

1. Goods and Service Tax (GST)

Goods and Services Tax (GST) is system of taxation which will merge many individually applied taxes into a single tax. It was introduced as The Constitution (One Hundred and First Amendment) Act 2016, following the passage of Constitution 101st Amendment Bill. The GST is governed by GST Council and its Chairman is Union Finance Minister of India - Arun Jaitley.

GST is a comprehensive indirect tax on manufacture, sale and consumption of goods and services throughout India to replace taxes levied by the central and state governments.

GST would be levied and collected at each stage of sale or purchase of goods or services based on the input tax credit method. This method allows GST-registered businesses to claim tax credit to the value of GST they paid on purchase of goods or services as part of their normal commercial activity. Taxable goods and services are not distinguished from one another and are taxed at a single rate in a supply chain till the goods or services reach the consumer. Administrative responsibility would generally rest with a single authority to levy tax on goods and services. Exports would be zero-rated and imports would be levied the same taxes as domestic goods and services adhering to the destination principle.

GST will be divided into three Parts:

1. Central GST (CGST)
2. State GST (SGST)
 - Both shall be on Intra – State supplies of goods or services in India.
3. Integrated GST (IGST)
 - IGST shall be on Inter State supplies of goods or services in India levied and collected by the Centre. (IGST shall be sum of CSGT and SGST)

Destination Based Consumption Tax

- Destination based consumption tax means that state and central taxes levied at different stages of the supply chain will be totally shifted to the final destination, consumers, and the destination state will get the full SGST paid by its residents
- If credit of IGST levied on interstate movement of goods is set off against state GST by dealers in the consuming states, such credited IGST will be refunded to the consuming states
- Similarly if SGST credit is utilized for payment of IGST, the concerned state which has collected the SGST should remit such credit to IGST account managed by Central Government.

Following Central and State Taxes to be subsumed:

A. Central:

- i. Central Excise Duty
- ii. Additional Excise Duty
- iii. The Excise Duty levied under the Medicinal and Toiletries Preparation Act
- iv. Service Tax
- v. Additional Customs Duty, commonly known as Countervailing Duty (CVD)
- vi. Special Additional Duty of Customs-4% (SAD)
- vii. Cesses and surcharges in so far as they relate to supply of goods and services.

B. State:

- i. VAT/Sales Tax
- ii. Central Sales Tax (levied by the Centre and collected by the States)
- iii. Entertainment Tax
- iv. Octroi and Entry Tax (all forms)
- v. Purchase Tax
- vi. Luxury Tax
- vii. Taxes on lottery, betting and gambling
- viii. State cesses and surcharges in so far as they relate to supply of goods and services.

Benefits of GST

Government:

- Consolidation of multiple Centre & State taxes
- Increased tax collection on wider tax base
- Improved tax GDP ratio –revenue aligned to the economy
- Better and effective administration

Business:

- Ease of compliance
- Reduction in effective tax rate on goods & services
- Reduction in cascading effect of tax
- Efficient deployment of resources

Consumer:

- Reduction in incidence of tax on goods / services
- Reduce double taxation

GST Rates

The following are the GST Rates applicable for certain goods:

Nil rate

1. Fresh vegetables and fruits
2. Milk and milk products such as curd, , butter milk , unpacked cottage cheese, etc
3. Eggs
4. Salt
5. Postal items, like envelope, Post card etc., sold by Government
6. Rupee notes when sold to the Reserve Bank of India
7. Printed books, including Braille books

5% Rate

1. Sugar
2. Tea, roasted coffee beans
3. Edible oils, packed cottage cheese
4. Frozen vegetables
5. Spices

12% Rate

1. Fruit juice
2. Preparations of vegetables, fruits, nuts or other parts of plants including pickle, jams,etc
3. Butter, Ghee
4. Cheese
5. Candles
6. Pens, pencils

18% Rate

1. Biscuits, pastries and cakes
2. Instant food mixes
3. Condensed milk
4. Hair oil
5. Footwear

28% Rate

1. Chewing gum and white chocolate not containing cocoa
2. Molasses
3. Waffles and wafers coated with chocolate
4. Perfume
5. Washing machines, Vacuum cleaners

The following are the GST Rates for certain services:

Nil Rate

1. Services by Central Government, State Government, Union territory, local authority or governmental authority
2. Services by a hotel, inn, guest house, etc, for residential or lodging purposes, having declared tariff of a unit of accommodation below one thousand rupees per day or equivalent
3. Services by the Reserve Bank of India
4. Services by a veterinary clinic in relation to health care of animals or birds
5. Services by way of loading, unloading, packing, storage or warehousing of rice

5% Rate

1. Transport of passengers by rail in first class or air conditioned coaches
2. Transport of passengers by air in economy class
3. Transport of goods by rail, transport of goods in a vessel
4. Selling of space for advertisement in print media
5. Supply of tour operators services

12% Rate

1. Supply of food/drinks in restaurant not having facility of air-conditioning or central heating and not having license to serve liquor
2. Accommodation in hotels, inns, guest houses, etc having room tariff Rs.1000 and above but less than Rs.2500 per room per day
3. Transport of passengers by air in other than economy class
4. Transport of goods in containers by rail by any person other than Indian Railways
5. Services provided by foreman of chit fund in relation to chit

18% Rate

1. Supply of Food/drinks in restaurant having license to serve liquor
2. Supply of Food/drinks in restaurant having facility of air-conditioning or central heating
3. Supply of Food/drinks in outdoor catering
4. Accommodation in hotels, inns, guest houses, etc where room tariff of Rs 2500/- and above but less than Rs 7500/- per room per day
5. Services by way of admission or access to circus, Indian classical dance including folk dance, theatrical performance, drama
6. All other services not specified elsewhere

28% Rate

1. Accommodation in hotels including 5 star and above rated hotels, inns, guest houses, where room rent is Rs 7500/- and above per day per room
2. Services by way of admission to entertainment events or access to amusement facilities including exhibition of cinematograph films, theme parks, water parks, joy rides, merry-go rounds, go-carting, casinos, race-course, ballet, any sporting event such as Indian Premier League, etc
3. Services provided by a race club by way of totalisator or a license to bookmaker in such club
4. Gambling

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Reverse Charge Mechanism in GST

Under Normal Scenario, tax is paid by a supplier who makes supply of goods or services or both. However, under Reverse Charge Mechanism, liability to pay tax would not be on the supplier of goods or services or both but on the recipient of such goods or services or both.

Some of the reasons for levy of tax under reverse charge mechanism wherein the person receiving the goods or services is liable to pay tax are as follows:

1. Supplier of the goods or services is unregistered and he makes supply of goods or services to a registered person:

Multi point tax system helps creating a trail of the transaction from the start of the supply chain to the end point of supply chain. However, if an unregistered person supplies goods or services or both to a registered person, he breaks the trail of supply chain as he would not be filing any return declaring the details of the person from whom he has received goods or services or both and person to whom he has supplied goods or services.

Therefore, the law requires the registered person to pay tax on such supply received from unregistered person to pay tax on such supply received from unregistered person and avail the credit of the taxes paid, had he received the goods or services from a registered person.

2. Supply of Specific Goods and Services

a. Services through an e-commerce operator:

If an e-commerce operator supplies services then reverse charge will be applicable to the e-commerce operator. He will be liable to pay GST.

For example, UrbanClap provides services of plumbers, electricians, teachers, beauticians etc. UrbanClap is liable to pay GST and collect it from the customers instead of the registered service providers.

If the e-commerce operator does not have a physical presence in the taxable territory, then a person representing such electronic commerce operator for any purpose will be liable to pay tax. If there is no representative, the operator will appoint a representative who will be held liable to pay GST.

b. Supply of certain goods and services specified by CBEC

CBEC has issued a list of goods such as cashew nuts, bidi wrapper leaves, tobacco leaves, etc and a list of services such as Services supplied by a recovery agent to a banking company or a financial institution or a nonbanking financial company, Services supplied by an insurance agent to any person carrying on insurance business, etc on which reverse charge is applicable

GST Registration

Every business carrying out a taxable supply of goods or services and whose turnover exceeds the threshold limit of Rs. 20 lakhs (Rs 10 lakhs for North Eastern and hill states) is required to register as a normal taxable person. Businesses registered under any of the pre-GST laws: VAT, Excise/Service Tax have to register under GST by default.

Registration process:

Any business can get registered under GST by applying via the [GST Online Portal](#) or at GST Seva Kendra set up by the Government of India.

1. Fill Part-A of Form GST REG-01. Provide PAN, mobile number, and E-mail ID, and submit the form.
2. The PAN is verified on the GST Portal. Mobile number and E-mail ID are verified with a one-time password (OTP).
3. An application reference number is sent on the registered mobile and via E-mail.
4. Fill Part- B of Form GST REG-01 and the application reference number is to be specified. Attach the other required documents and submit the form. Following is the list of documents to be uploaded –
 - **Photographs:** Photographs of proprietor, partners, managing trustee, committee etc. and authorized signatory
 - **Constitution of taxpayer :** Partnership deed, registration certificate or other proof of constitution
 - **Proof of principal / additional place of business :**
 - **For own premises** – Any document in support of the ownership of the premises like latest property tax receipt or Municipal *Khata* copy or copy of electricity bill.
 - **For rented or leased premises** – copy of rent / lease agreement along with owner's (landlord) documents like latest property tax receipt or Municipal *Khata* copy or copy of electricity bill.
 - **Bank account related proof :** Scanned copy of the first page of bank pass book or bank statement
 - **Authorization forms:** For each authorized signatory, upload authorization copy or a copy of resolution of managing committee or board of directors in the prescribed format.
5. If additional information is required, Form GST REG-03 will be issued to you. You need to respond in Form GST REG-04 with required information within 7 working days from the date of receipt of Form GST REG-03.
6. If you have provided all required information via Form GST REG-01 or Form GST REG-04, a certificate of registration in Form GST REG-06 will be issued within 3 days from date of receipt of Form GST REG-01 or Form GST REG-04.
7. If the details submitted are not satisfactory, the registration application is rejected using Form GST REG-05.

GST Returns

A return is a document containing details of income which a taxpayer is required to file with the tax administrative authorities. This is used by tax authorities to calculate tax liability.

Under GST, a registered dealer has to file GST returns that include:

- Purchases
- Sales
- Output GST (On sales)
- Input tax credit (GST paid on purchases)

Types of GST Returns

Return Form	What to file?	By Whom?	By When?
GSTR-1	Details of outward supplies of taxable goods and/or services effected	Registered Taxable Supplier	10th of the next month
GSTR-2	Details of inward supplies of taxable goods and/or services effected claiming input tax credit.	Registered Taxable Recipient	15th of the next month
GSTR-3	Monthly return on the basis of finalization of details of outward supplies and inward supplies along with the payment of amount of tax.	Registered Taxable Person	20th of the next month
GSTR-4	Quarterly return for compounding taxable person.	Composition Supplier	18th of the month succeeding quarter
GSTR-5	Return for Non-Resident foreign taxable person	Non-Resident Taxable Person	20th of the next month

GSTR-6	Return for Input Service Distributor	Input Service Distributor	13th of the next month
GSTR-7	Return for authorities deducting tax at source.	Tax Deductor	10th of the next month
GSTR-8	Details of supplies effected through e-commerce operator and the amount of tax collected	E-commerce Operator/Tax Collector	10th of the next month
GSTR-9	Annual Return	Registered Taxable Person	31st December of next financial year
GSTR-10	Final Return	Taxable person whose registration has been surrendered or cancelled.	Within three months of the date of cancellation or date of cancellation order, whichever is later.
GSTR-11	Details of inward supplies to be furnished by a person having UIN	Person having UIN and claiming refund	28th of the month following the month for which statement is filed

All these returns are required to be filed digitally online through a common portal to be provided by GSTN, non-government, private limited company promoted by the central and state governments with the specific mandate to build the IT infrastructure and the services required for implementing Goods and Services Tax (GST).

Penalty for late filing of GST return

A penalty of ₹100 per day is applicable for late filing of GST return. The penalty would be payable for the period in which the taxpayer failed to furnish the return up to a maximum penalty of ₹ 5000.

If GST return for a month is not filed, then the GST return for the next month cannot be filed by the taxpayer. Further, if a taxpayer fails to file GSTR-1 return on the 10th, then the taxpayer would not be able to file GSTR-2 return on the 15th. Hence, late filing of GST return will have a cascading effect leading to heavy fines and penalty.

2. PROFESSION TAX

Profession Tax is a State Government Tax in India. It is not levied by few states of India. It is a tax which is levied by the State on the income earned by the way of profession, trade, calling or employment. This form of tax was first levied in India in the year 1949 and the power to levy Profession tax has been given to the States by the way of Clause (2) of Article 276 of the Constitution of India.

Any amount paid as Profession Tax to the State Government is allowed as a deduction under section 16 of the Income Tax Act and Income tax on the balance amount is levied as the per the Income Tax Slab Rates in force.

In case of Salaried and Wage earners, the profession tax is liable to be deducted by the Employer from the Salary/Wages and the Employer is liable to deposit the same with the State government. In case of other class of individuals, the tax is liable to be paid by the person himself.

Profession tax is collected by some state governments, while in some states which have active Panchayats, the local bodies levy and collect the tax. Every person liable to pay this tax (either for self or on behalf of its employees) shall apply for Profession Tax Registration in the prescribed form.

As the states are empowered to levy and collect this tax, different states levy Profession tax as per different slab rates e.g. In Maharashtra, the profession tax is governed by The Maharashtra State Tax on Professions, Trades, Callings and Employment Act, 1975. The slab rates on Salary and Wages are:

Monthly Salary	Amount Payable in Maharashtra
Less than ₹ 7500	Nil
₹ 7501 to ₹ 10000	₹ 175 pm
₹ 10001 and above	₹ 200 per month except for the month of Feb and ₹ 300 for the month of Feb

For other class of individuals, the Maharashtra State Govt. has prescribed different slab rates and the Individual himself is liable to pay this tax. Profession Tax for most self employed individuals is ₹2,500 p.a.

3. LICENSE UNDER SHOPS AND ESTABLISHMENT ACT

It's a subject matter of States in India which is to be monitored by the Local Authority.

The Shop and Establishment Act is regulated by the Department of Labor and regulates premises wherein any trade, business or profession is carried out. The act not only regulates the working of commercial establishments, but also societies, charitable trusts, printing establishments, educational institutions run for gain and premises in which banking, insurance, stock or share brokerage is carried on.

The Shop and Establishment Act in India is promulgated by the state and may slight differ from state to state. However, as per the Act, all shops and commercial establishments operating within each state are covered by the respective Shop & Establishments Act.

Shops are defined as premises where goods are sold either by retail or wholesale or where services are rendered to customers, and include an office, a store-room, godown, warehouse or workhouse or work place. Establishments are defined as shop, a commercial establishment, residential hotel, restaurant, eating-house, theatre or other places of public amusement or entertainment. Further, establishments as defined by the act may also include such other establishments as defined by the Government by notification in the Official Gazette. However, factories are not covered by the shops & establishments act and are regulated by the Factories Act, 1948.

The Shop and Establishment Act regulates a number of aspects relating to the operation of a shop or commercial establishment. Some of the key areas regulated by the shop and establishment act include:

- Hours of work
- Interval for rest and meals
- Prohibition of employment of children
- Employment of young person or women
- Opening and closing hours
- Close days
- Weekly holidays
- Wages for holidays
- Time and conditions of payment of wages
- Deductions from wages
- Leave policy
- Dismissal
- Record keeping

More details relating to the above aspects can be found in the shop and establishment act promulgated by each state government. e.g. Any citizen who wishes to open new shop or a commercial establishment within the jurisdiction of Government of Maharashtra, has to register itself under The Bombay Shops and Commercial Establishment Act, 1948.

There is an annual registration fee under this Act, which is based on the number of employees. This ranges from ₹100 p.a. to ₹ 4,500 p.a.

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