

# Announcement of GST Rates

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## GST Migration

20 May 2017

## RATES UNDER GST

The Goods and Services Tax (GST) Council, at its fourteenth meeting on 18<sup>th</sup> May 2017 held in Srinagar, has approved the rate structure on majority of the goods and services. The Government classified 1211 items under 98 categories of goods in various tax slabs i.e. 5%, 12%, 18% and 28% and has kept a large number of items under 18% tax slab.

Please [click here](#) for complete GST rate schedule

GST Council also cleared draft Rules on Registration, Invoice, Payment, Refund, Input Tax Credit, Valuation and Composition. Rules for Transition and Returns have been forwarded to the Law Commission for validation.

As GST is set to be launched on **1<sup>st</sup> July 2017**, it is important to understand who are required to get enrolled / registered before the appointed date i.e. the day when law comes into force.

## GST ENROLLMENT

Under Phase 1 of the enrolment, more than 6 million taxpayers have enrolled on the GST Portal between 8th November 2016 and 30th April 2017. The enrolment process has been closed with effect from 1st May 2017 and the taxpayers who have signed the enrolment form will be migrated to the new GST System.

The enrolment window will reopen on 1st June 2017 for taxpayers who could not register themselves earlier.

## Persons liable for registration

Every supplier of goods and / or service should be registered in the state from which taxable supplies of goods and/or service is made. Registration is required if aggregate turnover<sup>1</sup> in a financial year exceeds Rs 2 million except in few special category States<sup>2</sup> where the limit is Rs 1 million.

Every person who, on the day immediately preceding the appointed day, is registered or holds a license under Excise law, Service Tax, Central Sales Tax or VAT Act shall be liable to be registered under Goods and Services Tax Act by following the migration process.

## Registration under different states

A person operating in different states, with same PAN number is required to be registered separately for each of the states where he has business operations.

## Multiple registrations in one state

A person with multiple business verticals in one state has option to obtain separate registration for each of its business vertical.

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<sup>1</sup>"Aggregate turnover" means aggregate value of all taxable supplies, exempt supplies, export of goods or service, or inter-state supply of goods/service of person having same PAN and calculated on all India basis. It includes all supplies made by the taxable person, whether on his own account or made on behalf of his principal.

<sup>2</sup> Arunachal Pradesh, Assam, Jammu and Kashmir, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura, Himachal Pradesh and Uttarakhand

## Compulsory registration in certain cases

Apart from above, irrespective of limit of aggregate turnover, compulsory registration is required for certain categories of taxable person including the following:

- i. Casual Taxable Person
- ii. person making inter-state taxable supply
- iii. persons who are required to pay tax under reverse charge<sup>3</sup>
- iv. person who are required to pay tax under composite levy scheme<sup>4</sup>
- v. non-resident taxable persons making taxable supply
- vi. persons who are required to deduct tax as per Government mandate, whether or not separately registered under GST
- vii. persons who make taxable supply of goods or services or both on behalf of other taxable persons whether as an agent or otherwise
- viii. Input Service Distributor, whether or not registered separately
- ix. every electronic commerce operator
- x. such other person or class of persons as may be notified by the Government on the recommendations of the Council

## Voluntary registration

The GST law has also made the provision for voluntary registration for the suppliers who do not want to disrupt the benefit of input tax credit in the supply chain.

## Timeline to get registration

The application of registration shall be made within 30 days from the date when the supplier becomes liable for registration.

Casual taxable person<sup>5</sup> and non-resident taxable person shall make application for registration 5 days before the date of commencement of business.

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<sup>3</sup> Where registered person acquires goods or services from unregistered person, tax thereon shall be paid by the person receiving such goods and/or service. Central government also has power to notify the class of persons where full reverse charge mechanism will apply

<sup>4</sup>The Government has introduced Composition Scheme (which is merely an extension of the current scheme under VAT law) under GST for small and medium enterprises etc. who may find it difficult to comply with onerous compliances under GST. Businesses dealing only in goods with annual turnover below Rs 5 million can avail the benefit of composition scheme. Service providers (except restaurants) have been kept outside the scope of this scheme.

<sup>5</sup> The registration would be valid for 90 days or such period as specified in the application, whichever is shorter

## Persons not liable for registration

The following persons shall not be liable for registration:

- (a) if his aggregate turnover consists of only such Goods and / or Service which are not liable to Tax or wholly exempt from tax
- (b) an agriculturist, to the extent of supply of produce out of cultivation of land

## Amendment in registration

GST law specifically allows amendment of registrations. Every registered taxable person and a person to whom a unique identity number has been assigned shall inform the GST authority of any changes in the information furnished at the time of registration or subsequent thereto, in such form and manner and within such period as may be prescribed.

## Cancellation of registration

GST has also authorized the competent authority to cancel registration to enforce compliance. A registration granted can be cancelled by GST authority on his own motion or on the application filed by registered person or his legal heirs.

## Few factors impacting Registration decision and application for registration

- a) When the goods/ services are supplied by a supplier, who is un-registered person to a receiver, who is registered person, the liability to pay tax on such supplies will be on recipient under reverse charge basis.

It therefore appears that, threshold exemption for not-obtaining registration given under is only an administrative relief given to small business entities and it would not render the supplies made by them exempt.

- b) A taxable person who is eligible for payment of tax under Composition scheme, is also under obligation to pay tax under normal rates in respect of supply of goods/service received by him from unregistered persons, failing which benefit of composition scheme would not be applicable to him.
- c) As each place of business in different state needs separate registration, stock transfers by registered supplier from one state to another state becomes taxable supply in GST. The business model may be re – designed to achieve the cost-effective approach in such transfers. It may impact the decision of getting registration in one or multiple state.

Where taxable person has same branch office in the same state and is holding one PAN for head office and branch office, it may choose to get single registration under that particular state. In that case, stock transfers between head office to branch office will not attract GST provided address of branch office is reported as additional place of business while applying for the registration.

- d) To exercise the option of getting separate registration for each business vertical within the state may depend upon the quantum of input tax credit available in each business vertical and scope of utilizing the same for the other business vertical effectively.
- e) Transfer of goods by principal to agent and/or vice-versa is also regarded as supply and GST will be charged on such transfers. Hence, one needs to analyze the impact of separate registration of place

of business of the agent, if it is in the same state and may have to amend the contracts in continuation to minimize the cost of GST to business.

- f) Other factors like stock lying with the agent on the appointed date and quantum of available input tax credit on the same and scope of utilizing the credit available with output SGST, CGST and IGST liability, continuing contracts, pending litigation and unfinished transactions will impact our decision of single or multiple registrations.

For any GST related assistance, please contact us at  
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