GOODS & SERVICE TAX

NeuSource STARTUP MINDS®
HELPING STARTUPS TO START

An Introduction
FOR STARTUPS

THE FIRST STEP TOWARDS THE DEVELOPMENT OF EVERY STARTUP

WE HELP STARTUPS TO START

"Greetings, friends! Today, we are going to discuss a hot topic among entrepreneurs these days—Goods and Services Tax, or GST. When it comes to startups, understanding GST is not just important, but it becomes a crucial part of their business journey. Our booklet, 'An Introduction to Goods and Services Tax,' is designed for all those young entrepreneurs who wish to turn their startup dreams into reality by grasping the basics of GST.

Through this booklet, we will explore the key concepts of GST that are essential for any startup. Whether it's the process of GST registration, utilizing Input Tax Credit, or filing GST returns, we will explain all these topics in simple and easy-to-understand Hindi.

The purpose of this booklet is to not only enhance your understanding of GST but also help you apply it correctly in your business. In today's era, knowledge of GST is as important as the idea behind your business. It not only keeps you legally safe but also provides your business with a stable and growing direction.

We believe that with the right information and knowledge, you can take your business to new heights, and GST can make that possible. So, let's start a new and important phase in your startup journey with this booklet.

We hope that this booklet will help you understand the complexities of GST and implement them smoothly in your business.

It is our sincere wish that this small effort will contribute to the success of your startup. So come, let us embark on this journey of knowledge together and understand every aspect of GST in detail. You are welcome on this journey!"

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GST - Making Business More Organized and Systematic

INTRODUCTION TO GST

GST: A Tax of the New Era, Essential Knowledge for Every Startup

The implementation of GST (Goods and Services Tax) in India was a historic step that transformed the tax system. Previously, there were various types of indirect taxes such as VAT, Service Tax, Excise Duty, etc., which made the tax system quite complex and cumbersome. GST unified all these, making the tax system simpler and more transparent.

This led to a uniform tax rate across the country, making it easier to do business. It also resolved the issue of double taxation and reduced the cost of products. This proved beneficial for businesses and industries as it lowered production costs. It was also advantageous for consumers as the prices of goods and services decreased, allowing them to obtain products at better prices. Additionally, GST has increased tax collection.

However, with the implementation of GST, several challenges also emerged. Initially, traders, especially small and medium-sized businesses, found it difficult to understand this new system. The cost of compliance seemed quite high, placing an additional burden on their businesses. The service sector, which includes a variety of services, was also affected by GST because tax rates on some services became higher than before. Moreover, traders had to make changes to their business models, temporarily impacting their operations. There was also complexity in the classification of products, making it difficult to determine the GST rates for certain products and causing confusion among traders. Despite these challenges, GST marks the beginning of a new era in the Indian market, fostering new growth opportunities. GST has provided a new direction to the Indian economy by simplifying the tax system and helping consumers obtain goods and services at lower prices.

01 Overview of GST

GST, or Goods and Services Tax, is a new tax system in India that came into effect on July 1, 2017. Its main objective is to simplify the tax system and prevent tax evasion. Under this new tax system, a uniform tax is applied to all goods and services, making the tax rules more transparent. Under GST, every trader must be registered with a unique GST number. A key aspect of this system is that the tax is ultimately paid by the end consumer, not by the producers or sellers.

02 Different Types of GST

GST is divided into three parts: Central GST (CGST), State GST (SGST), and Integrated GST (IGST). When goods or services are sold within the same state, both CGST and SGST are applied, meaning both the central and state governments receive the tax. However, when goods are sold from one state to another, IGST is applied. This system not only realizes the concept of "One Nation, One Tax" but also ensures that duplication and inconsistencies in the tax collection process are minimized.

03 GST Rates

GST rates vary for different products and services. These rates are 0%, 5%, 12%, 18%, and 28%. The determination of these rates is based on the nature and importance of the products and services. For example, essential goods like food items and medicines fall under lower GST rates, while luxury items fall under higher GST rates.

04 HSN/SAC Codes

HSN (Harmonized System of Nomenclature) codes and SAC (Services Accounting Code) codes are used under GST to identify products and services. HSN codes are for goods, while SAC codes are for services. These codes are globally recognized and help traders select the correct GST rate for their products and services.

GST REGISTRATION

GST Registration provides legal recognition to your business

GST is not just a tax compliance measure for traders; it also enhances the credibility and reliability of their business. When you register under GST, your business is legally recognized. This legal recognition facilitates smoother business transactions, and it allows you to issue tax invoices to your customers. This increases the transparency and credibility of your business. Additionally, GST registration provides you with the benefit of Input Tax Credit (ITC). This means that the GST you pay when purchasing goods or services for your business can be adjusted against the GST you collect on sales. This reduces your costs and increases your profits.

GST registration helps you take your business to a larger scale. It allows you to expand your products or services at a national level and enter larger markets. If a startup has an annual turnover of ₹40 lakhs or more (in Northeastern states, and states like Uttarakhand, Jammu & Kashmir, and Himachal Pradesh, the limit is ₹20 lakhs), then GST registration is mandatory. Specifically, if you sell goods on an e-commerce platform or engage in interstate trade, you must register for GST, regardless of your turnover. Moreover, GST registration is often required to participate in government tenders, and it may be mandatory for various banking and financial facilities. GST registration gives your business a formal and professional identity, which enhances customer trust and reliability. Therefore, even if GST registration is not mandatory for your business, it is advisable to get registered.

01

Registration Process

First, you need to visit the GST portal and fill out a new application. This includes your personal information, business details, and bank account information. You will also need to upload relevant documents such as your business address, Aadhaar card, PAN card, bank details, and other necessary documents. After submitting the application, you will receive an acknowledgment number, which you can use to check the status of your application. Once your registration is approved, you will be provided with a GST Identification Number (GSTIN). This GSTIN is crucial for your business identity and for all transactions under GST.

02

GST Composition Scheme

Under this scheme, if a trader's turnover is up to ₹1.5 crores (₹75 lakhs in some special states), they are eligible for it. The advantage of this scheme is that it has lower tax rates (1%, 5%, 6%). However, a significant drawback is that traders under this scheme cannot engage in interstate sales, which can limit their business reach. Additionally, they cannot claim Input Tax Credit on their purchases and cannot charge GST from their customers. Nevertheless, any trader can opt-out of this scheme at any time and switch to the regular scheme.

03

Record-Keeping Requirements in GST

Record-keeping is a crucial aspect of the GST system. It not only ensures tax compliance but also keeps your business accounts clear and organized. This involves maintaining records of purchased goods and services, invoices, delivery challans, and other related documents. This record-keeping process assists you in filing GST returns and, in case of an audit, these records are essential to prove the accuracy of your business accounts.

04

Mandatory Licenses & Registration for GST Registration

For GST registration, trade licenses, shop and establishment registration, or professional tax are not mandatory, but they may be required for doing business in any municipal area. However, in some states, these may be needed for GST registration. For example, a trade license may be required in Madhya Pradesh and West Bengal, and shop and establishment registration may be necessary in Maharashtra, West Bengal, and Madhya Pradesh. Professional tax is also mandatory in some states for running a business and for GST registration, such as Karnataka, Assam, West Bengal, Maharashtra, Jammu & Kashmir, Gujarat, etc.

GST COMPLIANCE AND FILING RETURNS

Properly Pay and File GST

In GST, there are different rules for filing returns for regular dealers and composition dealers, depending on their annual turnover. Those who fall under regular registration are required to file four types of GST returns: sales, purchase, monthly returns, and annual returns.

Businesses with an annual turnover of more than ₹1.5 crore must file GSTR-1 and GSTR-3B every month. In GSTR-1, sales details for each month must be submitted by the 11th of the every month, and the tax must be paid through GSTR-3B by the 20th of every month. Businesses with an annual turnover of up to ₹1.5 crore need to file GSTR-1 once every three months, but GSTR-3B still needs to be filed every month. The annual return, GSTR-9, must be filed by December 31st of the following financial year. Those whose registration has been canceled or who have surrendered their registration must file GSTR-10, which is the final return. Composition dealers must pay tax every three months using Form CMP-08 along with the payment challan. They are also required to file an annual return, GSTR-4. Dealers registered under the Composition Scheme cannot sell goods outside their state and are not required to maintain detailed accounts. The tax rates for them vary: 1% for manufacturers, 5% for restaurants, and 6% for service providers. Those who sell through e-commerce platforms may also need to file GSTR-8. Thus, the process and timing for filing returns under GST vary for different types of dealers, depending on their annual turnover and type of business. These rules and processes help make GST a systematic and transparent tax system.

01 Understanding GST Compliance

GST compliance is a process where traders and businesses adhere to all the necessary rules and regulations under GST. This includes filing accurate and complete returns on time, paying the appropriate taxes, and maintaining detailed records of all transactions. Compliance not only helps the government receive revenue on time but also protects traders and businesses from legal risks and penalties.

02 NIL Return Filing

A NIL return is filed when a trade or business has not conducted any transactions during a specific period. According to GST law, even if a registered trader or business has not engaged in any commercial transactions in a given month, they are still required to file an NIL return. Filing a NIL return informs the government that the trader did not make any taxable purchases or sales during that period.

03 Common Mistakes to Avoid in Filing

The first and most common mistake is providing incorrect information. Traders should ensure that all details, such as sales, purchases, and input credit, are accurate and complete. The second common mistake is late filing of returns. Filing returns on time under GST is crucial, as late filing can result in penalties. The third mistake is making incorrect claims for input tax credits. Traders should exercise caution when claiming input credit.

04 Penalties for Non-Compliance

If traders fail to file returns or do so late, they may be subject to a late fee penalty. This penalty is charged on a per-day basis and continues until the return is filed. Additionally, traders may face heavy fines for providing false or misleading information. Thirdly, if traders deliberately evade taxes or use fake invoices, it is considered a serious offence under GST law, punishable with severe penalties and, in some cases, imprisonment.

REVERSE CHARGE MECHANISM IN GST

In Reverse Charge Mechanism, the Buyer Pays GST on Purchases

The Reverse Charge Mechanism, commonly known as RCM in GST, is a system where the responsibility to pay GST lies with the buyer instead of the seller. Generally, under the GST Act, a seller collects GST from their customers and deposits it with the government. However, under the reverse charge mechanism, this responsibility is reversed. This system is particularly applicable in situations where an unregistered seller supplies goods or services to a registered dealer.

Now, why is there a need for reverse charge? The primary reason is to bring all transactions under the GST umbrella. When a registered dealer purchases goods or services from an unregistered seller, they have to declare it in their GST returns and pay the applicable GST on it. However, there is another side to this—sometimes, this can become a headache for traders. Especially for small and medium-sized businesses, reverse charge can add an extra burden. Additionally, it impacts cash flow because the GST paid on reverse charge cannot be adjusted against the output GST through input tax credit (ITC). Instead, it must be paid in cash and later claimed back as ITC. Due to this, many registered dealers prefer to avoid purchasing from unregistered sellers, as it increases their administrative and financial responsibilities. To avoid this process, they often prefer to buy from sellers who are already registered under GST.

Moreover, if a person is liable to pay GST under the reverse charge mechanism, they must mandatorily register under GST, regardless of the threshold limit of ₹20 lakh or ₹40 lakh, whichever is applicable.

01

Applicability

The Central Board of Indirect Taxes and Customs (CBIC) has released a list of items on which reverse charge is applicable. In the real estate sector, a registered dealer must purchase 80% of their goods from registered sellers. If this threshold is not met, the registered dealer has to pay 18% GST on the remaining amount under reverse charge. Reverse charge also applies to services provided through e-commerce operators like Ola, Uber, OYO, MakeMyTrip, or Urban Company.

02

Self-Invoicing

Self-invoicing is required when you purchase goods or services from an unregistered seller, and this purchase falls under the reverse charge mechanism. This is because your seller cannot provide you with a GST-compliant invoice, so the responsibility to pay tax falls on you. Therefore, in this situation, self-invoicing becomes necessary. Additionally, a payment voucher must be issued at the time of making the payment to the seller.

03

Input Tax Credit (ITC) Under RCM

GST paid under RCM can be utilized as ITC, provided that the goods or services purchased are used for the business. However, the GST payable on the goods or services obtained under reverse charge cannot be paid using ITC. This means that the output GST must be paid in cash, not through input tax credit.

04

Time of Supply Under RCM

Under the reverse charge mechanism in GST, the time of supply for goods is the earliest of when the goods are received, when payment is made, or 30 days after the invoice is issued by the seller. For services, the time of supply is the earliest of when payment is made or 60 days after the invoice is issued. If these dates cannot be determined, the time of supply is the date of entry in the recipient's books of accounts. This arrangement ensures that GST is paid correctly and on time.

GST AND IMPORT & EXPORT

Making Import and Export Operations Smoother and More Efficient under GST

In the Indian business world, the advent of GST (Goods and Services Tax) has been a significant revolution, especially in the field of import-export. This new tax system has simplified and made business processes more efficient by reducing the complexities of taxes. GST has encouraged a uniform tax system, which has increased the competitiveness of Indian products in both domestic and international markets. This tax system has provided numerous benefits, particularly in the import-export sector.

The first benefit is the simplification and transparency of the tax process, which saves time and money for businesses. Secondly, the provision of input tax credit has reduced production costs, making Indian products more competitive in global markets. Thirdly, GST has brought uniformity in interstate trade, resulting in smoother business processes.

However, some challenges are also associated with GST. Due to the novelty of its rules and procedures, businesses sometimes find it difficult to adapt. The complexity of GST returns and its ever-changing rules continue to pose challenges for the business community. These challenges can sometimes affect import-export processes. Despite this, GST has provided a new direction to Indian import-export trade. By understanding its benefits and challenges, and if implemented correctly, it can strengthen India's position in the global market.

01

GST on Imports

Under the new GST regime for imports, importers are required to pay Basic Customs Duty (BCD) and Integrated Goods and Services Tax (IGST). The rates for BCD on imported goods will remain the same as before.For services imported from unregistered foreign suppliers, the tax will be paid by the recipient of the service, which is referred to as 'Reverse Charge'. For imports, IGST will now be applied on the transaction value, not on the MRP. Under the 'Import and Sale' model, credit equivalent to the IGST paid at the time of import will be available.

02

GST on Exports

Exporters can export goods or services without any tax as GST rates are zero in the current system. Exporters can also benefit from the IGST credit paid on imported goods and services. They can also claim a refund on the tax paid on inputs used in the manufacturing or purchase of exported goods. This tax exemption will lead to an improvement in production quality, making Indian goods and services more competitive in international markets and boosting exports from India.

03

Deemed Exports

When goods are supplied to industries set up for exports (such as EOUs) or technology parks, or when a registered trader sells goods on a large scale under a program that promotes exports, it is called 'Deemed Exports'. For example, if a trader 'A' based in Rajasthan sells goods to trader 'B', who is in an export-oriented unit (EOU), and later 'B' sells these goods to customer 'C' in Germany, the supply from 'A' to 'B' is considered 'Deemed Exports', while the supply from 'B' to 'C' is actual export.

04

Documents Required for Claiming Refund on Exports

You will need a copy of the return showing the payment of duty, a copy of the invoice, a document proving that the tax burden has not been passed on, such as a CA certification, and any other documents requested by the government. Deemed Exports cannot be sold without paying tax. After the tax is paid, either the supplier or the recipient of the goods can claim a refund of the tax. If the supplier claims the refund, the recipient cannot take input tax credit.

GST AND THE MANUFACTURING SECTOR

GST provided a tax system reform for the manufacturing sector

GST has had a profound impact on the Indian manufacturing sector. Before the implementation of GST, the manufacturing industry had to deal with multiple types of taxes under different tax regimes, such as excise duty, service tax, VAT, and CST. As a result, the tax system was extremely complicated and difficult, leading to numerous challenges for businesses and manufacturers. Additionally, different states had varying tax rates and regulations, which increased the production costs in business operations. GST introduced a unified tax system, which simplified and streamlined tax management and helped reduce tax evasion. Furthermore, interstate trade improved, reducing business barriers and accelerating business activities. Under GST, the availability of tax credits in the manufacturing sector increased, leading to a reduction in production costs for manufacturers. By consolidating various taxes into a single tax structure, GST has reduced the production costs of manufacturing materials. Previously, manufacturers had to bear an additional cost of about 25-26% due to VAT and excise duty. Now, with GST, this issue has been resolved, making goods cheaper. With the introduction of GST, there has also been an improvement in the transparency and compliance process within the manufacturing sector. Now, businesses can manage their financial processes in a more transparent manner and avoid violating tax laws. GST has also provided support to small and medium-sized enterprises (SMEs). It has given them the opportunity to compete with larger industries. Due to the availability of tax credits, SMEs can now compete with big manufacturing companies. Additionally, GST has promoted trade among various types of producers in the Indian manufacturing sector. It has made it easier for small and medium-sized producers to sell and buy outside their home states, increasing their business pace and providing more opportunities for growth.

01 Simplified Compliance and Registration Process

Previously, different registrations were required for different factories located within the same state. Now, a single registration is sufficient for multiple factories in the same state. This has reduced paperwork and government intervention. GST's single tax system has simplified the previously complex and time-consuming compliance process, leading to reduced compliance costs and time savings.

02 Cascading Effect

The greatest benefit of GST has been to manufacturing companies because GST has eliminated the issue of 'tax on tax.' Earlier, manufacturers had to pay excise duty and VAT on the total price of the product at every stage, which made the products expensive. However, under GST, tax is levied only on the value addition that happens at each stage, eliminating the cascading effect of taxes and making products cheaper.

03 Improvement in the Supply Chain

Earlier, different states had different taxes, making it difficult to buy and sell goods. But after the introduction of GST, a uniform tax system was implemented across the country. This has made it easier for traders and manufacturers to buy and sell goods, and their expenses have also decreased. Additionally, the time wasted at state borders due to tax issues has been reduced, and goods now reach their destination faster.

04 Transition towards Organized Industry

After the introduction of GST, the unorganized manufacturing industry faces the challenge of transitioning to an organized industry. Small companies and small enterprises are now compelled to register under GST, which requires them to operate in a more organized and systematic manner. However, this has increased their costs, as they need to comply with GST regulations, which can be somewhat complex and expensive for them.

GST AND THE SERVICE SECTOR

GST is Transforming India's Economy in the Service Sector

The service sector, which includes banking, insurance, hotels, restaurants, transportation, and various other services, has been significantly impacted by GST. Earlier, this sector was subjected to multiple taxes such as service tax, VAT, luxury tax, and others, all of which have now been unified under GST. This means that the tax rates and processes for services have been simplified. For instance, if a restaurant is providing services, it no longer has to pay various taxes; it only needs to pay GST. This has made things easier not only for restaurant owners but also for customers. GST has different rates such as 5%, 12%, 18%, and 28%, so different services are taxed at different GST rates.

Another important aspect of GST in the service sector is the Input Tax Credit (ITC). This system allows businesses to reduce the tax they pay on the services they sell by the amount of tax they've already paid on the services they purchased. The availability of ITC has greatly benefited service providers. However, every coin has two sides. The introduction of GST also brought some challenges. Sometimes, small traders and service providers find it difficult to file GST returns, especially if they are not familiar with technology. To address this, the government has launched various training programs and helplines to help traders understand GST provisions better and comply accordingly.

Moreover, for services that were previously taxed at lower rates, the higher GST rates have led to increased costs. On the other hand, GST has helped curb tax evasion. Since the GST system is entirely digital, transparency in transactions has increased, making it harder to evade taxes. This has compelled traders to provide accurate information about their business to the government. Additionally, GST has also promoted innovation and growth in the service sector. When the tax system is simple and transparent, traders and entrepreneurs can focus more on new ideas and projects rather than getting entangled in tax complexities.

01

Effect of GST on the Hotel & Restaurant Sector

Before GST, this sector was subjected to various taxes such as service tax, VAT, and luxury tax. The sector includes various services and products, such as hotel rooms, restaurant meals, bar services, and conference facilities. All these services have been brought under the purview of GST. The GST rates depend on the room rent in hotels and the price of meals served in restaurants. However, some issues, such as the non-applicability of GST on alcohol and the requirement for multi-location registration, still present challenges.

Effect of GST on the Transportation and Logistics Sector

02

Before GST was implemented, the "Transportation and Logistics" sector was entangled in a web of various local and state-level taxes. This sector faced different toll taxes (Octroi) and entry taxes when entering different states. After the implementation of GST, taxes like Octroi and entry tax have been eliminated, reducing long queues of trucks and waiting times at state borders. This change has not only impacted domestic transportation but has also improved international shipping and export-import processes.

03

Effect of GST on the Real Estate Sector

Before GST, buyers had to pay different taxes like VAT, service tax, and cess imposed by states. After the introduction of GST, if the construction of a building is complete and a completion certificate (CC) has been obtained, then the sale of apartments or flats in that building is not subject to GST. However, if you are buying a property that is still under construction or has not received a CC, then GST will apply. In March 2019, the GST Council reduced the tax rates on residential properties from 12% to 5% and from 8% to 1% in the affordable housing segment. However, under the new tax rate policy, the benefit of Input Tax Credit (ITC) will not be available.

Composition Scheme for Service Sector

04

This scheme was implemented from April 1, 2019. Under this scheme, those with an annual turnover of up to ₹50 lakhs can pay tax at a nominal rate, but with some conditions. It offers the benefits of lower compliance, lower tax liability, and less detailed bookkeeping, but under this scheme, one cannot claim Input Tax Credit, cannot charge tax from customers, and cannot engage in interstate transactions or exports. Under this scheme, the applicable GST rate for service providers is 6% (3% CGST + 3% SGST).

GST ON E-COMMERCE

It's the Era of E-commerce, Folks

In the realm of GST, online business owners face several new rules and challenges. Whether you are selling products on major platforms like Amazon or Flipkart, or offering services through apps like Uber or Ola, GST impacts every aspect of your business. This includes everyone from merchants selling goods or services to the operators who provide the platforms for these sales. There are various rules, such as who is responsible for collecting GST, who has to pay it, and what conditions need to be followed.

When it comes to GST and e-commerce sellers, there are different types of sellers, each with its own set of rules. For instance, anyone selling goods must register for GST regardless of their turnover. On the other hand, those providing services that do not fall under Section 9(5) need to register for GST only if their turnover exceeds the specified threshold. However, for services covered under Section 9(5), such as passenger transportation or accommodation services, the GST process is slightly different. In these cases, e-commerce operators like Uber or Ola are responsible for collecting and paying GST to the government.

Under GST, there are also special provisions for the e-commerce sector. This includes the type of information and details that e-commerce operators and sellers must provide to the government. All of this is necessary to ensure that the tax process remains transparent and straightforward. Therefore, if you are already in the e-commerce sector or planning to enter it, understanding these GST rules is crucial. It will not only strengthen your business legally but also help you avoid tax-related issues.

01

E-commerce Operators

E-commerce operators are those who provide a platform for selling goods or services online, like Amazon, Flipkart, Uber, or Ola. If someone sells goods on their own website, they are not considered an e-commerce operator. E-commerce operators must register for GST regardless of their turnover.

E-commerce Sellers

02

E-commerce sellers are those who sell goods or services on the platforms of e-commerce operators.

Sellers of Goods: They must register for GST even if their turnover is below the threshold limit.
Sellers of Services (excluding services listed under Section 9(5)): They need to register for GST if their turnover exceeds the threshold limit. However there are certain services, that if they are not listed under Section 9(5), may still require registration under specific circumstances.
Sellers of Services listed under Section 9(5): They do not need to register for GST, even if their turnover exceeds the threshold limit.

03

Who Will Collect and Pay GST

If someone sells goods through e-commerce, the responsibility to collect and pay GST to the government lies with the e-commerce seller. Similarly, if someone sells services through e-commerce that are not covered under Section 9(5), the seller is responsible for collecting GST. However, for services covered under Section 9(5), such as those offered by Ola or Uber, the e-commerce operator is responsible for collecting and paying GST to the government

The Services Mentioned in Section 9(5) Are

04

The services listed under Section 9(5) include:
Passenger Transportation: For example, travelling by car through services like Ola or Uber.
Accommodation Services: Such as booking a hotel or guest house through platforms like **Goibibo or MakeMyTrip.**
Domestic Services: Such as plumbing or carpentry services available on platforms like UrbanClap.
These services fall under Section 9(5), meaning the GST rules apply to them in a specific manner.

GST Exemptions

Will you cover everything under GST or leave something out?

Under GST, there are three types of tax exemptions. The first is "Zero Rate," which applies to supplies with a 0% tax rate. For example, salt or goods and services that are exported, where the supply allows for claiming ITC (Input Tax Credit). The second is "Non-GST," which refers to items not covered under GST law, such as alcohol for human consumption. The third is "Tax-Free," which also includes three types of GST exemptions:

Full Exemption: These are exemptions without any conditions, like supplies covered under Section 2(78), such as services provided by the RBI.

Conditional Exemption: These apply when certain conditions are met, such as services provided by hotels where the room tariff is less than ₹1000 per night.

Partial Exemption: For instance, the supply of goods by unregistered persons within the state to a registered dealer, where the total supply value in a day does not exceed ₹5000, can only avail exemption under the Reverse Charge Mechanism.

These exemptions are not only beneficial for consumers but also favourable for traders and service providers. They can offer their products and services at more competitive rates. It also supports specific industries and service sectors. The list of goods and services exempt from GST is quite extensive. It includes agricultural services, certain types of food items, education and health services, and some special types of transportation services. These exemptions provide economic relief to various sections of society and help improve their standard of living.

01

GST Exemption from Registration

If a person's annual turnover is below the Threshold Exemption Limit, they are not required to register for GST. Those who supply exempt goods or services or whose goods are not subject to GST are also exempt from registration. People engaged in activities other than selling goods or services, or those who are farmers, do not need to register for GST either. Finally, those whose supplies fall under the "Reverse Charge" mechanism are also exempt from GST registration. So, if you fall under any of these categories, you will be completely exempt from GST.

02

GST Exemption for Start-ups and Small Business

Businesses with a turnover of less than ₹1.5 crore can benefit from a special scheme under GST (Composition Scheme), where they pay tax at a rate of 1% to 6% based on their turnover. Small traders are also exempt from e-invoicing, provided their turnover is less than ₹10 crore. Businesses with an income below ₹5 crore can opt for the quarterly filing system. Thus, these new rules bring several benefits for small traders.

03

Exempted Goods under GST

In India, goods exempt from GST include fresh and dry vegetables like potatoes and onions, fish, eggs, fresh milk, etc. Grains such as rice, wheat, and maize that are not sold in branded packaging are also GST-exempt. Additionally, unprocessed items like grapes, watermelons, ginger, garlic, raw coffee beans, green tea leaves, human blood, raw jute, khadi fibre, parts of hearing aids, chalk, slates, and handloom products are exempt from GST. However, once these items are processed, they may become subject to GST.

04

Exempted Services under GST

Agricultural services like harvesting, packaging, warehousing, farming, and renting of machinery are exempt from GST. Public transport services such as auto-rickshaws, metered taxis, and metro services are also exempt. Services related to the export of agricultural products outside India, labour for farming, transportation of goods with fees less than ₹1500, and retail packing services are GST-exempt as well. Foreign diplomatic services, government services, health and education services such as midday meal catering, veterinary clinics, etc., are also included in the exemption list. Religious ceremonies, sports organizations, tour guides, and libraries are exempt from GST as well.

Refund Process in GST

The GST refund process is online

To apply for a GST refund, you need to visit the GST portal and fill out Form RFD-01. Along with this form, you will need to submit the necessary documents, which include proof of tax, interest, or any other payment made, a copy of the tax deposited, and export documents. After submitting the application, if everything is found to be correct, you will receive an acknowledgement in Form RFD-02. If there is any issue with your application, you will be notified through Form RFD-03. Once everything is in order, the authorities will approve the refund amount through Form RFD-04, and the refund order will be issued in Form RFD-06. At the end of this process, the refunded amount will automatically be credited to the registered person's bank account.

If the refund amount is less than ₹2 lakh, there is no need to provide documentary evidence. Instead, you will need to file a declaration based on the available evidence. If there is a delay in processing the refund, the government will also pay interest. If the refund is delayed beyond 60 days from the date of application, 6% interest will be paid, and if the delay is due to a decision from an adjudicating authority, appellate authority, or appellate tribunal, 9% interest will be provided.

01

Incorrect Tax Payment

Sometimes, traders or service providers mistakenly pay more GST than required, such as paying CGST/SGST instead of IGST or vice versa. Occasionally, traders or consumers unknowingly overpay GST or make double payments for the same tax. In such cases, it is necessary to claim a GST refund for the excess tax paid.

02

For Exporting Traders

Traders who export their goods are also eligible to claim a GST refund. After paying GST on the exported goods, traders can get a refund since exports are not subject to tax. Exporters are eligible to receive a provisional refund of up to 90% of their GST refund amount. This refund is provided within seven days of the application approval, provided the exporter has not been involved in any legal proceedings in the last five years.

03

Refund for International Tourists

When an international tourist purchases goods in India, they can claim a refund of the IGST paid on those goods when leaving the country. This rule does not apply to Indian residents, regardless of how long they stay abroad. Such refunds encourage tourism and present India as a tourist-friendly destination.

04

Inverted Tax Structure

Sometimes, traders have to pay higher GST on their inputs while the GST on the sale of their products is lower. This situation is known as an inverted tax structure. Some traders and service providers offer goods or services on which the GST rate is nil. In such cases, if they have already paid GST, the trader can claim a refund for the excess GST paid.

MISCELLANEOUS CONCEPTS OF GST

There are some unique concepts of GST that are important for small businesses, startups, and the general public to understand

GST is a tax system that has become an integral part of our country's business and economic framework. Understanding its intricacies is essential for anyone who wants to step into the business world or is already a part of it. There are several important topics under GST, such as the e-way bill, GST audit, assessment process, and return of goods. These are issues that every businessperson encounters. From the e-way bill to the return of goods, each aspect has its own rules and procedures, which need to be understood and followed. Proper use of these can help business owners calculate their taxes correctly and avoid potential problems and penalties. These special concepts and procedures of GST not only help us conduct business lawfully but also make us financially secure and empowered. Therefore, whether you are a new startup owner or an experienced businessperson, it is crucial for you to know and understand these fundamental aspects of GST. This knowledge will not only help you organize your business better but also make it more profitable and successful. As we look into these various aspects of GST, we will realize how it has become an essential and important part of our business lives. Proper understanding and use of GST not only keeps us legally safe but can also take our business to new heights.

01 E-Way Bill

If you are transporting goods worth more than ₹50,000, you are required to generate an e-way bill, which is created on the e-way bill portal. Whether you are GST-registered or not, if the value of the goods exceeds ₹50,000, generating the bill is mandatory. If you do not generate this bill, you may face a minimum penalty of ₹10,000, or your goods and vehicle may be seized. Even transporters are required to generate this bill if the supplier has not done so.

02 Audit in GST

A GST audit is the process where the records, returns, and other documents of a taxpayer are examined. The purpose of this audit is to ensure that the business's information, the tax paid, the refund claimed, and the input tax credit received are all correct. The Commissioner of CGST/SGST or their authorized officer can audit any taxpayer. If a taxpayer finds any mistake or missing information after the audit, they can correct it by paying the necessary interest.

03 Assessment in GST

Assessment in GST is a process where the tax officer checks whether taxpayers have correctly calculated and paid their taxes. There are different types of assessments, such as provisional assessment, summary assessment, and best judgment assessment. If a taxpayer makes an error in their return, the tax officer may issue a notice asking them to correct it. If a proper response is not received, further action may be taken. The main objective of this process is to ensure that all taxpayers calculate and pay their taxes correctly.

04 Return of Goods under GST

When a business returns goods or takes back products, it must be handled under GST. Initially, when goods are sold, the seller issues a GST invoice. If the same goods are returned, the seller must issue a 'Credit Note.' This credit note allows the seller to reclaim the GST that was previously paid. This process helps keep the GST account accurate and allows the business to maintain correct records.

COMPLIANCES CALENDER

Tax Applicability	Assignment	Form Name	Last Date
GST	outward supplies of goods and services	GSTR 1	Monthly, by 11th of every month
GST	outward supplies of goods and services	GSTR 1	Quarterly, by 13th of the month following every quarter
GST	self-declaration to be filed	GSTR 3B	Monthly, 20th* of the succeeding month
GST	annual return	GSTR 9	31st December of the year following the relevant financial year,
GST	self-certified reconciliation statement	GSTR 9C	31st December of the year following the relevant financial year
GST	statement-cum-challan to declare the details	CMP-08	18th of the month succeeding the quarter

Tax Applicability	Assignment	Form Name	Last Date
TDS	TDS Returns	Form 24Q & 26Q	31st of the month succeeding the quarter Ending June , September, December
TDS	TDS Returns	Form 24Q & 26Q	31st May of the month succeeding the 4th quarter Ending March
PF	Monthly Challan remittance	EPF ECR	15th of Every Month
ESI	Monthly contribution	ESIC	15th of Every Month

Tax Applicability	Assignment	Form Name	Last Date
Income Tax	Income Tax Return for Individual / HUF/ AOP/ BOI	ITR 1,2,3,4,5	31st July
Income Tax	Income Tax return for Businesses (Requiring Audit)	ITR 3,5,6	31st October
Income Tax	Tax Audit	3CA and 3CD	31st October
Income Tax	Revised Income Tax Return for Individual / HUF/ AOP/ BOI	ITR 1,2,3,4,5,6	31st December

Tax Applicability	Assignment	Form Name	Last Date
ROC	amounts owed to Micro, Small and Medium	FORM MSME-1	April 30th,
ROC	amounts owed to Micro, Small and Medium Enterprises (MSMEs)-2nd Half Yearly	FORM MSME-1	October 31st,
ROC	Return of Deposit	FORM DPT-3	30th June.
ROC	KYC of Directors/Designated Partner	DIR-3 KYC	30th September
ROC	Appointment of Auditor	FORM ADT-1	14th October
ROC	Filing of Annual Accounts- For Pvt/Pub/Nidhi/Section-8	FORM AOC-4	29th October
ROC	Filing of Annual Accounts- For OPC	FORM AOC-4	27th September
ROC	Filing of Annual Returns	FORM MGT-7	28th November
ROC	Filing of Annual Returns- FOR SMALL COMPANY/OPC	FORM MGT-7A	28th November
ROC	Filling of Resoltuions	FORM MGT-14	30 Days of Passing Resolutions
LLP	Annual Return of Limited Liability Partnership	FORM 11	30th May
LLP	LLP Statement of Account & Solvency	FORM 8	30th October

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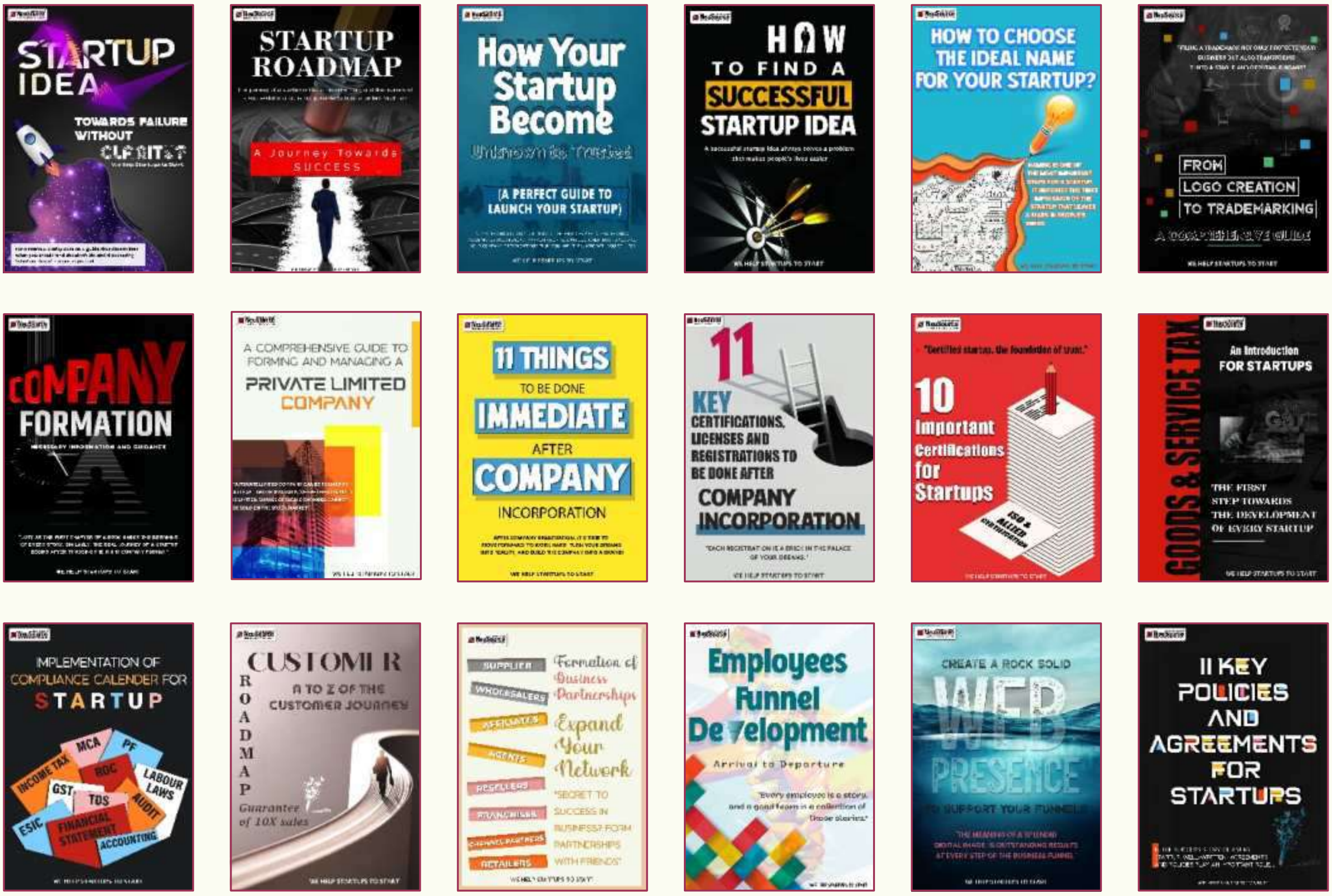

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