

About the Author ...

Hi, I'm CA Rohit Garg (AIR 21) and I teach Indirect Taxation.

I have 4 years of professional experience with Big 4 firms - KPMG and EY, which helps me connect the law with real-life practical situations.

In May 2024, I secured All India Highest Marks in IDT and was also awarded the Gold Medal in IDT. But more than ranks and marks, what really matters to me is helping you understand the subject in a simple, logical and exam-oriented way.

My journey:

Let me be very honest with you.

My journey was not smooth.

I have seen failure at the Intermediate level, confusion, self-doubt and pressure. I know exactly how it feels when results don't go your way. But that phase taught me one thing – marks improve when clarity improves, not when hours increase blindly.

That learning helped me transform my preparation in Final, eventually leading to AIR 21, All India Highest in IDT, and Gold Medal.

This Concept book is built from that journey – from mistakes, not just success.

Why I Created This Concept book -

Most students struggle not because the syllabus is tough, but because :

- ✓ They don't know what to write
- ✓ They don't know how much to write
- ✓ They don't know what ICAI actually expects
- ✓ I created this Concept book to solve exactly these problems.

Every concept is framed keeping in mind:

- ✓ ICAI language
- ✓ Tricky areas where students usually lose marks
- ✓ Frequently tested concepts
- ✓ How a topper thinks while answering

This is not a random collection of concepts – it's a thinking tool for exams.

- CA Rohit Garg

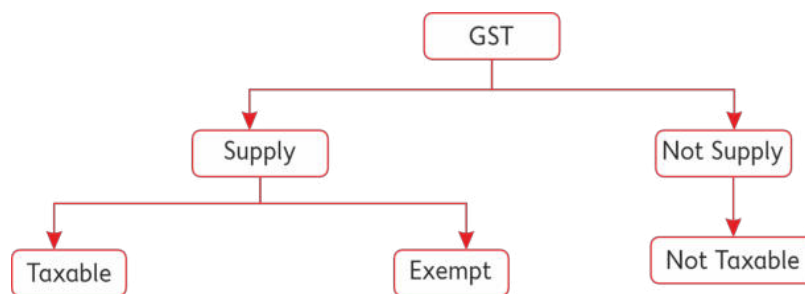
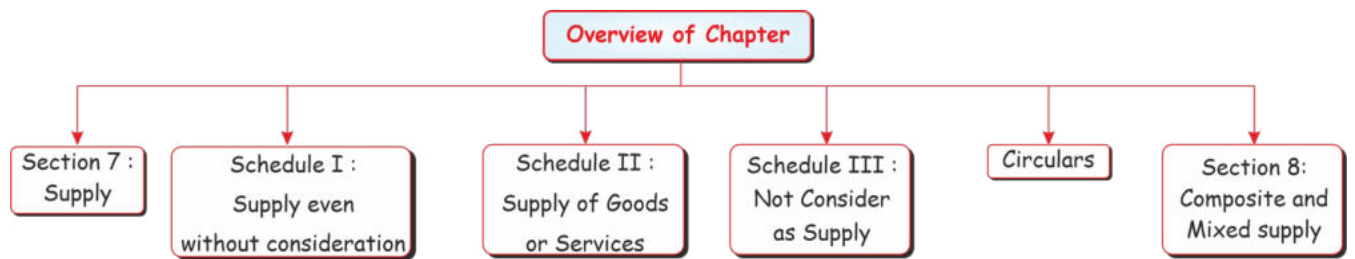


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CHAPTER – 1

SUPPLY UNDER GST



Basics

➤ **Taxable event** : Which creates or attracts tax liability. In GST taxable event is "Supply" goods or services or both.

➤ **Goods** : means every kind of movable property other than Money & securities But includes :

- Actionable claims (Read with schedule III)
- Growing crops, grass attached to land, to be severed before supply

Securities include share, Derivatives, scrips, units, security receipt, debenture or other marketable securities. Secured debt, Interest rate swaps are considered as derivatives.

Actionable claims : refers to a claim to any debt, other than secured debt or any beneficial interest in movable property not in the possession, either actual or constructive, which the civil courts recognise as affording grounds for relief.

Example: Unsecured debt, right to participate in the draw, debentures, right to benefit from a contract, Bill of exchange, Bank guarantee, arrear of rent etc.

➤ **Services** : Anything other than goods, money and securities.

- But includes - use of money (like Interest or discount)
- Its conversion in any mode for which separate consideration is charged.



Special cases :

- (1) In case of future/ forward contract of commodity ~~Security~~
 - Net settlement - **covered** in securities - hence **No Goods**.
 - Delivery taken - **not covered** in securities - Hence **Goods**.However, future/ forward contract of securities, even deliver taken still consider as securities.
- (2) Unit linked insurance policy - **combined benefit of investment and risk**, which is **not** covered in securities. Hence **supply**.
- (3) Standing trees **are not goods**. However, timber trees are severed for the purpose of sale only as a commercial commodity. hence **covered in definition of goods**.
- (4) Currency held for its **numismatic value** are not covered in money hence **goods**.
- (5) Brokerage and Platform fee: Though the securities are not covered under GST. **Share broker** and stock exchanges will be **liable to pay GST** on service supplied by them by **facilitating or arranging transaction on securities**.

➤ Consideration : includes

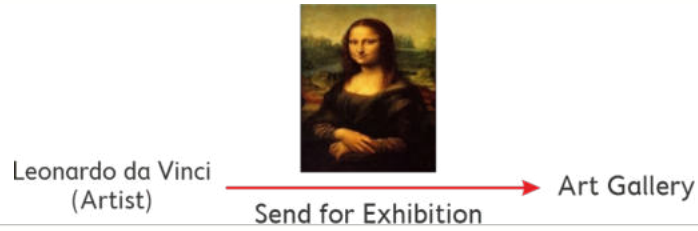
- (a) **Any payment made or agreed to be made** whether in money or not (Like joint development agreement) is made or agreed to be made whether in money or otherwise, in response to or for the inducement of the goods or services or both. Whether by recipient or by any person but does not include any subsidy given by CG/SG. (~~local authority~~).
- (b) **the money value of any act or forbearance** whether in money or not (Like joint development agreement) is made or agreed to be made whether in money or otherwise, in response to or for the inducement of the goods or services or both. Whether by recipient or by any person but does not include any subsidy given by CG/SG. (~~local authority~~).

Special cases of Consideration

1. A **deposit** given in respect of the goods or services or both, **shall not be considered as a consideration** unless the supplier has applied such **deposit for the adjustment** of consideration then it is **considered as consideration**. Like: rent adjusted in the last month will be considered as consideration.
2. **Artwork** sent by artist for exhibition is **not consideration** hence **no supply**.



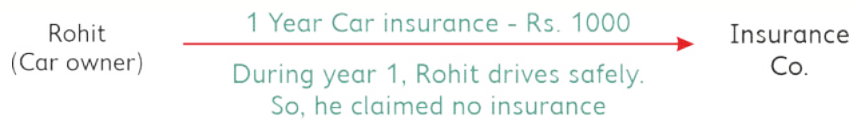
For example:



- **No consideration** flows from gallery to the artist hence no consideration. However, since it is not a supply, delivery challan is compulsory to generate.
- only if the said painting is sold by the gallery to the potential customer only then Supply will be considered.

3. No claim bonus offered by an insurance company to the insured is not consideration hence no supply.

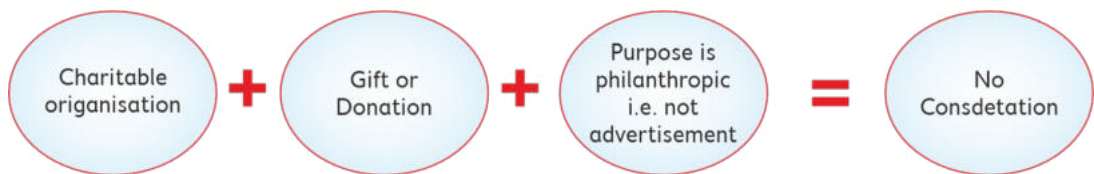
For example :



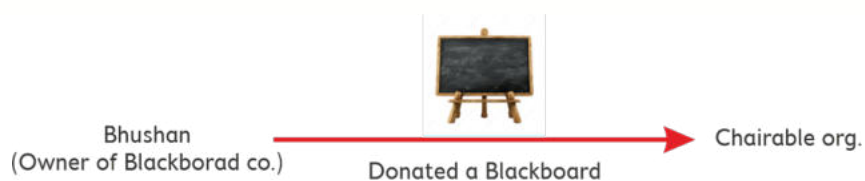
Insurance co. impressed by Rohit for not claiming any insurance. So, they offer 20% discount on next insurance due in year 2. i.e. Rs 1000 - Rs 200 (Discount) = Rs 800.

In this Rs 200 discount offered is the "No claim bonus" and for which no separate consideration and agreement between Rohit and Insurance co. for no claiming any insurance.

4. Donation received by charitable institutions from individual donors, without quid pro quo is consideration or not : Consideration will not be considered if following condition met



For Example :



- Printed as blackboard so donated- "Good wishes from Mr. Bhushan". - **No consideration**
- Business address or promotion like donated by Bhushan & Associates) - **Consideration**

➤ **Money :**

- Indian legal tender, foreign currency, letter of credit, draft, bill of exchange etc.
- Any other instrument **recognised by RBI**
- Circular : Commercial paper and deposit certificate is also included.

➤ **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 (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

- **Family means**
 1. Spouse and children
 2. **Dependent** -parent, grandparents, brother and sister.

➤ **Related Person :**

1. Such persons are officers or directors of one another's businesses. - **O**
2. Such persons are legally recognised **partners** in business. - **P**
3. Such persons are **employer and employee**. - **E**
4. **Any person** directly or indirectly owns, controls or **holds twenty-five per cent** or more of the outstanding voting stock or shares of **both of them**. - **T**
5. One of them directly or indirectly **controls the other**. - **C**



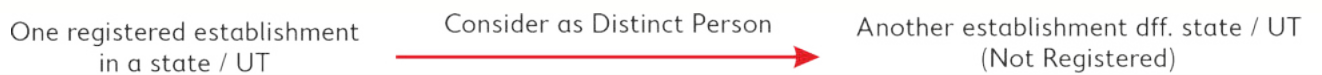
6. Both of them are directly or indirectly controlled by a third person. - **C₂**
7. Together they directly or indirectly control a third person; or - **C₃**
8. They are members of the **same family**. - **F**
9. Persons who are associated in the business of one another in that one is the **sole agent** or sole distributor, shall be deemed to be related. - **A**

Memory technique: -POET CFA

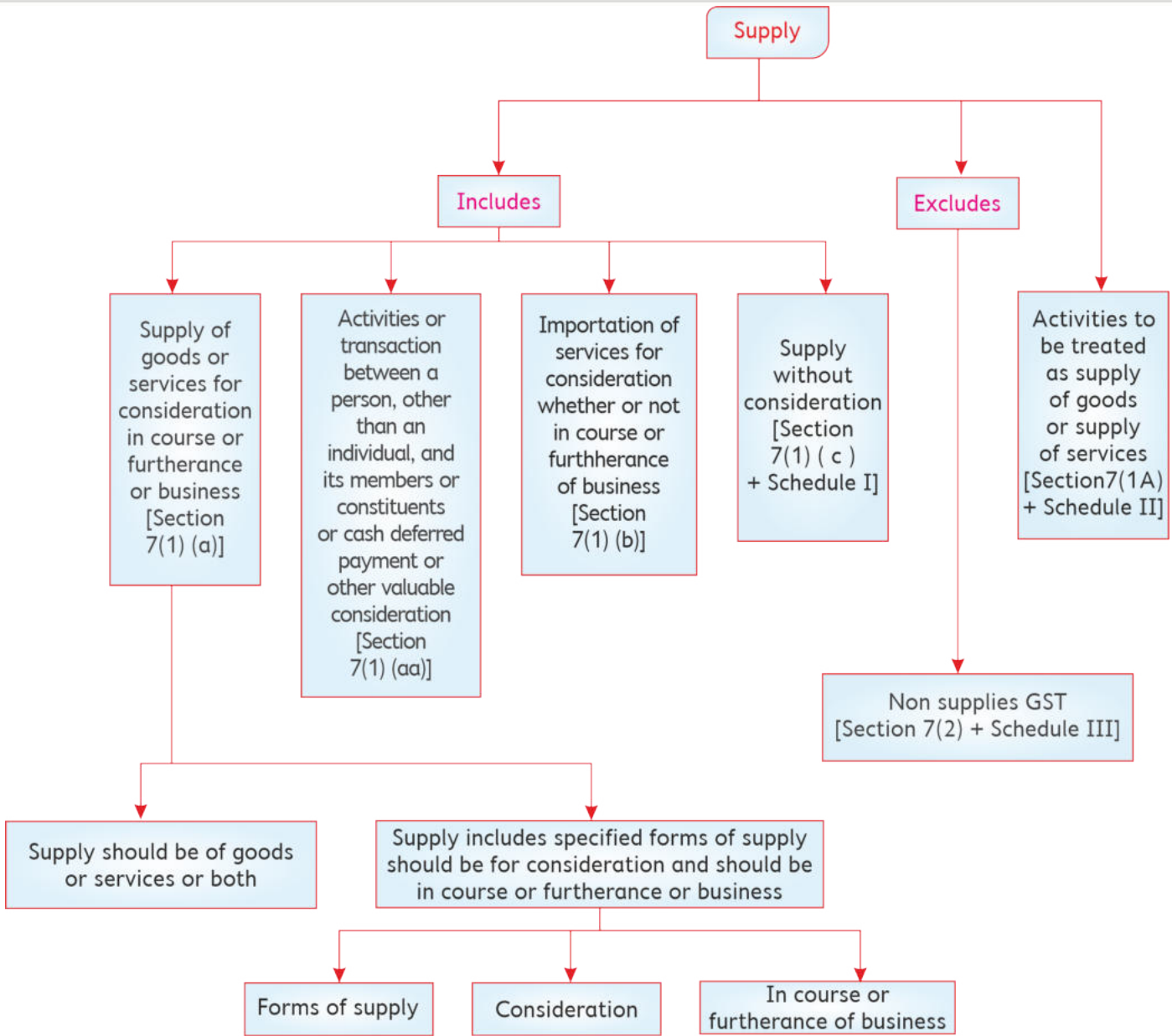
➤ Distinct person :

- **Same PAN** - More than one registration in same/ diff. state - deemed as distinct person
- However , more than one branch under same single registration in same state (one state) - cannot be consider as distinct person.
- A unit in SEZ is always a distinct person even though it's not registered.

➤ Establishment of Distinct person :



SECTION 7: SCOPE OF SUPPLY



➤ **Section 7 (1) (a)** : goods or services or both in any form sale, transfer, barter, exchange, lease etc. for a consideration and in the course of business.



➤ **Section 7 (1) (aa)** : Activities/ transactions involving goods or services by any person, other than an individual, to its member/ constituents or vice-versa

Example: Service supplied by cooperative society to its members



- **Section 7 (1) (b): Import of service** for consideration whether or not in the course or furtherance of Business (Liability is in **Reverse charge**)

Note : 1. Personal consumption is also liable to GST.
2. Import of goods are not covered in the entry.

For example : Rohit has received the architect service from Aman (USA) for Rs 1 lakh for his house. So, in this example, there is import of service and for consideration but not in relation to its business, still Rohit (Receiver) is liable to be covered in supply under RCM.

SCHEDULE I: SUPPLY WITHOUT CONSIDERATION

1. Permanent transfer or sale of **business assets** where ITC has Been availed on such assets.

Note :

1. Goods sent for job work is not qualified as permanent transfer.
2. It does not apply to the sale of personal land or building and other personal assets.

Example : if any org. undertakes renovation and transfer its old furniture, on which ITC has been availed, even without consideration to charitable org. the same would amount to supply under schedule I.

2. Goods or services or both **b/w related persons or distinct persons** as specified in section 25, in the course or furtherance of **business**.

However, gifts upto Rs 50,000 in value in a financial year by an employer to its employee are not supply.

Note : **Perquisites** under employment contract is **outside the scope** of GST. Like free membership of clubs, free guesthouse for stay. Further ITC is also not available on the same

3. Goods only :

- (a) by a principal to its agent where the agent undertakes to supply on behalf of its principal.
- (b) by an agent to his principal where the agent undertakes to receive on behalf of its principal.

Note : In order to check principal and agent relation -further **invoice should be issued by agent in his own name** only, then schedule I is applicable.

Example : MR A. principal supply goods through auction and appoint MR. B (agent) and then MR. B sale in the auction to MR. C (customer) and **bill is in the name** of Mr. B. Then it is supply under GST



➤ Del - credere agent (DCA) :

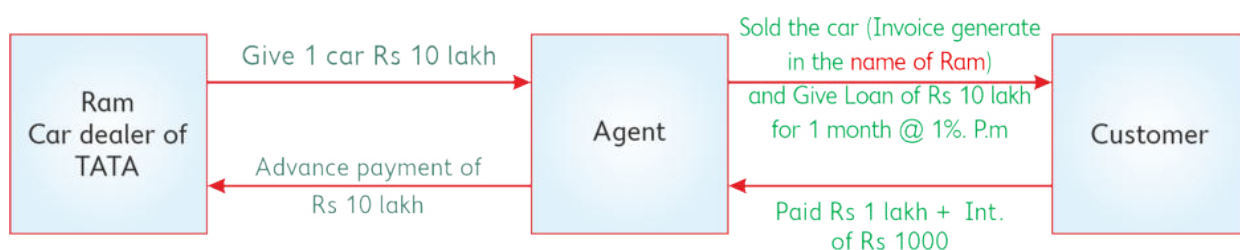
The main difference between normal agent and DCA is that the **DCA guarantees the payment to the supplier.**

DCA is covered under schedule I or not - In case where the invoice has been issued by the DCA in his own name it is covered under schedule I.

Short term transaction-based loan - In order to guarantee timely payment to the supplier, the DCA can resorts the various methods including extending short term transaction-based loan to the buyer or paying the supplier himself and recover from the buyer with interest.

Whether the short-term transaction-based loan for which interest is charged is G/S?

Case 1 : DCA not covered in schedule I (Invoice not issue in own name)



In such scenario following activities are taking place:

1. goods from supplier (principal) to recipient
2. agency services from DCA to the supplier or the recipient or both
3. extension of services by the DCA to the recipient.

Short-term loan provided by the agent to the customer on Principal-to-Principal basis and is an independent supply. Therefore, the **interest being charged by the DCA would not form part of the value of** goods supplied by the supplier. Hence classified as services.

Case 2 : DCA covered in schedule I (Invoice issue in own name)



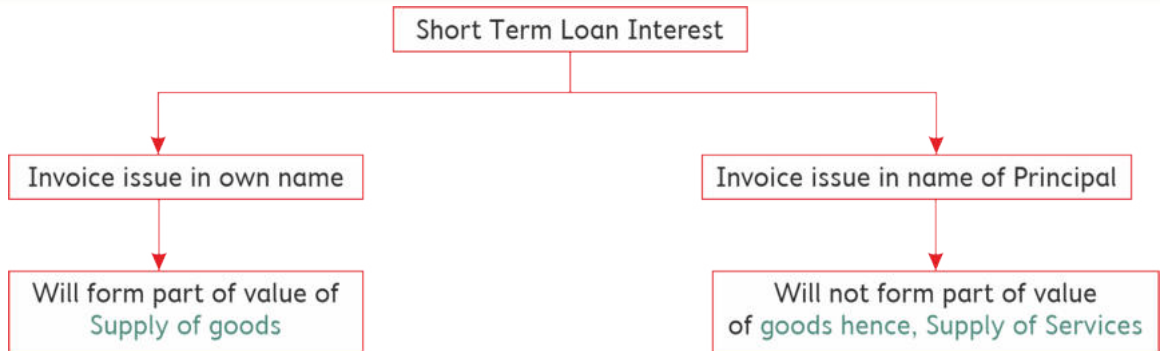
In such scenario following activities are taking place :

1. goods from supplier (principal) to DCA
2. Further goods by the DCA to the recipient

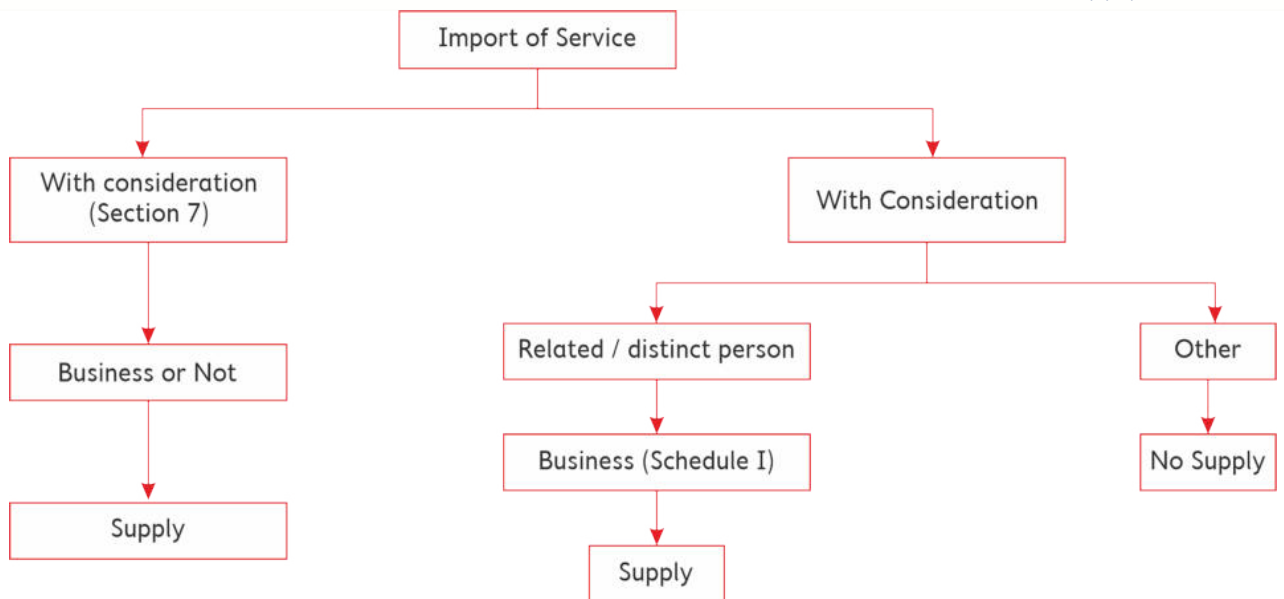


3. agency services from DCA to the supplier or the recipient or both
4. extension of services by the DCA to the recipient.

In this case, the temporary short-term transaction-based loan being provided by the agent to the buyer no longer retains its characteristics of an independent supply and is subsumed in the goods by the DCA to the recipient. So, it would be **considered as the part of goods** and the **interest charged on that would be added in the goods only.**



4. Import of service from a related person or from his establishments located outside India, even without consideration in the course or furtherance of business shall be treated as "supply".



SCHEDULE II: CLASSIFICATION OF GOODS OR SERVICES

| Type | Activity | Nature of Supply |
|-----------------|--|------------------|
| Transfer | Transfer of title | Goods |
| | Transfer of right without transfer title | Services |
| | Transfer of title at future date. (Hire purchase) | Goods |
| Land & building | Any lease, license , tenancy to occupy land | Services |
| | Any lease or letting out of building. | Services |



| Type | Activity | Nature of Supply |
|-----------------------------|---|------------------|
| Treatment or process | Any treatment or process applied to another person's goods (Job work) | Services |
| Transfer of business assets | Goods forming part of business or put to private use or made available to any person other than business. | Services |
| | Goods forming part of the assets of a business are transferred or disposed as permanent transfer . | Goods |
| | Any person ceases to be a taxable person , any goods forming part of the assets of any business carried on by him shall be deemed to be supplied by him in the course or furtherance of his business immediately before he ceases to be a taxable person, unless— the business is transferred as a going concern to another person; or the business is carried on by a personal representative who is deemed to be a taxable person. | Goods |
| Immovable property | Renting of Immovable property | Services |
| | construction of a complex, building, civil structure or a part thereof, including a complex or building intended for sale to a buyer, wholly or partly, except where the entire consideration has been received after issuance of completion certificate , where required, by the competent authority or after its first occupation, whichever is earlier. | Services |
| | temporary transfer or permitting the use or enjoyment of any intellectual property right; | Services |
| | development, design, programming, customisation, adaptation, upgradation, enhancement, implementation of information technology software ; | Services |
| | agreeing to the obligation to refrain from an act , or to tolerate an act or a situation, or to do an act; an | Services |

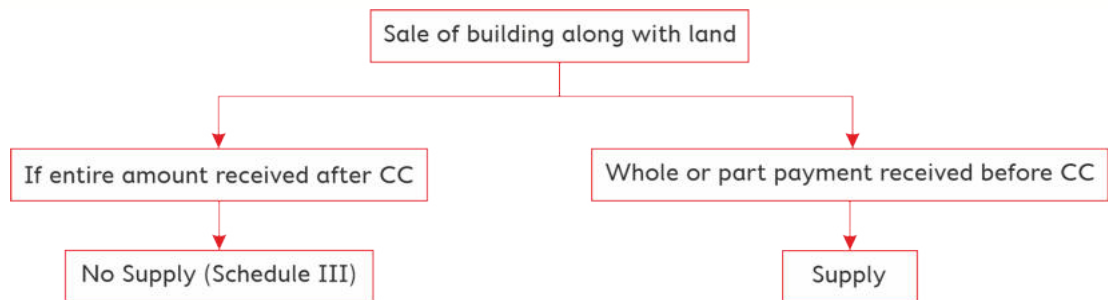


| Type | Activity | Nature of Supply |
|------------------|---|------------------|
| | transfer of the right to use any goods for any purpose (whether or not for a specified period) for cash, deferred payment or other valuable consideration | Services |
| Composite supply | Work contract Restaurant services (other than Alcohol liquor for human consumption) | Service |

“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

SCHEDULE III: ACTIVITIES NEITHER GOODS NOR SERVICES (NEGATIVE LIST)

1. Services by employee to employer.
2. Services provided by Court or Tribunal. However, services provided by arbitral tribunal to a business entity shall be subject to RCM.
3. Functions by MPs, MLAs, in discharging their duties by virtue of Constitutional authority.
4. Service of funeral, burial, crematorium or mortuary including transportation of the deceased.
5. Sale of Building with entire consideration received after obtaining Completion certificate shall not be regarded as supply.

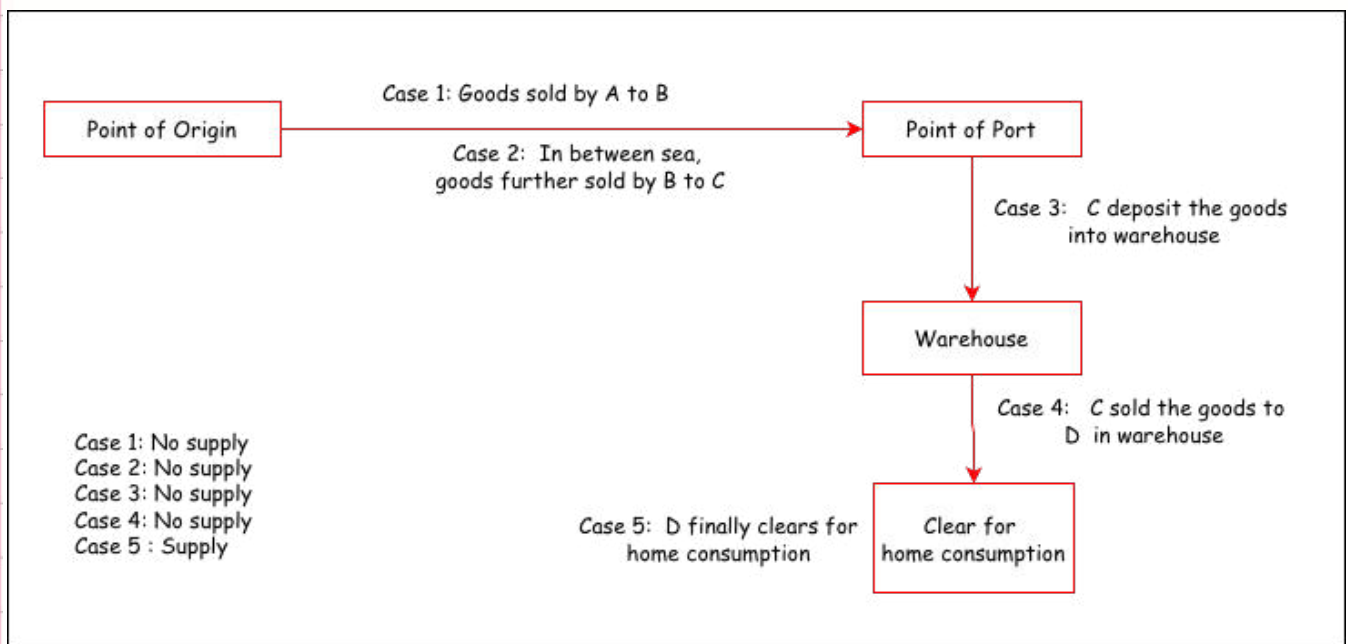


Preferential location charges paid before cc collected along with sale of building (residential/commercial) - consider as composite supply where construction is the principal supply and is natural bundled. Hence eligible for same rate as of principal supply i.e. construction services.

6. Actionable claims apart from Betting, Lottery, Gambling, online money gaming and horse riding are not to be treated as supplies.



7. goods which does not enter India from a non-taxable territory to another non-taxable territory.
8. goods by consignee to any other person, by endorsement of **title of the goods**, after the goods has been **dispatch** from point of origin but **before clearance** or home consumption. This is called **High Sea sale transaction**.
9. **warehouse goods** before consumption to any person.
10. **goods warehoused in a SEZ** or free trade warehousing zone to any person **before clearance** for export or to the domestic tariff area. (Amendment Finance act, 2025) (same as point 9)



11. Apportionment of **co-insurance premium by lead insurer to co-insurer** treated as neither goods nor services, if lead insurer pays GST on total premium.

Example : XYZ Ltd. takes a fire insurance policy of ₹10 crore. In which **lead insurer** is ABC Insurance Co. (40% share), **Co-insurers:** PQR Insurance Co. (30%) and LMN Insurance Co. (30%)
 Total premium charged to XYZ Ltd. = ₹50,00,000. Now, ABC Insurance transfers the respective premium share to co-insurers: PQR Insurance: ₹15,00,000 & LMN Insurance: ₹15,00,000

- Rs 50,00,000 paid by XYZ TO ABC Insurance co → **Liable to GST**
- Amount paid by ABC Insurance co. to PQR Insurance & LMN insurance co of Rs 15,00,000 each → **Not liable to GST as per Schedule III**



12. Reinsurance commissions (ceding commission) received by insurer from reinsurer treated as neither goods nor services', subject to tax being paid by reinsurer on gross reinsurance premium.

Example : BC Insurance Co. issues health insurance policies and reinsures 40% of the risk with XYZ Reinsurance Co. Gross reinsurance premium paid by ABC to XYZ Reinsurance = ₹20,00,000. XYZ Reinsurance Co. pays GST on this full premium. As part of the arrangement, XYZ Reinsurance gives back a ceding commission of ₹2,00,000 to ABC Insurance Co.

- Reinsurance premium paid by ABC to XYZ Reinsurance → Liable to GST
- Ceding commission received by ABC from XYZ → Not liable to GST as per Schedule III

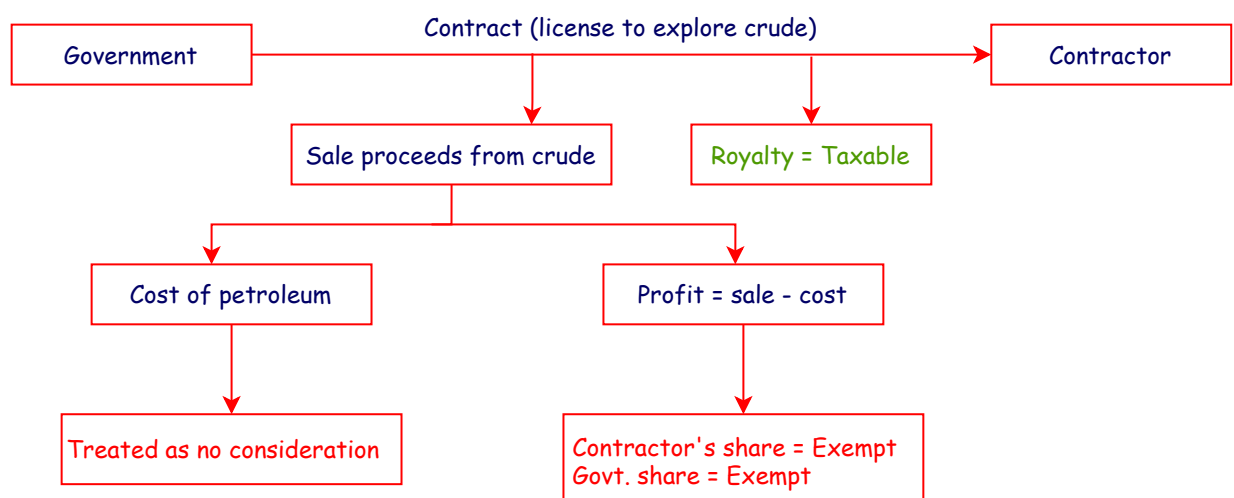
Activities notified undertaken by govt. neither goods nor Service

1. Service supplied as public authorities by CG/SG/LA to Panchayat under article 243G or municipality under article 243W - No supply
2. Grant of Alcohol license against consideration in form of license fee or application fee or anything by SG as public authority. - No supply
3. Ony Alcohol license is not supply. Other licenses are in the scope of GST. Like mining rights, spectrum etc. is taxable

Circulars issued: Special cases (very important)

1. Taxability of cost of petroleum

Recovery of cost of exploration and production is cost petroleum. It's for recovery so it's not a consideration.



2. Security lending scheme



Lender earns lending fee from securities lending securities to the borrower. Lending fee is **not fall under disposal of securities** and consider as **Service** because it's a temporary transfer of securities. Hence liable to pay GST. (Intermediary services). In this case, Borrower the **liable to pay GST under RCM**.

3. Moulds and dies : Moulds and dies owned by original equipment manufacturers that are sent free of cost to component manufacturers **does not constitute a supply** as there **is no consideration**. However, in case of **related/distinct person** it is covered under **deemed supply under schedule I**.

4. Taxability of tenancy right : In tenancy right, landlord sell the tenancy right to the tenant at premium. Which can be further sell to any other person, **such transfer is liable to pay under GST** and does not consider as sale of immovable property even though stamp duty is levied on such tenancy right.

5. Penalty or pre deposit amount charged by consumer disputes office or as per the guidelines issued by the RBI - **No GST**

6. Director remuneration

- ⇒ Remuneration paid to independent director - covered **under supply** - No Employer and employee relation under schedule III
- ⇒ Remuneration to employee director - **No Supply** because employer and employee relation under Schedule III.
- ⇒ Perquisites in employment contract - **No supply**

7. Interstate movement of various **modes of conveyance (train, bus, aircraft etc.)**, carrying goods or passengers **not regarded as supply between distinct persons**. (Except for further goods). However, if it is for repair and maintenance done on such conveyance, it shall be regarded as supply.

This circular mutatis mutandis applicable inter-state movement of rigs, tools and spares and all goods on wheels.



Supply Under GST

8. Interstate transfer of aircraft engine, parts and accessories for self-use by airlines between distinct persons under schedule I - **Liable to GST**

9. Joint venture taxability : Service provided by joint venture (AOP) to its member or vice-versa, will be consider as **supply and liable to GST**.

Call in advance or cash calls by AOP from its member - **Not supply** because its mere flow of transactions.

Note : Payment made out of call in adv/cash arrear by JV towards a taxable supply. Even that service is provided by its member, classified as supply.

Example : 4 members in AOP. Each contribute Rs 100 each. - mere flow of money. Hence no supply.

Example : 4 members in AOP. Each contribute Rs 100 each and JV used that money to hire machine from its own member and pay Rs 400 -Covered under supply.

10. Priority sector lending scheme issued by RBI to commercial bank - **not covered in the definition of securities**- Hence in **Goods - liable to GST**.

11. Payment of honorarium to the guest member.

Service supplied by Guest anchor in lieu of honorarium (like Aakash Chopra invited in a news channel Aaj Tak) does not exceed Rs 20 lakhs (Rs 10 lakh in special category state) in a financial year shall not be liable to take registration and pay GST.

12. Share held by the holding company in the subsidiary company - will not be treated as services.

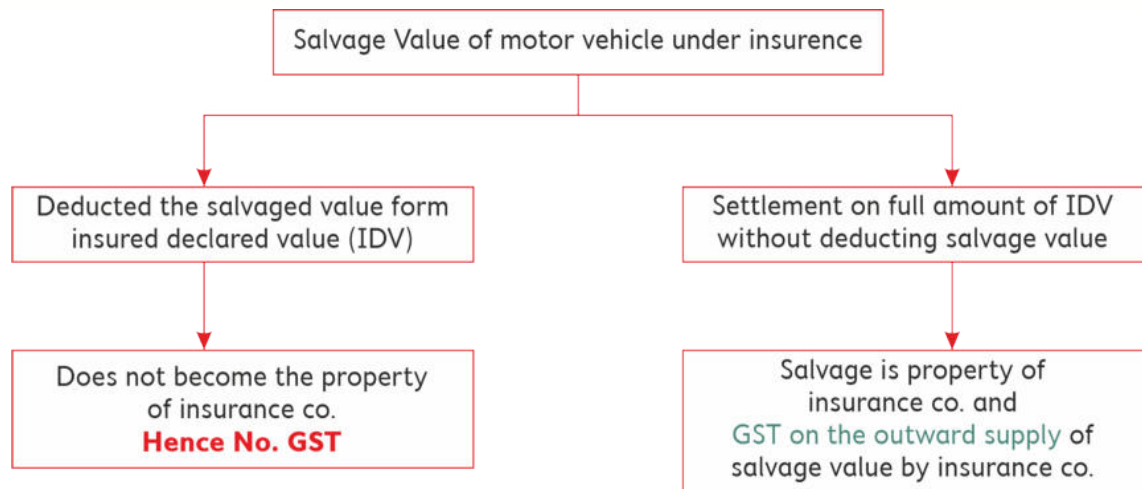
13. Warranty replacement of parts and repair during warranty period.

| | |
|---|--|
| Case 1: Manufacturer & customer only | Separate consideration: Yes: Supply No: No supply (Because it is assumed that replacement cost already covered at the time of original same and GST is already paid) |
| Case 2: | |
| Part (I): Distributor provide the replacement to the customer | Separate consideration: Yes: Supply No: No supply (Because it is assumed that replacement cost already covered at the time of original same and GST is already paid) |



| | | |
|---|----------------|--|
| Part (II) Manufacturer Distributors | Between and | Separate consideration : Yes: Supply No: No supply , Distributor can raise the credit note in respect of the parts. Accordingly, GST liability may be adjusted by the manufacturer. |
|---|----------------|--|

14. Salvage value earmarked in the claim assessment of the damage caused to the motor vehicle.



15. Taxability of ESOP through its overseas holding company where cost of such shares reimbursed by domestic company

If reimbursement on **actual cost to cost basis**: **no supply as "securities"** are neither goods or services.

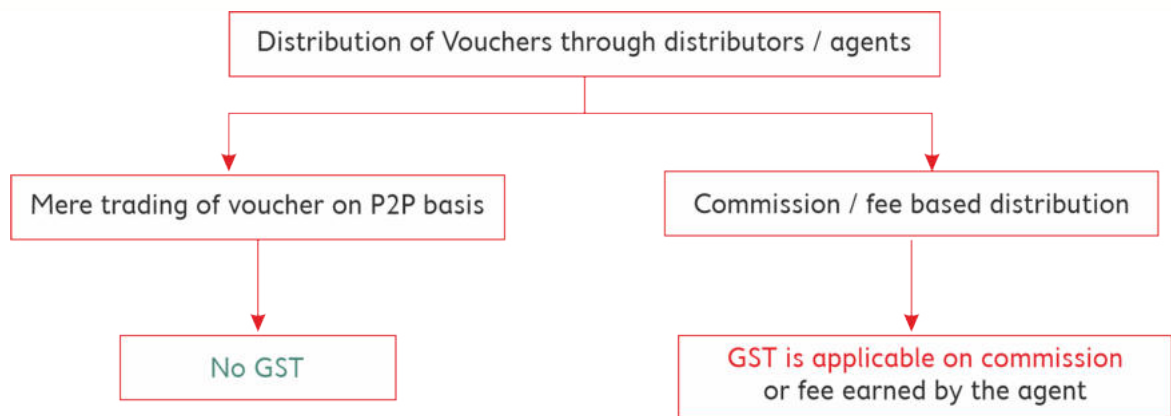
If **additional amount over and above the cost of shares/securities** is charged by foreign co. from domestic co. is charged by overseas co. - **GST would be leviable on RCM basis** for facilitating / arranging transaction in shares/ securities.

16. Vouchers

1. Prepaid voucher - which are recognized by RBI - consider as money
2. Other vouchers - create obligations on supplier to received it as consideration - hence Actionable claims.

Hence transaction of voucher is not a G/S/B. However underlying G/S/B may be taxable.





3. Any additional related services, such as marketing or advertising of the vouchers, are taxable under GST at the applicable rate.
4. Unredeemed Vouchers (Breakage) : No GST is applicable. Since no goods or services has occurred, there is no taxable event.

17. Liquid damages : If damage is paid as compensation under a contract to agreeing to obligation to refrain from the act or to tolerate an act or situation or to do an act. it is considered as supply only if:

- There must be express or implied contract exist between the parties. Such must be an independent arrangement on its own or form of part of another arrangement.
- Consideration must be flow in return.
- Will be taxed @ principal supply.

For example :

1. A contract for transport of passengers may stipulate that ticket amount shall be partially or wholly forfeited if the passenger does not show up.
2. A contract of tour package stipulate forfeiture the deposit in the event cancellation of tour by customer.
3. Cancellation charges for ticket
4. Pre- payment penalty
5. Late payment charges

Exception : Where the amount is paid as liquidity damage is an amount paid only to compensate for injury, loss or damages suffered by the aggrieved party due to breach of contract and there is no express or implied contract between the parties receiving the liquidity damage - then in such case it is a mere flow of money - Hence not chargeable under GST.



For example :

1. damage resulting from damage to property, piracy or unauthorized use of trademark, copyright.
2. Penalty of delay in delivery of goods or services
3. Forfeiture of earnest money by seller in case of non-fulfillment of contract by the buyer.
4. Cheque dishonor fine/ penalty

COMPOSITE AND MIXED SUPPLY

Sometimes, supplies can be of more than one item for a single price, whereas each individual item attracts different tax rates. which create problem regarding the rate of tax that to be levied. To solve this problem GST, introduce concept of composite and mixed supply.

➤ **Composite supply :** Means a supply made by: A taxable person to a recipient

Consist of two or more taxable supplies of goods or services

- In the ordinary course of business.
- Which are naturally bundled.
- One of them should be **Principal supply**.

➤ **GST rate :** Rate of **Principal supply** will apply.

Principal supply means

1. Which have **predominant factor**.
2. Other services are **ancillary** to it.

How to check Natural bundle ?

- If large no of receiver as a bundle
- Majority of supplier supplies as bundle
- One service is main and other is ancillary.

However, there is not straight jacket formula, you need to assess each case.

➤ **Mixed supplies :** means a supply made by:

A taxable person

Two or more individuals supplies of goods or services

For a single price

Which are not naturally bundled.

GST rate: Highest Rate of All supplies will apply.



Note : In case a separate line item is showing for each item in the invoice, then it is not a mixed or composite supplies and attract a different rate for each item separately.

Examples of Mixed and composite supplies :

| Example | Treatment |
|---|--|
| Toothpaste with toothbrush | Mixed supply. Because not naturally bundled. |
| Car with service warranties | Composite supply Principal supply is of car |
| Goods transport having insurance, transportation and packaging cost | Composite supply. Principal supply is of goods. |
| Diwali gift pack | Mixed supply because not naturally bundled. |
| Diwali gift box. Each item mentioned on invoice separately | Not composite and nor mixed supply. |
| Television with a remote control | Composite supply. Principal supply is of television. |

➤ Some are the circulars related to composite and mixed supplies :

- In case of **Car servicing** both goods and service (labor) are **valued separately in invoice**. So, it will **not be considering as composite or mixed supply** and separate rate to be charged for each item.
- food and beverages in cinema halls.
Case I : sale of ticket + food are clubbed together at the time of ticket booking (like while booking through Paytm) -composite supply and principal supply is of ticket. Because maximum supplier does this practice in the industry.
Case II : food inside cinema hall is taxable as "restaurant service" and not treated as composite or mixed supply.
- Retreading of tyres : where **tyre belongs to the receiver** and only retreading work is done and rubber is also used. It is treated as **services**. **Principal supply is of retreading**. Rubber used for retreading is ancillary to it.
However, in case where **tyre also belongs to the supplier** then it is a **goods** because principal supply is goods.



4. Taxability of printing context.
 - Content owned by publisher - Composite supply - Principal supply is of printing hence, **Service**
 - printed envelopes, letter cards - Composite supply is of paper. Hence, **Goods**.

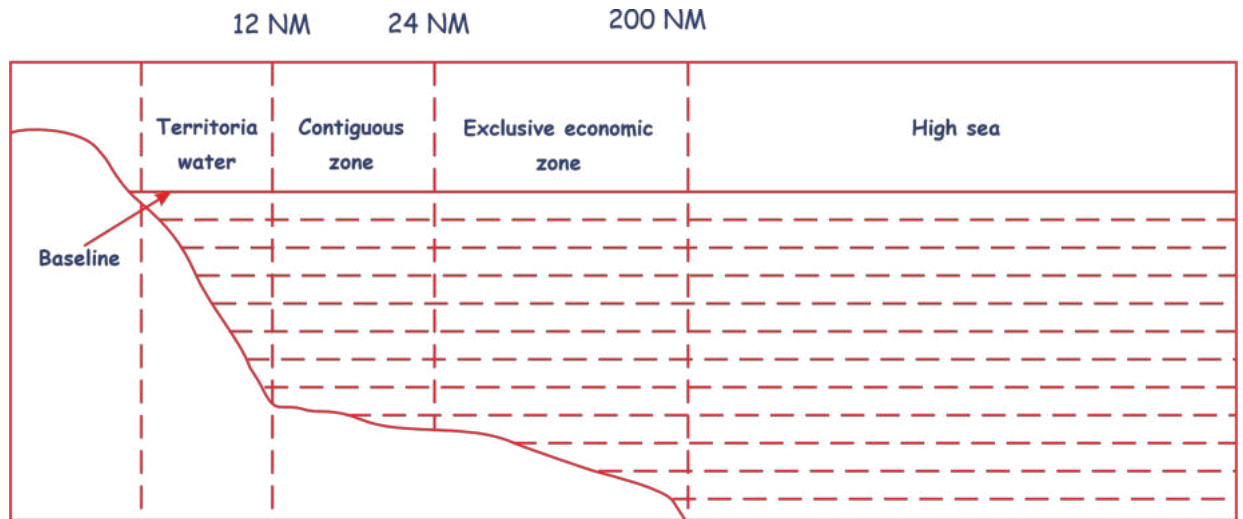
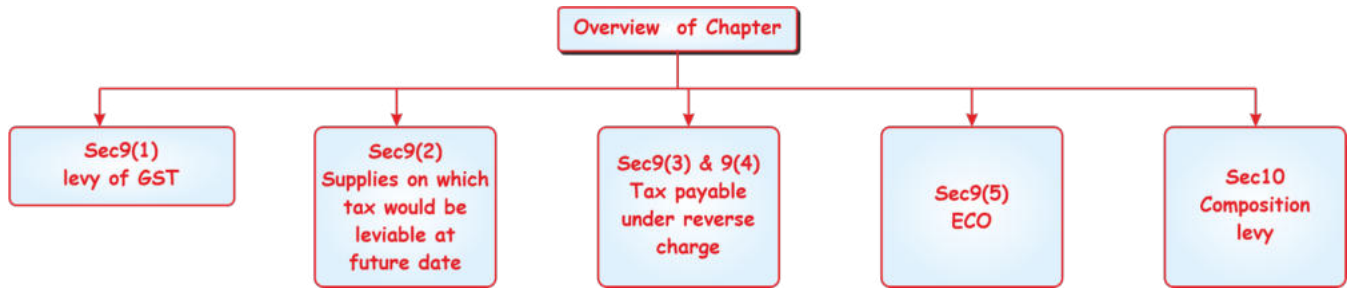
5. Extended warranty :
 - At the time of original supply from same person: Rate of **principal goods** (composite supply)
 - From the different person or after the original supply: **service** considers as **independent supply**.

6. Buy one Get one : Single price is charged for 2 products. Hence consideration involve consider as supply and tax on the whole price at the same rate and ITC can be taken on both the product

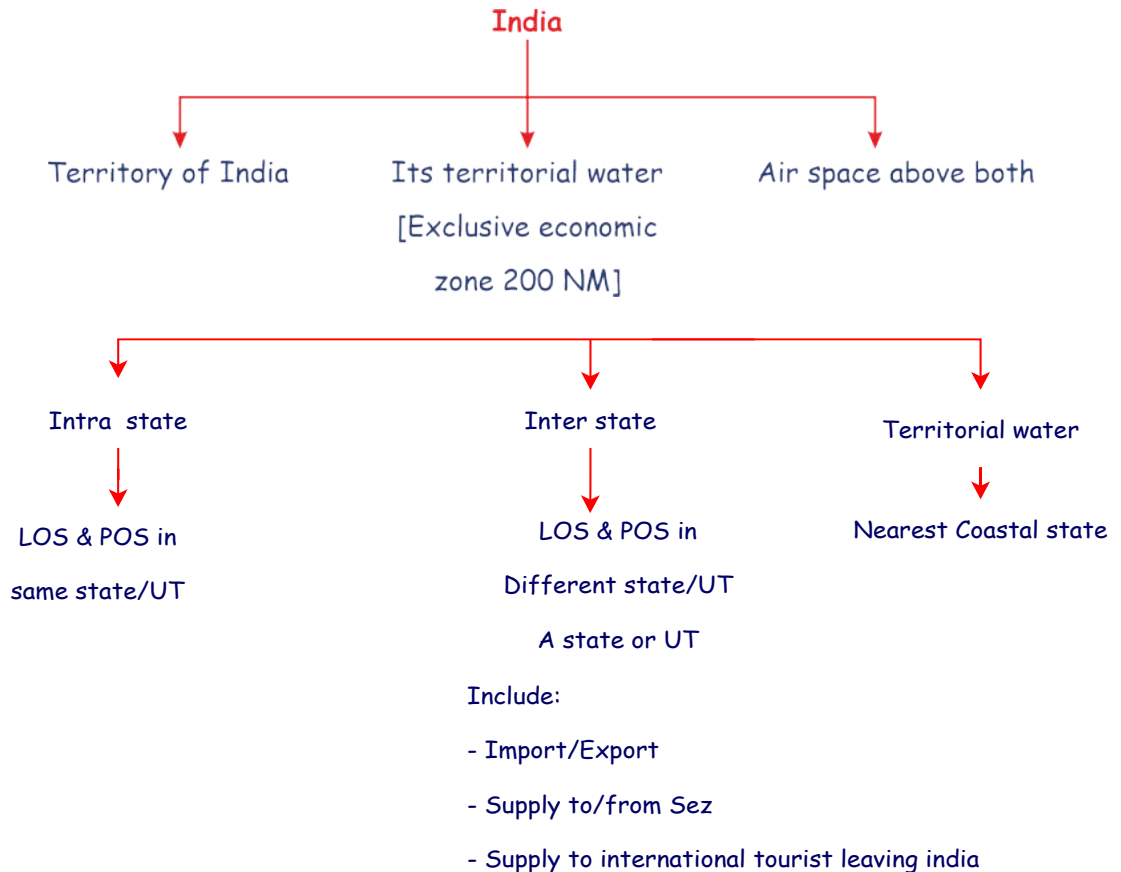


CHAPTER – 2

CHARGE UNDER GST



Definitions



Section 9

➤ **Sec 9 (1) :** CGST / IGST on all intra / Inter state supply G/S/B

Except : on the **supply of alcoholic liquor for human consumption**

Including Un-denatured ENA / rectified spirit

Value = Sec 15

Rate Max.
20 % / 40 %

Collection Prescribed Manner
and paid by Tax payer

➤ **Sec 9(2) :** CGST / IGST Noe leviable currently But on future dates

- Motor spirit (M)
- Natural Gas (N)
- Petroleum crude (P)
- Aviation turbine fuel (A)
- High speed Diesel (D)
- Memory technique : ⇒ **MAN DP**

➤ **Sec 9(3) :** Specify categories of supply of goods or services or both, the tax on which shall be paid on **reverse charge basis** by the recipient of such goods or services or both

A. Supplies of goods taxable under reverse charge, i.e. **supply of the goods** where tax is payable by the recipient :

(1) Agriculturist → Reg. Person

C - Cashew nut (not shelled or peeled)

B - Bidi wrapper leaves

R - Raw cotton

T - Tobacco leaves



Charge Under GST

(2) Un Reg. Person → Reg. Person

1. Special oil & mint :
Pepper mint
Other Mint, Spear mint
Water Mint, Horse Mint
Berga mint, Mentha
arvensis
except : Citrus fruit
2. Metal Scrap

(3) Manufacture, Silk yarn → Reg. Person
from Raw Silk Silk yarn

(4) CG/SG/LA (excluding Ministry of Railway) → 1. Lottery distributors
2. Reg. person
1. Lottery tickets
2. Seized goods

(5) Reg. Person → Reg. Person
Priority sector
lending Certificate

B. Supply of services taxable under reverse charge under section 9(3) of the CGST Act, i.e. the services where tax is payable by the recipient

1. Supply of services by goods transport agent (**GTA**) in respect of transportation of goods to specified person :

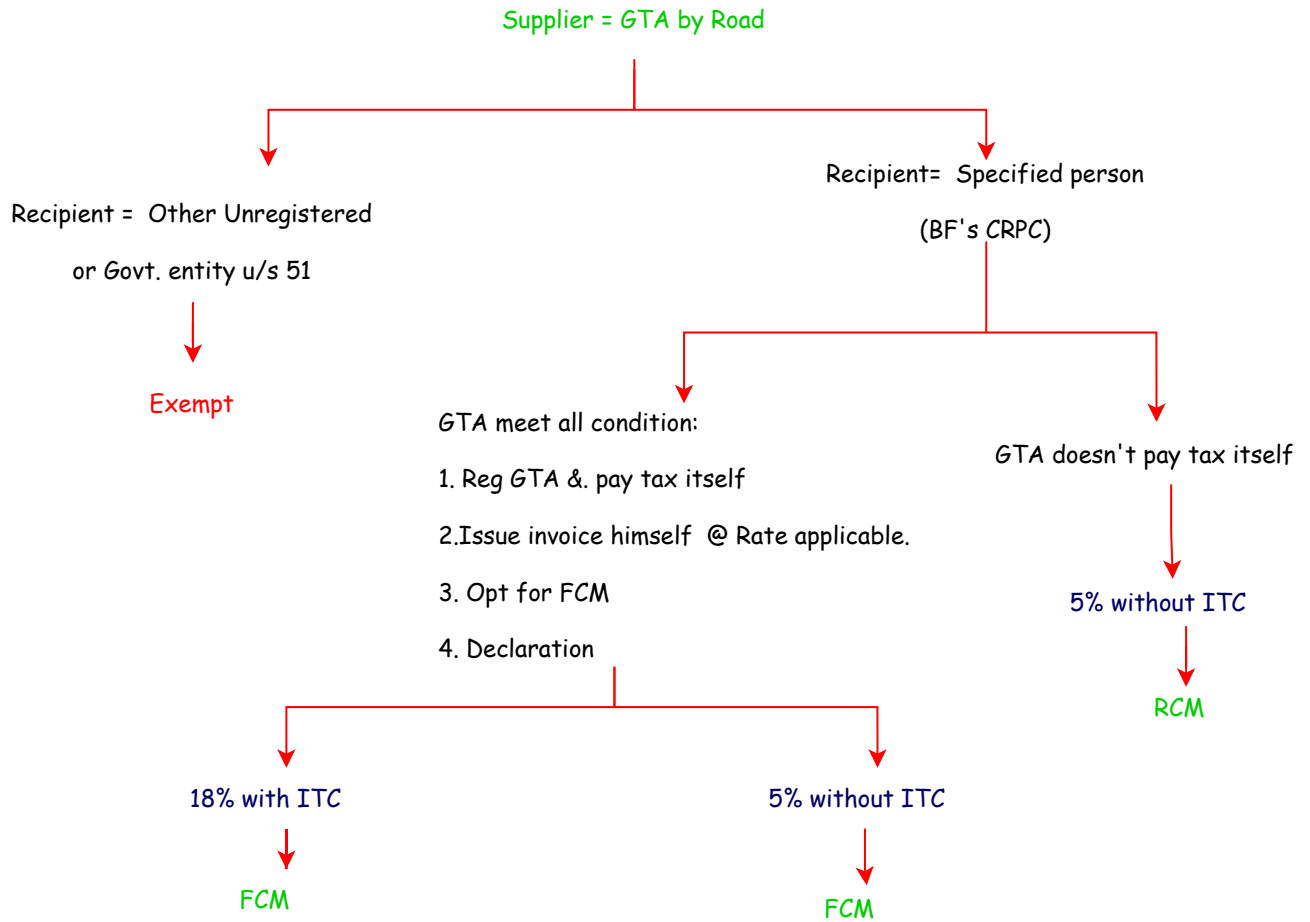
- B - **body corporate**
- F - **factory** registered under factory act
- s - **society** registered under society act
- C - **co-operative society**
- R - **registered person** in GST
- P - reg. or un reg. **partnership firm**.

C - Registered **Casual taxable person**

Memory technique: = BF 's CRPC



Charge Under GST

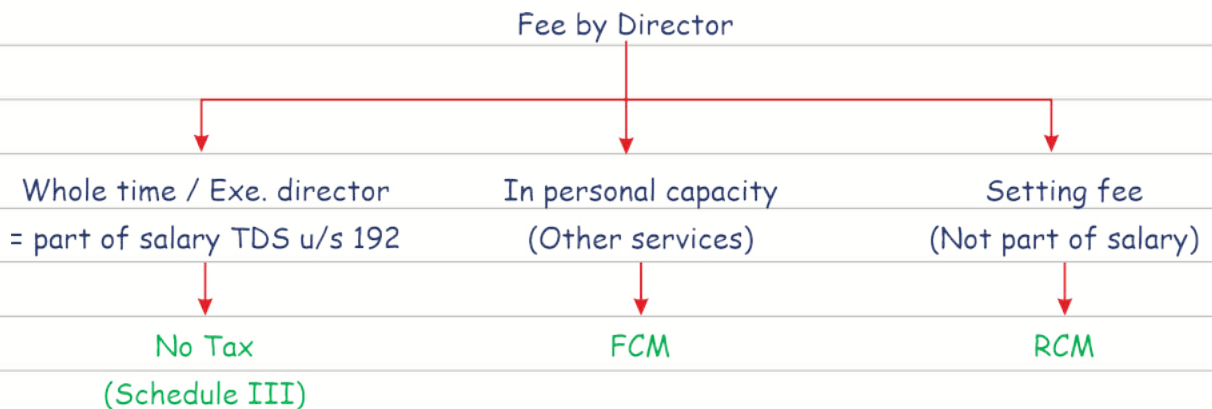


Horse cart, lorry, unreg. Individual truck owner etc = No RCM. applicable on GTA only.

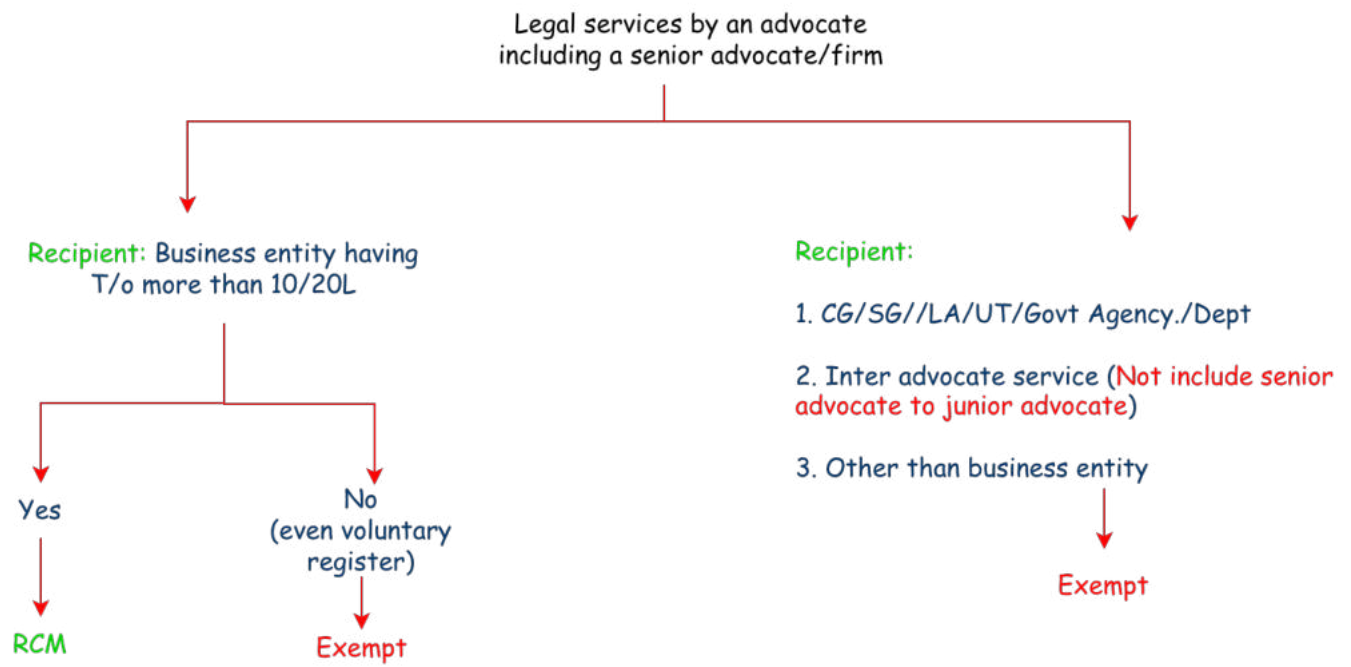
Amendment : As per the amended definition, "GTA" excludes:

- (i) an ECO by whom services of local delivery are provided;(Ex - we fast)
- (ii) an ECO through whom services of local delivery are provided.(Ex - Porter)

2. Director fee



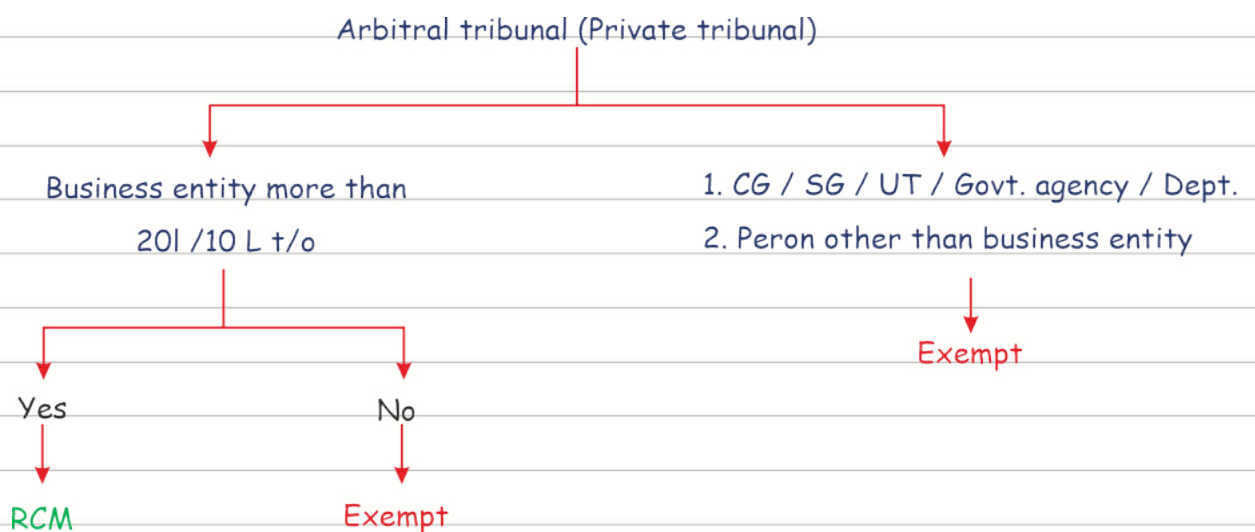
3. Legal services



Note:

1. However, if Business entity take the voluntary register (less than prescribed T/O), then still it is exempt.
2. Turnover means preceding financial year turnover.
3. Service provided the senior advocate to junior advocate/firm will be taxable.
4. Local Authority does not include Delhi development authority.

4. Arbitral tribunal services

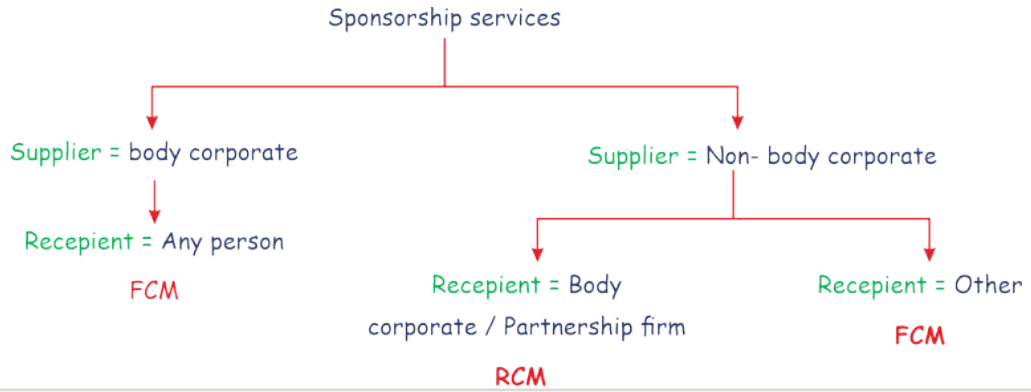


Note :

1. Under Schedule III tribunal established by court is covered.
2. Turnover means preceding financial year turnover
3. LA is also covered in above chart



5. Sponsorship services



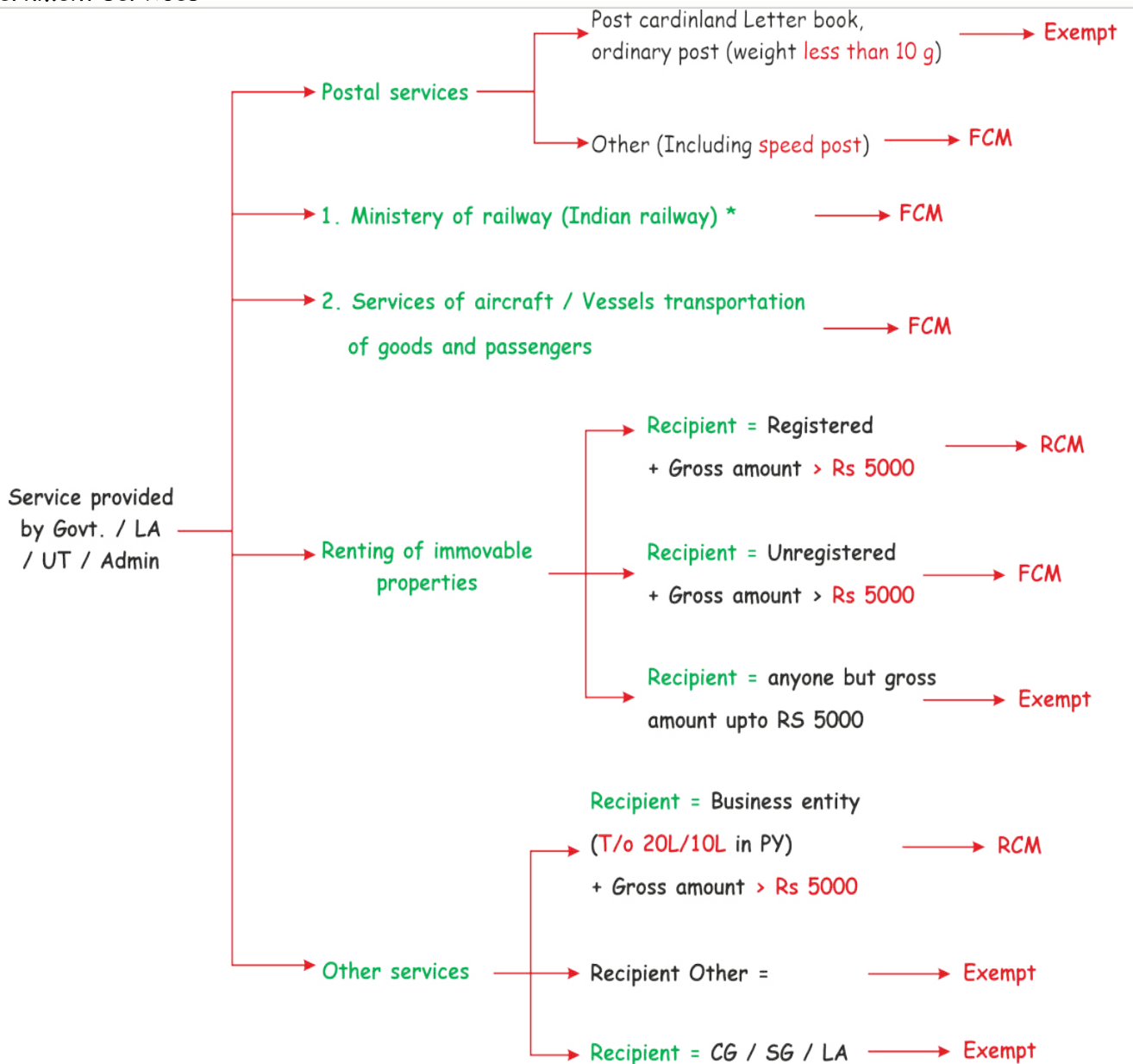
6. Insurance services → by Insurance agent → to any person carrying insurance business

7. Recovery services → by Recovery agent → to Banking/NBFC

8. By Individual Direct selling agent → to Banking/NBFC.

(Body corporate / partnership)

9. Government services



Charge Under GST

Note: Local Authority does not include Delhi development authority.

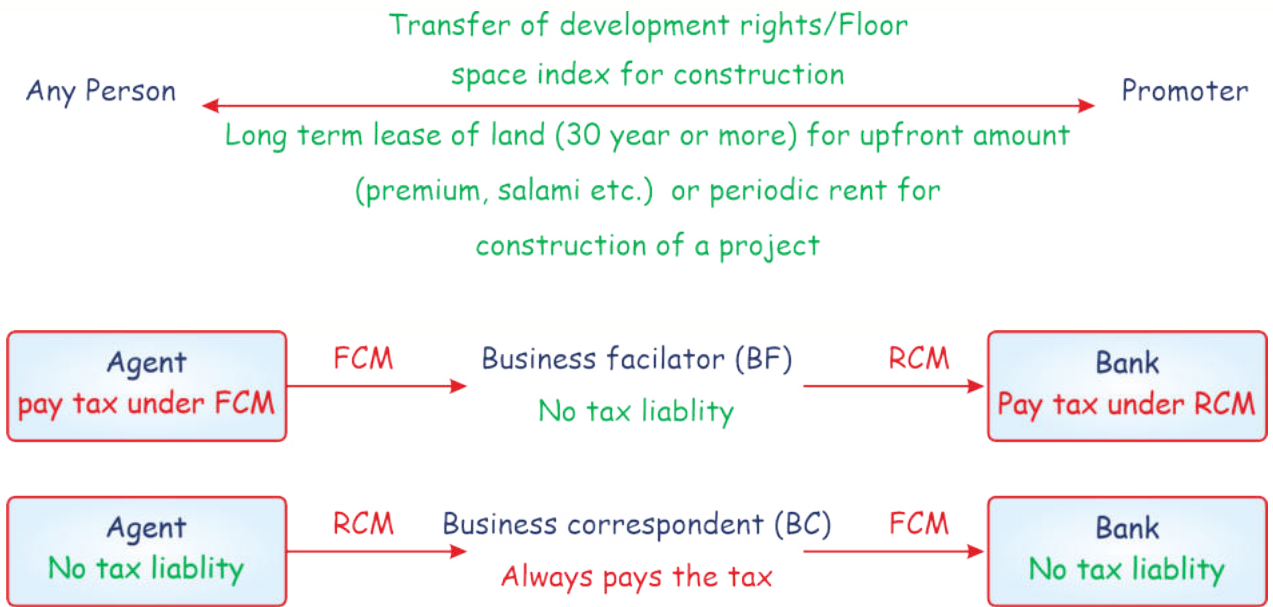
10. By music composer, photographer, artist → To music co. or producer
Service : Transfer or permitting the **use or enjoyment of a copyright** covered under section 13(1)(a) of the Copyright Act, 1957 relating to original dramatic, musical or artistic works
11. By Author → To Publisher
Service : copyright covered under section 13(1)(a) of the **Copyright Act, 1957 relating to original literary works except** where the author exercises the option to pay tax under **forward charge** and make the **declaration** on invoice issued by him. (cannot withdraw within 1 year from date of exercise of option)
12. By the members of Overseeing Committee → RBI
13. Renting of residential dwelling
By Any person
To reg. person
14. Renting of commercial dwelling
By UnReg. person
To reg. person

| Property | Supplier | Recipient (Tenant) | GST Mechanism |
|---|--------------|-------------------------|-----------------------|
| Commercial (includes Residential building for commercial purpose) | Registered | Any Person | Forward Charge |
| | Unregistered | Unreg. | Exempt |
| | | Reg. (Non-comp.) | Reverse Charge |
| | | Comp. taxpayer | Exempt |
| Residential | Any Person | Individual/family | Exempt |
| | | Reg. (personal purpose) | Exempt |
| | | Reg. (Business purpose) | Reverse Charge |

15. Lease/ transfer of development rights



Charge Under GST

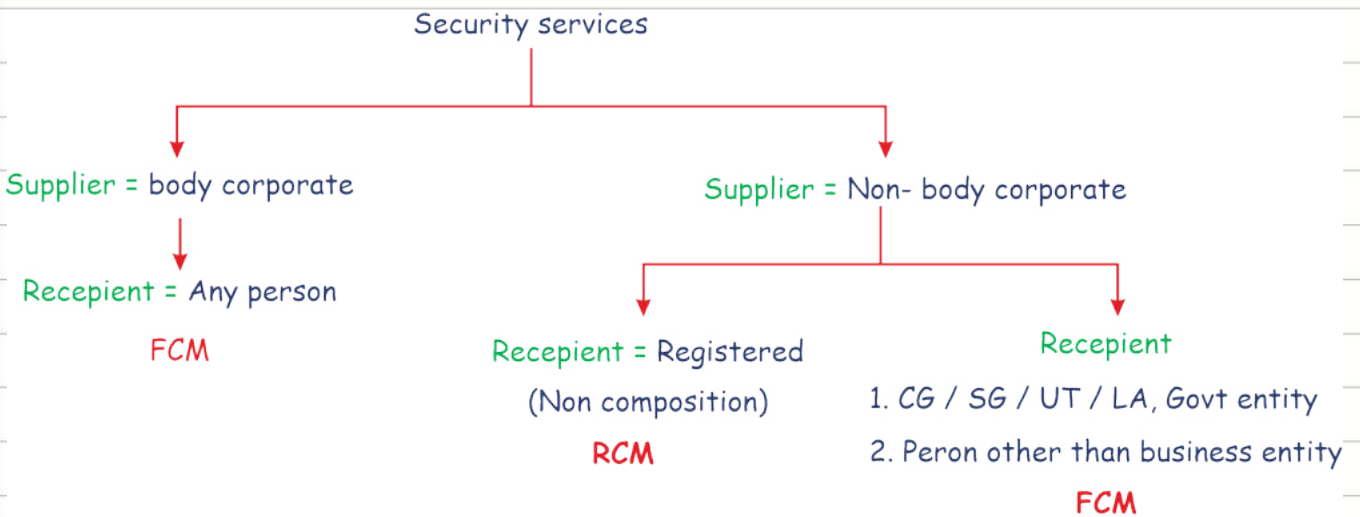


16. Business facilitator & Business correspondent.

Exemption :



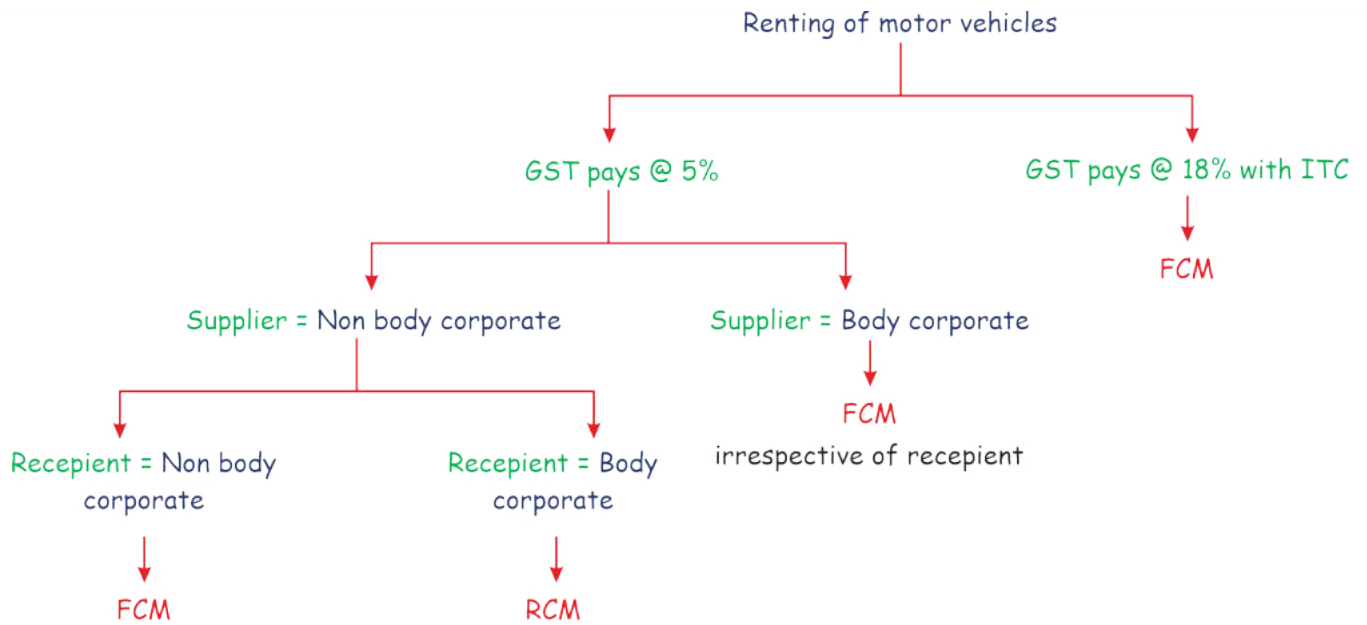
17. Security services



18. Renting of motor vehicles (Vehicle designed to carry passengers)



Charge Under GST



Note: Cost of fuel is included in consideration charged from recipient

Clarification regarding renting of motor vehicles :

Where body corporate hire for specific journey . **where routes & schedules are pre-determined**(like tour to Kashmir) and does not take vehicle on rent - are called as Passenger transportation services **which is not covered** under renting of motor vehicles hence **payable under forward charge**.

For example :

Case 1 : Reliance Ltd. (Body corporate) (Mumbai) Plans an outing for its employees for Kashmir trip, for this purpose he hires an travel agent "Kashmir travels" (Non Body corporate) .Kashmir travel offers a package from Mumbai to Kashmir and vice versa for 7 days tour for Rs 5,00,000. Here Reliance have not taken the bus on rent and hires for a specific journey where **routes & schedules are pre-determined**. Hence Kashir travels will pay the tax under **forward charge mechanism**.

Case 2 : In the same question, if Reliance limited only hires the Bus for 7 days and drives by itself own drivers. In that case reliance ltd will **pay tax Under RCM**.

19.



➤ Services which are taxable under reverse charge mechanism under IGST :

Nature of services

Any service by any person in non-taxable territory → To any person other than non-taxable online recipient.

Non-taxable online recipient means any unregistered person receiving online information and database access or retrieval services located in taxable territory.

Sec 9(4) Specified goods/services supplied by unregistered Supplier to specified reg. person

➤ Real estate sector

1. Purchase input/ input services : Minimum 80% of total from the registered person → Then FCM

If not → Any shortfall below 80% should be paid under RCM @18% by recipient i.e. promoter.

2. Cement purchase from Unreg. Person : RCM @28%

3. Capital goods from Unreg person: RCM @ applicable rate

Example - Total Purchases (Inputs + Input Services) = ₹ 10,00,000.

From Registered Persons = ₹ 7,00,000 & Unregistered Persons = ₹ 3,00,000.

Out of Rs 3 lakh purchase from unreg. Supplier, Rs 1 lakh related to cement purchase.

Step 1 : Check 80% Rule: 80% of ₹ 10,00,000 = ₹ 8,00,000

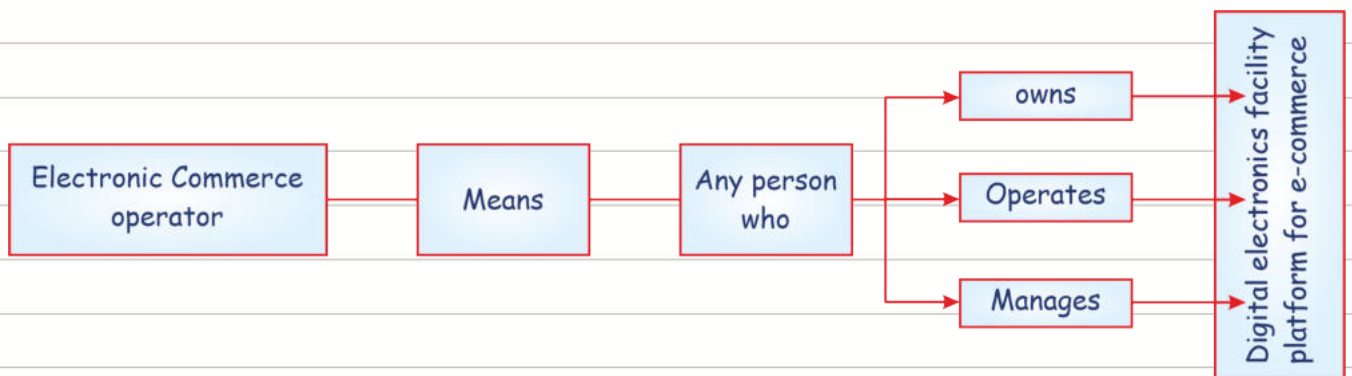
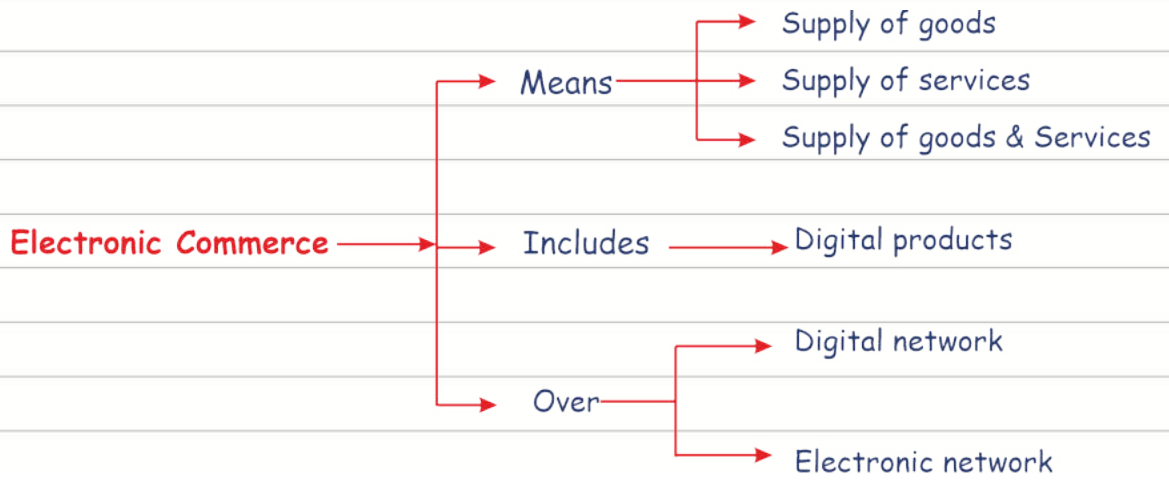
→ Purchased from registered = ₹ 7,00,000 → Shortfall = ₹ 1,00,000

Step 2 : Cement purchase from unreg. Supplier = 1,00,000

Total RCM (₹ 1,00,000 @18%) + ((₹ 1,00,000 @28%) = ₹ 46,000

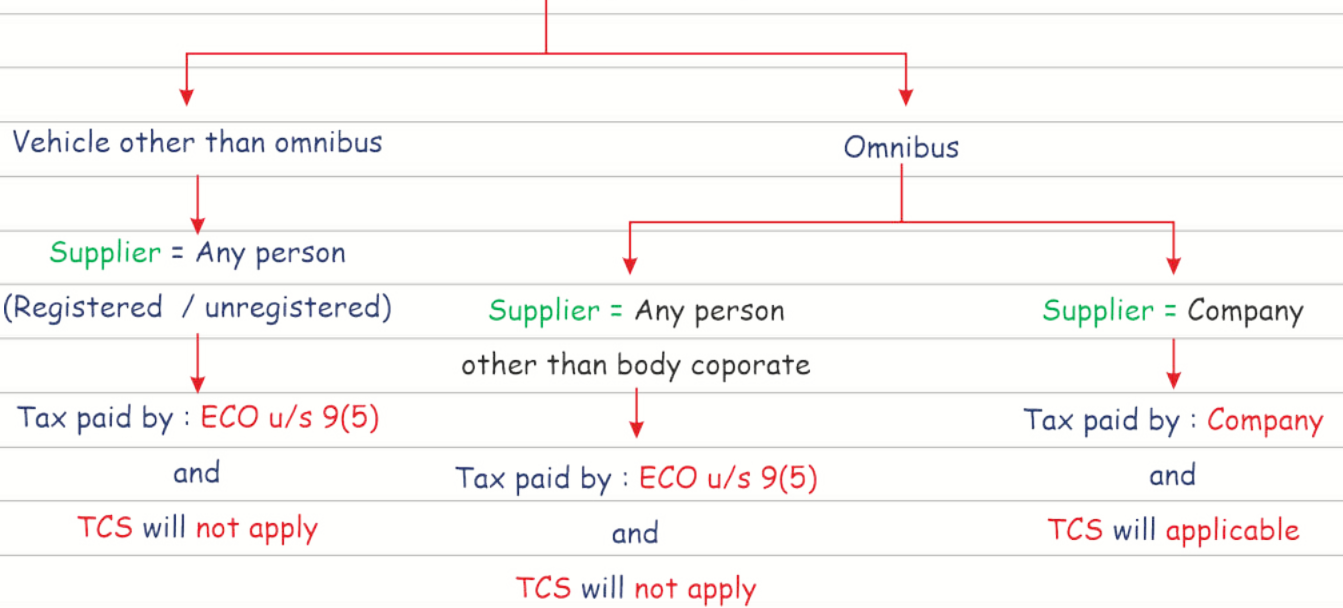
Sec 9(5) E-commerce Operator Pays Tax Under Reverse Charge Mechanism





1. Transportation of passengers

Transportation of passenger through ECO



Omnibus : More than 7 passenger (including driver)

2. Accommodation services



Charge Under GST

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).

3. Housekeeping services

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).

Example 1 : 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.

Example 2 : 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 applicable**. Further, **TCS provisions will apply**. Hathkala.com will collect TCS in this case.

4. Supply of restaurant service



Question : Does ECO need to reverse ITC proportionately for deemed supplies under Sec 9(5), since they are not its "own" supply?

ECO does not need to reverse ITC proportionately. ITC can continue to be availed and used for its own taxable supplies (commission, advertising, etc.). **BUT** for tax payable on supplies covered under Sec 9(5), ECO cannot use ITC.



Compulsory lines to be add at the end of every question of 9(5)

What if ECO does not have presence India: Representative in taxable territory liable

No representative : Appoint for tax purpose and make him liable.

5. Local delivery of goods through ECO (Like: Wefast, Porter)

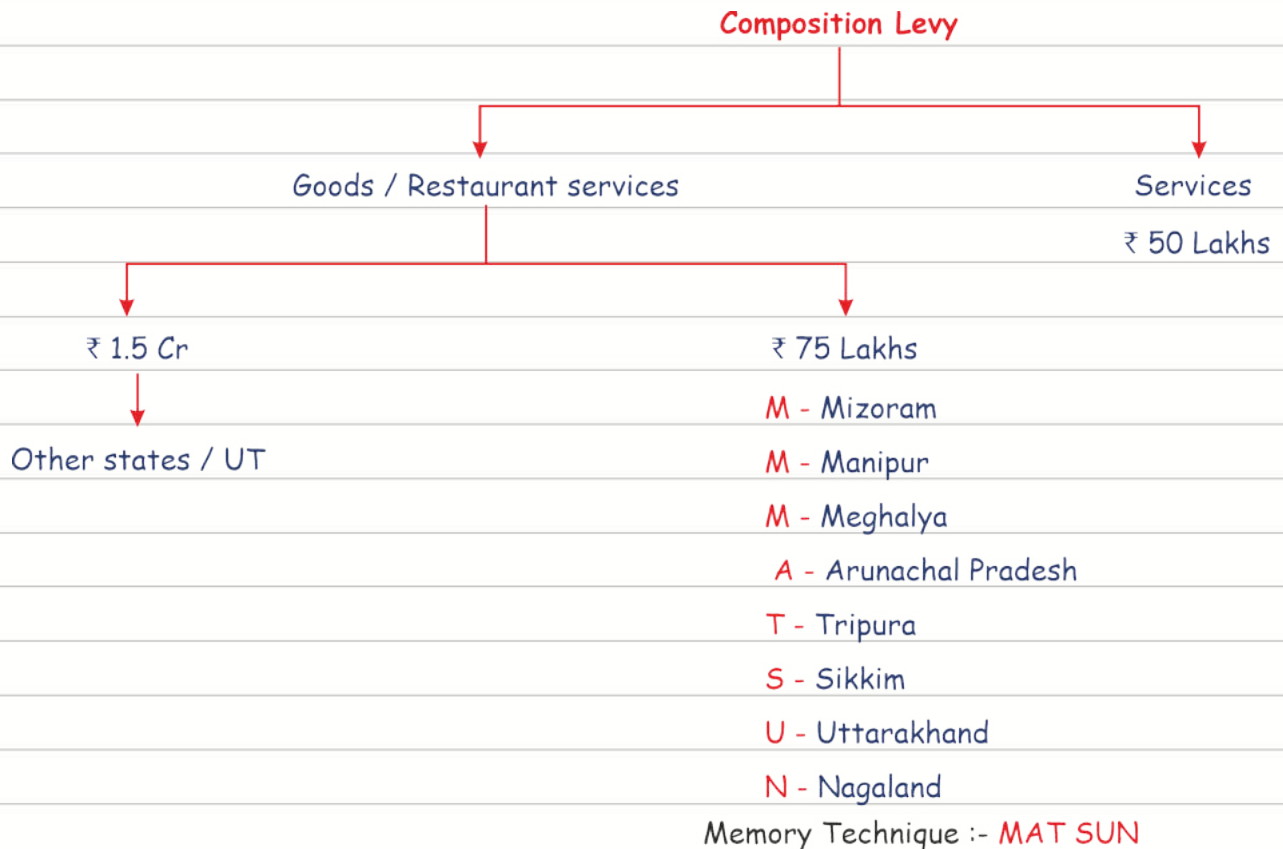
Supply of services by way of local delivery provided through an electronic commerce operator, the electronic commerce operator shall be liable to pay GST, **except** where the person supplying such services is liable for registration under section 22(1) of the CGST Act, 2017.



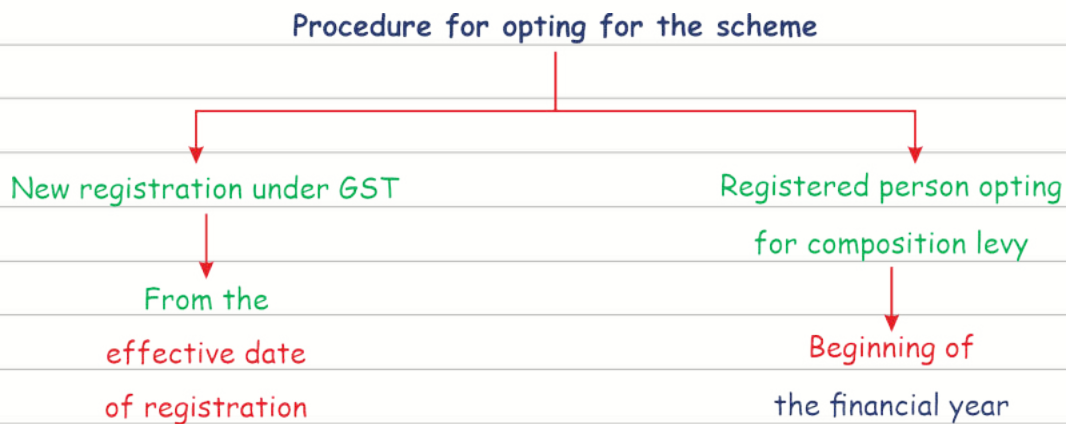
SEC 10 : COMPOSTION LEVY

An option for specified categories of small taxpayers to pay GST at a very low rate on the basis of turnover.

Turnover limit in preceding FY to opt for composition levy for goods Section 10(1)



Note: Turnover means preceding financial year turnover



Charge Under GST

Example A shoes' dealer 'Prithviraj' has offices in Maharashtra and Goa. He makes intra-State supply of goods from both these offices.

In order to determine whether 'Prithviraj' is eligible to avail benefit of the composition scheme under section 10(1), turnover of both the offices would be taken into account and if the same does not exceed Rs 1.5 crore in the preceding financial year, 'Prithviraj' can opt to avail the composition levy scheme (subject to fulfilment of other prescribed conditions) for goods for both the offices in the current financial year.

Aggregate turnover under composition levy:

| Includes: | Excludes: |
|--------------------------------------|---|
| taxable supplies | Inward supplies under RCM |
| Exempt supplies | Taxes including cess paid under GST. |
| Exports of goods or services or both | Interest on deposits, loans or advances |
| Inter-State supplies | |

It is computed on all India basis for a person having same Permanent Account Number (PAN).

Note : while computing aggregate turnover for value of supplies from the first day of April of a financial year up to the date when such person becomes liable for registration under this Act

➤ Limit of service allowed under section 10(1) other than restaurant services

- 10% of the total turnover (including exempt services) in a State/UT in the preceding financial year
- Rs 5 lakh,
- whichever is higher.

Example : Ramsewak is engaged in supply of goods. His turnover in preceding FY is Rs 60 lakh. Since his aggregate turnover in the preceding FY does not exceed Rs 1.5 crore, he is eligible for composition scheme section 10(1) in current FY. Further, in current FY, he can supply services [other than restaurant services] upto a value of not exceeding:

- 10% of Rs 60 lakh, i.e. Rs 6 lakh
- 5 lakh

Whichever is higher i.e. Rs 6 lakh in current FY he can do supply of services other than restaurant services.

Rates: including CGST & SGST Both

| | | |
|-------|---------------------|------------------------|
| Goods | Manufacturer | 1% of Total Turnover |
| | Restaurant services | 5% of Total Turnover |
| | Trader | 1% of Taxable Turnover |

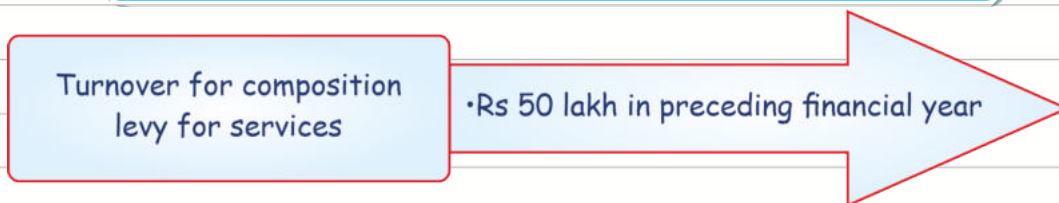


Charge Under GST

| | | |
|----------|---|----------------------|
| Services | All services provided except restaurant providers | 6% of Total Turnover |
|----------|---|----------------------|

- **Conditions and restrictions for composition levy under section 10(1)** : Person opting for composition levy : he shall mention the words "**comp. taxable person, not eligible to collect tax on supplies**" at the top of the bill of supply issued by him; and he shall mention the words "**composition taxable person**" on every notice/signboard displayed at a prominent place at his PPOB and APOB.
- Further, where the goods held in stock by him are liable to be taxed under RCM under sec 9(4), the tax has been paid under RCM under sec 9(4).
- **Registered person who is not eligible for composition scheme under section 10(1)**
 - (a) supply of goods or services **which are not leviable to tax (MAN DP)**
 - (b) any **inter-State outward supplies** of goods or services.
 - (c) **supplying goods or services through an ECO** who is **required to collect TCS** under sec 52.
 - (d) Manufacturer of ice cream, panmasala, tobacco and aerated waters, fly ash bricks; fly ash aggregate, fly ash blocks, bricks of fossil meals or similar siliceous earths, building bricks, earthen or roofing tiles.
 - (e) Supplier who is either a **casual taxable person or a non-resident taxable person**.
 - (f) **Supplier of services**, save as provided in section 10(1).

Turnover limit in preceding FY to opt for composition levy for services Under Sec 10(2A)



Example A hair stylist 'Billoo Barber' has his salon in Delhi and Haryana, making intra-State supplies.

In order to determine whether 'Billoo' is eligible to avail benefit of the composition scheme under section 10(2A), turnover of both the salons would be taken into account and if the same does not exceed Rs 50 lakh in the preceding financial year, 'Billoo' can opt to avail the composition levy scheme (subject to fulfilment of other prescribed conditions) for services for both the salons in the current financial year.

➤ Other Points :



Charge Under GST

Further, the option of a registered person to avail composition scheme under section 10(1)/10(2A) shall lapse with effect from the day on which his aggregate turnover during a financial year exceeds the threshold limit of Rs 1.5 crore [Rs 75 lakh in 8 specified special category States] [Section 10(3)].

- **Registered person who is not eligible for composition scheme under section 10(2A) :**
 - Supplier engaged in making any supply G/S which are not leviable to tax.
 - any inter-State outward supplies of goods or services
 - Person supplying any services through an ECO who is required to collect TCS u/s 52
 - Manufacturer of specified goods..
 - Supplier who is either a casual taxable person or a non-resident taxable person
 - Falsely paid tax under composition
 - No ITC under composition.
 - No collection of tax from the recipient.
 - All registered persons having the same Permanent Account Number (PAN) have to opt for composition scheme (for all location only)

Clarifications

- **1.GST on airport dues :**

The authority managing the airport charges the airport levies, namely, Passenger service fee (PSF) and User development fee (UDF) from the embarking passengers at any airport. PSF and UDF charged by airport operators are consideration for providing services to passengers. Hence, **liable to GST.**

Airlines ticket GST liability :

Ticket value - The PSF and UDF are collected by the airlines as an agent. the amount so recovered by airlines will be excluded from the value of supplies made by the airline to its passengers. Because it is covered as an pure agent. The airline shall not take ITC of GST payable or paid on PSF and UDF

Airport GST liability :

The airline should separately indicate actual amount of PSF and UDF and GST payable on such PSF and UDF by the airport operator, in the invoice issued by airlines to its passengers Ultimate recipient of the airport services, may take ITC of GST paid on PSF and UDF on the basis of pure agent's invoice issued by the airline to them.



CHAPTER – 3

EXEMPTION

Exempt supply :

- Nil rate of tax
- wholly exempt from tax and
- Includes non-taxable supply

Non-taxable supply means a supply of goods or services or both which is not leviable to tax under CGST ACT. Thus, under GST, a supply not leviable to tax is also included within the purview of 'exempt supply'.

Note : Exempt goods are not part of our syllabus, hence only services which are exempted are covered in this chapter.

Charitable/ Religious Trust

Condition to avail exemption

1. Register under section 12AA/12AB of Income tax act.
2. Only services by way of charitable activities.

1. Definition of charitable activities : Activities

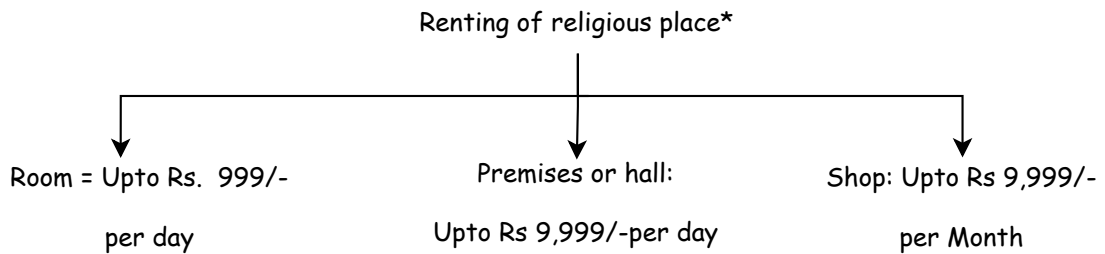
- Public Health → Care or counselling of terminally ill persons, physical or mental disability, HIV or AIDS
Persons addicted to narcotics drugs or alcohol
Public awareness of preventive health, family planning or prevention of HIV infection :
- Advancement of → Religion, spirituality or yoga (Like arranging camp)
- Advancement of → Educational / skill Development related to - abandoned, orphaned or homeless children, prisoners, persons > 65 years residing in a rural area
- Preservation of environment → Watershed, forests & wildlife

Example : Shiksha Academy, an educational institute run by Sarvsewa Trust, a charitable trust registered under section 12AB of the Income-tax Act, 1961, has organized a Skill Development programme old age people over the age of 65 years residing in Bangalore city (an urban area). Services provided by Shiksha Academy do not fall within the purview of 'charitable activities'.



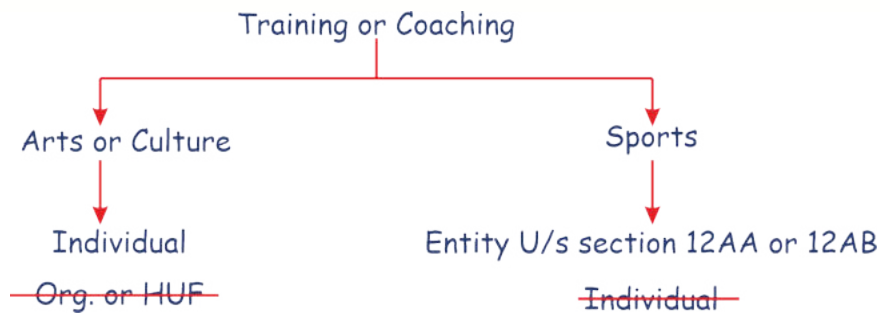
Exemption

2. Conduct of any **religious ceremony**;
3. Renting a religious place meant for general public



***Religious place** meant for general public, owned or managed by an entity registered under section 12AA / 12AB / 10(23C)(v) / 10(23BBA) of Income tax.

4. Training or coaching



Note : Only classic dance is covered, no other Bollywood dance covered.

5. Religious yatras/pilgrimage organised by any charitable or religious **trust are not exempt** Except Kumaon Mandal Vikas Nigam Limited, Haj Committee of India' or 'State Haj Committee including Joint State Committee'
6. Old age home : By entity register u/s 12AA/12AB to its resident (aged 60 or more) for which consideration is **upto Rs 25,000 p.m per member is exempt**.

➤ **Special Note :**

1. Advancement of any other objective of general public utility - not charitable purpose. Hence **GST will attract**.
2. Hostel accommodation services provided by trusts to students do not fall within the ambit of charitable activities as defined above. Hence **taxable**.



Exemption

3. Residential programmes or camps where the fee charged includes cost of lodging and boarding shall also be exempt as long as the primary and predominant activity is advancement of religion, spirituality or yoga..
4. Import of services by entity reg under sec12AA/12AB for charitable purpose **is exempt**.
5. Services provided to charitable or religious trusts **are not exempted**. Unless specifically exempted, all goods and services supplied to charitable or religious trusts are leviable to GST.

Educational services

| | Pre-school & Schools up to 12th | Collage recognized by any Indian law | Approved vocational education course |
|----------------|--|---|--|
| Outward supply | <ul style="list-style-type: none"> • To its students, faculty and staff. • Fee for entrance exam.(including migration certification to Ex - students) | | |
| Inward supply | <ol style="list-style-type: none"> 1. transportation of students, faculty and staff; 2. catering, including any mid-day meals scheme sponsored by the CG/SG/UT. 3. security or cleaning or house-keeping services performed within the premises. 4. services relating to admission/conduct of <u>examination</u>. | <ol style="list-style-type: none"> 1. services relating to admission /conduct of <u>examination</u>. 2. supply of online educational journals or periodicals. | <ol style="list-style-type: none"> 1. services relating to admission /conduct of <u>examination</u>. |



Approved vocational education course means

- a course run by an ITI/ ITC (including private ITI)
- Employable Skill Course
- training services offered by NSDC, NCVET, and their affiliated bodies (includes NSQF-aligned qualifications and NCVET-recognized Awarding Bodies/Assessment Agencies).
- **Approved by** : National/State Council for Vocational Training
- **Also include** : Maritime Training Institutes approved by the Director General of Shipping.
Approved flying courses conducted by FTO approved by DGCA.

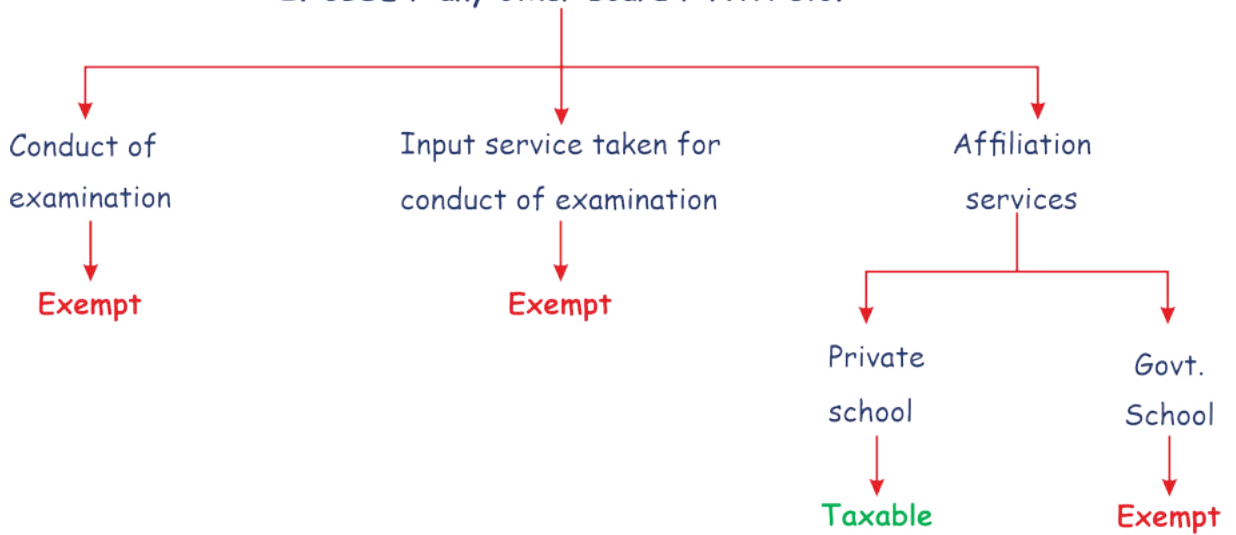
Notes : Incidental auxiliary courses provided by way of hobby classes or extra-curricular activities in furtherance of overall well-being is treated as composite supply.



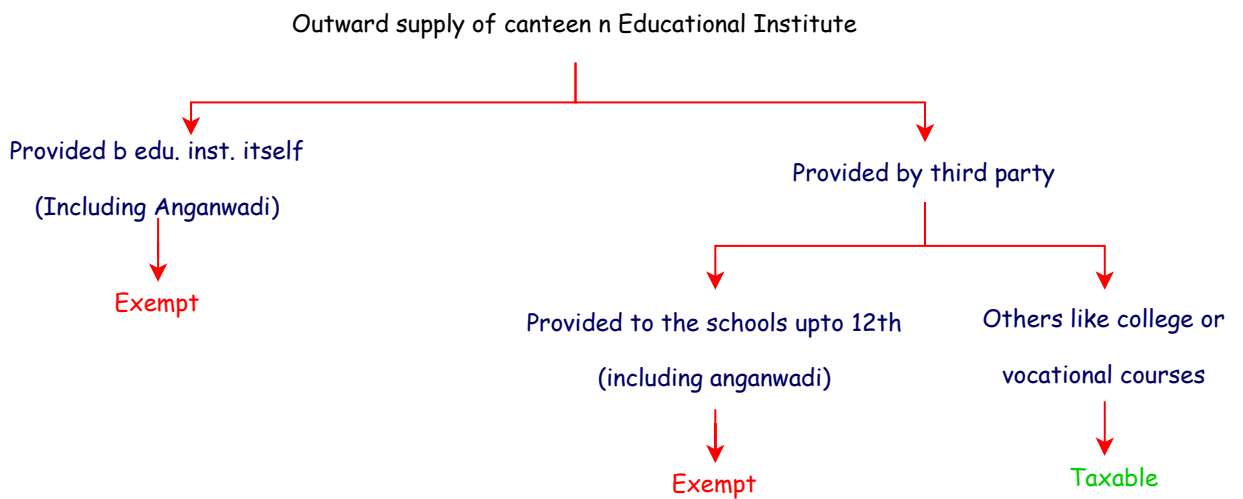
➤ **Special points :**

- 1. Courses provided by IIMs :
 - 1. Short term courses (less than 1 year) = **taxable**
 - 2. Long term courses (1 year or more) = **Exempt**

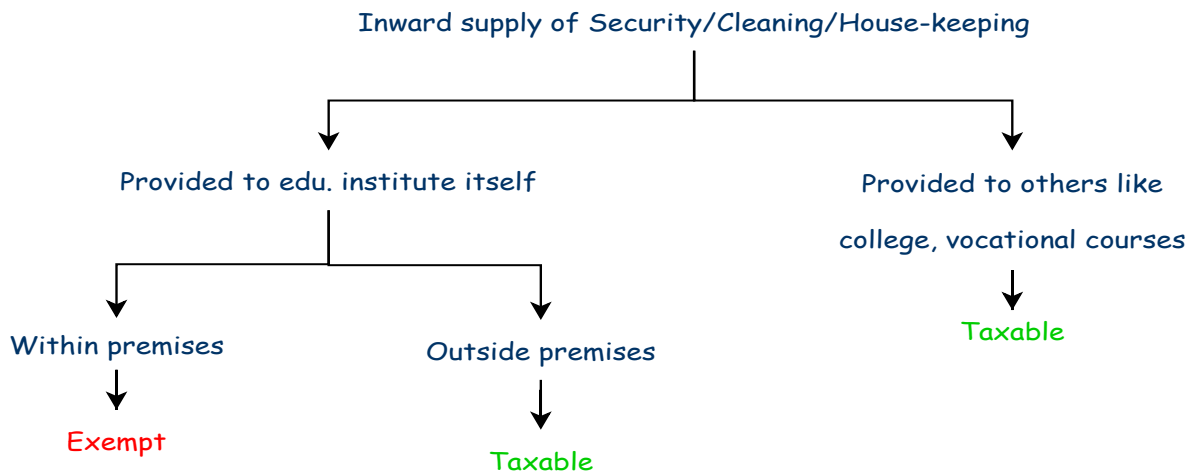
2. CBSE / any other board / NTA etc.



3. Outward supply of canteen to staff/ students, faculty



4. Inwards supply of security or cleaning or house-keeping services performed within the premises.



5. Where a course in a college leads to dual qualification only one of which is recognized by law -
 Case 1 : fees for each of such qualifications are prescribed separately - **Consider separately each course.**

Case 2 : If an artificial bundle of service is created by clubbing two courses together, when only single fee is charged - consider mixed supply hence, **whole taxable.**

6. **Boarding school** : provide service of education coupled with other services like providing dwelling units for residence and food - will consider as composite supply. Hence whole supply of food and residence is also **exempt.**

7. **Other points :**

- Private tutorship : **Taxable**
- Placement services to companies : **Taxable**
- Campus recruitment fee : **Taxable**
- Foreign courses conducted by private institute : **Taxable**
- College hostel mess : **Taxable**

Health care services :

Diagnosis or treatment or care (DTC) for illness, injury, deformity, abnormality or pregnancy in any recognised system of medicines in India :

- | | |
|---------------|------------|
| ➤ Allopathy | ➤ Yoga |
| ➤ Naturopathy | ➤ Ayurveda |
| ➤ Homeopathy | ➤ Siddha |



Exemption

- Unani
- Any other recognized by CG.

But does not include hair transplant or cosmetic or plastic surgery, except when undertaken to restore or to reconstruct anatomy or functions of body affected.

| | |
|-----------------------------|---|
| Health care services by : | <ul style="list-style-type: none"> ➤ A clinical establishment, ➤ An authorised medical practitioner or ➤ Para-medics (like nurses) ➤ Veterinary clinic for animal & birds ➤ Which is recognised in India are exempt from GST |
| Room rent | <p>Upto Rs 5000 is exempt</p> <p>However, no limit of Rent in ICU/NICU/ICCU/CCU</p> |
| Transportation of a patient | Like ambulance is also exempt |

➤ Special points :

1. **Services provided by senior doctors/ consultants/ technicians :** Hospitals hire senior doctors/ consultants/ technicians independently. Hospitals pay them consultancy charges and there is no employer-employee relationship between them.
It is clarified by CBIC that the entire amount charged by them from the patients including the retention money and the fee/payments made to the doctors etc services are exempt from GST.
2. Food supplied to patient :
 - When outsourced, taxable and hospital will get no ITC.
 - To in-patients as advised by the doctor/nutritionists is a part of composite supply of healthcare and Hence, exempt.
 - To patients (not admitted) or their attendants or visitors are taxable.
3. **Services other than health care services in clinical establishment's premises :** Supply of services other than healthcare services such as renting of shops, auditoriums in the premises of the clinical establishment, display of advertisements etc. will be subject to GST.
4. Services by way of Assisted Reproductive Technology (ART) procedures such as In vitro fertilization (IVF) is exempt.
5. Service by cord blood bank in relation to preservation of stem cells are taxable.



Agriculture

Services relating to cultivation of plants and rearing of animals, except horses, for food, fibre, fuel, raw material or other similar products

Exemption :

1. Production of any **agricultural produce** including cultivation, harvesting, threshing, plant protection or testing.
2. Supply of **farm labour**;
3. **Processes carried out** at an agricultural farm including tending, pruning, cutting, harvesting, drying, cleaning, trimming, sun drying, fumigating, curing, sorting, grading, cooling or bulk packaging which **do not alter the essential characteristics** of agricultural produce **but make it only marketable for the primary market (Retail market)**;

➤ Followings are taxable :

- Processed Tea and coffee (a processed product made in tea factories after carrying out several processes) **are not agriculture produce.**
 - Processing of sugarcane into jaggery **is taxable**
 - Pulses after dehusking or splitting or **both not agricultural produce.** However, whole pulse grains such as whole gram, rajma etc. are agricultural produce.
 - Milling of paddy into rice **are taxable.**
4. Renting or **leasing of agro machinery** or **vacant land** with or without a structure incidental to its use;
 5. loading, unloading, packing, storage or warehousing of agricultural produce.
 6. services by any Agricultural Produce Marketing Committee or Board or services provided by a **commission agent** for sale or purchase of agricultural produce.
 7. Services by way of loading, unloading, packing, storage or warehousing of **rice.**
 8. Services by way of warehousing of minor forest produce.
 9. Carrying out an **intermediate production** process as job work in relation to cultivation of plants and rearing of all life forms of animals, except the rearing of horses, for food, fibre, fuel, raw material or other similar products or agricultural produce
 10. Services by way of **artificial insemination of livestock** (other than horses).
 11. Services by national Centre for **cold chain development** by cold chain knowledge dissemination.



Service Provided by Government Entity

1. Services by governmental authority by way of any activity in relation to any function entrusted to a municipality/ Panchayat under article 243W/243G of the Constitution are exempt

Government authority:

1. set up by parliament or state legislature.
2. established by government.

With 90% or more participation by way of equity or control, to carry out any activity in relation to any function entrusted to a municipality/ Panchayat under article 243W/243G of the Constitution.

2. **Sovereign services by the CG/SG/UT/LA:**

Services by the CG/SG/LA excluding the following services—

- (a) services by the Department of Posts and the Ministry of Railways (Indian Railways);
- (b) services in relation to an aircraft or a vessel, inside or outside the precincts of a port or an airport;
- (c) transport of goods or passengers; or
- (d) any service, other than services covered under entries (a) to (c) above, provided to business entities.

(Note: please refer the chart).

3. **Services provided by the CG/SG/LA to a business entity** : with an aggregate turnover of up to such amount in the preceding financial year as makes it eligible for exemption from registration under GST.

Explanation - For the purposes of this entry, it is hereby clarified that the provisions of this entry shall not be applicable to following services:-

- (i) item (a), (b) and (c) of Entry above.
- (ii) services by way of renting of immovable property.

4. **Services provided by CG/SG/LA to another CG/SG/LA** except item (a), (b) and (c) of Entry 2 above.

5. **Services provided by CG/SG/LA where the consideration for such services does not exceed Rs 5,000.** However, nothing contained in this entry shall apply to services referred in item (a), (b) and (c) of Entry 2 above.

Further, in case where continuous supply of service is provided by CG/SG/LA the, the exemption shall apply only where the consideration charged for such service does not exceed Rs 5,000 in a FY.



6. **Services by the Department of Posts** by way of post card, inland letter, book post and ordinary post (envelopes weighing less than 10 grams). (speed post not covered here).



Note: Local authority does not include Delhi development authority.

However following services provided by Ministry of Railways to individual by way of:
 Sale of platform tickets
 Facility of waiting rooms
 Cloak room services
 Battery operated car services are exempt

7. **Services provided by one zone/division to another zone(s)/division(s) under Ministry of Railways (Indian Railways).**

8. **Services provided by Special Purpose Vehicles (SPVs) to Ministry of Railways (Indian Railways)** by way of allowing Ministry of Railways (Indian Railways) to use the infrastructure built and owned by them during the concession period against consideration and services of maintenance supplied by Ministry of Railways (Indian Railways) to SPVs .



Exemption

SPV

Service of infrastructure = Exempt

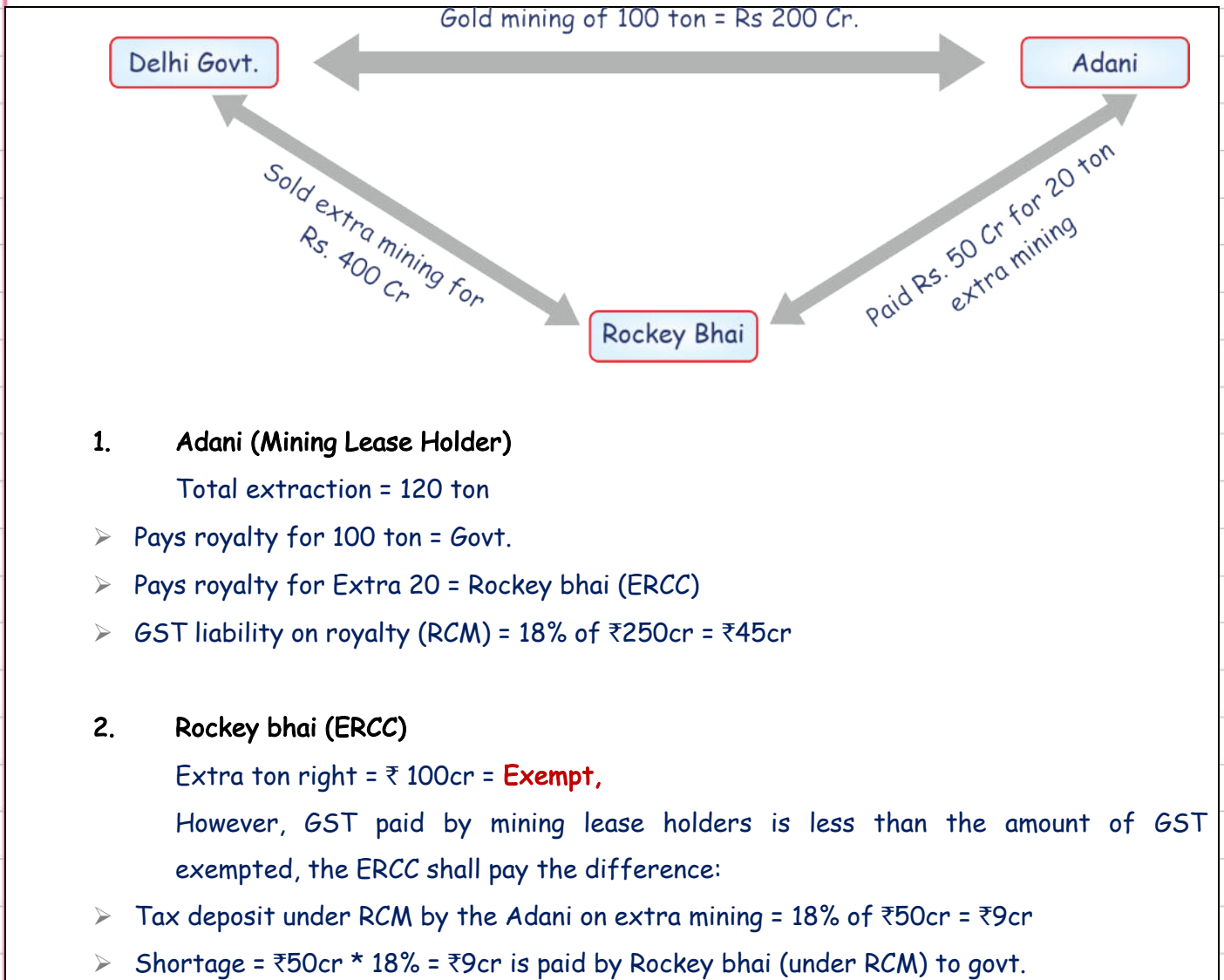
Service of maintenance = Exempt

Ministry of railway



| | |
|-----|--|
| 9. | Services by an old age home run by CG/SG to its residents (aged 60 years or more) against consideration upto Rs 25,000 per month per member, provided that the consideration charged is inclusive of charges for boarding, lodging and maintenance. |
| 10. | Guaranteeing the loans : Services supplied by CG/SG/UT to their undertakings or PSUs by way of guaranteeing the loans taken by such undertakings or PSUs from the banking companies and financial institution. |
| 11. | Services provided by the CG/SG/UT/LA by way of- <ul style="list-style-type: none">➤ registration required under any law for the time being in force;➤ testing, calibration, safety check or certification relating to protection or safety of workers, consumers or public at large, including fire license, required under any law for the time being in force in India. |
| 12. | Services provided by the CG/SG/UT/LA by way of issuance of passport, visa, driving license, birth certificate or death certificate. |
| 13. | Services provided by the CG/SG/UT/LA by way of tolerating non-performance of a contract for which consideration in the form of fines or liquidated damages is payable to CG/SG/UT/LA under such contract. |
| 14. | Services provided by the CG/SG/UT/LA by way of assignment of right to use natural resources to an individual farmer for cultivation of plants and rearing of all life forms of animals, <u>except the rearing of horses.</u> |
| 15. | Services supplied by a State Government to Excess Royalty Collection Contractor (ERCC) by way of assigning the right to collect royalty on behalf of the State Government on the mineral dispatched by the mining lease holders. However, GST paid by mining lease holders is less than the amount of GST exempted, the ERCC shall pay the difference between GST exempted on the service provided by State Government to the ERCC of assignment of right to collect royalty and GST paid by the mining lease holders on royalty. |
| | Example : Suppose Delhi govt. entered into contract with Adani for 100 ton of gold mining rights for Rs 200cr. To protect extra mining govt. sold right to collect extra royalty over 100 ton to Rocky bhai (ERCC) for Rs 100 cr. |





Services Provided to Government

1. Pure service in relation to any function entrusted to a **municipality/ Panchayat** under **article 243W/243G** of the Constitution are exempt.

Pure service mean which does not include goods.

Circular : **Facility management services** (housekeeping, maintenance, horticulture) provided to **MCD HQ** are **taxable under GST**. as these services are for office upkeep, not municipal functions under Article 243W.

2. Composite supply to **CG.SG.UT/LA** to a municipality/ Panchayat under article 243W/243G is exempt is value of goods is upto 25%.

Tricky point: Service provided to **Govt entity** is **taxable even up to 25%**



Exemption

3. Service provided to CG/SG/UT under any training programme where at least 75% of total expenditure is borne by CG/SG/UT.
4. Services provided to government authority by way of water supply, public health, sanitisation, solid waste management slum area improvement etc are exempt.
5. Service in form of grant by govt entity to CG/SG/UT/LA are exempt.
6. Service provided by fair price shop to CG/SG/UT are exempt.
7. Service provided to CG/SG/UT under any insurance scheme is exempt.

Construction Services

1. Services provided by way of pure labour contracts of construction, erection, commissioning, installation, completion, fitting out, repair, maintenance, renovation, or alteration of a civil structure or any other original works pertaining to the beneficiary-led individual house construction or enhancement under the Housing for All (Urban) Mission or Pradhan Mantri Awas Yojana are exempt.
2. Services supplied by Electricity Distribution Utilities by way of construction, erection, commissioning, or installation of infrastructure for extending electricity distribution network upto the tube well of the farmer or agriculturalist for agricultural use are exempt.
3. Services by way of pure labour contracts of construction, erection, commissioning, or installation of original works pertaining to a single residential unit otherwise than as a part of a residential complex are exempt. (Repair and maintenance is not covered here.)

Residential complex means any complex comprising of a building or buildings, having more than one single residential unit.

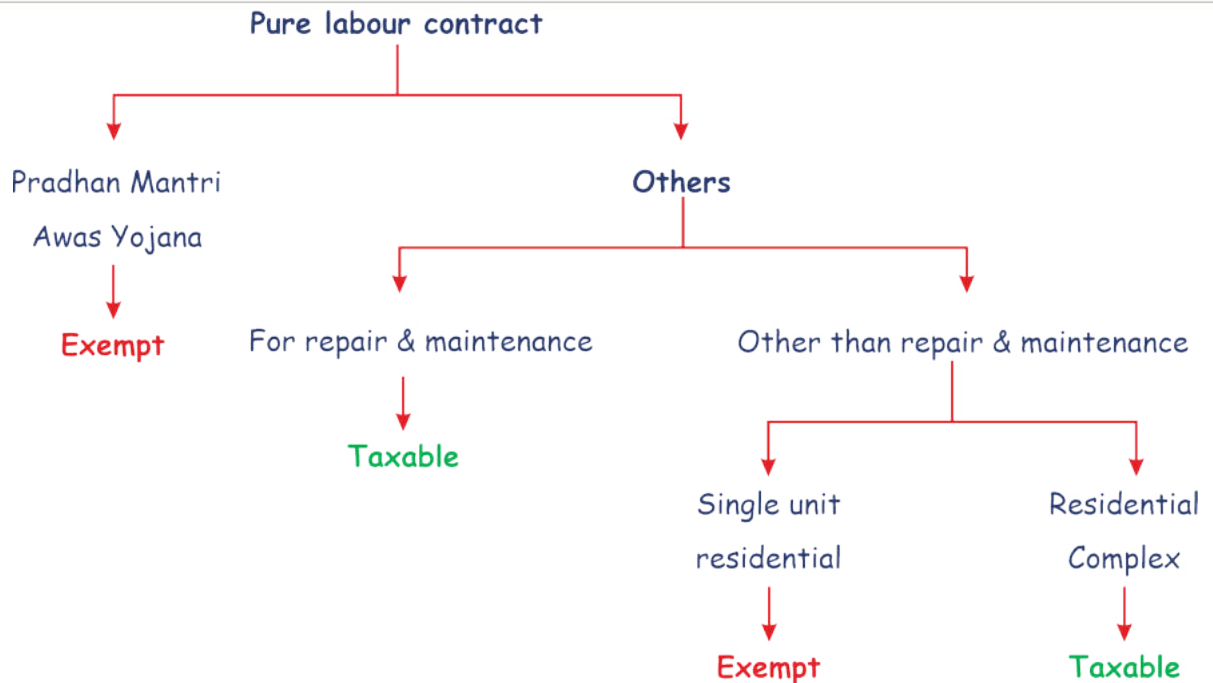
Single residential unit means a self-contained residential unit which is designed for use, wholly or principally, for residential purposes for one family.

4. Supply of TDR, FSI, long term lease (premium) of land by a landowner to a developer are exempted subject to the condition that the constructed flats are sold before issuance of completion certificate and tax is paid on them.



Exemption

Exemption of TDR, FSI, long term lease (premium) shall be withdrawn in case of flats sold after issue of completion certificate, but such withdrawal shall be limited to 1% of value in case of affordable houses and 5% of value in case of other than affordable houses.



Passenger Transportation Services

| | |
|----------------|---|
| Air | in economy class, embarking from or terminating in State of <ul style="list-style-type: none"> ➤ Bagdogra located in West Bengal; ➤ Arunachal Pradesh ➤ Tripura, ➤ Sikkim ➤ Manipur, Meghalaya, Mizoram, ➤ Assam, ➤ Nagaland |
| Railway | <ul style="list-style-type: none"> ➤ Metro, monorail or tramway : Exempt ➤ First class / AC rail : Taxable |
| Water | <ul style="list-style-type: none"> ➤ Inland/ costal waterways - Exempt ➤ Transportation o/s India or Tourism - Taxable ➤ Public transport - Exempt |
| Road | <ul style="list-style-type: none"> ➤ Metered cabs or auto rickshaws (including e- rickshaws) - Exempt ➤ Non-air conditioned contract/ stage carriage - Exempt ➤ Tourism, conducted tour, charter or hire - Taxable |



Exemption

| | |
|--|--|
| | <p>➤ Hire basis Motor vehicle (carrying > 12 passengers, excluding driver) to State transport undertaking - Exempt</p> <p>Local authority - Exempt</p> <p>Exemption not allowed if supplied through ECO u/s 9(5)</p> |
| | <p>Services provided to the Central Government, <u>by way of transport of passengers with or without accompanied belongings, by air, embarking from or terminating at a RCS (Regional Connectivity Scheme) airport, against consideration in the form of viability gap funding.</u></p> <p>However, <u>nothing contained in this entry shall apply on or after the expiry of a period of 3 years from</u> the date of commencement of operations of the RCS airport as notified by the Ministry of Civil Aviation.</p> |

E-rickshaw means a battery power not exceeding 4000 watts, having three.

contract carriage means a motor vehicle which carries a passenger for hire or reward and is engaged under a contract, whether expressed or implied, for the use of such vehicle as a whole for the carriage of passengers mentioned therein and entered into by a person with a holder of a permit in relation to such vehicle.

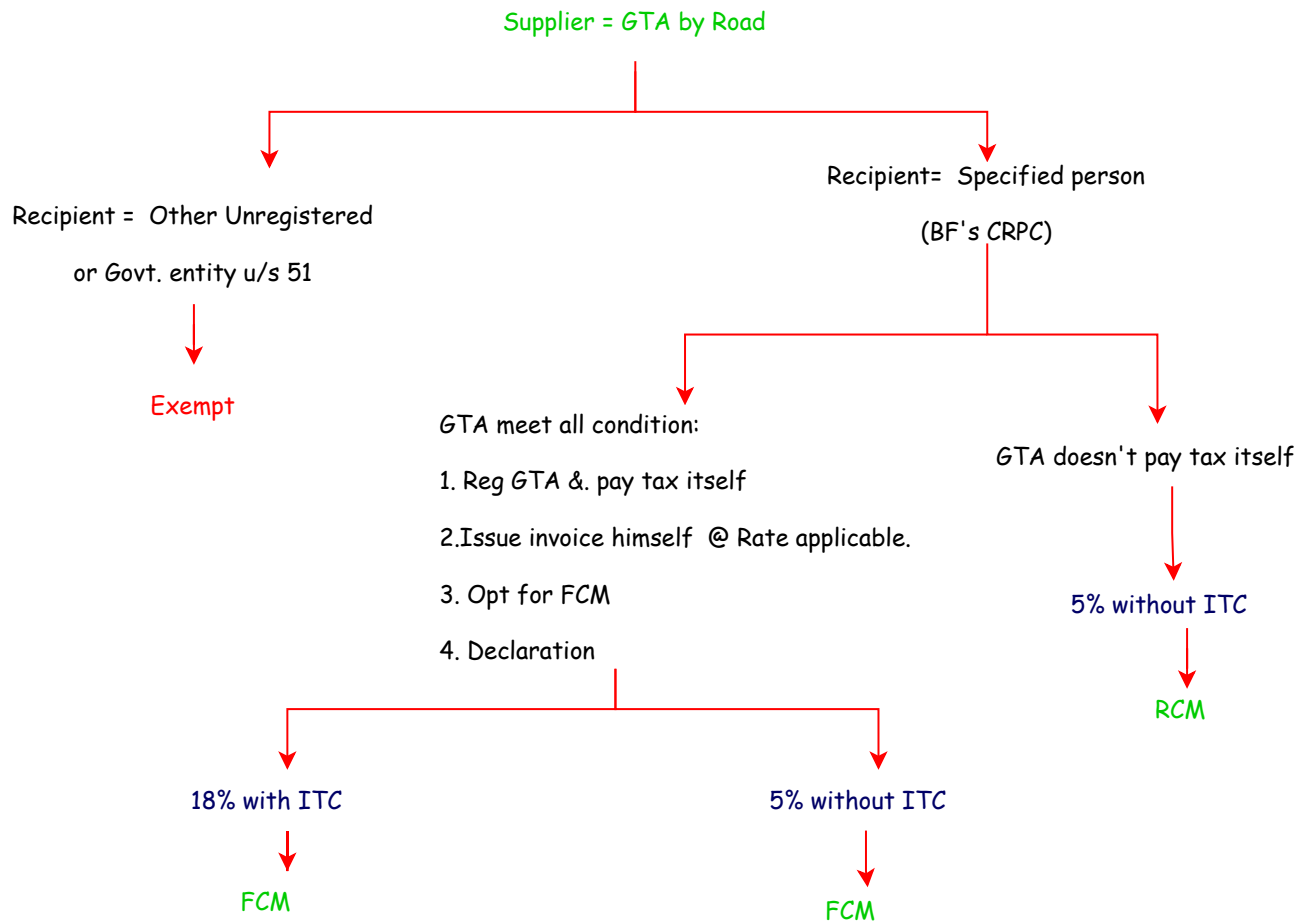
stage carriage means a motor vehicle constructed or adapted to carry more than 6 passengers excluding the driver for hire or reward at separate fares paid by or for individual passengers, either for the whole journey or for stages of the journey.

Goods Transportation Services

| | |
|--------------|--|
| Air | <p>Domestic : Taxable</p> <p>International</p> <ul style="list-style-type: none"> ➤ o/s India to India - Exempt ➤ from India to o/s India - Taxable |
| Rail | <p>Taxable</p> <p>Exemption for :</p> <ul style="list-style-type: none"> ➤ relief materials ➤ defence or military equipments; ➤ newspaper or magazines registered with the Registrar of Newspapers; ➤ agricultural produce; ➤ milk, salt and food grain including flours, pulses and rice; and ➤ organic manure. |
| Water | <p>Inland : Exempt</p> <p>Coastal (within India through sea) : taxable except exemption above as rail</p> |
| Road | <p>GTA or courier agency (including express cargo);</p> |



Exemption



Explanation - Nothing contained in this entry shall apply to:

- (i) local delivery services provided by an Electronic Commerce Operator; or
- (ii) local delivery services provided through an Electronic Commerce Operator

Exemption :

- relief materials
- defence or military equipments;
- newspaper or magazines registered with the Registrar of Newspapers;
- agricultural produce;
- milk, salt and food grain including flours, pulses and rice; and organic manure

Services provided by a GTA, by way of transport of goods in a goods carriage, to, -

- (a) a Department or Establishment of the CG/SG/UT; or
- (b) local authority; or
- (c) Governmental agencies, which has taken registration under the Central Goods and Services Tax Act, 2017 only for the purpose of deducting tax under section 51.



Exemption

Supply of services associated with transit cargo to or from Nepal and Bhutan (Sometime asked in ITC question). - Exempt

Services by way of transportation of goods by an aircraft from a place outside India upto the customs station of clearance in India.

Note :

1. Individual truck/tempo operators who do not issue any consignment note are not covered within the meaning of the term GTA. Hence exempt.
2. Ancillary or incidental services provided by GTA in the course of transportation of goods by road, such as loading/unloading, packing/unpacking, transshipment, temporary warehousing etc. will be treated as composite supply of transport of goods. The method of invoicing used by GTAs will not generally alter the nature of the composite supply of service.

However, invoiced separately, then these services will not be treated as composite supply of transport of goods.

➤ Clarification :

Transport of minerals within a mining area by vehicles deployed with driver for a specific duration of time

Usually in such cases the vehicles such as tippers, dumpers, loader, trucks etc., are given on hire to the mining lease operator. Expenses for fuel are generally borne by the recipient of service. The vehicles with driver are at the disposal of the mining lease operator for transport of minerals within the mine area (mining pit to railway siding, beneficiation plant etc.) as per his requirement during the period of contract.



Such services are "rental services of transport vehicles with operator". The person who takes the vehicle on rent defines how and when the vehicles will be operated, determines schedules, routes and other operational considerations. The person who gives the vehicles on rent with operator cannot be said to be supplying the service by way of transport of goods. Accordingly, it is clarified that **it is not eligible for exemption.**

Banking and Financial Services

Condition to avail exemption : should be provided by Banking and financial institution

1. Interest payment or received on loan, FD, saving account

Exempt



Exemption

| | | |
|-----|--|-------------------|
| 2. | Service charges/ fees, documentation fees, broking charges, administrative charges, entry charges or such like fees or charges collected over and above interest on loan, advance or a deposit | Taxable |
| 3. | Any interest/ delayed payment charges charged to clients for delay in payment of brokerage | Exempt |
| 4. | Charges for late payment of outstanding dues on credit card: Interest charged on outstanding. | Taxable |
| 5. | Collateralized Borrowing and Lending Obligations (CBLO) | Exempt |
| 6. | Any charges or fees on Collateralized Borrowing and Lending Obligations (CBLO) | Taxable |
| 7. | Repo rate/ Reverse repo rate | Exempt |
| 8. | Income from Commercial Paper (CP) or Certificates of Deposit (CD): | Exempt |
| 9. | Assignment or sale of secured or unsecured debts: Chapter 1 -only actionable claims in respect of lottery, betting and gambling would be taxable under GST. Where sale, transfer or assignment of debts falls within the purview of actionable claims. | Exempt |
| 10. | Further, any charges collected in the course of transfer or assignment of a debt would be chargeable to GST, being in the nature of consideration for supply of services. | Taxable |
| 11. | Interest on debt instruments | Exempt |
| 12. | Interest on a finance lease transaction | Taxable |
| 13. | Interchange fees on card settlement fees paid/ shared by banks | Taxable |
| 14. | Securitization transactions undertaken by banks : Securitized assets are in the nature of securities | Exempt |
| 15. | some service charges or service fees or documentation fees or broking charges or such like fees or charges are charged, the same would be a consideration for provision of services related to securitization | Taxable |
| 16. | Additional/ penal interest on the overdue loan: If paid to supplier: If paid to third party: | Taxable Exempt |
| 17. | transaction processing fees levied on where loan of one bank is taken over by another bank. | Taxable |

➤ Clarifications:



Exemption

Granting of loan by a person to a related person or by an overseas affiliate to its Indian entity, where the consideration being paid is only by way of interest or discount

In case where loan is granted by a person to a related person or by an overseas affiliate to its Indian entity, it may not require to follow credit assessment processes as are followed by an independent lender; i.e., there may not be the activity of 'processing' the loan, and no consideration in the nature of processing fee / administrative charges.

Therefore, services of processing the loans by banks/independent lenders and the loans provided by a related party cannot be placed on equal footing. Hence, it cannot be deemed to be a "Supply of service" between the said related persons .

Services by an acquiring bank, to any person in relation to settlement of an **amount upto Rs 2,000 in a single transaction** transacted through credit card, debit card, charge card or other payment card service.- Exempt

Explanation.— For the purposes of this entry, "acquiring bank" means any banking company, financial institution including non-banking financial company or any other person, who makes the payment to any person who accepts such card.

Payment Aggregators → included in definition of Bank → **Hence exempt upto Rs 2000/-**

The clarification, issued by the CBIC, addresses the question of whether this exemption extends to Payment Aggregators. The clarification confirms that RBI-regulated Payment Aggregators (PAs) are covered by the definition of an acquiring bank for the purpose of this exemption. This is because PAs receive payments from customers and then make the payment to the merchants who accept the card.

Payment gateways→ Not included in definition of Bank → **Hence exempt upto Rs 2000/-**

It's specifically limited to the payment settlement function that involves handling money. It does not cover Payment Gateway (PG) services, which only provide technology infrastructure without handling funds.

Life Insurance Business Services

1. Services by an intermediary of financial services located in a multi services SEZ with IFSC status to a customer located outside India for international financial services in currencies other than Indian rupees (INR). -Exempt



Exemption

2. Services of life insurance business provided by way of annuity under the National Pension System regulated by the Pension Fund Regulatory and Development Authority of India (PFRDA) under the Pension Fund Regulatory and Development Authority Act, 2013.
3. Services of life insurance by the Army, Naval and Air Force Group Insurance Funds to members of the Army, Navy and Air Force, respectively, under the Group Insurance Schemes of the Central Government.
4. Services of life insurance by the Naval Group Insurance Fund to the personnel of Coast Guard under the Group Insurance Schemes of the Central Government.
5. Services of life insurance by the Central Armed Police Forces (under Ministry of Home Affairs) Group Insurance Funds to their members under the Group Insurance Schemes of the concerned Central Armed Police Force.
6. Services of life insurance business provided under following schemes-
 - (a) Janashree Bima Yojana;
 - (b) Aam Aadmi Bima Yojana;
 - (c) Life micro-insurance product as approved by the Insurance Regulatory and Development Authority, having **maximum amount of cover of Rs 2,00,000;**
 - (d) Varishtha Pension Bima Yojana;
 - (e) Pradhan Mantri Jeevan Jyoti Bima Yojana;
 - (f) Pradhan Mantri Jan Dhan Yojana;
 - (g) Pradhan Mantri Vaya Vandan Yojana

Life micro-insurance product means any term insurance contract with/without return of premium, any endowment insurance contract or health insurance contract, with/without an accident benefit rider, either on individual/group basis, as per terms stated in Schedule-II appended to the regulations

Services provided by specified bodies Services by PF/ESI/NPS/coal mines PF to persons governed under the specific Act.
7. **Services of life insurance business provided by an insurer to the insured, where the insured is not a group. (Amendment)**



Exemption

Meaning of "Group": For the purposes, above, 'group' means group of persons who join together with a commonality of purpose or for engaging in a common economic activity, other than availing insurance, and includes:

- (a) Employer- employee groups, where an employer-employee relationship exists between the master/group policyholder and the members of the group in accordance with the applicable laws;
- (b) Non employer- employee groups, where a clearly evident relationship exists between the master/group policyholder and the members of the group, for services/ activities other than insurance.

General Insurance Services

1. Services of general insurance business provided under following schemes -
 - (a) Hut Insurance Scheme;
 - (b) Cattle Insurance under Swarna jaynti Gram Swarozgar Yojna 50;
 - (c) Scheme for Insurance of Tribals;
 - (d) Janata Personal Accident Policy and Gramin Accident Policy;
 - (e) Group Personal Accident Policy for Self-Employed Women;
 - (f) Agricultural Pumpset and Failed Well Insurance;
 - (g) premia collected on export credit insurance;
 - (h) Restructured Weather Based Crop Insurance Scheme (RWCIS), approved by the Government of India and implemented by the Ministry of Agriculture;
 - (i) Jan Arogya Bima Policy;
 - (j) Pradhan Mantri Fasal Bima Yojana (PMFBY);
 - (k) Pilot Scheme on Seed Crop Insurance;
 - (l) Central Sector Scheme on Cattle Insurance;
 - (m) Universal Health Insurance Scheme;
 - (n) Rashtriya Swasthya Bima Yojana;
 - (o) Coconut Palm Insurance Scheme;
 - (p) Pradhan Mantri Suraksha Bima Yojna;
 - (q) Niramaya Health Insurance Scheme implemented by the Trust constituted under the provisions of the National Trust for the Welfare of Persons with Autism, Cerebral Palsy, Mental Retardation and Multiple Disabilities Act, 1999.
 - (r) Bangla Shasya Bima

Services by way of reinsurance of the insurance schemes specified above : **Exempt**



Exemption

3. Atal Pension Yojana : **Exempt**
4. Services by way of collection of contribution under any pension scheme of the State Governments : **Exempt**
5. Services of health insurance business provided by an insurer to the insured, where the insured is not a group. (Amendment)

Legal Services

Already covered in chapter charge.

Sponsorship of Sports Events

- **Services by way of sponsorship of sporting events organised :**
 - (a) by a national sports federation, or its affiliated federations, where the participating teams or individuals represent any district, State, zone or Country;
 - (b) by Association of Indian Universities, Inter-University Sports Board, School Games Federation of India, All India Sports Council for the Deaf, Paralympic Committee of India or Special Olympics Bharat;
 - (c) by the Central Civil Services Cultural and Sports Board;
 - (d) as part of national games, by the Indian Olympic Association; or
 - (e) under the Panchayat Yuva Kreedha Aur Khel Abhiyaan Scheme.
- **Service provided to a recognised sports body by-**
 - (a) an individual as a player, referee, umpire, coach or team manager for participation in a sporting event organised by a recognized sports body;
 - (b) another recognised sports body.

However, services by individuals such as **selectors, commentators, curators, technical experts** are **taxable**. The service of a player to a franchisee which is not a recognized sports body is also taxable. The term 'recognised sports

Skill Development Services

1. Any services provided by the NSDC / Body/ Assessment Agency /Training Body **recognized by the NCVET** in relation to-
 - (i) the National Skill Development Programme or any other scheme implemented by the National Skill Development Corporation; or



Exemption

- (ii) A vocational skill development course under the National Skill Certification and Monetary Reward Scheme; or
 - (iii) Any National Skill Qualification Framework aligned qualification or skill in respect of which the National Council for Vocational Education and Training has approved a qualification package.
2. Services of assessing bodies empanelled **centrally by the Directorate General of Training, Ministry of Skill Development and Entrepreneurship** by way of assessments under the Skill Development Initiative Scheme.
3. Services provided by **training providers** (Project implementation agencies) under Deen Dayal Upadhyaya Grameen Kaushalya Yojana (DDUGKY) **implemented by the Ministry of Rural Development, Government of India** by way of offering skill or vocational Education and training courses certified by the National Council for Vocational Training.

Performance By An Artist

1. Services by an artist by way of a performance in folk or classical art forms of- music, dance, theatre. if the consideration charged for such performance is **upto Rs 1,50,000 are exempt** from GST.
All other activities e.g. western music or dance, modern theatres, performance of actors in films or television serials would be taxable. Similarly activities of artists in still art forms e.g. painting, sculpture making etc. **are taxable.**
2. Service provided by such artist as a **brand ambassador: Taxable**

Right to Admission to Various Events

- Services by way of **admission** to a museum, national park, wildlife sanctuary, tiger reserve or zoo.
(All are related to animal except museum)
- Services by way of admission to a protected monument (like taj mahal)
- Services by way of right to admission to-
- (a) circus, dance, or theatrical performance including drama or ballet;
 - (b) award function, concert, pageant, musical performance or any sporting event other than a recognised sporting event;
 - (c) recognised sporting event;



Exemption

(d) planetarium.

Where the consideration is not **more than Rs 500 per person**.

Recognised sports body means -

- the Indian Olympic Association;
- Sports Authority of India;
- National sports federation recognised by the Ministry of Sports and Youth Affairs.
- national sports promotion organisations recognised by the Ministry of Sports and Youth;
- International Olympic Association or a federation recognised by the International Olympic Association; or
- a federation or a body which regulates a sport at international level and its affiliated federations or bodies regulating a sport in India.

Services By An Unincorporated Body Or A Non- Profit Entity

Co-operative Housing Societies are entities registered under the co-operative laws of the respective States. A Co-operative Housing Society is a collective body of persons, who stay in a residential society and as a collective body, they supply certain services to its members, like collecting statutory dues from its members and remitting to statutory authorities, maintenance of the building, security etc.

Exemption of service provided by co-operative society :

| Annual turnover | Monthly maintenance | Exempt |
|----------------------|---------------------|--------|
| More than Rs 20 lakh | More than Rs 7500 | No |
| | Upto Rs 7500 | Yes |
| Upto Rs 20 lakhs | More than Rs 7500 | Yes |
| | Upto Rs 7500 | Yes |

Note : Statutory dues such as property tax, electricity charges etc. forming part of the monthly maintenance bill raised by the society on its members would be excluded while computing the aforesaid monthly limit of Rs 7,500.

Taxability of various charges collected by societies

A society may collect the following charges from the members on quarterly basis as follows:

1. Property Tax- actual as per Municipal Corporation of Greater Mumbai (MCGM)
2. Water Tax- Municipal Corporation of Greater Mumbai (MCGM)



Exemption

3. Non-Agricultural Tax- Maharashtra State Government
4. Electricity charges
5. Sinking Fund- mandatory under the Bye-laws of the Co-operative Societies
6. Repairs & maintenance fund
7. Car parking Charges
8. Non-Occupancy Charges
9. Simple interest for late payment.

CBIC has clarified the taxability of above charges as follows:

1. Services provided by the CG/SG/UT/LA to a person other than business entity, is **exempted** from GST. So, Property Tax, Water Tax, if collected by the RWA/Co-operative Society on behalf of the MCGM from individual flat owners, **then GST is not leviable**.
2. Similarly, **GST is not leviable on Non-Agricultural Tax**, Electricity Charges etc., which are collected under other statutes from individual flat owners. However, if these charges are collected by the Society for generation of electricity by Society's generator or to provide drinking water facility or any other service, then such charges collected by the society are liable to GST.
3. Sinking fund, repairs & maintenance fund, car parking charges, Non- occupancy charges or simple interest for late payment, **attract GST**, as these charges are collected by the RWA/Co-operative Society for supply of services meant for its members.

Other Services Exemption

1. Supply of accommodation services **upto Rs 20,000** per person per month for a minimum continuous period of 90 days.
2. Satellite launch services.
3. Service by way of access to a road or a bridge on **payment of toll charges**. Overloading charges will same treated as toll charges.
4. Services by an organiser to any person in respect of **a business exhibition held outside** India.
5. Tour operator service, which is performed partly in India and partly outside India, supplied by a tour operator to a foreign tourist, to the extent of the value of the tour operator service which is performed outside India is exempt.



Exemption

However, value of the tour operator service performed outside India shall be such proportion of the total consideration charged for the entire tour which is equal to the proportion which the number of days for which the tour is performed outside India has to the total number of days comprising the tour, or 50% of the total consideration charged for the entire tour, whichever is less.

Further, in making the above calculations, any duration of time equal to or exceeding 12 hours shall be considered as one full day and any duration of time less than 12 hours shall be taken as half a day..

6. Services provided by a tour operator to a foreign tourist a tour conducted wholly outside India.
7. Intermediary services : Services provided by an intermediary when location of both supplier and recipient of goods is outside the taxable territory.
8. Import of **services by foreign diplomatic mission** posted in India shall be exempt. subject to the conditions, -
 - entitled to exemption from integrated tax, as stipulated in the certificate issued by the Protocol Division of the Ministry of External Affairs, based on the principle of
 - reciprocity;
 - that the services imported are for official purpose or for personal use.
9. Service supplied by an establishment in India to an establishment outside India
10. Services imported by unit/developer in **SEZ exempt** from IGST.
11. **Intra-State supplies** of goods or services or both **received by a deductor under section 51**, from any unregistered supplier, **is exempt** from the whole of the central tax leviable thereon under section 9(4),
12. GST on payment of honorarium to the Guest Anchors
TV channels invite guest anchors to participate in their shows and pay remuneration to them in the form of honorarium.
It is clarified that **supply of all goods & services are taxable** unless exempt.. However, guest anchors whose aggregate turnover in a proceeding financial year does not exceed Rs 20 lakh (Rs 10 lakh in case of specified Special Category States) shall not be liable to take registration and pay GST.



Exemption

13. **Transmission/distribution of electricity** by an electricity transmission/ distribution utility. However, other services provided by DISCOMS (distribution companies) to consumer are liable to GST such as,-
- Application fee
 - Rental Charges against metering equipment;
 - Testing fee for
 - Labour charges;
 - charges for duplicate bill.
14. Supply of services by way of providing **metering equipment on rent**, testing for meters/transformers/capacitors etc., releasing electricity connection, shifting of meters/service lines, issuing duplicate bills etc., which are incidental or ancillary to the supply of transmission and distribution of electricity provided by electricity transmission and distribution utilities to their consumers.
15. Services by way of **collecting or providing news** by an independent journalist, Press Trust of India or United News of India.
16. Services of public libraries by way of lending of books, publications or any other knowledge-enhancing content or material.
17. Services by way of pre-conditioning, pre-cooling, ripening, waxing, retail packing, labelling of fruits and vegetables which do not change or alter the essential characteristics.
18. Services received from a provider of service located in a non-taxable territory by -
- (a) the CG/SG/UT/LA or an individual for other business or profession;
 - (b) an entity registered under section 12AA/12AB of the Income-tax Act, 1961
 - (c) way of supply of online educational journals other than an institution providing services by way of-
 - (i) pre-school education and education up to 12th; or
 - (ii) approved vocational education course;
 - (d) a person located in a non-taxable territory.
- However, the exemption shall not apply to online information and database access or retrieval services received by persons specified in entry (a) or entry (b).



Exemption

19. Services by way of **public conveniences** such as provision of facilities of bathroom, washrooms, lavatories, urinal or toilets.
20. **Import of services by an establishment of a foreign company in India**, which is an airline company, from a related person or from any of its other establishments outside India, when made without consideration - Exempt Conditions to be fulfilled :
GST at applicable rates is paid by the establishment of the foreign airline company in India on transport of goods and passengers as may be applicable.
21. **Research and development services against** consideration received in the form of grants supplied by -
a) Government Entity; or
b) research association, university, college or other institution.
The **condition to be fulfilled** in this case is that the research association, university, college or other institution, is so notified at the time of supply of the research and development service.
Taxable services, provided or to be provided, by a TBI/STEP recognised by NSTEDB or bio-incubators recognised by the Biotechnology Industry Research Assistance Council, under the Department of Biotechnology, Government of India (BIRAC).
22. Services provided by **an incubatee up to a total turnover of Rs 50 lakh** in a financial year subject to the following conditions, namely:-
the total turnover had not exceeded Rs 50 lakh during the preceding financial year; and a period of 3 years has not elapsed from the date of entering into an agreement as an incubatee.
Incubatee : means an entrepreneur located within the premises of a Technology Business Incubator (TBI)/ Science and Technology Entrepreneurship Park (STEP) recognised by the National Science and Technology Entrepreneurship Development Board of the Department of Science and Technology, Government of India (NSTEDB) and who has entered into an agreement with the TBI/STEP to enable himself to develop and produce hi-tech and innovative products.



CHAPTER – 4

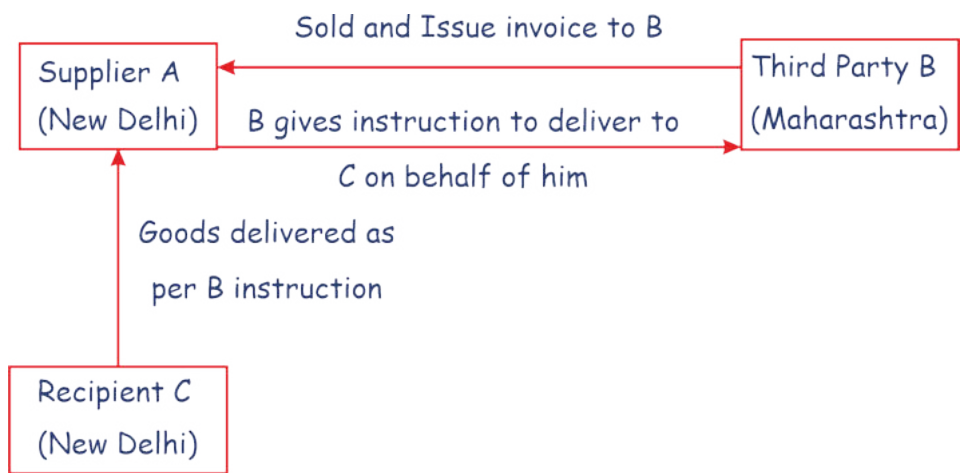
PLACE OF SUPPLY

GST is a **destination-based consumption tax**, i.e. the tax is levied on the consumption of supply at the destination thereof or at the point of consumption of such supply. The '**place of supply**' denotes the place where the supply is consumed. Thus, place of supply determines the jurisdiction where the tax revenue should reach.

Section 10: Place of supply of goods other than supply of goods imported into, or exported from India

| Particular | Place of supply |
|---|---|
| (a) where the supply involves movement of goods | Destination of goods |
| (b) where the goods are delivered on Bill to ship to model | It shall be deemed that the said third person has received the goods and the place of supply of such goods shall be the principal place of business of third person ; |

➤ **Bill to ship to model :**



In the above example, even goods have been delivered to C on instruction of B because of nearby location. Still, it is assumed that goods have been delivered to B. and place of supply would be location of B i.e. Maharashtra.



Place of Supply

| Particular | Place of supply |
|--|--|
| (c) Supply does not involve movement of goods | Location of goods at the time of the delivery. |
| (ca) Supply of goods is made to a person unregistered person (over the counter) | Location in the invoice (only state is also deemed as location) Location of the supplier if address not available |
| (d) Goods are assembled or installed at site | place of such installation or assembly; |
| (e) Where the goods are supplied on board a conveyance, | Location at which such goods are taken on board. |
| In case goods supplied to URP where billing address is different from the delivery address. (E-commerce) | Delivery address |

Section 11 : Place of supply of goods imported into, or exported from India

| Particular | Place of supply |
|-----------------|------------------------|
| Import of goods | Location of Importer |
| Export of goods | Location outside India |

Section 12: place of supply of services where location of supplier of service and the location of the recipient of service is in India

| Sec | Particular | Place of supply |
|--------------|--|--|
| 12(2) | General provision Supply made to: ➤ Registered ➤ Unregistered | Location of registered person Address of URP available: Address If not available: Location of supplier |
| | Example: Rohit (Haryana) provides services to xyz ltd (Reg in Delhi). POS = Delhi If xyz is unregistered, POS = Delhi, If address of xyz is not available, POS = Haryana | |
| 12(3) | (a) Directly in relation to an immovable property , including services provided by architects, interior decorators, and other related experts. | If location on immovable property: India : shall be the location at which the immovable property or boat or vessel. |



Place of Supply

| Sec | Particular | Place of supply |
|-------|---|--|
| | <p>(b) by way of lodging accommodation by a hotel, inn etc including a house boat or any other vessel; or</p> <p>(c) by way of accommodation in any immovable property for any marriage or reception including services in relation to such function.</p> <p>(d) any services ancillary to the services referred to in clauses (a), (b) and (c),</p> | Outside India : location of the recipient |
| | <p>Example:</p> <ul style="list-style-type: none"> ➤ Pawan (Delhi) booked a hotel from JW Marriot (Reg. in Chennai) in Chennai. POS = Chennai ➤ Next trip he booked the hotel from JW Marriot (reg. in Chennai) for stay in Dubai. In this case, property is situated outside India, Hence POS = Delhi | |
| 12(4) | <ul style="list-style-type: none"> ➤ restaurant & catering services ➤ personal grooming ➤ Fitness, ➤ beauty treatment, including plastic surgery ➤ Health services | Location where the services performed |
| | <p>Example: Virat Kohli (Delhi) wants to eat vada pav. He called a restaurant Amchi Mumbai. Restaurant chef goes to Virat Kohli's Gurugram house for making vada pav special for him.. In this case POS = Gurugram, Haryana.</p> | |
| 12(5) | <p>Training and performance appraisal to:</p> <ul style="list-style-type: none"> ➤ Registered ➤ Unregistered | <p>Location of RP</p> <p>Location where the services are actually performed.</p> |
| | <p>Example : Mayank (Reg in Delhi) provides training to employees of Reliance co. (Reg in Gujarat) in GOA, POS = Gujarat.</p> | |
| 12(6) | <p>services provided by way of admission to a cultural, artistic, sporting, scientific, educational, entertainment event or amusement park or any other place and services ancillary thereto</p> | place where the event is actually held or where the park or such other place is located |



Place of Supply

| Sec | Particular | Place of supply |
|-------|--|---|
| | Example : CA Muskan (Reg in Bangalore) buys a ticket for Arjit Singh show (Reg in Delhi) held in GOA. POS = GOA | |
| 12(7) | <p>organisation of a cultural, artistic, sporting, scientific, educational or entertainment event including conference, fair, exhibition, celebration or similar events; or services ancillary</p> <ul style="list-style-type: none"> ➤ Registered ➤ Unregistered | <p>Location of RP place where the event is actually held if event outside India - location of the recipient.</p> |
| | <p>Explanation - Where the event is held in more than one State or Union territory and a consolidated amount is charged for supply of services relating to such event, the place of supply of such services in each of the respective States on proportion basis to the value for services.</p> | |
| 12(8) | <p>Transportation of goods, including by mail or courier to</p> <ul style="list-style-type: none"> ➤ Registered ➤ Unregistered | <p>Location of RP location at which such goods are handed over for their transportation</p> |
| | <p>Example:</p> <ul style="list-style-type: none"> ➤ Pankaj (Reg in Rajasthan) couriered a parcel from Pune through DTDC (Pune office) to Aditya (in Delhi). In this caser POS = Rajasthan ➤ In case Pankaj is unregistered, goods are handed over at Pune, so POS = Pune, Maharashtra | |
| 12(9) | <p>Passenger transportation service to</p> <ul style="list-style-type: none"> ➤ Registered ➤ Unregistered <p>the right to passage is given for future use and the point of embarkation is not known at the time of issue.</p> | <p>Location of RP where the passenger embarks on the conveyance</p> <p>General rule</p> |
| | <p>Explanation - the return journey shall be treated as a separate journey, even if onward and return journey is issued at the same time.</p> | |



Place of Supply

| Sec | Particular | Place of supply |
|--------|---|--|
| | <p>Example:</p> <ul style="list-style-type: none"> ➤ Miss Vaishali (Reg in Haryana) book a taxi from shiv travels (Reg in Punjab) for a trip from Delhi to Uttarakhand. In this case, since Vaishali is registered in Haryana, Hence POS = Haryana. ➤ If Vaishali is unregistered, POS = from where journey start i.e. Delhi. ➤ In case Vaishali, on future date embark from anywhere in India = ➤ If Vaishali register = Haryana ➤ Non registered = Haryana, if address is also not available = Punjab | |
| 12(10) | The place of supply of services on board a conveyance, including a vessel, an aircraft, a train or a motor vehicle | location of the first scheduled point of departure of conveyance person |
| | <p>Example : Mr. Aryan khan book a cruise from Royal cruise ltd. from Mumbai to Lakshadweep.</p> <p>During the journey he availed some services (like movie, theatre). In this case POS = Mumbai , Maharashtra.</p> | |
| 12(11) | <p>supply of telecommunication services including data transfer, broadcasting, cable and direct to home television services to any person shall:</p> <p>(a) fixed telecommunication line,</p> <p>(b) in case of mobile connection for telecommunication and internet services provided on post-paid basis,</p> <p>(c) in cases where mobile connection on pre-payment basis--</p> <ul style="list-style-type: none"> ➤ through a selling agent or a re-seller or a distributor ➤ by any person to the final subscriber <p>(d) in other cases,</p> | <p>Location of line installed.</p> <p>Billing address of the recipient of services on the record of the supplier of services;</p> <p>Address of the selling agent as per the record of the supplier or</p> <p>Location where such pre- payment is received</p> <p>General Rule</p> |
| | <p>Example :</p> <ul style="list-style-type: none"> ➤ Mr Rohit (Haryana) take a wife recharge of its house in Mumbai. POS = line installed i.e. Mumbai, Maharashtra ➤ Miss Divya from Chennai (Billing address in Bangalore) book a post-paid recharge online from Gurugram. In this case POS = Billing address i.e. Bangalore. | |



Place of Supply

| Sec | Particular | Place of supply | | | | | | | | | | | | | | | | | | | | | | |
|-----------------------------|--|--|------------|-----------|-------------------------------|-----------------------------|----------------------------|-----------|------------------------------|---------------|---------------------|-------------------------|-------------------------------|---------------------|-----------------|-----------------------|----------------------------------|--------------------|---|-------------|---------------|-----------------|----------------------|--|
| | ➤ Mr Shyam (UP) get a pre-paid recharge through agent in Delhi. In this case POS = address of selling agent i.e. Delhi. | | | | | | | | | | | | | | | | | | | | | | | |
| 12(12) | The place of supply of banking and other financial services, including stock broking services to any person | Location of the recipient the records of the supplier. If location not available = location of the supplier | | | | | | | | | | | | | | | | | | | | | | |
| 12(13) | Insurance services ➤ Registered ➤ Unregistered | Location of RP location of the recipient on the records of the supplier. | | | | | | | | | | | | | | | | | | | | | | |
| | <p>Example : KPMG (Gurugram) take the insurance for its all employee from Max life (Bangalore). POS = location of RP i.e. Gurugram, Haryana.</p> <p>Rohit (unregistered) (Delhi) take the insurance for himself from Max life (Bangalore) = POS = location of recipient i.e. . Delhi</p> | | | | | | | | | | | | | | | | | | | | | | | |
| 12(14) | Advertisement services to the CG/SG/UT/LA/ Stat body | Proportion amount attributes to States/UT. | | | | | | | | | | | | | | | | | | | | | | |
| | <table border="1"> <thead> <tr> <th>Mode of advertisement</th> <th>Allocation</th> </tr> </thead> <tbody> <tr> <td>Newspaper</td> <td>No of editions for each state</td> </tr> <tr> <td>Pamphlets/diaries, calendar</td> <td>No of copies in each state</td> </tr> <tr> <td>Utilities</td> <td>No of consumer of each state</td> </tr> <tr> <td>Radio station</td> <td>No of radio station</td> </tr> <tr> <td>Advt. on train or metro</td> <td>Length of track in each state</td> </tr> <tr> <td>Bus or train Ticket</td> <td>No. of stations</td> </tr> <tr> <td>Hoarding on hoardings</td> <td>Amount payable for each hoarding</td> </tr> <tr> <td>Television channel</td> <td>No of viewership in each state, further by population if not possible</td> </tr> <tr> <td>Cinema hall</td> <td>No of screens</td> </tr> <tr> <td>Internet or SMS</td> <td>Based on subscribers</td> </tr> </tbody> </table> | Mode of advertisement | Allocation | Newspaper | No of editions for each state | Pamphlets/diaries, calendar | No of copies in each state | Utilities | No of consumer of each state | Radio station | No of radio station | Advt. on train or metro | Length of track in each state | Bus or train Ticket | No. of stations | Hoarding on hoardings | Amount payable for each hoarding | Television channel | No of viewership in each state, further by population if not possible | Cinema hall | No of screens | Internet or SMS | Based on subscribers | |
| Mode of advertisement | Allocation | | | | | | | | | | | | | | | | | | | | | | | |
| Newspaper | No of editions for each state | | | | | | | | | | | | | | | | | | | | | | | |
| Pamphlets/diaries, calendar | No of copies in each state | | | | | | | | | | | | | | | | | | | | | | | |
| Utilities | No of consumer of each state | | | | | | | | | | | | | | | | | | | | | | | |
| Radio station | No of radio station | | | | | | | | | | | | | | | | | | | | | | | |
| Advt. on train or metro | Length of track in each state | | | | | | | | | | | | | | | | | | | | | | | |
| Bus or train Ticket | No. of stations | | | | | | | | | | | | | | | | | | | | | | | |
| Hoarding on hoardings | Amount payable for each hoarding | | | | | | | | | | | | | | | | | | | | | | | |
| Television channel | No of viewership in each state, further by population if not possible | | | | | | | | | | | | | | | | | | | | | | | |
| Cinema hall | No of screens | | | | | | | | | | | | | | | | | | | | | | | |
| Internet or SMS | Based on subscribers | | | | | | | | | | | | | | | | | | | | | | | |
| | <p>For example: A company T installs a leased circuit between the Chennai, Bengaluru and Mysuru offices of a company C. The starting point of this circuit is in Chennai and the end point of the circuit is in Mysuru. The circuit also connects Bengaluru. Hence, one point of this circuit is in Tamil Nadu and two points in Karnataka. The place of supply of this service is in the States of Tamil Nadu and Karnataka. The service shall be deemed to have been provided in the ratio of 1:2 in the States of Tamil Nadu and Karnataka, respectively.</p> | | | | | | | | | | | | | | | | | | | | | | | |



Place of Supply

| Sec | Particular | Place of supply |
|--|------------|-----------------|
| Clarification: | | |
| Scenario 1: If there is supply/ sale of space or right to use the space on the boarding/ structure (immovable property) for display of advertisement. In that case , Place of supply shall be govern by sec 12(3) as its related to immovable pr operty. | | |
| Scenario 2 : Advertisement company wants to display advt. at specific location availing the service of vendor and the responsibility of arranging hoarding lies with vendor. The advertisement is not occupying space. General provision of Sec 12(12) will apply | | |

Sec13: Place of supply of services where location of supplier or location of recipient is outside India

| Sec | Particular | Place of supply |
|--|--|---|
| 13(2) | <u>General provision:</u> | Location of recipient Location not available - location of the supplier |
| 13(3) | Performance based services (a) goods required to be made physically available (e.g repair service) (b) to an individual , which require the physical presence of the recipient or on his behalf,. | Location where the services are actually performed |
| <p>Provided that when such services are provided from a remote location by way of electronic means, the place of supply shall be the location where goods are situated.</p> <p>Exception : Not apply in case goods temporarily imported into India for repairs or for any other treatment or process and are exported after that without being put to any use in India, in that case, POS is as per General rules.</p> <p>Like : cutting and polishing of unpolished diamond are imported temporarily in India and not put to use.</p> | | |
| 13(4) | in relation to an immovable property , experts and estate agents, accommodation by a hotel, inn , rights to use immovable property, construction work, architects or interior decorators. | where the immovable property is located |



Place of Supply

| Sec | Particular | Place of supply |
|--------|---|---|
| 13(5) | Admission to, or organisation of a cultural, artistic, sporting, scientific, educational or entertainment event, or a celebration, conference, fair, exhibition or of services ancillary to such admission or organisation. | Place where the event is actually held |
| 13(6) | Where services in 13(3)/(4)/(5) is supplied at more than one location, including a location in taxable territory | Location in the taxable territory. |
| 13(7) | Where the services in 13(3)/(4)/(5) are supplied in more than one State or Union territory | In States or UT in proportion to the value for services |
| 13(8) | (a) services supplied by a bank, or a financial institution, or NBFC, to account holders (Account include NRE/ NRO but exclude current account) (b) intermediary services in relation to G/S/ securities (c) services consisting of hiring of means of transport, including yachts but excluding aircrafts and vessels, up to a period of one month. | Location of the supplier |
| | How to check intermediary service <ol style="list-style-type: none"> Minimum 3 parties Two distinct supplies . Main supply and ancillary service (agent), Intermediary services have the character of an agent and does not provide on its own the principal supplies. No sub-contracting (not an intermediary services). | |
| | Custodian service by bank to FPI for safeguarding their securities & other services or services to non-account holder or current account holder. | General section 13(2) |
| 13(10) | Passenger transportation services | From passenger embarks |
| | For good transportation | General provision sec 13(2) |



Place of Supply

| Sec | Particular | Place of supply |
|--|---|-------------------------------------|
| 13(11) | on board a conveyance | First scheduled point of departure. |
| 13(12) | Online information and database access or retrieval services (OIDAR) Ex - Netflix, AWS | location of the recipient |
| <p style="text-align: center;">OIDAR Services</p> <div style="display: flex; justify-content: space-around;"> <div style="text-align: center;"> <p>B2B</p> <p>↓</p> <p>Recipient will pay tax under RCM</p> </div> <div style="text-align: center;"> <p>B2C*</p> <p>↓</p> <p>Supplier has to take registration in India and pay GST In case of intermediary, such intermediary will pay tax</p> </div> </div> <p>person deemed to be located in India, if any two of the conditions are satisfied, namely:--</p> <ul style="list-style-type: none"> - the location of address of recipient - the credit card or debit card recipient settles payment - the billing address of the recipient; - the internet protocol address - the bank account - the country code of the subscribe (+91) - the location of the fixed land line. <p>Non-taxable online recipient means any unregistered person receiving online information and database access or retrieval services located in taxable territory*</p> <p>If supplier has no presence, appoint representative to pay tax.</p> | | |

➤ **Notified services [Section 13(13)]**

Research and development services related to pharmaceutical sector

Examples: discovery and development, Stability Studies, Safety Assessment/ Toxicology new chemical/ biological entities in animal models of disease, biological activity of novel

Supplied by : person located in taxable territory

To : person located in Non-taxable territory

POS = Location of recipient



Place of Supply

Condition :

1. **As per contract** b/w supplier and recipient
2. Fulfils **all conditions of export of services**, except the condition that place of supply is outside India.

B2B MRO services of aircrafts or aircraft engines/ components/ part

| Description of services | Place of supply |
|---|---------------------------|
| Maintenance, repair or overhaul service in respect of aircrafts, engines and other aircraft components supplied to a person for use in the course or furtherance of business. | Location of the recipient |

B2B MRO services of ships and other vessels, their engines and other component

| Description of services | Place of supply |
|---|---------------------------|
| Supply of MRO service in respect of ships and other vessels, their engines and other components or parts supplied to a person for use in the course or furtherance of business. | Location of the recipient |

➤ CLARIFICATIONS

1. Satellite launch service
By Antrix
To international customer = POS = Outside India (export)
Recipients located in India = **Exempt**
2. Cargo handling services
By ports to clients are ancillary to cargo handling and not related to immovable property.
POS = general rule 12(2)/ 13(2) apply
3. Software/Design services related to electronics semi-conductor and design manufacturing industry :
Development/ design = Principal supply
Testing done on sample = Ancillary service
POS = general rule 13(2) apply



Place of Supply

4. Advertisement services provided to foreign client.

Case 1 : Enter into two different agreement

There is **no agreement between the media co and foreign co** and **No invoice raised directly to the foreign co.** by media co. The advertisement co. is not acting as agent but has contract with foreign co. Hence, service provide by advertisement co. to foreign co. is not consider as intermediary services and **general provision of sec 13(2)** will apply. **Location of recipient i.e. out of India.** Consider **as export of services.** If fulfil all other condition of export.



Case 2 : Advertisement co. merely acting as an agent

In this case, Media co, **directly invoice to the foreign co.** and **agreement is between the media co. and foreign co.** Advertising co is merely act as an agent of advertisement co.

Hence service provided by advertisement co is consider as intermediary services and **POS is determined according to Sec 13(8)** i.e. **Location of supplier (Advt. co.)**



5. Data hosting services provided to its overseas cloud computing service provider:

Not consider as an intermediary service because no direct relation to end user of the Indian co. Hence **general provision will apply Sec 13(2)** i.e. **Location of recipient i.e. Out of India.** Consider **as export of services.** If fulfil all other condition of export.



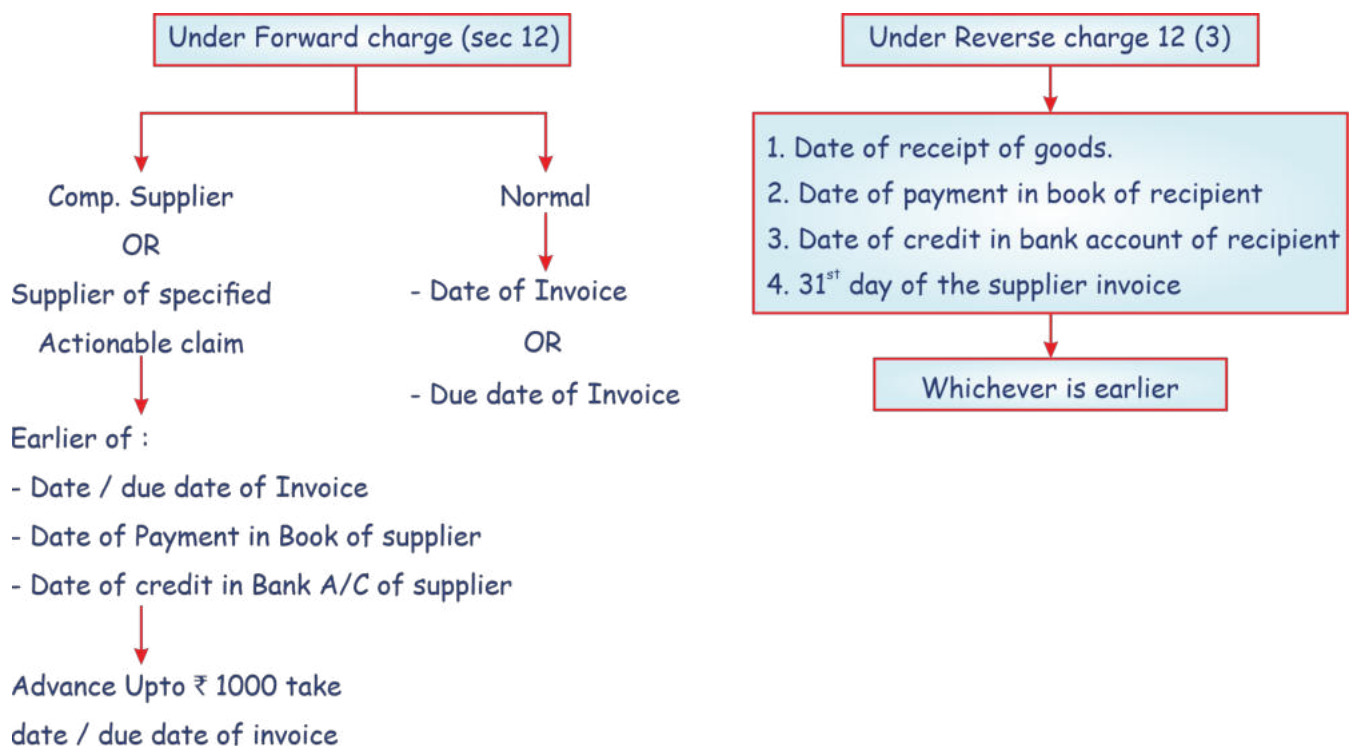
CHAPTER – 5

TIME OF SUPPLY

Sec 12(1): Time of supply fixes the point when liability to charge GST arise.

For ex : TOS = 25 Jan 2025.. means liability to be discharge for the Jan, 2025. Which is to be paid by due date of Jan 2025 i.e. 20 Feb 2025.

Time of Supply of Goods Under Forward Charge & Reverse Charge (Sec. 12)



If above event are Unascertainable, TOS = Date of entry of goods in the book of recipient

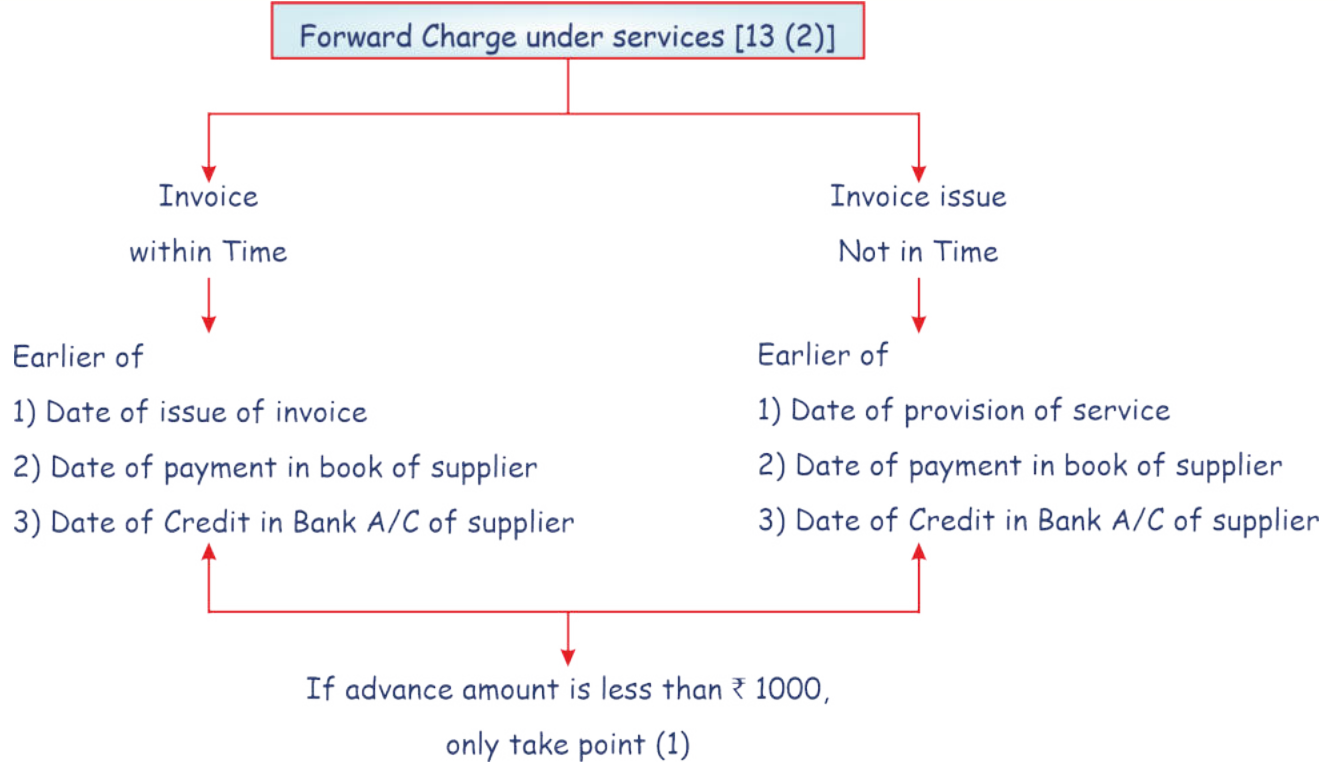
➤ **Sec 12(5): Residuary cases where 12(2)/(3)/(4) not applicable :**

- **Reg. person :** Due date of return
- **Unreg. Person :** Date of payment of taxes

Sec 12(6): interest, penalty. TOS = Date of which supplier receive. However, for VOS it is added with the original supplies.



Time of Supply of Services (Sec 13)



Under Reverse charge 13(3)

1. Date of payment n books of recipient
2. Date on which payment debit in the bank of recipient
3. 61'st day from supplier's invoice
4. Date of self invoice

Whichever is earlier

If the above events (in all 3 cases) is **UNASCERTAINABLE** .TOS = Date of receipt of services recorded in book.

➤ In case of **cessation of supply** of service before completion of supply, the invoice should be issued before at the time when supply cease to the **extent of supply made before such cessation.**



Time of Supply

- In case of RCM supplies from **unregistered persons**, the relevant FY for ITC under Section 16(4) shall be the year in which the recipient issues the self-invoice under Section 31(3)(f), not the year of supply. ITC can be claimed up to 30th November of the following year, subject to tax payment and other conditions

Import of service from associate enterprise: TOS will be earlier of :

- Date of payment, or
- Date of entry of the service in recipient's books of account.

Addition in value of above services interest, penalty. Then TOS = Date of which supplier receive such addition in value

CHANGE IN TAX IN RESPECT OF SUPPLY OF GOODS OR SERVICES (Sec 13)

- **Case (A)** In case of G/S/B have been supplied before change in tax rates

| Condition | TOS | Applicable rate |
|--|--|-----------------|
| Invoice is issue and payment also received after change to rate of tax | Earlier of: Date of receipt of payment Date of issue of invoice | New rate |
| Invoice is issue prior to change of rate of tax But payment received after change to rate of tax | Date of issue of invoice | Old rate |
| Where the payment is received before change in rate of tax but invoice is issued after change of rate of tax | Date of receipt of payment | Old rate |

- **Case (B)** In case of G/S/B have been supplied After change in tax rates

| Condition | TOS | Applicable rate |
|--|--|-----------------|
| Invoice is issue and payment also received before change to rate of tax | Earlier of: Date of receipt of payment Date of issue of invoice | Old rate |
| Invoice is issue prior to change of rate of tax But payment received after change to rate of tax | Date of receipt of payment | New rate |



Time of Supply

| Condition | TOS | Applicable rate |
|--|--------------------------|-----------------|
| Where the payment is received before change in rate of tax but invoice is issued after change of rate of tax | Date of issue of invoice | New rate |

Date of receipt of payment mean earlier of :

- Date of payment on which the payment is entered in the books of supplier
- The date on which the payment is **credited to his bank account**

However date of receipt of payment shall be date of credit in the bank account if such credit in the bank is after 4 working days from the date of change in tax rate.

➤ **Clarifications :**

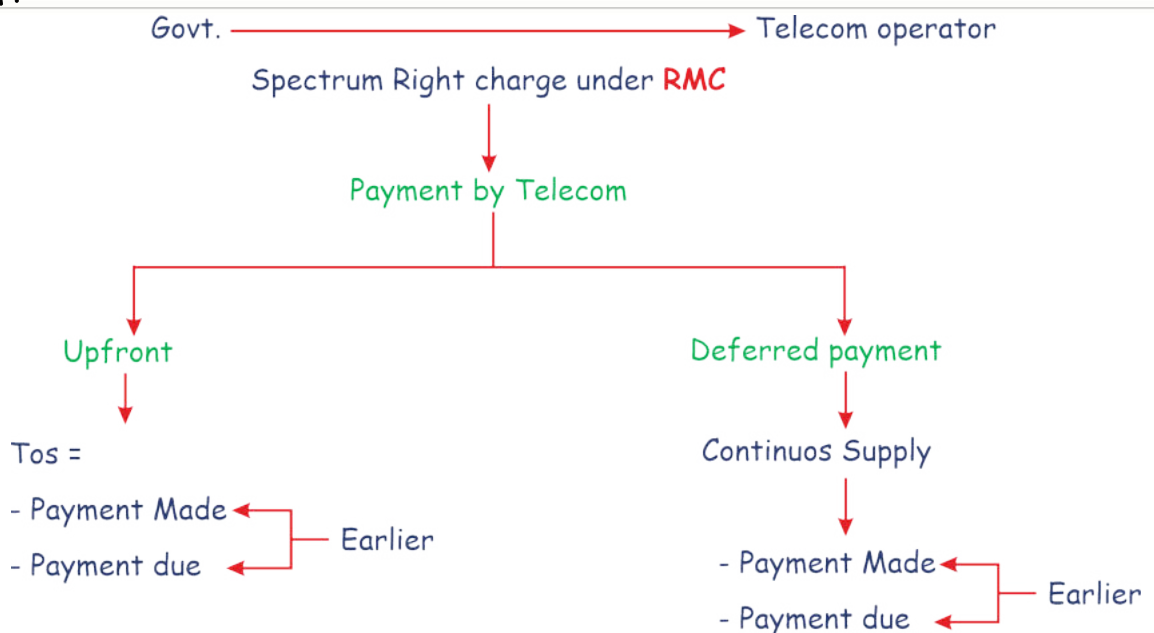
1. Time of Supply under HAM (Hybrid Annuity Model)

In HAM projects, the concessionaire must construct, operate, and maintain the highway under a single DBOT contract. The contract cannot be split into construction and O&M, even though payments are staggered over 15-17 years. Payments are linked to time-based milestones or event-based milestones.

Since services run over many years with periodic payments, HAM **qualifies as a continuous supply of services** under Section 2(33).

TOS will be determined according to sec 13(2)

2. Spectrum :



Same Rule apply to other natural resource



CHAPTER – 6

VALUE OF SUPPLY

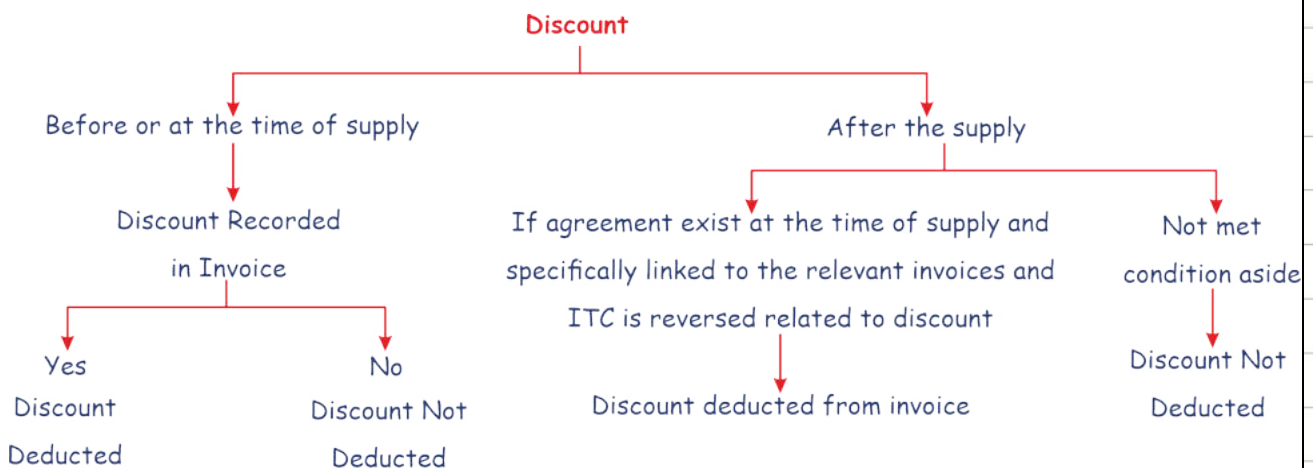
| | | | |
|---|---|---|---|
| 15(1) | <p>VOS = <u>transaction value</u> if all condition met:</p> <p>Price is <u>actually Paid / Payable</u></p> <p>Price is the <u>sole consideration</u></p> <p>Supplier and recipient are <u>unrelated</u></p> | | |
| Included in the value of supply: | | | |
| 15(2) | a) | Taxes: | <p>Any Taxes, Cess, duty, fee or charges under any law for the time being force include in VOS</p> <p>Except: GST, TCS under income tax.</p> <p>Example: <u>Central excise duty, municipal tax, Entertainment tax</u></p> |
| | b) | Supplier obligation to pay | <p>supplier is obliged to pay. But incurred by the recipient of supply and not included in the price paid/payable.</p> <p>Example:</p> <ul style="list-style-type: none"> • <u>Selling commission paid by the recipient (not buying commission), is the obligation of the supplier. Hence, include in VOS.</u> • <u>As per contract, Delivery of goods is obligation of supplier but paid by the recipient at the time of delivery of goods.</u> |
| | c) | Incidental expenses | <p>Any amount including commission and packaging charged by the supplier in respect of supply of G/S/B <u>at the time /before delivery/supply of G/S/B.</u></p> <p>Example: <u>packing, commission, Installation & testing, Inspection charge, Outward freight, transit insurance (FOR contract).</u></p> |
| | d) | Interest, late fee or Penalty for delay: | <p>Include in VOS.</p> <p>TOS: Even though interest is added in the value. GST is to be paid in the month in which amount actually received.</p> <p>Rate: original invoice</p> <p>However, interest on loan, adv or deposit is supply of service but exempt.</p> <p>Note:</p> <ol style="list-style-type: none"> 1. Interest it is assumed it is inclusive of GST 2. Late fee or penalty is assumed exclusive of GST. |



| | | | |
|--|----|---------|--|
| | E) | Subsidy | <p><u>Received by CG/SG:</u> Not added to value</p> <p><u>Received by Others:</u></p> <ul style="list-style-type: none"> • Directly linked to price: Added to value • Indirectly linked to price (lumpsum): Not added to value |
|--|----|---------|--|

Excluded from the value of supply:

| | | | |
|-------|-----|-----------|---|
| 15(3) | (a) | Discounts | <p><u>Discount given on or before supply;</u> any discount given Before or at the time of supply & also recorded in the invoice</p> |
| | (b) | Discount | <p><u>Post supply discount:</u> any discount given after supply if all <u>condition met:</u></p> <ul style="list-style-type: none"> • If agreement exist at the time of supply & • Specifically linked to the relevant invoices & • ITC is reversed related <u>to discount</u> |



| | |
|-------|--|
| 15(4) | Where the value of value of Goods/services/Both (G/S/B) cannot be determined under sec 15(1), the same shall be determined as may be prescribed (Rule 27 to 31) |
| 15(5) | <p>Value of Notified supplies: Notwithstanding anything contained in 15(1)/(4), the value of such supplies notified by govt. on the recommendation of council shall be determined in prescribed manner.</p> <p><u>Notified supplies</u></p> <ul style="list-style-type: none"> • Online money gaming • Online gaming other than online money gaming • Casinos |



Value of Supply Under Rule 27 – 31

- **Rule 27: Value of supply of goods or services where the consideration is not wholly in money**
 - (a) Open market value (OMV)
 - (b) If OMV is not available, Then consideration in money + FMV of consideration not in money
 - (c) If not determinable in (a) & (b), Then value of **like kind and quantity**.
 - (d) Last option, **applying Rule 30 or 31**

- **Rule 28: In case of Distinct or related person, other than an agent**
 - (a) Open market value (OMV)
 - (b) If OMV is not available, value of like kind and quantity.
 - (c) If not determinable in (a) & (b), determined applying Rule 30 or 31.

Proviso 1 : If further supply as such by the recipient at the option of supplier, value = 90% of the price charged for of like kind and quantity by the recipient to his unrelated customers.(only for goods)

Proviso 2 : where the recipient is eligible for 100% ITC, the value declared in the invoice deemed to be the open market value.

What is Open market value ?

Full value of money excluding taxes under GST laws, payable by a person to obtain such supply being value is made, provided such supply is between unrelated person and price is sole consideration;

What is Like kind and quantity ?

Any other supply made under similar circumstances, which is same or closely or substantially resembles in respect of characteristics, quality, quantity, etc. to the supply being valued

➤ Clarification :

1. Corporate guarantee {Rule 28(2)} :

The VOS of services by a supplier to a related recipient located in India, by providing **corporate guarantee to any banking company or financial institution** on behalf of the said recipient, shall be deemed to be -

- (i) 1% of the amount of **loan guaranteed** (~~Loan disbursed~~) * No of years, or
 - (ii) the actual consideration,
- whichever is higher.



However, where the recipient is eligible for full input tax credit, the value declared in the invoice shall be deemed to be the value of said supply of services.

Example : Guarantee given by Holding co./ subsidiary to Bank /FI on behalf of another subsidiary.

2. Personal guarantee by director of company to Bank/FI :

- Schedule 1 of CGST Act, supply of G/S/B between related persons in business Accordingly, personal guarantee by the Director to the banks/ FI for securing credit facilities for their companies is to be treated as a supply of service, even when made without consideration.
- Value of supply - Nil if no consideration is charged. In terms of Rule 28 of CGST Rules, the taxable value of such supply of service shall be the open market value.
- As per mandate provided by RBI: No consideration by way of commission, brokerage fees or any other form, can be paid to the director by the company, directly or indirectly, in lieu of providing personal guarantee to the bank for borrowing credit limits. Accordingly, the open market value is zero and therefore, taxable value is zero. Hence, No tax.
- Director no longer but guarantee continue: taxable value of such supply of service shall be the remuneration/ consideration provided to such a person, directly or indirectly.

| Issues | Clarifications |
|--|--|
| Inter group corporate guarantee | Domestic : GST under FCM Corporate guarantee by foreign entity : GST under RCM |
| Takeover of existing loan | GST only payable, taking over existing loan with a Fresh corporate guarantee. |
| Loan partly availed or not availed | The value of supply i.e. 1% is calculated on loan guaranteed and not on loan disbursed |
| Export of services | In case of export of services of providing corporate guarantee between related person. i.e. recipient of services is located outside India. above provision will not apply |
| Corporate guarantee for multiple years | If provided for no of years: Higher of <ul style="list-style-type: none"> ■ 1% of amount of loan guaranteed * no of years ■ Actual consideration If provided for less than 1 year: Higher of |



| Issues | Clarifications |
|---|--|
| | <ul style="list-style-type: none"> ■ 1% of amount of loan guaranteed * proportion of year (Say 0.5 year) ■ Actual consideration |
| Corporate guarantee by multiple related party | <p>Higher of:</p> <ul style="list-style-type: none"> ■ Actual consideration paid to co-guarantor ■ 1% of amount of total loan guaranteed ■ If actual consideration is higher, VOS will be said amount paid by each co-guarantor. ■ If 1% of total loan guaranteed is higher, GST shall be payable by each co-guarantor in proportion to 1% of amount guaranteed by them. |

➤ Rule 29: Value of supply of goods made or received through an Agent

- Open market value
- At the option of supplier : **90% of price charged of like kind and quality** by the recipient to his unrelated customer, for **intended for further supply**.

Example : Principal supplies bottles to his agent and agent is supplying bottled of like kind and quantity in subsequent supplies at ₹10,000 per container. Another independent supplier supplying bottles of. Like kind and quality to the said agent at ₹9,500. The value of the supply shall be lower of :

₹9,500

90% of * 10,000 i.e. * 9,000.

i.e. ₹9,500 per container

- Commission agent is not covered here. Hence, only consignment agent cover.
- This provision **does not cover agent on principal-to-principal basis**, means who purchase the goods from principal and store them and then further sell to customer.

➤ Rule 30/31: Where value of supply is not determinable as per Rule 27 to 29

Where the value of a supply is not determinable as per the above provision, the same shall be determined by the application of Rule 30 or Rule 31 in that order. Thus, the following values have to be considered sequentially to determine the taxable value:

- cost of supply plus 10% mark-up
- Best Judgment Method



➤ **Rule 31A : Value of supply in case of lottery, betting, gambling, and horse racing**

| | |
|--|---|
| Supply of lottery by organizing state: (Organizing state means the state government which conduct the lottery either in its own territory or sell tickets in the territory of another state.) | Higher of: 100/128 of the face value of ticket 100/128 of the priced notified in official gazette by organizing state. |
| Supply of actionable claim in form of chance to win in betting, gambling or horse racing in a race club. | 100% of the face value of the bet or amount paid into the totalizator. |

➤ **Rule 31B : Value of supply in case of online gaming including online money gaming**

total amount paid, payable, or deposited with the supplier (including money's worth or virtual digital assets) by or on behalf of the player.

No refund or returned amount—of any kind—can be deducted from this value, even if the player never used that amount.

➤ **Rule 31C: Value of supply of actionable claims in case Casinos**

The value of supply of actionable claims in a casino = the total amount paid/payable by the player (or on his behalf) for:

- (a) Buying tokens, chips, coins or tickets for use in the casino;
- (b) Participating in any game, scheme, competition or event where such tokens/ chips/ coins/ tickets are not required.
 - Any amount the casino returns to the player (like refund of tokens, chips, coins, tickets, etc.) cannot be reduced from the value of supply of actionable claims.
 - Also, any amount won by the player and reused for further play (without withdrawing) will not be treated as money paid or deposited by the player to the casino.

➤ **Rule 32 : Determination of value in respect of certain supplies**

MONEY CHANGING : you can follow any method, from which value of value is lower

Method 1 [Rule 32(2)(a)] :

Case 1 : Transaction where one of the currencies exchanged is Indian rupees

The value of supply = At the time of exchange (Buying /Selling rate - RBI reference*) * total units of foreign currency



*If RBI reference rate is not available then VOS = 1% of the gross amount of Indian Rupees provided / received by the person.

Case 2: Transaction where neither of the currencies exchanged is Indian rupees

The value of supply = 1% of the lesser of the two currencies by converting at RBI reference rate in Indian Rupees.

Method 2[Rule 32(2)(b)] :

| Currency exchanged | Value of supply |
|-----------------------------------|---|
| Upto ₹1 lakh | 1% of the gross amount of currency exchanged OR ₹250, w.e. is higher. |
| Exceeding ₹1 lakh & Upto ₹10 lakh | ₹1,000 + 0.50% of the (gross amount of currency exchanged - ₹1 lakh) |
| Exceeding ₹10 lakh | ₹5,500 + 0.1% of the (gross amount of currency exchanged - ₹10 lakh) OR ₹60,000, w.e. is lower. |

2. Air travel Agent

Domestic booking : 5% of basic fare

International booking : 10% of basic fare

Note : Basic fare means that part of the air fare on which commission is normally paid to the air travel agent by the airlines.

3. Life Insurance Business

| Policy with dual benefits of risk coverage & Investment | |
|--|---|
| Allocation is intimated to the policyholder | Taxable value = Gross premium (-) amount allocated for investment |
| Single premium annuity policy | |
| allocation for investments is not intimated to the policy holder | Taxable value = 10% of annuity policy |
| Other cases | Taxable value = 25% of premium charged in the 1st year 12.5% of premium charged for subsequent years. |
| Policy with only risk cover: Taxable value = Entire premium charged from the policy holder | |



4. MARGIN SCHEME

Dealers of second-hand/used goods sold as such or after such minor processing which does not change the nature of the goods & where no input tax credit has been availed on the purchase of such goods,

Value of supply = Selling Price - Purchase Price.

If this difference is negative, it is ignored.

For goods repossessed from an unregistered defaulting borrower to recover a loan, the deemed purchase price is the borrower's original purchase price reduced by 5% for every quarter (or part) from the date of purchase till the date of repossession/sale.

5. Vouchers : the money value of the G/S/B redeemable against them.

➤ **Rule 33 : Value of supply of services in case of pure agent**

Expenses that a supplier incurs as a pure agent on behalf of the recipient are not included in the value of supply, provided all prescribed conditions are fully met.

- The **supplier acts as a pure agent** of the recipient while makes the payment to 3RD party.
- Amount **separately indicated in the invoice.**
- The supplies procured by the pure agent **from the third party** as a pure agent are **in addition to the services he supplies on his own account.**

Explanation :

"pure agent" means -

- **contractual agreement** to act as his pure agent to **incur expenditure** in the course of supply of G/S/B; neither holds any title to the G/S/B so procured/supplied as pure agent.
- does **not use for his own interest** such G/S so procured; and
- **receives only the actual amount incurred** to procure such G/S in addition to the amount received for supply he provides on his own account.

➤ **Rule 34 : Rate of Exchange to be used**

Taxable Goods Rate notified by CBIC on Date of Time of Supply.

Taxable Services Rate as per GAAP on Date of Time of Supply

➤ **Rule 35 : Value of Supply inclusive of taxes**

Where the value of supply is inclusive of IGST, CGST, SGST/UTGST, the tax amount shall be determined in the following manner, namely,-

Tax amount = (Value inclusive of GST) × (Rate of GST) + (100 + Rate of GST)



➤ Circular

Post Supply Discount Treatment [Circular 12 September 2025]

Dealers and manufacturers often give post-sale or secondary discounts after the original sale. The confusion was whether such discounts reduce tax liability, affect input tax credit (ITC), or are treated as separate consideration for services. This circular clarifies the GST treatment for such cases to ensure uniform practice across the country.

Issue 1 - Supplier issues financial or commercial credit note

When the supplier issues a financial or commercial credit note (not a GST credit note), he cannot reduce his original tax liability because it is not linked to any actual reduction in transaction value under Section 15. Since the supplier's tax remains unchanged, the recipient's ITC also remains unaffected.

Example 1:

Company A sells goods to Dealer B for ₹1,00,000 plus ₹18,000 GST. Later, A grants a ₹10,000 financial credit note as a year-end incentive. A cannot reduce his output tax liability because the transaction value has not changed under GST law. valid. B continues to claim the full ITC of ₹18,000 because the GST shown on the original invoice remains

Issue 2 - Post-sale discount linked to price offered to end customer

If a manufacturer instructs its dealer to sell goods to the end customer at a reduced price and later reimburses that discount, it becomes a part of the dealer's sale consideration. The discount is effectively a price subsidy funded by the manufacturer and hence taxable as part of the dealer's supply.

Example 2:

Manufacturer M sells goods to Dealer D for ₹10,000 plus GST. M asks D to sell to the customer at ₹9,000 and agrees to pay D ₹1,000 as compensation. The total consideration for D's sale to the customer becomes ₹10,000. GST is payable on the full ₹10,000.

Issue 3 - Post-sale discount involving promotional activities

If a manufacturer provides post-sale discounts simply to encourage higher sales and the dealer's promotional efforts are incidental, it is not treated as a separate supply of service. However, if the dealer undertakes specific promotional or advertising work for the manufacturer under an agreement, it becomes a separate taxable supply of service for which GST must be charged.



Example 3:

Case A: Manufacturer M offers a discount to Dealer D for achieving a sales target. D displays M's products in his shop and uses his own resources for general promotion. The discount is a trade incentive and not a separate service, so no additional GST applies.

Case B: M enters into an agreement with D under which D conducts an advertising campaign for M's products and M pays ₹50,000 for this activity. Here, D is providing a defined marketing service to M. GST applies on ₹50,000 as a taxable service rendered by D to M.

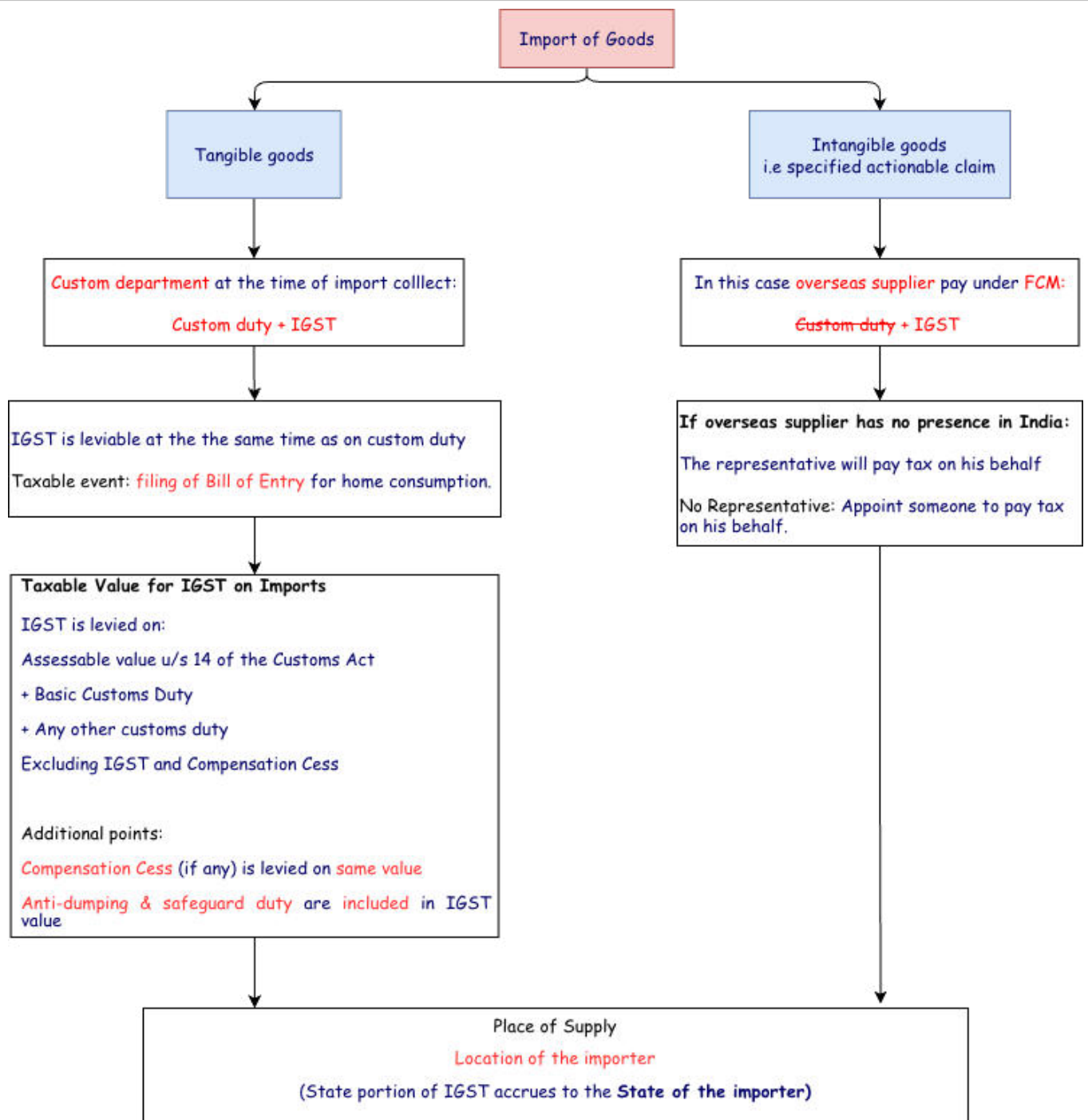


CHAPTER – 7

IMPORT AND EXPORT UNDER GST

Import of Goods

Import of goods means bringing goods into India from a place outside India. Supply of goods imported into India till they cross the customs frontiers is deemed to be an inter-State supply and is liable to IGST in addition to customs duties.



► Special Points

1. Warehoused Goods (Bonded Warehouse)

Supply of warehoused goods before clearance for home consumption:



- Treated as **No supply (Schedule III)**
- Part of **Exempt T/o** only for ITC reversal.

Value for IGST on Warehoused Goods

IGST value = Higher of:

- Transaction value (last sale), or
- Value at into-bond BOE + BCD + other customs duties (excluding IGST & cess)

If sold multiple times → last transaction value considered.

2. High Sea Sales

High sea sale (sale before filing bill of entry):

- Treated as **No Supply (Schedule III)**
- Not included in exempt turnover for ITC reversal

3. Third Country Shipments (Triangular Trade)

Where goods move from one non-taxable territory to another without entering India:

- Treated as **No Supply (Schedule III)**
- **Not included in exempt turnover** for ITC reversal

4. Imports by Special Entities

SEZ

Goods imported by SEZ unit/developer for authorized operations : **Exempt from IGST**

EOU

- EOUs eligible for **duty-free imports**
- **IGST exemption** subject to **conditions**

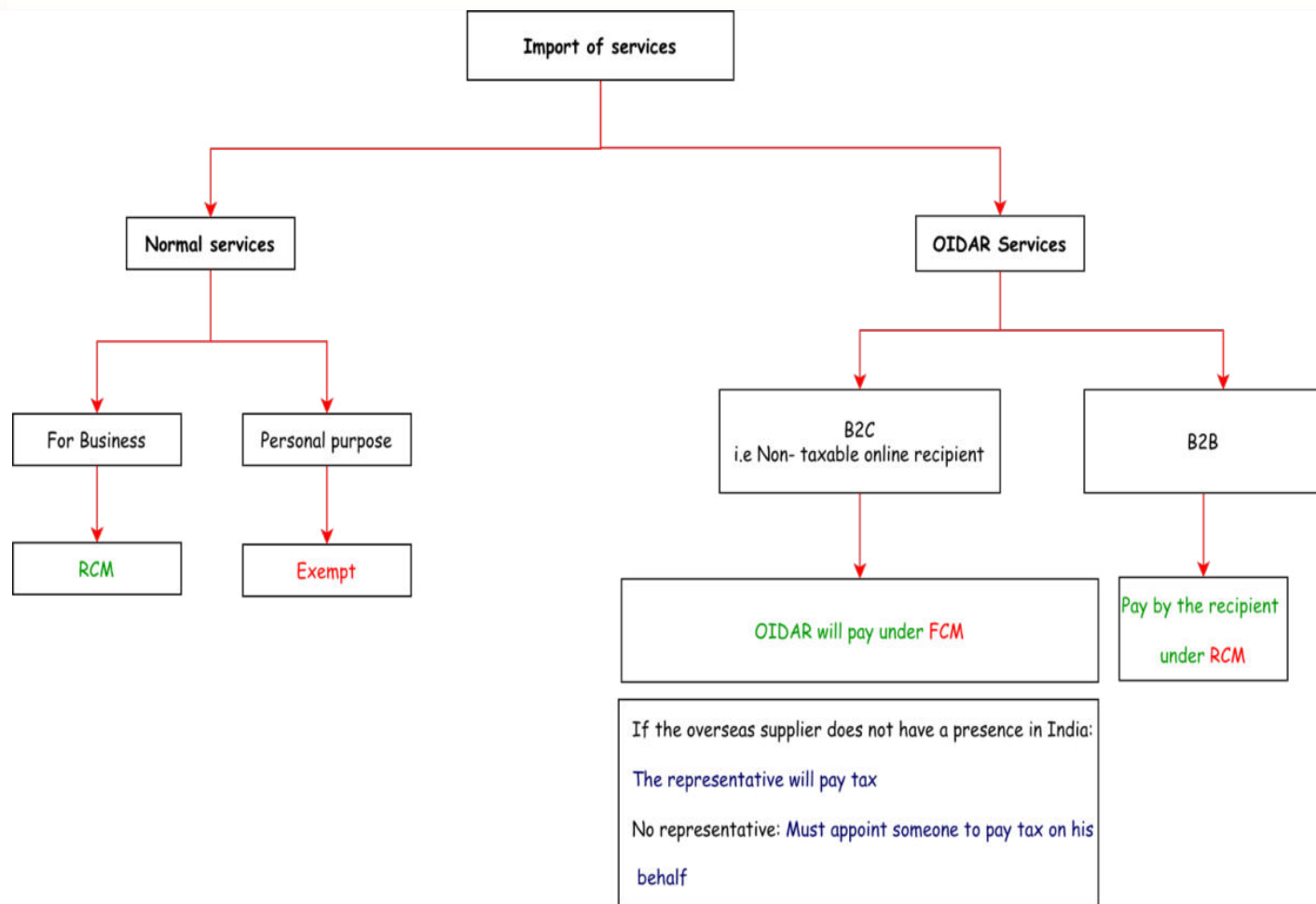
Import of Services

A service qualifies as import of service only if **all three conditions** are satisfied :

- **Supplier** is located **outside India**
- **Recipient** is located **in India**
- Place of supply is **in India** (As per sec 13)



If any one condition fails → Not an import of service.



► What qualifies as OIDAR Services ?

OIDAR services are those :

- Delivered over internet
- Automated and impossible without IT

Examples :

- Website hosting, cloud storage
- Download of software, music, films, games
- Online databases, e-books, e-newspapers
- Online gaming, streaming services
- Digital advertising and search engines



| Service | Whether condition 'A' is fulfilled? | Whether condition 'B' is fulfilled? | Whether it is OIDAR service or not? |
|---|-------------------------------------|-------------------------------------|-------------------------------------|
| PDF document automatically emailed by provider's system | YES | YES | YES |
| PDF document automatically downloaded from site | YES | YES | YES |
| Stock photographs available for automatic download | YES | YES | YES |
| Online course consisting of pre-recorded videos and downloadable PDFs | YES | YES | YES |

Export

Zero-Rated Supply

- Output tax : No tax
- Input tax on purchase : Refund

Under GST, only two categories are zero-rated :

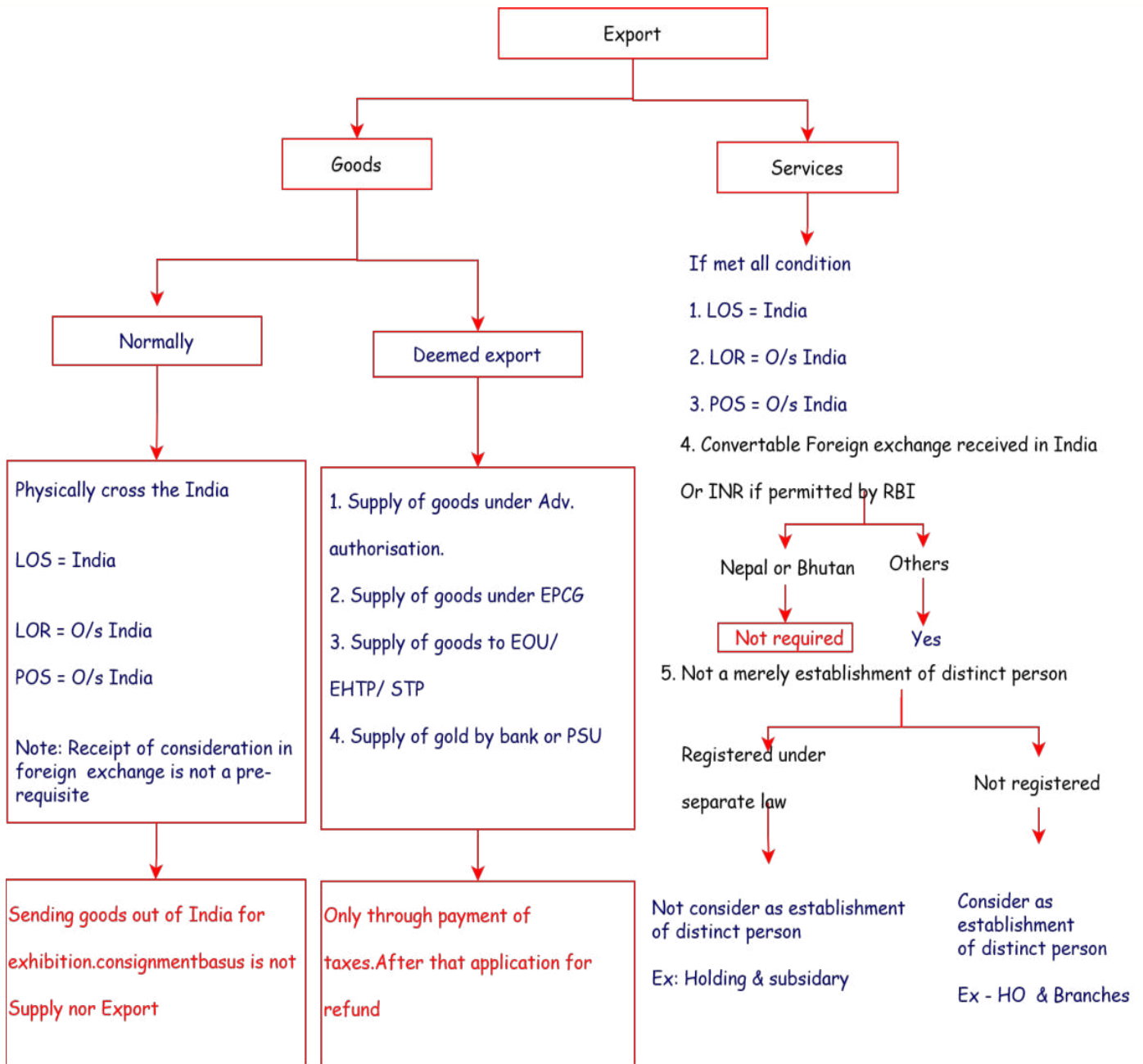
1. Export of goods and/or services
2. Supply of goods and/or services to SEZ unit/developer for authorized operations.

► Rationale of Zero Rating

Exempt supplies remove tax only on output, but block ITC, making input tax a cost. Zero-rating removes tax from the entire value chain, ensuring exports remain tax-free and competitive.

Export of exempt supplies → treated as zero-rated.





Note :

1. Even consideration received on Rupee vostro account consider as received on foreign exchange.
2. LUT/Bond shall be accepted by the jurisdictional Deputy/Assistant Commissioner having jurisdiction over the principal place of business of the exporter.

Sub-contracting of Services (Circular 78/52/2018-GST)

When an Indian exporter of services outsources part of the contract to a foreign service provider, two supplies occur:

- **Export of services** by the Indian exporter to the foreign client for the **full contract value**



- **Import of services** by the Indian exporter from the foreign sub-contractor for the **outsourced portion**

The **entire** contract value continues to qualify as **export of services**, even if part of the consideration is paid directly by the foreign client to the overseas sub-contractor, provided:

- IGST is paid under reverse charge on the imported service portion, and
- RBI permits retention of such consideration outside India

IGST paid under reverse charge on the imported services is eligible for ITC.

Example : ABC Ltd. (India) receives a service contract of USD 5,00,000 from a US client and outsources USD 2,00,000 worth of work to XYZ Ltd. (Mexico). The US client pays USD 3,00,000 to ABC Ltd. and USD 2,00,000 directly to XYZ Ltd.

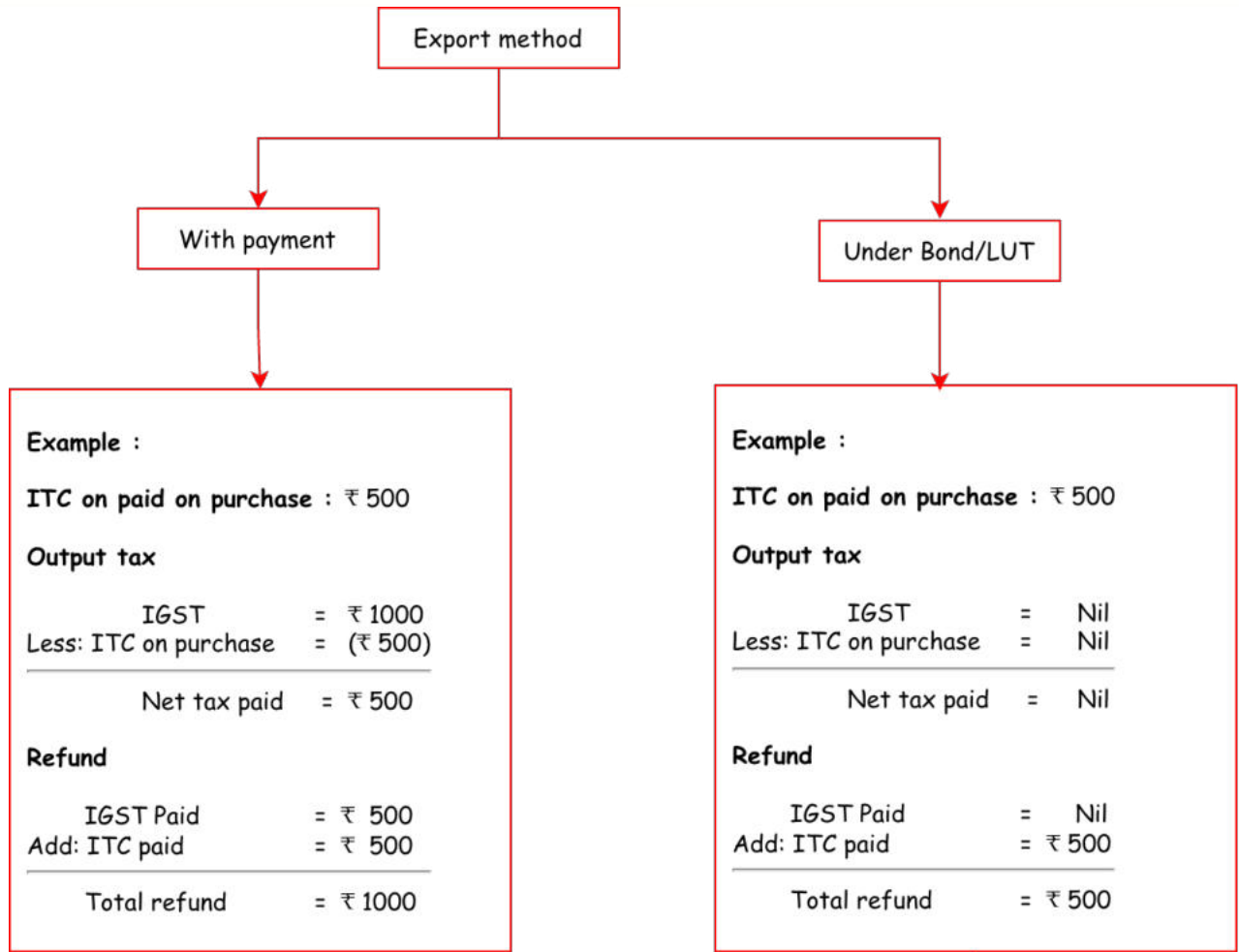
Export of services: ABC Ltd. → US client → USD 5,00,000 (full value)

Import of services: ABC Ltd. ← XYZ Ltd. → USD 2,00,000

IGST payable under RCM by ABC Ltd. on USD 2,00,000, ITC available of such IGST

Export status not denied as IGST is paid under RCM and RBI permits retention outside India





Procedure of LUT/Bond

Execute bond before export within 15 days.

LUT is valid for full FY. No physical documents required

Fail to export: Pay Tax + Interest 18%

Goods: On expiry of 3 month from the invoice date.

Services: On expiry of 1 year from the invoice date if payment not received in forex.

LUT Not allowed if

Prosecution > ₹ 2.5 cr. however bond can be furnished with minimum guarantee of 15% of Bond

➤ **Merchant Exports**

Merchant exporter means a person who is just doing trading ~~manufacturing of goods outside india.~~



Any supplies to made to merchant exporter is charged at **concessional GST @ 0.1%** allowed subject to conditions.

- Export only under LUT/Bond
- Exporter eligible for ITC of concessional tax
- Supplier eligible for refund of inverted duty structure

➤ Supplies to SEZ Unit / Developer

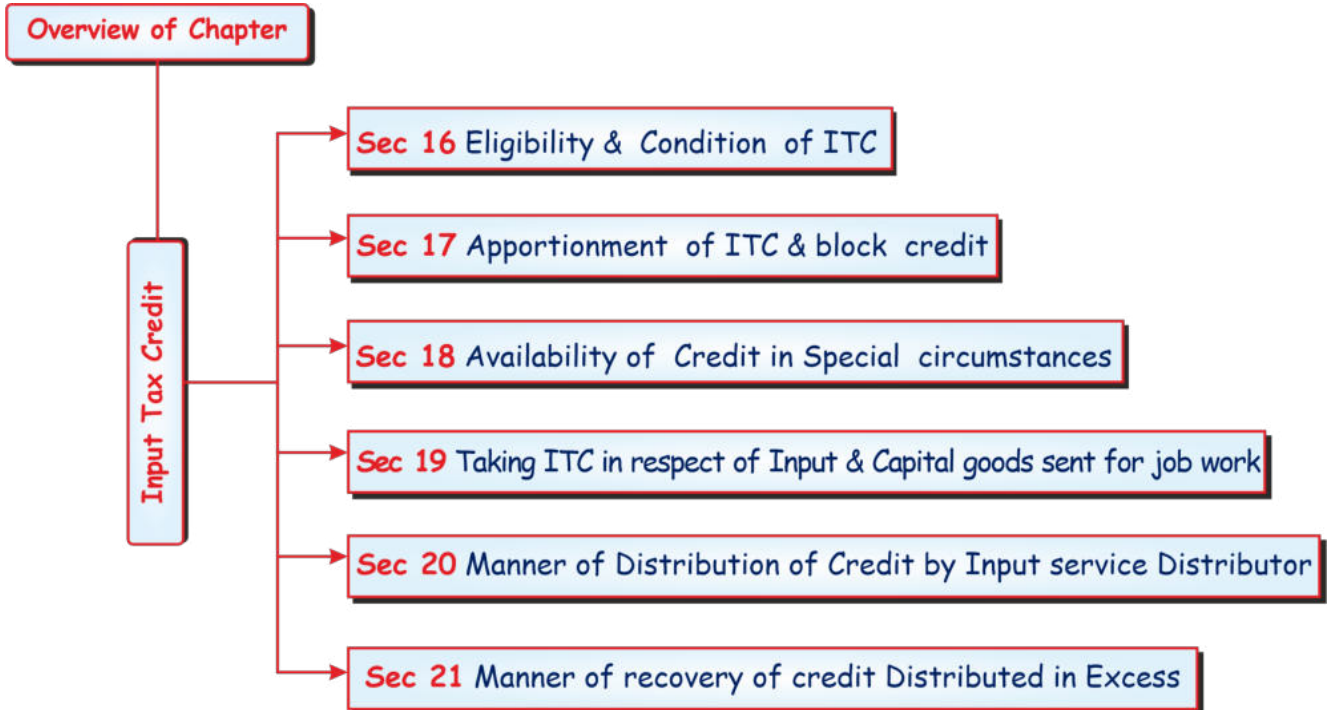
- Treated as inter-**State supply**
- **Zero-rated only if for authorized operations**
- Endorsement by SEZ specified officer mandatory

Note : Even services like accommodation or conferencing provided to SEZ are **treated as inter-State supplies**, Even POS & LOS is in same state/UT.



CHAPTER – 8

INPUT TAX CREDIT



Sec 16 : Eligibility of ITC

16(1) Only **registered person** (other than composite scheme) can take ITC on **Goods/ services/ both** used or intended to be **used in Business in** Electronic credit ledger

16(2) ITC can be availed if all condition satisfied :

- 1) He is in Possession of Tax paying document.
- 2) Details of Invoice/debit note furnished by the supplier (GSTR1 or IFF in case of QRMP)
- 3) He has received the goods/services
- 4) ITC w.r.t supply can be availed only if such credit has not been restricted u/s 38
- 5) Tax has been paid to the Govt.
- 6) Return filed by recipient (GSTR -3B)

Goods received in lots : ITC available only on receipt of last lot

Bill to ship to : deemed delivered to the third person. ITC is allowed

Example : 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 (which are not amended in GSTR-1A) 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.

Tax paying document :

- | | | |
|-------------------|---|----------------|
| (a) Tax Invoice | (b) Self- Invoice (RCM) | (c) Debit note |
| (d) Bill of entry | (e) revised Invoice; ISD invoice OR credit note | |

16(3) ITC on GST component of capital goods

If **depreciation ha claimed on GST component** under income tax, then **ITC is not allowed**

16(4) Time limit of ITC : Earlier of

- 30th November of succeeding FY
- Actual date of filling annual return

Clarification in respect of RCM supplies received from unregistered person (URP)

In cases of supplies received from unregistered suppliers, where tax has to be paid by the recipient under RCM and where invoice is to be issued by the recipient only (self-invoicing), **the relevant FY for calculation of time limit for Availment of ITC u/s 16(4) will be the FY in which the invoice has been issued by the recipient.**

In case, if recipient **issues invoice after the time of supply** of said supply & pays tax accordingly, pay interest & penalty. But still he can avail ITC.

Example : A debit note dated 07.07.2024 is issued in respect of the original invoice dated 16.03.2024. As the invoice pertains to F.Y. 2023- 24, the relevant financial year for availment of ITC in respect of the said invoice in terms of section 16(4) shall be FY 2023-24. However, as the debit note has been issued in FY 2024-25, the relevant financial year for availment of ITC in respect of the said debit note shall be FY 2024-25 in terms of section 16(4).

16(6) Time limit for taking ITC in case of revoked registration cancellation

In case where registration of a taxpayer is cancelled & then it is revoked, return for the period from date of cancellation till the date of revocation of cancellation cannot be filed on the portal by the taxpayers till their cancellation of registration is revoked.

In such cases, ITC can be taken: Later of

- Timit limit as per 16(4)
- within 30 days of revocation of cancellation of registration,



- Subject to the condition that the time limit **had not already expired** on the date of cancellation of registration under sec 16(4).

Rule 37: Reversal of IT in case of Non-Payment of Consideration by Receiver

If Receiver of goods / services **fails to make the payment within 180 days** from date of invoice to the supplier, then credit availed by such receiver has to be **reversed after 180 days** proportionately to the amount not paid to the supplier along with **interest @ 18%** (on the basis of ITC utilization), while furnishing GSTR-3B of the tax period immediately following the period of 180 days.

Interest to be charged : From the date of utilization of ITC till reversal of ITC.

However, if receiver make the payment after 180 days, then he is entitled to re-avail the ITC but no credit of interest paid will be allowed.

Time limit of sec 16(4) shall not apply on re-availing of credit here.

Exception of 180 days rule :

- RCM Supplies
- Deemed Supplies under Schedule I
- Third party payment on account of supplier's lists met by recipient.

Rule 37A - Reversal of ITC in case of non-payment of tax by Supplier

Receiver can still avail ITC on the basis of GSTR-1, if details are not **furnished by supplier**. but supplier need to updated in GSTR-3B till 30th September following the end of such FY.

- If not, then receiver **needs to reverse the ITC availed** on or before 30th November.
- If receiver fails to do so, then such amount shall be payable along with **interest @ 18% p.a.**
- If the supplier **subsequently furnishes** the return in GSTR-3B, then such registered person can **re-avail** the amount of such credit.

Clarification regarding Mold & dies provided free of cost by OEM to component manufacturer (CM).

General practice : CM (supplier) manufacture the moulds/dies, for producing final components. He has an in-house design team for development of customised moulds/dies. Notably, **the**



ownership of such moulds/dies are transferred to the OEMs, while the possession remains with the component manufacturer.

Case 1 : OEM then free of cost available the mould/dies to component manufacturer for use. since it is related to business of manufacturing final component to OEM. It is **not treated as supply** because no consideration (except related person).

ITC reversal : there is **no requirement for reversal** of input tax credit availed on such moulds/dies by the OEM. (In business, temporary physical possession)

Value of supply : while calculating the VOS made by the component manufacturer, the value of moulds/dies provided by the OEM to the component manufacturer on FOC basis shall **not be added to the value of such supply** because as per **section 15(2)(b)** there is no obligation of component manufacturer i.e. supplier.

Case 2 : If the contract between OEM and component manufacturer was for supply of components made by using the **moulds/dies belonging to the component manufacturer** (i.e. Responsibility is of component manufacturer), but the same have been supplied by the OEM to the component manufacturer on FOC basis.

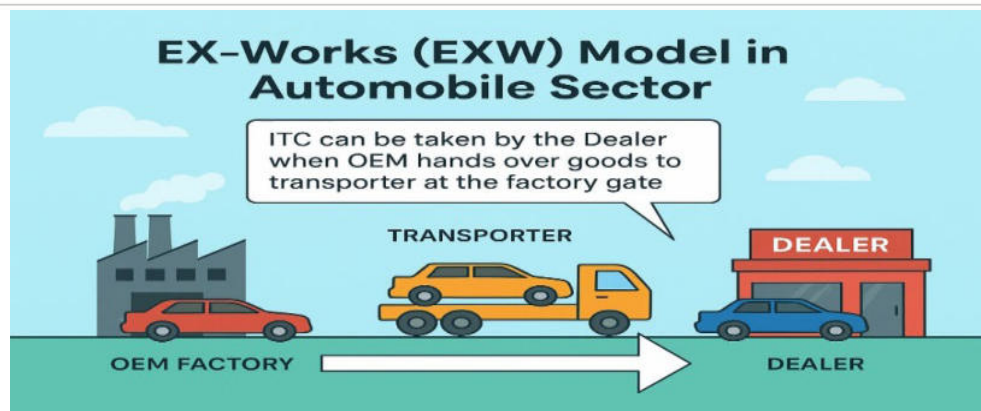
Value of supply : the **amortised cost of such moulds/dies shall be added** to the value of the components. Because in this case, it is supplier obligation (i.e. component manufacturer) to arrange mould/dies but paid by OEM.

ITC reversal : 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.

Clarification on availability of ITC in respect of goods delivered under ex-works contract

In automobile sector, the contract between the automobile dealers and the Original Equipment Manufacturers (OEMs) is generally an Ex-Works (EXW) contract, and as per the terms of the contract, the property in goods (i.e. vehicles) passes to the dealer at the factory gate of the OEM, when the goods are handed over to the transporter at the instance of the dealer, and the delivery on the part of the OEM is complete at his factory gate.





In this case, the said goods have been passed on to the dealer by the OEM by transporter at his factory gate, meaning goods can be considered to have been delivered to the registered person (the dealer), through the transporter, by the supplier (the OEM) at his factory gate, even though the goods may be physically received by the registered person (the dealer) after the transit period.

The same principle is applicable in respect of supply of other goods also where the contract between the supplier and recipient is an EXW (Ex Works) contract (means deliver at the supplier business premises)

Further, if at any time after "receiving" the goods, such goods are lost, stolen, destroyed, written off or disposed of by way of gift or free samples, the registered person would not be entitled to the ITC in respect of such goods

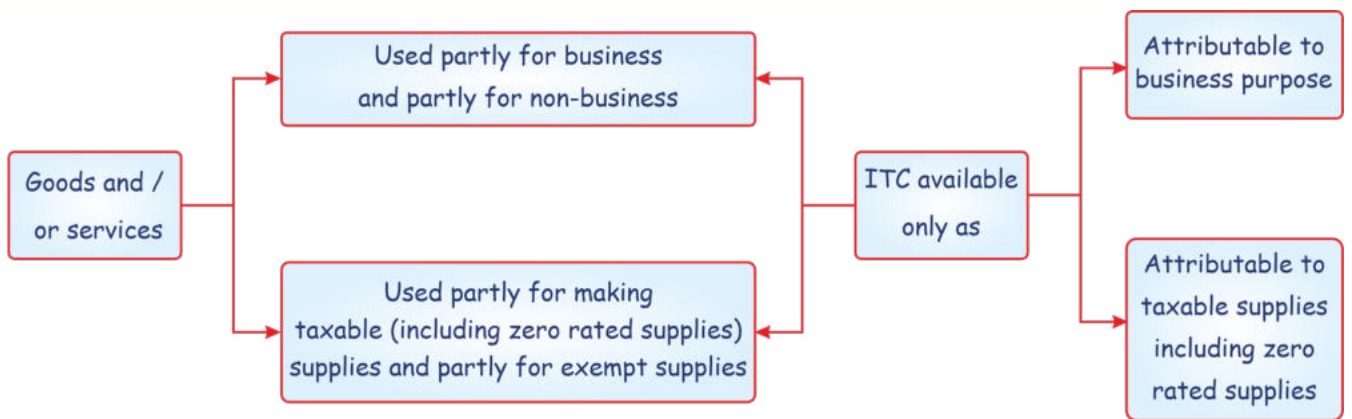
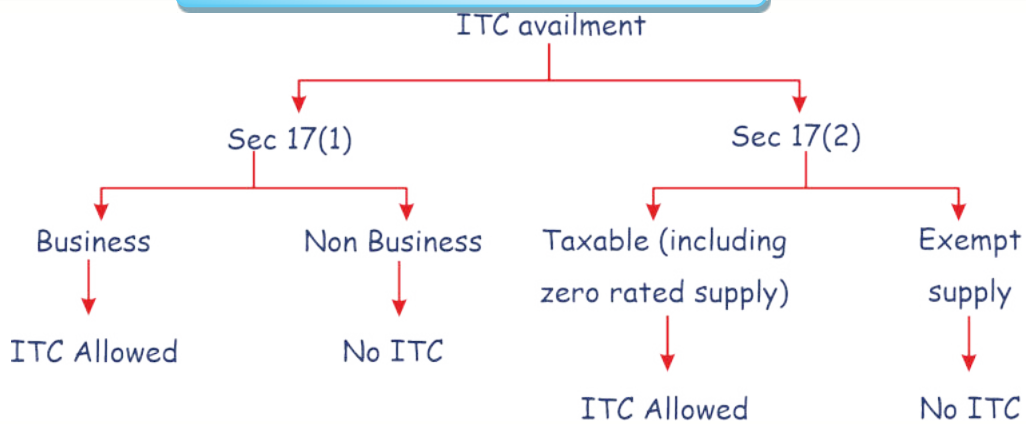
Details of ITC in respect of the said supply communicated to the registered person under section 38 not restricted [Section 16(2)(ba)]

ITC will not be available in respect of inward supplies if furnished by a registered supplier:

- New registrant.
- Defaulted in payment of tax.
- Output tax payable is GSTR-1 > GSTR-3B.
- Availed ITC more than GSTR-2B.
- Discharged more tax liability from E-credit ledger than prescribed under rule 86B.
- Other specified classes of persons.



Section 17 : Apportionment of ITC



- **Input :** Any **goods other than capital goods** used or intended to be used in course / furtherance of **business**
- **Input services :** Any **services** used or intended to be used in course / furtherance of **business**
- **Capital goods :** Goods, value of which is **capitalised in the books of accounts** used or intended to be used in course / furtherance of **business**.
- **Input tax :** Input tax in relation to RP charged on any supply of G/S/B made to him and **Includes** : IGST charged on import of goods or RCM tax paid
Does not include : Tax paid under composition levy
- **Input tax credit :** Credit on input tax.

Rule 42 : Apportionment of ITC in Case of Inputs and Input Services (I + IS)

Common credit always calculate on monthly basis

| Particular | | Amount |
|---|---|--------|
| Total Input tax on Input and Input services | A | xxx |
| Less: Used for Non - Business | B | (xx) |
| Less: Used exclusively for exempt supply | C | (xx) |



Input tax credit

| Particular | | Amount |
|--|---|--------|
| Less: Block credit u/s 17(5) | D | (xx) |
| E-credit ledger | E | xxx |
| Less: Credit attributable to I + IS used exclusively in taxable supplies including ZRS | F | (xx) |
| Common credit | G | xxx |
| Less: Common credit attributable to exempt supply Exempt T/o Total T/o * common credit | I | (xx) |
| Less: Credit attributable to non-business purpose [5% * common credit] | J | (xx) |
| Common credit in respect of Business & Taxable supply (including zero rate supply) | K | xxx |

Exempt Turnover :

| Particular | Amount |
|---|------------|
| Exempt supplies (as per exemption chapter) | xxx |
| + Nil rated supplies | xx |
| + Non-taxable supplies & taxes on them (like petroleum product or alcoholic liquor etc) | xx |
| + RCM supplies(Inward , only outward supplies) | xx |
| + transactions in securities [1% of the sale value] | xx |
| + sale of land & building entire consideration received post completion certificate. [SDV] | xx |
| + supply of warehoused goods before clearance for home consumption (include duty free shop) | xx |
| + Services of accepting deposits, extending loans/advances if provided by Bank/NBFC/FI | |
| Total | XXX |

Excludes :

Services of accepting deposits, extending loans/advances other than Bank/NBFC/FI

Schedule III (except entries covered above)

Value of Duty Credit Scrips

Exempt turnover excludes central excise duty, state excise duty, central sales tax and VAT

Total Turnover :



| Particular | Amount |
|--|------------|
| Exempt Turnover (calculated above) | xxx |
| + Taxable outward supply | xx |
| + Advance received for Goods/services/both | xx |
| + Zero rate outward supply (Including export under LUT) | xx |
| + Services of accepting deposits, extending loans/advances other than Bank/NBFC/FI | xx |
| + Value of Duty Credit Scrips | xx |
| + Int. on delay of payment part of VOS (Taxable) | xx |
| Total | XXX |

Excludes :

Schedule III (except entries covered above)

central excise duty, state excise duty, central sales tax and VAT.

Note : If turnover of current month is not available of total or exempt supply, used the whole data of previous month.

Clarification : Insurance premium that combine investment and insurance components. Only 10% is considered under Value of supply. Hence remaining 90% is neither exempt, taxable, nil rate or anything, So ignore that 90%.

Total ITC eligible

| Particular | Amount |
|--|------------|
| Credit attributable to I + IS used exclusively in taxable supplies including ZRS (F) | xx |
| Common credit in respect of Business & Taxable supply (including zero rate supply) (K) | xx |
| Total | XXX |

Rule 43 : Apportionment of ITC in Case of Inputs and Input Services (I + IS)

| Particular | Amount |
|---|--------|
| Input on Capital goods used exclusively for Non-business purpose | Nil |
| Input on Capital goods used exclusively for Exempt supply | Nil |
| Input on Capital goods used exclusively for Taxable supply or ZRS | xxx |
| Input on Capital goods used for taxable as well as exempt during the month only | xxx |



| Particular | Amount |
|---|--------|
| ITC credited in E-credit ledger for the Month | xxx |
| Computation of common credit for the particular Month only $T_m = \frac{\text{Total common credit till yet on capital goods (Tc)}}{60 \text{ months}}$ | |
| Amount on common credit belong to exempt supply which is added to output tax liability $\frac{\text{Exempt Turnover}^*}{\text{Total turnover}} T_m$ | xxx |

Change in Usage of Capital Goods

- Capital goods earlier used for **exempt** supply → Now for **taxable** supply

Amount of ITC can be taken now = $\frac{\text{Tax paid at the time of purchase}}{5^* \text{ per quarter or part therer of}}$

Note : No ITC on invoice older than 1 year

- Capital goods earlier used for **exempt** supply → Now for **taxable and exempt** supply
 - Take full ITC on input tax paid at the time of purchase
 - Reversal of input tax of the period for which it is used exclusively for exempt supply i.e. 5* per quarter or part thereof.
 - Start monthly reversal of remaining life = $\frac{\text{Exempt Turnover} * T_c}{\text{Total turnover} * 60}$

Note : No 1 year condition here.

- Capital goods earlier used for **taxable** supply → Now **exempt**
 → **Reverse** the ITC on the basis of **remaining useful life** of capital goods in Months

- Capital goods earlier used for **taxable** supply → Now **exempt & taxable**
 - Full ITC on input tax already has been taken earlier, so no adjustment i.e. now considered as T_c
 - Start monthly reversal of remaining life = $\frac{\text{Exempt Turnover} * T_c}{\text{Total turnover} * 60}$

Note : Quarter is consider as calendar year.

Sec 17(4) Special Provisions for Banking Co & NBFC



Option 1 : Avail proportionate ITC

Option 2 : 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.

However, ITC 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.

Sec 17(5) Block Credit

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.

| S. No | Goods or services | Exception |
|-------|---|--|
| 1. | <ul style="list-style-type: none"> ➤ Food & Beverage ➤ Outdoor catering ➤ Beauty treatment ➤ Health services ➤ Cosmetic/ Plastic surgery ➤ Life & Health Insurance ➤ Leasing / Renting/ Hiring of vehicles, vessels or aircraft <p>Memory technique : FOB HCL</p> | <ul style="list-style-type: none"> ➤ Used for same category of outward supply including composite or mixed supply. Ex - Air India airlines ➤ Provided under any statutory obligations by employer |
| 2. | <ul style="list-style-type: none"> (a) Membership of club, health & fitness centre (b) Travel benefit extended to employee on vacation | ITC is available only if provided under any statutory obligations. |
| S. No | Goods or services | Exception |
| 3. | <p>Motor vehicles designed to carry upto 13 passenger (Goods) (including driver).</p> <p>Note : Full ITC available on</p> <p>1. Goods transport for all mode of transport</p> | <ul style="list-style-type: none"> ➤ Further supply of such motor vehicle ➤ Transportation of passenger ➤ Used for training of driving ➤ > 13 passenger (including driver) ➤ Railway bicycle, Special purpose vehicle ➤ 2/3 wheeler upto 25cc |

Clarification :

Demo vehicle (seating capacity upto 13) for test drives are deemed as used for Further supply of such motor vehicle in business because it helps in sale of motor vehicles . except



- Used for purposes other purpose like for transportation of its staff employees/ management etc : **ITC not available** at the time of purchase
- Authorized dealer merely acts as an agent or service provider to the vehicle manufacturer for providing marketing service, including providing facility of vehicle test drive to the potential customers : **ITC not available** at the time of purchase.

Note : If capitalised in the books of account, Demo vehicle is same considered as capital goods.

- If GST part is also capitalised : No ITC on GST part
- If sold further : Tax paid under sec 18(6) i.e. sold/disposal of capital goods

| S. No | Goods or services | Exception |
|-------|--|--|
| 4. | Aircraft/vessels | <ul style="list-style-type: none"> ➤ Further supply of such motor vehicle ➤ Transportation of passenger ➤ Used for training of driving |
| 5. | If motor vehicle/aircraft/vessel are ineligible for ITC. Then Insurance, services, Repair & maint. is also not allowed. | <ul style="list-style-type: none"> ➤ If moto vehicle/aircraft/vessel are eligible for ITC ➤ IF availed by manufacturer ➤ Availed by Insurance co. |
| 6. | Work contract services for construction of an immovable property (Other than Plant & Machinery) | ➤ When used for further supply of work contract services. |
| 7. | Self-construction : Goods / services / both received for construction of an immovable property (other than P&M) on own use even in the course / furtherance of business. | Refer next row |

Plant and Machinery excludes :

- Land & Building & other civil construction
- Telecom. Towers
- Pipelines outside the factory

Reconstruction/repair/alteration/renovation:

- Capitalised in Books : **ITC Not allowed**
- Not capitalised in Books : **ITC allowed**

Note : Ducts & manhole used in network of Optical fibre cable and **Covered under the definition of "plant and machinery"** as they are used as part of the OFC network making outward supply of transmission of telecommunication signals from one point to another - **ITC not restricted**



Case law: Safari retreats :

If ~~mall/warehouse constructed~~ (other than hotel/cinema hall) and the sole purpose is given for rent/lease. Then same is considered as "Plant" and ITC is allowed on it.

Note : This is ~~only limited to construction~~, means Goods/services/both received for construction, ~~Not for work contract services.~~

Summary : ITC on G/S/B used in construction of immovable property is available only in the following three situations:

- (i) For construction of eligible **plant or machinery**
- (ii) When the value of goods and/or services is **not capitalized**
- (iii) When the construction is **not on own account**

| S. No | Goods or services | Exception |
|-------|---|--------------|
| 8. | Person register under composition scheme (sec 10) Non-registered taxable person except for goods imported by him. NRTP means a person who does not have fixed place of business but he sporadically supplies goods or services in India. | No exception |
| 10. | Goods/services/both used for CSR purpose u/s 135 of companies act,2013 | No exception |
| 11. | Goods/services/both used for personal consumption | No exception |
| 12. | Goods lost, destroyed, stolen, written off or disposed of by way Gift. Free samples covered under schedule I - ITC allowed, otherwise not | No exception |
| 13. | Tax paid u/s 74 in respect of any period upto FY23-24 | No exception |

Sec 18 : Special Circumstances

➤ **Case 1: Composition to Regular scheme**

A person can shift from composition to regular scheme at any time during the F.Y.

ITC available on : Stock available of Input & Capital goods as on date immediately preceding the date of conversion application for regular scheme to be filed within 30 days.

- Input : Tax paid at the time of purchase
- Capital goods : Tax paid at the time of purchase (-) 5% per quarter/part.

However, ITC >. Rs 2 lakhs need to be certified by CA/CMA



Note : ITC not allowed on following items:

1. Input service
2. Invoice older than 1 year

➤ Case 2 : Regular to Composition scheme

A person can shift from regular to composition only at the beginning of the year. He need to reverse the ITC on stock on input + capital goods. Any ITC after that will lapse.

- Input : **Full ITC** need to reversed
- Capital goods : ITC reversed **on proportionate basis** i.e. remaining useful life of assets
Application for the same need to be filed within 60 days.

➤ Case 3: In case of Fresh Registration

On ITC on input tax paid on capital goods

ITC can be availed on inputs on the da preceding the " Effective date of registration". But invoices should **not be older than 1 year**.

Effective date of registration:

- If apply within 30 days of liable to register - Date on which he become liable to register
- After 30 days - Date of grant of registration

➤ Case 4: Sale/Disposal of capital goods

Tax payable: Higher of

- Tax on sale value
- Tax paid at the time of purchase (-) 5% per quarter or part)

Example : Sakshi purchased a machinery for his business for ₹ 10 lakhs @ 18% i.e. 1,80,000 GST on 29 march 2025. Sold machine on 2 April 2025 for ₹ 5 lakhs

So Higher of

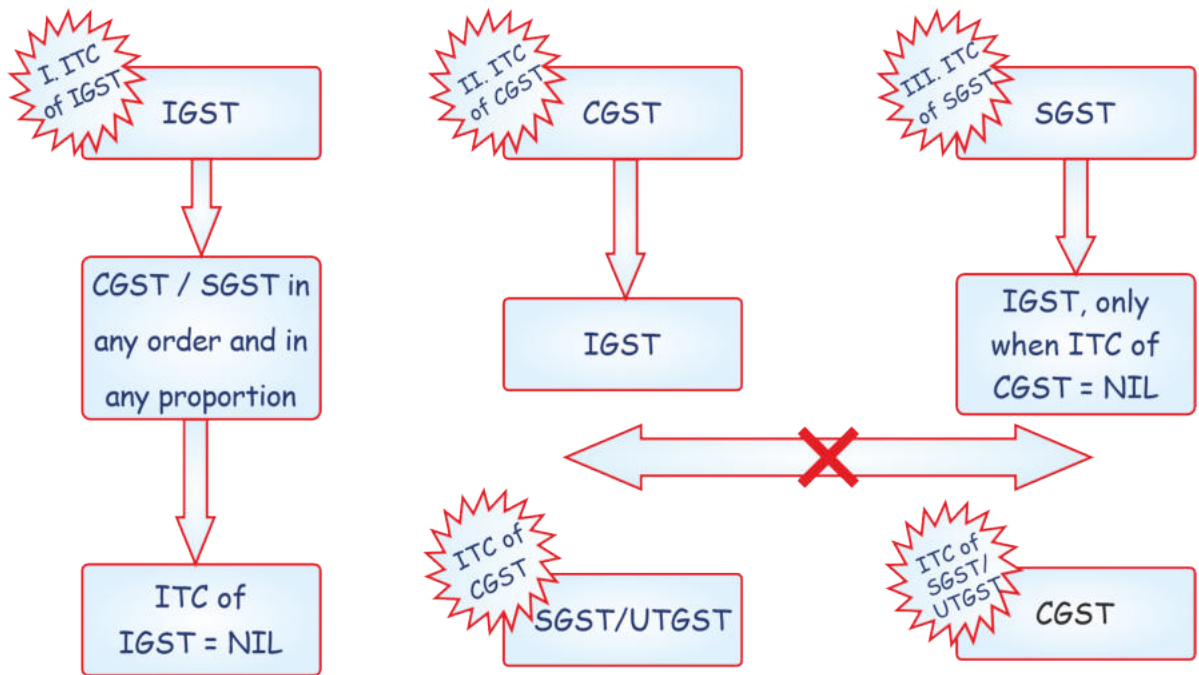
18% of 5 lakhs = ₹ 90,000

$1,80,000 - [1,80,000 \times 5\% \times 2 \text{ quarter}] = 1,80,000 - 18,000 = ₹ 1,62,000$

Hence, tax to be paid ₹ 1,62,000

Manner of Utilization of ITC





Note :

1. ITC cannot be utilised for the payment of inward liability of RCM
2. CGST cannot be utilised for SGST & vice-versa.
3. CGST/SGST cannot be utilised unless IGST credit is exhaust.

**Transfer of ITC on Account of Change in Constitution of Registered Person
(e.g. Merger, Acquisition , Amalgamation, lease, Transfer etc)**

The ITC that remains unutilized in the electronic credit ledger of the registered person can be transferred to the new entity.

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 to be taken at the State level (at the level of distinct person) and not at the all-India level.

value of assets means the value of the entire assets of the business irrespective of whether ITC has been availed thereon or not.



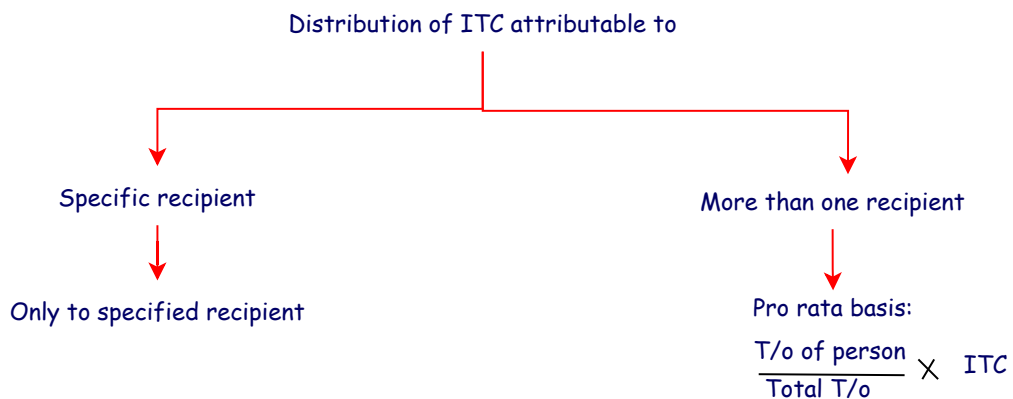
Transfer of ITC on Obtaining Separate Registrations for Multiple Places of Business within a State/ Union Territory [Rule 41A]

- Transfer the unutilised ITC in E-credit ledger to any or all of the newly registered place in the ratio of the value of assets at the time of registration.
- Furnish the prescribed details on the common portal within a period of 30 days from obtaining such separate registrations.

SEC 20 : Distribution of Credit by Input Service Distributor

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

1. Credit to be distributed in the same month
2. Max ITC that can be distributed = the amount of tax paid (ITC available)



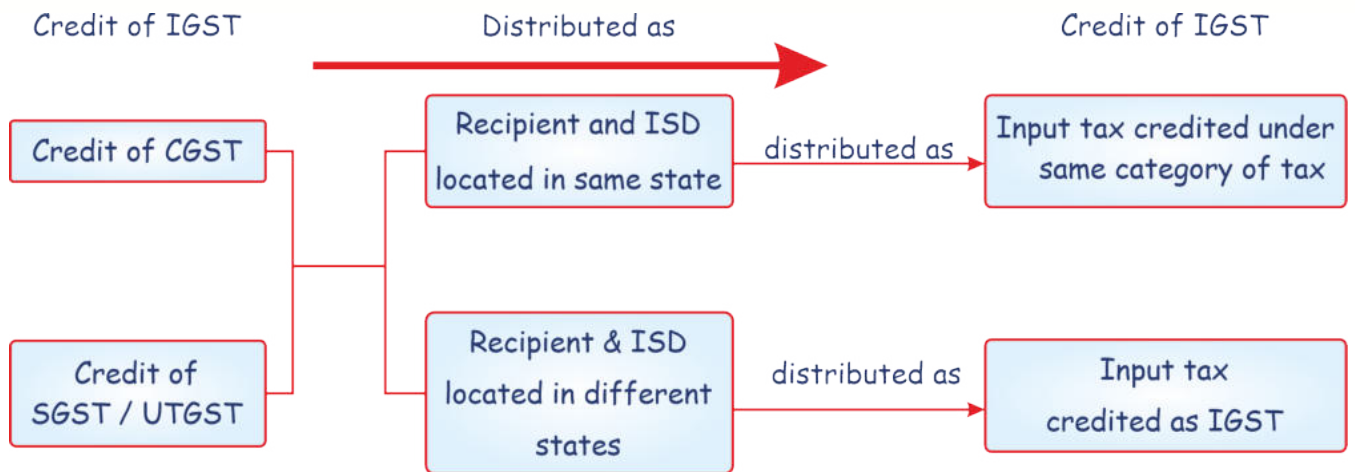
3. Distribution:

Note:

1. T/o excludes central excise duty, State excise duty, central sales tax and VAT.
2. Ineligible credit also to be distributed in the above manner
3. Turnover used: Previous financial year OR Last quarter prior to the month of distribution for which turnover of all recipients is available



4. Manner of Distribution :



5. Issue of invoice : ISD shall issue invoice clearly indicating that it is only issued for ITC distribution.

6. Credit note in case ITC get reduced for any reason - distributed in same ratio -

- Reduced from the amount to be distributed in the month in which credit is issued, or
- Added to the output tax liability to the recipient in case amount apportionment is in negative after reducing credit note.

7. It is mandatory for the supplier to register as ISD : if he received invoice from 3rd party for the input service under RCM under sec 9(3)/(4) on behalf of distinct person and shall be required to distribute such ITC.

However, in case service is covered under RCM. A person with same PAN and state code as of ISD may accept RCM invoice and issue invoice to ISD to transfer credit of such input service.

Sec 21: IN Case of ISD, Recovery of Excess Credit Distributed to a Recipient

1. Excess credit distributed **can be recovered** along with interest **only from the recipient** and not from ISD.
2. 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 or 74A.
3. ISD would also be liable to a general penalty under section 122(1)(ix).



Restriction on Utilization of ITC [Rule 86a]

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

➤ **The restriction can be imposed in the following circumstances :**

- I) ITC has been availed on the basis of tax invoices / valid documents-
 Issued by a non - existing supplier or by a person not conducting any business from the registered place of business; or
 Without receipt of goods or services or both; or
- II) The tax in relation to which has not been paid to the government.
- III) The registered person availing ITC has been found non - existing or not to be conducting any business from the registered place of business; or
- IV) The registered person availing ITC is not in possession of tax invoice / valid document.
 If the ITC is so availed, the restriction can be imposed by not allowing such ITC to be used for discharging any liability under section 49 or not allowing refund of any unutilized amount of such ITC.

Such restrictions can be imposed for a period upto 1 year from the date of imposing such restrictions.

However, the commissioner / officer authorized by him, can withdraw such restriction if he is satisfied that conditions for imposing the restrictions no longer exist.

| 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.



Restrictions on the use of Amount Available in Electronic Credit Ledger [Rule 86B]

Applicability of Rule 86B : Registered person having value of taxable supply (other than exempt supply and zero-rated supply) in a month **exceeding ₹50 Lakh**.

Nature of Restriction Imposed : Minimum 1% of the output tax liability be discharged using electronic cash ledger.

Example : The total value of inter-state supply of Raman & Sons for the month of February is { 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 ₹ 7.20 Lakh (IGST).

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., ₹ 1,80,000 (1% of ₹ 18,00,000) through electronic cash ledger only.

Exception :

1. Below Person paying income tax more than ₹ 1 lakh in each of the last 2 FYs
 - Registered person/Karta/proprietor/managing director/ any of its two partners
 - Whole-time directors,
 - Members of Managing Committee of Associations
 - Board of Trustees
2. Receipt of refund of input tax credit of more than ₹ 1 lakh in Zero rated or inverted duty.
3. Specified registered persons
 - Government Department
 - Public Sector Undertaking; or
 - a local authority; or
 - a statutory body

However, Commissioner or an officer may remove the said restriction.
4. Payment of output tax liability through electronic cash ledger in excess of 1% of total output tax liability in current FY.

Example : Assuming a scenario wherein in the current FY upto September month, the value of outward supply is ₹ 80 lakh. Output tax liability discharged through electronic cash ledger till August month is ₹ 1 lakh. Rule 86B would not be applicable in the September month even though



the value of supply 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 ₹80 lakh is ₹ 80,000).

Note : Ignore RCM. While calculating the total output liability paid through electronic cash ledger

Clarifications

1. Entitlement of ITC by the insurance companies on the expenses incurred for repair of motor vehicles (MV) in case of reimbursement mode of insurance claim settlement

Treatment : ITC is available to insurance companies for MV repair expenses incurred under the reimbursement mode. Conditions

- (i) Invoices are issued in the name of the insurance company and
- (ii) ITC is claimed solely for the amount reimbursed to the insured.

| Issue | Clarification |
|---|--|
| In case of issue of two separate invoices by the garage for repair service - one to the insurance company for the approved claim cost & another to the customer for any excess amount? | ITC is available to insurance company only on the invoice issued to it subject to reimbursement of said amount by insurance company to customer. |
| In case of issue of single invoice by the garage- covering the full amount for repair service & the insurance company reimburses only the approved claim cost. | ITC is available to the insurance company only the reimbursement of the approved claim cost to the insured, and not on the full invoice value. |
| Whether ITC is available to the insurer if invoice for vehicle repair is not in insurance company's name? | ITC is not available |

2. Discounts including 'Buy more, save more' offers
 - Value of supply: Shall be **excluded to determine the VOS** provided to the reversal of ITC by the recipient related to that discount.
 - ITC availment: Supplier shall be **entitled to avail the ITC** used in relation to the supply of goods or services or both on such discounts.



3. Secondary discounts
- Value of supply : 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 VOS.
 - ITC availment : No impact on availability or otherwise of ITC in the hands of supplier.

4. Buy one get one free offer: Just a marketing tack ticks
- Value of supply: Treated as supplying two goods for the price of one. Taxability depends upon whether composite supply or a mixed supply
 - ITC availment: Available on both the goods.

5. Taxability of services provided by an office of an organisation one State to the office of that organisation in another State, both being distinct person

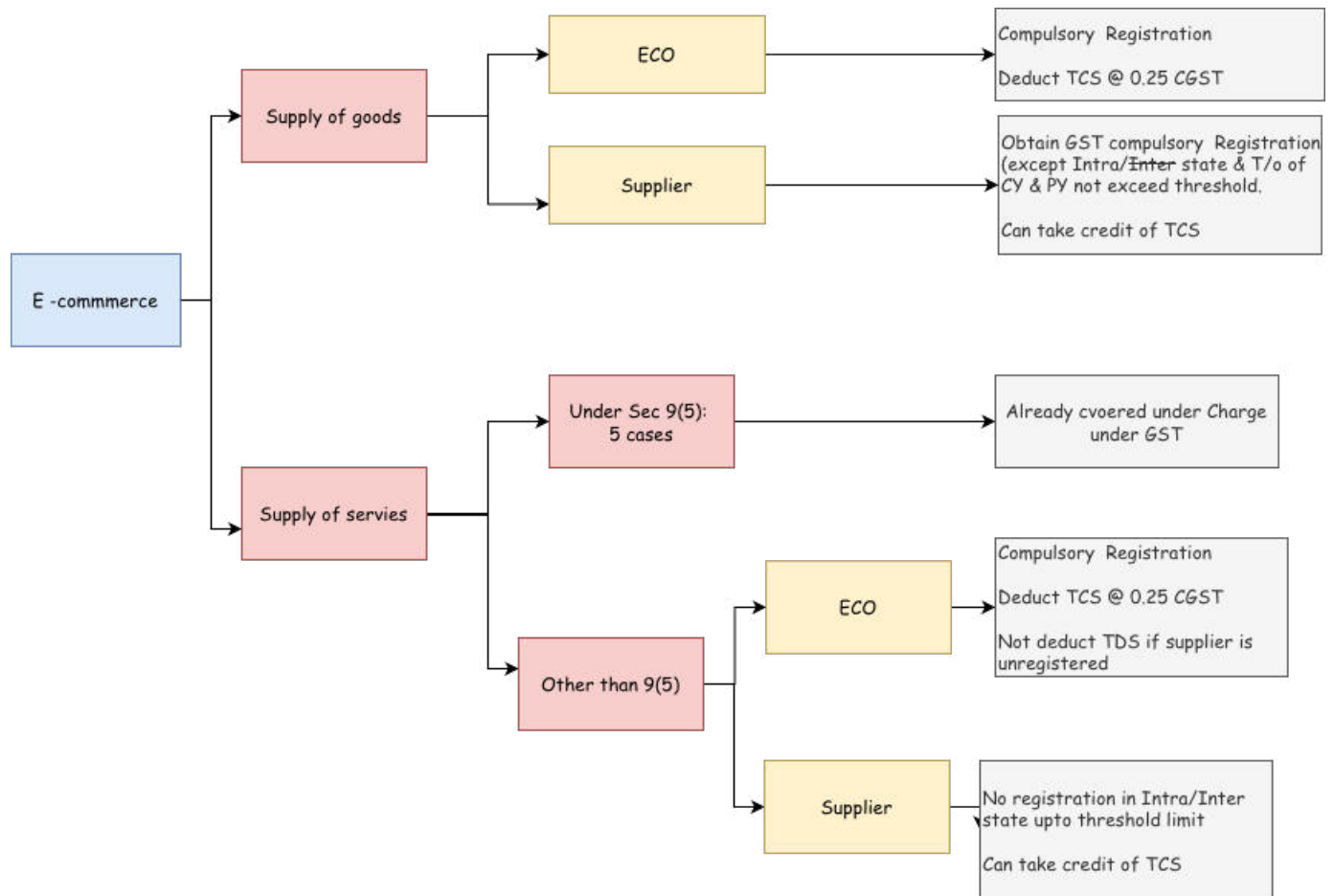
| S. No | Issues | Clarification |
|---|---|--|
| | Common input services procured from a third party by Head Office (HO) . | 1. HO has an option to <ul style="list-style-type: none"> ➤ Distribute ITC as ISD mechanism or ➤ Issue tax invoice to Branch Office (BO) in respect of common input services procured from a third party. 2. ITC can be transferred only if the services are actually attributable to such BO in both the above case. |
| Treatment of Cost of Employee not included in invoice, In case services imported by related person outside India Ex; Head office (HO) to Brach offices (BO) | | |
| | Full ITC is available to recipient | Value in the invoice by HO shall be deemed to be OMV of such services, irrespective of the fact whether cost like employee cost etc., has been included or not in the invoice. In case, if HO has not issued a tax invoice to the BO , value of such services deemed to be Nil , and deemed as OMV also. |
| | full ITC is not available to recipient | Cost of salary of employees of the HO, not mandatorily required to be included while computing the taxable value of the supply of such services, even in cases where full input tax credit is not available to the concerned BO. |

Note : All other clarification are already covered in ITC chapter earlier or specific chapters, so Don't worry, I have covered each clarification.



CHAPTER – 9

E – COMMERCE OPERATOR



► **Sec 9(5): Supplies of notified services**
 Already covered under charge under GST

► **Sec 52 : TCS**
TCS Not applicable on

1. Import/Export of goods/services
2. Exempt goods/services

ECO in case of composition taxpayer

Services : Not allowed

Goods : Allowed only Intra state (~~Inter-state~~), TCS applicable . A special procedure is required to be followed by ECOs in respect of supplies of goods through them by composition taxpayers.

ECO through which a composition supplier supplies goods is required to declare such supplies in Form **GSTR-8** and ensure that **no inter-State supply** is made through its platform, as composition suppliers are not permitted to make inter-State outward supplies.



Net value of taxable supplies

Aggregate value of **taxable supplies** of G/S (-) Sales return

Negative value is ignored

Note : TCS to be deducted on Invoice value, hence **ignore received detail.**

Monthly Statement - Form GSTR-8

An ECO liable to collect TCS is required to file **a monthly statement in Form GSTR-8**, which contains:

- Details of supplies made through ECO
- Details of returns
- Consideration collected
- Amount of TCS collected
- Interest and payment details

Due date:

- On or before **10th of the succeeding month**
- TCS must be **paid** before filing GSTR-8

Credit of TCS to Supplier

After filing of GSTR-8:

- TCS details are made **available to suppliers** on the common portal
- TCS amount is **credited to the E - Cash Ledger** of the supplier

Supplier may:

- Use it to discharge tax liability, or
- Claim refund under section 54 if unutilised

Rectification of Errors in GSTR-8

If an ECO discovers any error (not arising from scrutiny/audit) :

- Rectification can be made in a subsequent GSTR-8
- Subject to interest under section 50

Time limit for amendment: Earlier of :

- **30th November** following the end of the financial year, or
- Date of filing annual statement (GSTR-9B)

Interest, Penalty and Other Compliance

- Interest under section 52(6) applicable for non-collection or short collection of TCS
- Penalty under section 122(vi) may also be levied
- TCS is to be collected at the time of supply, irrespective of actual receipt of consideration



Clarifications

1. Own Supplies vs Others' Supplies

- ECO selling its own goods/services → No TCS
- ECO selling its other supplier goods/services → TCS

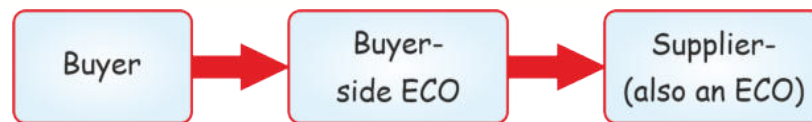
2. Multiple ECOs in One Transaction

Issue 1 :



Answer : **Supplier-side ECO** (releasing payment) collects TCS

Issue 2 :



Answer : If supplier itself is an ECO → **Buyer-side ECO** collects TCS

► **Registration Requirements relating to ECO**

Registration of ECO : compulsory registration

- required to collect TCS u/s 52, or
- required to pay tax u/s 9(5)

Special Provisions for Registration of ECO liable to collect TCS

1. Obtain a **separate registration for TCS**, even if already registered under GST
2. Apply in a separate prescribed form on the GST portal
3. Registration to be granted **within 3 working days** after verification

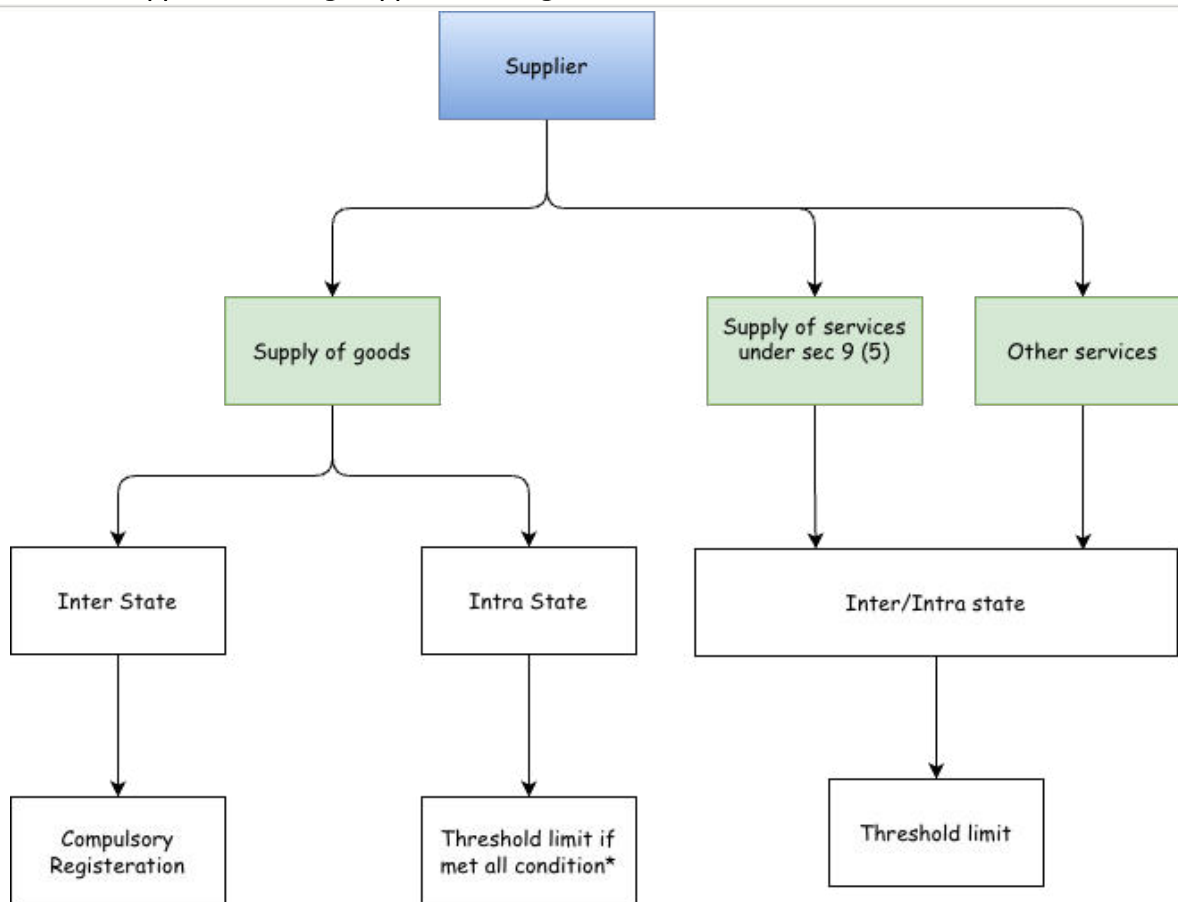
ECO having no physical presence in a State/UT

1. Registration is required in each State/UT where TCS obligation arises
2. Part A of application : **State/UT** for which registration is sought
3. Part B of application : ECO may declare **Head Office** as place of business

Registration shall be cancelled if the PO is satisfied that the ECO is no longer liable to collect TCS.



Registration of Suppliers making supplies through ECO



(A) Suppliers of GOODS through ECO liable to collect TCS

As a general rule, suppliers of goods through ECO are **mandatorily required to register** under section 24.

However, **unregistered persons** may supply goods through ECO **subject to specified conditions**.

Suppliers are **exempt from registration** if:

- Aggregate turnover does not exceed threshold under section 22(1)
- Subject to all of the following conditions:

Conditions :

- **No inter-State** supply of goods
- Supply through ECO in **only one State/UT**
- **Must have a PAN**
- **Must declare on portal:**
 - PAN
 - Place of business
 - State/UT of supply
- **Must obtain enrolment number** after PAN validation
- **Only one enrolment number** per State/UT



- No supply allowed unless enrolment number is granted
- **Enrolment number** becomes **invalid on registration** under section 25

Special Procedure for ECO dealing with such unregistered suppliers

ECO shall :

- Allow supply only **after enrolment number is allotted**
- Not allow inter-State supplies
- Not collect TCS on such supplies
- Report supplies PAN-wise in GSTR-8

(B) Suppliers of SERVICES (other than services u/s 9(5)) through ECO

- Mandatory registration under section 24 does not apply if:
 - Aggregate turnover \leq ₹20 lakh (₹10 lakh for specified special category States)
- ECO is not required to collect TCS on such supplies

(C) Suppliers of SERVICES notified under section 9(5) through ECO

- Such suppliers are eligible for threshold exemption :
 - ₹20 lakh (₹10 lakh for specified special category States)



CHAPTER – 10

REGISTRATION

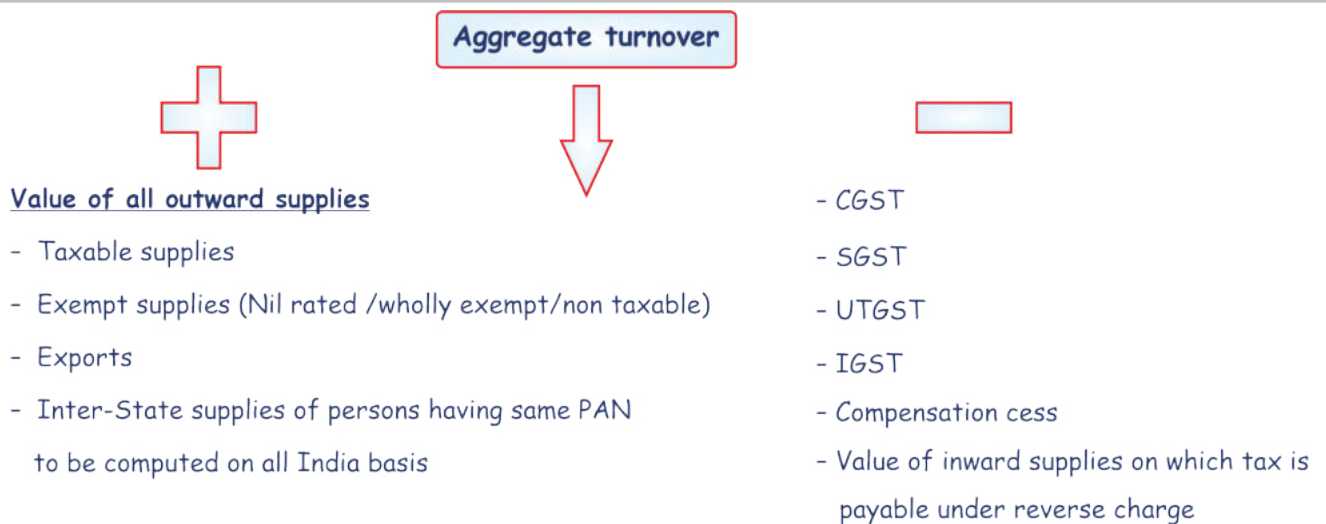
► **Overview :**

| | |
|------------|--|
| Section 22 | Persons liable for registration |
| Section 23 | Person 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 |

Sec 22 PERSONS LIABLE FOR REGISTRATION

A supplier must register in the State/UT from where taxable supply is made if aggregate turnover exceeds the applicable threshold limit in a financial year.

Registration required only in the State from where taxable supply originates.



► **Tricky Points :**

| | |
|-----------------------------|---|
| Outward RCM | Added |
| Distinct person supplies | Added |
| supplies made through agent | Added in principal T/o and agent T/o (if issue own invoice) |
| Job work: | Added in principal T/o |



| | |
|---|---|
| Interest /discount on loan/advance etc: | Added in T/o. However, in extended limit of Rs 40 lakh it is excluded because only exclusive supply of goods. |
| Transfer of Business | On transfer/succession of business → Transferee must register from the date of transfer. In case of amalgamation/demerger → Registration effective from date of ROC incorporation certificate. |

► Aggregate Turnover' vs 'Turnover in a State'

- Aggregate turnover : For registration & composition eligibility
- Turnover in a State : For composition tax calculation

► Applicable threshold

| State / UT | If exclusively engaged in SOG | If engaged in SOS or SOG + SOS |
|---|-------------------------------|--------------------------------|
| <ul style="list-style-type: none"> ➤ Manipur ➤ Mizoram ➤ Nagaland ➤ Tripura | 10 lakhs | 10 lakhs |
| <ul style="list-style-type: none"> ➤ Pandicherry ➤ Uttarakhand ➤ Meghalaya ➤ Arunachal Pradesh ➤ Telangana ➤ Sikkim | 20 lakhs | 20 lakhs |
| All the other States incl. following Sp. Category state Assam, J&K, H.P. | 40 lakhs | 20 lakhs |

In following cases extended limit 40 lakh is not applicable :

| | | |
|----|---|--------------------------------------|
| a) | Required to take compulsory registration | General threshold also not available |
| b) | Supply of <ul style="list-style-type: none"> i) Icecream or edible ice ii) Pan masala iii) All Tobacco and Tobacco product | |



| | |
|------------------------------|--------------------------------------|
| iv) Fly ash bricks | 10 L/ 20 L threshold is available |
| v) Fly ash aggregates | |
| vi) Fly ash blocks | |
| vii) Building Bricks | |
| viii) Bricks of fossils | |
| ix) Earthen or ruffing tiles | |

► Special cases

If person has multiple POB across India, and any of them is in special category states then Agg. T/o limit has been reduced to lower of all states (not consider non-taxable supply states T/o)

For ex : Gada electronics has one branch in Maharashtra having T/o Rs 8 lakh & another branch is in Nagaland Rs 4 lakh. In this case gg. t/I limit reduced to Rs 10 lakh. Since aggregate T/o exceeds Rs 10 lakh. He is liable to register in Maharashtra & Nagaland.

For ex : Vijay Mallya has 2 branches. One is in Gujarat supplying mineral water (T/o Rs 8 lakh) & another branch is in Nagaland supplying Kingfisher beer (T/o Rs 4 lakh). In this case Agg. T/o will be 40 lakh only since only non-taxable supply state will not consider. Agg t/o is Rs 12 lakh. Hence, not liable to register.

COMPULSORY REGISTRATION IN CERTAIN CASES [SECTION 24]

Normally, registration is required only when aggregate turnover exceeds the threshold limit. However, under **Section 24**, certain persons must register irrespective of turnover.

- Persons making inter - **State taxable supply**
Except notified handicraft & handmade goods.
- Casual Taxable Persons (CTP)
Except notified handicraft/handmade goods.
- liable under RCM
Except only outward supplies under RCM, except metal scrap suppliers
- NRTP**



5. **ECO** (TCS u/s 52)
6. **ECO** u/s 9(5)
7. Persons supplying **G/S through ECO**
Except Intra state supply of service - threshold
8. Persons required to **deduct TDS u/s 51**
9. Persons making supply **as an agent** on behalf of another taxable person
10. **OIDAR service + Online money gaming** providers located **outside India** supplying to unregistered persons in India
11. Input Service Distributor (**ISD**)
12. Any other person notified by the Government

PERSONS NOT LIABLE FOR REGISTRATION (SECTION 23)

Exclusively in supplying **G/S (wholly exempt or non-taxable)**

Agriculturists supplying produce out of cultivation of land

Note : only individuals/HUFs

Only RCM outward supplies (except metal scrap) **inter-State taxable supply of services** up to ₹20 lakh (₹10 lakh special category)

Inter-State supply of **notified handicraft goods or notified handmade goods** up to ₹20 lakh/₹10 lakh (including CTP) services through **ECO other than 9(5)** with turnover up to ₹20 lakh/₹10 lakh

Persons supplying **intra-State goods through ECO** up to threshold limit, subject to notified conditions

Commission agents under APMC selling agricultural produce on behalf of agriculturists (since agriculturist = non-taxable person + service is exempt)



Any other person notified by Government.

PROCEDURE FOR REGISTRATION [SECTIONS 25, 26 & 27]

Where and by when to apply for registration ?

| A casual taxable person or a non- resident taxable person | Person who is liable to be registered under section 22 or section 24 | A person who makes a supply from the territorial waters of India |
|--|---|---|
| <ul style="list-style-type: none"> ➤ in every such State/UT in which he is so liable ➤ at least 5 days prior to the commencement of business | <ul style="list-style-type: none"> ➤ in every such State/UT in which he is so liable within 30 days from the date on which he becomes liable to registration ➤ If apply after 30 days, Registration certificate date will be counted as Effective date of registration. | <ul style="list-style-type: none"> ➤ 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 |

▶ State-wise registration

- **State wise** : Separate registration
- **Within state** : Option to take single or separate registration for each branch.
- **SEZ unit** needs a separate registration from non-SEZ unit in same State.

▶ Composition & separate registrations

- If one place uses **normal scheme**, other places cannot opt for **composition**.
- If any separately-registered place becomes ineligible for composition, **all** places become ineligible.

▶ 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 UNI issued

▶ Distinct persons / establishments

Each registration = **distinct person** for GST compliance (Sec 25(4)/(5)).



▶ PAN / Alternate documents

- PAN mandatory for registration.
- NRTP may use other prescribed documents; TDS deductors may use TAN in lieu of PAN.

▶ Suo-moto (temporary) registration

Proper officer can grant **temporary registration** if liable person failed to apply →

- applicant must apply within 90 days or
- appeal.

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.

GSTIN thereafter granted shall be effective from the date of order of proper officer granting temporary registration.

Procedure (Form GST REG-01; Rules 8–10)

Above procedure will not apply to person who :

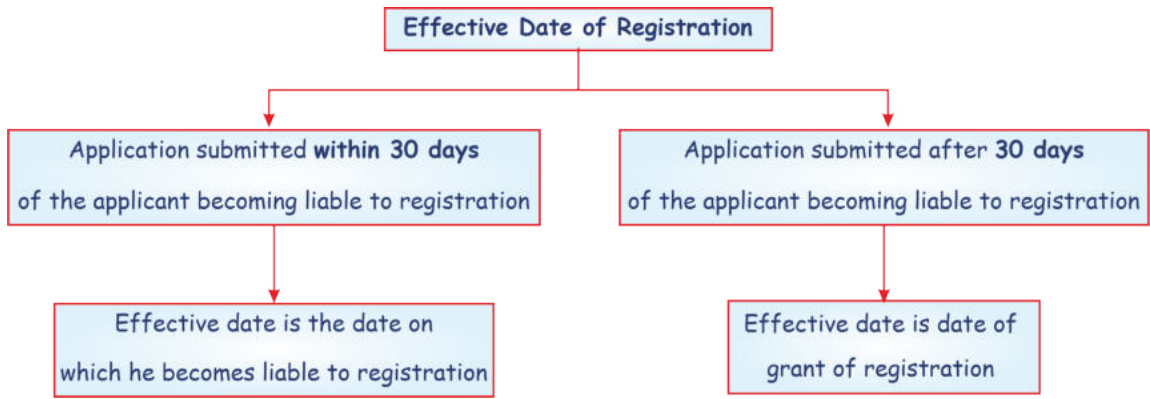
- NRTP
- Deducting tax u/s 51
- Collecting tax u/s 52
- supplying OIDAR services from outside India to a non-taxable online recipient.
- A person supplying online money gaming from outside India to India.

Applicable to regular, composition & CTP. Apply in **REG-01 (Part A/B)**.

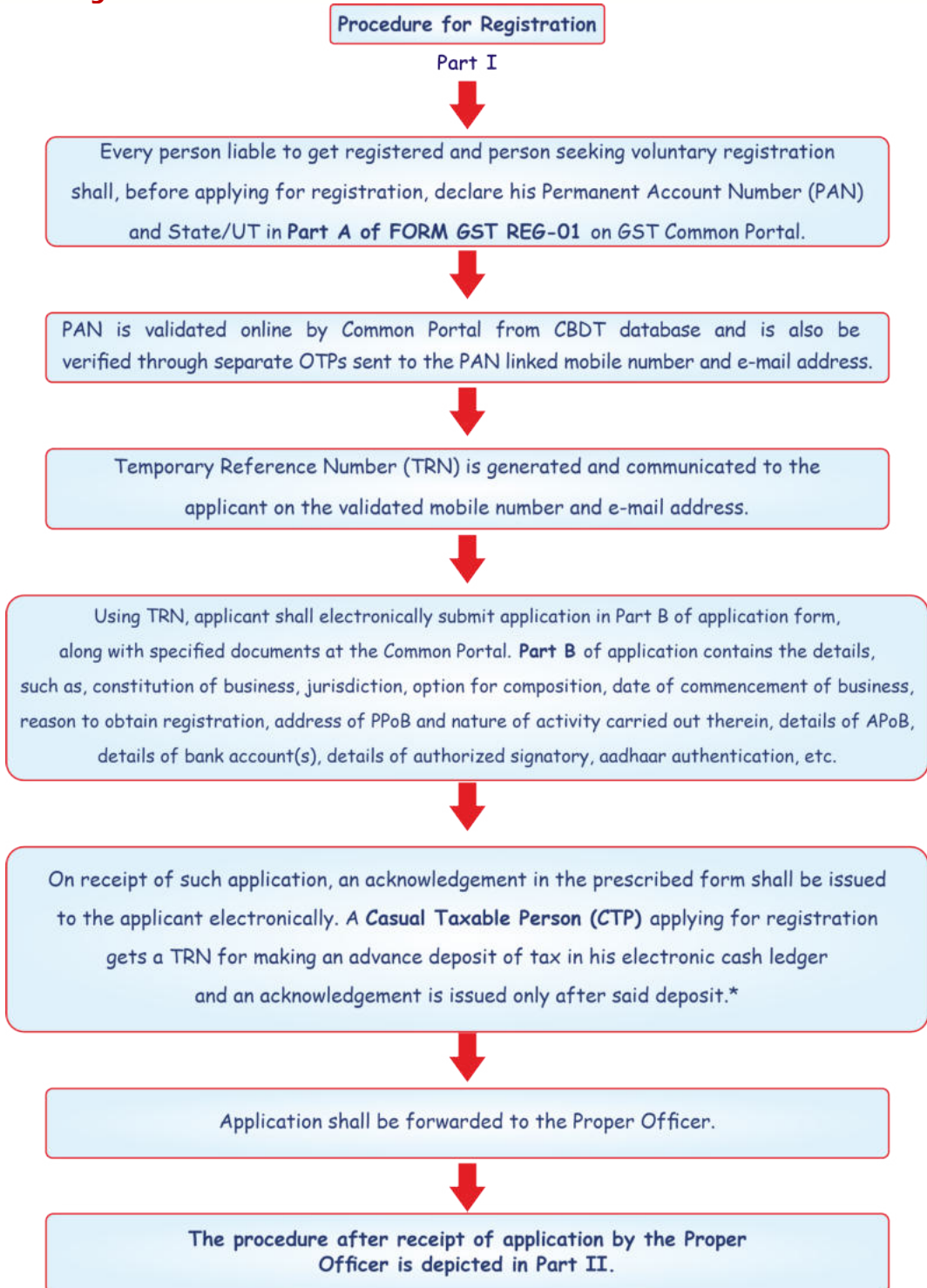
▶ Aadhaar e-KYC (mandatory framework)

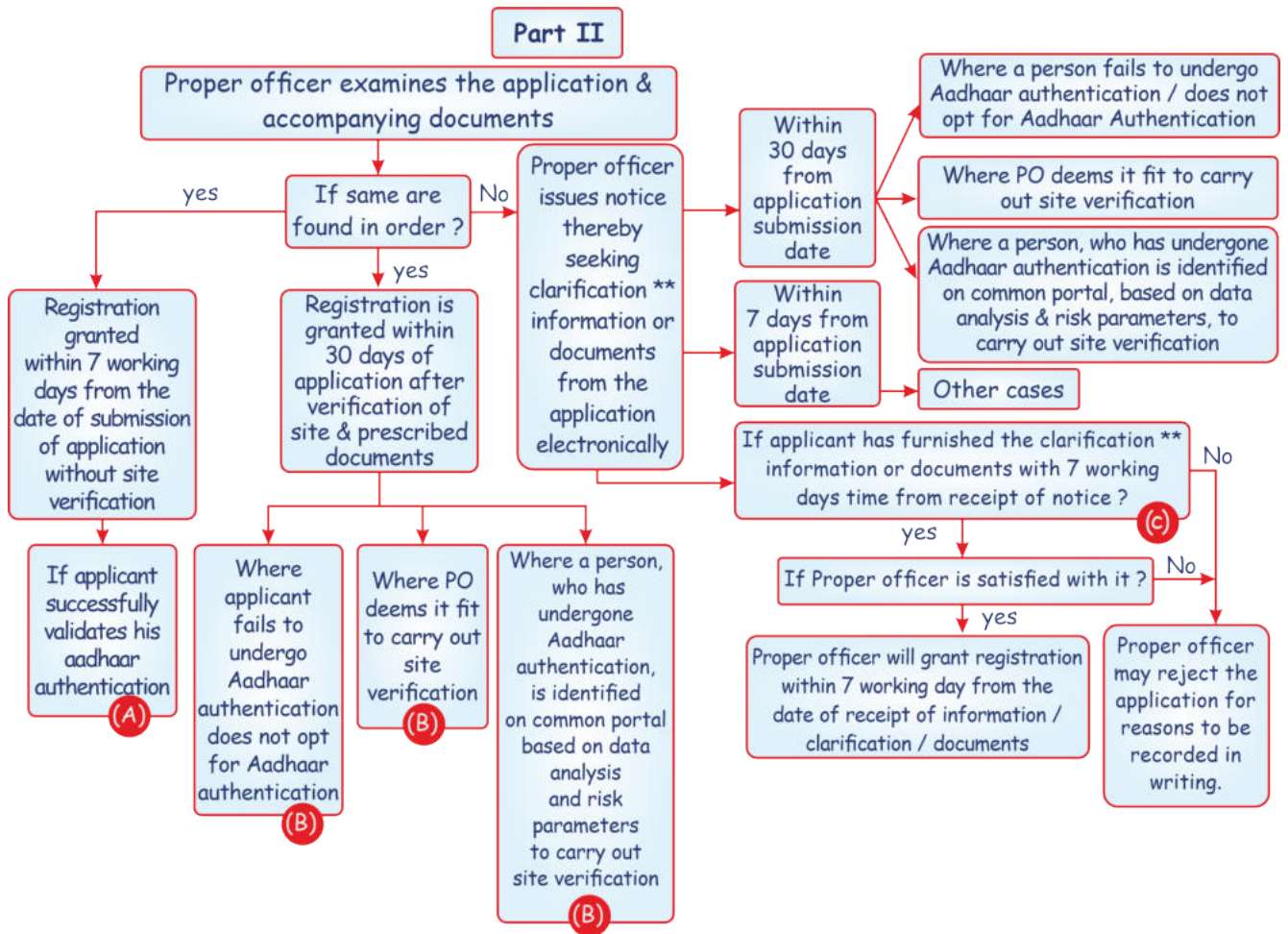
- **Aadhaar authentication** required (new & existing applicants) — opting for it speeds up deemed approval (7 days).
- If not opted/failed → physical/site verification may be required; deemed approval after **30 days** if no action.
- Alternate ID allowed if Aadhaar absent; certain classes exempt from Aadhaar (foreigners, govt departments, PSU, UIN applicants, etc.).





► **Effective date of Registration :**

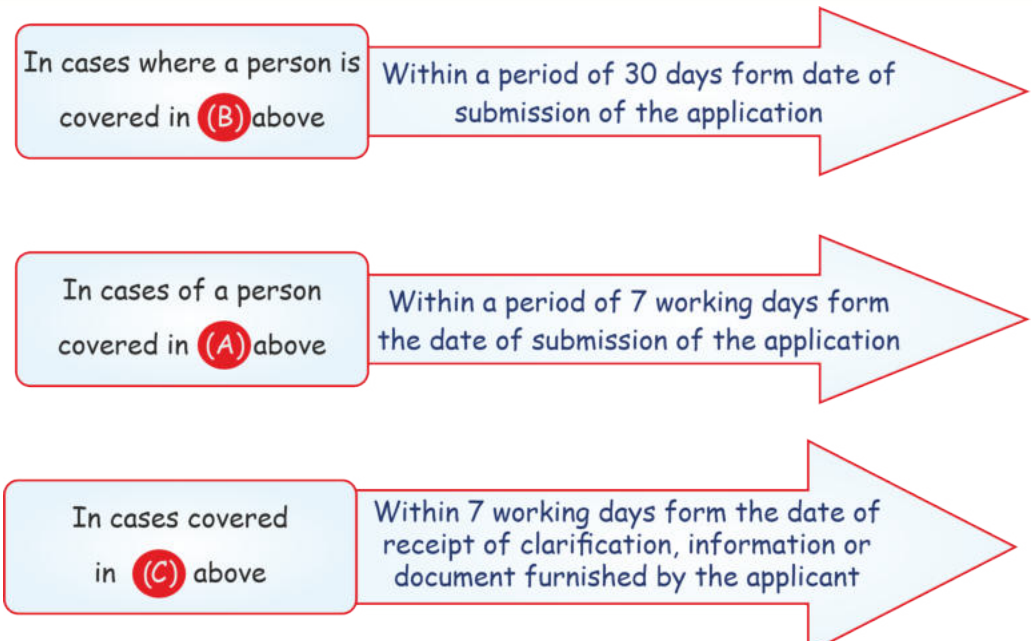




**clarification includes modification / correction of particulars declared in the application for registration other than PAN, State Mobile No. and E-mail address.

Note : Aadhar authentication is compulsory for refund & revocation application.

► **Deemed Registration**



▶ Exempt from Aadhaar Authentication

- Non-citizens of India
- Govt. departments
- Local authorities
- Statutory bodies
- Public Sector Undertakings
- Persons applying for UIN

▶ Bank Account Details (Rule 10A)

- To be furnished within 30 days of registration OR
- before filing GSTR-1, whichever earlier.
- Not applicable to TDS/TCS or suo-motu registrations

▶ Physical Verification (Rule 25)

Can be done before or after registration. Report to be uploaded within:

- Post-verification cases : 15 working days
- Pre-verification cases : At least 5 working days before expiry of verification time.

▶ Approval & Certificate (Rule 10)

REG-06 certificate + GSTIN issued within 3 days after approval.

▶ Display of Certificate (Rule 18)

Registration certificate & GSTIN must be displayed at PPOB & APOBs

CASUAL TAXABLE PERSON (CTP) & NON-RESIDENT TAXABLE PERSON (NRTP)

▶ CASUAL TAXABLE PERSON (CTP)

A CTP is a person who :

- Occasionally undertakes taxable supplies
- In the course or furtherance of business
- In a State/UT where he has no fixed place of business
- Cannot opt for composition scheme

Example : A person registered in Rajasthan wants to supply goods in a 5-day exhibition in Delhi. He has no fixed place of business in Delhi, so he must register as a CTP in Delhi.



► **NON-RESIDENT TAXABLE PERSON (NRTP)**

An NRTP is a person who:

- Is not a resident of India (foreigner)
- Occasionally undertakes taxable supplies in India
- Has no fixed place of business or residence in India
- Cannot opt for composition scheme.

Registration Rules for Both CTP & NRTP

1. **Compulsory Registration**

- Must register regardless of threshold limit
- Must apply at least 5 days before starting business

2. **Advance Tax Deposit**

- Must pay estimated tax liability in advance
- Deposited through Temporary Reference Number (TRN)
- Acknowledgement issued only after payment
- Advance tax should consider eligible ITC

3. **Validity of Registration**

Valid for :

- Period mentioned in application, OR
- 90 days, whichever is earlier
- ➔ Extension possible for another 90 days by applying before expiry.

4. **Documents for NRTP**

- Individual → Self-attested passport copy
- Business entity → Foreign tax ID / unique number / PAN (if available)
- Application signed by authorised signatory who is an Indian resident with PAN

5. **Separate Forms**

- CTP → Regular REG-01 (PAN based)
- NRTP → Special form notified under GST

► **Long-running Exhibitions (More than 180 days)**

Participants are NOT treated as CTP. They must:



- Take normal registration
- Upload allotment/consent letter of premises as PoB proof
- No advance tax required
- Can surrender registration after the event ends

▶ Deemed Registration (Section 26)

- Registration under SGST/UTGST is deemed registration under CGST (unless rejected).
- Rejection under SGST/UTGST = Rejection under CGST.

▶ Extra – Special Registration Cases (for completeness)

TDS/TCS Registrants (Rule 12)

- Apply in a separate form
- Registration granted within 3 working days

OIDAR / Online Gaming from Outside India (Rule 14)

- Must register using a special form
- Registration subject to conditions notified by Govt.

AMENDMENT OF REGISTRATION [SECTION 28]

A registered person/UIN holder may need to modify details furnished at the time of registration.

Amendments are divided into Core Fields and Non-Core Fields.

1. Core vs Non-Core Fields

A. Core Fields (Officer Approval Required)

Changes in :

1. Legal Name of Business (only if PAN does not change)
2. Addition / Deletion of stakeholders
 - Promoters / Partners / Karta / Managing Director
3. Principal Place of Business (change within same State only)
4. Additional Places of Business (within same State)
 - ➔ These affect the legal/structural identity of the business → require PO approval.



B. Non-Core Fields (No Approval Needed)

Examples :

- Name of day-to-day functionaries
 - Email ID
 - Mobile number
 - Other administrative details
- ➔ These are **auto-approved** on the portal without PO involvement.

▶ Application for Amendment – Key Rules

Timeline

- Application must be filed **within 15 days** of the event requiring amendment.

Processing

- Core-field amendment :
 - PO must approve/reject within **15 days** of receiving the application.
 - Takes effect **from the date of the event**, not the application date.
- Non-core amendment:
 - Instantly updated on the portal → **No PO approval needed.**

Officer's Powers

- PO **cannot reject** amendment without giving opportunity of being heard.
- Rejection/approval under **SGST/UTGST** is **deemed rejection/approval** under **CGST**.

▶ Special Restrictions

Change in PAN → Amendment not allowed

- GST registration is **PAN-based**.
- If business constitution changes causing PAN change → **Fresh registration** required.
Change of place of business from one State → another
- GST registration is **State-specific**.
- Cannot amend for interstate movement.
- Must **cancel old registration** and apply for **fresh registration** in new State.

▶ Effective Date of Amendment

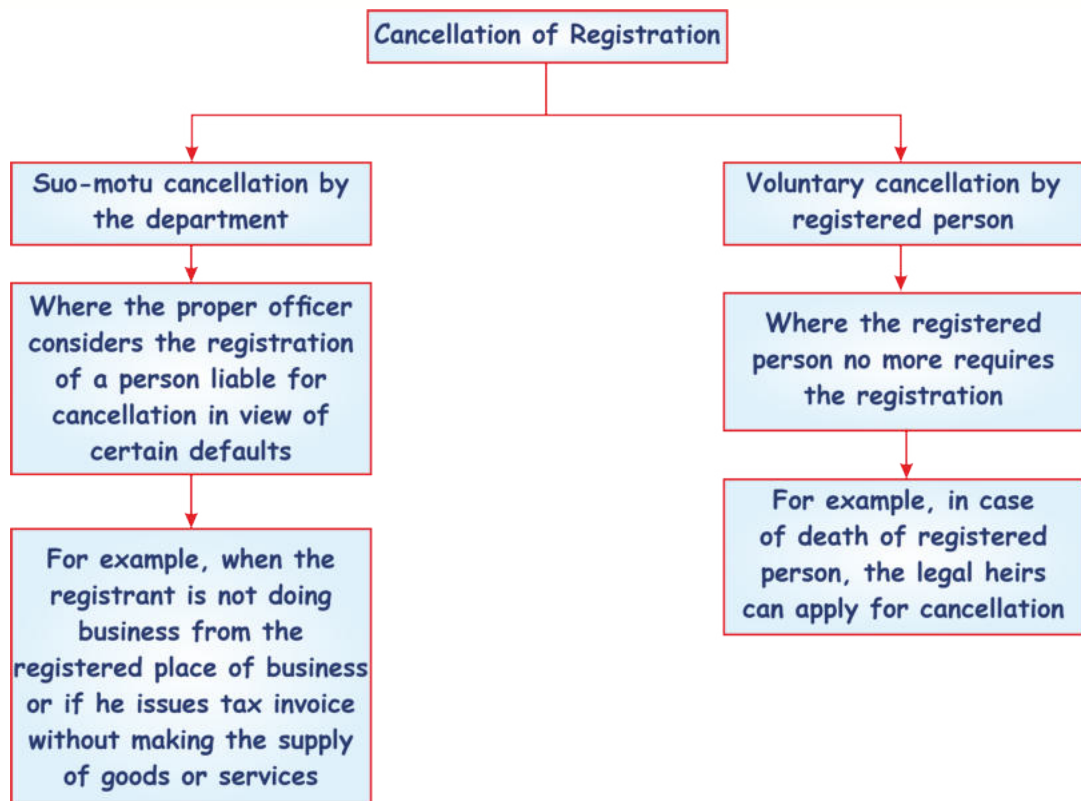
- Normally, amendment is effective **from date of application**.
- Exception : Commissioner may allow **back-dated amendment**, subject to reasons recorded.

Flow of Amendment Process (Core Fields)



1. RP files application within 15 days
2. PO checks details
 - If complete → Approve within 15 days
 - If incomplete / unwarranted → PO issues SCN
3. RP must reply within 7 working days
4. If reply satisfactory → PO approves
5. If not → Application rejected

**CANCELLATION OR SUSPENSION OF REGISTRATION AND
REVOCATION OF CANCELLATION [SECTIONS 29 & 30]**



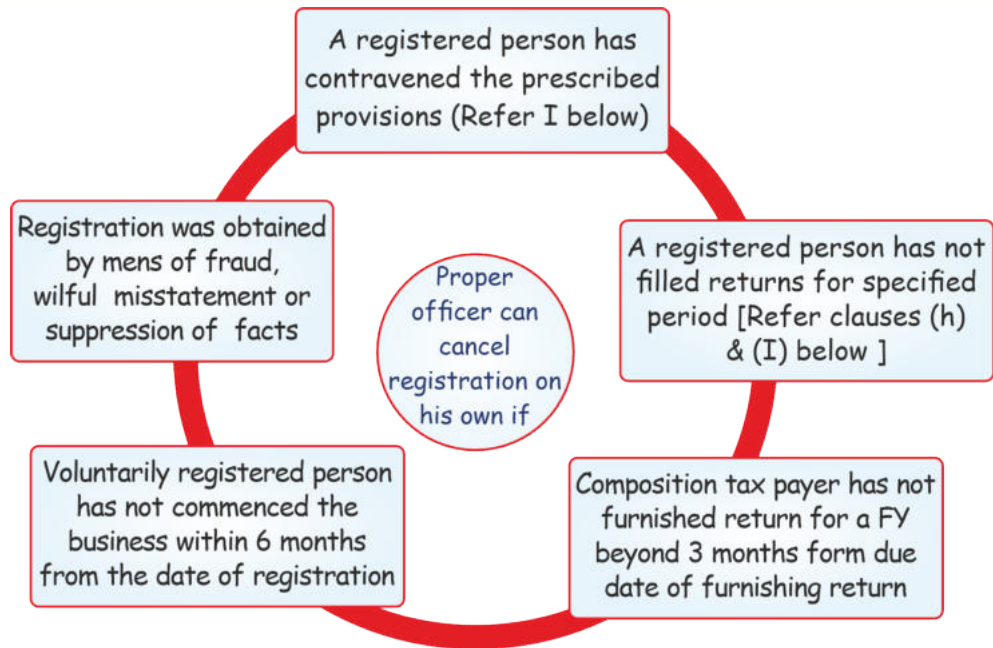
A. Circumstances where registration is liable to be cancelled

Cancellation by the registered person on its own or by the Department

| | | |
|--|---|--|
| <ul style="list-style-type: none"> ➤ Business discontinued ➤ Transferred fully for any reason including death of the proprietor ➤ Amalgamated with other legal entity ➤ Demerged or ➤ Otherwise disposed of | <p>Change in the constitution of the business</p> | <p>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.</p> |
|--|---|--|

B. Circumstances when the proper officer can cancel registration on his own





► Prescribed Contraventions under Rule 21

A registered person is liable for cancellation if he:

1. Does **no business** from declared place of business
2. Issues **invoice without supply**
3. Violates **anti-profiteering (Sec 171)**
4. Violates **Rule 10A** (bank account details rule)
5. **Avails ITC in violation** of Sec 16
6. **Over-reports outward supplies** in GSTR-1 vs GSTR-3B
7. Violates **Rule 86B**
8. Violates provisos to **Rule 23(1)**
9. Fails to file returns for:
 - **6 months** (monthly) or
 - **2 quarters** (QRMP)

Suspension of Registration (Before Cancellation)

Registration may be suspended:

A. When taxpayer applies for cancellation

Suspended from:

- Date of **application**, or
- Date from which **cancellation is sought**



Whichever is later

B. When Department initiates cancellation

PO may suspend if:

- Return vs GSTR-1 mismatch indicates anomalies
- Supplier-side mismatch indicates contravention
- Violation of Rule 10A

Taxpayer is given **30 days** to explain why registration should not be cancelled.

▶ Effects of suspension

During suspension:

- ❌ Cannot make taxable supplies
- ❌ Cannot file returns
- ❌ No refund eligibility

Suspension is automatically revoked after cancellation proceedings conclude.

Cancellation Procedure

A. Voluntary Cancellation (Rule 20)

Application

- Apply in prescribed form **within 30 days** of event
- Furnish details of **stock, capital goods, and tax payable**

Order

- PO must issue cancellation order **within 30 days** of application IF person is no longer liable to be registered.

B. Suo-motu Cancellation (Rule 22)

Process

1. PO issues **Show Cause Notice (SCN)**
2. Taxpayer must reply **within 7 days**
3. If reply satisfactory → proceedings **dropped**
4. If not → registration **cancelled** within **30 days** of reply
5. If cancellation due to return defaults → filing all **pending returns + tax + interest + late fees** leads to automatic dropping of cancellation proceedings



▶ **Effective Date of Cancellation**

- Determined by PO
- Mentioned in cancellation order
- Taxpayer must pay **arrears**, including liability u/s 29(5).

▶ **Amount Payable on Cancellation – ITC Reversal [Sec 29(5)]**

A person must pay (via cash or reversing ITC) an amount equal to **higher of:**

A. Inputs + semi-finished + finished goods

- ITC attributable (Rule 44)

OR

- Output tax payable on such goods

B. Capital goods / Plant & Machinery

- Higher of:
 1. ITC on remaining useful life (useful life = 5 years → pro-rata reversal)
 2. Tax on transaction value (Sec 15)

➔ If invoices not available → ITC based on **market value**.

▶ **Other Important Points**

- UIN holder **cannot** apply for cancellation.
- Cancellation **does not affect past tax liabilities**.
- Cancellation under **SGST** = cancellation under **CGST** (deemed).
- **After cancellation :**
 - ❌ Cannot file returns for period after cancelled date
 - ✓ Can file returns for past periods when registration was active

Revocation of Cancellation (Sec 30 + Rule 23)

Applicable **ONLY** when cancellation is done **suo-motu** by PO.

Note : Revocation is **NOT** allowed when the taxpayer himself requested cancellation

A. **Time limit**

- **90 days** from cancellation order
 - Can be extended by:
 - **Additional Commissioner / Joint Commissioner** → **+180 days maximum**
- Maximum extension = **90 + 180 = 270 days**



B. Process

1. File application for revocation
2. PO examines →
 - If satisfied → revocation within **30 days**
 - If not → SCN issued → reply within **7 working days**
3. PO must accept or reject within 30 days of receiving reply.

► Special Case — If Cancellation was due to Non-Filing of Returns

Before revocation, the taxpayer must:

- ✓ File all pending returns
- ✓ Pay all dues: Tax, Interest, Penalty, Late fee

Then apply for revocation.

Case 1: Cancellation effective from date of order

Before applying for revocation:

- Must file all returns up to cancellation date
- After revocation:
- Returns from cancellation date till revocation order must be filed within **30 days** of revocation order.

Case 2: Cancellation with retrospective effect

- No need to file past returns
- Must file **ALL** returns from effective cancellation date → revocation order date within **30 days** of revocation order.

► Persons Not Eligible for Revocation

- UIN holders
- GST Practitioners
- Registration cancelled on taxpayer's request (voluntary cancellation)
- Deemed provision : Revocation under SGST = Revocation under CGST (deemed)



CHAPTER – 11

TAX INVOICE, CREDIT & DEBIT NOTE

Who can raise tax invoice : Registered person

- 1) Supplying taxable goods or services (Under FCM)
- 2) Receiving taxable goods or service from unregistered person (Under RCM)

➤ **Time limit for issue of invoice (in case of goods & service) :**

| Particular | Goods | Services |
|-------------------|--|---|
| Normal supply | <u>Goods involve movements:</u> Dispatch of goods Other cases : Delivery or making available of goods. | Before/after service but within 30 days issue a tax invoice. The limit will be 45 days in case of insurance/Banking/FI/NBFC |
| Continuous supply | Before/at the time each such statement issued or, each such payment is received. | 1) Due date of payment is ascertained: On/before due date of payment 2) Due date of payment is not ascertained: On/before supplier received the payment 3) Payment is linked to completion of event : On/before Date of completion of event. |

➤ **Special Points :**

- 1) Goods sent on approval: Invoice shall be issued Earlier of -
 - before or at the time of supply, or
 - 6 months from the date of removal,
- 2) Inter-branch transactions in case of insurers, banks, telecom operators etc means service to **distinct person under sec 25** may issue the invoice -
 - before or at the time such **supplier records in his books** of account; or
 - before the **expiry of the quarter** during which the supply was made
- 3) Issuance of invoice at the time of cessation of 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.



➤ **Content of tax invoice (rule 46)**

| | | |
|--------------------------------------|--|----------------------------------|
| Date of invoice | Consecutive serial no. not exceeding 16 characters | Name, address, GSTIN of supplier |
| Description of goods or services | Quantity in goods | Total value |
| Taxable value after discount | Amount of tax charge | 'Rate of tax |
| Place of supply with state name | Address of delivery if different from place of supply. | Signature or digital sign |
| Whether payable under reverse charge | | |

Recipient is registered: Name, address, GSTIN of recipient

Recipient is unregistered:

| Value of supply | Particulars of invoice |
|-------------------|--|
| ₹50,000 or more | Name, address of recipient & delivery, State, its code |
| Less than ₹50,000 | still requests above details. But in OIDAR/ECO/Online money gaming supplies - Name of state is compulsory for address |

HSN Code :

| Annual T/O in preceding FY | No of digits of HSN code |
|----------------------------|-------------------------------|
| Upto ₹5cr | B2B - 4 B2C - 4 (optional) |
| More than ₹5cr | B2B & B2C - 6 |

In case of E- invoice, QR code with embedded Invoice reference no. (IRN)

Declaration, E-invoice not required even if t/o in preceding FY more than ₹5 crore.

➤ **Dynamic QR code:**

Supplier : Registered person (Agg. T/o in any preceding FY from 2017-18 > ₹ 500cr) (PAN wise)

Recipient : Unreg. Person (URP)

Dynamic QR Code Non applicable

- Export
- OIDAR
- Insurance/ banking/ FI/ NBFC/



- GTA
- Passenger transport
- cinematography services

➤ **Clarification :**

- 1) Any person who has obtained Unique Identification Number (UIN), is not a "registered person" shall be treated as URP recipient and hence treated as B2C supplies if supplied by above supplier to him.
- 2) In case, supply of service to recipient outside India where Place of supply is in India. And it complies all the condition of export like: For ex received by supplier in INR as per Rbi - In that case of requirement of dynamic QR code.

Invoice requirement in case of export: shall mention "Supply meant for export/SEZ unit/developer". Particular of export invoice is same as above. Except in case of **recipient is unregistered and value of supply ₹50,000 or more - only name of country of destination is required.**

Manner of Issue Invoice (RULE 48)

| Supplier of goods: | Supplier of services: |
|---------------------------|------------------------|
| Triplicate copy | Two copies |
| Original for recipient | Original for recipient |
| Duplicate for transporter | Duplicate for supplier |
| Triplicate for supplier | |

E-Invoice [RULE 48(4)]

| | |
|-----------------------------|---|
| What is E-Invoice? | Taxpayers create invoice from their own accounting software. These invoices then reported to invoice registration portal (IRP). Then IRP generates a unique 'Invoice reference no' (IRN) and digital sign it and add a QR code IRN is 64-character hash. |
| Applicability of E- Invoice | Agg. T/o of supplier > ₹5cr (all units under same pan) in any FY from 2017-18. Only applicable in B2B, Export supplies & Debit/credit note . means not required to report B2C invoices. |



| | |
|---|---|
| E-Invoice in case of RCM | <p><u>Under 9(3)</u> - Recipient pay the tax but supplier generate the invoice-so E-invoice is compulsory for supplier of RCM.</p> <p><u>Under 9(4)</u> - Since supplier is unregistered. So, E- Invoice is NA.</p> |
| Declaration | <p>Agg. T/o > ₹5cr, shall put the declaration: "I/We hereby declare that though our agg. T/o in any preceding FY from 2017-18 onward is more than agg. T/o notified under sub-rule (4) of rule 48, we are not required to prepare an invoice in term of the provision of the said sub rule"</p> |
| Exemption from E - invoice | <ul style="list-style-type: none"> - SEZ unit (not SEZ developer). - Insurance co./ banking/FI/NBFC - GTA (by road) - Passenger transportation - Admission to exhibition of cinematograph films in multiplex. - Govt. department or local authority - Import of services. - Exempt supply (Nil rate/wholly exempt/non-taxable) - Input service distributor (ISD). - Clarification: The exemption is unit/entity as a whole, not on invoice/ nature of service wise |
| Cancellation of E-Invoice | <p>Report within 24 hours on IRN portal. Same invoice no cannot used again</p> <p>After 24 hours need to manually cancelled on GST portal before return.</p> <p>Changes if any, on GST portal</p> |
| <p>For example - ABC Ltd has a sez unit and a DTA unit. The aggregate t/o of combined unit is > ₹5cr. Out of which DTA unit t/o is ₹3cr. In this case, SEZ unit is exempt from the e-invoicing but DTA is required to generate e-invoice since, aggregate T/o is >> ₹5cr.</p> | |
| <p>Important Clarifications : Even supplier whose agg. t/o exceed > ₹5cr supplied to Govt dept./LA/agencies/PSUs under sec 51 (TDS) still E-invoice is compulsory.</p> | |

Tax Invoice - Other Provision

Revised Tax Invoices to be issued in respect of taxable supplies effected during this period

Revised invoice in case of new registration (Rule 53)



A registered person, within 1 month from the date of registration certificate, so that ITC can be availed by the recipient.

Example: ABC Private Ltd. commenced business of supply of goods on 1st April in Delhi. Its t/o exceeded ₹40,00,000 on 10th November. Thus, it became liable to registration on 10th November. It applied for registration on 28th November and granted registration certificate on 5th December. Since it applied for registration within 30 days of becoming liable to registration, it was granted registration with effect from 5th November. XYZ Private Ltd. may issue Revised Tax Invoices in respect of taxable supplies effected between 10th November and 5th December.

Consolidated Revised Tax Invoice

Registered recipient : No consolidated revised tax invoice

Unregistered recipient:

| Intra state supply | Consolidated for all recipient |
|----------------------------|-------------------------------------|
| Inter-state supply: | |
| Up to ₹2,50,000 | Consolidated for all recipient |
| More than ₹2,50,000 | No consolidated revised tax invoice |

Consolidated Tax Invoice

If all condition satisfied :

- Value of G/S/B is **less than ₹ 200**
- Recipient is **unregistered**
- Recipient does **not require invoice**
- issue consolidated invoice at the end of day
- However above provision is **not applicable** in supply of service by way of admission to exhibition of cinematograph films in multiplex.

Example : Ram Traders is a trader dealing in stationery items. It is registered under GST and has undertaken following sales during the day :

| S. No. | Recipient of supply | Amount (₹) | Answer |
|--------|---|--------------|--------------|
| 1) | Shivam traders - a registered person under composite scheme | ₹190 | Separate |
| 2) | Manish - as unregistered trader | ₹ 500 | Separate |
| 3) | Krishna charitable trust - unreg entity | ₹ 200 | Separate |
| 4) | Nancy - unregistered | ₹ 150 | Consolidated |



Receipt Voucher

A registered person shall, on receipt of **advance payment** on supply of G/S/B issue a Receipt Voucher evidencing receipt of such payment.

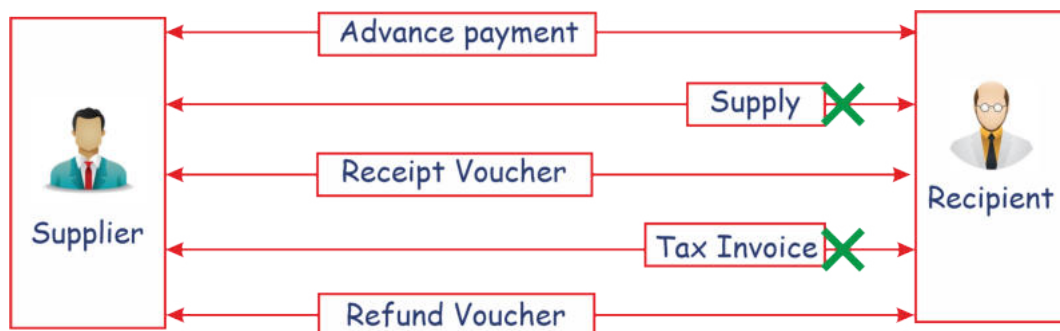
Content of receipt voucher: Same as of tax invoice content...just instead of taxable amount, Amount of advance taken.

When at the time of advance, rate of tax or nature of supply is not determinable:

| | |
|--------------------------------------|-------------------------------|
| Rate of tax is not determinable | 18% tax rate |
| Nature of supply is not determinable | Treated as inter-state supply |

Refund Voucher

On receipt of advance payment, but subsequently no supply is made and no tax invoice is issue, supplier shall issue the refund voucher for the said advance .



Content of receipt voucher: Same as of tax invoice content...just instead of taxable amount, Amount of refund.

Invoice Requirement in Case of RCM sec. 9(3)/(4) Receives Supplies from an Unregistered Person

Within 30 days from the date of receipt of supply of G/S/B by the recipient. [Rule 47A]

Note : Unregistered supplier also included supplier who is registered solely for TDS under sec51.

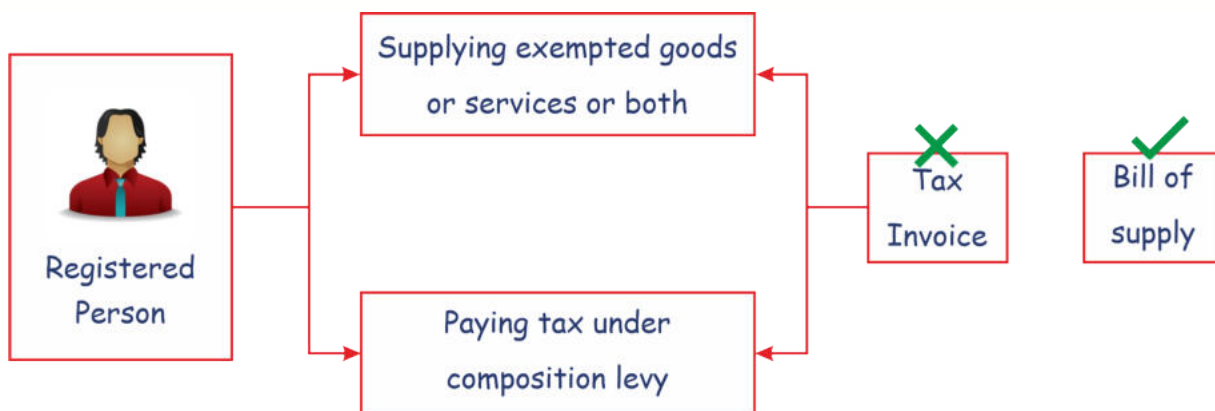


Payment Voucher

Registered Recipient pay tax under sec 9(3)/(4), shall issue payment voucher at the time of payment of G/S/B to the supplier.

Bill of Supply

Registered person supplying exempted G/S/B or 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.



Tax Invoice in Special Cases (Rule 54)

| | Optional info | Mandatory info |
|--|--|-----------------------|
| Insurer/Banking/FI/NBFC (May issue physical/E-form) | Serial no. Address of recipient | Same as under rule 46 |
| | May issue a consolidated tax invoice at the end of month | |
| Passenger transport | Serial no. Address of recipient | Same as under rule 46 |
| Cinema in multiplex | Tax invoice = E -ticket | |

Invoice Cum Bill of Supply

Registered person **Supplying** taxable as well as exempt supply to unreg. person



Delivery Challan [Rule 55]

Delivery challan to be issued :

- Serially numbered (Max. 16 characters)
- In one/multiple series
- At the time of removal of goods for transportation

Nature of supply :

- Supply of **Liquid Gas** for which quantity not known at the time of removal
- Transportation of goods for **job work**
- Transportation of goods for reason **other than supply**.
- Such other cases as **notified**.

Triplicate copies : Consignee, Transporter, Consignor

Declare in E- way bill : When goods transported on delivery challan in lieu of invoice.

Good moving within state or outside the state of registration on approval basis : cover under delivery challan along with E-way bill (whenever applicable) and attract IGST in case of other state approval.

E.g jewellery, Inter state supply of art work

Goods Transported in SKD / CKD / Batches / Lots

- Complete invoice to be issued before dispatch of first consignment.
 - Delivery challan for each subsequent consignment giving reference to invoice shall accompany consignment along with duly certified copy of invoice.
 - Original copy of invoice to be sent with last consignment.
- Goods may be moved for supply on approval basis and artworks may be sent by artists to gallery for exhibition on delivery challan along with e-way bill wherever applicable invoice to be issued at the time of actual supply.**

Tax Invoice In Case of ISD

ISD to issue Tax invoice/Credit Note for transfer of common credit. However, BANK/NBFC/FI may issue any document in lieu of Tax Invoice/Credit Note.



Others

Rule 55A : Tax invoice / bill of supply to accompany goods in transportation when e-way bill not required

Sec 32 Prohibition of unauthorized collection of tax : URP cannot collect tax

Sec 33 Amount of Tax to be indicated in the tax invoice and other documents.

Credit Note & Debit Note

➤ Credit Note : (Liability reduce)

- Taxable value on invoice exceeds the taxable value of taxable of G/S/B or
- Tax charged is more than actual tax rate, or
- Where G/S/B are returned by the recipient.

Consolidated credit invoice : One or More (consolidated) credit note can be issued in respect of multiple invoices issued in a financial year, without linking the same to individual invoices.

Detail of credit note to be given in return: Earlier of

- 30th Nov following the end of FY in which such supply was made
- The date of furnishing of the relevant annual return.

No reduction in output tax liability tax + interest on such supply passed to other person.

Credit note not allowed in case Secondary discount not known at the time of supply and hence not be reduced from the value of supply. However, Commercial credit note can be issued for closing of books.

➤ Debit Note : (Liability increase)

- Tax value in tax invoice < taxable value in respect of such supplies.
- Tax charged in the tax invoice < Tax payable in respect of such supply
- More quantity received as compared to declared in invoice.

Detail of debit note to be given in return:

In the return of month during which debit note is issued

No time limit to issue debit note



Clarification

Procedure followed in respect of expired medicines return by wholesaler/retailer to manufacturer

Option 1: Return the expired goods treated as fresh supply and raised a tax invoice

In this case recipient (manufacturer/Wholesaler) take the ITC on it only if supplier (wholesaler/retailer) is registered other than composite scheme.

ITC block : once manufacturer/Wholesaler **destroy** the expired goods. He needs to **reverse the ITC**.

Example : Manufacturer has availed ITC of ₹10/- at the time of manufacture of medicines value at ₹100/-. At the time of return of such medicines on the account of expiry, the ITC availed to the manufacturer on the basis of fresh invoice issued by wholesaler ₹15/-. So, when goods are destroyed by manufacturer he would require to reverse the ITC of ₹15/-, and not of ₹10/-

Option 2: Return the expired goods by issue credit note

- In this case Manufacturer or wholesaler, who have supplied the goods to wholesaler/retailer, can raised the credit note in relation to the expired goods.
- The wholesaler/retailer return the goods along with delivery challan.

Tax liability adjustment: For tax liability adjustment credit note to be **issued prior to 30th November** following the end of FY and those issued after it and recipient who deliver the goods not taken the ITC on the expired goods or reversed the ITC if already taken.

ITC block : Once manufacturer/Wholesaler **destroy** the expired goods. He needs to **reverse the ITC**.

Example :

| Date of supply | Date of return of goods | Credit note & Tax liability |
|---------------------------|----------------------------|--|
| 1 st June 2025 | 30 th Oct, 2026 | <u>Credit note</u> : can issue <u>Tax liability</u> : can adjusted |
| 1 st June 2025 | 15 th Dec, 2026 | <u>Credit note</u> : can issue <u>Tax liability</u> : cannot adjusted |



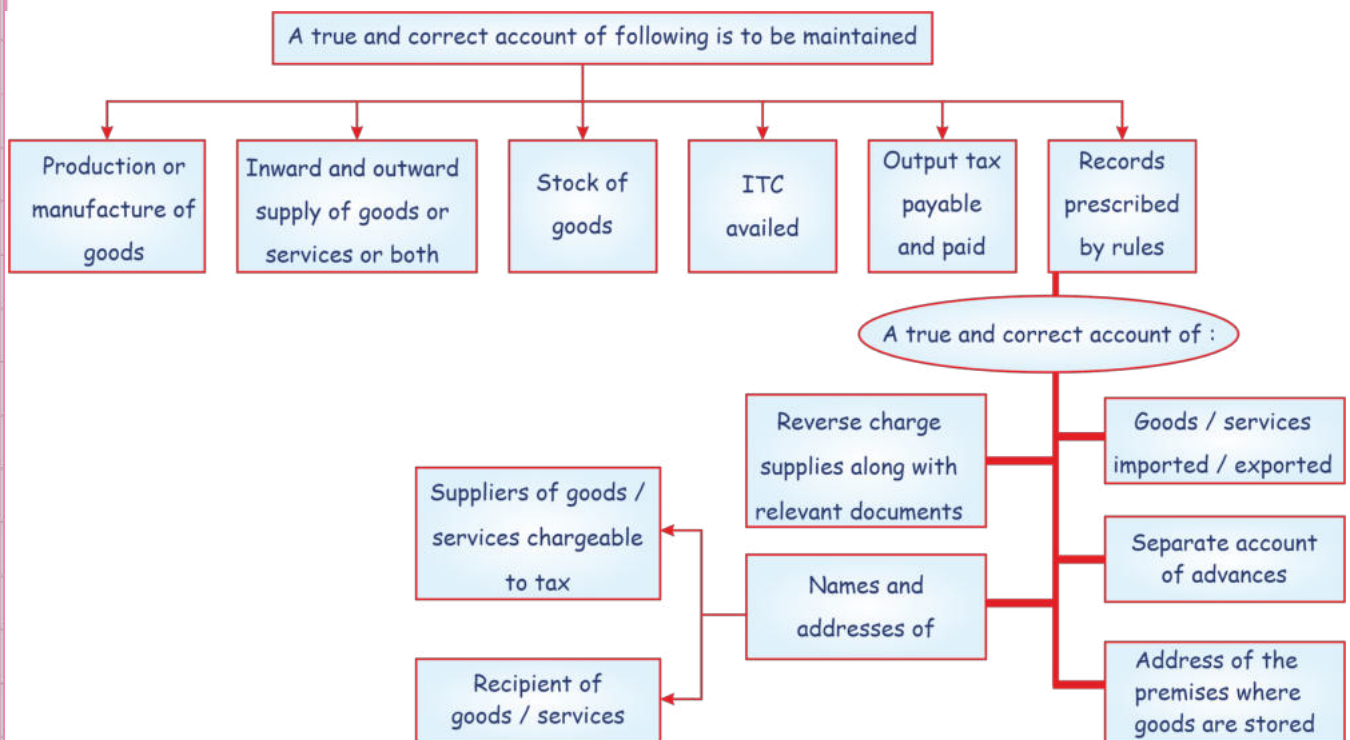
CHAPTER – 12

ACCOUNTS & RECORDS, E-WAY BILL

Books of accounts to maintained : Every registered person shall keep and maintain, books of accounts at his principal place of business.

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.

➤ **List of records: Can maintain in Electronic form also.**



Records found at other place: if any document, registers or any books of account belonging to a registered person are found at any premises other than those mentioned in certificate of registrations, they shall deemed to be maintained by the said registered person.

➤ **Supplier:**

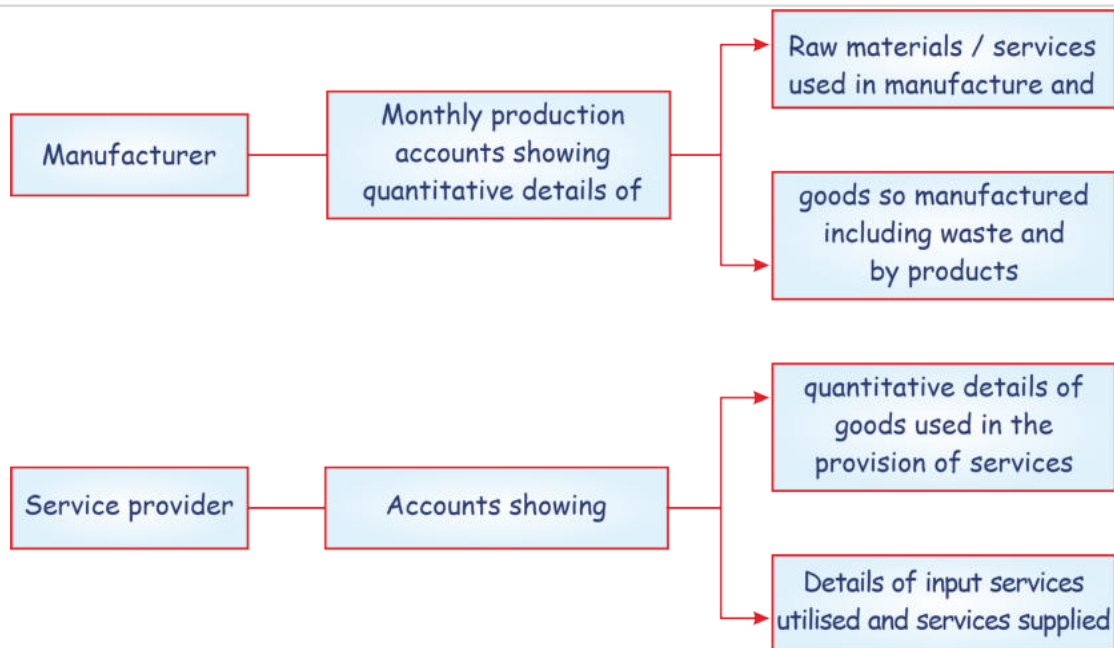
A supplier is required to maintain following records relating to stock of goods and tax details. Not applicable on composite scheme supplier:

- (a) **Stock of goods :** Goods received & supplied , and contains particulars of the opening balance, receipt, supply, goods lost, stolen, destroyed or free sample and the balance of stock including raw materials, finished goods, scrap and wastage thereof.
- (b) **Details of tax :** 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.

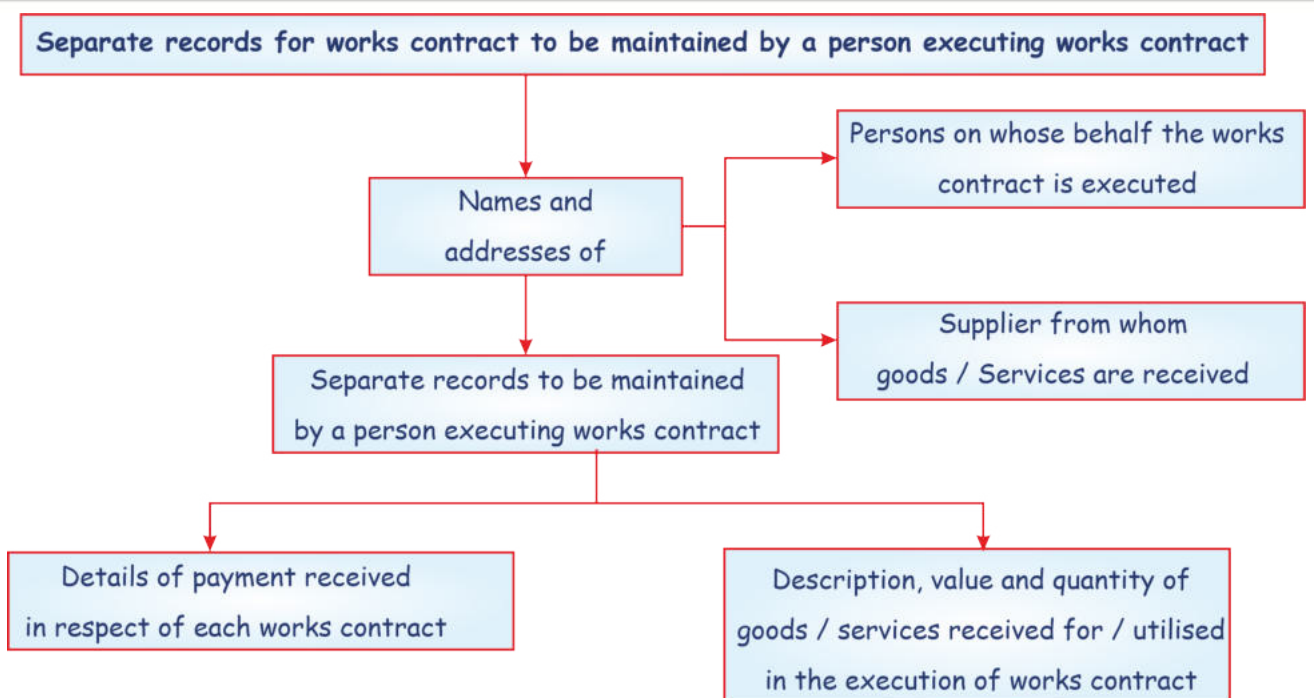


➤ **Agent**

- (a) **Authorisation** of every Principal separately
- (b) **Received on behalf of every principal** (description, value and quantity)
- (c) **Supplied** on behalf of every principal; (description, value and quantity)
- (d) details of **accounts furnished** to every principal; and
- (e) **tax paid on receipts** or on supply on behalf of every principal.



➤ **Person executing works contract**



➤ **Custodian/clearing and forwarding agent**

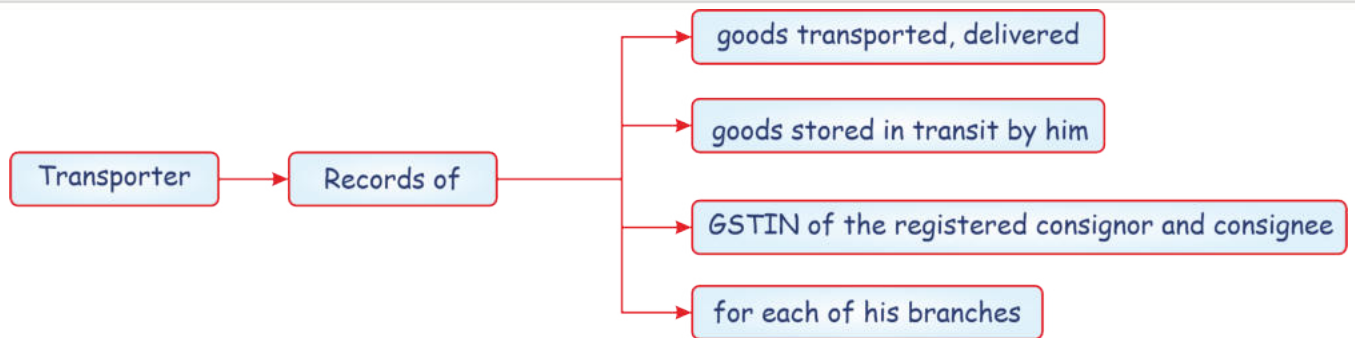
true and correct records in respect of **goods handled** by him on behalf of such registered person and shall produce the details thereof as and when required by the proper officer.

➤ **Owner/operator of a warehouse/ godown and transporter**

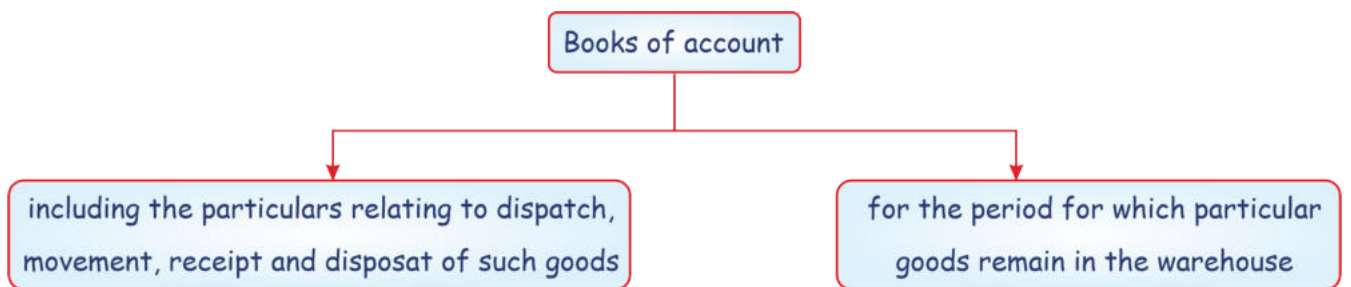


- If not registered, they shall obtain a unique enrolment number
- The person enrolled in any other State/UT deemed to be enrolled in the State/UT.
- Amend of details is allowed
- once obtained unique enrolment number, shall not be eligible to use any of the GSTIN.

➤ **Transporter :**



➤ **Owner/operator of a warehouse/ godown**



➤ How the accounts and records will be maintained?

If Manual form - serially numbered

If electronic -

- (a) **Any electronic form** of data stored on any electronic device.
- (b) Authenticated by means of a **digital signature**.
- (c) Proper electronic **back-up** of records, & in the event of destruction the information can be restored within reasonable time.
- (d) Shall **produce, on demand**, the records or documents, duly authenticated by him.
- (e) He shall, on demand, provide the details of such files, **passwords** of such files and explanation for codes used, where necessary along with a sample copy in print form of the information stored .

No entry to be erased/overwritten

All incorrect entries, otherwise than clerical nature, **shall be scored out** under attestation and there after correct entry shall be recorded.

In electronic data , a **log** of every entry edited or deleted shall be maintained.

Consequences of failure to maintain the accounts

The provisions of **section 73/ 74/ 74A** 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

➤ In case of any case pending in any law under GST

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 appeal/revision/proceeding/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**.

➤ Clarifications

Supply of goods through an auction like tea, rubber, coffee

- Principals & auctioneers faced difficulty maintaining books at every APoB.
- They can declare warehouses where goods are stored as their APoB.



- Books for these APoBs may be maintained at the principal's/auctioneer's PPoB, with written intimation to the proper officer.
- ITC can be availed by all parties.

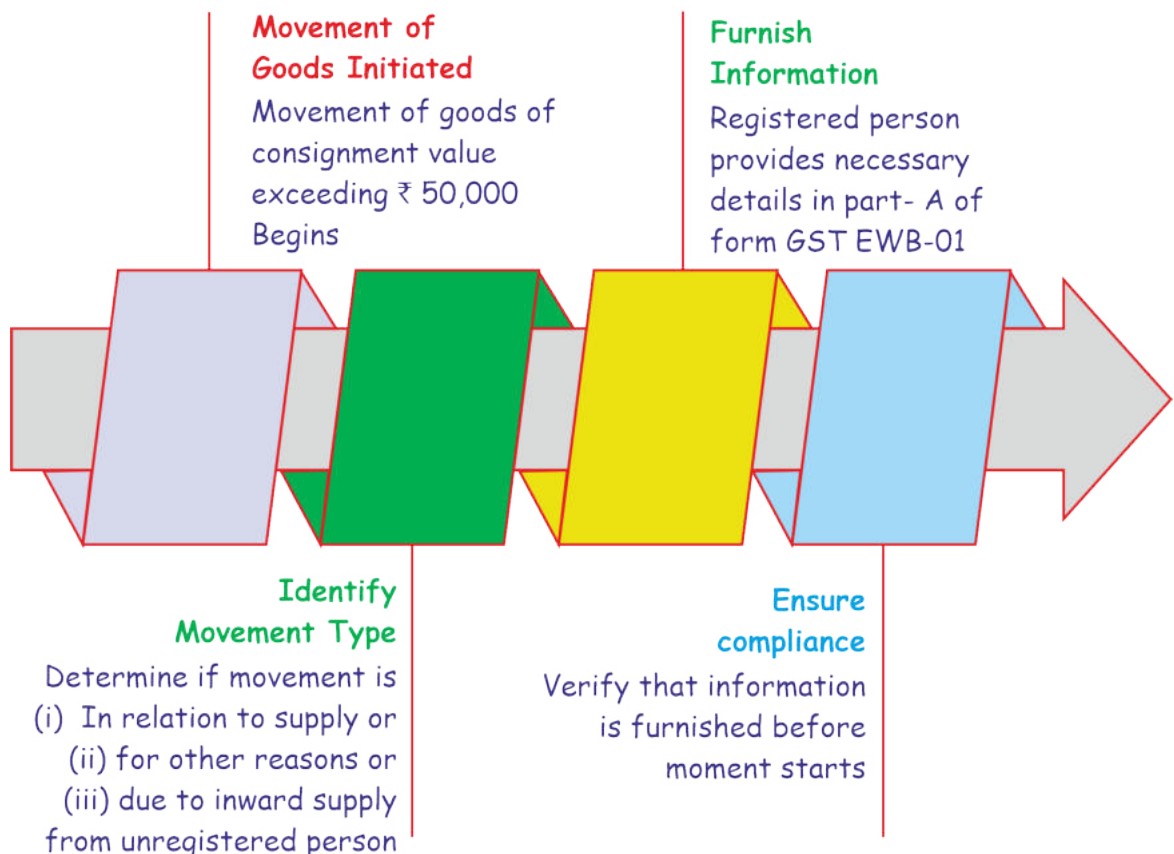
ELECTRONIC WAY BILL

- Under this system, a taxpayer Before moving goods, must upload transaction details to the portal, get an acknowledgement number, and this number must accompany the vehicle as a valid document during movement.
- E-way Bill is generated electronically in Form GST EWB 01 before commencement of such movement.

➤ **Who can generate the E-way bill?**

- Supplier, or
- Recipient, or
- Transporter - if unregistered ,get enrolled on e-waybill portal get 15-digit Unique Transporter Id called TRANSIN.

GST EWB - 01 Compliance Process



➤ **When is e-way bill required to be generated?**

Whenever there is a movement of goods of consignment value exceeding ₹ 50,000

- For supply, or
- Other than supply (Delivery challan is compulsory), or
- Inward supply from unregistered person

➤ **Who causes movement of goods?**

- If a **registered supplier** transports the goods, movement is caused by the **supplier**.
- If the **recipient arranges transport**, movement is caused by the **recipient**.
- If an **unregistered supplier** supplies to a registered recipient, and the recipient is known at the start of movement, movement is considered caused by the **recipient**.

Consignment value of goods = VOS under section 15

Includes: Central tax or GST

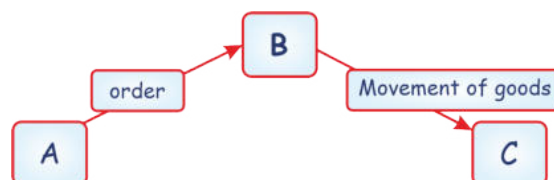
Excludes: Exempt Supply

Example : 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.

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**
- (ii) **Inter-State** transfer of **handicraft goods** by a person exempted from obtaining registration

➤ **E-way Bill in case of 'Bill To Ship To' Model**



A' is the person who has ordered 'B' to send goods directly to 'C' on behalf of 'A'.

Invoice -1: which would be issued by 'B' to 'A'.

Invoice -2: which would be issued by 'A' to 'C'.

It is clarified that, **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.



➤ Information to be furnished in e-way bill:

(a) Part A

supplier/recipient GSTIN, delivery PIN, document details, value, HSN, reason for transport is filled by the registered person.

Part A may also be filled **by the transporter, e-commerce operator, or courier**, if authorized.

(b) Part B

Vehicle no. / transporter document no. is filled by the transporter.

E-way bill is generated only after Part B is entered (i.e., once goods are ready to move).

➤ Who is mandatorily required to generate e-way bill?

- If goods are moved in own/hired vehicle, by rail, air, or vessel, the consignor/consignee must generate the e-way bill.
- If goods are handed to a transporter (road transport), the transporter must generate it.
- If neither consignor nor consignee generates it and the value exceeds ₹ 50,000, then the transporter is responsible for generating the e-way bill.

When is it not mandatory to furnish the details of conveyance in Part-B: Upto 50 km within the State/UT.

Transfer of goods from one conveyance to another : update the details of conveyance in Part Before next movement.

Example : Babbal Associates transports goods from Cochin to Chandigarh using multiple transport modes:

1. Stage 1 (Road → Shipyard):

E-way bill generated with road vehicle number.

2. Stage 2 (Ship):

At shipyard, mode updated to ship with transport document number.

3. Stage 3 (Road → Airport in Mumbai):

After landing, mode updated back to road with new vehicle number.

4. Stage 4 (Air):

Finally, Airway Bill number is updated for air transport.



➤ **Assigning the e-way bill number to another transporter**

You can reassign an e-way bill to another transporter only until Part B is updated. After Part B is filled, no reassignment is allowed.

➤ **Consolidated E-way bill**

| | |
|---|---|
| Separate consignment >₹ 50,000 & Agg. multiple consignment in same vehicle >₹ 50,000 | Each Separate E- way bill + consolidated e-way bill in Form GST EWB-02(serial number of each e-way consignment) |
| Separate consignment upto ₹ 50,000 & Agg. multiple consignment in same vehicle > ₹ 50,000 | Intra-state : Only consolidated E- way bill Inter-state movement: Each Separate E- way bill + consolidated E-way bill However, only consol applicable, transportation of goods by railways, air and vessel, |

Consolidated e-way bill A consolidated e-way bill is a single document that combines multiple e-way bills for different consignments being transported in one vehicle. transporter carry one combined document instead of separate e-way bills for each consignment.

➤ **Cancellation of e-way bill**

- Goods are not transported or transported differently, the e-way bill can be **cancelled within 24 hours** on the portal.
- Cancellation is NOT allowed if the bill has already been **verified in transit** (Rule 138B).
- The **EWB number remains valid for 15 days** to update **Part B**

➤ **Validity period of e-way bill/consolidated e-way bill**

| Distance within country | Validity period from relevant date* |
|---|-------------------------------------|
| Normal case | |
| Upto 200 km | 1 day |
| For every 200km thereafter or part | 1 additional day |
| Over Dimensional Cargo or multimodal shipment | |
| Upto 20 km | 1 day |
| For every 20 km or part thereof thereafter | 1 additional day |

* The day of e-way bill generation is not counted. Validity starts from the midnight following the generation day & days will be counted after Part-B.



Examples :

- E-way bill generated at 00:04 on 14 March → Day 1 starts midnight of 15-16 March.
- E-way bill generated at 23:58 on 14 March → Day 1 also starts midnight of 15-16 March.

➤ Acceptance/Rejection of e-way bill

Once an e-way bill is generated, its details are shown on the portal to:

- the supplier (if Part A was filled by recipient/transporter), or
- the recipient (if Part A was filled by supplier/transporter).

The concerned supplier/recipient must accept or reject the consignment shown in the e-way bill.

➤ Deemed acceptance -

- 72 hours of the details being made available to him on the common portal, or
- the time of delivery of goods, whichever is earlier

E-way bill generated in one State is valid in another State

➤ Situations where e-way bill is not required to be generated

A. Specific Goods:

- LPG for household/NDEC
- PDS kerosene
- Postal baggage (Dept. of Posts)
- Precious stones/metals & jewellery (Ch. 71) except imitation
- Currency
- Used personal/household effects
- Coral (raw/ worked)

B. Specific Situations:

- Transport by **non-motorised conveyance**
- Movement from **port/airport/LCS** to ICD/CFS for customs clearance
- Movement **within notified areas** under Rule 138(14)(d)
- **Exempt goods** (except de-oiled cake)
- **Petroleum products & alcohol** (non-GST items)
- **Schedule III - No supply** items
- Under **customs bond/ supervision/ seal**
- **Transit cargo** to/from Nepal or Bhutan
- Supplies covered under **Notification 7/2017 & 26/2017** (CSD, heavy water, nuclear fuel)
- **Defence formations** as consignor / consignee
- **Govt/State/local authority** consignor for **rail transport**
- **Empty cargo containers**
- Movement up to **20 km** to/from weighbridge with delivery challan
- Movement of **empty LPG cylinders** (not for supply)

Documents and devices to be carried by a person-in-charge of a conveyance [Rule 138A]



- The person in charge of the vehicle must carry:
 - (a) the invoice/bill of supply/delivery challan, and
 - (b) the e-way bill except for rail, air, or vessel transport.
- In e-way bill number details can be verify using just the number.
- For **imported goods**, the driver carry the **Bill of Entry** and mention its **number and date** in Part A of the e-way bill.

- **Invoice Reference Number in lieu of tax invoice**
 - If an e-invoice is issued, the QR code with the IRN can be shown electronically to the officer instead of a physical invoice.
 - In this case, the taxpayer need not fill Part A of the e-way bill; it will be **auto-populated** from the e-invoice data.
 - The Commissioner may notify certain transporters to use a **unique RFID device** on their vehicles and link the e-way bill to the RFID before movement of goods.

- **Verification of documents and conveyances [Rule 138B]**
 - The Commissioner may permit proper officers to **intercept vehicles** and verify e-way bills for all inter- and intra-State goods movement.
 - **RFID readers** must be installed at required locations, and vehicle movement is verified through these when e-way bills are RFID-mapped.
 - **Physical verification** of conveyances is done only by officers authorized by the Commissioner.
 - Any officer may conduct physical verification on **specific tax-evasion information**, but only with **prior approval** from the Commissioner or an authorized officer.

- **Inspection and verification of goods [Rule 138C]**
 - **summary inspection report (Part A)** report must be filed within **24 hours**, and Part B within **3 days** of inspection; Commissioner may extend Part B by **3 more days**.
 - Timeline counts from **midnight of the interception date**.
 - Once physical verification is done, **no repeat check** unless new evasion info emerges.
 - Transporter may show **notices/orders** as proof of action.
 - Only goods/conveyances with **actual GST violations** should be detained/confiscated.

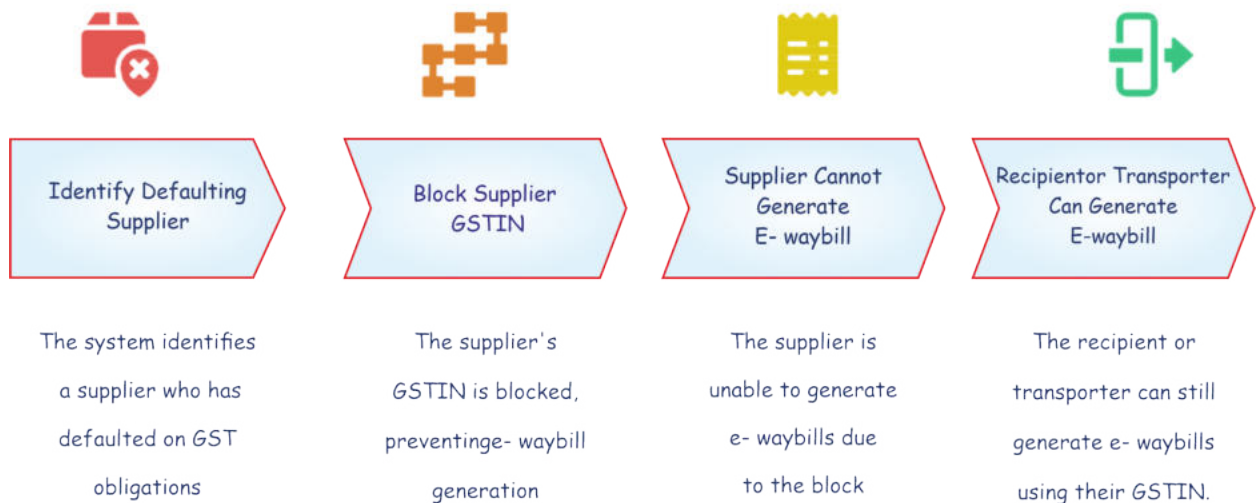


Example: Where a conveyance carrying 25 consignments is intercepted and the person-in-charge of such conveyance produces valid e- way bills and/or other relevant documents in respect of 20 consignments, but is unable to produce the same with respect to the remaining 5 consignments, detention/ confiscation 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 there under has been established by the proper officer.

➤ **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.

➤ **Blocking of e-way bill generation facility [Rule 138E]**



➤ **Restriction on furnishing of information in Part A of Form GST EWB-01**

- **Commissioner's Discretion** under prescribed conditions
- **GSTR-1 Non-Fileers** for 2 months or quarters
- **Suspended Registration**
- **Regular Scheme:** Taxpayers who haven't filed returns for 2 consecutive tax periods
- **Composition Supplier:** Does not furnished statements for payment of self-assessed.

➤ **Consignee/Recipient Using Transporter's Godown**

Textile traders often store goods in the transporter's godown due to financial constraints. If goods are stored in the transporter's godown, the recipient must declare it as APoB.





1. E-Way Bill Requirement

- Goods stored in the godown are treated as **in transit**, so a **valid e-way bill** is required.
- Once goods reach the transporter's godown (APoB), the e-way bill is **treated as completed**
- Moving goods from the godown to any other place needs a **new e-way bill**.

2. Accounts & Records

- The **transporter** (acting as warehouse keeper) must maintain records
- The **recipient taxpayer** must maintain records
- As per rule 56(7), records for goods stored at the APoB can be kept at the **principal place of business**.



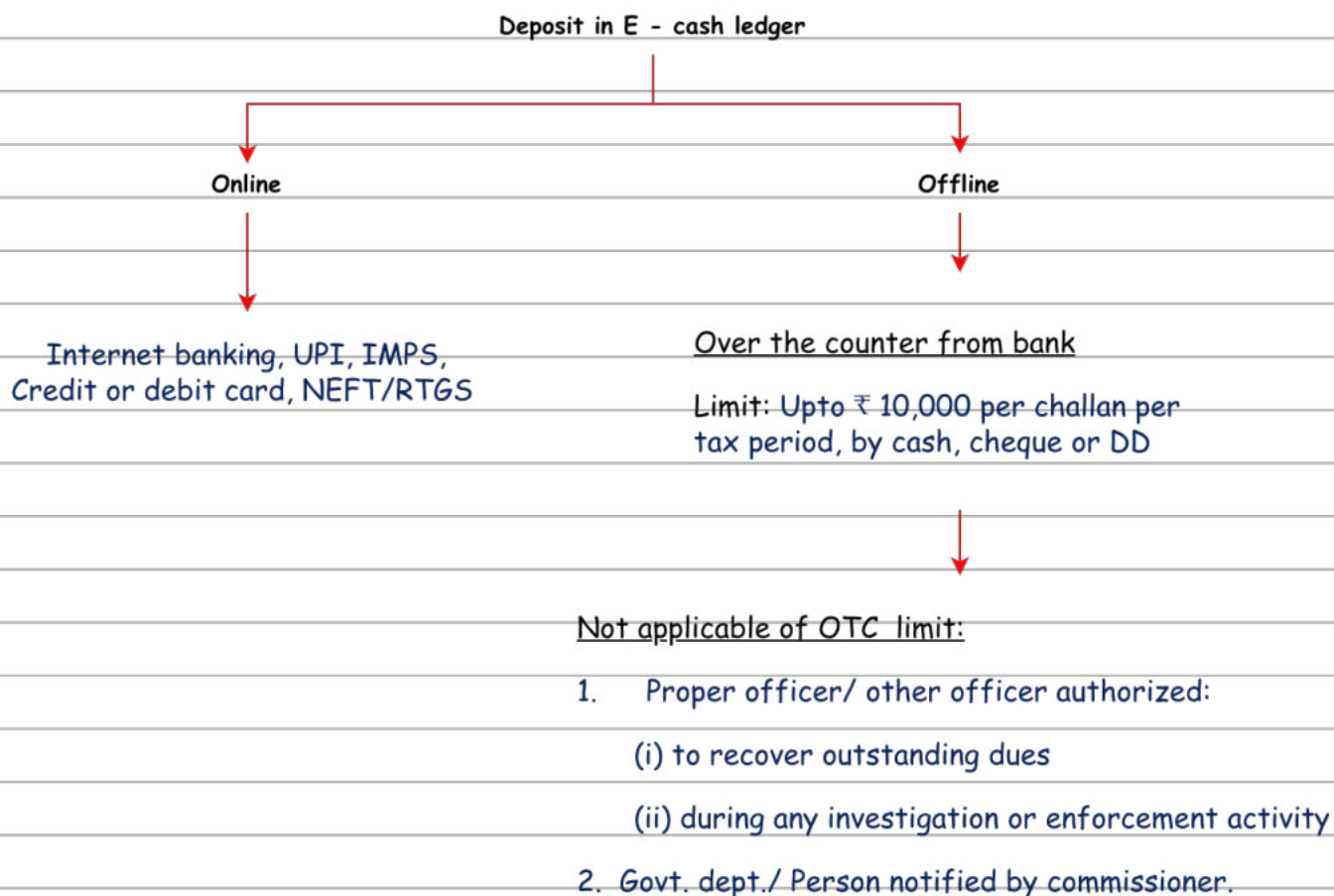
CHAPTER – 13

PAYMENT OF TAXES

| | |
|-------------------|--|
| Section 49 | 3 ledgers namely the E - cash ledger, E- credit ledger and E - liability register. |
| Section 49A & 49B | Utilization of in ITC and its order of utilization. |
| Section 50 | interest on delayed payment of tax |
| Section 51 | TDS |
| Section 52 | TCS by ECO |
| section 53 | Manner of transfer of ITC |
| section 53A | Transfer of certain amounts |

Sec 49 :

- **E- cash ledger** : Summary of all cash deposit and payment by RP. Also, TDS & TCS credit in also shown under E- cash ledger (Not auto updated)xs
Deposit for tax, interest, penalty, late fee or any other



1. Manner of Utilization :

1. Payment for tax, interest, penalty, late fee or any other.
2. In the e-ledger, the ledger is displayed major head-wise. Each major head is divided into five minor head as displayed below.
3. Transfer of Amount in ECL: Used to correct erroneous deposits.
 - Any (Minor/major) to (Minor/Major) of **same person**
 - transfer any amount available in the E - cash ledger, to the E - cash ledger for IGST/CGST/ ~~SGST~~ of **Distinct person** in his E -liability register.

Example : A registered person mistakenly deposits ₹1,000 under "Interest" (CGST) instead of under "Tax" under SGST. Such erroneous deposits can be transferred to the correct head " Tax" under SGST by filing Form GST PMT-09.

Example : A Ltd (Maharashtra GSTIN) has ₹10,000 CGST balance in E-Cash Ledger and no unpaid liability. It has a distinct person in Karnataka (same PAN). ₹6,000 CGST is transferred to IGST/CGST of KA unit using Form GST PMT-09.

| Major Heads | Minor Heads |
|--------------|-------------|
| IGST | Tax |
| | Interest |
| CGST | Penalty |
| SGST / UTGST | Fee |
| CESS | Others |

2. Payment by Challan

1. CPIN (Common Portal Identification Number)
 - 14-digit number generated on challan creation
 - Valid for **15 days**
2. CIN (Challan Identification Number)
 - 18-digit number = 14-digit CPIN + 4-digit Bank Code
 - Generated after successful payment and credit to Government account
 - Communicated to taxpayer and GSTN



3. BRN (Bank Reference Number)
 - Transaction number given by bank

4. E-FPB (Electronic Focal Point Branch)
 - One designated branch per authorized bank
 - Collects GST payments pan-India
 - RBI acts as E-FPB for NEFT/RTGS/IMP

5. E-challan validity: 15 days.
 - Payment commission is borne by the person making payment.
 - Mandate form (NEFT/RTGS/IMPS) validity: 15 days.

3. Date of deposit of tax dues :

| Which date is considered as date of deposit of the tax dues ? | | |
|---|---|---|
| (i) | Date of presentation of cheque | X |
| (ii) | Date of payment | X |
| (iii) | Date of credit of amount in the account of government by Debit of Electronic Cash Ledger/Electronic credit ledger | ✓ |

➤ **E - credit ledger :** ITC balance (self-assessed or arising from proceedings) can be used **only for payment of output tax.**

ITC cannot be utilized for :

1. RCM under sec 9(3)/(4)/(5)
2. Interest, penalty, fee, or other amounts
3. Repay cash refunds erroneously granted.

1. Order to utilization, Rule 86A & 86B :

Already cover in ITC chapter.

➤ **E-liability ledger :** It reflects the **total tax liability** of the taxpayer.

1. Order of Discharge of Tax and Other Dues

Liabilities must be discharged **chronologically** in the following **mandatory order:**

1. Self-assessed tax and other dues relating to **previous tax periods**



2. Self-assessed tax and other dues relating to the **current tax period**
3. **Any other amount** payable under the Act or Rules, including:
4. Demand under Section **73/74/74A**
This order **cannot be altered**.

2. Chapter IX of CGST Rules - Entries in Registers

Debit to Electronic Liability Register

- Tax, interest, late fee, and other amounts as per returns filed
- Amounts determined by proper officer or self-ascertained
- **Interest under Section 50** accrued from time to time

Debit to Electronic Cash / Credit Ledger

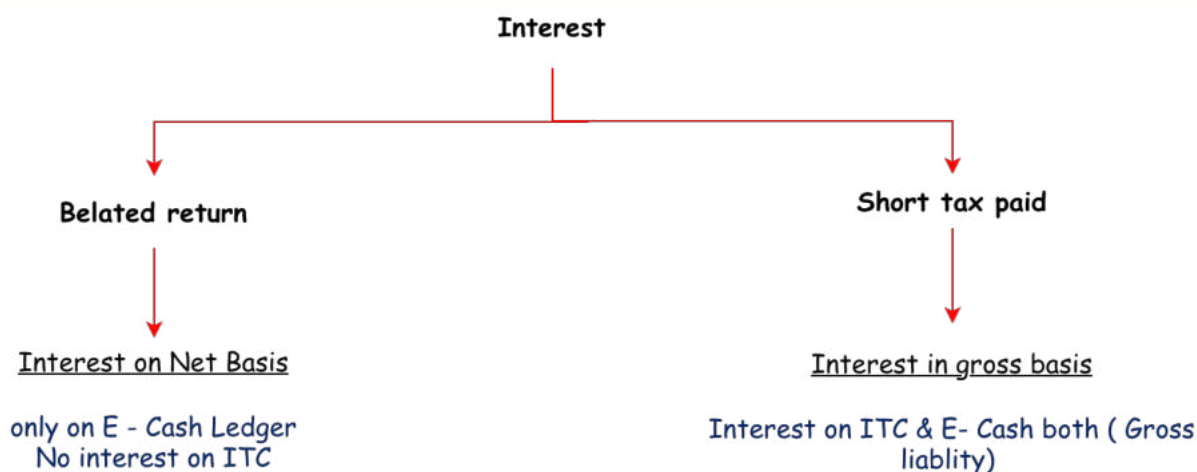
- For discharge of liabilities as per Section 49.

3. Structure of Electronic Liability Register

Part I - Return related liabilities

Part II - Other than return related liabilities

Interest under GST – Section 50



Period : From **due date** (20th of next month)
Till Actual payment date

Rate : **18%**

Wrong Availment & Utilisation of ITC (Section 50(3))



- Interest on **wrongly availed and utilized ITC**
- Period : From **date of utilization**
- Till **reversal/payment**.

Meaning of "Utilisation" of Wrong ITC (Rule 88B - Explanation)

Wrong ITC is deemed utilised when balance in E - Credit Ledger falls **below the amount of wrongly availed ITC**

- Date of utilisation:
Earlier of :
 - Due date of return or actual filing date (if utilised via return), or
 - Date of debit in ECL (other cases)

Example : **Wrong IGST ITC availed: ₹1,00,000 on 10 Jan. Date of reversal: 31st mar**

ITC Balance (ECL)

| Date | IGST | CGST | SGST | Total ITC |
|------------------------|----------|--------|--------|-----------|
| 10 Jan | 1,00,000 | 60,000 | 40,000 | 2,00,000 |
| 20 Jan | 30,000 | 50,000 | 40,000 | 1,20,000 |
| 25 Feb Actual filling) | 10,000 | 30,000 | 20,000 | 60,000 |

Total ITC falls below wrong ITC on 25 Feb.

Date of utilization :Earlier of:

20th feb (due date)

25 feb actual filling

Hence, 20th Feb is deemed utilization date. Extent utilized = 1,00,000 - 60,000 = ₹40,000

Interest Calculation (18% p.a.)

Period : 20 Feb - 31st Mar (40 days)

Interest = $40,000 \times 18\% \times 40/365 = ₹ 789$

➤ Clarification on Wrong Availment of IGST Credit

(i) Which ITC balance to consider?

For wrong IGST credit: Consider **total ITC balance (IGST + CGST + SGST together)**

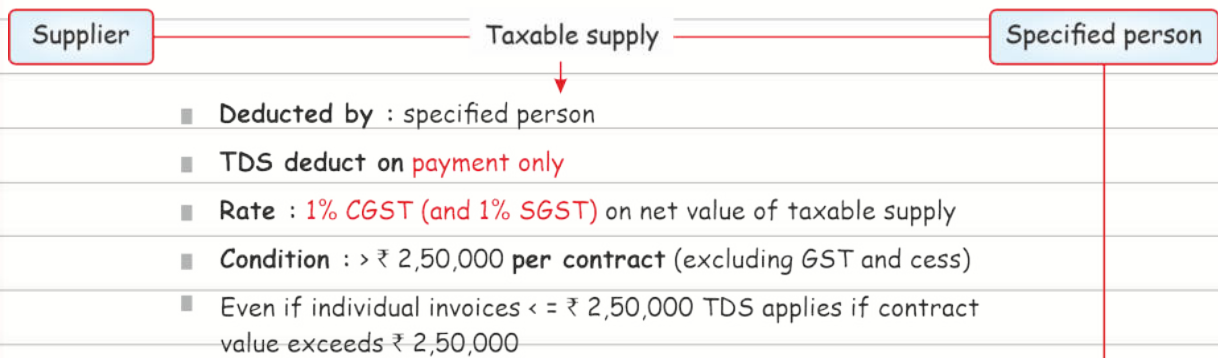
(ii) Whether Compensation Cess ITC included ?



No, Cess ITC can be used only for cess liability. Hence, **excluded** while computing interest.

Section : 52 TDS

TDS provisions empower the Government to mandate deduction of tax at source from payments made to suppliers of taxable goods/services by specified persons.



1. Prescribed authorities of **Ministry of Defence**
2. Authorities / Boards / Bodies :
 - Set up by Act of Parliament / State Legislature or
 - Established by Government **with ≥ 51% Government equity or control**
 - **Societies** established by CG / SG / LA
3. Public Sector undertaking (PSUs)
4. Reg. persons receiving metal scrap from Reg person

➤ **Cases Where TDS is NOT Deducted**

1. **Supplier & place of supply** are **in State A**. **Recipient** is registered in State B
Reason : Intra-State supply in State A; transfer of TDS to supplier's State becomes impractical.
2. Supplies between PSUs
3. Supplies between specified persons

| 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 | yes |

➤ Value of Supply for TDS

| Include | Exclude |
|---------------|--------------------------------------|
| Taxable value | CGST/SGST/IGST/cess Exempt supply |

Example : M/s XYZ, registered in Maharashtra, provided taxable supply worth ₹ 20,000 & exempted supply worth ₹ 40,000/- in an invoice to the Government of NCT of Delhi at New Delhi where a contract for supply is for ₹ 5,00,000/- (out of which ₹ 2,60,000 is for taxable supply including GST and ₹ 2,40,000 is for exempted supply). Since the total value of taxable supply [₹ 2,20,339 (₹ 2,60,000 × 100/118)] under the contract for taxable does not exceed ₹ 2,50,000, tax is not required to be deducted.

➤ Other points

1. TDS to be deposited **by 10th of the succeeding month.**
2. TDS Certificate - Form GSTR-7A
Contains :
 - Certificate number
 - GSTIN & name of deductor
 - GSTIN & name of deductee
 - Tax period
 - Supply details
 - Amount of tax deducted
3. Failure to deposit TDS within time → **Interest payable under Section 50.**
4. Reflection & Credit of TDS in E - cash ledger.

➤ Default & Refund :

- Determination of default under **Sections 73 / 74 / 74A**
- Refund of excess/erroneous deduction allowed under **Section 54**
- **No refund** if amount already credited to deductee's cash ledger



- **Registration of Deductor (Rule 12)**
 - Mandatory registration for persons liable to deduct TDS
 - Registration granted **within 3 working days**
 - Registration can be **cancelled** if no longer liable to deduct TDS

TRANSFER OF ITC [SEC 53 OF CGST ACT & SEC 18 OF IGST ACT]

Utilization of ITC across tax heads results in a corresponding statutory transfer of funds between Government accounts, as provided under Section 53 of CGST Act and Section 18 of IGST Act.

Let's understand with example

| Example 1: CGST ITC → IGST | Example 2: IGST ITC → CGST | Example 3: IGST ITC → SGST |
|--|--|---|
| CGST ITC : ₹50,000 IGST liability: ₹40,000 | IGST ITC : ₹60,000 CGST liability: ₹25,000 | IGST ITC : ₹1,00,000 SGST liability: ₹30,000 Registered in State A |
| CGST utilized for IGST: ₹40,000 | IGST utilized for CGST: ₹25,000 | IGST utilized for CGST: ₹30,000 |
| Result: CGST account ↓ ₹40,000 → transferred to IGST account (Sec 53) | Result: IGST account ↓ ₹25,000 → transferred to CGST account (Sec 18) | Result: IGST account ↓ ₹30,000 → apportioned & transferred to State A (Sec 18) |

