Introduction to GST –

Constitutional validity,

Overview of GST,

Levy of CGST, SGST and IGST,

Composition Scheme

Exemptions

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WHEN GST?

1St July 2017?

1st September 2017?

1st April 2018 ?

Goods & Service Tax (GST)

–

- GST is a comprehensive value added tax levied on supply of goods and services.

A common Tax on

Goods

Services

The Effort and Work Done

10 Years… In Making	30 + Sub-Groups & Committees	18000 + Man Hours of discussion by GST Council
14 EC Meetings in 10 years and 13 GSTC Meetings in 6 months	175 + Officers Meetings	Constitution Amendment and 5 Laws approved by collaborative effort

Existing Indirect Tax Structure in India

Central Taxes

- Central Excise duty
- Additional duties of excise
- Excise duty levied under Medicinal & Toilet Preparation Act
- Additional duties of customs (CVD & SAD)
- Service Tax
- Surcharges & Cesses

State Taxes

- State VAT / Sales Tax
- Central Sales Tax
- Purchase Tax
- Entertainment Tax (other than those levied by local bodies)
- Luxury Tax
- Entry Tax (All forms)
- Taxes on lottery, betting & gambling
- Surcharges & Cesses

Constitution amended to provide concurrent powers to both Centre & States to levy GST (Centre to tax sale of goods and States to tax provision of services)

Benefits of GST (1/2)

1. Reduction in Cascading of Taxes
2. Overall Reduction in Prices
3. Common National Market
4. Benefits to Small Taxpayers
5. Self-Regulating Tax System
6. Non-Intrusive Electronic Tax System

Decrease in Inflation

Ease of Doing Business

Decrease in "Black" Transactions

Benefits of GST (2/2)

7 Simplified Tax Regime

8 Reduction in Multiplicity of Taxes

9 Consumption Based Tax

10 Abolition of CST

11 Exports to be Zero Rated

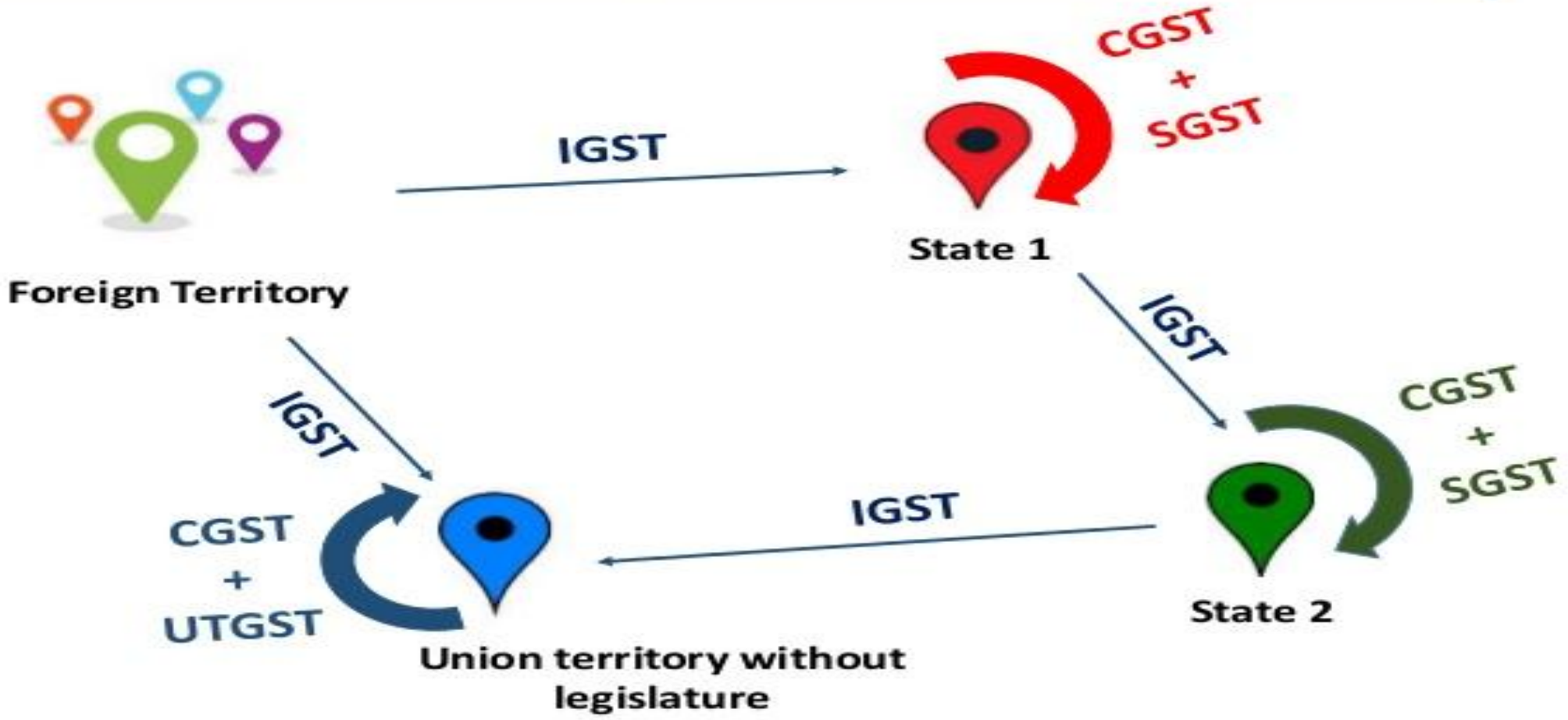
12 Protection of Domestic Industry - IGST

More informed consumer

Poorer States to Gain

Make in India

Understanding CGST, SGST, UTGST & IGST



Features of Constitution Amendment Act

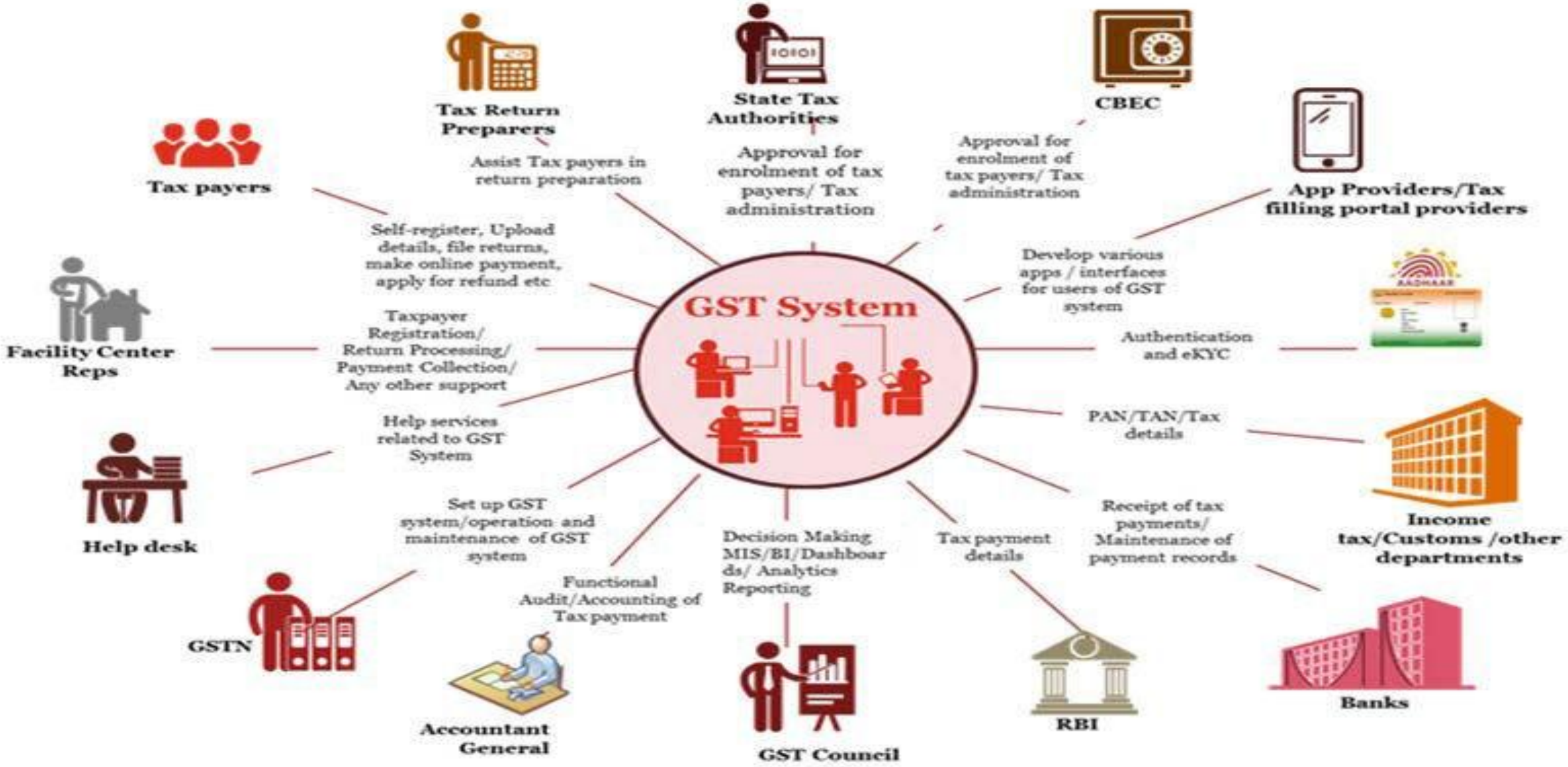
Alcohol for human consumption	Power to tax remains with the State
Five petroleum products – crude oil , diesel, petrol, natural gas and ATF	GST Council to decide the date from which GST will be applicable
Tobacco	Part of GST but power to levy additional excise duty with Central Government
Entertainment tax levied by local bodies	Power to tax remains with the State

Compensation Mechanism for States

- **Compensation** = (State's **Revenue** for **FY 2015-16**)* $14\%^{x}$ - State's Revenue (for x year)

- Revenue of all taxes **subsumed** in GST by the State for **2015 – 16** as the **base**
- Assumption of **14% Annual Growth Rate**
- Compensation to be provided through **Cess**
- Cess only on few specified **luxury and sin** goods

GST ECO-SYSTEM



Seventh Schedule to the Constitution

- This Schedule contains three lists, setting out matters under which State & Union have the authority to make laws

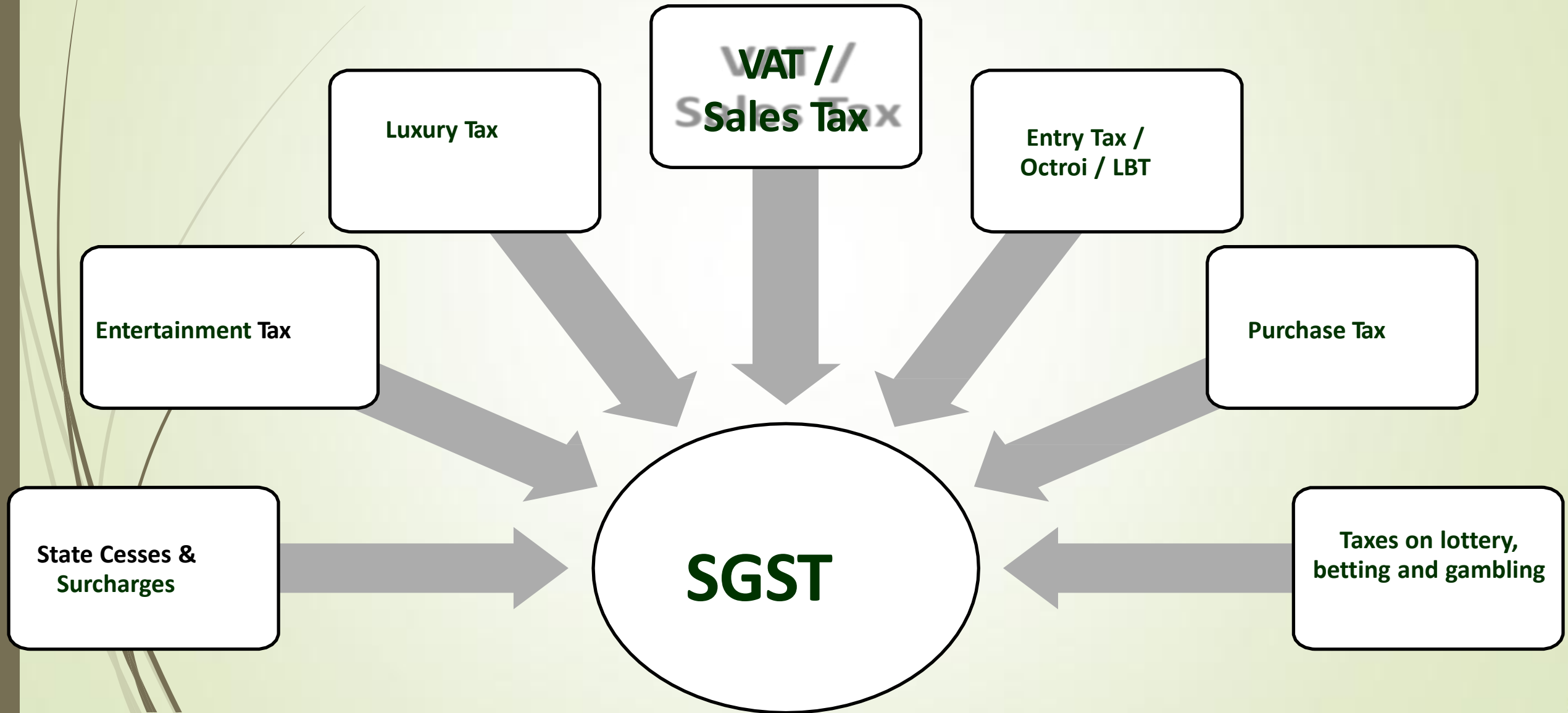
List I / Union List

List II / State List

List III / Concurrent List

TAXES TO BE SUBSUMED INTO CGST

TAXES TO BE SUBSUMED INTO SGST



Rates of taxes – Central Taxes

Type of Duty / Taxes	Rate of tax
Central Excise	12.5 %
BCD	10%
CVD	12.5%
SAD	4%
Total Customs duty	29.45%
Service Tax	14%

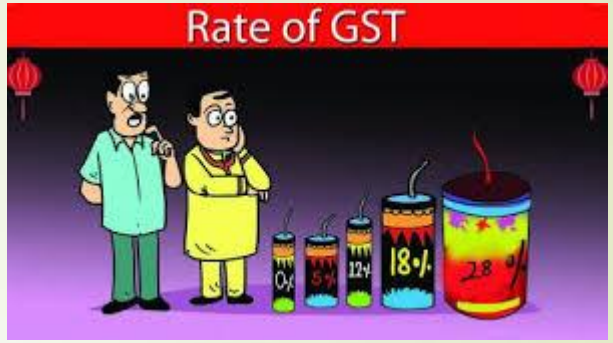
Rates of taxes – State Taxes

Type of Duty / Taxes	Rate of tax
Karnataka VAT	14.5%
Karnataka VAT	5.5%
Karnataka VAT	1%
Karnataka VAT	20%
Karnataka VAT (Dec. goods)	5%
Karnataka VAT (Composition dealer)	Upto 5%
CST	2%
Entry tax	Upto 5%
Sales Tax (Petrol and diesel)	15/25%
Purchase Tax	

Rates of taxes – State Taxes

Type of Duty / Taxes	Rate of tax
Entertainment Tax	15 to 45%
Luxury Tax	15% to 30%
Electricity duty	5 to 20%
Motor Vehicle tax	5 to 25%
Stamp duties	5 to 25%

Rates under GST



The Rates under the GST 0%,5%,12%, 18% and 28%

GST compensation cess rates and chapter wise rate wise GST schedule decided

Fitment of more than 1200 items in various tax slabs

19% of items taxed over 18% GST tax slab

Seven final Rules and the formats released and

Tax slabs for other items and services

Around 7% in exempted sector, 14% in 5% tax slab, 17% in 12% slab, 43% in 18% slab and 19% in 28% slab

Rates under GST

- Glimpse of GST Rate Schedule for Goods is given as under for easy digests:
- **Nil Rate (0%)**: No tax will be imposed on items like fresh meat, fish chicken, eggs, milk, butter milk, curd, natural honey, fresh fruits and vegetables, flour, besan, bread, prasad, salt, bindi, Sindoor, stamps, judicial papers, printed books, newspapers, bangles, handloom etc.
- **5% Rate**: Items such as fish fillet, cream, skimmed milk powder, branded paneer, frozen vegetables, coffee (except instant coffee), tea, spices, pizza bread, rusk, sabudana, kerosene, coal (tax under the existing system is 11.69%), medicines, stent, lifeboats will attract tax of 5%.
- **12% Rate**: Frozen meat products , butter, cheese, ghee, dry fruits in packaged form, animal fat, sausage, fruit juices, Bhujia, namkeen, Ayurvedic medicines, tooth powder, agarbatti, colouring books, picture books, umbrella, sewing machine, and cellphones will be taxable at 12%.
- **18% Rate**: Most of the items will fall 18% tax slab which include flavoured refined sugar, pasta, corn flakes, pastries and cakes, preserved vegetables, jams, sauces, soups, ice cream, instant food mixes, mineral water, tissues, envelopes, tampons, note books, steel products, printed circuits, camera, speakers and monitors etc.
- **28% Rate**: Chewing gum, molasses, chocolate not containing cocoa, waffles and wafers coated with chocolate, pan masala, aerated water, paint, deodorants, shaving creams, after shave, hair shampoo, dye, sunscreen, wallpaper, ceramic tiles, water heater, dishwasher, weighing machine, washing machine, ATM, vending machines, vacuum cleaner, shavers, hair clippers, automobiles, motorcycles, aircraft for personal use, and yachts etc., will attract a highest rate of tax i.e. 28%.

Rates under GST

- Centre releases Schedule of GST rates for Services as well as those taxable on Reverse Charge basis;
- 18 services identified under reverse charge mechanism, while 83 services have been exempt;
- Also releases the proposed new scheme of classification of services along with Service Codes (Tariff)
- Rate structure for seven commodities like Biri wrapper leaves, Biscuits, Biris, textiles, Footwear, Gems and Jewellary, power driven agricultural, horticultural, etc machinery used in military industry and part there of
-

Final Rules

- Composition
- Valuation,
- Input Tax credit
- Invoice
- Payment
- Refund
- Registration
-

THE CONSTITUTION (ONE HUNDRED AND FIRST AMENDMENT) ACT, 2016

Sec. 1

- This act shall be called the Constitution (One Hundred and First Amendment) Act, 2016
- It shall come into effect when Central Govt. notifies in Official Gazette

Sec. 2

- Parliament and State legislatures have powers to make laws w.r.t GST imposed by Union / State.
- Parliament has exclusive powers to make law w.r.t to GST in the course of Interstate trade

Sec. 3

- Amendment to Article 248
- It said Parliament has exclusive powers to make laws w.r.t any matter not mentioned in State/ Concurrent List

THE CONSTITUTION (ONE HUNDRED AND FIRST AMENDMENT) ACT, 2016

Sec 4

Parliament has **powers** to make laws w.r.t matters in **state list** in the **national interest**

Such power has been **extended** to **GST** matters also.

Sec 5

Parliament has **powers** to make laws w.r.t matters in **state list** in case of **proclamation of emergency**

Such power has been **extended** to **GST** matters also.

THE CONSTITUTION (ONE HUNDRED AND FIRST AMENDMENT) ACT, 2016

Sec. 6

- Earlier, **stamp duty** and **ED** on **medicinal & toilet preparations** levied by **union** were collected and appropriated by **states**.
- The amendment has **removed** the above **ED**

Sec. 7

- **Article 268** spoke about **Service Tax** being levied by **union**, collected and appropriated by **states**.
- This amendment has **removed** the article.

Sec. 8

- Except for **GST** on **interstate supplies** all other taxes on sale/ purchase of goods or consignment sales shall be levied by **union** but assigned to **states**.

THE CONSTITUTION (ONE HUNDRED AND FIRST AMENDMENT) ACT, 2016

Section 9

GST on interstate supplies shall be levied and collected by the **Govt. of India**

Parliament can formulate principles to determine **place of supply** in case of **interstate** transactions

IGST will be appropriated between **union and the states** based on the recommendations of the council

Import of goods and or services into the Indian territory will be treated as an **interstate transaction**.

THE CONSTITUTION (ONE HUNDRED AND FIRST AMENDMENT) ACT, 2016

Section 9 Contd.

An Amount appropriated as IGST

An amount collected as IGST but used as SGST

An amount collected as SGST but used as IGST

Shall not be a part of consolidated fund of India

THE CONSTITUTION (ONE HUNDRED AND FIRST AMENDMENT) ACT, 2016

Sec. 10

GST levied and collected by the **Government of India** shall also be **distributed**.

Sec. 11

Except for **CGST and IGST** parliament can **increase** duties and charges at any time, for the purposes for the **union**

THE CONSTITUTION (ONE HUNDRED AND FIRST AMENDMENT) ACT, 2016

Section 12 – GST Council

Members:

a) Union FM – Chairperson

b) Union Min. of State in charge of Finance – Member

c) State FM/ any other minister - Members

Purpose:

a) Examine issues relating to GST

b) Recommend Union/ State on rates/ taxes/ cess etc.

THE CONSTITUTION (ONE HUNDRED AND FIRST AMENDMENT) ACT, 2016

Sec. 13

- Article 286 speaks about restriction on imposition of tax on sale or purchase of goods.
- Sale or purchase of goods has been replaced by supply of goods and or services.

Sec. 14

- Following things are included in 366 (12) of constitution
- **Goods and service tax-** Any tax on supply of goods, or services or both except taxes on the supply of the **alcoholic liquor** for human consumption
- **Services-** Anything other than goods
- **State**- with reference to articles 246A, 268, 269, 269A and article 279A includes union territory with legislature

Sec. 15 and 16

- Sec. 15 - Parliament has the power to amend the constitution in addition to the Article 279A.
- Sec. 16 – The amendment has given the power to levy **taxes** on **entertainment and amusement** within the tribal areas in the states of **Assam, Meghalaya, Tripura and Mizoram**

THE CONSTITUTION (ONE HUNDRED AND FIRST AMENDMENT) ACT, 2016

Section 17 – Amendment to 7th Schedule

Entry 84- Excise Duty on tobacco, petroleum and petroleum products manufactured or produced in India has been inserted.

Entry 92- Tax on the sale of purchase of newspaper and on advertisement published has been omitted.

Entry 92C- Taxes on services has been omitted.

Entry 52- Taxes on entry of goods into a local area for consumption, use or sale therein has been omitted.

THE CONSTITUTION (ONE HUNDRED AND FIRST AMENDMENT) ACT, 2016

Section 17 – Amendment to 7th Schedule Contd.

Entry 54- Taxes only on petroleum goods and alcoholic liquor for human consumption but not including interstate sale and international trade of such goods.

Entry 55- Taxes on Advertisement, radio and Television has been omitted.

Entry 62- Taxes on entertainments and amusements to the extent levied and collected by a panchayat or a Municipality or a Regional Council or a District Council has been substituted.

THE CONSTITUTION (ONE HUNDRED AND FIRST AMENDMENT) ACT, 2016

Sec. 18

- Parliament can provide **compensation** to states for the loss of revenue on introduction of GST. (on the basis of recommendation of the council)

Sec. 19

- A specific time frame of **one year** has been provided, within which the **subsuming** of different indirect taxes would take place.
- This would enable the competent legislature to **amend** or **repeal** their existing laws to pave way for imposition of **SGST** in the states.

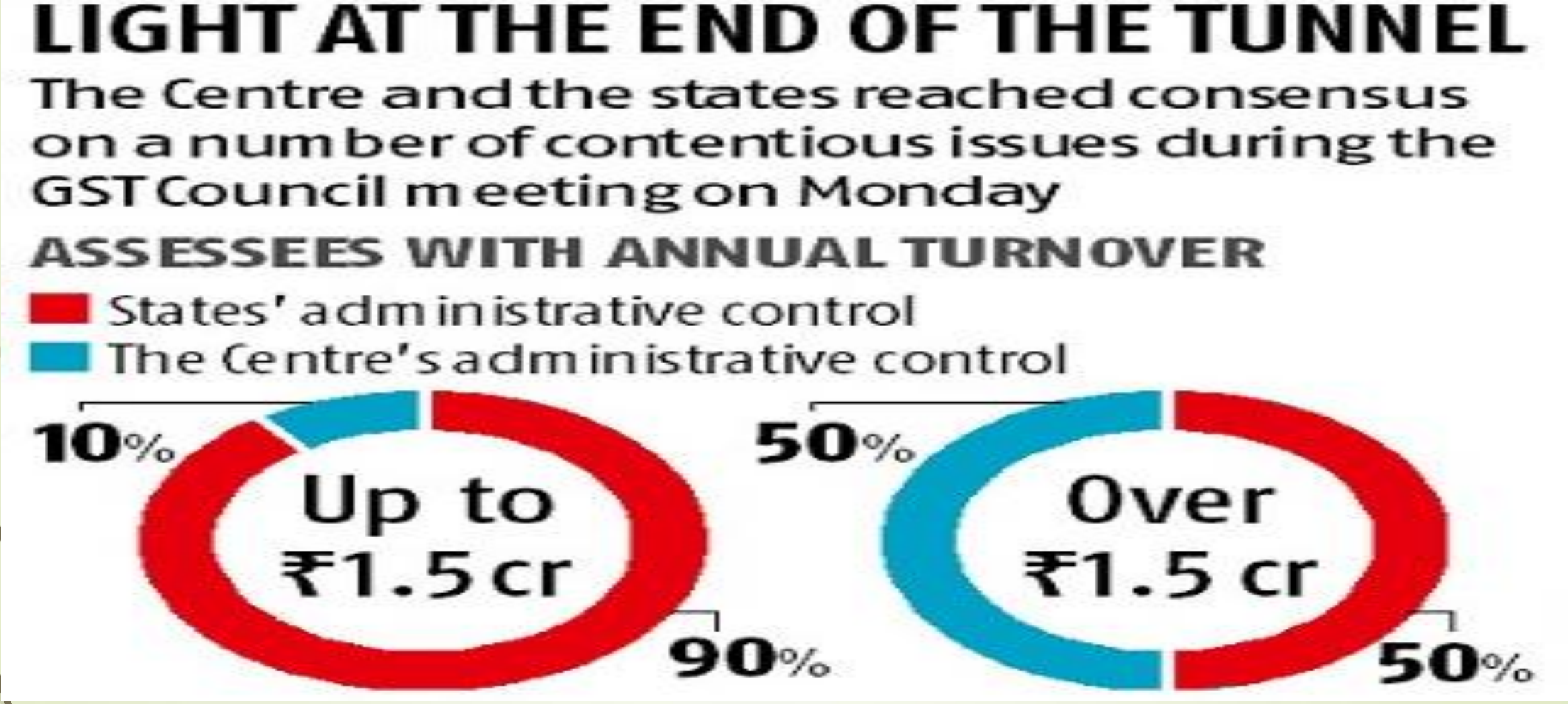
Sec. 20

- The **president** may by order, make provisions (including any adaptation or modification of any provision of the constitution as amended by this Act) to remove any difficulties within a period of **three years**.

An Overview of GST

Administration Of GST

Dual Control Resolved



Main Features of the GST Act

- GST to be levied on **supply** of goods or services
- All transactions and processes only through **electronic mode** – Non-intrusive administration
- **PAN** Based Registration
- Registration only if turnover more than Rs. **20 lac**
- Option of **Voluntary** Registration
- **Deemed** Registration in three days
- Input Tax Credit available on taxes paid on all **procurements** (except few specified items)

Main Features of the GST Act

- All transactions and processes only through **electronic mode** – Non-intrusive administration
- 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).
- The rate of tax shall not exceed 14%. Thus the combined rate of tax CGST + SGST shall not exceed 28%. The maximum rate of tax under IGST could therefore be 28% since IGST rate would in theory be an aggregate of CGST and SGST rates.
- Makes provision for levy and collection of GST compensation cess on supplies of goods and services. This cess will be non vatable

Main Features of the GST Act

- The list of **exempted goods and services** would be common for the Centre and the States which would be finalized by GST Council
- First Schedule - ACTIVITIES TO BE TREATED AS SUPPLY EVEN IF MADE WITHOUT CONSIDERATION
- Second Schedule - ACTIVITIES TO BE TREATED AS SUPPLY OF GOODS OR SUPPLY OF SERVICES
- Third Schedule - ACTIVITIES OR TRANSACTIONS WHICH SHALL BE TREATED NEITHER AS A SUPPLY OF GOODS NOR A SUPPLY OF SERVICES
- **HSN** (Harmonised System of Nomenclature) code shall be used for classifying the goods under the GST regime.
- The laws, regulations and procedures for levy and collection of CGST and SGST would be **harmonized** to the extent possible.
- **Valuation Rules** shall apply to the supply of goods and or services under the IGST/CGST/SGST bill. **Transaction value**- It includes subsidy, commission, interest penalty will be added

Main Features of the GST Act

- The exemption list would be common for the Centre and the States.
- Tax payers with an aggregate turnover in a financial year up to **[Rs.20 lakhs]** would be exempt from tax.
- For NE States and Sikkim, the threshold exemption shall be **[Rs. 10 lakhs].**
- Tax payers making inter-State supplies or paying tax on reverse charge basis shall not be eligible for threshold exemption.
- Small taxpayers with an aggregate turnover in a financial year up to [Rs. 50 lakhs] shall be eligible for **composition levy**..
- An Integrated GST (IGST) would be levied and collected by the Centre on inter-State supply of goods and services.

Main Features of the GST Act

- Tax payers shall be allowed to take cr**edit of taxes paid on inputs (input tax credit) and utilize the same** for payment of output tax.
- **Input tax credit**- one year time to avail credit in certain circumstances. Time period – Annual return or September due date return whichever is earlier. Eligible if used for activity related to business. If supplier not paid tax no credit to receiver.
- **Aggregate turnover** includes taxable supply, exempt supply, export of goods and services, excludes taxes
- **Registration** required even for interstate, reverse charge, TDS, aggregator, operator etc
- **Place of supply** : GST is destination based tax. To determine whether it is intra state, interstate, import, export.
- **Place of supply of services**
- If B to B- location of service receiver
- If B to C- Location of service provider

Main Features of the GST Act

- Any tax interest penalty fee etc shall be paid via internet banking or by using credit/debit cards or NEFT/RTGS. This amount shall be credited to the electronic cash ledger of dealer
- A **negative list** is prescribed for transactions and activities of Government and Local Authorities which shall be exempt from GST levy like activities of issuance of passport, visa, driving license, birth certificate, death certificate, etc

Main Features of the GST Act

- Credit available to recipient only if **invoice** is **matched** – Helps fight huge evasion of taxes
- Set of **auto-populated** Monthly returns and Annual Return
- Composition taxpayers to file **Quarterly returns**
- **Automatic** generation of returns
- GST **Practitioners** for assisting filing of returns
- **GSTN** and **GST Suvidha Providers (GSPs) to** provide technology based assistance

Main Features of the GST Act

- Separate **electronic** ledgers for **cash** and **credit**
- Tax can be deposited by **internet banking**, **NEFT / RTGS**, **Debit/ credit card** and **over the counter**
- **Cross utilization** of IGST Credit first as IGST and then as CGST or SGST /UTGST
- Concept of **TDS** for **Government Departments**
- Concept of **TCS** for **E-Commerce Companies**
- **Refund** to be granted within **60 days**
- Provisional release of **90% refund** to **exporters** within 7 days

Main Features of the GST Act

- **Interest** payable if refund not sanctioned in time
- Refund to be **directly credited** to **bank** accounts
- Comprehensive **transitional provisions** for smooth transition of existing tax payers to GST regime
- Special procedures for **job work**
- System of **GST Compliance** Rating
- **Anti-Profiteering** provision

Main Features of the GST Act

- **Exports** shall be treated as **zero-rated** supply. **No tax** is payable on **export** of goods or services but **credit** of the **input tax paid** can be claimed as **refund** by them.
- **Import** of goods and services would be treated as **Inter-State supplies** and would be subject to IGST in addition to the applicable customs duties.
- **5%, 12%, 18% and 28%** are the four rates recommended by the Council for the purpose of GST.
- **Basic** essential goods will be taxed at **zero** rate.
- **Commonly** used goods will be taxed at **5%** rate
- **12% and 18%** are the **standard** rates
- **28%** is for **luxury** cars, **tobacco** products

Main Features of the GST Act

- Accounts would be settled **periodically** between the **Centre** and the **States** to ensure that the **SGST** portion of **IGST** is transferred to the destination State where the goods or services are eventually consumed.
- **Composite** or **mixed supply** concept
- **HSN** (Harmonised System of Nomenclature) code shall be used for **classifying** the **goods** under the GST regime.
- It is being proposed that taxpayers whose turnover is above Rs. 1.5 crores but below Rs. 5 crores shall use 2 digit code and the taxpayers whose turnover is Rs. 5 crores and above shall use 4 digit code.
- Taxpayers whose turnover is below Rs.1.5 crores will not be required to mention HSN Code in their invoices.

Taxable Event

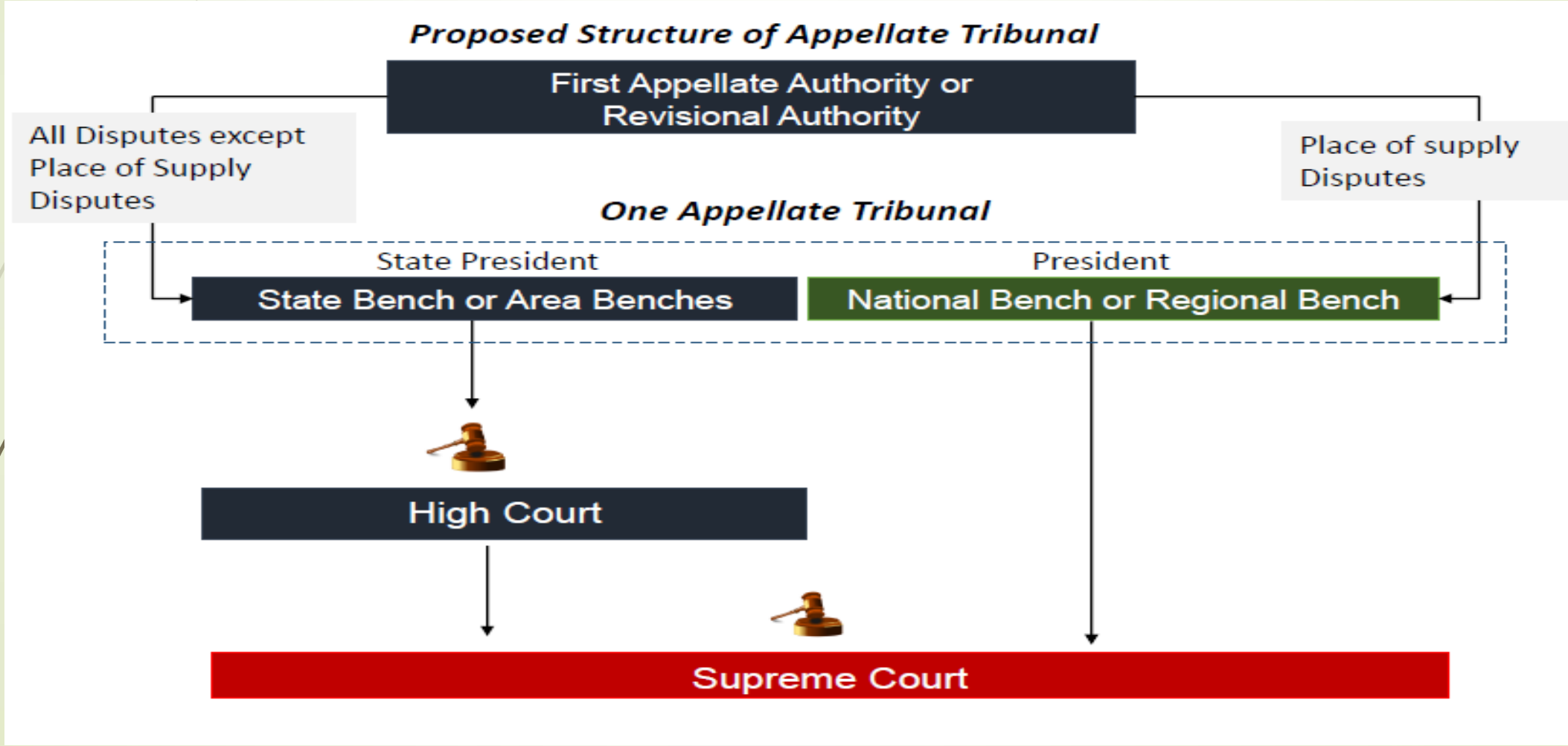
Existing Practice

- Excise Duty-Manufacturing,
- Sales Tax/VAT- Sale of Goods
- Service Tax- Realization of Service

GST

- Taxable event is “Supply “ of Goods & service
- The location of the supplier and the recipient within the country is immaterial for the purpose of CGST.
- SGST would be chargeable only when the supplier and the recipient are both located within the State.
- Inter state Supply of goods and services will attract IGST.

Appeals and Revision under GST



GST Network (GSTN)

- A **private limited company** with **Strategic Control** with the **Government**
- To function as a **Common Pass-through** portal for taxpayers-
- **submit** registration **application**
- **file returns**
- **make** tax **payments**
- To develop **back end modules** for 25 States (MODEL –II)
- Infosys appointed as **Managed Service Provider** (MSP)
- **34** GST Suvidha Providers (**GSPs**) appointed

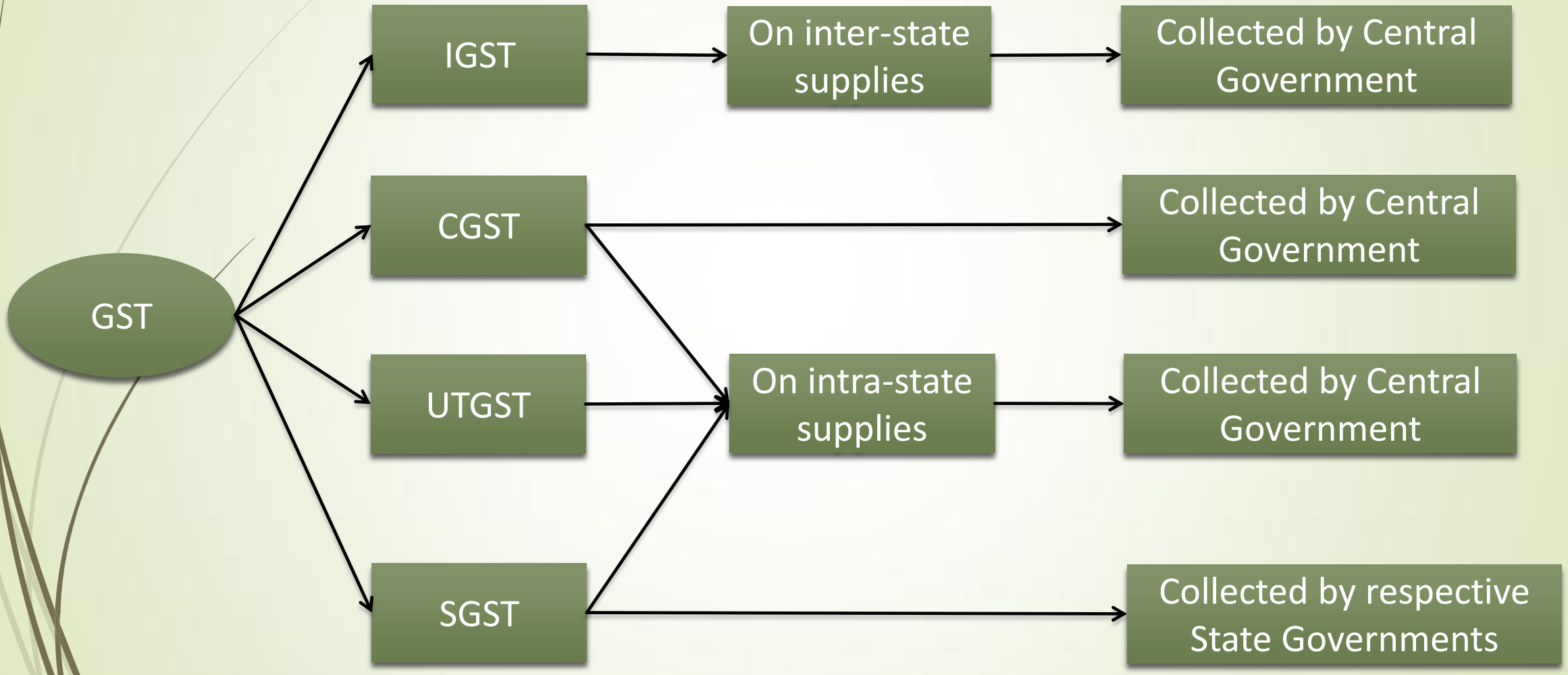
Benefits of GST

- Overall **reduction** in **Prices** for Consumers
- **Reduction** in **Multiplicity** of **Taxes**, **Cascading** and **Double** Taxation
- **Uniform Rate** of **Tax** and Common National Market
- **Broader Tax Base** and decrease in "Black" transactions
- Free Flow of Goods and Services – **No Checkpoints**
- **Non-Intrusive** Electronic Tax Compliance **System**

Levy and Collection of GST

- GST is levied on what?
- Who has the power to collect to GST?

Basics


GST
IGST
CGST
UTGST
SGST
On inter-state supplies
On intra-state supplies
Collected by Central Government
Collected by Central Government
Collected by Central Government
Collected by respective State Governments

Charging Section

Sec 5(1)

IGST

Levied on

On all inter-state supplies

Tax rate not exceeding 40%

On import of goods – levied and collected as per Sec 3 of CTA, 1975
Valued as per Sec 12 of Customs Act, 1962

Sec 9(1)

CGST

Sec 7(1)

UTGST

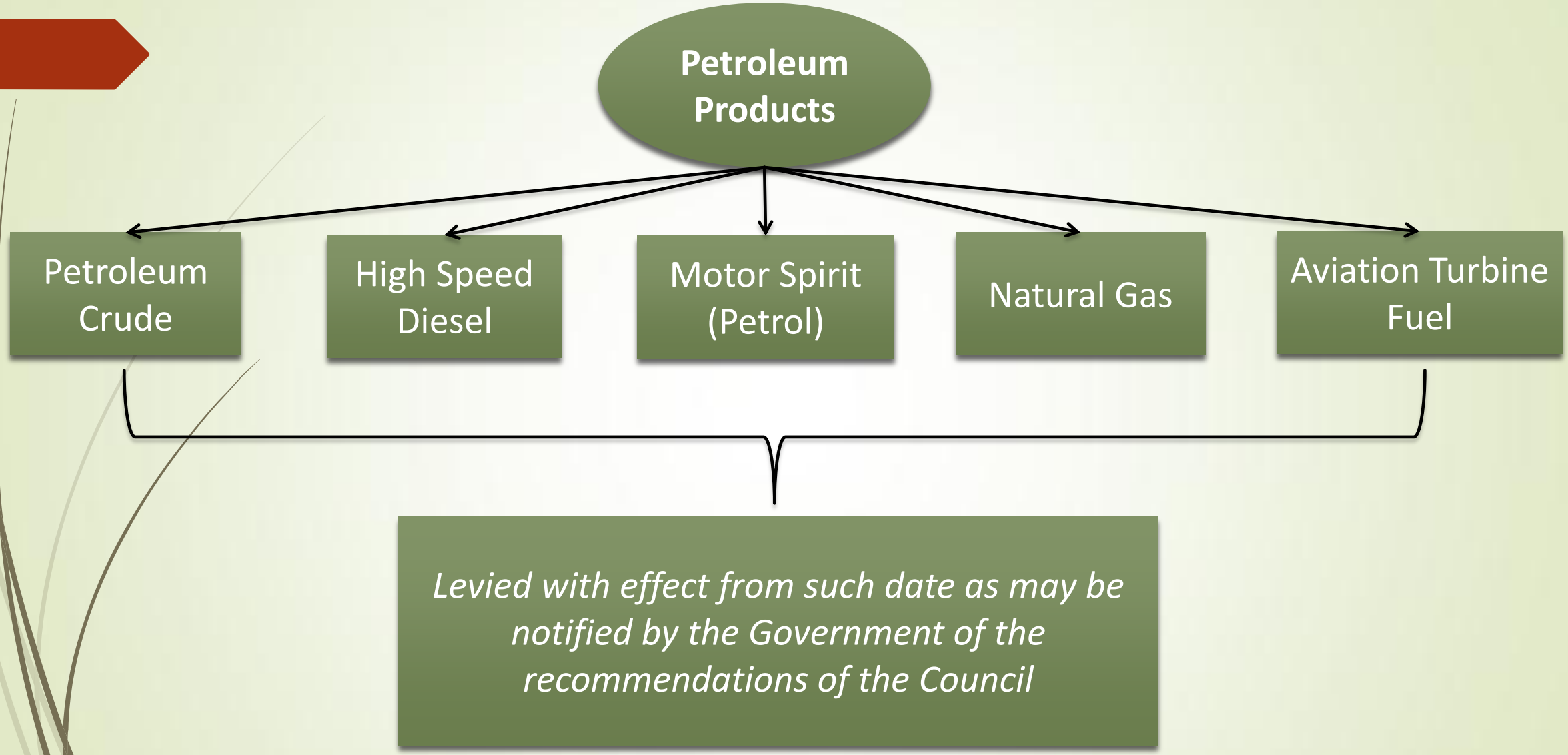
SGST

Levied on

On all intra-state supplies

Tax rate not exceeding 20%

Except on supply of alcoholic liquor for human consumption (not leviable under GST)


Petroleum Products
Petroleum Crude
High Speed Diesel
Motor Spirit (Petrol)
Natural Gas
Aviation Turbine Fuel
Levied with effect from such date as may be notified by the Government of the recommendations of the Council

REVERSE CHARGE BASIS

Special categories of supplies of goods or services or both ***notified by Government*** on recommendations of the Council

Supply made by a ***unregistered supplier*** to a registered person

Liable to pay tax

Recipient of goods or services or both

9(5)

- Government on recommendation of the Council, notify specific categories of services for which tax (IGST/ SGST/ CGST/ UTGST) shall be paid by ***electronic commerce operator***, if such services are supplied through it

Proviso

- If such electronic commerce operator ***does not have a physical presence*** in taxable territory, any ***person representing*** him for any purpose shall be liable to pay tax

Proviso

- If such electronic commerce operator ***neither has a physical presence nor any person representing*** him in the taxable territory, he shall ***appoint a person in taxable territory*** for the purpose of paying tax

Composite Supply

Two or more supplies (naturally bundled) one of which is a principal supply

Treated as a supply of such principal supply

- Tax rate of the principal supply

Mixed Supply

Two or more supplies

Treated as supply of that particular supply which attracts highest tax

- Highest tax rate

Composition levy

- Who can avail?
- What is the criteria?

Sec 10(1)

Registered person whose ***aggregate turnover*** in the ***preceding financial year did not exceed Rs 50 lakhs***, *may* opt to pay in lieu of tax payable by him, an amount calculated at a rate prescribed:

(a) ***1%*** of the turnover in State or turnover in Union Territory – ***Manufacture***

(b) ***2.5%*** of the turnover in State or turnover in Union territory – Persons engaged in making supplies referred to in ***clause(b) of paragraph 6 of the Schedule II (restaurant services)***

(c) ***0.5%*** of turnover in State or turnover in Union Territory – ***Other Supplies***

Provided that the Government may, by notification, increase the said limit of Rs. 50 lakhs to such higher amount ***not exceeding Rs. 1 crore***, as may be recommended by the Council

Eligibility to opt composition scheme for a registered person [Sec 10(2)]

Shall ***not be engaged*** in the supply of services other than supplies referred to in ***clause (b) of paragraph 6 of Schedule II (Restaurant Services)***

Shall ***not be engaged*** in making any supply of goods which are ***not leviable to tax*** (alcoholic liquor for human consumption)

Shall ***not be engaged*** in making any ***inter-state outward supplies*** of goods

Shall ***not be engaged*** in making any supply through an ***electronic commerce operator*** who us required to collect tax at source under section 52

Shall ***not be a manufacturer*** of such goods as may be ***notified by the Government*** on the recommendations of the Council

Other Points

9 (3)

The option availed shall ***lapse***

Day on which his ***aggregate turnover during the FY exceeds the limit***

9 (5)

Proper officer believes that taxable person has availed this option despite ***not being eligible***

Liable to ***pay tax*** that may be payable by him along with ***penalty*** determined under sec 73 & 74

9 (4)

He ***shall not be liable to collect any tax from the recipient*** on supplies made by him

He ***shall not be entitled to any input tax credit***

Other Points

- The benefit of composition scheme will be available only when all the registered entities under a ***single Permanent Account Number*** opts for such scheme.

- The persons paying tax under composition scheme are required to pay ***tax on quarterly basis and*** also required to file a ***quarterly return*** in ***FORM GSTR 4 by 18th of month following the end of the quarter***.

- The proper officer may ***cancel the registration*** where the said person has ***not furnished the returns for 3 consecutive tax periods***

Transitional Provisions under Composition Scheme

Composition scheme under earlier law → Switches to → Regular taxable person under GST

Entitled to take in his electronic credit ledger, credit of eligible duties in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock as on the appointed day. Conditions for availing such credits:

1. such inputs on goods are used or intended to be ***used for making taxable supplies***.
2. He is ***not*** paying under ***Section 10***
3. He is ***eligible for input tax credit*** on such inputs under this Act
4. He is in ***possession of invoice*** or other documents evidencing payment of tax
5. Such invoices or other documents were ***issued not earlier than 12 months*** immediately preceding the appointed day.

Transitional Provisions under Composition Scheme

Composition scheme under earlier law → Switches to → Composition scheme under GST

No credits of input tax available as he continues to be under Composition Scheme

Regular taxable person under earlier law → Switches to → Composition scheme under GST

No credits of input tax available as he is opting to pay under Composition Scheme and pay amount equal to credit of input tax

Composition Rules – Rule 1

Sub rule 1

Registered persons under earlier law, who want to opt composition scheme shall file an intimation in FORM GST CMP – 01.

Such intimation has to be filed prior to the appointed date but not later than 30 days from the appointed date.

If the intimation is filed after the appointed date, such person has to issue a bill of supply for supplies made after the appointed date. He shall not collect any tax.

Composition Rules – Rule 1

Sub rule 2

Persons applying for registration under **Sec. 25 (1) or (3)** and opting composition scheme shall file **PART B of FORM GST REG – 01** which shall be treated as an intimation.

Sub rule 3

Persons **opting composition scheme** shall file

FORM GST CMP – 02
Prior to the commencement of the financial year for which scheme has been opted

FORM GST ITC – 03
Within 60 days from the commencement of the relevant financial year

Composition Rules – Rule 1

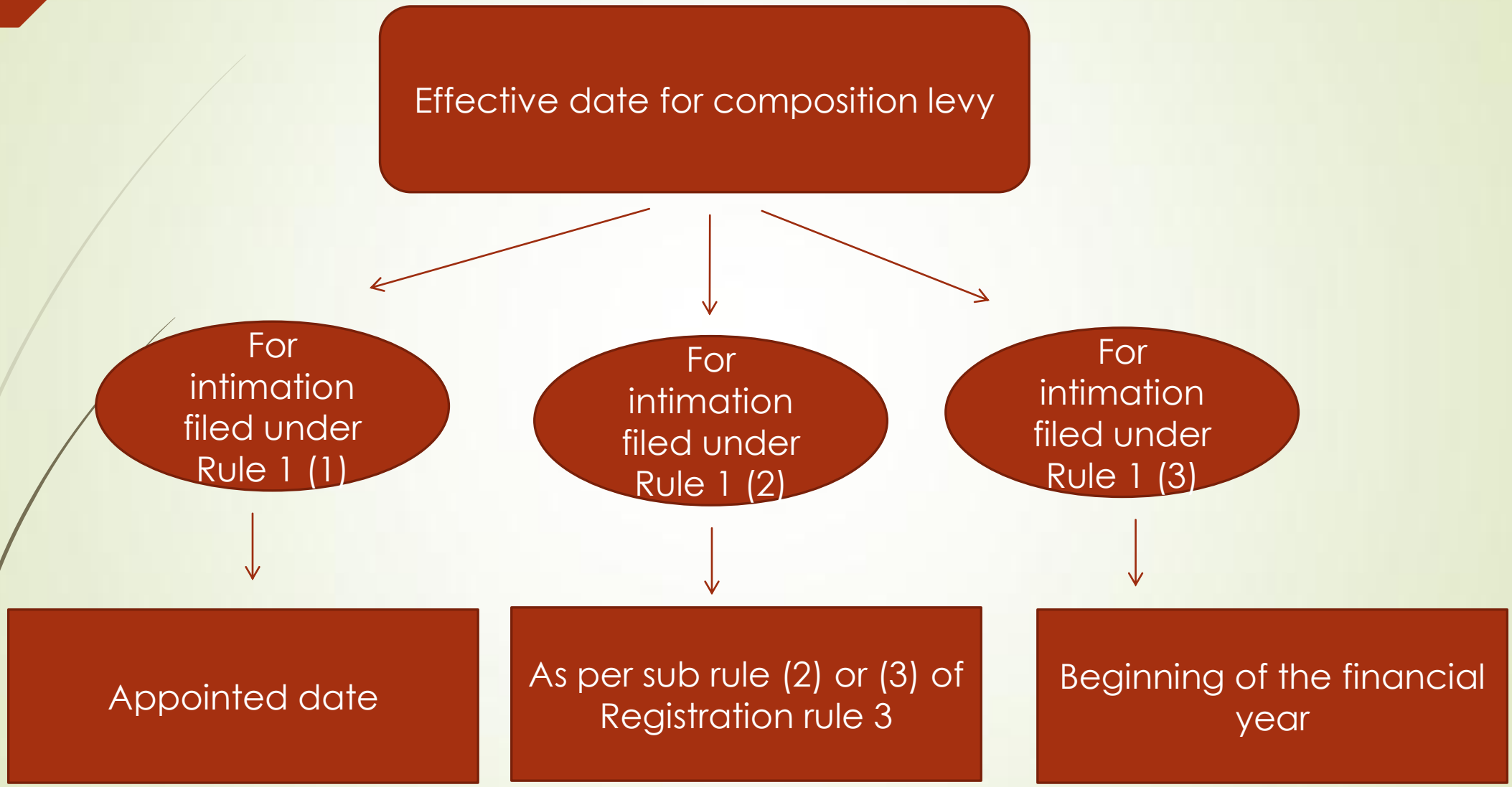
Sub rule 4

- Persons filing intimation under sub rule 1 shall also file **FORM GST CMP – 03** within **60** days from the date on which scheme will be exercised.
- It shall contain **details** of **stock** held on the day prior to the day on which he opts to pay tax under Composition scheme.
- **Details** of **inward supply** of **goods** from Un registered persons shall also be furnished.

Sub rule 5

- An **intimation** filed by **one place** of business shall be **deemed** to be an intimation **for all places** of business registered under the same PAN.

Composition Rules – Rule 2



Composition Rules – Rule 3

Conditions for composition levy

He is neither a casual taxable person nor a non-resident taxable person

On the appointed date he does not have stock purchased from interstate, imported or received from branch/ agent/ principal outside the state.

Goods held in stock are not purchased from an un registered person. IF purchased he pays tax on RCM.

He shall pay tax on RCM on inward supplies made as per Sec. 9(3) and (4)

Composition Rules – Rule 3

Conditions for composition levy contd.

He was not a manufacturer of notified goods under Sec. 10 (2) (e) in the preceding financial year

He shall mention the words "composition taxable person, not eligible to collect tax on supplies" at the top of the bill of supply issued by him

He shall mention the words "composition taxable person" on every notice or signboard displayed at his principal place of business and every additional place of business

A fresh intimation is not required to be filed every year

Composition Rules – Rule 4

Sub rule 1

- The scheme shall remain **valid** until all the **conditions** and **restrictions** mentioned in section/ rules are **satisfied**

Sub rule 2

- Even if any one of the conditions are not satisfied an intimation in **FORM GST CMP – 04** shall be filed within **7 days** from such occurrence.
- He shall **issue** a **tax invoice** for every supply made after that day.

Sub rule 3

- A registered person who intends to withdraw the scheme shall file an application in **FORM GST CMP – 04**, before the date of withdrawal

Composition Rules – Rule 4

Sub rule 4

- If the **proper officer** has reasons to believe that a regd. Person was not **eligible** for the scheme or he has contravened any provisions he may issue a notice in **FORM GST CMP - 05**
- The regd. Person has to **show cause** as to why the scheme should not be **denied** for him, within **15 days** from the date of receipt.

Sub rule 5

- Upon receipt of the reply from the regd. Person in **FORM GST CMP – 06**, the office shall issue an order in **FORM GST CMP – 07**, either **accepting** the reply or **denying** the scheme for such person.

Composition Rules – Rule 4

Sub rule - 6

Every person who

Filed an application under sub rule (2) or (3)

Against whom order has been passed for withdrawal of scheme

Shall file FORM GST ITC – 01 on the date on which scheme is withdrawn/ denied.

FORM GST ITC – 01 shall contain details of stock [RM, WIP, FG] and has to be filed within 30 days from date of withdrawal of scheme/ passing of order

Composition Rules – Rule 4

Rate of tax for composition levy

Sl No.	Category of registered persons	Rate of tax
1	Manufacturers, other than manufacturers of goods notified by the Government	1%
2	Suppliers making supplies referred to in clause (b) of paragraph 6 of Schedule II	2.5%
3	Any other supplier eligible for composition levy under section 10 and these rules	0.5%

Power to grant exemption from tax

Sec 11 (1)

The government may grant **general exemption**, through a **notification**, to particular goods and services if it feels that it is necessary to do so in **public interest**

Power to grant exemption from tax

Sec 11 (2)

The government may grant **special exemption**, through a **notification**, to particular goods and services if it feels that it is necessary to do so in **public interest**

Power to grant exemption from tax

Sec.11 (3)

- The government may **insert** an **explanation** in the notification to **clarify** on the **scope/ applicability** of a notification.
- Such explanation can be inserted by a notification **at any time** within **one year** of issue of notification.
- Such explanation shall have **effect** as if it had always been the **part** of the first such **notification**.

Explanation – If the exemption is granted absolutely, the registered person shall not collect tax in excess of the effective rate on such goods or services.

QUESTIONS?

Thank you