



सत्यमेव जयते

Government of India  
Ministry of Finance  
Department of Revenue

# GST MSME Sector









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# PART-I

## GST - An Overview

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## Chapter 1

# Introduction

In accordance with the provision of Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 the Micro, Small and Medium Enterprises (MSME) are defined according to their annual revenue (i.e. sales) of business. As approved by the Union Cabinet, Micro Enterprise is an enterprise whose annual turnover does not exceed ₹ 5 Crore; Small Enterprise is an enterprise whose annual turnover exceeds ₹ 5 Crore but does not exceed ₹ 75 Crore; Medium Enterprise is an enterprise whose annual turnover exceeds ₹ 75 Crore, but does not exceed ₹ 250 Crore.

The MSME sector contributes significantly to the national economy and **is the largest employment provider besides being a breeding ground for entrepreneurship and skill development**. The number of MSME is more than 30 million employing around 100 million people.

In spite of having the potential and inherent capabilities to grow, MSMEs in India have been facing a number of problems like sub-optimal scale of operations, technological obsolescence, supply chain inefficiencies, increasing domestic and global competition, fund shortages, change in manufacturing strategies and turbulent and uncertain market scenario.

To survive in such a scenario and compete with large and global enterprises MSMEs need to be supported and assisted to ensure sustained growth and development of these enterprises in the existing competitive arena. In terms of GST, the compliance in terms of time, cost as well as energy is much higher for MSMEs vis-à-vis the bigger companies. This impacts them much more as compared to the bigger companies. Therefore, some relaxation benefits are necessary in order to help them cope with sudden increase / change in compliance challenges.

Accordingly, with GST in place, the Small and Medium Enterprises have been accorded with a lot of benefits in terms of compliance reliefs given in the form of threshold exemptions, Composition levy schemes, the Quarterly filing of the GST returns to mention a few. While doing so, it has also been kept in mind that they do not become uncompetitive and are also given all the benefits of GST like uninterrupted ITC in the supply chain etc.

## Chapter 2

# GST Registration

**G**ST being a tax on supply, every supplier in the State or Union Territory from where he makes a taxable supply of goods or services or both, if his aggregate turnover in a financial exceeds prescribed amount of threshold exemption limit. The threshold limit of aggregate turnover for exemption from registration and payment of GST for suppliers of services is ₹ 20 Lakh (₹ 10 Lakh for States of Manipur, Mizoram, Nagaland and Tripura). The threshold limit of aggregate turnover for exemption from registration and payment of GST for suppliers of goods is ₹ 40 Lakh (₹ 20 Lakh in the States of Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Puducherry, Sikkim, Telangana, Tripura and Uttarakhand) w.e.f. 01.04.2019.

**Top 10 States with number of MSMEs**

State	No. of Composition Dealers
Uttar Pradesh	3,54,629
Rajasthan	1,59,368
Maharashtra	1,55,548
Andhra Pradesh	1,12,839
Karnataka	1,12,161
Gujarat	1,11,198
Bihar	94,128
Tamil Nadu	92,014
West Bengal	79,165
Madhya Pradesh	63,508

- As on 15.06.2019

**Voluntary Registration:** Persons having aggregate turnover below specified threshold limit may voluntarily get themselves registered.

**Aggregate Turnover:** The term aggregate turnover means the aggregate value of all taxable supplies, exempt supplies, exports of goods or services or both and inter-State supplies, of persons having the same Permanent Account Number, to be computed on all India basis excluding taxes levied under GST Acts. Aggregate turnover includes supplies made by the person on behalf of his principals, but excludes the value of job-worked goods if he is a job worker.

**Persons not liable for registration:** Certain categories of persons are not liable for registration i.e. (i) any person engaged in the business of supplying only non-taxable goods or services under GST Acts, (ii) agriculturist, to the extent of supply of produce out of cultivation of land, and (iii) persons only engaged in making taxable supplies of goods or services or both, the total tax on which is liable to be paid on reverse charge basis by the recipient of such goods.

**Compulsory registration:** GST Acts also provides for compulsory registration of certain suppliers even if their aggregate turnover is below the threshold limit. Some of these suppliers are; (i) Persons making inter-State taxable supply of goods; (ii) Casual taxable persons making taxable supply; (iii) Persons who are required to pay tax under reverse charge; (iv) Persons making taxable supply on behalf of another taxable person whether as an agent or otherwise; etc. MSMEs need to be mindful of these provisions.

**Special registration provisions for MSME Sector:** As a trade facilitation measure based on turnover, following small and medium enterprises are not required to obtain GST registration:

(i) Persons involved in Intra–State taxable supply of goods, if his aggregate turnover in a financial year does not exceed prescribed amount of threshold exemption limit i.e. ₹ 40 Lakh (₹20 Lakh in case of certain States, as listed above).

(ii) Persons involved in Intra–State taxable supply of SERVICES, if his aggregate turnover in a financial year does not exceed prescribed amount of threshold exemption limit i.e. ₹ 20 Lakh (₹ 10 Lakh in case of certain States, as listed above).

(iii) Persons involved in Inter–State taxable supply of SERVICES only (not goods), if his aggregate turnover in a financial year does not exceed prescribed amount of threshold exemption limit i.e. ₹ 20 Lakh (₹ 10 Lakh in case of certain States, as listed above).

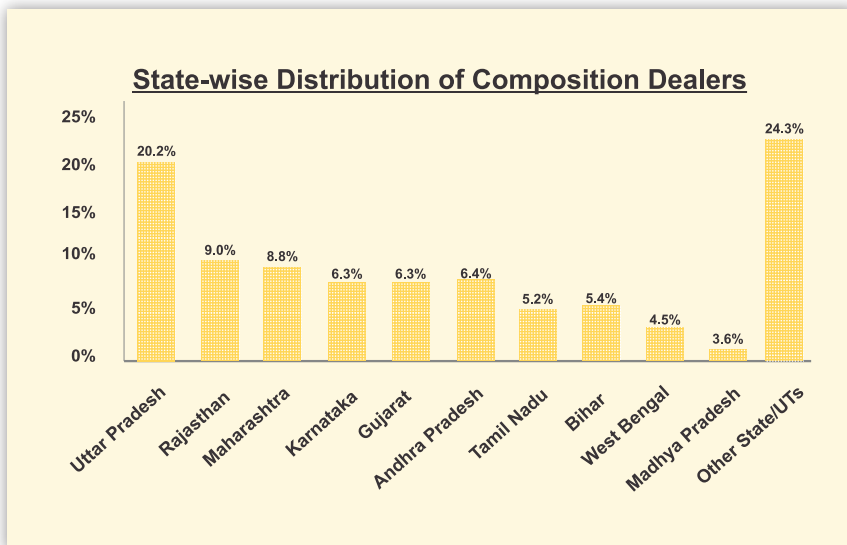
## Chapter 3

# Composition Levy Scheme

**C**omposition levy scheme in GST is an alternative method of levy of tax designed for small and medium taxpayers whose turnover is up to the prescribed limit. It is very simple, hassle free compliance scheme for small taxpayers. It is a voluntary and optional scheme. A person opting to pay tax under composition levy scheme can neither take credit of taxes paid on inputs nor it can collect any tax from the recipient. The salient features of composition levy scheme are:

- (i) A registered taxable person, whose aggregate turnover does not exceed ₹ 1.50 Crore, as a supplier of goods (₹ 75 Lakh for Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura and Uttarakhand) in the preceding financial year may opt for this scheme.
- (ii) However, a supplier of services only (or services and goods together) with annual turnover up to ₹ 50 Lakh may opt for composition scheme and the rate of GST applicable for such supplier would be 6%.
- (iii) Ice cream, pan masala and tobacco manufacturers cannot opt for the GST composition levy scheme.
- (iv) A taxpayer registered under composition levy scheme has to pay an amount equal to certain fixed percentage as tax to the government. The tax amount cannot be collected in the form of GST from the customers. The rate of tax under composition levy scheme is as given below:

- (a) 1% of the turnover in the State or UT, in case of eligible manufacturers.
- (b) 1% of the turnover of taxable supplies in the State or UT, in case of traders.
- (c) 5% of the turnover in the State of UT, in case of supplies referred to in para 6(b) of Schedule II (i.e. restaurant services and works contracts services).
- (d) 6% of the turnover of taxable supplies in the State or UT, in case of suppliers dealing in services only or goods and services together.
- (v) The tax has to be paid on quarterly basis. Such taxpayer does not have to maintain elaborate accounts and records and instead of two monthly statements and a return (which a normal taxpayer has to file under GST), the composition taxpayers need to pay the taxes quarterly based on a declaration. They need to file only one return now on annual basis.
- (vi) A taxable person opting for the scheme has to issue bill of supply as he is not eligible to issue taxable invoice under GST. He has to mention the words **“composition taxable person, not eligible to collect tax on supplies”** at the top of every bill of supply issued by him.



## Chapter 4

# Input Tax Credit

In GST regime, a registered person is entitled to take credit of input tax charged on any supply of goods or services or both to him which are used or intended to be used in the course or furtherance of his business. Recipient shall be entitled to avail of the credit of input tax on payment made by him of the amount towards the value of inward supply of goods or services with tax payable thereon. However, a composition taxpayer is not entitled to avail input tax credit.

There are some special provisions for availability of credit in special circumstances like new registration, shifting from composition levy to normal levy and vice versa, exempted supplies becoming taxable and vice versa, etc. This helps the MSMEs whenever they shift from composition or exempted category.

**Total Monthly ITC Claimed through GSTR-3B  
(in ₹ Crore)**

Month	Year		
	2017	2018	2019
January		248491	287636
February		236358	276890
March		239004	291748
April		277453	331077
May		245830	273733
June		263729	
July		266444	
August	141987	256838	
September	188945	264403	
October	212832	300815	
November	219378	284672	
December	231983	266228	

- As on 21.06.2019



## Chapter 5

# Tax Invoice in GST

**G**ST act provides for issuance of tax invoice within prescribed period (i.e. before removal of goods for supply in case of supply of goods and up to a maximum of 30 days from the date of provision of service, in case of supply of services) showing the prescribed particulars. There is no specific format prescribed as such. Tax invoice, delivery challan, bill of supply, credit note, debit note, revised tax invoice, receipt voucher, payment voucher, etc. documents are recognized in GST laws.

In case of supply of goods, the tax invoice has to be prepared in triplicate (original for buyer, duplicate for transporter and triplicate for supplier); whereas in case of service, the invoice has to be prepared in duplicate (original for buyer and duplicate for supplier).

**Special invoice provisions for MSME Sector:** The HSN code required to be mentioned in tax invoice has been done away for taxpayers up to annual turnover of up to ₹ 1.5 Crore. Further, taxpayers having annual turnover between ₹ 1.5 Crore to ₹ 5 Crore may mention first two digits of HSN code in their invoices and taxpayers having annual turnover above ₹ 5 Crore need to mention full 4 digit HSN code in their invoices.

## Chapter 6

# Exemption from Compulsory Audit by CA for MSME Sector

In GST regime, every registered person whose turnover during a financial year exceeds the prescribed limit is required to get his accounts audited by a chartered accountant or a cost accountant. As a trade facilitation measure, government has notified that registered persons having annual turnover up to ₹ 2 Crore are exempted from getting their accounts audited by a chartered accountant or a cost accountant.



## Chapter 7

# Returns in GST

**G**ST Act has provided the manner and time of furnishing of the details of outward supplies by a registered person, other than certain categories of registered person and manner and time of communication of these details to the corresponding recipients. The act also has provided for manner and time period for rectification of errors or omission and payment of tax and interest, if any.

**Existing system of return filing process:** All eligible registered persons need to furnish electronically, in Form GSTR-1, the details of outward supplies of goods or services or both effected during a tax period on or before the 10<sup>th</sup> day of succeeding month. Similarly, all eligible registered persons are required to furnish electronically, in Form GSTR-3B, a summary return of liabilities, input tax credit and payment of tax pertaining to the month on or before the 20<sup>th</sup> day of succeeding month.

### GST Returns Filing

Type of Return	Total
GSTR-1	9,72,17,256
GSTR-3B	17,99,18,813
GSTR-4	99,99,239

- As on 20.06.2019

**Special return filing provisions for MSME Sector:** As a trade facilitation measure, the government has notified that all eligible registered person having annual turnover up to ₹ 1.5 Crore may opt for filing of quarterly return, in Form GSTR-1 (i.e. the details of outward supplies of goods or services or both effected during the quarter), within eighteen days after the end of such quarter.

**Proposed system of simplified GST return filing process:** As per proposed system of simplified return, the major change is the option of filing quarterly return with monthly payment of tax in a simplified return format by the small taxpayers. The salient features of proposed GST return filing process are given below:

(1) **Monthly Return and due-date:** All taxpayers excluding a few exceptions like small taxpayers, composition dealer, Input Service Distributor (ISD), Non-resident registered person, persons liable to deduct tax at source under section 51 of CGST Act, 2017, persons liable to collect tax at source under section 52 of CGST Act, 2017, shall file one monthly return. Return filing dates shall be staggered based on the turnover of the taxpayer. The due date for filing of return by a large taxpayer shall be 20<sup>th</sup> of the next month. The return is to be filed in Form GST RET-1 (with ANX-1 and ANX-2).

(2) (i) **Nil return:** Taxpayers who have no purchases, no output tax liability and no input tax credit to avail in any quarter of the financial year shall file one Nil return for the entire quarter. Facility for filing quarterly return shall also be available by an SMS.

(ii) **Small taxpayers:** Taxpayers who have a turnover up to ₹ 5 Crore in the last financial year shall be considered small. These small taxpayers shall have facility to file quarterly return with monthly payment of taxes on self-declaration basis. However, the facility would be optional and small taxpayer can also file monthly return like a large taxpayer.

Quarterly return shall be similar to main return with monthly payment facility but for two kinds of registered persons—small traders making only B2C supply or making B2B + B2C supply. For such taxpayers, simplified returns have been designed called Sahaj and Sugam. In these returns, details of information required to be filled is lesser than that in the regular return.

(3) New return design provides facility for amendment of invoice and also other details filed in the return. Amendment shall be carried out by filing of a return called amendment return. Payment would be allowed to be made through the amendment return as it will help save interest liability for the taxpayers.

## Chapter 8

# Measures taken for the MSME Sector under GST

Various decisions have been taken by the GST Council in its various meetings for the benefit of the MSME sector. The details of such major decisions are as below:

- (1) Goods predominantly manufactured and/or used in the unorganised MSME sector have been kept at lower rates or are exempted. For instance, electrical switches and wires, pipeline, plastic products, etc. are largely produced by MSMEs and they earlier did not pay Central Excise duty and therefore tax rate on these have been brought down from 28% to 18%. Similarly, rates of GST on jute and coir like hand bags, ropes etc., which are mainly made in the cottage sector, have been reduced from 12 to 5%. Rate on Fishing hooks largely used by the fisherman – the industry being largely labour intensive with insignificant ITC have been reduced from 12 to 5%.
- (2) Upper limit of turnover for opting for composition scheme to be raised from ₹ 1 Crore to ₹ 1.5 Crore.
- (3) Composition dealers to be allowed to supply services. Service providers with annual turnover up to ₹ 50 Lakh may opt for composition scheme and the rate of GST applicable for such supplies would be 6%.
- (4) Levy of GST on reverse charge mechanism on receipt of supplies from unregistered suppliers, to be applicable to only specified goods in case of certain notified classes of registered persons, on the recommendations of the GST Council.
- (5) In case the recipient fails to pay the due amount to the supplier within 180 days from the date of issue of invoice, the input tax credit availed by the recipient will be reversed.

(6) Filing of Nil returns have been simplified with one step process.

(7) Service providers making inter-State supplies, including supplies made through e-commerce operators, whose aggregate annual turnover does not exceed ₹ 20 Lakh have been exempted from the requirement of registration under GST.

(8) Extending the Advance Authorization (AA) / Export Promotion Capital Goods (EPCG) / 100% Export Oriented Units (EOU) schemes to sourcing inputs etc. from abroad as well as domestically. Holders of AA / EPCG and EOUs are not required to pay IGST, Cess etc. on imports. Further, domestic supplies to holders of AA / EPCG and EOUs are treated as deemed exports under section 147 of CGST/SGST Act and refund of tax paid on such supplies is given to either the supplier or the recipient vide Notification No. 48/2017-Central Tax dated 18.10.2017.

(9) Supply of taxable goods by a registered supplier to a merchant exporter for exports shall attract a total GST rate of 0.1% thereby reducing working capital blockage for exporters. This provision has been made effective vide Notification No. 40/2017-Central Tax (Rate) dated 23.10.2017.

(10) Registered persons making supply of goods are required to make payment of tax at the time of the issuance of invoice and not at the time when advances are received. This has been implemented vide issuance of Notification No. 66/2017 – Central Tax dated 15<sup>th</sup> November, 2017.

Total Payment of Tax under GST	
Tax	July 2017 to May 2019
IGST (excluding IGST on Import of Goods into India)	₹ 5.57 Lakh Crore
CGST	₹ 3.60 Lakh Crore
SGST	₹ 5.03 Lakh Crore
Compensation Cess	₹ 1.58 Lakh Crore

- As on 31.05.2019

(11) The GST Council, in its 23<sup>rd</sup> meeting held on 10.11.2017, reduced the amount of late fee payable for delayed filing of return in Form GSTR-3B from ₹ 200 per day for delayed filing. vide Notification no. 64/2017 – Central Tax 15<sup>th</sup> November, 2017, a taxpayer whose tax liability for the month is 'Nil', is liable to pay late fee of ₹ 20/- per day (₹ 10/- per day each under CGST & SGST Acts) subject to maximum of ₹ 5000/- each under Act from October, 2017 onwards. In all other cases, the amount of late fee payable for delayed filing of return in Form GSTR-3B by other taxpayers has been reduced to ₹ 50/- per day (₹ 25/- per day each under CGST & SGST Acts) subject to maximum ₹ 5000/- each under Act from October, 2017.

(12) The uniform rate of tax @1% (0.5% under the CGST Act and 0.5% under the respective SGST Act) is payable under the composition scheme for manufacturers and traders with effect from 01<sup>st</sup>

January, 2018. This has been implemented vide issuance of Notification No.1/2018- Central Tax dated 1<sup>st</sup> January, 2018.

(13) A person eligible for composition scheme also supplying exempt services including services by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount, would not become ineligible for the composition scheme. Further, for computing the aggregate turnover for eligibility for the scheme, the turnover of exempted services, including services by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount, supplied by a taxpayer will not be included. This has been implemented vide issuance of Order No. 01/2017-Central Tax dated 13.10.2017.

(14) The GST Council, in its 25<sup>th</sup> meeting held on 18.01.2018, allowed taxable persons who have obtained voluntary registration to apply for cancellation of registration even before the expiry of one year from the effective date of registration.

## **Conclusion:**

The micro, small and medium enterprises (MSMEs) sector is of special significance for the Indian government, expecting it to offer higher employment opportunities by 2020. In line with the commitment to MSME sector, relaxations have been or are being implemented for them. As MSMEs become accustomed to a larger compliance climate, a better level of preparedness and discipline in conducting business will gradually be a part of operation. With the government's commitment to strengthen MSMEs on all fronts including GST, it is expected that the current challenges would be stabilized and the industry gradually take a positive turn to fulfill the nation's vision.

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# PART-II

## Major Decisions of the GST Council

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## Chapter 1

# Introduction

The Micro, Small and Medium Enterprises (MSME) sector has emerged as a highly vibrant and dynamic sector of the Indian economy over the last five decades. It contributes significantly in the economic and social development of the country by fostering entrepreneurship and generating largest employment opportunities at comparatively lower capital cost, next only to agriculture. MSMEs are complementary to large industries as ancillary units and this sector contributes significantly in the inclusive industrial development of the country. This sector has made significant contribution in employment generation and rural industrialization, with the blend of traditional skills and infusion of technical know-how. The MSMEs are widening their domain across sectors of the economy, producing diverse range of products and services to meet demands of domestic as well as global markets.

According to the data available with the MSME Ministry, there are over 63 million MSMEs in the country engaged in manufacturing, services and trade, more than half of which are in rural areas. These enterprises account for about 110 million jobs and contribute about 29% of the country's economic output, as per the National Sample Survey (NSS) 73<sup>rd</sup> round conducted during 2015-16. The MSMEs' role in employment creation and development of the economy makes it a priority for the government to make it easier for them to do business and comply with regulations.

In recognition of the same, relief to this sector in GST laws, procedures and rates has been a priority area. In this context, a number of decisions have been taken by the GST Council in various meetings held so far for the benefit of the MSME sector. The details of significant decisions are discussed below.

In the 29<sup>th</sup> meeting held on 4<sup>th</sup> August, 2018, the GST Council took a series of steps which have significantly eased compliance burden of the MSME sector. One of the important decisions made in this meeting is to constitute a Group of Ministers (GoM) for MSMEs which would identify the measures to be taken to provide a conducive environment for the growth of MSMEs after examining the recommendations of the Law Committee, the Fitment Committee and the IT Committee on the representations and suggestions relating to the MSME sector received from various stakeholders.

The GST Council in its 32<sup>nd</sup> meeting held on 10<sup>th</sup> January, 2019, inter-alia, had taken following decisions for the benefit of MSME sector that have been made effective from 01.04.2019:

GST Council at work	
No. of GST Council Meetings held	35
Manhours put in Meetings of the GST Council	25200
Manhours put in by Officers in GST Council Meetings and the Officers' Meetings	28000

*- Upto 35<sup>th</sup> Meeting of GST Council*

- Threshold limit of aggregate turnover for exemption from registration and payment of GST for suppliers of services has been fixed at ₹ 20 Lakh. The said limit shall be ₹ 10 Lakh in the States of Manipur, Mizoram, Nagaland and Tripura.
- Threshold limits of aggregate turnover for exemption from registration and payment of GST for the suppliers of goods has been fixed at ₹ 40 Lakh. The said limit shall be ₹ 20 Lakh in the States of Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Puducherry, Sikkim, Telangana, Tripura and Uttarakhand with effect from 01.04.2019.
- The suppliers of handicrafts with annual turnover of up to ₹ 10 Lakh for the Special Category States (other than the State of Jammu & Kashmir) and up to ₹ 20 Lakh for other States making inter-State supplies as also making supplies as a casual taxable person have been exempted from requirement of registration under GST.
- Service providers making inter-State supplies, including those supplying through e-commerce operators, whose aggregate annual turnover does not exceed ₹ 20 Lakh, have been exempted from the requirement of registration under GST.
- The taxable persons who have obtained voluntary registration can apply for cancellation of registration even before the expiry of one year from the effective date of registration.
- The GST Council, in its 28<sup>th</sup> meeting held on 21.07.2018, recommended certain amendments to be carried out in the CGST Act, 2017 & the IGST Act, 2017, which would help the MSME sector.

Significant recommendations made in this regard are as below:

- a. Threshold exemption limit for registration in the States of Assam, Arunachal Pradesh, Himachal Pradesh, Meghalaya, Sikkim and Uttarakhand has been increased to ₹ 20 Lakh from ₹ 10 Lakh;
- b. Allowing taxpayers to opt for multiple registrations for different places of business within the same State or Union Territory;
- c. Mandatory registration would be required only for those e-commerce operators who are required to collect tax at source under section 52 of the CGST Act, 2017;
- d. Temporary suspension of registration would be allowed while proceedings of cancellation of registration are underway.

The above amendments have been incorporated in the law and made effective from 01.02.2019.

## Tax Base

No. of New Registrations	1,22,47,629
No. of Migrated Taxpayers	58,48,375
No. of Composition Dealers	17,55,832
Percentage of Taxpayers having turnover less than ₹ 5 crore	93%

- As on 15.06.2019

## Chapter 2

# Composition Scheme

As per the recommendations of the GST Council in its 16<sup>th</sup> meeting held on 11.06.2017, the annual turnover threshold under composition scheme (attracting 2%, 5% and 1% GST for manufacturers, restaurants and trader dealers respectively) was increased from ₹ 50 Lakh to ₹ 75 Lakh for all taxpayers eligible for the scheme.

- The GST Council, in its 22<sup>nd</sup> meeting held on 06.10.2017, decided to increase the aggregate annual turnover limit for eligibility under the composition scheme from ₹ 75 Lakh to ₹ 1 Crore for 27 States (including the State of Jammu & Kashmir and Uttarakhand); and from ₹ 50 Lakh to ₹ 75 Lakh for Special Category States (as specified in sub-clause (g) of clause (4) of Article 279A of the Constitution) other than the State of Jammu & Kashmir and Uttarakhand. This has been implemented vide issuance of Notification No. 46/2017- Central Tax dated 13<sup>th</sup> October, 2017.
- A person eligible for composition scheme also supplying exempt services including services by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount, would not become ineligible for the composition scheme. Further, for computing the aggregate turnover for eligibility for the scheme, the turnover of exempted services, including services by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount, supplied by a taxpayer will not be included. This has been implemented vide issuance of Order No. 01/2017-Central Tax dated 13.10.2017.
- Further, as per the recommendations of the GST Council in its 23<sup>rd</sup> meeting held on 10.11.2017, a uniform rate of tax @1% (0.5% under the CGST Act and 0.5% under the respective SGST Act) is payable under the Composition Scheme by the manufacturers and traders (for traders, turnover

will be counted only for supply of taxable goods) with effect from 1<sup>st</sup> January, 2018 (with no change for rate under the Scheme for restaurants where the applicable rate is 5%). This has been implemented vide issuance of Notification No. 1/2018- Central Tax dated 1<sup>st</sup> January, 2018.

- In the 28<sup>th</sup> meeting held on 21<sup>st</sup> July, 2018, the GST Council has recommended enhancement in the upper limit of turnover for opting for Composition Scheme from ₹ 1 Crore to ₹ 1.5 Crore. Further, composition dealers would be allowed to supply services (other than restaurant services), upto a value not exceeding 10% of turnover in the preceding financial year or ₹ 5 Lakh, whichever is higher. This measure has been incorporated in the law by CGST (Amendment) Act, 2018 with effect from 01.02.2019.
- In the 32<sup>nd</sup> meeting held on 10.01.2019, the GST Council has increased the limit of Annual Turnover in the preceding Financial Year for availing Composition Scheme for supplier of Goods to ₹ 1.5 Crore. The said limit would be ₹ 75 Lakh in special category States of Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura and Uttarakhand. The compliance under Composition Scheme has been simplified as they have to file one Annual Return with quarterly payment of taxes (along with a simple declaration). This has been implemented w.e.f 01.04.2019 vide issuance of Notification No. 14/2019-Central Tax.
- A Composition Scheme has been made available for suppliers of Services (to those who are not eligible for the presently available Composition Scheme) with a tax rate of 6% (3% CGST + 3% SGST) having an Annual Turnover in the preceding Financial Year up to ₹ 50 Lakh. They would be liable to file one Annual Return with quarterly payment of taxes (along with a Simple declaration). This has been implemented w.e.f 01.04.2019 vide issuance of Notification No. 2/2019-Central Tax (Rate).
- Taxpayers under Composition scheme have been allowed to pay 'self-assessed tax' on a quarterly basis till 18<sup>th</sup> of the month succeeding such quarter and furnish a return till 30<sup>th</sup> April for the previous financial year. This has been implemented w.e.f 01.04.2019 vide issuance of Notification No. 20/2019-Central Tax.

## Chapter 3

# Filing of Returns

The GST Council has, in its 23<sup>rd</sup> meeting held on 10.11.2017, decided that taxpayers having annual turnover of upto ₹ 1.5 Crore in the previous year would have the option to file quarterly returns. This has been implemented vide issuance of Notification No. 57/2017 – Central Tax 15<sup>th</sup> November, 2017.

- In the 28<sup>th</sup> meeting held on 21.07.2018, the GST Council has recommended amendments to be carried out in the GST laws to introduce option for quarterly filing of returns for taxpayers having annual turnover up to ₹ 5 Crore in the previous financial year. Further, provisions in law would be made to introduce a new and simple return filing system. The proposed new return filing system would be introduced in a staggered manner from October, 2019.
- The GST Council in its 32<sup>nd</sup> meeting held on 10.01.2019, decided that the compliance under Composition Scheme shall be simplified as now they would need to file one Annual Return but Payment of Taxes would remain Quarterly (along with a simple declaration). The same has been implemented vide Notification No. 21/2019-Central Tax dated 23.04.2019.

### *RELAXATIONS IN LATE FEES FOR DELAYED FILING OF RETURNS*

- The GST Council, in its 23<sup>rd</sup> meeting held on 10.11.2017, reduced the amount of late fee payable for delayed filing of return in FORM GSTR-3B from ₹ 200 per day vide Notification no. 64/2017 – Central Tax 15<sup>th</sup> November, 2017. A taxpayer whose tax liability for the month is 'Nil', is liable to pay late fee of ₹ 20/- per day (₹ 10/- per day each under CGST & SGST Acts) subject to a maximum of ₹ 5000/- under each Act from October, 2017 onwards. In all other cases, the amount of late fee payable for delayed filing of return in FORM GSTR-3B by other taxpayers has been reduced to ₹ 50/- per day (₹ 25/- per day each under CGST & SGST Acts) subject to a maximum of ₹ 5000/- under each Act from October, 2017.

- The GST Council, in its 25<sup>th</sup> meeting held on 18.01.2018, reduced the amount of late fee payable by any registered person for failure to furnish FORM GSTR-1 (supply details) to ₹ 50/- per day (₹ 25/- per day each under CGST & SGST Acts) and ₹ 20/- per day (₹ 10/- per day each under CGST & SGST Acts) for Nil filers.
- The amount of late fee payable under section 47 of the said Act was waived off for the registered persons who failed to furnish the details of outward supplies in FORM GSTR-1 for the months/quarters from July, 2017 to September, 2018 by the due date but furnishes the said details in FORM GSTR-1 between the period from 22.12.2018 to 31.03.2019. This has been implemented vide Notification No. 75/2018 – Central Tax dated 31.12.2018.
- The amount of late fee payable under section 47 of the said Act was waived off for the registered persons who failed to furnish the details of outward supplies in FORM GSTR-3B for the months/quarters from July, 2017 to September, 2018 by the due date but furnishes the said details in FORM GSTR-3B between the period from 22.12.2018 to 31.03.2019. This has been implemented vide Notification No. 76/2018 – Central Tax dated 31.12.2018.



## Chapter 4

# Scope of Input Tax Credit

The scope of input tax credit has been widened, and it is now available in respect of the following:

- (i) Motor vehicles for transportation of persons having seating capacity of more than thirteen (including driver), vessels and aircraft only when they are used in furtherance of such motor vehicles, further transportation of passengers or when imparting training on driving such motor vehicles/navigating or flying such passengers;
- (ii) Credit is also available on services of general insurance, repair and maintenance in respect of motor vehicles, vessels and aircraft referred in (ii) if they are used for the purposes specified therein ; and also when received by taxable person engaged.
- (iii) Goods or services which are obligatory for an employer to provide to its employees, under any law for the time being in force.

These measures have been brought into force w.e.f 01.02.2019 with enactment of Central Goods and Services Tax (Amendment) Act, 2018. 2. A Removal of Difficulty Order was issued extending the due date for availing ITC on invoices or on debit note for the Financial Year 2017-18 in order to facilitate taxpayers.

## Chapter 5

# Exports

Extending the Advance Authorization (AA)/ Export Promotion Capital Goods (EPCG)/100% Export Oriented Units (EOU) schemes to sourcing inputs etc. from abroad as well as domestically. Holders of AA/EPCG and EOUs are not required to pay IGST, Cess etc. on imports. Further, domestic supplies to holders of AA/ EPCG and EOUs are treated as deemed exports under section 147 of CGST/ SGST Act and refund of tax paid on such supplies is given to either the supplier or the recipient.

Refund	Number of Claims	July 2017 to May 2019 (in ₹ Crore)
Total Refunds (CGST+SGST+UGST+Cess+IGST)	25,74,452	1,54,828

- As on 23.06.2019

- Supply of taxable goods by a registered supplier to a merchant exporter for exports shall attract a total GST rate of 0.1% thereby reducing working capital blockage for exporters.
- The GST Council has, in its 28<sup>th</sup> Meeting held on 21.07.2018, inter-alia recommended:
  - a. Supply of services to qualify as exports, even if payment is received in Indian Rupees, where permitted by the RBI;
  - b. Place of supply in case of job work of any treatment or process done on goods temporarily imported into India and then exported without putting them to any other use in India, to be outside India.

These amendments have been incorporated in the GST law and have been made effective from 01.02.2019.

- All the supporting documents/invoices in relation to a claim for refund in FORM GST RFD-01A are to be uploaded electronically on the common portal at the time of filing of the refund application itself, thereby obviating the need for a taxpayer to physically visit a tax office for submission of a refund application

## Chapter 6

# Payment of Tax

**R**egistered persons making supply of goods are required to make payment of tax at the time of the issuance of invoice and not at the time when advances are received. This has been implemented vide issuance of notification No. 66/2017 – Central Tax dated 15<sup>th</sup> November, 2017.

- Provisions of reverse charge mechanism under sub-section (4) of section 9 of the CGST Act, 2017 and sub-section (4) of section 5 of the IGST Act, 2017 and sub-section (4) of section 7 of the Union Territory Goods and Services Tax Act, 2017 (UTGST Act, 2017) have been amended for empowering the Government to notify a class of persons who would be liable to pay tax under reverse charge with respect to specified categories of goods or services or both. No Notification has been issued under the said provision so far.

## Chapter 7

# Miscellaneous Changes

GST Council meeting, in its 28<sup>th</sup> meeting held on 21<sup>st</sup> July, 2018, has recommended following other amendments to be carried out in the CGST Act, 2017 and the IGST Act, 2017, which are trade friendly measures slated to benefit the MSME sector:

- Registered persons would be allowed to issue consolidated credit/debit notes in respect of multiple invoices issued in a Financial Year.
- Commissioner to be empowered to extend the time limit for return of inputs and capital sent on job work, up to a period of one year and two years respectively.
- Amount of pre-deposit payable for filing of appeal under the CGST Act, 2017 before the Appellate Authority and the Appellate Tribunal to be capped at ₹ 25 Crore and ₹ 50 Crore respectively.

These measures have been implemented w.e.f. 01.02.2019.

## Chapter 8

# GST on Handicrafts

As per the recommendations of the GST Council in its 21<sup>st</sup> meeting held on 09.09.2017, the following changes were made with regard to handicrafts:

- Exemption from registration to the suppliers of handicrafts with annual turnover of up to ₹ 10 lakh for the Special Category States (other than the State of Jammu & Kashmir) and up to ₹ 20 lakh for other States making inter-State supply as also making supply as a casual taxable person.
  - GST rate was reduced from 28% to 12% on :
    - o Statues, statuettes, pedestals; high or low reliefs; crosses; figures of animals; bowls, vases, cups; cachou boxes; writing-sets; ashtrays; paper weights; artificial fruit and foliage, etc.; other ornamental goods essentially of stone
    - o Stones inlay work
    - o Worked ivory, bone, tortoise-shell, horn, antlers, coral, mother-of-pearl and other animal carving material, and articles of these materials (including articles obtained by moulding)
    - o Pots, jars and similar articles of a kind used for the conveyance and packing of goods of ceramic
    - o Tableware, kitchenware, other household articles and toilet articles other than of porcelain or china (including small accessories bathroom or sanitary fittings such as soap dishes, sponge baskets, toothbrush holders, towel hooks and toilet paper holders).
  - GST rate was reduced from 28% to 18% on Cane/Rattan furniture.
  - GST rate was reduced from 18% to 5% on Paper Mache articles.

- GST rate was reduced from 18% to 12% on:
  - o Glass statues;
  - o Table and Kitchenware etc. of wood
  - o Carved wood products like boxes, inlay work cases, casks, etc.
  - o Bells, gongs and the like, non-electric, of base metal; statuettes and other ornaments, of base metal; photograph, picture or similar frames, of base metal; mirrors of base metal; metal bidriware
- GST rate was reduced from 12% to 5% on Dhoopbatti, dhoop, sambhrani and other similar items, Grass, leaf and reed and fibre products, including mats, pouches, wallets.
- As per the recommendations of the GST Council in its 28<sup>th</sup> meeting held on 21.07.2018, following changes were made with regard to handicrafts:
  - GST rates have been reduced from 18% to 12% on the following handicraft items:
    - o Handbags including pouches and purses; jewellery box
    - o Wooden frames for painting, photographs, mirrors etc
    - o Artware of cork (including articles of sholapith)
    - o Stone artware, stone inlay work
    - o Ornamental framed mirrors
    - o Glass statues (other than those of crystal)
    - o Glass artware ( incl. pots, jars, votive, cask, cake cover, tulip bottle, vase )
    - o Artware of iron
    - o Artware of brass, copper/ copper alloys, electro plated with nickel/silver
    - o Aluminium artware
    - o Handcrafted lamps (including panchloga lamp)
    - o Worked vegetable or mineral carving, articles thereof, articles of wax, of stearin, of natural gums or natural resins or of modelling pastes etc, (including articles of lac, shellac)
    - o Ganjifa card
  - GST rates have been reduced from 12% to 5% on the following handicraft items:
    - o Handmade carpets and other handmade textile floor coverings (including namda/gabba)
    - o Handmade lace
    - o Hand-woven tapestries
    - o Hand-made braids and ornamental trimming in the piece
    - o Toran

## Chapter 9

# GST Rates on Textiles

The GST rate structure on all goods of the textile value chain was deliberated at length during the 15<sup>th</sup> meeting of the GST Council held on 03.06.2017. Based on the Pre-GST tax incidence, the Council recommended 18% GST on Man-made filaments and yarns. Further considering that there was no tax on Man-made fabrics in Pre-GST regime (though the embedded taxes on account of central excise duty and VAT was more than 11%), the Council recommended to fix GST rate of 5% on all fabrics including Man-made fabrics. Also, the Council recommended restricting the refund of accumulated ITC on manufacture of Man-Made fabrics to prevent huge amount of refunds being generated.

- Consequently, the following changes were made with regard to GST rates on textiles:
  - As per the recommendations of the GST Council in its 21<sup>st</sup> meeting held on 09.09.2017, Khadi fabrics sold through Khadi and Village industries commission certified outlets were exempted from GST to provide relief to MSME sector. Further, GST rate on saree fall was reduced from 12% to 5% as its used in MSME sector.
  - As per the recommendations of the GST Council in its 22<sup>nd</sup> meeting held on 06.10.2017, GST rate on all MMF filament yarns was reduced from 18% to 12% as its used by fabric manufacturers of MSME sector. Further, GST rate on real zari was reduced from 12% to 5% on the request of Surat Jari Manufacturers' Association
  - As per the recommendations of the GST Council in its 23<sup>rd</sup> meeting held on 10.11.2017, GST rate on the following textile products of the MSME sector were reduced from 12% to 5%:-
    - o Jute twine, coir cordage or ropes
    - o Knotted netting of twine, cordage or rope; made up fishing nets and other made up nets, of textile material
    - o Products of coir

- o Narrow woven fabrics, other than goods of heading 5807; narrow fabrics consisting of warp without weft assembled by means of an adhesive
- o Worn clothing and other worn articles; rags
- As per the recommendations of the GST Council in its 28<sup>th</sup> meeting held on 21.07.2018, GST rate on Chenille fabrics and other fabrics under heading 5801 has been reduced from 12% to 5%
- Present textile rate structure under GST is as under:
  - All yarns of cotton and other natural fibres at 5%
  - Manmade fibre - 18%
  - Manmade fibre yarns at 12%
  - Fabrics of Chapters 50 to 55 and 60 in general 5%, with no refund of accumulated ITC
  - All other fabrics (i.e. Wadding, felt and nonwovens; special yarns; twine, cordage, ropes and cables and articles thereof; Carpets and other textile floor coverings; Special woven fabrics; tufted textile fabrics; lace; tapestries; trimmings; embroidery; Impregnated, coated, covered or laminated textile fabrics; textile articles of a kind suitable for industrial use) at 12% GST rate.
  - Readymade garments and made up articles of textiles:
    - o of sale value not exceeding ₹ 1000 per piece – 5%
    - o of sale value exceeding ₹ 1000 per piece – 12%
- Refund of accumulated credit on account of inverted duty structure to fabric manufacturers:

Fabrics attract GST at the rate of 5% subject to the condition that refund of accumulated ITC on account of inversion will not be allowed. After taking into consideration the difficulty faced by the Fabric sector on account of this condition, the GST Council in its 28<sup>th</sup> meeting held on 21.07.2018, recommended for allowing refund to fabrics on account of inverted duty structure with prospective effect from 27.07.2018. In this regard, a clarificatory circular on removal of restrictions of refund of fabrics has been issued for trade & industry vide Circular no.56/30/2018-GST dated 24.08.2018.

## Chapter 10

# Goods - Reduction of Rates

### *Changes made in GST rates on MSME items*

S.No	Description	Changes in GST rate recommended/made	
		From	To
<b>21<sup>st</sup> meeting held on 9<sup>th</sup> September, 2017</b>			
1.	Rubber bands	28%	12%
2.	Plastic Raincoats	28%	18%
3.	Idols of wood, stone (including marble) and metals (other than those made of precious metals)	28%	12%
4.	Idols made of clay	28%	Nil
5.	Textile caps	18%	12%
6.	Table and Kitchenware etc. of wood	18%	12%
7.	Tableware, kitchenware, other household articles and toilet articles of porcelain or china (including small accessories bathroom or sanitary fittings such as soap dishes, sponge baskets, toothbrush holders, towel hooks and toilet paper holders)	18%	12%
8.	Cotton quilts	18%	5% on those not exceeding ₹ 1000 per piece and 12% on those exceeding ₹ 1000 per piece
9.	Saree fall	12%	5%
10.	Rough industrial diamonds including unsorted diamonds	3%	0.25%
<b>22<sup>nd</sup> meeting held on 6<sup>th</sup> October, 2017</b>			
1.	Khakra	12%	5%
2.	Fittings for loose-leaf binders or files, letter clips, letter corners, paper clips, indexing tags and similar office articles, of base metal; staples in strips (for example, for offices, upholstery, packaging), of base metal	28%	18%
3.	Poster Colour	28%	18%
4.	Modelling paste for children amusement	28%	18%

S.No	Description	Changes in GST rate recommended/made	
		From	To
<b>23<sup>rd</sup> meeting held on 10<sup>th</sup> November, 2017</b>			
1.	Fireworks, signalling flares, rain rockets, fog signals and other pyrotechnic articles	28%	18%
2.	Trunks, suit-cases, vanity-cases, executive-cases, brief-cases, school satchels, spectacle cases, binocular cases, camera cases, musical instrument cases, gun cases, holsters and similar containers; travelling-bags, insulated food or beverages bags, toilet bags, rucksacks, handbags, shopping bags, wallets, purses, map-cases, cigarette-cases, tobacco pouches, tool bags, sports bags, bottle-cases, jewellery boxes, powder-boxes, cutlery cases and similar containers, of leather, of sheeting of plastics, of textile materials, of vulcanised fibre or of paperboard, or wholly or mainly covered with such materials or with paper	28%	18%
3.	Filing cabinets, card-index cabinets, paper trays, paper rests, pen trays, office-stamp stands and similar office or desk equipment, of base metal	28%	18%
4.	Wet grinder consisting of a stone as a grinder	28%	12%
5.	All goods, including refined sugar containing added flavouring or colouring matter, sugar cubes other those which attract are at 5% or Nil GST	18%	12%
6.	Hand bags and shopping bags, of cotton	18%	12%
7.	Hand bags and shopping bags, of jute	18%	12%
8.	Pasta, whether or not cooked or stuffed (with meat or other substances) or otherwise prepared, such as spaghetti, macaroni, noodles, lasagne, gnocchi, ravioli, cannelloni; couscous, whether or not prepared	18%	12%
9.	Curry paste, Mayonnaise and salad dressings and Mixed, condiments & mixed seasoning	18%	12%
10.	Puffed Rice Chikki, Peanut Chikki, Sesame Chikki til chikki, til patti, til revdi, sugar makhana, gajak, groundnut sweets, Khaja, Khajuli, Anarsa, sakar, khadi sakar, harda, sakariya, gatta, kuliya, elaichidana, lukumdana	18%	5%
11.	Finished Leather / Composition leather	12%	5%
12.	Idli, dosa batter	12%	5%
13.	Fly ash bricks and fly ash aggregate with 90% or more fly ash content	12%	5%
14.	Bangles of lac / shellac	3%	Nil

S.No	Description	Changes in GST rate recommended/made	
		From	To
<b>25<sup>th</sup> meeting held on 18<sup>th</sup> January, 2018</b>			
1.	Bamboo wood building joinery	18%	12%
2.	Sugar boiled confectionary	18%	12%
3.	Tamarind kernel powder	18%	5%
4.	Mehendi paste in cones	18%	5%
5.	Articles of straw, of esparto or of other plaiting materials; basketware and wickerwork	12%	5%
<b>28<sup>th</sup> meeting held on 21<sup>st</sup> July, 2018</b>			
1.	o Stone/Marble/Wood Deities	18% 12% / 5%	Nil
	o Rakhi (other than that of precious or semi-precious material of chapter 71)		
	o Sanitary Napkins,		
	o Coir Pith Compost		
	o Sal Leaves Siali Leaves and their products and Sabai Rope		
	o Phool Bhari Jhadoo (Raw material for Jhadoo)		
o Khali Dona			
2.	o Handloom Dari	12%	5%
	o Knitted Cap/Topi having retail sale value not exceeding ₹ 1000		
3.	Brass Kerosene Pressure Stove	18%	12%
4.	Solid biofuel pellets	18%	5%
5.	5% GST is extended to Footwear having a retail sale price up to ₹ 1000 per pair and Footwear having a retail sale price exceeding ₹ 1000 per pair will continue to attract 18%	18%	5%
<b>31<sup>st</sup> Meeting held on 22<sup>nd</sup> December, 2018</b>			
1.	Re-treaded or used pneumatic tyres of rubber	28%	18%
2.	o Cork roughly squared or debugged	18%	12%
	o Articles of Natural Cork		
	o Agglomerated Cork		
3.	o Natural Cork	12%	5%
	o Walking stick		

## Chapter 11

# Services - Reduction of Rates

### *Measures taken in the interest of MSME service Sector*

**G**ST rates on most of the job work services particularly in textile, leather, food processing, printing, jewellery and diamonds, handicraft goods have been reduced from 18% to 5%.

- GST rate on government contracts for construction of roads, bridges, canals, dams, civil structures other than for commercial or industrial use such as offices, schools, hospitals has been reduced from 18% to 12%. This has also been extended to the sub-contractors undertaking such work contracts. Most of the Government contractors and sub-contractors are in the MSME sector.
- Effective GST rate on construction of houses for poor under Pradhan Mantri Awas Yojana (PMAY) has been reduced from 8% to 1% with effect from 01.04.2019.
- The GST rate on services provided by restaurants has been reduced from 18% to 5% (Except by restaurants in hotels having tariff of ₹ 7500 per unit per day or more)
- Hotel accommodation having tariff less than ₹ 1000 per day has been exempted and those having tariff upto ₹ 2500 per day attracts reduced rate of 12%. Both these types of accommodation are mainly provided by hotels in MSME sector.
- Two major services in which large number of MSMEs are engaged, namely, health care services provided by clinical establishments and educational services provided by educational institutions continue to be exempt.
- Service providers whose annual aggregate turnover is less than ₹ 20 Lakh (₹10 Lakh in special category States except J & K) have been exempted from obtaining registration even if they are making inter-state taxable supplies of services. This measure is expected to significantly reduce the compliance cost of small service providers.
- Services of Goods Transport Agency who are mainly in MSME sector have been kept under RCM, thereby shifting the compliance burden on recipient of services. GTAs have also been given option to pay GST @ 12% with full ITC under forward charge.
- Services supplied by an insurance agent, recovery agent or individual Direct Selling Agents have been kept under RCM, thereby shifting the compliance burden on the recipient of service.

- GST rate on supply, of goods, being food or any other article for human consumption or any drink, by the Indian Railways or Indian Railways Catering and Tourism Corporation Ltd. or their licensees, whether in trains or at platforms has been reduced to 5%.
- Services supplied by agent of Business correspondent (BC), Business facilitator (BF), supply of security personnel to a registered person by any person other than body corporate have been kept under RCM, thereby shifting the compliance burden on the recipient of service.
- GST rate on third party insurance premium of goods carrying vehicles has been reduced from 18% to 12%.
- GST rate on supply consisting only of e-book has been reduced to 5%.
- Further to boost the MSME sector, with effect from 01.04.2019, composition scheme for service providers has been introduced. The scheme can be availed by a registered person having annual turnover upto ₹ 50 Lakh in the preceding financial year. The service providers opting for new composition scheme can now pay GST @ 6% and would not be eligible to avail any input tax.

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# PART-III

## FAQs on MSME

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## Frequently Asked Questions on MSME

**Q:** What is GST?

**A:** GST stands for Goods and Services Tax, which is levied on supply of goods or services or both. “Supply” is a legal term which has very broad sweep and various types of economic activities are covered by it. Except otherwise specified, a supply must be made for consideration and must be in furtherance of business. For example, sale of goods by a wholesaler to a retailer for an agreed price is a type of supply.

**Q:** On what supply is GST levied?

**A:** GST is levied on all types of supplies which are – (i) made for a consideration and (ii) are for the purpose of furtherance of business. There are some exceptions when these conditions are not met, yet supply is considered to have been made, for example, inter-state stock transfer of goods even without consideration made in the furtherance of business.

**Q:** Will GST be levied on all goods or services or both?

**A:** No, levy of GST on alcohol for human consumption is constitutionally prohibited. GST on Crude, Motor Spirit (Petrol), High Speed Diesel, Aviation Turbine Fuel and Natural Gas will be levied with effect from a date to be decided by the GST Council. Electricity is exempted from levy of GST. Securities are neither goods nor services for the purposes of the Act and therefore supply of securities is not taxable. Several other goods and services are also exempt from the levy of GST.

**Q:** How many types of GST will be levied on different kinds of supply of goods or services?

**A:** GST is a dual levy to be simultaneously levied by both Centre and State. On every supply within a State/Union Territory (intra-State supply), GST levied will have two components - Central Tax and State/Union Territory Tax popularly called CGST and SGST/UTGST respectively. On every supply across States/Union Territories (inter-State), Integrated Tax popularly called IGST will be levied. The rate of CGST and SGST/UTGST are equal. IGST is levied at a rate generally equal to the sum of CGST and SGST/UTGST.

**Q:** Whether a registered person will have to approach two authorities - Centre as well as State for various permissions, audit etc. under the Act?

**A:** No, a registered person needs to approach only one tax authority for all practical purposes. Each registered person would have one tax administration office, either of the Centre or of the State. Legal provisions (called cross-empowerment) have been made to ensure that one tax authority can discharge all functions under CGST, SGST/IGST/UTGST Act in relation to a registered person. The registered person would be informed of the tax administration concerned with him. A common registration is granted for the purposes of CGST, SGST/UTGST and IGST.

**Q:** What is destination-based consumption tax?

**A:** When a supply originates in one State and is consumed in another State, tax can accrue to either of the two States. In a destination based consumption tax, taxes accrue to the State where the supply is consumed. In origin based tax, the tax accrues to the State where the supply originates. GST is basically a destination based consumption tax. For example, if a car is manufactured in Chennai but is purchased eventually by a consumer in Mumbai, SGST (or the State component in IGST) would accrue to Maharashtra and not to Tamil Nadu.

**Q:** Who will pay GST to the Government?

**A:** GST is generally paid to the Government by the supplier, i.e. the one who makes the supply after collecting it from the recipient. The supplier collects GST from the recipient of the supply as part of the consideration. However, in a few exceptional cases, the recipient, would be liable to pay GST to the Government on reverse charge basis.

**Q:** What is Input Tax Credit?

**A:** A person doing business will be purchasing goods/availing services for making further supplies in the course or furtherance of business. When such purchases are made by him, tax would have been charged by his supplier and collected from him. Since tax is collected from him, he can avail credit of the tax paid by him to his supplier (that is to say, he can use this amount for making payment of tax due from him on further supply made by him). This is known as input tax credit for the recipient.

**Q:** Is GST going to increase compliance burden on the trade?

**A:** No. On the contrary, GST will result in streamlining of processes and reduction of compliance burden. GST is a simple tax which uniformly applies across the country. GST has been designed to have minimal human interface and would be implemented through strong IT platform run by GSTN. Also, in the earlier regime there were multiple compliances required for taxes such as Central Excise, Service tax, VAT etc. with Centre and State. GST makes it single and uniform compliance for

indirect taxes across the country. Under GST, there is just one interface with no face-to-face meeting between taxpayers and tax authorities and practically every activity will be done online.

**Q: What is the threshold for registration in GST?**

**A:** A person having business which has aggregate turnover of more than ₹ 40 Lakh (for supply of goods) calculated for a given PAN across the country would need to register under GST. There are some exceptions to this rule as mentioned in section 24 of the GST Act. Aggregate turnover is defined in section 2(6) of the said Act. In case of supply of services, the aggregate turnover limit is ₹ 20 Lakh. The threshold turnovers are lower in case of certain special category States.

**Q: Is an agriculturist liable to registration?**

**A:** No. An agriculturist, to the extent of supply of produce out of cultivation of land is not liable to registration.

**Q: What is the most important precaution to be taken to avail the facility of threshold exemption?**

**A:** An MSME availing threshold exemption should not be making any inter-State supply of goods, though the MSME may receive supply from other States.

**Q: I am engaged exclusively in the business of supplying goods or services which are exempt from GST. Am I liable for registration?**

**A:** No.

**Q: How do I make supply, if I have not applied for registration?**

**A:** You should apply for registration at the earliest on the GST common portal and obtain application reference number (ARN). You need not disrupt your business and may continue to make supplies on invoices without GSTIN. The application for registration must be made within 30 days of the turnover crossing ₹ 20 Lakh or attracting any of the conditions mentioned in section 24. After registration, you can issue revised invoices for the supplies made between the effective date of registration and the date of generation of GSTIN, as permitted under section 31(3)(a) of the GST Act. These supplies should be shown in the first return filed after registration and taxes paid on them.

**Q:** How can an application for fresh registration be made under GST? Within what time will registration be granted?

**A:** Application for fresh registration is to be made electronically on the GST common portal ([www.gst.gov.in](http://www.gst.gov.in)) in FORM GST REG-01. If the details and documents are in order, registration will be granted within 3 working days, except in cases where an objection has been raised.

**Q:** I am a SME selling printed books after printing and have a turnover of ₹ 45 Lakh per annum. I print only Children's picture, drawing or colouring books which are exempt from GST. Do I need to register?

**A:** No. A person dealing with only exempted supplies is not liable to registration irrespective of his turnover. Section 23(1)(a) of the GST Act refers.

**Q:** If I register voluntarily though my turnover is less than prescribed threshold limit, am I required to pay tax on supplies made post registration?

**A:** Yes. If you obtain voluntary registration despite the turnover being below prescribed threshold, you would be treated as a normal taxable person and would need to pay tax on supplies even if they are below the threshold for registration. You will also be entitled to take input tax credit.

**Q:** How will taxpayer get the certificate of registration?

**A:** The taxpayer can himself download the certificate of registration online from the GST common portal ([www.gst.gov.in](http://www.gst.gov.in)).

**Q:** Can registration particulars once furnished be amended?

**A:** Yes, request for amendment has to be made online. All amendments in registration particulars, except some core fields which are not allowed, can be amended in the system without the intervention of any official by merely filing the details of the amendment in FORM GST REG-14. Also for some amendments, approval may be needed. Examples of fields which require approval are - legal name of business, address of the place of business and addition, deletion or retirement of partners or directors etc. responsible for day to day affairs of the business. Examples of fields which can be amended without any approval are - change of telephone number, email ID, bank account etc.

**Q: In which State will a person be registered?**

**A:** A person liable to be registered has to apply for registration in each State from where he makes or intends to make outward supplies under GST. Within each State, generally only one registration is required to be obtained, although the taxpayer is free to obtain more than one registration within a State also.

**Q: Are all manufacturers necessarily required to be registered under GST?**

**A:** . No, there is no provision requiring that a manufacturer irrespective of threshold or nature of supply register himself under GST. For example, a manufacturer dealing only in exempted goods or where his turnover is only intra-State and below ₹ 40 Lakh, is not required to be registered.

**Q: Who is liable to issue a 'tax invoice' and how many copies are required to be issued?**

**A:** Every registered person (other than a registered person availing the benefit of composition or a registered person supplying exempted goods or services) supplying goods or services or both is required to issue 'tax invoice'. Invoice should be issued in triplicate. The original copy is meant for buyer, duplicate for transporter and triplicate copy for record of the seller. A registered person under composition scheme or supplying exempted goods or services shall issue a bill of supply instead of a tax invoice.

**Q: What details are to be contained in a 'tax invoice'?**

**A:** The tax invoice shall contain details as specified in rule 46 in this regard. The key details specified in the rules are - name, address and GSTIN of the supplier and the recipient (if registered), a unique number of the invoice and the date of issue, description of goods, value of goods, rate of tax, amount of tax and signature.

**Q: Is it necessary to issue invoices even if the value of transaction is very low?**

**A:** A registered person may not issue a tax invoice if the value of the goods/services supplied is less than ₹ 200, subject to the condition that the recipient is not a registered person and the recipient does not ask for such invoice (if the recipient asks for the invoice then the same must be issued, irrespective of the value). In such cases, the registered person shall issue a consolidated invoice at the end of the day in respect of all such supplies.

**Q: When should a tax invoice be issued for goods?**

**A:** Tax invoice for goods shall be issued on or before the time of removal/delivery of goods. In case of continuous supply of goods, it shall be issued on or before the time of issue of statement of accounts /receipt of payment.

**Q:** In case of supply of exempt goods or when tax is paid under Composition Scheme, is the registered person required to issue a tax invoice? How a bill of supply is different from a tax invoice?

**A:** No. In such cases, the registered person shall issue a Bill of Supply and not a tax invoice. The bill of supply is different from a tax invoice both in name and details contained. While most of the details to be provided in a bill of supply are similar to tax invoice, the bill of supply does not contain the rate of tax and the amount of tax charged as the same cannot be collected.

**Q:** If goods are transported in semi-knocked down condition, when shall the complete invoice be issued?

**A:** When goods are transported in semi-knocked down condition, the complete invoice shall be issued before dispatch of the first consignment. Delivery challan shall be issued for subsequent consignments. Original copy of invoice shall be sent along with the last consignment.

**Q:** Is there any scheme for payment of taxes under GST for small traders and manufacturers?

**A:** Yes Composition levy is an alternative method of levy of tax designed for small taxpayers whose turn over is up to ₹ 150 Lakh (₹ 75 Lakh for special category States, excluding J&K and Uttarakhand) for supply of goods. It is a kind of turnover tax. The objective of the scheme is to provide a simplified tax payment regime for the small tax payers. The scheme is optional and is mainly for small traders, manufacturers and restaurants.

Composition scheme has also been made available for suppliers of services (to those who are not eligible for the presently available Composition Scheme) with a tax rate of 6% (3% CGST +3% SGST) having an annual turnover in the preceding FY up to ₹ 50 Lakh. They would be liable to file one Annual Return with quarterly payment of taxes. This has been made effective from 01.04.2019.

**Q:** What is the eligibility criteria for opting for composition levy? Which are the Special Category States in which the turnover limit for Composition Levy for CGST and SGST purpose shall be ₹ 50 Lakh?

**A:** Composition scheme is a scheme for payment of GST available to small taxpayers, dealing in supply of goods, whose aggregate turnover in the preceding financial year did not cross ₹ 150 Lakh. In the case of certain States, the limit of turnover is ₹ 75 Lakh in the preceding financial year, namely - Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura and Uttarakhand.

**Q:** What is the form in which an intimation to pay tax under the composition scheme needs to be made by the taxable person?

**A:** Composition scheme is optional and intimation that option has been availed should be made electronically in Form GST REG-01 by a new taxpayer. A person who has already obtained registration and opts for payment under composition levy subsequently needs to give intimation electronically in Form GST CMP-02.

**Q:** What is the rate of tax under Composition levy for a manufacturer?

**A:** Composition rate for manufacturers is 1% (0.50% CGST and 0.50% SGST) of turnover in the State or Union Territory.

**Q:** Are all manufacturers eligible for composition scheme?

**A:** A manufacturer is eligible to avail composition scheme except manufacturers -

- whose aggregate turnover in the preceding financial year crossed ₹ 150 Lakh;
- who make any inter-State outward supplies of goods or services;
- who make supply of goods through an electronic commerce operator;
- who manufacture the following goods:

Sl. no	Tariff Head	Description
1	2105 00 00	Ice cream and other edible ice, whether or not containing cocoa
2	2106 90 20	Pan masala
3	24	Tobacco and manufactured tobacco substitutes

**Q:** When will a registered person have to pay tax?

**A:** A registered person will have to pay GST on monthly basis on or before 20<sup>th</sup> of the succeeding month and if he has opted for composition levy he will have to pay GST on a quarterly basis on or before the 18<sup>th</sup> day of the month after the end of the quarter.

**Q:** A person availing composition scheme during a financial year crosses the turnover of ₹ 150 Lakh / ₹ 75 Lakh during the course of the year i.e. say, he crosses the turnover of ₹ 150 Lakh/ ₹ 75 Lakh in December? Will he be allowed to pay tax under composition scheme for the remainder of the year i.e. till 31<sup>st</sup> March?

**A:** No. The option to pay tax under composition scheme shall lapse from the day on which his aggregate turnover during the financial year exceeds ₹ 150 Lakh/ 75 Lakh. Once he crosses the threshold, he shall file an intimation for withdrawal from the scheme in FORM GST CMP-04 within seven days of the occurrence of such event. He shall also furnish a statement in FORM GST ITC-01

containing details of the stock of inputs and capital goods as per the rules in this regard. This would help him join the input tax credit chain and avail credit of tax that he has paid on his inputs/goods lying in stock on the day he crosses over.

**Q: For the purpose of availing composition how will aggregate turnover be computed for the purpose of composition?**

**A:** Aggregate turnover shall be computed on the basis of turnover on all India basis. It includes aggregate value of all taxable supplies (excluding the value of inward supplies on which tax is payable by a person on reverse charge basis), exempt supplies, exports of goods or services or both and inter-State supplies of persons having the same Permanent Account Number but excludes GST and cess.

**Q: Can a person who has opted to pay tax under the composition scheme avail Input Tax Credit on his inward supplies?**

**A:** No, a taxable person opting to pay tax under the composition scheme is out of the credit chain. He cannot take input tax credit on the supplies received.

**Q: How is a manufacturer under the composition scheme required to bill his supply? Can a registered person, who purchases goods from a composition manufacturer take input tax credit?**

**A:** A manufacturer opting to pay tax under the composition scheme cannot issue a tax invoice to his buyer but would issue a Bill of Supply. He cannot collect any tax on supplies made by him on his Bill of Supply and is required to show only the price charged for the supply. Consequently, the registered person buying goods from a composition manufacturer cannot take input tax credit.

**Q: In case a person has registration in multiple States, can he opt for payment of tax under composition levy only in one State and not in other States?**

**A:** No. An intimation that composition scheme has been availed in one State shall be deemed to be an intimation in respect of all other places of business registered on the same Permanent Account Number in other States.

**Q: What is the validity of composition levy?**

**A:** The option exercised by a registered person to pay tax under the composition scheme shall remain valid so long as he satisfies all the conditions specified in the law. The option is not required to be renewed.

**Q: Can a person paying tax under composition levy, withdraw voluntarily from the scheme?**

**A:** Yes, the registered person who intends to withdraw from the composition scheme can file a duly signed or verified application in FORM GST CMP-04. In case he wants to claim input tax credit on the stock of inputs and inputs contained in semi-finished or finished goods held in stock by him on the date of withdrawal, he is required to furnish a statement in FORM GST ITC-01 containing the details of such stock within a period of thirty days of withdrawal.

**Q: Will withdrawal intimation in any one place be applicable to all places of business?**

**A:** Yes. Any intimation or application for withdrawal in respect of any place of business in any State or Union territory, shall be deemed to be an intimation for withdrawal in respect of all other places of business registered on the same Permanent Account Number.

**Q: Can a person paying tax under composition scheme make exports or supply goods to SEZ?**

**A:** No, because exports and supplies to SEZ from Domestic Tariff Area are treated as inter-State supply. A person paying tax under composition scheme cannot make inter-State outward supply of goods.

**Q: How can tax payments be made by a registered person under the composition scheme?**

**A:** A registered person under composition scheme would not have input tax credit and he would make all his tax payments by debit in the cash ledger maintained at the common portal. The taxpayer can deposit cash anytime in the electronic cash ledger at his convenience.

**Q: Does a registered person under the composition scheme pay his taxes every month?**

**A:** No, registered person under the composition scheme will not pay taxes every month. Taxpayers under Composition scheme have been allowed to pay 'self-assessed tax' on a quarterly basis till 18<sup>th</sup> of the month succeeding such quarter and furnish a return till 30<sup>th</sup> April for the previous financial year.

**Q: What are the accounts a manufacturer under the composition scheme needs to maintain?**

**A:** Rules on Accounts and Records provide details of the accounts to be maintained. They are maintained under normal course of business by any small manufacturer. The details to be maintained in accounts, inter-alia, consists of goods supplied, inward supplies attracting reverse charge, invoices, bills of supply, delivery challans, credit notes, debit notes, receipt vouchers, payment vouchers, refund vouchers, etc.

**Q: Does a manufacturer under the composition scheme need to maintain details of accounts of every supply received and made?**

**A:** No, the requirement to maintain detailed accounts of stocks in respect of goods received and supplied, work in progress, lost, destroyed etc. does not apply to a manufacturer under the composition scheme. Such a person shall maintain a true and correct account of production or manufacture of goods, inward and outward supply of goods, stock of goods, tax payable and paid.

**Q:** Does a manufacturer under the composition scheme need to maintain account of input tax credit?

**A:** A manufacturer under the composition scheme need not maintain account of input tax, input tax credit claimed etc. as he is neither allowed to avail of input tax credit nor can he issue an invoice showing tax which buyer can avail input tax credit.

**Q:** Can a manufacturer under the composition scheme maintain his accounts manually? And can he issue his bill of supply manually?

**A:** Yes, a manufacturer under the composition scheme can maintain his accounts in registers serially numbered and also issue bill of supply manually following the conditions specified in rules in this regard.

**Q:** Whether a registered person under the composition scheme needs to learn HSN code of any input purchases and output supplies?

**A:** No, a registered person under the composition scheme would not need to specify HSN code of their products in bill of supply or return.

**Q:** What details are required to be furnished in the return to be filed by the registered person under the composition scheme?

**A:** GSTR-4 may be referred to details required to be filled in the return. It is a very simple return containing consolidated details of outward supplies, details of import of services or other supplies attracting reverse charge and inward supplies.

**Q:** Can a manufacturer / trader of goods opt for composition scheme if his service component is very small?

**A:** A person who opts to pay tax under composition scheme may supply services (other than those referred to in clause (b) of paragraph 6 of Schedule II), of value **not exceeding 10% of turnover** in a State or Union territory in the preceding financial year **or ₹ 5 Lakh, whichever is higher**.

**Q:** Can a service provider opt for composition scheme?

**A:** Yes. With effect from 01.04.2019, suppliers of service only or suppliers of service and goods together can opt for composition scheme for first clearances up to ₹ 50 Lakh. The rate of composition tax in such cases is fixed at 6%.









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