

# GST Update

Weekly Update  
30.03.2019

- This Presentation covers the GST changes / observations/ press releases/ Tweet FAQs/ Sectoral FAQs released by CBEC since the last update on 23.03.2019. It supplements the earlier GST Updates.
- This presentation is based on CGST Act/Rules/ Notifications. Similar parallel provisions in State Laws may be referred to as required

- Two Central Tax Notifications and seven Central Tax (Rate) Notifications issued; Corresponding seven Integrated Tax(Rate) and seven UT Tax (Rate) notifications issued
- Three CBIC GST Circulars issued;
- Changes in E- Way Bill System announced by NIC
- Significant Changes in GST effective w.e.f 1<sup>st</sup> April, 2019

# Forthcoming changes in e-Waybill system

- <https://docs.ewaybillgst.gov.in/Documents/Forthcomingchangesinewaybill.pdf>
- **Auto calculation of route distance based on PIN code for generation of EWB**
- E-waybill system is being enabled to auto calculate the route distance for movement of goods, based on the Postal PIN codes of source and destination locations.
- User is allowed to enter the actual distance as per his movement of goods. However, it will be limited to 10% more than the displayed distance for entry.
- If the PIN entered is incorrect, the system would alert the user as INVALID PIN CODE.

# Forthcoming changes in e-Waybill system (Contd)

- **Blocking of generation of multiple E-Way Bills on one Invoice/document**
- Based on the representation received by the transporters, the government has decided not to allow generation of multiple e-way bills based on one invoice, by any party – consignor, consignee and transporter. That is, once E-way Bill is generated with an invoice number, then none of the parties - consignor, consignee or transporter - can generate the E-Way Bill with the same invoice number. **One Invoice, One E-way Bill** policy is followed. The change will come in the next version

# Forthcoming changes in e-Waybill system (Contd)

- **Extension of E-Way Bill in case Consignment is in Transit**
- A provision is being incorporated to extend the E-way Bill, when the goods are in transit. The transit means the goods could be on Road or in Warehouse.
- During the extension of the e-way bill, the user is prompted to answer whether the Consignment is in Transit or in Movement. On selection of In Transit, the address details of the transit place need to be provided. On selection of In Movement the system will prompt the user to enter the Place and Vehicle details from where the extension is required. In both these scenarios, the destination PIN will be considered from the PART-A of the E-way Bill for calculation of distance for movement and validity date.

# Forthcoming changes in e-Waybill system (Contd)

- **Blocking of Interstate Transactions for Composition dealers**
- As per the GST Act, the composition tax payers are not supposed to do Interstate transactions. Hence next version will not allow generation of e-way bill for inter-state movement, if the supplier is composition tax payer. Also, the supplies of composition tax payers will not be allowed to enter any of the taxes under CGST or SGST for intrastate transactions. In case of Composition tax payer, document type of Tax Invoice will not be enabled.

# Transfer of ITC in case of death of sole proprietor

- **Circular No. 96/15/2019-GST dated 28th March, 2019**
- Section 29(1)(a) of the CGST Act, 2019- Cancellation of registration on account of transfer of business for any reason including death of the proprietor
- For the purpose of sections 18(3), 22(3) and 85(1) of CGST Act and rule 43(1) of CGST Rules, Transfer or change in the ownership of business will include transfer or change in the ownership of business due to death of the sole proprietor



# Transfer of ITC in case of death of sole proprietor (Contd)

- In case of death of sole proprietor if the business is continued by any person being transferee or successor, the input tax credit which remains un-utilized in the electronic credit ledger is allowed to be transferred to the transferee
- **Registration liability of the transferee / successor:** As per section 22(3) of the CGST Act, the transferee or the successor, as the case may be, shall be liable to be registered with effect from the date of such transfer or succession, where a business is transferred to another person for any reasons including death of the proprietor. While filing application in FORM GST REG-01 electronically in the common portal the applicant is required to mention the reason to obtain registration as “death of the proprietor”.

# Transfer of ITC in case of death of sole proprietor (Contd)

- **Cancellation of registration on account of death of the proprietor:** Section 29(1)(a) of the CGST Act, allows the legal heirs in case of death of sole proprietor of a business, to file application for cancellation of registration in FORM GST REG-16 electronically on common portal. In FORM GST REG-16, reason for cancellation is required to be mentioned as “death of sole proprietor”.
- The GSTIN of transferee to whom the business has been transferred is also required to be mentioned to link the GSTIN of the transferor with the GSTIN of transferee.

# Transfer of ITC in case of death of sole proprietor (Contd)

- **Transfer of input tax credit and liability:** In case of death of sole proprietor, if the business is continued by any person being transferee or successor of business, it shall be construed as transfer of business.
- Section 18(3) of the CGST Act, allows the registered person to transfer the unutilized input tax credit lying in his electronic credit ledger to the transferee in the manner prescribed in rule 41 of the CGST Rules, where there is specific provision for transfer of liabilities.
- As per section 85(1) of the CGST Act, the transferor and the transferee / successor shall jointly and severally be liable to pay any tax, interest or any penalty due from the transferor in cases of transfer of business.

# Transfer of ITC in case of death of sole proprietor (Contd)

- Section 93(1) of the CGST Act provides that where a person, liable to pay tax, interest or penalty under the CGST Act, dies, then the person who continues business after his death, shall be liable to pay tax, interest or penalty due from such person under this Act.
- It is therefore clarified that the transferee / successor shall be liable to pay any tax, interest or any penalty due from the transferor in cases of transfer of business due to death of sole proprietor.

# Transfer of ITC in case of death of sole proprietor (Contd)

- **Manner of transfer of credit:** As per rule 41(1) of the CGST Rules, a registered person shall file FORM GST ITC-02 electronically on the common portal with a request for transfer of unutilized input tax credit lying in his electronic credit ledger to the transferee, in the event of sale, merger, de-merger, amalgamation, lease or transfer or change in the ownership of business for any reason. In case of transfer of business on account of death of sole proprietor, the transferee / successor shall file FORM GST ITC-02 in respect of the registration which is required to be cancelled on account of death of the sole proprietor. FORM GST ITC-02 is required to be filed by the transferee/successor before filing the application for cancellation of such registration. Upon acceptance by the transferee / successor, the un-utilized input tax credit specified in FORM GST ITC-02 shall be credited to his electronic credit ledger.

# Verification of applications for grant of new registration

- **Circular No. 95/14/2019-GST dated 28<sup>th</sup> March, 2019**
- A large number of registrations have been cancelled by the proper officer under the provisions of section 29(2) of the CGST Act, 2017 read with rule 21 of the CGST Rules, 2017 on account of non-compliance of the said statutory provisions.
- Those who continue to carry on business and therefore are required to have registration under GST, need to apply for revocation of cancellation of registration as specified in section 30 of the CGST Act read with rule 23 of the CGST Rules.
- Instead, such persons are applying for fresh registration. Such new applications might have been made as such person may not have furnished requisite returns and not paid tax for the tax periods covered under the old/cancelled registration.

# Verification of applications for grant of new registration (Contd)

- It is possible that the applicant may suppress some material information in relation to earlier registration. Some of the information that may be concealed in the application for registration in FORM GST REG -01 are S. No. 7 “Date of Commencement of Business”, S. No. 8 “Date on which liability to register arises”, S. No. 14 “Reason to obtain registration” etc. Such persons may also not furnish the details of earlier registrations, if any, obtained under GST on the same PAN.
- Section 25(10) of the CGST Act read with rule 9 of the CGST Rules provide for rejection of application for registration if the information or documents submitted by the applicant are found to be deficient

# Verification of applications for grant of new registration (Contd)

- Not applying for revocation of cancellation of registration along with the continuance of the conditions specified in clauses (b) and (c) of section 29(2) of the CGST Act shall be deemed to be a “deficiency” within the meaning of rule 9(2) of the CGST Rules.
- The proper officer may compare the information pertaining to earlier registrations with the information contained in the present application, the grounds on which the earlier registration(s) were cancelled and the current status of the statutory violations for which the earlier registration(s) were cancelled.



# Verification of applications for grant of new registration (Contd)

- The data may be verified on common portal by fetching the details of registration taken on the PAN mentioned in the new application vis-a-vis cancellation of registration obtained on same PAN. The information regarding the status of other registrations granted on the same PAN is displayed on the common portal to both the applicant and the proper officer.
- Further, if required, information submitted by applicant in S. No. 21 of FORM GST REG-01 regarding details of proprietor, all partner/Karta/Managing Directors and whole time Director/Members of Managing Committee of Associations/Board of Trustees etc. may be analysed vis-à-vis any cancelled registration having same details.

# Verification of applications for grant of new registration (Contd)

- If proper officer finds that application for revocation of cancellation of registration has not been filed and the conditions specified in clauses (b) and (c) of section 29(2) of the CGST Act are still continuing, then, the same may be considered as a ground for rejection of application for registration in terms of sub-rule (2) read with sub-rule (4) of rule 9 of CGST Rules.
- Thus, where the applicant fails to furnish sufficient convincing justification or the proper officer is not satisfied with the clarification, information or documents furnished, then, his application for fresh registration may be considered for rejection.

# Clarifications on Refunds

- **Circular No. 94/13/2019-GST dated 28<sup>th</sup> March, 2019**
- **Refund of accumulated ITC on account of inverted tax structure:** As a one-time measure, refund of accumulated ITC on account of inverted tax structure, for the period(s) in which there is reversal of the ITC required to be lapsed (in terms of notification No. 20/2018- Central Tax (Rate) dated 26.07.2018 read with circular No. 56/30/2018-GST dated 24.08.2018), is to be claimed under the category “any other” instead of under the category “refund of unutilized ITC on account of accumulation due to inverted tax structure” in FORM GST RFD-01A.

## Clarifications on Refunds (Contd)

- On receiving the said application, the proper officer shall himself calculate the refund amount admissible as per rule 89(5) of CGST Rules, 2017, in the manner detailed in para 3 of Circular No. 59/33/2018-GST dated 04.09.2018. After calculating the admissible refund amount, as described above, and scrutinizing the application for completeness and eligibility, if the proper officer is satisfied that the whole or any part of the amount claimed is payable as refund, he shall request the taxpayer, in writing, to debit the said amount from his electronic credit ledger through FORM GST DRC-03.
- Once the proof of such debit is received by the proper officer, he shall proceed to issue the refund order in FORM GST RFD-06 and the payment advice in FORM GST RFD-05.

## Clarifications on Refunds (Contd)

- Implications if any registered person reverses the amount of credit to be lapsed, through the return in FORM GSTR-3B for any month subsequent to August, 2018 or through FORM GST DRC-03 subsequent to the due date of filing of the return in FORM GSTR-3B for the month of August, 2018?
- He shall be liable to pay interest under of section 50(1) of the CGST Act on the amount which has been reversed belatedly.
- Such interest shall be calculated starting from the due date of filing of return in FORM GSTR3B till the date of reversal of said amount.

## Clarifications on Refunds (Contd)

- How should a merchant exporter claim refund of input tax credit availed on supplies received on which the supplier has availed the benefit of notification No. 40/2017-Central Tax (Rate), dated the 23rd October, 2017, or notification No. 41/2017-Integrated Tax (Rate), dated the 23rd October, 2017, (0.1% scheme)?
- This refund of accumulated ITC under rule 89(4B) of the CGST Rules shall be applied under the category “any other” instead of under the category “refund of unutilized ITC on account of exports without payment of tax” in FORM GST RFD-01A.

## Clarifications on Refunds (Contd)

- If the proper officer is satisfied that the whole or any part of the amount claimed is payable as refund, he shall request the taxpayer, in writing, to debit the said amount from his electronic credit ledger through FORM GST DRC-03.
- Once the proof of such debit is received by the proper officer, he shall proceed to issue the refund order in FORM GST RFD-06 and the payment advice in FORM GST RFD-05.

- **Cases of refund in which re-credit of refund of unutilised ITC claimed has already been carried out while issuing deficiency memo:**
- In such cases, the claimant may resubmit the refund application manually in FORM GST RFD-01A after correction of deficiencies pointed out in the deficiency memo, using the same ARN. The proper officer shall then proceed to process the refund application as per the existing guidelines. After scrutinizing the application for completeness and eligibility, if the proper officer is satisfied that the whole or any part of the amount claimed is payable as refund, he shall request the taxpayer, in writing, to debit the said amount from his electronic credit ledger through FORM GST DRC-03. Once the proof of such debit is received by the officer, he shall proceed to issue the refund order in FORM GST RFD-06 and the payment advice in FORM GST RFD-05.



## Last Date for ITC-04

- **Notification No. 15 /2019 – Central Tax dated 28<sup>th</sup> March, 2019**
- The time limit for furnishing the declaration in FORM GST ITC-04 in respect of goods dispatched to a job worker or received from a job worker, during the period from July, 2017 to March, 2019
- Extended till the 30<sup>th</sup> June, 2019.

- Rule 41(1) of the CGST Rules, 2017
- Following explanation inserted-
- Explanation: - For the purpose of this sub-rule, it is hereby clarified that the “value of assets” means the value of the entire assets of the business, whether or not input tax credit has been availed thereon.”
- Such an explanation clause was earlier inserted in rule 41A w.e.f 1<sup>st</sup> February, 2019. Same has now been inserted in rule 41(1) as well

# Amendment to CGST Rules, 2017 (Contd)

- **Rule 88A. Order of utilization of input tax credit.-**
- Input tax credit on account of integrated tax shall first be utilised towards payment of integrated tax, and the amount remaining, if any, may be utilised towards the payment of central tax and State tax or Union territory tax, as the case may be, in any order:
- Provided that the input tax credit on account of central tax, State tax or Union territory tax shall be utilised towards payment of integrated tax, central tax, State tax or Union territory tax, as the case may be, only after the input tax credit available on account of integrated tax has first been utilised fully.”.

# Amendment to CGST Rules, 2017 (Contd)

- Section 100 (Assessment in special cases and Section) and 142 (Notice and order for demand of amounts payable under the Act) substituted
- For all notices, statements, assessment orders, adjudication orders, or rectification of orders, a summary thereof shall also be served electronically in form DRC-01 or DRC-02 or DRC-07 or DRC-08 as the case may be.
- News forms DRC-01,02,07 & 08 substituted

# **GST on Real Estate Sector (Changes w.e.f 1<sup>st</sup> April, 2019)**

- Six Notifications No. 3 to 8/2019-Central Tax (Rate) all dated 29<sup>th</sup> March, 2019
- Six Notifications No. 3 to 8/2019-Integrated Tax (Rate) all dated 29<sup>th</sup> March, 2019
- Six Notifications No. 3 to 8/2019-UT Tax (Rate) all dated 29<sup>th</sup> March, 2019
- One Notification No. 16/2019 – Central Tax dated 29<sup>th</sup> March, 2019 amending the CGST Rules, 2017

- GST Rates for Real Estate Sector to be effective from 1<sup>st</sup> April, 2019
  - Affordable housing properties: Effective GST rate of 1% without ITC
  - Residential properties outside affordable segment: Effective GST rate of 5% without ITC
- **Definition of affordable housing:**
  - A residential house/flat of carpet area of up to 90 sqm in non-metropolitan cities/towns and 60 sqm in metropolitan cities having value up to Rs. 45 lacs (both for metropolitan and non-metropolitan cities).
  - Metropolitan Cities are Bengaluru, Chennai, Delhi NCR (limited to Delhi, Noida, Greater Noida, Ghaziabad, Gurgaon, Faridabad), Hyderabad, Kolkata and Mumbai (whole of MMR).

- **Option in respect of ongoing projects**
- 'Option' only for existing projects. For new projects, new rates will be applicable.
- One-time option (to be exercised once by 10<sup>th</sup> May, 2019) to continue to pay tax at the old rates (effective rate of 8% or 12% with ITC) on ongoing projects (buildings where construction and actual booking have both started before 01.04.2019) and which have not been completed by 31.03.2019.



- “On-going project” has been defined to mean a project
  - Which has received commencement certificate and
  - Certificate from an architect or other notified person that the construction has started and completion of the project has not been received
  - Earth work for site-preparation is completed and excavation has started before 31 March 2019.
  - At least some apartments in the project should have been booked prior to 1 April 2019.
  - At least one instalment should have been received from the flat buyer and should be credited to the bank account of the promoter.
- The meaning of the various terms including that of promoter, project, carpet area has been aligned to that under RERA.

- New effective rate of 1% without input tax credit (ITC) on construction of affordable houses shall be available for,
  - a) all houses which meet the definition of affordable houses as decided by GSTC (area 90 sqm in non- metros / 60 sqm in metros and value upto RS. 45 lakhs), and
  - b) affordable houses being constructed in ongoing projects under the existing central and state housing schemes presently eligible for concessional rate of 8% GST (after 1/3rd land abatement).

- New effective rate of 5% without input tax credit shall be applicable on construction of,-
  - a. All houses other than affordable houses in ongoing projects whether booked prior to or after 01.04.2019. In case of houses booked prior to 01.04.2019, new rate shall be available on instalments payable on or after 01.04.2019.
  - b. All houses other than affordable houses in new projects.
  - c. Commercial apartments such as shops, offices etc. in a residential real estate project (RREP) in which the carpet area of commercial apartments is not more than 15% of total carpet area of all apartments.

- **Conditions for the new tax rates:**
- The new tax rates of 1% (on construction of affordable) and 5% (on other than affordable houses) shall be available subject to following conditions,-
  - a) Input tax credit shall not be available,
  - b) 80% of inputs and input services (other than capital goods, TDR/ JDA, FSI, long term lease (premiums)) shall be purchased from registered persons. On shortfall of purchases from 80%, tax shall be paid by the builder @ 18% on RCM basis. However, Tax on cement purchased from unregistered person shall be paid @ 28% under RCM, and on capital goods under RCM at applicable rates.

- **Transition for ongoing projects opting for the new tax rate**
- Ongoing projects (buildings where construction and booking both had started before 01.04.2019) and have not been completed by 31.03.2019 opting for new tax rates shall transition the ITC as per method prescribed under Annexure-I (For REP Projects) and Annexure-II (For RREP Projects) of the Notification No. 11/2017- Central Tax (Rate), dated 28th June, 2017, as amended by Notn 03/2019-CT(R) dated 29<sup>th</sup> March, 2019
- Thus, transition would be on pro-rata basis based on a simple formula such that credit in proportion to booking of the flat and invoicing done for the booked flat is available subject to a few safeguards.

- **Amendment to ITC rules**
- Rule 42 and 43 of CGST Rules, 2017 have been suitably amended to bring greater clarity on monthly and final determination of ITC and reversal thereof in real estate projects. Also Annexure-I (For REP Projects) and Annexure-II (For RREP Projects) are added to the Notification No. 11/2017-Central Tax (Rate), dated 28th June, 2017 providing procedure for reversal of input tax credit.

- The new scheme provides for reversal of ITC on the following parameters:
- Entire ITC in respect of the project, availed from 1 July 2017 (including transitional credit) or the date of start of project whichever is later, would be computed.
- The total carpet area of the project would further be divided in the proportion of commercial (full rate), residential (full rate), residential (new rate) and commercial being part of RREP (new rate).
- The total eligible credit would be proportionately allowed only to the extent of the tax paid on apartments taxed at full rate.

- The total eligible credit would be computed mainly on the basis of following three parameters as on 31-03-2019 viz –
  - Percentage of booking
  - Percentage of invoicing and consideration received
  - Percentage of completion of construction
- Different methods have been provided for computing the eligible ITC under separate tax heads (IGST, CGST, SGST respectively).



- **Mandatory condition for opting new rate of tax (RCM):**  
Notification no. 3/2019 and 7/2019 and annexure III of 3/2019
- At least 80% of the total purchases (excluding capital goods, TDR, FSI, high speed diesel, electricity, motor spirit, etc) should be procured from registered dealers. The criteria of 80% should be applied to each project on a financial year basis.
- In case of shortfall, tax would have to be paid on reverse charge only to the extent of shortfall. The rate of tax applicable for shortfall would be 18% in case of goods and services other than cement. In case of cement the rate of tax would be 28%.

- **Mandatory condition for opting new rate of tax (RCM):**
- In case of capital goods although the criteria of 80% does not apply, each and every purchase of capital goods should be procured from registered dealers only.
- In case of purchase of capital goods from unregistered dealer, the entire liability to pay tax would be on the promoter under reverse charge mechanism.

- **Treatment of TDR/ FSI and Long term lease for projects commencing after 01.04.2019 (Notification No.04/2019-C.T(Rate) dated 29.03.2019**
- Supply of TDR, FSI, long term lease (premium) of land by a landowner to a developer shall be exempted subject to the condition that the constructed flats are sold before issuance of completion certificate and tax is paid on them.
- Exemption of TDR, FSI, long term lease (premium) shall not be available in case of flats, which remain un-booked on the date of issuance of completion certificate, but such withdrawal shall be limited to 1% of value in case of affordable houses and 5% of value in case of other than affordable houses. This will achieve a fair degree of taxation parity between under construction and ready to move property.

- **Treatment of TDR/ FSI and Long term lease for projects commencing after 01.04.2019 (Notification No.07/2019-C.T(Rate) dated 29.03.2019**
- The liability to pay tax on TDR, FSI, long term lease (premium) shall be on the Promoter instead of land owner under the reverse charge mechanism (RCM).
- The date on which builder shall be liable to pay tax on TDR, FSI, long term lease (premium) of land under RCM in respect of flats sold after completion certificate shall be the date of issue of completion certificate. **(Notification No.04/2019-C.T(Rate) dated 29.03.2019**
- The liability of builder to pay tax on construction of houses given to land owner in a JDA is shifted to the date of completion

- **Treatment of TDR/ FSI and Long term lease for projects commencing and supply of Construction service in lieu thereof- after 01.04.2019 (Notification No.06/2019-C.T(Rate) dated 29.03.2019**
- The liability of builder to pay tax on construction of houses given to land owner in a JDA is shifted to the date of issuance of completion certificate

- **Treatment of TDR/ FSI and Long term lease etc**
- To the extent of the unsold apartments, proportionate tax would have to be paid on the value of transfer of such rights.
- The value of such rights is deemed to be equal to the value of similar apartments charged by the promoter from the independent buyers nearest to the date on which such development rights or FSI is transferred to the promoter. Such tax would be payable only at the time of completion.
- Further, the tax payable on such value shall be capped so as to not exceed the tax calculated at the rate applicable on the unsold units as on the date of completion.

# Changes in GST w.e.f 1<sup>st</sup> April, 2019

# Threshold limit for registration

- **Threshold Limit for Registration (GOODS): -**
- **Provisions Before 1st April 2019**
- Threshold Limit for Registration in case of “ Goods” (all over India) except persons engaged in making Supplies in the state of Arunacahal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Puducherry, Sikkim, Telengana, Tripura, Uttrakhanad is Rs. 20 lakhs
- **Provisions After 1st April 2019**
- Threshold Limit for Registration in case of goods (all over India) except persons engaged in making Supplies in the state of Arunacahal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Puducherry, Sikkim, Telengana, Tripura, Uttrakhanad will be Rs. 40 lakhs.



# Threshold limit for registration (Contd)

- Threshold Limit for Registration in case of Goods where Rs. 40 lakhs is not applicable in following cases:-
  - Persons required to take compulsory registration under section 24 (Example – Online Sale E-Commerce Operator).
  - Persons engaged in supply of Ice Cream and other edible ice, whether or not containing cocoa, Pan Masala, Tobacco and manufactured tobacco substitutes.

# Threshold limit for registration (Contd)

- **Threshold Limit for Registration (SERVICES) Continues same as before 1<sup>st</sup> April, 2019**
- **Provisions Before 1st April 2019: -**
- Threshold Limit for Registration in case of Services engaged in making Supplies in the state of Arunacahal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Puducherry, Sikim, Telengana, Tripura, Uttrakhanad is Rs. 10 lakhs
- For other States, it was Rs. 20 lakhs
- **Provisions After 1st April 2019:**
- Threshold Limit for Registration in case of Services except persons engaged in making Supplies in the state of Arunacahal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Puducherry, Sikim, Telengana, Tripura, Uttrakhanad is Rs. 20 lakhs

# Threshold limit for registration

- **Notification No. 10/2019-Central Tax dated 7<sup>th</sup> March, 2019**
- Threshold limit for registration ( For those engaged in exclusive supply of goods-
  - **Enhanced to Rs. 40 lacs**
  - Except persons engaged in making intra-State supplies in the States of Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Puducherry, Sikkim, Telangana, Tripura, Uttarakhand
  - Except persons required to take compulsory registration under section 24
  - Except suppliers of Ice cream and other edible ice, whether or not containing cocoa; Pan masala; Tobacco and manufactured tobacco substitutes
- The **threshold for registration for service providers** would continue to be Rs 20 lakhs and in case of Special category States Rs 10 lakhs

# Composition Levy

- **Composition Levy.**
- **Provisions Before 1st April 2019:-**
- The threshold turnover limit.....
  - For Trader, Manufacturer – Rs. 1 Crore
  - For Restaurant Service Only – Rs. 1 Crore
- The Rate –
  - For Trader, Manufacturer – 1%
  - For Restaurant Service– 5%.
- For Services, other than restaurant scheme – No composition scheme
- However, Trader/Manufacturer can provide services to the extent of ten percent of turnover subject to maximum Rs. 5 lacs

## Composition Levy (Contd)

- **Provisions after 1st April 2019:-**
- **The threshold turnover limit**
  - For Trader, Manufacturer – Rs. 1.5 Crore
  - For Restaurant Service – Rs. 1.5 Crore
- The Threshold limit in any of the following States, namely: –
- (i) Arunachal Pradesh, (ii) Manipur, (iii) Meghalaya, (iv) Mizoram, (v) Nagaland, (vi) Sikkim, (vii) Tripura, (viii) Uttarakhand
  - is Rs.75 lakhs.

## Composition Levy (Contd)

- The Rate of GST under composition scheme-
  - **For Trader, Manufacturer –**
    - 1% ( 0.5% CGST plus 0.5% SGST)
  - **For Restaurant Service –**
    - 5% (2.5% CGST plus 2.5% SGST)
  - **For Other Service Providers whose turnover in the preceding Financial Year Rs. 50 lakhs –**
    - 6% ( 3% CGST & 3% SGST)

## Applicability of Composition Scheme-

- Not engaged in making any supply which is not leviable to tax under the CGST Act.
- Not engaged in making any inter state outward supply.
- Neither a Casual Taxable Person nor a Non Resident Taxable Person
- Not engaged in making any supply through an e-commerce operator who is required to collect tax at source under section 52
- Shall not collect any tax from the recipient on supplies made by him nor shall be entitled to any credit of ITC
- Shall issue Bill of Supply instead of Tax Invoice.
- not eligible to collect tax on supplies
- The composition taxpayer will file GSTR-4.

# Composition Scheme for 2019-20

- The registered persons need to file GST CMP 02 viz Intimation to opt for composition scheme- before 31st March 2019, the deadline, to opt in for Composition levy for FY 2019-20



- **Notification No. 2/2019-Central Tax (Rate) dated 7<sup>th</sup> March, 2019**
- First supplies of goods or services or both up to an aggregate turnover of **fifty lakh rupees** made on or after the 1st day of April in any financial year, by a registered person
- Shall be liable to pay central tax at the rate of three percent on all outward supplies ( Total 6%)
- The CGST Rules, 2017, as applicable to a person paying tax under section 10 of the said Act shall, mutatis mutandis, apply to a person paying tax under this notification.

- **Conditions:**
- Not engaged in making any supply which is not leviable to tax under the CGST Act
- Not engaged in making any inter-State outward supply
- Neither a casual taxable person nor a non-resident taxable person
- Not engaged in making any supply through an electronic commerce operator who is required to collect tax at source under section 52
- Shall not collect any tax from the recipient on supplies made by him nor shall he be entitled to any credit of input tax.

# Composition Scheme for Services (Contd)

- **Conditions:**
- Shall issue, instead of tax invoice, a **bill of supply** as referred to in section 31(3)(c) of the CGST Act with particulars as prescribed in rule 49 of CGST Rules.
- The registered person shall mention the following words at the top of the bill of supply, namely: - ‘taxable person paying tax in terms of notification No. 2/2019-Central Tax (Rate) dated 07.03.2019, not eligible to collect tax on supplies’.
- Shall be liable to pay central tax on inward supplies on which he is liable to pay tax under Section 9(3) or 9(4) of CGST Act at the applicable rates.

# Composition Scheme for Services (Contd)

Explanation:

**“First supplies of goods or services or both”** shall, for the purposes of determining eligibility of a person to pay tax under this notification, include the supplies from the first day of April of a financial year to the date from which he becomes liable for registration under the said Act but for the purpose of determination of tax payable under this notification shall not include the supplies from the first day of April of a financial year to the date from which he becomes liable for registration under the Act.

# Composition Scheme for Services ( Contd)

- **Removal of Difficulty Order No. 3/2019-Central Tax dated 8<sup>th</sup> March, 2019**
- The provisions of Section 31(3)(c) of the CGST Act, 2017 shall apply to a person paying tax under Notification No. 2/2019-Central Tax (Rate) dated 07.03.2019 ( Composition Scheme for Services)
- Section 31(3)(c) provides for issue of bill of supply by composition taxpayers. Thus, instead of a tax invoice, a bill of supply will be issued by a person opting for composition scheme for services.

- **Notification No. 9/2019-Central Tax (Rate) dated 29 th March, 2019**
- “8. Where any registered person who has availed of input tax credit opts to pay tax under this notification, he shall pay an amount, by way of debit in the electronic credit ledger or electronic cash ledger, equivalent to the credit of input tax in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock and on capital goods as if the supply made under this notification attracts the provisions of section 18(4) of the said Act and the rules made there-under and after payment of such amount, the balance of input tax credit, if any, lying in his electronic credit ledger shall lapse.”

## Any ISSUES/ queries?



- <https://cbec-gst.gov.in/>
- [CBEC MITRA HELPDESK](#)
  - 1800 1200 232
  - [cbecmitra.helpdesk@icegate.gov.in](mailto:cbecmitra.helpdesk@icegate.gov.in)
- GSTN Help Desk
  - <https://selfservice.gstsystem.in/> - Grievance redressal portal
  - Help Desk Number: 0120-4888999

# Any ISSUES/ queries?

- Twitter Handles
- For General Questions
- [https://twitter.com/askGST\\_GoI](https://twitter.com/askGST_GoI)
- For technology related issues
- <https://twitter.com/askGSTech>
- NACIN twitter
- [https://twitter.com/NACIN\\_OFFICIAL](https://twitter.com/NACIN_OFFICIAL)



**THANK YOU**