Understanding Goods & Services Tax

Presented by: CA. KUSUM GANDHI

B.Com (H), M.Com, FCA, IFRS (UK)



Table of Contents

Concept of Supply

Levy of Tax

Place of Supply (POS)

Time of Supply (TOS)

Input Tax Credit (ITC)

Registration

Payment of Taxes

Assessment

Returns

Overview of GST



- 1. One Nation & One Tax
- 2. Events are based on Concept of Supply.
- 3. Streamlining & Cross Utilization of Input Tax Credits.

Definitions under CGST Act

Sec-2(6) CGST Act Aggregate turnover



Sec-2(71) CGST Act



Definitions

Sec-2(52) CGST Act

"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;

Sec-2(102) CGST Act

"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;

Explanation -

For the removal of doubts, it is hereby clarified that the expression "services" includes facilitating or arranging transactions in securities.

Definitions cont...

<u>Sec-2(19) CGST Act</u>

"Capital goods" means goods,

- the value of which is capitalized in books of account of the person claiming the ITC and
- which are used or intended to be used in the course or furtherance of business;

Sec-2(47) CGST Act

"Exempt supply" means supply of any goods/services or both

- ✓ which <u>attracts Nil rate of tax</u> or
- which may be wholly exempt from tax u/s-11, or u/s-6 of IGST Act, and
- ✓ includes Non-taxable supply;

<u>Sec-2(107) CGST Act</u>

"**Taxable person**" means a person who is registered or liable to be registered u/s-22 or 24.

Definitions

<u>Sec-2(59)</u>

"Input" means

- any goods other than capital goods
- used or intended to be used
- by a supplier
- in the course or furtherance of business



Sec-7(1) CGST Act Scope of Supply

Supply includes

of

business

and

Sec-7(1)(a)

All forms of supply of goods/services or both such as sale, transfer, barter, exchange, licence, rental, lease or disposal

- made or agreed ۲ to be made for a consideration
- by a person
- in the course or • furtherance of business

| Sec-7(1)(b) | | Sec-7(1)(c) | | | | | | |
|-------------|---|--|--|--|--|--|--|--|
| | | | | | | | | |
| In | nport of services | Activities specified in Schedule I | | | | | | |
| • | for a consideration | made or agreed to be | | | | | | |
| • | whether or not in the course or furtherance | made <u>without</u> a consideration | | | | | | |

Sec-7 CGST Act Scope of Supply

Sec-7(1A)

Certain activities or transactions constitute a supply in accordance with provisions of Sec-7 (1),

- shall be treated either as supply of goods/services
- as referred to in <u>Schedule-II</u>

(ACTIVITIES OR TRANSACTIONS TO BE TREATED AS SUPPLY OF GOODS OR SUPPLY OF SERVICES)

Sec-7(2)

Notwithstanding anything contained in sub sec-7(1), Activities or transactions shall be treated <u>neither as a</u> <u>supply of goods nor a</u> <u>supply of services</u>

- (a) Activities/transaction specified in <u>Schedule III</u>; or
- (b) such activities or transactions undertaken by Central/State Govt./ local authority in which they are engaged as Public Authorities
- as <u>notified by Govt.</u> on the recommendations of Council

Sec-7(3)

Subject to the prov. of subsec- (1), (1A) and (2)

Govt. <u>may notify</u>, the transactions that are <u>to be</u> <u>treated as</u> -

(a) a supply of goods and not as a supply of services; or

(b) a supply of services and not as a supply of goods.

Parameters of supply until the course or furtherance of business for consideration

Supply should be

SCHEDULE I [See section 7] ACTIVITIES TO BE TREATED AS SUPPLY EVEN IF MADE WITHOUT CONSIDERATION

| Schedule - 1 | Activities to be treated as supply even if made without consideration | | | | |
|-----------------|--|--|--|--|--|
| S. No. | Particulars | | | | |
| 1. | Permanent transfer or disposal of business assets where input tax credit has been availed on such assets. | | | | |
| 2. | Supply of goods or services or both between related persons or between distinct persons as specified in section 25, when made in the course or furtherance of business. Provided that gifts not exceeding fifty thousand rupees in value in a financial year by an employer to an employee shall not be treated as supply of goods or services or both. | | | | |
| 3. | Supply of goods- (a) by a principal to his agent where the agent undertakes to supply such goods on behalf of the principal ; or (b) by an agent to his principal where the agent undertakes to receive such goods on behalf of the principal. | | | | |
| 4. | Import of services by a person from a related party or from any of his other establishments outside India , in the course or furtherance of business. | | | | |

SCHEDULE II

ACTIVITIES OR TRANSACTIONS TO BE TREATED AS SUPPLY OF GOODS OR SUPPLY OF SERVICES

- 1. Transfer
- 2. Land and Building
- 3. Treatment or process
- 4. Transfer of business assets
- 5. Supply of services
- 6. Composite supply
- 7. Supply of Goods

SCHEDULE III

ACTIVITIES OR TRANSACTIONS WHICH SHALL BE TREATED NEITHER AS A SUPPLY OF GOODS NOR A SUPPLY OF SERVICES

- 1. Services by an employee to the employer in the course of or in relation to his employment.
- 2. Services by any court or Tribunal established under any law for the time being in force.
- 3. functions performed by MP, MLA, Members of Panchayats, Members of Municipalities and Members of other local authorities, duties performed by any person who holds any post in pursuance of the provisions of the Constitution in that capacity, duties performed by any person as a Chairperson/Member/Director in a body established by Central/State Govt. or Local authority and who is not deemed as an employee before the commencement of this clause.
- 4. Services of funeral, burial, crematorium or mortuary including transportation of the deceased.

SCHEDULE III cont....

ACTIVITIES OR TRANSACTIONS WHICH SHALL BE TREATED NEITHER AS A SUPPLY OF GOODS NOR A SUPPLY OF SERVICES

- 5. Sale of land and, subject to clause (b) of paragraph 5 of Schedule II, sale of building.
- 6. Actionable claims, other than lottery, betting and gambling.
- 7. Supply of goods from a place in the non-taxable territory to another place in the non-taxable territory without such goods entering into India.
- 8. (a) Supply of warehoused goods to any person before clearance for home consumption;
 - (b) Supply of goods by the consignee to any other person, by endorsement of documents of title to the goods, after the goods have been dispatched from the port of origin located outside India but before clearance for home consumption

Composite and Mixed supplies

Mixed & Composite Supply

Sec- 2(74) CGST Act

"Mixed supply" means two or more individual supplies of goods/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.

<u>Illustration</u> –

A supply of a package consisting of canned foods, sweets, chocolates, cakes, dry fruits, aerated drinks 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;

Sec- 2(30) CGST Act

"Composite supply" means a supply made by a taxable person to a recipient consisting of two or more taxable supplies of goods/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;

Illustration –

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.

Composite Supply



Principle Supply

Additional Supply





Mixed Supply















Sec-8 Tax liability on Composite and Mixed supplies

Composite supply

A composite supply

- comprising two or more supplies,
- one of which is a principal supply,
- shall be treated as a supply of such principal supply

Note-

Should be **naturally bundled** and supplied in conjunction with each other in the ordinary course of business, one of which is a principal supply.

Mixed supply

a mixed supply

- comprising two or more supplies
- shall be treated as a supply of that particular supply which attracts the highest rate of tax.

<u>Note</u>-

Each of items can be supplied separately and should not dependent on any other.

Levy and Collection

Sec-9 CGST Act Levy and Collection



Place of Supply of Goods/ Services Place of Supply of Goods – Sec 10(1) IGST (other than goods imported / exported)



Sec 10(2) - Where none of the above Rules apply, place of supply would be determined in the manner to be prescribed

Place of Supply of Goods – Sec 10 IGST Illustrations

Sec-10(1)(a): Supply involves movement of goods

| Particulars | Supplier's factory from where goods are removed | Terminatio n of movement for delivery | Place of supply | Tax Payable | |
|--|--|--|--------------------|---------------------------|--|
| Movement of goods by supplier (goods dispatched by supplier) | Orissa | Assam | Assam | IGST payable at Orissa | |
| Movement of goods by recipient (goods collected by recipient) | Kerala | Goa | Goa | IGST payable at Kerala | |

Place of Supply of Goods – Sec 10 IGST

Illustrations

Sec-10(1)(b): Supply involves movement of goods, and delivered to a person on the instruction of a third person

| Case | Location of Supplier - Seeta | Place of delivery of goods - Office of Ram | Principal place of Lakshman who instructed delivery to Ram | Place of supply for Seeta | <u>Type of tax payable</u> <u>by Seeta</u> |
|------|------------------------------------|--|---|---------------------------------|---|
| 1 | Ahmedabad | Ahmedabad | Amritsar | Amritsar | IGST at Ahmedabad |
| 2 | Ahmedabad | Amritsar | Amritsar | Amritsar | IGST at Ahmedabad |
| 3 | Ahmedabad | Bangalore | Bangalore | Bangalore | IGST at Ahmedabad |
| 4 | Ahmedabad | Chandigarh | Udaipur | Udaipur | IGST at Ahmedabad |

Place of Supply of Goods – Sec 10 IGST Illustrations

Section 10(1)(c): Supply does not involve movement of goods

| Particulars | Location of supplier | Location of recipient | Location of goods | Place of supply | Tax Payable |
|--|-------------------------|-----------------------------|----------------------|--------------------|--|
| Sale of pre-installed DG Set | Delhi | Bhopal | Bhopal | Bhopal | IGST payable at Delhi |
| Manufacture of moulds by job-worker (supplier), sold to Principal, but retained in job worker's premises | Tamil Nadu | Kerala | Tamil Nadu | Tamil Nadu | CGST + TN GST payable at Tamil Nadu |

Place of Supply of Goods – Sec 10 IGST Illustrations

Section 10(1)(d): Supply of goods assembled/installed at site

| Particulars | Location of supplier | Registered office of recipient | Installation / Assembly Site | Place of supply | Tax Payable |
|--|----------------------|--------------------------------------|------------------------------------|--------------------|--|
| Installation of weigh bridge | Delhi | Bhopal | Bhopal | Bhopal | IGST payable at Delhi |
| Servers supplied and installed at the office of a marketing firm | Karnataka | Goa | Karnataka | Karnataka | CGST + Kar GST payable at Karnataka |
| Supply of work-stations | Gujarat | Gujarat | Kerala | Kerala | IGST payable at Gujarat |

Place of Supply of Goods – Sec 11 IGST (Goods imported into / exported from India)



Note: Section 5 provides that IGST shall be levied on goods imported into India as per Section 3 of Customs Tariff Act

- Point of taxation When duties of customs are levied on the said goods
- Value As determined as per Customs Act

Place of Supply of Services – Sec 12(2) IGST (where supplier and recipient are in India)



Place of Supply of Services – Sec 12(3) & (4) IGST (where supplier and recipient are in India)



Place of Supply of Services – Sec 12 IGST (where supplier and recipient are in India)



Place of Supply of Services – Sec 12 IGST (where supplier and recipient are in India)


Place of Supply of Services – Sec 12(11) IGST (where supplier and recipient are in India)



- In cases not covered, <u>address of recipient on records</u> shall be the place of supply;
- Where no address of the recipient available in records, <u>location of the supplier</u> shall be the place of supply

Place of Supply of Services – Sec 12 IGST (where supplier and recipient are in India)



Place of Supply of Services – Sec 13 IGST (where supplier or recipient is outside India)



Sec-13(6) -Service supplied referred in Sec 13(3) to (5) \rightarrow When supplied at >1 location (including a location in taxable territory) \rightarrow location in the taxable territory Sec-13(7) - When supplied from >1 state / UT \rightarrow In proportion to the value of services

Place of Supply of Services – Sec 13(8) IGST (where supplier or recipient is outside India)



Place of Supply of Services – Sec 13 IGST (where supplier or recipient is outside India)



Time of Supply

Sec.12(2) CGST ACT Time of Supply of Goods



Sec.12(2) Time of Supply cont...

• Excess payment of up to Rs. 1000/- is received in respect of any invoice

Time of supply shall at option of supplier is date of issue of invoice in respect of such excess amount. (*Proviso to Sec 12(2)*)

No tax on advance received against the supply of goods

Notification-66/2017 CT dt. 15.11.2017 Seeks to exempt all taxpayers from payment of tax on advances received in case of supply of goods (*This notification is issued superseding the earlier Notification No. 40/2017 CT dt. 13.10.2017 wherein the exemption from payment of tax on receipt of advances was extended to a registered person whose aggregate turnover is less than Rs. 1.5 crores*);

Sec .31(1) Tax Invoice -Supply of Taxable Goods

Registered taxable person shall **issue tax invoice** Before/ at the time of :-(a) Removal of goods for supply (supply involves movement of goods) or

(b) Delivery of goods/ making available to the recipient (other cases)

Sec.2(66) defines "invoice" or "tax invoice" means the tax invoice referred to in section 31

Time of Supply of Goods – Sec 12(2) Illustrations

| | Non continuous supply of goods Section 12(2) r/w Section 31(1) | Invoice date | Due date of issue of invoice | Payment entry in supplier's books | Credit in bank account | Time of supply |
|---|---|--------------|------------------------------------|--|------------------------------|-------------------|
| 1 | Invoice raised before removal | 10-March-19 | 20-March- 19 | 26-March- 19 | 30-March- 19 | 10-March- 19 |
| 2 | Delayed issue of invoice | 26-March-19 | 20-March- 19 | 28-March- 19 | | 20-March- 19 |

Sec-13(2) CGST TOS of Services



Sec 31(2) Tax Invoice - Supply of taxable services

Registered taxable person shall issue tax invoice

Before/ after provision of service but within prescribed period

30 days (45 days in case of Banking, Insurance, Financial Institution or NBFC company)-

Time of Supply of Services – Sec 13(2) Illustrations

| | Section 13(2) | Invoice date | Invoice due date | Payment entry in supplier's books | Credit in bank account | Time of supply |
|---|---|-----------------|---------------------|--|------------------------------|-------------------|
| 1 | Invoice raised before completion of service | 10-March- 20 | 20-March- 20 | 26-March- 20 | 30-March- 20 | 10-March- 20 |
| 2 | Advance received | 30-April-20 | 20-April-20 | 10-April-20 | 30-April-20 | 10-April-20 |

Sec -12(3)CGST TOS in case of RCM (Goods)



If Not possible to determine TOS under clause (a) or (b) or (c), TOS shall be date of entry in BOA of Recipient of supply

Sec -13(3) TOS in case of RCM (Service)



Where it is not possible to determine under clause (a) or(b) then the date of entry in BOA of Recipient of Supply

Sec-12(4) & 13(4) CGST Act Supply of Voucher



DATE OF ISSUE OF VOUCHER IF SUPPLY IDENTIFIABLE DATE OF REDEMPTION OF VOUCHER IN OTHER CASES

Time of Supply of Vouchers – Sec 12(4)/13(4)

| | Issue of vouchers Section 13(4) or Section 12(4) | First service/ delivery of goods | lssue of voucher | Redemption of voucher | Last date for acceptance of voucher | Time of supply |
|---|---|--|---------------------|--------------------------|---|----------------|
| 1 | Voucher issued to a recipient after supply of a service [or specific goods], for the same service - valid for 1 year | 01-Nov-19 | 01-Nov-19 | 14-Dec-19 | 30-Oct-20 | 01-Nov-19 |
| 2 | Voucher issued to a recipient of machinery along at the time of delivery, for availing repair services [or specific goods] worth Rs. 5,000 - valid for 1 year | 01-Nov-19 | 01-Nov-19 | 14-Dec-19 | 30-Oct-20 | 01-Nov-19 |

Residual Provision – Sec 12(5) / 13(5) of CGST Act

Where it is not possible to determine the TOS under any of the circumstances

it shall be determined as -

Due date for filing of such return – If periodical return has to be filed

Date on which the Tax is paid – *Other cases*

Time of Supply of Goods / Services - Value Addition – Sec 12(6) & 13(6)



As per Section 15(2)(d) of CGST Act the value of supply shall include interest or late fee or penalty for delayed payment of any consideration for any supply.

Input Tax Credit



Sec-16 (1) Eligibility & conditions for taking ITC :

Every registered person subject to Sec- 49, shall be entitled to take credit of input tax charged on any supply of goods or services or both to him which are used or intended to be used in the course or furtherance of his business. The input tax credit is credited to Electronic credit ledger.

Rule 36 of ITC Rules provides that input tax credit can be taken on the basis of any of the **following documents**:

- (i) **Invoice** issued under section 31
- (ii) **Debit note** issued under section 34
- (iii) Bill of entry
- (iv) Invoice prepared in respect of reverse charge basis u/s 31(3)(f)
- (v) **Document issued by ISD** for distribution of credit

Conditions for claiming ITC

Sec 16(2)





services or both

 Tax payment by supplier (including matching at later stage) to Govt. through Cash or utilization of ITC in respect of said supply

4. Furnished the return u/s-39

Conditions for claiming ITC Sec 16(2) Proviso -1

Goods received in instalments

Credit shall be available upon receipt of last lot or instalment .

Sec 16(2) Proviso-2 **Conditions for claiming ITC** Payment of Consideration In case of part Applicable payments to both proportionate goods and reversal to be services Shall be made within 180 made days from the date of issue of invoice and if not paid credit shall be added to the **Consideration means** output liability. **Interest payable** value and tax from the date of both availment till reversal Reversed credit shall be reeligible on payment of consideration

Sec-16(3) ITC in case of Capital Goods



"capital goods" means the goods, the value of which is capitalized in the books of accounts of the person claiming the credit and which are used or intended to be used in the course or furtherance of the business





ITC on the Basis of use of Inputs – Sec 17



<u>Sec-2(59)</u> - "input" means any goods other than capital goods used or intended to be used by a supplier in the course or furtherance of business

Sec-2(60) - "input service" means any service used or intended to be used by a supplier in the course or furtherance of business





Ineligible Credits

Input Tax Credit shall not be available in respect of the



Sec 17(5)(a)

Ineligible Credits

Input Tax Credit shall not be available in respect of the



General insurance, servicing, repair & maintenance

B. Transportation of Goods

of passengers

Where received by a taxable person engaged -

I) in the manufacture of such motor vehicles, vessels or aircraft; or

Sec 17(5)(ab)

navigating

(II) in the supply of general insurance services in respect of such motor vehicles, vessels or aircraft insured by him

Restrictions on ITC – Sec 17(5) Blocked credits

b) Supply of goods and services being:



Allowed ONLY if where such goods/services or both are notified as obligatory for an employer to provide to an employee under any law for the time being in force .



Ineligible Credits

Input Tax Credit shall not be available in respect of the

ionowing, namery.

17(5)(e) goods /services on whchTax paid u/s 10 i.e. composition dealer 17(5)(f) Goods / services received by a Non-Resident taxable person <u>except</u> on goods imported by him

Sec 17(5)

17(5)(g) Goods/ services used for personal consumption

17(5)(i)

Tax paid in accordance with the provisions of Sec 74, 129 and 130.
Ineligible Credits

Input Tax Credit shall not be available in respect of the

Sec 17(5)(h)



GST REGISTRATION

WHO TO REGISTER

Sec-22 of CGST Act

- Registration not required up to aggregate turnover of Rs.20 Lakh & 10 Lakh for Special Category States (Rs. 40 lakh engaged exclusively in supply of goods)
- In case of Transfer of Business, transferee/successo r, shall be liable to be registered w.e.f. the date of such transfer/ succession

PERSONS NOT LIABLE TO REGISTER

Registration

Sec-23 of CGST Act

- Person engaged exclusively supplying goods/services that are not liable to tax or wholly exempt from Tax.
- Agriculturist , extent of supply of produce out of cultivation of land
- ✓ Specific category of persons as notified by Govt.

COMPULSORY REGISTRATION

As per Sec-24 of CGST Act

- i. Inter-State Taxable Supply
- ii. Casual Taxable Person making taxable supply
- iii. Liability to pay tax under RCM.
- iv. Required to pay tax u/s-9(5)
- v. Non-resident taxable persons making taxable supply
- vi. Required to deduct tax u/s-51
- vii. who make taxable supply on behalf of other taxable persons whether as an agent or otherwise
- viii. ISD
- ix. Who supply goods /services or both, other than supplies specified u/s-9(5), through such ECO
- x. ECO required to collect tax u/s-52
- xi. OIDAR Services from a place outside India to a person in India, other than a registered person
- xii. Others, as may be notified by Govt.

Registrations

Documents Required for Registration

- PAN
- PROOF OF CONSTITUTION OF BUSINESS
- DETAILS OF ALL BANK ACCOUNTS
- PROOF OF PRINCIPAL AND ADDITIONAL PLACE OF BUSINESS
- DETAILS OF PARTNERS/ PARTNERS/ DIRECTORS
- DETAILS OF GOODS OR SERVICES TO BE SUPPLIED
- HSN CODE OF GOODS AND SERVICES
- PHOTOGRAPHS OF PARTNERS/ DIRECTORS/ PROPRIETOR
- ANY OTHER DOCUMENTS AS MAY BE PRESCRIBED.

| ormat of GST | 22 A | AAAA0000/ | 41 | Ζ | 5 |
|------------------------|------------|--------------------------------|---|-------------------------------|--------------------|
| Registration Number | State Code | Permanent Account Number (PAN) | Entity number of the same PAN holder in a state | Alphabet 'Z' by default | Check sum digit |
| | | | Entity | Code | |

Registration

Q. XYZ Private Limited has a turnover of Rs.19 lakhs from the supply of goods in the State of Maharashtra. It had obtained the legal services of an advocate for which an invoice of Rs.1.50 lakhs was raised by the advocate. Is he required to take registration under GST?

Ans. Legal services provided by an advocate is liable for payment of tax under RCM under Section 9(3) and inward supply of legal services of Rs. 1.50 lakhs will not be added to the turnover of Rs. 19 lakhs.

Therefore, XYZ Private Limited will not be required to be registered under GST as the aggregate turnover is below the threshold limit.

Registration

Q. A person is having rental income from commercial property of `6 lakhs and interest income from lending of Rs.22 lakhs. Whether the person is liable to be registered?

Ans: Income earned by way of interest from loans is an exempted supply vide N-12/2017 – CT(Rate) dt.28.06.2017. Aggregate turnover in a FY includes taxable supplies as well as exempted supplies.

Therefore, the total turnover is Rs. 28 lakhs and therefore the person is liable to be registered under GST. However, tax has to be paid only on the rental income from commercial property.

Payment of Tax



LIABLITY TO BE DISCHARGED ON REVERSE CHARGE BASIS WILL BE DISCHARGED THROUGH ELECTRONIC CASH REGISTER ONLY 80

Order of ITC Set-Off

Sec- 49A CGST Act

Notwithstanding anything contained in section 49,

the ITC on account of central tax, State tax or Union territory tax shall be utilized towards payment of integrated tax, central tax, State tax or UT tax,

> as the case may be,

only after ITC available on account of integrated tax has first been utilized fully towards such payment.

Sec- 49B CGST ACT

Notwithstanding anything contained in this Chapter and subject to the provisions of clause (e) and (f) of Sec-49(5),

- the Government may, on the recommendations of the Council,
- prescribe the order and manner of utilization of ITC on account of integrated tax, central tax, State tax or UT tax, as the case may be,
- towards payment of any such tax.

Subsequently, Rule-88A has been inserted to notify the above new provision via N-16/2019 CT dt. 29th March 2019.









Order of ITC Set-Off cont...

Circular No: 98/17/2019 dt. 23 April 2019, it has been clarified that-

As per the provisions of Sec-49 of CGST Act, credit of integrated tax has to be utilized first for payment of integrated tax, then Central tax and then State tax, in that order mandatorily.

This led to a situation, in certain cases, where a taxpayer has to discharge his tax liability on account of one type of tax (say State tax) through ECL, while ITC on account of other types of tax (say Central tax) remains unutilized in ECrL.

Newly inserted Rule-88A in CGST Rules allows utilization of ITC of integrated tax towards the payment of Central tax and State tax, or as the case may be, UT tax, in any order subject to the condition that the entire ITC on account of integrated tax is completely exhausted first before the ITC on account of Central tax or State/UT tax can be utilized.

Impact of New Rule of ITC set off

Illustration

Mr. A has the following liability and ITC for the period are as follows:

| Type of GST | Output tax liability | ITC available |
|-------------|----------------------|---------------|
| IGST | 250 | 500 |
| CGST | 250 | 150 |
| SGST/UTGST | 250 | 150 |
| Total | 750 | 800 |

Impact of New Rule of ITC set off cont..

ITC of IGST can be utilized in different ways from the following 2 scenarios:

Scenario 1: Set-off of unutilized IGST credit completely towards CGST –

| Type of GST | Output tax liability | ITC available | Set -off of Tax liability | Balance to be paid in Cash | Balance Credit Available |
|----------------|-------------------------|------------------|------------------------------|----------------------------------|--------------------------------|
| IGST | 250 | 500 | 250 (From IGST) | 0 | 0 |
| CGST | 250 | 150 | 250 (From IGST) | 0 | 150 |
| SGST/ UTGST | 250 | 150 | 150 (From SGST/UTGST) | 100 | 0 |

Impact of New Rule of ITC set off cont..

Scenario 2: Set-off of unutilized IGST credit partly towards CGST and SGST

| Type of GST | Output tax liability | ITC availabl e | Set -off of Tax liability | Balance to be paid in Cash | Balance Credit Available |
|----------------|----------------------------|----------------------|---|----------------------------------|-----------------------------|
| IGST | 250 | 500 | 250 (From IGST) | 0 | 500-250-125- 125 = 0 |
| CGST | 250 | 150 | 125 (From IGST) 125 (From CGST) | 0 | 150 -125 =25 |
| SGST/ UTGST | 250 | 150 | 125 (From IGST) 125 (From SGST/UTGST) | 0 | 150 -125 =25 |

Note: Law does not place any strict rule of attributing entire unutilized IGST credit wholly to either CGST or SGST liability. A taxpayer can utilize IGST credit in any proportion and in any order, but the condition is to completely utilize the IGST credit before using CGST or SGST credit.

Rule 36(4)

ITC to be availed by a registered person

- in respect of invoices/debit notes,
- details of which <u>have not been uploaded by suppliers</u> u/s-37(1),
- shall <u>not exceed 5% of eligible credit available</u> (w.e.f. 1st January, 2021 N.No.94/2020 CT dt 22-12-2020, earlier it was 10%)
- in respect of invoices/debit notes the details of which have been uploaded by suppliers u/s- 37(1)

Assessment

Assessment under GST



Assessment under GST cont..



Assessment under GST cont..



GST Return



GST Return



First & Final Return

First Return u/s-40

Every registered taxable person who has made outward supplies between date of liability to register to date of grant of registration

Filed after grant of registration

Final Return u/s- 45

Every registered dealer opting for cancellation of registration to furnish a final return To be furnished

within 3 months from date of cancellation

or

date of cancellation order, whichever is later

