



The Institute of Cost Accountants of India
(Statutory body under an Act of Parliament)
Tax Research Department

Advanced Certificate Course on GST – 5th Batch (ACCGST-5)

Session-I


Date: 15th May 2021


Introduction to GST

- ❖ GST is known as the Goods and Services Tax.
- ❖ It is an indirect tax which has replaced many indirect taxes in India such as the excise duty, VAT, CST, Services tax, Entertainment Tax and Luxury Tax etc.
- ❖ The Goods and Service Tax Act was passed in the Parliament on 29th March 2017 and came into effect on 1st July 2017.
- ❖ Goods and Services Tax Law in India is a
 - ✓ Comprehensive
 - ✓ Multi-stage
 - ✓ Destination-based tax
- ❖ Goods and Service Tax (GST) is levied on the **supply** of goods and services.
- ❖ GST is levied on every value addition.
- ❖ GST is a single domestic indirect tax law for the entire country.

- ❖ Under the GST regime, the tax is levied at every point of sale.
- ❖ In the case of intra-state sales, Central GST and State GST are charged.
- ❖ All the inter-state sales are chargeable to the Integrated GST.

Note:

 **Multi-stage:** GST is levied on the value additions at each stage, i.e., the monetary value added at each stage to achieve the final sale to the end customer.

 **Destination Based Tax:** GST is called as destination-based tax or consumption-based tax, it means Goods and Service Tax is levied at the point of consumption.

Ex: Consider goods manufactured in Telangana and sold to the final consumer in Odisha. Since the Goods and Service Tax is levied at the point of consumption, the entire tax revenue will go to Odisha and not Telangana.

Features of GST:

- GST has mainly removed the cascading effect on the sale of goods and services.
- Removal of the cascading effect has impacted the cost of goods, since the GST regime eliminates the tax on tax, the cost of goods decreases.
- Also, GST is mainly technologically driven. All the activities like
 - ✓ Registration,
 - ✓ Return filing,
 - ✓ Application for refund
 - ✓ Appeals to Appellate Authority
 - ✓ Response to notice
- Needs to be done **online** on the GST portal, which accelerates the processes.

Advantages of GST:

1. Removing the Cascading effect of tax
2. Higher threshold for GST Registration
3. Composition scheme for small businesses
4. Single return cum challan payment either monthly or quarterly
5. Simpler online facilities for GST compliances
6. Availing ITC on eligible goods and services including capital goods
7. Export of goods or services without payment tax based on LUT
8. Defined treatment for e-commerce activities
9. Concept of e-waybill & increased efficiency in logistics
10. Regulating the un-organized sectors like Transportation sector like GTA
11. Overall lesser compliances
12. Elimination of physical copies say C-Form, H-Form etc., in the course of inter-state sale or deemed exports

Type of Taxes in GST:

There are **3 taxes** applicable under GST: **CGST, SGST & IGST**.

- ❖ **CGST:** It is the tax collected by the Central Government on an intra-state sale (e.g., a transaction happening within Maharashtra)
- ❖ **SGST:** It is the tax collected by the state government on an intra-state sale (e.g., a transaction happening within Maharashtra)
- ❖ **IGST:** It is a tax collected by the Central Government for an inter-state sale (e.g., Maharashtra to Tamil Nadu)

In most cases, the tax structure under the GST regime as follows:

Transaction	New Regime	Old Regime	Revenue Distribution
Sale within the State	CGST + SGST	Central Excise + VAT / Service tax	Revenue will be shared equally between the Centre and the State
Sale to another State	IGST	Central Excise + CST / Service Tax	There will only be one type of tax (central) in case of inter-state sales. The Centre will then share the IGST revenue based on the destination of goods.

Sources / Elements / Components / Ingredients of GST:

1. The Central Goods and Services Act, 2017
2. The State / UT Goods and Services Act, 2017
3. The Integrated Goods and Services Act, 2017
4. Goods and Service Tax Rules, 2017
5. Decisions taken in Goods and Service Tax Council Meetings
6. Annual Finance Act
7. Circulars / Notifications issued by the CBIC
8. HC / SC Judgements

Sources of Law



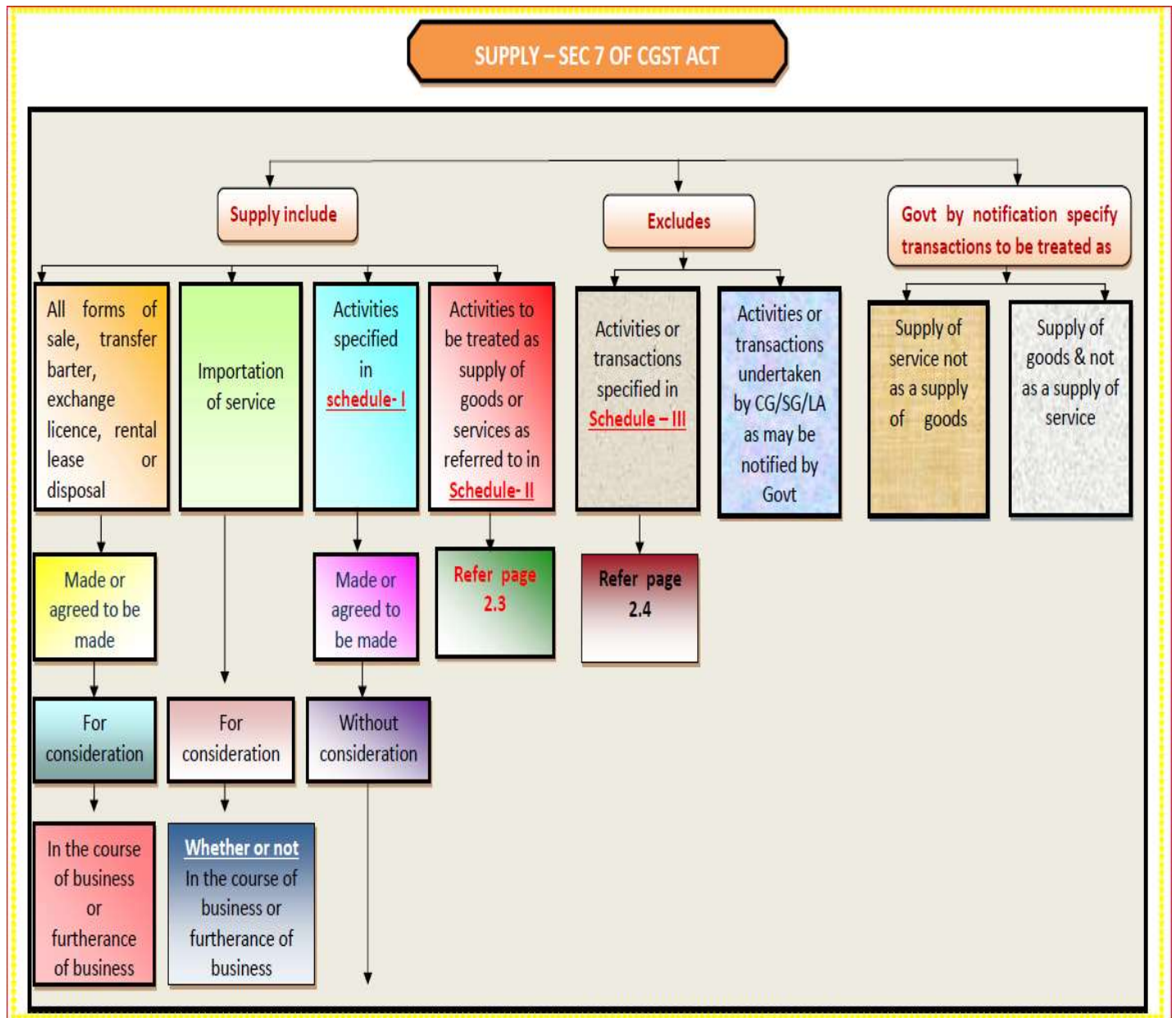
Taxable Event:

- The Foundation stone of any taxation system is “**Taxable Event**”
- It determines the **point at which tax** would be levied
- Before levying any tax, taxable event needs to be ascertained.
- The GST laws resolve these issues by laying down **one comprehensive word** called as taxable event i.e., “**Supply**”

Parameters of “Supply”:

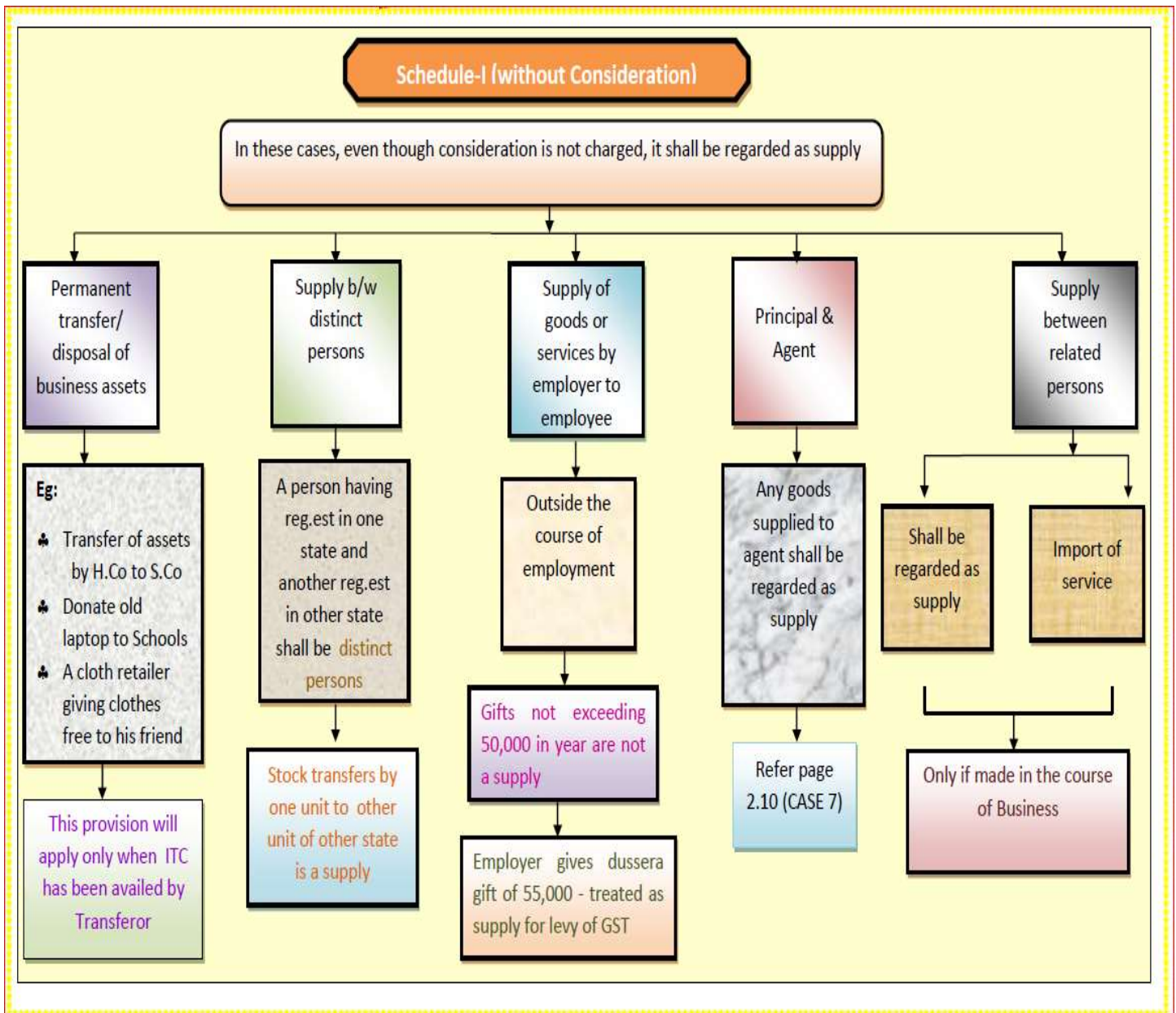
- Supply should be of Goods or Services or both
- Supply of anything other than goods or services like money, securities, actionable claims etc. does not attract GST
- Supply should be made for a consideration
- Supply should be made in the course or furtherance of business.

Section 7 of CGST Act, 2017 "Supply" includes:



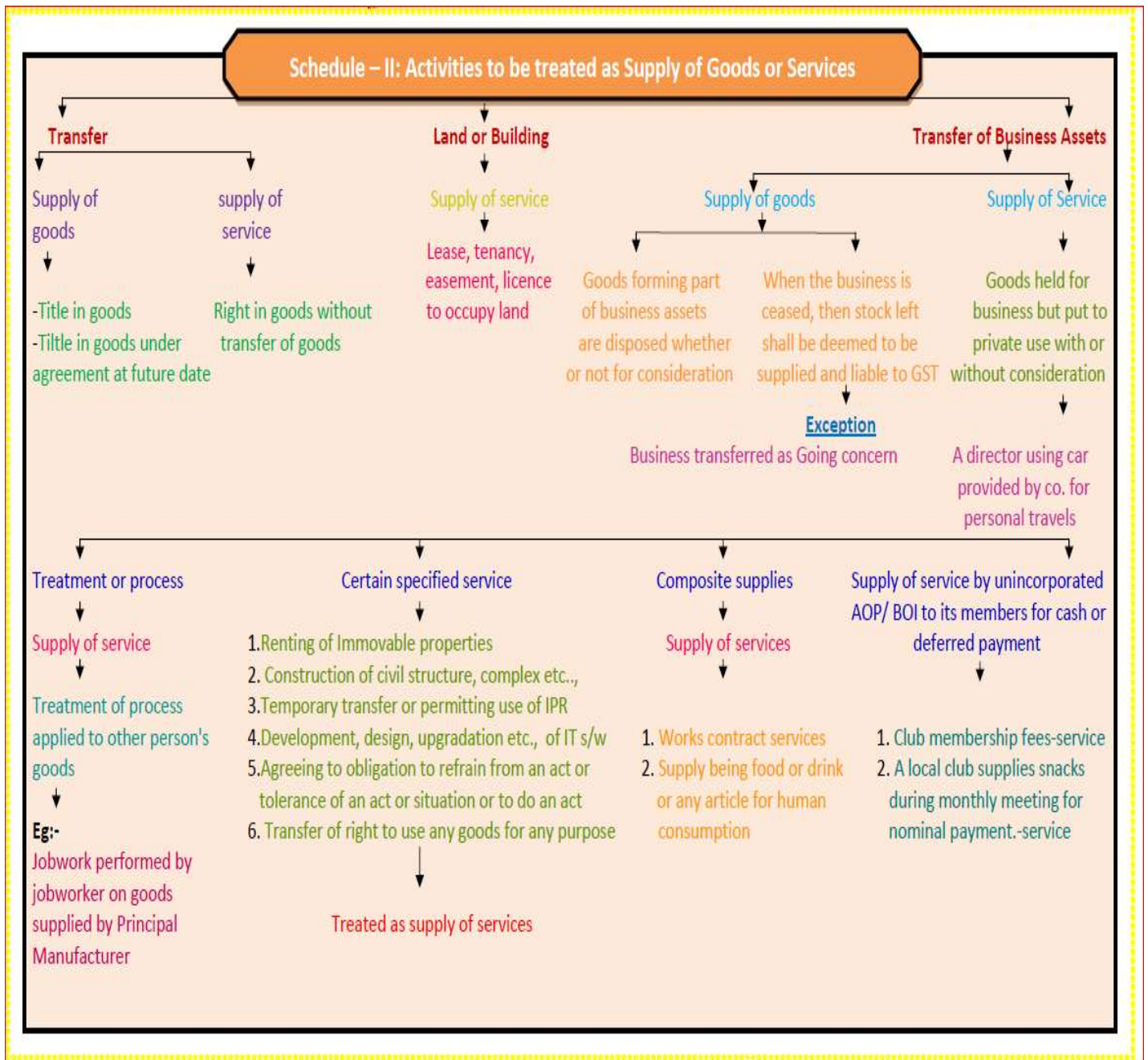
Schedule-I of CGST Act, 2017

Activities to be treated as "Supply" even if made without Consideration



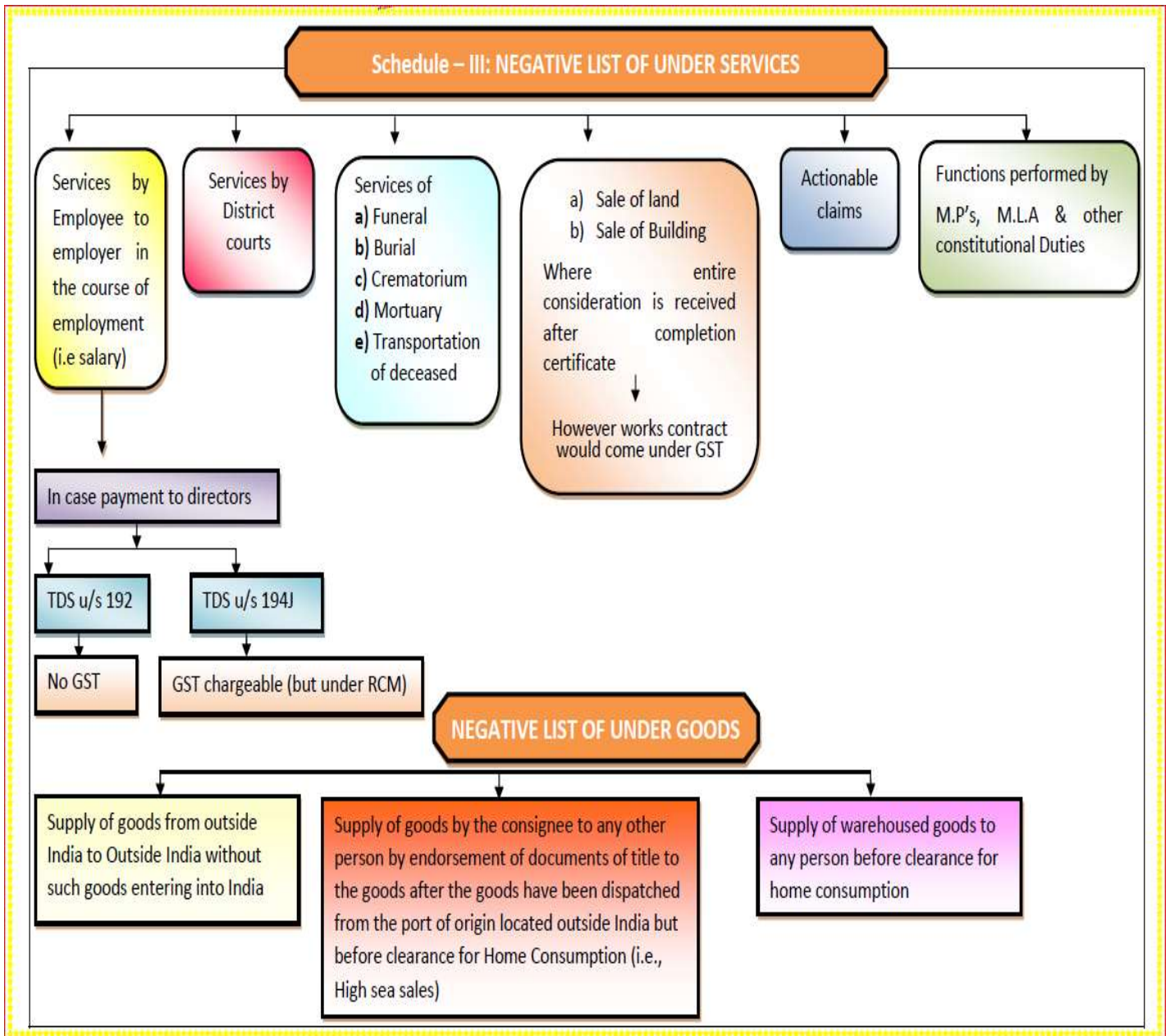
Schedule-II of CGST Act, 2017

Activities or Transactions to be treated as “Supply of Goods” (or) “Supply of Services”



Schedule-III of CGST Act, 2017

Activities or Transactions which shall be treated **Neither** as a “Supply of Goods” Nor A
“Supply of Services”



-Thank You-

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Types of Supply

GST laws uses a **single comprehensive word** i.e., “Supply”

Parameters of “Supply”:

- Supply should be Goods or Services or both.
- Supply should be made for a consideration
- Supply should be made in the course or furtherance of business

Various types of Supply:

- ❖ Inward & Outward Supply
- ❖ Taxable Supply
- ❖ Exempt Supply & Non-Taxable Supply,
- ❖ Non-GST Supply
- ❖ Zero-rated supply
- ❖ Composite Supply

- ❖ Mixed Supply
- ❖ Composite Supply vs. Mixed Supply,

Different types of supplies discussed in details as follows:

(i) Inward & Outward Supply:

Inward supply and outward supply should be read together.

📌 Section 2(67) of CGST Act, 2017 defines '**Inward supply**' refers to receipt of goods or services or both whether by purchase, acquisition or any other means with or without consideration,

📌 Section 2(83) of CGST Act, 2017 defines '**Outward supply**' refers to supply of goods or services or both, whether by

- ✓ sale,
- ✓ transfer,
- ✓ barter,
- ✓ exchange,
- ✓ licence,
- ✓ rental,
- ✓ lease or
- ✓ disposal or
- ✓ any other mode,
- ✓ made or agreed to be made
- ✓ by such person
- ✓ in the course or furtherance of business;

(ii) **Taxable Supply:**

Sec.2(108) of CGST Act, 2017 defines, “Taxable supply” means a supply of goods or services or both which is leviable to **tax** under this Act;

(iii) **Exempt Supply & Non-Taxable Supply:**

📌 Sec.2(47) of CGST Act, 2017 defines “**Exempt supply**” means, supply of any goods or services or both which attracts nil rate of tax or which may be wholly exempt from tax under **sec.11** of CGST Act, or under **sec.6** of the Integrated Goods and Services Tax Act, and includes non-taxable supply.

📌 Sec. 2(78) of CGST Act, 2017 defines “**Non-taxable supply**” means a supply of goods or services or both which is not leviable to tax under this Act or under the Integrated Goods and Services Tax Act.

- ✓ Non-taxable supply should essentially be ‘supply’
- ✓ It should satisfy the ingredients of the supply
- ✓ Such as supply of goods or service for consideration & in the course of business
- ✓ If a supply satisfies these ingredients but yet they are not taxable under this Act, then such supply becomes **non-taxable**.
- ✓ Say,
 - the Act excludes alcoholic liquor for human consumption
 - Petroleum crude, motor spirit (petrol), high speed diesel, natural gas and aviation turbine fuel etc. are out of purview of GST.

(iv) **Non-GST Supply:**

- ❖ Schedule III of the CGST Act, 2017 specifically refers to activities of transactions which shall be treated **neither as supply of goods nor supply of services**.
- ❖ These transactions as given under Schedule III **cannot** be brought under the scope of non-taxable supply, but under Non-GST Supply only.
- ❖ Examples:
 - ✓ Services provided by employee to an employer
 - ✓ Sale of Land or Building or Both,
 - ✓ Services provided by any Court or Tribunal
 - ✓ High Sea Sale transactions
 - ✓ Actionable claims

(v) **Zero rated supply:**

Sec.16 of the **IGST Act** refers to Zero rated supply as follows:

Sec.16 (1) *'Zero rated supply' means any of the following supplies of goods or services or both, namely: --*

(a) export of goods or services or both; or

(b) supply of goods or services or both to a SEZ developer or a SEZ unit.

Export of Goods:

Section 2(5) of IGST Act, 2017 defines "Export of Goods" means taking goods out of India to a place outside India

Export of Services:

Section 2(6) of IGST Act, 2017 defines “Export of Services” means the supply of any service when,

- i. the supplier of service is located in India
- ii. the recipient of service is located outside India;
- iii. the place of supply of service is outside India
- iv. the **payment** for such service has been received by the supplier of service in convertible foreign exchange [or in Indian rupees wherever permitted by the RBI]; and
- v. the supplier of service and the recipient of service are not merely establishments of a distinct person in accordance with Explanation 1 in section 8 of IGST Act, 2017.

Explanation 1 of section 8: Distinct persons are persons with different GSTINs belonging to one legal entity (**single PAN**) situated within the same state or in two different states or in a different country.

Note on GST Refund:

- ❖ Registered person may avail credit of Input tax for making zero-rated supplies
- ❖ He may claim refund of un-utilised ITC by making
 - ✓ Supply goods or Services or both under LUT & claim refund (or)
 - ✓ Supply goods or Services or both on payment of IGST and claim refund of such tax paid in accordance with the provisions of S.54 of CGST Act, 2017

(vi) Composite Supply under GST:

As per S.2(30) of CGST Act, 2017 **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

Principal Supply means the supply of goods or services which constitutes the predominant element of a composite supply and to which any other supply forming part of that composite supply is ancillary.

Note: The tax rate of the **principal supply** shall apply on the entire supply.

Clause (a) of Section 8 defines:

- A composite supply comprising of
- Two or more supplies,
- Which are naturally bundled in the ordinary course of business
- One of which is a principal supply
 - Shall be treated as a supply of such principal supply

Example:

A Ltd Manufacturers of readymade shirts entered into a contract with B Ltd for supply of 1000 shirts packed in designer boxes at the premises of B Ltd. Further, A Ltd would also get them insured during transit. In this case, supply of goods, packing materials, transport & insurance is a composite supply wherein **supply of goods** is principal supply.

- ✓ Principal Supply: Goods
- ✓ Ancillary Supply: Packing material, transport and Insurance
- ✓ **Tax Applicability:** Tax on the principal supply i.e., GST rate on readymade shirts.

(vii) Mixed Supply under GST:

As per S.2(74) of CGST Act, 2017, 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 supply does not constitute a composite supply

It means

- ✓ Each of supplies can be supplied separately and
- ✓ Not dependent on any other supply i.e., each supply is independent and
- ✓ Such supplies are not naturally bundled

Clause (b) of Section 8 defines

A mixed supply comprising of:

- Two or more supplies
- Shall be treated as a supply of that particular supply
- Which attracts highest rate of tax

Example:

A Diwali gift box consisting of canned foods, sweets, chocolates, cakes, dry fruits, aerated drink and fruit juices supplied for a single price is a mixed supply. All are also sold separately.

Applicable Tax Rate: Since aerated drinks have the highest GST rate of 28% and 28% will apply on the entire gift box.

(viii) Composite Supply vs. Mixed Supply:

Composite and mixed supplies



Composite Supply

- Consist of two or more supplies
- Naturally bundled
- In conjunction with each other
- One of which is principal supply
- Tax liability shall be rate of principal supply
- Example:** Charger supplied alongwith mobile phones.



Mixed Supply

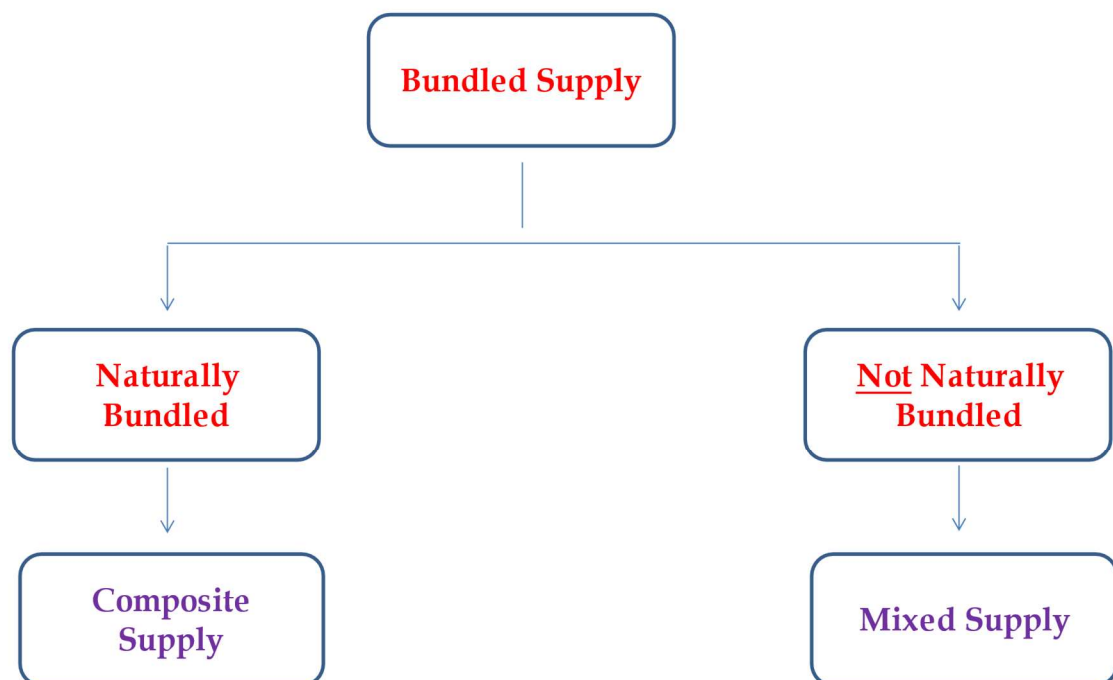
- Consist of two or more supply
- Not naturally bundled
- Though can be supplied independently, still supplied together
- Tax liability shall be the rate applicable to the supply that attracts highest rate of tax
- Example:** A gift pack comprising of chocolates, candies, sweets and balloons.

In a Nutshell:

Particulars	Composite Supply	Mixed supply
Main item	Principal item	Item with highest tax rate
Tax rate applicable	Tax rate of Principal item	Highest tax rate of all the items

Bundled Supply

- ❖ A bundled supply is a combination of goods and/or services.



How to report the "Different types of Supply" in GST Returns:

Form GSTR-3B:

3.1 Details of Outward Supplies and inward supplies liable to reverse charge Help ?

Table 3.1(a), (b), (c) and (e) are auto-drafted based on values provided in GSTR-1. Whereas Table 3.1(d) is auto-drafted based on GSTR-2B. ✕

Nature of Supplies	Total Taxable value (₹)	Integrated Tax (₹)	Central Tax (₹)	State/UT Tax (₹)	CESS (₹)
(a) Outward taxable supplies (other than zero rated, nil rated and exempted)	1,25,059.00	0.00	11,255.31	11,255.31	0.00
(b) Outward taxable supplies (zero rated)	0.00	0.00			0.00
(c) Other outward supplies (Nil rated, exempted)	0.00				
(d) Inward supplies (liable to reverse charge)	0.00	0.00	0.00	0.00	0.00
(e) Non-GST outward supplies	0.00				

CANCEL CONFIRM

Conclusion:

- ❖ Unlike the erstwhile tax regimes where indirect taxes were levied in different stages of a good or a service,
- ❖ GST unifies them all and a single term 'Supply' is used in place of excise duty, VAT, service tax etc.
- ❖ Thus, it becomes more important now to understand the term 'Supply' and its applicability in detail in light of the definitions provided under the Act.

-Thank You-

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Consequences of wrong classification of type of Supply and it's remedy

The following are the Consequences of wrong classification of type of Supply:

1. Tax payer may end up with paying taxes for an exempted supply
2. Tax payer may fail to pay taxes by treating as an exempted supply for a taxable supply accordingly
3. Tax payer may lose exemption benefit
4. Loss of non-availment of ITC by treating as an exempted supply
5. Fails to pay tax under reverse charge, treating as normal inward supplies
6. Missed to avail export incentives and duty drawbacks claims treating Zero-rated supply as domestic supply

7. Wrong classification of “type of supply” leads to

- **Disputes** with the customers as well as
- **Demands** from the revenue department {Tax + Interest + Penalty}

Remedy for wrong classification of type of supply:

✚ In case of **Non-payment** (or) **Short payment of tax** due to wrong classification of type of supply, **tax** shall be paid through **DRC-03** along with interest @ 18% p.a

✚ In case of **wrong / excess payment of tax** due to wrong classification of type of supply, such tax may be adjusted with future output tax liability or may be applied for refund through GST RFD-01 as follows:

Select the Refund type:

Indicates Mandatory Fields

<input type="radio"/>	Refund of Excess Balance in Electronic Cash Ledger
<input type="radio"/>	Refund of ITC on Export of Goods & Services without Payment of Tax
<input type="radio"/>	On account of supplies made to SEZ unit/ SEZ developer (without payment of tax)
<input type="radio"/>	Refund on account of ITC accumulated due to Inverted Tax Structure
<input type="radio"/>	On account of Refund by Recipient of deemed export
<input type="radio"/>	Refund on account of Supplies to SEZ unit/ SEZ Developer (with payment of tax)
<input type="radio"/>	Export of services with payment of tax
<input type="radio"/>	Tax paid on an intra-State supply which is subsequently held to be inter-State supply and vice versa
<input type="radio"/>	On account of Refund by Supplier of deemed export
<input type="radio"/>	Any other (specify)
<input checked="" type="radio"/>	Excess payment of tax
<input type="radio"/>	On Account of Assessment/Provisional Assessment/Appeal/Any other order

Please select Tax period for which the application is to be filed:

Tax Period

ⓘ Please select months starting from registration date or post registration date in month dropdown.

Financial Year

Month

Select

Select


CREATE REFUND APPLICATION


📌 In case **Inter-State Sale is wrongly Treated as Intra-State Sale and vice versa**

Type of sale	Applicable tax	Actually Paid	Rectification	Interest/ Penalty
Intra-state	CGST & SGST	IGST	Pay CGST & SGST Refund IGST	No
Inter-state	IGST	CGST & SGST	Pay IGST Refund CGST & SGST	No

Note: No interest will need to be paid when the taxpayer pays the correct tax later on. Penalty will not apply in these scenarios.

GST RFD-01: Refund Application filed as follows

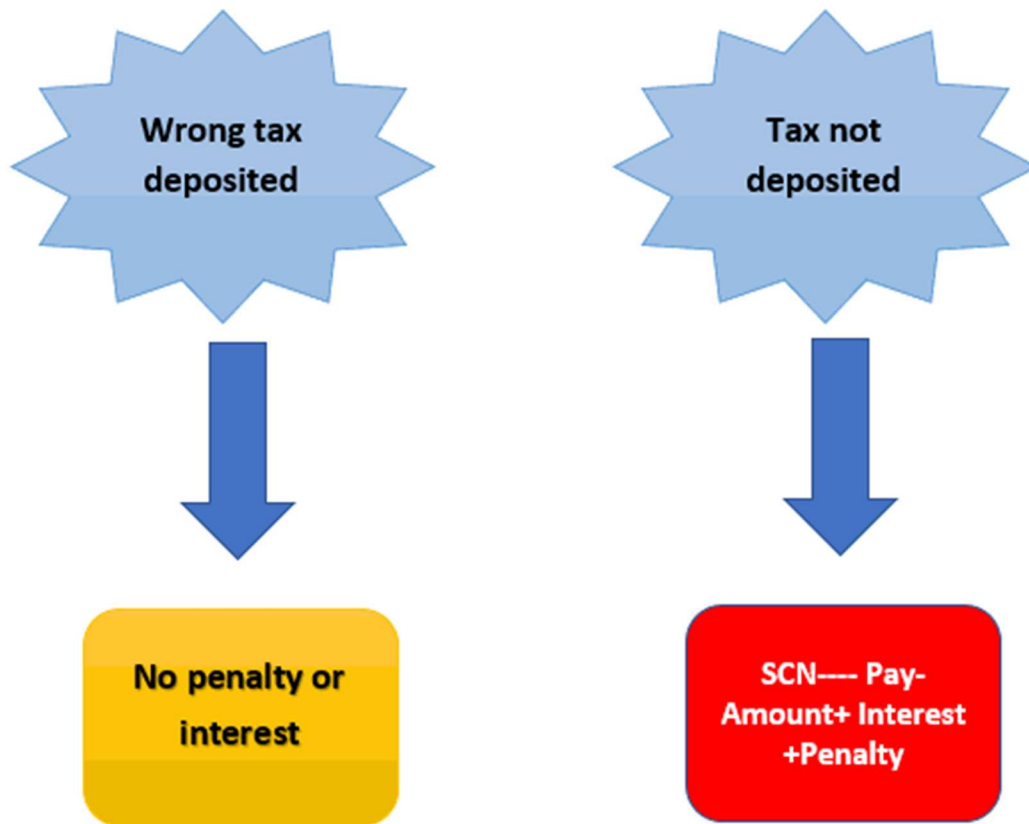
Select the Refund type: 

 Indicates Mandatory Fields

<input type="radio"/>	Refund of Excess Balance in Electronic Cash Ledger
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<input type="radio"/>	On account of supplies made to SEZ unit/ SEZ developer (without payment of tax)
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<input type="radio"/>	Export of services with payment of tax
<input checked="" type="radio"/>	Tax paid on an intra-State supply which is subsequently held to be Inter-State supply and vice versa
<input type="radio"/>	On account of Refund by Supplier of deemed export
<input type="radio"/>	Any other (specify)
<input type="radio"/>	Excess payment of tax
<input type="radio"/>	On Account of Assessment/Provisional Assessment/Appeal/Any other order

CREATE REFUND APPLICATION

Conclusion:



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Classification & HSN / SAC-Theory & Practical Approach

HSN

- ❖ HSN code stands for “Harmonized System of Nomenclature”
- ❖ HSN has been introduced for the systematic classification of goods all over the world.
- ❖ HSN code is a 6-digit uniform code that classifies 5000+ products and is accepted worldwide.
- ❖ It was developed by the World Customs Organization (WCO) and it came into effect from 1988.

How does HSN code work:

- ❖ Say there is 5,000 plus commodities, each identified by a six-digit code, arranged in a legal and logical structure.
- ❖ It is supported by well-defined rules to achieve uniform classification.

Why is HSN important?

- ❖ The main purpose of HSN is to classify goods from all over the World in a systematic and logical manner.
- ❖ This brings in a uniform classification of goods and facilitates international trade.

HSN Worldwide:

- ❖ The HSN system is used by more than 200 countries and for the reasons such as:
 - ✓ Uniform classification
 - ✓ Base for their Customs tariffs
 - ✓ Collection of international trade statistics
- ❖ Over 98% of the merchandise in international trade is classified in terms of the HSN.
- ❖ Harmonized System of Nomenclature number for each commodity is accepted by most of the countries.
- ❖ The HSN number remains **same** for almost all goods.
- ❖ However, HSN number used in some of the countries varies little, based on the nature of goods classified.

HSN in India:

- ❖ India is a member of World Customs Organization (WCO) since 1971.
- ❖ It was originally using 6-digit HSN codes to classify commodities for Customs and Central Excise.
- ❖ Later Customs and Central Excise added two more digits to make the codes more precise, resulting in an 8-digit classification.

Understanding the HSN Code:

❖ The HSN structure contains

- 21 sections,
- 99 Chapters,
- 1,244 headings, and
- 5,224 subheadings.

- ✓ Each Section is divided into Chapters.
- ✓ Each Chapter is divided into Headings.
- ✓ Each Heading is divided into Sub Headings.

📁 Section and Chapter titles describe broad categories of goods,

📁 While headings and subheadings describe products in detail.

For example:

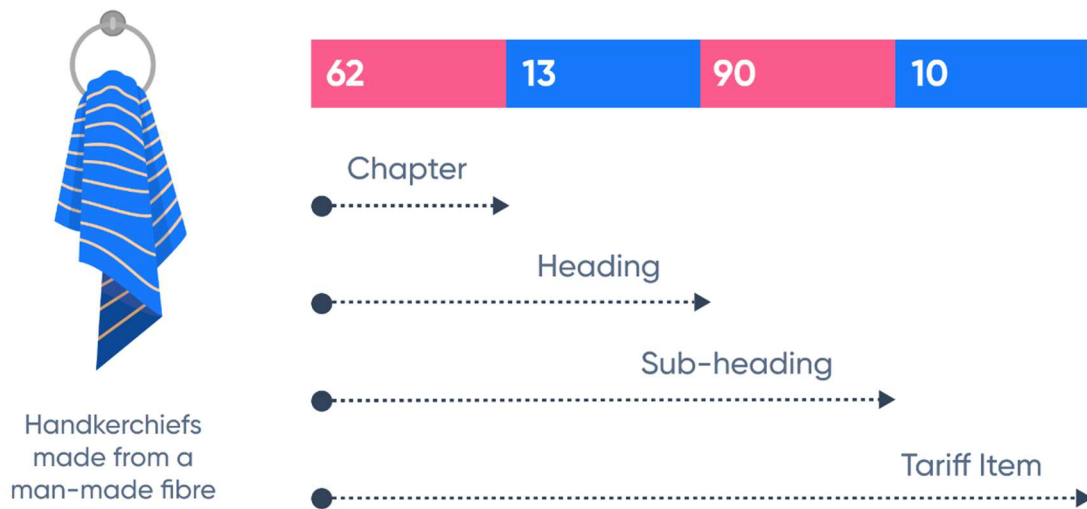
Handkerchiefs made of Textile matters 62.13.90

- 📁 First two digits (62) represent the **chapter number** for Articles of apparel and clothing accessories, not knitted or crocheted.
- 📁 Next two digits (13) represent the **heading** number for handkerchiefs.
- 📁 Finally, last two digits (90) is the product code for handkerchiefs made of other **textile materials**.

India has 2 more digits (Tariff item) for a deeper classification.

- 📁 If the handkerchiefs are made from a man-made fibre, then the HSN code is 62.13.90.10.
- 📁 If the handkerchiefs are made from silk or waste from silk., then the HSN code is 62.13.90.90.

Structure of HSN Code in India



SAC

- ✚ SAC refers to “**Services Accounting Code**” for classification of different services.
- ✚ Like goods, Services are also classified uniformly for
 - ✓ recognition,
 - ✓ measurement and
 - ✓ taxation.
- ✚ Codes for services are called Services Accounting Code or SAC.

For Example:

Legal documentation and certification services concerning patents, copyrights and other intellectual property rights classified under SAC 998213

- ✓ The first two digits are same for all services i.e., (99)
- ✓ The next two digits (82) represent the major nature of service, in this case, legal services

- ✓ The last two digits (13) represent detailed nature of service, i.e., legal documentation for patents etc.

HSN in GST:

📌 HSN codes to be declared in the Tax Invoice up to 31st March 2021:

Turnover	No. of digits of HSN to be declared
Up to 1.5 crore	0
1.5 crore - 5 crore	2
More than 5 crores	4

📌 Declaration of HSN Code for Goods and Services

HSN codes to be declared from **1st April 2021**:

(vide CGST notification number 78/2020 dated 15th October 2020)

Aggregate Turnover in the PFY	Type of Invoice document	No. of digits of HSN to be declared
Up to 5 crores	Mandatory for B2B Tax invoices	4
	Optional for B2C Tax invoices	4
More than 5 crores	Mandatory for All invoices	6

Note: Annual aggregate turnover for the previous financial year, i.e., for reporting invoice in FY 2021-22, turnover to be referred must be of FY 2020-21.

- 📌 These HSN codes must be declared in every tax invoice issued by the taxpayer under GST.
- 📌 All 8 digits of HSN code is **mandatory** in case of **export** and **imports** under the GST.

Important of HSN/ SAC under GST:

- ✚ The purpose of HSN codes is to make GST systematic and globally accepted.
- ✚ HSN codes will **remove** the need to upload the detailed description of the goods.
- ✚ This will save time and make filing easier since GST returns are automated.
- ✚ A dealer or a service provider must provide HSN/SAC wise summary of sales in his GSTR-1 return
- ✚ HSN / SAC code details are mandatory to mention in Annexure-B i.e., “ITC Statement” while making an application for GST Refund

HSN - wise summary of outward supplies

Sections	HSN Code List for
Section 1	Live Animals, Animal Products
Section 2	Vegetable Products
Section 3	Animal or Vegetable Fats and Oils and their cleavage products, prepared edible fats, Animal or Vegetable waxes
Section 4	Prepared Foodstuffs, Beverages, Spirits and Vinegar, Tobacco and Manufactured Tobacco Substitutes
Section 5	Mineral Products
Section 6	Product of the chemicals or allied Industries
Section 7	Plastics and articles thereof, Rubber and articles thereof
Section 8	Raw hides and skins, Leather, Furskins and articles thereof, saddlery and harness, travel goods, handbags and similar containers, articles of animal gut (other than silk-worm gut)
Section 9	Wood and articles of wood, Wood charcoal, Cork and articles of cork, Manufacturers of straw, of Esparto or of other Plaiting Materials, Basketwork and Wickerwork
Section 10	Pulp of wood or of other Fibrous Cellulosic Material, Recovered (Waste and scrap) paper or paperboard, paper and paperboard and articles thereof
Section 11	Textile and textile articles
Section 12	Footwear, Headgear, Umbrellas, Sun Umbrellas, Walking-sticks, seat-sticks, whips, riding-crops and parts thereof, Prepared feathers and articles made therewith, Artificial flowers, Articles of human hair

Sections	HSN Code List for
Section 13	Articles of stone, plaster, cement, asbestos, mica, or similar materials, ceramic products, glass and glassware
Section 14	Natural or cultured pearls, Precious or semi-precious stones, precious metals, Metal clad with precious metal, and articles thereof, Imitation Jewellery, Coins
Section 15	Base Metals and articles of Base Metal
Section 16	Machinery and mechanical appliances, electrical equipment, parts thereof, sound recorders and reproducers, television image and sound recorders and reproducers, and Parts and Accessories of such article
Section 17	Vehicles, Aircraft, Vessels and Associated Transport Equipment
Section 18	Optical, Photographic, Cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus, clocks and watches, musical instruments, parts and accessories thereof
Section 19	Arms and ammunition, parts and accessories thereof
Section 20	Miscellaneous Manufactured Articles

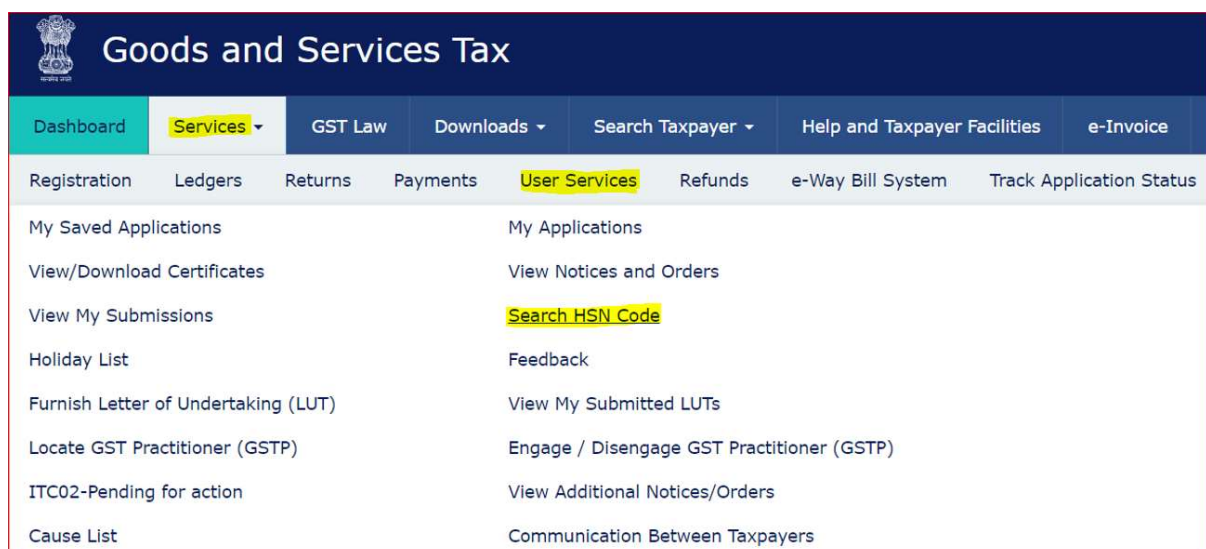
How to find Goods / Services in HSN list and its relevant HSN Code:

I. Government Portal

Step-1: Browse the GST Portal “www.gst.gov.in”

Step-2: Enter Login Credentials of the user

Step-3: Go to Services ---->>> select User Services ---->>> Search HSN Code



Step-4: Search HSN Code --> Type Name or HSN Code

Dashboard Services GST Law Downloads Search Taxpayer Help and Taxpayer Facilities

Dashboard > Services > User Services > Search HSN Code

Search HSN Code

Search HSN Chapter by Name or Code

SEARCH

- 8702
MOTOR VEHICLES FOR THE TRANSPORT OF TEN OR MORE PERSONS, INCLUDING THE DRIVER
- 8703
MOTOR CARS AND OTHER MOTOR VEHICLES PRINCIPALLY DESIGNED FOR THE TRANSPORT OF PERSONS (OTHER THAN THOSE OF HEADING 8702).

Dashboard Services GST Law Downloads Search Taxpayer Help and Taxpayer Facilities

Dashboard > Services > User Services > Search HSN Code

Search HSN Code

Search HSN Chapter by Name or Code

SEARCH

- 870210
With only compression-ignition internal combustion piston engine (diesel or semi-diesel)
- 87021011
MOTOR VEHICLES FOR THE TRANSPORT OF TEN OR MORE PERSONS, INCLUDING THE DRIVER WITH COMPRESSION-IGNITION

II. Private Portal: Clear Tax → <https://cleartax.in/s/gst-hsn-lookup> → HSN Finder

<

HSN Code List & GST Rate Finder

998213

Search

HSN (0)

SAC (1)

Chapter	Description	HSN Code	Rate (%)	CESS (%)	Effective Date	Rate Revision
Services (1)						
Services	LEGAL DOCUMENTATION AND CERTIFICATION SERVICES CONCERNING PATENTS, COPYRIGHTS AND OTHER INTELLECTUAL PROPERTY RIGHTS.	998213	18	Nil Provided that Director (Sports), Ministry of Youth Affairs and Sports certifies that the services are directly or indirectly related to any of the events under FIFA U-17 Women's World Cup 2020.	01/07/2017	18%

Importance of HSN & SAC in GST Registration:

Dealer needs to declare and furnish mandatorily HSN & SAC codes while doing GST Registration of the Business or Profession going to undertake

HSN: for Goods Max 5

SAC: for Services Max 5

Importance of Classification of Goods / Services under GST

- Under GST law, one of the most important elements is the classification of Goods/Services for the purpose of **determination of rate of tax** to be levied on them.
- The rate of tax to be charged on a **particular product** depends on the HSN/SAC codes specified under the GST law.

- Also, for the availability of exemptions, we need to classify the goods/services properly and accurately.

Impact & Effects of wrong classification of Goods / Services i.e., use of a wrong HSN or SAC Code?

- Wrong classification leads to **wrong valuation**
- Wrong valuation further leads to **wrong payment of taxes**
- Here are a few **cases** with their significant effects:

CASE	EFFECT
GST charged at higher rate	Loss of orders Loss of credibility with customers Extra cost of re-establishing business with the new/old customers Unavoidable loss on account of discounts given to customers
GST charged at lesser rate	Loss of non-recovery of tax from customers Interest cost and penalty paid under the Act
Wrong exemption claimed	Loss of non-availment of Input tax credit Interest cost and penalty paid along with output tax liability

Goods/services classified under Reverse Charge Mechanism where they are not supposed to be so classified OR Vice-versa	Non-payment of tax OR Unnecessary payment of tax
Non-payment of Compensation Cess on specified goods/services	Penal proceedings over and above interest cost
Wrong classification of export/import	Denial of benefits under Foreign Trade policy <ul style="list-style-type: none"> • Duty drawback • Incentives
ANY OTHER CASES of wrong classification of Goods/services	Calculation of incorrect tax liability Incorrect claim of Input tax Credit or No claim Interest cost and penalty Extra cost of dispute resolution at adjudication, appeal, court

Note: *In case of wrong classification of HSN / SAC code, Revenue officers decides classification in favour of revenue i.e., at higher rates. The same is done by the AAR.*

Factors that may lead to wrong classification of Goods/Services are as follows:

1. Lack of knowledge of the goods specifications and services.
2. Demand-Supply competition in the market.
3. Non-availability of Input tax credit.
4. Avoidance of disputes with customers.
5. Avoidance of complexities in classification.
6. Minor differences in description of goods under one HSN code and the other.

Remedy for wrong classification of Goods or Services:

- In case of **short payment of tax** due to wrong classification, such tax shall be paid through DRC-03 along with interest @ 18% p.a
- In case of **excess payment of tax** due to wrong classification, such tax may be adjusted with future output liability or may be applied for refund through GST RFD-01 as follows:

Select the Refund type:

Indicates Mandatory Fields

<input type="radio"/>	Refund of Excess Balance in Electronic Cash Ledger
<input type="radio"/>	Refund of ITC on Export of Goods & Services without Payment of Tax
<input type="radio"/>	On account of supplies made to SEZ unit/ SEZ developer (without payment of tax)
<input type="radio"/>	Refund on account of ITC accumulated due to Inverted Tax Structure
<input type="radio"/>	On account of Refund by Recipient of deemed export
<input type="radio"/>	Refund on account of Supplies to SEZ unit/ SEZ Developer (with payment of tax)
<input type="radio"/>	Export of services with payment of tax
<input type="radio"/>	Tax paid on an intra-State supply which is subsequently held to be inter-State supply and vice versa
<input type="radio"/>	On account of Refund by Supplier of deemed export
<input type="radio"/>	Any other (specify)
<input checked="" type="radio"/>	Excess payment of tax
<input type="radio"/>	On Account of Assessment/Provisional Assessment/Appeal/Any other order

Please select Tax period for which the application is to be filed:

Tax Period

Please select months starting from registration date or post registration date in month dropdown.

Financial Year

Select

Month

Select

CREATE REFUND APPLICATION

General Penalty u/s 125 of CGST Act, 2017 for not mentioning HSN Code:

In case of **non-mentioning** or mentioning **wrong HSN / SAC** code under the Goods and Service Tax Act, the penalty up to **Rs 50,000/-** (Rs 25,000/- for CGST and Rs 25,000/- for SGST) shall be levied.

Conclusion:

- ✚ To sum up, it's important to avoid mistakes during classification of goods and/or services,
- ✚ As this may lead to
 - ✓ **Disputes** with the customers as well as
 - ✓ **Demands** from the revenue department {differential tax + interest + penalty}
- ✚ It's better to refer to the notifications prescribed from time to time specifying the rates applicable on various products and the Advance Rulings passed in some cases to classify them accordingly, following the rules of interpretation.

-Thank You-
