



## A Peek into GST & its Compliance

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## **What is Goods and Service Tax (GST)?**

It is a destination based tax on consumption of goods and services. It is proposed to be levied at all stages right from manufacture up to final consumption with credit of taxes paid at previous stages available as setoff. In a nutshell, only value addition will be taxed and burden of tax is to be borne by the final consumer.

## **What exactly is the concept of destination based tax on consumption?**

The tax would accrue to the taxing authority which has jurisdiction over the place of consumption which is also termed as place of supply.

## **Which of the existing taxes are proposed to be subsumed under GST?**

The GST would replace the following taxes:

### **(i) Taxes currently levied and collected by the Centre:**

- a. Central Excise duty
- b. Duties of Excise (Medicinal and Toilet Preparations)
- c. Additional Duties of Excise (Goods of Special Importance)
- d. Additional Duties of Excise (Textiles and Textile Products)
- e. Additional Duties of Customs (commonly known as CVD)
- f. Special Additional Duty of Customs (SAD)
- g. Service Tax
- h. Central Surcharges and Cesses so far as they relate to supply of goods and services

### **(ii) State taxes that would be subsumed under the GST are:**

- a. State VAT
- b. Central Sales Tax
- c. Luxury Tax

- d. Entry Tax (all forms)
- e. Entertainment and Amusement Tax (except when levied by the local bodies)
- f. Taxes on advertisements
- g. Purchase Tax
- h. Taxes on lotteries, betting and gambling
- i. State Surcharges and Cesses so far as they relate to supply of goods and services

### **Which are the commodities proposed to be kept outside the purview of GST?**

Alcohol for human consumption, Petroleum Products viz. petroleum crude, motor spirit (petrol), high speed diesel, natural gas and aviation turbine fuel & Electricity

### **What type of GST is proposed to be implemented?**

It would be a dual GST with the Centre and States simultaneously levying it on a common tax base. The GST to be levied by the Centre on intra-State supply of goods and / or services would be called the **Central GST (CGST)** and that to be levied by the States would be called the **State GST (SGST)**. Similarly **Integrated GST (IGST)** will be levied and administered by Centre on every inter-state supply of goods and services.

### **How a particular transaction of goods and services would be taxed simultaneously under Central GST (CGST) and State GST (SGST)?**

**The Central GST and the State GST would be levied simultaneously on every transaction of supply of goods and services** except the exempted goods and services, goods which are outside the purview of GST and the transactions which are below the prescribed threshold limits. Further, both would be levied on the same price or value unlike State VAT which is levied on the value of the goods inclusive of CENVAT. While the location of the supplier and the recipient within the country is immaterial for the purpose of CGST, SGST would be chargeable only when the supplier and the recipient are both located within the State.

## **What is IGST?**

Under the GST regime, an Integrated GST (IGST) would be levied and collected by the Centre on inter-State supply of goods and services. Under Article 269A of the Constitution, the GST on supplies in the course of interState trade or commerce shall be levied and collected by the Government of India and such tax shall be apportioned between the Union and the States in the manner as may be provided by Parliament by law on the recommendations of the Goods and Services Tax Council.

## **Who is liable to pay GST under the proposed GST regime?**

Under the GST regime, tax is payable by the taxable person on the supply of goods and/or services. Liability to pay tax arises when the taxable person crosses the threshold exemption, i.e. Rs.20 lakhs (Rs. 10 lakhs for NE States) except in certain specified cases where the taxable person is liable to pay GST even though he has not crossed the threshold limit. The CGST / SGST is payable on all intra-State supply of goods and/or services and IGST is payable on all interState supply of goods and/or services. The CGST /SGST and IGST are payable at the rates specified in the Schedules to the respective Acts.

## **What are the benefits available to small tax payers under the GST regime?**

Tax payers with an aggregate turnover in a financial year up to [Rs.20 lakhs] would be exempt from tax. [Aggregate turnover shall include the aggregate value of all taxable and non-taxable supplies, exempt supplies and exports of goods and/or services and exclude taxes viz. GST.] Aggregate turnover shall be computed on all India basis. For NE States and Sikkim, the exemption threshold shall be [Rs. 10 lakhs]. All taxpayers eligible for threshold exemption will have the option of paying tax with input tax credit (ITC) benefits. Tax payers making inter-State supplies or paying tax on reverse charge basis shall not be eligible for threshold exemption.

## **How will imports be taxed under GST?**

Imports of Goods and Services will be treated as inter-state supplies and IGST will be levied on import of goods and services into the country. The incidence of tax will follow the destination principle and the tax revenue in case of SGST will accrue to the State where the imported goods and services are consumed. Full and complete set-off will be available on the GST paid on import on goods and services.

### **How will Exports be treated under GST?**

Exports will be treated as zero rated supplies. No tax will be payable on exports of goods or services, however credit of input tax credit will be available and same will be available as refund to the exporters.

### **What is the scope of composition scheme under GST?**

Small taxpayers with an aggregate turnover in a financial year up to [Rs. 50 lakhs] shall be eligible for composition levy. Under the scheme, a taxpayer shall pay tax as a percentage of his turnover during the year without the benefit of ITC. The floor rate of tax for CGST and SGST shall not be less than [Not Less than 2.5 % of Turnover in a State during the financial year for Manufacturer\* and 1 % for others.\* Except manufacturer of such goods as may be notified on the recommendation of the Council]. A tax payer opting for composition levy shall not collect any tax from his customers. Tax payers making inter-state supplies or paying tax on reverse charge basis shall not be eligible for composition scheme.

The following are new additions to restrictions for composition scheme :

- 1) Engaged in supply of services
- 2) Engaged in supply of goods which are not leviable to tax under GST
- 3) Engaged in any supply of goods through an electronic commerce operator
- 4) Manufacturers of such goods as may be notified on the recommendation of the Council

### **What is GSTN and its role in the GST regime?**

GSTN stands for Goods and Service Tax Network (GSTN). A Special Purpose Vehicle called the GSTN has been set up to cater to the needs of GST. The GSTN shall provide a shared IT infrastructure and services to Central and State Governments, tax payers and other stakeholders for implementation of GST.

The functions of the GSTN would, inter alia, include:

- (i) Facilitating registration;
- (ii) Forwarding the returns to Central and State authorities;
- (iii) Computation and settlement of IGST;
- (iv) Matching of tax payment details with banking network;
- (v) Providing various MIS reports to the Central and the State Governments based on the tax payer return information;
- (vi) Providing analysis of tax payers' profile; and

(vii) Running the matching engine for matching, reversal and reclaim of input tax credit.

The GSTN is developing a common GST portal and applications for registration, payment, return and MIS/ reports. The GSTN would also be integrating the common GST portal with the existing tax administration IT systems and would be building interfaces for tax payers.

### **What is advantage of taking registration in GST?**

Registration under Goods and Service Tax (GST) regime will confer following advantages to the business:

- Legally recognized as supplier of goods or services.
- Proper accounting of taxes paid on the input goods or services which can be utilized for payment of GST due on supply of goods or services or both by the business.
- Legally authorized to collect tax from his purchasers and pass on the credit of the taxes paid on the goods or services supplied to purchasers or recipients.

### **Which are the cases in which registration is compulsory?**

As per paragraph 5 in Schedule III of MGL, the following categories of persons shall be required to be registered compulsorily irrespective of the threshold limit:

- a) Persons making any inter-State taxable supply;
- b) Casual taxable persons;
- c) Persons who are required to pay tax under reverse charge;
- d) Non-resident taxable persons;
- e) Persons who are required to deduct tax under section 37;
- f) Persons who supply goods and/or services on behalf of other registered taxable persons whether as an agent or otherwise;
- g) input service distributor;
- h) persons who supply goods and/or services, other than branded services, through electronic commerce operator;
- i) every electronic commerce operator;

- j) an aggregator who supplies services under his brand name or his trade name; and
- k) such other person or class of persons as may be notified by the Central Government or a State Government on the recommendations of the Council

### **What are the Payments to be made in GST regime?**

In the GST regime, for any intra-state supply, taxes to be paid are the Central GST (**CGST**, going into the account of the Central Government) and the State GST (**SGST**, going into the account of the concerned State Government). For any inter-state supply, tax to be paid is Integrated GST (**IGST**) which will have components of both CGST and SGST. In addition, certain categories of registered persons will be required to pay to the government account Tax Deducted at Source (**TDS**) and Tax Collected at Source (**TCS**). In addition, wherever applicable, Interest, Penalty, Fees and any other payment will also be required to be made.

### **Who is liable to pay GST?**

In general the supplier of goods or service is liable to pay GST. However in specified cases like imports and other notified supplies, the liability may be cast on the recipient under the reverse charge mechanism. Further, in some cases, the liability to pay is on the third person (say in the case of e-commerce operator responsible for TCS or Government Department responsible for TDS).

### **What happens if the taxable person files the return but does not make payment of tax?**

In such cases, the return is not considered as a valid return. Section 27 (3) of the MGL provides that the return furnished by a taxable person shall not be treated as valid return unless the full tax due as per the said return has been paid. It is only the valid return that would be used for allowing input tax credit (ITC) to the recipient. In other words, **unless the supplier has paid the entire self-assessed tax and filed his return and the recipient has filed his return, the ITC of the recipient would not be confirmed.** As per section 28, a taxable person who has not furnished a valid return shall not be allowed to utilize such credit till he discharges his self-assessed tax liability.

### **What are E-Ledgers?**

Electronic Ledgers or E-Ledgers are statements of cash and input tax credit in respect of each registered taxpayer. In addition, each taxpayer shall also have an electronic tax liability register. Once a taxpayer is

registered on Common Portal (GSTN), 2 e-ledgers (Cash & Input Tax Credit) and an electronic tax liability register will be automatically opened and displayed on his dashboard at all times.

### **What is TDS?**

TDS stands for Tax Deducted at Source (TDS). As per section 37, this provision is meant for Government and Government undertakings and other notified entities making contractual payments in excess of Rs. 10 Lakhs to suppliers. While making such payment, the concerned Government/authority shall deduct 1% of the total payable amount and remit it into the appropriate GST account.

### **What is Tax Collected at Source (TCS)?**

This provision is applicable only for E-Commerce Operator under section 43C of MGL. Every E-Commerce Operator needs to withhold a percentage (to be notified later on the recommendation of the GST Council) of the amount which is due from him to the supplier at the time of making actual payment to the supplier. Such withheld amount is to be deposited by such E-Commerce Operator to the appropriate GST account by the 10th of the next 74 month. The amount deposited as TCS will be reflected in the electronic cash ledger of the supplier.

### **What are the conditions necessary for obtaining ITC?**

As per Section 16(11) of the MGL, following four conditions are stipulated:

- (a) The registered taxable person should be in possession of tax paying document issued by a supplier;
- (b) The taxable person must have received the goods and / or services;
- (c) The tax charged on such supply has been actually paid to the government either in cash or through utilization of input tax credit; and
- (d) The taxable person should have furnished the return under section 27.

### **What is the purpose of returns?**

- a) Mode for transfer of information to tax administration;
- b) Compliance verification program of tax administration;
- c) Finalization of the tax liabilities of the taxpayer within stipulated period of limitation; to declare tax liability for a given period;
- d) Providing necessary inputs for taking policy decision;
- e) Management of audit and anti-evasion programs of tax administration.

### **Who needs to file Return in GST regime?**

Every registered taxable person - who crosses the threshold limit for payment of taxes. A supplier needs to be registered when the aggregate turnover crosses Rs. nine lacs but he become taxable person ONLY when he crosses Rs. ten lacs. So he will be required to file returns when he crosses the threshold limit of Rs. ten lacs. There are some other class of persons who need to be registered and therefore will have to file returns like interstate suppliers, TDS deductors, e-commerce operators, suppliers supplying goods through e-commerce operators

### **What type of outward supply details are to be filed in the return?**

A normal registered taxpayer has to file the outward supply details in **GSTR-1** in relation to various types of supplies made in a month, namely outward supplies to registered persons, outward supplies to unregistered persons (consumers), details of Credit/Debit Notes, zero rated, exempted and non-GST supplies, exports, and advances received in relation to future supply.

### **What is the special feature of GSTR-2?**

The special feature of **GSTR-2** is that the details of supplies received by a recipient can be auto populated on the basis of the details furnished by the counterparty supplier in his GSTR-1

### **Do the taxable person have to feed anything in the GSTR-2 or everything is auto-populated from GSTR-1?**

While a large part of GSTR-2 will be auto-populated, there are some details that only recipient can fill like details of imports, details of purchases from non-registered or composition suppliers and exempt/non-GST/nil GST supplies etc

### **What if the invoices do not match? Whether ITC given or denied? If denied, what action is taken against supplier?**

If invoices in GSTR-2 do not match with invoices in counter-party GSTR-1, the ITC will be reversed if the mismatch continues even after it is made known to both and still it is not rectified. Mismatch can be because of two reasons. First, it could be due to mistake at the side of the recipient, and in such a case, no further action is required. Secondly, it could be possible that the said invoice was issued by supplier but he did not upload it and pay tax on it. In such a case, recovery action shall be taken against the supplier. In short, all mismatches will lead to proceedings if the supplier has made a supply but not paid tax on it.

### **What will be the legal position in regard to the reversed input tax credit if the supplier later realises the mistake and feeds the information?**

At any stage, but before September of the next financial year, supplier can upload the invoice and pay duty and interest on such missing invoices in his GSTR-3 of the month in which he uploaded the invoice. The recipient will then automatically get ITC on that invoice. The interest paid by the recipient at the time of reversal will also be returned to the recipient through an automated system on the GSTN.

### **Do tax payers under the composition scheme also need to file GSTR-1 and GSTR-2?**

No. Composition tax payers do not need to file any statement of outward or inward supplies. They have to file a quarterly return in Form GSTR-4 by the 1st of the month after the end of the quarter. Since they are not eligible for any input tax credit, there is no relevance of GSTR-2 for them and since they do not pass on any credit to their recipients, there is no relevance of GSTR-1 for them. In their return, they have to declare summary details of their outward supplies along with the details of tax payment. They also have to give details of their 118 119 purchases in their quarterly return itself, most of which will be auto populated.

### **Who all need to file Annual Return?**

All taxpayers filing return in GSTR-1 to 3 other than casual taxpayers and taxpayers under composition scheme are required to file an annual return. Casual taxpayers, nonresident taxpayers, ISDs and persons authorized to deduct tax at source are not required to file annual return.

### **Is an Annual Return and a Final Return one and the same?**

No. Annual Return has to be filed by every registered taxable person paying tax as a normal or a compounding taxpayer. Final Return has to be filed only by those registered taxable persons who have applied for cancellation of registration. This has to be filed within three months of the date of cancellation or the date of cancellation order

### **What all should a diligent taxpayer ensure for a hassle free compliance under GST?**

One of the most important things under GST will be timely uploading of the details of outward supplies in **Form GSTR-1 by 10th of next month**. How best this can be ensured will depend on the number of B2B invoices that the taxpayer issues. If the number is small, the taxpayer can upload all the information in one go. However, if the number of invoices is large, the invoices (or debit/ credit notes) should be uploaded on a regular basis. **GSTN will allow regular uploading of invoices even on a real time basis**. Till the statement is actually submitted, the system will also allow the taxpayer to modify the uploaded

invoices. Therefore, it would always be beneficial for the taxpayers to regularly upload the invoices. Last minute rush will make uploading difficult and will come with higher risk of possible failure and default. The second thing would be to ensure that taxpayers follow up on uploading the invoices of their inward supplies by their suppliers. This would be helpful in ensuring that the input tax credit is available without any hassle and delay. Recipients can also encourage their suppliers to upload their invoices on a regular basis instead of doing it on or close to the due date. **The system would allow recipients to see if their suppliers have uploaded invoices pertaining to them.** The GSTN system will also provide the track record about the compliance level of a tax payer, especially about his track record in respect of timely uploading of his supply invoices giving details about the auto reversals that have happened for invoices issued by a supplier. The Common Portal of GST would have pan India data at one place which will enable valuable services to the taxpayers. Efforts are being made to make regular uploading of invoices as easy as possible and it is expected that an enabling ecosystem will develop towards this objective. Taxpayers should make efficient use of this ecosystem for easy and hassle free compliance under GST.

## Summary of GST Returns

### Regular Dealer

Form Type	Frequency	Due Date	Details to be Furnished
Form GSTR-1	Monthly	10 <sup>th</sup> of succeeding month	Furnish details of outward supplies of taxable goods and/or services affected
Form GSTR-2A	Monthly	On 11 <sup>th</sup> of succeeding Month	Auto-populated details of inward supplies made available to the recipient on the basis of <b>Form GSTR-1</b> furnished by the supplier
Form GSTR-2	Monthly	15 <sup>th</sup> of succeeding month	Details of inward supplies of taxable goods and/or services for claiming input tax credit. Addition (Claims) or modification in <b>Form GSTR-2A</b> should be submitted in <b>Form GSTR-2</b> .
Form GSTR-1A	Monthly	20 <sup>th</sup> of succeeding month	Details of outward supplies as added, corrected or deleted by the recipient in <b>Form GSTR-2</b> will be made available to supplier
Form GSTR-3	Monthly	20 <sup>th</sup> of succeeding month	Monthly return on the basis of finalization of details of outward supplies and inward supplies along with the payment of amount of tax
Form GST	Monthly	—	Communication of acceptance, discrepancy or duplication of input tax credit claim

ITC-1			
Form GSTR-3A	—	—	Notice to a registered taxable person who fails to furnish return under section 27 and section 31
Form GSTR-9	Annually	31 <sup>st</sup> Dec of next fiscal	Annual Return – furnish the details of ITC availed and GST paid which includes local, interstate and import/exports.

### **Composite Tax Payer**

<b>Return Type</b>	<b>Frequency</b>	<b>Due Date</b>	<b>Details to be Furnished</b>
Form GSTR-4A	Quarterly	—	Details of inward supplies made available to the recipient registered under composition scheme on the basis of <b>Form GSTR-1</b> furnished by the supplier
Form GSTR-4	Quarterly	18 <sup>th</sup> of succeeding month	Furnish all outward supply of goods and services. This includes auto-populated details from <b>Form GSTR-4A</b> , tax payable and payment of tax.
Form GSTR-9A	Annual	31 <sup>st</sup> Dec of next fiscal	Furnish the consolidated details of quarterly returns filed along with tax payment details.

### **Foreign Non-Resident Taxpayer**

<b>Return Type</b>	<b>Frequency</b>	<b>Due Date</b>	<b>Details to be Furnished</b>
Form GSTR-5	Monthly	20 <sup>th</sup> of succeeding month or within 7 days after the expiry of registration	Furnish details of imports, outward supplies, ITC availed, tax paid, and closing stock

### **Input Service Distributor**

<b>Return Type</b>	<b>Frequency</b>	<b>Due Date</b>	<b>Details to be Furnished</b>
Form GSTR-6A	Monthly	On 11 <sup>th</sup> of succeeding month	Details of inward supplies made available to the ISD recipient on the basis of <b>Form GSTR-1</b> furnished by the supplier
Form	Monthly	13 <sup>th</sup> of succeeding	Furnish the details of input credit

GSTR-6		month	distributed
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### **Tax Deductor**

<b>Return Type</b>	<b>Frequency</b>	<b>Due Date</b>	<b>Details to be Furnished</b>
Form GSTR-7	Monthly	10 <sup>th</sup> of succeeding month	Furnish the details of TDS deducted
Form GSTR-7A	Monthly	TDS certificate to be made available for download	TDS Certificate – capture details of value on which TDS is deducted and deposit on TDS deducted into appropriate Govt.

### **E-commerce**

<b>Return Type</b>	<b>Frequency</b>	<b>Due Date</b>	<b>Details to be furnished</b>
Form GSTR-8	Monthly	10 <sup>th</sup> of succeeding month	Details of supplies effected through e-commerce operator and the amount of tax collected on supplies

### **Aggregate Turnover Exceeds 1 crore**

<b>Return Type</b>	<b>Frequency</b>	<b>Due Date</b>	<b>Details to be furnished</b>
Form GSTR-9B	Annually	Annual, 31st Dec of next fiscal	Reconciliation Statement – audited annual accounts and a reconciliation statement, duly certified.

### **Final return**

<b>Return Type</b>	<b>Frequency</b>	<b>Due Date</b>	<b>Details to be furnished</b>
Form GSTR-10	Monthly	Within 3 months of cancellation of registration	Furnish details of inputs and capital goods held, tax paid and payable.

### **Government Departments and United Nation Bodies**

<b>Return Type</b>	<b>Frequency</b>	<b>Due Date</b>	<b>Details to be furnished</b>
Form GSTR-11	Monthly	28 <sup>th</sup> of succeeding month	Details of inward supplies to be furnished by a person having UIN