

GST Margin Scheme in Brief

- Margin is the difference between sale value and purchase value of second hand goods
- In Margin scheme, GST is applicable only on the profit margin unlike GST charged on the transaction value for the goods in normal condition
- No GST is applicable if there is no profit margin
- This scheme is applicable only for the persons who is dealing in buying and selling of second hand goods
- Second hand goods means used goods sold as such or after minor changes which should not change the nature of the goods
- Input tax credit should not be availed on the purchase of the goods to avail this scheme
- Purchase value of goods is determined, in case of repossession, for the recovery of any loan or debt, from unregistered defaulting borrower, on the basis of purchase price of such goods by defaulting borrower reduced by 5% per quarter or part thereof for every quarter between the date of purchase and the date of disposal by the person who repossess the goods
- Valuation rule of margin scheme is as per GST Rule 32 (5) of the CGST Rules, 2017
- Notification No.10/2017-Central Tax (Rate) dated 28th June 2017 exempts the registered dealers who deals in buying and selling of second hand goods and who pays the central tax on the value of outward supplies of such second hand goods as per Rule 32 (5) of the CGST Rules, 2017, from paying central tax on the intra state supplies of second hand goods received from the unregistered dealers which leviable under section 9 (4) of the CGST Act, 2017
- Any value addition as minor changes made to the goods like repair, refurbishing, reconditioning, etc shall be added to the selling value of the goods and be part of the margin
- When the margin scheme is opted, the person selling the second hand goods to the registered dealer in second hand goods, should not issue tax invoice
- And also the registered dealer who purchases such second hand goods under the margin scheme cannot claim input tax credit
- Example 1: if the purchase of value of goods is Rs.100000/- and selling value of the same after minor changes is Rs.150000/-, GST is payable on the margin or the difference of purchase value and sale value, i.e. Rs.50000/-. This margin of Rs.50000/- may include value additions as minor changes and profit
- Example 2: When the goods are repossessed, if the purchase of value of goods is Rs.100000/- on 1st April 2017 and repossession date is on 15th July 2017, the purchase value is determined as Rs.90000/- reduced by 5% per quarter for two quarter (Apr-Jun) and (Jul-Sep) (100000*10%) as per point no.7