PAPER

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FINAL COURSE
STUDY MATERIAL
GROUP-II

INDIRECT TAX LAWS
PART I: GOODS AND SERVICES TAX

MODULE 2 OF 4

Relevant for May, 2024 and November, 2024 Examinations

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INPUT TAX CREDIT

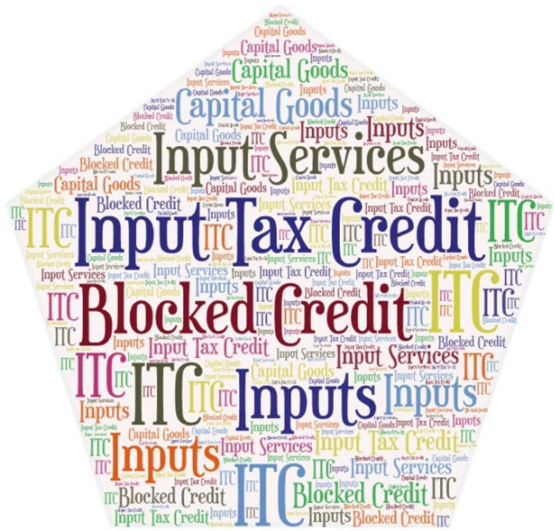
The section numbers referred to in the Chapter pertain to CGST Act and rule numbers referred to in the Chapter pertain to CGST Rules, unless otherwise specified. For the sake of brevity, input tax credit has been referred to as ITC in this Chapter. Examples/Illustrations/Questions and Answers given in the Chapter are based on the position of GST law existing as on 30.04.2023.

LEARNING OUTCOMES

After studying this Chapter, you will be able to –

- describe what are inputs, input services, capital goods and other relevant terms in relation to ITC
- explain the various conditions, timelines and restrictions for taking ITC on goods and services in general and in special circumstances
- identify the items on which ITC is available as also the blocked items on which ITC is not available
- explain the concept relating to availing of proportionate ITC when common inputs or input service or capital goods are used or intended to be used for exempted and taxable supplies or business and non-business activities
- comprehend the concept of an input service distributor and the manner of distribution of credit by him
- describe the manner of recovery of credit distributed in excess
- comprehend, analyse and apply all the above provisions as also the provisions relating to utilization of ITC in problem solving
- compute the GST liability of a registered person.

1. INTRODUCTION



In earlier indirect tax regime, the credit mechanism for indirect taxes levied by the Union Government, (central excise duty and service tax) was governed by the CENVAT Credit Rules, 2004; and the credit mechanism for State-level VAT on sale of goods was governed by the States under their respective VAT laws. The VAT legislations allowed ITC of VAT on inputs and capital goods in transactions within the State, but not on inputs and capital goods coming in the State from outside the State, on which central sales tax was paid. CENVAT Credit Rules, 2004 allowed availing and utilizing credit of duty/tax paid on both goods (capital goods and inputs) and services by the manufacturers and the service providers across the country.

The credit across goods and services was integrated vide the CENVAT Credit Rules, 2004 in the year 2004 to mitigate the cascading effects of central levies namely, central excise duty and service tax. However, the credit chain remained fragmented on account of State-Level VAT as the credit of central taxes could not be set off against a State levy and *vice versa*. The chain further got distorted as ITC was not available on inter-State purchases. This resulted in cascading of taxes leading to increase in costs of goods and services.

The GST regime promises seamless credit on goods and services across the entire supply chain with some exceptions like supplies charged to tax under composition scheme, blocked credits and supply of exempted goods and/or services. ITC is considered to be the lifeline of the GST regime. In fact, it is the provisions of ITC which essentially make GST - a value added tax i.e., collection of tax at all points of supply chain after allowing credit of tax paid at earlier points.

Chapter V of the CGST Act [Sections 16 to 21] & Chapter V: Input Tax Credit of the CGST Rules [Rules 36-45] prescribe the provisions relating to ITC.

Further, section 41 contains provisions for availment of ITC, sections 49(5), 49A, 49B and rule 88A together prescribe the sequence of utilisation of ITC and rules 86A and 86B stipulate the conditions of use of amount available in electronic credit ledger and restrictions on use of amount available in electronic credit ledger. State GST laws also prescribe identical provisions in relation to ITC. First the statutory provisions of these sections together with the relevant rules have been extracted followed by their analysis[1].

Provisions of ITC under CGST Act have also been made applicable to IGST Act vide section 20 of the IGST Act.

Scheme of ITC - At a Glance

Given below are the salient features of the scheme of ITC. The scheme has been discussed in detail in the ensuing pages of this Chapter.

- The scheme is designed to avoid cascading effect of taxes and make GST a destination-based tax.
- Broadly, ITC is available on all inputs, input services and capital goods used for purposes of business by a taxable person. The exception is 'blocked credit', where ITC is not available even when these goods or services are used for the purposes of business.
- ITC is used for payment of tax on taxable output supply to avoid cascading effect of taxes.
- GST law does not require 'one to one' co-relation between inputs/input services and final products/services. Any eligible ITC can be used for payment of tax on any taxable output supply.
- IGST is another core aspect of GST. It is a transitory tax to enable transfer of ITC when goods or services move from one State to another. This is a unique feature of Indian GST.

[1] *The provisions of section 19 relating to taking ITC on inputs and capital goods sent for job work have been discussed in Chapter 16: Job Work in Module 3 of this Study Material.*

- Since ITC can be availed & utilized for payment of tax on taxable output supply, as a natural corollary, ITC cannot be availed in respect of exempt output supply on which tax is not payable.
- The exception to the above principle is 'zero rated supply', i.e. exports or supplies to a special economic zone (SEZ) developer/unit ***for authorised operations***, where ITC is available even if no tax is payable on output supply as zero-rated supplies are not exempt supplies. Such ITC can be utilized either for making supplies by paying tax or refund of the unutilized ITC can be obtained. This simple mechanism is used to make exports and supplies to SEZ completely tax free.
- If a taxable person is making both taxable and exempt supply, he is entitled to avail full credit of ITC in respect of inputs, input services and capital goods exclusively used for taxable supply and no credit at all can be availed for inputs, input services and capital goods exclusively used for exempt supply.
- If common inputs, input services and capital goods are used for taxable as well as exempt supply, only proportionate ITC attributable to the taxable supply is available. The common ITC is apportioned in the ratio of value of taxable supply and exempt supply. Elaborate provisions have been made in the GST law to prescribe the manner of calculation of proportionate ITC.
- ITC can be availed on inputs and capital goods sent for job work; ITC is available even if the inputs and capital goods are sent directly to the job worker without being first brought to the place of business of the supplier.[2]
- Input services received at head office or branch offices are ultimately indirectly used for supplies made from manufacturing or trading or business premises. ITC of such input services can be availed through mechanism of 'input service distributor'.

Before proceeding to understand the statutory provisions relating to ITC, let us first go through few relevant definitions.

[2] *The provisions relating to taking ITC on inputs and capital goods sent for job work have been discussed in Chapter 16: Job Work in Module 3 of this Study Material.*

2. RELEVANT DEFINITIONS

- **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 [Section 2(5)].

- **Business** includes

  (a) any trade, commerce, manufacture, profession, vocation, adventure, wager or any other similar activity, whether or not it is for a pecuniary benefit;

  (b) any activity or transaction in connection with or incidental or ancillary to sub-clause (a);

  (c) any activity or transaction in the nature of sub-clause (a), whether or not there is volume, frequency, continuity or regularity of such transaction;

  (d) supply or acquisition of goods including capital goods and services in connection with commencement or closure of business;

  (e) 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;

  (f) admission, for a consideration, of persons to any premises;

  (g) 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;

  (h) activities of a race club including by way of totalisator or a licence to book maker or activities of a licenced book maker in such club; and

  (i) any activity or transaction undertaken by the Central Government, a State Government or any local authority in which they are engaged as public authorities [Section 2(17)].

- **Capital goods** means goods, the value of which is capitalized in the 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 [Section 2(19)].
- **Conveyance** includes a vessel, an aircraft and a vehicle [Section 2(34)].
- **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 IGST Act, and includes non-taxable supply [Section 2(47)].
- **Input** means any goods other than capital goods used or intended to be used by a supplier in the course or furtherance of business [Section 2(59)].
- **Input service** means any service used or intended to be used by a supplier in the course or furtherance of business [Section 2(60)].
- **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 [Section 2(61)].
- **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 and includes—

    (a) the integrated goods and services tax charged on import of goods;

    (b) the tax payable under the provisions of sub-sections (3) and (4) of section 9;

    (c) the tax payable under the provisions of sub-section (3) and (4) of section 5 of the IGST Act;

    (d) the tax payable under the provisions of sub-section (3) and sub-section (4) of section 9 of the respective State Goods and Services Tax Act; or

(e) the tax payable under the provisions of sub-section (3) and sub-section (4) of section 7 of the Union Territory Goods and Services Tax Act,

but does not include the tax paid under the composition levy [Section 2(62)].

❖ **Input tax credit** means the credit of input tax [Section 2(63)].

❖ **Invoice or tax invoice** means the tax invoice referred to in section 31 [Section 2(66)].

❖ **Inward supply** in relation to a person, shall mean receipt of goods or services or both whether by purchase, acquisition or any other means with or without consideration [Section 2(67)].

❖ **Motor vehicle** shall have the same meaning as assigned to it in clause (28) of section 2 of the Motor Vehicles Act, 1988 [Section 2(76)].

Motor vehicle or vehicle under the Motor Vehicles Act, 1988 means any mechanically propelled vehicle adapted for use upon roads whether the power of propulsion is transmitted thereto from an external or internal source and includes a chassis to which a body has not been attached and a trailer; but does not include a vehicle running upon fixed rails or a vehicle of a special type adapted for use only in a factory or in any other enclosed premises or a vehicle having less than four wheels fitted with engine capacity of not exceeding 25 cubic centimetres. [Section 2(28) of Motor Vehicles Act, 1988].

❖ **Non-resident taxable person** means any person who occasionally undertakes transactions involving supply of goods or services or both, whether as principal or agent or in any other capacity, but who has no fixed place of business or residence in India [Section 2(77)].

❖ **Output tax** in relation to a taxable person, means the tax chargeable under this Act on taxable supply of goods or services or both made by him or by his agent but excludes tax payable by him on reverse charge basis [Section 2(82)].

❖ **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 [Section 2(83)].

❖ **Place of business** includes––

- a place from where the business is ordinarily carried on, and includes a warehouse, a godown or any other place where a taxable person stores his goods, supplies or receives goods or services or both; or
- a place where a taxable person maintains his books of account; or
- a place where a taxable person is engaged in business through an agent, by whatever name called [Section 2(85)].

❖ **Quarter** shall mean a period comprising three consecutive calendar months, ending on the last day of March, June, September and December of a calendar year [Section 2(92)].

❖ **Recipient** of supply of goods or services or both, means—

(a) where a consideration is payable for the supply of goods or services or both, the person who is liable to pay that consideration;

(b) where no consideration is payable for the supply of goods, the person to whom the goods are delivered or made available, or to whom possession or use of the goods is given or made available; and

(c) where no consideration is payable for the supply of a service, the person to whom the service is rendered,

and any reference to a person to whom a supply is made shall be construed as a reference to the recipient of the supply and shall include an agent acting as such on behalf of the recipient in relation to the goods or services or both supplied [Section 2(93)].`

❖ **Registered person** means a person who is registered under section 25 of CGST Act but does not include a person having a Unique Identity Number [Section 2(94)]

❖ **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 [Section 2(105)].

❖ **Taxable person** means a person who is registered or liable to be registered under section 22 or section 24 [Section 2(107)].

- **Taxable supply** means a supply of goods or services or both which is leviable to tax under CGST Act [Section 2(108)].
- **Turnover in State or turnover in Union territory** 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) and exempt supplies made within a State or Union territory by a taxable person, exports of goods or services or both and inter-State supplies of goods or services or both made from the State or Union [Section 2(112)].
- **Works contract** means a contract for building, construction, fabrication, completion, erection, installation, fitting out, improvement, modification, repair, maintenance, renovation, alteration or commissioning of any immovable property wherein transfer of property in goods (whether as goods or in some other form) is involved in the execution of such contract [Section 2(119)].
- **Zero-rated supply** means any of the following supplies of goods or services or both, namely:—

  (a) export of goods or services or both; or

  (b) supply of goods or services or both ***for authorised operations*** to a Special Economic Zone (SEZ) developer or a Special Economic Zone unit [Section 16(1) of the IGST Act].

3. ELIGIBILITY AND CONDITIONS FOR TAKING INPUT TAX CREDIT [SECTION 16]

STATUTORY PROVISIONS

Section 16	***Eligibility and conditions for taking input tax credit***	
Sub-section	***Clause***	***Particulars***
(1)	*Every registered person shall, subject to such conditions and restrictions as may be prescribed and in the manner specified in section 49, 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 and the said amount shall be credited to the electronic credit ledger of such person.			
(2)	*Notwithstanding anything contained in this section, no registered person shall be entitled to the credit of any input tax in respect of any supply of goods or services or both to him unless,–*			
	(a)	*he is in possession of a tax invoice or debit note issued by a supplier registered under this Act, or such other tax paying documents as may be prescribed;*		
	(aa)	***the details of the invoice or debit note referred to in clause (a) has been furnished by the supplier in the statement of outward supplies and such details have been communicated to the recipient of such invoice or debit note in the manner specified under section 37;***		
	(b)	*he has received the goods or services or both.*		
		Explanation.—For the purposes of this clause, it shall be deemed that the registered person has received the goods or, as the case may be, services–		
		(i)	*where the goods are delivered by the supplier to a recipient or any other person on the direction of such registered person, whether acting as an agent or otherwise, before or during movement of goods, either by way of transfer of documents of title to goods or otherwise;*	
		(ii)	*where the services are provided by the supplier to any person on the direction of and on account of such registered person.*	
	(ba)	***the details of input tax credit in respect of the said supply communicated to such registered person under section 38 has not been restricted;***		

	(c)	*subject to the provisions of **section 41**, the tax charged in respect of such supply has been actually paid to the Government, either in cash or through utilisation of input tax credit admissible in respect of the said supply; and*
	(d)	*he has furnished the return under section 39:*
	Provided that where the goods against an invoice are received in lots or instalments, the registered person shall be entitled to take credit upon receipt of the last lot or instalment:	
	*Provided further that where a recipient fails to pay to the supplier of goods or services or both, other than the supplies on which tax is payable on reverse charge basis, the amount towards the value of supply along with tax payable thereon within a period of one hundred and eighty days from the date of issue of invoice by the supplier, an amount equal to the input tax credit availed by the recipient shall be **paid by him along with interest payable under section 50**, in such manner as may be prescribed:*	
	*Provided also that the recipient shall be entitled to avail of the credit of input tax on payment made by him **to the supplier** of the amount towards the value of supply of goods or services or both along with tax payable thereon.*	
(3)	*Where the registered person has claimed depreciation on the tax component of the cost of capital goods and plant and machinery under the provisions of the Income-tax Act, 1961, the input tax credit on the said tax component shall not be allowed.*	
(4)	*A registered person shall not be entitled to take input tax credit in respect of any invoice or debit note for supply of goods or services or both after the **thirtieth day** of **November** following the end of financial year to which such invoice or debit note pertains or furnishing of the relevant annual return, whichever is earlier.*	
Section 41	***Availment of input tax credit***	
(1)	***Every registered person shall, subject to such conditions and restrictions as may be prescribed, be entitled to avail the credit of eligible input tax, as self-assessed, in his return and***	

	such amount shall be credited to his electronic credit ledger.	
(2)	***The credit of input tax availed by a registered person under sub-section (1) in respect of such supplies of goods or services or both, the tax payable whereon has not been paid by the supplier, shall be reversed along with applicable interest, by the said person in such manner as may be prescribed.*** ***Provided that where the said supplier makes payment of the tax payable in respect of the aforesaid supplies, the said registered person may re-avail the amount of credit reversed by him in such manner as may be prescribed.***	
Chapter V: Input Tax Credit of the CGST Rules		
Rule 36	***Documentary requirements and conditions for claiming input tax credit***	
Sub-rule	***Clause***	***Particulars***
(1)	*The input tax credit shall be availed by a registered person, including the Input Service Distributor, on the basis of any of the following documents, namely:-*	
	(a)	*an invoice issued by the supplier of goods or services or both in accordance with the provisions of section 31;*
	(b)	*an invoice issued in accordance with the provisions of clause (f) of sub-section (3) of section 31, subject to the payment of tax;*
	(c)	*a debit note issued by a supplier in accordance with the provisions of section 34;*
	(d)	*a bill of entry or any similar document prescribed under the Customs Act, 1962 or rules made thereunder for the assessment of integrated tax on imports;*
	(e)	*an input service distributor invoice or input service distributor credit note or any document issued by an input service distributor in accordance with the provisions of sub-rule (1) of rule 54.*

(2)	*Input tax credit shall be availed by a registered person only if all the applicable particulars as specified in the provisions of Chapter VI are contained in the said document.*	
	Provided that if the said document does not contain all the specified particulars but contains the details of the amount of tax charged, description of goods or services, total value of supply of goods or services or both, GSTIN of the supplier and recipient and place of supply in case of inter-State supply, input tax credit may be availed by such registered person.	
(3)	*No input tax credit shall be availed by a registered person in respect of any tax that has been paid in pursuance of any order where any demand has been confirmed on account of any fraud, willful misstatement or suppression of facts.*	
(4)	***(a)***	***the details of such invoices or debit notes have been furnished by the supplier in the statement of outward supplies in FORM GSTR-1 or using the invoice furnishing facility; and***
	(b)	***the details of input tax credit in respect of such invoices or debit notes have been communicated to the registered person in FORM GSTR-2B under sub-rule (7) of rule 60.***
Rule 37	***Reversal of input tax credit in the case of non-payment of consideration***	
Sub-rule	***Particulars***	
(1)	***A registered person, who has availed of input tax credit on any inward supply of goods or services or both, other than the supplies on which tax is payable on reverse charge basis, but fails to pay to the supplier thereof, the amount towards the value of such supply whether wholly or partly, along with the tax payable thereon, within the time limit specified in the second proviso to sub-section (2) of section 16, shall pay or reverse an amount equal to the input tax credit availed in respect of such supply, proportionate to the amount not paid to the supplier, along with interest payable thereon under section 50, while furnishing the return in FORM GSTR-3B for***	

	the tax period immediately following the period of one hundred and eighty days from the date of the issue of the invoice.
	Provided that the value of supplies made without consideration as specified in Schedule I of the said Act shall be deemed to have been paid for the purposes of the second proviso to sub-section (2) of section 16.
	Provided further that the value of supplies on account of any amount added in accordance with the provisions of clause (b) of sub-section (2) of section 15 shall be deemed to have been paid for the purposes of the second proviso to sub-section (2) of section 16.
(2)	***Where the said registered person subsequently makes the payment of the amount towards the value of such supply along with tax payable thereon to the supplier thereof, he shall be entitled to re-avail the input tax credit referred to in sub-rule (1).***
(4)	*The time limit specified in sub-section (4) of section 16 shall not apply to a claim for re-availing of any credit, in accordance with the provisions of the Act or the provisions of this Chapter, that had been reversed earlier.*
Rule 37A	***Reversal of input tax credit in the case of non-payment of tax by the supplier and re-availment thereof***
	Where input tax credit has been availed by a registered person in the return in FORM GSTR-3B for a tax period in respect of such invoice or debit note, the details of which have been furnished by the supplier in the statement of outward supplies in FORM GSTR-1 or using the invoice furnishing facility, but the return in FORM GSTR-3B for the tax period corresponding to the said statement of outward supplies has not been furnished by such supplier till the 30th day of September, following the end of the financial year in which the input tax credit in respect of such invoice or debit note has been availed, the said amount of input tax credit shall be reversed by the

	said registered person, while furnishing a return in FORM GSTR-3B on or before the 30th day of November following the end of the financial year.
	Provided that where the said amount of input tax credit is not reversed by the registered person in a return in FORM GSTR-3B on or before the 30th day of November following the end of such financial year during which such input tax credit has been availed, such amount shall be payable by the said registered person along with interest thereon under section 50.
	Provided further that where the said supplier subsequently furnishes the return in FORM GSTR-3B for the said tax period, the said registered person may re-avail the amount of such credit in the return in FORM GSTR-3B for a tax period thereafter.

ANALYSIS

(i) Eligibility for taking ITC [Section 16(1)]

(a) Registration under GST

Every registered person shall be entitled to ITC of GST charged on inward supply *[See definition of inward supply]* of goods and / or services. This is subject to the provisions relating to use of ITC under section 49 and the conditions and restrictions in the rules. *[Section 49 prescribes provisions relating to payment of tax, interest, penalty & other amounts. The same has been discussed in detail in Chapter 11: Payment of Tax in this Module of the Study Material. Relevant portion is discussed in this Chapter subsequently.]*

(b) Goods/services to be used for business purposes

ITC of GST will be available on goods and/or services which are used or intended to be used in the course or furtherance of the business *[See definition of business]*. The scope of the definition of 'business' is very wide. It is also an inclusive definition. The relation of inputs and input services with business can be direct or indirect.

The "intention to use" the goods and/or services in the course or furtherance of business would also suffice for availing ITC on such goods and/or services. However, if finally, the input goods or services are not utilised for intended purpose, ITC is disallowed, as provided in section 17(5) of CGST Act. *[Section 17(5) specifies the inputs or input services in respect of which ITC is not allowed. Provisions of section 17(5) are discussed in the ensuing pages of this Chapter.]*

Thus, tax paid on goods and or/services which are used or intended to be used for non-business purposes cannot be availed as credit. ITC will be credited to electronic credit ledger. *[Provisions relating to electronic credit ledger have been discussed in detail in Chapter 11: Payment of Tax in this Module of the Study Material.]*

Moulds and dies provided by the original equipment manufacturer (OEM) to component manufacturer on FOC basis – when not considered as being in the course or furtherance of business?

Moulds and dies owned by the original equipment manufacturer (OEM) which are provided to a component manufacturer (the two not being related persons or distinct persons) on free on cost (FOC) basis does not constitute a supply as there is no consideration involved. Further, since the moulds and dies are provided on FOC basis by the OEM to the component manufacturer in the course or furtherance of his business, there is no requirement for reversal of ITC availed on such moulds and dies by the OEM.

However, where the contract between OEM and component manufacturer is for supply of components made by using the moulds/dies belonging to the component manufacturer, but the same have been supplied by the OEM to the component manufacturer on FOC basis, the OEM will be required to reverse the credit availed on such moulds/ dies, as the same will not be considered to be provided by OEM to the component manufacturer in the course or furtherance of the former's business *[Circular No. 47/21/2018 GST dated 08.06.2018[3]].*

(ii) Conditions for taking ITC [Section 16(2)]

This sub-section starts with a non-obstante clause and hence all the conditions specified therein must be fulfilled irrespective of fulfillment of any other conditions given under any other sub-section of section 16 for the purpose of taking of input tax credit. The registered person will be entitled to ITC on an inward supply only if **ALL** the following **six** conditions are fulfilled:

(a) Possession of tax paying document [Section 16(2)(a) read with rule 36]

ITC can be availed on the basis of any of the following documents:

(i) Invoice or revised invoice[4] issued by the supplier of goods and/or services

(ii) Invoice issued by the recipient receiving goods and/or services from unregistered supplier in case of reverse charge, subject to payment of tax

(iii) Debit note issued by the supplier

(iv) Bill of entry or similar document prescribed under the Customs Act[5]

(v) Document issued by input service distributor

The documents on the basis of which ITC is being taken should contain at least the following details:

- Amount of tax charged
- Description of goods or services
- Total value of supply of goods and/or services

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[3] Circular No. 47/21/2018 GST dated 08.06.2018 also clarifies aspects relating to valuation of moulds and dies provided by the OEM to component manufacturer on FOC basis. The same are covered in Chapter 6: Value of Supply in Module 1 of this Study Material.

[4] Provisions relating to invoice/revised invoice have been discussed in detailed in Chapter 9: Tax Invoice: Credit and Debit Notes in this Module of the Study Material.

[5] Provisions relating to the Customs Act, 1962 have been discussed in Module 4 of this Study Material.

- GSTIN of the supplier and recipient
- Place of supply in case of inter-State supply

No ITC of tax paid towards demands involving fraud [Rule 36(3)]: Tax paid in pursuance of any order where any demand has been confirmed on account of any fraud, willful misstatement or suppression of facts cannot be availed as ITC.

(b) Details of invoices/debit notes uploaded by the supplier in his GSTR-1 or using IFF and details communicated in Form GSTR-2B [Section 16(2)(aa) read with rule 36(4)]

ITC in respect of any supply of goods or services or both can be taken by a registered person only if <u>the details of the invoice/debit note in respect of said supply have been furnished by the supplier in the statement of outward supplies (Form GSTR-1 or using IFF) and such details have been communicated to the recipient of such invoice/debit note</u> in Form GSTR-2B.

GSTR-1 is a monthly/quarterly statement containing details of outward supplies made by a registered supplier. In case where GSTR-1 is furnished quarterly under QRMP (Quarterly Return Monthly Payment) scheme, supplier can furnish such details for 1st two months of the quarter using invoice furnishing facility (IFF). This facility is provided to the taxpayer, to pass on the credit to their recipients.

Such details of outward supplies furnished by the supplier are communicated and made available electronically (auto populated) to the respective recipient(s) in GSTR- 2B. GSTR-2B is an auto-generated ITC statement for every registered person based on details furnished in GSTR-1/using IFF by the supplier[6].

Thus, in respect of invoices/debit notes the details of which are not furnished by the suppliers in their GSTR-1s or using IFF (and thus they are not visible in GSTR-2B of the recipient), ITC cannot be availed by such recipient.

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[6] *The provisions relating to QRMP, filing of GSTR-1/IFF and GSTR-2B have been discussed in detail in Chapter 13: Returns in this Module of the Study Material.*

ITC on such invoices/debit notes, not reflected in GSTR-2B of the current month, may be claimed by the taxpayer in any of the succeeding months when the details of said invoices/debit notes are furnished by the suppliers.

The above concept has been illustrated as follows:

ITC on invoices/debit notes which have been furnished by the suppliers in their GSTR-1s/using IFF and reflected in GSTR-2B of recipient	→	***FULL ITC can be claimed on such invoices/debit notes, if all other conditions of availing ITC are fulfilled***
ITC on invoice/debit note which have not been furnished by suppliers in their GSTR-1s/using IFF and thus, not reflected in GSTR-2B of recipient.	→	***NO ITC can be claimed in respect of such invoices/debit notes.***

- ***Invoices on which ITC is not available under any of the provisions e.g., under section 17(5), are not to be considered for claiming ITC even though furnished by the suppliers.***
- ***On the other hand, full ITC can be availed in respect of IGST paid on imports, documents issued under reverse charge, credit received from ISD etc., which are outside the ambit of section 37(1).***

(1) Atlas Pvt. Ltd. is a manufacturer of taxable goods. It has received 50 invoices for inputs and input services from various suppliers during the month of September. Invoices involve

ITC of ₹ 5 lakh. Suppliers have furnished in their GSTR-1s 40 invoices involving ITC of ₹ 3 lakh as on the due date of furnishing of GSTR-1s and are reflected in GSTR-2B of Atlas Pvt. Ltd. ITC that can be claimed by Atlas Pvt. Ltd. in its GSTR-3B for the month of September is ₹ 3 lakh.

(c) Receipt of the goods and / or services [Section 16(2)(b)]

The registered person taking the ITC must have received the goods and / or services.

"Bill to Ship to" Model: Under this model, the goods are delivered to a third party - 'C' on the direction of the customer (registered person) – 'B' who purchases the goods from the vendor (supplier) – 'A'. In other words, 'A' bills to 'B' but ships the goods to 'C' on direction of 'B'. In effect, two supplies take place in this scenario viz., from 'A' to 'B' and from 'B' to 'C'. Thus, under this model, the customer (registered person) who receives such goods does not actually receive the said goods.

For such cases, by virtue of explanation to section 16(2)(b), it is deemed that the registered person (customer) has received the goods. In other words, goods delivered to another person on the direction of the registered person by way of transfer of documents of title or otherwise, either before or during the movement, are deemed to have been received by such registered person. So, ITC will be available to the registered person, on whose order the goods are delivered to a third person.

Similarly, services may also be provided to a third party by the service provider (supplier) on the direction of the service recipient (registered person). In this case also, though the service recipient (registered person) does not receive the service, by virtue of explanation to section 16(2)(b) it is deemed that the registered person (service recipient) has received the service. In other words, service provided to any person on the direction of and on account of the registered person, is deemed to have been received by such registered person. So, ITC will be available to the registered person, on whose direction the services are provided to a third person.

(2) A is a trader who places an order on B for a consignment of soda ash. A receives a buying order from C for the same quantity of soda ash. A instructs B to deliver the goods to C, and in turn he raises an invoice on C. Though the goods are not physically received at the premises of A, section 16(2)(b) allows ITC of such goods to A.

(3) The registered head office (New Delhi) of ABC Pvt. Ltd. enters into a contract with DEF Pvt. Ltd. of New Delhi for repair and maintenance of computers systems installed at its registered branch office in Bengaluru, Karnataka. DEF Pvt. Ltd. issues an invoice on ABC Pvt. Ltd., New Delhi for the services provided by it.

Though the actual services are received by the branch office and not by the head office, section 16(2)(b) allows ITC of such repair and maintenance services to head office.

(d) Details of ITC in respect of the said supply communicated to the registered person under section 38 not restricted [Section 16(2)(ba)]

Section 38 stipulates that the details of outward supplies furnished by the registered suppliers in GSTR-1/using IFF and an auto-generated statement - GSTR-2B - containing the details of ITC is made available to the recipients of such supplies every month.

GSTR-2B contains the details of inward supplies (i) on which ITC is available to the recipient as well as (ii) on which ITC cannot be availed, whether wholly or partly, by the recipient. Accordingly, ITC will not be available in respect of inward supplies details of which have been furnished by a registered supplier:

- ***who is a new registrant. (Specified period from taking registration will be prescribed for this purpose.)***
- ***who has defaulted in payment of tax for a prescribed period.***
- ***whose output tax payable as per GSTR-1/IFF exceeds the output tax paid in GSTR-3B for a particular tax period by prescribed limit (Rule 88C).***
- ***who has availed ITC of an amount that exceeds the credit that***

can be availed by him as per GSTR-2B during prescribed period and by prescribed limit.

- ***who has defaulted in discharging his tax liability in accordance with the provisions of section 49(12) read with rule 86B, i.e. who has discharged more tax liability from electronic credit ledger than prescribed under rule 86B[7].***
- ***other specified classes of persons.***

(e) Tax leviable on supply actually paid to Government [Section 16(2)(c)]

The supplier should have actually paid the tax charged on the goods and/or services, for which ITC is being taken, either in cash or by utilizing ITC, subject to the provisions of section 41.

Availment of self-assessed ITC [Section 41]

A registered person can avail the credit of eligible ITC as self-assessed in his return. Such amount shall be credited to his electronic credit ledger.

Reversal of ITC in the case of non-payment of tax by the supplier and re-availment thereof [Section 41 read with rule 37A]

(I) Reversal of ITC: ***If the tax payable corresponding to such ITC availed is not paid by the supplier to the Government, ITC so availed shall be reversed by the said person along with applicable interest.***

A registered person (recipient) can avail ITC in GSTR-3B for a tax period in respect of such invoice/debit note, the details of which have been furnished by its supplier in the statement of outward supplies (in GSTR-1/using IFF).

However, if supplier does not furnish return in Form GSTR-3B for the tax period corresponding to the said statement of

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[7] *Rule 86B provides that the registered person shall not utilise the amount available in electronic credit ledger to discharge his liability towards output tax in excess of 99% of such tax liability, in cases where the value of taxable supply other than exempt supply and zero-rated supply, in a month exceeds ₹ 50 lakh subject to specified exceptions. It has been discussed subsequently in this chapter.*

outward supplies till 30th September following the end of FY in which the ITC in respect of such invoice/ debit note has been availed; the said amount of ITC shall be reversed by the said recipient, while furnishing a return in GSTR-3B on or before 30th November following the end of such FY during which such ITC has been availed.

However, where the said amount of ITC is not so reversed by recipient, such amount shall be payable by the said person along with interest thereon under section 50.

(II) Re-availment of reversed ITC: Where the said supplier makes payment of the tax payable in respect of the aforesaid supplies, the said registered person may re-avail the amount of credit reversed by him.

Thus, where the said supplier subsequently furnishes the return in GSTR-3B for the said tax period, the said registered person may re-avail the amount of such credit in the return in GSTR-3B for a tax period thereafter.

(4) Jhamku, a registered supplier, supplies goods to Chamku valuing ₹ 10,000 on which he charged CGST and SGST of ₹ 900 each in the invoice raised in March, 2023. Jhamku uploaded the details of the said invoice in his GSTR-1 for the said month filed before the due date based on which Chamku availed the said ITC of ₹ 900 each towards CGST and SGST while filing his GSTR-3B for March, 2023 as the said ITC was also reflected in his GSTR-2B. However, Jhamku failed to furnish the corresponding GSTR-3B (for the month of March, 2023) upto 30th September, 2023.

Accordingly, while filing GSTR-3B for the month of October, 2023 on 20th November, 2023, Chamku reversed an amount of ITC earlier availed by him. Subsequently, suppose if Jhamku files GSTR-3B on 20th December, 2023 and pays the said amount of ₹ 900 each towards CGST and SGST alongwith interest, Jhamku can now re-avail the said input tax credit of ₹ 900 towards CGST and SGST which he has reversed earlier.

(f) Filing of return [Section 16(2)(d)]

The registered person taking the ITC must have filed his return in GSTR-3B under section 39. Thus, a taxpayer should file GSTR-3B to avail ITC on eligible inward supplies.

(iii) Goods received in lots: ITC available only on receipt of last lot [First proviso to section 16(2)]

In case the goods covered under an invoice are not received in a single consignment but are received in lots / instalments, ITC can be taken only upon receipt of the last lot / instalment.

(5) XYZ enters into a contract with ABC for supply of 10 MT of a chemical for ₹ 1,18,000 (inclusive of GST of ₹ 18,000) in the month of August. The chemical is to be delivered in lots over a period of three months. ABC raises the invoice for the entire amount in August and XYZ also makes the payment in the same month but the supply is completed in November.

Though XYZ paid the full tax as early as August, it can take the ITC of the same only on receipt of the last lot of the chemical in the month of November.

(iv) Payment for the invoice to be made within 180 days [Second proviso to section 16(2) read with rule 37]

The registered person must pay to the supplier, the value of the goods and/or services along with the tax within 180 days from the date of issue of invoice [Second proviso to section 16(2)].

However, where a registered person, who has availed of ITC on any inward supply fails to pay to the supplier thereof, the amount towards the value of such supply, whether wholly or partly, along with the tax payable thereon, within 180 days from the date of issue of invoice by supplier, shall pay or reverse an amount equal to the ITC availed in respect of such supply, proportionate to the amount not paid to the supplier, along with interest payable thereon under section 50, while furnishing the return in Form GSTR-3B for the tax period immediately following the period of 180 days from the date of the issue of the invoice.

Exceptions

This condition of payment of value of supply plus tax within 180 days does not apply in the following situations:

(a) Supplies on which tax is payable under reverse charge

(b) Deemed supplies without consideration – Schedule I

(c) Additions made to the value of supplies on account of supplier's liability, in relation to such supplies, being incurred by the recipient of the supply as per section 15(2)(b).

Under situations given in points (b) & (c), the value of supply is deemed to have been paid.

(6) ***Due to a quality dispute, PZP Ltd withheld payment on a machine supplied by a vendor till it could be rectified. Over 180 days went by in this dispute. The credit taken by PZP on the invoice needs to be paid / reversed along with interest in GSTR-3B furnished for the month after completion of 180 days. Only after the vendor rectified the machine and PZP released the payment, could PZP take the credit again.***

(v) If depreciation claimed on tax component, ITC not allowed [Section 16(3)]

If the person taking the ITC on capital goods and plant and machinery has claimed depreciation on the tax component of the cost of the said items under the Income-tax Act 1961, the ITC on the said tax component shall not be allowed. Thus, in respect of the tax paid on such items, dual benefit cannot be claimed under Income-tax Act, 1961 and GST law simultaneously. In other words, either depreciation on the tax component can be claimed under Income Tax Act or ITC of such tax paid can be availed under GST law.

(7) A registered supplier purchases a machinery for business purposes. The value of the machinery is ₹ 10 lakh and GST paid thereon is ₹ 1.80 lakh. ITC of ₹ 1.80 lakh cannot be availed by the supplier if he has claimed depreciation on such amount under income-tax law.

(vi) Time limit for availing ITC: 30th November of succeeding financial year or date of filing of relevant annual return, whichever is earlier [Section 16(4)]

ITC on invoices pertaining to a financial year or debit notes issued in a financial year can be availed any time till ***30th November*** of the succeeding **financial year** or the date of filing of the relevant annual return, whichever is earlier.

Here, in case of debit notes, the date of issuance of debit note and not the date of underlying invoice is relevant to determine the relevant financial year[8].

example **(8)** A debit note dated 07.07.2022 is issued in respect of the original invoice dated 16.03.2022. As the invoice pertains to F.Y. 2021- 22, the relevant financial year for availment of ITC in respect of the said invoice in terms of section 16(4) shall be FY 2021-22. However, as the debit note has been issued in FY 2022-23, the relevant financial year for availment of ITC in respect of the said debit note shall be FY 2022-23 in terms of section 16(4).

example **(9)** Hercules Machinery delivered a machine to XYZ, a monthly return filer under GST, in the month of January under Invoice no. 49 dated 28th January 2023 for ₹ 4,15,000 plus GST and undertook trial runs and calibration of the machine as per the requirements of XYZ. The amount chargeable for the post-delivery activities was covered in a debit note raised in the month of April 2023 for ₹ 50,000 plus GST. XYZ did not file its annual return for FY 2022-23 till the end of November, 2023.

The time-limit to avail ITC in respect of tax paid on supply for Invoice No. 49 would be 30th November, 2023.

Since the debit note is received in the next financial year, the time limit for taking ITC available on ₹ 50,000 is 30th November 2024, [earlier of the date of filing the annual return for the preceding financial year or 30th of November of the succeeding year.

[8] *Circular No. 160/16/2021 GST dated 20.09.2021*

Exception

The time limit u/s 16(4) does not apply to claim for re-availing of credit that had been reversed earlier.

(vii) Restriction of ITC in proportion of (i) taxable supplies (ii) business purposes [Sub-sections (1) and (2) of section 17]

ITC is restricted in proportion of the use of the goods and/or services (i) in the taxable and / or zero-rated supplies (ii) for business purposes. This is elaborated in heading (4) below.

(viii) ITC not allowed on certain supplies [Section 17(5)]

ITC has been blocked for specified goods and services. This is elaborated in heading (4) below.

4. APPORTIONMENT OF CREDIT & BLOCKED CREDITS [SECTION 17]

	STATUTORY PROVISIONS	
Section 17	***Apportionment of credit and blocked credits***	
Sub-section	***Clause***	***Particulars***
(1)		*Where the goods or services or both are used by the registered person partly for the purpose of any business and partly for other purposes, the amount of credit shall be restricted to so much of the input tax as is attributable to the purposes of his business.*
(2)		*Where the goods or services or both are used by the registered person partly for effecting taxable supplies including zero-rated supplies under this Act or under the Integrated Goods and Services Tax Act and partly for effecting exempt supplies under the said Acts, the amount of credit shall be restricted to so much of the input tax as is attributable to the said taxable supplies including zero-rated supplies.*

(3)	*The value of exempt supply under sub-section (2) shall be such as may be prescribed, and shall include supplies on which the recipient is liable to pay tax on reverse charge basis, transactions in securities, sale of land and, subject to clause (b) of paragraph 5 of Schedule II, sale of building.*
	Explanation — For the purposes of this sub-section, the expression ''value of exempt supply'' shall not include the value of activities or transactions specified in Schedule III, ***except:*** ***(i) the value of activities or transactions specified in paragraph 5 of the said Schedule; and*** ***(ii) the value of such activities or transactions as may be prescribed in respect of clause (a) of paragraph 8 of the said Schedule.***
(4)	*A banking company or a financial institution including a non-banking financial company, engaged in supplying services by way of accepting deposits, extending loans or advances shall have the option to either comply with the provisions of sub-section (2), or avail of, every month, an amount equal to fifty per cent. of the eligible input tax credit on inputs, capital goods and input services in that month and the rest shall lapse:*
	Provided that the option once exercised shall not be withdrawn during the remaining part of the financial year:
	Provided further that the restriction of fifty per cent. shall not apply to the tax paid on supplies made by one registered person to another registered person having the same Permanent Account Number.
(5)	*Notwithstanding anything contained in sub-section (1) of section 16 and sub- section (1) of section 18, input tax credit shall not be available in respect of the following, namely:—*
	(a) *motor vehicles for transportation of persons having approved seating capacity of not more than thirteen*

		persons (including the driver), except when they are used for making the following taxable supplies, namely:—			
		(A)	*further supply of such motor vehicles; or*		
		(B)	*transportation of passengers; or*		
		(C)	*imparting training on driving such motor vehicles;*		
	(aa)	*vessels and aircraft except when they are used––*			
		(i)	*for making the following taxable supplies, namely:—*		
			(A)	*further supply of such vessels or aircraft; or*	
			(B)	*transportation of passengers; or*	
			(C)	*imparting training on navigating such vessels; or*	
			(D)	*imparting training on flying such aircraft;*	
		(ii)	*for transportation of goods;*		
	(ab)	*the following supply of goods or services or both:—*			
		services of general insurance, servicing, repair and maintenance in so far as they relate to motor vehicles, vessels or aircraft referred to in clause (a) or clause (aa):			
		Provided that the input tax credit in respect of such services shall be available—			
		(i)	*where the motor vehicles, vessels or aircraft referred to in clause (a) or clause (aa) are used for the purposes specified therein;*		

		(ii)	*where received by a taxable person engaged—*	
			(I)	*in the manufacture of such motor vehicles, vessels or aircraft; or*
			(II)	*in the supply of general insurance services in respect of such motor vehicles, vessels or aircraft insured by him;*
	(b)	*the following supply of goods or services or both—*		
		(i)	*food and beverages, outdoor catering, beauty treatment, health services, cosmetic and plastic surgery, leasing, renting or hiring of motor vehicles, vessels or aircraft referred to in clause (a) or clause (aa) except when used for the purposes specified therein, life insurance and health insurance:*	
			Provided that the input tax credit in respect of such goods or services or both shall be available where an inward supply of such goods or services or both is used by a registered person for making an outward taxable supply of the same category of goods or services or both or as an element of a taxable composite or mixed supply;	
		(ii)	*membership of a club, health and fitness centre; and*	
		(iii)	*travel benefits extended to employees on vacation such as leave or home travel concession:*	
			Provided that the input tax credit in respect of such goods or services or both shall be available, where it is obligatory for an employer to provide	

			the same to its employees under any law for the time being in force[9].
	(c)	*works contract services when supplied for construction of an immovable property (other than plant and machinery) except where it is an input service for further supply of works contract service;*	
	(d)	*goods or services or both received by a taxable person for construction of an immovable property (other than plant or machinery) on his own account including when such goods or services or both are used in the course or furtherance of business*	
		Explanation.––For the purposes of clauses (c) and (d), the expression "construction" includes re-construction, renovation, additions or alterations or repairs, to the extent of capitalisation, to the said immovable property	
	(e)	*goods or services or both on which tax has been paid under section 10;*	
	(f)	*goods or services or both received by a non-resident taxable person except on goods imported by him;*	
	(fa)	***goods or services or both received by a taxable person, which are used or intended to be used for activities relating to his obligations under corporate social responsibility referred to in section 135 of the Companies Act, 2013;***	
	(g)	*goods or services or both used for personal consumption;*	
	(h)	*goods lost, stolen, destroyed, written off or disposed of by way of gift or free samples; and*	

[9] Circular No. 172/04/2022 GST dated 06.07.2022 clarifies that this proviso is applicable to the whole of section 17(5)(b).

	(i)	*any tax paid in accordance with the provisions of sections 74, 129 and 130.*
(6)	*The Government may prescribe the manner in which the credit referred to in sub-sections (1) and (2) may be attributed.*	
	Explanation.–– For the purposes of this Chapter and Chapter VI, the expression "plant and machinery" means apparatus, equipment, and machinery fixed to earth by foundation or structural support that are used for making outward supply of goods or services or both and includes such foundation and structural supports but excludes—	
	(i)	*land, building or any other civil structures;*
	(ii)	*telecommunication towers; and*
	(iii)	*pipelines laid outside the factory premises.*
Chapter V: Input Tax Credit of the CGST Rules		
Rule 38	***Claim of credit by a banking company or a financial institution***	
	A banking company or a financial institution, including a non-banking financial company, engaged in the supply of services by way of accepting deposits or extending loans or advances that chooses not to comply with the provisions of sub-section (2) of section 17, in accordance with the option permitted under sub-section (4) of that section, shall follow the following procedure, namely,-	
	(a)	*the said company or institution shall not avail the credit of,-*
		(i) *the tax paid on inputs and input services that are used for non-business purposes; and*
		(ii) *the credit attributable to the supplies specified in sub-section (5) of section 17;*

	(b)	*the said company or institution shall avail the credit of tax paid on inputs and input services referred to in the second proviso to sub-section (4) of section 17 and not covered under clause (a);*
	(c)	*fifty per cent. of the remaining amount of input tax shall be the input tax credit admissible to the company or the institution* ***and the balance amount of input tax credit shall be reversed in Form GSTR-3B;***
Rule 42	***Manner of determination of input tax credit in respect of inputs or input services and reversal thereof***	
Sub-rule	***Clause***	***Particulars***
(1)	*The input tax credit in respect of inputs or input services, which attract the provisions of sub-section (1) or sub-section (2) of section 17, being partly used for the purposes of business and partly for other purposes, or partly used for effecting taxable supplies including zero rated supplies and partly for effecting exempt supplies, shall be attributed to the purposes of business or for effecting taxable supplies in the following manner, namely,-*	
	(a)	*the total input tax involved on inputs and input services in a tax period, be denoted as 'T';*
	(b)	*the amount of input tax, out of 'T', attributable to inputs and input services intended to be used exclusively for the purposes other than business, be denoted as 'T_1';*
	(c)	*the amount of input tax, out of 'T', attributable to inputs and input services intended to be used exclusively for effecting exempt supplies, be denoted as 'T_2';*
	(d)	*the amount of input tax, out of 'T', in respect of inputs and input services on which credit is not available under sub-section (5) of section 17, be denoted as 'T_3';*

	(e)	*the amount of input tax credit credited to the electronic credit ledger of registered person, be denoted as 'C_1' and calculated as-* $$C_1 = T- (T_1+T_2+T_3);$$
	(f)	*the amount of input tax credit attributable to inputs and input services intended to be used exclusively for effecting supplies other than exempted but including zero rated supplies, be denoted as 'T_4';*
	(g)	*'T_1', 'T_2', 'T_3' and 'T_4' shall be determined and declared by the registered person at summary level in* ***FORM GSTR-3B;***
	(h)	*input tax credit left after attribution of input tax credit under clause (f) shall be called common credit, be denoted as 'C_2' and calculated as-* $$C_2 = C_1- T_4;$$
	(i)	*the amount of input tax credit attributable towards exempt supplies, be denoted as 'D_1' and calculated as-* $$D_1= (E \div F) \times C_2$$ *where,* *'E' is the aggregate value of exempt supplies during the tax period, and* *'F' is the total turnover in the State of the registered person during the tax period:*
		Provided further that where the registered person does not have any turnover during the said tax period or the aforesaid information is not available, the value of 'E/F' shall be calculated by taking values of 'E' and 'F' of the last tax period for which the details of such turnover are available, previous to the month during which the said value of 'E/F' is to be calculated;

		Explanation: For the purposes of this clause, it is hereby clarified that the aggregate value of exempt supplies and the total turnover shall exclude the amount of any duty or tax levied under entry 84 and entry 92A of List I of the Seventh Schedule to the Constitution and entry 51 and 54 of List II of the said Schedule;
	(j)	*the amount of credit attributable to non-business purposes if common inputs and input services are used partly for business and partly for non-business purposes, be denoted as 'D_2', and shall be equal to five per cent. of C_2; and*
	(k)	*the remainder of the common credit shall be the eligible input tax credit attributed to the purposes of business and for effecting supplies other than exempted supplies but including zero rated supplies and shall be denoted as 'C_3', where,-* $C_3 = C_2 - (D_1+D_2)$;
	(l)	*the amount 'C_3', 'D_1' and 'D_2' shall be computed separately for input tax credit of central tax, State tax, Union territory tax and integrated tax and declared in* ***FORM GSTR-3B*** *or through* ***FORM GST DRC-03;***
	(m)	*the amount equal to aggregate of 'D_1' and 'D_2' shall be reversed by the registered person in* ***FORM GSTR-3B*** *or through* ***FORM GST DRC-03****:*
	Provided that where the amount of input tax relating to inputs or input services used partly for the purposes other than business and partly for effecting exempt supplies has been identified and segregated at the invoice level by the registered person, the same shall be included in 'T_1' and 'T_2' respectively, and the remaining amount of credit on such inputs or input services shall be included in 'T_4'.	

(2)		*The input tax credit determined under sub-rule (1) shall be calculated finally for the financial year before the due date for furnishing of the return for the month of September following the end of the financial year to which such credit relates, in the manner specified in the said sub-rule and,-*
	(a)	*where the aggregate of the amounts calculated finally in respect of ‘D_1’ and ‘D_2’ exceeds the aggregate of the amounts determined under sub-rule (1) in respect of ‘D_1’ and ‘D_2’, such excess shall be reversed by the registered person in* **FORM GSTR-3B** *or through* **FORM GST DRC-03** *in the month not later than the month of September following the end of the financial year to which such credit relates and the said person shall be liable to pay interest on the said excess amount at the rate specified in sub-section (1) of section 50 for the period starting from the first day of April of the succeeding financial year till the date of payment; or*
	(b)	*where the aggregate of the amounts determined under sub-rule (1) in respect of ‘D_1’ and ‘D_2’ exceeds the aggregate of the amounts calculated finally in respect of ‘D_1’ and ‘D_2’, such excess amount shall be claimed as credit by the registered person in his return for a month not later than the month of September following the end of the financial year to which such credit relates.*
Rule 43		***Manner of determination of input tax credit in respect of capital goods and reversal thereof in certain cases***
Sub-rule	***Clause***	***Particulars***
(1)		*Subject to the provisions of sub-section (3) of section 16, the input tax credit in respect of capital goods, which attract the provisions of sub-sections (1) and (2) of section 17, being partly used for the purposes of business and partly for other purposes, or partly used for effecting taxable supplies including zero rated supplies and*

	partly for effecting exempt supplies, shall be attributed to the purposes of business or for effecting taxable supplies in the following manner, namely,-	
	(a)	*the amount of input tax in respect of capital goods used or intended to be used exclusively for non-business purposes or used or intended to be used exclusively for effecting exempt supplies shall be indicated in* ***FORM GSTR-3B*** *and shall not be credited to his electronic credit ledger;*
	(b)	*the amount of input tax in respect of capital goods used or intended to be used exclusively for effecting supplies other than exempted supplies but including zero-rated supplies shall be indicated in* ***FORM GSTR-3B*** *and shall be credited to the electronic credit ledger;*
	(c)	*the amount of input tax in respect of capital goods not covered under clauses (a) and (b), denoted as 'A', shall be credited to the electronic credit ledger and the useful life of such goods shall be taken as five years from the date of the invoice for such goods:*
		Provided that where any capital goods earlier covered under clause (a) is subsequently covered under this clause, input tax in respect of such capital goods denoted as 'A' shall be credited to the electronic credit ledger subject to the condition that the ineligible credit attributable to the period during which such capital goods were covered by clause (a), denoted as 'T_{ie}', shall be calculated at the rate of five percentage points for every quarter or part thereof and added to the output tax liability of the tax period in which such credit is claimed;
		Provided further that the amount 'T_{ie}' shall be computed separately for input tax credit of central tax, State tax,

		Union territory tax and integrated tax and declared in FORM GSTR-3B.
	(d)	*the aggregate of the amounts of 'A' credited to the electronic credit ledger under clause (c) in respect of common capital goods whose useful life remains during the tax period, to be denoted as 'T_c', shall be the common credit in respect of such capital goods:*
		Provided that where any capital goods earlier covered under clause (b) are subsequently covered under clause (c), the input tax credit claimed in respect of such capital good(s) shall be added to arrive at the aggregate value 'T_c';
	(e)	*the amount of input tax credit attributable to a tax period on common capital goods during their useful life, be denoted as 'T_m' and calculated as:-* $$T_m = T_c \div 60$$
		Explanation.- For the removal of doubt, it is clarified that useful life of any capital goods shall be considered as five years from the date of invoice and the said formula shall be applicable during the useful life of the said capital goods.
	(f)	*the amount of input tax credit, at the beginning of a tax period, on all common capital goods whose useful life remains during the tax period, be denoted as 'T_r' and shall be the aggregate of 'T_m' for all such capital goods.*
	(g)	*the amount of common credit attributable towards exempted supplies, be denoted as 'T_e', and calculated as:* $$T_e = (E \div F) \times T_r$$ [10]

[10] *Clause (f) of the rule which contained the provisions for computation of 'T_r' has been omitted vide Notification No. 16/2020 CT dated 23.03.2020. This has rendered the formula given in clause (g) otiose as the term 'T_r' is now nowhere defined in the amended rule.*

		where, *'E' is the aggregate value of exempt supplies, made, during the tax period, and 'F' is the total turnover in the State of the registered person during the tax period:*
		Provided further that where the registered person does not have any turnover during the said tax period or the aforesaid information is not available, the value of 'E/F' shall be calculated by taking values of 'E' and 'F' of the last tax period for which the details of such turnover are available, previous to the month during which the said value of 'E/F' is to be calculated;
		Explanation: For the purposes of this clause, it is hereby clarified that the aggregate value of exempt supplies and the total turnover shall exclude the amount of any duty or tax levied under entry 84 and entry 92A of List I of the Seventh Schedule to the Constitution and entry 51 and 54 of List II of the said Schedule;
	(h)	*the amount T_e along with the applicable interest shall, during every tax period of the useful life of the concerned capital goods, be added to the output tax liability of the person making such claim of credit.*
	(i)	*The amount T_e shall be computed separately for central tax, State tax, Union territory tax and integrated tax and declared in* ***FORM GSTR-3B.***

Explanation:-For the purposes of rule 42 and this rule, it is hereby clarified that the aggregate value of exempt supplies shall exclude:-

(b)	*the value of services by way of accepting deposits, extending loans or advances in so far as the consideration is represented by way of interest or discount, except in case of a banking company or a financial institution including a non-banking financial company,*

		engaged in supplying services by way of accepting deposits, extending loans or advances; and
(c)		*the value of supply of services by way of transportation of goods by a vessel from the customs station of clearance in India to a place outside India.*
(d)		***the value of supply of Duty Credit Scrips specified in Notification No. 35/2017CT (R) dated 13.10.2017***
Explanation.- For the purposes of this Chapter,-		
(1)		*the expressions "capital goods" shall include "plant and machinery" as defined in the Explanation to section 17;*
(2)		*for determining the value of an exempt supply as referred to in sub-section (3) of section 17-*
	(a)	*the value of land and building shall be taken as the same as adopted for the purpose of paying stamp duty; and*
	(b)	*the value of security shall be taken as one per cent. of the sale value of such security.*

ANALYSIS

Section 17 requires apportionment and concomitant restriction of ITC in two situations as also blocking of ITC on specified inward supplies.

A. Apportionment of ITC [Sub-sections (1) and (2) of section 17 read with rule 42 and rule 43 of the CGST Rules]

The fundamental principle of credit scheme under value added tax is that tax paid on inputs, input services and capital goods can be availed as credit only when the output is taxable. Thus, when tax is not payable on output, credit cannot be availed.

Accordingly, ITC under GST can be availed and utilised for payment of tax on output supply. Consequently, ITC cannot be availed when tax is not payable on output supply, i.e. on exempt supply. The only exception to the above principle is 'zero rated supply, where ITC is available even if no tax is payable on output supply as zero rated supply is not an exempted supply.

If a taxable person is making both taxable and exempt supply, he is entitled to full credit of ITC in respect of inputs, input services and capital goods exclusively used for taxable supply and no credit at all for inputs, input services and capital goods exclusively used for exempt supply.

If common inputs, input services and capital goods are used for taxable as well as exempt supply, only proportionate ITC attributable to the taxable supply is available. The common ITC is apportioned in the ratio of value of taxable supply and exempt supply.

Also, in case goods and/or services are used by the taxable person partly for the business purposes and partly for non-business purposes, he is entitled to full credit of ITC in respect of inputs, input services and capital goods exclusively used for business purposes and no credit at all can be availed for goods and/or services exclusively used for non-business purposes.

If common inputs, input services and capital goods are used partly for business and partly for non-business purposes, only proportionate ITC attributable to the business purpose is available.

Elaborate provisions have been made in sub-sections (1) and (2) of section 17 and rules 42 and 43 for calculation of such proportionate ITC. Such provisions are discussed in detail in the ensuing pages.

The situations requiring apportionment are as follows:

(a) when the goods and / or services are used by the registered person partly for the purpose of business *[See the definition of business]* and partly for other purposes [Section 17(1)]; and

(b) when the goods and / or services are used by the registered person partly for making taxable supplies including zero-rated supplies and partly for making exempt supplies *[See the definition of exempt supplies]* [Section 17(2)].

In both the above situations, full ITC on inward supplies cannot be taken; only proportionate ITC is allowed in such scenarios. Where goods and/or services are used partly for non-business purposes and partly for business purposes, ITC attributable only to business purposes can be taken by the registered person. Similarly, where goods and/or services are partly used for making exempt supplies including zero rated supplies and partly for taxable supplies, ITC attributable to taxable supplies and zero rated supplies can be taken by the registered person.

Section 16(2) of the IGST Act specifies that ITC may be availed on inward supplies for making zero-rated supply, notwithstanding the exempt nature of the zero-rated supply. Zero-rated supply is an expression that covers two kinds of supplies: (i) exports, and (ii) supplies for authorised operations to a SEZ unit or SEZ developer. Therefore, ITC is available on goods and / or services used for supplies made in the course of export or to an SEZ unit or SEZ developer for authorised operations.

(10) A registered person is in the business of manufacturing shoes. He gave 50 pairs of shoes to his friends free of cost. ITC on inputs and input services attributable to such 50 pair of shoes being used for non-business purposes will not be available.

(11) A registered person manufactures a product 'X' chargeable to 18% GST, a product 'Y' chargeable to NIL rate of tax and a product 'Z' which is exported without payment of tax under bond. All the three products are manufactured from common inputs and input services. ITC on inputs and input services attributable to product 'Y' being an exempt supply, will not be available.

(i) Methodology of apportionment of credit on inputs and input services and reversal thereof [Rule 42]

In many situations, the amount of input tax involved in exempt /non-business use is not easily discernible, as common goods and/or services are used for (i) making taxable supplies including zero rated supplies and exempt supplies and (ii) business and non-business purposes.

Rule 42 of the CGST Rules provides the methodology for apportionment of ITC on inputs and input services and reversal of ineligible credit as follows:

Step 1 – Compute common credit

Total input tax involved on inputs & input services in a tax period	**T**
Less: Input tax on inputs & input services that are intended to be used exclusively for non-business purposes	**(T_1)**
Less: Input tax on inputs & input services that are intended to be used exclusively for exempt supplies	**(T_2)**
Less: Input tax on inputs & input services which are ineligible for credit *[blocked credits- See discussion under point (B)]*	**(T_3)**
ITC credited to Electronic Credit Ledger	**C1**
Less: ITC on inputs & input services that are intended to be used exclusively for taxable supplies including zero rated supplies	**(T4)**
Common ITC available for apportionment	**C2**

✓ T1, T2, T3 and T4 will be determined and declared by the registered person at the invoice level in GSTR 2 and summary level in GSTR-3B.

✓ Where ITC on inputs and input services used partly for non-business purposes and exempt supplies can be segregated at invoice level, the same will be added to T_1 and T_2 respectively and the balance credit will be added in T_4.

✓ The portion identified as pertaining to taxable supplies in C_2 will be allowed as ITC.

Example on how to arrive at the amount of common credit C_2

Making an assumption that Hawai slippers are exempted, take a case of Eezee Footwear, manufacturer of two varieties of Hawai slippers and five varieties of other sandals and shoes. Dyes are used in the manufacture of all footwear. However, bright pink is used only for one of the Hawai varieties, and black is used only for the sandals and shoes. Blue and yellow are used for all the varieties. Brown is used for non-business purposes.

In inward supplies during the month -

Input tax on brown dye: ₹ 10,000 (This is T_1)

Input tax on bright pink dye: ₹ 90,000. (This is T_2)

Input tax on black dye: ₹ 40,000. (This is T_4)

Input tax on blue dye: ₹ 1,00,000

Input tax on yellow dye: ₹ 15,000

Total input tax: ₹ 2,55,000 (This is T)

Total input tax reduced by (T_1 + T_2 + T_4, i.e., by ₹ 1,40,000) is ₹ 1,15,000.

Amount of common credit (C_2) is ₹ 1,15,000. This has to be apportioned as given below in Step 2.

Step 2 – Compute credit attributable to exempt supplies (ineligible credit) by apportionment of common credit

✓ Apportion C_2 into credit attributable to exempt supplies **D_1** as under:

$$\boxed{D_1 = (E/F) \times C_2}$$

Where

E = Aggregate value of exempt supplies during the tax period

F = Total turnover in the State during the tax period

Notes:

(i) If the registered person does not have any turnover during the said tax period, or the above information is not available, the values for the last tax period may be used.

(ii) Here, exempt supplies include reverse charge supplies, transactions in securities, sale of land and sale of building when entire consideration is received either after issuance of completion certificate by the competent authority or its first occupation, whichever is earlier and ***supply of warehoused goods before clearance for home consumption****. Thus, ITC attributable to such supplies will need to be reversed.*

(iii) Here, exempt supplies exclude-

(b) supply of services by way of accepting deposits, extending loans or advances where the consideration is either interest or discount. However, value of such services is included in the exempt supply when the same are provided by a banking company or a financial institution including a NBFC.

(c) transportation of goods by a vessel from the customs station of clearance in India to a place outside India.

(d) value of supply of Duty Credit Scrips specified in Notification No. 35/2017CT (R) dated 13.10.2017

Thus, ITC attributable to such supplies need not be reversed.

(iv) Aggregate value of exempt supplies and total turnover excludes the central excise duty, State excise duty, central sales tax and VAT.

(v) The value of exempt supply in respect of land and building is the value adopted for paying stamp duty and for security is 1% of the sale value of such security.

Presently, (i) central excise duty is leviable on manufacture/production of tobacco, petroleum crude, diesel, petrol, ATF and natural gas (ii) State excise duty is leviable on manufacture/production of alcoholic liquor, opium, Indian hemp and narcotics, and (iii) VAT/CST is leviable on intra-State/inter-State sale of petroleum crude, diesel, petrol, ATF, natural gas and alcoholic liquor. Petroleum crude, diesel, petrol, ATF, natural gas are presently not taxable under GST and alcoholic liquor is outside the ambit of GST. Thus, supply of both these products (petrol/petroleum products and alcoholic liquor) being non-taxable under GST, will be exempt supplies u/s 2(47) and taxes/duties (as mentioned above) leviable thereon will be excluded from the value thereof for the purpose of apportionment of credit.

Example on how to apportion common credit into credit attributable to exempt supplies

Ezee Footwear, which manufactures two varieties of exempt Hawai slippers and five varieties of taxable sandals and shoes, has the following turnover in October and has ₹ 1,15,000 common credit that has to be apportioned:

Turnover of Hawai 1 plus Hawai 2: ₹ 3 crores (This is 'E')

Turnover of all varieties of taxable shoes and sandals: ₹ 2 crore

Total turnover of all footwear during the month: ₹ 5 crores (This is 'F')

No inputs/input services are used for non-business purposes.

(3,00,00,000 /5,00,00,000) x 1,15,000= ₹ 69,000 is the input tax that pertains to exempt supply (D_1).

✓ Compute credit attributable to non-business purposes D_2 as under

$$\boxed{D_2 = 5\% \text{ of } C_2 \text{ (common credit)}}$$

Step 3 – Compute eligible credits

Compute C_3 attributable to business purposes and taxable supplies including zero rated supplies as under:

$$\boxed{C_3 = C_2 - (D_1 + D_2)}$$

Step 4 – Restrict ineligible credits

Reverse $D_1 + D_2$.

- Compute C_3 separately for ITC of CGST, SGST/ UTGST and IGST.
- Compute $\sum (D_1 + D_2)$ for the whole financial year, by taking exempted turnover and aggregate turnover for the whole financial year, before the due date for filing the return for September in the following financial year.
- If $\sum (D_1 + D_2) >$ the amount already reversed every month, the differential amount has to be reversed in any month till September in the following financial year and interest @ rate 18% should be paid on such differential amount from 1st April of succeeding year till the date of payment.
- If the amount reversed every month $> \sum (D_1 + D_2)$, the additional amount paid has to be claimed back as credit in the return of the month not later than September in the next financial year.

(ii) Methodology of apportionment of credit of capital goods and reversal thereof [Rule 43]

Rule 43 provides the methodology for apportionment of ITC on capital goods and reversal of ineligible credit as follows:

Step 1 - Determine common credit 'T_c' on capital goods as under:

(i) Identify input tax on capital goods used/ intended to be used exclusively for non-business purposes or making exempt supplies. Such amount will not be credited to electronic credit ledger [ECrL].

(ii) Identify input tax on capital goods used/ intended to be used exclusively for making taxable supplies including zero rated supplies and declare the same in GSTR-3B. Such amount will be credited to ECrL.

(iii) Identify input tax on capital goods not covered under (i) and (ii) above [i.e. the capital goods which are used/intended to be used commonly for making taxable and/or zero rated supplies as well as exempt supplies and/or non-business purposes] and denote the same as 'A'. Such amount (as reflected on the invoice) will be credited to ECrL. The useful life of such capital goods will be taken as 5 years from the date of invoice.

(iv) **Change from exclusive use for non-business purpose/exempt supplies to common use:** Where capital goods which were initially covered under (i) above get subsequently covered under (iii), credit input tax in respect of the same, denoted as 'A', in the ECrL.

Simultaneously, compute the ineligible credit attributable to the period during which such capital goods were used for non-business purpose/making exempt supplies @ 5% per quarter or part thereof and denote the same as 'T_{ie}'. Add such 'T_{ie}' to the output tax liability of the tax period in which credit on such capital goods is claimed.

(v) Add together the amounts of 'A' credited to ECrL in respect of common capital goods whose useful life remains during the tax period to arrive at common credit 'T_c'.

(vi) **Change from exclusive use for taxable including zero rated supplies to common use:** Where capital goods which were initially covered under (ii) above get subsequently covered under (iii), add input tax claimed in respect of the same to aggregate value of 'T_c'.

Step 2 - Determine common credit during the useful life of capital goods for a tax period as under and denote the same as 'T_m':

$$\boxed{T_m = T_c \div 60}$$

Step 3 - Apportion common credit attributable to exempt supplies as under:

$$T_e = (E \div F) \times T_r$$

Where

E = Aggregate value of exempt supplies made during the tax period

F = Total turnover in the State during the tax period

Notes:

(i) T_m is to be computed during the useful life of capital goods which is five years from the date of invoice.

(ii) If the registered person does not have any turnover during the said tax period, or the above information is not available, the values for the last tax period may be used.

(iii) Here, exempt supplies include reverse charge supplies, transactions in securities, sale of land and sale of building when entire consideration is received either after issuance of completion certificate by the competent authority or its first occupation, whichever is earlier and ***supply of warehoused goods before clearance for home consumption****. Thus, ITC attributable to such supplies will need to be reversed.*

(iv) Here, exempt supplies exclude-

(b) supply of services by way of accepting deposits, extending loans or advances where the consideration is either interest or discount. However, value of such services is included in the exempt supply when the same are provided by a banking company or a financial institution including a NBFC.

(c) transportation of goods by a vessel from the customs station of clearance in India to a place outside India

(d) value of supply of Duty Credit Scrips specified in Notification No. 35/2017CT (R) dated 13.10.2017

Thus, ITC attributable to such supplies need not be reversed.

(v) Aggregate value of exempt supplies and total turnover excludes the central excise duty, State excise duty, central sales tax and 17VAT.

(vi) Amount of T_{ie} and T_e are to be computed separately for CGST, SGST/UTGST and IGST and declared in GSTR 3B.

(vii) The value of exempt supply in respect of land and building is the value adopted for paying stamp duty and for security is 1% of the sale value of such security.

Step 4: Restrict ineligible credit

Add T_e to the output tax liability along with applicable interest during every tax period of the useful life of the capital goods concerned.

(iii) Optional method for banks etc. [Section 17(4) read with rule 38]

- As an alternative to the above method, a banking company or a financial institution including a NBFC, which accepts deposits, or extends loans or advances, has the option to limit its availment of ITC to 50% of the eligible ITC on inputs, capital goods and input services each month and ***the balance amount of input tax credit shall be reversed in Form GSTR-3B***.
- Credit of tax paid on inputs and input services that are used for non-business purposes and items mentioned u/s section 17(5) [blocked credits] cannot be availed.
- The restriction of availing 50% ITC shall not apply to the tax paid on supplies procured from another registration within the same entity, i.e. 100% credit of such tax can be availed.
- The option once exercised cannot be changed during the remaining part of the financial year.

Interest is the main income of banks and NBFCs and the same is exempt from GST. Thus, if rule 42 and 43 are applied strictly, significant portion of ITC of banks and NBFCs will have to be reversed/added to output tax liability. Therefore, banks and NBFCs have been given the said option of availing 50% of eligible ITC to possibly encourage them as they are required to finance priority sectors, MSME, agriculture etc.

B. Blocked credits [Section 17(5)]

ITC of tax paid on almost every inputs, input services or capital goods used for supply of taxable goods and/or services is allowed under GST except a small list of items provided u/s 17(5). Thus, ITC on such items is not allowed even though the same may qualify as inputs, input services or capital goods and are used in the course or furtherance of business.

The blocked list of credit covers mainly items of personal consumption, inputs and input services use of which results into formation of an immovable property (except plant and machinery), telecommunication towers, pipelines laid outside the factory premises, etc. and taxes paid as a result of detection of evasion of taxes, etc.

The various goods and/or services on which credit is blocked are discussed hereunder:

(i) Motor vehicles and other conveyances and related services (insurance, servicing and repair and maintenance)

Motor vehicles and conveyances have been defined in the CGST Act *[See definition under the heading Relevant Definitions]*. Motor vehicles exclude –

- vehicle running upon fixed rails
- special purpose vehicles for being used in a factory or any enclosed premises
- vehicle with less than 4 wheels fitted with engine capacity of upto 25cc – (Thus, railways, two/three wheelers with engine capacity of upto 25cc, bicycle etc. do not fall in the definition of motor vehicle.)

Broadly, ITC is blocked on motor vehicles, vessels and aircrafts used for passenger transportation with certain exceptions. Further, ITC is also blocked on certain services relating to motor vehicles, vessels and aircrafts namely, general insurance, servicing and repair and maintenance. The basic principle here is that the motor vehicles, aircrafts and vessels on which ITC is blocked, the ITC on services of insurance, servicing and repair and maintenance pertaining to such motor vehicles, vessels and aircrafts is also blocked.

The blocked credits relating to motor vehicles, vessels, aircrafts and related services are discussed hereunder:

S. No.	Goods and/or services on which credit is blocked	Exceptions to goods and/or services mentioned in column (2) on which credit is allowed	Remarks
(1)	**(2)**	**(3)**	**(4)**
(i)	Motor vehicles for transportation of persons with seating capacity ≤ 13 persons (including the driver) – <u>Referred to as ineligible motor vehicle in this table</u>	Ineligible motor vehicles when used for any of the following eligible purposes - • making further taxable supply of such motor vehicles (e.g traders of motor vehicles); • making taxable supply of transportation of passengers (e.g travel operator offering transportation services); • Making taxable supply of	❑ ITC on ineligible motor vehicles used for any purpose other than the eligible purposes is not allowed. ❑ ITC on motor vehicles for transportation of persons with seating capacity > 13 persons (including the driver) used for any purpose is allowed. • ITC on motor vehicles other than ineligible motor vehicles (e.g. motor vehicle used for transportation of goods, dumpers,

		imparting training on driving such motor vehicles (e.g motor driving schools).	tippers etc.) used for any purpose is allowed.
(ii)	Vessels and aircrafts	Vessels and aircraft when used for any of the following eligible purposes- • making further taxable supply of such vessels or aircraft; • making taxable supply of transportation of passengers; • making taxable supply of imparting training on navigating such vessels; • making taxable supply of imparting training on flying such aircrafts; • transportation of goods.	ITC on vessels and aircrafts used for any purpose other than the eligible purposes is not allowed.
(iii)	General insurance, servicing, repair and	• Such services relating to ineligible motor vehicles, vessels	• ITC is not allowed on services of general insurance, servicing, repair and

	maintenance relating to: • Ineligible motor vehicles • Vessels • Aircraft	or aircraft when used for eligible purposes • Such services when received by- ○ Manufacturer of ineligible motor vehicles, vessels or aircraft; or ○ Supplier of general insurance services in respect of ineligible motor vehicles, vessels or aircraft insured by him	maintenance relating to motor vehicles, vessels or aircraft, ITC on which is not allowed. • ITC is allowed on services of general insurance, servicing, repair and maintenance relating to motor vehicles, vessels or aircraft, ITC on which is allowed.
(iv)	Leasing, renting or hiring of motor vehicles, vessels or aircraft on which ITC is not allowed	• Such services when used for making an outward taxable supply of the same category of services or as an element of a taxable composite or mixed supply	• ITC on leasing, renting or hiring of motor vehicles, vessels or aircraft on which ITC is allowed, is also allowed**. • ITC on such services is allowed in the case of sub-contracting, i.e. when such services

		• Such services when provided by an employer to its employees under a statutory obligation	are used by the taxpayer who is in the same line of business.

***The term "leasing" referred in above table refers to leasing of motor vehicles, vessels and aircrafts only and not to leasing of any other items.**

Accordingly, availment of ITC is not barred in case of leasing, other than leasing of motor vehicles, vessels and aircrafts[11].

(12) ITC on cars purchased by a manufacturing company for official use of its employees is blocked.

(13) ITC on cars purchased by a car dealer for sale to customers is allowed.

(14) ITC on cars purchased by a company engaged in renting out cars for transportation of passengers, is allowed.

(15) ITC on cars purchased by a car driving school for imparting training on driving is allowed.

(16) ITC on buses (seating capacity for 24 persons) purchased by a company for transportation of its employees from their residence to office and back, is allowed.

(17) ITC on trucks purchased by a company for transportation of its finished goods is allowed.

(18) ITC on aircraft purchased by a manufacturing company for official use of its CEO is blocked.

[11] *Circular No. 172/04/2022 GST dated 06.07.2022*

(19) ITC on aircraft purchased by an Aviation School providing training on flying aircrafts, is allowed.

(20) ITC on general insurance taken on a car used by employees of a manufacturing company for official purposes, is blocked.

(21) A business jet purchased for the official travel of the company's directors is blocked.

(22) ITC on maintenance & repair services availed by a company for a truck used for transporting its finished goods, is allowed.

(23) ITC on general insurance services taken on cars manufactured by a car manufacturing company is allowed.

(ii) Food & beverages, outdoor catering, health services and other services

S. No.	Goods and/or services on which credit is blocked	Exceptions to goods and/or services mentioned in column (2) on which credit is allowed	Remarks
(1)	(2)	(3)	(4)
(i)	• Food and beverages • Outdoor catering • Beauty treatment • Health services • Cosmetic and plastic surgery • Life insurance and health insurance	• Such goods and/or services when used by a registered person for making an outward taxable supply of the same category of goods and/or services or as an element of a taxable composite or mixed supply • Such goods and/or services when provided by an employer to its	• ITC on such goods and/or services is allowed in the case of sub-contracting, i.e. when such goods and/or services are used by the taxpayer who is in the same line of business, e.g. outdoor catering service

		employees under a statutory obligation	availed by another outdoor caterer. • When such goods and/or services are provided by the employer to its employees without any statutory obligation, ITC thereon is blocked.
(ii)	Membership of a club, health and fitness centre	Such services when provided by an employer to its employees under a statutory obligation	When such goods and/or services are provided by the employer to its employees without any statutory obligation, ITC thereon is blocked.
(iii)	Travel benefits extended to employees on vacation such as leave or home travel concession	Such services when provided by an employer to its employees under a statutory obligation	When such goods and/or services are provided by the employer to its employees without any statutory obligation, ITC thereon is blocked.

(24) A manufacturing company purchases food items for being served to its customers, free of cost. ITC on such goods is blocked.

(25) AB & Co., a caterer of Amritsar, has been awarded a contract for catering in a marriage to be held at Ludhiana. The firm has given the contract for supply of snacks, to be served in the marriage, to CD & Sons, a local caterer of Ludhiana. ITC on such outdoor catering services availed by AB & Co., is allowed.

(26) ITC on outdoor catering services availed by a garment exporter for a marketing event organised for its prospective customers, is blocked.

(27) Outdoor catering service is availed by a company to run a free canteen in its factory. The Factories Act, 1948 requires the company to set up a canteen in its factory. ITC on such outdoor catering is allowed.

(28) The Managing Director of a company has taken membership of a club, the fees for which is paid by the company. ITC on such service is blocked.

(29) A company avails services of a travel agency for organizing a free vacation for its top performing employees. ITC on such services is blocked.

(iii) Works contract services for construction of immovable property [Clause (c) of section 17(5)]

One major input service, ITC on which is blocked is input service relating to construction activity like construction of office building, factory building etc. (except in case of persons like builders, developers and contractors who are undertaking construction for others). However, ITC is available for routine construction related services like repairs, maintenance, renovation etc. of office and factory building. Thus, broadly, ITC of construction services is not available when the expenses are capitalised in the books of account. Here, it needs to be noted that capitalisation of an expense does not depend on whether the taxpayer intends to avail ITC, but on the basis of Accounting Standards and GAAP.

Works contract has been defined in the CGST Act *[See definition under the heading Relevant Definitions]*. Essentially works contract is a composite supply involving both goods and services. Under the erstwhile laws, definition of works contract included work in relation to both movable and immovable properties. However, under GST law, the ambit of works contract has been **confined only to immovable property**.

Meaning of immovable property

Immovable property has not been defined under the GST law. Therefore, we will have to look for the definition of immovable property in other laws. Section 3(26) of the General Clauses Act, 1897, defines the term immovable property to include land, benefits to arise out of land, and things attached to the earth, or permanently fastened to anything attached to the earth.

The term "attached to the earth" is defined in section 3 of the Transfer of Property Act, 1882 to mean:

(a) rooted in the earth, as in the case of trees and shrubs; [However, the term "immovable property" under the Transfer of Property Act does not cover standing timber, growing crops or grass.]

(b) embedded in the earth, as in the case of walls or buildings.

(c) attached to what is so embedded for the permanent beneficial enjoyment of that to which it is attached.

Under GST law, a composite supply of works contract is treated as supply of services in terms of para 6(a) of Schedule II to the CGST Act.

ITC on works contract services for construction of an immovable property is blocked **EXCEPT WHEN**

- It is an input service for further supply of works contract service (sub-contracting);

  [ITC on works contract services can be availed only by that taxpayer who is in the same line of business, i.e. only a works contractor can avail ITC on works contract services received by him.]

- Immovable property is plant and machinery

  [Plant and machinery affixed permanently to the earth constitutes an immovable property. However, ITC on works contract services used for construction of such plant and machinery is allowed as an exception.]

Meaning of construction

"Construction" includes re-construction, renovation, additions or alterations or repairs, to the extent of capitalization, to the said immovable property.

Thus, if re-construction, renovation, additions or alterations or repairs are not capitalized, it would not tantamount to construction under GST law. Consequently, ITC on works contract services availed for such construction (which is not capitalized) whether for any immovable property or for any plant and machinery, would be allowed to all the recipients irrespective of their line of business.

Meaning of plant and machinery

"Plant and machinery" means apparatus, equipment, and machinery fixed to earth by foundation or structural supports that are used for making outward supply of goods and/or services **and includes such foundation or structural support**

but excludes

land, building or other civil structures, telecommunication towers, and pipelines laid outside the factory premises.

Thus, ITC on works contract services availed for construction of eligible plant and machinery is allowed to the recipient irrespective of the line of business of such recipient and irrespective of whether expense is capitalized or not by the recipient.

For instance, ITC on works contract services for construction of machinery fixed to earth by a foundation, would be allowed. However, ITC on works contract services for construction of telecommunication tower(s), would be blocked.

ITC on works contract services for construction of immovable property is available only in the following three situations:

(i) When the works contract service is availed by a works contractor for being used in providing the works contract service.

(ii) For construction of eligible plant and machinery. In this case, ITC is allowed to all recipients irrespective of their line of business and whether expense capitalized or not.

(iii) When the value of works contract service is not capitalized. In this case, ITC is allowed to all recipients irrespective of their line of business.

(30) ITC on works contracts services availed by a software company for construction of its office, is blocked.

(31) CD & Co., a works contractor of Noida, has been awarded a contract for construction of a commercial complex in Lucknow. The firm avails services of EF & Co., a local works contractor of Lucknow, for the construction of complex. ITC on such works contract services availed by CD & Co., is allowed.

(32) ITC on works contract services availed by an automobile company for construction of a foundation on which a machinery (to be used in the production process) is to be mounted permanently, is allowed.

(33) ITC on works contract services availed by a manufacturing company for construction of pipelines to be laid outside its factory, is blocked.

(34) A consulting firm has availed services of a works contractor for repair of its office building. The company has booked such expenditure in its profit and loss account. ITC on such services is allowed.

(35) A telecommunication company has availed services of a works contractor for repair of its office building. The company has capitalized such expenditure. ITC on such services is blocked.

(iv) Self-construction of immovable property [Clause (d) of section 17(5)]

So now we know that ITC on works contract services availed by a taxpayer, other than a works contractor, for construction of immovable property (other than plant and machinery) is not available. But what happens if a taxpayer procures goods and services and constructs an immovable property, for being used in the course or furtherance of business, without availing services of a works contractor? Will ITC be allowed in such a case?

The answer is No. ITC is not allowed on goods and/or services received by a taxable person for construction of an immovable property (other than plant and machinery) **on his own account** even though such goods and/or services are used in the course or furtherance of business. Thus, ITC on goods and/or services used in the construction of an immovable property is blocked only in those cases where the taxable person constructs the immovable property for his own use even if the immovable property being constructed is used in the course or furtherance of his business.

The discussion on terms, 'construction' and 'plant and machinery' for works contract services [Elaborated in point (iii) above] applies to construction on own account also.

ITC on goods and/or services used in construction of immovable property is available only in the following three situations:

(i) For construction of eligible plant and machinery

(ii) When the value of goods and/or services is not capitalized

(iii) When the construction is not on own account

example

(36) A company buys cement, tiles etc. and avails the services of an architect for construction of its office building. ITC on such goods and services is blocked.

(37) MN & Constructions procures cement, paint, iron rods and services of architects and interior designers for construction of a commercial complex for one of its clients. ITC on such goods and services is allowed to MN & Co.

(38) A company buys cement, tiles etc. and avails the services of an architect for renovation of its office building. The company has booked such expenditure in its profit and loss account. ITC on such goods and services is allowed.

(39) ITC on goods and/or services used by an automobile company for construction of a foundation on which a machinery (to be used in the production process) is to be mounted permanently, is allowed.

(v) Inward supplies charged to tax under composition levy [Clause (e) of section 17(5)]

A supplier registered under composition scheme cannot collect tax from its customers. Thus, such supplier issues bill of supply and not a tax invoice. A composition supplier pays a lumpsum tax at a specified rate on its quarterly turnover.

Tax paid on goods and/or services under composition scheme is not available as ITC for the recipient.

Since a composition supplier cannot collect any tax on its supplies, from the recipient of its supplies, it is obvious that no ITC can be availed in respect of such supplies by the recipients. Nevertheless, section 17(5)(e) specifically blocks the ITC on inward supplies received by a taxable person from a composition supplier.

(vi) Inward supplies received by a non-resident taxable person [Clause (f) of section 17(5)]

Non-resident taxable person has been defined in the CGST Act *[See the definition under the heading Relevant Definitions]*. Essentially, a non-resident taxable person has no fixed place of business in India but he sporadically supplies goods or services in India.

Tax paid on goods and/or services received by such non-resident taxable person, is not available as ITC. However, tax paid by him on **imported goods** is allowed as ITC.

Whereas ITC on goods imported by a non-resident taxable person is allowed, ITC on services imported by him is blocked.

(vii) Goods/services used/intended to be used for CSR related activities [Clause (fa) of section 17(5)]

ITC is blocked on goods or services or both received by a taxable person, which are used or intended to be used for activities relating to his obligations under corporate social responsibility referred to in section 135 of the Companies Act, 2013.

(viii) Inward supplies used for personal consumption [Clause (g) of section 17(5)]

One of the foremost conditions laid down in section 16 for availing ITC on goods and/or services is that such goods and/or services should be used in the course or furtherance of business. Further, where goods and/or services are used partly for the purpose of any business and partly for other purposes, section 17(1) restricts the credit to so much of the ITC as is attributable to business purposes.

Furthermore, section 17(5)(g) also specifically blocks the ITC on goods and/or service used for personal consumption.

The term 'personal consumption' has not been defined in the GST law. Thus, it may be understood in the general sense which would mean non-business use.

(40) Mr. X owns a retail showroom of tyres and tyre tubes. He takes 4 tyres from the showroom for his personal car. Being used for personal consumption, ITC on such 4 tyres is blocked.

(ix) Free samples, gifts, goods lost/stolen etc. [Clause (h) of section 17(5)]

ITC in respect of goods that are disposed of by way of gift or free samples is not available. Also, ITC is blocked on lost goods, stolen goods, destroyed goods and goods that are written off. This is because principally, ITC is available only for payment of tax on output supply. If no tax is payable on output supply, ITC on inputs/input services/capital goods relating to such output supply is not eligible. Hence, ITC on gifts and free samples is blocked as no tax is payable on its outward supply. In case of lost/destroyed/stolen written off goods also, ITC is not available as these goods cannot be said to have been used for making a taxable supply.

Meaning of 'gift'

The term gift has not been defined in the GST law. Therefore, we will have to look for the definition of gift in other laws. Section 122 of the Transfer of Property Act, 1882, defines gift as transfer of certain existing moveable or immoveable property made voluntarily and without consideration, by one person, called the donor, to another, called the donee, and accepted by or on behalf of the donee.

In common parlance, gift is made without consideration, is voluntary in nature and is made occasionally. It cannot be demanded as a matter of right.

Meaning of 'sample'

Sample is also not defined in the GST law. The dictionary meaning of sample is "a small part or quantity intended to show what the whole is like". In commercial parlance, samples are given to prospective customers to enable them to test the quality of the item before making a decision to buy the same.

ITC is blocked in respect of the goods mentioned above.

ITC in the hands of the supplier in respect of sales promotional schemes

Circular No. 92/11/2019 GST dated 07.03.2019 has clarified the entitlement of ITC in the hands of supplier in respect of various sales promotional schemes as under *[Taxability of such schemes has been discussed at relevant places in Chapter 1: Supply Under GST and Chapter 6: Value of Supply in Module 1 of the Study Material.]*

A. Samples and free gifts

Samples which are supplied free of cost, without any consideration, do not qualify as "supply" under GST, except where the activity falls within the ambit of Schedule I of the CGST Act.

ITC shall not be available to the supplier on the inputs, input services and capital goods to the extent they are used in relation to the gifts or free samples distributed without any consideration. However, where the activity of distribution of gifts or free samples falls within the scope of "supply" on account of the provisions contained in Schedule I of the said Act, the supplier would be eligible to avail the ITC.

B. Buy one get one free offer

This is not an individual supply of free goods, but a case of two or more individual supplies where a single price is being charged for the entire supply. It can at best be treated as supplying two goods for the price of one.

Taxability of such supply will be dependent upon as to whether the supply is a composite supply or a mixed supply and the rate of tax shall be determined as per the provisions of section 8.

ITC shall be available to the supplier for the inputs, input services and capital goods used in relation to supply of goods or services or both as part of such offers.

C. Discounts including 'Buy more, save more' offers

Discounts offered by the suppliers to customers (including staggered discount under "Buy more, save more" scheme and post supply / volume discounts established before or at the time of supply) shall be excluded to determine the value of supply provided they satisfy the parameters laid down in 15(3), including the reversal of ITC by the recipient of the supply as is attributable to the discount on the basis of document (s) issued by the supplier.

However, the supplier shall be entitled to avail the ITC for such inputs, input services and capital goods used in relation to the supply of goods or services or both on such discounts.

D. Secondary discounts

These are the discounts which are not known at the time of supply or are offered after the supply is already over. Such discounts shall not be excluded while determining the value of supply. There is no impact on availability or otherwise of ITC in the hands of supplier in this case.

ITC reversal when return of time expired medicines/drugs are treated as fresh supply

The common trade practice in the pharmaceutical sector is that the drugs or medicines (hereinafter referred to as "goods") are sold by the manufacturer to the wholesaler and by the wholesaler to the retailer on the basis of an invoice/bill of supply as case may be. Such goods have a defined life term which is normally referred to as the date of expiry. Such goods which have crossed their date of expiry are colloquially referred to as time expired goods and are returned back to the manufacturer, on account of expiry, through the supply chain.

Circular No. 72/46/2018 GST dated 26.10.2018 has clarified that the retailer/ wholesaler can return the time expired goods, either by treating the same as fresh supply or by issuing credit notes[12].

Return of time-expired goods by treating the same as fresh supply

In case the person returning the time expired goods is a registered person (other than a composition taxpayer), he may, at his option,

[12] *The procedure for return of time expired drugs or medicines by issuing credit note is covered in Chapter 9: Tax Invoice, Credit and Debit Note in this Module of the Study Material.*

return the said goods by treating it is as a fresh supply and thereby issuing an invoice for the same (hereinafter referred to as the, "return supply"). The value of the said goods as shown in the invoice on the basis of which the goods were supplied earlier may be taken as the value of such return supply. The wholesaler or manufacturer, as the case may be, who is the recipient of such return supply, shall be eligible to avail ITC of the tax levied on the said return supply subject to the fulfillment of the conditions specified in section 16.

In case the person returning the time expired goods is a composition taxpayer, he may return the said goods by issuing a bill of supply and pay tax at the rate applicable to a composition taxpayer. In this scenario there will not be any availability of ITC to the recipient of return supply. In case the person returning the time-expired goods is an unregistered person, he may return the said goods by issuing any commercial document without charging any tax on the same.

Where the goods returned by the retailer/wholesaler as a fresh supply, are destroyed by the manufacturer, he/she is required to reverse the ITC availed on the return supply in terms of section 17(5)(h). It is pertinent to mention here that the ITC which is required to be reversed in such scenario is the ITC availed on the return supply and not the ITC that is attributable to the manufacture of such time expired goods.

The clarification may also be applicable to return of goods for reasons other than being time expired.

example

(41) If a manufacturer has availed ITC of ₹ 10/- at the time of manufacture of medicines valued at ₹ 100/-. At the time of return of such medicine on the account of expiry, the ITC available to the manufacturer on the basis of fresh invoice issued by wholesaler is ₹ 15/-. So, when the time expired goods are destroyed by the manufacturer, he would be required to reverse ITC of ₹ 15/- and not of ₹ 10/.

(x) Tax paid in fraud cases, detention, confiscation etc. [Clause (i) of section 17(5)]

Tax paid under sections 74, 129 and 130 is not available as ITC. These sections prescribe the provisions relating to tax paid as a result of evasion of taxes, or upon detention of goods or conveyances in transit, or towards redemption of confiscated goods/conveyances.

5. CREDIT IN SPECIAL CIRCUMSTANCES [SECTION 18]

	STATUTORY PROVISIONS	
Section 18	***Availability of credit in special circumstances***	
Sub-section	***Clause***	***Particulars***
(1)	*Subject to such conditions and restrictions as may be prescribed—*	
	(a)	*a person who has applied for registration under this Act within thirty days from the date on which he becomes liable to registration and has been granted such registration shall be entitled to take credit of input tax in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock on the day immediately preceding the date from which he becomes liable to pay tax under the provisions of this Act;*
	(b)	*a person who takes registration under sub-section (3) of section 25 shall be entitled to take credit of input tax in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock on the day immediately preceding the date of grant of registration;*
	(c)	*where any registered person ceases to pay tax under section 10, he shall be entitled to take credit of input tax in respect of inputs held in stock, inputs contained in semi-finished or finished goods held in stock and on capital goods on the day immediately preceding the date from which he becomes liable to pay tax under section 9:*

		Provided that the credit on capital goods shall be reduced by such percentage points as may be prescribed;
	(d)	*where an exempt supply of goods or services or both by a registered person becomes a taxable supply, such person shall be entitled to take credit of input tax in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock relatable to such exempt supply and on capital goods exclusively used for such exempt supply on the day immediately preceding the date from which such supply becomes taxable:*
		Provided that the credit on capital goods shall be reduced by such percentage points as may be prescribed.
(2)	*A registered person shall not be entitled to take input tax credit under sub-section (1) in respect of any supply of goods or services or both to him after the expiry of one year from the date of issue of tax invoice relating to such supply.*	
(3)	*Where there is a change in the constitution of a registered person on account of sale, merger, demerger, amalgamation, lease or transfer of the business with the specific provisions for transfer of liabilities, the said registered person shall be allowed to transfer the input tax credit which remains unutilised in his electronic credit ledger to such sold, merged, demerged, amalgamated, leased or transferred business in such manner as may be prescribed.*	
(4)	*Where any registered person who has availed of input tax credit opts to pay tax under section 10 or, where the goods or services or both supplied by him become wholly exempt, he shall pay an amount, by way of debit in the electronic credit ledger or electronic cash ledger, equivalent to the credit of input tax in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock and on capital goods, reduced by such percentage points as may be prescribed, on the day immediately preceding the date of exercising of such option or, as the case may be, the date of such exemption:*	

		Provided that after payment of such amount, the balance of input tax credit, if any, lying in his electronic credit ledger shall lapse.
(5)		*The amount of credit under sub-section (1) and the amount payable under sub-section (4) shall be calculated in such manner as may be prescribed.*
(6)		*In case of supply of capital goods or plant and machinery, on which input tax credit has been taken, the registered person shall pay an amount equal to the input tax credit taken on the said capital goods or plant and machinery reduced by such percentage points as may be prescribed or the tax on the transaction value of such capital goods or plant and machinery determined under section 15, whichever is higher:*
		Provided that where refractory bricks, moulds and dies, jigs and fixtures are supplied as scrap, the taxable person may pay tax on the transaction value of such goods determined under section 15.
Chapter V: Input Tax Credit of CGST Rules		
Rule 40		**Manner of claiming credit in special circumstances**
Sub-rule	**Clause**	**Particulars**
(1)		*The input tax credit claimed in accordance with the provisions of sub-section (1) of section 18 on the inputs held in stock or inputs contained in semi-finished or finished goods held in stock, or the credit claimed on capital goods in accordance with the provisions of clauses (c) and (d) of the said sub-section, shall be subject to the following conditions, namely -*
	(a)	*the input tax credit on capital goods, in terms of clauses (c) and (d) of sub-section (1) of section 18, shall be claimed after reducing the tax paid on such capital goods by five percentage points per quarter of a year or part thereof from the date of the invoice or such other documents on which the capital goods were received by the taxable person.*

	(b)		*the registered person shall within a period of thirty days from the date of becoming eligible to avail the input tax credit under sub-section (1) of section 18, or within such further period as may be extended by the Commissioner by a notification in this behalf, shall make a declaration, electronically, on the common portal in* ***FORM GST ITC-01*** *to the effect that he is eligible to avail the input tax credit as aforesaid:*
			Provided that any extension of the time limit notified by the Commissioner of State tax or the Commissioner of Union territory tax shall be deemed to be notified by the Commissioner.
	(c)		*the declaration under clause (b) shall clearly specify the details relating to the inputs held in stock or inputs contained in semi-finished or finished goods held in stock, or as the case may be, capital goods–*
		(i)	*on the day immediately preceding the date from which he becomes liable to pay tax under the provisions of the Act, in the case of a claim under clause (a) of sub- section (1) of section 18;*
		(ii)	*on the day immediately preceding the date of the grant of registration, in the case of a claim under clause (b) of sub-section (1) of section 18;*
		(iii)	*on the day immediately preceding the date from which he becomes liable to pay tax under section 9, in the case of a claim under clause (c) of sub-section (1) of section 18;*
		(iv)	*on the day immediately preceding the date from which the supplies made by the registered person becomes taxable, in the case of a claim under clause (d) of sub- section (1) of section 18;*
	(d)		*the details furnished in the declaration under clause (b) shall be duly certified by a practicing chartered accountant or a cost accountant if the aggregate value*

		of the claim on account of central tax, State tax, Union territory tax and integrated tax exceeds two lakh rupees;
	(e)	*the input tax credit claimed in accordance with the provisions of clauses (c) and (d) of sub-section (1) of section 18 shall be verified with the corresponding details furnished by the corresponding supplier in **FORM GSTR-1** or as the case may be, in **FORM GSTR- 4,** on the common portal.*
(2)	*The amount of credit in the case of supply of capital goods or plant and machinery, for the purposes of sub-section (6) of section 18, shall be calculated by reducing the input tax on the said goods at the rate of five percentage points for every quarter or part thereof from the date of the issue of the invoice for such goods.*	
Rule 41	***Transfer of credit on sale, merger, amalgamation, lease or transfer of a business***	
Sub-rule	***Particulars***	
(1)	*A registered person shall, in the event of sale, merger, de-merger, amalgamation, lease or transfer or change in the ownership of business for any reason, furnish the details of sale, merger, de-merger, amalgamation, lease or transfer of business, in **FORM GST ITC-02**, electronically on the common portal along with a request for transfer of unutilized input tax credit lying in his electronic credit ledger to the transferee:*	
	Provided that in the case of demerger, the input tax credit shall be apportioned in the ratio of the value of assets of the new units as specified in the demerger scheme.	
	Explanation: - For the purpose of this sub-rule, it is hereby clarified that the "value of assets" means the value of the entire assets of the business, whether or not input tax credit has been availed thereon.	
(2)	*The transferor shall also submit a copy of a certificate issued by a practicing chartered accountant or cost accountant certifying that the*	

	sale, merger, de-merger, amalgamation, lease or transfer of business has been done with a specific provision for the transfer of liabilities.
(3)	*The transferee shall, on the common portal, accept the details so furnished by the transferor and, upon such acceptance, the un-utilized credit specified in **FORM GST ITC-02** shall be credited to his electronic credit ledger.*
(4)	*The inputs and capital goods so transferred shall be duly accounted for by the transferee in his books of account.*
Rule 41A	***Transfer of credit on obtaining separate registration for multiple places of business within a State or Union territory***
(1)	*A registered person who has obtained separate registration for multiple places of business in accordance with the provisions of rule 11 and who intends to transfer, either wholly or partly, the unutilised input tax credit lying in his electronic credit ledger to any or all of the newly registered place of business, shall furnish within a period of thirty days from obtaining such separate registrations, the details in **FORM GST ITC-02A** electronically on the common portal, either directly or through a Facilitation Centre notified in this behalf by the Commissioner:*
	Provided that the input tax credit shall be transferred to the newly registered entities in the ratio of the value of assets held by them at the time of registration.
	Explanation.- For the purposes of this sub-rule, it is hereby clarified that the 'value of assets' means the value of the entire assets of the business whether or not input tax credit has been availed thereon.
(2)	*The newly registered person (transferee) shall, on the common portal, accept the details so furnished by the registered person (transferor) and, upon such acceptance, the unutilised input tax credit specified in **FORM GST ITC-02A** shall be credited to his electronic credit ledger.*

Rule 44	Manner of reversal of credit under special circumstances	
Sub-rule	**Clause**	**Particulars**
(1)	*The amount of input tax credit relating to inputs held in stock, inputs contained in semi-finished and finished goods held in stock, and capital goods held in stock shall, for the purposes of sub-section (4) of section 18 or sub-section (5) of section 29, be determined in the following manner, namely,-*	
	(a)	*for inputs held in stock and inputs contained in semi-finished and finished goods held in stock, the input tax credit shall be calculated proportionately on the basis of the corresponding invoices on which credit had been availed by the registered taxable person on such inputs;*
	(b)	*for capital goods held in stock, the input tax credit involved in the remaining useful life in months shall be computed on pro-rata basis, taking the useful life as five years.*
(2)	*The amount, as specified in sub-rule (1) shall be determined separately for input tax credit of central tax, State tax, Union territory tax and integrated tax.*	
(3)	*Where the tax invoices related to the inputs held in stock are not available, the registered person shall estimate the amount under sub-rule (1) based on the prevailing market price of the goods on the effective date of the occurrence of any of the events specified in sub-section (4) of section 18 or, as the case may be, sub-section (5) of section 29.*	
(4)	*The amount determined under sub-rule (1) shall form part of the output tax liability of the registered person and the details of the amount shall be furnished in* ***FORM GST ITC-03,*** *where such amount relates to any event specified in sub-section (4) of section 18 and in* ***FORM GSTR-10,*** *where such amount relates to the cancellation of registration.*	
(5)	*The details furnished in accordance with sub-rule (3) shall be duly certified by a practicing chartered accountant or cost accountant.*	

(6)	*The amount of input tax credit for the purposes of sub-section (6) of section 18 relating to capital goods shall be determined in the same manner as specified in clause (b) of sub-rule (1) and the amount shall be determined separately for input tax credit of central tax, State tax, Union territory tax and integrated tax:*
	Provided that where the amount so determined is more than the tax determined on the transaction value of the capital goods, the amount determined shall form part of the output tax liability and the same shall be furnished in ***FORM GSTR-1****.*

ANALYSIS

Section 18 provides for

(1) entitlement of ITC on inputs in stock and inputs contained in finished goods or work-in-progress, and in last two cases in respect of capital goods as well (i) at the time of registration/voluntary registration, (ii) on coming into regular tax-paying status by exiting composition levy, (iii) on coming into tax-paying status on account of exempt supply becoming taxable supply for a registered person

(2) reversal of ITC on inputs in stock and inputs contained in finished goods or work-in-progress and capital goods (i) at the time of exit from regular tax-paying status by opting for composition levy, (ii) at the time of exit from tax-paying status on account of taxable supply becoming exempt supply for a registered person

(3) amount payable on supply of capital goods or plant and machinery on which ITC has been taken

(4) transfer of ITC on account of change in constitution of the registered person

(i) Entitlement of ITC at the time of registration/voluntary registration or switching to regular tax paying status or coming into tax-paying status [Sub-sections (1) and (2) of section 18 read with rule 40]

The credit on inputs held in stock and contained in semi-finished goods or finished goods held in stock and capital goods at the time of registration/voluntary registration or coming into regular tax/tax-paying status is available in the following manner:

S. No.	Persons eligible to take credit	Goods entitled to ITC		Restriction/conditions
		Inputs held in stock/capital goods	**As on**	
(1)	**(2)**	**(3)**	**(4)**	**(5)**
1.	Person who has applied for **registration within 30 days from the date on which he becomes liable to registration** and has been granted such registration	**Inputs** held in stock and inputs contained in semi-finished or finished goods held in stock	The day immediately preceding the date from which he becomes liable to pay tax	➔ ITC to be availed within 1 year from the date of the issue of the tax invoice by the supplier.
2.	Person who is not required to register, but obtains **voluntary registration**	**Inputs** held in stock and inputs contained in semi-finished or finished goods held in stock	The day immediately preceding the date of registration	
3.	Registered person **who ceases to**	**Inputs** held in stock and inputs	The day immediately preceding the	➔ ITC on capital goods will be reduced by 5% per quarter of a year or part

	pay composition tax and switches to regular scheme	contained in semi-finished or finished goods held in stock **and capital goods**	date from which he becomes liable to pay tax under regular scheme	of the year from the date of invoice. ➔ ITC claimed shall be verified with the corresponding details furnished by the corresponding supplier. ➔ ITC to be availed within 1 year from the date of the issue of the tax invoice by the supplier.
4.	Registered person whose exempt supplies become taxable supplies	**Inputs** held in stock and inputs contained in semi-finished or finished goods held in stock relatable to such exempt supply **and capital goods exclusively used for such exempt supply**	The day immediately preceding the date from which such supply becomes taxable	

In all the above cases, the registered person has to make an electronic declaration in the prescribed form[13] on the common portal, clearly specifying the details relating to the inputs held in stock, inputs contained in semi-finished or finished goods held in stock and capital goods on the days mentioned in column (4) of table above. The declaration is to be filed within 30 days (extendable by Commissioner/Commissioner of State GST/Commissioner of UTGST) from the date when the registered person becomes eligible to avail ITC. If the claim of ITC pertaining to CGST, SGST/UTGST, IGST put together exceeds ₹ 2,00,000, the declaration needs to be certified by a practicing Chartered Accountant/Cost Accountant.

[13] *Declaration is to be filed in Form GST ITC-01 where a registered person ceases to pay composition tax and switches to regular scheme or his exempt supplies become taxable supplies.*

(42) 'Z' becomes liable to pay tax on 1st August and has obtained registration on 15th August w.e.f. 1st August. 'Z' is eligible for ITC on inputs held in stock and as part of semi-finished goods or finished goods held in stock as on 31st July. 'Z' cannot take ITC on capital goods.

(43) 'A' applies for voluntary registration on 5th June and obtains registration w.e.f. 22nd June. 'A' is eligible for ITC on inputs held in stock and as part of semi-finished goods or finished goods held in stock as on 21st June. 'A' cannot take ITC on capital goods.

(44) 'B', a registered taxable person, was paying tax under composition scheme upto 30th July. However, w.e.f. 31st July, 'B' becomes liable to pay tax under regular scheme. 'B' will be eligible for ITC on inputs held in stock and inputs contained in semi-finished or finished goods held in stock and on capital goods as on 30th July. ITC on capital goods will be reduced by 5% per quarter or part thereof from the date of the invoice.

(ii) Reversal of ITC on switching to composition levy or exit from tax-paying status [Section 18(4) read with rule 44]

- Section 18(4) requires reversal of ITC when a registered person who has availed ITC switches to composition levy or when his supplies get wholly exempted from tax.
- ITC on inputs should be reversed proportionately on the basis of corresponding invoices on which credit had been availed on such inputs. If invoices are not available, ITC can be reversed on the basis of the prevailing market price of such goods on the date of switch over/exemption. The details furnished on the basis of prevailing market value need to be duly certified by a practicing Chartered Accountant/ Cost Accountant.
- ITC involved in the remaining useful life (in months) of the capital goods should be reversed on *pro-rata* basis, taking the useful life as 5 years.

(45) Capital goods have been in use for 4 years, 6 month and 15 days.

The useful remaining life in months = 5 months ignoring a part of the month.

ITC taken on such capital goods = C

ITC attributable to remaining useful life that should be reversed

= C x 5/60

- The registered person has to debit the electronic credit or cash ledger by the reversal amount in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock and capital goods on the day immediately preceding the date of switch over/ date of exemption. *[Provisions relating to electronic cash ledger have been discussed in detail in Chapter 11: Payment of Tax in this Module of the Study Material.]*
- Balance of ITC, if any, lying in the electronic credit ledger lapses.
- Cancellation of registration also requires reversal of ITC on inputs held in stock/ contained in semi-finished goods or finished goods held in stock, capital goods or plant and machinery on the day immediately preceding the cancellation date. The amount to be reversed on inputs and capital goods is computed in the manner as applicable for sub-sections (4) and (6) of section 18 (discussed above). Such amount is then compared with the output tax payable on such goods, and the higher of the two amounts is finally paid by the registered person.
- ITC to be reversed on inputs and capital goods is calculated separately for ITC of CGST, SGST/UTGST and IGST.
- The reversal amount is added to the output tax liability of the registered person.

(iii) Amount payable on supply of capital goods or plant and machinery on which ITC has been taken [Section 18(6) read with rule 40(2) & rule 44(6)]

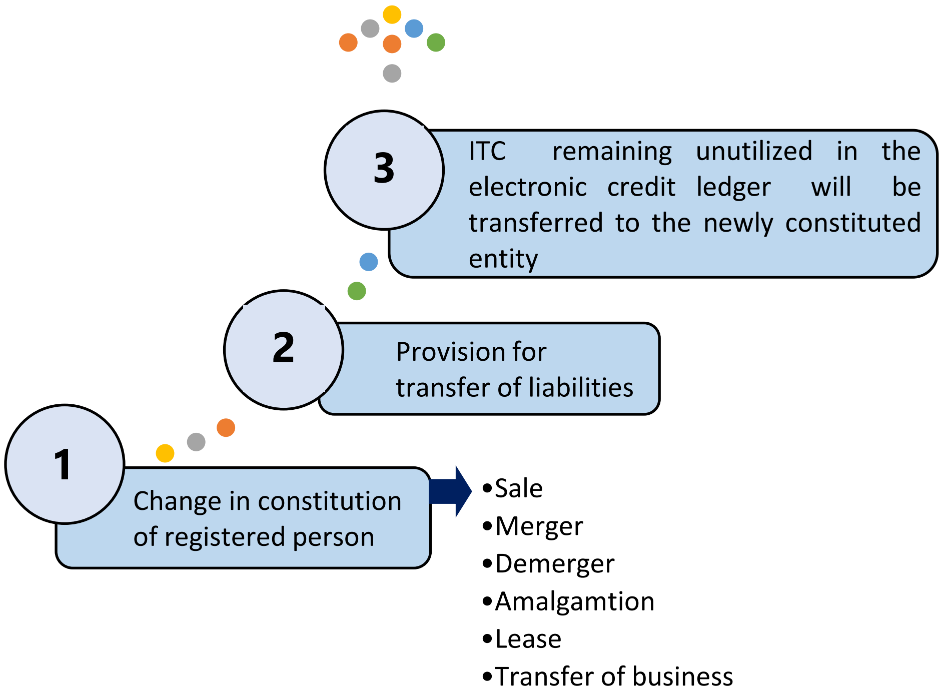
- If capital goods or plant and machinery on which ITC has been taken are supplied outward by the registered person, he must pay an amount that is the **higher of the following:**
  - ✓ ITC taken on such goods reduced by 5% per quarter of a year or part thereof from the date of issue of invoice for such goods [i.e., ITC pertaining to remaining useful life of the capital goods (in quarters)]*****, or
  - ✓ tax on transaction value of such capital goods/plant & machinery
- ITC pertaining to remaining useful life of the capital goods should be computed separately for ITC of CGST, SGST/UTGST and IGST.
- Where the amount of ITC remaining so determined exceeds the tax payable on the transaction value of the capital goods, such amount need to be paid and thus, should be added to the output tax liability.
- If refractory bricks, moulds and dies, jigs and fixtures are supplied as scrap, the taxable person may pay tax on the transaction value.

***Note:** Under rule 44(6), ITC involved in the remaining useful life (in months) of the capital goods is reversed on *pro rata* basis, taking the useful life as 5 years.

(iv) Transfer of ITC on account of change in constitution of registered person [Section 18(3) read with rule 41]

In case of sale, merger, demerger, amalgamation, lease, transfer or change in ownership of business etc., the ITC that remains unutilized in the electronic credit ledger of the registered person can be transferred to the new entity, provided there is a specific provision for transfer of liabilities in such change of constitution. *Circular No. 96/15/2019 GST dated 28.03.2019* has clarified that transfer or change in the ownership of business includes transfer or change in the ownership due to death of the sole proprietor.

The above provisions have been explained with the help of the diagram given below:



In the case of demerger, ITC will be apportioned in the ratio of the value of assets of the new units as specified in the demerger scheme. *Circular No. 133/3/2020 GST dated 23.03.2020* has clarified that the said formula for apportionment of ITC shall be applicable for all forms of business re-organization that results in partial transfer of business assets along with liabilities and not just demerger. Here, "value of assets" means the value of the entire assets of the business irrespective of whether ITC has been availed thereon or not.

The registered person should furnish the details of change in constitution in the prescribed form (ITC - 02) on the common portal and submit a certificate from practicing Chartered Account/Cost Accountant certifying that the change in constitution has been done with a specific provision for transfer of liabilities. Upon acceptance of such details by the transferee on the common portal, the unutilized ITC gets credited to his electronic credit ledger. The transferee should record the inputs and capital goods so transferred in his books of account.

Circular No. 133/3/2020 GST dated 23.03.2020 has clarified the following in relation to apportionment of ITC in cases of business reorganization:

(1) For the purpose of apportionment of ITC pursuant to a demerger, the value of assets of the new units is to be taken at the State level (at the level of distinct person) and not at the all-India level. The transferor would be required to file Form GST ITC-02 only in those States where both transferor and transferee are registered.

(46) A company XYZ is registered in two States of M.P. and U.P. Its total value of assets is worth ₹ 100 crore, while its assets in State of M.P. and U.P are ₹ 60 crore and ₹ 40 crore respectively. It demerges a part of its business to company ABC. As a part of such demerger, assets of XYZ amounting to ₹ 30 Crore are transferred to company ABC in State of M.P, while assets amounting to ₹ 10 crore only are transferred to ABC in State of U.P. (Total assets amounting to ₹ 40 crore at all-India level are transferred from XYZ to ABC).

The unutilized ITC of XYZ in State of M.P. shall be transferred to ABC on the basis of ratio of value of assets in State of M.P., i.e. 30/60 = 0.5 and not on the basis of all-India ratio of value of assets, i.e. 40/100=0.4. Similarly, unutilized ITC of XYZ in State of U.P. will be transferred to ABC in ratio of value of assets in State of U.P, i.e. 10/40 = 0.25.

(2) The ratio of value of assets shall be applied to the total amount of unutilized ITC of the transferor, i.e. sum of CGST, SGST/ UTGST and IGST credit. The said formula need not be applied separately in respect of each heads of ITC (CGST/ SGST/ IGST). Further, the said formula shall also be applicable for apportionment of cess between the transferor and transferee.

(47) The ITC balances of transferor X in the State of Maharashtra under CGST, SGST and IGST heads are 5 lakh, 5 lakh and 10 lakh respectively. Pursuant to a scheme of demerger, X transfers 60% of its assets to transferee B.

Accordingly, the amount of ITC to be transferred from A to B shall be 60% of 20 lakh (total sum of CGST, SGST and IGST credit) i.e. 12 lakh.

(3) The total amount of ITC to be transferred to the transferee (i.e. sum of CGST, SGST/ UTGST and IGST credit) should not exceed the amount of ITC to be transferred [Refer point (2) above]. However, the transferor shall be at liberty to determine the amount to be transferred under each tax head (IGST, CGST, SGST/ UTGST) within this total amount, subject to the ITC balance available with the transferor under the concerned tax head.

Example 48

(1)	(2)	(3)	(4)	(5)	(6)
State	**Asset Ratio of Tran-sferee**	**Tax Heads**	**ITC balance of Transferor (pre-apportionment) as on the date of filing GST ITC–02)**	**Total amount of ITC transferred to the Transferee under GST ITC02**	**ITC balance of Transferor (post-apportionment) after filing of GST ITC–02) [Col (4) – Col (5)]**
Delhi	70%	CGST	10,00,000	10,00,000	0
		SGST	10,00,000	10,00,000	0
		IGST	30,00,000	15,00,000	15,00,000
		Total	50,00,000	35,00,000	15,00,000
M.P.	40%	CGST	25,00,000	3,00,000	22,00,000
		SGST	25,00,000	5,00,000	20,00,000
		IGST	20,00,000	20,00,000	0
		Total	70,00,000	28,00,000	42,00,000

(4) The apportionment formula shall be applied on the ITC balance of the transferor as available in electronic credit ledger on the date of filing of Form GST ITC – 02 by the transferor.

(5) For the purpose of apportionment of ITC, the ratio of the value of assets should be taken as on the "appointed date of demerger" as specified in the respective scheme for demerger. Thus, for the purpose of apportionment of ITC, the ratio of the value of assets taken as on the "appointed date of demerger" should be applied on the ITC balance of the transferor on the date of filing Form GST ITC – 02.

(v) Transfer of ITC on obtaining separate registrations for multiple places of business within a State/ Union Territory [Rule 41A]

Section 25 enables a taxpayer to obtain separate registrations for multiple places of business within a State/ Union territory *[Provisions of section 25 are discussed under Chapter 8: Registration in this Module of the Study Material]*. The registered person (transferor), having separate registrations for multiple places of business within a State/Union Territory, can transfer the unutilised ITC (wholly or partly) lying in his electronic credit ledger to any or all of the newly registered place(s) of business in the ratio of the value of assets held by them at the time of registration. Here, the 'value of assets' means the value of the entire assets of the business irrespective of whether ITC has been availed thereon or not.

The registered person should furnish the prescribed details on the common portal within a period of 30 days from obtaining such separate registrations. Upon acceptance of such details by the newly registered person (transferee) on the common portal, the unutilised ITC gets credited to his electronic credit ledger.

6. DISTRIBUTION OF CREDIT BY INPUT SERVICE DISTRIBUTOR [SECTIONS 20 & 21]

STATUTORY PROVISIONS

Section 20	Manner of distribution of credit by input service distributor	
Sub-section	**Clause**	**Particulars**
(1)	*The inputs service distributor shall distribute the credit of central tax as central tax or integrated tax and integrated tax as integrated tax or central tax, by way of issue of a document containing the amount of input tax credit being distributed in such manner as may be prescribed.*	
(2)	*The Input Service Distributor may distribute the credit subject to the following conditions, namely:–*	
	(a)	*the credit can be distributed to the recipients of credit against a document containing such details as may be prescribed;*
	(b)	*the amount of the credit distributed shall not exceed the amount of credit available for distribution;*
	(c)	*the credit of tax paid on input services attributable to a recipient of credit shall be distributed only to that recipient;*
	(d)	*the credit of tax paid on input services attributable to more than one recipient of credit shall be distributed amongst such recipients to whom the input service is attributable and such distribution shall be pro rata on the basis of the turnover in a State or turnover in a Union territory of such recipient, during the relevant period, to the aggregate of the turnover of all such recipients to whom such input service is attributable and which are operational in the current year, during the said relevant period;*

	(e)	*the credit of tax paid on input services attributable to all recipients of credit shall be distributed amongst such recipients and such distribution shall be pro rata on the basis of the turnover in a State or turnover in a Union territory of such recipient, during the relevant period, to the aggregate of the turnover of all recipients and which are operational in the current year, during the said relevant period.*
Explanation.––For the purposes of this section,––		
(a)	*the "relevant period" shall be––*	
	(i)	*if the recipients of credit have turnover in their States or Union territories in the financial year preceding the year during which credit is to be distributed, the said financial year; or*
	(ii)	*if some or all recipients of the credit do not have any turnover in their States or Union territories in the financial year preceding the year during which the credit is to be distributed, the last quarter for which details of such turnover of all the recipients are available, previous to the month during which credit is to be distributed;*
(b)	*the expression "recipient of credit" means the supplier of goods or services or both having the same Permanent Account Number as that of the Input Service Distributor;*	
(c)	*the term 'turnover', in relation to any registered person engaged in the supply of taxable goods as well as goods not taxable under this Act, means the value of turnover, reduced by the amount of any duty or tax levied under entries 84 and 92A of List I of the Seventh Schedule to the Constitution and entry 51 and 54 of List II of the said Schedule.*	
Section 21	**Manner of recovery of credit distributed in excess**	
	Where the input service distributor distributes the credit in contravention of the provisions contained in section 20	

	resulting in excess distribution of credit to one or more recipients of credit, the excess credit so distributed shall be recovered from such recipients along with interest, and the provisions of section 73 or section 74, as the case may be, shall, mutatis mutandis, apply for determination of amount to be recovered.	
Chapter V: Input Tax Credit of CGST Rules		
Rule 39	***Procedure for distribution of input tax credit by Input Service Distributor***	
Sub-rule	***Clause***	***Particulars***
(1)	*An Input Service Distributor shall distribute input tax credit in the manner and subject to the following conditions, namely, -*	
	(a)	*the input tax credit available for distribution in a month shall be distributed in the same month and the details thereof shall be furnished in* **FORM GSTR-6** *in accordance with the provisions of Chapter VIII of these rules;*
	(b)	*the input service distributor shall, in accordance with the provisions of clause (d), separately distribute the amount of ineligible input tax credit (ineligible under the provisions of sub-section (5) of section 17 or otherwise) and the amount of eligible input tax credit;*
	(c)	*the input tax credit on account of central tax, State tax, Union territory tax and integrated tax shall be distributed separately in accordance with the provisions of clause (d);*
	(d)	*the input tax credit that is required to be distributed in accordance with the provisions of clause (d) and (e) of sub-section (2) of section 20 to one of the recipients 'R1', whether registered or not, from amongst the total of all the recipients to whom input tax credit is attributable, including the recipient(s) who are engaged in making exempt supply, or are otherwise not registered for any*

			reason, shall be the amount, "C_1", to be calculated by applying the following formula - $C_1 = (t_1 \div T) \times C$ *where,* *"C" is the amount of credit to be distributed,* *"t_1" is the turnover, as referred to in section 20, of person R_1 during the relevant period, and* *"T" is the aggregate of the turnover, during the relevant period, of all recipients to whom the input service is attributable in accordance with the provisions of section 20;*
	(e)		*the input tax credit on account of integrated tax shall be distributed as input tax credit of integrated tax to every recipient;*
	(f)		*the input tax credit on account of central tax and State tax or Union territory tax shall-*
		(i)	*in respect of a recipient located in the same State or Union territory in which the input service distributor is located, be distributed as input tax credit of central tax and State tax or Union territory tax respectively;*
		(ii)	*in respect of a recipient located in a State or Union territory other than that of the input service distributor, be distributed as integrated tax and the amount to be so distributed shall be equal to the aggregate of the amount of input tax credit of central tax and State tax or Union territory tax that qualifies for distribution to such recipient in accordance with clause (d);*
	(g)		*the input service distributor shall issue an input service distributor invoice, as prescribed in sub-rule (1) of rule 54, clearly indicating in such invoice that it is issued only for distribution of input tax credit;*

	(h)	*the input service distributor shall issue an input service distributor credit note, as prescribed in sub-rule (1) of rule 54, for reduction of credit in case the input tax credit already distributed gets reduced for any reason;*	
	(i)	*any additional amount of input tax credit on account of issuance of a debit note to an input service distributor by the supplier shall be distributed in the manner and subject to the conditions specified in clauses (a) to (f) and the amount attributable to any recipient shall be calculated in the manner provided in clause (d) and such credit shall be distributed in the month in which the debit note is included in the return in* ***FORM GSTR-6;***	
	(j)	*any input tax credit required to be reduced on account of issuance of a credit note to the input service distributor by the supplier shall be apportioned to each recipient in the same ratio in which the input tax credit contained in the original invoice was distributed in terms of clause (d), and the amount so apportioned shall be-*	
		(i)	*reduced from the amount to be distributed in the month in which the credit note is included in the return in* ***FORM GSTR-6;*** *or*
		(ii)	*added to the output tax liability of the recipient where the amount so apportioned is in the negative by virtue of the amount of credit under distribution being less than the amount to be adjusted.*
(2)	*if the amount of input tax credit distributed by an input service distributor is reduced later on for any other reason for any of the recipients, including that it was distributed to a wrong recipient by the input service distributor, the process specified in clause (j) of sub-rule (1) shall apply, mutatis mutandis, for reduction of credit.*		
(3)	*Subject to sub-rule (2), the input service distributor shall, on the basis of the input service distributor credit note specified in clause*		

	*(h) of sub-rule (1), issue an input service distributor invoice to the recipient entitled to such credit and include the input service distributor credit note and the input service distributor invoice in the return in **FORM GSTR-6** for the month in which such credit note and invoice was issued.*

ANALYSIS

(i) Role of an input service distributor (ISD)

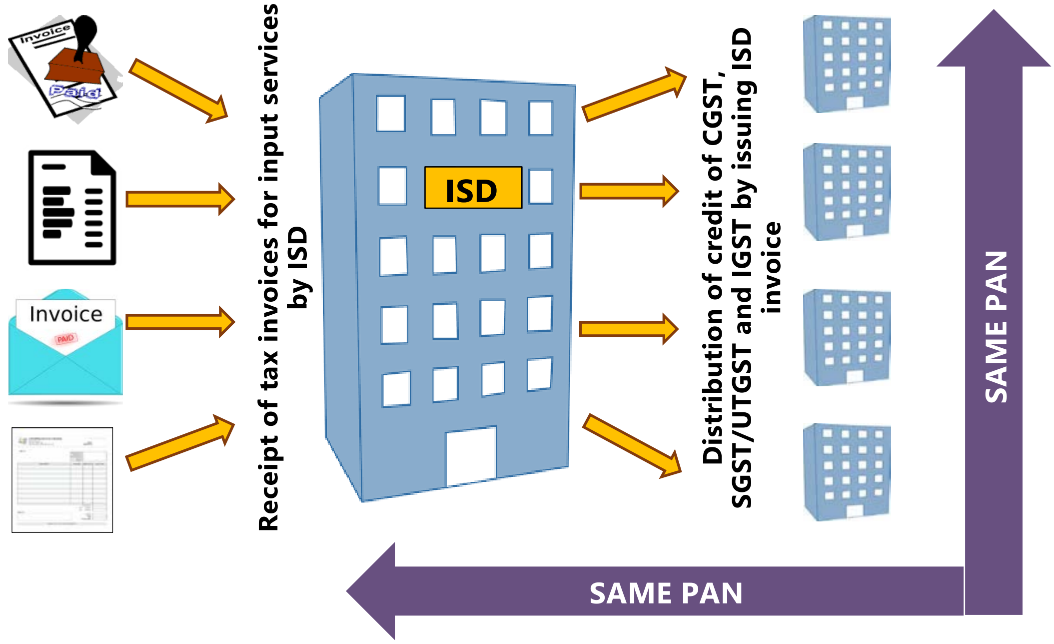
Companies may have their Head Office at one place and units at other places which may be registered separately. The Head Office would be procuring certain services which would be for common utilization of all units across the country.

ISD is an office of a business which receives tax invoices for input services and distributes available ITC to other branch offices of the same business.

The bills for such expenses would be raised on the Head Office but the Head Office itself would not be providing any output supply so as to utilize the credit which gets accumulated on account of such input services.

Since the common expenditure is meant for the business of all units, it is but natural that the credit of input services in respect of such common invoices should be apportioned between all the consuming units.

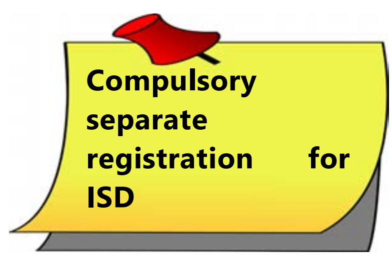
ISD mechanism enables proportionate distribution of credit of input services amongst all the consuming units. The concept of ISD under GST is a legacy carried over from the service tax regime.



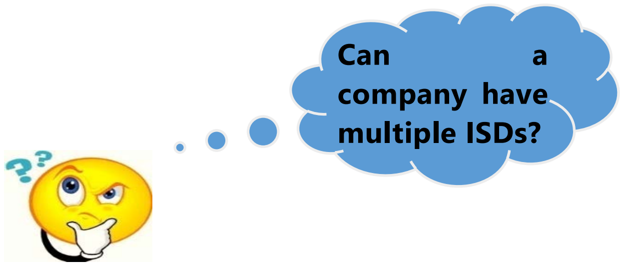
Thus, the concept of ISD is a facility made available to business having a large share of common expenditure and where billing/payment is done from a centralized location. The mechanism is meant to simplify the credit taking process for entities and the facility is meant to strengthen the seamless flow of credit under GST.

It is important to note that the ISD mechanism is meant only for distributing the credit on common invoices pertaining to INPUT SERVICES and not goods (inputs or capital goods).

(ii) Separate registration for an ISD



An ISD is compulsorily required to obtain a separate registration as an ISD even though it may be separately registered. There is no threshold limit for registration for an ISD. The other locations may be registered separately. Since the services relate to other locations the corresponding credit should be transferred to such locations (having separate registrations) as the output services are being provided there.



Yes, different offices of a company like marketing division, security division etc. may apply for separate ISD registration.

(iii) Manner of distribution of credit by an ISD [Section 20 read with rule 39 of the CGST Rules]

ITC of input services is distributed ONLY amongst those registered persons who have used the input services in the course or furtherance of business.

The ISD is required to maintain arithmetical accuracy and ensure that the credit distributed does not exceed the credit available with it for distribution. Further, in distributing the credit among different locations of the entity - which are supplying goods and/or services and have same PAN as that of the ISD ('recipients') - it must follow these principles:

(a) The credit connected to an input service must be distributed only to the particular recipient to whom that input service is attributable.

(b) If the input service is attributable to more than one recipient, the relevant ITC is distributed to such recipients in the ratio of turnover of the recipient in a State / Union Territory *[See definition of turnover in State or turnover in Union Territory]* to the aggregate turnover *[See definition of aggregate turnover]* of all the recipients to whom the input service is attributable and which are operational during the current year.

(c) ITC pertaining to input services which are common for all units, is distributed to all the recipients in the ratio of turnover as described in (b) above.

(d) Both ineligible and eligible ITC are distributed separately.

(e) ITC of CGST, SGST/UTGST and IGST are distributed separately.

Proportionate distribution of credit to more than one recipient/all the recipients

- For working out such *pro rata* distribution (as mentioned in (b) and (c) above), the turnover **during the relevant period** is to be considered, both for turnover of the recipient in a State / Union Territory as well as for aggregate turnover of all recipients.
- **"Relevant period"** for working out the above distribution is the previous financial year, if all the recipients of credit had turnover in their State / Union Territory during that year.

  If some or all the recipients did not have turnover in their State / Union territory during the previous financial year, then the last quarter for which details of turnover of all the recipients is available, prior to the month for which credit is to be distributed, will be the "relevant period".
- If there are two or more locations of a recipient in a State / Union territory, the sum of their turnover is to be considered in working out the proportion of the credit that will be distributed to that registration. (This is because a PAN number will have a single registration for all its locations within a business vertical in a State / Union territory – *Refer Chapter 9: Registration in this Module of the Study Material for more details*.)
- The credit attributable to a recipient is distributed even if such recipient is unregistered or is making exempt supplies.
- Where both taxable and non-taxable goods are supplied, the **"turnover"** excludes central excise duty, State excise duty, central sales tax and VAT.
- **Formula for distribution of credit**

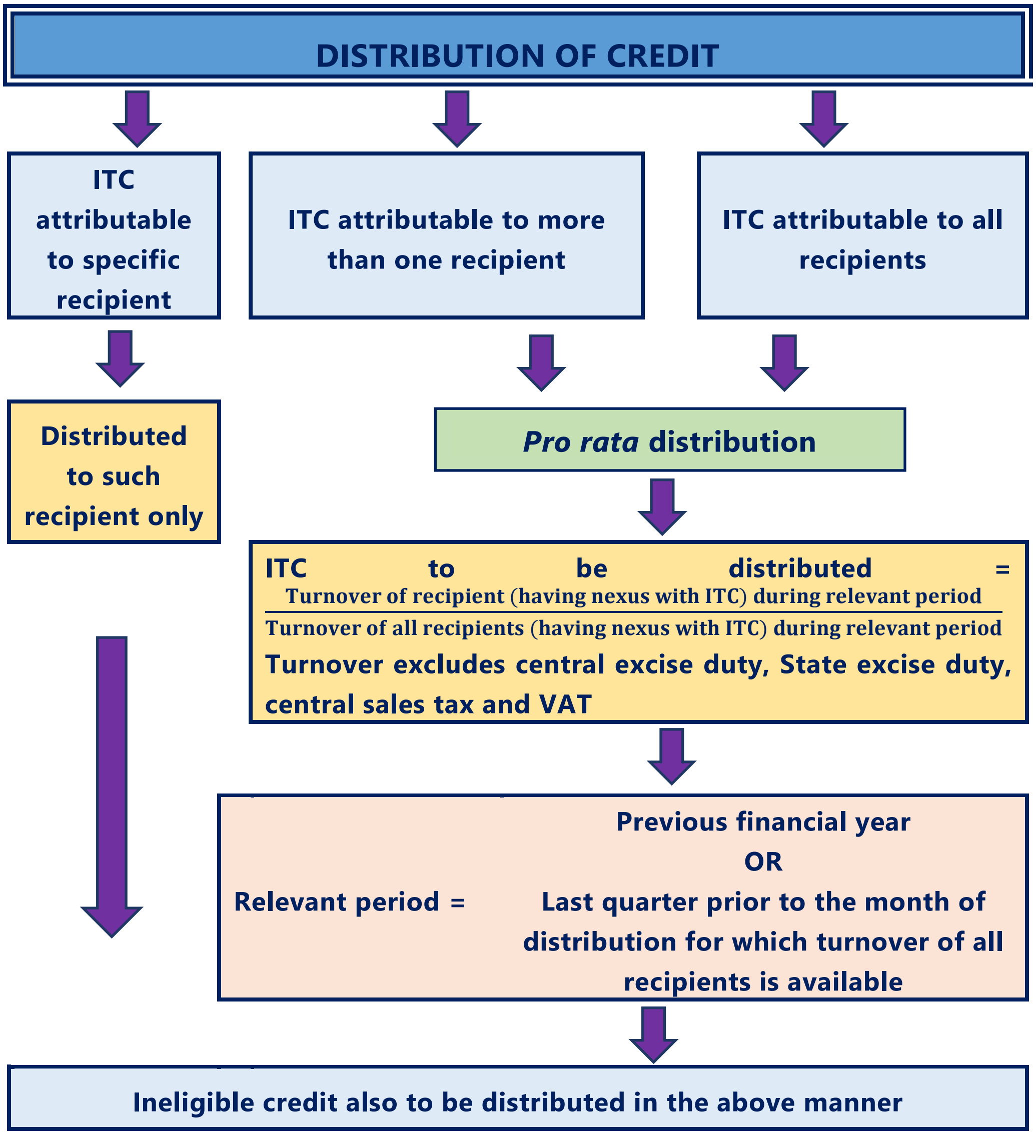
$$\boxed{C1 = (t1 \div T) \times C}$$

  where,

  "C" is the credit to be distributed,

  "t_1" is the turnover of the recipient during the relevant period, and

  "T" is the aggregate of the turnover, during the relevant period, of all recipients to whom the input service is attributable

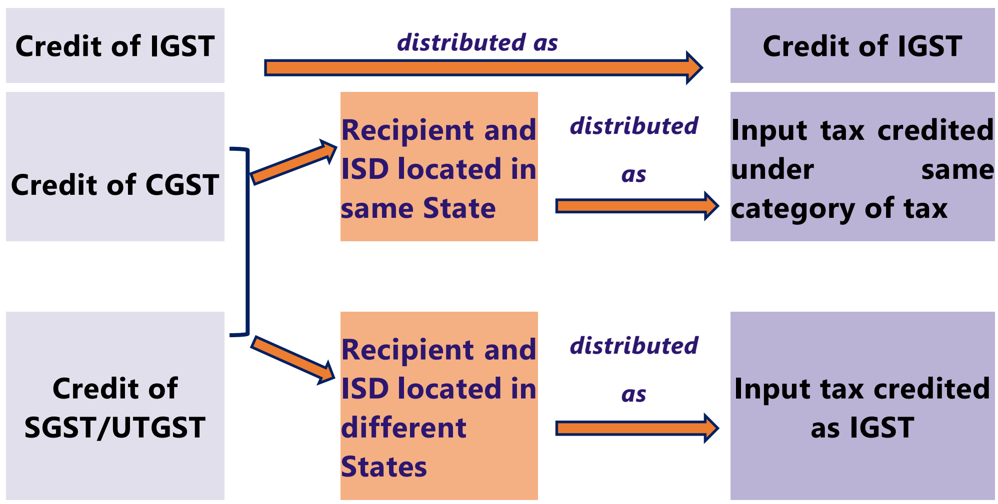


(48) ABC Ltd, a confectionary manufacturer, has paid bills of an advertising company amounting to ₹ 24 lakh for advertising campaigns for two varieties of cakes, which are manufactured at separate locations in Pune and Bangalore. The company had a total turnover of ₹ 112 crores in the previous financial year. The turnover of the Pune unit was ₹ 5 crores, and the turnover of the Bangalore unit was ₹ 10 crores. The aggregate turnover here is taken as ₹ 15 crores, as advertising was for cakes, which are manufactured at these two units only.

The ITC is to be distributed between Pune and Bangalore units in the ratio 1:2. Therefore, Pune unit will be given ITC of ₹ 8 lakhs, and Bangalore unit will be given ITC of ₹ 16 lakhs from the advertising bills.

Distribution of taxes

- ITC of CGST, SGST/UTGST in respect of recipient located in the same State/Union Territory is distributed as CGST and SGST/UTGST respectively.
- ITC of CGST and SGST/UTGST, in respect of a recipient located in a different State/Union territory, is distributed as IGST (total of ITC of CGST and SGST/UTGST which were to be distributed to such recipient).
- ITC on account of IGST is distributed as IGST.



***Note:** Section 20 provides that credit of integrated tax be distributed as "integrated tax or central tax". However, rule 39 of CGST Rules provides that "input tax credit on account of integrated tax shall be distributed as input tax credit of integrated tax to every recipient." The above diagram is based on the position as stated in rule 39.*

(49) The Corporate office of ABC Ltd. is at Bangalore, with its business locations of selling and servicing of goods at Bangalore, Chennai, Mumbai and Kolkata. Software license and maintenance is used at all the locations, but invoice for these services (indicating CGST and

SGST) are received at Corporate Office. Since the software is used at all the four locations, the ITC of entire services cannot be claimed at Bangalore. The same has to be distributed to all the four locations. For that reason, the Bangalore Corporate office has to act as ISD to distribute the credit.

If the corporate office of ABC Ltd, an ISD situated in Bangalore, receives invoices indicating ₹ 4 lakh of CGST, ₹4 lakh of SGST and ₹ 7 lakh of IGST, it can distribute the ITC of CGST, SGST as well as IGST of ₹ 15 lakh amongst its locations at Bangalore, Chennai, Mumbai and Kolkata through an ISD invoice containing the amount of credit distributed.

ILLUSTRATION 1

XYZ Ltd, having its head Office at Mumbai, is registered as ISD. It has three units in different cities situated in different States namely 'Mumbai', 'Jabalpur' and 'Delhi' which are operational in the current year.

M/s XYZ Ltd furnishes the following information for the month of July:

(i) CGST paid on services used only for Mumbai Unit: ₹ 3,00,000

(ii) IGST, CGST & SGST paid on services used for all units: ₹ 12,00,000

Total turnover of the units for the previous financial year are as follows: -

Unit	***Turnover (₹)***
Total Turnover of three units	*₹ 10,00,00,000*
Turnover of Mumbai unit	*₹ 5,00,00,000*
Turnover of Jabalpur unit	*₹ 3,00,00,000*

Determine the credit to be distributed by XYZ Ltd. to each of its three units.

Answer

Particulars	Credit distributed to all units (₹)			
	Total credit available	**Mumbai**	**Jabalpur**	**Delhi**
CGST paid on services used only for Mumbai Unit	300000	300000	0	0
IGST, CGST & SGST paid on services used for all units Distribution on *pro rata* basis to all the units which are operational in the current year	12,00,000	6,00,000	3,60,000	2,40,000
Total	**15,00,000**	**9,00,000**	**3,60,000**	**2,40,000**

Note 1: Credit distributed *pro rata* on the basis of the turnover of all the units is as under: -

(a) Unit Mumbai: (₹ 5,00,00,000/ ₹ 10,00,00,000) * ₹ 12,00,000 = ₹ 6,00,000

(b) Unit Jabalpur: (₹ 3,00,00,000/ ₹ 10,00,00,000) * ₹ 12,00,000 = ₹ 3,60,000

(c) Unit Delhi: (₹ 2,00,00,000/ ₹10,00,00,000) * ₹ 12,00,000 = ₹ 2,40,000

(iii) Procedural aspects of distribution of credit [Rule 39]

- The ISD has to issue an ISD invoice, as prescribed in rule 54(1) of the CGST Rules, for distributing ITC. It should be clearly indicated in such invoice that it is issued only for distribution of ITC.

- The ISD needs to issue a ISD credit note, as prescribed in rule 54(1) of the CGST Rules, for reduction in credit if the distributed credit gets reduced for any reason.

- The ISD invoice and ISD credit note must contain the following information:
  - Name, address and GSTIN of the ISD and recipient of credit;
  - A consecutive serial number up to 16 characters, containing alphabets or numerals or special characters or any combination thereof, for a financial year;
  - Date of issue;
  - Amount of the credit distributed;
  - Signature of the ISD or his authorized representative.

  Relaxation for banks & FIs: If the ISD is a banking company/ financial institution including NBFC, the document for distributing credit need not be serially numbered.

- ITC available for distribution in a month is to be distributed in the same month.
- Details of distribution of credit and all ISD invoices issued should be furnished by ISD in monthly GSTR-6 within 13 days after the end of the month. The details in the returns are made available to the respective recipients in their GSTR 2A. An ISD is not required to file annual return. *[Refer Chapter 13: Returns in this Module of the Study Material for detailed discussion on GSTR-6]*.
- An ISD cannot accept any invoices on which tax is to be discharged under reverse charge mechanism. This is because the ISD mechanism is only to facilitate distribution of credit of taxes paid. The ISD itself cannot discharge any tax liability (as person liable to pay tax) and remit tax to Government account. If ISD wants to take reverse charge supplies, then in that case ISD has to separately register as normal taxpayer.

(iv) Issue of debit note and credit note on ISD [Rule 39 of the CGST Rules]

Issue of a debit note

- The additional ITC on account of issue of a debit note to the ISD is distributed by the ISD, in accordance with the provisions discussed above, in the month in which such debit note is included in GSTR-6.

Issue of a credit note

- If a credit note is issued to the ISD, the ITC to be reduced is apportioned amongst the relevant recipients in the same ratio in which the original credit was distributed.
- Such apportioned credit is reduced from the credit to be distributed in the month in which the credit note is included in GSTR-6. If the apportioned credit exceeds the credit to be distributed, the same is added to the output tax liability of the recipient.
- This process is also followed in case of reduction of credit already distributed for any other reason e.g., when the credit is distributed to a wrong recipient.

(v) Recovery of excess credit distributed to a recipient [Section 21]

Excess credit distributed can be recovered along with interest only from the recipient and not from ISD.

If the ISD has distributed excess credit to any recipient, the excess will be recovered from the recipient with interest as if it was tax not paid by initiating action under section 73 or 74 *[Refer Chapter 19 : Demands and Recovery in Module 3 of this Study Material for detailed discussion on sections 73 and 74]*. Penalties may be applicable depending on the circumstances. *Circular No. 71/45/2018 GST dated 26.10.2018* has clarified that the ISD would also be liable to a general penalty under section 122(1)(ix).

7. HOW ITC IS UTILISED

STATUTORY PROVISIONS

Section 49	***Payment of tax, interest, penalty and other amounts (Relevant extract)***	
Sub-section	***Clause***	***Particulars***
(5)	*The amount of input tax credit available in the electronic credit ledger of the registered person on account of—*	
	(a)	*integrated tax shall first be utilised towards payment of integrated tax and the amount remaining, if any, may be utilised towards the payment of central tax and State tax, or as the case may be, Union territory tax, in that order;*
	(b)	*the central tax shall first be utilised towards payment of central tax and the amount remaining, if any, may be utilised towards the payment of integrated tax;*
	(c)	*the State tax shall first be utilised towards payment of State tax and the amount remaining, if any, may be utilised towards payment of integrated tax;*
		Provided that the input tax credit on account of State tax shall be utilised towards payment of integrated tax only where the balance of the input tax credit on account of central tax is not available for payment of integrated tax;
	(d)	*the Union territory tax shall first be utilised towards payment of Union territory tax and the amount*

		remaining, if any, may be utilised towards payment of integrated tax;
		Provided that the input tax credit on account of Union territory tax shall be utilised towards payment of integrated tax only where the balance of the input tax credit on account of central tax is not available for payment of integrated tax;
	(e)	*the central tax shall not be utilised towards payment of State tax or Union territory tax; and*
	(f)	*the State tax or Union territory tax shall not be utilised towards payment of central tax.*
Section 49A	***Utilisation of input tax credit subject to certain conditions***	
	Notwithstanding anything contained in section 49, the input tax credit on account of central tax, State tax or Union territory tax shall be utilised towards payment of integrated tax, central tax, State tax or Union territory tax, as the case may be, only after the input tax credit available on account of integrated tax has first been utilised fully towards such payment.	
Section 49B	***Order of utilisation of input tax credit***	
	Notwithstanding anything contained in this Chapter and subject to the provisions of clause (e) and clause (f) of sub-section (5) of section 49, the Government may, on the recommendations of the Council, prescribe the order and manner of utilisation of the input tax credit on account of integrated tax, central tax, State tax or Union territory tax, as the case may be, towards payment of any such tax.	

Chapter IX: Payment of Tax of the CGST Rules			
Rule 86A	**Conditions of use of amount available in electronic credit ledger**		
(1)	**(a)**	*the credit of input tax has been availed on the strength of tax invoices or debit notes or any other document prescribed under rule 36-*	
		i.	*issued by a registered person who has been found non-existent or not to be conducting any business from any place for which registration has been obtained; or*
		ii.	*without receipt of goods or services or both; or*
	(b)	*the credit of input tax has been availed on the strength of tax invoices or debit notes or any other document prescribed under rule 36 in respect of any supply, the tax charged in respect of which has not been paid to the Government; or*	
	(c)	*the registered person availing the credit of input tax has been found non-existent or not to be conducting any business from any place for which registration has been obtained; or*	
	(d)	*the registered person availing any credit of input tax is not in possession of a tax invoice or debit note or any other document prescribed under rule 36,*	
	may, for reasons to be recorded in writing, not allow debit of an amount equivalent to such credit in electronic credit ledger for discharge of any liability under section 49 or for claim of any refund of any unutilised amount.		
(2)	*The Commissioner, or the officer authorised by him under sub-rule (1) may, upon being satisfied that conditions for disallowing debit*		

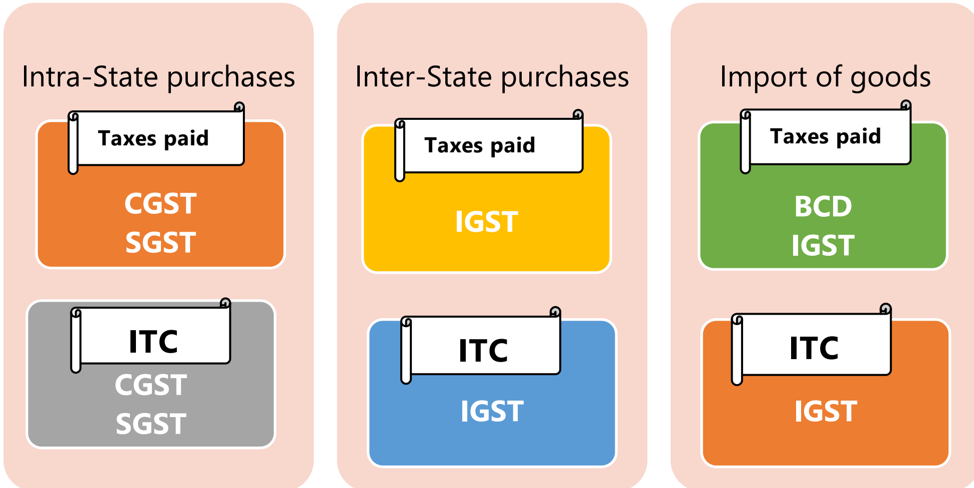
	of electronic credit ledger as above, no longer exist, allow such debit.	
(3)	*Such restriction shall cease to have effect after the expiry of a period of one year from the date of imposing such restriction.*	
Rule 86B	***Restrictions on use of amount available in electronic credit ledger***	
	Notwithstanding anything contained in these rules, the registered person shall not use the amount available in electronic credit ledger to discharge his liability towards output tax in excess of ninety-nine per cent. of such tax liability, in cases where the value of taxable supply other than exempt supply and zero-rated supply, in a month exceeds fifty lakh rupees:	
	Provided that the said restriction shall not apply where -	
	(a)	*the said person or the proprietor or karta or the managing director or any of its two partners, whole-time Directors, Members of Managing Committee of Associations or Board of Trustees, as the case may be, have paid more than one lakh rupees as income tax under the Income-tax Act, 1961(43 of 1961) in each of the last two financial years for which the time limit to file return of income under subsection (1) of section 139 of the said Act has expired; or*
	(b)	*the registered person has received a refund amount of more than one lakh rupees in the preceding financial year on account of unutilised input tax credit under clause (i) of first proviso of sub-section (3) of section 54; or*
	(c)	*the registered person has received a refund amount of more than one lakh rupees in the preceding financial year on account of unutilised input tax credit under clause (ii) of first proviso of sub-section (3) of section 54; or*
	(d)	*the registered person has discharged his liability towards output tax through the electronic cash ledger for an*

			amount which is in excess of 1% of the total output tax liability, applied cumulatively, upto the said month in the current financial year; or
	(e)		*the registered person is -*
		(i)	*Government Department; or*
		(ii)	*a Public Sector Undertaking; or*
		(iii)	*a local authority; or*
		(iv)	*a statutory body:*
	Provided further that the Commissioner or an officer authorised by him in this behalf may remove the said restriction after such verifications and such safeguards as he may deem fit		
Rule 88A	***Order of utilization of input tax credit***		
	Input tax credit on account of integrated tax shall first be utilised towards payment of integrated tax, and the amount remaining, if any, may be utilised towards the payment of central tax and State tax or Union territory tax, as the case may be, in any order.		
	Provided that the input tax credit on account of central tax, State tax or Union territory tax shall be utilised towards payment of integrated tax, central tax, State tax or Union territory tax, as the case may be, only after the input tax credit available on account of integrated tax has first been utilised fully.		

ANALYSIS

ITC is credited to a registered person's electronic credit ledger. A taxable person is entitled for ITC of CGST, SGST/UTGST and IGST depending upon the nature of supplies received by him.

To illustrate, a supplier making purchases intra-State, inter-State and via import (of goods) is eligible for ITC as under:



The person may use the ITC to pay his output tax liability. As we know that Indian GST is a dual GST wherein two taxes viz, CGST and SGST/UTGST are levied concurrently on a supply transaction. While the CGST revenue accrues to Central Government, SGST and UTGST revenue accrue to respective State Government and Union Territory respectively. Hence, ITC of CGST and SGST/UTGST is not inter-changeable and thus, cross utilisation of CGST and SGST/UTGST is not permissible.

IGST is a transitory tax. IGST paid by taxpayer initially goes to the Central Clearing Authority. ITC of IGST can be utilised for payment of CGST or SGST/UTGST (or *vice versa*). Thus, cross utilization of IGST and CGST, SGST/UTGST is permissible. Flexibility has been provided to the taxpayer to utilise ITC of IGST (after payment of IGST first) for payment of CGST and/or SGST/UTGST in any proportion and in any order subject to the condition that the entire input tax credit of Integrated tax is completely exhausted before the input tax credit of Central Tax or State/Union territory tax can be utilized. If ITC of IGST is used for payment of SGST/UTGST (or *vice versa*), corresponding debit/credit is made to respective State Government/Union Territory.

Sections 49(5), 49A, 49B, rule 88A and *Circular No. 98/17/2019 GST dated 23.04.2019* together prescribe the sequence of utilisation of ITC. A combined reading of such provisions shows that the order of utilization of ITC is as per the order (of numerals) given below:

ITC of	Output IGST liability	Output CGST liability	Output SGST/ UTGST liability
IGST	(I)	(II) – In any order and in any proportion	
(III) ITC of IGST to be completely exhausted mandatorily			
CGST	(V)	(IV)	Not permitted
SGST/UTGST	(VII) Only after ITC of CGST has been utilized fully	Not permitted	(VI)

The numerals given above can be further explained in the following manner:	
(I)	IGST credit should be first utilized towards payment of IGST.
(II)	Remaining IGST credit, if any, can be utilized towards payment of CGST and SGST/UTGST in any order and in any proportion, i.e. remaining ITC of IGST can be utilized – • first towards payment of CGST and then towards payment of SGST; or • first towards payment of SGST and then towards payment of CGST; or • towards payment of CGST and SGST simultaneously in any proportion e.g. 50: 50, 30: 70, 40: 60 and so on.
(III)	Entire ITC of IGST should be fully utilized before utilizing the ITC of CGST or SGST/UTGST.
(IV) & (V)	ITC of CGST should be utilized for payment of CGST and IGST in that order. ITC of CGST cannot be utilized for payment of SGST/UTGST
(VI) & (VII)	ITC of SGST /UTGST should be utilized for payment of SGST/UTGST and IGST in that order. However, ITC of SGST/UTGST should be utilized for payment of IGST, only after

	ITC of CGST has been utilized fully. ITC of SGST/UTGST cannot be utilized for payment of CGST.

- Cross-utilization of credit is available only between CGST - IGST and SGST/UTGST - IGST.
- CGST credit cannot be utilized for payment of SGST/UTGST and SGST/UTGST credit cannot be utilized for payment of CGST.
- ITC of IGST need to be exhausted fully before proceeding to utilize the ITC of CGST and SGST/UTGST in that order.

example

(50) Amount of ITC available and output tax liability under different tax heads

Head	**Output tax liability (₹)**	**ITC (₹)**
IGST	1000	1300
CGST	300	200
SGST/UTGST	300	200
Total	**1600**	**1700**

Option 1

ITC of	**Discharge of output IGST liability (₹)**	**Discharge of output CGST liability (₹)**	**Discharge of output SGST/UTGST liability (₹)**	**Balance of ITC (₹)**
IGST	1000	200	100	0
ITC of IGST has been completely exhausted				
CGST	0	100	-	100
SGST/UTGST	0	-	200	0
Total	**1000**	**300**	**300**	**100**

Option 2

ITC of	**Discharge of output IGST liability (₹)**	**Discharge of output CGST liability (₹)**	**Discharge of output SGST/UTGST liability (₹)**	**Balance of ITC (₹)**
IGST	1000	100	200	0
ITC of IGST has been completely exhausted				
CGST	0	200	-	0
SGST/UTGST	0	-	100	100
Total	**1000**	**300**	**300**	**100**

Option 3

ITC of	**Discharge of output IGST liability (₹)**	**Discharge of output CGST liability (₹)**	**Discharge of output SGST/UTGST liability (₹)**	**Balance of ITC (₹)**
IGST	1000	150	150	0
ITC of IGST has been completely exhausted				
CGST	0	150	-	50
SGST/UTGST	0	-	150	50
Total	**1000**	**300**	**300**	**100**

There can be other options also for utilization of ITC of IGST against CGST and SGST liabilities. In this example, three options for utilizing ITC of IGST against CGST and SGST liabilities are shown.

Restrictions on utilisation of ITC [Rule 86A]

The Commissioner/ an officer (not below the rank of an Assistant Commissioner) authorised by him is empowered to impose restrictions on utilization of ITC available in the electronic credit ledger if he has reasons to believe that such ITC has been fraudulently availed or is ineligible.

The restrictions can be imposed in the following circumstances:

(i) ITC has been availed by the registered person on the basis of tax invoices/debit notes/prescribed documents -

- issued by a non-existent registered person (supplier) or by a supplier not conducting any business from the place declared in registration; or
- without actual receipt of goods or services or both; or
- in respect of any supply the tax in respect of which has not been paid to the Government

(ii) the registered person availing ITC has been found non-existent or not to be conducting any business from the registered place of business; or

(iii) the registered person availing ITC is not in possession of tax invoice/ debit note or any other prescribed valid document for it.

If the ITC is so availed, the restrictions can be imposed by not allowing such ITC to be used for discharging any liability under section 49 or not allowing refund of any unutilised amount of such ITC. Such restrictions can be imposed for a period up to 1 year from the date of imposing such restrictions. However, the Commissioner/officer authorised by him, can withdraw such restriction if he is satisfied that conditions for imposing the restrictions no longer exist.

Proper authority for the purpose of rule 86A

The Commissioner/Principal Commissioner is the proper officer for the purpose of exercising powers under rule 86A. The Commissioner/Principal Commissioner may authorize any officer subordinate to him, not below the rank of Assistant Commissioner to be the proper officer for exercising powers under rule 86A based on the following monetary limits as mentioned below:

Total amount of ineligible or fraudulently availed ITC	Officer to disallow debit of amount from electronic credit ledger under rule 86A
Not exceeding ₹ 1 crore	Deputy Commissioner/Assistant Commissioner
Above ₹ 1 crore but not exceeding ₹ 5 crore	Additional Commissioner/Joint Commissioner
Above ₹ 5 crore	Principal Commissioner/Commissioner

The Additional Director General /Principal Additional Director General of DGGI can also exercise the powers assigned to the Commissioner under rule 86A. The monetary limits for authorization for exercise of powers under rule 86A to the officers of the rank of Assistant Director and above of DGGI by the Additional Director General /Principal Additional Director General may be same as mentioned for equivalent rank of officers in the table above[14].

Restrictions on the use of amount available in electronic credit ledger [Rule 86B]

Rule 86B restricts the use of ITC available in the electronic credit ledger for discharging output tax liability. The aforesaid rule starts with a non-obstante clause and thus, has an over-riding effect on any other provisions of the CGST Rules.

Applicability of rule 86B

- Rule 86B is applicable to the registered person having value of taxable supply (other than exempt supply and zero-rated supply) in a month exceeding ₹ 50 lakh.
- Therefore, in cases wherein value of taxable supply in a month is upto ₹ 50 lakh, then this restriction would not be applicable.

Nature of restriction imposed

Minimum 1% of the output tax liability be discharged using electronic cash ledger

The registered person to whom the said rule is applicable cannot use ITC to discharge the output tax liability in excess of 99% of such tax liability. In other words, amount available in electronic credit ledger shall be utilized only to the extent of 99% of the output tax liability while discharging such tax liability. Balance 1% of the output tax liability needs to be discharged from electronic cash ledger.

The above restriction can be explained with the help of numerical example:

(51) The total value of inter-State supply of Raman & Sons for the month of February is of ₹ 100 lakh. Said supply is taxable @ 18% IGST. Thus, total output tax liability of Raman & Sons is ₹ 18 lakh. Amount available in electronic credit ledger is ₹ 20 lakh (IGST).

[14] *CBEC - 20/16/05/2021 GST/1552 dated 02.11.2021*

In terms of restriction imposed by rule 86B, Raman & Sons can discharge 99% of its output tax liability, i.e. ₹ 17,82,000 (99% of ₹ 18,00,000) from the amount available in electronic credit ledger. However, it has to mandatorily discharge the balance 1% of the output tax liability i.e. ₹ 18,000 (1% of ₹ 18,00,000) through electronic cash ledger only.

Exceptions to rule 86B

In order to strike a balance between restricting potential misuse of ITC and providing relief to compliant taxpayers, few exceptions to rule 86B have been carved out. They take into account different circumstances and ensure that taxpayers who have fulfilled certain criteria are not unduly burdened by the restrictions imposed by rule 86B.

Payment of income tax of more than ₹ 1 lakh

Restriction under rule 86B is not applicable in cases where the below mentioned person(s) have paid a sum of more than ₹ 1 lakh as income tax (under the Income -tax Act, 1961) in each of the last 2 FYs for which the time limit to file return of income under section 139(1) of the Income-tax Act has expired:

- Registered person/Karta/proprietor/managing director/ any of its two partners
- Whole-time directors,
- Members of Managing Committee of Associations
- Board of Trustees

Receipt of refund of input tax credit of more than ₹ 1 lakh

Rule 86B is not applicable where the registered person has received a refund amount of more than ₹ 1 lakh on account of unutilized ITC under:

- zero-rated supplies made without payment of tax
- inverted duty structure

It is pertinent to note that refund should have been received in preceding FY.

➢ **Payment of output tax liability through electronic cash ledger in excess of 1% of total output tax liability in current FY**

If the registered person has discharged his output tax liability through the electronic cash ledger for an amount in excess of 1% of the total output tax liability, applied cumulatively, upto the said month in the current financial year, the restrictions under rule 86B shall not apply.

This exception provides relief to registered persons who have consistently made substantial cash payments towards their GST liabilities. The total cash payment of GST made by the registered person is considered cumulatively for all preceding months of the current FY. The cumulative approach ensures that the registered person is given credit for its consistent cash payments throughout the year, rather than assessing each month in isolation.

(52) Assuming a scenario wherein in the current FY upto August month, the total output tax liability payable is ₹ 30 lakh and such registered person has deposited ₹ 1 lakh through electronic cash ledger and balance through electronic credit ledger. Rule 86B would not be applicable in the September month even if the taxable turnover during this month exceeds ₹ 50 lakh, since cumulative payment of tax made in cash is more than 1% of total output tax liability (1% of ₹ 30 lakh is ₹ 30,000).

It is pertinent to note that GST liability paid under reverse charge mechanism should not be taken into account while calculating the total output liability paid through electronic cash ledger.

➢ **Specified registered persons**

Rule 86B is not applicable in case of below-mentioned registered person:

- Government Department; or
- a Public Sector Undertaking; or
- a local authority; or
- a statutory body.

However, Commissioner or an officer authorised by him in this behalf may remove the said restriction after such verifications and such safeguards as he may deem fit

ILLUSTRATION 1

Vijay Sales, a registered supplier, receives 100 invoices (for inward supply of goods/ services) involving GST of ₹ 10 lakh, from various suppliers during the month of October.

Out of 100 invoices, details of 80 invoices involving GST of ₹ 6 lakh have been furnished by the suppliers in their respective GSTR-1s filed on the prescribed due date therefor and are reflected in GSTR-2B of Vijay Sales.

Compute the ITC that can be claimed by Vijay Sales in its GSTR-3B for the month of October to be filed by 20th November assuming that GST of ₹ 10 lakh is otherwise eligible for ITC.

ANSWER

ITC to be claimed by Vijay Sales in its GSTR-3B for the month of October to be filed by 20th November will be computed as under-

Invoices	**Amount of ITC involved in the invoices (₹)**	**Amount of ITC that can be availed (₹)**
80 invoices furnished in GSTR-1	6 lakh	6 lakh [Refer Note 1]
20 invoices not furnished in GSTR-1	4 lakh	Nil [Refer Note 2]
Total	10 lakh	6 lakh

Notes:

(1) 100% ITC can be availed on invoices furnished by the suppliers in their GSTR-1s and reflected in GSTR-2B of Vijay Sales.

(2) As per rule 36(4), the ITC in respect of invoices not furnished by the suppliers in their GSTR-1s and thus, not being reflected in GSTR-2B of recipient, cannot be claimed. Thus, in respect of 20 invoices which are not furnished in GSTR-1s of suppliers and are not reflected in GSTR-2B of Vijay Sales, no ITC can be availed[15].

[15] *Let us suppose, subsequently, the suppliers of these 20 invoices furnish the details of said invoices in their GSTR-1s for the month of November, the details shall be reflected in GSTR-2B of Vijay Sales of November month and Vijay Sales can take credit of such invoices in its GSTR-3B for the month of November.*

ILLUSTRATION 2

PQR Company Ltd., a registered supplier of Bengaluru (Karnataka), is a manufacturer of goods. The company provides the following information pertaining to GST paid on inward supplies during the month of April (current financial year):

S. No.	**Items**	**GST paid in (₹)**
(i)	*Life Insurance premium paid by the company for the life insurance of factory employees as per the policy of the company. There is no legal obligation for such insurance for employees.*	*1,50,000*
(ii)	*Raw materials purchased for which invoice is missing but delivery challan is available*	*38,000*
(iii)	*Raw materials purchased which are used for zero rated supply*	*50,000*
(iv)	*Works contractor's service used for repair of factory building which is debited in the profit and loss account of company*	*30,000*
(v)	*Company purchased the capital goods for ₹ 4,00,000 and claimed depreciation of ₹ 44,800 (@ 10%) on the full amount of ₹ 4,48,000 under Income Tax Act, 1961*	*48,000*

Other information:

(1) In the month of September of previous financial year, PQR Company Ltd. availed ITC of ₹ 2,40,000 on purchase of raw material which was directly sent to job worker's premises under a challan on 25th September (previous financial year). The said raw material has not been received back from the job worker up to 30th April (current financial year).

(2) All the above inward supplies except at S. No. (iii) above have been used in the manufacture of taxable goods. Inward supplies at S. No. (iii) above have been used in the manufacture of exempt goods.

Compute the amount of net ITC available with PQR Company Ltd. for the month of April with necessary explanations for the treatment of various items as per the provisions of the CGST Act. Subject to the information given above, assume that all the other conditions necessary for availing ITC have been fulfilled.

ANSWER

Computation of ITC available with PQR Company Ltd. for the month of April

Particulars	ITC (₹)
Life Insurance premium paid by the company on the life of factory employees [Note 1]	Nil
Raw materials purchased [Note 2]	Nil
Raw materials used for zero rated supply [Note 3]	50,000
Work contractor's service [Note 4]	30,000
Capital goods purchased in respect of which depreciation is claimed on the tax component [Note 5]	Nil
Goods sent to job worker's premises [Note 6]	-
Total ITC available	**80,000**

Notes:

(1) ITC on life insurance service is available only when it is obligatory for an employer to provide said services to its employees under any law for the time being in force. Since it is not obligatory for the employer in the instant case and thus, the ITC thereon is blocked [Second proviso to section 17(5)(b)].

(2) ITC cannot be taken since invoice is missing and delivery challan is not a valid document to avail ITC [Section 16(2)(a)].

(3) ITC can be availed for making zero-rated supplies, notwithstanding that such supply may be an exempt supply [Section 16(2) of the IGST Act].

(4) ITC is blocked on works contract services when supplied for construction of an immovable property. However, "construction" includes only that repairs which are capitalized along with the said immovable property.

In this case, since repairs of building is debited to P & L Account, the same does not amount to 'construction' and hence ITC thereon is available [Section 17(5)(c)].

(5) ITC is not available when depreciation has been claimed on the tax component of the cost of capital goods under the Income-tax Act [Section 16(3)].

(6) The principal is entitled to take ITC of inputs sent for job work even if the said inputs are directly sent to job worker. However, where said inputs are not received back by the principal within a period of 1 year of the date of receipt of inputs by the job worker, it shall be deemed that such inputs had been supplied by the principal to the job worker on the day when the said inputs were received by the job worker [Sub-sections (2) and (3) of section 19[16]].

Hence, the ITC taken by PQR Company Ltd. in the month of September last year is valid and since one year period has yet not lapsed in April, there will be no tax liability on such inputs.

ILLUSTRATION 3

Siddhi Ltd. is a registered manufacturer engaged in taxable supply of goods. Siddhi Ltd. purchased the following goods during the month of January. The following particulars are provided by the company:

S. No.	***Particulars***	***GST (₹)***
1.	*Capital goods purchased on which depreciation has been taken on full value including GST paid thereon*	*15,000*
2.	*Goods purchased from Ravi Traders (Invoice of Ravi Traders is received in month of January but goods were received after two months in the month of March)*	*20,000*
3.	*Car purchased for making further supply of such car. Such car is destroyed in accident while being used for test drive by potential customers.*	*30,000*
4.	*Goods used for setting up telecommunication towers*	*50,000*
5.	*Truck purchased for delivery of finished products*	*80,000*

Determine the amount of ITC available with Siddhi Ltd. for the month of January by giving necessary explanations for treatment of various items as per the provisions of

[16] *Provisions of section 19 have been discussed in Chapter 16 – Job work in Module 3 of this Study Material.*

the CGST Act. Subject to the information given above, assume that all the other conditions necessary for availing ITC have been fulfilled.

ANSWER

Computation of ITC available with Siddhi Ltd. for the month of January

Particulars	**GST (₹)**
Capital goods [Note 1]	Nil
Goods purchased from Ravi Traders [Note 2]	Nil
Cars purchased for making further supply [Note 3]	Nil
Goods used for setting telecommunication towers [Note 4]	Nil
Trucks purchased for delivery of output goods [Note 5]	80,000
Total ITC available with Siddhi Ltd.	**80,000**

Notes:

(1) Since depreciation has been claimed on the tax component of the value of the capital goods, ITC of such tax cannot be availed in terms of section 16(3).

(2) ITC in respect of goods not received cannot be availed in terms of section 16(2)(b).

Since the goods have been received in the month of March, ITC thereon can be availed in the month of March and not in the month of January even though the invoice for the same has been received in the month of January.

(3) Though ITC on motor vehicles used for further supply of such vehicles is not blocked, ITC on goods destroyed for whatever reason is blocked [Clauses (a) and (h) of section 17(5)].

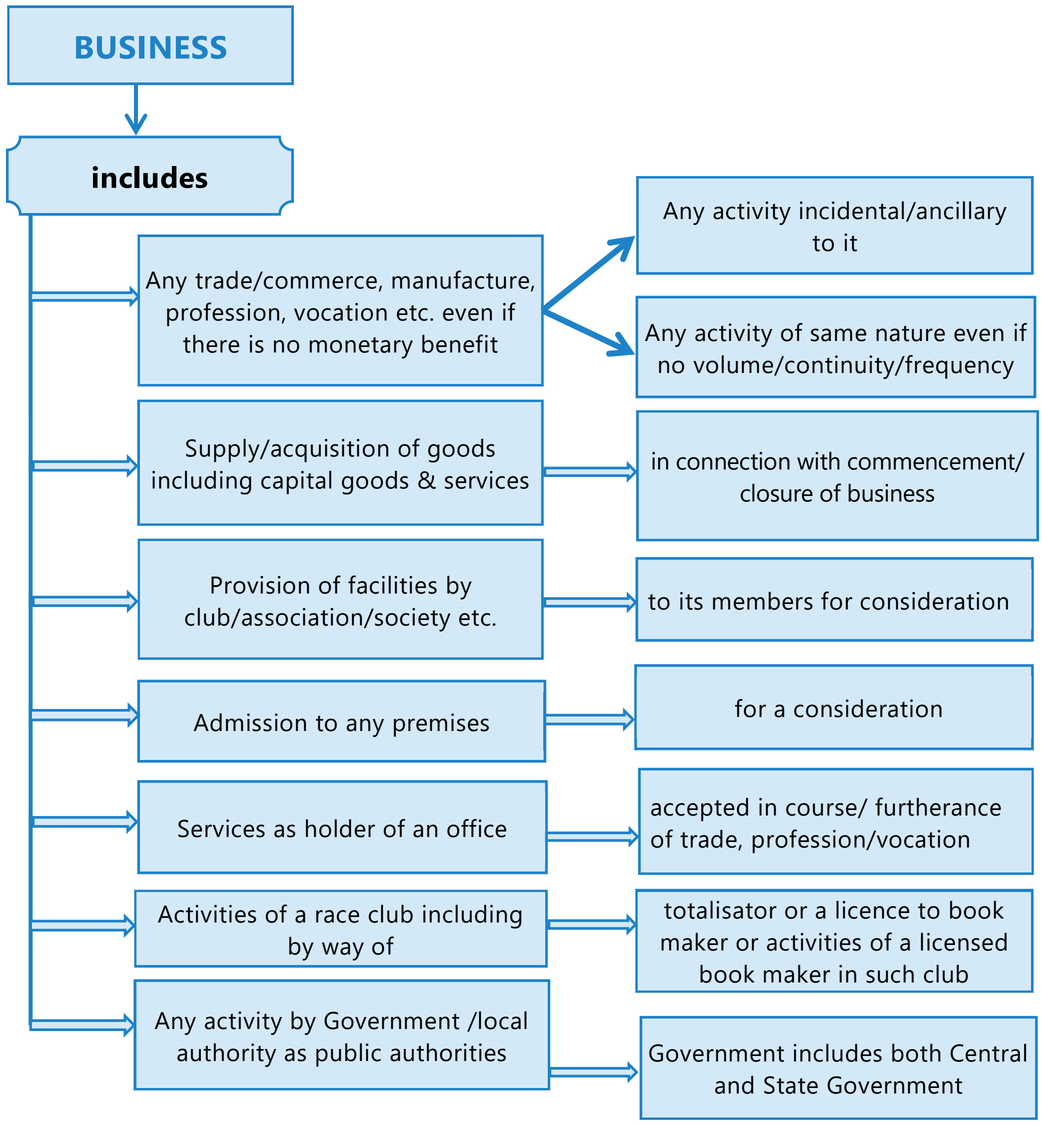
(4) ITC on goods used by a taxable person for construction of immovable property (other than plant and machinery) on his own account is blocked even when such goods are used in the course or furtherance of business [Section 17(5)(d)].

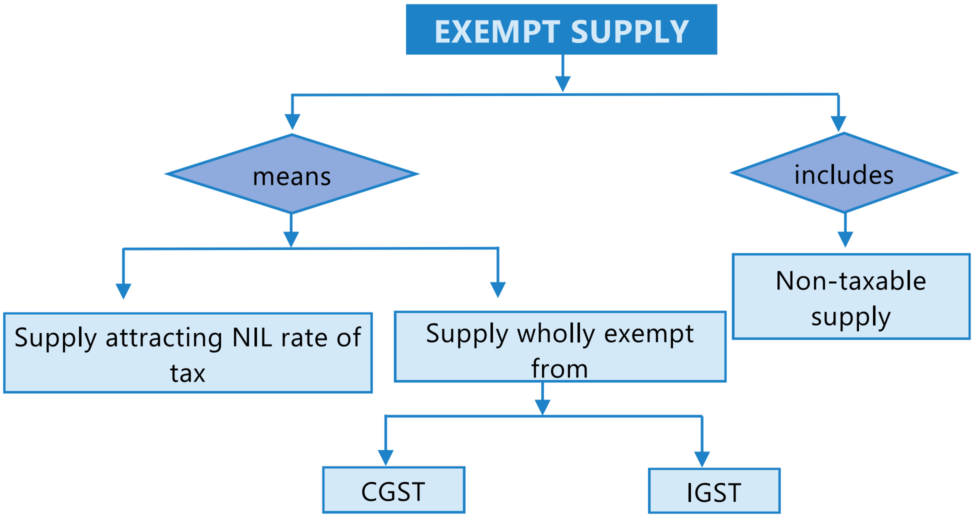
However, explanation to section 17 excludes telecommunication towers from the purview of plant and machinery. Therefore, ITC thereon will not be allowed.

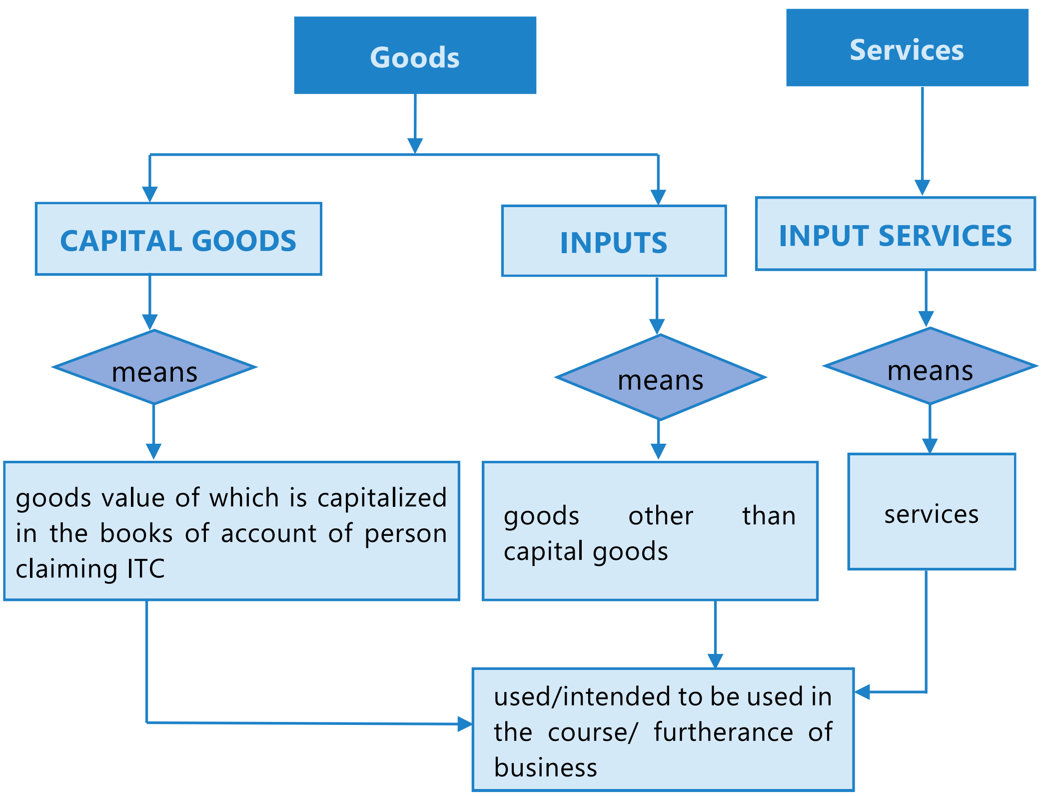
(5) Section 17(5)(a) blocks ITC in respect of only those motor vehicles which are used for transportation of persons albeit with certain exceptions. Thus, ITC on motor vehicles used for transportation of goods is allowed.

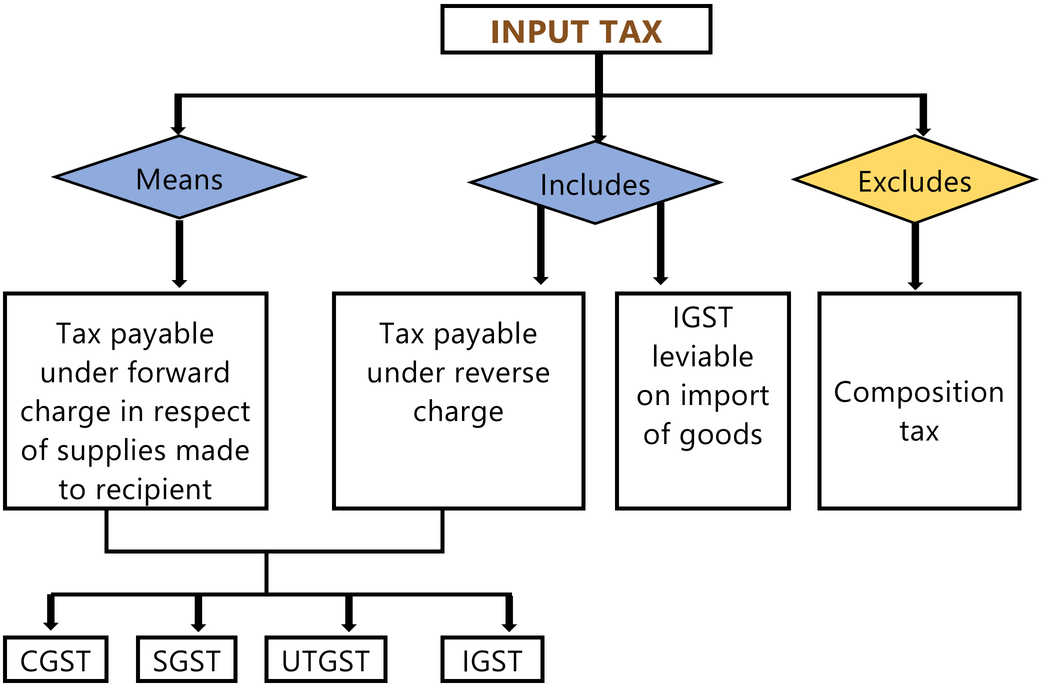
LET US RECAPITULATE

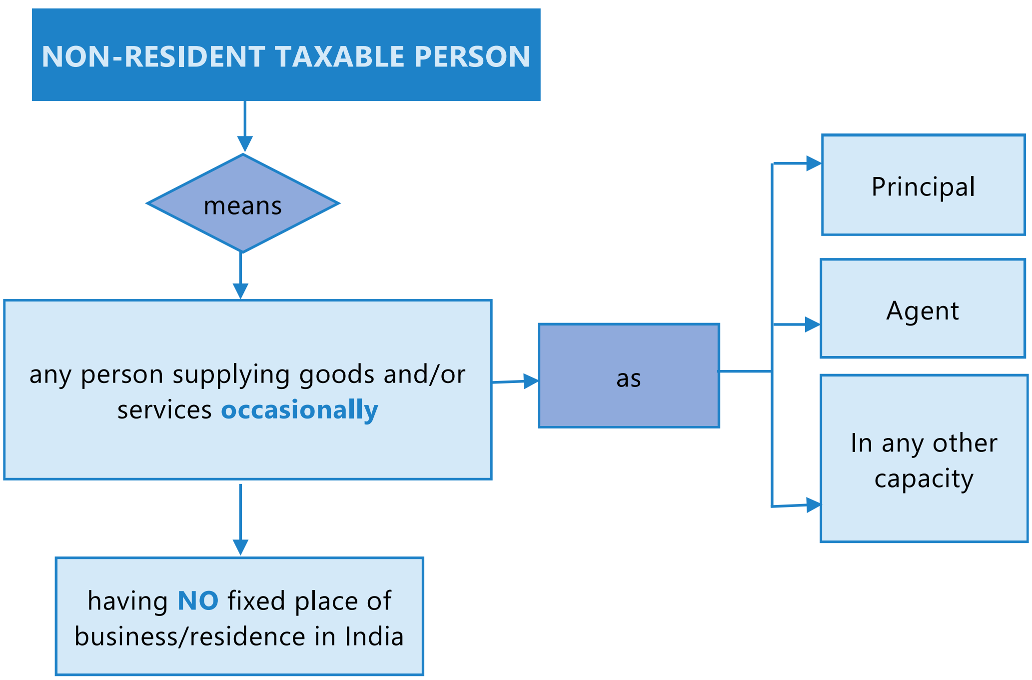
I. Definitions of certain key terms are summarized by way of diagrams as under:

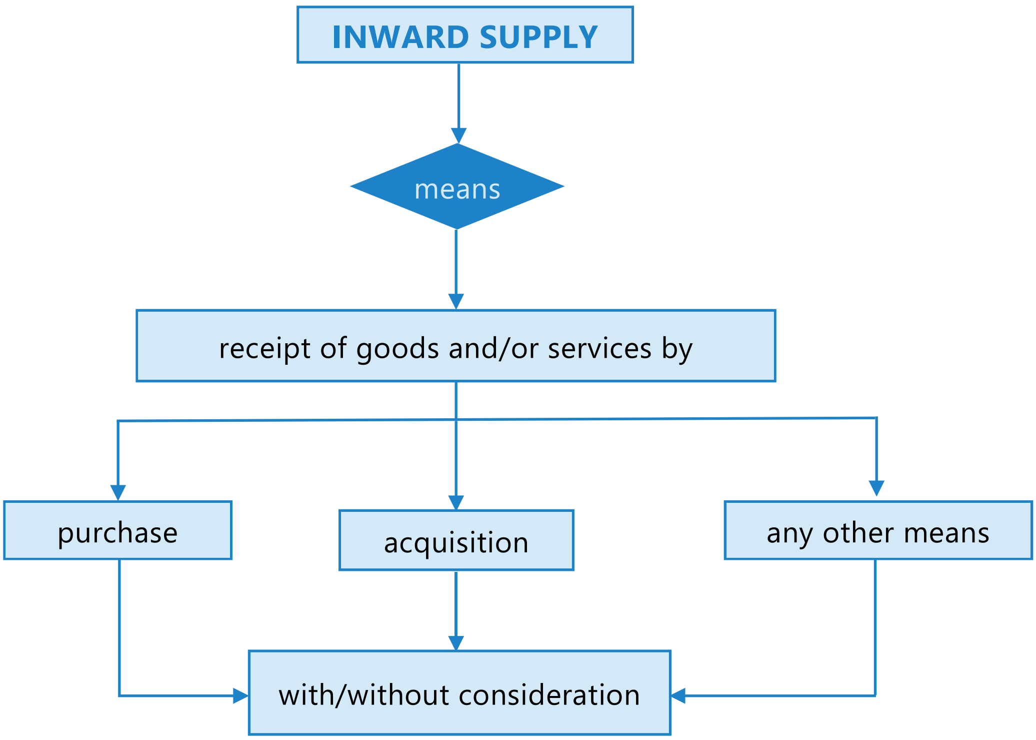


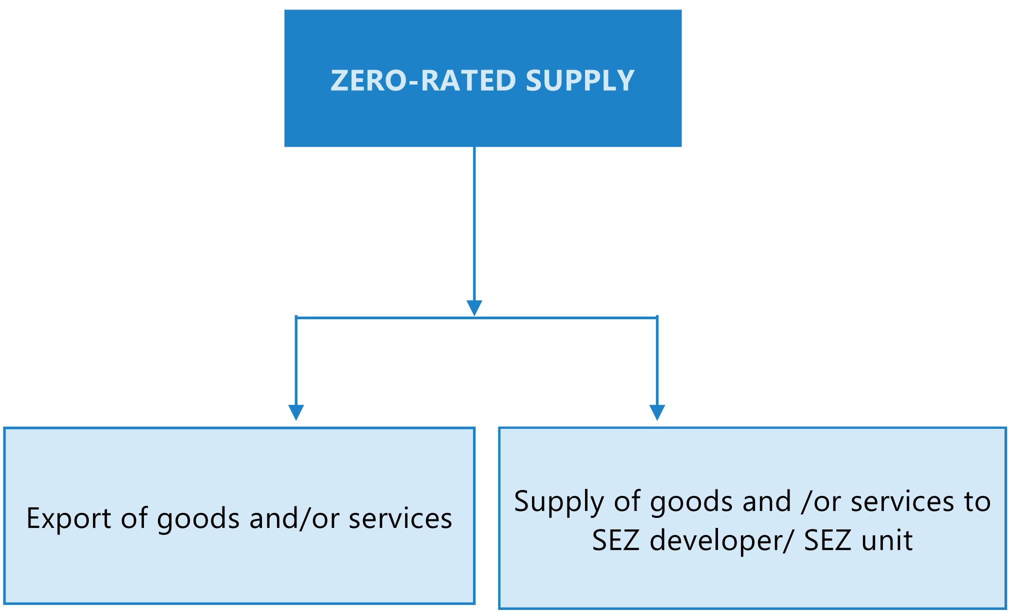

EXEMPT SUPPLY
means
includes
Supply attracting NIL rate of tax
Supply wholly exempt from
Non-taxable supply
CGST
IGST


Goods
Services
CAPITAL GOODS
INPUTS
INPUT SERVICES
means
means
means
goods value of which is capitalized in the books of account of person claiming ITC
goods other than capital goods
services
used/intended to be used in the course/ furtherance of business

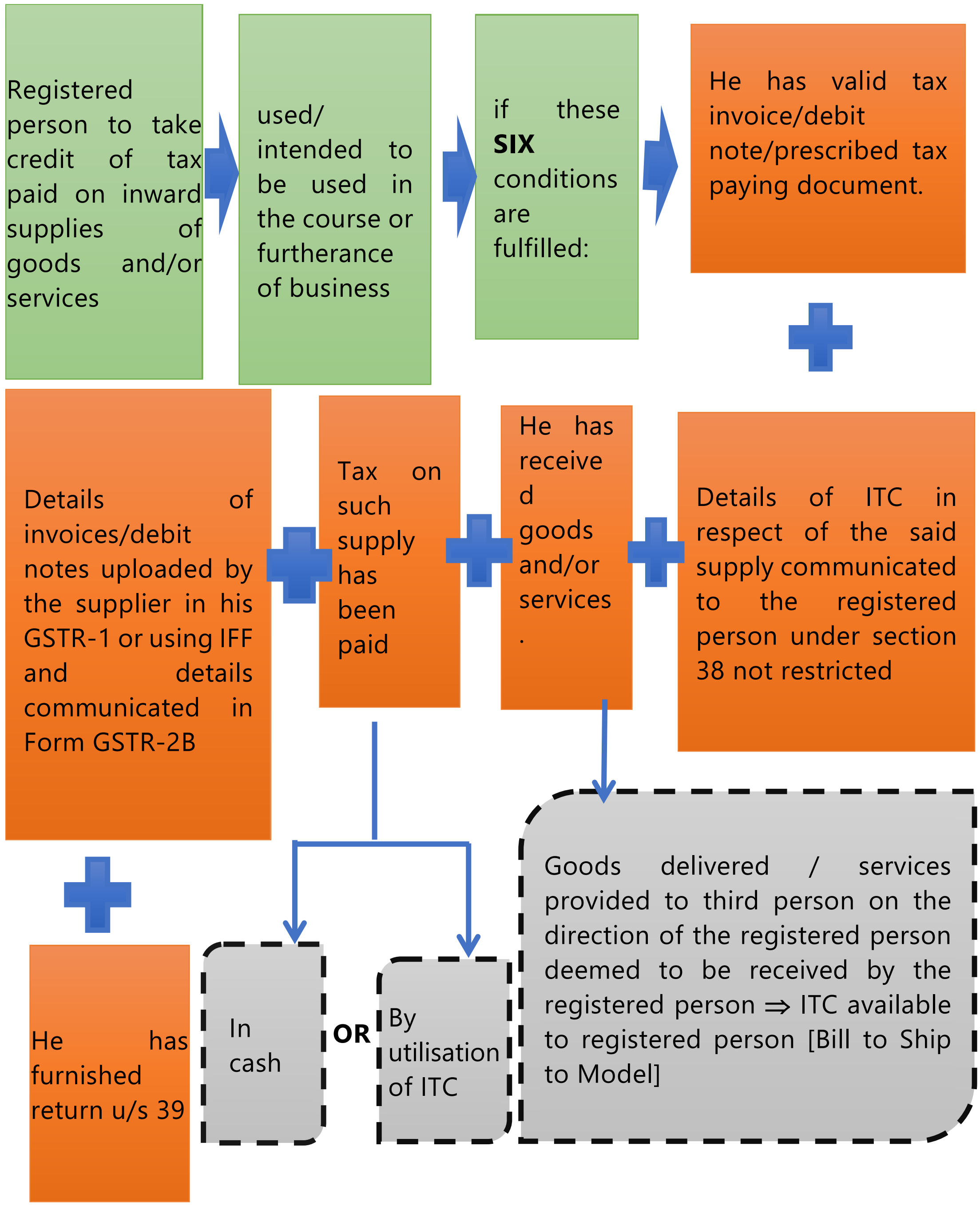

INPUT TAX
Means
Includes
Excludes
Tax payable under forward charge in respect of supplies made to recipient
Tax payable under reverse charge
IGST leviable on import of goods
Composition tax
CGST
SGST
UTGST
IGST


NON-RESIDENT TAXABLE PERSON
means
any person supplying goods and/or services **occasionally**
as
Principal
Agent
In any other capacity
having **NO** fixed place of business/residence in India


INWARD SUPPLY
means
receipt of goods and/or services by
purchase
acquisition
any other means
with/without consideration


ZERO-RATED SUPPLY
Export of goods and/or services
Supply of goods and /or services to SEZ developer/ SEZ unit

II. Provisions of section 16 relating to eligibility and conditions for taking ITC read with relevant rules are summarized below:



If depreciation claimed on tax component

- ITC not allowed

Goods received in lots

- ITC allowed upon receipt of last lot

Time limit for availing ITC

- ITC pertaining to a particular FY can be availed by 30th November of next FY or filing of annual return, whichever is earlier.

Exception

Re-availment of ITC reversed earlier

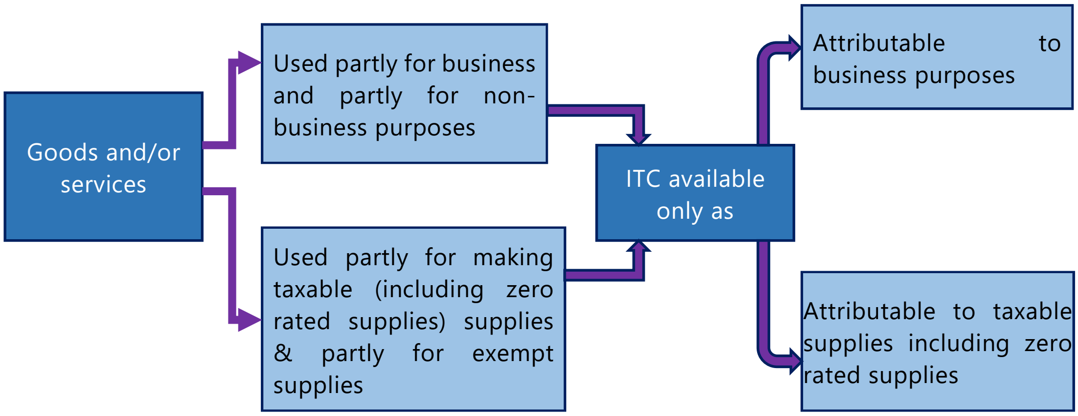
- ❖ Proportionate ITC to be reversed/paid with interest if whole/part of value + tax of goods and /or services is not paid within 180 days of the issuance of invoice.
- ❖ On payment, the ITC could be re-availed without any time limit.

EXCEPTIONS

- Reverse charge supplies
- Deemed supplies without consideration
- Additions made to value of supplies on account of supplier's liability being incurred by the recipient of the supply

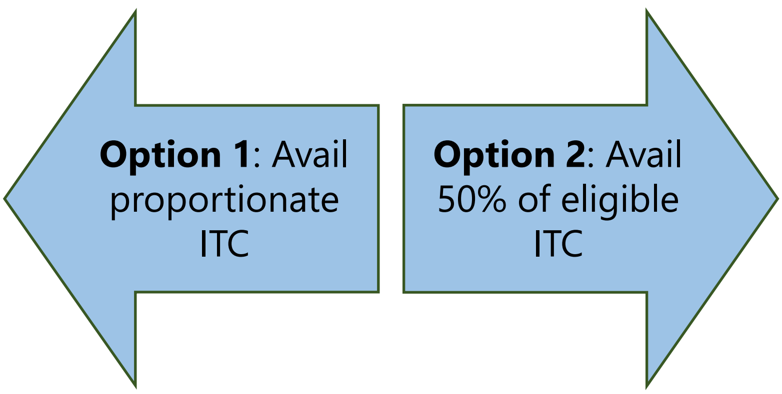
III. Provisions of section 17 relating to apportionment of credit and blocked credits read with relevant rules are summarized as under:

A. Apportionment of credit



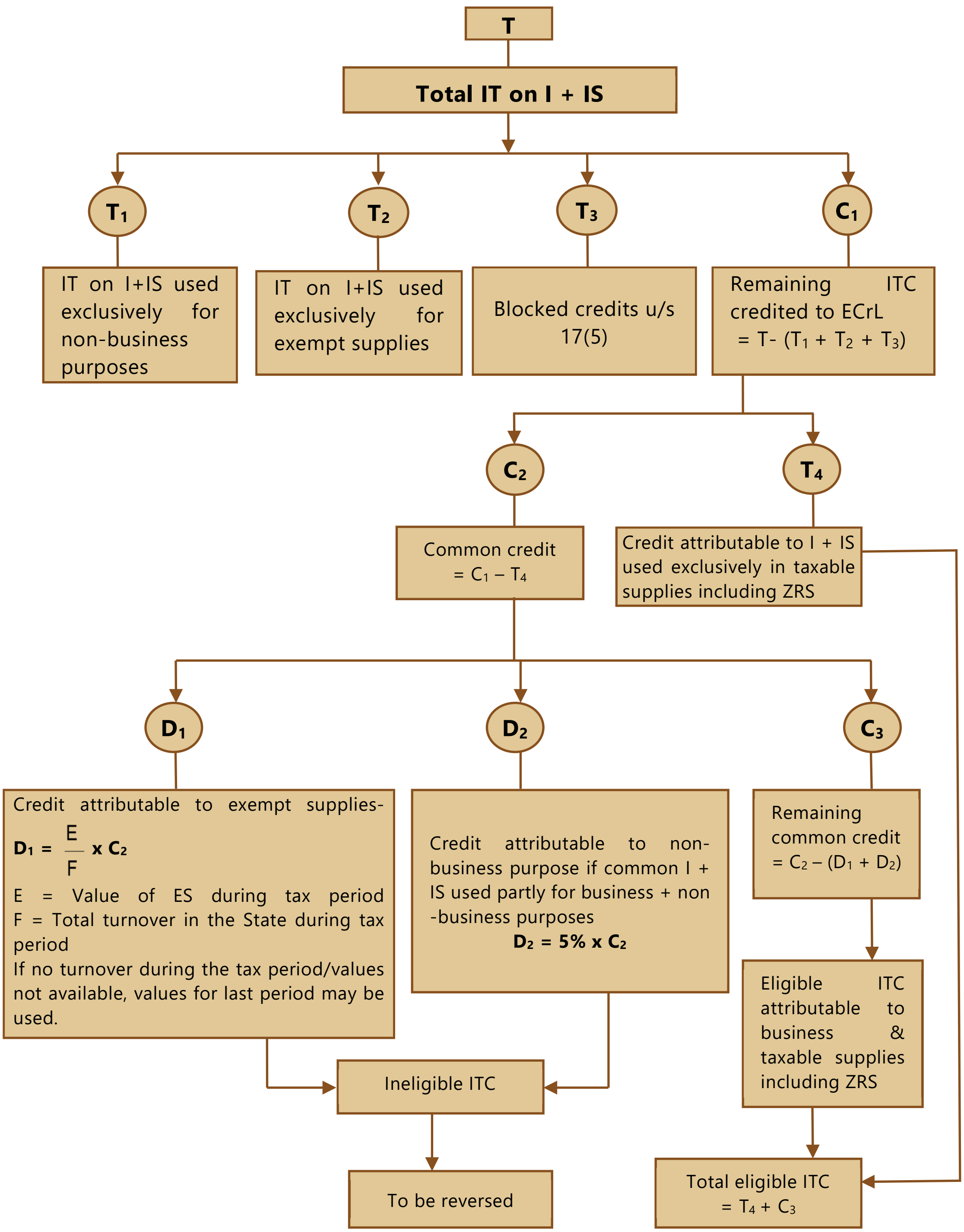
Exempt supplies include reverse charge supplies & transactions in securities and exclude activities specified in Schedule III except sale of land and sale of building when entire consideration is received post completion certificate/first occupation, whichever is earlier.

B. Special provisions for banking companies and NBFCs



- Balance will be reversed in GSTR-3B.
- Restriction of 50% shall not apply to the tax paid on supplies received from another registration within the same entity.
- Option once exercised cannot be withdrawn during remaining part of the year.

C. Apportionment of common credit in case of inputs and input services



- C_3 will be computed separately for ITC of CGST, SGST/ UTGST and IGST.
- $\sum (D_1 + D_2)$ will be computed for the whole financial year, by taking exempted turnover and aggregate turnover for the whole financial year. If this amount is more than the amount already reversed every month, the differential amount will be reversed in any of the month till September of succeeding year along with interest @ 18% from 1st April of succeeding year till the date of payment.
- If this amount is less than the amount reversed every month, the additional amount paid has to be claimed back as credit in the return of any month till September of the succeeding year.

- Exempt supplies include reverse charge supplies & transactions in securities.
- Exempt supplies exclude (i) activities specified in Schedule III except sale of land and sale of building when entire consideration is received post completion certificate/first occupation, whichever is earlier, *and **supply of warehoused goods before clearance for home consumption*** (ii) services of accepting deposits, extending loans/advances where the consideration is interest/discount and the same are provided by persons other than banking company/financial institution including NBFC, and (iii) outbound (overseas) transportation of goods by a vessel.
- Aggregate value of exempt supplies and total turnover exclude central excise duty, state excise duty, central sales tax and VAT.
- Value of exempt supply in respect of land and building is the stamp duty value and for security is 1% of the sale value of such security.

IT	=	Input tax
I	=	Inputs
IS	=	Input services
ECrl	=	Electronic Credit Ledger
ZRS	=	Zero rated supply
ES	=	Exempt supplies

D. Apportionment of common credit on capital goods

Total input tax (IT) on capital goods (CG)

(a)

IT on CG used exclusively for non-business/exempt supplies

Not credited in Electronic Credit Ledger (ECrL)

(b)

IT on CG used exclusively for taxable supplies including zero rated supply (ZRS)

Credited to ECrL

(c)

IT on CG not covered under (a) & (b) denoted as 'A' and useful life of such CG → 5 years from date of invoice

Credited to EcrL

T_c

Common credit on CG ⇒ **T_c = ∑ (A of common CG whose useful life remains during the tax period)**

⇒ If CG under (a) subsequently gets covered under (c), then 'A' = IT on CG under (a), and 'A' to be credited to ECrL. T_{ie} = 5% of 'A' for every quarter or part thereof when CG was under (a) and T_{ie} to be added to output tax liability of the tax period when 'A' is claimed.

⇒ If CG under (b) subsequently gets covered under (c), then IT claimed on CG under (b) to be added to T_c

T_m

Common credit of CG for a tax period during their useful life

$$T_m = T_c/60$$

T_e

Common credit towards exempted supplies

$$T_e = \frac{E}{F} \times T_r$$

E → Aggregate value of exempt supplies during the tax period; F → Total turnover in State during the tax period. If no turnover during the tax period/values not available, values for last tax period may be used.

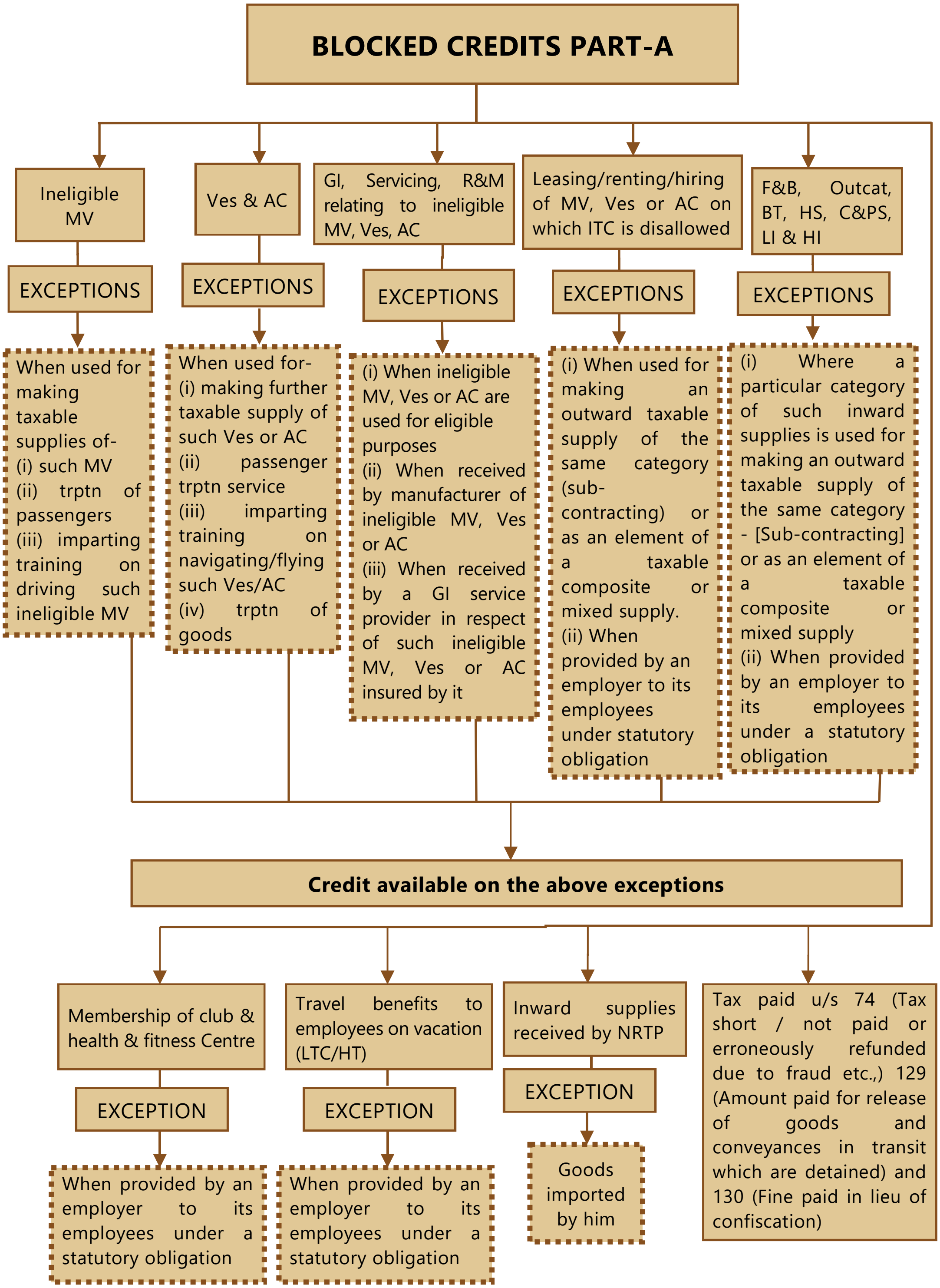
Added to output tax liability along with interest

- T_m is to be computed during the useful life of capital goods which is five years from the date of invoice.
- T_{ie} and T_e are to be computed separately for ITC of CGST, SGST/ UTGST and IGST and declared in GSTR-3B
- Exempt supplies include reverse charge supplies & transactions in securities.
- Exempt supplies exclude

  (i) activities specified in Schedule III except sale of land and sale of building when entire consideration is received post completion certificate/first occupation, whichever is earlier, *and* ***supply of warehoused goods before clearance for home consumption***

  (ii) services of accepting deposits, extending loans/advances where the consideration is interest/discount and the same are provided by persons other than banking company/financial institution including NBFC, and

  (iii) outbound (overseas) transportation of goods by a vessel.
- Aggregate value of exempt supplies and total turnover exclude central excise duty, state excise duty, central sales tax and VAT.
- Value of exempt supply in respect of land and building is the stamp duty value and for security is 1% of the sale value of such security.


BLOCKED CREDITS PART-A
Ineligible MV
EXCEPTIONS
When used for making taxable supplies of- (i) such MV (ii) trptn of passengers (iii) imparting training on driving such ineligible MV
Ves & AC
EXCEPTIONS
When used for- (i) making further taxable supply of such Ves or AC (ii) passenger trptn service (iii) imparting training on navigating/flying such Ves/AC (iv) trptn of goods
GI, Servicing, R&M relating to ineligible MV, Ves, AC
EXCEPTIONS
(i) When ineligible MV, Ves or AC are used for eligible purposes (ii) When received by manufacturer of ineligible MV, Ves or AC (iii) When received by a GI service provider in respect of such ineligible MV, Ves or AC insured by it
Leasing/renting/hiring of MV, Ves or AC on which ITC is disallowed
EXCEPTIONS
(i) When used for making an outward taxable supply of the same category (sub-contracting) or as an element of a taxable composite or mixed supply. (ii) When provided by an employer to its employees under statutory obligation
F&B, Outcat, BT, HS, C&PS, LI & HI
EXCEPTIONS
(i) Where a particular category of such inward supplies is used for making an outward taxable supply of the same category - [Sub-contracting] or as an element of a taxable composite or mixed supply (ii) When provided by an employer to its employees under a statutory obligation
Credit available on the above exceptions
Membership of club & health & fitness Centre
EXCEPTION
When provided by an employer to its employees under a statutory obligation
Travel benefits to employees on vacation (LTC/HT)
EXCEPTION
When provided by an employer to its employees under a statutory obligation
Inward supplies received by NRTP
EXCEPTION
Goods imported by him
Tax paid u/s 74 (Tax short / not paid or erroneously refunded due to fraud etc.,) 129 (Amount paid for release of goods and conveyances in transit which are detained) and 130 (Fine paid in lieu of confiscation)

BLOCKED CREDITS PART-B

WCS for construction of immovable property

EXCEPTIONS

(A) WCS for P & M
(B) WCS availed by a works contractor for further supply of WCS [Sub-contracting]
(C) Where value of WCS is not capitalized

Credit available on such exceptions

Inward supplies received by taxable person for construction of immovable property on his own account including when such supplies are used in the course or furtherance of business

EXCEPTIONS

(A) Construction of P & M
(B) Construction of immovable property for others
(C) Value of construction is not capitalised

Inward supplies charged to composition levy

Goods lost/ stolen/ destroyed/ written off or disposed of by way of gift or free samples

Goods/ services used/ intended to be used for CSR related activities

Inward supplies used for personal consumption

Ineligible MV-Motor vehicle for transportation of persons with seating capacity of ≤ 13 persons (including driver); Ves & AC-Vessel & Aircraft; GI-General insurance; R&M-Repairs & maintenance; F&B-Food & beverages; Outcat-Outdoor catering; BT-Beauty treatment; HS-Health services; C&PS-Cosmetic & plastic surgery; LI-Life insurance; HI-Health insurance; NRTP-Non-resident taxable person; WCS-Works contract service; LTC-Leave Travel Concession; HT-Home town; trptn-transportation; P & M-Plant & machinery

(A) Construction includes re-construction/ renovation/ addition/ alterations/ repairs to the extent of capitalisation to said immovable property.

(B) P & M means apparatus, equipment, & machinery fixed to earth by foundation or structural supports but excludes land, building/ other civil structures, telecommunication towers, and pipelines laid outside the factory premises.

IV. Provisions of section 18 read with relevant rules are summarized as under:

A. Special circumstances enabling availing of credit

Special circumstances enabling availing of credit

- Registered person switching from composition levy to regular scheme of payment of taxes
- Registered person's exempt supplies becoming taxable
- Person applying for registration within 30 days of becoming liable for registration
- Person obtaining voluntary registration

(Registered person switching from composition levy to regular scheme of payment of taxes / Registered person's exempt supplies becoming taxable)

Credit entitled on
- Inputs as such held in stock
- Inputs contained in semi-finished goods held in stock
- Inputs contained in finished goods held in stock
- **Capital goods [In case of exempt supply becoming taxable → Capital Goods used exclusively for such exempt supply] reduced by 5% per quarter or part thereof from the date of invoice**

Note: *ITC claimed shall be verified with the corresponding details furnished by the corresponding supplier.*

- On the day immediately preceding the date from which he becomes liable to pay tax under regular scheme
- On the day immediately preceding the date from which such supply becomes taxable

(Person applying for registration within 30 days of becoming liable for registration / Person obtaining voluntary registration)

Credit entitled on
- Inputs as such held in stock
- Inputs contained in semi-finished goods held in stock
- Inputs contained in finished goods held in stock

- On the day immediately preceding the date from which he becomes liable to pay tax
- On the day immediately preceding the date of registration

ITC, in all the above cases, is to be availed within 1 year from the date of issue of invoice by the supplier.

Conditions for availing above credit:

(i) Filing of electronic declaration giving details of inputs held in stock/contained in semi-finished goods and finished goods held in stock and capital goods on the days immediately preceding the day on which credit becomes eligible.

(ii) Declaration has to be filed within 30 days from becoming eligible to avail credit.

(iii) Details in (i) above to be certified by a CA/ Cost Accountant if aggregate claim of CGST, SGST/ IGST credit is more than ₹ 2,00,000.

B. Special circumstances leading to reversal of credit/payment of amount

Special circumstances leading to reversal of credit /payment of amount

- Registered person (who has availed ITC) switching from regular scheme of payment of tax to composition levy
- Supplies of registered person getting wholly exempted from tax
- Cancellation of registration
- Supply of capital goods (CG)/ plant and machinery (P& M) on which ITC has been taken

Amount to be reversed is equivalent to ITC on :

- Inputs held in stock/ inputs contained in semi-finished or finished goods held in stock
- Capital goods

on the day immediately preceding the date of switch over/ date of exemption/date of cancellation of registration

Manner of reversal of credit on inputs and capital goods & other conditions

(i) Inputs ⇒ Proportionate reversal based on corresponding invoices. If such invoices not available, prevailing market price on the effective date of switch over/ exemption/cancellation of registration should be used with due certification by a practicing CA/ Cost Accountant

(ii) Capital goods ⇒ Reversal on *pro rata* basis pertaining to remaining useful life (in months), taking useful life as 5 years.

(iii) ITC to be reversed will be calculated separately for ITC of CGST, SGST/UTGST and IGST.

(iv) Reversal amount will be added to output tax liability of the registered person.

(v) Electronic credit/cash ledger will be debited with such amount. Balance ITC if any will lapse.

Amount to be paid is equivalent to higher of the following:

(i) ITC on CG or P&M less 5% per quarter or part thereof from the date of invoice

(ii) Tax on transaction value of such CG or P & M

- If amount at (i) exceeds (ii), then reversal amount will be added to output tax liability.
- Separate ITC reversal is to be done for CGST, SGST/UTGST and IGST
- Tax to be paid on transaction value when refractory bricks, moulds, dies, jigs & fixtures are supplied as scrap.

Transfer of unutilised ITC on account of change in constitution of registered person	
	In case of sale, merger, amalgamation, lease or transfer of business, unutilised ITC can be transferred to the new entity if there is a specific provision for transfer of liabilities to the new entity. The inputs and capital goods so transferred should be duly accounted for by the transferee in his books of accounts.
	In case of demerger, ITC is apportioned in the ratio of value of entire assets (including assets on which ITC has not been taken) of the new units as per the demerger scheme.
	Details of change in constitution are to be furnished on common portal along with request to transfer unutilised ITC. CA/Cost Accountant certificate is to be submitted certifying that change in constitution has been done with specific provision for transfer of liabilities.
	Upon acceptance of such details by the transferee on the common portal, the unutilized ITC is credited to his Electronic Credit Ledger.

Transfer of unutilised ITC on obtaining separate registrations for multiple places of business within a State/UT	
	Registered person having separate registrations for multiple places of business can transfer the unutilised ITC to any or all of the newly registered place(s) of business in the ratio of the value of assets held by them at the time of registration.
	Value of assets means the value of the entire assets of the business irrespective of whether ITC has been availed thereon or not.
	The resgistered person should furnish the prescribed details on the common portal within a period of 30 days from obtaining such separate registrations.
	Upon acceptance of such details by the newly registered person (transferee) on the common portal, the unutilised ITC is credited to his electronic credit ledger.

V. Provisions of section 20 and 21 read with relevant rules are summarized as under:

ISD is basically an office meant to receive tax invoices towards receipt of input services and distribute the credit of taxes paid on such input services to supplier units (having the same PAN) proportionately

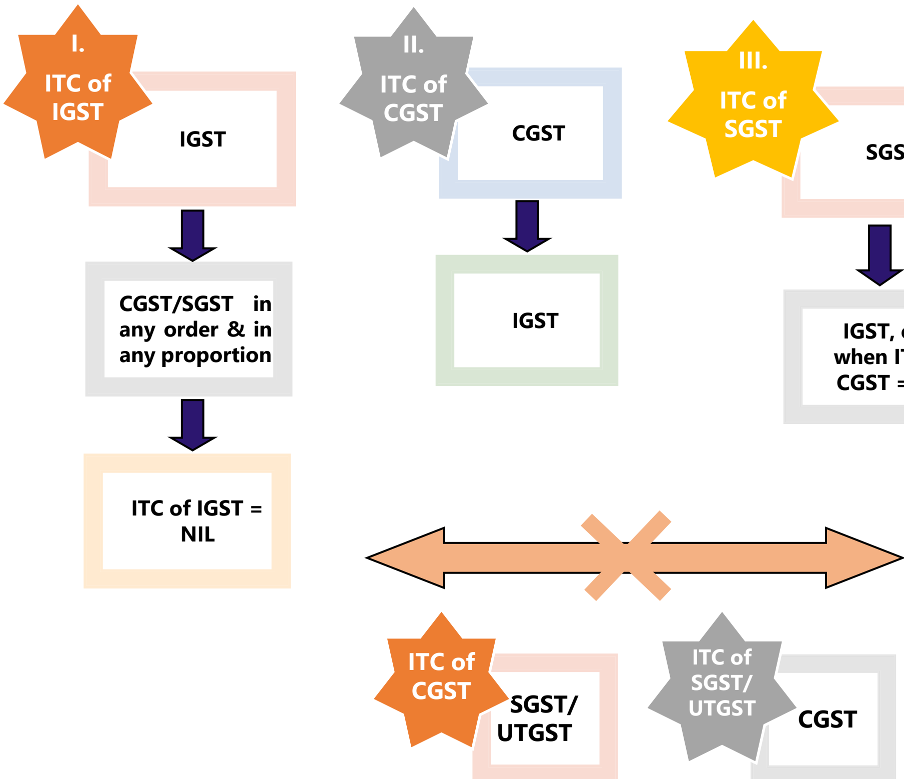
An ISD is required to obtain a separate registration even though it may be separately registered. The threshold limit of registration is not applicable to ISD.

- ISD should issue an ISD invoice for distributing ITC. It should be clearly indicated in such invoice that it is issued only for distribution of ITC.
- The ISD needs to issue a ISD credit note, for reduction in credit if the distributed credit gets reduced for any reason.
- ITC available for distribution in a month is to be distributed in the same month.
- Details of distribution of credit and all ISD invoices issued should be furnished by ISD in monthly GSTR-6 within 13 days after the end of the month.

- ITC of input services is distributed only amongst those recipients to whom the input services are attributable.
- ITC is distributed amongst the operational units only **and in the ratio of turnover in a State/UT of the recipient during the relevant period to the aggregate of turnover of all recipients during the relevant period to whom input service being distributed is attributable.**
- Relevant period is previous FY or last quarter prior to the month of distribution for which turnover of all recipients is available.
- Distributed ITC should not exceed the credit available for distribution.

If the ISD has distributed excess credit to any recipient, the excess will be recovered from the recipient with interest as if it was tax not paid.

VI. Provisions relating to utilization of ITC are summarized as under:



TEST YOUR KNOWLEDGE

1. *Xenon Pvt. Ltd., a registered supplier in Agra, is engaged in the manufacture of taxable goods. Goods valued at ₹ 10,50,000 were supplied by the company to Freshbite Pvt. Ltd., a registered supplier located at Firozabad, without the cover of an invoice with a fraudulent intent. Since the company evaded tax by not issuing the invoice for the supply, a show cause notice was issued by the proper officer under section 74 requiring the company to pay tax @ 12% [₹ 1,26,000] and applicable interest and penalty. The company paid the tax, interest and penalty after the order was passed by the proper officer.*

   Examine the ITC entitlement of Freshbite Pvt. Ltd. in respect of tax of ₹ 1,26,000 paid by Xenon Pvt. Ltd.

2. *Flamingo Ltd. is an airlines providing passenger transportation services by air. The company offers meals of premium quality to passengers on board the aircraft. The value of such meals is compulsorily included in the price of the air ticket. The company avails outdoor catering services of Dhaniaram Pvt. Ltd. for providing such meals to its customers.*

   Examine whether Flamingo Ltd. can avail ITC on such outdoor catering service availed by it.

3. *Jumbo Sales Pvt. Ltd., a supplier of readymade garments, announced 'Buy One get Two free' offer on Men's T-Shirts on Diwali to boost its sales.*

   You are required to advise the company on the availability of ITC in respect of inward supplies used in relation to such supply.

4. *A garment factory receives a Government order for making uniforms for a commando unit. This supply is exempt from tax under a notification issued under section 11 of the CGST Act. The fabric is exclusively procured for such supply, but thread and lining material for the collars are the ones which are used for other taxable products of the factory as well.*

   The turnover (exclusive of taxes) of the other products of the factory and exempted uniforms in July is ₹ 4 crore and ₹ 1 crore respectively, the ITC on thread and lining material procured in July is ₹ 5000 and ₹ 15000 respectively.

   Calculate the amount of eligible ITC in respect of procurement of thread and lining material.

5. *Ceramity Ltd. has following units:*

   A: *Factory in Tumkur, Karnataka; turnover of ₹ 27 crores in F.Y. 2022-23;*

   B: *Service centre in Hyderabad, Telangana; turnover of ₹ 1 crore in F.Y. 2022-23;*

   C: *Service centre in Chennai, Tamil Nadu; turnover of 2 crores in F.Y. 2022-23;*

   Ceramity Ltd.'s corporate office functions as an ISD. It has to distribute ITC of ₹ 9 lakh for May, 2023. Of this, an invoice involving tax of ₹ 3 lakh pertains to technical consultancy for Tumkur unit.

   Explain in brief in what manner should the ITC be distributed?

6. *A registered supplier of taxable goods supplied goods valued at ₹ 2,24,000 (inclusive of CGST ₹ 12,000 and SGST ₹ 12,000) to Mohan Ltd. under forward charge on 15th August for which tax invoice was also issued on the same date. The inputs were received by Mohan Ltd. on 15th August. Mohan Ltd. availed credit of ₹ 24,000 on 20th September by filing Form GSTR-3B for August month. However, Mohan Ltd. did not make any payment towards such supply along with tax thereon to the supplier. Is Mohan Ltd. eligible to avail ITC on such supply?*

   Discuss ITC provisions if Mohan Ltd. makes the payment of ₹ 2,24,000 to the supplier on 18th March of next calendar year.

7. *State the conditions that need to be followed by an input service distributor for distribution of credit.*

8. *With reference to the provisions of section 17, examine the availability of ITC in the following independent cases:*

   (i) *MBF Ltd., an automobile company, has availed works contract service for construction of a foundation on which a machinery (to be used in the production process) is to be mounted permanently.*

   (ii) *Shah & Constructions procured cement, paint, iron rods and services of architects and interior designers for construction of a commercial complex for one of its clients.*

   (iii) *ABC Ltd. availed maintenance & repair services from "Jaggi Motors" for a truck used for transporting its finished goods.*

9. *On 25th August, M/s Agarwal & Agarwal, a registered supplier of taxable goods located in Bengaluru (Karnataka), purchased one machine for ₹ 12,39,000 (including IGST) from one supplier of Maharashtra who issued the invoice on the same date. M/s Agarwal & Agarwal received the machinery on the same day and availed ITC for the eligible amount.*

M/s Agarwal & Agarwal used the machine in the process of manufacture of taxable goods. However, M/s Agarwal & Agarwal sold this machine to Mr. Suresh Kumar of Andhra Pradesh on 20th August of next year for ₹ 7,50,000 (excluding lGST).

With reference to section 18(6), determine the amount payable, if any, by M/s Agarwal & Agarwal at the time of sale of the machine.

Note: The applicable rate of IGST is 18%.

10. *Krishna Motors is a car dealer selling cars of an international car company. It also provides maintenance and repair services of the cars sold by it as also of other cars. It seeks your advice on availability of ITC in respect of the following expenses incurred by it during the course of its business operations:*

    (i) *Cars purchased from the manufacturer for making further supply of such cars. Two of such cars are destroyed in accidents while being used for test drive by potential customers.*

    (ii) *Works contract services availed for constructing a car parking shed in its premises*

11. *With the help of information given below in respect of a manufacturer for the month of September, compute the ITC credited to the Electronic Credit Ledger, for the month. Also, compute the amount of ITC to be added to the output tax liability for the month of September. Ignore interest, if any.*

Particulars	***Amount (₹)***
Outward supply of taxable goods (exclusive of taxes)	*70,000*
Outward supply of exempt goods	*40,000*
Total turnover	*1,10,000*
Inward supplies	***GST paid (₹)***
Capital goods used exclusively for taxable outward supply	*2,000*

Capital goods used exclusively for exempt outward supply	*1,800*
Capital goods used for both taxable and exempt outward supply	*4,200*

Subject to the information given above, assume that all the other conditions necessary for availing ITC have been fulfilled.

12. *X, a manufacturer of roofing sheets, is having ₹ 1,60,000 as opening balance of ITC for June month. He provides the following information pertaining to the goods and services procured during the month of June:*

    (1) *Input tax on raw materials is ₹ 40,000. The raw material is used for making both taxable and exempt supplies.*

    (2) *Input tax on catering services procured from 'Harvest Caterers' in connection with his housewarming ceremony is ₹ 10,000.*

    (3) *Input tax on raw materials used exclusively in manufacture of exempt supplies of ₹ 2 lakh is ₹ 20,000.*

    (4) *Input tax on cosmetic and plastic surgery of manager of the factory is ₹ 30,000.*

    Total taxable turnover for the month of June is ₹ 60 lakh exclusive of tax.

    Compute the ITC credited for the month of June to the Electronic Credit Ledger and net GST payable from Electronic Cash Ledger by X for the month of June. Rate of GST is 18% (Ignore CGST, SGST or IGST and provisions of rule 86B for the sake of simplicity).

    Subject to the information given above, assume that all the other conditions necessary for availing ITC have been fulfilled. All the purchases are made from registered suppliers.

13. *Sarani Weavers, at Pune, Maharashtra is a registered input service distributor and intends to distribute ITC for the month of March. The following are the details available for such distribution:*

Branch	***Turnover of the last quarter (₹)***	***ITC specifically attributable to the branch (₹)***
Ganganagar Branch (Rajasthan)	*10,00,000*	*IGST – ₹ 12,000* *CGST – ₹ 3,000* *SGST –₹ 3,000*
Madhugiri Branch (Karnataka)	*5,00,000*	*Nil*
Kosala Branch (UP)	*15,00,000*	*Nil*
Mumbai Branch (Maharashtra)	*20,00,000*	*IGST – ₹ 1,50,000* *CGST– ₹ 15,000* *SGST– ₹ 15,000*

ITC available on input services used commonly for all branches is as under:

CGST - ₹ 60,000

SGST - ₹ 60,000

IGST - ₹ 1,20,000

ITC (IGST) of ₹ 10,000 pertaining to March (last year) was inadvertently not distributed. Whether the same can be considered for distribution in March this year?

Madhugiri, Karnataka branch uses input services to manufacture exempted products. Turnover excludes duties & taxes payable to Central and State Government.

Determine the manner of input tax distribution.

14. *George Pvt. Ltd., a registered supplier of goods at Kerala who pays GST under regular scheme, has made the following transactions (exclusive of tax) during a tax period:*

Purchases (₹)	***Sales (₹)***	***Tax Rate***
5,00,000	*10,00,000* *[Sale made to registered person in New Delhi]*	*IGST - 18%* *CGST – 9%*

[Purchases made from registered person in New Delhi]		*SGST- 9%*
2,50,000 *[Purchases made from registered person in Trivandrum, Kerala]*	*8,00,000* *[Sales made to registered person in Trivandrum]*	

The company has complied with all the conditions for availing the ITC. The following further information regarding various opening balances available with it for the tax period, is provided by the company:

CGST (₹)	***SGST (₹)***	***IGST (₹)***
50,000	*30,000*	*1,00,000*

Compute the net CGST, SGST and IGST payable from the Electronic Cash Ledger by George Pvt. Ltd. for the tax period as also ITC to be carried forward to next tax period, if any.

15. *Quanto Enterprises is not required to register under CGST Act. However, it applied for voluntary registration on 17th September. Registration certificate has been granted to the firm on 25th September. The CGST and SGST liability of the firm for the month of September is ₹ 24,000 each. The firm is not engaged in making inter-State outward taxable supplies.*

Quanto Enterprises provides the following information regarding capital goods and inputs held in stock by it as on 24th September:

Particulars	***Amount (₹)***
Inputs procured on 2nd September lying in stock	
- CGST @ 6%	*4,500*
- SGST @ 6%	*4,500*
Input received on 21st July contained in semi-finished goods held in stock:	
- CGST @ 6%	*7,500*

- SGST @ 6%	*7,500*
Value of inputs contained in finished goods held in stock- ₹ 2,00,000 [Such inputs were procured on 19th September last year. Invoice for the goods was also issued on the same day]	
- IGST @ 18%	*36,000*
Inputs valued at ₹ 50,000 procured on 13th September lying in stock:	
- IGST @ 18%	*9,000*
Capital goods procured on 12th September	
-CGST @ 6%	*12,000*
-SGST @ 6%	*12,000*

You are required to compute the net GST payable from Electronic Cash Ledger by Quanto Enterprises for the month of September assuming that conditions for availing ITC are fulfilled subject to the information given above.

You are also required to mention reasons for treatment of all above items.

16. *B & D Company, a partnership firm, registered in Nagpur, Maharashtra is a wholesaler of taxable product 'P' and product 'Q' exempted by way of a notification. The firm supplies these products only in the eastern part of Maharashtra. All the procurements (both goods and services) of the firm are from the suppliers registered under regular scheme in the State of Maharashtra. The firm pays tax under composition scheme.*

B & D Company has furnished the following details with respect to its turnover (exclusive of taxes) and stock (exclusive of taxes):

Particulars	***Turnover for the quarter ended 30th June (₹)***	***Turnover for the quarter ended 30th September (₹)***
'P'	*60,00,000*	*50,00,000*
'Q'	*17,65,000*	*17,00,000*

Particulars	**Stock as on 30th June (₹)**	**Stock as on 30th September (₹)**	**Stock as on 31st October (₹)**
'P'	25,00,000	10,00,000	3,60,000
'Q'	10,00,000	2,00,000	1,20,000

The entire stock of the products 'P' and 'Q' available with the firm as on 30th September is purchased during the said half year except a consignment of product 'P' valuing ₹ 3,00,000, which was purchased in the April month of the preceding financial year. The said stock could not be sold during the month of October. In the current financial year, in the month of October, no purchases were made, and the products were sold with a profit margin of 20% on sales [exclusive of taxes].

The extract of the only bill book maintained by the firm showed the following details-

Bill No.	**Date**	**Value of products (exclusive of taxes)**		
		'P' (₹)	**'Q' (₹)**	**Total (₹)**
2306	1st October	2,00,000	3,000	2,03,000
2307	1st October	1,33,000	5,250	1,38,250
2308	2nd October	67000	39,250	1,06,250
2309	3rd October	58,750	33,750	92,500
2310	5th October	1,00,000	-	1,00,000
2311	6th October	94,000	6,000	1,00,000
2312	6th October	-	17,000	17,000
2313	8th October	50,000	6,000	56,000
2314	9th October	60,000	9,000	69,000
2315	....	....	....	....
....	....	....	....	....

All the above amounts are exclusive of taxes, wherever applicable

Compute the ITC to be credited to the Electronic Credit Ledger of the B & D Company, when it exits composition scheme and becomes liable to pay tax under regular scheme, in accordance with the provisions of section 18(1)(c).

Note: Make suitable assumptions wherever required. Stock is valued at cost price.

17. *XYZ Pvt. Ltd. is a manufacturing company registered under GST in the State of Uttar Pradesh. It manufactures two taxable products 'Alpha' and 'Beta' and one exempt product 'Gama'. On 1st October, while product 'Beta' got exempted through an exemption notification, exemption available on 'Gama' got withdrawn on the same date. The turnover (exclusive of taxes) of 'Alpha', 'Beta' and 'Gama' in the month of October was ₹ 9,00,000, ₹ 10,00,000 and ₹ 6,00,000 respectively.*

XYZ Pvt. Ltd. has furnished the following details:

S. No.	Particulars	Price (₹)	GST (₹)
(a)	Machinery 'U' purchased on 1st October for being used in manufacturing all the three products	2,00,000	36,000
(b)	Machinery 'V' purchased on 1st October for being used in manufacturing product 'Alpha' and 'Gama'	1,00,000	18,000
(c)	Machinery 'W' purchased on 1st October for being exclusively used in manufacturing product 'Beta'	3,00,000	54,000
(d)	Machinery 'Y' purchased on 1st October four years ago for being exclusively used in manufacturing product 'Beta'. From 1st October, such machinery will also be used for manufacturing product 'Gama'.	4,00,000	72,000

(e)	*Machinery 'Z' purchased on 1st October two years ago for being used in manufacturing all the three products*	*3,00,000*	*54,000*
(f)	*Raw Material used for manufacturing 'Alpha' purchased on 5th October*	*1,50,000*	*27,000*
(g)	*Raw Material used for manufacturing 'Beta' purchased on 10th October*	*2,00,000*	*36,000*
(h)	*Raw Material used for manufacturing 'Gama' purchased on 15th October*	*1,00,000*	*18,000*

Compute the following:

(i) *Amount of ITC to be credited to Electronic Credit Ledger, for the month of October*

(ii) *Amount of aggregate value of common credit (T_C)*

(iii) *Common credit attributable to exempt supplies, for the month of October*

(iv) *GST liability of the company payable through Electronic Cash Ledger, for the month of October if opening balance of ITC is nil.*

Note: Assume that all the procurements made by the company are from States other than Uttar Pradesh. Similarly, the company sells all its products in States other than Uttar Pradesh. Rate of IGST is 18%. Subject to the information given above, assume that all the other conditions necessary for availing ITC have been fulfilled. Ignore interest, if any and make suitable assumptions wherever required.

18. *'All-in-One Store' is a retail chain of departmental store having presence in almost all metro cities across India. Both exempted as well as taxable goods are sold in such Stores. The Stores operate in rented properties. All-in-One Stores pay GST under regular scheme.*

In Mumbai, the Store operates in a rented complex, a part of which is used by the owner of the Store for personal residential purpose.

All-in-One Store, Mumbai furnishes following details for a month:

(i) Aggregate value of various items sold in the Store:

Taxable items – ₹ 42,00,000

Items exempted vide a notification – ₹ 12,00,000

Items not leviable to GST – ₹ 3,00,000

(ii) Mumbai Store transfers to another All-in-One Store located in Goa certain taxable items for the purpose of distributing the same as free samples. The value declared in the invoice for such items is ₹ 5,00,000. Such items are sold in the Mumbai Store at ₹ 8,00,000.

(iii) Aggregate value of various items procured for being sold in the Store:

Taxable items – ₹ 55,00,000

Items exempted vide a notification – ₹ 15,00,000

Items not leviable to GST – ₹ 5,00,000

(iv) Freight paid to goods transport agency (GTA) for inward transportation of taxable items – ₹ 1,00,000

(v) Freight paid to GTA for inward transportation of exempted items – ₹ 80,000

(vi) Freight paid to GTA for inward transportation of non-taxable items - ₹ 20,000

(vii) Monthly rent payable for the complex – ₹ 5,50,000 (one third of total space available is used for personal residential purpose).

(viii) Activity of packing the items and putting the label of the Store along with the sale price has been outsourced. Amount paid for packing of all the items – ₹ 2,50,000

(ix) Salary paid to the regular staff at the Store – ₹ 2,00,000

(x) GST paid on inputs used for personal purpose – ₹ 5,000

(xi) GST paid on rent a cab services availed for transportation of employees, which is not obligatory under any law – ₹ 4,000

(xii) GST paid on items given as free samples – ₹ 4,000

Given the above available facts, you are required to compute the following:

A. Input tax credit (ITC) credited to the Electronic Credit Ledger

B. Common Credit

C. ITC attributable towards exempt supplies out of common credit

D. Eligible ITC out of common credit

E. Net GST payable from Electronic Cash Ledger for the month if opening balance of ITC is nil.

Note:

(1) GTA has not exercised the option to pay tax itself. Tax is payable on such services @ 5%. Rate of GST in all other cases is 18% (Ignore CGST, SGST or IGST for the sake of simplicity).

(2) All the inward supplies are procured from registered suppliers.

(3) Wherever applicable, the amounts given are exclusive of taxes.

(4) Subject to the information given above, assume that all the other conditions necessary for availing ITC have been fulfilled.

19. *Vansh Shoppe is a retail supplier of both taxable and exempted goods, registered under GST in the State of Rajasthan. Vansh Shoppe has furnished the following details for a month:*

		(₹)
(1)	Details of sales:	
	Supply of taxable goods	50,00,000
	Supply of goods not leviable to GST	10,00,000
(2)	Details of goods purchased for being sold in the shop:	
	Taxable goods	45,00,000
	Goods not leviable to GST	4,00,000
(3)	Details of expenses:	
	Monthly rent payable for the shop	3,50,000

	Telephone expenses paid (₹ 30,000 for bills of land line phone installed at the shop and ₹ 20,000 towards mobile phone bills of the employees – Mobile phones are also given to employees for official use)	*50,000*
	Audit fees paid to a Chartered Accountant (₹ 35,000 for filing of income tax return & the statutory audit of preceding financial year and ₹ 25,000 for filing of GST return)	*60,000*
	Premium paid on health insurance policies taken for specified employees of the shop as per company policy.	*10,000*
	Freight paid to goods transport agency (GTA) [service taxable @ 5%] for inward transportation of goods not leviable to GST	*50,000*
	Freight paid to goods transport agency (GTA) [service taxable under reverse charge @ 5%] for inward transportation of taxable goods	*1,50,000*
	Goods given as free samples (Not included in taxable goods value of 45,00,000)	*5,000*

All the above amounts are exclusive of all kind of taxes, wherever applicable.

All the inward and outward supplies made by Vansh Shoppe are from/to registered suppliers within Rajasthan.

Assume, wherever applicable, for purpose of reverse charge payable by Vansh Shoppe, the CGST, SGST and IGST rates as 2.5%, 2.5% and 5% respectively. CGST, SGST and IGST rates to be 6%, 6% and 12% respectively in all other cases.

There is no opening balance in the electronic cash ledger or electronic credit ledger. Subject to the information given above, assume that all the other conditions necessary for availing ITC have been fulfilled.

You are required to compute the following:

(1) Input Tax Credit (ITC) credited to Electronic Credit Ledger

(2) Common credit available for apportionment

(3) ITC attributable towards exempt supplies out of common credit

(4) Net GST payable from Electronic Cash Ledger for the month

20. *Mr. Rajesh Surana has a proprietorship firm in the name of Surana & Sons in Jaipur. The firm, registered under GST in the State of Rajasthan, manufactures three taxable products 'M', 'N' and 'O'. Tax on 'N' is payable under reverse charge. The firm also provides taxable consultancy services.*

The firm has provided the following details for a tax period:

Particulars	***(₹)***
Turnover of 'M' (excluding export sales)	*14,00,000*
Turnover of 'N'	*6,00,000*
Turnover of 'O' (excluding export sales)	*10,00,000*
Export of 'M' with payment of IGST (not eligible to avail benefit of merchant exports under Notification No. 41/2017)	*2,50,000*
Export of 'O' under letter of undertaking	*10,00,000*
Consultancy services provided to unrelated clients located in foreign countries. In all cases, the consideration has been received in convertible foreign exchange	*20,00,000*
Sale of building (excluding stamp duty of ₹ 2.50 lakh, being 2% of value) [Entire consideration is received post issuance of completion certificate; building was occupied thereafter]	*1,20,00,000*
Interest received on investment in fixed deposits with a bank	*4,00,000*
Sale of shares (Purchase price ₹ 2,40,00,000/-)	*2,50,00,000*
Legal services received from an advocate in relation to product 'M'	*3,50,000*

Common inputs and input services used for supply of goods and services mentioned above [Inputs - ₹ 35,00,000; Input services - ₹ 15,00,000]	*50,00,000*

With the help of the above-mentioned information, compute the net GST liability of Surana & Sons, payable from Electronic Credit Ledger and/or Electronic Cash Ledger, as the case may be, for the tax period.

Note: Assume that rate of GST on goods and services are 12% and 18% respectively (Ignore CGST, SGST or IGST for the sake of simplicity). Subject to the information given above, assume that all the other conditions necessary for availing ITC have been fulfilled. Turnover of Surana & Sons was ₹ 85,00,000 in the preceding financial year.

21. *M/s XYZ, a registered supplier, supplies the following goods and services for construction of buildings and complexes -*

- *excavators for required period at a per hour rate*
- *manpower for operation of the excavators at a per day rate*
- *soil-testing and seismic evaluation at a per sample rate.*

The excavators are invariably hired out along with operators. Similarly, excavator operators are supplied only when the excavator is hired out.

M/s XYZ receives the following services:

- *Maintenance services for excavators;*
- *Health insurance for operators of the excavators;*
- *Scientific and technical consultancy for soil testing and seismic evaluation.*

For a given month, the receipts (exclusive of GST) of M/s XYZ are as follows:

- *Hire charges for excavators - ₹ 18,00,000*
- *Service charges for supply of manpower for operation of the excavator - ₹ 20,000*
- *Service charges for soil testing and seismic evaluation at three sites - ₹ 2,50,000*

The GST paid during the said month on services received by M/s XYZ is as follows:

- *Maintenance for excavators - ₹ 1,00,000*
- *Health insurance for excavator operators - ₹ 11,000*
- *Scientific and technical consultancy for soil testing and seismic evaluation - ₹ 1,00,000*

Compute the net GST payable by M/s XYZ from Electronic Cash Ledger for the given month.

Assume the rates of GST to be as under:

Hiring out of excavators – 12%

Supply of manpower services and soil-testing and seismic evaluation services – 18%

(Ignore CGST, SGST or IGST for the sake of simplicity).

Note: - Opening balance of ITC of GST is nil.

22. *V-Supply Pvt. Ltd. is a registered manufacturer of auto parts in Kolkata, West Bengal. The company has a manufacturing facility registered under Factories Act, 1948 in Kolkata. It procures its inputs indigenously from both registered and unregistered suppliers located within as well as outside West Bengal as also imports some raw material from China.*

The company reports the following details for a tax period:

Payments	***(₹) (in lakh)***	***Receipts***	***(₹) (in lakh)***
Raw material	*3.5*	*Sales*	*15*
Consumables	*1.25*		
Transportation charges for bringing the raw material to factory	*0.70*		
Salary paid to employees on rolls	*5.0*		

Premium paid on life insurance policies taken for specified employees	*1.60*		
Audit fee	*0.50*		
Telephone expenses	*0.30*		
Bank charges	*0.10*		

All the above amounts are exclusive of all kinds of taxes, wherever applicable. However, the applicable taxes have also been paid by the company.

Further, following additional details are furnished by the company in respect of the payments and receipts reported by it:

(i) Raw material amounting to ₹ 0.80 lakh is procured from Bihar and ₹ 1.5 lakh is imported from China. Basic customs duty of ₹ 0.15 lakh, social welfare surcharge of ₹ 0.015 lakh and integrated tax of ₹ 0.2997 lakh are paid on the imported raw material.

Remaining raw material is procured from suppliers located in West Bengal. Out of such raw material, raw material worth ₹ 0.30 lakh is procured from unregistered suppliers; the remaining raw material is procured from registered suppliers.

Further, raw material worth ₹ 0.05 lakh purchased from registered supplier located in West Bengal has been destroyed due to seepage problem in the factory and thus, could not be used in the manufacturing process.

(ii) Consumables are procured from registered suppliers located in Kolkata and include diesel worth ₹ 0.25 lakh for running the generator in the factory.

(iii) Transportation charges comprise of ₹ 0.60 lakh paid to Goods Transport Agency (GTA) in Kolkata and ₹ 0.10 lakh paid to horse pulled carts. GST applicable on the services of GTA is 5% payable under reverse charge.

(iv) Life insurance policies for specified employees have been taken by the company to fulfill a statutory obligation in this regard. The life insurance service provider is registered in West Bengal.

(v) Audit fee is paid to M/s Goyal & Co., a firm of Chartered Accountants registered in West Bengal, for the statutory audit of the preceding financial year.

(vi) Telephone expenses pertain to bills for landline phone installed at the factory and mobile phones given to employees for official use. The telecom service provider is registered in West Bengal.

(vii) Bank charges are towards company's current account maintained with a Private Sector Bank registered in West Bengal.

(viii) The breakup of sales is as under:

Sales in West Bengal – ₹ 7 lakh

Sales in States other than West Bengal – ₹ 3 lakh

Export under LUT – ₹ 5 lakh

(ix) The opening balance of ITC with the company for the tax period is:

CGST - ₹ 0.15 lakh

SGST - ₹ 0.08 lakh

IGST - ₹ 0.09 lakh

Compute (i) Total ITC available with V-Supply Pvt. Ltd. for the tax period; and (ii) Net GST payable [CGST, SGST or IGST, as the case may be] from Electronic Cash Ledger by V-Supply Pvt. Ltd. for the tax period.

Note-

(i) CGST, SGST & IGST rates to be 9%, 9% and 18% respectively, wherever applicable.

(ii) The necessary conditions for availing ITC have been complied with by V-Supply Pvt. Ltd., wherever applicable.

You are required to make suitable assumptions, wherever necessary.

23. *ABC Company Ltd. of Bengaluru is a manufacturer and registered supplier of machineries. It has provided the following details for a tax period:*

Inward supplies	***GST paid (₹)***
Health insurance of factory employees as required by the Factories Act, 1948	*20,000*
Raw materials for which invoice has been received and GST has also been paid for full amount but only 50% of material has been received, remaining 50% will be received in next month	*18,000*
Work contractor's service used for installation of plant and machinery	*12,000*
Purchase of manufacturing machine sent directly to job worker's premises under delivery challan	*50,000*
Purchase of car used by director exclusively for the purpose of business meetings	*25,000*
Outdoor catering service availed for business meetings	*8,000*

ABC Company Ltd. also provides service of hiring of machines along with manpower for operation. As per trade practice, machines are always hired out along with operators and also operators are supplied only when machines are hired out.

Outward supply (exclusive of GST) for the tax period are as follows:

Particulars	***Value (₹)***
Hiring receipts for machine	*5,25,000*
Service charges for supply of manpower operators	*2,35,000*

Assume the rates of GST to be as under:

(i) Service of hiring of machine 12%

(ii) Supply of manpower operator service 18%

(Ignore CGST, SGST or IGST for the sake of simplicity)

Compute the amount of ITC available as also the net GST payable from the Electronic Cash Ledger for the tax period by giving necessary explanations for treatment of various items.

Note: Opening balance of ITC is Nil.

24. Pari Ltd. of Jodhpur (Rajasthan) is a registered manufacturer of cosmetic products. Pari Ltd. has furnished following details for a tax period:

Particulars		**(₹)**
Details of Outward supplies		
(i)	*Supplies in Rajasthan*	*8,75,000*
(ii)	*Supplies in States other than Rajasthan*	*3,75,000*
(iii)	*Export under LUT*	*6,25,000*
Details of expenses		
(i)	*Raw materials purchased from registered suppliers located in Rajasthan*	*1,06,250*
(ii)	*Raw materials purchased from unregistered suppliers located in Rajasthan*	*37,500*
(iii)	*Raw materials purchased from Punjab from registered supplier*	*1,00,000*
(iv)	*Integrated tax paid on raw materials imported from USA*	*22,732*
(v)	*Consumables purchased from registered suppliers located in Rajasthan including high speed diesel (Excise and VAT paid) valuing ₹31,250 for running the machinery in the factory*	*1,56,250*
(vi)	*Monthly rent for the factory building to the owner in Rajasthan*	*1,00,000*
(vii)	*Salary paid to employees on rolls*	*6,25,000*
(viii)	*Premium paid on life insurance policies taken for specified employees. Life insurance policies for*	*2,00,000*

	specified employees have been taken by Pari Ltd. to fulfill a statutory obligation in this regard. The life insurance service provider is registered in Rajasthan.	

All the above amounts are exclusive of all kinds of taxes, wherever applicable. However, the applicable taxes have also been paid by Pari Ltd.

The opening balance of ITC with Pari Ltd. for the given tax period is-

CGST ₹ 20,000

SGST ₹ 15,000

IGST ₹ 15,000

Assume CGST, SGST and lGST rates to be 9%, 9% and 18% respectively, wherever applicable.

Assume that all the other necessary conditions to avail the ITC have been complied with by Pari Ltd., wherever applicable.

Compute (i) ITC available with Pari Ltd. for the tax period; and (ii) Net GST payable [CGST, SGST or IGST, as the case may be] from Electronic Cash Ledger by Pari Ltd. for the tax period.

25. *Flowchem Palanpur (Gujarat) has entered into a contract with R Refinery, Abu Road (Rajasthan) on 1st July to supply 10 valves on FOR basis. The following information is provided in this regard:*

(1) *List price per valve is ₹ 1,00,000, exclusive of taxes.*

(2) *One of the conditions of the contract is that Flowchem should ensure a two stage third party inspection for the valves during the manufacturing process. Cost of two stage inspection of ₹ 15,000 (for 10 valves) is directly paid by R Refinery to testing agency.*

(3) *R Refinery requires a special packing for the valves. Cost of special packing is ₹ 10,000 (for 10 valves).*

(4) *Flowchem arranges for erection and testing of the valves supplied by it at R Refinery's site. Cost of erection etc. is ₹ 15,000 (for 10 valves).*

(5) *Goods are dispatched with tax invoice on 20th July and they reach the destination at Abu-Road on 21st July. Lorry freight of ₹ 5,000 has been paid by R Refinery directly to the lorry driver.*

Assume CGST and SGST rates to be 9% each and IGST rate to be 18%. Opening balance of ITC of IGST is Nil, CGST is ₹ 20,000 and SGST is ₹ 20,000. All the given amounts are exclusive of GST, wherever applicable.

Flowchem has also undertaken following local transactions during the month of July on which it has paid CGST and SGST as under:

S. No.	**Particulars**	**Amount paid CGST (₹)**	**Amount paid SGST (₹)**
1.	Availed services of works contractor to erect foundation for fixing the machinery to earth, in the factory.	5,000	5,000
2.	Laid pipelines (from the water source outside the factory) upto the gate of the factory for the purpose of production facility.	10,000	10,000
3.	For the purpose of smooth and convenient mobile communication in its factory, it has installed telecommunication tower of a mobile company (with due permission)	5,000	5,000
4.	It has entered into an agreement with a travel company to provide home travel facility to its employees when they are on leave.	2,500	2,500
5.	It has entered into an agreement with a fitness center to provide wellness services to its employees after office hours	2,000	2,000

Work out the net GST [CGST, SGST or IGST, as the case may be] payable from Electronic Cash Ledger of Flowchem, Palanpur (Gujarat) for the month of July after making suitable assumptions, if any.

ANSWERS/HINTS

1. As per section 17(5), tax paid under sections 74, 129 and 130 is not available as ITC. Further, rule 36(3) also lays down that tax paid in pursuance of any order where any demand has been confirmed on account of any fraud, willful misstatement or suppression of facts cannot be availed as ITC by a registered person.

In the given case, Xenon Pvt. Ltd. has paid tax in pursuance of an order issued under section 74. Therefore, Freshbite Pvt. Ltd. cannot avail ITC of such tax.

2. As per section 17(5)(i)(b), ITC on supply of *inter alia* food and beverages and outdoor catering is blocked. However, ITC in respect of such goods or services or both shall be available where an inward supply of such goods or services or both is used by a registered person for making an outward taxable supply of the same category of goods or services or both or as an element of a taxable composite or mixed supply.

In the given case, Flamingo Ltd. is availing outdoor catering service to provide outdoor catering (meals) to the passengers on board the aircraft. Since ITC in respect of outdoor catering is available if the same is used for making an outward taxable supply as an element of a taxable composite or mixed supply, Flamingo Ltd. can avail ITC on outdoor catering service procured by it as it will be considered as supply of an ancillary service to the passenger transportation services supplied by it (principal supply).

3. It may appear at first glance that in case of offers like "Buy One, Get One Free", one item is being "supplied free of cost" without any consideration.

As per clause (a) of section 7(1) read with clause (c) thereof, goods or services which are supplied free of cost (without any consideration) shall not be treated as supply except in case of activities mentioned in Schedule I.

Circular No. 92/11/2019 GST dated 07.03.2019 has clarified the entitlement of ITC in the hands of supplier in respect of sales promotional scheme like 'buy one get one free'. Such promotional offers are not individual supplies of free goods, but a case of two or more individual supplies where a single price is being charged for the entire supply. It can at best be treated as supplying two goods for the price of one.

Taxability of such supply will be dependent upon as to whether the supply is a composite supply or a mixed supply and the rate of tax shall be determined as per the provisions of section 8.

ITC shall be available to the supplier for the inputs, input services and capital goods used in relation to supply of goods or services or both as part of such offers.

Therefore, the given case is not the case of individual supplies of free goods, but a case of three individual supplies where a single price is being charged for the entire supply. Thus, Jumbo Sales Pvt. Ltd. will be entitled to avail ITC on inputs, input services and capital goods used in relation to supply of T-Shirts as part of such offer.

4. Thread and lining material are inputs which are used for making taxable as well as exempt supplies. Therefore, credit on such items will be apportioned and credit attributable to exempt supplies will be reversed in terms of rule 42.

Credit attributable to exempt supplies = Common credit x (Exempt turnover/ Total turnover)

Common credit = ₹ 15,000 + ₹ 5,000 = ₹ 20,000

Exempt turnover = ₹ 1 crore

Total turnover = ₹ 5 crore [₹ 1 crore + ₹ 4 crore]

Credit attributable to exempt supplies = (₹ 1 crore /₹ 5 crore) x ₹ 20,000 = ₹ 4,000.

Ineligible credit of ₹ 4,000 will be reversed in Form GSTR-3B. Credit of ₹ 16,000 will be eligible credit for the month of July.

5. As per rule 39(d) relating to ITC, -

- ₹ 3 lakh is attributable to Tumkur unit, and will be transferred to Tumkur unit only.

- ₹ 6 lakh have to be distributed among Tumkur unit and the service centres in Hyderabad and Chennai in proportion of their turnover in the previous FY, that is, in 2020-21
  - Tumkur unit will get (27 crore / 30 crore) x 6 lakh = ₹ 5.4 lakh;
  - Hyderabad service centre will get (1 crore /30 crore) x 6 lakh = ₹ 20,000; and
  - Chennai service centre will get (2 crore /30 crore) x 6 Lakh = ₹ 40,000.

Ceramity Ltd. should issue ISD invoices (from GSTN obtained separately for ISD) for distributing ITC (as calculated above) to its units. It should be clearly indicated in the invoices that the same are issued only for distribution of ITC.

6. As per section 16, Mohan Ltd. is eligible to avail ITC of the tax paid on inputs received by it on the basis of the invoice issued by the supplier provided other conditions for availing ITC are fulfilled.

Payment of value of the goods along with the tax to the supplier is not a pre-requisite at the time of availing credit, but Mohan Ltd. has to pay the said amount within 180 days from the date of issue of invoice. If Mohan Ltd, fails to do so, Mohan Ltd. shall pay or reverse an amount equal to the ITC availed in respect of such supply (ITC of ₹ 24,000), proportionate to the amount not paid to the supplier, along with interest payable thereon under section 50, while furnishing the return in Form GSTR-3B for the tax period immediately following the period of 180 days from the date of the issue of the invoice will be added to its output tax liability with interest under section 50 [Second proviso to section 16(2) read with rule 37].

If Mohan Ltd. makes the payment of ₹ 2,24,000 (Value + tax) to the supplier on 18th March of next calendar year, i.e. after the expiry of 180 days from date of issue of invoice, Mohan Ltd. can avail the credit of ₹ 24,000 while filing form GSTR-3B for the month of March.

7. The following conditions need to be followed by an input service distributor (ISD) for distribution of credit:

(i) The ISD is required to obtain a separate registration for distribution of credit.

(ii) The credit can be distributed to the recipients of credit against an ISD invoice containing prescribed details.

(iii) The amount of the credit distributed shall not exceed the amount of credit available for distribution.

(iv) The credit related to an input service must be distributed only to the particular recipient to whom that input service is attributable.

(v) If the input service is attributable to more than one recipient, the relevant ITC is distributed *pro rata* to such recipients in the ratio of turnover of the recipient in a State/ Union Territory to the aggregate turnover of all the recipients to whom the input service is attributable and which are operational during the current year.

(vi) ITC pertaining to input services which are common for all units, is distributed to all the recipients in the ratio of turnover in the prescribed manner.

(vii) ITC available for distribution in a month shall be distributed in the same month and the details thereof shall be furnished in the prescribed form.

(viii) Both ineligible and eligible ITC are to be distributed separately.

(ix) ITC of CGST, SGST/UTGST and IGST are to be distributed separately.

(x) ITC of CGST, SGST/UTGST in respect of recipient located in the same State/Union Territory is distributed as CGST and SGST/UTGST respectively.

(xi) ITC of CGST and SGST/UTGST, in respect of a recipient located in a different State/Union territory, is distributed as IGST (total of ITC of CGST and SGST/UTGST which were to be distributed to such recipient).

(xii) ITC on account of IGST is distributed as IGST.

8. (i) Section 17(5)(c) blocks input tax credit in respect of works contract services when supplied for construction of an immovable property (other than plant and machinery) except where it is an input service for further supply of works contract service.

Further, the term "plant and machinery" means apparatus, equipment and machinery fixed to earth by foundation or structural support that are used for making outward supply of goods and/or services **and includes such foundation or structural support** but excludes land, building or other civil structures, telecommunication towers, and pipelines laid outside the factory premises.

Thus, in view of the above-mentioned provisions, ITC is available in respect of works contract service availed by MBF Ltd. as the same is used for construction of plant and machinery which is not blocked under section 17(5)(c). It is assumed that the expenditure incurred towards works contract service is capitalised in the books of MBF Ltd. and no depreciation has been claimed on the tax component.

(ii) Section 17(5)(d) blocks ITC on goods and/or services received by a taxable person for construction of an immovable property (other than plant and machinery) **on his own account** including when such goods and/or services are used in the course or furtherance of business. Thus, ITC on goods and/or services used in the construction of an immovable property is blocked only in those cases where the taxable person constructs the immovable property for his own use notwithstanding the fact that the immovable property being constructed will be used in the course or furtherance of his business.

In the given case, Shah & Constructions has used the goods and services for construction of immovable property for some other person and not on its own account. Hence, ITC in this case will be allowed.

(iii) On a conjoint reading of section 17(5)(a) and 17(5)(ab), it can be concluded that ITC is allowed on repair and maintenance services relating to motor vehicles, which are eligible for input tax credit. Further, as per section 17(5)(a) ITC is allowed on motor vehicles which are used for transportation of goods.

Thus, ITC on maintenance & repair services availed from "Jaggi Motors" for a truck used for transporting its finished goods is allowed to ABC Ltd.

9. As per section 18(6), if capital goods/ plant and machinery on which ITC has been taken are supplied (outward) by a registered person, he must pay an amount that is higher of the following:

(a) ITC taken on such goods reduced by 5% per quarter or part thereof from the date of issue of invoice for such goods or

(b) tax on transaction value of such outward supply determined under section 15.

Accordingly, the amount payable on supply of machinery by M/s Agarwal & Agarwal shall be computed as follows:

Particulars	**Amount (₹)**
ITC taken on the machinery (₹ 12,39,000 × 18/118)	1,89,000
Less: Input tax credit to be reversed @ 5% per quarter for the period of use of machine (i) For the previous year = (₹ 1,89,000 × 5%) × 3 quarters (ii) For the current year = (₹ 1,89,000 × 5%) × 2 quarters	 28,350 18,900
Amount required to be paid by adding the reversal amount to the output tax liability) **(A)** **	1,41,750
Duty leviable on transaction value (₹ 7,50,000 × 18%) **(B)**	1,35,000
Amount payable towards disposal of machine is higher of **(A)** and **(B)**	1,41,750
Thus, M/s Agarwal & Agarwal is required to pay an amount of ₹ 1,41,750 at the time of sale of machinery by adding the same to the output tax liability.	

** In the above solution, amount payable towards disposal of machine has been computed on the basis of rule 40(2), i.e. ITC to be reversed for the period of use of capital goods/machine has been computed @ 5% for every quarter or part thereof from the date of the issue of invoice.

However, the said amount can also be computed in accordance with rule 44(6), i.e. ITC involved in the remaining useful life (in months) of the capital goods/ machine can be reversed on *pro-rata* basis, taking the useful life as 5 years.

10. As per section 16(1), every registered person can 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. However, section 17(5) specifies certain goods and services on which the input tax credit is not available.

In the light of the foregoing provisions, the availability of ITC in respect of the various expenses incurred by Krishna Motors is discussed below:

(i) Section 17(5)(a) specifically blocks ITC on motor vehicles for transportation of passengers having approved seating capacity of not more than thirteen persons. However, the same is allowed when the motor vehicles are used, *inter alia,* for further supply of such vehicles. Thus, ITC on cars purchased from the manufacturer for making further supply of such cars will be allowed.

However, ITC on the cars fully destroyed in accident will not be allowed as the ITC on goods destroyed for whichever reason is specifically blocked under section 17(5)(h).

(ii) Section 17(5)(c) specifically blocks ITC on works contract services when supplied for construction of an immovable property (other than plant and machinery) except where it is an input service for further supply of works contract service. Since, in this case the car parking shed is not a plant and machinery but a civil structure (excluded from "plant and machinery") and the works contract service is not used for further supply of works contract service, ITC thereon will not be allowed.

11. Computation of ITC credited to Electronic Credit Ledger and amount of ITC to be added to the output tax liability for the month of September

Particulars	ITC (₹)
Capital goods used exclusively for taxable supply	2,000

[Since used exclusively for taxable supply, full ITC is available under rule 43(1)(b)]	
Capital goods used exclusively for exempt supply [Since used exclusively for exempt supply, ITC is not available under rule 43(1)(a)]	Nil
Capital goods used for both taxable and exempt supply - Common credit (T_c) [Commonly used for taxable and exempt supplies – Rule 43(1)(c)]	4200
Total ITC credited to Electronic Credit Ledger for the month of September	**6,200**
Common credit for the month of September (T_m) = T_c ÷ 60 = 4,200 ÷ 60 [Rule 43(1)(e)]	70
Common credit attributable to exempt supplies in a month (T_e) = (E ÷ F) x T_r***** where, 'E' is the aggregate value of exempt supplies, made, during the tax period, and 'F' is the total turnover in the State of the registered person during the tax period [Rule 43(1)(g)] = (40,000/1,10,000) × ₹ 70 (rounded off)	25.45
Amount to be added to the output tax liability for the month of September [Rule 43(1)(h)]	**25.45**

*Note: *Prior to the amendment vide Notification No. 16/2020 CT dated 23.03.2020 clause (f) of rule 43(1) provided that the amount of ITC, at the beginning of a tax period, on all common capital goods whose useful life remains during the tax period, be denoted as 'T_r' and shall be the aggregate of 'T_m' for all such capital goods. However, clause (f) has been omitted vide the said notification. Consequently, the term "T_r" becomes redundant in the formula provided in rule 43(1)(g). However, for the sake of computation of common credit attributable to exempt supply, value of 'T_m' has been used here.*

It may be noted that as per the erstwhile clause (f) of rule 43(1) value of 'T_r' was the aggregate of 'T_m.'.

12. Computation of ITC available and net GST payable from Electronic Cash Ledger for the month of June

Particulars		Amount (₹)
GST on taxable turnover for the month of June [₹ 60,00,000 × 18%]		10,80,000
Less: ITC available for June month in terms of rule 42		
Opening balance of ITC available in the Electronic Credit Ledger	₹ 1,60,000	
Add: ITC credited to the Electronic Credit Ledger for the month of June [Refer working note below]	₹ 40,000	
Less: ITC out of common credit attributable to exempt supply [Refer working note below]	(₹ 1,290)	1,98,710
Net GST payable from Electronic Cash Ledger		**8,81,290**

Working Note:

Computation of ITC (out of common credit) attributable to exempt supplies

Particulars	Amount (₹)
Input tax on raw materials [Note1]	40,000
Input tax on catering for housewarming [Note 2]	Nil
Input tax on inputs contained in exempt supplies [Note 3]	Nil
Input tax on cosmetic and plastic surgery of CEO of company [Note 4]	Nil
ITC credited to the Electronic Credit Ledger in terms of rule 42 in the month of June	40,000

Common credit [Note 5]	40,000
ITC attributable towards exempt supplies to be reversed [Note 6]	**1,290**

Notes:

(1) Being used in the course or furtherance of business, input tax on raw materials is available as ITC and is credited to the Electronic Credit Ledger [Section 16(1)].

(2) ITC on outdoor catering is blocked in terms of section 17(5) if the same is not used for making an outward supply of outdoor catering or as an element of a taxable composite/mixed supply. Hence, the same is not credited to the Electronic Credit Ledger [Rule 42].

(3) Input tax on inputs used exclusively for making exempt supplies is not available as ITC and thus, not credited to the Electronic Credit Ledger in terms of rule 42.

(4) ITC on cosmetic and plastic surgery is blocked in terms of section 17(5) if the same are not used for making the same category of outward supply or as an element of a taxable composite/ mixed supply. Hence, the same is not credited to the Electronic Credit Ledger [Rule 42].

(5) Since there are no inputs and input services which are used exclusively for effecting taxable supplies, the entire ITC credited to Electronic Credit Ledger, i.e. ₹ 40,000 will be the common credit [Rule 42].

(6) ITC attributable towards exempt supplies = Common credit x (Aggregate value of exempt supplies during the tax period / Total turnover in the State during the tax period)

= ₹ 40,000 × ₹ 2,00,000/ ₹ 62,00,000 - (rounded off)

= ₹ 1,290 (rounded off)

13. As per section 20 read with rule 39:

(i) Total GST credit (CGST+ SGST + IGST) of ₹ 18,000 specifically attributable to Ganganagar Branch, Rajasthan will be distributed as IGST credit of ₹ 18,000 only to Ganganagar Branch, Rajasthan [Since recipient and ISD are located in different states].

(ii) IGST credit of ₹ 1,50,000, CGST credit of ₹ 15,000 and SGST credit of ₹ 15,000 specifically attributable to Mumbai Branch, Maharashtra will be distributed as IGST credit of ₹ 1,50,000, CGST credit of ₹ 15,000 and SGST credit of ₹ 15,000 respectively, only to Mumbai Branch, Maharashtra [Since recipient is located in the same State in which ISD is located].

(iii) CGST credit of ₹ 60,000, SGST credit of ₹ 60,000 and IGST credit of ₹1,20,000 have to be distributed among the three branches and Mumbai Branch, Maharashtra in proportion of their turnover of the last quarter.

- Ganganagar Branch, Rajasthan will get: ₹ 48,000 [₹ 2,40,000 x (₹ 10,00,000/ ₹ 50,00,000)] as IGST credit.
- Madhugiri Branch, Karnataka will get: ₹ 24,000 [₹ 2,40,000 x (₹ 5,00,000/ ₹ 50,00,000)] as IGST credit.
- The credit attributable to a recipient is distributed even if such recipient is making exempt supplies.
- Kosala Branch, UP will get: ₹ 72,000 [₹ 2,40,000 x (₹ 15,00,000/ ₹ 50,00,000)] as IGST credit.
- Mumbai Branch, Maharashtra will get:

₹ 24,000 [₹ 60,000 x (₹ 20,00,000/ ₹ 50,00,000)] as CGST credit,

₹24,000 [₹ 60,000 x (₹ 20,00,000/ ₹ 50,00,000)] as SGST credit and

₹ 48,000 [₹ 1,20,000 x (₹ 20,00,000/ ₹ 50,00,000)] as IGST credit.

(iv) ITC of ₹ 10,000 of March (last year) cannot be distributed in March this year as ITC available for distribution in a month is to be distributed in the same month.

14. Computation of net CGST, SGST and IGST payable from the electronic cash ledger by George Pvt. Ltd. for the tax period

Particulars	Amount (₹)	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
Sales made outside Kerala (New Delhi) – [Being inter-State sale, the same is liable to IGST]	10,00,000			1,80,000
Sales made in Trivandrum [Being intra-State sale, the same is liable to CGST & SGST]	8,00,000	72,000	72,000	
Less: ITC available during the tax period for set off [Refer Working Note Below]		(72,000) CGST	(10,000) IGST	(1,80,000)
			(52,500) SGST	
Net tax liability payable in cash		**Nil**	**9,500**	**Nil**
ITC to be carried forward to next tax period		500 (72,500-72,000)	Nil (52,500-52,500)	Nil (1,90,000-1,90,000
Working Note: **ITC available during the tax period is computed as under:**				
Opening balance of ITC		50,000	30,000	1,00,000
Purchases from New Delhi [Being inter-State purchase, IGST would have been paid on it.]	5,00,000			90,000
Purchases from Trivandrum	2,50,000	22,500	22,500	
Total input tax credit		**72,500**	**52,500**	**1,90,000**

Note: Since sufficient balance of ITC of CGST is available for paying CGST liability and cross-utilization of ITC of CGST and SGST is not allowed, ITC of IGST has been used to pay SGST (after paying IGST liability) as credit of CGST and SGST can be utilized only after IGST credit has been fully utilized.

15. Computation of net GST payable from Electronic Cash Ledger by Quanto Enterprises for the month of September

Particulars	**CGST (Rs)**	**SGST (Rs)**
Output tax liability for the month	24,000	24,000
Less: ITC [Notes 1 & 2]	9,000 (IGST)	12,000 (SGST)
	12,000 (CGST)	
Net GST payable (from electronic cash ledger)	**3,000**	**12,000**

Notes:

1. Credit of IGST is first utilized towards payment of IGST and thereafter for CGST and SGST in any order and in any proportion. Credit of CGST and SGST can be utilized only after IGST credit has been fully utilized [Rule 88A read with sections 49(5), 49A and 49B].

   Since Quanto Enterprises does not make any inter-State supply, in the above answer, entire credit of IGST has been utilized towards payment of CGST. Credit of IGST can also be utilised against SGST liability or against both CGST and SGST liabilities in any proportion and thus, the final answer will change accordingly.

2. As per section 18(1)(b) a person who takes voluntary registration is entitled to take credit of input tax in respect of inputs held in stock and inputs contained in semi-finished/ finished goods held in stock on the day immediately preceding the date of grant of registration.

   However, he cannot take ITC in respect of capital goods held on the day immediately preceding the date of grant of registration.

ITC on inputs needs to be availed within 1 year from the date of issue of the invoice by the supplier [Section 18(2)].

In this case, since Quanto Enterprises has been granted voluntary registration on 25th September, it will be entitled to ITC on inputs held in stock and inputs contained in semi-finished/ finished goods held in stock, on 24th September. In view of the said provisions, eligible ITC for Quanto Enterprises is computed as follows:

Particulars	**CGST (₹)**	**SGST (₹)**	**IGST (₹)**
Inputs held in stock since 2nd September	4,500	4,500	
Inputs received on 21st July contained in semi-finished goods held in stock	7,500	7,500	
Inputs contained in finished goods held in stock which were procured on 19th September last year [Invoice issued prior to one year, hence ITC cannot be availed]			Nil
Inputs held in stock since 13th September			9,000
Capital goods procured on 12th September	Nil	Nil	
Total ITC	**12,000**	**12,000**	**9,000**

16. As per section 10(3) read with *Notification No.14/2019 CT dated 07.03.2019* as amended, the option availed of by a registered person to pay tax under composition scheme shall lapse with effect from the day on which his aggregate turnover during a financial year exceeds ₹ 1.5 crore [₹ 75 lakh in case of Special Category States except Assam, Himachal Pradesh and Jammu and Kashmir].

As per section 2(6), 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

PAN, to be computed on all India basis but excludes CGST, SGST/UTGST, IGST and GST Compensation Cess.

In the given case, the firm is registered under the composition scheme in the State of Maharashtra. The aggregate turnover of the firm exceeds ₹ 1.5 crore on 3rd October [aggregate of both taxable and exempt turnover from 1st April to 3rd October, i.e. ₹ 1,50,05,000 (₹ 1,44,65,000 + ₹ 2,03,000 + ₹ 1,38,250 + ₹ 1,06,250 + ₹92,500)].

Thus, the firm will pay tax under regular scheme (Section 9) from 3rd October.

As per section 18(1)(c) read with rule 40, where any registered person ceases to pay tax under section 10, he shall be entitled to take credit of input tax in respect of inputs held in stock, inputs contained in semi-finished or finished goods held in stock and on capital goods on the day immediately preceding the date from which he becomes liable to pay tax under section 9.

Further, ITC on supplies of inputs and capital goods shall not be available after the expiry of one year from the date of issue of tax invoice [Section 18(2)].

In the light of the above-mentioned provisions, the ITC credited to the Electronic Credit Ledger of the B & D Company on inputs held in on **2nd October** will be computed as under:

Particulars	Amount (₹)
Stock of taxable inputs as on 30th September [Since no tax is paid on exempt purchases, there does not arise any question of availing ITC on the same. Hence, stock of only taxable inputs is considered]	10,00,000
Add: Purchases [No purchases are made in October]	Nil
Less: Cost of taxable goods sold from 1st October to 2nd October [(2,00,000 + 1,33,000 + 67,000]) x 80%]	3,20,000
Stock of taxable inputs as on 2nd October [Since the bill numbers are in continuation, it can be concluded that no sales are missing from the extract]	6,80,000

Less: Stock with invoice issued prior to one year		3,00,000
Stock of inputs on which ITC can be claimed		3,80,000
ITC of CGST @ 9%	[Since all purchases are intra-State and from the suppliers registered under regular scheme]	**34,200**
ITC of SGST @ 9%		**34,200**

17.

S. No.	Particulars	ITC (₹)
(i)	**Amount of ITC credited to Electronic Credit Ledger, for the month of October**	
	Machinery 'U' - 'A' [Note 1]	36,000
	Machinery 'V' [Note 2]	18,000
	Machinery 'W' [Note 3]	-
	Machinery 'Y' [Note 4]	-
	Machinery 'Z' [Note 5]	-
	Raw Material used for manufacturing 'Alpha' [Note 6]	27,000
	Raw Material used for manufacturing 'Beta' [Note 6]	-
	Raw Material used for manufacturing 'Gama' [Note 6]	18,000
	Amount of ITC credited to Electronic Credit Ledger, for the month of October	**99,000**
(ii)	**Aggregate value of common credit (T_c) – Note 7**	
	Value of 'A' for Machinery 'U' purchased on 1st October	36,000
	Value of 'A' for Machinery 'Z' purchased on 1st October 2 years ago for effecting both taxable and exempt supplies	54,000

	Input tax claimed on Machinery 'Y' purchased on 1st October 4 years ago for effecting taxable supplies but used for effecting both taxable and exempt supplies from 1st October in the current year [Note 8]	72,000
	Aggregate value of common credit (T_c)	**1,62,000**
(iii)	**Common credit attributable to exempt supplies, for the month of October**	
	Common credit for the month of October (T_m) [Note 9]	2,700
	Common credit attributable to exempt supplies, for the month of October (T_e) – Note 10	**1,080**
(iv)	**Computation of GST liability of the company for October payable through Electronic Cash Ledger**	
	IGST payable on 'Alpha' [₹ 9,00,000 x 18%]	1,62,000
	IGST payable on 'Beta' [Exempt]	Nil
	IGST payable on 'Gama' [₹ 6,00,000 x 18%]	1,08,000
	Total IGST payable on outward supply	2,70,000
	Common credit attributable to exempt supplies for the month of October [Note 11]	1,080
	Total output tax liability of October	2,71,080
	Less: ITC available in the Electronic Credit Ledger	99,000
	IGST payable from Electronic Cash Ledger	**1,72,080**

Notes:

(1) ITC in respect of capital goods used commonly for effecting taxable supplies and exempt supplies denoted as 'A' shall be credited to the electronic credit ledger [Rule 43(1)(c)].

(2) ITC in respect of capital goods used or intended to be used exclusively for effecting supplies other than exempted supplies but including zero rated supplies shall be credited to the electronic credit ledger [Rule 43(1)(b)].

(3) ITC in respect of capital goods used or intended to be used exclusively for effecting exempt supplies shall not be credited to electronic credit ledger [Rule 43(1)(a)].

(4) Machinery 'Y' is being used for effecting both taxable and exempt supplies from 1st October. Prior to that it was exclusively used for effecting taxable supplies. Therefore, ITC in respect of such machinery would have already been credited to the electronic credit ledger.

(5) Machinery 'Z' is being used for effecting both taxable and exempt supplies from 1st October two years ago. Therefore, ITC in respect of such machinery would have already been credited to the electronic credit ledger.

(6) ITC in respect of inputs used for effecting taxable supplies will be credited in Electronic Credit Ledger. ITC in respect of inputs used for effecting exempt supplies will not be credited in the electronic credit ledger [Rule 42].

(7) The aggregate of the amounts of 'A' credited to the electronic credit ledger in respect of common capital goods whose useful life remains during the tax period, to be denoted as 'Tc', shall be the common credit in respect of such capital goods [Rule 43(1)(d)].

(8) Where any capital goods which were used exclusively for effecting taxable supplies are subsequently also used for effecting exempt supplies, the ITC claimed in respect of such capital goods shall be added to arrive at the aggregate value of common credit 'T_c' [Proviso to rule 43(1)(d)].

(9) ITC attributable to a month on common capital goods during their useful life (T_m) shall be computed in accordance with rule 43(1)(e) as under:

$= T_c \div 60$

$=$ ₹ 1,62,000 $\div$ 60

$=$ ₹ 2,700

The useful life of any capital goods shall be considered as five years from the date of invoice and the said formula shall be applicable during the useful life of the said capital goods

(10) The amount of common credit attributable towards exempted supplies, be denoted as 'T_e', and shall be calculated as:

$T_e = (E \div F) \times T_r$***** where,

'E' is the aggregate value of exempt supplies, made, during the tax period, and

'F' is the total turnover in the State of the registered person during the tax period [Rule 43(1)(g)].

$$= T_r \times \frac{\text{Turnover of exempt supplies during the month of October}}{\text{Total turnover of XYZ Pvt. Ltd. during the month of October}}$$

$$= ₹\ 2{,}700 \times \frac{10{,}00{,}000}{25{,}00{,}000} = ₹\ 1{,}080$$

(11) Common credit attributable to the exempt supplies (T_e) along with the applicable interest (which is to be ignored in this case) shall, during every tax period of the useful life of the concerned capital goods, be added to the output tax liability of the person making such claim of credit [Rule 43(1)(h)].

**Prior to the amendment vide Notification No. 16/2020 CT dated 23.03.2020 clause (f) of rule 43(1) provided that the amount of ITC, at the beginning of a tax period, on all common capital goods whose useful life remains during the tax period, be denoted as 'T_r' and shall be the aggregate of 'T_m' for all such capital goods. However, clause (f) has been omitted vide the said notification. Consequently, the term "T_r" becomes redundant in the formula provided in rule 43(1)(g). However, for the sake of computation of common credit attributable* *to exempt supply, value of 'T_m' has been used here. It may be noted that as per the erstwhile clause (f) of rule 43(1) value of 'T_r' was the aggregate of 'T_m.'*

18. A. Computation of ITC credited to Electronic Credit Ledger

As per rule 42, the ITC in respect of inputs or input services being partly used for the purposes of business and partly for other purposes, or partly used for effecting taxable supplies and partly for effecting exempt supplies, shall be attributed to the purposes of business or for effecting taxable supplies.

ITC credited to the electronic credit ledger of registered person ['C_1'] is calculated as under-

$C_1 = T - (T_1+T_2+T_3)$

Where,

T = Total input tax involved on inputs and input services in a tax period.

T_1 = Input tax attributable to inputs and input services intended to be used exclusively for non-business purposes

T_2 = Input tax attributable to inputs and input services intended to be used exclusively for effecting exempt supplies

T_3 = Input tax in respect of inputs and input services on which credit is blocked under section 17(5)

Computation of total input tax involved [T]

Particulars	(₹)
GST paid on taxable items [₹ 55,00,000 x 18%]	9,90,000
Items exempted vide a notification [Since exempted, no GST is paid]	Nil
Items not leviable to tax [Since non-taxable, no GST is paid]	Nil
GST paid under reverse charge on freight paid to GTA for inward transportation of taxable items - [₹ 1,00,000 x 5%]	5,000

GST paid under reverse charge on freight paid to GTA for inward transportation of exempted items - [₹ 80,000 x 5%]	4,000
GST paid under reverse charge on freight paid to GTA for inward transportation of non-taxable items - [₹ 20,000 x 5%]	1,000
GST paid on monthly rent - [₹ 5,50,000 x 18%]	99,000
GST paid on packing charges [₹ 2,50,000 x 18%]	45,000
Salary paid to staff at the Store [Services by an employee to the employer in the course of or in relation to his employment is not a supply in terms of para 1 of the Schedule III and hence, no GST is payable thereon].	Nil
GST paid on inputs used for personal purpose	5,000
GST paid on rent a cab services availed for business purpose	4,000
GST paid on items given as free samples	4,000
Total input tax involved during the month [T]	**11,57,000**

Computation of T_1, T_2, T_3

Particulars	(₹)
GST paid on monthly rent attributable to personal purposes [1/3 of ₹ 99,000]	33,000
GST paid on inputs used for personal purpose	5,000
Input tax exclusively attributable to non-business purposes [T_1]	**38,000**
GST paid under reverse charge on freight paid to GTA for inward transportation of exempted items	4,000

[As per section 2(47), exempt supply means, *inter alia,* supply which may be wholly exempt from tax by way of a notification issued under section 11. Hence, input service of inward transportation of exempt items is exclusively used for effecting exempt supplies.]	
GST paid under reverse charge on freight paid to GTA for inward transportation of non-taxable items [Exempt supply includes non-taxable supply in terms of section 2(47). Hence, input service of inward transportation of non-taxable items is exclusively used for effecting exempt supplies.]	1,000
Input tax exclusively attributable to exempt supplies [T_2]	**5,000**
GST paid on rent a cab services availed for business purpose [ITC on rent a cab service is blocked under section 17(5)(b)(i) as the same is not used by All-in-One Store for providing the rent a cab service or as part of a taxable composite or mixed supply.	4,000
GST paid on items given as free samples [ITC on goods *inter alia,* disposed of by way of free samples is blocked under section 17(5)(h)].	4,000
Input tax for which credit is blocked under section 17(5) [T3] **	**8,000**

**Since GST paid on inputs used for personal purposes has been considered while computing T_1, the same has not been considered again in computing T_3.

ITC credited to the electronic credit ledger

$C_1 = T - (T_1+T_2+T_3)$

= ₹ 11,57,000 – (₹ 38,000 + ₹ 5,000 + ₹ 8,000) = ₹ 11,06,000

B. Computation of Common Credit

$C_2 = C_1 - T_4$

where C_2 = Common Credit

T_4 = Input tax credit attributable to inputs and input services intended to be used exclusively for effecting taxable supplies

Computation of T_4,

Particulars	(₹)
GST paid on taxable items	9,90,000
GST paid under reverse charge on freight paid to GTA for inward transportation of taxable items	5,000
Input tax exclusively attributable to taxable supplies [T_4]	**9,95,000**

Common Credit $C_2 = C_1 - T_4$

=₹ 11,06,000 – ₹ 9,95,000 = ₹ 1,11,000

C. Computation of ITC attributable towards exempt supplies out of common credit

ITC attributable towards exempt supplies is denoted as 'D_1' and calculated as-

$D_1 = (E \div F) \times C_2$

where,

'E' is the aggregate value of exempt supplies during the tax period, and

'F' is the total turnover in the State of the registered person during the tax period

Aggregate value of exempt supplies during the month

= ₹ 15,00,000 (₹ 12,00,000 + ₹3,00,000)

Total turnover in the State during the tax period

= ₹ 65,00,000 (₹ 42,00,000 + ₹ 12,00,000 + ₹3,00,000 + ₹ 8,00,000)

Note: Transfer of items to Store located in Goa is inter-State supply in terms of section 7 of the IGST Act, 2017 and hence includible in the total turnover. Such supply is to be valued as per rule 28. However, the value declared in the invoice cannot be adopted as the value since the recipient Store at Goa is not entitled for full credit because the goods are to be distributed as free samples, ITC on which is blocked. Therefore, open market value of such goods, which is the value of such goods sold in Mumbai Store, is taken as the value of items transferred to Goa Store.

D_1 = (15,00,000 ÷ 65,00,000) x 1,11,000

= ₹ 25,615 (rounded off)

D. Computation of Eligible ITC out of common credit

Eligible ITC attributed for effecting taxable supplies is denoted as 'C_3', where-

$C_3 = C_2 - D_1$

= ₹ 1,11,000 - ₹ 25,615

= ₹ 85,385

E. Computation of Net GST liability for the month

Particulars	**GST (₹)**
GST liability under forward charge	
Taxable items sold in the store [₹ 42,00,000 x 18%]	7,56,000
Taxable items transferred to Goa Store [₹ 8,00,000 x 18%]	1,44,000
Total output tax liability under forward charge	9,00,000
Less: ITC credited to the electronic ledger	**10,80,385**
ITC carried forward to the next month	(1,80,385)
Net GST payable [A]	Nil
GST liability under reverse charge	

Freight paid to GTA for inward transportation of taxable items [₹ 1,00,000 x 5%]	5,000
Freight paid to GTA for inward transportation of exempted items [₹ 80,000 x 5%]	4,000
Freight paid to GTA for inward transportation of non-taxable items [₹ 20,000 x 5%]	1,000
Total tax liability under reverse charge [B]	10,000
Net GST liability to be paid in cash [A] + [B] As per section 49(4), amount available in the electronic credit ledger may be used for making payment towards output tax. However, tax payable under reverse charge is not an output tax in terms of section 2(82). Therefore, tax payable under reverse charge cannot be set off against the ITC and thus, will have to be paid in cash.	**10,000**

Note: While computing net GST liability, ITC credited to the electronic ledger can alternatively be computed as follows:

Particulars	**(₹)**
GST paid on taxable items [₹ 55,00,000 x 18%]	9,90,000
Items exempted vide a notification [Since exempted, no GST is paid]	Nil
Items not leviable to tax [Since non-taxable, no GST is paid]	Nil
GST paid under reverse charge on freight paid to GTA for inward transportation of taxable items [₹ 1,00,000 x 5%]	5,000
GST paid under reverse charge on freight paid to GTA for inward transportation of exempted items [₹ 80,000 x 5%]	Nil

[As per section 2(47), exempt supply means, *inter alia,* supply which may be wholly exempt from tax by way of a notification issued under section 11. Hence, input service of inward transportation of exempt items is exclusively used for effecting exempt supplies. Input tax exclusively attributable to exempt supplies is to be excluded]	
GST paid under reverse charge on freight paid to GTA for inward transportation of non-taxable items [₹ 20,000 x 5%] [Exempt supply includes non-taxable supply in terms of section 2(47). Hence, input service of inward transportation of non-taxable items is exclusively used for effecting exempt supplies. Input tax exclusively attributable to exempt supplies is to be excluded]	Nil
GST paid on monthly rent – for business purposes [(₹ 5,50,000 x 18%) – 1/3 of [(₹ 5,50,000 x 18%)]	66,000
GST paid on packing charges [₹ 2,50,000 x 18%]	45,000
Salary paid to staff at the Store [Services by an employee to the employer in the course of or in relation to his employment is not a supply in terms of para 1 of the Schedule III to CGST Act and hence, no GST is payable thereon]	Nil
GST paid on inputs used for personal purpose [ITC on goods or services or both used for personal consumption is blocked under section 17(5)(g)]	Nil
GST paid on rent a cab services availed for business purpose [ITC on rent a cab service is blocked under section 17(5)(b)(i) as the same is not used by All-in-One Store	Nil

for providing the rent a cab service or as part of a taxable composite or mixed supply.]	
GST paid on items given as free samples [ITC on goods *inter alia,* disposed of by way of free samples is blocked under section 17(5)(h)]	Nil
Total ITC credited to the electronic ledger	**11,06,000**
Less: ITC reversal [ITC of common credit, attributable to exempt supplies]	(25,615)
Net ITC available for credit	**10,80,385**

19. (1) Computation of ITC credited to Electronic Credit Ledger

ITC of input tax attributable to inputs and input services intended to be used for business purposes is credited to the electronic credit ledger. Input tax attributable to inputs and input services intended to be used exclusively for non-business purposes, for effecting exclusively exempt supplies and on which credit is blocked under section 17(5) is not credited to electronic credit ledger [Sections 16 and 17].

In the light of the aforementioned provisions, the ITC credited to electronic credit ledger of Vansh Shoppe is calculated as under:

Particulars	Amount (₹)	CGST @ 6% (₹)	SGST @ 6% (₹)
GST paid on taxable goods	45,00,000	2,70,000	2,70,000
Goods not leviable to GST [Since non-taxable, no GST is paid]	4,00,000	Nil	Nil
GST paid on monthly rent for shop	3,50,000	21,000	21,000
GST paid on telephone expenses	50,000	3,000	3,000
GST paid on audit fees	60,000	3,600	3,600

GST paid on premium of health insurance policies as per company policy [ITC on health insurance service is allowed only if it is obligatory for employers to provide such services to its employees under any law for the time being in force-Proviso to section 17(5)(b)].	10,000	Nil	Nil
Taxable Goods given as free samples [ITC on goods disposed of by way of free samples is blocked under section 17(5)(h)]	5,000	Nil	Nil

Particulars	**Amount (₹)**	**CGST @ 2.5% (₹)**	**SGST @ 2.5% (₹)**
Freight paid to GTA for inward transportation of non-taxable goods under reverse charge [Since definition of exempt supply under section 2(47) specifically includes non-taxable supply, the input service of inward transportation of non-taxable goods is being exclusively used for effecting exempt supplies.]	50,000	Nil	Nil
Freight paid to GTA for inward transportation of taxable goods under reverse charge	1,50,000	3,750	3,750
ITC credited to the electronic ledger		**3,01,350**	**3,01,350**

Less: ITC reversal [ITC out of common credit, attributable to exempt supplies] (Refer point no. 2 & 3 below)		(4,600)	(4,600)
Net ITC available		**2,96,750**	**2,96,750**

(2) Computation of common credit available for apportionment

Common Credit = ITC credited to Electronic Credit Ledger – ITC attributable to inputs and input services intended to be used exclusively for effecting taxable supplies [Section 17 read with rule 42].

Particulars	CGST (₹)	SGST (₹)
ITC credited to Electronic Credit Ledger	3,01,350	3,01,350
Less : ITC on taxable goods	2,70,000	2,70,000
Less: ITC on freight paid to GTA for inward transportation of taxable goods	3,750	3,750
Common credit	**27,600**	**27,600**

(3) Computation of ITC attributable towards exempt supplies out of common credit

ITC attributable towards exempt supplies = Common credit x (Aggregate value of exempt supplies during the tax period/ Total turnover during the tax period)[Section 17 read with rule 42].

Particulars	CGST (₹)	SGST (₹)
ITC attributable towards exempt supplies [₹ 27,600 x (₹ 10,00,000/₹ 60,00,000)]	4,600	4,600

(4) Computation of net GST liability for the month

Particulars	CGST (₹)	SGST (₹)
GST liability under forward charge		

Supply of taxable goods [₹ 50,00,000 x 6%]	3,00,000	3,00,000
Total output tax liability under forward charge	3,00,000	3,00,000
Less: ITC	2,96,750	2,96,750
Net GST payable **[A]**	**3,250**	**3,250**
GST liability under reverse charge		
Freight paid to GTA for inward transportation of taxable goods [₹ 1,50,000 x 2.5%]	3,750	3,750
Freight paid to GTA for inward transportation of non-taxable goods [₹ 50,000 x 2.5%]	1,250	1,250
Total tax liability under reverse charge **[B]**	**5,000**	**5,000**
Net GST liability [A] + [B]	**8,250**	**8,250**
Note: Amount available in the electronic credit ledger may be used for making payment towards output tax [Section 49]. However, tax payable under reverse charge is not an output tax in terms of definition of output tax provided under section 2(82). Therefore, tax payable under reverse charge cannot be set off against the input tax credit and thus, will have to be paid in cash.		

20. Computation of net GST liability of Surana & Sons for the tax period

Particulars	(₹)
GST payable on outward supply [Refer Working Note 1]	3,18,000
Less: Input tax credit (ITC) [Refer Working Note 3]	2,78,180
GST payable from Electronic Cash Ledger **[A]**	39,820

Add: GST payable on legal services under reverse charge [₹ 3,50,000 X 18%] **[B]** [Tax on legal services provided by an advocate to a business entity, is payable under reverse charge by the business entity in terms of *Notification No. 13/2017 CT (R) dated 28.06.2017*. Further, such services are not eligible for exemption provided under *Notification No. 12/2017 CT (R) dated 28.06.2017* as the turnover of the business entity (Surana & Sons) in the preceding financial year exceeds ₹ 20 lakh.]	63,000
Total GST paid from Electronic Cash Ledger [A] + [B] [As per section 49(4) amount available in the electronic credit ledger may be used for making payment towards output tax. However, tax payable under reverse charge is not an output tax in terms of section 2(82). Therefore, input tax credit cannot be used to pay tax payable under reverse charge and thus, tax payable under reverse charge will have to be paid in cash.]	**1,02,820**

Working Note 1

Computation of GST payable on outward supply

Particulars	Value (₹)	GST (₹)
Turnover of 'M' [liable to GST @ 12%]	14,00,000	1,68,000
Turnover of 'N' [Tax on 'N' is payable under reverse charge by the recipient of such goods]	6,00,000	Nil
Turnover of 'O' [liable to GST @ 12%]	10,00,000	1,20,000
Export of 'M' with payment of IGST @ 12%	2,50,000	30,000
Export of 'O' under letter of undertaking (LUT) [Export of goods is a zero rated supply in terms of section 16(1)(a) of the IGST Act, 2017. A zero rated supply can be supplied without payment of	10,00,000	Nil

tax under a LUT in terms of section 16(3)(a) of that Act.]		
Consultancy services provided to independent clients located in foreign countries. [The activity is an export of service in terms of section 2(6) of the IGST Act, 2017 as- • the supplier of service is located in India; • the recipient of service is located outside India; • place of supply of service is outside India (in terms of section 13(2) of the IGST Act, 2017); • payment for the service has been received in convertible foreign exchange or in Indian rupees wherever permitted by the Reserve Bank of India; and • supplier of service and recipient of service are not merely establishments of distinct person. [Export of services is a zero rated supply in terms of section 16(1)(a) of the IGST Act, 2017. A zero rated supply can be supplied without payment of tax under a LUT in terms of section 16(3)(a) of that Act.] It is assumed that export has been made under LUT	20,00,000	Nil
Sale of building [Sale of building is neither a supply of goods nor a supply of services in terms of para 5 of Schedule III to the CGST Act, provided the entire consideration has been received after issue of completion certificate by the competent authority or after its occupation, whichever is earlier. Hence, the same is not liable to GST]	1,20,00,000	Nil
Interest received on investment in fixed deposits with a bank	4,00,000	Nil

[Exempt vide *Notification No. 12/2017 CT (R) dated 28.06.2017*]		
Sale of shares [Shares are neither goods nor services in terms of section 2(52) and 2(102). Hence, sale of shares is neither a supply of goods nor a supply of services and hence, is not liable to any tax.]	2,50,00,000	Nil
Total GST payable on outward supply		**3,18,000**

Working Note 2

Computation of common credit attributable to exempt supplies during the tax period

Particulars	(₹)
Common credit on inputs and input services [Tax on inputs - ₹ 4,20,000 (₹ 35,00,000 x 12%) + Tax on input services – ₹ 2,70,000 (₹ 15,00,000 x 18%)]	6,90,000
Common credit attributable to exempt supplies (rounded off) = Common credit on inputs and input services x (Exempt turnover during the period / Total turnover during the period) = ₹ 6,90,000 x ₹ 1,33,50,000/ ₹ 1,94,00,000 Exempt turnover = ₹ 1,33,50,000 and total turnover = ₹1,94,00,000 [Refer note below]	4,74,820

Note:

As per section 17(3), value of exempt supply includes supplies on which the recipient is liable to pay tax on reverse charge basis, transactions in securities, sale of land and, subject to clause (b) of paragraph 5 of Schedule II, sale of building. As per explanation to Chapter V of the CGST Rules, the value of exempt supply in respect of land and building is the value adopted for paying stamp duty and for security is 1% of the sale value of such security.

Further, as per explanation to rule 42, the aggregate value of exempt supplies *inter alia* excludes the value of services by way of accepting deposits, extending loans or advances in so far as the consideration is represented by way of interest or discount, except in case of a banking company or a financial institution including a non-banking financial company, engaged in supplying services by way of accepting deposits, extending loans or advances.

Therefore, value of exempt supply in the given case will be the sum of value of output supply on which tax is payable under reverse charge (₹ 6,00,000), value of sale of building (₹ 2,50,000 / 2 x 100 = ₹ 1,25,00,000) and value of sale of shares (1% of ₹ 2,50,00,000 = ₹ 2,50,000), which comes out to be ₹ 1,33,50,000.

Total turnover = ₹ 1,94,00,000 (₹ 14,00,000 + ₹ 6,00,000 + ₹ 10,00,000 + ₹ 2,50,000 + ₹ 10,00,000 + ₹ 20,00,000 + ₹ 1,25,00,000 + ₹ 4,00,000 + ₹ 2,50,000)

Working Note 3

Computation of ITC available in the Electronic Credit Ledger of the Surana & Sons for the tax period

Particulars	(₹)
Common credit on inputs and input services	6,90,000
Legal services used in the manufacture of taxable product 'M'	63,000
ITC available in the Electronic Credit Ledger	**7,53,000**
Less: Common credit attributable to exempt supplies during the tax period [Refer Working Note 2]	4,74,820
Net ITC available	**2,78,180**

21. Computation of net GST payable by M/s XYZ

Particulars	GST payable (₹)
Gross GST liability [Refer Working Note 1 below]	2,63,400
Less: ITC [Refer Working Note 2 below]	2,00,000
Net GST payable from Electronic Cash Ledger	**63,400**

Working Notes

(1) Computation of gross GST liability

Particulars	Value received (₹)	Rate of GST	GST payable (₹)
Hiring charges for excavators	18,00,000	12%	2,16,000
Service charges for supply of manpower for operation of excavators [Refer Note 1]	20,000	12%	2,400
Service charges for soil testing and seismic evaluation [Refer Note 2]	2,50,000	18%	45,000
Gross GST liability			**2,63,400**

Notes:

(i) Since the excavators are invariably hired out along with operators and excavator operators are supplied only when the excavator is hired out, it is a case of composite supply under section 2(30) wherein the principal supply is the hiring out of the excavator.

As per section 8(a), the composite supply is treated as the supply of the principal supply. Therefore, the supply of manpower for operation of the excavators (ancillary supply) will also be taxed at the rate applicable for hiring out of the excavator (principal supply), which is 12%.

(ii) Soil testing and seismic evaluation services being independent of the hiring out of excavator will be taxed at the rate applicable to them, which is 18%.

(2) Computation of ITC available for set off

Particulars	GST paid (₹)	ITC available (₹)
Maintenance services for excavators [Refer Note 1]	1,00,000	1,00,000
Health insurance for excavator operators [Refer Note 2]	11,000	-
Scientific and technical consultancy [Refer Note 1]	1,00,000	1,00,000
Total ITC available		**2,00,000**

Notes:

(i) Section 17(5)(d) blocks credit on goods/ or services received by a taxable person for construction of an immovable property on his own account. Here, though the excavators are used for building projects, the same are not used by M/s. XYZ on its own account for construction of immovable property instead they are used for outward taxable supply of hiring out of machinery. Further, excavators are special purpose vehicles whose credit is not restricted under section 17(5)(a), therefore, ITC on maintenance service for excavators shall be allowed.

Therefore, the maintenance service for the excavators does not get covered by the bar under section 17 and the credit thereon will be available. The same applies for scientific & technical consultancy for construction projects because in this case also, the service is used for providing the outward taxable supply of soil testing and seismic evaluation service and not for construction of immovable property.

(ii) Section 17(5)(b)(i) allows input tax credit on health insurance only where an inward supply of such services is used by a registered person for making an outward taxable supply of the same category of goods or services or both or as an element of a taxable composite or mixed supply or where it is obligatory for an employer to provide the same to its employees under any law for the time being in force.

In the given case, it is assumed that it is not obligatory for employer to provide health insurance to its employees under any law for the time being in force, therefore the credit thereon will not be allowed.

22. Computation of ITC available with V-Supply Pvt. Ltd. for the tax period

S. No.	Particulars	ITC			
		CGST* ₹	SGST* ₹	IGST* ₹	Total ₹
1.	Opening balance of ITC	15,000	8,000	9,000	32,000
2.	Raw Material				
	Raw material purchased from Bihar [Refer Note 1(i)]			14,400	14,400
	Raw material imported from China [Refer Note 1(ii)]			29,970	29,970
	Raw material purchased from unregistered suppliers within West Bengal [Refer Note 1(iii)]	Nil	Nil		Nil
	Raw material destroyed due to seepage [Refer Note 1(iv)]	Nil	Nil		Nil
	Remaining raw material purchased from West Bengal [Refer Note 1(i)]	7,650	7,650		15,300

	[₹ 3.5 - ₹ 1.5 – ₹ 0.80 – ₹ 0.30 – ₹ 0.05] = ₹ 0.85]				
	Total ITC for raw material	7,650	7,650	44,370	59,670
3.	Consumables [Refer Note 2]	9,000	9,000		18,000
4.	Transportation charges for bringing the raw material to factory [Refer Note 3]	1,500	1,500		3,000
5.	Salary paid to employees on rolls [Refer Note 4]	Nil	Nil	Nil	Nil
6.	Premium paid on life insurance policies taken for specified employees [Refer Note 5]	14,400	14,400	-	28,800
7.	Audit fee [Refer Note 6]	4,500	4,500	-	9,000
8.	Telephone expenses [Refer Note 6]	2,700	2,700		5,400
9.	Bank charges [Refer Note 6]	900	900		1,800
Total ITC available for the tax period		**55,650**	**48,650**	**53,370**	**1,57,670**

Computation of net GST payable

Particulars	**CGST* ₹**	**SGST* ₹**	**IGST* ₹**	**Total ₹**
On Intra-state sales in West Bengal	63,000	63,000		1,26,000
On Inter-state sales other than West Bengal			54,000	54,000

On exports under LUT [Note 7]	Nil	Nil	Nil	Nil
Total output tax liability	63,000	63,000	54,000	1,80,000
Less: ITC available for being set off [Note 8 and Note 9]	(55,650)	(48,650)	(53,370)	(1,57,670)
Net GST payable from Electronic Cash Ledger [A]	7,350	14,350	630	22,330
GST payable on inward supply of GTA services under reverse charge through Electronic Cash Ledger [Note 3 and 10] **[B]**	1,500	1,500		3,000
Net GST payable through Electronic Cash Ledger [A] + [B]	**8,850**	**15,850**	**630**	**25,330**

Notes:

(1) (i) Credit of input tax (CGST & SGST/ IGST) paid on raw materials used in the course or furtherance of business is available in terms of section 16(1).

(ii) IGST paid on imported goods qualifies as input tax in terms of section 2(62)(a). Therefore, credit of IGST paid on imported raw materials used in the course or furtherance of business is available in terms of section 16(1).

(iii) Tax on intra-State procurements made by a registered person from an unregistered supplier is levied only on notified categories of goods and services. [Section 9(4)].

(iv) ITC is not available on destroyed inputs in terms of section 17(5)(h).

2. Consumables, being inputs used in the course or furtherance of business, input tax credit is available on the same in terms of section 16(1). However, levy of CGST on diesel has been deferred till such date

as may be notified by the Government on recommendations of the GST Council [Section 9(2)]. Hence, there being no levy of GST on diesel, there cannot be any ITC.

3. GST is payable under reverse charge on transportation service received from GTA. Tax payable under section 9(3) of the CGST/SGST Act qualifies as input tax in terms of clauses (b) and (d) of section 2(62). Thus, input tax paid under reverse charge on GTA service will be available as ITC in terms of section 16(1) as the said service is used in course or furtherance of business.

   Furthermore, intra-State services by way of transportation of goods by road except the services of a GTA and a courier agency are exempt from CGST vide *Notification No. 12/2017 CT (R) dated 28.06.2017*. Therefore, since no GST is paid on such services, there cannot be any ITC on such services.

4. Services by employees to employer in the course of or in relation to his employment is not a supply in terms of section 7 read with para 1 of Schedule III to the CGST Act. Therefore, since no GST is paid on such services, there cannot be any ITC on such services

5. ITC on supply of life insurance service is not blocked if it is obligatory for an employer to provide such service to its employees under any law for the time being in force. [Proviso to section 17(5)(b)]. Therefore, GST paid on premium for life insurance policies will be available as ITC in terms of section 16(1) as the said service is used in the course or furtherance of business.

6. Audit fee, telephone expenses and bank charges are all services used in the course or furtherance of business and thus, credit of input tax paid on such service will be available in terms of section 16(1).

7. Export of goods is a zero rated supply in terms of section 16(1)(a) of the IGST Act. A zero rated supply under LUT is made without payment of integrated tax [Section 16(3)(a) of the IGST Act].

8. Since export of goods is a zero rated supply, there will be no apportionment of ITC and full credit will be available [Section 16 of the IGST Act read with section 17(2) of the CGST Act].

9. As per section 49(5) read with rule 88A, ITC of-

   (i) IGST is utilised towards payment of IGST first and then CGST and SGST in any proportion and in any order.

   (ii) CGST is utilised towards payment of CGST and IGST in that order. ITC of CGST shall be utilized only after ITC of IGST has been utilised fully.

   (iii) SGST is utilised towards payment of SGST and IGST in that order. ITC of SGST shall be utilized only after ITC of IGST has been utilised fully.

10. Section 49(4) lays down that the amount available in the electronic credit ledger may be used for making payment towards output tax. However, tax payable under reverse charge is not an output tax in terms of section 2(82). Therefore, tax payable under reverse charge cannot be set off against the ITC and thus, will have to be paid in cash.

*11. CGST and SGST are chargeable on intra-State inward and outward supplies and IGST is chargeable on inter-State inward and outward supplies.

23. Computation of net GST payable by ABC Company Ltd.

Particulars	GST payable (₹)
Gross GST liability [Refer working note (2) below]	91,200
Less: Input tax credit [Refer working note (1) below]	82,000
Net GST payable from Electronic Cash Ledger	**9,200**

Working Notes:

(1) Computation of ITC available with ABC Company Ltd.

Particulars	GST (₹)
Health insurance of factory employees [Note – 1]	20,000
Raw material received in factory [Note – 2]	Nil

Work's contractor's service used for installation of plant and machinery [Note -3]	12,000
Manufacturing machinery directly sent to job worker's premises under challan [Note -4]	50,000
Purchase of car used by director for business meetings only [Note -5]	Nil
Outdoor catering service availed for business meetings [Note -6]	Nil
Total ITC available	**82,000**

Notes:

1. ITC of health insurance is available in the given case in terms of proviso to section 17(5)(b) since it is obligatory for employer to provide health insurance to its employees under the Factories Act, 1948. -

2. Where the goods against an invoice are received in lots/ installments, ITC is allowed upon receipt of the last lot/ installment vide first proviso to section 16(2). Therefore, ABC Company Ltd. will be entitled to ITC of raw materials on receipt of second installment in next month.

3. Section 17(5)(c) provides that ITC on works contract services is blocked when supplied for construction of immovable property (other than plant and machinery) except when the same is used for further supply of works contract service.

   Though in this case, the works contract service is not used for supply of works contract service, ITC thereon will be allowed since such services are being used for installation of plant and machinery.

4. ITC on capital goods directly sent to job worker's premises under challan is allowed in terms of section 19(5) read with rule 45(1).

5. Section 17(5)(a) provides that motor vehicle for transportation of persons having approved seating capacity of not more than 13

persons (including the driver), except when they are used for making taxable supply of-

(i) further supply of such vehicles,

(ii) transportation of passengers,

(iii) imparting training on driving, flying, navigating such vehicles and

Since ABC Company Ltd is a supplier of machine and it does not use the car for transportation of passengers or any other use as specified, ITC thereon will not be available.

6. Section 17(5)(b)(i) provides that ITC on outdoor catering is blocked except where the same is used for making further supply of outdoor catering or as an element of a taxable composite or mixed supply.

Since ABC Company Ltd is a supplier of machine, ITC thereon will not be available.

(2) Computation of gross GST liability

	Value received (₹)	Rate of GST	GST payable (₹)
Hiring receipts for machine	5,25,000	12%	63,000
Service charges for supply of manpower operators	2,35,000	12%	28,200
Gross GST liability			**91,200**

Note:

Since machine is always hired out along with operators and operators are supplied only when the machines are hired out, it is a case of composite supply, wherein the principal supply is the hiring out of machines [Section 2(30) read with section 2(90)]. Therefore, service of supply of manpower operators will also be taxed at the rate applicable for hiring out of machines (principal supply), which is 12%, in terms of section 8(a).

24. Computation of ITC available with Pari Ltd.

S. No.	Particulars	Eligible input tax credit		
		CGST (₹)	SGST (₹)	IGST (₹)
1.	**Raw Material**			
	Purchased from local registered suppliers [Note 1(i)] (₹ 1,06,250 x 9%)	9,562.50	9,562.50	
	Purchased from local unregistered suppliers [Note 1(ii)]	Nil	Nil	
	Purchased from Punjab from registered supplier [Note 1(i)] (₹ 1,00,000 x 18%)			18,000
	Raw material imported from USA [Note 1(iii)]			22,732
2.	Consumables [Note 2] (₹ 1,56,250- ₹ 31,250) x 9%]	11,250	11,250	
3.	Monthly rent for the factory building to the owner in Rajasthan [Note 3]	9,000	9,000	
4.	Salary paid to employees on rolls [Note 4]	Nil	Nil	Nil
5.	Premium paid on life insurance policies taken for specified employees [Note 5] (₹ 2,00,000 x 9%)	18,000	18,000	-
Total		47,812.50	47,812.50	40,732

Add: Opening balance of ITC	20,000	15,000	15,000
Total ITC [Note 7]	**67,812.50**	**62,812.50**	**55,732**

Computation of net GST payable

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
Intra-State supply	78,750	78,750	
Inter-State supply			67,500
Exports under LUT [Note 6]	Nil	Nil	Nil
Total output tax liability	**78,750**	**78,750**	**67,500**
Less: ITC	67,812.50	62,812.50	55,732
Net GST payable (rounded off)	**10,938**	**15,938**	**11,768**

Notes:

1. (i) Credit of input tax (CGST & SGST/ IGST) paid on raw materials used in the course or furtherance of business is available in terms of section 16.

   (ii) Tax on procurements made by a registered person from an unregistered supplier is levied only in case of notified goods and services in terms of section 9(4). Therefore, since no GST is paid on such raw material purchased, there does not arise any question of ITC on such raw material.

   (iii) IGST paid on imported goods qualifies as input tax in terms of section 2(62). Therefore, credit of IGST paid on imported raw materials used in the course or furtherance of business is available in terms of section 16.

2. ITC on consumables, being inputs used in the course or furtherance of business, is available. However, since levy of GST on high speed diesel has been deferred till a date to be notified by Government, there cannot be any ITC of the same.

3. ITC on monthly rent is available as the said service is used in the course or furtherance of business.

4. Services by employees to employer in the course of or in relation to his employment is not a supply in terms of section 7 read with Schedule III to the CGST Act. Therefore, since no GST is paid on such services, there cannot be any ITC on such services.

5. ITC on life insurance service is available if the same is obligatory for an employer to provide to its employees under any law for the time being in force as per proviso to section 17(5)(b).

6. Export of goods is a zero rated supply in terms of section 16(1)(a) of the IGST Act. A zero rated supply under LUT/bond is made without payment of IGST in terms of section 16(3)(a).

7. Since export of goods is a zero rated supply, there will be no apportionment of ITC and full credit will be available as per section 17(2).

25. Computation of net GST payable by Flowchem for the month of July

Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
Output tax liability [Working Note 1]			1,88,100
Less: ITC of CGST [Working Note 2]			(25,000)
Less: ITC of SGST has been utilized only after ITC of CGST has been utilized fully in terms of proviso to section 49(5)(c) [Working Note 2]			(25,000)
Net GST payable from Electronic Cash Ledger			**1,38,100**

Working Note 1

Computation of output tax liability of Flowchem for the month of July

Particulars	Amount (₹)
List price of 10 valves (₹ 1,00,000 x 10)	10,00,000
Add: Amount paid by R Refinery to testing agency [Note 1]	15,000
Add: Special packing [Note 2]	10,000

Add: Erection and testing at site [Note 2]	15,000
Add: Freight [Note 3]	5,000
Value of taxable supply	10,45,000
IGST @ 18% [Note 4]	**1,88,100**

Notes:

(1) As per section 15(2), any amount that the supplier is liable to pay in relation to a supply but which has been incurred by the recipient of the supply and not included in the price actually paid or payable for the goods shall be included in the value of supply.

Since, in the given case, arranging inspection was the liability of the supplier, the same should be included in the value of supply charges for the same, however, have been paid directly to the third party service provider by the recipient. Therefore, the value shall be included in taxable value.

(2) As per section 15(2), any amount charged for anything done by the supplier in respect of the supply of goods at the time of, or before delivery of goods shall be included in the value of supply.

(3) As per section 15(2), any amount that the supplier is liable to pay in relation to a supply but which has been incurred by the recipient of the supply and not included in the price actually paid or payable for the goods shall be included in the value of supply.

Since, in the given case, the supply contract is on FOR basis, payment of freight is the liability of supplier but the same has been paid by the recipient and thus, should be included in the value of supply.

(4) As per section 10(1) of the IGST Act, 2017, where the supply involves movement of goods, the place of supply is the location of the goods at the time at which the movement of goods terminates for delivery to the recipient, which in the given case is Abu Road (Rajasthan). Since the location of the supplier (Gujarat) and the place of supply (Rajasthan) are in two different States, the supply is an inter-State supply liable to IGST.

Working Note 2

Computation of ITC available with Flowchem for the month of July

Particulars	CGST (₹)	SGST (₹)
Opening ITC	20,000	20,000
Work contract services availed for erecting foundation for fixing the machinery to the earth in the factory [Note 1]	5,000	5,000
Laying of pipeline up to the gate of factory from water source located outside the factory [Note 2]	Nil	Nil
Installation of telecommunication towers [Note 2]	Nil	Nil
Services of travel company to provide home travel facility to employees Note 3]	Nil	Nil
Services of fitness center to provide wellness services to employees [Note 3]	Nil	Nil
Total ITC	**25,000**	**25,000**

Notes:

(1) As per section 17(5), ITC on works contract services when supplied for construction of an immovable property (other than plant and machinery) except where it is an input service for further supply of works contract service, is blocked. Further, plant and machinery includes foundation and structural supports used to fix the machinery to earth.

(2) As per section 17(5), ITC on goods and/ or services received by a taxable person for construction of an immovable property (other than plant or machinery) on his own account including when such and/ or services are used in course/ furtherance of business, is blocked. However, plant and machinery excludes pipelines laid outside the factory premises and telecommunication towers.

(3) As per section 17(5), ITC on travel benefits extended to employees on home travel concession and membership of health and fitness center is blocked unless it is obligatory for an employer to provide the same to its employees under any law for the time being in force.

NOTES

NOTES

CHAPTER 8

REGISTRATION

The section numbers referred to in the chapter pertain to CGST Act, unless otherwise specified. Examples/Illustrations/Questions and Answers given in the Chapter are based on the position of GST law existing as on 30.04.2023.

LEARNING OUTCOMES

After reading this chapter, you will be able to:

- understand the concept of the taxable person
- explain when a person becomes liable to get registered under GST.
- identify the scenarios where registration is compulsory.
- identify the persons who are not liable for registration.
- describe the procedure for obtaining registration under GST.
- explain the procedure for amendment of registration.
- describe the cancellation of registration and revocation of cancellation of registration in specified circumstances.

1. INTRODUCTION

Under any taxation law, registration is the most fundamental requirement for the identification of persons liable to pay tax thereby ensuring tax compliance in the economy. Under the indirect tax regime, without registration, a person can neither collect tax from his customers nor claim any credit of tax paid by him. It is the first step towards becoming compliant under any tax law. Registration under GST legally recognizes a person as a supplier of goods or services or both and legally authorizes him to collect taxes from his customers and pass on the credit of the taxes paid on the goods or services supplied to the purchasers/recipients. He can claim the input tax credit of taxes paid and can utilize the same for payment of taxes due on the supply of goods or services. Registration ensures the seamless flow of input tax credit from suppliers to recipients at the national level.

Under GST law, a supplier is required to obtain State-wise registration. There is no concept of a centralized registration under GST like the erstwhile service tax regime. A supplier has to obtain registration in every State/UT from where he makes a taxable supply provided his aggregate turnover exceeds a specified threshold limit. Such a supplier is not required to obtain registration in a State/UT from where he makes only a non-taxable supply.

Since registration in GST is PAN based, once a supplier is liable to register in any one State, he has to obtain registration in each of the States/UTs in which he makes taxable supply under the same PAN. Further, he is normally required to obtain single registration in a State/UT. However, where he has multiple places of business in a State/UT, he has an option either to get a single registration for said State/UT [wherein he can declare one place as principal place of business (PPoB) and the other places/branches as additional place(s) of business (APoB)] or to get separate registrations for each place of business in such State/UT.

Registration under GST is not tax specific, which means that there is single registration for all the taxes i.e. CGST, SGST/UTGST, IGST and GST compensation cess.

Chapter VI - Registration [Sections 22 to 30] of the CGST Act, 2017 and Chapter III – Registration [Rules 8 to 26] of the CGST Rules, 2017 contain the provisions relating to registration. State GST laws also prescribe identical provisions in relation to Registration.

Before proceeding to understand the registration provisions, let us first go through a few relevant definitions.

2. RELEVANT DEFINITIONS

❖ **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 [Section 2(5)].

❖ **Common portal:** means the common goods and services tax electronic portal referred to in section 146 [Section 2(26)].

❖ **Council:** means the Goods and Services Tax Council established under article 279A of the Constitution [Section 2(36)].

❖ **Place of business:** includes [Section 2(85)]:

- a place from where the business is ordinarily carried on, and includes a warehouse, a godown or any other place where a taxable person stores his goods, supplies or receives goods or services or both; or
- a place where a taxable person maintains his books of account; or
- a place where a taxable person is engaged in business through an agent, by whatever name called.

❖ **Appellate Authority:** means an authority appointed or authorised to hear appeals as referred to in section 107 [Section 2(8)].

❖ **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 of the CGST Act, or under section 6 of the IGST Act, and includes non-taxable supply [Section 2(47)].

- **Taxable supply:** means a supply of goods or services or both which is leviable to tax under this Act [Section 2(108)].
- **Taxable territory:** means the territory to which the provisions of this Act apply [Section 2(109)].
- **Taxable person:** means a person who is registered or liable to be registered under section 22 or section 24 *[The concept of taxable person has been discussed in detail in subsequent paras]* [Section 2(107)].
- **Principal place of business:** means the place of business specified as the principal place of business in the certificate of registration [Section 2(89)].
- **Proper officer:** in relation to any function to be performed under this Act, means the Commissioner or the officer of the central tax who is assigned that function by the Commissioner in the Board [Section 2(91)].
- **Registered person:** means a person who is registered under section 25, but does not include a person having a Unique Identity Number [Section 2(94)].
- **Fixed establishment:** means a place (other than the registered place of business) which is characterised by a sufficient degree of permanence and suitable structure in terms of human and technical resources to supply services, or to receive and use services for its own needs [Section 2(50)].
- **Tax period:** means the period for which the return is required to be furnished [Section 2(106)].
- **Business:** includes [Section 2(17)]–

(a) any trade, commerce, manufacture, profession, vocation, adventure, wager or any other similar activity, whether or not it is for a pecuniary benefit;

(b) any activity or transaction in connection with or incidental or ancillary to (a) above;

(c) any activity or transaction in the nature of (a) above, whether or not there is volume, frequency, continuity or regularity of such transaction;

(d) supply or acquisition of goods including capital assets and services in connection with commencement or closure of business;

(e) 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, as the case may be;

(f) admission, for a consideration, of persons to any premises; and

(g) 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;

(h) activities of a race club including by way of totalisator or a license to book maker or activities of a licensed book maker in such club

(i) any activity or transaction undertaken by the Central Government, a State Government or any local authority in which they are engaged as public authorities.

3. CONCEPT OF TAXABLE PERSON [SECTION 2(107)]

Under GST law, the concept of taxable person is significant since tax on supplies of goods and/or services, is to be paid by a taxable person. So, let us understand the concept of taxable person. As per section 2(107), taxable person means a person who is registered or liable to be registered under section 22 or section 24 *[These sections have been discussed in detail subsequently in this Chapter]*.

Taxable person

Thus, even an unregistered person who is liable to be registered is a taxable person. Similarly, a person not liable to be registered, but has taken voluntary registration and got himself registered is also a taxable person.

In the subsequent paras, we will see when a person becomes liable to get registered, what is the procedure for getting registered under GST, how to get the registration amended, when can the registration be cancelled and when the cancellation of the registration initiated by the Department or by the registered person be revoked.

Following sections of Chapter VI – Registration of the CGST Act shall be discussed in this chapter to understand the registration provisions:

Section 22	Persons liable for registration
Section 23	Persons not liable for registration
Section 24	Compulsory registration in certain cases
Section 25	Procedure for registration.
Section 26	Deemed registration
Section 27	Special provisions relating to casual taxable person and non-resident taxable person
Section 28	Amendment of registration
Section 29	Cancellation or suspension of registration
Section 30	Revocation of cancellation of registration

4. PERSONS LIABLE FOR REGISTRATION [SECTION 22]

STATUTORY PROVISIONS

Section 22	***Persons liable for registration***
Sub-section	***Particulars***
(1)	*Every supplier shall be liable to be registered under this Act in the State or Union territory, other than special category States, from where he makes a taxable supply of goods or services or both, if his aggregate turnover in a financial year exceeds twenty lakh rupees.*

	Provided that where such person makes taxable supplies of goods or services or both from any of the special category States, he shall be liable to be registered if his aggregate turnover in a financial year exceeds ten lakh rupees. *Provided further that the Government may, at the request of a special category State and on the recommendations of the Council, enhance the aggregate turnover referred to in the first proviso from ten lakh rupees to such amount, not exceeding twenty lakh rupees and subject to such conditions and limitations, as may be so notified.* *Provided also that the Government may, at the request of a State and on the recommendations of the Council, enhance the aggregate turnover from twenty lakh rupees to such amount not exceeding forty lakh rupees in case of supplier who is engaged exclusively in the supply of goods, subject to such conditions and limitations, as may be notified.* *Explanation—For the purposes of this sub-section, a person shall be considered to be engaged exclusively in the supply of goods even if he is engaged in exempt supply of services provided by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount.*
(2)	*Every person who, on the day immediately preceding the appointed day, is registered or holds a license under an existing law, shall be liable to be registered under this Act with effect from the appointed day.*
(3)	*Where a business carried on by a taxable person registered under this Act is transferred, whether on account of succession or otherwise, to another person as a going concern, the transferee or the successor, as the case may be, shall be liable to be registered with effect from the date of such transfer or succession.*
(4)	*Notwithstanding anything contained in sub-sections (1) and (3), in a case of transfer pursuant to sanction of a scheme or an arrangement for amalgamation or, as the case may be, de-merger*

		of two or more companies pursuant to an order of a High Court, Tribunal or otherwise, the transferee shall be liable to be registered, with effect from the date on which the Registrar of Companies issues a certificate of incorporation giving effect to such order of the High Court or Tribunal.
		Explanation—For the purposes of this section, ––
	(i)	*the expression "aggregate turnover" shall include all supplies made by the taxable person, whether on his own account or made on behalf of all his principals*
	(ii)	*the supply of goods, after completion of job work, by a registered job worker shall be treated as the supply of goods by the principal referred to in section 143, and the value of such goods shall not be included in the aggregate turnover of the registered job worker*
	(iii)	*the expression "special category States" shall mean the States as specified in sub-clause (g) of clause (4) of article 279A of the Constitution except the State of Jammu and Kashmir and States of Arunachal Pradesh, Assam, Himachal Pradesh, Meghalaya, Sikkim and Uttarakhand.*

ANALYSIS

(i) Threshold limit for registration

- Every supplier of goods or services or both is required to obtain registration
- in the State or the Union territory from where he makes the taxable supply
- if his **aggregate turnover** exceeds specified threshold limit in a FY.

Aggregate Turnover

Before, we study what is the applicable threshold limit for various States/ UTs, let us first understand the concept of **aggregate turnover**.

Aggregate turnover is a crucial parameter for deciding the eligibility of a supplier to avail the benefit of threshold exemption from registration and eligibility for composition scheme *[Discussed in Chapter 2 – Charge of GST in Module 1 of the Study Material]*.

'Turnover' in common parlance is the total volume of business in monetary terms. The term 'aggregate turnover' as defined under section 2(6) has been presented in the diagrammatic form as follows:

Aggregate turnover

Value of all outward supplies --Taxable supplies --Exempt supplies --Exports --Inter-State supplies of persons having same PAN be computed on all India basis	--CGST --SGST --UTGST --IGST --Compensation cess --Value of inward supplies on which tax is payable under reverse charge

The definition of 'aggregate turnover' Section 2(6) [as given above] read with explanation (i) and (ii) to section 22 has been analysed as follows:

(A) Aggregate turnover to exclude inward supplies on which tax is payable under reverse charge: It may be noted that the inward supplies on which recipient is required to pay tax under Reverse Charge

Mechanism (RCM) do not form part of the 'aggregate turnover'. The law stipulates certain supplies like, Goods Transport Agency services, legal services, sponsorship services, to name a few, where the recipient of service is required to pay the tax to the Government – *Discussed in detail in Chapter 2 – Charge of GST*. The value of such supplies would not form part of the 'aggregate turnover' of recipient of such supplies.

Outward Supplies taxable under reverse charge would continue to be part of the 'aggregate turnover' of the supplier of such supplies

(1) Raghubir Private Ltd. pays GST on sitting fees paid to its directors for the services rendered by them, taxable under reverse charge. The value of services provided by the directors to Raghubir Private Ltd. will form part of the aggregate turnover of the directors and not of Raghubir Private Ltd even though tax is to be paid by Raghubir Private Ltd.

(B) Aggregate turnover excludes the elements of tax i.e. CGST, SGST, UTGST, and IGST and compensation cess

(C) Aggregate turnover includes total turnover of all branches (i.e. all GST registrations) under same PAN

Aggregate turnover is calculated by taking together the value in respect of the activities carried out on all-India basis.

(2) A dealer 'X' has two offices – one in Delhi and another in Haryana. In order to determine the aggregate turnover of 'X', turnover of both the offices would be taken into account subject to provisions of section 24.

(D) Value of exported goods/ services, exempted goods/services, inter-State supplies including inter-State supplies between distinct persons having same PAN, to be included in aggregate turnover

(3) Madhur Oils, Punjab, is engaged in supplying machine oil as well as petrol. Supply of petrol is not leviable to GST, but supply of machine oil is taxable. In order to determine the aggregate turnover of Madhur Oils, turnover of both non-taxable as well as taxable supplies would be taken into account.

(E) Aggregate turnover to include all supplies made by the taxable person, whether on his own account or made on behalf of all his principals. [Explanation (i) to Section 22]

(4) Mohini Enterprises has appointed M/s Bestfords & Associates as its agent. M/s Bestfords & Associates makes supply of goods on its own account as well as on behalf of Mohini Enterprises where invoices are issued in name of M/s Bestfords & Associates only.

All the supplies of goods made by M/s Bestfords & Associates as agent of Mohini Enterprises as well as on its own account will be included in the aggregate turnover of M/s Bestfords & Associates.

(F) 'Aggregate turnover' Vs. 'Turnover in a State': The definition of 'Turnover in a state' is similar to the definition of 'Aggregate turnover' with a difference that the definition of 'Turnover in a state' considers the taxable, exempt and export supplies made from the relevant State. Aggregate turnover is used for determining the threshold limit for registration and the eligibility for the composition scheme *[Discussed in Chapter 2 – Charge of GST]*. However, once a person is eligible for composition levy, GST payable under composition levy would be calculated as a specified % of 'turnover in the State/UT'.

(G) Value of goods, after completion of job work, supplied directly from the premises of the registered job worker not to be included in aggregate turnover of the job worker [Explanation (ii) to Section 22]

Job-work implies undertaking any treatment or process by a person on goods belonging to another registered taxable person.

The person who is treating or processing the goods belonging to other person is called **'job worker'** and the person to whom the goods belong is called **'principal'**. Schedule II of the CGST Act stipulates that job work is a service.

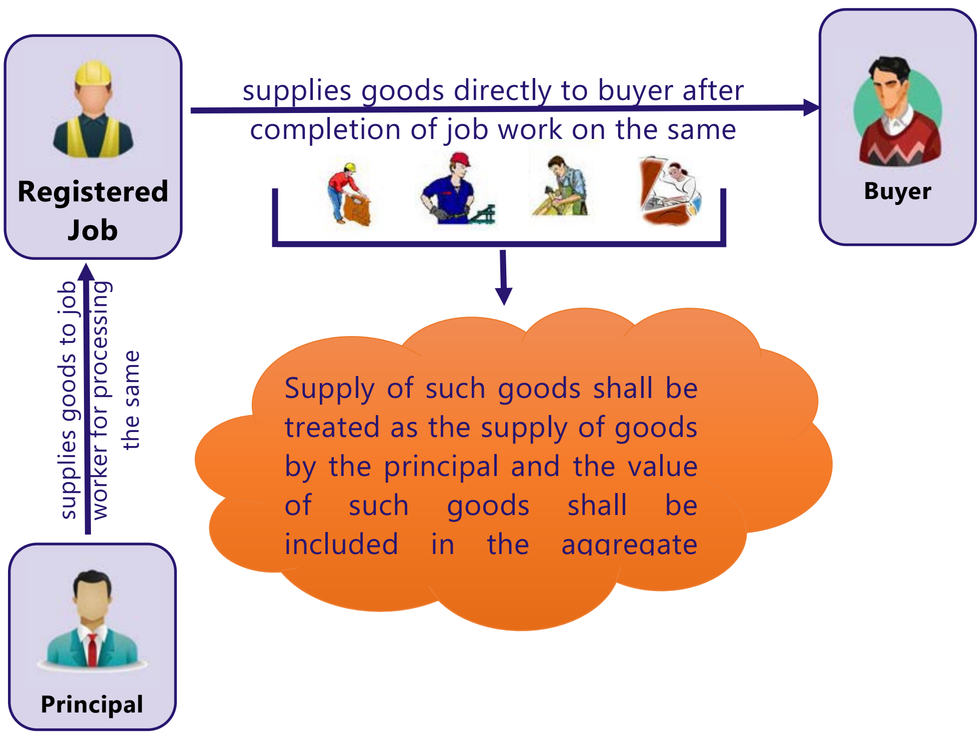
The Principal can supply the goods directly from the premises of the job worker without bringing it back to his own premises.

In case the job worker is unregistered, principal should declare job worker's premises as his additional place of business and remove goods from the same.

If the job worker is a registered person/ principal supplies notified goods, goods can be supplied directly from the premises of the job worker.

Supply of goods, after completion of job work, directly from a registered job worker's premises is treated as supply of goods by the principal.

Further, the value of such goods supplied will be included in the aggregate turnover of the principal and not job worker.



Applicable threshold limit

The threshold limit prescribed under section 22(1) is ₹ 20 lakh in a FY, i.e. every supplier, whose aggregate turnover in a financial year exceeds ₹ 20 lakh, is liable to be registered under GST in the State/ Union territory from where he makes the taxable supply of goods and/or services.

However, the limit of ₹ 20 lakh will be reduced to ₹ 10 lakh if the person is carrying out business in **Special Category States**. As per Article 279A(4)(g) of the Constitution, there are 11 Special Category States, namely, States of Arunachal Pradesh, Assam, Jammu and Kashmir, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura, Himachal Pradesh and Uttarakhand. However, as per the explanation (iii) to section 22, for the purposes of registration, only Mizoram, Tripura, Manipur and Nagaland are Special Category States. Therefore, the threshold limit ₹ 10 lakh is applicable for Mizoram, Tripura, Manipur and Nagaland.

If a person with places of business in different States across India has one branch in a Special Category State, the threshold limit for GST registration will be reduced to ₹ 10 lakh.

Government is empowered to enhance the threshold limit of ₹ 20 lakh upto ₹ 40 lakh for a supplier engaged exclusively in the supply of goods, at the request of a State and on the recommendations of the Council. This shall be subject to such conditions and limitations, as may be notified.

For the purposes of section 22(1), a person shall be considered to be engaged exclusively in the supply of goods even if he is engaged in exempt supply of services provided by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount.

Further, ***Notification No. 10/2019 CT dated 07.03.2019*** exempts any person who is engaged exclusively in supply of goods and whose aggregate turnover in the financial year does not exceed ₹ 40 lakh, from the requirement to obtain a registration.

Exceptions to this exemption are as follows:

(a) Persons required to take compulsory registration under section 24.

(b) Persons engaged in making supplies of

  (i) ice cream and other edible ice, whether or not containing cocoa [2105 00 00],

  (ii) pan masala [2106 90 20],

  (iii) all goods of Chapter 24, i.e. Tobacco and manufactured tobacco substitutes,

  (iv) fly ash bricks; fly ash aggregates; fly ash blocks [6815],

  (v) bricks of fossil meals or similar siliceous earths [6901 00 10],

  (vi) building bricks [6904 10 00],

  (vii) earthen or roofing tiles [6905 10 00].

(c) Persons engaged in making intra-State supplies in the States of Arunachal Pradesh, Uttarakhand, Meghalaya, Sikkim, Telangana, Puducherry and Special Category States as per section 22 [Nagaland, Mizoram, Manipur, Tripura]. Inter-State supplies of goods are nevertheless liable to compulsory registration under Section 24 and are already covered in exception (a) above.

(d) Person who has opted for voluntary registration or such registered persons who intend to continue with their registration under the CGST Act.

In view of the above discussion, the registration requirements under GST can be summarised as follows:

<table>
<tr><td rowspan="2"></td><td rowspan="2"></td><td rowspan="2"></td><td colspan="2">Threshold limit for persons engaged</td></tr>
<tr><td>exclusively in supply of goods</td><td>exclusively in supply of services/ in supply of both goods & services</td></tr>
<tr><td colspan="2" rowspan="3">States/UTs other than Special Category States</td><td>Puducherry</td><td>₹ 20 lakh</td><td>₹ 20 Lakh</td></tr>
<tr><td>Telangana</td><td>₹ 20 lakh</td><td>₹ 20 Lakh</td></tr>
<tr><td>Others</td><td>₹ 40 lakh</td><td>₹ 20 Lakh</td></tr>
<tr><td rowspan="11">Special Category States/ UTs as per Constitution</td><td rowspan="4">Special Category States as per section 22</td><td>Manipur</td><td>₹ 10 lakh</td><td>₹ 10 Lakh</td></tr>
<tr><td>Mizoram</td><td>₹ 10 lakh</td><td>₹ 10 Lakh</td></tr>
<tr><td>Nagaland</td><td>₹ 10 lakh</td><td>₹ 10 Lakh</td></tr>
<tr><td>Tripura</td><td>₹ 10 lakh</td><td>₹ 10 Lakh</td></tr>
<tr><td rowspan="7">Other States/ UTs</td><td>Jammu and Kashmir</td><td>₹ 40 lakh</td><td>₹ 20 Lakh</td></tr>
<tr><td>Assam</td><td>₹ 40 lakh</td><td>₹ 20 Lakh</td></tr>
<tr><td>Himachal Pradesh</td><td>₹ 40 lakh</td><td>₹ 20 Lakh</td></tr>
<tr><td>Arunachal Pradesh</td><td>₹ 20 Lakh</td><td>₹ 20 Lakh</td></tr>
<tr><td>Meghalaya</td><td>₹ 20 Lakh</td><td>₹ 20 Lakh</td></tr>
<tr><td>Sikkim</td><td>₹ 20 Lakh</td><td>₹ 20 Lakh</td></tr>
<tr><td>Uttarakhand</td><td>₹ 20 Lakh</td><td>₹ 20 Lakh</td></tr>
</table>

The above information is presented in an alternate manner as follows:

States with threshold limit of ₹ 10 lakh for supplier of goods and/or services	States with threshold limit of ₹ 20 lakh for supplier of goods and/or services	States with threshold limit of ₹ 20 lakh for supplier of services/ both goods and services and threshold limit of ₹ 40 lakh for supplier of goods (Intra-State)
❑ Manipur ❑ Mizoram ❑ Nagaland ❑ Tripura	❑ Arunachal Pradesh ❑ Meghalaya ❑ Sikkim ❑ Uttarakhand ❑ Puducherry ❑ Telangana	❑ Jammu and Kashmir ❑ Assam ❑ Himachal Pradesh ❑ All other States

(5) Prithiviraj of Assam is exclusively engaged in intra-State supply of shoes. His aggregate turnover in the current financial year is ₹ 22 lakh. In view of the discussion in the above paras, the applicable threshold limit for registration for Prithviraj in the given case is ₹ 40 lakh. Thus, he is not liable to get registered under GST.

If in the above example, all other things remaining the same, Prithiviraj is exclusively engaged in the supply of pan masala instead of shoes, he will not be eligible for higher threshold limit of ₹ 40 lakh and the applicable threshold limit for registration in that given case will be ₹ 20 lakh. Thus, Prithiviraj will be liable to get registered under GST.

If instead of pan masala, Prithiviraj is exclusively engaged in supply of taxable services, the applicable threshold limit for registration will still be ₹ 20 lakh. Thus, Prithiviraj will be liable to get registered under GST.

Further, if Prithiviraj is engaged in supply of both taxable goods and services, the applicable threshold limit for registration will still remain ₹ 20 lakh only. Thus, Prithiviraj will be liable to get registered under GST.

(6) Shivaji of Telangana is exclusively engaged in intra-State supply of toys. Its aggregate turnover in the current financial year is ₹ 22 lakh. Since Shivaji is making taxable supplies from Telangana, he will not be eligible for higher threshold limit available in case of exclusive supply of goods. The applicable threshold limit for registration for Shivaji in the given case is ₹ 20 lakh. Thus, he is liable to get registered under GST.

If in the above example, all other things remaining the same, if Shivaji is exclusively engaged in supply of taxable services instead of toys or is engaged in the supply of both taxable goods and services, the applicable threshold limit for registration will still be ₹ 20 lakh. Thus, Shivaji will be liable to get registered under GST in such cases.

(7) Ashoka of Manipur is exclusively engaged in intra-State supply of paper. Its aggregate turnover in the current financial year is ₹ 12 lakh. Since Ashoka is making taxable supplies from Manipur which is a Special Category State, the applicable threshold limit for registration for Ashoka in the given case is ₹ 10 lakh. Thus, he is liable to get registered under GST.

If in above example, all other things remaining the same, Ashoka is exclusively engaged in supply of taxable services instead of paper, the applicable threshold limit for registration will still be ₹ 10 lakh. Thus, Ashoka will be liable to get registered under GST.

Further, if Ashoka is engaged in supply of both taxable goods and services, the applicable threshold limit for registration in that given case will be ₹ 10 lakh only. Thus, Ashoka will be liable to get registered under GST.

(8) Raghav of Assam is exclusively engaged in intra-State supply of readymade garments. Its turnover in the current FY from Assam showroom is ₹ 28 lakh. It has another showroom in Tripura with a turnover of ₹ 11 lakh in the current FY. Since Raghav is engaged in supplying garments from a Special Category State as per section 22, the applicable threshold limit for him gets reduced to ₹ 10 lakh. Further, Raghav is liable to get registered under GST in both Assam and Tripura on his aggregate turnover crossing the threshold limit of ₹ 10 lakh.

(ii) Registration required only for a place of business from where taxable supply takes place

A supplier is required to obtain registration with respect to each of his place of business in India from where he is making a taxable supply. However, a supplier shall not be liable to obtain registration in a State/UT from where he makes only exempt/non-taxable supply.

It is pertinent to note here that a supplier is required to obtain registration only in the State(s) "**from** where taxable supply is made" and not in States "where taxable supply is made". It may be noted that if goods and/or services are supplied **in** different States, GST registration is not required in each such State(s).

Further, registration is required to be obtained only in the State(s) where the supplier has a "fixed establishment". This aspect is more relevant in respect of supply of services like repair & maintenance, transportation, security, erection & commissioning services and construction contracts etc. where the supplier might be required to travel to a different State temporarily in order to provide the services.

Thus, if a person has only liaison office or marketing office in a State and if there is no taxable supply from that State, he is not required to obtain registration in that State, even if he is registered in other State/s. Thus, in respect of that State where the liaison office or marketing office is located, but registration is not obtained, he will be treated as 'unregistered'.

For instance, Mr. X having registered office in Delhi, imports goods which are landed in Mumbai sea port. Mr. X enters into a sales agreement with Mr. Y located in Mumbai to directly sell the goods from Mumbai port. In this case, Mr. X is not required to obtain registration in Mumbai as he does not have any fixed establishment in Mumbai.

Further, the threshold limit of a person having places of business in more than one State/UT in India gets reduced to ₹ 10 lakh only when such person makes **taxable supplies** of goods or services or both from any of the Special Category States specified under section 22. It is pertinent to note that, in case where a person makes exempt/non-taxable supply from a Special

Category State and taxable supplies from a State other than Special Category State, the threshold limit shall not be so reduced.

(9) Uday Enterprises is engaged in supply of taxable goods in Maharashtra. It also supplies alcoholic liquor for human consumption from Nagaland. Its turnover in the current financial year is ₹ 34 lakh in Maharashtra and ₹ 8 lakh in Nagaland.

Since Uday Enterprises is exclusively engaged in making taxable supplies of goods from Maharashtra, the applicable threshold limit for obtaining registration is ₹ 40 lakh. Further, the threshold limit will not be reduced to ₹ 10 lakh in this case, as supply of alcoholic liquor for human consumption from Nagaland (one of the Special Category States) are non-taxable supplies[1].

In the given case, since the aggregate turnover of Uday Enterprises exceeds the applicable threshold limit of ₹ 40 lakh, it is liable to obtain registration. It will obtain registration in Maharashtra, but is not required to obtain registration in Nagaland as he is not making any taxable supplies from Nagaland.

(iii) Person liable for registration in case of transfer of business

Where a business is transferred, whether on account of succession or any other reason [including transfer/change in the ownership of business due to death of the sole proprietor[2]], to another person as a going concern, the transferee/ successor, is to be registered with effect from the date of such transfer/succession.

Where the business is transferred, pursuant to sanction of a scheme/ arrangement for amalgamation/ de-merger of two or more companies, pursuant to an order of a High Court/Tribunal, the transferee is to be registered with effect from the date on which the Registrar of Companies issues a certificate of incorporation giving effect to such order.

[1] *in terms of section 9(1) read with Section 2 (78)*

[2] *clarified vide Circular No. 96/15/2019 GST dated 28.03.2019*

5. COMPULSORY REGISTRATION IN CERTAIN CASES [SECTION 24]

As we have seen above that a supplier is liable to be registered under GST in the State/ Union territory from where he makes the taxable supply of goods and/or services only if his aggregate turnover in a financial year exceeds the applicable threshold limit. However, there are certain cases wherein a supplier is mandatorily required to obtain registration irrespective of the quantum of his aggregate turnover. In other words, these are the cases wherein a supplier is compulsorily required to obtain registration even though his aggregate turnover does not exceed the applicable threshold limit.

However, certain exemptions from registration have also been provided under section 23. These exceptions have been incorporated briefly at the relevant places in the discussion under this heading in order to provide a holistic picture. The exceptions have also been explained in detail in the next *heading 6. Persons not liable for registration*.

The category of persons requiring compulsory registration under GST have been enlisted below with the relevant exceptions:

(1) **Persons making any inter-State taxable supply**. However, threshold limit of ₹ 20 lakh (₹ 10 lakh in case of Special Category States of Mizoram, Tripura, Manipur and Nagaland) is available in case of inter-State supply of **taxable services** and of notified handicraft goods and notified handmade goods.

(2) **Casual taxable persons (CTP) making taxable supply.** However, threshold limit of ₹ 20 lakh (₹ 10 lakh in case of Special Category States of Mizoram, Tripura, Manipur and Nagaland) is available in case of CTP who is making inter-State taxable supplies of notified handicraft goods and notified hand-made goods and is availing the benefit of exemption from registration as mentioned in point 1 above.

(3) **Persons who are required to pay tax under reverse charge on inward supplies received.** However, persons engaged exclusively in making outward supplies, tax on which is liable to be paid on reverse charge basis are exempt from registration.

(4) Non-resident taxable persons (NRTP) making taxable supply.

(5) E-commerce: (i) Every ECO (Electronic Commerce Operator) who is required to collect tax at source under section 52, **(ii)** persons who supply goods and/or services, other than supplies specified under section 9(5), through such ECO who is required to collect tax at source under section 52, but threshold limit of ₹ 20 lakh (₹ 10 lakh in case of Special Category States of Mizoram, Tripura, Manipur and Nagaland) is available in case of suppliers supplying **services** through ECO.

(6) Persons who are required to deduct tax under section 51, whether or not separately registered under this Act.

In case a person already registered under GST is required to deduct tax under section 51, he is required to take separate registration for the purpose of deducting tax under section 51.

(7) Persons who make taxable supply of goods or services or both on behalf of other taxable persons whether as an agent or otherwise.

(8) Input Service Distributor, whether or not separately registered under this Act.

(9) Every person supplying online information and data base access or retrieval (OIDAR) services from a place outside India to a person in India, other than a registered person; and

(10) Persons who are required to pay tax under section 9(5) and

(11) Such other person or class of persons as may be notified by the Government on the recommendations of the Council.

An ISD is required to obtain a separate registration even though it may be separately registered.

Note: Concept of CTP and NRTP is explained subsequently in this chapter.

6. PERSONS NOT LIABLE FOR REGISTRATION [SECTION 23]

Section 23 lists the persons who are not liable to obtain a registration. As mentioned above, a person who is not registered under the GST but is liable to be registered and a person who is registered (whether voluntarily or otherwise) is considered to be a taxable person. Accordingly, it can be said that persons listed as not liable to be registered under Section 23 would not fall in the definition of the 'taxable persons'.

(i) Persons not liable to registration

Section 23 (1) lists the following persons as not liable to be registered:

(A) Person engaged exclusively in the business of supplying goods and /or services not liable to tax/wholly exempt from tax: Any person engaged exclusively in the business of supplying goods or services or both that is not liable to tax or is wholly exempt from tax under CGST Act/ IGST Act shall not be liable to registration. This provision can be understood with the help of following examples:

(10) Madhur Oils, Punjab, is exclusively engaged in supplying petrol. Supply of petrol is not leviable to GST. Thus, Madhur Oils is not liable for registration as it is engaged exclusively in supplying goods not leviable to tax.

(11) Bhavyajyoti Foundation, a charitable trust registered under section 12AB of the Income-tax Act, 1961, is exclusively engaged in supply of services by way of charitable activities. Services by an entity registered under section 12AB of the Income-tax Act, 1961 by way of charitable activities are exempt from GST. Bhavyajyoti Foundation is not liable for registration as it is exclusively engaged in supplying services exempt from tax.

(B) An agriculturist, to the extent of supply of produce out of cultivation of land: An agriculturist to the extent of supply of produce out of cultivation of land is also not liable to registration. The term agriculturist has been defined under section 2(7) as an individual/Hindu Undivided Family (HUF) who undertakes **cultivation of land**—

(a) by own labour, or

(b) by the labour of family, or

(c) by servants on wages payable in cash or kind or by hired labour under personal supervision or the personal supervision of any member of the family.

From the above definition, it is clear that the benefit of not being liable to registration is only restricted to the agriculturists who are individuals or HUFs. Further, if an agriculturist is also engaged in making any supply other than supply of produce out of cultivation of land, he shall be liable to registration based on applicable threshold limit.

example

(12) Deshbandhu is an agriculturist engaged in cultivation of wheat in his field in the State of Punjab. He was exclusively engaged in supply of wheat cultivated in his field in the previous year. Thus, he was not liable to registration as he was exclusively engaged in supply of produce out of cultivation of land.

In the current year, he decides to start trading in pre-packaged and labelled puffed rice apart from supplying his wheat produce. His turnover in the current year is ₹ 32 lakh from supply of wheat produced and ₹ 9 lakh from trading of pre-packaged and labelled puffed rice.

Since he is engaged in trading of pre-packaged and labelled puffed rice also, he is not covered under section 23 above. The threshold limit for registration applicable to a person exclusively engaged in supply of goods in the State of Punjab is ₹ 40 lakh. The aggregate turnover of Deshbandhu in the current year is ₹ 41 lakh [₹ 32 lakh + ₹ 9 lakh] which exceeds the threshold limit. Thus, he will be liable to registration.

(ii) Specified category of persons notified by the Government exempted from obtaining registration

Section 23(2) provides that notwithstanding anything to the contrary contained in section 22(1) or section 24, the Government may, on the recommendations of the Council, by notification, subject to such conditions and restrictions as may be specified therein, specify the category of persons who may be exempted from obtaining registration under this Act. Thus, section 23 (2) grants the Government, a power to notify category of persons as being exempted from obtaining registration under GST law. The following category of persons have been notified under the said section:-

A. Persons making only reverse charge supplies

Persons who are only engaged in making supplies of taxable goods or services or both, the total tax on which is liable to be paid on reverse charge basis by the recipient of such goods or services or both under section 9(3) have been exempted from obtaining registration *[Notification No. 5/2017 CT dated 19.06.2017 w.e.f. 22.06.2017]*.

(13) Manikaran Transporters is a Goods Transport Agency (GTA) engaged exclusively in supplying GTA services liable to tax under reverse charge [since tax is beng paid on GTA services @ 5% and Manikaran has not exercised the option to pay GST itself]. Thus, it is exempt from registration as it is engaged exclusively in making supplies, tax on which is liable to be paid on reverse charge basis.

Further, Manikaran Transporters supplies the said service to Diwakar Manufacturing Pvt. Ltd. whose aggregate turnover does not exceed the applicable threshold limit. However, since Diwakar Manufacturing Pvt. Ltd. has to pay tax on GTA services [@ 5%] under reverse charge, it will be required to obtain registration mandatorily irrespective of the quantum of its aggregate turnover.

B. Persons making inter-State supplies of taxable services up to ₹ 20 lakh

The persons making inter-State supplies of taxable services and having an aggregate turnover, to be computed on all India basis, not exceeding an amount of ₹ 20 lakh in a financial year have been exempted from obtaining compulsory registration. However, the aggregate value of such supplies, computed on all India basis, should not exceed an amount of ₹ 10 lakh in case of Special Category States of Mizoram, Tripura, Manipur and Nagaland *[Notification No. 10/2017 IT dated 13.10.2017 as amended by Notification No. 3/2019 IT dated 29.01.2019].]*.

(14) Dhola & Co., located in Delhi, is engaged in supply of taxable goods[3] in the neighbouring States of Punjab and Haryana. Its aggregate turnover in current FY is ₹ 10 lakh. Since it is engaged in making inter-State taxable supply of goods, it is required to register mandatorily under GST irrespective of its aggregate turnover.

However, if in the above case, Dhola & Co. is engaged in inter- State supply of taxable services instead of goods, it will be eligible for exemption from registration till its aggregate turnover does not exceed ₹ 20 lakh.

C. Persons making inter-State taxable supplies of notified handicraft goods and notified handmade goods up to ₹ 20 lakh

As we have seen earlier that as per section 24 read with *Notification No. 10/2017 IT*, a person making inter-State supplies of goods is liable to be registered compulsorily under GST irrespective of the threshold limit.

However, in the following cases, persons making inter-State supplies of goods have been exempted from obtaining registration:

(a) Persons making inter-State taxable supplies of notified handicraft goods[4].

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[3] *other than notified handicraft goods and notified hand-made goods*

[4] *Handicraft goods referred herein are goods as defined and notified in Notification No. 21/2018 CT (R) dated 26.07.2018. This notification notifies the handicraft items which are eligible for concessional rate of tax, for instance, handcrafted candles, articles made of paper mache, coir articles, handbags including pouches and purses; jewellery box, hand embroidered articles, art ware of iron/aluminium, etc. These examples are only for the purpose of knowledge and are not relevant for examination purposes.*

Handicraft goods are defined under said notification as goods predominantly made by hand even though some tools or machinery may also have been used in the process; such goods are graced with visual appeal in the nature of ornamentation or in-lay work or some similar work of a substantial nature; possess distinctive features, which can be aesthetic, artistic, ethnic or culturally attached and are amply different from mechanically produced goods of similar utility.

(b) Persons making inter-State taxable supplies of notified products[5], when made by craftsmen predominantly by hand even though some machinery may also be used in the process.

Conditions to be fulfilled:

1. The aggregate value of such supplies, to be computed on all India basis, does not exceed an amount of ₹ 20 lakh [₹ 10 lakh in case of Special Category States of Mizoram, Tripura, Manipur and Nagaland] in a FY.

2. Such persons have obtained a PAN and have generated an e-way bill[6] *[Notification No. 3/2018 IT dated 22.10.2018]*.

(15) Ariza Pvt. Ltd., located in Madhya Pradesh, is a supplier of taxable and notified handicraft goods. It supplies these goods in the neighbouring States of Uttar Pradesh and Orissa. Its aggregate turnover till the month of October is ₹ 15 lakh. Although Ariza Pvt. Ltd. is engaged in making inter-State supplies of taxable goods, it is not liable to obtain registration till its aggregate turnover does not exceed ₹ 20 lakh as it has availed the exemption from registration under *Notification No. 03/2018 IT*[7].

D. Casual Taxable Persons making inter-State taxable supplies of notified handicraft goods and notified handmade goods up to ₹ 20 lakh

As we have seen earlier that as per section 24, a CTP is liable to be registered compulsorily under GST irrespective of the threshold limit.

However, following categories of CTPs have been exempted from obtaining registration:

(a) CTPs making inter-State taxable supplies of notified handicraft goods, [as referred in Point C above] or

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[5] *Some of the notified products are leather articles, carved wood products, wood turning and lacquer ware, bamboo products, textiles hand printing, theatre costumes, musical instruments, dolls and toys, etc. These examples are only for the purpose of knowledge and are not relevant for examination purpose.*

[6] *The provisions relating to e-way bill have been discussed in detail in Chapter 10 in this Module of the Study Material.*

[7] *subject to fulfilment of other conditions prescribed under said notification.*

(b) CTPs making inter-State taxable supplies of notified products [as referred in Point C above], when made by the craftsmen predominantly by hand even though some machinery may also be used in the process.

Conditions to be fulfilled:

1. CTPs are availing benefit of *Notification No. 03/2018 IT dated 22.10.2018* [discussed above].

2. The aggregate value of such supplies, to be computed on all India basis, does not exceed an amount of ₹ 20 lakh [₹ 10 lakh in case of Special Category States of Mizoram, Tripura, Manipur and Nagaland] in a FY.

3. Such persons have obtained a PAN and have generated an e-way bill *[Notification No. 56/2018 CT dated 23.10.2018]*.

E. Persons making supplies of services through an ECO [other than supplies specified under section 9(5)] with aggregate turnover up to ₹ 20 lakh

Persons making supplies of services, other than supplies specified under section 9(5), through an ECO who is required to collect tax at source under section 52, and having an aggregate turnover, to be computed on all India basis, not exceeding **₹ 20 lakh (₹ 10 lakh** in case of Special Category States of Mizoram, Tripura, Manipur and Nagaland) in a FY, have been exempted from obtaining compulsory registration *[Notification No. 65/2017 CT dated 15.11.2017]*.

Therefore, all service providers, whether supplying intra-State, inter-State or through ECO, will be exempt from obtaining registration, provided their aggregate turnover does not exceed ₹ 20 lakh (₹ 10 lakh in special category States of Mizoram, Tripura, Manipur and Nagaland).

Liability to register in respect of services provided by the commission agent as per APMC Act for sale/ purchase of agricultural produce

CBIC has clarified[8] the issue as to whether the services provided by the commission agent as per Agricultural Produce Marketing Committee Act (APMC Act) in connection to the sale/ purchase of agricultural produce qualify as supply under GST with the help of the following example. It further examines and clarifies the registration requirements of such commission agents.

[8] *Circular No. 57/31/2018 GST dated 04.09.2018*

Mr. A sells agricultural produce by utilizing the services of Mr. B who is a commission agent as per the APMC Act of the State[9]. Mr. B identifies the buyers and sells the agricultural produce on behalf of Mr. A for which he charges a commission from Mr. A.

In cases where the invoice is issued directly by Mr. A to the buyer, the commission agent (Mr. B) doesn't fall under the category of agent covered under Schedule I. However, in cases where the invoice is issued by Mr. B to the buyer, Mr. B is an agent as covered under Para 3 of Schedule I to the CGST Act. Hence, in such cases, the services supplied by commission agent Mr. B on behalf of the principal without consideration shall be deemed to be a supply – *Concept of Deemed Supply under Schedule-I has been discussed in detail in Chapter 1 – Supply under GST in Module 1 of the Study Material.*

The registration requirements of the commission agents in such cases have been examined and clarified as follows:

(i) As we have already seen, as per section 24, a person is liable for mandatory registration if he makes taxable supply of goods or services or both on behalf of other taxable persons.

Accordingly, a commission agent will be liable to get mandatorily registered under this provision only when both the following conditions are satisfied:

(a) the principal should be a taxable person; and

(b) the supplies made by the commission agent should be taxable.

However, generally, a commission agent under APMC Act makes supplies on behalf of an agriculturist who is not a taxable person if he supplies produce out of cultivation of land[10] [as seen above].

Thus, a commission agent, who is making supplies on behalf of non-taxable person [viz. agriculturist], is not liable for compulsory registration under this provision.

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[9] *As per the APMC Act, the commission agent is a person who buys or sells the agricultural produce on behalf of his principal, or facilitates buying and selling of agricultural produce on behalf of his principal and receives, by way of remuneration, a commission or percentage upon the amount involved in such transaction.*

[10] *in terms of section 23(1)(a)*

(ii) Further, since the services provided by the commission agent for sale/ purchase of agricultural produce are exempt from GST[11], **such commission agents are not liable to be registered in accordance with provisions of section 23(1)(a)** [as discussed above].

(iii) However, where a commission agent is liable to pay tax under reverse charge for any other services procured by him, such an agent will be required to get registered compulsorily (We have already seen under previous heading that persons liable to pay tax under reverse charge are required to obtain registration mandatorily).

The provisions of section 23 can be summarized in the following diagram:

Persons not liable for registration

Person engaged exclusively in the business of supplying goods/ services/ both **not liable to tax**	Person engaged exclusively in the business of supplying goods/ services/ both **wholly exempt from tax**
Agriculturist to the extent of supply of produce out of cultivation of land	**Specified category of persons** notified by the Government on GST Council recommendation

7. PROCEDURE FOR REGISTRATION [SECTIONS 25, 26 & 27]

STATUTORY PROVISIONS

Section 25	***Procedure for registration***
Sub-section	***Particulars***
(1)	*Every person who is liable to be registered under section 22 or section 24 shall apply for registration in every such State or Union territory in which he is so liable within thirty days from the date*

[11] *Notification No. 12/2017 CT (R) dated 28.06.2017 [Discussed in Chapter 3 – Exemptions from GST in Module 1 in Module-1 of the Study material.]*

	on which he becomes liable to registration, in such manner and subject to such conditions as may be prescribed. *Provided that a casual taxable person or a non-resident taxable person shall apply for registration at least five days prior to the commencement of business.* *Provided further that a person having a unit, as defined in the Special Economic Zones Act, 2005, in a Special Economic Zone or being a Special Economic Zone developer shall have to apply for a separate registration, as distinct from his place of business located outside the Special Economic Zone in the same State or Union territory.* *Explanation—Every person who makes a supply from the territorial waters of India shall obtain registration in the coastal State or Union territory where the nearest point of the appropriate baseline is located.*
(2)	*A person seeking registration under this Act shall be granted a single registration in a State or Union territory.* *Provided that a person having multiple places of business in a State or Union territory may be granted a separate registration for each such place of business, subject to such conditions as may be prescribed.*
(3)	*A person, though not liable to be registered under section 22 or section 24 may get himself registered voluntarily, and all provisions of this Act, as are applicable to a registered person, shall apply to such person.*
(4)	*A person who has obtained or is required to obtain more than one registration, whether in one State or Union territory or more than one State or Union territory shall, in respect of each such registration, be treated as distinct persons for the purposes of this Act*
(5)	*Where a person who has obtained or is required to obtain registration in a State or Union territory in respect of an establishment, has an establishment in another State or Union territory, then such establishments shall be treated as establishments of distinct persons for the purposes of this Act.*

(6)	*Every person shall have a Permanent Account Number issued under the Income- tax Act, 1961 in order to be eligible for grant of registration:* *Provided that a person required to deduct tax under section 51 may have, in lieu of a Permanent Account Number, a Tax Deduction and Collection Account Number issued under the said Act in order to be eligible for grant of registration.*
(6A)	*Every registered person shall undergo authentication, or furnish proof of possession of Aadhaar number, in such form and manner and within such time as may be prescribed.* *Provided that if an Aadhaar number is not assigned to the registered person, such person shall be offered alternate and viable means of identification in such manner as Government may, on the recommendations of the Council, prescribe.* *Provided further that in case of failure to undergo authentication or furnish proof of possession of Aadhaar number or furnish alternate and viable means of identification, registration allotted to such person shall be deemed to be invalid and the other provisions of this Act shall apply as if such person does not have a registration.*
(6B)	*On and from the date of notification, every individual shall, in order to be eligible for grant of registration, undergo authentication, or furnish proof of possession of Aadhaar number, in such manner as the Government may, on the recommendations of the Council, specify in the said notification.* *Provided that if an Aadhaar number is not assigned to an individual, such individual shall be offered alternate and viable means of identification in such manner as the Government may, on the recommendations of the Council, specify in the said notification.*
(6C)	*On and from the date of notification, every person, other than an individual, shall, in order to be eligible for grant of registration, undergo authentication, or furnish proof of possession of Aadhaar number of the Karta, Managing Director, whole time Director, such number of partners, Members of Managing Committee of Association, Board of Trustees, authorised representative,*

	authorised signatory and such other class of persons, in such manner, as the Government may, on the recommendation of the Council, specify in the said notification *Provided that where such person or class of persons have not been assigned the Aadhaar Number, such person or class of persons shall be offered alternate and viable means of identification in such manner as the Government may, on the recommendations of the Council, specify in the said notification.*	
(6D)	*The provisions of sub-section (6A) or sub-section (6B) or sub-section (6C) shall not apply to such person or class of persons or any State or Union territory or part thereof, as the Government may, on the recommendations of the Council, specify by notification.* *Explanation—For the purposes of this section, the expression "Aadhaar number" shall have the same meaning as assigned to it in clause (a) of section 2 of the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016*	
(7)	*Notwithstanding anything contained in sub-section (6), a non-resident taxable person may be granted registration under sub-section (1) on the basis of such other documents as may be prescribed*	
(8)	*Where a person who is liable to be registered under this Act fails to obtain registration, the proper officer may, without prejudice to any action which may be taken under this Act or under any other law for the time being in force, proceed to register such person in such manner as may be prescribed*	
(9)	*Notwithstanding anything contained in sub-section (1),––*	
	(a)	*any specialised agency of the United Nations Organisation or any Multilateral Financial Institution and Organisation notified under the United Nations (Privileges and Immunities) Act, 1947, Consulate or Embassy of foreign countries ; and*
	(b)	*any other person or class of persons, as may be notified by the Commissioner,*

	shall be granted a Unique Identity Number in such manner and for such purposes, including refund of taxes on the notified supplies of goods or services or both received by them, as may be prescribed.
(10)	*The registration or the Unique Identity Number shall be granted or rejected after due verification in such manner and within such period as may be prescribed.*
(11)	*A certificate of registration shall be issued in such form and with effect from such date as may be prescribed*
(12)	*A registration or a Unique Identity Number shall be deemed to have been granted after the expiry of the period prescribed under sub-section (10), if no deficiency has been communicated to the applicant within that period*
Section 26	***Deemed registration***
(1)	*The grant of registration or the Unique Identity Number under the State Goods and Services Tax Act or the Union Territory Goods and Services Tax Act shall be deemed to be a grant of registration or the Unique Identity Number under this Act subject to the condition that the application for registration or the Unique Identity Number has not been rejected under this Act within the time specified in sub-section (10) of section 25.*
(2)	*Notwithstanding anything contained in sub-section (10) of section 25, any rejection of application for registration or the Unique Identity Number under the State Goods and Services Tax Act or the Union Territory Goods and Services Tax Act shall be deemed to be a rejection of application for registration under this Act.*
Section 27	***Special provisions relating to casual taxable person and non-resident taxable person***
(1)	*The certificate of registration issued to a casual taxable person or a non- resident taxable person shall be valid for the period specified in the application for registration or ninety days from the effective date of registration, whichever is earlier and such person*

	shall make taxable supplies only after the issuance of the certificate of registration. *Provided that the proper officer may, on sufficient cause being shown by the said taxable person, extend the said period of ninety days by a further period not exceeding ninety days.*
(2)	*A casual taxable person or a non-resident taxable person shall, at the time of submission of application for registration under sub-section (1) of section 25, make an advance deposit of tax in an amount equivalent to the estimated tax liability of such person for the period for which the registration is sought.* *Provided that where any extension of time is sought under sub-section (1), such taxable person shall deposit an additional amount of tax equivalent to the estimated tax liability of such person for the period for which the extension is sought.*
(3)	*The amount deposited under sub-section (2) shall be credited to the electronic cash ledger of such person and shall be utilised in the manner provided under section 49.*

ANALYSIS

The procedure for registration is governed by section 25 read with the relevant CGST Rules, 2017. Relevant provisions of CGST Rules, 2017 have been incorporated at the relevant places. Further, special provisions have been provided for registration of casual taxable person and non-resident taxable person under section 27. Concept of deemed registration has been elaborated under section 26.

Under GST, the application for registration has to be submitted electronically at the GST Common Portal – www.gst.gov.in, duly signed or verified.

A large number of forms/formats relating to registration have been prescribed in the CGST Rules. For every process in the registration chain such as application for registration, acknowledgment, query, rejection, registration certificate, show cause notice for cancellation, reply, cancellation, amendment, field visit report etc., there are separate standard formats[12]. This makes the process uniform all over the country. The decision-making process has also been expedited. Strict time-lines have been stipulated for completion of different stages of registration process.

(i) Where and by when to apply for registration? [Section 25(1)]

Particulars	Where	When
Person who is liable to be registered under section 22 or section 24	in every such State/UT in which he is so liable	within 30 days from the date on which he becomes liable to registration
A casual taxable person or a non-resident taxable person		at least 5 days prior to the commencement of business
Every person who makes a supply from the territorial waters of India	in the coastal State/UT where the nearest point of the appropriate base line is located.	within 30 days from the date on which he becomes liable to registration

example

(16) Sugam Services Ltd. is engaged in taxable supply of services in Delhi. The turnover of Sugam Services Ltd. exceeded ₹ 20 lakh on 1st November. It is liable to get registered by 1st December in Delhi.

(ii) State-wise registration [Section 25(2) read with rule 11]

(A) One registration per State

- Registration needs to be taken State-wise, i.e. there is no centralized registration under GST. A business entity having its branches in multiple States will have to take separate State-wise registration for its branches in different States.
- Further, within a State, an entity with different branches shall normally be granted a single registration wherein it can declare

[12] *For knowledge purposes students are advised to go through various forms/formats relating to registration which are a part of the CGST Rules. The online forms can also be viewed at* *http://www.gst.gov.in*

one place as principal place of business (PPoB) and other branches as additional places of business (APoB) The exception to this is provided below:

(B) Separate registration for different places of business within a State/UT may be granted

- Although a taxpayer having multiple places of business in one State is not mandatorily required to obtain a separate registration for each such place of business in the State, he has an option to obtain independent registrations with respect to each such separate place of business based on business requirements.
- In case a separate registration for each place of business has been obtained, such separately registered places of business of such person shall have to pay tax on supply of goods/services/both made to another registered place of business, of such person and issue a tax invoice/bill of supply, for such supply.
- A registered person opting to obtain separate registration for a place of business shall submit a separate application in Form GST REG 01 in respect of such place of business.
- The provisions of rules 9 and 10 *[Discussed in subsequent paras]* relating to verification and grant of registration shall mutatis mutandis apply to an application submitted under this rule.

(17) Meethalal & Sons - a supplier in Maharshtra - has three branches in Mumbai, Pune and Mahabaleshwar. Mumbai and Pune branches are engaged in supply of garments and Mahabaleshwar branch engaged in supply of shoes. Either it can obtain single registration for Mahrashtra declaring one of the branches as PPoB (let's say Mumbai) and other two branches (Pune and Mahabaleshwar) as APoB or it can obtain separate GST registration for each of the three branches in Mumbai, Pune and Mahabaleshwar as separate places of business.

In case Meethalal & Sons opts to have separate registrations for its all three branches and Mumbai branch sends some garments [liable to GST] for sale to Pune branch, Mumbai branch must raise a tax invoice and pay tax on such transfer of garments to Pune branch.

(C) Composition levy in case of separate registration for multiple places of business within a State/UT

- If a person is paying tax for one of his places of business under normal scheme, he cannot opt to pay tax under composition levy for any other place of business.
- If one of the places of business [separately registered] of a registered person becomes ineligible to pay tax under composition levy, all other registered places of business of said person would also become ineligible to pay tax under composition levy.
- The provisions of rules 9 and 10 *[Discussed in subsequent paras]* relating to verification and grant of registration shall mutatis mutandis apply to an application submitted under this rule.

(iii) Voluntary registration [Section 25(3)]

A person who is not liable to be registered under section 22 or section 24 may get himself registered voluntarily. In case of voluntary registration, all provisions of this Act, as are applicable to a registered person, shall apply to such voluntarily registered person.

However, once a person obtains voluntary registration, he has to pay tax even though his aggregate turnover does not exceed the applicable threshold limit for registration (₹ 40 lakh/ ₹ 20 lakh/ ₹ 10 lakh, as the case may be).

(iv) Distinct Persons/ establishments of distinct persons [Section 25(4) & (5)]

A person who has obtained/ is required to obtain more than one registration, whether in one State/ Union territory or more than one State/Union territory shall, in respect of each such registration, be treated as **distinct persons**.

Further, where a person who has obtained or is required to obtain registration in a State or Union territory in respect of an establishment, has an establishment in another State or Union territory, then such establishments shall be treated as **establishments of distinct persons**. *These concepts have already been discussed in detail in Chapter 1– Supply under GST.*

(v) PAN must for obtaining registration [Section 25(6) & (7)]

A Permanent Account Number is mandatory to be eligible for grant of registration.

- A Non-Resident Taxable Person (NRTP) may be granted registration on the basis of other prescribed documents *[Elaborated in subsequent paras]*.

- A person required to deduct tax under section 51 may have, in lieu of a PAN, a Tax Deduction and Collection Account Number issued under the Income Tax Act in order to be eligible for grant of registration.

(vi) Unique Identity Number (UIN) [Section 25(9) & (10) read with rule 17]

Any specialized agency of the United Nations Organization or any Multilateral Financial institution and organization as notified under the United Nations (Privileges and Immunities) Act, 1947, consulate or embassy of foreign countries and any other person notified by the Commissioner, is required to obtain a UIN from the GSTN portal.

This UIN is needed for claiming refund of taxes paid on notified supplies of goods and/or services received by them, and for such other purpose as may be notified. The UIN granted would be a centralized UIN i.e. it shall be applicable to the whole territory of India. A person having UIN is not considered as a registered person and thus, is not a taxable person.

The proper officer may, upon submission of an application in prescribed form or after filling up the said form or after receiving a recommendation from the Ministry of External Affairs, Government of India, assign a UIN to the said person and issue a certificate in Form GST REG 06 within **3 working days** from the date of submission of application.

(vii) Suo-motu registration by the proper officer [Section 25(8) read with rule 16]

Where, pursuant to any survey, enquiry, inspection, search or any other proceedings under the Act, the proper officer finds that a person liable to registration under the Act** has failed to apply for such registration, such officer may register the said person on a temporary basis and issue an order in prescribed form.

*****Such person shall either:***

(i) submit an application for registration in prescribed form within 90 days from the date of grant of temporary registration, or

(ii) file an appeal against such temporary registration.

In case (ii), if the Appellate Authority upholds the liability to registration, application for registration shall be submitted within 30 days from the date of issuance of such order of the Appellate Authority.

Provisions relating to verification and issue of registration certificate [as contained in rules 9 and 10] *[discussed in subsequent paras]* shall, *mutatis mutandis*, apply to such application submitted by the person granted temporary registration. GSTIN thereafter granted shall be effective from the date of order of proper officer granting temporary registration.

(viii) Procedure for registration [Section 25 read with rules 8, 9 & 10]

Provisions relating to procedure for application for registration, verification of the application and approval & issue of registration certificate are contained in the rules 8, 9 and 10 respectively. The same have to be read in conjunction with the provisions of section 25. The procedure for obtaining registration as prescribed under rules 8, 9 and 10 is also applicable to a person paying tax under composition levy, every person seeking voluntary registration as well as a casual taxable person. Such persons shall apply for registration in **Form GST REG 01.** The application for registration in GST Form REG 01 is divided into two parts – Part A and Part B.

However, the procedure so laid down will not apply to:

- Non-resident taxable person (NRTP)
- A person required to deduct tax at source under section 51
- A person required to collect tax at source under section 52
- A person supplying OIDAR services from a place outside India to a non-taxable online recipient referred to in section 14 of IGST Act.

Separate registration forms and procedure have been prescribed for each of the aforesaid persons.

In order to cater to the needs of tax payers who are not IT savvy, Facilitation centres have been established which help the taxpayer in submitting the application for registration, amending the registration certificate, submitting application for cancellation of registration, revocation of cancellation of registration, etc. Facilitation Centre shall be responsible for the digitization and/or uploading of the forms and documents.

Application for registration by Special Economic Zone (SEZ) [Second proviso to section 25(1)]:

A person having unit in SEZ/an SEZ developer will have to make a separate application for registration as distinct from his place of business located outside SEZ in the same State/UT.

SEZ is a geographically bound zone where the economic laws relating to export and import are more liberal as compared to other parts of the country. SEZ is considered to be a place outside India for all tax purposes.

Thus, there may be a case where two units of a tax payer are located in same State/UT - one in SEZ and another outside SEZ. In that case, separate registrations have to be obtained for each of the two units as separate places of business.

(18) Suvarna Industries is engaged in manufacturing activities in Uttar Pradesh. It has two manufacturing units in UP - one in SEZ and another outside SEZ.

Under GST, one registration per State is required. However, since in this case, one of the two units of Suvarna Industries is located in SEZ, SEZ unit will have to compulsorily make a separate application for registration as a place of business distinct from unit located outside SEZ in the same State

Application for registration by Input Service Distributor [Second proviso to rule 8(1) of the CGST Rules, 2017]: Every person being an Input Service Distributor shall make a separate application for registration as such Input Service Distributor.

There is no threshold limit for registration for an ISD. A person who follows ISD mechanism is required to obtain a separate registration even though it may be otherwise registered in the same State, though the application shall be made in Form GST REG 01 only. An office of a person like marketing division, security division etc. which receives common services getting consumed by different GST registered locations may apply for a separate ISD registration. **Procedure for registration has been depicted by way of a diagram on next page:**

Procedure for registration

Part I

Every person liable to get registered and person seeking voluntary registration shall, before applying for registration, declare his Permanent Account Number (PAN) and State/UT in **Part A of FORM GST REG-01** on GST Common Portal.

↓

PAN is validated online by Common Portal from CBDT database and ***is also be verified through separate OTPs sent to the PAN linked mobile number and e-mail address.***

↓

Temporary Reference Number (TRN) is generated and communicated to the applicant on the validated mobile number and e-mail address.

↓

Using TRN, applicant shall electronically submit application in Part B of application form, along with specified documents at the Common Portal.

Part B of application contains the details, such as, constitution of business, jurisdiction, option for composition, date of commencement of business, reason to obtain registration, address of PPoB and nature of activity carried out therein, details of APoB, details of bank account(s), details of authorized signatory, aadhaar authentication, etc.

On receipt of such application, an acknowledgement in the prescribed form shall be issued to the applicant electronically. A **Casual Taxable Person (CTP)** applying for registration gets a TRN for making an advance deposit of tax in his electronic cash ledger and an acknowledgement is issued only after said deposit.*

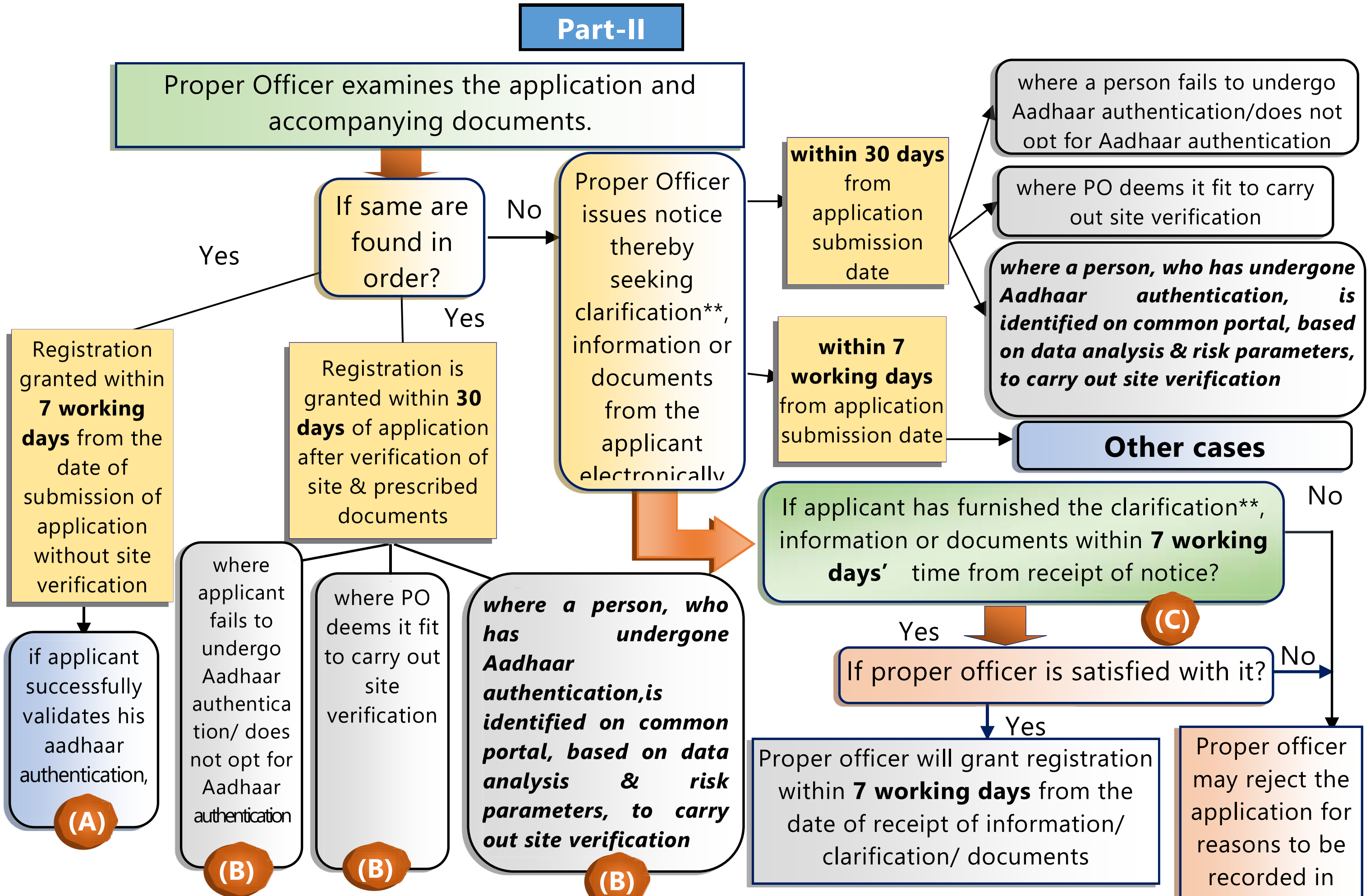
↓

Application shall be forwarded to the Proper Officer.

↓

The procedure after receipt of application by the Proper Officer is depicted in Part II.

** Discussed in detail in subsequent paras.*



****Clarification** includes modification/correction of particulars declared in the application for registration other than PAN, State Mobile No. & E-mail address.

Deemed Approval of Application

If the proper officer fails to take any action in the following cases within the stipulated time, the application for grant of registration shall be deemed to have been approved-

in cases where a person is covered in (B) above	• within a period of 30 days from the date of submission of the application
in case of a person covered in (A) above	• within a period of 7 working days from the date of submission of the application
in cases covered in (C) above	• within 7 working days from the date of receipt of clarification, information or documents furnished by the applicant

Thus, in case of successful authentication of Aadhaar and no SCN being issued, registration will be deemed to be approved within **7 working days**. However, if Aadhar authentication is not opted for/ aadhaar authentication fails in validation/ PO deems it fit to carry out site verification and no SCN is issued, registration will be deemed to be approved within **30 days** by tax official.

Tax Officer can issue SCN within **7 working days**, for grant of registration, in cases of successful Aadhar authentication. However, in cases when taxpayer do not opt to provide Aadhaar/when Aadhar authentication fails/ PO deems it fit to carry out site verification, he can issue SCN upto **30 days**. In both cases, applicants can submit their reply within 7 working days from issue of SCN.

Aadhaar authentication

[Section 25(6A), (6B), (6C) & (6D) read with rules 8, 9, *10B* and 25]

As seen above, there's a simplified registration procedure under GST. However, this easy registration procedure was unduly misused by fly-by-night operators. Thus, in an endeavor to curb/check such operators and to increase compliance, aadhaar e-KYC based registration has been introduced under the GST law. Aadhaar authentication is mandatory for the new applicants (whether an individual applicant or otherwise) in order to be eligible for grant of registration. Aadhaar Authentication process has been introduced, for the persons applying for GST registration as normal taxpayer/ composition dealer/ casual taxable person/ Input Service Distributor (ISD)/ SEZ Developer/ SEZ Unit etc, in Form GST REG 01.

Existing registrants (those who are already registered under GST) are also required to undergo aadhaar authentication.

How is the aadhaar authentication done?

New registrants

While filing the application for registration, the applicant gets an option as to whether he wants to opt for an Aadhaar authentication or not. If he opts 'Yes' for Aadhaar authentication, GST system sends "authentication link" on the mobile numbers and email ids (mentioned in the registration application) of promotor/partner, and primary authorized signatory which are selected by the applicant[13].

On clicking the verification link, a window for Aadhaar authentication opens where they enter the Aadhaar Number and the OTP received by them on the mobile number and email id linked with Aadhaar.

Once Aadhaar authentication has been successfully validated, his application will be deemed to be approved within 7 working days and the registration application submitted by him will not be marked for mandatory site visit, unless the tax official raises a show cause notice within stipulated time.

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[13] *While opting for Aadhaar authentication, the applicant needs to select atleast 1 Primary Authorized Signatory and 1 Promoter/ Partner/Karta/Director/Member for authentication purposes.*

However, in case the applicant does not opt for Aadhaar authentication while applying for registration or where his Aadhar authentication fails in validation, registration application will not be deemed approved within 7 working days and it will be marked for mandatory site visit and approval thereafter, by the tax official. Registration application will get deemed approved after 30 calendar days, if tax official doesn't take any action.

If tax official raises SCN within 30 calendar days, then applicant has 7 working days to reply to it. Tax official can take further action on that reply within 7 working days. If tax official doesn't take any action after receipt of applicant's reply within next 7 working days, his application will get deemed approved.

Existing registrants

All the regular taxpayers and composition taxpayer are required to get Aadhaar authenticated for existing GST registration. An existing taxpayer can get himself Aadhaar authenticated on GST portal using either Aadhaar authentication link or uploading E-KYC documents[14].

A. Persons required to undergo aadhaar authentication

As per section 25(6A), (6B) and (6C), following persons are required to undergo aadhaar authentication:

(1) New applicant

Every (i) individual applicant or (ii) an applicant, other than an individual, shall undergo authentication/furnish proof of possession of Aadhaar number, in the manner prescribed in rule 8[15]. Rule 8(4A) provides that where an applicant opts for authentication of Aadhaar number, he shall, while submitting an application for registration, undergo authentication of Aadhaar number. <u>Said authentication is required to be eligible for grant of registration</u>.

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[14] *It is not mandatory for every authorized signatory, promoter or partner to get Aadhaar authenticated for an existing GST registration. The Aadhaar authentication will be needed only for 1 Primary Authorized Signatory and 1 Promoter/ Partner/ Karta/ Director/ Member.*

[15] *Notification No. 18/2020 CT dated 23.03.2020*

Date of submission of the application in such cases shall be earlier of:

(a) the date of authentication of the Aadhaar number,

or

(b) 15 days from the submission of the application in Part B of Form GST REG-01.

In case applicant is an individual, he shall undergo authentication of his own aadhaar number.

In case applicant is other than individual, the authentication will be of aadhaar number of the Karta, Managing Director, whole time Director, such number of partners, Members of Managing Committee of Association, Board of Trustees, authorised representative, authorised signatory and such other notified class of persons *[authorised signatory of all types, Managing and Authorised partners of a partnership firm and Karta of a Hindu Undivided Family, have been so notified*[16]*]*.

Risk-based biometric-based aadhaar authentication of registration applicants – Pilot project in Gujarat [Sub-rules (4A), (4B) and (5) amended]

In order to improve the registration process, biometric based aadhaar authentication of the high-risk applicants who opt for authentication of Aadhaar number has been introduced on a pilot basis in the State of Gujarat.

An applicant who has opted for authentication of Aadhaar number and is identified on the common portal, based on data analysis and risk parameters, shall be followed by biometric-based Aadhaar authentication and taking photograph:

(i) of the applicant where the applicant is an individual or

(ii) of such individuals where the applicant is not an individual,

[16] *Notification No. 19/2020 CT dated 23.03.2020*

along with the verification of the original copy of the documents uploaded with the application in Form GST REG-01 at one of the notified Facilitation Centres.

The application shall be deemed to be complete only after completion of the process laid down hereunder.

An acknowledgement shall be issued to the applicant only after completion of biometric-based authentication.

(2) Persons already registered

Every registered person shall undergo authentication/furnish proof of possession of Aadhaar number, in prescribed form and manner and within the prescribed time.

The manner in which aadhaar authentication needs to be done by a registered person is prescribed as under:-

A registered person, who has been issued a certificate of registration under GST, shall undergo authentication of the Aadhaar number of:-

- ***Proprietor, in the case of proprietorship firm,***
- ***Any partner, in the case of a partnership firm,***
- ***Karta, in the case of a Hindu undivided family,***
- ***Managing director or any whole-time director, in the case of a company,***
- ***Any of the Members of the Managing Committee of an Association of persons or body of individuals or a Society, or***
- ***Trustee in the Board of Trustees, in the case of a Trust;***

<u>and</u> of the Authorized Signatory,

in order to be eligible for the following purposes:

- ✓ ***for filing of application for revocation of cancellation of registration [Rule 23]***
- ✓ ***for filing of refund application in Form RFD-01 [Rule 89]***

✓ ***for refund of the IGST paid on goods exported out of India [Rule 96]***

B. Where Aadhaar number is not assigned

(1) In case of new applicant

If an aadhaar number is not assigned to a new applicant – either (i) an individual or (ii) person/class of persons (other than individual), such individual/person/class of persons shall be offered alternate and viable means of identification in the manner specified in rule 9[17].

Proviso to rule 9(1) provides that where

(i) a person fails to undergo authentication of aadhaar number or does not opt for authentication of Aadhaar number, or

(ii) a person, who has undergone authentication of Aadhaar number, is identified on the common portal, based on data analysis and risk parameters (presently in case pilot project in Gujarat), for carrying out physical verification of places of business

(iii) the proper officer, with the approval of an officer authorised by the Commissioner not below the rank of Assistant Commissioner, deems it fit to carry out physical verification of places of business

the registration shall be granted within 30 days of submission of application only after physical verification of the principal place of business in the presence of the said person, in the prescribed manner (specified in rule 25 discussed subsequently) and verification of such documents as the proper officer may deem fit.

Where the application submitted under rule 8 is found to be deficient, either in terms of any information or any document required to be furnished under the said rule, or where the proper

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[17] *Provisos to section 25(6B) and 25(6C) read with Notification No.s 18 and 19/2020 CT both dated 23.03.2020*

officer requires any clarification with regard to any information provided in the application or documents furnished therewith, he may issue a notice to the applicant electronically in within a period of 7 working days from the date of submission of the application and the applicant shall furnish such clarification, information or documents electronically within a period of 7 working days from the date of the receipt of such notice [Rule 9(2)].

However, in such cases, i.e. where:

(i) a person fails to undergo Aadhaar authentication/does not opt for Aadhaar authentication or

(ii) a person, who has undergone authentication of Aadhaar number, is identified on the common portal, based on data analysis and risk parameters (presently in case pilot project in Gujarat), for carrying out physical verification of places of business; or

(iii) PO deems it fit to carry out site verification,

the notice (in prescribed form) seeking clarifications/ information/ documents from the applicant may be issued by the proper officer not later than 30 days from the submission of the application for registration [Proviso to rule 9(2)].

2. In case of an already registered persons *[Rule 10B]*

If an Aadhaar number is not assigned to an existing registered person, such person shall be offered alternate and viable means of identification in the prescribed manner[18].

Such manner has been prescribed as follows:

If Aadhaar number has not been assigned to the person required to undergo authentication of the Aadhaar number, such person shall furnish the following identification documents, namely: –

(a) his/ her Aadhaar Enrolment ID slip; and

[18] *First proviso to section 25(6A)*

(b) (i) Bank passbook with photograph; or

(ii) Voter identity card issued by the Election Commission of India; or

(iii) Passport; or

(iv) Driving license issued by the Licensing Authority

However, once Aadhaar number is allotted to such person, he shall undergo the authentication of Aadhaar number within a period of 30 days of the allotment of the Aadhaar number.

In case of failure to undergo aadhaar authentication/furnish proof of possession of Aadhaar number/furnish alternate and viable means of identification, registration allotted to such person shall be deemed to be invalid and the other provisions of this Act shall apply as if such person does not have a registration[19].

C. Persons/class of persons exempt from aadhaar authentication

Section 25(6D) stipulates that above provisions shall not apply to such person or class of persons or any State or Union territory or part thereof, as may be notified.

Following persons have been notified in this regard[20]:

- A person who is not a citizen of India
- Department or establishment of State Government or Central Government
- Local authority
- Statutory body
- Public Sector Undertaking
- A person applying for Unique Identity Number under section 25(9)

[19] *Second proviso to section 25(6A)*
[20] *Notification No. 03/2021 CT dated 23.02.2021*

Furnishing of bank account details [Rule 10A]

As seen in the diagram outlining the procedure for registration, while filing the application for registration on GST portal, in Part B of the application form, a person is required to furnish the details of his bank account. Rule 10A relaxes this requirement to a limited extent. In pursuance to the same, the registered person is allowed to furnish information with respect to details of bank account, or any other information, as may be required on the common portal in order to comply with any other provision, soon after obtaining certificate of registration and a GSTIN, but not later than 45 days from the date of grant of registration or the date on which the return required under section 39 is due to be furnished, whichever is earlier.

In short, a taxpayer has an option to give his bank account details after obtaining registration, within 45 days from the date of grant of registration or the due date of furnishing return, whichever is earlier.

However, this relaxation is not available for those who have been granted registration as TDS deductor/ TCS collector under rule 12 or *suo-motu* registration under rule 16. They are mandatorily required to furnish the bank account details at the time of filing the application for registration.

Physical verification of business premises in certain cases [Rule 25]

Where the proper officer is satisfied that the physical verification of the place of business of a person is required due to failure of Aadhaar authentication or due to not opting for Aadhaar authentication before the grant of registration, or due to any other reason after the grant of registration, he may get such verification of the place of business, in the presence of the said person, done. The verification report along with the other documents, including photographs, shall be uploaded in prescribed form on the common portal within a period of 15 working days following the date of such verification.

Issuance of registration certificate [Rule 10]

Where the application for grant of registration has been approved, a certificate of registration [duly signed or verified through EVC by the proper officer] in **Form GST REG-06** showing the PPoB and APoB is made available to the applicant on the Common Portal and a Goods and Services Tax

Identification Number (hereinafter referred to as "GSTIN") i.e. the GST registration no. is communicated to applicant, within 3 days after the grant of registration.

GSTIN format

State Code	PAN	Entity Code	Check sum character

Display of registration certificate and GSTIN on the name board [Rule 18]

Every registered person shall display his registration certificate in a prominent location at his PPoB and at every APoB. Further, his GSTIN also has to be displayed on the name board exhibited at the entry of his PPoB and at every APoB.

(ix) Effective date of registration [Rule 10]

Where an applicant submits application for registration	**Effective date of registration is**
Within 30 days from the date the person becomes liable to registration	Date on which person becomes liable to registration
After 30 days from the date the person becomes liable to registration	Date of grant of registration

example

(19) Sugam Services Ltd. is engaged in taxable supply of services in Madhya Pradesh. The turnover of Sugam Services Ltd. exceeded ₹ 20 lakh on 1^{st} November. It is required to submit the application for registration upto 1^{st} December [30 days] in the State of Madhya Pradesh. It applies for registration on 28^{th} November and is granted registration certificate on 5^{th} December. The effective date of registration of Sugam Services Ltd. is 1^{st} November.

(20) In above example, if Sugam Services Ltd. applies for registration on 3rd December and is granted registration certificate on 10th December. The effective date of registration of Sugam Services Ltd. is 10th December.

(x) Special provisions for grant of registration in case of Non-Resident Taxable Person (NRTP) and Casual Taxable Person (CTP) [Sections 25 & 27 read with rules 13 & 15]

(A) Meaning of casual taxable person and non-resident taxable person

Before going into nuances of the registration provisions of CTP and NRTP, let us first understand the meaning of casual taxable person and non-resident taxable person:

Casual Taxable Person

There may be case where a person has a registered business in some State in India, but wants to effect supplies from some other State in which he does not have any fixed place of business. Such person needs to register in the State from where he seeks to supply as a 'casual taxable person'.

CGST Act defines a **casual taxable person** as 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/UT where he has no fixed place of business** [Section 2(20)]. Further, he cannot exercise the option to pay tax under composition levy.

(21) Krishnadev & Co., engaged in supplying taxable goods, is registered in Rajasthan. It wishes to participate in a 5 days' business exhibition being held in Delhi. However, it does not have a fixed place of business in Delhi. In this case, Krishnadev & Co. has to obtain registration as a casual taxable person in Delhi.

Non-Resident Taxable Person

A person who is a foreigner and occasionally wants to effect taxable supplies from any State in India needs GST registration for the same. Such person needs to register in the State from where he seeks to supply as a non-resident taxable person. CGST Act defines non-resident taxable person as any person who occasionally undertakes transactions involving supply of goods or services or both, whether as principal or agent or in any other capacity, but who has no fixed place of business or residence in India [Section 2(77)]. He cannot exercise the option to pay tax under composition levy.

Based on the aforesaid definitions, following points merit consideration:

- A CTP does not have a fixed place of business in the State/UT where he undertakes supply though he might be registered with regard to his fixed place of business in some other State/UT, while a NRTP does not have fixed place of business/residence in India at all.
- A CTP has to undertake transactions in the course or furtherance of business whereas the business test is absent in the definition of NRTP.

(B) Special registration provisions of casual taxable person and non-resident taxable person

GST law prescribes special procedure for registration, as also for extension of the operation period of such casual or non-resident taxable persons. They have to apply for registration at least 5 days in advance before making any supply. Also, registration is granted to them or period of operation is extended, only after they make advance deposit of the estimated tax liability. The **special registration procedure** pertaining to CTP and NRTP is as follows:

(A) Both CTP[21] and NRTP have to compulsorily get registered under GST irrespective of the threshold limit, at least 5 days prior to commencement of business.

(B) As per section 25(6), every person must have a PAN to be eligible for registration. Since NRTP will generally not have a PAN of India, he may be granted registration on the basis of other prescribed documents.

Thus, a NRTP being an individual has to submit a self-attested copy of his **valid passport** along with the application duly signed or verified through electronic verification code by his authorized signatory who is an Indian Resident having valid PAN. However, in case of a business entity incorporated or established outside India, the application for registration shall be submitted along with its tax identification number or unique number on the basis of which the entity is identified by the Government of that country or its PAN, if available.

Application will be submitted by NRTP in a different prescribed form whereas CTP will submit the application for registration in the normal form for application for registration i.e. Form GST REG 01 and his registration of CTP will be a PAN based registration.

(C) Period of validity of registration certificate granted to CTP/NRTP

Registration Certificate granted to CTP/NRTP will be valid for:

(i) Period specified in the registration application, or

(ii) 90 days from the effective date of registration [can be extended further by a period not exceeding 90 days by making an application before the end of the validity of registration granted to him]

[21] *Subject to exemption from registration under Notification No. 56/2018 CT dated 23.10.2018*

whichever is earlier.

Provisions relating to verification of application and grant of registration [under rules 9 and 10] will apply *mutatis mutandis*, to an application for registration filed by NRTP.

(D) Advance deposit of tax

At the time of submitting the registration application, CTP/NRTP are required to make an **advance deposit of tax**** of an amount equivalent to the estimated tax liability of such person for the period for which the registration is sought.

Further, CTP/NRTP will get a Temporary Reference Number (TRN) for making an advance deposit of tax which shall be credited to his electronic cash ledger. An acknowledgement of receipt of application for registration is issued only after said deposit

Such advance tax deposit amount should be calculated after considering the due eligible ITC which might be available to such casual taxable person *[Circular No. 71/45/2018 GST dated 26.10.2018]*.

***Where extension of time is sought, CTP/NRTP will deposit an additional amount of tax equivalent to the estimated tax liability of such person for the period for which the extension is sought.*

Registration of participants of long running exhibitions

In case of long running exhibitions (for a period more than 180 days), the taxable person cannot be treated as a CTP and thus such person would be required to obtain registration as a normal taxable person.

While applying for normal registration, the said person should upload a copy of the allotment letter granting him permission to use the premises for the exhibition and the allotment letter/consent letter shall be treated as the proper document as a proof for his place of business.

In such cases, he would not be required to pay advance tax [Refer Point D] for the purpose of registration. He can surrender such registration once the exhibition is over *[Circular No. 71/45/2018 GST dated 26.10.2018]*.

(xi) Deemed registration [Section 26]

Registration under GST is not tax specific, which means that there is single registration for all the taxes i.e. CGST, SGST/UTGST, IGST and cess.

Grant of registration/UIN under any SGST Act/ UTGST Act is deemed to be registration/UIN granted under CGST Act provided application for registration has not been rejected under CGST Act.

Further, rejection of application for registration/UIN under SGST Act/UTGST Act is deemed to be rejection of application for registration under CGST Act.

(xii) Special provisions for grant of registration in case of persons required to deduct tax at source under section 51 or to collect tax at source under section 52 [Rule 12]

An application for registration has to be submitted by such persons in a different prescribed form at GST Common Portal. They would be granted registration within **3 working days** from the date of submission of application after due verification.

When a person is applying for registration to collect TCS or to deduct TDS in a State/UT where he does not have a physical presence, he shall mention name of said State/UT in Part A of prescribed application form for registration. Further, the name of the State/UT in which his principal place of business is located is to be mentioned in Part B of the application form. Thus, States/UTs mentioned in Part A and Part B of the application form may be different.

Where, ***on a request made in writing by a person to whom a registration has been granted under rule 12(2)*** or upon an enquiry or pursuant to any other proceeding under the CGST Act, the proper officer is satisfied that a person to whom a certificate of registration has been issued is no longer liable to deduct tax at source under section 51 or collect tax at source under section 52, the said officer may cancel the registration issued and such cancellation shall be communicated to the said person electronically in prescribed form.

Proper Officer shall follow the procedure laid down for cancellation of registration prescribed under this Act and rules therein.

(xiii) Special provisions for grant of registration in case of person supplying online information and data base access or retrieval services (OIDAR services) from a place outside India to a non-taxable online recipient [Rule 14]

Application for registration has to be submitted by such persons in a different prescribed form. They would be granted registration subject to such conditions and restrictions and by such officer as may be notified by the Central Government on the recommendations of the Council.

In this Chapter, while elaborating the registration provisions contained in Chapter -III Registration of CGST Rules, 2017, only Registration forms - Form GST REG-01 and Form GST REG-06 have been discussed. Students are advised to go through various forms/formats relating to registration at http://www.cbic.gov.in. for knowledge purposes.

8. AMENDMENT OF REGISTRATION [SECTION 28]

STATUTORY PROVISIONS

Section 28	*Amendment of registration*
Sub-section	*Particulars*
(1)	*Every registered person and a person to whom a Unique Identity Number has been assigned shall inform the proper officer of any changes in the information furnished at the time of registration or subsequent thereto, in such form and manner and within such period as may be prescribed.*
(2)	*The proper officer may, on the basis of information furnished under sub-section (1) or as ascertained by him, approve or reject*

	amendments in the registration particulars in such manner and within such period as may be prescribed. *Provided that approval of the proper officer shall not be required in respect of amendment of such particulars as may be prescribed.* *Provided further that the proper officer shall not reject the application for amendment in the registration particulars without giving the person an opportunity of being heard.*
(3)	*Any rejection or approval of amendments under the State Goods and Services Tax Act or the Union Territory Goods and Services Tax Act, as the case may be, shall be deemed to be a rejection or approval under this Act.*

ANALYSIS

A registered person or UIN holder may need to make some changes/amendments in the registration application. There are two categories of details in registration application – core and non-core fields.

Core fields are name of the business, (legal name) if there is no change in PAN, addition / deletion of stakeholders[22], principal place of business (other than change in State) or additional place of business (other than change in State). All other fields are **non-core fields** like name of day to day functionaries, e-mail ids, mobile numbers etc.

In case the change is in **core information** in the registration application, the taxable person will apply for amendment within 15 days of the event necessitating the change. The proper officer, then, will approve the amendment within next 15 days. For other changes – **non-core information**, no approval of the proper officer is required, and the amendment can be affected by the taxable person on his own on the common portal.

The provisions relating to amendment of registration are contained in section 28 read with rule 19.

[22] *Refer diagram given on next page.*

The significant aspects of the same are discussed hereunder:

- Where there is any change in the particulars furnished in registration application/UIN application, registered person shall submit an application in prescribed manner, either at the time of obtaining registration or Unique Identity Number or as amended from time to time, **within 15 days** of such change, along with documents relating to such change at the Common Portal.
- **In case of amendment of core fields of information**, the proper officer may, on the basis of information furnished or as ascertained by him, approve or reject amendments in the registration particulars in the prescribed manner. Such amendment shall take effect from the date of occurrence of event warranting such amendment.
- However, **where change relates to non-core fields of information**, registration certificate shall stand amended upon submission of the application for amendment on the Common Portal.
- The proper officer shall not reject the application for amendment in the registration particulars without giving the person an opportunity of being heard.
- Any rejection or approval of amendments under the SGST/UTGST Act shall be deemed to be a rejection or approval under this Act also.
- Any particulars of the application for registration shall not stand amended with effect from a date earlier than date of submission of application for amendment on common portal except with order of Commissioner for reasons to be recorded in writing and subject to conditions specified by Commissioner in the said order.
- Application for amendment of registration cannot be filed for change in PAN because GST registration is PAN-based. One needs to make fresh application for registration in case there is change in PAN. Thus. where a change in the constitution of any business results in change of PAN of a registered person, the said person shall apply for fresh registration.

- Similarly, application for amendment of registration form cannot be filled if there is change in place of business from one State to the other because GST registrations are State-specific. If one wishes to relocate his business to another State, he must voluntarily cancel his current registration and apply for a fresh registration in the State he is relocating his business.

Core fields of information

Permission of proper officer required if change relates to **core fields of information**

And such change does not warrant cancellation of registration under section 29

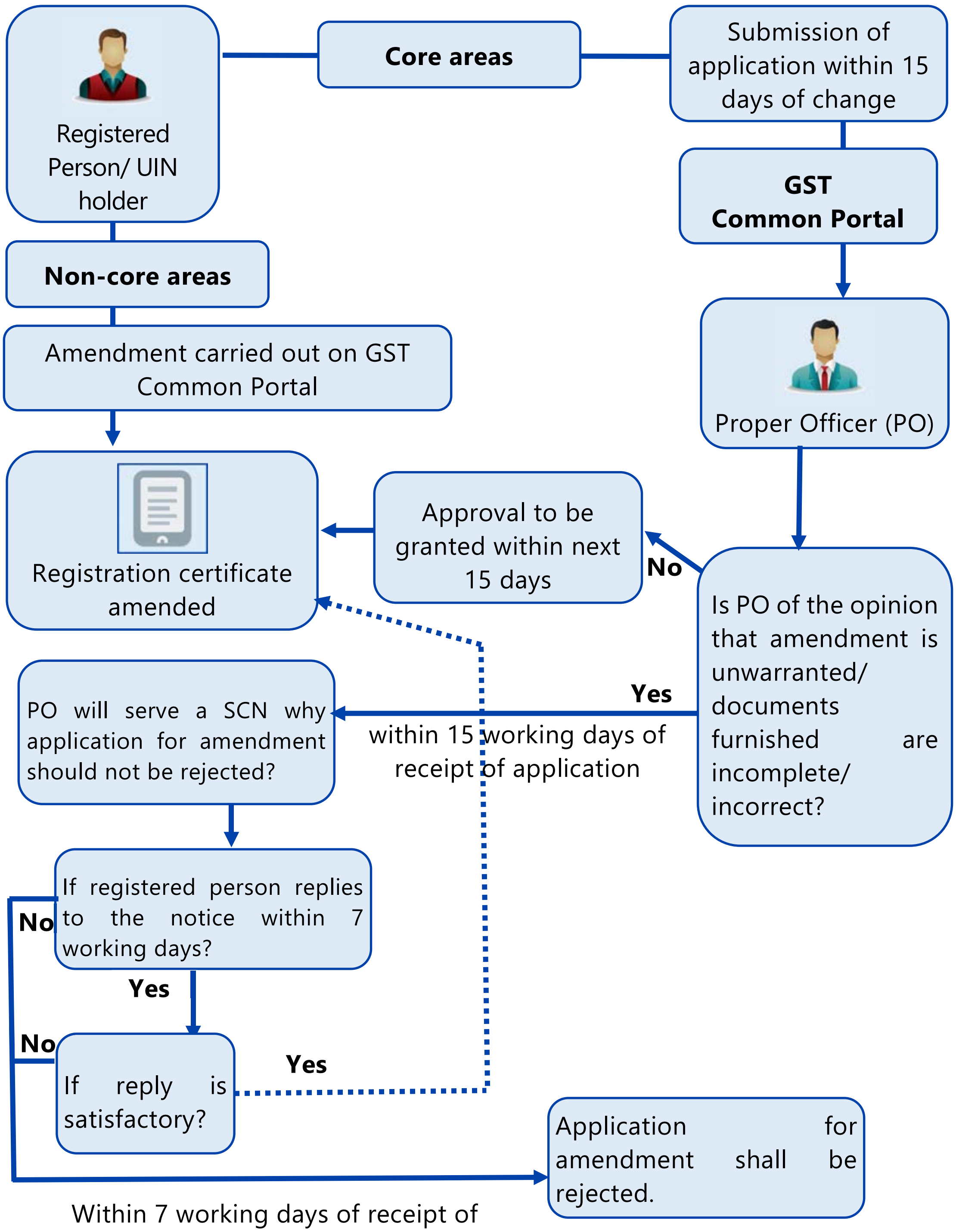
Legal name of business

Address of PPoB/APoB

Addition, deletion or retirement of stakeholders (partners or directors, Karta, Managing Committee, Board of Trustees, Chief Executive Officer or equivalent, responsible for day to day affairs of the business)

Change of these two particulars shall be applicable for all registrations of a registered person obtained under provisions of this Chapter on same PAN.

Mobile no./e-mail address of authorised signatory can be amended only after online verification through GST Portal.


Registered Person/ UIN holder
Core areas
Submission of application within 15 days of change
GST Common Portal
Proper Officer (PO)
Non-core areas
Amendment carried out on GST Common Portal
Registration certificate amended
Approval to be granted within next 15 days
No
Is PO of the opinion that amendment is unwarranted/ documents furnished are incomplete/ incorrect?
Yes
within 15 working days of receipt of application
PO will serve a SCN why application for amendment should not be rejected?
If registered person replies to the notice within 7 working days?
No
Yes
No
If reply is satisfactory?
Yes
Application for amendment shall be rejected.
Within 7 working days of receipt of

If the proper officer fails to take any action,-

(a) within a period of 15 working days from the date of submission of the application, or

(b) within a period of 7 working days from the date of the receipt of the reply to the show cause notice,

the certificate of registration shall stand amended to the extent applied for and the amended certificate shall be made available to the registered person on the common portal.

(22) Varun Enterprises, a sole proprietorship firm, is engaged in supply of electrical goods in Delhi. The firm is registered under GST. Varun is the proprietor of the firm. He wishes to expand his business and his friend – Arun - approaches him to provide additional capital for his business if he is made a partner in Varun's business.

Varun agrees and changes the constitution of his business and form a partnership firm – Varun Arun & Co. Since the change in constitution of business from sole proprietorship firm to partnership firm results in change in PAN of the registered person, the partnership firm has to apply for fresh registration. The reason for the same is that GSTIN is PAN based. Any change in PAN would warrant a new registration.

9. CANCELLATION OR SUSPENSION OF REGISTRATION AND REVOCATION OF CANCELLATION [SECTIONS 29 & 30]

STATUTORY PROVISIONS

Section 29	*Particulars*
Sub-section	*Cancellation or suspension of registration*
(1)	*The proper officer may, either on his own motion or on an application filed by the registered person or by his legal heirs, in*

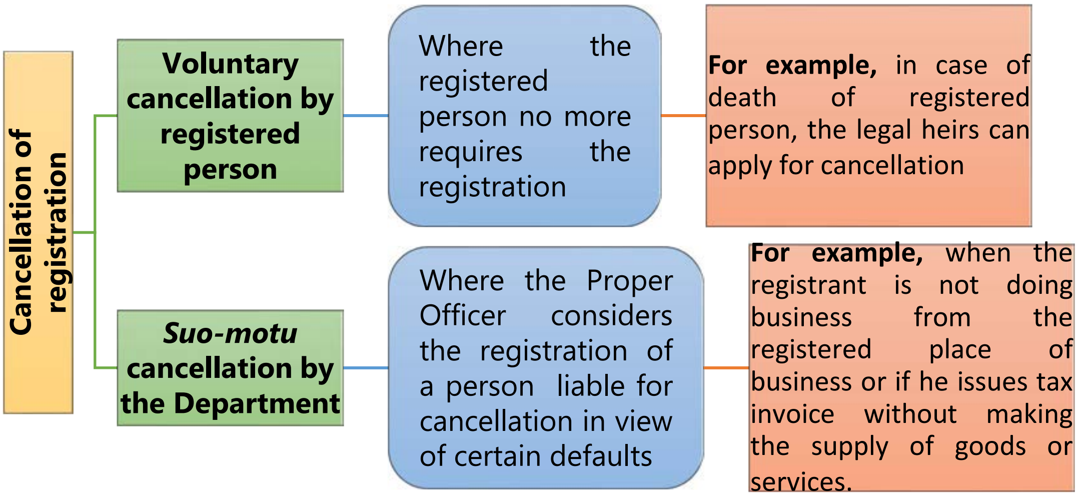
	case of death of such person, cancel the registration, in such manner and within such period as may be prescribed, having regard to the circumstances where:	
	(a)	*the business has been discontinued, transferred fully for any reason including death of the proprietor, amalgamated with other legal entity, demerged or otherwise disposed of*
	(b)	*there is any change in the constitution of the business*
	(c)	*the taxable person is no longer liable to be registered under section 22 or section 24 or intends to optout of the registration voluntarily made under sub-section (3) of section 25.*
	Provided that during pendency of the proceedings relating to cancellation of registration filed by the registered person, the registration may be suspended for such period and in such manner as may be prescribed.	
(2)	*The proper officer may cancel the registration of a person from such date, including any retrospective date, as he may deem fit, where,–*	
	(a)	*a registered person has contravened such provisions of the Act or the rules made thereunder as may be prescribed*
	(b)	*a person paying tax under section 10 has not furnished* ***the return for a financial year beyond three months from the due date of furnishing the said return***
	(c)	*any registered person, other than a person specified in clause (b), has not furnished returns for* ***such continuous tax period as may be prescribed***
	(d)	*any person who has taken voluntary registration under sub-section (3) of section 25 has not commenced business within six months from the date of registration*
	(e)	*registration has been obtained by means of fraud, wilful misstatement or suppression of facts*

	Provided that the proper officer shall not cancel the registration without giving the person an opportunity of being heard.
	Provided further that during pendency of the proceedings relating to cancellation of registration, the proper officer may suspend the registration for such period and in such manner as may be prescribed.
(3)	*The cancellation of registration under this section shall not affect the liability of the person to pay tax and other dues under this Act or to discharge any obligation under this Act or the rules made thereunder for any period prior to the date of cancellation whether or not such tax and other dues are determined before or after the date of cancellation.*
(4)	*The cancellation of registration under the State Goods and Services Tax Act or the Union Territory Goods and Services Tax Act, as the case may be, shall be deemed to be a cancellation of registration under this Act.*
(5)	*Every registered person whose registration is cancelled shall pay an amount, by way of debit in the electronic credit ledger or electronic cash ledger, equivalent to the credit of input tax in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock or capital goods or plant and machinery on the day immediately preceding the date of such cancellation or the output tax payable on such goods, whichever is higher, calculated in such manner as may be prescribed.* *Provided that in case of capital goods or plant and machinery, the taxable person shall pay an amount equal to the input tax credit taken on the said capital goods or plant and machinery, reduced by such percentage points as may be prescribed or the tax on the transaction value of such capital goods or plant and machinery under section 15, whichever is higher.*
(6)	*The amount payable under sub-section (5) shall be calculated in such manner as may be prescribed.*

Section 30	Revocation of cancellation of registration
(1)	*Subject to such conditions as may be prescribed, any registered person, whose registration is cancelled by the proper officer on his own motion, may apply to such officer for revocation of cancellation of the registration in* ***such manner, within such time and subject to such conditions and restrictions, as may be prescribed.***
(2)	*The proper officer may, in such manner and within such period as may be prescribed, by order, either revoke cancellation of the registration or reject the application.* *Provided that the application for revocation of cancellation of registration shall not be rejected unless the applicant has been given an opportunity of being heard.*
(3)	*The revocation of cancellation of registration under the State Goods and Services Tax Act or the Union Territory Goods and Services Tax Act, as the case may be, shall be deemed to be a revocation of cancellation of registration under this Act.*

ANALYSIS

The provisions relating to cancellation of registration and its revocation are contained in sections 29 & 30 respectively read with rules 20 to 23. The registration granted under GST can be cancelled for specified reasons. The cancellation can either be initiated by the Department on their own motion or the registered person can apply for cancellation of their registration.



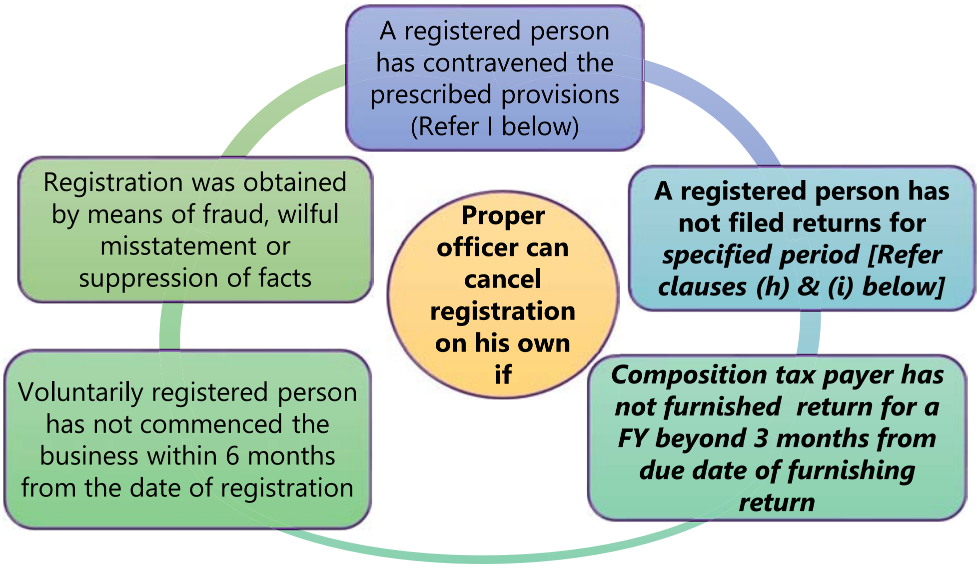
(i) Circumstances where registration is liable to be cancelled [Section 29(1) & (2)]

A. Circumstances when the registration can be cancelled either suo motu by proper officer or on an application of the registered person or his legal heirs (in case death of such person)

Cancellation by the registered person on its own or by the Department		
--Business discontinued --Transferred fully for any reason *including death of the proprietor* --Amalgamated with other legal entity --Demerged or --Otherwise disposed of	Change in the constitution of the business	Taxable person who is no longer liable to be registered under section 22 or section 24 or who intends to opt out of the voluntary registration.

B. Circumstances when the proper officer can cancel registration on his own

In the following cases, registration can be cancelled by the proper officer from such date, including any retrospective date, as he may deem fit after giving an opportuniy of being heard:



(I) Prescribed contraventions which make a registered person liable to cancellation of registration [Rule 21]: The registered person-

(a) does not conduct any business from the declared place of business, or

(b) issues invoice/bill without supply of goods/services in violation of the provisions of this Act, or the rules made thereunder.

(c) violates the provisions of section 171. *Section 171 contains provisions relating to anti-profeetering measure – discussed in detail in Chapter 24 – Miscellaneous Provisions in Module 3 of the Study Material.*

(d) violates the provision of rule 10A (discussed earlier in this chapter).

(e) avails input tax credit in violation of the provisions of section 16[23] of the CGST Act or the rules made thereunder; or

(f) furnishes the details of outward supplies in Form GSTR-1 under section 37 for one or more tax periods

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[23] *Provisions of section 16 have been discussed in detail in Chapter 7 – Input tax credit in this Module of the Study Material.*

which is in excess of the outward supplies declared by him in his valid return under section 39 for the said tax periods; or

(g) violates the provision of rule 86B[24].

(h) required to file return under section 39(1) for each month or part thereof (i.e. monthly return filer), has not furnished returns for a continuous period of 6 months.

(i) required to file return under proviso to section 39(1) for each quarter or part thereof (i.e. quarterly return filer), has not furnished returns for a continuous period of 2 tax periods.

C. Suspension of registration [First proviso to section 29(1) and second proviso to section 29(2) read with rule 21A]

Once a registered person has applied for cancellation of registration or the proper officer seeks to cancel his registration, the proper officer may suspend his registration during pendency of the proceedings relating to cancellation of registration filed. In this way, a taxpayer is barred from the routine compliances, including filing returns, under GST law during the pendency of the proceedings related to cancellation of registration.

The period and manner of suspension of registration is as follows:

1. **Where registered person has applied for cancellation of registration:** Where a registered person has applied for cancellation of registration, the registration shall be deemed to be suspended from:

   (a) the date of submission of the application

   or

   (b) the date from which the cancellation is sought,

[24] *Provisions of rule 86B have been discussed in detail in Chapter 7 – Input tax credit.*

whichever is later,

pending the completion of proceedings for cancellation of registration.

2. **Where cancellation of the registration has been initiated by the Department on its own motion:** Where the proper officer has reasons to believe that the registration of a person is liable to be cancelled, he may suspend the registration of such person **with effect from a date to be determined by him**, pending the completion of the proceedings for cancellation of registration.

Apart from the above, where, a comparison of the returns furnished by a registered person under section 39 with:

(a) the details of outward supplies furnished in Form GSTR-1; or

(b) the details of inward supplies derived based on the details of outward supplies furnished by his suppliers in their Form GSTR-1,

or such other analysis, as may be carried out on the recommendations of the Council, show that there are significant differences or anomalies indicating contravention of the provisions of the CGST Act or the rules made thereunder, leading to cancellation of registration of the said person, his registration shall be suspended.

Said person shall be intimated in prescribed form by sending a communication to his e-mail address provided at the time of registration or as amended from time to time.

In this intimation for suspension and notice for cancellation of registration, the said differences and anomalies are highlighted and said person is asked to explain, within a period of 30 days, as to why his registration shall not be cancelled.

3. A registered person, whose registration has been suspended as above:

- **shall not make any taxable supply**** during the period of suspension and
- shall not be required to furnish any return under section 39.

The expression **"shall not make any taxable supply" shall mean that the registered person shall not issue a tax invoice and, accordingly, not charge tax on supplies made by him during the period of suspension.

In cases where the cancellation is initiated by the Department on its own and registration of a person has been suspended, such person shall not be granted any refund under section 54[25], during the period of suspension of his registration.

4. The suspension of registration shall be deemed to be revoked upon completion of the cancellation proceedings by the proper officer. Such revocation shall be effective from the date on which the suspension had come into effect.

The suspension of registration may be revoked by the proper officer, anytime during the pendency of the proceedings for cancellation, if he deems fit.

5. Further, the suspension of registration shall be deemed to be revoked upon furnishing of pending GST returns, where GST registration was suspended due to non-filing of GST return for a financial year beyond 3 months from the due date of furnishing the said return by a composition taxpayer or returns for such continuous tax period as may be prescribed by registered persons (other than composition taxpayer) subject to the condition that the registration has not been cancelled by the proper officer under rule 22.

[25] *Section 54 contains provisions relating to refunds under GST discussed in Chapter 15 – Refunds in Module 3 of the Study Material.*

6. Where any order having the effect of revocation of suspension of registration has been passed, the provisions of section 31(3)(a) [revised tax invoices[26]] and section 40 [first return[27]] in respect of the supplies made during the period of suspension and the procedure specified therein shall apply.

(ii) Procedure for cancellation of registration [Rules 20 and 22]

(a) Voluntary cancellation by registered person

Application

- A registered person seeking cancellation of registration[28] shall electronically submit the application for cancellation of registration in prescribed form within 30 days of occurrence of the event warranting cancellation.
- He is required to furnish in the application the details of inputs held in stock or inputs contained in semi-finished/finished goods held in stock and of capital goods **held in stock on the date from which cancellation of registration is sought**, liability thereon, details of the payment, if any, made against such liability and may furnish relevant documents thereof.

Order

- Where a person who has submitted an application for cancellation of his registration is no longer liable to be registered, proper officer shall issue the order of cancellation of registration within 30 days from the date of submission of application for cancellation.

(b) *Suo-motu* cancellation by the Department

- Where the proper officer cancels the registration *suo-motu*, he shall not cancel the same without giving a show cause notice and without giving a reasonable opportunity of being heard, to the registered person. The reply to such show cause notice (SCN) has to be submitted within 7 days of service of notice.

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[26] *Provisions relating to revised tax invoice have been discussed in detail in Chapter 9 - Tax Invoice; Credit and Debit Notes in this Module of the Study Material.*

[27] *Provisions relating to first return have been discussed in detail in Chapter 13 - Returns in this Module of the Study Material.*

[28] *under section 29(1)*

- If reply to SCN is satisfactory, proper officer shall drop the proceedings and pass an order in prescribed form. However, where the person instead of replying to the SCN served for failure to furnish returns ***for a continuous period of 6 months or 2 tax periods, as the case may be*** (***return for a F.Y. beyond 3 months from due date of furnishing the said return*** in case of composition scheme supplier)[29] furnishes all the pending returns and makes full payment of the tax dues along with applicable interest and late fee, the proper officer shall drop the proceedings and pass an order.

  Where registration of a person is liable to be cancelled, proper officer shall issue the order of cancellation of registration within 30 days from the date of reply to SCN.

(c) Effective date of cancellation

- The cancellation of registration shall be effective from a date to be determined by the proper officer and mentioned in the cancellation order. The taxable person will be directed in the said order to pay arrears of any tax, interest or penalty including the amount liable to be paid under section 29(5).

(iii) Amount payable on cancellation of registration [Section 29(5) & (6)]

A registered person whose registration is cancelled will have to debit the electronic credit or cash ledger by **an amount equivalent to**:

(i) Input tax credit (ITC) in respect of:

- stock of inputs and inputs contained in semi-finished/finished goods' stock or
- capital goods or plant and machinery

on the day immediately preceding the date of cancellation, or

(ii) the output tax payable on such goods

whichever is higher, calculated **in such manner as may be prescribed**.

However, **in case of capital goods or plant and machinery**, the taxable person shall pay an amount equal to the input tax credit taken on the said

[29] *i.e., contravention of the provisions contained in section 29(2)(b)/(c) read with clauses (h) & (i) of rule 21*

capital goods or plant and machinery, reduced by such percentage points as may be prescribed or the tax on the transaction value of such capital goods or plant and machinery under section 15, whichever is higher.

The manner of determination of amount of credit to be reversed is prescribed under rule 44. On conjoint reading of section 29(5) and rule 44, it can be inferred as follows:

Amount of credit to be reversed in respect of INPUTS:

ITC in respect of inputs calculated in accordance with rule 44 of the CGST Rules

ITC on inputs computed proportionately on the basis of corresponding invoices** on which credit had been availed on such inputs.

Output tax payable on such goods

whichever is higher

** Discussed in detail in Chapter-7: Input Tax Credit*

***If tax invoices are not available, the ITC to be reversed will be based on the prevailing market price (MP) of such goods on the date of cancellation.*

Amount of credit to be reversed in respect of CAPITAL GOODS OR PLANT & MACHINERY:

ITC in respect of capital goods or plant & machinery calculated in accordance with rule 44 of the CGST Rules

ITC involved in the remaining useful life in months of the capital goods will be reversed on pro-rata basis, taking the useful life as 5 years

Tax on the transaction value of such capital goods or plant and machinery under section 15

whichever is higher

(23) Capital goods have been in use for 4 years, 6 month and 15 days. The useful remaining life in months = 5 months ignoring a part of the month.

ITC taken on such capital goods = C

ITC attributable to remaining useful life = C x 5/60

It is important to note that this requirement to debit the electronic credit and/or cash ledger by suitable amounts is not a prerequisite for applying for cancellation of registration. This can also be done at the time of submission of Final Return[30].

(iv) Other points about cancellation

- A person to whom a UIN has been granted under rule 17 cannot apply for cancellation of registration [Rule 20].
- The cancellation of registration will not affect liability of registered person to pay tax and other dues under the Act for any period prior to the date of cancellation[31] [Section 29(3)].

  (24) The proper officer cancelled the registration of Naman Associates on 11th October. The tax dues of Naman Associates for July-September quarter (determined by the proper officer on 16th December) are ₹ 50,000. The cancellation of registration of Naman Associates shall have no effect on his liability of tax dues of ₹ 50,000 even though the tax dues are determined after the cancellation of registration.

- The cancellation of registration under either SGST Act/UTGST Act shall be deemed to be a cancellation of registration under CGST Act [Section 29(4)].

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[30] *A taxable person whose GST registration is cancelled or surrendered has to file a return known as Final Return. This is statement of stocks held by such taxpayer on day immediately preceding the date from which cancellation is made effective. Detailed provisions of Final Return are discussed in Chapter 13 -Returns.*

[31] *whether or not such tax and other dues are determined before or after the date of cancellation.*

- Once registration is cancelled by the tax authority, the taxpayer will be intimated about the same via sms and email. Order for cancellation of registration will be issued and intimated to the primary authorized signatory by email and sms.
- Taxpayer would not be allowed to file return for the period after date of cancellation mentioned in the cancellation order. However, he can submit returns of the earlier period (i.e. for the period before date of cancellation mentioned in the cancellation order for which registration was active).

(v) Revocation of cancellation of registration [Section 30 read with rule 23]

(A) Procedure for revocation of cancellation

- Where the registration of a person is cancelled *suo-motu* by the proper officer, such registered person may apply for revocation of the cancellation to such proper officer, in ***such manner, within such time and subject to such conditions and restrictions, as may be prescribed.***

  Thus, a registered person, whose registration is cancelled by the proper officer on his own motion, may subject to provisions of rule 10B submit an application for revocation of cancellation of registration, in prescribed form, to such proper officer, within a period of 30 days from the date of the service of the order of cancellation of registration or within such time period as extended by the Additional Commissioner or the Joint Commissioner or the Commissioner, as the case may be, in exercise of the powers provided under the proviso to section 30(1), at the common portal, either directly or through a Facilitation Centre notified by the Commissioner.
- If the proper officer is satisfied that there are sufficient grounds for revocation of cancellation, he may revoke the cancellation of registration, by an order **within 30 days** of receipt of application and communicate the same to applicant.
- Otherwise, he may reject the revocation application. However, before rejecting the application, he has to first issue SCN to the

applicant who shall furnish the clarification within 7 working days of service of SCN. The proper officer shall dispose the application (accept/reject the same) within 30 days of receipt of clarification.

(B) Where registration was cancelled for failure of registered person to furnish returns

Where registration was cancelled for failure of registered person to furnish returns, before applying for revocation, the person has to make good the defaults, i.e. the person needs to file such returns and pay any amount due as tax along with any amount payable towards interest, penalty and late fee in respect of the said returns. However, the registration may have been cancelled by the proper officer either from the date of order of cancellation of registration or from a retrospective date.

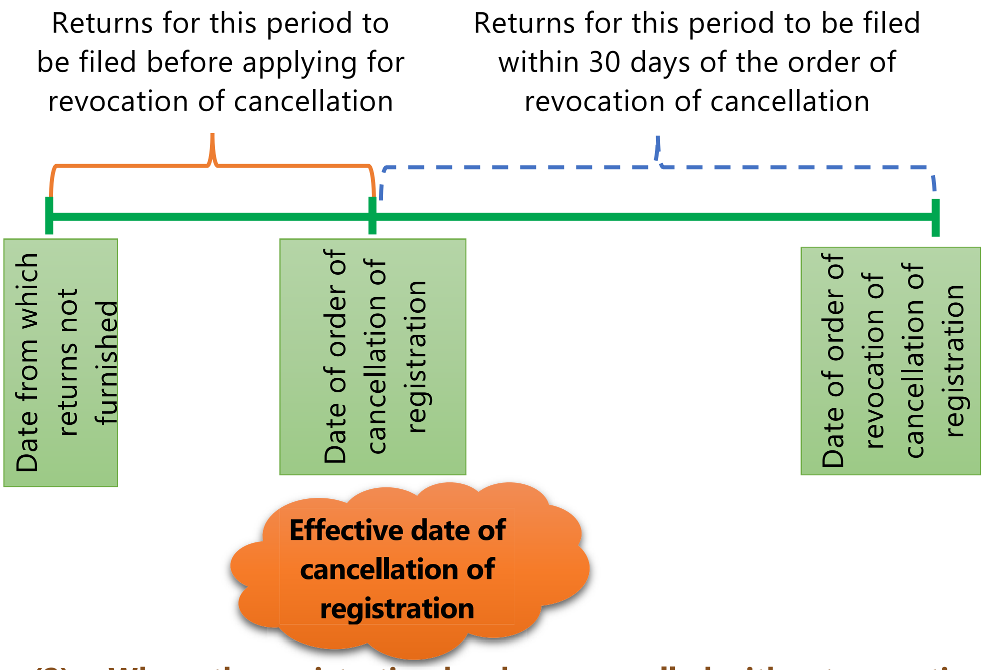
(1) Where the registration has been cancelled with effect from the date of order of cancellation of registration

As we have already seen that the common portal does not allow furnishing of returns for the period after the effective date of cancellation, but returns for the earlier period (i.e. for the period before date of cancellation mentioned in the cancellation order) can be furnished after cancellation.

Where the registration is cancelled with effect from the date of order of cancellation of registration, person applying for revocation of cancellation has to furnish all returns due till the date of such cancellation before the application for revocation can be filed and has to pay any amount due as tax, in terms of such returns along with any amount payable towards interest, penalties or late fee payable in respect of the said returns.

However, since the portal does not allow to furnish returns for the period after the date of cancellation of registration, all returns due for the period from the date of order of cancellation till the date of order of revocation of cancellation of registration have to be furnished *within a period of 30 days from the date of the order of revocation*.

(25) The registration of Naman Associates was cancelled by the proper officer by an order dated 1st June for its failure to furnish returns. The registration was cancelled with effect from 1st June itself. It applied for revocation of cancellation of registration and the order for revocation of cancellation of Naman Associates is passed on 31st July. In this case, Naman Associates shall be required to furnish all the returns for the period from 1st June to 31st July within a period of 30 days from 31st July, i.e. by 30th August.

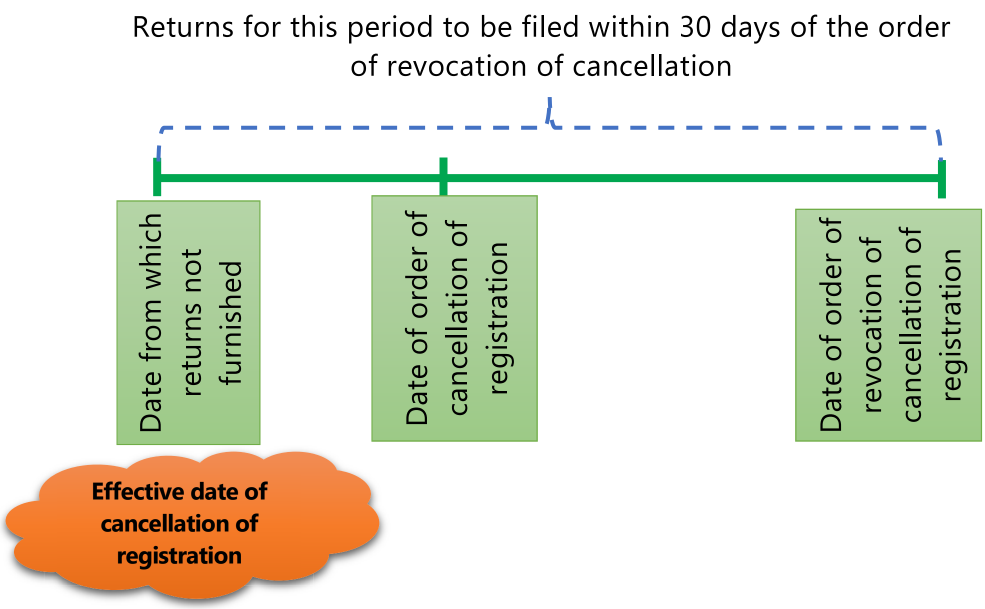


(2) Where the registration has been cancelled with retrospective effect

Where the registration has been cancelled with retrospective effect, it is not possible to furnish the returns before filing the application for revocation of cancellation of registration.

In that case, the application for revocation of cancellation of registration is allowed to be filed, subject to the condition that all returns relating to the period from the effective date of cancellation of registration till the date of order of revocation of cancellation of registration shall be filed within a period of 30 days from the date of order of such revocation of cancellation of registration.

(26) The registration of Naman Associates was cancelled by the proper officer by an order dated 1st June for its failure to furnish returns. The registration was cancelled with effect from 1st January itself. It applied for revocation of cancellation of registration and the order for revocation of cancellation of Naman Associates is passed on 31st July. In this case, Naman Associates shall be required to furnish all the returns for the period from 1st January to 31st July within a period of 30 days from 31st July, i.e. by 30th August.



Points to be noted

UIN Holders (i.e. UN Bodies, Embassies and Other Notified Persons), GST Practitioner cannot apply for revocation of cancelled registration. In case the registration is cancelled on the request of the taxpayer or his legal heir, one cannot apply for revocation of cancelled registration.

The revocation of cancellation of registration under the SGST Act/ UTGST Act, as the case may be, shall be deemed to be a revocation of cancellation of registration under CGST Act

LET US RECAPITULATE

Nature of registration

The registration in GST is PAN based and State specific.

One registration per State/UT.

However, a business entity having separate places of business in a State may obtain separate registration for each of its places of business .

GST identification number called "GSTIN" - a 15-digit number and a certificate of registration incorporating therein this GSTIN is made available to the applicant on the GSTN common portal.

Registration under GST is not tax specific, i.e. single registration for all the taxes i.e. CGST, SGST/UTGST, IGST and cesses.

Persons liable to registration

Those who exceed threshold limit	• Threshold limit elaborated separately in the diagram below.
In case of transfer of business on account of succession, etc.	• **transferee** liable to be registered from the date of succession of business
In case of amalgamation/ demerger by an order of High Court etc.	• **transferee** liable to be registered from the date on which Registrar of Companies issues incorporation certificate giving effect to order of High Court etc.

Taxable Supplies + Exempt supplies + Exports + Inter State supplies = **Aggregate Turnover**

Aggregate Turnover will be computed on All-India basis for same PAN

Applicable threshold limit

Threshold	States
States with threshold limit of ₹ 10 lakh for supplier of goods and/or services	• Manipur, Mizoram, Nagaland and Tripura
States with threshold limit of ₹ 20 lakh for supplier of goods and/or services	• Arunachal Pradesh, Meghalaya, Sikkim, Uttarakhand, Puducherry and Telangana
States with threshold limit of ₹ 20 lakh for supplier of services/both goods and services and threshold limit of ₹ 40 lakh for supplier of goods (Intra-State)	• Jammu and Kashmir, Assam, Himachal Pradesh, All other States

Compulsory registration in certain cases

- Persons making any inter-State taxable supply
- Casual taxable person who does not have a fixed place of business in the State or Union Territory from where he wants to make supply
- A person receiving supplies on which tax is payable by recipient on reverse charge basis
- Those ecommerce operators who are notified as liable for tax payment under section 9(5)
- Non-resident taxable persons who do not have a fixed place of business in India
- Persons who are required to deduct tax under section 51 (TDS)
- A person who supplies on behalf of some other taxable person (i.e. an Agent of some Principal)
- Suppliers other than notified under section 9(5) who supply through an e-commerce operator
- Every e-commerce operator who is required to collect tax at source
- Every person supplying OIDAR services from a place outside India to a person in India other than a registered person
- Input Service Distributor, whether or not separately registered under this Act
- Person/ class of persons notified by the Central/ State Government

Persons not liable for registration

- Person engaged exclusively in supplying goods/ services/ both not liable to tax/ wholly exempt from tax
- Agriculturist limited to supply of produce out of cultivation of land
- Persons making only reverse charge supplies
- Persons making inter-State supplies of taxable services up to ₹ 20 lakh**
- Persons making inter-State taxable supplies of notified handicraft goods and notified hand-made goods up to ₹ 20 lakh**
- Casual Taxable Persons making inter-State taxable supplies of notified handicraft goods and notified hand-made goods up to ₹ 20 lakh**
- Persons making supplies of services through an ECO [other than supplies specified under section 9(5)] with aggregate turnover up to ₹ 20 lakh**

**₹ 10 lakh in case of Special Category States of Mizoram, Tripura, Manipur and Nagaland

Where and by when to apply for registration?

Person who is liable to be registered under section 22 or section 24	A casual taxable person or a non-resident taxable person	A person who makes a supply from the territorial waters of India
•in every such State/UT in which he is so liable •within 30 days from the date on which he becomes liable to registration	•in every such State/UT in which he is so liable •at least 5 days prior to the commencement of business	•in the coastal State/UT where the nearest point of the appropriate base line is located. •within 30 days from the date on which he becomes liable to registration

Voluntary Registration and UIN

Voluntary Registration

Person not liable to be registered under sections 22/24 may get himself registered voluntarily.

Unique Identification Number (UIN)

In respect of supplies to some notified agencies of United Nations organisation, multinational financial institutions and other organisations, a UIN is issued.

Effective date of registration

Application submitted **within 30 days** of the applicant becoming liable to registration

- Effective date is the date on which he becomes liable to registration

Application submitted after **30 days** of the applicant becoming liable to registration

- Effective date is date of grant of registration

Deemed registration

Deemed registration	
Grant of registration/UIN under any SGST Act/ UTGST Act is deemed to be registration/UIN granted under CGST Act provided application for registration has not been rejected under CGST Act.	Rejection of application for registration/UIN under SGST Act/UTGST Act is deemed to be rejection of application for registration under CGST Act.

Procedure for registration

Part I

Every person liable to get registered and person seeking voluntary registration shall, before applying for registration, declare his Permanent Account Number (PAN) and State/UT in **Part A of FORM GST REG-01** on GST Common Portal.

↓

PAN is validated online by Common Portal from CBDT database and ***is also be verified through separate OTPs sent to the PAN linked mobile number and e-mail address.***

↓

Temporary Reference Number (TRN) is generated and communicated to the applicant on the validated mobile number and e-mail address.

↓

Using TRN, applicant shall electronically submit application in Part B of application form, along with specified documents at the Common Portal.

Part B of application contains the details, such as, constitution of business, jurisdiction, option for composition, date of commencement of business, reason to obtain registration, address of PPoB and nature of activity carried out therein, details of APoB, details of bank account(s), details of authorized signatory, aadhaar authentication, etc.

On receipt of such application, an acknowledgement in the prescribed form shall be issued to the applicant electronically. A **Casual Taxable Person (CTP)** applying for registration gets a TRN for making an advance deposit of tax in his electronic cash ledger and an acknowledgement is issued only after said deposit.*

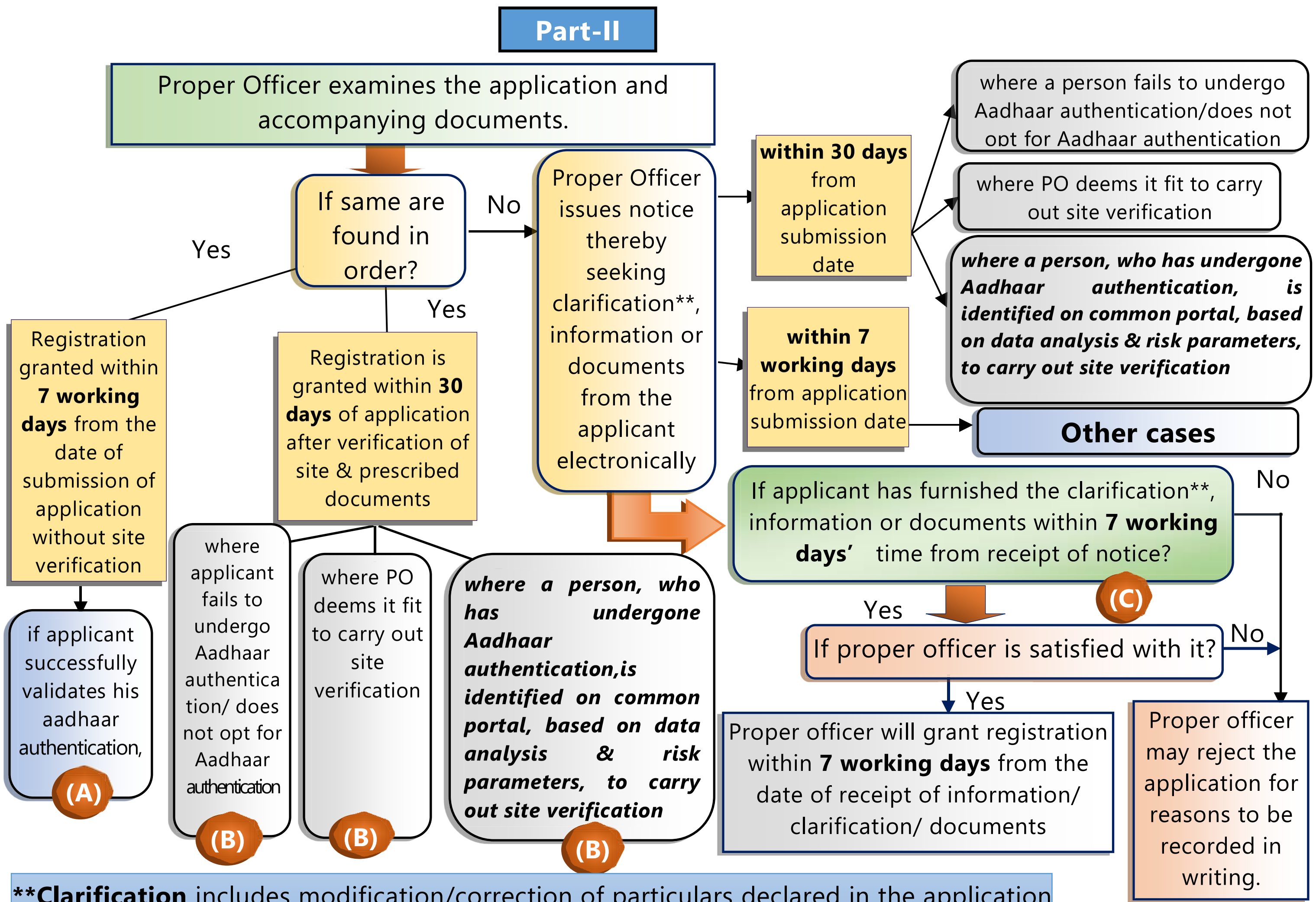
↓

Application shall be forwarded to the Proper Officer.

↓

The procedure after receipt of application by the Proper Officer is depicted in Part II.

* *Discussed in detail in subsequent paras.*



****Clarification** includes modification/correction of particulars declared in the application for registration other than PAN, State Mobile No. & E-mail address.

Special procedure for registration of CTP and NRTP

Casual Taxable Person

A Casual taxable person is one who has a registered business in some State in India, but wants to effect supplies from some other State in which he is not having any fixed place of business.

Such person needs to register in the State from where he seeks to supply as a Casual taxable person.

Non-resident Taxable Person

A Non-Resident taxable person is one who is a foreigner and occasionally wants to effect taxable supplies from any State in India, and for that he needs GST registration.

Casual Taxable Person | Non-resident taxable person

GST law prescribes special procedure for registration, as also for extension of the operation period of such Casual or Non-Resident taxable persons.

They have to apply for registration at least 5 days in advance before making any supply.

Registration is granted to them or period of operation is extended only after they make advance deposit of the estimated tax liability.

Registration is granted to them for the period specified in the registration application or 90 days from the effective date of registration.

Amendment of Registration

Except for the changes in some core information in the registration application, a taxable person shall be able to make amendments without requiring any specific approval from the tax authority.

In case the change is core fields of information, the taxable person will apply for amendment within 15 days of the event necessitating the change. The Proper Officer, then, will approve the amendment within the next 15 days.

For changes in non-core fields, no approval of the Proper Officer is required, and the amendment can be affected by the taxable person on his own on the common portal.

Cancellation or suspension of registration and revocation of cancellation of registration

Registration can be cancelled either by proper officer or on an application of the registered person

- --Business discontinued/ Transferred/ Amalgamated with other legal entity/ Demerged or Otherwise disposed of
- Change in the constitution of the business
- Taxable person no longer liable to be registered or intends to opt out of voluntary registration

Registration can be cancelled by the proper officer on his own

- A registered person has contravened the prescribed provisions
- A registered person has not filed returns for *continuous 6 months* ***or 2 tax periods*** (***return for a F.Y. beyond 3 months from due date of furnishing the said return*** for composition supplier)
- Voluntarily registered person has not commenced the business within 6 months from the date of registration
- Registration was obtained by means of fraud, wilful misstatement or suppression of facts

Once a registered person has applied for cancellation of registration or the proper officer seeks to cancel his registration, proper officer may suspend his registration during pendency of proceedings relating to cancellation of registration filed by such registered person.

Procedure for cancellation

Where the registered person applies for cancellation

Registered person seeking cancellation shall apply for the same within **30 days** of occurrence of the event warranting cancellation, in prescribed form, furnishing the details of inputs held in stock or inputs contained in semi-finished/finished goods held in stock and of capital goods held in stock on the date from which cancellation of registration is sought, liability thereon, payment, if any made & relevant documents.

Proper officer (PO) shall issue the order of cancellation within 30 days of submission of application for the same.

Where the proper officer cancels the registration

PO shall issue a SCN to the registered person who has to reply to said notice

- Proceedings shall be dropped
  - If reply to SCN is satisfactory
  - Where instead of replying to SCN, person furnishes all pending returns & makes full payment of tax along with interest & late fee.
- Cancellation order shall be issued within 30 days of reply to SCN where registration is liable to be cancelled

Revocation of cancellation

In case where registration is cancelled *suo-motu* by the proper officer, the taxable person can apply within 30 days (extendible by 30 days by Additional/Joint Commissioner and by further 30 days by Commissioner) of service of cancellation order, requesting the officer for revoking the cancellation ordered by him.

However, before so applying, the person has to make good the defaults (by filing all pending returns, making payment of all dues and so) for which the registration was cancelled by the officer.

If satisfied, the proper officer will revoke the cancellation earlier ordered by him.

However, if the officer concludes to reject the request for revocation of cancellation, he will first observe the principle of natural justice by way of issuing notice to the person and hearing him on the issue.

However, there shall be deemed revocation of cancellation upon furnishing of pending GST returns subject to the condition that the registration has not been cancelled by the proper officer under rule 22

TEST YOUR KNOWLEDGE

1. *Mahadev Enterprises, a sole proprietorship firm, opened a shopping complex dealing in supply of ready-made garments at multiple locations, i.e. in Himachal Pradesh, Uttarakhand and Tripura in the month of June.*

It has furnished the following details relating to the supply made at such multiple locations for the month of June:-

Particulars	***Himachal Pradesh***	***Uttarakhand***	***Tripura***
	(₹) *	***(₹) ****	***(₹) ****
Intra-State supply of taxable goods	*22,50,000*	*-*	*7,00,000*
Intra-State supply of exempted goods	*-*	*-*	*6,00,000*
Intra-State supply of non-taxable goods	*-*	*21,00,000*	*40,000*

** excluding GST*

With the help of the above mentioned information, answer the following questions giving reasons:-

(1) Determine whether Mahadev Enterprises is liable to be registered under GST law and what is the threshold limit of taking registration in this case assuming that it is not required to pay any tax on inward supplies under reverse charge.

(2) Explain with reasons whether your answer in (1) will change in the following independent cases:

(a) If Mahadev Enterprises is dealing exclusively in taxable supply of goods only from Himachal Pradesh;

(b) If Mahadev Enterprises is dealing in taxable supply of goods and services only from Himachal Pradesh;

(c) *If Mahadev Enterprises is dealing in taxable supply of goods only from Himachal Pradesh and has also effected inter-State supplies of taxable goods (other than notified handicraft goods and notified hand-made goods) amounting to ₹ 4,00,000.*

2. *LMN Pvt. Ltd., Coimbatore, Tamil Nadu, exclusively manufactures and sells product 'X' which is exempt from GST vide a notification issued under relevant GST legislations. The company sells product 'X' only within Tamil Nadu and is not registered under GST. Further, all the inward supply of the company are taxable under forward charge. The turnover of the company in the previous year was ₹ 45 lakh. The company expects the sales to grow by 30% in the current year. The company purchased additional machinery for manufacturing 'X' on 1st July. The purchase price of the capital goods was ₹ 30 lakh exclusive of GST @ 18%.*

   However, effective from 1st November, exemption available on 'X' was withdrawn by the Central Government and GST @ 12% was imposed thereon. The turnover of the company for the half year ended on 30th September was ₹ 45 lakh.

   (a) *Examine the above scenario and advise LMN Pvt Ltd. whether it needs to get registered under GST.*

   (b) *If the answer to the above question is in affirmative, advise LMN Pvt. Ltd. whether it can avail input tax credit on the additional machinery purchased exclusively for manufacturing "X"?*

3. *SNP Pvt. Ltd., Coimbatore, Tamil Nadu, exclusively manufactures and sells product 'Z' which is exempt from GST vide notifications issued under relevant GST legislations. The company sells product 'Z' only within Tamil Nadu and it not registered under GST. Further, all the inward supplies of the company are taxable under forward charge. The turnover of the company in the previous year was ₹ 55 lakh. The company expects the sales to grow by 20% in the current year. Owing to the growing demand for the product, the company decided to increase its production capacity and purchased additional machinery for manufacturing 'Z' on 1st July. The purchase price of such capital goods was ₹ 20 lakh exclusive of GST @ 18%.*

However, effective from 1st November, exemption available on 'Z' was withdrawn by the Central Government and GST @ 12% was imposed thereon. The turnover of the company for the half year ended on 30th September was ₹ 50 lakh.

(a) The Board of Directors of SNP Pvt. Ltd. wants to know whether they have to register under GST?

(b) In case in the above question, SNP Pvt. Ltd. is already registered with respect to certain taxable supplies being made by it along with manufacture of exempt product 'Z', other facts remaining the same, can it take input tax credit on additional machinery purchased exclusively for manufacturing 'Z'? If yes, then how much credit can be availed?

Advice SNP Pvt. Ltd. on the above issues with reference to the provisions of GST law.

4. *Rishabh Enterprises – a sole proprietorship firm – started an air-conditioned restaurant in Virar, Maharashtra in the month of February wherein the customers are served cooked food as well as cold drinks/non-alcoholic beverages. In March, the firm opened a liquor shop in Raipur, Uttarakhand for trading of alcoholic liquor for human consumption.*

Determine whether Rishabh Enterprises is liable to be registered under GST law with the help of the following information:

Particulars	***February (₹) ****	***March (₹) ****
Serving of cooked food and cold drinks/non-alcoholic beverages in restaurant in Maharashtra	*5,50,000*	*6,50,000*
Sale of alcoholic liquor for human consumption in Uttarakhand		*5,00,000*
Supply of packed food items from restaurant in Maharashtra	*1,50,000*	*2,00,000*

** excluding GST*

You are required to provide reasons for treatment of various items given above.

5. *With the help of the following information in the case of M/s Jayant Enterprises, Jaipur (Rajasthan) for the financial year, determine the aggregate turnover for the purpose of registration under the CGST Act.*

Sl. No.	**Particulars**	**Amount (₹)**
(i)	Sale of diesel on which VAT is levied by Rajasthan Government.	1,00,000
(ii)	Supply of goods, after completion of job work, from the place of Jayant Enterprises directly by principal by declaring the place of M/s Jayant Enterprises as its additional place of business.	3,00,000
(iii)	Export of goods to England (U.K.)	5,00,000
(iv)	Supply to its own additional place of business in Rajasthan.	5,00,000
(v)	Outward supply of services on which GST is to be paid by recipient under reverse charge.	1,00,000

All the above amounts are excluding GST.

You are required to provide reasons for treatment of various items given above.

6. *Rajesh Dynamics, having its head office in Chennai, Tamil Nadu carries on the following activities with respective turnovers in a financial year:*

	₹
Supply of petrol at Chennai, Tamil Nadu	18,00,000
Value of inward supplies on which tax is payable on reverse charge basis	9,00,000
Supply of transformer oil at Chennai, Tamil Nadu	2,00,000
Value of branch transfer from Chennai, Tamil Nadu to Bengaluru, Karnataka without payment of consideration	1,50,000
Value of taxable supplies at Manipur branch	11,50,000

It argues that it does not have taxable turnover crossing threshold limit of ₹ 40,00,000 either at Chennai, Tamil Nadu, Bengaluru, Karnataka or Manipur branch. Further, it believes that the determination of aggregate turnover is not required for the purpose of obtaining registration but is required for determining the eligibility for composition levy.

Determine the aggregate turnover of Rajesh Dynamics. You are also required to review the technical veracity of the arguments of Rajesh Dynamics.

ANSWERS/HINTS

1. As per section 22 read with *Notification No. 10/2019 CT dated 07.03.2019,* a supplier is liable to be registered in the State/ Union territory from where he makes a taxable supply of goods and/or services, if his aggregate turnover in a financial year exceeds the threshold limit. The threshold limit for a person making exclusive intra-State taxable supplies of goods is as under:-

(i) ₹ 10 lakh for the States of Mizoram, Tripura, Manipur and Nagaland.

(ii) ₹ 20 lakh for the States of Arunachal Pradesh, Meghalaya, Puducherry, Sikkim, Telangana and Uttarakhand.

(iii) ₹ 40 lakh for rest of India.

The threshold limit for a person exclusively making taxable supply of services or supply of both goods and services is as under:-

(i) ₹ 10 lakh for the States of Mizoram, Tripura, Manipur and Nagaland.

(ii) ₹ 20 lakh for the rest of India.

As per section 2(6), aggregate turnover includes the aggregate value of:

(i) all taxable supplies,

(ii) all exempt supplies,

(iii) exports of goods and/or services and

(iv) all inter-State supplies of persons having the same PAN.

The above is to be computed on all India basis.

In the light of the afore-mentioned provisions, the aggregate turnover of Mahadev Enterprises is computed as under:

Computation of State-wise aggregate turnover of Mahadev Enterprises

Particulars	**Himachal Pradesh**	**Uttarakhand**	**Tripura**
	(₹)*	**(₹)***	**(₹)***
Intra-State supply of taxable goods	22,50,000	-	7,00,000
Intra-State supply of exempted goods	-	-	6,00,000
Intra-State supply of non-taxable goods (Refer Note below)	-	21,00,000	40,000
Aggregate Turnover	**22,50,000**	**21,00,000**	**13,40,000**

Note: As per section 2(47), exempt supply includes non-taxable supply. Thus, intra-State supply of non-taxable goods in Uttarakhand, being a non-taxable supply, is an exempt supply and is, therefore, included in the aggregate turnover.

In the given case, Mahadev Enterprises is engaged in exclusive intra-State supply of goods from Himachal Pradesh, Tripura and Uttarakhand. However, since Mahadev Enterprises makes taxable supply of goods from one of the specified Special Category States (i.e. Tripura), it will not be eligible for the higher threshold limit of ₹ 40 lakh; instead, the threshold limit for registration will be reduced to ₹ 10 lakh.

(1) In view of the above-mentioned provisions, Mahadev Enterprises is liable to be registered under GST law with the aggregate turnover amounting to ₹ 56,90,000 (computed on all India basis) of the States of Himachal Pradesh, Uttarakhand and Tripura since the applicable threshold limit of registration in this case is ₹ 10 lakh. Further, he is not liable to be registered in Uttarakhand since he is not making any taxable supply from Uttarakhand.

(2) (a) If Mahadev Enterprises is dealing in supply of goods only from Himachal Pradesh, the applicable threshold limit of registration would be ₹ 40 lakh. Thus, Mahadev Enterprises will not be liable for registration as its aggregate turnover would be ₹ 22,50,000.

(b) If Mahadev Enterprises is dealing in taxable supply of goods and services only from Himachal Pradesh then higher threshold limit of ₹ 40 lakh will not be applicable as the same applies only in case of exclusive supply of goods. Therefore, in this case, the applicable threshold limit will be ₹ 20 lakh and hence, Mahadev Enterprises will be liable to registration.

(c) In case of inter-State supplies of taxable goods other than notified handicraft goods or notified hand-made products, section 24 requires compulsory registration irrespective of the quantum of aggregate turnover. Thus, Mahadev Enterprises will be liable to registration.

2. (a) Section 22(1) read with *Notification No. 10/2019 CT dated 07.03.2019 inter alia* provides that every supplier who is exclusively **engaged in intra-State supply of goods** is liable to be registered under GST in the State/ Union territory from where he makes the taxable supply of goods only when aggregate turnover in a financial year exceeds ₹ 40,00,000.

However, the above provisions are not applicable to few specified States, *i.e.* States of Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Puducherry, Sikkim, Telangana, Tripura, Uttarakhand.

Further, a person exclusively engaged in the business of supplying goods and/or services that are not liable to tax or are wholly exempt from tax is not liable to registration in terms of section 23(1)(a).

In the given case, the turnover of the company for the half year ended on 30th September is ₹ 45 lakh which is more than the applicable threshold limit of ₹ 40 lakh. Therefore, as per above mentioned provisions, the company should be liable to registration. However, since LMN Pvt. Ltd. supplied exempted goods till 31st October, it was not required to be registered till that day; though voluntary registration was allowed under section 25(3).

However, the position will change from 1st November as the supply of goods become taxable from that day and the turnover of company is above ₹ 40 lakh. It is important to note here that in terms of section 2(6), the aggregate turnover limit of ₹ 40 lakh includes exempt turnover also.

Therefore, turnover of 'X' prior to 1st November will also be considered for determining the limit of ₹ 40 lakh even though the same was exempt from GST. Therefore, the company needs to register within 30 days from 1st November (the date on which it becomes liable to registration) in terms of section 25(1).

(b) Section 18(1)(a) provides that a person who has applied for registration within 30 days from the date on which he becomes liable to registration and has been granted such registration shall be entitled to take credit of input tax in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock on the day immediately preceding the date from which he becomes liable to pay tax under the provisions of this Act.

Thus, LMN Pvt. Ltd. cannot avail credit for additional machinery purchased exclusively for manufacturing X as input tax credit of only inputs is allowed when a person gets registered for the first time.

3. **(a)** Section 22(1) read with *Notification No. 10/2019 CT dated 07.03.2019 inter alia* provides that every supplier who is exclusively **engaged in intra-State supply of goods** is liable to be registered under GST in the State/ Union territory from where he makes the taxable supply of goods only when aggregate turnover in a financial year exceeds ₹ 40,00,000.

However, the above provisions are not applicable to few specified States, *i.e.* States of Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Puducherry, Sikkim, Telangana, Tripura, Uttarakhand.

However, a person exclusively engaged in the business of supplying goods and/or services that are not liable to tax or are wholly exempt from tax is not liable to registration in terms of section 23(1)(a).

In the given case, the turnover of the company for the half year ended on 30th September is ₹ 50 lakh which is more than the applicable threshold limit of ₹ 40 lakh. Therefore, as per section 22, the company will be liable to registration. However, since SNP Pvt. Ltd. supplied exempted goods till 31st October, it was not required to be registered till that day; though voluntary registration was allowed under section 25(3).

However, the position will change from 1st November as the supply of goods become taxable from that day and the turnover of company is above ₹ 40 lakh. It is important to note here that in terms of section 2(6), the aggregate turnover limit of ₹ 40 lakh includes exempt turnover also.

Therefore, turnover of 'Z' will be considered for determining the threshold limit even though the same was exempt from GST. Therefore, the company needs to register within 30 days from 1st November (the date on which it becomes liable to registration) in terms of section 25(1).

Further, the company cannot avail exemption of ₹ 40 lakh from 1st November as the GST law does not provide any threshold exemption from payment of tax but threshold exemption from obtaining registration (which in this case had been crossed).

(b) Rule 43(1)(a) of the CGST Rules, 2017 disallows input tax credit on capital goods used or intended to be used exclusively for effecting exempt supplies.

However, as per section 18(1)(d), where an exempt supply of goods and/or services by a registered person becomes a taxable supply, such person gets entitled to take credit of input tax in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock relatable to such exempt supply and on capital goods exclusively used for such exempt supply on the day immediately preceding the date from which such supply becomes taxable.

Rule 40(1)(a) of the CGST Rules, 2017 lays down that the credit on capital goods can be claimed after reducing the tax paid on such capital goods by 5% per quarter of a year or part thereof from the date of the invoice.

Therefore, in the given case, SNP Pvt. Ltd. could not claim credit on machinery till the time the supply of product 'Z' for which said machinery was being used was exempt. However, it can claim credit from 31st October - the day immediately preceding the date from which the supply of product 'Z' became taxable (1st November).

The credit will be available for the remaining useful life of the machinery and will be computed as follows:

Date of purchase of machinery	1st July
Date on which credit becomes eligible	31st October
Number of quarters for which credit is to be reduced	2 (including part of quarter)
GST paid on machinery [₹ 20,00,000 x 18%]	₹ 3,60,000
Credit to be reduced [₹ 3,60,000 x 5% x 2]	₹ 36,000
Amount of credit that can be taken [₹ 3,60,000 – ₹ 36,000]	**₹ 3,24,000**

4. As per section 22 read with *Notification No. 10/2019 CT dated 07.03.2019*, a supplier is liable to be registered in the State/ Union territory from where he makes a taxable supply of goods and/or services, if his aggregate turnover in a financial year exceeds the threshold limit. The threshold limit for a person making exclusive intra-State taxable supplies of goods is as under:-

(i) ₹ 10 lakh for the States of Mizoram, Tripura, Manipur and Nagaland.

(ii) ₹ 20 lakh for the States of Arunachal Pradesh, Meghalaya, Puducherry, Sikkim, Telangana and Uttarakhand.

(iii) ₹ 40 lakh for rest of India.

The threshold limit for a person making exclusive taxable supply of services or supply of both goods and services is as under:-

(i) ₹ 10 lakh for the States of Mizoram, Tripura, Manipur and Nagaland.

(ii) ₹ 20 lakh for the rest of India.

As per section 2(6), aggregate turnover includes the aggregate value of:

(i) all taxable supplies,

(ii) all exempt supplies,

(iii) exports of goods and/or services and

(iv) all inter-State supplies of persons having the same PAN.

The above is computed on all India basis. Further, the aggregate turnover excludes central tax, State tax, Union territory tax, integrated tax and cess. Moreover, the value of inward supplies on which tax is payable under reverse charge is not taken into account for calculation of 'aggregate turnover'.

In the given question, since Rishabh Enterprises is engaged in making taxable supplies of goods and services from Maharashtra and non-taxable supplies from Uttarakhand, the threshold limit for obtaining registration is ₹ 20 lakh.

In the light of the afore-mentioned provisions, the aggregate turnover of Rishabh Enterprises is computed as under:

Computation of aggregate turnover of Rishabh Enterprises

Particulars	**Turnover of February (₹)**	**Cumulative turnover of February & March (₹)**
Serving of cooked food and cold drinks/non-alcoholic beverages in restaurant in Maharashtra	5,50,000	12,00,000 [₹ 5,50,000 + ₹ 6,50,000]
Add: Sale of alcoholic liquor for human consumption in Uttarakhand [As per section 2(47), exempt supply includes non-taxable supply. Thus, supply of alcoholic liquor for human consumption in Uttarakhand, being a non-taxable supply, is an exempt supply and is, therefore,		5,00,000

includible while computing the aggregate turnover.]		
Add: Supply of packed food items from restaurant in Maharashtra	1,50,000	3,50,000 [₹ 1,50,000 + ₹ 2,00,000]
Aggregate Turnover	7,00,000	20,50,000

Rishabh Enterprises was not liable to be registered in the month of February since its aggregate turnover did not exceed ₹ 20 lakh in that month. However, since its aggregate turnover exceeds ₹ 20 lakh in the month of March, it should apply for registration within 30 days from the date on which it becomes liable to registration. Further, he is not liable to be registered in Uttarakhand since he is not making any taxable supply from Uttarakhand. It should obtain registration in Maharashtra.

5. Computation of aggregate turnover of M/s Jayant Enterprises for the FY

Particulars	**₹**
Supply of diesel on which Sales Tax (VAT) is levied by Rajasthan Government [Note-1]	1,00,000
Supply of goods, after the completion of job work, from the place of Jayant Enterprises, directly by the principal [Note-2]	Nil
Export supply to England [Note-3]	5,00,000
Supply to its own additional place of business in Rajasthan[32] [Note-4]	Nil
Outward supply of services on which GST is to be paid by recipient under reverse charge [Note-5]	1,00,000
Aggregate turnover	**7,00,000**

[32] *The above solution has been worked out on the assumption that supply to another place of business is without consideration (as per general business practices).*

Notes:-

1. As per section 2(47), exempt supply includes non-taxable supply. Thus, supply of diesel, being a non-taxable supply, is an exempt supply and exempt supply is specifically includible in aggregate turnover in terms of section 2(6).

2. Supply of goods after completion of job work by a principal by declaring the place of business of job worker its additional place of business shall be treated as the supply of goods by the principal in terms of explanation (ii) to section 22.

3. Export supplies are specifically includible in the aggregate turnover in terms of section 2(6).

4. Supply made without consideration to units within the same State is a not a supply and hence not includible in aggregate turnover.

5. Outward supplies taxable under reverse charge would be part of the "aggregate turnover" of the supplier of such supplies. Such turnover is not included as turnover in the hands of recipient.

   As per section 22 read with *Notification No. 10/2019 CT dated 07.03.2019,* a supplier is liable to be registered in the State/ Union territory from where he makes a taxable supply of goods and/or services, if his aggregate turnover in a financial year exceeds the threshold limit. The threshold limit for a person making exclusive intra-State taxable supplies of goods is as under:-

   (i) ₹ 10 lakh for the States of Mizoram, Tripura, Manipur and Nagaland.

   (ii) ₹ 20 lakh for the States of Arunachal Pradesh, Meghalaya, Puducherry, Sikkim, Telangana and Uttarakhand.

   (iii) ₹ 40 lakh for rest of India.

   The threshold limit for a person making exclusive taxable supply of services or supply of both goods and services is as under:-

   (i) ₹ 10 lakh for the States of Mizoram, Tripura, Manipur and Nagaland.

   (ii) ₹ 20 lakh for the rest of India.

The applicable turnover limit for registration, in the given case, will be ₹ 20 lakh as Rajasthan is not a Special Category State and M/s. Jayant Enterprises is engaged in supply of goods and services. Although, the aggregate turnover of M/s Jayant Enterprises does not exceed ₹ 20 lakh, it is compulsorily required to register in terms of section 24(i) irrespective of the turnover limit as it is engaged in making inter-State supply of goods in the form of exports to England.

6. Computation of aggregate turnover of Rajesh Dynamics:

Particulars	**₹**
Supply of petrol at Chennai, Tamil Nadu [Being a non-taxable supply, it is an exempt supply and thus, includible in aggregate turnover vide section 2(6)]	18,00,000
Value of inward supplies on which tax is payable on reverse charge basis	Nil
Supply of transformer oil at Chennai, Tamil Nadu	2,00,000
Value of branch transfer from Chennai, Tamil Nadu to Bengaluru, Karnataka without payment of consideration [Being a taxable supply, it is includible in aggregate turnover]	1,50,000
Value of taxable supplies of Manipur Branch	11,50,000
Aggregate turnover	**33,00,000**

Rajesh Dynamics is not liable to be registered in Chennai, Tamil Nadu, if his aggregate turnover in a financial year does not exceed ₹ 40 lakh. However, since Rajesh Dynamics also makes taxable supplies from Manipur, a specified Special Category State, the threshold exemption gets reduced to ₹ 10 lakh in terms of section 22(1) *[Notification No.10/2019-CT dated. 07.03.2019]*.

Rajesh Dynamics' argument that it is not liable to registration since the threshold exemption of ₹ 40 lakh is not being crossed either at Chennai, Tamil Nadu, Bengaluru, Karnataka or Manipur is not correct as firstly, the aggregate turnover to be considered in its case is ₹ 10 lakh and not ₹ 40 lakh and secondly, the same is computed on all India basis and not State-wise.

Apart from this, Rajesh Dynamics is also wrong in believing that aggregate turnover is computed only for the purpose of determining the eligibility limit for composition levy since the aggregate turnover is required for determining the eligibility for both registration and composition levy.

Last but not the least, Rajesh Dynamics is compulsorily required to register under section 24 irrespective of the turnover limit as it is liable to pay tax on inward supplies under reverse charge and it also makes inter-State taxable supply.

NOTES

NOTES

CHAPTER 9

TAX INVOICE, CREDIT AND DEBIT NOTES

The section numbers referred to in the Chapter pertain to CGST Act, unless otherwise specified. Examples/Illustrations/Questions and Answers given in the Chapter are based on the position of GST law existing as on 30.04.2023.

LEARNING OUTCOMES

After studying this chapter, you will be able to- –

- describe and analyze the provisions relating to tax invoice in case of taxable supply of goods and in case of taxable supply of services – time limit and manner of issuing the same.
- enumerate the particulars of a tax invoice.
- understand the provisions relating to e-invoicing.
- explain the provisions relating to revised tax invoice, bill of supply, receipt voucher, refund voucher, payment voucher, etc.
- explain the provisions relating to transportation of goods without issuance of invoice.
- describe the provisions relating to issuance of credit and debit notes.
- explain the provisions relating to prohibition of unauthorised collection of tax.
- describe the provisions relating to amount of tax to be indicated in tax invoice and other documents.

1. INTRODUCTION

An invoice is a commercial instrument issued by a supplier of goods/services to a recipient. It identifies both the parties involved, and lists, describes the items sold/services supplied, quantifies the items sold, shows the date of shipment and mode of transport, prices and discounts, if any, and the delivery and payment terms (in case of supply of goods).

Invoicing is very crucial aspect for ensuring tax compliance under any indirect taxation system. In order to ensure transparency, issuance of invoice for every taxable transaction is a pre-requisite. In case of supply of goods or provision of services, an invoice is raised by the supplier of such goods or services to the recipient of the same. Tax invoice acts as a document evidencing the payment of the value of the goods or services or both as also the tax portion in the same. In certain cases, an invoice serves as a demand for payment and becomes a document of title when paid in full.

Under the GST regime, an "invoice" or "tax invoice" means the tax invoice referred to in section 31 of the CGST Act, 2017. This section mandates the issuance of an invoice or a bill of supply for every supply of goods or services.

Under GST law, a tax invoice is an important document. It not only evidences supply of goods or services, but is also an essential document for the recipient to avail Input Tax Credit (ITC). A registered person cannot avail input tax credit unless he is in possession of a tax invoice or a debit note.

The provisions relating to tax invoices, credit and debit notes are contained in Chapter VII - Tax Invoice, Credit and Debit Notes [Sections 31 to 34] of the CGST Act and Chapter-VI: Tax Invoice, Credit and Debit Notes [Rules 46 to 55A] of Central Goods and Services (CGST) Rules, 2017. State GST laws also prescribe identical provisions in relation to Tax Invoice, Credit and Debit Notes.

Provisions of Tax invoice, Credit and Debit Notes under CGST Act have also been made applicable to IGST Act vide section 20 of the IGST Act.

Before proceeding to understand the provisions of Tax Invoice, Credit and Debit Notes, let us first go through few relevant definitions.

2. RELEVANT DEFINITIONS

- **Credit note:** means a document issued by a registered person under sub-section (1) of section 34 [Section 2(37)].

- **Debit note:** means a document issued by a registered person under sub-section (3) of section 34 [Section 2(38)].

- **Continuous supply of goods:** means [Section 2(32)]:

a supply of goods which is provided, or agreed to be provided, continuously or on recurrent basis
under a contract
whether or not by means of a wire, cable, pipeline or other conduit, and
for which the supplier invoices the recipient on a regular or periodic basis and
includes supply of such goods as the Government may, subject to such conditions, as it may, by notification, specify

- **Continuous supply of services:** means [Section 2(33)]:

supply of services which is provided, or agreed to be provided, continuously or on recurrent basis
under a contract
for a period exceeding 3 months with periodic payment obligations and
includes supply of such services as the Government may, subject to such conditions, as it may, by notification, specify

- **Document:** includes written or printed record of any sort and electronic record as defined in clause (t) of section 2 of the Information Technology Act, 2000 [Section 2(41)]. Information Technology Act defines electronic record as data, record or data generated, image or sound stored, received or sent in an electronic form or micro film or computer-generated micro fiche.

- **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 [Section 2(47)].
- **Invoice or tax invoice:** means the tax invoice referred to in section 31 *(discussed subsequently)* [Section 2(66)].
- **Quarter:** shall mean a period comprising three consecutive calendar months, ending on the last day of March, June, September and December of a calendar year [Section 2(92)].
- **Return:** means any return prescribed or otherwise required to be furnished by or under this Act or the rules made thereunder [Section 2(97)].

3. TAX INVOICE [SECTION 31]

STATUTORY PROVISIONS

Section 31	*Tax invoice*
Sub-section	***Particulars***
(1)	*A registered person supplying taxable goods shall, before or at the time of,—* *(a) removal of goods for supply to the recipient, where the supply involves movement of goods; or* *(b) delivery of goods or making available thereof to the recipient, in any other case, issue a tax invoice showing the description, quantity and value of goods, the tax charged thereon and such other particulars as may be prescribed:* *Provided that the Government may, on the recommendations of the Council, by notification, specify the categories of goods or supplies in respect of which a tax invoice shall be issued, within such time and in such manner as may be prescribed.*

(2)	*A registered person supplying taxable services shall, before or after the provision of service but within a prescribed period, issue a tax invoice, showing the description, value, tax charged thereon and such other particulars as may be prescribed.* *Provided that the Government may, on the recommendations of the Council, by notification—* *(a) specify the categories of services or supplies in respect of which a tax invoice shall be issued, within such time and in such manner as may be prescribed;* *(b) subject to the condition mentioned therein, specify the categories of services in respect of which—* *(i) any other document issued in relation to the supply shall be deemed to be a tax invoice; or* *(ii) tax invoice may not be issued.*
(3)	*Notwithstanding anything contained in sub-sections (1) and (2)–* *(a) a registered person may, within one month from the date of issuance of certificate of registration and in such manner as may be prescribed, issue a revised invoice against the invoice already issued during the period beginning with the effective date of registration till the date of issuance of certificate of registration to him;* *(b) a registered person may not issue a tax invoice if the value of the goods or services or both supplied is less than two hundred rupees subject to such conditions and in such manner as may be prescribed;* *(c) a registered person supplying exempted goods or services or both or paying tax under the provisions of section 10 shall issue, instead of a tax invoice, a bill of supply containing such particulars and in such manner as may be prescribed:* *Provided that the registered person may not issue a bill of supply if the value of the goods or services or both supplied is less than two hundred rupees subject to such conditions and in such manner as may be prescribed;* *(d) a registered person shall, on receipt of advance payment with respect to any supply of goods or services or both, issue*

	a receipt voucher or any other document, containing such particulars as may be prescribed, evidencing receipt of such payment; *(e) where, on receipt of advance payment with respect to any supply of goods or services or both the registered person issues a receipt voucher, but subsequently no supply is made and no tax invoice is issued in pursuance thereof, the said registered person may issue to the person who had made the payment, a refund voucher against such payment;* *(f) a registered person who is liable to pay tax under sub-section (3) or sub-section (4) of section 9 shall issue an invoice in respect of goods or services or both received by him from the supplier who is not registered on the date of receipt of goods or services or both;* *(g) a registered person who is liable to pay tax under sub-section (3) or sub-section (4) of section 9 shall issue a payment voucher at the time of making payment to the supplier.*
(4)	*In case of continuous supply of goods, where successive statements of accounts or successive payments are involved, the invoice shall be issued before or at the time each such statement is issued or, as the case may be, each such payment is received.*
(5)	*Subject to the provisions of clause (d) of sub-section (3), in case of continuous supply of services,––* *(a) where the due date of payment is ascertainable from the contract, the invoice shall be issued on or before the due date of payment;* *(b) where the due date of payment is not ascertainable from the contract, the invoice shall be issued before or at the time when the supplier of service receives the payment;* *(c) where the payment is linked to the completion of an event, the invoice shall be issued on or before the date of completion of that event.*
(6)	*In a case where the supply of services ceases under a contract before the completion of the supply, the invoice shall be issued at*

	the time when the supply ceases and such invoice shall be issued to the extent of the supply made before such cessation.
(7)	*Notwithstanding anything contained in sub-section (1), where the goods being sent or taken on approval for sale or return are removed before the supply takes place, the invoice shall be issued before or at the time of supply or six months from the date of removal, whichever is earlier.*
Explanation.––For the purposes of this section, the expression "tax invoice" shall include any revised invoice issued by the supplier in respect of a supply made earlier.	
Section 31A	***Facility of digital payment to recipient***
	The Government may, on the recommendations of the Council, prescribe a class of registered persons who shall provide prescribed modes of electronic payment to the recipient of supply of goods or services or both made by him and give option to such recipient to make payment accordingly, in such manner and subject to such conditions and restrictions, as may be prescribed.

ANALYSIS

The provisions relating to Tax Invoice are provided under Section 31 of the CGST Act as well as Chapter-VI: Tax Invoice, Credit and Debit Notes of Central Goods and Services (CGST) Rules, 2017. The provisions contained in these rules have been incorporated at the relevant places.

There is no format prescribed for the Tax Invoice. Only certain fields have been prescribed as mandatory fields.

A. TAX INVOICE ISSUED BY A SUPPLIER OF TAXABLE GOODS/ TAXABLE SERVICES

A tax invoice shall be issued by a registered person supplying taxable goods or taxable services or both. Such tax invoice shall show the prescribed particulars.

(i) Time limit for issuance of invoice [Sections 31(1), (2), (4) & (5) read with rule 47]

The time for issuing an invoice would depend on the nature of supply viz. whether it is a supply of goods or supply of services.

A registered person supplying taxable goods shall issue a tax invoice, before or at the time of removal of goods (where supply involves movement of goods) or in any other case, before or at the time of delivery or making available the said goods to the recipient.

In case of supply of taxable services, tax invoice may be issued before or after the provision of services, but within the specified period.

Government may notify the categories of services in respect of which any other document issued in relation to supply shall be deemed to be a tax invoice or tax invoice may not be issued subject to specified conditions.

The Government may, on the recommendations of the Council, by notification, specify the categories of goods or services supplies in respect of which a tax invoice shall be issued, within such time and in such manner as may be prescribed.

In case of taxable supply of goods	In case of taxable supply of services
Invoice shall be issued **before or at the time of**,—	Invoice shall be issued **before or after** the provision of service, but within a period of **30 days*** from the date of supply of service.
(a) removal of goods for supply to the	***45 days** in case of an insurer or banking company or financial institution, including a non- banking financial company (NBFC)

<table>
<tr><td>recipient, where the supply involves movement of goods; or</td><td colspan="2" rowspan="2">An insurer or a banking company or a financial institution, including NBFC, or a telecom operator, or any other class of supplier of services as may be notified by the Government, making taxable supplies of services between distinct persons as specified in section 25
↓ may issue the invoice
before or at the time such supplier records the same in his books of account or before the expiry of the quarter during which the supply was made</td></tr>
<tr><td>(b) delivery of goods or making available thereof to the recipient, in any other case.</td></tr>
<tr><td>In case of continuous supply of goods</td><td colspan="2">In case of continuous supply of services</td></tr>
<tr><td rowspan="4">Where successive statements of accounts/ successive payments are involved, the invoice shall be issued before/at the time each such statement is issued or each such payment is received.</td><td>Where</td><td>the invoice shall be issued</td></tr>
<tr><td>(a) due date of payment is ascertainable from the contract</td><td>on or before the due date of payment</td></tr>
<tr><td>(b) due date of payment is not ascertainable from the contract</td><td>before or at the time when the supplier of service receives the payment</td></tr>
<tr><td>(c) payment is linked to the completion of an event</td><td>on or before the date of completion of that event.</td></tr>
</table>

(1) Ritu Manufacturers, Delhi supplies goods to Prakhar Electronics, Haryana. The goods were removed from its factory in Delhi on 23rd September. Ritu Manufacturers needs to issue a tax invoice on or before 23rd September.

(2) Katyani Security Services Ltd. provides security services to Royal Jewellers for their Jewellery Exhibition to be organized on 5th October. Katyani Security Services Ltd. needs to issue a tax invoice within 30 days of supply of security services, i.e. on or before 4th November.

(ii) Where supply of services ceases before its completion [Section 31(6)]

In a case where the supply of services ceases under a contract before the completion of the supply, the invoice shall be issued at the time when the supply ceases and such invoice shall be issued to the extent of the supply made before such cessation.

(iii) Goods sent on sale or return basis [Section 31(7)]

Where the goods being sent or taken on approval for sale or return are removed before the supply takes place, the invoice shall be issued:

(i) before/at the time of supply

or

(ii) 6 months from the date of removal

whichever is earlier.

The goods which are taken for supply on approval basis can be moved from the place of business of the registered supplier to another place within the same State or to a place outside the State on a delivery challan *[discussed subsequently in this Chapter in detail]* along with the e-way bill[1] wherever applicable. The invoice may be issued at the time of delivery of goods. For this purpose, the person carrying the goods for such supply can carry the

[1] E-way bill is a document which is required to be carried by the person-in charge of the conveyance for the movement of goods from the supplier's premises to the recipient's premises. Detailed provisions have been discussed in Chapter 10 – Accounts and Records; E-way Bill in this Module of the Study Material.

invoice book with him so that he can issue the invoice in accordance within the time stipulated above, once the supply is fructified.

Goods sent/ taken out of India for exhibition or on consignment basis for export promotion

Sometimes the goods are sent or taken out of India for exhibition or on consignment basis for export promotion. The activity of sending/ taking the goods out of India for exhibition or on consignment basis for export promotion, except when such activity satisfy the tests laid down in Schedule I (hereinafter referred to as specified goods), do not constitute supply as the said activity does not fall within the scope of section 7 as there is no consideration at that point in time.

The specified goods sent/taken out of India are required to be either sold or brought back within the stipulated period of 6 months from the date of removal as per the provisions contained in section 31(7).

The supply would be deemed to have taken place, on the expiry of 6 months from the date of removal, if the specified goods are neither sold abroad nor brought back within the said period.

If the specified goods are sold abroad, fully or partially, within the specified period of 6 months, the supply is effected, in respect of quantity so sold, on the date of such sale. In that case, the sender shall issue a tax invoice in respect of such quantity of specified goods which has been sold abroad, in accordance with the provisions contained in section 12 and section 31 read with rule 46.

When the specified goods sent / taken out of India have neither been sold nor brought back, either fully or partially, within the stipulated period of 6 months, as laid down in section 31(7), the sender shall issue a tax invoice on the date of expiry of 6 months from the date of removal, in respect of such quantity of specified goods which have neither been sold nor brought back, in accordance with the provisions contained in section 12 and section 31 read with rule 46 *[Circular No. 108/27/2019 GST dated 18.07.2019]*.

The above position is explained by way of example below:

(3) M/s. ABC sends 100 units of specified goods out of India. The activity of merely sending/ taking such specified goods out of India is not a supply. No tax invoice is required to be issued in this case, but the specified goods shall be accompanied with a delivery challan issued in accordance with the provisions contained in rule 55.

In case the entire quantity of specified goods is brought back within the stipulated period of 6 months from the date of removal, no tax invoice is required to be issued as no supply has taken place in such a case.

In case, however, the entire quantity of specified goods is neither sold nor brought back within 6 months from the date of removal, a tax invoice would be required to be issued for entire 100 units of specified goods in accordance with the provisions contained in section 12 and section 31 with rule 46 within the time period stipulated under section 31(7).

(iv) Particulars of a tax invoice [Sections 31(1) & (2) read with rule 46]

As discussed earlier, there is no format prescribed for an invoice, but rules make it mandatory for an invoice to have the following fields (only applicable fields are to be filled):

<table>
<tr><td colspan="2">Name, address and GSTIN of the supplier;</td></tr>
<tr><td colspan="2">A consecutive serial number not exceeding 16 characters, in one or multiple series, containing alphabets/numerals/special characters hyphen or dash and slash, and any combination thereof, unique for a FY;</td></tr>
<tr><td colspan="2">Date of its issue;</td></tr>
<tr><td colspan="2">If recipient is registered - Name, address and GSTIN or UIN of recipient</td></tr>
<tr><td>If recipient is unregistered and value of supply is</td><td>Particulars of invoice</td></tr>
<tr><td>₹ 50,000 or more</td><td>Name and address of the recipient and the address of delivery, along with the name of State and its code</td></tr>
<tr><td>less than ₹ 50,000</td><td>unregistered recipient may still request</td></tr>
</table>

	the aforesaid details to be recorded in the tax invoice
Where any taxable service is supplied by or through an electronic commerce operator or by a supplier of OIDAR services to a recipient who is unregistered, irrespective of the value of such supply, a tax invoice issued by the registered person shall contain the name and address of the recipient along with its PIN code and the name of the State and the said address shall be deemed to be the address on record of the recipient.	
HSN code for goods or services;	
Description of goods or services;	
Quantity in case of goods and unit or Unique Quantity Code thereof;	
Total value of supply of goods or services or both;	
Taxable value of supply of goods or services or both taking into account discount or abatement, if any;	
Rate of tax (central tax, State tax, integrated tax, Union territory tax or cess);	
Amount of tax charged in respect of taxable goods or services (central tax, State tax, integrated tax, Union territory tax or cess);	
Place of supply along with the name of State, in case of a supply in the course of inter-State trade or commerce;	
Address of delivery where the same is different from the place of supply;	
Whether the tax is payable on reverse charge basis; and	
Signature or digital signature of the supplier or his authorized representative (not required in case of issuance of an electronic invoice in accordance with the provisions of the Information Technology (IT) Act, 2000).	
Quick Response code, having embedded Invoice Reference Number (IRN) in it, in case e-invoice has been issued[2]	

[2] *in the manner prescribed under rule 48(4)*

Note: ***The taxpayers exempted from the mandatory requirement of e-invoicing (discussed subsequently) are required to provide a declaration on the tax invoice stating that though their aggregate turnover exceeds the notified aggregate turnover for e-invoicing, they are not required to prepare an e-invoice.***

(v) Number of HSN digits required on tax invoice and class of registered person not required to mention HSN [Rule 46]

Board may, on the recommendations of the Council, by notification, specify:

(i) the number of digits of Harmonised System of Nomenclature (HSN) code for goods or services that a class of registered persons shall be required to mention; or

(ii) a class of supply of goods or services for which specified number of digits of HSN code shall be required to be mentioned by all registered taxpayers; and

(iii) the class of registered persons that would not be required to mention the HSN code for goods or services.

This provision is also applicable to Bill of Supply [The concept of Bill of Supply is discussed in subsequent paras].

In view of the above powers, following has been notified vide *Notification No. 12/2017 CT dated 28.06.2017* as amended.

S.No.	Aggregate Turnover (AT) in the preceding FY	Number of Digits of HSN Code
1.	AT ≤₹ 5 crores	For B2B supply - 4 For B2C supply – 4 (optional)*
2.	AT >₹ 5 crores	For B2B supply and B2C supply – 6

*As mentioned above, a registered person having aggregate turnover up to ₹ 5 crores in the previous financial year have been exempted from the requirement of mentioning the HSN Code in the manner specified in above table in a tax invoice issued by him under the said rules in respect of **supplies made to unregistered persons**.

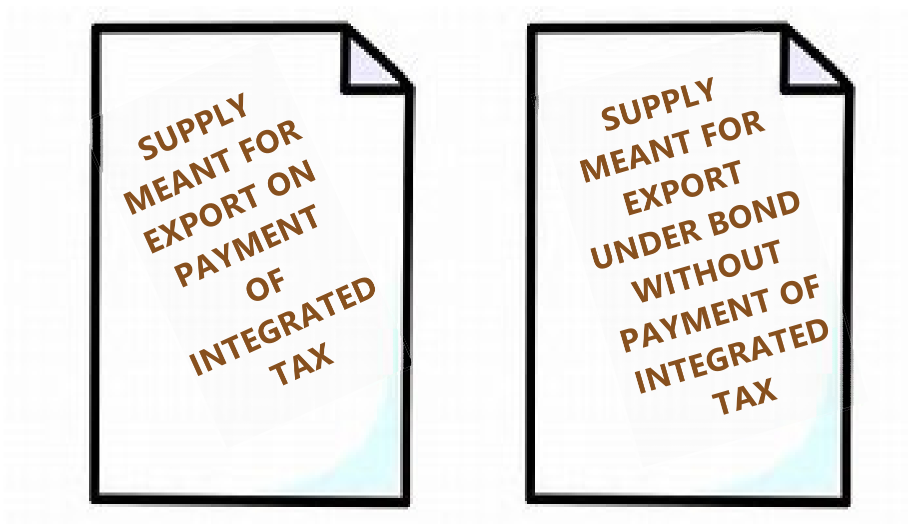
(vi) Manner of issuing the invoice [Sections 31(1) & (2) read with rule 48]

In case of taxable supply of goods	**In case of taxable supply of services**
Invoice shall be prepared in **TRIPLICATE**	Invoice shall be prepared in **DUPLICATE**
Triplicate 	Duplicate 
Original copy → ORIGINAL FOR RECIPIENT Duplicate copy → DUPLICATE FOR TRANSPORTER Triplicate copy → TRIPLICATE FOR SUPPLIER	Original copy → ORIGINAL FOR RECIPIENT Duplicate copy → DUPLICATE FOR SUPPLIER

The serial number of invoices issued during a tax period shall be furnished electronically [through the Common Portal – www.gst.gov.in], in FORM GSTR-1 [Details of outward Supplies of goods or services].

(vii) Invoice in case of export of goods or services [Third proviso to rule 46]

In the case of the export of goods or services, the invoice shall carry an endorsement "SUPPLY MEANT FOR EXPORT/ SUPPLY TO SEZ UNIT/SEZ DEVELOPER FOR AUTHORISED OPERATIONS ON PAYMENT OF INTEGRATED TAX" or "SUPPLY MEANT FOR EXPORT / SUPPLY TO SEZ UNIT/SEZ DEVELOPER FOR AUTHORISED OPERATIONS UNDER BOND OR LETTER OF UNDERTAKING WITHOUT PAYMENT OF INTEGRATED TAX", as the case may be.



It is important to note that particulars of an Export Invoice are same as a Tax Invoice. However, where recipient is unregistered and value of supply is ₹ 50,000 or more, instead of name of State and its code, in case of an export invoice, **name of the country of destination** is to be mentioned.

Key points from aforesaid discussion have been summarized as follows:

1. All GST taxpayers are free to design their own Tax Invoice Format.

2. The law requires that only certain fields as mandatory fields in the Tax Invoice. The same have been listed under heading (iv) above. The mandatory fields have also been circled in the Sample Tax Invoice given subsequently.

3. The time period for issuance of invoice is different for goods and services. For goods, it is any time before or at its delivery and for services, it is within 30 days from the date of supply of services.

Sample Tax Invoice

ABC Enterprises Pvt. Ltd.

GSTIN 22AAAAA0000A1Z5
Branch Karnatka (22)
PAN AAAAA0000A

Total ₹ 6500.00

Invoice Date 10/05/2017
Invoice No. CLR-00054
Reference No. PO-9987

TAX INVOICE

Customer Name
Kantech Solutions Private Ltd.

Customer GSTIN
22BBBBB0007A1Z5

Billing Address
Kantech Solutions Private Ltd.
Ground Floor, Building 2A, 23 & 24
AMR Tech Park Internal Road
Hongasandra, Bengaluru
Karnatka 560068

Shipping Address
Kantech Solutions Private Ltd.
Ground Floor, Building 2A, 23 & 24
AMR Tech Park Internal Road
Hongasandra, Bengaluru
Karnatka 560068

Payment Terms Net 15 Due Date 19/06/2016 Place of Supply Karnataka (22)

	Item	HSN	Qty.	Rate/ Item(₹)	Discount/ Item(₹)	Taxable Value(₹)	SGST ₹	CGST ₹	CESS ₹	Total ₹
1.	Himalaya Herbal Cream Neem Edition	440003	10 kg	1000.00	30.00	9700.00	970.00 @10%	970.00 @10%	00.00 @0%	11640.00
2.	Himalaya Herbal Cream Neem Edition	440003	10 kg	1000.00	30.00	9700.00	970.00 @10%	970.00 @10%	00.00 @0%	11640.00
3.	Himalaya Herbal Cream Neem Edition	440003	10 kg	1000.00	30.00	9700.00	970.00 @10%	970.00 @10%	00.00 @0%	11640.00
4.	Frieght Charges	—	1 no	1000.00	—	1000.00	50.00 @5%	50.00 @5%	00.00 @0%	1100.00
					Total (₹)	30100.00	2960.00	2960.00	00.00	36020.00

Taxable amount ₹ 30100.00
Total Tax* ₹ 5920.00
Invoice Total ₹ 36020.00
Invoice Total (In words) Thirty Six Thousand Twenty Only

*Tax to be paid on Reverse Charge

Notes
All payments to be made in cash.
Contact us for queries on these quotations.

DUPLICATE
For Transporter

For ABC Enterprises Pvt. Ltd.
(Signature)

Thank you for your business.

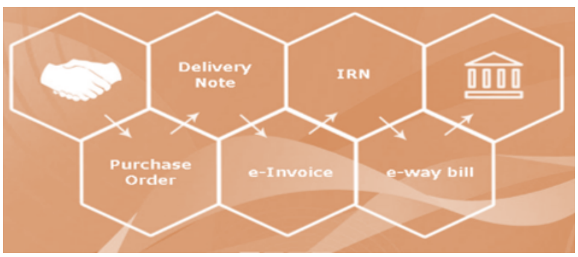
Powered by clearTax

ABC Enterprises Pvt. Ltd., Ground Floor, Building 2A, 23 & 24, AMR Tech Park Internal Road, Hongasandra, Bengaluru, Karnatka 560068
+91-9876543210, +91-9876543210, contact@abcenterprises.in

E-invoicing

E-invoicing' has been introduced for reporting of business to business (B2B) invoices to GST System for certain notified category of taxpayers.

All registered businesses with an aggregate turnover (based on PAN) in any preceding financial year from 2017-18 onwards greater than ***₹ 10 crores*** [3](hereinafter referred to as 'notified persons') will be required to issue e-invoices. E-invoicing is not voluntary; only notified persons are enabled to report invoices on Invoice Registration Portal (IRP).



Before we proceed further, let us first understand what is 'e-invoicing'? E-invoicing is not generation of invoice by a Government portal. Taxpayers will continue to create their GST invoices on their own Accounting/Billing/ERP Systems as per e-invoice scheme. These invoices will then be reported to 'IRP'. On such reporting, IRP will generate a unique 'Invoice Reference Number (IRN)', digitally sign it and return the e-invoice to the supplier. A GST e-invoice will be valid only with a valid IRN.

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[3] ***It may be noted that w.e.f. 1^{st} August, 2023, the threshold limit for e-invoicing has been reduced to ₹ 5 crore.***

Presently, invoices, credit notes and debit notes, when issued by notified persons (to registered persons (B2B) or for the purpose of exports) are covered under e-invoice. Though different documents are covered, for ease of reference and understanding, the system is referred as 'e-invoicing'.

Advantages of e-invoicing

E-invoice has many advantages for businesses. One such advantage is auto-reporting of invoices into GST return and auto-generation of e-way bill (wherever required). Under e-invoicing, business has to report the B2B invoice data only once in the e-invoice form and the same is reported in multiple forms (GSTR-1, e-way bill etc.). E-way bill can be auto-generated using e-invoice data. GSTR-1 can also be auto-populated with the e-invoice data. It will become part of the business process of the taxpayer.

Consequently, there will be a substantial reduction in transcription errors as same data will get reported to tax department as well as to the buyer to prepare his inward supplies (purchase) register. On receipt of information through GST System, buyer can reconcile the same with his Purchase Order.

Thus, it will facilitate standardisation and inter-operability leading to reduction of disputes among transacting parties, improve payment cycles, reduction of processing costs and thereby greatly improving overall business efficiency.

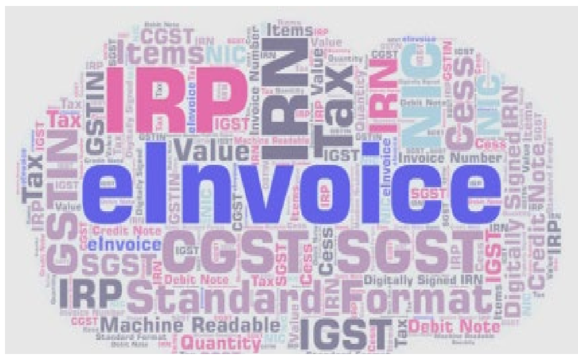
Further, since a complete trail of B2B invoices is available with the Department, it will enable the system-level matching of input tax credit and output tax thereby reducing the tax evasion.

Last but not the least, e-invoicing will eliminate the fake invoices. Claiming fictitious input tax credit (ITC) by raising fake invoices is also one of the biggest challenges currently faced by tax-authorities. The e-invoice system will help to curb the actions of unscrupulous taxpayers and reduce the number of fraud cases as the tax authorities will have access to data in real-time.

E-invoicing statutory provisions

Rule 48(4) stipulates that the e-invoice shall be prepared by notified class of registered persons, by uploading such particulars as contained in Form GST INV-01 on the Common GST Electronic Portal[4] and obtain an IRN (Invoice Reference Number), in prescribed manner and subject to prescribed conditions and restrictions.

However, the Commissioner may, on the recommendations of the Council, by notification, exempt a person or a class of registered persons from issuance of e-invoice under rule 48(4) for a specified period, subject to such conditions and restrictions as may be specified in the said notification.



Every invoice, issued by above persons, in any manner other than the manner specified in rule 48(4) shall not be treated as an invoice. Where e-invoicing is applicable, there is no need of issuing invoice copies in triplicate/duplicate.

Class of persons notified to mandatorily issue e-invoice

In view of said powers, a registered person (except specified class of persons[5]), whose aggregate turnover in any preceding financial year from 2017-18 onwards exceeds ***₹ 10 crore***, has been notified as class of persons who shall prepare e-invoice in respect of B2B supplies (supply of goods or

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[4] *Ten dedicated Invoice Reference Portals have been notified as Common Goods and Service Tax (GST) Electronic Portal for the purpose of preparing e-invoice. These portals are enlisted in subsequent paras.*

[5] *Special Economic Zones and insurer or banking company or financial institution including NBFC, GTA, supplier of passenger transportation service, person supplying services by way of admission to exhibition of cinematograph films in multiplex screens****, a Government Department and a local authority.***

services or both to a registered person) and for exports[6]. Thus, presently, such notified persons are not required to report B2C invoices on IRP. However, reporting of B2C invoices will be brought under e-invoice in the next phase. However, they will be brought under e-invoice in the next phase. Further, e-invoicing is also not applicable to invoices issued by Input Service Distributor (ISD).

If the invoice issued by a notified person is in respect of supplies made by him, tax on which is payable under reverse charge under section 9(3), e-invoicing is applicable.

example

(4) A taxpayer (say a firm of advocates) having aggregate turnover in a FY of more than ₹ 20 crore is supplying services to a company (who will be discharging tax liability as recipient under reverse charge mechanism), such invoices have to be reported by said tax payer (since it is a notified person) on IRP.

On the other hand, where specified category of supplies are received by notified person from unregistered persons [attracting reverse charge under section 9(4)] or through import of services, e-invoicing doesn't arise/ not applicable. E-invoicing is also not applicable for import of goods (Bills of Entry).

Exemption from e-invoicing

Following entities are exempt from the mandatory requirement of e-invoicing:

- Special Economic Zone units**
- Insurer or banking company or financial institution including NBFC
- GTA supplying services in relation to transportation of goods by road in a goods carriage
- Supplier of passenger transportation service
- Person supplying services by way of admission to exhibition of cinematograph films in multiplex screens
- ***a Government Department and a local authority***

[6] *Notification No. 13/2020 CT dated 21.03.2020 as amended*

Thus, above mentioned entities are not required to issue e-invoices even if their turnover exceeds ***₹ 10 crore*** in any preceding financial year from 2017-18 onwards.

Further, the above taxpayers exempted from the mandatory requirement of e-invoicing are required to provide a declaration as below:-

that invoice is not required to be issued in the manner specified under rule 48(4), in all cases where an invoice is issued, other than in the manner so specified under the said rule 48(4), by the taxpayer having aggregate turnover in any preceding financial year from 2017-18 onwards more than the aggregate turnover as notified under rule 48(4) [presently its ₹ 10 crore]-

"I/We hereby declare that though our aggregate turnover in any preceding financial year from 2017-18 onwards is more than the aggregate turnover notified under sub-rule (4) of rule 48, we are not required to prepare an invoice in terms of the provisions of the said sub-rule."

It is important to note here that only SEZ units and not SEZ developers are exempt from issuing e-invoices. Thus, SEZ developers whose turnover exceeds *₹ 10 crore*** in any preceding financial year from 2017-18 onwards are mandatorily required to issue e-invoices. Further, in case of supplies made by notified persons to SEZ units, e-invoices need to be issued.

(5) Maharaja Private Limited has an SEZ unit and a regular DTA unit (both having same PAN). The aggregate total turnover of Maharaja Private Limited is more than ₹ 10 crore (considering both the GSTINs). However, the turnover of DTA unit is ₹ 5 crore for preceding financial year.

In this scenario, SEZ unit is exempt from e -invoicing. However, e-invoicing will be applicable to DTA Unit because the aggregate turnover of Maharaja Private Limited in this case is > ₹ 10 crore. The applicability is based on annual aggregate turnover on the common PAN.

It has been clarified[7] that the said exemption from generation of e-invoices is for the entity as a whole and is not restricted by the nature of supply being made by the said entity.

(6) A banking company providing banking services, may also be involved in making supply of some goods, including bullion. The said banking company is exempted from mandatory issuance of e-invoice in terms of Notification No. 13/2020 CT dated 21.03.2020, for all supplies of goods and services and thus, will not be required to issue e-invoice with respect to any supply made by it.

How e-invoice is generated?

The taxpayer first prepares and generates his invoice using his own ERP/ accounting/ billing system or manual system[8]. The invoice must conform to the e-invoice schema (It is a standard notified format which is discussed in detail subsequent paras) and must have the mandatory parameters.

The details of this invoice are uploaded/reported by the taxpayer to the Invoice Registration Portal (IRP). This way taxpayer registers his supply transaction on IRP. On uploading, IRP returns the e-invoice with a unique 'Invoice Reference Number (IRN)' (explained in detail subsequent paras) after digitally signing the e-invoice and adding a QR Code (Quick Response Code). Then, the supplier shares the e-invoice with the receiver (along with QR Code).

[7] ***Circular No. 186/18/2022 GST dated 27.12.2022***

[8] *For entities not having their own ERP/Software solutions, they can use the free offline utility ('bulk generation tool') downloadable from the e-invoice portal. Through this, invoice data can be easily reported to IRP and obtain IRN/signed e-invoice*

06/12/2019 [illegible]:40PM

Schema version: 1.0
Tax scheme: GST

e-Invoice System

Original For Recipient

e-Invoice

1. GSTIN 05AAACG2207L1ZY
2. Name GSTN LTD
3. Address GODREJ, VIKHROLI, Mumbai, Maharashtra, 400076
4. Serial No. of Invoice GSTN001
5. Date of Invoice 06/12/2019
6. IRN No. 05AAACG2207L1ZY/GSTN001/2019-20

Dispatch from:05AAACG2207L1ZY, GSTN LTD
Address: GODREJ, VIKHROLI, Mumbai
State: Maharashtra
Pincode: 400076

Details Of Receiver(billed to)	
Name	ABC INDIA LTD
Address	Mumbai
Pin Code	400011
State	Maharashtra
State Code (Place of supply)	MH
GSTIN/Unique ID	05AAACG2314E1ZD

Details Of Consignee(Shipped to)	
Name	ABCINDIA LTD
Address	Mumbai
Pin Code	400011
State	Maharashtra
State Code (Place of supply)	MH
GSTIN/Unique ID	05AAACG2140A1ZL

Sample e-Invoice

Supply type: Outward
Transaction mode: Tax Invoice

S.No.	Description of supply / Item description	HSN Code	Quantity	Rate per unit of quantity	GST rate (aggregate of CGST+SGST/IGST)	Taxable Value	CGST		SGST		IGST		CESS	
							%	Amount	%	Amount	%	Amount	%	Amount
1	LAPTOP	8703	2.00	50000.00	18.00	100000.00	9.00	9000.00	9.00	9000.00	0.00	0.00		0.00
					Total	100000.00		9000.00		9000.00		0.00		

Total Invoice Value(In figure): **118000.00**
Amount of Tax subject to Reverse Charges : **No**

Payee Information:
Payee name: **KPMG**
Account number:
payment mode: **Cash**
IFSC code:

Total Taxable Amount	100000.00
Total Tax Amount	18000.00
Final Amount	118000.00
Amount paid in advance	10000.00
Amount outstanding	98000.00

Remarks 1
Remarks 2

How e-invoice data is consumed by GST System for generation of e-way bill or populating relevant parts of GST Returns?

IRP sends the e-invoice data along with IRN[9] to the GST System as well as to e-way bill system.

The GST system will auto-populate them into GSTR-1 of the supplier and GSTR-2A of respective receivers. With source marked as 'e-invoice', IRN and IRN date will also be shown in GSTR-1 and GSTR-2A.

The e-invoice schema *(discussed subsequently)* includes parameters e.g. 'Transporter ID' and 'Vehicle Number', etc. that are required for creating and generating e-way bills. These can be entered if available with seller, at the time of generation of e-invoice so that e-way bill can be created using this data without any further requirement of data entry by the user. The e-invoice reporting software already allows reporting of e-invoice and generation of e-way bill with same data.

Cancellation/amendment of reported invoice

Where needed, the seller can cancel IRN for an e-invoice already reported by reporting it on IRP within specified time[10].

Amendment of e-invoice already uploaded on IRP will be done only on GST portal (while filing GSTR-1). Amendment of invoices is not possible through the IRP.

Implications for businesses

As apparent from the above discussion, e-invoicing does not mean that the invoice needs to be prepared/generated on the Government portal. It is only intimating the Government portal that invoice has been issued to the buyer, by registering that particular invoice on the Government portal. Consequently, businesses will continue to issue invoices as they were doing earlier. Necessary changes on account of e-invoicing requirement (i.e. to enable reporting of invoices to IRP and obtain IRN), be made by ERP/Accounting and Billing Software providers in their respective software. They need to get the updated version having this facility.

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[9] *This IRN is same as that has been returned by the IRP to the seller.*

[10] *However, if the connected e-way bill is active or verified by officer during transit, cancellation of IRN will not be permitted.*

Important terms

E-invoice Schema

Businesses use various accounting/billing software, each generating and storing invoices in their own electronic formats. These different formats are neither understood by GST System nor by the systems of suppliers and receivers.

(7) An invoice generated by SAP system cannot be read by a machine which is using 'Tally' system, unless a connector is used. With more than 300 accounting/billing software products, there was no way to have connectors for all.

In this scenario, 'e-invoicing' was introduced aiming at machine-readability and uniform interpretation. To ensure this complete 'inter-operability' of e-invoices across the entire GST eco-system, an invoice standard is a must. By this, e-invoices generated by one software can be read by any other software, thereby eliminating the need of fresh/manual data entry. Since there was no such standard for e-invoice available earlier, as a first step, a standard/format for e-invoice has been finalized.

This uniform standard format (containing specified fields) applicable for all the businesses across the country is known as 'e-invoice schema'. It is notified as Form GST INV-1. E-invoice schema mandates what particulars shall be reported in electronic format to IRP. Invoice details in prescribed schema to be reported to IRP in JSON format *(JavaScript Object Notation)*. 'JSON' can be understood as a common language for systems/machines to communicate between each other and exchange data.

Invoice Registration Portal (IRP)

IRP is the website for uploading/reporting of invoices by the notified persons. Following IRPs have been notified for the purpose of preparation of the e-invoice:

www.einvoice1.gst.gov.in

www.einvoice2.gst.gov.in

www.einvoice3.gst.gov.in

www.einvoice4.gst.gov.in

www.einvoice5.gst.gov.in

www.einvoice6.gst.gov.in

www.einvoice7.gst.gov.in

www.einvoice8.gst.gov.in

www.einvoice9.gst.gov.in

www.einvoice10.gst.gov.in

Invoice Reference Number

As seen earlier, GST invoice will be valid only with a valid IRN. IRN is different from invoice number. Invoice no. (e.g. ABC/1/2019-20) is assigned by supplier and is internal to business. Its format can differ from business to business and also governed by relevant GST rules. IRN, on other hand, is a unique reference number (hash) generated and returned by IRP, on successful registration of e-invoice, for instance, IRN is a unique 64-character hash, e.g.

35054cc24d97033afc24f49ec4444dbab81f542c555f9d30359dc75794e06bbe

Other points:

- The e-invoicing system is also available for the E-Commerce Operators (ECO) to report the invoices to the Invoice Registration portal, generated by them on behalf of the suppliers.
- Bulk uploading of invoices to IRP is also possible[11].
- ***CBIC has clarified[12] that there is no requirement to carry the physical copy of tax invoice in cases where e-invoice has been generated by the supplier. Whenever e-invoice has been generated, production of the Quick Reference (QR) code having an embedded Invoice Reference Number (IRN) electronically, for verification by the proper officer, would suffice.***

[11] *Discussion on e-invoicing is primarily based on the relevant rules, notifications and FAQS on e-invoicing hosted on GSTN website.*

[12] ***Circular No. 160/16/2021 GST dated 20.09.2021***

Quick Response (QR) code

Upon successful registration of invoice on IRP, it will return a signed e-invoice to the supplier with IRN and QR Code. IRN is embedded in the QR Code which shall be extracted and printed on the invoice. The QR code enables quick view, validation and access of the invoices from the GST system from hand-held devices. The digitally signed QR code will have a unique IRN which can be verified on the central portal as well as by an offline app by the officer. <u>This will be helpful for tax officers checking the invoice offline on the roadside where internet may not be available all the time.</u>

The QR code consists of the following e-invoice parameters:

- GSTIN of supplier
- GSTIN of recipient
- Invoice number as given by supplier
- Date of generation of invoice
- Invoice value (taxable value and gross tax)
- Number of line items
- HSN code of main item (the line item having highest taxable value)
- Unique Invoice Reference Number (hash)
- Date of generation of IRN

Dynamic QR code on B2C invoices

All B2C invoices issued by a registered person whose aggregate turnover in any preceding financial year from 2017-18 onwards exceeds ₹ 500 crores will have a QR code.

Sixth proviso to rule 46 has empowered the Government to specify that the tax invoice shall have Quick Response (QR) code. Resultantly, it has been notified[13] that invoice issued by a registered person [except specified class of persons *(discussed subsequently)*], whose aggregate turnover in a financial

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[13] *Notification No. 14/2020 CT dated 21.03.2020*

year exceeds ₹ 500 crores, in respect of B2C supplies (supply of goods or services or both to an unregistered person) shall have Dynamic QR code.

A Dynamic Quick Response (QR) code made available to buyer by such registered person through digital display (with payment cross-reference) shall be deemed to be having QR code. **The purpose of this provision is to enable and encourage digital payments where buyer can scan the dynamic QR code and make payment from mobile wallet directly.**

Today, many shops have static QR code at the payment counter which is scanned by the buyer, but the buyer has to enter the amount to be paid to the shop in the mobile payment App. The dynamic QR code, on the other hand, will have the payment details and thus 'scan and pay' in one go is possible.

This has no relevance or applicability to the e-invoicing in respect to B2B supplies by notified class of taxpayers. Dynamic QR Code will be generated by the seller himself either on the Point of Sale (PoS) machine or the invoice issued.

Dynamic QR Code in case of an invoice, issued to person having a UIN.

Any person, who has obtained a Unique Identity Number (UIN), is not a "registered person" as per the definition of registered person provided in section 2(94). Therefore, any invoice, issued to such person having a UIN, shall be considered as invoice issued for a B2C supply and shall be required to comply with the requirement of Dynamic QR Code.

Non-applicability of requirement of Dynamic QR code

Dynamic QR code is not applicable to an invoice issued to an unregistered person by following suppliers:

(i) Insurer or banking company or financial institution including NBFC

(ii) Goods transport agency supplying services in relation to transportation of goods by road in a goods carriage

(iii) Supplier of passenger transportation service

(iv) Person supplying services by way of admission to exhibition of cinematograph films in multiplex screens

(v) Supplier of online information and database access or retrieval (OIDAR) services.

No Dynamic QR code in case of exports: As regards the supplies made for exports, though such supplies are made by a registered person to an unregistered person, however, since e-invoices are required to be issued in respect of supplies for exports treating them as B2B supplies, Dynamic QR code requirement will not be applicable to them.

Parameters/ details to be captured in the Dynamic QR Code

Dynamic QR Code, inter-alia, shall contain the following information: -

- Supplier GSTIN number
- Supplier UPI ID
- Payee's Bank A/c number and IFSC
- Invoice number & invoice date,
- Total invoice value and
- GST amount along with breakup i.e. CGST, SGST, IGST, Cess, etc.

Further, Dynamic QR Code should be such that it can be scanned to make a digital payment.

Compliance with the Dynamic QR Code requirements in certain cases

The purpose of dynamic QR Code is to enable the recipient/ customer to scan and pay the amount to be paid to the merchant/ supplier in respect of the said supply. If the supplier has issued invoice having Dynamic QR Code for payment, the said invoice shall be deemed to have complied with Dynamic QR Code requirements. Compliance with the Dynamic QR Code requirements has been examined in the following cases:

Case-I: If a supplier provides/ displays Dynamic QR Code, but the customer opts to make payment without using Dynamic QR Code and supplier provides the cross reference of such payment made without use of Dynamic QR Code, on the invoice

In cases where the supplier, has digitally displayed the Dynamic QR Code and the customer pays for the invoice: -

i. using any mode like UPI, credit/ debit card or online banking or cash or combination of various modes of payment, with or without using Dynamic QR Code, and the **supplier provides a cross reference of the payment** (transaction id along with date, time and amount of payment, mode of payment like UPI, Credit card, Debit card, online banking etc.) on the invoice; or

ii. in cash, without using Dynamic QR Code and the **supplier provides a cross reference of the amount paid in cash**, along with date of such payment on the invoice;

The said invoice shall be deemed to have complied with the requirement of having Dynamic QR Code.

Case-II: If a supplier makes available to customers an electronic mode of payment like UPI Collect, UPI Intent or similar other modes of payment, through mobile applications or computer-based applications, where though Dynamic QR Code is not displayed, but the details of merchant as well as transaction are displayed/ captured otherwise

In such cases, if the cross reference of the payment made using such electronic modes of payment is made on the invoice, the invoice shall be deemed to comply with the requirement of Dynamic QR Code.

However, if payment is made after generation/ issuance of invoice, the supplier shall provide Dynamic QR Code on the invoice.

Case-III: In case of pre-paid invoices i.e. where payment has been made before issuance of the invoice

If cross reference of the payment received either through electronic mode or through cash or combination thereof is made on the invoice, then the invoice would be deemed to have complied with the requirement of Dynamic QR Code.

In cases other than pre-paid supply i.e. where payment is made after generation / issuance of invoice, the supplier shall provide Dynamic QR Code on the invoice.

Case-IV: In case where the e-commerce operator (ECO)/online application has complied with the Dynamic QR Code requirements, whether the suppliers using such e-commerce portal or application will still be required to comply with the requirement of Dynamic QR Code?

Dynamic QR code requirements apply to each supplier/registered person separately, if such person is liable to issue invoices with Dynamic QR Code for B2C supplies.

In case, the supplier is making supply through the e- commerce portal or application, and the said supplier gives cross references of the payment received in respect of the said supply on the invoice, then such invoices would be deemed to have complied with the requirements of Dynamic QR Code. In cases other than pre-paid supply i.e. where payment is made after generation / issuance of invoice, the supplier shall provide Dynamic QR Code on the invoice.

Case-V: No Dynamic QR code required on an invoice issued to a recipient located outside India for supply of services whose POS is in India and payment received in FOREX

In cases, where an invoice is issued to a recipient located outside India, for supply of services, for which the place of supply is in India, as per the provisions of the IGST Act, and the payment is received by the supplier, in convertible FOREX or in Indian Rupees wherever permitted by the RBI (such supply of services is not considered as export of services as per the IGST Act), such invoice may be issued without having a Dynamic QR Code, as such dynamic QR code cannot be used by the recipient located outside India for making payment to the supplier.

Case-VI: In case of retail sales over the counter, the payment from the customer is received on the payment counter by displaying dynamic QR code on digital display, whereas the invoice, along with invoice number, is generated on the processing system being used by supplier/ merchant after receiving the payment.

In such cases, it may not be possible for the merchant/ supplier to provide details of invoice number in the dynamic QR code displayed to the customer on payment counter. However, each transaction i.e. receipt of payment from a customer is having a unique Order ID/ sales reference number, which is linked with the invoice for the said transaction.

In such cases, the unique order ID/ unique sales reference number, which is uniquely linked to the invoice issued for the said transaction, may be provided in the Dynamic QR Code for digital display, as long as the details of such unique order ID/ sales reference number linkage with the invoice are available on the processing system of the merchant/ supplier and the cross reference of such payment along with unique order ID/ sales reference number are also provided on the invoice.

Case - VII: In case part-payment is received before dynamic QR code is generated.

When the part-payment for any supply has already been received from the customer/ recipient, either in advance or by adjustment (e.g. using a voucher, discount coupon etc), before the dynamic QR Code is generated, then the dynamic QR code may provide only the remaining amount payable by the customer/ recipient against "invoice value".

The details of total invoice value, along with details/ cross reference of the part payment/ advance/ adjustment done, and the remaining amount to be paid, should be provided on the invoice[14].

B. UPLOADING OF E-INVOICES ON INVOICE REGISTRATION PORTAL (IRP)

Under E-Invoicing, all the invoices created by accounting software will be authenticated electronically by GSTN for further use (like return preparation, E-way bill creation).

There are lots of myths or misconception about e-invoice. E-Invoice does not mean generation/creation of invoice from central portal or tax department because practically it is not possible it will create unnecessary restrictions on trade and industry and different industry have different business requirement, which cannot be met out by software.

E-Invoice is a submission of already generated Invoices from accounting software to GST Portal and we all are aware that there are hundreds of

[14] *The discussion on Dynamic QR code is based primarily on sixth proviso to rule 46 alongwith Notification No. 14/2020 CT dated 21.03.2020 and Circular no. 146/02/2021 GST dated 23.02.2021,* ***Circular no. 156/12/2021 GST dated 21.06.2021 and Circular No. 165/21/2021 GST dated 17.11.2021****.*

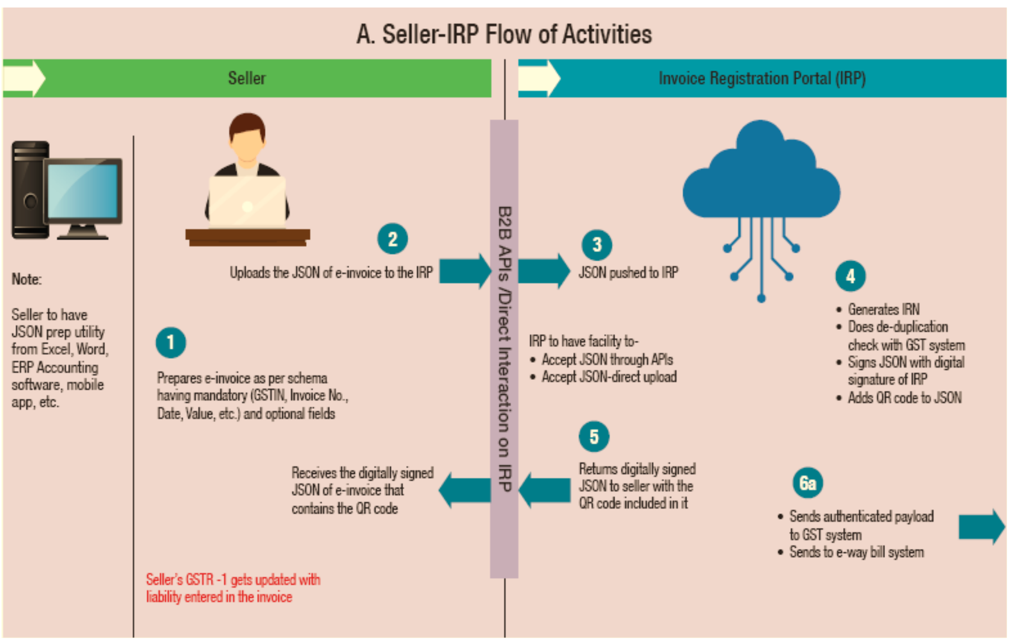
accounting & billing software, which generate invoices, but they all use their own formats to store information electronically and data in such different formats which GST System cannot understand, hence it was not possible to submit the data from accounting software to GST System.

So, need was felt to issue a standard format (Schema) in which data will be shared with other systems, although from user's prospective it's same as earlier, there would not be any change in print or electronically creation of invoice. Only standard schema needs to be implemented by all the accounting and billing software, so that it can generate JSON of each invoice in such format which can be uploaded on GST Portal for further authentication and approval.

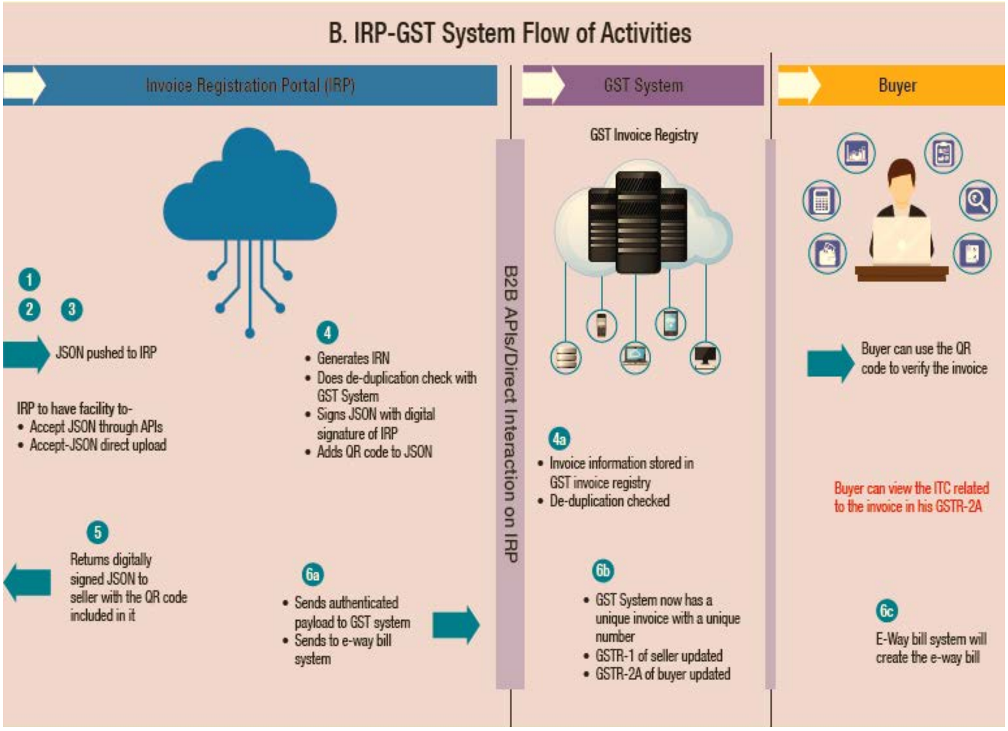
The main objective is to enable inter-operability across the entire GST eco-system i.e. an e-invoice generated by one software should be capable of being read by any other software. Basically, through machine readability, an invoice can be uniformly interpreted.

The overall workflow of e-invoice generation, its reporting/registration and receipt of confirmation is depicted in the diagrams below:

A. Interaction between the business (supplier) and the Invoice Registration Portal (IRP).



B. Interaction between the IRP and the GST/E-Way Bill Systems and the Buyer.



IT (Information Technology) plays a significant role in preparing e-invoices (electronic invoices) efficiently and accurately. E-invoices are standardized digital invoices that are generated electronically and adhere to specific formats and regulations. Further, the GST portal ensures that e-invoices generated by a taxpayer get automatically populated into Form GSTR-1 of the entity (without any manual intervention) and the figure of outward supplies in Form GSTR-1 automatically gets populated into Form GSTR-3B. Thus, generating an e-invoice effectively translates into automating the declaration of the outward supplies in Form GSTR-3B thereby avoiding errors or mismatches. This e-invoice generation leads to an end-to-end reporting of invoices in Form GSTR-1 and Form GSTR-3B of the supplier of goods/services and Form GSTR-2B of the recipient of supplies as well.

By automating e-invoicing, manual effort, errors, and delays in the invoicing process can be significantly reduced while enhancing customer satisfaction and compliance with regulatory requirements.

The process for filing bulk invoices on the Invoice Registration Portal (IRP) may vary based on the specific requirements and systems in place. The IRP is primarily used for generating and validating e-invoices in compliance with e-invoicing regulations.

Here's a general guide on how to file bulk invoices on the IRP portal:

Offline Method of Bulk IRN Generation

The sheer number of invoices raised by large businesses can be staggering and tedious for the taxpayer to generate Invoice Reference Number (IRN). Bulk IRN generation facility is provided by the Invoice Registration Portal (IRP) where multiple invoices can be uploaded at once. Generation of IRN is the responsibility of the supplier who will be required to report the same to Invoice Registration Portal (IRP) for authentication, After successful verification, the portal will generate a unique Invoice reference number (IRN) and digitally sign the e-invoice and a QR code.

The e-invoice system being implemented by tax departments across the globe consists of two important parts namely,

(a) Generation of invoice in a standard format so that invoice generated on one system can be read by another system.

(b) Reporting of e-invoice to a central system.

Step by Step Process to Generate Invoice reference number[15]

The e-invoice system provides a provision of offline method to generate the multiple Invoice reference number in one-go by the tax payers.

In order to download this tool, visit the e-invoice portal (https://einvoice1.gst.gov.in/). Go to Help> Tools > Bulk Generation Tools option provided in E-Invoice portal as shown below.

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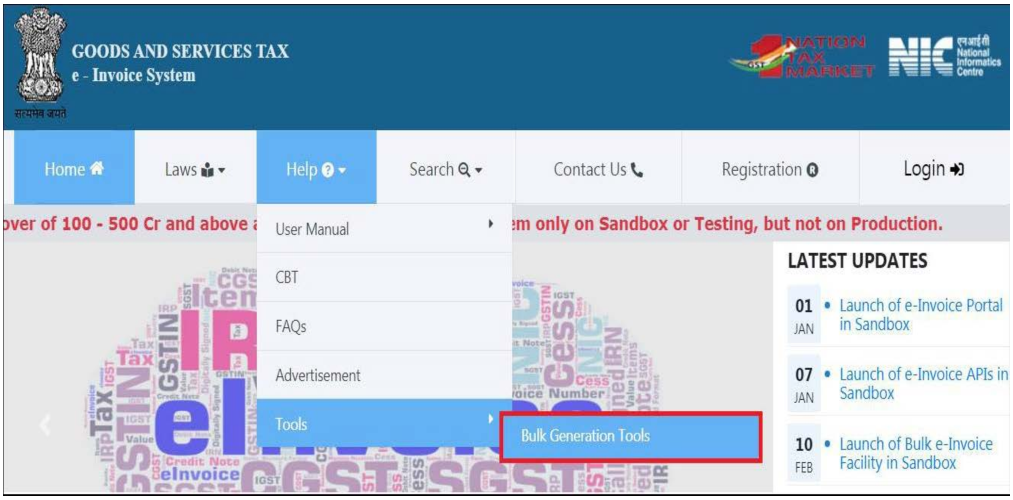
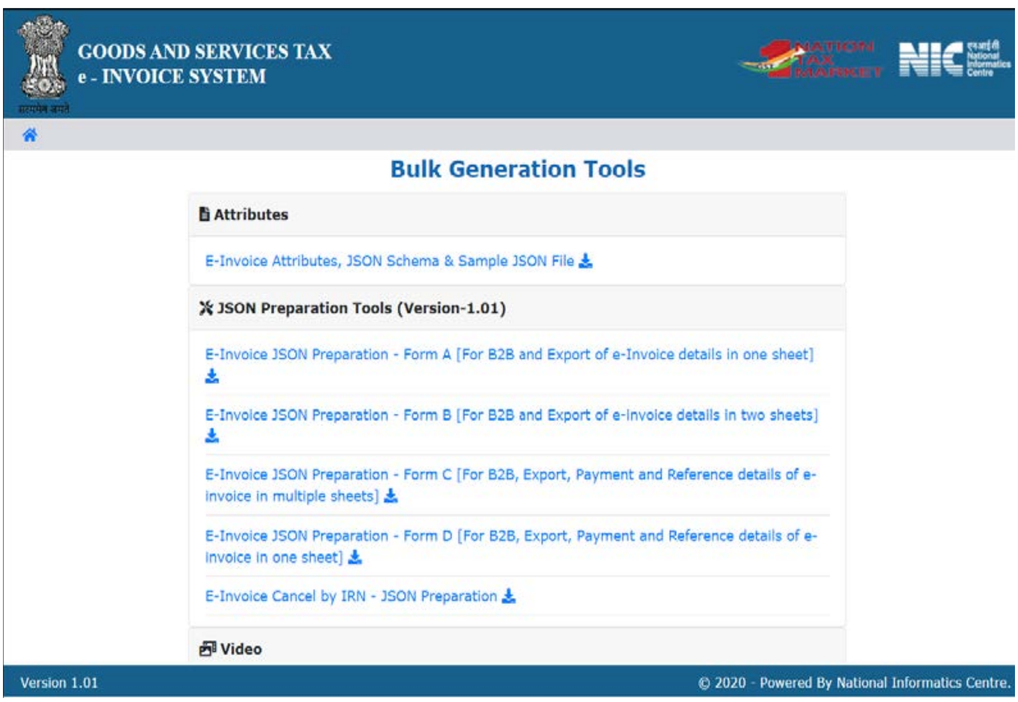
[15] *It may be noted that the specific steps and user interface might differ based on the updates and changes made to the IRP portal. Always refer to the official documentation or guidelines provided by the relevant authorities for accurate and up-to-date instructions on how to file bulk invoices on the IRP portal.*



E-invoicing system will display 4 different JSON preparation Tools as Format A, Format B, Format C and Format D. These formats have been made as per the requirements of different classes of tax payers and transactions.

Taxpayer can select and download the most appropriate format of JSON preparation tool as shown below under 'Bulk generation Tools. There are four formats of utility available:



The brief description of four formats of utility is discussed as under:-

(1) E-Invoice JSON Preparation – Format A

Format A consists of a **single worksheet** in which invoice and items details can be entered to prepare JSON file to upload the large number of e-Invoices by a single upload to the Invoice Registration Portal (IRP). Businesses having 1 or 2 items in the invoice can use this format. This format is advisable for invoices with B2B transactions. The seller GSTIN details are entered in the Profile as a one time entry. As the item details are entered in the same worksheet, it is to be ensured that the same invoice details repeat for all the items of the invoice.

Payment details and Reference details cannot be entered in Format A.

(2) E-Invoice JSON Preparation – Form B

Format B consists of a two worksheets in which invoice and items details can be entered separately. This format is advisable for the businesses having many items in the invoice. As the item details are entered in different worksheet, ensure that every item will be referenced with Document number, Document type and document date of the invoice. Payment details and Reference details cannot be entered in Format B. The other information such as Export details can be entered in the Invoice worksheet itself. If e-way bill needs to be generated, the part-B details can also be entered in the Invoice sheet.

(3) E-Invoice JSON Preparation – Form C

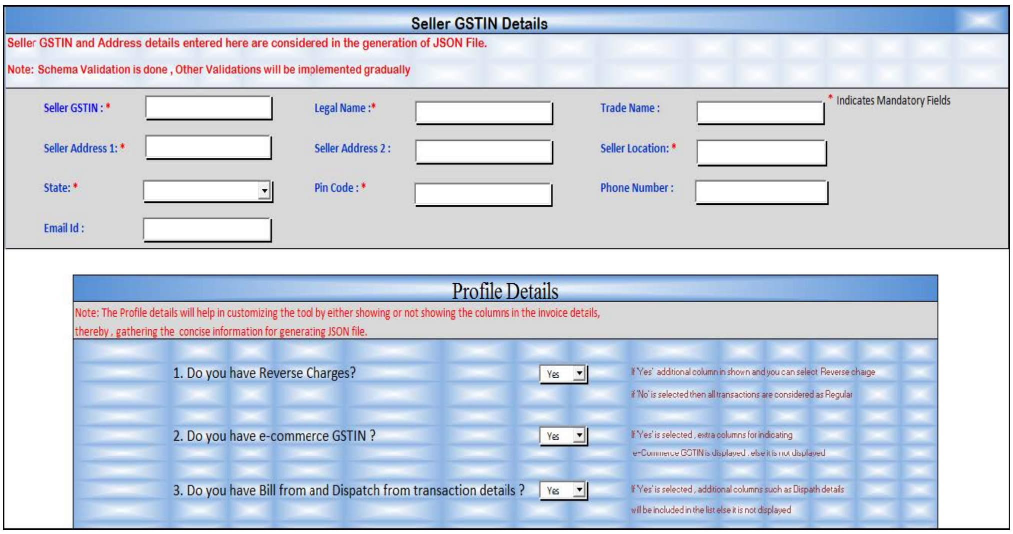
Format C consists of a five worksheets in which invoice details, items details, payment details, reference details and additional details can be entered separately. This format is advisable for the businesses having many items in the invoice with payment details and reference details etc. As the item details are entered in different worksheet, ensure that every item will be referenced with Document number, Document type and document date of the invoice. The other information such as Export details can be entered in the Invoice sheet itself. If e-way bill needs to be generated, the part-B details can also be entered in the Invoice sheet.

(4) E-Invoice JSON Preparation – Form D

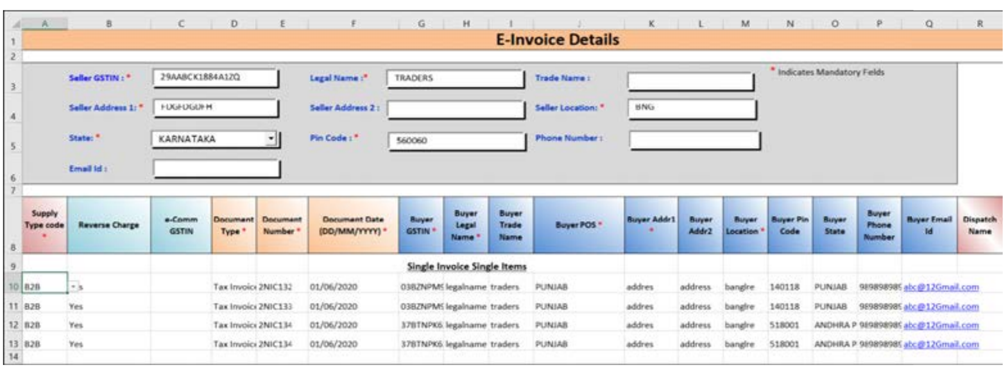
Format D consists of a single worksheet in which invoice details, items details, payment details, reference details and additional details can be entered in the same worksheets. This format is advisable for the businesses having large number of items in the invoice having payment details and reference details etc. The other information such as Export details can be entered in the Invoice sheet. If e-waybill needs to be generated, the part-B details can also be entered in the Invoice sheet itself.

After downloading the aforementioned utility, follow these steps:

Step 1: Enter all the seller GSTIN details as required in the 'Profile' sheet.



Step 2: Enter all the details of the invoices in the necessary fields as given in the 'Invoice' sheet.



	AG	AH	AI	AJ	AK	AL	AM	AN	AO	AP	AQ	AR	AS	AT	AU	AV	AW	AX	AY	AZ	BA	BB	BC
7																							
8	Product Description	Is_Service *	HSN code *	Bar code	Quantity	Free Quantity	Unit	Unit Price *	Gross Amount *	Discount	Pre Tax Value	Taxable value *	GST Rate (%) *	Igst Amt(Rs)	Cgst Amt (Rs)	Sgst Amt (Rs)	Cess Rate (%)	Cess Amt Adval (Rs)	Cess Non Adval Amt (Rs)	State Cess Rate (%)	State Cess Adval Amt (Rs)	State Cess Non-Adval Amt (Rs)	Othe Charg
9																							
10	steel	No	1001	111	999.99	2	bags	999.99	999980.00	0	0	999980.00	18	0	0	179996.4	11	109997.8	1000	25	249995	5000	1000
11	steel	No	1001	111	999.99	2	bags	999.99	999980.00	0	0	999980.00	18	0	0	179996.4	11	109997.8	1000	25	249995	5000	1000
12	steel	No	1001	111	999.99	2	bags	999.99	999980.00	0	0	999980.00	18	89998.2	89998.2	0	11	109997.8	1000	25	249995	5000	1000
13	steel	No	1001	111	999.99	2	bags	999.99	999980.00	0	0	999980.00	18	89998.2	89998.2	0	11	109997.8	1000	25	249995	5000	1000
14																							
15																							
16																							
17	steel	No	1001	111	999.99	2	bags	999.99	999980.00	0	0	999980.00	18	0	0	179996.4	11	109997.8	1000	25	249995	5000	1000
18	steel	No	1001	111	999.99	2	bags	999.99	999980.00	0	0	999980.00	18	0	0	179996.4	11	109997.8	1000	25	249995	5000	1000
19	steel	No	1001	111	999.99	2	bags	999.99	999980.00	0	0	999980.00	18	0	0	179996.4	11	109997.8	1000	25	249995	5000	1000
20	steel	No	1001	111	999.99	2	bags	999.99	999980.00	0	0	999980.00	18	0	0	179996.4	11	109997.8	1000	25	249995	5000	1000
21	steel	No	1001	111	999.99	2	bags	999.99	999980.00	0	0	999980.00	18	0	0	179996.4	11	109997.8	1000	25	249995	5000	1000
22																							

	BE	BF	BG	BH	BI	BJ	BK	BL	BM	BN	BO	BP	BQ	BR	BS	BT	BU	BV	BW	BX	BY	BZ
7																						
8	Batch Name	Batch Expiry Dt	Warranty Dt	Total Taxable value *	Cgst Amt	Sgst Amt	Igst Amt	Cess Amt	State Cess Amt	Round off	Total Invoice value *	Shipping Bill No	Shipping Bill Dt	Port	Refund claim	Foreign Currency	Country Code	Trans ID	Trans Name	Trans Mode *	Distance *	Trans Doc No.
9																						
10	batch	01/02/202	01/02/202	999980.00	0	0	179996.4	110997.8	254995	0	1546969.2	87675	01/02/202		No			03BZNPMS	NIC TEST	Road	32	223
11	batch	01/02/202	01/02/202	999980.00	0	0	179996.4	110997.8	254995	0	1546969.2	87675	01/02/202		No			03BZNPMS	NIC TEST	Road	32	223
12	batch	01/02/202	01/02/202	999980.00	89998.2	89998.2	0	110997.8	254995	0	1546969.2	87675	01/02/202		No			03BZNPMS	NIC TEST	Road	32	223
13	batch	01/02/202	01/02/202	999980.00	89998.2	89998.2	0	110997.8	254995	0	1546969.2	87675	01/02/202		No			03BZNPMS	NIC TEST	Road	32	223
14																						
15																						
16																						
17	batch	01/02/202	01/02/202	4999900	0	0	899982	554989	1274975	0	7734846	87675	01/02/202		No			03BZNPMS	NIC TEST	Road	32	223
18	batch	01/02/202	01/02/202	4999900	0	0	899982	554989	1274975	0	7734846	87675	01/02/202		No			03BZNPMS	NIC TEST	Road	32	223
19	batch	01/02/202	01/02/202	4999900	0	0	899982	554989	1274975	0	7734846	87675	01/02/202		No			03BZNPMS	NIC TEST	Road	32	223
20	batch	01/02/202	01/02/202	4999900	0	0	899982	554989	1274975	0	7734846	87675	01/02/202		No			03BZNPMS	NIC TEST	Road	32	223
21	batch	01/02/202	01/02/202	4999900	0	0	899982	554989	1274975	0	7734846	87675	01/02/202		No			03BZNPMS	NIC TEST	Road	32	223
22																						

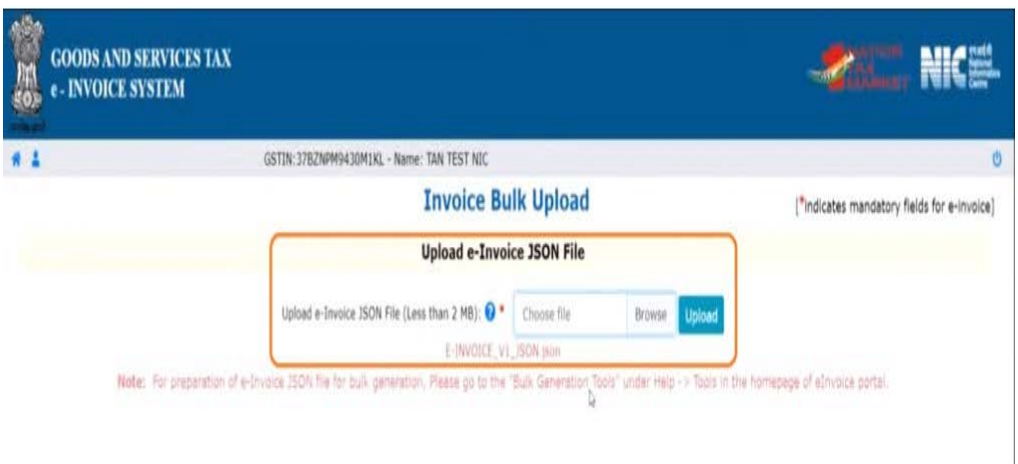
Step 3: Once the invoice details are entered, to ensure that e-invoice schema is followed, validate the details using the 'Validate' button.

E-Invoice System   Validate

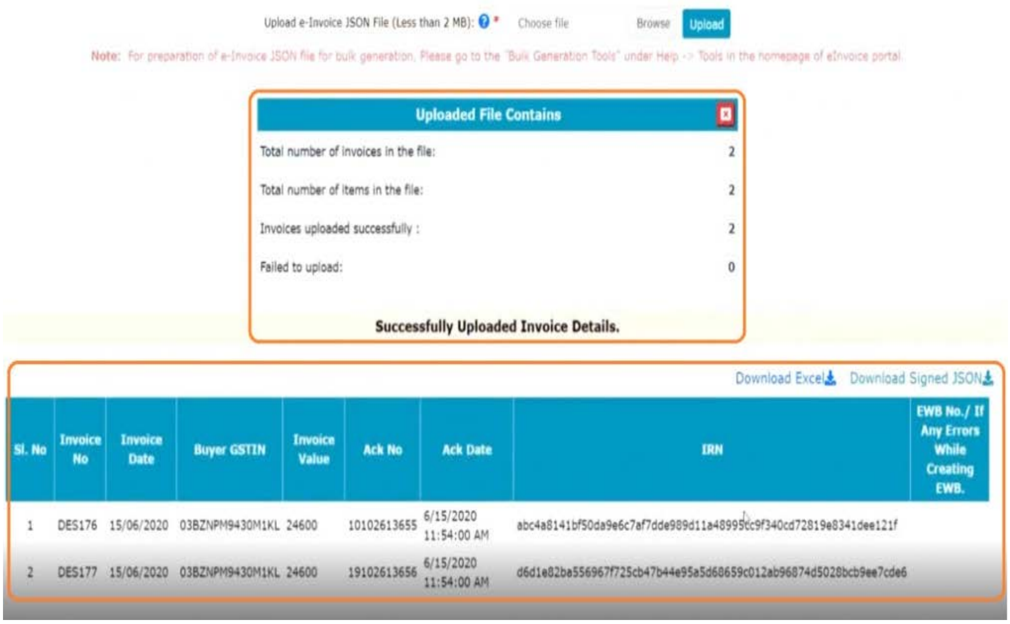
			Document Details			Buyer Details									
Supply Type code *	Reverse Charge	e-Comm GSTIN	Document Type *	Document Number *	Document Date (DD/MM/YYYY) *	Buyer GSTIN *	Buyer Legal Name *	Buyer Trade Name	Buyer POS *	Buyer Addr1 *	Buyer Addr2	Buyer Location *	Buyer Pin Code	Buyer State	Buyer Phone Number

Step 4: **Upon successful validation, click on the 'Prepare JSON' button. The JSON file will now be generated containing details of the multiple invoices entered.**

Step 5: **Log in to the e-invoice portal and go to E-invoice -> E Invoice Bulk Upload and select the JSON file to be uploaded. It is to be ensured that the JSON file is not more than 2MB.**



Step 6: A summary of the invoices uploaded will be displayed on the screen. Each invoice is assigned a 64-character length IRN, and the same can be invoice excel utility download or in e-invoice JSON file download. In case any errors are noted, it has to be corrected and re-uploaded.



The system will also update the invoice details to E-Way bill system. E-Way bill system will create Part-A of e-way bill using this data to which only vehicle number will have to be attached in Part-B of the e-way bill.

Note:

1 The hash computed by e-invoice system will become the IRN (Invoice Reference Number of 64 character length) of the e-invoice.

2 The JSON must conform to the e-invoice schema (standards) that is published and have the mandatory parameters. The optional parameters can be according to the business need of the supplier.

3 Downloading the Bulk IRN Generation Tool is a one-time activity. However, the Tool may get updated in future. So, always use the latest version available on the E-Invoice Portal.

Key Points

- E-invoices will not be generated at the IRP Portal.
- E-Invoice schema issued by GST System will be used by the all kind of businesses. The Schema has mandatory and non-mandatory fields, mandatory fields has to be filled by all the taxpayers. Non-mandatory field is for the business to choose.
- E-Invoice will be authenticated with the digital signature of the IRP.
- Each E-Invoice will be uploaded for registration on IRP within time line.
- E-Invoice mechanism has an option to cancel the invoice within 24 hours of registration of IRP.

C. SPECIAL CASES

(i) Revised Tax Invoice [Section 31(3)(a) read with rule 53]

When issued?

Every registered person who has been granted registration with effect from a date earlier than the date of issuance of certificate of registration to him, may issue Revised Tax Invoices in respect of taxable supplies effected during the period starting from the effective date of registration till the date of the issuance of the registration certificate.

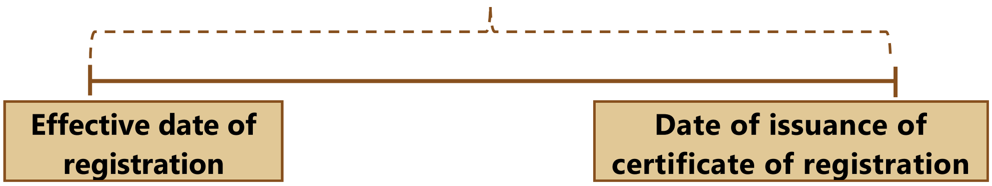
> *For the purposes of this section, the expression **"tax invoice"** shall include any **revised invoice** issued by the supplier in respect of a supply made earlier [Explanation to section 32].*

Revised Tax Invoices shall be issued within 1 month from the date of issuance of certificate of registration. The words "Revised Invoice" shall be indicated prominently on such invoices.

This provision is necessary, as a person who becomes liable for registration has to apply for registration within 30 days of becoming liable for registration. When such an application is made within the stipulated time period and registration is granted, the effective date of registration is the date on which the person became liable for registration.

Thus, there would be a time lag between the date of grant of certificate of registration and the effective date of registration. For supplies made by such person during this intervening period, the law enables the issuance of a revised invoice, so that ITC can be availed by the recipient on such supplies.

Revised Tax Invoices to be issued in respect of taxable supplies effected during this period



(8) Sarabhai Private Ltd. commenced business of supply of goods on 1^{st} April in Delhi. Its turnover exceeded the applicable threshold limit on 3^{rd} September. Thus, it became liable to registration on 3^{rd} September. It applied for registration on 29^{th} September and was granted registration certificate on 5^{th} October. Since it applied for registration within 1 month of becoming liable to registration, registration granted is effective from 3^{rd} September.

Sarabhai Private Ltd. may issue Revised Tax Invoices on or before 5^{th} November in respect of taxable supplies effected between 3^{rd} September and 5^{th} October.

Consolidated Revised Tax Invoices in certain cases

A registered person may issue a Consolidated Revised Tax Invoice in respect of all taxable supplies made to an unregistered recipient **during such period**.

However, **in case of inter-State supplies** where the value of supply does not exceed ₹ 2.5 Lakh, a consolidated revised invoice may be issued separately in respect of all unregistered recipients located in a State.

Thus, a revised/ consolidated revised invoice may be issued within one month from the date of registration as follows:

- **For each inter-State B2C taxable supply up to ₹ 2,50,000:** State-wise consolidated revised invoice

- **For each inter-State B2C taxable supply more than ₹ 2,50,000:** Recipient wise revised invoice
- **For all intra-State B2C taxable supplies irrespective of the amount:** Recipient wise Consolidated revised invoice

Particulars of Revised Tax Invoice

Name, address and GSTIN of the supplier;
A consecutive serial number not exceeding 16 characters, in one or multiple series, containing alphabets or numerals or special characters - hyphen or dash and slash and any combination thereof, unique for a FY;
Date of issue of the document;
Name, address and GSTIN or UIN, if registered, of the recipient;
Name and address of the recipient and the address of delivery, along with the name of State and its code, if such recipient is un-registered;
Serial number and date of the corresponding tax invoice or, as the case may be, bill of supply;
Signature/digital signature of the supplier/his authorized representative.

Note: Any invoice or debit note issued in pursuance of any tax payable in accordance with the provisions of section 74 or section 129 or section 130 shall prominently contain the words ***"INPUT TAX CREDIT NOT ADMISSIBLE"***

Section 74 - *Determination of tax not paid or short paid or erroneously refunded or input tax credit wrongly availed or utilised by reason of fraud or any wilful misstatement or suppression of facts*[16]

Section 129 - *Detention, seizure and release of goods and conveyances in transit*

[16] Provisions of section 74 have been discussed in detail in Chapter 19- Demands and Recovery in Module 3 of the Study Material.

Section 130 - Confiscation of goods or conveyances and levy of penalty[17]

(ii) No Tax Invoice required to be issued if value < ₹ 200 – A consolidated Tax Invoice can be issued [Section 31(3)(b) read with fourth proviso to rule 46]

A registered person may not issue a Tax Invoice if:

(i) Value of the goods/services/both supplied < ₹ 200,

(ii) the recipient is unregistered; and

(iii) the recipient does not require such invoice.

Instead such registered person shall issue a **Consolidated Tax Invoice** for such supplies at the close of each day in respect of all such supplies.

Thus, small taxpayers, like small retailers, doing a large number of small transactions for upto a value of ₹ 200 per transaction to unregistered customers need not issue invoice for every such transaction. They can issue one consolidated invoice at the end of each day for all transactions done during the day. However, they need to issue an invoice when the customer demands.

However, this option is not available to a supplier engaged in making supply of services by way of admission to exhibition of cinematograph films in multiplex screens.

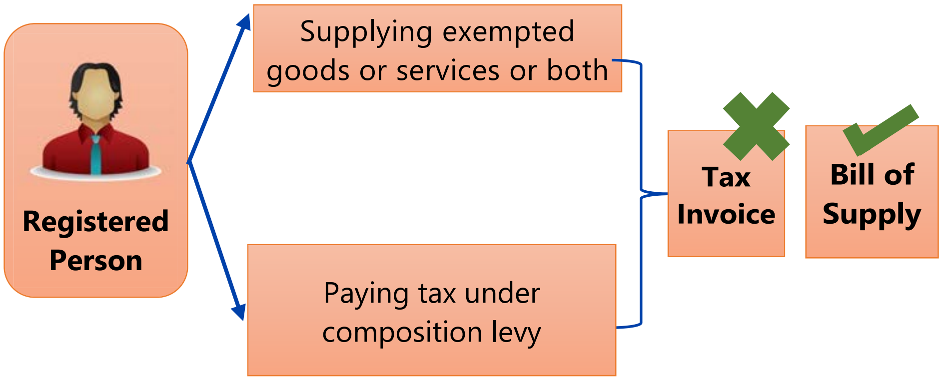
Above provision is also applicable to Bill of Supply.

(iii) Bill of Supply [Section 31(3)(c) read with rule 49]

Section 31(3)(c) stipulates that a registered person supplying exempted goods or services or both or a registered person paying tax under composition levy, shall issue a bill of supply instead of a tax invoice. Person opting for composition levy shall mention the words **"composition taxable person, not eligible to collect tax on supplies"** at the top of the bill of supply issued by him[18].

[17] *Provisions of sections 129 and 130 have been discussed in detail in Chapter 21- Offences and Penalties and Ethical aspects under GST in Module 3 of the Study Material.*

[18] *Fourth proviso to rule 49 stipulates that the Bill of supply shall have a Quick Response Code. However, the same is not yet made effective.*



Particulars of Bill of Supply

A registered person opting for the composition levy does not collect tax from the recipient on outward supplies made by him. Similarly, in case of a registered person supplying exempted goods and/or services, no tax implications are there. Recipients should not expect Tax Invoice from such suppliers as they cannot issue tax invoice.

Since no tax is collected from the recipient by a registered person opting for the composition levy and a registered person supplying exempted goods and/or services, Bill of Supply issued by such persons does not contain the details pertaining to rate of tax and amount of tax. Further, value to be mentioned in the Bill of Supply is not a taxable value. A Bill of Supply shall be issued containing the following details, namely:

Name, address and GSTIN of the supplier;
A consecutive serial number not exceeding 16 characters, in one or more multiple series, containing alphabets or numerals or special characters - hyphen or dash and slash and any combination thereof, unique for a FY;
Date of its issue;
Name, address and GSTIN or UIN, if registered, of the recipient;
HSN Code for goods or services;
Description of goods or services or both;
Value of supply of goods or services or both taking into account discount/ abatement, if any; and

Signature or digital signature of the supplier or his authorized representative (not required in case of issuance of an electronic bill of supply in accordance with the provisions of the Information Technology (IT) Act, 2000).

Note: Any tax invoice or any other similar document issued under any other Act for the time being in force in respect of any non-taxable supply shall be treated as bill of supply for the purposes of the Act.

(9) Patel & Sons is a manufacturer of goods who has opted for composition levy under section 10(1) and (2). It will issue a Bill of Supply to the buyers of goods and not the tax invoice.

Invoice-cum-bill of supply [Rule 46A]

Where a registered person is supplying taxable as well as exempted goods or services or both to an unregistered person, a single "invoice-cum-bill of supply" may be issued for all such supplies. Rule 46A is notwithstanding anything contained in rule 46 or rule 49 or rule 54 of CGST Rules. ***The said single "invoice-cum-bill of supply" shall contain the particulars as specified under rule 46 or rule 54, as the case may be, and rule 49.***

(iv) Receipt Voucher [Section 31(3)(d) read with rule 50]

A registered person shall, on receipt of advance payment with respect to any supply of goods or services or both, issue a Receipt Voucher evidencing receipt of such payment.

Particulars of Receipt Voucher

Name, address and GSTIN of the supplier;
A consecutive serial number not exceeding 16 characters, in one or multiple series, containing alphabets or numerals or special characters -hyphen or dash and slash and any combination thereof, unique for a FY
Date of its issue;
Name, address and GSTIN or UIN, if registered, of the recipient;

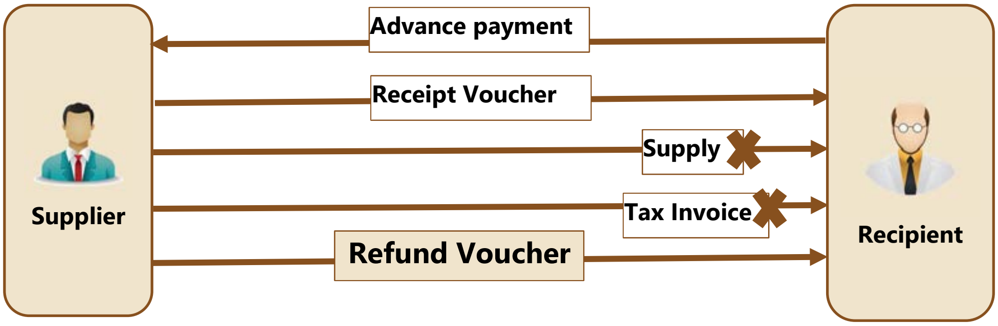
Description of goods or services;
Amount of advance taken;
Rate of tax (central tax, State tax, integrated tax, Union territory tax or cess);
Amount of tax charged in respect of taxable goods or services (central tax, State tax, integrated tax, Union territory tax or cess);
Place of supply along with the name of State and its code, in case of a supply in the course of inter-State trade or commerce;
Whether the tax is payable on reverse charge basis; and
Signature/digital signature of supplier/his authorized representative

Where at the time of receipt of advance, rate of tax and/or nature of supply is not determinable

Where at the time of receipt of advance	
(i) rate of tax is not determinable	tax shall be paid at the rate of **18%**
(ii) nature of supply is not determinable	same shall be treated as **inter-State supply**

(v) Refund Voucher [Section 31(3)(e) read with rule 51]

Where, on receipt of advance payment with respect to any supply of goods or services or both the registered person issues a **Receipt Voucher**, but subsequently no supply is made and no tax invoice is issued in pursuance thereof, the said registered person may issue to the person who had made the payment, a **Refund Voucher** against such payment.



Particulars of Refund Voucher

Name, address and GSTIN of the supplier;
A consecutive serial number not exceeding sixteen characters, in one or multiple series, containing alphabets or numerals or special characters -hyphen or dash and slash and any combination thereof, unique for a FY;
Date of its issue;
Name, address and GSTIN or UIN, if registered, of the recipient;
Number and date of Receipt Voucher issued
Description of goods/services in respect of which refund is made
Amount of refund made
Rate of tax (central tax, State tax, integrated tax, Union territory tax or cess)
Amount of tax paid in respect of such goods or services (central tax, State tax, integrated tax, Union territory tax or cess)
Whether the tax is payable on reverse charge basis; and
Signature/digital signature of supplier/his authorized representative

(vi) Invoice and Payment Voucher [Section 31(3)(f) & (g) read with second proviso to rule 46 and rule 52]

The recipient is liable to pay tax on reverse charge basis where he receives supply of such goods/services/both which are notified for reverse charge purposes under section 9(3). Such supplies can be received from a registered or an unregistered supplier.

Further, a builder/promoter is required to pay GST on reverse charge basis under section 9(4) in one or more of the following cases:

(i) A builder/promoter must purchase 80% of inputs and input services used in supplying the service from registered persons. In case of shortfall, he's required to pay tax under reverse charge on all such inward supplies (to the extent short of 80% of the inward supplies from registered supplier).

(ii) Where cement is received from an unregistered person, promoter/builder has to pay tax on supply of such cement on reverse charge basis and

(iii) GST on capital goods purchased from unregistered person is payable by the promoter on reverse charge basis.

Invoice to be issued by recipient if he is liable to pay tax under section 9(3)/(4) and receives supplies from an unregistered person

A registered person who is liable to pay tax under reverse charge [under section 9(3)/9(4) of the CGST Act] shall issue an **invoice** in respect of goods or services or both **received by him from the supplier who is not registered on the date of receipt of goods or services or both.** Thus, a recipient liable to pay tax by virtue of section 9(3) has to issue invoice only when supplies have been received from an unregistered supplier.

Payment voucher to be issued by recipient at the time of making payment if he is liable to pay tax under section 9(3)/(4)

Besides, a registered person who is liable to pay tax under reverse charge [under section 9(3)/9(4) of the CGST Act] shall issue a **Payment Voucher** at the time of making payment to the supplier.

Particulars of Payment Voucher

Name, address and GSTIN of the supplier if registered;
A consecutive serial number not exceeding 16 characters, in one or multiple series, containing alphabets or numerals or special characters -hyphen or dash and any combination thereof, unique for a FY
Date of its issue;
Name, address and GSTIN of the recipient;
Description of goods or services;
Amount paid;
Rate of tax (central tax, State tax, integrated tax, Union territory tax or cess);
Amount of tax payable in respect of taxable goods or services (central tax, State tax, integrated tax, Union territory tax or cess);
Place of supply along with the name of State and its code, in case of a supply in the course of inter-State trade or commerce; and
Signature/digital signature of supplier/his authorized representative

(vii) Delivery challan [Rule 55]

Rule 55 specifies the cases where for the purpose of transportation of goods without issue of Invoice, Delivery Challan be issued:

These are provided in the following table:

Nature of supply	Deliver challan to be issued	Particulars of Delivery Challan
(1) Supply of liquid gas **where the quantity at the time of**	• serially numbered not exceeding 16 characters	Date and number of the delivery challan

removal from the place of business of the supplier **is not known**, (2) Transportation of goods for **job work**, (3) Transportation of goods for reasons **other than by way of supply**, or (4) Such other supplies as may be **notified** by the Board	• in one or multiple series • at the time of removal of goods for transportation	Name, address and GSTIN of the consigner, if registered Name, address and GSTIN or UIN of the consignee, if registered HSN code and description of goods, Quantity (provisional, where the exact quantity being supplied is not known) Taxable value Tax rate and tax amount – central tax, state tax, integrated tax, union territory tax or cess, where the transportation is for supply to the consignee Place of supply, in case of inter-state movement Signature

A. Delivery challan in Triplicate

The delivery challan shall be prepared **in TRIPLICATE**, in case of supply of goods, in the following manner:

Original copy	→	**ORIGINAL FOR CONSIGNEE**
Duplicate copy	→	**DUPLICATE FOR TRANSPORTER**
Triplicate copy	→	**TRIPLICATE FOR CONSIGNOR**

B. Declaration in E-way Bill

Where goods are being transported on a delivery challan in lieu of invoice, the same shall be declared in E-Way Bill[19].

C. Tax invoice to be issued after delivery of goods

Where the goods being transported are for the purpose of supply to the recipient but the tax invoice could not be issued at the time of removal of goods for the purpose of supply, the supplier shall issue a tax invoice after delivery of goods.

D. Goods transported in SKD/CKD condition or in batches or lots

Where the goods are being transported in a semi knocked down or completely knocked down condition or in batches or lots,

(a) the supplier shall issue the complete invoice before dispatch of the first consignment;

(b) the supplier shall issue a delivery challan for each of the subsequent consignments, giving reference of the invoice;

(c) Copies of the corresponding delivery challan shall accompany each consignment along with a duly certified copy of the invoice; and

(d) the original copy of the invoice shall be sent along with the last consignment.

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[19] *The provisions of E-way Bill have been discussed in Chapter-10: Accounts and Records; E-way Bill in this Module of the Study Material.*

E. Goods may be moved within the State/from the State of registration to another State for supply on approval basis and art works may be sent by artists to galleries for exhibition on delivery challan along with e-way bill wherever applicable

Suppliers of jewellery etc. who are registered in one State may have to visit other States (other than their State of registration) and need to carry the goods (such as jewellery) along for approval. In such cases if jewellery etc. is approved by the buyer, then the supplier issues a tax invoice only at the time of supply. Since the suppliers are not able to ascertain their actual supplies beforehand and while ascertainment of tax liability in advance is a mandatory requirement for registration as a casual taxable person, the supplier is not able to register as a casual taxable person. Such goods are also carried within the same State for the purposes of supply.

In view of relevant provisions of rule 55, it is clarified that the goods which are taken for supply on approval basis can be moved from the place of business of the registered supplier to another place within the same State or to a place outside the State on a delivery challan along with the e-way bill wherever applicable and the invoice may be issued at the time of delivery of goods. For this purpose, the person carrying the goods for such supply can carry the invoice book with him so that he can issue the invoice once the supply is fructified *[Circular No. 10/10/2017 GST dated 18.10.2017]*.

Likewise, in case where artists supply art works in different States - other than the State in which they are registered as a taxable person and if the art work is selected by the buyer, then the supplier issues a tax invoice only at the time of supply, it is clarified that the art work for supply on approval basis can be moved from the place of business of the registered person (artist) to another place within the same State or to a place outside the State on a delivery challan along with the e-way bill wherever applicable and the invoice may be issued at the time of actual supply of art work *[Circular No. 22/22/2017 GST dated 21.12.2017]*.

(viii) Supplier permitted to issue any document other than tax invoice [Proviso to section 31(2) read with rules 54]

Government may, on the recommendations of the Council, by notification and subject to such conditions as may be mentioned therein, specify the categories of services in respect of which––

(a) any other document issued in relation to the supply shall be deemed to be a tax invoice; or

(b) tax invoice may not be issued.

Following suppliers may issue a tax invoice, but they are also permitted to issue any other document in lieu of tax invoice, by whatever name called:

Supplier of taxable service	Document in lieu of the tax invoice	
	Optional information	**Mandatory information**
Insurer/ Banking company/ Financial institution, including NBFC	• Serial number (It is not mandatory for a bank/ insurance company to serially number the invoices/ document). • Address of the recipient of taxable service.	Other information (other than serial no. and address of recipient) as prescribed for a Tax Invoice, under rule 46. A customer may avail numerous services from the bank / insurer in a given tax period. Such entities may issue a consolidated tax invoice/ statement/ advice, any other document in lieu thereof, by whatever name called may be issued/ made available, physically/ electronically, for supply of services made during a month at the end of the month.

		However, the signature or digital signature of the supplier or his authorised representative shall not be required in the case of issuance of a consolidated tax invoice or any other document in lieu thereof in accordance with the provisions of the Information Technology Act, 2000.
Goods Transport Agency (GTA) supplying services in relation to transportation of goods by road in a **goods carriage**		Gross weight of the consignment Name of the consignor and the consignee Registration number of goods carriage in which the goods are transported Details of goods transported Details of place of origin and destination GSTIN of the person liable for paying tax whether as consignor, consignee or GTA Other information as prescribed for a tax invoice, under rule 46
Supplier of **passenger**	• Serial number	Tax invoice shall include ticket in any form, by whatever name called.

transportation service	• Address of the recipient of taxable service	Other information (other than serial no. and address of recipient) as prescribed for a tax invoice, under rule 46. However, signature or digital signature of the supplier or his authorized representative shall not be required in the case of issuance of ticket in accordance with the provisions of the Information Technology Act, 2000.
Registered person supplying **services by way of admission to exhibition of cinematograph films in multiplex screens**	Details of recipient of service	Supplier is required to issue an electronic ticket and the said electronic ticket shall be deemed to be a tax invoice.
		Other information (other than details of recipient of service) as prescribed for a tax invoice, under rule 46. However, supplier of such service in a screen other than multiplex screens may, at his option, follow the above procedure.

It is important to note here that keeping in view the large number of transactions in banking, insurance and passenger transportation sector, taxpayers need not mention the address of the customer and the serial number in their invoices.

(ix) Tax invoice in case of Input Service Distributor (ISD) [Rule 54(1) & 54(1A)]

An ISD invoice or, as the case may be, an ISD credit note issued by an ISD shall contain the following details:-

Name, address and GSTIN of the ISD
A consecutive serial number not exceeding 16 characters, in one or multiple series, containing alphabets or numerals or special characters -hyphen or dash and any combination thereof, unique for a FY
Date of its issue
Name, address and GSTIN of the recipient to whom the credit is distributed
Amount of credit distributed
Signature/digital signature of ISD/his authorized representative

However, where the ISD is an office of a banking company or a financial institution, including NBFC, a tax invoice shall include any document in lieu thereof, by whatever name called, whether or not serially numbered but containing the information as mentioned above.

A registered person, having the same PAN and State code as an ISD, may issue an invoice or, as the case may be, a credit/debit note to transfer the credit of common input services to the ISD, which shall contain the following details:-

Name, address and GSTIN of the registered person having the same PAN and same State code as ISD
A consecutive serial number not exceeding 16 characters, in one or multiple series, containing alphabets or numerals or special characters - hyphen or dash and any combination thereof, unique for a FY
Date of its issue
GSTIN of supplier of common service and original invoice number whose credit is sought to be transferred to the ISD
Name, address and GSTIN of the ISD
Taxable value**, rate and amount of the credit to be transferred
Signature/digital signature of the registered person/his authorized representative

** The taxable value in the invoice issued hereunder shall be the same as the value of the common services.

(x) Tax invoice or bill of supply to accompany transport of goods [Rule 55A]

Person-in-charge of the conveyance shall carry a copy of the tax invoice or the bill of supply issued in accordance with the provisions of rules 46, 46A or 49 in a case where such person is not required to carry an e-way bill under these rules.

4. CREDIT AND DEBIT NOTES [SECTION 34]

STATUTORY PROVISIONS

Section 34	Credit and Debit Notes
Sub-section	**Particulars**
(1)	*Where one or more tax invoices have been issued for supply of any goods or services or both and the taxable value or tax charged in that tax invoice is found to exceed the taxable value or tax payable in respect of such supply, or where the goods supplied are returned by the recipient, or where goods or services or both supplied are found to be deficient, the registered person, who has supplied such goods or services or both, may issue to the recipient one or more credit notes for supplies made in a financial year containing such particulars as may be prescribed*
(2)	*Any registered person who issues a credit note in relation to a supply of goods or services or both shall declare the details of such credit note in the return for the month during which such credit note has been issued but not later than* ***the 30th day of November*** *following the end of the financial year in which such supply was made, or the date of furnishing of the relevant annual return, whichever is earlier, and the tax liability shall be adjusted in such manner as may be prescribed:* *Provided that no reduction in output tax liability of the supplier shall be permitted, if the incidence of tax and interest on such supply has been passed on to any other person.*

(3)	*Where one or more tax invoices have been issued for supply of any goods or services or both and the taxable value or tax charged in that tax invoice is found to be less than the taxable value or tax payable in respect of such supply, the registered person, who has supplied such goods or services or both, shall issue to the recipient one or more debit notes for supplies made in a financial year containing such particulars as may be prescribed.*
(4)	*Any registered person who issues a debit note in relation to a supply of goods or services or both shall declare the details of such debit note in the return for the month during which such debit note has been issued and the tax liability shall be adjusted in such manner as may be prescribed.*
	Explanation.––For the purposes of this Act, the expression "debit note" shall include a supplementary invoice.

ANALYSIS

(i) **Issuance of Credit Note:** During the course of trade or commerce, after the invoice has been issued, Credit Note can be issued under the following circumstances:

- The supplier has erroneously declared a value which is more than the actual value of the goods or services provided. (Taxable Value found to exceed the taxable value in respect of such supply)
- The supplier has erroneously declared and charged a higher tax rate or tax amount than what was actually applicable and required to be charged for the said supply of goods and / or services. (Tax Charged exceeds the Tax payable)
- The goods supplied are returned by the Recipient (Sales Return)
- The quality of the goods or services or both supplied is not to the satisfaction of the recipient (Quality issues)
- Any other similar reasons

In order to regularize these kinds of situations, the supplier is allowed to issue a document called as **credit note** to the recipient. Once the credit note has been issued, the tax liability of the supplier will reduce. Simultaneously whenever a Credit Note in consonance with the provisions of Section 34 of the CGST Act, 2017 is issued reducing the liability of GST by the supplier, the corresponding reduction in Input Tax Credit is envisaged at the recipient's end.

The credit note is a convenient and legal method by which the value of the goods or services in the original tax invoice can be amended or revised. The issuance of the credit note easily allows the supplier to decrease his tax liability in his returns without requiring him to undertake any tedious process of refunds.

Section 34(1) provides that where **one or more tax invoices have been issued** for supply of any goods or services or both and the taxable value or tax charged in that/those tax invoice(s) is found to exceed the taxable value or tax payable in respect of such supply, or where the goods supplied are returned by the recipient, or where goods or services or both supplied are found to be deficient, the registered person, who has supplied such goods or services or both, may issue to the recipient **one or more credit notes for supplies made in a financial year** containing the prescribed particulars.

Secondary discounts

It is important to note that credit note(s) are not permitted to be issued in case secondary discounts[20] are allowed by the supplier since the tax liability of the supplier does not get reduced in such case. However, supplier can issue financial/ commercial credit note(s) to reduce the value of supply payable by the recipient to the supplier ***[Circular 92/11/2019 GST dated 07.03.2019]***. The Tax Liability of the Supplier is not reduced on issuance of Financial / Commercial Credit Notes.

[20] *Secondary discounts are the discounts which are not known at the time of supply/are offered after the supply is already over. These discounts are not excluded from the value of supply since conditions laid down in section 15(3)(b) are not satisfied. Refer Chapter 6 - Value of supply in Module 1 of the Study Material for detailed discussion on the same.*

(ii) Issuance of Debit Note: There can be situations when after the invoice has been issued:

- The supplier has erroneously declared a value which is less than the actual value of the goods or services or both provided.
- The supplier has erroneously declared a lower tax rate than what is applicable for the said supply of the goods or services or both supplied.
- Any other similar reasons

In order to regularize the above situations, the supplier is allowed to issue a document called as **debit note** to the recipient.

> ***Debit note** shall include a supplementary invoice.*

Section 34(3) provides that where one or more tax invoices have been issued for supply of any goods or services or both and the taxable value or tax charged in that tax invoice is found to be less than the taxable value or tax payable in respect of such supply, the registered person, who has supplied such goods or services or both, shall issue to the recipient one or more debit notes for supplies made in a financial year containing the prescribed particulars.

The issuance of a debit note/supplementary invoice creates additional tax liability. The treatment of a debit note/supplementary invoice is identical to the treatment of a tax invoice as far as returns and payment are concerned.

The debit note/supplementary invoice is a convenient and legal method by which the value of the goods and/or services in the original tax invoice can be enhanced. The issuance of the debit note allows the supplier to pay his enhanced tax liability in his returns without requiring him to undertake any other tedious process.

It is to be noted that a debit note issued by the supplier in accordance with the provisions of Section 34 of CGST Act, 2017 is a valid document to take Input Tax Credit at the end of the recipient [Rule 36(1)(c) of CGST Rules, 2017].

(iii) Details of Debit Note/Credit Note to be declared in return

I. Credit Note:

Any registered person who issues a credit note in relation to a supply of goods or services or both shall declare the details of such credit note in the return for the month during which such credit note has been issued but not later than:

(i) ***30th November*** following the end of the financial year in which such supply was made,

or

(ii) the date of furnishing of the relevant annual return,

whichever is earlier.

The tax liability shall be adjusted in such manner as may be prescribed. However, no reduction in output tax liability of the supplier shall be permitted, if the incidence of tax and interest on such supply has been passed on to any other person.

A single Credit / Debit Note may also be issued against more than one invoice to reduce / increase the tax liability.

Procedure in case of return of time expired medicines/drugs

It is a common trade practice in the pharmaceutical sector that the drugs or medicines are sold by the manufacturer to the wholesaler and by the wholesaler to the retailer on the basis of an invoice/bill of supply as case may be. Such goods have a defined life term which is normally referred to as the date of expiry. Goods which have crossed their date of expiry are colloquially referred to as time expired goods and are returned back to the manufacturer, on account of expiry, through the supply chain.

In case of return of time expired medicines/drugs, either of the following two options can be followed:

(A) Return of time expired goods to be treated as fresh supply

In case the person returning the time expired goods is:

- **A registered person (other than a composition taxpayer):** he may, at his option, return the said goods by treating it is as a fresh supply and thereby issuing an invoice for the same (hereinafter referred to as the, "return supply"). The value of the said goods as shown in the invoice on the basis of which the goods were supplied earlier may be taken as the value of such return supply. The wholesaler/manufacturer, who is the recipient of such return supply, shall be eligible to avail ITC of the tax levied on the said return supply subject to the fulfilment of conditions specified in section 16 of the CGST Act.
- **A composition supplier:** he may return the said goods by issuing a bill of supply and pay tax at the rate applicable to a composition taxpayer. No ITC will be available to recipient of return supply.
- **An unregistered person:** he may return the said goods by issuing any commercial document without charging any tax on the same.

Where the time expired goods which have been returned by the retailer/wholesaler are destroyed by the manufacturer, ITC treatment in such case has already been discussed in Chapter 7: Input Tax Credit in this Module of the Study Material.

(B) Return of time expired goods by issuing Credit Note

The manufacturer/wholesaler who has supplied the goods to the wholesaler/ retailer has the option to issue a credit note in relation to the time expired goods returned. Retailer/wholesaler may return the time expired goods by issuing a delivery challan.

If the credit note is issued within the time limit specified in Point (iii)(I.) above, the tax liability may be adjusted by the supplier, subject to the condition that the person returning the time expired goods has either not availed the ITC or if availed has reversed the ITC so availed against the goods being returned.

However, if said time limit has lapsed, a credit note may still be issued by the supplier for such return of goods but the tax liability cannot be adjusted by him in his hands.

Further, if time expired goods are returned beyond the time period specified in Point (iii)(I.) and a credit note is issued consequently, there is no requirement to declare such credit note on the common portal by the supplier (i.e. by the person who has issued the credit note) as tax liability cannot be adjusted in this case.

Where such returned time expired goods are destroyed by the manufacturer, he/she is required to reverse the ITC attributable to the manufacture of such goods, in terms of section 17(5)(h) of the CGST Act.

The clarification may also be applicable to return of goods for reasons other than being time expired. ***[Circular No. 72/46/2018 GST dated 26.10.2018].***

Example

Date of Supply*	**Date of return****	**Treatment in terms of tax liability & credit**
01.07.2020	20.09.2021	Credit note will be issued by supplier (manufacturer/ wholesaler) and the same to be uploaded by him on the common portal. Subsequently, tax liability can be adjusted by such supplier provided the recipient (wholesaler / retailer) has either not availed the ITC or if availed has reversed the ITC.

01.07.2020	20.10.2021	Credit note will be issued by the supplier (manufacturer / wholesaler) but there is no requirement to upload the same on the common portal. Subsequently tax liability cannot be adjusted by such supplier. The ideal course of action in this case would be that the retailer / wholesaler returning the time expired goods should issue a tax invoice treating the same as fresh supply.

* of goods from manufacturer/ wholesaler to wholesaler/ retailer

**of time expired goods from retailer/ wholesaler to wholesaler/ manufacturer

II. Debit Note:

Any registered person who issues a debit note in relation to a supply of goods or services or both shall declare the details of such debit note in the return for the month during which such debit note has been issued. The tax liability shall be adjusted in such manner as may be prescribed.

(iv) Particulars of the Debit and Credit Notes [Rule 53(1A)]

There is no prescribed format, but credit and debit note issued by a supplier must contain the following particulars, namely:–

Name, address and GSTIN of the supplier.
Nature of the document.
A consecutive serial number not exceeding 16 characters, in one or multiple series, containing alphabets or numerals or special characters - hyphen or dash and slash and any combination thereof, unique for a FY.
Date of issue of the document.

Name, address and GSTIN or UIN, if registered, of the recipient.
Name and address of the recipient and the address of delivery, along with the name of State and its code, if such recipient is un-registered.
Serial number(s) and date(s) of the corresponding tax invoice(s) or, as the case may be, bill(s) of supply.
Value of taxable supply of goods or services, rate of tax and the amount of the tax credited or, as the case may be, debited to the recipient
Signature/digital signature of the supplier/his authorized representative.

5. PROHIBITION OF UNAUTHORISED COLLECTION OF TAX [SECTION 32]

A person who is not a registered person shall not collect in respect of any supply of goods or services or both any amount by way of tax under this Act. No registered person shall collect tax except in accordance with the provisions of this Act or the rules made thereunder.

(8) Rujuta is engaged in providing grooming services. She is not registered under GST law as her turnover is below the threshold limit. Rujuta cannot collect tax on the grooming services provided by her as a person who is not a registered person cannot collect any amount by way of tax under GST law in respect of any supply of goods or services or both.

6. AMOUNT OF TAX TO BE INDICATED IN TAX INVOICE AND OTHER DOCUMENTS [SECTION 33]

Notwithstanding anything contained in this Act or any other law for the time being in force, where any supply is made for a consideration, every person who is liable to pay tax for such supply shall prominently indicate in all documents relating to assessment, tax invoice and other like documents, the amount of tax which shall form part of the price at which such supply is made.

LET US RECAPITULATE

Who can raise a tax invoice?

Registered Person

- Supplying taxable goods or services
- Receiving taxable goods or services from unregistered supplier

Time limit for issuance of invoice

Taxable supply

- Goods
  - Involving movement of goods
    - At the time of removal
  - No movement of goods
    - At the time of delivery
  - Sale or return supplies
    - Before or at the time of supply, or within 6 months from the removal – whichever is earlier
- Services
  - Within 30 days** from the supply of services
    - **45 days for Insurance, Banking

In case of continuous supply of goods

- before/at the time each successive statements of accounts is issued or each successive payment is received

In case of continuous supply of services

due date of payment is ascertainable from the contract	on/before due date of payment
not so ascertainable	before/at the time of receipt of payment
payment is linked to the completion of an event	on/before the date of completion of that event

Important contents of tax invoice

Name, address & GSTIN of supplier	Consecutive Serial Number & date of issue	Name, address & GSTIN of recipient, if registered	Name & address of recipient alongwith delivery address , name & State code, if not registered
HSN	Description of goods or services	Quantity in case of goods	Total Value of supply
Taxable Value of supply	Tax rate – Central tax & State tax or Integrated tax, cess	Amount of tax charged	Place of supply
Address of delivery where different than place of supply	Tax payable on reverse charge basis	Signature of supplier or authorised signatory - not req. if e-invoice issued as per IT Act, 2000	QR code having embedded IRN in it - in case if e-invoice issued

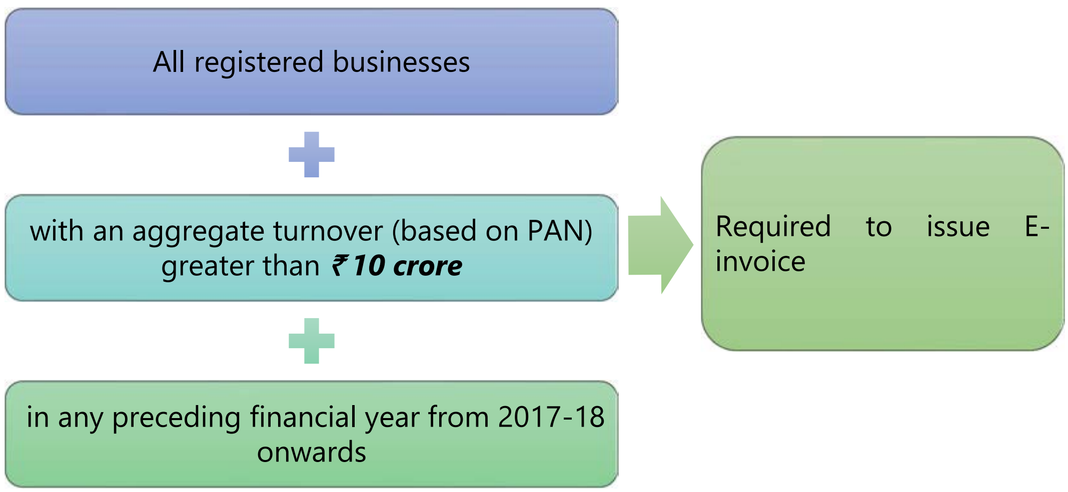
Manner of issuing the invoice

Supply of Goods	**Supply of services**
Triplicate	Duplicate
Original copy for recipient Duplicate copy for transporter; and Triplicate copy for supplier	Original copy for recipient; and Duplicate copy for supplier

> The serial number of invoices issued during a month / quarter shall be furnished electronically in FORM GSTR-1.

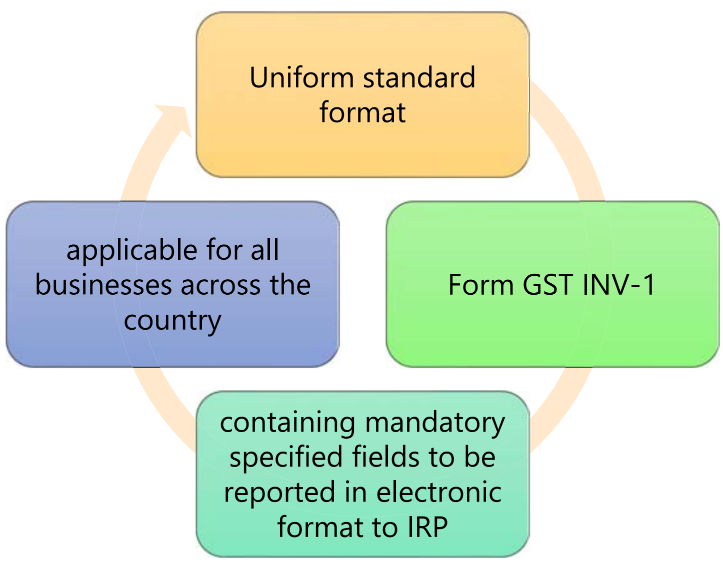
E-invoicing

A. Class of persons mandatorily required to issue e-invoice [hereinafter referred to as notified persons]



B. Important terms

E-invoice schema



Invoice Registration Portal [IRP]

website
for uploading or reporting of invoices
by notified persons

Invoice Reference Number [IRN]

Unique reference number

generated and returned by IRP

on successful registration of e-invoice

GST invoice will be valid only with a valid IRN

C. Advantages of e-invoicing

- Auto-reporting of invoices into GST return
- Auto-generation of e-way bill
- Substantial reduction in transcription errors
- Early payment
- Cost reduction
- Improved efficiency of business
- Reduction of tax evasion
- Elimination of fake invoices

D. Situations in which e-invoicing is applicable

Supply of goods and/or services to a registered person by notified person [B2B supplies]	•Applicable
Exports by notified persons	•Applicable
B2C supplies by notified persons	•Not applicable
Invoices issued by Input Service Distributor	•Not applicable
Supplies made by notified person, tax on which is payable under reverse charge under section 9(3)	•Applicable
Where specified category of supplies are received by notified persons from unregistered persons [attracting reverse charge under section 9(4)] or through import of services	•Not applicable
Import of goods (Bills of Entry)	•Not applicable

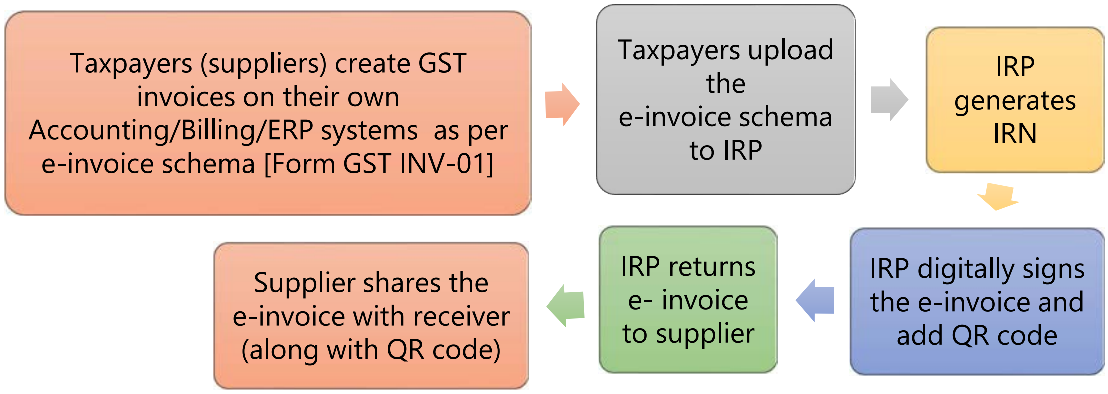
E. No requirement of issuing invoice copies in triplicate/duplicate

Where e-invoicing is applicable → No need of issuing invoice copies in triplicate/duplicate

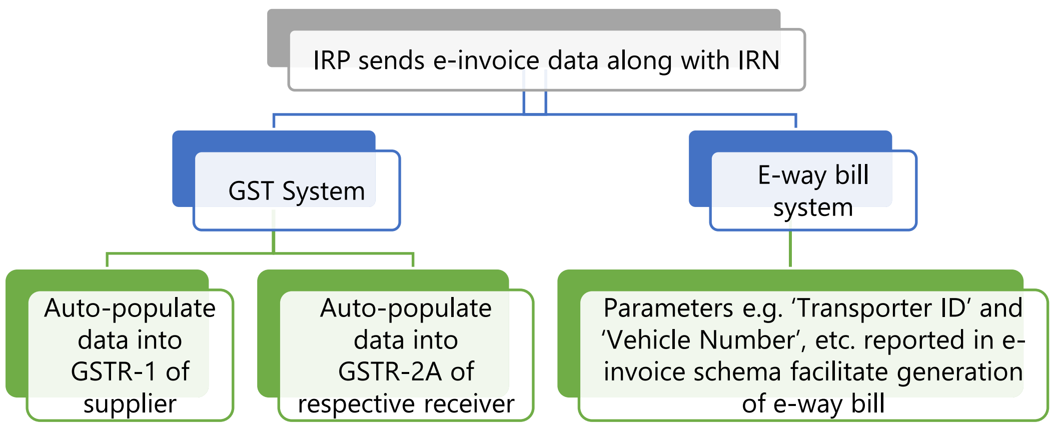
F. Exemption from e-invoicing

- Special Economic Zone units
- Insurer/banking company/financial institution including NBFC
- GTA supplying services in relation to transportation of goods by road in a goods carriage
- Supplier of passenger transportation service
- Person supplying services by way of admission to exhibition of cinematograph films in multiplex screens
- ***Government Department and local authority***

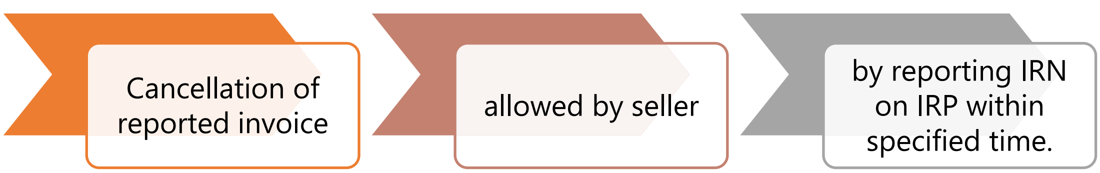
G. Overall work flow of e-invoice



H. Generation of e-way bill/populating relevant parts of GST return through e-invoicing data



I. Cancellation of reported invoice



J. Amendment of reported invoice

Amendment of e-invoice already uploaded on IRP

- Possible only on GST portal
- Not possible through the IRP

Revised Tax Invoice

Revised Tax Invoices to be issued in respect of taxable supplies effected during this period

Effective date of registration — **Date of issuance of certificate of registration**

Consolidated Revised Tax Invoice (CRTI) may be issued in respect of taxable supplies made to an **unregistered recipient** during this period

In case of Inter-State supplies, where the value of a supply does not exceed ` 2,50,000, a **CRTI** may be issued separately in respect of all unregistered recipients located in a State.

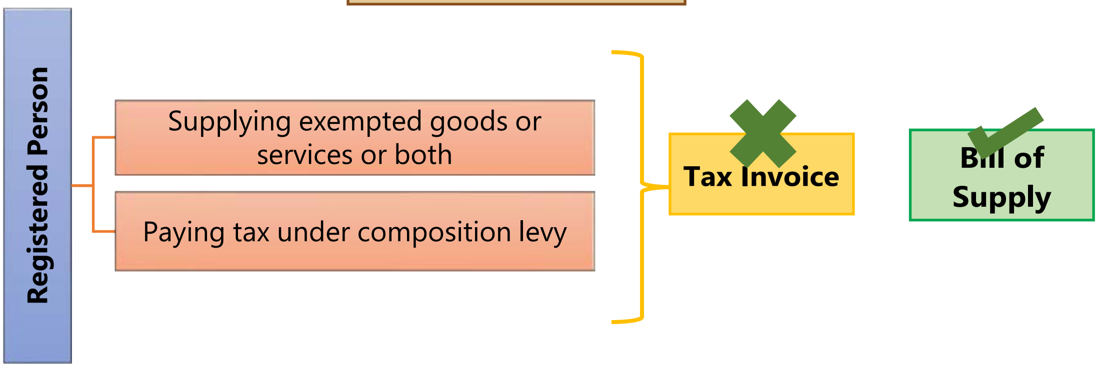
Consolidated Tax Invoice

Tax invoice is not required to be issued

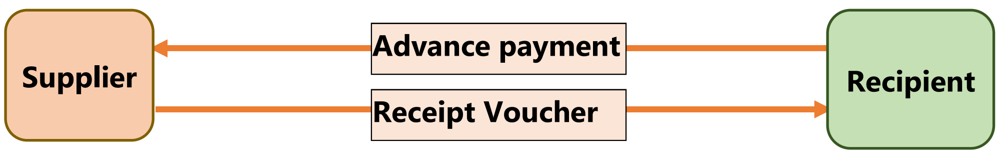
- Value of supply < ₹200
- Recipient is unregistered
- Recipient does not require such invoice

Consolidated Tax Invoice shall be issued for such supplies at the close of each day in respect of all such supplies

Bill of Supply



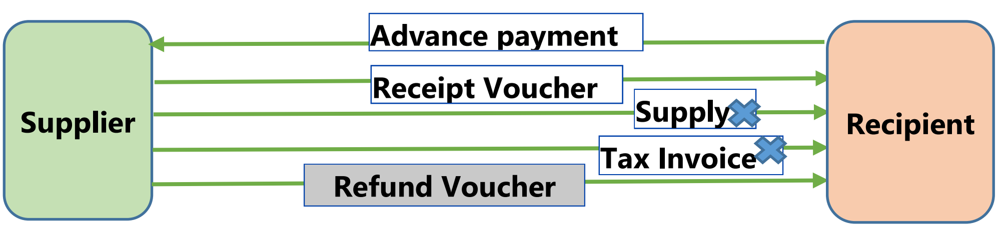
Receipt Voucher



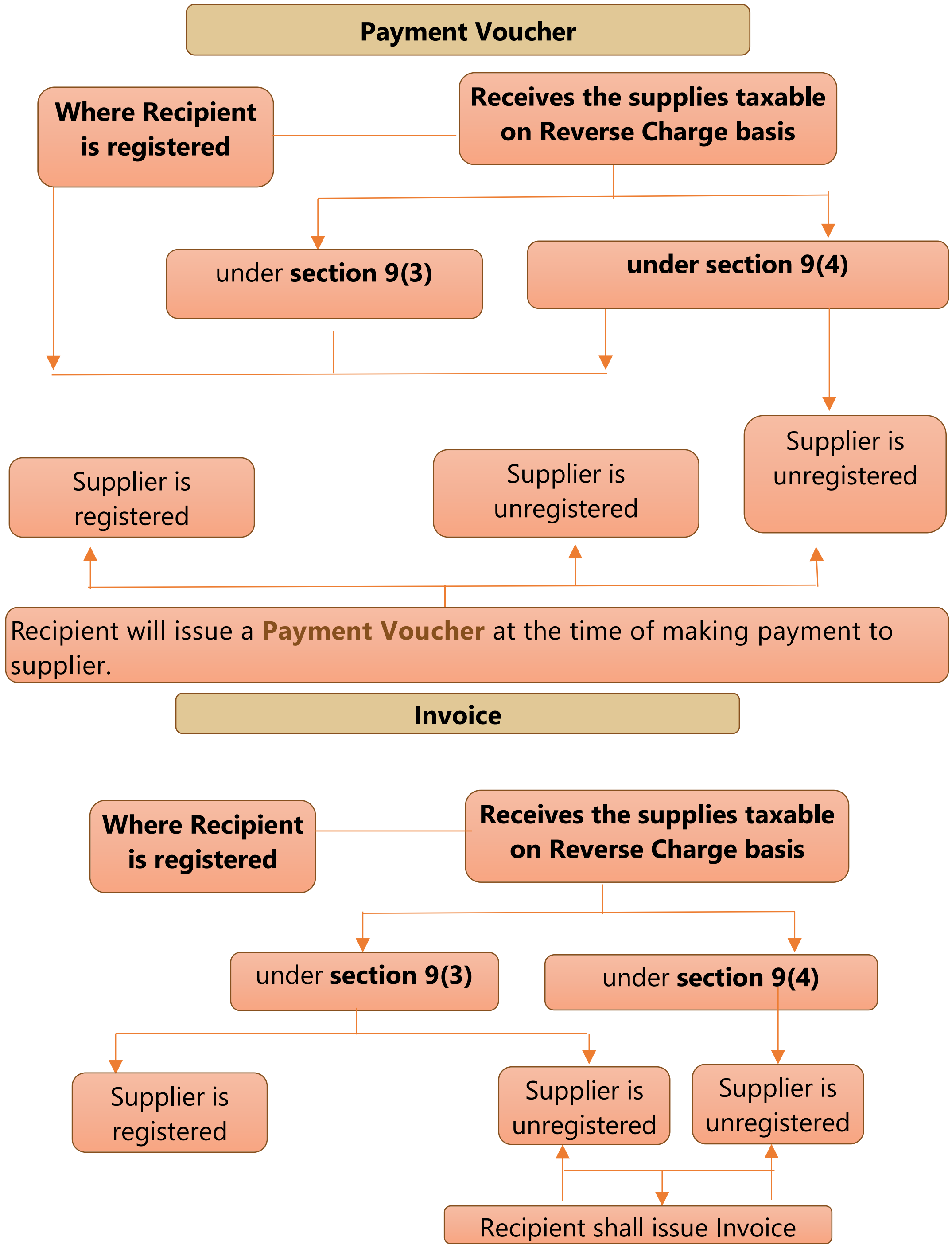
Where at the time of receipt of advance, rate of tax/ nature of supply is not determinable

Where at the time of receipt of advance	
(i) rate of tax is not determinable	tax shall be paid at the rate of **18%**
(ii) nature of supply is not determinable	same shall be treated as **inter-State supply**

Refund Voucher



Invoice and Payment Vouchers



Credit Notes

Where one or more tax invoices have been issued for supply of any goods or services or both

↓

Taxable value in invoice > Taxable value in respect of such supply

Tax charged in invoice > Tax payable in respect of such supply

OR

where the goods supplied are returned by the recipient

OR

where goods or services or both supplied are found to be deficient

↓

Registered Supplier of goods or services or both → **may issue one or more credit notes for supplies made in a FY** → **Recipient of goods or services or both**

Debit Notes

Where one or more tax invoices have been issued for supply of any goods or services or both

↓

Taxable value in invoice < Taxable value in respect of such supply

Tax charged in invoice < Tax payable in respect of such supply

↓

Registered Supplier of goods or services or both → **may issue one or more debit notes for supplies made in a FY** → **Recipient of goods or services or both**

TEST YOUR KNOWLEDGE

1. *Jai, a registered supplier, runs a general store in Ludhiana, Punjab. Some of the goods sold by him are exempt whereas some are taxable. You are required to advise him on the following issues:*

   (i) *Whether Jai is required to issue a tax invoices in all cases, even if he is selling the goods to the end consumers?*

   (ii) *Jai sells some exempted as well as taxable goods valuing ₹ 5,000 to a school student. Is he mandatorily required to issue two separate GST documents?*

   (iii) *Jai wishes to know whether it's necessary to show tax amount separately in the tax invoices issued to the customers. You are required to advise him.*

2. *Avtaar Enterprises, Kanpur started trading exclusively in ayurvedic medicines from July 1. Its turnover exceeded ₹40 lakh on October 3. The firm applied for registration on October 31 and was issued registration certificate on November 5.*

   Examine whether any revised invoice can be issued in the given scenario. If the answer to the first question is in affirmative, determine the period for which the revised invoices can be issued as also the last date up to which the same can be issued.

3. *Discuss the provisions relating to issue of an invoice/document in the following circumstances:*

   (i) *Advance payment is received against a supply, but subsequently no supplies are made.*

   (ii) *Goods are sent on approval for sale or return and are removed before the supply takes place.*

   (iii) *Mr. Mohan provides continuous supply of services to his client, where the due date of payment for such services is not ascertainable. No advance has been received in this behalf.*

4. *Pari & Sons is an unregistered dealer of taxable supplies in Kerala. On 10th August, aggregate turnover of Pari & Sons exceeded ₹ 20,00,000. The firm applied for registration on 27th August and was granted the registration certificate on 1st September.*

Under CGST Rules, 2017, you are required to advise Pari & Sons as to what is the effective date of registration in its case. It has also sought your advice regarding period for issuance of revised tax invoices.

ANSWERS/HINTS

1. (i) No, he is not required to issue tax invoice in all cases. As per section 31(1), every registered person supplying taxable goods is required to issue a 'tax invoice'. Section 31(3)(c) stipulates that every registered person supplying exempted goods is required to issue a bill of supply instead of tax invoice.

Further, rule 46A provides that a registered person supplying taxable as well as exempted goods or services or both to an un-registered person may issue a single 'invoice-cum-bill of supply' for all such supplies.

However, as per section 31(3)(b) read with rule 46 and 49, a registered person may not issue a tax invoice/bill of supply if:

(i) value of the goods supplied <₹ 200,

(ii) the recipient is unregistered; and

(iii) the recipient does not require such invoice.

Instead, such registered person shall issue a Consolidated Tax Invoice/bill of supply for such supplies at the close of each day in respect of all such supplies.

(ii) As per rule 46A, where a registered person is supplying taxable as well as exempted goods or services or both to an unregistered person, a single **"invoice-cum-bill of supply"** may be issued for all such supplies. Thus, there is no need to issue a tax invoice and a bill of supply separately to the school student in respect of supply of the taxable and exempted goods respectively.

(iii) As per section 33, where any supply is made for a consideration, every person who is liable to pay tax for such supply shall prominently indicate in all documents relating to assessment, tax invoice and other like documents, the amount of tax which shall form part of the price at which such supply is made.

As per rule 46(m), a tax invoice shall contain the various particulars, *inter alia,* namely, amount of tax charged in respect of taxable goods or services (central tax, State tax, integrated tax, Union territory tax or cess);

Hence, Jai has to show the tax amount separately in the tax invoices issued to customers.

2. As per section 31(3)(a), a registered person may, within one month from the date of issuance of certificate of registration, issue a revised invoice against the invoice already issued during the period beginning with the effective date of registration till the date of issuance of certificate of registration to him.

Further, rule 10(2) lays down that the registration shall be effective from the date on which the person becomes liable to registration where the application for registration has been submitted within a period of 30 days from such date.

In the given case, Avtaar Enterprises has applied for registration within 30 days of becoming liable for registration. Thus, the effective date of registration is the date on which Avtaar Enterprises became liable for registration i.e., October 3. Therefore, since in the given case there is a time lag between the effective date of registration (October 3) and the date of grant of certificate of registration (November 5), revised invoices can be issued. The same can be issued for supplies made during this intervening period i.e., for the period beginning with October 3 till November 5. Further, the revised invoices can be issued for the said period till December 5.

3. **(i)** As per section 31(3)(e), where advance payment is received against a supply for which receipt voucher has been issued, but subsequently no supplies are made and no tax invoice is issued in pursuance thereof, a refund voucher may be issued to the person who had made the advance payment.

(ii) As per section 31(7), where the goods are sent on approval for sale or return and are removed before the supply takes place, the invoice shall be issued before or at the time of supply or 6 months from the date of removal, whichever is earlier.

(iii) As per section 31(5)(b), in case of continuous supply of services, where the due date of payment is not ascertainable from the contract, the invoice shall be issued before or at the time when the supplier of service receives the payment

4. Section 22(1) provides that every supplier is liable to be registered under this Act in the State or Union territory, other than special category States, from where he makes a taxable supply of goods or services or both, if his aggregate turnover in a financial year exceeds the threshold limit (₹ 20 lakh).

Section 25(1) provides that a supplier whose aggregate turnover in a financial year exceeds the threshold limit in a State/UT is liable to apply for registration within 30 days from the date of becoming liable to registration (i.e., the date of crossing the threshold limit).

Where the application is submitted within the said period, the effective date of registration is the date on which the person becomes liable to registration vide rule 10(2); otherwise it is the date of grant of registration in terms of rule 10(3).

In the given case, since Pari & Sons have applied for registration on 27th August which is within 30 days from the date of becoming liable to registration (10th August), its effective date of registration is 10th August.

Further, every registered person who has been granted registration with effect from a date earlier than the date of issuance of registration certificate to him, may issue revised tax invoices in respect of taxable supplies effected during this period within one month from the date of issuance of registration certificate [Section 31(3)(a) read with rule 53(2)].

In view of the same, Pari & Sons may issue revised tax invoices against the invoices already issued during the period between effective date of registration (10th August) and the date of issuance of registration certificate (1st September), on or before 1st October.

NOTES

NOTES

CHAPTER **10**

ACCOUNTS AND RECORDS; E-WAY BILL

The section numbers referred to in the Chapter pertain to CGST Act, unless otherwise specified. Examples/Illustrations/Questions and Answers, as the case may be, given in the Chapter are based on the position of GST law existing as on 30.04.2023.

LEARNING OUTCOMES

After reading this Chapter, you shall be equipped to:

- enumerate the accounts and other records required to be maintained under GST by registered person.
- list the additional records required to be maintained by agent, manufacturer, service provider.
- describe the accounts and records to be maintained by person executing works contract, clearing and forwarding agent.
- Enumerate the accounts and records to be maintained by owner/operator of a warehouse/godown and transporter.
- describe the period for which the books of accounts or other records are required to be maintained.
- explain the provisions relating to e-way bills.

1. INTRODUCTION

Assessment in GST is mainly focused on self-assessment by the taxpayers themselves. Every taxpayer is required to self-assess the taxes payable and furnish a return for each tax period i.e. the period for which return is required to be filed.

The compliance verification is done by the Department through scrutiny of returns and/or investigation. Thus, the compliance verification is to be done through documentary checks rather than physical controls. This requires certain obligations to be cast on the taxpayer for keeping and maintaining accounts and records. Such accounts and records may be used by the department for compliance verification.

Every registered person shall keep and maintain all records at his principal place of business. Responsibility has been casted on the owner or operator of warehouse or godown or any other place used for storage of goods and on every transporter to maintain specified records even if they are not registered under GST. They need not enroll for this purpose.

Further, Commissioner is empowered to notify a class of taxable persons to maintain additional accounts or documents for specified purpose or to maintain accounts in other prescribed manner. Similarly, the Commissioner can permit a class of taxable persons to maintain accounts in such manner as may be prescribed if that class of taxable person is not in a position to keep and maintain accounts in accordance with the provisions of GST Laws.

It is not mandatory to maintain the accounts in electronic form. Accounts and records may be maintained either electronically or manually. Further, there is no prescribed format for maintaining the accounts.

Chapter VIII – Accounts and Records [Sections 35 and 36] of the CGST Act and Chapter VII – Accounts and Records [Rules 56 to 58] of the CGST Rules, 2017, enumerates the accounts and records required to be maintained by a taxpayer and the period for which such accounts and records are required to be preserved. Further, E-way Bill provisions discussed in this Chapter are contained in section 68 read with rules 138, 138A, 138B, 138C 138D and 138E [Chapter XVI] of the CGST Rules, 2017. State GST laws also prescribe identical provisions in relation to accounts and records; E-Way Bill.

Provisions relating to Accounts and Records; E-way Bill under CGST Act have also been made applicable to IGST Act vide section 20 of the IGST Act.

Before proceeding to understand the accounts and records provisions, let us first go through few relevant definitions.

2. RELEVANT DEFINITIONS

❖ **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 carried on the business of supply or receipt of goods or services or both on behalf of another [Section 2(5)].

❖ **Commissioner:** means the Commissioner of central tax and includes the Principal Commissioner of central tax appointed under section 3 and the Commissioner of integrated tax appointed under the Integrated Goods and Services Tax Act. [Section 2(24)]

❖ **Common portal:** means the common goods and services tax electronic portal referred to in section 146 [Section 2(26)].

❖ **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. [Section 2(72)]

❖ **Taxable supply:** means a supply of goods or services or both which is leviable to tax under this Act [Section 2(108)].

- **Place of business:** includes [Section 2(85)]:
  - a place from where the business is ordinarily carried on, and includes a warehouse, a godown or any other place where a taxable person stores his goods, supplies or receives goods or services or both; or
  - a place where a taxable person maintains his books of account; or
  - a place where a taxable person is engaged in business through an agent, by whatever name called.

- **Taxable person:** means a person who is registered or liable to be registered under section 22 or section 24 [Section 2(107)].

- **Principal place of business:** means the place of business specified as the principal place of business in the certificate of registration [Section 2(89)].

- **Proper officer:** in relation to any function to be performed under this Act, means the Commissioner or the officer of the central tax who is assigned that function by the Commissioner in the Board [Section 2(91)].

- **Registered person:** means a person who is registered under section 25, but does not include a person having a Unique Identity Number [Section 2(94)].

- **Tax period:** means the period for which the return is required to be furnished [Section 2(106)].

- **Document:** includes written or printed record of any sort and electronic record as defined in clause (t) of section 2 of the Information Technology Act, 2000 [Section 2(41)].

- **Voucher:** means an instrument where there is an obligation to accept it as consideration or part consideration for a supply of goods or services or both and where the goods or services or both to be supplied or the identities of their potential suppliers are either indicated on the instrument itself or in related documentation, including the terms and conditions of use of such instrument [Section 2(118)].

- **Conveyance:** includes a vessel, an aircraft and a vehicle [Section 2(34)].

❖ **Works Contract:** means a contract for building, construction, fabrication, completion, erection, installation, fitting out, improvement, modification, repair, maintenance, renovation, alteration or commissioning of any immovable property wherein transfer of property in goods (whether as goods or in some other form) is involved in the execution of such contract [Section 2(119)]

3. ACCOUNTS AND OTHER RECORDS [SECTION 35]

STATUTORY PROVISIONS

Section 35	***Accounts and Other Records***
Sub-section	***Particulars***
(1)	*Every registered person shall keep and maintain, at his principal place of business, as mentioned in the certificate of registration, a true and correct account of* *(a) production or manufacture of goods;* *(b) inward and outward supply of goods or services or both;* *(c) stock of goods;* *(d) input tax credit availed;* *(e) output tax payable and paid; and* *(f) such other particulars as may be prescribed* *Provided that where more than one place of business is specified in the certificate of registration, the accounts relating to each place of business shall be kept at such places of business:* *Provided further that the registered person may keep and maintain such accounts and other particulars in electronic form in such manner as may be prescribed.*
(2)	*Every owner or operator of warehouse or godown or any other place used for storage of goods and every transporter, irrespective of whether he is a registered person or not, shall maintain records*

	of the consigner, consignee and other relevant details of the goods in such manner as may be prescribed.
(3)	*The Commissioner may notify a class of taxable persons to maintain additional accounts or documents for such purpose as may be specified therein.*
(4)	*Where the Commissioner considers that any class of taxable persons is not in a position to keep and maintain accounts in accordance with the provisions of this section, he may, for reasons to be recorded in writing, permit such class of taxable persons to maintain accounts in such manner as may be prescribed.*
(6)	*Subject to the provisions of clause (h) of sub-section (5) of section 17, where the registered person fails to account for the goods or services or both in accordance with the provisions of sub-section (1), the proper officer shall determine the amount of tax payable on the goods or services or both that are not accounted for, as if such goods or services or both had been supplied by such person and the provisions of section 73 or section 74, as the case may be, shall, mutatis mutandis, apply for determination of such tax.*

ANALYSIS

The provisions relating to accounts and records required to be maintained under GST are contained in sections 35 and 36 read along with Chapter VII - Accounts and Records of CGST Rules, 2017. Relevant provisions of CGST Rules, 2017 have been incorporated at relevant places.

(I) Who is required to maintain books of accounts and at which place? [1]

Every registered person shall keep and maintain, books of accounts at his **principal place of business** (hereinafter referred to as PPoB) and books of account relating to additional place of business (hereinafter referred to as APoB) [as mentioned in the certificate of registration].

[1] *Section 35(1) read with rule 56(7) and 56(10)*

Where more than one place of business is specified in the certificate of registration, the accounts relating to each place of business shall be kept at such places of business.

Supply of goods through an auction like tea, rubber, coffee

In terms of above provision, the books of accounts relating to each and every place of business are required to be maintained in that place itself. However, in case where goods like tea, rubber, coffee, etc. are supplied through an auction the difficulties were being faced by the principal and auctioneer in maintaining books of accounts at each and every APoB related to stock of said goods.

Consequently, it has been clarified that in such cases, the principal and the auctioneer may declare the warehouses, where such goods are stored, as their APoB. The buyer is also required to disclose such warehouse as his APoB if he wants to store the goods purchased through auction in such warehouses. For the purpose of supply of tea through a private treaty, the principal and an auctioneer may also comply with the said provisions.

Further, the principal and the auctioneer for the purpose of auction of tea, coffee, rubber etc., or the principal and the auctioneer for the purpose of supply of tea through a private treaty, may maintain the books of accounts relating to APoB at their PPoB instead of such APoB. Such principal and auctioneer shall intimate their jurisdictional proper officer in writing about the maintenance of books of accounts relating to APoB at their PPoB.

ITC availment: It is further clarified that the principal and the auctioneer for the purpose of auction of tea, coffee, rubber etc., or the principal and the auctioneer for the purpose of supply of tea through a private treaty, shall be eligible to avail ITC subject to the fulfilment of other provisions of the CGST Act read with the rules made thereunder[2] *[Circular No. 23/23/2017 GST dated 21.12.2017 and Circular No. 47/21/2018 GST dated 08.06.2018].*

Unless proved otherwise, if any documents, registers, or any books of account belonging to a registered person are found at any premises other than those

[2] *Refer Chapter 7 – Input Tax Credit in this Module for detailed provisions relating to ITC.*

mentioned in the certificate of registration, they shall be presumed to be maintained by the said registered person.

(II) Which accounts and records are required to be maintained?

A true and correct account of following is to be maintained:

(a) production or manufacture of goods;

(b) inward and outward supply of goods or services or both;

(c) stock of goods;

(d) input tax credit availed;

(e) output tax payable and paid

(f) such other particulars as may be prescribed

The Commissioner may notify a class of taxable persons to maintain additional accounts or documents for such purpose as may be specified therein.[3]

Where the Commissioner considers that any class of taxable persons is not in a position to keep and maintain accounts in accordance with the provisions of this section, he may, for reasons to be recorded in writing, permit such class of taxable persons to maintain accounts in such manner as may be prescribed.[4]

The additional records to be maintained by specified persons are as under:-

(i) Registered person

In addition to the particulars mentioned in section 35(1), the rules also provide that the registered person[5] is required to maintain a true and correct account of:

- the goods/services imported/exported,

[3] *Section 35(3)*

[4] *Section 35(4)*

[5] *Rule 56(1), (3), (5) and (6)*

- supplies attracting payment of tax on reverse charge along with relevant documents, including invoices, bills of supply, delivery challans, credit notes, debit notes, receipt vouchers, payment vouchers and refund vouchers6.
- separate account of advances received, paid and adjustments made thereto.

- particulars of:
  - ✓ names and complete addresses of suppliers **from whom he has received** the goods or services chargeable to tax under the Act;
  - ✓ names and complete addresses of the persons **to whom he has supplied** goods or services, where required under the provisions of this Chapter.
- particulars of the complete address of the **premises where goods are stored** by him, including goods stored during transit along with the particulars of the stock stored therein.

However, if any taxable goods are found to be stored at any place(s) other than those so declared without the cover of any valid documents, the proper officer shall determine the amount of tax payable on such goods as if such goods have been supplied by the registered person.

A supplier is required to maintain following records relating to stock of goods and tax details. However, a supplier who has opted for composition scheme is not required to maintain such records[7]..

(a) Stock of goods: Accounts of stock in respect of goods received and supplied by him, and such accounts shall contain particulars of the opening balance, receipt, supply, goods lost, stolen, destroyed, written off or disposed of by way of gift or free sample and the balance of

[6] *The detailed provisions relating to all such documents have already been discussed in Chapter 9: Tax invoice, Credit and Debit Notes of this Module.*

[7] *Rule 56(2) and (4)*

stock including raw materials, finished goods, scrap and wastage thereof.

(b) Details of tax: Account, containing the details of tax payable (including tax payable under reverse charge), tax collected and paid, input tax, input tax credit claimed, together with a register of tax invoice, credit notes, debit notes, delivery challan issued or received during any tax period.

(ii) Agent[8]

Every agent shall maintain accounts depicting the-

(a) particulars of authorisation received by him from each principal to receive or supply goods/services on behalf of such principal separately;

(b) particulars including description, value and quantity (wherever applicable) of goods /services received on behalf of every principal;

(c) particulars including description, value and quantity (wherever applicable) of goods/services supplied on behalf of every principal;

(d) details of accounts furnished to every principal; and

(e) tax paid on receipts or on supply of goods/services effected on behalf of every principal.

(iii) Manufacturer[9]

Apart from other records, every registered person manufacturing goods has to maintain monthly production accounts showing quantitative details of raw materials/services used in the manufacture and quantitative details of the goods so manufactured including the waste and by products thereof.

[8] *Rule 56(11)*
[9] *Rule 56(12)*

(iv) Service Provider[10]

Every registered person supplying services has to additionally maintain the accounts showing quantitative details of goods used in the provision of services, details of input services utilised and the services supplied.

(v) Person executing works contract[11]

Every registered person executing works contract shall keep separate accounts for works contract showing -

- the names and addresses of the persons on whose behalf the works contract is executed;
- description, value and quantity (wherever applicable) of goods or services received for the execution of works contract;
- description, value and quantity (wherever applicable) of goods/services utilized in the execution of works contract;
- the details of payment received in respect of each works contract; and
- the names and addresses of suppliers from whom he received goods/services.

(vi) Custodian/clearing and forwarding agent[12]

- Any person having custody over the goods in the capacity of a carrier or a clearing and forwarding agent for delivery or dispatch thereof to a recipient on behalf of any registered person shall maintain true and correct records in respect of such goods handled by him on behalf of such registered person and shall produce the details thereof as and when required by the proper officer.

[10] *Rule 56(13)*
[11] *Rule 56(14)*
[12] *Rule 56(17)*

(vii) Owner/operator of a warehouse/ godown and transporter[13]

Every owner or operator of warehouse or godown or any other place used for storage of goods and every transporter, irrespective of whether he is a registered person or not, shall maintain records of the consigner, consignee and other relevant details of the goods in such manner as may be prescribed.

Enrolment, if not already registered in GST[14]: If such persons are not already registered, they shall obtain a unique enrollment number by applying electronically [Form GST ENR-01] at the GST Common Portal.

The person enrolled as aforesaid in any other State or Union territory shall be deemed to be enrolled in the State or Union territory.

Such person may also amend the details furnished in the prescribed form. Such person, once obtained unique enrollment number, shall not be eligible to use any of the GSTIN.

- **Transporter[15] :** Any person engaged in the business of transporting goods shall maintain records of goods transported, delivered and goods stored in transit by him along with GSTIN of the registered consignor and consignee for each of his branches.

- **Owner/operator of a warehouse/ godown[16]:-**

  Every owner or operator of a warehouse or godown shall maintain books of accounts with respect to the period for which particular goods remain in the warehouse, including the particulars relating to dispatch, movement, receipt, and disposal of such goods.

  The owner or the operator of the godown shall store the goods in such manner that they can be identified item-wise and owner-wise and shall facilitate any physical verification or inspection by the proper officer on demand.

[13] *Section 35(2) read with rule 58*
[14] *Rule 58(1), 58(2) & 58(3)*
[15] *Rule 58(4)(a)*
[16] *Rule 58(4)(b) & rule 58(5)*

(III) How the accounts and records will be maintained[17]?

- **Records may be maintained manually**
  - ✓ **Each volume of books of account maintained manually by the registered** person **shall be serially numbered.**

- **Records may be maintained in electronic form**

  - ✓ Books of account include any electronic form of data stored on any electronic device.
  - ✓ The registered person may keep and maintain such accounts and other particulars in electronic form stored on any electronic device and record so maintained shall be authenticated by means of a digital signature.
  - ✓ Proper electronic back-up of records shall be maintained and preserved in such manner that, in the event of destruction of such records due to accidents or natural causes, the information can be restored within a reasonable period of time.
  - ✓ The registered person maintaining electronic records shall produce, on demand, the relevant records or documents, duly authenticated by him, in hard copy or in any electronically readable format.
  - ✓ Where the accounts and records are stored electronically by any registered person, he shall, on demand, provide the details of such files, passwords of such files and explanation for codes used, where necessary, for access and any other information which is required for such access along with a sample copy in print form of the information stored in such files.

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[17] *Second proviso to section 35(1) read with rule 56(7), (8), (9), (15), (16) and (18) and rule 57*

- **No entry to be erased/overwritten**

  - ✓ Any entry in registers, accounts and documents shall not be erased, effaced or overwritten.
  - ✓ All incorrect entries, otherwise than those of clerical nature, shall be scored out under attestation and there after correct entry shall be recorded.
  - ✓ Where the registers and other documents are maintained electronically, a log of every entry edited or deleted shall be maintained.

- Accounts maintained by the registered person together with all the invoices, bills of supply, credit and debit notes, and delivery challans relating to stocks, deliveries, inward supply and outward supply shall be preserved for the period as provided in section 36 *[discussed subsequently in this Chapter]* and shall, where such accounts and documents are maintained manually, be kept at every related place of business mentioned in the certificate of registration and shall be accessible at every related place of business where such accounts and documents are maintained digitally.

- Every registered person shall, on demand, produce the books of accounts which he is required to maintain under any law for the time being in force.

(IV) What are the consequences of failure to maintain the accounts[18] ?

Where the registered person fails to account for the goods and/or services in accordance with the provisions of section 35(1), the proper officer shall determine the amount of tax payable on the goods or services or both that are not accounted for, as if such goods or services or both had been supplied by such person and the provisions of section 73/section 74, as the case may be, shall, *mutatis mutandis*, apply for determination of such tax.

[18] *Section 35(6)*

4. PERIOD OF RETENTION OF ACCOUNTS [SECTION 36]

Every registered person required to keep and maintain books of account or other records in accordance with the provisions of section 35(1) shall retain them until the expiry of 72 months from the due date of furnishing of annual return for the year pertaining to such accounts and records.

However, a registered person, who is a party to an appeal or revision or any other proceedings before any Appellate Authority or Revisional Authority or Appellate Tribunal or Court, whether filed by him or by the Commissioner, or is under investigation for an offence under Chapter XIX, shall retain the books of account and other records pertaining to the subject matter of such appeal or revision or proceedings or investigation for a period of one year after final disposal of such appeal or revision or proceedings or investigation, or for the period specified above, whichever is later.

5. ELECTRONIC WAY BILL [SECTION 68 READ WITH RELEVANT CGST RULES, 2017]

Under GST regime, for quick and easy movement of goods across India without any hindrance, all the check posts across the country are abolished. However, in order to monitor the movement of goods for controlling any tax evasion, e-way bill system has been introduced.

Under this system, a taxpayer - prior to movement of goods via a conveyance - would inform each transaction's details to the tax department, obtain an acknowledgement number for having thus informed, and then use this acknowledgement number as a valid document accompanying the conveyance carrying goods.

The idea is that the taxpayer be made to upload the details of each transaction to a common portal through the internet, and once uploaded, the common portal would automatically generate a document which can be tracked and verified easily by any stakeholder.

Statutory requirement

Section 68 stipulates that the Government may require the person in charge of a conveyance carrying any consignment of goods of value exceeding such amount as may be specified to carry with him such documents and such devices as may be prescribed.

Rule 138 prescribes e-way bill as the document to be carried for the consignment of goods in certain prescribed cases.

What is e-way bill?

A waybill is a receipt or a document issued by a carrier giving details and instructions relating to the shipment of a consignment of goods and the details include name of consignor, consignee, the point of origin of the consignment, its destination, and route.

Electronic Way Bill (E-Way Bill) is a compliance mechanism wherein by way of a digital interface the person causing the movement of goods uploads the relevant information prior to the commencement of movement of goods and generates e-way bill on the GST portal. In other words, E-way bill is an electronic document generated on the GST portal evidencing movement of goods.

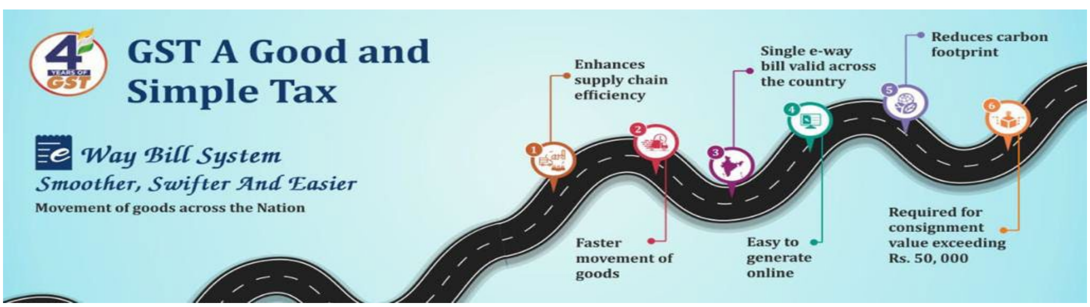
What are the benefits of e-way bill?

Following are the benefits of e-way bill mechanism:

(i) Physical interface to pave way for digital interface resulting in elimination of state boundary check-posts

(ii) It will facilitate faster movement of goods

(iii) It will improve the turnaround time of trucks and help the logistics industry by increasing the average distances travelled, reducing the travel time as well as costs.



E-way Bill is generated **electronically** in **Form GST EWB 01** on the common portal (www.ewaybillgst.gov.in). E-way Bill can be generated through various modes like Web (Online), Android App, SMS, using Bulk Upload Tool and API (Application Program Interface) based site to site integration etc.

Registration requirement of the person generating the e-way bill

The facility of generation, cancellation, updation and assignment of e-way bill is available to the supplier, recipient and the transporter, as the case may be. The pre-requisite for generation of e-way bill is that the person who generates e-way bill should be a registered person on GST portal and he should register on the e-way bill portal using his GSTIN.

Unregistered transporters: If the transporter is generating the e-way bill, but he is not registered person under GST law, it is mandatory for him to get enrolled on e-waybill portal before generation of the e-way bill to get 15-digit Unique Transporter Id called TRANSIN.

TRANSIN or Transporter id is a unique number generated by e-way bill system for unregistered transporter, once he enrolls on the system. It is similar to GSTIN format and is based on State code, PAN and check sum digit. This TRANSIN or Transporter id can be shared by transporter with his clients, who may enter this number while generating e-way bills for assigning goods to him for transportation.

Common enrolment process for registered transporters having GSTIN in multiple states with same PAN: There may be a transporter who is registered and has registration in more than one State/UT; then, he would have more than one GSTIN as well. A transporter who is registered in more than one State/UT having the same PAN, may apply for a **Unique Common Enrolment Number** by submitting the details in prescribed form using any one of his GSTINs.

Upon validation of the details furnished, a unique common enrolment number shall be generated and communicated to the said transporter. Once a transporter has obtained a unique common enrolment number, he shall not be eligible to use any of the GSTIN for the purposes of e-way bills under Chapter XVI of these rules.

This way the transporters who are GST registered can generate a Common Enrolment number which will allow him to use one registration number for generating the e-way bills and updating Part-B of e-way bill throughout the country. Only registered transporters, which are having GSTIN in multiple states with same PAN number, can register in common enrolment process[19].

E-way Bill provisions [as contained in rules 138, 138A, 138B, 138C, 138D and 138E – Chapter XVI of the CGST Rules, 2017] are elaborated as under:

(1) When is e-way bill required to be generated? [Rule 138(1)]

Whenever there is a movement of goods of consignment value exceeding ₹ 50,000:

(i) in relation to a supply; or

(ii) for reasons other than supply; or

(iii) due to inward supply from an unregistered person,

the registered person who causes such movement of goods shall furnish the information relating to the said goods as specified in Part A of Form GST EWB-01 before commencement of such movement.

It is important to note that "information is to be furnished prior to the commencement of movement of goods" and "is to be issued whether the movement is in relation to a supply or for reasons other than supply".

Who causes movement of goods?

If supplier is registered and undertakes to transport the goods, movement of goods is caused by the supplier. If recipient arranges transport, movement is caused by him. If goods are supplied by an unregistered supplier to a registered recipient, movement shall said to be caused by such recipient , if the recipient is known at the time of commencement of the movement of goods.

Meaning of consignment value of goods

Consignment value of goods shall be the value:

✓ determined in accordance with the provisions of section 15,

[19] *Rule 58(1A) of the CGST Rules, 2017*

- ✓ declared in an invoice, a bill of supply or a delivery challan, as the case may be, issued in respect of the said consignment and
- ✓ also includes the Central tax, State or Union territory tax, integrated tax and cess charged, if any, in the document and
- ✓ shall exclude the value of exempt supply of goods where the invoice is issued in respect of both exempt and taxable supply of goods.

In case of movement of goods for reasons other than supply, the movement is occasioned by means of a delivery challan which has to necessarily contain the value of goods. The value given in the delivery challan should be adopted in the e-way bill[20].

(1) Bhanupratap Shoe Manufacturers, registered in Punjab, sold shoes to a retail seller in Gujarat, at a value of ₹ 48,000 (excluding GST leviable @ 18%) and wants to send the consignment of such shoes to Gujarat. The consignment value will be ₹ 56,640 [₹ 48,000 × 118%]. Since the movement of goods is in relation to supply of goods and the consignment value exceeds ₹ 50,000, e-way bill is mandatorily required to be issued in the given case.

(2) Sindhi Textiles of Ludhiana, registered in Punjab, sends cloth to a job worker in Jalandhar, Punjab on a delivery challan. The value of cloth mentioned in the delivery challan is ₹ 48,000. Since the movement of goods is for reasons other than supply, the value given in the delivery challan is adopted for the purposes of the e-way bill. Such value does not exceed ₹ 50,000. Consequently, e-way bill is not required to be issued in this case.

Special situations where e-way bill needs to be issued even if the value of the consignment is less than ₹ 50,000:

(i) Inter-State transfer of goods by principal to job-worker

Where goods are sent by a principal located in one State or Union territory to a job worker located in any other State or Union territory, the e-way bill shall be generated either by the principal or the job

[20] *As clarified by CBIC FAQs on E-way Bill.*

worker, if registered, irrespective of the value of the consignment [Third proviso to rule 138(1)].

(ii) Inter-State transfer of handicraft goods by a person exempted from obtaining registration

Where handicraft goods* are transported from one State or Union territory to another State or Union territory by a person who has been exempted from the requirement of obtaining registration [under clauses (i) and (ii) of section 24], the e-way bill shall be generated by the said person irrespective of the value of the consignment [Fourth proviso to rule 138].

Handicraft goods** are the goods specified in ***Notification No. 56/2018 CT dated 23.10.2018 which exempts the casual taxable persons making inter-State taxable supplies of such handicraft goods from obtaining registration upto specified turnover limit *[Refer Chapter 8 – Registration]*.

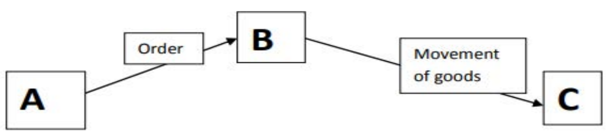
E-way Bill in case of 'Bill To Ship To' Model

In a "Bill To Ship To" model of supply, there are three persons involved in a transaction, namely:

'A' is the person who has ordered 'B' to send goods directly to 'C'.

'B' is the person who is sending goods directly to 'C' on behalf of 'A'.

'C' is the recipient of goods.



In this complete scenario. two supplies are involved and accordingly two tax invoices are required to be issued:

Invoice -1: which would be issued by 'B' to 'A'.

Invoice -2: which would be issued by 'A' to 'C'.

It is clarified that as per the CGST Rules, 2017, for the movement of goods which is taking place from "B" to "C" on behalf of "A", either A or B can generate the e-way bill but it may be noted that **only one e-Way Bill** is required to be generated *[Press Release dated 23.04.2018]*.

(2) Information to be furnished in e-way bill:

An e-way bill Form GST EWB-01 contains two parts:

(I) **Part A** [comprising of details of GSTIN of supplier & recipient, place of delivery (indicating PIN Code also), document (Tax invoice, Bill of Supply, Delivery Challan or Bill of Entry) number and date, value of goods, HSN code, and reasons for transportation, etc.]: to be furnished by the **registered person** who is causing movement of goods** of consignment value exceeding ₹ 50,000/- and

(II) **Part B** (transport details) [Transporter document number (Goods Receipt Number or Railway Receipt Number or Airway Bill Number or Bill of Lading Number) and Vehicle number, in case of transport by road]: to be furnished by the **person who is transporting the goods**.

**However, information in Part-A may be furnished:

✓ by the transporter, on an authorization received from such registered person [First proviso to rule 138(1)] or

✓ by the e-commerce operator or courier agency, where the goods to be transported are supplied through such an e-commerce operator or a courier agency, on an authorization received from the consignor [Second proviso to rule 138(1)].

Once the consignor/consignee enters all the details in Part-A of e-way bill, a Part-A slip is generated which contains a temporary number. This slip can be shared with the transporter or used by the supplier himself later to enter the details in Part-B of e-way bill and generate the e-way bill.

This will be useful, when supplier has prepared invoice relating to his business transaction, but doesn't have the transportation details. Thus, he can enter invoice details in Part A of e-way bill and keep it ready for entering details of mode of transportation in Part B of e-way bill.

Once the goods are ready for movement from the business premises and transportation details are known, the user can enter the Part-B details and generate the e-way bill for movement of goods. **E-way Bill can be generated only after entering the details of Part-B.**

(3) Who is mandatorily required to generate e-way bill?

E-way bill is to be generated by the consignor or consignee himself if the transportation is being done in own/hired conveyance or by railways by air or by vessel. If the goods are handed over to a transporter for transportation by road, e-way bill is to be generated by the transporter. Where neither the consignor nor consignee generates the e-way bill and the value of goods is more than ₹ 50,000, it shall be the responsibility of the transporter to generate it. This has been explained in detail below:

- **Where the goods are transported by a registered person - whether as consignor or recipient as the consignee** (whether in his own conveyance or a hired one or a public conveyance, by road), the said person shall have to generate the e-way bill (by furnishing information in part B on the common portal) [Rule 138(2)].
- **Where the e-way bill is not generated by the registered person and the goods are handed over to the transporter, for transportation of goods by road**, the registered person shall furnish the information relating to the transporter in Part B on the common portal and the e-way bill shall be generated by the transporter on the said portal on the basis of the information furnished by the registered person in Part A [Rule 138(3)].
- **Where the goods are transported by railways or by air or by vessel**, the e-way bill shall be generated by the registered person, being the supplier or the recipient, who shall, either before or after the commencement of movement, furnish, information in part B [viz transport document number (Goods Receipt Number or Railway Receipt Number or Airway Bill Number or Bill of Lading Number)] on the common portal [Rule 138(2A)].

Other important points:

- **Where the goods are transported by railways:** there is no requirement to carry e-way bill along with the goods, but railways has to carry invoice or delivery challan or bill of supply as the case may be along with goods. Further, e-way bill generated for the movement is required to be produced at the time of delivery of the goods. Railways shall not deliver goods unless the e-way bill required under rules is produced at the time of delivery [Proviso to rule 138(2A)].

- The registered person or, the transporter may, at his option, generate and carry the e-way bill even if the value of the consignment is less than ₹ 50,000 [First proviso to rule 138(3)].
- **Where the movement is caused by an unregistered person either in his own conveyance or a hired one or through a transporter**, he or the transporter may, at their option, generate the e-way bill [Second proviso to rule 138(3)].
- **Where the goods are supplied by an unregistered supplier to a recipient who is registered**, the movement shall be said to be caused by such recipient if the recipient is known at the time of commencement of the movement of goods [Explanation 1 to rule 138(3)].

(4) When is it not mandatory to furnish the details of conveyance in Part-B?

E-way bill is valid for movement of goods by road only when the information in Part-B is furnished[21].

Exceptions:

Details of conveyance may not be furnished in Part-B of the e-way bill where the goods are transported **for a distance of upto 50 km** within the State/Union territory:

- from the place of business of the consignor to the place of business of the transporter for further transportation[22] or
- from the place of business of the transporter finally to the place of business of the consignee[23].

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[21] *Explanation 2 to rule 138(3)*

[22] *Third proviso to rule 138(3)*

[23] *Proviso to rule 138(5)*

(5) Unique e-way bill number (EBN)

Upon generation of the e-way bill on the common portal, a unique e-way bill number (EBN) shall be made available to the supplier, the recipient and the transporter on the common portal [Rule 138(4)].

(6) Transfer of goods from one conveyance to another

Where the goods are transferred from one conveyance to another, the consignor or the recipient, who has provided information in **Part A**, or the transporter shall, before such transfer and further movement of goods, update the details of conveyance in **Part B** of the e-way bill on the common portal [Rule 138(5)].

Consignment of goods may be required to be transferred from the original conveyance to due to unforeseen exigencies like break down of the vehicle. In such case, the transporter transferring goods from one conveyance to another in the course of transit shall, before such transfer and further movement of goods, update the details of the conveyance.

In some cases, consignments are transported by the transporter through transshipment using multiple vehicles (same mode of transportation) for carrying the same consignment before it is delivered to the recipient at the place of destination. Hence for each movement from one place to another, the transporter needs to update the vehicle number in which he is transporting that consignment in part B of the e-way bill.

The user can update Part-B (Vehicle details) as many times as he wants for movement of goods to the destination. However, the updating should be done within the validity period.

There can also be a case where one e-way bill can go through multiple modes of transportation before reaching destination. As per the mode of transportation, the EWB can be updated with new mode of transportation by using the option of 'Update Vehicle Number'.

example

(3) Babbal Associates is moving the goods from Cochin to Chandigarh through road, ship, air and road again. First, Babbal Associates generates the EWB by entering first stage of movement (by road) from its place to shipyard and enters the vehicle number. Next, it will submit the goods to shipyard and update the mode of transportation as ship and transport document number on the e-way bill system.

After reaching Mumbai, Babbal Associates or concerned transporter updates movement as road from shipyard to airport with vehicle number. Thereafter, Babbal Associates or transporter updates using 'update vehicle number' option on the portal, the Airway Bill number.

Again, after reaching Delhi, Babbal Associates updates movement through road with vehicle number. This way, the e-way bill will be updated with multiple modes of transportation.

Assigning the e-way bill number to another transporter

The consignor/recipient, who has furnished the information in **Part A**, or the transporter, may assign the e-way bill number to another registered/enrolled transporter for updating the information in **Part B** for further movement of the consignment [Rule 138(5A)]. However, once the details of the conveyance have been updated by the transporter in **Part B**, the consignor or recipient, as the case may be, who has furnished the information in **Part A** shall not be allowed to assign the e-way bill number to another transporter [Proviso to rule 138(5A)].

(7) Consolidated E-way bill

After e-way bill has been generated, where multiple consignments are intended to be transported in one conveyance, the transporter may indicate the serial number of e-way bills generated in respect of each such consignment electronically on the common portal and a consolidated e-way bill in **Form GST EWB-02** may be generated by him on the said common portal prior to the movement of goods [Rule 138(6)].

Consolidated e-way bill is a document containing the multiple e-way bills for multiple consignments being carried in one conveyance (goods vehicle). That is, the transporter carrying multiple consignments of various consignors and consignees in a single vehicle can generate and carry a single document - consolidated e-way bill instead of carrying separate document for each consignment in a conveyance.

Consolidated EWB is like a trip sheet and it contains details of different e-way bills in respect of various consignments being transported in one vehicle and these e-way bills will have different validity periods. Hence, Consolidated EWB does not have any independent validity period. Further, individual consignment specified in the Consolidated EWB should reach the destination as per the validity period of the individual EWB.

Further, where the consignor/consignee has not generated the e-way bill in Form GST EWB-01 and the aggregate of the consignment value of goods carried in the conveyance is more than ₹ 50,000, the transporter, except in case of transportation of goods by railways, air and vessel, shall, in respect of inter-State supply, generate the e-way bill in Form GST EWB-01 on the basis of invoice or bill of supply or delivery challan, as the case may be, and may also generate a consolidated e-way bill in **Form GST EWB-02** on the common portal prior to the movement of goods [Rule 138(7)]. The generation of **Form GST EWB-02** is optional and not mandatory.

However, where the goods to be transported are supplied through an e-commerce operator or a courier agency, the information in Part A of Form GST EWB-01 may be furnished by such e-commerce operator or courier agency [Proviso to rule 138(7)]. This proviso is not yet effective.

(8) Information submitted for e-way bill can be used for filing GST Returns

The information furnished in **Part A** of the e-way bill shall be made available to the registered supplier on the common portal who may utilize the same for furnishing the details in **Form GSTR-1** [Rule 138(8)]**.**

However, when the information has been furnished by an unregistered supplier/unregistered recipient, he shall be informed electronically, if the mobile number or the e-mail is available [Proviso to rule 138(8)].

(9) Cancellation of e-way bill

Where an e-way bill has been generated, but goods are either not transported or are not transported as per the details furnished in the e-way bill, the e-way bill may be cancelled electronically on the common portal within 24 hours of generation of the e-way bill [Rule 138(9)].

However, an e-way bill cannot be cancelled if it has been verified in transit in accordance with the provisions of rule 138B [First proviso to rule 138(9)].

Further, unique EWB number generated is valid for a period of 15 days for updation of Part B [Second proviso to rule 138(9)].

(10) Validity period of e-way bill/consolidated e-way bill [Rule 138(10)]

The validity of e-way bill depends on the distance to be travelled by the goods. For a distance of less than 200 km the e-way bill will be valid for a day from the relevant date. For every 200 km thereafter, the validity will be additional one day from the relevant date.

Sl. No.	Distance within country	Validity period from relevant date*
1.	Upto 200 km	One day in cases other than Over Dimensional Cargo or multimodal shipment in which at least one leg involves transport by ship
2.	For every 200 km or part thereof thereafter	One additional day in cases other than Over Dimensional Cargo or multimodal shipment in which at least one leg involves transport by ship
3.	Upto 20 km	One day in case of Over Dimensional Cargo or multimodal shipment in which at least one leg involves transport by ship
4.	For every 20 km or part thereof thereafter	One additional day in case of Over Dimensional Cargo or multimodal shipment in which at least one leg involves transport by ship

***Relevant date** means the date on which the e-way bill has been generated and the period of validity shall be counted from the time at which the e-way bill has been generated and each day shall be counted as the period expiring at midnight of the day immediately following the date of generation of e-way bill.

This can be explained by following examples –

(i) Suppose an e-way bill is generated at 00:04 hrs. on 14th March. Then first day would end on 12:00 midnight of 15 -16 March. Second day will end on 12:00 midnight of 16 -17 March and so on.

(ii) Suppose an e-way bill is generated at 23:58 hrs. on 14th March. Then first day would end on 12:00 midnight of 15 -16 March. Second day will end on 12:00 midnight of 16 -17 March and so on[24].

The validity of the e-way bill starts when first entry is made in Part-B i.e. vehicle entry is made first time in case of road transportation or first transport document number entry in case of rail/air/ship transportation, whichever is the first entry. It may be noted that validity is not re-calculated for subsequent entries in Part-B[25].

(4) A consignor hands over his goods for transportation on Friday to transporter. However, the assigned transporter starts the movement of goods on Monday. The validity period of e-way bill starts only after the details in Part B are updated by the transporter for the first time.

In the given situation, consignor can fill the details in Part A on Friday and handover his goods to the transporter. When the transporter is ready to move the goods, he can fill Part B i.e. the assigned transporter can fill the details in Part B on Monday and the validity period of the e-way bill will start from Monday *[CBIC Press Release dated 31.03.2018]*.

(5) A registered person has to transport goods from its warehouse to its depot located at a distance of 500 km in a normal cargo. . In the given case, if e-way bill is generated, it will be valid for 3 days.

****Over dimensional cargo** means a cargo carried as a single indivisible unit and which exceeds the dimensional limits prescribed in rule 93 of the Central Motor Vehicle Rules, 1989, made under the Motor Vehicles Act, 1988.

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[24] *As clarified by FAQs on E-way Bill by CBIC.*

[25] *As clarified by FAQs on E-way Bill web portal.*

Extension of validity period

If validity of the e-way bill expires, the goods are not supposed to be moved. In general, the validity of the e-way bill cannot be extended However, the validity of the e-way bill can be extended in following cases:

Extension by Commissioner for certain categories of goods: Commissioner may, on the recommendations of the Council, by notification, extend the validity period of an e-way bill for certain categories of goods as may be specified therein.

Extension by transporter in exceptional circumstances: Under circumstances of an exceptional nature, including trans-shipment, the goods cannot be transported within the validity period of the e-way bill, the transporter may extend the validity period after updating the details in Part B, if required.

Thus, the transporter, who is carrying the consignment as per the e-way bill system at the time of expiry of validity period, can extend the validity period. Such transporter can extend the validity of the e-way bill, if the consignment is not being reached the destination within the validity period due to exceptional circumstance like natural calamity, law and order issues, trans-shipment delay, accident of conveyance, etc. He needs to explain this reason in details while extending the validity period[26]. The validity of the e-way bill may be extended within 8 hours from the time of its expiry.

(11) Acceptance of e-way bill

The details of the e-way bill generated shall be made available to the -

(a) supplier, if registered, where the information in Part A has been furnished by the recipient/transporter; or

(b) recipient, if registered, where the information in Part A has been furnished by the supplier/transporter,

on the common portal, and the supplier/recipient, as the case may be, shall communicate his acceptance or rejection of the consignment covered by the e-way bill [Rule 138(11)].

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[26] *As clarified by FAQs on E-way Bill web portal.*

In case, the person to whom the information in Part-A is made available, does not communicate his acceptance or rejection within the specified time, it shall be deemed that he has accepted the said details. The time-limit specified for this purpose is:

(i) 72 hours of the details being made available to him on the common portal

or

(ii) the time of delivery of goods,

whichever is earlier [Rule 138(12)].

(12) E-way bill generated in one State is valid in another State

The e-way bill generated under this rule or under rule 138 of the Goods and Services Tax Rules of any State or Union territory shall be valid in every State and Union territory [Rule 138(13)].

Points to remember

1. E-way bill is not valid for movement of goods without vehicle number on it.
2. If there is a mistake, incorrect or wrong entry in the e-way bill, then it cannot be edited or corrected. Only option is cancellation of e-way bill within 24 hours of generation and generate a new one with correct details.
3. E- Way Bill may be updated with vehicle number any number of times.
4. The latest vehicle number should be available on e-way bill and should match with the vehicle carrying it in case checked by the department.
5. If multiple invoices are issued by the supplier to recipient, that is, for movement of goods of more than one invoice of same consignor and consignee, multiple e-way bills have to be generated. That is, for each invoice, one e-way bill has to be generated, irrespective of the fact whether same or different consignors or consignees are involved. Multiple invoices cannot be clubbed to generate one e-way bill. However, after generating all these e-way bills, one Consolidated e-way bill can be prepared for transportation purpose, if goods are going in one vehicle.

(13) Situations where e-way bill is not required to be generated

Notwithstanding anything explained above, no e-way bill is required to be generated in the following cases:

(a) where the goods being transported are the ones given below:

S. No.	Description of Goods
1.	Liquefied petroleum gas for supply to household and non-domestic exempted category (NDEC) customers
2.	Kerosene oil sold under PDS
3.	Postal baggage transported by Department of Posts
4.	Natural or cultured pearls and precious or semi-precious stones; precious metals and metals clad with precious metal (Chapter 71)
5.	Jewellery, goldsmiths' and silversmiths' wares and other articles (Chapter 71) ***[excepting imitation Jewellery (7117)]***
6.	Currency
7.	Used personal and household effects
8.	Coral, unworked (0508) and worked coral (9601)]

(b) where the goods are being transported by a non-motorised conveyance

(c) where the goods are being transported from the customs port, airport, air cargo complex and land customs station to an inland container depot or a container freight station for clearance by Customs

(d) in respect of movement of goods within such areas as are notified under of rule 138(14)(d) of the State or Union territory GST Rules in that particular State or Union territory

(e) where the goods [other than de-oiled cake], being transported, are exempt from tax[27]

(f) where the goods being transported are alcoholic liquor for human consumption, petroleum crude, high speed diesel, motor spirit (commonly known as petrol), natural gas or aviation turbine fuel

(g) where the supply of goods being transported is treated as no supply under Schedule III of the CGST Act[28]

(h) where the goods are being transported -

  (i) under customs bond from an inland container depot or a container freight station to a customs port, airport, air cargo complex and land customs station, or from one customs station or customs port to another customs station or customs port, or

  (ii) under customs supervision or under customs seal

(i) where the goods being transported are transit cargo from or to Nepal or Bhutan

(j) where the goods being transported are exempt from tax under *Notification No. 7/2017 CT (R) 28.06.2017* [Supply of goods by the CSD to the Unit Run Canteens or to the authorized customers and supply of goods by the Unit Run Canteens to the authorized customers] and Notification No. 26/2017 CT (R) 21.09.2017 [Supply of heavy water and nuclear fuels by Department of Atomic Energy to Nuclear Power Corporation of India Ltd. (NPCIL)]

(k) any movement of goods caused by defence formation under Ministry of defence as a consignor or consignee

(l) where the consignor of goods is the Central Government, Government of any State or a local authority for transport of goods by rail

(m) where empty cargo containers are being transported

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[27] *vide Notification No. 2/2017 CT(R) dated 28.06.2017*

[28] *Provisions of Schedule III have been discussed in detail in Chapter 1 – Supply under GST of Module 1.*

(n) where the goods are being transported upto a distance of 20 km from the place of the business of the consignor to a weighbridge for weighment or from the weighbridge back to the place of the business of the said consignor subject to the condition that the movement of goods is accompanied by a delivery challan issued in accordance with rule 55.

(o) where empty cylinders for packing of liquefied petroleum gas are being moved for reasons other than supply

(14) Documents and devices to be carried by a person-in-charge of a conveyance [Rule 138A]

The person-in-charge of a conveyance shall carry -

(a) the invoice or bill of supply or delivery challan, as the case may be; and

(b) a copy of the e-way bill in physical form or the e-way bill number in electronic form or mapped to a RFID** embedded on to the conveyance [except in case of movement of goods by rail or by air or vessel] in such manner as may be notified by the Commissioner.

*Carrying e-way bill number in electronic form implies that person-in-charge of conveyance can merely quote the e-way bill number to the proper tax officer. Tax officer will do all the requisite verifications, based on that number.

**RFIDs are Radio Frequency Identification Device used for identification.

However, in case of imported goods, the person in charge of a conveyance shall also carry a copy of the bill of entry filed by the importer of such goods and shall indicate the number and date of the bill of entry in Part A of e-way bill.

Invoice Reference Number in lieu of tax invoice

In case, e-invoice is issued[29], the Quick Response (QR) code having an embedded Invoice Reference Number (IRN) in it, may be produced electronically, for verification by the proper officer in lieu of the physical copy of such tax invoice.

[29] *in the manner prescribed under sub-rule (4) of rule 48*

In such a case, the registered person will not have to upload the information in Part A of e-way bill for generation of e-way bill and the same shall be auto-populated by the common portal on the basis of the information furnished in the prescribed form relating to e-invoice. .

The Commissioner may, by notification, require a class of transporters to obtain a unique RFID and get the said device embedded on to the conveyance and map the e-way bill to the RFID prior to the movement of goods.

Documents in lieu of e-way bill

Where circumstances so warrant, the Commissioner may, by notification, require the person-in-charge of the conveyance to carry the following documents instead of the e-way bill:

(a) tax invoice or bill of supply, or bill of entry; or

(b) a delivery challan, where the goods are transported for reasons other than by way of supply.

(15) Verification of documents and conveyances [Rule 138B]

The Commissioner or an officer empowered by him in this behalf may authorize the proper officer to intercept any conveyance to verify the e-way bill in physical or electronic form for all inter-State and intra-State movement of goods.

The Commissioner shall get RFID readers installed at places where the verification of movement of goods is required to be carried out and verification of movement of vehicles shall be done through such device readers where the e-way bill has been mapped with the said device.

The physical verification of conveyances shall be carried out by the proper officer as authorised by the Commissioner or an officer empowered by him in this behalf.

However, on receipt of specific information on evasion of tax, physical verification of a specific conveyance can also be carried out by any other officer after obtaining necessary approval of the Commissioner or an officer authorised by him in this behalf.

(16) Inspection and verification of goods [Rule 138C]

A summary report of every inspection of goods in transit shall be recorded online by the proper officer in Part A of a prescribed form within 24 hours of inspection and the final report in Part B of said form shall be recorded within 3 days of such inspection.

However, where the circumstances so warrant, the Commissioner, or any other officer authorised by him, may, on sufficient cause being shown, extend the time for recording of the final report in Part B of said form, for a further period not exceeding 3 days.

The period of 24 hours or, as the case may be, 3 days shall be counted from the midnight of the date on which the vehicle was intercepted.

Where the physical verification of goods being transported on any conveyance has been done during transit at one place within the State/Union territory or in any other State/Union territory, no further physical verification of the said conveyance shall be carried out again in the State/Union territory, unless a specific information relating to evasion of tax is made available subsequently.

The hard copies of the notices/orders issued by a tax authority may be shown as proof of initiation of action by a tax authority by the transporter/registered person to another tax authority as and when required.

Only such goods and/or conveyances should be detained/confiscated in respect of which there is a violation of the provisions of the GST Acts or the rules made thereunder.

(6) Where a conveyance carrying 25 consignments is intercepted and the person-in-charge of such conveyance produces valid e-way bills and/or other relevant documents in respect of 20 consignments, but is unable to produce the same with respect to the remaining 5 consignments, detention/ confiscation can be made only with respect to the 5 consignments and the conveyance in respect of which the violation of the Act or the rules made thereunder has been established by the proper officer[30].

[30] *As clarified vide Circular No. 49/23/2018 GST dated 21.06.2018*

(17) Facility for uploading information regarding detention of vehicle [Rule 138D]

Where a vehicle has been intercepted and detained for a period exceeding 30 minutes, the transporter may upload the said information in **specified form** on the common portal.

(18) Blocking of e-waybill generation facility [Rule 138E]

Blocking of e-waybill generation facility means disabling a taxpayer from generating the e-way bill. ***Blocking of GSTIN for e-way bill generation would only be for the defaulting supplier GSTIN and not for the defaulting Recipient or Transporter GSTIN. Suspended GSTIN cannot generate e-way bill as supplier. However, the suspended GSTIN can get the e-way bill generated as recipient or as transporter.***

As per rule 138E, no person (including a consignor, consignee, transporter, an e-commerce operator or a courier agency) shall be allowed to furnish the information in Part A of Form GST EWB-01 ***in respect of any outward movement of goods of a registered person, who*** -

(i) being a person paying tax under composition scheme[31] has not furnished the statement for payment of self-assessed tax for 2 consecutive quarters, or

(ii) being a person paying tax under regular scheme has not furnished the returns for a consecutive period of 2 tax periods, or

(iii) being a person paying tax under regular scheme has not furnished GSTR-1 (Statement of outward supplies) for any 2 months or quarters, as the case may be.

(iv) being a person whose registration has been suspended under the provisions of rule 21A of the CGST Rules.

However, Commissioner (jurisdictional commissioner) may, on receipt of an application from a registered person in prescribed form, on sufficient cause being shown and for reasons to be recorded in writing, by order, in prescribed form allow furnishing of the said information in Part A of Form GST EWB-01,

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[31] *or under Notification No. 2/2019 CT (R) dated 07.03.2019*

subject to prescribed conditions and restrictions. An order rejecting said request shall not be passed without giving the said person a reasonable opportunity of being heard. The permission granted or rejected by the Commissioner of State tax or Commissioner of Union territory tax shall be deemed to be granted or, as the case may be, rejected by the Commissioner.

(19) It may be noted that the expressions 'transported by railways', 'transportation of goods by railways', 'transport of goods by rail' and 'movement of goods by rail' used in the provisions discussed above does not include cases where leasing of parcel space by railways takes place.

(6) Mr. A, a registered person paying tax under regular scheme in Delhi, has not filed Form GSTR-1 for last 2 months. Mr. B, Haryana, (a regular return filer) wants to generate an e-way bill for goods to be supplied to Mr. A.

There will be no restriction in generating e-way Bill for Mr. B who is making outward movement of goods, as he is a regular return filer.

Mr. A wants to generate an e-way bill in respect of an outward an outward supply of goods to Mr. H. E-way bill generation is blocked in this case as it's an outward movement of goods of Mr. A who has not filed Form GSTR-1 for past 2 months.

Consignee/ recipient taxpayer storing goods in the transporter's godown

Generally, textile traders use transporters' godown for storage of their goods due to their weak financial conditions. The transporter takes delivery of the goods and temporarily stores them in his warehouse for further transportation of the goods till the consignee/recipient taxpayer's premises. In this case, the recipient taxpayer has to declare the transporter's godown as an APoB.

Supplier's premises

Transporter's godown Recipient taxpayer's APoB

Recipient taxpayer's PoB

E-way Bill requirements

The goods in movement including when they are stored in the transporter's godown (even if the godown is located in the recipient taxpayer's city/town) prior to delivery shall always be accompanied by a valid e-way bill. The transportation under the e-way bill shall be deemed to be concluded once the goods have reached the transporter's godown (recipient taxpayer's APoB). Hence, e-way bill validity in such cases will not be required to be extended. Further, whenever the goods move from the transporter's godown to the recipient taxpayer's any other PoB, a valid e-way bill shall be required.

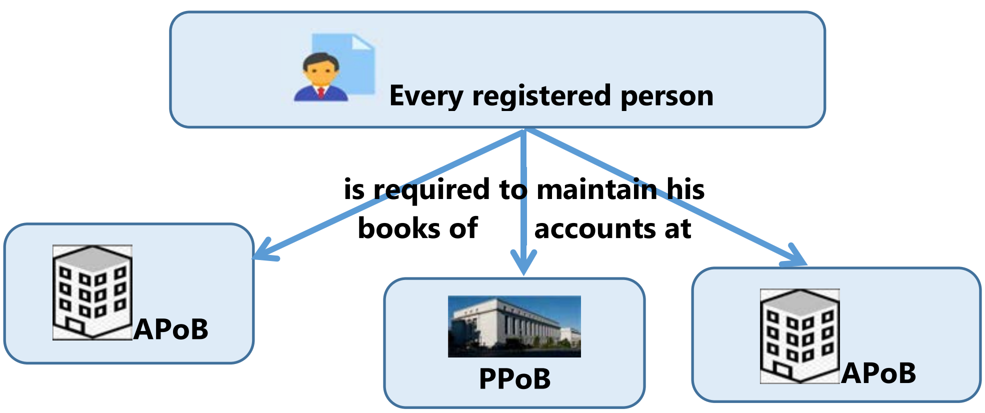
Requirement of maintaining accounts and records

1. **Transporter**, being a warehouse keeper, has to maintain accounts and records as specified in section 35 read with rule 58 *[as discussed earlier in this chapter]*.

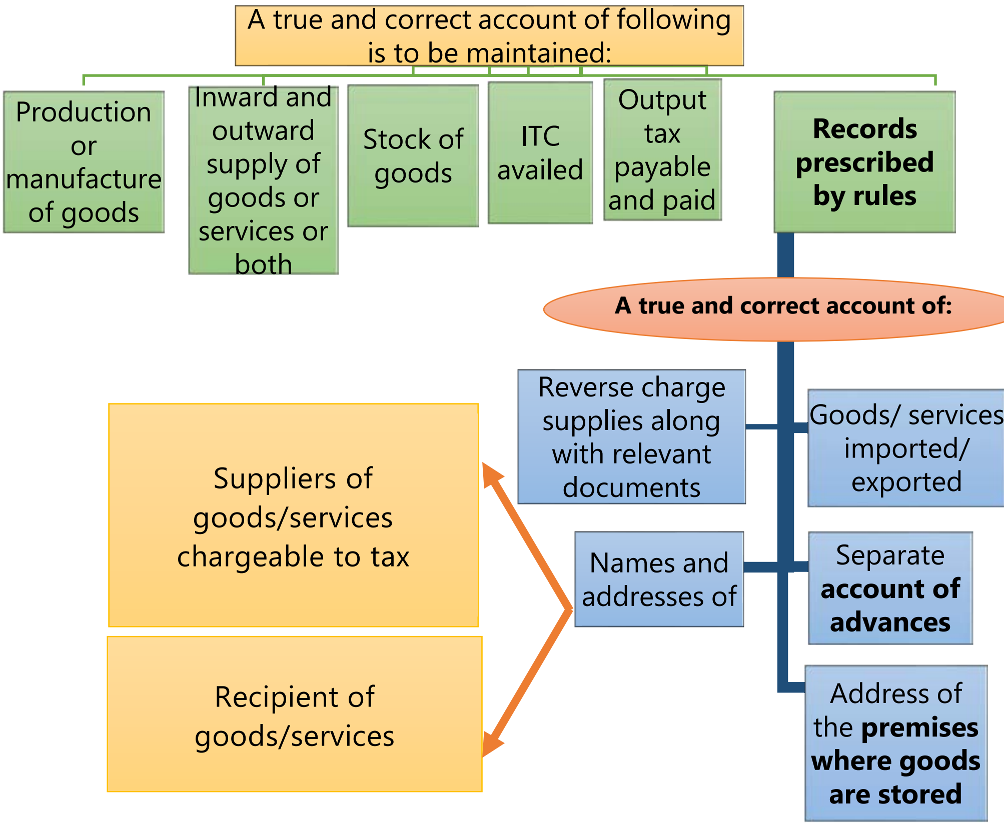
2. **Recipient taxpayer** shall also maintain accounts and records as required under rules 56 and 57 *[as discussed earlier]*. Furthermore, as per rule 56(7), books of accounts in relation to goods stored at the transporter's godown (i.e., the recipient taxpayer's APoB) by the recipient taxpayer may be maintained by him at his PPoB. Thus, the facility of declaring APoB by the recipient taxpayer is in no way putting any additional compliance requirement on the transporters. *[Circular No. 61/35 /2018 GST dated 04.09.2018]*.

LET US RECAPITULATE

Who is required to maintain his books of accounts and at which place?



Accounts and records required to be maintained



Records which are to be maintained only by a supplier other than a supplier opting for composition levy	
Account of stock of goods received and supplied including opening balance, receipt, supply, goods lost/stolen, destroyed, written off, gifted, free samples, stock balance.	**Account of details of tax** payable,collected and paid, ITC claimed, together with register of tax invoice, credit-debit notes, delivery challan issued/received during any tax period

Records to be maintained by agent

- Authorisation received from each principal to receive/supply goods/services on behalf his behalf;
- Particulars of goods/services received/supplied on behalf of every principal
- Details of accounts furnished to every principal
- Tax paid on receipts/supply of goods/services effected on behalf of every principal

Records to be additionally maintained by a manufacturer and service provider

Manufacturer — Monthly production accounts showing quantitative details of
- raw materials/services used in manufacture and
- goods so manufactured including waste and by-products

Service provider — Accounts showing
- quantitative details of goods used in the provision of services
- details of input services utilised and services supplied

Separate records for works contract to be maintained by a person executing works contract

Separate records to be maintained by a person executing works contract

- Names and addresses of
  - Persons on whose behalf the works contract is executed
  - Supplier from whom goods/services are received
- Details of payment received in respect of each works contract
- Description, value and quantity of goods/services received for/utilised in the execution of works contract

Records to be maintained by owner or operator of godown or warehouse and transporters provider

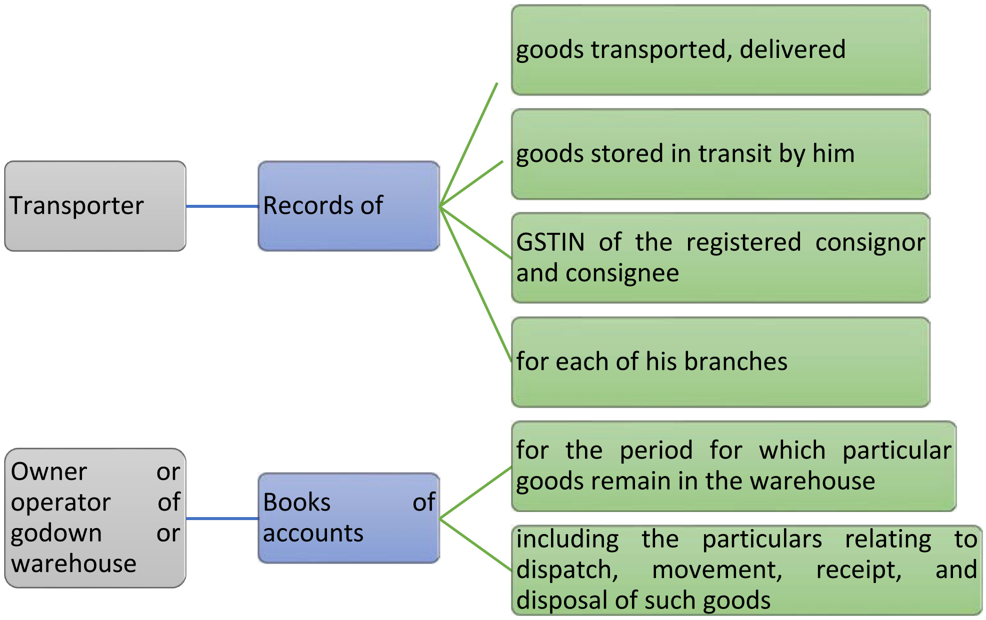
Records to be maintained by owner or operator of godown or warehouse and transporters provider

↓

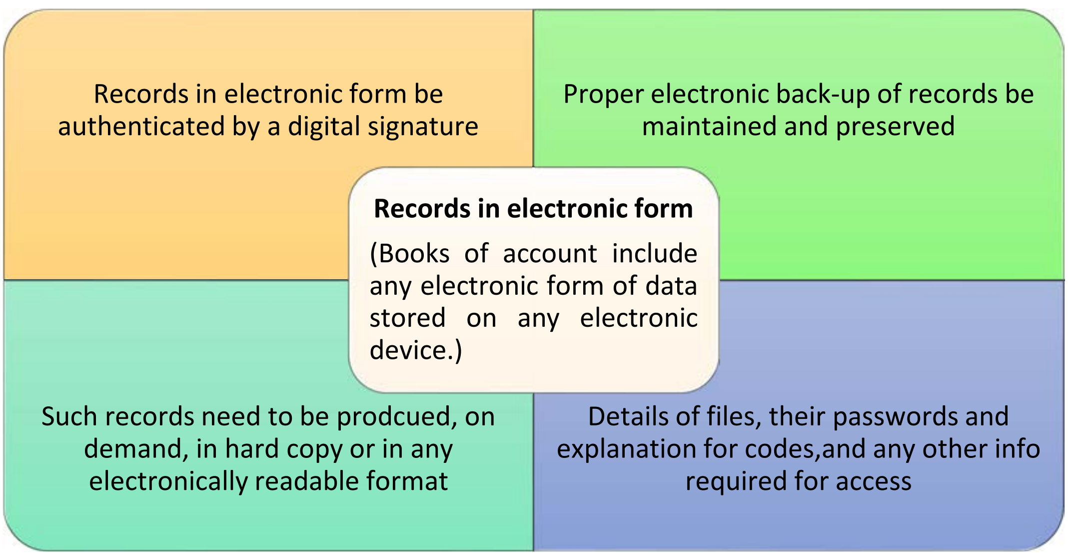
whether registered or not

↓

records of the consigner, consignee and other relevant details of the goods in such manner as may be prescribed



How the accounts and records will be maintained?



No entry to be erased/overwritten

Incorrect entries, other than those of clerical nature, be scored out under attestation and there after correct entry be recorded.

In case electronic records beng maintained, a log of every entry edited or deleted shall be maintained.

Books of account maintained manually be serially numbered

Books of accounts, are required to be produced, on demand.

Failure to maintain the accounts

Failure to maintain the accounts

- PO shall determine the tax payable on the unaccounted goods and/or services, as if the same had been supplied by such person
- Provisions of section 73/74 shall, *mutatis mutandis*, apply for determination of such tax

Period of retention of accounts

72 months from the due date of furnishing of annual return for the year pertaining to such accounts and records

Where an appeal/ revision/ any other proceedings before any Appellate/ Revisional Authority or Appellate Tribunal or Court, or an investigation is going on

1 year after final disposal of such appeal/revision/proceedings/investigation

or

72 months from the due date of furnishing of annual return for the year pertaining to such accounts and records

whichever is later

E-Way Bill

Meaning of e-way bill and why is it required?	E-way bill is an electronic document generated on the GST portal evidencing movement of goods. Section 68 mandates that the Government may require the person in charge of a conveyance carrying any consignment of goods of value exceeding such amount as may be specified to carry with him such documents and such devices as may be prescribed. Rule 138 prescribes e-way bill as the document to be carried for the consignment of goods in certain prescribed cases.
When is required to be generated?	E-way Bill is mandatory in case of movement of goods of **consignment value exceeding ₹ 50,000**. Movement should be: (i) in relation to a supply; or (ii) for reasons other than supply; or (iii) due to inward supply from an unregistered person, Registered person causing movement of goods shall furnish the information relating to the said goods in **Part A of Form GST EWB-01** before commencement of such movement.
	Exceptions to minimum consignment value of ₹ 50,000 ❑ Inter-State transfer of goods by principal to job-worker ❑ Inter-State transfer of handicraft goods by a person exempted from obtaining registration
Who causes movement of goods?	If supplier is registered and undertakes to transport the goods, **movement of goods** is caused by the supplier. If recipient arranges transport, movement would be caused by him. If goods are supplied by an **unregistered supplier to a registered recipient**, movement shall be caused by such

	recipient (known at time of commencement of movement of goods),.	
Information to be furnished in e-way bill	**Part A:** to be furnished by the **registered person** who is causing movement of goods.**	**Part B:** to be furnished by the **person who is transporting the goods.**
	**However, information in Part-A may be furnished: ❑ by the transporter if authorised or ❑ by the e-commerce operator/courier agency, if authorised, where the goods are supplied through them.	
Who can generate the e-way bill?	**E-way bill is to be generated by the registered consignor or consignee** (if the transportation is being done in own/hired conveyance or by railways by air or by vessel) **or the transporter** (if the goods are handed over to a transporter for transportation by road). **Where neither the consignor nor consignee generates the e-way bill** and the value of goods is more than ₹ 50,000 it shall be the **responsibility of the transporter** to generate it.	
Other points	❑ Goods transported by railways shall be delivered only on production of e-way bill. ❑ E-way bill can be optionally generated even if consignment value is less than ₹ 50,000.	
Details of conveyance may not be furnished in Part-B	In case of intra-State movement of goods upto 50 km distance: ❖ from place of business (PoB) of consignor to PoB of transporter for further transportation or ❖ from PoB of transporter finally to PoB of the consignee.	

<table>
<tr><td>Transfer of goods to another conveyance</td><td colspan="3">In such cases, the transporter or generator of the e-way bill shall update the new vehicle number in Part B of the EWB before such transfer and further movement of goods.</td></tr>
<tr><td>Consolidated E-way Bill in case of road transport</td><td colspan="3">After e-way bill has been generated, where multiple consignments are intended to be transported in one conveyance, the transporter may indicate the serial number of e-way bills generated in respect of each such consignment electronically on the common portal and a consolidated e-way bill in Form GST EWB-02 may be generated by him on the said common portal prior to the movement of goods.

Where the consignor/consignee has not generated the e-way bill in Form GST EWB-01 and the aggregate of the consignment value of goods carried in the conveyance is more than ₹ 50,000, the transporter shall generate individual Form GST EWB-01 on the basis of invoice or bill of supply or delivery challan and may also generate a consolidated e-way bill in Form GST EWB-02 prior to the movement of goods.</td></tr>
<tr><td>Cancellation of e-way bill</td><td colspan="3">E-way bill can be cancelled if either goods are not transported or are not transported as per the details furnished in the e-way bill. The e-way bill can be cancelled within 24 hours from the time of generation.</td></tr>
<tr><td rowspan="2">Validity period of e-way bill/ consolidated e-way bill</td><td>Sl. No.</td><td>Distance within country</td><td>Validity period from relevant date</td></tr>
<tr><td>1.</td><td>Upto 200 km</td><td>One day in cases other than Over Dimensional Cargo or multimodal shipment in which at least one leg involves transport by ship</td></tr>
</table>

	2.	For every 200 km or part thereof thereafter	One additional day in cases other than Over Dimensional Cargo or multimodal shipment in which at least one leg involves transport by ship
	3.	Upto 20 km	One day in case of Over Dimensional Cargo or multimodal shipment in which at least one leg involves transport by ship
	4.	For every 20 km or part thereof thereafter	One additional day in case of Over Dimensional Cargo or multimodal shipment in which at least one leg involves transport by ship
Acceptance/ rejection of e-way bill	The details of e-way bill generated shall be made available to the supplier (where information in Part A is furnished by recipient/transporter) or recipient (where information in Part A is furnished by supplier/transporter), if registered, on the common portal, who shall communicate his acceptance or rejection of the consignment covered by the e-way bill. In case, the supplier/ recipient does not communicate his acceptance or rejection within 72 hours of the details being made available to him on the common portal, or time of delivery of goods whichever is earlier, it shall be deemed that he has accepted the said details.		
Is e-way bill required in all cases?	E-way bill is not required to be generated in certain specified cases. *[Listed earlier in this chapter]*		
Documents/ devices to be	❑ invoice or bill of supply or delivery challan		

carried by person-in-charge of a conveyance	❑ copy of the e-way bill in physical form or the e-way bill number in electronic form or mapped to a RFID embedded on to the conveyance except in case of movement of goods by rail or by air or vessel
Verification of documents and conveyances	Commissioner or an officer empowered by him in this behalf may authorise the proper officer to intercept any conveyance to verify the e-way bill or the e-way bill number in physical form or electronic form for all inter-State and intra-State movement of goods. Physical verification of a specific conveyance can also be carried out by any officer, on receipt of specific information on evasion of tax, after obtaining necessary approval of the Commissioner or an officer authorised by him in this behalf.
Inspection and verification of goods	A summary report of every inspection of goods in transit shall be recorded online on the common portal by the proper officer within 24 hours of inspection and the final report shall be recorded within 3 days of such inspection. Once physical verification of goods being transported on any conveyance has been done during transit at one place within the State or in any other State, no further physical verification of the said conveyance shall be carried out again in the State, unless a specific information relating to evasion of tax is made available subsequently. Where a vehicle has been intercepted and detained for a period exceeding 30 minutes, the transporter may upload the said information in on the common portal.
Restriction on furnishing of information in Part A of Form GST EWB-01	No person (including a consignor, consignee, transporter, an e-commerce operator or a courier agency) shall be allowed to furnish the information in Part A of Form GST EWB-01, ***in respect of any outward movement of goods of a registered person, who -***

	(i) being a composition supplier has not furnished the statement for payment of self-assessed tax for 2 consecutive quarters, or (ii) being a person paying tax under regular scheme has not furnished the returns for a consecutive period of 2 tax periods, or (iii) being a person paying tax under regular scheme has not furnished GSTR-1 for any 2 months or quarters, as the case may be, or (iv) being a person whose registration has been suspended. However, Commissioner (jurisdictional commissioner) may, on sufficient cause being shown and for reasons to be recorded in writing, allow furnishing of the said information in Part A of Form GST EWB-01, subject to prescribed conditions and restrictions.

TEST YOUR KNOWLEDGE

1. *Mala Services Ltd. is a supplier of management consultancy services registered in Haryana. It has approached you to ascertain the period for which the books of accounts or other records need to be maintained?*
2. *Essel Groups has started making taxable supplies and gets registered under GST law. You are required to advice it about the accounts and records required to be maintained by it as required under section 35(1).*
3. *Swad Restaurant has opted for composition scheme in the current financial year. Discuss the records which are not to be maintained by a supplier opting for composition levy though required to be maintained by a normal tax-payer as enumerated in rule 56.*
4. *ABC Manufacturers Ltd. engages Raghav & Sons as an agent to sell goods on its behalf wherein the invoice for supply or procurement on behalf of ABC*

Manufacturers Ltd. is issued by Raghav & Sons in its own name. For the purpose, ABC Manufacturers Ltd. has supplied the goods to Raghav & Sons located in Haryana. Enumerate the accounts required to be maintained by Raghav & Sons as per rule 56(11).

5. *Sindhi Toys Manufacturers, registered in Punjab, sold electronic toys to a retail seller in Gujarat, at a value of ₹ 48,000 (excluding GST leviable @ 18%). It wants to send the consignment of such toys to the retail seller in Gujarat.*

   You are required to advise Sindhi Toys Manufacturers on the following issues:

   (a) *Whether e-way bill is mandatorily required to be generated in respect of such movement of goods?*

   (b) *If yes, who is required to generate the e-way bill?*

   (c) *What will be the consequences for non-issuance of e-way bill?*

6. *Power Electricals Ltd., a registered supplier of air-conditioners, is required to send from Mumbai (Maharashtra), a consignment of parts of air-conditioner to be replaced under warranty at various client locations in Gujarat. The value of consignment declared in delivery challan accompanying the goods is ₹ 70,000. Power Electricals Ltd. claims that since movement of goods to Gujarat is caused due to reasons other than supply, e-way bill is not mandatorily required to be generated in this case.*

   You are required to examine the technical veracity of the claim made by Power Electricals Ltd.

7. *Beauty Cosmetics Ltd. has multiple wholesale outlets of cosmetic products in Mumbai, Maharashtra. It receives an order for cosmetics worth ₹ 1,20,000 (inclusive of GST leviable @ 18%) from Prasannaa, owner of a retail cosmetic store in Delhi. While checking the stock, it is found that order worth ₹ 55,000 can be fulfilled from the company's Dadar (Mumbai) store and remaining goods worth ₹ 65,000 can be sent from its Malad (Mumbai) store. Both the stores are instructed to issue separate invoices for the goods sent to Prasannaa. The goods are transported to Prasannaa in Delhi, in a single conveyance owned by Radhey Transporters.*

   You are required to advise Beauty Cosmetics Ltd. with regard to issuance of e-way bill(s).

ANSWERS/HINTS

1. Section 36 stipulates that every registered person required to keep and maintain books of account or other records in accordance with the provisions of sub-section (1) of section 35 shall retain them until the expiry of 72 months from the due date of furnishing of annual return for the year pertaining to such accounts and records.

However, a registered person, who is a party to an appeal or revision or any other proceedings before any Appellate Authority or Revisional Authority or Appellate Tribunal or court, whether filed by him or by the Commissioner, or is under investigation for an offence under Chapter XIX, shall retain the books of account and other records pertaining to the subject matter of such appeal or revision or proceedings or investigation for a period of one year after final disposal of such appeal or revision or proceedings or investigation, or for the period specified above, whichever is later.

2. Section 35(1) stipulates that a true and correct account of following is to be maintained:

(a) production or manufacture of goods;

(b) inward and outward supply of goods or services or both;

(c) stock of goods;

(d) input tax credit availed;

(e) output tax payable and paid

(f) such other particulars as may be prescribed.

3. Following records are not required to be maintained by a supplier who has opted for composition scheme as per rule 56(2) and (4), but are required to be maintained by a normal tax payer:

(I) Stock of goods: Accounts of stock in respect of goods received and supplied by him, and such accounts shall contain particulars of the opening balance, receipt, supply, goods lost, stolen, destroyed, written off or disposed of by way of gift or free sample and the balance of stock including raw materials, finished goods, scrap and wastage thereof.

(II) **Details of tax:** Account, containing the details of tax payable (including tax payable under reverse charge), tax collected and paid, input tax, input tax credit claimed, together with a register of tax invoice, credit notes, debit notes, delivery challan issued or received during any tax period.

4. Rule 56(11) provides that every agent shall maintain accounts depicting the-

(a) particulars of authorisation received by him from each principal to receive or supply goods or services on behalf of such principal separately;

(b) particulars including description, value and quantity (wherever applicable) of goods or services received on behalf of every principal;

(c) particulars including description, value and quantity (wherever applicable) of goods or services supplied on behalf of every principal;

(d) details of accounts furnished to every principal; and

(e) tax paid on receipts or on supply of goods or services effected on behalf of every principal.

5. **(a)** Rule 138(1) provides that e-way Bill is mandatorily required to be generated if the goods are moved, *inter alia*, in relation to supply and the consignment value exceeds ₹ 50,000. Further, explanation 2 to rule 138(1) stipulates that the consignment value of goods shall be the value, determined in accordance with the provisions of section 15, declared in an invoice, a bill of supply or a delivery challan, as the case may be, issued in respect of the said consignment and also includes CGST, SGST/UTGST, IGST and cess charged, if any, in the document and shall exclude the value of exempt supply of goods where the invoice is issued in respect of both exempt and taxable supply of goods.

Accordingly, in the given case, the consignment value will be as follows:

= ₹ 48,000 × 118%

= ₹ 56,640.

Since the movement of goods is in relation to supply of goods and the consignment value exceeds ₹ 50,000, e-way bill is mandatorily required to be issued in the given case.

(b) An e-way bill contains two parts namely, Part A to be furnished by the registered person who is causing movement of goods of consignment value exceeding ₹ 50,000/- and part B (transport details) is to be furnished by the person who is transporting the goods.

Where the goods are transported by the registered person as a consignor or the recipient of supply as the consignee, whether in his own conveyance or a hired one or a public conveyance, by road, the said person shall generate the e-way bill on the common portal after furnishing information in Part B [Rule 138(2)].

Where the goods are transported by railways or by air or vessel, the e-way bill shall be generated by the registered person, being the supplier or the recipient, who shall, either before or after the commencement of movement, furnish, on the common portal, the information in Part B [Rule 138(2A)].

Where the goods are handed over to a transporter for transportation by road, the registered person shall furnish the information relating to the transporter on the common portal and the e-way bill shall be generated by the transporter on the said portal on the basis of the information furnished by the registered person in Part A [Rule 138(3)].

Where the consignor or the consignee has not generated the e-way bill and the aggregate of the consignment value of goods carried in the conveyance is more than ₹ 50,000/, the transporter, except in case of transportation of goods by railways, air and vessel, shall, in respect of inter-State supply, generate the e-way bill on the basis of invoice or bill of supply or delivery challan, as the case may be, and may also generate a consolidated e-way bill on the common portal prior to the movement of goods [Rule 138(7)].

(c) It is mandatory to generate e-way bill in all cases where the value of consignment of goods being transported is more than ₹ 50,000/- and it is not otherwise exempted in terms of rule 138(14). If e-way bills, wherever required, are not issued in accordance with the provisions contained in rule 138, the same will be considered as contravention of rules.

As per section 122(1)(xiv), a taxable person who transports any taxable goods without the cover of specified documents (e-way bill is one of the specified documents) shall be liable to a penalty of ₹ 10,000/- or tax sought to be evaded (wherever applicable) whichever is greater. Moreover, as per section 129(1), where any person transports any goods or stores any goods while they are in transit in contravention of the provisions of this Act or the Rules made thereunder, all such goods and conveyance used as a means of transport for carrying the said goods and documents relating to such goods and conveyance shall be liable to detention or seizure.

6. The goods to be moved to another State for replacement under warranty is not a 'supply'. However, rule 138(1), *inter alia*, stipulates that every registered person who causes movement of goods of consignment value exceeding ₹ 50,000:

(i) in relation to a supply; or

(ii) for reasons other than supply; or

(iii) due to inward supply from an unregistered person,

shall, generate an electronic-way bill (E-way Bill) before commencement of such movement.

CBIC vide FAQs on E-way Bill has also clarified that even if the movement of goods is caused due to reasons others than supply [including replacement of goods under warranty], e-way bill is required to be issued.

Thus, in the given case, since the consignment value exceeds ₹ 50,000, e-way bill is required to be mandatorily generated. Therefore, the claim of Power Electricals Ltd. that e-way bill is not mandatorily required to be generated as the movement of goods is caused due to reasons other than supply, is not correct.

7. Beauty Cosmetics Ltd. would be required to prepare two separate e-way bills since each invoice value exceeds ₹ 50,000 and each invoice is considered as one consignment for the purpose of generating e-way bills.

The *FAQs on E-way Bill* issued by CBIC clarify that if multiple invoices are issued by the supplier to one recipient, that is, for movement of goods of more than one invoice of same consignor and consignee, multiple e-way bills have to be generated. In other words, for each invoice, one e-way bill has to be generated, irrespective of the fact whether same or different consignors or consignees are involved. Multiple invoices cannot be clubbed to generate one e-way bill. However, after generating all these e-way bills, one consolidated e-way bill can be prepared for transportation purpose, if goods are going in one vehicle.

NOTES

CHAPTER 11

PAYMENT OF TAX

The section numbers referred to in the Chapter pertain to the CGST Act, 2017 unless otherwise specified. Examples/Illustrations/Questions and Answers, as the case may be, given in the Chapter are based on the position of GST law existing as on 30.04.2023.

LEARNING OUTCOMES

After studying this Chapter, you will be able to –

- understand three kinds of ledgers/registers available to a registered person- electronic cash ledger, electronic credit ledger and electronic liability register.
- comprehend the types of ledger to be utilised for payment of tax/ interest/ penalty/ other amounts
- analyse and apply the methodology of cross utilization of credit for payment of taxes
- identify and analyse the circumstances under which penal interest is applicable.
- understand and apply the provisions relating to transfer of amount from one major head to another in electronic cash ledger.
- explain the procedure for transfer of input tax credit between Central and State Government.
- understand and analyse the provisions relating to TDS, i.e. tax deduction at source including the list of deductors, standard rate of deduction, value of supply.
- explain the remittance period and the time within which the TDS certificate is to be issued.

1. INTRODUCTION

In the GST regime, for any intra-state supply, taxes to be paid are the Central GST (CGST), going into the account of the Central Government and the State GST SGST/UTGST, going into the account of the concerned State Government/ Union Territory. The mechanism for allocation of such tax amount has been constitutionally devised in the interest of Centre and all States/Union territories. For any inter-state supply, tax to be paid is Integrated GST (IGST) which have components of both CGST and SGST. In addition, certain categories of registered persons will be required to pay to the Government, Tax Deducted at Source (TDS) and Tax Collected at Source (TCS[1]). In addition, wherever applicable, interest, penalty, fees and any other payment will also be required to be made.

The introduction of Electronic ledger(s) is a unique feature under the GST regime. Electronic Ledgers or E-Ledgers are of two types. One set is auto-populated upon the action taken by the taxpayer (i) Electronic Cash Ledger, which gets updated upon payment made by the taxpayer on GST Portal and (ii) Electronic Credit Ledger, which gets updated as soon as any input tax credit is claimed or utilized by the taxpayer on the GST Portal. Second set is "Electronic Liability register" auto-populated on the basis of returns furnished by the Registered person or the amount of tax, interest, penalty or any other amount payable as determined by a proper officer in pursuance of any proceedings.

Once a taxpayer is registered on common portal (GSTN), two e-ledgers (Cash & Input Tax Credit ledger) and an electronic tax liability register related functionality is available which is unique for each GSTIN and is accessible to the taxpayer.

Chapter X of the CGST Act, 2017 prescribes the provisions relating to payment of tax containing sections 49 to 53A. Bird's eye view of coverage under these sections is as under-

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[1] *The provisions relating to TCS have been discussed in Chapter-12: Electronic Commerce Transactions under GST in this Module of the Study Material.*

- Section 49 discusses the three ledgers namely the electronic cash ledger, electronic credit ledger and electronic liability register,
- Section 49A & 49B discusses about the utilisation of input tax credit and its order of utilisation.
- Section 50 discusses about the interest on delayed payment of tax.
- Section 51 lays down the circumstances in which tax deduction at source (TDS) becomes mandatory.
- Section 52 deals with the circumstances when tax is to be collected at source (TCS) by the Electronic Commerce Operator.
- Further, the manner of transfer of ITC is laid down in section 53 and
- Transfer of certain amounts is discussed in section 53A.

TDS stands for Tax Deduction at Source (TDS). Tax Deduction at Source (TDS) is a system, initially introduced by the Income Tax Department. Under GST, it is one of the modes/methods to collect tax, under which, certain percentage of amount is deducted by a recipient at the time of making payment to the supplier in case of specified supply transactions. It facilitates sharing of responsibility of tax collection between the deductor and the tax administrator. This concept of TDS ensures regular inflow of tax collection to the Government. This mechanism acts as a powerful instrument to prevent tax evasion and expands the tax net, as it provides for the creation of an audit trail. Also, with the integration of data furnished by the Supplier and recipient on the GST common portal, there exists an audit trail to ensure for harmony of taxes paid by the supplier.

Section 51[2] of CGST Act, 2017 provides for deduction of tax at source in certain circumstances. This Section specifically lists out the deductor's who are mandated by the Central Government to deduct tax at source, the rate of tax deduction and the procedure for remittance of the tax deducted.

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[2] *Students may refer "Standard Operating Procedure on TDS" issued by CBIC from CBIC website.*

The amount of tax deducted is reflected in the Electronic Cash Ledger of the deductee respectively.

Provisions of payment of tax including TDS under CGST Act, 2017 have also been made applicable to IGST Act, 2017 vide section 20 of the IGST Act, 2017.

Chapter IX of CGST Rules, 2017 containing Rules 85 to 88C deals with provisions relating to payment of tax. Amongst these rules, rule 86A and 86B have already been discussed in detail in Chapter-7: Input tax credit. Rule 88C will be discussed in Chapter-13: Returns.

Before proceeding to understand the provisions of section 49, 49A, 49B, 50,51,53, 53A & the relevant rules, let us first go through few relevant definitions.

2. RELEVANT DEFINITIONS

- **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 [Section 2(5)].
- **Authorised bank** shall mean a bank or a branch of a bank authorised by the Government to collect the tax or any other amount payable under this Act [Section 2(14)].
- **Central Tax** means the central goods and services tax levied under Section 9 [Section 2(21)].
- **Cess** shall have same meaning as assigned to it in the Goods and Service Tax (Compensation to States) Act [Section 2(22)].
- **Common portal** means the common goods and services tax electronic portal referred to in section 146 [Section 2(26)].
- **Council** means the Goods and Services Tax Council established under article 279A of the Constitution [Section 2(36)].
- **Electronic Cash ledger** means the electronic cash ledger referred to in sub-section (1) of Section 49 [Section 2(43)].

- **Electronic Credit ledger** means the electronic credit ledger referred to in sub-section (2) of section 49 [Section 2(46)].
- **Integrated tax** means the integrated goods and services tax levied under the Integrated Goods and Services Tax Act [Section 2(58)].
- **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 and includes—
  - the integrated goods and services tax charged on import of goods;
  - the tax payable under the provisions of sub-sections (3) and (4) of section 9;
  - the tax payable under the provisions of sub-section (3) and (4) of section 5 of the IGST Act;
  - the tax payable under the provisions of sub-section (3) and sub-section (4) of section 9 of the respective State Goods and Services Tax Act; or
  - the tax payable under the provisions of sub-section (3) and sub-section (4) of section 7 of the Union Territory Goods and Services Tax Act,

  but does not include the tax paid under the composition levy [Section 2(62)].
- **Input Tax Credit** means the credit of input tax [Section 2(63)].
- **local authority** means-
  - a "Panchayat" as defined in clause (d) of article 243 of the Constitution;
  - a "Municipality" as defined in clause (e) of article 243P of the Constitution;
  - a Municipal Committee, a Zilla Parishad, a District Board, and any other authority legally entitled to, or entrusted by the Central Government or any State Government with the control or management of a municipal or local fund;
  - a Cantonment Board as defined in section 3 of the Cantonments Act, 2006;
  - a Regional Council or District Council constituted under the Sixth Schedule to the Constitution;

- a Development Board constituted under article 371 and article 371J of the Constitution; or
- a Regional Council constituted under article 371A of the Constitution. [Section 2(69)].

❖ **Notification** means a notification published in the Official Gazette and the expression "notify" and "notified" shall be construed accordingly [Section 2(80)].

❖ **Output tax** in relation to a taxable person, means the tax chargeable under this Act on taxable supply of goods or services or both made by him or by his agent but excludes tax payable by him on reverse charge basis [Section 2(82)].

❖ **Person includes:-**

(a) an individual;

(b) a Hindu Undivided Family;

(c) a company;

(d) a firm;

(e) a limited liability Partnership;

(f) an association of persons or a body of individuals, whether incorporated or not, in India or outside India;

(g) any corporation established by or under any Central Act, State Act, or Provincial Act or a Government Company as defined in clause (45) of section 2 of the Companies Act,2013;

(h) any body corporate incorporated by or under the laws of a country outside India;

(i) a co-operative society registered under any law relating to co-operative societies;

(j) a local authority;

(k) Central Government or a State Government;

(l) society as defined under the Societies Registration Act,1860;

(m) trust; and

(n) every artificial juridical person, not falling within any of the above [Section 2(84)].

❖ **Recipient** of supply of goods or services or both, means—

(a) where a consideration is payable for the supply of goods or services or both, the person who is liable to pay that consideration;

(b) where no consideration is payable for the supply of goods, the person to whom the goods are delivered or made available, or to whom possession or use of the goods is given or made available; and

(c) where no consideration is payable for the supply of a service, the person to whom the service is rendered,

and any reference to a person to whom a supply is made shall be construed as a reference to the recipient of the supply and shall include an agent acting as such on behalf of the recipient in relation to the goods or services or both supplied [Section 2(93)].

❖ **State Tax** means the tax levied under any State Goods and Services Tax Act [Section2(104)].

❖ **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 [Section 2(105)].

❖ **Tax Period** means the period for which the return is required to be furnished [Section 2(106)]

❖ **Taxable person** means a person who is registered or liable to be registered under Section 22 or section 24 [Section 2(107)].

❖ **Taxable supply** means a supply of goods or services or both which is leviable to tax under this Act [Section 2(108)].

❖ **Valid return** means a return furnished under sub-section (1) of section 39 on which self-assessed tax has been paid in full [Section 2(117)].

After going through the various definitions relevant to this Chapter, let us discuss the provisions of Chapter X of the CGST Act.

3. PAYMENT OF TAX, INTEREST, PENALTY AND OTHER AMOUNTS [SECTION 49]

STATUTORY PROVISIONS

Section 49	Payment of tax, interest, penalty and other amounts	
Sub-Section	**Clause**	**Particulars**
(1)		*Every deposit made towards tax, interest, penalty, fee or any other amount by a person by internet banking or by using credit or debit cards or National Electronic Fund Transfer or Real Time Gross Settlement or by such other mode and subject to such conditions and restrictions as may be prescribed, shall be credited to the electronic cash ledger of such person to be maintained in such manner as may be prescribed.*
(2)		*The input tax credit as self-assessed in the return of a registered person shall be credited to his electronic credit ledger, in accordance with section 41, to be maintained in such manner as may be prescribed.*
(3)		*The amount available in the electronic cash ledger may be used for making any payment towards tax, interest, penalty, fees or any other amount payable under the provisions of this Act or the rules made there under in such manner and subject to such conditions and within such time as may be prescribed.*
(4)		*The amount available in the electronic credit ledger may be used for making any payment towards output tax under this Act or under the Integrated Goods and Services Tax Act in such manner and subject to such conditions* ***and restrictions*** *within such time as may be prescribed.*
(5)		*The amount of input tax credit available in the electronic credit ledger of the registered person on account of—*

	(a)	*integrated tax shall first be utilised towards payment of integrated tax and the amount remaining, if any, may be utilised towards the payment of central tax and State tax, or as the case may be, Union territory tax, in that order;*
	(b)	*the central tax shall first be utilised towards payment of central tax and the amount remaining, if any, may be utilised towards the payment of integrated tax;*
	(c)	*the State tax shall first be utilised towards payment of State tax and the amount remaining, if any, may be utilised towards payment of integrated tax;* *Provided that the input tax credit on account of State tax shall be utilised towards payment of integrated tax only where the balance of the input tax credit on account of central tax is not available for payment of integrated tax;*
	(d)	*the Union territory tax shall first be utilised towards payment of Union territory tax and the amount remaining, if any, may be utilised towards payment of integrated tax;* *Provided that the input tax credit on account of Union territory tax shall be utilised towards payment of integrated tax only where the balance of the input tax credit on account of central tax is not available for payment of integrated tax*
	(e)	*the central tax shall not be utilised towards payment of State tax or Union territory tax; and*
	(f)	*the State tax or Union territory tax shall not be utilised towards payment of central tax.*
(6)	*The balance in the electronic cash ledger or electronic credit ledger after payment of tax, interest, penalty, fee or any other amount payable under this Act or the rules made thereunder may be refunded in accordance with the provisions of section 54.*	

(7)	*All liabilities of a taxable person under this Act shall be recorded and maintained in an electronic liability register in such manner as may be prescribed.*	
(8)	*Every taxable person shall discharge his tax and other dues under this Act or the rules made thereunder in the following order, namely:–*	
	(a)	*self-assessed tax, and other dues related to returns of previous tax periods;*
	(b)	*self-assessed tax, and other dues related to the return of the current tax period;*
	(c)	*any other amount payable under this Act or the rules made thereunder including the demand determined under section 73 or section 74;*
(9)	*Every person who has paid the tax on goods or services or both under this Act shall, unless the contrary is proved by him, be deemed to have passed on the full incidence of such tax to the recipient of such goods or services or both.*	
(10)	***A registered person may, on the common portal, transfer any amount of tax, interest, penalty, fee or any other amount available in the electronic cash ledger under this Act, to the electronic cash ledger for,—***	
	(a)	***integrated tax, central tax, State tax, Union territory tax or cess; or***
	(b)	***integrated tax or central tax of a distinct person as specified in sub-section (4) or, as the case may be, sub-section (5) of section 25, in such form and manner and subject to such conditions and restrictions as may be prescribed and such transfer shall be deemed to be a refund from the electronic cash ledger under this Act:***

	Provided that, no such transfer under clause (b) shall be allowed if the said registered person has any unpaid liability in his electronic liability register.			
(11)	*Where any amount has been transferred to the electronic cash ledger under this Act, the same shall be deemed to be deposited in the said ledger as provided in sub-section(1).*			
(12)	***Notwithstanding anything contained in this Act, the Government may, on the recommendations of the Council, subject to such conditions and restrictions, specify such maximum proportion of output tax liability under this Act or under the IGST Act, 2017 which may be discharged through the electronic credit ledger by a registered person or a class of registered persons, as may be prescribed.***			
Explanation—For the purposes of this section,—				
	(a)	*the date of credit to the account of the Government in the authorised bank shall be deemed to be the date of deposit in the electronic cash ledger;*		
	(b)	*the expression,—*		
		(i)	*"tax dues" means the tax payable under this Act and does not include interest, fee and penalty; and*	
		(ii)	*"other dues" means interest, penalty, fee or any other amount payable under this Act or the rules made there under.*	
Section 49A	***Utilisation of input tax credit subject to certain conditions***			
	Notwithstanding anything contained in section 49, the input tax credit on account of central tax, State tax or Union territory tax shall be utilised towards payment of integrated tax, central tax, State tax or Union territory tax, as the case may be, only			

	after the input tax credit available on account of integrated tax has first been utilised fully towards such payment.
Section 49B	***Order of utilisation of input tax credit***
	Notwithstanding anything contained in this Chapter and subject to the provisions of clause (e) and clause (f) of sub section (5) ofsection 49, the Government may, on the recommendations of the Council, prescribe the order and manner of utilisation of the input tax credit on account of integrated tax, central tax, State tax or Union territory tax, as the case may be, towards payment of any such tax.
Section 53	***Transfer of input tax credit***
	On utilisation of input tax credit availed under this Act for payment of tax dues under the Integrated Goods and Services Tax Act in accordance with the provisions of sub-section (5) of section 49, as reflected in the valid return furnished under sub-section (1) of section 39, the amount collected as central tax shall stand reduced by an amount equal to such credit so utilised and the Central Government shall transfer an amount equal to the amount so reduced from the central tax account to the integrated tax account in such manner and within such time as may be prescribed.
Section 53A	***Transfer of certain amounts***
	Where any amount has been transferred from the electronic cash ledger under this Act to the electronic cash ledger under the State Goods and Services Tax Act or the Union territory Goods and Services Tax Act, the Government shall, transfer to the State tax account or the Union territory tax account, an amount equal to the amount transferred from the electronic cash ledger, in such manner and within such time as may be prescribed.

Chapter IX: Payment of Tax of the CGST Rules		
Rule 85		**Electronic Liability Register**
(1)		*The electronic liability register specified under sub- section (7) of section 49 shall be maintained in* ***FORM GST PMT-01*** *for each person liable to pay tax, interest, penalty, late fee or any other amount on the common portal and all amounts payable by him shall be debited to the said register.*
(2)		*The electronic liability register of the person shall be debited by:-*
	(a)	*the amount payable towards tax, interest, late fee or any other amount payable as per the return furnished by the said person;*
	(b)	*the amount of tax, interest, penalty or any other amount payable as determined by a proper officer in pursuance of any proceedings under the Act or as ascertained by the said person; or*
	(d)	*any amount of interest that may accrue from time to time.*
(3)		*Subject to the provisions of section 49, section 49A and section 49B, payment of every liability by a registered person as per his return shall be made by debiting the electronic credit ledger maintained as per rule 86 or the electronic cash ledger maintained as per rule 87 and the electronic liability register shall be credited accordingly.*
(4)		*The amount deducted under section 51, or the amount collected under section 52, or the amount payable on reverse charge basis, or the amount payable under section 10, any amount payable towards interest, penalty, fee or any other amount under the Act shall be paid by debiting the electronic cash ledger maintained as per rule 87 and the electronic liability register shall be credited accordingly.*
(5)		*Any amount of demand debited in the electronic liability register shall stand reduced to the extent of relief given by the appellate*

	authority or Appellate Tribunal or court and the electronic tax liability register shall be credited accordingly.
(6)	*The amount of penalty imposed or liable to be imposed shall stand reduced partly or fully, as the case may be, if the taxable person makes the payment of tax, interest and penalty specified in the show cause notice or demand order and the electronic liability register shall be credited accordingly.*
(7)	*A registered person shall, upon noticing any discrepancy in his electronic liability ledger, communicate the same to the officer exercising jurisdiction in the matter, through the common portal in **FORM GST PMT-04**.*
Rule 86	***Electronic Credit Ledger***
(1)	*The electronic credit ledger shall be maintained in **FORM GST PMT-02** for each registered person eligible for input tax credit under the Act on the common portal and every claim of input tax credit under the Act shall be credited to the said ledger.*
(2)	*The electronic credit ledger shall be debited to the extent of discharge of any liability in accordance with the provisions of section 49 or section 49A or section 49B.*
(3)	*Where a registered person has claimed refund of any unutilized amount from the electronic credit ledger in accordance with the provisions of section 54, the amount to the extent of the claim shall be debited in the said ledger.*
(4)	*If the refund so filed is rejected, either fully or partly, the amount debited under sub- rule (3), to the extent of rejection, shall be re-credited to the electronic credit ledger by the proper officer by an order made in **FORM GST PMT-03**.*
(4A)	*Where a registered person has claimed refund of any amount paid as tax wrongly paid or paid in excess for which debit has been made from the electronic credit ledger, the said amount, if found admissible, shall be re-credited to the electronic credit ledger by the proper officer by an order made in FORM GST PMT-03.*

(4B)	**Where a registered person deposits the amount of erroneous refund sanctioned to him, -**	
	(a)	**under sub-section (3) of section 54 of the Act, or**
	(b)	**under sub-rule (3) of rule 96, in contravention of sub-rule (10) of rule 96**
	along with interest and penalty, wherever applicable, through FORM GST DRC-03, by debiting the electronic cash ledger, on his own or on being pointed out, an amount equivalent to the amount of erroneous refund deposited by the registered person shall be re-credited to the electronic credit ledger by the proper officer by an order made in FORM GST PMT-03A.	
(5)	*Save as provided in the provisions of this Chapter, no entry shall be made directly in the electronic credit ledger under any circumstance.*	
(6)	*A registered person shall, upon noticing any discrepancy in his electronic credit ledger, communicate the same to the officer exercising jurisdiction in the matter, through the common portal in* ***FORM GST PMT-04****.*	
Explanation	*For the purposes of this rule, it is hereby clarified that a refund shall be deemed to be rejected, if the appeal is finally rejected or if the claimant gives an undertaking to the proper officer that he shall not file an appeal.*	
Rule 86A	***Conditions of use of amount available in electronic credit ledger.-***	
(1)	*The Commissioner or an officer authorised by him in this behalf, not below the rank of an Assistant Commissioner, having reasons to believe that credit of input tax available in the electronic credit ledger has been fraudulently availed or is ineligible in as much as*	
	(a)	*the credit of input tax has been availed on the strength of tax invoices or debit notes or any other document prescribed under rule 36-*

		i. issued by a registered person who has been found non-existent or not to be conducting any business from any place for which registration has been obtained; or *ii. without receipt of goods or services or both; or*
	(ii)	*the credit of input tax has been availed on the strength of tax invoices or debit notes or any other document prescribed under rule 36 in respect of any supply, the tax charged in respect of which has not been paid to the Government; or*
	(iii)	*the registered person availing the credit of input tax has been found non-existent or not to be conducting any business from any place for which registration has been obtained; or*
	(iv)	*the registered person availing any credit of input tax is not in possession of a tax invoice or debit note or any other document prescribed under rule 36,*
	may, for reasons to be recorded in writing, not allow debit of an amount equivalent to such credit in electronic credit ledger for discharge of any liability under section 49 or for claim of any refund of any unutilised amount.	
(2)	*The Commissioner, or the officer authorised by him under sub-rule (1) may, upon being satisfied that conditions for disallowing debit of electronic credit ledger as above, no longer exist, allow such debit.*	
(3)	*Such restriction shall cease to have effect after the expiry of a period of one year from the date of imposing such restriction.*	
Rule 87	***Electronic Cash Ledger***	
(1)	*The electronic cash ledger under sub-section (1) of section 49 shall be maintained in **FORM GST PMT-05** for each person, liable to pay tax, interest, penalty, late fee or any other amount, on the common portal for crediting the amount deposited and*	

	debiting the payment therefrom towards tax, interest, penalty, fee or any other amount.	
(2)	*Any person, or a person on his behalf, shall generate a challan in* ***FORM GST PMT-06*** *on the common portal and enter the details of the amount to be deposited by him towards tax, interest, penalty, fees or any other amount.*	
	Provided that the challan in FORM GST PMT-06 generated at the common portal shall be valid for a period of fifteen days.	
(3)	*The deposit under sub-rule (2) shall be made through any of the following modes, namely:-*	
	(i)	*Internet Banking through authorised banks;*
	(ia)	***Unified Payment Interface (UPI) from any bank;***
	(ib)	***Immediate Payment Services (IMPS) from any bank;***
	(ii)	*Credit card or Debit card through the authorised bank;*
	(iii)	*National Electronic Fund Transfer or Real Time Gross Settlement from any bank; or*
	(iv)	*Over the Counter payment through authorised banks for deposits up to ten thousand rupees per challan per tax period, by cash, cheque or demand draft:*
	Provided that the restriction for deposit up to ten thousand rupees per challan in case of an Over the Counter payment shall not apply to deposit to be made by –	
	(a)	*Government Departments or any other deposit to be made by persons as may be notified by the Commissioner in this behalf;*
	(b)	*Proper officer or any other officer authorised to recover outstanding dues from any person, whether registered or not, including recovery made through attachment or sale of movable or immovable properties;*

	(c)	*Proper officer or any other officer authorised for the amounts collected by way of cash, cheque or demand draft during any investigation or enforcement activity or any ad hoc deposit:*
		Provided further that a person supplying online information and database access or retrieval services from a place outside India to a non-taxable online recipient referred to in section 14 of the Integrated Goods and Services Tax Act, 2017 (13 of 2017) may also make the deposit under sub-rule (2) through international money transfer through Society for Worldwide Interbank Financial Telecommunication payment network, from the date to be notified by the Board.
Explanation		*For the purposes of this sub-rule, it is hereby clarified that for making payment of any amount indicated in the challan, the commission, if any, payable in respect of such payment shall be borne by the person making such payment.*
(4)		*Any payment required to be made by a person who is not registered under the Act, shall be made on the basis of a temporary identification number generated through the common portal.*
(5)		*Where the payment is made by way of National Electronic Fund Transfer or Real Time Gross Settlement **or Immediate Payment Service** mode from any bank, the mandate form shall be generated along with the challan on the common portal and the same shall be submitted to the bank from where the payment is to be made:*
		Provided that the mandate form shall be valid for a period of fifteen days from the date of generation of challan.
(6)		*On successful credit of the amount to the concerned government account maintained in the authorised bank, a Challan Identification Number shall be generated by the collecting bank and the same shall be indicated in the challan.*

(7)	*On receipt of the Challan Identification Number from the collecting bank, the said amount shall be credited to the electronic cash ledger of the person on whose behalf the deposit has been made and the common portal shall make available a receipt to this effect.*
(8)	*Where the bank account of the person concerned, or the person making the deposit on his behalf, is debited but no Challan Identification Number is generated or generated but not communicated to the common portal, the said person may represent electronically in FORM GST PMT-07 through the common portal to the bank or electronic gateway through which the deposit was initiated.* ***Provided that where the bank fails to communicate details of Challan Identification Number to the Common Portal, the Electronic Cash Ledger may be updated on the basis of e-Scroll of the Reserve Bank of India in cases where the details of the said e-Scroll are in conformity with the details in challan generated in FORM GST PMT-06 on the Common Portal.***
(9)	*Any amount deducted under section 51 or collected under section 52 and claimed by the registered taxable person from whom the said amount was deducted or, as the case may be, collected shall be credited to his electronic cash ledger.*
(10)	*Where a person has claimed refund of any amount from the electronic cash ledger, the said amount shall be debited to the electronic cash ledger.*
(11)	*If the refund so claimed is rejected, either fully or partly, the amount debited under sub-rule (10), to the extent of rejection, shall be credited to the electronic cash ledger by the proper officer by an order made in **FORM GST PMT-03.***
(12)	*A registered person shall, upon noticing any discrepancy in his electronic cash ledger, communicate the same to the officer exercising jurisdiction in the matter, through the common portal in **FORM GST PMT-04**.*

(13)	*A registered person may, on the common portal, transfer any amount of tax, interest, penalty, fee or any other amount available in the electronic cash ledger under the Act to the electronic cash ledger for integrated tax, central tax, State tax or Union territory tax or cess in FORM GST PMT-09.*
(14)	***A registered person may, on the common portal, transfer any amount of tax, interest, penalty, fee or any other amount available in the electronic cash ledger under the Act to the electronic cash ledger for central tax or integrated tax of a distinct person as specified in sub-section (4) or, as the case may be, sub-section (5) of section 25, in FORM GST PMT-09:*** ***Provided that no such transfer shall be allowed if the said registered person has any unpaid liability in his electronic liability register.***
Explanation 1	*The refund shall be deemed to be rejected if the appeal is finally rejected.*
Explanation 2	*For the purposes of this rule, it is hereby clarified that a refund shall be deemed to be rejected, if the appeal is finally rejected or if the claimant gives an undertaking to the proper officer that he shall not file an appeal.*
Rule 88	***Identification number for each transaction***
(1)	*A unique identification number shall be generated at the common portal for each debit or credit to the electronic cash or credit ledger, as the case may be.*
(2)	*The unique identification number relating to discharge of any liability shall be indicated in the corresponding entry in the electronic liability register.*
(3)	*A unique identification number shall be generated at the common portal for each credit in the electronic liability register for reasons other than those covered under sub-rule (2).*

Rule 88A	Order of utilization of input tax credit
Input tax credit on account of integrated tax shall first be utilised towards payment of integrated tax, and the amount remaining, if any, may be utilised towards the payment of central tax and State tax or Union territory tax, as the case may be, in any order:	
Provided that the input tax credit on account of central tax, State tax or Union territory tax shall be utilised towards payment of integrated tax, central tax, State tax or Union territory tax, as the case may be, only after the input tax credit available on account of integrated tax has first been utilised fully.	

ANALYSIS

A. ELECTRONIC CASH LEDGER [SECTION 49(1),(3),(6),(10) & (11) READ WITH RULE 87 OF CGST RULES]

The Electronic Cash Ledger contains a summary of all the deposits/payments made by a taxpayer. Electronic Cash Ledger is maintained on the GST Portal. The Electronic Cash Ledger has to be maintained in prescribed form on the common portal by a person liable to pay tax.

Any deposit made towards payment of tax, interest, penalty, late fee or any other amount will be credited to the electronic cash ledger. Any debit to the electronic cash ledger represents payment therefrom towards tax, interest, penalty, late fee or any other amount.

The deposit in the electronic cash ledger shall be made through any of the following modes, namely:-

(i) Internet Banking through authorised banks;

(ii) Unified Payment Interface (UPI) from any bank;

(iii) Immediate Payment Services (IMPS) from any bank;

(iv) Credit card or Debit card through the authorised bank;

(v) National Electronic Fund Transfer (NEFT) or Real Time Gross Settlement (RTGS) from any bank; or

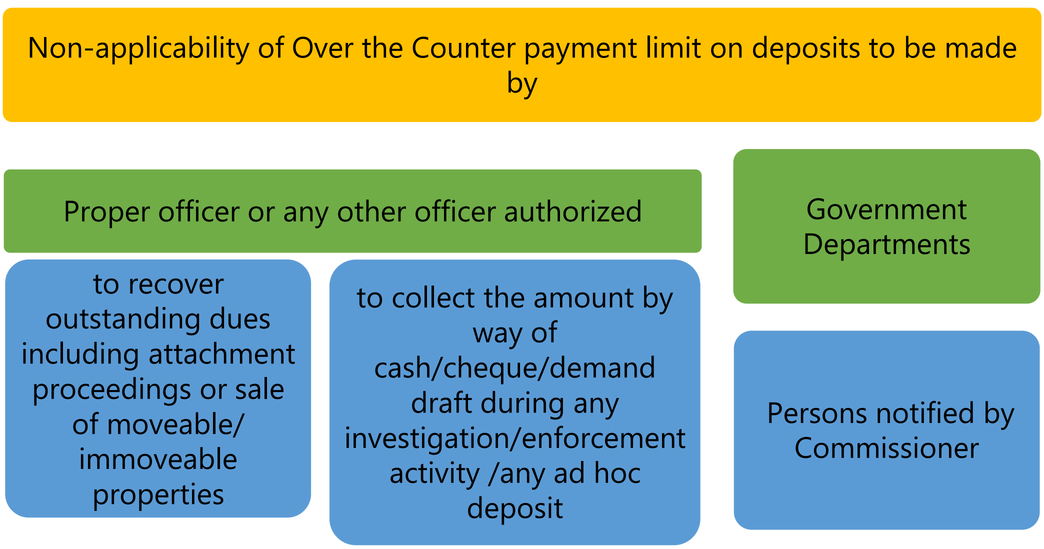
(vi) Over the Counter payment through authorized banks for deposits up to ten thousand rupees per challan per tax period, by cash, cheque or demand draft:

It may be noted that the restriction for deposit up to ten thousand rupees per challan in case of an Over the Counter payment will not apply to deposit to be made by –

(a) Government Departments or any other deposit to be made by persons as may be notified by the Commissioner in this behalf;

(b) Proper officer or any other officer authorised to recover outstanding dues from any person, whether registered or not, including recovery made through attachment or sale of movable or immovable properties;

(c) Proper officer or any other officer authorised for the amounts collected by way of cash, cheque or demand draft during any investigation or enforcement activity or any ad hoc deposit.



Payment by Challan

❑ **What is CPIN, CIN, BRN and E-FPB?**

CPIN stands for Common portal Identification Number. It is created for every Challan successfully generated by the taxpayer. It is a 14-digit unique number to identify the challan. CPIN remains valid for a period of 15 days.

CIN or Challan Identification Number is generated by the banks, once payment in lieu of a generated Challan is successful. It is a 18-digit number that is 14-digit CPIN plus 4-digit Bank Code.

CIN is generated by the authorized banks/Reserve Bank of India (RBI) when payment is actually received by such authorized banks or RBI and credited in the relevant Government account held with them. It is an indication that the payment has been realized and credited to the appropriate Government account. CIN is communicated by the authorized bank to taxpayer as well as to GSTN.

BRN or Bank Reference Number is the transaction number given by the bank for a payment against a Challan

E-FPB stands for Electronic Focal Point Branch. These are branches of authorized banks which are authorized to collect payment of GST. Each authorized bank will nominate only one branch as its E-FPB for pan India transaction.

The E-FPB will have to open accounts under each major head for all governments. Any amount received by such E-FPB towards GST will be credited to the appropriate account held by such E-FPB. For NEFT/RTGS/***IMPS*** Transactions, RBI will act as E-FPB.

- **Are manual Challans applicable as allowed under the erstwhile indirect tax regimes?**

  Manual or physical Challans are not allowed under the GST regime. It is mandatory to generate Challans online on the GST Common Portal.

- **How many types of Challans are prescribed for various taxes and payments to be paid under the GST regime?**

  There is single Challan prescribed for all taxes, fees, penalty, interest, and other payments to be made under the GST regime.

Other Aspects relating to Challan

- Any person, or a person on his behalf, can generate a challan in prescribed form [Form PMT 06] on the common portal and enter the details of the amount to be deposited by him towards tax, interest, penalty, fees or any other amount.

Validity of challan-15 days

- E- challan validity is for 15 days. The commission for making payment through e-challan has to be borne by the person making the payment.
- The mandate form obtained after making NEFT/RTGS/***IMPS*** payment has to be submitted in the Bank. The validity of the mandate form is 15 days.
- On successful credit of amount in the concerned (Central/State) Government Account maintained in the authorized bank, a Challan Identification Number (CIN) will be generated by the collecting bank which will be indicated in the challan.
- On receipt of the CIN from the collecting bank, the said amount is credited into the electronic cash ledger of the person on whose behalf the deposit is made and the common portal will generate a receipt to this effect.
- If CIN is not generated even after making payment and submission of mandate form or when after generation, it has not been reflected in the common portal, the person making the deposit or the person on whose behalf the deposit has been made, can make a representation in prescribed form i.e. FORM GST PMT-07 through the common portal or e-gateway through which the payment has been made.
- ***Where the bank fails to communicate details of Challan Identification Number to the common portal, the Electronic Cash Ledger may be updated on the basis of e-Scroll of the RBI in cases where the details of the said e-Scroll are in conformity with the details in challan generated in Form GST PMT-06 on the common portal.***
- Date of credit into the treasury of the State Government/Central Government is deemed to be the date of debit in the electronic cash ledger and not the actual date of deposit of amount in the electronic cash ledger of the taxable person.
- Any amount deducted under section 51 [TDS] or collected under section 52 [TCS] and claimed by the registered taxable person from whom the said amount was deducted or collected shall be credited to his electronic cash ledger.

- In case any discrepancy is noticed in electronic cash ledger, the registered person shall communicate the same to the officer exercising jurisdiction in the matter, through the common portal in prescribed form.
- An unregistered person has to make payment through electronic cash ledger on the basis of temporary identification number generated through common portal.

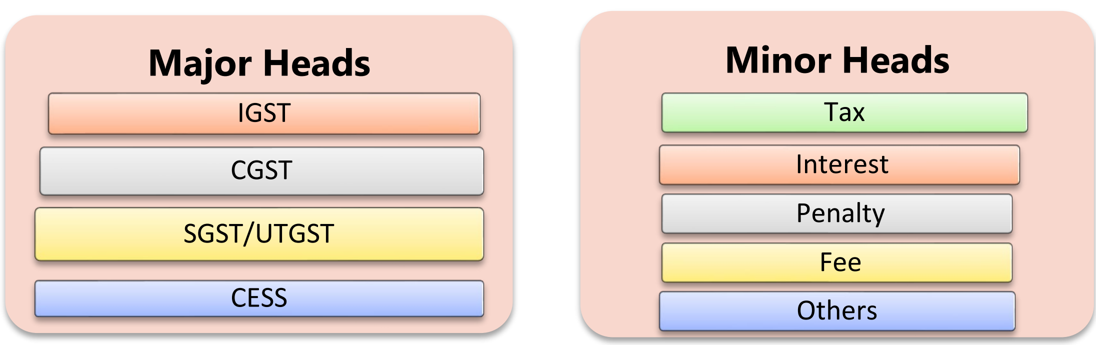
Manner of utilization of amount reflected in Electronic Cash Ledger

Sub-section 3 of section 49 of the CGST Act lays down the following:

The amount reflected in the electronic cash ledger may be used for making any payment towards tax, interest, penalty, fee, or any other amount in the prescribed manner.

In the e-ledger, information is kept minor head-wise for each major head. The ledger is displayed major head-wise i.e., IGST, CGST, SGST/UTGST, and CESS. Each major head is divided into five minor heads: Tax, Interest, Penalty, Fee, and Others.

A registered taxpayer can make cash deposits in the recognized Banks through the prescribed modes to the Electronic Cash Ledger using any of the Online or Offline modes permitted by the GST Portal. The Cash deposits can be used for making payment(s) like tax liability, interest, penalties, fee, and others.



Transfer of amount reflected in Electronic Cash Ledger

Sub-sections (10) and (11) of section 49 of the CGST Act, 2017 facilitates a ***registered person to transfer an amount from one (major/minor) head to another (major/minor) head in the electronic cash ledger or to transfer any amount available in the electronic cash ledger, to the electronic cash ledger for***

IGST/CGST of a distinct person, provided there is no unpaid liability in his electronic liability register.

The amount available in the electronic cash ledger can be utilised for payment of any liability for the major and minor heads. For instance, if the registered person has made a deposit of tax erroneously i.e. by virtue of human error, under a particular head instead of a specific head, the same can be transferred to the respective intended head vide Form GST PMT-09.

Further, a registered person may, on the common portal, transfer any amount of tax, interest, penalty, fee or any other amount available in the electronic cash ledger to the electronic cash ledger for central tax or integrated tax of a distinct person as specified in sub-section (4) or, as the case may be, sub-section (5) of section 25, in Form GST PMT-09.

However, no such transfer shall be allowed if the said registered person has any unpaid liability in his electronic liability register.

This Form can be used either for

(i) transfer of erroneous deposits under any minor head of a major head to any other minor head of same or other major heads or

(ii) transfer of any of the amounts already lying unutilised under any of the minor heads in Electronic Cash ledger or

(iii) transfer of any amount lying in the electronic cash ledger to the electronic cash ledger for CGST/IGST of a distinct person

For instance, a registered person has deposited a sum of ₹ 1,000 under the head of "Interest" column of CGST & ₹ 1,000 under the head of "Interest" column of SGST, instead of the head "Fee". Such amount can be transferred using Form GST PMT-09 for making a transfer to the head "Fee". The said transfer is required using the above Form, because when the registered person has to make the remittance of Tax/Interest/Penalty/ Fee/ Other amount at a stage "Offset Liabilities" in any of the GST Returns/ Forms for Tax payments through Electronic Cash Ledger, adequate amount should be available under the respective head of account.

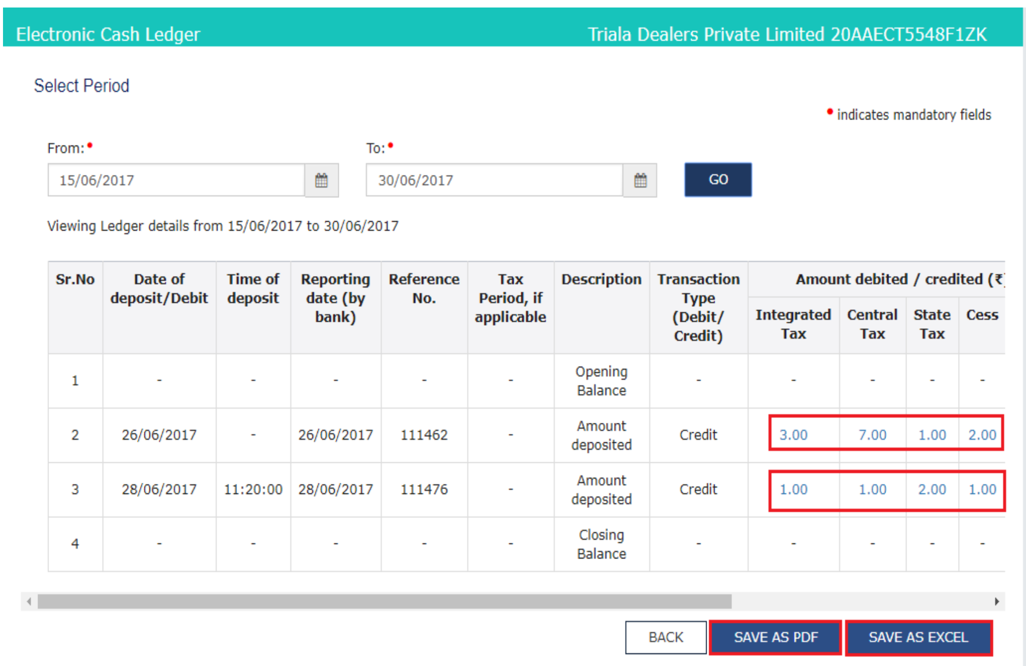
Section 53A of the CGST Act provides for transfer of amount between Centre and States in accordance with section 49 of the CGST Act allowing transfer of an amount from one head to another head in the electronic cash ledger of the registered person.

A Registered person has to claim the Tax Deducted at Source under Section 51 or Tax Collected at Source under Section 52 to appear in his Electronic Cash ledger. There is no automatic updation of this deduction/collection currently on the common portal. Similar to a claim of TDS credits under Income Tax Act, 1961 at the time of filing Income tax return, the Registered person has to claim for the TDS/TCS in his periodical returns to get updated in the Electronic Cash ledger.

Other peculiar aspects of Electronic Cash Ledger

- ✓ An unregistered person has to make payment through electronic cash ledger on the basis of temporary identification number generated through common portal.
- ✓ Where the person has claimed refund of any amount from electronic cash ledger, the amount of refund claimed would be debited from the electronic cash ledger
- ✓ Where the refund claimed by a person is rejected either fully or partly, the amount debited earlier shall be credited to electronic cash ledger by the Proper office to the extent of amount of refund rejected.

Electronic Cash Ledger


Electronic Cash Ledger Triala Dealers Private Limited 20AAECT5548F1ZK

Select Period

• indicates mandatory fields

From: • 15/06/2017 To: • 30/06/2017 GO

Viewing Ledger details from 15/06/2017 to 30/06/2017

Sr.No	Date of deposit/Debit	Time of deposit	Reporting date (by bank)	Reference No.	Tax Period, if applicable	Description	Transaction Type (Debit/ Credit)	Amount debited / credited (₹			
								Integrated Tax	Central Tax	State Tax	Cess
1	-	-	-	-	-	Opening Balance	-	-	-	-	-
2	26/06/2017	-	26/06/2017	111462	-	Amount deposited	Credit	3.00	7.00	1.00	2.00
3	28/06/2017	11:20:00	28/06/2017	111476	-	Amount deposited	Credit	1.00	1.00	2.00	1.00
4	-	-	-	-	-	Closing Balance	-	-	-	-	-

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B. ELECTRONIC CREDIT LEDGER [SECTION 49(2), (4) & (5), SECTION 49A, SECTION 49B READ WITH RULE 86, 86A, 86B AND 88A OF CGST RULES]

Sub-section (2) of section 49 of the CGST Act provides that the self-assessed **input tax credit (ITC)** by a registered person shall be credited to his Electronic Credit Ledger or **Electronic Input Tax Credit Ledger**. This is to be maintained in the prescribed form.

Input Tax Credit as self-assessed in monthly returns will be reflected in the ITC Ledger. The credit in this ledger can be used to make payment of ONLY TAX and not other amounts such as interest, penalty, fees etc.

Non-utilisation of ITC for tax liability under reverse charge mechanism

The amount available in the electronic credit ledger may be used for making any payment towards output tax under CGST, SGST, UTGST or IGST. It is pertinent to note that "output tax" " [as defined in Section 2(18)] in relation to a taxable person, means the tax chargeable under this Act [i.e. SGST/ UTGST/ CGST Act, 2017 respectively] on taxable supply of goods and/or services made by him, but excludes tax payable by him on reverse charge basis. Thus, ITC available in Electronic Credit ledger, cannot be utilised for tax payable under reverse charge mechanism under Section 9(3) or 9(4) of CGST/SGST Act, 2017 read with Section 5(3) or 5(4) of IGST Act, 2017.

Manner of utilisation of ITC [Combined reading of section 49(5), 49A, 49B, rule 88A and Circular No. 98/17/2019 GST dated 23.04.2019][3]

Manner of utilisation of ITC [Combined reading of section 49(5), 49A, 49B, rule 88A and *Circular No. 98/17/2019 GST dated 23.04.2019*][4]

Output / Input	IGST	CGST	SGST/UTGST
IGST	(1)	(2) [refer1(i)]	(2) [refer1(i)]
CGST	(2)	(1)	Not allowed

[3] *The detailed provisions have been discussed in Chapter-7: "Input tax credit".*

[4] *The detailed provisions have already been discussed in Chapter-7: "Input tax credit".*

	[refer 2 & 3(i)]	[refer 2 & 3]	
SGST/ UTGST	(2) [refer 2 & 4(i)]	Not allowed	• (1) • [refer 2 & 4]

1. Available IGST credit in the credit ledger should first be utilized towards payment of IGST. Remaining amount if any, can be utilized towards the payment of CGST and SGST/UTGST in any order and in any proportion, i.e. ITC of IGST can be utilized either against CGST or SGST.

2. Entire ITC of IGST is to be fully utilised first before the ITC of CGST or SGST/UTGST can be utilized.

3. Available CGST Credit in the credit ledger shall first be utilized for payment of CGST. Remaining amount if any, will be utilized for payment of IGST

4. Available SGST /UTGST credit in the credit ledger shall first be utilized for payment of SGST/UTGST. Remaining amount if any, will be utilized for payment of IGST, only when credit of CGST is not available for payment of IGST

CGST credit cannot be utilized for payment of SGST/UTGST. Similarly, SGST/UTGST credit cannot be utilized for payment of CGST.

Conditions of use of amount available in electronic credit ledger [Rule 86A]

In case the Commissioner or an officer authorised by him in this behalf, not below the rank of an Assistant Commissioner, has reasons to believe that ITC available in the electronic credit ledger has been fraudulently availed or is ineligible, he may , after recording reasons in writing, prohibit use of ITC for discharge of any liability under section 49 or for claim of any refund of any unutilised amount. [Such provisions have already been discussed in detail in Chapter 7: Input Tax Credit.]

Restrictions on use of amount available in electronic credit ledger [Rule 86B]

Rule 86B restricts the amount available in electronic credit ledger which a registered person can use to discharge his output tax liability to 99% of such tax liability in cases where the value of taxable supply other than exempt supply and zero-rated supply, in a month exceeds ₹ 50 lakh. [Such provisions have already been discussed in detail in Chapter 7: Input Tax Credit]

Other Aspects of Electronic Credit Ledger

- In case any discrepancy is noticed in the electronic credit ledger, the registered person shall communicate the same to the officer exercising jurisdiction in the matter, through the common portal in prescribed form.
- No entry shall be made directly in the electronic credit ledger under any circumstance except as provided in the provisions.

CBIC has provided clarifications[5] regarding utilization of the amounts available in the electronic credit ledger and the electronic cash ledger for payment of tax and other liabilities:-

Issue 1:

Whether the amount available in the electronic credit ledger can be used for making payment of any tax under the GST Laws?

Clarification:

In terms of section 49(4), the amount available in the electronic credit ledger may be used for making any payment towards output tax under the CGST Act or the IGST Act, subject to the provisions relating to the order of utilisation of ITC as laid down in section 49B read with rule 88A.

Rule 86(2) provides for debiting of the electronic credit ledger to the extent of discharge of any liability in accordance with the provisions of section 49/49A/49B.

Further, output tax in relation to a taxable person (i.e. a person who is registered or liable to be registered under section 22 or section 24) is defined in section 2(82) as the tax chargeable on taxable supply of goods or services or both but excludes tax payable on reverse charge mechanism.

Accordingly, it is clarified that any payment towards output tax, whether self-assessed in the return or payable as a consequence of any proceeding instituted under the provisions of GST laws, can be made by utilization of the amount available in the electronic credit ledger of a registered person.

It is further reiterated that as output tax does not include tax payable under

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[5] vide Circular No. 172/04/2022 GST dated 06.07.2022

reverse charge mechanism, implying thereby that the electronic credit ledger cannot be used for making payment of any tax which is payable under reverse charge mechanism.

Issue 2:

Whether the amount available in the electronic credit ledger can be used for making payment of any liability other than tax under the GST laws?

Clarification:

As per section 49(4), the electronic credit ledger can be used for making payment of output tax only under the CGST Act or the IGST Act. It cannot be used for making payment of any interest, penalty, fees or any other amount payable under the said Acts. Similarly, electronic credit ledger cannot be used for payment of erroneous refund sanctioned to the taxpayer, where such refund was sanctioned in cash.

Issue 3:

Whether the amount available in the electronic cash ledger can be used for making payment of any liability under the GST laws?

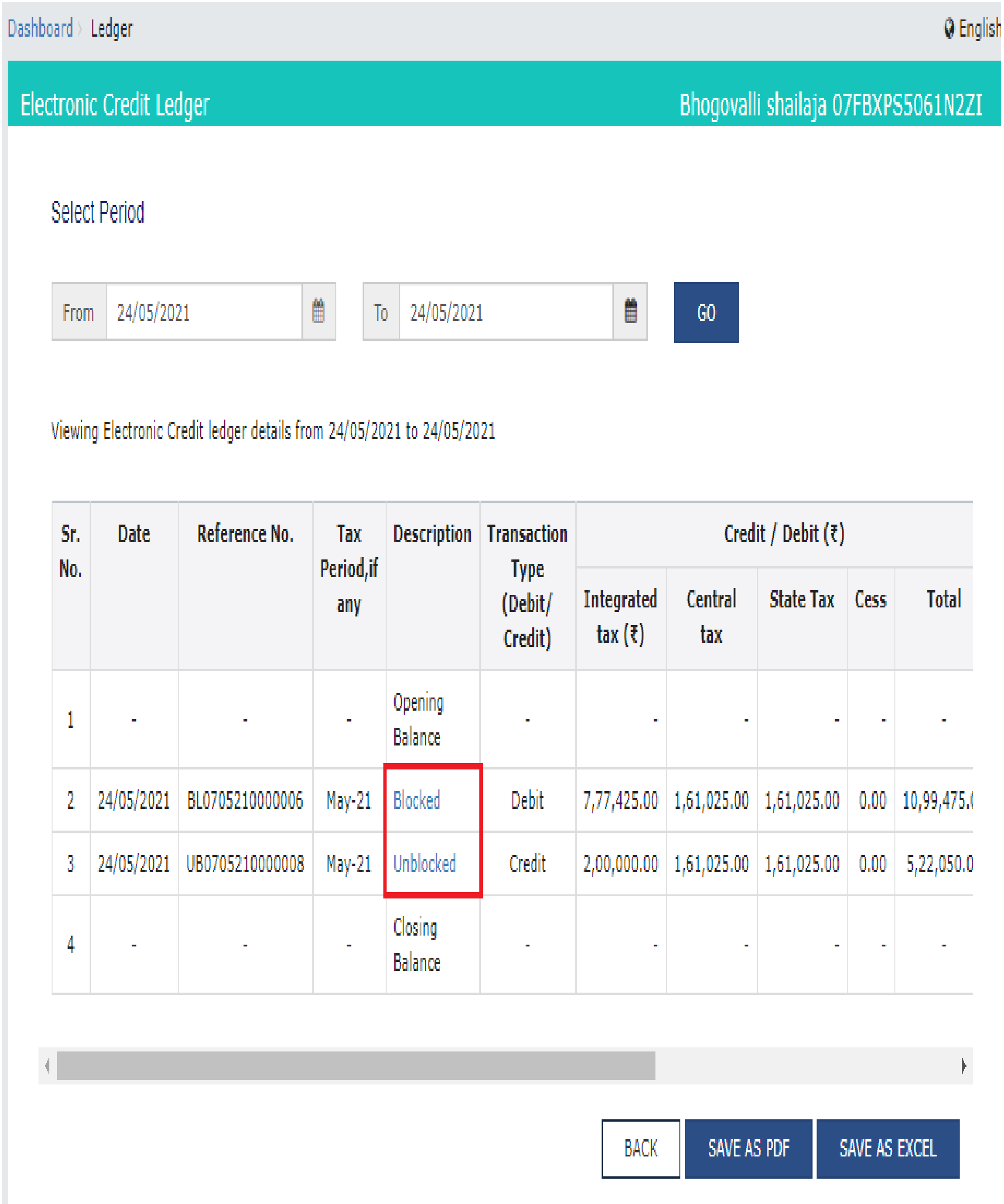
Clarification:

As per section 49(3), the amount available in the electronic cash ledger may be used for making any payment towards tax, interest, penalty, fees or any other amount payable under the provisions of the GST laws.

Common Points for Electronic Cash & Credit Ledger

- Where a person has claimed refund of any amount from the electronic cash or credit ledger, the said amount shall be debited to the electronic cash or credit ledger
- If the refund so claimed is rejected, either fully or partly, the amount debited earlier, to the extent of rejection, shall be credited to the electronic cash or credit ledger by the proper officer by an order made in prescribed form.
- A unique identification number shall be generated at the common portal for each debit or credit to the electronic cash or credit ledger.
- Similarly, the unique identification number relating to discharge of any liability shall be indicated in the corresponding entry in the electronic liability register.

Electronic Credit Ledger



Dashboard › Ledger English

Electronic Credit Ledger Bhogovalli shailaja 07FBXPS5061N2ZI

Select Period

From 24/05/2021 To 24/05/2021 GO

Viewing Electronic Credit ledger details from 24/05/2021 to 24/05/2021

Sr. No.	Date	Reference No.	Tax Period,if any	Description	Transaction Type (Debit/ Credit)	Credit / Debit (₹)				
						Integrated tax (₹)	Central tax	State Tax	Cess	Total
1	-	-	-	Opening Balance	-	-	-	-	-	-
2	24/05/2021	BL0705210000006	May-21	Blocked	Debit	7,77,425.00	1,61,025.00	1,61,025.00	0.00	10,99,475.(
3	24/05/2021	UB0705210000008	May-21	Unblocked	Credit	2,00,000.00	1,61,025.00	1,61,025.00	0.00	5,22,050.0
4	-	-	-	Closing Balance	-	-	-	-	-	-

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C. ELECTRONIC LIABILITY REGISTER [SECTION 49(7), (8) & (9) READ WITH RULE 85 OF CGST RULES]

> **Electronic Liability Register will reflect the total tax liability of a taxpayer for a particular tax period.**

- Sub-section (7) of section 49 enumerates about the third kind of ledger [Auto updated on common portal] viz. **Electronic Liability Register**. While the terms "Electronic Cash Ledger" and "Electronic Credit Ledger" are defined in the Act, the term "Electronic Liability Register" is not defined. The Section lays down that all liabilities of a taxable person will be recorded & maintained in a separate register named 'Electronic Liability Register'.

- **Order of discharge of tax and other dues**

  Sub-section (8) prescribes the chronological order in which the liability of a taxable person has to be discharged:

  ✓ self-assessed tax, and other dues related to returns of previous tax periods have to be discharged first;.

  ✓ self-assessed tax, and other dues related to the return of the current tax period next.

  ✓ Once these two steps are exhausted, thereafter any other amount payable under this Act or the rules made thereunder including the demand determined under section 73 or section 74 comes last. This sequence has to be mandatorily followed.

  The expression "tax dues" means the tax payable under this Act and does not include interest, fee and penalty; and "other dues" referred above mean interest, penalty, fee or any other amount payable under the Act or the rules made thereunder.

- **Presumption that incidence of tax is passed on**

  Sub-section (9) contains a deeming clause. This part of the section provides that when a taxable person has paid the GST under the corresponding Act, the taxable person is deemed to have passed on the incidence of such payment of tax to the recipient of such goods and /or services. Thus, if tax has been paid under the CGST Act, 2017 then the taxable person is deemed to have passed on the incidence of such payment of CGST to the recipient. This is subject to the contrary being proved. Onus to establish that incidence of tax has not been passed on to the recipient, becomes relevant in case of Section 54 dealing with "Refund of tax"

- **Chapter IX of CGST Rules provide the following:**

(I) Debit to electronic liability register:

- ✓ all amounts payable towards tax, interest, late fee and any other amount as per return filed;
- ✓ all amounts payable towards tax, interest, penalty and any other amount determined in a proceeding by
- ✓ a proper officer or as ascertained by the said person;
- ✓ interest payable under Section 50 that may accrue from time to time.

(II) Debit to Electronic Credit/Cash ledger:

Debit to Electronic Credit Ledger and Credit to Electronic Liability Register	Debit to Electronic Cash Ledger and Credit to Electronic Liability Register
Payment of all the liabilities of a registered person as per his return subject to section 49 or section 49A or section 49B.	Payment of all the liabilities of a registered person as per his return subject to section 49 or section 49A or section 49B.
	Payment of TDS deducted under section 51, TCS deducted by e-commerce operator under section 52, amount payable under reverse charge basis, amount payable under section 10, amount payable towards payment of interest, penalty, fee or any other amount under the Act.

❑ How do the payment systems benefit the taxpayer and the Commercial Tax Department?

- ✓ No more queues and waiting for making payments as payments can be made online 24 X 7.
- ✓ Instant online receipts for payments made online.
- ✓ Tax Consultants can make payments on behalf of the clients.
- ✓ Single Challan form to be created online, replacing the three or four copy Challan.
- ✓ Revenue will come earlier into the Government Treasury as compared to the old system.
- ✓ Greater transparency.
- ✓ Online payments made after 8 pm will be credited to the taxpayer's account on the same day.

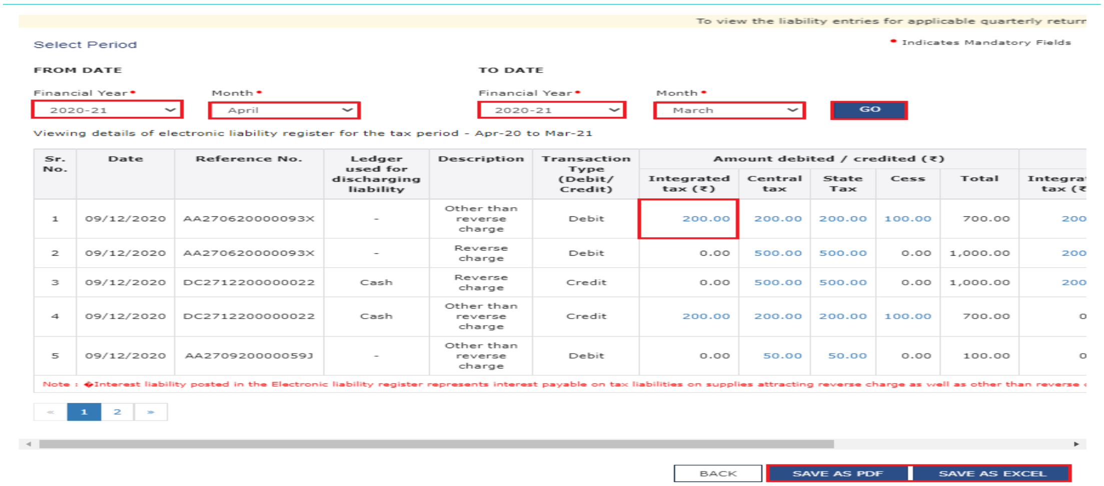
Electronic Liability Register

The Electronic Liability Register page is displayed in the following manner:-

Part-I: Return related Liabilities

Part-II: Other than return related liabilities

Part - 1 Return related liabilities


To view the liability entries for applicable quarterly returr

Select Period

• Indicates Mandatory Fields

FROM DATE

Financial Year• 2020-21 Month• April

TO DATE

Financial Year• 2020-21 Month• March GO

Viewing details of electronic liability register for the tax period - Apr-20 to Mar-21

Sr. No.	Date	Reference No.	Ledger used for discharging liability	Description	Transaction Type (Debit/ Credit)	Amount debited / credited (₹)					
						Integrated tax (₹)	Central tax	State Tax	Cess	Total	Integra tax (₹
1	09/12/2020	AA270620000093X	-	Other than reverse charge	Debit	200.00	200.00	200.00	100.00	700.00	200
2	09/12/2020	AA270620000093X	-	Reverse charge	Debit	0.00	500.00	500.00	0.00	1,000.00	200
3	09/12/2020	DC2712200000022	Cash	Reverse charge	Credit	0.00	500.00	500.00	0.00	1,000.00	200
4	09/12/2020	DC2712200000022	Cash	Other than reverse charge	Credit	200.00	200.00	200.00	100.00	700.00	0
5	09/12/2020	AA270920000059J	-	Other than reverse charge	Debit	0.00	50.00	50.00	0.00	100.00	0

Note : ◆Interest liability posted in the Electronic liability register represents interest payable on tax liabilities on supplies attracting reverse charge as well as other than reverse

« 1 2 »

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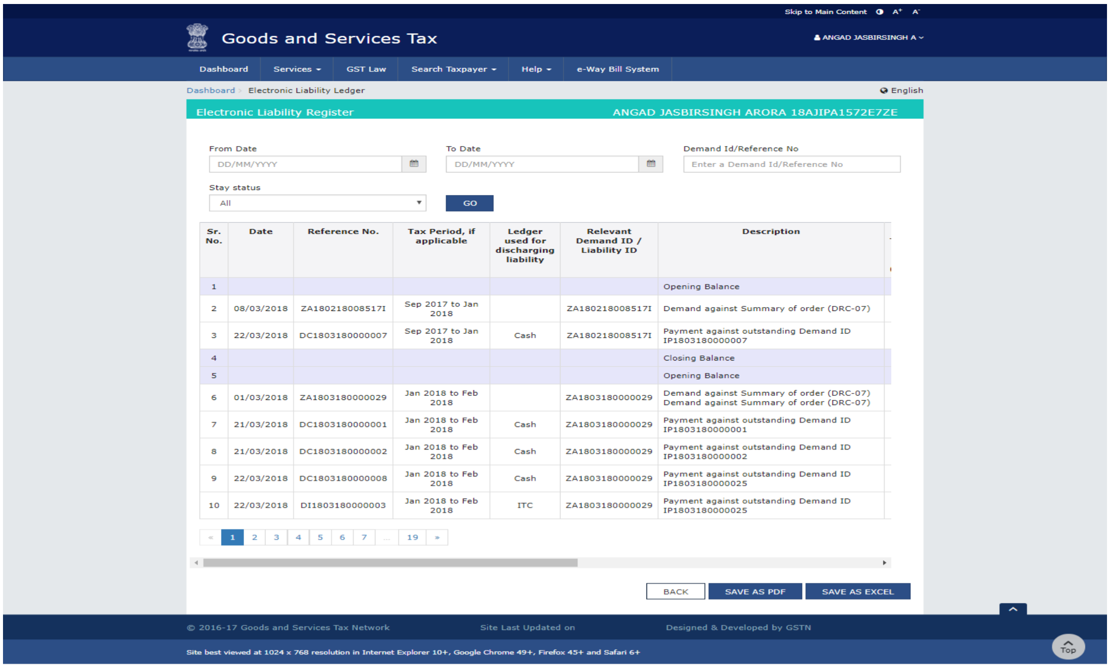
Part - II: Other than return related liabilities



Skip to Main Content A+ A-

Goods and Services Tax

ANGAD JASBIRSINGH A

Dashboard | Services | GST Law | Search Taxpayer | Help | e-Way Bill System

Dashboard > Electronic Liability Ledger

English

Electronic Liability Register ANGAD JASBIRSINGH ARORA 18AJIPA1572E7ZE

From Date DD/MM/YYYY

To Date DD/MM/YYYY

Demand Id/Reference No Enter a Demand Id/Reference No

Stay status All

GO

Sr. No.	Date	Reference No.	Tax Period, if applicable	Ledger used for discharging liability	Relevant Demand ID / Liability ID	Description
1						Opening Balance
2	08/03/2018	ZA180218008517I	Sep 2017 to Jan 2018		ZA180218008517I	Demand against Summary of order (DRC-07)
3	22/03/2018	DC1803180000007	Sep 2017 to Jan 2018	Cash	ZA180218008517I	Payment against outstanding Demand ID IP1803180000007
4						Closing Balance
5						Opening Balance
6	01/03/2018	ZA1803180000029	Jan 2018 to Feb 2018		ZA1803180000029	Demand against Summary of order (DRC-07) Demand against Summary of order (DRC-07)
7	21/03/2018	DC1803180000001	Jan 2018 to Feb 2018	Cash	ZA1803180000029	Payment against outstanding Demand ID IP1803180000001
8	21/03/2018	DC1803180000002	Jan 2018 to Feb 2018	Cash	ZA1803180000029	Payment against outstanding Demand ID IP1803180000002
9	22/03/2018	DC1803180000008	Jan 2018 to Feb 2018	Cash	ZA1803180000029	Payment against outstanding Demand ID IP1803180000025
10	22/03/2018	DI1803180000003	Jan 2018 to Feb 2018	ITC	ZA1803180000029	Payment against outstanding Demand ID IP1803180000025

« 1 2 3 4 5 6 7 ... 19 »

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4. INTEREST ON DELAYED PAYMENT OF TAX [SECTION 50]

	STATUTORY PROVISIONS
Section 50	***Interest on delayed payment of tax***
Sub-section	***Particulars***
(1)	*Every person who is liable to pay tax in accordance with the provisions of this Act or the rules made thereunder, but fails to pay the tax or any part thereof to the Government within the period prescribed, shall for the period for which the tax or any part thereof remains unpaid, pay, on his own, interest at such rate, not exceeding eighteen per cent., as may be notified by the Government on the recommendations of the Council.*

	Provided that the interest on tax payable in respect of supplies made during a tax period and declared in the return for the said period furnished after the due date in accordance with the provisions of section 39, except where such return is furnished after commencement of any proceedings under section 73 or section 74 in respect of the said period, shall be payable on that portion of the tax that is paid by debiting the electronic cash ledger[6].
(2)	*The interest under sub-section (1) shall be calculated, in such manner as may be prescribed, from the day succeeding the day on which such tax was due to be paid.*
(3)	***Where the input tax credit has been wrongly availed and utilised, the registered person shall pay interest on such input tax credit wrongly availed and utilised, at such rate not exceeding 24% as may be notified by the Government, on the recommendations of the Council, and the interest shall be calculated, in such manner as may be prescribed.***
Rule 88B	***Manner of calculating interest on delayed payment of tax.***
(1)	***In case, where the supplies made during a tax period are declared by the registered person in the return for the said period and the said return is furnished after the due date in accordance with provisions of section 39, except where such return is furnished after commencement of any proceedings under section 73 or section 74 in respect of the said period, the interest on tax payable in respect of such supplies shall be calculated on the portion of tax which is paid by debiting the electronic cash ledger, for the period of delay in filing the said return beyond the due date, at such rate as may be notified under sub-section (1) of section 50.***
(2)	***In all other cases, where interest is payable in accordance with sub section (1) of section 50, the interest shall be calculated on the amount of tax which remains unpaid, for the period***

[6] *The proviso is effective with retrospective effect from 01.07.2017.*

		starting from the date on which such tax was due to be paid till the date such tax is paid, at such rate as may be notified under sub-section (1) of **section 50.**
(3)		***In case, where interest is payable on the amount of input tax credit wrongly availed and utilized in accordance with sub-section (3) of section 50, the interest shall be calculated on the amount of input tax credit wrongly availed and utilised, for the period starting from the date of utilisation of such wrongly availed input tax credit till the date of reversal of such credit or payment of tax in respect of such amount, at such rate as may be notified under said sub-section (3) of section 50.***
Explanation		***For the purposes of this sub-rule, -***
(1)		***Input tax credit wrongly availed shall be construed to have been utilised, when the balance in the electronic credit ledger falls below the amount of input tax credit wrongly availed, and the extent of such utilization of input tax credit shall be the amount by which the balance in the electronic credit ledger falls below the amount of input tax credit wrongly availed.***
(2)		***the date of utilisation of such input tax credit shall be taken to be, -***
	(a)	***the date, on which the return is due to be furnished under section 39 or the actual date of filing of the said return, whichever is earlier, if the balance in the electronic credit ledger falls below the amount of input tax credit wrongly availed, on account of payment of tax through the said return; or***
	(b)	***The date of debit in the electronic credit ledger when the balance in the electronic credit ledger falls below the amount of input tax credit wrongly availed, in all other cases.***

ANALYSIS

To promote greater discipline amongst taxpayer and timeliness in payment of tax, the tax dues which are not paid within the stipulated time are made liable to interest payment. This mechanism is automatic in nature by virtue of the provisions laid under any tax laws. Interest liability is imposed on taxpayer who has withheld the payment of any tax as and when it is due and payable. Basically, it is compensatory in character and totally different from penalty which is penal in character.

On similar lines, section 50 of the CGST Act, 2017 provides for applicability of interest for default in payment of taxes within the stipulated time. Under GST law, a registered person, can make the payment of tax through electronic credit ledger or electronic cash ledger in terms of section 49 of CGST Act, 2017. Usually, the balance in electronic credit ledger is exhausted first (subject to provisions of rule 86B) before utilizing the balance available in the electronic cash ledger for discharging tax liabilities. This practice is adopted for a better working capital management.

In case a registered person does not have sufficient amount available in electronic credit ledger to pay the tax dues for a particular tax period and also if the registered person does not have sufficient money for making deposit of balance tax amount in electronic cash ledger then in such a situation, GST common portal doesn’t have a mechanism to allow a registered person to make part payment of taxes.

If the law maker demands tax dues along with interest on the gross payments i.e. tax paid through electronic cash ledger and credit ledger both, it may be an unhealthy practice from business perspective. To counter such recovery mechanism, the proviso under Section 50 provides that when a registered person has paid his taxes through a return specified under Section 39 of CGST Act, 2017 belatedly, <u>interest shall be applicable only on the net taxes paid through electronic cash ledger</u> and not on the gross taxes paid for such tax period.

As per the said proviso, the interest in cases where the tax return has been furnished after the due date (but furnished before commencement of proceedings under Section 73 or Section 74) shall be levied on that portion of the output tax which is being paid by debiting the electronic cash ledger. This means that the interest liability shall not arise on that portion of the output tax liability which is paid using the ITC available in the electronic credit ledger.

Accordingly, interest if any payable by the registered person for delay in remittance of taxes beyond the stipulated due date on account of delay in filing of return under section 39, shall be demanded only on the net cash liability of taxes and not on the gross tax liability.

- **When interest is payable?**

  Interest is payable in case of delay in payment of tax, in full or in part within the prescribed period.

- **Rate of interest**

  The notified[7] rate of interest under section 50 is 18% per annum i.e. on failure to pay tax (or part of tax) to the Government's account.

- **Computation of period for calculation of interest**

  Generally, the period of interest will be from the date following the due date of payment to the actual date of payment of tax.

- **Manner of calculating interest on delayed payment of tax [Rule 88B[8]]**

  In case, where the supplies made during a tax period are declared by the registered person in the return for the said period and the said return is furnished after the due date in accordance with provisions of section 39, except where such return is furnished after commencement of any proceedings under section 73 or section 74 in respect of the said period, the interest on tax payable in respect of such supplies shall be calculated on the portion of tax which is paid by debiting the electronic cash ledger, for the period of delay in filing the said return beyond the due date, at such rate as may be notified under section 50(1).

  In all other cases, where interest is payable under section 50(1), the interest shall be calculated on the amount of tax which remains unpaid,

[7]*Notification No. 13/2017 CT dated 28.06.2017 as amended by the Finance Act, 2022 retrospectively with effect from 01.07.2017*

[8] ***This rule is effective with retrospective effect from 01.07.2017.***

for the period starting from the date on which such tax was due to be paid till the date such tax is paid at the rate specified under section 50(1).

Where interest is payable on the amount of ITC wrongly availed and utilised in accordance with section 50(3), the interest shall be calculated on the amount of input tax credit wrongly availed and utilised, for the period starting from the date of utilisation of such wrongly availed input tax credit till the date of reversal of such credit or payment of tax in respect of such amount at the rate specified under section 50(3).

The explanation to the rule lays down that-

(i) input tax credit wrongly availed shall be construed to have been utilised, when the balance in the electronic credit ledger falls below the amount of input tax credit wrongly availed, and the extent of such utilisation of input tax credit shall be the amount by which the balance in the electronic credit ledger falls below the amount of input tax credit wrongly availed.

(ii) the date of utilisation of such input tax credit shall be taken to be-

- ***(a) the date, on which the return is due to be furnished under section 39 or the actual date of filing of the said return, whichever is earlier, if the balance in the electronic credit ledger falls below the amount of input tax credit wrongly availed, on account of payment of tax through the said return; or***

- ***(b) the date of debit in the electronic credit ledger when the balance in the electronic credit ledger falls below the amount of input tax credit wrongly availed, in all other cases.***

Other relevant points relating to interest

- ✓ The term "tax" here means the tax payable under the Act read with underlying Rules made thereunder.
- ✓ The payment of interest in case of belated payment of tax should be made voluntarily i.e. even without a demand.
- ✓ The interest payable under this section shall be debited to the Electronic Liability Register.

✓ The liability for interest can be settled by adjustment with balance in Electronic Cash Ledger **but not with balance in electronic credit ledger.**

5. TAX DEDUCTION AT SOURCE [SECTION 51 OF CGST ACT]

	STATUTORY PROVISIONS	
Section 51	***Tax deduction at source***	
Sub-Section	***Clause***	***Particulars***
(1)	*Notwithstanding anything to the contrary contained in this Act, the Government may mandate, —*	
	(a)	*a department or establishment of the Central Government or State Government; or*
	(b)	*local authority; or*
	(c)	*Governmental agencies; or*
	(d)	*such persons or category of persons as may be notified by the Government on the recommendations of the Council,*
	(hereafter in this section referred to as "the deductor"), to deduct tax at the rate of one per cent from the payment made or credited to the supplier (hereafter in this section referred to as "the deductee") of taxable goods or services or both, where the total value of such supply, under a contract, exceeds two lakh and fifty thousand rupees :	
	Provided that no deduction shall be made if the location of the supplier and the place of supply is in a State or Union territory which is different from the State or as the case may be, Union territory of registration of the recipient.	

Explanation	*For the purpose of deduction of tax specified above, the value of supply shall be taken as the amount excluding the central tax, State tax, Union territory tax, integrated tax and cess indicated in the invoice.*
(2)	*The amount deducted as tax under this section shall be paid to the Government by the deductor within ten days after the end of the month in which such deduction is made, in such manner as may be prescribed.*
(3)	*A certificate of tax deduction at source shall be issued in such form and in such manner as may be prescribed.*
(5)	*The deductee shall claim credit, in his electronic cash ledger, of the tax deducted and reflected in the return of the deductor furnished under sub-section (3) of section 39, in such manner as may be prescribed.*
(6)	*If any deductor fails to pay to the Government the amount deducted as tax under sub-section (1), he shall pay interest in accordance with the provisions of sub-section (1) of section 50, in addition to the amount of tax deducted.*
(7)	*The determination of the amount in default under this section shall be made in the manner specified in section 73 or section 74.*
(8)	*The refund to the deductor or the deductee arising on account of excess or erroneous deduction shall be dealt with in accordance with the provisions of section 54 :*
	Provided that no refund to the deductor shall be granted, if the amount deducted has been credited to the electronic cash ledger of the deductee.

ANALYSIS

❑ Deductors of Tax at Source

Under the GST regime, section 51 of the CGST Act, 2017 prescribes the authority and procedure for 'tax deduction at source'. The TDS provisions empower the Central Government to make it mandatory for the following persons (the deductor) to deduct tax at source from payments made to the suppliers of taxable goods and/or services.

Central/State Government department or establishment [Section 51(1)(a)]

Local Authority [Section 51(1)(b)]

Governmental Agencies [Section 51(1)(c)]

Notified Persons/category of persons [Section 51(1)(d)]

With respect to deductors under section 51(1)(a), provisions of TDS are applicable to certain prescribed authorities of Ministry of Defence, remaining authorities under the Ministry of Defence are exempt. Detailed list has been specified under *Notification 57/2018 CT dated 23.10.2018*.

The following persons have been notified under clause (d) of sub-section (1) of section 51 of the CGST Act by the Central Government:

(a) an authority or a board or any other body, -

(i) set up by an Act of Parliament or a State Legislature; or

(ii) established by any Government,

with 51% or more participation by way of equity or control, to carry out any function;

It has been clarified vide *Circular No. 76/50/2018 GST dated 31.12.2018* that the rider of 51% or more participation by way of equity or control is applicable to both the items (i) and (ii). Thus, the provisions of section 51 of the CGST Act are applicable only to such authority or a board or any other body set up by an Act of parliament or a State legislature or established by any Government in which 51% or more participation by way of equity or control is with the Government.

(b) society established by the Central Government or the State Government or a Local Authority under the Societies Registration Act, 1860;

(c) public sector undertakings:

Categories of persons not liable to deduct TDS

Tax is not liable to be deducted at source in the following cases:-

(i) When goods and/or services are supplied from a public sector undertaking (PSU) to another PSU, whether or not a distinct person

[Notification No. 61/2018 CT dated 05.11.2018]

(ii) When supply of goods and/or services takes place between one person to another person specified in clauses (a), (b), (c) and (d) of section 51(1) of the CGST Act.

[Notification No. 73/2018 CT dated 31.12.2018]

Deductees

The deductees are the suppliers whose total value of supply of taxable goods and/or services under a contract exceeds ₹ 2,50,000 exclusive of tax & cess as per the invoice.

Standard Rate of deduction

The tax would be deducted @ 1% under CGST Act, 2017 of the payment made to the supplier (the deductee) of taxable goods and/or services, where the total value of such supply, under a contract, exceeds ₹ 2,50,000 (excluding the amount of Central tax, State tax, Union Territory tax, Integrated tax and cess indicated in the invoice). Thus, individual supplies may be less than ₹ 2,50,000/-, but if total value of supplies under a contract is more than ₹ 2,50,000/-, TDS has to be deducted.

TDS-1% +1% [CGST + SGST] on net value of taxable supplies

The deductors have to deduct tax at the rate of 1% from the payment made or credited to the supplier of taxable goods and/or services under CGST Act, 2017.

It may be noted that Section 20 of IGST Act provides that in the case of tax deducted at source, the deductor shall deduct tax at the rate of 2% from the payment made or credited to the supplier.

NO TDS

The Proviso to Section 51(1) lays down that when the location of the supplier and the place of supply is in a State/ Union territory which is different from the State/ Union territory of registration of the recipient, there will be no TDS.

The above statement can be explained in the following situations:

(a) Supplier, place of supply and recipient are in the same state.

It would be intra-State supply and TDS (Central plus State tax) shall be deducted. It would be possible for the supplier (i.e. the deductee) to take credit of TDS in his electronic cash ledger.

(b) Supplier as well as the place of supply are in different states.

In such cases, Integrated tax would be levied. TDS to be deducted would be TDS (Integrated tax) and it would be possible for the supplier (i.e. the deductee) to take credit of TDS in his electronic cash ledger.

(c) Supplier as well as the place of supply are in State A and the recipient is located in State B.

The supply would be intra-State supply and Central tax and State tax would be levied. In such case, transfer of TDS (Central tax + State tax of State B) to the cash ledger of the supplier (Central tax + State tax of State A) would be difficult. So, in such cases, TDS would not be deducted.

Thus, when both the supplier as well as the place of supply are different from that of the recipient, no tax deduction at source would be made.

Location of Supplier	Place of Supply	Registration of Recipient	TDS u/s 51
State A	State A	State A	Yes
State A	State A	State B	No
State A	State B	State B	Yes
UT1	UT1	UT1	Yes
UT1	UT2	UT2	Yes
UT1	UT1	UT2	No

Value of Supply

Value of supply shall exclude tax & cess

The amount indicated in the invoice excluding the Central tax, State tax, Union territory tax, Integrated tax and cess element, is the value of supply for the purpose of TDS under Section 51 of CGST Act, 2017.

Deposit of TDS with the Government

The amount of tax deducted at source should be deposited to the Government account by deductor by 10th of the succeeding month in which the deduction is made.

TDS Certificate

A TDS certificate is required to be issued by deductor (the person who is deducting tax) in prescribed form to the deductee (the supplier from whose payment TDS is deducted).

The content of Form GSTR 7A (TDS Certificate) are given below:

1. TDS Certificate No.
2. GSTIN of deductor
3. Name of deductor
4. GSTIN of deductee
5. (a) Legal name of the deductee

   (b) Trade name, if any
6. Tax period in which tax deducted and accounted for in GSTR-7
7. Details of supplies
8. Amount of tax deducted

Non- remittance by the deductor

If the deductor has not remitted the amount deducted as TDS to the Government within the prescribed time limit, he is liable to pay interest under Section 50 in addition to the amount of tax deducted.

❑ Reflection of amount of TDS

The amount of tax deducted is reflected in

- Electronic Cash Ledger of deductee.
- Return filed by deductor under section 39(3).[GSTR-7][Refer Chapter:13 Returns for detailed discussion on GSTR-7].

The deductee can claim credit of the tax deducted, in his electronic cash ledger. This provision enables the Government to cross check whether the amount deducted by the deductor is correct and that there is no mis-match between the amount reflected in the electronic cash ledger and the amount shown in the return filed by deductor.

This is similar to existing practice in income tax relating to E-TDS returns filed by deductor and 26AS statement available for viewing the TDS remitted in respect of transactions by deductee.

❑ Determination of amount in Default

Any default in determination of the amount under Section 51 shall be made in the manner specified in Section 73 or section 74,[9] as the case may be.

❑ Refund on excess/erroneous deduction

The deductor or the deductee can claim refund of excess deduction or erroneous deduction. The provisions of section 54 relating to refunds would apply in such cases. However, if the deducted amount is already credited to the electronic cash ledger of the supplier, the same shall not be refunded.

(1) Supplier makes a supply worth ₹ 20 lakh to a recipient and the GST at the rate of 18% is required to be paid. The recipient, while making the payment of ₹ 20 lakh to the supplier, shall deduct 2% [CGST 1% + SGST 1%] viz ₹ 40,000 as TDS.

The value for TDS purpose shall not include 18% GST. The TDS, so deducted, shall be deposited in the account of Government by 10th of the succeeding month.

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[9] *The provisions relating to section 73 and section 74 will be discussed in Chapter-19: Demand & Recovery in Module-III of the Study material.*

The TDS so deposited in the Government account shall be reflected in the electronic cash ledger of the supplier (i.e. deductee) who would be able to use the same for payment of tax or any other amount.

- **Registration[10] [Rule 12 of CGST Rules, 2017]**

  Any person required to deduct tax in accordance with the provisions of section 51 shall electronically submit a registration application in prescribed form through the common portal. The proper officer shall, after due verification, grant registration within 3 working days from the date of the application. Also, on a request or upon an enquiry or pursuant to any other proceeding under the Act, if the proper officer is satisfied that a person is no longer liable to deduct tax at source under section 51, then the said officer may cancel the said registration, following procedures as provided in Rule 22 of the CGST Rules for the cancellation of registration.

6. TRANSFER OF INPUT TAX CREDIT [SECTION 53 OF CGST ACT & SECTION 18 OF IGST ACT]

If the amount of CGST is utilised towards dues of IGST then, in terms of section 53 of the CGST Act, there shall be reduction in the amount of CGST, equal to the credit so utilized, and the Central Government shall transfer such amount equivalent to the amount so reduced in CGST account to the IGST account.

Similarly, if the amount of IGST is utilised towards dues of CGST/UTGST then, in terms of section 18 of the IGST Act, there shall be reduction in the amount of IGST, equal to the credit so utilized, and the Central Government shall transfer such amount equivalent to the amount so reduced in IGST account to the CGST/UTGST account.

However, if the amount of IGST is utilised towards dues of SGST then, in terms of section 18 of the IGST Act, there shall be reduction in the amount of IGST, equal to the credit so utilized, and will be apportioned to the appropriate State Government and the Central Government shall transfer the amount so apportioned to the account of the respective State Government. Here, "appropriate State" in relation to a taxable person, means the State or Union territory where taxable person is registered or is liable to be registered under the provisions of the Central Goods and Services Tax Act.

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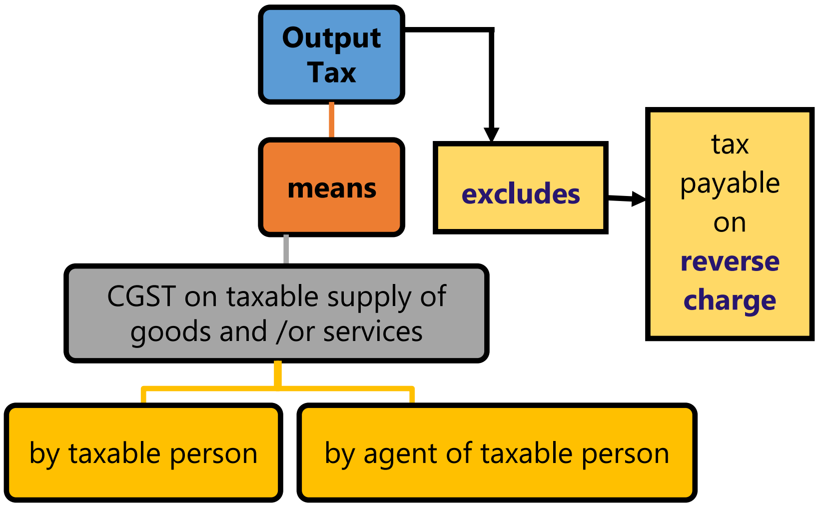
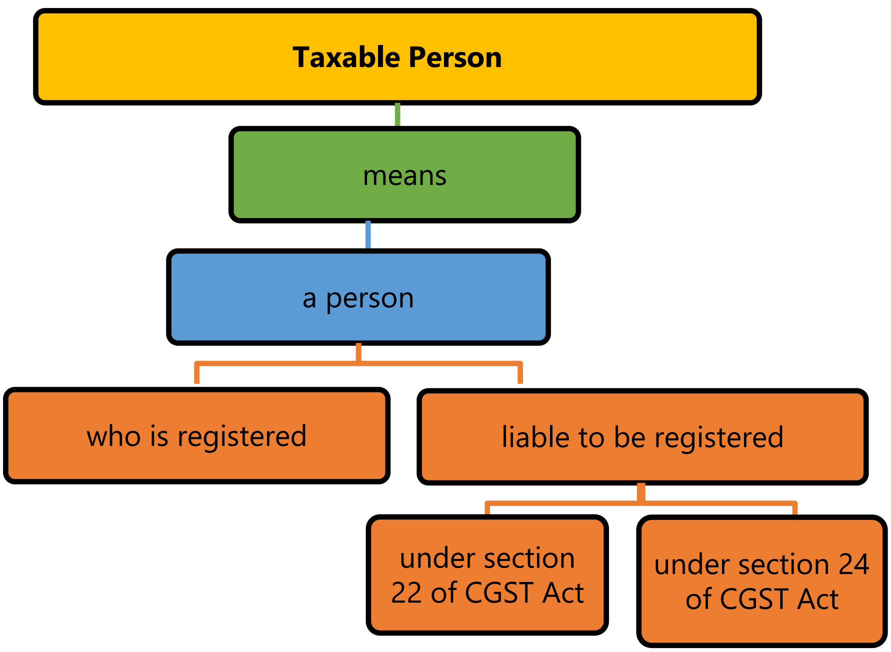
[10] *The provisions relating to registration have already been discussed in Chapter-8 of this Module.*

LET US RECAPITULATE

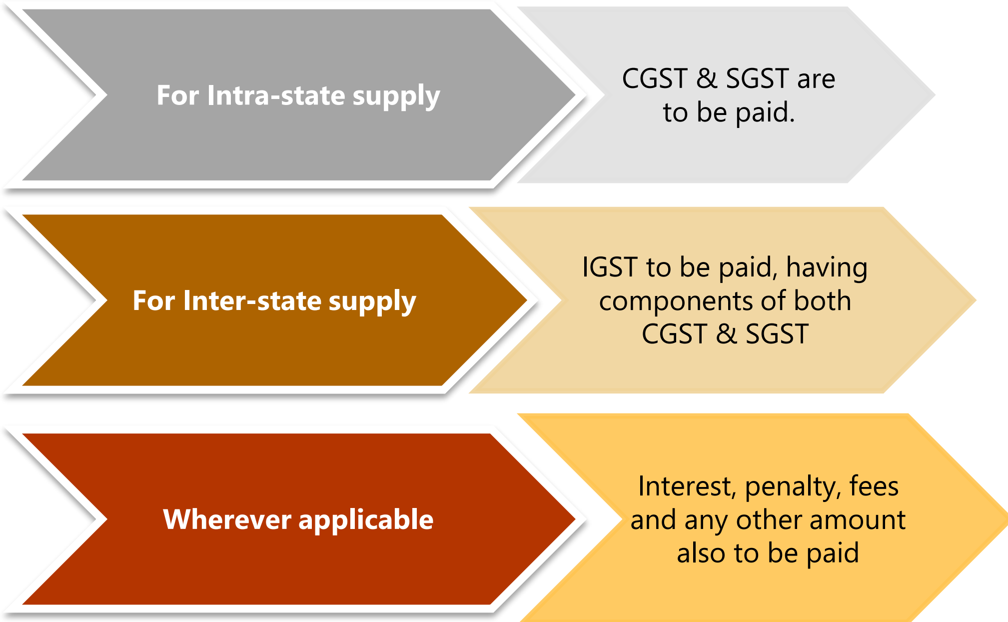
The provisions relating to payment of tax, interest and other amounts have been summarised by way of table and diagrams to help students remember and retain the provisions in a better and effective manner:-

Definitions of certain key terms





Payments to be made in GST regime



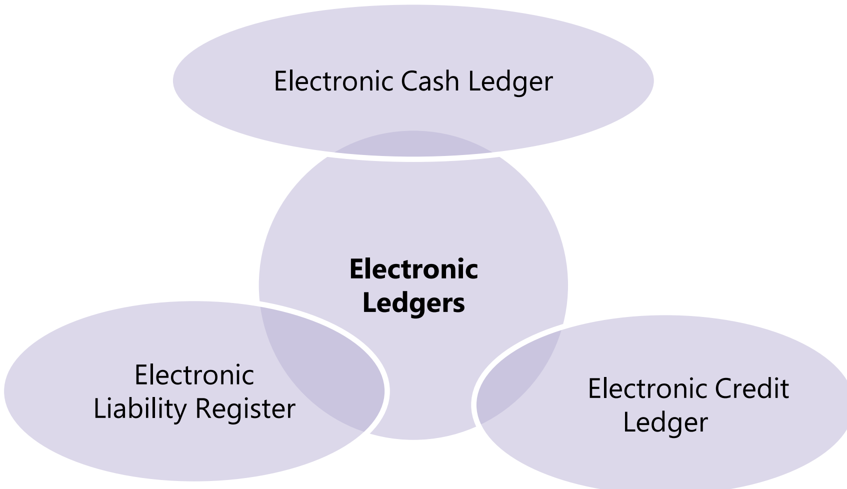
Key Features of Payment process

- ✓ Electronically generated challan from GSTN common portal in all modes of payment and no use of manually prepared challan;
- ✓ Facilitation for the tax payer by providing hassle free, anytime, anywhere mode of payment of tax;
- ✓ Convenience of making payment online;
- ✓ Logical tax collection data in electronic format;
- ✓ Faster remittance of tax revenue to the Government Account;
- ✓ Paperless transactions;
- ✓ Speedy Accounting and reporting;
- ✓ Electronic reconciliation of all receipts;
- ✓ Simplified procedure for banks;
- ✓ Warehousing of Digital Challan.

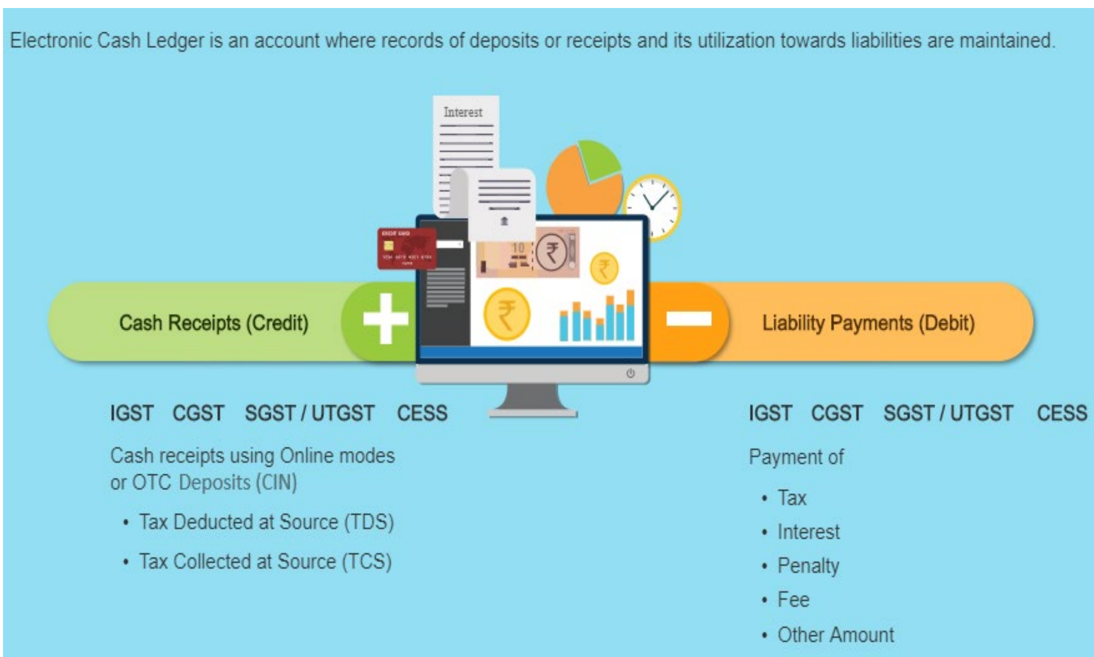
What are E-Ledgers/Registers?

Electronic ledgers or E-Ledgers are statements of cash and input tax credit in respect of each registered taxpayer. In addition, each taxpayer shall also have an electronic liability register.

Types of Electronic ledgers/Registers



A. Electronic Cash Ledger



Modes of deposit in Electronic Cash Ledger

Internet banking	• No limit
Credit/Debit card	• No limit
UPI	• No limit
NEFT/RTGS/***IMPS***	• No limit
Over the counter	• ₹ 10,000 per challan per tax period

Major and minor Heads of payment

Major Heads
- IGST
- CGST
- SGST/UTGST
- CESS

Each of these Major Heads have the five following Minor Heads

Minor Heads
- Tax
- Interest
- Penalty
- Fee
- Others

Date of deposit of tax dues

Which date is considered as date of deposit of the tax dues ?		
(i)	Date of presentation of cheque	×
(ii)	Date of payment	×
(iii)	Date of credit of amount in the account of government by Debit of Electronic Cash Ledger/Electronic credit ledger	√

B. Electronic credit ledger

Order of utilisation of input tax credit available in electronic credit ledger

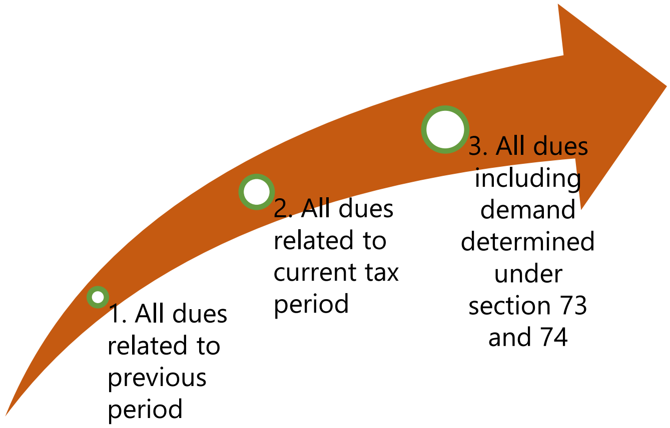
ITC	**Order of utilisation**	
	(1)	**(2)**
IGST	IGST	CGST/SGST/UTGST- any order
ITC of IGST to be completely exhausted first, mandatorily		
CGST	CGST	IGST
ITC of CGST has been utilized fully before utilizing SGST for payment of IGST		
SGST/UTGST	SGST/UTGST	IGST

The CGST credit cannot be utilized for payment of SGST/UTGST.

The SGST/UTGST credit cannot be utilized for payment of CGST.

C. Electronic liability register

Order of discharge of liability of taxable person



Manner of making payment

Through debit of Electronic Credit Ledger	In cash, by debit in the Electronic Cash Ledger
Through debit of Credit Ledger of the tax payer maintained on the Common portal – **ONLY Tax can be paid.**	Payment can be made in cash, by debit in the Cash Ledger of the tax payer maintained on the common portal.

E-Ledgers

Electronic Cash Ledger	•It will reflect all deposits made in cash, and TDS/TCS made on account of the tax payer. •This ledger can be used for making **ANY PAYMENT** towards tax, interest, penalty, fees or any other amount on account of GST.
Electronic Credit Ledger	•It will reflect Input Tax Credit as self-assessed in monthly returns. •The credit in this ledger can be used to make payment of **ONLY TAX** i.e. output tax and not other amounts such as interest, penalty, fees etc.
Electronic Liability Register	•Electronic Liability Register will reflect the total tax liability of a taxpayer (after netting) for the particular month.

Payment of tax via Electronic Ledger

A. Electronic Cash Ledger

(Assume it as an account statement provided by bank, for easy understanding)

Debit Amount (DR)	Credit Amount (CR)
• Credit amount of this ledger may be used for payment of tax, interest, fees etc. • Remaining credit balance amount after payment of above tax etc. can be claimed as refund by taxable person.	• Any deposit made towards tax, interest, penalty, late fee etc. via internet banking, RTGS, IMPS/ fund transfer etc. • TDS/TCS claimed

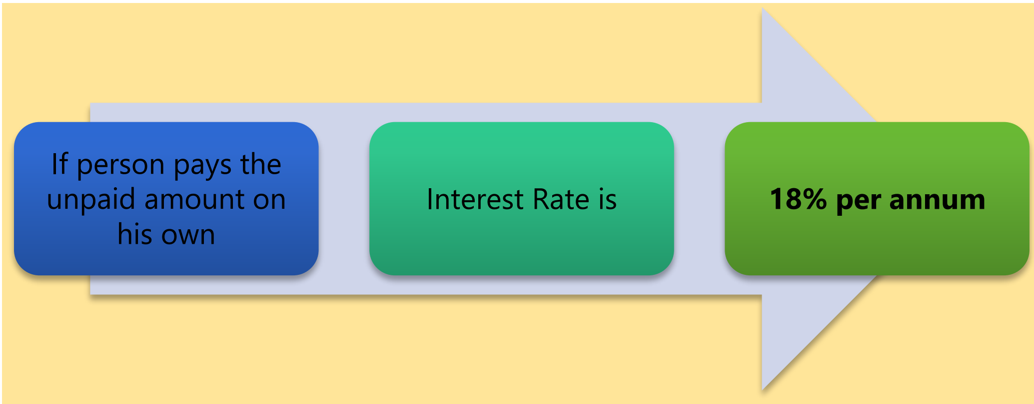
B. Electronic Credit ledger

Debit Amount (DR)	Credit Amount (CR)
• Credit amount of this ledger may be used for payment of output tax viz IGST, CGST, SGST, UTGST in the prescribed order.	• Input Tax credit as self-assessed in the return in the form of IGST, CGST, SGST, UTGST

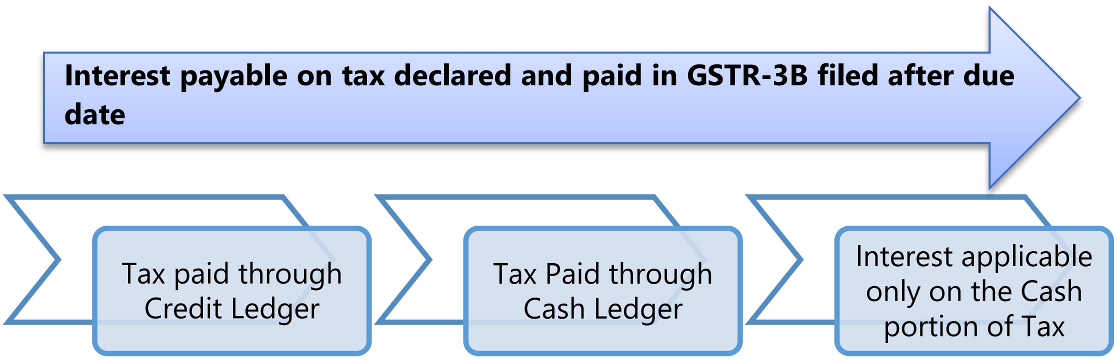
C. Electronic Liability Register

Debit Amount (DR)	Credit Amount (CR)
• Amount payable towards tax, interest, fees etc. • Tax or interest payable due to mismatch • Any other dues	• Electronic cash ledger
• Amount payable towards output tax	• Electronic credit ledger

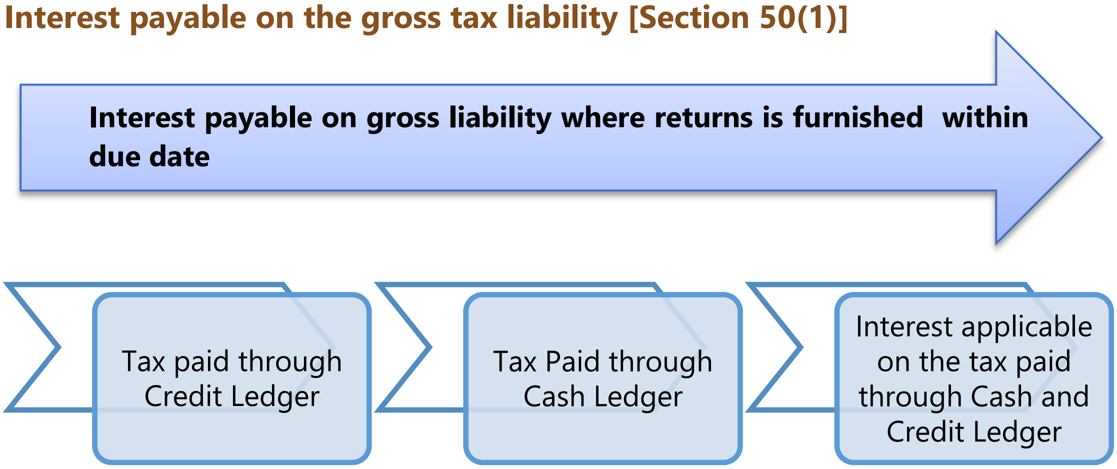
Interest on delayed payment of tax [Section 50]



Interest payable on the net cash liability of taxes [Section 50(1)]



Interest payable on the gross tax liability [Section 50(1)]



Interest payable due to wrongful availment and utilisation of ITC [Section 50(3)]

- ITC availed but not utilised → No interest liability
- ITC availed as well as utilised → Interest from the date of utilisation till reversal date

T D S

Rate of TDS

- Rate of TDS
  - under CGST — 1%
  - under IGST — 2%

TDS

- **Person liable to deduct tax at source**
  - Central and State Government
  - Local authority
  - Governmental agencies
  - Notified persons
- **Threshold limit**
  - Total value of supply under a contract > ₹ 2.5 lakhs, exclusive of gst as per invoice
- **Rate of deduction under CGST**
  - 1%
- **NO TDS**
  - When location of supplier and place of supply is different from the state of registration of recipient
- **Due date of payment of TDS to Government**
  - Within 10 days from the end of month

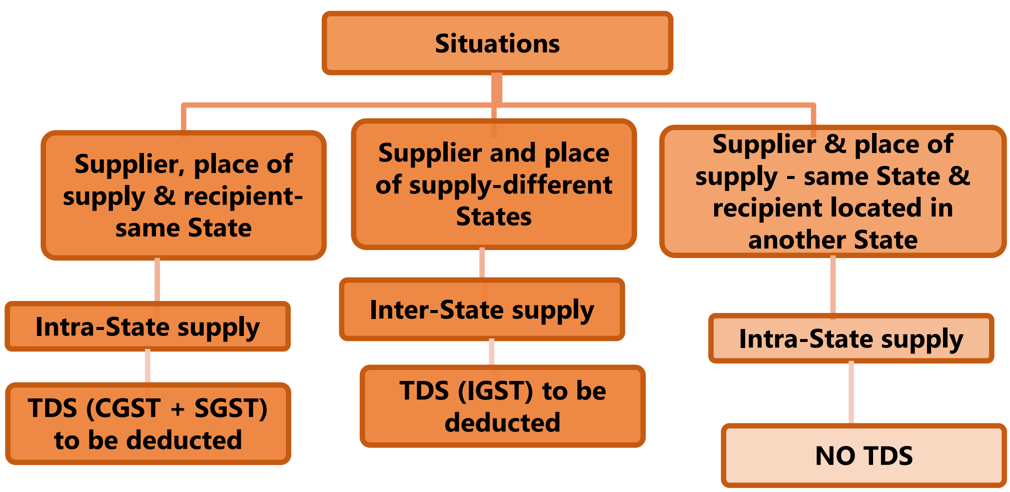
Manner of account of TDS by TDS deductor

1.	Such deductor need to get compulsorily registered under section 24 of the CGST/SGST Act.
2.	They need to remit such TDS collected by the 10th day of the month succeeding the month in which TDS was collected.
3.	The amount deposited as TDS will be reflected in the electronic cash ledger of the supplier.

Manner of account of TDS by supplier

- Any amount shown as TDS will be reflected in the electronic cash ledger of the concerned supplier.
- He can utilize this amount towards discharging his liability towards tax, interest fees and any other amount.

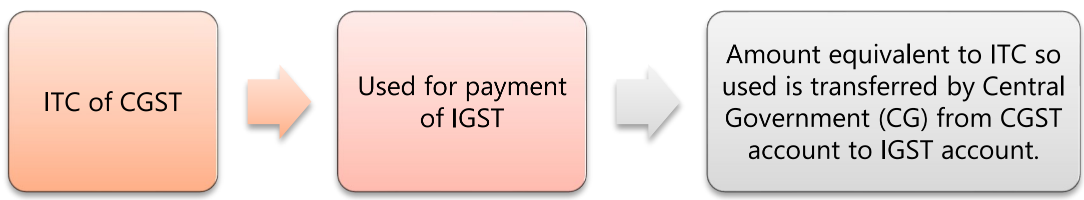
Applicability of TDS

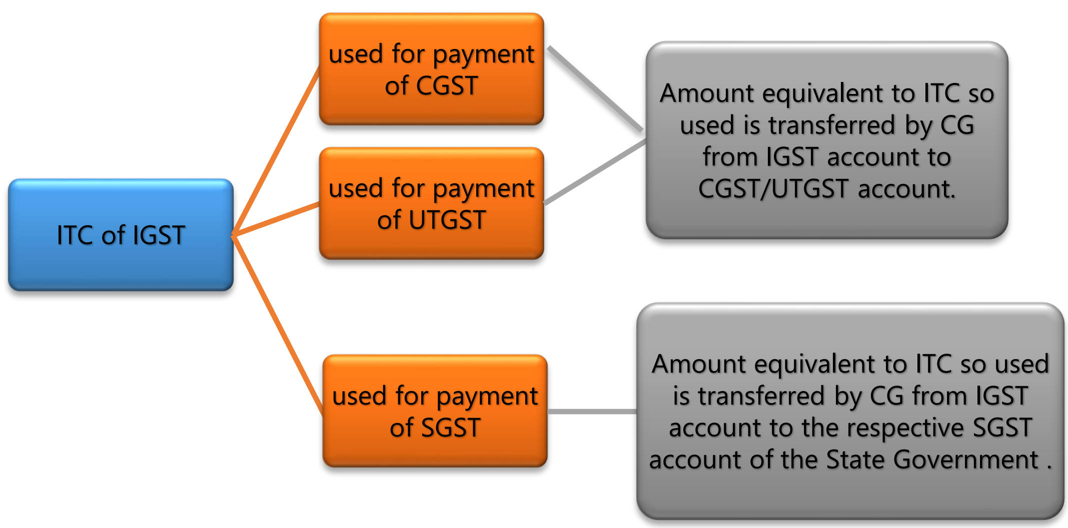


Consequences of not complying with TDS provisions

S. No.	Event	Consequence
1.	TDS not deducted	Interest to be paid along with the TDS amount; else the amount shall be determined and recovered as per the law
2.	TDS deducted but not paid to the Government or paid later than 10th of the succeeding month	Interest to be paid along with the TDS amount; else the amount shall be determined and recovered as per the law

Transfer of input tax credit [Section 53 of CGST Act & Section 18 of IGST Act]





TEST YOUR KNOWLEDGE

1. *Miss Nitya has following balances in her Electronic Cash Ledger as on 28th February as per GST portal.*

Major Heads	Minor Heads	Amount (₹)
CGST	Tax	40,000
	Interest	1,000
	Penalty	800
SGST	Tax	80,000
	Interest	400
	Penalty	1,200
	Fee	2,000
IGST	Tax	45,000
	Interest	200
	Penalty	Nil

She furnishes return on monthly basis. Her tax liability for the month of February for CGST and SGST was ₹ 75,000 each. She failed to pay the tax and contacted you as legal advisor on 12th April to advise her as to how much amount of tax or interest she is required to pay, if any. In order to optimize the interest liability as per GST provisions, she is willing to make any transfer from the cash ledger between any of the major or minor heads as the case may be. She wants to pay the tax on 20th April.

Other information:

(i) Date of collection of GST was 18th February.

(ii) No other transaction after this up to 20th April.

(iii) Ignore penalty and late fee for this transaction.

(iv) No other balance is available.

You are required to advise her with reference to legal provisions with brief notes on the legal provisions applicable.

2. *A makes intra-State supply of goods valued at ₹ 50,000(excluding taxes) to B within State of Karnataka. There is no input tax credit balance available with A. B makes inter-State supply to X Ltd. (located in Telangana) after adding 10% as its margin on the value of goods excluding taxes. Thereafter, X Ltd. sells it to Y in Telangana (Intra-State sale) after adding 10% as his margin on the value of goods excluding taxes.*

   Assume that the rate of GST chargeable is 18% (CGST and SGST at 9% each and IGST chargeable at 18%) and every person involved in the aforesaid supplies are registered tax payers. Calculate tax payable at each stage of the transactions detailed above. Wherever input tax credit is available and can be utilized, calculate the net tax payable in cash. At each stage of the transaction, indicate which Government will receive the tax paid and to what extent.

3. *Can one use input tax credit for payment of interest, penalty or payment of GST under reverse charge?*

4. *M/s PPC & Co. have availed input tax credit of ₹ 42,500 during September under IGST head, instead of availing ₹ 21,250 under CGST & SGST heads. Mr. X, accountant of the above entity would like to use Form GST PMT-09 for making a transfer from IGST head to respective CGST & SGST heads.*

   Examine the scenario and offer your comments.

5. *ABC Ltd. has belatedly filed GST return (under section 39) for the month of January after 60 days from the due date for filing such return. Total tax paid in such return is as below:*

Particulars	***IGST (₹)***	***CGST (₹)***	***SGST (₹)***
Output tax payable	*4,50,000*	*2,85,000*	*2,85,000*
Tax payable under reverse charge	*18,000*	*32,000*	*32,000*
Input tax available for utilisation	*2,50,000*	*55,000*	*55,000*
Tax paid through Electronic Cash Ledger	*2,18,000*	*2,62,000*	*2,62,000*

Examine the interest payable as per the provisions of GST law with the help of above information.

What would be your answer, if entire tax for the month of January has to be paid through Electronic Credit Ledger except taxes to be paid on reverse charge basis?

6. *Examine the taxes to be paid for the month of July on the basis of below information furnished by M/s Zinc & Co.:*

Particulars	*IGST (₹)*	*CGST (₹)*	*SGST (₹)*
Output tax payable	*14,75,000*	*28,34,000*	*28,34,000*
Tax payable under reverse charge	*36,000*	*1,44,000*	*1,44,000*
Balance in Electronic Credit Ledger	*26,52,000*	*18,32,000*	*18,32,000*

Output tax reported under IGST column pertains to the month of February, which was not paid for the said period. Also, note that input tax credit available in Electronic Credit Ledger pertains to input tax on purchases made during the month of July and no opening balance exists from previous tax period. It furnishes return on monthly basis.

7. *M/s Neptune & Co. is registered under GST in the state of Maharashtra. They have made zero-rated supply of goods worth ₹ 84,50,000 without payment of IGST for ₹ 10,14,000 during the month of May. The refund application under section 54 for the above supply has been rejected by the proper officer.*

Mr. A, taxation manager of the firm, has sought for recrediting the Electronic Credit Ledger as per the provisions of rule 86 for the above rejection. Examine the scenario and offer your comments.

8. *Manihar Enterprises, registered in Delhi, is engaged in supply of various goods and services exclusively to Government departments, agencies etc. and persons notified under section 51. It has provided the information relating to the supplies made, their contract values and the payment due against each of them in the month of October, respectively as under:*

S.No.	Particulars	Total contract value (inclusive of GST) (₹)	Payment due in October (₹)
(i)	Supply of stationery to Fisheries Department, Kolkata	2,60,000	15,000
(ii)	Supply of car rental services to Municipal Corporation of Delhi	2,95,000	20,000
(iii)	Supply of a heavy machinery to Public Sector Undertaking located & registered in Uttarakhand	5,90,000	25,000
(iv)	Supply of taxable goods to Delhi office of National Housing Bank, a society established by Government of India under the Societies Registration Act, 1860	6,49,000	50,000
(v)	Interior decoration of Andhra Bhawan located in Delhi. Service contract is entered into with the Government of Andhra Pradesh (registered only in Andhra Pradesh)	12,39,000	12,39,000
(vi)	Supply of printed books and printed post cards to a West Delhi Post Office [Out of total contract value of ₹ 9,72,000, contract value for supply of books (exempt from GST) is ₹ 7,00,000 and for supply of printed post cards (taxable under GST) is ₹ 2,72,000.]	9,72,000	50,000 for books & 20,000 for printed post cards
(vii)	Maintenance of street lights in Municipal area of East Delhi*	3,50,000	3,50,000

	[The maintenance contract entered into with the Municipal Corporation of Delhi also involves replacement of defunct lights and other spares. However, the value of supply of goods is not more than 25% of the value of composite supply.] **an activity in relation to any function entrusted to a Municipality under article 243W of the Constitution*		

You are required to determine amount of tax, if any, to be deducted from each of the receivable given above assuming the rate of CGST, SGST and IGST as 9%, 9% and 18% respectively.

Will your answer be different, if Manihar Enterprises is registered under composition scheme?

9. *Yash Shoppe, a registered supplier of Jaipur, is engaged in supply of various goods and services exclusively to Government departments, agencies, local authority and persons notified under section 51.*

You are required to briefly explain the provisions relating to tax deduction at source under section 51 and also determine the amount of tax, if any, to be deducted from each of the receivables given below (independent cases) assuming that the payments as per the contract values are made on 31st October. The rates of CGST, SGST and IGST may be assumed to be 6%, 6% and 12% respectively.

(1) *Supply of computer stationery to Public Sector Undertaking (PSU) located & registered in Mumbai. Total contract value is ₹ 2,72,000 (inclusive of GST)*

(2) *Supply of air conditioner to GST department located & registered in Delhi. Total contract value is ₹ 2,55,000 (exclusive of GST)*

(3) *Supply of generator renting service to Municipal Corporation of Jaipur (not exempt under GST law). Total contract value is ₹ 3,50,000 (inclusive of GST)*

ANSWERS/HINTS

1. Due date for payment of tax collected on 18th February is 20th March. Interest @ 18% p.a. is payable for the period for which the tax remains unpaid in terms of section 50 of CGST Act, 2017. In the given case, since Miss Nitya wants to pay the tax on 20th April, interest payable on the amount of CGST and SGST each is as follows:

₹ 75,000 × 18% × 31/365 = ₹ 1,147 (rounded off)

As per Section 49(10) of the CGST Act, 2017, any amount of tax, interest, penalty, fee or any other amount available in the electronic cash ledger under the CGST Act, 2017 can be transferred to the electronic cash ledger for integrated tax, central tax, State tax, Union territory tax or cess, in such form and manner and subject to such conditions and restrictions as may be prescribed. Thus, amount entered under any Minor head (Tax, Interest, Penalty, etc.) and Major Head (CGST, IGST, SGST/UTGST) of the Electronic Cash Ledger can be transferred to any other major or minor head. Consequently, cross-utilization among Major and Minor heads is also possible.

Thus, Miss Nitya is liable to pay the following amount of tax and interest as under:

	CGST		**SGST**	
	Tax	**Interest**	**Tax**	**Interest**
Tax Liability	75,000	1,147	75,000	1,147
Balances in Electronic cash ledger in same major/minor head	40,000	1,000	80,000	400
Balance transferred from other major/minor head	35,000 (Note 1)	147 (Note 2)	Nil	747 (Note 3)
Amount payable in cash	**Nil**	**Nil**	**Nil**	**Nil**

Note 1 – ₹ 35,000 shortfall amount has been transferred from cash ledger balance available in Major Head IGST.

Note 2 – ₹ 147 shortfall amount has been transferred from cash ledger balance in minor head penalty of major head CGST.

Note 3 – ₹ 747 shortfall amount has been transferred from cash ledger balance in minor head tax of major head SGST.

Since there is no restriction in intra-head or inter-head transfer of available balance in cash ledger as per the relevant provisions, it is upon the taxpayer to decide from which account the shortfall has to be made good.

2. I. Intra-State supply of goods by A to B

	₹
Value charged for supply of goods	50,000
Add: CGST @ 9%	4,500
Add: SGST @ 9%	4,500
Total price charged by A from B	59,000

A does not have credit of CGST, SGST or IGST. Thus, the entire CGST (₹ 4,500) & SGST (₹ 4,500) charged will be paid in cash by A, which shall be allocated to Central Government and Karnataka Government in specified manner.

II. Inter-State supply of goods by B to X Ltd. – Margin @ 10%

	₹
Value charged for supply of goods (₹ 50,000 x 110%)	55,000
Add: IGST @ 18%	9,900
Total price charged by B from X Ltd.	64,900

Computation of IGST payable by B to Central Government in cash

	₹
IGST payable	9,900

Less: Credit of CGST	4,500
Less: Credit of SGST	4,500
IGST payable to Central Government in cash	900

Credit of CGST and SGST can be used to pay IGST provided the SGST credit shall be utilised towards payment of IGST only where the balance of CGST credit is not available for payment of IGST. [Section 49(5) of the CGST Act, 2017].

III. Intra-State supply of goods by X Ltd. to Y

	₹
Value charged for supply of goods (₹ 55,000 x 110%)	60,500
Add: CGST @ 9%	5,445
Add: SGST @ 9%	5,445
Total price charged by X Ltd. from Y	71,390

Computation of CGST and SGST payable by X Ltd in cash

	₹
CGST payable	5,445
Less: Credit of IGST	5,445
CGST payable to Central Government in cash	Nil
SGST payable	5,445
Less: Available Credit of IGST [₹ 9,900 – ₹ 5,445]	4,455
SGST payable to Telangana Government in cash	990

Credit of IGST shall first be utilised towards payment of IGST and the amount remaining, if any, may be utilised towards the payment of CGST and SGST/UTGST, as the case may be, in any order and in any proportion. Here, there is no payment to be made with respect to IGST so its credit balance will be directly utilised for making payment of CGST or SGST, in any order. Central

Government will transfer IGST of ₹ 4,455 utilised in the payment of SGST to Telangana Government.

3. No, as per section 49(4) the amount available in the electronic credit ledger may be used for making any payment towards 'output tax'.

As per section 2(82), output tax means, the CGST/SGST chargeable under this Act on taxable supply of goods and/or services made by him or by his agent and excludes tax payable by him on reverse charge basis. Therefore, input tax credit cannot be used for payment of interest, penalty or GST payment under reverse charge.

4. As per provisions of section 49(10) read with rule 87(13) of CGST Rules, 2017, "A registered person may, on the common portal, transfer any amount of tax, interest, penalty, fee or any other amount **available in the electronic cash ledger** under the Act to the electronic cash ledger for integrated tax, central tax, State tax or Union territory tax or cess in FORM GST PMT-09".

It is important to note that only amounts available under Electronic Cash Ledger can be transferred to the respective heads using Form GST PMT-09 and not otherwise.

Accordingly, contention of the Accountant Mr. X of M/s PPC & Co., is not valid for transfer of ₹ 42,500 from head IGST to respective CGST & SGST in Electronic Credit Ledger.

5. Proviso to section 50 lays down that the interest on tax payable in respect of supplies made during a tax period and declared in the return for the said period **furnished after the due date in accordance with the provisions of section 39**, except where such return is furnished after commencement of any proceedings under section 73 or section 74 in respect of the said period, shall be levied on that portion of the tax that is paid by debiting the electronic cash ledger.

In the given scenario, ABC Ltd. has filed its return belatedly and as per the above provisions, interest is payable on the tax component paid through Electronic Cash Ledger only. A point relevant to note here is that tax payable on reverse charge basis also carries interest for the period of delay in remittance of tax and input tax credit cannot be used to pay the same (i.e. tax payable under reverse charge has to be paid in cash).

Accordingly, interest under section 50 payable for the tax paid through Electronic Cash Ledger is computed as below:

IGST: 218,000 *18%*60/365 = 6,450

CGST: 262,000*18%*60/365 = 7,752

SGST: 262,000*18%*60/365 = 7,752

Further, if entire tax payable for January is paid through Electronic Credit ledger, except for the taxes to be paid under reverse charge basis, then interest under section 50 is applicable only on the remittance of tax under reverse charge basis and not for tax payable on forward charge basis. Interest payable is given as below:

IGST: 18,000 * 18% * 60/365 = 533 (rounded off)

CGST: 32,000 * 18% * 60/365 = 947 (rounded off)

SGST: 32,000 * 18% * 60/365 = 947 (rounded off)

6. Payment of taxes is governed as per the provisions laid in section 49 read with section 49A and 49B of CGST Act, 2017 along with rule 88A of CGST Rules, 2017

Also, section 49(8) of CGST Act, stipulates that every taxable person shall discharge his tax and other dues under this Act or the rules made thereunder in the following order, namely:

(a) self-assessed tax, and other dues related to returns of previous tax periods;

(b) self-assessed tax, and other dues related to the return of the current tax period;

(c) any other amount payable under this Act or the rules made thereunder including the demand determined under section 73 or section 74;"

As per the above provisions, self-assessed tax of previous tax period i.e. February shall be paid first and later self-assessed tax of current tax period i.e. July shall be paid.

Payment of taxes under forward charge

Particulars	IGST	CGST	SGST
Balance in electronic credit ledger for utilization	26,52,000	18,32,000	18,32,000
Output tax payable for July	14,75,000	28,34,000	28,34,000
Less: Utilization of input tax credit:			
a. IGST **[Refer Note1]**	14,75,000	5,88,500	5,88,500
b. CGST	0	18,32,000	0
c. SGST	0	0	18,32,000
Amount payable through electronic cash ledger	Nil	4,13,500	4,13,500

Total amount payable through electronic cash ledger

Particulars	IGST	CGST	SGST
Amount payable through Electronic cash ledger under forward charge	Nil	4,13,500	4,13,500
Amount payable through electronic cash ledger under reverse charge [Refer Note-2]	36,000	1,44,000	1,44,000
Total amount payable through electronic cash ledger	36,000	5,57,500	557,500

Notes:-

1 After utilization of IGST credit towards output IGST liability, balance has been utilized equally amongst CGST & SGST

2 Input tax credit cannot be utilized for discharging tax liability under reverse charge basis, thus payable vide electronic cash ledger.

Since, M/s Zinc & Co., have defaulted in payment of taxes for the month of February and the same has been paid during July, interest is payable as per the provisions of section 50 of the CGST Act, 2017

7. Rule 86 of CGST Rules provides that where a registered person has claimed refund of any unutilized amount (i.e. ITC) from the electronic credit ledger in accordance with the provisions of section 54, the amount to the extent of the claim shall be debited in the said ledger.

If the refund so filed is rejected, either fully or partly, the amount so debited to the extent of rejection, shall be re-credited to the electronic credit ledger by the proper officer.

In the present case, M/s Neptune & Co., have made zero-rated supply without payment of IGST for ₹ 10,14,000 and the refund for the same has been rejected by the proper officer. Therefore, contention of Mr. A is not sustainable as debit entry in the Electronic Credit Ledger has not been made as per sub-rule (3) of Rule 86 towards "refund of any unutilized amount".

8. As per section 51 read with section 20 of the IGST Act, 2017 and *Notification No. 50/2018 CT 13.09.2018,* following persons are required to deduct CGST @ 1% [Effective tax 2% (1% CGST + 1% SGST/UTGST)] or IGST @ 2% from the payment made/credited to the supplier (deductee) of taxable goods or services or both, where the total value of such supply, under a contract, exceeds ₹ 2,50,000:

(a) a department or establishment of the Central Government or State Government; or

(b) local authority; or

(c) Governmental agencies; or

(d) an authority or a board or any other body, -

(i) set up by an Act of Parliament or a State Legislature; or

(ii) established by any Government,

with 51% or more participation by way of equity or control, to carry out any function; or

(e) Society established by the Central Government or the State Government or a Local Authority under the Societies Registration Act, 1860, or

(f) Public sector undertakings.

Further, for the purpose of deduction of tax, the value of supply shall be taken as the amount excluding CGST, SGST/UTGST, IGST and GST Compensation Cess indicated in the invoice.

Since in the given case, Manihaar Enterprises is supplying goods and services exclusively to Government departments, agencies etc. and persons notified under section 51, applicability of TDS provisions on its various receivables is examined in accordance with the above-mentioned provisions as under:

S. No.	Particulars	Total contract value (₹)	Payment due (₹)	Tax to be deducted		
				CGST (₹)	SGST (₹)	IGST (₹)
(i)	Supply of stationery to Fisheries Department, Kolkata (Note-1)	2,60,000	15,000	--		
(ii)	Supply of car rental services to Municipal Corporation of Delhi (Note-2)	2,95,000	20,000	--		
(iii)	Supply of a heavy machinery to Public Sector Undertaking located in Uttarakhand (Note-3)	5,90,000	25,000			500
(iv)	Supply of taxable goods to Delhi office of National Housing Bank, a society established by Government of India under the Societies Registration Act, 1860 (Note-4)	6,49,000	50,000	500	500	

(v)	Interior decoration of Andhra Bhawan located in Delhi (Note-5)	12,39,000	12,39,000	--		
(vi)	Supply of printed books and printed post cards to a West Delhi Post Office (Note-6)	9,72,000		--		
(vii)	Maintenance of street lights in Municipal area of East Delhi (Note-7)	3,50,000	3,50,000	--		

Notes:

1. Being an inter-State supply of goods, supply of stationery to Fisheries Department, Kolkata is subject to IGST @ 18%. Therefore, total value of taxable supply [excluding IGST] under the contract is as follows:

   = ₹ 2,60,000 × 100 / 118

   = ₹ 2,20,339 (rounded off)

   Since the total value of supply under the contract does not exceed ₹ 2,50,000, tax is not required to be deducted.

2. Being an intra-State supply of services, supply of car rental services to Municipal Corporation of Delhi is subject to CGST and SGST @ 9% each. Therefore, total value of taxable supply [excluding CGST and SGST] under the contract is as follows:

   = ₹ 2,95,000 × 100 / 118

   = ₹ 2,50,000

   Since the total value of supply under the contract does not exceed ₹ 2,50,000, tax is not required to be deducted.

3. Being an inter-State supply of goods, supply of heavy machinery to PSU in Uttarakhand is subject to IGST @ 18%. Therefore, total value of taxable supply [excluding IGST] under the contract is as follows:

   = ₹ 5,90,000× 100 / 118

= ₹ 5,00,000

Since the total value of supply under the contract exceeds ₹ 2,50,000, PSU in Uttarakhand is required to deduct tax @ 2% of ₹ 25,000, i.e. ₹ 500.

4. Being an intra-State supply of goods, supply of taxable goods to National Housing Bank, Delhi is subject to CGST and SGST @ 9% each. Therefore, total value of taxable supply [excluding CGST and SGST] under the contract is as follows:

   = ₹ 6,49,000× 100 / 118

   = ₹ 5,50,000

   Since the total value of supply under the contract exceeds ₹ 2,50,000, National Housing Bank, Delhi is required to deduct tax @ 2% (1% CGST + 1% SGST) of ₹ 50,000, i.e. ₹ 1,000.

5. Proviso to section 51(1) of the CGST Act, 2017 stipulates that no tax shall be deducted if the location of the supplier and the place of supply is in a State or Union territory which is different from the State or as the case may be, Union territory of registration of the recipient.

   Section 12(3) of the IGST Act, 2017, *inter alia,* stipulates that the place of supply of services, directly in relation to an immovable property, including services provided by interior decorators, shall be the location at which the immovable property is located or intended to be located. Accordingly, the place of supply of the interior decoration of Andhra Bhawan shall be Delhi.

   Since the location of the supplier (Manihar Enterprises) and the place of supply is Delhi and the State of registration of the recipient i.e. Government of Andhra Pradesh is Andhra Pradesh, no tax is liable to be deducted in the given case.

6. If the contract is made for both taxable supply and exempted supply, tax shall be deducted if the total value of taxable supply in the contract exceeds ₹ 2,50,000. Being an intra-State supply of goods, supply of printed post cards to a West Delhi Post Office is subject to CGST and SGST @ 9% each. Therefore, total value of taxable supply [excluding CGST and SGST] under the contract is as follows:

= ₹ 2,72,000× 100 / 118

= ₹ 2,30,509 (rounded off)

Since the total value of taxable supply under the contract does not exceed ₹ 2,50,000, tax is not required to be deducted.

7. Composite supply of goods and services in which the value of supply of goods constitutes not more than 25% of the value of the said composite supply provided to, *inter alia*, local authority by way of any activity in relation to any function entrusted to a Municipality under article 243W of the Constitution is exempt from GST. Thus, maintenance of street lights (an activity in relation to a function entrusted to a Municipality) in Municipal area of East Delhi involving replacement of defunct lights and other spares where the value of supply of goods is not more than 25% of the value of composite supply is a service exempt from GST. Since tax is liable to be deducted from the payment made or credited to the supplier of taxable goods or services or both, no tax is required to be deducted in the given case as the supply is exempt.

The answer will remain unchanged even if Manihar Enterprises is registered under composition scheme. Tax will be deducted in all cases where it is required to be deducted under section 51 of the CGST Act, 2017 including the scenarios when the supplier is registered under composition scheme.

9. As per section 51 of the CGST Act, 2017, Government departments, agencies, local authority and notified persons are required to deduct tax @ 2% (1% CGST + 1% SGST/UTGST) or IGST @ 2% from payment made to the supplier of taxable goods and/ or services where the total value of such supply [excluding tax and compensation cess indicated in the invoice], under a contract, exceeds ₹ 2,50,000.

Since in the given case, Yash Shoppe is supplying goods and services exclusively to Government departments, agencies, local authority and persons notified under section 51 of the CGST Act, 2017, applicability of TDS provisions on its various receivables is examined in accordance with the above-mentioned provisions as under:

S. No.	Particulars	Total contract value due to be received [excluding GST] (₹)	Tax to be deducted		
			CGST @ 1% (₹)	SGST @ 1% (₹)	IGST @ 2% (₹)
(1)	Supply of computer stationery to PSU in Mumbai [Since the total value of supply under the contract [excluding IGST (being inter-State supply)] does not exceed ₹ 2,50,000, tax is not required to be deducted.]	2,42,857 [2,72,000 × 100 / 112]	--	--	
(2)	Supply of air conditioner to GST Department in Delhi [Since the total value of supply under the contract [excluding IGST (being inter-State supply)] exceeds ₹ 2,50,000, tax is required to be deducted.]	2,55,000	--		5,100
(3)	Supply of a generator renting service to Municipal Corporation of Jaipur [Since the total value of supply under the contract [excluding CGST and SGST (being intra-State supply)] exceeds ₹ 2,50,000, tax is required to be deducted.]	3,12,500 [3,50,000× 100 / 112]	3,125	3,125	
	Total		**3,125**	**3,125**	**5,100**

CHAPTER **12**

ELECTRONIC COMMERCE TRANSACTIONS

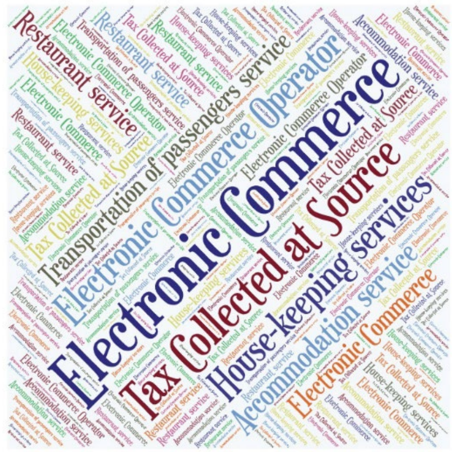
The section numbers referred to in the Chapter pertain to the CGST Act, 2017, unless otherwise specified. Examples/illustrations/Questions and Answers given in the Chapter are based on the position of GST law existing as on 30.04.2023.

LEARNING OUTCOMES

After studying this chapter, you will be able to –

- comprehend the meaning of electronic commerce and electronic commerce operator
- explain the taxability of electronic commerce transactions
- describe and analyse the provisions relating to the tax collected at source
- understand the registration requirements of electronic commerce operator and of the persons supplying goods and/or services through electronic commerce operator

1. INTRODUCTION



Electronic commerce (e-commerce) has become a buzzword for businesses in India over the past few years. The potential of computer and communication technologies is increasingly being recognised to optimize business processes and boost its overall efficiency. E-commerce goes beyond being a mere technology; it represents a comprehensive business model that utilizes information and communication technologies to integrate and cover all aspects of the product and service value chain. The growing significance of e-commerce in the global economy is indeed evident from the rapid and widespread growth of internet usage over the past decade.

The surge in e-commerce is accompanied by a rise in the utilization of various other media for trade, including the telephone, television, fax and electronic payment methods. As e-commerce expands its reach and impact, businesses and consumers are embracing these additional channels and technologies to facilitate transactions and enhance the overall shopping experience. India is indeed one of the largest and fastest-growing e-commerce markets in the world.

2. RELEVANT DEFINITIONS

❖ **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 [Section 2(5)].

❖ **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 [Section 2(6)].

- **Inward supply:** in relation to a person, shall mean receipt of goods or services or both whether by purchase, acquisition or any other means with or without consideration [Section 2(67)].
- **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 [Section 2(83)].
- **Taxable supply:** means a supply of goods or services or both which is leviable to tax under this Act [Section 2(108)].
- **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; [Section 2(105)].

3. TAXABILITY OF ELECTRONIC COMMERCE TRANSACTIONS UNDER GST

	STATUTORY PROVISIONS
Section 2(44) of the CGST Act	***Definition of electronic commerce***
	Electronic commerce means the supply of goods or services or both, including digital products over digital or electronic network.
Section 2(45) of the CGST Act	***Definition of electronic commerce operator***
	Electronic commerce operator means any person who owns, operates or manages digital or electronic facility or platform for electronic commerce.

Section 9(5) of the CGST Act	***Levy and collection (CGST)***
	The Government may, on the recommendations of the Council, by notification, specify categories of services the tax on intra-State supplies of which shall be paid by the electronic commerce operator if such services are supplied through it, and all the provisions of this Act shall apply to such electronic commerce operator as if he is the supplier liable for paying the tax in relation to the supply of such services: *Provided that where an electronic commerce operator does not have a physical presence in the taxable territory, any person representing such electronic commerce operator for any purpose in the taxable territory shall be liable to pay tax:* *Provided further that where an electronic commerce operator does not have a physical presence in the taxable territory and also he does not have a representative in the said territory, such electronic commerce operator shall appoint a person in the taxable territory for the purpose of paying tax and such person shall be liable to pay tax.*
Section 5(5) of the IGST Act, 2017	***Levy and collection of tax (IGST)***
	The Government may, on the recommendations of the Council, by notification, specify categories of services, the tax on inter-State supplies of which shall be paid by the electronic commerce operator if such services are supplied through it, and all the provisions of this Act shall apply to such electronic commerce operator as if he is the supplier liable for paying the tax in relation to the supply of such services: *Provided that where an electronic commerce operator does not have a physical presence in the taxable territory, any person representing such electronic commerce operator for any purpose in the taxable territory shall be liable to pay tax:* *Provided further that where an electronic commerce operator does not have a physical presence in the taxable territory and*

	also does not have a representative in the said territory, such electronic commerce operator shall appoint a person in the taxable territory for the purpose of paying tax and such person shall be liable to pay tax.
Section 52 of the CGST Act	***Collection of tax at source***
Sub-section	***Particulars***
(1)	*Notwithstanding anything to the contrary contained in this Act, every electronic commerce operator (hereafter in this section referred to as the "operator"), not being an agent, shall collect an amount calculated at such rate not exceeding one per cent., as may be notified by the Government on the recommendations of the Council, of the net value of taxable supplies made through it by other suppliers where the consideration with respect to such supplies is to be collected by the operator.*
Explanation	*For the purposes of this sub-section, the expression "net value of taxable supplies" shall mean the aggregate value of taxable supplies of goods or services or both, other than services notified under sub-section (5) of section 9, made during any month by all registered persons through the operator reduced by the aggregate value of taxable supplies returned to the suppliers during the said month.*
(2)	*The power to collect the amount specified in sub-section (1) shall be without prejudice to any other mode of recovery from the operator.*
(3)	*The amount collected under sub-section (1) shall be paid to the Government by the operator within ten days after the end of the month in which such collection is made, in such manner as may be prescribed.*
(4)	*Every operator who collects the amount specified in sub-section (1) shall furnish a statement, electronically, containing the details of outward supplies of goods or services or both effected through it, including the supplies of goods or services or both*

	returned through it, and the amount collected under sub-section (1) during a month, in such form and manner as may be prescribed, within ten days after the end of such month: *Provided that the Commissioner may, for reasons to be recorded in writing, by notification, extend the time limit for furnishing the statement for such class of registered persons as may be specified therein:* *Provided further that any extension of time limit notified by the Commissioner of State tax or the Commissioner of Union territory tax shall be deemed to be notified by the Commissioner.*
(5)	*Every operator who collects the amount specified in sub-section (1) shall furnish an annual statement, electronically, containing the details of outward supplies of goods or services or both effected through it, including the supplies of goods or services or both returned through it, and the amount collected under the said sub-section during the financial year, in such form and manner as may be prescribed, before the thirty first day of December following the end of such financial year* *Provided that the Commissioner may, on the recommendations of the Council and for reasons to be recorded in writing, by notification, extend the time limit for furnishing the annual statement for such class of registered persons as may be specified therein:* *Provided further that any extension of time limit notified by the Commissioner of State tax or the Commissioner of Union territory tax shall be deemed to be notified by the Commissioner.*
(6)	*If any operator after furnishing a statement under sub-section (4) discovers any omission or incorrect particulars therein, other than as a result of scrutiny, audit, inspection or enforcement activity by the tax authorities, he shall rectify such omission or incorrect particulars in the statement to be furnished for the month during which such omission or incorrect particulars are noticed, subject to payment of interest, as specified in sub-section (1) of section 50:* *Provided that no such rectification of any omission or incorrect particulars shall be allowed after the* ***thirtieth day of***

<table>
<tr><td></td><td colspan="2">November following the end of the financial year or the actual date of furnishing of the relevant annual statement, whichever is earlier.</td></tr>
<tr><td>(7)</td><td colspan="2">The supplier who has supplied the goods or services or both through the operator shall claim credit, in his electronic cash ledger, of the amount collected and reflected in the statement of the operator furnished under sub-section (4), in such manner as may be prescribed.</td></tr>
<tr><td rowspan="4">(12)</td><td colspan="2">Any authority not below the rank of Deputy Commissioner may serve a notice, either before or during the course of any proceedings under this Act, requiring the operator to furnish such details relating to —</td></tr>
<tr><td>(a)</td><td>supplies of goods or services or both effected through such operator during any period; or</td></tr>
<tr><td>(b)</td><td>stock of goods held by the suppliers making supplies through such operator in the godowns or warehouses, by whatever name called, managed by such operator and declared as additional places of business by such suppliers,</td></tr>
<tr><td colspan="2">as may be specified in the notice.</td></tr>
<tr><td>(13)</td><td colspan="2">Every operator on whom a notice has been served under sub-section (12) shall furnish the required information within fifteen working days of the date of service of such notice.</td></tr>
<tr><td>(14)</td><td colspan="2">Any person who fails to furnish the information required by the notice served under sub-section (12) shall, without prejudice to any action that may be taken under section 122, be liable to a penalty which may extend to twenty-five thousand rupees.</td></tr>
<tr><td>(15)</td><td colspan="2">The operator shall not be allowed to furnish a statement under sub-section (4) after the expiry of a period of three years from the due date of furnishing the said statement:

Provided that the Government may, on the recommendations of the Council, by notification, subject to such conditions and restrictions as may be specified</td></tr>
</table>

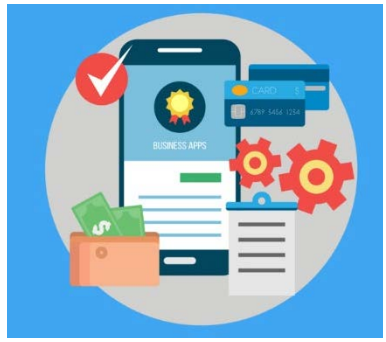
	therein, allow an operator or a class of operators to furnish a statement under sub-section (4), even after the expiry of the said period of three years from the due date of furnishing the said statement.
Explanation	*For the purposes of this section, the expression "concerned supplier" shall mean the supplier of goods or services or both making supplies through the operator.*
Chapter VIII: Returns of the CGST Rules	
Rule 67	***Form and manner of submission of statement of supplies through an e-commerce operator***
(1)	*Every electronic commerce operator required to collect tax at source under section 52 shall furnish a statement in FORM GSTR-8 electronically on the common portal, either directly or from a Facilitation Centre notified by the Commissioner, containing details of supplies effected through such operator and the amount of tax collected as required under sub-section (1) of section 52.*
(2)	*The details furnished by the operator under sub-rule (1) shall be made available electronically to each of the suppliers on the common portal after filing of FORM GSTR-8 for claiming the amount of tax collected in his electronic cash ledger after validation.*

ANALYSIS

(i) Meaning of electronic commerce

In simple words, electronic commerce or e-commerce, means buying and selling the goods or services over internet or computer mediated network. As per the definition provided under section 2(44), **electronic commerce** means the supply of goods and/or services, including digital products over digital or electronic network.

It includes trading through online platforms, digital marketplaces, online travel agencies and any other means of electronic communication. The definition includes supply of both goods and services which implies that the concept of e-commerce covers the transactions involving the sale of tangible goods as well as the provision of intangible services. The definition specifically includes digital products, implying that supplies of downloadable or electronically delivered products, such as e-books, software, digital music, online courses and digital videos, are also considered part of e-commerce. The term **"electronic network"** encompasses various digital platforms, such as websites, mobile applications and any other electronic means used for buying or selling of goods and/or services. Thus, the definition has a broad scope and is intended to cover a wide range of online transactions and digital activities involving the buying and selling of goods and services.



(ii) Meaning of electronic commerce operator

In simple words, electronic commerce operator (hereinafter referred as ECO), is a person who owns, operates or manages a digital platform/marketplace where supply of goods and/or services take place directly or indirectly. As per the definition provided under section 2(45), **electronic commerce operator** means any person who owns, operates or manages digital or electronic facility or platform for electronic commerce.

The platform could be in the form of a website, mobile application or any other electronic medium. ECO's role is to provide a digital platform where sellers/suppliers can list their products or services, and buyers/recipients can place orders/make purchases. The definition of ECO is wide enough to cover various types of e-commerce platforms, such as online marketplaces, online travel agencies, food delivery platforms, ride-hailing apps, and other digital platforms that facilitate transactions between sellers and buyers.

(iii) Various electronic commerce models

Before understanding the taxability of e-commerce transactions, we should first be conversant with the various business models employed by e-commerce industry to facilitate transactions between suppliers and recipients. These are as follows:

1. **Online Marketplace Model:** In the online marketplace model, an online centralised platform is provided connecting manufacturers/ retailers with potential customers. The platform itself does not own or stock the products or has the expertise to provide services being sought by the customers; instead it merely facilitates the transactions and may offer additional services such as payment processing, customer support and logistics. The actual supply of goods is done by the respective suppliers. The platform generates revenue by charging from the supplier the fees or commissions for using the marketplace and accessing its customer base. The commission is typically a percentage of each supply made by the supplier.

   (1) Amazon, Flipkart, Alibaba, Myntra, etc.

   Similarly, suppliers of services provide services like cab services, food delivery services through these platforms.

   (2) Uber, Ola, etc.

2. **Direct Sales Model:** In the direct sales model, businesses sell their products or services directly to consumers through their own online stores or websites. Customers browse the company's website, select products/services, and complete the purchase directly with the supplier.

   (3) Urban ladder, Biba, etc.

3. **Inventory Model:** In the inventory model, inventory of goods/services is owned by the ECO that it supplies to customers. The platform takes

responsibility for warehousing, inventory management, and fulfillment of orders. This model is typical for traditional retailers who also have an online presence.

(4) Amazon, Flipkart, Snapdeal, etc.

Above e-commerce business models are not exhaustive, and many e-commerce businesses may adopt a combination of these models to suit their specific needs and industry dynamics. E-commerce industry is constantly evolving, and new innovative models may emerge over time.

Another way of classifying the e-commerce transactions is on the basis of supplier-recipient combination, for instance, Business-to-Consumer (B2C), Business-to-Business (B2B), Consumer-to-Consumer (C2C), Consumer to Business (C2B), Consumer to Government (C2G), Government to Consumer (G2C) and Business to Government (B2G).

(iv) Taxability of e-commerce transactions

E-commerce transactions for supply of goods or services or both are leviable to GST similar to other supply transactions unless otherwise specifically exempted from GST. However, the taxability mechanism for E-commerce transactions and compliances for the suppliers and ECOs have been separately carved out in the law. Following provisions merit consideration in this regard:

TCS to be collected by ECO: There are many e-commerce operators, like Amazon, Flipkart, Myntra, Meesho, etc. operating in India. These operators display/ list on their portal products as well as services which are actually supplied by some other person to the consumer.

The goods or services belonging to other suppliers are displayed on the portals of the ECOs and consumers buy such goods/services through these portals.

On placing the order for a particular product/ service by the consumer, the actual supplier supplies the selected product/services to the consumer. The collection of supply consideration for the product/services, handling of goods, etc. is undertaken by the ECOs depending upon the arrangement between the supplier and ECO – Online Marketplace Model. The ECO thereafter deducts its commission from the consideration for the goods or services collected by it and passes on the net consideration to the supplier.

In such cases, where a supplier **supplies GOODS AND/OR SERVICES** through an ECO portal and the payment for that supply is collected by the ECO, the **Government has placed a responsibility on such ECO to collect an amount @ 1% from such supplier.**

ECO shall pay the supplier the price of the product /services, less the amount calculated @ 1%. The said amount will be calculated on the net value of the goods/ services supplied (i.e. after considering returns) through the portal of the ECO.

example

(5) Suppose a certain product is sold at ₹ 1000/- through an ECO by a seller. The ECO would collect tax @ 1% of the net value of ₹ 1000/- i.e. ₹ 100/-.

Exceptions:

(1) Where a **suppler supplies through an ECO those SERVICES which are notified under section 9(5) of the CGST Act/ section 5(5) of the IGST Act** [hereinafter referred as notified services or services notified under section 9(5)], **the tax on such services is to be paid by the ECO as if he is the supplier liable to pay tax on the supply of such services.**

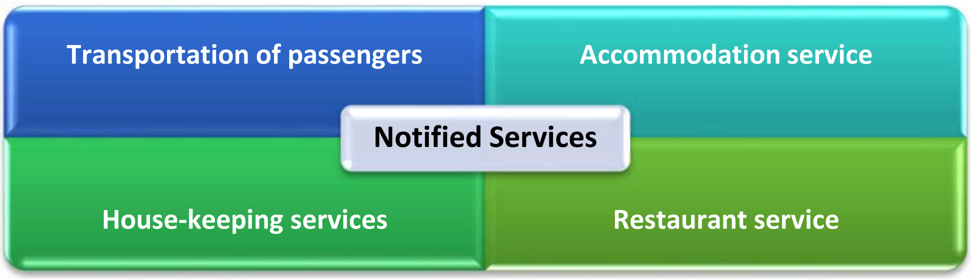
(2) Where a supplier supplies the goods or services or both on his own account through a web site hosted by him, there is no requirement to collect tax at source.

The provisions of section 9(5) of the CGST Act/ section 5(5) of the IGST Act have been discussed in detail below:

(v) Tax payable by the electronic commerce operator on notified services

(A) Notified Services

The Government may, on the recommendations of the GST Council, notify specific categories of services the tax [CGST/SGST/IGST] on supplies of which shall be paid by the **ECO** if such services are supplied through it. Such services shall be notified on the recommendations of the GST Council.



Notification No. 17/2017 CT (R) dated 28.06.2017/ Notification No. 14/2017 IT (R) dated 28.06.2017 as amended has notified the following categories of services **supplied through ECO** for this purpose:

A services by way of transportation of passengers by a radio-taxi, motorcab, maxicab, motor cycle, ***omnibus or any other motor vehicle***;

B services by way of providing accommodation in hotels, inns, guest houses, clubs, campsites or other commercial places meant for residential or lodging purposes, except where the person supplying such service through electronic commerce operator is liable for registration under section 22(1) of the CGST Act.

C services by way of house-keeping, such as plumbing, carpentering etc, except where the person supplying such service through electronic commerce operator is liable for registration under section 22(1) of the CGST Act.

D ***supply of restaurant service other than the services supplied by restaurant, eating joints etc. located at specified premises.***

Meaning of various terms

(i) Radio taxi: means a taxi including a radio cab, by whatever name called, which is in two- way radio communication with a central control office and is enabled for tracking using Global Positioning System (GPS) or General Packet Radio Service (GPRS).

(ii) Maxi cab: means any motor vehicle constructed or adapted to carry more than 6 passengers, but not more than 12 passengers, excluding the driver, for hire or reward.

Motor cab: means any motor vehicle constructed or adapted to carry not more than 6 passengers excluding the driver for hire or reward.

Motor car: means any motor vehicle other than a transport vehicle, omnibus, road-roller, tractor, motor cycle or invalid carriage.

Omnibus:* *means any motor vehicle constructed or adapted to carry more than 6 persons excluding the driver.

(iii) Specified premises:* *mean premises providing hotel accommodation service having declared tariff of any unit of accommodation above ₹ 7,500 per unit per day or equivalent.

(B) Provisions applicable to supplier liable for paying the tax applicable to ECO: Tax on notified services supplied through ECO shall be paid by the ECO. All the provisions of the CGST/IGST Act shall apply to such ECO as if he is the supplier liable for paying the tax in relation to the supply of such notified services. This implies that the invoice for notified services will be issued by the ECO only and not by suppliers.

(C) Person liable to pay tax on notified services

	Person liable to pay tax
If the ECO is located in taxable territory	ECO
If the ECO does not have physical presence in the taxable territory	Person representing the ECO for any purpose in the taxable territory
If the ECO has neither the physical presence nor any representative in the taxable territory	Person appointed by the ECO for the purpose of paying the tax

(D) Taxability of the notified services: In terms of the provisions of section 9(5) of the CGST Act/section 5(5) of the IGST Act read with relevant notifications, taxability of the services notified under section 9(5)/section 5(5) will be as follows:

(I) In case where services by way of transportation of passengers or restaurant service [as mentioned in points A and D above] are being provided: ECO is liable to pay tax on such services supplied through it in all the cases irrespective of the fact whether the person supplying such services through it is registered/ liable to registration under section 22 or not[1].

(II) In case where accommodation or housekeeping service [as mentioned in points B and C above] are being provided: ECO is liable to pay tax on such services supplied through it only when the person supplying such services through it is NOT liable to registration under section 22, i.e. the aggregate turnover of supplier of services does not exceed the threshold limit of **₹ 20 lakh** (**₹ 10 lakh** in case of Special Category States of Mizoram, Tripura, Manipur and Nagaland).

However, where the person supplying such service through ECO is liable for registration under section 22(1), the provisions of section 9(5) of the CGST Act/ section 5(5) of the IGST Act will not be applicable on such services. In such a case, supplier shall obtain the registration and pay the tax on such services. In that case, ECO will not be liable to pay tax on such services. Further, TCS provisions shall apply in such cases.

example

(6) Champak of Delhi avails the services of a carpenter online through an ECO – Hastkala.com. The carpenter is unregistered under GST since his turnover has not yet crossed the threshold limit. In this case, GST on the services availed by Champak shall be paid by Hastkala.com in terms of section 9(5) and TCS provisions will not apply.

(7) Sampat of Delhi avails the services of a carpenter – M/s Dhruvtara Enterprises - online through an ECO – Hathkala.com. M/s Dhruvtara Enterprises is registered under GST. In this case, GST on the services availed by Sampat shall be paid by M/s Dhruvtara Enterprises since it is registered. In other words, provisions of section 9(5) will not be

[1] *Provisions relating to registration under e-commerce transactions are discussed subsequently in this chapter.*

applicable. Further, TCS provisions will apply. Hathkala.com will collect TCS in this case.

(E) **Manner of reporting of notified services in GSTR-3B:** The ECO may, on notified services, including on restaurant service provided through ECO, pay GST, by furnishing the details in Form GSTR-3B[2], reporting them as **OUTWARD TAXABLE SUPPLIES**.

Payment of tax on notified services is not allowed through input tax credit of ECO. It has to be paid in cash only[3].

(vi) Tax collected at source (TCS) by ECO [Section 52]

(A) What is TCS?

Every ECO (not being an agent) is required to collect an amount calculated at the rate not exceeding 1%, as notified by the Government on the recommendations of the Council, of the net value of taxable supplies made through it, where the consideration with respect to such supplies is to be collected by such ECO. The amount so collected is called as Tax Collection at Source (hereinafter referred as TCS).

Provisions of TCS under CGST Act have also been made applicable to IGST Act vide section 20 of the IGST Act. It may be noted that section 20 of the IGST Act provides that in case of tax collected at source, the operator shall collect tax at such rate not exceeding 2%, as may be notified on the recommendations of the Council *(actual rate*

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[2] *Provisions relating to GST return in Form GSTR-3B have been discussed in Chapter 13 – Returns in this Module of the Study Material.*

[3] *Circular No. 167/23/2021 GST dated 17.12.2021*

notified is 1% - discussed subsequently herein), of the net value of taxable supplies.

(B) Who is liable to collect TCS and from whom?

Every Electronic Commerce Operator (ECO), not being an agent, has been mandated to collect tax at source (TCS) on the net value of taxable supplies made through it by suppliers, where the ECO collects the consideration on behalf of the supplier for such supplies.

However, it is important to note here that practically, ECOs don't actually collect this amount from the suppliers; they simply retain the TCS amount and their commission from the consideration received by them for supply of supply of goods/services made by the suppliers, and pay the remaining amount to the suppliers.

✪ In case of Multiple E-Commerce Model where a customer orders supplies via ECO-1 who in turn is integrated with ECO-2 who has agreement with the supplier. In this case, ECO-1 will not have any GST information of the supplier. TCS is to be collected by that ECO who is making payment to the supplier for the particular supply happening through it, which is in this case will be ECO-2.

✪ A composition taxpayer[4] cannot make supplies of services through an ECO [Section 10(2)(d)]. However, a composition taxpayer can make supplies of goods through an ECO. As a corollary, TCS can be collected only in respect of supplies of goods made by the composition taxpayer through an ECO.

(C) What is the rate of TCS notified?

Rate of TCS notified is 0.5% of the net value of intra-State taxable supplies (under the CGST Act, 2017 and the respective SGST Act / UTGST Act respectively) and 1% of the net value of inter-State taxable supplies (under the IGST Act, 2017).

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[4] *Provisions relating to composition taxpayer have been discussed in detail in Chapter 2 – Charge of GST in Module 1 of this Study Material.*

(D) What is the value on which TCS is to be collected?

TCS is collected @ 1% on net value of taxable supplies. The **"net value of taxable supplies"** means the aggregate value of taxable supplies of goods or services or both, other than the services on which entire tax is payable by ECO u/s 9(5), made during any month by all registered persons through such ECO reduced by the aggregate value of taxable supplies returned to the suppliers during the said month.

It is important to note here that the value of net taxable supplies is calculated at **GSTIN level** on monthly basis. Further, value of only **TAXABLE SUPPLIES** is to be taken into consideration. Moreover, an ECO is required to collect tax only on the **NET** value of taxable supplies made through it. In other words, value of the supplies which are returned (supply return) are to be adjusted from the aggregate value of taxable supplies made by each supplier. This is to adjust the return of goods made by the customers to ECOs which is a very common feature of said business.

Sometimes sales return is more than sales. However, negative amount cannot be declared. There will be no impact in next tax period also. In other words, if returns are more than the supplies made during any tax period, the same would be ignored in current as well as future tax period(s).

(8) If two suppliers "A" and "B" are making supplies through an ECO, the "net value of taxable supplies" would be calculated separately in respect of "A" and "B". If the value of returned supplies is more than supplies made on behalf of any of such supplier during any tax period, the same would be ignored in his case.

NET VALUE OF TAXABLE SUPPLIES

+ Aggregate value of taxable supplies of goods / or services

OTHER THAN

Services notified under section 9(5) (discussed earlier)

− Taxable supplies **returned** to suppliers

✪ Since TCS is to be collected on "net value of TAXABLE supplies" made through it, TCS is not required to be collected on EXEMPT supplies.

✪ TCS is not required to be collected on supplies on which the recipient is required to pay tax on reverse charge basis.

✪ TCS is not liable to be collected on import of goods or services. TCS is not liable to be collected on import of services since these are the supplies on which the recipient is required to pay tax on reverse charge basis. As far as import of goods is concerned, since same would fall within the domain of the Customs Act, 1962, it would be outside the purview of TCS.

(9) Shiksha Book Depot is selling books through an ECO - Zamazon Ltd. Books are exempted/zero-tax goods. As per section 52(1), TCS is to be collected on "net value of **taxable** supplies" made through an ECO. When the supply itself is not taxable, the question of TCS does not arise. Thus, Zamazon Ltd. is not required to collect TCS on the sale of books.

(E) Which monthly statement is required to be furnished by an ECO? [Sub-sections (3), (4), (6) and (7) of section 52 read with rule 67]

(a) Form GSTR-8

An **ECO liable to collect TCS** shall furnish a monthly statement in **Form GSTR-8** electronically through the common portal. Form GSTR-8 contains the details of supplies of goods or services or both effected through ECO including the supplies of goods or services or both returned through it, amount of consideration collected by ECO pertaining to supplies made through ECO and the amount of TCS collected on such supplies.

CONTENTS OF GSTR- 8

Table 3	**Details of supplies attracting TCS**
Table 4	**Amendment to details of supplies attracting TCS in respect of earlier statement**
Table 5	**Details of Interest on account of late payment of TCS amount (Auto calculated on GST Portal)**
Tables 6 & 7	**Payment of Tax**

(b) Last date of filing statement and for deposit of TCS

The details in **GSTR-8** should be furnished on/before 10th day of the month succeeding the calendar month in which tax has been collected at source.

The due date of filing GSTR-8 may be extended by the Commissioner/Commissioner of State GST/Commissioner of UTGST for a class of taxable persons by way of a notification.

Further, the amount of tax collected by ECO (TCS amount) is also required to be deposited separately under the respective tax head (i.e. Central tax / State tax / Union territory tax / Integrated tax) by 10th day of the month succeeding the calendar month in which TCS has been collected.

The ECO can file Form GSTR 8 only when full TCS liability has been discharged.

(10) If the TCS has been collected in the month of July, the amount has to be remitted into the Government Treasury on or before 10th August.

(c) TCS details available to suppliers on common portal and claiming of TCS by suppliers

The details of TCS furnished by the ECO in GSTR-8 shall be made available electronically to each of the suppliers who supplied goods and/or services through ECO in Form GSTR-2A on the common portal after filing of GSTR-8.

The amount of TCS shall be credited to the cash ledger of the supplier who has supplied the goods/services through the ECO in the respective tax head in which TCS amount was deposited by ECO. The said credit can be used at the time of discharge of tax liability by the actual supplier.

If the supplier is not able to use the amount lying in the said cash ledger, the actual supplier may claim refund of the excess balance lying in his electronic cash ledger in accordance with the provisions contained in section 54(1)[5].

(d) Rectification of errors/omissions in GSTR-8

If after submission of GSTR-8, the ECO discovers any discrepancy therein on his own - not being the result of any scrutiny, audit, inspection or enforcement proceedings - he should rectify such

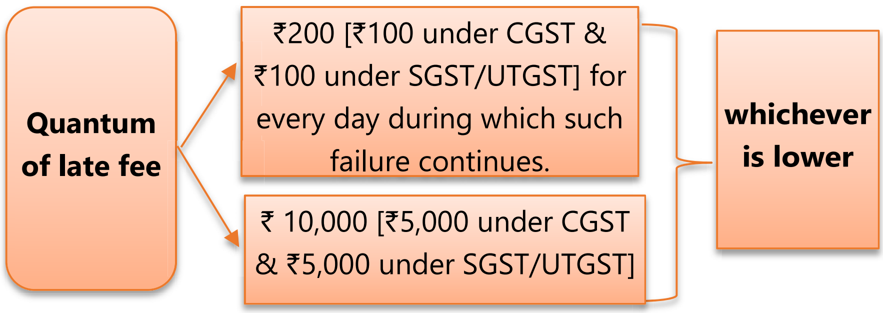
[5] *The provisions relating to refund of excess balance in electronic cash ledger has been discussed in detail in Chapter 15 – Refunds under GST in Module 3 of this Study Material.*

discrepancy in GSTR-8 to be filed for the month during which such discrepancy is noticed, subject to payment of interest under section 50.

The rectification is not allowed after ***30th November*** following the end of the financial year or the actual date of filing of the relevant annual statement [GSTR-9B], whichever is earlier.

(e) Late fees for delay in filing GSTR-8 [Section 47]

Following late fee is applicable for delay in furnishing of TCS statement in Form GSTR-8:



(f) Whether Nil GSTR-8 needs to be filed in case if there is no TCS liability in a tax period?

Filing of GSTR-8 for every tax period is **not mandatory**. ECO is required to file Form GSTR-8 for a particular tax period, only when goods are supplied through such ECO and they have collected any TCS during the said tax period or they have to amend any details declared in earlier return on their own or on account of any details rejected by supplier.

If ECO does not have any TCS liability in any particular tax period and also there is no transaction that has been auto-populated in Table 4 of GSTR-8 of that particular tax period due to rejection of TCS details by the supplier in TDS/TCS credit received table, filing of Form GSTR-8 will not be mandatory for the said tax period. Otherwise, it is mandatory to file Form GSTR-8 for a particular tax period in which TCS has been collected or details are auto populated in Table 4[6] [7].

(g) ***Maximum time-limit for furnishing Form GSTR-8***

Maximum time-limit upto which ECO can furnish Form GSTR-8 is 3 years from the relevant due date of filing such statement. This time limit can be extended by the Government for an ECO or a class of ECOs subject to such conditions and restrictions as may be specified therein.

(F) Which annual statement is required to be furnished by an ECO?

Form GSTR-9B

An ECO required to collect TCS is required to file an annual statement referred to in section 52(5) in **Form GSTR-9B** (yet to be notified). The statement for a financial year needs to be filed by **31st December of the next financial year**.

The due date of filing annual statement may be extended by the Commissioner/Commissioner of State GST/Commissioner of UTGST for a class of taxable persons by way of a notification.

(G) Interest on non-collection of TCS [Section 52(6)]

As per section 52(6), interest is applicable on omission as well in case of incorrect particulars noticed. In case of non-collection of TCS, interest is applicable since it is a case of omission. Further penalty under section 122(vi)[8] would also be leviable.

(H) At what time should the ECO collect TCS?

TCS is to be collected once supply has been made through the ECO and where the business model is that the consideration is to be collected by the ECO, irrespective of the actual collection of the consideration.

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6 *It is not necessary to file Form GSTR-8 for the tax period in which there are only rejected documents in table 4 and there is no TCS liability.*

7 *Based on the FAQs on Form GSTR-8 given on www.gst.gov.in*

8 *Penal provisions have been discussed in detail in Chapter 21 – Offences and Penalties and Ethical aspects of GST in Module 3 of this Study Material.*

(11) If the supply has taken place through the ECO on 30th October, but the consideration for the same has been collected in the month of November, then TCS for such supply has to be collected and reported in the statement for the month of October.

(I) Authority not below the rank of Deputy Commissioner may serve a notice requiring ECO to furnish the details of their supplies of goods or services or both as well as stock of goods held by the suppliers

The power conferred on the ECO to collect TCS, is without prejudice to other modes of recovery from ECO. The powers of ECO is restricted only to the extent of TCS under circumstances specified therein and nothing more.

An officer not below the rank of Deputy Commissioner can issue notice to an ECO, asking him to furnish the details relating to volume of the goods/ services supplied, stock of goods lying in warehouses/ godowns etc. The ECO is required to furnish such details within 15 working days.

In case an ECO fails to furnish the information, besides being liable for penal action under section 122, it shall also be liable for general penalty up to ₹ 25,000.

Payment of TCS by ECO is not allowed through input tax credit of ECO. This implies that TCS has to be paid in cash only.

ILLUSTRATION 1

Nishpaksh Associates is a supplier selling its own products through a web site hosted by it. Does it fall under the definition of an "electronic commerce operator"? Whether Nishpaksh Associates is required to collect TCS on such supplies?

ANSWER

As per the definitions in sections 2(44) and 2(45), Nishpaksh Associates will come under the definition of an "electronic commerce operator".

However, according to section 52, TCS is required to be collected on the net value of taxable supplies made through it by other suppliers where the consideration is to be collected by the ECO. In cases where someone is selling their own products through a website, there is no requirement to collect TCS as per the provisions of this section. These transactions will be liable to GST at the prevailing rates.

Thus, Nishpaksh Associates is not required to collect TCS on the supplies made by it through its own website.

ILLUSTRATION 2

If Sitcom Technologies Ltd. purchases goods from different vendors and thereafter sells them on its own website under its own billing. Is TCS required to be collected on such supplies?

ANSWER

No. According to section 52, TCS is required to be collected on the net value of taxable supplies made through ECO by other suppliers where the consideration is to be collected by the ECO. In this case, there are two transactions - Sitcom Technologies Ltd. purchases the goods from the vendors, and thereafter those goods are sold through its own website.

For the first transaction, GST is leviable, and will need to be paid to vendor, on which credit is available to Sitcom Technologies Ltd. The second transaction is a supply on own account of Sitcom Technologies Ltd., and not by other suppliers and there is no requirement to collect TCS. The transaction will attract GST at the prevailing rates.

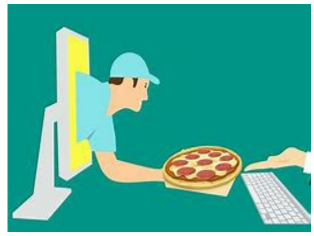
(vii) Clarification on service supplied by restaurants through ECOs

As seen earlier, supply of restaurant service other than the services supplied by restaurant, eating joints etc. located at specified premises has been notified for the purposes of section 9(5). Circular No. 167/23/2021 GST dated 17.12.2021 has clarified the following issues with regard to said service:

(i) ECOs not to collect TCS in respect of restaurant services so notified

ECOs will no longer be required to collect TCS and furnish Form GSTR-8 in respect of restaurant services since it pays tax on such services in terms of section 9(5).

(ii) ECOs not required to take separate registration for paying tax on restaurant service supplied through them



As ECOs are already registered in accordance with rule 8 (as a supplier of their own goods or services), there would be no mandatory requirement of taking separate registration by ECOs for payment of tax on restaurant service under section 9(5)[9].

(iii) ECO to pay tax on restaurant services supplied through them by an unregistered person

ECOs will be liable to pay GST on any restaurant service supplied through them including services supplied by an unregistered person.

(iv) Supply of restaurant services to be included in aggregate turnover of person supplying restaurant services through ECO

The aggregate turnover of person supplying restaurant service through ECOs shall be computed in accordance with definition of aggregate turnover under section 2(6) and shall include the aggregate value of supplies made by the restaurant through ECOs.

Accordingly, for threshold consideration or any other purpose in the CGST Act, the person providing restaurant service through ECO shall account for such services in his aggregate turnover.

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[9] *Separate registration apart from regular registration is required in case where ECO is liable to collect TCS under section 52. Registration requirements of ECOs have been discussed subsequently in this chapter.*

(v) ***Restaurant services provided through ECO not to be considered as inward supply for ECOs***

ECOs are not the recipient of restaurant service supplied through them. Since these are not input services to ECO, these are not to be reported as inward supply (liable to reverse charge) in Form GSTR-3B. Indeed, they are reported as Outward Taxable Supplies in GSTR-3B.

(vi) ***Reversal of proportionate ITC on input goods and services not required by ECO***

ECOs provide their own services as an electronic platform and an intermediary for which it would acquire inputs/input services on which ECOs avail input tax credit (ITC).

The ECO charges commission/fee etc. for the services it provides. The ITC is utilised by ECO for payment of GST on services provided by ECO on its own account (say, to a restaurant).

The situation in this regard remains unchanged even after ECO is made liable to pay tax on restaurant service. ECO would be eligible to ITC as before.

Accordingly, it is clarified that ECO shall not be required to reverse ITC on account of restaurant services on which it pays GST in terms of section 9(5).

However,it may also be noted that on restaurant service so notified, ECO shall pay the entire GST liability in cash (No ITC could be utilised for payment of GST on restaurant service supplied through ECO).

(vii) ***GST to be paid by the supplier on services not notified under section 9(5) but supplied through ECO***

ECO is required to pay GST on services notified under section 9(5), besides the services/other supplies made on his own account.

On any supply that is not notified under section 9(5), that is supplied by a person through ECO, the liability to pay GST continues

on such supplier and ECO shall continue to collect TCS on such supplies.

Thus, present dispensation continues for ECO, on supplies other than restaurant services. On such supplies (other than restaurant services made through ECO) GST will continue to be billed, collected and deposited in the same manner as is being done at present. ECO will deposit TCS on such supplies.

(viii) ECO to raise invoice in respect of restaurant service supplied through ECO

The invoice in respect of restaurant service supplied through ECO under section 9(5) will be issued by ECO.

(ix) Billing in case of 'restaurant service' and goods/services other than restaurant service being sold by a restaurant to a customer under the same order

There can a situation where 'restaurant service' and goods or services other than restaurant service are sold by a restaurant to a customer under the same order. The question arises as to who shall be liable for raising invoices in such cases.

Considering that liability to pay GST on supplies other than 'restaurant service' through the ECO, and other compliances under the CGST Act, including issuance of invoice to customer, continues to lie with the respective suppliers (and ECOs being liable only to collect tax at source (TCS) on such supplies), it is advisable that ECO raises separate bill on restaurant service in such cases where ECO provides other supplies to a customer under the same order[10].

[10] Circular No. 167/23/2021 GST dated 17.12.2021

4. REGISTRATION REQUIREMENTS

	STATUTORY PROVISIONS
Section 22 (Relevant Extract)	***Persons liable for registration***
Sub-section	***Particulars***
(1)	*Every supplier shall be liable to be registered under this Act in the State or Union territory, other than special category States, from where he makes a taxable supply of goods or services or both, if his aggregate turnover in a financial year exceeds twenty lakh rupees.* *Provided that where such person makes taxable supplies of goods or services or both from any of the special category States, he shall be liable to be registered if his aggregate turnover in a financial year exceeds ten lakh rupees.* *Provided further that the Government may, at the request of a special category State and on the recommendations of the Council, enhance the aggregate turnover referred to in the first proviso from ten lakh rupees to such amount, not exceeding twenty lakh rupees and subject to such conditions and limitations, as may be so notified.* *Provided also that the Government may, at the request of a State and on the recommendations of the Council, enhance the aggregate turnover from twenty lakh rupees to such amount not exceeding forty lakh rupees in case of supplier who is engaged exclusively in the supply of goods, subject to such conditions and limitations, as may be notified.* *Explanation––For the purposes of this sub-section, a person shall be considered to be engaged exclusively in the supply of goods even if he is engaged in exempt supply of services provided by*

	way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount.
Section 24 (Relevant Extract)	***Compulsory registration in certain cases***
Clause	***Particulars***
	Notwithstanding anything contained in sub-section (1) of section 22, the following categories of persons shall be required to be registered under this Act,-
(iv)	*person who are required to pay tax under sub-section (5) of section 9*
(ix)	*persons who supply goods or services or both, other than supplies specified under sub-section (5) of section 9, through such electronic commerce operator who is required to collect tax at source under section 52*
(x)	*every electronic commerce operator who is required to collect tax at source under section 52*
Chapter III – Registration of the CGST Rules	
Rule 12	***Grant of registration to persons required to deduct tax at source or to collect tax at source***
(1)	*Any person required to deduct tax in accordance with the provisions of section 51 or a person required to collect tax at source in accordance with the provisions of section 52 shall electronically submit an application, duly signed or verified through electronic verification code, in FORM GST REG-07 for the grant of registration through the common portal, either directly or through a Facilitation Centre notified by the Commissioner.*
(1A)	*A person applying for registration to deduct or collect tax in accordance with the provisions of section 51, or, as the case maybe, section 52, in a State or Union territory where he does not have a physical presence, shall mention the name of the State or Union territory in **PART A** of the application in FORM*

	*GST REG-07 and mention the name of the State or Union territory in **PART B** thereof in which the principal place of business is located which may be different from the State or Union territory mentioned in **PART A**.*
(2)	*The proper officer may grant registration after due verification and issue a certificate of registration in FORM GST REG-06 within a period of three working days from the date of submission of the application.*
(3)	*Where, on a request made in writing by a person to whom a registration has been granted under sub-rule (2) or upon an enquiry or pursuant to any other proceeding under the Act, the proper officer is satisfied that a person to whom a certificate of registration in FORM GST REG-06 has been issued is no longer liable to deduct tax at source under section 51 or collect tax at source under section 52, the said officer may cancel the registration issued under sub-rule (2) and such cancellation shall be communicated to the said person electronically in FORM GST REG-08:* *Provided that the proper officer shall follow the procedure as provided in rule 22 for the cancellation of registration.*

ANALYSIS

(i) Registration requirements of ECO

Every ECO who is required to collect TCS under section 52 as well as an ECO who is required to pay tax under section 9(5) are required to obtain registration compulsorily under section 24 irrespective of the quantum of their aggregate turnover.

Further, following special procedure has been laid down for registration of ECOs liable to collect TCS:

Special provisions for grant of registration in case of persons required to collect TCS under section 52 [Rule 12]

An ECO has to obtain separate registration for TCS irrespective of the fact whether ECO is already registered under GST as a supplier or otherwise and has GSTIN. Application for registration has to be submitted by such persons in a different prescribed form at GST Common Portal. They would be granted registration within **3 working days** from the date of submission of application after due verification.

Sometimes, an ECO is required to collect tax in a State/UT where it does not have physical presence since suppliers listed on their e-commerce platform are located in said State/UT.

However, registration for TCS is required in each such State / UT as the obligation for collecting TCS would be there for every intra-State or inter-State supply. In such case, in **Part-A** of the prescribed registration form, State/UT for which registration is required needs to be mentioned.

However, in **Part-B** of the registration form, the ECO may declare the Head Office as its place of business for obtaining registration in that State / UT where it does not have physical presence.

Registration will be cancelled if proper officer is satisfied that such person is no longer liable to collect tax at source. Cancellation of registration will be communicated to such person electronically in prescribed form. Proper Officer shall follow the procedure laid down for cancellation of registration prescribed under this Act and rules therein.

(ii) Registration requirements of supplier making supplies of goods or services through ECO

(A) **Persons making supplies of GOODS** through an ECO who is required to collect tax at source under section 52 are required to obtain **REGISTRATION MANDATORILY**. Provisions of section 9(5) do not apply in case of supply of goods through ECO.

(B) **Persons making supplies of SERVICES, other than services specified under section 9(5)** through an ECO who is required to collect TCS under section 52, and having an aggregate turnover (to be computed on all India basis) not exceeding an amount of **₹ 20 lakh** (**₹ 10 lakh** in case of Special Category States of Mizoram, Tripura, Manipur and Nagaland), in a financial year, are exempted from obtaining registration vide *Notification No. 65/2017 CT dated 15.11.2017.*

Thus, the **THRESHOLD LIMIT OF ₹ 20 LAKH OR ₹ 10 LAKH IS APPLICABLE** in case of person supplying services other than those notified under section 9(5) through an ECO otherwise liable to collect TCS.

Since such suppliers are not liable for registration, ECOs are not required to collect TCS on supply of services being made by such suppliers through their portal.

(12) Sudhakar Salon Services is engaged in providing salon services through an electronic commerce platform owned by Zykom Technologies Ltd.

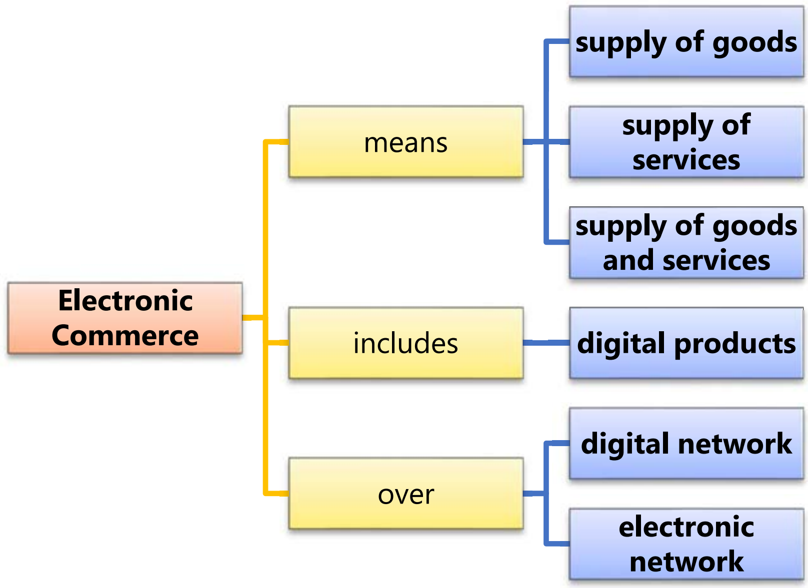
Since Sudhakar Salon Services is supplying services other than notified services through the e-commerce platform owned by Zykom Technologies Ltd., it is exempted from obtaining compulsory registration since its aggregate turnover has not yet crossed the threshold limit for registration.

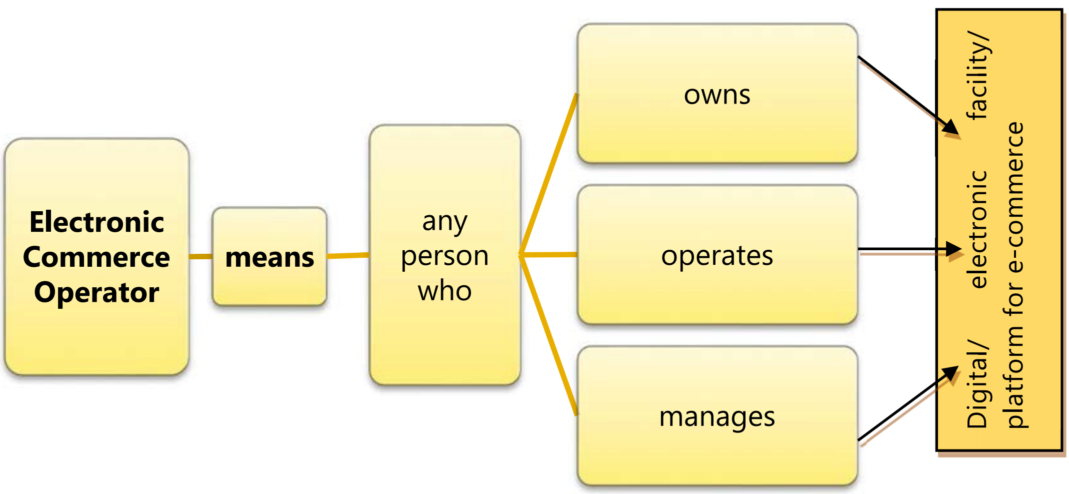
Consequently, it is unregistered under GST. Thus, Zykom Technologies Ltd. is not required to collect TCS on supply of services being made by Sudhakar Salon Services through its portal.

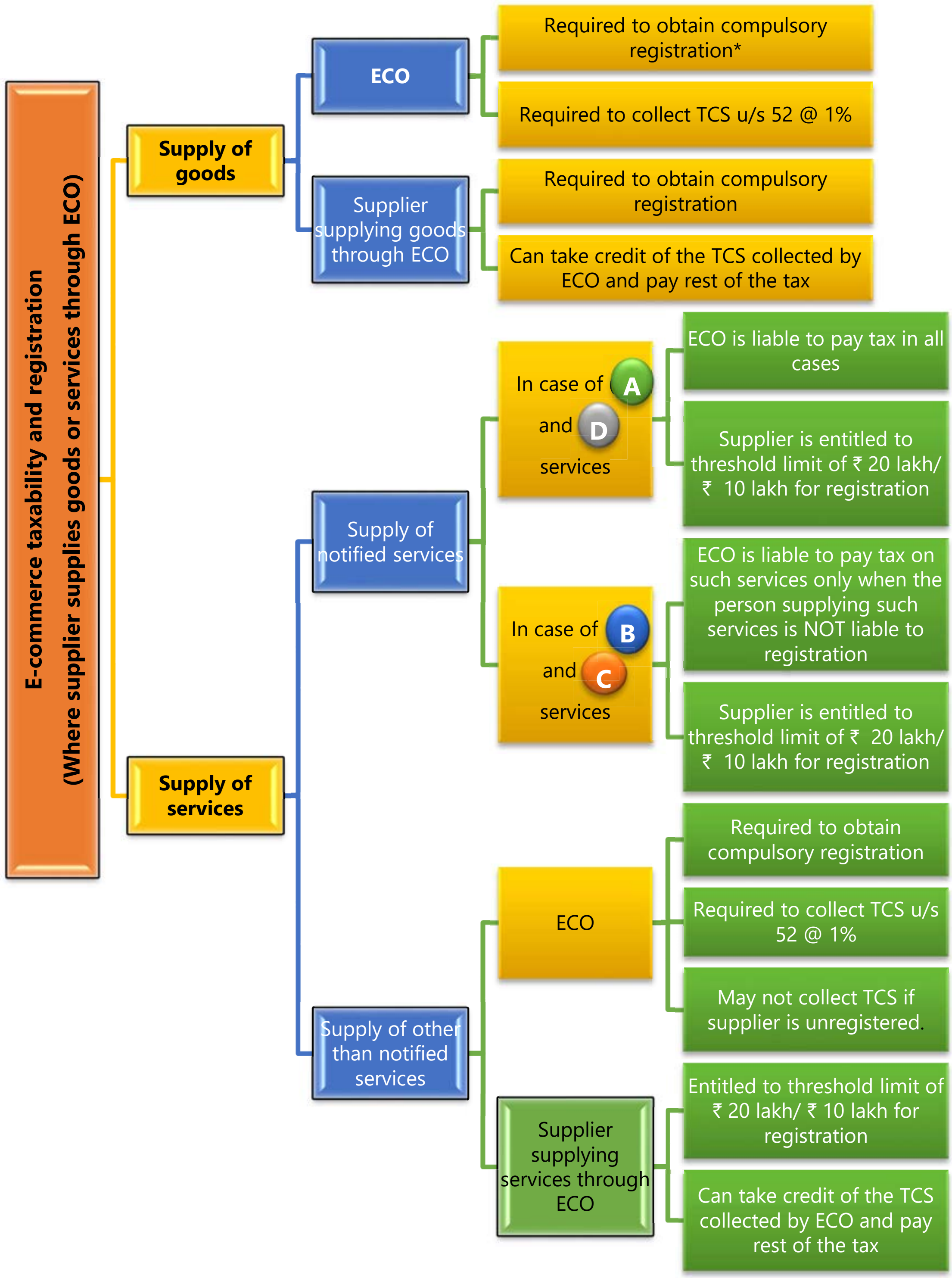
(C) Persons making supplies of SERVICES notified under section 9(5) through an ECO[11]: Such persons will be entitled for threshold exemption for registration of **₹ 20 lakh** (**₹ 10 lakh** in case of Special Category States of Mizoram, Tripura, Manipur and Nagaland).

[11] *As per the provisions of section 52, such ECO will not be liable to collect TCS.*

LET US RECAPITULATE

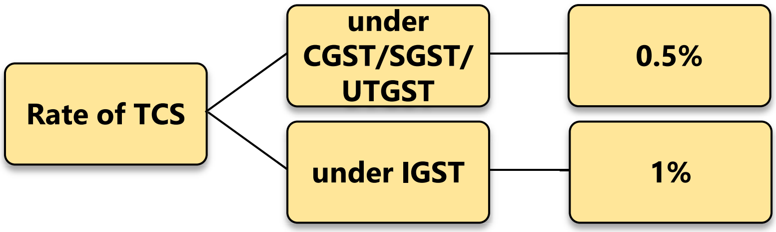


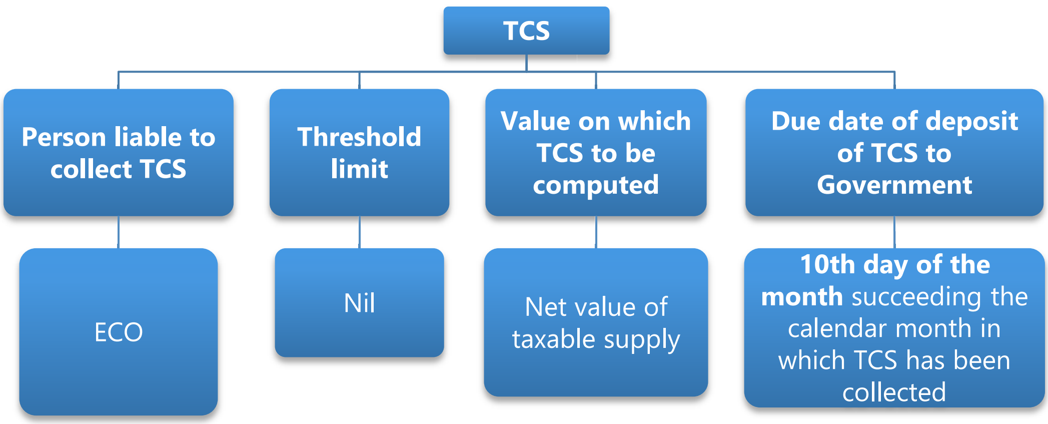



E-commerce taxability and registration
(Where supplier supplies goods or services through ECO)
Supply of goods
ECO
Required to obtain compulsory registration*
Required to collect TCS u/s 52 @ 1%
Supplier supplying goods through ECO
Required to obtain compulsory registration
Can take credit of the TCS collected by ECO and pay rest of the tax
Supply of services
Supply of notified services
In case of A and D services
ECO is liable to pay tax in all cases
Supplier is entitled to threshold limit of ₹ 20 lakh/ ₹ 10 lakh for registration
In case of B and C services
ECO is liable to pay tax on such services only when the person supplying such services is NOT liable to registration
Supplier is entitled to threshold limit of ₹ 20 lakh/ ₹ 10 lakh for registration
Supply of other than notified services
ECO
Required to obtain compulsory registration
Required to collect TCS u/s 52 @ 1%
May not collect TCS if supplier is unregistered.
Supplier supplying services through ECO
Entitled to threshold limit of ₹ 20 lakh/ ₹ 10 lakh for registration
Can take credit of the TCS collected by ECO and pay rest of the tax

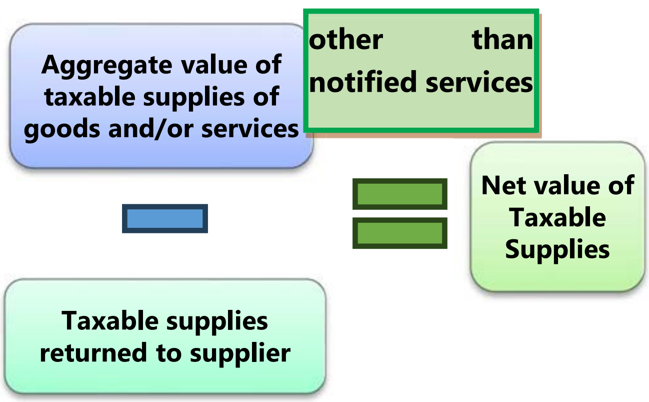
TCS provisions under section 52

RATE OF TCS





NET VALUE OF TAXABLE SUPPLIES



TEST YOUR KNOWLEDGE

1. *Starkart Limited owns and operates a web portal in the name of "Starkart" and is registered with the jurisdictional GST authorities in Delhi as an electronic commerce operator and is liable to collect tax at source under section 52. Starkart provides listing service to various sellers for selling the goods to ultimate customers. Besides this, Starkart also sells its own products through the same web portal.*

   For the listing services provided to sellers, Starkart charges a listing fee at the rate of 10% of turnover of goods sold by the seller in a particular month. Such listing fee is recovered from the seller irrespective of any return of goods sold through Starkart. The customers can choose from wide range of goods listed on the web portal and place an online order for goods.

   The payment is made by the customers through the payment gateway in online mode only. At the time of monthly settlement, Starkart makes the payment to the sellers after adjusting the tax collection at source at the applicable rates.

   The invoice for goods sold on Starkart is issued by the seller in the name of customers and tax is charged on the basis of location of seller and customer. The goods are shipped directly by the seller to the customer and there is no responsibility of shipping the goods on Starkart for such third-party sellers.

   In case of return of goods by the customer, the shipping is arranged by Starkart. It charges a fee equivalent to 20% of the value of goods returned as cancellation charges and refunds the balance amount to the customer.

   Further, 10% of the value of goods returned is collected from the seller by Starkart as handling charges for return of goods.

   In the month of January, Pulkit, a resident of Rajasthan, purchased following goods from Starkart:

   a. *Laptop having a value of ₹ 50,000 and a printer having a value of ₹ 10,000. Both the products are sold by Infocom Limited, a seller listed on Starkart and registered under GST in the State of Uttar Pradesh.*

b. Mobile phone having a value of ₹ 30,000 sold by Starkart in its own capacity.

c. CCTV camera system having a value of ₹ 1,00,000 sold by Secure World, listed on Starkart and registered under GST in the State of Gujarat.

All the amounts given above are exclusive of GST, wherever applicable.

The opening balance of input tax credit for the relevant tax period for Starkart, Infocom Limited and Secure World is nil. Further, there is no other inward or outward supply transaction for Starkart, Infocom Limited and Secure World in January apart from the aforementioned transactions. Subject to the information given above, assume that all the other conditions necessary for availing ITC have been fulfilled.

GST is applicable on all inward and outward supplies at the following rates unless otherwise specified:

CGST - 9%, SGST - 9%, IGST - 18%

Compute the net tax liability (including amount collected as TCS) of Starkart Limited and net GST payable in cash (after set-off of credits, if any) of Infocom Limited and Secure World, for the month of January.

2. *Whether the rate of tax of 1% notified under section 52 is CGST or SGST or a combination of both CGST and SGST?*

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

4. *State whether the provisions pertaining to tax collected at source under section 52, will be applicable in below mentioned scenarios -*

   (a) Fitan sells watch on its own through its own website

   (b) ABC limited who is dealer of Fitan brand sells watches through Slipkart, an electronic commerce operator

5. *A is an e-commerce operator supplying goods through its electronic portal in capacity of an agent. The goods belong to B and the consideration for such supplies is received by A and remitted to B as per the contractual arrangement. A requires your help in arriving at the rate at which tax shall be collected from the amount which is received by it against the supplies?*

6. *X booked a Hotel in Udaipur, Rajasthan through an e-commerce portal for an amount of ₹ 25,000. As per the terms and conditions, the amount was payable at the hotel at the time of check in. Whether TCS provisions shall apply in the present case?*

7. *Sumitra Nandan books a Hotel – Hillpoint Residency - via Zitcom Technologies Ltd. – an ECO - who in turn is integrated with another ECO-Techsuper Ltd. who has agreement with Hillpoint Residency. You are required to determine who is required to collected TCS in the given case.*

8. *AB Pvt. Ltd., Pune, Maharashtra, provides house-keeping services. The company supplies its services exclusively through an e-commerce website owned and managed by Hi-Tech Indya Pvt. Ltd., Pune. The turnover of AB Pvt. Ltd. in the current financial year is ₹ 18 lakh.*

   Advise AB Pvt. Ltd. as to whether it is required to obtain GST registration. Will your advice be any different if AB Pvt. Ltd. sells readymade garments exclusively through the e-commerce website owned and managed by Hi-Tech Indya Pvt. Ltd.?

ANSWERS/HINTS

1. **Computation of net tax liability (including amount collected as TCS) of Starkart Limited for January:**

Particulars	₹
TCS to be collected from Infocom Limited on supply of Laptop and a printer to Pulkit [Starkart is an ECO since it owns and operates a web portal through which Infocom Limited supplies goods. Further, IGST is applicable on said inter-State transaction since supplier - Infocom Limited is located in the State of Uttar Pradesh and place of supply is Rajasthan [i.e. where movement of goods terminates in terms of section 10(1)(a) of the IGST Act, 2017]. Thus, Starkart will collect TCS @ 1% of [₹ 50,000 + ₹ 10,000]	600

GST to be paid by Starkart on supply of mobile phone made on its own account @ 18% (IGST) of ₹ 30,000. IGST is applicable on said inter-State transaction since supplier - Starkart is located in Delhi and place of supply is Rajasthan [i.e. where movement of goods terminates in terms of section 10(1)(a) of the IGST Act, 2017]. Since supply has been made by Starkart on its own account, no TCS needs to be collected.	5,400
TCS to be collected from Secure World on supply of CCTV camera system to Pulkit [ECO - Starkart is liable to collect TCS on this transaction. Further, IGST is applicable on said inter-State transaction since supplier - Secure World is located in the State of Gujarat and place of supply is Rajasthan [i.e. where movement of goods terminates in terms of section 10(1)(a) of the IGST Act, 2017]. Thus, Starkart will collect TCS @ 1% of ₹ 1,00,000]	1,000
Listing services provided by Starkart to Infocom Limited and Secure Limited @ 10% of turnover for the month of January. Turnover of Infocom Limited and Secure Limited is ₹ 60,000 and ₹ 1,00,000 respectively. IGST @ 18% on (₹ 1,60,000 × 10%) is applicable on said inter-State transaction since supplier – Starkart is located in Delhi and place of supply is Uttar Pradesh and Gujarat respectively [i.e. location of recipient in terms of section 12(2) of the IGST Act, 2017]	2,880
Total GST liability (including TCS) of Starkart for January	**9,880**

Computation of net GST payable in cash by Infocom Limited for the month of January

Particulars	₹
Gross GST liability [18% of turnover for January (₹ 50,000 + ₹ 10,000)]	10,800

Less: ITC of GST payable on listing services received from [(10% of ₹ 60,000) ×18%]	(1,080)
Net GST payable from Electronic Cash Ledger	9,720
Less: TCS credited to Electronic Cash Credit Ledger	(600)
Net GST payable in cash	**9,120**

Computation of net GST payable in cash by Secure World for the month of January

Gross GST Liability [18% of turnover for January (₹ 1,00,000)]	18,000
Less: ITC of GST payable on listing services received from [(10% of ₹ 1,00,000) ×18%]	(1,800)
Net GST payable from Electronic Cash Ledger	9,720
Less: TCS credited to Electronic Cash Credit Ledger	(1,000)
Net GST payable in cash	**15,200**

2. The rate of TCS as notified under CGST Act is payable under CGST and the equal rate of TCS is expected under the SGST Act also, in effect aggregating to 1%.

3. Yes, every e-commerce operator is required to collect tax where consideration with **respect to the supply made through it is being collected by the e-commerce operator.**

However, no TCS is required to be collected in the following cases:-

(i) on supply of services notified under section 9(5) of the CGST Act, 2017.

(ii) on exempt supplies

(iii) on supplies on which the recipient is required to pay tax on reverse charge basis.

4. Answers for both the scenarios is as follows:

As per section 52, every electronic commerce operator not being an agent, shall collect an amount calculated at such rate not exceeding one per cent., as may be notified by the Government on the recommendations of

(a) the Council, of the net value of taxable supplies made through it *by other suppliers* where the consideration with respect to such supplies is to be collected by the operator.

Hence, if the person sells on his own, provisions pertaining to tax collected at source (TCS) won't be applicable.

(b) If ABC limited who is dealer of Fitan brand sells watches through Slipkart, then the provision of TCS will be applicable to Slipkart.

5. As per section 52(1), the TCS provisions are not applicable in cases where the ECO is an agent of the supplier. In the present case, A being an ECO is supplying goods through the electronic portal in capacity of an agent and hence the liability to collect tax as per Section 52 shall not arise in this case.

6. No, as per the provisions under section 52, the TCS provisions shall trigger only when the ECO is receiving the consideration for supply from the recipient of supply. In the present case, the supplier i.e. the hotel is directly receiving the consideration from the recipient of the services i.e. X. Hence, the present transactions shall not trigger the TCS provisions under section 52.

7. The given case is a case of multiple e-commerce model wherein a customer orders supplies via ECO-1 who in turn is integrated with ECO-2 who has agreement with the supplier. In this case, ECO-1 will not have any GST information of the supplier. TCS is to be collected by that e-Commerce operator who is making payment to the supplier for the particular supply happening through it, which is in this case will be ECO-2.

Thus, in the given case, TCS is to be collected by ECO-Techsuper Ltd. who is making payment to Hillpoint Residency for the supply happening through it,

8. As per section 22, every supplier of goods or services or both is required to obtain registration in the State/ Union territory from where he makes the taxable supply if his aggregate turnover exceeds threshold limit in a financial year.

However, section 24 enlists certain categories of persons who are mandatorily required to obtain registration, irrespective of their turnover. Persons who supply goods or services or both through such electronic commerce operator (ECO), who is required to collect tax at source under section 52, is one such person specified under clause (ix) of section 24. However, where the ECO is liable to pay tax on behalf of the suppliers of services under a notification issued under section 9(5), the suppliers of such services are entitled for threshold exemption.

Section 2(45) defines ECO as any person who owns, operates or manages digital or electronic facility or platform for electronic commerce. Electronic commerce is defined under section 2(44) to mean the supply of goods or services or both, including digital products over digital or electronic network. Since Hi-Tech Indya Pvt. Ltd. owns and manages a website for e-commerce where both goods and services are supplied, it will be classified as an ECO under section 2(45).

Notification No. 17/2017 CT (R) dated 28.06.2017 issued under section 9(5) specifies services by way of house-keeping, except where the person supplying such service through ECO is liable for registration under section 22(1), as one such service where the ECO is liable to pay tax on behalf of the suppliers.

In the given case, AB Pvt. Ltd. provides house-keeping services through an ECO. It is presumed that Hi-Tech Indya is an ECO which is required to collect tax at source under section 52. However, house-keeping services provided by AB Pvt. Ltd., which is not liable for registration under section 22(1) as its turnover is less than ₹20 lakh, is a service notified under section 9(5). Thus, AB Pvt. Ltd. will be entitled for threshold exemption for registration and will not be required to obtain registration even though it supplies services through ECO.

In the second case, AB Pvt. Ltd. sells readymade garments through ECO. Such supply cannot be notified under section 9(5) as only supplies of services are notified under that section. Therefore, in the second case, AB Pvt. Ltd. will not be entitled for threshold exemption and will have to compulsorily obtain registration in terms of section 24(ix).

NOTES

CHAPTER 13

RETURNS

The section numbers referred to in the Chapter pertain to CGST Act and rule numbers referred to in the Chapter pertain to CGST Rules, unless otherwise specified. Examples/Illustrations/Questions and Answers given in the Chapter are based on the position of GST law existing as on 30.04.2023.

LEARNING OUTCOMES

After studying this Chapter, you will be able to –

- comprehend and analyse the provisions relating to filing of various types of statements and returns by registered persons
- appreciate and analyse the provisions relating to filing of information return by various authorities
- determine the late fee for delayed filing of return
- explain the provisions relating to GST practitioner
- explain the provisions relating to information return

1. INTRODUCTION

The term "return" ordinarily means statement of information (facts) furnished by the taxpayer, to tax administrators, at regular intervals. The information to be furnished in the return generally comprises of the details pertaining to the nature of activities/business operations forming the subject matter of taxation; the measure of taxation such as sale price, turnover, or value; deductions and exemptions; and determination and discharge of tax liability for a given period.

In any tax law, "filing of returns" constitutes the most important compliance procedure which enables the Government/ tax administrator to estimate the tax collection for a particular period and determine the correctness and completeness of the tax compliance of the taxpayers.

The returns serve the following purposes:

a) Mode for transfer of information to tax administration;

b) Compliance verification program of tax administration;

c) Finalization of the tax liabilities of the taxpayer within stipulated period of limitation;

d) Providing necessary inputs for taking policy decision;

e) Management of audit and anti-evasion programs of tax administration

The taxpayer is generally required to furnish the return in a specific statutory format. These formats are, therefore, designed to take care of all the provisions of the law that have a bearing on computation of tax liability of a taxpayer. Hence, a study of various fields contained in the form of return *vis-à-vis* the relevant corresponding provisions of the tax law, can facilitate overall understanding of the tax law in a better manner.

Filing of GST returns helps in determination of tax liability of the return filer and at the same time it also has a huge bearing on determination of tax liability of other persons with whom the former has entered into taxable activities.

Under the GST laws, the correct and timely filing of returns is of utmost importance because of two reasons. Firstly, under GST laws, a taxpayer is required to estimate his tax liability on "self-assessment" basis and deposit the tax amount along with the filing of such return. The return, therefore, constitutes a kind of working sheet/supporting document for the tax authorities that can be relied upon as the basis on which the tax has been computed by the taxpayer. Secondly, under the GST regime, filing of returns not only determines the tax liability of the person filing the same, but it also has a huge bearing on determination of tax liability of other persons with whom the former has entered into transactions in course or furtherance of business.

Chapter IX of the CGST Act [Sections 37 to 48[1]] and sections 150 & 123 prescribe the provisions relating to filing of returns as under:

Section 37	Furnishing details of outward supplies
Section 38	Furnishing details of inward supplies
Section 39	Furnishing of returns

[1] *Sections 42, 43 and 43A have been omitted.*

Section 40	First return
Section 41	Availment of input tax credit**
Section 44	Annual Return
Section 45	Final Return
Section 46	Notice to return defaulters
Section 47	Levy of late fee
Section 48	Goods and services tax practitioners
Section 150	Obligation to furnish information return
Section 123	Penalty for failure to furnish information return

Apart from this, section 52, *inter alia,* prescribes a statement for tax collection at source to be furnished by Electronic Commerce Operator. *The same has already been discussed in Chapter 12 – Electronic Commerce Transactions in this Module of the Study Material.*

***Provisions of section 41 relating to availment of input tax credit have already been discussed in Chapter 7 – Input Tax Credit in this Module of the Study Material; thus, said provisions are not discussed here.* The provisions relating to forms and manner, in which information is to be furnished through returns, are given under Chapter VIII of the CGST Rules [Rules 59-84[2]]. State GST laws also prescribe identical provisions in relation to filing of returns.

Provisions of returns, other than late fee, under CGST Act have also been made applicable to IGST Act vide section 20 of the IGST Act.

All the returns under GST laws are to be filed electronically. Taxpayers can file the statements and returns by various modes. Firstly, they can file their statement and returns directly on the GST common portal online. However, this may be tedious and time consuming for taxpayers with large number of invoices. For such

[2] *Rules 69, 70, 71, 72, 73, 74, 75, 76, 77 and 79 have been omitted.*

taxpayers, offline utilities have been provided by GSTN that can be used for preparing the statements offline after downloading the auto populated details and uploading them on the common portal. GSTN has also developed an ecosystem of GST Suvidha Providers (GSP) that will integrate with the common portal.

The details furnished by the taxpayer in the form of returns shall be consolidated and stored at the common portal which will be common for both, i.e. Central Government and State Governments.

2. RELEVANT DEFINITIONS

- **Common portal** means the common goods and services tax electronic portal referred to in section 146 [Section 2(26)].
- **Credit note** means a document issued by a registered person under sub-section (1) of section 34 [Section 2(37)].
- **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 [Section 2(20)].
- **Debit note** means a document issued by a registered person under sub-section (3) of section 34 [Section 2(38)].
- **Electronic cash ledger** means the electronic cash ledger referred to in sub-section (1) of section 49 [Section 2(43)].

- **Electronic credit ledger** means the electronic credit ledger referred to in sub-section (2) of section 49 [Section 2(46)].
- **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 [Section 2(47)].
- **Goods and services tax practitioner** means any person who has been approved under section 48 to act as such practitioner [Section 2(55)].
- **Invoice or tax invoice** means the tax invoice referred to in section 31 [Section 66].
- **Inward supply** in relation to a person, shall mean receipt of goods or services or both whether by purchase, acquisition or any other means with or without consideration [Section 2(67)].
- **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 [Section 2(61)].
- **Non-resident taxable person** means any person who occasionally undertakes transactions involving supply of goods or services or both, whether as principal or agent or in any other capacity, but who has no fixed place of business or residence in India [Section 2(77)].
- **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 [Section 2(83)].
- **Prescribed** means prescribed by rules made under this Act on the recommendations of the Council [Section 2(87)].

- **Proper officer** in relation to any function to be performed under this Act, means the Commissioner or the officer of the central tax who is assigned that function by the Commissioner in the Board [Section 2(91)].
- **Quarter** shall mean a period comprising three consecutive calendar months, ending on the last day of March, June, September and December of a calendar year [Section 2(92)].
- **Recipient** of supply of goods or services or both, means—
  - where a consideration is payable for the supply of goods or services or both, the person who is liable to pay that consideration;
  - where no consideration is payable for the supply of goods, the person to whom the goods are delivered or made available, or to whom possession or use of the goods is given or made available; and
  - where no consideration is payable for the supply of a service, the person to whom the service is rendered,

  and any reference to a person to whom a supply is made shall be construed as a reference to the recipient of the supply and shall include an agent acting as such on behalf of the recipient in relation to the goods or services or both supplied [Section 2(93)].
- **Registered person** means a person who is registered under section 25 but does not include a person having a Unique Identity Number [Section 2(94)].
- **Return** means any return prescribed or otherwise required to be furnished by or under this Act or the rules made thereunder [Section 2(97)].
- **Reverse charge** means the liability to pay tax by the recipient of supply of goods or services or both instead of the supplier of such goods or services or both under sub-section (3) or sub-section (4) of section 9, or under sub-section (3) or sub- section (4) of section 5 of the Integrated Goods and Services Tax Act [Section 2(98)].
- **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 [Section 2(105)].

- **Tax period** means the period for which the return is required to be furnished [Section 106].
- **Taxable person** means a person who is registered or liable to be registered under section 22 or section 24 [Section 2(107)].
- **Taxable supply** means a supply of goods or services or both which is leviable to tax under this Act [Section 2(108)].
- **Valid return** means a return furnished under sub-section (1) of section 39 on which self-assessed tax has been paid in full [Section 2(117)].
- **Online information and database access or retrieval services** means services whose delivery is mediated by information technology over the internet or an electronic network and the nature of which renders their supply impossible to ensure in the absence of information technology and includes electronic services such as,—

  (i) advertising on the internet;

  (ii) providing cloud services;

  (iii) provision of e-books, movie, music, software and other intangibles through telecommunication networks or internet;

  (iv) providing data or information, retrievable or otherwise, to any person in electronic form through a computer network;

  (v) online supplies of digital content (movies, television shows, music and the like);

  (vi) digital data storage; and

  (vii) online gaming [Section 2(17) of the IGST Act]
- **Zero rated supply** means any of the following supplies of goods or services or both, namely:—

  (a) export of goods or services or both; or

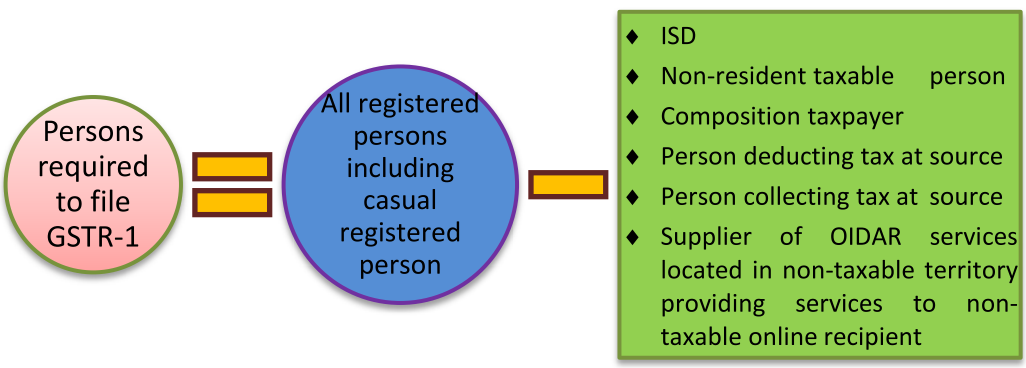
  (b) supply of goods or services or both ***for authorised operations*** to a Special Economic Zone developer or a Special Economic Zone unit [Section 16 of the IGST Act].

3. FURNISHING DETAILS OF OUTWARD SUPPLIES [SECTION 37 READ WITH RULE 59]

(i) Who is required to furnish the details of outward supplies? [Section 37(1) read with rule 59(1)]

The details of outward supplies *(see definition under Relevant Definitions)* of both goods and services are required to be furnished by every registered person including casual registered person except the following:

- input service distributor (ISD)
- non-resident taxable person (NRTP)
- person paying tax under composition scheme
- person deducting tax at source
- person collecting tax at source i.e., e-commerce operator (ECO), not being an agent
- supplier of online information and database access or retrieval services (OIDAR) located in non-taxable territory and providing such services to a non-taxable online recipient *[Provisions relating to OIDAR services and non-taxable online recipient have been discussed in detail in Chapter 14: Import and Export under GST in Module 3 of this Study Material.]*



(ii) What is the form for submission of details of outward supplies? [Section 37(1) read with rule 59(1)]

The details of outward supplies are required to be furnished, electronically, in **Form GSTR-1 for the month or quarter.** Such details can be furnished through the common portal, either directly or from a Facilitation Centre notified by the Commissioner.

Further, a Nil GSTR-1 can be filed through an SMS using the registered mobile number of the taxpayer.

(iii) What is the due date of submission of GSTR-1? [Section 37(1)]

GSTR-1 for a particular tax period is filed on or before the 10th day of the immediately succeeding tax period. In other words, GSTR-1 of a month/quarter can be filed any time between 1st and 10th day of the succeeding month/quarter. The due date of filing GSTR-1 may be extended by the Commissioner/ Commissioner of State GST/ Commissioner of UTGST for a class of taxable persons by way of a notification.

The time limit for furnishing the details of outward supplies in Form GSTR-1 is extended[3] as follows:

Class of registered person	Time limit for furnishing the details of outward supplies in Form GSTR-1 for each quarter/month
Registered persons opting for QRMP scheme[4]	**13th day** of the month succeeding such quarter
Others	**11th day** of the month succeeding such month

[3] vide Notification No. 83/2020 CT dated 10.11.2020

[4] QRMP scheme - a Quarterly Return scheme where payment has to be made on monthly basis - has been discussed in detail subsequently in this chapter.

(iv) Invoice Furnishing Facility [IFF] for taxpayers opting for QRMP Scheme [Sub-rules (2) and (3) of rule 59]

Invoice Furnishing Facility (IFF) is a facility provided to quarterly taxpayers who are in QRMP scheme, to file their details of outward supplies in first two months of the quarter, to pass on the credit to their recipients.

Invoice furnishing facility (IFF) is not mandatory, but an optional facility made available to the registered persons under the QRMP scheme. At his option, a registered person may choose to furnish the details of outward supplies made during a quarter in Form GSTR-1 only, without using the IFF.

The facility of furnishing details of invoices in IFF has been provided so as to allow details of such supplies to be duly reflected in the Form GSTR-2A and Form GSTR-2B of the concerned recipient. Otherwise, in case where a buyer has made purchases from a person opting for QRMP scheme, he could not have claimed full ITC but due to introduction of IFF, such delay will not occur as the details submitted using IFF will be reflected in the GSTR-2A, GSTR-2B, GSTR-4A[5] or GSTR-6A[6] of the recipients, as the case may be.

Taxpayers opting for QRMP Scheme may furnish the details of such outward supplies to a registered person, as he may consider necessary, for the 1^{st} and 2^{nd} months of a quarter, upto a cumulative value of ₹ 50 lakh in each of the first 2 months of the quarter using IFF electronically on the common portal. However, invoices pertaining to last month of a quarter are to be uploaded in GSTR-1 only.

The invoices are to be furnished in IFF till the 13^{th} day of the succeeding month. After 13^{th} of the month, this facility for furnishing IFF for previous month would not be available.

(1) The facility for the month of January will expire by 13th of February.

As a facilitation measure, continuous upload of invoices would also be provided for the registered persons wherein they can save the invoices in IFF

[5] *Form GSTR-4A is the system generated statement of inward supplies of a composition supplier. It has been discussed subsequently in this chapter.*

[6] *Form GSTR-6A is the system generated statement of inward supplies of an ISD. It has been discussed subsequently in this chapter.*

from the 1st day of the month till 13th day of the succeeding month. The said facility would however be available, say for the month of July, from 1st August till 13th August. Similarly, for the month of August, the said facility will be available from 1st September till 13th September[7].

The details of invoices furnished using IFF in the first 2 months of the quarter are not required to be furnished again in GSTR-1 for the said quarter.

(2) A registered person who has availed the QRMP scheme wants to declare 2 invoices out of the total 10 invoices issued in the 1st month of quarter since the recipient of supplies covered by those 2 invoices desires to avail ITC in that month itself. Details of these 2 invoices may be furnished using IFF.

The details of the remaining 8 invoices shall be furnished in Form GSTR-1 of the said quarter. The two invoices furnished in IFF shall be reflected in Form GSTR-2B of the concerned recipient of the 1st month of the quarter and remaining 8 invoices furnished in Form GSTR-1 shall be reflected in Form GSTR-2B of the concerned recipient of the last month of the quarter.

There will be no late fee applicable on late filing of IFF, as IFF is neither mandatory nor allowed to be filed after the due date. However, if a registered person does not opt to upload invoices using IFF, then he has to upload invoice details for all the 3 months of the quarter in Form GSTR-1.

(v) What are the cases where a registered person is debarred from furnishing details of outward supplies in GSTR-1/IFF? [Section 37(4) read with rule 59(6)]

A registered person shall not be allowed to furnish the details of outward supplies for a tax period, if the details of outward supplies for any of the previous tax periods has not been furnished by him.

However, the Government may, on the recommendations of the Council, by notification, subject to such conditions and restrictions as may be

[7] *Circular No. 143/13/2020 GST dated 10.11.2020*

specified therein, allow a registered person or a class of registered persons to furnish the details of outward supplies, even if he has not furnished the details of outward supplies for one or more previous tax periods [Section 37(4)].

In this regard, rule 59(6) stipulates that:

(i) a registered person shall not be allowed to furnish the details of outward supplies in Form GSTR-1, if he has **not furnished** the return in **Form GSTR-3B *for the preceding month***.

(ii) a registered person, opting for QRMP scheme shall not be allowed to furnish the details of outward supplies in Form GSTR-1 or using IFF, if he has **not furnished the return in Form GSTR-3B for preceding tax period**.

(iii) a registered person, to whom an intimation has been issued on the common portal under the provisions of rule 88C(1) in respect of a tax period, shall not be allowed to furnish the details of outward supplies Form GSTR-1 or using IFF for a subsequent tax period, unless he has either deposited the amount specified in the said intimation or has furnished a reply explaining the reasons for any amount remaining unpaid, as required under the provisions of rule 88C(2). Rule 88C has been discussed subsequently in this chapter.

A taxpayer cannot file GSTR-1 before the end of the current tax period.

However, following are the exceptions to this rule:

a. Casual taxpayers, after the closure of their business

b. Cancellation of GSTIN of a normal taxpayer

A taxpayer who has applied for cancellation of registration will be allowed to file GSTR-1 after confirming receipt of the application.

(vi) What are the contents of GSTR-1?

CONTENTS OF GSTR- 1

Basic & Other Details

- GSTIN
- Legal name
- Trade name, if any
- Aggregate turnover in previous year
- Year and Month
- HSN-wise summary of outward supplies
- Details of documents issued during the tax period

Details of Outward Supplies

- B2B including UIN holders
- B2C inter-State supplies where invoice value > ₹ 2.5 lakh
- Consolidated details of other B2C supplies
- Zero rated and 32
- Deemed exports
- Debit/ Credit notes issued
- Nil rated/ Exempted/ Non-GST
- Amendments for prior period
- Advances received/advances adjusted

GST is a destination-based consumption tax. Hence, the tax revenue is transferred to the State which is the place of supply[8] of the particular transaction. Since, the place of supply is crucial for determining the share of every State in the tax revenue, GSTR-1 also captures information relating to place of supply.

(vii) What kind of details of outward supplies are required to be furnished in GSTR-1 and IFF? [Explanation to section 37 read with sub-rules (4) and (5) of rule 59]

Uploading of invoices in IFF and GSTR-1 depends on whether the supply is B2B or B2C. Further, uploading of invoice in GSTR-1 also depends on whether

[8] *Principles determining the place of supply have been discussed in detail in Chapter 3 – Place of Supply in Module 1 of this Study Material.*

the supply is intra-State or inter-State. Let us first understand what is B2B supply and what is B2C supply?

B2B means business to business transaction. In such type of transactions, the recipient is also a registered supplier and hence, takes ITC.

B2C means business to consumer transaction. In such type of transactions, the recipient is consumer or unregistered and hence, will not take or cannot take ITC.

(A) Details of outward supplies required to be furnished in IFF

In the IFF, the registered person has to submit the B2B (business to business) invoice details of both inter-State and intra-State supply transactions along with debit and credit notes of the B2B invoices issued during the month.

The details of outward supplies furnished using IFF shall include the –

(a) invoice wise details of inter-State and intra-State supplies made to the registered persons;

(b) debit and credit notes, if any, issued during the month for such invoices issued previously.

From the above discussion, it can be inferred that IFF shall include **invoices pertaining to B2B supplies** irrespective of whether they are intra-State or inter- State supplies. This is so because the recipients will take ITC basis such invoices.

(B) Details of outward supplies required to be furnished in GSTR-1

The registered person is required to furnish details of invoices and revised invoices issued in relation to supplies made by him **to**

registered and unregistered persons (i.e. B2B as well as B2C supplies) and debit notes and credit notes in GSTR-1 in the following manner:

Sl. No.	Invoice-wise details of ALL	Consolidated details of ALL	Debit and credit notes
(i)	Inter-State and Intra-State supplies made to registered persons, i.e. B2B supplies.	Intra-State supplies made to unregistered persons for each rate of tax	Issued during the month for invoices issued previously
(ii)	Inter-State supplies made to unregistered persons with invoice value exceeding ₹ 2,50,000, i.e. B2C supplies	Inter-State supplies made to unregistered persons with invoice value upto ₹ 2,50,000 for each rate of tax separately for each State	

Form above discussion, it can be inferred that for B2B supplies, all invoices need to be uploaded in GSTR-1 irrespective of whether they are intra-State or inter- State supplies. This is so because the recipient will take ITC basis such invoices.

For B2C supplies, uploading in general is not required as the buyer will not be taking ITC. However, still in order to implement the destination-based principle, invoices of value more than ₹ 2.5 lakh in inter-State B2C supplies need to be uploaded. For inter-State B2C invoices upto ₹ 2.5 lakh, State wise summary is sufficient and for all intra-State B2C invoices, only consolidated details need to be given.

example

(3) Mr. XY makes intra-State taxable supplies for ₹ 10,000 and ₹ 50,000 to Mr. AB, a registered person and ₹ 2,60,000 to Mr. DE, an unregistered person. He also makes inter-State taxable supplies for ₹ 2,60,000 and ₹ 45,000 to Mr. RS, a registered person and ₹ 1,50,000 to Mr. OP, an unregistered person.

Mr. XY will report invoice-wise details of, intra-State supplies made to Mr. AB and inter-State supplies made to Mr. RS, in GSTR-1 to be filed by him.

Invoices related details can be uploaded any time during the tax period and not just at the time of filing of IFF/ GSTR-1.

Details related to invoices can be modified/deleted any number of times till the submission of IFF/ GSTR-1 of a tax period. The uploaded invoice details are in a draft version till the time IFF/GSTR-1 is submitted and can be changed irrespective of due date.

Scanned copies of invoices are not required to be uploaded. Only certain prescribed fields of information from invoices need to be furnished e.g., invoice no., date, value, taxable value, rate of tax, amount of tax etc. In case there is no consideration, but the activity is a supply by virtue of Schedule I of CGST Act, the taxable value will have to be worked out as prescribed and furnished.

Description of each item in the invoice need not be furnished. Only HSN (Harmonized System of Nomenclature) code in respect of supply of goods and accounting code in respect of supply of services need to be fed.

Indication of HSN details

The minimum number of digits of HSN code that a filer has to upload depend on his turnover in the last year.

HSN or HS (Harmonized Commodity Description and Coding System) is a standardized system of nomenclature of different goods developed by World Customs Organization, which is accepted globally. HSN uses 6-digits uniform codes to classify different goods. India uses 8-digits codes for more specific and precise classification.

The tax payer will be required to report HSN in GSTR-1 as under[9]:

Aggregate Annual turnover in the preceding financial year	**Number of Digits of HSN Code**
Upto ₹ 5 crore	For B2B supply - 4 For B2C supply – 4 (optional)
More than ₹ 5 crore	6

(4) The aggregate turnover of Yellow Lemon Pvt. Ltd., Red Pepper Pvt. Ltd. and Blue Berry Pvt. Ltd. in the previous financial year are ₹ 1.5 crore, ₹ 4.8 crore and ₹ 6 crore respectively. While Yellow Lemon Pvt. Ltd. and Red Pepper Pvt. Ltd. will be required to upload 4 digits of HSN code of the goods sold to registered persons, uploading of 4 digits HSN code will be optional for the two companies when the goods are sold to unregistered persons. Blue Berry Pvt. Ltd. will have to upload 6 digits of HSN code of goods sold by it.

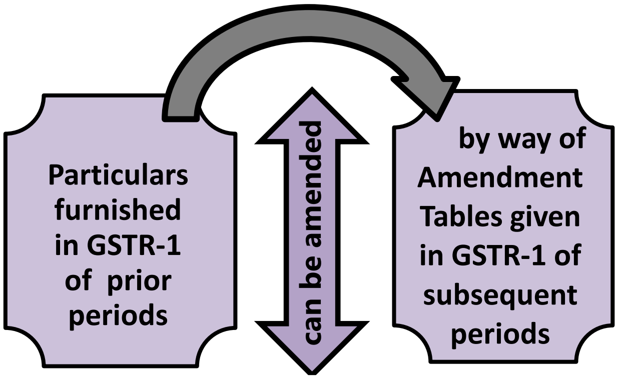
(vii) How are the details of outward supply furnished in prior periods amended? [Section 37(3)]

(a) Scope of amendment/ correction entries

Tables 9, 10 and 11(II) of GSTR-1 provide for amendments in details of taxable outward supplies furnished in earlier periods (hereinafter referred to as "Amendment Table"). The details of original debit notes/ credit notes / refund vouchers issued by the tax-payer in the current tax period as also the revision in the debit notes/ credit notes / refund vouchers issued in the earlier tax periods are required to be shown in Table 9 of the GSTR-1.

Ordinarily, in Amendment Table, the supplier is required to give details of original invoice (No and Date), the particulars of which have been wrongly entered in GSTR-1 of the earlier months and are now sought to be amended.

[9] *Notification No. 78/2020 CT dated 15.10.2020*



(b) Rectification of errors

If the supplier discovers any error or omission, he shall rectify the same in the tax period during which such error or omission is noticed, and pay the tax and interest, if any, in case there is short payment, in the return to be furnished for such tax period.

(5) A supplier discovers a mistake in details of the invoice furnished in GSTR-1 for the month of August, in October. He can rectify the said mistake in the GSTR-1 for the month of October.

(c) Time limit for rectification

In above example, suppose for some reason, supplier could not make correction at the time of filing of GSTR-1 for the month of October then he can make such amendments in the subsequent periods. However, the maximum time limit within which such amendments are permissible is earlier of the following dates:

- ***30th day of November*** following the end of the financial year to which such details pertain or
- Date of filing of the relevant annual return

(6) An entity has furnished the annual return for the previous financial year on 15th August in the current financial year. An error is discovered in respect of a transaction pertaining to the month of November of the previous financial year. In this case, any error pertaining to the transaction in the month of November of the previous financial year cannot be rectified beyond 15th August in the current financial year.

It may be noted that, the expression 'due date' is missing in time limit prescribed for making amendments u/s 37(3) [GSTR-1]. Therefore, such date apparently means actual date of filing and not the due date.

(viii) Nil GSTR-1 [Rule 67A]

Filing of GSTR-1 is mandatory for all normal and casual taxpayers, even if there is no business activity in any particular tax period. For such tax period(s), a Nil GSTR-1 is required to be filed as prescribed under rule 67A.

A Nil GSTR-1 does not have any entry. For example, a Nil GSTR-1 for a tax period cannot be filed, if the taxpayer has made any outward supply (including exempt, nil rated or non-GST supplies), or it has received supplies on which tax is payable under reverse charge or an amendment needs to be made to any of the supplies declared in an earlier return or any credit or debit notes is to be declared / amended etc.

A Nil GSTR-1 can be filed through an SMS using the registered mobile number of the taxpayer. GSTR-1 submitted through SMS is verified by registered mobile number-based OTP facility.

A taxpayer can file Nil GSTR-1, anytime from 1st day of the month subsequent of the tax period. For example, GSTR-1 for the calendar month of April, can be filed from 1st May onwards. GSTR-1 for the quarter of April to June can be filed from 1st July onwards.

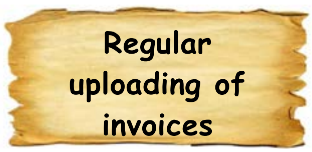
✪ ***Taxpayer opting for voluntary cancellation of GSTIN has to file GSTR-1 for active period.***

✪ ***In cases where a taxpayer has been converted from a normal taxpayer to composition taxpayer at the beginning of any financial year, GSTR-1 will be available for filing only for the period during which the taxpayer was registered as normal taxpayer. The GSTR-1 for the said period, even if filed with delay would accept invoices for the period prior to conversion.***

What are the precautions that a taxpayer is required to take for a hassle-free compliance under GST?

One of the most important things under GST is the timely uploading of the details of outward supplies in GSTR-1. How best this can be ensured will depend on the number of B2B invoices that the taxpayer issues.

If the number is small, the taxpayer can upload all the information in one go. However, if the number of invoices is large, the invoices (or debit/ credit notes) should be uploaded on a regular basis.



GST common portal allows regular uploading of details of invoices. Till the return is actually submitted, the system also allows the taxpayer to modify the uploaded invoices' details. Therefore, it would always be beneficial for the taxpayers to regularly upload the invoices.

Last minute rush makes uploading difficult and comes with higher risk of possible failure and default. For bulk uploading of invoices, offline utilities or ERP software can be used.

The second thing would be to ensure that taxpayers follow up on uploading the invoices of their inward supplies by their suppliers. This would be helpful in ensuring that the ITC is available without any hassle and delay.

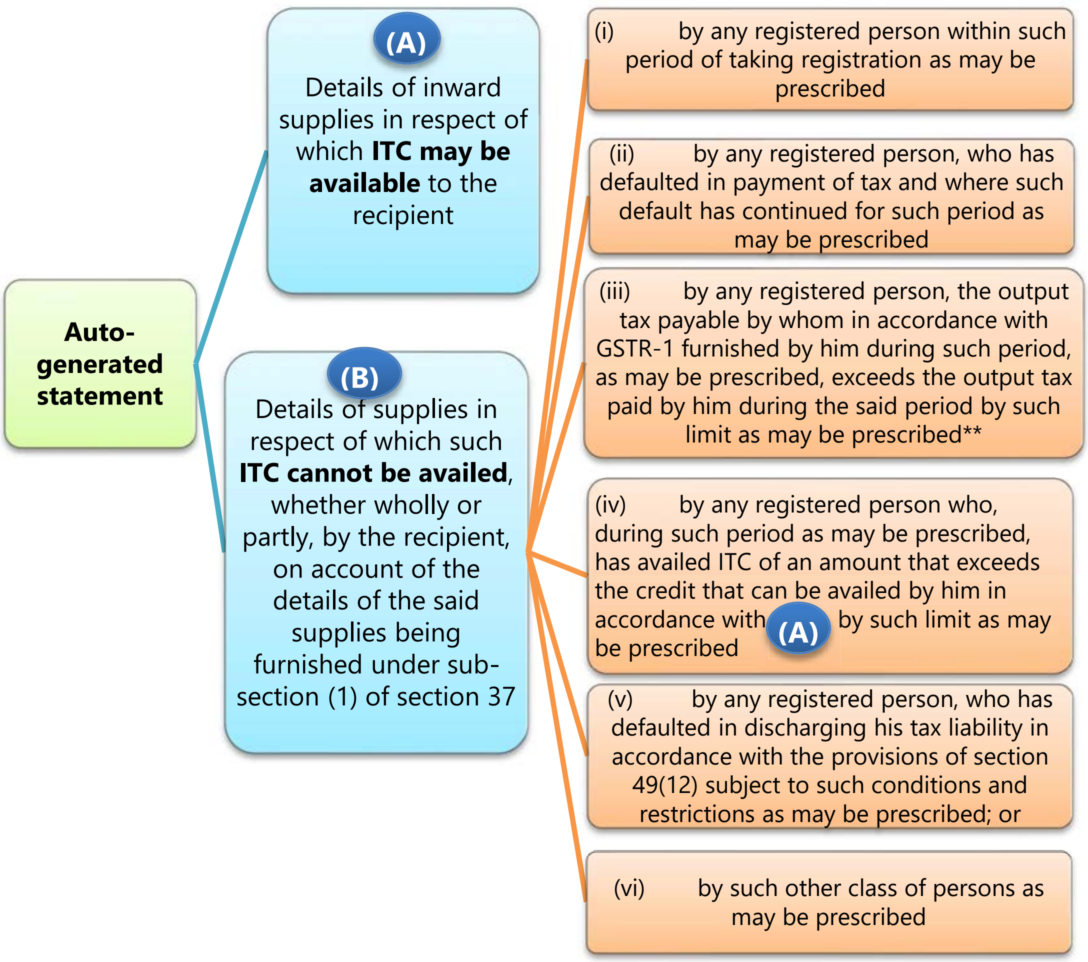
Recipients can also encourage their suppliers to upload their invoices on a regular basis instead of doing it on or close to the due date. The system would allow recipients to see if their suppliers have uploaded invoices pertaining to them.

(ix) Maximum time-limit for furnishing Form GSTR-1 [Section 37(5)]

Maximum time-limit upto which a registered person can furnish the details of outward supplies in Form GSTR-1 for a tax period is 3 years from the due date of furnishing such details. This time limit can be extended by the Government for a registered person or a class of registered persons subject to such conditions and restrictions as may be specified therein.

4. COMMUNICATION OF DETAILS OF INWARD SUPLIES AND INPUT TAX CREDIT [SECTION 38 READ WITH RULE 60]

The details of outward supplies furnished by the registered persons under section 37(1) and of such other supplies as may be prescribed, and an Auto-Generated Statement containing the details of ITC shall be made available electronically to the recipients of such supplies in such form and manner, within such time, and subject to such conditions and restrictions as may be prescribed.



*****Rule 88C provides the mechanism for dealing with difference in liability reported in statement of outward supplies between Form GSTR-1 and***

Form GSTR-3B. Accordingly, where the tax liability as per Form GSTR-1 for a tax period exceeds the tax liability as per Form GSTR-3B for that period by more than a specified extent, the registered person would be intimated on the portal of such difference and be directed to either (i) pay the differential tax liability along with interest, or (ii) explain the difference, within 7 days' period.

Unless the taxpayer either deposits the amount specified in the said intimation or furnishes a reply explaining the reasons for any amount remaining unpaid, such a person should not be allowed to file Form GSTR-1/ IFF for the subsequent tax period.

Rule 88C reads as follows:

Where the tax payable by a registered person, in accordance with the statement of outward supplies furnished by him in Form GSTR-1 or using the IFF in respect of a tax period, exceeds the amount of tax payable by such person in accordance with the return for that period furnished by him in Form GSTR-3B, by such amount and such percentage, as may be recommended by the Council, the said registered person shall be intimated of such difference.

Such registered person shall be intimated in prescribed form, electronically on the common portal, and a copy of such intimation shall also be sent to his e-mail address*.

In said intimation, the said difference between GSTR-1 and GSTR-3B will be highlighted and he will be directed to:

(a) pay the differential tax liability, along with interest under section 50, through prescribed form; or

(b) explain the aforesaid difference in tax payable on the common portal,

within a period of 7 days.

****email address which registered person has provided at the time of registration or as amended from time to time***

Such registered person shall, upon receipt of the aforesaid intimation, either:

(a) pay the amount of the differential tax liability, as specified in intimation, fully or partially, along with interest under section 50, and furnish the details thereof electronically on the common portal; or

(b) ***furnish a reply electronically on the common portal, incorporating reasons in respect of that part of the differential tax liability that has remained unpaid, if any,***

within the period of 7 days.

Where any amount specified in the said intimation remains unpaid within 7 days' period and where no explanation or reason is furnished by the registered person in default or where the explanation or reason furnished by such person is not found to be acceptable by the proper officer, the said amount shall be recoverable in accordance with the provisions of section 79[10].

Form and manner of ascertaining details of inward supplies – GSTR-2A and GSTR-2B [Rule 60]

Form GSTR-2A

GSTR-2A

Form GSTR-2A - is a system generated read only statement of inward supplies for a recipient. This statement is **updated on a real time basis**.

Details of outward supplies furnished by the supplier in Form GSTR-1 or using the IFF is made available electronically to the concerned registered persons (recipients) in Form GSTR-2A. Further, Form GSTR-4A is the system generated statement of inward supplies for composition taxpayer. System generated statement of inward supplies for an ISD is GSTR-6A.

Details of invoices furnished by a non-resident taxable person (NRTP) in Form GSTR-5, details of invoices furnished by an ISD in Form GSTR-6, details of TDS by deductor furnished in Form GSTR-7 and details of TCS by an e-commerce operator furnished in Form GSTR-8[11], are made available to the recipient, deductee or concerned person, in Form GSTR-2A.

Further, details of the IGST paid on the import of goods or goods brought in DTA from SEZ unit/developer on a bill of entry are also made available in Form GSTR-2A.

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[10] Section 79 provides the provisions relating to recovery of tax. Same has been discussed in detail in Chapter 19 – Demands and Recovery in Module 3 of this Study Material.
[11] Form GSTR-8 has been discussed in detail in Chapter 12 – E-Commerce Transactions in this Module of the Study Material.

The details become available to the recipient for view/download and are updated incrementally as and when supplier(s) upload or change details in their respective form of return/statement, for the given tax period.

Form GSTR-2B

Form GSTR-2B – an **auto-generated statement** containing the details of eligible ITC - is made available to the registered person (recipient) for every month.

GSTR-2B

It is a **static statement** and is available only once a month.

It consists of –

(i) the details of outward supplies furnished by the suppliers in Form GSTR-1, other than a supplier who has opted for QRMP scheme, between the day immediately after the due date of furnishing of Form GSTR-1 for the previous month to the due date of furnishing of Form GSTR-1 for the month.

(ii) the details of invoices furnished by a non-resident taxable person in GSTR-5, details of invoices furnished by an ISD in his return in GSTR-6 and the details of outward supplies furnished by his supplier who has opted for QRMP scheme, in Form GSTR-1 or using the IFF, as the case may be,-

  (a) **for the 1st month of the quarter**, between the day immediately after the due date of furnishing of Form GSTR-1 for the preceding quarter to the due date of furnishing details using the IFF for the 1st month of the quarter;

  (b) **for the 2nd month of the quarter**, between the day immediately after the due date of furnishing details using the IFF for the 1st month of the quarter to the due date of furnishing details using the IFF for the 2nd month of the quarter;

  (c) **for the 3rd month of the quarter**, between the day immediately after the due date of furnishing of details using the IFF for the 2nd month of the quarter to the due date of furnishing of Form GSTR-1 for the quarter.

(iii) the details of IGST paid on the import of goods or goods brought in the DTA from SEZ unit/developer on a bill of entry in the month.

Form GSTR-2B consists of all documents filed by suppliers/ISD in their Form GSTR-1, 5 & 6, between the cut-off dates. It also consists of import data for the period which are received within 13th of the succeeding month.

In case of monthly Form GSTR-1, the cut-off date is 00:00 hours on 12th of the relevant month to 23:59 hours, on 11th of the succeeding month. Whereas for quarterly Form GSTR-1/IFF, Form GSTR-5 and Form GSTR-6, the cut-off date is 00:00 hours on 14th day of relevant month to 23:59 hours, on 13th day of succeeding month.

The details filed in Form GSTR-1 & 5 (by supplier) & Form GSTR-6 (by ISD) would reflect in the next open Form GSTR-2B of the recipient irrespective of supplier's/ISD's date of filing.

example

(7) If a supplier opting for QRMP files an invoice dated 15th July on 13th August, it will get reflected in GSTR-2B of July (generated on 14th August).

The statement in Form GSTR-2B for every month shall be made available to the registered person,-

(a) for the 1st and 2nd month of a quarter, a day after the due date of furnishing of details of outward supplies for the said month,

- in the IFF by a registered person opting for QRMP, or
- in Form GSTR-1 by a registered person other than opting for QRMP,

whichever is later.

(b) in the 3rd month of the quarter, a day after the due date of furnishing of details of outward supplies for the said month, in Form GSTR-1 by a registered person opting for QRMP.

example

(8) For the quarter July-September, Form GSTR-2B for a registered person (recipient) who has received supplies from QRMP suppliers as well as from other suppliers will be generated as follows:

Month	Date of generation of GSTR 2B
July	14th August

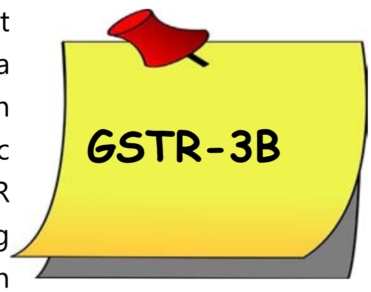
August	14th September
September	14th October

5. FURNISHING OF RETURNS UNDER SECTION 39

1. GSTR-3B [Section 39(1) read with rule 61 & 61A]

(a) Person eligible to file return [Section 39(1)]

Section 39(1) prescribes a monthly return for every registered person, other than an input service distributor or a non-resident taxable person or a composition taxpayer, a person deducting tax at source, a person collecting tax at source, i.e. an electronic commerce operator and supplier of OIDAR services located in non-taxable territory providing such services to non-taxable online recipient in such form and manner, and within such time, as may be prescribed.



However, the Government may, on the recommendations of the Council, notify certain class of registered persons who shall furnish a return for every quarter or part thereof, subject to the specified conditions and restrictions. Under this proviso, QRMP scheme has been notified which has been discussed in subsequent paras.

(b) Return to be filed in Form GSTR-3B

GSTR-3B is the form prescribed for filing return under section 39. It contains summary of outward supplies, inward supplies liable to reverse charge, eligible ITC, payment of tax etc. Thus, GSTR-3B does not require invoice-wise data of outward supplies.

GSTR-3B can be submitted electronically through the common portal, either directly or through a Facilitation Centre notified by the Commissioner. Further, a Nil GSTR-3B can be filed through an SMS using the registered mobile number of the taxpayer. GSTR-3B can be filed monthly or quarterly.

(c) Due date for filing return

(1) Monthly GSTR-3B -on or before **20th of the month** succeeding the month for which return is furnished.

(2) Quarterly GSTR-3B- on or before **22nd or 24th of the month** succeeding the quarter for which return is furnished in case of a taxpayer opting for QRMP scheme - *(discussed below).*

(d) Quarterly Return Monthly Payment (QRMP) Scheme

Quarterly Return Monthly Payment (QRMP) Scheme is a trade facilitation measure which further eases the process of doing business.

Quarterly Return

Monthly payment

QRMP Scheme is an **optional return filing scheme**, introduced for small taxpayers having aggregate annual turnover (PAN based) of upto ₹ 5 crore in the preceding financial year to **furnish their Form GSTR-1 and Form GSTR-3B on a quarterly basis while paying their tax on a monthly basis** through a simple challan.

This will significantly reduce the compliance burden on such taxpayers as now the taxpayers need to file only 4 GSTR-3B returns instead of 12 GSTR-3B returns in a year. Similarly, they would be required to file only 4 GSTR-1 returns since Invoice Filing Facility (IFF) is provided under this scheme.

QRMP scheme is GSTIN wise

Opting of QRMP scheme is GSTIN wise. Distinct persons can avail QRMP scheme option for one or more GSTINs. It implies that some GSTINs for a PAN can opt for the QRMP scheme and remaining GSTINs may not opt for the said scheme.

(A) Eligibility for QRMP scheme

Registered persons[12], having an **aggregate turnover up to ₹ 5 crore** in the preceding financial year, and who have opted to furnish quarterly

[12] other than supplier of online information and database access or retrieval services (OIDAR) located in non-taxable territory and providing such services to a non-taxable online recipient

return under QRMP scheme[13] as the class of persons who shall **furnish a return for every quarter and pay the tax due every month[14].**

Thus, the taxpayers whose aggregate turnover is up to ₹ 5 crore in the preceding financial year are eligible for QRMP scheme. For computing aggregate turnover, details furnished in returns for tax periods in the preceding financial year shall be taken into account.

Condition to be fulfilled for becoming eligible to opt for QRMP scheme

Registered persons under QRMP scheme must have furnished the return for the preceding month, as due on the date of exercising such option. A registered person shall not be eligible to opt for QRMP scheme if he has not **furnished the last return due on the date of exercising such option**.

(9) If a registered person intending to avail of QRMP scheme for the quarter 'July to September' is exercising his option on 27th July for the said quarter, he must have furnished the return for the month of June which was due on 20th July.

(B) Manner of exercising option of QRMP scheme

A registered person intending to opt for QRMP scheme for any quarter shall indicate his preference for furnishing of return on a quarterly basis from 1st day of the 2nd month of the preceding quarter till the last day of the 1st month of the quarter for which the option is being exercised.

(10) A registered person intending to avail of QRMP scheme for the quarter 'July to September' can exercise his option from 1st May to 31st July.

No need to exercise option every quarter

Registered persons under QRMP scheme are not required to exercise the option every quarter. Where such option has been exercised once,

[13] *opted under rule 61A of the CGST Rules, 2017*

[14] *in accordance with the first proviso to section 39(7)*

they shall continue to furnish the return as per the selected option for future tax periods, unless they revise the said option.

Further, where such option has been exercised once, the said registered person shall continue to furnish the return on a quarterly basis for future tax periods, unless he–

(a) becomes ineligible for this scheme as per the conditions and restrictions notified in this regard; or

(b) opts for furnishing of return on a monthly basis, electronically, on the common portal.

(C) Option of QRMP scheme to lapse

In case where a registered person's aggregate turnover crosses ₹ 5 crore during a quarter in a financial year, he shall not be eligible for furnishing of return on quarterly basis from the first month of the succeeding quarter. He shall opt for furnishing of return on a monthly basis, electronically, on the common portal, from the first month of the quarter, succeeding the quarter during which his aggregate turnover exceeds ₹ 5 crore.

The facility for opting out of the scheme for a quarter will be available from 1st day of 2nd month of preceding quarter to the last day of the 1st month of the quarter.

(D) Form and manner of filing return – GSTR-3B under QRMP scheme

Due date for filing return in case of a taxpayer opting for QRMP scheme - Quarterly GSTR-3B **on or before 22nd or 24th of the month** succeeding the quarter for which return is furnished (Refer the Table given below for details**).

****Due dates for taxpayers opting for QRMP scheme**

Class of registered persons	Due date
Registered persons whose principal place of business is in the States of Chhattisgarh, Madhya Pradesh, Gujarat, Maharashtra,	**22nd day** of the month

Karnataka, Goa, Kerala, Tamil Nadu, Telangana, Andhra Pradesh, Union territories of Daman & Diu & Dadra & Nagar Haveli, Puducherry, Andaman and Nicobar Islands or Lakshadweep.	succeeding such quarter.
Registered persons whose principal place of business is in the States of Himachal Pradesh, Punjab, Uttarakhand, Haryana, Rajasthan, Uttar Pradesh, Bihar, Sikkim, Arunachal Pradesh, Nagaland, Manipur, Mizoram, Tripura, Meghalaya, Assam, West Bengal, Jharkhand or Odisha, the Union territories of Jammu and Kashmir, Ladakh, Chandigarh or Delhi.	**24th day** of the month succeeding such quarter.

(e) Nil GSTR-3B

Filing of GSTR-3B is mandatory for all normal and casual taxpayers, even if there is no business activity in any particular tax period. For such tax period(s), a Nil GSTR-3B is required to be filed.

A Nil GSTR-3B does not have any entry in any of its tables. For example, a Nil GSTR-3B for a tax period cannot be filed, if the taxpayer has made any outward supply (including nil-rated, exempt or non-GST supplies) or has received any supplies which are taxable under reverse charge or it intends to take ITC etc.

A Nil GSTR-3B can be filed through an SMS using the registered mobile number of the taxpayer. GSTR-3B submitted through SMS is verified by registered mobile number-based OTP facility.

A taxpayer may file Nil GSTR-3B, anytime on or after the 1st day of the subsequent month/quarter for which the return is being filed for.

(f) Maximum time-limit for furnishing Form GSTR-3B [Section 39(11)]

Maximum time-limit upto which a registered person can furnish the return in Form GSTR-3B for a tax period is 3 years from the due date of furnishing such return. This time limit can be extended by the

Government for a registered person or a class of registered persons subject to such conditions and restrictions as may be specified therein.

(f) Broad contents of GSTR-3B

The broad contents of GSTR-3B are given below

CONTENTS OF GSTR- 3B

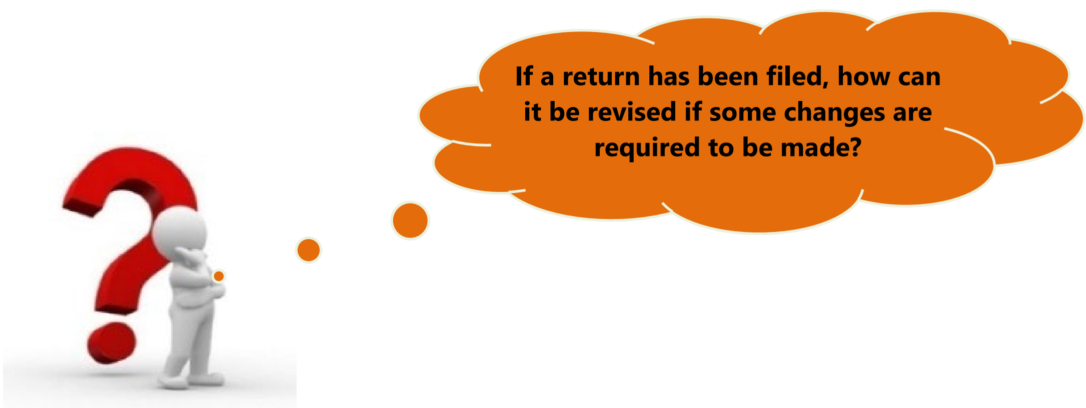
Basic Details

- **GSTIN**
- **Legal name of the registered person**
- **Year and Month/ Quarter**

Other details relating to supplies

- **Summarised details of outward supplies and inward supplies liable to reverse charge**
- **Summarised details of inter-State supplies made to unregistered persons, composition taxable persons and UIN holders**
- **Eligible and ineligible ITC**
- **Values of exempt, nil-rated and non-GST inward supplies**
- **Payment of tax**
- **TDS/TCS credit**

(g) Rectification of errors/omissions [Section 39(9)]



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 allows 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- 3B in the tables specifically provided therein for the purposes of amending previously declared details.

Omission or incorrect particulars discovered in the returns filed u/s 39 (including return filed by a composition supplier, return for TDS, ISD return and return by NRTP) can be rectified in the return to be filed for the tax period during which such omission or incorrect particulars are noticed.

Any tax payable as a result of such error or omission will be required to be paid along with interest.

Exception

It is important to note that section 39(9) does not permit rectification of error or omission discovered on account of scrutiny, audit, inspection or enforcement activities by tax authorities.

Hence, taxpayer may not be able to pass on the ITC to the receiver in respect of tax payments made by him in pursuance of any of the aforementioned situations.

Time limit for making rectification

The maximum time limit within which the rectification of errors/omissions is permissible is earlier of the following dates:

- ***30th day of November*** following the end of the financial year to which such details pertain or
- Actual date of filing of the relevant annual return

The last date of filing of annual return for a financial year is 31st December of next financial year.

Hence, if annual return for a financial year is filed before 30th November (of next financial year), then no rectification of errors/omissions in returns pertaining to the said financial year would be permitted thereafter.

> ✪ ***A return furnished under section 39(1) on which self-assessed tax has been paid in full is considered as a valid return.***
>
> ✪ ***Filing of returns for current month is possible only when returns for any of the previous tax periods and GSTR-1 for the said tax period has been furnished by him[15].***
>
> ✪ ***A taxpayer needs to electronically sign the submitted returns otherwise it will be considered not-filed.***
>
> ✪ ***Taxpayers can electronically sign their returns using a DSC (mandatory for all types of companies and LLPs), E-sign (Aadhaar-based OTP verification), or EVC (Electronic Verification Code sent to the registered mobile number of the authorized signatory).***

2. GSTR-4 – Return for composition supplier [Section 39(2) and second proviso to section 39(7) read with rule 62]

(a) Person eligible to file return, periodicity and form of return

A registered person paying tax under composition levy (provisions of section 10), shall, for each financial year or part thereof, furnish a return, electronically, of turnover in the State or Union territory, inward

[15] *The Government may, on the recommendations of the Council, by notification, subject to such conditions and restrictions as may be specified therein, allow a registered person or a class of registered persons to furnish the return, even if he has not furnished the returns for one or more previous tax periods or has not furnished the details of outward supplies under sub-section (1) of section 37 for the said tax period [Proviso to section 39(10)].*

supplies of goods and/or services, tax payable, tax paid and such other particulars in such form and manner, and within such time, as may be prescribed.

A composition supplier is required to file a return on yearly basis in **Form GSTR-4.**

GSTR-4 for a financial year or part of a financial year should be filed electronically through the common portal either directly or through a Facilitation Centre notified by the Commissioner.

Quarterly statement for payment of self-assessed tax

Every composition supplier shall pay to the Government, the tax due taking into account turnover in the State or Union territory, inward supplies of goods or services or both, tax payable, and such other particulars during a quarter, in such form and manner, and within such time, as may be prescribed.

The composition supplier are required to furnish a statement in the **Form GST CMP-08** containing details of payment of **self-assessed tax**, for every quarter (or part of the quarter), by 18th day of the month succeeding such quarter.

While a composition supplier is required to file the return GSTR-4 yearly, he is required to pay the tax quarterly.

(b) Due date for filing Form GSTR-4 and Form GST CMP-08

GSTR-4 for a financial year should be furnished by 30th April of the succeeding financial year.

Due date of filing GSTR-4 for a financial year → **By 30th day of April following the end of such financial year**

GST CMP-08 (quarterly statement for payment of self-assessed tax) should be furnished by 18th day of the month succeeding such quarter.

Due date of filing GST CMP-08 for a quarter → **By 18th day of the month succeeding such quarter**

(c) What kind of details of outward supplies are required to be furnished in GSTR-4?

GSTR-4 shall include the—

(a) invoice-wise inter-State and intra-State inward supplies received from registered and unregistered persons; and

(b) consolidated details of outward supplies made.

(d) Auto-population of inward supplies

The inward supplies of a composition supplier received from registered persons filing GSTR-1 will be auto populated in **Form GSTR-4A** for viewing.

The broad contents of GSTR-4 are given below.

CONTENTS OF GSTR- 4

Basic & Other Details	Details regarding Inward and Outward Supplies
• GSTIN • Legal name and Trade name • TDS/TCS credit received [Table 7] • Tax, interest, late fee payable and paid [Table 8] • Refund claimed from Electronic cash ledger [Table 9]	• Invoice-wise details of all inward supplies (i.e., intra and inter-State supplies and from registered and unregistered persons) including reverse charge supplies and import of services [Table 4] • Summary of self-assessed liability as per GST CMP-08 (Net of advances, credit & debit notes and any other adjustments due to amendments etc.) [Table 5] • Tax rate wise details of outward supplies/inward supplies attracting reverse charge (Net of advances, credit & debit notes and any other adjustments due to amendments etc.) - Consolidated details of outward supplies [Table 6]

Consolidated details of outward supplies

Composition taxpayers are neither entitled for any ITC nor entitled to pass on any ITC to its customers. Therefore, composition taxpayers are required to provide consolidated details of outward supplies in GSTR-4 (Table 6) and not invoice-wise details. However, details of inter-State and intra-State inward supplies received from registered and un-registered persons are to be provided invoice-wise (Table 4).

- **Discharge of Tax liability**

  Since composition suppliers are not eligible to take ITC, they discharge their tax liability only by debiting electronic cash ledger.

(e) Nil GST CMP-08 [Rule 67A]

Filing of GST CMP-08 is mandatory for all taxpayers who have opted to pay tax under composition scheme, even if there is no business activity in any particular tax period. For such tax period(s), a Nil GST CMP-08 is required to be filed.

A Nil GST CMP-08 does not have any entry in any of its tables. For example, a Nil GST CMP-08 for a tax period cannot be filed, if the taxpayer has made any outward supplies or has received any supplies which are taxable under reverse charge.

A Nil GST CMP-08 can be filed through an SMS using the registered mobile number of the taxpayer. A Nil GST CMP-08 submitted through SMS is verified by registered mobile number-based OTP facility.

(f) Statements/ return for the period prior to opting for composition scheme

If a registered person opts to pay tax under composition scheme from the beginning of a financial year, he will, where required, furnish statements/return relating to the period prior to paying tax under composition scheme till the

- **due date of furnishing the return for the month of September** of the succeeding financial year, or
- furnishing of **annual return** of the preceding financial year,

whichever is earlier.

The composition supplier will not be eligible to avail ITC on receipt of invoices or debit notes from the supplier for the period prior to their opting to pay tax under composition scheme.

(g) GSTR-4 for the period prior to exiting from composition scheme

A registered person opting to withdraw from the composition scheme at his own motion or where option is withdrawn at the instance of the proper officer will, where required, furnish-

(1) GST CMP-08 | **(2) GSTR-4**

relating to the period prior to his exiting from composition scheme

TILL

18^{th} of the month succeeding the quarter in which the date of withdrawal falls

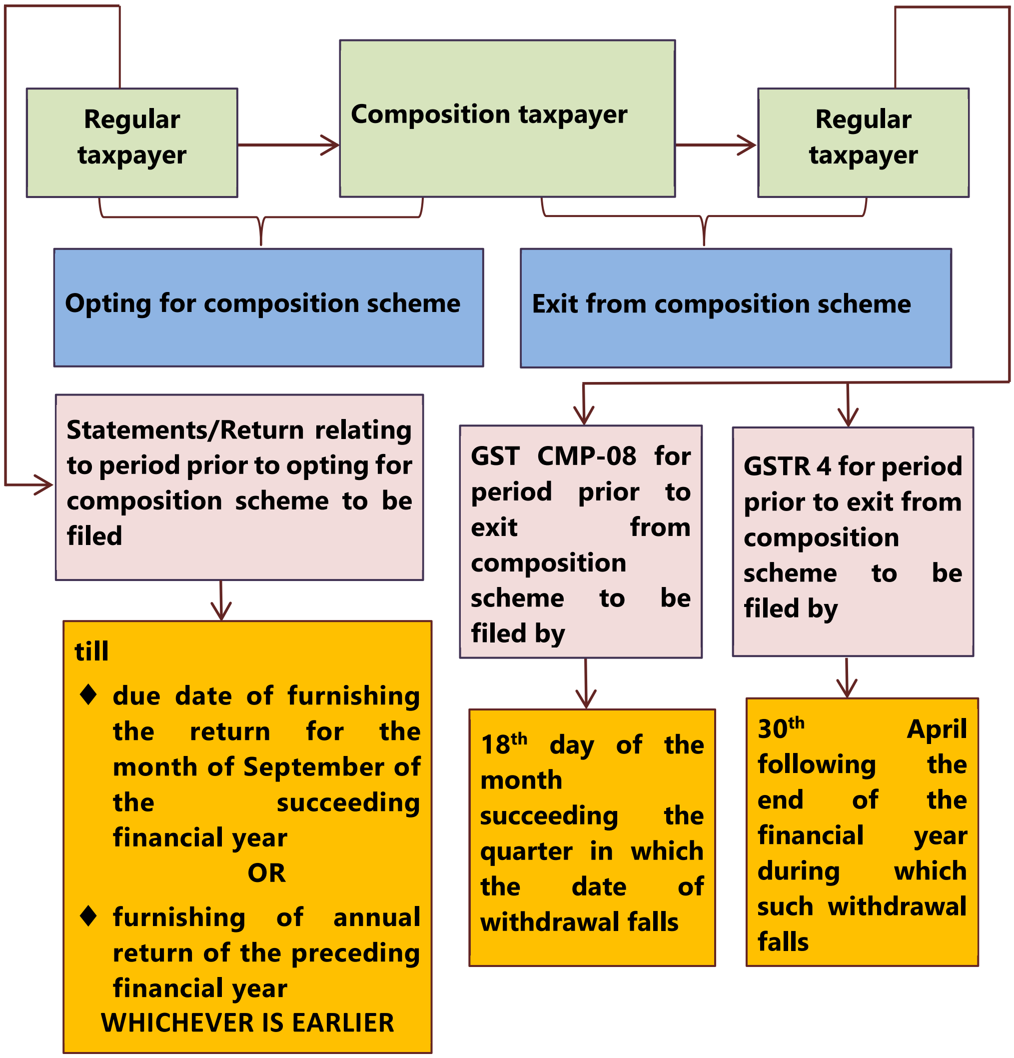
30^{th} April following the end of the financial year during which such withdrawal falls

The provisions explained in points (f) and (g) above have been explained by way of a diagram given at next page:

As per section 29(2), a proper officer is empowered to cancel the registration of a taxable person if, *inter alia*,:

(a) a person paying tax under composition scheme has not furnished his GSTR-4 *for a financial year beyond 3 months from the due date of furnishing the said return*

(b) any other taxable person has not furnished returns for such *continuous tax period as may be prescribed*.



3. GSTR-5 - Return for Non-Resident Taxable Persons [Section 39(5) read with rule 63]

Non-Resident Taxable Persons (NRTPs) are those suppliers who do not have a business establishment in India and have come for a short period to make supplies in India. They would normally import their products into India and make local supplies. The concept of Non-Resident Taxable Person has been *discussed in detail in Chapter 8 – Registration in this Module of the Study Material.*

(a) Monthly return

A registered NRTP is not required to file the Statement of Outward Supplies and return which are otherwise applicable for a normal taxpayer.

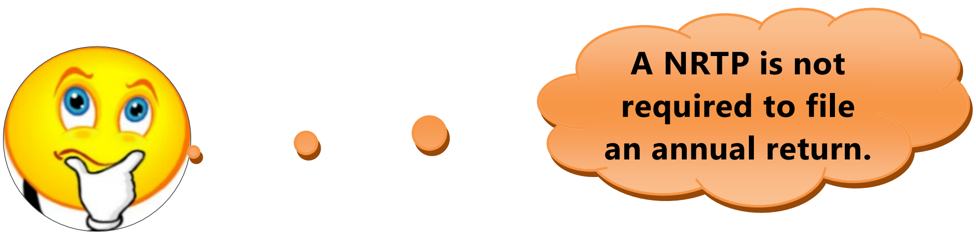
In place of the same, a simplified monthly tax return has been prescribed in **Form GSTR-5** for a NRTP for every calendar month or part thereof. The details of outward supplies and inward supplies of an NRTP are incorporated in GSTR-5.

(b) Last date of filing return

GSTR-5 should be furnished within ***13 days*** after the end of the calendar month or within 7 days after the last day of validity period of the registration, whichever is earlier[16].

(c) Payment of interest, penalty, fees or any other amount payable

An NRTP should pay the tax, interest, penalty, fees or any other amount payable under the CGST Act or the provisions of the Returns Chapter under CGST Rules till the last date of filing GSTR-5.



4. GSTR-6 – Return for Input Service Distributor [Section 39(4) read with rule 65]

An ISD is required to distribute both eligible as well as ineligible credit as per rule 39.

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[16] *As per rule 63, GSTR-5 needs to be furnished within **20 days** after the end of the tax period or within 7 days after the last day of the validity period of registration, whichever is earlier.*

(a) Monthly Return

ISD is not required to file statement of outward supplies with its return. It needs to file only a **monthly return** in **Form GSTR-6** for distribution of ITC amongst its units.

Form GSTR-6 contains the details of ITC received for distribution, total ITC/ eligible/ ineligible ITC to be distributed for the tax period, distribution of ITC (ISD invoices & ISD credit notes), details of debit/ credit notes received, etc.

(b) Last date of filing return

The details in GSTR-6 should be furnished **on/before 13th of the month succeeding the calendar month.**

Due date of filing monthly GSTR-6	→	**By 13th day of the month suceeding the calender month**

(c) Auto-population of ITC received for distribution

The details of ITC received for distribution by an ISD will be auto populated in **Form GSTR-6A** when the registered suppliers file their GSTR-1.

Form GSTR-6A is a system generated 'draft' statement of inward supplies for an ISD and is a read only form. ISD can view the auto-populated details of ITC received for distribution in GSTR-6A.

(d) Nil Return

A 'Nil' return is to be filed in case of no ITC being available for distribution or no ITC is being distributed during the month.

5. GSTR-7 - Return for tax deducted at source [Section 39(3) and section 51 read with rule 66]

Normally, whenever taxable goods or services or both are supplied to a Central/ State Government's Department/ establishment or, local authority, or Governmental agencies, recipient is required to deduct tax at source under section 51 where the total value of such supply exceeds ₹ 2,50,000.

(a) Monthly return

Deductor shall furnish a monthly return in **Form GSTR-7**.

(b) Last date of filing return

The details in GSTR-7 should be furnished **on/before 10th day of the month succeeding the calendar month** in which tax has been deducted at source.

(c) TDS details available to deductee on common portal

The details of TDS furnished by the deductor in GSTR-7 shall be made available electronically to each of the deductees on the common portal after filing of Form GSTR-7. The supplier can take this amount as credit in his electronic cash ledger after validation and use the same for payment of tax or any other liability.

(d) Tax Deduction at Source (TDS) Certificate

A TDS certificate is generated by the system in Form GSTR-7A for both deductor (the person who is deducting tax) and deductee (the supplier from whose payment, TDS is deducted). The certificate is generated once the deductor furnishes a return in Form GSTR-7 on the GST Portal and the deductee accepts the details uploaded by the deductor and files his return. It contains the details pertaining to value on which tax has been deducted, rate of deduction, amount of tax deducted at source and amount paid to the Government.

Note - It is not mandatory to file a nil Form GSTR-7 if no TDS is deducted in the tax period.

6. DUE DATE FOR PAYMENT OF TAX [SECTION 39(7)]

Every registered person who is required to furnish a return under sub-section (1), other than the person referred to in the proviso thereto, or sub-section (3) or sub-section (5), shall pay to the Government the tax due as per such return not later than the last date on which he is required to furnish such return.

However, every registered person furnishing return under QRMP scheme shall pay to the Government, in such form and manner, and within such time, as may be prescribed –

(a) an amount equal to the tax due taking into account inward and outward supplies of goods or services or both, ITC availed, tax payable and such other particulars during a month; or

(b) in lieu of the amount referred to in clause (a), an amount determined in such manner and subject to such conditions and restrictions as may be prescribed.

Due dates for payment of tax in respect of the persons required to file monthly **GSTR-3B, GSTR-5 and GSTR-7 are linked with the due dates for filing of such returns**, i.e. the last dates (due dates) of filing such returns are also the due dates for payment of tax in respect of persons required to file such returns.

However, due dates for payment of tax in respect of the persons required to file quarterly **GSTR-3B under QRMP Scheme for 1st two months of the quarter is delinked**. Every registered person under QRMP scheme shall pay the tax due for each of the first 2 months of the quarter, by depositing the said amount in, by the 25th day of the month succeeding such month.

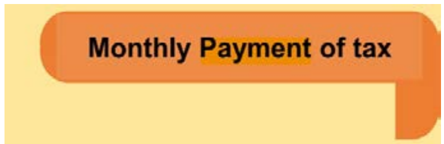
Similarly, in case of registered persons paying tax under **composition scheme**, the **due date for payment of tax and filing of GSTR-4 is delinked.** While GSTR-4 for a financial year is required to be filed by 30th April of the following financial year, tax for a quarter is to be paid by 18th of the month succeeding such quarter.

Further, **NRTPs or casual taxable persons** are required to make **advance deposit** of an amount equivalent to their estimated tax liability for the period for which registration is sought or extension of registration is sought in terms of section 27(2).

Every registered person required to furnish return[17] shall, discharge their liability towards tax, interest, penalty, fees or any other amount payable under GST law by debiting the electronic cash ledger or electronic credit ledger and include the details in the return.

Monthly payment of tax under QRMP Scheme [First proviso to section 39(7) read with sub-rules (3) and (4) of rule 61]

The registered person under the QRMP Scheme would be required to pay the **tax due in 1^{st} month or 2^{nd} month or both** the months of the quarter by depositing the tax due in **GST PMT-06**. The payment is to be made **by 25^{th} day of the month succeeding such month**.



However, the Commissioner may, on the recommendations of the Council, by notification, extend the due date for depositing the said amount i, for specified class of taxable persons. Further, any extension of time limit notified by the Commissioner of State tax/UT shall be deemed to be notified by the Commissioner:

While making a deposit of tax, such a registered person may –

(a) for the **1^{st} month of the quarter**, take into account the balance in the electronic cash ledger.

(b) for the **2^{nd} month of the quarter**, take into account the balance in the electronic cash ledger excluding the tax due for the 1st month.

At the time of filing the return for the said quarter in Form GSTR-3B, the amount deposited by the registered person in the first 2 months of the quarter shall be debited.

This amount is debited solely for the purposes of offsetting the liability furnished in that quarter's Form GSTR-3B. However, any amount left after filing of that quarter's Form GSTR-3B may either be claimed as refund or may be used for any other purpose in subsequent quarters.

Options for making monthly payment of tax

While generating the challan, taxpayers should select **"Monthly payment for quarterly taxpayer"** as reason for generating the challan. The said person can use

[17] *subject to the provisions of section 49*

any of the following two options provided below for monthly payment of tax during the first 2 months –

Options for making monthly payment of tax
- **Fixed sum method**
- **Self-assessment method**

(a) **Fixed sum method:** If a taxpayer chooses this option, a facility is available on the GST portal for generating an auto-generated/pre-filled challan in Form GST PMT-06. The challan amount is calculated by the system which cannot be edited. The amount is equal to:

(i) **35% of the tax paid in cash** in the return for the preceding quarter where the return was **furnished quarterly**; or

(ii) **tax liability paid in cash in the return** for the last month of the immediately preceding **quarter where the return was furnished monthly.**

For easy understanding, the same is explained by way of examples given below:

(i) **In case the last return filed was on quarterly basis for quarter ending March:**

Tax paid in cash in quarter (January - March)		Tax required to be paid in each of the months – April and May	
CGST	100	CGST	35
SGST	100	SGST	35
IGST	500	IGST	175
Cess	50	Cess	17.5

(ii) In case the last return filed was monthly for tax period March:

Tax paid in cash in March		Tax required to be paid in each of the months – April and May	
CGST	50	CGST	50
SGST	50	SGST	50
IGST	80	IGST	80
Cess	-	Cess	-

However, no such amount may be required to be deposited-

(a) **for the 1st month of the quarter**, where the balance in the electronic cash ledger/electronic credit ledger is adequate for the tax liability for the said month or where there is nil tax liability;

(b) **for the 2nd month of the quarter**, where the balance in the electronic cash ledger/electronic credit ledger is adequate for the cumulative tax liability for the 1st and the 2nd month of the quarter or where there is nil tax liability

Monthly tax payment through this method would not be available to those registered persons who have not furnished the return for a complete tax period preceding such month.

A **complete tax period** means a tax period in which the person is registered from the first day of the tax period till the last day of the tax period.

(b) **Self-Assessment Method:** The said persons, in any case, can pay the tax due by considering the tax liability on inward and outward supplies and the ITC available, in Form GST PMT-06. In order to facilitate ascertainment of the ITC available for the month, an auto-drafted input tax credit statement has been made available in Form GSTR-2B, for every month.

The registered person under QRMP is free to avail either of the two tax payment methods above in any of the two months of the quarter.

As already discussed earlier, at the time of filing the return for a quarter in Form GSTR-3B, the amount deposited by the registered person in the first 2 months of the quarter shall be debited. Further, any amount left after filing of that quarter's Form GSTR-3B may either be claimed as refund or may be used for any other purpose in subsequent quarters.

However, such refund claim[18] shall be permitted only after the return in Form GSTR-3B for the said quarter has been furnished. Further, this deposit cannot be used by the taxpayer for any other purpose till the filing of return for the quarter.

Applicability of interest

A. For registered person making payment of tax by opting Fixed Sum Method

No interest would be payable in case the tax due is paid in the first 2 months of the quarter by way of depositing auto-calculated fixed sum amount (as discussed above) by the due date.

In other words, if while furnishing return in Form GSTR-3B, it is found that in any or both of the first 2 months of the quarter, the tax liability net of available credit on the supplies made /received was higher than the amount paid in challan, then, no interest would be charged provided they deposit system calculated amount for each of the first 2 months and discharge their entire liability for the quarter in Form GSTR-3B of the quarter by the due date.

In case such payment of tax by depositing the system calculated amount in Form GST PMT-06 is not done by due date, interest would be payable at the applicable rate, from the due date of furnishing Form GST PMT-06 till the date of making such payment.

Further, in case Form GSTR-3B for the quarter is furnished beyond the due date, interest would be payable as per the provisions of section 50 for the tax liability net of ITC.

[18] *Provisions relating to refund are discussed in Chapter 15 – Refunds in Module 3 of this Study Material.*

(11) A registered person, who has opted for the QRMP Scheme, had paid a total amount of ₹ 100/- in cash as tax liability in the previous quarter of October to December.

He opts to pay tax under fixed sum method. He therefore pays ₹ 35/- each on 25th February and 25th March for discharging tax liability for the first 2 months of quarter viz. January and February.

In his return for the quarter, it is found that liability, based on the outward and inward supplies, for January was ₹ 40/- and for February it was ₹ 42/-. However, no interest would be payable for the lesser amount of tax (i.e. ₹ 5 and ₹ 7 respectively) discharged in these 2 months provided that he discharges his entire liability for the quarter in the Form GSTR-3B of the quarter by the due date.

(12) A registered person, who has opted for the QRMP Scheme, had paid a total amount of ₹ 100/- in cash as tax liability in the previous quarter of October to December. He opts to pay tax under fixed sum method. He therefore pays ₹ 35/- each on 25th February and 25th March for discharging tax liability for the first 2 months of quarter viz. January and February.

In his return for the quarter, it is found that total liability for the quarter net of available credit was ₹ 125, but he files the return on 30th April. Interest would be payable at applicable rate on ₹ 55 [₹ 125 – ₹ 70 (deposit made in cash ledger in first and second month)] for the period between due date of quarterly GSTR 3B and 30th April.

B. For registered person making payment of tax by opting self-assessment method

Interest amount would be payable as per the provision of section 50 for tax or any part thereof (net of ITC) which remains unpaid / paid beyond the due date for the first 2 months of the quarter.

Interest payable, if any, shall be paid through Form GSTR-3B.

Note: It is clarified that no late fee is applicable for delay in payment of tax in first 2 months of the quarter.

7. OTHER RETURNS/ STATEMENTS

(i) First return [Section 40]

When a person becomes liable to registration after his turnover crosses the threshold limit, he may apply for registration within 30 days of so becoming liable. Thus, there might be a time lag between a person becoming liable to registration and grant of registration certificate. During the intervening period, such person might have made the outward supplies, i.e. after becoming liable to registration but before grant of the certificate of registration.

Now, in order to enable such registered person to declare the taxable supplies made by him for the period between the date on which he became liable to registration till the date on which registration has been granted so that ITC can be availed by the recipient on such supplies, firstly, the registered person may issue revised tax invoices against the invoices already issued during said period within 1 month from the date of issuance of certificate of registration [Section 31(3)(a) read with rule 53– *Discussed in detail in Chapter-9: Tax Invoice, Credit and Debit Notes in this Module of the Study Material*].

Further, section 40 provides that registered person shall declare his outward supplies made during said period in the first return furnished by him after grant of registration. The format for this return is the same as that for regular return.

(ii) GSTR – 8 - Statement for tax collection at source *[The provisions relating to GSTR-8 have already been discussed in detail in Chapter 12 – Electronic Commerce Transactions in this Module of the Study Material.]*

(iii) GSTR – 9/9A and GSTR-9B - Annual Return & Annual Statement [Sections 44, 52(5) read with rule 80]

(a) Who is required to furnish the annual return and what is the due date for the same?

All registered persons are required to file an annual return. However, following persons are not required to file annual return:

(i) ***Casual taxable persons***

(ii) ***Non-resident taxable person***

(iii) ***Input service distributors***

(iv) ***Persons authorized to deduct/collect tax at source under section 51/52, and***

The Commissioner may, on the recommendations of the Council, by notification, exempt any class of registered persons from filing annual return under this section.

The annual return for a financial year needs to be filed by 31st December of the next financial year.

(b) ***What is the prescribed form for annual return/statement?***

The annual return is to be filed electronically in Form GSTR-9 through the common portal.

Person registered under composition levy: A person paying tax under composition scheme is required to file the annual return in Form GSTR-9A.

It may be noted that an ECO[19] required to collect tax at source has to file an annual statement referred to in section 52(5) in Form GSTR-9B (yet to be notified). The statement for a financial year needs to be filed by 31st December of the next financial year.

(c) ***Who is required to furnish a self-certified reconciliation statement?***

(i) ***All registered persons are required to file furnish a self-certified reconciliation statement alongwith annual return if their aggregate turnover during a financial year exceeds***

[19] *The provisions relating to ECOs have been discussed in detail in Chapter 12 – Electronic Commerce Transactions in this Module of the Study Material.*

₹5 crores. However, following persons are not required to file self-certified reconciliation statement:

(a) Casual taxable persons

(b) Non-resident taxable person

(c) Input service distributors

(d) Persons authorized to deduct/collect tax at source under section 51/52, and

(ii) Such registered person should furnish, electronically, the annual return along with a copy of self-certified reconciliation statement, duly certified, in Form GSTR-9C.

> ***Self-certified reconciliation statement will reconcile the value of supplies declared in the return furnished for the financial year with the audited annual financial statement.***

Value of supplies declared in Annual return

Value of supplies declared in audited Annual Financial Statement

(d) Exemption from the requirement of furnishing annual return including self-certified reconciliation statement

The department of the Central/State Government or a local authority, whose books of account are subject to audit by the Comptroller and Auditor-General of India or an auditor appointed for auditing the accounts of local authorities under any law for the time being in force, are exempt from the requirement of furnishing an annual return including self-certified reconciliation statement.

(e) ***Maximum time-limit for furnishing annual return***

Maximum time-limit upto which a registered person can furnish an annual return for a financial year is 3 years from the due date of furnishing said annual return. This time limit can be extended by the Government for a registered person or a class of registered persons subject to such conditions and restrictions as may be specified therein.

(iv) GSTR - 10 - Final Return [Section 45 read with rule 81]

(a) Who is required to furnish final return?

Every registered person who is required to furnish return u/s 39(1) and whose registration has been cancelled is required to file a **final return** electronically in **Form GSTR-10** through the common portal.

(b) What is the time-limit for furnishing final return?

The final return has to be filed within 3 months of the:

(i) date of cancellation

or

(ii) date of order of cancellation

whichever is **later**.

(v) GSTR – 11 - Details of inward supplies of persons having UIN [Rule 82]

Every person who has been issued a Unique Identity Number (UIN) is required to furnish the details of inward supplies in Form GSTR-11.

(a) When UIN is issued for claiming refund of taxes paid on inward supplies

Such person shall furnish the details of those inward supplies of taxable goods and/or services on which refund of taxes has been claimed in **Form GSTR-11, along with application for such refund claim.**

(b) When UIN is issued for purposes other than refund of taxes paid

Such person shall furnish the details of inward supplies of taxable goods and/or services as may be required by the proper officer in **Form GSTR-11.**

(vi) GSTR-5A – Return for persons providing OIDAR services [Rule 64]

Every registered person providing OIDAR services *(see definition from Relevant Definitions)* from a place outside India to a person in India other than a registered person shall file return in **Form GSTR-5A** by **20th day of the month succeeding the calendar month/part thereof.**

Form GSTR-5A needs to be filed even if there is no business activity (i.e. it is a Nil Return) for a tax period.

8. DEFAULT/DELAY IN FURNISHING RETURN [SECTIONS 46 & 47]

(i) Notice to return defaulters [Section 46 read with rule 68]

A notice in prescribed form is issued, electronically, to a registered person who fails to furnish return under section 39 [Normal Return] or section 44 [Annual Return] or section 45 [Final Return] or section 52 [TCS Statement].

The notice requires the registered person to furnish the return within 15 days, failing which the tax liability will be assessed under section 62, based on the relevant material available with the proper officer. In addition to tax so assessed, applicable interest and penalty will also be payable.

(ii) Late fees for delay in filing return [Section 47]

Late fee is applicable for delay in furnishing of return / details of outward supply as per the provision of section 47.

Delay in filing any of the following by their respective due dates, attracts late fee as given hereunder:

(A) Statement of Outward Supplies [Section 37]

(B) Returns (including returns under QRMP Scheme) [Section 39]

(C) Final Return [Section 45]

(D) TCS Statement [Section 52]

Quantum of late fee

- ₹200 [₹100 under CGST & ₹100 under SGST/UTGST] for every day during which such failure continues.
- ₹ 10,000 [₹5,000 under CGST & ₹5,000 under SGST/UTGST]

whichever is lower

It may be noted that the late fee payable by a registered person for delayed filing of a return and/or annual return under section 47 is with reference to only the CGST Act.

An equal amount of late fee is payable by such person under the respective SGST/UTGST Act as well. Hence, the late fee amount mentioned herein pertains to both CGST as well as SGST/UTGST.

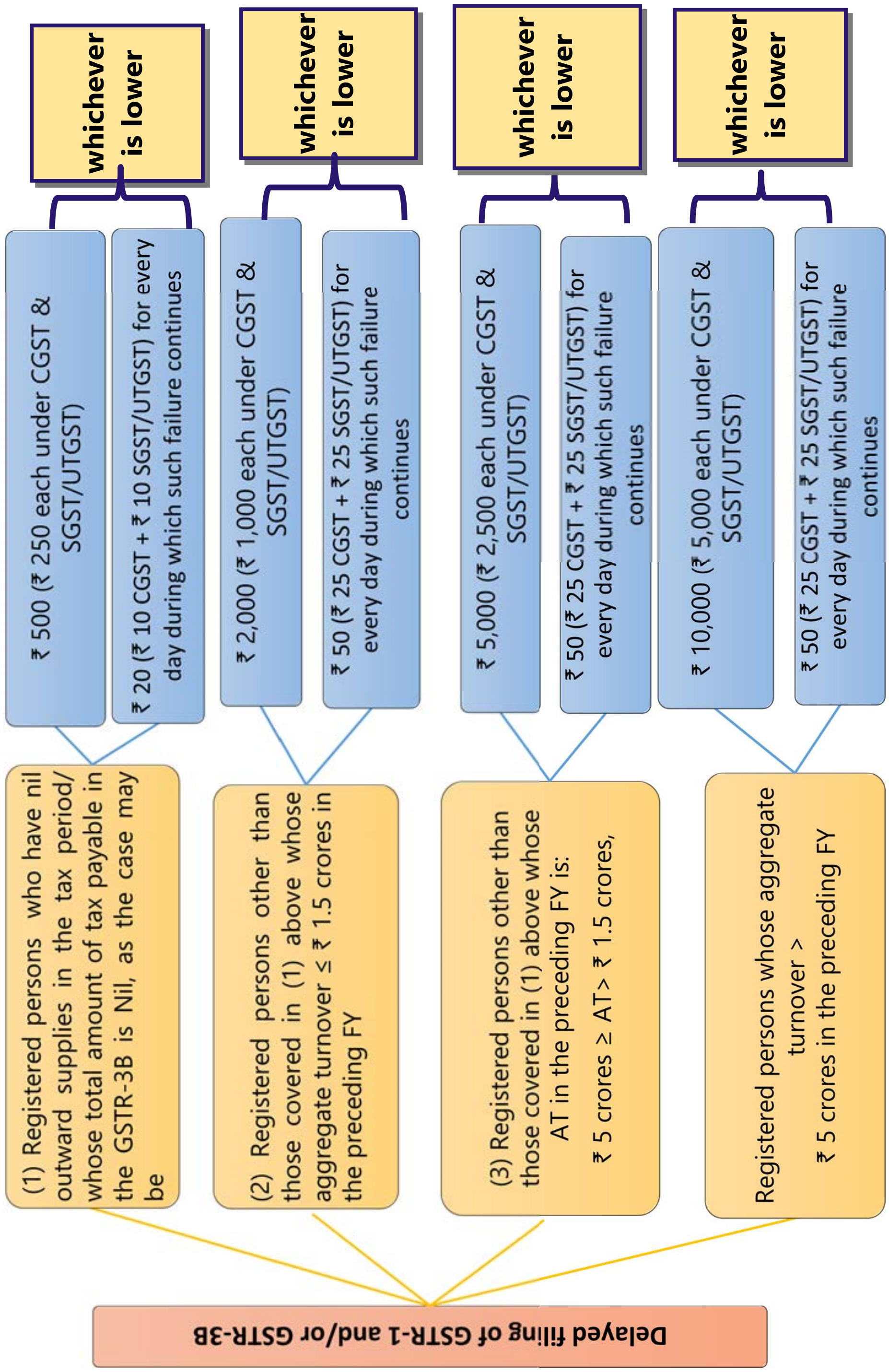
Rationalisation of late fees for delayed filing of Forms GSTR-1, GSTR-3B, GSTR-4, GSTR-7 and GSTR-9

The late fee can be waived off partially or fully by the Central Government [Section 128]. In view of this, late fees for delayed filing of Forms GSTR-1, GSTR-3B, GSTR-4, GSTR-7 and GSTR-9 have been rationalized[20] as follows:

(i) For delayed filing of GSTR-1 and/or GSTR-3B:-

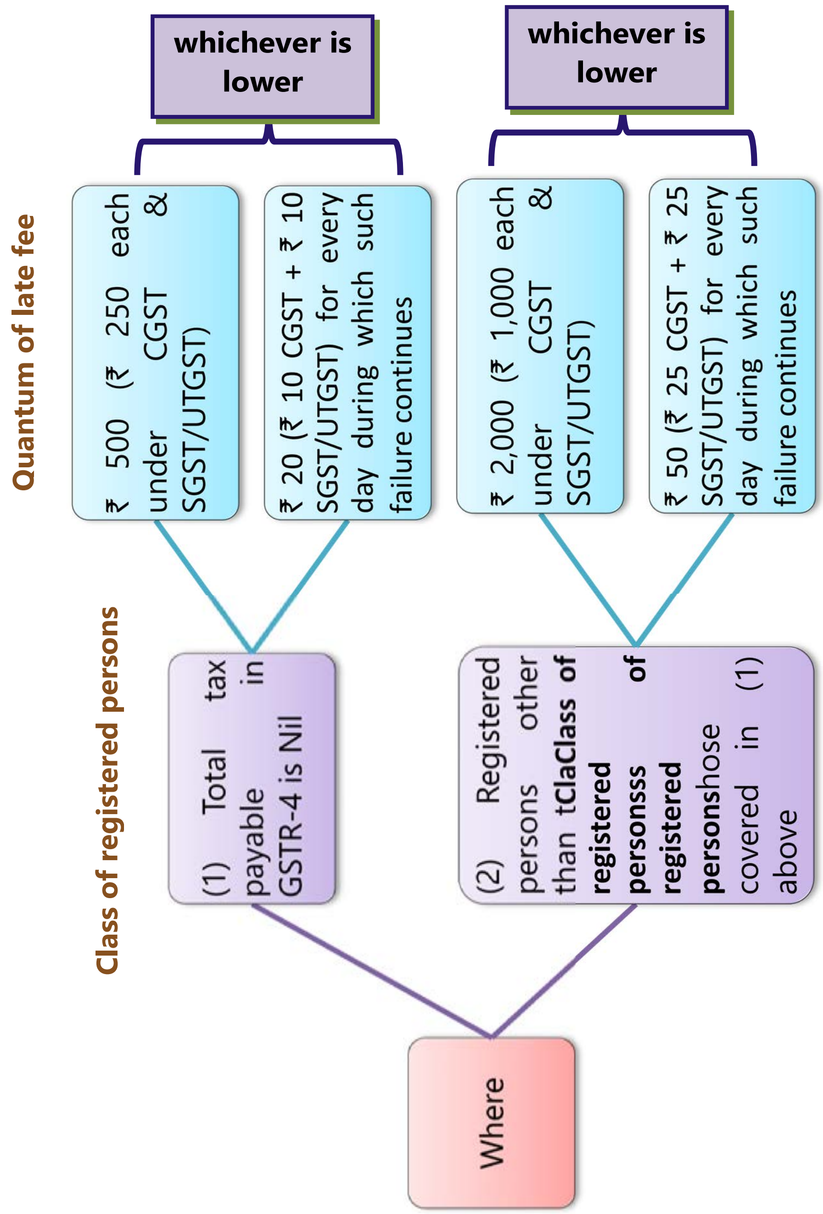
Amount of late fee payable under section 47 by the registered person who fail to furnish Form GSTR-1 and/or Form GSTR-3B by the due date, shall be as follows:

[20] *vide Notification No. 4/2018 CT dated 23.01.2018, Notification No. 73/2017 CT dated 29.12.2017, Notification No. 76/2018 CT dated 31.12.2018, Notification Nos 19-22/2021 CT all dated 01.06.2021 and Notification No. 07/2023 CT dated 31.03.2023*

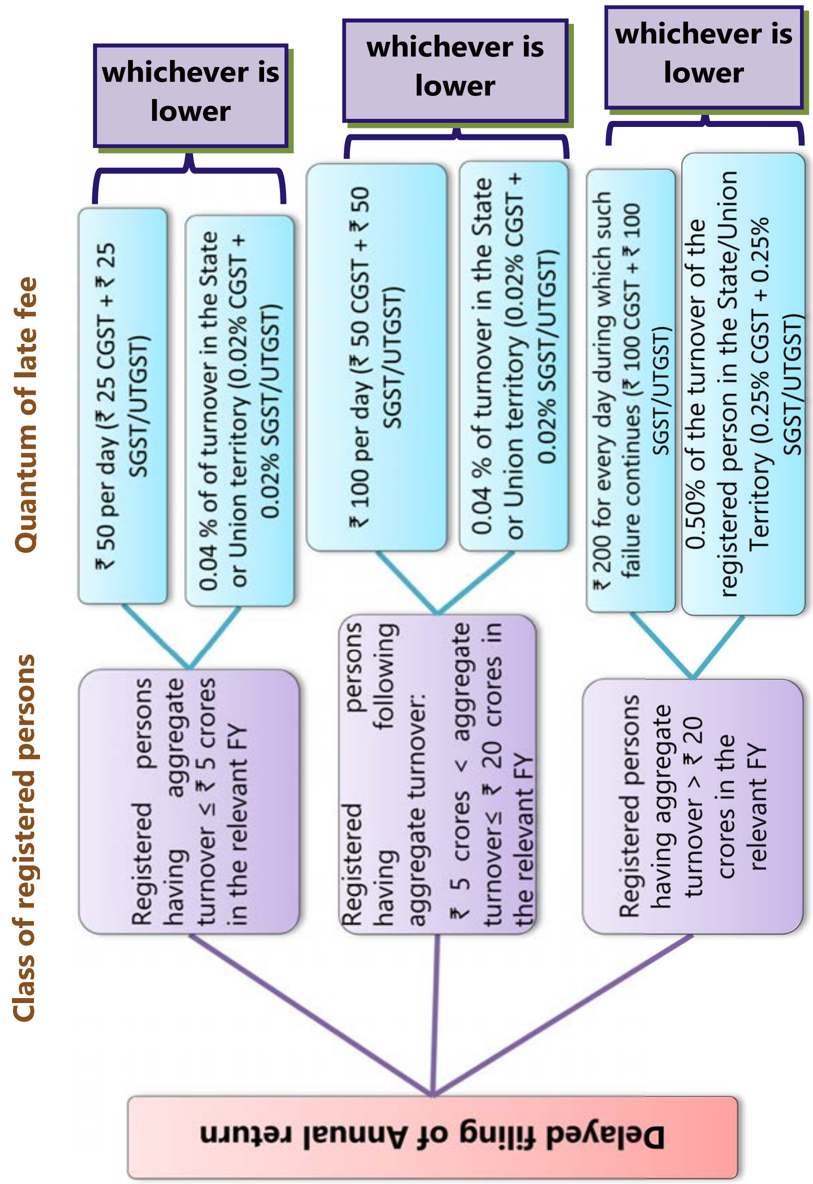

Delayed filing of GSTR-1 and/or GSTR-3B
(1) Registered persons who have nil outward supplies in the tax period/ whose total amount of tax payable in the GSTR-3B is Nil, as the case may be
₹ 500 (₹ 250 each under CGST & SGST/UTGST)
₹ 20 (₹ 10 CGST + ₹ 10 SGST/UTGST) for every day during which such failure continues
whichever is lower
(2) Registered persons other than those covered in (1) above whose aggregate turnover ≤ ₹ 1.5 crores in the preceding FY
₹ 2,000 (₹ 1,000 each under CGST & SGST/UTGST)
₹ 50 (₹ 25 CGST + ₹ 25 SGST/UTGST) for every day during which such failure continues
whichever is lower
(3) Registered persons other than those covered in (1) above whose AT in the preceding FY is:
₹ 5 crores ≥ AT> ₹ 1.5 crores,
₹ 5,000 (₹ 2,500 each under CGST & SGST/UTGST)
₹ 50 (₹ 25 CGST + ₹ 25 SGST/UTGST) for every day during which such failure continues
whichever is lower
Registered persons whose aggregate turnover > ₹ 5 crores in the preceding FY
₹ 10,000 (₹ 5,000 each under CGST & SGST/UTGST)
₹ 50 (₹ 25 CGST + ₹ 25 SGST/UTGST) for every day during which such failure continues
whichever is lower

(ii) For delayed filing of GSTR-4:-

Amount of late fee payable under section 47 by a composition supplier who fails to furnish Form GSTR-4 by the due date, shall be as follows:

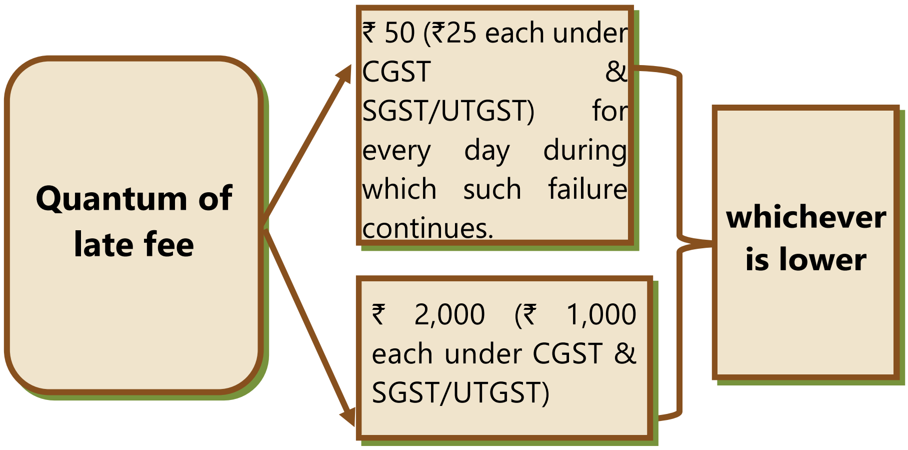


(iii) For delayed filing of Annual Return (GSTR-9):-



(iv) For delayed filing of GSTR-7:-

Total amount of late fee payable under section 47 by any registered person, required to deduct tax at source under the provisions of section 51 for delayed filing of GSTR-7, shall be as follows:



9. GOODS AND SERVICES TAX PRACTITIONERS [SECTION 48]

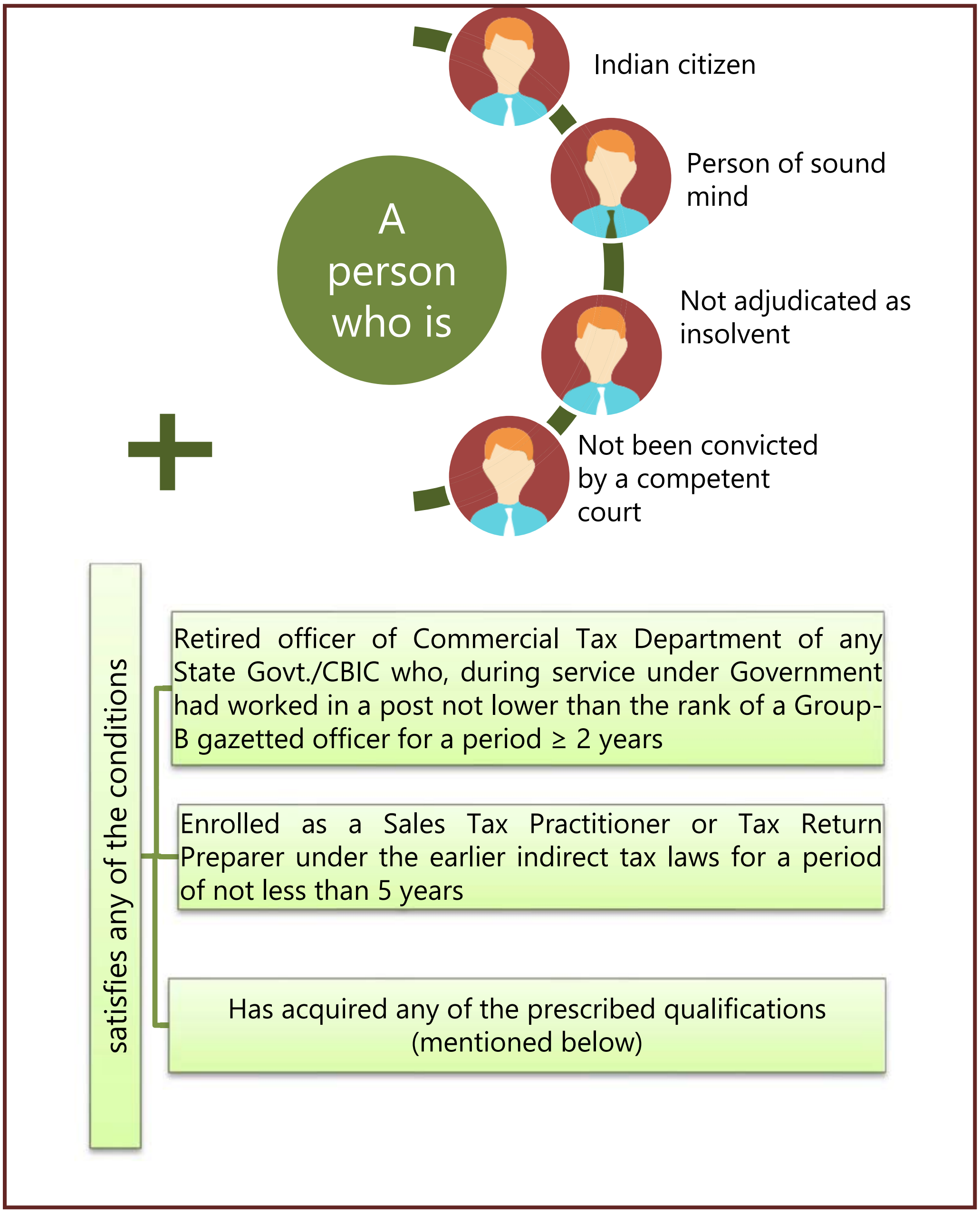
Section 48 provides for the authorisation of an eligible person to act as approved Goods and Services Tax Practitioner (GSTP). A registered person may authorise an approved GSTP to furnish information, on his behalf, to the Government. The manner of approval of GSTPs, their eligibility conditions, duties and obligations, manner of removal and other conditions relevant for their functioning have been prescribed in the rules 83, 83A and 84.

GSTN provides separate user ID and Password to GSTP to enable him to work on behalf of his clients without asking for their user ID and passwords. They can do all the work on behalf of taxpayers as allowed under GST Law. A taxpayer may choose a different GSTP by simply unselecting the previous one and then choosing a new GSTP on the GST portal.

Standardized formats have been prescribed for making application for enrolment as GSTP, certificate of enrolment, show cause notice for disqualification, order of rejection of application of enrolment, list of approved GSTPs, authorisation letter and withdrawal of authorisation. A GSTP enrolled in any State or Union Territory shall be treated as enrolled in the other States/Union territories.

(i) What is the eligibility criteria for GSTP?

The eligibility criteria for GSTP has been explained by way of diagrams given at next page.



Prescribed Qualifications

- (i) Graduate or postgraduate degree or its equivalent examination having a degree in Commerce, Law, Banking including Higher Auditing, or Business Administration or Business Management from any Indian University established by any law for the time being in force
- (ii) Degree examination of any Foreign University recognised by any Indian University as equivalent to the degree examination mentioned in sub-clause (i)
- (iii) Any other examination notified by the Government, on the recommendation of the Council, for this purpose
- (iv) Any degree examination of an Indian University or of any Foreign University recognized by any Indian University as equivalent of the degree examination
- (v) Has passed final examination of ICAI/ ICSI/ Institute of Cost Accountants of India.

(ii) What are the activities which can be undertaken by a GSTP?

A GSTP can undertake any/all of the following activities on behalf of a registered person, if so authorised by him:

- Furnish details of outward supplies
- Furnish monthly, annual or final return
- Make deposit for credit into electronic cash ledger
- Furnish information for generation of e-way bill
- Furnish details of challan in the prescribed form
- File an application for amendment or cancellation of enrolment under rule 58
- File an intimation to pay tax under the composition scheme or withdraw from the said scheme
- File a claim for refund
- File an application for amendment/ cancellation of registration

Confirmation from the registered person shall be sought

Also allowed to appear as authorised representative before any officer of Department, Appellate Authority or Appellate Tribunal, on behalf of such a registered person provided he is enrolled as GSTP under rule 83.

Furnishing returns through GSTP: When a registered person opts to furnish his return through GSTP, such registered person:

Gives his consent in prescribed form to any GSTP to prepare and furnish his return

Before confirming submission of any statement prepared by GSTP, ensures that the facts mentioned in the return are true and correct.

Thus, the responsibility for correctness of any particulars furnished in the return or other details filed by the GSTP continues to rest with the registered person on whose behalf such return and details are furnished. The registered person before confirming, should ensure that the facts mentioned in the return are true and correct before signature. However, failure to respond to request for confirmation is treated as deemed confirmation.

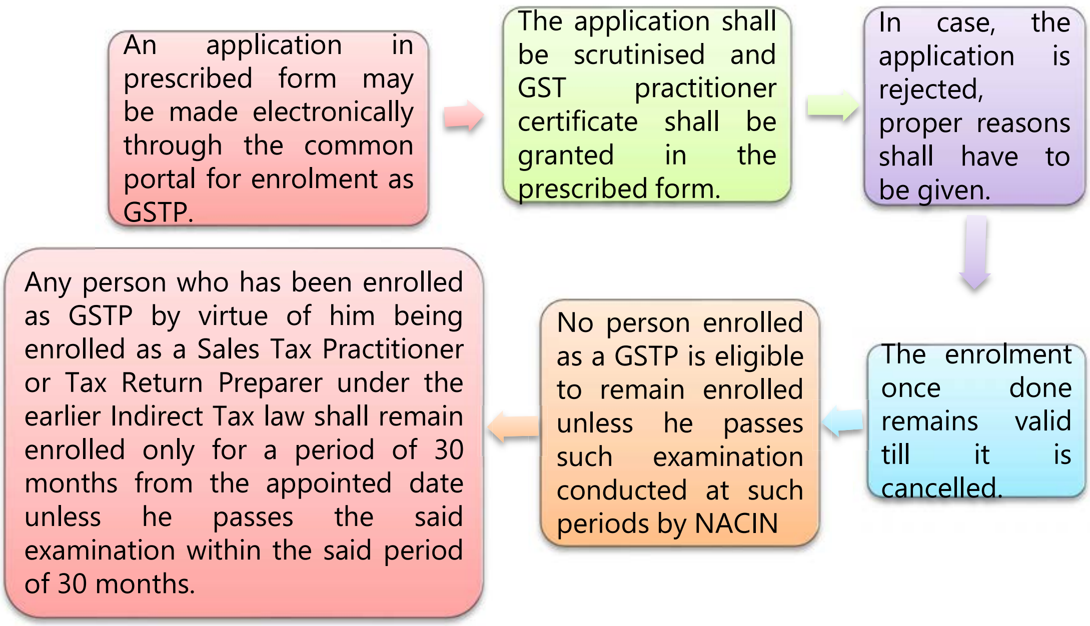
(iii) Other points

- A registered person gives his consent and authorises a GSTP in the prescribed form by listing the authorised activities in which he intends to authorise the GSTP. The GSTP accepts the authorisation in Part B of the same form.
- The GSTP can undertake only such tasks as indicated in the prescribed form. The registered person may, at any time, withdraw such authorization.
- Any statement furnished by the GSTP is made available to the registered person on the common portal. For every statement furnished by the GSTP, a confirmation is sought from the registered person over email or SMS.
- The GSTP should prepare all statements with due diligence and affix his digital signature on the statements prepared by him or electronically verify using his credentials.
- If the GSTP is found guilty of misconduct, his enrolment will be liable to be cancelled and a show cause notice would be issued to him.

(iv) What is the procedure for enrolment as GSTP?

The procedure for enrolment of GSTP has been depicted by way of a diagram is given below:

ENROLMENT OF GSTP



10. INFORMATION RETURN [SECTIONS 150 & 123]

(i) Who shall furnish the information return? [Section 150(1)]

Information return is based on the idea of verifying the compliance levels of registered persons through information procured from independent third party sources.

Authorities who are responsible for maintaining record of registration or statement of accounts or any periodic return or document containing details of payment of tax and other details of transaction of goods or services or both or transactions related to a bank account or consumption of electricity or transaction of purchase, sale or exchange of goods or property or right or interest in a property under any law for the time being in force, shall furnish an Information Return of the same in respect of such periods, within such time, in such form and manner and to such authority/agency as may be prescribed. The authorities required to furnish Information Return are given subsequently by way of a diagram.

(ii) Defective Information Return [Section 150(2)]

Where the Commissioner, or an officer authorised by him in this behalf, considers that the information furnished in the information return is defective, he may intimate the defect to the person who has furnished such information return.

He shall give such person an opportunity of rectifying the defect within a period of 30 days from the date of such intimation or within such further period which, on an application made in this behalf, the said authority may allow.

However, if the defect is not rectified within the said period of 30 days or, the further period so allowed], then, notwithstanding anything contained in any other provisions of this Act, such information return shall be treated as not furnished and the provisions of this Act shall apply.

(iii) Issuance of notice for failure to furnish the information return within stipulated time [Section 150(3)]

Where a person who is required to furnish information return has not furnished the same within the specified time*, the said authority may serve upon him a notice requiring furnishing of such information return within a period not exceeding 90 days from the date of service of the notice and such person shall furnish the information return.

*time specified in sub-section (1) or sub-section (2) of section 150

Taxable person

State Government's authority responsible for the collectiof VAT/sales tax/ State excise duty or Central Government's authority responsible for the collection of excise duty or customs duty

Income tax authority

Banking company within the meaning of section 45A(a) of the RBI Act, 1934

State Electricity Board or an electricity distribution or transmission licensee under the Electricity Act, 2003 or any other entity entrusted with such functions by the Central Government or the State Government

Registrar/Sub-Registrar appointed under section 6 of the Registration Act, 1908

Local authority /other public body/association

Registrar within the meaning of the Companies Act, 2013

Registering Authority empowered to register motor vehicles under the Motor Vehicles Act, 1988

Collector referred to in clause (c) of section 3 of the Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013

Recognised stock exchange

Depository

Officer of the RBI

GSTN

UIN holder

Any other specified person

(iv) Penalty for failure to furnish information return [Section 123]

If the person to whom the notice has been issued under section 150(3) fails to furnish the information return within the period specified in said notice, the proper officer may direct that such person shall be liable to pay a penalty.

Quantum of penalty

- ₹100 (₹50 each under CGST & SGST/UTGST) for every day during which such failure continues
- ₹ 5,000 (₹ 2,500 each under CGST & SGST/UTGST)

whichever is lower

LET US RECAPITULATE

1. Meaning of Returns

Return

- A statement of information furnished by the taxpayer, to tax administrators, at regular intervals.
- Filing of returns constitutes the most important compliance procedure which enables the Government/ tax administrator to estimate the tax collection for a particular period and determine the correctness and completeness of the tax compliance of the taxpayers.

2. Modes of filing returns

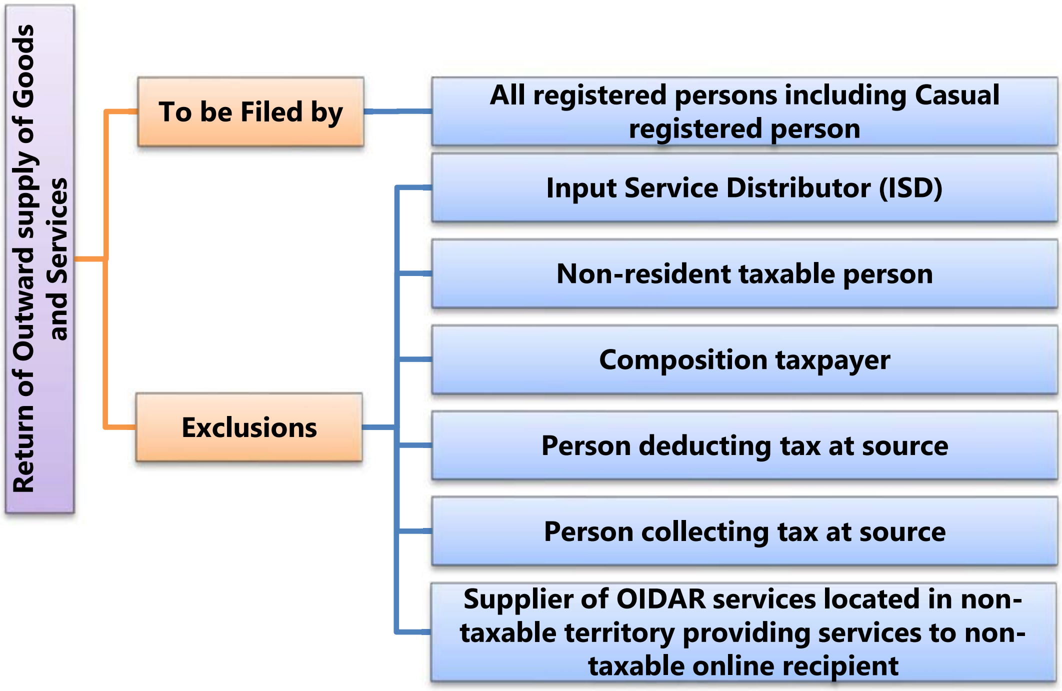
All the returns are to be filed online.

Modes of filing return

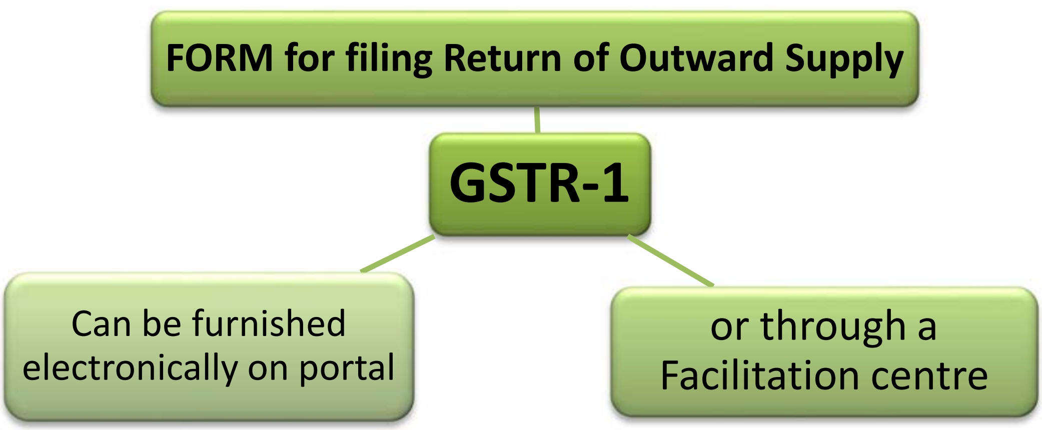
- GSTN portal (www.gst.gov.in)
- Offline utilities provided by GSTN
- GST Suvidha Providers (GSPs)

3. Furnishing details of outward supplies [Section 37 read with rule 59]

Who is required to furnish the details of outward supplies?



What is the form for submission of details of outward supplies?



Due Dates for Submission of Form GSTR-1

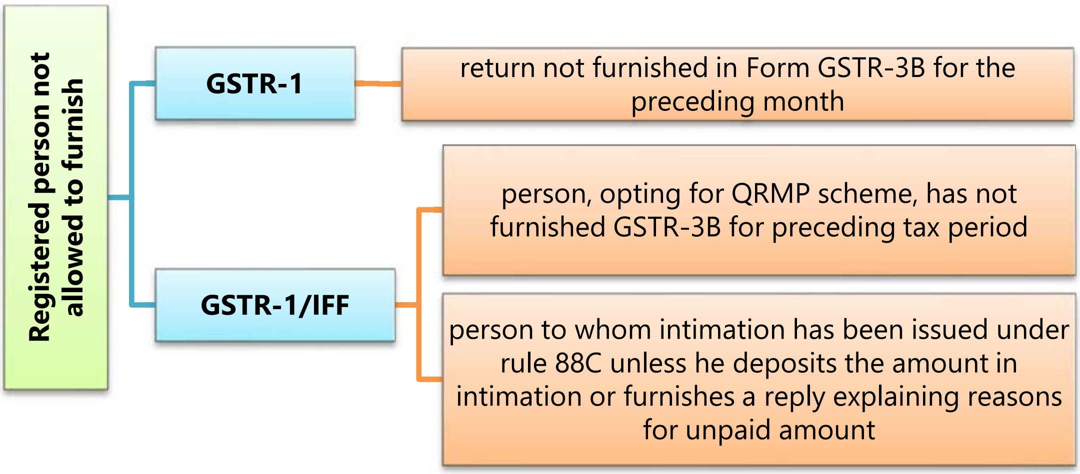
Class of registered person	Time limit for furnishing the details of outward supplies in Form GSTR-1 for each quarter/month
Registered persons opting for QRMP scheme	**13th day** of the month succeeding such quarter
Others	**11th day** of the month succeeding said month

Invoice Furnishing Facility [IFF] for taxpayers opting for QRMP Scheme

IFF

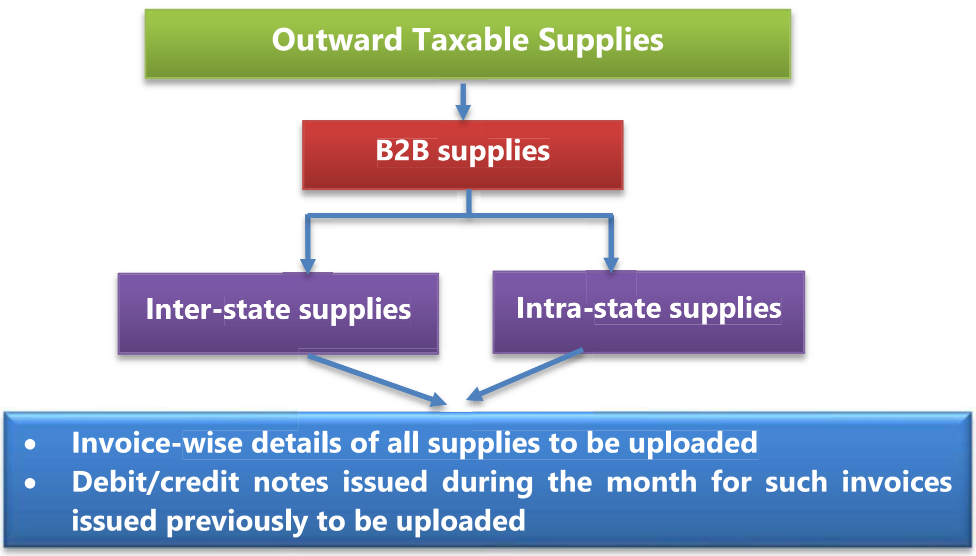
- **an optional facility**
- **provided to quarterly taxpayers who are in QRMP scheme,**
- **to file their details of outward supplies in first 2 months of the quarter,**
- **between the 1st day of the succeeding month till the 13th day of the succeeding month**
- **upto a cumulative value of ₹ 50 lakh in each of the first 2 months of the quarter**
- **to pass on the credit to their recipients**

What are the cases where a registered person is debarred from furnishing details of outward supplies in GSTR-1/IFF?

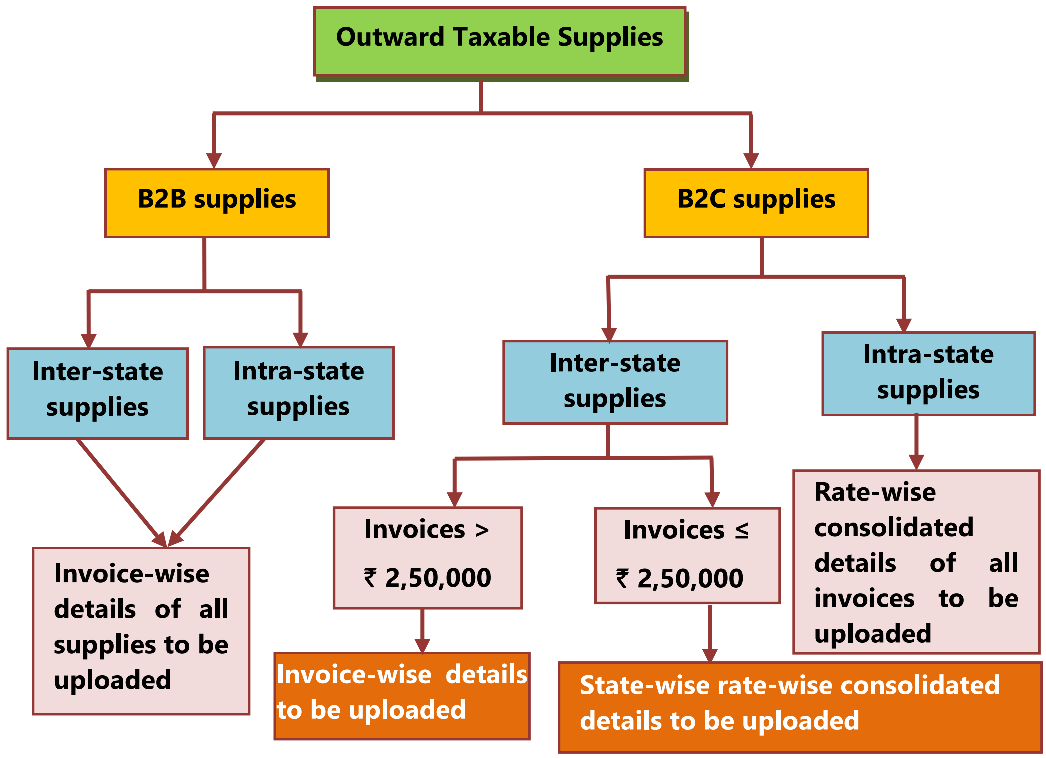


What kind of details of outward supplies are required to be furnished in GSTR-1 and IFF?

Details to be furnished through IFF



Details to be furnished in GSTR-1



Rectification of errors in GSTR-1 filed for previous periods

Particulars furnished in GSTR-1 of prior periods can be amended → by way of Amendment Tables given in GSTR-1 of subsequent periods

Maximum time limit within which such amendments are permissible is earlier of the following dates:

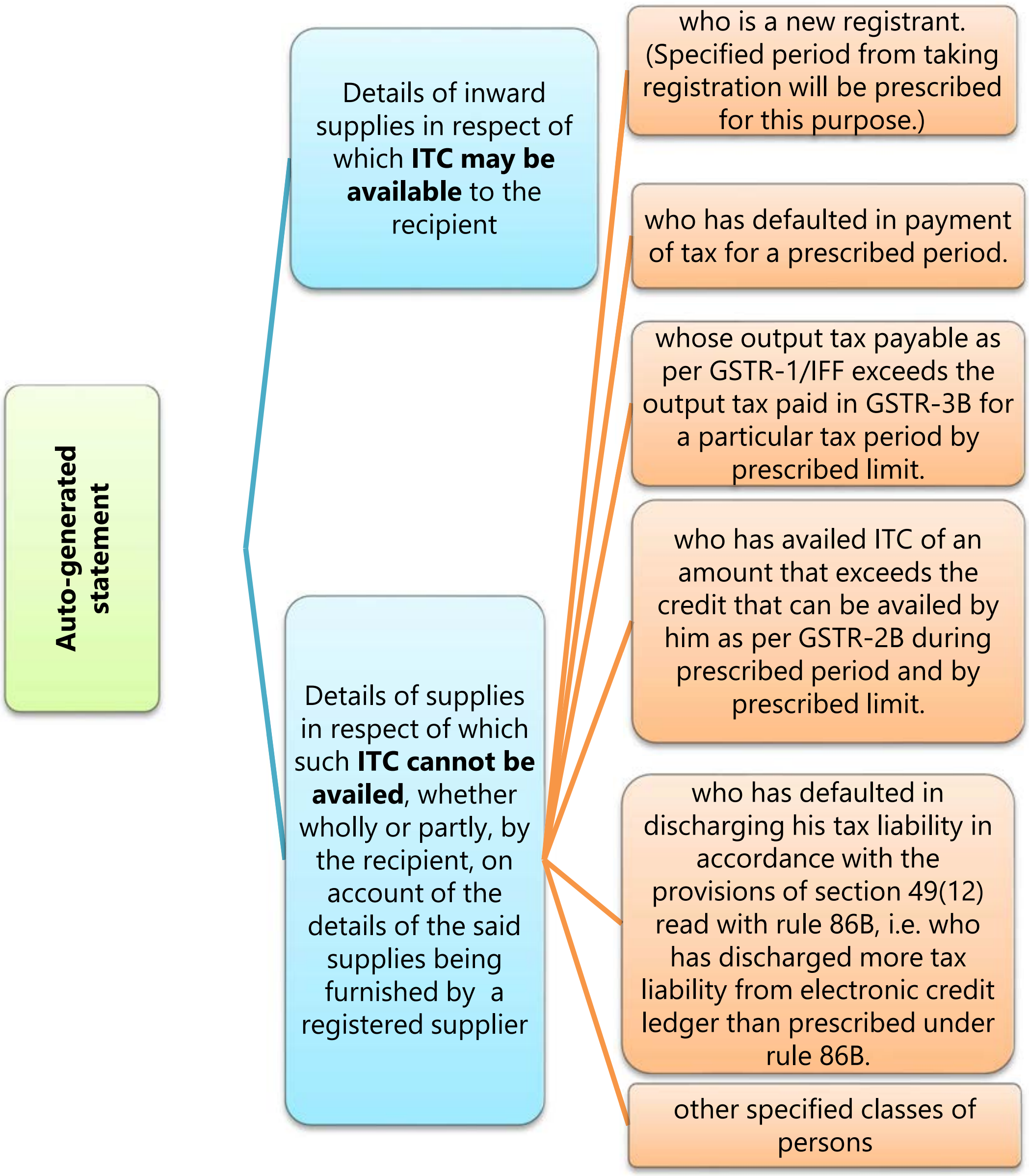
- **30th day of November** following the end of the financial year to which such details pertain or
- Date of filing of the relevant annual return

Filing of Nil GSTR-1

Nil GSTR-1

- Filing of GSTR-1 is mandatory for all normal and casual taxpayers, even if there is no business activity in any particular tax period.

4. Furnishing details of inward supplies [Section 38 read with rule 60]



Form and manner of ascertaining details of inward supplies – GSTR-2A and GSTR-2B

GSTR- 2A and its features

- System generated read only statement of inward supplies
- Updated on Real Time basis
- Reflects details of invoices furnished by a non-resident taxable person in Form GSTR-5
- Reflects details of invoices furnished by Input Service Distributor in Form GSTR-6
- Reflects details of TDS by deductor furnished in Form GSTR-7
- Reflects details of TCS by an e-commerce operator furnished in Form GSTR-8

GSTR- 2B and its features

- Auto-generated statement containing the details of eligible ITC
- Available once a month
- Static statement
- Reflects details of outward supplies furnished by the suppliers in Form GSTR-1, 5 & 6, between the cut-off dates
- Details of outward supplies furnished by the supplier who has opted for QRMP scheme, in Form GSTR-1 or using the IFF between the cut off dates
- Reflects details of IGST paid on the import of goods, goods brought in the DTA from SEZ unit/developer

GSTR-6A

System generated statement of inward supplies for an ISD

GSTR-4A

System generated statement of inward supplies for composition taxpayer

5. Furnishing of returns under section 39

Return forms under section 39

- **GSTR-3B** (For all registered persons)
- **GSTR-4** (For Composition Taxpayers)
- **GSTR-5** (For Non-Resident Taxable Persons)
- **GSTR-7** (For Tax Deducted at Source)

GSTR-3B — **excluding**

- ISD
- NRTP
- Composition taxpayer
- Person deducting tax at source
- Person collecting tax at source
- Supplier of OIDAR services located in non-taxable territory providing services to non-taxable online recipient

Due dates for furnishing Form GSTR-3B

GSTR-3B can be filed monthly or quarterly and due date for filing are as follows:

- **Monthly GSTR-3B** on or before **20th** of the month succeeding the month for which return is furnished.
- **Quarterly GSTR-3B** on or before **22nd** and **24th** of the month (Depending upon State) succeeding the quarter for which return is furnished in case of a taxpayer opting for QRMP scheme.

QRMP scheme

- Optional return filing scheme
- Quarterly Return
- Monthly payment

Eligibility	• Taxpayers having aggregate turnover of up to ₹ 5 crore in the preceding financial year
Condition to be fulfilled for becoming eligible	• Taxpayer must have furnished the last return, as due on the date of exercising such option
Manner of Exercising option	• Taxpayers can opt in for any quarter from 1st day of 2nd month of preceding quarter to the last day of the first month of the quarter for which the option is being exercised
Validity of option once exercised	• Taxpayers are not required to exercise their option every quarter. Where such option has been exercised once, they shall continue to furnish the return as per the selected option for future tax periods, unless they revise the said option.

Opting of QRMP Scheme is GSTIN wise

A person may avail QRMP scheme option for some GSTIN(s) and not for other GSTIN(s)

Opting out of the QRMP Scheme

Taxpayers opting out of the QRMP Scheme	• Aggregate turnover has exceeded ₹ 5 crore in the financial year
Availability of facility of opting out of QRMP Scheme for a quarter	• Available from from 1st day of 2nd month of preceding quarter to the last day of the first month of the quarter

Nil GSTR-3B

Nil GSTR-3B	• Filing of GSTR-3B is mandatory for all normal and casual taxpayers, even if there is no business activity in any particular tax period.

Form GSTR-4 and GST CMP-08: For Composition dealers

❖ A composition supplier is required to file the return GSTR-4 yearly and is required to pay the tax quarterly in Form GST CMP-08.

GSTR-4 (Yearly Return)	**Details to be furnished:** (i) Invoice wise inward supplies (ii) Consolidated outward supplies	**Frequency:** Yearly	**Due Date:** By 30th day of April following the end of such financial year

GST CMP-08 (For quarterly payment of tax) → **Details to be furnished:** Details of payment of self-assessed tax → **Frequency:** Quarterly → **Due Date:** By 18th day of month succeeding such quarter

Note:

(1) The inward supplies of a composition supplier received from registered persons filing GSTR-1 will be auto populated in **FORM GSTR-4A** for viewing.

(2) **Filing of NIL GST CMP-08 is mandatory** for all taxpayers who have opted to pay tax under composition scheme if there is no business activity in any tax period.

Form GSTR-5: For Non-Resident Taxable Person (NRTPs)

GSTR-5 → **Details to be furnished:** (i) Details of inward supplies (ii) Details of outward supplies → **Frequency:** Monthly → **Due Date:** (i) within 13 days after the end of the calendar month, or (ii) within 7 days after the last day of validity period of the registration **whichever is earlier**

Note: An NRTP is not required to file an Annual Return.

Form GSTR-6: Return for Input Service Distributors (ISDs)

GSTR-6 → **Details to be furnished:** (i) ITC received for distribution (ii) Total ITC/ eligible/ ineligible ITC to be distributed for the tax period (iii) Debit/credit notes received → **Frequency:** Monthly → **Due Date:** within **13 days** after the end of the calendar month

Note: An ISD is not required to file an Annual Return.

Form GSTR-7: For Tax Deducted at Source (TDS)

- GSTR-7 is a return for tax deducted at source, whenever taxable goods or services or both are supplied to a Central/ State Government's Department/ establishment or, local authority, or Governmental agencies, recipient is required to deduct tax at source and total value of supply exceeds ₹ 2,50,000.
- **GSTR-7A-** Form for issue of TDS certificate by deductor to the deductee.

GSTR-7 (For TDS)	**Frequency:** Monthly	**Due Date:** On/before **10th of the month** succeeding the calendar month

6. Due date for payment of tax

Due dates for payment of tax for the person required to file

Monthly GSTR-3B, GSTR-5 and GSTR-7	Last date of filing returns
GSTR-4	Tax for a quarter is to be paid by 18th of the month succeeding such quarter

Payment of tax under QRMP scheme

Tax due in each of the first 2 months of the quarter

To be paid by depositing in pre filled Form GST PMT-06

Payment to be made by 25th of the succeeding month

Options for making monthly payment of tax under QRMP scheme

- Options for making monthly payment of tax
  - Fixed sum method
  - Self assessment method

Method 1: Fixed Sum Method

- Fixed sum method
  - Pay tax due in each of the first two months of the quarter
  - Deposit in PMT-06 by 25th day of the month succeeding such month
    - **35% of the tax paid in cash** in the return for the preceding quarter where the return was **furnished quarterly**
    - **Tax liability paid in cash** in the return for the last month of the immediately preceding quarter **where the return was furnished monthly**

Monthly tax payment through this method would not be available to those registered persons who have not furnished the return for a complete tax period preceding such month.

Method 2: Self Assessment Method

- Self assessment method
  - Taxpayers can pay tax by considering tax liability on inward and outward supplies and ITC available
  - in Form GST PMT-06

Applicability of Interest -

(1) For Fixed Sum method taxpayers

Where auto-calculated fixed sum amount for first 2 months of quarter is paid by due date	• No interest would be applicable even if the liability for the said month was found higher • If GSTR-3B of the quarter is filed by the due date by discharging the entire liability
Where tax payer makes monthly payment beyond due date	• Interest is payable at the applicable rate from due date of furnishing GST PMT-06 till date of making payment
Where Form GSTR-3B is furnished beyond due date	• Interest payable as per provisions of section 50 of the CGST Act, 2017 for the tax liability net of ITC

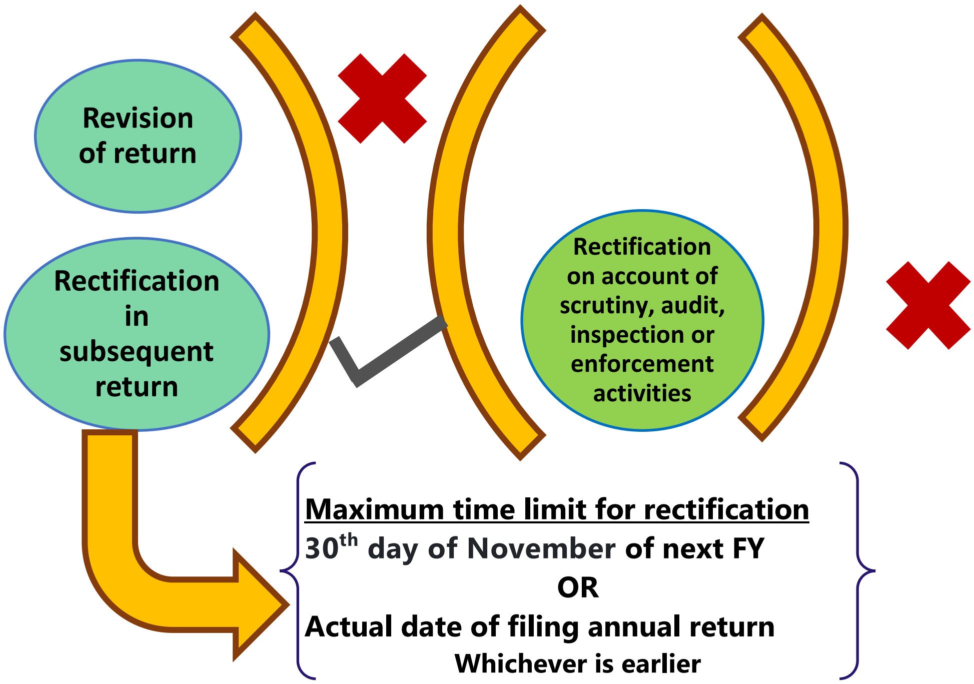
(2) For Self-assessment method taxpayers

Interest payable as per provisions of section 50 of the CGST Act

for tax or any part thereof (net of ITC) which remains unpaid/ paid beyond the due date

for the first 2 months of the quarter

7. Rectification of errors/omissions



8. Other returns/ statements

(i) First return

First Return (GSTR-10) → Registered person to declare outward supplies in the period between the date on which he became liable to registration till the date on which registration has been granted → after grant of registration

(ii) GSTR – 8 - Statement for tax collection at source

Statement for TCS (GSTR-8) → Monthly statement for E-Commerce Operator depicting supplies effecting through it → **Filed by:** E-Commerce Operator → **Due date:** 10th of the next month

(iii) Final return

Final Return (GSTR-10) → Taxable person whose registration has been surrendered or cancelled. → Within 3 months of the date of cancellation or date of order of cancellation, whichever is later.

(iv) Annual Return & Annual Statement

Annual return

- **Furnished by:** All registered persons
  - **excluding**
    - Casual Taxable Person
    - ISD
    - NRTP
    - Person deducting tax at source
    - Person collecting tax at source
- **Prescribed form**
  - GSTR-9 (For registered persons)
  - GSTR-9A (Composition tax payer)
  - GSTR-9B (ECO) [not yet notified]85

Annual Self-certified Reconciliation Statement

All registered persons

are required to file furnish the statement alongwith annual return if their aggregate turnover during a financial year exceeds ₹ 5 crores.

excluding

- Casual Taxable Person
- ISD
- NRTP
- Person deducting tax at source
- Person collecting tax at source

Prescribed form

GSTR-9C

(v) GSTR – 11 - Details of inward supplies of persons having UIN

GSTR-11 → Persons who have been issued a Unique Identity Number (UIN) → Details of inward supplies of persons having UIN

(vi) GSTR – 5A - Return for persons providing OIDAR services

GSTR-5A → Registered person providing OIDAR services from a place outside India to a person in India other than a registered person → **Due date:** **20th day** of the month succeeding the calendar month/part thereof

9. Information return

(i) Who shall furnish the information return?

- Taxable person
- Local authority /other public body/association
- State/Central Government's authority responsible for the collectiof VAT/sales tax/ State excise duty or excise duty or customs duty respectively
- Income tax authority
- Banking company
- State Electricity Board or an electricity distribution or transmission or any other entity entrusted with such functions
- Registrar/Sub-Registrar appointed under the Registration Act
- Registrar within the meaning of the Companies Act, 2013
- Registering Authority empowered to register motor vehicles under the Motor Vehicles Act, 1988
- Collector referred to in clause (c) of section 3 of the Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013
- Recognised stock exchange
- Depository
- Officer of the RBI
- GSTN
- UIN holder
- Any other specified person

(ii) Defective Information Return

Commissioner/ any authorised officer, considers information furnished in the information return to be defective → He may intimate defect to the person who has furnished such information return → Defect to be rectified within 30 days from the date of such intimation or extended time → Otherwise, information return shall be treated as not furnished

(iii) Issuance of notice for failure to furnish the information return within stipulated time

Where a person required to furnish information return has not furnished it → Commissioner/ any authorised officer, may serve a notice on such person → requiring him to furnish such information return → within a period not exceeding **90 days** from the date of service of the notice

TEST YOUR KNOWLEDGE

1. *Which type of taxpayers need to file annual return under section 44? Enumerate.*

2. *Is an annual return under section 44 and a final return one and the same? Explain.*

3. *Do input service distributors (ISDs) need to file separate statement of outward supplies (GSTR-1) with their return? Discuss.*

4. *Is it compulsory for a taxpayer to file return by himself? Explain.*

5. *Mr. Anand Kumar, a regular taxpayer, filed GSTR-1 for the month of August before the due date. Later, in the month of February next year, he discovers error in the GSTR-1 of the month of August already filed and wants to revise it.*

   You are required to advise him on the future course of action in this scenario.

6. *B Ltd. has filed the return for the month of October belatedly. At the time of computing the late fee to be paid for delay in filing return, B Ltd. has taken a view that if the late fee has been paid as per the provisions under the CGST Act, there is no requirement of paying the late fee under the SGST Act for the same default.*

   Whether B Ltd. has taken a correct view? Examine.

7. *Tax authorities have been scrutinizing the returns furnished by A Ltd. During the scrutiny process, A Ltd. has been made aware by the authorities about an incorrect disclosure in a return under section 39 filed by it for a particular tax period.*

   A Ltd. seeks your opinion to rectify the incorrect disclosure made in the return.

8. *ABC Ltd. applied for cancellation of GST registration in the month of March. In the month of September, the consultant of ABC Ltd. suggested to furnish the final return in said month. He advised the company that a final return needs to be furnished before the due date of furnishing the return for the month of September of subsequent financial year or before furnishing of annual return (for the financial year in which cancellation has been sought for), whichever is earlier. However, the jurisdictional authorities have yet not passed the order of cancellation due to reasons not known to ABC Ltd.*

   Whether the advice given by the consultant of ABC Ltd. is correct? Examine.

9. *XYZ Ltd. has deducted TDS from the consideration payable to A Ltd. for supplies made by it. The deductee, i.e. A Ltd., seeks your advice on taking credit for the TDS deducted by XYZ Ltd. Also, whether the tax deducted by XYZ Ltd. will be shown in the electronic credit ledger or electronic cash ledger of A Ltd.?*

10. *Whether GSTPs are required to furnish any return for disclosure of activities carried out by them for any of the registered person during a tax period? Elucidate.*

ANSWERS/HINTS

1. Every registered person, other than ISD's, casual/non-resident taxpayers, tax deductors at source, tax collector at source are required to file an annual return in Form GSTR-9. Taxpayer under composition scheme are required to file annual return in Form GSTR-9A. The department of the Central/State Government or a local authority, whose books of account are subject to audit by the Comptroller and Auditor-General of India or an auditor appointed for auditing the accounts of local authorities under any law for the time being in force, are exempt from the requirement of furnishing the annual return.

2. No. Annual return has to be filed by every registered person paying tax as a normal taxpayer, with certain exceptions. Final return has to be filed only by those registered persons whose registration under GST has been cancelled. The final return has to be filed within three months of the date of cancellation or the date of cancellation order, whichever is later.

3. No, the ISDs need to file only a return in Form GSTR-6 and the return has the details of credit received by them from the service provider and the credit distributed by them to the recipient units. Since their return itself covers these aspects, there is no requirement to file separate statement of outward supplies.

4. No. A registered taxpayer can also get his return filed through a Goods and Services Tax Practitioner(GSTP) as authorised by him subject to confirmation of registered person over mail or SMS each time when return filed by GSTP .

5. The mechanism of filing revised return for any correction of errors/omission is not available under GST. The rectification of errors/omission is allowed in the subsequent returns.

Therefore, Mr. Anand Kumar who discovered an error in GSTR-1 for the month of August cannot revise it. However, he should rectify said error in the GSTR-1 filed for the month of February and should pay the tax and interest, if any, in case there is short payment, in the return to be furnished for February. The error can be rectified by furnishing appropriate particulars in the "Amendment Tables" contained in GSTR-1.

However, as per section 37(3), no rectification of details furnished in GSTR-1 shall be allowed after 30th day of November following the end of the financial year to which such details pertain, or furnishing of the relevant annual return, whichever is earlier.

6. The understanding of B Ltd. is incorrect. For arriving at the late fee payable on account of delayed filing of GST return, the computation of late fee is made separately for CGST and SGST/UTGST. This is because the provisions of late fee on delayed filing of return are prescribed in both CGST Act and SGST/UTGST Act although a common return is filed for both the laws.

7. In terms of section 39(9), any rectification in the return (under section 39) furnished by the registered person is allowed only when the error or omission is discovered on account of reasons other than scrutiny, audit, inspection, or enforcement activity by the tax authorities.

In the present case, since the incorrect disclosure has been highlighted to A Ltd. by the tax authorities during the process of scrutiny, the rectification of the incorrect disclosure cannot be made by A Ltd. on its own.

8. No, the advice of the consultant is not correct.

In terms of section 45 read with rule 81, every registered person who is required to furnish GSTR-3B and whose registration has been cancelled is required to file a final return within three months of the date of cancellation or date of order of cancellation, whichever is later.

In the given case, the registration of the company has not been cancelled. Therefore, requirement of filing final return will arise only when the registration of the company gets cancelled.

9. In terms of section 51(5) read with rule 66, the deductee shall claim credit, in his electronic cash ledger, of the tax deducted and reflected in GSTR-7 of the deductor, after validation. Similarly, rule 87(9), *inter alia*, provides that any amount deducted under section 51 shall be credited to the electronic cash ledger of the deductee.

Therefore, in the present case, A Ltd., can take credit of TDS amount deducted by XYZ Ltd. in its electronic cash ledger and use the same for payment of tax, interest, penalty, late fee or any other amount.

10. In terms of section 48(2), a registered person may authorise an approved GSTP to furnish the details of outward supplies under section 37, the details of inward supplies under section 38 and the return under section 39 or annual return under section 44 or final return under section 45 and to perform other prescribed functions**.** Thus, the GSTP can furnish the specified documents or information on behalf of the registered person with prior authority of the registered person.

However, there is no specific return furnishing mechanism for GSTP itself to disclose the activities carried out by it for any of the registered person during a tax period.