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**VIRTUAL COACHING CLASSES  
ORGANISED BY BOS, ICAI**

**INTERMEDIATE LEVEL  
PAPER 4B: INDIRECT TAXES  
CHARGE**

**Faculty: CA Deepak Jain**



# Charge of GST

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Power to levy Tax is drawn from the Constitution, hence Constitution (101<sup>st</sup>Amendment) Act 2016 was passed.

The basis for charge is the taxable event in any statute.

The occurrence of the event which triggers levy of tax.

Eg Manufacture in Excise, Transfer in Capital Gain.

Taxable Event is GST -----→ Supply

# Types

## CGST

- > • CGST stands for Central GST
- This is applicable on supplies within the State
- Tax collected will be shared to Centre

## SGST

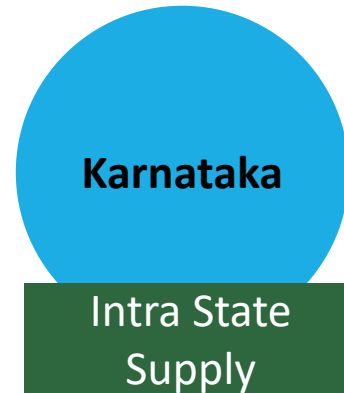
- > • SGST stands for State GST
- This is applicable on supplies within the State
- Tax collected will be shared to State

## IGST

- > • IGST stands for Integrated GST
- This is applicable on interstate and import transactions
- Tax collected is shared between Centre and State

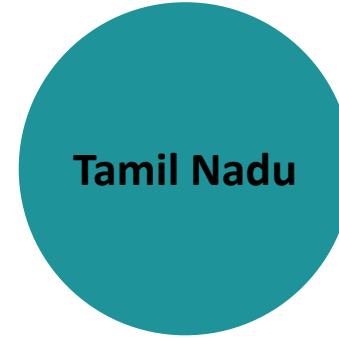
When is it local supply of goods/ services?

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**CGST + SGST**

# When is it inter-state supply of goods/ services?



Inter State  
Supply

**IGST**



# Extent of GST

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CGST Act, 2017 extends to the whole of India – Section 1

India - defined under section 2(56)

- ❖ territory of India as referred to in article 1 of the Constitution,
- ❖ its territorial waters, seabed and sub-soil underlying such waters, continental shelf, exclusive economic zone or any other maritime zone as referred to in the Territorial Waters, Continental Shelf, Exclusive Economic Zone and other Maritime Zones Act, 1976, and
- ❖ the air space above its territory and territorial waters.

State GST Law extends to whole of that State.

State includes a Union territory with Legislature. Delhi, Puducherry and Jammu & Kashmir.

UT GST Law extends to Union Territories of A&N Islands, Lakshadweep, Dadra and Nagar Haveli and Daman and Diu, Ladakh, and Chandigarh



# India - Definition





# Levy & Collection - Section 9

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(1) Subject to the provisions of sub-section (2), there shall be levied a tax called the central goods and services tax on all intra-State supplies of goods or services or both, except on the supply of alcoholic liquor for human consumption, on the value determined under section 15 and at such rates, not exceeding twenty per cent., 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.

(2) The central tax on the supply of petroleum crude, high speed diesel, motor spirit (commonly known as petrol), natural gas and aviation turbine fuel shall be levied with effect from such date as may be notified by the Government on the recommendations of the Council.





# Levy & Collection - Section 9 .... contd

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(3) The Government may, on the recommendations of the Council, by notification, specify categories of supply of goods or services or both, the tax on which shall be paid on reverse charge basis by the recipient of such goods or services or both and all the provisions of this Act shall apply to such recipient as if he is the person liable for paying the tax in relation to the supply of such goods or services or both.

(4) The Government may, on the recommendations of the Council, by notification, specify a class of registered persons who shall, in respect of supply of specified categories of goods or services or both received from an unregistered supplier, pay the tax on reverse charge basis as the recipient of such supply of goods or services or both, and all the provisions of this Act shall apply to such recipient as if he is the person liable for paying the tax in relation to such supply of goods or services or both.



# Rates of GST

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There are 7 rates notified under GST – 0%, 0.125%, 1.5%, 2.5%, 6%, 9% and 14%.

CGST is levied on all intra-state supplies of goods or services or both. Similar provisions will be for each state, so SGST is levied on all intra-state supplies of goods or services or both.

On Interstate supplies – IGST is levied on transaction value as determined under section 15 of the CGST Act. IGST is sum total of CGST and SGST/UTGST.

Alcoholic Liquor for human consumption is outside the purview of GST.

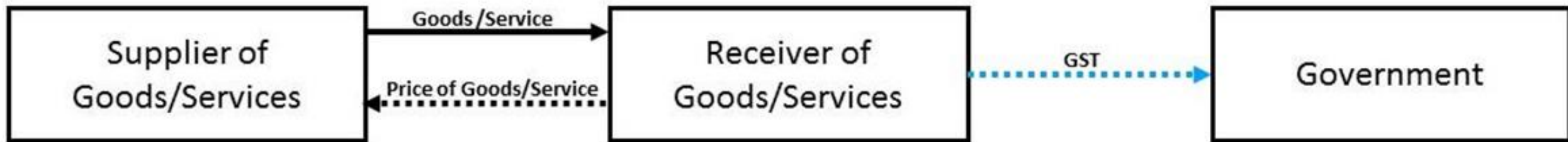
CGST/SGST and IGST is not levied on the following items and would be levied at a later date on the recommendation of the GST Council –

Petroleum Crude, diesel, petrol, ATF and natural gas

# NORMAL GST PAYMENT PROCESS



# GST PAYMENT IN CASE OF REVERSE CHARGE





## Reverse Charge Mechanism

9(3)

Supply of Specified category  
of Goods or Services

9(4)

Supply of Specified category  
of Goods or Services made  
by an unregistered supplier  
to specified class of  
registered recipients



## Supply of Goods taxable under Reverse Charge

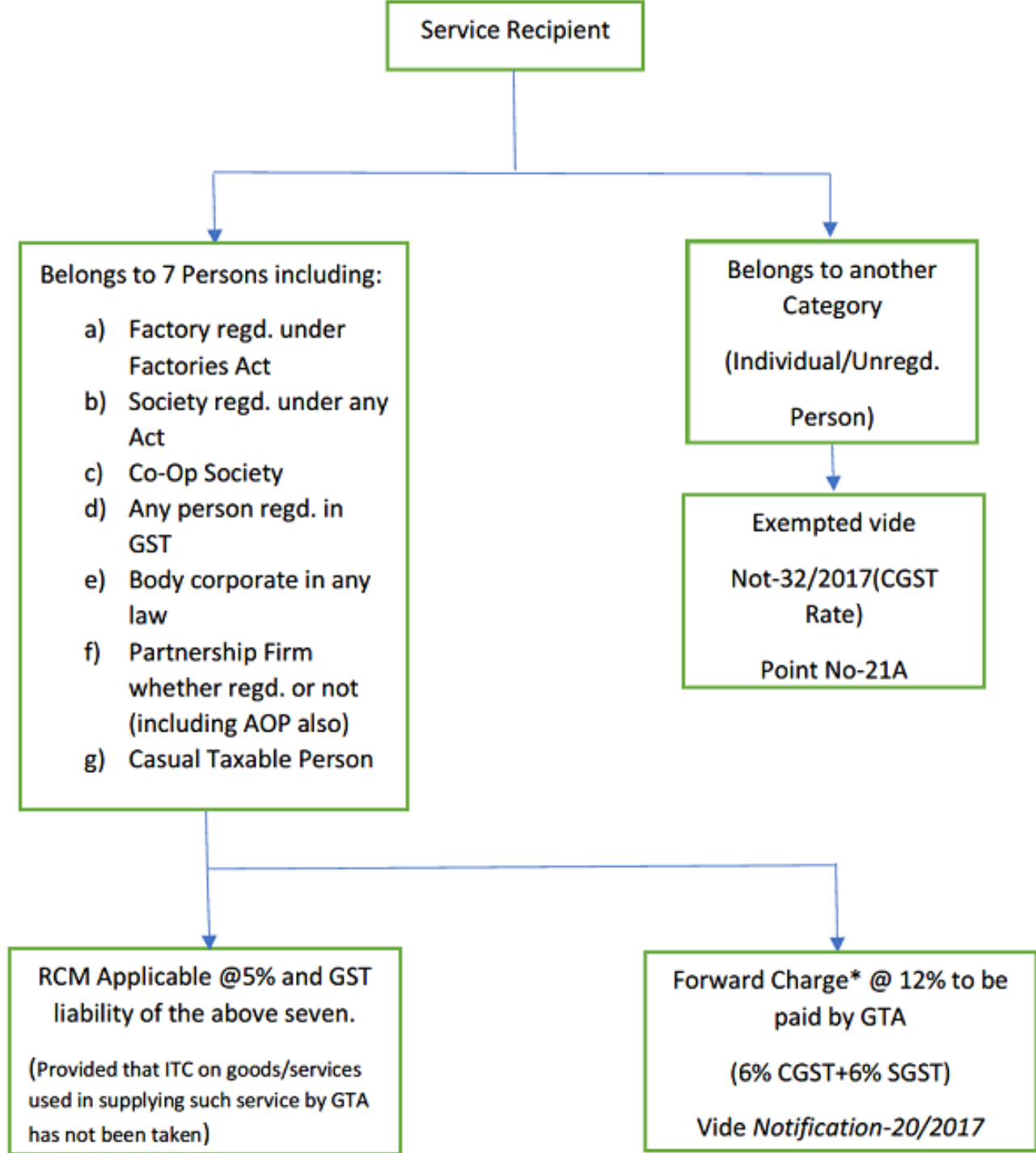
- Cashewnuts, bidi wrapper leaves, tobacco leaves, raw cotton, lottery by SG or local authority, silk yarn, used vehicles etc

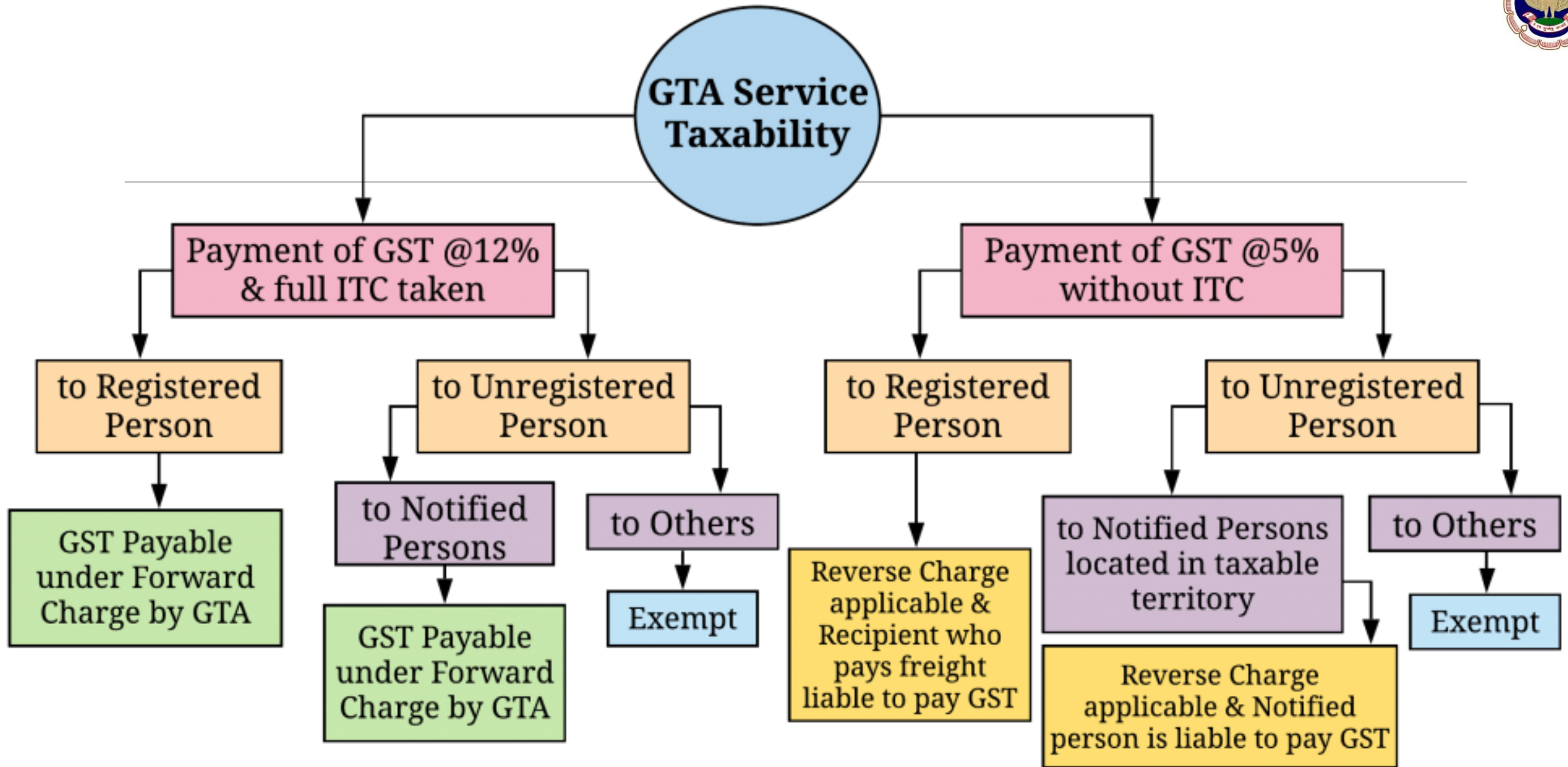
## Supply of Services taxable under Reverse Charge

- Notification No 13/2017 CT(R) dated 28.06.2017 - [RCM Notification](#)



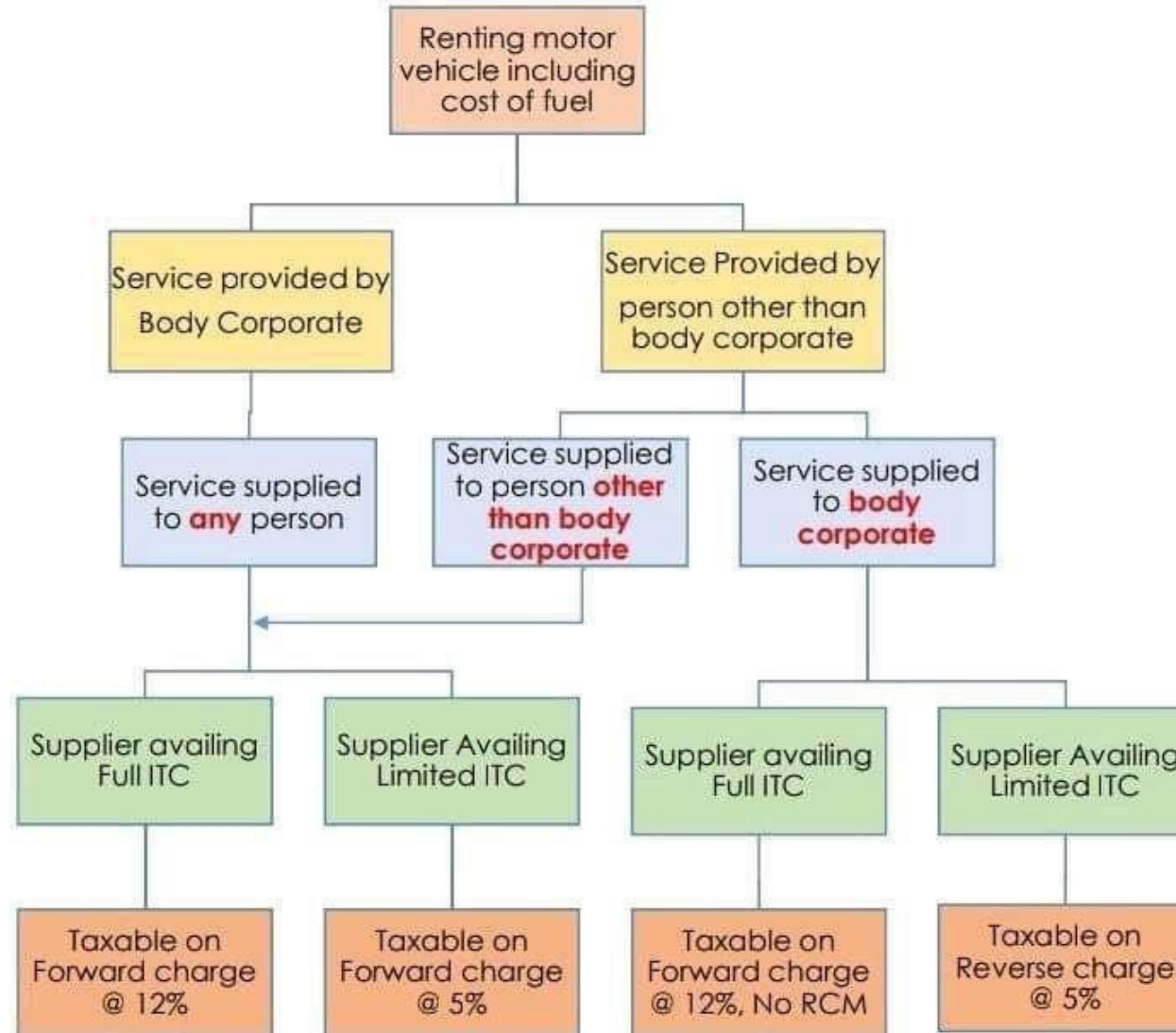
# GTA







## Clarification of Applicability of Forward Charge / Reverse Charge in case of Renting of Motor vehicle







# Remuneration to Director

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Whether Director is an Employee or Not?

Schedule III - Services by Employee to Employer

Independent Directors / other directors who are not employee – Liable to GST under RCM

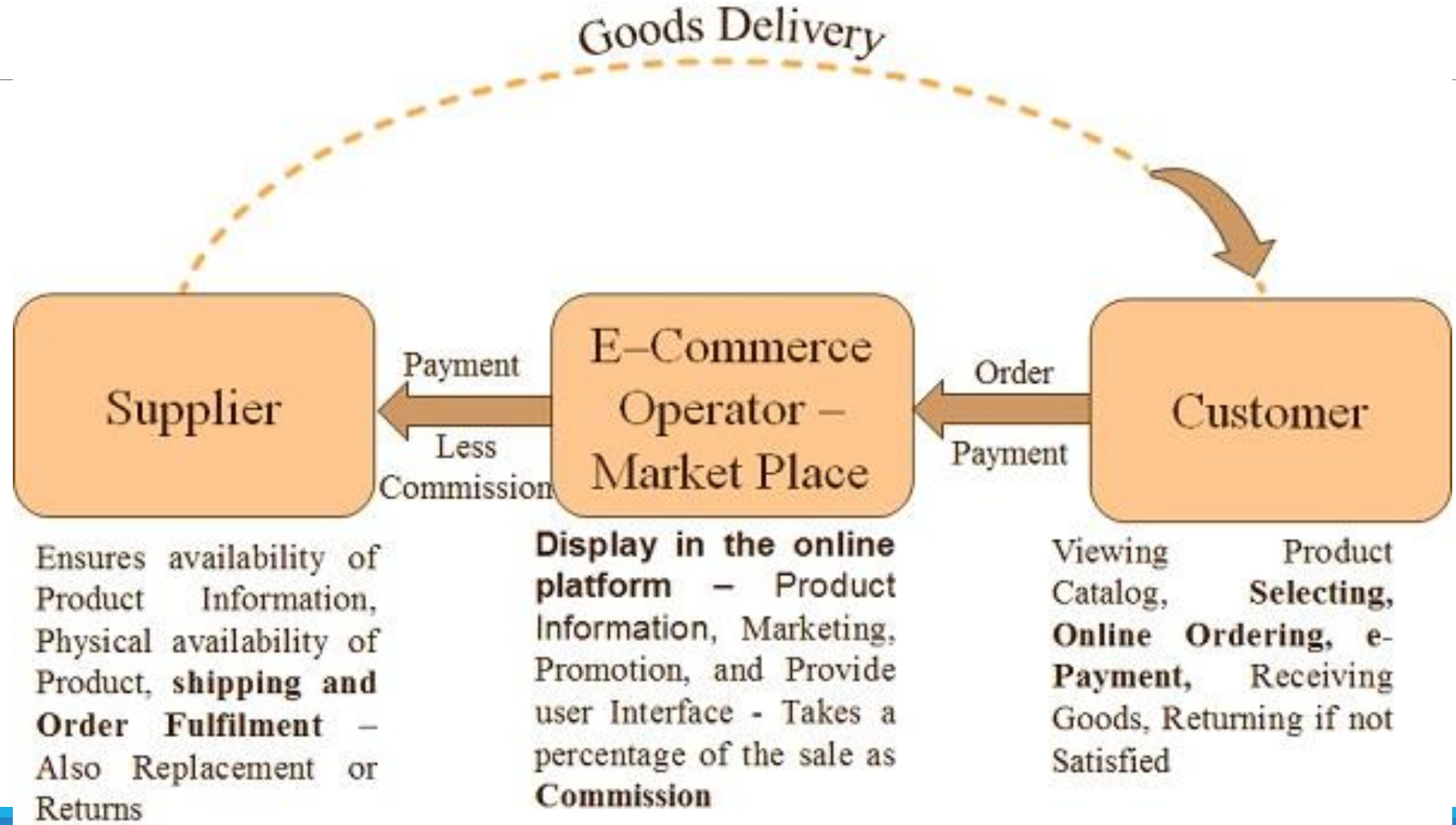
If it is ascertained that Director is an employee, then activities performed in the course of employment – Not liable to GST

To check employee relationship – check TDS deduction under section 192.

If it is 194J – Professional Fee – liable to GST under RCM.



# Market Place Model





## 9(5) - GST on RCM by E-Commerce operator

<b>Description of Service</b>	<b>Supplier of Service</b>	<b>Person Liable to pay GST</b>
Transportation of passengers by a radio-taxi, motorcab, maxicab and motor cycle	Any Person	E – commerce operator
Providing accommodation in hotels, inns, guest houses, clubs, campsites or other commercial places meant for residential or lodging purposes	Any person except who is liable for registration under section 22(1) of the CGST Act	E – commerce operator
Services by way of house-keeping, such as plumbing, carpentering etc	Any person except who is liable for registration under section 22(1) of the CGST Act	E – commerce operator



# Classification of Goods & Services

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## Customs Tariff

## GST Rates Classification for Goods

Goods has HSN Chapters from 01 to 98

Services has chapter starting with Chapter 99 and 5 sections

## GST Rate classification for Services

Services Rates -

2.5%, 6%, 9% and 14%.

GTA, restaurant services – 5% (2.5 + 2.5)

Gambling, admission to entertainment events, services by race club – 28% (14 +14)

Services not specified with a rate will be 18%.



# GST Rate of Real Estate

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## Customs Tariff

### GST Rates Classification for Goods

Goods has HSN Chapters from 01 to 98

Services has chapter starting with Chapter 99 and 5 sections

### GST Rate classification for Services

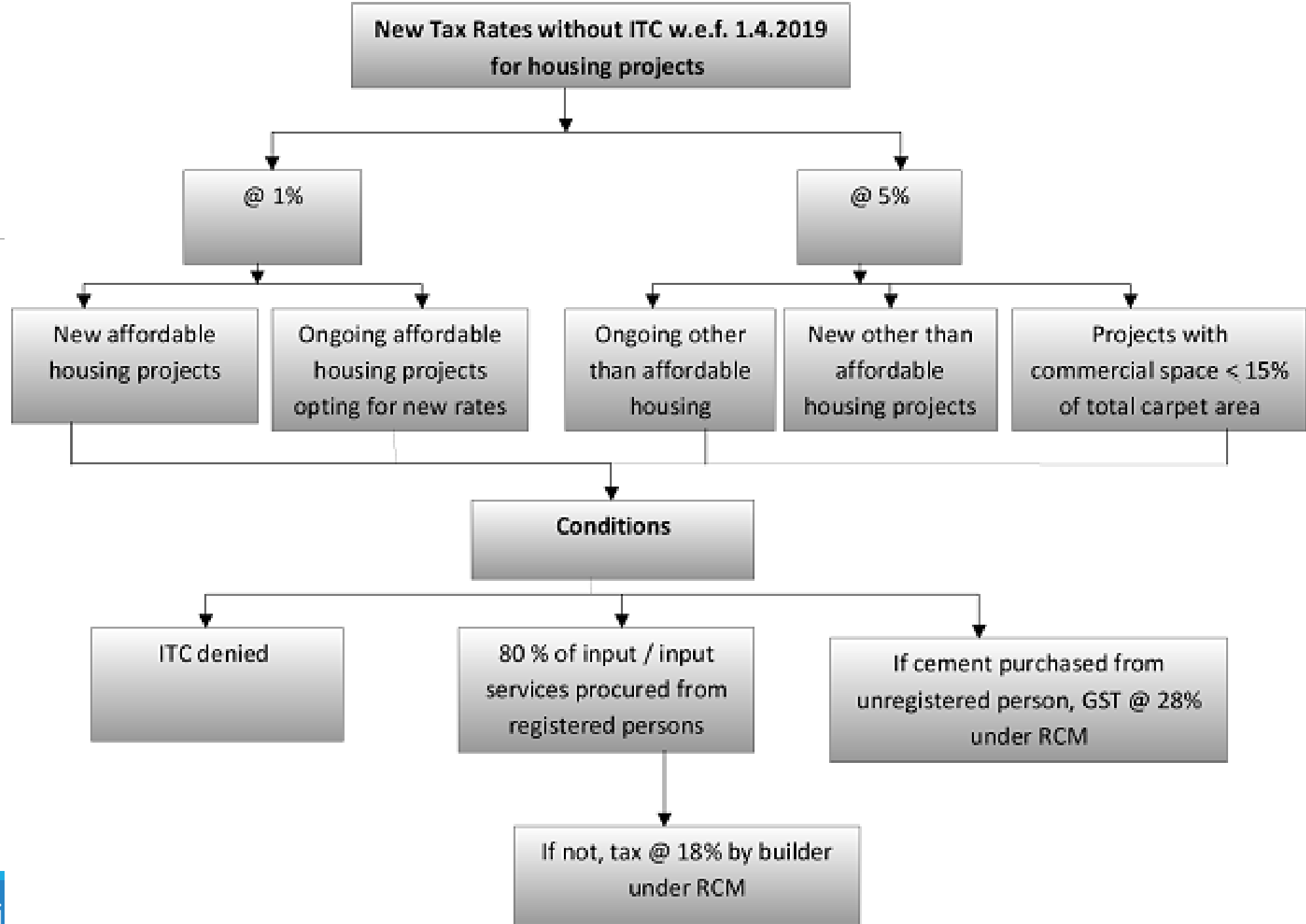
Services Rates -

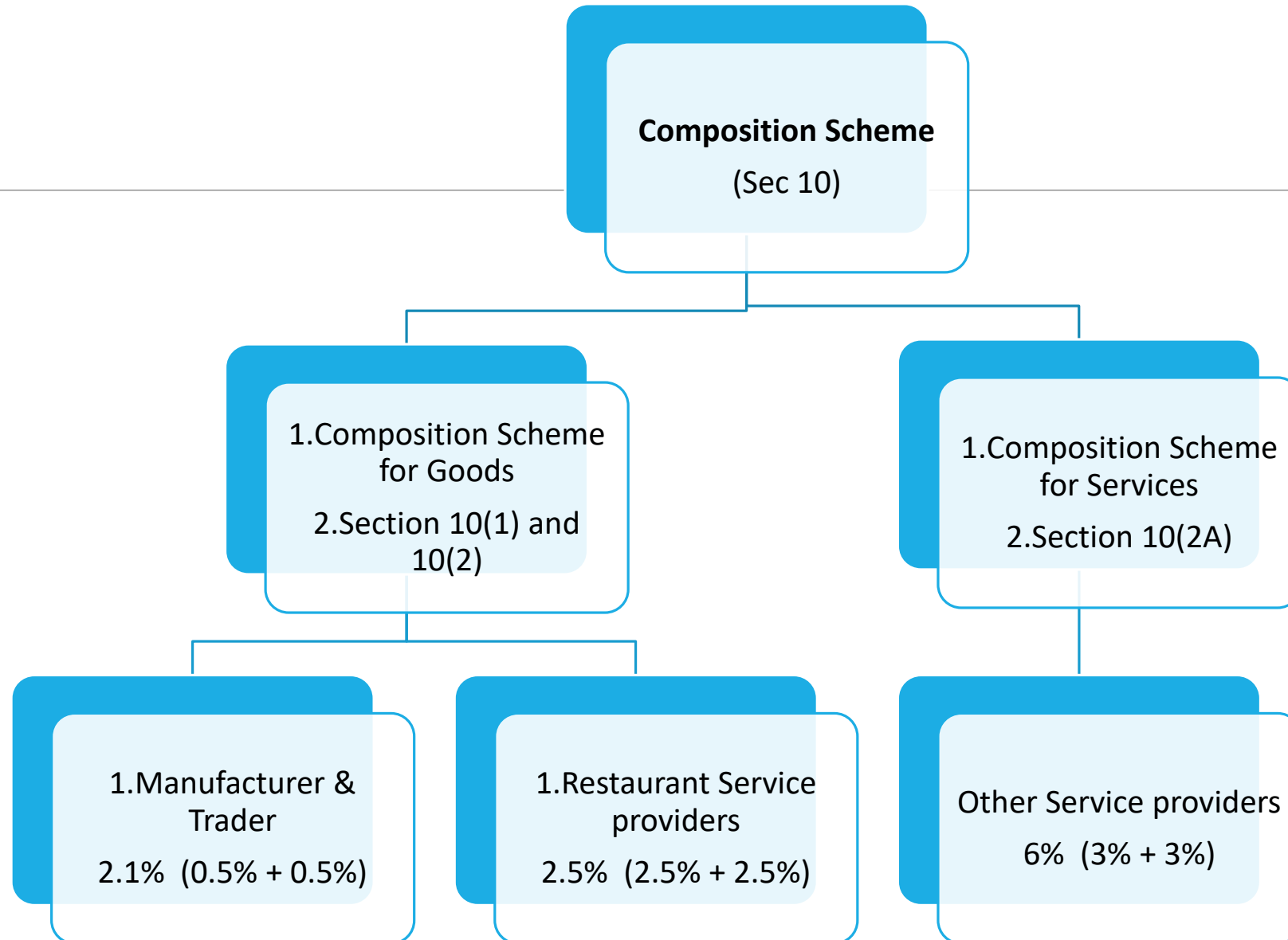
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# Composition Levy – Section 10

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- This is a Voluntary and optional Scheme.
- Benefits -  
Quarterly Payment of taxes, at specified rates without claiming input tax credit.  
One Annual return.
- Turnover Limit (Composition - Goods) - Aggregate Turnover calculated all India basis PAN based  
Upto Rs 1.5 Crore in the preceding financial year.  
In case of 8 Special category states - Rs 75 Lakhs - TNMM, SU, MA.  
In the present year upto Rs 1.5 crore (Rs 75 Lakhs)
- Turnover Limit (Composition - Services) – Rs 50 Lakhs.





# Aggregate Turnover - For Calculating threshold limit (Computed all India basis having same PAN)

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- Taxable Supplies
- Exempt Supplies
- Exports of goods or services or both
- Inter-state supplies

## Excludes –

- Value of Inwards supplies on which tax is payable under RCM
- Taxes including cess paid under GST Law.

## Explanation to section 10

Includes value of supplies from 1<sup>st</sup> April of the FY upto date of becoming liable for registration

Excludes value of interest or discount of deposits, loans or advances.



# Turnover in a State or UT (Computed all India basis having same PAN)

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- Taxable Supplies
- Exempt Supplies (But not for a **Trader**)
- ~~Exports of goods or services or both~~
- ~~Inter state supplies~~

## Excludes -

- Value of Inwards supplies on which tax is payable under RCM
- Taxes including cess paid under GST Law.

## Explanation to section 10

**Excludes** value of supplies from 1<sup>st</sup> April of the FY upto date of becoming liable for registration

Excludes value of interest or discount of deposits, loans or advances.



# Registered Person who is not eligible for composition scheme for goods

- Person making any supply of goods or services which are not leviable to tax
- Person making any inter-State outward supplies of goods or services
- Person supplying goods or services through an electronic commerce operator who is required to collect TCS under section 52
- Manufacturer of Ice cream, pan masala, tobacco & aerated water
- A casual taxable person or a non-resident taxable person
- He has to pay tax under 9(3)/ 9(4) RCM on inward supplies
- Supplier of services, subject to Marginal supply of Service



# Registered Person who is not eligible for composition scheme for Services

- Person making any supply of goods or services which are not leviable to tax
- Person making any inter-State outward supplies of goods or services
- Person supplying goods or services through an electronic commerce operator who is required to collect TCS under section 52
- Manufacturer of Ice cream, pan masala, tobacco & aerated water
- A casual taxable person or a non-resident taxable person
- He has to pay tax under 9(3)/ 9(4) RCM on inward supplies



# Marginal Supply of Service for composition scheme for goods

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- Services value not exceeding -
  - 10% of turnover in a State/Union Territory in the preceding Financial year
  - OR
  - Rs 5 Lakhs, whichever is higher.
  
- In the above calculation, interest on loans/deposit/advances will not be taken into account.

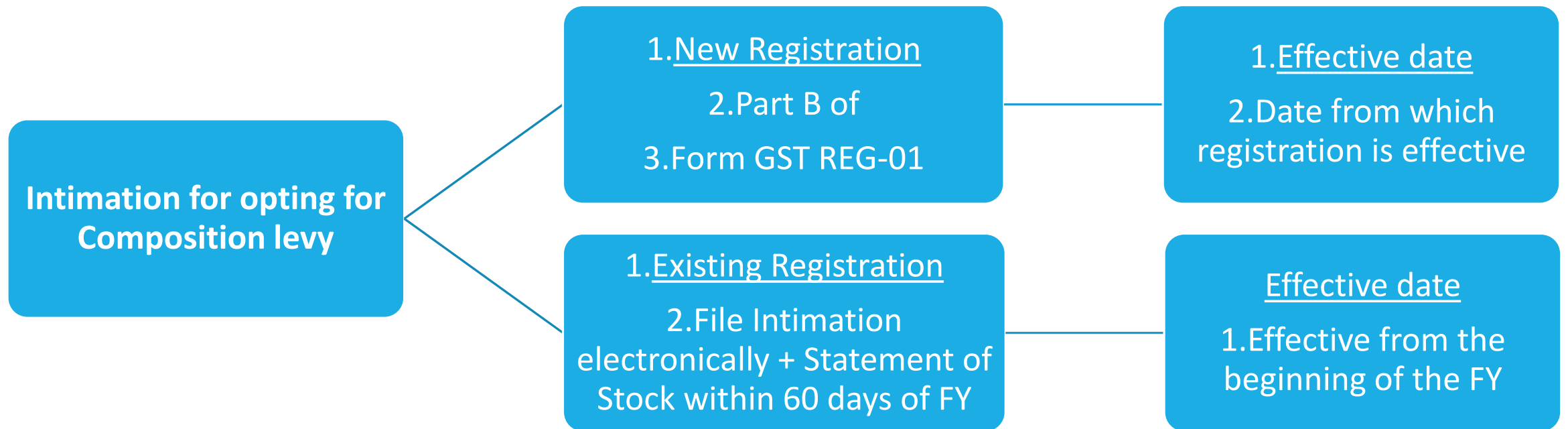
## Disclosure

Composition dealer will issue a Bill of Supply instead of Invoice and shall mention “composition taxable person, not eligible to collect tax on supplies”

“composition taxable person” - every notice or signboard displayed



# Intimation for opting for Composition levy





# Validity of Composition Scheme

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- Withdrawal by a taxpayer who ceases to satisfy any prescribed conditions
  - File an intimation for withdrawal with 7 days of occurrence of event
  - Pay Regular tax for every taxable supply thereafter.
  - Effective date of withdrawal shall be the date of intimation mentioned, but it has to be present year cannot be previous year.
  
- Withdrawal by a taxpayer who ceases to satisfy any prescribed conditions
  - File an application before the date of such withdrawal
  - Effective date of withdrawal shall be the date of intimation mentioned, but it has to be present year cannot be previous year.



# Validity of Composition Scheme ..contd

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- Denial of option by tax authorities
  - Where the proper officer has reason to believe that the person is not eligible for composition levy or the person has contravened the provisions of the Act.
  - He may issue a show cause notice (SCN). Reply to be filed by the taxable person.
  - Officer to pass an order accepting the reply or denying the option to pay tax under composition levy.
  - Effective date – from a date, which can be a retrospective date, which will not be before the date of contravention of the provisions of the Act.
  
- In all the 3 cases, the taxable person has to furnish a statement within 30 days from the date of withdrawal, a statement of stock held by him.





# Questions

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**Q.** Mr. A is running a consulting firm and also a readymade garment showroom which are registered in same PAN. Turnover of the showroom is Rs. 102 lakh and Receipt of the consultancy firm is Rs. 24 Lakh in the preceding financial year.

a) Whether Mr. A is eligible for Composition Scheme? Whether there is any difference if Mr. A wants to opt for composition only for Showroom?

**A.** Aggregate turnover includes all supplies made by all the persons registered under the single PAN. Exempt supply is included in the definition of aggregate turnover and non-taxable supply is included in the definition of exempt supply. Hence non-taxable supply is also included in aggregate turnover. Service providers are not eligible for Composition.

a) Mr. A is providing services in consulting firm hence he is not eligible for composition scheme. If a business is ineligible to opt for composition then all other business registered under the same PAN shall automatically ineligible for the composition scheme. So Mr. A is not eligible for composition scheme only for showroom also.



# Questions

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b) If instead of consulting agency Mr. A is running a Restaurant, whether he is eligible for composition?

A) Restaurant services are eligible for the composition scheme. Hence Mr. A is eligible for Composition Scheme.

c) If the turnover of garment showroom is 140 Lakh in the preceding financial year and there is no consulting firm whether he is eligible for Composition?

A) Yes, Mr. A is eligible for composition scheme as turnover of his firm does not exceed Rs. 150 lakh in the preceding F.Y.



# Questions

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b) If instead of consulting agency Mr. A is running a Restaurant, whether he is eligible for composition?

A) Restaurant services are eligible for the composition scheme. Hence Mr. A is eligible for Composition Scheme.

c) If the turnover of garment showroom is 140 Lakh in the preceding financial year and there is no consulting firm whether he is eligible for Composition?

A) Yes, Mr. A is eligible for composition scheme as turnover of his firm does not exceed Rs. 150 lakh in the preceding F.Y.

**Q.** Mr. A is obtained a registration of casual taxable person to make a display in exhibition. His turnover from the exhibition is 15 lakh. Whether Mr. A is eligible for Composition?

**A.** Mr. A is not eligible for composition as casual taxable person are specifically excluded from the composition scheme.



# Questions

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**Q.** Mr. A registered in Rajasthan, who is selling goods from Rajasthan to Gujrat. Turnover of Mr. A is Rs. 73 Lakh in the preceding financial year. Whether Mr. A is eligible for Composition?

Whether your answer will change if Mr. A is making purchase from Gujrat and selling goods in Rajasthan?

**A.** Mr. A is not eligible for composition as he is making interstate outward supply.

If Mr. A is making purchase form Gujrat then he is eligible for composition as there is restriction on outward interstate supply not on inward interstate supply.

**Q.** Mr. A is non-resident taxable person is running a readymade garment showroom in the Rajasthan. Turnover for the preceding financial year is Rs. 70 Lakh. Whether he is eligible to opt for composition scheme?

**A.** Mr. A is not eligible for Composition Scheme as non-resident taxable person are specifically excluded from the composition scheme.



# Questions

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**Q.** Mr. A is dealer who is selling goods which are leviable to GST, exempted goods and non-taxable goods. His turnover in the preceding f.y. is 110 lakh, 20 lakh, 30 lakh goods which are leviable to GST, exempted goods and non-taxable goods respectively. Whether MR. A is eligible for Composition Scheme?

**A.** Aggregate Turnover includes all type of supplies made by all persons registered under single PAN. If a person is selling the goods which are not leviable to tax under GST then he is not eligible to opt for composition scheme. In this case aggregate turnover exceeds Rs. 150 lakh also he is making supply of goods which are not leviable to tax. So, Mr. A is not eligible for composition Scheme.

**Q.** Mr. A is selling goods from through e commerce operator. Turnover of preceding financial year is Rs. 71 lakh. Whether Mr. A is eligible for composition?

**A.** No, Mr. A is selling goods through e commerce operator; hence he is not eligible for composition scheme.



# Questions

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Q: A person has two establishments i.e. in Uttarakhand and Rajasthan. The turnover in Rajasthan is Rs 60 Lakh and turnover in Uttarakhand is Rs 30 Lakh. He wants to opt for Composition Scheme in Rajasthan. Whether he can do so?

A. Since his aggregate turnover for previous year on his permanent account number was more than 75 Lakh therefore, he cannot opt for composition scheme for the State of Uttarakhand. Since he would not be able to opt for composition scheme in Uttarakhand, therefore he would also not be able to opt for composition scheme in Rajasthan.



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**THANK YOU**