

Module III

Goods and service tax

Content

- 1) Small supplies and composition scheme**
 - a) Eligibility criteria
 - b) Supplier who cannot opt for composition scheme
 - c) Characteristics of composition scheme
 - d) Pros and cons of composition scheme
- 2) Electronic ledger**
 - a) E-cash ledger
 - b) E-credit ledger
 - c) E-liability register
- 3) Payment of GST and schedule of payment**
- 4) GST Return**
 - a) Mode of filing and return mechanism
 - b) Type of GST return
 - c) Default or delay in filing of GST Return

Small supplies and Composition Scheme

Section 10, CGST Act, 2017

Composition scheme or composition levy was introduced with the aim to make GST process simple for the “small tax payers”. The small taxpayer can now get relaxation from high rate of GST and unnecessary procedural formalities.

“Small tax payers” are the registered supplier under GST who satisfies the **eligibility criteria** for composition levy as stated below:

- 1) The aggregate turnover of registered supplier in the preceding financial year did not exceed 1.5 Cr (from 1.04.2019, earlier the limit was 1 Cr) and 75 Lakh in case if registered (under Section 25, CGST Act) person belongs to Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura and Uttarakhand.

Important points to be noted while calculating aggregate turnover:-

- A) Aggregate turnover for the above condition includes
 - a) All taxable supplies of goods and services
 - b) The exempted Supplies
 - c) Export of Goods and services
 - d) Inter- state supplies
- B) Aggregate turnover should take into consideration supplies for all units/ Branches of the registered person having same permanent account number (PAN)
- C) Aggregate turnover excludes reverse charge mechanism and any type of GST amount such as IGST, CGST, SGST/UTGST

- D) Composition person can also supply service *other than restaurant* services to the extent of 10% of turnover in preceding year or 5,00,000 Rs whichever is higher

Ex: In the year 2019 Charul is engaged in exclusive supply of goods. Her aggregate turnover in the previous year was 140 Lakh. In the current year Charul has also started supplying services other than restaurant. Can Charul apply for the composition scheme? Also State the amount upto which services can be supplied.

Ans: yes, she is eligible for the composition scheme as her aggregate turnover in the previous year doesn't exceed 1.5 Cr. The extent to which she can supply the services can be calculated as

10% of 140 Lakh or 5Lakh whichever is higher

As 14Lakh is higher thus she can supply service upto a value of Rs 14Lakh

- 2) If Registered person is involved in supply value above the amount as mentioned in point D) above then he cannot opt for composition scheme

→ Suppliers who cannot opt for a composition scheme are:

- 1) If a registered person is engaged in inter-state outward supplies of goods
- 2) Registered Supplier manufactures Ice- cream, pan masala, aerated water and tobacco products
- 3) Registered supplier supply goods through e-commerce operator
- 4) Registered person is casual taxable person or non- resident person
- 5) If dealer supply GST exempted goods then he cannot opt for the scheme

→ Other restrictions on suppliers under composition scheme are:

- 1) A composition dealer cannot issue tax invoice instead issues Bills of supply as composition dealer cannot charge tax from customer instead is required to pay from his own pocket
- 2) At the top of the Bill of supply dealer must mention “ composition taxable person, not eligible to collect tax on supplies
- 3) He shall mention “ composition taxable person” on every notice or signboard displayed at prominent place at his principal place of business

→ **Characteristics of Composition scheme:**

- 1) It is an optional scheme
- 2) It requires the composition taxpayer to pay tax as a percentage of their turnover instead of tax payable on the invoice value of the transaction as paid by the regular taxpayer under section 9 (1)
- 3) If the supplier has different segment of business under the same PAN, then he is required to register all such business under the scheme
- 4) Composition taxpayer is required to pay tax under reverse charge mechanism
- 5) A person opting for composition scheme cannot claim Input tax credit (ITC)

→ **Procedure to apply for composition scheme is as follows:**

- 1) **Registered person:** if a supplier is already registered then he needs to electronically file GST CMP-02 on GST portal (www.gst.govt.in) at the beginning of every financial year for which the option is exercised
- 2) **Unregistered person:** while registering may give option to pay tax under composition levy in part B of FORM GST REG-01

→ **GST levy rate under composition scheme:**

Category of Registered person	CGST	SGST/UTGST	TOTAL GST
Manufacturer and trader of goods (except manufacturer of pan masala, aerated water, tobacco and tobacco products and ice-cream)	0.5%	0.5%	1% (on aggregate turnover)
Restaurants not serving alcohol	2.5%	2.5%	5%
Traders or any other supplier	0.5%	0.5%	1%

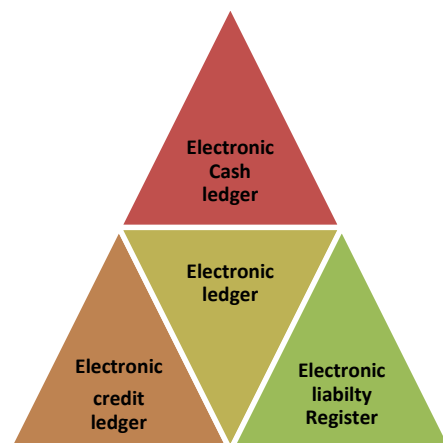
→Advantage and disadvantage of composition scheme:

Advantages	Disadvantages
Complexity has been reduced as returns are required to be submitted only quarterly unlike monthly returns submitted by regular taxpayer, are required to maintain fewer records/books of account and doesn't have to issue tax invoice instead issue bill of supply	A Composition dealer has limited territory for business as he/she cannot make inter-state supply
Tax liability has reduced as rates for composition is way below the normal regular rates	Tax burden has to be borne by the supplier as composition dealer are supposed to pay tax under reverse charge mechanism
It ensures high liquidity in the business as money doesn't block much in the taxes	Composition dealer cannot supply through e-commerce portal and also cannot supply exempted goods

Electronic ledgers

E-ledger is a statement of cash and Input Tax Credit (ITC) created when a taxpayer is registered on GST network-common portal (GSTN). Therefore for each registered taxpayer two e-ledgers (i.e. electronic cash ledger and electronic credit ledgers) and an electronic liability register are automatically opened and displayed on his dashboard u/s 49 of CGST act. These ledgers are updated on real time basis where the taxpayer can check his liability, available credits and amount deposited in cash.

Types of Electronic ledger/register:



- 1) Electronic cash ledger:** is an account that contains summary of records on deposits and its utilisation toward the liabilities. It is guided by Section 49(1) , 49(2) of CGST Act and Rule 87 of CGST rule. It shall be maintained in FORM GST PMT -05 for each person on the common portal

FORM GST PMT -05

[See rule 87(1)]

Electronic Cash Ledger

(To be maintained at the Common Portal)

GSTIN/Temporary Id –

Name (Legal) –

Trade name, if any

Period - From ----- To ----- (dd/mm/yyyy)

Act - Central Tax/State Tax/UT Tax/Integrated Tax/CESS/All ▾

(Amount in Rs.)

Sr. No.	Date of deposit /Debit (dd/mm/yyyy)	Time of deposit	Reporting date (by bank)	Reference No.	Tax Period, if applicable	Description	Type of Transaction [Debit (DR)/ Credit (CR)]	Amount debited / credited (Central Tax/State Tax/UT Tax/Integrated Tax/CESS/Total)						Balance (Central Tax/State Tax/UT Tax/Integrated Tax/CESS/Total)					
								Tax	Interes	Penalt	Fee	Other	Total	Tax	Interes	Penalt	Fee	Other	Total
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20

Form can be downloaded from: <https://www.gst.gov.in/newsandupdates/read/361>

a) E-Cash ledger is credited with the amount of deposit and debited with the payment therefrom towards tax, interest, penalty, fee etc. Deposit in e-cash ledger can be made through following modes

- Internet banking through authorised banks
- Credit card or debit card through the authorised bank
- National Electronic Fund Transfer (NEFT) or Real Time Gross Settlement (RTGS) from any bank
- Over the counter payment (OTC) through authorized banks for deposits up to ten thousand rupees per challan per tax period, by cash, cheque or demand draft. The restriction of Rs 10,000 is not applicable to deposit made by
 - i. Government departments or any person notified by the commissioner on this behalf
 - ii. Proper officer or any other officer authorised to recover o/s dues from any person whether registered or not, including recovery made through attachment or sale of immovable property
 - iii. Proper officer or any other officer authorised for the amount collected by way of cash, cheque or demand draft during any investigation or enforcement activity or any ad-hoc deposit.

b) Taxpayer or any person on his behalf shall generate challan under FORM GST PMT-06 on the GST portal and enter the details of deposit amount towards tax, interest, penalty fee or any other amount. E-challan generated through FORM GST PMT-06 is valid for 15 days. (Note: manual or physical challan are not allowed under GST regime.)

c) Steps followed to credit or deposit in e-cash ledger are

Step 1: Generate e-challan and make payment

Step 2: If payment is made through NEFT or RTGS mode from any bank, the mandate from shall be generated along with the challan and same shall be submitted to the bank where the payment is to be made. (The validity of mandate from is 15 days)

Step 3: on successful credit of amount in the concerned (central/state) government account maintained in the authorized bank, a challan identification number (CIN) will be generated by the collecting bank which will be indicated in challan.

Step 4: On receipt of CIN from the collecting bank, the said amount is credited into the electronic cash ledger of the person on whose behalf the deposit is made and the common portal will generate a receipt to this effect.

Note:

➔ Date of credit into the treasury of central/state government is deemed to be the date of deposit

➔ If CIN is not generated a representation in prescribed form “ FORM GST PMT-07” is made through the common portal or e-gateway through which the payment has been made.

d) Information in e-cash ledger is maintained under five major heads i.e. IGST, CGST, SGST, UTGST and CESS. Each of these major heads have 5 minor heads i.e. tax, interest, penalty, fee and others

e) Utilisation of fund in cash ledger** : cross utilisation of funds across major and minor heads is not possible.

Example: Credit balance of Rs 15,000 under IGST head cannot be used for CGST liability. Similarly Rs 3000 available under minor head “tax” of major head “CGST” Cannot be used for minor head of “interest” even under the same major head “CGST”

2) **Electronic credit ledger:** It is also known as e-ITC ledger in which self-assessed Input tax credit (ITC) by registered person shall be credited. It is guided by Section 49(2), 49(4), 49(5) of CGST Act and Rule 86 of CGST rule.

a) It shall be maintained in FORM GST PMT-02 for each registered person eligible for ITC

Electronic Credit Ledger of Registered Person

(To be maintained at the Common Portal)

GSTIN –

Name (Legal) –

Trade name, if any -

Period - From ----- To ----- (dd/mm/yyyy)

Act - Central Tax/State Tax/UT Tax/Integrated Tax/CESS /All

(Amount in Rs.)

Sr No.	Date (dd/m m/yyyy)	Reference No.	Tax Period, if any	Description (Source of credit & purpose of utilisation)	Transaction Type [Debit (DR) / Credit (CR)]	Credit / Debit						Balance available					
						Central Tax	State Tax	UT Tax	Integrated Tax	CESS	Total	Central Tax	State Tax	UT Tax	Integrated Tax	CESS	Total
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18

Balance of Provisional credit

Sr. No.	Tax period	Amount of provisional credit balance					
		Central Tax	State Tax	UT Tax	Integrated Tax	Cess	Total
1	2	3	4	5	6	7	8

Mismatch credit (other than reversed)

Sr. No.	Tax period	Amount of mismatch credit					
		Central Tax	State Tax	UT Tax	Integrated Tax	Cess	Total
1	2	3	4	5	6	7	8

Form can be downloaded from: <https://www.gst.gov.in/newsandupdates/read/361>

- b) Every ITC claim shall be credited in e-credit ledger
- c) The credit can be used to make payment of TAX only and no other amount such as interest, penalty, fees, etc
- d) If registered person claims refund of unutilized amount from e-credit ledger, the same must be debited in the ledger

3) Electronic liability ledger: According to law, all liabilities of registered person shall be maintained in a separate register thus e-liability register reflects the total tax liability of taxpayer for a particular month. It shall be maintained as per FORM GST PMT -01

FORM GST PMT -01
[See rule 85(1)]

Electronic Liability Register of Taxable Person
(Part-II: Other than return related liabilities)
(To be maintained at the Common Portal)

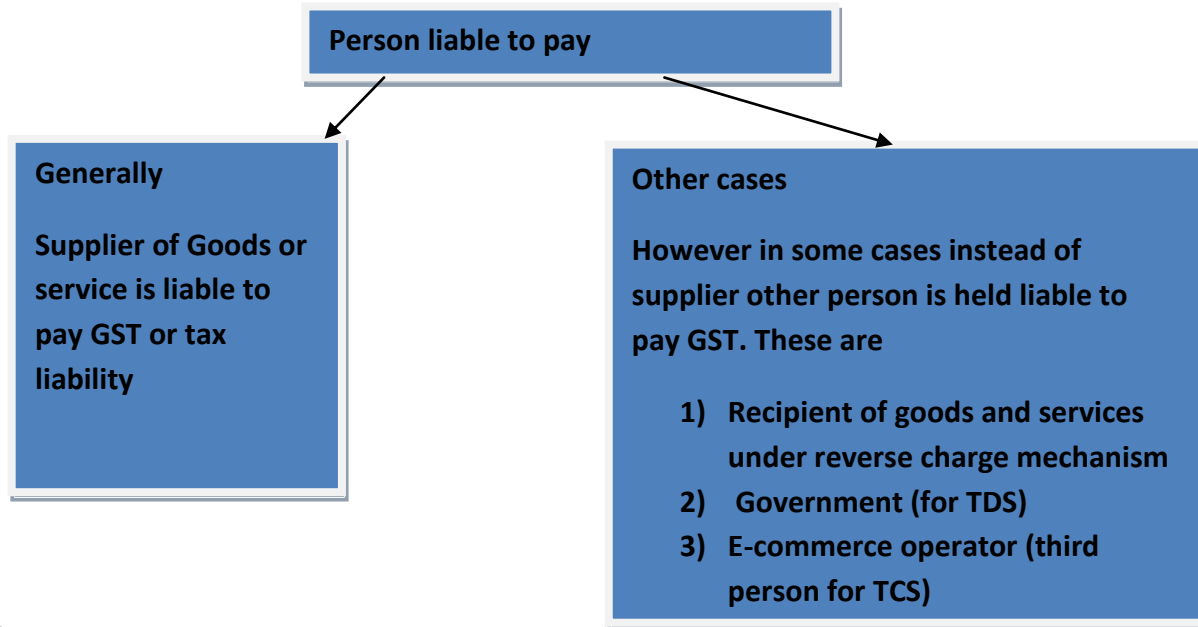
Demand ID -- GSTIN/Temporary Id --
Demand date - Name (Legal) -
Trade name, if any -
Stay status - Stayed/Un-stayed Period - From ----- To ----- (dd/mm/yyyy)
Act - Central Tax/State Tax/UT Tax/Integrated Tax/CESS /All ▾
(Amount in Rs.)

[Sr No.	Date (dd/mm/yyyy)	Reference No.	Tax Period, if applicable	Ledger used for discharging liability		Description	Type of Transaction [Debit (DR) (Payable)] / [Credit (CR) (Paid)] / Reduction (RD) / Refund adjusted (RF)]	Amount debited/credited (Central Tax/State Tax/UT Tax/Integrated Tax/CESS/ amount under existing law/Total)						Balance (Payable) (Central Tax/State Tax/UT Tax/Integrated Tax/CESS/ amount under existing law/Total)						Status (Stayed /Un-stayed)
				Fr om	To			Ta x	Interes t	Penalt y	Fe e	Other s	Total	Ta x	Interes t	Penalt y	Fe e	Other s	Tota l	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21]

Form can be downloaded from: <https://www.gst.gov.in/newsandupdates/read/361>

- a) The amount in e-liability register shall be debited as per Rule 85(2) of CGST Act which includes:
- i. The amount payable towards tax, interest, late fee or any other amount payable as per the return furnished by the said person;
 - ii. The amount of tax, interest, penalty or any other amount payable as determined by a proper officer in pursuance of any proceedings under the Act or as ascertained by the said person;
 - iii. The amount of tax and interest payable as a result of mismatch under section 42 or section 43 or section 50; or
 - iv. Any amount of interest that may accrue from time to time.
- b) Section 49(8) provides that the liability shall be discharged in the order:
- i. Tax and other dues (interest, penalty, fees or any other amount payable) for the previous year
 - ii. Tax and other dues for the current period
 - iii. Once the above to amount are settled then demand under section 73 and adjudication proceeding under section 74 shall be discharged

Person liable to pay GST and due dates for payment of tax



Note:

- i. The government department is required to deduct TDS when they make payment to vendor above Rs 2.5 Lakh under one contract as per section 51(1) (d)
- ii. Electronic commerce operator means any person who owns, operates or manages digital or electronic facility or platform for electronic commerce. E-commerce operator has to compulsorily register as per section 24 of CGST Act irrespective of the threshold limit. They are required to collect tax on the net value of supplies made through them and have to be deposited with the government.

Due dates for payment of tax: Every person who is required to furnish a return under section 39(1), section 39 (2), section 39(3), section 39(5) shall pay tax due as per such returns not later than the last date on which he is required to furnish such return u/s 39(7). Due date Schedule for different type of registered taxpayer is as follows:

Type of taxpayer	Due date of payment of tax	Section
Any registered person other than mentioned below	20 th day of the next month	39(1)
Registered person paying tax under composition scheme	18 th of the month following the quarter	39(2)
Registered person required to deduct TDS	10 th of the month following the month in which such deduction have been made	39(3)

Every registered non-resident person	1) 20 th of the next month 2) 7 th day after the last day of the period of registration Whichever is earlier <i>(Note: NR is required to make an advance deposit of tax at the time of registration)</i>	39(5)
Every electronic commerce operator collecting tax at source	10 th of the month following the month in which such deduction have been made	52(3)

GST Return

GST return means statement of information furnished by the registered taxpayer to the government. Filing of GST Return (GSTR) helps in determination of tax liability of the return filer and at the same time it also has a bearing on the determination of tax liability of the other persons with whom the former has entered into taxable activities thus timely and correct filing of GSTR is essential for the functioning of the GST system.

Mode of Filing and Return mechanism

- Every registered person is required to file the return electronically. The modes for filing return electronically are:
 - 1) Through GSTN portal: www.gst.govt.in
 - 2) Offline utilities: <https://www.gst.gov.in/download/returns>
 - 3) Through GST Suvidha provider
- The information provided by a registered person regarding outward supplies are automatically populated in the recipients return i.e. in GSTR-2.
Example: Poorva has supplied goods for Rs 10,000 to Shreya and has filed GSTR1. The amount of 10,000 will be reflected as outward supply in GSTR1 of Poorva and will automatically appear as inward supply for 10000 Rs in the GSTR 2 of Shreya, which must be validated by Shreya.
Thus the system allows automatic match of the information and helps in calculation of ITC amount too.

Type of GST return

Type of Return	Periodicity	Description	Who files	Due date of filing
GSTR-1	Monthly statement of outward supply of goods and service	It is to be furnished by every registered person including casual taxable person except Input Service Distributor, Non-resident taxpayer, person paying tax under composition scheme, e-commerce operator and person deducting TDS and OIDAR GSTR-1 need to be filed even if there is no business activity in the tax period Details to be furnished are: detail of	Registered person with annual aggregate turnover above 1.5 Cr	10 th of the next month (Note: in case of late filer the return cannot be filed b/w 11 th and 15 th day of month succeeding the tax period)

		<p>invoices and revised invoices in relation to supply made to both registered and unregistered person and debit notes and credit notes.</p> <p><i>(Note**: Inter and intra state supply gets identified automatically as per the information given by the supplier)</i></p> <p><i>In B2C(Business to customer) transaction the customer doesn't claim ITC thus in case of inter-state supply, if invoices are below Rs2,50,000 then state-wise consolidated detail is to be uploaded and if invoices are above Rs 2,50,000 then invoice wise details are to be uploaded</i></p> <p><i>In B2B (Business to supplier) invoice detailed are required to be uploaded)</i></p>		
	Quarterly statement of outward supply of goods and service	GSTR-1 can be filed quarterly by small taxpayer (person who opts for composition scheme)	Registered person whose aggregate turnover is below 1.5 Cr	10 th of the month succeeding the quarter
GSTR-2	Monthly Statement for inward supplies of goods and services	<p>The details in GSTR-2 gets auto populated from GSTR -2A. It is to be filed by all the registered taxpayer.</p> <p><i>(Note*: suspended in GST council meeting 23rd)</i></p>	Every Registered person	15 th of the next month
GSTR-3	Monthly Summary Return	<p>Supplier furnishes summarized details of all outward supplies made, inward supplies received and input tax credit claimed, along with details of the tax liability and taxes paid</p> <p>It is auto-generated on the basis of the GSTR-1 and GSTR-2 returns filed</p> <p><i>(Note*: suspended in 23rd general council meeting)</i></p>	All registered person	20 th of the next month
GSTR-3B	Monthly Simple return	It is a Summary of outward supplies, inward supply liable to reverse charge, eligible ITC, payment of tax etc. along	Every Registered person	20 th of the next month

		<p>with Input Tax Credit is declared and payment of tax is affected by taxpayer</p> <p>It is to be furnished by every registered person except Input Service Distributor, Non-resident taxpayer, person paying tax under composition scheme, e-commerce operator and person deducting TDS and OIDAR</p> <p>It is a temporary measure and is required to be submitted by the registered person who are required to submit GSTR-3</p>		
GSTR-4	Annual Return	<p>Person required to file GSTR-4 has to furnish statement in FORM GST CMP-08 containing detail of payment of self assessed tax by 18th of the month succeeding such quarter</p> <p>Details to be furnished are: Invoice wise details of all inward supplies, summary of self assessed liability as per GST CMP-08 and tax rate wise details of outward and inward supply attracting reverse charge and consolidated detail of outward supply</p>	Registered composition supplier and registered person availing the benefit of notification No. 02/2019CT(R) dated 7.3.2019	30 th April of next financial year
GSTR-9	Annual Return	A person paying tax under Composition scheme are require to file GSTR-9A	Every registered person except Input Service Distributor, Non-resident taxpayer, person paying tax under composition scheme, e-commerce operator and person deducting TDS , OIDAR and casual taxable person.	31 st December of next financial year

Defaults/ Delay in furnishing of Return

- 1) Notice shall be issued to a registered person who fails to furnish return to submit their return within 15 days.
- 2) Delay in filing return attracts late fee. The details are mentioned in the table given below:

Type of return filing delayed	Late fee
GSTR-1, GSTR-2, GSTR-3, GSTR-3B AND GSTR-4	Rs 100 for every day during which such failure continues Or Rs 5000 whichever is lower
GSTR 9	Rs 100 for every day during which such failure continues Or 0.25% of the turnover of the registered person in the state/UT whichever is lower

-----*-----**Best wishes**-----*