

## **GST: Frequently Asked Questions(FAQs) for Traders**

### **Q 1. How will GST benefit the Trading Community?**

*Ans. Under GST, a trader would be entitled to avail input tax credit paid on their domestic procurements of goods and services unlike the present indirect tax regime. Presently, a significant portion of indirect taxes namely Central Excise and Service Tax form part of the cost component for a trader. This will not be the case under GST. He will now be able to take credit of all taxes paid by him.*

*In respect of imports, the landed cost is expected to reduce significantly under GST. Hence, the traders will gain significantly in terms of input tax credit on their operating expenses thereby decreasing their operating costs.*

*CST which was non-creditable has been subsumed in GST. This will be a huge benefit for the traders. Entry tax has also been subsumed in GST. Removal of CST and entry tax shall immensely benefit the traders. Traders will be able to sell their goods to farthest areas.*

### **Q 2. Will all traders necessarily have to register under GST?**

*Ans. A trader dealing only in exempted goods or where his turnover is below Rs.20 Lakhs in the financial year (but not engaged in inter-State supplies) is not required to register under GST.*

### **Q 3. Are monthly returns required to be filed by a trader not opting to pay tax under the composition scheme?**

*Ans. Traders not opting to pay tax under composition scheme need to file returns on a monthly basis. **Form GSTR-1** is to be filled for outward supplies made by the trader (made in the month for which return is being filed) by the 10<sup>th</sup> of the next month. Other parts of the return **Form GSTR-2** and **Form GSTR-3** are auto populated and only needs to be verified and submitted by the 15<sup>th</sup> and the 20<sup>th</sup> of the next month respectively.*

### **Q 4. What is the basic information that needs to be furnished in Form GSTR-1?**

*Ans. The details to be entered in the return of outward supplies **Form GSTR-1**, made by the trader depends upon the nature of supplies made. The provisions are as follows:*

*i) intra-State supplies to consumers (B2C supplies) - tax-rate wise summary;*

ii) inter-State supplies to consumers (B2C supplies) of value up to Rs. 2.5 lakhs - State-wise and tax-rate wise summary;

iii) inter-State supplies to consumers (B2C supplies) of value above Rs. 2.5 lakhs - specified invoice wise details;

iv) supplies to resellers (B2B) – specified invoice wise details.

**Q 5. Under GST, will traders be required to declare their IEC at the time of imports and exports?**

*Ans. For the time being both GSTIN and IEC have to be declared. But over a period of time, traders need to declare only their GSTIN instead of IEC at the time of imports and exports.*

**Q 6. Can traders get the credit of IGST paid at the time of imports for discharging their domestic liabilities under GST? If yes, how?**

*Ans. Yes. Under GST, traders will be on par with manufacturers. IGST paid at the time of import will be available as credit which can be used for payment of taxes on further supplies.*

*GSTIN would be used for the purpose of credit flow of IGST on import of goods and refund of IGST paid in case of export.*

**Q 7. Is there any scheme for payment of taxes under GST for small traders?**

*Ans. Yes. Composition levy is an alternative method of levy of tax designed for small taxpayers whose turnover is up to Rs. 75 lakhs (Rs. 50 lakhs for special category States). The basic objective is to bring simplicity and reduce cost of compliance for the small taxpayers. The scheme is optional and is mainly for small traders, manufacturers and restaurants.*

**Q 8. What is the eligibility category for opting for composition levy? Which are the Special Category States in which the turnover limit for Composition Levy for CGST and SGST purpose shall be Rs. 50 lakhs?**

*Ans. Composition scheme is a scheme for payment of GST available to small taxpayers whose aggregate turnover in the preceding financial year did not cross Rs.75 Lakhs. In the case of following 9 states, the limit of turnover is Rs.50 Lakhs in the preceding financial year:-*

- a) Arunachal Pradesh*
- b) Assam*
- c) Manipur*

- d) Meghalaya
- e) Mizoram
- f) Nagaland
- g) Sikkim
- h) Tripura and
- i) Himachal Pradesh

**Q 9. What is the rate of tax under Composition levy?**

*Ans. The rate for traders shall be 1% (0.5% CGST plus 0.5% SGST) of the turnover in the state.*

**Q 10. Who are the persons(traders) not eligible for composition scheme?**

*Ans. Following persons will not be allowed to opt for composition scheme:*

- a) *supplier of services (except restaurants)*
- b) *a person engaged in making any supply of goods which are not leviable to tax under this Act;*
- c) *a person engaged in making any inter-State outward supplies of goods;*
- d) *a supplier making any supply of goods through an electronic commerce operator who is required to collect tax at source under section 52; and*

*Thus from traders' point of view, he should be selling the goods with in a state. In case he supplies to other states, he shall not be eligible for the scheme. The traders should not be supplying through E commerce operator in which case he will have to compulsorily register. Further in case a trader is supplying exempted goods, he need not register. It is also important to note that the trader can procure the goods from outside the State and yet he would be eligible for availing the composition scheme.*

**Q 11. When will a trader have to pay tax?**

*Ans. A trader, if registered under GST, will have to pay tax on monthly basis on or before 20<sup>th</sup> of the succeeding month.*

*A person who has opted for composition levy will have to pay tax on quarterly basis on or before 18<sup>th</sup> of the month succeeding the quarter relating to supplies.*

**Q 12. A person availing composition scheme during a financial year crosses the turnover of Rs.75 Lakhs/Rs. 50 Lakhs during the course of the year i.e. say he**

**crosses the turnover of Rs.75 Lakhs/Rs. 50 Lakhs in December? Will he be allowed to pay tax under composition scheme for the remainder of the year i.e. till 31st March?**

**Ans.** *No. The option availed shall lapse from the day on which his aggregate turnover during the financial year exceeds Rs. 75 Lakhs/50 Lakhs. Once he crosses the threshold, he shall file an intimation for withdrawal from the scheme in **FORM GST CMP-04** within seven days of the occurrence of such event.*

*Every person who has furnished such an intimation, may electronically furnish at the common portal, a statement in **FORM GST ITC-01** containing details of the stock of inputs and inputs contained in semi-finished or finished goods held in stock as well as the capital goods held by him on the date on which the option is withdrawn, within a period of thirty days from the date from which the option is withdrawn.*

**Q 13. How will aggregate turnover be computed for the purpose of composition?**

**Ans.** *It will be computed on the basis of turnover on all India basis. "Aggregate turnover" means the aggregate value of all taxable supplies (excluding the value of inward supplies on which tax is payable by the composition dealer on reverse charge basis), exempt supplies, exports of goods or services or both and inter-State supplies of persons having the same Permanent Account Number, to be computed on all India basis but excludes central tax, State tax, Union territory tax, integrated tax and compensation cess.*

**Q 14. Can a person who has opted to pay tax under the composition scheme avail Input Tax Credit on his inward supplies?**

**Ans.** *No. A taxable person opting to pay tax under the composition scheme is out of the credit chain. He cannot take credit on his input supplies.*

**Q 15. Can a registered person, who purchases goods from a trader paying tax under the composition scheme, take credit on purchases made from the composition dealer?**

**Ans.** *No. A trader opting to pay tax under the composition scheme is out of the credit chain. He can neither take credit on his input supplies, nor issue taxable invoice to his buyer. He is required to issue a bill of supply and cannot charge tax from the recipient. Therefore the person purchasing from him cannot take any credit.*

**Q 16. Are monthly returns required to be filed by the person opting to pay tax under the composition scheme?**

**Ans.** No. Such persons need to file a simplified quarterly returns in **Form GSTR-4**. The GSTR-4 needs to be filed electronically on the GSTN common portal by the 18<sup>th</sup> day of the month succeeding the quarter relating to the supplies.

**Q 17. What is the basic information that need to be furnished in Form GSTR 4?**

**Ans.** It should contain details of turnover in the State or Union territory, inward supplies of goods or services or both, tax payable on reverse charge basis in case of purchases made from unregistered persons and tax payable.

**Q 18. A person opting to pay tax under the composition scheme receives inputs/input services from an unregistered person. Will the composition dealer have to pay GST under reverse charge? If yes, in what manner?**

**Ans.** Yes. Tax will have to be paid on supplies received from unregistered persons by the composition dealer under reverse charge at normal rates and not composition rates. The tax can be paid by the 18<sup>th</sup> day of the month succeeding the quarter in which such supplies were received. The information relating to such supplies should be shown by the composition dealer in Table 4 of **Form GSTR 4**. In respect of other notified supplies in which GST is chargeable on reverse charge basis, the composition dealer will have to pay tax at normal rates.

**Q 19. What is the form in which an intimation for option to pay tax under composition scheme needs to be made by the taxable person?**

**Ans.** The intimation is to be made electronically in **Form GST CMP-01** by the migrated traders. A person who has already obtained registration and opts for payment under composition levy need to give intimation electronically in **Form GST CMP-02**. Persons filing fresh registration application can also give the option in Part B of Form GST REG 01, and this will be treated as an intimation.

**Q 20. In case a person has registration in multiple states? Can he opt for payment of tax under composition levy only in one state and not in other state?**

**Ans.** No. Any intimation under sub-rule (1) or sub-rule (3) of Rule 3 of the CGST Rules, 2017 in respect of any place of business in any State or Union territory shall be deemed to be an intimation in respect of all other places of business registered on the same Permanent Account Number.

**Q 21. What is the effective date of composition levy?**

**Ans.** *There can be three situations which are as follows:*

<b>Situation</b>	<b>Effective date of composition levy</b>
<i>Persons who have been granted provisional registration and who opt for composition levy (Intimation is filed under Rule 3(1) in <b>Form GST CMP-01</b>)</i>	<i>The appointed date i.e. 22<sup>nd</sup> June, 2017</i>
<i>Persons opting for composition levy at the time of making application for new registration in the same registration application itself (The intimation under Rule 3(2) in <b>FORM GST REG-01</b> itself)</i>	<i>Effective date of registration; Intimation shall be considered only after the grant of registration and his option to pay tax under composition scheme shall be effective from the effective date of registration.</i>
<i>Persons opting for composition after obtaining registration (The intimation is filed under Rule 3(3) in <b>Form GST CMP-02</b>)</i>	<i>The beginning of the financial year</i>

**Q 22. What are the conditions and restrictions subject to which a person is allowed to avail of composition levy?**

**Ans.** *The person exercising the option to pay tax under composition scheme shall comply with the following conditions, namely: -*

*(a) he should not be a casual taxable person nor a non-resident taxable person;*

*(b) the goods held in stock by him on 22<sup>nd</sup> June, 2017 have not been purchased in the course of inter-State trade or commerce or imported from a place outside India or received from his branch situated outside the State or from his agent or principal outside the State;*

*(c) the goods held in stock by him have not been purchased from an unregistered supplier and where purchased, he pays the tax under reverse charge mechanism;*

*(d) he shall pay tax under reverse charge mechanism where he purchases goods or services from an unregistered person;*

*(e) he was not engaged in the manufacture of notified goods namely icecream and other edible ice, pan masala and tobacco and manufactured tobacco products;*

*(f) he shall mention the words “composition taxable person, not eligible to collect tax on supplies” at the top of the bill of supply issued by him; and*

*(g) he shall mention the words “composition taxable person” on every notice or signboard displayed at a prominent place at his principal place of business and at every additional place or places of business.*

**Q 23. What is the validity of composition levy?**

**Ans.** *The option exercised by a registered person to pay tax under composition scheme shall remain valid so long as he satisfies all the conditions mentioned in section 10 of CGST Act, 2017 read with Chapter II of the CGST Rules, 2017.*

**Q 24. Can a trader having duty paying documents (including a First stage dealer or a second stage dealer) claim the Cenvat credit on the stock held on the appointed date viz 1<sup>st</sup> July, 2017?**

**Ans.** *Yes, a trader having duty paying documents including a first stage dealer or second stage dealer can claim Cenvat Credit as per section 140(3) of the CGST Act, 2017 subject to fulfilment of following conditions:*

*(a) such inputs are used or intended to be used for making taxable supplies;*

*(b) the said taxable person is eligible for input tax credit on such inputs;*

*(c) the said taxable person is in possession of invoice and/or other prescribed documents evidencing payment of duty under the earlier law;*

*(d) such invoices and /or other prescribed documents were issued not earlier than twelve months immediately preceding the appointed day;*

*(e) the supplier of services is not eligible for any abatement.*

**Q 25. What is a credit transfer document? How can it help the traders?**

**Ans.** *A manufacturer may have cleared some goods to a dealer prior to the GST, and in case a dealer who was not registered under the Central Excise Act, however is registered under CGST Act, 2017. A special provision has been made in the CENVAT Credit Rules, 2004 to take care of such cases. In such a situation, the manufacturer may issue a credit transfer document to the dealer subject to the following conditions:*

*(a) The value of such goods is higher than rupees twenty-five thousand per piece, bears the brand name of the manufacturer or the principal manufacturer and are identifiable as a distinct number such as chassis / engine no. of a car.*

*(b) Verifiable records of clearance and duty payment relating to each piece of such goods is maintained by the manufacturer and are made available for verification on demand by a Central Excise officer.*

*(c) The Credit Transfer Document shall be serially numbered and shall contain the Central Excise registration number, address of the concerned Central Excise Division, name, address and GSTIN number of the person to whom it is issued, description, classification, invoice number with date of removal, mode of transport and vehicle registration number, rate of duty, quantity, value and duty of excise specified in the First Schedule to the Central Excise Tariff Act, 1985 paid thereon.*

*(d) The manufacturer is satisfied that the dealer to whom Credit Transfer Document is issued is in possession of such manufactured goods in the form in which it was cleared by him (on 1<sup>st</sup> July 2017).*

*(e) Credit Transfer Document shall be issued upto 30<sup>th</sup> July 2017 and copy of the corresponding invoices shall be enclosed with the Credit Transfer Document.*

*(f) Copies of all invoices relating to buying and selling from manufacturer to the dealer, through intermediate dealers, is maintained by the dealer availing credit using CTDs.*

*(g) CTD shall not be issued in favour of a dealer to whom invoice was issued for the same goods before the appointed date.*

*(h) A dealer availing credit using Credit Transfer Document on manufactured goods shall not be eligible to avail credit under provision of rule 117 (4) of the CGST Rules, 2017 on identical goods manufactured by the same manufacturer available in the stock of the dealer.*

*(i) The dealer availing credit on the basis of Credit Transfer Document shall, at the time of making supply of such goods, mention the corresponding Credit Transfer Document number in the invoice issued by him under section 31 of the CGST Act, 2017.*

**Q 26. Traders are presently not entitled to take credit. They will be having duty paid stock as on 1<sup>st</sup> July, 2017. However, it is possible that the traders may not have duty paid documents in respect of such stock. Is there any scheme under GST, where such traders will be able to get credit of such taxes under GST?**

**Ans.** *Yes. If duty paid invoices are available with them, then full credit of ITC on existing stock can be carried over to GST (refer answer to Q 24 above). If duty paid invoices are not available, then a deemed credit scheme is made available to the traders as per the details below:*



<b>Sr.No</b>	<b>Category of Taxpayer</b>	<b>Details to be provided</b>	<b>Amount of ITC available</b>
1	Trader (not liable to be registered under Central Laws) (Form TRANS-1 is to be submitted on or before 30.09.2017)	Stock of Inputs (held as inputs/ semi-finished / finished goods) to be used for making taxable supplies where duty paying documents are available with the trader	Amount of duty paid as per invoice details submitted
2	Trader (not liable to be registered under Central Laws) (Form TRANS-2 is to be submitted at the end of each of the first six months)	Stock of Inputs (held as inputs/ semi-finished / finished goods) to be used for making taxable supplies where duty paying documents are not available with the trader	<p>In case of intra-State supplies</p> <ul style="list-style-type: none"> <li>• 60% of the Central Tax paid (in case rate of total tax is 18% or 28%)</li> <li>• 40% of the Central tax paid (in case rate of total tax is 5% or 12%)</li> </ul> <p>In case of inter-State supplies, 30% or 20% of integrated tax paid will be allowed.</p>

**Q 27. Will the compliance process under GST be complicated for traders under GST? What measures have been put in place to ease burden of compliance on small traders?**

**Ans.** No. The compliance process will be automated and easy for traders. The following steps have been taken by the Government in this regard.

- a) Small traders with a turnover below Rs.20 Lakhs need not register under GST.
- b) An easy to understand and comply composition scheme for traders having turnover upto Rs. 75 lakhs where tax can be paid quarterly as a percentage of turnover.
- c) GST seva kendras have been opened in all Commissionerates (upto range office) under CBEC to help small traders under the GST law and process.

- d) *For uploading of invoice details, GST Network will be providing easy to use application free of cost which will enable hassle free uploading of invoices by traders.*
- e) *The returns and payment of tax process under GST is completely online. There will be minimal interface or no interface with the tax authorities.*
- f) *Small taxpayers can use the services of GST practitioners at a nominal cost to take care of their compliances under GST.*
- g) *GST Suvidha providers (GSPs) will be providing easy to use applications which will provide an interface with the GST network for easy and smooth compliances under GST.*
- h) *Strict time lines have been prescribed which shall be adhered to by all proper officers. Registration will be given in 3 working days if the documents are in order. In case no response is received from the proper officer within 3 days, registration shall be deemed to be granted.*
- i) *Application for refund will be completely online with minimal interface with the tax officer. Acknowledgment of refund claim will be given in 15 days and the claim will be processed in 60 days failing which interest will be paid. For Exports, provisional refund up to 90% of the claim will be sanctioned upfront without any verification. The amount of refund will be directly credited to beneficiary's bank account.*

**Q 28. Stock transfers have been made taxable in GST. Will it impact adversely?**

*Ans. The objective of taxing the stock transfers is just to ensure that the ITC moves along with the supply of goods to the place where a supply is finally consumed. This is to ensure that the taxes accrue to the State where a supply is consumed. If the stock transfers are not taxed, the ITC would not flow to other State along with the supply and trader will not be able to utilise the credit in another State. Therefore, taxing of stock transfers is in the interest of traders and is perfectly revenue neutral for the trader.*

**Q 29. How will the stock transfers be valued?**

*Ans. In case the recipient is eligible for full input tax credit, then the value declared by a trader in the invoice shall be taken as the open market value and shall be accepted for assessment purpose. The traders shall himself assess the value of supplies. In such case the value shall normally be the value of inward supply plus the transport costs etc. involved for stock transfer.*

**Q 30. The traders are not used to classify the goods under the HSN nomenclature and are likely to face hardship in this regard. How will they cope with it?**

*Ans. Taxpayers whose turnover is below Rs. 1.5 crores are not required to mention HSN Code in their invoices. Taxpayers whose turnover is above Rs.1.5 crores but below Rs. 5 crores shall use 2-digit code and the taxpayers whose turnover is Rs. 5 crores and above shall use 4-digit code. Further the goods emanate either from manufacture or from imports. The traders usually do not change the nature of goods. The classification, in general, will be in continuity from the HSN declared by the manufacturer or importer both of whom have been using the system in the past also.*

**Q 31. What if a trader/businessman is unable to undertake compliances under GST himself?**

*Ans. Under GST, the government will allow qualified persons to act as GST Practitioners. In case the trader is unable to undertake compliances himself, he can utilise the services of such GST practitioners to do the compliances for him. There would also be Facilitation Centres, help desks in each GST Commissionerate. There would also be facility of GST Suvidha Providers (GSPs) who would be developing software for uploading data on to the GSTN portal.*