

Connection between GST AND TDS

We all are familiar with the concept of TDS in respect to Direct Tax, now with GST in force there is a provision for deduction of tax in Indirect Tax too. Let us know more about the combination of TDS and Indirect Tax (GST).

The government has notified 1st of October, 2018 as the date for implementing the tax deducted at source (TDS) and tax collected at source (TCS) provisions under GST law. As per the Central GST (CGST) Act, the notified entities are required to collect TDS at 1 per cent on payments for goods or services to suppliers in excess of Rs 2.5 lakh. Also, states will levy 1 per cent TDS under state laws.

E-commerce companies will now be required to collect up to 1 per cent TCS while making any payment to suppliers under the Goods and Services Tax (GST).

States too can levy up to 1 per cent TCS under State GST (SGST) law.

Applicability and Conditions:

We knew from above information that TDS is to be deducted in GST if payments to goods or services suppliers are in excess of Rs 2.5 lakh. Now we will study about related provision and form.

GSTR 7 is a return to be filed by such persons who are required to deduct TDS (Tax Deducted at Source) under GST. GSTR 7 contains all the details in relation to TDS deducted, TDS liability paid and payable and also the TDS refund claimed, if any

Applicability of TDS under GST

As per GST law following people/entities need to deduct TDS:

1. A department or establishment of the Central or State Government, or

2. Local authority, or
3. Governmental agencies, or
4. Persons or category of persons as may be notified, by the Central or a State Government on the recommendations of the Council.

As per Notification No. 33/2017 – Central Tax, 15th September 2017

The following entities also need to deduct TDS-

1. An authority or a board or any other body which has been set up by Parliament or a State Legislature or by a government, with 51% equity (control) owned by government
2. A society established by the Central or any State Government or a Local Authority and the society is registered under the Societies Registration Act, 1860
3. Public sector undertakings

TDS is required to be deducted if the total value of supply under the contract exceeds Rs 2.5 Lakhs. The rate for TDS is 2% (CGST 1% + SGST 1%) in case of intra state supply and 2 % (IGST) in case of interstate supplies.

Importance

GSTR 7 shows the details of TDS deducted, amount of TDS paid and payable, any refund of TDS claimed. The deductee i.e. the person whose TDS has been deducted can claim the input credit of such TDS deducted and utilize for the payment of output tax liability. Details of TDS deducted are available electronically to each of the deductees in PART 'C' of Form GSTR 2A after the due date of filing of Form GSTR 7. Also the certificate for such TDS deducted shall be made available to the deductee in Form GSTR 7A on the basis of return filed in GSTR 7.

Due Date

Due date of filing GSTR 7 is on the 10th of the following month. For reference: Due date of filing GSTR 7 for December is 10th of January.

Penalty

If the GST return is not filed on time, then penalty of Rs 100 under CGST & Rs 100 under SGST shall be levied. The total will be Rs. 200/day. The maximum amount of penalty is Rs. 5,000. There is no late fee on IGST in case of delayed filing.

Along with late fee, interest has to be paid at 18% per annum. The period to be considered is from due date of filling till date of payment.

Revision of GSTR-7

GSTR 7 once filed cannot be revised. Any mistake made in the return can be revised in the next month's return. It means that if a mistake is made in GSTR 7, rectification for the same can be made in GSTR 7 of following month or in later months when the error or omission is identified.

Details to be provided in GSTR-7

1. **Provide GSTIN:** Each taxpayer will be allotted a state-wise PAN-based 15-digit Goods and Services Taxpayer Identification Number (GSTIN). GSTIN of the taxpayer will be auto-populated at the time of return filing.

2. **Legal name of the Deductor:** Name of the taxpayer will be auto-populated at the time of logging into the common GST Portal. Also if there is any trade name of the registered person, then it will also get auto populated.

3. **Details of the tax deducted at source:** You need to mention the details in respect of TDS deducted such as GSTIN of the deductee, total amount and TDS amount (Central/state/integrated.)

4. **Amendments to details of tax deducted at source in respect of any earlier tax period:** Any correction to the data submitted in the return of previous months can be done here by filling the original and revised details in this section. Based on this amendment, TDS certificate (GSTR-7A) will get revised.

5. Tax deduction at source and paid: You need to mention the details of the tax (integrated/central/state) amount deducted from the deductee and the tax (integrated/central/state) amount paid to the government.

6. Interest, late Fee payable and paid: If there is any interest fees or late fees applicable on TDS amount, you must mention the details of such interest and late fees payable along with the amount paid till date.

7. Refund claimed from electronic cash ledger: If you want to claim the refund of TDS from your electronic cash ledger, you must mention such details here in this section. You should also provide your bank details where the refund for TDS should be credited.

8. Debit entries in electronic cash ledger for TDS/interest payment [to be populated after payment of tax and submissions of return]: The entries in the section are auto populated, once you finish filing the return and the payment of TDS along with interest if any.

Once all the particulars are furnished correctly, the taxpayer is required to sign a declaration regarding the correctness of the information furnished under various heads either through a digital signature certificate (DSC) or Aadhar based signature verification to authenticate the return.