

CA FINAL

GST

Concept Book

- Concepts explained with examples, diagrams, and charts for better understanding.
- Keywords highlighted in bold; amendments marked in yellow.
- Covers ICAI material comprehensively, including hidden adjustments within concepts.



CA Karan Sheth

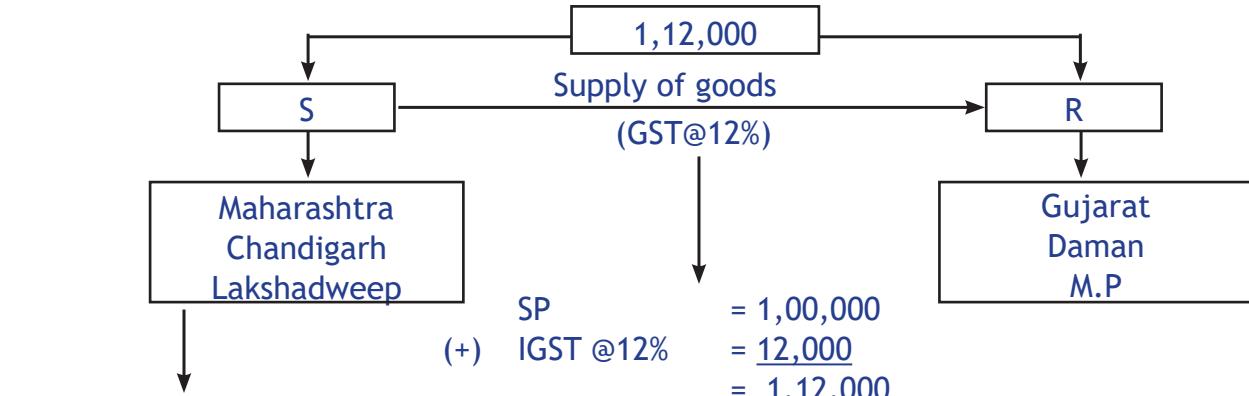
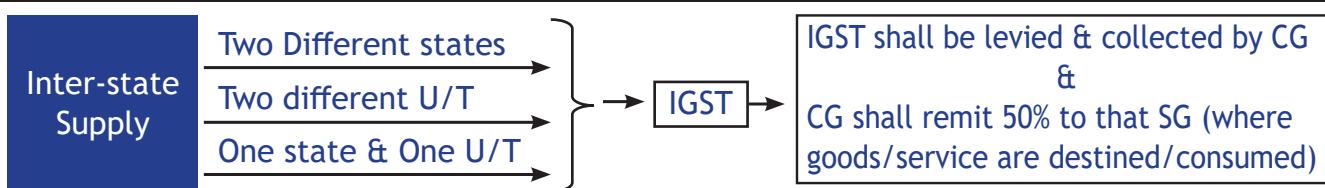
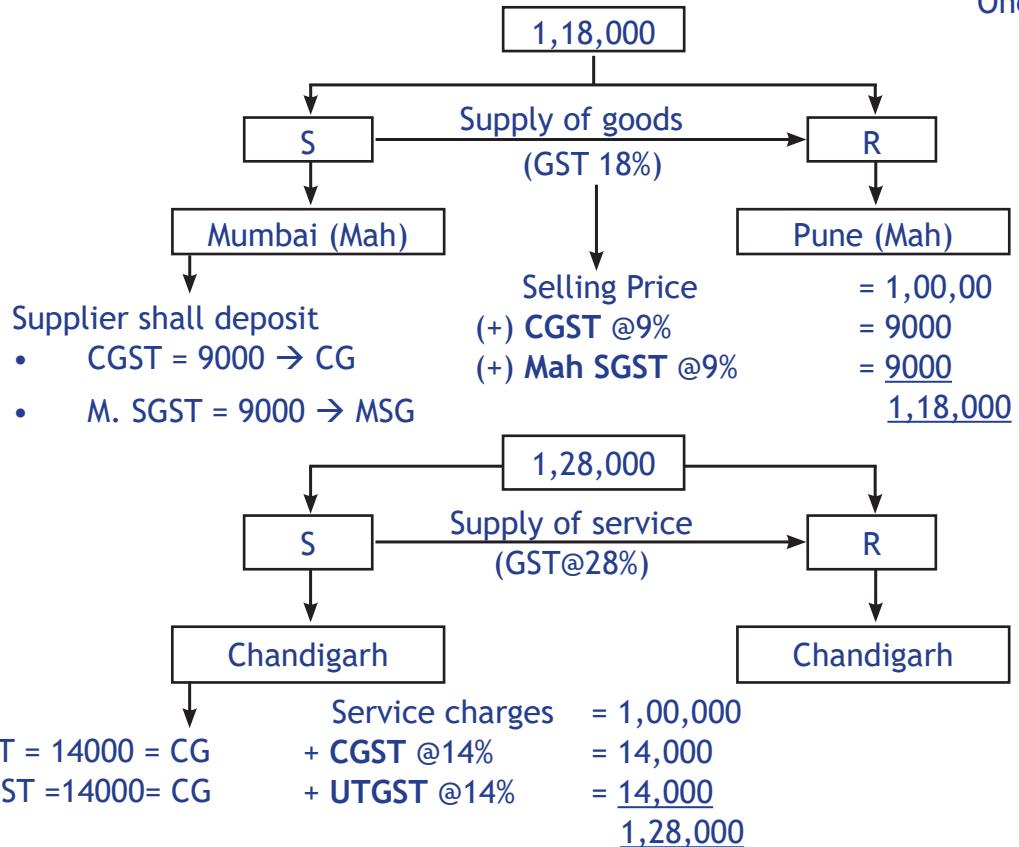
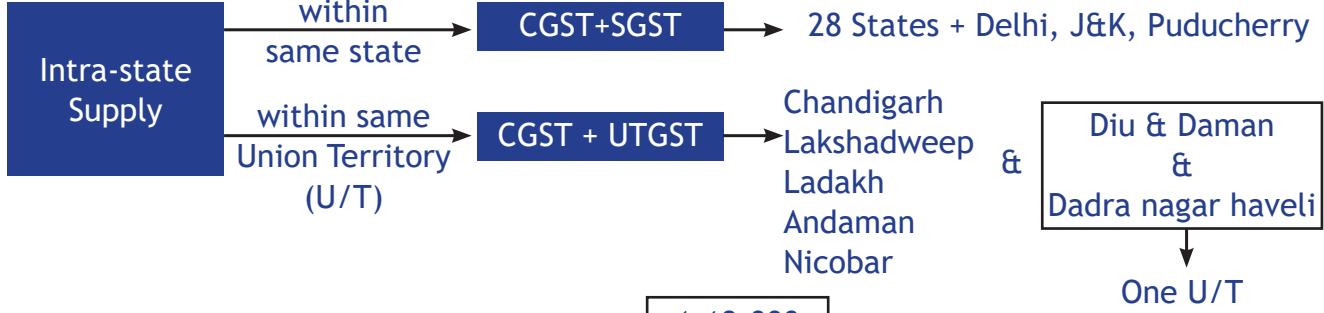
GOODS AND SERVICES TAX

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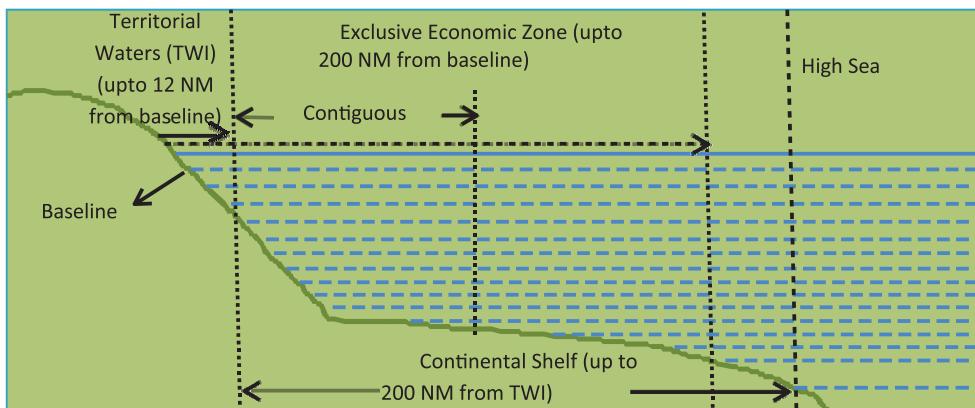
Applicable to



IGST = 12000 = (Central Government)
Central government shall remit 6000 to that state where the goods/services are Destined

Applicability

- India
- Includes territory of India
- Territorial waters, seabed and sub-soil underlying such waters, continental shelf, exclusive economic zone or any other maritime zone as referred to in the Territorial Waters, Continental Shelf, Exclusive Economic Zone and other Maritime Zones Act, 1976.
- Airspace above its Territory of India and Territorial waters of India.



Section 9 : Charging Section

Section 9 (1)

- CGST is levied on Intra-state supply of goods or service
- Except alcohol for human consumption
- Where a rate not exceeding 20% shall be levied individually
- On the value determined u/s 15 and such tax shall be paid by a **taxable person**

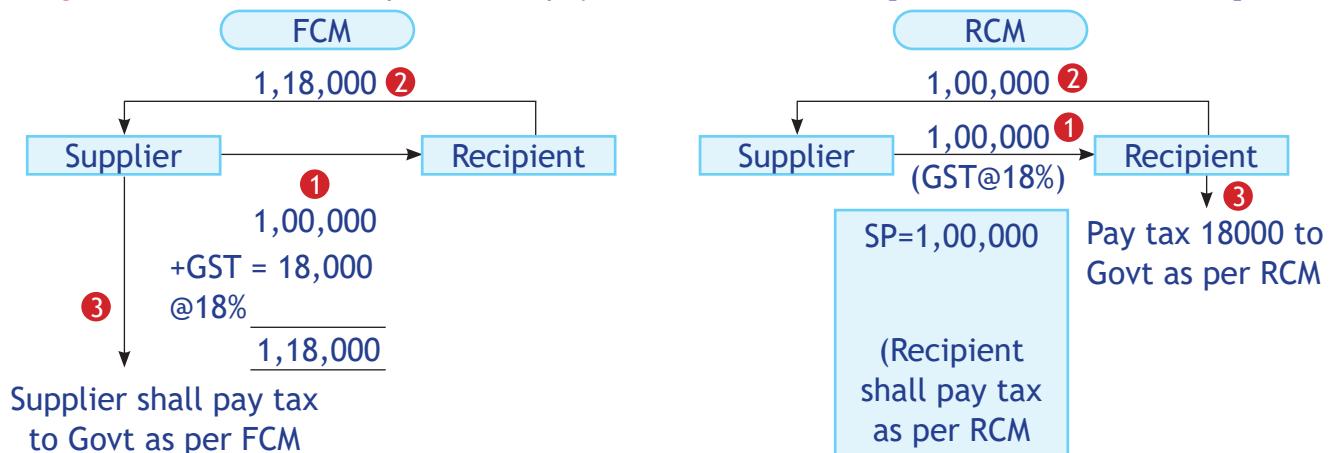
A person who is registered or liable to register u/s 22/24.

Section 9 (2)

The central tax on the supply of **petroleum crude, high speed diesel, motor spirit (commonly known as petrol), natural gas and aviation turbine fuel** shall be levied with effect from such date as may be notified by the Government on the recommendations of the Council.

Section 9 (3) (reverse charge mechanism)

Goods and services that are notified by government **on which tax shall be payable as per reserve charge mechanism** i.e. recipient shall pay tax to Government [REFER CHAPTER R.C.M.]



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.

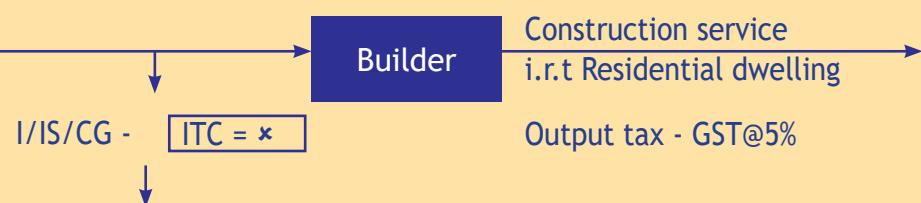
			Remarks
1)	Registered Supplier	→ Registered Recipient	R/s shall pay tax as per FCM.
2)	Registered Supplier	→ Unregistered Recipient	R/s shall pay tax as per FCM.
3)	Unregistered Supplier	→ Registered Recipient	Since supplier is unregistered, he cannot charge GST to the recipient
4)	Unregistered Supplier	→ Unregistered Recipient	Since supplier is unregistered, he cannot charge GST to the recipient

Notified Service u/s 9(4)

If value of inputs and input services purchased from registered supplier is less than 80%, promoter has to pay GST on reverse charge basis, under section 9(4) [discussed earlier], at the rate of 18% on all such inward supplies (to the extent short of 80% of the inward supplies from registered supplier).

Further, where cement is received from an unregistered person, the promoter shall pay tax on supply of such cement on reverse charge basis, under section 9(4), at the applicable rate which is 28% (CGST 14% + SGST 14%) at present.

Moreover, GST on capital goods shall be paid by the promoter on reverse charge basis, under section 9(4) at the applicable rates.



Condition:

- i) Atleast 80% of G/Sr to be purchased from RP
(If the purchase amount goes below 80% from RP)

Then Builder's shall have to pay tax as per RCM u/s 9(4) to the extent of that difference

Note:- Cement/CG is to be purchased from RP only

(If such cement/CG is purchased from URP = of any amount then such case.

Tax shall be payable as per RCM u/s 9(4)

Section 9 (5) Electronic commerce operator

A. Transportation of passengers by Radio Taxis, Motorcycle
Any other Motor vehicle other than omnibus

Tax to be paid by ECO u/s 9(5)

B. Transportation of passenger Service by omnibus

- i) If Supplier is Other than Company → ECO
- ii) If Supplier is Company → Company

C. Hotel accommodation service

House keeping service

- (i) If supplier is registered → Supplier pays tax u/s 9(1)
- (ii) If supplier is not registered → ECO will pay tax u/s 9(5)

D. Restaurant Service

If Restaurant (RP or URP) Supply service through ECO → ECO u/s 9(5)

If Restaurant is situated in a Hotel having declared tariff of more than ₹7500/day & supplies such service through ECO → Restaurant u/s 9(1)

ECO has physical presence	ECO itself
ECO does not have physical presence	Representative of ECO
ECO doesn't have physical presence nor has representative	Person appointed by ECO

Situation	Person Liable to pay tax
Hotel Lisa an unregistered person listed on GOIBIBO, an ECO whose physical presence is in India	ECO 0/s 9(5)
Jonny Plummers, an unregistered person, listed on URBANCLAP, an ECO does not have physical presence in India.	Representative of ECO u/s 9(5)
Mr Armaan, listed his car with UBER, an ECO who doesn't has a physical presence & neither has a representative.	Person appointed by ECO u/s 9(5)
Hotel Radisson an registered person u/s 22(1) listed in OYO Rooms an ECO whose physical presence is in India	Hotel Radisson u/s 9(1)
Mr. Raju, a plumber registered u/s 22(1) listed on URBANCLAP, an ECO whose physical presence is in India	Mr. Raju u/s 9(1)
Shiv Sagar Restaurant, a registered person in GST is supplying service through Zomato, an ECO	Zomato u/s 9(5)
Status Restaurant, an unregistered person supplying service through Swiggy, an ECO	Swiggy u/s 9(5)
Masala Kraft, a restaurant in Hotel Decent where the declared tariff is Rs. 2500/day supplies service through Zomato, ECO	Zomato u/s 9(5)
Shamiana, a restaurant in Taj Hotel where the declared tariff is Rs. 10,000/day supplies service through Zomato, ECO	Shamiana u/s 9(1)
Neeta Travels Pvt Ltd is supplying transportation of passenger service in an omnibus through REDBUS app.	Neeta Travels Pvt Ltd u/s 9(1)
Eagle Travels, a partnership firm is providing transportation of passenger ger service in an omnibus through GOIBIBO app	GOIBIBO, an ECO u/s 9(5)

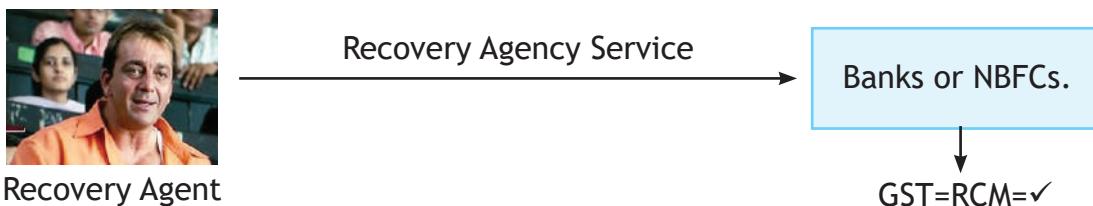
Important aspects to be remembered in RCM

1. All the recipients should be located in Taxable Territory
2. Whenever the conditions of RCM are not satisfied, tax shall be payable as per FCM i.e. by supplier
3. Partnership firm always includes LLP

1. Services supplied by an insurance agent to any person carrying on insurance business.



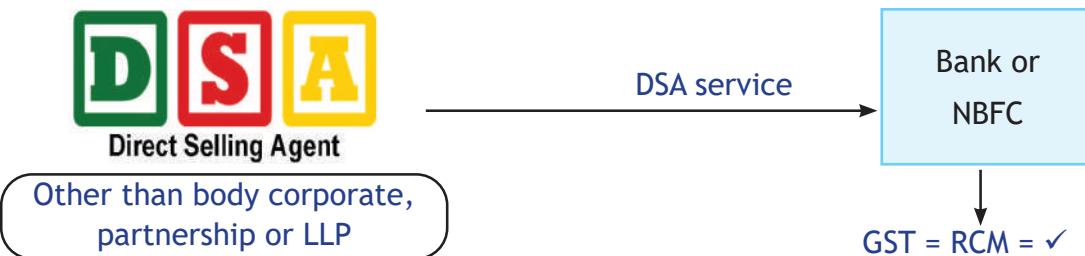
2. Services supplied by a recovery agent to a Bank / FI (including NBFC)



Example

Situation	Who is liable to pay tax
Eg-Mr. Guddu, a recovery agent is supplying to ICICI Bank service.	ICICI Bank u/s 9(3)
Eg-Mr. Bablu, a recovery agent is supplying to HUL Ltd., a manufacturer	Mr. Bablu u/s 9(1) as recipient is not a bank / NBFC.

3. Service supplied by Individual Direct Selling Agents (DSA's) other than body corporate, partnership or limited liability partnership (LLP) firm to Bank or NBFC



Example

Supplier	Recipient	Who shall pay tax
Mr. Karan	Kotak bank	Kotak Bank v/s 9(3)
KS Ltd.	Punjab National Bank	KS Ltd v/s 9(1)
KS & Associates, LLP	Mahindra Finance, NBFC	KS & Associates, LLP u/s 9(1)

4. Services provided by way of sponsorship to any body corporate or partnership firm (Incl. LLT)



Eg. Mr. Ratan supplies **sponsorship service** to Tata Ltd. amounting to Rs. 100 lacs

Ans Tata Ltd. shall pay tax as per RCM u/s 9(3)

Eg. Will your answer be different if recipient is Mr. Premji, an individual.

Ans Yes, in that case tax shall be payable by Mr. Ratan as the recipient is not a Body corporate/P.firm

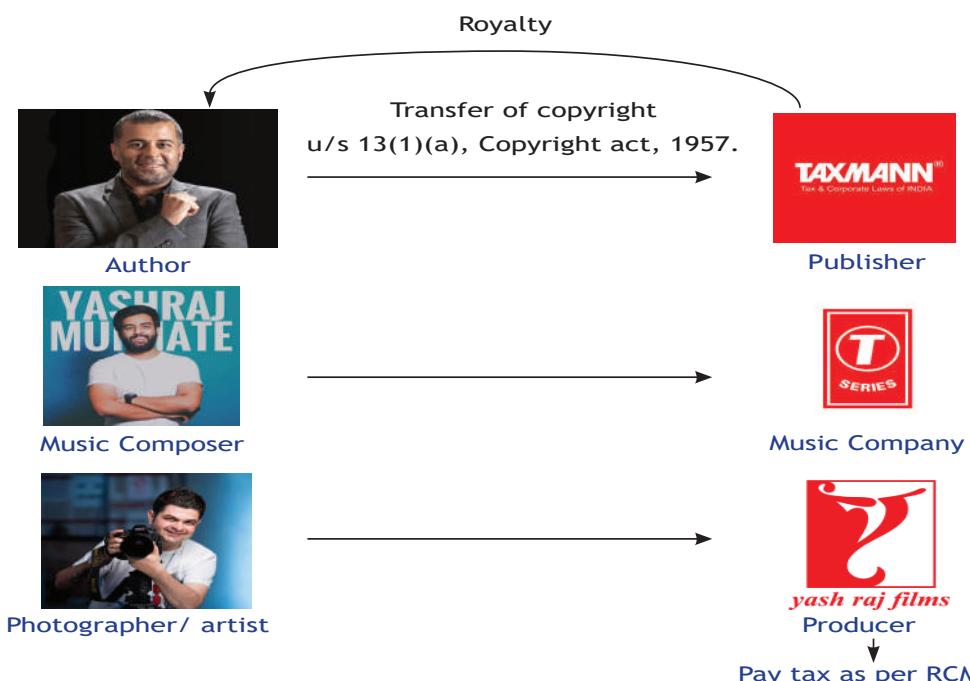
Eg. Mr. Shahid, an individual **has sponsored** “Naach Academy”, a Dancing institute run by Mr. Hritik, an individual.

Supplier = Mr. Hritik

Recipient = Mr. Shahid

Situation	Who is liable to pay tax
Who will pay tax in the above case?	Supplier (ie. Mr. Hritik) as recipient is not a BC/P. firm
Will your answer be different if Naach Academy was run by a partnership firm?	Supplier (ie. P. firm) shall pay tax as recipient is same as above
Will your answer be different if event was sponsored by Shahid Ltd?	Shahid Ltd as per RCM
Will your answer be different if event was sponsored by Shahid LLP?	Shahid LLP as per RCM

5. Supply of services by an author, music composer, photographer, artist or the like by way of transfer or permitting the use or enjoyment of a copyright covered under section 13(1)(a) of the Copyright Act, 1957 relating to original literary, dramatic, musical or artistic works to a publisher, music company, producer or the like



Now, the author of original literary work has been given an option to be covered under forward charge. The said option is allowed if following conditions are followed by the author -

- (i) the author has taken registration under the CGST Act, 2017 and filed a declaration, in the form at Annexure I, with the jurisdictional CGST or SGST commissioner, that he exercises the option to pay tax on the service under forward charge in accordance with Section 9 (1) of the CGST Act, 2017 under forward charge, and to comply with all the provisions of CGST Act, 2017. He shall not withdraw the said option within a period of 1 year from the date of exercising such option;
- (ii) the author makes a declaration, as prescribed in Annexure II on the invoice issued by him in Form GST Inv-I to the publisher.

7. Supply of services by a Goods Transport Agency (GTA)



Transportation of goods service

Recipient

- provides service in relation to transport of goods by road and
- issues consignment note, by whatever name called.

Person who is liable to pay freight

In case where GTA opts. for GST @ 5%

Registered Recipient

Tax payable as per RCM

Exception

Person registered solely for the purpose of deducting TDS u/s 51

Exempt

Unregistered Recipient

- Factories regd under Factories Act, 1948
- Societies regd under Societies Registration Act, 1860
- Co-operative societies regd under any law
- Body corporate regd under any law
- partnership firm whether regd or not under any law incl. AOP

Individual HUF Casual taxable person

Exempt

Since they are unregistered under GST law, they have to compulsorily register u/s 24

Tax payable under RCM

GTA can also opt GST@5% and charge GST@5% (without availing any ITC)

GTA (GST @ 12%)

Tax payable as per FCM

Exception

- Unregistered Individual, HUF, Casual taxable person; &
- Person registered solely for deducting TDS u/s 51

Exempt

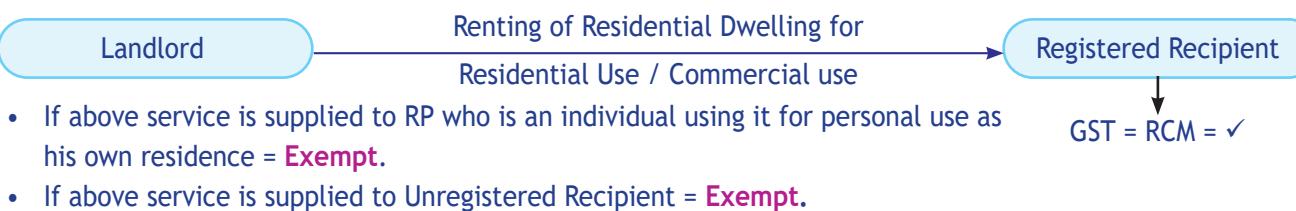
8. Security services (services provided by way of supply of security personnel) provided to a registered person



Example

Supplier	Recipient	Who shall pay tax
Mr. Shera	Being Human Ltd. registered under CGST Act	Being Human Ltd u/s 9(3)
Shera & Associates (P. firm)	Mr. Salman, a registered person under CGST Act as a composition tax payer	Shera & Associates u/s 9(1)
Mr. Shera	BMC, a local authority solely registered under Mah SGST Act to deduct TDS u/s 51	Mr. Shera u/s 9(1)
Shera Ltd.	Being Human Ltd., a registered person under CGST Act	Shera Ltd u/s 9(1)
Mr. Vicky	Mr. Ranbir, an unregistered person	Mr. Vicky u/s 9(1)

11. Renting of Residential Dwelling for Residential use



12. Services provided by Business Facilitator (BF) to a banking company.

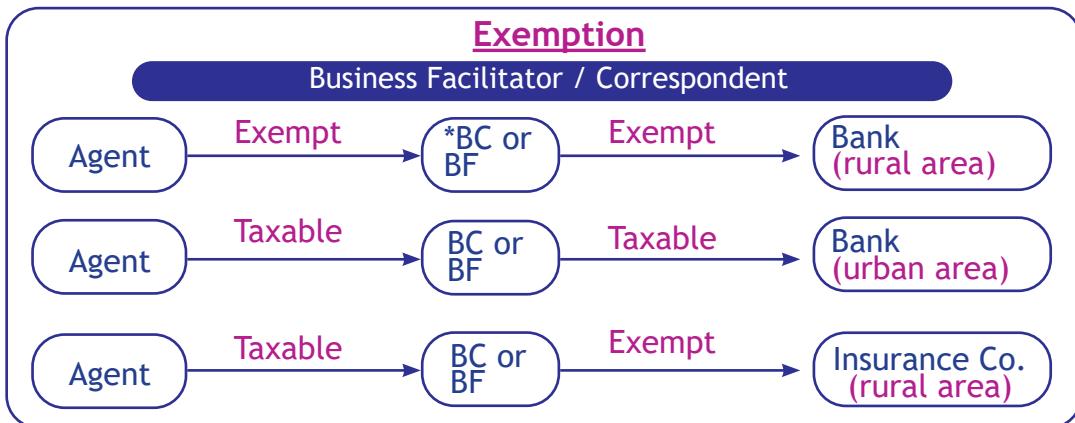


Supplier	Recipient	Who is liable to pay tax
Agent	Business facilitator	Agent u/s 9(1)
Business facilitator	Bank	Bank u/s 9(3)

13. Services provided by an Agent of Business Correspondent (BC) to Business Correspondent (BC).



Supplier	Recipient	Who is liable to pay tax
Agent	Business correspondent	Business Correspondent u/s 9(3)
Business correspondent	Bank	Business Correspondent u/s 9(1)

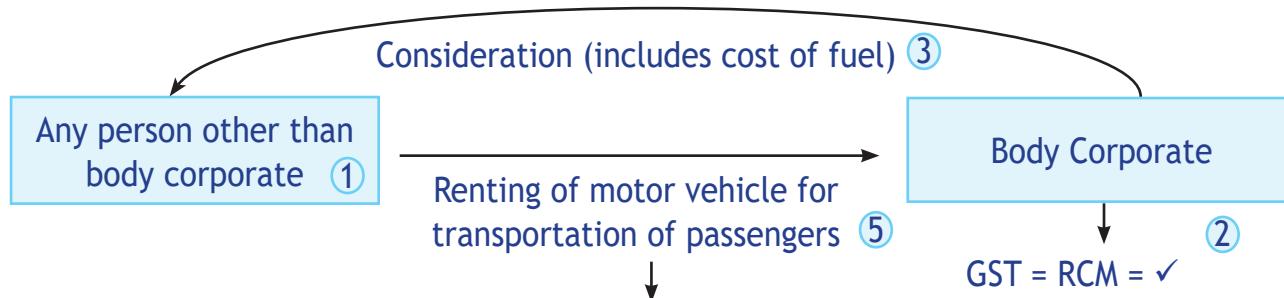


14. Supply of service by the member of overseeing committee to Reserve bank of India (RBI)



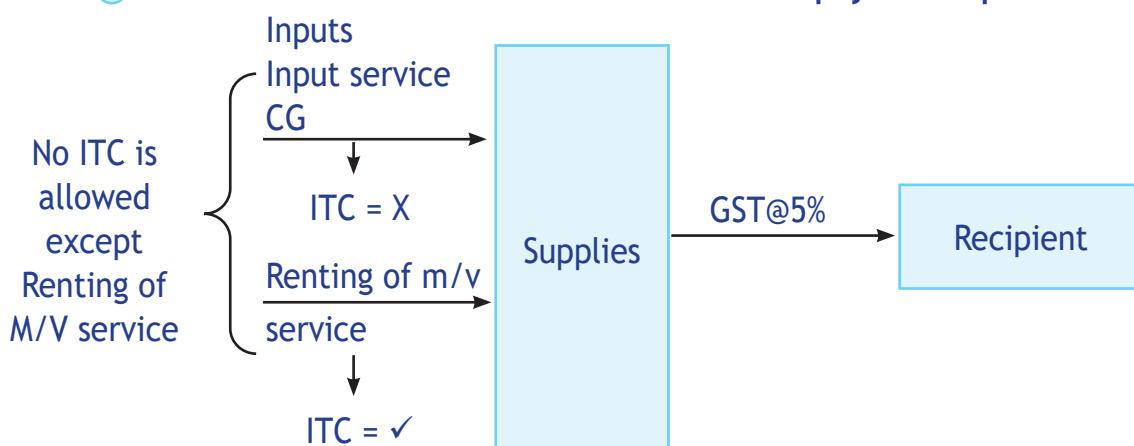
15. Renting of motor vehicle for transportation of passenger

In case where GST is payable by 5% ④



if above ⑤ conditions are satisfied then tax shall be paid by supplier as per RCM.

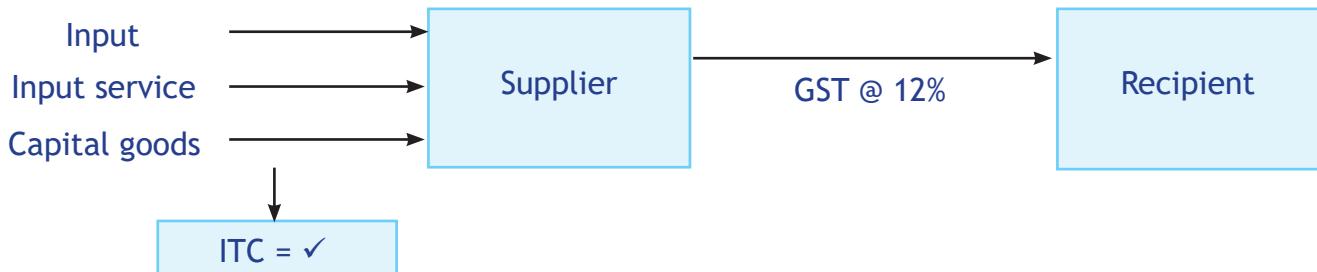
if above ⑤ conditions are not satisfied then tax shall be payable as per FCM.



In case where GST is payable by 12%

Tax shall be payable as per **FCM**
and

in this case it can avail ITC of all inputs/input service/capital goods



Eg. Mr. RV runs a car rental business and has supplied rental service amounting to Rs. 10L
Where consideration includes cost of fuel

Mr. RV procured following items

Spare parts	= 1L (GST @ 18%, excl)
Capital goods	= 3L (GST @ 12%, excl)
Car repairing service	= 1L (GST @ 18%, excl)
Renting of motor vehicle service	= 2L (GST @ 12%, excl)
Petrol	= 50,000 (ED@10% excl)

Supplier	Recipient	GST	Who will pay tax and what shall be GST liability
Mr. RV	YRF Ltd	5%	YRF Ltd u/s 9(3) YRF shall pay tax $= 10L \times 5\% = 50,000$
Mr. RV	Mr. KS	5%	<u>Mr RV v/s 9(1)</u> o/p tax = $10L \times 5\% = 50k$ (-) ITC Renting of M/V = (24K) $(2L \times 12\%)$ C/B = <u>26k</u>
Mr. RV	Sony Ltd	12%	<u>Mr RV u/s 9(1)</u> o/p tax = $1,20,000 (10L \times 12\%)$ (-) ITC Spare parts = (8k) Capital Goods = (36k) car repairing Service = (18k) Renting Service = (24k) C/B = <u>24k</u>

16.

Consideration

Land Owner

Promotor

Transfer of Development Rights or
FSI for construction of a project

GST=RCM=✓

Consideration

Land Owner

Promotor

Long term lease of land (i.e 30
years or more)

GST=RCM=✓

17.

Consideration

Lender

Borrower

lending securities Service

lending fees

GST = RCM=✓

18. Services supplied by an individual advocate including a senior advocate or firm of advocates by way of legal services, directly or indirectly.

Legal Services

Arbitration Tribunal

*GA = Govt Authority

*GE = Govt Entity

To B/E

CG/SG/UT/LA
GE - GA*
Exempt

To N/B/E = Exempt

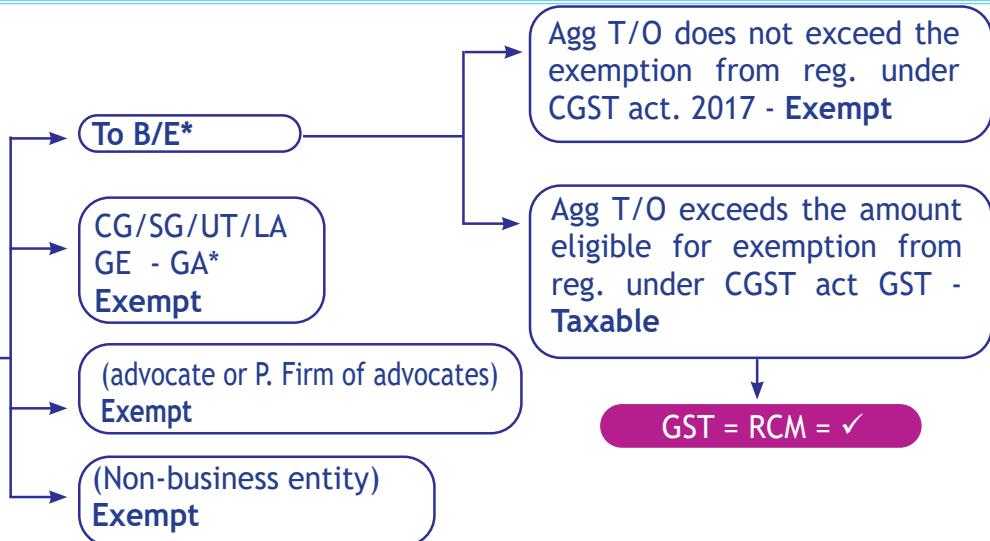
Agg T/O does not exceed
the exemption from reg.
under CGST act. 2017 -
Exempt

Agg T/O exceeds the amount
eligible for exemption from
reg. under CGST act GST -
Taxable

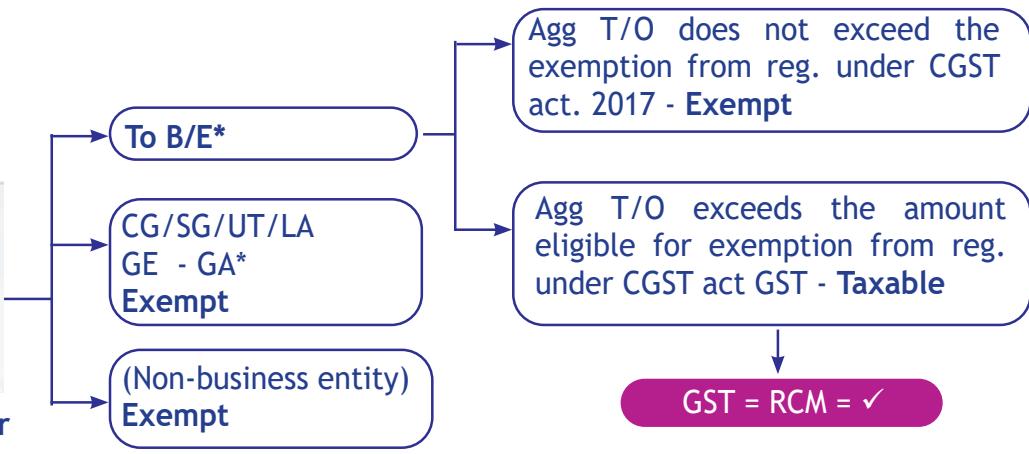
GST = RCM = ✓



Individual advocate
or
P. firm of advocates



Harvey Specter
senior advocate



* B/E : Business Entity

Any person who carries out business

Non B/E= Non Business Entity

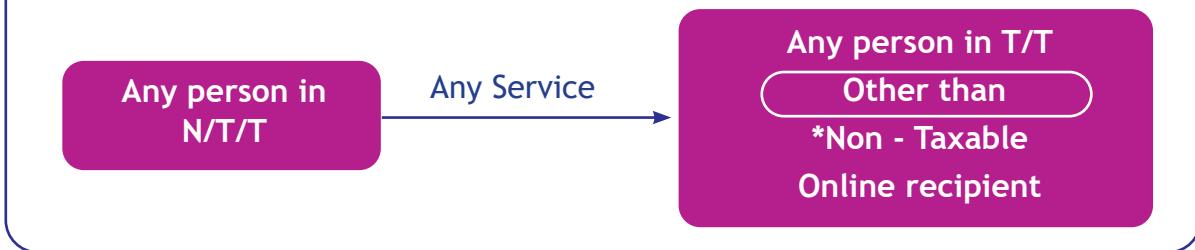
Eg: Person employed / unemployed

Services supplied by a director of a body corporate to the said body corporate.

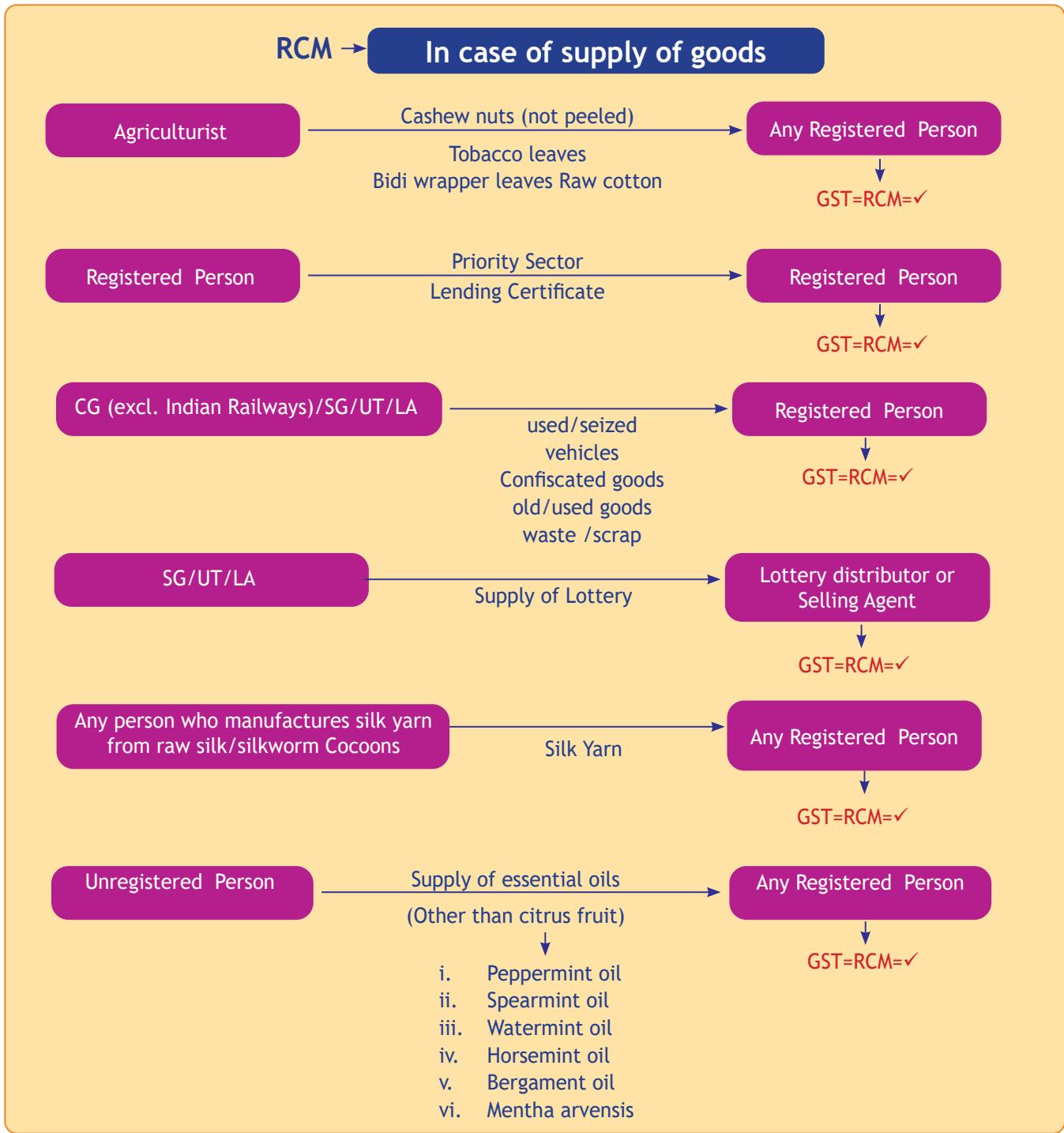


Note: Service supplied by director (in his personal capacity) by the way of renting of immovable property to company as per FCM

Sec. 5(3), IGST Act 2017



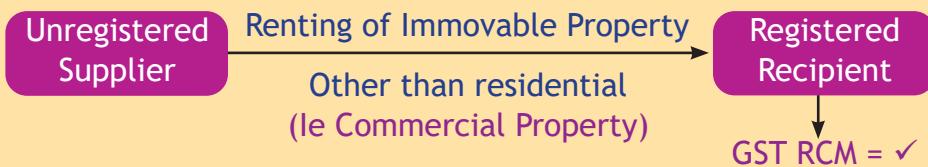
*NTOR = Unregistered person who procures OIDAR service in taxable territory.



Amendment

1 RCM (In case of Services):

Entry 5AB newly inserted:
Services by way of renting of any immovable property other than residential dwelling by Any unregistered person to Any Registered Person



Question :

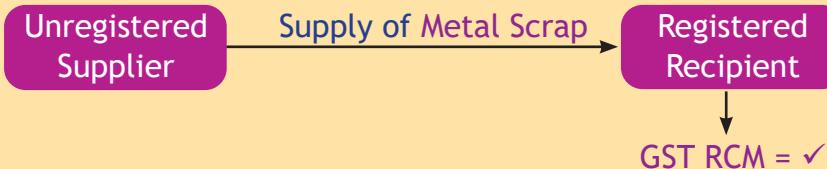
Mr. Jaggu Dada, an unregistered individual owns a commercial shop and rents it to Tiger Pvt. Ltd., a registered company, for ₹50,000 per month.

Answer:

As per the new amendment (Entry 5AB), **renting of any immovable property other than residential dwelling by an unregistered person to a registered person** is liable to RCM, Tiger Pvt. Ltd. (the registered tenant) is liable to pay GST under RCM.

2 RCM (In case of Goods):

Metal Scrap (when supplied by unregistered person to any registered person) are taxable under reverse charge.



Question :

Ramesh Scrap Traders (Unregistered Scrap Dealer) sells metal scrap worth ₹1,00,000 to Tata Steel Ltd (registered manufacturing company). Who is liable to pay GST?

Answer:

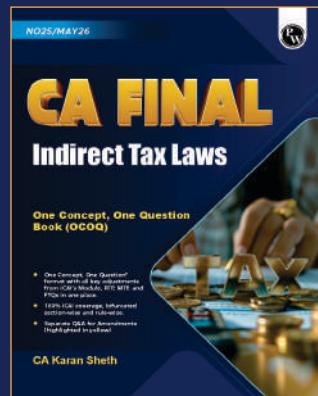
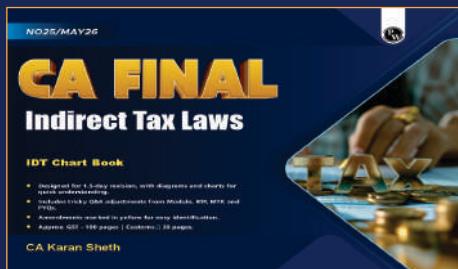
As per amendment related to RCM (In case of Goods), **metal scrap when supplied by an unregistered person to any registered person** is taxable under reverse charge. Thus, Tata Steel Ltd is liable to pay GST under RCM.

About The Author

CA Karan Sheth, a distinguished educator in Indirect Tax, has over a decade of teaching experience, mentoring 50,000+ students through online and offline platforms across 15 cities in India. Renowned for his engaging storytelling approach, his entire focus is that the student should be able to remember concepts through logic and not by rote memorization method. His students have achieved remarkable success, including AIR 6- Mahesh Tapadiya, who scored 87 in Indirect Tax, and over 1,000 exemptions in the last five years alone. He's now looking for his next student who will beat his previous record of 87 marks in IDT and he wants it to be none other than you who is reading this note.

#HasteHasteKatJayengeIDTkeRaaste

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