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INCOME TAX AND GST

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SYLLABUS

BCME D12: Income Tax and GST

Lecture Hours per Week : 5

Credit: 4 Internal 20, External 80

Module 1

Income Tax Contd. Deemed income and Clubbing of income- Set- of and carry forward of losses Deductions to be made in computing to income - Computation of total income of individuals- Computation of Tax liability of individual Rebate and Relief of tax

(25 Hours)

Module 2

Income tax authorities - Powers and function - Provisions of advance payment of tax- Tax payment- Deduction and payment of tax at source Recovery of tax- Procedure of assessment of income tax- Filing of returns income Voluntary return of income-Statutory obligations in thing of returns - Return of loss - Belated returns Revised returns - Defective returns - PAN - Different types of assessment - Self assessment Assessment on the basis of return --Best judgment assessment- Regular assessment - Reassessment - Protective assessment

(15 Hours)

Module 3

Goods and Services Tax Brief history behind the emergence of GST - The scope of GST - Definitions and meaning Central Goods and Services Tax Act-Integrated Goods and Services Tax Act - State Goods and Services Tax Act - Levy and Collection of Central/State Goods and Services Tax - Taxable person - Power to grant exemption from tax - Time and value of supply of goods - Time of supply of services

(15 Hours)

Module 4

Registration - Amendment of registration - Cancellation of registration - Revocation of cancellation of registration tax invoice, credit and debit notes - Returns. First Return Annual return Final return - Tax Return Preparer Levy of late fee Notice to return defaulters.

(15 Hours)

Module 5

Payment of tax, interest. penalty and other amounts - Interest on delayed payment of tax - Tax deduction at source - transfer of input tax credit - refund of tax - accounts and records - demands and recovery 1- inspection, search, seizure and arrest- offences and penalties - Audit by tax authorities - Special audit - Power of CAG to call for information

(10 Hours)

MODULE 1

COMPUTATION OF TOTAL INCOME

CLUBBING OF INCOME (SECTION 60 TO 65)

As per the provisions of clubbing the assessee is liable to pay tax on his income along with the income of others. Inclusion of income of other person with the income of assessee is known as clubbing of income.

1. Transfer of income without transfer of asset(section 60)

2. Revocable transfer of asset (section 61)

If an asset is transferred under a revocable transfer, income from such asset is taxable in the hands of the transferor. The purpose of such kind of transfer includes any trust settlement or covenant, agreement or arrangement.

When a transfer is considered a revocable (section 63)

- Such transfer is containing any provision re- transfer of the whole or any part of the income or asset to the transferor, during the lifetime of the transferee or the beneficiary.
- Such a transfer gives a transfer a right to re assumed the power over the whole or any part of the income or asset during the lifetime of the transferee or the beneficiary.

3. Income of individual to include income of spouse, minor child etc.

- Income of the spouse by the way of salary, commission, fees or any other form of remuneration whether in cash or in-kind from a concern in which such an individual has a substantial interest.
- If an asset is transferred by an individual directly or indirectly to the spouse without any adequate consideration, the income from such asset shall also be included in the total income of the assessee.

4. Transfer of asset to son's wife (Section 64)

5. Transfer to AOP or another person for the benefit of the son's wife. (Section 64)

6. Income from business

If the individual transfers any asset directly or indirectly to spouse or son's wife without adequate consideration and such asset is invested by the transferee in any business, the proportional profit of such business is to be included in the income of the transferor:

Net profit * Value of the asset on first day of previous year

Value of the asset on first day of previous year

7. Income of minor child

- ❖ The income of minor child will be clubbed in the income of that parent (mother/father) whose total income (excluding the income of the minor child) is greater.
- ❖ The minor child not suffering from any disability of the nature specified in section 80U
- ❖ The income of the minor child is once included in the total income of either parents, any such income arising in any subsequent year shall not be clubbed in the total income of the other parent.
- ❖ If the marriage of the parents does not subsist then the income of the minor child will be included in the income of that parents who maintains the minor child in the relevant previous year.
- ❖ Were both the parents of the minor child are not alive, the income of the minor child cannot be assessed in the hands of any other relatives.
- ❖ Certain incomes taxed in the hands of minor child only (not clubbed in the hands of parents)
 - Any income earned by a minor child who is suffering from any disability specified in section 80U
 - Any income earned by the minor child on the account of any manual work done by him.
 - Any income earned by the minor child on account of any activity involving the application of his skills, talent or specialized knowledge and experience.

Exemption: Where the minor child's income has been clubbed in the total income of his parents, such a parent will be entitled to an exemption to the extent of such income or 1500 whichever is less.

8. Transfer of separate individual property to Hindu Undivided Family (conversion of the property)

- Converts a separate property as the property of the HUF
- Throws the property into the common stock of the family
- Otherwise transfers his individual property to the family.

For inadequate consideration then the income resulting from such transferred property shall continue to be clubbed in the total income of the individual.

AGGREGATION OF INCOMES

In computing total income of an assessee, the following income shall also be included in his income along with the income of the assessee.

- 1) Share in income of Association of Persons or Body of Individual
- 2) Deemed income: -
 - Cash credit
 - Unexplained Investments
 - Unexplained money
 - Amount of investment not fully disclosed in books of accounts
 - Unexplained expenditure
 - Amount borrowed or repaid on hundi

Taxation of deemed income

Undisclosed income is to be taxable at special rate that is at 30 %. No deduction in respect of any expenditure or allowance shall be allowed to the assessee while computing deemed income.

SET OFF AND CARRY FORWARD OF LOSSES

Intra source set off (section 70)

- Loss of speculation can be set off only against speculation gain.
- Loss from business or other activity can be set off against profit from other business.
- Long term capital loss can be set off only against long term capital gain.
- Short term capital loss can be set off against short term and long term capital gains.
- Loss from owning and maintaining race horses shall be set off only against income from such activity.
- Loss from lottery, cross word puzzles, gambling, card games or betting cannot be set off against any income.

Inter head set off (Section 71)

- Loss from speculation cannot be set off against any other income.
- Loss under the head capital gain cannot be set off against any other income but only against capital gain.
- Loss from business of owning and maintaining race horses cannot be set off against any other income.

- Loss under the head business or profession cannot be set off against income under the head salary.
- Loss from owning and maintaining race horses cannot be set off against any other heads of income.

CARRY FORWARD AND SET OFF OF LOSS

➤ **Loss from house property**

Any loss under this head can be set off against the income under any other head. But such set off shall be allowed subject to a maximum of 2 lakh. Carry forward of HP loss: 8 years.

➤ **Loss from business and profession**

The following are the principles of carry forward and set off in case of business loss:

- After carry forward in subsequent years, it can be set off against any business income. They can also be set off against speculation profit.
- In order to get the benefit of carry forward of loss the business in respect of which the loss was incurred should be continued for at least part of the year in which set off is claimed. Discontinuation and restart would be treated as a violation of this condition.
- The bought forward business loss can be set off against any income in respect of a discontinued business.
- Loss can be carried forward for 8 assessment years.
- Loss cannot be carried forward unless the return of income for that previous year is filed on time.
- Loss can be carried forward only by the person who has incurred it.

➤ **Carry forward and set off of speculation loss**

Speculation loss it can be set off only against income from speculation. It is not possible to set off against income of that year, and then it can be carried forward as a set off only against the income from speculation up to a period of 4 assessment year from the period from which the loss was incurred.

➤ **Loss under the head capital gain**

❖ Short term capital loss

It can be set off in the same assessment year with the capital gain arising out of short term or long term capital asset. Carry forward to 8 years.

❖ Long term capital loss

Such a loss can be set off against the gain from any other long-term capital assets only.
Carry forward: 8 years.

❖ Loss of Discontinued business

When a business have been discontinued before 1-4 -1999 and bought forward loss of such a business cannot be set off against the income of any other business or profession.

❖ Loss on maintenance of horse races

Race horse owners are allowed to stay out of their losses against the income arising out of owning and maintaining horse race. It can be carry forward: 8 years.

Sequence of set off

- a) Current year capital expenditure on scientific research
- b) Current year expenditure on family planning
- c) Current year depreciation
- d) Brought forward losses from business/profession
- e) Unabsorbed expenditure on family planning
- f) Unabsorbed depreciation
- g) Unabsorbed capital expenditure on scientific research.

Tax Planning hints to avoid clubbing of income

- ❖ It is better not give gift to wife/ daughter in law as income arising there from shall be clubbed to assessee's hand. So it is better to give gift to major sons and daughters, niece, sisters etc.
- ❖ Do not give gift to minor child. Income arising to a minor child is to be clubbed.
- ❖ Gift can be accepted from non-relatives in favor of assessee's wife/daughter in law. At the same time it should ensure that gifts are genuine. It is also to note that gift received from unrelated person exceeding rupees 50000 in aggregate during a previous year shall be taxable in the hands of recipient.
- ❖ To avoid clubbing of income of husband and wife it is recommended that the husband should not make any gift to the wife of any income producing asset, also the wife should avoid making gift to her husband so as to prevent the clubbing of income.
- ❖ It is better to give gift to your prospective spouse just a few days before marriage the provisions of clubbing of income Wanda play because as on the date of making that

gift the receipt and was not legally your spouse. On the other hand you need to be aware of the risk that a gift of more than 50000 in a year received from a non-relative would be treated as income and subject to tax.

- ❖ The marriage gift from non relative would be exempted from being tax without any upper limit.
- ❖ Give loans to wife/daughters-in-law at reasonable rates.
- ❖ Bequests can be made in favor of testators through a will without attracting the clubbing provisions.
- ❖ Income derives from accretion to the assets transferred for inadequate consideration does not attract clubbing provisions.
- ❖ Try to avoid employment of a spouse in an organization in which the other spouse has a substantial interest.
- ❖ The provisions regarding clubbing would be operative only so long as the child is a minor. If the child attains majority at any time during the financial year then he should be considered as a major.
- ❖ Transfer of assets to a minor under a will should be made in such a way that income from such assets will accrue to him only when he became major.
- ❖ Income should be clubbed after excluding non-taxable income under section 10
- ❖ Minor's funds are to be invested in the tax free items such as PPF. This will also attract interest which is exempted from tax.
- ❖ Husband as well as the wife should so plan their tax affairs in such a manner that their incomes are not clubbed or added together.

MODULE 2

PERMISSIBLE DEDUCTIONS FROM GROSS TOTAL INCOME

Section 80C -Deduction in respect of life insurance premium contribution to PF etc.

1. **Insurance premium paid on insurance of the life** of self-spouse for his child. The amount paid should not exceed 20% of the actual capital sum insured. Policy issued on or after 1-4- 2012, the qualifying amount should not exceed 10% of the actual sum insured.
The policy issued on or after 1-4- 2013 for insurance on the life of a person who is a person with disability or severe disability or suffering from disease referred in section 80 DDB the qualifying amount should not exceed 15 % of the sum assured.
2. **For a contract of annuity on the life of self or spouse or his child.**
3. Sum deducted from his or her salary for **securing his a deferred annuity** for making provision for his wife for children. The sum deducted should not exceed 1/5th of the salary.
4. **As contribution to any provident fund to which provident fund act 1925 applies to public provident fund (15 year) recognized provident fund, and approved superannuation fund.**
5. **Subscription towards any security of the central government or any such deposit scheme (notified by central government)**
6. **Subscription to saving certificates**
7. **Contribution for participating in the unit linked insurance plan of UTI, LIC, Mutual Fund**
8. **Sum paid towards and duty plan of LIC of India or any other insurer**
9. **Sum paid as contribution to any unit of mutual fund**
10. **Interest due on the national saving certificate**
11. **Investment in a term deposit**
12. **Subscription to such bonds issued by National bank for Agriculture and Rural Development**
13. **Investment made on or after 1 - 4 - 2007 in post office 5 year time deposit account**
14. **Investment made on or after 1-4-2007 in senior citizen saving Scheme**
15. **Investment made in Sukanya Samridhi scheme for welfare of girl child**
16. **Contribution by a Central Government employee to his tier 2 account of national pension system for a fixed period of at least 3 years.**

Section 80CCC, (i)-deduction in respect of contribution to certain pension funds

If an individual deposited any amount out of his income under a contract for any annuity plan of Life Insurance Corporation of India for receiving pension from the fund shall be allowed a deduction of the whole of the amount paid or deposited or 150000 whichever is less. This limit would be subject to the overall limit of 150000 provided in section 80CCE.

Section 80CCD (1) - Deduction in respect of contribution to pension scheme of central Government

This deduction is available to those employees who are appointed by the central government on or after 1-1-2004 or being an individual employed by any other employer or any other assessee. The amount of deduction is:-

- ❖ Amount deposited by the employee during the previous year in the pension scheme notified by the government or 10 % of his salary whichever is less. In case of any other individual (non-salaried) maximum of 20% of his gross total income is allowed.
- ❖ Amount contributed by the central government or 10% of salary whichever is less. Salary includes DA (in terms of employment) and excluded all other allowances and perquisites.

Section 80CCD (1B)

An additional deduction is allowed in respect of any amount paid up to 50000 rupees for contribution made by any individual assessee under NPS. Deduction of rupees 50,000 under section 80CCD (1B) is an addition to the overall limit of rupees 150000 provided under section 80CCE.

Section 80CCE- Total amount of deduction

As per section 80CCE the aggregate deduction under section 80C, 80 CCC and 80 CCD (1) will be subject to the overall limit of 150000. That means the maximum deduction allowable as per section 80C, 80CCC and 80CCD (1) will be rupees 150000.

SECTION N	PARTICULARS	CEILING LIMIT
Section 80C	Investment in LIP deposit in PPF/ SPF/RPF	150000
80CCC	Contribution to certain pension funds	150000
80CCD(1)	Contribution to NPS of government	10% of salary or 20% of GTI, As the case may be
80CCE	Aggregate deduction under section 80C, 80 CCC and 80 CCD (1)	150000
80CCD (1B)	Contribution to NPS notified by the Central Government (outside the limit of 150000 U/S 80CCE)	50000
80CCD (2)	Contribution by the employer to NPS of Government (outside the limit of rupees 150000 under section 80CCE)	10% of salary

Section 80D - Deduction in respect of medical insurance premium health checkup and medical treatment

Taxpayers can claim deductions for health insurance premiums paid for ensuring self-spouse dependent children and parents. The tax deduction is applicable on both health insurance and medi claim policies. Male children if not employed then they can be covered up to 25 years. Whereas female children can be covered until she gets married (only if he is unemployed). Only premium amount can be claimed as a deduction.

1. Self & family 25000
2. Self & family + Parents $25000 + 25000 = 50000$
3. Self & family + parents (senior citizens) $25000 + 50000 = 75000$
4. Self (senior citizen) & family + parents (senior citizen) $50000 + 50000 = 100000$

Single premium health insurance policy/multi-year medi claim policy

If the assessee prefers to pay insurance premiums for multiple years in one year itself (may get discount on premium rates) the deduction should be allowed proportionally over the years for which the benefit of the health insurance is available (subject to the overall monetary limit)

Section 80 DD-Deduction in respect of maintenance and support of handicapped dependent

Deduction is allowed if the individual or HUF.

- a) Expenditure for the medical treatment, training and rehabilitation of the dependent there being a person with the dependent, disability or
- b) Paid any amount to LIC or any other insurer in respect of schemes for the maintenance of a disabled dependent.

Amount of deduction:

Normal individual - 75000

Person with severe disability – 125000

(Here dependent means spouse, children, parent, brothers and sisters in the case of an individual and member in case of HUF who are wholly or mainly dependent on such individual or HUF for support and maintenance who has not claimed any deduction under section 80U.)

Section 80 DDB-deduction in respect of medical treatment of certain chronic and protracted disease such as cancer, AIDS, Thalassemia etc.

This direction is allowed to an individual or a HUF who incurred medical expenditure on himself or a dependent. The amount of deduction is allowed as follows:

Citizen: **40000 or amount paid whichever is less.**

Senior citizen & super senior citizen: **100000 or amount paid whichever is less.**

The assessee actually paid this amount for the medical treatment of specified disease assessee should submit a certificate in this respect.

Section 80E - Deduction in respect of interest on loan taken for higher education including Vocational Studies

Any amount paid by the assessee as interest on such loan is allowed as deduction. The deduction will be allowed for a maximum period of 8 years from the year in which payment of interest on loan begins or till the interest is paid in full whichever is earlier.

Section 80 EE- Deductions in respect of interest on loan taken for acquiring residential house property

Deduction allowed is the amount of interest payable on such a loan subjected to a maximum of 50000. The deduction is allowed only if the assessee fulfills the following instructions:

1. The loan is sanctioned during the period of 1-4 -2016 to 31-3-2017
2. The amount of loan does not exceed 35 lakhs
3. The value of residential house property does not exceed 50 lakhs.
4. The assessee does not own any residential house property on the date of sanction of the loan.
5. Interest in respect of which deduction has been claimed under this section, shall not be deductible under any other provisions of the same or any other assessment year.

This direction is allowed over and above of rupees 200000 allowed as per section 24 interest paid in respect of loan borrowed for acquisition of a self-occupied property.

Section 80 EEA - Deduction in respect of interest on loan taken for affordable house

Amount of deduction is, interest payable on loan taken subject to a maximum of 150000. To get deduction the following conditions are to be satisfied:

1. The loan is sanctioned during the period of 1-4 -2019 to 31-3- 2020
2. The stamp duty value of residential house does not exceed 45 lakhs.
3. The assessee does not own any residential house property in the date of the sanction of loan.
4. Amount of deduction allowed shall not be deductible under any other provisions for the same in the same assessment year.

80EEB-Deduction in respect of interest on loan taken for electric vehicles

Electric vehicle means a vehicle run exclusively on a traction battery and having electric regenerative Breaking system. Amount of deduction allowable is the interest payable on loan taken subject to a maximum of 150000. Deduction allowed will not be claimed in any other section.

Section 80G-Deduction in respect of donation to certain funds charitable institutions etc.

Types of donations

- No limit donations (deduction allowed @100% of the qualifying amount)
- No Limited donations (deduction is allowed a@ 50% of the qualifying amount)
- With Limited donation (deduction allowed 100% of the qualifying amount)
- With limit donation (deduction allowed 50 % of the qualifying amount)

No Limited donations (100% of qualifying amount)

- The National defense fund
- The Prime Minister's national relief fund
- The Prime Minister's Armenia earthquake relief fund
- National foundation for communal harmony
- Any approved university or any educational institution
- The chief Minister's earthquake relief fund Maharashtra
- The Zilla SaksharthaSamithi.
- The national blood transfusion Council or state blood transfusion Council
- Fund set up by a state government for the medical relief to the poor
- Central welfare fund of the army and Air Force and the Indian navel benevolent fund
- National illness assistance fund
- Chief Minister's relief fund or the Lt.Governor's relief fund
- National sports fund or National cultural fund or fund for technology development and application.
- Any fund set up by the state government of Gujarat exclusively for providing relief to the victims of earthquake of Gujarat
- The national trust for Welfare of persons with Autism , cerebral palsy , mental retardation and multiple disabilities
- National children's fund
- National fund for control of drug abuse
- Swachh Bharat kosh

- Clean Ganga fund
- Donation to PM cares fund:(Donation up to 30-06-2020)

No Limited donation (deduction allowed at 50% of the qualifying amount)

- The Prime Minister's drought relief fund
- The Jawaharlal Nehru Memorial fund
- Indira Gandhi Memorial Trust
- Rajiv Gandhi Foundation

With limit donation (deduction allowed 100% of the qualifying)

- Government or local authority, institution or association to be utilized for the purpose of promotion of family planning.
- Indian Olympic Association or to an institute notified by the central government for the development of infrastructure for sports and games in India

With Limited donation (deduction allowed for 50% of the qualifying amount)

- The government or local authority utilized for charitable purpose
- Charitable organizations
- Any organization constituted for the development of housing and planning of cities , towns and villages
- Any notified the temple , Mosque, Gurudwara , Church or other place (For renovation or repair)
- To a corporation formed to protect the minority interest.

Conditions for allowing deduction

- ❖ Donation given should not be in kind. If the amount of donation exceeds 2000, it should be paid by any mode other than cash.
- ❖ Donation should not be given for the benefit or any particular religion, class, creed or community. But it does not include a scheduled caste, Scheduled Tribes and backward class or women or children, which are not for any particular religious community or caste.

80GG- Deduction in respect of rent paid.

Here, he will get a deduction:

1. Rent paid less 10% of adjusted total income.
2. 25% of adjusted total income
3. 5000 P.M

Whichever is less

Adjusted total income = Gross total income - long term capital gain + short term capital gains if any + deduction under section 80C to 80U before deduction as per section 80 GG.

Section 80 GGA- Deduction in respect of certain donations for research or rural development.

An assessee (other than, one who's Income is taxable under business and profession) he's eligible for this deduction. Here assessee can deduct 100% of the amount paid to the following institutions:

- a) An approved research Association which has its own object the undertaking of research in social science or statistical research or to a University, College or other institution to be used for scientific, social and statistical research.
- b) An institution which has its object the undertaking of any programme of rural development, to be used for carrying out any programme of rural Development or an Association which has its object the training of person for implementing programme of rural development.
- c) A public sector company or a local Authority or to an Association or institution approved by the National Committee, for carrying out any eligible projected or scheme or to the undertaking of any programme of conservation of Natural Resources or of afforestation to be used for carrying out any programme of conservation of Natural Resources or to the national urban poverty eradication fund set up and notified by the central government.

No deduction shall be allowed in respect of any sum exceeding 10000, unless such sum is paid by any mode other than cash.

80 GGB-Deduction in respect of contributions made by an Indian company to political parties or an electoral trust.

The amount contributed is allowed as deduction.

80GGC-Deduction in respect of contributions made by an individual to political parties or electoral trust.

The amount contributed by an assessee who is not a local Authority or artificial juridical person, is eligible for deduction. No deduction shall be allowed under section 80 GGB&GGC in respect of any sum contributed by the way of cash.

80 IA -Deductions in respect of profit and gains from industrial undertaking or enterprises engaged in infrastructure development

The amount allowed as deduction in respect of Telecommunication services 100% for the first 5 years and 30% for the next five years. In other cases the amount of deduction is 100% for 10 consecutive assessment years

Section 80 IAB- Deduction in respect of profit and gain by an undertaking for enterprise engaged in development of special economic zone.

Enterprise will get a deduction of 100% for the profit and gains derived from such business for 10 consecutive assessment years, but the development of special economic zone should begin on or before March 31st 2017. The assessee can opt for any 10 consecutive years out of 15 years beginning with the year in which SEZ is notified by the government.

Section 80 IAC deduction in respect of profit and gains of eligible start up from an eligible business

Eligible startup means a company or LLP incorporated during 1-4 -2006 to 31-03- 2019 whose total turnover is up to 25 crores during any of the previous year from 2016-17 to 2020-2021. The amount of deduction is allowed here is 100% of the profit and gains for 3 consecutive assessment years. The assessee may opt for any 3 consecutive years out of 5 years beginning with the year of its Incorporation.

Section 80IB-Deduction in respect of profit and gains from industrial undertaking other than infrastructural development, ships or hotel etc.

No deduction under this section shall be allowed to an undertaking engaged in refining mineral oil, if it begins refining on or after 1-4-2009. But it is not applicable in case of public company. A 5 year tax holiday also be allowed to hospital located anywhere in India (except 7 urban agglomerations) provided the hospital is constructed and has started or start functioning between 1-4- 2008 and 31- 03 -2013. An undertaking begins commercial production of natural gas on or after 1-4 -2009 but before 31-03- 2007- deduction is allowed 100% of profit for initial 7 assessment years.

Section 80IC- deduction in respect of profit and gain from undertakings or enterprise in special category states.

Section 80 ID - Deduction in respect of profits and gains from business of hotel and Convention centers in specific area.

Section 80 IE - Deduction in respect of profit and gains in respect of certain undertakings in North Eastern states

Section 80 JJA -Deduction in respect of profits from the business of processing of biodegradable waste

Here deduction is available for a period of 5 consecutive assessment years relevant to the previous year in which such business commences. (100% deduction)

Section 80 JJA deduction in respect of employment of new workmen

Here a deduction is allowed of an amount equal to 30% of additional wages paid to the new regular workers employed by the assessee in the previous year for 3 assessment years. In order to claim this incentives, it has been extended to units employing 50 (instead of 100) regular work man.

Section 80 QQB-Deduction in respect of royalty income of authors

He will get a deduction of Rs. 300000 or whole of such income (Royalty maximum @ 15 % of the value of such books sold less expenses attributable to such income) whichever is less, is allowed as deduction.

Section 80-RRB deduction in respect of royalty on patents

The amount of deduction is whole of such income or rupees 300000 whichever is less.

Section 80 TTA Deduction in respect of interest from bank

Here an individual or HUF, interest from savings bank account with a bank, cooperative bank, Post Office bank, up to 10000 will not be taxable(It is not applicable in case of fixed deposit).

Section 80 TTB- Deduction in respect of interest on bank/post office deposits in case of senior citizen

Here deduction is equal to 50000 or the amount of aforesaid interest, whichever is lower.

Section 80U-Deduction in the case of permanent physical disability (including blindness)

Normal disability- Rs. 75000

Severe disability- Rs. 125000

RELIEF OF TAX

Relief in tax in respect of salary under section 89 of Income Tax Act

- Tax is charged on salary in the year in which the salaries are due or paid, getting advances or pending salary. If the number of salaries in a year is more than 12, then the rate of tax to the income for that year may be charged at a higher rate than the normal rate for salary.
- Assessee is required to furnish all the details of the salary in the form 10 E to the assessing officer and the assessee can request for granting the necessary relief under section 89. Section 89 relief is a process which brings the whole of the extra amount into the tax.
- Finding out two rates of tax, the first on the income including the extra amount received in a financial year and the second is finding the rate of the income which arrears in that year including the amount received plus the arrears which is not received in that financial year.
- In this process total tax on receipt basis as well as accrual basis is calculated. The excess amount of receipt basis over the accrual basis is the amount of relief under section 89 of income tax.

According to Rule 21A, following five different situations are here wherein the assessee will be entitled to get relief under section 89:

- ❖ Salary being received in arrears or advance
- ❖ In the nature of Compensation received
- ❖ In the nature of Gratuity received
- ❖ In the nature of commuted pension received
- ❖ Where the payment is not covered by the description given 1 to 4.

Relief when the salary is received in advance or in arrears

If a person receives salary in advance or arrears of the salary of the previous year, his liability to tax in the financial year in which the advance of salary for arrears of salary received increases automatically. The relief is there for the person to equalize the tax liability of the assessee and calculate the tax on salary on accrual basis instead of calculating the receipt basis. For this relief the following steps may be used:

- Find out the tax on total income (including arrears) of the previous year.
 - Find out the tax on total income without arrears.
 - From the amount arrived in (1) deduct amount arrived in (2).
 - The resulted figure is the tax on arrears.
 - Find out the previous year to which the arrears relate and add the respective amount of arrear in respective previous year.
 - Find out the tax on total income as arrived in (5) in respect of each previous years.
 - Find out the tax on total income (without adding the arrears) of each of the previous years.
 - Deduct the amount arrived at in (7) from the amount arrived at in (6).
 - The amount got in the above is the tax on arrears.
 - Find out the difference between (4) and (9). This will be relief under section 89.
- When assessee claims exemption under section 10(10C) regarding compensation on voluntary retirement, he is not entitled to get relief on tax on the amount received or receivable.

Agricultural income

Income Tax Act does not define the term agricultural income. Instead it gives a list of income that can be treated as agricultural income. Section 2(1A) of the Act defines agricultural income as follows:

- Any rent or revenue derived from land that is situated in India and is used for agricultural purpose
- Any income derived from such land by,
 - a) Agriculture
 - b) Any process ordinarily employed by a cultivator or receiver of rent in kind to make the produce fit to be taken to market.

- c) The sale by a cultivator or receiver of rent in kind of the produce in respect of which no process has been performed other than a process of the nature described in the above paragraph.

➤ Any income derived from farm house.

Criteria to determine agricultural income

- ❖ Income derived from land situated in India
- ❖ Land is used for agricultural purpose
- ❖ Land is situated in India.

Types of Agricultural income

- Rent or revenue from agricultural land
- Income derived from agriculture
- Income from any process used by the cultivator to render the product marketable
- Income from the sale of produce raised or received as rent in kind
- Income from buildings used for agriculture
- Any income derived from saplings or seedlings grown in a nursery.

Partly agricultural income

❖ Profit of business other than Tea (Rule 7)

Market value of agricultural product raised can be deducted from total profit of such assessee. The rule is applicable in case of cotton, tobacco, sugarcane etc.

❖ Profit from Tea manufacturing (Rule 8)

Tea leaves grown - 40% treated as business income
- 60% treated as agricultural income.

❖ Income from the manufacturing of centrifuged latex or cenex

65% - Treated as agricultural income
35% - Treated as business income.

❖ Income from coffee manufacturing

75% - of sale and cured of coffee grown is treated as agricultural income.
25% - Treated as business income.

Examples of Agricultural income

- Income from sale of dried tobacco leaves in which green tobacco leaves are dried by using some process.
- Grazing fees realized from piece of land which was used for grazing animals or used for agricultural purpose
- Cattle are rare and exclusively for agricultural purposes and on the farm any income received on the sale of milk and the butter would be agricultural income

Examples of Nonagricultural income

- Income from the sale of wild grass
- Income from the sale ginned cotton
- Share of agricultural procedure received by a person for supply of water

COMPUTATION OF AGRICULTURAL INCOME

Agricultural Income of assessee can be computed as per the rules given below.

- Rent or revenue derived from agricultural land will be computed on the same basis as is adopted for the computation of income under the head income from other source.
- Income derived from agricultural house property is computed as if it were income chargeable to income tax under the head income from house property.
- Income derived from agricultural operation is computed as if it were income chargeable to income tax under the head profit or gains from business or profession.
- Loss incurred in agriculture will be allowed to be set off only against gains from agriculture.
- Any sum payable to the government in the form of tax charged by the state government on agriculture will be allowed as a deduction.

Method of integration

Agricultural income is exempt from tax under section 10(1). But in the case of individual, HUF, AOP/BOI or artificial juridical person, if the net agricultural income exceeds Rs.5000 it is taken into account for determining the rate of income tax on other urban income liable to tax.

Then relief of tax is allowed on such agricultural income.

- Net agricultural income is integrated with non-agricultural income.
- Income tax is calculated on this integrated income at the rates prevailing each assessment year.
- Then income tax will be calculated on the net agricultural income as increased by an amount of Rs. 250000, Rs.300000, and Rs.500000 as the case may be.

- Income tax calculated under 3 above is deducted from the income tax calculated 2 above.

ASSESSMENT OF INDIVIDUAL AND HUF

Rates of income tax for the assessment year 2020-

Normal rates of tax

<i>Net income</i>	<i>Income tax rates</i>
Where the total income does not exceeds 250000	Nil
Where the total income exceeds 250000 but does not exceed 500000	5% of the amount by which the total income exceeds 250000
Where the total income exceeds 500000 but does not exceed 1000000	12500 + 20% of the amount by which the total income exceeds 500000
Above 1000000 by which the total income exceeds	1,12500 + 30% of the amount 10,00000

Individual's age 60 years to 80 years

<i>Net income</i>	<i>Income tax rates</i>
Where the total income does not exceeds 300000	Nil
Where the total income exceeds 300000 but does not exceed 500000	5% of the amount by which the total income exceeds 300000
Where the total income exceeds 500000 but does not exceed 1000000	10000 + 20% of the amount by which the total income exceeds 500000
Above 1000000 by which the total income exceeds	1,10000 + 30% of the amount 10,00000

Individual's age above 80 years

Where the total income does not exceed 500000	Nil
Where the total income exceeds 500000 but does not exceed 1000000	20% of the amount by which the total income exceeds Rs. 500000
Above 1000000 by which the total income exceeds	100000 + 30% of the income exceed 10,00000

Alternate minimum tax (section 115JC)

Alternative minimum tax is now applicable to all assessee other than a company subject to certain conditions. The provisions of alternate tax apply to an individual

I. who has claimed:-

- ❖ Any deduction under any section (other than section 80P) included in chapter IV-A under the heading "C" - deduction in respect of certain incomes (Other than section 80P)
- ❖ Deduction under section 10AA (SEZ)
- ❖ Deduction under section 35AD

II. Whose adjusted total income exceeds 20 lakh

Tax liability of an individual under an AMT

- Regular income tax payable as provisions of Income Tax Act
- Income tax @ 18.5% on adjusted total income
whichever is higher
(In both cases education cess is to be added)

Adjusted total income

Adjusted total income should be the total income before giving effect to provisions of chapter

XII- BA as increased by:

- The deduction claimed under any section included in chapter VI-A under the heading "C" - Deductions in respect of certain incomes (other than section 80P)
- Deduction claimed under section 10AA

- Deduction claimed under section 35 AD (the amount of depreciation allowable under section 32 shall be reduced while calculating adjusted total income)

Tax credit (Section 115JD)

The tax credit is paid by a person on account of AMT under chapter XII-BA shall be allowed to the extent of the excess of the AMT paid over the regular income tax.

Amount of tax credit = AMT - Tax to be paid as per normal rates of income tax

Time limit to carry forward:

This tax credit shall be allowed to be carry forward up to the 10th assessment year immediately succeed in the assessment year for which such credit becomes available.

Set off: It shall be allowed to be set off for an assessment year in which the regular Income tax exceeds the AMT to the extent of the excess of the regular income tax over the AMT.

ASSESSMENT OF HINDU UNDIVIDED FAMILY

To claim the status of Hindu Undivided Family, a family must satisfy the following 2 conditions.

1. Existence of common property in the family
2. Existence of Hindu Coparcenary

The person who can claim shares in the property of Hindu Undivided Family on partition is called Coparcener. Only the male member of a Hindu Undivided Family enjoys this right.

Karta of the Family

The senior most male member of the family is ordinary regarded as the Karta of the family. In the absence of male member or the existing male member is incompetent to act as Karta, then the senior most female member will act as the Karta of the family.

Income which is not treated as family income

- ❖ Personal earnings of members
- ❖ Income from ancestral property
- ❖ Income from personal business
- ❖ Income from an impartible estate
- ❖ Income from converted property

Computation of tax

The tax is levied on Hindu Undivided Family on the basis of its residential status. The assessment of taxes is done in the name of family just like an individual.

Deductions

Besides the general deductions allowed under each head, salary paid to the Karta or any other member of the family for earning income to the family shall be allowed as deduction in computing the total income of the family.

Tax planning

- Surcharge rates will be as follows:
 - Total income exceeding Rs. 50, 00000 but not exceeding 1 crore @ 10%
 - Total income exceeding Rs.1 crore but not exceeding 2 crore @ 15%
 - Total income exceeding Rs.2 crore but not exceeding 5 crore @ 25%
 - Total income exceeding Rs. 5 crore @ 37%
- Any individual or HUF who exercises such option shall not be eligible to claim various exemptions or deductions available under the Act including the following :-
 - Standard deduction of Rs. 50000
 - Leave travel allowance U/S 10(5)
 - House rent allowance U/S 10(13 A)
 - Certain allowance U/S 10(14)
 - Deduction of interest up to Rs. 200000 (self- occupied HP)
 - All deductions allowed under chapter VI-A (Except deduction U/S 80 CCD (2), Section 80 JJAA).
 - Allowance for minor child income U/S 10(32)
 - Exemptions for SEZ unit U/S 10 AA
 - Additional initial depreciation in respect of Plant & Machinery
 - Investment allowance U/S 32 AD
 - Tea/Coffee/Rubber development benefit U/S 33AB
 - Site restoration benefit U/S 33 ABA

- Various deductions for donations for scientific research ,social researches U/S 35(1), 34(2AA)
- Accelerated capital deduction for specified business U/S 35 AD
- Expenditure on extension agricultural projects.
- U/S 35 CCC



MODULE 3

Evolution of GST in India

- The idea of a Goods and Services Tax (GST) for India was first mooted sixteen years back, during the Prime Ministership of Shri Atal Bihari Vajpayee. Thereafter, on 28th February, 2006,
- the then Union Finance Minister in his Budget for 2006-07 proposed that GST would be introduced from 1st April, 2010. The Empowered Committee of State Finance Ministers (EC), which had formulated the design of State VAT was requested to come up with a roadmap and structure for the GST.
- Joint Working Groups of officials having representatives of the States as well as the Centre were set up to examine various aspects of the GST and draw up reports specifically on exemptions and thresholds, taxation of services and taxation of inter-State supplies. Based on discussions within and between it and the Central Government, the EC released its First Discussion Paper (FDP) on GST in November, 2009.
- The FDP spelled out the features of the proposed GST and has formed the basis for the present GST laws and rules.
- In March 2011, Constitution (115th Amendment) Bill, 2011 was introduced in the Lok Sabha to enable levy of GST. However, due to lack of political consensus, the Bill lapsed after the dissolution of 15th Lok Sabha in August 2013.
- On 19th December, 2014, The Constitution (122nd Amendment) Bill 2014 was introduced in the Lok Sabha and was passed by Lok Sabha in May 2015.
- The Bill was taken up in Rajya Sabha and was referred to the Joint Committee of the Rajya Sabha and the Lok Sabha on 14th May, 2015. The Select Committee submitted its report on 22nd July, 2015.
- Thereafter, the Constitutional Amendment Bill was moved on 1st August 2016 based on political consensus. The Bill was passed by the Rajya Sabha on 3rd August 2016 and by the Lok Sabha on 8th August 2016.

- After ratification by required number of State legislatures and assent of the President, the Constitutional amendment was notified as Constitution (101st Amendment) Act 2016 on 8th September, 2016.
- The Constitutional amendment paved way for introduction of Goods and Services Tax in India.
- After GST Council approved the Central Goods and Services Tax Bill 2017 (The CGST Bill), the Integrated Goods and Services Tax Bill 2017 (The IGST Bill), the Union Territory Goods and Services Tax Bill 2017 (The UTGST Bill), the Goods and Services Tax (Compensation to the States) Bill 2017 (The Compensation Bill), these Bills were passed by the Lok Sabha on 29th March, 2017.
- The Rajya Sabha passed these Bills on 6th April, 2017 and were then enacted as Acts on 12th April, 2017. T 2015. 6 on 08.09.2016
- Thereafter, State Legislatures of different States have passed respective State Goods and Services Tax Bills. After the enactment of various GST laws, GST was launched with effect from 1st July 2017 by Sh.Narendra Modi, Hon'ble Prime Minister of India in the presence of Sh.Pranab Mukherjee, the then President of India in a mid-night function at the Central Hall of Parliament of India.

GST Council structure

As per Article 279A of the amended Constitution, the GST Council is a joint forum of the Centre and the States, and consists of the following members: -

Union Finance Minister	Chairperson
The Union Minister of State, in-charge of Revenue, Min. of Finance	Member
The Minister In-charge of Finance or Taxation or any other Minister nominated by each State Government	Members

The Council is empowered to make recommendations to the Union and the States on the following:-

- a) the taxes, cesses and surcharges levied by the Union, the States and the local bodies which may be subsumed in the goods and services tax;
- b) the goods and services that may be subjected to, or exempted from the goods and services tax;
- c) model Goods and Services Tax Laws, principles of levy, apportionment of Integrated Goods and Services Tax and the principles that govern the place of supply;
- d) the threshold limit of turnover below which goods and services may be exempted from goods and services tax;
- e) the rates including floor rates with bands of goods and services tax;
- f) any special rate or rates for a specified period, to raise additional resources during any natural calamity or disaster;
- g) special provision with respect to the States of Arunachal Pradesh, Assam, Jammu and Kashmir, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura, Himachal Pradesh and Uttarakhand; and
- h) the date on which GST shall be levied on petroleum crude, high speed diesel, motor spirit (petrol), natural gas and aviation turbine fuel
- i) any other matter relating to the goods and services tax, as the Council may decide.

On 12th September, 2016 the Union Cabinet under the Chairmanship of the Hon'ble Prime Minister approved setting up of GST Council and creation of its Secretariat as follows:

- a) GST Council as per Article 279A of the amended Constitution;
- b) GST Council Secretariat, with its office at New Delhi;
- c) Secretary (Revenue) as the Ex-officio Secretary to the GST Council;
- d) Inclusion of the Chairperson, Central Board of Excise and Customs (CBEC), as a permanent invitee (non-voting) to all proceedings of the GST Council;
- e) One post of Additional Secretary to the GST Council in the GST Council Secretariat (at the level of Additional Secretary to the Government of India), and four posts of Commissioners in the GST Council Secretariat (at the level of Joint Secretary to the Government of India).

MODULE 4

Scope and Advantages of GST

1, GST eliminates the cascading effect of tax

Under GST

GST on service of ₹ 50,000 @18%	9,000
Less: GST on office supplies (₹ 20,000*5%)	1,000
Net GST to pay	8,000

2. Higher threshold for registration

Earlier, in the VAT structure, any business with a turnover of more than ₹ 5 lakh (in most states) was liable to pay VAT. Please note that this limit differed state-wise. Also, service tax was exempted for service providers with a turnover of less than ₹ 10 lakh.

Let us look at this table below:

Tax	Threshold Limits
Excise	₹1.5 crores
VAT	₹5 lakhs in most states
Service Tax	₹10 lakhs
GST	₹20 lakhs (₹10 lakhs for NE states)

3. Composition scheme for small businesses

4. Simple and easy online procedure

5. The number of compliances is lesser

<u>Tax</u>	<u>Return Filing</u>
Excise	Monthly
Service tax	Proprietorship/Partnership- Quarterly Company/LLP- Monthly
VAT	*Different for different states* Some states require monthly returns over a threshold limit. Some states like Karnataka require a monthly return

1. Defined treatment for E-commerce operators

- Earlier to GST regime, supplying goods through e-commerce sector was not defined.
- Again, these e-commerce brands were treated as facilitators or mediators by states like Kerala, Rajasthan, and West Bengal which did not require them to register for VAT.
- All these differential treatments and confusing compliances have been removed under GST. For the first time, GST has clearly mapped out the provisions

applicable to the e-commerce sector and since these are applicable all over India, there should be no complication regarding the inter-state movement of goods anymore.

2. Improved efficiency of logistics

- Earlier, the logistics industry in India had to maintain multiple warehouses across states to avoid the current CST and state entry taxes on inter-state movement. These warehouses were forced to operate below their capacity, giving room to increased operating costs.
- As an outcome of GST, warehouse operators and e-commerce aggregators players have shown interest in setting up their warehouses at strategic locations such as Nagpur (which is the zero-mile city of India), instead of every other city on their delivery route.
- Reduction in unnecessary logistics costs is already increasing profits for businesses involved in the supply of goods through transportation.

3. Unorganized sector is regulated under GST

- In the pre-GST era, it was often seen that certain industries in India like construction and textile were largely unregulated and unorganized.
- Under GST, however, there are provisions for online compliances and payments, and for availing of input credit only when the supplier has accepted the amount. This has brought in accountability and regulation to these industries.
- Let us now look at disadvantages of GST. Please note that businesses need to overcome these disadvantages to run the business smoothly.

Disadvantages of GST

- ***Increased costs due to software purchase***
- ***Being GST-compliant***
- ***GST will mean an increase in operational costs***
- ***GST came into effect in the middle of the financial year***
- ***GST is an online taxation system***
- ***SMEs will have a higher tax burden***

Definitions and Meaning

Goods and services tax (GST) is a tax on goods and services with value addition at each stage having comprehensive and continuous chain of set of benefits from the producer's/service provider's point up to the retailers level where only the final consumer should bear the tax.

Central Goods and Services Tax Act

The Central Goods and Services Tax Act passed by the Parliament received the assent of the President of India on the 12th April, 2017. The Act has been passed to empower the Central Government to levy and collect tax on supply of goods or services within a state. The CGST Act confers powers to Government of India to collect tax on intra-state supply of goods and services

An example for CGST and SGST:

Let's suppose Rajesh is a dealer in Maharashtra who sold goods to Anand in Maharashtra worth ₹ 10,000. The GST rate is 18% comprising of CGST rate of 9% and SGST rate of 9%. In such case, the dealer collects ₹ 1800 of which ₹ 900 will go to the Central Government and ₹ 900 will go to the Maharashtra Government.

Integrated Goods and Services Tax Act

Under GST, IGST is a tax levied on all Inter-State supplies of goods and/or services and will be governed by the IGST Act. IGST will be applicable on any supply of goods and/or services in both cases of import into India and export from India.

Note: Under IGST,

- Exports would be zero-rated.
- Tax will be shared between the Central and State Government.

An example for IGST:

Consider that a businessman Rajesh from Maharashtra had sold goods to Anand from Gujarat worth ₹ 1,00,000. The GST rate is 18% comprised of 18% IGST. In such case, the dealer has to charge ₹ 18,000 as IGST. This IGST will go to the Centre.

State Goods and Services Tax Act

Under GST, SGST is a tax levied on Intra State supplies of both goods and services by the State Government and will be governed by the SGST Act. As explained above, CGST will also be levied on the same Intra State supply but will be governed by the Central Government.

Note: Any tax liability obtained under SGST can be set off against SGST or IGST input tax credit only.

Rates of GST

Goods and Service Tax has been introduced to unify the tax system merging all other indirect taxes. Unification of tax system does not mean unification of tax rates. In fact there are many rates at which GST is levied on different supplies of goods and services. GST Council's rate fitment committee framed different GST slabs after considering the tax incidence under the earlier tax system, on different goods and services. The details of the GST rate structure presently prevailing in the country are as follows:

i) Exempted

A large number of items have been exempted from the purview of GST. Most of the farm products, live animals, live chicken, live fish, eggs, honey, puja articles, hearing aids, slate

pencils, etc., belong to the category of exempted goods.

ii) Taxable at the rate of 0.25%

There are goods taxable at the rate of 0.25%. diamonds, non-industrial unworked, precious stones (other than diamonds) and semi-precious stones, unworked, synthetic or reconstructed precious or semi-precious stones, unworked, etc., are the items on which 0.25% is applicable.

iii) Taxable at the rate of 3%

Base metals, gold, silver, articles of jewellery, imitation jewellery, coin, waste and scrap of precious metals, etc., are taxable at the rate of 3%.

iv) Taxable at the rate of 5%

Fish frozen or dried, flours, meals and pellets of fish, Ultra High Temperature (UHT) milk and cream, concentrated vegetables, frozen grapes, raisins, nuts, spices, branded rice, etc., belong to the tax bracket of 5%.

v) Taxable at the rate of 12%

Fruit pulp or fruit juice based drinks, marble and travertine blocks, granite blocks, preserved fish, animal fats and oils, etc., are taxable at the rate of 12%.

vi) Taxable at the rate of 18%

Majority of the supplies are taxable at the rate of 18%.

vii) Taxable at the rate of 28%

Molasses, paints, varnishes, pan masala, non-alcoholic beverages, unmanufactured tobacco, etc., are some of the items on which 28% tax is applicable.

viii) Tax Deducted at Source (TDS) 1%

Government departments, local authorities and government agencies, who are recipients of supply, have to deduct tax at the rate of 1% from the payment made or credited to the supplier where total value of supply, under a contract, exceeds two lakh and fifty thousand rupees.

ix) Tax Collected at Source (TCS) 2%

Electronic commerce operators have to collect 'tax at source', at the rate of 2% of net value of taxable supplies, when they make payments to suppliers supplying goods or services through their portals.

x) Composite tax (1%, with effect from 15.11.2017)

Small scale business firms having turnover upto ₹ 1.5 crore can opt for composition scheme.

With effect from 15.11.2017, composite tax rate is 1% for all the categories of composite tax payers. However, the composition rate for hotels shall be 5%. Those who opt for composition scheme have to pay tax at the prescribed rate, based on total turnover. Composite tax payers are not allowed to collect tax from customers. The tax so paid is equally shared between the Centre and the State.

Levy and Collection of Central/State Goods and Services Tax

The Central Goods and Services Tax is levied under Section 9 of the CGST Act. Therefore section 9 is the charging section of CGST which contains the following provisions relating to levy and collection of CGST.

1. Intra-state supplies of goods or services or both, shall be levied a tax called the Central Goods and Services Tax (CGST).
2. CGST shall not be applicable on the supply of alcoholic liquor for human consumption.
3. For the purpose of CGST value of supply shall be determined under section 15.
4. The rate of SGST shall be notified by the Government on the recommendations of the GST Council.
5. The tax may be collected in the prescribed manner.
CGST shall be paid by the taxable person
6. The central tax on the supply of petroleum crude, high speed diesel, motor spirit (commonly known as petrol), and natural gas and aviation turbine fuel shall be levied with effect from such date as may be notified by the Government on the recommendations of the Council.
7. The Government shall notify the categories of goods or services on which tax shall be paid on 'reverse charge' basis by the recipient of such goods or services or both. All the provisions of this Act shall apply to such recipient as if he is the person liable for paying the tax in relation to the supply of such goods or services or both.

Taxable person

Casual taxable person means a person who supplies taxable goods or services occasionally in a taxable Territory where he does not have a fixed place of business. The person can act as a

Principal or agent or in any other capacity supply goods or services for the furtherance of business.

Example:

Mr.X having the place of business in Bangalore providing Management consultancy services in Hyderabad where he has no place of business. Hence Mr.X has to register as a Casual Taxable Person in Hyderabad before providing such services.

Note-

- a) Person includes individuals, Hindu Undivided Family, company including Government Company, firm, limited liability partnership, an association of persons, a body of individuals, co-operative society, local authority and government including a corporation.

Principal place of business means the place of business specified as the principal place of business in the certificate of registration

The casual taxable person is required to furnish the following returns

FORM	DUE DATE
FORM GSTR-1 (Details of outward supplies of goods or services)	On or before the 10th of the following month
FORM GSTR-2 (Details of inward supplies)	After 10th but before the 15th of the following month
FORM GSTR-3	After 15th but before the 20th of the following month

A casual tax person is not required to file an annual return as required by a normally registered taxpayer.

Note –All Forms can be submitted at the common portal, either directly or through a Facilitation Centre notified by the Commissioner.

Refund by Casual Taxable Person

CTP is eligible for the refund of any amount deposited in excess of tax liability which will be refunded after all the necessary returns have been furnished for the Registration period.

Application for Refund of balance in excess of tax liability in the electronic cash ledger has to be

made in serial no. 14 of the last FORM GSTR-3 return.

Power to Grant Exemption from Tax

Exempt supplies comprise the following three types of supplies:

1. Supplies taxable at a 'NIL' rate of tax* (0% tax);
2. Supplies that are wholly or partially exempted from CGST or IGST, by way of a notification amending Section 11 of CGST Act or Section 6 of IGST Act;
3. Non-taxable supplies as defined under Section 2(78) – supplies that are not taxable under the Act (For Example Alcoholic liquor for human consumption.

Tax need not be paid on these supplies. Input tax credit attributable to exempt supplies will not be available for utilization/setoff.

*Zero-rated supplies such as exports would not be treated as supplies taxable at 'NIL' rate of tax;

Central or the State Governments are empowered to grant exemptions from GST. Conditions are:

1. Exemption should be in public interest
2. By way of issue of notification
3. Must be recommended by the GST Council
4. Absolute exemption or conditional exemption may be for any goods and / or services of any specified description.
5. Exemption by way of special order (not notification) may be granted exceptional circumstances.

Registered person supplying the goods and / or services is not entitled to collect tax higher than the effective rate, where the supply enjoys an absolute exemption

Types of Exemptions:

1. Absolute exemption: Exemption without any conditions.
2. Ex: Transmission or distribution of electricity by an electricity transmission or

distribution utility, Services by Reserve Bank of India.

3. Conditional Exemption: Exemption subject to certain conditions.
4. Ex: Services by a hotel, inn, guest house, club or campsite, by whatever name called, for residential or lodging purposes, having declared tariff of a unit of accommodation less than ₹ 1000/- per day.

Conditional or partial exemption:

Intra-State supplies of goods and/or services received from an unregistered person by a registered person is exempted from payment of tax under reverse charge provided the aggregate value of such supplies received by a registered person from all or any of the suppliers does not exceed ₹5000/- in a day.

Time and Value of Supply of Goods

The point of taxation, type of tax, and amount of tax depends on the time, place, and value of supply. It is necessary to understand how these rules apply in case of inter-state and intra-state transactions so that you charge the correct tax every time.

Time of supply means the point in time when goods/services are considered supplied'. When the seller knows the 'time', it helps him identify due date for payment of taxes.

Place of supply is required for determining the right tax to be charged on the invoice, whether IGST or CGST/SGST will apply.

Value of supply is important because GST is calculated on the value of the sale. If the value is calculated incorrectly, then the amount of GST charged is also incorrect

1. Time of Supply

Time of supply means the point in time when goods/services are considered supplied'. When the seller knows the 'time', it helps him identify due date for payment of taxes.

CGST/SGST or IGST must be paid at the time of supply. Goods and services have a separate basis to identify their time of supply. Let's understand them in detail.

A. Time of Supply of Goods

Time of supply of goods is earliest of:

1. Date of issue of invoice
2. Last date on which invoice should have been issued
3. Date of receipt of advance/ payment*.

B. Time of Supply for Services

Time of supply of services is earliest of:

1. Date of issue of invoice
2. Date of receipt of advance/ payment.

Date of provision of services (if invoice is not issued within prescribed period)

A. Time of Supply under Reverse Charge

In case of reverse charge the time of supply for service receiver is earliest of:

3. Date of payment*
4. 30 days from date of issue of invoice for goods (60 days for services)

*w.e.f. 15.11.2017 'Date of Payment' is not applicable for goods and applies only to services.

Notification No. 66/2017 – Central Tax

2. Place of supply

It is very important to understand the term ‘place of supply’ for determining the right tax to be charged on the invoice.

Here is an example:

Location of Service Receiver	Place of supply	Nature of Supply	GST Applicable
Maharashtra	Maharashtra	Intra-state	CGST + SGST
Maharashtra	Kerala	Inter-state	IGST

A. Place of Supply of Goods

Usually, in case of goods, the place of supply is where the goods are delivered. So, the place of supply of goods is the place where the ownership of goods changes. What if there is no movement of goods. In this case, the place of supply is the location of goods at the time of delivery to the recipient.

B. Place of Supply for Services

Generally, the place of supply of services is the location of the service recipient. In cases where the services are provided to an unregistered dealer and their location is not available the location of service provider will be the place of provision of service.

Special provisions have been made to determine the place of supply for the following services:

- Services related to immovable property
- Restaurant services

3. Value of Supply of Goods or Services

Value of supply means the money that a seller would want to collect for the goods and services supplied. The amount collected by the seller from the buyer is the value of supply. But where parties are related and a reasonable value may not be charged, or transaction may take place as a barter or exchange; the GST law prescribes that the value on which GST is charged must be its 'transactional value'. This is the value at which unrelated parties would transact in the normal course of business. It makes sure GST is charged and collected properly, even though the full value may not have been paid.

CPA COLLEGE OF GLOBAL STUDIES

MODULE 5

The liability to register under GST arises when the person is a supplier and the aggregate turnover in the financial year is above the threshold limit of ₹20 lakh rupees (CBIC has notified the increase in threshold turnover from ₹ 20 lakhs to ₹ 40 lakhs with effect from 1st April 2019). However, there are certain categories of suppliers who are required to get compulsory registration irrespective of their turnover. The threshold limit of 20 lakh rupees is not applicable to them. One such supplier would be a Casual Taxable Person (hereafter referred as CTP). A Casual Taxable person cannot opt for Composition Scheme. A CTP has to obtain a Temporary Registration which is valid for a maximum period of 90 days in the State from where he seeks to supply as a Casual taxable person. A CTP is required to make the advance deposit of GST (based on an estimation of tax liability).

For certain businesses, registration under GST is mandatory. If the organization carries on business without registering under GST, it will be an offence under GST and heavy penalties will apply. GST registration usually takes between 2-6 working days.

Let's take our previous example,

Say Mr. X estimates his taxable services at ₹ 100000. He is required to make an advance deposit of ₹ 18000 (18% of ₹ 100000) to obtain temporary registration.

Registration Process

Apply for registration by declaring PAN, mobile number and email in PART A of Form GST REG -01



Validate and verify PAN, mobile number and email through OTP



On successful verification, temporary reference number is generated using which advance tax deposit is to be made. As acknowledgement for deposit, Form GST REG- 02 will be given electronically.



Using the reference number generated, the applicant can fill and submit PART B of Form GST REG - 01 electronically.



The Registration certificate shall be issued electronically after the tax deposit appears in electronic cash ledger



After receipt of Registration Certificate, CTP can make taxable supplies



Validity of Certificate - Period specified in application or 90 days from effective date of registration whichever is earlier.

Extension of Period of Registration

Apply in FORM GST REG-11 before the end of validity of registration. An extension can be made for a further period not extending 90 days. The extension will be allowed only on deposit of additional tax liability for the extended period.

Persons including Register for GST

- Individuals registered under the Pre-GST law (i.e., Excise, VAT, Service Tax etc.)
- Businesses with turnover above the threshold limit of ₹ . 20Lakhs* (₹. 10 Lakhs for North-Eastern States, J&K, Himachal Pradesh and Uttarakhand)
- Casual taxable person / Non-Resident taxable person
- Agents of a supplier & Input service distributor
- Those paying tax under the reverse charge mechanism
- Person who supplies via e-commerce aggregator
- Every e-commerce aggregator
- Person supplying online information and database access or retrieval services from a place outside India to a person in India, other than a registered taxable person

Documents Required for GST Registration

- PAN of the Applicant
- Aadhaar card
- Proof of business registration or Incorporation certificate
- Identity and Address proof of Promoters/Director with Photographs
- Address proof of the place of business
- Bank Account statement/Cancelled cheque
- Digital Signature
- Letter of Authorization/Board Resolution for Authorized Signatory

Amendment of Registration

1. Where there is any change in any of the particulars furnished in the application for registration in FORM GST REG-01 or FORM GST REG-07 or FORM GST REG-09 or FORM GST REG-10 or for UIN in FORM GST-REG-13 either at the time of obtaining registration or UIN or as amended from time to time, the registered person shall, within fifteen days of such change, submit an application, duly signed or verified through EVC, electronically in FORM GST REG-14, along with documents relating to such change at the Common Portal either directly or through a Facilitation Centre notified by the Commissioner.
2.
 - a. Where the change relates to-
 - i. legal name of business;
 - ii. address of the principal place of business or any additional place of business; or
 - iii. addition, deletion or retirement of partners or directors, Karta, Managing Committee, Board of Trustees, Chief Executive Officer or equivalent, responsible for day to day affairs of the business,- which does not warrant cancellation of registration under section 29, the proper officer shall, after due verification, approve the amendment within fifteen working days from the date of receipt of application in FORM GST REG-14 and issue an order in FORM GST REG-15 electronically and such amendment shall take effect from the date of occurrence of the event warranting amendment.
 - b. The change relating to sub-clause (i) and sub-clause (iii) of clause (a) in any State or Union territory shall be applicable for all registrations of the registered person obtained under these rules on the same PAN.
 - c. Where the change relates to any particulars other than those specified in clause (a), the certificate of registration shall stand amended upon submission of the application in FORM GST REG- 14 on the Common Portal: Provided that any change in the mobile number or e-mail address of the authorised signatory submitted under rule 1, as amended from time to time, shall be carried out only after online verification through the Common Portal in the manner provided under the said rule.
 - d. Where a change in the constitution of any business results in change of PAN of a registered person, the said person shall apply for fresh registration in FORM GST REG-01.

3. Where the proper officer is of the opinion that the amendment sought under clause (a) of sub-rule (2) is either not warranted or the documents furnished therewith are incomplete or incorrect, he may, within fifteen working days from the date of receipt of the application in FORM GST REG-14, serve a notice in FORM GST REG-03, requiring the registered person to show cause, within seven working days of the service of the said notice, as to why the application submitted under sub-rule (1) shall not be rejected.
4. The registered person shall furnish a reply to the notice to show cause, issued under subrule 3, in FORM GST REG-04 within seven working days from the date of the service of the said notice.
5. Where the reply furnished under sub-rule (4) is found to be not satisfactory or where no reply is furnished in response to the notice issued under sub-rule (3) within the period prescribed in sub-rule (4), the proper officer shall reject the application submitted under subrule (1) and pass an order in FORM GST REG -05.
6. If the proper officer fails to take any action-
 - a. within fifteen working days from the date of submission of application, or
 - b. within seven working days from the date of receipt of reply to the notice to show cause under sub-rule (4),the certificate of registration shall stand amended to the extent applied for and the amended certificate shall be made available to the registered person on the Common Portal.

Cancellation of Registration

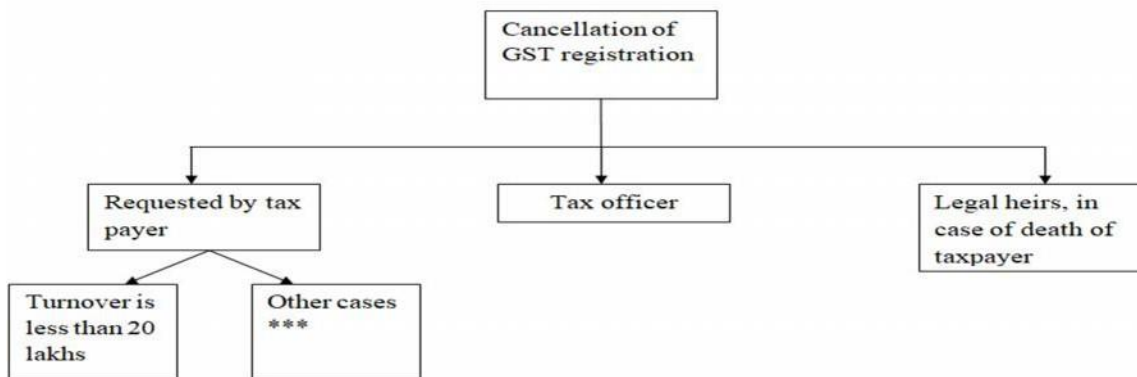
Cancellation of GST registration simply means that the taxpayer will not be a GST registered person any more. He will not have to pay or collect GST.

Consequences of Cancellation

- The taxpayer will not pay GST anymore
- For certain businesses, registration under GST is mandatory. If the GST registration is cancelled and business is still continued, it will mean an offence under GST and heavy penalties will apply.

Who can cancel the GST registration?

Cancellation of GST registration can be done by-



*** Application for cancellation, in case of voluntary registrations made under GST, can be made only after one year from the date of registration.

Cancellation when Turnover is less than 20 lakhs

Every person who was registered under old laws had to mandatorily migrate to GST. Many such persons are not liable to be registered under GST.

For example, the threshold under VAT in most states was 5 lakhs whereas it is 20 lakhs under GST. However, do make sure you are not making inter-state supplies since registration is mandatory for inter-state suppliers except for service providers.

Such a taxpayer can submit an application electronically in FORM GST REG-29 at the common portal.

The proper officer shall, after conducting an enquiry as required will cancel the registration.

Cancellation by taxpayer in other cases

1. The business has been discontinued
2. The business has been transferred fully, amalgamated, demerged or otherwise disposed —The transferee (or the new company from amalgamation/ demerger) has to get registered. The transferor will cancel its registration if it ceases to exist.
3. There is a change in the constitution of the business (For example- Private limited company has changed to a public limited company)

Forms for cancellation

All those who cannot follow the above method must file an application for cancellation in FORM GST REG 16. The legal heirs of the deceased taxpayer will follow the same procedure as below.

- Application for cancellation has to be made in FORM GST REG 16.

- The following details must be included in FORM GST REG 16-
 - Details of inputs, semi-finished, finished goods held in stock on the date on which cancellation of registration is applied
 - Liability thereon
 - Details of the payment
- The proper officer has to issue an order for cancellation in FORM GST REG-19 within 30 days from date of application. The cancellation will be effective from a date determined by the officer and he will notify the taxable person

Cancellation by tax officer

The registration can be cancelled, if the taxpayer-

- a) Does not conduct any business from the declared place of business OR
- b) Issues invoice or bill without supply of goods/services (i.e., in violation of the provisions) OR
- c) Violates the anti-profiteering provisions (for example, not passing on benefit of ITC to customers)

Procedure

- If the proper officer has reasons to cancel the registration of a person then he will send a show cause notice to such person in FORM GST REG-17.
- The person must reply in FORM REG-18 within 7 days from date of service of notice why his registration should not be cancelled.
- If the reply is found to be satisfactory, the proper officer will drop the proceedings and pass an order in FORM GST REG -20.
- If the registration is liable to be cancelled, the proper officer will issue an order in FORM GST REG-19. The order will be sent within 30 days from the date of reply to the show cause.

Revocation of Cancellation of Registration

Revocation means the official cancellation of a decision or promise. Revocation of cancellation of registration means that the decision to cancel the registration has been reversed and the registration is still valid.

This is applicable only when the tax officer has cancelled the registration of a taxable person on his own motion. Such taxable person can apply to the officer for revocation of cancellation within thirty days from the date of the cancellation order.

Procedure

- A registered person can submit an application for revocation of cancellation, in FORM GST REG-21, if his registration has been cancelled suo moto by the proper officer.
- He must submit it within 30 days from the date of service of the cancellation order at the Common Portal.
- If the proper officer is satisfied he can revoke the cancellation of registration by an order in FORM GST REG-22 within 30 days from the date of receipt of the application. Reasons for revocation of cancellation of registration must be recorded in writing.
- The proper officer can reject the application for revocation by an order in FORM GST REG-05 and communicate the same to the applicant.
- Before rejecting, the proper officer must issue a show cause notice in FORM GST REG-23 for the applicant to show why the application should not be rejected. The applicant must reply in FORM GST REG-24 within 7 working days from the date of the service of notice.
- The proper officer will take decision within 30 days from the date of receipt of clarification from the applicant in FORM GST REG-24.

Note: Application for revocation cannot be filed if the registration has been cancelled because of the failure to file returns. Such returns must be furnished first along with payment of all dues amounts of tax, interest & penalty.

Tax Invoice

An invoice or a bill is a list of goods sent or services provided, along with the amount due for payment.

Mandatory fields required for a GST Invoice

A tax invoice is generally issued to charge the tax and pass on the input tax credit. A GST Invoice must have the following mandatory fields-

1. Invoice number and date
2. Customer name
3. Shipping and billing address
4. Customer and taxpayer's GSTIN (if registered)**
5. Place of supply
6. HSN code/ SAC code
7. Item details i.e. description, quantity (number), unit (meter, kg etc.), total value
8. Taxable value and discounts
9. Rate and amount of taxes i.e. CGST/ SGST/ IGST
10. Whether GST is payable on reverse charge basis
11. Signature of the supplier

****If the recipient is not registered and the value is more than ₹ 50,000 then the invoice should carry:**

- i. name and address of the recipient,

- ii. address of delivery,
- iii. state name and state code

Types of Invoices

1. Bill of Supply

A bill of supply is similar to a GST invoice except for that bill of supply does not contain any tax amount as the seller cannot charge GST to the buyer.

A bill of supply is issued in cases where tax cannot be charged:

- Registered person is selling exempted goods/services,
- Registered person has opted for composition scheme

Invoice-cum-bill of supply

As per Notification No. 45/2017 – Central Tax dated 13th October 2017

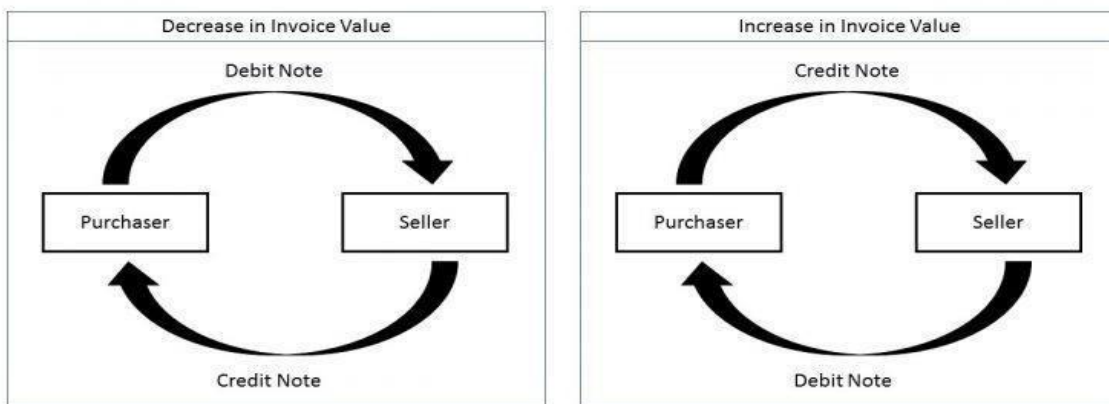
If a registered person is supplying taxable as well as exempted goods/ services to an unregistered person, then he can issue a single “invoice-cum-bill of supply” for all such supplies.

2. Aggregate Invoice

If the value of multiple invoices is less than ₹ 200 and the buyer are unregistered, the seller can issue an aggregate or bulk invoice for the multiple invoices on a daily basis.

For example, you may have issued 3 invoices in a day of ₹80, ₹90 and ₹ 120. In such a case, you can issue a single invoice, totalling to ₹290, to be called an aggregate invoice.

3. Debit and credit note



A debit note is issued by the seller when the amount payable by the buyer to seller increases:

1. Tax invoice has a lower taxable value than the amount that should have been charged
2. Tax invoice has a lower tax value than the amount that should have been charged

A credit note is issued by the seller when the value of invoice decreases:

1. Tax invoice has a higher taxable value than the amount that should have been charged
2. Tax invoice has a higher tax value than the amount that should have been charged
3. Buyer refunds the goods to the supplier
4. Services are found to be deficient

Returns

Every registered person paying GST is required to furnish an electronic return every calendar month. A “Tax Return” is a document that showcases the income of a registered taxpayer. Such a document needs to be filed with the tax authorities in order to pay tax to the government. The tax to be paid by a registered dealer depends upon the income declared by such a person in the tax return filed with the tax authorities.

Under the initial GST Return filing procedure, the different types of GST returns demanded the taxpayer to disclose the following details:

- Outward Supplies (Sales)
- Inward Supplies (Purchases)
- GST On Output
- GST on Input (Input Tax Credit)
- Other Particulars (As May be Prescribed in the Document)

***Note: However, the current system of GST Return filing requires a taxpayer to update outward supplies information in GSTR 1. And then file a summary return in GSTR 3B. All the other forms like GSTR 2 and GSTR 3 have been suspended for the time being.

Different Types of GST Returns

Here is a list of all the returns to be filed as prescribed under the GST Law along with the due dates.

As per the CGST Act subject to changes by CBIC Notifications

Return Form	Particulars	Frequency	Due Date
GSTR-1	Details of outward supplies of taxable	Monthly	11th* of the next month with effect

	goods and/or services affected		from October 2018 *Previously, the due date was 10th
GSTR-2 Suspended	Details of inward supplies of taxable goods and/or services affected claiming the input tax credit.	Monthly	15th of the next month
GSTR-3 Suspended	Monthly return on the basis of finalization of details of outward supplies and inward supplies along with the payment of tax.	Monthly	20th of the next month
GSTR-3B	Simple Return in which summary of outward supplies along with Input Tax Credit is declared and payment of tax is affected by taxpayer	Monthly	20th of the next month
GSTR-4	Return for a taxpayer registered under the composition levy	Quarterly	18th of the month succeeding quarter
GSTR-5	Return for a Non-Resident foreign taxable person	Monthly	20th of the next month
GSTR-6	Return for an Input Service Distributor	Monthly	13th of the next month
GSTR-7	Return for authorities deducting tax at source.	Monthly	10th of the next month
GSTR-8	Details of supplies effected through e-commerce operator and the amount of tax collected	Monthly	10th of the next month

GSTR-9	Annual Return for a Normal Taxpayer	Annually	31st December of next financial year*
GSTR-9A	Annual Return a taxpayer registered under the composition levy anytime during the year	Annually	31st December of next financial year*
GSTR-10	Final Return	Once, when GST Registration is cancelled or surrendered	Within three months of the date of cancellation or date of cancellation order, whichever is later.
GSTR-11	Details of inward supplies to be furnished by a person having UIN and claiming a refund	Monthly	28th of the month following the month for which statement is filed

First Return

“Every registered taxable person paying tax under the provisions of section 7 shall furnish the first return containing the details of:

- a) outward supplies under section 25 from the date on which he became liable to registration till the end of the month in which the registration has been granted;
- b) inward supplies under section 26 from the effective date of registration till the end of the month in which the registration has been granted: Provided that a registered taxable person paying tax under the provisions of section 8 shall furnish the first return for the period starting from the date on which he becomes a registered taxable person till the end of the quarter in which the registration has been granted.

Annual Return

Annual return has to be filed by every registered person paying tax as normal taxpayer under GST. Annual return is to be filed once a year in Form GSTR 9.

GSTR 9 is an annual return to be filed yearly by taxpayers registered under GST. Points to note:

- It consists of details regarding the outward and inward supplies made/received during the relevant previous year under different tax heads i.e. CGST, SGST & IGST and HSN codes.
- It is a consolidation of all the monthly/quarterly returns (GSTR-1, GSTR-2A, GSTR-3B) filed in that year. Though complex, this return helps in extensive reconciliation of data for 100% transparent disclosures.

Final Return

A taxable person whose GST registration is cancelled or surrendered has to file a return in the form of GSTR-10. This return is called as final return.

Tax Return Preparers

GST has provisions for creating a new class of professionals called GST Practitioners or GST Tax Return Preparers for helping small businesses with their GST return filing.

According to GST Rules, to become a GST tax return preparer the following conditions must be satisfied by the applicant:

General Criteria

- He/she is a citizen of India.
- He/she is a person of sound mind
- He/she is not adjudicated as insolvent.
- He/she has not been convicted by a competent court for an offence with imprisonment not less than two years.

Experience Route

The following class of persons can become a GST tax return preparer through the experience route.

- Retired officer of the Commercial Tax Department of any State Government or of the Central Board of Excise and Customs, Department of Revenue, Government of India, who, during his service under the Government, had worked in a post not lower in rank than that of a Group-B gazetted officer for a period of not less than two years.

- The person was enrolled as a sales tax practitioner or tax return preparer under the existing law for a period of not less than five years.

Education Route

The following class of persons having passed the following types of exams are eligible to become GST Tax Return Preparers.

- A graduate or postgraduate degree or its equivalent examination having a degree in Commerce, Law, Banking including Higher Auditing, or Business Administration or Business Management from any Indian University established by any law for the time being in force.
- A degree examination of any Foreign University recognized by any Indian University.
- Any degree examination of an Indian University or of any Foreign University recognized by any Indian University as the equivalent of the degree examination.
- Passed final examination of the Institute of Chartered Accountants of India.
- Passed the final examination of the Institute of Cost Accountants of India.
- Passed the final examination of the Institute of Company Secretaries of India.

Levy of Late Fee

If GST Returns are not filed within time, you will be liable to pay interest and a late fee.

Interest is 18% per annum. It has to be calculated by the taxpayer on the amount of outstanding tax to be paid. The time period will be from the next day of filing to the date of payment.

Late fees is ₹ 100 per day per Act. So it is 100 under CGST & 100 under SGST. Total will be ₹ 200/day. Maximum is ₹ 5,000. There is no late fee on IGST.

Notice to Return Defaulters

On receiving notice in GSTR-3A Notice, the defaulter has to file the return within 15 days from the date of notice along with penalty and late fees.

Interest (Penalty)

- Interest at 18% per annum has to be paid by the dealer.
- Interest has to be calculated by the taxpayer on the amount of outstanding tax to be paid.
- The time period for interest calculation will be from the next day of filing to the date of payment.

Late Fees

For annual return

- The Late fee is ₹ 200 per day (₹ 100 per day per Act).
- The maximum late fee is 0.25% of the taxpayer's turnover in the state.

For other returns

- The Late fee is payable at ₹ 100 per day per Act.
- So the penalty works out to ₹ 200 per day (₹ 100 under CGST & ₹ 100 under SGST).
- The maximum penalty that can be levied is ₹ 5,000. There is no late fee on IGST.

