

Lesson 3 – Input Tax Credit and Computation of GST Liability

- Taxes paid on inward supply of inputs, capital goods and services are called input taxes which include Integrated GST, Central GST, State GST or Union Territory GST
- The credit of these taxes is called input tax credit
- Under GST, a seamless flow of credit throughout the value chain is available removing the cascading effect of taxes
- The office of the company which distributes the credit to the beneficiary units on the basis of their previous year turnover is called input service distributor
- Input tax credit (ITC) is a provision of reducing the tax already paid on inputs, to avoid the cascading effect of taxes
- It is one of the cutting-edge features available under the GST Law, unavailable in previous regime of indirect taxation
- Certain conditions need to be fulfilled in order to avail the Input Tax Credit
- Basic condition for availing Input Tax Credit amounts to payment of GST by the supplier
- When another person (job worker) undertakes the work of a manufacturer, to whom the goods belong (Principal), is known as job work
- GST law lays down the conditions for ITC in the case of a job worker
- There is no offset of ITC available between the CGST and the SGST.
- General exemption is granted by notification and is available to all persons which may be absolute or conditional and may be total or partial.
- Specific, also known as ad hoc exemption is granted to persons under circumstances of an exceptional nature by a special order communicated to the party seeking exemption.

Lesson 4 – Procedural Compliance under GST

- Registration: In terms of Section 22 of the CGST/SGST Act 2017, every supplier (including his agent) who makes a taxable supply of goods and / or services which are leviable to tax under GST law, and his aggregate turn over in a financial year exceeds the threshold limit of twenty lakh rupees shall be liable to register himself in the State or the Union territory, as the case may be, from where he makes the taxable supply.

In case of eleven special category states (as mentioned in Art.279A(4)(g) of the Constitution of India), this threshold limit for registration liability is ten lakh rupees.

- Aggregate Turnover: It includes the aggregate value of all taxable supplies, all exempt supplies, exports of goods and/or service and all inter-state supplies of a person having the same PAN.
- Compulsory Registration: The following categories of persons are required to be registered compulsorily irrespective of the threshold limit:
 1. persons making any inter-State taxable supply, except persons making inter-state supply of certain handicraft goods, and services;
 2. casual taxable persons except persons making supply of certain handicraft goods;
 3. persons who are required to pay tax under reverse charge;
 4. persons who are required to pay tax under sub-section (5) of section 9;
 5. non-resident taxable persons making taxable supply;
 6. persons who are required to deduct tax under section 51;
 7. persons who make taxable supply of goods or services on behalf of other registered taxable persons whether as an agent or otherwise;
 8. Input service distributor (whether or not separately registered under the Act);
 9. persons who supply goods, other than supplies specified under Section 9(5), through such e-commerce operator who is required to collect tax at source under section 52;

10. every electronic commerce operator;

11. every person supplying online information and data base retrieval services from a place outside India to a person in India, other than a registered person.

- Time Limit is within thirty days from the date on which he becomes liable to registration.
- An e-way bill is a document required to be carried by a person in charge of the conveyance carrying any consignment of goods of value exceeding fifty thousand rupees as mandated by the Government in terms of Section 68 of the Goods and Services Tax Act read with Rule 138 of the rules framed thereunder. It is generated from the GST Common Portal for eWay bill system by the registered persons or transporters who cause movement of goods of consignment before commencement of such movement.
- TCS: The e-commerce operator is required to collect an amount calculated at the rate not exceeding one percent of the net value of taxable supplies made through it, where the consideration with respect to such supplies is to be collected by such operator. The amount so collected is called as Tax Collection at Source (TCS). However, Section 52 of the CGST Act, 2017 which deals with TCS has not come into force as of yet and GST Council has recommended to keep this provision in abeyance till 31.03.2018.
- Filing of Return: Every person registered under GST will have to file returns in some form or other. A registered person will have to file returns either monthly (normal supplier) or quarterly basis (Supplier opting for composition scheme). An ISD will have to file monthly returns showing details of credit distributed during the particular month. A person required to deduct tax (TDS) and persons required to collect tax (TCS) will also have to file monthly returns showing the amount deducted/collected and other specified details. A non-resident taxable person will also have to file returns for the period of activity undertaken.
- "Refund" includes, (a) any balance amount in the electronic cash ledger so claimed in the returns, (b) any unutilized input tax credit in respect of (i) zero rated supplies made without payment of tax or, (ii) where the

credit has accumulated on account of rate of tax on inputs being higher than the rate of tax on output supplies (other than nil rated or fully exempt supplies), (c) tax paid by specialized agency of United Nations or any Multilateral Financial Institution and Organization notified under the United Nations (Privileges and Immunities) Act, 1947, Consulate or Embassy of foreign countries on any inward supply.

- The value of taxable supply of goods and services shall ordinarily be 'the transaction value' which is the price paid or payable, when the parties are not related and price is the sole consideration. Section 15 of the CGST/SGST Act further elaborates various inclusions and exclusions from the ambit of transaction value. For example, the transaction value shall not include refundable deposit, discount allowed subject to certain conditions before or at the time of supply.
- Audit: There are three types of audit prescribed in the GST Act(s) as explained below:
 1. Audit by Chartered Accountant or a Cost Accountant: Every registered person whose turnover exceeds Rs. Two crore, shall get his accounts audited by a chartered accountant or a cost accountant. (Section 35(5) of the CGST/SGST Act)
 2. Audit by Department: The Commissioner or any officer of CGST or SGST or UTGST authorized by him by a general or specific order, may conduct audit of any registered person. The frequency and manner of audit will be prescribed in due course. (Section 65 of the CGST/SGST Act)
 3. Special Audit: If at any stage of scrutiny, inquiry, investigations or any other proceedings, if department is of the opinion that the value has not been correctly declared or credit availed is not within the normal limits, department may order special audit by chartered accountant or cost accountant, nominated by department. (Section 66 of the CGST/SGST Act).