

## Introductory note on GST

### 1 Registration

**U/S 25 (1)** Every person who is liable to be registered under section 22 or section 24 shall apply for registration in every such State or Union territory in which he is so liable within thirty days from the date on which he becomes liable to registration.

**U/s 25 (2):** A person seeking registration under this Act shall be granted a single registration in a State or Union territory.

### 2 Charging of taxes under GST Act (CGST & SGST OR IGST):

- a. Inter-state supply u/s 5 of IGST Act: If the purchaser has GSTIN of any State other than J&K, only IGST will be charged.
- b. Intra-state supply U/s 9 of CGST Act and J&K GST Act: If the purchaser has GSTIN of J&K (State Code: 01) CGST and SGST will be charged.

### 3 Quoting of GSTIN of J&K SFC in tax invoice in case of purchases by J&K SFC from registered persons:

- a. In order to claim input tax credit, GSTIN of J&K SFC must be mentioned in invoices of purchases and all type of expenses including railway /air tickets/hotel bills. If GSTIN of J&K SFC is not quoted in purchase invoices there will be a direct financial loss of GST paid on purchases/expenses invoices and INPUT TAX CREDIT will not be available to J&K SFC.
- b. All bills of purchases from registered suppliers should have GSTIN of J&K SFC in order to avail input tax credit, except employer-employee payment.

### 4 Timing of issue of invoices: Supplier of taxable goods is required to issued tax invoice before or at time of removal of the goods. At the time of sale of timber and other forest produce and J&K SFC (Supplier) will collect GST from buyer (recipient) in all the cases.

### 5 Payment of taxes:

- a. Total monthly tax liability of GST on account of supply of goods and/or services will be paid from Head office of J&K SFC. No DDO will individually pay GST from their offices at any point of time. All DDOs should send the returns in prescribed format to FA & CAO.
- b. Tax payment will be rounded off to nearest rupee.

## 6 Security deposit/advance

- a. Security deposit / EMD should be parked in Divisional Manager bank account.
- b. On approval of lot, Security deposit/EMD of successful bidder will be transferred in MD bank a/c and Receipt Voucher will be issued and GST on advance will be accounted for.
- c. GST will not be payable at the time of receipt in case of advance upto Rs. 1,000/- vide Proviso to Sec. 12(2) & Sec. 13(2) of CGST Act and of J&K GST Act.
- d. Example :

Particulars	Expected Price of Lot	Security Deposit /EMD @ 11.8% (10%+GST @ 18%)	Security Deposit Transferred to MD A/c as Advance	GST Paid after approval of lot	Security Refund	Security forfeited	Security Adjusted in Sale Amount
Lot Cancelled	200,000.00	23,600.00	Nil	Nil	23,600.00	Nil	Nil
Lot Approved	200,000.00	23,600.00	23,600.00	3600.00	Nil	Nil	20,000.00
Lot forfeited	200,000.00	23,600.00	23,600.00	3600.00	Nil	20,000.00	Nil

## 7 Supply/ sale u/s 7 of CGST Act and J&K GST Act :

- a. For sale of timber and other forest produce to person registered under GST Act having GSTIN, mention GSTIN of registered buyer (Recipient) and also obtain a photocopy of registration no. of GST, PAN (other than in case of sale to Government department).
- b. For sale of timber, and other forest produce to person not registered under GST Act and not having GSTIN, mention PAN and address of unregistered buyer (Recipient) and also obtain photocopy of PAN and address proof.
- c. Supply (sale) of Timber and other forest produces will be on forward charge basis. Therefore it is the liability of J&K SFC to collect the GST from recipient (purchaser).
- d. Invoice will be issued before or at time of removal of goods in triplicate one copy to buyer and second copy to transporter and third for supplier.

**8 Late fee and godown/plot rent:**

- a. Interest, Late fee, Penalty for delayed payment, Godown/Plot rent is includible in value of supply for the purpose of GST. Therefore GST (CGST + SGST or IGST as applicable) will be charged/recovered from recipient (purchaser) in Tax Invoice or Debit note as the case may be u/s 12(6), 13(6),15(2) and 34(3) of CGST Act and J&K GST Act.
- b. GST will be recovered on total value of supply (Sale of Timber and all other forest produces) including Late Fee, other recoveries etc.
- c. Subsidy received from Central/State Government is not part of consideration and hence, GST will not be charged on same.
- d. Logbook of addition/deletion of data is required to be maintained in respect of computerized accounts (Accounts Rules).

**9 Payment to Transporter U/s 9(3) of CGST Act and J&K GST Act and U/s 5(3) of IGST Act:**

- a. Payment to transporter is covered under Reverse charge mechanism. Therefore, liability to pay GST on transportation charges is of J&K SFC.
- b. A declaration should be obtained from transporter that he has not availed Input Tax Credit in GST.
- c. At the time of making payment to REGISTERED transporter (obtain GSTIN of such transporter), only Payment Voucher will be issued by J&K SFC.
- d. At the time of making payment to UNREGISTERED transporter (obtain Unique Enrollment Number of such transporter), Invoice and Payment Voucher both will be issued by J&K SFC.
- e. Payment of tax under RCM will be made along with other liability for payment of tax for the relevant month.

**10 Payment to Advocates and notified services: U/s 9(3) CGST Act and J&K GST Act or section 5(3) of IGST Act.**

- a. Payment to advocates and to other unregistered persons is covered under Reverse charge mechanism. Therefore, liability to pay GST on such payments is of J&K SFC.
- b. At the time of making payment to advocates and to other unregistered persons, Invoice and Payment Voucher both will be issued by J&K SFC.
- c. Payment of tax under RCM will be made along with other liability for payment of tax for the relevant month.

- d. **Reverse Charge on inward supply from Unregistered Persons U/s 9(4) of CGST Act and J&K GST Act or section 5(4) of IGST Act:** Purchases from unregistered person should be avoided to avoid liability of paying tax on reverse charges on J&K SFC which increases the working capital requirement and compliance work on the part of employees.
- e. Payment to unregistered persons is covered under Reverse charge mechanism. Therefore, liability to pay GST on such payments is of J&K SFC.
- f. At the time of making payment to unregistered persons, Invoice and Payment Voucher both will be issued by J&K SFC.
- g. Payment of tax under RCM will be made along with other liability for payment of tax for the relevant month.

**11 Payment to unregistered contractor.**

- a. Payment to unregistered contractor is covered under Reverse charge mechanism. Therefore, liability to pay GST on such payment is of J&K SFC.
- b. At the time of making payment to UNREGISTERED contractor, Invoice and Payment Voucher both will be issued by J&K SFC.
- c. Payment of tax under RCM will be made along with other liability for payment of tax for the relevant month.
- d. Payment of tax under Reverse Charge: GST under reverse charge will be paid in cash/ mode only. Input Tax Credit cannot be used for payment of tax under RCM.

**12 Purchase/Service from Registered Suppliers And Payment Within 180 Days Second Proviso Of 16(2) Of CGST Act And J&K GST Act.**

- a. Input Tax Credit of GST on any purchase/service from registered persons will be available only if payment to the supplier is made within 180 days from the date of invoice.
- b. If payment to supplier is not made within 180 days, input tax credit availed on such supply will be reversed in the month in which period of 180 days expired. J&K SFC will be liable to pay such tax along with interest thereon.

**13 Payment to employees:**

- a. Services by an employee to the employer in course of or in relation to his employment shall not be treated as a supply of services. (Schedule III of Section 7 of CGST Act and SGST Act).

- b. Gifts not exceeding fifty thousand rupees in value in a financial year by an employer and employer to employee shall not be treated as supply of goods or services or both. (Schedule II of Section 7 of CGST Act and SGST Act).
- c. Therefore reimbursement of expenses to employee i.e. telephone expenses, medical expenses, petrol & petty reimbursement shall not be treated as supply of services.

**14 Payment to labour:**

**TAX LIABILITIES UNDER GST (Schedule III of CGST Act and J&K GST Act)**

- a. If labours are covered under ESI and EPF scheme and contribution to ESI and EPF is deposited by J&K SFC (Refer ESI and EPF Act), these Labours will be covered under employer employee relation and services by an employee to the employer in the course of or in relation to his employment in not a supply of services. Therefore no GST will be recovered or paid.

**15 Gst payable on reverse charge (payment to labours):**

- a. ***Reverse charge means liability to pay tax by the person on receiving goods and /or services instead of the supplier of such goods and/or services U/s 9(3) or 9(4) of CGST Act or section 5(3) or 5(4) of IGST Act.***
- b. If casual labours/daily wages workers are not entitled /covered under ESI and EPF scheme. These Labours will not be covered under employer employee relation and services by them are a taxable supply of services. Casual/daily wages worker are unregistered under CGST and SGST ACT. Therefore GST will be paid by J&K SFC under REVERSE CHARGE basis with full details of labours. Under the reverse charge liability to pay GST is upon person who is registered under this act. Therefore tax thereon will be paid by the J&K SFC for such services.

Following details are required:

Name, address proof, AADHAAR card etc. of labour.

**16 Harmonized system nomenclature (HSN) code**

Particulars	HSN code	Rate
Wood in the rough (logs/scants)	4403	18%
Other Wood	4403	18%

Wood, machine sawn or chipped	4407	18%
Firewood or fuelwood	4401	Nil
Wood in chips or particles, sawdust and wood waste and scrap, whether or not agglomerated in logs, briquettes, pellets or similar forms	4401	5%

**17 No cash transactions of an amount of two lakh rupees or more u/s 269 ST of income tax act 1961 :**

**J&K SFC will not accept cash as per section 269ST of Income tax Act 1961.**

No person will receive an amount of two lakh rupees or more.

- a) in aggregate from a person in a day; or
- b) In respect of a single transaction; or
- c) In respect of transactions relating to one event or occasion from a person, otherwise than by an account payee cheque or an account payee bank draft or use of electronic clearing system through a bank account:

**18 Mandatory Quoting Of PAN in Invoice: U/s 139A (5)(c) of Income Tax Act, 1961 read with Rule 114B of Income Tax.**

Every person will quote his permanent account number in all documents pertaining to the transactions of Sale or purchase, by any person, of goods or services of amount exceeding Rs 200000/= per transaction.

**19 Tax Collection at Source:**

- a) Under section 206 C of the Income Tax Act, 1961, tax has to be collected at source as per rate given below:

Timber @ 2.50%

Any other forest produce not being timber or tendu leaves @2.50%

J&K SFC will collect tax from buyer of goods.

- b) Tax has to be collected by the J&K SFC of ***the amount payable by the buyer to the seller*** at the time of debiting or at the time of receipt of such amount, whichever is earlier.

- c) No tax will be collected from resident buyer who purchases goods for manufacturing/processing or producing any article or things and not for the purpose of trading only if, buyer gives a declaration in duplicate in Form no. 27C to the J&K SFC that the goods to be purchased are to be utilized in carrying on any of the activities referred above (**Builder is not authorized to furnish Form 27C Building is a construction activity and not a manufacturing activity**).
- d) **Buyer should furnish fresh declaration in Form 27C every time he buys timber for the purpose of** manufacturing/processing or producing any article or things.

*Further, it is suggested that to avoid any doubt the DDOs are advised to cross check all the facts, law and contents of the a original government publication or notifications which are available on the websites of Central Government/State Government/GST Portal.*

### **Important websites for reference**

<https://jkgst.in>

<https://support.jkgst.in/>

<http://jakfinance.nic.in/gstsro.html>

<https://www.gst.gov.in/>

<http://www.cbic.gov.in/>