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GST: An Understanding for Tax Payer

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ABSTRACT

In India, two types of taxes are implemented, one is direct tax and another is indirect tax. Direct Tax is a tax which is levied and collected from persons, who are either earning profits or getting salary from their employer like Income Tax, or a tax on property of any person in India above certain limit like wealth tax. Indirect tax is a tax levied and collected from each one in the country, who so ever is consuming goods or services. Hence, this is a tax on goods and services not on persons.

Existing indirect tax structure was highly complicated. There were so many taxes available; some of them were dealt by Central Government like Excise Duty, Service Tax, Custom Duty, Central sales tax and rest like VAT, Entry Tax, Luxury Tax, octroi etc. were dealt by State Government. To subsume cascading effect of multiple taxes, GST has been introduced as a highly expected transparent system.

After a long journey, finally GST will be implemented in India with effect from 1st July, 2017 as a giant tax transformation. There is a lot of speculation about the implication of GST. The questions uppermost in peoples' mind are - What exactly is the concept of GST? Who has to get himself registered? What is the process of registration? What are the forms available for returns filing? How to file returns? What is input tax credit and benefits of same? On what commodities can one avail input tax credit? The study is based on the above questions and the answers for the same.

Keywords**--** GST, supply of goods and services, input tax credit, registration, return, taxable person

I. WHAT IS GST?

GST is a type of indirect tax applicable for whole of India, which is levied on the supply of goods and services or on both other than on alcohol for human consumption. The tax will be charged on the consumer at the point of sale of goods or services. It means whenever, goods are passing from one hand to another hand, GST is levied on the amount mentioned in the invoice. To avoid cascading effect of the same, there is a provision of input tax credit. In simple words, input is something which is consumed during the course of manufacture of goods or provision of services, whether directly or indirectly. Taxes paid at each stage will be obtainable as credit in the subsequent stage; the final consumer will thus bear only the GST charged by the last dealer in the supply chain, with set-off benefits at all the previous stages. Thus consumer will be bearer of only the tax rates proposed by the Government.

II. GST STRUCTURE

Previous tax Structure in India was awfully dense; multiple taxes were imposed on a single commodity. Central Excise Duty, Central Sales Tax and Service Tax are levied by Central Government and State VAT, Entertainment and Amusement Tax, entry tax, octroi, taxes on lottery and gambling etc. are levied by State Government. Now all these taxes will be subsumed into GST. If the transaction is within state, GST shall be levied and collected by two different governments by sharing half of prevailing rates. IGST is levy at interstate transactions.

Table 1. Structure of GST in India

Components of GST	Authority	Chargeability	Rate of GST
Central GST	Center Government	Intra- state supply of goods and services	Half of the prevailing rate of GST i.e.0%, 2.5%, 6%, 9%, 14%.
State GST	nt	Intra- state supply of goods and services	Half of the prevailing rate of GST i.e0%, 2.5%, 6%,

			9%, 14%.
Integrated GST	ent	Inter- state supply of goods and services	Current GST rates i.e.0%, 5%, 12%, 18%, 28%.

IGST is designed to ensure seamless flow of input tax credit from one state to another. One state has to deal only with the Centre government to reconcile the tax amount and not with every other state, thus making the process easier.

For example: A dealer in Punjab sold goods to the consumer in Punjab worth Rs. 1, 00,000. The GST rate is 18% comprising of CGST rate of 9% and SGST rate of 9%. In such a case the dealer collects Rs. 18,000 and Rs. 9,000 will go to the central government and remaining will go to the Punjab Government.

In case, the same dealer sold goods to another dealer in Haryana worth Rs. 2, 00,000. The GST rate is 18% as IGST i.e. Rs. 36,000 and will go to the centre Government.

III. INPUT TAX CREDIT

Every registered taxable person shall be permitted to obtain credit of input tax permissible to him, subject to certain conditions and restrictions and said amount shall be credited to the electronic credit ledger of the same person.

Table 2. Provisions relating to ITC

Who can avail ITC	Any registered person who has paid GST on the goods or services in the business transaction.
How can avail	from CGST from SGST rom SGST and CGST both
Conditions to avail ITC	One should have possession of related tax invoice or debit note or any other payment evidence. Should have received/deemed to be received the goods and/or services. Should have furnished the return. In case goods are received in installments, ITC will be allowed to be availed when the last installment is received or deemed to be received.
Time limit to claim ITC	Supply of goods and/or services should be availed within 180 days from the execution of tax invoice for which tax payer is claiming ITC Otherwise; ITC already paid shall become liability of tax payer and an interest thereon. Such credit shall not be permissible after the expiry of one year from the date of issue of tax invoice relating to respective supply of goods and/or services. No credit shall be entertained in respect of any invoice for supply, after the filing of the return under section 27 for the month of September following the end of financial year to which such invoice pertains or filing of the relevant annual return, whichever is earlier.
ITC in case of Capital Goods	There is a choice between depreciation and ITC for capital goods. One can not avail both simultaneously. Full value of ITC can be availed at one go, as earlier it was available in installment only.

Traverse consumption of credit of CGST and SGST would be allowed from CGST and SGST correspondingly. The input tax credit of CGST would be available for release of the CGST charge on the output at every stage. Likewise, the credit of SGST would be available for discharge the SGST liability on the output. However, the cross utilization of CGST and SGST would not be allowed except in the case of inter-state supply of goods and services under the IGST model. The exporting state will move to the centre, the credit of SGST used in payment of IGST. The importing dealer will claim credit of IGST while discharging his yield tax liability in his own state.

IV. WHEN TO PAY TAX?

GST is a destination based tax, which can be determined as the time of supply of goods and/or services.

Table 3. Time of Supply and Incidence of Tax

Time of supply of goods shall be the earliest of these three.	Date of supply of goods. Date of receiving of goods. Date of invoice with respect of goods.
In case of continuous supply of goods, where continuous payments or continuous statement of accounts are involved, the time of supply shall be the earliest of these three.	Date of expiry of the period to which such supply relates. Date of invoice Date of receipt of payment.
Time of supply of services shall be the earliest of these two, in case invoice is issued before consumption of services	Date of issue of invoice Date of receipt of payment
In case, invoice is not generated within the period of rendering services, time of supply of services shall be the earlier of these two.	Date of completion of service. Date of receipt of payment.
Under reverse charge mechanism, the time of supply shall be the earliest of these three.	Date of receiving of goods. Date of invoice Date of payment.

V. WHO HAS TO PAY TAX?

Any registered person or required to be registered person who carries on any business at any place in India is a taxable person with a threshold limit of Rs. 20 Lakhs of turnover, as per books of accounts in a financial year. But in North East states and Sikkim it is only Rs. 10 Lakhs. Agriculturist shall not be considered as a taxable person. A few categories that are either rendering services or doing a business in India shall not fall in the cadre of taxable person like services rendered by an employee to his employer under the terms of employment contract, if the business is of supplying of non taxable goods and/or services.

A composite Tax payer whose annual turnover is up to Rs. 50 Lakhs is of the cadre who has opted for composition scheme. Service providers (except restaurant sector) can not apply for this scheme.

VI. WHO HAS TO GET REGISTERED?

Every person who has crossed threshold limit or a taxable person under GST Act shall apply for registration within 30 days from the arising of such tax liability. Application shall be sent to concerned state where the person operates for supply of goods or services. A person may apply for multiple registrations in the same state for each business vertical, in case having more than one vertical. Registration is a state wise unique identification number, known as GSTN, which is PAN (Permanent Account Number issued under Income Tax Act) based. In case a person does not carry PAN, he shall have to apply for PAN first, only then he will be able to apply for GST registration. For non-resident of India passport is mandatory, instead of PAN. List of persons whose registration under GST is mandatory:

Table 5. List of categories of persons required to get registered

List of Person	Registration required	PAN required
Any other person who is doing business in India and whose Aggregate turnover as per books of accounts in a financial year is 19 Lakhs or more. In North East states and Sikkim, it is only Rs. 9 Lakhs.	Yes	Yes
Irrespective of the threshold limit, few categories of persons have to get compulsory registration: Persons dealing inter-state taxable supply. Non-resident taxable person (One who is residing outside India but supplying in India). E-commerce operator. Casual taxable person (who supplies goods/services in GST region for not more than 90 days in a year but does not have a permanent place of business in India). Input service Distributor (An intermediary of taxable goods/	Yes	Yes

services, who manages the business of supplier and receives invoices). One who supplies goods/services on behalf of other registered taxable persons whether as an agent or otherwise.		
Voluntarily Interested Person	Yes	Yes
Agriculturist	No	No

Registration for non- resident taxable person or a casual taxable person shall be valid only for 90 days from the date of registration. There is an obligation of making an advance deposit of tax of an amount equivalent to the estimated tax liability of such person for the period for which the registration is required to be done. The amount so deposited shall be credited to the electronic cash ledger of the taxpayer and can subset with the actual tax liability.

VII. FILING OF RETURNS

As we know, GST is a self assessed destination based taxation system. Return filing is an important link between tax payers and tax administration. Every registered person has to furnish various returns periodically electronically at GST Common Portal either by himself or through his authorized representative. There will be a common e-return for all types of GST. There will be no revision of returns, only changes can be done in subsequent returns. Return can be filed in different forms depending upon the nature of transaction. Generally, every tax payer under GST Act has to file their return on monthly basis except composite tax payers, who has to file quarterly returns.

Table 6. Return filing: List of Return Forms, Persons liable to file return and last date of filing

Return Form	**Who will file**	**Details to file**	**Last date of filing**
GSTR-1	Registered taxable supplier	Outward supply	10th of the next month
GSTR-2	Registered taxable purchaser	Inward supply	15th of the next month
GSTR-2A	Registered taxable purchaser	Modifications or corrections allowed by purchaser	11th-15th of the next month
GSTR-1A	Registered taxable supplier	Verifying the adjustments done by the purchaser	16th_ 20th of the next month
GSTR-3	Registered taxable supplier and purchaser both	Auto populated after payment of tax	20th of the next month
GSTR-MIS 1	Auto populated	Mismatch report to purchaser	
GSTR-MIS 1	Auto populated	Mismatch report to supplier	
GSTR-4	Compounding taxpayer supplier	Outward supply	15th of the next month following a quarter
GSTR-5	Non-resident tax Payer	Supply to India	20th of the next month
GSTR-9	Every taxable person	Annual return	31st December of next financial year

First return has to be filed by the registered supplier of goods and/or services for outward supply in GSTR 1 on or before 10th of the preceding month. Hence one can upload details of supply from 1st of one month to 10th of next month. For example: For the sale of the month of July can be submitted up to 10th of August of the same financial year. GSTR 1 is mandatorily required to be filed in case of supply of worth Rs. 2.5 lakh or more or in case of inter- state supply. Possibly within a day or two, inward supplies shall be made visible to the registered recipient in the auto- populated GSTR 2A. Recipient will allow modifications or corrections, if required in the same form GSTR 2A.

Likewise monthly details of outward supplies can be filed in GSTR-2 by the 15th of next month. ITC will be credited on the provisional basis to E-credit ledger of the recipient. On 16th, GSTR 1A will be automatically available to the supplier for required modifications in GSRT 2. The supplier has to accept or reject the adjustments made by the customer by verifying with suppliers outward supply register.

An auto- populated return GSTR 3 will be available on 20th of each month; tax payer can submit return along with the payment of taxes. After filing the GSTR 3, the inward supplies will be matched with the outward supplies, and then the final acceptance of input tax credit will be communicated in GST MIS 1.

In case of any mismatch in details uploaded, excess or duplicate claims will be communicated to recipient in Form GST MIS 1 and to supplier in Form GST MIS 2. Discrepancies not ratified will be added as output tax liability along with interest. Compounding taxpayer can file quarterly return in GSTR 4 by 18th of the month subsequent to each quarter and annual filing of return in form GSTR 9A by 31st December of next financial year. Normal tax payers can file their annual return in form GSTR 9 by 31st December of next financial year. For example: Annual return of tax liability for financial year 2016-17 can be filed by 31st December 2017.

VIII. BENEFITS OF GST FOR CONSUMER & CONCLUSION

GST as an indirect tax is an economic burden on ultimate consumer, irrespective of the paying capacity. It is very beneficial to the growth of economy as prices are expected to be cut down and demand of the commodities would be higher which ultimately leads to higher GDP. Essential commodities and services are going to be taxed at either 0% or only 5%, whereas, luxury goods will be taxable at higher rate. It is a simplified tax law, which will definitely curb the cascading effect of multiple taxes. Various tax barriers like road block, toll plaza, entry tax, exit tax etc. will be removed. Since this is a more transparent system, Government is expecting more revenue. Handling, payment and return filing are now very easy tasks as one can manage everything on-line, on a single portal.

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