Overview and Evaluation of
Goods and Services Tax

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4.1. Goods and Services Tax (GST)
4.1.A. Introduction of Tax

In case of any welfare nation, it is the key duty of the government to satisfy the growing developing needs of the country and its public through public spending. India, as a world’s fastest emerging economy, has been struggling to fulfil the responsibilities of a welfare state with its inadequate resources; the main source of revenue generation for any country is to levy the taxes. However, the tax collection increases as much as possible revenue of the government to deliver public services. Tax collection year-over-year working as a tool of fiscal policy for various governments to fuel economic growth. Therefore, taxes are charged and collected to achieve the socio-economic purposes of the government.

Tax is the financial burden imposed by the government on individuals or property owners to assist in discharging its duties towards the public. In India, mainly there are two types of taxes that government imposes on public;

1. Direct Tax: This tax which is levied directly on individuals or firms. *E.g. Income Tax, Corporate Tax etc.* The liability of such type of taxes cannot be passed on.

2. Indirect Tax: This tax levied on goods and services. *E.g. Goods and Service Tax, Custom Duty, Excise Duty etc.* The burden of indirect tax can be shifted to another person.

![Figure 4.1 Types of Taxes](image)
4.1.8. Goods and Services Tax (GST):

A. Origin


- Consequently, while presenting the Central Budget (2006-2007) Shri P. Chidambaram, the Union Finance Minister, declared that GST would be introduced from 01st April, 2010. Since then, GST missed a number of deadlines and was under the cover of clouds of uncertainty.

- In the year 2014, newly elected NDA government has taken keen initiative towards GST. The said government tabled the Constitution (122nd Amendment) Bill, 2014 on GST in the Parliament on 19th December, 2014. The Loksabha passed the said Bill on 06th May, 2015 and Rajyasabha on 03rd August, 2016. Subsequent to sanction of the Bill by more than 50% of the States, Constitution (122nd Amendment) Bill, 2014 received the sanction of the President on 08th September, 2016 and became Constitution (101st Amendment) Act, 2016, which facilitated the way for introduction of GST in India.

- In the subsequent year, on 27th March, 2017, the Central GST legislations - Central Goods and Services Tax Bill, 2017, Integrated Goods and Services Tax Bill, 2017, Union Territory Goods and Services Tax Bill, 2017 and Goods and Services Tax (Compensation to States) Bill, 2017 were introduced in Loksabha. Loksabha passed these bills on 29th March, 2017 and with the receipt of the President’s assent on 12th April, 2017, these bills were passed. The enactment of the Central Acts was followed by the enactment of the State GST laws by various State Legislatures. Telangana, Rajasthan, Chhattisgarh, Punjab, Goa and Bihar were among the first ones to pass their respective State GST laws.

- GST is a revolutionary indirect tax reform which will construct a common national market. GST has incorporated numerous indirect taxes like Excise Duty, Service Tax, Value Added Tax, Central Sales Tax, Luxury Tax, Entertainment Tax, Entry Tax, etc.
• France is the pioneer country to implement GST in the year 1954. Within 62 years of its origin, nearby 160 countries across the globe have implemented GST as this tax possess the capability to increase revenue in the utmost transparent and impartial manner.

B. Constitutional Background

India has a three-tier federal structure, comprising the Union Government, the State Governments and the Local Government. The power to levy taxes and duties is distributed among the three levels of Governments, in accordance with the provisions of the Indian Constitution.

The Constitution of India is the supreme law of India. It consists of a Preamble, 25 parts containing 448 Articles and 12 Schedules.

Power to levy and collect taxes whether, direct or indirect arises from the constitution of India. In case any tax law, be it an act, rule, notification or order is not in conformity with the constitution, it is called ultra vires the constitution and is illegal and void. Thus, a study of the basic provisions of the constitution is essential for understanding the genesis of the various taxes being imposed in India. The significant provisions of the constitution relating to taxation are:

1. Article 265: Article 265 of the Constitution of India prohibits arbitrary collection of tax. It states that “no tax shall be levied or collected except by authority of law”. The term “authority of law” means that tax proposed to be levied must be within the legislative competence of the Legislature imposing the tax.

2. Article 245: Part XI of the Constitution deals with relationship between the Union and States. The power for enacting the laws is conferred on the Parliament and on the Legislature of a State by Article 245 of the Constitution. The said Article provides as under: Subject to the provisions of this Constitution, Parliament may make laws for the whole or any part of the territory of India, and the legislature of a State may make laws for the whole or any part of the State. No law made by the Parliament shall be deemed to be invalid on the ground that it would have extra-territorial operation.
3. **Article 246**: It gives the respective authority to Union and State Governments for levying tax. Whereas Parliament may make laws for the whole of India or any part of the territory of India, the State Legislature may make laws for whole or part of the State.

4. **Seventh Schedule to Article 246**: It contains three lists which enumerate the matters under which the Union and the State Governments have the authority to make laws.

5. **Article 246A: Power to make laws with respect to Goods and Services Tax**: This article grants power to Centre and State Governments to make laws with respect to GST imposed by Centre or such State. Centre has the exclusive power to make laws with respect to GST in case of inter-State supply of goods and/or services. However, in respect to the following goods, the aforesaid provisions shall apply from the date recommended by the GST Council: Petroleum Crude, High Speed Diesel, Motor Spirit (commonly known as Petrol), Natural Gas and Aviation Turbine Fuel.

The provisions of Article 246A are notwithstanding anything contained in Articles 246 and 254. Article 254 deals with the supremacy of the laws made by Parliament.

6. **Article 269A: Levy and Collection of GST on inter-State Supply**:
   a. Article 269A stipulates that GST on supplies in the course of inter-State trade or commerce shall be levied and collected by the Government of India and such tax shall be apportioned between the Union and the States in the manner as may be provided by Parliament by law on the recommendations of the Goods and Services Tax Council.
   b. In addition to above, import of goods or services or both into India will also be deemed to be supply of goods and/ or services in the course of Inter-State trade or Commerce.
   c. This will give power to Central Government to levy IGST on the import transactions which were earlier subject to countervailing duty under the Customs Tariff Act, 1975.
   d. Where an amount collected as IGST has been used for payment of SGST or vice versa, such amount shall not form part of the
Consolidated Fund of India. This is to facilitate transfer of funds between the Centre and the States.

e. Parliament is empowered to formulate the principles regarding place of supply and when supply of goods, or of services, or both occurs in inter-State trade or commerce.


- **Goods and Services Tax** means any tax on supply of goods, or services or both except taxes on the supply of the alcoholic liquor for human consumption. Consequently, GST can be levied on supply of all goods and services except alcoholic liquor for human consumption.
- **Services** means anything other than goods.
- **Goods**: The term goods has already been defined under clause (12) of Article 366 in an inclusive manner to provide that “**goods includes all materials, commodities, and articles**”.

8. GST Council: Article 279A

- Article 279A of the Constitution empowers the President to constitute a joint forum of the Centre and States namely, Goods & Services Tax Council (GST Council).
- The Union Finance Minister is the Chairman of this Council and Ministers in charge of Finance/Taxation or any other Minister nominated by each of the States & UTs with Legislatures are its members. Besides, the Union Minister of State in charge of Revenue or Finance is also its member.
- The function of the Council is to make recommendations to the Union and the States on important issues like tax rates, exemptions, threshold limits, dispute resolution etc.
• It shall also recommend the date on which GST be levied on petroleum crude, high speed diesel, motor spirit, natural gas and aviation turbine fuel.

• Every decision of the GST Council is taken by a majority of not less than three-fourths of the weighted votes of the members present and voting. Vote of the Centre has a weightage of one-third of total votes cast and votes of all the State Governments taken together has a weightage of two-thirds of the total votes cast, in that meeting.

C. Concept

   The underlying principle of GST is ‘ONE NATION ONE TAX’. GST is an Indirect Tax which replaced many indirect tax laws that previously existed in India. The act came into effect on 1st July, 2017. GST in India is a comprehensive, multi-stage, destination-based tax that is levied on every value addition.

   GST is a value added tax levied on manufacture, sale and consumption of goods and services. In simple words, Goods and Service Tax (GST) is an indirect tax levied on the supply of goods and services. GST is one indirect tax for the entire country.

   Under the GST regime, the tax is levied at every point of sale. In the case of intra-state sales, Central GST and State GST are charged. Inter-state sales are chargeable to Integrated GST.

D. Indirect Taxes before GST Era

   In the earlier indirect tax regime, there were many indirect taxes levied by both state and centre. States mainly collected taxes in the form of Value Added Tax (VAT). Every state had a different set of rules and regulations. Interstate sale of goods was taxed by the Centre. CST (Central State Tax) was applicable in case of interstate sale of goods. Other than above there were many indirect taxes like entertainment Tax, Octroi and Local Tax that was levied by state and centre. This led to a lot of overlapping of taxes levied by both state and centre. For example, when goods were manufactured and sold, excise duty was charged by the centre. Over and above Excise Duty, VAT was also charged by the State. This lead to a tax on tax also known as the cascading effect of taxes. The following is the list of indirect taxes in the pre-GST regime:
<table>
<thead>
<tr>
<th></th>
<th>Central Excise Duty</th>
<th>Central Sales Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.</td>
<td>Duties of Excise</td>
<td>Purchase Tax</td>
</tr>
<tr>
<td>5.</td>
<td>Additional Duties of Excise</td>
<td>Luxury Tax</td>
</tr>
<tr>
<td>7.</td>
<td>Additional Duties of Customs</td>
<td>Entertainment Tax</td>
</tr>
<tr>
<td>9.</td>
<td>State VAT</td>
<td>Entry Tax</td>
</tr>
<tr>
<td>11.</td>
<td>Cess</td>
<td>Taxes on Advertisements</td>
</tr>
<tr>
<td>13.</td>
<td>Special Additional Duty of Customs</td>
<td>Taxes on Lotteries, Betting, and Gambling</td>
</tr>
</tbody>
</table>

CGST, SGST, and IGST has replaced all the above taxes. However, the chargeability of CST for Inter-state purchase at a concessional rate of 2%, by issue and utilisation of C-Form is still prevalent for certain Non-GST goods such as: (i) Petroleum crude; (ii) High-speed diesel; (iii) Motor spirit (commonly known as petrol); (iv) Natural gas; (v) Aviation turbine fuel; and (vi) Alcoholic liquor for human consumption. in respect of following transactions only:

- Resale
- Use in manufacturing or processing
- Use in the telecommunication network or in mining or in the generation or distribution of electricity or any other power.

E. Scope of GST:

<table>
<thead>
<tr>
<th>Contemporary Indian Indirect Tax Structure</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Indirect Taxes incorporated under GST Regime</strong></td>
</tr>
<tr>
<td><strong>Central Taxes</strong></td>
</tr>
<tr>
<td>Central Excise Duty (CENVAT)</td>
</tr>
<tr>
<td>Additional Excise Duties</td>
</tr>
<tr>
<td>The Excise Duty levied under the Medicinal and Toiletries Preparations (Excise Duties) Act 1955</td>
</tr>
<tr>
<td>Service Tax</td>
</tr>
<tr>
<td>Additional Customs Duty / Countervailing Duty (CVD)</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>
F. Definition

The terms Goods and Services Tax, Services and Goods have been defined under respective clauses of Article 366 as follows;

A. **Goods**: “Goods includes all materials, commodities, and articles” - **Clause (12) of Article 366**.

B. “Goods and Services Tax means any tax on supply of goods, or services or both except taxes on the supply of the alcoholic liquor for human consumption. Consequently, GST can be levied on supply of all goods and services except alcoholic liquor for human consumption.” - **Clause (12A) of Article 366**.

C. “Services means anything other than goods” - **Clause (26A) of Article 366**.

G. Features of GST:

a. **Levy of Tax**: The State GST (SGST) and Central GST (CGST) shall be levied on all the transactions of goods and services, simultaneously.

b. **Utilization of Levy**: Levies from State GST (SGST) and Central GST (CGST) shall form part of State and the Centre respectively and no cross-utilization shall be allowed.

c. **Availability of Tax Credit**: Tax credit is available in respect of taxes paid on any supply of goods or services or both used or intended to be used in the course business.

d. **Destination based Tax**: The GST is a destination based tax on consumption of Goods and Services. Hence the credit of SGST shall be transferred to the destination state in the form of Integrated GST (IGST). IGST will be imposed on all Inter-State Transactions.

e. **Assessment**: Registered person will be allowed himself to assess the taxes payable under the GST Laws and furnish a return for each tax period.

f. **Threshold Limit**: There shall be a taxable limit (presently, Rs. 20 Lakhs in North Eastern States and Rs. 40 Lakhs in rest of the county).

g. **Composition Scheme**: The GST Laws will provide a composition scheme for small dealers (presently, turnover of Rs. 1.5 Crore).
h. **GSTIN or GST Identification Number:** Every registrants (including Exporters and Importers) shall be given a PAN based TIN number which shall be a common to the both the State GST and Central GST.

i. **Compensation to States:** The GST Laws provides for payment of compensation to the States for loss of revenue, if any, arising out of implementing of the Goods and Services Tax for a period of 5 years.

j. **The GST Council:** The Council is a quasi – judicial body of States and the Centre, represented by the State Finance Ministers and the Finance Minister of India. The key role of this Council is to make recommendations on various provisions of GST Laws to the State and the Centre.

k. **Anti-Profiteering Measures:** It is expected the GST Laws will bring down the prices of goods and services once implemented. To ensure the pass of such benefits to end users or the customers, the government has put anti-profiteering measures.

l. **GST Slab Rates:** The GST council has fitted over 1300 goods and 500 services under four tax slabs of 5%, 12%, 18% and 28% under GST. GST divided into five various tax slabs for collection of tax as follows,

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Tax Rate</th>
<th>% of Goods and Services covered out of 1300 Goods and 500 Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0%</td>
<td>7%</td>
</tr>
<tr>
<td>2</td>
<td>5%</td>
<td>14%</td>
</tr>
<tr>
<td>3</td>
<td>12%</td>
<td>17%</td>
</tr>
<tr>
<td>4</td>
<td>18%</td>
<td>43%</td>
</tr>
<tr>
<td>5</td>
<td>28%</td>
<td>19%</td>
</tr>
</tbody>
</table>

H. **Benefits:**

1. **GST eliminates the Cascading Effect of Tax:** GST is a comprehensive indirect tax that was designed to bring the indirect taxation under one umbrella. More importantly, it is going to eliminate the cascading effect of tax i.e. tax on tax that was evident earlier.

2. **Higher threshold for registration:** Earlier, in the VAT structure, any business with a turnover of more than Rs 5 lakh (in most states) was liable to pay VAT. Also, service tax was exempted for service providers with a turnover of less than Rs 10 lakh.
Under GST regime, however, this threshold has been increased to Rs 40 lakh, which exempts many small traders and service providers.

3. **Composition Scheme for small businesses:** Under GST, small businesses (with a turnover of Rs 20 lakh to 1.5 crore) can benefit as it gives an option to lower taxes by utilizing the composition scheme. This move has brought down the tax and compliance burden on many small businesses.

4. **Simple and Easy Online Procedure:** The entire process of GST (from registration to filing returns) is made online, and it is super simple. This has been beneficial for start-ups especially, as it is not necessary at all to run for getting different registrations such as VAT, excise, and service tax.

5. **The Number of Compliances is lesser:** Earlier, there was VAT and service tax, each of which had their own returns and compliances. Such rigid and duplicated compliances removed under GST System.

6. **Defined Treatment for E-commerce Operators:** Earlier to GST regime, supplying goods through e-commerce sector was not defined. It had variable VAT laws. All critical and growth-defeating treatments and confusing compliances have been removed under GST.

I. **Disadvantages:**

1. **Increased Costs due to Software Purchase:** Businesses have to either update their existing accounting or ERP software to GST-compliant one or buy a GST software so that they can keep their business going which leads increase in the cost of the business.

2. **Increase in Operational Costs:** GST is changing the way how tax is paid, businesses will now have to employ tax professionals to be GST-complaint. It will steadily increase costs for small businesses as they will have to incur the additional cost on hiring experts.

3. **Difficulty in adapting an Online Taxation System:** Unlike earlier, businesses are now switching over from manual invoicing and filing to online return filing and making payments. This might be hard for smaller businesses to familiarise to.

4. **Tax burden for small businesses:** Smaller businesses, especially in the manufacturing sector will face complications under GST. Earlier, only
businesses whose turnover exceeded Rs 1.5 crore were liable to pay excise duty. But now any business whose turnover exceeds Rs 40 lakh will have to pay GST.

4.2 Components of GST

GST is a destination based tax chargeable on all transactions involving supply of goods and services. GST in India consist of four key elements i.e.

4.2.A. Central Goods and Services Tax (CGST): This element of GST is governed by CGST Act and levied and collected by Central Government on intra-state supplies of goods and services. Also, State government will be levied GST on the same intra-state supplies of goods and services as per the SGST Act.

It denotes that both the central and state governments will be levied the tax on the same intra-state supplies of goods and services and agree for revenue sharing between them with an applicable percentage.

4.2.B. State Goods and Services Tax (SGST): Under GST system, SGST is governed by SGST Act and levied on intra-state supplies of both goods and services and collected by State Governments/Union Territories with State Legislatures e.g. Delhi. As discussed under CGST, Central government also levies GST on the same intra-state supplies of goods and services transaction.

Intra-state Sale and It’s GST Implications

Example:

Anand is a dealer in Indapur, Maharashtra who sold goods of Rs. 10,000 to Sagar, Baramati, Maharashtra. The GST rate is applicable to said goods is 18% which is consist of 9% CGST and 9% SGST. The calculation of tax liability and further tax procedure are illustrated as follows;

I. Supply of goods/services by Anand to Sagar -

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Amount (Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value charged by Anand for supply of goods/services</td>
<td>10,000</td>
</tr>
<tr>
<td><strong>Add</strong>: CGST @ 9%</td>
<td>900</td>
</tr>
<tr>
<td><strong>Add</strong>: SGST @ 9%</td>
<td>900</td>
</tr>
<tr>
<td><strong>Total price charged by Anand to Sagar for local supply of goods/services</strong></td>
<td>11,800</td>
</tr>
</tbody>
</table>

The CGST and SGST charged on Sagar for supply of goods/services will be remitted by Anand to the appropriate account of the Central and State Government respectively.
As the first supplier of goods/services, Anand does not have credit of CGST, SGST or IGST.

II. Supply of goods/services by Sagar to Dhiraj, Pandharpur, Maharashtra with a value addition @ 20% -

Sagar will avail credit of CGST and SGST paid by him on the purchase of goods/services from Anand and will utilise such credit for being set off against the CGST and SGST payable on the supply of goods/services made by him to Dhiraj.

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Amount (Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value charged by Sagar for supply of goods/ services  (Rs. 10000 + 20%)</td>
<td>12,000</td>
</tr>
<tr>
<td>Add: CGST @ 9%</td>
<td>1080</td>
</tr>
<tr>
<td>Add: SGST @ 9%</td>
<td>1080</td>
</tr>
<tr>
<td>Total price charged by Sagar from Dhiraj for local supply of goods/services</td>
<td>14,160</td>
</tr>
</tbody>
</table>

**Computation of CGST, SGST payable by Sagar to Government**

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Amount (Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CGST Payable</td>
<td>1080</td>
</tr>
<tr>
<td>Less: Credit of CGST</td>
<td>900</td>
</tr>
<tr>
<td>CGST payable to Central Government</td>
<td>180</td>
</tr>
<tr>
<td>SGST Payable</td>
<td>1080</td>
</tr>
<tr>
<td>Less: Credit of SGST</td>
<td>900</td>
</tr>
<tr>
<td>SGST payable to State Government</td>
<td>180</td>
</tr>
</tbody>
</table>

**Statement of Revenue earned by Central and State Government**

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Revenue to Central Government</th>
<th>Revenue to State Government</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supply of goods/services by Anand to Sagar</td>
<td>900</td>
<td>900</td>
</tr>
<tr>
<td>Supply of goods/services by Sagar to Dhiraj</td>
<td>180</td>
<td>180</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1080</strong></td>
<td><strong>1080</strong></td>
</tr>
</tbody>
</table>

4.2.C. **Union Territory Goods and Services Tax (UTGST):** This element of GST is levied and collected by Union Territories without State Legislatures e.g. Andaman, Nicobar, Lakshadweep etc., on intra-State supplies of taxable goods and/or services. This act is made on the same ground of SGST Act which is applicable to only those Union Territories which doesn’t separate state legislature.

4.2.D. **Integrated Goods and Services Tax (IGST):** As per the IGST Act, the Central government solely can impose and collect IGST on all Inter-state supplies of taxable goods and/or services Integrated Goods and Services Tax (IGST). Also, IGST is applicable on imports.
IGST is almost the grand total of CGST and SGST/UTGST and is levied by Centre on all inter-State supplies.

**Interstate Supply and It’s GST Implications**

**Example:**

Suyog is a dealer in Indapur, Maharashtra who sold goods of Rs. 20,000 to Abhishek, Pune, Maharashtra. The GST rate applicable to said goods is 18% which is consist of 9% CGST and 9% SGST. The calculation of tax liability and further tax procedure are illustrated as follows;

**J. Supply of goods/services by Suyog, Maharashtra to Abhishek, Maharashtra -**

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Amount (Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value charged by Suyog for supply of goods/services</td>
<td>20,000</td>
</tr>
<tr>
<td><strong>Add:</strong> CGST @ 9%</td>
<td>1800</td>
</tr>
<tr>
<td><strong>Add:</strong> SGST @ 9%</td>
<td>1800</td>
</tr>
<tr>
<td>Total price charged by Suyog to Abhishek for local supply of goods/services</td>
<td><strong>23,600</strong></td>
</tr>
</tbody>
</table>

As the first supplier of goods/services, Suyog does not have credit of CGST, SGST or IGST.

**II. Supply of goods/services by Abhishek of Maharashtra to Nimesh of Gujrat – Value addition @ 20%**

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Amount (Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value charged for supply of goods/services (Rs. 20,000 + 20%)</td>
<td>24,000</td>
</tr>
<tr>
<td><strong>Add:</strong> IGST @ 18%</td>
<td>4320</td>
</tr>
<tr>
<td>Total price charged by Abhishek to Nimesh for inter-State supply of goods/services</td>
<td><strong>28,320</strong></td>
</tr>
</tbody>
</table>

**Computation of IGST payable to Central Government**

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Amount (Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>IGST Payable</td>
<td>4320</td>
</tr>
<tr>
<td><strong>Less:</strong> Credit of CGST</td>
<td>1800</td>
</tr>
<tr>
<td><strong>Less:</strong> Credit of SGST</td>
<td>1800</td>
</tr>
<tr>
<td>IGST payable to Central Government</td>
<td><strong>720</strong></td>
</tr>
</tbody>
</table>

The IGST charged on Nimesh, Gujrat for supply of goods/services will be remitted by Abhishek, Maharashtra to the appropriate account of the Central Government. Maharashtra (Exporting State) will transfer SGST credit of Rs. 1800 utilised in the payment of IGST to the Central Government.

**III. Supply of goods/services by Nimesh of Gujrat to Dipesh of Gujrat – Value addition @ 20% -**

Nimesh will avail credit of IGST paid by him on the purchase of goods/services and will utilise such credit for being set off against the CGST and SGST payable on the local supply of goods/services made by him to Dipesh.
<table>
<thead>
<tr>
<th>Particulars</th>
<th>Amount (Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value charged by Nimesh for supply of goods/services (Rs, 24,000 + 20%)</td>
<td>28,800</td>
</tr>
<tr>
<td><strong>Add:</strong> CGST @ 9%</td>
<td>2592</td>
</tr>
<tr>
<td><strong>Add:</strong> SGST @ 9%</td>
<td>2592</td>
</tr>
<tr>
<td>Total price charged by Nimesh to Dipesh for local supply of goods/services</td>
<td>33,984</td>
</tr>
</tbody>
</table>

**Computation of CGST, SGST payable by to Government**

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Amount (Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CGST Payable</td>
<td>2592</td>
</tr>
<tr>
<td><strong>Less:</strong> Credit of IGST</td>
<td>2592</td>
</tr>
<tr>
<td>CGST payable to Central Government</td>
<td>Nil</td>
</tr>
<tr>
<td>SGST Payable</td>
<td>2592</td>
</tr>
<tr>
<td><strong>Less:</strong> Credit of IGST (Rs. 4320 – Rs. 2592)</td>
<td>1728</td>
</tr>
<tr>
<td>SGST payable to State Government</td>
<td>864</td>
</tr>
</tbody>
</table>

Central Government will transfer IGST credit of Rs. 1728 utilised in the payment of SGST to Gujrat (Importing State).

**Statement of revenue earned by Central and State Governments**

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Revenue to Central Government</th>
<th>Revenue to Maharashtra Government</th>
<th>Revenue to Gujrat Government</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supply of goods/services by Suyog to Abhishek</td>
<td>1800</td>
<td>1800</td>
<td>-</td>
</tr>
<tr>
<td>Supply of goods/services by Abhishek to Nimesh</td>
<td>720</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Transfer by Maharashtra to Central Government</td>
<td>1800</td>
<td>(1800)</td>
<td>-</td>
</tr>
<tr>
<td>Supply of goods/services by Nimesh to Dipesh</td>
<td>-</td>
<td>-</td>
<td>864</td>
</tr>
<tr>
<td>Transfer by Central Government to Gujrat</td>
<td>(1728)</td>
<td>-</td>
<td>1728</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2592</td>
<td>Nil</td>
<td>2592</td>
</tr>
</tbody>
</table>

**4.3 Input and Output Tax Credit**

The GST system assures seamless credit on goods and services through the whole supply chain with some exemptions like supplies charged to tax under composition scheme and supply of exempted goods and/or services. Under GST
System, taxes are classified into two sections i.e. Input Tax Credit (ITC) and Output Tax Credit (OTC), which are discussed below;

4.3.A. Input Tax Credit (ITC)

A] Introduction

Input Tax Credit (ITC) is considered to be the backbone of the GST system as it avoids the challenge of ‘tax on tax’. Indeed, it is the provisions of ITC which basically make GST a value added tax i.e., collection of tax at all points of supply chain after allowing credit of tax paid at earlier points.

Chapter V of the CGST Act [Sections 16 to 21] and Chapter V: Input Tax Credit of the CGST Rules [Rules 36-45] prescribe the provisions pertaining to ITC. State GST laws also prescribe matching provisions regarding ITC.

B] Meaning

Input Tax Credit means claiming the credit of the GST paid on purchase of Goods and Services which are used for the furtherance of business. Simply, Input credit means at the time of paying tax on output, you can reduce the tax you have already paid on inputs.

C] Relevant Definitions

1. Input: Input means any goods other than capital goods used or intended to be used by a supplier in the course or furtherance of business [Section 2(59)].

2. Input Service: Input service means any service used or intended to be used by a supplier in the course or furtherance of business [Section 2(60)].

3. Input Tax: Input tax in relation to a registered person, means the central tax, State tax, integrated tax or Union territory tax charged on any supply of goods or services or both made to him and includes—
   a. the integrated goods and services tax charged on import of goods;
   b. the tax payable under the provisions of sub-sections (3) and (4) of section 9;
   c. the tax payable under the provisions of sub-section (3) and (4) of section 5 of the IGST Act;
   d. the tax payable under the provisions of sub-section (3) and sub-section e. of section 9 of the respective State Goods and Services Tax Act; or
   f. the tax payable under the provisions of sub-section (3) and sub-section of section 7 of the Union Territory Goods and Services Tax Act,
but does not include the tax paid under the composition levy [Section 2(62)].

4. **Input Tax Credit**: Input tax credit means the credit of input tax [Section 2(63)]. In nutshell, ITC means deducting the tax paid on inputs from the tax payable on the final output by you as a registered taxable person.

**D] Eligibility and Conditions for availing Input Tax Credit [Section 16 (1) and 16(2)]**

To claim ITC, registered person must meet the conditions laid down in section 16 of the CGST Act.

1. **Registration under GST**: Every registered person shall be entitled to ITC charged on inward supply of goods and/or services.

2. **Goods/services to be used for business purposes**: ITC will be available on goods and/or services which are used in the course or continuance and maintenance of the business.

3. **Tax Invoice or the Debit Note**: Registered tax payer must have the tax invoice or the debit note issued to you by the supplier of inputs or input services.

4. **Receipt of Goods or services**: Registered tax payer must receive the goods or services or both.

5. **Payment for the Invoice**: The registered person must pay the supplier, the value of the goods and/or services along with the tax within 180 days from the date of issue of invoice. In the event of failure to do so, the corresponding credits availed by the registered person would be added to his output tax liability, with interest.

6. **Filling of Return**: To claim ITC, registered tax payer should have filed returns as per section 39.

7. **ITC in case of delivery of goods in lots or instalments**: In this case if eligible person receives goods in different lots or instalments, then he can claim ITC when the last lot is received.

8. **ITC in case of depreciation claimed on tax component**: If eligible person have claimed depreciation on the tax part of the cost of his capital goods, then he cannot avail ITC on the said tax component.
9. **Time limit for availing ITC:**

Eligible person shall not be entitled to take ITC if the same is not claimed within the time limit i.e. due date of filing of return for the month of September of succeeding financial year or date of filing of annual return, whichever is earlier.

**E] Documents required for availing Input Tax Credit**

A registered taxable person can entitle ITC with the support of following documents:

1. An **Invoice** issued by supplier of goods or services.
2. **Invoice issued by a person who claims for ITC as a recipient** of goods and services for supplies of goods or services made by an unregistered person.
3. A **Debit Note** issued by supplier of goods or services.
4. A **Bill of Entry** for integrated tax on imports.
5. A **Credit Note** issued by an Input Service Distributor.
6. A **Bill of Supply** issued by a dealer opting for composition scheme or an exporter or supplier of exempted goods.

**F] Process and Rule for Utilization of ITC**

Under GST regime, an every registered person is permitted to take benefit of ITC as mentioned below;

<table>
<thead>
<tr>
<th>Transaction</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intra-State supply</td>
<td>CGST and SGST/UTGST</td>
</tr>
<tr>
<td>Inter-State-supply</td>
<td>IGST</td>
</tr>
<tr>
<td>Imports of goods and services</td>
<td>IGST</td>
</tr>
</tbody>
</table>

The rule and sequential arrangement to use the credit of CGST, SGST/UTGST and IGST is as follows;

<table>
<thead>
<tr>
<th>Credit</th>
<th>Preferential use of credit</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>First Preference</td>
</tr>
<tr>
<td>CGST</td>
<td>CGST</td>
</tr>
<tr>
<td>SGST</td>
<td>SGST</td>
</tr>
<tr>
<td>UTGST</td>
<td>UTGST</td>
</tr>
<tr>
<td>IGST</td>
<td>IGST</td>
</tr>
</tbody>
</table>

The above tabular data indicates that taxable person cannot use the Credit of CGST for payment of SGST/UTGST and credits of SGST/UTGST for the payment of CGST.
4.3.B. Output Tax Credit

The every GST registered businessman should charge GST on supplies of goods or services to customer at a prevailing rate of tax, whether the sale is made locally or even outside the state. The amount of GST charged and collected by supplier is known as output tax. The collected amount of output tax also must be paid to concerned authority within a stipulated time period.

Input tax is the tax paid or payable in the course of business on purchases of any goods made from a registered dealer of the State. The GST that you paid on your business purchase (including imports of goods) is known as input tax.

To put it simply, input tax is paid by a dealer on purchases of business inputs and output tax is the tax charged by a dealer on his sales. The difference between the output tax and input tax is the net GST payable to GST authority or refunded by GST authority. To know the difference between the output tax and input tax;

- Every GST registered businessman must submit GST return to government authority one month after the end of each given accounting period.
- Every GST registered businessman should report output tax and input tax as well in its GST return.

4.4 Procedure for Payment of GST

Every registered person is required to compute his tax liability on a monthly basis by setting off the Input Tax Credit (ITC) against the Outward Tax Liability. If there is any balance tax liability the same is required to be paid to the government.

There are 3 ledgers prescribed by the government that is required to be maintained by every tax payer –

1. Electronic Tax Liability Ledger

The electronic tax liability ledger shows the total tax liability of a registered person at any point of time. This detail can be accessed on the GST portal of a registered tax payer.

2. Electronic Cash Ledger

An Electronic Cash Ledger will also be maintained on the GST portal. It will display the total amount deposited by the tax payer towards discharge of his tax liability or interest or late fee or penalty any other amounts. Also, it is now mandatory for businesses making payment for more than Rs 10,000 to do it electronically.
Steps in payment of GST:

A. **Step 1** – Login to the GST Portal. Enter your username, password, and captcha code.

B. **Step 2** – Once you log in go to Services > Payments > Create Challan

C. **Step 3** – Enter the amounts and select the method of payment i.e. e-payment, over the counter or NEFT/RTGS. Click on Generate Challan once all the details have been filled in.

   There are 3 methods of payment here:
   - Internet banking and debit/credit cards of authorized banks
   - Over the counter payment through authorized banks
   - Payment through NEFT/RTGS from any bank.

   However, there is a limit of Rs. 10,000/- per challan, for over the counter payment through authorized banks.

D. **Step 4** – A summary page will appear containing all the details of the challan. Select the ‘Mode of Payment’. You can either choose ‘Over The Counter’ to make payment by going to the bank in person or choose ‘E-Payment’, ‘NEFT/RTGS to make online GST Payment. Click on ‘MAKE PAYMENT’.

E. **Step 5** – Make an online payment of GST through Net-Banking or take a printout of the challan and make payment in Bank.

   Once the payment is made you will receive a challan containing all the details of tax paid. Thereafter the tax paid challan (CIN) will be credited to the cash ledger account of the taxpayer.

3. **Electronic Credit Ledger**

   All the taxes paid on the inputs would be recorded in the electronic credit ledger. The input tax credit in each of the cases mentioned below, shall also be transferred to the electronic credit ledger:
   - ITC available to the branch for the amount of credit transferred by ISD
   - ITC allowed on input held in stock and the semi-finished or finished goods would be credited to electronic credit ledger if the taxpayer applies for registration within 30 days of becoming liable to pay tax.
   - ITC available on the input held in stock and semi-finished or finished goods by a taxpayer in the composition scheme converting to a normal taxpayer shall be transferred to electronic credit ledger.
- ITC available due to the taxes paid under the reverse charge mechanism shall also be transferred to the electronic credit ledger.
- ITC available on goods/services used for the business and other purposes shall only be allowed to the extent applicable for business purposes.

All the payments under GST have to be made by either using the input tax credit available in the electronic credit ledger or through the electronic cash ledger.

4.5 Procedure for Registration under GST

GST registration is mandatory for most persons and entities supplying goods or services in India. In case of a person or entity supplying goods or services, GST registration becomes mandatory when the aggregate value of supply is more than Rs.40 lakhs. In case the entity is operating in a special category state, GST registration becomes mandatory when the aggregate value of supply is more than Rs.20 lakhs per annum.

A] Steps in GST Registration

GST registration can be done online through the GST Portal. On submission of a GST registration application, GST ARN is provided immediately. Using the GST ARN, the application status can be checked and queries if any can be replied by the applicant. Within 7 days of ARN generation, the taxpayer would receive GST registration certificate and GSTIN.

✓ Step 1: Go to the GST Portal
   - Access the GST Portal ->https://www.gst.gov.in/
   - Click on Services -> Registration > New Registration option.

✓ Step 2: Generate a TRN by Completing OTP Validation
   - The new GST registration page is displayed. Select the New Registration option. In case you left a GST registration application without completing, the section TRN number option can be used to continue to fill the old application.

✓ Step 3: OTP Verification & TRN Generation
   - On submission of the above information, the OTP Verification page is displayed. OTP will be valid only for 10 minutes. Hence, enter the two separate OTP sent to validate email and mobile number.
• In the Mobile OTP field, enter the OTP you received on your mobile number.
• In the Email OTP field, enter the OTP you received on your email address.

✓ Step 4: TRN Generated
On successfully completing OTP verification, a TRN will be generated. TRN will now be used to complete and submit the GST registration application.

✓ Step 5: Login with TRN
Now that TRN is generated, you can begin the GST registration process. In the Temporary Reference Number (TRN) field on the GST Portal, enter the TRN generated and enter the captcha text as shown on the screen. Complete the OTP verification on mobile and email. You will now be taken to the GST registration page.

✓ Step 6: Submit Business Information
Various information must be submitted for obtaining GST registration. In the first tab, business details must be submitted.

✓ Step 7: Submit Promoter Information
In the next tab, details of the promoters of the business must be submitted. In case of a company, the information of directors must be submitted. In case of proprietorship, the information of proprietors must be submitted. Details of upto 10 Promoters or Partners can be submitted in a GST registration application.

✓ Step 8: Submit Authorised Signatory Information
The authorised signatory is a person nominated by the promoters of the company to be responsible for filing GST returns of the company and maintaining the necessary compliance. The authorised signatory will have full access to the GST Portal and will be able to undertake a wide range of transactions on behalf of the promoters. The promoter of a company can also be an authorised signatory.

In case a promoter was selected as an authorised signatory in the previous section, this section will be auto-populated with the relevant details. The details required for authorised signatory is same as that of the promoters.

✓ Step 9: Principal Place of Business
In this section, the details of principal place of business must be provided by the applicant. The Principal Place of Business is the primary location within the State where a taxpayer’s business is performed. The principal place of business is generally the address where the business’s books of accounts and records are kept and is often where the head of the firm or at least top management is located. Hence, in case of company or LLP, the principal place of business would be the registered office.

✓ **Step 10: Additional Place of Business**

In case you have additional place of business, enter details of the property in this tab. For instance, if you are a seller on Flipkart or other ecommerce portal and use the warehouse of sellers, that location can be added as an additional place of business.

✓ **Step 11: Details of Goods and Services**

In this section, the taxpayer must provide details of top 5 goods and services supplied by the applicant. This is just an indicative list and the business of the applicant will not be restricted in any way to the goods and services mentioned in this part.

For goods supplied, provide the HSN code and for services, provide SAC code. In case, you have more than 5 goods or services, you can add the top 5 goods or services you are dealing with.

✓ **Step 12: Details of Bank Account**

In this section, enter the number of bank accounts held by the applicant. If there are 5 accounts, enter 5. Then provide details of the bank account like account number, IFSC code and type of account. Finally, upload a copy of the bank statement or passbook in the place provided.

✓ **Step 13: Verification of Application**

In this step verify the details submitted in the application before submission. Once verification is complete, select the verification checkbox. In the Name of Authorized Signatory drop-down list, select the name of authorized signatory. Enter the place from where the form is filled. Finally, digitally sign the application using Digital Signature Certificate (DSC)/ E-Signature or EVC. Digitally signing using DSC is mandatory in case of LLP and Companies.

✓ **Step 14: ARN Generated**
On signing the application, the success message is displayed. You will receive the acknowledgement in next 15 minutes on your registered e-mail address and mobile phone number. Application Reference Number (ARN) receipt is sent on your e-mail address and mobile phone number. Using the GST ARN Number, you can track the status of your GST registration application.

4.6 Documents needed for Goods and Services Tax (GST) Registration

Registration of any business entity under the GST Law implies obtaining a unique number from the concerned tax authorities for the purpose of collecting tax on behalf of the government and to avail Input Tax Credit for the taxes on his inward supplies. The following documents must be submitted by persons or entities applying for GST registration.

1. PAN Card of the Business and Applicant
2. Valid Indian Phone Number and Email address
3. Proof of Place of business
4. Any document in support of the ownership of the premises such as Latest Property Tax Receipt or Municipal Khata Copy or Copy of Electricity Bill.
5. Copy of the valid Rent / Lease Agreement/Consent letter (as applicable)
6. For every additional place of business in the state, proof of such additional place of business.
7. Valid bank account number from India
8. Other details
   A. List of Goods and Services.
   B. Proof of appointment of Authorized Signatory (Letter of Authorization or copy of board resolution).
   C. Authorized Signatories photo (soft copy).
   D. For Companies and LLP’s, it is important to have digital signature (class 2 digital signature) of the person who is authorised to sign the GST application.
   E. Incorporation certificate (for Company).
   F. Other regulatory registration details such as Professional Tax, State Excise License details (If applicable).

4.7 Some important terminologies under GST

4.7.1 Goods and Services Tax Network - GSTN
The Goods and Service Tax Network (or GSTN) is a non-profit, non-government organization. It is the one stop solution for GST taxpayers which manages the entire IT system of the GST portal. This is the mother database for everything pertaining to GST. Government uses this portal to track every financial transaction, and provides taxpayers all services – from registration to filing taxes and maintaining all tax details.

4.7.2 Goods and Services Tax Identification Number - GSTIN

All businesses that successfully register under GST get a unique number known as the Goods and Services Tax Identification Number (GSTIN). Before GST was implemented, people used to have different numbers for different taxes. Dealers registered under state VAT were provided a unique TIN number by state taxation authorities whereas service providers were assigned a unique service tax registration number by the Central Board of Excise and Customs (CBEC). Once the application for registration is filled and documents are submitted, it takes few days for the verification of data and once the verification process is complete, the user is registered at the GST portal. After registration, he is provided a GSTIN which can be used to file taxes, view statements and communicate with authorities.

GSTIN is a unique 15-digit alphanumeric code which is assigned to every entity that has successfully registered under GST. This number will be the sole reference number to find out all transactions undertaken under the GST regime. GSTIN has been designed to furnish maximum information of the business as easily as possible. The structure of a GSTIN is mentioned below:

- **First Two Digits** – The first two digits of the number are reserved for the state code. For example, the state code of Maharashtra is 27 and for Delhi, it is 07.

- **Next 10 Digits** – the 3rd to 12th digit of the GSTIN comprises of the taxpayer’s Permanent Account Number (PAN).

- **Thirteenth Digit** – This number indicates the number of registrations done by an entity in a state with the same PAN.
d. **Fourteenth Digit** – The fourteenth digit is kept Z by default. This number is assigned for future reference.

e. **Last Digit** – The fifteenth digit is the check code which is used to detect errors. This may be a number or an alphabet.

### 4.7.3 Casual Taxable Person

“Casual taxable person” has defined in Section 2(21) of Model GST Law. This is a person who irregularly undertakes transactions involving supply of goods or services or both in the course or furtherance of business, whether as principal, agent or in any other capacity, in a State or a Union territory where he has no fixed place of business.

### 4.7.4 Non-Resident Taxable Person

As per Section 2(69) of Model GST Law, Non-resident taxable person means any person or business or not-for-profit who occasionally undertakes transactions involving supply of goods or services or both, whether as principal or agent or in any other capacity, but who has no fixed place of business or residence in India.

### 4.7.5 Composition Scheme

Composition Scheme is a simple and easy scheme under GST for taxpayers. Small taxpayers can get rid of tedious GST formalities and pay GST at a fixed rate of turnover. This scheme can be opted by any taxpayer whose turnover is less than Rs. 1.5 crore.

#### A. Eligible Person

A taxpayer whose turnover is below Rs 1.5 crore can opt for Composition Scheme. In case of North-Eastern states and Himachal Pradesh, the limit is now Rs 75 lakh.

#### B. Not-eligible Person

The following people cannot opt for the scheme-

1. Manufacturer of ice cream, pan masala, or tobacco
2. A person making inter-state supplies
3. A casual taxable person or a non-resident taxable person
4. Businesses which supply goods through an e-commerce operator

#### C. 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 GST exempted goods
- 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.

D. Process to opt for composition scheme

To opt for composition scheme a taxpayer has to file GST CMP-02 with the government. This can be done online by logging into the GST Portal.

E. GST rates for a composition dealer

<table>
<thead>
<tr>
<th>Composition Scheme – Applicable GST Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Type of Business</strong></td>
</tr>
<tr>
<td>----------------------</td>
</tr>
<tr>
<td>Manufacturers and Traders (Goods)</td>
</tr>
<tr>
<td>Restaurants not serving alcohol</td>
</tr>
<tr>
<td>Other service providers</td>
</tr>
</tbody>
</table>

F. Returns to be filed by a composition dealer
A dealer is required to file a quarterly return GSTR-4 by 18th of the month after the end of the quarter. Also, an annual return GSTR-9A has to be filed by 31st December of next financial year.

G. Advantages of Composition Scheme

- Lesser compliance (returns, maintaining books of record, issuance of invoices)
- Limited tax liability
- High liquidity as taxes are at a lower rate

H. Disadvantages of Composition Scheme

- A limited territory of business. The dealer is barred from carrying out inter-state transactions
- No Input Tax Credit available to composition dealers
- The taxpayer will not be eligible to supply exempt goods or goods through an e-commerce portal.

4.7.6 Reverse Charge

Normally, the supplier of goods or services pays the tax on supply. In the case of Reverse Charge, the receiver becomes liable to pay the tax, i.e., the chargeability gets reversed.

1. Applicability
   a. Supply from an Unregistered dealer to a Registered dealer
   b. Services through an e-commerce operator
   c. Supply of certain goods and services specified by CBEC

2. Time of Supply under Reverse Charge
   a. Time Of Supply in case of Goods: In case of reverse charge, the time of supply shall be the earliest of the following dates:
      1. the date of receipt of goods
      2. the date of payment*
      3. the date immediately after 30 days from the date of issue of an invoice by the supplier
   b. Time Of Supply in case of Services: In case of reverse charge, the time of supply shall be the earliest of the following dates:
      1. The date of payment
2. The date immediately after 60 days from the date of issue of invoice by the supplier

4.7.7 E-way Bill

E-Way Bill is the short form of Electronic Way Bill. It is a unique document/bill, which is electronically generated for the specific consignment/movement of goods from one place to another, either inter-state or intra-state and of value more than INR 50,000, required under the current GST regime. From 1st April, 2018, generation of the e-Way Bill has become compulsory.

When e-Way Bill is generated, a unique e-Way Bill Number (EBN) is made available to the supplier, recipient and the transporter. The e-Way Bill replaces the Way Bill, which was a physical document and existed during the VAT regime for the movement of goods.

a. Person responsible to generate an e-Way Bill

In the following condition, whoever is responsible (GST REGISTERED OR UNREGISTERED PERSON/THE RECIPIENT/THE TRANSPORTER) should generate an e-bill;

▪ causes the movement of goods/consignment, either in the capacity of a consignee (i.e. buyer) or consignor (i.e., seller) in his/her vehicle or hired vehicle or railways or by air or by ship OR

▪ causes the movement of goods and hands these over to the transporter for transportation by road, but the e-Way Bill has not been generated.

b. Time to issue E-Way Bill

Ideally, e-Way Bill should be generated before the commencement of movement of goods above the value of INR 50,000 (either individual invoice or consolidated invoice of multiple consignments).

c. Way to Generate e-Way Bills

E-Way Bills are generated either via online e-way bill system or SMS. The bill needs to be generated before the start of the movement of goods about supply/ reasons other than supply/ inward supply from an unregistered person.
d. **Required documents to generate an e-Way Bill**

1. The invoice/ Bill of Supply/ Delivery Challan of the goods consignment;
2. If roadways transport the goods, then the Transporter ID or Vehicle number;
3. If rail, air, or ship transport the goods, then one requires ID of the Transporter, Document Number of Transport, and Document Date.

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### 4.8 Questions for Self-exercise

#### 4.8.1 Objective Questions

**4.8.1.1 True or False Statements.**

1. Goods and Service Tax (GST) is an indirect tax levied on supply of goods and services.
2. Goods and Services Tax (GST) in India is a comprehensive, multi-stage, distribution-based tax levied on every value addition.
3. Union Territory Goods and Service Tax (UTGST) is the tax applicable on goods and services supply between the five territories of India.
4. Goods and Service Tax (GST) is a multi-stage tax as it is levied on each of the stages viz. purchase, production warehousing, sale etc.
5. It is called as Goods and Service Tax (GST) because it is applicable on both, goods and services.
6. Under Goods and Services Tax (GST) 'goods' includes all materials, commodities and articles.
7. The main aim of Goods and Services Tax (GST) is one tax, one country, one rate, one return, one payment and one assessment.
8. Alcoholic drinks are also taxed under Goods and Service Tax (GST).
9. Under Goods and Service Tax (GST) the tax rates, rules and regulations are governed by GST Council.

10. As per the conditions for Input Tax Credit, the actual credit is allowed for input supply which are used or intended to be used in the course for furtherance of his business.

✔ Answers:

A. True – 1, 2, 3, 4, 5, 6, 7, 9, 10.

B. False – 8.

4.8.1.2 Fill-in the Blanks.

1. Goods and services tax is a —— tax levied on manufacture, sales and consumption of goods at a national level.

2. Goods and services tax is an outcome of —— scheme.

3. Where goods are sold and services are rendered within the state —— and —— will be levied.

4. Where goods are sold and services are rendered on interstate basis —— will be levied.

5. Goods and service tax is one —— tax for the entire country.

6. In India, the goods and service tax was passed in the Parliament and came into effect on ————.

7. Goods and service tax is a tax levied on ———— consumption.

8. Goods and service tax has been introduced to replace multiple indirect taxes levied by the state and central government in order to simplify the ———— system.

9. Central goods and services tax is levied on intra-state sale and is collected by the ————.

10. State/union territory goods and services tax is levied on intra-state sale and is collected by the ————.

✔ Answers:

1. comprehensive,

2. one nation, one tax

3. CGST and SGST

4. IGST

5. Indirect
4.8.2 Long-answer questions.

A. What is Goods and Service Tax (GST)? State in brief the framework of GST.

B. "GST is a Multi-stage, Destination-based tax that is levied on every Value Addition". Explain.

C. Define GST. Explain in brief the constitutional background of GST.

D. Define the term 'GST. State the indirect taxes in the pre- GST regime.

E. "GST is a single uniform indirect tax". Discuss.

F. What is GST? Explain in brief the salient features of GST.

G. Define 'GST. Explain the components of GST.

H. What is 'GST'? Why there is a need to split GST into CGST, SGST and IGST?

I. What is meant by GST? Explain in brief the following components of GST in India
   1. CGST,
   2. SGST and
   3. IGST.

J. What is 'Input Tax Credit'? State the terms and conditions for Input Tax Credit.

K. Define 'Input Tax Credit' and specify the necessary documents required for taking Input Tax Credit.

L. Define the term 'Input Tax Credit'. Explain the process of Claiming Input Tax Credit.

M. Explain in brief the procedure for payment GST.

N. Explain the procedure for payment of GST with reference to:
   1. Electronic Cash Ledger and
   2. Electronic Credit Ledger.

O. State the procedure for registration under Goods and Service Tax (GST).

P. What is 'Composition Scheme'? Explain in brief the advantages and disadvantages of composition scheme.
Q. What is GST? Explain in brief the following important terms:

1. GST Identification Number (GSTIN)
2. Continuous Supply

R. **Write short notes on:**

a. Union Territory GST
b. Taxes under GST
c. Concept of GST
d. Indirect Taxes in the pre-GST regime,
e. Features of GST
f. Benefits of GST
g. Components of GST
h. GST One Nation, One Tax
i. Central Goods and Service Tax (CGST)
j. State Goods and Service Tax (SGST)
k. Integrated Goods and Service Tax
l. Input Tax Credit
m. 'Input Tax' in relation to taxable person
n. Output Tax Credit
o. Electronic Cash Ledger
p. Electronic Credit Ledger
q. Registration process for GST in India
r. Documents required for GST registration
s. Effective Date of Registration
t. Unique Identification Number
u. GST Registration Number
v. GST Registration process for Business Establishments,
w. Tally ERP for GST
x. Composition Scheme,
y. Casual Taxable Person
z. Reserve Charge.

S. **Differentiate between:**

1. Central Goods and Service Tax (CGST) and State Goods and Service Tax (SGST).
2. Input Tax Credit and Output Tax (Credit).
4. Casual Taxable Person and Non-resident Taxable Person.