



PRACTICAL TAXATION

M21CM01AC

Master of Commerce

Ability Enhancement Compulsory Course

SELF LEARNING MATERIAL

SREENARAYANAGURU OPEN UNIVERSITY

The State University for Education, Training and Research in Blended Format, Kerala

SREENARAYANAGURU OPEN UNIVERSITY

Vision

To increase access of potential learners of all categories to higher education, research and training, and ensure equity through delivery of high quality processes and outcomes fostering inclusive educational empowerment for social advancement.

Mission

To be benchmarked as a model for conservation and dissemination of knowledge and skill on blended and virtual mode in education, training and research for normal, continuing, and adult learners.

Pathway

Access and Quality define Equity.

Practical Taxation

Course Code: M21CM01AC

Semester - I

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Self Learning Material
(With Model Question Paper Sets)



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Dear

I greet all of you with deep delight and great excitement. I welcome you to the Sreenarayanaguru Open University.

Sreenarayanaguru Open University was established in September 2020 as a state initiative for fostering higher education in open and distance mode. We shaped our dreams through a pathway defined by a dictum 'access and quality define equity'. It provides all reasons to us for the celebration of quality in the process of education. I am overwhelmed to let you know that we have resolved not to become ourselves a reason or cause a reason for the dissemination of inferior education. It sets the pace as well as the destination. The name of the University centres around the aura of Sreenarayanaguru, the great renaissance thinker of modern India. His name is a reminder for us to ensure quality in the delivery of all academic endeavours.

Sreenarayanaguru Open University rests on the practical framework of the popularly known "blended format". Learner on distance mode obviously has limitations in getting exposed to the full potential of classroom learning experience. Our pedagogical basket has three entities viz Self Learning Material, Classroom Counselling and Virtual modes. This combination is expected to provide high voltage in learning as well as teaching experiences. Care has been taken to ensure quality endeavours across all the entities.

The university is committed to providing you with a stimulating learning experience. The master's programme in Commerce is considered to be an academic progression of the bachelor programme in form and content. It heavily leans on the knowledge level of a normal undergraduate learner. The discussions on the theories and accounting practices are kept integrated with a view to ensure cohesiveness in the understanding of the learner. The worked-out problems and its procedures constitute the conspicuous identity of the programme. Mathematical knowledge is enhanced over the modules. We assure you that the university student support services will closely stay with you for the redressal of your grievances during your studentship.

Feel free to write to us about anything that you feel relevant regarding the academic programme.

Wish you the best.



Regards,
Dr. P. M. Mubarak Pasha

01.12.2023

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01 BLOCK

ACCOUNTING FOR GST

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ACCOUNTS AND RECORDS UNDER GST

Learning Outcomes

Upon completion of this unit, the learner will be able to:

- ♦ develop a comprehensive idea on the concept of GST.
- ♦ provide expert knowledge of Goods and Services Tax
- ♦ realise the uniqueness of GST over the previous methods of taxation on goods and services.
- ♦ evaluate the supremacy of GST over old patterns of indirect taxation.

Background

Imagine a bustling marketplace where countless vendors offer an array of goods and services to eager consumers. In this dynamic economic ecosystem, transactions occur at a dizzying pace, each contributing to the intricate web of commerce. However, beneath this vibrant activity lies a complex network of taxes, regulations, and compliance hurdles.

Around the world, governments realised they needed a better tax system that makes things less complicated, reduces tax evasion, and promotes economic growth. This recognition has given rise to the concept of Goods and Services Tax (GST).

GST is a revolutionary tax reform that has been implemented in numerous countries around the world. It is a destination-based consumption tax that aims to harmonise and simplify the tax structure by subsuming various indirect taxes into a single, integrated system. This change is essential to enhance the ease of doing business, create a level playing field for all taxpayers, and foster economic development.

In this unit, we'll explore why GST is necessary, various aspects of GST, its main features, and how it affects people, businesses, and governments. So, let's start this journey to understand Goods and Services Tax.

Keywords

Indirect tax, Direct tax, Intra-state and Inter-state Supply, Electronic ledgers, GSTIN, Input Tax Credit, Mixed supply, Composite supply, Computation of GST liability.

Discussion

1.1.1 Indirect Tax

Direct and indirect taxes are two broad categories of taxes that are levied by governments on individuals and businesses.

- ◆ Incidence and impact are on the same person

Direct Tax: A direct tax is paid directly by an individual or organisation to an imposing entity. The direct tax is a type of tax where the incidence and impact of taxation falls on the same entity. It means the burden of direct tax cannot be shifted by the taxpayer to someone else. The significant direct tax imposed in India is Income Tax.

- ◆ Incidence and impact are on different persons

Indirect Tax: The indirect taxes are imposed on goods/services. The immediate liability to pay indirect taxes lies on the manufacturer/service provider/seller, etc. but the burden is ultimately transferred to the consumers. Since this tax is indirectly borne by the consumer, it is called indirect tax. Hence, an indirect tax is collected by an intermediary from the person who bears the ultimate economic burden of the tax. It may be noted that the burden of indirect tax is transferred not in the form of taxes but as a part of the price of such goods/ services. The indirect taxes follow regressive taxation as it does not depend on the paying capacity as tax payable on commodities is the same whether it is purchased by a poor man or rich person. Therefore, indirect taxes are regressive in nature. However, some governments impose higher taxes on luxury goods, which can make these goods less affordable for low-income consumers.

Direct Taxes	Indirect Taxes
Direct taxes are taxes directly incurred and paid by the person concerned.	Indirect taxes are paid by one person (dealer), but the same is recovered from another person (consumer).
There is no shifting of tax burden. Hence it is directly borne by the taxpayer .	Tax burden is shifted to subsequent users .
Income based tax (income from salary, income from house property, profit and gain from business or profession, capital gain, income from other sources.)	Supply based tax (sale, transfer, exchange, barter, license, rental, lease and disposal).
Progressive in nature - high rate of taxes for people having higher ability to pay.	Regressive in nature - all the consumers equally bear the burden, irrespective of their ability to pay.
These have an element of certainty. The taxpayer knows the amount of tax payable.	Tax evasion is less likely in the case of indirect taxes.
Entire revenue goes to the Central Government of India.	Revenue goes to the central government, state governments, and union territories.
These do not have any impact on costs and prices of goods	Increase in rates of indirect taxes leads to increase in costs and prices of goods.

1.1.2 Introduction to Indirect Tax -GST

♦ Administration of indirect tax

Indirect taxes are the major sources of revenue for the government. The Central Board of Indirect Taxes and Customs (“CBIC”) (erstwhile Central Board of Excise and Customs) is the apex regulatory body that supervises the levy and administration of Indirect Taxes in India. CBIC is a part of the Department of Revenue under the Ministry of Finance, Government of India. It deals with the tasks of formulation of policy concerning levy and collection of Customs, Central Excise duties, Central Goods and Services Tax and IGST, prevention of smuggling and administration of matters relating to Customs, Central Excise, and Narcotics. The Board is the administrative authority for its subordinate organisations, including Custom Houses, Central Excise and Central GST Commissionerate and the Central Revenues Control Laboratory. In recent years, the Indian government has undertaken significant reforms under the indirect taxation system. This includes the implementation of Goods and Services Tax.

Goods and Services Tax (GST) is an Indirect Tax which has replaced a number of different indirect taxes, such as value-add-

◆ Destination based tax

ed tax (VAT), excise duty, and service tax. The Goods and Services Tax Act was passed in the Parliament on March 29, 2017. The Act came into effect on July 01, 2017. GST is a destination-based tax on consumption of goods and services. It is levied at all stages right from manufacture to final consumption with credit of taxes paid at previous stages available as set-off. In a nutshell, only value addition will be taxed and the burden of tax is to be borne by the final consumer.

1.1.3 Constitutional Amendment

The mother of every law in India is the Constitution. Therefore, to understand the GST it is necessary to understand the constitutional provisions behind the GST law. India has a three-tier federal structure, comprising the Union Government, the State Governments and the Local Government. The power to levy taxes and duties is distributed among the three tiers of Governments, in accordance with the provisions of the Indian Constitution. The historical background of GST in India consists of:

◆ Evolution of GST

- a. Vijay Kelkar Task Force 2004, it strongly recommended the integration of indirect taxes into the form of GST in India.
- b. The Union Government for the first time in the Union Budget 2006-07 announced that the GST would be applicable from 1 April, 2010.
- c. The empowered committees of State Finance Ministers after various meetings reached on an amicable formula for implementation of GST in India.
- d. The Government of India issued the first discussion paper in November 2009.
- e. The Finance Minister in his speech announced that the GST will be rolled out by April, 2011.
- f. Constitution (122nd Amendment) Bill introduced in the Parliament in December 2014; the Lok Sabha passed the bill on 6 May, 2015.
- g. On June 14, 2016, the Ministry of Finance released a draft Model law on GST in public domain for views and suggestions.
- h. On 3 August, 2016 the Constitution (122nd Amendment) Bill, 2014 was passed by Rajya Sabha with certain amendments.
- i. The final step to the Constitution (122nd) Amendment Bill, 2014 becoming an Act was taken when the Hon'ble Pres-

ident of India gave his final assent on September 8, 2016. The Constitutional (101st Amendment) Act came into force which empowers both the State and Centre to levy this tax.

- j. A comprehensive dual Goods and Services Tax (GST) has replaced the complex multiple indirect tax structure from 1 July, 2017.

1.1.4 Dual GST Model

The Dual GST Model refers to a concept where both the Centre and States simultaneously levy taxes on the supply of goods and services while the administration is run separately. India has adopted a dual GST model, i.e., where the tax is imposed concurrently by the Centre and the States. For an intra-state sale, the GST is equally divided between the Central and the State Government (CGST + SGST), and for inter-state sales, the GST is collected by the Central Government (IGST). Sections 7 and 8 of the IGST Act deal with the criteria for determining whether a supply is inter-state or intra-state in nature. Following are the Acts under GST which were passed and received the President's assent on April 12, 2017 and became effective from July 1, 2017:

- ♦ Centre and States simultaneously levy taxes

- xi. The Central Goods and Services Tax Act, 2017 (CGST),
- xii. The State Goods and Services Tax Act, 2017 (SGST),
- xiii. The Integrated Goods and Services Tax Act, 2017 (IGST),
- xiv. The Union Territory Goods and Services Tax Act, 2017

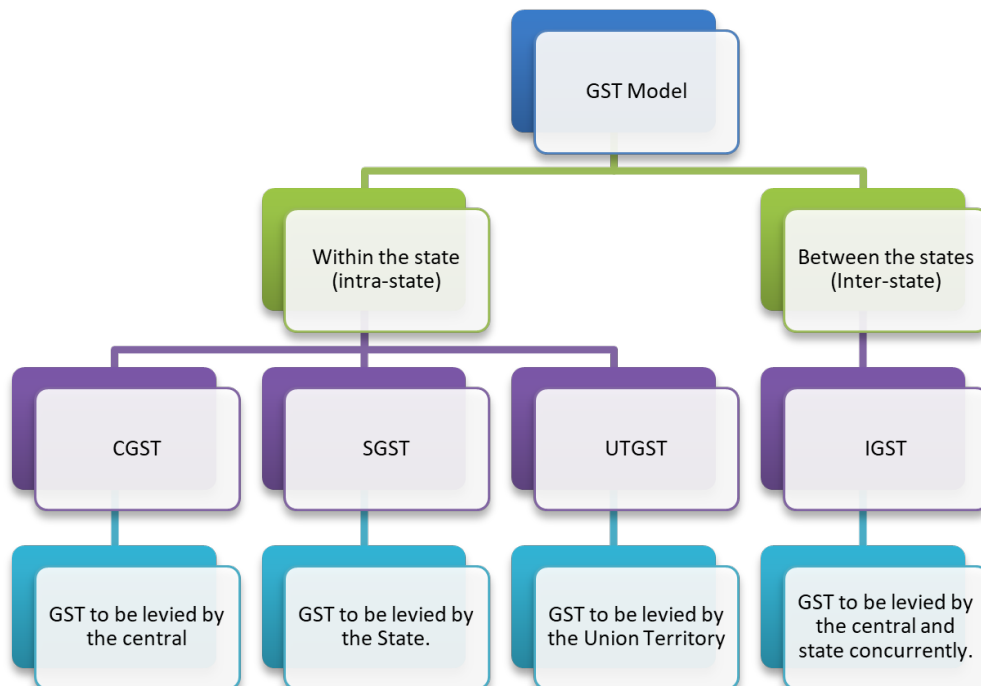


Figure 1.1.1
GST model

(UTGST),
xv. The Goods and Services Tax (Compensation to States) Act,
2017 (Compensation Cess)

1.1.5 Features of GST

The salient features of GST are as under:

♦ Supply

♦ Destination-based

♦ Dual GST

♦ Integrated GST (IGST) for inter-state supply

♦ IGST for Import of goods/services

♦ GST rates

♦ Alcohol (exempt)

- ♦ GST is applicable on 'supply' of goods or services as against the present concept on the manufacture of goods or on sale of goods or on provision of services.
- ♦ GST is based on the principle of destination-based consumption taxation as against the present principle of origin-based taxation.
- ♦ It is a dual GST with the Centre and the States simultaneously levying tax on a common base. The GST to be levied by the Centre would be called Central GST (CGST) and that to be levied by the States would be called State GST (SGST).
- ♦ An Integrated GST (IGST) would be levied in an inter-state supply (including stock transfers) of goods or services. This shall be levied and collected by the Government of India and such tax shall be apportioned between the Union and the States in the manner as may be provided by Parliament by Law on the recommendation of the GST Council.
- ♦ Import of goods or services would be treated as inter-state supplies and would be subject to IGST in addition to the applicable customs duties.
- ♦ CGST, SGST and IGST would be levied at rates to be mutually agreed upon by the Centre and the States. The rates would be notified on the recommendation of the GST Council. In a recent meeting, the GST Council has decided that GST would be levied at four rates viz. 5%, 12%, 18% and 28%. The schedule or list of items that would fall under each of these slabs has been worked out. (0%, 0.25%, 3%, 5%, 6%, 12%, 18% and 28% in addition cess is applicable on some items.
- ♦ GST would apply on all goods and services except Alcohol for human consumption. The manufacture/ production of alcoholic liquor continues to be subjected to State excise duty and inter-State/intra-State sale of the same is subject to CST/VAT respectively.

♦ Petroleum Products (later)

♦ Tobacco (subject to GST)

♦ Real estate (exempt)

♦ Threshold exemption

♦ Exempted goods and services

♦ Exports (zero-rated)

♦ ITC Utilisation

- ♦ GST on five specified petroleum products (Crude, Petrol, Diesel, Aviation Turbine Fuel (ATF) and Natural Gas) would be applicable from a date to be recommended by the GSTC. Till such date, central excise duty continues to be levied on manufacture/production of petroleum crude, diesel, petrol, ATF and natural gas and inter-State/intra-State sale of the same is subject to CST/ VAT respectively.
- ♦ Tobacco and tobacco products would be subject to GST. In addition, the Centre would have the power to levy Central Excise duty on these products.
- ♦ Real estate sector has been kept out of ambit of GST, i.e., GST will not be levied on sale/purchase of immovable property.
- ♦ A common threshold exemption would apply to both CGST and SGST. Taxpayers with an annual turnover not exceeding ₹ 40 lakh (₹20 Lakh for special category States) would be exempt from GST. For small taxpayers with an aggregate turnover in a financial year up to ₹ 1.5 crores a composition scheme is available. Under the scheme a taxpayer shall pay tax as a percentage of his turnover in a State during the year without benefit of Input Tax Credit. This scheme will be optional.
- ♦ The list of exempted goods and services would be kept to a minimum and it would be harmonised for the Centre and the States as well as across States as far as possible.
- ♦ Exports would be zero-rated supplies. Thus, goods or services that are exported would not suffer input taxes or taxes on finished products.
- ♦ Credit of CGST paid on inputs may be used only for paying CGST on the output and the credit of SGST paid on inputs may be used only for paying SGST. Input Tax Credit (ITC) of CGST cannot be used for payment of SGST and vice versa. In other words, the two streams of Input Tax Credit (ITC) cannot be cross-utilised, except in specified circumstances of inter-state supplies for payment of IGST. The credit would be permitted to be utilised in the following manner: -
 - ♦ ITC of CGST allowed for payment of CGST and IGST in that order;
 - ♦ ITC of SGST allowed for payment of SGST and IGST in that order;

- ♦ ITC of IGST allowed for payment of IGST, CGST and SGST in that order.

♦ Settlement of Accounts

- ♦ Accounts would be settled periodically between the Centre and the States to ensure that the credit of SGST used for payment of IGST is transferred by the exporting State to the Centre. Similarly, IGST used for payment of SGST would be transferred by the Centre to the importing State. Further, the SGST portion of IGST collected on B2C supplies would also be transferred by the Centre to the destination State. The transfer of funds would be carried out on the basis of information contained in the returns filed by the taxpayers.

♦ Harmonisation

- ♦ The laws, regulations and procedures for levy and collection of CGST and SGST would be harmonised to the extent possible.

♦ GSTN (Goods and Services Tax Network)

- ♦ The whole GST system will be backed by a robust IT system. In this regard, the Goods and Services Tax Network (GSTN) has been set up by the Government. It will provide front end services and will also develop back-end IT modules for States who opted for the same.

1.1.6 Indirect taxes merged in to GST (Existing taxes that are subsumed under GST)

GST would replace the following taxes levied and collected by the –

Table 1.1.2

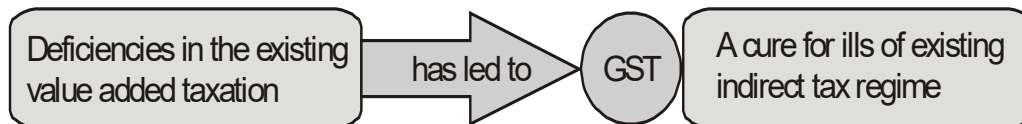
Tax levied by central and state government

Central Government	State Government
a. Central Excise Duty	(a) State VAT
b. Duties of Excise (Medicinal and Toilet Preparations)	(b) Central Sales Tax
c. Additional Duties of Excise (Textile and Textile Products)	(c) Luxury Tax, Entry Tax (all forms)
d. Additional Duties of Excise (Goods of Special Importance)	(d) Purchase Tax, Taxes on advertisement
e. Additional Duties of Customs (commonly known as CVD)	(e) Entertainment and amusement Tax (except when levied by local bodies)
f. Special Additional Duty of Customs (SAD)	(f) Tax on lotteries, betting and gambling
g. Service Tax, Central Surcharge and Cesses so far as they relate to supply of Goods and Services.	(g) State surcharges and Cesses so far as they relate to supply of Goods and Services.

Within GST or outside GST?

	Alcohol for human consumption.	Power to tax remains with the State
	Five petroleum products— crude oil, diesel, petrol, natural gas and ATF	GST Council to decide the date from which GST will be applicable
	Entertainment tax levied by local bodies	Power to tax remains with the local bodies.
	Tobacco	Within the purview of GST, Power to levy excise duties, also retained.

1.1.7 Need for GST in India



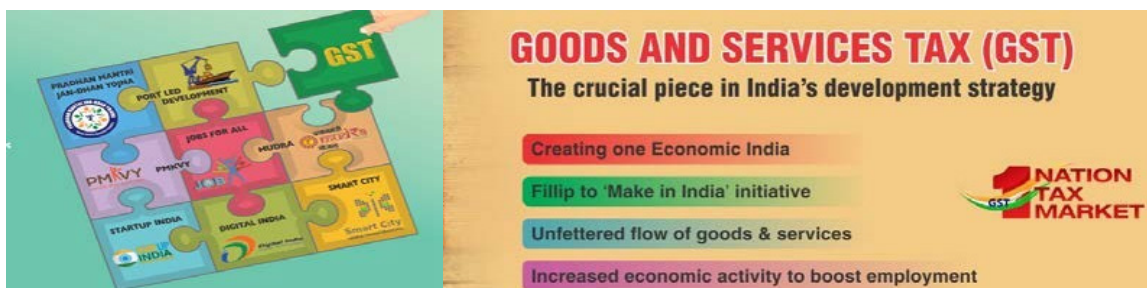
♦ Limitation in existing tax system

♦ Eliminated cascading effect

- ♦ CENVAT and State VAT were introduced to address the problem of multiple taxes by allowing businesses to claim credits for the taxes they paid on inputs and previous stages of production. However, these systems had their limitations. CENVAT didn't cover all stages of the product distribution process, and State VAT didn't completely eliminate the CENVAT burden on goods. Additionally, certain state taxes like luxury and entertainment taxes continued to exist separately. Moreover, there was a lack of integration between VAT on goods and service tax at the state level, which resulted in instances of double taxation.
- ♦ Central Sales Tax (CST) further complicated matters because it didn't adhere to the principle that taxes should be levied where the consumption of goods occurs. Despite efforts to harmonise these tax systems, barriers in the movement of goods persisted due to procedural requirements under VAT and CST. This led to a fragmented national market, hindering the smooth flow of goods across state boundaries.
- ♦ Under the earlier indirect tax regime, despite the introduction of the principle of taxation of value added in India – at the Central level in the form of CENVAT and at the State level in the form of State VAT - its application always remained piecemeal and fragmented on account of the following reasons:

◆ Drawbacks of old taxation policy

- ◆ Double taxation of transactions occurred in both goods and services, mainly because the distinction between goods and services was often unclear. For example, software was subject to both VAT and service tax.
- ◆ CENVAT did not encompass the chain of value addition in the distributive trade below the production stage. Similarly, at the State-level VAT, the CENVAT burden on goods remained, leading to the cascading of taxes. To illustrate, when goods were manufactured and sold, both central excise duty (CENVAT) and State-Level VAT were imposed.
- ◆ Although CENVAT and State-Level VAT were essentially value-added taxes, offsetting one against the credit of the other was not possible due to CENVAT being a central levy and State-Level VAT being a state levy.
- ◆ Various state taxes, such as Luxury Tax and Entertainment Tax, were not included in the VAT system.
- ◆ VAT on goods was not integrated with the tax on services at the state level to eliminate the cascading effect of the service tax. Given that the service sector is the fastest-growing sector in the economy, excluding services from the state tax base potentially erodes their tax revenue.
- ◆ CST presented another source of distortion due to its cascading nature, as it was not eligible for VAT. Furthermore, being an origin-based tax, it contradicted the fundamental principle of consumption taxes, which dictates that tax should be applicable in the jurisdiction where consumption occurs.



♦ Integrated tax system

A comprehensive tax system that encompasses both goods and services, namely Goods and Services Tax (GST), addresses the previously mentioned issues. The simultaneous implementation of GST at both the central and state levels integrates taxes on goods and services, eliminating the cascading effects of CENVAT and service tax. It establishes a continuous chain of set-off from the original producer or service provider to the retailer or consumer. Under the GST regime, major indirect taxes are subsumed within GST. The traditional concepts of manufacturing, selling goods, or providing services no longer apply, as the tax is now levied on the 'Supply of Goods and/or Services'

♦ GST rate's structure

The GST council has fitted over 1300 + goods and 500 + services under four tax slabs of 5%, 12%, 18% and 28% under GST. This is aside the tax on gold that is kept at 3% and rough precious and semi-precious stones that are placed at a special rate of 0.25% under GST. The rates are as under:

Essential items	-	0%
Raw diamonds and related goods	-	0.25%
Precious metals, Gold, Silver, and ornaments made from them	-	3%
Commonly used Goods/Services	-	5%
Supply of services under composition scheme	-	6%
Products/service which are basic necessities	-	12%
Standard goods. Revenue Neutral Rate	-	18%
Demerit goods/Services including luxury	-	28% +some cesses

According to the GST latest news from the GST council, the tax structures for common-use goods are as under:

Table 1.1.3
GST tax rates list for goods

5% GST	12% GST	18% GST	28% GST
Spices	Cakes	Washing Machine	Personal Aircraft
Frozen vegetables	Drip Irrigation System	Vacuum Cleaner	Sunscreen
Rusk	Photographs	Pasta	Tobacco
Fish fillet	Pack water bottle of 20 litre	Tyres	Hair clippers
Pizza bread	Butter	Biscuits	Bidis
Sabudana	Mechanical sprayers	Vanity case	Weighing machine
Tea	Ghee	Pastries	Waffles plus wafers which are coated with chocolate
Baby milk food	Almonds	Soups	Wallpaper
Plain Chapati and Khakhra	Pouches, purses and Handbags	Preserved Vegetables	ATM Vending Machine
Floor covering	Fruits	Camera	Yachts
Fertilizers	Art ware of iron	Curry paste	Motorcycles
Footwear under Rs 1,000	Boiled sugar confectionery	Instant food mixes	Ceramic tiles
Apparels under Rs 1,000	Packaged coconut water	Shampoo	Dishwasher
Real zari	Pickle	Printers	Aerated Water
Agarbatti	Mirrors framed with Ornaments	Mixed condiments	Pan Masala

The latest GST rates on diamond and gold:

- ◆ Precious stones (that are not diamonds) and semi-precious stones, whether or not worked or graded but not strung, mounted or set. Ungraded precious stones (that are not diamonds) and semi-precious stones, temporarily strung for convenience of transport (includes synthetic or reconstructed stones, apart from unworked or simply sawn or roughly shaped – 0.25%
- ◆ Diamond, gold, pearls, silver, or articles of jewellery of silver or gold, and so on, including synthetic or reconstructed

stones, unworked or simply sawn or roughly shaped- 3%

- ♦ Job work in relation to cut and polished diamonds, plain or studded jewellery of gold, silver and so on- 1.5%
- ♦ Making charges on diamond and gold jewellery – 5%
- ♦ Regarding the above table, most of the purchases fall into point 3 category and therefore taxed at 3%.

1.1.9 Types of GST in India

a. Integrated Goods and Services Tax (IGST)

♦ Supply across state boundaries

- ♦ The Integrated Goods and Services Tax or IGST is a tax under the GST regime that is applied on the inter-state (between 2 states) supply of goods and/or services as well as on imports and exports.
- ♦ The IGST is governed by the IGST Act. Under IGST, the body responsible for collecting the taxes is the Central Government. After the collection of taxes, it is further divided among the respective states by the Central Government.
- ♦ For instance, if a trader from Kerala has sold goods to a customer in Karnataka worth ₹5000, then IGST will be applicable as the transaction is an inter-state transaction. If the rate of GST charged on the goods is 18%, the trader will charge ₹5900 for the goods. The IGST collected is ₹900, which will be going to the Central Government.

b. State Goods and Services Tax (SGST)

♦ Part of GST received by State

- ♦ The State Goods and Services Tax or SGST is a tax under the GST regime that is applicable on intra-state (within the same state) transactions. In the case of an intrastate supply of goods and/or services, both State GST and Central GST are levied.
- ♦ However, the State GST or SGST is levied by the state on the goods and/or services that are purchased or sold within the state. It is governed by the SGST Act. The revenue earned through SGST is solely claimed by the respective state government.
- ♦ For instance, if a trader from Kerala has sold goods to a customer in Kerala worth ₹5000, then the GST applicable on the transaction will be partly CGST and partly SGST. If the rate of GST charged is 18%, it will be divided equally in the form of 9% CGST and 9% SGST. The total amount to be charged by the trader, in this case, will be ₹5900. Out of

the revenue earned from GST under the head of SGST, i.e., ₹450, will go to the Kerala state government in the form of SGST.

c. Central Goods and Services Tax (CGST)

♦ Part of GST received by Central

- ♦ Just like State GST, the Central Goods and Services Tax or CGST is a tax under the GST regime that is applicable on intra-state (within the same state) transactions. The CGST is governed by the CGST Act. The revenue earned from CGST is collected by the Central Government.
- ♦ As mentioned in the above instance, if a trader from Kerala has sold goods to a customer in Kerala worth ₹5000, then the GST applicable on the transaction will be partly CGST and partly SGST. If the rate of GST charged is 18%, it will be divided equally in the form of 9% CGST and 9% SGST. The total amount to be charged by the trader, in this case, will be ₹5900. Out of the revenue earned from GST under the head of CGST, i.e., ₹450, will go to the Central Government in the form of CGST.

d. Union Territory Goods and Services Tax (UTGST)

♦ Part of GST received by Union territory

- ♦ The Union Territory Goods and Services Tax or UTGST is the counterpart of State Goods and Services Tax (SGST) which is levied on the supply of goods and/or services in the Union Territories (UTs) of India.
- ♦ The UTGST is applicable on the supply of goods and/or services in Andaman and Nicobar Islands, Chandigarh, Daman Diu, Dadra, and Nagar Haveli, Lakshadweep, Ladakh and Jammu & Kashmir.
- ♦ The UTGST is governed by the UTGST Act. The revenue earned from UTGST is collected by the Union Territory government. The UTGST is a replacement for the SGST in Union Territories. Thus, the UTGST will be levied in addition to the CGST in Union Territories.
- ♦ The reason why a separate GST was implemented for the Union Territories is that the common State GST (SGST) cannot be applied in Union Territories without a legislature. Delhi and Puducherry, already have their own legislatures, so SGST is applicable to them.
- ♦ The purpose of UTGST is to apply a collection of tax on every Intra UT supply of goods and service in the Union Territories without own legislature and has similar properties as that of SGST. So, all in all, the SGST cannot fulfil the needed provision there and for the same UTGST Act, 2017 has been enacted.

Table 1.1.4
Applicability of GST in India

Applicability	CGST	SGST	UTGST	IGST
	Intra-State Supply			Inter-State Supply
States of India	✓	✓		✓
Union Territories with Legislature	✓	✓		✓
Union Territories without Legislature	✓		✓	✓

Comparison between various types of GST

Types of GST	Authority which is benefited	Priority of Tax Credit use	Who is it collected by?	Transactions which are applicable (Goods and Services)
CGST	Central Government	CGST, IGST	Central Government	Within a single state, i.e., intrastate
SGST	State Government	SGST, IGST	State Government	Within a single state, i.e., intrastate
IGST	Central Government and State Government	IGST, CGST, SGST	Central Government	Between two different states or a state and a Union Territory, i.e., interstate
UTGST/ UGST	Union Territory (UT) Government	UTGST, IGST	Union Territory (UT) Government	Within a single Union Territory (UT)

1.1.10 - Supply and types of supply under GST

♦ Foundation

A taxable event is any transaction or occurrence that results in a tax consequence. Before levying any tax, taxable event needs to be ascertained. It is the foundation of any taxation system. It determines the point at which tax would be levied.

♦ Supply- taxable event of GST

In the old tax system, there were many different ways to interpret when taxes should be applied, which led to a lot of legal disputes that lasted for many years. These arguments mostly revolved around questions like whether a specific process was counted as manufacturing, whether a sale was prearranged, or whether a transaction involved selling goods or providing services.

◆ Scope of supply

Taxable Event: Taxable event under GST law is supply of goods or services or both. It means no supply, no GST. The term, “supply” has been inclusively defined in the Act. The meaning and scope of supply under GST can be understood in terms of following six parameters, which can be adopted to characterise a transaction as supply:

- a. Supply of goods or services. Supply of anything other than goods or services does not attract GST.
- b. Supply should be made for consideration.
- c. Supply should be made in the course or furtherance of business.
- d. Supply should be made by a taxable person.
- e. Supply should be a taxable supply.
- f. Supply should be made within the taxable territory

◆ Consolidated tax approach

The new GST laws simplify things by focusing on one main thing for taxation, which is called “Supply.” It covers the supply of goods, services, or both. The old tax system had various taxable events like manufacturing, selling, providing services, and so on. But with GST, it’s all about supply. This is different from the past where taxes were applied separately on manufacturing, selling, or providing services. In the GST regime, the entire value of supply of goods and/or services is taxed in an integrated manner, unlike the earlier indirect taxes, which were charged independently either on the manufacture or sale of goods, or on the provisions of services.

1.1.10.1 Concept of Supply (Section 7 of CGST Act)

The idea of ‘supply’ is the foundation of the GST system. You can find the rules and details about what ‘supply’ means in Chapter III of the CGST Act and its accompanying schedules. In this unit, we’ll go over the sections and schedules that help explain the concept of supply:

Section 7	: Meaning and scope of supply
Section 8	: Taxability of composite and mixed supplies
Schedule I	: Activities to be treated as supply even if made without consideration
Schedule II	: Activities or transactions to be treated as supply of goods or as supply of services
Schedule III	: Activities or transactions which shall be treated neither as supply of goods nor as supply of services.



1.1.10.2 Composite and Mixed supplies [Section 8]

The tax liability on a composite or a mixed supply shall be determined in the following manner:

- 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 supply of that particular supply that attracts the highest rate of tax.

GST is payable on individual goods or services or both at the notified rates. The application of rates poses no problem if the supply is of individual goods or individual services, which is clearly identifiable and such goods or services are subject to a particular rate of tax. However, in certain cases, supplies are not such simple and clearly identifiable supplies. Some of the supplies are a combination of goods or combination of services or combination of both goods and services and each individual component of such supplies may attract a different rate of tax. In such a case, the rate of tax to be levied on such supplies may be a challenge. It is for this reason that the GST Law identifies composite supplies and mixed supplies and provides certainty in respect of tax treatment under GST for such supplies. In order to determine whether the supplies are 'composite supplies' or 'mixed supplies', one needs to determine whether the supplies are naturally bundled or not naturally bundled in ordinary course of business.

♦ Combination of goods/ services or both

Composite supply means a supply made by a taxable person to a recipient and:

- ♦ comprises two or more taxable supplies of goods or services or both, or any combination thereof.
- ♦ are naturally bundled and supplied in conjunction with each other, in the ordinary course of business
- ♦ one of which is a principal supply [Section 2(30) of the CGST Act].

♦ Tax based on principal supply

This means that in a composite supply, goods or services or both are bundled owing to natural necessities. The elements in a composite supply are dependent on the 'principal supply'.

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

- ◆ Not naturally bundled

supply does not constitute a composite supply [Section 2(74) of the CGST Act]. The individual supplies are independent of each other and are not naturally bundled. Tax is based on highest taxed item

- ◆ Determination of composite and mixed supplies

In order to identify if the particular supply is a mixed supply, the first requisite is to rule out that the supply is a composite supply. A supply can be a mixed supply only if it is not a composite supply. As a corollary, it can be said that if the transaction consists of supplies not naturally bundled in the ordinary course of business, then it would be a mixed supply. Once the amenability of the transaction as a composite supply is ruled out, it would be a mixed supply, classified in terms of supply of goods or services attracting the highest rate of tax.

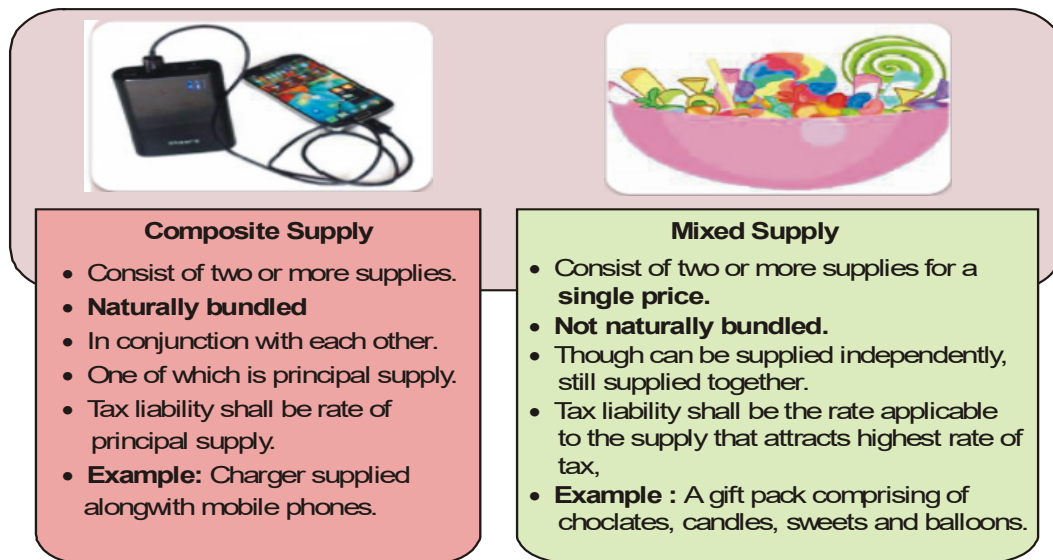


Figure 1.1.2
Composite and mixed supplies

1.1.10.3 Intra-State Supply

Supply of Goods where the location of the supplier and place of supply of goods are in-

- ◆ The same State
- ◆ The same Union territory shall be treated as Intra-state supply.

Intra-state supplies are subject to dual levy of GST

- ♦ Equally divided between Centre and State/UT

- Central Goods and Services Tax (CGST) Act 2017
- State Goods and Services Tax (SGST) Act 2017 or UTGST Act 2017.

If the supply is Intra-State, the CGST + SGST/UTGST are required to be collected and paid by the supplier. 50% of the GST rate prescribed shall be known as CGST and balance 50% shall be known as SGST/UTGST.

1.1.10.4 Inter-State Supply

Where the location of the supplier and place of supply are in-

- ♦ IGST is applicable

- Two different States
- Two different Union Territories
- A State and a Union territory
- Shall be treated as a supply of goods in the course of inter-state supply

In case of inter-state supply, GST is a single levy. The Central Government imposes integrated tax called IGST on supply of goods or services or both in the course of inter-state trade or commerce.

Any supply of goods or services in the taxable territory, not being an intra-state supply, shall be deemed to be a supply of goods or services in the course of inter-state trade or commerce. Also, supplies to or by Special Economic Zones (SEZs) are defined as inter-state supply. Further, the supply of goods imported into the territory of India till they cross the customs frontiers of India or the supply of services imported into the territory of India shall be treated as supplies in the course of inter-state trade or commerce. Also, the supplies to international tourists are to be treated as inter-state supplies.

- ♦ Types of inter-state supply

- ♦ Supply of services from one State or Union Territory to another State or Union Territory
- ♦ Import of goods till they cross customs frontier
- ♦ Import of services
- ♦ Export of goods or services
- ♦ Supply of goods/services to/by SEZ
- ♦ Supplies to international tourists
- ♦ Any other supply in the taxable territory which is not in-

tra-state supply.

In case of inter-state supply of goods/ services, the supplier would charge IGST at specified rates on the supply.

1.1.10.5 Exempt Supply

Section 2(47) of the CGST Act, 2017 defines “exempt supply” as supply of any goods or services or both which attracts Nil rate of tax or which may be wholly exempt from tax under Section 11 of CGST Act, 2017, or under Section 6 of the IGST Act, 2017 and includes non-taxable supply. Thus, exempt supply includes the following:

♦ List of exempt supplies

- i. Any goods or services which attract Nil rate of tax under GST tariff.
- ii. Any goods or services which are wholly exempted from tax under any notification issued under Section 11 CGST Act or Section 6 IGST Act. [Refer Notification No. 12/2017- Central Tax (Rate)].
- iii. Any goods or services are held as no-supply under the GST law. It includes goods or services which have been excluded from the purview of GST like Alcoholic liquor for human consumption. It also includes goods or services listed under Schedule III of the CGST Act.

1.1.10.6 Zero rated supply

Section 16(1) IGST Act provides that “zero rated supply” means any of the following supplies of goods or services or both, namely: -Export of goods or services or both; or **Supply** of goods or services or both for authorised operations to a Special Economic Zone developer or a Special Economic Zone unit.

♦ Mainly deal with exports

Section 16(2) of the IGST Act, 2017 provides that subject to the provisions of sub-section (5) of Section 17 of the Central Goods and Services Tax Act, 2017, credit of input tax may be availed for making zero-rated supplies, notwithstanding that such supply may be an exempt supply. It means that even though one is not required to pay output tax on zero rated supply, the supplier is eligible to avail Input Tax Credit in respect of such supply.

Section 16(3) provides that a registered person making zero rated supply shall be eligible to claim refund of unutilised Input Tax Credit on supply of goods or services or both, without payment of integrated tax, under bond or Letter of Undertaking, in accordance with the provisions of Section 54 of the CGST Act, 2017 or the rules made thereunder.



- ◆ Zero Rated : Exports
Supplies made to SEZ or SEZ Developers. ITC can be availed.
- ◆ Nil Rated : Supplies that have a declared rate of 0% GST. ITC cannot be availed.
Example: Salt, Grains etc..
- ◆ Exempt : Supply which attracts a Nil rate of tax or which is specifically exempt from GST through government notification and includes non-taxable supply. ITC cannot be availed. Example: Fresh Milk, Fresh Fruits, Curd, Bread etc..
- ◆ Non-GST : These supplies do not come under the purview of GST law. ITC cannot be availed. Example: Alcohol for human consumption, Petrol etc..

1.1.10.7 Time of Supply

In GST, time of supply means the time when the goods are deemed to be supplied or services are deemed to be provided. By determining the time of supply of goods or services, we shall be able to determine the followings:

◆ Goods/Services deemed to be offered

- i. Rate of Tax (since GST rates are amended by the government from time to time)
- ii. Value of Supply
- iii. Liability to pay tax
- iv. Due dates for the payment of taxes (For example: - GST Levy date – 29/06/2023 – then 20th of next month will be the due date for GST payment.)

1.1.10.8 Value of Supply

As GST is an ad valorem levy, i.e., it is levied as a percentage of the value of supply of goods and/or services, it becomes important to know how to arrive at the value on which tax is to be paid. Provisions relating to 'value of supply' set out the mechanism to compute such value on the basis of which CGST and SGST/UTGST (intra-State supply) and IGST (inter-State supply) should be paid. Section 15 of the CGST Act supplemented with the Chapter IV: Determination of Value of Supply of CGST Rules prescribes the provisions for determining the **value of supply of goods and services**.

◆ Determination of Value of Supply of CGST Rules

Section 15 of the CGST Act provides common provisions for determining the value of supply of goods and services. It provides the mechanism for determining the value of a supply which is made between unrelated persons and when price and only the price is the sole consideration for the supply. When value cannot be determined under Section 15 as also in certain specific cases, the same is determined using Chapter IV: Determination of

Value of Supply of CGST Rules. Provisions of value of supply under CGST Act have also been made applicable to IGST Act vide Section 20 of the IGST Act.

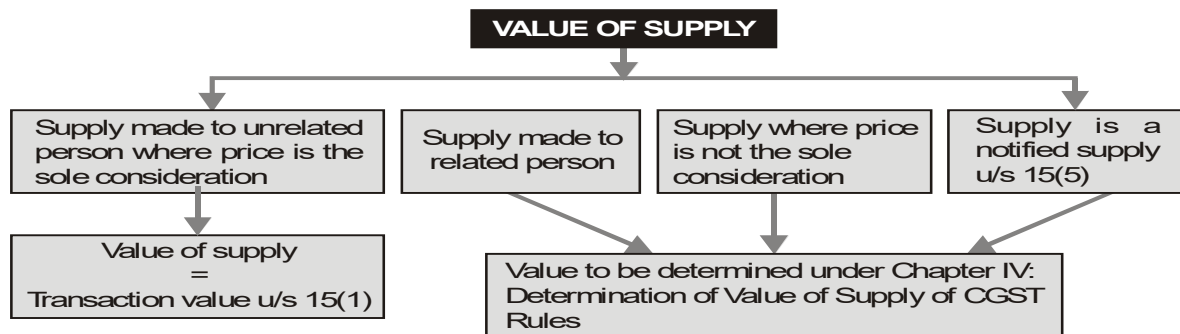


Figure 1.1.3
Value of supply

1.1.11 Accounts and other records (Section 35) and period of retention of accounts (Section 36)

Every registered person shall keep and maintain, at his principal place of business, as mentioned in the certificate of registration, a true and correct account of:

- i. Production or manufacture of goods;
- ii. Inward and outward supply of goods or services or both;
- iii. Stock of goods;
- iv. Input tax credit availed;
- v. Output tax payable and paid; and
- vi. Such other particulars as may be prescribed.

Provided that where more than one place of business is specified in the certificate of registration, the accounts relating to each place of business shall be kept at such places of business: Provided further that the registered person may keep and maintain such accounts and other particulars in electronic form in such manner as may be prescribed.

♦ Account maintenance requirements

Every owner or operator of warehouse or godown or any other place used for storage of goods and every transporter, irrespective of whether he is a registered person or not, shall maintain records of the consigner, consignee and other relevant details of the goods in such manner as may be prescribed.

A. Records prescribed by rules [Rule 56(1), (3), (5) and (6)]

In addition to the particulars mentioned in section 35(1),

the rules also provide that the registered person is required to maintain a true and **correct account of:**

- ◆ The goods/services imported/exported,
- ◆ Supplies attracting payment of tax on reverse charge along with relevant documents, including invoices, bills of supply, delivery challans, credit notes, debit notes, receipt vouchers, payment vouchers and refund vouchers
- ◆ Separate account of advances received, paid and adjustments made thereto.
- ◆ Particulars of:
 - ✓ names and complete addresses of suppliers from whom he has received the goods or services chargeable to tax under the Act;
 - ✓ names and complete addresses of the persons to whom he has supplied goods or services, where required under the provisions of this Chapter.
- ◆ Particulars of the complete address of the premises where goods are stored by him, including goods stored during transit along with the particulars of the stock stored therein.

◆ Accounts maintained by registered person

B. Records which are to be maintained only by a supplier other than a supplier opting for composition levy. [Rule 56(2) and (4)]

A supplier is required to maintain following records relating to stock of goods and tax details. However, a supplier who has opted for a composition scheme is not required to maintain such records.

- ◆ Stock of goods: Accounts of stock in respect of goods received and supplied by him, and such accounts shall contain particulars of the opening balance, receipt, supply, goods lost, stolen, destroyed, written off or disposed of by way of gift or free sample and the balance of stock including raw materials, finished goods, scrap and wastage thereof.
- ◆ Details of tax: Account, containing the details of tax payable (including tax payable under reverse charge), tax collected and paid, input tax, input tax credit claimed, together with a register of tax invoice, credit notes, debit notes, delivery challan issued or received during any tax period.

◆ Accounts maintained by person opting composition scheme

C. Records to be maintained by agent [Rule 56(11)]

Every agent shall maintain accounts depicting the-

- ◆ Particulars of authorisation received by him from each principal to receive or supply goods or services on behalf of such principal separately;
- ◆ Particulars including description, value and quantity (wherever applicable) of goods or services received on behalf of every principal;
- ◆ Particulars including description, value and quantity (wherever applicable) of goods or services supplied on behalf of every principal;
- ◆ Details of accounts furnished to every principal; and
- ◆ Tax paid on receipts or on supply of goods or services effected on behalf of every principal.

◆ Accounts maintained by the agent

Agent means a person, including a factor, broker, commission agent, arhatia, del credere agent, an auctioneer or any other mercantile agent, by whatever name called, who carries on the business of supply or receipt of goods or services or both on behalf of another [Section 2(5)].

D. Records to be maintained by a manufacturer [Rule 56(12)].

◆ Monthly production account

Apart from other records, every registered person manufacturing goods has to maintain monthly production accounts showing quantitative details of raw materials or services used in the manufacture and quantitative details of the goods so manufactured including the waste and by products thereof.

E. Records to be maintained by a service provider [Rule 56(13)]

◆ Quantitative details of goods used

Every registered person supplying services has to additionally maintain the accounts showing quantitative details of goods used in the provision of services, details of input services utilised and the services supplied.

How will the accounts and records be maintained?

[Second provision to section 35(1) read with rule 56(7), (8), (9), (15), (16) and (18) and rule 57]

Records may be in electronic form:

✓ Books of account include any electronic form of data stored on any electronic device.

✓ The registered person may keep and maintain such accounts

and other particulars in electronic form stored on any electronic device and record so maintained shall be authenticated by means of a digital signature.

♦ Electronic record keeping guidelines

✓ Proper electronic back-up of records shall be maintained and preserved in such manner that, in the event of destruction of such records due to accidents or natural causes, the information can be restored within a reasonable period of time.

✓ The registered person maintaining electronic records shall produce, on demand, the relevant records or documents, duly authenticated by him, in hard copy or in any electronically readable format.

✓ Where the accounts and records are stored electronically by any registered person, he shall, on demand, provide the details of such files, passwords of such files and explanation for codes used, where necessary, for access and any other information which is required for such access along with a sample copy in print form of the information stored in such files.

Period of retention of accounts [Section 36]

♦ 72 months

Every registered person keeping and maintaining books of account or other records in accordance with the provisions of Section 35(1) shall retain them until the expiry of 72 months from the due date of furnishing of annual return for the year pertaining to such accounts and records.

♦ Retention timeframe guidelines

However, a registered person, who is a party to an appeal or revision or any other proceedings before any Appellate Authority or Revisional Authority or Appellate Tribunal or Court, whether filed by him or by the Commissioner, or is under investigation for an offence under Chapter XIX, shall retain the books of account and other records pertaining to the subject matter of such appeal or revision or proceedings or investigation for a period of one year after final disposal of such appeal or revision or proceedings or investigation, or for the period specified above, whichever is later.

♦ Provide details of transactions

1.1.12 Tax Invoice

Section 2(66) of Central Goods and Services Tax Act, 2017 mandates “invoice” or “tax invoice” as the tax invoice referred to in section 31. An invoice is a commercial instrument, issued by a supplier of goods / services, to a recipient. It identifies both the parties involved, and lists and describes the items sold / services supplied, quantifies them, exhibits the dates, prices and necessary discounts.

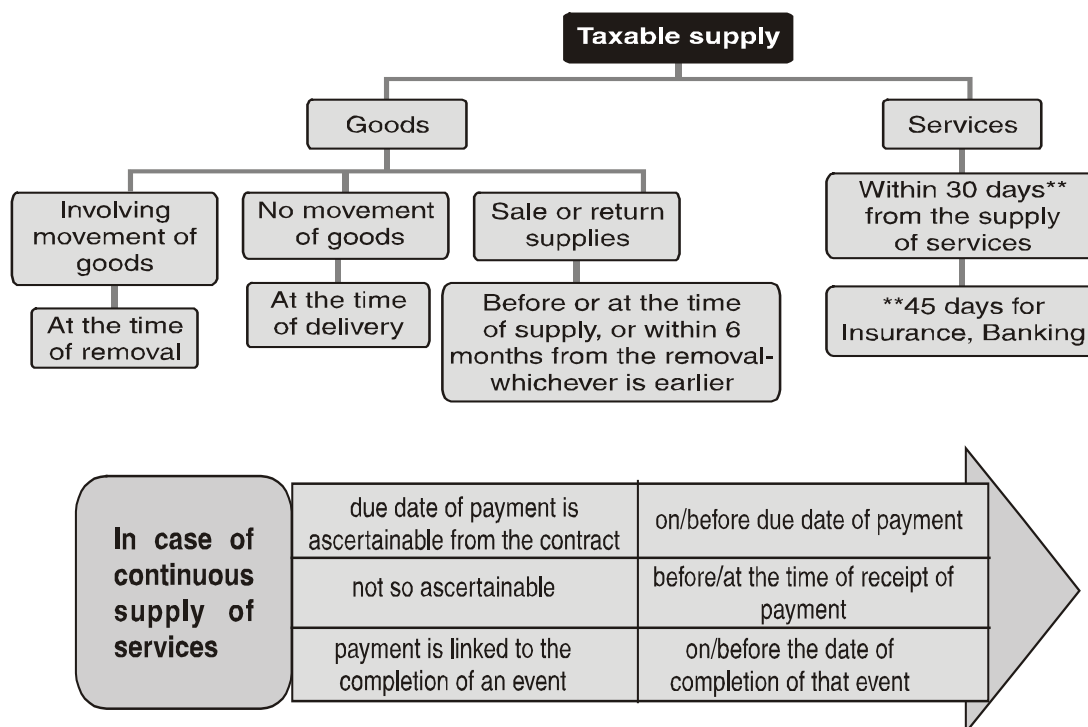
Important contents of tax invoice are as follows:

- ◆ GSTIN of supplier
 - ◆ Consecutive serial number and date of issue
 - ◆ GSTIN of recipient, if registered
 - ◆ Name and address of recipient, if not registered
 - ◆ HSN
 - ◆ Description of goods or services
 - ◆ Quantity in case of goods
 - ◆ Total Value of supply
 - ◆ Taxable Value of supply
 - ◆ Tax rate-Central tax and State tax or Integrated tax, cess
 - ◆ Amount of tax charged
 - ◆ Place of supply
 - ◆ Address of delivery where different than place of supply
 - ◆ Tax payable on reverse charge basis
 - ◆ Signature of authorised signatory
- ◆ Provide details of transactions

● Who can raise a tax invoice?



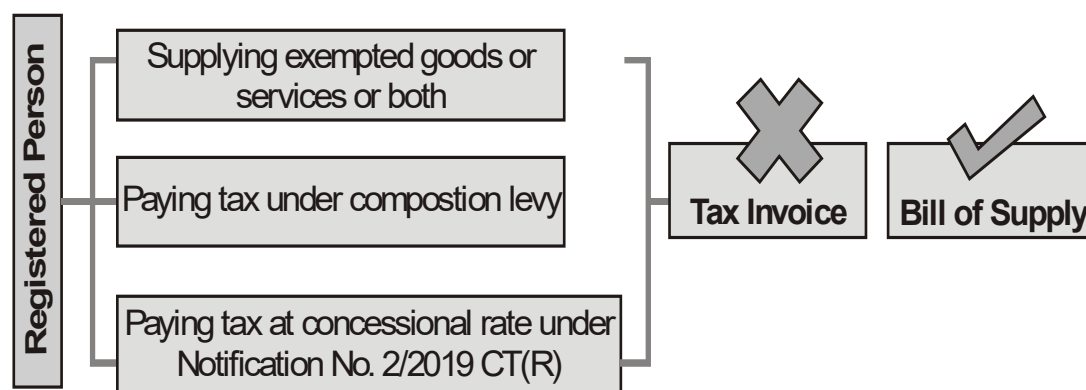
● **Time limit for issuance of invoice**



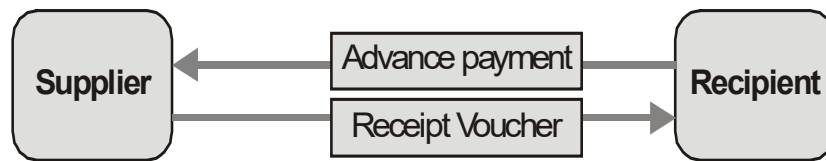
● **Manner of issuing the invoice**

Supply of goods	Supply of services
<i>Triplicate</i> Original copy for recipient Duplicate copy for transporter; and Triplicate copy for supplier	<i>Duplicate</i> Original copy for recipient; and Duplicate copy for supplier
The serial number of invoices issued during a month/quarter shall be furnished electronically in FORM GSTR-1.	

● **Bill of Supply**



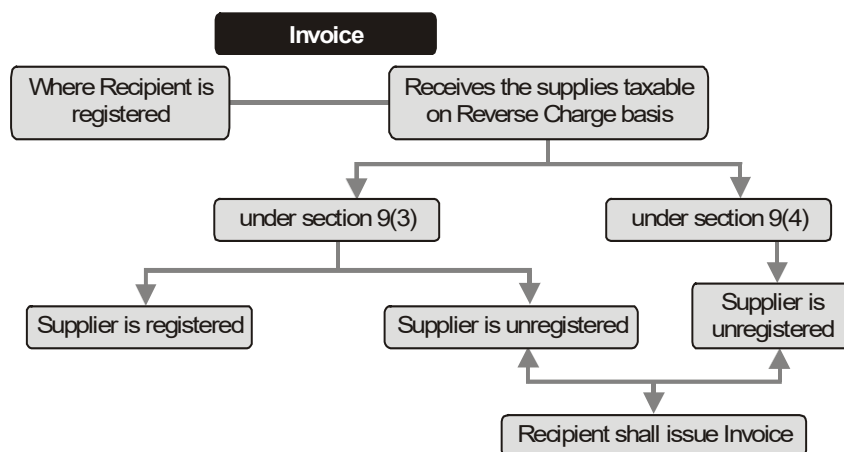
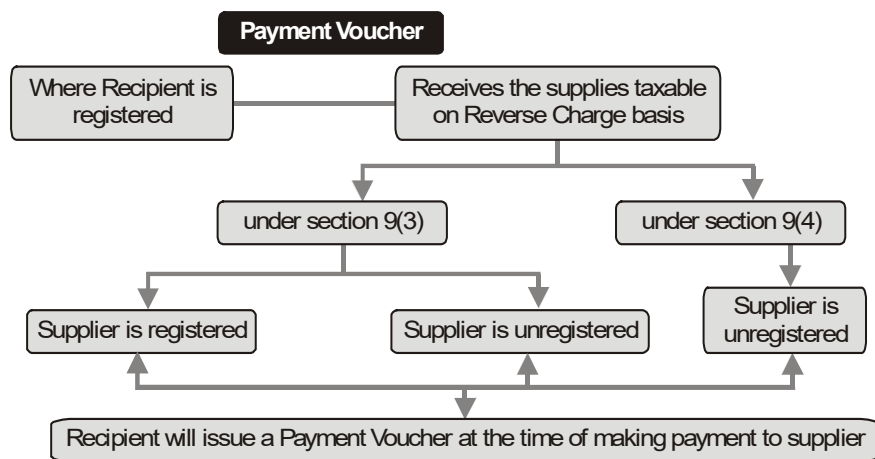
•Receipt Voucher



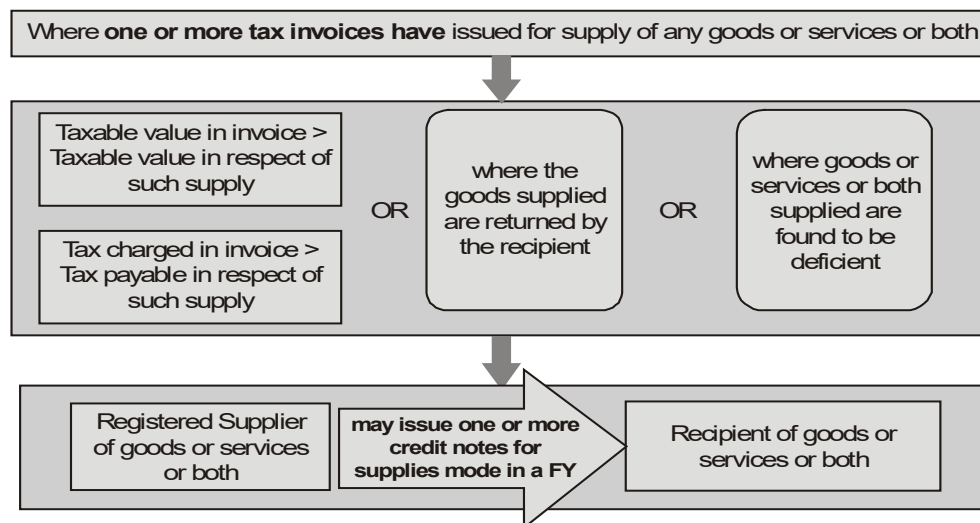
Where at the time of receipt of advance:

- ◆ Rate of tax is not determinable - Tax shall be paid @18%
- ◆ Nature of supply is not determinable - same shall be treated as interstate supply

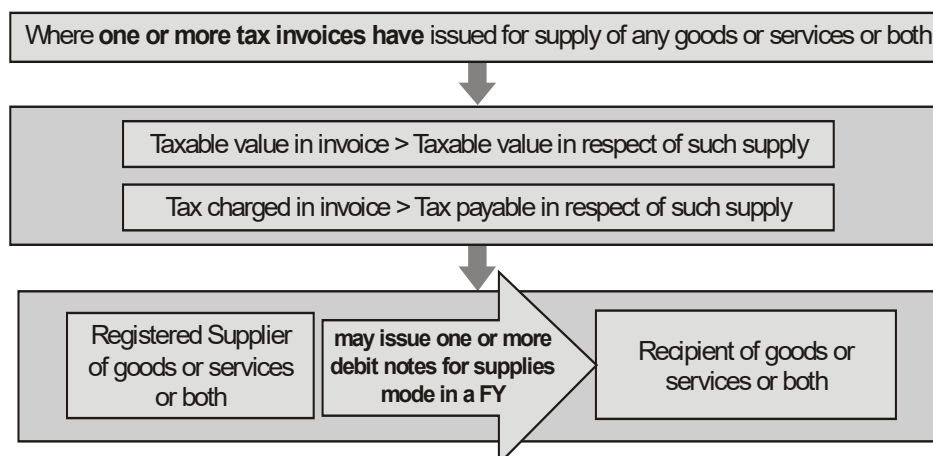
•Invoice and Payment Vouchers



●Credit Notes



●Debit Notes



1.1.13 E-invoicing



♦ Digital invoice

Electronic invoicing is the introduction of digital invoices for goods and services provided by business firms, generated through the government portal. It is a system in which all Business-to-Business invoices are electronically uploaded and authenticated by the designated government portal. The concept of the GST e-invoice generation system is primarily launched to combat tax evasion.

♦ Applicable for B2B invoices

The e-Invoice System is for GST registered persons for uploading all the B2B invoices to the Invoice Registration Portal (IRP). The IRP generates and returns a unique Invoice Reference Number (IRN), digitally signed e-invoice and QR code to the user. It aims to implement e-invoicing for the taxpayers having aggregate turnover between ₹5 Cr to ₹10 Cr from 1 August, 2023. As per the Notification No. 78/2020 dated 15 October 2020, taxpayers having Aggregate Annual Turnover (AATO) above ₹5 Crore, shall use valid 6 or 8 digit HSN code in E-Invoices and E-Way Bills. This will be made Mandatory from 1 October 2023 in e-Waybill and e-Invoice Systems.

1.1.14 E-Way bill form or Electronic Way Bill

Under the new Goods and Services Tax Regime, the e-Way bill form or Electronic Way Bill was introduced to ensure the goods' smooth, quick, and easy movement across India. Whenever there is a movement of goods from one place to another with a value exceeding ₹50,000, every registered person needs to generate an e-way bill (EWB). The most notable part here is that this bill generated in one State or Union territory is **valid for use in another State or Union territory**.

E-Way Bill		Evidencing movement of goods
When is it required to be generated?	E-way Bill is mandatory in case of movement of goods of consignment value exceeding ₹50,000.	
	i. Movement should be: ii. in relation to a supply; or iii. for reasons other than supply; or iv. Due to inward supply from an unregistered person.	
	Registered person causing movement of goods shall furnish the information relating to the said goods in Part A of Form GST EWB-01 before commencement of such movement.	
	Exceptions to minimum consignment value of ₹50,000 ♦ Inter-State transfer of goods by principal to job-work ♦ Inter-State transfer of handicraft goods by a person exempted from obtaining registration.	

Who causes movement of goods?	If a supplier is registered and undertakes to transport the goods, movement of goods is caused by the supplier. If the recipient arranges transport, movement would be caused by him. If goods are supplied by an unregistered supplier to a registered known recipient, movement shall be caused by such recipient.	
Information to be furnished in e-way bill	Part A: to be furnished by the registered person** who is causing movement of goods.	Part B: to be furnished by the person who is transporting the goods.
	**However, information in Part-A may be furnished: by the transporter if so, authorised or by the e-commerce operator/courier agency, where the goods are supplied through them.	
Who can generate the e-way bill?	E-way bill is to be generated by the registered consignor or consignee (if the transportation is being done in own/hired conveyance or by railways or by air or by vessel) or the transporter if the goods are handed over to a transporter for transportation by road). Where neither the consignor nor consignee generates the e-way bill and the value of goods is more than ₹50,000 it shall be the responsibility of the transporter to generate it.	
Other points	◆ Goods transported by railways shall be delivered only on production of e-way bill, ◆ E-way bills can be generated even if consignment value is less than ₹50,000.	
Details of conveyance may not be furnished in Part-B	In case of Intra-State movement of goods up to 50 km distance: ◆ from place of business (PoB) of consignor to PoB of transporter for further transportation or ◆ from PoB of transporter finally to PoB of the consignee.	
Transfer of goods to another conveyance	In such cases, the transporter or generator of the e-way bill shall update the new vehicle number in part of the EWB before such transfer and further movement of goods.	
Consolidated E-way Bill in case of road transport	After e-way bill has been generated, where multiple consignments are intended to be transported in one conveyance, the transporter may indicate the serial number of e-way bills generated in respect of each such consignment electronically on the common portal and a consolidated e-way bill in Form GST EWB-02 may be generated by him on the said common portal prior to the movement of goods. Where the consignor/consignee has not generated the e-way bill in Form GST EWB-01 and the aggregate of the consignment value of goods carried in the conveyance is more than ₹50,000. The transporter shall generate individual Form GST EWB-01 on the basis of invoice or bill of supply or delivery challan and may also generate a consolidated e-way bill in Form GST EWB-02 prior to the movement of goods.	

Cancellation of e-way bill	E-Way bill can be cancelled if either goods are not transported or are not transported as per the details furnished in the e-way bill. The e-way bill can be cancelled within 24 hours from the time of generation.		
Validity period of e-way bill/consolidated e-way bill	Sl. No.	Distance within country	Validity period from relevant date
	1.	Upto 200 km	One day in cases other than over dimensional large or multimodal shipment in which at least one leg involves transport by ship
	2.	For every 200 km or part thereof thereafter	One additional day in cases other than Over Dimensional Cargo or multimodal shipment in which at least one leg involves transport by ship.
	3.	Upto 2 km	One day in case of Over Dimensional Cargo or multi modal shipment in which at least one leg involves transport by ship
	4.	For every 20 km or part thereof thereafter	One additional day in case of Over Dimensional Cargo or multimodal shipment in which at least one leg involves transport by ship.
Acceptance/rejection of e-way bill	The details of e-way bill generated shall be made available to the supplier (where information in Part A is furnished by recipient/ transporter) or recipient (where information in Part A is furnishing by supplier/ transporter), if registered, on the common portal, who shall communicate his acceptance or rejection of the consignment covered by the e-way bill. In case, the supplier/recipient does not communicate his acceptance or rejection within 72 hours of the details being made available to him on the common portal, or time of delivery of goods whichever is earlier, it shall be deemed that he has accepted the said details.		

Is e-way bill required in all cases?	E-way bill is not required to be generated in certain specified cases.
Verification of documents and conveyance	Commissioner or an officer empowered by him in this behalf may authorise the proper officer to intercept any conveyance to verify the e-way bill or the e-way bill number in physical form for all inter-state and intra-state movement of goods. Physical verification of a specific conveyance can also be carried out by any officer, on receipt of specific information on evasion of tax, after obtaining necessary approval of the Commissioner or an officer authorised by him on his behalf.
Inspection and verification of goods	A summary report of every inspection of goods in transit shall be recorded online on the common portal by the proper officer within 24 hours of inspection and the final report shall be recorded within 3 days of such inspection. Once physical verification of goods being transported on any conveyance has been done during transit at one place within the State or in any other State, no further physical verification of the said conveyance shall be carried out again in the State, unless a specific information relating to evasion of tax is made available subsequently. Where a vehicle has been intercepted and detained for a period exceeding 30 minutes, the transporter may unload the said information on the common portal.
Restriction on furnishing of information in Part A of Form GST EWB-01	No person (including a consignor, consignee, transporter, an e-commerce operator or a courier agency) shall not be allowed to furnish the information in Part A of Form GST EWB-01 in respect of following registered persons, whether as a supplier or a recipient. A composition supplier has not furnished the statement for payment of self-assessed tax for 2 consecutive quarters, or A person paying tax under regular scheme has not furnished the returns for a consecutive period of 2 tax periods, or A person paying tax under regular scheme has not furnished GSTR-1 for any 2 months or quarters, as the case may be, or A person whose registration has been suspended. However, the commissioner (jurisdictional commissioner) may, on sufficient cause being shown and for reasons to be recorded in writing, allow furnishing of the said information in Part A of Form GST EWB-01, subject to prescribed conditions and restrictions.

Methods to Generate e-Way bills 01

An E-Way Bill is generated electronically in Form GST EWB-01 on the common portal. It can even be generated through various modes such as Android App, SMS, Bulk upload tool, Application programming interface (API) sites, SMS facility, and bulk generation through JavaScript Object Notation (JSON) files using the Goods and Service Tax Suvidha Provider.

♦ Modes of GST EWB-01

- i. **Online:** Anyone can log in to the common portal and generate the e -Way bill 01.
- ii. **SMS Facility:** The most simple, easy and convenient mode to generate the e-Way bill 01 is using an SMS facility. This method is usually used in times of emergency.
- iii. **Offline tool:** Businesses with a large consignment generating multiple e-Way bill 01 can upload a JSON File.

Details to be furnished in Form GST EWB-01

The E-way bill Form GST EWB 01 will contain two parts:

Part A of the bill usually comprises of:

- a. Goods and Services Tax Identification Number (GSTIN) of supplier and recipient.
- b. Harmonized System of Nomenclature (HSN) Code.
- c. Place of supply.
- d. Date and place of supply.
- e. Value of the goods.
- f. Document details such as Tax invoice, Bill of Entry, Bill of Supply.
- g. Reason for supply.

Usually, the details in Part A are filled by the registered person who is causing the movement of the goods or by the recipient if the supplier is unregistered. However, it can even be generated by transporter, by e-commerce operator or even by courier agent.

Part B of the bill usually comprises of:



- a. Transporter document number
- b. Vehicle number

The supplier usually fills up Part B details; however, it can even be filled up by the transporter only after obtaining authorisation by the supplier. An e-Way Bill 01 is considered valid only if the details in Part B are furnished completely. However, a relaxation is given that if the goods are transported within 50 km, then details in Part B may not be furnished.

Transportation of goods from one conveyance to another:

Where the goods are transferred from one conveyance to another, the consigner or recipient has to update the details in Part A and Part B before the goods are taken further for movement.

Situation under which Generation of E-Way Bill is not required:

- a. Transportation of Liquified Petroleum Gas for domestic consumption.
- b. Kerosene oil sold under the Public Distribution System.
- c. Semi-Precious and Precious stones, metals, pearls.
- d. Currency.
- e. Used personal and household items.
- f. Goods transported through non-motorised conveyance.
- g. Goods that are specifically exempted from the GST.

1.1.15 Goods and Service Tax Network

Goods and Services Tax Network (GSTN) has built an Indirect Taxation platform for GST to help taxpayers in India to prepare, file returns, make payments of indirect tax liabilities and do other compliances. It provides IT infrastructure and services to the Central and State Governments, taxpayers and other stakeholders for implementation of the Goods and Services Tax (GST) in India. It is maintained by the National Informatics Center. It will manage the entire IT system of the GST portal, which is the mother database for everything related to GST. This portal will be used by the government to track every financial transaction, and will provide taxpayers with all services – from registration to filing taxes and maintaining all

♦ IT backbone for GST

tax details.

Goods and Services Tax Identification Number

- ◆ 15-digit alphanumeric code

A Goods and Services Tax Identification Number (GSTIN) is a unique 15-digit alphanumeric code assigned to every taxpayer registered under the Goods and Services Tax (GST) regime in India. It is mandatory for businesses to obtain a GSTIN if they meet certain turnover thresholds or are involved in specific types of transactions. The GSTIN serves as a crucial identifier for businesses involved in GST-related activities, including tax filing, payments, and refunds.

Structure of GSTIN:

The 15-digit GSTIN is structured as follows:

- ◆ First two digits: State code representing the state or union territory where the taxpayer is registered.
- ◆ Next ten digits: PAN (Permanent Account Number) of the taxpayer.
- ◆ Thirteenth digit: Entity code, indicating the number of registrations for the same PAN in that state.
- ◆ Fourteenth digit: Fixed digit 'Z'.
- ◆ Fifteenth digit: Checksum digit for error detection.

The functions of the GSTIN would, inter alia, include:

- ◆ Facilitating registration.
- ◆ Forwarding the returns to central and state authorities.
- ◆ Computation and settlement of IGST.
- ◆ Matching of tax payment details with banking network.
- ◆ Providing various reports to the central and the state governments based on the taxpayer return information.
- ◆ Providing analysis of taxpayers' profile.
- ◆ Running the matching engine for matching, reversal and reclaim of input tax credit.

- ◆ Composition of GSTIN

1.1.16 HSN CODE

HSN stands for Harmonized System of Nomenclature. It is a globally standardised system for classifying goods

♦ Identifying products' rates

internationally. It is widely used for identifying the applicable Goods and Services Tax (GST) rates for products. The HSN code is a systematic classification system that helps solve various merchandising issues and enhances the efficiency of international trade. It facilitates data collection on international trade statistics and provides a unique code for each product. This code enables easy pricing, product classification, inventory valuation, and EXIM transactions. Additionally, it helps the government accurately estimate tax revenues.

As per CGST notification 78/2020 dated 15 October 2020, HSN code must be mandatorily declared as follows from 1 April 2021-

Annual aggregate turnover for the previous financial year	Type of Invoices	No. of digits of HSN to be declared
Up to Rs.5 crore	Mandatory for B2B tax invoices	4
	Optional for B2C tax invoices	4
More than Rs.5 crore	Mandatory for all invoices	6

1.1.17 SAC CODE

♦ Classifying services

As in the case of products or goods, it is essential to identify the services to levy tax based on the type of services. The SAC or Service Accounting Code is used to identify services under GST. In case of services, each service provided is given a unified code for recognition, measurement and taxation. Service will be classified as per SAC issued by the Government of service tax.

The SAC consists of a 6-digit number which is used by service establishments. It helps in easy identification of services. These numbers are structured as follows:

- ♦ The first two digits are the same for all services, i.e., 99 which is common to represent a service.
- ♦ The next two digits stand for the nature of service which is called the heading.
- ♦ The last two digits are the detailed nature of service which is called the subheading.

1.1.18 Composition levy [Section 10]

◆ For small taxpayers

The composition levy is a simplified compliance scheme under the Goods and Services Tax (GST) regime in India. It is designed for small taxpayers with an aggregate turnover of up to ₹1.5 crore in the preceding financial year. Under this scheme, taxpayers can pay a fixed tax rate on their total turnover instead of calculating and paying GST on each individual sale or purchase. This simplification reduces the administrative burden on small businesses and encourages them to participate in the formal economy.

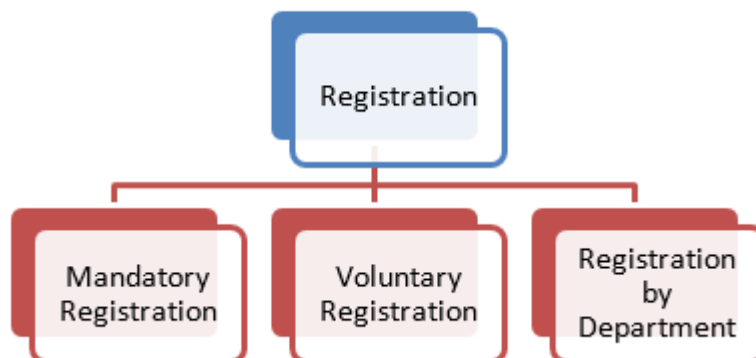
◆ Procedure for registration

When a new entity registers under GST, they can opt for the composition levy scheme by indicating their choice in the registration form, and the composition levy becomes effective from the date of their registration. On the other hand, for already registered persons who wish to switch to the composition levy scheme, they need to inform the authorities using the prescribed form, and the composition levy takes effect at the beginning of the financial year in which they make this choice.

1.1.19 GST Registration

Registration under GST law provides the following benefits:

- i. Registration is mandatory if a person's turnover exceeds the threshold limit. Failure to register can result in penalties.
- ii. Registration legally recognises the person as a supplier of goods and/or services.
- iii. It grants the authority to collect GST from customers.
- iv. Registration allows for the claiming of input tax credit for GST paid on purchases of goods and/or services. This credit can be used to offset taxes owed on the supply of goods and/or services.
- v. It facilitates the smooth transfer of input tax credits from the manufacturer or importer to the final supplier in the



supply chain.

- vi. Registration ensures proper accounting of taxes paid on input goods and/or services.

Types of Registration

i. Mandatory registration

♦ Turnover exceeds threshold limit.

Mandatory registration under GST is required for businesses whose turnover exceeds a certain threshold limit. The threshold limit varies depending on the type of business and the state in which the business is located. For example, in most states, businesses with a turnover exceeding ₹40 lakh are required to register for GST. However, in some special category states, such as Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura, and Himachal Pradesh, the threshold limit is ₹20 lakh and ₹10 lakhs.

♦ Special category states

Special category states after bifurcation of Jammu and Kashmir are Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura, Himachal Pradesh and Uttarakhand. U/s 22 of the CGST Act out of these states only four states – Mizoram, Manipur, Nagaland and Tripura are recognised as special category states and accordingly for these states the limit is ₹10 lakh and for other 6 states it is ₹20 lakhs.

Threshold limit of turnover for registration Applicable from 1 April 2019 Threshold exemption limit

Sl. No	State	Supplying goods only	Goods + Services
1.	Mizoram	10	10
2.	Manipur	10	10
3.	Nagaland	10	10
4.	Tripura	10	10
5.	Arunachal	20	20
6.	Uttarakhand	20	20
7.	Meghalaya	20	20
8.	Sikkim	20	20
9.	Puducherry	20	20
10.	Telangana	20	20
11.	All other states including Himachal Pradesh and Assam	40	40
12.	All Union Territories Except Puducherry	40	40

ii. Voluntary Registration

- ◆ Below threshold limit

Businesses with a turnover below the mandatory registration threshold can still voluntarily register for GST. There are a few reasons why a business might choose to register for GST even if it is not mandatory. For example, a business might register for GST if it wants to claim input tax credits, or if it wants to sell goods or services to other GST-registered businesses.

iii. Registration by Department

- ◆ GST department believes are required to be registered

The GST department can also register a business for GST if it believes that the business is required to be registered but has not registered on its own. The department can do this by issuing a notice to the business.

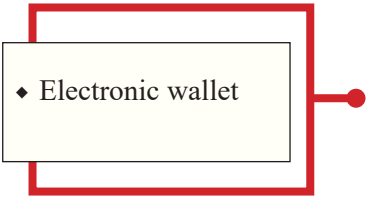
Here is a table summarising the key differences between mandatory registration, voluntary registration, and registration by department:

Feature	Mandatory Registration	Voluntary Registration	Registration by Department
Who is required to register?	Businesses whose turnover exceeds the threshold limit	Businesses with a turnover below the threshold limit	Businesses that the GST department believes are required to be registered but have not registered on their own
Reason for registration	To comply with the law	To claim input tax credits or to sell goods or services to other GST-registered businesses	To ensure that businesses are paying the correct amount of GST
Process for registration	Business applies for registration online or through a GST facilitation center	Business applies for registration online or through a GST facilitation center	GST department issues a notice to the business to register

1.1.20 Types of Ledgers Kept by GST Department

The following are the ledger accounts available in GST Portal

i. Electronic Cash Ledger

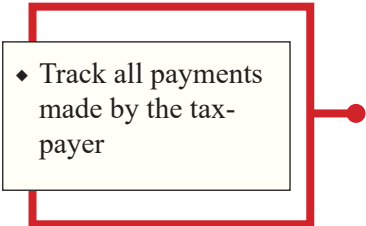


♦ Electronic wallet

The Electronic Cash Ledger (ECL) is a crucial component of the GST system, functioning as an electronic wallet for registered taxpayers. It records all cash deposits made by taxpayers towards their GST liabilities, including taxes, interest, penalties, and fees. These deposits can be made through various modes, such as net banking, debit cards, credit cards, or over-the-counter payments at designated banks.

The electronic cash register, as specified under sub-section (7) of section 49, must be maintained in Form GST PMT-05. To initiate a payment, taxpayers should generate an online challan using Form GST PMT-06, which remains valid for a period of 15 days. Payments can be remitted through any of the following modes:

- ♦ Internet banking (authorised banks only).
- ♦ Credit or debit card (authorised banks only).
- ♦ National Electronic Fund Transfer (NEFT) or Real-Time Gross Settlement (RTGS) (any bank, whether authorised or unauthorized).
- ♦ Over-the-counter (OTC) payment (authorized banks only) for deposits up to ten thousand rupees per challan and per tax period, payable by cash, cheque, or demand draft.



♦ Track all payments made by the tax-payer

It is important to note that the taxpayer is responsible for any commission due on the payment. The payment date shall be recorded as the date when the payment is credited to the appropriate government account. This ledger will reflect tax, interest, penalty and fees using Card payments, Interest banking, NEFT/RTGS or UPI payments.

Steps to access the 'electronic cash ledger' on the GST portal are:

- ♦ Enter the GST Portal, click 'Login' and enter 'Username', 'Password'
- ♦ Click Services > Ledgers > Electronic Cash Ledger; and
- ♦ Select the period from the drop-down list and click 'GO'.

ii. Electronic Credit Ledger

- ◆ Tracks input tax credit (ITC) balance

The Electronic Credit Ledger (ECRL) plays a central role in the GST system by tracking input tax credit (ITC) balances. ITC is a mechanism that allows taxpayers to claim credit for taxes paid on purchases made from other GST-registered businesses. This credit can be utilised to reduce the overall GST liability payable on sales. The electronic credit register specified under section 49 shall be maintained in Form GST PMT-02. Every claim of Input Tax Credit self-assessed by the taxpayer shall be credited to this ledger. The amount available in this ledger may be used for payment towards output tax only. Under no circumstance can an entry be made directly in the electronic credit ledger. Any amount of tax paid on purchase claimed by a registered dealer in the GST3B returns (GSTR-2 or GSTR-3B) reflects in the Electronic Credit Ledger, which can be used only for payment of tax only and hence it cannot be utilised for payment of interest, penalty or late fees.

This ledger may include the following:

- ◆ Management and settlement of outstanding obligations

- ◆ ITC on inward supplies from registered taxpayers
- ◆ ITC available based on distribution from input services distributor (ISD)
- ◆ ITC on input of stock held/semi-finished goods or finished goods held in stock on the day immediately preceding the date on which the taxpayer became liable to pay tax, provided he applies for registration within 30 days of becoming liable.
- ◆ Permissible ITC on inputs held in stock and inputs contained in semi-finished or finished goods held in stock on the day of conversion from composition scheme to regular tax scheme.
- ◆ ITC eligible on a payment made on a reverse charge basis.

Steps to access the 'Electronic Credit Ledger' on the GST portal are:

- ◆ Get into the GST portal and give your user Id and password
- ◆ Navigate Services > Ledgers > Electronic Credit Ledger; and'
- ◆ Click 'GO' option

- ♦ Summarises GST liability for a tax period

iii. Electronic Liability Register

The Electronic Liability Register specified under sub-section (7) of section 49 shall be maintained in FORM GST PMT-01 in which each person who are liable to pay tax, interest, penalty, late fee or any other amount on the Common Portal and all amounts payable by him shall be debited to the said register. All taxable persons true liability towards the Government is visible through electronic liability register. The electronic liability register of the person shall be debited with:

- ♦ The amount payable towards tax
- ♦ Interest payable
- ♦ Late fee or any other amount payable as per the return furnished

Electronic Liability Register contains two parts:-

Part I- Return related liabilities- It reflects all output tax liabilities due for a taxable person.

Part II -It may include details of liabilities like penalty, fine etc.

Difference between Electronic Cash Ledger, Electronic Credit Ledger and Electronic Liability Register are as follows:

Ledgers / register	Format in which the ledgers/ register are maintained	Relevant provisions	Particulars of ledgers/ register
Electronic Cash Ledger	Form GST PMT-05	Section 49(1) of the Central Goods and Services Tax Act, 2017 read with rule 87 of the Central Goods and Services Tax Act, 2017	It will reflect a deposit (payment) of tax, interest, fee, penalties under GST or any other amount by the registered person.
Electronic Credit Ledger	Form GST PMT-02	Section 49(2) of the Central Goods and Services Tax Act, 2017 read with rule 86 of the Central Goods and Services Tax Act, 2017	It will reflect the claim of an input tax credit of the registered person.
Electronic Liability Register	Form GST PMT-01	Section 49(7) of the Central Goods and Services Tax Act, 2017 read with rule 85 of the Central Goods and Services Tax Act, 2017	It will reflect the amount of tax, interest, penalty, fee or any other amount which the registered person is liable to pay.

1.1.21 Input Tax Credit

◆ Prevent cascading of taxes

◆ Offset input tax

◆ Sequenced ITC setoff

Input tax credit (ITC) is a mechanism under the Goods and Services Tax (GST) regime that allows businesses to reduce their overall GST liability by claiming credit for taxes paid on eligible purchases. This credit is intended to prevent cascading of taxes, which occurs when taxes are levied on taxes, leading to an inflated overall tax burden.

In simpler terms, when a business purchases goods or services from another GST-registered business, it pays GST on those purchases. However, the business can claim ITC for the GST paid on these purchases, effectively reducing its own GST liability when it makes sales. This mechanism ensures that taxes are only paid on the value added at each stage of the supply chain.

Order of set off ITC

Input tax means the Central Tax (CGST), State tax (SGST), Integrated Tax (IGST) or Union Territory Tax (UTGST) charged on supply of goods or services or both made to a registered person. It also includes tax paid on reverse charge basis and IGST charged on import of goods. It does not include tax paid under composition levy.

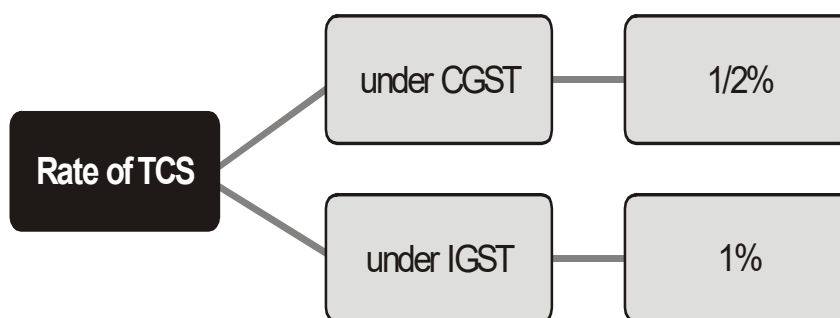
It is interesting to note that so far as eligibility of ITC, the CGST Act has not made any distinction amongst input, capital goods, and input services. The claim of input tax credit is available in one go. In GST, taxability of sale/service will also determine the eligibility of input tax credit, which may be as under:

Sl.No	Nature of Supply	Availability of Input Tax
1.	Taxable supply	Yes
2.	Exempt supply	No
3.	Non-taxable supply	No
4.	Zero-rated supply	Yes

Input tax credit set off rules in brief

Types of tax	Order of set of input tax credit
IGST input credit	1. Any input exists under IGST, it has to be used for paying output tax liability of integrated tax; 2. Then the balance credit, if any, to be used towards the payment of output tax liability of central tax (CGST) or state tax (SGST) or Union Territory Tax (UTGST).
CGST input credit	1. Utilise it for paying CGST liability first 2. Then to be used for payment of pending output tax liability of IGST
State tax credit (SGST credit)	1. First it can be used for the payment of output tax liability of state tax (SGST) 2. Then it has to be used towards the payment of IGST

1.1.22 Tax Collected at Source (TCS)



- ♦ Collected by E-Commerce operators

The obligation to collect tax at source has been placed upon Electronic Commerce Operators and no other class of suppliers. When an ‘Electronic Commerce Operator’ receives payment (which is consideration by another person for a supply made by someone else), he must collect TCS at the rate to be notified (this rate will not exceed 1%) and pay it to the Government. This rate is to be applied to the ‘net value’ as defined in the Explanation to Section 51(1) CGST. An agent is not covered by the TCS provisions.

‘**Electronic Commerce Operator**’ is defined as any person who owns, operates or manages a digital or electronic facility or platform for electronic commerce.

- ♦ Definition of E-Commerce operators

‘Electronic Commerce’ is defined as the supply of goods or services or both, including digital products over digital or electronic networks .

Under Section 52 of CGST Act, an Electronic Commerce Operator is liable to collect TCS only if the supply has been made through such an operator by other suppliers and the con-

sideration is collected by the Electronic Commerce operator. Supplies made by the electronic commerce operator on its own account are not subject to TCS requirements.

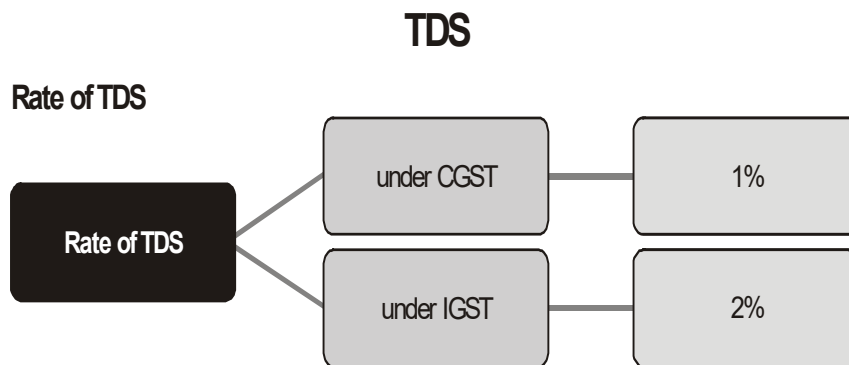
Important terms under TCS:

- a. **Tax Collector:** As per Section 52 of CGST Act every Electronic Commerce Operator shall deduct tax at source on the consideration collected by them where the supplies are made by other suppliers through them. The power to collect the amount shall be without prejudice to any other mode of recovery from the operator.
- b. **TCS Tax Rate:** Operator shall collect tax @ 1% of the net value of taxable supplies made through it by other suppliers.
- c. **Net Value:** Net value has to be ascertained in terms of a formula as provided under sub-section (1) of Section 52 of the Act.
$$\text{Net Value of Taxable Supplies} = [(\text{Aggregate Value of Taxable Supplies of Goods} + \text{Services}) - (\text{Section 9(5) Services})] - (\text{Aggregate Value of Returned Taxable Supplies} + \text{Goods})]$$
- d. **Time Period for TCS Tax Payment:** Sub-section (3) of Section 52 of the Act provides that Tax Collected at Source shall be paid to the Government within 10 days after the end of the month of collection.
- e. **Manner of Payment:** Any amount Collected as TCS shall be paid by debiting the e-cash ledger and electronic liability register shall be credited accordingly.
- f. **Monthly Statement:** The operator who collects tax at source shall furnish a statement, monthly, electronically, containing all the details regarding: a. Outward supplies of Goods and Services b. Return of goods and services in Form GSTR-8 within 10 days from the end of the month in terms of sub-rule (1) of Rule 67 of the rules read with sub-section (4) of Section 52 of the Act.
- g. **Annual Statement:** The operator who collects tax at source shall furnish an annual Statement, electronically, containing all the details, under sub-section (3) of Section 52 of the Act, regarding: a. Outward supplies of Goods and Services b. Return of goods and services during the Financial Year, before 31 December following the end of such Financial Year.
- h. **Error in Monthly Statement:** In case any errors or omissions are detected in the statement by the operator other than as a result of scrutiny, audit, inspection or enforcement

activity by the tax authorities then he shall rectify the same in the statement of the month of such discovery, subject to payment of interest under sub-section (6) of Section 52 of the Act.

- i. **Exception to Rectification:** No rectification will be allowed- a. After the due date of furnishing the statement for the month of September following the end of Financial Year, or b. Actual date of Furnishing the Annual Statement, whichever is earlier.
- j. **How to Claim TCS Credit:** Supplier of goods and services can claim the amount of credit in their e-Cash Ledger as collected and reflected by the Operator in Statement under sub-section (7) of Section 52 of the Act.
- k. **Matching:** The Supplies shall match with the corresponding outward supplies of the registered Supplier as the details furnished by the Operator in GSTR-8 shall be made available electronically to each of the suppliers in Part C of Form GSTR-2A on the Common Portal after the due date of filing of Form GSTR-8 in terms of Rule (2) of Rule 67 read with sub-section (8) of Section 52 of the Act.

1.1.23 Tax Deduction at Source (TDS)



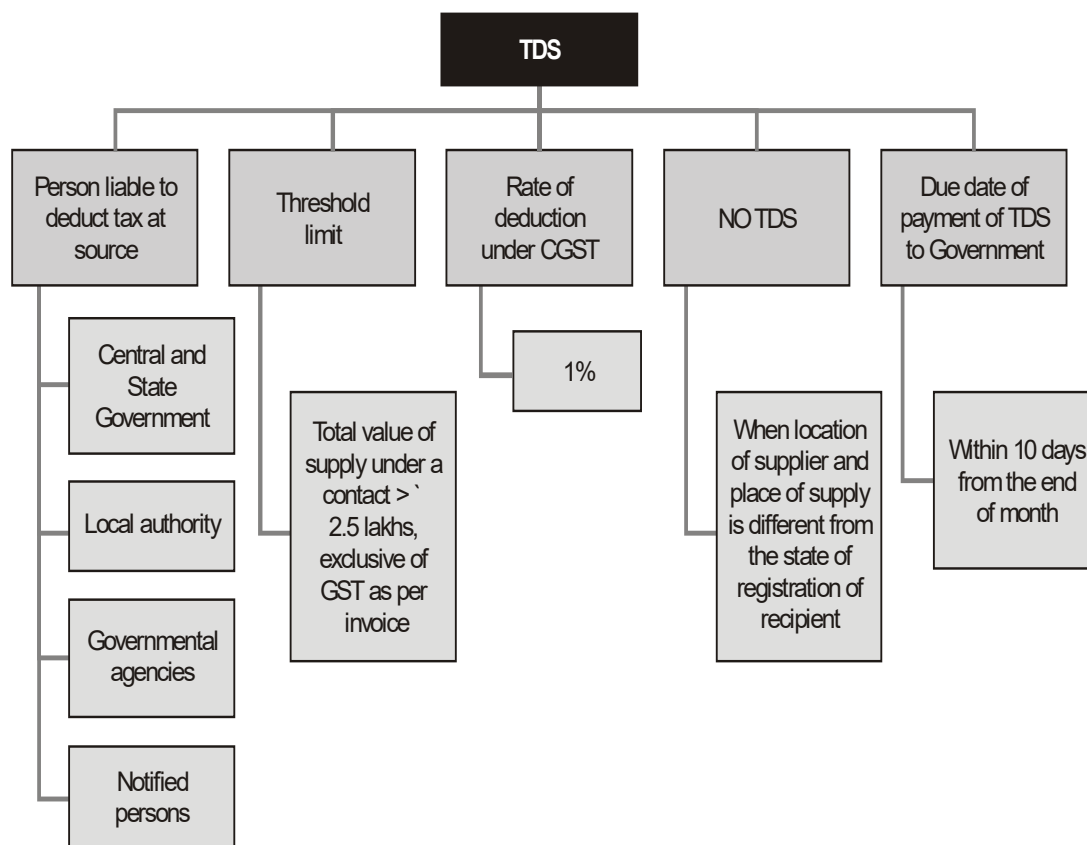
Tax Deduction at Source (TDS) is a mechanism in the GST law wherein the recipient of goods or services deducts some amount for tax out of the amount payable to the supplier. This amount of TDS is determined on the basis 2 percent of value of supply.

Section 51 of the CGST Act deals with the matter relating to TDS: It states that:

1. Notwithstanding anything to the contrary contained in this Act, the Government may mandate,

♦ Deducted by Government or its agencies

- a. a department or establishment of the Central Government or State Government; or (b) local authority; or
- b. governmental agencies; or
- c. such persons or category of persons as may be notified by the Government on the recommendations of the Council, (hereafter in this section referred to as “the deductor”), to deduct tax at the rate of one percent from the payment made or credited to the supplier (hereafter in this section referred to as “the deductee”) of taxable goods or services or both, where the total value of such supply, under a contract, exceeds two lakh and fifty thousand rupees:
- d. TDS @ 2% if total value of taxable supply exceeds ₹2,50,000: The deductor has to deduct tax @ 2% (1% CGST and 1% SGST) from the payment made or credited to the supplier (“the deductee”) of taxable goods or service or both, where the total value of such supply, under a contract, exceeds ₹2,50,000.



1.1.24 Refund of Taxes

- ◆ Amount due to taxpayer

The word refund, in simple terms, means an amount of money that is given back to a person upon the happening or occurring of some event. In taxation, refund refers to any amount that is due to the taxpayer from the tax administration due to excess payment of taxes or any other reason. Chapter XI of the CGST Act (Section 54 to 58) read with Chapter X of the CGST Rules (Rules 89 to 97A) deals with the manner of claiming and giving of refund. Section 54 of the CGST provides that: Any person claiming refund of any tax and interest, if any, paid on such tax or any other amount paid by him, may make an application before the expiry of two years from the relevant date in such form and manner as may be prescribed: Provided that a registered person, claiming refund of any balance in the electronic cash ledger in accordance with the provisions of sub-section (6) of section 49, may claim such refund in the return furnished under section 39 in such manner as may be prescribed.

Several types of GST refund:

- ◆ Excess payment of tax due to mistake or inadvertence
- ◆ Excess balance in Electronic Cash Ledger
- ◆ Export with payment of IGST or under Bond/ Letter of Undertaking (LUT)
- ◆ Supplies made to SEZ unit/developer on payment of IGST or under Bond/LUT
- ◆ Inverted duty structure
- ◆ Deemed Exports
- ◆ Persons holding Unique Identification Number (UIN)
- ◆ Miscellaneous refunds

Illustration 1.1.1

Pass entries for the following transactions in the books of a sole trader

Date	Particulars
01/12/2023	Inward supply of ₹200000 25% trade discount at 4% cash discount on purchase price was agreed. Paid CGST and SGST @ 9% each.
10/12/2023	Outward supply ₹375000 at 20% trade discount and 2% cash discount on sale price. CGST and SGST @ 9% each. The amount paid by NEFT.

Solution**Journal**

Date	Particulars	Debit Amount	Credit Amount
Dec 1	Inward supply A/c Dr.	1,50,000	
	Input CGST A/c Dr.	13,500	
	Input SGST A/c Dr.	13,500	
	To Bank A/c		1,71,000
	To Discount A/c		6,000
	(purchased with discounts adjusted)		
Dec 10	Bank A/c Dr.	3,48,000	
	Discount Allowed A/c Dr.	6,000	
	To Outward supply A/c		3,00,000
	To Output CGST A/c		27,000
	To Output SGST A/c		27,000
	(outward supplies @20% trade and 2% cash discount)		

Working note:

Gross amount of sale 375000

Less : trade discount 75000

Net sales 300000

Add CGST @ 9% 27000

SGST @9% 27000

Cash discount @2%= (6000)

Net amount credited to bank = 348000

Similarly

Gross purchase value 200000

Less trade discount @ 25% 50000

Net purchase = 150000

Add CGST @ 9% 13500

SGST @ 9% 13500 27000

Therefore, amount to be debited in bank 177000

Less cash discount on ₹150000 @ 4% (6000)

Net amount payable the supplier 171000

At the end of every month GST payable is to be found out and it has to be paid by means of a journal entry.

The journal entry for set off:

Date	Particulars	Debit Amount	Credit Amount
	Output CGST A/c Dr.	27000	
	Output SGST A/c Dr.	27000	
	To Input CGST A/c		13500
	To Input SGST A/c		13500
	To Bank A/c (Balancing figure)		27000
	(Set off adjustment on output tax with input credit)		

Illustration 1.1.2

Pass entries in the books of Amith and Co. of Allepy, Kerala on his supplies during the month of July 2023 assuming that all products are charged GST @ 9% each.

- (i) Inward supplies ₹200000 from Safwana from SriNagar
- (ii) Outward supplies to Karnataka ₹150000
- (iii) Outward supplies ₹250000 on credit to Calicut
- (iv) Purchased furniture for ₹80000
- (vi) Payment made of balance amount of GST

Journal

Date	Particulars	Debit	Credit
(i)	Purchases A/c Dr.	200000	
	Input IGST A/c Dr.	36000	
	To Safwana a/c		236000
	(Purchases from interstate)		
(ii)	Bank A/c Dr.	177000	
	To Sales A/c		150000
	To Output IGST A/c		27000
	(Sold goods and received cheque)		
(iii)	Debtors A/c Dr.	295000	
	To Sales A/c		250000
	To Output CGST A/c		22500
	To Output SGST A/c		22500
	(Sold Goods on credit)		
(iv)	Office Furniture A/c Dr.	80000	
	Input CGST A/c Dr.	7200	
	Input SGST A/c Dr.	7200	

(vi)	To Bank A/c (Purchased office furniture)		94400
	Output IGST A/c Dr.	27000	
(vii)	To Input IGST A/c (Input Tax credit up to ₹27000 availed and balance to be adjusted against Output CGST)		27000
	Output CGST A/c Dr.	22500	
	To Input CGST A/c		7200
	To Input IGST A/c		9000
(viii)	To Bank A/c (Input tax credit availed and balance paid)		6300
	Output SGST A/c Dr.	22500	
	To Input SGST A/c		7200
	To Bank A/c (Input tax credit availed and balance paid)		15300

Working notes:

Particulars	IGST Output tax	CGST Output	SGST Output tax
	27000	22500	22500
Input tax IGST	-27,000	-9000 (36000-27000)	—
Input tax CGST	—	-7,200	—
Input tax SGST	—	—	-7,200
	Nil	6,300	15,300

Illustration 1.1.3

A milling machine was purchased for ₹100000 on October 3, 2020, with 6% CGST and 6% SGST paid. ITC was claimed on the purchase in October 2020. The milling machine was sold for ₹760000 on August 10, 2021. Calculate the amount of reversal of utilized ITC on the milling machine.

Solution:

Particulars	Amount
Utilised ITC amount on the milling machine	120000
Less: ITC to be reversed @5% per quarter for the period of use of the milling machine*	(24000)
Amount required to be paid (A)	96000

12% GST on the transaction value of the milling machine sold (760000 x 12%) (B)	91200
Amount payable on disposal of the machine [Higher of (A) and (B)]	96000

Working note: *

Number of quarters for the period of use of machine

For the year 2020-21 = 2 Quarters

For the year 2021-22 = 2 Quarters

Total = 4 Quarters

Reversible amount of ITC (120000 x 5% x 4)

= 24000

Summarised Overview

GST is a transformative tax system in India that simplifies the taxation structure by unifying central and state taxes into a dual model with Central GST (CGST) collected by the central government and State GST (SGST) collected by state governments. It applies to the supply of goods and services, encourages the use of tax invoices, and facilitates Input Tax Credit to reduce the tax burden on businesses. With mechanisms like TCS and TDS, it ensures effective tax collection, and refund provisions are in place for various situations. A sound understanding of GST regulations is essential for businesses and individuals to navigate this taxation system successfully.

Self-Assessment

1. What do you mean by indirect taxes?
2. What is the difference between Direct Tax and Indirect Tax?
3. State the importance of GST.
4. State the features of GST.
5. Explain Intra State Supply and Inter State Supply.
6. Explain the types of Supply.
7. Explain ITC set off rules with practical examples.
8. What is HSN and SAC Code?
9. Explain TDS and TCS provisions in GST.

Assignments

1. Provide a brief overview of the historical background of GST in India and the necessity of the 101st Constitutional Amendment.
2. Explain the dominance of GST over other existing forms of indirect taxes in India.
3. Analyse the impact of GST on the Indian economy since its implementation. State your perspective on whether you agree or disagree with its effects, and present your ideas for enhancing the taxation system to stimulate faster economic growth.
4. What are the uses of SAC in GST?
5. From the following information determine the amount of Input Tax Credit admissible to Sreekanth Enterprises:

Sl.No	Particulars	GST paid at input
1.	Goods purchased from unregistered persons (Tax paid under reverse charge)	35000
2.	Goods purchased from registered person (Tax deposited by the supplier)	88000
3.	Inward supply of Bike for personal purpose	25000
4.	Car purchased for finance manager	45000
5.	Goods purchased against valid invoice but the tax has not deposited by the supplier	43000

Suggested Readings

1. GST BARE ACT
2. CGST ACT and RULES,
3. IGST ACT and RULES
4. SGST ACT/UTGST and RULE
5. A Jatin Christopher (2023). *Comprehensive Commentary on GST and its correlation with Contract Act, Transfer of Property Act, Limitation Act, and 25 other Allied Acts*. Taxmann.
6. S.S Gupta (2023). *GST on Services [CGST/IGST Amdt. Act]*. Taxmann
7. Aditya Singhania (2023). *GST Practice Manual*. Taxmann

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1. Dr. H.C. Mehrotra and Prof. V.P. Agarwal. *Goods and Services Tax (G.S.T.) & Customs Duty*. Sahitya Bhawan Publications.
2. Agarwal, A. N. (2017). *Goods and services tax in India: A practical guide*. Bloomsbury India.
3. Dr. Sanjiv Agarwal (2019). *Compendium of GST Cases with Summary*. Bloomsbury
4. S.S Gupta (2020). *GST New Returns How to Meet Your Obligations*, Taxmann
5. Jain, P. K. (2017). *Goods and services tax in India: A commentary*. CCH India.
6. CA Bimal Jain (2023). *GST Law and Commentary with Analysis and Procedures*. Pooja Law House

Space for Learner Engagement for Objective Questions

Learners are encouraged to develop objective questions based on the content in the paragraph as a sign of their comprehension of the content. The Learners may reflect on the recap bullets and relate their understanding with the narrative in order to frame objective questions from the given text. The University expects that 1 - 2 questions are developed for each paragraph. The space given below can be used for listing the questions.



FILING OF GST RETURNS

Learning Outcomes

Upon completion of this unit, the learner will be able to:

- ♦ gain insight into the practical aspects of GST.
- ♦ develop skills in filing GST returns.
- ♦ acquire knowledge about various forms used in GST.

Background

Filing Goods and Services Tax (GST) returns is a pivotal aspect of the taxation framework, serving as a comprehensive record-keeping and compliance mechanism. In the dynamic landscape of indirect taxation, the process of filing GST returns plays a crucial role in reflecting the financial transactions of businesses and individuals. It encompasses the reporting of sales, purchases, and tax payments to the tax authorities. As an integral part of the GST system, accurate and timely filing ensures transparency, facilitates seamless tax administration, and allows entities to claim Input Tax Credits (ITC).

This process involves the utilisation of various GST Returns forms, each designed for specific types of transactions. Understanding the intricacies of these forms becomes paramount for businesses and taxpayers, contributing to both compliance and effective financial management. In this context, gaining proficiency in filing GST returns and navigating the diverse GST Returns forms is essential for maintaining regulatory adherence and optimising the benefits offered by the GST framework.

Keywords

Filing of returns, QRMP Scheme, GSTR forms, Reversal and reclaim of ITC, GST Returns forms

Discussion

1.2.1 GST RETURNS

The term “return” ordinarily means a statement of information (facts) furnished by the taxpayer, to tax administrators, at regular intervals. The information to be furnished in the return generally comprises the details pertaining to the nature of activities/business operations forming the subject matter of taxation; the measure of taxation such as sale price, turnover, or value; deductions and exemptions; and determination and discharge of tax liability for a given period. A GST return is a document containing details of outward supplies and inward supplies, which a taxpayer is required to file with the tax administrative authorities. This is used by tax authorities to calculate tax liability. Under GST regime, a registered dealer has to file GST returns that include:

◆ Information provided by taxpayer

- ◆ Inward supply - i.e Purchase., and Input services
- ◆ Outward supply – i.e., Sales and Output services
- ◆ Output GST (on outward supply)
- ◆ Input Tax Credit (GST paid on purchases)

Benefits of filing GST returns

The following are the benefits of filing GST returns:

◆ Tax filing: Vital compliance

- ◆ Tracking of sales and purchase transactions
- ◆ Assessment of tax liability
- ◆ Checking of the GST compliances
- ◆ Checking of the input tax credit
- ◆ Prohibitory tool in tax evasion

In any tax law, “filing of returns” constitutes the most important compliance procedure which enables the Government/ tax administrator to estimate the tax collection for a particular period and determine the correctness of the tax compliance of the taxpayers.

The returns serve the following purposes:

- (a) Mode for transfer of information to tax administration;
- (b) Compliance verification program of tax administration;
- (c) Finalisation of the tax liabilities of the taxpayer within stipulated period of limitation;

- (d) Providing necessary inputs for taking policy decision;
- (e) Management of audit and anti-evasion programs of tax administration

◆ QRMP scheme

The GST returns in forms GSTR-1 and GSTR-3B are to be filed by businesses and professionals registered under GST every month if their annual aggregate turnover during the financial year exceeds ₹5 crores (Was ₹1.5 crores up to December 2020). On the other hand, the rest of the taxpayers had an option to choose a quarterly GSTR-1 filing while continuing to file GSTR-3B monthly, until December 2020. From the quarter of 1 January 2021, the taxpayers having annual turnover up to ₹5 crores may opt for the QRMP scheme, under which they can file both GSTR-1 and GSTR-3B once in a quarter while continuing to make a monthly estimated payment of taxes. An Invoice Furnishing Facility (IFF) has also been made available for quarterly filers of GSTR-1 to upload documents of their B2B outward supplies. In between, auto-drafted returns such as GSTR-2A and GSTR-2B will help taxpayers to claim their eligible input tax credit in their GSTR-3B.

Chapter IX of the CGST Act [Sections 37 to 48] prescribes the provisions relating to filing of returns as under:

Section 37	Furnishing details of outward supplies
Section 38	Furnishing details of inward supplies
Section 39	Furnishing of returns
Section 40	First return
Section 41	Claim of input tax credit and provisional acceptance there of
Section 42	Matching, reversal and re-claim of input tax credit
Section 43	Matching, reversal and re-claim of reduction in output tax liability
Section 44	Annual Return
Section 45	Final Return
Section 46	Notice to return defaulters
Section 47	Levy of late fee
Section 48	Goods and services tax practitioners

1.2.2 Furnishing Details of Outward Supplies (Section 37 Read with Rule 59 of the CGST Rules)

◆ GSTR-1 filing details

The GST Act provides that the details of outward supplies of goods or services or both shall be furnished electronically in Form GSTR-1. The taxpayers can furnish these details through the common portal, either directly or from a notified facilitation centre. The Form GSTR-1 has to be filed even if there is

no business activity in the tax period, and a nil return shall be filed. The Government has started a facility to file Nil GSTR-1 through SMS facility.

GSTR-1

GSTR-1 in GST is a monthly or quarterly return that provides details of all outward supplies made by a registered GST taxpayer during the tax period. It is a self-declaration form that must be filed electronically on the GST Portal.

The details of outward supplies of goods or services shall be furnished by every registered person, including casual registered persons in Form GSTR-1 except:

♦ Frequency of filing GSTR 1

- ♦ Input Service Distributor
- ♦ Non-resident taxable person
- ♦ Person paying tax under Composition Scheme
- ♦ Person paying tax under Section 51, i.e., TDS Deductor
- ♦ Person paying tax under Section 52, i.e., TCS Collector
- ♦ Supplier of Online Information and Database Access or Retrieval services (OIDAR)

The Form GSTR-1 is to be filed monthly or quarterly by the taxpayers on the basis of their turnover. The persons having turnover above ₹5 crores have to mandatorily file GSTR-1 on monthly basis but persons having turnover less than ₹5 crore have an option to file quarterly GSTR-1 if they opt for QRMP Scheme.

QRMP Scheme

The persons having a turnover of less than ₹5 crores have an option to file quarterly GSTR-1 by opting Quarterly Return Monthly Payment (QRMP) Scheme. If they do not opt for QRMP scheme, then they will be deemed to be considered as monthly filers and required to file GSTR-1 on a monthly basis.

♦ Optional quarterly filing

IFF Facility

A person who has opted for QRMP scheme can use Invoice Furnishing Facility (IFF) to upload invoices on a monthly basis and does not require uploading those invoices again while filing quarterly GSTR-1 of that tax period.

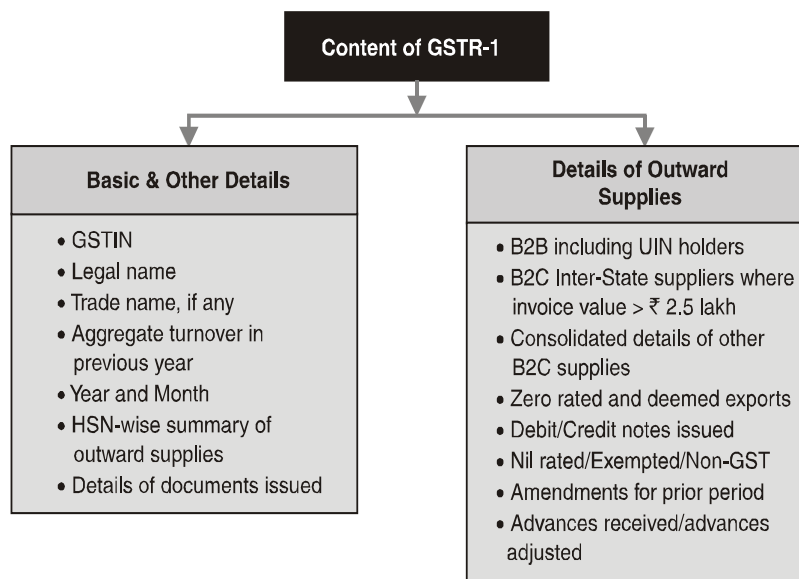
♦ QRMP with IFF: Simplified filing

Due date of filing of GSTR 1

The due date of filing of GSTR-1 or IFF facility is as follows:

<i>Particulars</i>	<i>Due date</i>
Monthly Scheme (GSTR-1)	11 th of next month
QRMP Scheme (IFF)	13 th of next month
QRMP Scheme (GSTR-1)	13 th of next month after end of quarter

Information to be furnished in GSTR-1



The following information is required to be furnished in Form GSTR-1:

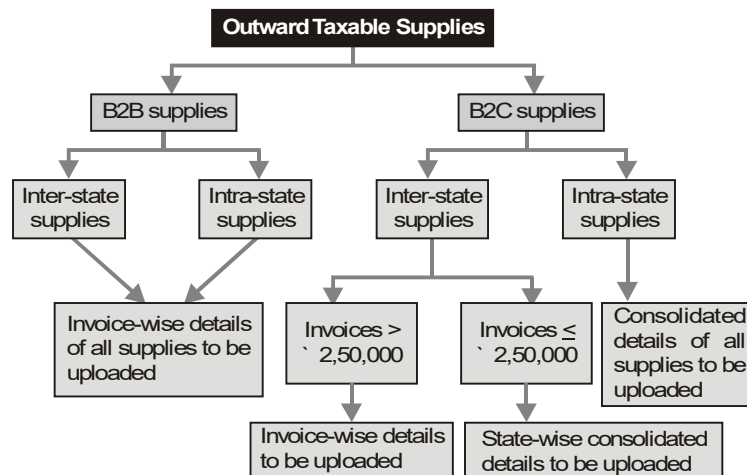
◆ B2B Supplies

All outward supplies made to registered persons will be entered, and all invoices will have to be uploaded whether supplies are Intra-State or Inter-State supplies.

◆ B2C Supplies

The Inter-State supplies to an unregistered person having an invoice value of more than ₹2.5 lakhs are to be considered as B2C supplies, and their invoices will have to be uploaded. However, a summary shall be uploaded for inter-state supplies of value below ₹2.5 lakhs to unregistered persons and all intra-state supplies to unregistered persons. The tabulated form of the aforementioned data is as follows:

Sl. No.	Invoice-wise* details of all:	Consolidated details of all:	Debit and credit notes
(i)	Inter-State and Intra-State supplies made to registered persons	Intra-State supplies made to unregistered persons for each rate of tax	Issued during the month for invoices issued previously
(ii)	Inter-State supplies made to unregistered persons with invoice value exceeding ₹250000	Inter-State supplies made to unregistered persons with invoice value upto ₹250000 for each rate of tax separately for each State	



◆ Debit Note/Credit Note

It is required to furnish details of debit and credit notes issued during the month for invoices issued previously and uploaded as B2B supplies.

◆ Other Details

The other details which shall be uploaded in Form GSTR-1 include details of zero-rated supplies, details of advance received or adjusted in a tax period, nil rated or non-GST supplies, HSN wise summary of outward supplies and details of total number of invoices issued or canceled. Also, amendment of any details wrongly entered in GSTR-1 of the previous tax period can be done.

Amendment/Revision in GSTR-1

The Form GSTR-1 filed by a taxpayer can't be revised. However, any mistake made in the filing of Form GSTR-1 of a tax period can be rectified through an amendment in the return of the next tax period. For instance, the customer's GST number,

- ◆ GSTR-1 amendment process



Date, Invoice Value, Taxable Value, Rate of tax, etc., wrongly entered while filing GSTR-1 can be amended.

♦ ₹200 per day

Late Fees for Delay in filing GSTR-1

The GST Law provides a late fee of ₹200 per day of delay shall be charged for late filing GSTR-1. The late fee will be charged from the date after the due date of filing of GSTR-1 of the tax period.

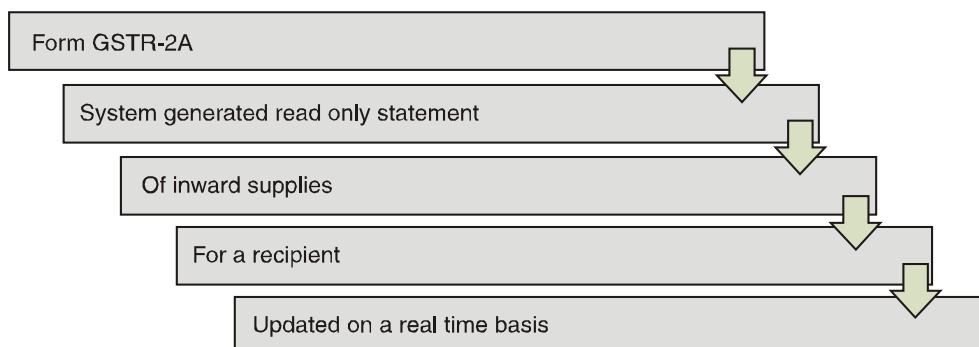
GST is a destination-based consumption tax. Hence, the tax revenue is transferred to the State which is the place of supply of the particular transaction. Since, the place of supply is crucial for determining the share of every State in the tax revenue, GSTR-1 also captures information relating to place of supply.

1.2.3 GSTR- 2A and GSTR- 2B

♦ The details of all the inward supplies

GSTR 2A is a purchase-related statement that is automatically generated for every GST registered business on the GST portal. It contains the details of all the inward supplies (purchases) of goods and/or services that have been declared by the suppliers in their GSTR-1 returns. GSTR 2A is a dynamic statement, which means that it is updated whenever the supplier makes any changes to their GSTR-1 return. GSTR 2A can be used by businesses to verify the details of their purchases and to ensure that they have claimed the correct amount of input tax credit (ITC). It is also used by the government to track the movement of goods and services across the country.

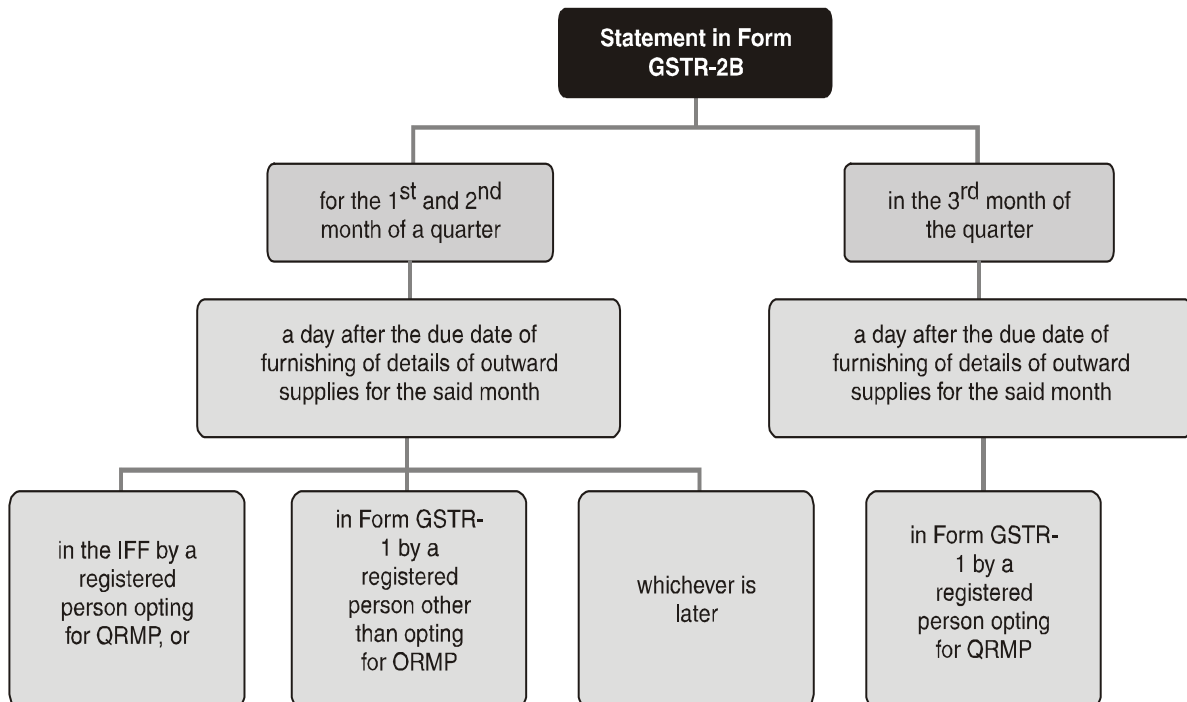
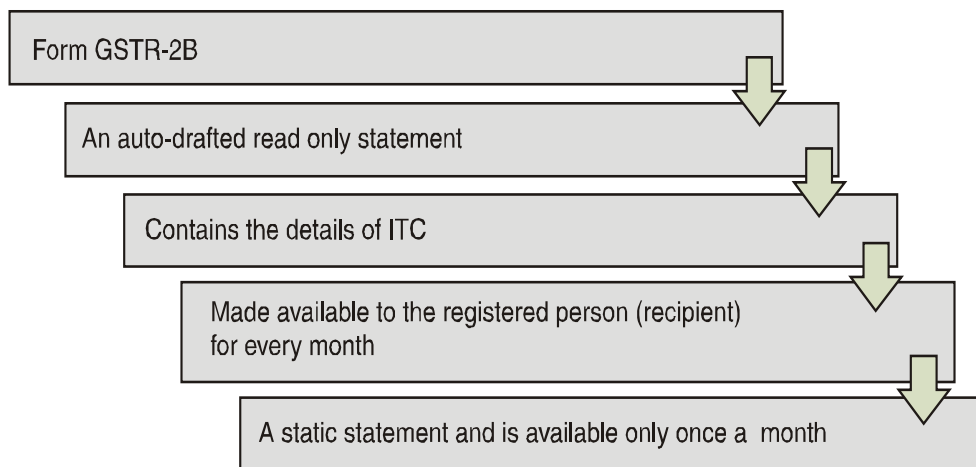
Form GSTR-2A



♦ ITC Statements

GSTR 2B is an auto-drafted Input Tax Credit (ITC) statement which is generated for every registered person on the basis of the information furnished by his/her suppliers in their respective GSTR-1 & GSTR-5 and ITC received through Form GSTR-6. The statement indicates availability of Input Tax Credit to the registered person against each document filed by his/her suppliers and the Input Service Distributor (ISD). GSTR 2B is a static statement, which means that it does not change once it is generated on the 14th day of the succeeding month. This makes it easier for businesses to reconcile their purchase records and to claim the correct amount of ITC.

Form GSTR-2B



- ◆ GSTR-2A: Purchase Statement
- ◆ GSTR-2B: Eligible ITC Summary

Difference between GSTR- 2A AND 2B

Invoices uploaded by suppliers between 11th of current month and before 11th of subsequent month are reflected in your GSTR2A of the month of invoicing and out of these entire invoices those eligible for ITC are then reflected in your GSTR2B. You are supposed to take ITC only for those invoices which are present in 2B.

1.2.4 GSTR-3B

- ◆ Mandatory form

Form GSTR-3B is a simplified summary return and the purpose of the return is for taxpayers to declare their summary GST liabilities for a particular tax period and discharge these liabilities. A normal taxpayer is required to file Form GSTR-3B returns for every tax period. Filing of Form GSTR-3B is mandatory for all normal and casual taxpayers, even if there is no business in that particular tax period.

When to file form GSTR-3B?

- ◆ For monthly filers, the due date for filing Form GSTR-3B is the 20th day of the month following the month (tax period) for which the return pertains.
- ◆ For quarterly filers, the due date for filing of Form GSTR-3B, as notified for different States/UTs, is 22nd and 24th day of the month following the quarter for which the return pertains.
- ◆ However, the due date for filing of Form GSTR-3B can be extended by the Government through notification.

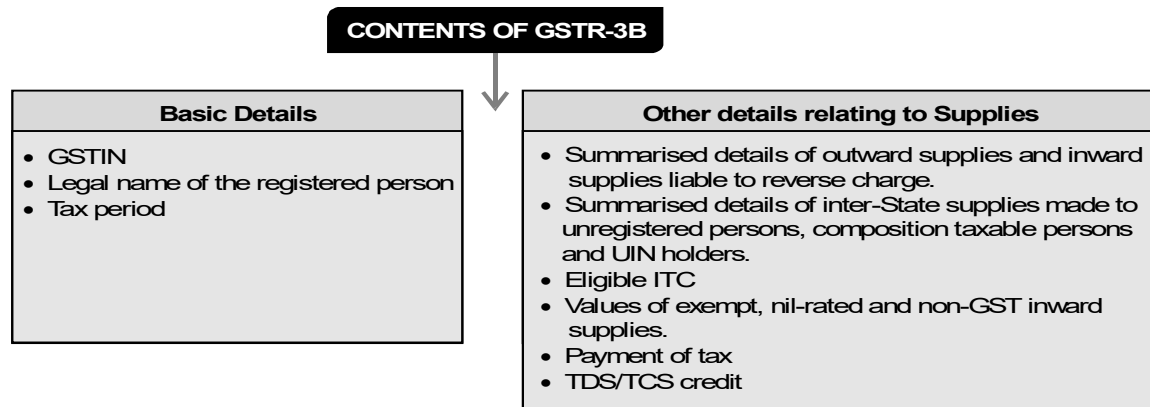
The due dates for filing of Form GSTR3B are summarised as follows:

Category of Registered Person	Form GSTR-3B	Due Date*
Normal taxpayers having turnover more than ₹5 Crores	Monthly	20 th of the succeeding month
Small taxpayers (Turnover up to ₹5 Crore and not opting for QRMP scheme)	Monthly	20 th of the succeeding month
Small taxpayers (Turnover up to ₹5 Crore and opting for QRMP scheme) [Specified States-I]	Quarterly	22 nd of the month succeeding such quarter
Small taxpayers (Turnover up to ₹5 Crore and opting for QRMP scheme) [Specified States-II]	Quarterly	24 th of the month succeeding such quarter

- ◆ Does not require invoice

GSTR-3B can be submitted electronically through the common portal, either directly or through a notified Facilitation Centre. GSTR-3B is a simple return containing summary of outward supplies, inward supplies liable to reverse charge, eligible ITC, payment of tax etc. Thus, GSTR-3B does not require invoice-wise data of outward supplies.

The broad contents of GSTR-3B are given by way of the following diagram:



- ◆ Form GSTR-3B: Monthly summary return

Under the GST laws, Form GSTR3B is a self-declared consolidated summary return of inward and outward supplies which is required to be filed by a registered person electronically on the GST Common Portal. Section 39 of the Central Goods and Services Tax (CGST) Act, 2017 provides that every registered person is required to file a monthly return electronically. The particulars such as inward and outward supplies of goods or services, input tax credit availed, tax payable, tax paid, etc. are required to be declared in such return. In this regard, Rule 61 of the CGST Rules, 2017 prescribes Form GSTR 3B which is required to be filed by the registered person, monthly or quarterly, as the case may be.

Who is required to file Form GSTR 3B?

Every person who is registered under the GST laws is required to file Form GSTR3B except for the following persons:

- ◆ Taxpayers registered under the Composition Scheme
- ◆ Input Service Distributor
- ◆ Non-Resident Taxable Person
- ◆ Person liable to deduct tax at source

- ◆ Person liable to collect tax at source

Procedure to file Form GSTR3B

In order to file Form GSTR 3B, the registered person is required to follow the following steps after logging on to the GST Common Portal:

- ◆ Under the 'Returns Dashboard', select the period for which the return is required to be filed.
- ◆ Select 'Monthly Return GSTR 3B'.
- ◆ Fill the required data in the Form GSTR 3B.
- ◆ Discharge the liability towards tax, interest, penalty, fees, or any other amount payable by debiting the electronic cash/credit ledger.
- ◆ Verify the return using an EVC (electronic verification code) or a DSC (digital signature certificate of class 2 or higher).
- ◆ After verification, a success message will be displayed along with Acknowledgement Reference Number (ARN).

Information to be filled in GSTR 3B:

- ◆ Summary details of outward supplies and inward supplies liable to reverse charge and tax liability.
- ◆ Details of inter-State supplies made to unregistered persons/composition taxable persons and UIN holders.
- ◆ Details of ITC available, ITC reversal, Net ITC available, Ineligible ITC, etc.
- ◆ Summary details of exempt, nil, and non-GST inward supplies
- ◆ Details of interest and late fee.
- ◆ Details of payment of tax and interest and late fee (if any).
- ◆ Details of TDS/TCS credit.

Late filing of Form GSTR3B

The late filing of Form GSTR3B attracts a late fee and interest. A late fee of ₹50 per day (₹20 in case of NIL liability) is charged for filing the return after the due date. In case, the GST dues are not paid within the due date, interest at 18% p.a. is payable on the amount of outstanding tax to be paid.

- ◆ Late GSTR-3B: Fee and interest

1.2.5 GSTR-4

The following persons are required to file an annual return in form GSTR-4:

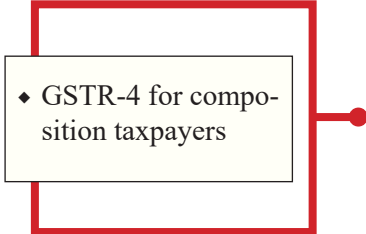
- ◆ Every registered person paying tax under section 10 i.e., composition supplier; or
- ◆ Every registered person paying tax by availing the benefit of Notification No. 2/2019 CT (R) dated 07.03.2019.

GSTR-4 for a financial year or part of a financial year should be filed electronically through the common portal either directly or through a notified Facilitation Centre.

Quarterly statement for payment of self-assessed tax:

The persons required to file GSTR-4 are also required to furnish a statement in the form GST CMP-08 containing details of payment of self-assessed tax, for every quarter (or part of the quarter), by 18th day of the month succeeding such quarter.

While a composition supplier and the person paying tax under notification No. 2/2019 CT (R) are required to file the return GSTR-4 annually, they are required to pay the tax quarterly.

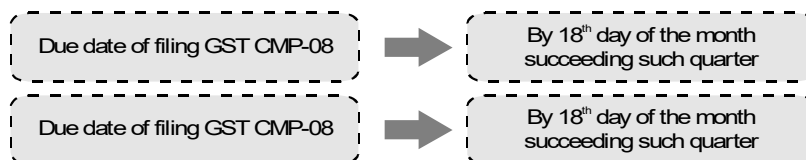
- 
- ◆ GSTR-4 for composition taxpayers

Due date for filing GSTR-4 and Statement for payment of self-assessed tax

GSTR-4 for a financial year should be furnished by 30 April of the succeeding financial year. GST CMP-08 (quarterly statement for payment of self-assessed tax) should be furnished by the 18th day of the month succeeding such quarter.

Due date for filing GSTR-4 and Statement for payment of self-assessed tax

GSTR-4 for a financial year should be furnished by 30 April of the succeeding financial year. GST CMP-08 (quarterly statement for payment of self-assessed tax) should be furnished by the 18th day of the month succeeding such quarter.



Consolidated details of outward supplies

Composition taxpayers and persons paying tax under Notification No. 2/2019 CT (R) are neither entitled for any ITC

- ◆ No ITC under compensation scheme

nor entitled to pass on any input tax credit to its customers (registered / unregistered). Therefore, composition taxpayers and persons paying tax under Notification No. 2/2019 CT (R) are required to provide consolidated details of outward supplies in GSTR-4 and not invoice-wise details. However, details of inter-State and intra-State inward supplies received from registered and un-registered persons are to be provided invoice-wise. The composition supplier and the person paying tax under Notification No. 2/2019 CT (R) will not be eligible to avail ITC on receipt of invoices or debit notes from the supplier for the period prior to their opting to pay tax under composition scheme/Notification No. 2/2019 CT (R). GSTR-4 for the period prior to exiting from the composition scheme. A registered person opting to withdraw from the composition scheme at his own motion or where option is withdrawn at the instance of the proper officer and a registered person who ceases to pay tax under Notification No. 2/2019 CT (R) will, where required, furnish form GSTR-4 for the period prior to exiting from the composition scheme.

GSTR-3B and GSTR-4 need to be filed even if there is no business activity (nil return) in the tax period.

1.2.6 GSTR-5

- ◆ Return for Non-Resident Taxable Persons

GSTR-5 is a monthly return that must be filed by Non-Resident Taxable Persons (NRTPs) who are registered under the Goods and Services Tax (GST) regime in India. It is a summary of all the taxable supplies made by the NRTP during the month, as well as the tax paid on those supplies.

- ◆ Non-Resident Taxable Persons

Return for Non-Resident Taxable Persons [Section 39(5) read with rule 63 of the CGST Rules]: Non-Resident Taxable Persons (NRTPs) are those suppliers who do not have a business establishment in India and have come for a short period to make supplies in India. They would normally import their products into India and make local supplies.

- ◆ **Monthly return:** A registered NRTP is not required to file separately the Statement of Outward Supplies and applicable return for a normal tax payer.
- ◆ In place of the same, a simplified monthly tax return has been prescribed in **Form GSTR-5** for a NRTP for every calendar month or part thereof. The details of outward supplies and inward supplies of a NRTP are incorporated in GSTR-5.

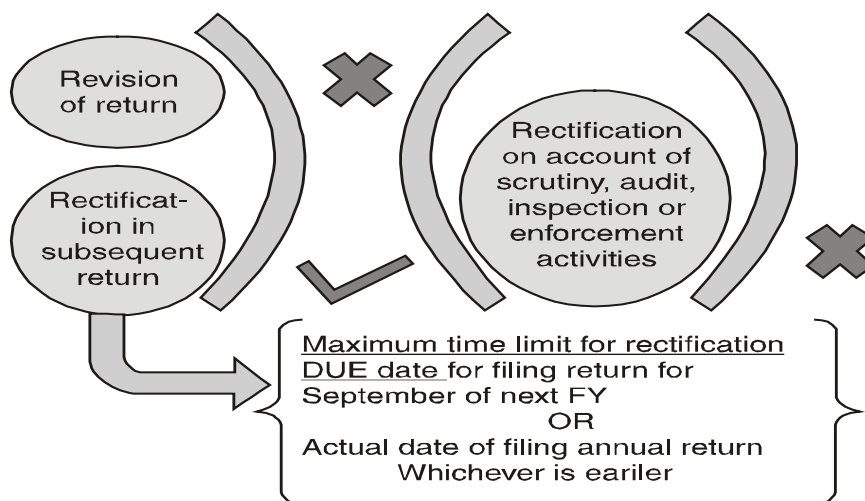
- ♦ **Last date of filing return:** GSTR-5 should be furnished within 13 days after the end of the calendar month or within 7 days after the last day of validity period of the registration, whichever is earlier.
- ♦ **Payment of interest, penalty, fees or any other amount payable:** A NRTP should pay the tax, interest, penalty, fees or any other amount payable under the GST law till the last date of filing GSTR-5.
- ♦ **Due date for payment of tax:** Due dates for payment of tax in respect of the persons required to file GSTR- 3B and GSTR-5 are linked with the due dates for filing of such returns i.e., the last dates (due dates) of filing such returns are also the due dates for payment of tax in respect of persons required to file such returns. In other words, the last date for filing GSTR-3B or GSTR-5 is also the last date for paying the GST liability for the relevant tax period. For example, if the due date for filing GSTR-5 for the month of October 2023 is November 13, 2023, then the due date for paying the GST liability for the month of October 2023 is also November 13, 2023. It is important to note that if a taxpayer fails to pay the GST liability by the due date, they will be liable to pay interest and penalty.

♦ Rectification- limitations and timeline

Rectification of errors/omissions [Section 39(9)]: Omission or incorrect particulars discovered in the returns filed u/s 39 can be rectified by filing a revised return for the tax period during which such omission or incorrect particulars are noticed. Any tax payable as a result of such error or omission will be required to be paid along with interest. It is important to note that section 39(9) does not permit rectification of error or omission discovered on account of scrutiny, audit, inspection or enforcement activities by tax authorities. Hence, assessee may not be able to pass on the ITC to the receiver in respect of tax payments made by him in pursuance of any of the aforementioned situations. The maximum time limit within which the rectification of errors/omissions is permissible is earlier of the following dates: Due date of filing of return for the month of September following the end of the financial year [i.e., 20 October of next financial year] or / Actual date of filing of the relevant annual return.

The last date of filing of annual return for a financial year is 31 December of next financial year. Hence, if annual return for the year 2017-18 is filed before 20 October 2018, then no rectification of errors/omissions in returns pertaining to FY 2017-18 would be permitted thereafter.





A return furnished under section 39(1) on which self-assessed tax has been paid in full is considered as a valid return.

- ♦ Filing of returns for current month is possible only when returns of the previous month have been filed.
- ♦ A taxpayer needs to electronically sign the submitted returns otherwise it will be considered not-filed.
- ♦ Taxpayers can electronically sign their returns using a Digital Signature Certificate (DSC) (mandatory for all types of companies and LLPs), E-sign (Aadhaar-based OTP verification), or EVC (Electronic Verification Code sent to the registered mobile number of the authorised signatory).

♦ Essential return filing considerations

1.2.7 Regular Taxpayers

The GST returns in forms GSTR-1 and GSTR-3B are to be filed by businesses and professionals registered under GST every month if their annual aggregate turnover during the financial year exceeds ₹5 crores (was ₹1.5 crore up to December 2020). On the other hand, the rest of the taxpayers had an option to choose a quarterly GSTR-1 filing while continuing to file GSTR-3B monthly, until December 2020.

From the quarter of 1 January 2021, the taxpayers having annual turnover up to ₹5 crores may opt for the QRMP scheme, under which they can file both GSTR-1 and GSTR-3B once in a quarter while continuing to make a monthly estimated payment of taxes. An Invoice Furnishing Facility (IFF) has also been made available for quarterly filers of GSTR-1 to upload documents of their B2B outward supplies. In between, auto-drafted returns such as GSTR-2A and GSTR-2B will help taxpayers to claim their eligible input tax credit in their GSTR-3B.

♦ Reduces compliance burden for small businesses

Return No	Description	Who Files?	Frequency	Date Of Filing
GSTR-1	Monthly State-ment of Outward Supplies of Goods and /or Services	Person registered under regular scheme (including a casual taxable person)	Monthly	11th day of next month)-Amendment
	Quarterly State-ment of outward supplies of goods and / or services	Registered person opt-ing for QRMP scheme including a casual taxable person.	Quarterly	13 th day of the month succeeding the quarter has been notified as the due date for the recent quarters.
GSTR-2 (currently suspended)	Statement of inward supplies of goods or services.	Regular Taxpayer	Monthly	15 th of the next month
GSTR-3 (currently suspended)	Monthly return on the basis of final-ization of details of outward sup-plies and inward supplies along with the payment of tax	Regular Tax payer	Monthly	20 th of the next month
GSTR -3B	Monthly return	Person registered under regular scheme (including a casual taxable person) Taxpayers having an ATO of more than ₹5 crores in the previous financial year	Monthly	20 th of the next month
	Quarterly Return	Registered person opt-ing for QRMP scheme including casual tax-able person. Taxpayers having an ATO of up to ₹5 crores in the pre-vious financial year	Quarterly	22 nd or 24 th of the month depending upon the State or Union Territory in which they are registered.
GSTR -4 RETURN	Annual Return for Composition Dealers	Taxable person opting for composition levy	Annually	GSTR-4 On or before 30 th day of April following the end of such a finan-cial year.
GST CMP-08	“Statement for the payment of self-assessed Tax”	Composition Tax Payer	Quarterly	18 th of the month succeeding the quarter.

GSTR-5	Monthly return for a non-resident foreign taxable person.	Non-resident Taxpayer	Monthly	By the 13th of the succeeding month or 7 days from the lapse of registration, whichever is earlier.
GSTR – 5A	Monthly return for a person supplying OIDAR services from a place outside India to a non-taxable online recipient.	Supplier of OIDAR Services	Monthly	20 th of the next month
GSTR-6	Monthly return for ISD input service distributor	Input Service Distributor	Monthly	13 th of the next month.
GSTR-7	Monthly Return for authorities deducting tax at source	Tax Deductor	Monthly	10 th of the next month
GSTR-8	Monthly statement for E-commerce operator depicting supplies effecting through it.	E-commerce Operator TCS	Monthly	10 th of the next month
GSTR-9	Annual Return	Registered person other than TDS/TCS ISD taxpayer, CTP and Non-resident taxpayer	Annually	31 December of next financial year
GSTR-9A	Simplified Annual return under composition Scheme	Taxable Person opting for composition levy	Annually	31 December of next financial year
GSTR-9B	Annual Statement	E-commerce operator required to collect tax at source	Annually	31 December of next financial year
GSTR-9C	Reconciliation statement	Registered person whose accounts are required to be audited in GST. In case the aggregate turnover exceeds ₹5 crores in the Financial Year.	Annually	To be submitted along with annual return GSTR-9/9A

GSTR-10	Final Return	Taxable Person whose registration has been surrendered or cancelled	Once when registration is cancelled or surrendered	Within 3 months of the date of cancellation or date of cancellation order whichever is later.
GSTR-11	Details of Inward Supplies to be furnished by a person having UIN and claiming refund UIN-Unique Identification Number.	Person who have been issued a Unique Identity Number (UIN) UN bodies/Embassy	Monthly	28 th the of the next month

1.2.8 Filing of GST Returns Online

- ♦ Automated GST return filing

From manufacturers and suppliers to dealers and consumers, all taxpayers have to file their tax returns with the GST department every year. Under the new GST regime, filing tax returns has become automated. GST returns can be filed online using the software or apps provided by Goods and Service Tax Network (GSTN) which will auto-populate the details on each GSTR form .

Listed below are the steps for filing GST return online:

Step 1: Log in to the GST portal

To log in to the GST portal (<https://www.gst.gov.in/>), you need your GSTIN and password. Your GSTIN is a 15-digit unique number that is assigned to you when you register for GST. Your password is the one that you created when you registered for GST. If you have forgotten your password, you can click on the “Forgot Password?” link on the login page. You will then be asked to enter your GSTIN and email address. An email will be sent to your email address with a link to reset your password. Once you have logged in, you will be taken to the GST dashboard.

Step 2: Go to the Returns Dashboard

The Returns Dashboard displays all the returns that you need to file, along with the due dates for filing each return. To go to the Returns Dashboard, click on the “Services” tab in the GST dashboard. Then, select “Returns” from the drop-down menu. Finally, click on the “Returns Dashboard” option.

Step 3: Select the return you want to file

On the Returns Dashboard, select the return that you want to

file for the corresponding financial year and return filing period. The most common types of GST returns are:

GSTR-1: This return contains the details of all your outward supplies (sales) during the month.

GSTR-3B: This return is a summary of your sales, purchases, and input tax credit claims for the month. It is used to calculate your GST liability.

Step 4: Prepare the return online

Once you have selected the return that you want to file, click on the “Prepare Online” button.

This will open the return preparation form. The form will contain different sections, depending on the type of return that you are filing. You will need to enter the required details in each section of the form. Be sure to enter the correct information, as even a small error can lead to penalties. Here are some tips for preparing each section of the GSTR-1 and GSTR-3B returns:

GSTR-1

Sales: Enter the details of all your sales during the month, including the invoice number, date of invoice, name and address of the customer, GSTIN of the customer, HSN/SAC code of the goods or services sold, quantity sold, rate of GST, and amount of GST charged.

Advances received: Enter the details of any advances that you have received from customers for future supplies.

Debit notes: Enter the details of any debit notes that you have issued to customers during the month.

GSTR-3B

Sales: Enter the total value of your sales during the month, including taxable sales and exempt sales.

Purchases: Enter the total value of your purchases during the month, including taxable purchases and exempt purchases.

Input tax credit: Enter the total amount of input tax credit that you are claiming for the month.

Tax liability: This section will automatically calculate your GST liability for the month, based on the information that you have entered in the previous sections.

Step 5: Submit the return

Once you have entered all the required details in the return preparation form, review the return carefully to make sure that there are no errors. If you are satisfied with the return, click on the “Submit” button to submit it.

♦ Procedures for filing
GSTR Online

◆ Annual Consolidated Return

Step 6: Make the GST payment (if applicable)

If you are filing GSTR-3B, you will also need to make the GST payment. You can do this online using the GST portal. To make the GST payment, click on the “Payments” tab in the GST dashboard. Then, select “Make Payment” from the drop-down menu. Finally, select the “GSTR-3B” option and enter the required details.

Once you have made the GST payment, you will receive a confirmation message.

1.2.9 Annual Return and GSTR 9

Every year after filing all monthly returns under GSTR1 and GSTR 3B, it is mandatory that a consolidated return incorporating all details of the said returns are to be consolidated in a specific Form GSTR 9 which is called annual return. It provides a detailed view regarding the outward and inward supplies made/received in a particular year so that the total dues that have been paid can be categorically shown under different heads namely CGST, SGST and IGST. It is a consolidated statement of all the monthly returns (GSTR-1, GSTR-2A, GSTR-3B) filed in that year. Annual Return in form GSTR-9 shall be submitted electronically through Common Portal either directly or through a Facilitation Centre by 31st day of December of the next financial year.

◆ Reconciliation for large turnover

Annual Return shall be filed by every registered person, other than:

◆ Applicability of GSTR-9C

- ◆ Input Service Distributor
- ◆ Persons paying tax under section 51/52
- ◆ Casual Tax Persons, and
- ◆ Non-Resident taxable person

GSTR 9C: - Form GSTR-9C is a reconciliation statement, duly verified and digitally signed by Chartered Accountant/ Cost Accountant. This form is required to be furnished along with filing of annual return in Form GSTR-9, by the taxpayer whose aggregate turnover is above a specified limit, during a financial year.

Who needs to file Form GSTR-9C?

Normal taxpayers (including SEZ unit and developer) whose aggregate turnover is above a certain threshold, are required to get their accounts audited by Chartered Accountant/Cost Ac-

- ◆ Provisional ITC acceptance

countant (after filing of their annual return in Form GSTR-9) and are required to file their Form GSTR-9C, during a particular financial year, as may be notified by way of Notifications issued by Government of India from time to time. This requirement is not applicable to Central Government or a State Government or a local authority, whose books of accounts are subject to audit by the Comptroller and Auditor-General of India or an auditor appointed for auditing the accounts of local authorities under any law for the time being in force.

1.2.10 Claim of Input Tax Credit and Provisional Acceptance Thereof

- ◆ Omission of ITC reversal

Every taxable person is entitled to take credit of input tax on the basis of the self-assessment made by him on a provisional basis to his electronic credit. Such credits may be revoked unless he files a valid return later on under section 27 of the GST laws. This means that taxpayers can claim input tax credit (ITC) on the basis of their own assessment, even if they have not yet filed their GST returns. However, if the taxpayer does not file their GST returns within the prescribed time limit, or if they file incorrect returns, their ITC claims may be revoked.

1.2.10.1 Matching, reversal and re-claim of Input Tax Credit

- ◆ Final return on cancellation

Section 42 of the Central Goods and Services Tax (CGST) Act, 2017 deals with the matching, reversal, and reclaim of input tax credit (ITC). It was omitted on 31 March 2022 by the Finance Act 2022 and came into effect from 1 October 2022. Prior to its omission, Section 42 required businesses to reverse ITC on certain supplies, such as supplies that are exempt from GST, supplies that are made to unregistered persons, and supplies that are used for personal or non-business purposes. However, Section 42 was criticised for being complex and difficult to comply with. It was also seen as a burden on businesses, especially small businesses. As a result of these criticisms, the government decided to omit Section 42 of the CGST Act. This means that businesses are no longer required to reverse ITC on certain supplies. The omission of Section 42 is a positive development for businesses, as it will simplify the GST compliance process and reduce the burden on businesses.

1.2.11 Final return

Every registered taxable person who applies for cancellation

of registration shall furnish a final return within three months of the date of cancellation or date of cancellation order, whichever is later, in such form and in such manner as may be prescribed. The final return is filed in Form GSTR-10.

1.2.12 ITC reversal

ITC reversal is a process by which the input tax credit (ITC) claimed on a purchase is reversed. This can happen for a variety of reasons, such as:

- ♦ The goods or services are used for personal or non-business purposes.
- ♦ The goods or services are sold or transferred without recovering the output tax.
- ♦ The goods or services are destroyed or lost.

♦ ITC reversal increases tax liability

When ITC is reversed, the taxpayer must add the amount of ITC reversed to their output tax liability. This can potentially increase the amount of GST that the taxpayer has to pay. For example, Arun purchases a mobile phone for business purposes and claims the input tax credit (ITC) on it. He can then claim this ITC back on his outward supply when filing GSTR-3B returns. This is a unique feature of GST called setting off ITC. Therefore, the mobile used in the business is not supposed to be transferred to anyone, even for free. If done so, the input credit will be nullified by adding it to the output tax, and the taxpayer will lose their claim. This is called ITC reversal.

Summarised Overview

Goods and Services Tax Return (GSTR) filing is a crucial aspect of the GST system, ensuring transparency and compliance in India's indirect tax structure. Various GSTR forms play distinct roles in this process. GSTR-1 captures outward supplies details, while GSTR-2A provides an auto-populated summary based on suppliers' GSTR-1. GSTR-3B is a summary return, requiring businesses to declare their tax liability and pay taxes. GSTR-4 is for composition scheme taxpayers, and GSTR-9 is an annual return consolidating the entire year's financial data. These forms collectively streamline tax reporting, minimize errors, and enhance the government's ability to track and reconcile transactions. Timely and accurate GSTR filing is essential for businesses to comply with regulatory requirements, avoid penalties, and contribute to a more efficient and transparent taxation ecosystem.

Self-Assessment

1. What do you mean by filing of return under GST?
2. State the rules of set off under GST?
3. Explain the various types of GSTR?
4. What is provisional acceptance?
5. Write a short note on ITC reversal.
6. Briefly explain the steps to file returns under GSTR-3B.
7. What do you mean by final return?
8. Mention the parties who are exempt from filing GSTR-1.

Assignments

1. Explain in brief the procedure for filing GSTR1
2. What does ITC convey? Does it reduce or increase the cost of a product?
3. What are the various forms used in GSTR filing
4. What are the uses of GSTR -3B
5. How to file GST Returns online
6. Distinguish between GSTR-9 and GSTR-9C.

Suggested Readings

1. Dr. H.C. Mehrotra and Prof. V.P. Agarwal. Goods and Services Tax (G.S.T.) & Customs Duty. Sahitya Bhawan Publications.
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6. CA Bimal Jain (2023). GST Law and Commentary with Analysis and Procedures. Pooja Law House

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1. GST BARE ACT
2. CGST ACT and RULES,
3. IGST ACT and RULES
4. SGST ACT/UTGST and RULE
5. A Jatin Christopher (2023). *Comprehensive Commentary on GST and its correlation with Contract Act, Transfer of Property Act, Limitation Act, and 25 other Allied Acts*. Taxmann.
6. S.S Gupta (2023). *GST on Services [CGST/IGST Amdt. Act]*. Taxmann
7. Aditya Singhania (2023). *GST Practice Manual*. Taxmann

Space for Learner Engagement for Objective Questions

Learners are encouraged to develop objective questions based on the content in the paragraph as a sign of their comprehension of the content. The Learners may reflect on the recap bullets and relate their understanding with the narrative in order to frame objective questions from the given text. The University expects that 1 - 2 questions are developed for each paragraph. The space given below can be used for listing the questions.



02 BLOCK

ACCOUNTING FOR INCOME TAX

Block Content

Unit 1		Accounting for TDS and TCS		84
Unit 2		Filing of Income Tax Returns		137

Unit 1

ACCOUNTING FOR TDS AND TCS

Learning Outcomes

Upon completion of this unit, the learner will be able to:

- ♦ have an insight into the concepts of Income Tax and TDS.
- ♦ develop skills in filing TDS returns independently.
- ♦ gain insights on the accounting procedure in the books of seller and buyer.
- ♦ develop an idea on the reason for mismatches between TDS statement and 26AS.

Background

Taxation is a fundamental component of any modern economy, and the Indian income tax system is no exception. To efficiently collect revenue and ensure tax compliance, the government has implemented various mechanisms, including Tax Deducted at Source (TDS), Tax Collected at Source (TCS), and an array of forms that taxpayers and businesses must navigate. These elements play a pivotal role in India's income tax ecosystem, impacting both individual taxpayers and corporate entities.

Tax Deducted at Source (TDS) is a system designed to collect income tax at the source of income generation. It places the onus on the payer to deduct a specified percentage of tax before making payments like salaries, interest, rent, or professional fees. TDS aims to ensure a steady inflow of taxes and minimises tax evasion.

On the other hand, Tax Collected at Source (TCS) is the mechanism by which tax is collected by the seller while selling certain goods and services. It is an indirect form of tax collection and covers transactions like the sale of automobiles, luxury goods, or even online marketplace transactions. TCS ensures that the government captures tax revenues from a wide range of economic activities.

To navigate the complexities of income tax, taxpayers must fill out various forms. These forms range from ITR forms for individual income tax returns to TDS and TCS certificates and returns. Understanding and correctly filling out these forms is crucial for

compliance with the tax laws in India.

In this unit, we will take a more comprehensive look at these pivotal elements within India's income tax system, examining their importance, operations, and the wide range of forms linked to them.

Keywords

Income Tax Basic, TCS, TDS, e-filing, AIS, 26AS, Form 24 Q

Discussion

2.1.1 Income tax basics

The total income of an individual is arrived at after making deductions under Chapter VI-A from the Gross Total Income (GTI). GTI is the aggregate of the income computed under the 5 heads of income, after giving effect to the provisions for clubbing of income and its set-off and carry forward and set-off of losses.

♦ Aggregate of 5 heads of income

For calculation of income, the amount received is classified under 5 heads of income. It is then to be adjusted with reference to the provisions of the Income Tax laws in the following manner.

Computation of Tax Liability	Sections	Amount
1. Income from Salary	15 to 17	XXXX
Less : Deductions u/s 16		
(i) Standard Deduction of ₹50,000 or Gross Salary, whichever is lower.		(XXX)
(ii) Entertainment Allowance		(XXX)
(iii) Professional Tax Paid		(XXX)
2. Income from House property	22 to 27	XXXX
Less : Deduction U/s 24		
Standard Deduction		(XXX)
Interest on House Property Loan		(XXX)
3. Income from Profits and gains from business or profession	28 to 44	
Turnover/Receipts/Fees/Sales		XXXX
Less : Deductions u/s 30 to 37(1)		(XXX)
4. Income from Capital Gains	45 to 55A	
Full value of consideration		XXXX
Less : Cost of acquisition/Cost of Improvement/Transfer expenses		(XXX)
Less : Exemption u/s 54/54B/54EE etc..		(XXX)
5. Income from Other Sources	56 to 59	
Income u/s 56		XXXX
Less : Deductions u/s 57		(XXX)
Add : Clubbing of Income		XXX
Less : Set Off & Carry Forward Provisions' under respective heads		(XXX)
Gross Total Income [GTI]		XXXX
Less : Deductions under Chapter VIA	80C to 80U	(XXX)
Total Income (Rounded off to nearest ₹10 u/s 288A)		XXX
Tax on Total Income		XXX
Add : Surcharge on Total Tax (if applicable)		XXX
Less : Rebate u/s 87A		(XXX)
Add : 4% Health & Education Cess on [Total tax + Surcharge – Rebate]		XXX
Net Tax Liability		XXX
Less: (i). TDS (ii). Advance Tax (iii). Relief u/s 89		(XXX)
Balance tax payable on Self-Assessment u/s 140A		XXX
Less: Self-Assessment tax paid		(XXX)
Balance Tax		NIL

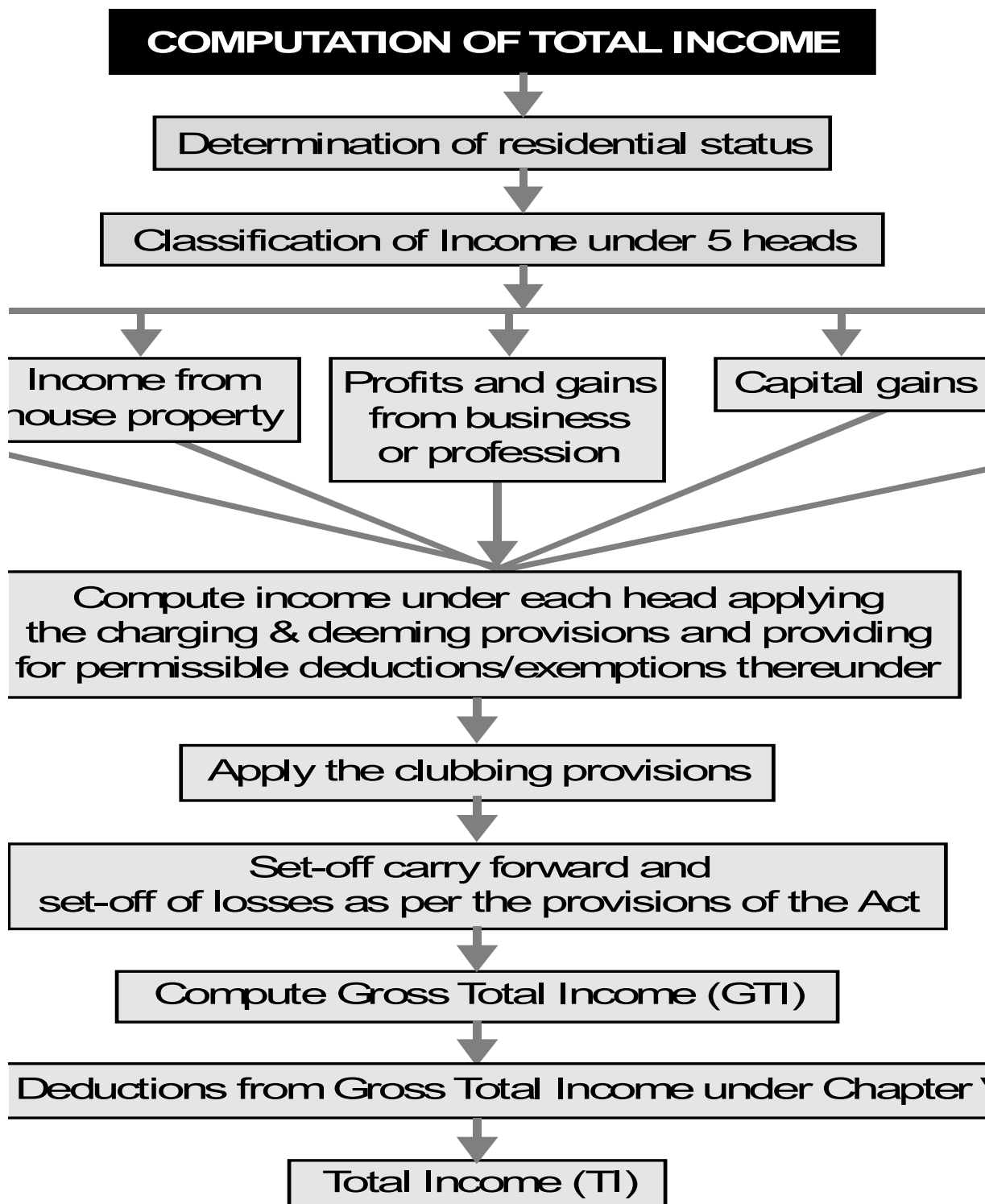


Figure 2.1.1 Steps in the computation of Total Income

2.1.2 Income tax rate applicable to A.Y. 2024-2025 (As amended by Finance Act, 2023)

The income tax rate applicable to different persons such as individuals, Hindu Undivided Family (HUF), Association of Persons (AOP), Body of Individuals (BOI), Partnership firms, Companies, Local authority etc. are as follows:

2.1.2.1 In case of an Individual (resident or non-resident) or HUF or Association of Person or Body of Individual or any other artificial juridical person.

Individuals		
(Other than resident senior and super senior citizen)		
Net Income Range	Rate of Income-tax	
	Assessment Year 2024-25	Assessment Year 2023-24
Up to ₹2,50,000	-	-
₹2,50,000 to ₹5,00,000	5%	5%
₹5,00,000 to ₹ 10,00,000	20%	20%
Above ₹10,00,000	30%	30%
Resident Senior Citizen		
(who is 60 years or more but less than 80 years at any time during the previous year)		
Net Income Range	Rate of Income-tax	
	Assessment Year 2024-25	Assessment Year 2023-24
Up to ₹3,00,000	-	-
₹3,00,000 to ₹5,00,000	5%	5%
₹5,00,000 to ₹10,00,000	20%	20%
Above ₹10,00,000	30%	30%
Resident Super Senior Citizen		
(who is 80 years or more at any time during the previous year)		
Net Income Range	Rate of Income-tax	
	Assessment Year 2024-25	Assessment Year 2023-24
Up to ₹5,00,000	-	-
₹5,00,000 to ₹ 10,00,000	20%	20%
Above ₹10,00,000	30%	30%
Hindu Undivided Family, AOP, BOI and Artificial Juridical Person		
Net Income Range	Rate of Income-tax	
	Assessment Year 2024-25	Assessment Year 2023-24
Up to ₹2,50,000	-	-
₹2,50,000 to ₹5,00,000	5%	5%
₹5,00,000 to ₹10,00,000	20%	20%
Above ₹10,00,000	30%	30%

Add:

- a. **Surcharge :** Surcharge is levied on the amount of income-tax at following rates if total income of an assessee exceeds specified limits:-

Rate of Surcharge							
Assessment Year 2024-25				Assessment Year 2023-24			
Range of Income				Range of Income			
₹50 Lakhs to ₹1 Crore	₹1 Crore to ₹2 Crores	₹2 Crores to ₹5 Crores	above ₹5 crore	₹50 Lakhs to ₹1 Crore	₹1 Crore to ₹2 Crores	₹2 Crores to ₹5 Crores	Above ₹5 crore
10%	15%	25%	37%	10%	15%	25%	37%

Marginal relief is available from surcharge in following manner-

- In case where net income exceeds ₹50 lakhs but doesn't exceed ₹1 Crore, the amount payable as income tax and surcharge shall not exceed the total amount payable as income tax on total income of ₹50 Lakh by more than the amount of income that exceeds ₹50 Lakhs
- In case where net income exceeds ₹1 Crore but doesn't exceed ₹2 Crores, marginal relief shall be available from surcharge in such a manner that the amount payable as income tax and surcharge shall not exceed the total amount payable as income-tax on total income of ₹1 Crore by more than the amount of income that exceeds ₹1 Crore.
- In case where net income exceeds ₹2 Crores but doesn't exceed ₹5 Crores, marginal relief shall be available from surcharge in such a manner that the amount payable as income tax and surcharge shall not exceed the total amount payable as income-tax on total income of ₹2 Crores by more than the amount of income that exceeds ₹2 Crores.
- In case where net income exceeds ₹5 Crores, marginal relief shall be available from surcharge in such a manner that the amount payable as income tax and surcharge shall not exceed the total amount payable as income-tax on total income of ₹5 Crores by more than the amount of income that exceeds ₹5 Crores.

♦ Progressive marginal relief on surcharge



♦ 4%

b. Health and Education Cess: Health and Education cess is levied at the rate of 4% on the amount of income-tax plus surcharge.

♦ Rebate: ₹12,500
(resident individual)

A resident individual (whose net income does not exceed ₹5,00,000) can avail rebate under section 87A. It is deductible from income-tax before calculating education cess. The amount of rebate is 100 percent of income-tax or ₹ 12,500, whichever is less.

♦ Higher Rebate:
₹25,000 (new tax
scheme)

If the total income of a resident individual, who is opting for the new tax scheme under section 115BAC (1A), is up to ₹7,00,000, a higher rebate of ₹25,000 is allowed under section 87A. Such a higher rebate is also subject to marginal relief (For Assessment Year 2024-25).

Alternate Minimum Tax (AMT)

♦ 18.5% of 'adjusted
total income'

An individual is liable to pay Alternate Minimum Tax where tax payable by him, on his total income computed as per normal provisions of the Act, is less than 18.5% of 'adjusted total income'. In such a case the 'adjusted total income' is taken as income of such an individual and he shall be liable to pay tax at the rate of 18.5% of such 'adjusted total income'. However, AMT is levied at the rate of 9% (plus surcharge and cess as applicable) in case of an assessee other than a company, being a unit of an International Financial Services Centre and deriving its income solely in convertible foreign exchange.

♦ Alternative tax
regime

Special Tax Rate for Individual and HUFs

New tax regime (also known as alternative tax regime) is optional for the Assessment Year 2023-24. An individual or HUF has to exercise the option under Section 115BAC (5) to avail its benefit.

The tax rates under the new tax regime are as under:

(a) For Assessment Year 2023-24:

Net Income Range	Tax rate
Up to ₹2,50,000	Nil
From ₹2,50,001 to ₹5,00,000	5%
From ₹5,00,001 to ₹7,50,000	10%
From ₹7,50,001 to ₹10,00,000	15%
From ₹10,00,001 to ₹12,50,000	20%
From ₹12,50,001 to ₹15,00,000	25%
Above ₹15,00,000	30%

(b) For Assessment Year 2024-25:

Net Income Range	Tax rate
Upto ₹3,00,000	Nil
From ₹3,00,001 to ₹6,00,000	5%
From ₹6,00,001 to ₹9,00,000	10%
From ₹9,00,001 to ₹12,00,000	15%
From ₹12,00,001 to ₹15,00,000	20%
Above ₹15,00,000	30%

Notes:

- ♦ New tax regime: No AMT applicable

- The new income tax regime becomes the default tax regime, meaning that unless an individual specifically opts for the old tax regime, their incomes will be taxed according to the new tax regime's slabs and rates.
- The rates of Surcharge and Health & Education cess are same under both the tax regimes
- Rebate u/s 87A is available in both tax regimes.
- If an assessee has opted for a new tax regime, the provisions of AMT shall not be applicable.

2.1.2.2 Partnership Firm

For the Assessment Years 2023-24 and 2024-25, a partnership firm (including LLP) is taxable at 30%.

Add:

- ♦ 12% surcharge

- Surcharge:** The amount of income-tax shall be increased by a surcharge at the rate of 12% of such tax, where total income exceeds one crore rupees. However, the surcharge shall be subject to marginal relief (where income exceeds one crore rupees, the total amount



payable as income-tax and surcharge shall not exceed total amount payable as income-tax on total income of one crore rupees by more than the amount of income that exceeds one crore rupees).

♦ 4% cess

- b. **Health and Education Cess:** The amount of income-tax and the applicable surcharge, shall be further increased by health and education cess calculated at the rate of four percent of such income-tax and surcharge.

Alternate Minimum Tax (AMT)

A partnership firm is liable to pay Alternative Minimum Tax where tax payable by it, on total income computed as per normal provisions of the Act, is less than 18.5% of 'adjusted total income'. In such a case the 'adjusted total income' is taken as the income of the firm and it shall be liable to pay tax at the rate of 18.5% of such 'adjusted total income'. However, AMT is levied at the rate of 9% (plus surcharge and cess as applicable) in case of an assessee other than a company, being a unit of an International Financial Services Centre and deriving its income solely in convertible foreign exchange.

♦ 18.5% of adjusted total

2.1.2.3. Local Authority

For the Assessment Years 2023-24 and 2024-25, a local authority is taxable at 30%.

Add:

♦ 12% surcharge

- a. **Surcharge :** The amount of income-tax shall be increased by a surcharge at the rate of 12% of such tax, where total income exceeds one crore rupees. However, the surcharge shall be subject to marginal relief (where income exceeds one crore rupees, the total amount payable as income-tax and surcharge shall not exceed total amount payable as income-tax on total income of one crore rupees by more than the amount of income that exceeds one crore rupees).

♦ 4% cess

- b. **Health and Education Cess:** The amount of income-tax and the applicable surcharge, shall be further increased by health and education cess calculated at the rate of four percent of such income-tax and surcharge.

Alternate Minimum Tax (AMT)

A Local Authority is liable to pay Alternative Minimum Tax where tax payable by it, on total income computed as per normal

♦ 18.5% of 'adjusted total income'

provisions of the Act, is less than 18.5% of 'adjusted total income'. In such a case the 'adjusted total income' is taken as the income of the firm and it shall be liable to pay tax at the rate of 18.5% of such 'adjusted total income'.

However, AMT is levied at the rate of 9% (plus surcharge and cess as applicable) in case of a company, being a unit of an International Financial Services Centre and deriving its income solely in convertible foreign exchange.

2.1.2.4. Domestic Company

Income-tax rates applicable in case of domestic companies for assessment years 2023-24 and 2024-25 are as follows:

Domestic Company	Assessment Year 2024-25	Assessment Year 2023-24
Where its total turnover or gross receipt during the previous year 2020-21 does not exceed ₹ 400 Crores	NA	25%
Where its total turnover or gross receipt during the previous year 2021-22 does not exceed ₹ 400 Crores	25%	NA
Any other domestic company	30%	30%

Add:

♦ Surcharge at the rate of 7%

a. Surcharge: The amount of income-tax shall be increased by a surcharge at the rate of 7% of such tax, where total income exceeds one crore rupees but not exceeding ten crore rupees and at the rate of 12% of such tax, where total income exceeds ten crore rupees.

The surcharge shall be subject to marginal relief, which shall be as under:

- Where income exceeds ₹1 Crore but not exceeding ₹ 10 Crores, the total amount payable as income-tax and surcharge shall not exceed total amount payable as income-tax on total income of ₹ 1 Crore by more than the amount of income that exceeds ₹ 1 Crore.
- Where income exceeds ₹10 Crores, the total amount payable as income-tax and surcharge shall not exceed total amount payable as income-tax on total income of ₹10 crore by more than the amount of income that exceeds ₹10 Crores

- ♦ Health and education cess-4%

b. **Health and Education cess:** The amount of income-tax and the applicable surcharge, shall be further increased by health and education cess calculated at the rate of four percent of such income-tax and surcharge.

Minimum Alternate Tax (MAT)

A domestic company is liable to pay Minimum Alternate Tax where tax payable by it, on total income computed as per normal provisions of the Act, is less than 15% of 'book profit'. In such a case the 'book profit' is taken as the income of the company and it shall be liable to pay tax at the rate of 15% of such 'book profit'.

- ♦ 15% of such book profit

However, MAT is levied at the rate of 9% (plus surcharge and cess as applicable) in case of a company, being a unit of an International Financial Services Centre and deriving its income solely in convertible foreign exchange. Special tax rates are applicable to a domestic company which opt for section 115BA, 115BAA, and 115BAB

2.1.2.5. Foreign Company

Assessment Years 2023-24 and 2024-25

Nature of Income	Tax Rate
Royalty received from Government or an Indian concern in pursuance of an agreement made with the Indian concern after March 31, 1961, but before April 1, 1976, or fees for rendering technical services in pursuance of an agreement made after February 29, 1964 but before April 1, 1976 and where such agreement has, in either case, been approved by the Central Government	50%
Any other income	40%

Add:

- ♦ 2% (income ₹1- ₹10 Crores), 5% (income > ₹10 Crores)

a. **Surcharge:** The amount of income-tax shall be increased by a surcharge at the rate of 2% of such tax, where total income exceeds one crore rupees but not exceeding ten crore rupees and at the rate of 5% of such tax, where total income exceeds ten crore rupees. However, the surcharge shall be subject to marginal relief, which shall be as under:

- Where income exceeds one crore rupees but not exceeding

ten crore rupees, the total amount payable as income-tax and surcharge shall not exceed total amount payable as income-tax on total income of one crore rupees by more than the amount of income that exceeds one crore rupees.

- ii. Where income exceeds ten crore rupees, the total amount payable as income-tax and surcharge shall not exceed total amount payable as income-tax on total income of ten crore rupees by more than the amount of income that exceeds ten crore rupees.

♦ 4% of income tax and surcharge

b. Health and Education Cess: The amount of income-tax and the applicable surcharge, shall be further increased by health and education cess calculated at the rate of four percent of such income-tax and surcharge.

Minimum Alternate Tax (MAT)

A foreign company is liable to pay Minimum Alternate Tax where tax payable by it, on total income computed as per normal provisions of the Act, is less than 15% of 'book profit'. In such a case the 'book profit' is taken as the income of the company and it shall be liable to pay tax at the rate of 15% of such 'book profit'. However, the provisions of MAT do not apply in case of foreign companies if it does not have permanent establishment (PE) in India or opts for presumptive taxation scheme of Section 44B, Section 44BB, Section 44BBA or Section 44BBB.

♦ 15% of book profit

2.1.2.6. Co-operative Society

Assessment Years 2023-24 and 2024-25

Taxable income	Tax Rate
Up to ₹10,000	10%
₹10,000 to ₹ 20,000	20%
Above ₹ 20,000	30%

Add:

♦ 7% (income ₹1 Crore- ₹10 Crores),
12% (income > ₹10 Crores)

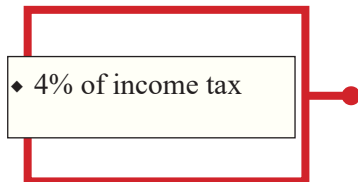
a. Surcharge: The amount of income-tax shall be increased by a surcharge at the rate of 7% of such tax, where total income exceeds one crore rupees but not exceeding ten crore rupees and at the rate of 12% of such tax, where total income exceeds ten crore rupees. However, the surcharge shall be subject to marginal relief, which shall be as under:

- i. Where income exceeds one crore rupees but not exceeding ten crore rupees, the total amount payable as income-tax



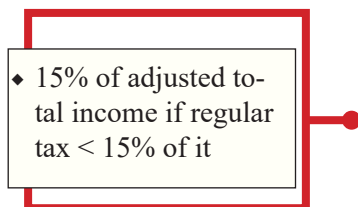
and surcharge shall not exceed total amount payable as income-tax on total income of one crore rupees by more than the amount of income that exceeds one crore rupees.

- ii. Where income exceeds ten crore rupees, the total amount payable as income-tax and surcharge shall not exceed total amount payable as income-tax on total income of ten crore rupees by more than the amount of income that exceeds ten crore rupees.

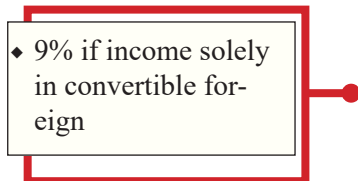


b. Health and Education Cess: The amount of income-tax and the applicable surcharge, shall be further increased by health and education cess calculated at the rate of four per cent of such income-tax and surcharge.

Note:



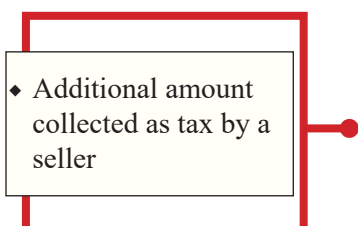
a. A co-operative society is liable to pay Alternate Minimum Tax where tax payable by it, on total income computed as per normal provisions of the Act, is less than 15% of 'adjusted total income'. In such a case the 'adjusted total income' is taken as the income of a co-operative society and it shall be liable to pay tax at the rate of 15% of such 'adjusted total income'.



b. If the assessee is a unit located in an International Financial Services Centre and derives its income solely in convertible foreign exchange, the rate of AMT will be 9%.

c. An Alternative Tax regime is also available for Co-operative societies under section 115BAE and 115BAD subject to fulfilment of prescribed conditions. If a co-operative society has exercised the option of Section 115BAD or Section 115BAE, the provisions of AMT shall not be applicable. Further, the provisions regarding computation and carry forward of AMT credit shall also be not applicable.

2.1.3 Tax Collection at Source (TCS)



Tax Collection at Source (TCS) is an additional amount collected as tax by a seller of specified goods from the buyer at the time of sale over and above the sale amount and is remitted to the government account. As per Income Tax Act 1961 certain persons, being the sellers, must collect a specified percentage of tax at the time of receipt of amount from their buyers or at the time of debiting of the account of the buyer whichever is earlier. Section 206C of the Income Tax Act mentions the particulars

of goods, on sale of which tax needs to be collected from the purchasers.

TCS on sale of goods for generation of power

- ◆ No TCS is collected if the buyer is a resident of India and furnishes a declaration in writing to the seller that the goods will be used for the purpose of manufacturing, processing, or producing articles or things, all for the purpose of generation of power, and not for trading purposes.
- ◆ One copy of the declaration must be submitted to the Chief Commissioner of Income Tax or Commissioner of Income Tax on or before 7 days from the end of the month in which the sale is effected.

TCS on other transactions

- ◆ TCS is collected at 2% on lease, license, or contract for parking lot, toll plaza, or mining or quarrying.

General TCS provisions

- ◆ The person collecting TCS must obtain a Tax Collection Account Number (TAN) and quote it in all challans, certificates, returns, and other documents pertaining to the transactions.
- ◆ The buyer must furnish their Permanent Account Number (PAN) to the seller. If they fail to do so, TCS will be collected at the higher rate (twice or 5%, whichever is higher).
- ◆ If the person responsible for collecting TCS fails to collect or after collecting fails to pay, they will be deemed to be an assessee in default in respect of the tax and various consequences will follow.

2.1.3.1 Classification of Sellers and Buyers for TCS

- A. Under TCS mechanism a Seller is defined as any of the following:
- ◆ Central Government
 - ◆ State Government
 - ◆ Local Authority
 - ◆ Statutory Corporation or Authority
 - ◆ Authority established by or under a Central, State or Provincial Act

- ◆ Surcharge at the rate of 7%

- ◆ Company registered under Companies Act
- ◆ Partnership firms
- ◆ Co-operative Society
- ◆ Any person or HUF who is subjected to an audit of accounts under Income Tax Act for a particular financial year.

A Buyer (for specified goods other than motor car) is classified as a person who obtains goods or the right to receive goods in any sale, auction, tender or any other mode. However, the following buyers are exempted from the collection of tax at the source. In other words, TCS need not be collected from the following persons:

- ◆ Public Sector Companies
- ◆ Central Government
- ◆ State Government
- ◆ Embassy of High commission
- ◆ Consulate and other Trade Representative of a Foreign Nation.
- ◆ Clubs such as Sports clubs and Social Clubs
- ◆ Local authority for the purpose of purchase of vehicle
- ◆ A buyer in the retail sale of such goods purchased by him for personal consumption.

- ◆ Surcharge at the rate of 7%

In the case of the sale of motor cars, the definition of “Buyer” excludes specific entities, namely:

- ◆ The Central Government, State Governments, and diplomatic and trade representations of foreign states
- ◆ Local authorities
- ◆ Public sector companies engaged in the business of carrying passengers

“Specified goods” includes:

- ◆ Alcoholic liquor for human consumption
- ◆ Tendu leaves;
- ◆ Timber;
- ◆ Any forest-produce;
- ◆ Scrap.

- ◆ Specified minerals i.e., coal, lignite and iron-ore
- ◆ Motor car value of which exceeds ₹10 lakhs

2.1.3.2 Applicability of section 206C

a. Every seller, shall collect tax from the buyer of any specified goods, at the time of –

- ◆ Debiting the amount payable by the buyer to the account of the buyer; or
- ◆ Receipt of such amount from the buyer, whichever is earlier.

b. Every person, who grants a lease or a licence or enters into a contract or otherwise transfers any right or interest in -

- ◆ any parking lot; or
- ◆ toll plaza; or
- ◆ mine or quarry excluding mines or quarrying of mineral oil (mineral oil includes Petroleum and Natural gas), to another person (other than a public sector company) for the use of such parking lot or toll plaza or mine or
- ◆ quarry for the purpose of business shall collect tax from the licensee or lessee at the time of:
 - ◆ Debiting the amount payable by the licensee or lessee to the account of the licensee or lessee; or
 - ◆ Receipt of such amount from the licensee or lessee, whichever is earlier.

◆ Surcharge at the rate of 7%

2.1.3.3 TCS rate chart FY: 2023-24 (AY: 2024-25)

Section	Nature of Payment	Existing TCS Rate (%)
206CE	Scarp	1
206CI	Tendu Leaves	5
206CB	Timber obtained under a forest lease or other mode	2.5
206CD	Any other forest produce not being a timber or tendu leaves	2.5
206CA	Alcoholic Liquor for human consumption & Tendu leaves	1
206CF	Parking Lot	2
206CG	Toll Plaza	2
206CH	Mining and Quarring	2
206CJ	Minerals	1
206CL	Sale of Motor Vehicle	1
206CK	Bullion & Jewellery	1
206CM	Sale in cash of any goods (other than bullion)	1
206CN	Providing of any service (other than Ch-XVII-B)	1
206CQ	LRS - other purposes - Liberalized Remittance Scheme	5% (10% for non-PAN or Aadhar)
206CO	Tour Program Package	5% (10% for non-PAN or Aadhar)
206CR	Sale of Goods	0.1% (1% for non-PAN or Aadhar)
206CC	Timber obtained under any other mode other than forest lease	2.5
206CP	LRS - Educational Loan - Financial Institution	0.5
Note: TCS Rates without PAN – Double of TCS rate as above or 5%, whichever is higher		

2.1.3.4 Accounting procedure in the books of seller and buyer

Journal entries for TCS in books of seller

a. At the time of sale

Date	Particulars	Dr(₹)	Cr(₹)
	Sundry Debtors A/c Dr	XXXX	
	To Sales A/c		XXX
	To GST A/c		XXX
	To TCS Payable A/c		XXX

b. At the time of receipt of sale consideration

Date	Particulars	Dr(₹)	Cr(₹)
	Bank A/c Dr	XXXX	
	To Sundry Debtors A/c		XXXX

c. At the time of payment of TCS

Date	Particulars	Dr(₹)	Cr(₹)
	TCS Payable A/c Dr	XXXX	
	To Bank A/C		XXXX

Journal entries for TCS in books of Buyer

d. At the time of purchase

Date	Particulars	Dr(₹)	Cr(₹)
	Purchase A/c Dr		
	To GST Input Tax Credit A/c		
	To Sundry Creditors A/c		
	To TCS A/c		

e. At the time of payment

Date	Particulars	Dr(₹)	Cr(₹)
	Sundry Creditors A/c	XXXX	
	To Bank A/c		XXXX



Illustration 2.1.1

Arun made sales of ₹52 Lakhs to Binu on 02 October 2020. The sales consideration of ₹52 Lakhs was received by Arun from Binu on 10 October 2020. Arun made another sale of ₹5 Lakhs to Binu on 12 October 2020, with the sales consideration received on 15 October 2020. TCS is charged at 0.075%.

Solution:

In the Books of Mr. Arun (Seller)

Date	Particulars	Dr(₹)	Cr(₹)
02-10-2020	Mr. Binu's Account Dr To Sales Account (Being Sales made to Mr. Binu)	52,00,000	52,00,000

On Receiving Sales Consideration

Date	Particulars	Dr(₹)	Cr(₹)
10-10-2020	Bank Account Dr To Mr. Binu's account (Being sales consideration received)	52,00,000	52,00,000

As TCS liability arises upon receiving the sales consideration, Mr. Arun will now issue a debit note and collect the TCS amount from Mr. Binu on the same date or at a later date.

Date	Particulars	Dr(₹)	Cr(₹)
10-10-2020	Mr. Binu's Account Dr To TCS payable on Sales of Goods Account (Being TCS debit note issued to Mr. Binu for Receipt exceeding ₹50 Lakhs i.e. 52 lakhs-50 lakhs = ₹2 Lakhs @0.075%)	150	150

On collecting TCS amount from Mr. Binu

Date	Particulars	Dr(₹)	Cr(₹)
10-10-2020 Or some other later date	Bank Account Dr To Mr. Binu's account (Being TCS amount collected from Mr. Binu)	150	150

Second Sales Entry

Date	Particulars	Dr(₹)	Cr(₹)
12-10-2020	Mr. Binu's Account Dr To Sales Account (Being Sales made to Mr. B)	5,00,000	5,00,000

On Receiving Subsequent Sales Consideration

Date	Particulars	Dr(₹)	Cr(₹)
15-10-2020	Bank Account Dr To Mr. Binu's account (Being sales consideration received)	5,00,000	5,00,000

Having already exceeded the ₹50 lakh limit, Mr. Arun will now issue a debit note and collect the TCS amount of ₹5 lakhs from Mr. Binu on the same date or at a later date."

Date	Particulars	Dr(₹)	Cr(₹)
10-10-2020	Mr. Binu's Account Dr To TCS Payable on Sales of Goods Account (Being TCS debit note issued to Mr. Binu for Receipt of ₹5 lakhs @0.075%)	375	375

On collecting TCS amount from Mr. Binu

Date	Particulars	Dr(₹)	Cr(₹)
15-10-2020	Bank Account Dr To Mr. Binu's account (Being TCS amount collected from Mr. Binu)	375	375

On Depositing the TCS to Government on 7th of the Next Month

Date	Particulars	Dr(₹)	Cr(₹)
07-11-2020	TCS Payable on Sales of Goods Account Dr To Bank Account (Being TCS amount collected during the month of October 2020 paid to government)	525	525



Accounting entries if TCS is booked on a receipt basis

The accounting entries if TCS is booked on a receipt basis are depicted in the following illustration.

Illustration 2.1.2

- ♦ The assumption that receipts have crossed ₹50 lakhs from a particular buyer starting 1 April 2021.
- ♦ TCS will be collected at 0.1% w.e.f. 1 April 2021.
- ♦ Goods of ₹10,00,000 are sold charging GST @5%.

Solution

At the time of Sales/booking transaction

Particulars	Dr(₹)	Cr (₹)
Sundry Debtors Account Dr To Sales Account To GST	10,50,000	10,00,000 50,000

At the time of receipt of sale proceeds from debtors

Particulars	Dr(₹)	Cr (₹)
Bank Account Dr To Sundry Debtors Account To TCS Payable	10,50,000	10,48,950 1,050

Note: Sundry Debtor's balance will remain outstanding for the amount of TCS. The seller will have to issue a debit note for the same.

When the payment of TCS is made on the 7th of next month

Particulars	Dr(₹)	Cr (₹)
TCS Payable Dr To Bank Account	1,050	1,050

Accounting entries if TCS is booked invoice basis

The accounting entries if TCS is booked on an invoice basis are depicted in the following illustration.

Illustration 2.1.3

- ♦ The assumption that receipts have crossed ₹50 lakhs from a particular buyer starting 1 April 2021.
- ♦ TCS will be collected at 0.1% w.e.f. 1 April 2021
- ♦ Goods of ₹10,00,000 are sold charging GST @5%.

Solution

At the time of Sales/booking transaction

Particulars	Dr (₹)	Cr (₹)
Sundry Debtors Account Dr	10,51,050	
To Sales Account		10,00,000
To GST		50,000
To TCS Payable		1,050

At the time of receipt of sale proceeds from debtors

Particulars	Dr (₹)	Cr (₹)
Bank Account Dr	10,51,050	
To Sundry Debtors Account		10,51,050

When the payment of TCS is made on the 7th of Next Month

Particulars	Dr (₹)	Cr (₹)
TCS Payable Dr	1,050	
To Bank Account		1,050

2.1.4 Tax Deducted at Source (TDS)

- ◆ Section 191 of IT Act 1961

Tax Deducted at Source (TDS) is a method prescribed by the Indian Income Tax Act of 1961 for collecting income tax at the time of accrual or payment of certain incomes. According to section 191 of the Act, even if the regular assessment occurs in a subsequent year, the payer deducts the tax at the prescribed rate from the specified income. This deducted tax must be deposited with the government within a specified time frame.

- ◆ Remitted to government

TDS ensures that tax is collected at the source of income. This means that the person making certain payments (the deductor) deducts the applicable tax amount and sends it to the Central Government. The person receiving the payment (the deductee) can claim credit for the deducted tax using Form 26AS or the TDS certificate issued by the deductor.

- ◆ Managed by CBDT

TDS is an indirect mechanism of collecting tax which combines twin concepts of “pay as you earn” and “collect as it is being earned.” Its value lies in the fact that it provides the Government with a continuous flow of funds and at the same time eases the burden on the taxpayer. It is managed by the Central

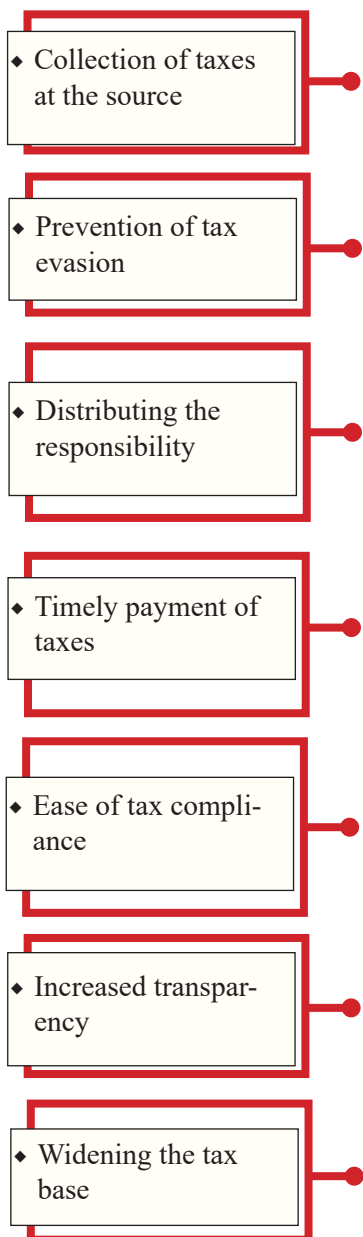


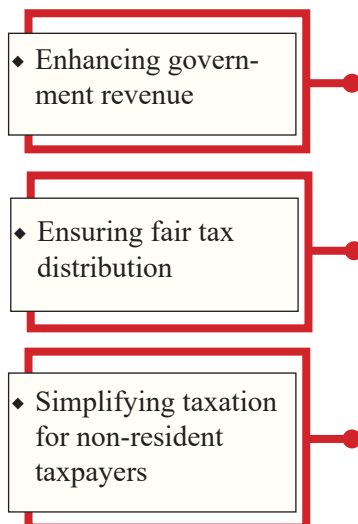
Board for Direct Taxes (CBDT) and is part of the Department of Revenue under the Ministry of Finance.

2.1.4.1 Objectives of Tax Deducted at Source

There are several objectives for introducing the TDS provision under the Act. One of these objectives is to prevent unethical income tax assessments from avoiding tax payments, ensuring that the government receives its rightful share of taxes. To achieve this goal, the responsibility for deducting and depositing a portion of the taxes was placed on the payer rather than the recipient of payments of different natures.

The objectives of Tax Deducted at Source (TDS) are as follows:

- 
- ♦ Collection of taxes at the source
 - ♦ Prevention of tax evasion
 - ♦ Distributing the responsibility
 - ♦ Timely payment of taxes
 - ♦ Ease of tax compliance
 - ♦ Increased transparency
 - ♦ Widening the tax base
- a) TDS is a mechanism used by the government to collect income tax at the point of income generation, ensuring a regular inflow of revenue. It ensures that the government receives its share of taxes.
 - b) TDS serves as a deterrent to tax evasion. By deducting tax at the source, it minimises the chances of income earners underreporting or avoiding their tax liabilities.
 - c) TDS distributes the responsibility for tax deduction and payment between the payer and the payee. The person making the payment (payer) deducts and deposits the tax on behalf of the person receiving the payment (payee).
 - d) TDS ensures that taxes are paid regularly and in a timely manner throughout the year, reducing the burden of lump-sum payments at the end of the fiscal year.
 - e) TDS simplifies tax compliance for individuals and businesses. It helps in accurate calculation and deduction of taxes, reducing the need for extensive record-keeping and facilitating the filing of income tax returns.
 - f) TDS promotes transparency in financial transactions, as details of TDS deductions are recorded in tax documents and can be easily tracked by taxpayers.
 - g) TDS helps expand the tax base by bringing a larger number of income earners and transactions within the tax net.



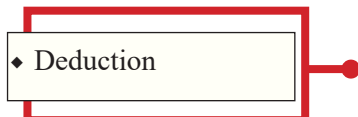
- h) TDS is an effective way for the government to ensure a steady stream of revenue, reducing the need for resource-intensive tax collection efforts.
- i) TDS helps in the equitable distribution of tax liabilities by ensuring that all income earners, including those with irregular income, contribute their fair share of taxes.
- j) TDS simplifies tax compliance for non-resident individuals and foreign entities who may not have an in-depth understanding of the local tax laws and regulations.

2.1.4.2 Scheme of Tax Deducted at Source

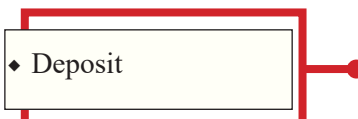
The obligation to deduct/collect tax at source is upon the person responsible for paying the income/amount which is subject to TDS. Therefore such person i.e. the payer is required to follow the procedure for deducting/collecting tax at source mentioned as under:



Step – 1: The payer has to apply for Tax Deduction Account Number (TAN) in Form No-49B.



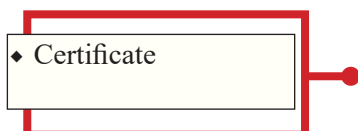
Step – 2: He is to deduct tax from the income/payment mentioned in the various sections i.e. Section 192 to 196D.



Step – 3: The amount so deducted/collected should be deposited within the requisite stipulated time to the credit of the central government.



Step – 4: The payer should prepare TDS Return statements for every quarter and file the same with the authority designated by the Income-Tax department (NSDL in this case) in such form and verified in such manner as may be prescribed.



Step – 5: Lastly, the payee should be issued a certificate of tax deduction/collected at source within the specified date. The TDS certificate is to be downloaded from the tax portal.

2.1.4.3 TDS accounting entries

A. Accounting entries for professional payment under section 194J and TDS deducted thereon @10%

Particulars	Accounting Entry
(i) Professional fees paid to XY & Associates, firm of Chartered Accountant of ₹25,000 during the year, if TDS not Applicable-	
At the time of Provision of expenses-	Professional Charges A/c Dr. 25,000 To M/s XY & Associates A/c 25,000 (Being amount of provision made)
At the time of payment of Fees-	M/s XY & Associates A/c Dr. 25,000 To Bank A/c 25,000 (Being amount of fees paid to M/s XY & Associates, firm of Chartered Accountant)
(ii) Professional fees paid to XY & Associates, firm of Chartered Accountant of ₹35,000 during the year, when TDS is Applicable-	
At the time of Provision of expenses	Professional Charges A/c Dr. 35,000 To M/s XY & Associates A/c 31,500 To TDS payable on Professional fees A/c 3,500 (Being provision of fees made to M/s XY & Associates after deducting TDS @ 10%)
At the time of payment of Fees	M/s XY & Associates A/c Dr. 31,500 To Bank A/c 31,500 (Being amount of fees paid to M/s XY & Associates, firm of Chartered Accountant)
At the time of payment of TDS	TDS payable on professional fees A/c Dr. 3,500 To Bank A/c 3,500 (Being amount of TDS u/s 194J deposited)
(iii) If GST charged on Professional fees, paid to XY & Associates, firm of Chartered Accountant of ₹ 1,00,000 + GST of ₹18,000 i.e. totaling to ₹ 1,18,000 during the year –	
At the time of Provision of expenses	Professional Charges A/c Dr. 1,00,000 IGST or CGST or SGST Receivable A/c Dr. 18,000 To M/s XY & Associates A/c 1,08,000 To TDS payable on Professional fees A/c 10,000 (Being provision of fees made to M/s XY & Associates after deducting TDS @ 10%)

At the time of payment of Fees	M/s XY & Associates A/c Dr. 1,08,000 To Bank A/c 1,08,000 <i>(Being amount of fees paid to M/s XY & Associates, firm of Chartered Accountant)</i>
At the time of payment of TDS	TDS payable on professional fees A/c Dr. 10,000 To Bank A/c 10,000 <i>(Being amount of TDS u/s 194J deposited)</i>

B. Accounting Entries for Payment to contractor under section 194C and TDS deducted for Individual/HUF @1% & Other than Individual/HUF @2%

Particulars	Accounting Entry
(i) Job Work charges paid to XY & company, partnership firm of ₹25,000 during the year, if TDS not Applicable-	
At the time of Provision of expenses	Job work charges A/c Dr. 25,000 To M/s XY & Company A/c 25,000 <i>(Being provision of fees made to M/s XY & Company)</i>
At the time of payment of contact amount	M/s XY & Company A/c Dr. 25,000 To Bank A/c 25,000 <i>(Being amount of fees paid to M/s XY & Company)</i>
(ii) Job Work charges paid to XY & Company, Partnership firm of ₹ 1,25,000 during the year, when TDS is Applicable-	
At the time of Provision of expenses	Job work Charges A/c Dr. 1,25,000 To M/s XY & Company A/c 1,22,500 To TDS payable on Contractor A/c 2,500 <i>(Being provision of fees made to M/s XY & Company after deducting TDS @ 2%)</i>
At the time of payment of contact amount	M/s XY & Company A/c Dr. 1,22,500 To Bank A/c 1,22,500 <i>(Being amount of payment made to M/s XY & Company)</i>
At the time of payment of TDS	TDS payable on Contractor A/c Dr. 2,500 To Bank A/c 2,500 <i>(Being amount of TDS u/s 194C deposited)</i>

(iii) If Job Work charges paid to XY & Company, Partnership firm of ₹ 1,00,000 + GST of ₹ 18,000 i.e., totaling to ₹1,18,000 during the year –	
At the time of Provision of expenses	Job Work Charges A/c Dr. 1,00,000 IGST or CGST or SGST Receivable A/c Dr. 18,000 To M/s XY & Company A/c 1,16,000 To TDS payable on Contractor A/c 2,000 <i>(Being provision of payment made to M/s XY & Company after deducting TDS @ 2%)</i>
At the time of payment of contact amount	M/s XY & Company A/c Dr. 1,16,000 To Bank A/c 1,16,000 <i>(Being amount paid to M/s XY & Company)</i>
At the time of payment of TDS	TDS payable on Contractor A/c Dr. 2,000 To Bank A/c 2,000 <i>(Being amount of TDS u/s 194C deposited)</i>

C.Accounting Entries for Payment of Salary under section 192 and TDS deducted thereon-

Particulars	Accounting Entry
(i) For Payment of Total Salary of ₹ 2,50,000/- after deducting TDS of ₹ 20,000/-, ESI of ₹ 12,000/- and PF of ₹ 28,000/-	
At the end of month, the provision	Salary A/c Dr. 3,10,000 To Salary Payable A/c 2,50,000 To ESI Payable A/c 12,000 To PF Payable A/c 28,000 To TDS payable on Salary A/c 20,000 <i>(Being provision of salary made at the end of month)</i>
Employer' Contribution to ESI (30,000)	Employer's Contribution to ESI A/c Dr. 30,000 To ESI Payable A/c 30,000 <i>(Being amount of Employer's contribution to ESI)</i>

Employer's Contribution to PF (28,000 + Admin Expenses 2,000)	Employer's Contribution to PF A/c Dr. 28,000 PF Administration charges A/c Dr. 2,000 To PF Payable A/c 30,000 <i>(Being amount of Employer's contribution to PF)</i>
At the time of payment of salary	Salary Payable A/c Dr. 2,50,000 To Bank A/c 2,50,000 <i>(Being amount of salary paid)</i>
At the time of payment of ESI	ESI Payable A/c Dr. 42,000 To Bank A/c 42,000 <i>(Being amount of ESI paid i.e. (Employee's Contribution + Employer's Contribution))</i>
At the time of payment of PF	PF Payable A/c Dr. 58,000 To Bank A/c 58,000 <i>(Being amount of PF paid i.e. (Employee's Contribution + Employer's Contribution))</i>
At the time of payment of TDS	TDS payable on Salary A/c Dr. 20,000 To Bank A/c 20,000 <i>(Being amount of TDS u/s 192 deposited)</i>

2.1.4.4 E-TDS Return

♦ Electronic media

E-TDS returns are prepared in the forms 24Q, 26Q, or 27Q in electronic media, following the prescribed data structure. This can be done on a CD-ROM or in a digital format, but not on a floppy disk. The prepared CD-ROM should be accompanied by Form No. 27A, which should be signed and verified as per the prescribed method.

♦ Mandatory and optional filing

As per Section 206 of the Income Tax Act, corporate and government deductors are required to file their TDS returns through electronic media. However, for other deductors, filing e-TDS returns is optional, and it should be done in accordance with a scheme dated August 26, 2003, for electronic filing of TDS returns, as specified in CBDT Circular No. 8 dated September 19, 2003.

The CBDT (Central Board of Direct Taxes) has appointed

- ◆ Authorities, Intermediary and Deadlines

the Director General of Income Tax (Systems) as the e-filing administrator for the electronic filing of TDS returns under the TDS Scheme, 2003. Additionally, the CBDT has designated the National Securities Depository Limited (NSDL) as the e-TDS intermediary. E-TDS returns can be filed at any of the TIN-FCs (Tax Information Network - Facilitation Centers) opened by the e-TDS intermediary for this purpose. The due date for filing quarterly TDS returns, whether in electronic or conventional form, remains the same.

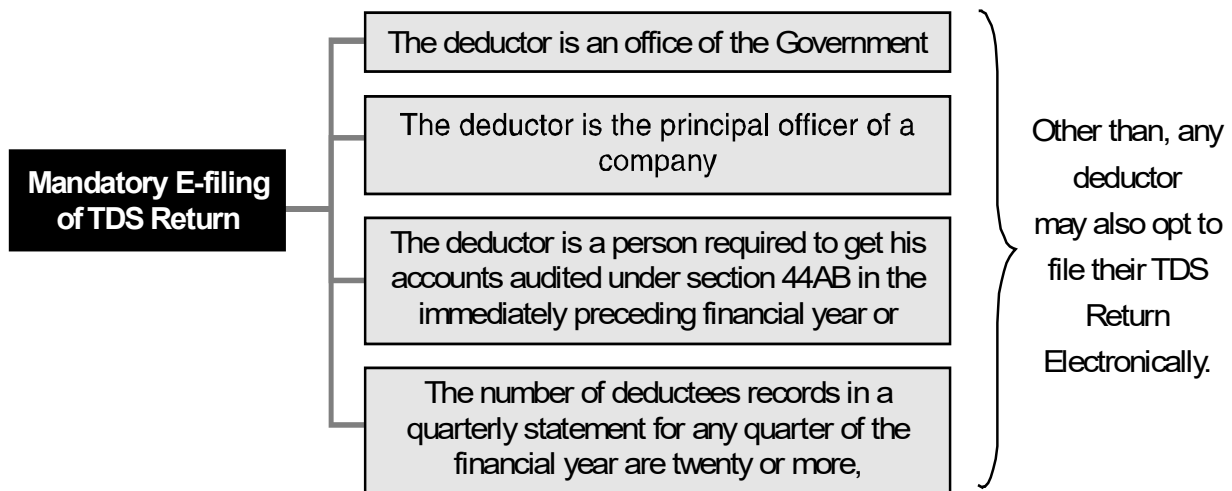


Figure 2.1.2 Mandatory filing of TDS returns

2.1.4.5 TDS Reconciliation Analysis and Correction Enabling System (TRACES)

- ◆ Web-based application of the Income Tax Department

TRACES are a web-based application of the Income Tax Department that provides an interface to all stakeholders associated with TDS administration. It enables viewing of challan status, downloading of consolidated File, Justification Report and Form 16/ 16A/ 16B/ 16C/ 16D/ 16E/ 27D as well as viewing of annual tax credit statements (Form 26AS/Annual Tax Statement).

2.1.4.6 TDS rate for the A.Y 2024-2025

TDS RATE CHART FY: 2023-24 (AY: 2024-25)				
Section	Nature of Payment	Threshold	Individual / HUF	Others
		₹	Existing TDS Rate (%)	
192	Salaries	-	Avg	-
192A	Premature withdrawal from EPF	50000	10	-
193	Interest on Securities	10000	10	10
194	Dividends	5000	10	10
194A	Interest (Banks)	40000	10	10
194A	Interest (Others)	5000	10	10
194A	Senior Citizen	50000	10	-
194B	Winning from Lotteries	10000	30	30
194BA	Winnings from online games	-	30	30
194BB	Winning from Horse Race	10000	30	30
194BP	Lotteries/crossword puzzles-made in kind/cash not suffice to meet the tax liability and paid before	10000	30	30
194C	Contractor - Single Transaction	30000	1	2
194C	Contractor - During the F.Y.	1 Lakh	1	2
194C	Transporter (44AE) declaration with PAN	-	-	-
194D	Insurance Commission (15G - 15H allowed)	15000	5	10
194DA	Life insurance Policy	1 Lakh	5	5

194EE	NSS(National Saving Scheme)	2500	10	10
194F	Repurchase Units by MFs	-	20	20
194G	Commission - Lottery	15000	5	5
194H	Commission / Brokerage	15000	5	5
194I(a)	Rent for plant & machinery	2.40 Lakh	2	2
194I(b)	Rent for land, building & furniture	2.40 Lakh	10	10
194IA	Transfer of certain immovable property other than agriculture land	50 Lakh	1	1
194IC	Payment under Specified agreement applicable for F.Y.: 2017-18 onwards	-	10	10
194J(a)	Fees-tech services, call centre, royalty for sale etc.	30000	2	2
194J(b)	Fee for professional service or royalty etc.	30000	10	10
194K	Payment of dividend by mutual Funds	5000	10	10
194LA	Compensation on transfer of certain immovable property other than agricultural land	2.50 Lakh	10	10
194LA	Immovable Property (TDS exempted under RFCTLARR Act (wef 01.04.2017))	-	-	-
194LA	Immovable Property	2.50 Lakh	10	10
194LB	Income by way of interest from infrastructure debt fund (non-resident)	-	5	5

194LBA	Certain income from units of a business trust (applicable from 01.10.2014)	-	10	10
194LBA	Certain income from units of a business trust to non-resident (applicable from 01.10.2014)	-	5	5
194LBB	Income in respect of investment of investment fund	-	10% for residents, 30% for non-residents	10% for residents, 40% for non-residents
194LBC	Income in respect of investment in securitization trust	-	30% for residents, 40% for non-residents, 25% for individual & HUF	30%, residents, 40% for non-residents, 25% for individual & HUF
194LC	Income by way of interest by an Indian specified company to a non-resident/foreign company on foreign currency approved loan/ long term infrastructure bond 'from outside India (applicable from July 1, 2012)	-	5	5
194LD	Interest on certain bonds and Govt. Securities (from 01.06.2013)	-	5	5
194M	Payment to commission, brokerage etc. by individual & HUF	50 Lakh	5	5
194N	Cash withdrawal in excess of 1 crore during the previous year from 1 or more account with a bank or co-operative society (wef 01.09.2019)	1 Crore	2	2
194O	TDS on e-commerce participants	5 Lakh	1% (01.10.2020)	1% (01.10.2020)

194P	TDS in case of Specified Senior Citizen	-	Not Applicable	Rates in Force
194Q	TDS on Purchase of Goods exceeding ₹50 Lakhs (Applicable From 01-July-2021)	In Ex-cess of ₹50 Lakhs	0.1	0.1
194R	Benefits or perquisites of business or profession	20000	10	10
194RP	Benefits or perquisites of business or profession where such benefit is provided in kind or where part in cash is not sufficient to meet tax liability and tax required to be deducted is paid before such benefit is released	20000	10	10
194NF	Payment of certain amounts in cash to non-filers	20 Lakh	2	2

2.1.5 Advance Tax

♦ Pay as you earn concept

Generally, tax on the income earned in the previous year is paid in the respective assessment year, but in certain cases, an assessee may be required to pay tax during the previous year itself, as Advance tax. The scheme of advance tax is based on the concept “*Pay as you earn*”. Under this scheme assessee needs to estimate income and tax liability of the previous year and pay tax on the basis of such estimation in the previous year itself. For instance, income earned during the previous year 2023-24 is normally taxable in the assessment year 2024-25, however under the scheme of Advance tax, the assessee is required to pay tax on estimated income of previous year 2023-2024 in the previous year itself.

♦ Applicability and Threshold

This scheme is applicable to all assesses, irrespective of their residential status and citizenship. According to Section 208, when the advance tax liability of the assessee is ₹10,000 or more, the assessee should pay this tax during the previous year within the specified due date.

♦ Exemption for senior citizen

Section 207 provides an exception to the provision of advance tax. It states that the requirement for advance tax does not apply to a resident senior citizen who is 60 years of age or older and does not have any income chargeable under the head ‘Profit and Gains of Business or Profession’ (PGBP).

2.1.5.1 Advance Tax liability [Sec. 209]

Particulars	Amount
Estimated Gross Total Income [other than income covered u/s 44AD]	XXXX
<i>Less:</i> Deduction under chapter VIA	XXXX
Estimated Total Income	XXXX
Gross tax liability on Estimated Total Income	XXXX
<i>Less:</i> Rebate u/s 87A	XX
Tax liability after Rebate	XXXX
<i>Add:</i> Surcharge (if applicable)	XXX
Tax and surcharge payable	XXX
<i>Add:</i> Health & Education cess	XXX
Tax liability after cess	XXXX
<i>Less:</i> Tax deducted or collected at source / other Rebate & Relief	XXXX
Advance tax liability	XXXX

2.1.5.2 Due date for payment of advance tax [Sec. 211]

Assessee	Due date of installment (of previous year)	Minimum amount payable
An eligible assessee in respect of an eligible business referred to in sec. 44AD or 44ADA	On or before March 15	100% of advance tax liability
Other Assessee	On or before June 15	Upto 15% of advance tax liability
	On or before September 15	Upto 45% of advance tax liability
	On or before December 15	Upto 75% of advance tax liability
	On or before March 15	Upto 100% of advance tax liability

♦ Advance tax paid in March of previous year is counted towards current year.

♦ Senior citizens with no business income are exempt from advance tax.

♦ All income is subject to advance tax, but special rules apply for capital gains and business income.

♦ Net agricultural income is counted towards advance tax liability

♦ Assessee in default.

♦ Adjusted against regular tax liability

a. Any amount paid u/s 211 on or before 31 March of the previous year, shall be treated as advance tax paid during the financial year.

b. Where an assessee is a senior citizen (or super senior citizen) and does not have any income chargeable under the head “Profits and gains of business or profession”, provision of advance tax is not applicable. In other words, senior citizens not having business income are not liable to pay advance tax.

c. Every income including capital gain, winning from lotteries, etc. is subject to advance tax. However, it is not possible to estimate capital gain or casual gain or where income under the head “Profits and gains of business or profession” accrues or arises for the first time, therefore, where the assessee has paid the whole of the amount of tax payable in respect of such income -

- ♦ As part of the remaining installments of advance tax which were due; or
- ♦ Where no installments were due, by March 31 of the financial year immediately preceding the assessment year, - then it is deemed that all the provisions are complied.

d. While calculating advance tax, net agricultural income shall also be taken into consideration for computing tax liability.

e. If any assessee does not pay any installment within due date he shall be deemed to be an assessee in default in respect of such installment [Sec. 218]

f. Any sum, other than a penalty or interest, paid by an assessee as advance tax shall be treated as a payment of tax and credit for such shall be given to the assessee in the regular assessment [Sec. 219]

2.1.6 Computation of Advance Tax and TDS

The income tax department now mandates online TDS return filing for all individuals with taxable income. TDS, which includes amounts collected in a quarter of a financial year from individuals receiving income such as salary, commission, and interest, must be reported by the deductor on a quarterly basis.

This means there are four TDS returns to complete each year. Specifically, the following entities are required to e-file TDS returns:

- ♦ All Government Offices
 - ♦ All companies
 - ♦ Anyone who must undergo a mandatory account audit
- TDS and TCS returns should be filed on a quarterly schedule.

Illustration 2.1.4

Mr. Vineeth Chacko estimates his income for the current financial year 2023-2024 as under:-

Income from HP ₹26,500

Income from Business ₹5,67,500

Interest on securities and other interest ₹18,000

Tax Deducted at Source ₹1360

He donated ₹4500 to the Prime Minister's Relief Fund by cheque.

Calculate Advance Tax and find out the amount of each installments for the financial year 2023-2024.

Solution

Computation of Advance Tax for the financial year 2023-2024

Particulars	₹
Income from HP	26,500
Income from Business	5,67,500
Income from other source – Interest	18,000
Gross Total Income (GTI)	6,12,000
Less deduction u/s 80 G	(4,500)
Total Income	6,07,500
Tax on ₹6,07,500	34,000
Add Surcharge	Nil
Add Health and Education Cess (HEC) @ 4% $(34,000 \times \frac{4}{100})$	1360
Total	35,360
Less TDS	1,360
Net Tax	34,000

Computation of Tax liability

Upto ₹2,50,000 Nil

On next ₹2,50,000 (@ 5%) 12500

On balance ₹1,07,500 (@ 20%) 21500

34000

Advance Tax details

15-06-2023 installment 15% of 34,000 5,100

15-09-2023 installment 30% of 34,000 10,200

15-12-2023 installment 30% of 34,000 10,200

15-03-2024 installment 25 % of 34,000 8,500

Illustration 2.1.5

Miss Reshma estimates her current income for the financial year 2023-2024 as follows:-

Taxable income from business for ₹11,05,000

Income from other sources for ₹65,000

She has taken Life insurance policy on her own life and of which annual premium is ₹76,000. She is eligible for deduction u/s 80D for ₹4,000.

Calculate Advance Tax and find out the amount to be deposited on different dates assuming that the deduction at source on an income of Miss Reshma is ₹3,080.

Solution

Computation of Advance Tax for the financial year 2023-2024

Particulars	₹	₹
Income from HP		Nil
Income from Business		11,05,000
Income from other source – Interest		65,000
Gross Total Income (GTI)		11,70,000
Less deduction u/s 80 C	76,000	
Less deduction u/s 80 D	4,000	80,000
Total Income		10,90,000
On ₹2,50,000	Nil	
On ₹2,50,000 @ 5%	12,500	
On ₹5,00,000 @ 20%	1,00,000	
Balance ₹90,000@ 30%	27,000	
Tax on ₹10,90,000		1,39,500
Add Surcharge		Nil
		5,580
Add Health and Education Cess (HEC) @ 4% = $1,39,500 \times \frac{4}{100}$		
Total		1,45,080
Less TDS		3080
Net Tax		142,000

Advance Tax details

15-06-2023 installment 15% of 1,42,000	21,300
15-09-2023 installment 30% of 1,42,000	42,600
15-12-2023 installment 30% of 1,42,000	42,600
15-03-2024 installment 25 % of 1,42,000	<u>35,500</u>

Total 1,42,000

Illustration 2.1.6

Dinesh is an employee in a company. He would receive the following during financial year 2023-2024

Salary ₹60,000 per month

Dearness Allowance ₹10,000 per month

Entertainment Allowance ₹5,000 per month

He has paid life insurance premium of ₹20,000 on his own life

Compute his income from salary liable to deduction of tax at source if he does opt old tax regime.



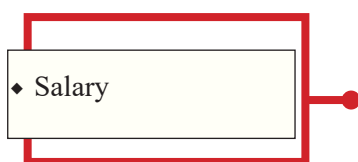
Solution

Computation of Tax Deductible at Source form Salary for the Assessment year 2024-2025

Particulars	₹	₹
Salary 60,000 x 12		7,20,000
DA 10,000 x 12		1,20,000
EA 5,000 x 12		60,000
Gross Salary		9,00,000
Deduction u/s 16		50000
Taxable Salary		8,50,000
Less deduction u/s 80 C		20,000
Salary income liable to Deduction at source		8,30,000
Tax on ₹8,30,000		
On ₹2,50,000	Nil	
On ₹2,50,000 @ 5%	12,500	
On balance ₹3,30,000 @ 20%	66,000	78,500
Add HEC @ 4%		3,140
Tax to be deducted at Source		81,640
	<u>81640</u>	
Monthly tax to be deducted at source	12	6,803

2.1.7 TDS forms

TDS is deducted on a variety of payments, including salary, rent, interest, commission, and professional fees. The deductor is required to file a TDS return with the Income Tax Department, which contains details of the TDS deducted and deposited. The following are the most common TDS forms:



♦ Salary

a) Form 24Q: Under section 192 of the IT Act, every employer has to file salary TDS return in Form 24Q. 24Q is to be filed to the Government on 15th of the month following each quarter except on the March ending quarter which shall be submitted on 30 April instead of 15 April.

The employee can show all deductions and investments if he can provide supporting documents to it.

24Q consists of 2 annexures – Annexure I and Annexure II.

Annexure I have to submit for all four quarters of a FY. Details of challan(s) to be mentioned in Annexure I are:

- ♦ BSR code of branch
- ♦ Date of deposition of challan

- ♦ Submitted for all four quarters

- ♦ Challan serial number
- ♦ Total amount in challan
- ♦ TDS amount to be allocated among deductees
- ♦ Interest amount to be allocated among deductees

Annexure II, which is required to be submitted in the last quarter of the financial year by 30 April, contains details of the employee's salary, the tax deducted, and any other related information. The information included in Annexure II of Form 24Q typically consists of the following details for each employee:

- ♦ Employee's PAN (Permanent Account Number)
- ♦ Employee's name and address
- ♦ Salary paid during the quarter
- ♦ Taxable salary
- ♦ TDS deducted on salary

- ♦ Submitted by 30 April

- ♦ Any other deductions or exemptions claimed by the employee
- ♦ Details of any other income and TDS thereon
- ♦ Details of any deductions allowed under Chapter VI-A (like 80C, 80D, etc.)
- ♦ Any other relevant information required for TDS calculation and reporting

- ♦ Payments other than salary

b) Form 26Q: This form is used to file quarterly TDS returns for other types of payments, such as rent, interest, and commission. It contains details of the payments made and the TDS deducted of the deductees. The due date for filing Form 26Q is the 31st day of the month following the end of the quarter. For example, the due date for filing Form 26Q for the first quarter (April-June) is July 31.

- ♦ Non-resident deductees

c) Form 27Q: This form is used to file quarterly TDS returns for non-resident deductees. It contains details of the payments made to non-resident deductees and the TDS deducted. Form 27Q must be filed by the 7th day of the following month after the end of the quarter.

d) Form 27EQ: This form is used to file quarterly TDS returns for Tax Collected at Source (TCS) on sale of certain goods or services. It contains details of the goods

♦ TCS

♦ Property

or services sold and the TCS collected. Form 27EQ must be filed by the 7th day of the following month after the end of the quarter.

- e) **Form 26QB:** This form is used to file a declaration of tax deduction at source on purchase of property. It contains details of the property purchased and the TDS deducted. Form 26QB must be filed within 30 days of the date of purchase of the property.

2.1.8 Computation of interest and penalties

♦ Penalties

Every Indian citizen, including various entities, is obligated to pay taxes in accordance with the laws of the land. In India, the Income Tax Act governs all matters related to income. Paying taxes and filing Income Tax Returns are mandatory for every Indian citizen who earns taxable income. The Act clearly states that if an individual earns a certain amount of income in a year, they must pay income tax. Failure to fulfill tax-related requirements will result in penalties for non-compliance with tax laws.

Interest and penalties under sections 234A, 234B, and 234C apply to defaulters in the following situations:

- ♦ Failure to file Income Tax Returns: Section 234A
- ♦ Failure to pay Advance Tax: Section 234B
- ♦ Delayed payment of quarterly advance payments: Section 234C

♦ Late payment interest

If an assessee (taxpayer) fails to pay income tax (self-assessment tax or advance tax) on or before the due date, they will be subject to interest and penalties. Delay in filing the income tax return, non-payment, or short payment of advance tax, and non-payment or short payment of individual installments of advance tax, as per the tax calendar, will result in the imposition of late payment interest by the Income Tax Department under Section 234A, 234B, and 234C of the Income-Tax Act.

2.1.8.1 Interest under Section 234A

♦ Delay in filing ITR

Delay in filing the income tax return will result in the imposition of late payment interest, as per Section 234A of the Income Tax Act. An interest amount of 1% per month or part of a month (simple interest) will be applied to the outstanding tax amount.

Illustration 2.1.7

A taxpayer has unpaid taxes that are outstanding. He has not filed his IT Returns by the due date (31 July). The income tax payable was ₹ 23,300 and he filed his IT returns on 8 November. What will be the late payment interest levied on him under Section 234A for the delayed filing of IT Return?

Solution

Actual Filed Date: 08-Nov

Delay in Filing: 3 Months and 8 days delay (*Delay is calculated from the due date of 31st Jul and is rounded as 4 months*)

Tax Payable: ₹23,300

Late Payment Interest: $1\% \times ₹23,300 \times 4 \text{ months} = ₹932$

2.1.8.2 Interest under Section 234B

♦ Delay in paying advance tax

Delay or shortfall in paying advance tax as per the income tax calendar would result in late payment interest to be levied as per Section 234B. All assesses are required to pay Advance Tax (at least 90 %) where the tax payable is ₹10,000 or more. Late payment interest is applicable if the tax liability is more than ₹10,000 and the taxpayer has not paid any advance tax or if the taxpayer has paid advance tax, but advance tax paid is less than 90% of 'assessed tax'. The interest is calculated at 1% simple interest per month or part of the month for the period of default. The time period for the calculation of interest starts from the first day of the assessment year to the date of determination of total income under Section 143(1) or the regular assessment, whichever is earlier.

Illustration 2.1.8

A taxpayer has ₹15,400 as tax payable, but he has not paid any advance tax until March 31. If the entire tax was paid by him on October 3, when he files the return of income, how much interest is he liable to pay as per Section 234B?

Solution

Actual date of paying tax: 03-October

Delay in Filing: 6 Months and 3 days delay (*Delay is calculated from 31st Mar which is the end of FY and is rounded as 7 months*)

Tax Payable: ₹15,400

Late Payment Interest: $1\% \times ₹15,400 \times 7 \text{ months} = ₹1,078$

Illustration 2.1.9

A taxpayer has ₹38,500 as Tax Payable. He has paid ₹20,000 towards advance tax until March 31. If the remaining ₹18,500 was paid by him on 25 August, when



he files the return of income, how much interest is he liable to pay as per Section 234B?

Solution

Actual date of paying tax: 25-August

Delay in Filing: 4 Months and 25 days delay (*Delay is calculated from 31st Mar which is the end of FY and is rounded as 5 months*)

Tax Payable: ₹38,500

Advance Tax Paid: ₹20,000 (which is only 51.9 % of tax payable)

Penalty to be applied for: ₹38,500 – ₹20,000 (Advance Tax that is paid already) = ₹18,500

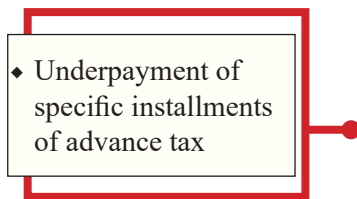
Late Payment Interest: 1 % * ₹18,500 * 5 months = ₹925

2.1.8.3 Interest under Section 234C

Interest under Section 234C of the Income Tax Act, 1961 is charged on taxpayers who fail to pay advance tax installments on time or in full. The interest rate is 1% per month or part of a month on the amount of advance tax due.

Interest under Section 234B is charged on the overall shortfall in advance tax payment for the entire financial year, while interest under Section 234C is charged on the shortfall in advance tax payment for each installment.

The following table provides the details on the cutoff date and the advance tax payable:



Due Date	All taxpayers except those who have opted for presumptive income u/s 44AD	Taxpayers opting for presumptive income u/s 44AD
15 June	Upto 15 % of Advance Tax Payable	Nil
15 September	Upto 45 % of Advance Tax Payable	Nil
15 December	Upto 75 % of Advance Tax Payable	Nil
15 March	Upto 100 % of Advance Tax Payable	Up to 100% of Advance Tax payable

Illustration 2.1.10

A taxpayer who has not opted for presumptive income u/s 44AD has ₹50,000 as tax payable. He has paid ₹2,500 on 13 June, ₹10,000 on 12 September, ₹5,000 on 11 December and ₹7,500 on 10 March towards Advance Tax. How much interest is he liable to pay as per Section 234C because of default payment of installments?

Solution

Tax Payable: ₹50,000

Detailed Calculation is as below:

Cut-Off Date	Expected %	Expected Amount (Cumulative)	Advance Tax Paid	Advance Tax Paid (Cumulative)	Defaulted Amount (Expected Amount – Advance Tax Paid)	Interest (1%)
15 June	15%	15% of 50,000 = ₹7,500	₹2,500	₹2,500	₹7,500 – ₹2,500 = ₹5,000	1% * ₹5,000 * 3 = ₹150
15 September	45%	45% of 50,000 = ₹22,500	₹10,000	₹2,500 + ₹10,000 = ₹12,500	₹22,500 – ₹12,500 = ₹10,000	1% * ₹10,000 * 3 = ₹300
15 December	75%	75% of 50,000 = ₹37,500	₹5,000	₹12,500 + ₹5,000 = ₹17,500	₹37,500 – ₹17,500 = ₹20,000	1% * ₹20,000 * 3 = ₹600
15 March	100%	100% of 50,000 = ₹50,000	₹7,500	₹17,500 + ₹7,500 = ₹25,000	₹50,000 – ₹25,000 = ₹25,000	1% * ₹25,000 * 1 = ₹250

Late Payment Interest: ₹150 + ₹300 + ₹600 + ₹250 = ₹1,300.

2.1.9 Form 27C

Form 27C of the Income Tax Act is a declaration form that can be used by buyers of goods to claim exemption from Tax Collected at Source (TCS). To claim exemption from TCS, the buyer must furnish a declaration in Form 27C to the seller. The declaration must contain the following information:

- ♦ The name and address of the buyer
- ♦ The PAN of the buyer
- ♦ The name and address of the seller
- ♦ The PAN of the seller
- ♦ The details of the goods purchased

- ◆ Exemption from TCS

- ◆ A declaration that the buyer is resident in India and that the goods purchased will be used to manufacture, produce, or process articles or goods

The buyer must also sign and verify the declaration. Once the buyer has furnished the declaration to the seller, the seller is not required to collect TCS from the buyer.

2.1.10 TDS statements

2.1.10.1 Form 16

- ◆ Certificate of TDS

Form 16 is a certificate of Tax Deduction at Source (TDS) that is issued by an employer to an employee. It contains details of the salary paid to the employee, the TDS deducted from the salary, and the other incomes and deductions that are relevant for tax calculation. Form 16 also helps them to keep track of their tax payments and to ensure that they are not paying more tax than is necessary.

Form 16 is divided into two parts:

Part A: This part contains the employer's and employee's details, and details of the TDS deducted.

Part B: This part contains details of the salary paid, other incomes, deductions allowed, and tax payable.

- Used to file ITR

Form 16 is required to be issued by all employers who deduct TDS from their employees' salaries. It is required to be issued by the end of June of the following financial year. Employees can use Form 16 to file their income tax returns. They can also use it to claim any tax refunds that may be due to them.

Here are some of the benefits of having Form 16:

- ◆ It helps you to file your income tax returns accurately and on time.
- ◆ It helps you to keep track of your tax payments.
- ◆ It helps you to ensure that you are not paying more tax than is necessary.
- ◆ It can be used to claim any tax refunds that may be due to you.
- ◆ It can be used as proof of income for various purposes, such as applying for a loan or a credit card

2.1.10.2 Form 16 A

- ◆ TDS on income other than salary

Form 16A is a certificate of Tax Deduction at Source (TDS) that is issued by a deductor to a deductee for income other than salary. It contains details of the income paid to the deductee, the TDS deducted from the income, and the other incomes and deductions that are relevant for tax calculation.

Form 16A is issued for a variety of incomes, such as:

- ◆ Interest on bank deposits
- ◆ Commission income
- ◆ Rent income
- ◆ Professional fees
- ◆ Winnings from lotteries and gambling

- ◆ Track tax payments

Form 16A is a very important document for individuals who receive income other than salary, as it is required to file their income tax returns. It also helps them to keep track of their tax payments and to ensure that they are not paying more tax than is necessary.

Form 16A is divided into two parts:

Part A: This part contains the deductor's and deductee's details, and details of the TDS deducted.

Part B: This part contains details of the income paid, other incomes, deductions allowed, and tax payable.

Difference between Form 16 and Form 16A

Basis	Form 16	Form 16A
Issued by	Employer	Deductor
Issued for	Salary income	Income other than salary
Examples of income covered	Basic salary, dearness allowance, house rent allowance, transport allowance, leave travel allowance, medical allowance, bonus, etc..	Interest on bank deposits, commission income, rent income, professional fees, winnings from lotteries and gambling, etc..

2.1.11 Form 26AS

◆ Consolidated annual statement

Form 26AS is an annual statement that provides details of all tax-related information associated with the assessee's Permanent Account Number (PAN). It includes details of Tax Deducted at Source (TDS), Tax Collected at Source (TCS), Advance Tax paid, self-assessment tax paid, and any refunds issued to the taxpayer. It also shows the details of high-value transactions such as foreign remittances, mutual fund purchases, dividends, etc..

Form 26AS is an important document for tax filing, as it helps taxpayers to ensure that all their tax payments have been accounted for. It can also be used to identify any discrepancies in the TDS deducted or TCS collected by deductors.

View Tax Credit Statement (Form 26AS)

The procedure for downloading the Form-26AS from e-Filing portal are as follows:

◆ Identifying discrepancies

- a. Login to 'e-Filing' Portal <https://www.incometax.gov.in/iec/foportal/>
- b. Go to the 'My Account' menu, click 'View Form 26AS (Tax Credit)' link.
- c. Read the disclaimer, click 'Confirm' and the user will be redirected to TDS-CPC Portal.
- d. In the TDS-CPC Portal, Agree the acceptance of usage. Click 'Proceed'.
- e. Click 'View Tax Credit (Form 26AS)'
- f. Select the 'Assessment Year' and 'View type' (HTML, Text or PDF)
- g. Click 'View / Download'

◆ Cross -references

Generally, every entity (individual or company) that has deducted taxes must remit that amount to the government through banks. Banks are required to upload these TDS (Tax Deducted at Source) details into the Tax Information Network (TIN) central system. Based on this information, the TIN central system cross-references the tax payments before consolidating them into a comprehensive ledger for the respective Permanent Account Number (PAN) holder. This comprehensive ledger is known as Form 26AS.

Form 26AS provides a consolidated view of the total income

◆ Mismatch of TDS

earned from all sources during the year. In the realm of tax compliance and income reporting, it is essential for individuals and companies to ensure that the Tax Deducted at Source (TDS) details on their Form 26AS align with the information provided in Form 16, especially when it comes to tax deductions. Any discrepancies between these forms can lead to what is commonly referred to as a 'Mismatch of TDS'.

Reasons for Mismatches between TDS statement and Form 26AS

There are various reasons where the TDS information differs from the details given in Form 26AS. Most common reasons for such mismatch (es) are listed below:

- ◆ Failure of the deductor to deposit TDS on time
- ◆ Incorrect amount entered in the TDS return
- ◆ Incorrect PAN quoted in the TDS return
- ◆ Mistake in the CIN
- ◆ Details of deductors PAN/TAN wrongly entered
- ◆ Mistake in choosing the relevant Assessment Year

Consequences of Mismatch of TDS with Form 26AS

Computerised ITR processing income tax returns have made it easier to identify mismatches in Form 26AS and TDS statements. The following are the consequences of mismatch of TDS with Form 26AS:

- ◆ In the event of mismatches, the value prefilled will mismatch with the actual details given in Form 26AS.
- ◆ Omission of entries by the deductor will result in not crediting taxes deducted during the year.
- ◆ Delay in processing of Income tax return

◆ Comparing 26AS and TDS

◆ Intimation

Resolving the Mismatches in Form 26AS and TDS

- Identify the mismatch:** The first step is to identify the discrepancy between your TDS certificate and Form 26AS. You can do this by comparing the two documents carefully. If you find any discrepancies, note them down.
- Contact the deductor:** Once you have identified the mismatch, you need to contact the deductor and inform them about the discrepancy. The deductor may have made a mistake in filing their TDS return, or they may not have deposited the TDS with the government.
- Request the deductor to file a revised TDS return:**

◆ Revise TDS return

◆ Track status

If the deductor has made a mistake in filing their TDS return, they need to file a revised TDS return. This will correct the discrepancy in Form 26AS.

d) Track the status of the revised TDS return: You can track the status of the revised TDS return on the Income Tax Department (ITD) e-filing portal. Once the revised TDS return has been processed, Form 26AS will be updated.

If the deductor has deposited the TDS with the government but the mismatch persists, you may need to contact the ITD. You can do this by filing a rectification request on the ITD e-filing portal.

2.1.12 Annual Information Statement (AIS)

◆ Prepaid taxes and prescribed financial transactions

The Annual Information Statement (AIS) is a comprehensive statement that provides complete information about the prepaid taxes and prescribed financial transactions entered into by a taxpayer for a particular financial year. It is generated by the Income Tax Department (ITD) based on the information reported by various entities, such as banks, financial institutions, and employers.

◆ Single view

The AIS was introduced in the Income-tax Act, 1961 in 2021 with the objective of making the tax filing process more efficient and transparent. It is a comprehensive statement that provides taxpayers with a single view of all their financial transactions and tax payments for a particular year. This information can be used by taxpayers to accurately file their income tax returns. Taxpayers can access their AIS by logging into their income tax e-filing account. The AIS is available for download in PDF format.

The AIS contains information on the following:

- ◆ **Income tax deducted at source (TDS):** This includes details of all TDS deducted by various entities, such as banks, financial institutions, and employers.
- ◆ **Statement of Financial Transactions (SFT):** This includes details of all financial transactions reported by various entities, such as banks, financial institutions, and mutual funds.
- ◆ **Other information:** This includes other information that is relevant for tax filing, such as interest earned on bank deposits, dividend income, and capital gains.

The AIS is a valuable tool for taxpayers as it helps them to:

- ♦ **Accurately file their income tax returns:** The AIS provides taxpayers with a single view of all their financial transactions and tax payments for a particular year. This information can be used by taxpayers to accurately file their income tax returns.
- ♦ **Identify any discrepancies in their tax records:** The AIS can help taxpayers to identify any discrepancies in their tax records. For example, if a taxpayer notices that a particular transaction has not been reported in their AIS, they can take corrective action by contacting the entity that reported the transaction.
- ♦ **Plan their taxes:** The AIS can help taxpayers to plan their taxes more effectively. For example, taxpayers can use the information in their AIS to estimate their tax liability for the upcoming year.

Summarised Overview

Accounting for TDS (Tax Deducted at Source) and TCS (Tax Collected at Source) is a fundamental component of tax compliance, particularly in countries like India. TDS involves deducting taxes at the source when making various payments, while TCS pertains to collecting taxes at the source, primarily during sales transactions. Both mechanisms are designed to ensure that tax revenue is collected efficiently and accurately. This process entails deductors and collectors keeping meticulous records, filing periodic returns, and providing certificates such as Form 16, Form 16A, and Form 26AS to recipients. These forms allow individuals and businesses to claim tax credits and are essential for accurate accounting and tax compliance. Accurate accounting for TDS and TCS is crucial for both businesses and individuals to meet their tax obligations and prevent disputes with tax authorities.

Self-Assessment

1. Explain the TDS provisions for salary income.
2. How will you rectify the mismatches between Form 26 AS and TDS?
3. TDS and 26 AS at times do mismatch each other. Why?
4. Differentiate Form 16 and 16A.
5. What is the relevance of Form 26AS in ITR filing?
6. What is the importance of Annual Income Statement?
7. Write a short note on the TDS forms?
8. Explain the concept of Advance Tax.



Assignments

1. How can discrepancies between Form 16 or Form 16A and Form 26AS be rectified, and why is it essential to address such discrepancies?
2. Discuss the purpose of TCS in tax accounting and provide examples of transactions where TCS is applicable.
3. Why is it important for businesses and individuals to maintain accurate records of TDS and TCS transactions?
4. Describe the process of TDS return filing. What information is typically included in a TDS return?
5. Differentiate between TDS and TCS, providing examples of transactions that fall under each category.
6. Explain the steps in detail showing the amount of TDS to be made from a person drawing salary income on the basis of the following particulars:

Annual salary income ₹1200000

Contribution to PF ₹60000

Investment in Fixed deposit for 5 years ₹75000

Investment in NSC ₹40000

Suggested Readings

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1. Ministry of Finance. (2023). *The Manual of Income-tax Procedure, Volume I*. New Delhi: Government of India
2. Income tax website: <https://incometaxindia.gov.in>
3. Notifications, circulars issued by the tax department, finance act passed by the parliament, amendments etc..
4. Income Tax Act, 1961: <https://www.incometaxindia.gov.in/Pages/acts/income-tax-act.aspx>
5. Income Tax Rules, 1962: <https://www.incometaxindia.gov.in/Pages/rules/income-tax-rules-1962>

Space for Learner Engagement for Objective Questions

Learners are encouraged to develop objective questions based on the content in the paragraph as a sign of their comprehension of the content. The Learners may reflect on the recap bullets and relate their understanding with the narrative in order to frame objective questions from the given text. The University expects that 1 - 2 questions are developed for each paragraph. The space given below can be used for listing the questions.





FILING OF INCOME TAX RETURNS

Learning Outcomes

Upon completion of this unit, the learner will be able to:

- ♦ gain an idea on the different types of Income Tax Returns.
- ♦ identify the corresponding ITR (Income Tax Return) for various taxpayers.
- ♦ develop the skills to independently file ITR-1 returns

Background

As an Indian citizen, one must adhere to the laws, customs, and culture of their country. India has a diverse mix of cultures and laws. The Government of India formulates various laws that cater to the nation's needs. One such law is the Income Tax Act of 1961. According to this Act, anyone earning an income is obligated to pay taxes in proportion to their earnings. Before paying taxes, individuals must prepare an annual income statement in compliance with the provisions of the Income Tax Act of 1961. This statement must be submitted in accordance with the rules and regulations outlined in the IT Act, commonly referred to as 'filing of returns.' Let's explore how individuals submit their annual returns through the income tax website.

Keywords

Filing of returns, ITR 1, ITR 2, ITR 3, ITR 4, ITR 5, ITR 6, ITR 7

Discussion

♦ Return of income

2.2.1 Filing of Returns

It is mandatory for every taxpayer to communicate the details of his income to the Income-tax Department. These details are to be furnished in the prescribed form known as return of income.

♦ Statutory obligations and conditions

2.2.1.1 Return of income

The procedure under the Income-tax Act for making an assessment of income begins with the filing of a return of income. Section 139 of the Act contains the relevant provisions relating to the furnishing of return of income. According to that section, it is statutorily obligatory for every person being a company or a firm or being a person other than a company or firm to furnish a return of his total income or the total income of any other person in respect of which he is assessable under the Income-tax Act, in all cases where his total income or the total income of any other person for which he is liable to be assessed before claiming any deduction under chapter VI-A exceeds and before claiming exemption benefits under sections 54, 54B, 54D, 54EC, 54F, 54G, 54GA and 54GB, in any relevant previous year, the maximum amount which is not chargeable to income-tax.

♦ Companies and Firms

♦ Individuals

♦ Resident Individuals with Foreign Assets or Signing Authority

2.2.1.2 Mandatory and Voluntary return [(Section 139(1))]

- ♦ All companies and firms, regardless of their income or loss, are required to file income tax returns. This means that even if a company or firm has no income, it must still file an ITR.
- ♦ Individuals other than companies or firms are required to file income tax returns if their total income exceeds the basic exemption limit for the relevant financial year. The basic exemption limit varies depending on the individual's age, gender, and disability status.
- ♦ Resident individuals who have assets located outside India (including financial interests in entities) or those who retain signing authority for an account based outside India are required to file income tax returns.

Note: Basic exemption limit refers to a term which means “maximum amount of income not chargeable to tax”. In simpler

♦ Mandatory filing

words, it means the highest amount of income on which tax shall not be payable.

If Mr. A earns a total income of more than ₹2,50,000, then he or she shall be liable to file ITR. The basic exemption limit for the current financial year is ₹2,50,000. Anything over and above ₹2,50,000/- shall be taxable.

It should be obligatory for the firm or Company to file return of income in every case. Further, in respect of individual, HUF, AOP, BOI, Artificial juridical Person, filing of return of income shall be compulsory if their total income before allowing deductions under sections 10A, 10B, 10BA or Chapter VI-A exceeds the maximum amount which is not chargeable to income tax.

2.2.1.3 Due date for filing return of income

The assessee is obliged to voluntarily file the return of income without waiting for the notice of the Assessing Officer calling for the filing of the return.

The due date for filing the return depends on the type of assessee and their circumstances:

- ♦ For companies, individuals (other than a company) whose accounts are required to be audited under the Income-tax Act or any other law, and working partners of a firm whose accounts are audited, the due date is the 31 October of the Assessment Year.
- ♦ In the case of an assessee required to furnish a report referred to in section 92E, the due date is the 30 November of the assessment year.
- ♦ For all other assessees, the due date is the 31 July of the Assessment Year.

2.2.1.4 Return of loss [Section 139(3)]

This section requires the assessee to file a return of loss in the manner and within the same time limits as required for a return of income u/s 139(1). Section 80 requires mandatory filing of return of loss u/s 139(3) on or before the due date specified u/s 139(1) for carry forward of loss under the head 'profits and gains from business or profession' or loss from maintenance of race horses or under the head 'Capital gains'. However, loss under the head "Income from house property" as under section 71B and unabsorbed depreciation under section 32 can be carried forward for set-off even though return of loss has been filed after

♦ Loss return requirements

the due date. Unless the assessee files a return of loss in the manner and within the same time limits as required for a return of income, the assessee would not be entitled to carry forward the loss for being set off against income in the subsequent year.

2.2.1.5 Belated return [Section 139(4)]

Any person who has not filed the return within the time allowed under section 139(1) may file a belated return at any time:

- 3 months before the end of the relevant assessment year or
- before the completion of the assessment, whichever is earlier.

♦ Late filing

Following are the consequences of delay in filing the return of income:

- ♦ Loss (other than house property loss/unabsorbed depreciation) cannot be carried forward.
- ♦ Levy of interest for late filing under section 234A.
- ♦ Levy of fee under section 234F
- ♦ Exemptions under sections 10A, 10B, are not available
- ♦ Deduction under Part-C of Chapter VI-A shall not be available.

2.2.1.6 Revised return [Section 139(5)]

An assessee who is required to file a return of income is entitled to revise the return of income originally filed by him to make such amendments, additions or changes as may be found necessary by him. Such a revised return may be filed by the assessee at any time:

- 3 months before the end of the relevant assessment year
- before the completion of assessment whichever is earlier.

♦ Amendments in return

Revised return can be further revised upto any number of times, within the prescribed period.

2.2.1.7 Defective return [Section 139(9)]

If the Assessing Officer considers that the return of income

◆ Defective return rectification

furnished by the assessee is defective, he may intimate the defect to the assessee and give him an opportunity to rectify the defect within 15 days from the date of such intimation or within such further period as may be allowed by the Assessing Officer on the request of the assessee. If the assessee fails to rectify the defect within the aforesaid period, the return shall be deemed to be invalid and further it shall be deemed that the assessee had failed to furnish the return. However, where the assessee rectifies the defect after the expiry of the aforesaid period but before the assessment is made, the Assessing Officer may condone the delay and treat the return as a valid return. If the self-assessment tax is not paid on or before the date of furnishing the return of income, return shall be considered as defective return.

2.2.1.8 Interest for belated payment of Income Tax [Section 220(2)]

◆ 1% interest for every month

Section 220(2) deals with payment of interest in case of failure to pay tax within the time specified in the demand notice. As per section 220(2), if the taxpayer fails to pay the amount specified in any notice of demand issued under section 156(1) within the period as allowed in this regard, then he shall be liable to pay simple interest at 1% for every month or part of a month. Interest shall be levied for the period commencing from the day immediately following the end of the period mentioned in the notice and ending with the day on which the amount is paid.

◆ Late filing

Sub-section (2A) of Section 220, empowers the Board to reduce or waive the amount of interest payable by an assessee under the above section on the recommendation made by the Chief Commissioner or Commissioner in this behalf. The Board's order will be passed only upon satisfaction that:

◆ Reduce or waive the amount of interest payable

- ◆ the payment of such interest has caused or would cause genuine hardship to the assessee;
- ◆ the default in the payment of the amount on which interest has been paid or was payable was due to circumstances beyond the control of the assessee; and
- ◆ the assessee has co-operated in any enquiry relating to the assessment or any proceeding for recovery of any amount due from him.

Provided that the order accepting or rejecting the application of the assessee, either in full or in part, shall be passed within a period of twelve months from the end of the month in which

- ♦ Opportunity of being heard

the application is received. Further no order rejecting the application, either in full or in part, shall be passed unless the assessee has been given an opportunity of being heard.

2.2.2 Documentation and filing of return

- ♦ Tax on income based on residential status

India's Income Tax Laws are framed by the Government. The Government imposes a tax on taxable income of all persons who are individuals, Hindu Undivided Families (HUF's), companies, firms, LLP, association of persons, body of individuals, local authority and any other artificial juridical person. According to these laws, levy of tax on a person depends upon his residential status. Every individual who qualifies as a resident of India is required to pay tax on his or her global income. Every financial year, taxpayers have to follow certain rules while filing their Income Tax Returns (ITRs).

- ♦ Income tax refund

An Income Tax Return (ITR) is a form used to file information about your income and tax to the Income Tax Department. The tax liability of a taxpayer is calculated based on his or her income. In case the return shows that excess tax has been paid during a year, then the individual will be eligible to receive income tax refund from the Income Tax Department.

- ♦ Penalty

Tax returns have to be filed by an individual or a business before a specified date. If a taxpayer fails to abide by the deadline, he or she has to pay a penalty. As per the tax laws laid down in India, it is compulsory to file your income tax returns if your income is more than the basic exemption limit. The income tax rate is pre-decided for taxpayers. A delay in filing returns will not only attract late filing fees but also hamper your chances of getting a loan or a visa for travel purposes.

According to the Income Tax Act, income tax has to be paid only by individuals or businesses that fall within certain income brackets. Mentioned below are entities or businesses that are required to compulsorily file their ITRs in India:

- ♦ All individuals, up to the age of 59, whose total income for a financial year exceeds ₹2.5 lakh. For senior citizens (aged 60-79), the limit increases to ₹3 lakh and for super senior citizens (aged 80 and above) the limit is ₹5 lakhs. It is important to note that the income amount should be calculated before factoring in the deductions allowed under Sections 80C to 80U and other exemptions under section 10.
- ♦ All registered companies that generate income, regardless of whether they've made any profit or not through the year.

◆ Persons filing ITR

- ◆ Those who wish to claim a refund on the excess tax deducted/income tax they have paid.
- ◆ Individuals who have assets or financial interest entities which are located outside India.
- ◆ Foreign companies that enjoy treaty benefits on transactions made in India.
- ◆ NRIs who earn or accrue more than ₹2.5 lakh in India in a single financial year.

It is important to have all the relevant documents handy before you start your e-filing process.

- ◆ Bank and post office savings account passbook, PPF account passbook
- ◆ Salary slips
- ◆ Aadhar Card
- ◆ PAN card
- ◆ Form-16- TDS certificate issued to you by your employer to provide details of the salary paid to you and TDS deducted on it, if any Interest certificates from banks and post office
- ◆ Form-16A, if TDS is deducted on payments other than salaries such as interest received from fixed deposits, recurring deposits etc. over the specified limits as per the current tax laws
- ◆ Form-16B- from the buyer if you have sold a property, showing the TDS deducted on the amount paid to you
- ◆ Form-16C- from your tenant, for providing the details of TDS deducted on the rent received by you, if any
- ◆ Form 26AS - your consolidated annual tax statement. It has all the information about the taxes deposited against your PAN
- ◆ TDS deducted by your employer
- ◆ TDS deducted by banks
- ◆ TDS deducted by any other organisations from payments made to you
- ◆ Advance taxes deposited by you
- ◆ Self-assessment taxes paid by you

- ◆ Submitting tax returns over the internet

- ◆ Tax saving investment proofs
- ◆ Proofs to claim deductions under section 80D to 80U
- ◆ Home loan statement from bank

Electronic filing or e-filing is a process that involves submitting tax returns over the internet. This is done using a tax preparation software that has been pre-approved by India's Income Tax Department. E-filing has several benefits that have made the online system of tax payment increasingly popular. The taxpayer has the liberty to file a tax return from his or her home, at any convenient time, during a specific period in a financial year.

- ◆ Verification with 26AS

2.2.3 Different Types of ITR (ITR-1 to ITR-7)

The Income Tax Return (ITR) is like a financial statement that all taxpayers must submit to the tax department on specific dates determined by the law, depending on the category of taxpayer they fall under. Before submitting an ITR, any taxpayer can calculate the amount of tax they owe by checking their 26AS statement. You can access this statement by downloading it through the e-filing portal on the Income Tax website.

There are multiple types of ITR forms to choose from, and it's important to be careful when selecting the right one. Here are the various ITR forms available through the e-filing portal:

- ◆ Salaried individuals

2.2.3.1 ITR -1

This form is also known as Sahaj, and it is meant for individual taxpayers who have income from salaries, one house property, other sources (excluding winnings from the lottery and horse races), and total income up to ₹50 lakhs. It's a simplified form for salaried individuals and small taxpayers. ITR-1 can be filed by an Individual only who is ordinarily resident in India.

Following are the types of income that shall not form part of ITR 1 form:-

Profits and gains from business and professions;

Capital gains;

Income from more than one house property;

Income under the head other sources which is of following nature:- winnings from lottery, activity of owning and maintaining race horses, Income taxable at special rates under

section 115BBDA or section 115BBE;

Income to be apportioned in accordance with provisions of section 5A

ITR -1 from has been detailed at the end of this unit for practice.

2.2.3.2 ITR -2

ITR-2 form is for individuals and HUF who earn non-business incomes. The following persons can use ITR 2:

- ◆ Income from salary/pension
- ◆ Income from house property of more than one
- ◆ Income from capital gains/loss
- ◆ Income from other sources
- ◆ Income earned abroad
- ◆ Agricultural income of more than ₹5,000
- ◆ NRIs can also use this format
- ◆ Director of any company and an individual invested in un-listed equity shares of companies

◆ Non-business income

ITR-2 cannot be filed by any individual or HUF, whose total income for the year includes income from profit and gains from business or profession, and also who has income in the nature of:

- ◆ interest
- ◆ salary
- ◆ bonus
- ◆ commission or remuneration, by whatever name called, due to, or received by him from a partnership firm.

2.2.3.3 ITR -3

ITR-3 is a comprehensive form that can be used by individuals and Hindu Undivided Families (HUFs) who have income from business or profession, and other sources, such as salary, capital gains, foreign income, etc.. It is also meant for individuals and HUFs who are partners in a firm or who have income from house property. The income can also be as follows:



◆ Business Income

- ◆ House properties
- ◆ Profits and gains from business or profession
- ◆ Income from other sources
- ◆ Income earned abroad through assets owned outside India
- ◆ Short or long-term capital gains

2.2.3.4 ITR -4

ITR-4 is also known as SUGAM. ITR-4 can be filed only by an Individual or HUF who is ordinarily resident in India and by a firm (other than LLP) resident in India. ITR-4 is a simplified form that can be used by individuals, HUFs, and firms (other than LLPs) who has:

- ◆ Income not exceeding ₹50 Lakhs during the FY
- ◆ Income from Business and Profession which is computed on a presumptive basis u/s 44AD, 44ADA or 44AE
- ◆ Income from Salary/Pension, one House Property, Agricultural Income (up to ₹5000)
- ◆ Other sources which include (excluding winning from Lottery and Income from Race Horses):
 - ◆ Interest from Savings Account
 - ◆ Interest from Deposit (Bank / Post Office / Cooperative Society)
 - ◆ Interest from Income Tax Refund
 - ◆ Family Pension
 - ◆ Interest received on enhanced compensation
 - ◆ Any other Interest Income (e.g., Interest Income from unsecured loan)

◆ Individuals, HUFs, and Firms

ITR-4 cannot be filed by an individual / HUF / Firm (Other than LLP) who:

- ◆ is a Resident Not Ordinarily Resident (RNOR), and non-Resident Indian
- ◆ has total income exceeding ₹50 Lakhs
- ◆ has agricultural income in excess of ₹5,000
- ◆ is a Director in a Company

- ◆ has income from more than one House Property
- ◆ has income of the following nature:
 - ◆ winnings from lottery
 - ◆ activity of owning and maintaining race horses
 - ◆ income taxable at special rates u/s 115BBDA or Section 115BBE
- ◆ has held any unlisted equity shares at any time during the previous year
- ◆ has deferred income tax on ESOP received from employer being an eligible start-up
- ◆ is not covered under the eligibility conditions for ITR-4

2.2.3.5 ITR -5

The ITR-5 form is designed for filing income tax returns by entities such as:

◆ For Firms and Entities

- ◆ Firm
- ◆ Limited Liability Partnership (LLP)
- ◆ Body of Individuals
- ◆ Association of Persons
- ◆ Artificial Juridical Person
- ◆ Estate of deceased or insolvent
- ◆ Business trust
- ◆ Cooperative society
- ◆ Local authority

ITR-5 cannot be filed by:

- ◆ Individual assesses
- ◆ Hindu Undivided Family (HUF)
- ◆ Company
- ◆ Taxpayers who must file tax returns in Form ITR-7, under Sections 139(4A), 139(4B), 139(4C), 139(4D), 139(4E) or 139(4F)

2.2.3.6 ITR -6

◆ Companies

ITR-6 is for companies other than companies claiming exemption under section 11. Companies claiming exemption under section 11 are those whose income from property is held for charitable or religious purposes. It's a comprehensive form for companies to report their income and financial details. All companies registered under the Companies Act should file ITR 6 Form. E-filing audit report is also to be filed under section 44 AB if necessary.

2.2.3.7 ITR -7

◆ 139 (4A), 139 (4B), 139 (4C), 139 (4D)

ITR-7 is filed when persons including companies are required to file their returns as per these sections:

- ◆ 139 (4A): Income of Charitable and Religious Trusts
- ◆ 139 (4B): Political Parties
- ◆ 139 (4C): Scientific research institutions
- ◆ 139 (4D): University, college or other institution

**Form to be used by a taxpayer to file the Income-tax return for the assessment year
2024-25**

Nature of income	ITR 1*	ITR 2	ITR 3	ITR 4 *
<i>Salary Income</i>				
Income from salary/pension (for ordinarily resident person)	✓	✓	✓	✓
Income from salary/pension (for not ordinarily resident and non-resident person)		✓	✓	
Any individual who is a Director in any company		✓	✓	
If payment of tax in respect of ESOPs allotted by an eligible start-up has been deferred		✓	✓	
<i>Income from House Property</i>				
Income or loss from one house property (excluding brought forward losses and losses to be carried forward)	✓	✓	✓	✓
An individual has brought forward loss or losses to be carried forward under the head of House Property		✓	✓	
Income or loss from more than one house property		✓	✓	
<i>Income from Business or Profession</i>				
Income from business or profession			✓	
Income from presumptive business or profession covered under section 44AD, 44ADA, and 44AE (for a person resident in India)				✓
Income from presumptive business or profession covered under section 44AD, 44ADA, and 44AE (for not ordinarily resident and non-resident person)			✓	
Interest, salary, bonus, commission, or share of profit received by a partner from a partnership firm			✓	
<i>Capital Gains</i>				
The taxpayer has held unlisted equity shares at any time during the previous year		✓	✓	
Capital gains/loss on sale of investments/property		✓	✓	
<i>Income from Other Sources</i>				

Family Pension (for ordinarily resident person)	✓	✓	✓	✓
Family Pension (for not ordinarily resident and non-resident person)		✓	✓	
Income from other sources (other than income chargeable to tax at special rates including winnings from lottery and racehorses or losses under this head)	✓	✓	✓	✓
Income from other sources (including income chargeable to tax at special rates including winnings from lottery and racehorses or losses under this head)		✓	✓	
Dividend income exceeding ` 10 lakhs taxable under Section 115BBDA		✓	✓	
Unexplained income (i.e., cash credit, unexplained investment, etc.) taxable at 60% under Section 115BBE		✓	✓	
A person claiming deduction under Section 57 from income taxable under the head 'Other Sources' (other than deduction allowed from the family pension)		✓	✓	
Deductions				
A person claiming deduction under Section 80QQB or 80RRB in respect of royalty from patent or books		✓	✓	
A person claiming deduction under section 10AA or Part-C of Chapter VI-A			✓	
Total Income				
Agricultural income exceeding ` 5,000		✓	✓	
Total income exceeding ` 50 lakhs		✓	✓	
The assessee has any brought forward losses or losses to be carried forward under any head of income		✓	✓	
Computation of Tax liability				
If an individual is taxable in respect of an income but TDS in respect of such income has been deducted in the hands of any other person (i.e., clubbing of income, Portuguese Civil Code, etc.)		✓	✓	
Claiming relief of tax under sections 90, 90A or 91		✓	✓	
Others				

Assessee has: § Income from foreign sources § Foreign Assets including financial interest in any foreign entity § Signing authority in any account outside India		✓	✓	
Income has to be apportioned in accordance with Section 5A		✓	✓	
If the tax has been deducted on cash withdrawal under Section 194N		✓	✓	✓
* ITR-1 can be filed by an Individual only who is ordinarily resident in India. ITR-4 can be filed only by an Individual or HUF who is ordinarily resident in India and by a firm (other than LLP) resident in India.				
Other Assesseees				
Status of Assessee	ITR 4	ITR 5	ITR 6	ITR 7
Firm (excluding LLPs) opting for presumptive taxation scheme of section 44AD, 44ADA or 44AE	✓			
Firm (including LLPs)		✓		
Association of Persons (AOPs)		✓		
Body of Individuals (BOI)		✓		
Local Authority		✓		
Artificial Juridical Person		✓		
Companies other than companies claiming exemption under Section 11			✓	
Persons including companies required to furnish return under: Section 139(4A); Section 139(4B); Section 139(4C); Section 139(4D)				✓
Business Trust		✓		
Investment Fund as referred to in Section 115UB		✓		

2.2.4 Procedure for filing ITR-1

◆ Procedures

Filing ITR-1 ensures compliance with tax laws and enables an assessment of financial health, claiming tax refunds, and maintaining a clean financial record. Mentioned below are the broad steps to file your income tax returns online.

Step 1: Gather required documents:

Before you begin the e-filing process, gather all the necessary financial documents. These may include:

- ◆ **Form 16:** This document is essential if you are a salaried individual. Your employer provides it and summarises your income, tax deductions, and TDS.
- ◆ **Bank statements:** Collect your bank statements for all your bank accounts, as you might need them to reconcile your income and expenses.
- ◆ **Investment details:** Make a list of all your investments, such as fixed deposits, savings schemes, mutual funds, and other financial instruments.
- ◆ **Aadhaar Card:** Ensure that your Aadhaar card is handy, as it's required for e-filing and linking with your PAN.

Step 2: Access the income tax department's website:

Open a web browser and go to the official Income Tax Department website (<https://www.incometaxindiaefiling.gov.in/>). This is the platform where you will e-file your income tax return.

Register or Log In:

◆ First-time user

- ◆ If you are a first-time user or haven't registered on the website yet, you'll need to complete the registration process. This typically involves providing your PAN, name, date of birth, and contact information. After successful registration, you will receive login credentials.

◆ Registered user

- ◆ If you are already a registered user, simply log in using your PAN (as your user ID) and the password you set during registration. You may also need to enter a Captcha code for security purposes.

◆ ITR form download

Step 3: Download the appropriate ITR form:

- ◆ Once you've logged in, you'll need to download the correct ITR form. Select the relevant assessment year's ITR-1 form for download. Make sure you choose the latest version available.

Step 4: Fill in the ITR form:

- ♦ Careful filling based on reference to Form 16

- ♦ Open the downloaded ITR-1 form with a PDF reader on your computer. You will find various sections for entering details such as personal information, income, deductions, taxes paid, and more. Carefully fill in each section of the ITR form as accurately as possible. Ensure that all your financial details are correctly entered, including your income from salary, house property, other sources, and eligible deductions. Some sections may require details from your Form 16, so keep it handy for reference. Double-check all the information to avoid discrepancies or errors in your return.

Step 5: Verify your Aadhaar:

Verifying your Aadhaar is a crucial step in the e-filing process. It ensures that the PAN and Aadhaar are linked correctly, which is mandatory for filing your income tax return. Follow these steps:

- ♦ Aadhar and PAN card linkage

- ♦ Ensure that your Aadhaar is linked to your PAN. You can check the status of your Aadhaar-PAN linking on the income tax department's website.
- ♦ If your Aadhaar is not linked to your PAN, you need to visit the Aadhaar Enrollment Centre or the Aadhaar Self-Service Update Portal to update your Aadhaar details.

It's important to ensure that your Aadhaar information is accurate, including your name, date of birth, and gender, as any discrepancies can lead to issues during e-filing.

Step 6: Calculate your tax liability:

The ITR-1 form will automatically calculate your total income and tax liability based on the information you provided earlier in the form. Ensure that you have accurately entered all details regarding your income from various sources, such as salary, interest income, and house property income.

- ♦ Income details accuracy

Step 7: Claim deductions:

In this step, you need to ensure that you have claimed all eligible deductions to reduce your tax liability. Common deductions that taxpayers claim include:

- ♦ Eligible deductions

- ♦ Section 80C: Deductions for investments in instruments like PPF, NSC, LIC, and ELSS.
- ♦ Section 80D: Deductions on health insurance premiums.
- ♦ Section 24(b): Deductions on home loan interest.

- ◆ Section 80G: Deductions for donations to charitable organisations.
- ◆ Section 10(14): House Rent Allowance (HRA) exemption (if applicable).

Step 8: Check for tax credit:

Tax credit refers to the TDS and other tax payments made on your behalf by your employer, banks, or other financial institutions. In this step, you should verify that the TDS details in your Form 26AS match the information you have filled in the ITR form. Cross-check the TDS details, especially the TAN (Tax Deduction and Collection Account Number) of the deductor, the amount deducted, and the deposit date. Ensure that the figures match with what you have entered in your ITR-1 form. Correct any discrepancies by consulting your Form 26AS and your TDS certificates (like Form 16) to avoid any potential issues during the income tax return filing process.

◆ Match Form 26AS

Step 9: Fill in bank account details:

In this step, you'll need to provide your bank account details where you want to receive any tax refunds, if applicable. This is an important step as it ensures that any refunds owed to you by the tax authorities are deposited directly into your bank account. Follow these guidelines:

Enter your bank's name, branch, and your savings or current account number accurately.

Double-check the provided bank details to prevent any errors that might delay or misdirect your refund.

◆ Bank details

Step 10: Verify your ITR:

Before submitting your ITR-1 form, it's crucial to review all the information you've filled in for accuracy. Ensure that all fields have been completed correctly and that you haven't made any typographical errors or omitted any important details. Double-check key sections such as your personal information, income details, deductions, and taxes paid to ensure they align with your financial records.

◆ Review for Accuracy

Step 11: Generate XML file:

After verifying your ITR-1 form, you need to save it as an XML file on your computer. The XML (Extensible Markup Language) format is used to store your income tax return data in a structured electronic format that can be easily upload to the Income Tax Department's e-filing portal.

To save the form as an XML file:

◆ Structured electronic format

- ◆ In the ITR-1 form, select the 'Save' or 'Export' option, usually located at the bottom of the form.
- ◆ Choose to save the file in XML format and select the location where you want to save it on your computer.

Once saved, you will have an XML file ready for upload.

- ◆ Registered credentials

Step 12: Log into the Income Tax Portal:

Return to the official income tax department's website (<https://www.incometaxindiaefiling.gov.in/>), and log in using your registered credentials.

Step 13: Upload XML File:

Once you have logged into the portal, perform the following steps to upload the XML file of your ITR-1 form:

- ◆ Navigate to the 'e-File' section on the portal.
- ◆ Select the 'Income Tax Return' option.
- ◆ Choose the assessment year for which you are filing the return.
- ◆ Click on 'ITR-1' as the form name.

Now, you can upload the saved XML file by clicking on the 'Upload XML' button.

- ◆ Upload ITR-1 XML file

- ◆ Browse your computer to select the XML file you generated in step 11.
- ◆ After selecting the XML file, click 'Submit.'
- ◆ The portal will process the uploaded XML file and display a confirmation message when the upload is successful.

Step 14: Verify and sign the ITR-V:

After successfully uploading your ITR-1 in XML format, the portal will generate the ITR-V (Income Tax Return - Verification) form. This form acts as a verification of your e-filing. Here's what you should do:

- ◆ Sign ITR-V form

- ◆ Download the ITR-V form from the portal.
- ◆ Print the ITR-V form on an A4-sized white paper.
- ◆ Sign the form in blue ink. This signature is your acknowledgment that the information in your tax return is correct and that you are responsible for its accuracy.

Step 15: Send the signed ITR-V form:

Once you've signed the ITR-V form, you need to send it to the Centralised Processing Center (CPC) of the Income Tax Department. This is a mandatory step to validate your e-filing. Here's how to do it:

- ◆ Prepare an envelope to enclose the signed ITR-V form.

Address the envelope to the following address:

"Income Tax Department - CPC,

Post Box No. 1,

Electronic City Post Office, Bangalore - 560100,

Karnataka, India."

- ◆ Send the ITR-V

- ◆ You can send it through ordinary post, speed post, or registered post.
- ◆ It's advisable to send the ITR-V form within 120 days of e-filing to ensure its timely receipt at the CPC.

Step 16: Receive an acknowledgment:

Once the CPC receives and processes your ITR-V form, you will receive an acknowledgment via email. This email typically confirms the successful e-filing of your income tax return and marks the completion of the process.

- ◆ E-filing complete

Step 17: Verification using Aadhaar OTP or EVC (Electronic Verification Code):

While sending a physical copy of the signed ITR-V is the traditional method of verification, the Income Tax Department also provides paperless alternatives for verification:

- ◆ Aadhaar OTP: If your Aadhaar is linked to your mobile number, you can choose the Aadhaar OTP option. The OTP will be sent to your registered mobile number, and you can use it to verify your ITR.
- ◆ EVC (Electronic Verification Code): You can also generate an EVC on the Income Tax Department's portal. It can be received via your registered mobile number or email. Enter this code to verify your return.

- ◆ No physical ITR-V needed

The use of Aadhaar OTP and EVC options simplifies the verification process and eliminates the need to send a physical ITR-V form. It's a quicker and more convenient method for many taxpayers.

Step 18: ITR filing is complete:

With the verification process complete, your e-filing of ITR-1

- ◆ Future reference and inquiries

is finalised. You will receive an acknowledgment from the Income Tax Department, either via email or through the portal, confirming the successful filing of your income tax return. Ensure that you keep a copy of the signed ITR-V form and all related documents for your records. This documentation may be required for future reference or in case of any inquiries from the tax authorities.

Summarised Overview

ITR (Income Tax Return) forms and filing are essential for individuals and entities to report their income, deductions, and taxes paid to the government. There are various types of ITR forms tailored to different categories of taxpayers, ranging from salaried individuals to businesses and organisations. Filing can be done online or physically, with deadlines typically falling on July 31 for most taxpayers. Accurate and timely filing is crucial for tax compliance and to avoid penalties.

In the ITR filing process, individuals and entities need to select the appropriate form, gather relevant financial documents, and file through the official income tax portal. Accuracy in reporting income and deductions is paramount, as incorrect or fraudulent filings can lead to audits and legal consequences. Meeting the filing deadline is crucial to avoid penalties and interest on outstanding tax dues.

Self-Assessment

1. Explain section 139(1) of the Income Tax Act 1961.
2. What do you mean by mandatory and voluntary return?
3. Differentiate between ITR 3 and ITR 4.
4. Explain in brief the procedure for filing ITR 1.
5. State the persons who should file ITR-6 under Income Tax Act 1961.
6. What are the common causes of a defective return?
7. What is a belated return?
8. Write a short note on the interest charges for the belated payment of income tax

Assignments

1. Analyse how recent changes in tax laws have affected the process of filing income tax returns.
2. Compare and contrast various ITR forms, highlighting the specific requirements



and eligibility criteria for each.

3. Evaluate the pros and cons of electronic filing (e-filing) and physical filing of ITR, considering efficiency, accuracy, and convenience.
4. Investigate the penalties and consequences for late or inaccurate income tax return submissions.
5. Discuss the challenges and considerations when filing ITR for individuals with income from multiple sources, such as salary, investments, and property.

Suggested Readings

1. Singhla, A. (2023). Income Tax – Ready Reckoner. Taxmann Publication.
2. Gopi, S. (2020). Income Tax Planning and Management. Kalyani Publishers.
3. Gopi, S. (2022). An Overview of Union Budget - Income Tax. SG Publication.
4. Sekar, C. A., & Saravana Prasad, S. (2023). DT and International Taxation. Commercial Publishers.
5. Ahuja, G., & Gupta, R. (2023). Direct Tax and International Taxation. Bharat Law House.
6. Neve, P. (2023). Advanced Tax Laws and Practice. Taxmann.
7. Singhania, V. K., & Singhania, K. (2023). Direct Taxes Law and Practice. Taxmann.
8. Ahuja, G., & Gupta, R. (2017). Direct Taxes Ready Reckoner with Tax Planning. Wolters Kluwer.

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1. Ministry of Finance. (2023). The Manual of Income-tax Procedure, Volume I. New Delhi: Government of India
2. Income tax website: <https://incometaxindia.gov.in>
3. Notifications, circulars issued by the tax department, finance act passed by the parliament, amendments etc.
4. Income Tax Act, 1961: <https://www.incometaxindia.gov.in/Pages/acts/income-tax-act.aspx>
5. Income Tax Rules, 1962: <https://www.incometaxindia.gov.in/Pages/rules/income-tax-rules-1962>

Space for Learner Engagement for Objective Questions

Learners are encouraged to develop objective questions based on the content in the paragraph as a sign of their comprehension of the content. The Learners may reflect on the recap bullets and relate their understanding with the narrative in order to frame objective questions from the given text. The University expects that 1 - 2 questions are developed for each paragraph. The space given below can be used for listing the questions.



SREENARAYANAGURU OPEN UNIVERSITY

FIRST SEMESTER MASTER OF COMMERCE (M. COM) EXAMINATION
ABILITY ENHANCEMENT COMPULSORY COURSE - 1- M21CM01AC -
PRACTICAL TAXATION

MODEL QUESTION PAPER



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PRACTICAL TAXATION**

MODEL QUESTION PAPER- SET- A

2023-24 - Admission Onwards

Time: 3 Hours

Max Marks: 70

SECTION A

**Answer any five of the following questions in one or two sentences each.
Each question carries 2 marks.**

(5X2 = 10 Marks)

1. Mr. X has estimated his total income for the financial year 2022-23 to be ₹6,07,500. Compute his tax liability for the assessment year 2023-24 if:
 - a. He is an individual (a resident),
 - b. Resident Senior Citizen
2. How would you classify composite supply and mixed supply?
3. Distinguish between direct tax and indirect tax.
4. Mr. Bhuvaneshwar, a registered person receives a commission of ₹21,00,000/- as an insurance agent from the insurance company. Will he be required to charge GST on the same? Justify your answer
5. State the scope and application of Section 194 Q.
6. State the persons who should file ITR-6 under the Income Tax Act 1961.
7. What is GSTR-2? Mention the parties who are required to file GSTR 2.
8. Anand, the taxpayer has outstanding and unpaid taxes of ₹ 23,300. He has not filed his IT returns by the due date (July 31st). Describe the procedure he should follow to submit a return.

SECTION B

Answer any six of the following questions in half a page each. Each question carries 5 marks.

(6x5=30 Marks)

9. Briefly explain the procedure for the GST registration.
10. Discuss whether GST would be payable in the following independent cases:
 - a. A company secretary makes payment of LLP Registration fees of Rs. 3,000/- on behalf of their clients and charges the client his professional fee of Rs. 15,000/- along with expenses of Rs. 3,000/- incurred in the form of payment to the Registrar of Companies.
 - b. A company provides a subsidized meal facility to employees. It pays Rs.70/- per plate to the caterer and deducts Rs. 10/- per plate from the employee's salary.
 - c. A pharmaceutical company supplies free samples to doctors
 - d. Guruvayoor Temple Charitable Trust, registered under section 10 (23C) (v) of the income-tax Act gives rent to a community hall, located within temple premises, to the public for organizing a Diwali Mela. The rent charged is Rs. 9,500.
 - e. ABC Trucking Ltd. has given on hire 11 trucks to JF Transporters of Mumbai (a goods transport agency) for transporting goods in various parts of the country. The hiring charges for the trucks are Rs. 10,200 per truck per day.
11. Differentiate between TDS and TCS, providing examples of transactions that fall under each category.
12. Write a short note on ITC reversal.
13. What are the steps involved in filing a return under GSTR3B?
14. Mr. Vivek estimates his income for the current financial year 2023-24 as under:

Income from HP ₹26000, Income from business ₹500000, Interest on securities and other interest ₹15000, Tax Deducted at Source ₹1500. He donated ₹4500 to the prime minister's relief fund by cheque. Calculate Advance Tax and find out the amount for each installment for the financial year 2023-24.
16. Explain section 139 (1) of the Income Tax Act 1961.
15. A milling machine was purchased for ₹120000 on October 3, 2020, with 6%

CGST and 6% SGST paid. ITC was claimed on the purchase in October 2020. The milling machine was sold for ₹550000 on August 10, 2021.

Calculate the amount of reversal of utilized ITC on the milling machine.

16. What do you mean by ITC set-off rules? Illustrate the concept.
17. Sumesh, the taxpayer has ₹38,000 as tax payable. He has paid ₹20,000 towards advance tax until 31st March. If the remaining ₹18,000 was paid by him on 25th August, when he files the return of income, how much interest is he liable to pay as per Section 234B?

SECTION C

Answer any two of the following questions in detail. Each question carries 15 marks.

(2x15= 30 Marks)

18. Evaluate the pros and cons of e-filing and manual filing. State the steps for e-filing.
19. Explain the need for GST and the various types of GST in India.
20. Dinesh is an employee in a company. He would receive the following during the financial year 2023-2024
- Salary ₹60,000 per month
Dearness Allowance ₹10,000 per month
Entertainment Allowance ₹5,000 per month
He has paid a life insurance premium of ₹20,000 on his own life
Compute his income from salary liable to deduction of tax at source if he does opt
- i. Old tax regime and
 - ii. New regime
22. What are the procedures for filing a GST return?



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MODEL QUESTION PAPER- SET- B

2023-24 - Admission Onwards

Time: 3 Hours

Max Marks: 70

SECTION A

Answer any five of the following questions in one or two sentences each.
Each question carries 2 marks.

(5X2 = 10 Marks)

1. Briefly explain how the GST regime eliminates the cascading effect.
2. How is the AMT calculated for individuals?
3. State the persons who should file ITR-6 under the Income Tax Act 1961.
4. Who is liable for Advance Tax?
5. Sheela acts as a referee in a basketball match organised by the Sports Authority of India. She has also acted as a referee in another charity basketball organised by a local sports club, in lieu of a lump sum payment. Discuss whether she is required to pay any GST.
6. Comment on the applicability of GST in the following cases:
 - a. Transportation of milk
 - b. Transportation of books on a consignment transported in a single goods carriage for ₹7000
7. What are the criteria you would use to determine the tax liability on a composite supply?

8. A taxpayer has outstanding and unpaid taxes. He has not filed his IT returns by the due date (31st July). The Income Tax payable was ₹23000 and he filed his IT returns on 8th November. What will be the last payment interest levied on him under section 234A for the delayed filing of the IT return?

SECTION B

Answer any six of the following questions in half a page each. Each question carries 5 marks.

(6x5=30 Marks)

9. Briefly discuss the provisions related to the levy of UTGST.
10. Distinguish between composite supply and mixed supply. Explain in the context of the CGST Act, the liability on composite and mixed supply.
11. Explain the different types of supply under GST with examples.
12. The total receipts of a merchant from a transaction have crossed ₹50 lakhs from a particular buyer starting during the assessment year 2022-23.
- ◆ TCS will be collected at 0.1% w.e.f 1st April 2022
 - ◆ Goods of ₹1000000 are sold charging GST @5%
- Prepare accounting entries if TCS is booked on an invoice basis.
13. Explain the objectives of tax deducted at source.
14. State which of the following is composite supply or mixed supply under the GST law:
- ◆ Sale of the car with warranty coverage.
 - ◆ Gift pack with chocolates and books.
 - ◆ Sale of refrigerator with power stabilizer.
 - ◆ Hotel provides accommodation with complimentary breakfast.
15. Write a short note on the TDS forms.
16. Pass entries for the following transactions in the books of a sole trader

Date	Particulars
01/12/2023	Inward supply of ₹250000, 20% trade discount at 5% cash discount on purchase price was agreed. Paid CGST and SGST @9% each.
15/12/2023	Outward supply ₹350000 at 20% trade discount and 2% cash discount on sale price. CGST and SGST @ 10% each. The amount paid by NEFT.

17. What are the common causes of a defective return?
18. Miss Reshma estimates her current income for the financial year 2023-24 as follows:
Taxable income from business ₹1000000, Income from other sources for ₹60000. She has taken a Life Insurance policy on her own life of which the annual premium is ₹80000. She is eligible for deduction u/s 80D for 4000
Calculate Advance Tax and find out the amount to be deposited on different dates assuming that the deduction at source on an income of Miss Reshma is ₹3,000.

SECTION C

Answer any two of the following questions in detail. Each question carries 15 marks.

(2x15= 30 Marks)

19. Explain the dominance of GST over other existing forms of indirect taxes in India.
20. Describe the term registration under GST law and also explain the three major types of registration under registration.
21. Jyothi is an employee in a company. She would receive the following during the financial year 2023-2024
Salary ₹50,000 per month
Dearness Allowance ₹9,000 per month
Entertainment Allowance ₹6,000 per month
She has paid a life insurance premium of ₹15,000 on his own life
Tiffin allowance 2000 per month
City Compensatory allowance 1000 per month
Compute his income from salary liable to deduction of tax at source if she does opt
- Old tax regime and
 - New regime.
22. Describe the process of TDS filing. Explain what information is typically included in a TDS return.

സർവ്വകലാശാലാഗീതം

വിദ്യായാൽ സ്വതന്ത്രരാകണം
വിശ്വപൗരരായി മാറണം
ഗ്രഹപ്രസാദമായ് വിളങ്ങണം
ഗുരുപ്രകാശമേ നയിക്കണേ

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