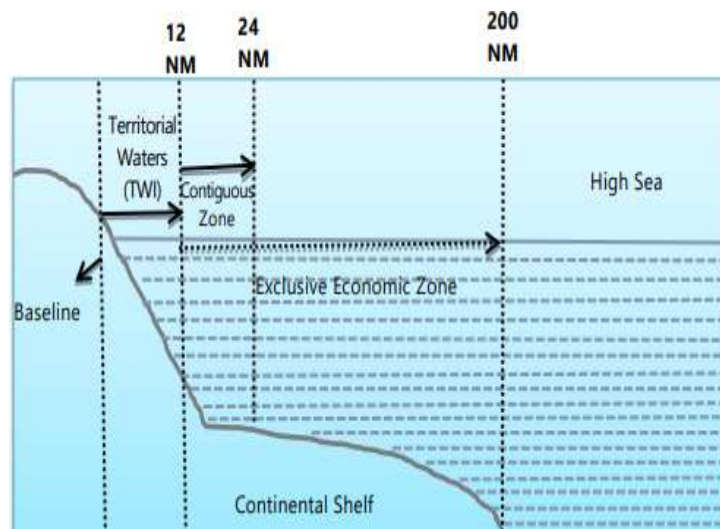




Charge of GST

India means:

- **Territory** of India as referred to in Article 1 of the Constitution.
- Its **territorial waters**, seabed, & sub-soil underlying such waters, continental shelf, exclusive economic zone (EEZ), or any other maritime zone.
- **Airspace** above its territory & territorial waters.



Union Territory means territory of—
 (a) Andaman & Nicobar Islands;
 (b) Lakshadweep;
 (c) Dadra & Nagar Haveli & Daman and Diu;
 (d) Ladakh
 (e) Chandigarh; and
 (f) other territory

Classification: It's essential to determine applicable tax rate on goods/services under GST. Goods are classified based on Customs Tariff Act, which uses Harmonized System of Nomenclature (HSN) codes up to 8 digits for systematic classification globally. Similarly, services are categorized under Chapter 99 using a modified United Nations Central Product Classification system, further divided into Sections, Headings, Groups, & Service Codes.

7 prescribed rates of CGST for Goods= 0.125%, 0.75%, 1.5%, 2.5%, 6%, 9% and 14% } Max. Rate of CGST/ IGST can be 20%/40%
 6 prescribed rates of CGST for Services= 0.75%, 2.5%, 3.75%, 6%, 9% and 14%

Goods Imported into India: Considered **inter-State supplies**, and IGST is levied alongside applicable customs duties under the Customs Tariff Act. **For intangible goods, where physical crossing of customs frontiers is not possible, so IGST is levied and collected differently in such cases like supply of online money gaming (OMG) is taxed under IGST as import of goods without applicability of customs duty.**

Reverse Charge Mechanism: Generally, supplier of goods/services is liable to pay GST. However, under RCM, liability to pay GST is casted on **RECIPIENT** of goods/services, instead of supplier.

A. Supplies of GOODS taxable under reverse charge [Sec. 9(3) of CGST Act/ 5(3) of IGST Act]:

S.No.	Description of Goods	Supplier	Recipient
1	Cashew nuts, not shelled or peeled	Agriculturist	Any regd person
2	Bidi wrapper leaves (tendu)	Agriculturist	Any regd person
3	Tobacco leaves	Agriculturist	Any regd person
3A	Following essential oils other than of citrus fruit, namely: (a) Of peppermint (Mentha piperita); (b) Of other mints: i. Spearmint oil (ex-mentha spicata), ii. Water mint oil (ex-mentha aquatic), iii. Horsemint oil (ex-mentha sylvestries), iv. Bergament oil (ex-mentha citrate), v. Mentha arvensis	Any unregd person	Any regd person
4	Silk yarn	Any person who manufactures silk yarn from raw silk or silk	Any regd person

		worm cocoons for supply of silk yarn	
4A	Raw cotton	Agriculturist	Any regd person
5	Supply of lottery	SG/UT/LA	Lottery distributor or selling agent
6	Used vehicles, seized and confiscated goods, old and used goods, waste and scrap	CG (excluding Ministry of Railways)/SG/UT/LA	Any regd person
7	Priority Sector Lending Certificate	Any regd person	Any regd person
8	Metal scrap	Any unregd person	Any regd person

B. Supply of **SERVICES** taxable under reverse charge [Sec. 9(3) of CGST Act/ 5(3) of IGST Act]:

S.No.	Category of Services	Supplier	Recipient
1	Supply of services of for transporting goods by road by a Goods Transport Agency (GTA)	GTA	(a) Factory (regd. under Factories Act, 1948); (b) Society; (c) Co-operative society; (d) GST regd person; (e) Body corporate ; (f) Partnership firm + AOP; (g) Casual taxable person (CTP)

- However, RCM does not apply to GTA services to **CG/SG/UT depts./establishments, LA, & Governmental Agencies (GA)** that are regd under GST only for TDS purposes.

- RCM will also not apply if the GTA is regd under GST & **opted** to pay tax under forward charge (**FCM**), and issued a tax invoice charging GST.

- Summary:

Person liable to pay tax under GTA service where Recipient is one of the Specified Recipients	Regd GTA exercises option to itself pay tax	Rate	Person liable to pay GST
	YES	@12% (with ITC)	GTA (under FCM)
		@5% (without ITC i.e. GTA has not taken ITC on inputs)	
NO	@5%	Recipient (under RCM)	

2	Legal Services provided by an individual advocate/senior advocate/firm of advocates	Individual advocate/senior advocate/firm of advocates	Business entity in taxable territory. (PFY T/O more than registration threshold)
3	Services by arbitral tribunal	Arbitral tribunal	Business entity in taxable territory.
4	Sponsorship services	Any person	Body corporate or partnership firm in taxable territory.
5	Services supplied by CG/SG/UT/LA to a business entity excluding:	CG/SG/UT/LA	Business entity in taxable territory.

	(1) renting of immovable property, (2) (i) services by Dept. of Posts & Ministry of Railways (Indian Railways); (ii) services in relation to aircraft/vessel; (iii) transport of goods/passengers. [On (2)(i) to (iii), FCM apply]		
6	Services supplied by CG, excluding Ministry of Railways (Indian Railways)/SG/UT/LA by way of renting of immovable property to regd person	CG/SG/UT/LA	Any regd person
7	Service by way of renting of residential dwelling to a regd person.	Any person	Any regd person.
8	Services by way of renting of any immovable property other than residential dwelling.	Any unregd person	Any regd person.
9	Services supplied by any person by way of transfer of development rights (TDR) or Floor Space Index (FSI) (including additional FSI) for construction of a project by a promoter.	Any person	Promoter
10	Long term lease of land (30 years or more) by any person against consideration in the form of upfront amount and/or periodic rent for construction of a project by a promoter.	Any person	Promoter
11	Services supplied by a director to the company/body corporate (Except Salary on which TDS u/s 192 applies or Services supplied in personal capacity, such as renting of immovable property)	Director	Company or a body corporate in taxable territory.
12	Services supplied by an insurance agent to any person carrying on insurance business.	Insurance agent	Any person carrying on insurance business, in taxable territory.
13	Services supplied by a recovery agent to Banking Co./FI/NBFC	Recovery agent	Banking Co./FI/NBFC
14	Supply of services by transfer or permitting use or enjoyment of copyright relating to original works.	Music composer, photographer, artist, author	Music company, producer, publisher in taxable territory.
<p>However, an author can choose to pay tax under FCM if-</p> <p>(i) he has taken GST registration & filed a declaration, in prescribed form, that he exercises option to pay GST on the said service under FCM & to comply with all relevant provisions & that he shall not withdraw said option within 1 year from the date of exercising such option;</p> <p>(ii) he makes a declaration on invoice issued by him in prescribed form to publisher.</p>			
15	Supply of services by the members of Overseeing Committee to RBI	Members of Overseeing Committee of RBI	RBI
16	Services supplied by individual Direct Selling Agents (DSAs) other than a body corporate, partnership or LLP to a bank or NBFC	Individual Direct Selling Agents (DSAs)	Banking Co. or a NBFC, in taxable territory.
17	Services provided by business facilitator to a Banking Co..	Business facilitator	Banking Co., in taxable territory.

18	Services provided by an agent of business correspondent to business correspondent.	Agent of business correspondent	Business correspondent, in taxable territory.
19	Security services (services provided by way of supply of security personnel) provided to a regd person EXCEPT to: (i) CG/SG/UT depts. or establishments, LA, & GA (ii) composition taxable person	Any person other than a body corporate	A regd person, in taxable territory.
20	Services provided by way of renting of any motor vehicle designed to carry passengers where cost of fuel is included in consideration charged from service recipient, provided to a body corporate.	Any person, other than a body corporate who supplies service to a body corporate & doesn't issue an invoice charging GST @12%	Any body corporate in taxable territory.

Summary for Motor Vehicle Renting:

Supplier	Recipient	Charge	GST Rates
Other than Body Corporate	Body Corporate	RCM	5%
	Body Corporate	FCM (if opted by supplier)	12%
	Other than Body corporate	FCM (if supplier is regd)	12% with ITC or 5% with limited ITC*
	Other than Body corporate	N.A. (if supplier is unregd)	Not taxable
Body Corporate	Body Corporate/ Other	FCM	12% with ITC or 5% with limited ITC

*Limited ITC means ITC **only of input services** in the same line of business.

Special Note:

- RCM **applies** for renting of motor vehicle where vehicle is **under control of renter** for a specific pd.
- RCM **does not apply** for passenger transport services with **predetermined schedules and routes**.

21	Services of lending of securities (SLS)	Securities Lender	Borrower through an approved intermediary.
22	Service supplied by person located in non-taxable territory to a person in taxable territory, excluding non-taxable online recipient (NTOR)	Any person located in a non-taxable territory	Any person located in the taxable territory, except for NTOR

GST on Certain Transactions:

- Services like **gambling**, admission to entertainment events (e.g., **casinos, race clubs, IPL**), & related activities attract highest rate of **28%** (CGST-SGST 14% each).
- Services such as **GTA & restaurant services** (excluding specified premises) are taxed at a lower rate of **5% without ITC**.
- Services **not covered under any specific heading** are taxed **@18%**.
- In real estate, GST on new projects by promoters is
 - **1% without ITC** for affordable housing (area 60 sqm in metros/ 90 sqm in non-metros and value upto Rs. 45 lakh) and

- **5% without ITC** for other than affordable houses & commercial apartments such as shops, offices etc. in a residential real estate project (RREP) in which carpet area of commercial apartments is not more than 15% of total carpet area of all apartments,

subject to conditions that no ITC is available and sourcing 80% of inputs & input services [other than services by way of grant of development rights, long term lease of land or FSI, electricity, high speed diesel, motor spirit, natural gas] from registered suppliers.

Sec. 9(4): Non-compliance of above 80% condition requires GST payment on RCM basis by promoter @ 18% on shortfall amount. GST under RCM @ 28% is required for cement purchases from unregistered person. Additionally, GST on capital goods is payable under RCM at applicable rates.

- Passenger Service Fee (PSF) and User Development Fee (UDF) are charged by airport operators for airport services and are subject to GST. Airlines collect these fees from passengers on behalf of airport operators but are not responsible for paying GST on them.

Key Points:

- Airport Operators: Pay GST on PSF and UDF collected through airlines.
- Airlines: Collect PSF and UDF from passengers and pass it to airport operators. These fees are excluded from airline's taxable value, & airlines cannot claim ITC on them.
- Passengers: Can claim ITC on PSF and UDF if registered, based on airline's invoice (invoice must show PSF, UDF, & GST separately).

Composition Scheme:

	Description	Aggregate T/O* (PFY)	States/ UTs
Composition Scheme	For goods & restaurant services [Sec. 10(1) & (2)]	Rs. 75 lakhs	Nagaland, Manipur, Mizoram, Tripura, Sikkim, Arunachal Pradesh, Uttarakhand, Meghalaya
		Rs. 1.5 crores	All Other States/ UTs
	For Services [Sec. 10(2A)]	Rs. 50 lakhs	All States/ UTs

***Aggregate Turnover**

Includes	Excludes
Value of all outward supplies - Taxable supplies - Exempt supplies - Exports - Inter-State supplies - Taxes other than GST of persons having same PAN be computed on all India basis. (Also includes value of supplies till date of becoming liable to register)	- CGST/ SGST/ UTGST/ IGST/ Cess - Value of RCM inward supplies - Interest/ discount on extending deposits, loans or advances

Category of Registered Person	Rate of Tax (each for CGST & SGST)
Manufacturers other than manufacturers of notified goods*	0.5% of Turnover in State/UT
Other Suppliers	0.5% of Taxable Turnover in State/UT
Restaurant Services	2.5% of Turnover in State/UT
Services (other than restaurant services)	3% of Turnover in State/UT

*Notified goods = Ice cream and other edible ice, whether or not containing cocoa; Pan masala; Tobacco and manufactured tobacco substitutes; 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

Turnover in State/UT

Includes	Excludes
Value of all outward supplies - Taxable supplies - Exempt supplies - Taxes other than GST	- CGST/ SGST/ UTGST/ IGST/ Cess - Value of RCM inward supplies - Interest/ discount on extending deposits, loans or advances - T/O till date of becoming liable to register

Characteristics:

- No need to issue tax invoices; only **Bill of Supply** is required mentioning "**Composition taxable person, not eligible to collect tax on supplies**".
- No tax charged to recipients.
- Quarterly tax payments via Form **GST CMP-08** & annual return filings via **GSTR-4**
- Not available for **inter-state** suppliers or **exporters**.
- ITC cannot** be claimed.
- Scheme lapses if T/O exceeds prescribed limit during FY.
- Words "Composition taxable person" must be **displayed prominently** at PPOB and every APOB.
- Tax u/s 9(3)/9(4) i.e. **RCM tax** must be paid on inward supply of goods/services/both.
- Imposition of **penalty** u/s 73 or 74 in case of irregular availment of the composition scheme
- To be adopted uniformly **by all branches** of an entity having same PAN

Who cannot opt composition Scheme?

- Supplier of goods/services **not leviable to tax** under GST
- Supplier engaged in making **inter-state outward** supplies of goods/services
- Person supplying through e-commerce operator (**ECO**) required to collect TCS u/s 52
- Manufacturer of **notified goods** (e.g., ice cream, tobacco, aerated water)
- Casual taxable person or non-resident taxable person (**CTP/ NRTP**)

Marginal supply of services (other than restaurant service) u/s 10(1): Composition scheme u/s 10(1) is **primarily** meant for supply of **Goods & Restaurant services**. However, they can also supply **other services (not restaurant services)** provided value does not exceed **HIGHER** of:

- 10%** of T/O in State/UT in **PFY**, OR
- ₹ 5 lakh**

Opting for composition levy:

Type	Opting for composition levy	Effective from	Intimation
Person applying for Registration	Any time during the year while applying for registration	Date from which registration is effective	Part-B of Form GST REG-01
Regd. Person	from FY beginning	FY beginning	E-file on GST Common portal

Validity of composition scheme:

1. Scheme ends automatically if turnover exceeds threshold limit (Rs.1.5 crore/75 lakh/50 lakh), from the day it **crosses threshold**.

2. Withdrawal from Composition:

Withdrawal	Condition	Filing
On Non-compliance	Any prescribed conditions violated	File intimation within 7 days of becoming ineligible.
On Voluntary Exit	Exit date can't be earlier than FY start .	File an application before withdrawal date .

3. Denial by tax authorities: If PO has reason to believe that registered person was ineligible or contravened provisions, he may issue SCN. Based on SCN reply, he may either accept reply or deny (even retrospectively, but not before occurrence of violation) composition scheme option.

Note: In all above cases, the person must submit a stock statement providing details of inputs and inputs in semi-finished or finished goods held in stock within 30 days from option withdrawal or PO order.