

Simplified GST Guide for Manufacturer



The Institute of Chartered Accountants of India
(Set up by an Act of Parliament)
New Delhi

© The Institute of Chartered Accountants of India

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form, or by any means, electronic mechanical, photocopying, recording, or otherwise, without prior permission, in writing, from the publisher.

DISCLAIMER:

The views expressed in this book are of the author(s). The Institute of Chartered Accountants of India may not necessarily subscribe to the views expressed by the author(s). The information cited in this book has been drawn from various sources. While every effort has been made to keep the information cited in this book error free, the Institute or any office of the same does not take the responsibility for any typographical or clerical error which may have crept in while compiling the information provided in this book.

First Edition : February, 2017

Second Edition : August, 2017

Committee/Department : Indirect Taxes Committee

Email : idtc@icai.in

Website : www.idtc.icai.org

Price : ₹ 130/-

ISBN No. : 978-81-8441-861-3

Published by : The Publication Department on behalf of the Institute of Chartered Accountants of India, ICAI Bhawan, Post Box No. 7100, Indraprastha Marg, New Delhi - 110 002.

Printed by : Sahitya Bhawan Publications, Hospital Road, Agra 282 003
August/2017/1000 copies

Foreword

In order to place India on the world map as a manufacturing hub and give global recognition to the Indian economy, Honourable Prime Minister of India had launched the '**Make in India**' program. Under this programme, the Government of India aims to increase the share of the manufacturing sector to the gross domestic product (GDP) to 25 per cent by 2022, from the current 16 per cent, and to create 100 million new jobs by 2022.

The Government also introduced a transformational reform in the Indirect Tax Regime with the roll-out of Goods and Services Tax (GST) from 1st July 2017. This tax reform will in turn, pave a positive step towards '**Make in India**' program as well as it will help the manufacturing sector in reducing the cost of goods and services substantially. Moreover, removal of cascading effect on the input cost will make the price of the export goods more competitive in global market and time will come where we could see presence of Indian Manufacturing Sector in the global arena in a more robust manner.

This "*Simplified GST Guide for Manufacturer*" amply covers all aspects of transaction related to manufacture like levy, exemption, registration, time and place of supply, valuation, input tax credit, job work and much more under foreseen GST in very simple and easy to comprehend language. This is a unique guide wherein the provisions of GST related to manufacture have been dealt with, which would help the reader in analyzing various aspects of manufacturing transaction with respect to GST. We are sure this guide will be a useful resource material to manufacturers.

I appreciate the efforts put in by CA. Madhukar N. Hiregange, Chairman, CA. Sushil Kumar Goyal, Vice-Chairman and other members of the Indirect Taxes Committee in revising the "**Simplified GST Guide for Manufacturer**" and bringing out this well aligned and updated material. I am sure this simplified guide would further facilitate our members in practice as well as in industry to acquire specialised knowledge and cope-up with the challenges and complexities relating to the Manufacturing Sector.

I welcome the members to a fruitful and enriching experience.

Date: 24.08.2017

Place: New Delhi

CA. Nilesh S Vikamsey

President

ICAI

Preface

Make in India is one of the initiatives launched by the Government to encourage domestic, as well as multi-national companies to manufacture in India. GST provides for uniform taxation law across States and different sectors. It propagates seamless credit across the entire supply chain and across all States under a common tax base. It facilitates development of a common national market and would definitely give a boost to India's tax-to-gross domestic product ratio and thus, help in promoting economic efficiency and sustainable long term economic growth.

Taking these facts into account, the Indirect Taxes Committee of ICAI has developed "*Simplified GST Guide for Manufacturer*". This Guide is designed to provide a practical and theoretical knowledge of GST provisions about levy, exemption, composite levy, registration, time and place of supply of goods and or services, valuation, registration, job work, returns, payment of tax, input tax credit and so on. pertaining to manufacture. This guide provides the relevant provisions related to manufacture under one umbrella to enable manufacturers and consultants to do their SWOT analysis and materialize the benefits of GST as envisaged.

We would like to express our sincere gratitude to CA. Nilesh S. Vikamsey, President and CA. Naveen N. D. Gupta Vice-President, ICAI, for their guidance and encouragement for this initiative of the Committee. Further, we would also like to thank CA. Kapil Vaish for thoroughly updating this guide.

We encourage the readers to make full use of this learning opportunity. Interested members may also visit the website of the Committee www.idtc.icai.org and join the IDT update facility. We request you to share your feedback at idtc@icai.in to enable us to make this guide more valuable and useful.

Welcome to a professionalized learning experience in GST.

CA. Madhukar Narayan Hiregange

Chairman

Indirect Taxes Committee

CA. Sushil Kumar Goyal

Vice-Chairman

Indirect Taxes Committee

Date: 24.08.2017

Place: New Delhi

Index

Chapter No.	Contents	Page No
1	Introduction	1-4
2	Levy and exemption under GST	5-10
3	Composition Levy	11-14
4	Person and Taxable Person	15-16
5	Supply of Goods	17-20
6	Time of Supply	21-24
7	Place of Supply of Goods	25-26
8	Taxation of Imports & Exports under GST	27
9	Valuation	28-31
10	Input Tax Credit and Related Transitional Provisions	32-45
11	Transfer of Input Tax Credit	46
12	Job Work	47-50
13	Provisional and Final Registration	51-57
14	Payment of Tax	58-67
15	Returns	68-73
16	Tax Invoice, Credit & Debit Notes	74-77
17	Accounts and Other Records	78-79
18	Assessment	80
19	Offences & Penalties	81-86
20	Transitional Provisions	87-91
21	Compliance Rating	92
22	Anti Profiteering	93

Chapter-1

Introduction

1. Levy of duty on manufacture of goods has been administered through Central Excise Act, 1944. The authority for levy of excise duty under Constitution has been through Entry 84 in Schedule VII of the Union List of the Constitution of India. The concept of 'deemed manufacture' was held to be a valid levy under residuary Entry 97 in Schedule VII. There have been various other enactments like Central Excise Tariff Act 1985; Cenvat Credit Rules, 2004; Central Excise Valuation Rules, 2000; Central Excise (Removal of Goods at Concessional Rate of Duty for manufacture of Excisable and other goods) Rules, 2016 etc. which were being used for administering the levy of duty on manufacture of goods in India.
2. There have been landmark decisions like Wazir Sultan Tobacco (1996) 83 ELT 3 and Wallace Flour Mill (1989) 44 ELT 589 by the Supreme Court declaring law on levy of excise duty and its collection.
3. The term "manufacture" has been widely construed and interpreted in various landmark decisions of the Apex Court as well as by lower appellate forums. The test of emergence of a new commercial commodity, having distinct name, character and use, to term a process as manufacture has been consistently upheld by the Supreme Court in cases such as Ujagar Prints v. UOI – (1988) 38 ELT 535 (SC) and Empire Industries Ltd v. UOI – (1985) 20 ELT 179 (SC).
4. Until now, besides payment of Central Excise duty on manufacture of goods; manufacturers have also been liable for payment of VAT on sale of goods.
5. With the 101st constitutional amendment, Central Excise Act as well as provisions of VAT shall have their scope limited to the products like Petroleum & Tobacco. All other products, w.e.f. 01.07.2017 have become liable for payment of GST.
6. The CGST Act, 2017, IGST Act, 2017 & UTGST Act, 2017 along with various Rules & formats have been enacted. Various issues like tax rates, exemptions, jurisdiction etc. are being considered by GST Council.
7. Under the GST regime, the concept of manufacture and levy of excise duty has been given a go bye. Tax being levied on supply of goods/services whether by a manufacturer or by any other person.
8. The taxable events under the existing indirect tax laws such as manufacture, sale or provision of services has subsumed in the taxable event known as "supply" of goods or services.

The Concept of GST Law

9. The GST law is a simple 'ACT' replacing all Acts relating to levy of indirect taxes.
10. The following taxes have been subsumed under the new law :-
 - (a) Central Excise Duty
 - (b) Duty of excise on Medicinal and Toilet Preparations Act
 - (c) Additional Duties of Excise (Goods of Special Importance)
 - (d) Additional Duties of Excise (Textile & Textile Products)
 - (e) CVD
 - (f) SAD
 - (g) Service tax levied under Chapter V of Finance Act, 1994.
 - (h) Centre & State Cesses & surcharges in so far they relate to supply of goods or services
 - (i) General sales tax/value added tax (except the items which will still be liable to VAT namely petroleum, potable liquor & tobacco)
 - (j) Purchase Tax
 - (k) Entry tax
 - (l) Entertainment tax
 - (m) Luxury tax
 - (n) State taxes on advertisements
 - (o) State taxes on lotteries, betting & gambling
11. There are following four Acts to administer and levy GST in India :-
 - (i) The Central Goods and Services Tax Act. (CGST Act)
 - (ii) The State Goods and Services Tax Act. (SGST Act)
 - (iii) The Integrated Goods and Services Tax Act. (IGST Act)
 - (iv) The Union Territory Goods and Service Tax Act. (UTGST Act)
12. On all supplies of goods/services within the State/ Union Territory, CGST and SGST/UTGST shall simultaneously be payable.
13. IGST would be payable on supply of goods or services between the two States/ Union Territories. It would basically be the sum total of CGST & SGST. Tax collected under CGST shall go to the credit of Central Government and tax collected under SGST/UTGST shall go to the credit of respective State Government.
14. GST would basically be a destination based consumption tax.

Taxable Event

15. The Taxable event for manufacturers has all along been manufacture of goods. However, Central Excise duty used to be collected at the time of removal of goods.
16. The Taxable event under VAT Laws has been sale of goods. Tax is leviable at the point when sale takes place.
17. The Taxable event under service tax has been provision of service.
18. Under GST law, the taxable event is supply of goods/services. For levy of tax under GST, one will have to see the time when the goods/services are supplied.

Manufacturer under GST law

19. The CGST Act defines the term 'manufacture' in terms of Section 2(72) as under:

“manufacture” means processing of raw material or inputs in any manner that results in emergence of a new product having a distinct name, character and use and the term "manufacturer" shall be construed accordingly.
20. Section 2(f) of Central Excise Act, 1944 defines manufacture and the said definition also includes the definition of manufacturer. It reads as under:

“manufacture” includes any process, -

 - (i) incidental or ancillary to the completion of a manufactured product;
 - (ii) which is specified in relation to any goods in the Section or Chapter notes of the First Schedule to the Central Excise Tariff Act, 1985 (5 of 1986) as amounting to manufacture; or
 - (iii) which, in relation to the goods specified in the Third Schedule, involves packing or repacking of such goods in a unit container or labelling or re-labelling of containers including the declaration or alteration of retail sale price on it or adoption of any other treatment on the goods to render the product marketable to the consumer,

and the word *“manufacturer”* shall be construed accordingly and shall include not only a person who employs hired labour in the production or manufacture of excisable goods, but also any person who engages in their production or manufacture on his own account.
21. *“Manufacturer”* shall include not only a person who employs hired labour in the production or manufacture of excisable goods, but also any person who engages in their production or manufacture on his own account.
22. Accordingly, it may be construed that a person shall be deemed to be a manufacturer if he is engaged in production or manufacture of goods either through hired labour or through himself.

Simplified GST Guide for Manufacturer

23. In terms of Section 10 of CGST Act, the trader and manufacturer are eligible for composition. Further, the composition rate of 2.5% is applicable to manufacturer as against 1% for Trader. This means that understanding the concepts of 'manufacture' and manufacturer would continue to be important.

Chapter-2

Levy and exemption under GST

1. In the CGST Act, tax is levied and collected under Section 9 of the Goods and Services tax Law.
2. Sub-section (1) of Section 9 provides for levy of tax called Central Goods and Services tax on all intra-State supplies of goods and services. This sub-section would be applicable to all manufacturers supplying goods within the same State.
3. Provisions relating to levy of tax on supply of goods or services on making inter State supplies are contained in Section 5 of IGST Act, 2017. For this purpose, “supply of goods or services in the course of inter State trade or commerce” means any supply where the location of the supplier and the place of supply are in different States. Even supply of goods or services in the course of import into the territory of India is also deemed to be supply in the course of inter State trade or commerce.
4. In the case of supply of goods or services where the supplier is located in India and the place of supply is outside India/SEZ developer/SEZ unit, it shall be deemed to be the supply of goods/services in the course of inter- State trade or commerce.
5. The Government may specify categories of supply of goods/services on which tax is payable on reverse charge basis and the tax thereon shall be paid by the recipient of goods.
6. Under the central excise law, the rates of duties are given in the Schedule to Central Excise Tariff Act, which is based on HSN Classification of goods.
7. Under the Central Goods and Services Tax Act, section 9(1) provides that the Central Government shall levy tax at such rates as may be notified by the government in this behalf. The said rates for levy of tax cannot exceed 20% by central government.
8. Under the Union Territory Goods and Services Tax Act, 2017, Section 7(1) provides that such rates for levy of tax cannot exceed 20%.
9. Under the Integrated Goods and Service Tax Act, 2017, Section 5(1) provides that such rates for levy of tax cannot exceed 40%.
10. On the recommendation of GST Council, Notification No. 01/2017- Integrated Tax (Rate) dated 28.06.2017 have been issued. Rate of taxes have been broadly kept as under :-

Agricultural produce	NIL
Precious Metals	3%
Essential Commodities	5%

Simplified GST Guide for Manufacturer

General Rate	12% or 18%
Luxury Goods	28%

11. Rates of taxes for CGST & SGST are 50% of above. In other words, tax rate of IGST is sum total of CGST & SGST.
12. In addition to above, Compensation Cess under GST (Compensation to States) Act, 2017 has been levied. It varies from NIL % to 290 %. Collection of compensation cess shall be used for granting compensation to States.

Classification of various products is on the basis of Custom Tariff. Rates have been fixed on the basis of HSN upto 4 digit level.

Exemption from payment of GST

13. The Central Excise Act, 1944 and notifications issued there under granted various exemptions to the manufacturers of finished goods. A mega exemption notification no 12/12 dated 17-03-2012 has also been issued granting various exemptions to manufactures.
14. Section 11 of Central Goods and Service Tax Act, 2017 empower government to exempt goods and/or services of any specified description from the whole or part of the tax leviable thereon. Similarly, Section 8 of Union Territory Goods and Services Tax Act, 2017 empowers central government to grant exemptions from tax. Further, Section 6 of The Integrated Goods and Services Tax Act, 2017 empowers government to grant exemptions from tax.
15. Where any exemption notification is issued granting total exemption from payment of tax on any goods and/or services, the taxable person providing such goods and/or services need not pay the tax on supply of such goods and/or services.

Notification No.	Particulars	Comments
02/2017 - Central Tax (Rate) dated 28.06.2017	Exempted supplies of around 149 items of goods in terms of Section 11(1) of the CGST Act, 2017. Ex. Electricity, Salt, fresh fruits, plastic bangles, passenger baggage etc.	Parallel notification under IGST also. Notification no. is also same
Notification No. 03/2017-Central Tax (Rate) dated 28.06.2017	Goods specified in the List annexed required in connection with various kinds of petroleum operations undertaken are given concessional rate i.e. at the rate of 2.5% under CGST i.e. 5% IGST.	Parallel notification under IGST also. Notification no. is also same.
Notification No. 07/2017-Central Tax (Rate) dated 28.06.2017	Exemption to supplies by CSD to Unit Run Canteens and supplies by CSD / Unit Run Canteens to authorised customers	Parallel notification under IGST also. Notification No. is also same.

Levy and exemption under GST

Notification No. 09/2017-Central Tax (Rate) dated 28.06.2017	Exemption granted to supplies to a TDS deductor by a unregistered supplier	This exemption notification is not available under IGST (Rate).
Notification No. 10/2017 - Central Tax (Rate) dated 28.06.2017	Exemption to supplies of second hand goods received by registered person dealing in buying & selling of second hand goods from unregistered person provided the dealer pays central tax on supply of such second-hand goods as per Valuation Rules	This exemption notification is not available under IGST (Rate).
Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017	Exemption to supply of 81 services under CGST Act. More or less, all the exemptions were available earlier also in service tax law	Parallel <i>Notification No. 9/2017- IGST (Rate) dated 28.06.2017</i> under IGST Exemption supply of 84 services.

Reverse Charge

16. If a manufacturer is purchasing goods and/ or services from unregistered supplier, then such registered manufacturer shall be liable to pay tax under reverse charge. [Section 9 (4)]
17. Manufacturer is exempted from payment of CGST & SGST under reverse charge in case supplies received from unregistered person upto Rs. 5000/- per day by any or all of the such suppliers.
18. Central Government on the recommendation of the Council has notified the category of supply of services on which GST shall be paid by the recipient on reverse charge basis. This is under section 9(3) and in addition to liability under section 9(4) above. (Notification No. 13/2017- Central Tax (Rate) dated 28.06.2017)

Sl. No.	Category of Supply of Services	Supplier of service	Recipient of Service
(1)	(2)	(3)	(4)
1	Supply of services by a goods transport agency (GTA) in respect of transportation of goods by road to- (a) any factory registered under or governed by the Factories Act, 1948(63 of 1948);or	Goods Transport Agency (GTA)	(a) Any factory registered under or governed by the Factories Act, 1948(63 of 1948); or (b) any society registered under the Societies Registration Act, 1860 (21 of 1860) or under any other

Simplified GST Guide for Manufacturer

	<p>(b) any society registered under the Societies Registration Act, 1860 (21 of 1860) or under any other law for the time being in force in any part of India; or</p> <p>(c) any co-operative society established by or under any law; or</p> <p>(d) any person registered under the Central Goods and Services Tax Act or the Integrated Goods and Services Tax Act or the State Goods and Services Tax Act or the Union Territory Goods Services Tax Act; or</p> <p>and</p> <p>(e) any body corporate established, by or under any law; or</p> <p>(f) any partnership firm whether registered or not under any law including association of persons; or</p> <p>(g) any casual taxable person.</p>		<p>law for the time being in force in any part of India; or</p> <p>(c) any co-operative society established by or under any law; or</p> <p>(d) any person registered under the Central Goods and Services Tax Act or the Integrated Goods and Services Tax Act or the State Goods and Services Tax Act or the Union Territory Goods and Services Tax Act; or</p> <p>(e) any body corporate established, by or under any law; or</p> <p>(f) any partnership firm whether registered or not under any law including association of persons; or</p> <p>(g) any casual taxable person; located in the taxable territory.</p>
2	<p>Services supplied by an individual advocate including a senior advocate by way of representational services before any court, tribunal or authority, directly or indirectly, to any business entity located in the taxable territory, including where contract for provision of such service has been entered through another advocate or a firm of advocates, or by a firm of advocates, by way of legal services, to a business entity.</p>	<p>An individual advocate including a senior advocate or firm of advocates.</p>	<p>Any business entity located in the taxable territory.</p>

Levy and exemption under GST

3	Services supplied by an arbitral tribunal to a business entity.	An arbitral tribunal.	Any business entity located in the taxable territory.
4	Services provided by way of sponsorship to anybody corporate or partnership firm.	Any person	Anybody corporate or partnership firm located in the taxable territory.
5	Services supplied by the Central Government, State Government, Union territory or local authority to a business entity excluding, - (1) renting of immovable property, and (2) services specified below- (i) services by the Department of Posts by way of speed post, express parcel post, life insurance, agency services provided to a person other than Central Government, State Government or Union territory or local authority; (ii) services in relation to an aircraft or a vessel, inside or outside the precincts of a port or an airport; (iii) transport of goods or passengers.	Central Government, State Government, Union territory or Local authority	Any business entity located in the taxable territory.
6	Services supplied by a director of a company or a body corporate to the said company or the body corporate.	A director of a company or a body corporate	The company or a body corporate located in the taxable territory.
7	Services supplied by an insurance agent to any person carrying on insurance business.	An insurance agent	Any person carrying on insurance business, located in the taxable territory.
8	Services supplied by a recovery agent to a banking company or a financial	A recovery agent	A banking company or a financial institution or a non-banking financial company,

Simplified GST Guide for Manufacturer

	institution or a non-banking financial company.		located in the taxable territory.
9	Supply of services by an author, music composer, photographer, artist or the like by way of transfer or permitting the use or enjoyment of a copyright covered under clause (a) of sub-section (1) of section 13 of the Copyright Act, 1957 relating to original literary, dramatic, musical or artistic works to a publisher, music company, producer or the like.	Author or music composer, photographer, artist, or the like	Publisher, music company, producer or the like, located in the taxable territory.

Chapter-3

Composition Levy

1. Scheme

Section 10 of the CGST Act, 2017 provides for the system of payment of taxes under a composition scheme i.e. payment of tax by a taxable person at a lower rate of tax on the value of taxable supplies without the benefit of credit and with restriction on inter-State supplies.

2. Permission to be obtained from Proper Officer

For availing the benefit of Composition Scheme, a registered taxable person shall have to obtain permission from the Proper Officer. This scheme is available when the aggregate turnover in preceding financial year does not exceed Rs. 75 Lacs. The facility of composition levy is available upto supply of Rs. 75 lacs only. The benefit will stand withdrawn from the day on which aggregate turnover in a Financial Year exceeds Rs. 75 lacs.

The threshold limit in case of special category states shall be Rs. 50 lakhs except for the State of Uttrakhand.

3. Scheme is qua tax payer and not qua goods or services

The benefit of Composition Scheme is available to the registered taxable persons having aggregate turnover not exceeding Rs. 75 Lacs. This benefit is available on the goods falling within the said limit of Rs. 75 Lacs. A registered taxable person opting for this scheme has to opt for the same simultaneously for supply of all goods and from all registrations under the same PAN.

4. A manufacturer opting for the benefit of composition levy shall be liable for minimum payment of tax of 1% under CGST and 1% under SGST.

5. Restrictions on availing benefit of Composition Scheme as per Section 10(2) of the CGST Act, 2017

- Taxable Person should not be making inter State supplies of goods.
- It should not be engaged in supply of services.
- Taxable person is not eligible to take Input Tax Credit (ITC).
- Registered taxable person is not eligible to collect tax from the recipient of goods/services.
- Taxable person should not be supplying goods through an electronic commerce operator who is required to collect tax at source.

Simplified GST Guide for Manufacturer

- Taxable person should not be engaged in the manufacture of such goods as may be notified.
- As per Notification No. 08/2017 - Central Tax dated 27.06.2017, registered person who are engaged in manufacture of ice cream and other edible ice, whether or not containing cocoa (Chapter heading 21050000), pan masala (Chapter heading 21069020), all goods of Chapter 24 i.e. Tobacco and manufactured tobacco substitutes are not eligible to opt for Composition Scheme.

6. Key features of composition scheme:

- Rs.75 lacs (Aggregate Turnover) is the value of all taxable, non-taxable, exempt and export supplies of the person (not merely of the taxable person) for the relevant financial year.
- The threshold limit of Rs. 75 lacs would be applicable to a person having the same PAN. Therefore, turnover in all States would have to be considered.
- Registration is required before seeking permission for payment of tax under the composition scheme.
- Taxable person opting to pay tax under the composition scheme is prohibited from collecting tax.
- Input tax credits are not available to a composition person;
- However, if the taxable person becomes ineligible to remain under composition scheme, the taxable person will become entitled to take input tax credit in respect of inputs held in stock (as inputs, contained in semi-finished or finished goods) held on the day immediately preceding the date from which he becomes liable to pay tax under Section 9.
- Inter-State supplies 'made' is a disqualification for opting composition scheme.

7. Provisions relating to Composition Rules are specified under Chapter II of CGST Rules, 2017 enforceable w.e.f. 22.06.2017. Chapter II of CGST Rules, 2017 are as follows:-

Rule 3 - Intimation for Composition Levy

- Registered person on provisional basis if wants to opt for Composition Scheme, file an intimation in Form GST CMP - 01 prior to appointed date but not later than 30 days after the said day. This date has been extended upto 30.09.2017.
- If intimation is filed after the appointed day, the registered person shall not collect any tax from the appointed day but shall issue bill of supply for supplies made after the said day.
- Registered person shall file Form GST CMP - 02 prior to commencement of the financial year for which he wants to opt for composition scheme.
- GST CMP - 03 is a declaration to be filed by a person who opts for composition

scheme and this shall be filed within 60 days or within extended time of opting the Scheme furnishing -

- Details of Stock
- Including inward supply of goods received from unregistered person
- Held by him on the day preceding the date he opts for Composition Scheme
- Person applied for fresh registration may give an option to pay tax under composition scheme in Part B of Form GST REG- 01, which shall be considered as an intimation.
- Any Intimation in respect of any place of business in and state or union territory shall be deemed to be an intimation for all other places of business under same PAN.

Rule 4 - Effective date for Composition Levy

- If intimation is filed under sub rule (3), effective date shall be effective from the beginning of financial year and if intimation is filed under sub rule (1)-the appointed day.
- The intimation under sub-rule (2) of rule 3 shall be considered only after grant of registration to the applicant and his option to pay tax under section 10 shall be effective from the date fixed under sub-rule (2) or (3) of rule 10.

Rule 5 - Conditions & restrictions for composition levy

- Following conditions are required to be complied with by the person exercising the option to pay tax under Section 10
 - He is neither a casual taxable person nor a non- resident taxable person.
 - The goods held in stock on the appointed day have not been purchased in course of inter-state trade or import from a place outside India.
 - The goods held in stock have not been purchased from an unregistered person. If purchased, the person shall pay tax under Section 9(4) of the CGST Act.
 - He shall pay tax under Section 9(3) or 9(4) on inward supply of goods and/or services.
 - He is not a manufacture of such goods as may be notified by the Government on the recommendation of the Council.
 - 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.
 - He shall mention the word "Composition taxable person" on every notice or sign board.

Simplified GST Guide for Manufacturer

Rule 6 - Validity of composition levy

- Option exercised shall remain valid so long as the registered person satisfies all the conditions prescribed in act and rules.
- The registered person shall be liable to pay tax under section 9(1) from the day he ceases to satisfy any of the prescribed conditions.
- Such person is also required to file intimation for withdrawal from the scheme in FORM GST CMP-04 within seven days of occurrence of such event.
- The registered person who intends to withdraw from the composition scheme shall, before the date of such withdrawal, file an application in FORM GST CMP-04,
- The proper officer may issue notice in FORM GST CMP-05, who was not eligible to pay tax under section 10 or has contravened the provisions of the Act or these rules.
- The registered person shall reply to the show cause notice in FORM GST CMP-06.
- Upon receipt of reply the proper officer shall issue an order in FORM GST CMP-07 within thirty days of receipt of such reply, either accepting the reply, or denying the option to pay tax under section 10.
- Every person who has furnished an intimation under sub-rule (2) or filed an application for withdrawal under sub-rule (3) or a person in respect of whom an order of withdrawal of option has been passed in FORM GST CMP-07 under sub-rule (5), may electronically furnish, 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 by him.
- Any intimation or application 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 PAN.

Chapter-4

Person and Taxable Person

1. 'Person' has been defined under section 2(84) of the CGST Act to include:
 - (a) an individual;
 - (b) a Hindu Undivided Family;
 - (c) a company;
 - (d) a firm;
 - (e) a Limited Liability Partnership;
 - (f) an association of persons or a body of individuals, whether incorporated or not, in India or outside India;
 - (g) any corporation established by or under any Central, State or Provincial Act or a Government company as defined in section 2(45) of the Companies Act, 2013 (18 of 2013);
 - (h) any body corporate incorporated by or under the laws of a country outside India;
 - (i) a co-operative society registered under any law relating to cooperative societies;
 - (j) a local authority;
 - (k) Central Government or a State Government;
 - (l) society as defined under the Societies Registration Act, 1860 (21 of 1860);
 - (m) trust; and
 - (n) every artificial juridical person, not falling within any of the preceding sub-clauses;
2. Section 2(107) of CGST Act defines the "taxable person" mean a person who is registered or liable to be registered under Section 22 or Section 24.
3. A single natural or juridical entity can obtain more than one registration in one State for its different business verticals.
4. Following persons shall not be considered as taxable person :
 - (a) Any person engaged in the business of exclusive supplying of goods/services that are not liable to tax or are wholly exempt from tax under the CGST Act or under IGST Act.
 - (b) An agriculturist, to the extent of supply of produce out of cultivation of land.
 - (c) The Government may, on the recommendation of the Council, by notification specify the category of persons who may be exempted from obtaining registration.

Simplified GST Guide for Manufacturer

5. An analysis of the aforesaid provisions reveals that:
- A taxable person is always a natural or juridical entity first.
 - A natural or juridical entity becomes a taxable person when it is required to obtain registration.
 - A natural or juridical entity constituting a taxable person is to be administered separately in each State; and
 - A single natural or juridical entity can constitute more than one taxable person in India.

Chapter-5

Supply of Goods

1. The CGST Act makes provisions for levy of tax on supply of goods or services. A manufacturer would essentially be involved in supply of goods.
2. Under GST law, the taxable event is 'supply of goods'. Section 2(52) of CGST Act, 2017 defines "goods" as under:

“Goods” means every kind of movable property other than money and securities but includes actionable claim, growing crops, grass and things attached to or forming part of the land which are agreed to be severed before supply or under a contract of supply.
3. This definition has the following parts:
 - Means
 - Excludes
 - Includes
4. Therefore, according to the CGST Act, goods are of following kinds:
 - (a) Every kind of movable property
 - (b) Excluding money and Securities
 - (c) Including
 - actionable claims
 - Growing crops grass and things attached to or forming part of the land
 - Which are agreed to be severed before supply or under a contract of supply.
5. Section 7 of the CGST Act, defines the word 'supply' as under:
 - (1) Supply includes
 - (a) all forms of supply of goods and/or services such as sale, transfer, barter, exchange, license, rental, lease or disposal made or agreed to be made for a consideration by a person in the course or furtherance of business;
 - (b) importation of service, whether or not for a consideration and whether or not in the course or furtherance of business;
 - (c) a supply specified in Schedule I, made or agreed to be made without a consideration; and
 - (d) the activities to be treated as a supply of goods or a supply of services as referred to in Schedule II.
 - (2) Notwithstanding anything contained in sub-section (1),

Simplified GST Guide for Manufacturer

- (a) activities or transactions specified in Schedule III; or
- (b) activities or transactions undertaken by the Central Government, a State Government or any local authority in which they are engaged as public authorities as may be notified by the Government on the recommendation of Council.

shall be treated neither as a supply of goods nor a supply of services.

- (3) Subject to sub-section (1) and sub-section (2), the Government may, upon recommendation of the Council, specify, by notification, the transactions that are to be treated as—
 - (a) a supply of goods and not as a supply of services; or
 - (b) a supply of services and not as a supply of goods.
- 6. The tax liability on a composite or a mixed supply shall be determined in the following manner —
 - (a) a composite supply comprising two or more supplies, one of which is a principal supply, shall be treated as a supply of such principal supply;
 - (b) a mixed supply comprising two or more supplies shall be treated as supply of that particular supply which attracts the highest rate of tax.
- 7. From a perusal of the aforesaid section 7, it would be noticed that supply of goods would include sale, transfer, barter, exchange, licence or disposal of goods. These activities should be in the course or furtherance of trade and there should be a consideration.
- 8. Schedule I, however specifies certain supply of goods, which would be deemed to be “supply” even without consideration. These are :-
 - (i) Permanent transfer/disposal of business assets where input tax credit has been availed.
 - (ii) Supply of goods between related/distinct persons made in the course or furtherance of business.
 - (iii) Gifts not exceeding Rs. 50000/- in value in a financial year by an employer to an employee shall not be treated as supply of goods/ services.
 - (iv) Supply of goods by a principal to his agent, where the agent undertakes to supply the goods on behalf of the principal.
 - (v) Supply of goods by a agent to his principal, where the agent undertakes to receive the goods on behalf of the principal.
- 9. Section 8 of the CGST Act deals with levy of tax on a composite or a mixed supply. The word composite supply has been defined in Section 2(30) as under:

“composite supply” means a supply made by a taxable person to a recipient comprising two or more supplies of goods or services, or any combination thereof, which are naturally bundled and supplied in conjunction with each other in the ordinary course of business, one of which is a principal supply;

Say, Mr. X sold goods to Mr. Y and charged insurance and freight for such supply. This supply will be a composite supply and rate applicable on goods supplied shall be the rate for total amount charged. This scenario shall be same irrespective of the fact whether prices of insurance and freight are separately mentioned in the invoice or not.

Section 2(74) defines the word ‘mixed supply’ as under:

“mixed supply” means two or more individual supplies of goods or services, or any combination thereof, made in conjunction with each other by a taxable person for a single price where such supply does not constitute a composite supply;

Say: A computer seller offers to sell a printer, router and a joy stick along with computer for a single price. Since such supply is not naturally bundled and each of these items can be supplied separately. Thus, the highest rate among these supplies shall be charged on the consideration of such supply.

10. Clause (a) of section 8 provides that in case of composite supply, where one of which is a principal supply, the supply shall be treated as supply of principal supply.
11. On the other hand, in case of mixed supply, where there are two or more supplies, it shall be treated as supply of those goods which attracts the highest rate of tax.
12. Schedule II specifies the following transactions to be treated as supply of goods:
 - (a) Any transfer of title in goods.
 - (b) Any transfer of title in goods under an agreement which stipulates that property in goods will pass at a future date upon a payment of full consideration as agreed.
 - (c) Where goods forming part of the assets of a business are transferred or disposed of by or under the direction of the person carrying on the business so as no longer to form part of those assets, whether or not for a consideration.
 - (d) Where any person ceases to be a taxable person, any goods forming part of the assets of any business carried on by him shall be deemed to be supplied by him in the course or furtherance of his business immediately before he ceases to be a taxable person, unless :-
 - The business is transferred as a going concern to another person; or
 - The business is carried on by a personal representative who is deemed to be taxable person.
 - (e) Supply of goods by any unincorporated association or body of persons to a member thereof for cash, deferred payment or other valuable consideration.
13. An interesting feature of Schedule II is that the following transactions which are at

Simplified GST Guide for Manufacturer

present treated as supply of goods under the existing laws, would be treated as supply of service.

- (a) Sale of 'goods' in the execution of works contract.
 - (b) Transfer of right to use goods for cash, deferred payment or other valuable consideration.
 - (c) Supply of goods being food or any other article for human consumption or any drink for cash, deferred payment or other valuable consideration.
14. Schedule III of CGST Act, 2017 specifies certain transaction which are neither supply of goods nor supply of services. These are:
- (i) Services by an employee to the employer in the course of or in relation to his employment.
 - (ii) Services by any Court or Tribunal established under any law for the time being in force.
 - (a) The functions performed by the Members of Parliament, Members of State Legislature, Members of Panchayats, Members of Municipalities and Members of other local authorities;
 - (b) The duties performed by any person who holds any post in pursuance of the provisions of the Constitution in that capacity; or
 - (c) The duties performed by any person as a Chairperson or a Member or a Director in a body established by the Central Government or a State Government or local authority and who is not deemed as an employee before the commencement of this clause.
 - (iii) Services of funeral, burial, crematorium or mortuary including transportation of the dead.
 - (iv) Sale of land and, subject to clause (b) of paragraph 5 of Schedule II, sale of building.
 - (v) Actionable claims, other than lottery, betting and gambling.
 - (vi) Services by way of any activity in relation to a function entrusted to a Panchayat under Article 243G of the Constitution.

Chapter-6

Time of Supply

1. The time of supply refers to the point when the liability of CGST/SGST/UTGST/IGST arises. The CGST Act, 2017 has separate provisions for determining the time of supply for goods and services.
2. In case of supply of goods by the manufacturer, supply is earliest of the following :-
 - (i) The date of issue of invoice by the supplier of goods or the last date when he is required to issue invoice with respect to the said supply.
 - (ii) The date on which the manufacturer receives the payment with respect to the said supply.
3. It would be noticed that under the GST law, manufacturer would be liable for payment of tax even on receipt of payment in advance as against the earlier provisions of payment of tax on clearance/sale of goods.
4. Under the GST regime, manufacturers may be liable to pay tax on reverse charge basis on receipt of goods. The time of supply shall be the earliest of the following dates :-
 - (i) Date of receipt of goods, or
 - (ii) Date on which payment is made, or
 - (iii) Date immediately following 30 days from the date of issue of invoice or any other document, by the supplier.

In case it is not possible to determine the time of supply of goods in the aforesaid manner, the time of supply of goods shall be the date of entry in the books of account of the recipient of supply.

Following goods have been notified vide Notification No. 04/2017-Central Tax (Rate) dated 28.06.2017 on which GST is to be paid under reverse charge basis by the recipient who is a registered person :-

- Cashew nuts (Chapter heading 0801), not shelled or peeled supplied by agriculturist.
- Bidi Wrapper leaves (Tendu) (Chapter heading 14049010), supplied by agriculturist.
- Silk Yarn (Chapter heading 5004 to 5006), supplied by any person who manufactures silk yarn from raw silk or silk worm cocoons for supply of silk yarn.

Simplified GST Guide for Manufacturer

5. In case of supply of vouchers, the time of supply shall be:
- The date of issue of voucher, if the supply is identifiable at that point; or
 - The date of redemption of voucher, in all other cases.
6. Sub-section (5) of section 12 is a residuary provision which provides that in remaining cases the time of supply of goods shall be:
- in a case where a periodical return has to be filed, be the date on which such return is to be filed, or
 - in any other case, be the date on which the tax is paid.
7. The aforesaid provisions contained in section 12 can be summarized in the following tabular form.

S.No.	Requirement	Time of Supply
A	Supply of goods	Earlier of the following :- (i) The date on which supplier issues an invoice with respect to supply or the last date on which he is required to issue invoice. (ii) The date on which supplier receives the payment with respect to supply.
B	Reverse charge on receipt of goods	Earlier of: <ul style="list-style-type: none"> • Date of receipt of goods or • Date of making payment or • Date immediately following 30 days from the date of issue of invoice
C	Supply of vouchers	Earlier of the following: (a) Date of issue of voucher (where supply is identifiable at that point; or (b) Date of redemption of voucher (other cases).
D	Unable to determine as above	Due date for filing return
		Date of payment of tax

8. Section 13 provides for the time of supply of services. The manufacturer engaged in manufacture/supply of goods may be liable for payment of tax on reverse charge basis on availing various services. These provisions are contained in section 13(3) of CGST Act, 2017.

9. In case a manufacturer receives certain services on which tax is liable to be paid on reverse charge basis, the time of supply shall be the earlier of the following dates :-
- (i) The date on which payment is made.
 - (ii) The date immediately following 60 days from the date of issue of invoice or any other document, by the supplier.

In case, it is not possible to determine the time of supply of services in the aforesaid manner the time of supply of services shall be the date of entry in the books of account of the recipient of supply.

10. In case of addition in the value of supply by way of interest, late fees or penalty for delayed payment of any consideration shall be the date on which the supplier receives such addition in value.

Time of supply on change in rate of tax in respect of supply of goods or services

11. Provisions relating to determination of time of supply of goods/services in cases when there is a change in rate of tax in respect of goods/services are contained in section 14 of the CGST Act, 2017.
12. This section deals with the following two situations namely :-
- (i) Where the goods/services have been supplied before the change in rate of tax.
 - (ii) Where the goods/services have been supplied after the change in rate of tax.
13. Time of supply of goods/services in respect to the above two situations will be determined as under :-

Goods supplied	Date of issue of invoice	Date of payment	Time of supply
Before the change in rate of tax	After change in rate of tax	After change in rate of tax	Earlier of following :- (a) Date of invoice; (b) Date of receipt payment
	Prior to change in rate of tax	After change in rate of tax	Date of issue of invoice
	After change in rate of tax	Prior to change in rate of tax	Date of receipt of payment
After the change in rate of tax	Prior to change in rate of tax	After change in rate of tax	Date of receipt of payment
	Before change in	Before change in	Earlier of following :-

Simplified GST Guide for Manufacturer

	rate of tax	rate of tax	(a) Date of invoice; (b) Date of receipt of payment
	After change in rate of tax	Prior to change in rate of tax	Date of issue of invoice

For this purpose, the date of receipt of payment shall be the date on which the payment is entered in the books of accounts of the supplier or the date on which the payment is credited in his bank account, whichever is earlier.

Chapter-7

Place of Supply of Goods

1. Goods and Services Tax law is basically a destination based consumption tax. Credit of SGST paid is to be extended to the State Government within whose jurisdiction the goods have been supplied. It is therefore, necessary to determine the place of supply of goods.

Supplies of goods in the course of inter-State trade or commerce

2. Supply of goods in the course of inter-State trade or commerce means any supply where the location of the supplier and the place of supply are in different States. Eg.- if a manufacturer located in Delhi supplies goods in Lucknow (Uttar Pradesh), it would be an inter-state supply.

Supplies of goods in the course of intra-State trade or commerce

3. Intra-state supply of goods means any supply where the location of the supplier and the place of supply are in the same State. Eg. - A manufacturer located in Jaipur supplies goods in Jodhpur. As the location of manufacturer and place of supply are in the State of Rajasthan, it is an intra-State supply.
4. However, supply of goods in following cases shall not be considered as intra-State supply :-
 - (i) Supply of goods to or by a SEZ developer.
 - (ii) Supply of goods to or by a SEZ unit.
 - (iii) Supply of goods brought into India in the course of import, till they cross the customs frontiers of India.
5. All intra State supplies of goods shall be liable for payment of CGST (Central Goods and Services Tax) and SGST (State Goods and Services Tax)/ UTGST (Union Territory Goods and Services Tax). In these cases, both types of taxes would be simultaneously levied. SGST/ UTGST shall go to the credit of State Government/ Union Territory and CGST shall go to the credit of the Central Government.
6. All inter-state supplies of goods would be liable to IGST (Integrated Goods and Services Tax). Basically, it would be sum total of CGST (Central Goods and Services Tax) and SGST (State Goods and Services Tax).
7. Broadly, where the location of the supplier and the place of supply are in the same State, it will be intra State and where it is in different States, it will be inter-State supply.
8. Section 10(1)(a) of IGST Act provides that where the supply involves movement of goods, the place of supply of goods shall be the location of goods at the time at which the movement of goods terminates for delivery to the recipient. The said movement can

be affected by the suppliers of goods or by the recipients or any other person. The sum and substance of this sub section is that the destination of goods is the place of supply.

9. Section 10(1)(b) of IGST Act provides for delivery of goods to a person on the directions of a third person. In such cases, it is deemed that the said third person has received the goods and place of supply of such goods shall be the principal place of business of such person. The said third person may be acting as an agent and the instructions for delivery may be given even during movement of goods.
10. Where the supply does not involve movement of goods, the place of supply shall be the location of such goods at the time of delivery of such goods.
11. Where the goods are assembled or installed at a particular place, the place of supply shall be the place of such installation or assembly.
12. Where the goods are supplied on board a conveyance such as a vessel, an aircraft, a train or a motor vehicle, the place of supply shall be the location at which such goods are taken on board.

Place of supply of Goods Imported

13. The place of supply of goods imported into India shall be the location of the importer. IGST would be payable on all imports of goods.

Place of supply of Goods Exported

14. The place of supply of goods exported from India shall be the location outside India.
15. A manufacturer would essentially be involved in supply of goods. Therefore, provisions relating to place of supply of services are not being elaborated here.

Chapter-8

Taxation of Imports and Exports under GST

1. Section 2(10) of IGST Act, defines 'import of goods' as under: -
"Import of goods" with its grammatical variations and cognate expressions, means bringing into India from a place outside India;
2. Section 2(5) of IGST Act defines Export of goods as under:
"Export of goods" with its grammatical variations and cognate expressions, means taking goods out of India to a place outside India;
3. Import of goods will be treated as inter-State supplies and IGST will be levied on import of goods into country. The incidence of tax will follow the destination principle and tax revenue in case of SGST will accrue to the State where the imported goods and services are consumed.
4. Tax paid (IGST) on imported goods shall be eligible for credit as input tax credit to the importer.
5. Exports physical and supplies to SEZ will be treated as ZERO rated supplies. No tax will be payable on export of goods. However, credit of input tax will be available and the same may be utilized by the exporter for other outward supplies. In the alternative, the exporter may claim refund of corresponding input tax credit.
6. All the goods and/ or services imported by a unit or a developer in the SEZ for authorized operations are exempted from payment of IGST.
7. The manufactured goods meant for ultimate exports to 100 % EOU, Free Trade Zone, Exporters under various excise notification would no longer be without duty. Manufacturer also used to buy goods in the course of exports like packing material under H Form. GST would be paid for supplies to such manufacturers in future. Exporter would have to go for refund of accumulated credits.

Chapter-9

Valuation

1. Provisions relating to valuation of goods and services are contained in section 15 of CGST Act, 2017.
2. Consideration is the *quid pro quo* in a contract and price is the money value of that consideration. But, value is the price at which the transaction would take place under certain specified or controlled circumstances. Valuation in tax laws is the study of those circumstances through which every transaction should pass through to determine whether the declared value is acceptable or not.
3. Section 15(1) provides that the value of supply of goods and/or services shall be the transaction value. It further clarifies that the 'transaction value' is the price actually paid/payable for the said supply of goods and/or services where the supplier and the recipient of the supply are not related and the price is the sole consideration.
4. The definition of 'transaction value' as given in section 15 provides for following elements of transaction value :-
 - (i) Price actually paid or payable.
 - (ii) The price should be towards supply of goods or services.
 - (iii) Recipient of the supply and the supplier should not be related.
 - (iv) The price is the sole consideration of the supply.

The price not being the sole consideration may be understood in the following illustrative transactions:

 - Supply of components/ raw material free of cost by the recipient,
 - Supply of capital goods/ (moulds, plant & machinery, dies etc.) free of cost for manufacture of components,
 - Huge advances leading to suppression of the price charged
 - Many other transactions where the intrinsic value of the goods being supplied is impacted may also be covered herein.
5. Wherever the transaction value is not determinable under section 15(1) of CGST Act, 2017 (the reasons may be price is not known or the supplier and recipient are related or price is not the sole consideration), the value shall be determined in the manner as may be prescribed. For this purpose, valuation Rules are contained in Rule 27 to Rule 35 of the Central Goods & Services Tax (CGST) Rules, 2017.
6. Sub-section (2) of section 15 further provides that the transaction value referred in sub section (1) shall include :
 - (a) Any taxes, duties, cesses, fees and charges levied under statutes other than

- CGST, SGST, UTGST & GST(Compensation to States), if charged separately by the supplier to the recipient.
- (b) Any amount that the supplier is liable to pay in relation to such supply but which has been incurred by the recipient of the supply (Example would be payment of labour charges for manufacture of goods by the recipient to the contractor directly.)
 - (c) Incidental expenses such as commission and packing, charged by supplier to the recipient.
 - (d) Subsidies linked to the price excluding subsidies provided by Central and State Government.
 - (e) Interest or late fee or penalty for delayed payment of any consideration for any supply.
7. The value of supply would not include any discount which is given before or at the time of supply. Such discount should be duly recorded in the invoice issued in respect of such supply.
8. Discount given even after the supply has been effected, shall also not be included in the value of supply if :-
- (i) Such discount is established as per terms of agreement and is specifically linked to the relevant invoice.
 - (ii) Corresponding input tax credit has been reversed by the recipient of the supply.
9. Section 4A of Central Excise Act 1944, provides for valuation of goods on the basis of Retail Sale Price. Presently there is no corresponding provision under GST Law. The obvious reason appears to be that under the GST law, tax would be levied and collected at each stage of value addition. Therefore, GST law provides for taxation on the basis of transaction value of goods.
10. The Central Excise Act, 1944 also provides for levy of tax on the basis of specific rate. Eg. sugar is liable for payment of duty @ Rs. 74 per qtl. There is no such proposal for levy of GST on specific rate basis. However, under section 15(4) & 15(5), the Government has retained the power for notifying rules in this regard.
11. The valuation Rules are made to specify the alternative methods and adjustments to transaction value.
12. **Rules for determination of value of supply are prescribed under Rule 27 to 35 under CGST Rules, 2017 :-**
- RULE- 27 Value of supply where consideration is not wholly in money shall be-
- Open market value;
 - If open market value is not available, sum total of consideration in money and amount as equivalent to the consideration not in money;

Simplified GST Guide for Manufacturer

- If not determinable under previous clauses, value shall be the value of supply of like goods or services, of like kind and quality;
- If still not determinable, value shall be determined as per Rule 30 or Rule 31.

Rule-28 Value of supply in case of Distinct or Related persons, other than agent shall be-

- Open market value
- If open market value is not available, value of supply of good & services of like kind & quality.
- If value is not determinable under previous clauses, value shall be determined as per Rule 30 or Rule 31

However, if goods are intended for further supply, value shall be amount equivalent to 90% of price charged for like goods & services to an unrelated person.

Further, if recipient is eligible for input tax credit, value declared in invoice shall be open market value.

Rule- 29 Value of supply of goods and services made through agent shall be-

- Open market value or 90% of price charged for like goods & services to an unrelated person.
- If value is not determinable under previous clauses, value shall be determined as per Rule 30 or Rule 31.

Example:- Mr. A supplied paper to his agent, Mr. B and Mr. B is supplying same paper at a price of Rs. 8000/- per quintal in market. Another independent supplier, Mr. C is supplying same kind & quality paper to Mr. B at a price of Rs. 7000/- per quintal. The value of supply made by Mr. A to Mr. B shall be either Rs. 7000/- or 90% of Rs. 8000/- i.e. Rs. 7200/-.

Rule - 30 Value of supply based on Cost-

If value is not determinable under previous rules, value shall be 110% of cost of production or manufacture or acquisition or provision of such goods/services.

Rule 31 - Residual Method-

Where value cannot be determined under Rule 27-30, value shall be determined using reasonable means consistent with general principles and provisions of section 15 and rules.

Rule -32 Valuation of certain supplies

- Value of supply for persons dealing in second hand goods, where no ITC has been availed on such goods, shall be difference between selling price & purchase price.

- Value of token, voucher, stamp which is redeemable against supply of goods or services shall be, money value of goods or services redeemable against such voucher, token, stamp.

Rule-35 Value of supply inclusive of CGST/SGST/IGST/UTGST

- Where value of supply is inclusive of IGST/CGST/SGST/UTGST, tax amount shall be determined in following manner :-

Tax Amount= Value inclusive of taxes X % in case of CGST/SGST/IGST/UTGST
(100 +Sum of tax rates as applicable, in %)

Chapter-10

Input Tax Credit and Related Transitional Provisions

1. The provisions relating to input tax credit are contained in Chapter V (Section 16 to 21) of the CGST Act, 2017.
2. Various definitions relating to the scheme of input tax credit are as under :-
 - (i) Section 2(19) - "capital goods" means goods, the value of which is capitalized in the books of accounts of the person claiming the credit and which are used or intended to be used in the course or furtherance of business.
 - (ii) Section 2(59) - "input" means any goods other than capital goods used or intended to be used by a supplier in the course or furtherance of business.
 - (iii) Section 2(60) - "input service" means any service used or intended to be used by a supplier in the course or furtherance of business.
 - (iv) Section 2(62) - "input tax" in relation to a registered person, means the CGST, SGST, IGST or UTGST charged on any supply of goods or services or both made to him and includes :-
 - (a) IGST charged on import of goods.
 - (b) tax payable under reverse charge under Section 9(3) & 9(4) of the CGST Act.
 - (c) tax payable under Section 5(3) & 5(4) of IGST Act.
 - (d) tax payable under Section 9(3) & 9(4) of the respective SGST Act.
 - (e) tax payable under Section 7(3) & 7(4) of the UTGST Act.but shall not include tax paid under composition levy.
 - (v) Section 2(63) - "input tax credit" means credit of input tax.
3. The entire scheme of input tax credit is based on the use or the intention to use of inputs/input service/capital goods in the course or furtherance of business. Therefore, in order to claim credit, a manufacturer is required to ensure that goods or service have been used in the course or furtherance of business.
4. Section 16(1) allows credit of tax paid on inputs/ input services as well as capital goods charged on any supply of goods or services which have been used or intended to be used in the course or furtherance of business.
5. The earlier provision of availing the credit of capital goods within 2 years is no more applicable under the new provisions.

Input Tax Credit and Related Transitional Provisions

6. Credit for goods used in foundation or support structure of plant and machinery is also allowable.
7. Wherever the goods are received against an invoice in lots or instalments, the credit is allowable only after receipt of the last lot or instalment.
8. The eligibility to take credit is subject to following conditions :-
 - (i) Possession of tax invoice or debit note or any other prescribed tax paying document.
 - (ii) Receipt of goods/services.
 - (iii) Payment of tax by the supplier of goods or services.
 - (iv) Furnishing of return under section 39 by the supplier of goods/services.
9. It is necessary for the recipient of supply of goods/ services to pay the value of services along with tax payable thereon within a period of 180 days from the date of issue of invoice; otherwise the input tax credit availed shall be added to the output tax liability, along with interest thereon.
10. The recipient of capital goods should not have claimed depreciation on the tax component under the provisions of Income Tax Act, 1961.
11. Credit in respect of any invoice or debit note should not be allowed after the due date of furnishing of the return under Section 39 for the month of September following the end of the financial year or furnishing of relevant annual return, whichever is earlier.

Restrictions on taking Credit

12. Wherever the manufacturer utilises the goods/services partly for the purpose of business and partly for other purposes, the amount of credit shall be restricted to so much of the input tax as is attributable to the purposes of business. Similarly, wherever the goods or services are used by the manufacturer for the purpose of taxable supplies as well as exempted supplies, only attributable credit is allowable. Taxable supplies will include zero rated supplies and exempt supplies will include supplies on which recipient is liable to pay tax on reverse charge basis.
13. Section 17(5) restricts the eligibility to credit. A manufacturer is not allowed to take credit in respect of the following :-
 - (i) Motor vehicles and other conveyances except when they are used:
 - (a) For further supply of vehicles or such conveyances;
 - (b) For transportation of passengers;
 - (c) For imparting training on driving, flying, navigating such vehicles or conveyances;
 - (d) For transportation of goods.

Simplified GST Guide for Manufacturer

- (ii) Goods and services mainly relating to :-
 - Foods and Beverages, Outdoor catering, Beauty treatment, Health services, Cosmetics & plastic surgery except when used by a registered person for making an outward taxable supply of the same category of goods or services or both or as element of a taxable composite or mixed supply;
 - Membership of a club;
 - Health and fitness centre;
 - Rent-a-cab, Life insurance & Health insurance (except where the government notifies the services which are obligatory for an employer to provide to its employees under any law for the time being in force or when used for making outward taxable supply of the same category of goods or services or both or as element of a taxable composite or mixed supply);
 - Travel benefits extended to employees on vacation such as leave or home travel concession.
- (iii) Works contract services when received for construction of immovable property, other than plant and machinery except where it is an input service for further supply of works contract service.
- (iv) Goods or services used for construction of immovable property, other than plant and machinery.
- (v) Goods or services on which tax has been paid under composition scheme.
- (vi) Goods or services received by a non- resident taxable person except on goods imported by him.
- (vii) Goods or services used for personal consumption.
- (viii) Goods lost, stolen, destroyed, written off or disposed off by way of gift or free samples.
- (ix) Tax paid in terms of sections 74, 129 and 130 of the CGST Act, 2017.
- (x) It is interesting to note that :-
 - Purchase of car & other conveyance by manufacturers is not eligible for ITC, but expenses incurred on maintenance & insurance of car are eligible for ITC.
 - Goods or services used for construction of immovable property are not eligible for ITC, but expenses incurred on maintenance of immovable property would be eligible for ITC.

Availability of Credit in Special Circumstances

14. A manufacturer is required to obtain registration within 30 days from the date when he becomes liable to registration. Once he has obtained registration within 30 days, he is eligible to take credit in respect of inputs lying as such or contained in semi-finished goods or contained in finished goods on the day he becomes liable for payment of tax. Similar provisions are there for the manufacturers who obtain voluntary registration without availing exemption.
15. A manufacturer who opts out of composition scheme is also eligible for the benefit of input tax credit on stock of inputs as well as capital goods on the day from which he becomes liable to pay tax. The credit on capital goods, however, is liable to be reduced by such percentage points as may be prescribed.
16. Manufacturers who are engaged in supply of exempted goods are not eligible for input tax credit. If these manufacturers become liable for payment of tax for the reason that the goods have become taxable, they would be entitled for credit of input tax in respect of inputs held in stock (lying as such, contained in semi-finished goods or finished goods) as well as capital goods used for the exempt supply, lying on the day immediately preceding the date from which such supply becomes taxable. The credit on capital goods however is liable to be reduced by such percentage points as may be prescribed.
17. The input tax credit is allowable in respect of those goods/services which are supported by tax invoice issued within 1 year from the date of issue of tax invoice.
18. Where there is a change in the constitution of a registered taxable person on account of sale, merger, demerger, amalgamation, lease or transfer of the business with the specific provision for transfer of liabilities, the said registered taxable person shall be allowed to transfer the input tax credit that remains unutilized in its books of accounts to such sold, merged, demerged, amalgamated, leased or transferred business in the manner prescribed.

Reversal of Credit

19. In the following circumstances a manufacturer who has been paying tax on supply of goods, shall be liable to reverse the credit on the inputs lying in stock (lying as such, contained in semi-finished goods or finished goods) and on capital goods (reduced by such percentage points as may be prescribed) on the day preceding the date of switchover/exemption:
 - (i) Switching over to payment of tax under composition scheme.
 - (ii) When the goods/services become exempt absolutely.

The credit shall be reversed by making payment by way of debit in electronic credit or cash ledger. After making payment of such amount, the balance of input tax credit lying in electronic credit ledger shall lapse.

Simplified GST Guide for Manufacturer

20. In case of supply of capital goods or plant & machinery, on which input tax credit has been taken, tax shall be reversed, as follows-
 - (a) an amount equal to input tax credit taken reduced by such percentage points as may be prescribed or
 - (b) tax on the transaction value of such capital goods or plant & machinery determined under Section 15 whichever is higher.
21. Where refractory bricks, moulds & dies, jigs & fixtures are supplied as scrap, tax shall be paid on the transaction value of such goods determined under Section 15.

Distribution of Credit by Input Service Distributor

22. "Input Service Distributor" means an office of the supplier of goods and / or services which receives tax invoices issued under section 31 towards receipt of input services and issues a prescribed document for the purposes of distributing the credit of CGST (SGST/UTGST in State Acts) and / or IGST paid on the said services to a supplier of taxable goods and / or services having same PAN as that of the office referred to above.
23. A manufacturer may be having head offices or branch offices where invoices are received towards supply of input services. These services could be pertaining to common services like insurance, rent etc. Such office of manufacturer may obtain registration as input service distributor and may distribute the credit in the following manner :-
 - (i) It may distribute credit of CGST as CGST or IGST and IGST as IGST by way of issue of a prescribed document.
 - (ii) It may distribute credit of SGST as SGST or IGST by way of issue of a prescribed document.
 - (iii) It may distribute credit of UTGST as UTGST or IGST by way of a prescribed document.
24. The prescribed conditions for distributing the credit are as under :-
 - (i) The credit can be distributed to the recipients of credit against a document containing such details as may be prescribed.
 - (ii) The amount of credit distributed shall not exceed the amount of credit available for distribution.
 - (iii) The credit of tax paid on input services attributable to a recipient shall be distributed to that recipient only.
 - (iv) The credit of tax paid on input services attributable to more than one recipient of

Input Tax Credit and Related Transitional Provisions

credit shall be distributed only amongst such recipients to whom the input service is attributable. Such distribution shall be pro-rata on the basis of turnover of such recipients.

25. Where the ISD distributes the credit resulting in excess distribution to one or more recipients of credit, the excess credit shall be recoverable along with interest from recipient.

26. **Input Tax Credit Rules are prescribed under Rule 36 to 45 under CGST RULES, 2017**

Rule -36 Documentary requirements and conditions for claiming input tax credit.

- A manufacturer (including units registered as ISD) shall avail Input Tax credit on the basis of following documents:
 - (a) An invoice issued by the supplier of goods.
 - (b) An invoice issued by the manufacturer where he is liable to pay tax under reverse charge (subject to the payment of tax).
 - (c) A debit note issued by the supplier.
 - (d) A bill of entry or any similar document as prescribed under the Customs Act, 1962 for assessment of integrated tax on imports.
 - (e) An ISD invoice and ISD credit note or other similar documents issued by ISD.
- All the relevant information contained in invoice/ debit note/ ISD invoice shall be furnished in Form GSTR-2 by the manufacturer for availing input tax credit.
- No input tax credit shall be availed in respect of tax paid on account of any fraud, willful misstatement or suppression of facts by the manufacturer.

Rule -37 Reversal of input tax credit in case of non-payment of consideration.

- Manufacturer shall furnish the details of supply, amount of value not paid and amount of ITC availed of proportionate to such amount not paid to the supplier in GSTR-2 within 180 days in the immediately following month, where payment not made to the supplier within time limit specified under 2nd proviso of Section 16(2) of CGST Act.
- If supplies made without consideration as specified in Schedule I of the CGST Act, the same shall be deemed to have been paid for the purposes of 2nd proviso of Section 16(2) of CGST Act.
- The input tax of supplies on which payment is not made as mentioned above, the said amount of Input Tax Credit shall be added to output tax liability of the manufacturer.

Simplified GST Guide for Manufacturer

- Interest on said input tax shall be paid from the date of availment of input tax credit to date of payment of amount at the rate not exceeding 18%.
- Time limit for availing input tax credit as specified under section 16(4) shall not apply to claim re-availment of any credit that had been reversed earlier.

Rule-39 Procedures for distribution of input tax credit by Input Service Distributor.

- An Input Service Distributor shall distribute input tax credit:
 - Input tax credit available for distribution in a month shall be distributed in the same month and the details thereof shall be furnished in **FORM GSTR-6**.
 - Amount of blocked credits under section 17(5) or otherwise and the amount of eligible input tax credit shall be separately distributed by the ISD.
 - Input tax credit on account of CGST, SGST, UTGST and IGST shall be distributed separately.
 - Procedure for distributing credit to one recipient (registered or not), out of the total of all the recipients (including recipient not registered for any reason) to whom input tax credit is attributable including the recipient making exempted supplies shall be as follow:

$$\text{ITC (i.e.C}_1\text{) to be distributed to one recipient} = (T_1 / T) * C$$

Where,

“T1” is the Turnover of one recipient during relevant period.

“T” is the aggregate turnover during the relevant period, of all recipients to whom the input service is attributable.

“C” is the total amount of credit of all recipients which is to be distributed.

- Input tax credit related to IGST to be distributed as IGST.
- Input tax credit on account of CGST/ SGST/ UTGST shall be distributed as :
 - (a) CGST/ SGST/ UTGST respectively where the recipient and ISD are located in same State/ U.T.
 - (b) IGST to the extent of CGST & SGST/ UTGST that qualifies for distribution to one recipient where the recipient and ISD are not located in same State/ U.T.
 - The Input Service Distributor shall issue an ISD invoice clearly indicating in such invoice that it is issued only for distribution of input tax credit.

Input Tax Credit and Related Transitional Provisions

- The Input Service Distributor shall issue an ISD credit note for reduction of credit where the input tax credit already distributed gets reduced for any reason.
- Any additional credit amount on account of debit note issued by the supplier to ISD shall be distributed as specified above but only in the month in which debit note shall be included in the return in FORM GSTR-6.
- Any credit amount required to be reduced on account of a credit note issued by the supplier to the ISD shall be apportioned to each recipient in the same ratio in which input tax credit contained in the original invoice was distributed and the amount so apportioned shall be:
 - (a) Reduced from the amount to be distributed in the month in which the credit note is included in the return in FORM GSTR-6.
 - (b) Added to the output tax liability of the recipient where the amount so apportioned is in the negative by virtue of the amount of credit under distribution being less than the amount to be adjusted.
- Any distributed credit amount required to be reduced on account of any other reason including the distribution of credit to wrong recipient by the ISD shall be apportioned/reduced in the same manner as mentioned above.
- ISD shall :
 - (a) Issue an ISD Invoice to the recipient entitled to avail credit; and
 - (b) Include the ISD credit note and the ISD Invoice in the return in FORM GSTR-6 for the month in which such credit note and invoice was issued.

Rule -40 Manner of claiming credit in special circumstances.

- Input tax credit claimed on the inputs / semi-finished goods/ finished goods held in stock and capital goods in accordance with the provision of section 18(1) shall be subject to the following condition:
 - (a) ITC on Capital Goods shall be claimed after reducing the tax paid by **five** percentage points per quarter of a year or part thereof from the date of invoice or other document.
 - (b) Declaration is to be made in **FORM GST ITC- 01** by registered person within 30 days from the date of his becoming eligible to avail credit and such declaration should be certified by a practising chartered accountant or cost accountant, if the aggregate value of claim of taxes exceeds Rs. 2 lacs.
 - (c) The declaration shall specify the details in relation to the inputs / semi-finished goods/ finished goods held in stock and capital goods:

Simplified GST Guide for Manufacturer

- On the day preceding the date from which he becomes liable to pay tax under the Act.
 - On the day preceding the date of grant of registration.
 - On the day preceding the date from which he becomes liable to pay tax under section 9.
 - On the day preceding the date from which such supply becomes taxable.
- (d) ITC claimed under section 18(1) c) and (d) shall be verified with corresponding details furnished by the supplier in FORM GSTR-1 or FORM GSTR- 4.
- The amount of credit in case of supply of capital goods or Plant & Machinery in accordance with the provision of section 18(6) shall be calculated by reducing the input tax on the said goods at the rate of five percentage points for every quarter or part thereof from the date of issue of invoice for such goods.

Rule -41 Transfer of credit on sale, merger, amalgamation, lease or transfer of a business.

- A registered person (i.e. transferor) shall furnish the details of sale, merger, demerger, amalgamation, lease or transfer of business in FORM GST ITC-02 along with a request for transfer of unutilized input tax credit lying to the transferee and a copy of a certificate issued by a practicing chartered account or cost accountant certifying such event.
- In the case of demerger, the input tax credit shall be apportioned in the ratio of the value of assets of the new units as specified in the demerger scheme.
- The transferee shall accept the details and upon such acceptance the un-utilized credit specified in **FORM GST ITC-02** shall be transferred.
- The inputs and capital goods so transferred shall be duly accounted for by the transferee in his books of account.

Rule -42 Manner of determination of input tax credit in respect of inputs or input services and reversal thereof.

- **Step-1** Segregate total input tax credit during a tax period into 4 parts
 - Exclusively non-business purpose
 - Exclusively for exempt supplies
 - Blocked input tax credit under section 17(5)
 - input tax credit relating to taxable including zero rated supplies

Input Tax Credit and Related Transitional Provisions

Balance left will be "common credit" (C₂).

- **Step-2** Calculate input tax credit related to exempt supply (D1)
FORMULA: $-(E/F) * C_2$
where E= aggregate value of exempt supplies during the tax period,
F= total turnover in State during the tax period,
C₂ = common credit
Note: In absence of turnover, value 'E/F' shall be calculated on the basis of last tax period for which details are available, previous to concerned month.
- **Step-3** 5% deduction to be made on account of input tax credit related to non-business supplies. (D2).
- **Step-4** Remaining common credit is eligible input tax credit
- **Step-5** input tax credit calculated in Step 2 and 3 above shall be added to output tax liability.
- **Step-6**
 - All of the above calculations are to be finally done again before the due date for filing the return for September following the end of the financial year to which such credit relates.
 - When finally calculated (D1+D2) exceeds previous calculation, excess amount to be added to output tax liability along with interest latest by September following end of Financial year (From April to the date of payment).
 - When finally calculated (D1+D2) is less than the previous calculation, ITC shall be taken of the difference latest by September following end of Financial year.

Note: Calculations to be done separately for CGST, SGST, UTGST and IGST.

Rule - 43 Manner of determination of input tax credit in respect of capital goods and reversal thereof in certain cases.

- **Step-1**
 - (a) **Amount of input tax credit not to be credited to ledger :**
 - Input tax credit in respect of capital goods used/ intended to be used exclusively for non- business purposes. (to be given in FORM GSTR- 2)
 - Input tax credit in respect of capital goods used/ intended to be used exclusively for exempt supplies. (to be given in FORM GSTR- 2).
 - (b) **Amount of Input tax credit to be credited to ledger :**

Simplified GST Guide for Manufacturer

- Input tax credit in respect of capital goods used/ intended to be used exclusively for supplies other than exempted ones but including zero rated supplies. (to be given in FORM GSTR-2)
- Balance credit to be credited to ledger (common credit)- T_c

NOTE : Useful life to be taken as 5 yrs from the date of invoice.

- (c) where any capital goods (non- business purpose/ exempted) are subsequently considered as business purpose/ taxable, the amount to be credited to the electronic credit ledger shall be calculated by reducing the input tax at the rate of five percentage points for every quarter or part thereof.
- (d) capital goods declared as for non- business purpose on its receipt shall not attract the provisions of sub-section (4) of section 18 if it is subsequently covered under this clause.
- (e) where any capital goods (business purpose/ taxable) are subsequently considered as for common use, the amount to be considered as a part of common credit shall be calculated by reducing the input tax at the rate of five percentage points for every quarter or part thereof.

- **Step-2**

- (a) Input tax credit attributable to a tax period on common capital goods during their useful life, is denoted as ' T_m ' and calculated as :-

$$T_m = T_c \div 60$$

- (b) common credit attributable towards exempted supplies (T_e)

$$T_e = (E \div F) \times T_r$$

where,

'E' = aggregate value of exempt supplies during the tax period,

'F' = total turnover during the tax period.

NOTE: No turnover during the said tax period, then 'E' and 'F' of the last tax period for which details of such turnover are available, previous to the month during which value of 'E/F' is to be calculated.

- (c) Input tax credit, at beginning of a tax period, on all common capital goods whose useful life remains during the tax period is denoted as ' T_r ' and shall be the aggregate of ' T_m ' for all such capital goods.

Explanation: The amount of any duty or tax levied under entry 84 of List I of the 7th Schedule to the Constitution and entry 51 and 54 of List II to be excluded from value of exempt supplies and total turnover.

Input Tax Credit and Related Transitional Provisions

- (d) the amount **Te** with interest shall, during every tax period of the useful life of the concerned capital goods to be added to output tax liability of the person making such claim of ITC.
- The amount **Te** shall be computed separately for CGST, SGST, UTGST and IGST.

Rule -44 Manner of reversal of credit under special circumstances.

- The amount of input tax credit relating to inputs/ semi-finished goods/finished goods held in stock shall be calculated proportionately on the basis of corresponding invoices on which credit had been availed by the registered taxable person on such input.
- The amount of input tax credit involved in remaining useful life in months, relating to capital goods held in stock shall be computed on pro-rata basis, taking the useful life as five years.
- The amount shall be determined separately for input tax credit of IGST and CGST.
- The registered person shall estimate the amount based on the prevailing market price of goods on the effective date of occurrence of the events specified in Section 18(4) or 29(5), where the tax invoices related to the inputs held in stock are not available.
- The amount determined shall form part of the output tax liability of the registered person and the details of the amount shall be furnished:
 - In **FORM GST ITC-03**, where such amount relates to any event specified in section 18 (4); and
 - In **FORM GSTR-10**, where such amount relates to cancellation of registration.
- Such furnished details shall be duly certified by a practicing chartered accountant or cost accountant.

Rule -45 Conditions and restrictions in respect of inputs and capital goods sent to the job worker.

- Challan in respect of Inputs, semi-finished goods or capital goods sent to job worker shall be issued by principal containing the details specified in Invoice rule 10.
- The Details of challan shall be included in Form GSTR-1 furnished for that period.
- Where Inputs & Capital goods is not returned in specified time mentioned in section 143, Challan shall be deemed to be an invoice.

Transitional Provision related to Input Tax Credit

1. Every registered manufacturer, other than a person opting to pay tax under section 10, shall be entitled to take, in his electronic credit ledger, the amount of CENVAT credit carried forward in the return relating to the period ending with the day immediately preceding the appointed day, furnished by him under the existing law.

The registered manufacturer shall not be allowed to take credit in the following circumstances, namely :-

- (i) Amount of credit is not admissible as input tax credit under CGST Act; or
 - (ii) He has not furnished all the returns required under the old law for the period of six months immediately preceding the appointed date; or
 - (iii) The amount of credit relates to goods manufactured and cleared under such exemption notifications as are notified by the government.
2. Every registered manufacturer, other than a person opting to pay tax under section 10, shall be entitled to take, in his electronic credit ledger, credit of unavailed CENVAT credit in respect of capital goods, not carried forward in a return, furnished under the old law by him, for the period ending with the day immediately preceding the appointed day.
However, the registered manufacturer shall not be allowed to take credit unless the said credit was admissible as CENVAT credit under the old law and is also admissible as input tax credit under CGST Act.
3. If manufacturer not registered under old law, or who was engaged in the manufacture of exempted goods, or who was providing work contract service and was availing the benefit of *Notification No. 26/2012- Service Tax, dated the 20th June, 2012* or a first stage dealer or a second stage dealer or a registered importer or depot of a manufacturer shall be entitled to take, in his electronic credit ledger, credit of eligible duties in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock on the appointed day subject to following conditions, namely;-
 - (i) Inputs or goods are used or intended to be used for making taxable supplies under CGST Act;
 - (ii) The registered manufacturer is eligible for input tax credit on such inputs under CGST Act;
 - (iii) The registered manufacturer is in possession of invoice or other prescribed documents evidencing payment of duty under the old law in respect of such inputs;
 - (iv) Invoices or other prescribed documents were issued not earlier than twelve months immediately preceding the appointed day; and
 - (v) The supplier of services is not eligible for any abatement under CGST Act.

Input Tax Credit and Related Transitional Provisions

Every registered manufacturer, other than a manufacturer or a supplier of services, is not in possession of an invoice or any other documents evidencing payments of duty in respect of inputs, then such registered manufacturer subject to such conditions, pass on the benefit of such credit by way of reduced prices to the recipient, be allowed to take credit as such rate and in such manner as may be prescribed.

4. Every registered manufacturer, who was engaged in manufacture of taxable as well as exempted goods under the Central Excise Act, 1944, but which are liable to tax under CGST Act shall be eligible to take credit of input held in stock /semi-finished goods/ finished goods related to exempted goods and amount of CENVAT credit carried forward in a return furnished under the old law by him in accordance with the section of 140(1) under CGST Act.
5. Every registered manufacturer shall be entitled to take, in his electronic credit ledger, credit of eligible duties and taxes in respect of inputs received on or after appointed day but the duty or tax in respect of which has been paid by the supplier under the existing law, subject to such condition that the Invoice/ other duty paying document recorded in books of accounts within 30 days from appointed date.
6. Every registered manufacturer, who was either paying tax at a fixed rate or paying a fixed amount in lieu of the tax payable under the old law shall be entitled to take, in his electronic credit ledger, credit of eligible duties and taxes in respect of inputs held in stock / semi-finished goods/ finished goods on the appointed day subject to the following conditions :-
 - (i) Inputs should be used for making taxable supplies.
 - (ii) Credit allowable under CGST Act.
 - (iii) Invoices are not older than 1 year.
7. Input Tax Credit of any services received prior to appointed day by an Input Service Distributor be eligible to distribute as credit. Even if invoices are received on or after appointed day.
8. Where a registered manufacture holding centralized registration under old law. Credit may be carried forward to any of registered manufacturer having same PAN.
 - (i) Credit should be allowable under GST.
 - (ii) Registered manufacturer furnishes return, for period ending with day immediately preceding appointed day, within 3 months of appointed day.

Chapter-11

Transfer of Input Tax Credit

1. On utilization of input tax credit availed under the CGST Act for payment of tax dues under the IGST Act, the amount collected as CGST shall stand reduced by an amount equal to the credit so utilized.
2. The Central Government shall transfer an amount equal to the amount so reduced from the CGST account to the IGST account in the manner and within the time as may be prescribed.
3. On utilization of input tax credit availed under the SGST/UTGST Act for payment of tax dues under the IGST Act, the amount collected as SGST/UTGST shall stand reduced by an amount equal to the credit so utilized.
4. The State Government shall transfer an amount equal to the amount so apportioned to the IGST account in the manner and within the time as may be prescribed.

Chapter-12

Job Work

Introduction

1. Under Central Excise Law, Job Work used to mean processing or carrying out manufacturing operations on the goods provided by others. When a job worker activity results in the manufacture of a new product, it is a manufacture under Central Excise and accordingly job workers are liable for payment of Central Excise Duty. Certain exemptions have been granted under the Central Excise Law *vide Notification No. 214/86 dated 25.03.1986*.
2. The activities of a Job worker relating to processing of goods which do not result in the manufacture of goods, shall constitute services under Finance Act, 1994. Such activities are liable for payment of Service Tax. However certain exemptions have been granted *vide Notification No. 25/2012 dated 20.06.2012*.
3. Section 2 (68) of the CGST Act, 2017 defines job work as under –
“job work” means undertaking any treatment or process by a person on goods belonging to another registered taxable person and the expression “job worker” shall be construed accordingly.

Provisions relating to job work

4. Provisions relating to Job work under CGST Act, 2017 are contained in section 19, 141 & 143 of the Act.
5. Section 143(1) provides that a manufacturer may send any inputs/ capital goods without payment of tax to a job worker for job work. After job work, goods may be sent to another job worker or may be brought back to any of the place of business of the manufacturer. The manufacturer is not required to reverse the credit or pay tax on supply of said inputs/ capital goods.
6. Goods sent to job worker may be supplied from job workers premises on payment of tax within India or may be exported.
7. For the purpose of direct supply from the premises of job worker, either the job worker should be registered under GST Law or the Job worker’s premise should be declared as an additional place of business of the manufacturer.
8. Section 143 of the CGST Act, 2017 provides that a manufacturer may send inputs/ capital goods to a job worker for job work. Such goods may be sent even directly to the job worker without their being brought to the place of business of manufacturer. A manufacturer is allowed to take credit immediately after inputs/ capital goods are received at the premises of job worker.

9. These provisions would be applicable even when the inputs are sent to a job worker who is located in a different State.

Conditions

10. The condition is that the inputs sent by the manufacturer should be received back within 1 year of sending the inputs by the job worker. In case inputs are sent directly to the job worker, the period of one year shall be counted from the date of receipt of input by the job worker. This period shall be 3 years in case of supply of capital goods to job worker.
11. The aforesaid time limit of 1 year or 3 years shall not apply to moulds and dies, jigs and fixtures or tools sent out to job worker for job work.

Non-receipt of Inputs/ Capital Goods within the prescribed period

12. If inputs/ capital goods are not received back by the manufacturer within the prescribed period of 1 year or 3 years, it is presumed that such inputs had been supplied by the principal to the job worker on the day when the said inputs are sent to job worker.
13. The consequences of the aforesaid presumption and non-receipt of inputs/ capital goods within the prescribed period is that the principal/ manufacturer shall have to pay tax/ reverse credit along with interest.

Waste and Scrap

14. In every job work, some waste or scrap is likely to arise. Such waste and scrap should be returned to the principal/ manufacturer. However, Section 143(5) provides that job worker may supply such waste and scrap after payment of tax, if registered, or by principal, if not registered.

Nature of activity of job worker and his GST liability

15. Schedule II clarifies as to which activity will amount to supply of goods and which other activity will amount to supply of services. With regard to job work, it clarifies that any treatment or process which has been applied to another person's goods or supply of services, shall amount to supply of services.
16. Section 22 of the CGST Act, 2017 provides for persons liable to be registered. It provides that every supplier is liable to be registered in the State from where he makes a taxable supply of goods/ services if his aggregate turnover in a financial year exceeds Rs. 20 Lakhs.
17. Explanation (ii) to Section 22 provides that the supply of goods by the job worker after completion of job work shall be treated as supply of goods by the principal (manufacturer herein) and the value of such goods shall not be included in the aggregate turnover of the job worker. Therefore, for the purpose of obtaining registration as well as basic exemption, only job charges received by the job worker are

to be considered. However, if job worker is doing job work for a manufacturer which is located in different State, his services would be taxable from the very beginning, it being an inter State supply of service. The Job worker will have to obtain registration if he is making inter-State supply of services.

18. The Job worker would be liable for payment of tax as may be applicable to the services.

Rate of tax under GST

19. IGST/ (SGST + CGST) rate for job work is as follows:

- (i) 5%, in case of services by way of job work in the following cases :-
 - a) Printing of newspapers;
 - b) Textiles and textile products;
 - c) Cut and polished diamonds; precious and semi-precious stones, or plain and studded jewellery of gold and other precious metals, falling under Chapter 71 of HSN;
 - d) Printing of books (including braille books), journals and periodicals;
 - e) Processing of Leather.
- (ii) 12% in case of services by way of printing of newspapers, books (including Braille books), journals and periodicals, where only content is supplied by the publisher and the physical inputs including paper used for printing belongs to the printer.
- (iii) 18% in other cases.

Transitional Provisions

20. Transitional provisions relating to job work are contained in Section 141 of the CGST Act, 2017. They are simultaneously applicable to inputs, semi-finished goods and finished goods.
21. These provisions relate to inputs, semi-finished goods and finished goods cleared to a job worker for further processing, testing, repair or any other purpose before the appointed day as per the provisions of earlier law and not received back until the appointed day.
22. Section 141 provides that if such inputs, semi-finished goods and finished goods are returned to the said factory after completion of job work after the appointed day, no tax shall be payable. The condition is that the goods should be received within 6 months from the appointed day. However, the competent authority may extend the period on sufficient cause being shown for a further period of 2 months.

Simplified GST Guide for Manufacturer

23. The condition is that the manufacturer and job worker should declare (in the prescribed manner) the details of inputs, semi-finished goods and finished goods held in stock by the job worker on behalf of the manufacturer on the appointed day.
24. Similar provisions are there for SGST and IGST.
25. In case of semi-finished goods and finished goods, the manufacturer may transfer the goods to the premises of any registered taxable person for the purpose of supplying them from thereat by payment of tax in India or without payment of tax for export.

Chapter-13

Provisional and Final Registration

Migration of existing manufacturer to GST

1. On the day when GST comes into operation, every manufacturer registered under any of the earlier laws and having a valid PAN, have been issued a provisional registration certificate in the prescribed manner. The said certificate shall be valid for a period of 3 months. The Government may extend the validity period.
2. Every manufacturer to whom a provisional registration certificate has been issued shall, within the specified period furnish the required information. Thereafter the manufacturer shall be granted final registration. However, if the manufacturer fails to furnish the prescribed information within the given time, the provisional registration may be cancelled.

New Manufacturers

3. Every manufacturer who becomes liable to be registered under Section 22 or Section 24 should apply for registration within 30 days from the date on which he becomes liable for registration.

Section 22 - 24

4. Section 22 & Section 24 of the CGST Act, 2014 prescribes the persons who are required to be registered under the Act.
5. A manufacturer is required to obtain registration in the State from where he makes a taxable supply of goods if his aggregate turnover in a financial year exceeds Rs.20 Lacs. In case of special category states the limit of Rs.20 lacs shall stand reduced to Rs.10 lacs.
6. The aggregate turnover shall include all supplies made by a manufacturer whether on his own account or account of other person. This would, however, not include the goods manufactured on job work basis.
7. A manufacturer exclusively engaged in the business of supply of goods that are not liable to tax or are wholly exempt from tax is not required to obtain registration.
8. A manufacturer who is exclusively engaged in making supplies of goods and/ or services on which the total tax is to be paid by recipient under reverse charge is exempted from registration.
9. If the business of a manufacturer is transferred on account of succession or otherwise, as a going concern; the transferee or the successor shall be liable to be registered.

Simplified GST Guide for Manufacturer

10. Following types of manufacturers are essentially required to be registered irrespective of their aggregate turnover-
 - (a) Manufacturers making inter-State taxable supply.
 - (b) Manufacturers who are required to pay tax under reverse charge.
 - (c) Non-Resident manufacturers.
 - (d) Manufacturers who are required to deduct tax under Section 51.
 - (e) Manufacturers who are also supplying goods on behalf of other taxable person as an agent or otherwise.
 - (f) Input service distributor.
 - (g) Manufacturers supplying goods through electronic commerce operator.
11. Such other person or class of person as may be notified by the Government on the recommendations of the Council.
12. A manufacturer is required to obtain registration in every State from where he is making taxable supplies. The Application for registration in Form GSTREG-01 is to be filed within 30 days from the date when the manufacturer becomes liable for registration.
13. The general principle is that there would be one registration for each State or Union Territory. However, a manufacturer having multiple business verticals in a State or Union Territory may obtain a separate registration for each business vertical.
14. Even though a manufacturer is not required to obtain registration until its value of supplies crosses the basic exemption limit, it may obtain registration voluntarily even before it crosses the exemption limit and pay tax.
15. A person who has obtained more than one registration shall be treated as distinct person in respect of each such registration.
16. All registrations are to be granted on the basis of permanent account number issued under Income Tax Act, 1961.
17. If a manufacturer fails to obtain registration, the proper officer may register him on its own.
18. The Certificate of registration is issued in the prescribed format. However, it shall be deemed to have been granted if no deficiency is communicated within the prescribed period.
19. Grant of registration under CGST or SGST or UTGST shall be deemed to be grant of registration.

Amendment of Registration

20. In case of any change in the information furnished for the purpose of registration, the manufacturer shall inform the same to the proper officer and accordingly the registration

certificate is to be got amended. The proper officer may however reject the request for amendment by following the prescribed procedure.

Cancellation of Registration

21. In the following circumstances, a proper officer on his own or on an application filed by a manufacturer or its legal heir may cancel registration:
 - (i) Discontinuation of business.
 - (ii) Transfer of business for any reason.
 - (iii) Death of the proprietor.
 - (iv) Amalgamation with any other legal entity.
 - (v) Demerger/ change in constitution.
 - (vi) Taxable person no longer liable to be registered under Section 22 or 24.
22. A proper officer may also cancel the registration in the following circumstances.
 - (i) Manufacturer has contravened the provisions of the Act.
 - (ii) Manufacturer opting for composition scheme has not furnished return for 3 consecutive tax periods.
 - (iii) Manufacturer has not filed its returns for a continuous period of six months.
 - (iv) Manufacturer has obtained registration by means of fraud, wilful mis-statement or suppression of facts.
 - (v) Manufacturer who has taken voluntary registration and has not commenced business within 6 months from the date of registration.

Revocation of cancellation of registration

23. Any manufacturer whose registration has been cancelled by the proper officer on his own motion, may apply to such officer for revocation of cancellation of registration, within 30 days from the date of service of cancellation order.
24. The proper officer shall follow the process of natural justice while dealing with the application for revocation of cancellation of registration.
25. There are various other formats named as registration formats which may be seen in the Goods and Service Tax Rules.
26. Cancellation of registration shall not affect the liability of manufacturer to pay tax and other dues.
27. Cancellation under any State's GST or UTGST shall be deemed to be cancellation of registration under CGST also.
28. On cancellation Manufacturer shall pay higher of following :-

- (a) an amount equivalent to credit of input tax in respect of inputs held in stocks/ semi-finished goods or finished goods held in stock /capital goods
- (b) output tax payable on the day immediately preceding the date of such cancellation.

Registration Rules are prescribed under Rule 8 to 26 under CGST Rules, 2017

RULE-8 APPLICATION FOR REGISTRATION

1. Every person who is liable to be registered shall before applying for registration declare his PAN, mobile number, email address, State, Union Territory in Part A of FORM GST REG-01 on the common portal.
2. Person having units in SEZ shall make separate application for registration as a business vertical distinct from units located outside SEZ.
3. Input service distributor shall make separate application for registration as such input service distributor.
4. Temporary reference number shall be generated and communicated to the applicant on successful validation of PAN.
5. After generation of reference number applicant shall submit application in PART B of FORM GST REG- 01.
6. Acknowledgement shall be issued in FORM GST REG -02 on receipt of application.

RULE-9 VERIFICATION OF APPLICATION AND APPROVAL

1. Proper officer shall grant the registration within 3 days from the date of application after examining the application and accompanying documents.
2. Where application is found deficient, proper officer may issue notice in FORM GST REG -03 within 3 days of application. Applicant shall furnish clarification in FORM GST REG-04 within 7 days from receipt of such notice.
3. Proper officer may grant approval within 7 days of receipt of clarification by the applicant.
4. Application shall be rejected in FORM GST REG -05 where no reply is furnished or the clarification submitted is not satisfactory.
5. Application shall be deemed to be approved where proper officer fails to take action within the prescribed period of 3/7 days.

RULE-10 ISSUE OF REGISTRATION CERTIFICATE

1. After the approval of registration, a certificate of registration shall be issued in FORM GST REG-06 and a GSTIN shall be assigned to the applicant.

2. Where application has been submitted within 30 days, the registration shall be effective from the date on which manufacturer becomes liable to registration.
3. Where registration application is submitted after 30 days, the effective date of registration shall be date of grant of registration under sub rule (1), (3) or (5) of Rule 9.
4. Every registration certificate shall be digitally signed by the proper officer.
5. If registration is granted under Rule 9(5), the Certificate of Registration shall be made available within a period of 3 days after the expiry of the period specified in Rule 9(5).

RULE-11 SEPARATE REGISTRATION FOR MULTIPLE BUSINESS VERTICALS WITHIN A STATE OR A UNION TERRITORY :-

1. Manufacturer having multiple business verticals within a state or union territory requiring separate registration under section 25(2) of CGST Act shall comply with following conditions :-
 - No registration shall be granted to any business vertical to pay tax under Section 10, if any of the other business vertical is paying tax under section 9.
 - All separately registered business verticals shall pay tax on supply of goods/services or both and issue tax invoice.

Explanation :- If any vertical having separate registration becomes ineligible to pay tax under Section 10, all other business verticals of same PAN shall become ineligible to pay tax under Section 10.

2. Separate registration application shall be submitted in FORM GST REG-01 in respect of each business vertical.

RULE-12 GRANT OF REGISTRATION TO PERSONS REQUIRED TO DEDUCT/COLLECT TAX AT SOURCE :-

1. Manufacturer required to deduct/collect tax at source shall submit duly signed application in FORM GST REG-07 for registration.
2. Proper officer shall grant certificate of registration under FORM GST REG -06 after due verification within 3 days from the date of such application.
3. If the manufacturer is no longer liable to deduct/collect tax at source, proper officer may cancel the registration and communicate in FORM GST REG -08

RULE-13 GRANT OF REGISTRATION TO NON-RESIDENT MANUFACTURER

1. Non- resident manufacturer shall submit self-attested copy of passport for registration in FORM GST REG-09 at least 5 days prior to commencement of business.
2. Temporary reference number shall be granted to non-resident manufacturer for making an advance deposit of tax.

RULE-15 EXTENSION OF PERIOD OF OPERATION BY NON-RESIDENT MANUFACTURER

Application in FORM GST REG -11 shall be submitted before the end of validity of registration, where non-resident manufacturer intends to extend the period of registration.

RULE-16 SUO MOTO REGISTRATION

1. Where any person liable to registration has failed to get himself registered under the act, proper officer may register the said manufacturer on temporary basis and issue order in FORM GST REG-12.
2. Every manufacturer who has been granted temporary registration shall file an application for registration within 90 days in manner provided in Rule 8 or Rule 12.
3. Every manufacturer who has been granted temporary registration shall within 30 days of such registration submit an application for registration, where he has filed an appeal against such temporary registration.

RULE 18- DISPLAY OF REGISTRATION CERTIFICATE AND GSTIN ON NAME BOARD

Every manufacturer shall display his certificate of registration at prominent location and GSTIN on the name board at the entry of principal place of business, and every additional place of business.

RULE-19 AMENDMENT OF REGISTRATION

1. Where there is change in any particulars furnished in forms submitted by the applicant, the manufacturer shall within 15 days submit FORM GST REG-14 along with documents relating to such change.
2. Proper officer shall after due verification approve the amendment within 15 days of such application and issue order in GST REG-15.
3. Change shall be applicable to all registrations of manufacturer obtained on same PAN.
4. Where change in constitution results in change of PAN, manufacturer shall apply for fresh registration in FORM GST REG-01.
5. Whereas per proper officer amendment sought is incomplete or incorrect he may serve notice in FORM GST REG-03 within 15 days of receipt of amendment application.
6. Manufacturer shall reply in FORM GST REG-04 within 7 days from date of service of notice.
7. Where reply submitted is not satisfactory, application shall be rejected by proper officer by passing an order in FORM GST REG -05.
8. Where proper officer fails to take any action within prescribed time period, certificate of registration shall stand amended.

RULE-20 APPLICATION FOR CANCELLATION OF REGISTRATION

Every manufacturer seeking cancellation shall submit application in FORM GST REG-16

within 30 days of event warranting cancellation, including details of inputs held in stock, inputs contained in semi-finished or finished good and of capital goods held in stock.

RULE-21 REGISTRATION TO BE CANCELLED IN CERTAIN CASES

Registration granted shall be cancelled if:

- Manufacturer doesn't conduct any business from declared place of business; or
- Manufacturer issues invoice, bills without supply of goods/services in contravention of Act and Rules.

RULE-22 CANCELLATION OF REGISTRATION

1. Notice in FORM GST REG -17 shall be issued by proper officer to manufacturer to show cause within 7 days from date of service of such notice, if he has reasons to believe that registration of manufacturer is liable to be cancelled.
2. Reply to show cause shall be submitted in FORM GST REG-18
3. Where manufacturer is no longer liable to be registered, or registration is liable to be cancelled, proper officer shall issue an order in FORM GST REG-19 within 30 days from date of such application.
4. Proceedings shall be dropped by proper officer and order shall be passed in GST REG-20, if reply submitted by manufacturer is found to be satisfactory.

RULE-23 REVOCATION OF CANCELLATION OF REGISTRATION

1. Application in FORM GST REG-21 for revocation of cancellation of registration may be submitted by manufacturer whose registration is cancelled by proper officer, within 30 days of cancellation order.
2. Application for revocation shall not be submitted unless returns along with tax, interest, penalty, late fees has been submitted.
3. Proper officer shall revoke the cancellation of registration by an order in FORM GST REG-22 within a period of 30 days, if he is satisfied. Proper officer can reject the application for revocation of cancellation of registration by an order in FORM GST REG-05.

Chapter-14

Payment of Tax

1. Provisions relating to payment of tax are contained in Sections 49 to 53 of the CGST Act, 2017. The Government has also issued Payment Rules in CGST Rules, 2017 prescribing the forms and procedure for payment of taxes.
2. Every registered manufacturer is eligible to take input tax credit in respect of inputs, input services and capital goods. Tax payable on outward supply of goods can be paid out of the said credit, to the extent credit is available therein. Remaining amount of tax has to be paid through banking system by way of challan in **Form GST PMT-4** (Given in **Annexure-1** to this Chapter.)
3. The Manufacturer may make deposits towards tax, interest, penalty, fee or any other amount through internet banking or by using credit/ debit cards or through NEFT or RTGS or by any other mode. The Government may prescribe the conditions and restrictions as may be considered necessary. The amount so paid shall be credited to the electronic cash ledger of the registered manufacturer, which shall be maintained in **Form GST PMT-3** (Given in **Annexure-2** to this Chapter.)
4. The date of deposit in the electronic cash ledger shall be deemed to be the date when it is credited to the account of the appropriate government.
5. The amount of input tax credit allowable to the manufacturer shall be credited to his electronic credit ledger, to be maintained in **Form GST PMT-2** (Given in **Annexure-3** to this Chapter.)
6. The manner of utilization of the input tax credit (ITC) shall be as under–
 - ITC of IGST shall be first utilized towards payment of IGST and the remaining amount may be utilized for the payment of CGST and SGST.
 - ITC of CGST shall be first utilised towards payment of CGST and the remaining amount may be utilised for the payment of IGST.
 - ITC of SGST/UTGST shall be first utilised towards payment of SGST/UTGST and the remaining amount may be utilised for the payment of IGST.
 - ITC of SGST/UTGST cannot be used for the payment of CGST and vice versa.
7. The amount available in the electronic cash ledger may be utilized for making any payment towards tax, interest, penalty, fee or any other amount payable under the Act. The amount available in electronic credit ledger may be utilized for payment towards output tax only. It cannot be utilized for payment of penalty, interest, fee etc.
8. All liabilities towards tax, interest, penalty etc. of a registered manufacturer shall be recorded and maintained in an electronic liability register, which is to be maintained in

Form GST PMT-1 (Given in **Annexure-4** to this Chapter). The Credit available in electronic cash ledger and electronic credit ledger is to be utilised for payment of taxes and other dues in the following order-

- Self-assessed tax, and other dues related to the returns of previous tax periods.
 - Self-assessed tax, and other dues related to the return of current tax period.
 - Any other amount payable under the Act or the Rules made thereunder including the demand determined under section 73 or 74.
9. The burden of tax paid by a registered manufacturer is deemed to have been passed on to the recipient of goods, unless otherwise proved.
 10. The balance in the cash or credit ledger (after payment of tax, interest etc.) may be refunded to the registered manufacturer as per provisions of section 54 of the Act.
 11. Every registered manufacturer is liable for the payment of interest for delay in payment of tax as per prescribed rate. Similarly, in case of excess claim of input tax credit or short declaration of output tax liability, the manufacturer is liable to pay interest, not exceeding 18% for the period during which the credit has been excessively utilised or liability has been short declared.
 12. The Central Government or the State Government may notify that a manufacturer shall deduct tax @ 1% from the payment made or credited to the supplier of taxable goods or services, where the total value of such supplies under one contract exceeds Rs. 2,50,000/-. For this purpose, the value of supply shall not include the amount of tax indicated in the invoice.
 13. The tax so deducted is to be paid within 10 days after end of the month in which it has been deducted. The manufacturer is required to furnish a certificate to the supplier, mentioning therein the contract value, rate of deduction, amount deducted and amount paid to the government. In case of failure to furnish the said certificate or delay in furnishing of certificate, the manufacturer is liable to pay late fees of Rs. 100 per day, subject to a maximum amount of Rs. 5,000/-.
 14. In case of non-payment or delayed payment of tax so deducted, the registered manufacturer is liable to pay interest at the prescribed rates.
 15. The supplier from whose account, the aforesaid tax of 1% has been deducted is eligible to claim credit of the tax so deducted in his electronic cash ledger. The amount of tax deducted should however be reflected in the return of the registered manufacturer.

Note: The operation of provision relating TDS is yet to be notified by the Government.

Payment Rules are prescribed from Rule 85 to 88 under CGST Rules, 2017

RULE-85 ELECTRONIC TAX LIABILITY REGISTER

1. Electronic tax liability register shall be maintained in FORM GST PMT-01 for each manufacturer liable to pay tax, interest, penalty, or late fees
2. Electronic tax liability register shall be debited by following amounts:-
 - tax, interest, late fees, amount payable as per return.
 - tax, interest, penalty determined in pursuance of any proceedings.
 - tax, interest payable as a result of mismatch.
 - any interest that may accrue.
3. Payment of every liability shall be made by debiting the electronic credit ledger, electronic cash ledger.
4. Any demand debited in electronic tax liability register shall stand reduced to the extent of relief given by appellate authority or Tribunal or court.
5. Penalty imposed/liable to be imposed shall stand reduced if the person makes payment of tax, interest & penalty.
6. Manufacturer shall communicate the discrepancy in electronic liability ledger in FORM GST PMT-04

RULE-86 ELECTRONIC CREDIT LEDGER

1. Every manufacturer eligible for input tax credit shall maintain electronic credit ledger in FORM GST PMT-02
2. Electronic credit ledger shall be debited to the extent of discharge of any liability.
3. Where manufacturer claimed refund of any unutilized amount from electronic credit ledger, the amount to the extent of claim shall be debited in said ledger.
4. If the refund so filed is rejected, the amount debited to the extent of rejection shall be re-credited in electronic credit ledger by an order in FORM GST PMT-03
5. Manufacturer shall communicate the discrepancy in electronic credit ledger in FORM GST PMT-04
6. Refund shall be deemed to be rejected if the appeal is finally rejected or if manufacturer gives an undertaking to not file an appeal to the officer.

RULE-87 ELECTRONIC CASH LEDGER

1. Electronic cash ledger shall be maintained in FORM GST PMT-05 by every manufacturer liable to pay tax, interest, penalty and late fee.

2. Challans in FORM GST PMT-06 shall be generated by manufacturer mentioning therein the amount of duties, tax, interest, penalty deposited.
3. The deposit under sub-rule (2) shall be made by following modes:-
 - Internet banking through authorised banks;
 - Credit card or debit card from authorised banks;
 - NEFT or RTGS from any bank; or
 - OTC through authorised banks for deposit upto Rs.10,000/-Challans generated in FORM GST PMT-06 shall be valid for a period of 15 days
4. Any payment by an unregistered person shall be made on basis of temporary identification number
5. Where payment made by NEFT or RTGS, the mandate form shall be generalised along with Challan & the same shall be submitted to related bank. The mandate form shall be valid for 15 days from the date of generation.
6. CIN (Challan Identification Number) shall be generated on successful credit of the amount to the concerned government account.
7. On receipt of CIN the said amount shall be credited to electronic cash ledger of the person on whose behalf the deposit has been made.
8. Where bank account of person is debited but no CIN is generated the said person may represent electronically in FORM GST PMT -07.
9. Any amount deducted/ collected and claimed in FORM GSTR-02, shall be credited to electronic cash ledger.
10. Where refund has been claimed by any manufacturer, said amount shall be debited to electronic cash ledger.
11. If the refund claim is rejected by proper officer, the amount debited to the extent of rejection shall be credited to electronic cash ledger by an order in FORM GST PMT-03.
12. Manufacturer shall communicate the discrepancy in electronic liability ledger in FORM GST PMT-04.
13. Refund shall be deemed to be rejected if the appeal is finally rejected or if manufacturer gives an undertaking to not file an appeal to the officer.

RULE -88 IDENTIFICATION NUMBER FOR EACH TRANSACTION

1. A unique identification number shall be generated for each debit or credit to electronic cash ledger.
2. Unique identification number relating to discharge of any tax liability shall be indicated in electronic tax liability register.

Form GST PMT - 06 (Annexure - 1)

[See rule 87(2)]

Challan for deposit of goods and services tax

CPIN	<<Auto Generated after submission of information>>	Date <<Current date>>	Challan Expiry Date --
------	--	-----------------------	------------------------

GSTIN	<<Filled in/Auto populated>>
Name (Legal)	<<Auto Populated>>
Address	<<Auto Populated>>

Email address	<<Auto Populated>>
Mobile No.	<<Auto Populated>>

Details of Deposit		(All Amount in Rs.)					
Government	Major Head	Minor Head					
		Tax	Interest	Penalty	Fee	Others	Total
Government of India	Central Tax (----)						
	Integrated Tax (----)						
	CESS (----)						
	Sub-Total						
	State (Name)	State Tax (----)					
UT (Name)	UT Tax (----)						
Total Challan Amount							
Total Amount in words							

Mode of Payment (relevant part will become active when the particular mode is selected)

<input type="checkbox"/> e-Payment (This will include all modes of e-payment such as CC/DC and net banking. Taxpayer will choose one of this)
--

<input type="checkbox"/> Over the Counter (OTC)	
Bank (Where cash or instrument is proposed to be deposited)	
Details of Instrument	

Payment of Tax

		<input type="checkbox"/> Cash	<input type="checkbox"/> Cheque	<input type="checkbox"/> Demand Draft
<input type="checkbox"/> NEFT/RTGS				
Remitting bank				
Beneficiary name		GST		
Beneficiary Account Number (CPIN)		<CPIN>		
Name of beneficiary bank		Reserve Bank of India		
Beneficiary Bank's Indian Financial System Code (IFSC)		IFSC of RBI		
Amount				

Note: Charges to be separately paid by the person making payment.

Particulars of depositor	
Name	
Designation/ Status (Manager, partner etc.)	
Signature	
Date	
Paid Challan Information	
GSTIN	
Taxpayer Name	
Name of Bank	
Amount	
Bank Reference No. (BRN)/UTR	
CIN	
Payment Date	
Bank Ack. No. (For Cheque / DD deposited at Bank's counter)	

Note: UTR stands for Unique Transaction Number for NeFT / RTGS payment.

Form GST PMT-05 (Annexure - 2)

[See rule 87(1)]

Electronic Cash Ledger

To be maintained at the Common Portal)

GSTIN/Temporary Id –
Name (Legal) –
Trade name, if any
Period - From ----- To ----- (dd/mm/yyyy)
Act - Central Tax/State Tax/UT Tax/Integrated Tax/CESST/All
(Amount in Rs.)

Sr. No.	Date of deposit /Debit (dd/mm/yyyy)	Time of deposit	Reporting date (by bank)	Reference No.	Tax Period, if applicable	Description	Type of Transaction [Debit (DR) / Credit (CR)]	Amount debited / credited (Central Tax/State Tax/UT Tax/Integrated Tax/CESST/Total)						Balance (Central Tax/State Tax/UT Tax/Integrated Tax/CESST/Total)					
								Tax	Interes	Penalty	Fee	Other	Total	Tax	Interes	Penalty	Fee	Other	Total
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20

Note

- Reference No. includes BRN (Bank Reference Number), debit entry no., order no., if any, and acknowledgment No. of return in case of TDS & TCS credit.
- Tax period, if applicable, for any debit will be recorded, otherwise it will be left blank.
GSTIN of deductor or tax collector at source, Challan Identification Number (CIN) of the challan against which deposit has been made, and type of liability for which any debit has been made will also recorded under the head "description".
- Application no., if any, Show Cause Notice Number, Demand ID, pre-deposit for appeal or any other liability for which payment is being made will also be recorded under the head "description".
- Refund claimed from the ledger or any other debits made against any liability will be recorded accordingly.
- Date and time of deposit is the date and time of generation of CIN as reported by bank.
- 'Central Tax' stands for Central Goods and Services Tax; 'State Tax' stands for State Goods and Services Tax; 'UT Tax' stands for Union territory Goods and Services Tax; 'Integrated Tax' stands for Integrated Goods and Services Tax and 'Cess' stands for Goods and Services Tax(Compensation to States)

Form GST PMT-02 (Annexure -3)

Electronic Credit Ledger of Registered Person

(To be maintained at the Common Portal)

GSTIN –

Name (Legal) – Trade name, if any

Period - From ----- To ----- (dd/mm/yyyy)

Act - Central Tax/State Tax/UT Tax /Integrated Tax/CESS /All



(Amount in Rs.)

Sr No.	Date (dd/mm/yyyy)	Reference No.	Tax Period, if any	Description (Source of credit & purpose of utilisation)	Transaction Type [Debit (DR)/ Credit (CR)]	Credit / Debit						Balance available					
						Central Tax	State Tax	UT Tax	Integrated Tax	CESS	Total	Central Tax	State Tax	UT Tax	Integrated Tax	CESS	Total
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18

Balance of Provisional Credit

Sr. No.	Tax period	Amount of provisional credit balance					
		Central Tax	State Tax	UT Tax	Integrated Tax	Cess	Total
1	2	3	4	5	6	7	8

Mismatch credit (other than reversed)

Sr. No.	Tax period	Amount of mismatch credit					
		Central Tax	State Tax	UT Tax	Integrated Tax	Cess	Total
1	2	3	4	5	6	7	8

Note :

- All type of credits as per return, credit on account of merger, credit due on account of pre-registration inputs, etc., credit due to opting out from composition scheme, transition etc. will be recorded in the credit ledger.
- Description will include sources of credit (GSTR-3, GSTR-6 etc.) and utilisation thereof towards liability related to return or demand etc. Refund claimed from the ledger will be debited and if the claim is rejected, then it will be credited back to the ledger to the extent of rejection.

Form GST PMT 01(Annexure - 4)

Electronic Liability Register of Taxable Person

(Part-II: Other than return related liabilities)

(To be maintained at the Common Portal)

Demand ID -- GSTIN/Temporary Id –

Demanddate Name (Legal) –

Trade name, if any -

Stay status – Stayed/Un-stayed Period - From ----- To ----- (dd/mm/yyyy)

Act - Central Tax/State Tax/UT Tax /Integrated Tax/CESS /All ▾

66

Sr No.	Date (dd/ mm/ yyyy)	Reference No.	Tax Period, if applica ble	Ledger used for dischargi ng liability	Descripti on	Type of Transaction [Debit (DR) (Payable)] / [Credit (CR) (Paid)] / Reduction (RD)/ Refund adjusted (RF)/]	Amount debited/credited (Central Tax/State Tax/UT Tax/Integrated Tax/CESS/Total)						Balance (Payable) (Central Tax/State Tax/UT Tax/Integrated Tax/CESS/Total)						Status (Staye d /Un- staye d)
							Ta x	Interes t	Penalt y	Fe e	Other s	Total	Ta x	Interes t	Penalt y	Fe e	Other s	Tota l	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20

Payment of Tax

Simplified GST Guide for Manufacturer

Note :

1. All liabilities accruing, other than return related liabilities, will be recorded in this ledger. Complete description of the transaction to be recorded accordingly.
2. All payments made out of cash or credit ledger against the liabilities would be recorded accordingly.
3. Reduction or enhancement in the amount payable due to decision of appeal, rectification, revision, review etc. will be reflected here.
4. Negative balance can occur for a single Demand ID also if appeal is allowed/partly allowed. Overall closing balance may still be positive.
5. Refund of pre-deposit can be claimed for a particular demand ID if appeal is allowed even though the overall balance may still be positive subject to the adjustment of the refund against any liability by the proper officer.
6. The closing balance in this part shall not have any effect on filing of return.
7. Reduction in amount of penalty would be automatic, based on payment made after show cause notice or within the time specified in the Act or the rules.
8. Payment made against the show cause notice or any other payment made voluntarily shall be shown in the register at the time of making payment through credit or cash ledger. Debit and credit entry will be created simultaneously.

Chapter-15

Returns

1. The provisions relating to filing of returns are contained in Sections 37 to 48 of the CGST Act, 2017. Return Rules prescribing the forms and procedures are contained in Rules 59 to 84 of CGST Rules, 2017.
2. Every registered manufacturer shall be liable to file return of its outward supplies of goods effected during a tax period by 10th of the next month succeeding the said tax period.
3. Every registered manufacturer shall be liable to file return of its inward supplies of goods effected during a tax period by 15th of the next month succeeding the said tax period.
4. Every registered manufacturer shall be liable to file return of its outward supplies, inward supplies, ITC availed, tax payable, tax paid and other particulars by 20th of the next month succeeding the calendar month.

Note: In order to ensure smooth rollout of GST and taking into account the concerns expressed by the trade and industry regarding filing of the returns in GST regime, it has been provided that Form GSTR – 1, 2 and 3 for the month July and August, 2017 can be submitted as per the following date schedule:

Month	Time period for filing of details of outward supplies in FORM GSTR-1	Time period for filing of details of inward supplies in FORM GSTR-2	Time period for filing of details in FORM GSTR-3
July, 2017	1 st - 5 th Sep, 2017	6 th -10 th Sep, 2017	11 th to 15 th Sep, 2017
August, 2017	16 th - 20 th Sep, 2017	21 st - 25 th Sep, 2017	26 th to 30 th Sep, 2017

In the meantime, tax payers are required to pay tax based on a simple return (Form GSTR-3B) containing summary of outward and inward supplies. Form GSTR-3B for the month of July and August can be submitted by 25th and 20th of the next month.

5. Every registered manufacturer shall furnish an annual return for every Financial Year electronically by 31st December following the end of the Financial Year. In case registered manufacturer's accounts are required to be audited, he shall also file audited copy of annual accounts and a reconciliation statement along with the annual return. Currently, there is a limit of Turnover of Rs 2 Cr exceeding which a registered manufacturer shall get his accounts audited.

6. Matching, reversal and reclaim of ITC to avoid duplication of claims.

- (i) The details furnished by a registered manufacturer of every inward supply, for a tax period should be matched with the corresponding details of outward supplies and additional duty of customs paid under section 3 of Customs Tariff Act, 1975.
- (ii) The claim of Input Tax Credit which is in excess to the tax declared by the supplier or the outward supply not declared by the supplier in his valid return, shall be added to the output tax liability of the recipient and interest on the same is to be paid by him.
- (iii) The output tax liability can be reduced if the supplier declares the details of the invoice/debit note in his valid returns, on or before the due date for furnishing the return for the month of September or the annual return whichever is earlier.
- (iv) If the reduction in output tax liability is accepted, the interest paid will be refunded to the recipient.

7. Chapter VIII of CGST Rules have prescribed following forms for filing return:

GSTR Forms	Applicability
GSTR-1	Details of outward supply
GSTR-2	Details of Inward Supply
GSTR-3	All registered taxable person
GSTR-4	Composition tax payers
GSTR-9	Annual Return
GSTR-9B	Audited Return

Return Rules are prescribed from Rule 59 to 84 under CGST Rules, 2017**8. RULE -59 Form and manner of furnishing details of outward supplies :-**

- (a) Form GSTR-1 and GSTR-2A: Details of outward supply of goods furnished in GSTR-1, would be made available to the recipient in Form GSTR-2A.
- (b) Form GSTR-2 and GSTR-1A: Details of inward supply of goods to be submitted by the purchaser in Form GSTR-2. The modification, if any, would be made available to supplier under Form GSTR-1A.
- (c) The details of outward supplies of goods furnished in FORM GSTR-1 shall include the-
 - I. Invoice details of all –
 - (i) Inter-State and intra-State supplies made to the registered person; and
 - (ii) Inter-State supplies with invoice value more than two and a half lakh rupees made to unregistered persons;

Simplified GST Guide for Manufacturer

- II. consolidated details of all -
 - (i) intra-State supplies made to unregistered persons for each rate of tax; and
 - (ii) State wise inter-State supplies with invoice value upto two and a half lakh rupees made to unregistered persons for each rate of tax;
- III. debit and credit notes, if any, issued during the month for invoices issued previously.

9. Rule - 60 Form and manner of furnishing details of inward supplies

- (i) Every registered manufacturer shall furnish the details of inward supplies of goods on the basis of detail contained in Part A, Part B, Part C of FORM GSTR-2A, prepare such detail in FORM GSTR-2 electronically through the common portal, either directly or from a facilitation Centre notified by the Commissioner.
- (ii) Every registered manufacturer shall specify the inward supplies in respect of which he is not eligible, either fully or partially, for input tax credit in FORM GSTR-2 where such eligibility can be determined at invoice level.
- (iii) The details of inward supplies of goods furnished in FORM GSTR-2 shall include the-
 - (a) Invoice wise details of all inter-State and intra-State supplies received from registered persons or unregistered persons;
 - (b) Imports of goods made; and
 - (c) Debit and credit notes, if any, received from supplier.

10. Rule - 61 Form and manner of submission of monthly return

Form GSTR-3: Monthly return to be furnished by registered person for outward and inward supplies, payment of tax. Part A to be auto-populated from GSTR-1 and GSTR-2. The refund can be claimed in part B of GSTR-3 which shall be deemed to be an application filed under section 54 of CGST Law.

11. Rule- 62 Form and manner of submission of quarterly return by the composition supplier

- (i) Form GSTR-4A and GSTR-4: Every registered manufacturer paying tax under section 10 of GST law, shall furnish the quarterly return in form GSTR-4 on the basis of details contained in Form GSTR-4A, electronically through the common portal, either directly or from a facilitation Centre notified by the Commissioner.
- (ii) The return furnished shall include the-
 - (a) Invoice wise inter-State and intra-State inward supplies received from registered and un-registered persons; and
 - (b) Consolidated details of outward supplies made.

12. Rule - 68 Notice to non- filers of returns

A notice in FORM GSTR-3A shall be issued, electronically, to a registered manufacturer who fails to furnish return under section 39 of CGST Law.

13. Rule – 69 Matching of claim of input tax credit

On submission of monthly return in Form GSTR-3, following details would be matched:

- (i) Goods and Services Tax Identification Number of the supplier;
- (ii) Goods and Services Tax Identification Number of the recipient;
- (iii) Invoice/Debit note Number;
- (iv) Invoice/Debit note date; and
- (v) Tax amount.

The claim of input tax credit of the recipient would be matched with the details furnished by the supplier.

14. Rule -70 Final acceptance of input tax credit and communication thereof

- (i) The Final acceptance of claim of input tax credit in respect of any tax period, specified in sub-section (2) of section 42 of CGST Act, 2017, shall be made available electronically to every registered manufacturer making such claim in FORM GST MIS-1 through the common portal.
- (ii) The claim of input tax credit in respect of any tax period which had been communicated as mismatched but is found to be matched after rectification by the supplier or recipient shall be finally accepted and made available electronically to the manufacturer making such claim in FORM GST MIS-1 through the common portal.

15. Rule-71 Communication and rectification of discrepancy in claim of input tax credit and reversal of claim of input tax credit –

- (i) In case of discrepancy in claim of input tax credit shall be added to the output tax liability on account of continuation of such discrepancy, shall be made available to the recipient making such claim electronically in FORM GST MIS-1 and to the supplier electronically in FORM GST MIS-2 through the common portal on or before the last date of month in which the matching has been carried out.
- (ii) A supplier and recipient to whom any discrepancy is made available may make suitable rectifications in the statement of inward/outward in his return for the month succeeding that month in which the discrepancy was communicated.
- (iii) In case of non-rectification of discrepancy, the respective amount shall be added to the output tax liability of recipient in his return for the month succeeding that month in which the discrepancy was communicated.

16. Rule-72 Claim of input tax credit on the same invoice more than once

Facility of communication of acceptance, duplication of input tax credit claim provided in FORM GST MIS-1 electronically through the common portal.

17. Rule – 73 Matching of claim of reduction in output tax liability

1. On submission of monthly return in Form GSTR-3, following details would be matched:
 - (i) Goods and Services Tax Identification Number of the supplier;
 - (ii) Goods and Services Tax Identification Number of the recipient;
 - (iii) Invoice/Debit note Number;
 - (iv) Invoice/Debit note date; and
 - (v) Tax amount.
2. The claim of output tax liability furnished by the supplier would be matched with the corresponding details of recipient.

18. Rule -74 Final acceptance of reduction in output tax liability and communication thereof

- (i) The Final acceptance of claim of reduction in output tax liability in respect of any tax period, specified in sub-section (2) of section 43 of CGST Act, 2017, shall be made available electronically to every registered manufacturer making such claim in FORM GST MIS-1 through the common portal.
- (ii) The claim of reduction in output tax liability in respect of any tax period which had been communicated as mismatched but is found to be matched after rectification by the supplier or recipient shall be finally accepted and made available electronically to the manufacturer making such claim in FORM GST MIS-1 through the common portal.

19. Rule-75 Communication and rectification of discrepancy in reduction in output tax liability and reversal of claim of reduction

- (i) Any discrepancy in claim of reduction in output tax liability shall be added to the output tax liability on account of continuation of such discrepancy and made available to every registered manufacturer making such claim electronically in FORM GST MIS-1 and the recipient electronically in FORM GST MIS-2 through the common portal on or before the last date of month in which the matching has been carried out.
- (ii) A supplier and recipient to whom any discrepancy is made available may make suitable rectifications in the statement of inward/outward in his return for the month succeeding that month in which the discrepancy was communicated.

- (iii) In case of non-rectification of discrepancy, the respective amount shall be added to the output tax liability of supplier and debited to the electronic liability register and also shown in his return for the month succeeding that month in which the discrepancy was communicated.

20. Rule-76 Claim of reduction in output tax liability more than once

Facility of communication of acceptance, duplication of output tax liability claim provided in FORM GST MIS-1 electronically through the common portal.

21. Rule-77 Refund of interest paid on reclaim of reversals

The interest to be refunded under sub-section (9) of section 42 or sub-section (9) of section 43 in CGST Law shall be claimed by the registered manufacturer in his return in FORM GSTR-3 and shall be credited to his electronic cash ledger in FORM GST PMT - 5 and the amount credited shall be available for payment of any future liability towards interest or the taxable person may claim refund of the amount under section 54 in CGST Law.

22. Rule-80 Annual Return

Every registered manufacturer shall furnish an Annual Return in GSTR-9. In case, the annual turnover of the registered manufacturer is more than 2 crores, he shall also file a copy of audited balance sheet & reconciliation statement alongwith the Annual Return in GSTR-9B.

23. Rule-81 Final Return

Every registered manufacturer who is required to furnish a final return under section 45, shall furnish such return electronically in FORM GSTR-10 through the common portal either directly or through a Facilitation Centre notified by the Commissioner.

Chapter-16

Tax Invoice, Credit & Debit Notes

1. The provisions relating to issuance of tax invoice, credit and debit note are contained in sections 31 to 34 of the CGST Act, 2017. Invoice Rules are prescribed under CGST Rules, 2017 from Rule No. 46 to 55.

Tax Invoice

2. The word tax invoice has not been defined under CGST Act, 2017. However, the Explanation to section 31 says that:

the expression “tax invoice” shall include any revised invoice issued by the supplier in respect of a supply made earlier.

The above definition is an inclusive definition and does not clearly specify the meaning of the term Tax Invoice. This term “tax invoice” has therefore to be understood in common trade parlance.

3. A manufacturer supplying taxable goods is required to issue tax invoice before or at the time of :-
 - (i) removal of goods, where the supply involves movement of goods.
 - (ii) delivery of goods or making available to the recipient, in any other case.
4. A tax invoice is required to contain following particulars :-
 - (a) name, address and GSTIN of the supplier;
 - (b) consecutive serial number containing only alphabets and/or numerals, unique for a financial year;
 - (c) date of its issue;
 - (d) name, address and GSTIN/ Unique ID Number, if registered, of the recipient;
 - (e) name and address of the recipient and the address of delivery, along with the name of State and its code, if such recipient is unregistered and where the taxable value of supply is fifty thousand rupees or more;
 - (f) HSN code of goods or Accounting Code of services;
 - (g) description of goods or services;
 - (h) quantity in case of goods and unit or Unique Quantity Code thereof;
 - (i) total value of goods or services;

- (j) taxable value of goods or services taking into account discount or abatement, if any;
 - (k) rate of tax (CGST, SGST or IGST);
 - (l) amount of tax charged in respect of taxable goods or services (CGST, SGST or IGST);
 - (m) place of supply along with the name of State, in case of a supply in the course of inter-State trade or commerce;
 - (n) place of delivery where the same is different from the place of supply;
 - (o) whether the tax is payable on reverse charge;
 - (p) the word “Revised Invoice” or “Supplementary Invoice”, as the case may be, should be indicated prominently, where applicable along with the date and invoice number of the original invoice; and
 - (q) signature or digital signature of the supplier or his authorized representative.
5. In case of export, the invoice shall carry an endorsement “SUPPLY MEANT FOR EXPORT ON PAYMENT OF IGST” OR “SUPPLY MEANT FOR EXPORT UNDER BOND WITHOUT PAYMENT OF IGST”. It shall contain the following details:
- (i) name and address of the recipient;
 - (ii) address of delivery;
 - (iii) name of the country of destination;
6. A manufacturer, who has obtained registration may within one month from the date of obtaining certificate of registration, issue a revised invoice against the invoice already issued during the period starting from the effective date of registration till the date of issuance of the certificate of registration to him. Registered person may issue a consolidated revised tax invoice in respect of all taxable supplies made to a unregistered recipient. In case of inter-state supplies, where value of supply does not exceed Rs. 250000/-, a consolidated revised invoice may be issued in respect of all unregistered persons located in a State.
7. A manufacture who is supplying exempted goods, instead of issuing a tax invoice, shall issue a bill of supply. The bill shall contain the following particulars:
- (a) name, address and GSTIN of the supplier;
 - (b) a consecutive serial number containing only alphabets and/or numerals, unique for a financial year;
 - (c) date of its issue;
 - (d) name, address and GSTIN/ Unique ID Number, if registered, of the recipient;
 - (e) HSN Code of goods or Accounting Code for services;

Simplified GST Guide for Manufacturer

- (f) description of goods or services;
 - (g) value of goods or services taking into account discount or abatement, if any; and
 - (h) signature or digital signature of the supplier or his authorized representative.
8. Under the GST law, tax is payable on supply of goods or receipt of payment whichever is earlier. In case of receipt of payment in advance, the manufacturer shall issue a receipt voucher or any other document giving the prescribed particulars, evidencing receipt of payment. Where at the time of receipt of advance, if rate of tax is not determinable, tax shall be paid at 18% and if nature of supply is not determinable, the same shall be treated as inter-state supply.
9. According to section 9(3) of the CGST Act, 2017, a manufacturer may have to pay tax on reverse charge basis on receiving goods/services. In such cases, the manufacturer is required to issue an invoice in respect of goods/services received by him from a person who is not registered under the Act.
10. In case of continuous supply of goods where successive statements of accounts or successive payments are involved, the tax invoice shall be issued at the time of such settlement or receipt of payment.

Amount of tax to be indicated in the Tax Invoice

11. A manufacturer who is making supply for consideration and is liable to pay tax for such supply, is required to indicate in tax invoice and other like documents, the amount of tax which he has charged.

Credit Note

12. In the following situations, the manufacturer may issue a credit note containing such particulars as may be prescribed:
- (i) The taxable value or the tax payable is found to have been charged in the tax invoice.
 - (ii) The goods supplied are returned by the recipient.
 - (iii) The goods/services are found to be deficient.
13. The details of credit note are required to be declared in the month during which such credit note has been issued but not later than September, following the end of year in which such supply was made or the date of filing of relevant annual return, whichever is earlier.
14. Reduction of output tax liability of the supplier shall be permitted, if the incidence of tax and interest on such supply has not been passed on to any other person.

Debit Note or Supplementary invoice

15. When a manufacturer finds that the taxable value and/or the tax charged in the invoice is found to be less than the taxable value and/or tax payable in respect of such supply, he may issue a debit note/supplementary invoice containing such particulars as maybe prescribed.
16. A manufacturer who issues a debit note /supplementary invoice shall declare details of such debit note in the return for the month during which such debit note has been issued. He shall accordingly be liable for payment of tax.
17. A supplementary invoice/debit note/credit note shall contain following particulars :-
 - (a) name, address and GSTIN of the supplier;
 - (b) nature of the document;
 - (c) a consecutive serial number containing only alphabets and/or numerals, unique for a financial year;
 - (d) date of issue of the document;
 - (e) name, address and GSTIN/ Unique ID Number, if registered, of the recipient;
 - (f) name and address of the recipient and the address of delivery, along with the name of State and its code, if such recipient is unregistered;
 - (g) serial number and date of the corresponding tax invoice or, as the case may be, bill of supply;
 - (h) taxable value of goods or services, rate of tax and the amount of the tax credited or, as the case may be, debited to the recipient; and
 - (i) the signature or digital signature of the supplier or his authorized representative.
18. Manufacturer liable to pay tax under reverse charge has the option of issuing consolidated invoice, the aggregate value of such supplies exceeds Rs. 5000/- in a day from all or any of the suppliers, at the end of a month for supplies from unregistered supplier.
19. The serial numbers of invoices issued during a tax period shall be furnished electronically in GSTR -1.
20. In following cases, goods can be transported without issue of invoice but under cover of delivery challan:
 - (i) supply of liquid gas where the quantity at the time of removal from place of business of supplier is not known;
 - (ii) transportation of goods for job work; and
 - (iii) transportation of goods for reason other than by way of supply.

Chapter-17

Accounts and Other Records

1. A Registered manufacturer has to maintain the following records at its each place of business–
 - (i) Records of production of goods;
 - (ii) Records of inward supply of goods/ services;
 - (iii) Records of outward supply of goods;
 - (iv) Stock of goods;
 - (v) Input tax credit availed; and
 - (vi) Output tax payable and paid.
2. The Government may prescribe any other record which may have to be maintained by a registered manufacturer. Similarly, the Commissioner/ Chief Commissioner may notify a class of taxable persons to maintain additional accounts or documents for such purpose as may be specified.
3. Records may be maintained in electronic form in the prescribed manner.
4. Every manufacturer is required to get his accounts audited by a Chartered Accountant or Cost Accountant if his turnover during a financial year exceeds the prescribed limit. Copy of audited annual accounts and reconciliation statement should be submitted to the proper officer. The limit of turnover is to be examined w r t each registration.
5. If the manufacturer fails to account for the goods as per law, the proper officer shall determine the amount of tax payable on the goods that are not accounted for.
6. The records maintained as indicated above are required to be retained for a period of 72 months from the due date of filing of annual return.
7. In case of pending appeal/ revision etc., the records are to be retained for a period of one year after final disposal of such appeal/revision etc.

RULE-56 MAINTENANCE OF ACCOUNTS :-

1. Every manufacturer shall keep and maintain account of goods/services imported/exported, supplies attracting reverse charge, documents, invoices, challans, bill of supply, credit/debit notes, payment/receipt/ refund vouchers and e-way bills.
2. Every manufacturer shall maintain account of stock indicating, opening/closing balances, receipt, supply, goods lost, destroyed, stolen, damaged, disposed etc.
3. Separate account of advances received, adjusted, paid shall also be made.

4. Account of taxes paid, collected, input tax, input tax credit claimed, credit notes, debit notes, delivery challans issued or received shall separately be made.
5. Every manufacturer shall keep following particulars-
 - Name and address of suppliers to whom goods delivered.
 - Name and address of suppliers from whom goods received.
 - Address of premises where goods are stored.
6. If taxable goods are stored at any place other than specified above, then it shall be treated as supply, and proper officer shall determine the tax accordingly.
7. Books of account shall be kept at principal place of business, additional place of business or in electronic form.
8. Any entry in registers shall not be erased, overwritten, effaced and all incorrect entries, shall be scored out after due attestation. In case of electronic records, log of every entry edited, deleted shall be maintained.
9. Books of accounts of manufacturer shall be serially numbered.
10. Every manufacturer shall maintain details of monthly production, raw material used finished goods produced, waste or scrap arising during manufacture.
11. Records under these rules shall be maintained in electronic form and shall be authenticated by means of digital signature.

RULE-57: GENERATION AND MAINTENANCE OF ELECTRONIC RECORDS :-

1. Proper electronic backups shall be maintained to recover the system in case of any destruction of records.
2. Manufacturer shall on demand produce authenticated documents in hard copy or electronic form.
3. Passwords shall be provided by manufacturer on demand along with sample copies in print form.

Chapter-18

Assessment

1. Every registered manufacturer shall himself assess the taxes payable under GST law and furnish a return for each tax period specified in Section 39.
2. The provisions relating to provisional assessment are contained in Section 60 of CGST Act, 2017.
 - (i) When a registered manufacturer is not able to determine the value of goods or the rate of tax applicable, then the proper officer may allow payment of tax on provisional basis.
 - (ii) He may have to execute a bond with surety or security which will bind the manufacturer for payment of difference between the amount finally assessed and the amount of tax provisionally assessed.
 - (iii) Proper officer has to finalise the assessment within 6 months from the date of communication of order of provisional assessment.
 - (iv) The manufacturer has to pay the interest if the amount of provisional tax is not paid within the prescribed time.
3. Section 61 of CGST Act, 2017 contains the provision relating to scrutiny of returns:
 - (i) Returns and related particulars furnished by the manufacturer can be scrutinized by the proper officer to verify their correctness.
 - (ii) All the discrepancies are to be informed to the manufacturer and proper officer can ask for the explanation.
 - (iii) Manufacturer has to rectify the discrepancies in his returns within 30 days of being informed, failing which the proper officer may initiate appropriate action.
4. Assessment of non-filers of returns.
 - (i) Best judgment assessment will be applied to the taxable manufacturers in case they fail to furnish the returns under Section 39 or Section 45, even after the service of a notice.
 - (ii) If the valid return is furnished within 30 days of the assessment order, the said order shall be deemed to have been withdrawn.
5. Assessment of unregistered manufacturers

The proper officer can assess the tax liability to the best of his judgment and can issue an assessment order within five years from due date of filing of annual return, after giving a notice to show cause and a reasonable opportunity of being heard, if the manufacturer fails to obtain the registration even though liable to do so.

Chapter-19

Offences & Penalties

Introduction

1. Offences and penalties are indispensable part of any taxation statute. CGST Act, 2017 is no exception. Demands raised by the department can be bifurcated into three broad categories:
 - Tax
 - Interest
 - Penalty
2. Above terms have been aptly explained by Supreme Court vide its order dated 11.10.1996 in the case of *Pratibha Processors v. Union of India* 1996 (88) E.L.T 12(S.C.). The Apex Court has, inter alia, held as under:

Tax is the amount payable as a result of the charging provision. It is a compulsory exaction of money by a public authority for public purposes, the payment of which is enforced by law.

Interest is compensatory in character and is imposed on an assessee who has withheld payment of any tax as and when it is due and payable. The levy of interest is geared to actual amount of tax withheld and the extent of delay in paying the tax on the due date. Essentially, it is compensatory and different from penalty which is penal in character.

Penalty is ordinarily levied on an assessee for some contumacious conduct or for a deliberate violation of the provisions of a particular statute.

Offence :-

3. Section 122 of the CGST Act, 2017 specifies following offences for which penalty up to Rs. 10000/- or an amount equivalent to the tax evaded, whichever is higher shall be leviable.
 - (i) Supply of any goods and/or services without issue of any invoice or issuance of an incorrect or false invoice with regard to any such supply;
 - (ii) Issuance of any invoice or bill without supply of goods and/or services;
 - (iii) Collection of any amount as tax but failure to pay the same to the credit of appropriate Government beyond a period of three months from the date on which such payment becomes due;

Simplified GST Guide for Manufacturer

- (iv) Collection of any tax in contravention of the provisions of Act but failure to pay the same to the credit of the appropriate Government beyond a period of three months from the date on which such payment becomes due;
- (v) Failure to deduct the tax in terms of section 51(1), or deducting an amount which is less than the amount required to be deducted under the said sub-section, or where he fails to pay to the credit of the appropriate Government the amount deducted as tax;
- (vi) Failure to collect tax in terms of section 52(1), or collecting an amount which is less than the amount required to be collected under the said sub-section, or where failure to pay to the credit of the appropriate Government the amount collected as tax;
- (vii) Taking and/or utilizing input tax credit without actual receipt of goods and/or services either fully or partially;
- (viii) Fraudulently obtaining refund of tax under the Act;
- (ix) Taking or distributing input tax credit in violation of section 20, or the rules made there under;
- (x) Falsifying or substituting financial records or producing fake accounts and/or documents or furnishing any false information or return with an intention to evade payment of tax due under the Act;
- (xi) Failure to obtain registration, if he is liable to be registered;
- (xii) Furnishing any false information with regard to registration, either at the time of applying for registration, or subsequently;
- (xiii) Obstructing or preventing any officer in discharge of his duties under the Act;
- (xiv) Transporting any taxable goods without the cover of specified documents;
- (xv) Suppressing turnover leading to evasion of tax;
- (xvi) Failure to keep, maintain or retain books of account and other documents;
- (xvii) Failure to furnish information and/or documents called for by a CGST/SGST officer in accordance with the provisions of the Act;
- (xviii) Supplying, transporting or storing any goods which are liable to confiscation;
- (xix) Issuance of any invoice or document by using the identification number of another taxable person;
- (xx) Tampering or destroying any material evidence;
- (xxi) Disposing off or tampering any goods that have been detained, seized, or attached under the Act.

4. In case the offences enumerated above are not on account of fraud or willful mis-statement or suppression of facts to evade tax, the manufacturer shall be liable to a penalty of Rs. 10000/- or 10% of the tax due from such person whichever is higher.
5. Section 122(3) provides for imposition of penalty up to Rs. 25000/- on any person in the following circumstances –
 - (a) Aiding or abetting of any of the offences specified in clauses (i) to (xxi) of Section 122(1);
 - (b) Acquiring possession of, or in any way concerns oneself in transporting, removing, depositing, keeping, concealing, supplying, or purchasing or in any other manner dealing with any goods which one knows or has reason to believe are liable to confiscation under this Act or the rules made there under;
 - (c) Receipt or is in any way concerning oneself with the supply of, or in any other manner dealing with any supply of services which one knows or has reason to believe are in contravention of any provisions of this Act or the rules made there under;
 - (d) Failure to appear before the CGST officer, when issued with a summon for appearance to give evidence or produce a document in an enquiry;
 - (e) Failure to issue invoice in accordance with the provisions of this Act or Rules made there under, or failure to account for an invoice in one's books of account;
6. The aforesaid penalty under section 122(3) is leviable on any person other than he manufacturer himself. No minimum penalty has been prescribed for offences falling under section 122(3). The actual amount of penalty shall depend upon the discretion of the GST Officer.
7. Section 123 provides for imposition of penalty for failure to furnish information return under Section 150, of Rs. 100 per day for the period during which failure to furnish such return continues but not exceeding Rs. 5000/-.
8. Section 124 provides for fine to the extent of Rs. 10000/- and in case of continuing offence to a further fine which may extend to Rs. 100 for each day subject to maximum of Rs. 25000/- if the person required to furnish any information or return under Section 151 without reasonable cause fails to furnish such information or return or willfully furnishes any such information or return which he knows to be false.
9. Section 125 provides for imposition of general penalty upto Rs. 25000/- on any person who contravenes any of the provisions of GST law for which penalty is not separately provided.

General discipline for imposition of penalty

10. Section 126(1) provides that no penalty shall be imposed for minor breaches of tax

Simplified GST Guide for Manufacturer

regulation or procedural requirement. For this purpose, a minor breach would be if the amount of tax involved is less than Rs. 5000/-, Similarly no penalty shall be imposed in respect of any omission or mistake in documentation which is easily rectifiable and made without fraudulent intent or gross negligence.

11. While imposing penalty the facts and circumstances of each case shall be taken into consideration. Moreover, the penalty shall be appropriate to the degree and severity of the breach.
12. It shall be the duty of the tax authority to ensure that when a penalty is imposed on any manufacturer by an order for breach of the laws, regulations or procedural requirements, then an explanation containing the following must be provided:
 - (i) Nature of breach;
 - (ii) Applicable law, regulation or procedure under which the amount or range of penalty for the breach has been prescribed.
13. When a manufacturer voluntarily discloses to a tax authority the circumstances of a breach of the tax law, regulation or procedural requirement before the same is discovered by the tax authority, the tax authority may consider the aforesaid fact of voluntary disclosure as a potential mitigating factor when he proposes to impose a penalty on that person. In simple words, in case of voluntary disclosure of breach, the tax authority may reduce the penalty.
14. Provisions of this Section shall not apply in the following cases:
 - (a) Where the penalty prescribed under the Act is a *fixed sum*; or
 - (b) Where the penalty prescribed under the Act is expressed as a *fixed percentage*Resultantly, in either of the above cases, penalty shall be mandatorily imposed. Further, penalty shall not be reduced even if breach is disclosed voluntarily to the tax authority.

Detention, seizure and release of goods and conveyances in transit

15. Section 129(1) provides for detention/seizure of goods and conveyances in transit if any person transports them in contravention of the CGST Act/ Rules. The said goods/ conveyance shall be released –
 - (a) On payment of the *applicable tax and penalty equal to one hundred percent of the tax payable on such goods (2% of value in case of exempted goods)* or Rs. 25000/- whichever is less, where the owner of the goods comes forward for payment of such tax and penalty;
 - (b) On payment of the *applicable tax and penalty equal to the fifty percent of the value of the goods (5% in case of exempted goods) reduced by the tax amount paid thereon*, or Rs. 25000/- whichever is less, where the owner of the goods does not come forward for payment of such tax and penalty.

16. The proper officer shall issue a notice specifying the tax payable and thereafter pass an order for payment of tax and penalty.
17. After payment of amount referred above, the liabilities shall stand discharged in respect of such goods/conveyance.
18. Where the person transporting any goods or the owner of goods fails to pay the aforesaid tax and penalty within 7 days of such detention, further proceedings are liable to be initiated for confiscation of the goods/conveyance. The confiscated goods/conveyance may be released provisionally after submission of bond and security.

Confiscation of goods/conveyances

19. If a manufacturer commits any of the following offences then all such goods and/or conveyance shall be liable to confiscation. The manufacturer shall also be liable to penalty under section 122:-
 - (i) Supplies or receives any goods in contravention of any of the provisions of the Act or rules made thereunder with intent to evade payment of tax; or
 - (ii) Does not account for any goods on which he is liable to pay tax under the Act; or
 - (iii) Supplies any goods liable to tax under the Act without having applied for registration; or
 - (iv) Contravenes any of the provisions of the Act or rules made thereunder with intent to evade payment of tax; or
 - (v) Uses any conveyance as a means of transport for carriage of taxable goods in contravention of the provisions of the Act or rules made thereunder unless the owner of the conveyance proves that it was so used without the knowledge or connivance of the owner himself, his agent, if any, and the person in charge of the conveyance.
20. In case of confiscation of goods or conveyance the competent officer shall give an option to owner of goods to pay redemption fine in lieu of confiscation.
21. The redemption fine shall not exceed the market value of goods confiscated, less the tax chargeable thereon.
22. The owner of the goods shall in addition to payment of redemption fine, be liable for payment of tax payable on goods.
23. The adjudicating authority shall not pass an order for confiscation of goods and/or conveyance and/or imposition of penalty without serving a notice and without giving reasonable opportunity of being heard.
24. In case the due amount of tax and fine are not paid within 3 months, the proper officer may dispose of such goods and/or conveyances and deposit the same proceeds with the Government.

Punishment for Certain Offences

25. If following offences are committed namely :-

- (i) Supply of goods/services without issuance of invoice;
- (ii) Issuance of invoice without supply of goods/services;
- (iii) Availment of input tax credit using such invoice;
- (iv) Collection of any tax but failure to pay the Government within prescribed period;
- (v) Evasion of tax, fraudulent availment of input tax credit, fraudulently obtaining refund;
- (vi) Falsification or substitution of financial records, production of fake accounts, furnishing of false information;
- (vii) Obstruction of any officer in discharge of his duties;
- (viii) Acquisition of possession of, or concerns himself in transportation, removing, depositing, supplying, purchasing any goods which are liable for confiscation;
- (ix) Receives or deals with any supply of service in contravention of provisions of the Act;
- (x) Tamper with or destroy any material evidence;
- (xi) Failure to supply any information or supplies false information which is required to be supplied under the Act;
- (xii) Attempts to commit, or abets any of offences mentioned above.

Then that manufacturer shall be punishable in following manner-

- (i) Where amount of tax evaded or input tax credit wrongly availed or refund wrongly taken exceeds Rs.500,00,000/- imprisonment upto 5 years and fine;
 - (ii) Where amount of tax evaded or input tax credit wrongly availed or refund wrongly taken exceeds Rs.200,00,000/- but limited to Rs. 500,00,000/- imprisonment upto 3 years and fine;
 - (iii) Where amount of tax evaded or input tax credit wrongly availed or refund wrongly taken exceeds Rs.100,00,000/- but limited to Rs. 200,00,000/- imprisonment upto 1 year and fine;
 - (iv) Where he commits or abets commission of an offence in clause (vi), (vii), (x) above – imprisonment upto 6 months and fine.
26. Where any person is convicted for second time under this section he shall be punishable with imprisonment upto 5 years and fine.

Chapter-20

Transitional Provisions

1. To ensure smooth transition of current indirect tax regime to the goods and services tax regime, Government has made transitional provisions which are applicable to all types of tax payers. These provisions are contained in sections 139 to 142 of the CGST Act, 2017 & Section 17 to 20 of UTGST Act, 2017.
2. Transitional provisions relating to registration, input tax credit and job work have been explained in the respective Chapters. Remaining provisions so far as they relate to manufacturers, are briefed hereunder.

Return of duty paid goods

3. Manufacturers normally clear the goods after payment of duty. In cases where these duty paid goods are returned to the manufacturer within a period of 6 months from the appointed day, the manufacturer shall be eligible for refund of duty paid under the earlier law. [Section 142(1)]
4. The said goods should have been cleared not earlier than 6 months prior to 01.07.2017.
5. However, if the goods are returned by the registered taxable person, the return of goods shall be deemed to be a supply.
6. Similar provisions are contained under SGST law.

Issue of supplementary invoices, debit or credit notes on revision in prices

7. Pursuant to a contract, prices of any goods may move upwards after the appointed day. A manufacturer who has cleared the goods earlier to the appointed day may issue to the recipient a supplementary invoice/debit note within 30 days of such price revision and such invoice/debit note is deemed to have been issued in respect of an outward supply under Goods and Services Tax Act.
8. If the price is revised downward, the manufacturer may issue a credit note within 30 days of such revision and the said credit note shall be deemed to have been issued in respect of an outward supply under Central Goods and Services Tax Act. The manufacturer is allowed to reduce its tax liability only if the recipient of credit note has reduced its corresponding input tax credit.
9. Similar provisions are there under SGST law.

Refund Claims

10. Any claim filed under the earlier law for refund of the amount of CENVAT credit, duty, tax or interest shall be disposed off under the provisions of earlier law and any amount accruing for refund shall be paid in cash. Any refund claim filed after the appointed day for the goods cleared before the appointed day shall also be dealt with in accordance with the provision of earlier law.

If any claim of refund is rejected, the amount so rejected shall lapse. Also no carry forward of cenvat credit shall be allowed if refund claim for the same has been filed.

Pending Appeals, Revision etc.

11. All proceedings of appeal, review or reference relating to a claim for CENVAT credit initiated whether before or after the appointed day are to be dealt with in accordance with the provisions of earlier law. If any amount of credit is found to be admissible, it shall be refundable in cash. However, the claim shall have to be tested on the touchstone of unjust enrichment.
12. All proceedings of appeals, revision etc. relating to recovery of CENVAT credit, initiated before or after the appointed day is to be disposed off as per the provisions of earlier law. If any amount of credit becomes recoverable, the same shall be recovered as an arrear of tax under Goods and Services Tax Act. The amount so recoverable will not be admissible as input tax credit.
13. Similar provisions are there under SGST law also.

Finalization of proceedings relating to output duty or tax liability

14. All proceedings of appeal, revision etc. relating to any output duty or tax liability initiated before or after 1st July 2017 relating to earlier law, are to be disposed off in accordance with the provisions of earlier law.
15. If any amount becomes recoverable consequent to the aforesaid proceedings, the same shall be recovered as an arrear of tax under CGST Act. The amount so recoverable shall not be admissible as input tax credit.
16. If any amount is found to be admissible, consequent to aforesaid proceedings, it shall be refundable in cash. However, the claim shall have to be tested on the touchstone of unjust enrichment.
17. Similar provisions are there under SGST law also.

Amount recoverable or refundable in pursuance of assessment or adjudication proceedings

18. In case of any amount of tax, interest, fine or penalty becomes recoverable consequent

to an assessment or adjudication proceedings, whether before or after the appointed day; the same shall be recovered as arrear of tax under CGST Act.

19. On the other hand, if consequent to aforesaid proceedings if any tax, interest, fine or penalty becomes refundable, the same shall be refunded to him in cash under the earlier law. However, the claim shall have to be tested on the touchstone of unjust enrichment.
20. Similar provisions are there under SGST law also.

Credit distribution of service tax by Input Service Distributor

21. The input tax credit on account of any services received by an input service distributor may be distributed as credit under CGST Act even if the invoices relating to such services are received after the appointed day.

Centralized registration under the earlier law

22. Manufacturers having multiple manufacturing units were eligible for registration as LTU. Under the CGST Act, these manufacturers shall have to obtain separate registration in each State. Section 140(8) provides that the manufacturer shall be allowed to take credit of the amount of CENVAT credit carried forward in the return so furnished under the earlier law. Such return should be related to the period ending with the day immediately preceding the appointed day.
23. The procedure for allowing the credit shall be as prescribed.

Goods sent on approval

24. Where, any goods, sent on approval basis before the appointed day, are returned to the seller after the appointed day, no tax shall be payable on said goods. The goods should have been sent within 6 months prior to the appointed day and it should have been received within 6 months from the appointed day.
25. The tax shall be payable by the person who has sent the goods on approval basis, if such goods are not returned within a period of 6 months.
26. The aforesaid period of six months may be extended by the competent authority.
27. These provisions are applicable under SGST law also.

Cenvat Credit on Input Services

28. Cenvat Credit Rules provide for reversal of credit availed on input service, if the amount of services including tax has not been paid within a period of 3 months.
29. Under the CGST Act such credit can be reclaimed if the manufacturer makes payment

of the value of services including service tax within a period of 3 months from the appointed day.

Revision of Return

30. Where any return, furnished under the existing law, is revised after the appointed day and if, pursuant to such revision, any amount is found to be recoverable or any amount of CENVAT credit is found to be inadmissible, the same shall, unless recovered under the existing law, be recovered as an arrear of tax under this Act and the amount so recovered shall not be admissible as input tax credit under this Act.
31. Where any return, furnished under the existing law, is revised after the appointed day and if, pursuant to such revision, any amount is found to be refundable or any amount of CENVAT credit is found to be admissible, the same shall be refunded to him in cash under existing law, and the amount rejected if any shall not be admissible as input tax credit under this Act.

Tax paid under existing law

32. Where tax was paid on any supply both under VAT and Service tax law, tax shall be leviable under GST Act and the manufacturer shall be entitled to take credit of VAT or service tax paid under existing law to the extent of supplies made after the appointed day

Transitional Rules are prescribed under Rule 117 to 121 of the CGST Rules, 2017

RULE-117 Tax or duty credit carried forward under any existing law or on goods held in stock on the appointed day:-

1. Every manufacturer shall within 90 days of appointed day submit an application in FORM GST TRAN-1 specifying separately the amount of tax or duty to the credit of which the manufacturer is entitled.
2. In case of claim under section 140(2) following particulars shall be specified for capital goods on appointed day-
 - Amount of duty or tax availed as input tax credit under earlier law till appointed day; and
 - Amount of duty or tax yet to be availed as input tax credit under earlier law till appointed day.
3. In case of claim under 140 (5) following details shall be furnished-
 - Name of supplier, serial number & date of issue of invoice by supplier;
 - Description and value of goods/ services;

- Quantity of goods;
 - Date of receipt of goods/services in books of accounts; and
 - Amount of eligible duties, taxes charged.
4. Any unregistered manufacturer under existing law shall be allowed to avail input tax credit for inputs held in stock on appointed day even if he is not in possession of any document evidencing payment of excise duty.
 5. Such credit shall be allowed at the rate of 60% of applicable central tax in case of rate is 9% or more and 40% if less than 9%. Such credit shall be 30%/ 20% in case of IGST.
 6. Scheme shall be available for 6 tax periods from the appointed day.
 7. Credit of central tax shall be available subject to following conditions-
 - Goods were not exempt from excise duty or nil rated;
 - Document for procurement of goods is available;
 - Manufacturer availing this scheme shall submit a statement in FORM GST TRAN-2 at the end of each of six tax periods indicating details of supplies effected;
 - Credit allowed shall be credited to the electronic credit ledger of applicant;
 - Stocks for which credit is available is easily identifiable.

RULE-118 DECLARATION TO BE MADE UNDER 142(11)(c):-

Every manufacturer to whom section 142(11)(c) applies shall submit an application in FORM GST TRAN-1 within 90 days of 01.07.2017 furnishing the proportion of supply on which VAT or service tax has been paid before appointed date but supply is made after the said date, and ITC shall be admissible.

RULE-119 DECLARATION OF STOCK HELD BY A PRINCIPAL AND JOB WORKER :-

Every manufacturer to whom section 141 applies shall submit an application in FORM GST TRAN-1 within 90 days of 01.07.2017 specifying the details of stock of the inputs, semi finished goods or finished goods, as applicable held by him as on appointed date.

RULE -120 DETAILS OF GOODS SENT ON APPROVAL BASIS :-

Every manufacturer whose goods have been sent on approval basis under earlier law shall within 90 days from 01.07.2017 submit details of such goods sent on approval basis in FORM GST TRAN-1.

RULE-121 RECOVERY OF CREDIT WRONGLY AVAILED:-

Amount of credit wrongly availed may be recovered under section 73 or section 74 of CGST Act, 2017.

Chapter-21

Compliance Rating

1. Section 149 of CGST Act, 2017 provides for the provision of goods and services tax compliance rating.
2. In terms of the above section, every registered person be assigned to the compliance rating score by the government based on his record of compliance with the provision of this Act.
3. Section 149(2) provides that this rating score may be determined on the basis of such parameters as may be prescribed. It is understood that no such parameter has been prescribed till date.
4. Section 149(3) provides that the goods and services tax compliance rating score may be updated at periodic intervals and intimated to the registered person and also placed in the public domain in such manner as may be prescribed.
5. Likely effect of Compliance Rating are as under :-
 - (a) Granting of Refund.
 - (b) Selection by the buyers for the purpose of availment of credit, meaning buyers will try to purchase from a supplier who has a good compliance rating.

Chapter-22

Anti-Profiteering

1. Anti-Profiteering measure has been introduced under GST vide section 171 of CGST Act, 2017. The purpose of the said clause is to pass the benefit to the recipient by way of commensurate reduction of prices due to reduction in rate of tax on any supply of goods or services or the benefit of input tax credit.
2. Section 171(2) provides the power of Central government on recommendations of the council, by notification to constitute an authority or empower an existing authority constituted under any law for the time being in force to examine whether input tax credit availed by any registered person or reduction in tax rate have actually resulted in a commensurate reduction in the price of the goods or services or both supplied by him.
3. The Authority referred above shall exercise such powers and discharge such functions as may be prescribed.
4. Anti-profiteering rules prescribed under 122 to 137 of CGST Rule, 2017 :
 - In view of above National Anti-profiteering authority has been appointed under Rule 122.
 - It seems that this is the short lived provision introduced in order to pass the benefit of reduction in rate of tax due to GST or benefit due to better credit chain.
 - It is moreover transitional provision introduced to protect interest of consumer.
 - Anti-profiteering loss is referred as a direction of transparent process to identify any malpractice.