

FAQs on GST Related to Vendor – Goods

1. . What is Goods and Services 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. What will be the status in respect of taxation of above commodities after introduction of GST? Ans: The existing taxation system (VAT & Central Excise) will continue in respect of the Petroleum products

2. Which authority will levy and administer GST?

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

3. Whether t h e composition scheme w i l l be optional or compulsory?

Ans. Optional

4. What is the purpose of Compliance rating mechanism?

Ans. As per Section 149 of the CGST/SGST Act, every registered person shall be assigned a compliance rating based on the record of compliance in respect of specified parameters. Such ratings shall also be placed in the public domain. A prospective client will be able to see the compliance ratings of suppliers and take a decision as to whether to deal with a particular supplier or not. This will create healthy competition amongst taxable persons.

5. How can the burden of tax, in general, fall under GST?

Ans: As the present forms of CENVAT and State VAT have remained incomplete in removing fully the cascading burden of taxes already paid at earlier stages. Besides, there are several other taxes, which both the Central Government and the State Government levy on production, manufacture and distributive trade, where no set-off is available in the form of input tax credit. These taxes add to the cost of goods and services through "tax on tax" 34 which the final consumer has to bear. Since, with the introduction of GST, all the cascading effects of CENVAT and service tax would be removed with a continuous chain of set-off from the producer's point to the retailer's point, other major Central and State taxes would be subsumed in GST and CST will also be phased out, the final net burden of tax on goods, under GST would, in general, fall. Since there would be a transparent and complete chain of set-offs, this will help widening the coverage of tax base and improve tax compliance. This may lead to higher generation of revenues which may in turn lead to the possibility of lowering of average tax burden.

6. How will GST benefit the exporters?

Ans: The subsuming of major Central and State taxes in GST, complete and comprehensive setoff of input goods and services and phasing out of Central

Sales Tax (CST) would reduce the cost of locally manufactured goods and services. This will increase the competitiveness of Indian goods and services in the international market and give boost to Indian exports. The uniformity in tax rates and procedures across the country will also go a long way in reducing the compliance cost.

7. How will GST benefit the small entrepreneurs and small traders?

Ans: The present threshold prescribed in different State VAT Acts below which VAT is not applicable varies from State to State. The existing threshold of goods under State VAT is Rs. 5 lakhs for a majority of bigger States and a lower threshold for North Eastern States and Special Category States. A uniform State GST threshold across States is desirable and, therefore, the Empowered Committee has recommended that a threshold of gross annual turnover of Rs. 10 lakh both for goods and services for all the States and Union Territories may be adopted with adequate compensation for the States (particularly, the States in North-Eastern Region and Special Category States) where lower threshold had prevailed in the VAT regime. Keeping in view the interest of small traders and small scale industries and to avoid dual control, the States considered that the threshold for Central GST for goods may be kept at Rs.1.5 crore and the threshold for services should also be appropriately high. This raising of threshold will protect the interest of small traders. A Composition scheme for small traders and businesses has also been envisaged under GST. These features of GST will adequately protect the interests of small traders and small scale industries.

8. How will GST benefit the common consumers?

Ans: As already mentioned in Answer to Question 3, with the introduction of GST, all the cascading effects of CENVAT and service tax will be more comprehensively removed with a continuous chain of set-off from the producer's point to the retailer's point than what was possible under the prevailing CENVAT and VAT regime. Certain major Central and State taxes will also be subsumed in GST and CST will be phased out. Other things remaining the same, the burden of tax on goods would, in general, fall under GST and that would benefit the consumers.

9. Why is Dual GST required?

Ans: India is a federal country where both the Centre and the States have been assigned the powers to levy and collect taxes through appropriate legislation. Both the levels of Government have distinct responsibilities to perform according to the division of powers prescribed in the Constitution for which they need to raise resources. A dual GST will, therefore, be in keeping with the Constitutional requirement of fiscal federalism.

10. I have registered myself for service tax, my turnover for this year was 20 lakh. Am I required to register under GST?

Ans. Yes. If you are registered under Service Tax, you will have to seek [registration under GST](#) as well. You can login into the ACES website and use the Provisional Login details and register for GST.

Subsequently, if your turnover is under the GST limit of INR 20 lakhs, you can seek an exemption under the GST laws.

11 If limit for GST registration is INR 20 lakh but my one client has turnover around INR 8-9 lakh in last year. He has TIN. For him is it compulsory to go for GST and can he surrender his GST number after migration?

Ans: Yes. If your client already has a TIN or a Service Tax Number, he will have to seek GST registration first and then surrender it under the GST laws if his turnover is expected to stay below INR 20 lakhs.

12 Do we need to seek exemption or just file a nil return with details of our turnover? If we need to seek exemption what documents do we need to produce?

Ans: You need not seek any specific exemption as long as your services qualify as Export of Services. You just file the returns with the amount or turnover under the section Export of Services.

13 Do we have 2 components in GST and IGST? Where can we claim both the components?

Ans: For every invoice raised to within the same state, you will charge both [CGST](#) and [SCGT](#). For sales of Goods and Services outside the state you will charge IGST. That is three taxes in total.

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14 If I source raw material from Delhi and sell it in Chennai, and our office is registered in Bangalore, could you very briefly explain how CGST, SGST and IGST will apply in such a situation?

Ans: For this you need to refer to the rules relating to "Place of Supply" of goods and services. Ideally, your supplier in Delhi will charge you IGST on the goods he is selling to you. You will charge IGST on your sales to your client in Chennai.

15 What is the rule for set-off of IGST and SGST?

Ans: For every [invoice](#) raised to within the same state, you will charge both CGST and SCGT. For sales of Goods and Services outside the state you will charge IGST. That is three taxes in total. IGST Credit can be utilized to pay the IGST liability first, then CGST and then SGST.

16 How reconciliation is done under GST?

Ans: As a Seller you will file GSTR -1 pertaining to Outward Supplies 10th of next month. All input credits due to you will appear in your login latest by the 15th of the month. (GSTR-2). Based on both GSTR-1 and GSTR-2, the GSTR-3 is finalized and you arrive at your net tax liability. If there are mismatches in the Input Credits due to you, you need to mark the same for your Supplier to reply and resolve with the correct amount.