

INTRODUCTION TO GST

PAYMENT OF TAXES-PART 2

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Can anyone else view my Electronic Cash Ledger?

- Electronic Cash Ledger can only be viewed by the taxpayers themselves, or their authorized signatories and GST Practitioner.
- It can also be viewed by their Jurisdictional Officials (JO).

So, friends, does anyone has access to your cash ledger? Yes, only you and your jurisdictional officer, no one else. Because whenever you are logging into GST portal, you need password and login ID; only then it can be accessed. So, taxable person or his authorized person or the jurisdictional officer can access your cash ledger or can check it.

Can Cash ledger balance be transferred to other distinct person accounts?

Yes, if there is no tax liability in account of taxable person, balance amount can be transferred to other **distinct person*** account and such transfer of cash ledger balance shall be treated as refund under the law.

* Distinct persons means taxable person with same PAN no in other state/UT i.e Branch/warehouse etc

So, as I was talking to you that a company has deposited 1 lakh rupees in Madhya Pradesh. They have a liberty to transfer this amount to other states also. So, when you are having different GST numbers in different states, so you are a distinct person for same company. Means person having GST number in Madhya Pradesh is distinct person for Rajasthan. A person in Rajasthan having GST number under same company is a distinct person for Madhya Pradesh or otherwise. So, a company having different GST numbers in different states and any ideal amount lying there can be transferred to other state as I mentioned earlier also. So, here also law says it is allowed provided you don't have any liability under that state from where you are transferring the funds.

If interest is applicable on non-payment of taxes or short payment of taxes under GST.?

Yes, interest at the rate of 18% of tax amount not paid or less paid is applicable from the due date of payment of taxes to actually paid.

At any point of time if you have paid less tax, either intentionally or otherwise, i.e. any short payment of tax is subject to GST. Interest will be applicable at the rate of 18 percent. So, in GST, we can say under Section 50, 18% interest is applicable for less payment of tax or excess availment of ITC. If you wrongly availed ITC or you short paid taxes, interest will be 18%.

Is interest is applicable if ITC is wrongly claimed or excess availed?

Yes, interest subject to maximum of 24% is to be charged for the amount of ITC wrongly claimed or excess claimed.

Section 50(3) to above effect has been amended through Budget-2022, not yet notified.

And section 50(3), also talk about 24% ITC; 24% tax will be applicable if it is found that you have availed taxes or have not paid taxes because of fraudulent intention. Up to 24% interest can be levied on your payment of taxes. So, provisions are so harsh. We have to understand law very carefully while dealing with GST and also understand business transactions accordingly.

Where Tax Deducted at Source (TDS) provisions are applicable under GST?

- If value under a contract is more than Rs.2,50,000/-, TDS provisions are applicable.
- In other words, if value of a single contract is more than Rs.2.50 lakh, TDS shall be deducted.
- The value of a contract for TDS purposes, does not include CGST/SGST and IGST amounts.

Friends, TDS is also taxed to be paid by some of the assessee. Section 51 deals with provision of TDS under GST Act where tax has to be paid. If value of any contract, here word is 'a contract'. In case of a single contract having value more than 2.5 lakh rupees, TDS provisions are applicable. If you have five contracts with the same party and each contract is of 1 lakh rupees, your total contracts are of 5 lakh rupees, TDS provisions are not applicable. TDS provisions will be applicable only when your single contract is having more than 2.5 lakh rupees value. So, here if you have 4 contracts of 50,000 rupees, one contract of 2.56 lakh rupees. Here (for 2.56 lakh rupees contract) TDS will be applicable. Here (for 50,000 each contract) TDS will not be applicable. Because condition is 'if value under a contract'.

So, wherever there is a contract of 2.5 lakh rupees and supply is to government agencies as specified in section 51 or 52, of CGST Act then TDS shall be deducted at the rate of one percent for CGST and one percent for SGST, and this TDS will be credited to cash ledger of the supplier. But it is the responsibility of buyer to pay tax. So, the buyer who is supposed to deduct TDS will pay his normal GST liability under IGST/CGST or SGST, plus TDS and TCS. So, it will be his total liability for that particular month. So as an assessee if you are dealing with such organizations where TDS provisions are applicable you have to make sure that for all the

contracts having value more than 2.5 lakh rupees, you deduct TDS and deposit it to the government. It is still part of your liability. And it will be paid in cash.

From which date TDS provisions become applicable?

In GST all sections/provisions are not applicable from 01.07.2017.
TDS/TCS provisions are applicable from 01.10.2018.
So, prior to 01.10.2018 no such provisions were applicable.

From which date TDS provisions are applicable? Friends, we all know that GST is applicable in India with effect from 1st July 2017. But it's all sections are not applicable from this date of 1st July 2017. Some of the sections, some of the provisions of GST have been made applicable thereafter. So is the case with TDS and TCS. Section 51 section 52 these two sections are effective with effect from 1st October 2018. So, meaning thereby, from 1st July 2017 till 30th of September 2018, under GST, there was no TDS tax. It comes only with effect from 1st October 2018. So, TDS provisions under section 51, 52 are applicable in India with effect from 1st October 2018.

Is TDS provisions applicable to all taxable persons or registered person?

No, Government has made mandatory TDS provisions for
(a) department or establishment of the Central Government or State Government; or
(b) local authority; or
(c) Governmental agencies; **including PSUs.**

So, if any supplier, if any person got registered himself under GST, will TDS provisions be applicable? The answer is NO.

Persons or taxable persons to whom TDS provisions are applicable have been defined/specified under section 51 and 52. So, these are government or establishment of the central/state governments, local authorities, municipal corporation, panchayat and all government agencies including public sector undertakings. So, all public sector undertakings are covered under section 51 and 52 to deduct TDS and TCS. So, in nutshell, any person supplying goods worth rupees 2.5 lakhs or more in a single contract to these government agencies; these government agencies before paying to supplier will deduct TDS and deposit to the GST portal or GST authorities. And whatever amount will be deducted from here will be reflected in cash ledger of that supplier from where he can use that amount for the payment of his own tax liabilities.

What is the rate of TDS ?

One Percent CGST and One Percent SGST of the amount credited to the supplier's or contractor's account

The TDS rates are total 2% GST, 1% under CGST, 1% under state GST.

If any exception to the provisions of TDS ?

If the location of the supplier and place of supply is different from the place of registration of recipient, then TDS shall not be deducted even if contract value is more than Rs. 2.50 lakh.

Are TDS provisions applicable everywhere for all such transactions? It says, if location of supplier and place of supply is different from the place of registration of the recipient, TDS will not be applicable. So, in the given cases which I told you that if contract is more than 2.5 lakh rupees and supplier has made supplies to government agencies then TDS will be deducted but, in such transactions, (this is the exception where) TDS will not be deducted and it says, if the location of supplier and the place of supply is different from the place of registration of the recipient. So here location of supply, let's say Haryana, place of supply is UP (Uttar Pradesh)

because material is consumed in UP and the recipient who has placed the order and the PSU is in Delhi. Delhi is separate state under GST. So, any PSU from Delhi raises an order/purchase order to Haryana party to supply goods to their UP office. So, TDS provision will not be applicable in such cases.

What if supplier has more than one contracts having aggregate value more than Rs 2.50 lakh.

Each contract will be dealt separately. So, if any contractor has more than one contract having aggregate value more than Rs. 2.50 lakh, No TDS will be deducted.

But industry following both practices and deducted TDS based on aggregate value, which must be clarified by government.

It is again mentioned that again each contract will be dealt separately under TDS. So, no TDS will be applicable where the supplier has more than one contracts having an aggregate value more than 2.50 lakh. But 'YES' industries to be on safer side to avoid any type of litigation later on they are deducting TDS and they are depositing to the government. Because if they deduct TDS there is no loss to supplier. Why because suppose that any transaction if TDS amount is 5000 rupees. Let's take example TDS amount is 5000 rupees and contract value were of 3 lakh rupees. So, government agency will release payment to the supplier to the tune of 2 lakh 95 thousand rupees after deducting this amount and this amount will be deposited to suppliers' cash ledger account at GST portal and these 5000 rupees can be used by supplier for his tax liability. So, in that case there is no loss to the supplier. Ultimately this money will go to his own account only. But the mechanism or the delivery of this amount is from different mechanism. So, we need to understand all these things when dealing with GST very carefully.

What to do with amount of TDS deducted?

Deductor or the departments have to deposit the amount of TDS **with in ten days** from the close of the month of deduction, to govt. account by filing GSTR-7 monthly return.

Whenever any government agency or government establishment is deducting TDS, as mentioned earlier, if you have deducted TDS or if you have received tax from your consumer or buyer you cannot retain it with you; so, every month whatever TDS amount you have deducted when you made payments to your suppliers, this amount of TDS has to be deposited to government through GSTR-07 return, which is the monthly return for people those are deducting TDS by 10th of the next month. So, if in march you have deducted one lakh rupees TDS, you are supposed to deposit this tax by 10th of April to the government agency through GSTR-07. It's a monthly return to be filed by a person covered under section 51 and 52 who is deducting TDS.

How contractor will claim the benefit of amount of TDS deducted from his payments?

Once amount is deposited by the department/deductor in govt account through GSTR-7, it shall be reflected or credited to Cash Ledger of Contractor from where, after acceptance, he can use the same for his liabilities under the law.

We have to be very careful if we are in job with PSU that we are depositing taxes in time. So, the person whose TDS has been deducted from the supplies by buyer, how he will claim/avail the benefit of that credit? So, once amount is deposited by the department or the government agency through GSTR 7, when he has filed GSTR 7, it shall be reflected or credited to cash ledger of the contractor or the supplier.

What if TDS is not deposited or short deposited in govt account?

Interest @ 18% of the TDS amount shall be charged for not deposited or short deposited of TDS.

So, friends, if you have deducted TDS, but have not deposited to government account, or if you have deducted 1 lakh rupees TDS but you have deposited by mistake 90,000 rupees. So, 10,000 is short paid and will be subject to interest at the rate of 18%. So, TDS also has to be deposited well in time, in accurate amount, as it is also a liability fixed by law on you, like your outward liability. So, whenever you are filing your monthly returns in GSTR-01 it is your outward supplied liability and GSTR-07 is your TDS liability.

What if deductor fails to deduct TDS?

Penalty provisions are applicable as per section 73 or 74 read with section 122 of CGST Act.

If at any point of time the person responsible for payment of TDS or deduction of TDS, fails to deduct TDS; for some or the other reasons or you miss the bills, it happens so many times in business, then department will verify/investigate the case as to why it has happened. And if it falls under Section 73 means where because of some clerical mistake you miss the bill or Section 74 means if you have some fraudulent intention, that case will be dealt under respective sections and final penalty will be imposed accordingly.

Is TDS under GST and /or Income Tax are same ?

No. Both are different taxes and governs by respective laws.

So, friends, many times it happens that people get confused with TDS provisions and they think that TDS under income tax and the TDS under GST are the same. But it's wrong to say that because in GST, TDS is there, but its provisions are separate from what we have in TDS under income tax. We have to be very careful when dealing with TDS cases, whether the TDS we are talking about is of GST or is of income tax. Both tax Acts have different provisions for TDS

transactions. It is important to mention here that GST is indirect tax, whereas income tax is a direct tax, so provisions cannot be same. We have to be very careful when dealing with TDS provisions under GST as well as under income tax.

What is Tax Collected at Source (TCS) under GST?

- It's an advance tax deducted by the **e-commerce operator**, not being an agent, from the payments made to vendors/taxable persons who have sold their goods or services or as the case may be through his portal.
- The consideration for such supplies are collected by e-commerce operator and paid to respective vendors after deduction of TCS and his own charges/commission as the case may be.

Apart from TDS, friends under section 52 of CGST Act, there are provisions of TCS 'Tax Collected at Source'. Under TDS provisions, buyer deduct TDS and then make payment to the supplier. But in TCS, buyer pays tax to supplier. Means, in TDS buyer deduct TDS while making payment to supplier, while in TCS the buyer pays tax to supplier. How?

If we take the case of scrap dealer, we have seen that most of the scrap dealers are not having GST number. So, Section 52 CGST Act deal with such cases where scrap dealer like people don't have GST number but they deal with the big corporate/business houses. The government has fixed the responsibility of the corporate houses or of a registered person when they are dealing with such unregistered people those are not in organized sector. So, when scrap dealer responds to a tender by a company or by a registered person for sale of scrap; so, in this case who is buyer? Buyer is scrap dealer and company who is selling this scrap is the seller. So here company will collect TCS from this scrap dealer on the value of scrap sold by it. So, when they are selling to the dealer, this scrap dealer will pay amount to company.

For example, if one lakh rupees of scrap was sold by the company to the scrap dealer, the scrap dealer will pay one lakh rupees to company and company will also ask one percent or two percent TCS on that. So, two thousand rupees also will be paid by scrap dealer to company. So, company in total will get one lakh two thousand rupees, of which two thousand is TCS which will be deposited to government authorities by the company for sale of scrap. And this sale of scrap is also subject to GST, if it is covered under reverse charge mechanism. So, we have to

take care of that also, how TCS liability will be covered. There are specified goods under GST on which TCS provisions are applicable. As I mentioned that in TDS, category of registered person is classified, specified on whom and at what point of time TDS is applicable and here goods or the services are mentioned in law where TCS will be applicable and the buyer is supposed to pay to the supplier.

From which date TCS provisions become applicable?

- In GST all sections/provisions are not applicable from 01.07.2017.
- TCS provisions are applicable from 01.10.2018.

These provisions again came into picture with effect from 1st October 2018 like TDS provisions.

What is the rate of TCS under GST?

One percent of amount paid by operator for CGST and **One Percent** for SGST/UTGST. Operator has to deposit the said amount so deducted to government account with in **ten days** of the close of the month.

And the rates are the same. 1% in both the taxes. So total 2%. And the supplier who has sold the goods and who has collected TCS from buyer has to deposit like TDS to the government within 10 days under a return. So, the person from whom TCS is collected, if he is a registered person, definitely he will be having a GST number. And he can claim this amount of TCS through his cash ledger. But if he is unregistered then it will be a cost to him.

How taxable person/vendor avail the benefit of TCS deducted from his consideration by e-commerce operator?

E-commerce operator has to file monthly return in GSTR-8 indicating goods/services supplied and has to deposit tax deducted to government account.

Accordingly, amount deducted and deposited by operator shall be reflected in electronic cash ledger of registered person/vendor.

Similarly, friends in GST nowadays we have so many online transactions, so when we are dealing online through e-commerce operators there are so many vendors selling their products online. Some of them have GST number some of them don't have GST number. So, all e-commerce operators are responsible to deduct TCS from the supplier. Means on e-commerce transactions, e-commerce operator provider platform where vendors sell their product to buyer. Buyer place order at e-commerce operator platform, it goes to vendor and vendor supply material directly to buyer, raises invoice through e-commerce operator to buyer and physical delivery is given from vendor to buyer.

Is e-commerce operator is eligible for any commission for the services provided to registered person/vendors through his portal?

- Yes. A operator is eligible and deduct/charge service charges/commission from registered person/vendor who supplied/provided goods/services through his portal.
- Such charges are subject to GST @18% of the amount charged.
- Registered person/vendor is eligible for ITC on such tax.

So, when buyer is making payment to vendor through e-commerce operator, here e-commerce operator's responsibility is fixed by GST law to deduct TCS from this vendor and deposit to government. So, in all e-commerce transactions, TCS is being deducted by this e-commerce operator of every vendor and is being deposited to government through GST portal. And if your

vendor is registered under GST, this TCS amount will be reflected in his cash ledger. So, he can take benefit of this if vendor is registered person. Responsibility of paying TCS is of e-commerce operator. So, this e-commerce operator charges commission from vendor and also TCS. So, this commission of e-commerce operator is also subject to GST at the rate of 18%. So, this e-commerce operator when charge commission to this vendor will charge 18% GST and this vendor will get benefit of this 18% paid to the e-commerce operator on the commission. So, e-commerce transactions have its own major impact under GST and it is very well controlled and monitored through IT.

So, friends, e-commerce operators are eligible for commission as I mentioned you. They charge commission from vendors. Those are coming to their portal on some certain percentage, and their commission is subject to GST at the rate of 18%. And the vendor can claim ITC, because it's input for vendor. They are getting services from e-commerce operator.

What if TCS is not deposited or short deposited in govt account?

Interest @ 18% of the TCS amount shall be charged for not deposited or short deposited of TCS.

So, if friends, TCS is not deposited like TDS, then definitely 18% interest will be charged for non-payment of TCS. And penalty and fine can also be.

What is impact of Sec 49(12)- a new section inserted in Budget-2022

**Sec 49(12)- a new section inserted in Budget-2022 talks about restriction imposed on utilisation of ITC in ECL.
Rule 86B talks about such restrictions of using 99% of Output tax liability from ITC balance of ECL for certain tax payers. So it may be enabling section to impose further restriction on ITC utilisation.**

So, friends, this is section, section 49(12), inserted in Budget 2022 in GST Act regarding 86B condition that we were reading in previous slides, about imposing restriction on use of ITC. So, whenever we are dealing with GST, we have to go through each and every section of CGST.

As I told you that we have 174 sections under CGST Act applicable to all these Act of IGST and SGST. We have to go through 174 sections along with all provisions, sub clauses and, rules to understand GST as a whole. So, they have tried to capture each and every business transaction and GST is applicable. Any violation will be subject to interest and final penalty.

Is e-commerce operator need to file annual returns?

Yes, he needs to file GSTR-9 and GSTR-9C annually.

As mentioned, returns are supposed to be filed under GST by each and every registered person, whosoever has taken GST number, maybe a TDS deductor, TCS collector, e-commerce operator, regular dealer, casual dealer or unregistered dealer. Sometimes it happens that unregistered person need to pay taxes. So here e-commerce operator needs to file annual return? Yes, we have to file. We are supposed to file monthly returns as well as we have to file annual returns also. Thus, there are provisions of annual return also under GST.

So, friends this was the total session on payments under GST, how ITC will be utilized for payment of GST and if there is not sufficient balance in ITC ledgers then how cash will be paid and cash mechanism described under GST for payment of cash and then set off for the payment of taxes. In nutshell we have electronic credit ledger for IGST, we have electronic credit ledger for CGST, we have electronic credit ledger for SGST. So separate ledgers are maintained at GST portal. And in the same way we have cash ledger for IGST, cash ledger for CGST, cash ledger for SGST and if required we can transfer fund from one head to another head, intra-state and inter-state also, but yes there are conditions. Similarly, we can use or exhaust our ITC balances in a set manner as described and if we violate such provisions, then interest will be applicable and penalty can also be imposed. Then, TDS and TCS is deducted for my payment if I am a supplier. So that payment will be deposited by my buyer to the government agency at GST portal, which is available to me for my benefits for the set-off of my own tax liability. So, if there is any non-compliance of the provisions of the law then definitely interest and penalty will be there. With these words thanks a lot and all the best.