services
- ◉ To broad base the **input tax credit**
- ◉ To impose obligation on electronic commerce operators to collect tax at source, at such rate not exceeding one per cent
- ◉ To provide for **self-assessment** of the taxes
- ◉ To provide for conduct of audit of registered persons
- ◉ To provide for recovery of arrears of tax
- ◉ To provide for powers of inspection, search, seizure and arrest to the officers
- ◉ To establish the Goods and Services Tax Appellate Tribunal
- ◉ To make provision for **penalties**
- ◉ To provide for an **anti-profiteering** clause
- ◉ To provide for elaborate transitional provisions for smooth transition

THE CENTRAL GOODS AND SERVICES TAX ACT, 2017:

- ◉ to make provision for **levy and collection of tax on intra-state supply** of goods or services or both by the Central Government
- ◉ come into force on such date as the Central Government notifies
- ◉ extends to the whole of India except the state of Jammu and Kashmir
- ◉ comprises of 174 Sections in 21 Chapters and 3 Schedules

| | |
|---------------------|---|
| Schedule I | Activities to be treated as supply even if made without consideration |
| Schedule II | Activities to be treated as supply of goods or supply of services |
| Schedule III | Activities or transactions which shall be treated neither as a supply of goods nor a supply of services |

SALIENT FEATURES OF CGST ACT, 2017:

- ◉ State-Wise Single Registration
- ◉ Low Physical Interface
- ◉ Single Returns for all Suppliers
- ◉ No Surcharge on CGST
- ◉ Types of Taxes
- ◉ No registration required for some cases
- ◉ Composition scheme
- ◉ Availability of ITC(Input Tax Credit
- ◉ business entity with an annual turnover of up to 20 lakh
- ◉ Manner of utilisation of ITC
- ◉ Input Service Distributor (ISD):
- ◉ Refund- Exporter
- ◉ Single Administration

- ⦿ Agriculturist Definition
- ⦿ Advance Ruling Authority(ARA):
- ⦿ Appeal
- ⦿ Transitional Provisions
- ⦿ Low tax benefit to final consumer
- ⦿ Payment of demand in instalments

THE STATE (KARNATAKA) GOODS AND SERVICES TAX ACT, 2017:

- ◉ As per the GST Constitutional amendment, all states -September 15, 2017
- ◉ Karnataka Goods and Services Tax Bill, 2017- state assembly on 16th June 2017

FEATURES OF KARNATAKA SGST:

- Karnataka -26th state to pass the bill.
- levy and collect tax on all intra state supply only.
- Subsummation of taxes
- Professional tax will continue to remain out of the GST.
- mitigate estimated losses by removing VAT from liquor and replacing it with additional state excise duty.
- tax on petrol, diesel, aviation turbine fuel, crude oil and natural gas be levied from a date that the GST council may decide. Till then State **will be empowered to levy tax** on sale of these products.

LIST OF STATES PASSED STATE GST ACT 2017

| | |
|--|---|
| 1st - Telangana on April 9, 2017 | 17th - Maharashtra 22 May 2017 |
| 2nd - Bihar on April 24, 2017 | 18th - Tripura 24 May 2017 |
| 3rd - Rajasthan on April 26, 2017 | 19th - Sikkim on 25th May 2017 |
| 4th - Jharkhand on April 27, 2017 | 20th - Mizoram on 26th May 2017 |
| 5th - Chhattisgarh on April 28, 2017 | 21st - Nagaland on 27th May 2017 |
| 6th - Uttarakhand on May 2, 2017 | 22nd - Himachal Pradesh on 27th May 2017 |
| 7th - Madhya Pradesh on May 3, 2017 | 23rd - Delhi on 31st May 2017 |
| 8th - Haryana on May 4, 2017 | 24th - Manipur on 5th June 2017 |
| 9th - Gujarat May 9, 2017 | 25th - Meghalaya on 12th June 2017 |
| 10th - Goa on May 9, 2017 | 26th - Karnataka on 16th June 2017 |
| 11th - Odisha May 11, 2017 | 27th - Punjab on 19th June 2017 |
| 12th - Assam May 11, 2017 | 28th - Tamil Nadu on 19th June 2017 |
| 13th - Arunachal Pradesh May 12, 2017 | 29th - West Bengal take ordinance route for GST on 15th June 2017 |
| 14th - Uttar Pradesh on 16th May 2017 | 30th - Kerala take ordinance route for GST on 21st June 2017 |
| 15th - Andhra Pradesh on 16th May 2017 | 31st - Jammu and Kashmir on July 5th, 2017 |
| 16th - Punjab on 17th May 2017 | |

THE INTEGRATED GOODS AND SERVICES TAX ACT, 2017:

- ◉ To make a provision for levy and collection of tax on inter-state supply of goods or services or both by the central Government
- ◉ also apply to import of goods and services into India.
- ◉ extend to the whole of India except the state of Jammu and Kashmir
- ◉ come into force on such date as the Central Government
- ◉ interstate supply - the location of supplier and the place of supply are located in two different states (section 3 of the IGST Act).

IGST

- According to Model IGST Law, IGST shall mean the tax levied under the IGST Act on the supply of any goods and / or services in the course of inter-state trade or commerce. IGST Act shall apply to **whole of India**.

FEATURES OF IGST ACT:

- ◉ Existing CST -discontinued.
- ◉ on all inter-state transactions of taxable goods and services
- ◉ appropriate provision for consignment or stock transfer of goods and services
- ◉ ITC of SGST, CGST
- ◉ ITC of SGST - transfer
- ◉ To be shared between Centre / States
- ◉ Single IGST rate
- ◉ Central Agency which will act as a clearing house mechanism, verify the claims and inform the respective state governments or central government to transfer the funds

DEFINITIONS:

- ◉ **AGGREGATE TURNOVER [Section 2(6) of CGST Act, 2017]:**
- ◉ **“Aggregate Turnover”** means the aggregate value of all taxable supplies (excluding the value of inward supplies on which tax is payable by a person on reverse charge basis), exempt supplies, exports of goods or services or both and inter-State supplies of persons having the same Permanent Account Number, to be computed on all India basis but excludes central tax, State tax, Union territory tax, integrated tax and cess(if any charged under the CGST Act, SGST Act and the IGST Act, as the case may be) ;

DIFFERENT KINDS OF SUPPLIES COVERED ARE:

- ◉ Taxable supplies
- ◉ Exempt supplies
- ◉ Supplies that have a 'NIL' rate of tax
- ◉ Supplies that are wholly exempted from UTGST, CGST or IGST and
- ◉ Supplies that are not taxable under the Act (alcoholic liquor for human consumption)
- ◉ Export of goods or services or both including zero rated supplies.

THE ANALYSIS OF DEFINITION

- Turnover of all products
- ◉ Turnover on basis of PAN
- ◉ Value of turnover will not include the CGST, SGST and IGST charged on such supply
- ◉ Reverse charge and Inward Supplies
- ◉ Supply on own account and on behalf of principal will be included
- ◉ Supply of Goods by Principal after completion of Job Work

AGGREGATE TURNOVER IS RELEVANT TO A PERSON TO DETERMINE

- ◉ Threshold limit to opt for composition scheme
- ◉ Threshold limit to obtain registration under the Act
- ◉ For an agent, the supplies made by him on behalf of all his principals -threshold limits
- ◉ For a job-worker, the following supplies effected on completion of job work would not be included in his 'aggregate turnover':
 - ◉ Goods returned to the principal
 - ◉ Goods sent to another job worker on the instruction of the principal
 - ◉ Goods directly supplied by the principal would be included in the 'aggregate turnover' of the principal.

ADJUDICATING AUTHORITY

[SECTION 2(4)]:

- **“Adjudicating Authority”** means any authority, appointed or authorised to pass any order or decision under this Act, but does not include the Central Board of Excise and Customs, the Revisional Authority, the Authority for Advance Ruling, the Appellate Authority for Advance Ruling, the Appellate Authority and the Appellate Tribunal;

THE FOLLOWING AUTHORITIES ARE NOT PERMITTED TO PASS AN ORDER/DECISION UNDER THE GST LAWS:

- ◉ The Central Board of Excise and Customs
- ◉ Revisional Authority
- ◉ Authority for Advance Ruling
- ◉ Appellate Authority for Advance Ruling
- ◉ Appellate Authority
- ◉ Appellate Tribunal

APPOINTMENT OF ADJUDICATING AUTHORITY

- ◉ Central Government may, by an order
- ◉ appoint as many officers
- ◉ specify in the order published in the Official Gazette their respective jurisdiction
- ◉ complaint in writing
- ◉ person may appear to present case either in person or take assistance of a legal practitioner or a chartered accountant of his choice
- ◉ same powers of a civil court
- ◉ to settle the dispute **within one year** from the date of receipt of the complaint.

ADJUDICATING AUTHORITIES, COMPOSITION AND POWERS:

- **Chairperson and two other members,** provided that one member shall be a person having experience in the field of law, administration, finance or accountancy.
- Member to be the Chairperson
- chairperson may transfer a member from one Bench to another Bench
- the case or matter may be transferred by the Chairperson- to be heard by a Bench consisting of two Members

- ◉ hold office as such for a term of **five years** - age of **sixty-two years**
- ◉ salary and allowances - prescribed
- ◉ any vacancy occurs in the office -the Central Government shall appoint another person in accordance with the provisions of this Act
- ◉ removed from his office - by an order made by the Central Government - necessary opportunity of hearing
- ◉ death, resignation -the senior-most Member shall act as the Chairperson
- ◉ absence, illness or any other cause, the senior-most Member shall discharge the functions of the Chairperson

AGENT [SECTION 2(5) OF CGST ACT, 2017]:

- “**Agent**” means a person, including a factor, broker, commission agent, *arhatia*, *del credere* agent, an auctioneer or any other mercantile agent, by whatever name called, who carries on the business of supply or receipt of goods or services or both on behalf of another;

BUSINESS [SECTION 2(17) OF CGST ACT, 2017]:

- ◉ any trade, commerce, manufacture, profession, vocation, adventure, wager or any other similar activity, whether or not it is for a pecuniary benefit;
- ◉ any activity or transaction in connection with or incidental or ancillary
- ◉ any activity or transaction in the nature of sub-clause (a), whether or not there is volume, frequency, continuity or regularity of such transaction;
- ◉ supply or acquisition of goods including capital goods and services in connection with commencement or closure of business;
- ◉ provision by a club, association, society, or any such body (for a subscription or any other consideration) of the facilities or benefits to its members;
- ◉ admission, for a consideration, of persons to any premises;

- ⦿ services supplied by a person as the holder of an office which has been accepted by him in the course or furtherance of his trade, profession or vocation;
- ⦿ services provided by a race club by way of totalisator or a licence to book maker in such club ; and
- ⦿ any activity or transaction undertaken by the Central Government, a State Government or any local authority in which they are engaged as public authorities;

CAPITAL GOODS [SECTION 2(19) OF CGST ACT, 2017]:

- **“Capital Goods”** means goods, the value of which is capitalised in the books of account of the person claiming the input tax credit and which are used or intended to be used in the course or furtherance of business.
- **The following goods, namely:**
- All goods -Chapter 82, Chapter 84, Chapter 85, Chapter 90, heading 6805, grinding wheels and the like, and parts thereof falling under heading 6804 of the Schedule to this act;
- Pollution control equipment;
- Components, spares and accessories of the goods specified at (i) and (ii);
- Moulds and dies, jigs and fixtures;

- ◉ Refractories and refractory materials;
- ◉ Tubes and pipes and fittings thereof;
- ◉ Storage tank; and
- ◉ Motor vehicles other than those falling under tariff headings 8702, 8703, 8704, 8711 and their chassis but including dumpers and tippers used
 - At the place of business for supply of goods; or
 - Outside the place of business for generation of electricity for captive use at the place of business; or
 - Supply of services,
- ◉ Motor vehicle designed for transportation of goods -registered in the name of the supplier of service - renting of such motor vehicle;

ITC RULES FOR CAPITAL GOODS UNDER GST

- ◉ No ITC:
 - used exclusively for effecting exempt supplies
 - used exclusively for non-business (personal) activity
- ◉ used for effecting taxable supplies and business activity without any restrictions
- ◉ Form GSTR-2

- ◉ used or intended to be exclusively used for:
 - Non- business purpose
 - Effecting exempt supplies
- ◉ Later to be used commonly for:
 - Business and non-business purpose
 - Effecting taxable and exempt supplies
- ◉ = Input Tax - 5% of Input tax for every quarter

CASUAL TAXABLE PERSON

[SECTION 2(20)]:

- **“Casual Taxable Person”** means a person who occasionally undertakes transactions involving supply of goods or services or both in the course or furtherance of business, whether as principal, agent or in any other capacity, in a State or a Union territory where he has no fixed place of business.

- **mandatory** registered -irrespective of their turnover limit
- business which is required to supply goods or services or both in a particular state -not registered in that state -register as a 'Casual Taxable Person'.
- Certificate of registration -e **valid for a period of 90 days**
- **extend this period by 90 days**
- can make taxable supply only after obtaining the certificate of registration.
- advance deposit -estimated tax liability
- amount deposited by a casual taxable person will be credited into the electronic cash ledger -subsequently be adjusted

SUPPLY [SECTION 2(92)]:

- ‘supply’ includes all forms of supply of goods and/ or services such as sale, transfer, barter, exchange, license, rental, lease or disposal made or agreed to be made for a consideration by a person in the course or furtherance of business.

- ⦿ **Supply includes:**
- ⦿ all forms of supply of goods and/or services such as sale, transfer, barter, exchange, license, rental, lease or disposal made or agreed to be made for a consideration by a person in the course or furtherance of business,
- ⦿ importation of service, whether or not for a consideration and whether or not in the course or furtherance of business, and
- ⦿ a supply specified in Schedule I, made or agreed to be made without a consideration
- ⦿ **Schedule II**, in respect of matters mentioned therein, shall apply for determining what is, or is to be treated as a supply of goods or a supply of services.

ACTIVITIES WHICH ARE NOT SUPPLY (SCHEDULE III)

- ◉ Services by an employee to the employer in the course of or in relation to his employment;
- ◉ Services of funeral, burial, crematorium or mortuary including transportation of the deceased.
- ◉ Actionable claims, other than lottery, betting and gambling
- ◉ Sale of land / Sale of building after occupation or completion will not attract GST. Thus, sale of building before completion or before occupancy will attract GST.
- ◉ Such activities or transactions undertaken by the Central Government, a State Government or any local authority in which they are engaged as public authorities.

DEEMED SUPPLY OF GOODS & SERVICES

- ◉ In case of Transfer of title in goods
- ◉ In case of Land & Building
- ◉ Treatment or Process
- ◉ Transfer of Business Assets - With or Without for a Consideration
- ◉ Supply of Services
 - renting of immovable property;
 - construction of a complex, building, civil structure or a part thereof, including a complex or building intended for a sale to a buyer, wholly or partly
 - Temporary transfer or permitting the use or enjoyment of any intellectual property right

CLASSIFICATION OF SUPPLY:

◉ BASED ON LOCATION

- Intra-State supply
- Territorial waters
- Inter-State supply

◉ BASED ON COMBINATION

- Composite Supply
- Principal Supply
- Mixed Supply
- Continuous Supply

◎ BASED ON RECIPIENT

- Inward Supply
- Outward Supply

◎ BASED ON TAX TREATMENT

- Exempt Supply
- Zero-Rated
- Non-Taxable Supply
- Taxable Supply

◉ **Important Points to Note:**

- ◉ Supply of goods or services or both is “ taxable event “ in GST as that event triggers liability to pay GST
- ◉ Supply of goods and services for consideration is always taxable
- ◉ Supply by taxable person to related person is subject to GST even if there is no consideration that is no amount charged and will cover the followings :
- ◉ This will cover transactions between group companies (like deputation of persons, supply of goods on loan basis, common facilities shared by group companies), transactions between branches
- ◉ Free Gifts to related persons will be subject to GST
- ◉ Benefits provided to employee by the employers like transport, meals, telephone. However, gifts upto . 50K to employees will not be subject to GST, but input credit will have to be reversed.

- ◉ Supply by principal to agent is subject to GST, GST is payable on supplies to C & F agents. However, commission agent has to pay GST only on his commission.
- ◉ Import of services from related persons or from business establishment outside India is subject to GST even if there is no consideration. Branch / Head office in India receiving free services from Head Office / Outside India will be subject to GST.
- ◉ Lottery, betting and gambling is subject to GST
- ◉ Lottery tickets are goods and GST will be payable. GST will also be payable on services relating to betting and gambling
- ◉ Some services provided by government are taxable and mostly will be subject to reverse charge.

TAXABLE SUPPLY [SECTION 2(108)]:

- “taxable supply” means a supply of goods or services or both which is leviable to tax under this Act;

COMPOSITE SUPPLY [SECTION

2(30)]:

- **“Composite Supply”** means a supply made by a taxable person to a recipient consisting of two or more taxable supplies of goods or services or both, or any combination thereof, which are naturally bundled and supplied in conjunction with each other in the ordinary course of business, one of which is a principal supply.
- The rate of tax applicable is the tax rate of principal supply.

- **Example 1:** Where goods are packed and transported with insurance, the supply of goods, packing materials, transport and insurance is a composite supply and supply of goods is a principal supply.

MIXED SUPPLY [SECTION 2(74) OF THE CENTRAL GOODS AND SERVICES TAX ACT, 2017]:

- **“Mixed Supply”** means two or more individual supplies of goods or services, or any combination thereof, made in conjunction with each other by a taxable person for a single price where such supply does not constitute a composite supply.
- The **highest tax rate** among all the goods or services becomes applicable in this case.

- **Example 1** - A supply of a package consisting of canned foods, sweets, chocolates, cakes, dry fruits, aerated drink and fruit juices when supplied for a single price is a mixed supply. Each of these items can be supplied separately and is not dependent on any other. It shall not be a mixed supply if these items are supplied separately.

EXEMPT SUPPLY [SECTION 2(47)]:

- “**Exempt Supply**” means supply of any goods or services or both which attracts *nil* rate of tax or which may be wholly exempt from tax under section 11, or under section 6 of the Integrated Goods and Services Tax Act, and includes non-taxable supply.
- **Exempt supplies comprise the following 3 types of supplies:**
- Supplies taxable at a ‘NIL’ rate of tax;
- Supplies that are wholly or partially exempted from CGST or IGST, by way of a notification;
- Non-taxable supplies as defined under section 2(78)- supplies that are not taxable under the Act (viz., alcoholic liquor for human consumption).

OUTWARD SUPPLY [SECTION 2(83)]:

- **“Outward Supply”** in relation to a taxable person, means supply of goods or services or both, whether by sale, transfer, barter, exchange, licence, rental, lease or disposal or any other mode, made or agreed to be made by such person in the course or furtherance of business.

PRINCIPAL SUPPLY [SECTION 2(90)]:

- **“Principal Supply”** means the supply of goods or services which constitutes the predominant element of a composite supply and to which any other supply forming part of that composite supply is ancillary;

- **Supply of Laptop and a carry case:** In this case, the case only adds value to the supply of laptop and therefore, the case would be ancillary while the laptop comprises the predominant element of the supply
- **Supply of equipment and installation/commissioning of the same:** While the recipient actually purchases the equipment, making the equipment the principal supply, the installation makes the equipment usable by the recipient.

PLACE OF SUPPLY [SECTION 2(86)]:

- **“Place of Supply”** means the place of supply as referred to in Chapter V of the Integrated Goods and Services Tax Act;
- ‘Place of Supply’ under GST is an important factor as it defines whether the transaction will be counted as intra-state(i.e within the same state) or inter-state(i.e. between two states) and accordingly the changeability of tax,

-
- **Location of Supplier:** It is the registered place of business of the supplier
- **Place of Supply:** It is the registered place of business of the recipient

○ **Location of the recipient of services:**

| S.No | Case | Location of Recipient of Service |
|------|---|--|
| 1 | where a supply is received at a place of business for which the registration has been obtained | such place of business |
| 2 | where a supply is received at a place other than the place of business for which registration has been obtained (a fixed establishment elsewhere) | such fixed establishment |
| 3 | where a supply is received at more than one establishment, whether the place of business or fixed establishment | the location of the establishment most directly concerned with the receipt of the supply |
| 4 | in absence of such places | the location of the usual place of residence of the recipient; |

LOCATION OF THE PROVIDER/SUPPLIER OF SERVICES

| S.No | Case | Location of Recipient of Service |
|------|---|--|
| 1 | where a supply is made from a place of business for which the registration has been obtained | the location of such place of business |
| 2 | where a supply is made from a place other than the place of business for which registration has been obtained (a fixed establishment elsewhere) | the location of such fixed establishment |
| 3 | where a supply is made from more than one establishment, whether the place of business or fixed establishment, | the location of the establishment most directly concerned with the provision of the supply |
| 4 | in absence of such places, | the location of the usual place of residence of the supplier; |

SUPPLIER [SECTION 2(105)]:

- “Supplier” in relation to any goods or services or both, shall mean the
- person supplying the said goods or services or both and shall include an agent acting as such on behalf of such supplier in relation to the goods or services or both supplied;

TYPES OF SUPPLIERS

- ◉ **Manufacturers and Vendors**
- ◉ **Wholesalers and Distributors**
- ◉ **Affiliate Merchants**
- ◉ **Franchisors**
- ◉ **Importers and exporters**
- ◉ **Independent crafts people**
- ◉ **Dropshippers**

GOODS [SECTION 2(52)]

- “Goods” means every kind of movable property other than money and securities but includes actionable claim, growing crops, grass and things attached to or forming part of the land which are agreed to be severed before supply or under a contract of supply;

SERVICES [SECTION 2(102) OF CGST, 2017]:

- “**Services**” means anything other than goods, money and securities but includes activities relating to the use of money or its conversion by cash or by any other mode, from one form, currency or denomination, to another form, currency or denomination for which a separate consideration is charged.
-

INPUT SERVICE DISTRIBUTOR

[SECTION 2(61) CGST ACT, 2017]

- **“Input Service Distributor”** means an office of the supplier of goods or services or both which receives tax invoices issued under section 31 towards the receipt of input services and issues a prescribed document for the purposes of distributing the credit of central tax, State tax, integrated tax or Union territory tax paid on the said services to a supplier of taxable goods or services or both having the same Permanent Account Number as that of the said office.

- ◉ An ISD is required to obtain a separate registration. The registration is mandatory and there is no threshold limit for registration for an ISD.
- ◉ Existing not auto-migrated
- ◉ **Manner of Distribution:**
- ◉ ISD and the recipient of credit are located in the same state
- ◉ ISD and the recipient of credit are located in different states

JOB WORK [SECTION 2(68)]:

- “**Job Work**” means any treatment or process undertaken by a person on goods belonging to another registered person and the expression “job worker” shall be construed accordingly;

PROCEDURE AND COMPLIANCE UNDER GST

- ◉ challan
- ◉ Inputs, semi-finished or finished goods- 1 year
- ◉ Capital Goods- 3 years
- ◉ not been received back -goods will be treated as supplied to the job worker by the principal-
- ◉ Principal may on his own will Receive back the goods after processing from job worker -Supply to his customers from the place of business of job worker
- ◉ ITC paid on purchase of goods send on job work will be allowed to the principal.
- ◉ Waste and scrap generated during the initial process, intermediate process, assembly, packing or any other completion process may be sold on payment of tax by:
- ◉ Job worker- if he holds a registration
- ◉ Principal- if job worker does not hold a registration

- ◉ Specific Issues
- ◉ Treatment of Scrap / Waste
- ◉ Intermediate Goods
- ◉ Records for Job works
- ◉ Applicability of Provisions

MANUFACTURE [SECTION 2(72)]:

- **“Manufacture”** means processing of raw material or inputs in any manner that results in emergence of a new product having a distinct name, character and use and the term “manufacturer” shall be construed accordingly.

IMPACT OF GST ON THE MANUFACTURING SECTOR

- ◉ State incentives
- ◉ Area based incentives
- ◉ Increased working capital
- ◉ Free supplies
- ◉ Discounts:
- ◉ Valuation of self-supplies
- ◉ MRP valuation
- ◉ Reduction of cascading taxes:
- ◉ Reduction of classification disputes
- ◉ Supply chain restructuring based on economic factors

INPUT TAX [SECTION 2(62)]:

- **“Input Tax”** in relation to a registered person, means the central tax, State tax, integrated tax or Union territory tax charged on any supply of goods or services or both made to him

INPUT TAX CREDIT [SECTION 2(63)]

- **“Input Tax Credit”** means the credit of input tax;

CONDITIONS:

- ◉ Possession of a tax invoice or debit note or document evidencing payment
- ◉ Receipt of goods and/or services
- ◉ goods delivered by supplier to other person on the direction of registered person against a document of transfer of title of goods
- ◉ Furnishing of a return
- ◉ Where goods are received in lots or installments ITC will be allowed to be availed when the last lot or installment is received.

- Failure to the supplier towards supply of goods and/or services within 180 days from the date of invoice, ITC already claimed will be added to output tax liability and interest to paid on such tax involved. On payment to supplier, ITC will be again allowed to be claimed
- No ITC will be allowed if depreciation have been claimed on tax component of a capital good
- If invoice or debit note is received after
- the due date of filing return for September of next financial year or
- filing annual return-whichever is later No ITC will be allowed
- 9. Common credit of ITC used commonly for
- Effecting exempt and taxable supplies
- Business and non-business activity
- Credit will be allowed according to the **RULES**

ITEMS ON WHICH CREDIT IS NOT ALLOWED

- ◉ Motor vehicles and conveyances except
- ◉ Such motor vehicles and conveyances are further supplied i.e. sold
- ◉ Transport of passengers
- ◉ used for imparting training on driving, flying, navigating such vehicle or conveyances
- ◉ Transportation of goods
- ◉ food and beverages, outdoor catering, beauty treatment, health services, cosmetic and plastic surgery
- ◉ But if the goods and/or services are taken to deliver the same category of services or as a part of a composite supply, credit will be available
- ◉ Sale of membership in a club, health, fitness centre
- ◉ rent-a-cab, health insurance and life insurance except the following:

- ◉ Government makes it obligatory for employers to provide it to its employees
- ◉ goods and/or services are taken to deliver the same category of services or as a part of a composite supply, credit will be available
- ◉ travel benefits extended to employees on vacation such as leave or home travel concession.
- ◉ 6. Works contract service for construction of an immovable property (except plant & machinery or for providing further supply of works contract service)
- ◉ 7. Goods and/or services for construction of an immovable property whether to be used for personal or business use
- ◉ 8. Goods and/or services where tax have been paid under composition scheme
- ◉ 9. Goods and/or services used for personal use
- ◉ 10. Goods or services or both received by a non-resident taxable person except for any of the goods imported by him.
- ◉ 11. Goods lost, stolen, destroyed, written off or disposed of by way of gift or free samples
- ◉ 12. ITC will not be available in the case of any tax paid due to non-payment or short tax payment, excessive refund or ITC utilized or availed by the reason of fraud or wilful misstatements or suppression of facts or confiscation and seizure of goods.