



# Hiregange & Associates

## Chartered Accountants

### Determination of GST liability

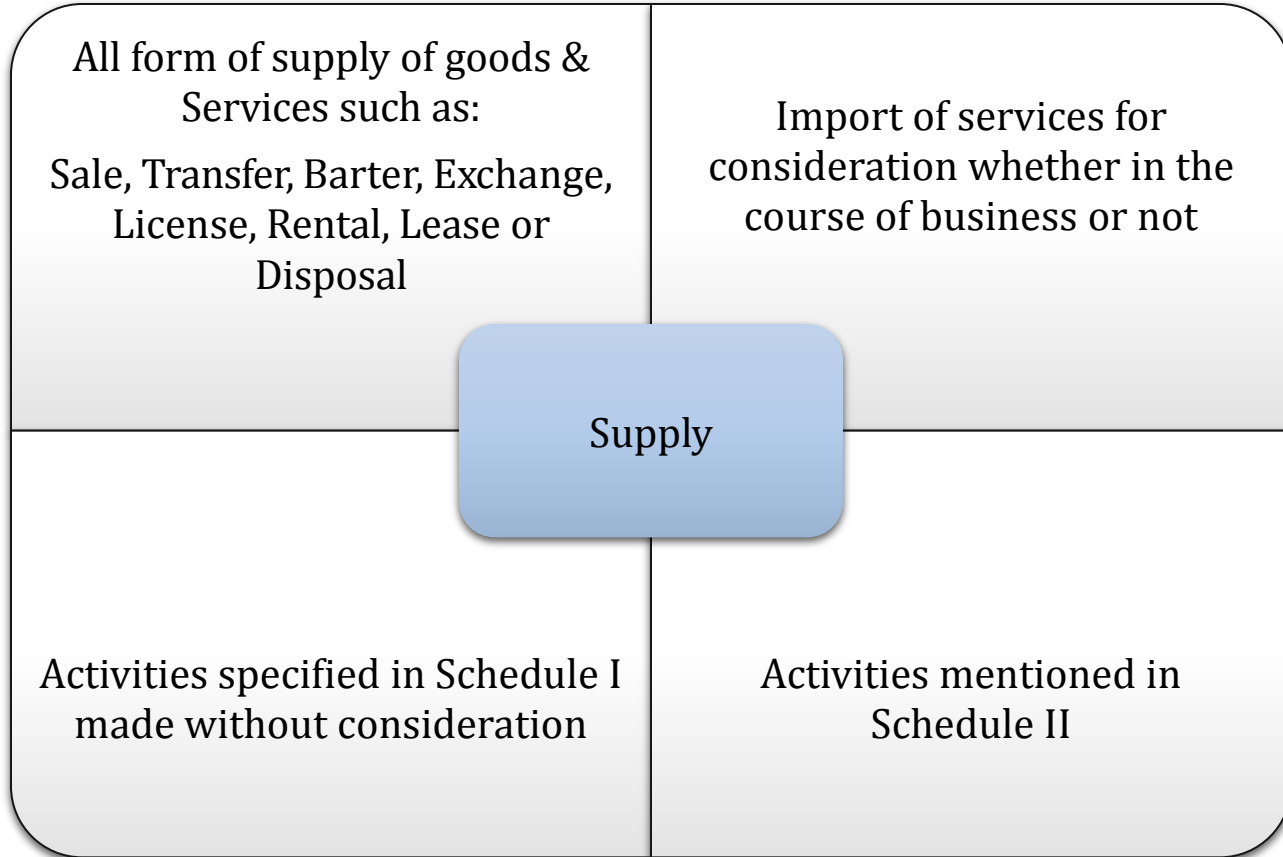
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# Introduction

- **GST regime-** tax will be applicable on supply of goods or services or both.
- **Initially understanding-**
- that there will **not be difference** between goods or services
- **later on** implementation, there is **clear distinction made** as to goods and services.

# Supply



# Background

- Determining taxability or identifying the tax payable
- Different aspects like
  - location of supplier,
  - time of supply,
  - place of supply,
  - rate of tax, which needs to be determined.
  - **What is the sequence which needs to be adopted for determining the GST liability?????**

# Steps to determine GST liability-Step 1

- **Identification of Supply**
- 'Supply' is much broader than existing charge of taxes i.e.
- Sale and Provision and
- Includes all commercial supplies such as Sale, Transfer, Barter, Exchange, License, Rental, Lease, Disposal etc
- list of activities/ transactions whereby even if no consideration is charged the transaction will be treated as deemed supply –GST liability
- Specifically excludes to be considered as supply (set out in Third Schedule to CGST Act).
- Excludes levy on certain goods like alcoholic beverages for human consumption
- Supply of ITC availed machine from Bangalore to Jaipur-between branches free of cost

# Step 2

- **Identify whether supply is of goods or service**
- Where the transaction is combination of both goods or service or multiple goods and/or multiple services
- It is essential to identify the entire transaction into either goods or services.
- Composite supply or mixed supply

## Step 2

- **Composite: Main intention** needs to be considered to determine whether this is a supply of good or a supply of service and also all other supplies ancillary to the main supply
- **Mixed**-it is relevant that each of the elements of goods or services has to be identified, each of the said goods or services has to be classified under the appropriate heading and identify the applicable rate of tax under GST
- Highest rate of tax-frozen and the entire supply would be treated as such supply
- **Composite**-Main and ancillary-Supply of fan+installation
- **Mixed**-Box of chocolates+fresh fruits

## Step 3

- **Identification of place of supply**
- Tax would be levied on goods / service based on place where the supply of goods or service takes place
- Location of supplier+place of supply
- Within state or different states
- Place of supply is outside India, not be liable to GST.
- Such service could be said to be an export where the further conditions are complied



# Step 3

- Provision for identifying place of supply for goods and place of supply of services.
- Whether it is within India or international transaction

# Step 4

- **Identify whether it is inter-state or intra-state – Identification of the location of the supplier and place of supply**
- To determine whether
  - it is an inter-state or a intra-state supply,
  - the location of the supplier and the place of supply needs to be seen.
- Supply of goods or supply of services where the location of the supplier and the place of supply of goods are in the same State -intra-State supply.
- Where the location of the supplier and the place of supply of goods are in different States, inter-state supply leviable to IGST

# Step 5

- **Mixed supply** -to identify whether supply is goods or service, whereas in case of only goods or only services or
- **Composite supply** identified with principal supply,
- Classification of such goods or services has to be made since there are differential rates applicable to goods and service.

# Step 5

- Exemptions would be linked to classification.
- The classification of a product
- determined on the basis of Harmonized System of Nomenclature (HSN) issued by World Customs Organization considering the headings, sub-headings, sections notes, chapter notes.

# Step 6

- **Identification of rate of tax**
- Most of the goods they have given applicable rate of tax. Based on the same, one has to determine the applicable rate of tax
- 5%, 12%, 18%, 28%, 40%
- Goods-various items rates list given
- Services-18% mean rate

# Step 7

- **Whether there is any exemption**
- Levy of GST is attracted on supply of all goods / service or both.
- The Central or State Government
- Exempt certain goods/service from the levy of GST.
- Such exemptions are need based and intended to serve public interest..
- Substantive conditions need to be mandatorily fulfilled

# Step 8

- **Identification of Time of supply**
- Time of supply would signify the point of time when the levy would be attracted.
- The liability to pay CGST/ SGST on goods or services shall arise at the time of supply

# Step 9

- **The value of goods or service**
- Once it is settled that tax(GST) is to be paid,
- What time it is to be paid and which tax (IGST or CGST/SGST) is to be paid
- Which value the tax is to be paid.
- The 'Transaction Value' that is the actual price of supply.
- Provisions of this section need to be applied to determine the correct value of goods or services.



# Concepts

- Inter-State supply/ Imports – IGST
- Intra-State supply – CGST + SGST/UTGST
- GST under Reverse charge, tax on URD Purchases
- Stock Transfers to be liable to GST
- Multiple returns and state-wise registrations

# Reverse Charge

- Govt may notify the categories of supplies of goods/service for RCM
  - Recipient of goods/service is liable to pay GST.
- Supply by person who is *Not Registered* – Recipient of such supply is liable.

# THANK YOU



For clarifications  
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