ISBN: 978-81-974088-9-2

6. GST Essentials – A Bird's-Eye View

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6.1 Introduction:

Goods and Services Tax is a form of indirect taxation applicable to the sale or exchange of goods and services in India. It was introduced from 1st July, 2017 as a path-breaking changeover from the VAT regime. The Value Added Tax regime had certain inherent limitations and drawbacks. This necessitated the emergence of a robust system of indirect taxation in the country which can address major drawbacks of the erstwhile VAT system. GST was introduced as a centralized, web-based system capable of performing almost all citizen-centric services online. The slogan of GST is "ONE NATION, ONE TAX, ONE MARKET". Thus, GST provides unified processes for the indirect taxation in the country with unified legal framework governing it.

6.1.1 Features of GST:

- GST is a destination based consumption tax
- A unified tax system for goods and services
- It follows the dual GST model (simultaneous charging of tax by the Centre and the State)
- Some goods are kept outside the purview of GST (Petroleum products, alcoholic liquor, etc.)
- Some goods and services were fully exempted from the purview of GST (goods like food grains, salt, vegetables, etc. and services like educational service, service done by government, etc.)
- Certain supplies were categorized as zero-rated for which no GST is levied (such as supply to SEZ units, Supply by SEZ units, etc.)
- An option to choose tax payment under the Composition Scheme was provided
- The concept of tax payment under the Reverse Charge Mechanism was introduced for certain types of goods and services
- HSN Codes are used to classify goods for tax purpose and Service Accounting Codes are used to classify services
- Tax rates under GST in normal case consists of zero rated, 5%,12%,18% and 24%

- GST Council, a joint forum of the Centre and States, meets regularly and makes recommendation on the inclusion or exclusion of certain goods or services for tax purpose, fixing tax rates for the goods and services, revising tax rates, and all other matters concerning the GST.
- GST Network , the technological backbone of the GST, takes care of all online services

Limitations of Old VAT Regime	Merits of GST Regime
• Inefficient Tax Administration • Cascading Effect • Double Taxation • Multiplicity of Tax Laws • Divergence in the Tax Laws in States • Lack of Transparency • Corruption, Bureaucratic Nexus and Red-tapism • Large scale tax evasion • High cost of tax compliance	• Efficient , Effective and Robust tax system • Online processes and services • Transparent system of tax administration • Less cost of tax compliance • Avoids cascading effect • No double taxation • Unified tax laws all across the country • Little scope for corruption and red-tapism • Little instance of tax evasion • Self-declaration based returns

6.2 GST Laws:

The laws concerning the goods and services tax consists of the following:

a. The three principal GST Acts enacted in the year 2016 by the Parliament and State Legislatures such as CGST Act, IGST Act and the SGST Act
b. Their corresponding Rules framed by the respective Governments such as CGST Rules, IGST Rules and the SGST Rules
c. The Notifications and Circulars issued by the central and state GST Departments from time to time.

6.2.1 Taxes under the GST:

The dual GST model of taxation suggests that the applicable tax should be split into two portions- 50% to the Central Government and another 50% to the respective State Governments.

All the tax remittance will be collected by the Central Government and thereafter the SGST collections and the State portion (SGST portion) of IGST collections will be devolved to the respective State Government.

1. CGST: Central GST is the tax portion levied by Central Government on the intra-state transactions at the rate of half of the applicable GST rate

2. SGST or UTGST: State GST or Union Territory GST is the tax portion levied by the respective State Government or the Union Territory Administrations on the intra-state transactions at the rate of half of the applicable GST rate
3. IGST: Integrated GST is the tax levied by the Central Government on the interstate supply of goods or services at the full rate of the applicable GST rate and subsequently distributes the state portion of IGST to the respective States.

6.2.2 Tax Slabs under the GST:

Tax rates under the GST regime are determined based on the classification of goods and services. HSN codes are used to classify goods and SAC is used for the services. There are several tax rates prevailing under the GST, based on HSN, SAC and type of GST registration.

Sr. No	Nature of Supply / Type of Taxpayers	Rate of Tax
1	Normal Taxpayers dealing in Goods	0%, 0.25%, 3%, 5%, 12%, 18% and 28%
2	Normal Taxpayers dealing in Services	0%, 1.5%, 5%, 7.5%, 12%, 18% and 28%,
3	Composition Taxpayers – Goods and Services	1%, 5%, 6%

6.2.3 Key Concepts and Terminologies:

1. Supply: As per Sec 7 (1) of the CGST Act Supply includes :
   (a) All forms of supply of goods or services or both 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 of furtherance of business
   (a a) the activities or transactions, by a person, other than an individual, to its members or constituents or vice-versa, for cash, deferred payment/ other valuable consideration.
   (b) Importation of services for a consideration
   (c) Activities specified in Schedule 1, made or agreed to be made without a consideration
2. Taxable Supply: Means ' a supply of goods or services or both which is leviable to tax under this Act (Sec 2 (108) of CGST Act)
3. Annual Turnover: Includes value of all outside supplies (taxable supplies, exempt supplies, exports, inter-state supplies of persons having the same PAN to be computed on all India basis. It excludes the amount of CGST, SGST/UTGST, IGST, Cess and the value of inward supplies on which tax is payable under reverse charge (Sec 2 (6))
4. Goods: Section 2 (52) of CGST Act defines Goods as ' 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 served before supply or under a contract of supply.'
5. Services: 'Means any things other than goods, money and securities but include 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.' (Sec 2 (102 of CGST Act)

6. Exempt Supply: means supply of any goods or services or both which attract nil rate of tax or which may be wholly exempt from tax under section 11 of CGST Act or under section 6 of IGST Act and includes non-taxable supply. (Sec 2 (47)
7. Non-taxable Supply: these are supplies which are not taxed under the GST but are taxed under the provisions of other Acts such as alcoholic drink for human consumption, petroleum products, etc.
8. Composite Supply: means a supply made a taxable person to a recipient and:
    a. Comprises two or more taxable supplies of goods or services or both, or any combination thereof
    b. Which are naturally bundled and supplied in conjunction with each other, in the ordinary course of business
    c. One of which is a principal supply

    Composite supplies will be taxed at the rate of the principal supply

9. Mixed Supply: means two or more individual supplies of goods or services, or any combination thereof, in conjunction with each other by a taxable person for a single price where such supply does not constitute a composite supply. The individual supplies are independent of each other and are not naturally bundled. Mixed supplies are taxed at the highest rate of its individual supplies.
10. Forward Charge Mechanism: means a registered supplier collecting tax from the buyers and remits this amount to the government.
11. Reverse Charge Mechanism: means the recipient of goods or service makes payment of tax to the government directly under certain specified conditions and instances.
12. Composition Scheme: It is an option given to the registered taxpayers having annual turnover from the supply of goods up to ₹ 1.5 crores , to pay GST at a nominal rate of tax from their profit margin. Composition taxpayers are not permitted to collect GST from their customers. Instead, they should remit the tax from their margin, computed at a nominal rate on their declared sales amount.
13. Time of Supply: It means point in time when goods or services are considered supplied. It is important in deciding the due date for payment of taxes. Normally the time of supply is the earliest of the three dates
    a. the date of issue of invoice
    b. the last date on which the supplier is required to issue invoice as per Sec.31
    c. the date of receipt of payment by the supplier
14. Place of Supply: It simply means the place where the supply is consumed. The place of supply determines the jurisdiction of tax revenue and the type of tax to be collected (that is the CGST and SGST or the IGST). In normal case the place of the recipient will be the place of supply.
15. Value of Supply: It means the monetary value of consideration payable by the recipient for obtaining the supply of goods or services. Normally the transaction value will be

considered as the value of supply. It is important for calculating the amount of tax to be collected and remitted.

16. E-Way Bill: It means the electronic way bill, usually generated by the supplier, prior to the movement of goods through a conveyance, by providing necessary details in the GST portal. It is introduced to monitor the movement of goods for controlling any tax evasion. Thus it is an electronic document generated on GST portal evidencing movement of goods. It is required when the value of consignment exceeds ₹50,000.
17. E-Invoicing: It is a system for the registered persons for uploading all the B2B invoices to the Invoice Registration Portal (IRP). The IRP generates and returns a unique Invoice Reference Number (IRN), digitally signed e-invoice and QR code to the user. It is mandatory for taxpayers having annual turnover more than ₹ 5 crores.
18. TDS: Government agencies and notified persons are required to deduct 2% (1% CGST and 1% SGST) from the payment made or credited to the supplier as Tax Deducted at Source if the value of taxable supply exceeds ₹2,50,000. Such deductors are required to file GSTR 7 on monthly basis.
19. TCS: E-Commerce Operators (ECOs) are mandated to collect 1% of the net value of taxable supplies made through it by suppliers, where the ECO collects the consideration on behalf of such suppliers. This is called as Tax Collected at Source. ECOs are required to file GSTR 8 on monthly basis.
20. Electronic Cash Ledger: It is a ledger maintained for the taxpayer to reflect all deposits made in cash and TDS/TCS made on account of the taxpayer. All such amounts will be standing to the credit of this ledger. This credit balance can be used for the payment towards the tax (IGST/CGST/SGST) amount, interest, penalty, fees or any other amount on account of GST.
21. Electronic Credit Ledger: This ledger reflects the Input Tax Credit available to the taxpayer as self-assessed in monthly return. The credit balance in this ledger can be used to make payment of only the output tax. It will not be available for payment towards any other items such as interest, fees, penalty, etc.
22. Electronic Liability Register: This will reflect the total tax liability of the taxpayer after netting for the month. The credit balance of Electronic Cash Ledger and Electronic Credit Ledger can be used for the settlement of liability. While discharging the liability there requires a sequential order of discharge such as previous year tax dues, current year tax dues, and the demand under Section 73 and 74.
23. Tax Invoice: It is the invoice prepared and issued by a registered person supplying taxable supply showing the description, quantity and value of goods, the tax charged thereon, and such other particulars as may be prescribed under the GST law.
24. Bill of Supply: It is issued by the supplier if the supply is non-taxable, exempt supply, or by a composition dealer not collecting tax from the buyers. There will not be any tax component in the Bill of Supply. Unregistered persons will also issue Bill of Supply.
25. Credit Note: It is a document issued by the registered person for the purpose of reducing his tax liability under the GST. It is convenient and legal method by which the value of outward supply in the original tax invoice can be amended or revised. It is issued when

instances such as the taxable value or tax charged in the tax invoice is found to be excess of actual value, or where the goods supplied are returned by the recipient, or the supply is found to be deficient, etc.,

26. Debit Note: It is issued when the taxable value or tax charged in the tax invoice is found to be less than the actual value or the quantity received by the recipient is more than what is stated in the tax invoice. In all these cases the taxable value or tax amount needs to be increased to the extent of actual value. Here a Debit Note issued for the purpose of increasing the taxable value or tax amount.

6.3 Registration under the GST:

Registration under the GST can be done either on voluntary basis or on compulsory basis as per the requirements of law. Any person engaged in the business activities can take voluntary registration. Aggregate Annual Turnover of a taxable person on a pan India basis will be considered for the purpose of compulsory registration requirement. The threshold limit of Aggregate Annual Turnover for registration is.

Nature of Supply in the Business	**Supply of Goods only**	**Supply of Service only**	**Deals in both Goods and Service**
Threshold limit of Aggregate Annual Turnover (Normal Case)	40 Lakhs	20 Lakhs	20 Lakhs
Special Category States (Arunachal Pradesh, Meghalaya, Sikkim, Uttarakhand, Puduchery, & Telangana)	20 Lakhs	20 Lakhs	20 Lakhs
Special Category States (Manipur, Mizoram, Nagaland, & Tripura)	10 Lakhs	10 Lakhs	10 Lakhs

Registration in GST is PAN based. If a taxable person has multiple places of business in several states /UTs, separate registration is needed for each state. In case the business has more place of business in a particular state, one single registration in the state is needed. But the businessman should declare one of his places of business in the state as Principal Place of Business(PPoB) and others as Additional Places of Business(APoB). There are certain cases where the businessman is required to take GST registration compulsorily even if the aggregate annual turnover is not up to the threshold limit. Such instances are:

a. Persons making inter-state taxable supply
b. Casual Taxable Persons (CTP) making taxable supply
c. Persons who are required to pay tax under Reverse Charge Mechanism on inward supplies
d. Non-Resident Taxable Persons (NRTP) making taxable supply

e. E-Commerce Operators (ECOs) and Persons making supply through E-Commerce Operators
f. Persons required deducting tax under GST (TDS Deductor)
g. Persons who makes taxable supply on behalf of other taxable persons
h. Input Service Distributor making distribution of ITC to their units
i. Online Information and Database Access or Retrieval (OIDAR) service providers supplying service to persons in India from outside the country

6.4 Input Tax Credit (ITC):

ITC is the lifeline and backbone of GST regime and make the indirect tax in India a real Value Added Tax in letter and spirit, through the process of seem-less flow of credit across all stages of the supply chain. It allows the registered persons to pay their output tax liability on net basis, after deducting the input tax already paid by them. ITC enables the business to pass their tax burden and there by results in the reduction of selling price of goods and service. The concept of ITC avoids cascading effect of taxation.

6.5 Conditions for availing ITC:

In order to curb the menace of large-scale misuse of ITC and tax evasion, certain conditions were introduced for the availment and utilization of ITC.

They are:

a. The recipient should be in possession of a valid tax invoice or debit note issued by a registered supplier
b. The supplier should file the GSTR 1 and it should be communicated by way of its reflection in the GSTR 2B of the recipient.
c. The ITC as disclosed in the GSTR 2B shall not come under the Restricted ITC category
d. The recipient should have actually received the goods or services or both
e. The registered supplier must have made payment of GST in respect of such supplies
f. The registered person taking ITC must have filed the GST return under Section39 (GSTR 3B)

In addition to these conditions, there are certain other provisions to be observed with respect to the ITC availment or ITC reversal, such as:

1. Registration under the GST is mandatory
2. Goods and Services in the inward supply is for the purpose of furtherance of business
3. In case goods are received in lots, ITC will be available only on receipt of last lot
4. Payment to the supplier needs to be made within 180 days from the date of invoice
5. If depreciation claimed as tax component of the cost of capital goods purchased as per the provisions of Income Tax Act, ITC will not be available
6. Time limit for availing ITC is fixed as 30th November of the succeeding financial year

6.6 Order of Utilization of ITC:

Input Tax Credit	Output Tax Liability of IGST	Output Tax Liability of CGST	Output Tax Liability of SGST/UTGST
IGST Credit	1 (first used for IGST liability)	2 & 3(Balance can be used to settle CGST or SGST liability in any order or any proportion and should be exhausted completely)	
CGST Credit	5(balance can be used for settling IGST liability)	4 (first used for CGST liability)	Not permitted for settling this liability
SGST/UTGST Credit	7 (balance can be used to settle IGST liability)	Not permitted for settling this liability	6 (first used for SGST /UTGST liability)

- IGST Credit can be utilized for the payment of IGST liability and the balance can be distributed to CGST and SGST liabilities
- CGST Credit can be utilized for the payment of CGST liability first and the balance can be used for the payment of IGST liability
- SGST Credit can be utilized for the payment of SGST liability first and the balance can be used for the settlement of IGST liability
- CGST Credit cannot be used for settling the SGST liability
- SGST Credit cannot be used for settling the CGST liability

6.7 Returns under the GST:

There are several Returns to be filed by various type of taxpayers based on their applicability. A bird's-eye view of these Returns is presented in the table below

Sr. No.	Type of Return	Nature of Return	Periodicity	Due Date of Filing	Applicability
1	GSTR 1	Outward Supply	Monthly	11^{th} day of succeeding month	Normal Taxpayers
Casual Taxable Persons & Taxpayers opting for QRMP scheme also files this Return					
2	GSTR 2A	Inward Supply	Dynamic Statement - reflecting all changes in the GSTR 1	Auto-populated from the GSTR 1 of Suppliers	Normal Taxpayers
	GSTR 2 B	Eligible ITC	Static Statement generated Monthly	Auto-populated & generated on the 14^{th}day of succeeding month	

Sr. No.	Type of Return	Nature of Return	Periodicity	Due Date of Filing	Applicability
3	GSTR 3 B	Return under Sec 39 – Summary Return for the payment of tax	Monthly	20^{th} day of succeeding month	Normal Taxpayers
Casual Taxable Persons and Taxpayers opted for QRMP scheme also files this Return					
4	GST CMP-08	Quarterly Return of Composition Supply & payment of tax	Quarterly	18^{th} day of succeeding month after the quarter	Composition Taxpayers
	GSTR 4	Annual Return	Yearly	30^{th} April of the succeeding financial year	
5	GSTR 5	Inward and Outward supplies of NRTPs	Monthly	13^{th} day of succeeding month	Non-Resident Taxable Persons
6	GSTR 6	Input Service Distributors for distributing ITC to their units	Monthly	13^{th} day of succeeding month	ISD
7	GSTR 7	Tax Deducted at Source	Monthly	10^{th} day of succeeding month	TDS Taxpayers
8	GSTR 8	Tax Collected at Source by E-Commerce Operators	Monthly	10^{th} day of succeeding month	E-Commerce Operators
9	GSTR 9	Annual Return	Yearly	30^{th} Nov of succeeding Financial Year	Normal Taxpayers
	GSTR 9A	Annual Return (Discontinued)	Yearly	31^{st} Dec of succeeding FY	Composition Taxpayers
	GSTR 9B	Annual Return	Yearly	31^{st} Dec of succeeding FY	E-Commerce Operators
	GSTR 9C	Reconciliation Statement	Yearly	31^{st} Dec of succeeding FY	Taxpayers having Turnover >₹5 Crores
10	GSTR 10	First Return by a newly registered taxable person for declaring the outward supplies for a period from the date of liable to be registered and the date of registration. Also, the Final Return for taxable persons whose registration was cancelled / surrendered			

Sr. No.	Type of Return	Nature of Return	Periodicity	Due Date of Filing	Applicability
11	GSTR 11	Return filed by holders UIN (Unique Identity Number) for getting tax credit / refund for their inward supplies.			

6.8 Reference:

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