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**Frequently Asked Questions with respect to GST**

Please find below FAQs with respect to GST. It may be noted that while due care is taken to answer the questions, the same are not views of the Exchange. The users of this information are requested to seek expert opinion before taking any decision based on the information provided below

**1. What is Goods and Services Tax (GST)?**

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.

**2. What exactly is the concept of destination based tax on consumption?**

The tax would accrue to the taxing authority which has jurisdiction over the place of consumption which is also termed as place of supply.

**3. Which of the existing taxes are proposed to be subsumed under GST?**

The GST would replace the following taxes:

- (i) taxes currently levied and collected by the Centre:
  - a) Central Excise duty
  - b) Duties of Excise (Medicinal and Toilet Preparations)
  - c) Additional Duties of Excise (Goods of Special Importance)
  - d) Additional Duties of Excise (Textiles and Textile Products)
  - e) Additional Duties of Customs (commonly known as CVD)
  - f) Special Additional Duty of Customs (SAD)
  - g) Service Tax
  - h) Central Surcharges and Cesses so far as they relate to supply of goods and services
  
- (ii) State taxes that would be subsumed under the GST are:

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- a) State VAT
- b) Central Sales Tax
- c) Luxury Tax
- d) Entry Tax (all forms)
- e) Entertainment and Amusement Tax (except when levied by the local bodies)
- f) Taxes on advertisements g. Purchase Tax
- g) Taxes on lotteries, betting and gambling
- h) State Surcharges and Cesses so far as they relate to supply of goods and services

The GST Council shall make recommendations to the Union and States on the taxes, cesses and surcharges levied by the Centre, the States and the local bodies which may be subsumed in the GST.

#### **4. What principles were adopted for subsuming the above taxes under GST?**

The various Central, State and Local levies were examined to identify their possibility of being subsumed under GST. While identifying, the following principles were kept in mind:

- (i) Taxes or levies to be subsumed should be primarily in the nature of indirect taxes, either on the supply of goods or on the supply of services.
- (ii) Taxes or levies to be subsumed should be part of the transaction chain which commences with import/ manufacture/ production of goods or provision of services at one end and the consumption of goods and services at the other.
- (iii) The subsumation should result in free flow of tax credit in intra and inter-State levels. The taxes, levies and fees that are not specifically related to supply of goods & services should not be subsumed under GST.
- (iv) Revenue fairness for both the Union and the States individually would need to be attempted.

#### **5. What type of GST is proposed to be implemented?**

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/ Union territory would be called the State GST (SGST)/ UTGST. Similarly, Integrated GST (IGST) will be levied and administered by Centre on every inter-state supply of goods and services.

**6. Which authority will levy and administer GST?**

Centre will levy and administer CGST & IGST while respective states /UTs will levy and administer SGST/ UTGST.

**7. How a particular transaction of goods and services would be taxed simultaneously under Central GST (CGST) and State GST (SGST)?**

The Central GST and the State GST would be levied simultaneously on every transaction of supply of goods and services except the exempted goods and services, goods which are outside the purview of GST and the transactions which are below the prescribed threshold limits. Further, both would be levied on the same price or value unlike State VAT which is levied on the value of the goods inclusive of CENVAT. While 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.

**8. What is meant by Reverse Charge?**

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

**9. Is the reverse charge mechanism applicable only to services?**

No, reverse charge applies to supplies of both goods and services, as notified by the Government on the recommendations of the GST Council.

**10. What will be the implications in case of receipt of supply from unregistered persons?**

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.

**11. Can a person without GST registration claim ITC and collect tax?**

No, a person without GST registration can neither collect GST from his customers nor can claim any input tax credit of GST paid by him.

**12. Which are the cases in which registration is compulsory?**

As per Section 24 of the CGST/SGST Act, the following categories of persons shall be required to be registered compulsorily irrespective of the threshold limit:

- (i) persons making any inter-State taxable supply;
- (ii) casual taxable persons;
- (iii) persons who are required to pay tax under reverse charge;
- (iv) electronic commerce operators required to pay tax under sub-section (5) of section 9;
- (v) non-resident taxable persons;
- (vi) persons who are required to deduct tax under section 51;
- (vii) persons who supply goods and/or services on behalf of other registered taxable persons whether as an agent or otherwise;
- (viii) Input service distributor (whether or not separately registered under the Act)
- (ix) persons who are required to collect tax under section 52;
- (x) every electronic commerce operator
- (xi) every person supplying online information and data base retrieval services from a place outside India to a person in India, other than a registered person; and,
- (xii) such other person or class of persons as may be notified by the Central Government or a State Government on the recommendations of the Council.

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

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 the CGST/SGST Act.

**14. What is the taxable event under GST?**

The taxable event under GST shall be the supply of goods or services or both made for consideration in the course or furtherance of business. The taxable events under the existing indirect tax laws such as manufacture, sale, or provision of services shall stand subsumed in the taxable event known as 'supply'.

**15. What is the scope of 'supply' under the GST law?**

The term 'supply' is wide in its import covers all forms of supply of goods 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

**16. What is a taxable supply?**

A 'taxable supply' means a supply of goods or services or both which is chargeable to goods and services tax under the GST Act.

**17. What are the different types of supplies under the GST law?**

(i) Taxable and exempt supplies. (ii) Inter-State and Intra-State supplies, (iii) Composite and mixed supplies and (iv) Zero rated supplies.

**18. What are inter-state supplies and intra-state supplies?**

Inter-state and intra-state supplies have specifically been defined in Section 7(1), 7(2) and 8(1), 8(2) of the IGST Act respectively. Broadly, where the location of the supplier and the place of supply are in same state it will be intrastate and where it is in different states it will be inter-state supplies.

**19. What is meant by zero rated supply under GST?**

Zero rated supply means export of goods and/or services or supply of goods and/or services to a SEZ developer or a SEZ Unit.

**20. What is time of supply?**

The time of supply fixes the point when the liability to charge GST arises. It also indicates when a supply is deemed to have been made. The CGST/SGST Act provides separate time of supply for goods and services

**21. When does the liability to pay GST arise in respect of supply of goods and Services?**

Section 12 & 13 of the CGST/SGST Act provides for time of supply of goods. The time of supply of goods shall be the earlier of the following namely, (i) 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 (ii) the date on which the supplier receives the payment with respect to the supply

**22. What is time of supply in case of supply of vouchers in respect of goods and services?**

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.

**23. Will GST be applicable on any interest charged for payment after the credit period?**

Interest, Penalty or Late fee charged from the customer would also be liable to GST. However, the law provides that the GST liability on such values can be paid only on receiving such additional amounts.

**24. What is Input Tax credit?**

Input tax credit means the credit of central tax, state/ union territory tax and integrated tax available to a registered person on the inward supply of goods or services or both, made to him excluding the tax paid on supplies liable to composite tax. It further includes the integrated tax applicable on import of goods and the tax payable under reverse charge mechanism.

**25. What are the Payments to be made in GST regime?**

In the GST regime, for any intra-state supply, taxes to be paid are the Central GST (CGST, going into the account of the Central Government) and the State/UT GST (SGST, going into the account of the concerned State Government). For any inter-state supply, tax to be paid is Integrated GST (IGST) which will have components of both CGST and SGST. In addition, certain categories of registered persons will be required to pay to the government account Tax Deducted at Source (TDS) and Tax Collected at Source (TCS). In addition, wherever applicable, Interest, Penalty, Fees and any other payment will also be required to be made.



**26. Who is liable to pay GST?**

In general, the supplier of goods or services is liable to pay GST. However, in specified cases like imports and other notified supplies, the liability may be cast on the recipient under the reverse charge mechanism.

**27. How can payment be done?**

Payment can be done by the following methods:

- (i) Through debit of Credit Ledger of the tax payer maintained on the Common Portal – ONLY Tax can be paid. Interest, Penalty and Fees cannot be paid by debit in the credit ledger. Tax payers shall be allowed to take credit of taxes paid on inputs (input tax credit) and utilize the same for payment of output tax. However, no input tax credit on account of CGST shall be utilized towards payment of SGST and vice versa. The credit of IGST would be permitted to be utilized for payment of IGST, CGST and SGST in that order.
- (ii) In cash by debit in the Cash Ledger of the tax payer maintained on the Common Portal. Money can be deposited in the Cash Ledger by different modes, namely, E-Payment (Internet Banking, Credit Card, Debit Card); Real Time Gross Settlement (RTGS)/ National Electronic Fund Transfer (NEFT); Over the Counter Payment in branches of Banks Authorized to accept deposit of GST.

**28. Who needs to file Return in GST regime?**

Every person registered under GST will have to file returns in some form or other. A registered person will have to file returns either monthly (normal supplier) or quarterly basis (Supplier opting for composition scheme). An ISD will have to file monthly returns showing details of credit distributed during the particular month. A person required to deduct tax (TDS) and persons required to collect tax (TCS) will also have to file monthly returns showing the amount deducted/collected and other details as may be prescribed. A non-resident taxable person will also have to file returns for the period of activity undertaken.

**29. What type of outward supply details are to be filed in the return?**

A normal registered taxpayer has to file the outward supply details in GSTR-1 in relation to various types of supplies made in a month, namely outward supplies to registered persons, outward supplies

to unregistered persons (consumers), details of Credit/Debit Notes, zero rated, exempted and non-GST supplies, exports, and advances received in relation to future supply.

**30. Is the scanned copy of invoices to be uploaded along with GSTR-1?**

No scanned copy of invoices is to be uploaded. Only certain prescribed fields of information from invoices need to be uploaded.

**31. What if the invoices do not match? Whether ITC is to be given or denied? If denied, what action is taken against supplier?**

If invoices in GSTR-2 do not match with invoices in counter-party GSTR-1, then such mismatch shall be intimated to the supplier. Mismatch can be because of two reasons. First, it could be due to mistake at the side of the recipient, and in such a case, no further action is required. Secondly, it could be possible that the said invoice was issued by supplier but he did not upload it and pay tax on it. In such a case, the ITC availed by the recipient would be added to his output tax liability, in short, all mismatches will lead to proceedings if the supplier has made a supply but not paid tax on it.