

BASICS OF GST

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Basic Concepts

- ❖ GST is India's biggest tax reform in 60 years. It is an Act one of its kind and whereas many countries across the world have adopted this Act. India, with its wide diversity, has adopted this much talked about act in its unique way. India has excellently converged the "One Nation One Tax" slogan with the diverse nature of transactions and inequalities that exist in our nation.
 - ❖ GST Act is centrally governed by a GST Council which is represented by the Finance Minister and representatives of all other States. GST Council shall be responsible for all major decisions regarding the act.
 - ❖ GST Act is the result of great effort of a tri-way partnership between Government, Professionals and Business Sector.
-

VIEWS ON GST BY A FEW LEARNED PEOPLE



GST will enable the move from fragmented economy to one market... it will boost investment, growth."

Arvind Subramanian, Chief Economic Adviser

NDTV.COM



“This initiative is in line with ICICI Bank’s philosophy of ‘Ready For You. Ready For Tomorrow’, wherein we are committed to continuously innovate to serve the needs of our customers. I believe that this new digital facility coupled with our extensive branch network will offer more convenience to tax payers in fulfilling the national mission of moving to the GST regime.” .. 2/2

Ms. Chanda Kochhar

MD & CEO, ICICI Bank

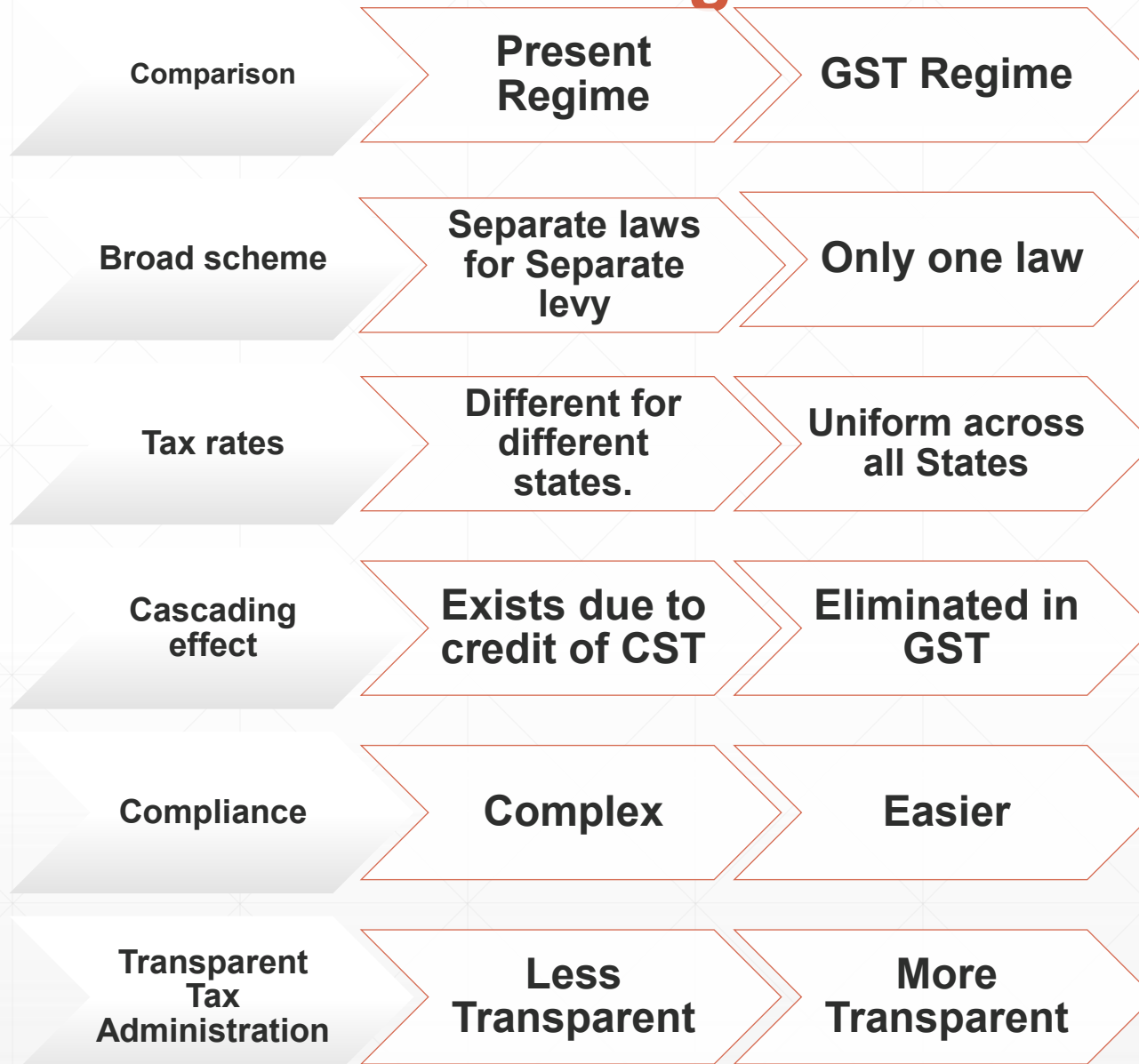
Salient Features

1. One Tax for Manufacturing, Trading & Service
 2. Reduction in Cascading Effect
 3. Inverted Duty Structure Resolved to a great extent
 4. More Revenue to government + Lower Burden on Existing Tax payers : Both are possible
 5. Multiple registrations
 6. Different points of taxation
 7. Online Matching of All Invoices
 8. Uniformity among States
-

Salient Features

9. Goods Vs Service – Dilemma – NO MORE!!
 10. Overall Reduction in Prices
 11. Common National Market
 12. Self regulatory System
 13. Simplified Tax Regime
 14. Consumption Based Tax
 15. Abolition of CST
 16. Boost for Make in India – IGST on Imports at full rate
 17. HSN Code Based Classification
-

Present Regime vs. GST Regime. GST vs VAT



Important Definitions

The term GST is defined in Article 366 (12A) to mean

“any tax on supply of goods or services or both except taxes on supply of the alcoholic liquor for human consumption”.

Definition of Supply

‘supply’ includes all forms of supply of goods and/or services such as sale, transfer, barter, exchange, licence, rental and lease made or agreed to be made for a consideration by a person in the course or furtherance of business,

(b) importation of service, for a consideration whether or not in the course or furtherance of business.

Important Definitions

Definition of Goods

“goods“ means every kind of movable property other than money and securities but including actionable claim, growing crops, grass and things attached to or forming part of the land which are agreed to be severed before supply or under the contract of supply;

Actionable Claim of only Lottery, Gambling or betting shall be treated as Supply

Intangible Assets like DEPB License to be treated as “Goods”

Definition of Services

In terms of Section 2(102) “Services” means anything other than goods, money and securities.

❖ Definition of **AGGREGATE TURNOVER**

“turnover” means the aggregate value of all taxable and non-taxable supplies, exempt supplies and exports, of goods and/or services, to be computed on all India basis and excludes taxes, if any, charged under this Act;

(Imp for: HSN, Composition, Liability to Register, etc)

❖ Definition of **Job Work**

“job work” means any treatment or process undertaken by a person on goods belonging to another registered person and the expression “job worker” shall be construed accordingly.

Thus Job work means undertaking any treatment or process by a person on goods belonging to another registered taxable person. The person who is treating or processing the goods belonging to other person is called ‘job worker’ and the person to whom the goods belong is called ‘principal’.

❖ Definition of Business

- a) any trade, commerce, manufacture, **profession, vocation** or any other similar activity, whether or not it is for a pecuniary benefit;
 - b) any transaction in connection with or incidental or ancillary to (a) above;
 - c) any 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; but does not include agriculture;**
-

❖ Definition of Business

Excise / Service tax laws do not define the term 'business'. However, it is defined under the CST Act / State VAT laws. The definition in the GST law is a modified version of the definition under CST / VAT laws, in as much as the scope is substantially expanded to include among others wager, profession and vocation. This definition is very wide and covers all the transactions that are currently subjected to various taxes that are being subsumed in the GST Laws.

This definition assumes significance as the proposed levy is on supplies undertaken in the course or furtherance of business.

Important:

Clause (g) may require understanding of employment as differentiated from profession.

For instance, if a CA in practice provides CFO or Independent Director services, the service Provided by him may be treated as 'business' and not 'employment'.

❖ Definition of Business Vertical

“business vertical” means a distinguishable component of an enterprise that is engaged in supplying an individual product or service or a group of related products or services and that is subject to risks and returns that are different from those of other business verticals;

Explanation: Factors that should be considered in determining whether products or services are related include:

- (a) the nature of the products or services;
 - (b) the nature of the production processes;
 - (c) the type or class of customers for the products or services;
 - (d) the methods used to distribute the products or provide the services; and
 - (e) if applicable, the nature of the regulatory environment, for example, banking, insurance, or public utilities.
-

Meaning of Furtherance of Business under GST:

- Is the activity, a serious undertaking earnestly pursued?
- Is the activity is pursued with reasonable or recognizable continuity?
- Is the activity conducted in a regular manner based on sound and recognized business principles?
- Is the activity predominantly concerned with the making of taxable supply for consideration/ profit motive?

The test may ensure that occasional supplies, even if made for consideration, will not be subjected to GST.

For example:

An Individual buys car for personal use and sell the same after 1 year to car dealer this is not a sale under GST No furtherance of business.

A Dealer of AC transfer 1 AC from his stock at his residence for personal use without consideration shall be treated as supply.

Provision of Supply of goods or services by a society club trust etc to its member shall be treated as supply.

Transfer of right to use goods shall be treated as supply of service because there is no transfer of title in such supplies. Such transactions are specifically treated as supply of service in Schedule-II of MGL.

Works contract and catering services shall be treated as supply of service as specified in Schedule-II of MGL.

Supply of goods on hire purchase shall be treated as supply of goods as there is transfer of title, albeit at a future date.

Who is Liable to get Registered under GST?

Must register GST

Are you liable to register for GST?

GST registration is mandatory for-

Any business whose turnover in a financial year exceeds Rs 20 lakhs (Rs 10 lakhs for North Eastern and hill states).

[Note: If your turnover is supply of only exempted goods/services which are exempt under GST, this clause does not apply.]

- Every person who is registered under an earlier law (i.e., Excise, VAT, Service Tax etc.) needs to register under GST, too.
 - When a business which is registered has been transferred to someone/demerged, the transferee shall take registration with effect from date of transfer.
 - Anyone who deals in inter-state supply of goods
 - Casual taxable person
 - Non-Resident taxable person
 - Agents of a supplier
-

- Those paying tax under the reverse charge mechanism
 - Input service distributor
 - E-commerce operator or aggregator
 - Person who supplies via e-commerce aggregator
 - Person supplying online information and database access or retrieval services from a place outside India to a person in India, other than a registered taxable person
-

Who is a Casual Taxable Person?

A person who occasionally supplies goods and/or services in a territory where GST is applicable but he does not have a fixed place of business. Such a person will be treated as a casual taxable person as per GST.

Example: A person who has place of business in Bangalore supplies taxable consulting services in Pune where he has no place of business would be treated as casual taxable person in Pune.

Special registration for casual taxable person and non-resident taxable person (section 24)

A casual taxable person or a non-resident taxable person shall apply for registration at least five days prior to the commencement of business. Section 24 provides for special provisions relating to casual taxable person and non resident under GST.

Casual/non-resident taxable person may obtain a temporary registration for a period of 90 days (extendable for additional 90 days).

A person who obtains registration u/s 24, will be required to make advance deposit of GST (based on his estimated tax liability).

TYPES OF GST

THERE ARE FOUR TYPES OF GST:

- Central Goods and Service Tax (CGST)
- State Goods and Service Tax (SGST),
- Union Territory Goods and Service Tax (UTGST)
- Integrated Goods and Service Tax (IGST)

GST

Goods &
Services
Tax



❑ **Central Goods and Service Tax (CGST)**

CGST is a tax on all intra-State (within the same state) supplies of goods or services or both. The amount of CGST will go to Central Government.

❑ **State Goods and Service Tax (SGST)**

SGST is a tax on all intra-State (within the same state) supplies of goods or services or both. The amount of CGST will go to State Government.

❑ **Integrated Goods and Service Tax (IGST)**

IGST is a Tax on inter-state (outside state) supply of goods and services, Integrated GST (IGST) will be collected by Centre. IGST will also apply on imports

Illustrations

Supply	Supplier	Place of Supply	Result
Goods	Karnataka	Tamil Nadu	Inter-State (IGST)
Services	Pondicherry	Kerala	Inter-State (IGST)
Goods	Chandigarh*	Chandigarh*	Inter-State (IGST)
Services	Chandigarh*	Punjab	Inter-State (IGST)
Goods	Punjab	Chandigarh*	Inter-State (IGST)
Goods	Delhi	Delhi	Intra-State (CGST/SGST)
Services	Rajasthan	Rajasthan	Intra-State (CGST/SGST)

Note: Chandigarh is a UT without Legislature;

Explanation to Section 2(2) provides that the term “State” includes a UT with Legislature (Of the 7 UTs, Delhi and Pondicherry are the only 2 UTs with Legislature). In case of a Union Territory if it adopts the legislature of a particular State say Punjab, then it will be intra-State supply.

GST
[say 18%]

Intra-State
(within state)
Transactions

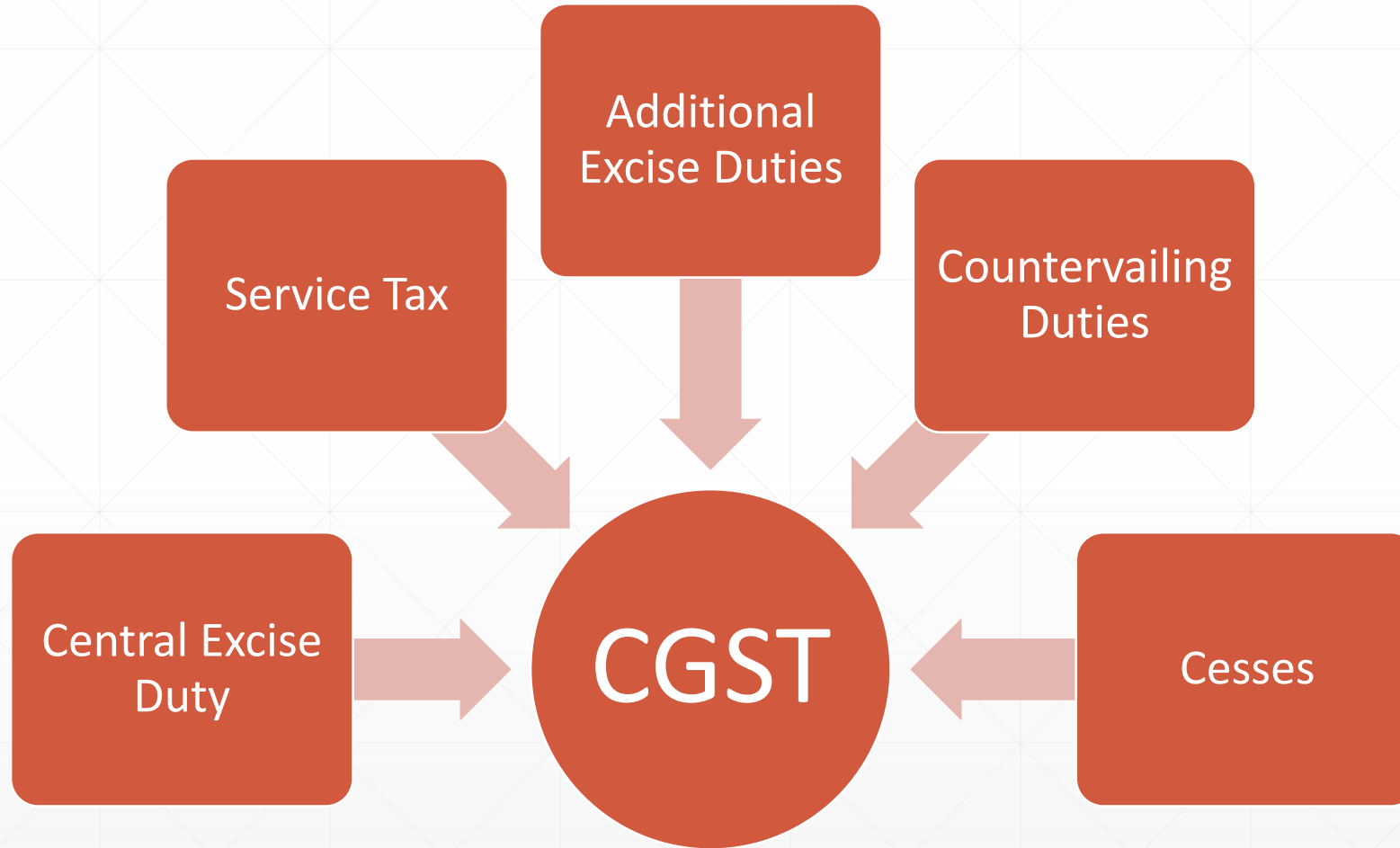
Inter-State
(outside state)
Transactions

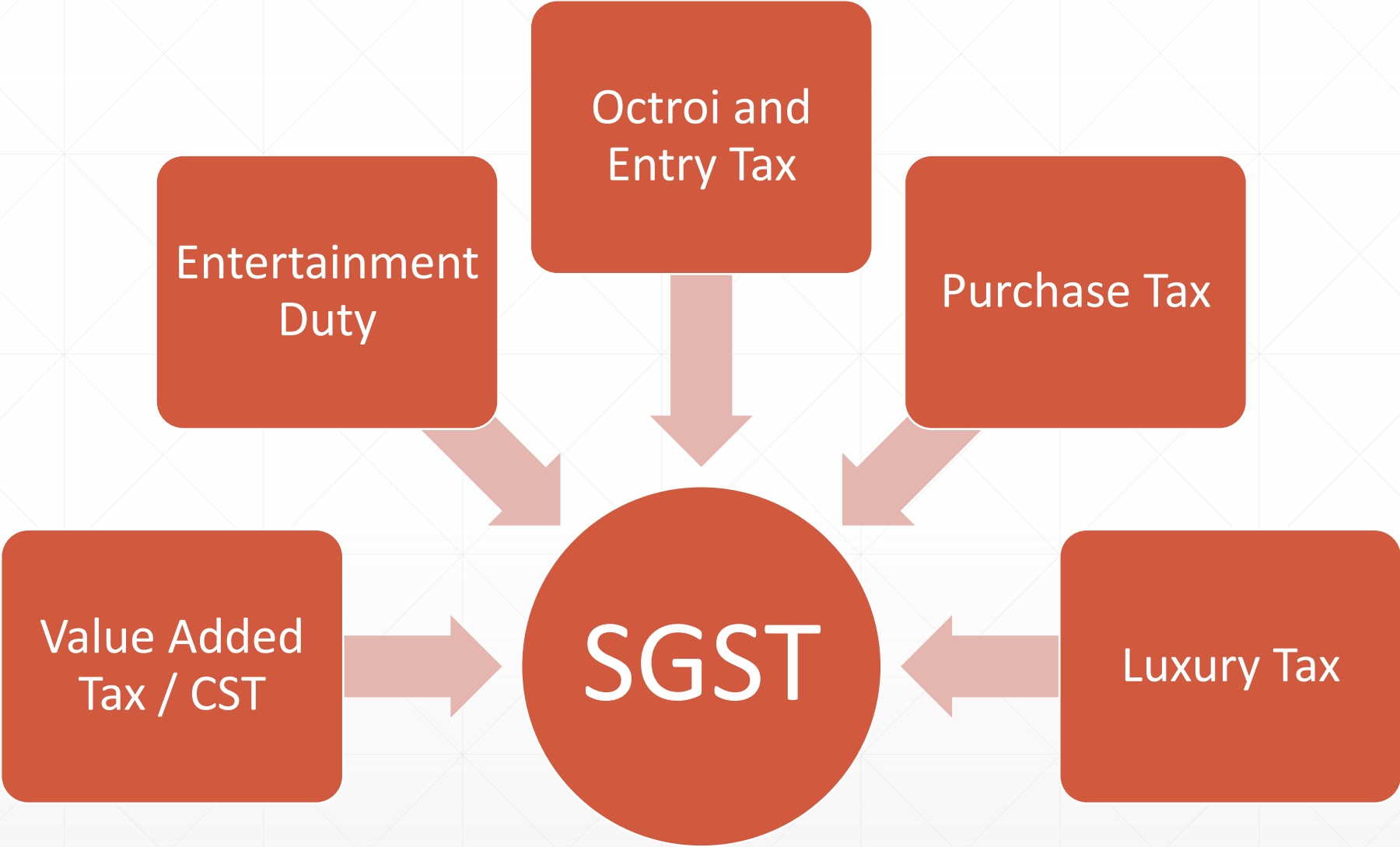
CGST [9%]

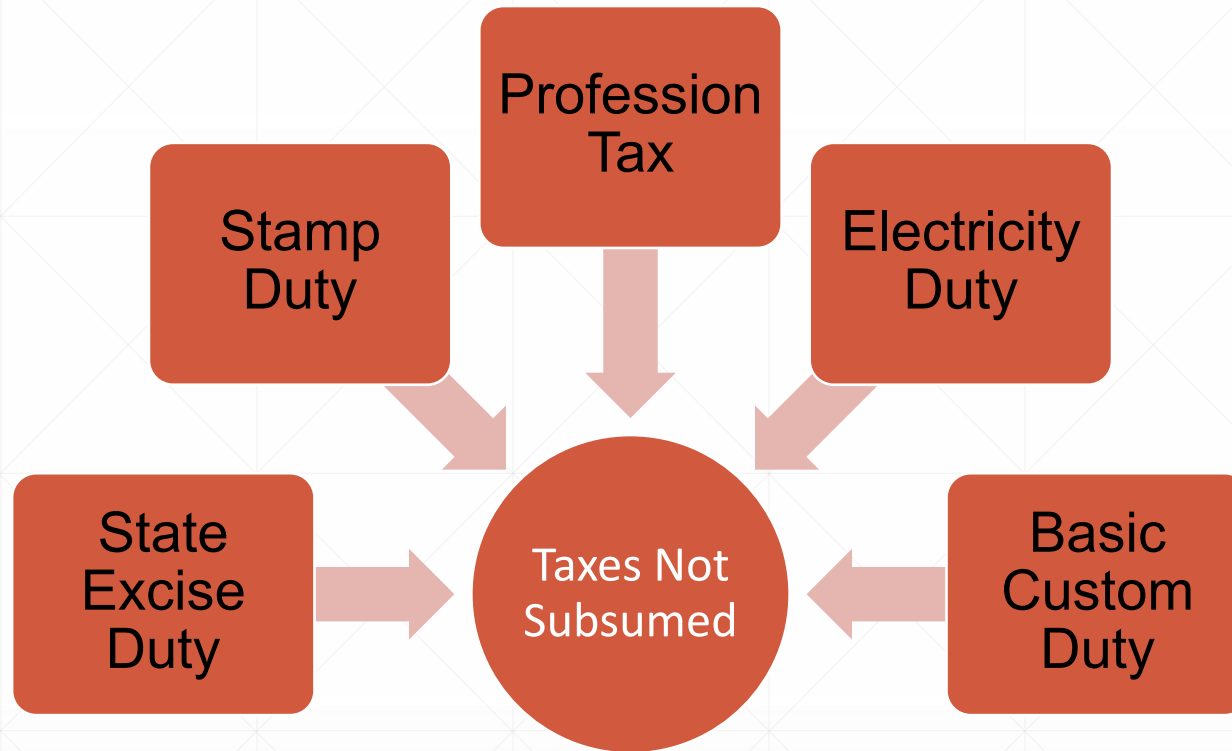
SGST/UTGST [9%]

IGST [18%]

TAXES SUBSUMED/ TAXES THAT SHALL STAY:







Due to GST, there is an abolishment of 17 taxes and 22 cesses. This is a relief to investors in India and Abroad

Protocol to avail and utilise the credit

Credit Of	To be utilised first for payment of	May be utilised further for the payment of
CGST	CGST	IGST
SGST / UTGST	SGST/UTGST	IGST
IGST	IGST	CGST and then SGST/UTGST

The Concept Of Supply

(1) For the purposes of this Act, the expression “supply” includes—

(a) all forms of supply of goods or services or both such as
sale,
transfer,
barter,
exchange,
license,
rental,
lease or
disposal



made or agreed to be made for a consideration by a person in the course or furtherance of
business;

- (b) import of services for a consideration whether or not in the course or furtherance of business;
- (c) the activities specified in Schedule I, even without a consideration; and
- (d) the activities to be treated as supply of goods OR services as referred to in Schedule.

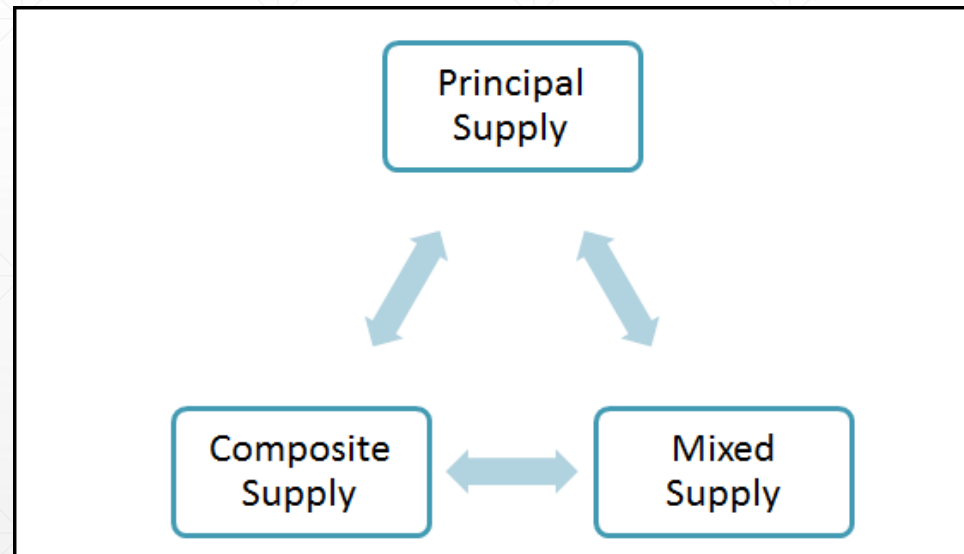
Further, activities or transactions specified in Schedule III OR notified activities OR activities undertaken by the Central Government, a State Government or any local authority shall be treated **neither as a supply of goods nor a supply of services.**

Concept of Mixed / Composite Supply

This is a new concept introduced in GST which will cover supplies made together whether the supplies are related or not. The concept of composite supply in GST regime is similar to the concept of bundled services under Service Tax Laws. However, the concept of mixed supply is entirely new.

Composite supply

Composite supply means a supply is comprising two or more goods/services, which are naturally bundled and supplied in with each other in the ordinary course of business, one of which is a principal supply. The items cannot be supplied separately.



Conditions for composite supply-

Any supply of goods or services will be treated as composite supply if it fulfils

BOTH the following criteria:

Supply of 2 or more goods or services together, **AND**

It is a natural bundle, i.e., goods or services are **usually provided together in normal course of business**. They cannot be separated.

Illustration in Revised GST law: Where goods are packed, and transported with insurance, the supply of goods, packing materials, transport and insurance is a composite supply. Insurance, transport cannot be done separately if there are no goods to supply. Thus, the supply of goods is the principal supply.

Tax liability will be the tax on the principal supply i.e., GST rate on the goods.

If the second condition is not fulfilled it becomes a mixed supply.

Mixed supply

Mixed supply under GST means two or more individual supplies of goods or services, or any combination, made together with each other by a taxable person for a single price.

Each of these items can be supplied separately and is not dependent on any other.

It shall not be a mixed supply if these items are supplied separately.

For tax under GST, a mixed supply comprising two or more supplies shall be treated as supply of that item which has the **highest rate of tax**.

Illustration in Revised GST law:

A supply of a package consisting of canned foods, sweets, chocolates, cakes, dry fruits, aerated drink and fruit juices when supplied for a single price is a mixed supply.

All can be sold separately.

Assuming aerated drinks have the highest GST rate, aerated drinks will be treated as principal supply.

Illustrations of composite supply are as follows

- (a) Supply of laptop and carry case;
- (b) Supply of equipment and installation of the same;
- (c) Supply of repair services on computer along with requisite parts;
- (d) Supply of health care services along with medicaments.

SCHEDULE I

ACTIVITIES TO BE TREATED AS SUPPLY EVEN IF MADE WITHOUT CONSIDERATION

1. Permanent transfer or disposal of business assets where input tax credit has been availed on such assets.
2. Supply of goods or services or both between related persons or between distinct persons as specified in section 25, when made in the course or furtherance of business:

Provided that gifts not exceeding fifty thousand rupees in value in a financial year by an employer to an employee shall not be treated as supply of goods or services or both.

3. Supply of goods—
 - a) by a principal to his agent where the agent undertakes to supply such goods on behalf of the principal; or
 - b) by an agent to his principal where the agent undertakes to receive such goods on behalf of the principal.
4. Import of services by a taxable person from a related person or from any of his other establishments outside India, in the course or furtherance of business.

Schedule II

ACTIVITIES TO BE TREATED AS SUPPLY OF GOODS OR SERVICES

1. Transfer

(a) any transfer of the title in goods is a supply of goods;

(b) any transfer of right in goods or of undivided share in goods without the transfer of title thereof, is a supply of services;

(c) any transfer of title in goods under an agreement which stipulates that property in goods shall pass at a future date upon payment of full consideration as agreed, is a supply of goods.

2. Land and Building

(a) any lease, tenancy, easement, license to occupy land is a supply of services;

(b) any lease or letting out of the building including a commercial, industrial or residential complex for business or commerce, either wholly or partly, is a supply of services.

Schedule II

ACTIVITIES TO BE TREATED AS SUPPLY OF GOODS OR SERVICES

3. Treatment or process / Job Work – Service

4. Transfer of business assets

(a) where goods forming part of the assets of a business are transferred or disposed of by or under the directions of the person carrying on the business so as no longer to form part of those assets, whether or not for a consideration, such transfer or disposal is a supply of goods by the person;

Schedule II

ACTIVITIES TO BE TREATED AS SUPPLY OF GOODS OR SERVICES

(b) where, by or under the direction of a person carrying on a business, goods held or used for the purposes of the business are put to any private use or are used, or made available to any person for use, for any purpose other than a purpose of the business, whether or not for a consideration, the usage or making available of such goods is a supply of services;

(c) where 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—

(i) the business is transferred as a going concern to another person; or

(ii) the business is carried on by a personal representative who is deemed to be a taxable person.

Schedule II

ACTIVITIES TO BE TREATED AS SUPPLY OF GOODS OR SERVICES

1. The following shall be treated as “supply of service”

- a) renting of immovable property;
 - b) 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 before its first occupation, whichever is earlier.
 - c) temporary transfer or permitting the use or enjoyment of any intellectual property right;
 - d) development, design, programming, customisation, adaptation, upgradation, enhancement, implementation of information technology software;
 - e) agreeing to the obligation to refrain from an act, or to tolerate an act or a situation, or to do an act; and
 - f) 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.
-

6. Composite supply

The following composite supplies shall be treated as a supply of services, namely:—

- a) works contract as defined in clause (119) of section 2; and
- b) supply, by way of or as part of any service or in any other manner whatsoever, of goods, being food or any other article for human consumption or any drink (other than alcoholic liquor for human consumption), where such supply or service is for cash, deferred payment or other valuable consideration. (Restaurant)

7. The following shall be treated as supply of goods

- a) supply of goods by any unincorporated association or body of persons to a member thereof for cash, deferred payment or other valuable consideration.
-

Composition Scheme

Composition Levy - Sec. 9 of Model GST Law

- ❖ Optional Scheme
- ❖ Pay an amount in lieu of tax;
Minimum rate to be:
 - 2% of the turnover in case of manufacturers;
 - 1% of the turnover in other cases
 - 5% In case of Restaurant Services
- ❖ No tax to be collected; No Input Tax Credit available



Conditions for Composition:

- ❖ Permission of Proper Officer required
- ❖ Registered persons
- ❖ Aggregate Turnover < Rs. 75 Lakhs
- ❖ Aggregate turnover = Value of all supplies (taxable + non-taxable + exempt + exports) – Value of (RCM supplies* + inward supplies) – taxes under GST

No composition option in the following specific cases:

Services supplied:

Any/ all services (includes goods treated as *supply of services*)

Goods supplied:

- ❖ Non-taxable goods
- ❖ Inter-State outward supplies
- ❖ Through e-commerce operators
- ❖ Notified goods manufactured by the supplier
- ❖ If aggregate turnover (all India basis) of preceding FY exceeds 75 Lakhs *(If during the FY, the aggregate turnover exceeds 75 Lakhs, no composition from the following day.)*

Points To Be Noted:

- Composition holder also liable to **RCM** transactions at normal rates.
 - **No ITC** available on tax paid under RCM.
 - Composition Scheme is PAN based,
 - Thus a dealer shall either opt for composition on all of his business verticals run under the same
 - PAN all across the country
- OR
- Pay tax at normal rates on all.

Exemption from Tax

Section 2(100) – “non-taxable supply” means a supply of goods or services which is not chargeable to tax under this Act

- Section 16(1) of IGST Act – “zero-rated supply” means any of the following taxable supply of goods and/or services, namely -
 - a) Export of goods and/or services
 - b) Supply of goods and/or services to a SEZ developer or an SEZ unit
-

- While the whole exemption list has been finalized as now, it is learned that about 80 items would form part of exemption list (i.e. no GST would be applicable on it). These items include grains, non-mineral water, poha etc.
 - When A committee of officials headed by Revenue Secretary Hasmukh Adhia was preparing the item-wise list for GST rates. Sources said that more than 16000 representations were received seeking exemptions or lower rate of GST.
 - Common items exempted by the Centre and states include bread, eggs, milk, vegetables, cereals, books and salt. These will continue to be exempted.
-

Exempt Services

The GST Council in its meeting on 19th May 2017 broadly approved the list of services exempted from levy of Goods and Services Tax (GST). In principle, existing (under service tax law) list of exempt services (by mega exemption notification or specific exemption) coupled with negative list of services as per Section 66D of Finance Act, 1994 forms ingredient to exemption list of services under GST.

Key services on which exemption under GST continue are:

1. Services by way of renting of residential dwelling for use as residence (non-commercial renting services)
 2. Services provided to the United Nations or a specified international organization.
 3. Services by an entity registered under section 12AA of the Income tax Act, 1961 (43 of 1961) by way of charitable activities
 4. Services provided by educational institutions
-

5. Services by an artist by way of a performance in folk or classical art forms of (i) music, or (ii) dance, or (iii) theatre
 6. Services by an organizer to any person in respect of a business exhibition held outside India
 7. Services provided by a tour operator to a foreign tourist in relation to a tour conducted wholly outside India.
 8. Healthcare services
 9. Services by way of admission to a museum, national park, wildlife sanctuary, tiger reserve or zoo;
 10. Services by way of collecting or providing news by an independent journalist, Press Trust of India or United News of India;
-

SCHEDULE III

ACTIVITIES OR TRANSACTIONS WHICH SHALL BE TREATED NEITHER AS A SUPPLY OF GOODS NOR A SUPPLY OF SERVICES

1. Services by an employee to the employer in the course of or in relation to his employment.
 2. Services by any court or Tribunal established under any law for the time being in force.
 3.
 - a) the functions performed by the Members of Parliament, Members of State Legislature, Members of Panchayats, Members of Municipalities and Members of other local authorities;
 - b) the duties performed by any person who holds any post in pursuance of the provisions of the Constitution in that capacity; or
 - c) the duties performed by any person as a Chairperson or a Member or a Director in a body established by the Central Government or a State Government or local authority and who is not deemed as an employee before the commencement of this clause.
-

4. Services of funeral, burial, crematorium or mortuary including transportation of the deceased.
5. Sale of land and, subject to clause (b) of paragraph 5 of Schedule II, sale of building.
6. Actionable claims, other than lottery, betting and gambling.

Explanation.—For the purposes of paragraph 2, the term “court” includes District Court, High Court and Supreme Court.



GST RATE – 0%

EXEMPTED ITEM

- ❑ **GUR,**
- ❑ **MILK,**
- ❑ **EGGS,**
- ❑ **CURD,**
- ❑ **LASSI,**
- ❑ **UNPACKED PANEER,**
- ❑ **NATURAL HONEY,**
- ❑ **FRESH VEGETABLES,**
- ❑ **FRUITS,**
- ❑ **ATTA,**
- ❑ **BESAN,**
- ❑ **MAIDA,**

EXEMPTED ITEM

- ❑ **VEGETABLE OIL,**
- ❑ **PRASAD,**
- ❑ **COMMON SALT,**
- ❑ **CONTRACEPTIVE,**
- ❑ **BREAD,**
- ❑ **BINDI,**
- ❑ **VERMILLION,**
- ❑ **STAMP,**
- ❑ **JUDICIAL DOCUMENTS,**
- ❑ **PRINTED BOOKS,**
- ❑ **BANGLES AND HANDLOOM PRODUCTS.**



Reverse Charge
Under
GST

Reverse Charge Mechanism

India is a country where there are organized, partly organized and unorganized sectors, which require continuous monitoring for better tax compliance and coverage. To carry out this function smoothly, the government had introduced **REVERSE CHARGE MECHANISM**.

What is Reverse Charge in GST?

Reverse Charge means the liability to pay the tax by person receiving goods and/or services instead of the person supplying the goods and/or services in respect of specified categories of supplies. In India, the concept of reverse charge under GST is being introduced which is already present in service tax. Reverse charge under GST may be applicable for both services as well as goods. Currently, there is no reverse charge mechanism in supply of goods.

Example

A manpower supplier of **Company ABC** has provided services to a **Company XYZ**.

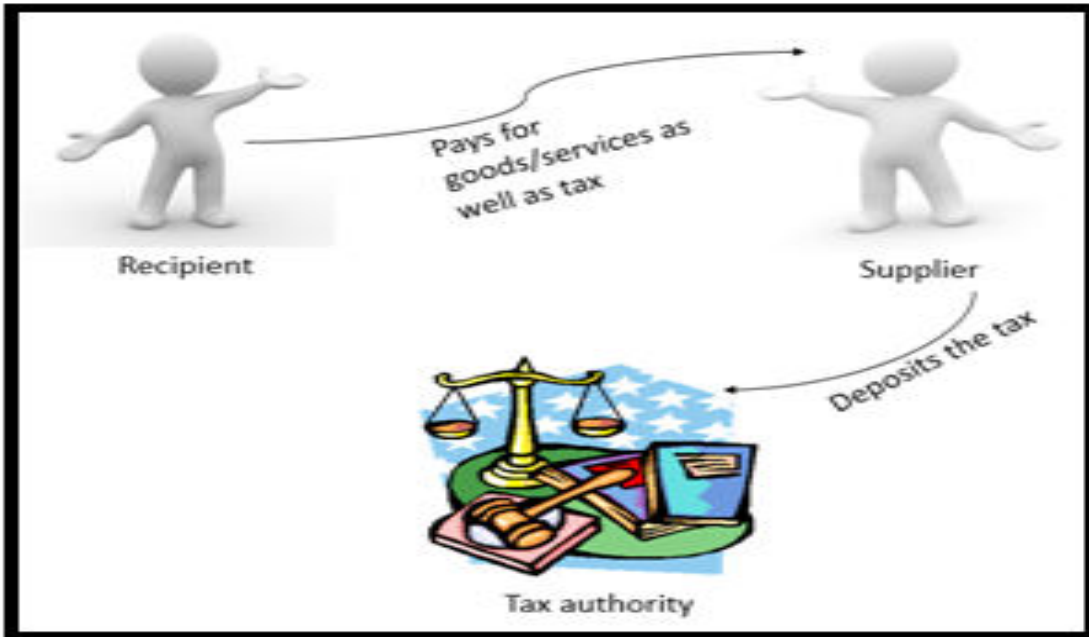
Bill charged= Rs. 1,00,000 and Tax liability (assumption) = Rs. 15,000 (Rs. 1,00,000*15%)

Service provider **Company ABC** will send a bill of Rs. 1,00,000 mentioning that the service tax will be bear by the receiver.

So, **Company XYZ** will pay Rs. 1,00,000 to **Company ABC** and will deposit Rs. 15,000 to the Government.

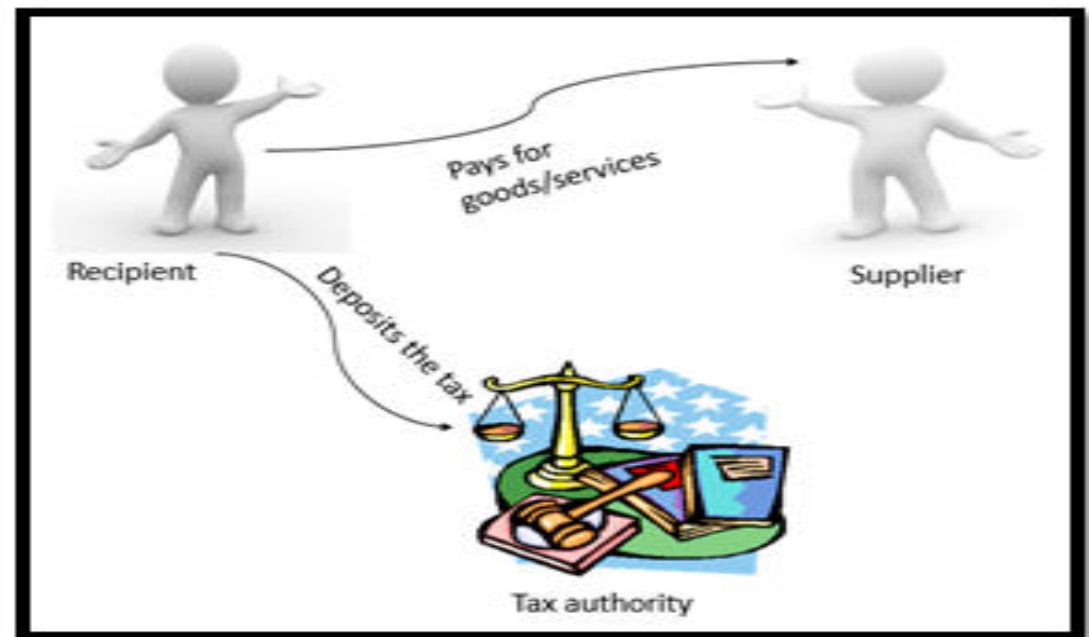
Comparison

Direct Charge mechanism under GST:



In this mechanism, recipient pays tax **to** supplier and supplier pays tax to the Authority.

Reverse Charge mechanism under GST:



In this mechanism, recipient pays tax **for** the supplier and deposits the tax to Authority.

Situations under which reverse charge can be applied

1. Services through an e-commerce operator

2. Unregistered dealer selling to a registered dealer

In such cases, the registered dealer is required to pay GST on reverse charge basis for such supply.

3. Reverse charge under GST on services

CBEC has notified a list of services on which tax shall be paid by the recipient on **100% reverse charge** basis:

- Non-resident service provider
 - Goods Transport Agencies
 - Legal service by an Advocate/ Firm of Advocates
 - Arbitral Tribunal
 - Sponsorship Services
 - Specified Services provided by Government or Local Authority to Business entity
-

- Services of a director to a company
 - Insurance agent
 - Recovery Agent of Bank/FI/ NBFC
 - Transportation Services on Import
 - Permitting use of Copyright
 - Radio Taxi services to E-commerce aggregator (eg: Ola, Uber, etc.)
-

Provisions for Reverse Charge under GST

- **Invoicing rules**

Every person who is paying tax on the basis of reverse charge has to **mention this fact** in his tax invoice that is being issued. A registered person who is liable to pay tax under reverse charge i.e., the **buyer** has to mandatorily issue an invoice in respect of goods or services received by him from the supplier who is not registered.

- **Exemption from paying tax under GST**

In general, a person supplying goods/services up to an aggregate turnover of **Rs. 20 lakhs** in a financial year is exempted from paying tax. **But, taxpayers paying tax on the basis of reverse charge under GST are not eligible for this threshold exemption.**

- **Composition Scheme under GST**

In general, small taxpayers with the aggregate turnover of **Rs. 75 lakhs** in a financial year are eligible to pay tax under composition scheme. **But, taxpayers paying tax on the basis of reverse charge under GST are not eligible for composition scheme.**

Reverse Charge



Time of supply

❖ Goods

In the case of supplies of goods when tax is payable under **Reverse Charge mechanism**, the time of supply should be **earliest** of the following dates:

1. Date of the **receipt** of goods, or
2. Date on which the **payment** is made, or
3. Date immediately after 30 days from the date of issue of the invoice by the supplier (30 days for goods),
or
4. Date of debit in the books of accounts.

❖ Services

In the case of supplies of services when tax is payable under **Reverse Charge mechanism**, the time of supply should be of **earliest** of the following dates:

1. Date of the **receipt** of services, or
2. Date on which the **payment** is made, or
3. Date immediately after 60 days from the date of issue of the invoice by the supplier (60 days for services),
or
4. Date of debit in the books of accounts.

Input Tax Credit under RCM

1. The service recipient can avail Input Tax credit on the Tax amount that is paid under reverse charge on goods and services.
2. The only condition is that the goods and services are used or will be used for business or furtherance of business.
3. Unfortunately, ITC cannot be used to pay output tax, which means that payment mode is only through cash under reverse charge.

*Thank
you*



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