CONCISE SUMMARY OF GST IN CUSTOMS

Goods and Services Tax (GST) is now part of Indian Taxation system GST Act has been implemented from 01 July, 2017, it is the concept developed and outcome of the KELKAR Committee. It has changed all over tax regime of the country. The taxation system has made many changes in indirect tax regime and known as **one tax for one country** by the Government of India. The key objectives of implementation of GST are:

- Develop National market – One Nation One Tax
- Avoid cascading effect of various indirect taxes like Central Excise, Central Sales Tax, State Vat and Entry Tax (Octroi)
- Reduce multiplicity of Indirect Taxes
- Reduce distinction between goods and services to avoid overlapping of State and Central Tax on same transaction.
- Remove barriers in Inter-State movement of goods to reduce wastage of truck time and wastage of man hours at check posts.

Concept of GST is a unique idea it is a supply-based tax not on manufacture or sale. This changes entire structure of tax system. GST Council is Apex Constitutional body which determines policies of GST and headed by the Finance Minister of Government of India.

Constitution (101st Amendment) Act, 2016 was passed to insert, delete and amend certain articles of the Constitution for levy and collection of GST and Article 246A provide for Special Provisions for GST in the Constitution of India. Under Article 246A, powers to levy GST granted to Union and States Governments. The IGST Act deals with Inter-State supplies and hence only Parliament can make laws in this regard.

Further GST Levy excludes the following products from the scope of GST

- Petroleum Crude
- High-Speed Diesel
- Motor Spirit
- Natural Gas
- Aviation Turbine Fuel
- Alcohol for Human Consumption

Article 279A (Constitution of India): GST Council

This Article gives power to the President to constitute a joint forum of the Centre and States called the GST Council. The GST Council is an apex member committee to modify, reconcile or to procure any law or regulation based on the context of Goods and Services Tax in India.

The Integrated Goods and Services Tax Act, 2017 - Section 5(1): Subject to the provisions of sub-section (2), there shall be levied a tax called the integrated goods and services tax on all inter-State supplies of goods or services or both, except on the supply of alcoholic liquor for human consumption and undenatured extra neutral alcohol or rectified spirit used for manufacture of alcoholic liquor, for human consumption, on the

value determined under section 15 of the Central Goods and Services Tax Act and at such rates not exceeding 40% as may be notified by the Government on the recommendations of the Council and collected in such manner as may be prescribed and shall be paid by the taxable person:

PROVIDED that the integrated tax on goods other than the goods as may be notified by the Government on the recommendations of the council imported into India shall be levied and collected in accordance with the provisions of Section 3 of the Customs Tariff Act, 1975 on the value as determined under the said Act at the point when duties of Customs are levied on the said goods under Section 12 of the Customs Act, 1962.

Some of the features of India's Goods and Services Tax:

- GST Council as Apex federal body (Article 279A)
- Destination-based consumption tax
- Concurrent 'dual' GST
- Components of GST – Central GST, State GST/Union Territory GST and Integrated GST
- Uniform Law by Union and States
- Taxable event is Supply of goods or services or both
- Multiple rates of tax
- Place of supply provisions to determine the destination of consumption
- Input Tax Credit on value addition
- Interface through IT-based system
- E-Way Bill System and Elimination of check posts at the borders of the States
- Provision of threshold limits so as to keep small businesses out of GST net
- Composition Scheme, so as to allow small players to opt out of ITC chain
- Distribution of assessees between the Centre and the States for administering the tax in normal course (scrutiny, audit, etc.) while providing "cross-empowerment" in case of intelligence-based investigation and enforcement
- Distribution of IGST proceeds between the Centre and the States

The motto of CBIC is **"Desh Sevarth Kar Sanchay" i.e., "Tax collection in Service of the Nation".**

Compensation to States Under GST

This Act also contains a provision to provide for relief to States on account of the revenue loss to the States such as Maharashtra, Gujarat, Tamil Nadu, Punjab, Karnataka arising due to the implementation of GST. It has a validity period of five years. The Goods and Services Tax (Compensation to States) Act, 2017 was born as a result.

GST Compensation to States Act, 2017 was to end on June 30, 2022 since it had a validity of five years only, however Central Government has increased its validity till March 31, 2026.

Under Concurrent List of Seventh Schedule of Article 246 of Constitution of India there are three lists, i.e., Union List, State List, and Concurrent List, under Concurrent list Union and States both have powers to make laws. In the Concurrent List with regard to GST following provisions were made:

- To continue the levy of excise duty by the Centre on manufacture/production of five petroleum products, namely: **petroleum crude, high-speed diesel, motor spirit, natural gas, and aviation turbine fuel, Alcohol for Human Consumption.** (These products are under Excise Duty and **no GST** is levied on these products till now)
- In addition to the above, excise duty is also levied on tobacco and tobacco products. As a result, **tobacco and tobacco products are subject to both excise duty and GST.**
- The power to levy taxes on the five petroleum products was given to the States too.

GST has a common portal as www.gst.gov.in

Basic features of IGST levy:

Every supplier of goods or services need to be registered under GST laws. For every registered person under GST, a GSTIN shall be issued.

India is divided into two categories for the purpose of registration under GST, i.e.,

- Special Category States/UT which are Puducherry, Meghalaya, Mizoram, Tripura, Manipur, Sikkim, Nagaland, Arunachal Pradesh and Uttarakhand
- And Rest of States or UT (Roaming States or Union Territory)

  Threshold limit of Aggregate turnover of the business/Entity for compulsory registration under GST is 40 Lakhs for normal States and 20 Lakhs for Special Category of States and for service providers it is 20 Lakhs for normal States and 10 Lakhs for Special Category of States.

Inter-State (Between two States) supplies attract Integrated GST (IGST)

Inter-State supplies include imports and exports. IGST applicable on inter-State stock transfers of goods. Centre to levy & collect Integrated GST (IGST). In IGST, import of goods or services–Section 7(2)–For Goods and Section 7(4) for Services of the IGST Act Supplies to/ by a SEZ developer or unit Section 7(5)(b) of the IGST Act

Intra-State (within a State) Supplies attract CGST and SGST/UGST. Export/Import is always considered as inter-State supplies henceforth attract IGST

"zero rated supply" means any of the following supplies of goods or services or both, namely:—(a) export of goods or services or both; or (b) supply of goods or services or both to a Special Economic Zone developer or a Special Economic Zone unit.

"GSTIN" a 15-digit State-wise PAN- based Goods and Services Tax Identification Number assigned at the time of issue of Goods and Services Tax registration certificate.

"UIN" Unique Identification Number which is in other words GSTIN.

Followings are the changes marked in terms of import and export business due to newly introduced GST system.

CHANGES IN IMPORT CLEARANCE

After implementation of GST there is no impact on levy of Basic Customs duty, Anti-dumping duty, Safeguard duty and the like. However, the Additional duties of Customs, which are in common parlance referred to as **Countervailing Duty (CVD Under section 3(1) of CTA, 1975) and Special Additional Duty of Customs (SAD) is replaced with the levy of IGST (Integrated Goods and Services Tax)** barring a few exceptions. There also levied a GST Compensation Cess on prescribed items. Some of the few examples where GST with CVD will be levied

- **Some items like pan masala, certain petroleum products, which attract levy of CVD with of GST, all other items will attract IGST while importation**
- **Further, a few products such as aerated waters, tobacco products, motor vehicles, etc., would also attract levy of GST Compensation Cess, over and above IGST**

There are Seven rates prescribed wide Notification No. 09/2025 for IGST—5%, 18% 40%, 3%, 0.25%, 1.50%, 28% however with nil rate of GST makes it seven. The actual rate applicable to an item would depend on its classification and would be specified in Schedules notified under section 5 of the IGST Act, 2017. As per CTA, 1975 Maximum rate of GST can be up to 40%.

(i) 5 per cent. in respect of goods specified in Schedule I,
(ii) 18 per cent. in respect of goods specified in Schedule II,
(iii) 40 per cent. in respect of goods specified in Schedule III
(iv) 3 per cent. in respect of goods specified in Schedule IV,
(v) 0.25 per cent. in respect of goods specified in Schedule V,
(vi) 1.50 per cent. in respect of goods specified in Schedule VI, and
(vii) 28 per cent. in respect of goods specified in Schedule VII

The rates applicable to goods of Chapter 98 are as under:

- 9801 - Project Imports – 18%
- 9802 - Laboratory Chemicals – 18%
- 9803 - Passenger baggage – Nil Rate
- 9804 - All other dutiable goods for personal use – 18%

Likewise, different rates of tax have been notified for goods attracting Compensation Cess which is leviable on some item descriptions (of supply). These rates are mostly *ad-valorem*. But some also attract either specific rates (e.g. coal) or mixed rates (*ad valorem* + specific) as for cigarettes.

The value of the imported article for the purpose of levying GST Compensation cess shall be, assessable value plus Basic Customs Duty levied under the Act, and any sum chargeable on the goods under any law for the time being in force, as an addition to, and in the same manner as, a duty of customs. These would include SWS (Social Welfare Surcharge) and anti-dumping and safeguard duties, etc.

- Under GST Regime, IGST shall not be paid in clearance on Advance Authorization, EPCG Lenience, 100% EOUs after recent changes , Central Government has given relief to them.
- In GST regime, input tax credit of the integrated tax (IGST) and GST Compensation Cess shall be available to the importer and later to the recipients in the supply chain, however the credit of basic customs duty (BCD) would not be available. In order to avail ITC of IGST and GST Compensation Cess, an importer has to mandatorily declare GST Registration number (GSTIN) in the Bill of Entry.

CHANGES IN EXPORT CLEARANCE

On the exports side, export would be treated as **zero-rated supply.** Under zero-rated supply IGST paid on exported goods or the input tax credit proportionate to the goods and services consumed in goods exported under bond /LUT would be refunded.

- Under GST regime, Drawback under Section 75 shall be limited to Customs duties on imported inputs and Central Excise duty on items specified in Fourth Schedule to Central Excise Act, 1944 (specified petroleum products, tobacco, etc.) used as inputs or fuel for captive power generation.

Under GST regime exports would be considered as zero-rated supply. Any person making zero-rated supply (i.e. any exporter) shall be eligible to claim refund under either of the following options, namely:—

(a) he may supply goods or services or both under bond or Letter of Undertaking, subject to such conditions, safeguards and procedure as may be prescribed, without payment of integrated tax and claim refund of unutilized input tax credit; or

(b) he may supply goods or services or both, subject to such conditions, safeguards and procedure as may be prescribed, on payment of integrated tax and claim refund of such tax paid on goods or services or both supplied, in accordance with the provisions of section 54 (Refunds) of the Central Goods and Services Tax Act or the rule 96 made thereunder (i.e., Rule 96 (Refund) CGST Rules, 2017).

The exporter claiming refund of IGST will file an application electronically through the Common Portal, application shall be accompanied by documentary evidences as prescribed in the said rule. Application for refund shall be filed only after the export manifest or an export report, as the case may be, is delivered under section 41 of the Customs Act, 1962 in respect of such goods.

For the option (b),the shipping bill filed by an exporter shall be deemed to be an application for refund of integrated tax paid on the goods exported out of India and such application shall be deemed to have been filed only when the person in charge of the conveyance carrying the export goods duly files an export manifest or an export report covering the number and the date of shipping bills or bills of export and the applicant has furnished a valid return.

One needs to claim refund of GST in case of supplies made to SEZ. SEZ supplies are also considered as zero-rated supplies input tax credit will be available even if tax is not paid on output. This will make exports and supplies of SEZ really tax free.

Availament of Input Tax Credit has been linked with FORM GSTR-2B w.e.f. 1-1-2022, availability of refund of the accumulated Input Tax Credit under section 54(3) of CGST Act for a tax period shall be restricted to input tax credit as per those invoices, the details of which are reflected in FORM GSTR-2B of the applicant for the said tax period or for any of the previous tax periods and on which the input tax credit is available to the applicant.

Major Forms which need to be filed by the registered person

GSTR-1—Details of outward supplies of taxable goods and/or services affected.

GSTR-3B—Simple Return in which summary of outward supplies along with Input Tax Credit is declared and payment of tax is affected by taxpayer.

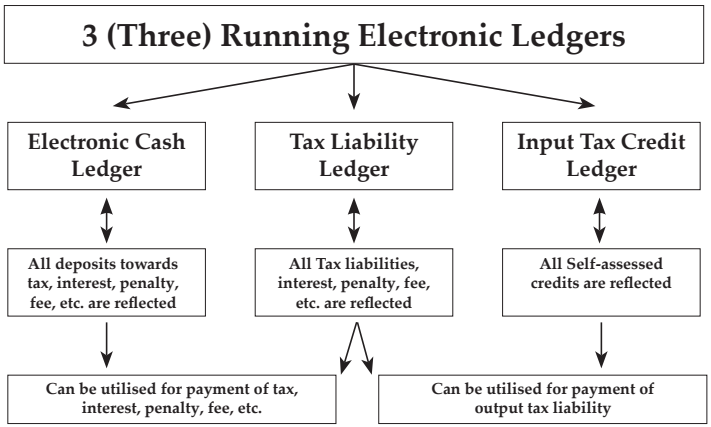
GSTR-9—Annual Return for a Normal Taxpayer.

GST-RFD-01—Filing of Refund Claim.

The CBIC Notification No. 15/2025, dated September 17, 2025, has granted permanent relief to small taxpayers by exempting them from filing GSTR-9 annual returns. This is a significant compliance simplification measure.

Registered persons with aggregate annual turnover up to Rs. 2 crore in any financial year are exempted from filing GSTR-9. This turnover calculation includes taxable supplies, exempt supplies, exports, and inter-State supplies made under a single GSTIN.

Types of Ledgers:



Filing of Refund Claims:

Sl. No.	*Category of Refund*	*Process of Filing*
1.	**Refund of IGST** paid on export of goods	No seperate application is required as shipping bill itself will be treated as application for refund.
2.	**Refund of IGST** paid on export of services/zero rated supplies to SEZ units or SEZ developers	**FORM GST RFD-01** needs to be filed online in the common portal along with relevant documentary evidences, wherever applicable.
3.	**Refund of unutilized input tax credit** due to the accumulation of credit of tax paid on inputs or input services used in making zero-rated supplies of goods or services or both	**FORM GST RFD-01** needs to be filed online in the common portal along with necessary documentary evidences, wherever applicable. The amount of credit claimed as refund would be debited in the electronic credit ledger.
4.	**Refund of excess balance in cash ledger**	**FORM GST RFD-01** needs to be filed online in the common portal. The amount of claimed as refund would be debited in the electronic cash ledger. **Acknowledgement in Form RFD-02 will be auto generated by the system.**

Import under Export Promotion Schemes and duty payment through EXIM scrips

The EXIMs crips under the export incentive schemes of Chapter 4 of FTP (for example RODTEP/ROSCTL) can be utilised only for payment of Customs duties or additional duties of Customs, on items not covered by GST, at the time of import. The scrips cannot be utilized for payment of Integrated Tax and Compensation Cess. Similarly, scrips cannot be used for payment of CGST, SGST or IGST for domestic procurements.

Imports/Procurement by SEZs

Authorised operations in connection with SEZs shall be exempted from payment of IGST. Hence, there is no change in operation of the SEZ scheme.

Project Import

For the purpose of levying IGST all the imports under the project import scheme will be classified under heading 9801 and duty shall be levied @ 18%.

Baggage

Full exemption from IGST has been provided on passenger baggage. However, basic customs duty shall be leviable at the rate of 35% and SWS as applicable on the value which is in excess of the duty free allowance as provided under the Baggage Rules, 2016.

GST on Freight

The proviso to section 12(8) of the IGST Act, which treated the destination of goods outside India as the place of supply, stands omitted w.e.f. 1 October 2023. Accordingly, for export freight where both supplier and recipient are in India, the place of supply will now be determined under section 12(8) read with section 12(2), and GST will be charged as CGST+SGST or IGST depending on whether the supply is intra-State or inter-State, instead of being compulsorily IGST as earlier.

E-Invoicing under GST

E invoicing is mandatory for the registered persons having turnover more than 5 crore or more.

Levy and Collection

Statutory Provisions: Section 9 of CGST Act, 2017 and Section 5 of IGST Act, 2017.

Important Notification: 09/2025, 10/2025.

Relevant definitions:

(i) Section 2 (98) of CGST Act, 2017: "reverse charge" means the liability to pay tax by the recipient of supply of goods or services or both instead of the supplier of such goods or services or both under sub-section (3) or sub-section (4) of section 9, or under sub-section (3) or sub-section (4) of section 5 of the Integrated Goods and Services Tax Act;

(ii) Section 2(94) of CGST Act, 2017: "registered person" means a person who is registered under section 25 but does not include a person having a Unique Identity Number;

(iii) Section 2(107) of CGST Act, 2017: "taxable person" means a person who is registered or liable to be registered under section 22 or section 24;

(iv) Section 2(108) of CGST Act, 2017: "taxable supply" means a supply of goods or services or both which is leviable to tax under this Act;

The tax becomes payable when liability to pay tax arises and liability to pay tax arises when taxable event happened. **In GST taxable event is supply of goods or services or both.** There are two methods of charging of tax.

1. Forward charge, in which supplier is liable to pay tax (refer Section 9(1) of CGST Act, 2017)
2. Reverse charge, in which recipient is liable to pay tax (refer Section 9(3) & 9(4) of CGST Act, 2017)

Section 9(1) : Subject to the provisions of sub-section (2), there shall be levied a tax called the Central Goods and Services Tax on all intra-State supplies of goods or services or both, except on the supply of alcoholic liquor for human consumption and undenatured extra neutral alcohol or rectified spirit used for manufacture of alcoholic

liquor, for human consumption, on the value determined under section 15 and at such rates, not exceeding twenty per cent., as may be notified by the Government on the recommendations of the Council and collected in such manner as may be prescribed and shall be paid by the taxable person.

Section 9(3): The Government may, on the recommendations of the Council, by notification, specify categories of supply of goods or services or both, the tax on which shall be paid on reverse charge basis by the recipient of such goods or services or both and all the provisions of this Act shall apply to such recipient as if he is the person liable for paying the tax in relation to the supply of such goods or services or both.

Section 9(4) : The Government may, on the recommendations of the Council, by notification, specify a class of registered persons who shall, in respect of supply of specified categories of goods or services or both received from an unregistered supplier, pay the tax on reverse charge basis as the recipient of such supply of goods or services or both, and all the provisions of this Act shall apply to such recipient as if he is the person liable for paying the tax in relation to such supply of goods or services or both.

As per Section 9 of the IGST Act, 2017 and Rule 8 of the CGST Rules, 2017, deals with Supplies in territorial waters. It says that a person making taxable supply from territorial waters must register in the coastal State or Union Territory nearest to the baseline. This ensures proper jurisdictional control and tax administration for maritime transactions.

Section 5(1) of IGST Act : Subject to the provisions of sub-section (2), there shall be levied a tax called the integrated goods and services tax on all inter-State supplies of goods or services or both, except on the supply of alcoholic liquor for human consumption and undenatured extra neutral alcohol or rectified spirit used for manufacture of alcoholic liquor, for human consumption, on the value determined under section 15 of the Central Goods and Services Tax Act and at such rates, not exceeding forty per cent., as may be notified by the Government on the recommendations of the Council and collected in such manner as may be prescribed and shall be paid by the taxable person:

PROVIDED that the integrated tax on goods other than the goods as may be notified by the Government on the recommendations of the Council imported into India shall be levied and collected in accordance with the provisions of section 3 of the Customs Tariff Act, 1975 on the value as determined under the said Act at the point when duties of customs are levied on the said goods under section 12 of the Customs Act, 1962.

Power to Grant Exemption from Tax

Statutory Provisions: Section 11 of CGST Act, 2017 and Section 6 of IGST Act, 2017

Section 11 of CGST Act, 2017 provides the power and flexibility to the Government to grant exemptions.

Section 11(1) of CGST Act, 2017 says, Where the Government is satisfied that it is necessary in the public interest so to do, it may, on the recommendations of the Council, by notification, exempt generally, either absolutely or subject to such conditions as may be specified therein, goods or services or both of any specified description from the whole or any part of the tax leviable thereon with effect from such date as may be specified in such notification.

Key Features of section 11(1):

1. Government is empowered to grant exemption from tax
2. If it is in public interest

3. On recommendation of GST Council
4. By issuance of notification
5. On goods, services or both
6. Exempt absolutely or subject to such conditions
7. It can be whole or part of tax leviable
8. Effective date may be specified in notification

(2) Where the Government is satisfied that it is necessary in the public interest so to do, it may, on the recommendations of the Council, by special order in each case, under circumstances of an exceptional nature to be stated in such order, exempt from payment of tax any goods or services or both on which tax is leviable.

(3) The Government may, if it considers necessary or expedient so to do for the purpose of clarifying the scope or applicability of any notification issued under sub-section (1) or order issued under sub-section (2), insert an explanation in such notification or order, as the case may be, by notification at any time within one year of issue of the notification under sub-section (1) or order under sub-section (2), and every such explanation shall have effect as if it had always been the part of the first such notification or order, as the case may be.

Key features of Section 11(3)

If explanation is inserted to Notification or Orders issued under section 11(1) or section 11(2) within one year, explanation of an exemption notification will have a retrospective effect from the date of exemption notification.

Explanation : For the purposes of this section, where an exemption in respect of any goods or services or both from the whole or part of the tax leviable thereon has been granted absolutely, the registered person supplying such goods or services or both shall not collect the tax, in excess of the effective rate, on such supply of goods or services or both.

Registration under GST

Key Sections: 22-30 of CGST Act

- Section 22: Liability for Registration — Mandates every supplier to register in the State from where taxable supply is made, if aggregate turnover exceeds the threshold.
- Section 23: Exemption from Registration — Certain categories, such as an agriculturist or those supplying wholly exempt/non-taxable goods/services, are not liable for registration.
- Section 24: Compulsory Registration — Specifies classes of persons (e.g., inter-State suppliers, persons required to pay tax under reverse charge, e-commerce operators) who must register regardless of turnover.
- Section 25: Registration Procedure — Prescribes the process for registration, including timelines for regular, casual, and non-resident taxable persons.
- Section 26: Deemed Registration — Provides for deemed approval or rejection if registration is already processed under the State/UT GST Act.
- Section 27: Special Provisions for Casual/Non-Resident Taxable Person — Lays out separate rules for those not operating a regular place of business.
- Section 28: Amendment of Registration — Allows changes and mandates approval for core field amendments.

- Section 29: Cancellation of Registration — Enables voluntary or *suo motu* cancellation under specified situations.
- Section 30: Revocation of Cancellation — Details the process for revocation if registration is cancelled *suo motu*.

Registration is the most fundamental requirement for identification of taxpayers ensuring tax compliance in the economy. Registration of any business entity under the GST Law implies obtaining a unique number from the concerned tax authorities for the purpose of collecting tax on behalf of the Government and to avail Input Tax Credit for the taxes on his inward supplies. Without registration, a person can neither collect tax from his customers nor claim any Input Tax Credit of tax paid by him.

Need and advantages of registration:

Registration will confer the following advantages to a taxpayer:

(a) He is legally recognized as supplier of goods or services;

(b) He is legally authorized to collect tax from his customers and pass on the credit of the taxes paid on the goods or services supplied to the purchasers/recipients;

(c) He can claim Input Tax Credit of taxes paid on his purchases/ procurements and can utilize the same for payment of taxes due on supply of goods or services;

(d) Seamless flow of Input Tax Credit from suppliers to recipients at the national level.

Liability to register:

GST being a tax on the event of "supply", every supplier needs to get registered. However, small businesses having all India Aggregate Annual Turnover below ₹ 40 Lakhs (in case of goods ₹ 20 Lakhs if business is in Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Puducherry, Sikkim, Telangana, Tripura and Uttarakhand) and ₹ 20 Lakhs (in case of services) (₹ 10 Lakhs if business is in Assam, Arunachal Pradesh, Himachal Pradesh, Manipur, Mizoram, Sikkim, Meghalaya, Nagaland, Tripura and Uttarakhand) need not register. The small businesses, having turnover below the threshold limit can, however, voluntarily opt to register.

The Aggregate Annual Turnover includes supplies made by him on behalf of his principals but excludes the value of job-worked goods if he is a job-worker. But persons who are engaged exclusively in the business of supplying goods or services or both that are not liable to tax or wholly exempt from tax or an agriculturist, to the extent of supply of produce out of cultivation of land, are not liable to register under GST. Also, if all the supplies being made by a supplier are taxable under reverse charge, i.e., where total tax is payable by the recipient of the goods and/or services, there is no requirement for such a supplier to register in light of Notification No. 05/2017-Central Tax, dated 19.06.2017. In GST, if the supplier supplies outside the State, he is required to take registration irrespective of the size of his turnover. However, this compulsion is relaxed for certain categories of suppliers like supplier of handicraft goods, supplier of services, supplier of job work services. If the turnover of the supplier of handicraft goods is less than specified limit, they will not be required to register, even if they supply such goods outside the State. In such cases they will also not be required to obtain registration as a casual taxable person in other States for making supply of the handicraft goods. Also, small Suppliers of services, including job-workers (except in relation to jewellry, goldsmiths' and silversmiths' wares) whose Aggregate Annual Turnover is less than ₹

20/10 Lakhs are exempted from registration, even if they supply services outside the State. Furthermore, persons supplying services through e-commerce operators are also entitled to avail the ₹ 20/10 Lakhs threshold exemption for registration (Notification No. 65/2017-Central-tax, dated 15.11.2017).

Features of Registration

The registration in GST is PAN based and State specific. Supplier has to register in each of such State or Union Territory from where he effects supply. Area upto 12 nautical miles in the sea is considered part of the nearest coastal State. Area beyond 12 nautical miles and upto 200 nautical miles, which is not covered under any Union Territory is considered as a separate Union Territory for the GST law. A person registered in one State is considered 'unregistered person' outside the State. If a person has unit in SEZ and also unit in domestic tariff Area (i.e., outside the SEZ) in the same State, then he has to take separate registration for his SEZ unit as a separate business vertical of him. If a supplier also wants to distribute credit to his same-PAN entities, then he will take separate registration as 'input service distributor' in addition to his registration as 'supplier'. Unlike service tax regime, the GST law does not have the facility of centralized registration for units located across multiple States.

In GST registration, the supplier is allotted a 15-digit GST identification number called "GSTIN" and a certificate of registration incorporating therein this GSTIN is made available to the applicant on the GSTN common portal. The first 2 digits of the GSTIN is the State code, next 10 digits are the PAN of the legal entity, the next two digits are for entity code, and the last digit is check sum number. Registration under GST is not tax specific which means that there is single registration for all the taxes, i.e., CGST, SGST/UTGST, IGST and cess.

A given PAN based legal entity would have one GSTIN per State, that means a business entity having its branches in multiple States will have to take separate State wise registration for the branches in different States. But a person having multiple places of business in a State or Union Territory may be granted a separate registration for each such place of business. Further a unit in SEZ or an SEZ developer needs to necessarily obtain separate registration. Every registered person is required to display his certificate of registration in a prominent location at his principal place of business and at every additional place of business. He is also required to display his GSTIN on the name board exhibited at the said places.

Generally, the liability to register under GST arises when a person is a "supplier" within the meaning of the term, and also if his Aggregate Annual Turnover in the financial year is above the specified exemption threshold. However, the GST law enlists certain categories of suppliers who are required to get compulsory registration irrespective of their turnover that is to say, the specified threshold exemption, as the case may be, is not available to them. Some of such suppliers who need to register compulsorily irrespective of the quantum of their turnover are:

(i) inter-State suppliers: Persons making an inter-State taxable supply of goods or services are required to take registration under section 24(i), regardless of the threshold limit.

(ii) Reverse Charge Mechanism: Persons who are liable to pay tax under the reverse charge mechanism on inward supplies of goods or services are required to take registration under section 24(iii), regardless of the threshold limit.

(iii) Casual Taxable Persons: a casual taxable person making taxable supply;
(iv) persons who are required to pay tax under sub-section (5) of section 9;
(v) persons who are required to deduct tax under section 51;
(vi) persons who make taxable supply of goods or services or both on behalf of other taxable persons whether as an agent or otherwise;
(vii) Input Service Distributor: They need to separately register as ISD regardless of the turnover;
(viii) every electronic commerce operator who is required to collect tax at source under section 52;
(ix) every person supplying online information and database access or retrieval services from a place outside India to a person in India, other than a registered person.

Physical verification in connection with registration:

Where the Proper Officer is satisfied that the physical verification of the place of business of a person is required due to failure of Aadhaar authentication or due to not opting for Aadhaar authentication before the grant of registration, or due to any other reason after the grant of registration, he may get such verification of the place of business, in the presence of the said person, done and the verification report along with the other documents, including photographs, shall be uploaded in FORM GST REG-30 on the common portal within a period of fifteen working days following the date of such verification.

Authentication of Aadhaar number under the GST Act:

With effect from 21st August, 2020, an applicant who opts for authentication of Aadhaar number, while submitting the application in PART B of FORM GST REG-02, has to undergo authentication of Aadhaar number and the date of submission of the application in such cases shall be the date of authentication of the Aadhaar number, or fifteen days from the submission of the application in PART B of FORM GST REG-01, whichever is earlier.

If a person does not undergo Aadhaar authentication or does not opt for authentication of Aadhaar number, then registration will be granted only after physical verification of principal place of business within 30 days from date of application.

The provision of Aadhaar authentication is not applicable to a person who is:

(a) not a citizen of India; or
(b) a department or establishment of Central or State Government; or
(c) a local authority; or
(d) a statutory body; or
(e) a PSU; or
(f) a person applying for registration under section 25(9) of the CGST Act.

Amendment of Registration

Except for the changes in some core information in the registration application, a taxable person shall be able to make amendments without requiring any specific approval from the tax authority. In case the change is for legal name of the business, or the address of the principal place of business or additional place of business, addition,

deletion or retirement of partners or directors, Karta, Managing Committee, Board of Trustees, Chief Executive Officer or equivalent, responsible for the day-to-day affairs of the business, the taxable person will apply for amendment within 15 days of the event necessitating the change. The Proper Officer, then, will approve the amendment within next 15 days. For other changes like name of day-to-day functionaries, e-mail IDs, mobile numbers, etc. no approval of the Proper Officer is required, and the amendment can be affected by the taxable person on his own on the common portal. A functionality to update email and mobile number of the authorised signatory is available in the GST system. The taxpayers can get it done by the concerned jurisdictional tax authority.

Generally, the amendments take effect from the date of application for amendment. Commissioner, however, has been given powers to permit amendments with retrospective effect.

Cancellation of Registration

The GST law provides for two scenarios where cancellation of registration can take place; the one when the taxable person no more requires it (voluntary cancellation) and another when the Proper Officer considers the registration liable for cancellation in view of certain specified defaults (*Suo motu* cancellation) like when the registrant is not doing business from the registered place of business or if he issues tax invoice without making the supply of goods or services. The taxable person desirous of cancellation of Registration will apply on the common portal within 30 days of event warranting cancellation. He will also declare in the application the stock held on the date preceding to the date with effect from which he seeks cancellation. He will also work out and declare the quantum of dues of payments and credit reversal, and the particulars of payments made towards discharge of such liabilities.

Till 23rd January, 2018, the voluntary registration taken despite not being liable for obtaining registration could not be cancelled until expiry of one year. However, the rule has now been amended to allow voluntary registration to be cancelled any time. In all the aforesaid cases of cancellation, the Proper Officer, if satisfied, has to cancel the registration in FORM GST REG-19 within 30 days from the date of application or the date of reply to notice (if issued, when rejection is approved by the Proper Officer).

Suspension of Registration:

(a) where a registered person has applied for cancellation of registration, the registration shall be deemed to be suspended from the date of submission of the application or the date from which the cancellation is sought, whichever is later, pending the completion of proceedings for cancellation of registration.

(b) where the Proper Officer has reasons to believe that the registration of a person is liable to be cancelled under Section 29, he may suspend the registration of such person with effect from a date to be determined by him, pending the completion of the proceedings for cancellation of registration.

(c) where, a comparison of the returns furnished by a registered person with the details of outward supplies furnished in FORM GSTR-1, or the details of inward supplies derived based on the details of outward supplies furnished by his suppliers in their FORM GSTR-1, or such other analysis, as may be carried out on the recommendations of the Council, show that there are significant differences or anomalies

indicating contravention of the provisions of the Act or the Rules made thereunder, leading to cancellation of registration of the said person, his registration shall be suspended and the said person shall be intimated in FORM GST REG-31, electronically, on the common portal, or by sending a communication to his e-mail address, highlighting the said differences and anomalies and asking him to explain, within a period of thirty days, as to why his registration shall not be cancelled.

(d) a registered person, whose registration has been suspended shall not make any taxable supply (i.e. not issue a tax invoice and, accordingly, not charge tax on supplies made by him) during the period of suspension and shall not be required to furnish any return under Section 39.

(e) a registered person, whose registration has been suspended shall not be granted any refund during the period of suspension of his registration.

(f) the suspension of registration shall be deemed to be revoked upon completion of the proceedings for cancellation of registration by the proper officer and such revocation shall be effective from the date on which the suspension had come into effect. However, the suspension of registration may be revoked by the Proper Officer, anytime during the pendency of the proceedings for cancellation, if he deems fit.

(g) where any order having the effect of revocation of suspension of registration has been passed, the registered person has to issue a revised invoice within one month in respect of the supplies made during the period of suspension, and declare the same in the first return furnished by him after revocation of suspension of registration.

Revocation of Cancellation

(i) When the registration has been cancelled by the Proper Officer (Superintendent of Central Tax) on his own motion and not on the basis of an application by the registered person, then the registered person, whose registration has been cancelled, can submit an application for revocation of cancellation of registration, in FORM GST REG-21, to the Proper Officer (Assistant or Deputy Commissioners of Central Tax), within a period of thirty days from the date of the service of the order of cancellation of registration at the common portal, either directly or through a Facilitation Centre notified by the Commissioner.

(ii) However, if the registration has been cancelled for failure to furnish returns, application for revocation shall be filed, only after such returns are furnished and any amount due as tax, in terms of such returns, has been paid along with any amount payable towards interest, penalty and late fee in respect of the said returns.

(iii) On examination of the application, if the Proper Officer (Assistant or Deputy Commissioners of Central Tax) is satisfied, for reasons to be recorded in writing, that there are sufficient grounds for revocation of cancellation of registration, then he shall revoke the cancellation of registration by an order in FORM GST REG-22 within a period of thirty days from the date of the receipt of the application and communicate the same to the applicant.

(iv) However, if on examination of the application for revocation, if the Proper Officer (Assistant or Deputy Commissioners of Central Tax) is not satisfied then he will issue a notice in FORM GST REG–23 requiring the applicant to show cause as to why the application submitted for revocation should not be rejected and the applicant has to furnish the reply within a period of seven working days from the date of the service of the notice in FORM GST REG-24.

(v) Upon receipt of the information or clarification in FORM GST REG-24, the Proper Officer (Assistant or Deputy Commissioners of Central Tax) shall dispose of the application within a period of thirty days from the date of the receipt of such information or clarification from the applicant. In case the information or clarification provided is satisfactory, the Proper Officer (Assistant or Deputy Commissioners of Central Tax) shall dispose the application as per para (iii) above. In case it is not satisfactory the applicant will be mandatorily given an opportunity of being heard, after which the Proper Officer (Assistant or Deputy Commissioners of Central Tax) after recording the reasons in writing may by an order in FORM GST REG-05, reject the application for revocation of cancellation of registration and communicate the same to the applicant.

The revocation of cancellation of registration under the SGST Act or the UTGST Act, as the case may be, shall be deemed to be a revocation of cancellation of registration under CGST Act.

Supply of Goods and Services

Key Sections: 7, 8, 9, 11 (CGST); 5, 6 (IGST)

- Section 7: Scope of Supply — Defines supply as all forms of supply (sale, barter, transfer) made in business for consideration; includes Schedule I activities (without consideration).
- Section 8: Composite/Mixed Supply — Tax liability for composite supply (treated as principal supply) and mixed supply (highest rate).
- Section 9: Levy and Collection — Tax payable by supplier (forward charge) and recipient (reverse charge as notified).
- Section 11: Government Power to Grant Exemption — Empowers Government to issue notifications for exemptions.
- Section 5 (IGST): Levy of Integrated Tax on Inter-State Supply
- Section 6 (IGST): Government Power to Grant IGST Exemption

1. Scope of Supply

Statutory Provisions: Section 7, Schedule I, Schedule II & Schedule III of CGST Act, 2017

Relevant definitions:

Section 2(14) of the Integrated Goods and Services Tax (IGST) Act, 2017 defines the location of the recipient of services. In the absence of a registered place of business or fixed establishment, the location is deemed to be the usual place of residence of the recipient. This provision ensures accurate determination of place of supply for taxation purposes, especially in cross-border or remote service transactions

(i) Section 2(52) of CGST Act, 2017 "goods" means every kind of movable property other than money and securities but includes actionable claim, growing crops, grass and things attached to or forming part of the land which are agreed to be severed before supply or under a contract of supply;

(ii) Section 2(102) of CGST Act 2017 "services" means anything other than goods, money and securities but includes activities relating to the use of money or its conversion by cash or by any other mode, from one form, currency or denomination, to another form, currency or denomination for which a separate consideration is charged;

Explanation: For the removal of doubts, it is hereby clarified that the expression "services" includes facilitating or arranging transactions in securities.

(iii) Section 2(11) of IGST Act 2017 "import of services" means the supply of any service, where

(i) the supplierof 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;

Supply has been defined in section 7 of CGST Act, 2017. Schedule I of the Act specifies the activities which are considered as supply even when they are rendered without consideration. Schedule II of the Act specifies the matter which is to be considered as supply of goods or supply of services.

1. Definition of Supply:

As per Section 7 of CGST Act, 2017 "Supply" includes—

(a) all forms of supply of goods or services or both such as sale, transfer, barter, exchange, licence, rental, lease or disposal made or agreed to be made for a consideration by a person in the course or furtherance of business;

(aa) the activities or transactions, by a person, other than an individual, to its members or constituents or *vice-versa*, for cash, deferred payment or other valuable consideration.

Explanation : For the purposes of this clause, it is hereby clarified that, notwithstanding anything contained in any other law for the time being in force or any judgment, decree or order of any Court, tribunal or authority, the person and its members or constituents shall be deemed to be two separate persons and the supply of activities or transactions *inter se* shall be deemed to take place from one such person to another;

(b) import of services for a consideration whether or not in the course or furtherance of business; and

(c) the activities specified in Schedule I, made or agreed to be made without a consideration;

(1A) where certain activities or transactions constitute a supply in accordance with the provisions of sub-section (1), they shall be treated either as supply of goods or supply of services as referred to in Schedule II.

2. Supply without consideration:

Section 7(1)(c) speaks about the, the activities specified in Schedule I shall be considered as supply even when these are performed without a consideration.

3. Activities either goods or services

Section 7(1A) provides that the activities of transaction listed in Schedule II shall either be considered as goods or services as specified in the Schedule.

4. Activities which are neither supply of goods nor supply of services

Section 7(2) of CGST Act, 2017 provides that the—

(a) activities or transactions specified in Schedule III; or

(b) such activities or transactions undertaken by the Central Government, a State Government or any local authority in which they are engaged as public authorities, as may be notified by the Government on the recommendations of the Council,

shall be treated neither as a supply of goods nor a supply of services.

5. Power to notify the activity as supply of goods or supply of service

Section 7(3) provides power to Central or State Government on recommendation of Council to specify by notification to consider any transaction as supply of goods or services or neither of them.

2. Composite and Mixed Supplies

Statutory Provisions: Section 8 of CGST Act, 2017

Relevant definitions:

(i) Section 2(30) of CGST Act, 2017 "composite supply" means a supply made by a taxable person to a recipient consisting of two or more taxable supplies of goods or services or both, or any combination thereof, which are naturally bundled and supplied in conjunction with each other in the ordinary course of business, one of which is a principal supply;

Illustration : Where goods are packed and transported with insurance, the supply of goods, packing materials, transport and insurance is a composite supply and supply of goods is a principal supply.

(ii) Section 2(74) of CGST Act, 2017 "mixed supply" means two or more individual supplies of goods or services, or any combination thereof, made in conjunction with each other by a taxable person for a single price where such supply does not constitute a composite supply;

Illustration: A supply of a package consisting of canned foods, sweets, chocolates, cakes, dry fruits, aerated drinks and fruit juices when supplied for a single price is a mixed supply. Each of these items can be supplied separately and is not dependent on any other. It shall not be a mixed supply if these items are supplied separately.

(iii) Section 2(90) of CGST Act, 2017 "principal supply" means the supply of goods or services which constitutes the predominant element of a composite supply and to which any other supply forming part of that composite supply is ancillary;

Sometimes supply consists of two or more supply of goods or services or any combination thereof. These supplies are naturally bundled and

supplied in conjunction with each other in the ordinary course of trade. Such supply is called composite supply.

The phrase naturally bundled has not been defined in GST law. CBEC Education guide provides some indicators of services being bundled in nature:

1. The perception of the consumer or the service receiver. If large number of service receivers of such bundle of services reasonably expect such services to be provided as a package, then such a package could be treated as naturally bundled in the ordinary course of business.
2. Majority of service providers in a particular area of business provide similar bundle of services. For example, bundle of catering on board and transport by air is a bundle offered by a majority of airlines.
3. The nature of the various services in a bundle of services will also help in determining whether the services are bundled in the ordinary course of business. If the nature of services is such that one of the services is the main service and the other services combined with such service are in the nature of incidental or ancillary services which help in better enjoyment of a main service.

   Sometimes supply consists of two or more supply of goods or services or any combination thereof. These supplies are independent of each other and are not necessarily required to be sold together. Such supply is called mixed supply.
4. As per Section 8 of CGST Act, 2017 the tax liability on a composite or a mixed supply shall be determined in the following manner, namely:—
   (a) a composite supply comprising two or more supplies, one of which is a principal supply, shall be treated as a supply of such principal supply; and
   (b) a mixed supply comprising two or more supplies shall be treated as a supply of that particular supply which attracts the highest rate of tax.

INPUT TAX CREDIT

Key Sections: 16, 17, 18, 19, 20 (CGST); 42, 43 (Rules); 2(47), 2(108), 2(23) IGST

- Section 16: Eligibility & Conditions for ITC — ITC allowed for goods/services used for business; sets documentation, receipt, payment, and filing requirements.
- Section 17: Apportionment & Blocked Credits — Apportionment for taxable/exempt supply; lists supplies where ITC is blocked (motor vehicles, certain services, personal consumption, etc.).
- Section 18: ITC in Special Circumstances — ITC on registration, conversion from composition to regular, exempt-to-taxable transitions.

- Section 19: ITC for Job Work — Provisions for credit to principal when goods sent for job work.
- Section 20: Input Service Distributor — Mechanism for ISDs to distribute tax credits within group entities.

  Key Rules: Rules 36, 37, 38, 39, 40, 42, 43, 45, 54
- Procedural details for availing, apportioning, distributing, and reversal of ITC.

The GST regime promises seamless credit on goods and services across the entire supply chain with some exceptions like supplies charged to tax under composition scheme and supply of exempted goods and/or services. Input tax credit (ITC) is considered to be the lifeline of the GST regime. In fact, it is the provisions of ITC, which essentially make GST a value added tax i.e., collection of tax at all point of supply chain after allowing credit of tax paid at earlier points.

1. Eligibility and conditions for taking input tax credit

Statutory Provisions: Section 16

Relevant Rules: Rule 36 and Rule 37

Relevant definitions:

1. Section 2(59) "input" means any goods other than capital goods used or intended to be used by a supplier in the course or furtherance of business;

2. Section 2(62) "input tax" in relation to a registered person, means the Central tax, State tax, integrated tax or Union territory tax charged on any supply of goods or services or both made to him and includes—

(a) the integrated goods and services tax charged on import of goods;

(b) the tax payable under the provisions of sub-sections (3) and (4) of section 9;

(c) the tax payable under the provisions of sub-sections (3) and (4) of section 5 of the Integrated Goods and Services Tax Act;

(d) the tax payable under the provisions of sub-section (3) and sub-section (4) of section 9 of the respective State Goods and Services Tax Act; or

(e) the tax payable under the provisions of sub-section (3) and sub-section (4) of section 7 of the Union Territory Goods and Services Tax Act,

but does not include the tax paid under the composition levy;

1. Section 2(63) "input tax credit" means the credit of input tax;
2. Section 2(60) "input service" means any service used or intended to be used by a supplier in the course or furtherance of business;
3. Section 2(19) "capital goods" means goods, the value of which is capitalized in the books of account of the person claiming the input tax credit and which are used or intended to be used in the course or furtherance of business;
4. Section 2(43) "electronic cash ledger" means the electronic cash ledger referred to in sub-section (1) of section 49;
5. Section 2(46) "electronic credit ledger" means the electronic credit ledger referred to in sub-section (2) of section 49;

Section 16(1) says : Every registered person shall, subject to such conditions and restrictions as may be prescribed and in the manner specified in section 49, be 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 and the said amount shall be credited to the electronic credit ledger of such person.

Key Features: Eligibility for taking Input tax credit:

(i) Person should be registered

(ii) Goods or services or both supplied to them on payment of tax

(iii) Goods or services or both supplied to them should be used or intended to be used in the course or furtherance of his business

(iv) Amount shall be credited to the electronic credit ledger of such person

Section 16(2) says : Notwithstanding anything contained in this section, no registered person shall be entitled to the credit of any input tax in respect of any supply of goods or services or both to him unless,—

(a) He is in possession of a tax invoice or debit note issued by a supplier registered under this Act, or such other tax paying documents as may be prescribed;

(aa) the details of the invoice or debit note referred to in clause (a) has been furnished by the supplier in the statement of outward supplies and such details have been communicated to the recipient of such invoice or debit note in the manner specified under section 37 [Inserted w.e.f. 1st January, 2022 vide Notification No. 39/2021-CT, dated 21st December, 2021]

(b) he has received the goods or services or both.

Explanation : For the purposes of this clause, it shall be deemed that the registered person has received the goods or, as the case may be, services—

(i) where the goods are delivered by the supplier to a recipient or any other person on the direction of such registered person, whether acting as an agent or otherwise, before or during movement of goods, either by way of transfer of documents of title to goods or otherwise;

(ii) where the services are provided by the supplier to any person on the direction of and on account of such registered person.

(ba) the details of input tax credit in respect of the said supply communicated to such registered person under section 38 has not been restricted;

(c) Subject to the provisions of section 41, the tax charged in respect of such supply has been actually paid to the Government, either in cash or through utilization of input tax credit admissible in respect of the said supply; and

(d) He has furnished the return under section 39:

PROVIDED that where the goods against an invoice are received in lots or instalments, the registered person shall be entitled to take credit upon receipt of the last lot or instalment:

PROVIDED FURTHER that where a recipient fails to pay to the supplier of goods or services or both, other than the supplies on which

tax is payable on reverse charge basis, the amount towards the value of supply along with tax payable thereon within a period of one hundred and eighty days from the date of issue of invoice by the supplier, an amount equal to the input tax credit availed by the supplier, an amount equal to the input tax credit availed by the recipient shall be paid by him along with interest payable under section 50, in such manner as may be prescribed:

PROVIDED ALSO that the recipient shall be entitled to avail of the credit of input tax on payment made by him to the supplier of the amount towards the value of supply of goods or services or both along with tax payable thereon.

Section 16(3) says: Where the registered person has claimed depreciation on the tax component of the cost of capital goods and plant and machinery under the provisions of the Income-tax Act, 1961, the input tax credit on the said tax component shall not be allowed.

Section 16(4) says: A registered person shall not be entitled to take input tax credit in respect of any invoice or debit note for supply of goods or services or both after the thirtieth day of November following the end of financial year to which such invoice or debit note pertains or furnishing of the relevant annual return, whichever is earlier:

PROVIDED that the registered person shall be entitled to take input tax credit after the due date of furnishing of the return under section 39 for the month of September, 2018 till the due date of furnishing of the return under the said section for the month of March, 2019 in respect of any invoice or invoice relating to such debit note for supply of goods or services or both made during the financial year 2017-18, the details of which have been uploaded by the supplier under sub-section (1) of section 37 till the due date for furnishing the details under sub-section (1) of said section for the month of March, 2019.

Key features: Conditions for taking Input tax credit:

(i) Possession of tax invoice
(ii) Receipt of goods or services or both
(iii) tax charged in respect of such supply has been actually paid to the Government
(iv) He has furnished the return under section 39
(v) Did not claim depreciation on the tax component of the cost of capital goods and plant and machinery under the provisions of the Income-tax Act, 1961 [*Now refer Income-tax Act, 2025*]
(vi) Person shall not be entitled to take input tax credit in respect of any invoice or debit note after 30th November following the end of financial year to which such invoice or debit note pertains.
(vii) Payment made to supplier within 180 days. Refer Rule 37
(viii) The burden of proving such claim shall lie on such person (who has availed the ITC). Refer section 155

Documentary requirements for claiming input tax credit

Rule 36(1) says: The input tax credit shall be availed by a registered person, including the Input Service Distributor, on the basis of any of the following documents, namely,—