B-1 What is GST?

Tax is nothing but the money that people have to pay to the government, which is then used by government to fulfil the increasing developmental needs of the country and its people by way of public expenditure. Taxes are broadly classified into DIRECT AND INDIRECT TAXES.

What is the major difference between Direct and indirect taxes?

Direct taxes are levied on Income earned whereas the Indirect taxes are levied on product and services. Goods and Service Tax (GST) is part of Indirect taxes.

What is the need for the introduction of GST?

Before GST, multiple taxes are levied on the same supply chain which leads to dual tax collection known as cascading effect of taxes.

In India the Central Government levies tax on manufacture (Central Excise duty), provision of services (Service Tax), interstate sale of goods (CST levied by the Centre but collected and appropriated by the States) and the State Governments levy tax on retail sales (VAT), entry of goods in the State (Entry Tax), Luxury Tax, Purchase Tax, etc. It is clearly visible that there are multiplicities of taxes which are being levied on the same supply chain.

<u>Problems in taxation law before GST</u>

- There was cascading of taxes,

- Variety of VAT laws in the country with different tax rates and dissimilar tax practices, divides the country into separate economic spheres.
- Tariff and non- tariff barriers such as Octroi, entry Tax, Check posts etc. hinder the free flow of trade throughout the country.
- Besides that, the large number of taxes creates high compliance cost for the taxpayers in the form of number of returns, payments etc.

GST is a major tax reform in the field of indirect taxation in India. It has subsumed around 15 taxes levied by central and state Government earlier. The Goods and Service Tax Act was passed in the Parliament on 29th March 2017. The Act came into effect on 1st July 2017. GST extends to whole of India including Jammu & Kashmir thus we proudly say ONE NATION ONE TAX.

In simple words, GST is a **destination based value added tax**.

GST is technically paid by the suppliers but it is actually borne by consumers.

Indian GST is based on dual model where the centre and states both have been assigned the powers to levy and collect taxes. Thus it has 3 components.

Central Goods and Services Tax (CGST)	Levied and collected by the Central Government.

State Goods and Services Tax (SGST) / Union Territory Goods and Services Tax (UTGST)	Levied and collected by the State Government/ UT Government.
Integrated Goods and Services Tax (IGST)	Levied and collected by the Central Government on Inter- state supplies.

For understanding GST collection and revenue sharing between state and centre, let us take few examples

Example 1:

Ram of Delhi sold sugar to shyam Pvt Ltd of Delhi worth Rs. 2,00,000. Now Ram will charge following GST from Shyam. (Suppose GST rate on sugar is 5%)

Now since the buyer and seller both are in Delhi and goods will be consumed in Delhi only so by the concept of consumption destination, Ram will charge in his invoice

SGST at the rate of 2.5% ie. 5000

CGST at the rate of 2.5% ie. 5000

Thus final invoice vale will be Rs. 2,10,000 payable by Shyam to Ram. And now Ram is liable to pay to the Government Rs. 10,000 collected from Shyam. Now SGST share will be kept by State ie. Delhi government and CGST share will be kept by Central Government.

Example 2:

Ram of Delhi sold sugar to shyam Pvt Ltd of Mumbai worth Rs. 2,00,000. Now Ram will charge following GST from Shyam. (Suppose GST rate on sugar is 5%)

Now since the buyer is in Mumbai and goods will be consumed in Mumbai only so by the concept of consumption destination, Ram will charge in his invoice

IGST at the rate of 5% ie. 10,000

Thus final invoice value will be Rs. 2,10,000 payable by Shyam to Ram. And now 10,000 will be kept by central Government and out of which Destination state ie. Mumbai will get its share of GST from Central Government.

Thus IGST plays important role in sharing of revenue between centre and state.

When is GST tax Levy?

GST levies on SUPPLY. Every registered person effecting supply of goods or services has to charge GST on his supply and deposit the same to government.

B-2 Who are required to obtain registration?

Not everybody is required to obtain registration in GST and start collecting and remitting taxes. You are required to register only if you fall in any of the below mentioned category:-

- Any business whose turnover in a financial year exceeds Rs 20 lakhs (Rs 10 lakhs for special category states ie. North Eastern and hill states).
- Anyone who makes inter state taxable supplies.

- Casual taxable persons* making taxable supply
- Persons who are required to pat tax under the reverse charge mechanism
- Person who supplies via e-commerce aggregator
- Non-Resident taxable person** making taxable supply.
- E-commerce operator or aggregator (need not register if total sales is less than Rs. 20 lakh)
- Input service distributor
- Person supplying online information and database access or retrieval services from a place outside India to a person in India, other than a registered taxable person
- When a business which is registered has been transferred to someone/demerged, the transferee shall take registration with effect from the date of transfer.

* Casual Taxable Person under GST

A person who occasionally supplies goods and/or services in a territory where GST is applicable but he does not have a fixed place of business. Such a person will be treated as a casual taxable person as per GST.

**Non-Resident Taxable person under GST.

When a non-resident occasionally supplies goods/services in a territory where GST applies, but he does not have a fixed place of business in India. As per GST, he will be treated as a non-resident taxable person. It is similar to above except the non-resident has no place of business in India.

***Input Service Distributor

'Input Service Distributor' means an office of the supplier of goods/services which receives tax invoices on receipt of input services and issues tax invoices for the purpose of distributing the credit of CGST/SGST/IGST paid on the said services to your branch with same PAN. (It must be a supplier of taxable goods /services having the same PAN as that of the office referred to above).

If GST registration must be taken before starting business?

No, GST registration is not required before starting any business but liability to register arises when aggregate turnover crosses threshold limit ie 20 Lacs (10 Lacs in case of special states)

Every person has to apply for registration in every State in which he is liable, within thirty days from the date on which he becomes liable to registration.

However, It is advised and considered a wiser decision to obtain GST registration initially so that GST input on capital Goods (Assets) could be availed.

Exception to the General rule

Casual taxable person/ non-residents taxable person should apply at least five days before their commencement of business.

Key inputs about GST registration

- Registration number in GST will be PAN based and hence, having PAN would be a prerequisite for obtaining registration.
- The assessee must obtain separate registration for each State, as registration under GST will be State-wise,

- The assessee has an option to obtain a separate registration for each of the 'business vertical' in the same State.

B-3 How to register for GST registration?

GST registration, returns submission, amendments, or any other related matters is done on government portal https://www.gst.gov.in/.

After collecting all the documents in required form one can get fresh GST registration and all the related matters afterwards from this portal.

B-4 What all documents required for GST registration?

1. INDIVIDUAL/PROPRIETOR

1. Pan card

2.Aadhar card/voter ID/DL

3.Passport size photo

4.Mobile number

5.Email ID

6.Trade name

7.Business type

8.Cancel cheque (bearing name of Applicant)/Passbook front page copy

9.Electricity bill (Not older than 2 months)

10.Rent agreement (Rented property)

2. PARTNERSHIP FIRM/LLP

1.Pan card of partnership firm or LLP

2.Pan card, Aadhar card, Passport size photograph of all partners

3.Email ID and Mobile number of all partners

4.Partnership Deed/COI

5.Place of business proof-

A. Electricity bill (not older than 2 months), AND

B. Rent agreement (Rented property)

6.Cancel cheque (bearing name of firm/company)/First page of statement of firm/company

7.Digital Signature of 1 partner

3. COMPANY-OPC/PRIVATE COMPANY/PUBLIC COMPANY

1.Pan card of company

2.Pan card, Aadhar card, and Passport size photograph of all Directors

3.Email ID and Mobile number of all Directors

4.Certificate of Incorporation

5.Place of business proof-

A. Electricity bill (not older than 2 months), AND

B. Rent agreement (Rented property)

6.Cancel cheque (bearing name of company)/Fist page of statement of company

7.Digital Signature of 1 Director