

Contents

			PAGE
Acrony	Acronyms in GST		
		1	
		GST - AN OVERVIEW	
1.1	What is	Goods and Services Tax?	1
	1.1-1	Recent Changes in GST	3
	1.1-2	Broad definition of 'service'	4
	1.1-3	Dual GST for supply of goods and services within State	5
	1.1-4	IGST for inter-State transactions	5
	1.1-5	GST is destination based tax on consumption	6
	1.1-6	Input Tax Credit	6
	1.1-7	Central Excise duty on petroleum and tobacco products	6
	1.1-8	Sales tax on petroleum products and alcoholic liquor within State	6
	1.1-9	Tax on entertainment only by Municipalities, panchayat, regional council and district council	7
	1.1-10	Provisions applicable to Jammu and Kashmir	7
	1.1-11	Flood Cess in State of Kerala	8
1.2	Rates of	f GST	9
	1.2-1	Meaning of 'branded goods' in case of food items	15
	1.2-2	GST Rates on services	15
1.3	GST Co	mpensation Cess on goods and services	20
1.4	Abolitio	n of other duties and taxes	20
	1.4-1	Taxation powers of district council	21

		CONTENTS	I-6
			PAGE
1.5	Goods	and Services Tax Network (GSTN)	21
	1.5-1	GSTN is master - It acts in high handed manner not envisaged in law and taxable person is helpless	22
	1.5-2	Central Clearing Agency to adjust IGST credit	22
1.6	Unique	e features of GST - Game Changers in GST	23
	1.6-1	Taxes will move with goods	23
	1.6-2	Distribution network will be simpler	24
	1.6-3	Ways of doing business will change	24
	1.6-4	Uniform SGST Law all over India	24
	1.6-5	Avoidance of dual control	25
1.7	Conclu	sion	25
		2	
		VAT CONCEPT AND ITS APPLICATION IN GST	
2.1	Backgr	round of VAT	26
2.2	Basic (Concept of VAT	27
	2.2-1	VAT to avoid the cascading effect	28
	2.2-2	Meaning of 'Value added'	29
	2.2-3	Input Tax credit system to implement concept of VAT	29
2.3	VAT is	consumption based tax	30
	2.3-1	Nature of VAT/GST	31
	2.3-2	Advantages of VAT/GST	31
	2.3-3	Disadvantages of VAT	32
	2.3-4	Invoice matching in GST	33
2.4		facturing States' or 'Producing States' will suffer system?	34
2.5	Reven	ue Neutral Rate to get same tax revenue	35
2.6	Zero ra	ated and exempt transactions in GST	35
2.7	Highlig	ghts of scheme of GST	37
	2.7-1	Credit of tax paid on capital goods	37
	2.7-2	Instant credit	37
	2.7-3	One to one correlation not required	37

_	_	
I-	·7	CONTENTS

			PAGE
2.8	Broad p	rovisions regarding availability of input tax credit	37
2.9		ST and SGST paid in one State be utilized for payment	20
	of CGS1	For IGST in another State?	38
		3	
		INPUT TAX CREDIT (ITC)	
3.1	ITC is co	ore provision of GST	40
	3.1-1	Input Tax	41
3.2	Manner	of taking input tax credit	43
	3.2-1	Documentary requirements and conditions for claiming input tax credit	44
	3.2-2	Input tax credit cannot be taken after one year from date of invoice or filing of annual return	45
	3.2-3	No Input tax credit if GST was paid by supplier on advance paid to him	46
3.3	Require	ments for availing Input Tax Credit	46
	3.3-1	Reversal of input tax credit if payment not made to supplier within 180 days	49
	3.3-2	Procedure for reversal of input tax credit in case of non-payment of consideration	51
	3.3-3	Entire input tax credit available even if part of input goes in by-product or waste	52
	3.3-4	Process losses and handling loss are allowable	52
	3.3-5	No credit on short received inputs but natural losses allowable	54
	3.3-6	One to one correlation not necessary in ITC of GST	55
	3.3-7	Instant credit	55
	3.3-8	Utilisation of amount in electronic credit ledger	55
	3.3-9	Rules for utilization of Input Tax Credit	56
	3.3-10	Sequence of utilisation of Input Tax Credit at a glance	58
3.4	Blocked ITC	credit - Supply of goods and services ineligible for	59
	3.4-1	Text of section 17(5) of CGST Act, as amended w.e.f. 1-2-2019	61
	3.4-2	Goods and Services where ITC is blocked	63

		CONTENTS	I-8
			PAGE
	3.4-3	Meaning of 'plant and machinery'	70
	3.4-4	Meaning of 'works contract'	71
	3.4-5	Meaning of 'motor vehicle'	71
	3.4-6	Eligible/Ineligible Input Tax Credit	72
3.5	Input Ta	ax Credit of capital goods	74
	3.5-1	Meaning of 'capital goods' for purpose of ITC	74
	3.5-2	Input tax credit of tax not allowed if depreciation claimed on tax component	75
	3.5-3	Ineligibility of ITC on pipelines and telecommunication tower	75
	3.5-4	Removal of capital goods after use	75
	3.5-5	Illustration	76
3.6	Merger,	amalgamation or sale of business	76
	3.6-1	Procedure for transfer of credit on sale, merger, amalgamation, lease or transfer of a business	77
	3.6-2	Procedure in case of death of sole proprietor	78
	3.6-3	Transfer of ITC on obtaining separate registration for multiple places of business within a State or Union Territory	78
3.7	Input Ta first tim	ax Credit when taxable person becomes eligible for	79
	3.7-1	Credit of input tax at the time of registration	79
	3.7-2	Input tax credit when person opts out of composition scheme	81
	3.7-3	Input tax credit on stock when exemption on goods or services withdrawn	81
	3.7-4	Procedure for claiming credit when person applies for registration within 30 days or when shifts from composition scheme or goods cease to be exempt	81
3.8		al of Input Tax Credit if goods become exempt or person switches to composition scheme	83
	3.8-1	Reversal of ITC if registration is cancelled	84
	3.8-2	Reversal of input tax credit if goods or services become wholly exempt or GST registration cancelled	84
	3.8-3	Reversal of ITC on imported gold dore bar sold after 1-7-2017	85
3.9	Recove	ry of ITC wrongly taken	86

I-9 CONTENTS

			PAGE
		<u>4</u>	
		NUMERICAL ILLUSTRATIONS OF INPUT TAX CREDIT	
4.1	Procur	rement within State and supply within State	87
4.2		goods and services used for taxable and exempted and services	89
4.3		t of goods and services within State but supply of and services outside the State	90
		<u>5</u>	
		INPUT TAX CREDIT WHEN EXEMPTED AS WELL AS TAXABLE SUPPLIES MADE	
5.1	Propor supplie	tionate ITC when partly used for business or taxable	93
	5.1-1	Calculation of value of 'exempt supply'	94
5.2	Special	l provisions in respect of Banks, FI and NBFC	97
	5.2-1	Procedure to claim of credit by a banking company or a financial institution	97
5.3		nination of input tax credit when partly used for e supply and partly for exempt supply	98
	5.3-1	Final calculations at end of financial year of eligible ITC	102
	5.3-2	Final calculations of eligible ITC in case of real estate projects where no transition of ITC	103
	5.3-3	Calculation of commercial portion of ITC of real estate project other than RREP	104
	5.3-4	Final calculations of ITC in real estate projects not required in case of RREP	106
	5.3-5	Assignment of input tax when used for several projects	106
5.4		nination of input tax credit in respect of capital goods artly for taxable supply and partly for exempt supply	106
	5.4-1	Mode of calculations of ITC of tax paid on common capital goods	107
	5.4-2	Final calculations of eligible credit in case of capital goods in Real Estate projects	111
5.5	Revers	al of Input Tax Credit means ITC not taken	113

	CONTENTS	I-10
		PAGE
	<u>6</u>	
	INPUT SERVICE DISTRIBUTOR (ISD)	
Purpo	se of Input Service Distributor	115
6.1-1	Provisions of ISD mandatory if taxable person has branches/divisions in different States	115
6.1-2	Multiple ISD registrations permissible	116
Mann	er of distribution of credit by Input Service Distributor	116
6.2-1	Meaning of 'relevant period'	117
6.2-2	Meaning of 'recipient of credit'	117
6.2-3	Meaning of 'turnover'	118
6.2-4	Manner of recovery of credit distributed in excess	118
Tax In	voice by Input Service Distributor	119
6.3-1	Tax invoice by taxable person in name of input service distributor with same PAN and same	
	State Code	119
	nly return by ISD	120
	dure for distribution of input tax credit by Input e Distributor	120
	<u>7</u>	
	EXPORTS AND INPUT TAX CREDIT	
Expor	t of goods and services	123
7.1-1	Export promotion under GST	123
7.1-2	Zero rated supply	124
7.1-3	Distinction between exempted supply and zero rated supply	125
7.1-4	Refund of input tax credit in case of export of goods or services or both	126
7.1-5	Export of services	127
7.1-6	If payment for export of services is not received in specified period	129
7.1-7	Export to Nepal and Bhutan is 'normal export'	129
7.1-8	Export of goods on payment of 0.1% IGST (or 0.05% of CGST plus 0.05% of SGST/UTGST) if export	
7.1-9	through merchant exporter Refund of IGST not permissible if inputs were obtained at concessional rate of GST or supplier	132

I-11 CONTENTS

			PAGE
		claims deemed export benefit or goods were imported without payment of customs duty and IGST	134
	7.1-10	Analysis of rule 96(10) of CGST Rules	136
	7.1-11	Restriction applies only in case person claiming refund of IGST himself had availed benefit of the exemption and not where the prior supplier had availed the benefit of the exemption notification	137
	7.1-12	Refund of IGST paid on exported goods during the period 13-10-2017 to 9-10-2018	138
	7.1-13	Refund of input tax credit availed of goods exported if supplier had claimed deemed export benefit	138
	7.1-14	Refund of input tax credit if goods were procured on payment of 0.1% GST or without GST under Adjudicating Authority or DFIA	139
7.2		ure for export by direct exporter under bond or ithout payment of GST?	141
	7.2-1	Who can execute LUT?	143
	7.2-2	Receipt of payment in foreign exchange	144
	7.2-3	Sealing of containers for exports	145
	7.2-4	Refund of IGST paid on goods exported out of India	146
	7.2-5	Grant of provisional refund in case of exports	149
	7.2-6	Export through post by e-commerce operators	150
	7.2-7	Supply of duty free ship stores from licensed warehouse	150
	7.2-8	Grant of Provisional refund in case of Exports	151
	7.2-9	Supply to outgoing tourists at duty free shops at International Airports	152
7.3	Deeme	d Exports	155
	7.3-1	Deemed Exports in GST	156
	7.3-2	Deemed exports as notified on 18-10-2017	157
	7.3-3	Refund claim in case of deemed export either by recipient or supplier	158
	7.3-4	Evidence to be submitted with refund claim in respect of 'deemed export'	158

		CONTENTS	I-12
			PAGE
		8	
		REFUND OF INPUT TAX CREDIT	
8.1	Refund	of tax and interest	160
	8.1-1	Partial manual processing of refund applications	162
	8.1-2	Refund of IGST paid on goods exported or supplied to SEZ or SEZ Developer	163
	8.1-3	Manual Refund in case of refund of ITC on exports or IGST paid on export of services	165
	8.1-3A	Documents required for refund in case of exports	167
	8.1-4	Manual refund applications in case of deemed exports, inverted duty structure and balance in electronic cash ledger	168
8.2	Applica	tion and procedure of refund	168
	8.2-1	Application for refund of tax, interest, penalty, fees or any other amount	170
	8.2-2	Documents to be filed with refund claim	172
	8.2-3	Debit to Electronic Cash Ledger if refund claimed	174
	8.2-4	Debit to Electronic Credit Ledger if refund of credit claimed under section 54	175
	8.2-4A	Calculation of refund amount and Order of claiming refund	175
	8.2-5	Procedure after submitting refund application	176
	8.2-5A	Procedure to be followed after deficiency memo	178
	8.2-5B	Grant of provisional refund in case of exports	179
	8.2-6	Order sanctioning refund	180
	8.2-7	Show Cause Notice if whole or part of refund is not admissible	180
	8.2-8	Refund order or adjudication order after SCN and hearing	181
	8.2-9	Credit of the amount of rejected refund claim	182
	8.2-10	Order sanctioning interest on delayed refunds	182
8.3	Withho cases	lding of refund or deduction from refund in certain	182
	8.3-1	Withholding refund by order by Commissioner, if matter is in appeal	183

			DACE
8.4	Relevan	t date for filing refund claim	PAGE 184
		Evidence to be submitted with refund claim in	10.
		respect of 'deemed export'	185
8.5	Interest	on delayed refunds	186
8.6	Refund	of unutilized input tax credit	187
	8.6-1	Refund of input tax credit in Electronic Credit Ledger	188
	8.6-2	Mode of Calculation of refund of ITC in zero rated supplies	188
8.7	Refund	in case of inverted duty structure	191
	8.7-1	Calculation of refund in case of inverted duty structure	193
8.8	Refund	in case of exports or supplies to SEZ	194
	8.8-1	Refund of input taxes to the retail outlets established in departure area of an International Airport beyond immigration counters making tax free supply to an outgoing international tourist	195
8.9	Doctrino	e of unjust enrichment in case of refund of GST	195
	8.9-1	Incidence of tax deemed to have been passed to recipient	196
	8.9-2	Precautions while claiming refund to avoid doctrine of unjust enrichment	196
	8.9-3	No unjust enrichment if amount returned to buyer by cheque or credit note	197
8.10	Refund welfare	to taxable person instead of depositing in consumer fund	198
		APPENDICES	
APPEN	DIX 1 :	RELEVANT SECTIONS OF CGST ACT, 2017	201
APPEN		RELEVANT SECTIONS OF IGST ACT, 2017	217
APPEN	DIX 3 :	RELEVANT RULES OF CGST RULES, 2017	219
APPEN	DIX 4 :	CLARIFICATIONS REGARDING EXPORTS RELATED REFUND ISSUES	252
APPEN	DIX 4.1 :	REFUND OF IGST PAID ON GOODS EXPORTED	259
APPEN	DIX 4.2 :	RESTRICTIONS ON AVAILMENT OF INPUT TAX CREDIT WHEN FINAL PRODUCT IS EXPORTED	262

	CONTENTS	I-14
		PAGE
APPENDIX 4.3 :	REFUND OF IGST ON ITC WHEN GOODS EXPORTED BY POST	266
APPENDIX 4.4 :	RESOLVING DIFFICULTY IN REFUNDS DUE TO INVOICE MISMATCHES	271
APPENDIX 4.5 :	PROCEDURE FOR CLAIMING REFUND OF INPUT TAX CREDIT IN CASE OF EXPORTS	272
APPENDIX 4.6 :	REVISED PROCEDURE TO CLAIM REFUND OF INPUT TAX CREDIT	277