

## **LEVY of TAX**

### **CGST & SGST/UGST**

Central Goods & Services Tax (CGST.) & State Goods & Services Tax (SGST.)/Union Territory Goods & Services Tax (UTGST.) will be levied on Intra-State supply of goods or services. Intra – State relates to supply within the same state or same union territory i.e. where the location of supply & the place of supply is in the same state.

Say if C.B. Boxes are supplied within a state/union territory, the GST rate being 12%, we will have to charge say 6% CGST & 6% SGST (Out of 12% GST rate the % to be charged for CGST & SGST/UGST may vary subject to decision taken by the GST council) CGST & SGST/UGST will be charged on the same transaction value & shown separately.

### **IGST**

Integrated Goods & Service Tax (IGST.) will be levied on Inter-State supply of goods & services. Inter – State relates to supplies made from one state to another or one state to union territory or from one union territory to a state or from one union territory to another i.e. where the location of the supplier & the place of supply are in two different states. In our case IGST will be charged @ 12% on supplies.

### **Imports & Stock Transfers**

IGST will also be levied on imports in addition to customs duty. (Additional duty of Customs, commonly known as CVD, Special Additional Duty not required to be paid unlike before)

IGST will be applicable on stock transfer, branch transfers or consignment sales.

### **Supply to Exporters & S.E.Z.**

CGST & SGST or IGST as applicable will be charged on supplies to exporters, exports will be treated as zero rated sales; however Input Tax Credit (ITC) will be available to the exporter as refund. The exporter will have the option to pay IGST on the exports & claim refund of IGST or export under bond or letter of undertaking, without payment of IGST & claim refund of ITC.

However, no refund of ITC will be allowed where the goods exported out of India are subjected to Export Duty, and also in the case where the supplier of goods or services or both avails of draw back in respect of Central tax or claims refund of the integrated tax paid on such supplies.

Supply to a SEZ developer or SEZ unit will be treated as a zero rated supply.

### **Reverse Charge**

The liability to pay tax is on the recipient of goods & services instead of the supplier of such goods or services in case of notified category of supplies. Moreover tax on reverse charge is payable by the recipient on any taxable supplies of goods or services received from an un registered supplier (even if the supplier is below the threshold limit)

## **Exemption Limit**

The liability to pay tax under GST arises when the aggregate turnover in a financial year crosses Rs. 20 lakhs (Rs. 10 lakhs in case of North Eastern & Special category states, except in specified case where the taxable person is liable to pay taxes, even though he has not crossed the threshold limit. This exemption is not available in case there is tax liability due to interstate supply or payment of tax on reverse charges.

## **Composition Scheme**

A person whose aggregate turnover in previous financial year is less than Rs. 75 lakhs, can opt for a simplified composition scheme where tax will be payable at a concessional rate on the turnover in a state. Tax payers making inter - state supplies or making supplies through e-commerce operators shall not be eligible for this scheme. The proposed maximum rate of tax for CGST & SGST/UTGST is 1.0% for manufacturers, .5% for others & 2.5% for specified services such as serving of food and any other article for human consumption. The rate mentioned is to be charged on both CGST & SGST/UTGST separately. The tax cannot be collected from the customers & ITC will not be available. Service Tax providers have been kept out of this scheme.

## **Time of Supply of Goods**

The liability to pay tax arises at the time of supply, which will be the earlier of the following –

- a) The date of issue of invoice by the supplier or the last date on which he is required under section 31, to issue the invoice with respect to the supply; or
- b) The date on which the supplier receives the payment for the supply. The date of receipt of payment will be earlier of the date on which payment is entered in the books of accounts or the date on which the payment is credited in the bank account of the supplier.

Hence, even if an advance payment is received, GST is applicable on the same.

The **Time of Supply of Goods in case of tax payable under Reverse Charges**, will be earliest of the following dates –

- a) date of receipt of goods; or
- b) date on which payment is made; or
- c) the date immediately following 30 days from the date of issue of invoice by supplier

The **Time of Supply of Services in case of tax payable under Reverse Charges**, will be earliest of the following dates –

- a) the date on which payment is made; or

- b) the date immediately following sixty days from the date of issue of invoice by supplier.

In case there is an addition in value by way of interest, late fee or penalty or delayed consideration, the time of supply will be the date on which the supplier receives the additional consideration.

## **Valuation in GST**

The value of taxable supply of goods & 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 & exclusions from the ambit of transaction value) Transaction value shall not include, refundable deposits, discounts allowed, subject to certain conditions before or at the time of supply.

Pre supply discount is allowed as deduction from the transaction value, provided it is allowed in the normal course of trade practice and has been duly recorded in the invoice.

Post supply discounts are allowed to be deducted from the transaction value, which is established as per agreement, which is known at or before the time of supply and where such discount can be specifically linked to the relevant invoice and the recipient has ITC attributed to such discount.

The following have been specifically included in the transaction value –

- a) Any taxes, duty, cess, fees and charges levied under any statute other than SGST/CGST Act and the GST (compensation to the States for Loss of Revenue) Act, 2016, if charges separately by the supplier to the recipient; (Example TCS on Sale of Scrap under Income Tax)
- b) Any amount that the supplier is liable to pay in relation to such supply but which has been incurred by the recipient of supply and not included in the price actually paid or payable for the goods and/or services;
- c) Incidental expenses such as commission & packing, charged by the supplier to the recipient of a supply, including any amount charged for anything done by the supplier in respect of the supply of goods and/or services at the time of, or before delivery of the goods or as the case may be of supply of services.
- d) Interest or late fee or penalty for delayed payment of any consideration for any supply ; and
- e) Subsidies directly linked to the price excluding subsidies provided by the Central & State Government.