

**K. K. RAMANI & CO. (Advocates)**

*presents*

**Effect of**



**in our day-to-day life**

**By**

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## ***M.P.S. SENGAR***

Assistant Commissioner (Retd.)  
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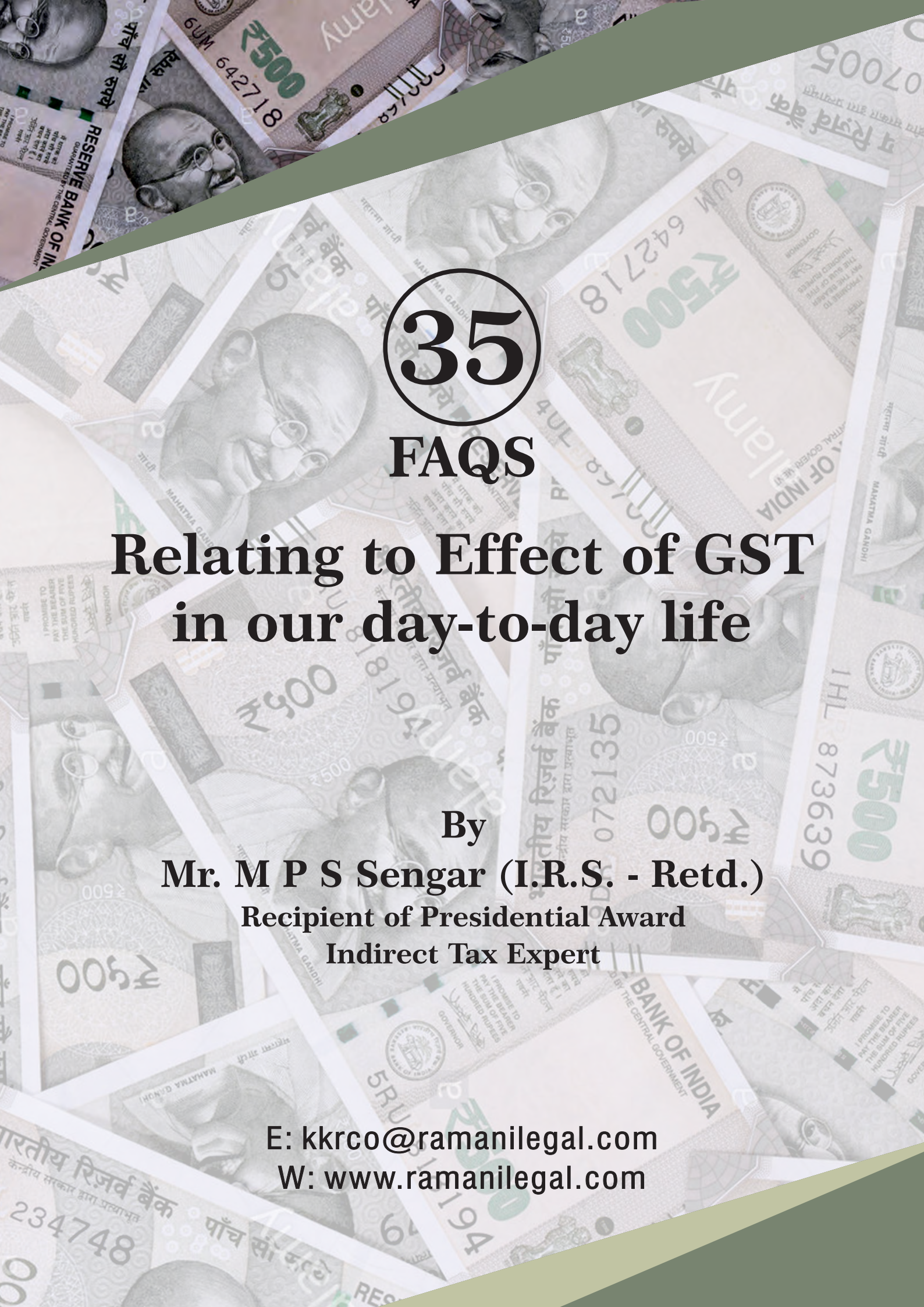
- Joined Service in the CBEC (Now CBIC) in 1982
- Handled toughest legal matters/court cases of Central Excise & Service Tax
- Special acumen of investigation and analysis of data and legal/technical issues. Developed intelligence of **85 cases** involving duty **Rs. 320 Crores** out of which **Rs. 205 Crores** are already recovered
- On the occasion of 'Republic Day' 2016, Hon'ble President of India was pleased to confer **"Presidential Award" for "Specially distinguished Record of Service" & 'Extraordinary Devotion to Duty'**
- Contributed more than 25 Articles on various subject like Interpretation of Law, Service Tax and Central Excise. These are published in reputed Journals like Excise Law Times, Excise & Customs Reporter etc.
- Visiting faculty of **National Academy of Customs Indirect Taxes & Narcotics (NACIN), Mumbai & Delhi, since last 20 years and a Master Trainer of GST**, involved in designing the Training material/FAQs/Flyers (Available at CBIC website) and imparting training to officers and members of trade and industry
- Nominated as Member for following:-
  - Sub-group on Central Excise Job work valuation. My substantial contribution resulted in insertion of a new rule i.e. Rule 10 A in the Central Excise Valuation Rules, 2000;
  - Sub-committee- to discuss various aspects of preparation of draft Notifications under Section 5(1) of CETA, 1985 and C.Ex. Act, 1944 (pursuant to HSN changes) and;
  - Study group formed in C.Ex. Zone-I, Mumbai-on the directions of Special Secretary & Member, CBEC- to study and give views on the recommendations of the Breakaway Group on GST

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**FAQS**

# **Relating to Effect of GST in our day-to-day life**

**By**

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**1. What is Goods and Services Tax?**

Goods and Services Tax (commonly referred to as GST) is a destination based non-discretionary indirect tax on supply of goods and services. It is levied at all stages of value addition (change in price) up to final consumption.

The credit of taxes paid at previous stages by the purchaser of product/ service (say person 'X') is available as Input Tax Credit to the same person X which can be used for payment of GST charged by person X. Effectually, it translates into tax only on value addition and the ultimate burden is to be borne by the final consumer.

**2. What is the scope & ambit of GST?**

As discussed above, GST is applicable on supply of Goods & Services in India. These shall be taxable when made for consideration in any form (i.e. whether in money or in any other form), in the course or furtherance of business.

**3. What are the rates of GST for different categories of goods and services?**

| S No | Rate  | Category                                                                                                                             |
|------|-------|--------------------------------------------------------------------------------------------------------------------------------------|
| 1.   | 0%    | Basic necessities and goods/ services used by common man eg: Bread, Education services, Pulses, Grains, Salt, Puja material etc      |
| 2.   | 0.25% | Diamonds                                                                                                                             |
| 3.   | 3%    | Jewellery                                                                                                                            |
| 4.   | 5%    | Goods required for daily use eg: Branded & Packaged foods, Tea, FMCG products, Restaurant services (other than in luxury hotels) etc |
| 5.   | 12%   | Discretionary goods required in daily life eg: Packaged food, Sauces, Tooth Powder, Medicines, Computers etc                         |
| 6.   | 18%   | Hair oil, toothpaste, soaps, capital goods and industrial intermediaries etc.                                                        |
| 7.   | 28%   | Luxury goods eg: Tobacco, Cars, High-end Motorcycles etc                                                                             |

**4. There are various types of GST e.g. IGST, CGST, SGST etc. what is the difference between them?**

GST is collected under following nomenclatures: -

- a) Integrated Goods & Service Tax, popularly known as IGST, is payable on Inter-state supply of Goods & Services, supplies to SEZ & SEZ Developers and Imports & Exports

- b) Central Goods & Service Tax, popularly known as CGST, is payable on Intra-state supply of Goods & Services
- c) State Goods & Service Tax, popularly known as SGST, is payable on Intra-state supply of Goods & Services.
- d) Union Territory Goods & Service Tax, popularly known as UTGST, is payable on Intra-state supply of Goods & Services, in a Union territory.

**5. At what point of Time is GST payable?**

GST is collectible/payable at the time of:

- a. supply of goods/service or
- b. receipt of payment or
- c. issue of invoice;  
whichever is earlier.

**6. How to ascertain whether the place of supply is inter-state or intra-state?**

When the goods or services are supplied within the state (except supplies to SEZ and SEZ developers) the same is treated as intra-state supply. When the goods or services are supplied from one state or union territory to another state or union territory or to SEZ and SEZ developers or imported / exported, the same are treated as inter-state supply.

**7. Who needs to be registered under GST?**

Any person who is supplying taxable goods or services and has an aggregate turnover of Intra-state supplies exceeding Rs. 20 lakhs (For Spl. Category States Rs. 10 Lakhs) in a year, has to take registration. However, one can opt for the registration voluntarily, even before crossing the threshold limit. Besides there are certain categories of suppliers, who are required to take registration even if their turnover is below the limit of Rs. 20 lakh rupees.

However, from next financial year FY2019-20, the limit is being raised to Rs. 40 lakhs (For Spl. Category States Rs. 20 Lakhs). This is not applicable in case of a person making inter-state supplies.

**8. If a person has branches at different locations, does he need to take separate Registration for each branch?**

Yes, it is compulsory, if the Branches are located in different States or Union Territories. However, for Branches in the same State or Union Territory, it is optional.

**9. What if a person (liable to take registration) is not registered under GST?**

Failure to take registration will deprive a person the benefit of Input Tax Credit and recovering tax from his customers. Additionally, it may entail liabilities in the form of tax, interest, penalties and prosecution.

**10. How does a person register himself under GST?**

A person, having a Permanent Account Number (PAN), may apply through GST Portal (<https://gst.gov.in/>) for registration by providing required details.

**11. What documents are required for registration under GST?**

Besides PAN, the person applying for registration has to provide documents about his Place of business, Constitution of business, Bank Account details etc.

**12. Are there any special provisions under GST law for Importers & Exporters?**

Under GST law, export of goods/services is treated as inter-state supplies and the same are Zero-rated i.e. the refund tax paid on the same can be claimed or these can be exported without payment of tax, subject to certain procedures.

The imports are also treated as inter-state supplies and the person importing goods/services has to pay additional customs duty equivalent to IGST, in addition to other Customs duties, on the same.

**13. What is Input Tax Credit and how does one claim it?**

Input Tax Credit (commonly referred to as ITC) is the credit of tax allowed to a person on his inward supplies (purchases of goods or services) and includes supplies on which tax is paid under reverse charge. This credit can be used for payment of tax on his outward supplies (sales of goods and services). For claiming ITC, a person has to satisfy following four conditions:

- a) the person should be in possession of tax invoice or debit note or such other tax paying documents (such as bill of entry or any other document prescribed under the Customs Act, ISD invoice as prescribed in Rule 36(1) of the CGST Rules);
- b) the person should have received the goods or services or both;
- c) the supplier has actually paid the tax charged in respect of the supply to the government; and
- d) the person has furnished the return under section 39.

**14. Whether ITC is available on purchase of all Goods & Services or are there some exceptions?**

In general ITC is available on all goods & services purchased for use in the course or furtherance of making a taxable supply. However, there are few exceptions like motor cars, food & beverages, goods & services for personal consumption etc.

**15. How does one pay GST and what are the due dates for Payment?**

The tax can be paid by debiting the electronic cash ledger or electronic credit ledger, which are maintained on the GST Portal. The credits in the electronic cash

ledger can be made through transfer by electronic means i.e. NEFT/RTGS/Credit card or Debit card and in electronic credit ledger by claim of Input Tax Credit.

The due date of payment is the date of filing of Returns i.e. on or before 20th of the next month (for normal tax payers) and 18th of the next month (for composition dealers).

**16. What are the consequences for late payment of GST?**

Besides interest and payment of late fee for delayed filing of return, a person may face penal action, which depends on the nature of offence and various other factors.

**17. What are the special provisions of GST in case of sale/ supply of goods or service outside the State?**

A supply of goods or services outside the state is treated as inter-state supplies and is liable to IGST. The rate of IGST is equivalent to sum total of CGST+ SGST. Besides that, if the value of supply of goods is more than Rs. 100,000/- then an E-Way Bill is also required to be prepared (E-way bill is also required for intra-state supplies).

**18. Do I require separate GST Registration, if I am participating in an Exhibition out of my state?**

Yes, you are required to take registration as Casual Taxable Person for that State.

**19. What is Reverse charge mechanism (RCM) and where does it apply?**

The liability to pay GST is on supplier of goods/ services. However, in case of some notified supplies the liability is cast on the recipient of supplies e.g. Goods transport service, Legal services by Advocates etc. In these cases, the GST is required to be paid by purchaser of goods/supplies. Besides, in case of any supply from an un-registered person to a registered person, the tax is liable to be paid by notified registered person on notified goods/ services (Notification is yet to be issued).

**20. Are tourists entitled to a GST refund?**

There is a provision in the IGST Act, for refund of tax paid by a tourist (not normally resident in India) on his purchases. However, this provision is yet to be made effective.

**21. What are “Composite Supply” and “Mixed Supply”?**

- a) “Composite supply” means a supply consisting of two or more taxable supplies of goods or services or both, or any combination thereof, which are naturally bundled and supplied in conjunction with each other in the ordinary course of business, one of which is a principal supply;



- b) “Mixed supply” means two or more individual supplies of goods or services, or any combination thereof, made in conjunction with each other for a single price where such supply does not constitute a composite supply.

## 22. How are “Composite Supply” and “Mixed Supply” taxable under GST?

In case of Composite supplies, entire value is taxed @ applicable to Principal supply, whereas, in case of ‘Mixed supply’ entire value is taxed @ highest rate applicable to any individual supply in the mixed supply.

## 23. What is “Composition Levy” and who can opt for it?

This is a simplified scheme where tax is payable at a concessional rate on the turnover in a state. Thus, small taxpayers with aggregate turnover of upto Rs. 1.0 Crore (Rs. 75 lakhs for special category States – except Jammu & Kashmir and Uttarakhand) in preceding financial year are eligible to opt for composition levy. Under Composition scheme, a taxpayer is required to pay tax at a fixed percentage of his turnover in state, without the benefit of ITC. Moreover, the tax payer opting for composition scheme cannot collect tax from his customers.

From the next financial year the limit is being raised to Rs. 1.5 Crore (Rs. 100 lakhs for special category States – except Jammu & Kashmir and Uttarakhand). In addition to that a tax payer who has opted for composition scheme may supply services (other than those referred to in clause (b) of paragraph 6 of Schedule II), of value not exceeding ten per cent of turnover in the State in the preceding financial year or five lakh rupees, whichever is higher.

From next F.Y., the Composition scheme, with Tax rate of 6%, is also being extended to supplier of services having annual turnover of Rs. 50 lakhs.

## 24. What are the rates under “Composition Levy”?

The rates for persons opting for composition scheme are as under:-

| Sr.No. | Taxable Person         | Rate of Tax |
|--------|------------------------|-------------|
| 1.     | Manufacturer           | 1%          |
| 2.     | Dealers/Traders/Others | 1%          |
| 3.     | Restaurants            | 5%          |

## 25. Is there any time-limit for exercising option for Composition scheme?

Yes, a taxpayer who wants to opt for the composition scheme for FY 2019-20 has to exercise his option before 31st March 2019. The option to be exercised by filing the intimation in Form GST CMP-02.

## 26. Can a “Composition Dealer” avail Input Tax Credit and issue Tax Invoice?

No, a “Composition Dealer” can neither avail Input Tax Credit (as has already been

discussed above) nor issue a Tax Invoice, as he cannot collect tax from his customers.

**27. Whether a person is required to pay tax merely on issue of invoice or after receipt of payment?**

The tax is required to be paid when the invoice is issued, irrespective of the fact whether payment for the same is received or not.

**28. Whether Housing societies are also required to take Registration and pay GST?**

The service provided by housing societies to its members is also a taxable service, however, they shall not be required to pay tax if the monthly contribution per member is upto Rs. 7,500/- or the total collection is less than Rs. 20 lakhs per year (Rs. 40 lakhs from next F.Y.).

**29. What is the GST rate on Food purchased from 'Take away counter' of any Restaurant?**

The rate of GST shall be the same whether the Food & Beverages are consumed in the restaurant itself or taken away.

The applicable rate is 5% for all restaurants except in case of restaurants which are located within premises of hotels having declared room tariff of Rs. 7,500 or more, where the rate shall be 18%.

**30. What are the GST rates for accommodation in hotels?**

The rate of GST for accommodation in hotels depends on the value of supply per day per room as below:

| Value of supply for Room (Per day Per unit) | GST Rate |
|---------------------------------------------|----------|
| Less than Rs. 1,000/- per day               | 0%       |
| Between Rs. 1,000/- and Rs. 2,500/-         | 12%      |
| Between Rs. 2,500/- and Rs. 7,500/-         | 18%      |
| Rs. 7,500/- and above                       | 28%      |

**31. What is the GST rate applicable on travel bookings (flights, buses, trains) and how is it charged separately by a vendor (eg: Indigo) and a Travel Agent (eg: makemytrip and Akbar travels)?**

The GST rate chargeable for the Travel sector (depending on mode and class of transport) shall remain the same irrespective of booking whether directly via a vendor or via a travel agent. However, in case of booking through a travel agent, the value of transaction maybe more, on account of commission charged by the travel agent entailing additional GST liability on the commission.

| Sr. No. | Description                 | Rate of Tax |
|---------|-----------------------------|-------------|
| 1       | Normal Rate                 | 5%          |
| 2       | Business Class Air Travel   | 12%         |
| 3       | Sleeper Rail Travel         | 0%          |
| 4       | Travel Agent (Claiming ITC) | 18%         |
| 5       | Other Travel Agent          | 5%          |

**32. What is the GST charged on grocery like Pulses, Rice, Grains etc. and has it become more expensive for the final consumer in comparison to the earlier taxation regime?**

The said Grocery items are chargeable to GST at concessional rates of either 0% or 5% depending on whether these are sold loose or are packaged & branded respectively.

Overall, the rate of tax under GST regime is lower than the earlier tax regime and resulting into savings for final consumer on his monthly expenses on these items.

**33. What are the implications of GST on education sector?**

Services provided by educational institutes upto higher secondary level is fully exempted. In case of higher education and vocational courses the educational service is exempted if these courses are approved under any law for the time being in force.

For education services provide by others like private coaching institutes or non-approved vocational courses, GST is chargeable at 18%.

**34. What are the GST implications on purchase of new jewellery and making charges thereon?**

The GST is chargeable @ 3% on jewellery. However, if the gold/ diamond is supplied by the unregistered consumer and the jeweller is raising bill only for making charges, then GST shall be chargeable @ 18% to an unregistered consumer (it is 5% to a registered person).

In case of job work given by a registered jeweller to a gold-smith, the gold smith will raise an invoice charging 5% GST to the jeweller.

**35. What are the GST rates applicable on luxury items such as Bags, Shoes, Perfumes, Watches etc.?**

The rate of GST on such luxury items are as follows:

| Sr.No. | Description             | Rate of Tax                            |
|--------|-------------------------|----------------------------------------|
| 1.     | Shoes                   | 5% (Value upto Rs. 1,000), Rest is 18% |
| 2.     | Bags, Perfumes, Watches | 18%                                    |

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## Notes

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## Notes

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