CBIC notifies GST rate for small service providers and increase in registration threshold

Executive summary

Central Board of Indirect Taxes and Customs (CBIC) has issued various notifications dated 7 March 2019 in respect of the following:

- Persons exclusively engaged in supply of goods (except specified persons), whose aggregate turnover in the financial year does not exceed INR 40 lakhs are exempted from obtaining the registration under Goods and Services Tax (GST).

- Registered persons, who are not eligible to opt for composition scheme, can opt to pay tax at the rate of 6% (without input tax credit) on first supplies of goods or services, up to an aggregate turnover of INR 50 lakhs, subject to conditions specified.

- The registered persons whose aggregate turnover is up to INR 1.5 crores shall furnish the details of outward supplies in Form GSTR-1 for the quarter April to June 2019 by 31 July 2019.

- For registered persons having an aggregate turnover of more than INR 1.5 crores, the time limit to file Form GSTR-1 for the months April, May and June 2019 is extended till 11th of the succeeding month.

- All registered persons are required to file Form GSTR-3B for the months April, May and June 2019 by 20th of the succeeding month.

- The threshold limit for persons opting for composition scheme has been increased to INR 1.5 crores. However, for certain specified states, the limit shall be INR 75 lakhs.

The above notifications shall be effective from 1 April 2019.

[1] Notification Nos. 10-14/2019 – Central Tax and Notification No. 2/2019 – Central Tax (Rate) all dated 7 March 2019
Background

- GST Council in its 32nd meeting, held on 10 January 2019 had recommended various measures giving relief to Micro, Small and Medium Enterprises (MSME) sector like increase in threshold limit for registration, concessional rate of tax for service provider, etc.

- To give effect to the above recommendations, various notifications have been issued which are made effective from 1 April 2019.

Notifications

Various Notifications issued by CBIC are as follows:

Exemption from registration for person engaged in exclusive supply of goods:

- Any person who is exclusively engaged in supply of goods having an aggregate turnover of INR 40 lakhs is exempted from obtaining registration GST.

- The exemption has been provided in exercise of powers conferred under section 23(2) of the Central Goods and Services Tax (CGST) Act (Powers to exempt category of person from obtaining registration).

- The above exemption is not available to the following persons:
  - Person required to take compulsory registration;
  - Person engaged in supply of ice-cream and other edible ice (whether or not containing cocoa), pan masala and tobacco and manufactured tobacco substitutes;
  - Person engaged in intra state supply in states of Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Puducherry, Sikkim, Telangana, Tripura and Uttarakhand;
  - Person who has voluntarily obtained registration; and
  - Registered persons intending to continue their existing registration.

- The above exemption is effective from 1 April 2019.

The tables given below summarizes state-wise threshold limits for obtaining registration for different category of suppliers making supply in such states:

<table>
<thead>
<tr>
<th>Exclusive supply of goods</th>
<th>Aggregate turnover of goods</th>
</tr>
</thead>
<tbody>
<tr>
<td>INR 10 lakhs</td>
<td>INR 20 lakhs</td>
</tr>
<tr>
<td>Manipur</td>
<td>Arunachal Pradesh</td>
</tr>
<tr>
<td>Mizoram</td>
<td>Meghalaya</td>
</tr>
<tr>
<td>Nagaland</td>
<td>Puducherry</td>
</tr>
<tr>
<td>Tripura</td>
<td>Sikkim</td>
</tr>
<tr>
<td></td>
<td>Telangana</td>
</tr>
<tr>
<td></td>
<td>Uttarakhand</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Others</th>
<th>Aggregate turnover of goods and services</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>INR 10 lakhs</td>
</tr>
<tr>
<td>Manipur</td>
<td>all other states/union territories</td>
</tr>
<tr>
<td>Mizoram</td>
<td></td>
</tr>
<tr>
<td>Nagaland</td>
<td></td>
</tr>
<tr>
<td>Tripura</td>
<td></td>
</tr>
</tbody>
</table>

Due dates for furnishing returns:

- CBIC has notified the due date for furnishing the details of outward supplies in Form GSTR-1 (quarterly and monthly) and Summary return in Form GSTR-3B for the prescribed period as follows:

<table>
<thead>
<tr>
<th>Form</th>
<th>Aggregate Turnover</th>
<th>Quarter/ Months</th>
<th>Due date</th>
</tr>
</thead>
<tbody>
<tr>
<td>GSTR-1 (Quarterly)</td>
<td>Aggregate Turnover of up to INR 1.5 crores</td>
<td>April to J une 2019</td>
<td>31 J uly 2019</td>
</tr>
<tr>
<td>GSTR-1 (Monthly)</td>
<td>Aggregate Turnover of more than INR 1.5 crores</td>
<td>April, May and J une 2019</td>
<td>11th of succeeding month</td>
</tr>
<tr>
<td>GSTR 3B (Monthly)</td>
<td>All taxpayer</td>
<td>April, May and J une 2019</td>
<td>20th of succeeding month</td>
</tr>
</tbody>
</table>

- The due date for furnishing details in Form GSTR-2 and Form GSTR-3 for the months J uly 2017 to J une 2019 will be subsequently notified.

Increase in limit of aggregate turnover for person opting for composition scheme:

- In case of a person opting for composition scheme under section 10 of the CGST Act, the Government has increased the limit of aggregate turnover to INR 1.5 crores.

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2 Notification No. 10/2019-Central Tax dated 7 March 2019
3 Notification No. 11-13 /2019-Central Tax dated 7 March 2019
4 Notification No. 14/2019-Central Tax dated 7 March 2019
However, for eligible registered persons in the states of Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura and Uttarakhand, aggregate turnover limit shall be INR 75 lakhs.

Person shall not be eligible to opt for composition scheme if he is a manufacturer of ice cream and other edible ice (whether or not containing cocoa), pan masala and tobacco and manufactured tobacco substitutes.

The increase in limit shall be effective from 1 April 2019.

**GST rate for registered person having aggregate turnover up to INR 50 lakhs**

Registered person is eligible to pay tax at the rate of 6% \[3\% CGST and 3\% State Goods and Services Tax (SGST)] up to an aggregate turnover of INR 50 lakhs for first supply of goods or services or both made on or after 1 April 2019 in a financial year.

For the purpose of determining eligibility to pay tax at specified rate, the term “first supply of goods or services or both” shall include supplies from the first day of April of a financial year to the date from which he becomes liable for registration under the said Act.

For the purpose of determination of tax payable, the supplies from the first day of April of a financial year to the date from which he becomes liable for registration under the Act shall not be included.

Further, for determining eligibility, value of supply of exempt services by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount, shall not be taken into account.

The above benefit is available subject to following conditions:

- aggregate turnover in the preceding financial year was INR 50 lakhs or below;
- person is not engaged in making supply of ice-cream and other edible ice (whether or not containing cocoa), pan masala and tobacco and manufactured tobacco substitutes.
- person is not engaged in making supply through an electronic commerce operator who is required to collect tax at source; and
- person is not engaged in making supply of ice-cream and other edible ice (whether or not containing cocoa), pan masala and tobacco and manufactured tobacco substitutes.
- Where more than one registered person is having same permanent account number then tax at the rate of 6% is payable by all such registered person.
- The registered person is not eligible to collect any tax from recipient nor he is entitled to claim any input tax credit (ITC).
- Such registered person shall issue bill of supply with the description “taxable person paying tax in terms of notification No. 2/2019-Central Tax (Rate) dated 07.03.2019, not eligible to collect tax on supplies”.
- The registered person shall pay tax on all outward supplies at the rate of 6\% notwithstanding any other notification issued under section 9(1) [Levy and Collection] or under section 11(Power to grant exemption from tax) of the CGST Act.
- Such registered person will be liable to pay tax on supplies covered under reverse charge mechanism at the applicable rates.
- The above notification shall be effective from 1 April 2019.

**Comments**

While the GST law provides for treatment of input tax credit in case of persons opting in or out of composition scheme, similar provisions may be inserted for the category of supplier of services covered under the new scheme.

Relief to small service providers by bringing them at par with traders and manufacturers under composition scheme is a welcome move. However, extending the benefits like quarterly tax payment, waiver from furnishing invoice-wise details of outward supply, etc. also to such service providers would facilitate reducing the compliance burden.

The recommendation made by the GST Council earlier, proposing a single annual return for persons registered under composition scheme is yet to be notified.

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5 Notification No. 2/2019-Central Tax (Rate) dated 7 March 2019
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