

Study Notes

Chapter 12: - Payment of Tax

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Section 49 Payment of tax, interest and other amounts

Payments

Payments	Deposited in	Utilized for
(a) Every deposit made towards Tax, Interest, Penalty, Fee or any other amount by a Person [Sec. 49 (1)]	Electronic Cash Ledger	Payment towards tax, interest, penalty, fees or any other amount payable under the provisions of this Act or the rules [Sec. 49 (3)]
(b) ITC as self-assessed in the Return of a Registered Person [Sec. 49 (2)]	Electronic Credit Ledger	Any payment towards output tax under this Act or under the IGST Act [Sec. 49(4)]

When GST is payable under reverse charge, it should be paid by cash i.e. through Electronic Cash Ledger, the GST under reverse charge cannot be paid by utilizing ITC – Section 49 (4) read with section 2 (82).

Date of Payment

Payment of taxes by the normal tax payer is to be done on monthly basis by the 20th of the succeeding month. Cash payment will be first deposited in the Cash Ledger and the tax payer shall debit the ledger while making payment in the monthly returns and shall reflect the relevant debit entry number in his return. Payment can also be debited from the Credit Ledger. Payment of taxes for the month of March shall be paid by the 20th April. Composition tax payers will need to pay tax on quarterly basis. [The Date of Credit to the account of the Government in the authorized Bank shall be deemed to be the date of deposit in the Electronic Cash Register].

Mode of Payment

- Internet Banking, or
- By using Credit or Debit cards, or
- NEFT/RTGS
- By such other mode prescribed by the Government

Rounding off Tax [Sec. 170]

The amount of duty, interest, penalty, fine or any other sum payable, and the amount of refund or any other sum due, under CGST shall be rounded off to the nearest rupee.

Utilization of Credit available in Electronic Credit Ledger [Sec. 49 (5)]

The amount of input tax credit available in the electronic credit ledger of the registered person on account of—

- (a) integrated tax shall first be utilised towards payment of integrated tax and the amount remaining, if any, may be utilised towards the payment of central tax and State tax, or as the case may be, Union territory tax, in that order;
- (b) the central tax shall first be utilised towards payment of central tax and the amount remaining, if any, may be utilised towards the payment of integrated tax;
- (c) the State tax shall first be utilised towards payment of State tax and the amount remaining, if any, may be utilised towards payment of integrated tax;

Provided that the input tax credit on account of State tax shall be utilised towards payment of integrated tax only where the balance of the input tax credit on account of central tax is not available for payment of integrated tax.

- (d) the Union territory tax shall first be utilised towards payment of Union territory tax and the amount remaining, if any, may be utilised towards payment of integrated tax;

Provided that the input tax credit on account of Union territory tax shall be utilized towards payment of integrated tax only where the balance of the input tax credit on account of central tax is not available for payment of integrated tax.

- (e) the central tax shall not be utilised towards payment of State tax or Union territory tax; and
- (f) the State tax or Union territory tax shall not be utilised towards payment of central tax.

Please refer
Rule 88A in
Chapter 8
ITC

Discharge of Tax Liability [Sec. 49 (7), (8) & (9)]

1. All liabilities of a taxable person under this Act shall be recorded and maintained in an Electronic Liability Register.
2. Every taxable person shall discharge his tax and other dues under this Act in the following order –
 - a. Self-assessed tax, and other dues related to Returns of Previous Tax Periods₁
 - b. Self-assessed tax, and other dues related to the Return of the Current Tax Period₁
 - c. Any other amount payable under this Act or the Rules made thereunder including the demand for recovery of tax determined U/s 73 or U/s 74.
3. Every person who has paid the tax on goods or services or both under this Act shall, unless the contrary is proved by him, be deemed to have passed on the full incidence of such tax to the recipient of such goods or services or both.

Note

- Tax period means the period for which the tax return is required to be furnished.
- Tax dues means the tax payable under this Act and does not include interest, fee and penalty, and
- Other dues mean interest, penalty, fee or any other amount payable under this Act or the rules made thereunder.

Section 49A Notwithstanding anything contained in section 49, the input tax credit on account of central tax, State tax or Union territory tax shall be utilised towards payment of integrated tax, central tax, State tax or Union territory tax, as the case may be, only after the input tax credit available on account of integrated tax has first been utilised fully towards such payment.

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Section 49B Notwithstanding anything contained in this Chapter and subject to the provisions of clause (e) and clause (f) of sub-section (5) of section 49, the Government may, on the recommendations of the Council, prescribe the order and manner of utilisation of the input tax credit on account of integrated tax, central tax, State tax or Union territory tax, as the case may be, towards payment of any such tax

Please see example in Chapter 8 :- Input tax credit to understand utilisation of ITC {Rule 88A}

Tax wrongfully collected and paid to Central Government or State Government [Sec. 77]

- If a registered person has paid the Central tax and State tax/UT tax on a transaction considered by him to be an **intra-State supply**, but which is **subsequently held to be an inter-State supply**, shall be refunded the amount of taxes so paid.
- If a registered person who has paid Integrated tax on a transaction considered by him to be an **inter-State supply**, but which is **subsequently held to be an intra-State supply**, shall not be required to pay **any interest** on the amount of central tax and State tax/UT tax payable.

There is identical provision in Section 19 of IGST Act, 2017 for wrongly transactions considered as inter-State instead of intra-State.

Rule 85 Electronic Liability Register

1. **Form:** The Electronic Liability Register Specified U/s 49 (7) shall be maintained in FORM GST PMT-01 for each person liable to pay tax, interest, penalty, late fee or any other amount on the Common Portal and all amounts payable by him shall be debited to the said register.
2. **Amounts debited:** The electronic liability register of the person shall be debited by:
 - a. Amount payable towards Tax, Interest, Late fee or any other amount payable as per the return furnished by the said person,
 - b. Amount of tax, interest, penalty or any other amount payable as determined by a Proper Officer in pursuance of any proceedings under the Act or as ascertained by the said person;
 - c. Amount of tax and interest payable as a result of mismatch u/s 42 or u/s 43 or u/s 50, or
 - d. Amount of interest that may accrue from time to time.
3. **Corresponding Debits in Electronic Credit/Cash Ledger:** Payment of every liability by a Registered Person as per his Return shall be made by debiting the Electronic Credit Ledger maintained or the Electronic Cash Ledger maintained and the Electronic Liability Register shall be credited accordingly.
4. **Credit Entries in the Electronic Liability Register:** The following amounts shall be paid by debiting the Electronic Cash Ledger and crediting the Electronic Liability Register –
 - a. Amount deducted u/s 51, or
 - b. Amount collected u/s 52, or
 - c. Amount payable or Reverse charge basis, or
 - d. Amount payable u/s 10,
 - e. Amount payable towards interest, penalty, fee or any other amount under this Act,
5. **Electronic Tax Liability Register:** The Electronic Liability Register shall be credited with –
 - a. Any amount of demand debited in the Electronic Liability Register which stands reduced to the extent of relief given by the Appellate Authority or Appellate Tribunal or Court.

- b. Amount of Penalty imposed or liable to be imposed which stands reduced partly or fully, as the case may be, if the taxable person makes the payment of tax, interest and penalty specified in the show cause notice or demand order.
6. **Discrepancy:** A Registered person shall, upon noticing any discrepancy in his Electronic Liability Ledger, communicate the same to the officer exercising jurisdiction in the matter, through the Common Portal in FORM GST PMT-04.

Rule 86 Electronic Credit Ledger

- **Form:** The Electronic Credit Ledger shall be maintained in FORM GST PMT-02 for each registered person eligible for ITC under the Act on the Common Portal and every claim of ITC under the Act shall be credited to the said ledger.
- **Discharge of liability:** The Electronic Credit Ledger shall be debited to the extent of discharge of any liability in accordance with the provisions of U/s 49 or U/s 49A or U/s 49B.
- **Refund of Unutilized amount:**
 - a. Where a Registered Person has claimed refund of any unutilized amount from the Electronic Credit Ledger u/s 54, the amount to the extent of the claim shall be debited in the said ledger.
 - b. If the refund so filed is rejected, either fully or partly, the amount debited to the extent of rejection, shall be re-credited to the Electronic Credit Ledger by the Proper Officer by an order made in FORM GST PMT-03.
- **Discrepancy:** A registered person shall, upon noticing any discrepancy in his Electronic Credit Ledger, communicate the same to the officer exercising jurisdiction in the matter, through the common portal in FORM GST PMT – 04.

Please note:

- No entry shall be made directly in the Electronic Credit Ledger under any circumstance.
- A refund shall be deemed to be rejected, if the appeal is finally rejected or if the claimant gives an undertaking to the proper officer that he shall not file an appeal.

Rule 87 Electronic Cash Ledger

1. **Form:** The Electronic cash ledger u/s 49 (1) shall be maintained in FORM GST PMT-05 for each person, liable to pay tax, interest, penalty, late fee or any other amount, on the Common Portal for crediting the amount deposited and debiting the payment therefrom towards tax, interest, penalty, fee or any other amount.

2. **Major Heads & Minor Heads:**

Major Head	Minor Head for each Major Head
IGST	Tax
CGST	Interest
SGST/UTGST	Penalty
Cess	Fee
	Others

3. A registered taxpayer can make cash deposits in the recognized Banks through the prescribed modes to the Electronic Cash Ledger using any of the Online or Offline modes permitted by the GST Portal. The Cash deposits can be used for making payments like tax liability, interest, penalties, fee and others.
4. **Restriction in cross utilization of Major Heads:** The amount available in Electronic Cash Ledger can be utilized for payment of any liability for the respective major or minor heads. For example, liability for the

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tax under SGST/UTGST can be settled only from the available amount of cash under SGST/UTGST Major head.

Example 1: An amount of Rs. 1,000 available under minor head 'tax' of major head 'SGST/UTGST' and the taxpayer has a liability of Rs. 200 for minor head 'interest' under the same major head 'SGST/UTGST'. Since, there is no amount available under minor head 'interest' under major head 'SGST/UTGST', therefore, interest payment cannot be made from the amount available under 'tax' of the same major head.

Amount available under one Major head cannot be utilized for discharging the liability under any other major head. For example, amount available in SGST/UTGST cannot be utilized for discharging liabilities under CGST, IGST or Cess and vice versa.

Example 2: A taxpayer made a cash deposit of Rs. 1,000 to IGST – Tax, through net banking. The tax payer can utilize this cash deposit of Rs. 1,000 in the cash ledger to make payment only of the IGST – tax liability by debiting the cash ledger.

➤ Challan:

- Any person, or a person on his behalf, shall generate a challan in FORM GST PMT – 06 on the common portal and enter the details of the amount to be deposited by him towards tax, interest, penalty fees or any other amount.
- It shall be valid for a period of 15 days.
- For making payment of any amount indicated in the challan, the commission, if any, payable in respect of such payment shall be borne by the person making such payment.

➤ Mode of Deposit:

- Internet Banking through authorized banks,
- Credit Card or Debit Card through the authorized bank,
- NEFT/RTGS
- Over the counter (OTC) payment through authorized banks for deposits up to Rs. 10,000 per challan per tax period, by cash, cheque or demand draft.

➤ OTC limit not applicable:

- Government Departments or any other deposit to be made by notified persons,
- Proper Officer or any other officer authorized to recover outstanding dues from any person, including recovery made through attachment or sale of movable or immovable properties,
- Proper Officer or any other officer authorized for the amounts collected by way of cash, cheque or demand draft during any investigation or enforcement activity or any ad hoc deposit.

➤ Temporary Identification Number: Any payment required to be made by a person who is not registered under the Act, shall be made on the basis of a Temporary Identification Number generated through the Common Portal.

➤ Payment through NEFT/RTGS:

- Where the payment is made by way of NEFT/RTGS mode from any bank, the mandate form shall be generated along with the challan on the Common Portal and the same shall be submitted to the bank from where the payment is to be made.
- The mandate form shall be valid for a period of 15 days from the date of generation of Challan.

➤ Generation of Challan Identification Number (CIN):

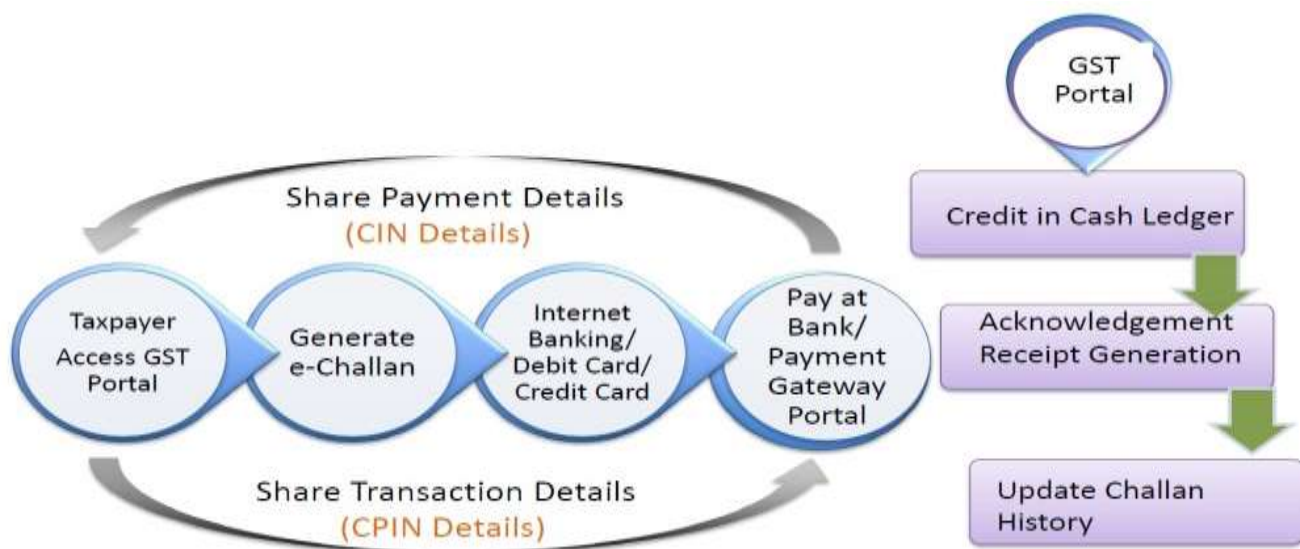
- On successful credit of the amount to the concerned government account maintained in the authorized bank, a CIN will be generated by the collecting Bank and the same shall be indicated in the challan.

- b. On receipt of CIN from the Collecting Bank, the said amount shall be credited to the Electronic Cash Ledger of the person on whose behalf the deposit has been made and the Common Portal shall make available a receipt of this effect.
 - c. Where the bank account of the person concerned, or the person making the deposit on his behalf, is debited but no CIN is generated or generated but not communicated to the Common Portal, the said person may represent electronically in FORM GST PMT-07 through the Common Portal to the Bank or electronic gateway through which the deposit was initiated.
- **Tax deduction/collection:** Any amount deducted u/s 51 or collected u/s 52 and claimed in FORM GSTR-02 by the Registered Taxable Person from whom the said amount was deducted or, as the case may be, collected shall be credited to his Electronic Cash Ledger in accordance with the provisions of Rule 87.
 - **Refund from Electronic Cash Ledger:**
 - a. Where a person has claimed refund of any amount from Electronic Cash ledger, the amount shall be debited to the Electronic Cash Ledger.
 - b. If the refund so claimed is rejected, either fully or partly, the amount debited to the extent of rejection, shall be credited back to Electronic cash ledger by an order made in FORM GST PMT-03.
 - **Discrepancy:** A registered person shall, upon noticing any discrepancy in his electronic cash ledger, communicate the same to the officer exercising jurisdiction in the matter, through the common portal in FORM GST PMT-04.

Note: A refund shall be deemed to be rejected, if the appeal is finally rejected or if the claimant gives an undertaking to the proper officer that he shall not file an appeal.

Rule 88 Unique Identification Number

1. A unique identification number shall be generated at the common portal for each debit or credit to the electronic cash or credit ledger, as the case may be.
2. The unique identification number relating to discharge of any liability shall be indicated in the corresponding entry in the electronic liability register.
3. A unique identification number shall be generated at the common portal for each credit in the electronic liability register for reasons other than those covered under sub-rule (2).



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Example 3: ABC has deposited the following amounts in its Electronic Cash Ledger under its major heads. The position of Electronic Cash Ledger for the month of May 2019 is as follows:-

	IGST	CGST	Cess	SGST
Balance	9,000	10,000	-	12,000

For the month of May 2019 Tax Liability:-

Net Tax Liability	IGST	CGST	Cess	SGST
Tax	8,000	12,000	-	12,000

It is to be determined as to how ABC can utilize the balance in Electronic Cash Ledger for payment of net tax liability?

Description	Total Tax Payable	Taxes paid through Electronic Cash Ledger			
		IGST	CGST	SGST	Cess
IGST	8,000	8,000			
CGST	12,000		10,000		
SGST	12,000			12,000	
Cess					

In this case, ABC need to deposit INR 2,000 more for payment of CGST.

Section 50 Interest on delayed payment of tax

- (1) Every person who is liable to pay tax in accordance with the provisions of this Act or the rules made thereunder, but **fails to pay the tax or any part thereof to the Government within the period prescribed**, shall for the period for which the tax or any part thereof remains unpaid, pay, on his own, interest at such rate, not exceeding **eighteen percent**, as may be notified by the Government on the recommendations of the Council.
- (2) The interest under sub-section (1) shall be calculated, in such manner as may be prescribed, from the day succeeding the day on which such tax was due to be paid.
- (3) A taxable person who makes an **undue or excess claim of input tax credit under sub-section (10) of section 42 or undue or excess reduction in output tax liability under sub-section (10) of section 43**, shall pay interest on such undue or excess claim or on such undue or excess reduction, as the case may be, at such rate not exceeding **twenty-four percent**, as may be notified by the Government on the recommendations of the Council.

Example 4: Mr. A has provided following information with respect to filing of return for the period of June 2018:-

Particulars	Amount (INR)
Amount of IGST to be deposited	2,00,000
Due Date of filing GSTR 3B for the month of June 2018 is 20.07.2018	
Actual Deposit is made on 30.07.2018	

In this case, interest to be deposited is Rs. 986 {Rs. 2,00,000 * 18% * 10 days/365 days}

Section 51 Tax deduction at source

- (1) Notwithstanding anything to the contrary contained in this Act, the Government may mandate,—
 - (a) a department or establishment of the Central Government or State Government; or
 - (b) local authority; or
 - (c) Governmental agencies; or
 - (d) such persons or category of persons as may be notified by the Government on the

recommendations of the Council

Notified under notification No. 50/2018 – CT Dated 13.09.2018 & 57/2018 – CT Dated 23.10.2018}

The following persons have been notified under clause (d) of sub-section (1) of section 51 of the CGST Act by the Central Government:

- (a) an authority or a board or any other body, -
 - i. set up by an Act of Parliament or a State Legislature; or
 - ii. established by any Government,
 with 51% or more participation by way of equity or control, to carry out any function;
- (b) society established by the Central Government or the State Government or a Local Authority under the Societies Registration Act, 1860;
- (c) public sector undertakings

With respect to deductor under section 51(1)(a), provisions of TDS are applicable only on the certain prescribed authorities of Ministry of Defence, remaining authorities under the Ministry of Defence are exempt.

- ✓ No TDS in case of supply of goods or services or both from a public sector undertaking to another public sector undertaking, whether or not a distinct person, with effect from the 1st day of October, 2018.
{Notification No. 61/2018 – Central Tax Dated 5th November, 2018}.
- ✓ Nothing in this notification shall apply to the supply of goods or services or both which takes place between one person to another person specified under clauses (a), (b), (c) and (d) or sub-section (1) of Section 51 of said Act.
Notification No.73/2018 – Central Tax Dated 31st December, 2018}
- ✓ The CBIC vide circular no. 76/50/2018 – GST Dated 31.12.2018 has clarified that the provisions of TDS are applicable only to such authority or a board or any other body, set up by an Act of Parliament or a State Legislature or established by any government in which fifty one percent or more participation by way of equity or control is with the Government.

(hereafter in this section referred to as “the deductor”), to deduct tax at the rate of one percent under CGST Act, 2017, (also need to consider deduction under SGST Act, 2017 i.e. 1% CGST & 1% SGST = Total 2%) from the payment made or credited to the supplier (hereafter in this section referred to as “the deductee”) of taxable goods or services or both, where the total value of such supply, under a contract, exceeds two lakh and fifty thousand rupees:

Provided that no deduction shall be made if the location of the supplier and the place of supply is in a State or Union territory which is different from the State or as the case may be, Union territory of registration of the recipient.

Example 5: Registered dealer of Bhubaneswar has placed supply order to a registered dealer of Bihar for delivery of material to a party in Patna. The supply would be intra-State supply and Central tax and State tax would be levied. In such case, transfer of TDS (Central tax + State tax of Orissa) to the cash ledger of the supplier (Central tax + State tax of Bihar) would be difficult. So in such cases, TDS would not be deducted.

- Value of supply shall **exclude GST taxes & Cess**.
- The amount of tax deducted at source should be deposited to the Government account by deductor by **10th of the succeeding month**.
- **A TDS certificate is required to be issued by deductor** (the person who is deducting tax) in prescribed form to the deductee (the supplier from whose payment TDS is deducted).
- If the deductor does not furnish the **certificate of deduction-cum- remittance within 5 days of the remittance, the deductor has to pay a late fee of Rs. 100 per day from the expiry of the 5th day until the day he furnishes the certificate. This late fee would not be more than Rs. 5000/-**.
- If the deductor has not remitted the amount deducted as TDS to the Government within the prescribed time limit, he is liable to **pay penal interest under Section 50** in addition to the amount of tax deducted.
- The amount of tax deducted is reflected in
 - Electronic Cash Ledger of deductee.
 - Return filed by deductor under section 39(3).

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The deductee can claim credit of the tax deducted, in his electronic cash ledger. This provision enables the Government to cross check whether the amount deducted by the deductor is correct and that there is no mis-match between the amount reflected in the electronic cash ledger and the amount shown in the return filed by deductor.

- The deductor or the deductee can claim refund of excess deduction or erroneous deduction. The provisions of section 54 relating to refunds would apply in such cases. However, if the deducted amount is already credited to the electronic cash ledger of the supplier, the same shall not be refunded.

FAQ released by CBIC

Situations / Contracts	Deduction required YES / NO	Remarks
Finance Department is making a payment of Rs.3 Lakh to a supplier of 'printing & stationery'.	Yes	Where the total contract value of taxable supply is more than Rs.2.5 Lakh deduction is mandatory.
Education Department is making payment of Rs.5 Lakh to a supplier of 'printed books and printed or illustrated post cards' where payment for books is Rs.2 Lakh and Rs.3 Lakh is for other printed or illustrated post cards.	Yes, deduction is required in respect of payment of Rs. 3 Lakh only i.e. for payment in respect of taxable supply.	Books are exempted goods; no deduction is required in respect of supply of books. However, payment involving 'printed or illustrated post cards' is for supply of taxable goods and value of such supply is > Rs.2.5 Lakh; so deduction is required.
Finance Department, is making payment of Rs.1.5 Lakh to a supplier of 'car rental service'.	See Remarks	Deduction is mandatory in case the total value of taxable supply under the contract > Rs.2.5 Lakh irrespective of the amount paid. However, if the total value of supply under a contract is < Rs.2.5 Lakh, deduction is not required.
Health Department executed a contract with a local supplier to supply "medical grade oxygen" of Rs.2.6 Lakh (including GST) and is making full payment.	No	Total value of supply as per the contract is Rs.2.6 Lakh (including GST). Tax rate is 12%. So, taxable value of supply (excluding GST) stands at $\text{Rs.2.6L} \times \frac{100}{112} = \text{Rs.2.32 L} < \text{Rs.2.5 Lakh}$ Hence, deduction is not required.
Municipal Corporation of Kolkata purchases a heavy generator from a supplier in Delhi. Now, it is making payment of Rs.5 Lakh and IGST @18% on Rs.5 Lakh for such purchase.	Yes, deduction is required @ 2%	Deduction is required in case of inter-State supply and if the value of taxable supply under a contract exceeds Rs.2.5 Lakh.
Fisheries Department is making a payment of Rs.10 Lakh to a contractor for supplying labour for digging a pond for the purpose of Fisheries.	No	This supply of service is exempt in terms of Sl. No. 3 of notification No.12/2017 – Central Tax (Rate) Dated 28.06.2017 and hence deduction is not required.

Municipality is making payment of Rs.5 Lakh to a supplier in respect of cleaning of drains where the value of supply of goods is not more than 25% of the value of composite supply	No	This supply of service is exempt in terms of Sl. No. 3A of notification No.12/2017 – Central Tax (Rate) Dated 28.06.2017 as amended by notification no. 2/2018- Central Tax (Rate) Dated 25.01.2018 and hence deduction is not required.
Government school is making a payment of Rs.3 Lakh to a supplier for supply of cooked food as mid-day meal under a scheme sponsored by Central/State Government.	No	This supply of service is exempt in terms of Sl. No. 66 of notification No. 12/2017 – Central Tax (Rate) Dated 28.06.2017 as amended and hence deduction is not required.
Health Department is making payment of Rs.10 Lakh to a supplier for supply of Hearing Aids.	No	This supply of goods is exempt in terms of Sl. No.142 of notification No. 2/2017 – Central Tax (Rate) Dated 28.06.2017 as amended and hence deduction is not required.

Example 6 (ICAI): Suppose a supplier makes a supply worth Rs. 1000/- to a recipient and the GST at the rate of 18% is required to be paid. The recipient, while making the payment of Rs. 1000/- to the supplier, shall deduct 1% viz Rs. 10/- as TDS.

The value for TDS purpose shall not include 18% GST. The TDS, so deducted, shall be deposited in the account of Government by 10th of the succeeding month.

The TDS so deposited in the Government account shall be reflected in the electronic cash ledger of the supplier (i.e. deductee) who would be able to use the same for payment of tax or any other amount. The purpose of TDS is just to enable the Government to have a trail of transactions and to monitor and verify the compliances.

Example 7:

Particulars (in all cases taxable contract value is over Rs.2.5 Lakh)	Location of Supplier	Place of Supply	State of Registration of recipient	Type of Supply	Tax	TDS deduction
State Government of Rajasthan purchases taxable goods from a local supplier	Jaipur	Jaipur	Rajasthan	Intra-State	CGST & SGST	Yes
State Government of Punjab purchases taxable goods from a supplier in Mumbai	Mumbai	Punjab	Punjab	Inter-State	IGST	Yes
State Government of Haryana engages a contractor of Delhi for repairing of Haryana Bhawan in Delhi	Delhi	Delhi	Haryana	Intra - State	CGST & SGST	No

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Section 52 Collection of Tax at Source

- (1) Notwithstanding anything to the contrary contained in this Act, every electronic commerce operator (hereafter in this section referred to as the “operator”), not being an agent, shall collect an amount calculated at such rate not exceeding one per cent., as may be notified by the Government on the recommendations of the Council, of the net value of taxable supplies made through it by other suppliers where the consideration with respect to such supplies is to be collected by the operator.

Explanation.—For the purposes of this sub-section, the expression “net value of taxable supplies” shall mean the aggregate value of taxable supplies of goods or services or both, other than services notified under sub-section (5) of section 9, made during any month by all registered persons through the operator reduced by the aggregate value of taxable supplies returned to the suppliers during the said month.

- (2) The power to collect the amount specified in sub-section (1) shall be without prejudice to any other mode of recovery from the operator.
- (3) The amount collected under sub-section (1) shall be paid to the Government by the operator within ten days after the end of the month in which such collection is made, in such manner as may be prescribed.
- (4) Every operator who collects the amount specified in sub-section (1) shall furnish a statement, electronically, containing the details of outward supplies of goods or services or both effected through it, including the supplies of goods or services or both returned through it, and the amount collected under sub-section (1) during a month, in such form and manner as may be prescribed, within ten days after the end of such month.
- (5) Every operator who collects the amount specified in sub-section (1) shall furnish an annual statement, electronically, containing the details of outward supplies of goods or services or both effected through it, including the supplies of goods or services or both returned through it, and the amount collected under the said sub-section during the financial year, in such form and manner as may be prescribed, before the thirty first day of December following the end of such financial year.
- (6) If any operator after furnishing a statement under sub-section (4) discovers any omission or incorrect particulars therein, other than as a result of scrutiny, audit, inspection or enforcement activity by the tax authorities, he shall rectify such omission or incorrect particulars in the statement to be furnished for the month during which such omission or incorrect particulars are noticed, subject to payment of interest, as specified in sub-section (1) of section 50:

Provided that no such rectification of any omission or incorrect particulars shall be allowed after the due date for furnishing of statement for the month of September following the end of the financial year or the actual date of furnishing of the relevant annual statement, whichever is earlier.

- (7) The supplier who has supplied the goods or services or both through the operator shall claim credit, in his electronic cash ledger, of the amount collected and reflected in the statement of the operator furnished under sub-section (4), in such manner as may be prescribed.
- (8) The details of supplies furnished by every operator under sub-section (4) shall be matched with the corresponding details of outward supplies furnished by the concerned supplier registered under this Act in such manner and within such time as may be prescribed.
- (9) Where the details of outward supplies furnished by the operator under sub-section (4) do not match with the corresponding details furnished by the supplier under section 37 or Section 39, the discrepancy shall be communicated to both persons in such manner and within such time as may be prescribed.
- (10) The amount in respect of which any discrepancy is communicated under sub-section (9) and which is not rectified by the supplier in his valid return or the operator in his statement for the month in which discrepancy is communicated, shall be added to the output tax liability of the said supplier, where the value of outward supplies furnished by the operator is more than the value of outward supplies furnished by the supplier, in

his return for the month succeeding the month in which the discrepancy is communicated in such manner as may be prescribed.

- (11) The concerned supplier, in whose output tax liability any amount has been added under sub-section (10), shall pay the tax payable in respect of such supply along with interest, at the rate specified under sub-section (1) of section 50 on the amount so added from the date such tax was due till the date of its payment.
- (12) Any authority not below the rank of Deputy Commissioner may serve a notice, either before or during the course of any proceedings under this Act, requiring the operator to furnish such details relating to—
 - (a) supplies of goods or services or both effected through such operator during any period; or
 - (b) stock of goods held by the suppliers making supplies through such operator in the godown or warehouses, by whatever name called, managed by such operator and declared as additional places of business by such suppliers, as may be specified in the notice.
- (13) Every operator on whom a notice has been served under sub-section (12) shall furnish the required information within fifteen working days of the date of service of such notice.
- (14) Any person who fails to furnish the information required by the notice served under sub-section (12) shall, without prejudice to any action that may be taken under section 122, be liable to a penalty which may extend to twenty-five thousand rupees.

Explanation.—For the purposes of this section, the expression “concerned supplier” shall mean the supplier of goods or services or both making supplies through the operator.

- In cases where someone is selling their own products through a website, there is no requirement to collect tax at source as per the provisions of this Section. These transactions will be liable to GST at the prevailing rates.
- If we purchase goods from different vendors and are selling them on our website under our own billing. In this case, there are two transactions - where we purchase the goods from the vendors, and where we sell it through our website. For the first transaction, GST is leviable, and will need to be paid to our vendor, on which ITC is available to us. The second transaction is a supply on our own account, and not by other suppliers and there is no requirement to collect tax at source. The transaction will attract GST at the prevailing rates.
- If electronic commerce operator has suppliers in different States, he is required to obtain GST registration in each State. However, he can indicate his head office as place of business, if he doesn't have place of business in that State. Thus, all returns can be filed through HO.
{Sr. Nos. 5 to 7 of FAQ released by Law Committee of GST Council on 28-9-2018}
- The supplier cannot supply under composition scheme. He must supply goods or services through normal scheme only.
{Sr. Nos. 6 & 16 of FAQ released by Law Committee of GST Council on 28-9-2018}
- The net value of taxable supplies will be calculated at GSTIN level and not at gross level. In other words, net suppliers are to be calculated for each supplier separately.
{Sr. Nos. 10 & 11 of FAQ released by Law Committee of GST Council on 28-9-2018}
- If in a particular month, the sale returns are more than supplies made, there will be no TCS for that month. However, such negative figure will not be carried forward. Hence, such shortage cannot be adjusted in next month.
{Sr. Nos. 20 of FAQ released by Law Committee of GST Council on 28-9-2018}
- The TCS by electronic commerce operator shall be on billing basis and not on collection basis
{Sr. Nos. 11 of FAQ released by Law Committee of GST Council on 28-9-2018}
TCS provision is not applicable when GST is payable on reverse charge. TCS provisions also do not apply in case of exempt supply.
{Sr. Nos. 14 & 15 of FAQ released by Law Committee of GST Council on 28-9-2018}
- TCS provision don't apply on import of goods or services.

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{Sr. Nos. 17 of FAQ released by Law Committee of GST Council on 28-9-2018}

- The rate of TCS are as follows-

(a) For supplies within the State – 0.5% CGST plus 0.5% SGST/UTGST

(b) For inter-State supplies – 1% IGST

of the net value of supplies made through it by other suppliers where consideration with respect to such supplies is to be collected by the said operator.

{Sr. Nos. 4 of FAQ released by Law Committee of GST Council on 28-9-2018}

{Notification Nos. 52/2018-CT and 02/2018-IT both Dated 20-9-2018}

- The payment of TCS is to be made through electronic cash ledger only within 10 days from close of month. Payment of TCS amount cannot be made through electronic credit ledger.

{Sr. Nos. 19 of FAQ released by Law Committee of GST Council on 28-9-2018}

- As per Section 24 (ix) every person supplying goods or services through an e-commerce operator who is required to collect TCS under Section 52, is required to be mandatorily register in GST irrespective of the value of supply made by him. However, vide notification No. 65/2017-central tax Dated 15.11.2017, such supplier is going to get threshold limit. It means e-commerce operator is not liable to collect TCS on supply of services being by such supplier through their portal.

- The Government vide circular no. 74/48/2018 – GST Dated 05.11.2018 has clarified on applicability of TCS provisions on operator of electronic auction system for trading tea, in view of the representation received from the Tea Board of India.

The CBIC vide above circular has clarified that the Tea Board admittedly falls under the category of e-commerce operator liable to collect TCS at notified rate in accordance with the provisions of Section 52 of the CGST Act, respectively from the:

- ✓ Sellers (i.e. tea producers) on the net value of supply of goods i.e. tea; and
- ✓ Auctioneers on the net value of supply of services (i.e. brokerage)

- The CBIC vide circular no. 76/50/2018 – GST Dated 31.12.2018 has clarified that for the purpose of determination of value of supply under GST, Tax collected at source (TCS) under the provisions of the Income Tax Act, 1961 would not be includible as it is an interim levy not having the character of tax.

E-commerce Operator liable to collect TCS	E-commerce Operator not liable to collect TCS	E-commerce Operator not liable to collect TCS
Amazon is liable to collect TCS, because they are facilitating actual supply of goods through their platform (popularly called market place model)	Amazon will not be treated as e-commerce operators liable to collect TCS, in relation to those supplies which they make on their own account (popularly called inventory model)	Titan supplying watches and jewels through its own website would not be considered as an e-commerce operator for the purpose of Section 52. Thus, TCS provisions are not applicable.

Example 8: ABC Ltd. is an e-commerce operator. For the month of May 2019, following information was provided by ABC Ltd.

Particulars	Amount in INR
Aggregate Value of all taxable supplies made through ABC Ltd. by all taxable persons	50,00,000
Supplies returned out of above taxable supplies	10,00,000
Value of supply of notified services made by unregistered suppliers through ABC Ltd., falling under Section 9 (5) of the CGST Act	15,00,000

In this case net value of taxable supplies for the purpose of collecting TCS @ 1% shall be Rs. 40,00,000 (Rs. 50,00,000-Rs. 10,00,000). Accordingly TCS amount is Rs. 40,000. ABC Ltd. would be considered deemed supplier of service in terms of Section 9 (5) of the CGST Act for Rs. 15,00,000 and TCS won't be applicable on this. If suppose suppliers are registered & responsible for GST payment then TCS will be also applicable on Rs. 15,00,000. So total TCS amount will become Rs. 55,000.

Section 53 Transfer of ITC

On utilization of input tax credit availed under this Act for payment of tax dues under the Integrated Goods and Services Tax Act in accordance with the provisions of sub-section (5) of section 49, as reflected in the valid return furnished under sub-section (1) of section 39, the amount collected as central tax shall stand reduced by an amount equal to such credit so utilized and the Central Government shall transfer an amount equal to the amount so reduced from the central tax account to the integrated tax account in such manner and within such time as may be prescribed.

CPIN stands for Common Portal Identification Number given at the time of generation of challan. It is a 14 digit unique number to identify the challan. The CPIN remains valid for a period of 15 days.

CIN or Challan Identification number is generated by banks, once payment in lieu of a generated challan is successful. It is a 17-digit number that is 14-digit CPN plus 3-digit bank code. CIN is generated by the authorized banks/Reserve Bank of India (RBI) when payment is actually received by such authorized banks or RBI and credited in the relevant government account held with them. It is an indication that the payment has been realized and credited to the appropriate government account. CIN is communicated by the authorized bank to taxpayer as well as to GSTN.

BRN or Bank reference number is the transaction number given by the bank for a payment against a challan.

E-FPB stands for Electronic Focal Point Branch. These are branches of authorized banks which are authorized to collect payment of GST. Each authorized bank will nominate only one branch as its E-FPB for pan India Transactions. The E-FPB will have to open accounts under each major head for all governments. Total 38 accounts (one each for CGST, IGST and one each for SGST for each State/UT Government) will have to be opened. Any amount received by such E-FPB towards GST will be credited to the appropriate account held by such E-FPB. For NEFT/RTGS transactions, RBI will act as E-FPB.

Question & Answer

Q1. How to determine the value limit of Rs. 2,50,000 to decide on the applicability of TDS?

A. As per Section 51, tax to be deducted "where the total value of such supply, under a contract, exceeds Rs. 2,50,000". If there is a Purchase order for supply of goods or services or both, for a value exceeding Rs. 2,50,000 then TDS provisions would be attracted. Against the Purchase Order, if several supplies are made under several invoices, even if the value of any particular invoice is less than Rs. 2,50,000 TDS would apply i.e. Public Sector Unit issues 'Purchase order' for a total value of Rs. 10,00,000 on 01.10.2018. Supplier is supplying goods through various invoices & one invoice value is Rs. 50,000. Even then TDS is applicable for this invoice, as the contract value is more than Rs. 2,50,000.

Further, while determining the value, the CGST, SGST, UTGST and IGST shall not be included. For example, if the value of the goods or services being supplied is Rs. 2,40,000/- plus 5% GST, total invoice value Rs. 2,52,000, TDS provisions will not apply, as the value, excluding GST is less than Rs.2,50,000/-.

Q2. State TDS applicability in following cases:

- Supply under RCM
- Supply by unregistered supplier
- Supply by composition Supplier

A.

- No TDS, where the tax is to be paid on reverse charge by the recipient i.e. the deductee;
- No TDS, where the payment is made to an unregistered supplier;
- TDS is required in case of supply received from Composition Supplier i.e. Supplier ZA is a person registered under the composition scheme in Jharkhand who makes taxable supply worth Rs. 10,000 to a Local Authority of Jharkhand where value of taxable supply under the contract is for Rs. 2,55,000 which is more than Rs. 2.5 Lakh and hence deduction of tax is required.

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Q3. Mr. X has deducted Rs 1 lakh of TDS in Nov'18. He deposits Rs 70,000 on 10.12.2018 & the rest of Rs 30,000 on 30.01.2019. He submits the return in FORM GSTR 7 on 28.02.2019. Has he incurred any liability to pay late fee or interest? Is he liable to pay any penalty? {FAQ released by CBIC}

A. Electronic Cash Ledger of the DDO is credited on 10.12.2018 and 30.01.2019 with Rs. 70,000 and Rs. 30,000 respectively on account of deposit of TDS of Rs 70,000/- on 10.12.2018 & Rs 30,000 on 30.01.2019. Since return in FORM GSTR 7 for the month of November, 2018 is filed on 28.02.2019 and he discharges his payment liability of tax so deducted by debiting his electronic cash ledger as well on this date only, therefore, late fee of 80 days (11.12.2018 to 28.02.2019) have to be paid under CGST and SGST. The amount of late fee will be restricted to Rs. 5000 (upper limit provided in the Act). Interest has also to be paid for the delay. Penalty is also payable by a DDO if he fails to deduct the tax in accordance with the provisions of sub-section (1) of section 51, or deducts 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 Government under sub-section (2) of section 51 [section 122 (v) refers]. He is liable to penalty of Rs.1,00,000/-.

Q4. Whether a supplier of goods or services supplying through ecommerce operator would be entitled to threshold exemption? {FAQ released by CBIC}

A. As per Section 24 (ix) of the CGST Act, 2017, every person supplying goods through an ecommerce operator shall be mandatorily required to register irrespective of the value of supply made by him. However, a person supplying services, other than supplier of services under section 9 (5) of the CGST Act, 2017, through an e-commerce platform are exempted from obtaining compulsory registration provided their aggregate turnover does not exceed INR 20 lakhs (or INR 10 lakhs in case of specified special category States) in a financial year. Government has issued the notification No. 65/2017 – Central Tax Dated 15th November, 2017 in this regard.

Q5. Whether e-Commerce operator is required to obtain registration in every State/UT in which suppliers listed on their e-commerce platform are located to undertake the necessary compliance as mandated under the law? {FAQ released by CBIC}

A. As per the CGST law, registration for TCS would be required in each State / UT as the obligation for collecting TCS would be there for every intra-State or inter-State supply. In order to facilitate the obtaining of registration in each State / UT, the e-commerce operator may declare the Head Office as its place of business for obtaining registration in that State / UT where it does not have physical presence. It may be noted that each State/UT has indicated one administrative jurisdiction where all e-commerce operators having business (but not having physical presence) in that State/UT shall register. The proper officer for the purpose of registration of ECOs has also been notified by each State/UT.

Q6. Foreign e-commerce operator do not have place of business in India since they operate from outside. But their supplier and customers are located in India. So, in this scenario will the TCS provision be applicable to such ecommerce operator and if yes, how will foreign e-commerce operator obtain registration?

{FAQ released by CBIC}

A. Where registered supplier is supplying goods or services through a foreign e-commerce operator to a customer in India, such foreign ecommerce operator would be liable to collect TCS on such supply and would be required to obtain registration in each State / UT. It may be noted that each State/UT has indicated one administrative jurisdiction where all ecommerce operators having business (but not having physical presence) in that State/UT shall register. The proper officer for the purpose of registration of ECOs has also been notified by each State/UT. If the foreign e-commerce operator does not have physical presence in a particular State / UT, he may appoint an agent on his behalf.

Chapter 13: - Returns

Section 37	Furnishing details of outward supplies
Section 39	Furnishing Returns
Section 40	First Return
Section 44	Annual Return
Section 45	Final Return
Section 46	Notice to Return defaulters
Section 47	Levy of Late Fee
Section 48	Goods & Service Tax Practitioners
Section 150	Information Return
Section 123	Penalty for failure to furnish Information Return

Please download offline utility to understand Returns, to make it simple & interesting. Please memorize below chart (important for MCQ)

Return Form	Details of Return	Due Date
GSTR -1	Details of Outward Supplies i.e. invoices, debit notes and credit notes issued by taxable person (including casual taxable person). Not applicable to ISD, NRTP, Composition Dealer, TDS & TCS.	10 th of Succeeding Month/Quarter (Quarterly filing if aggregate turnover upto Rs. 1.50 crores)
GSTR – 3B	Summary return (including casual taxable person)	20 th of Succeeding Month
FORM GST CMP-08	Composition Dealer or person paying tax by availing the benefit of Notification 02/2019 - Central Tax (Rate), Dated the 7th March, 2019	18th day of the month succeeding quarter
ITC – 04	Details of inputs sent for job work	Quarterly within 25 days from end of quarter
GSTR – 4	Annual return for Composition Dealer or person paying tax by availing the benefit of Notification 02/2019 - Central Tax (Rate), Dated the 7th March, 2019	Thirtieth day of April following the end of such financial year
GSTR – 5	Return for NRTP	20 th Day from end of month or within 7 days after the last day of validity of registration whichever is earlier
GSTR – 5A	Return for OIDAR	20 th of Succeeding Month
GSTR – 6	Return for ISD	13 th Day of Succeeding Month
GSTR – 9	Annual Return (Not applicable to ISD, NRTP, Casual Taxable Person, Government, TDS & TCS)	31 st December of Next Financial Year
GSTR – 9A	Annual Return for Composition taxable person	31 st December of Next Financial Year
GSTR – 9C	GST Reconciliation Statement	With annual return
GSTR – 10	Final Return (Every registered person whose registration has been cancelled)	Within 3 months of the date of cancellation of registration or order of cancellation whichever is later.
GSTR – 11	Details of inward supplies to be furnished by a person having UIN and claiming refund	28 th Day of Succeeding Month

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Section 37 Furnishing Details of Outward Supplies

Details of outward supplies [Section 37 (1) read with rule 59 (1)]

Every registered person including casual registered person excluding:

- Input Service Distributor
- Non-resident taxable person
- Person paying tax under composition scheme
- Person deducting TDS
- Person collecting tax at source i.e. ECO, not being an agent
- OIDAR

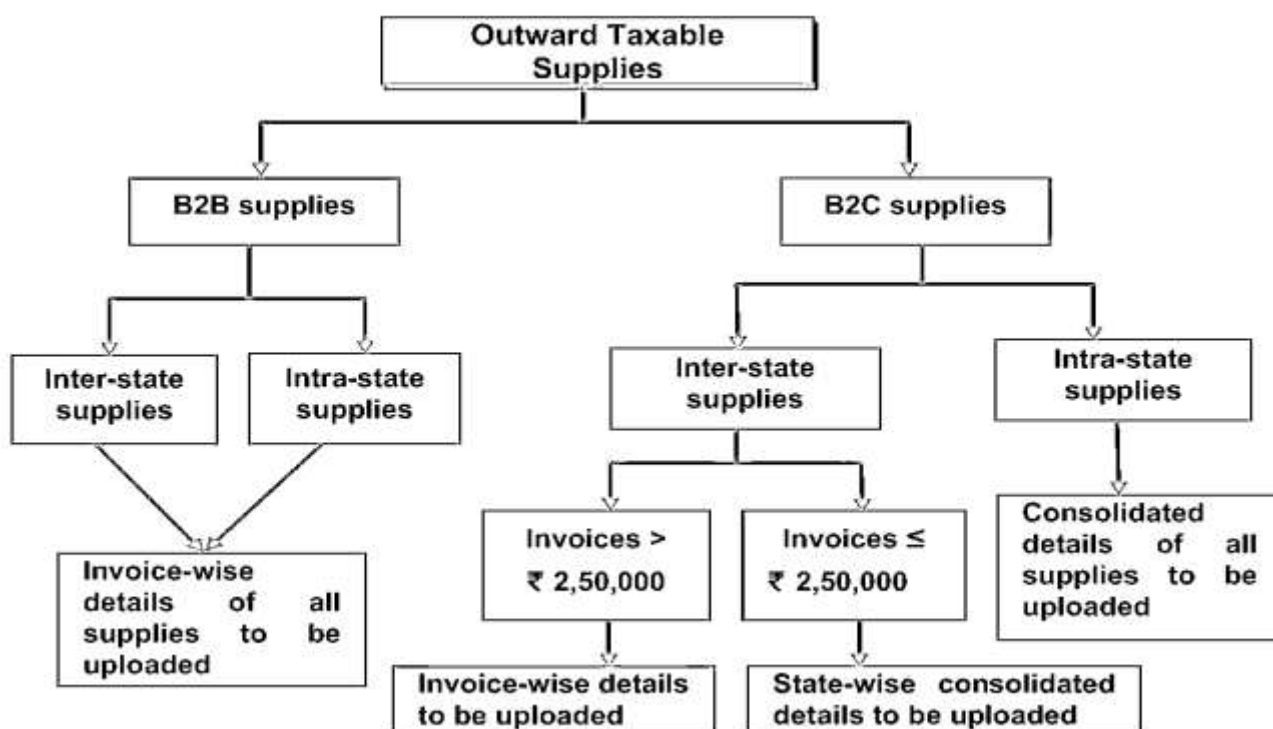
Form & Due Date: FORM GSTR 1 & due date is on or before 10th of succeeding month. GSTR-1 cannot be filed between 11th & 15th of the succeeding month. GSTR-1 can be filed on or after 16th of month., if due date of 10th of the month is missed.

The due date of filing GSTR-1 may be extended by the Commissioner/Commissioner of State GST/Commissioner of UTGST for a class of taxable persons by way of notification.

A taxpayer cannot file GSTR-1 before the end of current tax month period except

- Casual taxpayers, after the closure of their business
- Cancellation of GSTIN of a normal taxpayer

Details of outward supplies are required to be furnished in GSTR-1 [Explanation to section 37 read with rule 59(2) of CGST Rules]



- Invoices can be modified/deleted any number of times till the final submission.
- If there is no consideration as per Schedule I, the taxable value needs to be worked out
- HSN details Upto 1.5 crores (NIL), more than 1.5 crores and upto Rs. 5 crores (2 digits) & More than Rs. 5 crores (4 digits)

Basic & Other Details	Details of Outward Supplies
•GSTIN •Legal name and Trade name •Aggregate turnover in previous year •Tax period •HSN-wise summary of outward supplies •Details of documents issued •Advances received/advances adjusted	•B2B •B2C •Zero rated and Deemed exports •Debit/ Credit notes issued •Nil rated/ Exempted/ Non GST •Amendments for prior period

Prior periods amended [Section 37 (3)]

A. Scope of amendment/correction entries

The supplier can make amendments in the particulars furnished in GSTR-1 filed by him for the prior periods if he agrees to the mismatch report communicated to him by the system every month, after the processing of the return.

The details of original debit notes/credit notes/refund vouchers issued by the tax-payer in the current tax period as also the revision in the debit notes/credit notes/refund vouchers issued in the earlier tax periods are required to be shown in Table 9 of GSTR-1.

Ordinarily in Amendment Table the supplier is required to give details of original invoice (No. and Date), the particulars of which have been wrongly entered in GSTR-1 of the earlier months and are now sought to be amended. However, it may happen that, a supplier altogether forgets to include the entire original invoice while furnishing the GSTR-1 for a particulars month. In such cases also, he would be required to show the details of the said missing invoice which was issued in earlier month in the Amendment Table only, as such type of errors would also be regarded as data entry error.

B. Time limit for rectification

Suppose for some reason, supplier could not make correction at the time of filing of GSTR-1 then he can make correction in the subsequent periods but maximum time limit permissible:

- Date of filing of monthly return u/s 39 for the month of September following the end of financial year to which such details pertain or
- Date of filing of the relevant annual return.

Key Points to remember:

- GSTR 1 needs to be filed even if there is no business activity in the tax period.
- All values like invoice value, taxable value and tax amounts in GSTR 1 are to be declared up to 2 decimal digits. The rounding off of the self-declared tax liability to the nearest rupee will be done in GSTR 3B.
- As a measure of easing the compliance requirement for small tax payers, GSTR-1 has been allowed to be filed quarterly by small tax payers with aggregate annual turnover up to Rs. 1.5 crore in the preceding financial year or the current financial year. Tax payers with annual aggregate turnover above Rs. 1.5 crore will however continue to file GSTR- 1 on a monthly basis.
- Taxpayer opting for voluntary cancellation of GSTIN will have to file GSTR 1 for active period.
- In cases where a taxpayer has been converted from a normal taxpayer to composition taxpayer, GSTR 1 will be available for filing only for the period during which the taxpayer was registered as normal taxpayer. The GSTR 1 for the said period, even if filed with delay would accept invoices for the period prior to conversion.

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Section 39 Furnishing of Returns

Persons liable to file returns, forms, periodicity and due dates of furnishing returns [Section 39 read with rules 61, 62, 63, 65 & 82]

Extension of due date

The due-date of filing of the returns under section 39 may be extended by the Commissioner/Commissioner of State GST/Commissioner of UTGST for a class of taxable persons by way of a notification.

Due date for payment of tax [Section 39 (7)]

Due dates for payment of tax in respect of the persons required to file GSTR-3B, GSTR-4 & GSTR 5 are linked with due dates for filing of such returns i.e. the last dates of filing such returns are also the due dates for payment of tax in respect of persons required to file such returns.

However, NRTPs or casual taxable persons are required to make advance deposit of tax of an amount equivalent to the estimated tax liability of such person for a period for which registration is sought or extension of registered is sought in terms of section 27 (2).

GSTR 3B filed without payment of self-assessed tax disclosed therein, is not be regarded as a valid return in terms of section 2 (117).

Time limit for rectification

Omission or incorrect particulars discovered in the returns filed u/s 39 can be rectified in the return to be filed for the month/quarter during which such omission or incorrect particulars are noticed.

Any tax payable as a result of such error or omission will be required to be paid along with interest.

Exceptions: It is important to note that section 39 (9) does not permit rectification of error or omission discovered on account of scrutiny, audit, inspection or enforcement activities by tax authorities.

Maximum time limit for amendment:

- Date of filing of monthly return u/s 39 for the month of September following the end of financial year to which such details pertain or
- Date of filing of the relevant annual return.

Content of GSTR-3B

GSTR-3B is required to be furnished on or before 20th day of the next month. This is the summary return. This return mainly covered details with respect to

Outward Supply:

- Consolidated monthly details of the outward supply along GST is required to be recorded.
- Further, the details of Non-GST outward Supply is also required to be reported. This supply could include Free Sample, Supply as per Schedule III, etc. Accordingly, the taxpayer should keep the separate record of such transactions.
- In addition to aforesaid taxpayer is required to submit separate details for sale to customer who has opted Composition scheme and also who are unregistered under GST regime.

Inward Supply:

Hereinunder, the taxpayer has to provide the details of input tax credit availed, ineligible input tax credit, reversal of input tax credit if any. Further, the taxpayer has to bifurcate the procurement details in to

- Supplier where ITC available
- Supplier where ITC not available
- Supplier under Composition Scheme
- Supply covered under Exempt Supply
- Supply covered under Nil rate
- Non - GST Supply

Composition Dealer or person paying tax by availing the benefit of Notification 02/2019 - Central Tax (Rate), Dated the 7th March, 2019 [Section 39 (2) read with rule 62]

- furnish a statement, every quarter or, as the case may be, part thereof, containing the details of payment of self-assessed tax in FORM GST CMP-08, till the 18th day of the month succeeding such quarter; and
- furnish a return for every financial year or, as the case may be, part thereof in FORM GSTR-4, till the thirtieth day of April following the end of such financial year, electronically through the common portal, either directly or through a Facilitation Centre notified by the Commissioner.
- Every registered person furnishing the statement shall discharge his liability towards tax or interest payable under the Act or the provisions of this Chapter by debiting the electronic cash ledger.
- 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.
- From the beginning of a financial year shall, where required, furnish the details of outward and inward supplies and return under rules 59, 60 and 61 (GSTR 1,2 & 3B) relating to the period during which the person was liable to furnish such details and returns till the due date of furnishing the return for the month of September of the succeeding financial year or furnishing of annual return of the preceding financial year, whichever is earlier.

For the purposes of this sub-rule, it is hereby declared that the person shall not be eligible to avail input tax credit on receipt of invoices or debit notes from the supplier for the period prior to his opting for the composition scheme

- A registered person opting to withdraw from the composition scheme at his own motion or where option is withdrawn at the instance of the proper officer shall, where required, furnish a statement in FORM GST CMP-08 for the period for which he has paid tax under the composition scheme till the 18th day of the month succeeding the quarter in which the date of withdrawal falls and furnish a return in FORM GSTR-4 for the said period till the thirtieth day of April following the end of the financial year during which such withdrawal falls.
- A registered person who ceases to avail the benefit of notification No. 02/2019, shall, where required, furnish a statement in FORM GST CMP-08 for the period for which he has paid tax by availing the benefit under the said notification till the 18th day of the month succeeding the quarter in which the date of cessation takes place and furnish a return in FORM GSTR - 4 for the said period till the thirtieth day of April following the end of the financial year during which such cessation happens.

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GSTR 5 (NRTP) [Section 39 (5) read with rule 63]

A registered NRTP is not required to file separately the Statement of Outward, Inward supplies. A simplified monthly tax return has been prescribed in Form GSTR 5 which they need to file 20 days after the end of the calendar month or within 7 days after the last day of validity period of the registration, whichever is earlier.

GSTR 11 (UIN) [Rule 82]

Such person shall furnish the details of those inward supplies of taxable goods and/or services on which refund of taxes has been claimed in Form GSTR-11, along with application for such refund claim.

GSTR 6 (ISD) [Section 39 (4) read with rule 60 (5) & rule 65]

An ISD is required to distribute both eligible as well as ineligible credit as per rule 39.

ISD is not required to file separate statements of outward and inward supplies with its return.

Form GSTR 6 contains the details of input tax credit received for distribution, total ITC/eligible/ineligible ITC to be distributed for the tax period, distribution of ITC, details of debit/credit notes etc. Return needs to be filed after 10th of the month and before 13th of the month succeeding the tax period.

The details of ITC received for distribution by an ISD will be auto populated in Form GSTR-6A. Such details are auto-populated in Form GSTR-6A when the registered suppliers file their GSTR-1.

ISD can view the auto-populated details of ITC received for distribution in GSTR-6A and, where required, after adding, correcting or deleting the details, furnish GSTR-6.

ISD will not have reverse charge supplies. If ISD wants to take reverse charge supplies, in that case it has to separately register as a Normal taxpayer.

Basic & Other Details	Details regarding Inward and Outward Supplies
• GSTIN • Legal name and Trade name • Late Fee [Table 10] • Refund claimed from electronic cash ledger [Table 11]	• Input tax credit received for distribution [Table 3] • Total ITC/ Eligible ITC/ Ineligible ITC to be distributed for tax period [Table 4] • Distribution of input tax credit reported in Table 4 [Table 5] • Amendments in information furnished in earlier returns [Table 6] • Input tax credit mis-matches and reclaims to be distributed in the tax period [Table 7] • Distribution of input tax credit reported in Table No. 6 and 7 (plus/minus) [Table 8] • Redistribution of ITC distributed to wrong recipient (plus/minus) [Table 9]

Section 40 First Return

Every registered person who has made outward supplies in the period between the date on which he became liable to registration till the date on which registration has been granted shall declare the same in the first return furnished by him after grant of registration.

Section 44 Annual Return

(1) Every registered person, **other than an**

- Input Service Distributor,
- a person paying tax under section 51 or section 52,
- a casual taxable person, and
- a non-resident taxable person,
- **other than those referred to in the proviso to sub-section (5) of section 35 (CAG or auditor of local authorities)**

shall furnish an annual return for every financial year electronically in such form and manner as may be prescribed on or before the **thirty-first day of December following the end of such financial year**.

(2) Every registered person who is required to get his accounts audited in accordance with the provisions of sub-section (5) of section 35 shall furnish, electronically, the annual return under sub-section (1) along with a copy of the audited annual accounts and a reconciliation statement, reconciling the value of supplies declared in the return furnished for the financial year with the audited annual financial statement, and such other particulars as may be prescribed.

- Annual Return is to be filed electronically in Form GSTR 9 through common portal. Composition Scheme supplier is required to file in Form GSTR 9A.
- Aggregate Turnover exceeding INR 2 crores is subject to audit. Reconciliation Statement will reconcile the value of supplies declared in the return furnished for the financial year with the audited annual financial statement and such other particulars, as may be prescribed.

Section 45 Final Return

Every registered person who is required to furnish a return U/s 39 (1) and whose registration has been cancelled shall furnish a final return **within three months of the date of cancellation or date of order of cancellation, whichever is later**, in such form and manner as may be prescribed. (Form GSTR 10)

Section 46 Notice to Return Defaulters

Where a registered person fails to furnish a return under section 39 (Normal Return) or section 44 (Annual Return) or section 45 (Final Return), a notice shall be issued requiring him to furnish such **return within fifteen days** in such form and manner as may be prescribed.

Section 47 Levy of late fee

(1) Any registered person who fails to furnish the details of outward or inward supplies required under section 37 (Statement of Outward Supplies) or ~~section 38 (Statement of Inward Supplies)~~ or returns required under section 39 (Returns) or section 45 (Final Return) by the due date shall pay a **late fee of one hundred rupees for every day during which such failure continues subject to a maximum amount of five thousand rupees**.

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- (2) Any registered person who fails to furnish the return required under section 44 by the due date shall be **liable to pay a late fee of one hundred rupees for every day** during which such failure continues subject to a maximum of an amount calculated **at a quarter per cent (0.25%) of his turnover** in the State or Union territory.

Section 48 Goods & Services Tax Practitioners (Read with Rule 83)

- (1) The manner of approval of goods and services tax practitioners, their eligibility conditions, duties and obligations, manner of removal and other conditions relevant for their functioning shall be such as may be prescribed.
- (2) A registered person may authorize an approved goods and services tax practitioner to furnish the details of outward supplies under section 37, the details of inward supplies under section 38 and the return under section 39 or section 44 or section 45, **and to perform such other functions** in such manner as may be prescribed.
- (3) **Notwithstanding anything contained in sub-section (2), the responsibility for correctness of any particulars furnished in the return or other details filed by the goods and services tax practitioners shall continue to rest with the registered person on whose behalf such return and details are furnished.**

GST Practitioner – Eligibility Criteria

Any person who is a citizen of India having necessary qualification, of sound mind and not convicted or adjudicated as insolvent can become a GST Practitioner. To be qualified as a GST Practitioner, the person must be:

- A retired officer of the Commercial Tax Department of any State Government or of the Central Board of Excise and Customs, Department of Revenue, Government of India, who, during his service under the Government, had worked in a post not lower in rank than that of a Group-B gazetted officer for a period of not less than two years; or
- Has been enrolled as a sales tax practitioner or tax return preparer under the existing law for a period of not less than five years;
- Has the following degree or qualification:
 - A graduate or postgraduate degree or its equivalent examination having a degree in Commerce, Law, Banking including Higher Auditing, or Business Administration or Business Management from any Indian University established by any law for the time being in force; or
 - A degree examination of any Foreign University recognized by any Indian University as equivalent to the degree examination having a degree in Commerce, Law, Banking including Higher Auditing, or Business Administration or Business Management; or
 - Any other examination notified by the Government, on the recommendation of the Council, for this purpose; or
 - Has passed any of the following examinations, namely:
 - Final examination of the Institute of Chartered Accountants of India;
 - Final examination of the Institute of Cost Accountants of India;
 - Final examination of the Institute of Company Secretaries of India.

Duties of a GST Practitioner {Rule 83 (8)}

A goods and services tax practitioner can undertake any or all of the following activities on behalf of a registered person, if so authorised by him to-

- (a) furnish the details of outward and inward supplies;
- (b) furnish monthly, quarterly, annual or final return;
- (c) make deposit for credit into the electronic cash ledger;
- (d) file a claim for refund;

- (e) file an application for amendment or cancellation of registration;
- (f) furnish information for generation of e-way bill;
- (g) furnish details of challan in FORM GST ITC-04;
- (h) file an application for amendment or cancellation of enrolment under rule 58; and
- (i) file an intimation to pay tax under the composition scheme or withdraw from the said scheme:

Provided that where any application relating to a claim for refund or an application for amendment or cancellation of registration or where an intimation to pay tax under composition scheme or to withdraw from such scheme has been submitted by the goods and services tax practitioner authorised by the registered person, a confirmation shall be sought from the registered person and the application submitted by the said practitioner shall be made available to the registered person on the common portal and such application shall not be further proceeded with until the registered person gives his consent to the same.

GST Practitioner – Application Procedure

Any person who is eligible to become a GST Practitioner as per the criteria above can apply using FORM GST PCT-01 through the GST Common Portal or through a GST Facilitation Centre notified by the Commissioner for GST Practitioner enrolment. On receiving the application, the GST officer would process the application and make enquires as considered necessary for enrolment. If the Officer is satisfied, a GST Practitioner certificate would be issued in GST PCT 02.

Rule 83A inserted vide notification No. 60/2018 – CT Dated 30.10.2018, which is related to Examination of Goods and Services Tax Practitioners. The National Academy of Customs, Indirect Taxes and Narcotics (hereinafter referred to as “NACIN”) shall conduct the examination. The rules contains syllabus, frequency of examination, examination centers, period for passing the examination and number of attempts allowed, nature of examination, qualifying marks, guidelines for the candidates etc.

Validity of License

GST Practitioner license would valid until its cancelled by the relevant authority. However, any person holding a GST Practitioner license would be required to pass examinations held by the GST Authority and notified by the Commissioner from time to time. Further, all persons applying to become a GST Practitioner through the sales tax practitioner or tax return preparer route are required to pass an exam conducted by the GST Authority within **thirty months** from the implementation of GST.

Further, a goods and services tax practitioner enrolled in any State or Union Territory shall be treated as enrolled in the State/Union territory for the purposes.

Filing GST Returns as GST Practitioner

Once a person is enrolled as a GST Practitioner, his/her client can authorise the Practitioner to file GST returns on the taxpayers behalf by filing Form GST PCT-05 on the GST Common Portal. The GST Practitioner can then prepare GST return on behalf of taxpayer with diligence and affix his/her digital signature on the GST return prepared by him/her or electronically verify the credentials.

When a GST return is prepared by a GST Practitioner, the GST return will be held for filing and the filing must be approved by the registered person. Confirmation for filing the return prepared by the GST Practitioner will be requested from the registered person through email and SMS. If the registered person fails to respond to the request for confirmation till the last date of furnishing of such statement, then the return prepared by the GST practitioner will be automatically filed.

In case a GST taxpayer is not satisfied with the services of a GST Practitioner, the taxpayer can withdraw a Practitioner's authorisation at any time through the GST Common Portal. If any GST Practitioner is found guilty

of misconduct, then a GST Officer can provide a reasonable opportunity for being heard and then if required, disqualify him/her from practising as a GST Practitioner.

Section 150 Information Return

- (1) Any person, being—
- (a) a taxable person; or
 - (b) a local authority or other public body or association; or
 - (c) any authority of the State Government responsible for the collection of value added tax or sales tax or State excise duty or an authority of the Central Government responsible for the collection of excise duty or customs duty; or
 - (d) an income tax authority; or
 - (e) a banking company; or
 - (f) a State Electricity Board or an electricity distribution or transmission licensee under the Electricity Act, 2003, or any other entity entrusted with such functions by the Central Government or the State Government; or
 - (g) the Registrar or Sub-Registrar appointed under section 6 of the Registration Act, 1908; or
 - (h) a Registrar within the meaning of the Companies Act, 2013; or
 - (i) the registering authority empowered to register motor vehicles; or
 - (j) the Collector referred to in clause (c) of section 3 of the Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013; or
 - (k) the recognised stock exchange referred to in clause (f) of section 2 of the Securities Contracts (Regulation) Act, 1956; or
 - (l) a depository referred to in clause (e) of sub-section (1) of section 2 of the Depositories Act, 1996; or
 - (m) an officer of the Reserve Bank of India as constituted under section 3 of the Reserve Bank of India Act, 1934; or
 - (n) the Goods and Services Tax Network, a company registered under the Companies Act, 2013; or
 - (o) a person to whom a Unique Identity Number has been granted under sub-section (9) of section 25; or
 - (p) any other person as may be specified, on the recommendations of the Council, by the Government,

who is responsible for maintaining record of registration or statement of accounts or any periodic return or document containing details of payment of tax and other details of transaction of goods or services or both or transactions related to a bank account or consumption of electricity or transaction of purchase, sale or exchange of goods or property or right or interest in a property under any law for the time being in force, shall furnish an information return of the same in respect of such periods, within such time, in such form and manner and to such authority or agency as may be prescribed.

- (2) Where the Commissioner, or an officer authorised by him in this behalf, considers that the information furnished in the information return is defective, he may intimate the defect to the person who has furnished such information return and give him an opportunity of rectifying the defect within a period of thirty days from the date of such intimation or within such further period which, on an application made in this behalf, the said authority may allow and if the defect is not rectified within the said period of thirty days or, the further period so allowed, then, notwithstanding anything contained in any other provisions of this Act, such information return shall be treated as not furnished and the provisions of this Act shall apply.
- (3) Where a person who is required to furnish information return has not furnished the same within the time specified in sub-section (1) or sub-section (2), the said authority may serve upon him a notice requiring furnishing of such information return within a period not exceeding ninety days from the date of service of the notice and such person shall furnish the information return.

Section 123 Penalty for failure to furnish Information Return

If a person who is required to furnish an information return under section 150 fails to do so within the period specified in the notice issued under sub-section (3) thereof, the proper officer may direct that such person shall be liable to pay a penalty of one hundred rupees for each day of the period during which the failure to furnish such return continues:

Provided that the penalty imposed under this section shall not exceed five thousand rupees.

Question & Answer

Q1. ABC Ltd. furnished annual returns for the year 2017-18 on September 15, 2018. An error is discovered in respect of a transaction pertaining to outward supplies of January 2018. Determine the time limit to rectify the mistake in case return of Sept'18 furnished on October 15, 2018.

A. Annual return has been furnished by September 15, 2018 and return for the month of Sept'18 filed on October 15, 2018. The rectification of error pertaining to January 2018 cannot be done beyond September 15, 2018 as per provision of Section 37 (3).

Q2. In some period of the year, there may not be any business activity like in case of seasonal business. Whether a taxable person will be required to file return in such case also?

A. Every registered taxable person is required to file returns. Without filing the return of the period, next return cannot be filed. Therefore, even if there is no taxable supplies made or received during any period, such person is required to file a NIL return but not filing the return is not an option in GST.

Q3. A compounding taxpayer, who has opted for composition scheme U/s 10 is required to file quarterly returns. Whether he is required to file Annual Return also?

A. According to Sec. 39 (2), every registered taxable person who has opted for composition scheme under the provisions of Section 10 of the GST Act besides filing the quarterly return is also required to file an annual return.

Q4. What are the different means available to taxpayer for filing the returns?

A. The taxpayer can file the return on GSTN by using one of the followings: -

- 1) By taxpayer himself by using the user id and password issued to such taxpayer
- 2) By the authorized representative using the login and password issued to such authorized representative. Such authorized representative should have been selected by the taxpayer before such filing and such authorized representative should be linked to such taxpayer account.
- 3) Through the Facilitation Centre (FC) by using the login and password of such FC. Post filing by FC, system generates a message for taxpayer by mail and SMS.

Facilitation Centre is a facility for digitization and uploading of returns on the GSTN data base. This facility is created with the approval of Central Board of Indirect Taxes or by respective State Governments. Small taxpayers who don't have facility for digitization of their data and/or uploading their returns can use this facility of facilitation centers for doing this function.

Q5. How would a supplier who has taken a new registration, file his first return under GST?

A. There might be cases wherein a person is liable to be registered under the law from a particular date and there is time gap between the date from when he was liable to be registered under the law and the date on which registration is granted to such person. He would have made outward supplies in this period between the date when he was liable to be registered under the law and the date from which is granted registration.

Study Notes

In such case the registered person who has made outward supplies in the period between the dates on which he became liable to registration till the date on which registration has been granted shall declare the details of such outward supplies in the first return filed by him after the date of grant of registration.

Q6. Whether credit of Input Tax can be used for making payment of Interest, Fees, Penalty and any other Amount?

A. No, Input Tax Credit can only be utilized for making payment towards output tax liability. It can't be used for making payment towards Interest, Fees, Penalty or any other amount payable under this Act.

Q7. Whether GSTR 3B can be revised after filing? Whether there is any column in GSTR 3B for reporting any discrepancies which have taken place while filing returns for previous months?

A. No, GSTR 3B filed, can't be revised. Form GSTR 3B doesn't contain any column for reporting of differential figures for past month(s).

Q8. If a return has been filed, how can it be revised if some changes are required to be made?

A. In GST since the returns are built from details of individual transactions, there is no requirement for having a revised return. Any need to revise a return may arise due to the need to change a set of invoices or debit/ credit notes. Instead of revising the return already submitted, the system will allow changing the details of those transactions (invoices or debit/credit notes) that are required to be amended. They can be amended in any of the future GSTR- 1 in the tables specifically provided for the purposes of amending previously declared details.

Q9. What will be the legal position in regard to the reversed input tax credit if the supplier later realizes the mistake and feeds the information?

A. At any stage, but before September of the next financial year, supplier can upload the invoice and pay duty and interest on such missing invoices in his GSTR-3B of the month in which he had earlier failed to upload the invoice. The recipient shall be eligible to reduce his output tax liability to the extent of the amount in respect of which the supplier has rectified the mis-match. The interest paid by the recipient at the time of reversal will also be refunded to the recipient by crediting the amount in corresponding head of his electronic cash ledger.

Q10. During the course of inspection/audit/scrutiny/enforcement activity, the department has pointed out certain omissions or incorrect particulars in the returns. Whether the assessee can rectify the returns to correct the omissions or incorrect particulars in its returns?

A. As per Section 39(9), provides for correction in the returns on account of Omission of wrong particulars filed other than as a result of audit/inspection/scrutiny/enforcement, the assessee can rectify such omissions/incorrect particulars in the returns. In the month/quarter in which such omission/ incorrect particulars are noticed, the due tax and interest shall be payable thereon.

Chapter 14: - Import & Export under GST

Section 14 (IGST)	OIDAR
Section 2 (10) & 2 (11) (IGST)	Import of Goods/Services
Section 2 (5) & 2 (6) (IGST)	Export of Goods/Services
Section 16 (IGST)	Zero Rated Supply
Section 15 (IGST)	Refund of Integrated Tax Paid on Supply of Goods to Tourist Leaving India

Section 14 OIDAR (IGST Act)

Both the following conditions must be satisfied to be a OIDAR service. If one is not satisfied, the service is not OIDAR {Section 2 (17) of IGST}.

- Delivery is mediated through internet.
- The supply is essentially automated involving minimal human intervention and impossible without information technology.

Examples of OIDAR services:

- Advertising on internet
- Providing cloud services (Google Drive)
- Provision of e-books, movie, music, software and other intangibles via internet (Hotstar, Amazon Prime Video)
- Providing data or information, retrievable or otherwise, to any person, in electronic form through a computer network;
- Online gaming

Non-OIDAR services

- Supplies of goods, where the order and processing is done electronically
- Supplies of physical books, newsletters, newspapers or journals
- Services of lawyers and financial consultants who advise clients through email
- Booking services or tickets to entertainment events, hotel accommodation or car hire
- Educational or professional courses, where the content is delivered by a teacher over the internet
- Offline physical repair services of computer equipment
- Advertising services in newspapers, on posters and on television

Applicability of GST for OIDAR Services

Location of Supplier of service	Location of recipient of service	Taxability	Forward Charge/ Reverse Charge	Examples
India	India	Yes	Forward Charge (GST payable by the service provider)	Hotstar (registered in India) allows Indian users to register and watch movies.

Study Notes

Outside India	India	Yes	Reverse Charge (GST payable by the recipient)	An Indian Co.(registered) asks Blue Host (US) for web hosting services. GST is payable by the Indian Co. under RCM.
	Recipient: Registered			
	Recipient: Non-Taxable Person	Yes	Forward Charge (GST payable by the service provider)	A student in India registers in Netflix (US) for watching movies. Netflix has to pay IGST.
India	Outside India	No (Export of service)	NA	Hotstar allows foreigners to register and watch movies. GST is not applicable as it is an export of service.
Outside India	Outside India	No (Not covered under GST)	NA	Netflix (US) provides online movie streaming services to people in US. This is not covered in Indian GST.

Who will register and pay GST for OIDAR services when the service provider is located outside India?

In respect of import of online information and database access or retrieval services (OIDAR) by unregistered, non-taxable recipients, the supplier located outside India will be responsible for payment of taxes.

The service provider (or intermediary as the case may be) will be required to take a single registration for paying IGST under the Simplified Registration Scheme to be notified by the Government.

Either he will have to take registration or he will have to appoint a person in India to pay GST.

The person receiving any such services i.e. OIDAR should pay the IGST to the government only if he is registered under GST as a taxable person.

The peculiarity of OIDAR service is that it can be provided online from a remote location outside India.

- If a similar service is provided by an Indian Service Provider, from India to recipients in India then such service would be taxable.
- If such services are received by a registered entity in India then GST will be payable under reverse charge.

This gives the overseas suppliers of such services an unfair tax advantage if their services are left out of the tax net.

Again, as the service provider is located overseas and might not have a presence in India, the compliance becomes difficult. So, the government has a simplified scheme of registration for such service providers located outside India.

Other important points: -

- Where the supplier of OIDAR service is located outside India and the recipient is located in India, the place of supply would be the location of the recipient of service,
- Intermediary located outside India arranges or facilitates supply of such service to a non-taxable online recipient in India, the intermediary would be deemed to be the supplier of the said service, except when the intermediary satisfies the following conditions: -
 - ❖ The invoice or customer's bill or receipt issued by such intermediary taking part in the supply clearly identifies the service in question and its supplier in non-taxable territory
 - ❖ If intermediary neither collects or processes payment in any manner nor is responsible for the payment between the non-taxable online recipient and the supplier of such services
 - ❖ The intermediary involved in the supply doesn't authorize delivery
 - ❖ The general terms & conditions of the supply are not set by the intermediary involved in the supply but by the supplier of services.

Section 2 (10) & 2 (11) Import of Goods/Services (IGST Act)

Import of Goods

Import of Goods {Section 2 (10) of IGST Act}

"Import of goods", means bringing goods into India from a place outside India;

- Supply of goods into India till they cross the customs frontiers of India is deemed to be an inter-State supply and thus, attracts levy of IGST. IGST on goods imported into India is levied and collected in accordance with the provisions of section 3 of the Customs Tariff Act, 1975. Thus, though goods imported into India are leviable to IGST under IGST Act, the machinery of customs law is used to collect IGST.
The place of supply of goods, imported into India is the location of the importer [Section 11]. **Thus, if an importer say is located in Karnataka, the state tax component of the IGST accrues to the State of Karnataka.**
- IGST on goods imported into India is levied and collected at the point when duties of customs are levied on the said goods under the Customs Act, 1962. Customs duty is leviable when importation of goods gets complete, i.e. when the goods become part of the mass of goods within the country; the taxable event being reached at the time when the goods reach the customs barriers and bill of entry for home consumption is filed. Thus, the point of levy and collection of IGST will also be the point when the bill of entry for home consumption is filed.
- In addition, GST Compensation Cess, may also be leviable on certain luxury and de-merit goods under the Goods and Services Tax (Compensation to States) Cess Act, 2017.
- **Value of the goods** for the purpose of **levying IGST** shall be, **assessable value plus basic custom duty & any other duty chargeable on the said goods** under any law for the time being in force as an addition to, and in same manner as, a duty of customs.
- **Value of the goods** for the purpose of **levying Cess** shall be, **assessable value plus basic custom duty & any other duty chargeable on the said goods** under any law for the time being in force as an addition to, and in same manner as, a duty of customs.

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- In cases where imported goods are liable to Anti-Dumping Duty or Safeguard Duty, value for calculation of IGST as well as GST Compensation Cess also includes Anti-Dumping Duty and Safeguard duty
- There is **no GST liability on high sea sales**. GST is payable only when goods are cleared from customs. Circular No. 33/2017 Cus Dated 01.08.2017 has also clarified that IGST on high sea sale(s) transactions of imported goods, whether one or multiple, shall be levied and collected only at the time of importation, i.e. when the import declarations are filed before the Customs authorities for the customs clearance purposes for the first time. Further, value addition accruing in each such high sea sale shall form part of the value on which IGST is collected at the time of clearance. The importer (last buyer in the chain) would be required to furnish the entire chain of documents, such as original invoice, high seas sales contract, details of service charges/commission paid etc. to establish a link between the first contracted price of the goods and the last transaction.
- Goods imported by a unit or a developer in the Special Economic Zone (SEZ) for authorised operations are exempted from the whole of IGST leviable under section 3(7) of the Customs Tariff Act, 1975 vide Notification No. 64/2017 Customs Dated 05-07-2017.
- Goods imported by Export Oriented Undertaking (EOU) attract liability to customs duty. Import of goods by 100% EOU's are governed by Notification No. 52/2003 Cus as amended by Notification No. 65/2018 Cus Dated 24.09.2018. EOUs are allowed duty free import of goods (exempt from Customs duties, IGST & GST Compensation Cess) under the said notifications. However, exemption from IGST is available only till 31.03.2019.

Import of Services

Import of Services {Section 2 (11) of IGST Act}

"Import of services" means the supply of any service, where—

- (i) the supplier of service is located outside India;
- (ii) the recipient of service is located in India; and
- (iii) the place of supply of service is in India;

- Services imported by a unit or a developer in the SEZ for authorized operations, are exempt from the whole of the IGST {Notification No. 18/2017-IT (R) Dated 05-07-2017}
- Import of service (please recollect Schedule I): -

Nature of Service	Consideration	Business Test
Import of services	Necessarily Required	Not Required
Import of services by a taxable person from a related person or from a distinct person	Not required	Necessarily Required

Section 2 (5) & 2 (6) Export of Goods/Services (IGST Act)

Export of goods and services are important for any nation. Goods and services are to be exported, taxes are not to be exported. Supplies to SEZ Unit & SEZ Developer are treated at par with physical exports.

Export of Goods {Section 2 (5) of IGST Act}

“Export of goods” , means taking goods out of India to a place outside India.

Example 1: ABC Ltd. having place of business in Delhi receives an order for supply of goods worth Rs. 1,00,000 from XYZ Ltd., Sri Lanka. ABC Ltd. supplied goods to XYZ Ltd., Sri Lanka. This is export of goods by ABC Ltd. to XYZ Ltd.

If suppose ABC Ltd. received order for supply of goods worth Rs. 1,00,000 from XYZ Ltd., Sri Lanka, but it is mentioned that goods may directly be supplied to the XYZ Ltd.'s client site in Hyderabad. In this case, such supply of goods will not qualify as export of goods since, goods are not taken out of India.

Export of Services {Section 2 (6) of IGST Act}

“Export of services” means the supply of any service when, -

- (i) the supplier of service is located in India;
- (ii) the recipient of service is located outside India;
- (iii) the place of supply of service is outside India;
- (iv) the payment for such service has been received by the supplier of service in convertible foreign exchange **or in Indian Rupees wherever permitted by the Reserve Bank of India;** and
- (v) the supplier of service and the recipient of service are not merely establishments of a distinct Person in accordance with Explanation 1 in section 8;

Example 2: Indian branch office of ABC Ltd., supplies consultancy services to Head Office of UK. Supply of services in this case will not be treated as export of services since Head Office & Branch Office are treated as establishment of distinct persons.

Example 3: ABC Ltd. is wholly owned subsidiary of XYZ Ltd. (a UK based company). ABC Ltd. supplies consultancy services to its parent company in UK. Supply of services in this case will be treated as export of services since holding and subsidiary company under different PAN cannot be treated as establishment of distinct persons. Thus, benefit of export of services will be available.

Section 16 Zero Rated Supply (IGST Act)

“Zero-rated supply” means a supply of any goods or services or both in terms of section 16 of IGST Act – Section 2(23) of IGST Act.

Section 16 (1) of IGST Act: Export of goods or services or both and supplies of goods or services or both to SEZ unit or SEZ developer will be zero rated supply.

Section 16 (2) of IGST Act: ITC may be availed for making zero-rated supplies, even if such supply is exempted supply.

Section 16 (3) of IGST Act: The registered person making zero rated supply can claim refund under either of two options –

- a. supply of goods under bond or LUT without payment of IGST and claim refund of unutilized ITC.
The facility of export under LUT has been now extended to all registered persons who intend to supply goods or services for export without payment of IGST except those who have been prosecuted for any

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offence under the CGST Act or the IGST Act or any of the existing laws and the amount of tax evaded in such cases exceeds Rs. 2,50,00,000. A bond in all cases, shall be accompanied by a bank guarantee of 15% of the bond amount.

b. supply goods on payment of IGST and claim refund of IGST paid on goods and services.

The refund will be in accordance with section 54 of CGST Act.

“Manufacturer exporter” means a person who exports goods manufactured by him or intends to export such goods – para 9.32 of [FTP 2015-2020](#)

“Merchant exporter” means a person engaged in trading activity and exporting or intending to export goods – para 9.33 of [FTP 2015-2020](#)

Special Provisions for Export

It may be noted that Export may be seen for any of the two aspects:-

1. **First way (Refund):** Export without paying IGST, so need of LUT arises and assessee may get refund of ITC. Generally LUT is furnished before export but by way of Circular No. 37/11/2018-GST issues on 15th March 2018, it is clarified that the delay in furnishing of LUT in such cases may be condoned and the facility for export under LUT may be allowed on for previous cases also taking into account the facts and circumstances of each case.

It need to be borne in mind that in terms of Rule 89 (4) of the CGST Rules, which prescribes the formula for computing eligible amount of refund of utilized ITC in the case of zero-rated supply of goods or services or both made without payment of tax under bond/LUT, meaning of “Net ITC” is defined as ITC availed on inputs and input services during the relevant period. Thus under this , there will be no refund of credit paid on capital goods.

2. **Second way (Rebate):** Export by paying IGST, so no need of LUT arises and refund of IGST can be availed.

It is worthwhile here to note that rebate model of zero-rated supply is beneficial for faster processing of refund and under this option, there will not be any bar on refund of credit of capital goods, as the same can be utilized along with credit of inputs and input services for discharging IGST liability on outward supply and then claiming full refund of IGST so paid.

If one is not paying the tax (i.e. IGST being inter-State supply) on exports then he will have to file LUT and he may get refund of ITC and if one exports by way of paying IGST then no need of LUT arises and so, the need of refund arises in second case.

Submission of LUT to be made in form GST RFD-11 online and no physical documentation is to be submitted to department as specified by Circular No. 40/14/2018-GST issued on 6-4-2018.

Though the theme behind GST was to keep refund based on online working but due to non-availability of online module, circular was issued stating that refund process will be handled manually which will go on till online module is operationalised. (Circular No. 17/17/2017 Dated 15-11-2017 and Circular No. 24/24/2017-GST Dated 21-12-2017). This is the reason, new rule 97A inserted w.e.f. 15th November 2017 allowing manual filing & processing, in respect of refund process.

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Other Points: -

- Exporter will be eligible for refund of Compensation Cess paid on goods exported by him {on similar lines as refund of IGST}. No compensation Cess if export is under bond or LUT and he can claim refund of accumulated ITC on Compensation Cess like IGST.
- Exporter need to only file shipping bill with the customs. The shipping bill filed with the custom is treated as an application for refund of IGST (if he opt for "rebate" explained above).
- Export will be under self-sealing & self-certification.
- Duty credit scrip under the export incentive schemes of FTP (MEIS and SEIS) can be utilized only for payment for BCD or additional duties of customs.
- Benefits of exemption under Advance Authorization scheme, EPCG scheme and duty credit scrips such as MEIS and SEIS shall be restricted only to BCD, safeguard duty, transitional product specific safeguard duty and Anti-dumping duty in respect of goods leviable to IGST.
- It has been clarified vide CBE&C circular no. 37/11/2018-GST Dated 15-3-2018 that BRC (Bank Remittance Certificate) or FIRC (Foreign Inward Remittance Certificate) is required only in case of export of services and not in case of export of goods.
- Services supplied by establishment of person in India to own establishment out of India is exempt, if place of supply is out of India (it is not zero-rated).
- All exporters registered under GST can export goods or services without payment of IGST, on execution of LUT, except those who have been prosecuted for offence under any law where tax evade exceeds Rs. 250 Lakhs. The LUT is valid for whole financial year. However, if payment is not received within prescribed period, facility of LUT is deemed to have been withdrawn. If payment is received later, the facility to export under LUT is restored. Export can be done under bond while LUT is not allowed.
- Where date of filing GSTR-1 has been extended by Commissioner, the supplier shall furnish information relating to export invoices in Table 6A of form GSTR-1 after return in form GSTR-3B has been furnished.
- LUT not required in case of export of exempted or non GST goods. The exporter may follow procedure under Central Excise or State Vat Laws or Customs Act – CBI&C circular No. 45/19/2018-GST Dated 30-5-2018.

Circular no. 78/52/2018-GST Dated 31 December 2018

The circular clarifies the GST implications where the Indian exporter of services outsources part of the activities to a person outside India and the consideration relating to such outsourced services is not received by the exporter in India. In such case, the Indian exporter would be liable to pay IGST on reverse charge basis on import of services on such portion which has been provided by the supplier located outside India to the recipient of services located outside India. Furthermore, the Indian exporter would be eligible for taking input tax credit (ITC) of the integrated tax so paid.

Even if the full consideration for the services exported is not received in convertible foreign exchange in India due to the fact that the recipient of services located outside India has directly paid to the supplier of services located outside India, such portion of the consideration shall also be treated as consideration received for export in terms of section 2(6)(iv) of the IGST Act. This is subject to the conditions that:

- ✓ IGST has been paid by the Indian exporter for import of services; and
- ✓ RBI, by general instruction or by specific approval, has allowed part of the consideration for such exports to be retained outside India.

Example 4: ABC Ltd. India has received an order for supply of services amounting to \$ 5,00,000/- to a US based client. ABC Ltd. India is unable to supply the entire services from India and asks XYZ Ltd. Mexico (who is not

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merely an establishment of a distinct person viz. ABC Ltd. India, in accordance with the Explanation 1 in Section 8 of the IGST Act) to supply a part of the services (say 40% of the total contract value).

ABC Ltd. India shall be the exporter of services for the entire value if the invoice for the entire amount is raised by ABC Ltd. India. The services provided by XYZ Ltd. Mexico to the US based client shall be import of services by ABC Ltd. India and it would be liable to pay integrated tax on the same under reverse charge and also be eligible to take input tax credit of the integrated tax so paid.

Further, if the provisions contained in section 2(6) of the IGST Act are not fulfilled with respect to the realization of convertible foreign exchange, say only 60% of the consideration is received in India and the remaining amount is directly paid by the US based client to XYZ Ltd. Mexico, even in such a scenario, 100% of the total contract value shall be taken as consideration for the export of services by ABC Ltd. India provided integrated tax on import of services has been paid on the part of the services provided by XYZ Ltd Mexico directly to the US based client and RBI (by general instruction or by specific approval) has allowed that a part of the consideration for such exports can be retained outside India. **In other words, in such cases, the export benefit will be available for the total realization of convertible foreign exchange by ABC Ltd. India and XYZ Ltd. Mexico.**

Refund claim in case of Deemed Export

Supplies to EOU units, supplies against annual advance authorization etc. are deemed export. These don't leave the country at the time of supply and payment is in Indian rupees. EOU units have to procure goods on payment of GST as applicable. Supplies to EOU are like any other supplies. Zero rating is applicable to EOU only in case of goods or services exported by them. EOU units clearing goods in Domestic Tariff Area or to other EOU unit will be required to pay IGST/CGST/SGST/UTGST as applicable.

In respect of supplies regarded as deemed exports, the application may be filed by

- a. The recipient of deemed export supplies; or
- b. The supplier of deemed export supplies in cases where the recipient doesn't avail of ITC on such supplies and furnishes an undertaking to the effect that the supplier may claim the refund – third proviso to Rule 89 (1) of CGST & SGST Rules 2017 as amended w.e.f. 18-10-2017.

If supplier has claimed benefit of deemed export under Notification No. 48/2017-CT Dated 18-10-2017, refund of ITC, availed in respect of other inputs or input services is available if the recipient makes a zero rated supply – 89 (4A) of CGST Rules.

If the supplier is claiming deemed export benefits, export by recipient of goods on payment of IGST not permissible. If still IGST is paid on export of goods or services, its ITC is not available – Rule 96 (10) of CGST Rules.

Merchant Export

Merchant exporter means a person engaged in trading activities and exporting or intending to export such goods. Notification No. 41/2017 – IT (R) Dated 23rd Oct'17, states that inter-State supply made to Merchant exporters will be charged at rate of 0.1% {0.05% CGST(equivalent SGST) in case of intra-State as per Notification No. 40/2017 – CT (R) Dated 23rd Oct'17}. If regular rate of goods is 12% then a registered supplier supplying to merchant exporter (registered recipient) will charge GST only 0.1% which means tax 11.9% will be exempted in such a case, if conditions prescribed in Notification No. 41-2017-IT (R) are satisfied (within 90 days

needs to export from the date of tax invoice by the supplier, registered with an Export Promotion Council, move the said goods directly to the port, ICD or registered warehouse etc.).

If goods were procured on payment of 0.1% GST, the merchant exporter can export the goods only under LUT/Bond and cannot export on payment of IGST – Rule 96 (10).

Section 15 Refund of Integrated Tax Paid on Supply of Goods to Tourist Leaving India

The integrated tax paid by tourist leaving India on any supply of goods taken out of India by him shall be refunded in such manner and subject to such conditions and safeguards as may be prescribed.

Explanation: For the purposes of this section, the term “tourist” means a person not normally resident in India, who enters India for a stay of not more than six months for legitimate non-immigrant purposes.

Question & Answer

Q1. Who shall be liable to collect and discharge the Integrated tax liability in cases of provision of cross border B2C OIDAR services?

A. Service providers providing OIDAR services to a non-taxable online recipient in taxable territory would be responsible for collection and discharge of integrated tax.

Q2. Under what circumstances an intermediary, who arranges or facilitates the supply of OIDAR services would not be liable to collect tax from non-taxable online recipient?

A. If the intermediary satisfies the following conditions, he shall not be liable to collect tax from non-taxable online recipient;

- (a) the invoice or customer's bill or receipt issued or made available by such intermediary taking part in the supply clearly identifies the service in question and its supplier in non-taxable territory;**
- (b) the intermediary involved in the supply does not authorise the charge to the customer or take part in its charge which is that the intermediary neither collects or processes payment in any manner nor is responsible for the payment between the non-taxable online recipient and the supplier of such services;**
- (c) the intermediary involved in the supply does not authorise delivery; and**
- (d) the general terms and conditions of the supply are not set by the intermediary involved in the supply but by the supplier of services.**

Q3. Who is non-taxable online recipient?

A. “Non-taxable online recipient” means any Government, local authority, governmental authority, an individual or any other person not registered and receiving online information and database access or retrieval services in relation to any purpose other than commerce, industry or any other business or profession, located in taxable territory.

Q4. Would a supplier of OIDAR required to take registration in all states in India in GST Act?

A. No. The CBIC has notified the Principal Commissioner of Central Tax, Bengaluru West and all the officers subordinate to him as the officers empowered to grant registration in case of online information and database

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access or retrieval services provided or agreed to be provided by a person located in non-taxable territory and received by a non-taxable online recipient.

Q5. Mr. A is supplying goods to SEZ Unit. Whether he has to charge IGST on supply of goods.

A. As per the provision of section 16 of IGST Act, 2017, Supply to SEZ Unit are Zero Rated Supplies. Therefore, in such case Mr. A can either supply goods against payment of IGST (which can be claimed as refund) or he can supply goods without payment of IGST (against LUT /Bond).

Q6. A person had submitted Bank Guarantee for Issue of Bond for export of goods without payment of tax. He was granted Bond with a validity period upto 31st March 2018. However, in view of Notification No. 37/2017 – Central Tax Dated 4th October 2017, he wants to submit Letter of Undertaking and get the bond released which was submitted earlier. Can he do so.

A. Yes, he can submit a Letter of Undertaking as per the guidelines issued vide Notification No. 37/2017 – Central Tax Dated 4th October 2017 and get the bond submitted earlier released.

Q7. What is the meaning of the term “Zero Rated Supply”?

A. “Zero Rated Supply” refers to supplies made to SEZ units / developers or exports of goods or services or both. Zero rated supply doesn't necessarily mean that the above supplies are not leviable to IGST or will taxed at "0" (Zero) Rate or will be exempt from IGST unconditionally.

Q8. Are exports and supplies to SEZ units/Developers out of the ambit of GST?

A. No. They are treated as IGST supplies under the IGST Act, 2017. However, the tax burden on the same will be neutralized by granting refunds to persons making such supplies.

Q9. Can SEZ unit / Developers claim refund of IGST charged by his supplier?

A. No. The IGST Act, 2017 allows the supplier of SEZ unit / developer to claim refund of IGST paid by him on supplies to SEZ unit / Developers.

Q10. Are supplies made by SEZ units/Developer are Zero rated supplies?

A. No. only the supplies made TO SEZ units/Developer are zero rates supplies. However, exports made by SEZ units/Developer will be zero rated supplies.

Chapter 15: - Refunds

Section 54	Refund of Tax
Section 55	Refund to UN Bodies, Embassies, etc.
Section 56	Interest on Delayed Refunds
Section 57	Consumer Welfare Fund
Section 58	Utilization of Fund
Section 15 [IGST]	Refund of Integrated tax paid on supply of goods to Tourist leaving India

Section 54 Refund of Tax

A. Situation leading to refund claims

Refund may be due to situations discussed U/s 54 or U/s 77 of CGST Act and the requirement of submission of prescribed relevant documents as is an indicator of the various situations that may necessitate a refund claim. A claim for refund may arise on account of any one of the following:

1. Export of goods or services (Unjust enrichment – No)
2. Supplies to SEZs units and developers (Unjust enrichment – Yes)
3. Deemed exports (Unjust enrichment – Yes)
4. Casual Taxable Person (CTP)/Resident Taxable Person (N RTP) (Unjust enrichment – Yes)
5. Refund of taxes on purchase made by UN or Embassies etc. (Unjust enrichment – No)
6. Refund arising on account of judgement, decree, order or direction of the Appellate Authority, Appellate Tribunal or any court (Unjust enrichment – Yes)
7. Refund of accumulated ITC on account of inverted duty structure (Unjust enrichment – No)
8. Finalisation of provisional assessment (Unjust enrichment – No)
9. Refund of pre-deposit (Unjust enrichment – No)
10. Excess payment due to mistake (Unjust enrichment – Yes)
11. Refunds to International Tourists of GST paid on goods in India and carried abroad at the time of their departure from India (Unjust enrichment – No)
12. Refund on account of issuance of refund vouchers for taxes paid on advances against which, goods or services have not been supplied (Unjust enrichment – No)
13. Refund of CGST and SGST paid by treating the supply as intra-State supply which is subsequently held as inter-State supply and vice-versa (Unjust enrichment – No)

However, refund of unutilized ITC shall not be allowed if

- The goods exported out of India are subjected to export duty;
- The supplier of goods or services or both avails of drawback in respect of CGST or claims refund of the IGST paid on such supplies. While claiming refund of accumulated ITC in case of zero rated supplies without payment of tax, a supplier can avail drawback of only basic customs duty and cannot claim drawback of any of the taxes under GST (Central Tax, Integrated Tax, State/Union Territory Tax). In other words, a supplier availing drawback of only basic customs duty shall be eligible for refund of unutilized ITC of central tax/ State tax/ Union territory tax/ integrated tax/ compensation cess under the said provision. It is further clarified that refund of eligible credit on account of State tax shall be available even if the supplier has availed of drawback in respect of central tax [Circular No.24/24/2017 GST Dated 21.12.2017 and Circular No. 37/11/2018 GST Dated 15.03.2018].

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B. Time limit within which refund claim can be filed

- ❖ Any person claiming refund of any tax, interest, if any paid on such tax or any other amount paid by him, may make an application before the **expiry of 2 years from the 'Relevant Date'** in such form and manner as may be prescribed [Section 54 (1)]
- ❖ A registered person may claim refund of any unutilized ITC in case of zero rated supplies {clause (i) U/s 54 (3)} or accumulated ITC on account of inverted duty structure {clause (ii) U/s 54 (3)} at the end of any tax period. Government may, on the recommendations of the Council, notify supplies of certain goods or services or both where no refund of unutilized ITC on account of inverted duty structure is allowed. [Section 54 (3)]

C. Meaning of 'Relevant Date' [Explanation 2 to section 54]

Case	Relevant Date
1. Taxable goods are exported by Sea or Air	Date on which the Ship or Aircraft in which such goods are loaded, leaves India
2. Taxable goods are exported by Land	Date on which such goods pass the Frontier
3. Taxable goods are exported by Post	Date of Despatch of goods by the Post Office, to a place outside India
4. Supply of goods regarded as Deemed Export	Date on which return relating to such deemed exports is furnished
5. Export of Services out of India [where the supply of services had been completed prior to the receipt of such payment]	Date of receipt of payment in convertible foreign exchange or in Indian rupees wherever permitted by the Reserve Bank of India
6. Export of Services out of India [where payment for the services had been received in advance prior to the date of issue of the invoice]	Date of issue of invoice
7. Refund of tax as a consequence of judgement, decree, order or direction of Appellate Authority, Tribunal or Court	Date of communication of judgement, decree, order or direction
8. In the case of refund of unutilised input tax credit under clause (ii) of the first proviso to sub-section (3) – Inverted duty structure	End of the financial year in which such claim for refund arises the due date for furnishing of return under section 39 for the period in which such claim for refund arises
9. Tax paid on Provisional Assessment	Date of adjustment of tax after final assessment
10. Refund to a person, other than the supplier	Date of receipt of goods or services by such person
11. Any other case	Date of payment of tax

D. Application for refund of tax, interest, penalty, fees or any other amount [Rule 89]

- ❖ Any person, except the persons covered by notification issued under section 55, claiming refund of any tax, interest, penalty, fees or any other amount paid by him, other than refund of integrated tax paid on goods exported out of India, may file an application in Form GST RFD-01 electronically through GST common portal. [Rule 89 (1)]
- ❖ Any claim for refund relating to balance in the Electronic Cash Ledger in as per Section 49 (6) may also be made through the return furnished for the relevant tax period in Form GSTR 3 or 4 or 7.
- ❖ Casual Taxable person/NRTP, shall get the refund only when they furnished all the returns related to period specify in the certificate of registration. [Section 54 (13)]
Refund amount, shall be claimed in the last return required to be furnished by him.
- ❖ In respect of supplies regarded as deemed export, the application shall be filed by the recipient of deemed export supplies. The supplier of deemed export can also file the application if recipient give undertaking that he has not availed ITC and supplier can claim refund. [Third proviso to rule 89 (1)]
- ❖ In respect of supplies to a SEZ unit/developer, the application shall be filed by the-

- a) Supplier of goods after such goods have been admitted in full in the SEZ for authorized operations, as endorsed by the specified officer of the Zone.
- b) Supplier of services along with such evidence regarding receipt of services for authorized operations as endorsed by the specified officer of SEZ. [Second proviso to rule 89 (1)]

E. Documents for filing refund claim [Sec. 54 (4)]

1. The application for refund shall be accompanied by –

- a) Such documentary evidence as may be prescribed to establish that a refund is due to the applicant, and
- b) Such documentary or other evidence (including the documents referred u/s 33) as the applicant may furnish to establish that the amount of tax and interest or any other amount paid in relation to which refund is claimed was collected from, or paid by, him and the incidence of such tax and interest had not been passed on to any other person.

2. **Self-Declaration:** If the claimed refund amount doesn't exceed Rs. 2,00,000, it is not necessary for the applicant to furnish any documentary and other evidences. Instead, he may file a self-declaration, based on the documentary or other evidences available with him, certifying that the incidence of such tax and interest had not been passed on to any other person.

The application shall be accompanied by any of the following documentary evidences, in Annexure I in Form GST RFD-01 as applicable, to establish that a refund is due to the applicant namely:

Situation	Documents treated as Evidence
Pre-Deposit of Tax U/s 107 (6) or 112 (8)	Reference number of the order and a copy of the order passed by the proper officer/appellate authority/appellate tribunal/court resulting in refund or reference number of the payment of the pre-deposit of tax
Refund on account of Exports of Goods	A statement containing the number and date of shipping bills or bills of export and the number and date of relevant export invoices
Refund on account of Export of Services	Statement containing the number and date of invoices and the relevant Bank Realization Certificates or Foreign Inward Remittance Certificates
Refund on account of supply of goods to SEZ unit or SEZ developer	Statement containing the number and date of invoices as provided in Rule 46 along with the evidence regarding goods admitted in full for authorized operations as endorsed by the specified officer of SEZ
Refund on account of supply of services to SEZ unit or SEZ developer	Statement containing the number and date of invoices, along with the evidence regarding receipt of services for authorized operations as endorsed by the specified officer of SEZ., and the details of payment
Refund on account of supply of goods or services or both to SEZ unit or SEZ developer	A declaration to the effect that tax has not been collected from the Special Economic Zone unit or the Special Economic Zone developer
Refund is on account of deemed exports	Statement containing the number and date of invoices along with such other evidence as may be notified

Refund on account of unutilised ITC due to Inverted Duty Structure (other than nil rated or fully exempt supplies)	A statement containing the number and the date of the invoices received and issued during a tax period
Refund on account of finalization of Provisional assessment	Reference number of the final assessment order and a copy of the said order
Refund u/s 77 for wrong collection and payment of tax to Central and State Government	A statement showing the details of transactions considered as intra-State supply but which is subsequently held to be inter-State supply
Refund on account of excess payment of tax	Statement showing the details of the amount of claim
In case where the amount of refund i) doesn't exceed Rs. 2 Lacs/or ii) exceeds Rs. 2 Lacs (tax paid but incidence has not been passed to the other person)	i) Declaration for the claim. ii) If it exceeds Rs. 2 Lacs then Certificate in Annex 2 of FORM GST RFD-01 issued by a Chartered Accountant or a Cost Accountant to the effect of claim.

Note: If the amount of tax has been recovered from the recipient, it shall be deemed that the incidence of tax has been passed on to the ultimate consumer.

Further, neither a declaration by the applicant nor a certificate by a Chartered Accountant/Cost Accountant is not required to be furnished in the following cases:-

- refund of tax paid on **export** of goods or services or both or on inputs or input services used in making such **exports**;
- refund of unutilised input tax credit under sub-section (3);
- refund of tax paid on a supply which is not provided, either wholly or partially, and for which invoice has not been issued, or where a refund voucher has been issued;
- refund of tax in pursuance of section 77;
- the tax or interest borne by such other class of applicants as the Government may, on the recommendations of the Council, by notification, specify.

F. Amount to be claimed as refund in case of zero rated supply of goods or services and on account of inverted duty structure (Rule 89)

As per Rule 89 (4), in the case of zero-rated supply of goods or services or both **without payment of tax under bond or letter of undertaking** in accordance with the provisions of sub-section (3) of section 16 of the Integrated Goods and Services Tax Act, 2017 (13 of 2017), refund of input tax credit shall be granted as per the following formula –

$$\text{Refund Amount} = (\text{Turnover of zero-rated supply of goods} + \text{Turnover of zero-rated supply of services}) \times \text{Net ITC} \div \text{Adjusted Total Turnover}$$

Where,-

- "Refund amount" means the maximum refund that is admissible;
- "**Net ITC**" means input tax credit availed on inputs and input services during the relevant period other than the ITC availed for which refund is claimed under **Deemed export {Rule 89 (4A)}** or **Merchant export {Rule 89 (4B)}** or both.
- "**Turnover of zero-rated supply of goods**" means the value of zero-rated supply of goods made during the relevant period without payment of tax under bond or letter of undertaking, other than the turnover of supplies in respect of which refund is claimed under **Deemed export {Rule 89 (4A)}** or **Merchant export {Rule 89 (4B)}** or both.
- "Turnover of zero-rated supply of services" means the value of zero-rated supply of services

made without payment of tax under bond or letter of undertaking, calculated in the following manner, namely:-

Zero-rated supply of services is the aggregate of the payments received during the relevant period for zero-rated supply of services and zero-rated supply of services where supply has been completed for which payment had been received in advance in any period prior to the relevant period reduced by advances received for zero-rated supply of services for which the supply of services has not been completed during the relevant period;

- (E) "Adjusted Total Turnover" means the sum total of the value of-
- the turnover in a State or a Union territory, as defined under clause (112) of section 2, excluding the turnover of services; and
 - the turnover of zero-rated supply of services determined in terms of clause (D) above and non-zero-rated supply of services, excluding-
 - the value of exempt supplies other than zero-rated supplies; and
 - the turnover of supplies in respect of which refund is claimed under sub-rule (4A) or sub-rule (4B) or both, if any, during the relevant period.

(F) "Relevant period" means the period for which the claim has been filed.

As per Rule 89 (5), In the case of refund on account of inverted duty structure, refund of input tax credit shall be granted as per the following formula –

$$\text{Maximum Refund Amount} = \{(\text{Turnover of inverted rated supply of goods \& Services}) \times \text{Net ITC} \div \text{Adjusted Total Turnover}\} - \text{tax payable on such inverted rated supply of goods \& Services}$$

Explanation:- For the purposes of this sub-rule, the expressions –

- Net ITC shall mean **input tax credit availed on inputs** during the relevant period other than the input tax credit availed for which refund is claimed under sub-rules (4A) or (4B) or both; and
- "Adjusted Total turnover" and "relevant period" shall have the same meaning as assigned to them in sub-rule (4).

No refund on input services & capital goods

Circular 79/53/2018-GST:-

Refund of Accumulated ITC on A/c of Inverted Duty Structure-

Input A – GST @ 5%
Input B – GST @ 12%
Input C – GST @ 18% } Output Product @ 12%

The above-mentioned case belongs to the Inverted Duty Structure. Department officers were denying the refund of Accumulated ITC of Input A & B, since GST rate of Tax for these inputs is less than or equal to the GST rate of output supply.

Clarification: – The accumulated ITC on Input A & B will also be included for the calculation of maximum refund amount. Since, the definition of "Net ITC" includes the same as per rule 89(5) of the CGST Rules.

Refund of ITC of GST paid on invoices of earlier tax period but availed in the subsequent tax period-

Goods purchased against a Tax invoice which is issued in Aug 2017. But ITC on that invoice was availed in the GST return of Sept 2017, that ITC cannot be excluded from the calculation of the refund amount for the month of Sept 2017.

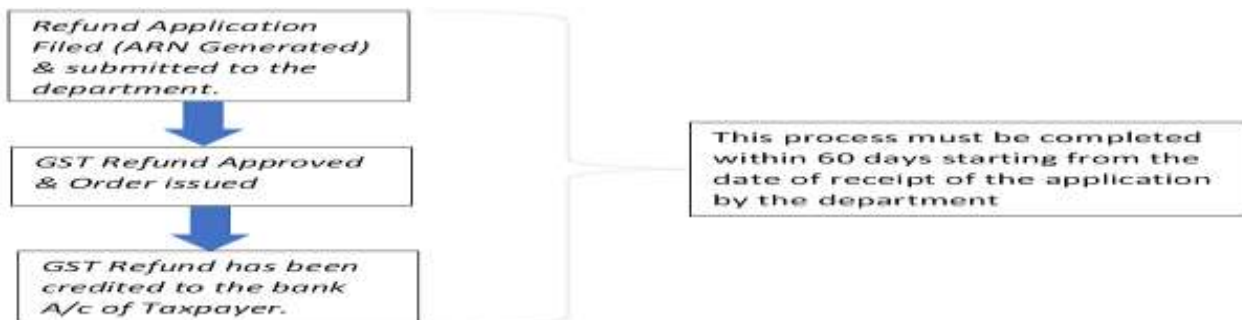
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Net ITC means input availed during the relevant period but only till the due date of GST return of Sept month of the next FY.

Relevant period means the period for which the refund claim has been filed.

In the above case, the relevant period would be Sept 2017. Input will be deemed to have been availed when it is shown in GSTR-3B, and was reflected in the Electronic Credit Ledger. Hence, that ITC would be included in the refund calculation for the month of Sept 2017.

Duration for the GST Refund by department-



If Deficiency Memo is issued, 60 days will be counted from the date of submission of fresh refund application. If GST refund is not credited to the bank A/c of the taxpayer within 60 days as mentioned above, interest @ 6% p.a. on the refund amount will be paid.

Interpretation of the term “Inputs”-

- ✚ On certain occasions, departmental officers do not consider ITC on stores and spares, packing materials, materials purchased for machinery repairs, printing and stationery items, as part of Net ITC on the grounds that these are not directly consumed in the manufacturing process and therefore, do not qualify as input.
- ✚ The circular clarifies that ITC of the GST paid on inputs shall be available to a registered person as long as he uses or intends to use such inputs for the purposes of his business and there is no specific restriction on the availment of such ITC anywhere else in the GST Act.
- ✚ Thus, the GST paid on inward supplies of stores and spares, packing materials etc. shall be available as ITC as long as these inputs are used for the purpose of business and/or for effecting taxable supplies, including zero rated supplies, and the ITC for such inputs is not restricted under section 17(5) of the CGST Act.
- ✚ Further, capital goods have been clearly defined in section 2(19) of the CGST Act as goods whose value has been capitalized in the books of account and which are used or intended to be used in the course or furtherance of business. Stores and spares, which has been charged as a revenue expense in the books of account, cannot be held to be capital goods.

Example 1: ABC Ltd. is a registered taxable company having registered office at Hyderabad, engaged in providing consultancy service to its client in India and outside India. It is exporting services without payment of IGST under LUT. The company after adjusting all the taxable liability for the period September 2017 to March 2018, claim excess ITC as refund from the department. The following are the information provided by the company, for calculating amount of ITC eligible for refund (all amount in INR)

Sr. No.	Particular	Turnover	Taxable @ 18% on outward supply	Inward Supply	Tax @ 18% on inward supply
1.	Domestic Outward Supply	1000	180	1250	225
2.	Export (Zero rated supply)	500			

3.	Exempt Supply	250		-	-
	Total	1750	180	1250	225

Additional information:-

Sr. No.	Other Inward Supplies	Value	Tax @ 18% on inward supply
1.	Consultancy Services	100	18
2.	Rent	250	45
3.	Food Items (assume 18%)	200	36
4.	Cleaning Services	50	9
	Total	600	108

Note: Impact of Rules 42 & 43 is ignored for simplicity.

A.

Particular	Amount	Total
Turnover for zero rated supply	500	500
Adjusted total turnover		
✚ Total Turnover	1750	
✚ Less: Exempt Supply	250	1500
Input Tax Credit		
✚ Inward input tax credit	225	
✚ Add: Total common input tax credit	108	
✚ Less: Blocked credit [U/s 17 (5)]	36	
✚ Less: Outward Tax	180	117

Refund Amount = (Turnover of zero-rated supply of goods + Turnover of zero-rated supply of services) x Net ITC ÷ Adjusted Total Turnover

Refund Amount = $500/1500 \times 117 = 39$ i.e. Rs. 39

Example 2: XYZ Ltd. is a registered manufacturing company at Kochi, indulged in the business of processing of woven fabrics which is taxable @ 5%. The inputs used for making such product are taxable @ 12%. The company wants to determine the ITC eligible for refund.

Following are the information provided by the company during the period January to March 2019:

Sr. No.	Particular	Amount	Tax Amount
1.	Raw materials used (inward supply) @ 12%	100	12
2.	Woven fabrics (outward supply) @ 5%	150	7.5
3.	Consultancy service @ 18% (other inward supply)	10	1.8

A.

Maximum Refund Amount = {(Turnover of inverted rated supply of goods & Services) x Net ITC ÷ Adjusted Total Turnover} – tax payable on such inverted rated supply of goods & services

Maximum Refund Amount = $\{150 \times 12 / 150\} / 150 - 7.5 = \text{Rs. } 4.5$

Note:- No refund permissible for accumulated credit on input services i.e. Rs. 10

Example 3: My smart Ltd. furnishes following information. Please compute maximum refund eligible on account of inverted duty structure:

ITC availed on inputs	3,60,000
ITC availed on inputs services	36,000
ITC availed on capital goods	2,00,000
Turnover of inverted rated supply of goods (taxable @ 5%)	30,00,000

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Turnover of inverted rated supply of services (taxable @ 5%) Note:- included in turnover of other supplies of goods & services i.e. Rs. 15,00,000	3,00,000
Turnover of other supplies of goods and services (including exempt supplies Rs. 5,00,000)	15,00,000

A.

Net ITC i.e. ITC availed on Inputs	3,60,000
Turnover of inverted rated supply of goods & services (30,00,000+3,00,000)	33,00,000
Total Adjusted Turnover {30,00,000+15,00,000-5,00,000}	40,00,000
Tax paid on inverted rated supply of goods & services (33,00,000*5%)	1,65,000
Maximum Refund {33,00,000 x 3,60,000 ÷ 40,00,000} – 1,65,000	1,32,000

G. Acknowledgement of refund claim [Rule 90]

- I. The application relates to a claim for refund from the electronic cash ledger, shall get acknowledgement (specifying date of filing) through the Common Portal electronically.
- II. The application relates to a claim other than claim for refund from the electronic cash ledger, shall be forwarded to proper officer, who will within a period of 15 days, shall issue acknowledgement through the Common Portal electronically (specifying date of filing) if the application is found to be complete in terms of rule 89.
- III. If any deficiencies are noticed, the proper officer shall communicate the deficiencies through the common portal, requiring him to file a fresh refund application.

H. Order of Refund [Section 54 (5), (7) read with rule 92]

- ❖ If, on receipt of any such application, the proper officer is satisfied that the whole or part of the amount claimed as refund is refundable, he may make an order in FORM GST RFD – 06 and the amount so determined shall be credited to the Fund referred to in section 57. [Sec. 54 (5)]
- ❖ The proper officer shall issue the order under sub-section (5) within sixty days from the date of receipt of application complete in all respects. [Sec. 54 (7)]

Extract of CGST Rule 92

- The proper officer shall issue the order of sanctioning the amount in Form GST RFD-06 stating:
 - The amount of refund due to the applicant,
 - The amount provisionally refunded to the applicant (if any),
 - The amount adjusted against any outstanding demand,
 - The balance amount refundable to the applicant.

In case the whole amount of refund is adjusted against any outstanding demand under this Act or under any of the existing law an order mentioning the details of such adjustment shall be issued in Part A of Form GST RFD-07 {Rule 92 (1)}

- Where the proper officer is satisfied that the amount refundable under sub-rule (1) or sub-rule (2) is payable to the applicant under sub-section (8) of section 54, he shall make an order in FORM GST RFD-06 and issue a payment advice in FORM GST RFD-05 for the amount of refund and the same shall be electronically credited to any of the bank accounts of the applicant mentioned in his registration particulars and as specified in the application for refund:

Provided that the order issued in FORM GST RFD-06 shall not be required to be revalidated by the proper officer:

Provided further that the payment advice in FORM GST RFD-05 shall be required to be revalidated where the refund has not been disbursed within the same financial year in which the said payment advice was issued {Rule 92 (4)}

I. Grant of Provisional refund [Section 54 (6) read with rule 91]

Irrespective of Sec. 54 (5), 90% of refund may be sanctioned on provisional basis in such manner and subject to such conditions, limitations and safeguard as may be prescribed (paid to the claimant) without verification of documents if following conditions are satisfied:

- Claim for refund on account of zero-rated supply
- Made by registered persons
- Other than such category of registered person as may be notified by the government

Remaining 10% may be refunded after due verification of documents furnished by the applicant.

Extract of CGST Rule 91

- (1) The provisional refund of 90% shall be granted to the applicant if the person claiming the refund has not been prosecuted for any offence under the act or under an existing law where the amount of tax evaded exceeds two hundred and fifty lakh rupees during any period of five years immediately preceding the tax period to which the claim for refund relates.
- (2) The proper officer, after scrutiny of the claim and the evidence submitted in support thereof and on being prima facie satisfied that the amount claimed as refund under sub-rule (1) is due to the applicant in accordance with the provisions of subsection (6) of section 54, will sanction such refund in Form GST RFD-04 within seven days from the issue of acknowledgement of application of refund in Form GST RFD-02. **Provided that the order issued in FORM GST RFD-04 shall not be required to be revalidated by the proper officer.**
- (3) The payment advice of the refund sanctioned shall be issued by the proper officer in Form GST RFD-05 and the same shall be credited in his bank account. **Provided that the payment advice in FORM GST RFD-05 shall be required to be revalidated where the refund has not been disbursed within the same financial year in which the said payment advice was issued.**

With combined reading of Rule 91 & 92, it can be concluded that Government inserted the proviso to Rule 91(2) and Rule 91(3) to provide that in the case where refund is not disbursed, the order issued by officer in GST RFD-04 form for grant of provisional refund shall not be revalidated and only payment advice issued in FORM GST RFD 05 shall be revalidated if refund is not disbursed within same financial year in which said payment advice was issued.

J. Principal of Unjust Enrichment [Section 54 (8) & (9)]

The person who has not passed the incidence of tax will be eligible to claim the refund. Under unjust enrichment, a presumption is always drawn that the businessman will shift the incidence of tax to the final consumer. This is because GST is an indirect tax whose incidence is to be borne by the consumer. It is for this reason that every refund claim if sanctioned is first transferred to the "consumer welfare fund".

The GST Law makes this test inapplicable in case of refund of accumulated ITC, refund on account of exports, refund of payment of wrong tax (IGST instead of CGST + SGST & vice versa), refund of tax paid on a supply, which is not provided or when refund voucher is issued or if the applicant shows that he has not passed on the incidence of tax to any other person.

If refund claim doesn't exceed Rs. 2 Lacs, then a self-declaration of the applicant and in case of more than Rs. 2 Lacs, a certificate from Chartered Accountant/Cost Accountant will have to be given.

Cases where refundable amount shall be paid to the applicant [Sec. 54 (8)]:

The refund shall be sanctioned directly to the claimant, in the following cases –

- Refund of tax paid on ~~zero-rated supply~~ export of goods or services or both or on inputs or input services used in making such ~~zero-rated supply~~ exports;
- Refund of unutilised input tax credit under sub-section (3);
- The tax/interest/other amounts paid by the applicant, where the incidence had not passed on to any other person;

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- Refund of tax paid on a supply which is not provided, either wholly or partially, and for which invoice has not been issued or where a refund voucher has been issued;
- Refund of tax in pursuance of section 77 which means a registered person who has paid CGST/SGST/UTGST on a transaction considered by him as intra-state supply but held as inter-state supply.
- The tax or interest borne by notified class of applicant.

In all cases other than the one listed above, where the application is found to be in order, the refund amount, shall be credited to consumer welfare fund within 60 days of receipt of the application.

K. Issue of SCN and rejection of refund claim [Rule 92 (3)]

- The Proper Office is satisfied that the whole or any part of the refund amount claimed, is not admissible, he shall issue "Show Cause Notice".
- Applicant will be required to furnish a reply within 15 days of the receipt of notice.
- The proper officer shall, after considering reply and giving him an opportunity of being heard, make an order in Form GST RFD-06, sanctioning the amount of refund in whole or part, or rejecting the said refund claim.

L. Withholding of refund claim & other provisions [Sec. 54 (10) to Sec. 54 (15)]

Sec. 54 (10)

Proper officer may **withhold the refund due in case on non-filing of return or non-payment of tax, interest and penalty** which is not stayed by any court, tribunal or appellate authority by specified date (in case no appeal has been filed – the last date for filing an appeal under this act) until he files return or pay the amount due. Proper officer may also adjust the amount payable from refund amount.

Sec. 54 (11)

The **commissioner/board may**, after giving the tax payer an opportunity of being heard, **withhold the refund** till such time as he may determine in case where he is of the opinion that such refund is –

- Likely to have an **adverse effect on the revenue** and
- An order giving rise to a refund is the subject matter of an appeal or further proceeding or where any other proceeding under this act is pending on account of malfeasance or fraud committed. (order need to be passed in Part B of Form GST RFD-07)

Sec. 54 (12)

If refund has been withheld by commissioner/board U/s 54 (11) above and later he becomes entitled to the refund, **he shall be entitled to interest @ 6%**, irrespective of Section 56.

Sec. 54 (13)

The amount of advance tax deposited by a **casual taxable person or a non-resident taxable person** at the time of taking registration would be refunded only after **completion of entire period for which the certificate of registration granted and all the returns required to be furnished U/s 39 are furnished**.

Sec. 54 (14)

No refund shall be granted or paid to an applicant, if the amount is **less than Rs. 1000**. The limit of Rs. 1,000 shall apply for each tax head separately and not cumulatively. Further, the limit would not apply in cases of refund of excess balance in the electronic cash ledger. {Circular No. 59/ 33/ 2018 GST Dated 04.09.2018}

M. Any refund claim rejected shall be re-credited to the Electronic Credit Ledger [Rule 93]

N. Refund of Integrated tax paid on goods or services exported out of India [Rule 96]

A taxable person has option to pay IGST on goods exported out of India and claim refund. Shipping bill filed by exporter of goods shall be deemed to application for refund of IGST. A **Departure Manifest** or Export Manifest or Export report covering the number and date of shipping bill should have been filed. The applicant should have filed valid return in Form GSTR 3 or GSTR 3B as the case may be.

Details of export invoices in respect of goods contained in valid return in Form GSTR 3 or GSTR 3B as the case may be, shall be transmitted to system in respect of designated by customs. The system shall confirm that the goods have been exporters out of India.

Where date of filing of GSTR 1 has been extended by Commissioner the supplier shall furnish information relating to export invoices in table 6A of form GSTR 1 after return in form GSTR 3B has been furnished.

The system designated by the Customs or the proper officer of Customs, as the case may be, shall process the claim of refund in respect of export of goods and an amount equal to the integrated tax paid in respect of each shipping bill or bill of export shall be electronically credited to the bank account of the applicant mentioned in his registration particulars and as intimated to the Customs authorities.

Refund of IGST paid on services exported shall be filed in form GST RFD – 01 and shall be dealt with in accordance with provisions of rule 89 of CGST Rules – Rule 96 (9) of CGST Rules, 2017.

The Central Government may pay refund of the IGST to the Government of Bhutan on the exports to Bhutan for such class as may be notified in this behalf and where such refund is paid to the Government of Bhutan, the exporter shall not be paid any refund of the integrated tax.

The claim for Refund shall be withheld where-

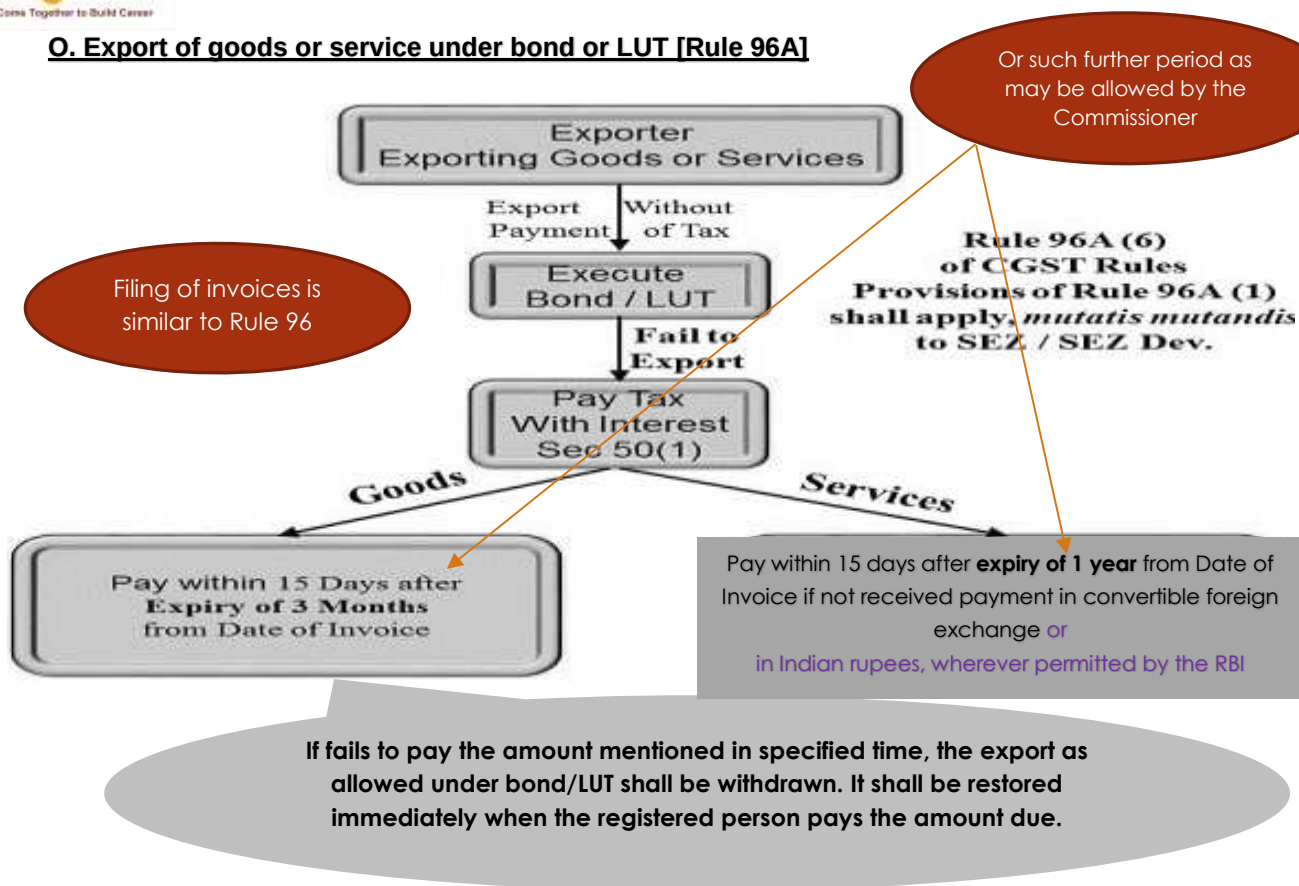
- a. A request has been received from jurisdictional Commissioner of Central tax, State tax & Union Territory Tax;
- b. The proper officer of customs determined that the goods were exported in violation of the provisions of the Customs Act, 1962.

Rule 96(10) of the CGST Rules, 2017 restricted the refund of IGST paid on exports if the exporter had claimed the benefit under certain specified notifications. The rule has been amended and the net effect of the amendment is that any exporter who imported goods by claiming benefit under customs notification nos. 78/2017 and 79/2017 can claim refund of IGST paid on exports till 9 October, 2018 when rule 96(10) of the CGST Rules, 2017 was amended by notification no. 54/2018 Central Tax. After the amendment, such exporters will not be able to claim refund of IGST paid on exports, except for the exporters receiving capital goods under the EPCG scheme.

[Circular No. 70/44/2018 Dated 26.10.2018]

Study Notes

O. Export of goods or service under bond or LUT [Rule 96A]



Section 55 Refund of UN Bodies, Embassies etc. [Sec. 55 read with Rule 95 (2)]

1. Applicability:
 - Specialised Agency of the United Nations Organization or
 - Consulate or Embassy of foreign countries
 - Any Multilateral Financial Institution and Organization notified under the United Nations (Privileges and Immunities) Act, 1947
 - Any other notified person
2. Application for refund shall be made in Form GST RFD-10 once in every quarter. Also to file a statement of inward supplies of goods or services or both in Form GSTR 11. (Entities covered U/s 55, shall make an application for refund of tax paid by it on inward supplies, to the jurisdictional tax authority, in such form and manner as specified, before the expiry of **18 months** from the last date of the quarter in which such supply was received)
3. Acknowledgement for Application of refund shall be given in Form GST RFD-02.
4. Condition for Refund:
 - a. The inward supplies of goods or services or both were received from a registered person against a tax invoice.
 - b. Name and GSTIN or UIN of the applicant is mentioned on the tax invoice and
5. In case of inconsistent provisions, International Treaty will prevail over rules.

In exercise of above power, following persons have been notified, subject to fulfilment of specified conditions:

- United Nations or a specified international organization**; and
- Foreign diplomatic mission or consular post in India, or diplomatic agents or career consular officers posted therein.

**Specified international organisation means an international organisation declared by the Central Government in pursuance of section 3 of the United Nations (Privileges and Immunities Act) 1947, to which the provisions of the Schedule to the said Act apply.

Further, in exercise of said power, Canteen Stores Department (CSD), under the Ministry of Defence, has been notified as a person who shall be entitled to claim a refund of 50% of the applicable CGST/IGST paid by it on all inward supplies of goods received by it for the purposes of subsequent supply of such goods to the Unit Run Canteens of the CSD or to the authorized customers of the CSD.

Section 56 Interest on Delayed Refunds

In case of refund arising from an order passed by the adjudicating authority, appellate authority or appellate tribunal	Government shall pay an interest of 9% from the date immediately after the expiry of 60 days from the date of receipt of application of refund.
Other Cases	The Government shall pay an interest of 6% from the date immediately after the expiry of 60 days from the date of receipt of application of refund.

Section 57 Consumer Welfare Fund

The Government shall constitute a Fund, to be called the Consumer Welfare Fund and there shall be credited to the Fund,—

- the amount referred to in sub-section (5) of section 54;
- any income from investment of the amount credited to the Fund; and
- such other monies received by it,

in such manner as may be prescribed.

Amounts to be credited to/paid from Consumer Welfare Fund [Rule 97 of the CGST Rules, 2017]

- ✓ All amounts of duty CGST/ SGST/ IGST/ UTGST/ cess and income from investment along with other monies specified in section 12C(2) of the erstwhile Central Excise Act, 1944, section 57 of the CGST Act, 2017 read with section 20 of the IGST Act, 2017, section 21 of the UTGST Act, 2017 and section 12 of the GST (Compensation to States) Act, 2017 shall be credited to the Fund [discussed earlier in this chapter] [Rule 97(1)].
- ✓ An amount equivalent to 50% of the amount of IGST determined under section 54(5) of the CGST Act, read with section 20 of the IGST Act, shall be deposited in the Fund [Proviso to rule 97(1)].
- ✓ An amount equivalent to 50% of the amount of compensation cess determined under section 54(5) of the CGST Act, read with section 11 of the GST (Compensation to States) Act, shall be deposited in the Fund. [Second Proviso to rule 97(1)]
- ✓ Any amount, having been credited to the Consumer Welfare Fund, ordered or directed as payable to any claimant by orders of the proper officer, Appellate Authority or Appellate Tribunal or Court, shall be paid from the Fund [Rule 97(2)].

Study Notes

Section 58 Utilization of Fund

- (1) All sums credited to the Fund shall be utilised by the Government for the welfare of the consumers in such manner as may be prescribed.
- (2) The Government or the authority specified by it shall maintain proper and separate account and other relevant records in relation to the Fund and prepare an annual statement of accounts in such form as may be prescribed in consultation with the Comptroller and Auditor-General of India.

Section 15 (IGST) Refund of Integrated Tax paid on supply of goods to tourist leaving India

The integrated tax paid by tourist leaving India on any supply of goods taken out of India by him shall be refunded in such manner and subject to such conditions and safeguards as may be prescribed.

Explanation: For the purposes of this section, the term "tourist" means a person not normally resident in India, who enters India for a stay of not more than six months for legitimate non-immigrant purposes.

Question & Answer

Q1. What are the cases under which refund of unutilized input tax credit shall not be allowed?

A. As per first proviso to Sec. 54 (3), no refund of unutilized ITC shall be allowed except in following cases:

- (i) Zero rated supplies made without payment of tax, or
- (ii) Credit has accumulated on account of rate of tax on inputs being higher than the rate of tax on output supplies (other than Nil rated or exempt supplies). However, such refund should not relate to supply of goods or services or both as may be notified by the government on recommendation of GST council.

Thus, except the above two exceptions, refund of unutilized credit will not be allowed.

Q2. Whether refund of unutilized ITC can be allowed in case where export of goods is subject to export duty?

A. As per second proviso to Sec. 54 (3), no such refund will be allowed in case goods exported out of India are subject to levy of export duty.

Q3. Whether refund of unutilized ITC can be allowed in case where exporter of goods or services claims drawback or refund of taxes paid on such supplies?

A. The export of goods has to be free from the effect of any taxes. It is important to note that refund of unutilized credit is only one of the methods to free export transactions from the burden of taxes. The other 2 methods are drawback of taxes or refund of taxes paid on such supplies. As per second proviso to sec. 54 (3), refund of input taxes shall not have allowed in case supplier of goods or services avail drawback of central taxes or claims refund of IGST paid on such supplies.

Q4. Whether the principle of unjust enrichment be applicable to export?

A. The principle of unjust enrichment will not be applicable in case of export of goods and services.

Q5. In case of rejection of refund application, what would happen to the amount debited from Input Tax Ledger?

A. As provided in rule 93 (2), in case of rejection of refund application wholly or partly, the amount of claim rejected will be re-credited in the electronic ledger of the applicant.

Example: A Ltd. made an application of refund of unutilized ITC amounting to Rs. 7 Lacs. A Ltd. reduced the balance of Rs. 7 lacs from their electronic credit ledger. The proper officer was not satisfied with claim of Rs. 2

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Lacs. He approved the claim of Rs. 5 lacs and rejected the claim of Rs. 2 lacs. Rs. 5 lacs will be credited to the bank account of A Ltd and Rs. 2 lacs will be re-credited to electronic credit ledger of A Ltd.

Q6. ABC Ltd., filed an application for refund of tax amounting Rs. 9,00,000 on 1st Nov'17. The refund was granted on 25th Jan'17. Compute the interest payable?

A. Interest is payable after 60 days which is completing on 31st Dec'17 (60 days from 1st Nov'17). So, interest is payable for 25 days @ 6% i.e. Rs. 9,00,000 * 6% * 25/365 = Rs. 3,698

Q7. Mr. A has opted for Export against LUT / Bond without payment of taxes. LUT/ Bond issued by the Jurisdictional Officer is valid till 31st March 2018. He has exported goods against such LUT / Bond till December 2017. Can he start to export goods against payment of IGST from January 2018?

A. Yes, even though validity of LUT / Bonds is till 31st March 2018, Mr. A can start exporting goods against payment of IGST from January, 2018.

Q8. Mr. A is supplying goods to SEZ Unit. Whether he has to charge IGST on supply of goods?

A. As per the provision of section 16 of IGST Act, 2017, Supply to SEZ Unit are Zero Rated Supplies. Therefore, in such case Mr. A can either supply goods against payment of IGST (which can be claimed as refund) or he can supply goods without payment of IGST (against LUT /Bond).

Q9. A person had submitted Bank Guarantee for Issue of Bond for export of goods without payment of tax. He was granted Bond with a validity period upto 31st March 2018. However, in view of Notification No. 37/2017 – Central Tax Dated 4th October 2017, he wants to submit Letter of Undertaking and get the bond released which was submitted earlier. Can he do so.

A. Yes, he can submit a Letter of Undertaking as per the guidelines issued vide Notification No. 37/2017 – Central Tax Dated 4th October 2017 and get the bond submitted earlier released.

Q10. Can goods be sold to EOU without payment of GST as was being done prior to implementation of GST?

A. No, goods cannot be supplied to EOU without payment of taxes, however, as per Notification No. 48/2017 – Central Tax Dated 18th October 2017, domestic supplies to holder of Advance Authorization / EPCG and EOUs would be treated as deemed exports under section 147 of CGST / SGST Act and refund of tax paid on such supplies can be claimed by the supplier.

Following supplies have been treated as deemed exports under section 147 of the CGST Act:

Sr. No.	Description of supply
i.	Supply of goods by a registered person against Advance Authorisation Provided that goods so supplied, when exports have already been made after availing input tax credit on inputs used in manufacture of such exports, shall be used in manufacture and supply of taxable goods (other than nil rated or fully exempted goods) and a certificate to this effect from a chartered accountant is submitted to the jurisdictional commissioner of GST or any other officer authorised by him within 6 months of such supply,; Provided further that no such certificate shall be required if input tax credit has not been availed on inputs used in manufacture of export goods.
ii.	Supply of capital goods by a registered person against Export Promotion Capital Goods Authorization.
iii.	Supply of goods by a registered person to Export Oriented Unit
iv.	Supply of gold by a bank or Public Sector Undertaking specified in the notification No. 50/2017 – Customs, Dated the 30th June, 2017, (as amended) against Advance Authorization.

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Explanation –

For the purposes of this notification, -

“Advance Authorization” means an authorization issued by the Director General of Foreign Trade under Chapter 4 of the Foreign Trade Policy 2015 – 20 for import or domestic procurement of inputs on pre – import basis for physical exports.

Export Promotion Capital Goods Authorization means an authorization issued by the Director General of Foreign Trade under Chapter 5 of the Foreign Trade Policy 2015 – 20 for import of capital goods for physical exports.

“Export Oriented Unit” means an Export Oriented Unit or Electronic Hardware Technology Park Unit or Software Technology Par Unit or Bio – Technology Par Unit approved in accordance with the provisions of Chapter 6 of the Foreign Trade Policy 2015 – 20.

Q11. Will unutilized ITC at the end of the financial year (after introduction of GST) be refunded?

A. There is no such provision to allow refund of such unutilized ITC at the end of the financial year in the GST Law. It shall be carried forward to the next financial year.

Q12. Are SEZ Units liable to pay taxes on their inward supplies? Who will be eligible for refund of taxes paid on supplies to SEZ?

A. No. SEZ units shall not be charged with taxes for supplies made to them.

In respect of supplies to a SEZ unit or a SEZ developer, the application for refund shall be filed by the –

- (a) supplier of goods after such goods have been admitted in full in the SEZ for authorised operations,
- (b) supplier of services along with such evidence regarding receipt of services for authorised operations; as endorsed by the specified officer of the Zone.

Q13. Can the refund of balance in cash or credit ledger be claimed?

A. Yes, as per provisions of Section 49 (6), the balance of cash or credit after payment of tax, interest, penalty, fee or any other amount payment refund can be claimed as per provisions of Section 54. Once the refund is claimed, the amount of credit of CGST/SGST/ IGST (as the case may be) would be reduced to that extent.

Q14. Whether separate applications need to be filed for refund in case of export of goods and export of services?

A. Yes, there shall be separate application and different procedure for refund of export of goods and export of services.

Q15. Who can file an application for refund in case of deemed export?

A. In terms of third proviso to Rule 89 inserted vide Notification No. 47/2017 – Central Tax Dated 10.10.2017, application for refund in case of deemed export can be filed by:

- the recipient of deemed export supplies; or
- the supplier of deemed export supplies in cases where the recipient does not avail of input tax credit on such supplies and furnishes an undertaking to the effect that the supplier may claim the refund

Chapter 16: - Job Work

Section 2 (68)	Job Work definition
Section 19	ITC in respect of goods & capital goods sent to job worker
Section 141	Transition provision
Section 143	Job Work Procedures

Section 2 (68) Job Work Definition

It means any treatment or process undertaken by a person by goods belonging to another registered person and the expression "job worker" shall be construed accordingly.

- ★ The characteristics of job work, 1. Process or treatment carried out by "Job worker: as per instructions of "Principal" 2. Ownership remain with "Principal". 3. "Principal" shall be registered.

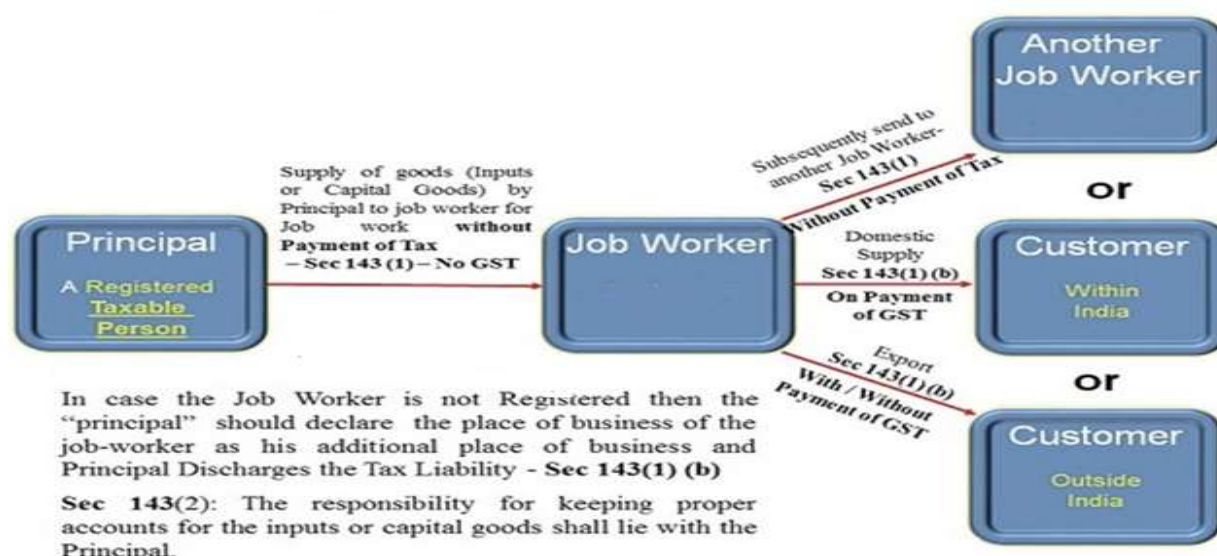
Section 19 ITC in respect of goods & capital goods sent to job worker

Principal is entitled to take ITC of inputs sent for job worker. If it is directly sent to job worker from supplier premises then principal can avail ITC when these inputs received by job worker. Same rule apply in case of capital goods.

The most important condition is that 'inputs' must be received within 1 year (from the date of dispatch by principal or if it is directly sent through supplier then from the date when job worker receive) or supplied from the place of business of job worker & 'capital goods' must be received back in 3 years. No time period in case of moulds & dies, jogs, fixtures or tools.

- ★ If the inputs or capital goods are not returned within time limit specified, the principal is liable to pay tax along with interest @18% from the day goods sent out by deeming the activity as an outward supply. In case Principal, directly deliver to Job worker from supplier then date of receipt at Job worker's premises.

Section 143 Job Work Procedures: -



Study Notes

Job worker can clear waste/scrap on payment of GST. If unregistered then, principal has to discharge GST Liability as per section 143 (5).

Section 143 (1) is amended to give power to commissioner: The period of one year and three years may, on sufficient cause being shown, be extended by the Commissioner for a further period not exceeding one year and two years respectively.

Other key points: -

- Supply under job work will be considered as principal's turnover.
- Job worker can use his own goods for providing the services of job work (Circular 38/12/2018 Dated 26th March 2018).
- As per valuation Rule 27, "Value of supply of goods or services where the consideration is not wholly in money". So, what will be treatment of wastage/scrap generated during the process (CCE, Jaipur V/s General Engineering Works, SC, 2007)? It may be an issue of litigation if job worker is retaining the scrap and selling it to scrap dealer without adding that amount in assessable value charge to principal.
- The principal shall prepare in triplicate, the challan, for sending goods to job worker. Two copies of challan may be sent to the job worker along with goods. The job worker should send one copy of the said challan along with goods, while returning them to the principal.
- Where goods are sent from one job worker to another job worker, the goods may move under the cover of a challan issued either by the principal or the job worker. Alternatively, the challan issued by the principal may be endorsed by the job worker sending the goods to another job worker, indicating therein the quantity and description of goods being sent. The same process may be repeated for subsequent movement of the goods to other job workers, indicating therein the quantity and description of goods.
- Where the goods are sent directly by the supplier to the job worker, the goods may move from the place of business of the supplier to the place of business/premises of the job worker with a copy of the invoice issued by the supplier in the name of the buyer (i.e., the principal) wherein the job worker's name and address should also be mentioned as the consignee in such invoice. Further, the buyer (i.e., the principal) shall issue the challan [required to be issued under rule 45] and send the same to the job worker directly.

In case of import of goods by the principal which are then supplied directly from the customs station of import, the goods may move from the customs station of import to the place of business/premises of the job worker with a copy of the Bill of Entry and the principal shall issue the challan under rule 45 and send the same to the job worker directly.

- In case the goods after carrying out the job work, are sent in piecemeal quantities by a job worker to another job worker or to the principal, the challan issued originally by the principal cannot be endorsed and a fresh challan is required to be issued by the job worker.
- It is clarified that it is the responsibility of the principal to include the details of all the challans relating to goods sent by him to job worker ~~or from one job worker to another~~ and its return therefrom during a quarter in Form GST ITC-04 by the 25th day of the month succeeding the relevant quarter. This period can be extended by the Commissioner/Commissioner of State GST/Commissioner of UTGST. The Form GST ITC-04 will serve as the intimation as envisaged under section 143 of the CGST Act.

Question & Answer

Q1. Are transactions of repair included in job work?

A. The activity of carrying out repairs on goods will get covered on job work and thus would be covered by provisions of section 143.

Q2. Whether job worker has to be a different person or can some other unit of principal can also become job worker?

A. Job worker has been defined to mean undertaking of treatment or process by a person on the goods belonging to another registered taxable person. In view of the fact that another unit of the same person has been categorized as a distinct person. As a distinct person, it has got all the obligations as are applicable to separately registered person, it can be concluded that even if the job worker happens to be another unit of the same person, it would be covered by provisions of sec 143 of the GST Act.

Q3. What would happen in case job worked goods are not received back by the principal within a period of one year?

A. In case job worked goods are not received back by the principal within one year of their being sent for job work, it shall be deemed that such goods were supplied by the job worker on the day when these goods were sent out and the principal is required to pay GST on the goods so sent for job work along with interest at the appropriate rate.

Q4. Can goods be sent by the principal for further job work from one job to another job worker?

A. Yes, inputs/capital goods can be sent for further job work from one job worker to another job worker. However, time limit of one year/three year to bring back inputs/capital goods after completion of job work, would be counted from the date when they were first sent for job work.

Q5. If job worker purchased additional material and incorporate the same in the goods received from the principal amount to supply?

A. Yes, it amounts to supply in the hands of the job worker as composite supply or otherwise.

Q6. Can a job worker take input credit on the inputs used in the process of job work?

A. Yes, the job worker is eligible to claim input tax credit since the processing charges received in respect of labour charges and the supply of additional goods added is taxable in the hands of the job worker.

Q7. If the job-worker subsequently registers, should the principal amend his registration by cancelling the job-workers premises as his additional place of business?

A. Yes.

Q8. Whether intermediate goods can also be sent for job work?

A. Yes. The term inputs, for the purpose of job work, includes intermediate goods arising from any treatment or process carried out on the inputs by the principal or job worker.

Q9. Whether the goods of principal directly supplied from the job worker's premises will be included in the aggregate turnover of the job worker?

A. No, it will be included in the aggregate turnover of principal. However, the value of goods or services used by the job worker for carrying out the job work will be included in the value of services supplied by the job worker.

GST Bare Act Pages 120 V/s Direct Tax Bare Act Pages 1065

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Study Notes

Q10. ABC Ltd. sends the goods to XYZ & Co. for making finished goods on 30-08-2017. What are the tax implications, in the following cases if GST @ 18% is levied:

- i. XYZ & Co. sends the goods back to ABC Ltd. within one year of being sent.
- ii. XYZ & Co. sells the goods directly to the customer on behalf of ABC Ltd.

A. As per Section 143 of CGST Act 2017, supply of goods to a job worker without payment of tax is permissible upon an intimation. In the given example, the implications are as follows:

- On supply of goods to XYZ & Co., as per the section 143 of CGST Act 2017, no tax shall be payable on supply of goods to XYZ & Co., However, the tax will be payable if finished goods is not returned before one year from 30-08-2017.
- XYZ & Co. sends the finished goods back to ABC Ltd.: As per the act, there is no tax liability on returning of goods back to the principal i.e. ABC Ltd. within a period of one year. Hence, post completion of Job work, no tax is leviable on finished goods returned to ABC Ltd.
- XYZ & Co. sells the finished goods on behalf of ABC Ltd.: Section 143 also allows the job worker to directly sell the goods on behalf of principal, wherein the liability to pay tax is of the principal and not the job worker. ABC Ltd. is liable to pay GST on sale of finished goods to customer by XYZ & Co. However, ABC Ltd. must declare the premises of XYZ & Co., as 'additional place of business' and the sale of finished goods will form part of aggregate turnover of ABC Ltd.

Such a declaration is not required in case where:

- i. Job worker is registered under section 25; or
- ii. Principal is engaged in supply of notified goods.

Q11. ABC Ltd. sends the goods (inputs) to XYZ & Co. for further processing on 30-08-2017. The value of goods sent for Job work is Rs. 2,00,000. What are the tax implications, in following cases, if GST @ 18% is levied:

- (i) XYZ & Co. sends the processed goods back to ABC Ltd on 30-11-2017
- (ii) XYZ & Co. sends the processed goods back to ABC Ltd on 30-10-2018.

A. XYZ & Co. sends the processed goods back to ABC Ltd. on 30-11-2017: As per Section 143 of the Act, Principal can remove the goods without payment of tax and take input tax credit provided inputs sent for job work are returned back within one year of removal. Otherwise, it shall be treated as supply from principal to Job worker as on 30-08-2017 and subject to tax along with interest.

- (i) In the present case, as the inputs are received back on 30-11-2017 i.e. before completion of one year, and hence no tax is payable.
- (ii) XYZ & Co. sends the processed goods back to ABC Ltd. on 30-10-2018: In the present case, the goods are received after the period of one year and hence, ABC Ltd. needs to pay the tax along with the interest on the supply made by him to XYZ & Co. Hence, ABC Ltd. need to pay Rs. 18,000 (CGST) and Rs. 18,000 (SGST) along with specified interest.

Q12. Under what circumstances can the principal directly supply goods from the premises of job worker without declaring the premises of job worker as his additional place of business?

A. The goods can be supplied directly from the place of business of job worker without declaring it as additional place of business in two circumstances namely where the job worker is a registered taxable person or where the principal is engaged in supply of such goods as may be notified by the Commissioner.

Q13. Who is responsible for the maintenance of proper accounts related to job work?

A. It is completely the responsibility of the principal to maintain proper accounts of job work related inputs and capital goods.

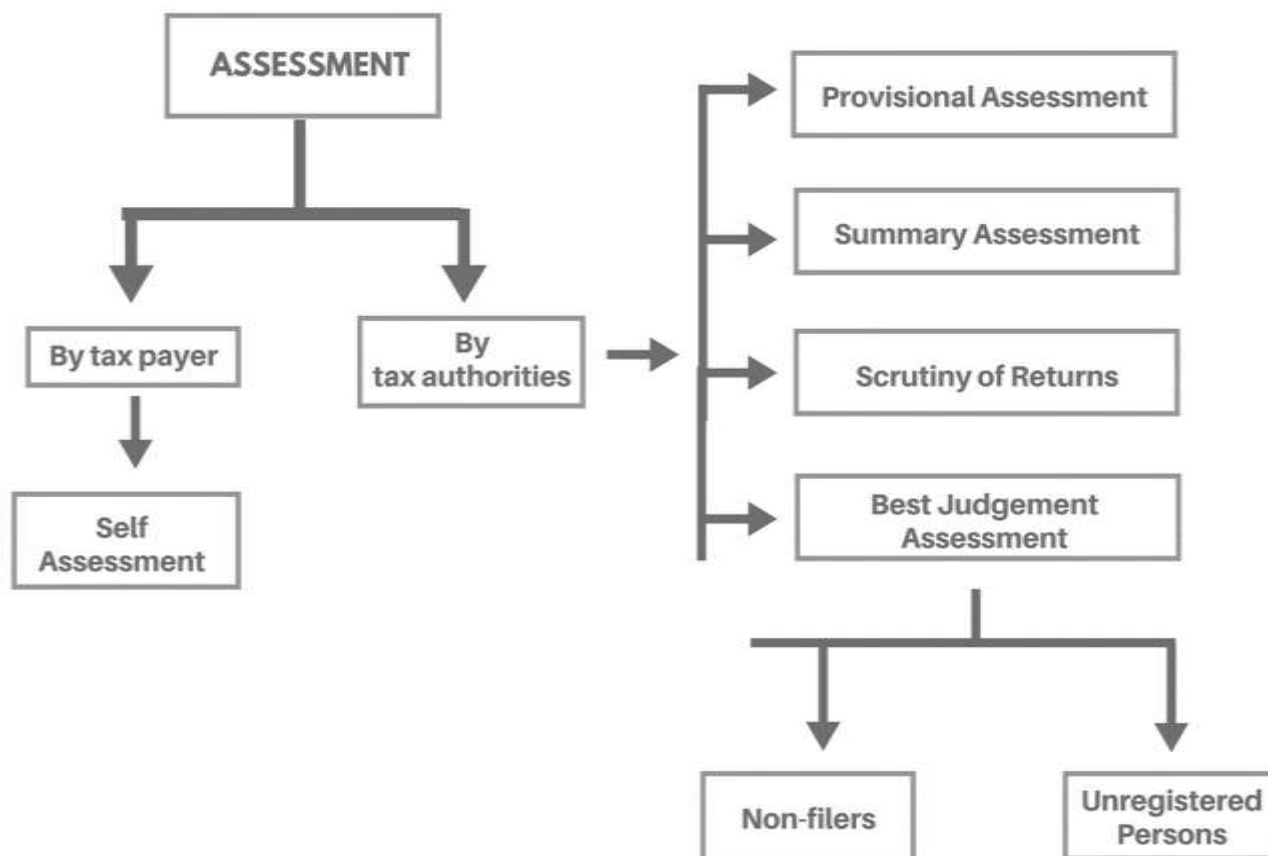
Chapter 17: - Assessment & Audit

Section 59	Self-Assessment
Section 60	Provisional Assessment
Section 61	Scrutiny of Returns
Section 62	Assessment of Non-Filers of Returns
Section 63	Assessment of Unregistered Persons
Section 64	Summary Assessment in Certain Cases
Section 65	Audit by Tax Authorities
Section 66	Special Audit

Assessment means determination of tax liability under GST law and also the tax payable thereon, which is paid/payable by the taxable person, 'audit' refers to a systematic & independent examination of books, accounts, statutory records, etc., of an organization to ascertain how far the financial statements as well as non-financial statements disclose a true and fair view of the concern. Below are the various types of assessment under GST. Types of Assessment under GST:

- Self-assessment
- Provisional assessment
- Scrutiny assessment
- Assessment of non-filers of returns
- Assessment of unregistered persons
- Summary assessment

Only self-assessment is done by the taxpayer himself. All the other assessments are by tax authorities.



Study Notes

Section 59 Self-Assessment

Every registered person shall self-assess the taxes payable under this Act and furnish a return for each tax period as specified under section 39.

Self-Assessment is the first stage for all the assessments now. The registered person is required to compute his output, take the available input credit and pay the balance amount and file the returns in the prescribed forms. Prima- Facie the department shall accept such self-assessed returns and declarations, subject to scrutiny and other modes of assessment in the selected cases and in the prescribed manner.

Section 60 Provisional Assessment

(1) The taxable person is

- unable to determine the value of goods or services or both or
- unable to determine the rate of tax

he may request the proper officer in writing giving reasons for payment of tax on a provisional basis. The proper officer may request additional information by issuing notice and request person to appear in person. The proper officer shall pass an order, within a period not later than ninety days from the date of receipt of such request, allowing payment of tax on provisional basis at such rate or on such value as may be specified by him.

Normally, provisional assessment is done in the case of imports and in a case of foreign ships doing business through Indian ports. Provisional assessment also opts in certain cases of manufacturing and processing which may attract litigation as to taxability and valuation.

(2) The payment of tax on provisional basis may be allowed, if the taxable person executes a bond in such form as may be prescribed, and with such surety or security as the proper officer may deem fit, binding the taxable person for payment of the difference between the amount of tax as may be finally assessed and the amount of tax provisionally assessed. Rule 98 (3) in this regard provides that proper officer will decide the amount of security to be furnished, the amount of which will not exceed 25% of the amount covered under bond. Rule 98 (4) provides that the security will be in the form of bank guarantee of the amount as determined in rule 98 (3). For the purposes of this rule, the expression "amount" shall include the amount of integrated tax, central tax, State tax or Union territory tax and cess payable in respect of the transaction.

These kind of surety clauses exist along with the provisional assessment clauses, so as to ensure that the revenue is not at loss post such provisional assessment, which is normally done in haste.

(3) The proper officer shall, within a period not exceeding six months from the date of the communication of the order issued under sub-section (1), pass the final assessment order after taking into account such information as may be required for finalising the assessment:

Provided that the period specified in this subsection may, on sufficient cause being shown and for reasons to be recorded in writing, be extended by the

- Joint Commissioner or Additional Commissioner for a further period not exceeding six months and
- Commissioner for such further period not exceeding four years.

(4) The registered person shall be liable to pay interest on any tax payable on the supply of goods or services or both under provisional assessment. In simple words, in case any tax amount becomes payable subsequent to finalization of the provisional assessment, then interest at the specified rate will also be payable by the supplier from the first day after the due date of payment of the tax till the date of actual payment, whether such amount is paid before or after the issuance of order for final assessment.

(5) Where the registered person is entitled to a refund consequent to the order of final assessment under sub-section (3), subject to the provisions of sub-section (8) of section 54, interest shall be paid on such refund as provided in section 56. In simple words, in case any tax amount becomes refundable

subsequent to finalization of the provisional assessment, **then interest** (subject to the eligibility of refund and absence of unjust enrichment) at the **specified rate** will be payable to supplier.

The applicant may file an application for release of security furnished after issue of final assessment order. The proper officer shall release the security furnished after ensuring that the applicant has paid the amount, within a period of seven working days from the date of the receipt of the application.

Example 1: ABC Ltd. is in business of manufacturing various components and caters to various industries. In the course of its business, ABC Ltd. receives order for manufacturing some specialized components for which the required moulds are provided free of cost (FOC) by recipient. ABC Ltd. was unsure as to whether amortized cost of tools was to be added to arrive at the value of the components supplied for the purpose of GST. Accordingly, ABC Ltd. made an application to proper officer, for assessment on provisional basis on 01.10.2018. Time period for passing provisional order, 90 days to be calculated from 01.10.2018 i.e. 30.12.2018. Suppose, in this case the provisional assessment order was passed and communicated to ABC Ltd. on 30.11.2018. Now, the final order shall be passed by the proper officer within 6 months from 30.11.2018 i.e. by 29.05.2019. For sufficient reasons, the time limit of 6 months can be extended upto:-

- By Joint/Additional Commissioner – 28.11.2019 (i.e. 6 months from 29.05.2019)
- Order by Commissioner – 28.05.2023 (4 years from 29.05.2019)

Section 61 Scrutiny of Returns

- (1) The proper officer may scrutinise the return and related particulars furnished by the registered person to **verify the correctness of the return and inform him of the discrepancies noticed**, if any, in such manner as may be prescribed and seek his explanation thereto.

As per Rule 99, proper officer shall issue a notice to the said person, informing him of such discrepancy and seeking his explanation thereto **within such time, not exceeding thirty days** from the date of service of the notice or such further period as may be permitted by him and also, where possible, quantifying the amount of tax, interest and any other amount payable in relation to such discrepancy.

- (2) In case the explanation is found acceptable, the registered person shall be informed accordingly and no further action shall be taken in this regard.
- (3) In case **no satisfactory explanation is furnished within a period of thirty days** of being informed by the proper officer or such further period as may be permitted by him or where the registered person, after accepting the discrepancies, **fails to take the corrective measure in his return for the month in which the discrepancy is accepted**, the proper officer may initiate appropriate action including those under section 65 (audit by tax authorities) or section 66 (special audit) or section 67 (inspection, search & seizure), or proceed to determine the tax and other dues under section 73 or section 74.

Section 61, deals with discretionary power to a proper officer to scrutinize returns filed by registered persons to verify the correctness of the return. It is a pre-adjudication process. The process of adjudication is provided in Section 73 to Section 75. The return's scrutiny process is entirely automated in GST regime as compared to earlier regime.

Section 62(1) & Section 63 will have an overriding effect over the provisions of Section 73 & 74

Section 62 Assessment of Non-Filers of Returns

- (1) Notwithstanding anything to the contrary contained in section 73 or section 74, where a registered person fails to furnish the return under section 39 or section 45, **even after the service of a notice under section 46**, the proper officer may proceed to assess the tax liability of the said person to **the best of his judgment taking into account all the relevant material** which is available or which he has gathered and **issue an assessment order within a period of five years from the date specified under section 44 for furnishing of the annual return** for the financial year to which the tax not paid relates.
- (2) Where the registered person furnishes a valid return within thirty days of the service of the assessment order under sub-section (1), the said assessment order shall be deemed to have been withdrawn but the liability for payment of interest under subsection (1) of section 50 or for payment of late fee under section 47 shall continue.

This is a provision similar to “Best Judgement Assessment (BJA)” under the Income Tax Act, 1961. Noticeably, issuing notice U/s 46 to return defaulter appears to be a pre-condition for initiating proceedings of best judgement assessment U/s 62. Therefore, it can be seen that non-compliance with the notice U/s 46, paves the way for initiating the proceedings under this section. If the assessee fails to furnish the return within 15 days of issue of notice U/s 46, then the proper officer may assess the tax liability based on his judgement. It may be noted that consequences of late fee U/s 47 and interest U/s 50 of the CGST Act will both be applicable in case of best judgement assessment made under this section.

Example 2: if a person defaults in filing of return for any tax period falling in FY 2017-18, period of 5 years shall be reckoned from the due date of filing of Annual Return for FY 2017-18 i.e. 31st December 2018. Accordingly, the best judgement assessment can be made by Proper Officer on or before 31st December 2023.

Section 63 Assessment of Unregistered Persons

Notwithstanding anything to the contrary contained in section 73 or section 74, where a taxable person fails to obtain registration even though liable to do so or whose registration has been cancelled under sub-section (2) of section 29 but who was liable to pay tax, the proper officer may proceed to **assess the tax liability of such taxable person to the best of his judgment for the relevant tax periods and issue an assessment order within a period of five years from the date** specified under section 44 for **furnishing of the annual return** for the financial year to which the tax not paid relates:

Provided that no such assessment order shall be passed without giving the person an opportunity of being heard.

As per Rule 100 (2), the proper officer shall issue a notice to a taxable person containing the **grounds on which the assessment is proposed to be made on best judgment basis and shall also serve a summary thereof electronically in FORM GST DRC-01, and after allowing a time of fifteen days to such person to furnish his reply, if any, pass an order in FORM GST ASMT-15 and summary thereof shall be uploaded electronically in FORM GST DRC07.**

Section 64 Summary Assessment in Certain Special Cases

- (1) The proper officer may, on any evidence showing a tax liability of a person coming to his notice, with the previous permission of Additional Commissioner or Joint Commissioner, **proceed to assess the tax liability of such person to protect the interest of revenue and issue an assessment order**, if he has sufficient grounds to believe that any delay in doing so may adversely affect the interest of revenue: Provided that where the taxable person to whom the liability pertains is not ascertainable and such liability pertains to supply of goods, the person in charge of such goods shall be deemed to be the taxable person liable to be assessed and liable to pay tax and any other amount due under this section.
- (2) On an application made by the taxable person within thirty days from the date of receipt of order passed under sub-section (1) or on his own motion, if the Additional Commissioner or Joint Commissioner considers that such order is erroneous, he may withdraw such order and follow the procedure laid down in section 73 or section 74.

This provision gives a right to the proper officer to carry out assessment and pass orders in case of special cases, where the department has 'sufficient grounds' to believe adverse effect to the revenue. In this case, the liability can be raised either by the taxable person or if the taxable person is not known (E.g. – In the case of confiscation of goods), the person-in-charge of the goods can be deemed as 'taxable person' and liability can be raised on him accordingly.

Within 30 days of such an order, either on application and representation made by a taxable person or on its own motion, an order under this section can be withdrawn if found to be erroneous.

Though section does not specifically say so, principles of natural justice like issue of SCN, opportunity of hearing, order with reasons etc. have to be followed.

Summary of various assessment orders to be uploaded on portal

The summary of assessment orders under section 62, 63 and 64 of the CGST Act is required to be uploaded electronically in the prescribed forms.

[Notification No. 16/2019 CT Dated 29.03.2019]

Study Notes

Section 65 Audit by Tax authorities & Section 66 Special Audit

Sec. 65 Audit by Tax authorities	Sec. 66 Special Audit
- The Commissioner or a person authorised by him may undertake an audit of a registered person for the period, frequency and manner prescribed - As per Rule 101 (1), the period of audit to be conducted, shall be a financial year or part thereof or multiples thereof. - Audit can be carried out either in the premises of the registered person or may also be done at the office of the proper officer, by calling for information and documents 15 days clear notice shall be provided to the person before initiation of such an audit - The audit proceedings have to be closed within 3 months from the date of initiation of audit (where the date of commencement of audit shall be the date on which all the documents and information called for are provided or audit actually initiated at the business premises, whichever is later) - Also, if the Commissioner is satisfied that the audit cannot be completed in 3 months, he can record the reasons in writing extend the time for a further period of maximum 6 more months - The registered person is obliged to provide all necessary details, documents and information required for completion of an audit - On conclusion of an audit, the proper officer shall, within thirty days, inform the registered person, about the findings, his rights & obligations and the reasons for such findings - Once the above are done, the proper officer may determine tax payable and interest and penalty (Sec. 73 & Sec. 74), if any, thereon, and also initiation collection proceedings	- During any stage of any investigation, scrutiny, assessment or any other proceedings under this act, if the proper officer, not below the rank of Assistant Commissioner, with the prior approval of Commissioner, may get the books of accounts audited by a CA or Cost Accountant nominated by the Commissioner, if so required in interest of revenue keeping in view of the complexity of transactions or business or claim of input credit - Such CA or Cost Accountant is required to submit duly signed and certified report within 90 days to such Assistant Commissioner, extendable to further period of 90 days in case of an application in writing by such CA or Cost Accountant or for a sufficient reason Such audit report is subject to principle of natural justice, wherein, an opportunity to be heard shall also be provided to the registered person - Remuneration or fee of such nominated person shall be decided by the commissioner and his decision shall be final All other provisions of tax, interest, penalty and collection shall apply to audit under this section too (Sec. 73 & Sec. 74)

Under GST, power has been given specifically to the department to conduct audit of any registered person. This matter was highly debated under pre GST service tax era.

However, still in the GST Law, there is no provision which prescribes that if any tax authority has conducted audit of an assessee for a particular period, then another tax authority would not conduct audit for the same period, otherwise it would create undue-hardship to the assessee.

Question & Answer

Q1. Can a person who has furnished a return on self-assessment basis make a request for provisional assessment?

A. For provisional assessment a request needs to be made to proper officer for filing return on provisional basis. In case the taxable person furnishes the return on self-assessment basis, he foregoes the right to make an application for permission to furnish return and pay tax on provisional basis.

Q2. Please provide brief summary on various assessments.

Section	Type of Assessment	Assessment by	Conditions precedent to assessment
59	Self-assessment	Taxable Person	Where registered taxable person assesses his tax liability himself.
60	Provisional assessment	Proper Officer	Where registered taxable person is unable to determine following: - Value of supply, and/or - Rate of applicable tax on supply
61	Scrutiny assessment	Proper Officer	Verifying the correctness of the return by scrutinizing the return and particulars furnished by taxable person.
62	Assessment of non-filers of return (Best Judgement Assessment)	Proper Officer	Where the registered taxable person fails to furnish return U/s 39 or Sec. 45 even after service of notice U/s 46.
63	Assessment of unregistered person (Best judgment assessment)	Proper Officer	Where a taxable person fails to obtain registration, even though liable to do so.
64	Summary Assessment	Proper Officer	To protect the interest of revenue with previous permission of Additional/Joint Commissioner.

Q3. Audit has to be completed within a stipulated period of three months (subject to extension) from the date of commencement. What is implied by date of commencement of audit?

A. 'Commencement of audit' shall imply that date on which the records and other documents, called for by the tax authorities, are made available by the taxable person or date of actual institution of audit at the place of business, whichever is later. The period of three months can be extended by six months for reasons to be recorded in writing.

Example:

Date of which documents requested	1 st April 2017
Date of which documents/recorded made available	20 th April 2017
Date of actual institution of audit at auditee's placed	5 th May 2017
The date of commencement of audit will be taken as	5 th May 2017
Date by which audit should be completed in normal course	4 th Aug 2017
Last date by which audit should be completed (including extended period)	4 th Feb 2018

Q4. What is the difference between the two audit Sec. 65 and Sec. 66?

Issue	Audit U/s 65	Audit U/s 66
Trigger Point	General audit; audit of business transaction, no specific reason to be cited	Nature & complexity of case, interest of revenue, incorrect value of supply or abnormal availment of credit
Nature of Audit	Departmental Audit	Special Audit

Study Notes

Conducted by	Officers of department authorized by commissioner	Chartered Accountant/Cost Accountant appointed by Commissioner
Frequency	Discretionary	Discretionary
Prior notice to auditee	Yes, 15 days' notice is required	No such notice/intimation envisaged
Time for conclusion of audit	3 months, further extension of 6 months allowed	90 days, further extension of 90 days allowed
Audit findings report	To be intimated soon on completion of audit	Report to Deputy/Assistant Commissioner
Audit expenses	Borne by department	Borne by department
Opportunity of being heard	No specific provision	Yes, where material gathered during audit is to be used in any proceedings against the auditee
Action based on report	If results in demand of tax, shall be recovered U/s 73 or 74	If results in demand of tax, shall be recovered U/s 73 or 74

Q5. What would be the process of Scrutiny of Returns?

A. The proper officer would inform registered person of the discrepancies noticed during the course of scrutiny of returns. The proceedings would be dropped if the explanation submitted by the registered person is found acceptable. However, if no explanation is furnished within the stipulated period by the registered person or no corrective action is taken by the registered person after accepting discrepancy, proper officer may initiate appropriate action against the registered person.

Q6. What are the consequences on conclusion of provisional assessment by way of passing final assessment order in so far as short/excess remittance of tax is concerned?

A. The consequences on concluding the provisional assessment by way of passing final assessment order would be as follows:

- **Additional tax liability:** In case of short remittance of taxes in terms of final assessment order, the additional tax liability, if any should be remitted along with interest at the rate prescribed U/s 50 (1) for delay in remittance of taxes viz., from the 1st day after the due date of remittance of taxes as prescribed U/s 39 (7) till the date of actual payment.
- **Excess remittance of tax on provisional basis:** In case of excess remittance of taxes in terms of final assessment order, the registered person is entitled to refund of such excess remittance in the manner as provided in Section 54 (8) along with interest as provided under Section 56.

Q7. Whether any time limit has been specified to issue notice for scrutiny?

A. No, the provisions relating to scrutiny assessments do not specify time limit for issuing notice for scrutiny of assessments.

Q8. Whether any reason to believe or evidence is required for initiate audit U/s 65?

A. No, Section 65 doesn't specify any such requirements. Commissioner can initiate audit on any taxable person for such period, at such frequency and in such manner as may be prescribed.

Q9. Is there any additional opportunity provided for taxable person to submit a return even after passing an assessment order under Section 62 (1)?

A. Yes, if the registered person furnishes a valid return within 30 days from the date of service of best judgement assessment order u/s 62 (1), the said assessment order shall be deemed to have been withdrawn.

Q10. Whether Self-Assessment and provisional assessment are mutually exclusive?

A. Yes, if the taxable person opts for self-assessment, he cannot opt for provisional assessment for the same period for same supply. However, he can opt for provisional assessment if he is unable to determine taxable value / tax liability/ (rate of tax) for any subsequent periods.

Q11. Whether audit by officer can be done for a person other than registered person U/s 65?

A. Audit by officer cannot be ordered for a person who is not registered even if he is required to be registered as per the provisions of the law. [S. 65(1)]

Q12. What process of audit is required to be followed by the officer in case audit is conducted U/s 65?

A. Following process is to be followed for conduct of audit by officer:

1. Proper Officer shall verify the documents, correctness of turnover, exemptions and deductions claimed, the rate of tax applied, input tax credit availed and utilized and refund claimed. [R.101(3)]
2. Proper Officer shall record the observations in audit notes. [R. 101(3)]
3. Proper Officer may inform discrepancies noticed during audit to registered person [R.101(4)]
4. Registered Person shall reply to discrepancies [R. 101(4)]
5. Proper officer shall finalize findings of audit only after due consideration of reply [R. 101(4)]
6. On the conclusion of audit, Proper Officer shall inform the Registered Person whose records are audited about the:
 - findings
 - reasons for findings,
 - assessee's rights and obligations. [S. 65(6)]
7. Information of findings, reasons, right and obligations shall be made within 30 days (in FORM GST ADT-02) [S. 65(6)]

Q13. What action will be initiated when the audit conducted u/s 65(1) results in a demand?

A. Where the audit u/s 65(1) results in detection of tax not paid or short paid or erroneously refunded, or input tax credit wrongly availed or utilized, the proper officer may initiate action under Section 73 or Section 74.

Q14. At what stage the directions of special audit can be given?

A. At any stage of scrutiny, inquiry, investigation or any other proceedings, having regard to the nature and complexity of the case and interest of revenue, a direction to Registered Person to get its accounts examined and audited can be given [S.66(1)]

Q15. Whether already audited accounts are also covered by special audit?

A. Special Audit may be directed even if accounts of the registered person have been audited under any other provisions of this Act or any other law for the time being in force.[S.66(3)]

Q16. How to deal with detection of short paid taxes as a result of special audit?

A. Where audit results in detection of tax not paid/short paid /erroneous paid or ITC wrongly availed or utilized, Proper Officer may initiate action u/s 73 or 74 [S.66(6)]

Q17. Whether the phrase "nature and complexity of the case" is defined in the Act?

A. No, Section 66 does not define the phrase "nature and complexity of the case". However, there is enough jurisprudence under the Income Tax Laws to determine what will constitute complexity of the case.

Study Notes

Chapter 18: - Inspection, Search, Seizure & Arrest

Section 67	Power of Inspection, search & seizure
Section 68	Inspection of goods in movement
Section 69	Power to arrest
Section 70	Power to summon persons to give evidence and produce documents
Section 71	Access to Business premises
Section 72	Officers to assist proper officers

Section 67 Power of Inspection, Search & Seizure

Sec. 67 (1) Power of Inspection

In case a proper officer holding the rank of joint commissioner or a higher rank has reason to believe that –

- Any transaction relating to supply of goods or services or both has been suppressed by the taxable person or any person has claimed any amount of tax as ITC in excess of credit available to him under the act or any person has contravened any provisions of the Act or rules made thereunder to evade tax; or
- Any goods which have escaped from the payment of tax or are kept in a manner to cause evasion of tax and are in the custody of any transporter of the goods or owner or operator of a warehouse or godown or any other place,

Only upon a written authorization (Rule 139 Form GST INS-01) given by an officer of the rank of joint commissioner or above, the officer can conduct the inspection of the place of business of the taxable person or the place of transporter of goods or owner or operator of warehouse or godown or any other place.

Sec. 67 (2) Power to search and seize

In case a proper officer holding the rank of joint commissioner or a higher rank has reason to believe, whether on the basis of inspection carried out or otherwise, that any goods are liable to confiscation U/s 130 or any document or books or things which shall be useful for or relevant to any of the proceedings, he may search and seize such goods, documents, books or things by himself or he may authorize any other officer to search and make order of seizure in Form GST INS-02.

As per sub-rule (5) of Rule 139 of CGST Rules, the proper officer or the officer authorized by him shall make the inventory of the goods or documents or things to seized containing description, quantity, make and model and shall get it signed by the custodian of the goods or documents.

In case where seizure of the goods is not possible, the proper officer or the officer authorized by him, may serve the notice in Form GST INS-03 to prohibit the owner or custodian of the goods to remove, part with, or otherwise deal with the goods without taking prior permission of the officer.

The officer may retain the documents or books or things so seized for a period as may be necessary for the examination of the facts of the proceeding under the Act.

Example1: Jurisdiction officer of ABC Ltd. has reasons to believe that certain activities are being carried out by them in order to evade taxes. Accordingly, business premises of ABC Ltd. were visited by Revenue Authorities as directed under rule 139 (1) under form GST INS-01, for carrying out search proceedings, and production of books & accounts was demanded, on observing certain irregularities with the books and stock. As ABC Ltd. was not in possession of documents, it sought 24 hours for production of books and accounts. In such situation, even though ABC Ltd., sought time for production of books and accounts, the goods are liable to be seized, provided seizure order is passed in Form GST INS-02.

Let say, during the search in ABC Ltd.'s manufacturing unit, it comes to notice of the proper officer that the ABC Ltd. has installed new machinery, which nowhere has been accounted for in the books of accounts, thus, the machinery is liable to be seized, unless the ABC Ltd. proves that it has been accounted for into the books of

accounts. The proper officer may seize such machinery by way of making the ABC Ltd. as the custodian of the machinery and serve an order of prohibition in Form GST INS -03.

Sec. 67 (3) Releasing of non-related document

Where the **accounts or documents** so seized or produced by the taxable person **are not relevant** for further proceeding or are not serving the solution of the purpose for which the notice was issued then such documents shall be **returned** to the person **within a period of 30 days** from the date of issue of notice.

Sec. 67 (4) Power to access premises

In case where any person refuses to allow an officer to provide access of premises, almirah, locker, box, electronic device or safe or godown then the officer is authorized in sub-section (2) to seal or **break down the door or premises or can break the almirah, electronic safe, box etc. in which any goods or relevant documents are suspected to be kept.**

Sec. 67 (5) Grant to take extracts

The **custodian of the documents or books, which are seized** in sub-section (2), shall be allowed to take the **copies of the documents** so seized in the presence of the officer at such place and time as provided by such officer. However, the **officer may refuse** the custodian to take copies of such documents in case he is of the opinion that **taking such copies may adversely impact the investigation.**

Sec. 67 (6) Execution of bond

The goods so seize under sub-section (2) shall be released by the **officer provisionally on receipt of bond** (as per Rule 140, Form GST INS-04) equivalent to the amount of goods along with security in form of bank guarantee equivalent to the amount of applicable tax, interest and penalty payable.

The "applicable tax" shall include central tax and State tax or central tax & the Union territory tax, as the case may be and the cess, if any, payable under the Goods and Services Tax (Compensation to States) Act.

In case the custodian fails to produce such provisionally released goods, the proper officer may encash the bank guarantee & shall adjust the same against tax, interest and penalty or fine payable in respect of such goods.

Sec. 67 (7) Releasing of goods

The **goods so seized** shall be returned to the custodian from whose custody the goods were seized where **notice in respect thereof is not given within a period of six months or such period** extended by the officer from the date of seizure.

The period of six months in sub-section (7) may be extended by proper officer, on sufficient cause, by a further period not exceeding six months.

Sec. 67 (8) Disposal of specified seized goods

In case goods seized in sub-section (2) are **perishable or hazardous in nature or goods are depreciated with the passage of time** or in case of any issues in storage of such goods or any other issued arises, in that case the government may, by notification, **allow proper officer to dispose such goods or class of goods.**

The goods specified in sub-section (8) shall be **release by the proper officer** if the taxable persons pays an amount **equivalent to the lower of :**

- **Market price of the goods, or**
- **The amount of tax, interest or penalty in respect of such goods is payable.**

Proper officer, on the proof of payment, shall pass the order in Form GST INS-05 and shall release the goods. The list of such goods has been given in Notification no. 27/2018 CT Dated 13-6-2018. The list covers salt, raw hides, newspapers, cell, batteries, fireworks, red sander, sandalwood, food articles, unclaimed goods which are depreciable on account of change in technology, change in model etc.

Sec. 67 (9) Inventory of specified seized goods

The proper officer or the officer authorized by him, in prescribed manner, shall prepare the inventory of all the goods so seized as specified in sub-section (8).

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Sec. 67 (10) Procedure of search and seizure

The procedure of **search and seizure** will be the same as of the provisions of search and seizure prescribed in **code of criminal procedure, 1973**. However, documents or records so seized shall be given to the "Commissioner" instead of magistrate and the commissioner, on application of the custodian, shall provide the copies of the seized documents.

Sec. 67 (11) Retention of accounts, register or document

The **proper officer**, for the reasons recorded, may **seize the books of accounts, documents or registers produced before him by the registered person** and shall retain it for so long as required for any proceeding under the act for prosecution. The proper officer shall retain such accounts or documents on in case he has reason to believe that the person has evaded or attempting to evade any payment of tax provide the receipt of the books or documents so seized.

Sec. 67 (12) Surprise check of invoicing

The Commissioner or an officer authorized by him, to check whether a registered person is issuing proper invoice or not, may **purchase any goods or services or both by themselves or by authorizing any person on their behalf. The taxable person or any other person authorized by him shall, on return of such goods by such officer shall refund the amount** so paid at time of purchase and shall cancel such invoice or bill of supply issued earlier. **[look like service is not included for refund]**

Section 68 Inspection of goods in movement

Sec. 68 (1) Carrying of documents

For the movement of goods, the person in charge of a conveyance may require to carry such documents as may be specified by the government and such devices as may be prescribed. The documents may be required to carry by the person in charge only in case if they are exceeding the value specified in this respect.

Sec. 68 (2) Validation of documents

The details of documents required to be carried under sub-section (1) shall be validated in such manner as may be prescribed.

Sec. 68 (3) Inspection of documents

Proper officer may intercept any person in charge carrying goods in conveyance to produce such documents and devices as prescribed in sub-section (1) to check the validity of the movement of goods, and such person in charge of goods will be required to produce the same for verification.

Section 69 Power to arrest

Sec. 69 (1) Order to Arrest

In case where a **commissioner** has reason to believe that a person has **committed any offence under clause (a) or clause (b) or clause (c) or clause (d) of sub-section (1) of section 132 which is punishable as imprisonment in clause (i) or (ii) of sub-section (1), or sub-section (2) of section 132, in that case the proper officer may authorize any officer to arrest such person.**

Relevant extract of Section 132 (1):

In case a person has committed the below mentioned offences, namely :

- (a) **Supply of goods without issue of any invoices to evade tax,**
- (b) **Issues any invoices in violation of the act to avail any wrongful input tax credit or refund of tax,**
- (c) **Availed input tax credit on false invoices,**
- (d) **Collects the tax from customer but not paid the same to the Government within 3 months from the due date,**

As per Section 132 (1) (i), where such amount so evaded or wrongly claimed or refund taken **exceeds five hundred lakh rupees will be punishable as imprisonment up to five years with fine.**

As per Section 132 (1) (ii), where such amount so evaded or wrongly claimed or refund taken exceeds two hundred lakh rupees but not exceeding five hundred lakh rupees will be punishable as imprisonment up to three years with fine.

As per Section 132 (2), where a person commits offence prescribed in section 132 for the second or subsequent time shall be punishable as imprisonment up to five years with fine.

Sec. 69 (2) Appearance before magistrate for non-bailable offences

In case a person has committed an offence under sub-section (5) of section 132 i.e. the offences which are cognizable and non-bailable, the officer who has arrested the person shall inform that person the grounds for which he is arresting him and shall take him before the magistrate within twenty four hours from the arrest.

Sec. 69 (3) Arrest in case of bailable offences

Subject to the provisions of the Code of Criminal Procedure, 1973, -

- a) Where a person is arrested under sub-section (1) for any offence specified under sub-section (4) of section 132 i.e. bailable offences shall be released on bail or in default of bail shall be forwarded to the custody of the magistrate.
- b) The deputy commissioner or the assistant commissioner shall, for the purpose of releasing an arrested person on bail or otherwise, have the same powers and be subject to the same provisions as an officer-in-charge of a police station.

Section 70 Power to Summon Persons to give Evidence and Produce Documents

- (1) In case the proper officer requires the presence of any person in any inquiry to provide any document or thing which he seems is required in any proceeding then he may summon that person for his presence and the officer shall have the same powers as prescribed under the provisions of Code of Civil procedure, 1908 in this regard.
- (2) The proceeding before the officer who has issued the summon shall deemed to be the "Judicial proceeding" within the meaning of section 193 and section 228 of the Indian Penal Code.

Section 71 Access to Business Premises

Sec. 71 (1) Access to place of business

The officer authorized by the proper officer shall have the access to any place of business of the registered person and he may inspect any books of account, documents, computers, computer programs, computer software and other things, available at such place, which seems to be required by him for carrying out any audit, scrutiny, verification and checks to safeguard the interest of the revenue.

Sec. 71 (2) Responsibility of person in charge

The officer so authorized in sub-section (1) or the audit party deputed by the officer or a cost accountant or a chartered accountant nominated by the department to conduct special audit U/s 66 may demand any of the below mentioned documents to conduct any audit or scrutiny and it will be the responsibility of the person in charge of that place of business to provide the same to the concerned person within fifteen days from their demand or such further period allowed to him.

Documents that can be demanded by the officer or audit party or a cost accountant or a chartered accountant nominated U/s 66 –

- Records that are prepared or maintained by the registered person and declared to the proper officer in such manner as may be prescribed,
- Trial Balance,
- Statements of annual financial accounts, duly audited, wherever required,
- Report of cost audit, if applicable, prescribed in Section 148 of the Companies Act, 2013,

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- **Tax audit report** where the person is required to get his books of accounts audited U/s 44 AB of the Income-Tax Act, 1961, and
- Any other document or record as may be required by him.

Section 72 Officers to Assist Proper Officer

To safeguard the interest of revenue all the officers of **police, railways, customs and those officers engaged in the collection of land revenue, including village officers, officers of state tax and officers of union territory tax shall assist the proper officers in the implementation of this Act.**

Further the Government may empower and require any class of officers other than specified above to assist the proper officers in the implementation of the act.

Question & Answer

Q1. What is the distinction in law between 'Seizure' and 'Detention'?

A. Denial of access to the owner of the property or the person who possesses the property at a particular point of time by a legal order/notice is called detention. Seizure is taking over of actual possession of the goods by the department. Detention order is issued when it is suspected that the goods are liable to confiscation. Seizure can be made only on the reasonable belief which is arrived at after inquiry/investigation that the goods are liable to confiscation.

Q2. What is meant by the expression 'reason to believe'?

A. The expression, 'reason to believe' is not defined anywhere but needs to be understood through judicial interpretation, some of which are as follows:

In ITO v Lakhmani Mewal Das (1976) 103 ITR 437 (SC), it was held that the expression 'reason to believe' doesn't mean a purely subjective satisfaction on the part of the income-tax officer. The reason must be held in good faith. It cannot be merely a pretence. In CIT v Kelvinator India Ltd. (2010) 320 ITR 562 (SC), it was held that there must be tangible material for the formation of the belief in the context of search.

As per Sec. 26 of IPC, a person is said to have reason to believe a thing, if he has sufficient cause to believe that thing, but not otherwise.

Q3. Will access to place of business premises U/s 71 also include unregistered premises?

A. Perhaps, yes. This provision facilitates access to a business premise which is not registered by a taxable person as a principal or additional place of business but has books of accounts, documents, computers etc. which are required for audit or verification of accounts of a taxable person.

Q4. Whether the list of documents/information is exhaustive and no other document can be inspected?

A. No, the list of documents is considered illustrative. Certain documents are specifically listed in this provision but if any other relevant records are maintained at the said premises, they may also be required to be produced.

Q5. Is it mandatory that such 'reasons to believe' has to be recorded in writing by the proper officer, before issuing authorization for Inspection or Search and Seizure?

A. Although the officer is not required to state the reasons for such belief before issuing an authorization for search, but he should disclose the material on which his belief was formed. 'Reason to believe' need not be recorded invariably in each case.

Q6. Can the proper officer access business premises of a registered taxable person?

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A. Yes. An audit party of CGST, deputed by proper officer or a cost accountant or chartered accountant nominated under section 66 have access to any business premises without issuance of a search warrant for the purposes of revenue carrying out any audit, scrutiny, verification and checks as may be necessary to safeguard the interest of. Further, in terms of Section 71(1), an officer authorised by a proper officer not below the rank of Joint Commissioner can also have access business premises of a registered person.

Q7. What is the meaning of 'Inspection', 'Search' & 'Seizure'?

A.

Inspection	Search	Seizure
It is a softer provision than search to enable officers to access any place of business of a taxable person and also any place of business of a person engaged in transporting goods or who is an owner or an operator of a warehouse or godown.	The term 'search', in simple language, denotes an action of a government machinery to go, look through or examine carefully a place, area, person, object etc. in order to find something concealed or for the purpose of discovering evidence of a crime. The search of a person or vehicle or premises etc. can only be done under proper and valid authority of law.	In Law Lexicon Dictionary, 'seizure', is defined as the act of taking possession of property by an officer under legal process. It generally implies taking possession forcibly contrary to the wishes of the owner of the property or who has the possession and who was unwilling to part with the possession.

Q8. What is meant by term 'Arrest' and 'Cognizable & Non Cognizable Offence'?

A.

Arrest	Cognizable Offence	Non Cognizable Offence
The term 'arrest' has not been defined in the CGST/SGST Act. However, as per judicial pronouncements, it denotes 'the taking into custody of a person under some lawful command or authority'. In other words, a person is said to be arrested when he is taken and restrained of his liberty by power or colour of lawful warrant.	Generally, cognizable offence means serious category of offences in respect of which a police officer has the authority to make an arrest without a warrant and to start an investigation with or without the permission of a Court.	Non-cognizable offence means an offence in respect of which a police officer does not have the authority to make an arrest without a warrant and an investigation cannot be initiated without the permission of a Court.

Q9. What are the safeguards provided for a person who is placed under arrest?

A. The following are the safeguards provided for a person who is placed under arrest:

- If a person is arrested for a cognizable offence, he must be informed in writing of the grounds of arrest and he must be produced before a Magistrate within 24 hours of his arrest;
- If a person is arrested for a non-cognizable and bailable offence, the Deputy/ Assistant Commissioner shall, for the purpose of releasing an arrested person on bail or otherwise, have the same powers and be subject to the same provisions as an officer-in-charge of a police station.

All arrest must be in accordance with the provisions of the Code of Criminal Procedure, 1973 relating to arrest.

Q10. Which are the places of business / premises which can be inspected by the CGST officer?

A. CGST officer authorized by the proper officer not below the rank of Joint Commissioner shall have the powers to carry out inspection of any of the following places / premises:

- any place of business of a taxable person;
- any place of business of a person engaged in the business of transporting goods;
- any place of business of an owner or an operator of a warehouse or godown or any other place;

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Chapter 19: - Demands & Recovery

Section 73	Determination of tax not paid or short paid or erroneously refunded
Section 74	Determination of tax not paid or short paid or erroneously refunded by reason of fraud or wilful misstatement or suppressions of facts
Section 75	General provisions relating to determination of tax
Section 76	Tax collected and not deposited with the Central Government or a State Governments
Section 77	Tax wrongfully collected and deposited with the Central Government or a State Government
Section 78	Initiation of Recovery Proceedings
Section 79	Recovery of tax
Section 80	Payment of tax and other amount in installments
Section 81	Transfer of property to be void in certain cases
Section 82	Tax to be first charge on property
Section 83	Provisional attachment to protect revenue in certain cases
Section 84	Continuation and validation of certain recovery proceedings

Section 73 Determination of tax not paid or short paid or erroneously refunded & Section 74 Determination of tax not paid or short paid or erroneously refunded by reason of fraud or wilful misstatement or suppression of facts

Sub Section	Defaults made U/s 73 (for reason other than fraud etc.)	Defaults made U/s 74 (For reasons of fraud, or any wilful-misstatement or suppressions of facts etc.)
(1) Issuance of Show Cause Notice (SCN)	- Tax not paid, or - Short paid, or - Erroneously refunded, or - ITC has been wrongly availed/utilized Proper Officer will issue SCN why taxable person should not pay the amount specified in notice along with interest U/s 50 & applicable penalty as per Act & Rules.	- Tax not paid, or - Short paid, or - Erroneously refunded, or - ITC has been wrongly availed/utilized Proper Officer will issue SCN why taxable person should not pay the amount specified in notice along with interest U/s 50 & penalty equivalent to the tax specified in the notice.
(2) Time limit for SCN	At least three months prior to time limit specified for issuance of order [Refer to sub-section (10)]	At least Six months prior to time limit specified for issuance of order [Refer to sub-section (10)]
(3) Deemed Notice	Proper officer may serve a statement for such periods other than those covered in above sub-section (1), on the person chargeable to tax	Proper officer may serve a statement for such periods other than those covered in above sub-section (1), on the person chargeable to tax
(4) Status of statement issued on	The above statement shall be deemed to be service of notice, if ground	The above statement shall be deemed to be service of notice, if ground remain same as per above sub-section (1)

recurring SCN	remain same as per above sub-section (1)	
(5) Intimation by taxable person of deposit prior to issue of notice	The person chargeable with tax may, before service of notice under sub-section (1) or (3), pay the amount along with interest U/s 50 on his own ascertainment or as ascertained by the proper officer and inform proper officer in writing of such payment.	The person chargeable with tax may, before service of notice under sub-section (1), pay the amount along with interest U/s 50 & penalty equivalent to 15% of such tax , on his own ascertainment or as ascertained by the proper officer and inform proper officer in writing of such payment.
(6) Proper Officer not to issue SCN on receipt of information of deposit	Proper Officer, on receipt of deposit information, shall not service any notice Under sub section (1) or (3), in respect of tax so paid or any penalty payable under the provisions of this act or rules.	Proper officer, on receipt of deposit information, shall not serve any notice under sub-section (1), in respect of the tax so paid or any penalty payable under the provisions of this Act or the rules made thereunder.
(7) Short receipt of tax under sub-section (5) as per opinion of proper officer	Issue SCN for the sum short paid under sub section (1).	Issue SCN for the sum short paid under sub section (1).
(8) Conclusion of proceedings within 30 days of issue of SCN	On deposit of sum of tax along with interest as per SCN within 30 days of SCN, no penalty shall be payable and all proceedings in respect of SCN, shall be deemed to be concluded.	On deposit of tax along with interest and a penalty equivalent to 25% of such tax within 30 days of issue of the notice, all proceeding in respect of SCN, shall be deemed to be concluded.
(9) Considering representation and issue of order of SCN	Order for payment of tax+interest+penalty not more than 10% of tax or Rs. 10,000 whichever is higher.	Order for payment of tax+interest+penalty.
(10) Limitation period for issuance of an order	Within 3 years from due date of annual return or 3 years from the date of erroneous refund.	Within 5 years from due date of annual return or 5 years from the date of erroneous refund.
(11) Miscellaneous	Notwithstanding anything contained in sub-section (6) or (8), penalty under sub-section (9) shall be payable where any amount of self-assessed tax or any amount collected as tax has not been paid within a period of 30 days from the due date of payment of such tax.	On deposit of tax along with interest and a penalty equivalent to 50% of such tax within 30 days of issue of the order, all proceeding in respect of notice, shall be deemed to be concluded.
For the purpose of section 73 & 74 – - The expression “all proceeding in respect of the said notice” shall not include proceedings under section 132 (prosecution/punishment for certain offences); - Where the notice under the same proceedings is issued to the main person liable to pay tax and some other persons, and such proceedings against the main person have been		

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concluded under section 73 or section 74, the proceedings against all the person liable to pay penalty under sections 122, 125, 129 and 130 are deemed to be concluded.

"Suppression" shall mean non-declaration of facts or information which a taxable person is required to declare in the return, statement, report or any other document furnished under this Act or the rules made thereunder, or failure to furnish any information on being asked for, in writing by the proper officer.

Penalty provisions (over and above interest amount U/s 73 & 74 at a glance:

Situation	Penalty U/s 73	Penalty U/s 74
Before issuance of SCN	No Penalty	15% of the tax amount
Within 30 days after the issuance of SCN	No Penalty	25% of the tax amount
Within 30 days of issuance of order	10% of the tax or INR 10,000 whichever is higher (INR 20000 – total of CGST & SGST or IGST)	50% of the tax amount
After 30 days of issuance of order	10% of the tax or INR 10,000 whichever is higher (INR 20000 – total of CGST & SGST or IGST)	100% of the tax amount

Circular No. 76/50/2018-GST Dated 31st March 2019

The circular clarifies that delayed filing of Form GSTR-3B will not attract penalty leviable u/s 73(11) of Central Goods and Services Tax (CGST) Act as the tax along with applicable interest has already been paid.

Further, as tax has been paid after the due date in contravention of the provisions of CGST Act, a general penalty under section 125 of the CGST Act may be imposed.

Table below, the functions as the proper officers in relation to issue of show cause notices and orders -
Circular No. 31/05/2018 – GST Dated 9th Feb'18

Designation of Officer	Monetary limit of the amount of CGST (including cess) for issuance of show cause notices & orders u/s 73 & 74 of CGST	Monetary limit of the amount of IGST (including cess) for issuance of show cause notices & orders u/s 73 and 74 of CGST Act made applicable to IGST	Monetary limit of the amount of CGST and IGST (including cess) for issuance of show cause notices & orders u/s 73 and 74 of CGST Act made applicable to IGST
Superintendent	Up to Rs. 10 lakhs	Up to Rs. 20 lakhs	Up to Rs. 20 lakhs
Deputy or Assistant Commissioner	Above Rs. 10 lakhs up to Rs. 1 crore	Above Rs. 20 lakhs up to Rs. 2 crore	Above Rs. 20 lakhs up to Rs. 2 crore
Additional or Joint Commissioner	Above Rs. 1 Crore	Above Rs. 2 Crore	Above Rs. 2 Crore

Example 1: ABC Ltd. sold 100 boxes of chocolates for Rs. 1,00,000 on which tax was payable @ 18%. However, ABC Ltd. did not show the transaction in its books and raised bogus invoices of supply. If ABC Ltd. decides to pay tax before issuance of SCN, then it is liable to pay penalty U/s 74 i.e. $1,00,000 \times 18\% = \text{Rs. } 18,000$. If it pays within 30 days of issuance of SCN then penalty is $\text{Rs. } 18,000 \times 25\% = \text{Rs. } 4,500$ penalty. Apart from penalty, tax & interest thereon also need to be paid by ABC Ltd.

Section 75 General provisions relating to determination of tax

Sec. 75 (1) Exclusion of stay period from time limit for demand order

Where a court or Appellate Tribunal issues the order of stay in respect of serving of notice or issue of order of demand then **such period of stay shall not be included while computing the time period** specified the issue of notice and demand order.

Example 2: Let say if court has issued the stay order for 6 months then if annual return date is 31st December 2018 then order of demand within 5 years (in case of fraud) is 31st December 2023 and since order is stayed for 6 months then order can be issued by 30th June 2024.

Sec. 75 (2) Change in opinion

Where any person has been served with a notice to show cause with charges of fraud or wilful misstatement or suppression of facts to evade tax and later any Appellate authority or appellate tribunal or Court opines that the **charges of fraud has not been established then the proper officer shall proceed to determine the tax liability as if the tax has not paid or erroneously refund is for the reason other than fraud, deeming the notice has been served under sub-section (1) of section 73.**

If we try to interpret then one argument can be : such change in opinion has been made in the fourth year from the last date of filing of annual return for such tax period then the proceeding shall not be continued as the time limit for the issue of demand of order has already been lapsed (3 years).

Sec. 75 (3) Order in case of direction of court

In case the **Appellate Authority or Appellate Tribunal or a court has directed the issue of any order then such order shall be issued within a period of two years** from the date of issue of such direction by the Appellate Authority or Appellate Tribunal or a court.

Sec. 75 (4) Opportunity of being heard

An **opportunity of hearing** shall be given to the aggrieved party if he makes the **representation in writing or where any adverse decision has been contemplated against him.**

Sec. 75 (5) Adjournment of hearing

The proper officer on sufficient cause shown by the person chargeable to tax and for reasons recorded in writing shall grant the time to such person and shall adjourn the hearing. However such adjournment shall be allowed to the **maximum of three times** to a person.

Sec. 75 (6) Disclosure of facts in order

The proper officer, in his **order, shall set out the relevant facts and the basis of his decision.**

Sec. 75 (7) Basis of order

The **amount of tax, interest and penalty demanded in the order shall not be in excess of the amount specified in the notice** including deemed notice and no demand shall be confirmed on the grounds other than grounds specified in the notice.

A welcome change has been introduced under the GST Law by incorporating the provision which prescribes that the order cannot travel beyond the allegations or grounds raised in the SCN. In the pre-GST indirect tax regime, this principle has been established only through legal Jurisprudence.

Sec. 75 (8) Consequences of modification of order

In case where the Appellate Authority or Appellate Tribunal or court has **modified the amount of tax in any order then the amount of interest and penalty shall also stand modified proportionately** computed on the basis of the amount of tax so modified.

Example 3: In case any order of demand has been served: Tax Rs. 1,00,000, Interest Rs. 36,000 (2 years @18%), Penalty Rs. 1,00,000 (100% of tax).

Study Notes

Appellate Authority/Tribunal or Court has modified tax amount to Rs. 50,000: Tax Rs. 50,000, Interest Rs. 18,000 (2 years @18%), Penalty Rs. 50,000 (100% of tax).

Sec. 75 (9) to Sec. 75 (13) Miscellaneous provisions

Interest on tax short paid or not paid shall be payable at applicable rates whether or not specified in the order of demand.

In case any proper officer fails to issue the demand order within the time prescribed under sub-section (10) of section 73 or sub-section (10) of section 74 then such proceedings shall deemed to be concluded.

Where in some other proceeding on which the Appellate Authority or the Appellate Tribunal or the High Court has given its decision which is prejudicial to the interest of revenue and an appeal has been filed which is pending for decision in Appellate Tribunal or the High Court or the Supreme Court then for computing the time period for issue of order under sub-section (10) of section 73 or under sub-section (10) of section 73 shall not include the period spent between:

Decision of Appellate Authority → Appellate Tribunal → High Court → Supreme Court

Therefore, an issue on which an Appellate Authority or Tribunal or High Court has given its decision against the revenue, against which an appeal to the Appellate Tribunal or High Court or Supreme Court is pending, then, the period spent between the two dates of decision shall be excluded in computing the period of 3 years (non-fraud cases) or 5 years (fraud cases) respectively, for issue of order.

Where a person has self-assessed the tax in accordance with a return furnished U/s 39 and fails to pay such tax, either wholly or partly, then such amount of tax remains unpaid shall be recovered from the person chargeable with tax in accordance with provisions U/s 79. Serving of notice to show cause or order of demand shall not be required for recovery of such taxes.

Where any penalty is imposed U/s 73 or 74 then no penalty shall impose under any other provisions of this act for the same omission or same act.

Section 76 Tax Collected but not paid to Government

Sec. 76 (1) Amount collected as tax

Where a person has collected any amount from any person as a tax under GST, whether the supply was taxable or not, shall pay the amount of tax to the Government irrespective of anything contrary contained in any order or the Appellate Authority or Appellate Tribunal or Court or in any other provisions of this Act or the rules made thereunder or any other law for the time being in force.

Example 4: In case A has sold goods chargeable @ 18% to B by charging 28% tax on such goods. A shall pay the whole of tax collected from B.

Sec. 76 (2) SCN for tax collected but not paid to Government

Where a person has collected tax under GST but fails to pay the same to the Government then the proper officer may issue SCN as to why the amount so collected by him as tax along with penalty equivalent to the tax should be paid by him to the Government.

Sec. 76 (3) to 76 (6) Determination of tax liability

The proper officer shall determine the tax liability of the person, to whom notice has been served, under sub-section (2) considering the representations made by him and such person shall pay the amount so determined along with the interest U/s 50 from the date of collection of such amount to the date of payment.

The proper officer shall issue the order of demand within a period of one year from the date of notice under sub-section (2) and the opportunity of hearing shall be granted where the person to whom the notice was served has requested in writing.

Sec. 76 (7) Exclusion of stay period from time limit for demand order

Where a court or Appellate Tribunal issues the order of stay in respect of serving order of demand then such period of **stay shall not be included while computing the time period of one year** for the issue of demand order.

Sec. 76 (8) Disclosure of facts in demand order

The **proper officer shall disclose the facts** on the basis of which he has made the decision of the proceedings in the order.

Sec. 76 (9) to 76 (11) Adjustment of tax paid

The amount paid to the Government which was collected in excess of tax or under the notice of payment of such excess deduction shall be adjusted against the tax payable and where the surplus is left after adjustment of tax it shall be credited to the fund or shall be refunded to the person who borne the incidence of tax.

The person who borne the incidence of tax may apply for refund of the tax in accordance with the provisions of Section 54 in Form GST RFD-01, along with documentary evidence. [Rule 89 (2)]

Section 77 Adjustment of Tax paid

In case where Central tax and State tax/Union Territory tax, as the case may be, has been paid on any supply considering it to be an intra-state supply and later it came to notice that it is to be an interstate supply and Integrated tax should have been paid then amount so paid earlier at the time of supply shall be refunded as per the provisions of section 54.

However, where Integrated tax has been paid on any supply considering it to be an interstate supply and later it came to notice that it is to be an intrastate supply and Central tax and State tax/Union territory tax, as the case may, then he shall not be required to pay any interest on the amount Central tax and State tax/Union territory tax, as the case may be payable.

[the person may apply for refund according to Sec. 54 in Form GST RFD-01 along with documentary evidence (Rule 89 (2))]

Section 78 Initiation of Recovery Proceedings

If **tax demand is not paid within 3 months from the date of service of order, recovery proceedings** shall be initiated. The proper officer may require payment of amount prior to expiry of 3 months to protect interest of revenue.

Section 79 Recovery of tax

- i. Modes of recovery: The proper officer shall proceed to recover the amount by one or more of the following modes, namely –
 - a) **Recovery of deduction from any money owed to such person.**
 - b) **Detention and sale of goods belonging to such person** which are under the control of the department.

Rule 144: -

- The proper officer shall make the inventory of the goods so detained with estimated market value and shall proceed to sale only so much of goods which are required for recovering the amount due from him and administrative cost of detaining and selling such goods. The goods shall be sold through auction.
- The last date of submission of bid for an auction shall not be earlier than fifteen days from the date of issue of notice of auction. However, the proper officer may sell such goods immediately which are perishable or hazardous in nature or where the cost of keeping the goods are likely to exceed the value of goods.

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c) Garnishee proceedings i.e. Recovery from debtors of the assessee:

- Debtor bound to comply with the notice. Recovery can be made from post office, banking company or an insurer and it shall not be necessary to produce any pass book, deposit receipt, policy or any other document for the purpose of any entry, endorsement or the like being made before payment is made.
- In case of non-compliance of notice, the debtor shall be deemed to be defaulter and if he discharges the liability, he shall be personally liable. The officer issuing a notice may, at any time, amend or revoke such notice or extend the time for making any payment in pursuance of the notice.
- Debtor shall be discharged from assessee's liability to extent of such payment made to the Government.
- However, such person is not personally liable as above, if he proves to the officer issuing the notice that the money demanded or any part thereof was not due to the person in default or at the time of service of the notice he did not hold any money for or on account of the person in default, the money was not demanded from him; or any part of the money demanded is not likely to become due to such other person or any part of the money will not likely be held for or on account of such person.

Rule 147:-

- The proper officer shall make the inventory of the movable or immovable property so detained with estimated market value.
- The order of attachment of such property and notice of sale shall be issued in Form GST DRC-16 to prohibit any transaction with respect to such movable or immovable property.
- Where any immovable property has been attached then the notice of attachment shall be pasted on such immovable property and shall remain affixed till the confirmation of sale of such property.
- Where any movable property has been attached then such movable property shall be seized by the proper officer.
- The property so attached shall be sold by an auction, the notice of which shall be issued in Form GST DRC-17.
- The last date of submission of bid for an auction shall not be earlier fifteen days from the date of issue of notice by auction. However, the proper officer may sell such goods immediately which are perishable or hazardous in nature or where the cost of keeping the goods are likely to exceed the value of goods.

d) Collection by detention and sale of any movable or immovable property

[As per Rule 154:- First, be apportioned against the administrative cost of the recovery process. Second, against the amount to be recovered. Next, be apportioned against any other amount due under the Act. Balance amount shall be rendered to the defaulter]

- e) Through the collector of the district in which such person owns any property or resides or carries on his business, as if it was an arrear of land revenue.
- f) The proper officer may file an application to the magistrate to recover the amount specified in the application and the magistrate shall recover such amount as it is a fine imposed on such person.

- ii. Recovery of amount specified in bond can be made as per the above provisions.
- iii. SGST/UTGST Officer may also recover CGST dues from defaulter and credit the same to Central Government
- iv. Apportionment of amount collected to State/Central Government in proportion to the amount due to each such Government.

For the purposes of this section, the word person shall include "distinct persons" as referred to in sub-section (4) or, as the case may be, sub-section (5) of section 25.

Rule 142 Notice and order for demand of amounts payable under the Act

- (1) The proper officer shall serve, along with the
 - (a) notice issued under section 52 or section 73 or section 74 or section 76 or section 122 or section 123 or section 124 or section 125 or section 127 or section 129 or section 130, a summary thereof electronically in FORM GST DRC-01,
 - (b) statement under sub-section (3) of section 73 or sub-section (3) of section 74, a summary thereof electronically in FORM GST DRC-02, specifying therein the details of the amount payable.
- (2) Where, before the service of notice or statement, the person chargeable with tax makes payment of the tax and interest in accordance with the provisions of sub-section (5) of section 73 or, as the case may be, tax, interest and penalty in accordance with the provisions of sub-section (5) of section 74, or where any person makes payment of tax, interest, penalty or any other amount due in accordance with the provisions of the Act he shall inform the proper officer of such payment in FORM GST DRC-03 and the proper officer shall issue an acknowledgement, accepting the payment made by the said person in FORM GST DRC-04.
- (3) Where the person chargeable with tax makes payment of tax and interest under sub-section (8) of section 73 or, as the case may be, tax, interest and penalty under sub-section (8) of section 74 within thirty days of the service of a notice under sub-rule (1), or where the person concerned makes payment of the amount referred to in sub-section (1) of section 129 within fourteen days of detention or seizure of the goods and conveyance, he shall intimate the proper officer of such payment in FORM GST DRC03 and the proper officer shall issue an order in FORM GST DRC-05 concluding the proceedings in respect of the said notice.
- (4) The representation referred to in sub-section (9) of section 73 or sub-section (9) of section 74 or sub-section (3) of section 76 or the reply to any notice issued under any section whose summary has been uploaded electronically in FORM GST DRC-01 under sub-rule (1) shall be furnished in FORM GST DRC-06.
- (5) A summary of the order issued under section 52 or section 62 or section 63 or section 64 or section 73 or section 74 or section 75 or section 76 or section 122 or section 123 or section 124 or section 125 or section 127 or section 129 or section 130 shall be uploaded electronically in FORM GST DRC-07, specifying therein the amount of tax, interest and penalty payable by the person chargeable with tax.
- (6) The order referred to in sub-rule (5) shall be treated as the notice for recovery.
- (7) Where a rectification of the order has been passed in accordance with the provisions of section 161 or where an order uploaded on the system has been withdrawn, a summary of the rectification order or of the withdrawal order shall be uploaded electronically by the proper officer in FORM GST DRC-08.

Rule 142A Procedure for recovery of dues under existing laws

- (1) A summary of order issued under any of the existing laws creating demand of tax, interest, penalty, fee or any other dues which becomes recoverable consequent to proceedings launched under the existing law before, on or after the appointed day shall, unless recovered under that law, be recovered under the Act and may be uploaded in FORM GST DRC-07A electronically on the common portal for recovery under the

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Act and the demand of the order shall be posted in Part II of Electronic Liability Register in FORM GST PMT-01.

(2) Where the demand of an order uploaded under sub-rule (1) is rectified or modified or quashed in any proceedings, including in appeal, review or revision, or the recovery is made under the existing laws, a summary thereof shall be uploaded on the common portal in FORM GST DRC-08A and Part II of Electronic Liability Register in FORM GST PMT-01 shall be updated accordingly.

Section 80 Payment of tax and other amount in installments

- On Application of the concerned person, the **Commissioner** may extend the time or allow making of payment in **monthly installments not exceeding 24**, subject to **payment of interest U/s 50** and subject to such conditions and limitations as may be prescribed.
However, the extension and installments **shall not be allowed** for the amount due as per the **liability self-assessed in any return**.
- In case of **default in payment of installment**, **all outstanding installments shall become due** and payable on date of such default and shall, without any further notice being served on the person, be liable for recovery.
- The facility for deferred payment/payment in **installments shall not be allowed** where –
 - ✓ **The taxable person has already defaulted** on the payment of any amount under CGST Act, 2017 or the IGST Act, 2017 or the UTGST Act, 2017 or any of the SGST Act, 2017 for which the recovery process is on;
 - ✓ **The taxable person has not been allowed to make payment in installments in the preceding financial year** under the CGST Act, 2017 or the IGST Act, 2017 or any of the SGST Tax Act, 2017;
 - ✓ The amount for which **installment facility is sought is less than Rs. 25,000**.

Section 81 Transfer of property to be void in certain cases

Where a person after any amount has become due from him, **creates a charge on or parts with the property belonging to him or in his possession** by way of sale, mortgage, exchange, or any other mode of transfer whatsoever of any of his properties in favour of any other person with the intention of defrauding the Government revenue, such charge or transfer **shall be void** as against any claim in respect of any tax or any other sum payable by the said person.

Such charge or transfer shall not be void if it is made for adequate consideration, in good faith and without notice of the pendency of such proceedings under this Act or without notice of such tax or other sum payable by the said person, or with the previous permission of the proper officer.

Example 5: Mr. A was served with a notice of demand of Rs. 25 Lakhs on 05.05.2018. He filed a reply for the said notice on 15.05.2018, stating that he was unable to deposit tax dues as he was financially stressed. On 10.05.2018, Mr. A transferred all the property Rs. 40 Lakhs under his name to the name of his wife for consideration of Rs. 1,00,000. As per Section 81, this transfer would be void and the property worth Rs. 40 Lakhs would be considered still to be in hands of Mr. A.

Example 6: On Mr. B, notice was issued on 05.05.2018. However, the same was received by Mr. B on 15.05.2018. Meanwhile the property of Mr. B was sold to Mr. X for INR 1 crore. The sale is valid since the date of sale there was no pending proceeding on Mr. B.

Section 82 Tax to be first charge on property

Notwithstanding anything to the contrary contained in any law for the time being in force, save as otherwise provided in the Insolvency and Bankruptcy Code, 2016, **any amount payable by a taxable person or any other person on account of tax, interest or penalty which he is liable to pay to the Government shall be a first charge** on the property of such taxable person or such person.

Section 83 Provisional attachment to protect revenue in certain cases

- I. During pendency of any proceedings, if the Commissioner is of the opinion that for the purpose of protecting the interest of the Government revenue, it is necessary to do so, he may, by order in writing attach provisionally any property, including bank account, belonging to the taxable person in such manner as may be prescribed.
- II. Every such provisional attachment shall cease to have effect after the expiry of a period of one year from the date when provisional attachment order is made under this section.
- III. Where the property attached is of perishable or hazardous nature, and if the taxable person pays an amount equivalent to the market price of such property or the amount that is or may become payable by the taxable person, whichever is lower, then such property shall be released forthwith.

Section 84 Continuation and validation of certain recovery proceedings

Issuance of fresh notice is required when government dues are enhanced in appeal, revision or other proceedings and recovery proceedings of earlier demand will be continued as per earlier notice.

Issuance of fresh notice is not necessary when government dues are reduced in appeal, revision or other proceedings and any recovery proceedings initiated on the basis of the demand served upon him prior to the disposal of such appeal, revision or other proceedings may be continued in relation to the amount so reduced from the stage at which such proceedings stood immediately before such disposal.

Question & Answer

Q1. Will Omission on the part of the taxable person to provide correct information constitute 'suppression of facts' for the purpose of Section 74 of the CGST Act, 2017? Write a brief note with reasons.

A. Yes. As per explanation to Section 74 of CGST Act, 2017, the expression "suppression" shall mean non-declaration of facts or information which a taxable person is required to declare in the return, statement, report or any other document furnished under this Act or the rules made thereunder, or failure to furnish any information on being asked for, in writing, by the proper officer. Thus, omission on the part of the taxable person to provide correct information constitute "suppression of facts".

Q2. A ltd. is entitled for exemption from tax under GST Act. It collected tax from its buyers in Nov'17. It has not deposited the said amount collected as GST with the Government. What are the consequences of not depositing the same with Government as provided U/s 76?

A. It is mandatory to pay amount, collected from other person representing tax under GST Act, to the Government [Sec. 76]. Every person who has collected from any other person any amount as representing the tax under GST Act, and has not the said amount to the Government, shall forthwith pay the said amount to the Government, irrespective of whether the supplies in respect of which such amount was collected are taxable or not. Proper officer may issue SCN for recovery of such amount and penalty equivalent to amount specified in notice.

The proper officer shall, after considering the representation, if any, made by the person on whom SCN is served, determine the amount due from such person and thereupon such person shall pay the amount so determined along with interest at the rate specified under section 50 from the date such amount was collected by him to the date such amount is paid by him to the Government.

Q3. Can the person chargeable with the tax seek adjournment of hearings?

A. Yes, the person chargeable with tax can seek adjournment of hearing and he can be granted time in case sufficient cause is shown by person chargeable with tax. The hearing will be adjourned for reasons to be

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recorded in writing. As provided in Sec. 75 (5) of the GST Act, no such adjournments shall be provided for more than 3 times.

Q4. Would taxable person would be liable for payment of interest besides paying the tax U/s 77?

A. No, Sec. 77 (2) provides that such taxable person would not be liable for payment of interest on the amount of central tax or state tax as the case may be.

Q5. Can the refund claim on account of Sec. 77 be subjected to provision of undue enrichment?

A. No, the claim of refund due to Sec. 77 will not be subjected to provision of undue enrichment. This has also been clarified by the Government in flier of refunds issued by CBIC.

Q6. Can GST be collected, during a search operation, without an assessment order being passed by the concerned authority?

A. No. In case law Chitra Builder Pvt. Ltd. V Addl. Commi. Of CCEx & ST [2013] [Mad], it was held that it is a well settled position in law that no tax can be collected from the assessee, without an appropriate assessment order being passed by the authority concerned and without following the procedures established by law.

Q7. When can extended period of limitation can be invoked?

A. U/s 74, extended period of limitation can be invoked if the GST has not been paid or has been short-paid or erroneously refunded by reason of fraud or wilful mis-statement or suppression of facts or contravention of any of the provision of CGST Act or of rules made thereunder with an intent to evade the payment of GST.

Q8. M/s ABC Ltd., were granted a refund by the Appellate Authority under CGST Act, 2017. The jurisdictional Assistant Commissioner has issued a notice U/s 73 demanding the amount of refund on the ground that such a refund is erroneous. Briefly discuss whether the action taken by Assistance Commissioner of Central Excise is valid in law.

A. It is well settled law that if an order passed by statutory authority is not challenged by way of appeal/revision or otherwise and the same becomes final, the said order holds the field and the same has to be given full effect to. Nothing can be done and/or adjudicated, which is in contravention of what has been held in that order. In overseas Engineers V/s CCEX [2007] [Tri], it was held that where orders sanctioning refund were not appealed against or reviewed by Department, then, recovery from the appellant of refund paid to him, by issuance of show cause notice U/s 73 is not tenable/sustainable.

Q9. How to compute period of limitation referred to in Section 73 (10) or Section 74 (10) where an issue on which the Appellate Authority or the Appellate Tribunal or the High Court has given its decision which is prejudicial to the interest of the revenue in some other proceedings and an appeal in the Appellate Tribunal or the High Court or the Supreme Court against such decision is pending?

A. While computing the period of limitation referred to in Section 73 (10) or Section 74 (10), the period spent between the date of the decision of the Appellate Authority/Appellate Tribunal/High Court and the date of the decision of the Appellate Tribunal/High Court/Supreme Court as the case may be, shall be excluded.

Q10. What will be the recourse available to the proper officer in case of default in payment of any installment on its due date by the taxable person?

A. Where there is default in payment of any one installment on its due date by the taxable person, the whole outstanding balance payable on such date shall become due and payable forthwith, without any further notice. The proper officer can initiate recovery of dues.

Q11. In case the person does not deposit tax collected in contravention of Section 76, what is the course of action available to the proper officer?

A. The proper officer shall issue notice requiring him to show cause as to

- Why the amount so collected as tax should not be paid by him to the Government;
- Why a penalty equivalent to the amount specified in the notice should not be imposed on him under the provisions of the Act; and

- The proper officer shall adjudicate the matter and issue order within 1 year from the date of issue of the show cause notice.

Q12. Whether the amount of tax, interest and penalty demanded in the order can exceed the amount specified in the notice?

A. No. The amount of tax, interest and penalty demanded in the order shall not be in excess of the amount specified in the notice and no demand shall be confirmed on the grounds other than the grounds specified in the notice.

Q13. Please explain time limit for issue of notice U/s 73 & U/s 74 by giving example.

A. Under Section 73: Let say, in case Mr. A has not paid the tax on a transaction considering it to be exempt for the tax period of August 2017. The due date of filing annual return for which will be 31st December 2018. The proper officer may serve the notice at least three months prior to the last date of order of demand.

The order of demand shall be served within 3 years from 31st December 2018 i.e. 31st December 2021. Therefore, show cause notice shall be required to be served by 30th September, 2021.

Under Section 74: Let say, in case Mr. A has not paid the tax on a transaction for the tax period of August 2017. The due date of filing annual return for which will be 31st December 2018. The proper officer may serve the notice at least six months prior to the last date of order of demand

The order of demand shall be served within 5 years from 31st December 2018 i.e. 31st December 2023. Therefore, show cause notice shall be required to be served by 30th June, 2023.

Q14. Whether proper officer can issue similar show cause notice for any periods other than those covered under section 73(1)?

A. Yes, it can be issued for subsequent periods on same grounds raised in the show cause notice. The proper officer may serve a statement under section 73(3) along with a summary electronically in Form GST DRC-02 containing details of tax not paid or short paid or erroneously refunded or input tax credit wrongly availed or utilized where the grounds relied upon by the proper officer for such periods are the same as are mentioned in the earlier notice issued under section 73(1). The service of such statement shall be deemed to be service of show cause notice on the person chargeable with tax.

Q15. Whether notice for a period of 5 years is valid even if charge of suppression, fraud and misstatement are not sustained?

A. No, when the allegations of fraud, suppression or misstatement are not established, the notice issued under section 74 would get covered under section 73 and 3 years' time would be applicable for date of issue of order.

Q16. What happens when the Notice issued under Section 74(1) is held not sustainable by any Appellate Authority or Tribunal or Court for the reason that the charges of fraud or any willful misstatement or suppression of facts to evade tax has not been established?

A. The proper officer shall determine the tax payable by such person deeming as if the Notice were issued under section 73(1).

Q17. What is the time limit for issue of order in pursuance of the direction of the Appellate Authority or Appellate Tribunal or a Court?

A. The order shall be issued within 2 years from the date of communication of the said direction.

Q18. What happens in cases where Notice is issued but order has not been passed within 3 years (Section 73) or 5 years (Section 74)?

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A. The adjudication proceedings shall be deemed to be concluded if the order is not issued within the limitation period of 3 years under section 73(10) or 5 years under section 74(10), as the case may be.

Q19. Is interest applicable in all cases, even if not specifically mentioned?

A. Yes, interest is applicable whenever the tax is payable whether or not it is specifically mentioned.

Q20. In case the person does not deposit tax collected in contravention of Section 76, is the same recoverable with interest?

A. Yes. In addition to the amount payable by him, the person is required to pay interest under Section 50 on the same from the date of collection of the amount till the date such amount is paid to the Government.

Q21. Is there any time limit for issue of notice under section 76 in cases where tax collected but not paid to Government?

A. No. Notice can be issued on detection of such cases without any time limit. Once show cause notice is issued, the proper officer shall pass the order within 1 year from the date of issue of such notice.

Q22. How is the amount of surplus left after adjustment with tax payable dealt with?

A. Where any surplus is left after the adjustment against the tax payable, the amount of such surplus shall either be credited to the Consumer Welfare Fund or, as the case may be, refunded to the person who has borne the incidence of such amount.

Q23. What happens if the tax demand is not paid within the time limit prescribed under section 78?

A. The proper officer shall initiate recovery proceedings if the tax demand is not paid within 3 months from the date of service of the order.

Q24. Whether the proper officer can require a taxable person to make payment of tax demand within shorter period lesser than 3 months?

A. Yes. If it is expedient in the interest of the revenue, the proper officer, after recording reasons in writing, may require taxable person to make such payment within shorter period as may be prescribed by him.

Q25. What are the methods of recovery as prescribed in Section 79?

A.

- Deduction out of any money owing to defaulter.
- By detaining and selling the goods belonging to defaulter.
- Recovery from any other person who owes money to defaulter.
- Collection by detention of any movable or immovable property.
- Recovery through District Collector.
- Recovery through Magistrate.

Q26. Whether proper officer can allow payment of self-assessed tax in installments U/s 80?

A. No. The proper officer shall have the power to allow payment of any amount due under this Act in installments on tax other than the self-assessed tax.

Q27. Under which proceedings the property of a taxable person can be provisional attached?

A. Provisional attachment shall be applicable for the following pending proceedings of a taxable person:

- (a) Assessment of non-filers of returns. (Section 62)
- (b) Assessment of unregistered persons. (Section 63)

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- (c) Summary assessment in certain special cases. (Section 64)
- (d) Inspection, search and seizure. (Section 67)
- (e) Determination of tax not paid or short paid or erroneously refunded or input tax credit wrongly availed or utilized for any reason other than fraud or any wilful misstatement or suppression of facts. (Section 73)
- (f) Determination of tax not paid or short paid or erroneously refunded or input tax credit wrongly availed or utilized by reason of fraud or any wilful-misstatement or suppression of facts. (Section 74)

During the pendency of any proceedings under section 62, 63, 64, 67, 73 or 74, the Commissioner may pass an order in Form GST DRC-22 to attach any property including bank account belonging to a taxable person provisionally for the purpose of protecting the interest of the Government revenue.

Q28. Whether any amount payable by the taxable person under this Act is a first charge on his property?

A. Yes. As per section 82 of CGST Act 2017, notwithstanding anything to the contrary contained in any law for the time being force, save as otherwise provided in the Insolvency and Bankruptcy Code, 2016, first charge shall be on –

- a) the property of taxable person in respect of any amount payable by such taxable person, or
- b) the property of any other person on account of tax, interest or penalty which he is liable to pay to the Government.

Q29. In case of recovery of SGST/UTGST by CGST officer in the course of recovery of CGST, where the total amount recovered is Rs. 5 Crore whereas the amounts due were Rs. 5 Crores of CGST and Rs. 10 Crore of SGST/UTGST, to which account, the amount recovered would be allocated?

A. Rs. 5 Crores recovered will be allocated between Centre and State/Union Territory in the proportion of 1:2.

Q30. 'A' requested the Commissioner to provide the benefit to pay Rs. 5,00,000/- under installments. Commissioner directs 'A' to make the payment in five monthly installments. How to pay the interest?

A. It is assumed that the actual date on which the tax was required to be paid as 06.06.2015. Benefit of installment was granted by Commissioner on 25.05.2016 to be paid w.e.f. 02.06.2016 onwards over 5 installments.

Payment date	Interest to be paid as per section 45 – No of days	Amount on which interest to be paid
1st Installment – 02.06.2016	06.06.2015 to 01.06.2016 = 361 days	Rs. 100,000
2nd Installment – 02.07.2016	06.06.2015 to 01.07.2016 = 391 days	Rs. 100,000
3rd Installment – 02.08.2016	06.06.2015 to 01.08.2016 = 422 days	Rs. 100,000
4th Installment - 02.09.2016	06.06.2015 to 01.09.2016 = 453 days	Rs. 100,000
5th Installment – 02.10.2016	06.06.2015 to 01.10.2016 = 483 days	Rs. 100,000

Q31. Please provide comment for below with respect to provision U/s 81.

- Mr. Defrauder was served with a notice of demand for Rs. 20 Lakhs on 10th June 2018. He filed a reply for the said notice on 20th June 2018, stating that he was unable to deposit tax dues as he was financially stressed. On 15th June 2018, Mr. Defrauder transferred all the property worth Rs. 35 Lakhs under his name to the name of his wife for a consideration of Rs. 10,000/-. Is this act of Mr. Defrauder valid?
- In the above illustration, if transfer of property was for a consideration of Rs. 42 Lakhs to Mr. X who is unaware of the pending proceedings of Mr. Defrauder. The transfer took place on 15th June 2018. Is the act of Mr. Defrauder valid?

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- On Mr. Perfect, notice was issued on 10th June 2018. However, the same was received by Mr. Perfect on 20th June, 2018. Meanwhile the property of Mr. Perfect was sold to Mr. Perfectionist for Rs. 35 lakhs. Is the sale void or valid?

A.

- As per section 81, the said transfer would be void and the property worth Rs. 35 Lakhs would be considered still to be in the hands of Mr. Defrauder.
- In this case the transaction would be a valid act, since the transfer was made for adequate consideration and also without notice of the pendency of proceeding.
- The sale is valid since on the date of sale there was no pending proceeding on Mr. Perfect.

Q32. How should the recovery proceedings of enhanced demand under an appeal, revision of application or other proceedings to be continued U/s 84?

A. In case of enhanced demand consequent to appeal, revision of application or other proceedings, then

- the Commissioner is required to issue fresh notice of demand only for enhance demand.
- If already recovery proceedings of Govt. dues is served on taxable person before disposal of appeal, revision of application or other proceedings, then the enhanced demand would be merged with the first recovery proceedings.

Q33. Checkernot has self-assessed tax liability under IGST Act, 2017, as Rs. 80,000. He fails to pay the tax within 30 days from the due date of payment of such tax.

Determine the interest and penalty payable by him explaining the provisions of law, with the following particulars available from his records:

Date of collection of tax 18th December, 2017

Date of payment of tax 26th February, 2018

No Show Cause Notice (SCN) has been issued to him so far, while he intends to discharge his liability, even before it is issued to him, on the assumption that no penalty is leviable on him as payment is made before issue of SCN. (CA Final May 2018 Old)

A. Due date for payment of tax collected on 18.12.2017 is 20.01.2018. However, since tax is actually paid on 26.02.2018, interest @ 18% p.a. is payable for the period for which the tax remains unpaid [37 days] in terms of section 50 of CGST Act, 2017 read with Notification No. 13/2017 CT Dated 28.06.2017.

Amount of interest is: = Rs. 80,000 × 18% × 37/365 = Rs. 1,460 (rounded off)

As per section 73(11) of CGST Act, 2017, where self-assessed tax/any amount collected as tax is not paid within 30 days from due date of payment of tax, then, inter alia, option to pay such tax before issuance of SCN to avoid penalty, is not available.

Consequently, penalty equivalent to

(i) 10% of tax, viz., Rs. 8,000 or

(ii) Rs. 10,000,

whichever is higher,

is payable in terms of section 73(9) of CGST Act, 2017. Therefore, penalty of Rs. 10,000 will have to be paid by Checkernot.

Chapter 20: - Liability to pay in certain cases

Section 85	Liability to pay in case of transfer of business
Section 86	Liability of agent and principal
Section 87	Liability to pay in case of an amalgamation/merger
Section 88	Liability in case of company in liquidation
Section 89	Liability of directors of private company
Section 90	Liability of partners of firm to pay tax
Section 91	Liability of guardians, trustees etc.
Section 92	Liability of Court of Wards etc.
Section 93	Special provisions regarding liability to pay tax, interest or penalty in certain cases
Section 94	Liability in other cases

Section 85 Liability to pay in case of transfer of business

<u>Prior to transfer of business</u> In respect of liability of tax, interest or penalty arising prior to transfer of business, the transferor and transferee shall be jointly and severally liable.	<u>Post transfer of business</u> In respect of liability arising post transfer, the transferee liable for tax dues. Further, if he is a registered person under this Act, apply within the prescribed time for amendment of his certificate of registration.
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Interestingly, even penal liability, which is quasi-criminal in nature, is sought to be fastened on transferee, although he would not have been responsible for the non-payment of tax, interest or penalty liability by the transferor prior to transfer of such business. Thus, a person to whom the business is transferred needs to be very cautious at the time of transfer.

Section 86 Liability of agent & principal

Where an agent supplies or receives any taxable goods on behalf of his principal, such agent and his principal shall, **jointly and severally**, be liable to pay the tax payable on such goods under this Act.

Section 87 Liability in case of amalgamation or merger of companies

If merger is effective from retrospective date, then, transactions between amalgamating/merging companies and amalgamated/merged company during the period from 'effective date of merger' to 'date of order upholding merger' shall be taxable and for this, companies are deemed to be separate.

Example 1: if merger order is passed on 1-9-2017 and merger takes effect from 1-5-2017, then, transactions during May 2017 to August 2017 between the said companies would be taxable.

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Section 88 Liability in case of company in liquidation

The liquidator of company is required to give intimation of his appointment to Commissioner within 30 days after his appointment. The Commissioner shall notify the liquidator within 3 months from the date on which he receives intimation the amount which in the opinion of the Commissioner would be sufficient to provide for any tax, interest or penalty which is then, or it likely thereafter to become, payable by the company.

When any private company is wound up and any tax, interest or penalty determined under this Act on the company for any period, whether before or in the course of or after its liquidation, cannot be recovered, then every person who was a director of such company at any time during the period for which the tax was due shall, jointly and severally, be liable for the payment of such tax, interest or penalty.

The director of a private company shall not be held liable if he proves to the satisfaction of the Commissioner that such non-recovery cannot be attributed to any gross neglect, misfeasance or breach of duty on his part in relation to the affairs of the company.

Section 89 Liability of directors of private company

Directors shall be jointly and severally liable in case tax dues cannot be recovered from company unless the director proves that the non-recovery cannot be attributed to any gross neglect, misfeasance or breach of duty on his part in relation to the affairs of the company. In case of conversion of private company into public company, then, this section will not apply for dues arising prior to such conversion. However, any personal penalty imposed on such director will not be affected and can continue.

Section 90 Liability of partners of firm to pay tax

Where any firm is liable to pay any tax, interest or penalty under this Act, the firm and each of the partners of the firm shall, jointly and severally, be liable for such payment. Where any partner retires from the firm, he or the firm, has to intimate the date of retirement of partner to the Commissioner and such partner shall be liable to pay tax, interest or penalty due up to the date of his retirement whether determined or not, on that date.

If no such intimation is given within one month from the date of retirement, the liability of such partner under the first proviso shall continue until the date on which such intimation is received by Commissioner.

Section 91 Liability of guardians, trustees, etc.

If business is carried on for the benefit of a minor or incapacitated person, Guardian/Trustee/Agent will be liable to pay tax. Guardian, trustee or agent liable in like manner as minor or other incapacitated person is liable. The dues are recoverable from the guardian, trustee or agent in respect of business of the minor or other incapacitated person by treating them as major or capacitated person, who is conducting the business for himself.

Section 92 Liability of Court of wards, etc.

Where the estate or any portion of the estate of a taxable person owning a business in respect of which any tax, interest or penalty is payable under this Act is under the control of the Court of Wards, the Administrator General, the Official Trustee or any receiver or manager (including any person, whatever be his designation,

who in fact manages the business) appointed by or under any order of a court, the tax, interest or penalty shall be levied upon and be recoverable from such Court of Wards, Administrator General, Official Trustee, receiver or manager in like manner and to the same extent as it would be determined and be recoverable from the taxable person as if he were conducting the business himself, and all the provisions of this Act or the rules made thereunder shall apply accordingly.

Example 2: Mr. A is appointed as manager of Mr. X, to manage the estate of Mr. X, who owns an automotive business. Mr. X is liable to pay Rs. 10,00,000 of CGST & Rs. 5,00,000 of SGST along with interest and penalty to the Government. The department can recover such dues from Mr. A who is managing the estates of Mr. X, by invoking this provision.

Section 93 Special provisions regarding liability to pay tax, interest or penalty in certain cases

- (1) Liability in case of death of individual: Save as otherwise provided in the Insolvency and Bankruptcy Code, 2016, where a person, liable to pay tax, interest or penalty under this Act, dies, then –
 - a. In case of continuation of business: person who continues the business shall be liable to pay tax, interest or penalty due from such person under this Act; and
 - b. In case of discontinuation of business before or after his death: Legal representative is liable to pay tax, interest or penalty and the liability shall be limited to the extent of estate of deceased.
- (2) In case of partition of HUF or AOP: Members or group of members shall be jointly or severally liable to pay the tax, interest or penalty due from the taxable person.
- (3) In case of dissolution of firm: Partners of the firm at the time of dissolution shall be jointly and severally liable to pay the tax, interest or penalty due from the firm.
- (4) In case of termination of Guardianship or Trusteeship: The ward or the beneficiary shall be liable to pay the tax, interest or penalty due from the taxable person upto the time of the termination of the guardianship or trust, whether such tax, interest or penalty has been determined before the termination of guardianship or trust but has remained unpaid or is determined thereafter.

Section 94 Liability in other cases

- a. Where business is discontinued the tax, interest or penalty payable under this Act by firm, association or family up to the date of such discontinuance may be determined as if no such discontinuance had taken place; and every person who, at the time of such discontinuance, was a partner of such firm, or a member of such association or family, shall, notwithstanding such discontinuance, jointly and severally, be liable for the payment of tax and interest determined and penalty imposed and payable by such firm, association or family, whether such tax and interest has been determined or penalty imposed prior to or after such discontinuance and subject as aforesaid, the provisions of this Act shall, so far as may be, apply as if every such person or partner or member were himself a taxable person. [In short, erstwhile members/partners are liable to pay dues upto date of discontinuance/dissolution]
- b. There will be Joint & several liability of partners of firm or member of AOP in case of change in constitution of firm/AOP.

Explanation: For the purpose of this chapter:

- I. Wherever the word "Firm" is used in this chapter, it shall include the LLP registered under Limited Liability Partnership Act, 2008.
- II. "court" means the district court, high court or supreme court.

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Question & Answer

Q1. A person, liable to pay GST, interest and penalty under GST Act, dies. Who will be liable to pay his dues after his death if business carried on by such person legal representative or business carried on by such person who has dies, is discontinued after his death?

A. As per Section 93, if a business carried on by the person is continued after his death by his legal representative or any other person, such legal representative or other person, shall be liable to pay tax, interest or penalty due from such person under this Act, whether such tax, interest or penalty has been determined before his death but has remained unpaid or is determined after his death.

If a business carried on by the person is discontinued, whether before or after his death, his legal representative shall be liable to pay, out of the estate of the deceased, to the extent to which the estate is capable of meeting the charge, the tax, interest or penalty due from such person under this Act, whether such tax, interest or penalty has been determined before his death but has remained unpaid or is determined after his death.

Q2. ABC Ltd. engages XYZ Ltd. as an agent to sell goods on its behalf. XYZ Ltd. sells goods to DEF Ltd. on behalf of ABC Ltd. Who will be liable U/s 86?

A. Where an agent supplies or receives any taxable goods on behalf of his principal, such agent and his principal shall, jointly and severally, be liable to pay the tax payable on such goods under this Act. Thus, in the given case, ABC Ltd. and XYZ Ltd. shall, jointly and severally, be liable to pay GST payable on such goods.

Q3. Whether the minor for whom the business is carried out by Guardian can escape liability on the ground of minority of the beneficiary?

A. The minor is deemed to be a major for the purposes of collection of any tax/interest/penalties arising out of the business carried out for him. Hence the general principle of law has no application and the Guardian, Trustee or Agent cannot escape such liability.

Q4. Who is liable to pay tax dues if the estate of a taxable person is controlled by Court of Wards?

A. The dues are recoverable from the Court of Wards as if he is conducting the business for himself. Mr. Amit Roy is appointed as manager of Mr. Sumit, to manage the estate of Mr. Sumit, who owns the business of glasses. Mr. Sumit is liable to pay Rs. 10 Lakhs of GST, interest & penalty to the Government. The department can recover such dues from Mr. Amit Roy who is managing the estates of Mr. Sumit by invoking Section 92.

Q5. Whether the director of a Private Limited Company is liable for the payment of tax in respect of the supply made by or to such Private Company?

A. Yes. Every director of the private company during the period for which, tax, interest or penalty due in respect of any supply of goods or services or both, is not recovered shall jointly and severally be liable for the payment of such tax, interest or penalty, unless he proves that the non-recovery cannot be attributed to any gross neglect, misfeasance or breach of duty on his part in relation to the affairs of the Company.

Q6. Whether the liability of the director still exists if such Private Limited Company is converted into Public Limited Company?

A. No. If a Private Limited Company is converted into a Public Limited Company, then the provisions of this section do not apply. However, any other personal penalty could be imposed on the Director.

Q7. Whether the retiring partner is liable in respect of the transactions taken place after his retirement?

A. No. The Retiring partner is not liable for the transactions taken place after his retirement provided he or the firm intimates to the Commissioner by a notice in writing of his retirement within one month from the date of retirement.

Chapter 21: - Offences & Penalties

Section 122	Penalty for certain offences
Section 123	Penalty for failure to furnish information return
Section 124	Fine for failure to furnish information return
Section 125	General penalty
Section 126	General disciplines related to penalty
Section 127	Power to impose penalty in certain cases
Section 128	Power to waive penalty or fee or both
Section 129	Detention, seizure and release of goods and conveyances in transit
Section 130	Confiscation of goods or conveyances and levy of penalty
Section 131	Confiscation or penalty not to interfere with other punishments
Section 132	Punishments for certain offences
Section 133	Liability of officers and certain other person
Section 134	Cognizance of offences
Section 135	Presumption of culpable mental state
Section 136	Relevancy of statements under certain circumstances
Section 137	Offences by companies
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Section 122 Penalty for certain offences

Sec. 122 (1) Where a taxable person who- (i) supplies any goods or services or both without issue of any invoice or issues an incorrect or false invoice with regard to any such supply; (ii) issues any invoice or bill without supply of goods or services or both in violation of the provisions of this Act or the rules made thereunder; (iii) collects any amount as tax but fails to pay the same to the Government beyond a period of three months from the date on which such payment becomes due; (iv) collects any tax in contravention of the provisions of this Act but fails to pay the same to the Government beyond a period of three months from the date on which such payment becomes due; (v) fails to deduct the tax in accordance with the provisions of sub-section (1) of section 51, or deducts 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 Government under subsection (2) thereof, the amount deducted as tax; (vi) fails to collect tax in accordance with the provisions of sub-section (1) of section 52, or collects an amount which is less than the amount required to be collected under the said sub-section or where he fails to pay to the Government the amount collected as tax under sub-section (3) of section 52;	he shall be liable to pay a penalty of • Rs. 10,000 (Rs. 20,000 CGST+SGST/IGST) or • Any of the following: - a. Tax evaded b. ITC availed or passed on or distributed irregularly c. TDS not deducted/short deducted/not deposited to Government d. TCS not collected/short collected/not deposited to Government e. refund claimed fraudulently whichever is higher
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- (vii) takes or utilises input tax credit without actual receipt of goods or services or both either fully or partially, in contravention of the provisions of this Act or the rules made thereunder;
- (viii) fraudulently obtains refund of tax under this Act;
- (ix) takes or distributes input tax credit in contravention of section 20, or the rules made thereunder;
- (x) falsifies or substitutes financial records or produces fake accounts or documents or furnishes any false information or return with an intention to evade payment of tax due under this Act;
- (xi) is liable to be registered under this Act but fails to obtain registration;
- (xii) furnishes any false information with regard to registration particulars, either at the time of applying for registration, or subsequently;
- (xiii) obstructs or prevents any officer in discharge of his duties under this Act;
- (xiv) transports any taxable goods without the cover of documents as may be specified in this behalf;
- (xv) suppresses his turnover leading to evasion of tax under this Act;
- (xvi) fails to keep, maintain or retain books of account and other documents in accordance with the provisions of this Act or the rules made thereunder;
- (xvii) fails to furnish information or documents called for by an officer in accordance with the provisions of this Act or the rules made thereunder or furnishes false information or documents during any proceedings under this Act;
- (xviii) supplies, transports or stores any goods which he has reasons to believe are liable to confiscation under this Act;
- (xix) issues any invoice or document by using the registration number of another registered person;
- (xx) tampers with, or destroys any material evidence or document;
- (xxi) disposes off or tampers with any goods that have been detained, seized, or attached under this Act,

Example:

1. ABC issues an invoice of 100 kg of chocolates for a consignment of 250 kg of chocolates. If such consignment is caught by the tax authorities and misdeclaration is verified, then ABC, shall be liable to pay penalty.
2. Mr. A supplied goods on 05.08.2018 and issued a tax invoice accordingly, for which payment was also received in the same month. In this case, the due date for payment of tax on such supply of goods will be 20.09.2018 (i.e. the due date for filing return for the month of August 2018). Mr. A is obligated to make the payment of tax by 20.12.2018 for refraining from payment of penalty. However, he shall continue to be liable to pay interest @ 18% p.a. for delayed payment of tax starting from the date following the due date of payment, till the date of payment.
3. Mr. B is engaged in trading of goods, collects tax at the rate of 28% from the buyer, whereas the actual tax rate is 18%. He deposited tax at 18% to the exchequer. Here, the differential tax of 10% collected by Mr. B, but not deposited to government, cannot be retained by it. Penalty U/s 122 (1) can be levied in such case. Further, interest @ 18% p.a. for delayed payment of tax starting from the date following the due date of payment, till the date of payment, shall also be leviable.
4. Mr. A engaged in inter-State supply of various taxable goods. In terms of Section 24 (i), Mr. A is mandatorily required to take registration in GST but fails to take registration under GST even after 30 days of conducting business. In such case, he shall be liable to penalty U/s 122 (1).

5. XYZ Ltd. has various warehouses through which they supply goods to their customers, but such warehouses have not been declared as additional place of business in their registration. XYZ Ltd. shall be liable to penalty under this clause.

Sec. 122 (2)

Any registered person who supplies any goods or services or both on which tax has not been paid or short-paid or erroneously refunded, or where the ITC has been wrongly availed or utilized

- Penalty Rs. 10,000 or 10% of tax involved, whichever is higher
- In case of fraud/wilful misstatement/suppressions of facts to evade tax
Penalty Rs. 10,000 or 100% of the tax amount, whichever is higher

Sec. 122 (3)

Any person who-

- Aids or abets offences specified U/s 122 (1)
- Acquires possession of, or in any way concerns himself in transporting, removing, depositing, keeping, concealing, supplying, or purchasing or in any other manner deals with any goods which he knows or has reasons to believe are liable to confiscation under this Act or the rules made thereunder;
- Receives or is in any way concerned with the supply of, or in any other manner deals with any supply of services which he knows or has reasons to believe are in contravention of any provisions of this Act or the rules made thereunder;
- Fails to appear before the officer of central tax, when issued with a summons for appearance to give evidence or produce a document in an inquiry;
- Fails to issue invoice in accordance with the provisions of this Act or the rules made thereunder or fails to account for an invoice in his books of account,

Amount which may extend to Rs. 25,000

Section 123 Penalty for failure to furnish information return

Section 124 Fine for failure to furnish information return

Section 125 General Penalty

<u>Sec. 123</u> Failure to furnish information return with the period as specified in notice	Rs. 100 for each day of the period during which the failure to furnish information return continues subject to maximum of Rs. 5,000
<u>Sec. 124</u> Fails to furnish statistics without reasonable cause/wilfully furnishes or causes to furnish false information	• Rs. 10,000 • In continuing offence Rs. 100 per day subject to maximum of Rs. 25,000
<u>Sec. 125</u> Contravention for which no penalty is provided separately	Amount which may extend to Rs. 25,000

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Section 126 General disciplines related to penalty

- I. Penalty shall not to be imposed for minor breaches or omission or mistake in documentation made without fraudulent intent or gross negligence. A breach shall be considered a 'minor breach' if the amount of tax involved is less than Rs. 5,000. An omission or mistake in documentation shall be considered to be easily rectifiable if the same is an error apparent on the face of record.
- II. Penalty imposed shall depend on the facts and circumstances of each case and shall be commensurate with the degree and severity of the breach. No penalty shall be imposed on any person without giving him an opportunity of being heard. Penalty order must clearly specify the nature of breach. Voluntary disclosure to be a mitigating factor when quantifying a penalty. The provision of this section shall not apply in such cases where the penalty specified under this Act is either a fixed sum or expressed as a fixed percentage.

Section 127 Power to impose penalty in certain cases

Where the proper officer is of the view that a person is liable to a penalty and the same is not covered under any proceedings under section 62 or section 63 or section 64 or section 73 or section 74 or section 129 or section 130, he may issue an order levying such penalty after giving a reasonable opportunity of being heard to such person.

Section 128 Power to waive penalty or fee or both

The Government may, by notification, waive in part or full, any penalty referred to in section 122 or section 123 or section 125 or any late fee referred to in section 47 for such class of taxpayers and under such mitigating circumstances as may be specified therein on the recommendations of the Council.

Section 129 Detention, seizure and release of goods and conveyances in transit

If a person contravenes any provision of the Act while transporting or storing goods, then such goods and the conveyance in which such goods are carried and all the documents relating to such goods and conveyance can be detained or seized. The proper officer detaining and seizing the goods and/or conveyance has to give proper opportunity to the transporter to explain his case by issuing a proper notice to him. After hearing the transporter, the officer shall pass an appropriate order.

- (a) In case of default, where the owner of the goods comes forward for the payment of tax, penalty will be levied equal to
 - 100% of the amount of tax and
 - in case of exempted goods 2% of the value of goods or Rs. 25,000/- whichever is less.
- (b) In case where owner of the goods does not come forward for payment of tax, then an order shall be passed for
 - payment of amount of tax and penalty equal to 50% of the value of goods reduced by tax amount paid (to be paid by any other person other than owner) and
 - in case of exempted goods 5% of the value of goods or Rs. 25,000/- whichever is less.
- (c) Upon furnishing a security equivalent to the amount payable under above clause (a) or (b) in such form and manner as may be prescribed.

The proper officer shall release the goods upon the payment of tax and amount of penalty in the above manner and all the proceedings under this particular section shall deemed to be concluded. However, if the person (either owner of the goods or any other person) fails to discharge the amount of tax and penalty under this section within 7 14 days, then the goods and/or conveyance shall be liable for confiscation (proceedings U/s

130). The period of 7 14 days can be reduced by proper officer if goods are of perishable or hazardous nature. Further, such goods can be released on provisional basis under bond as per the provisions of section 67.

Circular No. 76/50/2018 – Central Tax Dated 31.12.2018 clarifies that if the invoice or any other specified document is accompanying the consignment of goods, then either the consignor or the consignee should be deemed to be the owner. But if the invoice or any other specified document is not accompanying the consignment of goods, then in such cases, the proper officer should determine who should be declared as the owner of the goods.

Example 6: Mr. A (owner), a registered taxable person is getting its goods (taxable @ 18%) amounting to Rs. 10,00,000 (exclusive of GST) transported, without cover of an invoice and an e-way bill.

In this case, the said goods and the vehicle carrying such goods shall be liable to detention or seizure. If detained or seized, the goods of Mr. A would be released on payment of the following amounts:-

(a) Where Mr. A, comes forward for the payment of tax and penalty:

Applicable tax (Rs. 10,00,000 * 18%)	Rs. 1,80,000
Penalty equal to 100% of the tax payable on the subjected goods	Rs. 1,80,000
Total	Rs. 3,60,000

(b) Where Mr. A, doesn't come forward for the payment of tax and penalty:

Applicable tax (Rs. 10,00,000 * 18%)	Rs. 1,80,000
Penalty equal to 50% of the value of the subjected goods reduced by the tax amount paid thereon (i.e. 50% of Rs. 10,00,000 less Rs. 1,80,000)	Rs. 3,20,000
Total	Rs. 5,00,000

Section 130 Confiscation of goods or conveyances and levy of penalty

This section provides for specific causes leading to confiscation of goods/conveyances. The nature of authorization to confiscate and opportunity to release goods/conveyances liable for such confiscation are detailed in this section.

There are five precise causes for confiscation of goods and/or conveyances specified in this section and they are:

Action	Consequence
Supply or receive goods in contravention of the Act or rules made thereunder	Resulting in actual evasion of tax
Not accounting for goods	Carrying a liability to payment of tax
Supply of goods liable to tax	Without applying registration
Contravention of the provisions of Act or rules made thereunder	With intent to evade payment of tax
Use of conveyance as a means of transport/for carriage of taxable goods	In contravention of the Act or rules made thereunder

In all the above cases, goods or conveyance shall be liable for confiscation. However, the conveyance shall not be confiscated where the owner of the conveyance proves that it is without the connivance of owner himself, his agent or person in charge of the conveyance. Further, the person shall be liable to pay penalty under section 122 of the Act.

If the goods or conveyance are liable to be confiscated under the provisions of this Act, the proper officer shall give the owner of the goods an option to pay fine in lieu of confiscation.

The amount of fine shall not exceed the market value of goods as reduced by the amount of tax payable thereon. However, at the same time aggregate of fine and penalty leviable shall not be less than the amount of penalty as leviable under section 129(1). While section 129 is applicable on transporters, section 130 primarily covers the owner.

Where the conveyance is used for transportation of goods or passenger on hire, the owner of the conveyance shall be given an option to pay in lieu of confiscation of the conveyance a fine equal to amount of tax payable on the goods transported on his conveyance. It is worthwhile to note that the amount of fine payable is in addition to any tax, penalty and other charges payable on confiscated goods or conveyance.

The order for confiscation cannot be issued without giving the person an opportunity of being heard.

The title of the confiscated goods or conveyance shall be vested upon the Government.

The proper officer adjudging confiscation shall take and hold possession of the things confiscated on behalf of the Government and every officer of police shall assist in taking such hold and possession.

If the proper officer is satisfied that the confiscated goods/conveyance are not required for any proceedings under the Act, then he shall after giving reasonable time not exceeding 3 months to pay fine in lieu of confiscation, dispose the goods and deposit the sale proceeds with the Government.

Section 131 Confiscation or penalty not to interfere with other punishments

Without prejudice to the provisions contained in the Code of Criminal Procedure, 1973, no confiscation made or penalty imposed under the provisions of this Act or the rules made thereunder shall prevent the infliction of any other punishment to which the person affected thereby is liable under the provisions of this Act or under any other law for the time being in force.

Such other proceedings can be that of prosecution (commencement of criminal proceeding), arrest, cancellation of registration etc., as applicable and provided for the relevant non-compliances. Thus, confiscation made, or penalty imposed cannot relieve the person from other punishments, as may be applicable.

Section 132 Punishment for certain offences

(1) Whoever commits any of the following offences, namely:

- (a) Supply of goods or services or both without the cover of invoice with an intent to evade tax;
- (b) If any person issues any invoice or bill without actual supply of goods or services or both leading to wrongful input tax credit or refund of tax;
- (c) Any person who avails input tax credit using invoice referred in point (b) above;
- (d) Collection of taxes without payment to the government for a period beyond 3 months of due date;
- (e) Evasion of tax, availment of credit or obtaining refund with intent of fraud where such offence is not covered in clause (a) to (d) above;
- (f) Falsifying financial records or production of false records/ accounts/ documents/ information with an intent to evade tax;
- (g) Obstructs or prevents any officer from doing his duties under the act;
- (h) Acquires or transports or in any manner or deals with any goods which he knows or has reasons to believe are liable for confiscation under this Act or rules made thereunder;
- (i) Receives or in any way, deals with any supply of services which he knows or has reason to believe are in contravention of any provisions of this law;

- (j) Tamper with or destroys any material evidence or documents;
- (k) Fails to supply any information which he is required to supply under this law or supply false information;
- (l) Attempts or abets the commission of any of the offences mentioned above {clauses (a) to (k) of this section.

This section enables institution of prosecution proceedings against the offenders and the period of imprisonment and quantum of fine varies depending on the amount of tax evaded or seriousness of the offence listed below.

Amount of Tax evaded/ erroneous refund/ wrong ITC availed or utilized	Fine	Imprisonment
(i) Exceeding 5 Crores	Yes	Upto 5 years
(ii) Exceeding 2 Crores to 5 Crores	Yes	Upto 3 years
(iii) Exceeding 1 Crores to 2 Crores	Yes	Upto 1 year

If any person commits any offence specified in clause (f), (g) or (j) above, he shall be punishable with imprisonment for a term which may extend to six months or with fine or with both.

In case of repetitive offences without any specific/special reason which is recorded in the judgment of the Court will entail an imprisonment term of not less than 6 months and which could extend to 5 years plus with a fine.

The Imprisonment referred to in clauses (i), (ii) & (iii) and repetitive offences, in the absence of special and adequate reasons to the contrary to be recorded in the judgment of Court, be for a term not less than six months.

All offences mentioned in this section are non-cognizable and bailable except the following cases:

- Where the amount exceeds 5 Crores and
- Instances covered by (a) to (d) in sub section (1) above.

Every prosecution proceeding initiated requires prior sanction of the Commissioner.

Section 133 Liability of officers and certain other persons

Where –

- any person engaged in collection of statistics or compilation or computerisation thereof
- if officer having access to Annual Information Return, or
- if any person engaged in provision of service on common portal or agent of common portal,

wilfully disclosed any information or the contents of any return furnished under this Act or rules made there under (otherwise than in execution of his duties or for prosecution for an offence), he shall be punishable with imprisonment for a term which may extend to 6 months or with fine which may extend to Rs. 25,000, or with both.

Section 134 Cognizance of offences

No court shall take cognizance of any offence punishable under this Act or the rules made thereunder except with the previous sanction of the Commissioner, and no court inferior to that of a Magistrate of the First Class, shall try any such offence.

Section 135 Presumption of culpable mental state

In any prosecution for an offence under this Act which requires a culpable mental state on the part of the accused, the court shall presume the existence of such mental state but it shall be a defence for the accused

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to prove the fact that he had no such mental state with respect to the act charged as an offence in that prosecution.

Explanation.—For the purposes of this section,—

- (i) the expression “culpable mental state” includes intention, motive, knowledge of a fact, and belief in, or reason to believe, a fact;
- (ii) a fact is said to be proved only when the court believes it to exist beyond reasonable doubt and not merely when its existence is established by a preponderance of probability.

Now, once the law has stated that in case of any prosecution which requires the existence of a culpable mental state, the Court would presume the existence of it.

Under the old revenue laws, the burden to prove was on the one who alleges it. The Hon’ble Supreme Court in the case of *Uniworth Textiles Limited vs. Commissioner of Central Excise, Raipur* [(2013) 31 taxmann.com 67 (SC)] stated that “Burden to prove invocation of extended period on Department. The assessee cannot be asked to bring evidence to prove his bona fide. Similarly it is a cardinal postulate of law that the burden of proving any form of mala fide lies on the shoulders of the one alleging it.”

The accused can prove that he had no such mental state in respect of a particular act for which he is charged. The expression “Culpable Mental State” is defined inclusively to cover “intent, motive, knowledge of fact, belief in or reason to believe”. It also covers facts which exist beyond a reasonable doubt and not based on probabilities.

Hence, a very landmark judgement of the Hon’ble Supreme Court would lose its relevance in the cases covered by this section.

Section 136 Relevancy of statements under certain circumstances

Statement made and signed by a person on appearance in response to any summons issued U/s 70 shall be valid in prosecution proceedings when the person who made the statement is dead or cannot be found, or is incapable of giving evidence, or is kept out of the way by the adverse party, or whose presence cannot be obtained without an amount of delay or expense which, under the circumstances of the case, the court considers unreasonable; or when the person who made the statement is examined as a witness in the case before the court and the court is of the opinion that, having regard to the circumstances of the case, the statement should be admitted in evidence in the interest of justice.

Section 137 Offences by companies

Where an offence committed by a company, every person who, at the time the offence was committed was in charge of, and was responsible to, the company for the conduct of business of the company, as well as the company, shall be deemed to be guilty of the offence and shall be liable to be proceeded against and punished accordingly.

Where it is proved that the offence has been committed with the consent or connivance of, or it attributable to any negligence on the part of, any director, manager, secretary, or other officer of the company, they shall also be deemed to be guilty of that offence and shall be liable to be proceeded against and punished accordingly.

Offences by LLP/Firm/HUF/Trust: Partner or Karta or managing trustee shall be liable to be proceeded against and punished accordingly.

Section 138 Compounding of offences

- (1) Compounding of offences by the Commissioner [Sec. 138 (1)]: Any offence under this Act may, either before or after the institution of prosecution, **be compounded by the Commissioner on payment by the person accused of the offence**, to the Central Government or the State Government, as the case be, of such compounding amount in such manner as may be prescribed.

Cases, where compounding is not possible: Nothing contained in this section shall apply to

- a. a person who has been allowed to compound once in respect of any of the offences specified in Sec. 132 (1) (a) to (f) and the offences specified in clause (l) which are relatable to offences specified in clauses (a) to (f) of the said sub-section;
- b. a person who has been allowed to compound once in respect of any offence, other than those in clause (a), under this Act or under the provisions of any SGST Act of the UTGST Act of the IGST Act in respect of supplies of value exceeding Rs. 1 crores;
- c. a person who has been accused of committing an offence under this Act which is also an offence under any other law for the time being in force;
- d. a person who has been convicted for an offence under this Act by a court;
- e. a person who has been accused of committing an offence specified in Section 132 (1)(g)/(j)/(k); and
- f. any other class of persons or offences as may be prescribed.

Compounding not to affect proceedings instituted under other law: Any compounding allowed under the provisioning of this section shall not affect the proceedings, if any, instituted under any other law.

Tax/Interest/Penalty to be paid before compounding: Compounding shall be allowed only after making payment of tax, interest and penalty involved in such offences.

- (2) Compounding amount [Section 138 (2)]: The amount for compounding of offences under this section shall be such as may be prescribed, subject to –
 - a. The minimum limit for compounding amount is to be the higher of the following amounts:
 - 50% of tax involved, or
 - Rs. 10,000 (Rs. 20,000 CGST+SGST/IGST).
 - b. The upper limit for compounding amount is to be higher of the following amount:
 - 150% of tax involved, or
 - Rs. 30,000 (Rs. 60,000 CGST+SGST/IGST).
- (3) Abatement of proceedings and non-initiation of criminal proceedings [Section 138 (3)]: On payment of such compounding amount as may be determined by the Commissioner, no further proceedings shall be initiated under this Act against the accused person in respect of the same offence and any criminal proceedings, if already initiated in respect of the said offence, shall stand abated.

Example 7: Suppose, the amount of tax involved is Rs. 90,000. In this case, the minimum and maximum amount to be paid for compounding for offence will be calculated as under:-

- Minimum amount: Higher of Rs. 20,000 or Rs. 45,000 (50% of Rs. 90,000)
- Maximum amount: Higher of Rs. 60,000 or Rs. 1,35,000 (150% of Rs. 90,000)

Please remember penalty specified in CGST Act, is only for CGST Act. So, SGST/UTGST will be equivalent to CGST & IGST will be double.

Question & Answer

Q1. Mr. A, an unregistered person under GST purchases the goods supplied by Mr. B who is a registered person without receiving a tax invoice from Mr. B and thus helps in tax evasion by Mr. B. What action may be taken by tax authorities to curb such type of cases and on whom?

A. Both Mr. A & Mr. B will be liable to penalty as:

Mr. A, penalty U/s 122 (3) which may extend to Rs. 25,000 (under CGST Act);

Mr. B, penalty U/s 122 (1), which will be higher of Rs. 10,000 (under CGST Act) or 100% of tax evaded.

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Q2. What is the difference between the penalty under sub-section (1) and (3) of sec. 122?

A. Apart from the amount of penalty & nature of offences, U/s 122 (1) penalty is imposed on a taxable person whereas in U/s 122 (3), penalty is imposed on any person who may or may not be a taxable person.

Q3. What is the general penalty which can be levied for any violation for which no specific penalty has been prescribed?

A. Section 125 of the GST Act prescribes penalty of rupees twenty-five thousand for all those violations of provisions of the Act or any rules for which no penalty is separately provided for under the Act.

Q4. When breach of law will be considered as a minor breach and easily rectifiable mistakes?

A. As per explanation to sub-section (1) of section 126 of the GST Act, provides that a 'minor breach' shall be considered as minor breach if the amount of tax involved is less than Rs. 5,000. An omission or mistake in documentation will be considered to be 'easily rectifiable' if the same is an error apparent on record.

Q5. I am collecting tax on supply of goods & services and did not remit the same within 3 months to the Government. Does the same attract penalty? If yes, what is the amount of penalty?

A. Collection of tax and non-remittance of the same within 3 months to the Government from the due date for remittance is considered to be an offence under Section 122 (1) (iii) of the CGST Act, 2017 attracting penalty of (a) an amount equal to the tax so collected or (b) an Rs. 10,000 (whichever is higher).

Q6. Whether prosecution or other punishments could also be initiated along with confiscation or penalty?

A. In terms of section 131 confiscation made or penalty imposed under the provisions of this Act or the rules made thereunder shall not prevent the infliction of any other punishment to which the person affected thereby is liable under the provisions of this Act or under any other law.

Q7. Mr. A has collected tax on supply of exempted goods and did not remit the tax so collected to the Government account. Would Mr. A, be liable to penal and other consequences?

Ans. Yes, in terms of Section 122(1) (iv) of the CGST Act, 2017, collection of tax in contravention to the provisions of the CGST Act, 2017 and subsequent failure to remit the same to the credit of the Government beyond a period of 3 months from the date on which such payment becomes due is an offence attracting penalty of Rs. 10,000/- or amount equal to the amount of tax so collected, whichever is higher.

Further, in terms of Section 132(1) (d) read with Section 132(1) (l) of the CGST Act, 2017, the said offence attracts imprisonment which may extend from 1 year to 5 years based on the quantum of tax evasion.

Q8. What is the penalty prescribed for a person who opts for composition scheme despite being ineligible for the said scheme?

Ans. Section 10(5) of the CGST Act provides that if a person who has paid under composition levy is found as not being eligible for compounding then such person shall be liable to penalty to an amount equivalent to the tax payable by him under the provisions of the Act i.e. as a normal taxable person and that this penalty shall be in addition to the tax payable by him.

Chapter 22: - Appeals and Revision

Section 107	Appeals to Appellate Authority
Section 108	Powers of Revisional Authority
Section 109	Constitution of Appellate Tribunal and Benches thereof
Section 110	President and Members of Appellate Tribunal, their qualification, appointment, conditions of service, etc.
Section 111	Procedure before Appellate Tribunal
Section 112	Appeals to Appellate Tribunal
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Section 114	Financial and administrative powers of President
Section 115	Interest on refund of amount paid for admission of appeal
Section 116	Appearance by authorized representative
Section 117	Appeal to the High Court
Section 118	Appeal to the Supreme Court
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Section 120	Appeal not to be filed in certain case
Section 121	Non-appealable decisions and orders

Brief chart showing Appellate Mechanism under indirect taxes

Description	Appellate Authority	Revisional Authority	Appellate Tribunal	High Court	Supreme Court
Section	107	108	112	117	118
Appeal can be filed against	Order of Adjudicating Authority	Suo Motu Revision	Against order of (a) Appellate Authority or (b) Revisional Authority	Order of State/Area bench of Tribunal (If case involves substantial question of law)	Order of National/Regional bench of Tribunal and against orders of HC if HC certifies fit case for appeal to SC
Departmental Appeal	Department can file appeal after review by Commissioner	NA	Department can file appeal on review of Commissioner	Order of state/Area bench of Tribunal (If case involves substantial question of law)	Order of National/Regional bench of Tribunal and against orders of HC if HC certifies fit case for appeal to SC
Place of supply matters	Appealable	Revision power extends	National/Regional bench of Tribunal can hear	No	Yes
Other Matters	Appealable	Revision power extends	State/Area Bench of Tribunal can hear	Yes	Yes

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Description	Appellate Authority	Revisional Authority	Appellate Tribunal	High Court	Supreme Court
Section	107	108	112	117	118
Appeal Fee	Nil	NA	Rs. 1,000 per lakh of tax or ITC subject to maximum of Rs. 25,000	-	-
Time limit to appeal	3 months + 1 month extension	Power exercisable only after 6 months but within 3 years from date of order {if no appeal filed}	3 months + 3 months extension	Within 180 days + condonation of delay without time limit	As per Code of Civil Procedure, 1908
Pre-deposit {mandatory}	100% of admitted due (with interest/penalty)+ 10% of disputed tax (before interest/penalty) subject to a maximum of 25 crore rupees	NA	100% of admitted due (with interest/penalty) + Additional 20% of disputed tax (before interest/penalty) subject to a maximum of 50 crore rupees	All tax dues are required to be deposited	All tax dues are required to be deposited
If assessee wins	Deposit refunded with interest	NA	Pre-deposit refunded with interest	Sums to be refunded	Sums to be refunded

Section 107 Appeals to Appellate Authority

This section pertains to **appeals to appellate authority by any person who is aggrieved** against decision or order passed by adjudicating authority. This section also provides for appeal by revenue against decision or order passed by adjudicating authority.

- The appeal is to be filed by the assessee **within a period of 3 months from the date of communication of decision or order** in Form GST APL-01, along with relevant documents either electronically or otherwise as notified by the Commissioner against a provisional acknowledgement. The grounds of appeal and form of verification must be duly signed and a certified copy of the decision or order is to be filed before the Appellate Authority within 7 days of filing the appeal electronically. Thereafter, a final acknowledgement indicating the appeal number shall be issued in Form GST APL-02 by the said authority. In such a situation the appeal shall be deemed to be filed on the date on which the provisional acknowledgement stands issued.
In case the said certified copy is submitted after a period of 7 days, the date of filing of appeal shall be the date of submission of such copy.
The appeal shall be treated to be filed only when the final acknowledgement, indicating the appeal number is issued.
- The Commissioner of Central / State or any Union territory with a view to satisfying himself about the legality or propriety of any order or decision direct a subordinate officer to file an application before the Appellate Authority within six months from the date of communication of decision or order** in Form GST

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APL-03, along with relevant documents either electronically or otherwise as notified against issue of an acknowledgement. A certified copy of the decision or order of the appeal is to be filed before the Appellate Authority within 7 days of filing the application electronically and an appeal number shall be generated accordingly.

- iii. The appellate authority in either of the above cases is empowered to **condone the delay up to a period of 1 month.**
- iv. **Appeal to be filed in prescribed form duly verified in prescribed manner along with**
 - Amount of tax, interest, fine, fee & penalty, as is admitted, in full; and
 - pre-deposit of sum equal to 10% of remaining amount of tax in dispute **subject to a maximum of 25 crore rupees (50 crores CGST+SGST/IGST).**
- v. On payment of above amount, the recovery proceedings for balance amount are deemed to be stayed.
- vi. **Maximum 3 adjournments** shall be granted to a party on showing reasonable cause that is to be recorded in writing.
- vii. **Appellate authority may allow any additional grounds not specified in the grounds of appeal on being satisfied that the omission was not wilful or unreasonable.**
- viii. **Appellate authority to pass the order confirming, modifying or annulling the decision or order appealed against but shall not remand the case back to the adjudicating authority.**
- ix. Opportunity of being heard to be granted in case of order for enhancing fees or penalty or fine in lieu of confiscation of goods or reducing amount of refund/input tax credit after issuing show cause notice.
- x. The appellate authority has power to issue show cause notice in case it is of the opinion that any tax has not been paid or short paid or erroneously refunded or input tax credit is wrongly availed or utilised. The appellant is given notice to show cause against the proposed order and the order is passed within the time limit specified under section 73 or 74.
- xi. Appellate authority need to hear and **decide the appeal**, wherever possible, **within a period of 1 year from the date of filing.**
- xii. Where the issuance of order is stayed by an order of a court or Tribunal, the period of such **stay shall be excluded in computing the period of one year.**
- xiii. Appellate authority to communicate the copy of order to the appellant, the respondent, the adjudicating authority, jurisdictional Commissioner of CGST, SGST and UTGST.
- xiv. The Appellate Authority shall, along with its order under sub-section (11) of section 107 of the Act, issue a summary of the order in FORM GST APL-04 clearly indicating the final amount of demand confirmed.

As per Rule 109 A, if order is passed by the Additional/Joint Commissioner then appeal will be filed with Commissioner (Appeals). If order is passed by the Deputy Commissioner/Assistant Commissioner /Superintendent then appeals will be filed with any officer not below the rank of Joint Commissioner (Appeals).

Example 1:

Case	Date of filing of appeal in Form GST APL-01 and issuance of provisional acknowledgement	Submission of certified copy of decision or order appealed against	Date of filing of appeal shall be
Case I	24.07.2018	28.07.2018	24.07.2018
Case II	24.07.2018	03.08.2018	03.08.2018

Example 2: Mr. A, wants to file an appeal to appellate authority against the order passed by the adjudicating authority, which was received on 10.01.2018. In this case, the company can appeal against such order by 09.04.2018 in Form GST APL-01 i.e., within 3 months from the date of communication of adjudicating authority.

Now, suppose due to some unforeseen circumstances, the company could not file the appeal within given time period. The appellate authority, may, after being satisfied as to existence of sufficient cause, condone the delay upto 09.05.2018 (i.e. 1 month from expiry of 3 months), within which time aggrieved person must file the appeal.

Example 3: Mr. X has been served with an order wherein demand of Rs. 5,00,000 has been alleged by the adjudicating authority. Mr. X, admits liability of Rs. 1,00,000 but decides to litigate the demand of balance

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amount, and hence file an appeal to the appellate authority. In this case, the amount of pre-deposit will be calculated as follows:

(a) Demand admitted = Rs. 1,00,000

(b) Remaining Demand/Amount disputed = Rs. 4,00,000

10% of amount disputed i.e. (Rs. 4,00,000*10/100) = Rs. 40,000

Hence, the amounts of pre-deposit to be paid by Mr. X will be total of Rs. 1,40,000.

On amount of above amount of pre-deposit, the recovery proceedings for balance amount shall be deemed to be stayed.

Section 108 Power of Revisional Authority

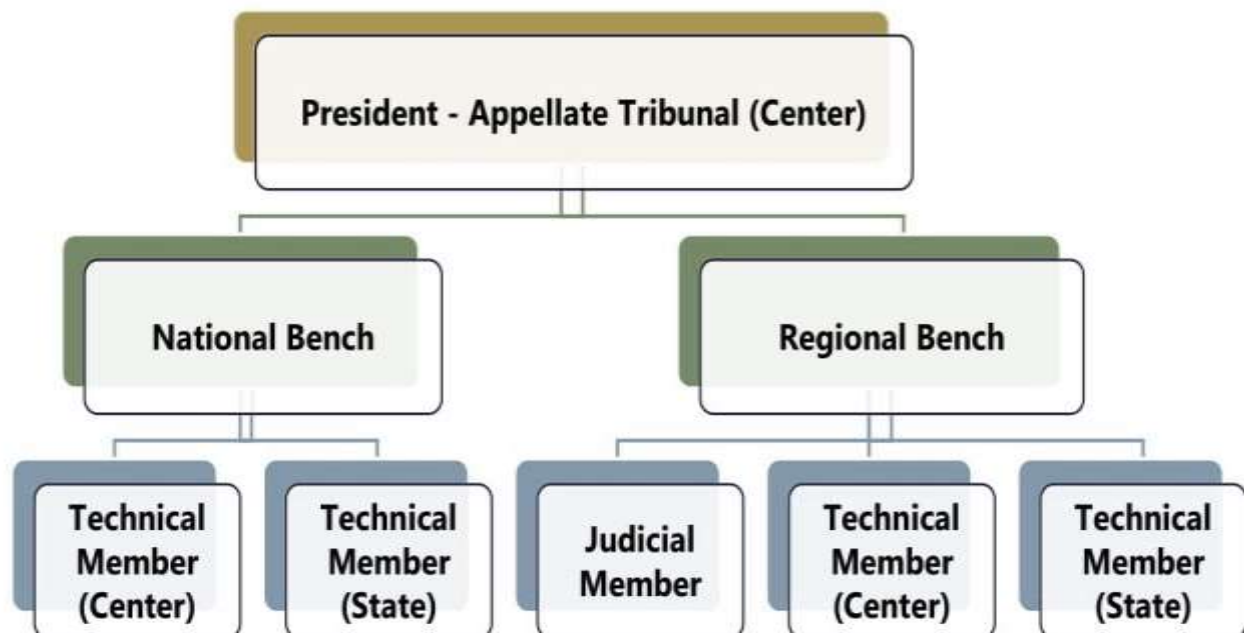
- i. Revision authority on his own motion or upon information received by him or on request from the commissioner of State tax/UT, after examining the record of any proceeding, the Revisional Authority may stay the operation of any decision or order if he considers that such **decision or order passed by any officer subordinate to him is erroneous in so far as it is prejudicial to the interest of the revenue.**
- ii. After giving the concerned person an opportunity of being heard and after making further necessary inquiry, the Revisional Authority may pass such **order within 3 years of passing of the said order sought to be revised including enhancing or modifying or annulling the said decision or order.**
- iii. The Revisional Authority **shall not exercise such revisionary powers if**
 - (a) **appeal is filed against the order to –**
 - a. Appellate Authority U/s.107
 - b. Appellate Tribunal U/s.112
 - c. High Court U/s.117
 - d. Supreme Court U/s.118
 - (b) **period of 6 months as specified in section 107 (2) has not expired or more than 3 years have expired after passing the decision or order**
 - (c) **the order has already been taken for revision at any earlier stage**
 - (d) **revisionary order has already been passed once.**
- iv. However, the Revisional Authority may pass an order on any point which has not been raised & decided in an appeal, referred to hereinabove, **within 1 year from the date of order passed in such appeal or within 3 years from the date of such order sought to be revised, whichever is later.**
- v. It may be noted that the said power of the revisional authority is subject to Section 121 of the CGST Act (i.e. non appealable decisions and orders). Thus, the revisional authority cannot revise the decision or order passed under the CGST Act/SGST Act/UTGST Act, by any officer subordinate to him, in the matters as prescribed in Section 121 of the CGST Act, which are non-appealable in GST.
- vi. Notification No. 74/2018 – Central tax Dated 31.12.2018 has inserted, new Rule 109B of the CGST Rules, which provides that where the Revisional Authority decides to pass an order in revision U/s 108, which is likely to affect the person adversely, the revisional authority shall serve on him a notice in Form GST RVN-01 and shall give him a reasonable opportunity of being heard. In addition, as per sub-rule (2) of rule 109B, a summary order is to be issued in Form GST Apl-04 clearly indicating the final amount of demand confirmed.
- vii. Every revision order shall be, subject to further appeal to the Tribunal, High Court or Supreme Court, be final and binding on the parties.

- viii. If the said decision or order involves an issue which is appealed in higher forum, the period spent between the date of the decision of the lower authority and the date of the decision of the higher authority shall be excluded in computing the period of limitation.
- ix. Where the issuance of an order is stayed by the order of a court or Appellate Tribunal, the period of such stay shall be excluded in computing the period of limitation referred to in Section 108 (2) (b) i.e. 3 years.

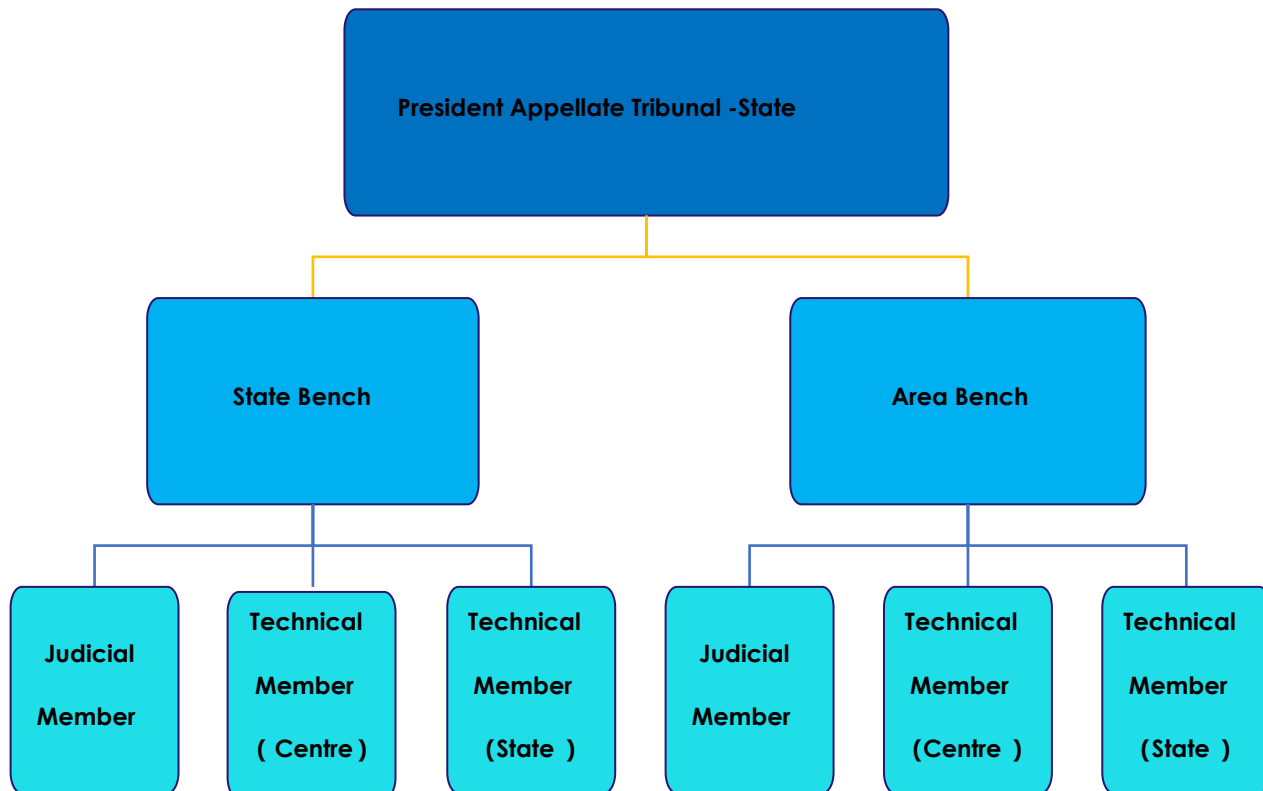
Section 109 Constitution of Appellate Tribunal and Benches thereof

A. Constitution and structure of Appellate Tribunal

- i. The law envisages constitution of a two tier Tribunal i.e. **National Bench/Regional Benches and the State Bench/ Area Benches**. Jurisdiction of the two constituents of the GST Tribunal is also defined.
- ii. **If place of supply is one of the issues in dispute, then the National Bench/ Regional benches of the Tribunal will have jurisdiction to hear the appeal.**
If the dispute relates to issues other than the place of supply, then the State/Area Benches will have the jurisdiction to hear the appeal.
- iii. **An appeal from the decision of the National Bench will lie directly to the Supreme Court and an appeal from the decision of the State Bench will lie to the jurisdictional High Court on substantial questions of law.**
- iv. A diagrammatic representation of the structure of the Appellate Tribunal is shown below:



Study Notes



The appointments to the Tribunal and functioning shall be in the manner prescribed under sections 110 and 111 of the CGST Act. On ceasing to hold office, the appointees to the Appellate Tribunal shall not be entitled to appear, act or plead before the Appellate Tribunal.

- v. In the absence of a Member in any Bench due to vacancy or otherwise, any appeal may, with the approval of the President or, as the case may be, the State President, be heard by a Bench of two Members.

However, any appeal where the tax or ITC involved or the difference in tax or ITC involved or the amount of fine, fee or penalty determined in any order appealed against, does not exceed Rs. 5,00,000 and which does not involve any question of law may, with the approval of the President, be heard by a bench consisting of a single member.

Section 110 President and Members of Appellate Tribunal, their qualification, appointment, conditions of service, etc.

- (1) A person shall not be qualified for appointment as—
- the President, unless he has been a Judge of the Supreme Court or is or has been the Chief Justice of a High Court, or is or has been a Judge of a High Court for a period not less than five years;
 - a Judicial Member, unless he—
 - has been a Judge of the High Court; or
 - is or has been a District Judge qualified to be appointed as a Judge of a High Court; or
 - is or has been a Member of Indian Legal Service and has held a post not less than Additional Secretary for three years;
 - a Technical Member (Centre) unless he is or has been a member of Indian Revenue (Customs and Central Excise) Service, Group A, and has completed at least fifteen years of service in Group A;

- (d) a Technical Member (State) unless he is or has been an officer of the State Government not below the rank of Additional Commissioner of Value Added Tax or the State goods and services tax or such rank as may be notified by the concerned State Government on the recommendations of the Council with at least three years of experience in the administration of an existing law or the State Goods and Services Tax Act or in the field of finance and taxation.
- (2) The President and the Judicial Members of the National Bench and the Regional Benches shall be appointed by the Government after consultation with the Chief Justice of India or his nominee: Provided that in the event of the occurrence of any vacancy in the office of the President by reason of his death, resignation or otherwise, the senior most Member of the National Bench shall act as the President until the date on which a new President, appointed in accordance with the provisions of this Act to fill such vacancy, enters upon his office: Provided further that where the President is unable to discharge his functions owing to absence, illness or any other cause, the senior most Member of the National Bench shall discharge the functions of the President until the date on which the President resumes his duties.
- (3) The Technical Member (Centre) and Technical Member (State) of the National Bench and Regional Benches shall be appointed by the Government on the recommendations of a Selection Committee consisting of such persons and in such manner as may be prescribed.
- (4) The Judicial Member of the State Bench or Area Benches shall be appointed by the State Government after consultation with the Chief Justice of the High Court of the State or his nominee.
- (5) The Technical Member (Centre) of the State Bench or Area Benches shall be appointed by the Central Government and Technical Member (State) of the State Bench or Area Benches shall be appointed by the State Government in such manner as may be prescribed.
- (6) No appointment of the Members of the Appellate Tribunal shall be invalid merely by the reason of any vacancy or defect in the constitution of the Selection Committee.
- (7) Before appointing any person as the President or Members of the Appellate Tribunal, the Central Government or, as the case may be, the State Government, shall satisfy itself that such person does not have any financial or other interests which are likely to prejudicially affect his functions as such President or Member.
- (8) The salary, allowances and other terms and conditions of service of the President, State President and the Members of the Appellate Tribunal shall be such as may be prescribed: Provided that neither salary and allowances nor other terms and conditions of service of the President, State President or Members of the Appellate Tribunal shall be varied to their disadvantage after their appointment.
- (9) The President of the Appellate Tribunal shall hold office for a term of three years from the date on which he enters upon his office, or until he attains the age of seventy years, whichever is earlier and shall be eligible for reappointment.
- (10) The Judicial Member of the Appellate Tribunal and the State President shall hold office for a term of three years from the date on which he enters upon his office, or until he attains the age of sixty-five years, whichever is earlier and shall be eligible for reappointment.
- (11) The Technical Member (Centre) or Technical Member (State) of the Appellate Tribunal shall hold office for a term of five years from the date on which he enters upon his office, or until he attains the age of sixty-five years, whichever is earlier and shall be eligible for reappointment.
- (12) The President, State President or any Member may, by notice in writing under his hand addressed to the Central Government or, as the case may be, the State Government resign from his office: Provided that the President, State President or Member shall continue to hold office until the expiry of three months from the date of receipt of such notice by the Central Government, or, as the case may be, the State Government or until a person duly appointed as his successor enters upon his office or until the expiry of his term of office, whichever is the earliest.
- (13) The Central Government may, after consultation with the Chief Justice of India, in case of the President, Judicial Members and Technical Members of the National Bench, Regional Benches or Technical Members (Centre) of the State Bench or Area Benches, and the State Government may, after consultation with the Chief Justice of High Court, in case of the State President, Judicial Members,

Technical Members (State) of the State Bench or Area Benches, may remove from the office such President or Member, who—

- (a) has been adjudged an insolvent; or
- (b) has been convicted of an offence which, in the opinion of such Government involves moral turpitude; or
- (c) has become physically or mentally incapable of acting as such President, State President or Member; or
- (d) has acquired such financial or other interest as is likely to affect prejudicially his functions as such President, State President or Member; or
- (e) has so abused his position as to render his continuance in office prejudicial to the public interest: Provided that the President, State President or the Member shall not be removed on any of the grounds specified in clauses (d) and (e), unless he has been informed of the charges against him and has been given an opportunity of being heard.

(14) Without prejudice to the provisions of sub-section (13),—

- (a) the President or a Judicial and Technical Member of the National Bench or Regional Benches, Technical Member (Centre) of the State Bench or Area Benches shall not be removed from their office except by an order made by the Central Government on the ground of proved misbehaviour or incapacity after an inquiry made by a Judge of the Supreme Court nominated by the Chief Justice of India on a reference made to him by the Central Government and of which the President or the said Member had been given an opportunity of being heard;
- (b) the Judicial Member or Technical Member (State) of the State Bench or Area Benches shall not be removed from their office except by an order made by the State Government on the ground of proved misbehaviour or incapacity after an inquiry made by a Judge of the concerned High Court nominated by the Chief Justice of the concerned High Court on a reference made to him by the State Government and of which the said Member had been given an opportunity of being heard.

(15) The Central Government, with the concurrence of the Chief Justice of India, may suspend from office, the President or a Judicial or Technical Members of the National Bench or the Regional Benches or the Technical Member (Centre) of the State Bench or Area Benches in respect of whom a reference has been made to the Judge of the Supreme Court under sub-section (14).

(16) The State Government, with the concurrence of the Chief Justice of the High Court, may suspend from office, a Judicial Member or Technical Member (State) of the State Bench or Area Benches in respect of whom a reference has been made to the Judge of the High Court under sub-section (14).

(17) Subject to the provisions of article 220 of the Constitution, the President, State President or other Members, on ceasing to hold their office, shall not be eligible to appear, act or plead before the National Bench and the Regional Benches or the State Bench and the Area Benches thereof where he was the President or, as the case may be, a Member.

Section 111 Procedure before Appellate Tribunal

- (1) The Appellate Tribunal shall not be bound by the procedure laid down in the Code of Civil Procedure, 1908. However, it shall be guided by the principles of natural justice and shall have power to regulate its own procedure.
- (2) The Appellate Tribunal shall have the same powers as are vested in a civil court under the Code of Civil Procedure, 1908 while trying a suit in respect of the following matters, namely:
 - (a) summoning and enforcing the attendance of any person and examining him on oath;
 - (b) requiring the discovery and production of documents;
 - (c) receiving evidence on affidavits;

- (d) subject to the provisions of sections 123 and 124 of the Indian Evidence Act, 1872, requisitioning any public record or document or a copy of such record or document from any office;
 - (e) issuing commissions for the examination of witnesses or documents;
 - (f) dismissing a representation for default or deciding it ex-parte;
 - (g) setting aside any order of dismissal of any representation for default or any order passed by it ex-parte; and
 - (h) any other matter which may be prescribed.
- (3) Order of the Appellate Tribunal may be enforced in the same manner as if it were a decree made by a court in a suit pending therein. The Appellate Tribunal can send for execution of its orders to the court within the local limits of whose jurisdiction, —
- (a) in the case of an order against a company, the registered office of the company is situated; or
 - (b) in the case of an order against any other person, the person concerned voluntarily resides or carries on business or personally works for gain.
- (4) All proceedings before the Appellate Tribunal shall be deemed to be judicial proceedings within the meaning of sections 193 and 228, and for the purposes of section 196 of the Indian Penal Code. The Appellate Tribunal shall be deemed to be civil court for the purposes of section 195 and Chapter XXVI of the Code of Criminal Procedure, 1973.

Section 112 Appeals to Appellate Tribunal

- a. Appeal by the Assessee:
- i. Any person aggrieved by an order of Appellate Authority or Revisional Authority may appeal to the Appellate Tribunal against such order **within 3 months from the date** on which the order sought to be appealed against is communicated to the person preferring the appeal. The tribunal can **condone the delay of up to 3 months** beyond the specified time period of 3 months, if it is satisfied that there was sufficient cause for the delay.
 - ii. Fees of filing and restoration of appeal: The fees for filing of appeal or its restoration shall be Rs. 1,000 for every Rs. 1 Lac of tax or ITC involved or the difference in tax or ITC involved or the amount of fine, fee or penalty determined in the order appealed against, subject to maximum of Rs. 25,000.
 - iii. Discretionary Power: The Appellate Tribunal may, in its discretion, refuse to admit any such appeal where the tax or ITC involved, or the difference in tax or ITC involved, or the amount of fine, fee or penalty determined by such order, does not exceed Rs. 50,000.
 - iv. **Conditions for Pre-deposit - 20% of the disputed tax: No appeal shall be filed unless the appellant has paid —**
 - **In full, such part of the amount of tax, interest, fine, fee and penalty arising from the impugned order, as is admitted by him, and**
 - **A sum equal to 20% of the remaining amount of tax in dispute, in addition to the amount paid U/s 107 (6), arising from the said order subject to a maximum of fifty crore rupees (100 crores CGST+SGST/IGST), in relation to which the appeal has been filed.**
- On pre-deposit of tax, the recovery proceedings shall be stayed till the disposal of the appeal.
- b. Departmental appeal:
- i. Orders appealable to Appellate Tribunal [Section 112 (3)] : The commissioner may, on his own motion, or upon request from the State/UT Commissioner call for and examine the record of any order passed by Appellate Authority or Revisional Authority for the purpose of satisfying himself as to the legality or propriety of the said order and may, by order, direct any officer subordinate to him to apply to the Appellate Tribunal **within 6 months from the date on which the said order has been passed** for determination of such points arising out of the said order as may be specified by him.

- ii. The Application so filed shall be dealt by the Appellate Tribunal as it were an appeal made against the order of Appellate Authority or Revisional Authority and all the provisions of the Act shall apply accordingly.
- iii. **There is no requirement of making a pre-deposit in case of departmental appeal.**
- c. Other aspects:
Memorandum of cross objection to be filed within 45 days [Section 112 (5)]: On receipt of notice that an appeal has been preferred, the other party may, within 45 days of the receipt of notice from tribunal, file a memorandum of cross-objections against any part of the order appealed against and such memorandum shall be disposed or by the Appellate Tribunal, as if it were an appeal presented within the specified time limit.

Production of additional evidence before the Appellate Authority or the Appellate Tribunal [Rule 112]:

- i. **General bar on production of additional evidences [Rule 112 (1)]:** The appellant shall not be allowed to produce before the Appellate Authority or the Appellate Tribunal any evidences, whether oral or documentary, other than the evidence produced by him during the course of the proceedings before the adjudicating authority or, as the case may be, the Appellate Authority except in the following circumstances namely: -
 - where the adjudicating authority or, as the case may be, the Appellate Authority has refused to admit evidence which ought to have been admitted, or
 - where the appellant was prevented by sufficient cause from producing the evidence which he was called upon to produce by the adjudicating authority or, as the case may be, the Appellate Authority, or
 - where the appellant was prevented by sufficient cause from producing before the adjudicating authority or, as the case may be, the Appellate Authority any evidence which is relevant to any ground of appeal, or
 - where the adjudicating authority or, as the case may be, the Appellate authority has made the order appealed against without giving sufficient opportunity to the appellant to produce evidence relevant to any ground of appeal.
- ii. **No evidence shall be admitted unless the Appellate Authority or the Appellate Tribunal records in writing the reasons for its admission.**
- iii. The Appellate Authority or the Appellate Tribunal shall not make any evidence produced unless the adjudicating authority or an officer authorised in this behalf by the said authority has been allowed a reasonable opportunity –
 - to examine the evidence or document or to cross-examine any witness produced by the appellant; or
 - to produce any evidence or any witness in rebuttal of the evidence produced by the appellant.

Section 113 Orders of Appellate Tribunal

- i. **Appellate Tribunal to pass the order confirming, modifying or annulling the decision or order appealed against.**
- ii. **The Appellate Tribunal also has power to remand the case back to the appellate authority or the Revisional authority or the original adjudicating authority.**
- iii. **Maximum 3 adjournments shall be granted to a party on showing reasonable cause to be recorded in writing.**
- iv. **The Appellate Tribunal is empowered to amend its order to rectify any mistake apparent from record,** However, tribunal may rectify its order if the mistake is brought to its notice by Commissioner or other party to appeal within period of 3 months of date of such order. Opportunity of being heard to be granted

in case such rectification results into enhancing an assessment or reducing a refund or input tax credit or otherwise increasing the liability.

- v. The Appellate Tribunal to hear and decide the appeal, as far as possible, within a period of 1 year from the date of filing.
- vi. The Appellate Tribunal to communicate the copy of order to appellate authority / Revisional authority / original adjudicating authority, the appellant, the jurisdictional Commissioner, Commissioner of State Tax or Union Territory Tax.
- vii. The jurisdictional officer shall issue a statement in FORM GST APL-04 clearly indicating the final amount of demand confirmed by the Appellate Tribunal.

Section 114 Financial and administrative powers of President

The President is empowered to delegate his financial and administrative powers to any other Member or any officer of the National Bench and Regional Benches, on a condition that such Member or officer shall continue to act under the direction, control and supervision of the President while exercising such delegated powers.

Section 115 Interest on refund of amount paid for admission of appeal

Where an amount paid by the appellant under sub-section (6) of section 107 or sub-section (8) of section 112 is required to be refunded consequent to any order of the Appellate Authority or of the Appellate Tribunal, interest at the rate specified under section 56 shall be payable in respect of such refund from the date of payment of the amount till the date of refund of such amount.

Section 116 Appearance by authorised representative

This section provides for appearance by authorised representative in proceedings or appeals except in circumstances where personal appearance is required for examination on oath or affirmation.

- i. "Authorised representative" means –
 - relative or regular employee
 - Practising Advocate
 - Practising CA, CWA or CS
 - A retired government officer who had worked for not less than 2 years in a post not lower in rank than Group-B gazetted officer
 - Goods and Services Tax Practitioner
- ii. Any person, who has retired or resigned after serving more than 2 years in the indirect tax departments of Government of India or any State Government as a gazetted officer, shall not be entitled to appear as authorised representative for a period of 1 year from the date of retirement or resignation.
- iii. Any person,
 - who has been dismissed or removed from government service; or
 - who is convicted of an offence under CGST Act, SGST Act, IGST Act, UTGST Act or under erstwhile laws; or
 - who is found guilty of misconduct by the prescribed authority;
 shall not be qualified as authorised representative
- iv. Any person, who has become insolvent, shall not be qualified as authorised representative during the period of insolvency.
- v. Any disqualification under SGST Act or UTGST Act shall be construed as disqualification under CGST Act.

Study Notes

Section 117 Appeal to High Court

- i. High Court may admit an appeal if it is satisfied that the case involves a substantial question of law.
- ii. No appeal shall lie to High Court if such order is passed by National Bench or Regional Benches.
- iii. Appeal to be filed in the form GST APL 08, precisely stating the substantial question of law involved, within 180 days from the date of receipt of order appealed against accompanied by prescribed fee.
- iv. High Court is empowered to condone the delay in filing appeal.
- v. On being satisfied, High Court shall formulate a substantial question of law.
- vi. Appeal to be heard only on the question so formulated and the respondent shall be allowed to argue that the case does not involve such question.
- vii. The High Court may hear the appeal on any other substantial question of law not formulated by it after satisfying, for reasons to be recorded, of involvement of such question in the case.
- viii. The High Court may determine any issue which has not been determined or has been wrongly determined by the State Bench or Area Benches.
- ix. Appeal to be heard by a Bench of not less than 2 Judges of High Court and shall be decided in accordance with the majority of opinion of such Judges.
- x. Difference of opinion on any point shall be referred to one or more of the other Judges of High Court and such point shall be decided according to the opinion of majority of Judges who have heard the case including those who first heard it.
- xi. The effect of judgment of High Court shall be given on the basis of a certified copy of the judgment.
- xii. The provisions of Code of Civil Procedure relating to appeals to High Court shall apply to appeals under this section.

Section 118 Appeal to Supreme Court

- (1) An appeal shall lie to the Supreme Court—
 - (a) from any order passed by the National Bench or Regional Benches of the Appellate Tribunal; or
 - (b) from any judgment or order passed by the High Court in an appeal made under section 117 in any case which, on its own motion or on an application made by or on behalf of the party aggrieved, immediately after passing of the judgment or order, the High Court certifies to be a fit one for appeal to the Supreme Court.
- (2) The provisions of the Code of Civil Procedure, 1908, relating to appeals to the Supreme Court shall, so far as may be, apply in the case of appeals under this section as they apply in the case of appeals from decrees of a High Court.
- (3) Where the judgment of the High Court is varied or reversed in the appeal, effect shall be given to the order of the Supreme Court in the manner provided in section 117 in the case of a judgment of the High Court.

Section 119 Sums due to be paid notwithstanding appeal, etc.

The sums due to the Government as a result of an order passed by the Appellate Tribunal or High Court shall be paid notwithstanding that an appeal has been preferred to High Court or Supreme Court, as the case may be.

Section 120 Appeal not to be filed in certain cases

The board may fix monetary limits for regulating the filing of appeal etc. The Central tax officer may file appeal etc. in any other case involving the same or similar issues or questions of law if monetary amount is more. No person, being a party in appeal or application shall content that the officer of the central tax has acquiesced in the decision on the disputed issue by not filing an appeal or application. The Appellate Tribunal or court hearing

such appeal or application shall have regard to the circumstances under which appeal or application was not filed by the departmental officer.

Section 121 Non-appealable decisions & orders

No appeal shall lie against any decision taken or order passed by an officer of central tax if such decision taken or order passed relates to any one or more of the following matters, namely:-

- An order of the Commissioner or other authority empowered to **direct transfer of proceedings** from one officer to another officer; or
- An order pertaining to the **seizure or retention of books of account, register and other documents**; or
- An order **sanctioning prosecution** under this act; or
- An **order passed U/s 80** (Payment of tax & other amount in installment).

Question & Answer

Q1. What is the time limit for filing appeal to the Appellate authority by a person aggrieved by any decision or order passed by an adjudicating authority? Whether this time limit can be extended?

A. A person aggrieved by any decision or order passed by an adjudicating authority may file an appeal to the Appellate Authority within 3 months from the date of communication of decision/order of adjudicating authority. The Appellate Authority can condone the delay in filing of appeal by 1 month if it is satisfied that there was sufficient cause for such delay.

Q2. Section 113 (3) of the CGST Act, 2017 provides that the Appellate Tribunal, may at any time within 3 months of the date of order, with a view to rectifying any mistake apparent from the record, amend any order passed by it. What would constitute "mistake apparent from record" for the purpose of this provision?

A. Failure to make into consideration the material evidence, which is present on record, would amount to a "mistake apparent on the face of the record". [CCEX V. Bharat Bijlee Ltd. 2006 (SC)]

When a decision rendered by the Apex Court is not considered, non-consideration of such binding precedent constitutes an error apparent on the face of the record. The binding decision of the Apex Court would cover even the period prior to the inception of such law during which the orders contrary to such ratio of the subsequent decision were passed [HLL V. CCEX, 2006 (Tri. LB)]

Other mistakes apparent on the face of the record, which can be rectified by the Tribunal in terms of section 113 (3), can be typographical error, calculation mistakes, point raised in appeal but not considered, retrospective amendments in the statute, etc.

Q3. An assessee moved an application on 15th December 2018 under section 113 (3) for rectification of mistake in order passed on 30th September 2018. The Tribunal took up the application on 15th May 2019 and dismissed the same on the ground that the Tribunal cannot entertain an application for rectification beyond a period of 3 months. Is this correct?

A. Section 113 (3) states that the Appellate Tribunal may at any time within 3 months from the date of the order, with a view to rectifying any mistake apparent from the record, amend any order passed by it. Since, in the present case, the application has been made within 3 months from the date of the order, it is not relevant for the purpose of limitation as to when the Tribunal takes up the same for hearing and disposal. Therefore, in this case, the Tribunal cannot reject the application for rectification of mistake on the ground of limitation if application is made within time limit.

Study Notes

Q4. Discuss with the help of decided case, whether the re-appreciation of evidence on a debatable point by the GST Appellate Tribunal can be considered as rectification of mistake apparent on record U/s 113 (3)?

A. No, re-appreciation of evidence by GST Appellate Tribunal on a debatable point cannot be considered to be rectification of mistake apparent on record U/s 113 (3) of the CGST Act, 2017.

Supreme Court, in case of CCE V RDE Concrete India Pvt. Ltd. [2011] observed that a mistake apparent on record must be an obvious and patent mistake. It need not be established by a long-drawn process of reasoning. Arguments not accepted earlier during disposal of appeal cannot be accepted while hearing rectification of mistake application.

The Supreme Court held that CESTAT had reconsidered its legal view as it concluded differently by accepting the arguments which it had rejected earlier. Hence, the court opined that in pursuance of a rectification application, CESTAT cannot reappreciate the evidence and reconsider its legal view taken earlier.

Q5. Can department file appeal in respect of same assessee, if in respect of some years, no appeal was filed involving identical dispute?

A. It was held in C.K. Gangadharan V. CIT [2008] (SC) that if the revenue has not filed an appeal against any order/judgement in one case, it would not be allowed to file an appeal in another case when the same issue is involved due to the reasons that it cannot pick and choose and certainty in law should be ensured.

However, the revenue can file an appeal in another case involving same/similar issue –

- Where there is just cause in doing so i.e. where appeal was not preferred earlier in view of small amount involved; or
- Where it is in public interest to do so; or
- For a pronouncement by higher court when divergent views are expressed by Tribunals/High Courts.

Section 120 provides that the Board may issue orders or instructions or directions fixing monetary limits for the purposes of regulating the filing of appeal, etc. by the Department. If Department has not filed an appeal, etc. as per circular fixing monetary limits, the Department may file any appeal, application or revision in any other case involving the same or similar issues or questions of law and the assessee cannot contend that the Department has accepted the decision on the disputed issue by not filing the appeal.

Q6. Where Commissioner of CGST feels that the order passed is not legal or proper, whether he can revise the order on his own?

A. The Commissioner cannot revise the order U/s 107. For CGST, as per Sec. 107 (2), if the commissioner finds an order or decision (passed by an adjudication authority) to be not legal or proper, he can pass an order setting out the points for determination where he is of the view that the order is not legal and proper and directing a GST officer sub-ordinate to him to file an application to appellate authority. Such application is then treated by the appellate authority as if it were an appeal.

Q7. Does the AA have the power to remand the case back to the adjudicating authority for whatever reasons?

A. No. Section 107(11) specifically states that the AA shall, after making such inquiry as may be necessary, pass such order, as he thinks just and proper, confirming, modifying or annulling the decision or order appealed against, but shall not refer the case back to the authority that passed the decision or order.

Q8. When the Tribunal is having powers to refuse to admit the appeal?

A. In cases where the appeal involves –

- tax amount or input tax credit or
- the difference in tax or the difference in input tax credit involved or
- amount of fine, fees or amount of penalty determined by such order,

does not exceed Rs 50,000/-, the Tribunal has discretion to refuse to admit such appeal. (Section 112(2))

Q9. Whether interest becomes payable on refund of pre-deposit amount?

A. Yes. As per Section 115 of the Act, where an amount deposited by the appellant under sub-section (6) of section 107 or under sub-section (8) of section 112 is required to be refunded consequent to any order of the Appellate Authority or of the Appellate Tribunal, as the case may be, interest at the rate specified under section 56 not exceeding 9% shall be payable in respect of such refund from the date of payment of the amount till the date of refund of such amount.

Q10. Compute the quantum of pre-deposit required to be made on U/s 107 of the CGST Act 2017 in each of the following independent case:

- (a) In an order Dated 18-10-2018 issued to ABC Ltd., the Joint Commissioner of central tax has confirmed a tax demand of Rs. 50,00,000. ABC Ltd. has admitted Rs. 5,00,000 as tax liability and intends to file an appeal with the Commissioner (Appeals) against tax demand of Rs. 45,00,000.
- (b) In an order Dated 18-10-2018 issued to XYZ Ltd., the Joint Commissioner of central tax has confirmed a tax demand of Rs. 50,00,000 and imposed a penalty of Rs. 5,00,000. XYZ Ltd. intends to file an appeal with the Commissioner (Appeals) against the said order.

A.

- (a) Section 107 (6) of the CGST Act 2017, require an appellant before Appellate Authority to pre-deposit full amount of tax, interest, fine, fee and penalty, as is admitted by him, arising from the impugned order and a sum equal to 10% of the remaining amount of tax in dispute arising from the impugned order. Thus, ABC Ltd. has to pre-deposit Rs. 5,00,000 (admitted tax) and 10% of Rs. 45,00,000 (tax in dispute) = Rs. 9,50,000.
- (b) Section 107 (6) of the CGST Act 2017, require an appellant before Appellate Authority to pre-deposit full amount of tax, interest, fine, fee and penalty, as is admitted by him, arising from the impugned order and a sum equal to 10% of the remaining amount of tax in dispute arising from the impugned order. In this case since entire amount of tax demanded is in dispute, hence XYZ Ltd. has to pre-deposit 10% of Rs. 50,00,000 = Rs. 5,00,000.

Q11. Whether other party could file cross objections against the appeal preferred by the assessee or by the department?

A. On receipt of notice that an appeal has been preferred under section 112, other party against whom an appeal is preferred, could file a cross objection to the appeal even though he has not preferred an appeal. A Memorandum of Cross-Objections have to be filed within 45 days from the date of receipt of the notice of appeal in FORM GST APL-06. The Tribunal shall dispose of the cross objections as if it is an appeal.

Q12. Whether appeal / application / cross objections filed beyond the time limit would be entertained?

A. Tribunal has been conferred with powers to condone the delay upto 3 months, beyond the period of 3 months or 6 months in case of filing of appeals, where sufficient cause for the delay is shown. Similarly, delay upto 45 days could be condoned by the Tribunal in filing the memorandum of cross objections where sufficient cause for the delay is shown.

Q13. Whether interest becomes payable on refund of pre-deposit amount?

A. Yes. As per sec 115 of the Act, where an amount deposited by the appellant under section 107(6) or under section 112(8) is required to be refunded consequent to any order of the Appellate Authority or of the Appellate Tribunal, as the case may be. Interest at the rate specified under section 56 shall be payable in respect of such refund from the date of payment of the amount till the date of refund of such amount.

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Study Notes

Q14. Whether the Tribunal has power to rectify / amend the orders passed by it?

A. Yes, the Tribunal may amend any order passed by it under in terms of Section 113(1) so as to rectify any mistake apparent from the record. The Hon'ble Tribunal could undertake rectification on its own or on application by either of the parties to the appeal (by the Commissioner or the Commissioner of State tax or the Commissioner of the Union territory tax or the other party to the appeal). The application for rectification shall be made within a period of three months from the date of the Order sought to be rectified.

However, no amendment which has the effect of enhancing an assessment or reducing a refund or input tax credit or otherwise increasing the liability of the other party, shall be made under section 113(3), unless the Tribunal has given notice to him of its intention to do so and has allowed him a reasonable opportunity of being heard.

Q15. What are the orders against which appeal could be preferred before the Supreme Court?

A. Following orders could be challenged before the Supreme Court:

- a) Order passed by the National Bench or Regional Benches of the Appellate Tribunal; or (no appeal in High Court)
- b) Judgment or order passed by the High Court in an appeal made under section 117 in any case which, on its own motion or on an application made by or on behalf of the party aggrieved, immediately after passing of the judgment or order, the High Court certifies to be a fit one for appeal to the Supreme Court.

Q16. Who is an Appellate Authority?

A. "Appellate Authority" means an authority appointed or authorised to hear appeals as referred to in section 107. Section 107 provides that appeal shall be preferred before such Appellate Authority as may be prescribed. Rule 109A provides that for the purpose of appeal, an Appellate Authority shall be:

- (a) the Commissioner (Appeals) where such decision or order is passed by the Additional or Joint Commissioner;
- (b) Any officer not the below the rank of Joint Commissioner (Appeals) where such decision or order is passed by the Deputy or Assistant Commissioner or Superintendent.

Q17. Under what circumstances Commissioner could direct the Officer to prefer an appeal against the order of the adjudicating authority?

A. The Commissioner may, on his own motion, or upon request from the Commissioner of State tax Commissioner of Union Territory tax, call for and examine the records of any proceeding in which an adjudicating authority has passed any decision or order under the CGST Act or the SGST Act or the UTGST Act, for the purpose of satisfying himself as to the legality or propriety of the said decision or order. The Commissioner may by an order, direct any Officer subordinate to him to apply to the Appellate Authority within six months from the date of communication of the said decision or order for the determination of such points arising out of the said decision or order as may be specified by the Commissioner in his order.

Q18. What type of order could the Appellate Authority pass? Whether Appellate Authority could refer the case back to Adjudicating Authority?

A. The Appellate Authority may pass such order, as he thinks just and proper, confirming, modifying or annulling the decision or order appealed against. The order shall be in writing giving details as to determination. The Appellate Authority shall, along with its order under section 107(11), issue a statement in FORM GST APL-04

clearly indicating the final amount of demand confirmed. However, the Appellate Authority does not have power to refer the case back to the Adjudicating Authority that passed the said decision or order.

Q19. Whether Order of the Appellate Authority could also be stayed by Revisional Authority?

A. The Order which has been subject to an appeal before the Appellate Authority (section 107) as well as orders of the Appellate Authority which are appealed before the Tribunal cannot be stayed by the Revisional Authority. However, the Revisional Authority could pass an order under revisionary power on any point which has not been raised and decided in an appeal before Appellate Authority. Such, revision order could be passed within 1 year from the date of the order of the Appellate Authority or 3 years from the date of the original order, whichever is later.

Q20. When a Revisional Authority cannot exercise its powers?

A. Revisional authority shall not exercise its powers, in case of following:

- (a) When the order has been subject to an appeal before the adjudicating authority (under section 107) or the Tribunal (under section 112) or the High Court (under section 117) or the Supreme Court (under section 118); or
- (b) If the period of 6 months as specified under 107(2) for preferring an appeal by department before Appellate Authority has not yet expired or where more than three years have expired after the passing of the decision or order sought to be revised; or
- (c) where the order has already been taken for revision under section 108 at any earlier stage; or
- (d) revisionary order passed under section 108(1).

Q21. What is the Constitution of National Appellate Tribunal and how the same is constituted? Where the National Bench and Regional Bench shall be located?

A. The Central Government shall on the recommendation of the GST Council by Notification constitute Goods and Services Tax Appellate Tribunal (hereinafter referred to as the Appellate Tribunal) for hearing appeals against the orders passed by the Appellate Authority or the Revisional Authority.

National bench shall be located at New Delhi. The Central Government on the recommendations of the Council, by notification, constitute such number of Regional Benches as may be required.

Q22. What is the composition of National Bench and Regional Benches?

A. National Bench shall be headed by the National president along with one Technical member (Centre) and one Technical Member (State). Regional Benches shall consist of a Judicial Member, one Technical Member (Centre) and one Technical Member (State).

Q23. What is jurisdiction of National or Regional Benches of the Appellate Tribunal?

A. National or Regional Benches of the Appellate Tribunal shall have jurisdiction to hear appeals against the orders passed by the Appellate Authority or the Revisional Authority in the cases where one of the issues involved relates to the place of supply.

Q24. What is State Bench or Area Bench?

A. The Government, by notification, specify for each State or Union territory, a Bench of the Appellate Tribunal, for exercising the powers of the Appellate Tribunal within the concerned State or Union territory. Government shall, on receipt of a request from any State Government, constitute such number of Area Benches in that State, as may be recommended by the Council.

Study Notes

Q25. What is jurisdiction of State Bench or Area Bench?

A. State Bench or Area Benches shall have jurisdiction to hear appeals against the orders passed by the Appellate Authority or the Revisional Authority in all cases other than those involving matters where one of the issues involved relates to the place of supply.

Q26. What is the composition of State Bench and Area Benches?

A. Each State Bench and Area Benches shall consist of a Judicial Member, one Technical Member (Centre) and one Technical Member (State) and the State Government may designate the senior most Judicial Member in a State as the State President.

Q27. Whether any matter could be heard by bench consisting of members less than 3 as set out above?

A. Yes, in the absence of a Member in any Bench due to vacancy or otherwise, any appeal may, with the approval of the President or, as the case may be, the State President, be heard by a Bench of two Members. Further, where the tax or input tax credit involved or the difference in tax or input tax credit involved or the amount of fine, fee or penalty determined in any order appealed against, does not exceed Rs. 5 Lakhs and which does not involve any question of law may, with the approval of the President and subject to such conditions as may be prescribed on the recommendations of the Council, be heard by a bench consisting of a single member.

Q28. What would be consequence where there is a difference of opinion on any issue among the members of the bench?

A. If the Members of the Bench (National/Regional/State/Area) differ in opinion on any point or points, it shall be decided according to the opinion of the majority, if there is a majority, but if the Members are equally divided, they shall state the point or points on which they differ, and the case shall be referred by the President or as the case may be, State President for hearing on such point or points to one or more of the other Members of the National Bench, Regional Benches, State Bench or Area Benches and such point or points shall be decided according to the opinion of the majority of Members who have heard the case, including those who first heard it.

Q29. Can the Tribunal reject to entertain an appeal based on the monetary limits?

A. Yes. The Tribunal has been conferred with discretion to refuse to admit an appeal where:

- the tax or input tax credit involved or
- the difference in tax or input tax credit involved or
- the amount of fine, fee or penalty determined by such order,

does not exceed Rs. 50,000/-

Q30. Which are the matters on which the appeal against order of the Tribunal could be preferred before the High Court?

A. Appeal shall lie to the High Court against an Order passed by the State Bench or Area Benches of the Tribunal.

Q31. Whether all decisions and orders can be appealed?

A. No. in terms of Section 121, orders listed below cannot be appeal against:

- (a) An order of the Commissioner or other competent authority for transfer of proceeding from one officer to another officer; or
- (b) An order pertaining to the seizure or retention of books of account, register and other documents; or

- (c) An order sanctioning prosecution under this Act; or
- (d) An order passed under section 80 relating to payment of tax, interest and other dues in installments.

Q32. XY Company received an adjudication order passed by the Assistant Commissioner of Central Tax on 01-11-2017 under section 73 of the CGST Act, 2017 wherein it was decided as follows:

Particulars

CGST and SGST due (Total) Rs. 6,00,000

Interest @ 18% p.a. for number of delayed days

Penalty Rs. 60,000

The assessee filed an appeal before the Appellate Authority on 26-11- 2017.

Case I How much the company has to pay as pre-deposit of duty under section 107(6) of the CGST Act, 2017?

Case II Whether your answer would be different if the assessee appeals only against part of the demanded amount say Rs. 4,00,000 and admits the balance liability of tax amounting to Rs. 2,00,000 arising from the said order.

(CA Final May 2018 New)

A. Section 107(6) of the CGST Act, 2017 provides that no appeal shall be filed before Appellate Authority, unless the appellant pays:-

- (a) in full, tax, interest, fine, fee and penalty arising from impugned order, as is admitted by him; and
- (b) 10% of remaining tax in dispute arising from the impugned order.

Thus, in Case-I, XY Company has to make a pre-deposit of 10% of Rs. 6,00,000, which is Rs. 60,000 assuming that XY Company disagrees with the entire tax demanded.

However, in Case-II, since XY Company admits the tax liability of Rs. 2,00,000 and disputes the tax demanded of only Rs. 4,00,000, it has to make a pre-deposit of:

- (i) Rs. 2,00,000 + Rs. 20,000 [proportionate penalty on tax admitted] + interest @ 18% p.a. payable on the tax admitted for the period of delay, and
- (ii) 10% of Rs. 4,00,000 which is Rs. 40,000.

Study Notes

Chapter 23: - Advance Ruling

Section 97	Questions for which advance ruling can be sought
Section 96 & 99	Authority for Advance Ruling (AAR) and Appellate Authority for Advance Ruling (AAAR)
Section 98	Procedure for obtaining advance ruling
Section 100 & 101	Appeals against order of AAR to the Appellate Authority
Section 102	Rectification of Mistakes
Section 103	Applicability of Advance Ruling
Section 104	Advance Ruling to be void in certain circumstances
Section 105 & 106	Powers and Procedure of AAR and AAAR

Section 97 Questions for which advance ruling can be sought

- Classification of any goods or services or both;
- Applicability of a notification issued under the provisions of this Act;
- Determination of time and value of supply of goods or services or both;
- Admissibility of input tax credit of tax paid or deemed to have been paid;
- Determination of the liability to pay tax on any goods or services or both;
- Whether applicant is required to be registered;
- Whether any particular thing done by the applicant with respect to any goods or services or both amounts to or results in a supply of goods or services or both, within the meaning of that term.

Section 96 Authority for Advance Ruling (AAR)

The Authority for advance ruling constituted under the provisions of a State Goods and Services Tax Act or Union Territory Goods and Services Tax Act shall be deemed to be the Authority for advance ruling in respect of that State or Union territory.

The Government shall appoint an officer not below the rank of Joint Commissioner as member of the Authority for Advance Ruling. The authority shall consist of 1) one member from amongst the officers of CGST; and 2) one member from amongst the officers of SGST/UTGST.

Section 99 Appellate Authority for Advance Ruling (AAAR)

The Appellate Authority for Advance Ruling constituted under the provisions of a State Goods and Services Tax Act or a Union Territory Goods and Services Tax Act shall be deemed to be the Appellate Authority in respect of that State or Union territory.

The Appellate Authority shall consist of 1) Chief Commissioner of CGST as designated by the Board; and 2) the Commissioner of SGST/UTGST having jurisdiction over the applicant.

This would mean that the ruling given by the AAR & AAAR will be applicable only within the jurisdiction of the concerned state or union territory. It is also for this reason that questions on determination of place of supply cannot be raised with the AAR or AAAR.

Section 98 Procedure for obtaining advance ruling

- i. The applicant desirous of obtaining advance ruling should make application to AAR in a prescribed form and manner.
- ii. Upon receipt of an application, the Authority shall send a copy of application to the concerned officer in whose jurisdiction the applicant falls and call for relevant records.
- iii. The Authority may, after examining the application and the records called for and after hearing the applicant or his authorized representative and the concerned officer or his authorized representative, by order, either admit or reject the application.
- iv. Application for advance ruling will not be admitted in cases where the question raised in the application is already pending or decided in any proceedings in the case of an application under any of the provisions of this Act.
- v. If the application is rejected, it should be by way of speaking order giving the reasons for rejection.
- vi. If the application is admitted, the AAR shall pronounce its ruling within 90 days of receipt of application. Before giving its ruling, it shall examine the application and any further material furnished by the applicant or by the concerned department officer.
- vii. Before giving the ruling, AAR must hear the applicant or his authorized representative as well as the jurisdictional officers of CGST /SGST.
- viii. If there is a difference of opinion between the two members of AAR, they shall refer the point or points on which they differ to the AAAR for hearing the issue. If the members of AAAR are also unable to come to a common conclusion in regard to the point(s) referred to them by AAR, then it shall be deemed that no advance ruling can be given in respect of the question on which difference persists at the level of AAAR.
- ix. A copy of the advance ruling pronounced by the Authority duly signed by the members and certified in such manner as may be prescribed shall be sent to the applicant, the concerned officer and the jurisdictional officer.

Section 100 & 101 Appeals against order of AAR to the Appellate Authority

- i. If the applicant is aggrieved with the ruling of the AAR, he can file an appeal with AAAR. Similarly, if the jurisdictional officer of CGST / SGST does not agree with the finding of AAR, he can also file an appeal with AAAR.
- ii. Any appeal must be filed within 30 days from the receipt of the advance ruling. AAAR has the power to condone the delay of 30 days on being shown the sufficient cause for the delay.
- iii. The Appellate Authority must pass an order after hearing the parties to the appeal within a period of 90 days of the filing of an appeal.
- iv. If members of AAAR differ on any point referred to in appeal, it shall be deemed that no advance ruling is issued in respect of the question under appeal.
- v. A copy of the advance ruling pronounced by the Appellate Authority duly signed by the members and certified in such manner as may be prescribed shall be sent to the applicant, the concerned officer, the jurisdictional officer & to the Authority.

Study Notes

Section 102 Rectification of mistakes

The law gives power to AAR and AAAR to amend their order to amend any order passed by them under section 98 or section 101 of the CGST / SGST Act, 2017, so as to rectify any error apparent on the face of the record, if such error is noticed by the Authority or the Appellate Authority on its own accord or is brought to its notice by the concerned officer, the jurisdictional officer, the applicant or the appellant **within a period of six months** from the date of the order. If a rectification has the effect of enhancing the tax liability or reducing the quantum of input tax credit, the applicant must be heard before the order is passed.

Section 103 Applicability of Advance Ruling

An advance ruling pronounced by AAR or AAAR shall be binding only on the applicant and on the concerned officer or the jurisdictional officer in respect of the applicant. This clearly means that an advance ruling is not applicable to similarly placed other taxable persons in that State. It is only limited to the person who has applied for an advance ruling. There is no specific fixed time period for advance ruling validity; it has been provided that advance ruling shall be binding till the period when the law, facts or circumstances supporting the original advance ruling have not changed.

Section 104 Advance Ruling to be void in certain circumstances

However, an advance ruling shall be held to be **ab initio void** if the AAR or AAAR finds that the advance ruling was obtained by the applicant by **fraud or suppression of material facts or misrepresentation of facts**. An order declaring advance ruling to be void can be passed only after hearing the applicant.

Example 1: ABC Ltd. sought an advance ruling regarding the taxability of "Kumkum" manufactured by them & used for pooja & other religious purposes as claimed by them. The authority ruled in favour of ABC Ltd. and exempted their product "Kumkum" from the levy of GST as a pooja material. Later, it brought into the notice of the Authority that the said product is actually used as a colorant in the cloth industry as a dying agent. After giving opportunity, the authority can now pass an order U/s 104, declaring the advance ruling as void ab initio.

Section 105 & 106 Powers & Procedure of AAR and AAAR

- i. Both the Authority and the Appellate Authority are vested with the powers of a civil court under the Code of Civil Procedure, 1908, for discovery and inspection, enforcing the attendance of a person and examining him on oath, and compelling production of books of account and other records.
- ii. Both the Authority and the Appellate Authority shall be deemed to be a civil court for the purposes of section 195 of the Code of Criminal Procedure, 1973.
- iii. Any proceeding before the Authority or the Appellate Authority shall be deemed to be a judicial proceeding within the meaning of sections 193 and 228, and for the purpose of section 196 of the Indian Penal Code, 1860. The both authorities have the power to regulate their own procedure.

A new rule 107A has been inserted vide N/N 55/2017-CT, Dated 15.11.2017, which states that in respect of any process or procedure prescribed in Chapter XII, any reference to electronic filing of an application, intimation, reply, declaration, statement or electronic issuance of a notice, order or certificate on the common portal shall, in respect of that process or procedure, **include the manual filing** of the said application, intimation, reply, declaration, statement or issuance of the said notice, order or certificate in such Forms as appended to the CGST Rules.

Question & Answer

Q1. What is the objective of having a mechanism of Advance Ruling?

A. The broad objective for setting up such an authority is to:

- provide certainty in tax liability in advance in relation to an activity proposed to be undertaken by the applicant;
- attract Foreign Direct Investment (FDI);
- reduce litigation;
- pronounce ruling expeditiously in transparent and inexpensive manner.

Q2. Whether Appeal can be filed before High Court or Supreme Court against the ruling of Appellate Authority for Advance Rulings?

A. The CGST /SGST Act do not provide for any appeal against the ruling of Appellate Authority for Advance Rulings. Thus, no further appeals lie and the ruling shall be binding on the applicant as well as the jurisdictional officer in respect of applicant. However, writ petition may lie before Hon'ble High Court or the Supreme Court.

Q3. Can advance ruling be applied for after supply of goods and/or services?

A. Yes, as per section 95 (a) of the Act, application can be made for advance ruling in relation to the supply of goods and/or services, being undertaken by applicant.

Q4. When AAR shall not admit the application for advance ruling?

A. AAR shall not admit the application where the issue raised is already pending or decided in any proceedings in the case of an applicant under any of the provisions of this Act.

Q5. Are the tax authorities bound by the advance ruling?

A. Only the jurisdictional officer/concerned officer, in respect of applicant who has sought advance ruling is bound by such rulings pronounced.

Q6. What are the powers vested with the authority and the appellate authority?

A. The authority or the appellate authority shall have all the powers of a civil court to exercise the following powers:

- (i) discovery and inspection;
- (ii) enforcing attendance of any person and examining him on oath;
- (iii) issuing commissions and compelling production of books of account and other records.

Q7. Can the Ruling issued by the AAR or order passed by the AAAR be rectified?

A. In case there is any error apparent on the face of the records, the AAR or AAAR as the case may be, can amend the original order passed by it, if such error is noticed by the AAAR or AAAR on its own record or is brought to its notice by the concerned officer, the jurisdictional officer, the applicant or the appellant, within a period of 6 months from the date of said order. However, no rectification which has the effect of enhancing the tax liability or reducing the amount of admissible input tax credit shall be made unless the applicant or the appellant has been given an opportunity of being heard.

Example: In case AAR or AAAR has decided the advance ruling and issued the order on 31st July 2018 and later on 28th September 2018, it has been noticed by the authority itself (or any concerned officer or any jurisdictional officer or applicant) that there is some mistake apparent on record then the authority may rectify such order. The tax rate decided in earlier order was taken as 18% instead of 28%, then before rectifying such order the Authority shall provide the opportunity of hearing to the applicant.

GST Bare Act Pages 120 V/s Direct Tax Bare Act Pages 1065

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Study Notes

Chapter 24: - Miscellaneous Provisions

Section of CGST	Particulars
Section 144 Presumption as to documents in certain cases	Where any document— - is produced by any person under this Act or any other law for the time being in force; or - has been seized from the custody or control of any person under this Act or any other law for the time being in force; or - has been received from any place outside India in the course of any proceedings under this Act or any other law for the time being in force, and such document is tendered by the prosecution in evidence against him or any other person who is tried jointly with him, the court shall— (a) unless the contrary is proved by such person, presume— - the truth of the contents of such document; - that the signature and every other part of such document which purports to be in the handwriting of any particular person or which the court may reasonably assume to have been signed by, or to be in the handwriting of, any particular person, is in that person's handwriting, and in the case of a document executed or attested, that it was executed or attested by the person by whom it purports to have been so executed or attested; (b) admit the document in evidence notwithstanding that it is not duly stamped, if such document is otherwise admissible in evidence.
Section 145 Admissibility of Micro Films, Facsimile copies of Documents and Computer Printouts as documents and as evidence	The Micro films, facsimile copies and computer printouts shall be deemed to be document and is admissible as evidence. In any proceedings, where it is desired to give a statement in evidence, a certificate identifying the document containing the statement and describing the manner in which it was produced and giving such particulars of any device involved in the production of that document as may be appropriate for the purpose of showing that the document was produced by a computer, shall be evidence of any matter stated in the certificate and for the purposes of this sub-section it shall be sufficient for a matter to be stated to the best of the knowledge and belief of the person stating it.
Section 146 Common Portal	The common portal (www.gst.gov.in) would facilitate registration, tax payment, filing of returns, computation and settlement of integrated tax and other prescribed purposes. www.ewaybillgst.gov.in would facilitate furnishing electronic way bill (e-way bill).
Section 147 Deemed exports	The Government may, on the recommendations of the Council, notify certain supplies of goods as deemed exports, where goods supplied do not leave India, and payment for such supplies is received either in Indian rupees or in convertible foreign exchange if such goods are manufactured in India. The Central Government vide Notification No. 48/2017 Dated 18th Oct'17 has notified the following supplies as deemed exports: - Supply of goods by a registered person against Advance Authorisation <i>Provided that goods so supplied, when exports have already been made after availing input tax credit on inputs used in manufacture of such exports, shall be used in manufacture and supply of taxable goods (other than nil rated or fully exempted goods) and a certificate to this effect from a chartered accountant is submitted to the jurisdictional commissioner of GST or any other officer authorised by him within 6 months of such supply,;</i> <i>Provided further that no such certificate shall be required if input tax credit has not been availed on inputs used in manufacture of export goods.</i>

Section of CGST	Particulars
	- Supply of capital goods by a registered person against Export Promotion Capital Goods Authorisation. - Supply of goods by a registered person to EOU. - Supply of gold by a bank or PSU specified in the Notification No. 50/2017-Customs, Dated the 30th June 2017 (as amended) against Advance Authorisation.
Section 148 Special procedure for certain processes	The Government may, on the recommendations of the Council, and subject to such conditions and safeguards as may be prescribed, notify certain classes of registered persons, and the special procedures to be followed by such persons including those with regard to registration, furnishing of return, payment of tax and administration of such persons.
Section 149 Goods & Service Tax Compliance Rating	- Every registered person may be assigned a goods and services tax compliance rating score by the Government based on his record of compliance with the provisions of this Act. - The goods and services tax compliance rating score may be determined on the basis of such parameters as may be prescribed. - 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.
Section 150 Information Return	<i>Covered in Chapter 13 Returns</i>
Section 151 Power to collect statistics	The Commissioner may, by way of a notification, direct collection of statistics for the purpose of better administration of the Act. After issuance of such notification, the Commissioner or any person authorized by Commissioner in this regard may call all concerned persons to furnish such information or return relating to any matter in respect of which statistics is being collected.
Section 152 Bar on disclosure of information	There is bar on publication and use of information of any individual return furnished U/s 150/151 relating to a particular person and no such information shall be used for the purpose of any proceedings under this Act. Similarly, there is bar on access to any information or any individual return referred to in Sec. 151. However, this bar is not applicable to the publication of any information relating to a class of taxable persons or class of transactions, if in the opinion of the Commissioner, it is desirable in the public interest to publish such information.
Section 153 Taking assistance from an expert	Any officer not below the rank of Assistant Commissioner may, having regard to the nature and complexity of the case and the interest of revenue, take assistance of any expert at any stage of scrutiny, inquiry, investigation or any other proceedings before him.
Section 154 Power to take samples	The Commissioner or an officer authorized by him may take samples of goods from the possession of any taxable person, where he considers it necessary, and provide a receipt for any samples so taken.
Section 155 Burden of proof	Where any person claims that he is eligible for input tax credit under this Act, the burden of proving such claim shall lie on such person.
Section 156 Persons deemed to be public servants	All persons discharging functions under this Act shall be deemed to be public servants within the meaning of section 21 of the Indian Penal Code.
Section 157 Protection of	Immunity from any legal or departmental proceedings is provided to the GST officers and officers of the Tribunal for the acts done in good faith under the provisions of this Act. Actions taken in exercise of official functions cannot result in liability devolving on the

Section of CGST	Particulars
action taken under this Act	officers. It is this protection that officers enjoy while exercising authority vested in the law without fear or favour.
Section 158 Disclosure of information by a public servant	(1) All particulars contained in any statement made, return furnished or accounts or documents produced in accordance with this Act, or in any record of evidence given in the course of any proceedings under this Act (other than proceedings before a criminal court) or in any record of any proceedings under this Act, save as provided in Section 158 (3), shall not be disclosed. (2) No court shall require any officer appointed or authorized under this Act to produce before it or to give evidence before it in respect of particulars referred to in Section 158 (1). (3) Nothing contained in this section shall apply to the disclosure of information – - For prosecution. - For carrying out the objects of the Act. - For service of notice or recovery of demand. - For furnishing to Court in a proceeding where Government is a party. - For audit of tax receipts or refunds. - For inquiry into the conduct of GST officer. - For enabling levy/realization of any tax or duty. - By lawful exercise of powers. - For inquiry into a charge of misconduct by any professional. - For data entry on automated system. - For any other law. - In public interest.
Section 159 Publication of information in respect of persons in certain cases	If the commissioner or any authorized officer, is of the opinion that it is necessary or expedient in the public interest to publish the name of any person and any other particulars relating to any proceedings or prosecution under this Act in respect of such person, it may cause to be published such name and particulars in such manner as it think fit. No publication shall be made in respect of penalty till disposal of appeal if the same has been filed or time limit for filing appeal has not expired. In this case of firm, company or other association of persons, the names of the partners of the firm, directors, managing agents, secretaries and treasurers or managers of the company, or the members of the association, as the case may be, may also be published if, in the opinion of the Commissioner, or any other officer authorized by him in this behalf, circumstances of the case justify it.
Section 160 Assessment proceedings, etc., not to be invalid on certain grounds	Assessment, re-assessment, etc. shall not to be invalid merely on grounds of procedural infractions. The service of any notice, order or communication shall not be called in question, if the notice, order or communication, as the case may be, has already been acted upon by the person to whom it is issued or where such service has not been called in question at or in the earlier proceedings commenced, continued or finalized pursuant to such notice, order or communication.
Section 161 Rectification of errors apparent on the face of record	Without prejudice to the provisions of section 160, and notwithstanding anything contained in any other provisions of this Act, any authority, who has passed or issued any decision or order or notice or certificate or any other document, may rectify any error which is apparent on the face of record in such decision or order or notice or certificate or any other document, either on its own motion or where such error is brought to its notice by any officer appointed under this Act or an officer appointed under the State Goods and Services Tax Act or an officer appointed under the Union Territory Goods and Services Tax Act or by the affected person within a period of three months from the date of issue of such decision or order or notice or certificate or any other document, as the case may be:

Section of CGST	Particulars
	Provided that no such rectification shall be done after a period of six months from the date of issue of such decision or order or notice or certificate or any other document: Provided further that the said period of six months shall not apply in such cases where the rectification is purely in the nature of correction of a clerical or arithmetical error, arising from any accidental slip or omission: Provided also that where such rectification adversely affects any person, the principles of natural justice shall be followed by the authority carrying out such rectification.
Section 162 Bar on jurisdiction of civil courts	Save as provided in sections 117 and 118, no civil court shall have jurisdiction to deal with or decide any question arising from or relating to anything done or purported to be done under this Act.
Section 163 Levy of fee	Wherever a copy of any order or document is to be provided to any person on an application made by him for that purpose, there shall be paid such fee as may be prescribed.
Section 164 Power of Government to make rules	(1) The Government may, on the recommendations of the Council, by notification, make rules for carrying out the provisions of this Act. (2) Without prejudice to the generality of the provisions of sub-section (1), the Government may make rules for all or any of the matters which by this Act are required to be, or may be, prescribed or in respect of which provisions are to be or may be made by rules. (3) The power to make rules conferred by this section shall include the power to give retrospective effect to the rules or any of them from a date not earlier than the date on which the provisions of this Act come into force. (4) Any rules made under sub-section (1) or sub-section (2) may provide that a contravention thereof shall be liable to a penalty not exceeding ten thousand rupees.
Section 165 Power to make regulations	The Board may, by notification, make regulations consistent with this Act and the rules made thereunder to carry out the provisions of this Act.
Section 166 Laying of rules, regulations & notifications	a. The Act permits making of rules by Government, issuance of regulation by Board and issuance of notification by the Government. b. Such rule, regulation and notification, which is a part of delegated legislation is placed before the Parliament. c. It is laid before the Parliament, as soon as may be after it is made or issued, when the Parliament is in session, for a total period of thirty days which may be comprised in one session or in two or more successive sessions. d. Before the expiry of the session or successive sessions both Houses may make suitable modifications and would have effect in such modified form. e. However, any such modification or annulment shall be without prejudice to the validity of anything previously done under that rule or regulation or notification, as the case may be.
Section 167 Delegation of powers	The Commissioner may, by notification, direct that subject to such conditions, if any, as may be specified in the notification, any power exercisable by any authority or officer under this Act may be exercisable also by another authority or officer as may be specified in such notification.
Section 168 Power to issue instructions or directions	There are three aspects to the provision, namely: • authority issuing the instruction; • persons whom it binds, and • its efficacy.

Section of CGST	Particulars
	It is the Competent Authority who is empowered to issue the orders, instruction or directions. The purpose is to bring in uniformity in the implementation of the Act; and it is binding on all GST officers. Thus, any circular which is general or administrative in nature is binding on the assessing officer and other officers at basic level. Once the circular is cited they cannot ignore it and decide the matter independently. The circular or instruction is not binding on the assessee. As regards contrary views regarding binding force of a circular which is against the legal provisions on the assessee or the Authorities is not expressly addressed in this Section. However, officers are not liable for passing orders contrary to law involving interpretation by higher judiciary if it can be shown that such orders are in conformity with orders, instruction or directions issued under this Section. Sub-section (2) of section 168 designates the Commissioner or Joint Secretary posted in the Board for exercising certain powers conferred under specific provisions. Such powers would be exercised with the approval of the Board.
Section 169 Service of notice in certain circumstances	(1) <u>Manner of Service:</u> Any decision, order, summons, notice or other communication under this Act or the rules made thereunder shall be served by any of the following methods, namely:- - by giving or tendering it directly or by a messenger including a courier to the addressee or the taxable person or to his manager or authorised representative or an advocate or a tax practitioner holding authority to appear in the proceedings on behalf of the taxable person or to a person regularly employed by him in connection with the business, or to any adult member of family residing with the taxable person; or - by registered post or speed post or courier with acknowledgement due, to the person for whom it is intended or his authorised representative, if any, at his last known place of business or residence; or - by sending a communication to his e-mail address provided at the time of registration or as amended from time to time; or - by making it available on the common portal; or - by publication in a newspaper circulating in the locality in which the taxable person or the person to whom it is issued is last known to have resided, carried on business or personally worked for gain; or - if none of the modes aforesaid is practicable, by affixing it in some conspicuous place at his last known place of business or residence and if such mode is not practicable for any reason, then by affixing a copy thereof on the notice board of the office of the concerned officer or authority who or which passed such decision or order or issued such summons or notice. (2) <u>Deemed Service:</u> Every decision, order, summons, notice or any communication shall be deemed to have been served on the date on which it is tendered or published or a copy thereof is affixed in the manner provide in section 169 (1). (3) <u>Deemed service in case of registered post or speed post:</u> When such decision, order summons, notice or any communication is sent by registered post or speed post, it shall be deemed to have been received by the addressee at the expiry of the period normally taken by such post in transit unless the contrary is proved.
Section 170 Rounding off of tax, etc.	The amount of tax, interest, penalty, fine or any other sum payable, and the amount of refund or any other sum due, under the provisions of this Act shall be rounded off to the nearest rupee and, for this purpose, where such amount contains a part of a rupee consisting of paise, then, if such part is 50 paise or more, it shall be increased to Rs. 1 and if such part is less than 50 paise it shall be ignored.

Section of CGST	Particulars
Section 171 Anti-profiteering measure	It mandatory that any reduction in rate of tax on any supply of goods or services or the benefit of input tax credit shall be passed to the recipient by way of commensurate reduction in prices. National Anti-Profiteering Authority is therefore being constituted by the Central Government to examine whether input tax credits availed by any registered person or the reduction in the tax rate have actually resulted in a commensurate reduction in the price of the goods and/or services supplied by him. The National Anti-Profiteering Authority shall be a five member committee consisting of a Chairman who holds or has held a post equivalent in rank to a Secretary to the Government of India; and four Technical Members who are or have been Commissioners of State tax or central tax for at least one year or have held an equivalent post under earlier laws. The Authority shall cease to exist after the expiry of two years from the date on which the Chairman enters upon his office unless the GST Council recommends otherwise. <u>Duties of Authority:</u> It shall be the duty of the authority- I. to determine whether the reduction in tax rate or the benefit of input tax credit has been passed on by the seller to the buyer (hereinafter collectively referred to as 'benefit') by reducing the prices II. to identify the taxpayer who has not passed on the benefit III. to order a. reduction in prices b. return to the recipient, an amount equivalent to the amount not passed on by way of commensurate reduction in prices along with interest at the rate of 18% from the date of collection of the higher amount till the date of the return of such amount or recovery of the amount not returned, as the case may be. If the eligible person does not claim return of the amount or is not identifiable, the amount must be deposited in the Consumer Welfare Fund; c. imposition of penalty d. cancellation of registration IV. to furnish a performance report to the GST Council by the 10th of the month succeeding each quarter <u>Process followed by the Authority</u> <u>Application to the Authority:</u> All applications from interested parties on issues of local nature shall first be examined by the State Level Screening Committee. On being satisfied that the supplier has not passed on the benefit, the Screening Committee will forward the application with its recommendations to the Standing Committee on Anti-profiteering. If the Standing Committee is satisfied that there is a prima facie evidence to show that the supplier has not passed on the benefit, it shall refer the matter to the Director General of Anti-profiteering for a detailed investigation.

Section of CGST	Particulars
	Investigation: Directorate General of Anti-profiteering shall conduct investigation and collect evidence necessary to determine undue profiteering and before initiation of the investigation, issue a notice to the interested parties (and to such other persons as deemed fit for a fair enquiry into the matter). The evidence or information presented to Directorate General of Anti-profiteering by one interested party can be made available to the other interested parties, participating in the proceedings. The evidence provided will be kept confidential and the provisions of section 11 of the Right to Information Act, 2005, shall apply mutatis mutandis to the disclosure of any information which is provided on a confidential basis. Directorate General of Anti-profiteering can seek opinion of any other agency or statutory authorities in the discharge of his duties. The Director General of Anti-profiteering, or an officer authorized by him will have the power to summon any person either to give evidence or to produce a document or any other thing. He will also have same powers as that of a civil court and every such inquiry will be deemed to be a judicial proceeding. Directorate General of Anti-profiteering will complete the investigation within a period of 3 months or within such extended period not exceeding a further period of 3 months for reasons to be recorded in writing as allowed by the Standing Committee. Upon completion of the investigation, Directorate General of Anti-profiteering will furnish to the Authority, a report of its findings along with the relevant records. <u>Order of the Authority</u> Where the Authority determines that a registered person has not passed on the benefit of the reduction in the rate of tax on the supply of goods or services or the benefit of input tax credit to the recipient by way of commensurate reduction in prices, the Authority may order- - reduction in prices; - return to the recipient, an amount equivalent to the amount not passed on by way of commensurate reduction in prices along with interest at the rate of eighteen per cent, from the date of collection of the higher amount till the date of the return of such amount or recovery of the amount including interest not returned, as the case may be; - the deposit of an amount equivalent to fifty per cent. of the amount determined under the above clause in the Fund constituted under section 57 and the remaining fifty per cent. of the amount in the Fund constituted under section 57 of the Goods and Services Tax Act, 2017 of the concerned State, where the eligible person does not claim return of the amount or is not identifiable; - imposition of penalty as specified under the Act; and - cancellation of registration under the Act. Explanation: For the purpose of this sub-rule, the expression, "concerned State" means the State in respect of which the Authority passes an order. {Rule 133 (3)- Substituted vide Notification No. 26/2018-CT Dated 13.06.2018}

Section of CGST	Particulars
	 The following are noteworthy in this regard: - Any order passed by the Authority shall be immediately complied with by the registered person failing which action shall be initiated to recover the amount. - The Authority will pass order within 3 months from the date of the receipt of the report from the Directorate General of Anti-profiteering. <u>A minimum of three members of the Authority shall constitute quorum at its meeting. If opinion differ then decision will be taken by majority. If equal votes, the Chairman shall have the second or casting vote.</u> - An opportunity of being heard will be given, if the interested parties request for it in writing. - Period of interest will be calculated from the date of collection of higher amount till the date of return of such amount. - If the eligible person (i.e., the buyer) does not claim the return or the person is unidentifiable then the amount must be deposited to the Consumer Welfare Fund along with applicable interest.
Section 172 Removal of difficulties	(1) If any difficulty arises in giving effect to any provisions of this Act, the Government may, on the recommendations of the Council, by a general or a special order published in the Official Gazette, make such provisions not inconsistent with the provisions of this Act or the rules or regulations made thereunder, as may be necessary or expedient for the purpose of removing the said difficulty: Provided that no such order shall be made after the expiry of a period of three years from the date of commencement of this Act. (2) Every order made under this section shall be laid, as soon as may be, after it is made, before each House of Parliament.
Section 173 Amendment of Act 32 of 1994	Save as otherwise provided in this Act, Chapter V of the Finance Act, 1994 shall be omitted.
Section 174 Repeal & Saving	(1) Save as otherwise provided in this Act, on and from the date of commencement of this Act, the Central Excise Act, 1944 (except as respects goods included in entry 84 of the Union List of the Seventh Schedule to the Constitution), the Medicinal and Toilet Preparations (Excise Duties) Act, 1955, the Additional Duties of Excise

Section of CGST	Particulars
	(Goods of Special Importance) Act, 1957, the Additional Duties of Excise (Textiles and Textile Articles) Act, 1978, and the Central Excise Tariff Act, 1985 (hereafter referred to as the repealed Acts) are hereby repealed. (2) The repeal of the said Acts and the amendment of the Finance Act, 1994 (hereafter referred to as "such amendment" or "amended Act", as the case may be) to the extent mentioned in the sub-section (1) or section 173 shall not— - revive anything not in force or existing at the time of such amendment or repeal; or - affect the previous operation of the amended Act or repealed Acts and orders or anything duly done or suffered thereunder; or - affect any right, privilege, obligation, or liability acquired, accrued or incurred under the amended Act or repealed Acts or orders under such repealed or amended Acts: Provided that any tax exemption granted as an incentive against investment through a notification shall not continue as privilege if the said notification is rescinded on or after the appointed day; or - affect any duty, tax, surcharge, fine, penalty, interest as are due or may become due or any forfeiture or punishment incurred or inflicted in respect of any offence or violation committed against the provisions of the amended Act or repealed Acts; or - affect any investigation, inquiry, verification (including scrutiny and audit), assessment proceedings, adjudication and any other legal proceedings or recovery of arrears or remedy in respect of any such duty, tax, surcharge, penalty, fine, interest, right, privilege, obligation, liability, forfeiture or punishment, as aforesaid, and any such investigation, inquiry, verification (including scrutiny and audit), assessment proceedings, adjudication and other legal proceedings or recovery of arrears or remedy may be instituted, continued or enforced, and any such tax, surcharge, penalty, fine, interest, forfeiture or punishment may be levied or imposed as if these Acts had not been so amended or repealed; - affect any proceedings including that relating to an appeal, review or reference, instituted before on, or after the appointed day under the said amended Act or repealed Acts and such proceedings shall be continued under the said amended Act or repealed Acts as if this Act had not come into force and the said Acts had not been amended or repealed. (3) The mention of the particular matters referred to in sub-sections (1) and (2) shall not be held to prejudice or affect the general application of section 6 of the General Clauses Act, 1897 with regard to the effect of repeal.

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Section 20 Application of provisions of CGST Act	Subject to the provisions of this Act and the rules made thereunder, the provisions of Central Goods and Services Tax Act relating to,— (i) scope of supply; (ii) composite supply and mixed supply; (iii) time and value of supply; (iv) input tax credit; (v) registration; (vi) tax invoice, credit and debit notes; (vii) accounts and records; (viii) returns, other than late fee; (ix) payment of tax; (x) tax deduction at source; (xi) collection of tax at source; (xii) assessment; (xiii) refunds; (xiv) audit; (xv) inspection, search, seizure and arrest; (xvi) demands and recovery; (xvii) liability to pay in certain cases; (xviii) advance ruling; (xix) appeals and revision; (xx) presumption as to documents; (xxi) offences and penalties; (xxii) job work; (xxiii) electronic commerce; (xxiv) transitional provisions; and (xxv) miscellaneous provisions including the provisions relating to the imposition of interest and penalty, shall, mutatis mutandis, apply, so far as may be, in relation to integrated tax as they apply in relation to central tax as if they are enacted under this Act: Provided that in the case of tax deducted at source, the deductor shall deduct tax at the rate of two per cent from the payment made or credited to the supplier: Provided further that in the case of tax collected at source, the operator shall collect tax at such rate not exceeding two per cent, as may be notified on the recommendations of the Council, of the net value of taxable supplies: Provided also that for the purposes of this Act, the value of a supply shall include any taxes, duties, cesses, fees and charges levied under any law for the time being in force other than this Act, and the Goods and Services Tax (Compensation to States) Act, if charged separately by the supplier: Provided also that in cases where the penalty is leviable under the Central Goods and Services Tax Act and the State Goods and Services Tax Act or the Union Territory Goods and Services Tax Act, the penalty leviable under this Act shall be the sum total of the said penalties. Provided also that where the appeal is to be filed before the Appellate Authority or the Appellate Tribunal, the maximum amount payable shall be fifty crore rupees and one hundred crore rupees respectively.

Section of IGST	Particulars
Section 17 Apportionment of tax and settlement of funds	<u>Supplies in respect of which the IGST shall be apportioned</u> Sub-section (1) of section 17 lays down that in respect of the IGST paid on the following supplies of goods and/or services, the IGST shall be apportioned: - inter-State supply to an unregistered person or to a registered person paying tax under composition scheme; - inter-State supply where the registered person is not eligible for input tax credit; - inter-State supply made in a financial year to a registered person, where he does not avail of the input tax credit within the specified period and thus the tax remains in the integrated tax account after expiry of the due date for furnishing of annual return for such year in which the supply was made; - import by an unregistered person or by a registered person paying tax under composition scheme; - import where the registered person is not eligible for input tax credit; - import made in a financial year by a registered person, where he does not avail of the said credit within the specified period and thus the tax remains in the integrated tax account after expiry of the due date for furnishing of annual return for such year in which the supply was received. Thus, fundamentally IGST shall be apportioned only in respect of those supplies where the input tax credit cannot be availed and thus, the tax revenue finally accrues to the exchequer. <u>Methodology of apportionment</u> The IGST paid on the supplies mentioned above shall be apportioned as under: - The amount of tax calculated at the rate equivalent to the CGST on similar intra-State supply shall be apportioned to the Central Government. - The balance amount of IGST remaining in the integrated tax account shall be apportioned to the State where such supply takes place and to the Central Government if such supply takes place in a Union territory. If the place of such supply made by any taxable person cannot be determined separately, the balance amount shall be apportioned to each of the States/Central Government (in relation to Union territories) in proportion to the total supplies made by such taxable person to each of such States/Union territories in a financial year. If the taxable person making such supplies is not identifiable, the said balance amount shall be apportioned to all States and the Central Government in proportion to the amount collected as SGST/UTGST by the respective State/ the Central Government during the immediately preceding financial year. The amount not apportioned under sub-section (1) and sub-section (2) may, for the time being, on the recommendations of the Council, be apportioned at the rate of fifty per cent. to the Central Government and fifty per cent. to the State Governments or the Union territories, as the case may be, on ad hoc basis and shall be adjusted against the amount apportioned under the said sub-sections. Thus, essentially, the new sub-section (2A) provides for apportionment of IGST in respect of B2B supplies wherein input tax credit has been taken by the recipients.

Section of IGST	Particulars
	The interest, penalty and compounding amount realized in connection with the IGST shall also be apportioned in the similar manner. The Central Government shall transfer the amount apportioned to it to the CGST account or UTGST account, as the case may be and the amount apportioned to the State Government(s) to the SGST account of the respective States.
Section 18 Transfer of ITC	Section 18 of the IGST Act provides as under: - When IGST credit is utilized for payment of CGST, the amount collected as IGST shall stand reduced by the amount equal to such credit. The Central Government shall transfer an amount equal to the amount so reduced from the IGST account to the CGST account. - When IGST credit is utilized for payment of UTGST, the amount collected as IGST shall stand reduced by the amount equal to such credit. The Central Government shall transfer an amount equal to the amount so reduced from the IGST account to the UTGST account. - When IGST credit is utilized for payment of SGST, the amount collected as IGST shall stand reduced by the amount equal to such credit and shall be apportioned to the appropriate State Government. The Central Government shall transfer the amount so apportioned to the account of the appropriate State Government. - Appropriate State means the State or Union territory where a taxable person is registered or is liable to be registered under CGST Act.

Question & Answer

Q1. Is there any condition that consideration must be received in foreign currency for deemed export goods?

A. There is no condition that consideration for goods notified as deemed exports must be received in convertible foreign exchange. The consideration may be received in Indian Rupees also.

Q2. Whether imported goods, supplied 'as such' qualify for deemed exports?

A. Only goods manufactured in India, which are notified by Central Government qualify to be treated as deemed exports. Thus goods notified u/s 147, if imported do not qualify as deemed exports, if they are supplied 'as such'.

Q3. Whether goods notified u/s 147, if manufactured in India from imported goods qualify for the benefit of deemed exports?

A. Provisions of Section 147 apply to 'goods manufactured in India'. There is no restriction that raw materials required for manufacture of notified goods must also be manufactured in India. Hence notified goods, if manufactured from imported goods would qualify as deemed exports.

Q4. Who can rectify a mistake apparent on record U/s 161?

A. Any authority, who has passed or issued any decision or order or notice or certificate or any other document, may rectify any error which is apparent on the face of record in such decision or order or notice or certificate or any other document.

GST Bare Act Pages 120 V/s Direct Tax Bare Act Pages 1065

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