Name – Vinod Mehra

Commerce Deptt

GST ACT, 2017

UNIT -I

Tax Structure in India: Direct and Indirect Taxes, Overview of GST, implementation of GST: GST Council, Reasons for GST Introduction: Pros and Cons, Registration: Persons liable for registration-Procedure for Registration, Exemption from Registration, Administration: Officers under GST-their appointment and powers, Levy and collection of CGST/SGST, Composition Levy Scheme, Input Tax Credit, Time of Supply, Tax Invoice, Credit and debit notes.

UNIT -II

IGST ACT-2017: Definitions-Supplies in the course of interstate trade or commerce, supplies in the course of intra state trade or commerce, Levy and collection of IGST-Place of Supply, Exemption from GST, Value of Supply: Computation of Taxable Value and Tax liability, Valuation rules, returns and payment under GST, Refund of Taxes, offences and penalities, GST Portal : GSTN, GSP's and ASP'

GST applicable is in India w.e.f. 1.07.2017 (In J & K 8.07.2017)

Q What is Tax ?

Answer--A tax is a mandatory fee or financial charge levied by any government on an individual or an organization to collect revenue for public works providing the best facilities and infrastructure.

Q Name the type of Taxes.

Answer—Direct Tax and Indirect Tax

DIFFERENCE BETWEEN DIRECT AND INDIRECT TAX

BASIS	DIRECT TAXES	INDIRECT TAXES

Tax incidence	The impact and incidents of a tax are on one and the same person.	Incidents of a tax is on ultimate consumer
Levied on	These are levied on Total income of persons	These are levied on goods and services.
Collection of Tax	In Direct Tax Collection of Tax is difficult.	In Indirect Tax collection of Tax is easier.
Shifting	There is no shifting of burden.	There is shifting of burden to ultimate consumer.
Examples	Income Tax, Professional Tax, House Tax, Water Tax etc.	VAT, Custom duty, Excise duty, GST
Distributive Effect	Direct taxes are progressive and they help to reduce inequalities.	But indirect taxes are regressive and they widen the gap of inequalities.
Administrative Costs	The administrative costs of direct taxes are more than that of indirect taxes.	The administrative costs are less of indirect taxes.
Flexible	Direct taxes are more flexible than that of indirect taxes.	Indirect Taxes are less flexible.
Growth Oriented	Direct Taxes are less growth oriented than indirect taxes.	Indirect taxes are more growth oriented than direct taxes.
Basis	Income based taxes.	Supply based taxes.
Revenue	Entire revenue goes to Central Govt.	Revenue source to central Govt. as well as state government.
Burden	Tax is levied on and paid by same person.	Tax is levied on one person but paid by the other person.
Evasion	Evasion of tax is possible.	Evasion of Indirect tax is not possible.
Tax Rate	Directly depends on income and profits.	Tax rate is same for everyone.
Transfer of liability	Not transferable	Can be Transferable.
Tax Collection	Complex	Quite convenient

Q What is GST ?

Answer--The full form of GST is Goods and Services Tax. It was first introduced in the Budget Speech presented on 28th February 2006. It laid the foundation for a complete reform of India's indirect tax system. Finally implemented on 1st July 2017 as the Goods and Services Tax Act, the indirect taxation system thus went through a chain of amendments since its inception.

With this tax reform, GST replaced multiple indirect taxes that were levied on different goods and services. The Central Board of Indirect Taxes and Customs (CBIC) is the regulatory body governing all changes and amendments regarding this tax.

GST definition is easy to decode. It is a destination-based,multi-stage, comprehensive tax levied at each stage of value addition. Having replaced multiple indirect taxes in the country, it has successfully helped the Indian Government achieve its *'One Nation One Tax'* agenda.

DIFFERENCE BETWEEN GST AND THE INDIRECT TAX REGIME

	GST Tax Structure	**Old Indirect Tax Structure**
Regulatory Law(s)	There is only one law to regulate GST, which is the GST Act of 2017.	Separate laws existed to regulate the various indirect taxes. VAT, meanwhile, was at the discretion of the states.
Tax Structure	The payable GST is made of two components, namely the Central Goods and Services Tax (SGST) and the State Goods and Services Tax (SGST. Half of the collected GST revenue goes to the state while the other half goes	Indirect taxes were a summation of multiple taxes, including VAT, CST, and Excise Duty, among others.

	to the Centre.	
Cascading Effect	The cascading effect is reduced, which makes the regime very simple.	High cascading effect of taxes.
Tax Burden	The tax burden is usually lower.	Tax burden used to be significantly higher due to the cascading effect of taxes.

Types of GST Charged in India

GST is primarily categorised into three different types, i.e. CGST, SGST, and IGST.

- **Central Goods and Services Tax (CGST):**The Central government collects the CGST tax, which is levied on the intra-state supply of products and services. The introduction of the same led to the abolition of central taxes such as central excise duty, customs duty, service tax, among others.
- **State Goods and Services Tax (SGST):**As the name implies, SGST is that component of the tax which goes to the state government. SGST is applicable on goods and services sold within the state. This has, in turn, replaced several other taxes, such as the value-added tax (VAT), entertainment tax, entry tax, and state sales tax, among others.
- **Integrated Goods and Services Tax (IGST):**Integrated GST is charged on products and services that are produced and consumed in two different states. The revenue collected from IGST is distributed among the relevant states. IGST was implemented with the intention of streamlining the tax process.
- **Union Territory Goods and Services Tax (UTGST):** UTGST, as the name suggests, is applicable on goods and services supplied within the union territories of India, namely Chandigarh, Andaman and Nicobar Islands, Daman and Diu, Dadra and Nagar Haveli, and Lakshadweep. UTGST is collected in addition to CGST instead of SGST.

Advantages of GST

1. Benefits for Traders and Manufacturers

- Compliance becomes easy
- Brings uniformity in tax rates and structure
- Removal of the cascading or compounding effect caused by the imposition of multiple taxes
- Paves the path for the development of a common national market

2. Benefits for Central and State Government

- It is relatively easier to implement and administer
- An improvement in compliance and revenue collections
- Better revenue effectiveness

3. Consumer Benefits

- Payment of a single and transparent tax
- Reduction of the burden on taxpayers

Salient Features of GST

Goods and Services Tax (GST) is a comprehensive indirect tax levied on the supply of goods and services in India. Here are some of the salient features of GST:

a. **One Nation, One Tax:** GST replaced multiple indirect taxes levied by the Central and State Governments, such as excise duty, service tax, value-added tax (VAT), and others. It brought uniformity in the tax structure across India, eliminating the cascading effect of taxes.

b. **Dual Structure:** GST operates under a dual structure, comprising the Central GST (CGST) levied by the Central Government and the State GST (SGST) levied by the State Governments. In the case of Inter-state transactions, Integrated GST (IGST) is applicable, which is collected by the Central Government and apportioned to the respective State. Import of goods or services would be treated as inter-state supplies and would be subject to IGST in addition to the applicable customs duties.

c. **Destination-based Tax:** GST is a destination-based tax, levied at each stage of the supply chain, from the manufacturer to the consumer. It is applied to the value addition at each stage, allowing for the seamless flow of credits and reducing the tax burden on the end consumer.

d. **Input Tax Credit** **(ITC):** GST allows for the utilization of input tax credit, wherein businesses can claim credit for the tax paid on inputs used in the production or provision of goods and services. This helps avoid double taxation and reduces the overall tax liability.

e. GST would apply on all goods and services except Alcohol for human consumption. GST on five specified petroleum products (Crude, Petrol, Diesel, ATF & Natural Gas) would by applicable from a date to be recommended by the GSTC. Tobacco and tobacco products would be subject to GST. In addition, the Centre would have the power to levy Central Excise duty on these products. Exports are zero-rated supplies. Thus, goods or services that are exported would not suffer input taxes or taxes on finished products.

f. **Threshold Exemption:** Small businesses with a turnover below a specified threshold (currently, the threshold is □ 20 lakhs for supplier of services/both goods & services and □ 40 lakhs for supplier of goods (Intra-Sate) in India) are exempt from GST. For some special category states, the threshold varies between □ 10-20 lakhs for suppliers of goods and/or services except for Jammu & Kashmir, Himachal Pradesh and Assam where the threshold is □ 20 lakhs for supplier of services/both goods & services and □ 40 lakhs for supplier of goods (Intra–Sate). This threshold helps in reducing the compliance burden on small-scale businesses.

g. **Composition Scheme:** The composition scheme is available for small taxpayers with a turnover below a prescribed limit (currently □ 1.5 crores and □ 75 lakhs for special category state). Under this scheme, businesses are required to pay a fixed percentage of their turnover as GST and have simplified compliance requirements.

h. **Online Compliance:** GST introduced an online portal, the Goods and Services Tax Network (GSTN), for registration, filing of returns, payment of taxes, and other compliance-related activities. It streamlined the process and made it easier for taxpayers to fulfill their obligations.

i. **Anti-Profiteering Measures:** To ensure that the benefits of GST are passed on to the consumers, the government established the National Anti-Profiteering Authority (NAA). The NAA monitored and ensured that businesses do not engage in unfair pricing practices and profiteering due to the implementation of GST. All GST anti-profiteering complaints are now dealt by the Competition Commission of India (CCI) from 1st December, 2022.

j. **Increased Compliance and Transparency:** GST aims to enhance tax compliance by bringing more businesses into the formal economy. The transparent nature of the tax system, with the digitization of processes and electronic records, helps in curbing tax evasion and increasing transparency.

k. **Sector-specific Exemptions:** Certain sectors, such as healthcare, education, and basic necessities like food grains, are given either exempted from GST or have reduced tax rates to ensure affordability and accessibility.

l. Accounts would be settled periodically between the Centre and the States to ensure that the credit of SGST used for payment of IGST is transferred by the Exporting State to the Centre. Similarly, IGST used for payment of SGST would be transferred by the Centre to the Importing State. Further, the SGST portion of IGST collected on B2C supplies would also be transferred by the Centre to the Destination State. The transfer of funds would be carried out on the basis of information contained in the returns filed by the taxpayers.

Q What is Taxable event in a Law?

Answer:- A taxable event in the law is the event, happening of **which triggers applicability** of provisions of the law. E.g. under Income Tax Act**, taxable event is earning of income**. Thus,**earning of income** is **the trigger** and once a person earns any income, he is covered by the provisions of Income Tax Act. In GST taxable event is supply of goods or services.

Q Goods out of the scope of CGST/IGST

Answer-The Central tax on the supply of

- Petroleum crude
- Motor spirit (commonly known as petrol)
- Aviation turbine fuel
- High speed diesel
- Natural gas

shall be levied with effect from such date as may be notified by the Government on the recommendation of the council.

Levy of CGST

Subject to the provisions of sub-section (2), there shall be

levied a tax called the central goods & service tax

- on all intra-state supplies of goods or service or both, except
- on the value determined u/s 15 and
- at such rates, not exceeding twenty percent, as may be notified by the Government on the recommendations of the Council and
  collected in such manner as may be prescribed and
  shall be paid by the taxable person.

Components of GST

There are basically 4 components of Goods and Service tax in India

- **CGST**—It is the tax collected by the Central Government on an intrastate supply.
- **SGST**-It is the tax collected by the state government on an intrastate supply.
- **UTGST**—It is the tax collected by the central government on an intrastate supply.
- **IGST—**It is a tax collected by the Central Government for an interstate supply.

Particulars	CGST	SGST	UTGST	IGST
Full Form	CGST stands for Central Goods & Service Tax	SGST stands for State Goods & Service Tax	UTGST stands for Union Territory Goods & Service Tax	IGST stands for Integrated Goods & Service Tax.
Levy of taxes	Central Government	State Government	Central or Union Territory Government	Collected by Central Government, Combined levy
Replacement of taxes	Excise Duty Service Tax Countervailing Duty Additional duties of excise Special additional duty	Sales Tax VAT Entry Tax Luxury tax Purchase Tax Entertainment tax Octroi Taxes on lottery	Sales Tax VAT Entry Tax Luxury Tax Purchase Tax Entertainment Tax Octroi Taxes on Lottery	Central Sales Tax
Nature of Supplies	Intrastate Supplies	Intrastate supplies	Union territory supplies	Interstate and import supplies
Availability of ITC	Against IGST	Against IGST	Against IGST	Against IGST

	CGST	SGST	UGST	CGST SGST
Sharing of Tax Revenue	Central Government	State Government	Union territory government	Shared between Central and State Government
Registration	Not allowed, Untill exceeds specified threshold	Not allowed, Untill exceeds specified threshold	Not allowed, Untill exceeds specified threshold	Compulsory

Meaning of Intra State Supply and Inter-state supply

1) Intra State Supply--Where the **location of supplier** and the **place of supply** are in the same State or in the same Union territory, the supply is an intra-state supply. Intrastate supplies are liable to CGST (Central Goods and Services Tax) and SGST/UTGST (State Goods and Services Tax/Union Territory Goods and Services Tax).

2) Inter-state Supply—When **the location of supplier** and the place of supply are in

- Two different States,
- Two different Union territories
- One State and One Union territory,

  then the place of supply is an inter-state supply. Inter-state supplies are liable to IGST.

Example--A company ABC ltd is located in Jaipur, Rajasthan, and it supplies mobiles worth Rs. 1,00,000 to Mumbai, Maharashtra. This supply will be considered an interstate supply.

Taxable Supply—means a supply of goods or services or both which is leviable to tax under this Act.

Exempt Supply—means a supply of any goods or services or both

- Which attracts nil rate of tax or

- Which may by wholly exempt from tax section 11 or under section 6 of the IGST Act and includes non-taxable supply.

Zero rated supply—means any of the following suppliers of goods or services or both, namely:-

a) Export of goods or services or both; or
b) Supply of goods or services or both to a Special Economic Zone Developer or a Special Economic Zone Unit.

Supply—

The meaning and scope of supply in terms of section 7 can be understood in terms of following parameters:--

1. Supply should be of goods or services
2. Supply should be made for a consideration
3. Supply should be made in the course or furtherance of business

However, few exceptions have been carved out where a transaction is deemed to be a supply even without consideration as per schedule I.

Supply includes all forms of supply of goods or services both. Supply of anything other than goods or services like money, securities etc. does not attract GST.

Anything supplied other than goods or services are outside the scope of supply.

Aggregate Turnover—

Aggregate Turnover means the aggregate value of

- all taxable supplies (excluding the value of inward supplies on which tax is payable by a person on reverse charge basis)
- exempt supplies
- exports of goods or services or both and
- inter-State supplies of persons having the same Permanent Account Number, to be computed on all India basis
  but excludes CGST, SGST, UGST,IGST

Aggregate turnover shall include all supplies made by the Taxable person, whether on his own account or made on behalf of all his principals.

Define Composition Levy

The word 'Composition ' comes from the latin componere, meaning 'Put together'.

It is a feature of indirect tax laws that in order to provide a **comfort to an assessee** from completing with the requirement of paying tax on value addition by maintaining details of 'inputs' & 'outputs', an option is provided to go for a 'put together scheme' & make a payment of an amount.

The objective of composition scheme is to bring simplicity **and to reduce the compliance cost** for the small taxpayers. Small taxpayers with an aggregate turnover in a preceding **financial year upto Rs 1.5 crore** shall be eligible for composition levy. Suppliers opting for composition levy need not worry about the classification of their goods or services or both, the rate of GST applicable on the same, etc. They are not required to raise any tax invoice, but **simply need to issue a Bill of Supply**. At the end of a quarter, the registered person opting for composition levy would pay a certain specified %age of his turnover of the quarter as tax, without availing the benefit of input tax credit. The composition levy is an alternative method of levy of tax designed for small taxpayers whose turnover is upto 1.5 crore and 75 lakhs in case of few states. Moreover, it is optional and the eligible person opting to pay tax under this scheme can pay tax at a prescribed percentage of his turnover every quarter, instead of paying tax at normal rate.

Tax rate under Composition Scheme

S No	Categories of registered person	CGST	SGST/ UGST	Total Rate	Basis of Calculation
1	Manufacturers	0.5	0.5	1	Turnover in State
2	Restaurant, Catering, Mess or any other service contract where goods as food or drink is supplies for human consumption	2.50	2.50	5	Turnover in State
3	Other supplies	0.5	0.5	1	Turnover of taxable supplies of goods or services in State

Who cannot opt for Composition Scheme

The following people **cannot opt** for the scheme-

- Manufacturer of **ice cream, pan masala, or tobacco**
- A person making **inter-state supplies**
- A **casual** taxable person or **a non-resident** taxable person

What are the conditions for availing Composition Scheme?

The following conditions must be satisfied in order to opt for composition scheme:

- **No Input Tax Credit** can be claimed by a dealer opting for composition scheme
- The dealer cannot supply goods not taxable under GST such as alcohol.
- The taxpayer has to pay tax at normal rates for transactions under the Reverse Charge Mechanism
- If a taxable person has different segments of businesses (such as textile, electronic accessories, groceries, etc.) under the same PAN, they must **register all such businesses** under the scheme collectively or opt out of the scheme.

- The taxpayer has to mention the words '**composition taxable person'** on every notice or signboard displayed prominently at their place of business.
- The taxpayer has to mention the words 'composition taxable person' on every **bill of supply** issued by him.
- As per the CGST (Amendment) Act, 2018, a manufacturer or trader can now also supply services to an extent of **ten percent of turnover, or Rs.5 lakhs, whichever is higher**. This amendment will be applicable from the 1st of Feb, 2019.

Key Features of the Composition Scheme:--

1. **Eligibility** – Under Composition Scheme not everyone is eligible to enroll under this scheme. It is meant for taxpayers whose aggregate turnover does not exceed specified limit threshold in a Financial Year.

2. **Tax rate—**Under Composition Scheme rate of tax as prescribed will be less than regular GST.

3. **Not eligible for ITC**—Tax paid under Composition Scheme does not qualify for ITC.

4. **Applies to Intrastate supplies—**Under Composition Scheme only intrastate supplies are covered and Interstate suppliers will come under regular GST Laws.

5. **Needs Voluntary application**—Under Composition Scheme taxpayers need to make voluntary registration every year.

6. **Transfer to regular scheme—**Under Composition Scheme if the taxpayer crosses the minimum specified turnover limit then he will be transferred to regular scheme.

7. **Simplified Compliance**—Taxpayers under Composition Scheme have been allowed to pay self-assessed tax and furnish a statement on a quarterly basis till 18^{th} of the month succeeding such quarter and furnish a return (GSTR-4) till 30^{th}

April for the previous financial year. Thus, they would be liable to file one Annual Return with quarterly payment of taxes.

8. **Bill of Supply not tax invoice—**Under Composition Scheme unlike regular scheme where a taxpayer needs to present tax invoice to the tax authorities, taxpayers need to present bill of supply.

Benefits of CLS

1. Limited Compliance
2. Limited Tax Liability
3. High Liquidity
4. Lower of Tax

Drawbacks of CLS

1. Limited Territory for Business
2. No Credit of Input Tax
3. No collection of Tax
4. No E-commerce Supply
5. No Inter-state Supply

Example of Aggregate Turnover--

So Mr. A owns a tea estate with an annual turnover of Rs.1.60 crore by selling tea leaves. This activity is exempt from GST. However, Mr. A also supplies plastic bags along with his crop and charges separately for this. His turnover from the sale of plastic bags is Rs.5 lakhs and we know that this transaction (sale of plastic bags) is chargeable to GST. In simple words, his taxable turnover is only Rs.5 lakhs.

Going by the definition of aggregate turnover, Mr. A is required to register under GST because his **aggregate turnover** exceeds the threshold limit of Rs. 40 lakh. Further, Mr. A does not have the option to register as a composition dealer because this aggregate turnover exceeds the threshold limit of Rs.1.5 crore (Rs 75 lakhs for special category states).

For Example:- Mr. A living in Delhi is a trader of goods. On the same PAN, he has a branch in Faridabad. The detail of his sale (excluding GST) for the financial year 2022-23 is as follows:- Sale of Taxable Goods from Delhi is Rs. 10 Lakhs Sale of Goods from Delhi to Faridabad Branch is Rs. 5 Lakhs Sale of Exempted Goods from Faridabad is Rs. 25 Lakhs Export of Goods from Delhi is Rs. 4 Lakhs Sale of Non GST Goods from Faridabad is Rs. 1 Lakh Total GST on above sale is Rs. 2 Lakhs Inward supplies liable to reverse charge is Rs. 1.5 Lakhs *In this Aggregate Turnover is Rs. 45 Lakhs (10+5+25+4+1) and Mr. A is liable to get registered in Delhi and Faridabad since his aggregate turnover exceed the threshold limit of Rs. 40 Lakhs. *GST on the sale amounting to Rs. 2 Lakhs and value of Inward supplies amounting to Rs. 1.5 Lakhs are not taken into consideration for the purpose of calculation of aggregate turnover because these falls in the exclusion. *Sale of goods from Delhi to Faridabad branch is included since as per section 25(4) of CGST Act, 2017 **both are distinct person.** *For the purpose of aggregate turnover sale of both Faridabad and Delhi Branch are taken into consideration since aggregate turnover requires to be calculated on PAN basis.

Q-- Mr. Ram is an agriculturist with an annual turnover of Rs. 65.00 lakh of agricultural produce. His supply of woven bags is Rs. 2.50 lakh. Whether he is required to register under GST or not?

Answer-Mr. Ram has an annual turnover of Rs. 67.50 lakhs (i.e. Rs. 65.00 lakhs from agriculture produce + Rs. 2.50 lakh from supply of woven bags). Mr. Ram has to register himself under GST because the **"Aggregate Turnover"** exceeds the threshold limit of Rs 40.00 lakh during the year. While his agricultural income is tax exempted under GST but for calculation of aggregate turnover all exempted supplies also considered.

DIFFERENC BETWEEN TAX INVOICE AND BILL OF SUPPLY

S no	TAX INVOICE	BILL OF SUPPLY
1	It is used for all types of taxable supply (Local, Central)	It is used for all exempt supply Or Supply by Composition Dealer
2	CGST, SGST,IGST,UTGST to be shown separately.	No taxes to be shown on Bill of supply.

3	In case of Unregistered Buyer, Name, Address, State, Place of Delivery is compulsorily.	No such provision
4	Can be Used Both Local and Central Supply.	Can be Used for Both Local Supply in case of CLS (as Composition dealer cannot make interstate supply) However, exempt supply can be made to both local & Central Supply.
5	ITC can be availed against Tax Invoice	ITC cannot be availed against Bill of Supply.

Define Debit Note.

Answer- A 'debit note' comes into the picture when the taxable value/ tax charged in the tax invoice is **less** as compared to the actual taxable value/ tax payable in respect of the supply.

'Debit note' is also popularly known as supplementary invoice as the issuance of a debit note creates additional tax liability. Hence, the treatment of debit note is the same as that of any tax invoice.

Accordingly, a 'debit note' issued by the supplier under section 34(3) is one of the documents on the basis of which **input tax credit** is available to the buyer/ recipient.

Understand concept of 'debit note' with a simple example

Suppose, Mr. A (supplier) has issued a tax invoice to Mr. B (recipient). However, Mr. A erroneously declared the taxable value as INR 5,00,000 instead of the actual taxable value **INR 6,00,000**. Now, Mr. A will issue a debit note for **INR 1,00,000** charging appropriate tax thereon.

It is also important to note that a one-to-one correlation of tax invoice vis-à-vis debit note is not required.

When we issue debit note in GST

Some of the common situations wherein the debit note is required to be issued are highlighted hereunder –

- The supplier has wrongly declared the taxable value which is less than the actual value of goods or services;
- The supplier has **wrongly declared** the lower tax rate as compared to the actual tax rate applicable to the goods or services;
- The **quantity received** by the recipient is more than the actual quantity declared by the supplier in the tax invoice;
- Any other similar reason.

Debit note format under GST

GST law doesn't prescribe any specific format of debit note, however, as per rule 53(1A) of the Central Goods and Services Tax Rules, 2017 the debit note should contain the following particulars

- **Name, address, GSTIN** (Goods and Services Tax Identification Number) of the supplier;
- A **consecutive serial number**;
- Date of issue;
- Name, address, GSTIN of the recipient (if registered) or address of delivery, State name and State code (if unregistered);
- Serial number and date of corresponding relevant tax invoice/ bill of supply;

- Value of the taxable supply, rate of tax and the amount of tax credited to the recipient;
- Signature/ digital signature.

What is Credit note under GST

Answer—A 'credit note' comes into picture when taxable value/ tax charged in the tax invoice is **more** as compared to actual taxable value/ tax payable in respect of the supply.

Suppose, **Mr. X (supplier)** has issued a tax invoice to **Mr. Y (recipient)**. However, Mr. X erroneously declared the taxable value as INR 10,00,000 instead of actual taxable value **INR 9,00,000**. Now, in such a case, credit note is to be issued by Mr. X for **INR 1,00,000**.

When we issued credit note

Figuring out some of the common situations when the credit note is required to be issued –

- Supplier has **wrongly declared the tax rate** and the said tax rate is higher than actual tax rate applicable to the goods/ services;
- **Supplier has wrongly declared** the taxable value and the said taxable value is more than the actual value of the goods/ services;
- The **quality** of goods/ services so supplied by the supplier is not satisfactory to the recipient and hence resulting into partial or total reimbursement on the invoice value;
- The actual quantity received by the recipient is less as compared to the quantity declared by the supplier in the tax invoice;

- Supplier has given post sale discount to the buyer/ recipient;
- Sales return;
- Any other similar reason.

Credit note format under GST

Importantly, GST law doesn't prescribe the specific format of credit note in GST. However, as per rule 53(1A) of the Central Goods and Services Tax Rules, 2017 the credit note should contain the following particulars

- Name, address, GSTIN (Goods and Services Tax Identification Number) of the supplier;
- A consecutive serial number;
- Date of issue;
- Name, address, GSTIN of the recipient (if registered) or address of delivery, State name and State code (if unregistered);
- Serial number and date of corresponding relevant tax invoice/ bill of supply (if possible). Importantly, one-to-one correlation of tax invoice vis-à-vis credit note is not required;
- Value of taxable supply, rate of tax and the amount of tax credited to the recipient;
- Signature/ digital signature.

DIFFERENCE BETWEEN DEBIT NOTE AND CREDIT NOTE

Particulars	Debit note	Credit note
Issuance	Debit note is to be issued when the taxable value or tax	Credit note is to be issued when the taxable value or tax

Particulars	Debit note	Credit note
	charged in the tax invoice is less as compared to actual taxable value or tax payable.	charged in the tax invoice is more as compared to actual taxable value or tax payable.
Effect on tax liability	The resultant tax liability will increase	The resultant tax liability will decrease
Availability of input tax credit	Input tax credit is available to the recipient of the goods or services on the basis of debit note	Input tax credit is not available to the recipient of the goods or services on the basis of the credit note

What is e-invoice in GST?

Answer--e-Invoice known as 'Electronic invoicing' is a system in which all B2B invoices are electronically uploaded and authenticated by the designated portal.

Post successful authentication, a unique **Invoice Reference Number (IRN)** is generated for each invoice by IRP. Along with IRN, each invoice is digitally signed and added with a QR code. This process is collectively called e-invoicing under GST.

Why e-Invoicing is introduced?

In spite of invoices generated by each software look more or less the same, the computer system can't understand it, though the business users can understand them fully. For example, an invoice generated by accounting Software "A" cannot be read by a machine that is using "B" accounting software.

Today, there are hundreds of accounting/billing software that generates invoices and all of them have their own formats to store the information. Owing to this, the GST system can't read and understand these invoices, although the information in the invoice remains the same.

To cut the long story short, today the same information is presented in different invoice formats and there is no way a system can understand it.

Hence, a need was felt to standardize the format in which electronic data of an invoice will be shared with others to ensure there is interoperability of the data.

When will e-invoicing be introduced?

To ensure that businesses get enough time to adapt to the new system of electronic invoicing, the GST Council has approved the introduction of e-invoicing in a phased manner.

Annual turnover	New date of mandatory implementation of e-invoice
Exceeding 500 crore	1st October 2020
Exceeding 100 crore	1st January 2021
Exceeding 50 crore	1st April 2021
Exceeding 20 crore	1st April 2022
Exceeding 10 crore	1st October 2022
Exceeding 5 crore	**1st August 2023**

In the recent update, from 1st August 2023, e-Invoicing will be essential for all the registered persons whose aggregate turnover (based on PAN) in any prior fiscal year from 2017-18 **onwards exceeds 5 crores.**

Can an e-invoice be canceled partially/fully?

An e-invoice cannot be partially canceled, it has to be canceled fully. Once you cancel an e-invoice, it has to be reported to **the IRN within 24 hours. No** cancellation post 24 hours of upload is allowed on the IRN and needs to be manually canceled on the GST portal before the returns are filed.

What are the benefits of e-invoicing?

- **One-time reporting of B2B invoices** while generation, which reduces reporting in multiple formats
- Sales and Purchase Registers can be generated from this data, and GST returns can be kept ready for filing under the new return system
- E-way bills can also be generated using e-Invoice data
- There is minimal need for data reconciliation between the books, and GST returns filed
- **Real-time tracking of invoices prepared by a supplier** can be enabled, along with the faster availability of **input tax credits.** It will also reduce input tax credit verification issues
- Automation of the tax-filing process
- **Reduction in the number of frauds** as the tax authorities will also have access to data in real-time
- **Elimination of fake GST invoices** getting generated

Who need not comply with e-Invoicing?

As per the latest mandate, from 1st August 2023, e-Invoicing will be essential for all the registered persons whose aggregate turnover (based on PAN) in any prior fiscal year from 2017-18 onwards exceeds 5 crores. As of now, businesses with a turnover less than the mandated amount don't need to comply with the e-invoicing norm.

What is an e-way bill?

An e-way bill is a permit needed for inter-state and intra-state transportation of goods **worth more than Rs. 50,000.** It contains details of the goods, the consignor, the recipient and the transporter. It can be electronically generated through the GSTN.

What are the contents of an e-way bill?

An e-way bill has **two main components:**

- **Part A** contains the following:
  - GSTIN of the recipient
  - Place of delivery (PIN Code)
  - Invoice/Challan number and the date of issue
  - Value of goods
  - HSN code
  - Transport document number (Goods Receipt Number /Railway Receipt Number/Airway Bill Number/Bill of Lading Number)
  - Reasons for transportation
- **Part B contains the details of the transporter** (example: their vehicle number)

Who should generate an e-way bill?

- Every registered person who may be a consignor, consignee, recipient or transporter should generate an e-way bill, if the transportation is being done through their own or hired means of transport (air/rail/road).

- An unregistered person who is supplying to a registered recipient. Here, the recipient will need to follow the compliance procedure since the supplier is not registered.

- **The transporter should generate an e-way bill**, if both the consignor and the consignee fail to generate an e-way bill despite having handed over the goods to the transporter, for conveyance by road.

Note: The consignor can authorize the transporter/courier agency/e-commerce operator to fill **PART-A** of the e-way bill on their behalf.

An e-way bill should be generated irrespective of the value of the consignment (**even if the value is lesser than Rs.50,000)** in two cases:

- When the goods are supplied by **a principal to a job worker** in an inter-state transaction.

- During an **inter-state transfer of handicraft goods** by a supplier who has been exempted from GST registration.

Q When is the E-Way Bill applicable?

Answre--It is applicable for any consignment **value exceeding INR 50,000.** Even in case of inward supply of goods from unregistered person, E-Way Bill is applicable.

When should the E-Way Bill be generated?

The E-Way Bill needs to be generated **before the commencement of movement** of goods.

What is the validity of E-Way Bill?

- **Less than 200 KM**: 1 day
- Every **additional 200 Km or part** thereof thereafter – 1 additional day

The validity period will be counted from the time of generation of the E-Way Bill. The validity period of the E-Way Bill may be extended by the commissioner for certain categories of goods, as specified in the notification issued in this regard.

Who should generate the E-Way Bill?

- When goods are transported by a registered person, either acting as a consignee or consignor in his own vehicle, hired vehicle, railways, by air or by vessel, the supplier or recipient of the goods should generate the E-Way Bill.
- When the goods are handed over to a transporter, the E-Way Bill should be generated by the transporter. In this case, the registered person should declare the details of the goods in a common portal.
- In case of inward supplies from an unregistered person, either the recipient of supply or the transporter should generate the E-Way Bill.

How to generate the E-Way Bill?

Form GST EWB-01 is an E-Way Bill form. It contains Part A, where the details of the goods are furnished, and Part B contains vehicle number.

Can E-Way Bill be generated for consignments of value less than INR 50,000?

Yes, either a registered person or a transporter can generate an E-Way Bill although it may not be mandatory.

Example—Amit Shoe Manufacturers, registered in Punjab, sold shoes to a Retail seller in Gujrat, at a value of Rs 48,000 (excluding GST leviable @18%) and wants to send the consignment of such shoes to Gujrat. The consignment value will be Rs 56,640 (Rs

48000X118%). Since the movement of goods is in relation to supply of goods and the **consignment value exceeds Rs 50,000**, e way bill is mandatorily required to be issued in the given case.

Who can generate the e-way bill?

Answer—E-way bill is to be generated by **the registered consignor or consignee** (if the transportation is being done in own/hired conveyance or by railways by air or by vessel) **or the transporter** (if the goods are handed over to a transporter for transportation by road). Where neither the consignor nor consignee generates the e-way bill nor the value of **goods is more than Rs 50,000** it shall be the **responsibility of the transporter** to generate it.

Points to be remember—

- **E-way bill is not valid for movement of goods without vehicle number on it.**
- **If there is a mistake, incorrect or wrong entry in the e-way bill, then it cannot be edited or corrected. Only option is cancellation of e-way bill within 24 hours of generation and generate a new one with correct details.**
- **E-way bill may be updated with vehicle number any number of times.**
- **The latest vehicle number should be available on e-way bill and should match with vehicle carrying it in case checked by the department.**
- **If multiple invoices are issued by the supplier to recipient, that is, for movement of goods of more than one invoice of same consignor and consignee, multiple e-way bills has to be generated. That is, for each invoice, one e-way bill has to be generated, irrespective of the fact whether same or different consignors or consignees are involved. Multiple invoices cannot be clubbed to generate one e-way bill. However, after generating all these e-way bills, one consolidated e-way bill can be prepared for transportation purpose, if goods are going in one vehicle.**

Define Registration.

Registration is the most fundamental requirement for identification of tax payers ensuring tax compliance in the economy. Without registration, a person can neither collect tax from customers nor claim any credit of tax paid. Registration

legally authorizes supplier to collect taxes from customers and authorize the supplier to claim input on taxes paid on purchase.

Supplier is required to obtain state-wise registration.

Under GST Law registration is PAN based, from which it is inferred that once supplier is liable to register, he has to obtain registration in each of the States/UT in which he operates under the same PAN.

Voluntary Registration—A person who is not liable to be registered under the Act may get himself registered voluntarily. However, once a person obtains voluntary registration, he has to collect and pay tax even though his aggregate turnover does not exceed the threshold limit.

Requirement of PAN—PAN is mandatory to be eligible for grant of registration.

Persons liable for registration u/s 22

1) **Threshold limit for registration**

Every supplier shall be liable to be registered under this Act in the State or UT, other than special category States, from where he makes a taxable supply of goods or services or both, if aggregate turnover in a financial year exceeds 40 Lakhs for goods and 20 lakhs for service or goods and services both.

Aggregate Turnover means the aggregate turnover of

- all taxable supplies (excluding the value of inward supplies on which tax is payable by a person on reverse charge basis)
- exempt supplies
- exports of goods or services or both and
- aggregate turnover to include total turnover of all branches (i.e. all GST registrations) under same PAN

  but excludes CGST, SGST,UGST,IGST and Cess.

Important Comments:-

1. **Aggregate turnover to include total turnover of all branches with same PAN**
   Example—A dealer 'X' has two offices-one in Punjab and another in Haryana. The aggregate turnover of both the offices is 45 lakh. Determine whether Mr. X requires a registration under GST?

Answer—In order to determine whether 'X' is liable for registration, turnover of both the offices would be taken into account and only if the same exceeds Rs 40, X is liable for registration.
Thus in the given case as the aggregate turnover of both the offices exceeds 40 lakh it requires to obtain registration.

2. **Value of exported goods/services, exempted goods/services, inter-state supplies between distinct persons having same PAN to be included in aggregate turnover.**

   Registration required only for a place of business from where taxable supply takes place—A person is required to obtain registration with respect to this each place of business in India from where is taxable supply has taken place. However, a supplier is not liable to obtain registration if his aggregate turnover consists exclusively of goods or services or both which are not taxable under GST. Aggregate turnover to include all supplies made by the taxable person, whether on his own account or made on behalf of all his principals.

COMPULSORY REGISTRATION IN CERTAIN CASES

The categories of persons requiring compulsory registration under GST have been enlisted below:-

1) **Persons making any inter-state taxable supply—However, threshold limit of Rs 20 Lakh (Rs 10 lakh in case of Special Category States of Mizoram, Tripura,Manipur and Nagaland) is available in case of inter-state supply of taxable services and of notified handicraft goods.**

2) **Causal Taxable persons making taxable supply—However, threshold limit of Rs 20 lakh (Rs 10 lakh in case of Special Category States of Mizoram, Tripura and Nagaland) is available in case of CTP who is making inter-state taxable supplies of notified handicraft goods and availing the benefit of exemption from registration.**

3) **Persons who are required to pay tax under reverse charge on inward supplies received.**

4) **Non Resident taxable persons making taxable supply**

5) **E-commerce operator**

6) **Persons who are required to deduct tax u/s 51, whether or not separately registered under this Act.**

7) **Persons who make taxable supply of goods or services or both on behalf of other taxable persons whether as agent or otherwise.**

8) **Input Service Distributor, whether or not separately registered under this Act.**