

# Goods and Services Tax (GST)

Disclaimer:

*The intention of this document is to provide a brief outline on GST. It is a very basic document. It may not be accurate, exhaustive or comprehensive. It is not a substitute for professional advice on GST. The reader should visit [www.gst.gov.in](http://www.gst.gov.in) and [www.cbec.gov.in](http://www.cbec.gov.in) for more information and better understanding of GST.*

## 1. Goods & Services Tax (GST)

GST is an indirect tax levied on supply of Goods, Services or Both. GST has replaced Service Tax, VAT, Excise, Octroi etc. GST is intended to help ease of doing business and time is likely to help economic growth.

It is a single tax on the supply of goods and services, right from the manufacturer to the consumer. It has come into effect on July 1, 2017.

## 2. Various rates under GST (For complete list please visit <http://www.cbec.gov.in>)

	<u>Total Rates</u>	<u>Goods / Services (this is not an exhaustive list)</u>
Schedule I	NIL	Unpacked food grains, fresh vegetables, Health and education services etc.
Schedule II	0.25%	Diamond, precious stones (other than Diamond) etc.
Schedule III	3%	Gold, Silver etc.
Schedule IV	5%	Sugar, Tea, Edible Oils, Life saving drugs, Coal etc.
Schedule V	12%	Butter, Ghee, Mobiles, Processed Food, Umbrella etc.
Schedule VI	18%	Hair Oil, Toothpaste, Pasta, Computers, Printers, Banking Services, etc.
Schedule VII	28%	AC, Fridge, Car etc.

## 3. Components

	Levied by	Applicable on
Central GST ( <b>CGST</b> )	Centre	Intra-state or intra-union territory supply of goods or services (for example supply within the state of Maharashtra or Daman & Diu)
State GST ( <b>SGST</b> )	States	Intra-state supply of goods or services (for example supply within the state of Maharashtra or Tamil Nadu)
Union Territory ( <b>UTGST</b> )	Union Territory	Intra-union territory supply of goods or services (for example supply within Daman & Diu)
Integrated GST ( <b>IGST</b> )	Centre	Inter-state / union territory supply of goods or services (for example supply between Kerala and Andhra Pradesh or supply between Daman & Diu and Madhya Pradesh and so on)

## 4. Threshold Limit & Registration

GST will apply when turnover/sales of the business exceeds Rs. 20 lakh (Rs. 10 lakh for the North East States example Manipur) during the financial year.

If the turnover/sales of the person / entity exceeds the threshold limit, then the person/entity shall have to apply for GST registration number at [www.gst.gov.in](http://www.gst.gov.in)

Registration is very easy. Even if the person or entity's turnover is lower than the threshold mentioned above it may be beneficial to register for GST as it is likely to benefit in the long run.

For registration, the person/entity shall have to provide details of the business at [www.gst.gov.in](http://www.gst.gov.in). The following details inter alia PAN (Permanent Account Number), Bank Statement, Aadhaar / Digital Signature, address proof for principal place of business, photograph and address of the authorized signatory etc.

## 5. Composition scheme under GST

The composition levy is an alternative method of levy of tax designed for small taxpayers whose turnover / sales is up to Rs. 75 lakhs. (Rs. 50 lakhs in case of North East States example Manipur).

The objective of composition scheme is to bring simplicity and to reduce the compliance cost for the small taxpayers. It is optional. The eligible person / entity opting to pay tax under this scheme can pay tax at a prescribed percentage of his turnover every quarter, instead of paying tax at normal rates.

	<b>Category of Registered Person</b>	<b>Total Rate</b>
1	Manufacturer (other than notified goods)	2%
2	Supplies (food or any other articles for human consumption)	5%
3	Other supplies	1%

If a person/entity opts for the composition scheme, then the person/entity will not be eligible to claim input tax credit.

The composition scheme is not available in the case of supply of services.

## 6. GST Registration Number

Registration Number under GST is called Goods and Service Tax Payer Identification Number (GSTIN).

It is state-wise PAN based 15 digit number the structure of which is as follows :

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
<b>State Code</b>		<b>PAN</b>										<b>Entity Code</b>	<b>Check Digit</b>	<b>Check Digit</b>

## 7. Input Tax Credit

Input tax means the CGST, SGST, UTGST and IGST paid on goods, services (or both) by the registered person. Such input tax can be set off against the payment of output tax liability.

A registered person is entitled to take credit of input tax charged on supply of goods or services (or both) to him which are used or intended to be used in the course or furtherance of business, subject to other conditions and restrictions. For example

	GST
GST liability on Sales (Output liability)	1,000
<b>Less:</b> Input Tax Credit on Purchases (Input credit)	600
Net GST liability payable to the Government	400

Input tax credit is not allowed to the purchaser if the seller has not uploaded the invoice details of outward supplies (sales) along with GST number of the buyer on GST website ([www.gst.gov.in](http://www.gst.gov.in)) on or before due date of filing of the return

## 8. Due Dates - Returns and Tax Payment

<u>Applicable to</u>	<u>Return</u>	<u>For</u>	<u>Due date</u>
Registered Taxable Person	GSTR-1	Outward Supplies (Sales)	10 <sup>th</sup> of the next month
Registered Taxable Person	GSTR-2	Inward Supplies (Purchases)	15 <sup>th</sup> of the next month
Registered Taxable Person	GSTR -3	Monthly Return (including computation of tax liability)	20 <sup>th</sup> of the next month
Composition Supplier	GSTR -4	Quarterly Return	18 <sup>th</sup> of the next month

In case of Business to Business (B to B) transactions, invoice wise details are required to be uploaded in Outward Supplies (GSTR-1). This is to help the purchasing entity to claim Input Tax Credit. In the case of Business to Customer (B to C) transactions, GST rate wise details only are to be uploaded in Outward Supplies (GSTR-1)

SGST, CGST, UTGST and IGST payment due date is 20<sup>th</sup> of the next month.



## 9. Illustration on how GST works ?

	Manufacturer (A)	Wholesaler (B)	Retailer (C)	Company (End consumer (D)
Cost of purchases excluding GST	80	100	110	120
GST paid on purchases	9	10	11	12
Total Cost including GST	89	110	121	132
Less: Input Tax Credit	(9)	(10)	(11)	(12)
Total Cost	80	100	110	120
Add: Profit Margin	20	10	10	-
Sales Value	100	110	120	-
GST on Sales Value say @ 10%	10	11	12	-
Final Sales Price to Wholesaler (B)	110	-	-	-
Final Sales Price to Retailer (C)	-	121	-	-
Final Sales Price to Company (D)	-	-	132	-

In the above example, where all entities are registered under GST; there is a clear benefit of input tax credit

Refer next slide to see, how even one un-registered entity under GST, can inflate the costs of purchases as well as cost of compliance

## 10. Illustration on how GST works ?

	Manufacturer (A)	Wholesaler (B)	Retailer (Unregistered Dealer) (C)	Company (End consumer) (D)
Cost of purchases excluding GST	80	100	121	131
GST paid on purchases	9	10	0	0
Total Cost including GST	89	110	121	131
Less: Input Tax Credit	(9)	(10)	0	0
Total Cost	80	100	121	131
Add: Profit Margin	20	10	10	-
Sales Value	100	110	131	-
GST on Sales Value say @ 10%	10	11	0	-
Final Sales Price to Wholesaler (B)	110	-	-	-
Final Sales Price to Retailer (C)	-	121	-	-
Final Sales Price to Company (D)	-	-	131	-

In the above example, there is **an increase in the cost** of Rs. 11 (131-120) **due to purchase from an unregistered supplier.**

The End Consumer (D) will also have to pay applicable GST to the Government under reverse charge mechanism (RCM) on account of purchase of goods from an unregistered dealer. The GST paid under RCM can be claimed by the End Consumer (D) as input tax credit. However, **the cost of compliance will increase.**

# Thank You

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