CAREER STUDY
The Learning App

UNIT-3
INPUT TAX CREDIT

1. What is input?

Ans. Input tax means the Central tax (CGST), State tax (SGST), integrated tax (IGST) or Union territory tax (UTGST) charged on supply of goods or services or both including capital goods made to a registered person. It also includes tax paid on reverse charge basis and integrated tax charged on import of goods. It does not include tax paid under composition levy.

2. What is input tax credit?

Ans. Input Tax Credit means the credit of input tax on the supplies of goods or services or both received by a registered person. Tax paid on capital goods also permitted to be availed in one instalment, which is used in the course of business, subject to certain conditions and restrictions.

3. What are the eligibility/conditions prescribed to avail input tax credit?

Ans. The following are the eligibility and conditions for taking input tax credit:

(i) Every registered person shall be entitled to take credit of input tax charged on any supply of goods or services or both to him which are used or intended to be used in the course or furtherance of his business and the said amount shall be credited to the electronic ledger of such person.

(ii) No registered person shall be entitled to the credit of any input tax in respect of any supply of goods or services or both to him unless:

(a) He is in possession of a tax invoice or debit note issued by a supplier registered under this Act, or such other taxpaying documents;

(b) He has received the goods or services or both including "Bill to Ship to" Model under which goods are delivered to third party on the direction of registered person;

(c) The tax charged in respect of such supply has been actually paid to the Government, either in cash or through utilisation of input tax credit;

(d) Where the goods against an invoice are received in lots or instalments, the registered person shall be entitled to take credit upon receipt of the last lot or instalment.

(iii) The recipient shall be entitled to avail of the credit of input tax on payment made by him of the amount towards the value of supply of goods or services or both along with tax payable thereon within 180 days from the date of issue of invoice.

(iv) Where the registered person has claimed depreciation on the tax component of the cost of capital goods and plant and machinery, the input tax credit on the said tax component shall not be allowed.

(v) A registered person shall not be entitled to take input tax credit in respect of any invoice or debit note for the supply of goods or services or both after the due date of furnishing of the return for the month of September following the end of financial year to which such invoice/debit note pertains or the date of filing of Annual Return, whichever is earlier.

4. What are the documents for a claim of Input Tax Credit by a registered person?

Ans. The ITC shall be availed by a registered person (including the Input Service Distributor (ISD)] on the basis of any of the following documents:

(a) An invoice issued by supplier of goods or services;

(b) An Invoice raised by the recipient in case of inward supplies from unregistered suppliers or Reverse Charge Mechanism supplies;

(c) A debit note issued by a supplier of goods or services;

(d) A bill of entry under the Customs Act, 1962;

(e) An ISD Invoice or ISD Credit Note issued for distribution of credit.

5. What is Bill-to-Ship-to Model?

Ans. It is not necessary that the goods are to be delivered to the buyer only. If goods are delivered by the supplier to a recipient or any other person on the direction of the buyer i.e. third party through transfer of documents of title of the goods or otherwise before or during the movement of the goods. Such delivery is known as "Bill-to-Ship-to-Model'. Thus, the person, who is directing is the deemed recipient of goods/services.

6. Who are not allowed taking input tax credit?

Ans. The following persons not allowed taking input tax credit:

(i) Persons who are not registered in GST.

(ii) Persons who are registered under composition scheme.

7. What is the time limit taking input tax credit (ITC)?

Ans. ITC is not allowed after any of the following happens:

(i)Due date of the return for the month of September of next financial year, or

(ii)Annual return filed for relevant year (Filing date, not due date) whichever is earlier.

8. Explain the procedure of apportionment of Input Tax Credit (ITC)

Or what are the restrictions in claiming input tax credit?

Ans. Apportionment of Input Tax Credit (ITC) under GST [Section 17(1), (2) & (3) of CGST Act, 2017]

1. Where Goods or Services are used Partly for Business Purposes and Partly for Other Purposes [Section 17(1) of CGST Act, 2017]: Where the goods or services or both are used by the registered person partly for the purpose of any business and partly for other purposes, the amount of credit shall be restricted to so much of the input tax as is attributable to the purposes of his business.

Apportionment of ITC incase of goods and services used

- Partly for Business Purpose → ITC Available to the extent goods and services used
- Partly for Other Purpose → ITC not Available

2. Where Goods and Services are used partly for effecting Taxable Supply including Zero Rates Supply and Partly for Exempted Supplies [Section 17(2) of CGST Act, 2017]: The amount of credit shall be restricted to so much of the input tax as is attributable to the taxable supplies including zero-rated supplies.

Thus, where goods/services are used partly for exempt supplies and partly for taxable supplies and/or zero-rated supplies', input tax credit shall be restricted to so much of the input tax as is attributable to the said taxable supplies including zero-rated supplies.

As per section 17(3) exempt supply means and includes:

(a)Such supply of goods and/or services which attract nil rates;

(b)Such supply of goods and/or services may be wholly exempt from tax,

(c)Non-taxable supply;

(d)Supplies on which the recipient is liable to pay tax on reverse charge basis;

(e)Transactions in securities;

(f) Sale of land and building.

It may be noted that 'taxable supply" means supply of goods and/or services which is chargeable to tax under the concerned GST Act".

Apportionment of ITC incase of goods and services used

- Partly for effecting taxable supplies including zero-rated supplies i.e. export supplies or supplies to SEZ developer/unit → ITC Available to the extent goods and services are used for effecting taxable supplies including zero-rated supplies
- Partly for effecting exempted supplies i.e. non-taxable supplies, exempt supplies or nil rated supplies → ITC not Available

3. Optional method for Bank, etc. for taking Input Tax Credit [Section 17(4)]: A banking company or a financial institution including a non-banking financial company, engaged in supplying services by way of accepting deposits, extending loans or advances shall have the option to either :

(a) Comply with the provisions regarding proportionate availment, or

(b) Avail of, every month, an amount equal to 50% of the eligible ITC on inputs, capital goods and input services in that month and the rest shall lapse.

(c) Option once availed cannot be withdrawn during the financial year.

The restriction of 50% shall not apply to the tax paid on supplies made by one registered person to another registered person having the same PAN.

9. What is Block Credit under GST? What are the block credits on which input tax credit shall not be available? Or Name the items on which input tax credit is not available?

Ans. Blocked credit under GST means the supply of goods and services on which the availment of credit has been restricted by the relevant provisions of law.

Blocked Credits (Cases of Non-Availability of ITC)

ITC of tax paid on almost every inputs and input services used for supply of taxable goods or services or both is allowed under GST except a small list of items provided u/s 17(5). The negative list covers mainly items of personal consumption, inputs use of which results into formation of an immovable property (except plant and machinery), telecommunication towers, pipelines laid outside the factory premises, etc. and taxes paid as a result of detection of evasion of taxes. The detailed list is given hereunder:

(1) Motor vehicles and conveyances, except when used-

(i)For transportation of goods;

(ii)For making the following taxable supplies:

(a)Further supply of such vehicles of conveyances; or

(b)Transportation of passengers; or

(c) Imparting training on driving, flying, navigating such vehicles or conveyances.

A car dealer is allowed ITC on cars purchased for resale; a cab service is allowed ITC on cars purchased for use as cabs; a driving school is allowed ITC on cars purchased for use in teaching driving.

(2) Foods and beverages, outdoor catering, beauty treatment, health services, cosmetic and plastic surgery, except when - An inward supply of these is used for making an outward taxable supply of the same category or as an element of a taxable composite or mixed supply.

Example: A caterer for a wedding gets the sweet dish course supplied by a specialist in desserts. He is allowed ITC of the tax paid by him to the specialist.

(3) Membership of a club, health and fitness centre.

(4) Rent-a-cab, life insurance and health insurance, except where –

(i)The Government has made it obligatory for an employer to provide any of these services to its employee; or (ii)Inward supply of these services is used for making an outward taxable supply of the same category or as an element of a taxable composite or mixed supply

(5) Travel benefits to employees on vacation such as LTC or home travel concession

(6) Works contract services for construction of an immovable property, except when-

(i) It is input service for the further supply of works contract service

(ii) Immovable property is plant and machinery.

(7) Inward supplies received by a taxable person for construction of an immovable property (other than plant and machinery) on his own account even when such supplies are used in the course or furtherance of business.

(8) Inward supplies on which tax has been paid under the composition scheme.

(9) Inward supplies received by a non-resident taxable person except goods imported by him.

(10) Goods and/or services used for personal consumption.

(11) Goods that are lost, stolen, destroyed, written off or disposed of by way of gift or free samples.

(12) Tax paid as a result of evasion of taxes, or upon detention of goods or conveyances in transit, or towards redemption of confiscated goods/conveyances.

10. What are Capital Goods under GST? Explain ITC rule on capital goods

Ans. According to section 2(19) of the CGST Act Capital Goods means goods, the value of which is capitalised in the books of account of the person claiming the input tax credit and which are used or intended to be used in the course or furtherance of business.

Capital goods are tangible assets such as buildings, machinery, equipment, vehicles and tools that an organization uses to produce goods or services in order to produce consumer goods and goods for other businesses.

ITC on Capital Goods and Reversal on its sale [Sec. 16(3)]:

(i)Credit of GST paid on capital goods is permitted to be availed in one instalment.

(ii)Input tax credit of GST component of capital goods is not allowed if the person has claimed depreciation in income tax for GST component. In other words, a person can either take input tax credit of GST on capital goods or claim depreciation on tax component.

For example: Cost of asset = Rs. 100,000

GST 18% (say) = Rs.18, 000

Total Cost = Rs. 118,000

If Depreciation Charged on Rs. 118,000 (ITC not available)

If Depreciation charged on Rs. 100,000 (ITC available)

(iii)If the taxable person sells such capital goods on which ITC had been taken that such person is liable to pay GST of the higher amount from the following:

(a)ITC taken on such capital goods less 5 percentage points per quarter of a year or part thereof, from the date of invoice, or

(b) Sale price of capital goods multiplied by GST rate.

Where refractory bricks, moulds and dies, jigs and fixtures are supplied as scrap, the taxable person may pay tax on the transaction value of such goods determined.

11. Explain the availability of input tax credit in certain special circumstances under GST.

Ans. Availability of Input Tax Credit (ITC) In Certain Special Circumstances under GST

(a) Mandatory registration: If a person who has applied for registration under the Act within 30 days from the date on which he becomes liable to registration and has been granted such registration then he shall be entitled to take input tax credit in respect of goods held on the day immediately preceding the date from which he becomes liable to pay tax under the provisions of this Act:
(i)inputs held in stock and
(ii)inputs contained in semi-finished or finished goods held in stock.
ITC cannot be claimed after expiry of one year from the date of issue of tax invoice relating to supply for which ITC is claimed. ITC of Input services are not admissible in such cases.

(b) Voluntary Registration: A taxable person takes voluntary registration even if his turnover is below exemption limit (below twenty lakh/ten lakh rupees, as the case may be). The person who obtains voluntary registration is entitled to take the input tax credit in respect of goods held on the day immediately preceding the date of grant of registration:
(i)inputs held in stock and
(ii)inputs contained in semi-finished or finished goods held in stock.
ITC cannot be claimed after expiry of one year from the date of issue of tax invoice relating to supply for which ITC is claimed.

(c) Switching from Composition Scheme: If a taxable person paying tax on Composition Scheme crosses the compounding threshold and becomes a regular taxable person, then he can avail input tax credit in respect of goods held on the day immediately preceding the date from which he becomes liable to pay tax under normal scheme:
(i)inputs held in stock
(ii)inputs contained in semi-finished or finished goods held in stock and
(iii) capital goods.
ITC cannot be claimed after expiry of one year from the date of issue of tax invoice relating to supply for which ITC is claimed.

(d) Exempt supply becomes taxable: If an exempt supply of goods and or services by a registered taxable person becomes a taxable supply then such taxable person can avail input tax credit in respect of goods held on the day immediately preceding the date from which such supply becomes taxable:
(i)inputs held in stock
(ii)inputs contained in semi finished or finished goods held in stock and
(iii) capital goods exclusively used for such exempt supply.
ITC cannot be claimed after expiry of one year from the date of issue of tax invoice relating to supply for which ITC is claimed.

12. Who is Input Service Distributor (ISD)? What are the conditions and procedure for distribution of credit by ISD?

Ans. Input Service Distributor (ISD) means an office of the supplier of goods or services or both which receives tax invoices towards receipt of input services and issues a prescribed document for the purposes of distributing the credit of central tax (CGST), State tax (SGST)/ Union territory tax (UTGST) or integrated tax (IGST) paid on the said services to a supplier of taxable goods or services or both having same PAN as that of the ISD.

Conditions applicable for distribution of credit (Section 20(2)]

The Input Service Distributor may distribute the credit subject to the following conditions, namely:

(a) The credit can be distributed to the recipients of credit against a document containing such details as may be prescribed;

(b) The amount of the credit distributed shall not exceed the amount of credit available for distribution;

(c) The credit of tax paid on input services attributable to a recipient of credit shall be distributed only to that recipient;

(d) The credit of tax paid on input services attributable to more than one recipient of credit shall be distributed amongst such recipients to whom the input service is attributable and such distribution shall be pro rata on the basis of the turnover in a State or turnover in a Union territory of such recipient, during the relevant period, to the aggregate of the turnover of all such recipients to whom such input service is attributable and which are operational in the current year, during the said relevant period;

(e) the credit of tax paid on input services attributable to all recipients of credit shall be distributed amongst such recipients and such distribution shall be pro rata on the basis of the turnover in a State or turnover in a Union territory of such recipient, during the relevant period, to the aggregate of the turnover of all recipients and which are operational in the current year, during the said relevant period.

Procedure of distribution of credit:

An Input Service Distributor shall distribute input tax credit in the manner and subject to the conditions specified below:

(i) The ITC available for distribution in a month shall be distributed in the same month and the details thereof shall be furnished.

(ii) The input tax shall be distributed as under. It is to be distributed to:

- All the eligible recipients whether registered or not,
- All the recipients to whom input tax credit is attributable,
- All the eligible recipient(s) who are engaged in making exempt supply, or are otherwise,
- All the eligible recipients, not registered for any reason,

Eligible recipients also include those recipients who cannot utilize the credit due to whatsoever reason.

(iii) The amount to be distributed to one of such recipient (R1) shall be the amount, “C1”, to be calculated by applying the following formula:

$$C1 = (t1 + T) \times C$$

Where,

C = Amount of credit to be distributed

T1 = the turnover, of person R1 during the relevant period

T = Aggregate of the turnover of all recipients during the relevant period.

The input tax credit on account of CGST, SGST, UTGST and IGST, shall be distributed separately.

(iv)The input service distributor shall issue an ISD invoice, clearly indicating in such invoice that it is issued only for distribution of input tax credit.

13. Who is liable to pay GST?

Ans. The following persons are liable to pay GST:

(i) Supplier of goods and/or service including those paying tax under composition.

(ii)Imports and other notified supplies—the liability may be casted on the recipient under the reverse charge mechanism.

(iii) Third person (say, in the case of e-commerce operator, responsible for TCS or government department/other persons responsible for TDS).

14. What are the main features of GST payment process?

Ans. The payment processes under GST Act(s) have the following features:

(i) Electronically generated challan from GSTN Common Portal in all modes of payment and no use of manually prepared challan.

(ii)Facilitation for the tax payer by providing hassle free, anytime, anywhere mode of payment of tax

(iii)Convenience of making payment online

(iv)Logical tax collection data in electronic format

(v)Faster remittance of tax revenue to the Government Account

(vi)Paperless transactions

(vii)Speedy Accounting and reporting

(viii)Electronic reconciliation of all receipts

(ix)Simplified procedure for banks

(x) Warehousing of Digital Challan.

15. How can payment be done or what are the methods of payment of GST?

Ans. Payment can be done by the following methods:

(i)Electronic Credit Ledger: 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)Electronic Cash Ledger: 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.

16. What are E-Ledgers?

Ans. Electronic Ledgers or E-Ledgers are statements of cash and input tax credit in respect of each registered taxpayer. In addition, each taxpayer shall also have an electronic tax liability register. Once a taxpayer is registered on Common Portal (GSTN), two e-ledgers (Cash &Input Tax Credit ledger) and an electronic tax liability register will be automatically opened and displayed on his dash board at all times.

17. What is a tax liability register?

Ans. Tax Liability Register will reflect the total tax liability of a taxpayer (after netting) for the particular month.

18. What is a Cash Ledger?

Ans. The cash ledger will reflect all deposits made in cash, and TDS/TCS made on account of the taxpayer. The information will be reflected on real time basis. This ledger can be used for making any payment on account of GST.

19. What is an ITC Ledger?

Ans. Input Tax Credit as self-assessed in monthly returns will be reflected in the ITC Ledger. The credit in this ledger can be used to make payment of TAX ONLY and not other amounts such as interest, penalty, fees etc.

20. What is a CPIN?

Ans. CPIN stands for Common Portal Identification Number (CPIN) given at the time of generation of challan. It is a 14-digit unique number to identify the challan. As stated above, the CPIN remains valid for a period of 15 days.

21.What is a CIN?

Ans. CIN stands for Challan Identification Number. It is a 17-digit number that is 14-digit CPIN plus 3-digit Bank Code. CIN is generated by the authorized banks/ Reserve Bank of India (RBI) when payment is actually received by such authorized banks or RBI and credited in the relevant government account held with them. It is an indication that the payment has been realized and credited to the appropriate government account. CIN is communicated by the authorized bank to taxpayer as well as to GSTN.

22. What is the sequence of payment of tax where that taxpayer has liabilities for previous months also?

Ans. Section 49(8) prescribes an order of payment where the taxpayer has tax liability beyond the current return period. In such a situation, the order of payment to be followed is:
(i)First self-assessed tax and other dues for the previous period;
(ii)thereafter self-assessed tax and other dues for the current period; and
(iii)thereafter any other amounts payable including any confirmed demands under section 73 or 74.
This sequence has to be mandatorily followed.

23. What is an E-FPB?

E-FPB stands for Electronic Focal Point Branch. These are branches of authorized banks which are authorized to collect payment of GST. Each authorized bank will nominate only one branch as its E-FPB for pan India Transactions. The E-FPB will have to open accounts under each major head for all governments. Total 38 accounts (one each for CGST, IGST and one each for SGST for each State/UT Govt.) will have to be opened. Any amount received by such E-FPB towards GST will be credited to the appropriate account held by such E- FPB. For NEFT/RTGS Transactions, RBI will act as E-FPB.

24. What is TDS? Explain the provision of TDS under GST.

Ans. Tax deduction at source (TDS) is a mechanism in the GST law wherein the recipient of goods or services deducts out some amount for tax out of the amount payable to the supplier. This amount of TDS is determined on the basis 2% percentage of value of supply.

Provisions of TDS under GST under Section 51

(i)Who is liable to deduct TDS [Section 51(1)]: The following persons are responsible for

deducting tax :
(a) A department or establishment of the Central or State Government, or
(b) Local authority, or
(c) Governmental agencies, or
(d) Such persons or category of persons as may be notified, by the Central or a State Government on the recommendations of the Council.

(ii) Rate of TDS: 2% (1% under CGST + 1% under SGST) of the payment made or credited to the supplier, of the taxable supplies.

(iii) Threshold limit: If the total value of supply under a contract exceeds 2.5 lakh, then the person/entity would be liable to deduct TDS.

(iv) Deposit of TDS with the Government [Section 51(2)]:

(a) The amount of tax deducted at source shall be paid to the Government by the deductor within 10 days after the end of the month in which such deduction is made, in such manner as may be prescribed.

(b) The deductor would be liable to pay interest in accordance with the provisions section 50(1) if the tax deducted at not deposited within the prescribed time limit. [Section 51(6)]

(v)Certificate for deduction of tax (Section 51(3)]: The deductor is required to furnish a certificate to the deductee, mentioning therein the contract value, rate of deduction, amount deducted, amount paid to the Government and such other particulars, within 5 days of crediting the amount deducted to the government.

(vi)Late fee for furnishing certificate after 5 days [Section 51(4)]: If any deductor fails to furnish to the deductee the certificate, after deducting the tax at source, within 5 days of crediting the amount so deducted to the Government, the deductor shall pay, by way of a late fee, a sum of 7100 per day from the day after the expiry of such 5 days period until the failure is rectified, subject to maximum amount of 35,000.

(vii) Deductee allowed to claim credit of TDS in the electronic register (Section 51(5)]: The deductee shall claim credit, in his electronic cash ledger, of the tax deducted and reflected in the return of the deductor furnished under section 39(3), in such manner as may be prescribed.

(viii)Filing of Return: Section 39(3) of the CGST Act, 2017 provides the time limit for furnishing of return by the person deducting tax. As per the said section, every registered person required to deduct tax at source under the provisions of section 51 needs to furnish the details for the month in which such deductions have been made within 10 days after the end of such month through GSTR-7. Also, the payment needs to be made before furnishing of return.

25. Who is liable to deduct TDS?

Ans. See Question No. 24 (i)

26. What is the rate of TDS under GST?

Ans. See Question No. 24 (ii)

27. Is there any limit for deducting TDS?

Ans. See Question No. 24 (iii)

28. What is TCS under GST? Explain the provision of TCS under GST.

Ans. Tax Collected at Source (TCS) under GST means the tax collected by an e-commerce operator from the consideration received by it on behalf of the supplier of goods, or services who makes supplies through the operator's online platform. TCS will be charged as a percentage on the net taxable supplies. The provision of TCS under GST is dealt under Section 52 of the CGST Act.

Provisions of TCS under GST under Section 52

(i) Who is required to collect TCS [Section 52(1)]: Every electronic commerce operator ('operator'), not being an agent, shall collect TCS at prescribed rate when taxable supplies are made through it, by other suppliers and the consideration with respect to such supplies is to be collected by the operator.

(ii) Rate of TCS: TCS is to be deducted at the rate of (0.5% CGST +.5% SGST) 1% of the net value of taxable supplies of the goods/services supplied through the portal of the operator.

(iii)Deposits of TCS with the Government [Section 52(3)]: The amount collected under section 52(1) shall be paid to the Government by the operator within 10 days after the end of the month in which such collection is made, in such manner as may be prescribed

(iv)Operator to furnish a statement electronically (Section 52(4)]: Every operator who collects the amount specified in section 52(1) shall furnish a statement, electronically, containing the details of outward supplies of goods or services or both effected through it, including the supplies of goods or services or both returned through it, and the amount collected under section 52(1) during a month, in Form GSTR-8 in manner as may be prescribed, within 10 days after the end of such month.

(v) Annual statement (Section 52(5)]: In addition to the monthly return, every operator who collects the amount specified in section 52(1) is required to furnish an annual statement, electronically, containing the details of outward supplies of goods or services or both effected through it, including the supplies returned through it, and the amount collected under the said section during the financial year, in Form GSTR9B before 31st December following the end of such financial year.

(vi) Rectification in returns (Section 52(6)]: Any omission or incorrect particulars in a return can be rectified in the statement to be furnished for the month during which such omission or incorrect particulars are noticed, along with interest, before-

(a) the due date for furnishing of statement for the month of September following the end of the financial year or

(b) the actual date of furnishing of the relevant annual statement, whichever is earlier.

(vii) Claim of credit (Section 52(7), (8) & (9) : The supplier who has supplied the goods or services or both through the operator shall claim credit of the amount collected through Form GSTR-2A.

(viii)Registration: Every E-commerce operator, who is required to collect TCS, is required to obtain registration within 30 days of becoming liable to register, on the basis of a Permanent Account Number (PAN) or a Tax deduction and Collection Account Number (TAN).

29. What is Electronic Commerce Operator?

Ans. As per section 2(45) of the CGST Act, 2017, "electronic commerce operator" means any person who owns, operates or manages digital or electronic facility or platform for electronic commerce.

Further "electronic commerce" means the supply of goods or services or both, including digital products over digital or electronic network.

Thus, Electronic Commerce Operators (ECO), like Flipkart, Uber, Makemy-Trip, display products as well as services which are actually supplied by some other person to the consumer, on their electronic portal.

30. What is Net value of taxable supplies?

Ans. Net value of taxable supplies shall mean the aggregate value of taxable supplies' of taxable supplies of goods or services or both, made during any month, reduced by the aggregate value of taxable supplies returned to the suppliers during the said month.

31. Is every e-commerce operator required to collect tax on behalf of actual supplier?

Ans. Yes, every e-commerce operator is required to collect tax where the supplier is supplying goods or services through e-commerce operator and consideration with respect to the supply is to be collected by the said e-commerce operator.

32. Whether TCS to be collected on exempt supplies?

Ans. No, TCS is not required to be collected on exempt supplies.

33. Whether TCS to be collected on supplies on which the recipient is required to pay tax on reverse charge basis?

Ans. No, TCS is not required to be collected on supplies on which the recipient is required to pay tax on reverse charge basis.

34. What is meant by refund?

Ans. Refund includes a refund of tax and interest paid on:

1. Zero-rated supplies of goods or services; or
2. Inputs or input services used in the effecting such zero-rated supplies of goods or services; or
3. Supply of goods regarded as deemed exports; or
4. Refund of unutilized input tax credit at the end of any tax period in case the rate of output tax is less than the rate of input tax

35. What is the time limit for taking refund?

Ans.

Applicant	Time Limit
Person other than the person (UNO etc.) notified under section 55	Before the expiry of 2 years from the relevant date
Person notified under section 55 (UNO etc.)	Before the expiry of 6 months from the last day of the quarter in which such supply was received

36. Is there any time limit for sanctioning of refund?

Ans. Yes, refund has to be sanctioned within 60 days from the date of receipt of application complete in all respects. If refund is not sanctioned within the said period of 60 days, interest at the rate notified not exceeding 6% will have to be paid in accordance with section 56 of the CGST/SGST Act.

However, in case where provisional refund to the extent of 90% of the amount claimed is refundable in respect of zero-rated supplies made by certain categories of registered persons in terms of sub-section (6) of section 54 of the CGST/SGST Act, the provisional refund has to be given within 7 days from the date of acknowledgement of the claim of refund.

37. Is there any minimum threshold for refund?

Ans. No refund shall be granted if the amount is less than Rs.1000 [Sec.54 (14) of the CGST/SGST Act]

38. Who can claim refund under GST?

Ans. As per Section 54(3) of the CGST Act, 2017, a registered person may claim refund of unutilised input tax credit at the end of any tax period. A tax period is the period for which return is required to be furnished. Thus, a taxpayer can claim refund of unutilised ITC on monthly basis.

39. What types of refund are available to taxpayer?

Ans. The following types of refunds under GST are currently being available:

(i)IGST paid on zero-rated supplies.

(ii) ITC on exports under letter of undertaking or bond.

(iii) Claims in case of deemed exports.

(iv)Refund claims on account of inverted duty structure.

(v) Excess balance in Electronic cash ledger.

(vi)Excess tax paid erroneously.

(vii)Refund due to assessment or provisional assessment or appeal or any other order.

(viii)Tax paid towards intrastate supply that was later held to be interstate or vice versa.

(ix)Refund in miscellaneous cases, to be specified while applying

40. What forms are required to be filed for claiming refund?

Ans.

Applicant	Form
Person other than the person (UNO etc.) notified under section 55	GST RFD-01
Person notified under section 55 (UNO etc.)	GST RFD-10

41. Write a note on doctrine of unjust enrichment.

Ans. The principle of unjust enrichment means that no one should be unjustly enriched at the expense of another. It also means that no person should take advantage of the position of another person which causes some loss to one party and gain to another party.

Unjust Enrichment Talking about unjust enrichment, a presumption is always drawn that the businessman will shift the incidence of tax to the final consumer. This is because GST is an indirect tax whose incidence is to be borne by the consumer. It is for this reason that every claim of refund (barring specified exceptions) needs to pass the test of unjust enrichment. And every such claim if sanctioned is first transferred to the Consumer Welfare Fund.

The GST law makes this test inapplicable in case of refund of accumulated ITC, refund on account of exports, refund of payment of wrong tax (integrated tax instead of central tax plus state tax and vice versa), refund of tax paid on a supply, which is not provided or when refund voucher is issued or if the applicant shows that he has not passed on the incidence of tax to any other person.

In all other cases, the test of unjust enrichment needs to be satisfied for the claim to be paid to the applicant. For crossing the bar of unjust enrichment, if the refund claim is less than Rs.2 Lakhs, then a self-declaration of the applicant to the effect that the incidence of tax has not been passed to any other person will suffice to process the refund claim. For refund claims exceeding Rs. 2 Lakhs, a certificate from a Chartered Accountant/Cost Accountant will have to be given.

As per section 57 of the CGST Act 2017, the concerned refund amounts will be transferred to the Consumer Welfare Fund, when the claim of refund does not pass the test of unjust enrichment. Such an amount will now be out of reach of the taxpayer and will be used by the government for the welfare of consumers in the prescribed manner.

42. What is Reverse Charge Mechanism (RCM)? Explain the provisions of RCM.

Ans. Usually, when the supplier supplies goods/services, the tax is levied upon the supplier. In certain cases, the tax is levied upon the buyer of the goods/services. This is called reverse charge as the chargeability of tax gets reversed. This is not new under GST, as under the previous VAT regime, the reverse charge existed, but only on services. Now, under GST, it will be applicable on goods as well.

Provisions for reverse charge

(1) Compulsory registration of person liable to pay tax under reverse charge irrespective of threshold limit.

(2) Exemption from payment of GST under threshold limit of Rs.40 lakh/Rs. 20 lakh turnovers is not applicable.

(3) Non-eligibility for composition-scheme.

(4) Supplies under RCM are not included in aggregate turnover of the assessee.

(5) Person liable under RCM shall issue a tax invoice mentioning the fact the supply is received under reverse charge.

(6) Time of supply under RCM:

(a) In case of supply of goods :The time of supply shall be earliest of the following dates :

• Date of receipt of goods

• Date of payment.

•30 days from the date of issue of invoice or any other document by the supplier.

If not ascertainable as above, time of supply shall be date of entry in the books of accounts of the recipient of supply.

(b) In case of supply of services: The time of supply shall be the earliest of the following dates:

• Date of payment or debiting in bank account

•60 days from the date of issue of invoice or any other document by the supplier.

If not ascertainable as above, time of supply shall be the date of entry in the books of the recipient of supply.

(7) GST under RCM can only be paid in cash only and not by initializing input tax credit.

(8) ITC of tax paid under RCM: Input tax credit is available when it is credit in the electronic credit ledger of taxable person.

43. Mention/list any five categories of supplies of goods and services in respect of them reverse charge mechanism is applicable.

Ans. Supplies of Goods under Reverse Charge Mechanism:

S.No	Description of supply of goods	Supplier	Recipient
1	Cashew nuts, not shelled or peeled	Agriculturist	Any Registered Person
2	Bidi wrapper leaves (tendu)	Agriculturist	Any Registered Person
3	Tobacco Leaves	Agriculturist	Any Registered Person
4	Silk Yarn	Any person who manufactures silk yarn from raw silk or silk worm cocoons for supply of silk yarn	Any Registered Person
5	Supply of Lottery	State Government, Union Territory or any local authority	Lottery distributor or selling agent

Supplies of Services under Reverse Charge Mechanism:

S.No	Description of supply of service	Supplier	Recipient
1	Supply of Services by a Goods Transport Agency (GTA) who has not paid central tax at the rate of 6%, in respect of transportation of goods by road to any factory, society, co-operative society, registered person, body corporate, partnership firm, association of persons, casual taxable person.	Goods Transport Agency (GTA)	Any factory, society, co-operative society, registered person, body corporate, partnership firm, association of persons, casual taxable person
2	Services supplied by an individual advocate including a senior advocate by way of legal services	An individual advocate including senior advocate or firm of advocates.	Any business entity located in the taxable territory.