

FREQUENTLY ASKED QUESTIONS (FAQs) ON GST

1. Overview of Goods and Services Tax

Q.1 What is Goods and Service Tax (GST)?

Ans. It is a destination based tax on consumption of goods and services. It is proposed to be levied at all stages right from manufacture up to final consumption with credit of taxes paid at previous stages available as setoff. In a nutshell, only value addition will be taxed and burden of tax is to be borne by the final consumer.

Q.2 What type of GST is proposed to be implemented?

Ans. It would be a dual GST with the Centre and States simultaneously levying it on a common tax base. The GST to be levied by the Centre on intra-State supply of goods and / or services would be called the Central GST (CGST) and that to be levied by the States would be called the State GST (SGST). Similarly Integrated GST (IGST) will be levied and administered by Centre on every inter-state supply of goods and services.

2. Levy of and Exemption from Tax

Q.1 What is the taxable event under GST?

Ans. Supply of goods and/or services. CGST & SGST will be levied on intra-state supplies while IGST will be levied on inter-state supplies. The charging section is section 7 (1) of CGST/SGST Act and Section 4(1) of the IGST Act.

Q.2 Whether supplies made without consideration will also come within the purview of Supply under GST?

Ans. Yes, but only those activities which are specified in Schedule I to the CGST Act / SGST Act. The said provision has been adopted in IGST Act as well as in UTGST Act also.

Q.3 What are composite supply and mixed supply? How are these two different from each other?

Ans. Composite supply is a supply consisting of two or more taxable supplies of goods or services or both or any combination thereof, which are bundled in natural course and are supplied in conjunction with each other in the ordinary course of business and where one of which is a principal supply. For example, when a consumer buys a television set and he also gets warranty and a maintenance contract with the TV, this supply is a composite supply. In this example, supply of TV is the principal supply, warranty and maintenance service are ancillary.

Mixed supply is combination of more than one individual supplies of goods or services or any combination thereof made in conjunction with each other for a single price, which can ordinarily be supplied separately. For example, a shopkeeper selling storage water bottles along with refrigerator can easily be priced and sold separately.

Q.4 What is meant by Reverse Charge?

Ans. It means the liability to pay tax is on the recipient of supply of goods and services instead of supplier of such goods or services in respect of notified categories of supply.

Q.5 What will be the implications in case of receipt of supply from unregistered persons?

Ans. In case of receipt of supply from an unregistered person, the registered person who is receiving goods or services shall be liable to pay tax under reverse charge mechanism.

3. Registration

Q.1 If a person is operating in different states, with the same PAN number, whether he can operate with a single Registration?

Ans. No. Every person who is liable to take a Registration will have to get registered separately for each of the States where he has a business operation and is liable to pay GST in terms of Sub-section (1) of Section 22 of CGST/ SGST Act.

Q.2 Whether a person having multiple business verticals in a state can obtain for different registrations?

Ans. Yes. In terms of the proviso Sub-Section (2) of Section 25, a person having multiple business verticals in a State may obtain a separate registration for each business vertical, subject to such conditions as may be prescribed

Q.3 Who is a Casual Taxable Person?

Ans. Casual Taxable Person has been defined in Section 2(20) of the CGST/SGST Act meaning a person who occasionally undertakes transaction involving supply of goods and/or services in the course or furtherance of business, whether as principal, or agent or in any other capacity, in a State or a Union territory where he has no fixed place of business.

Q.4 Who is a Non-resident Taxable Person?

Ans. In terms of Section 2(77) of the CGST/SGST Act, a non-resident taxable person means any person who occasionally undertakes transactions involving supply of goods and/or services whether as principal or agent or in any other capacity, but who has no fixed place of business or residence in India.

Q.5 Who is an ISD?

Ans. ISD stands for Input Service Distributor and has been defined under Section 2 (61) of CGST/SGST Act. It is basically an office meant to receive tax invoices towards receipt of input services and further distribute the credit to supplier units (having the same PAN) proportionately.

4. Meaning and Scope of Supply

Q.1 What is the scope of 'Supply' under the GST Law?

Ans. The term 'supply' is wide in its import covers all forms of supply of goods and / or services or both that includes sale, transfer, barter, exchange, license, rental, lease or disposal made or agreed to be made for a consideration by a person in the course or furtherance of business. It also includes import of service. The model GST law also provides for including certain transactions made without consideration within the scope of supply.

Q.2 What are the necessary elements that constitute supply under CGST/SGST Act?

Ans. In order to constitute a 'supply', the following elements are required to be satisfied, i.e.-

- (i) the activity involves supply of goods or services or both;
- (ii) the supply is for a consideration unless otherwise specifically provided for;
- (iii) the supply is made in the course or furtherance of business;
- (iv) the supply is made in the taxable territory;
- (v) the supply is a taxable supply; and
- (vi) the supply is made by a taxable person.

Q.3 Are self-supplies taxable under GST?

Ans. Inter-state self-supplies such as stock transfers, branch transfers or consignment sales shall be taxable under IGST even though such transactions may not involve payment of consideration. Every supplier is liable to register under the GST Law in the State or Union territory from where he makes a taxable supply of goods or services or both in terms of Section 22 of the model GST law. However, intra-state self-supplies are not taxable subject to not opting for registration as business vertical.

Q.4 A dealer of air-conditioners transfers an air conditioner from his stock in trade, for personal use at his residence. Will the transaction constitute a supply?

Ans Yes. As per Sl. No.1 of Schedule-I, permanent transfer or disposal of business where input credit has been availed on such assets shall constitute a supply under GST even where no consideration is involved.

Q.5 Whether Works contracts and Catering services will be treated as supply of goods or supply of services? Why?

Ans. Works contract and catering services shall be treated as supply of service as both are specified under Sl. No. 6(a) and (b) in Schedule-II of model GST law.

Q.6 What is composite Supply under CGST/SGST/UTGST Act?

Ans. Composite supply means a supply made by taxable person to a recipient comprising two or more supplies of goods or services, or any combination thereof, which are naturally bundled and supplied in conjunction with each other in the ordinary course of businesses, one of which is a principal supply. For example, where goods are packed and transported with insurance, the supply of goods, packing materials, transport and insurance is a composite supply and supply of goods is the principal supply.

5. Time of Supply

Q.1 What is time of supply in case of supply of vouchers in respect of goods and services?

Ans. The time of supply of voucher in respect of goods and services shall be;

- a) The date of issue of voucher, if the supply is identifiable at that point; or
- b) The date of redemption of voucher in all other cases.

6. Valuation in GST

Q.1 What is transaction value?

Ans. Transaction value refers to the price actually paid or payable for the supply of goods and or services where the supplier and the recipient are not related and price is the sole consideration for the supply. It includes any amount which the supplier is liable to pay but which has been incurred by the recipient of the supply.

Q.2 What are the inclusions specified in Section 15(2) which could be added to Transaction Value?

Ans. The inclusions specified in Section 15(2) which could be added to Transaction Value are as follows:

- Any taxes, duties, cesses, fees and charges levied under any statute, other than the SGST/CGST Act and the Goods and Service Tax (Compensation to the States for Loss of Revenue) Act, 2016, if charged separately by the supplier to the recipient;
- Any amount that the supplier is liable to pay in relation to such supply but which has been incurred by the recipient of the supply and not included in the price actually paid or payable for the goods and/or services;
- Incidental expenses, such as commission and 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 supply of the services;
- Interest or late fee or penalty for delayed payment of any consideration for any supply; and
- Subsidies directly linked to the price excluding subsidies provided by the Central and State Government.

7. GST Payment of Tax

Q.1 What is TDS?

Ans. TDS stands for Tax Deducted at Source (TDS). As per section 51, this provision is meant for Government and Government undertakings and other notified entities making contractual payments where total value of such supply under a contract exceeds Rs 2.5 Lakhs to suppliers. While making any payment under such contracts, the concerned Government/authority shall deduct 1% of the total payment made and remit it into the appropriate GST account.

8. Electronic Commerce

Q.1 What is Electronic Commerce?

Ans. Electronic Commerce has been defined to mean the supply of goods or services or both, including digital products over digital or electronic network.

Q.2 What is Tax Collection at Source (TCS)?

Ans. 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).

9. Job Work

Q.1 What is job work?

Ans. Job work means undertaking any treatment or process by a person on goods belonging to another registered taxable person. The person who is treating or processing the goods belonging to another person is called 'job worker' and the person who to whom the goods belong is called the 'principal'.

This definition is much wider than the one given in Notification no. 214/86 – CE dated 23rd March, 1986. In the said notification, job work has been defined in such a manner so as to ensure that the activity of job work must amount to manufacture. Thus the definition of job work itself reflects the change in basic scheme of taxation relating to job work in the proposed GST regime.

Q.2 Whether goods sent by a taxable person to a job-worker will be treated as supply and liable to GST? Why?

Ans. It will be treated as a supply as supply includes all forms of supply such as sale, transfer, etc. However, the registered taxable person (the principal), under intimation and subject to such conditions as may be prescribed send any inputs and/or capital goods, without payment of tax, to a job worker for job work and from there subsequently to another job worker(s) and shall either bring back such inputs/ capital goods after completion of job work or otherwise within 1year/ 3years of their being sent out or supply such inputs/ capital goods after completion of job work or

otherwise within 1 year/ 3 years of their being sent out, from the place of business of a job worker on payment of tax within India or with or without payment of tax for export.

Q.3 Can a principal send inputs and capital goods directly to the premises of job worker without bringing it to his premises?

Ans. Yes, the principal is allowed to do so. The input tax credit of tax paid on inputs or capital goods can also be availed by the principal in such a scenario. The inputs or capital goods must be received back within one year or three years respectively failing which the original transaction would be treated as supply and the principal would be liable to pay tax accordingly.

10. Input Tax Credit

Q.1 What is input tax?

Ans. Input tax means the central tax (CGST), State tax (SGST), integrated tax (IGST) or Union Territory tax (UTGST) charged on supply of goods or services or both made to a registered person. It also includes tax paid on reverse charge basis and integrated tax goods and services tax charged on import of goods. It does not include tax paid under composition levy.

Q.2 Can GST paid on reverse charge be considered as input tax?

Ans. Yes. The definition of input tax includes the tax payable under the reverse charge.

Q.3 Does input tax includes tax (CGST/ IGST/SGST) paid on input goods, input services and/ or capital goods?

Ans. Yes, it includes taxes paid on input goods, input services and capital goods. Credit of tax paid on capital goods is permitted to be availed in one instalment.

Q.4 Can a person take input tax credit without payment of consideration for the supply along with tax to the supplier?

Ans. Yes, the recipient can take ITC. But he is required to pay the consideration along with tax within 180 days from the date of issue of invoice. This condition is not applicable where tax is payable on reverse charge basis.

Q.5 Where the registered taxable person has claimed depreciation on the tax component of the cost of capital goods under the provisions of the Income Tax Act,1961, will ITC be allowed in such cases?

Ans. The input tax credit shall not be allowed on the said tax component in respect of which depreciation has been claimed.

Q.6 Sometimes goods are destroyed or lost due to various reasons. Can a person take ITC to the extent of such goods?

Ans. No, a person cannot take ITC with respect to goods lost, stolen, destroyed or written off. In addition, ITC with respect of goods given as gifts or free samples are also not allowed.

Q.7 Which of the following is included for computation of taxable supplies for the purpose of availing credit?

(a) Zero-rated Supplies

(b) Exempt Supplies

(c) Both

Ans. Zero-rated Supplies.

Q.8 Is input tax credit allowed only after matching?

Ans. No, input tax credit is allowed provisionally for two months. The supply details are matched by the system and discrepancies are communicated to the concerned supplier and recipient. In case mismatch continues, the ITC taken would be reversed automatically.

11. Concept of Input Service Distributor in GST

Q.1 What is Input Service Distributor (ISD)?

Ans. ISD means an office of the supplier of goods or services or both which receives tax invoices towards receipt of input services and issues prescribed document for the purposes of distributing the credit of central tax (CGST), State tax (SGST)/ Union territory tax (UTGST) or integrated atx (IGST) paid on the said services to a supplier of taxable goods or services or both having same PAN as that of the ISD.

Q.2 Can ISD distribute the input tax credit to all suppliers?

Ans. No. The input tax credit of input services shall be distributed only amongst those registered persons who have used the input services in the course of furtherance of business.

Q.3 It is not possible many a times to establish a one-to-one link between quantum of input services used in the course or furtherance of business by supplier. In such situations, how distribution of ITC by the ISD is to be done?

Ans. In such situations, distribution would be based on formula. Firstly, distribution would be done only amongst those recipient of input tax credit to whom the input service being distributed are attributable. Secondly, distribution would be done amongst the operational units only. Thirdly, distribution would be done in the ratio of turnover in a State or Union Territory of the recipient during the period to the aggregate of all recipients to whom input service being distributed is attributable. Lastly, the credit distributed should not exceed the credit available for distribution.

12. Returns Process and matching of Input Tax Credit

Q.1 Whether description of each item in invoice will have to be uploaded?

Ans. No. In fact, description will not have to be uploaded. Only HSN code in respect of supply of goods and Accounting code in respect of supply of services will have to be fed. The minimum number of digits that the filer will have to upload would depend on his turnover in the last year.

Q.2 Can a recipient feed information in his GSTR-2 which has been missed by the supplier?

Ans. Yes, the recipient can himself feed the invoices not uploaded by his supplier. The credit on such invoices will also be given provisionally but will be subject to matching. On matching, if the invoice is not uploaded by the supplier, both of them would be intimated. If the mismatch is rectified, provisional credit will be confirmed. But if the mismatch continues, the amount will be added to the output tax liability of the recipient in the returns for the month subsequent to the month in which such discrepancy was communicated.

13. Advance Ruling

Q.1 What is the meaning of Advance Ruling?

Ans. As per Section 95 of CGST/SGST Law and section 12 of UTGST law, 'advance ruling' means a decision provided by the authority or the Appellate Authority to an applicant on matters or on questions specified in section 97(2) or 100(1) of CGST/SGST Act as the case may be, in relation to the supply of goods and/or services proposed to be undertaken or being undertaken by the applicant.

Q.2 Which are the questions for which advance ruling can be sought?

Ans. Advance Ruling can be sought for the following questions:

- (a) classification of any goods or services or both;
- (b) applicability of a notification issued under provisions of the GST Act(s);
- (c) determination of time and value of supply of goods or services or both;
- (d) admissibility of input tax credit of tax paid or deemed to have been paid;
- (e) determination of the liability to pay tax on any goods or services under the Act;
- (f) whether applicant is required to be registered under the Act;
- (g) whether any particular thing done by the applicant with respect to any goods or services amounts to or results in a supply of goods or services, within the meaning of that term.

14. Overview of the IGST Act

Q.1 What is IGST?

Ans. “Integrated Goods and Services Tax” (IGST) means tax levied under the IGST Act on the supply of any goods and/ or services in the course of inter-State trade or commerce.

Q.2 How will imports/exports be taxed under GST?

Ans. All imports/exports will be deemed as inter-state supplies for the purposes of levy of GST (IGST). The incidence of tax will follow the destination principle and the tax revenue in case of SGST will accrue to the State where the imported goods and services are consumed. Full and complete set-off will be available as ITC of the IGST paid on import on goods and services. Exports of goods and services will be zero rated. The exporter has the option either to export under bond without payment of duty and claim refund of ITC or pay IGST at the time of export and claim refund of IGST. The IGST on imports is leviable under the provisions of the Customs Tariff Act and shall be levied at the time of imports along with the levy of the Customs Act (Section 5 of the IGST Act).

15. Place of Supply of Goods and Service

Q.1 What will be the place of supply if the goods are delivered by the supplier to a person on the direction of a third person?

Ans. It would be deemed that the third person has received the goods and the place of supply of such goods shall be the principal place of business of such person. (Section 9 of the IGST Act)

Q.2 A person in Goa buys shares from a broker in Delhi on NSE (in Mumbai). What will be the place of supply?

Ans. The place of supply shall be the location of the recipient of services on the records of the supplier of services. So Goa shall be the place of supply.

Q.3 A person from Mumbai goes to Kullu-Manali and takes some services from ICICI Bank in Manali. What will be the place of supply?

Ans. If the service is not linked to the account of person, place of supply shall be Kullu i.e. the location of the supplier of services. However, if the service is linked to the account of the person, the place of supply shall be Mumbai, the location of recipient on the records of the supplier.

Q.4 A person from Gurgaon travels by Air India flight from Mumbai to Delhi and gets his travel insurance done in Mumbai. What will be the place of supply?

Ans. The location of the recipient of the services on the records of the supplier of insurance services shall be the place of supply. So Gurgaon shall be the place of supply. (proviso clause to Section 11(13) of the IGST Act)

16. Transitional Provisions

Q.1 Will CENVAT credit (or VAT credit) carried forward in the last return prior to GST under existing law be available as ITC under GST?

Ans. A registered person, other than a person opting to pay tax under composition scheme, shall be entitled to take credit in his electronic credit ledger the amount of CENVAT (or VAT credit) credit carried forward in the return of the last period before the appointed day, subject to the conditions stated therein. (Section 140(1) of the CGST/SGST Act)

Q.2 Will ITC be allowed to a service provider on VAT paid inputs held as stock on the appointed day?

Ans. Yes, he will be entitled to input tax credit on inputs held in stock in accordance with the provisions of section 140(3).

Q.3 Sales return under CST (i.e. Central Sales Tax Act) is allowable as deduction from the turnover within 6 months? If, say, goods are returned in GST regime by a buyer within 6 months from appointed day, will it become taxable in GST?

Ans. Where tax has been paid under existing law (CST, in this case) on any goods at the time of sale, not being earlier than six months prior to the appointed day, and such goods are returned by the buyer after the appointed day, the sales return will be

considered as supply of the said buyer in GST and tax has to be paid on such supply, if, -

- i The goods are taxable under the GST Law;and
- ii The buyer is registered under the GST Law.

However, the seller is entitled to refund of such tax (CST, in this case) paid under the existing law if the aforesaid buyer is an unregistered person under GST and goods are returned within 6 months (or within the extended period of maximum 2 months) from the appointed day and the goods are identifiable – Section 142(1).

Q.4 What is the time limit for issue of debit/credit note(s) for revision of prices?

Ans. The taxable person may issue the debit/credit note(s) or a supplementary invoice within 30 days of the price revision.

Incase where the price is revised downwards the taxable person will be allowed to reduce his tax liability only if the recipient of the invoice or credit note has reduced his ITC corresponding to such reduction of tax liability- section 142(2).

Q.5 What will be the fate of pending refund of tax/interest under the existing law?

Ans. The pending refund claims will be disposed of in accordance with the provisions of the existing law- section 142(3).