



GST: Frequently Asked Questions (FAQs) for Traders

Q 1. How will GST benefit the Trading Community?

Ans. Under GST, a trader would be entitled to avail input tax credit paid on his domestic procurements of goods and services unlike the present indirect tax regime. Presently, a significant portion of indirect taxes namely Central Excise and Service Tax form part of the cost component for a trader. This will not be the case under GST. He will now be able to take credit of all taxes paid by him.

In respect of imports, the landed cost is expected to reduce significantly under GST. Hence, the traders will gain significantly in terms of input tax credit on their operating expenses thereby decreasing their operating costs.

CST which was non-creditable has been subsumed in GST. This will be a huge benefit for the traders. Entry tax has also been subsumed in GST. Removal of CST and entry tax shall immensely benefit the traders. Traders will be able to sell their goods to farthest areas.

Q 2. Will all traders necessarily have to register under GST?

Ans. A trader dealing only in exempted goods or where his turnover is below Rs. 20 lakh in the financial year (but not engaged in inter-State supplies) is not required to register under GST.

Q 3. Are monthly returns required to be filed by a trader not opting to pay tax under the composition scheme?

Ans. Traders not opting to pay tax under composition scheme need to file returns on a monthly basis. Form GSTR-1 is to be filed for outward supplies made by the trader (made in the month for which return is being filed) by the 10th of the next month. Other parts of the return Form GSTR-2 and Form GSTR-3 are auto-populated and only needs to be verified and submitted by the 15th and the 20th of the next month respectively.

Q 4. What is the basic information that needs to be furnished in Form GSTR-1?

Ans. The details to be entered in the return of outward supplies Form GSTR-1, made by the trader depend upon the nature of supplies made. The provisions are as follows:-

- Intra-State supplies to consumers (B2C supplies) - tax-rate wise summary;
- Inter-State supplies to consumers (B2C supplies) of value up to Rs. 2.5 lakh - State-wise and tax-rate wise summary;
- Inter-State supplies to consumers (B2C supplies) of value above Rs. 2.5 lakh - specified invoice wise details;
- Supplies to resellers (B2B) - specified invoice-wise details.

Q 5. Under GST, will traders be required to declare their IEC at the time of imports and exports?

Ans. For the time being, both GSTIN and IEC have to be declared. But over a period of time, traders need to declare only their GSTIN instead of IEC at the time of imports and exports.

Q 6. Can traders get the credit of IGST paid at the time of imports for discharging their domestic liabilities under GST? If yes, how?

Ans. Yes. Under GST, traders will be on par with manufacturers. IGST paid at the time of import will be available as credit which can be used for payment of taxes on further supplies. GSTIN would be used for the purpose of credit flow of IGST on import of goods and refund of IGST paid in case of export.

Q 7. When will a trader have to pay tax?

Ans. A trader, if registered under GST, will have to pay tax on monthly basis on or before 20th of the succeeding month.

A person who has opted for composition levy will have to pay tax on quarterly basis on or before 18th of the month succeeding the quarter relating to supplies.

Q 8. Can a trader having duty paying documents (including a first stage dealer or a second stage dealer) claim the Cenvat credit on the stock held on the appointed date viz 1st July, 2017?

Ans. Yes, a trader having duty paying documents including a first stage dealer or second stage dealer can claim Cenvat Credit as per section 140(3) of the CGST Act, 2017 subject to fulfillment of following conditions:-

- Such inputs are used or intended to be used for making taxable supplies;
- The said taxable person is eligible for input tax credit on such inputs;
- The said taxable person is in possession of invoice and/or other prescribed documents evidencing payment of duty under the earlier law;
- Such invoices and/or other prescribed documents were issued not earlier than twelve months immediately preceding the appointed day;
- The supplier of services is not eligible for any abatement.

Q 9. What is a credit transfer document? How can it help the traders?

Ans. A manufacturer may have cleared some goods to a dealer prior to the GST, and in case a dealer who was not registered under the Central Excise Act, however is registered under CGST Act, 2017. A special provision has been made in the CENVAT Credit Rules, 2004 to take care of such cases. In such a situation, the manufacturer may issue a credit transfer document (CTD in brief) to the dealer subject to the following conditions:-

- The value of such goods is higher than rupees twenty-five thousand per piece, bears the brand name of the manufacturer or the principal manufacturer and are identifiable as a distinct number such as chassis / engine no. of a car.
- Verifiable records of clearance and duty payment relating to each piece of such goods is maintained by the manufacturer and are made available for verification on demand by a Central Excise officer.
- CTD shall be serially numbered and shall contain the Central Excise registration number, address of the concerned Central Excise Division, name, address and GSTIN number of the person to whom it is issued, description, classification, invoice number with date of removal, mode of transport and vehicle registration number, rate of duty, quantity, value and duty of excise specified in the First Schedule to the Central Excise Tariff Act, 1985 paid thereon.
- The manufacturer is satisfied that the dealer to whom CTD is issued is in possession of such manufactured goods in the form in which it was cleared by him (on 1st July 2017).
- CTD shall be issued upto 30th July 2017 and copy of the corresponding invoices shall be enclosed with the CTD.
- Copies of all invoices relating to buying and selling from manufacturer to the dealer, through intermediate dealers, is maintained by the dealer availing credit using CTDs.
- CTD shall not be issued in favour of a dealer to whom invoice was issued for the same goods before the appointed date.
- A dealer availing credit using CTD on manufactured goods shall not be eligible to avail credit under provision of rule 117(4) of the CGST Rules, 2017 on identical goods manufactured by the same manufacturer available in the stock of the dealer.

(i) The dealer availing credit on the basis of CTD shall, at the time of making supply of such goods, mention the corresponding CTD number in the invoice issued by him under section 31 of the CGST Act, 2017.

Q 10. Traders are presently not entitled to take cenvat credit. They will be having duty paid stock as on 1st July, 2017. However, it is possible that the traders may not have duty paid documents in respect of such stock. Is there any scheme under GST, where such traders will be able to get credit of such taxes under GST?

Ans. Yes. If duty paid invoices are available with them, then full credit of ITC on existing stock can be carried over to GST (refer answer to Q 8 above). If duty paid invoices are not available, then a deemed credit scheme is made available to the traders as per the details below :-

S. No	Category of Taxpayer	Details to be provided	Amount of ITC available
1	Trader (not liable to be registered under Central Laws) (Form TRANS-1 is to be submitted on or before 30.09.2017)	Stock of Inputs (held as inputs/ semi-finished / finished goods) to be used for making taxable supplies where duty paying documents are available with the trader	Amount of duty paid as per invoice details submitted
2	Trader (not liable to be registered under Central Laws) (Form TRANS-2 is to be submitted at the end of each of the first six months)	Stock of Inputs (held as inputs/ semi-finished / finished goods) to be used for making taxable supplies where duty paying documents are not available with the trader	In case of intra-State supplies:- • 60% of the Central Tax paid (in case rate of total tax is 18% or 28%) • 40% of the Central Tax paid (in case rate of total tax is 5% or 12%) In case of inter-State supplies, 30% or 20% of Integrated Tax paid will be allowed.

Q 11. Will the compliance process under GST be complicated for traders under GST? What measures have been put in place to ease burden of compliance on small traders?

Ans. No. The compliance process is automated and easy for traders. The following steps have been taken by the Government in this regard :-

- Small traders with a turnover below Rs. 20 lakh need not register under GST.
- An easy to understand and comply composition scheme for traders having turnover upto Rs. 75 lakh where tax can be paid quarterly as a percentage of turnover.
- GST Seva Kendras have been opened in all Commissionerates (upto range office) under CBEC to help small traders in any matter concerning GST laws and processes.
- For uploading of invoice details, GST Network will be providing easy to use application free of cost which will enable hassle-free uploading of invoices by traders.
- The returns and payment of tax processes under GST are completely online. There will be minimal interface or no interface with the tax authorities.
- Small taxpayers can use the services of GST Practitioners at a nominal cost to take care of their compliances under GST.
- GST Suvidha Providers (GSPs) will be providing easy to use applications which will provide an interface with the GST Network for easy and smooth compliances under GST.
- Strict time lines have been prescribed which shall be adhered to by all proper officers. Registration will be given in 3 working days if the documents are in order. In case no response is received from the proper officer within 3 days, registration shall be deemed to be granted.
- Application for refund will be completely online with minimal interface with the tax officer. Acknowledgment of refund claim will be given in 15 days and the claim will be processed in 60 days failing which interest will be paid. For exports, provisional refund up to 90% of the claim will be sanctioned upfront without any verification. The amount of refund will be directly credited to beneficiary's bank account.

Q 12. Stock transfers have been made taxable in GST. Will it impact adversely?

Ans. The objective of taxing stock transfers is just to ensure that the ITC moves along with the supply of goods to the place where a supply is finally consumed. This is to ensure that the taxes accrue to the State where a supply is consumed. If the stock transfers are not taxed, the ITC would not flow to other State along with the supply and trader will not be able to utilise the credit in another State. Therefore, taxing of stock transfers is in the interest of traders and is perfectly revenue neutral for the trader.

Q 13. How will the stock transfers be valued?

Ans. In case the recipient is eligible for full input tax credit, then the value declared by a trader in the invoice shall be taken as the open market value and shall be accepted for assessment purpose. Traders shall themselves assess the value of supplies. In such case the value shall normally be the value of inward supply plus the transport costs etc. involved in stock transfer.

Q 14. Traders are not used to classifying the goods under the HSN nomenclature and are likely to face hardship in this regard. How will they cope with it?

Ans. Taxpayers whose turnover is above Rs. 1.5 crore but below Rs. 5 crore shall use 2-digit code and the taxpayers whose turnover is Rs. 5 crore and above shall use 4-digit code. Taxpayers whose turnover is below Rs. 1.5 crore are not required to mention HSN Code in their invoices. Further, the goods emanate either from manufacture or from imports. Traders usually don't change the nature of goods. The classification, in general, will be in continuity from the HSN declared by the manufacturer or importer both of whom have been using the system in the past also.

Q 15. What if a trader/businessman is unable to undertake compliances under GST himself?

Ans. Under GST, the government will allow qualified persons to act as GST Practitioners. In case the trader is unable to undertake compliances himself, he can utilise the services of such GST Practitioners to fulfill his compliance requirement. There would also be Facilitation Centres, Helpdesks in each GST Commissionerate. There would also be facility of GST Suvidha Providers (GSPs) who would be developing software for uploading data on to the GSTN portal.

For information relating to Composition Scheme, traders may please refer to the FAQs on Composition Levy at : <http://www.cbec.gov.in/resources/htdocs-cbec/gst/faq-composition-levy-revised.pdf>

