

Centre for Good Governance

GST in the context of Urban Local Bodies (ULBs)

Working Paper

June 2020

1. Working Paper on GST in the context of ULBs: Background

This working paper outlines that the Goods and Services Tax (GST) applies to Municipalities/ Municipal Corporations. It contains overview of GST, as well as detailed information about GST issues that are specific to Municipalities/ Municipal Corporations. The working paper includes information on registration for GST, service supplied by/to, works contract, TDS, claiming input tax credits (ITC), submission of various returns, as well as exemption of GST on the goods and services supplied by Municipalities/ Municipal Corporations.

2. Introduction

2.1 What is Goods and Services Tax (GST)?

GST means a tax on supply of goods and services, or both, except taxes on supply of alcoholic liquor for human consumption. Note that the word used is 'supply' and not 'sale'. Thus, stock transfers, as well as branch transfers will also get covered under GST net.

2.2 Dual GST

- i) For smooth implementation of GST, an amendment was made to the Constitution of India during 2016 simultaneously empowering the Centre and the States to levy and collect this tax. With this amendment, the Dual GST regime started aligning with the fiscal federal protocols in India.
- ii) Supply of goods and services within the State: There will be dual GST – State GST (SGST) and Central GST (CGST) on supply of goods and services within the State.
- iii) Supply of goods and services outside the State: In case of Inter-state supply of goods and services, there will be integrated GST (IGST) imposed by Central Government (Govt. of India or GoI).
- iv) Dual GST is a model in which both state and central governments levy GST separately.

2.3 Taxes subsumed under GST

- i) **Central Taxes that subsumed within the GST are:**
 - a) Central Excise Duty
 - b) Duties of Excise (Medicinal and Toilet Preparation)
 - c) Additional Duties of Excise (Goods of Special Importance)
 - d) Additional Duties of Excise (Textiles and Textile Products)
 - e) Additional Duties of Customs (Commonly known as CVD)

- f) Special Additional Duty of Customs (SAD)
 - g) Service Tax
- ii) State Taxes that subsumed within the GST are:**
- a) State VAT
 - b) Central Sales Tax
 - c) Purchase Tax
 - d) Luxury Tax
 - e) Entry Tax (all forms)
 - f) Entertainment Tax (except those levied by the local bodies)
 - g) Tax on advertisements
 - h) Tax on lotteries, betting and gambling
 - i) Cesses and surcharges in so far as they relate to supply of goods or services

2.4 GST- Benefits

- i) GST is a destination-based consumption tax. It has been designed in a manner so that tax is collected at every stage and credit of tax paid at the previous stage is available to set off the tax to be paid at the next stage of transition, thereby eliminating cascading of taxes (i.e. tax on tax).
- ii) A common procedure for registration of taxpayers, refund of taxes, uniform formats of tax returns, common tax base, and common system of classification of goods or services along with timelines for every activity leading to greater certainty to the taxation system.
- iii) GST is largely technology driven.
- iv) The average tax burden on trade and industry is likely to come down, which is expected to reduce prices.

3. Overview of GST

3.1 Overview

- i) Person liable to pay tax and Registration
- ii) Supply
- iii) Service
- iv) Time of Supply
- v) Place of Supply
- vi) Value of Supply

- vii) Input Tax Credit (ITC)
- viii) Payment of Tax
- ix) Filing of Returns

3.2 Person liable to pay Tax and Registration

A person would be liable to pay taxes, if he is registered or liable to be registered under GST.

i) A person is liable to be registered under GST

- a) If he is mandatorily required to be registered under GST, or
- b) If he is making taxable supply of goods or services or both and his aggregate turnover under same PAN in the entire county exceeds the threshold limit¹ (Rs.10 lakhs/20 lakhs).

ii) Registration is Mandatory

- a) Inter-state suppliers
- b) Casual taxable persons
- c) Persons taxable under the reverse charge basis
- d) Non-resident taxable persons
- e) Persons required to deduct TDS under GST
- f) Persons required to deduct TCS under GST
- g) Input service distributors
- h) Persons making a sale on behalf of someone else whether as an Agent or Principal
- i) Every E-commerce operator who provides a platform to suppliers to make supply through it
- j) Suppliers who supply goods through E-commerce operator who is liable to collect tax at source
- k) Online Service Providers providing service from outside India to a non-registered person in India.

iii) Not liable to be registered under GST

- a) Wholly exempted
- b) Agriculturist to the extent of supply of produce out of cultivation land
- c) Only liable to pay tax on RCM by the recipient
- d) Job workers engaged in making inter-state supply of services to a registered person.

¹ Threshold limit is Rs.10 lakhs/20 lakhs for person in Specified States/Non-Specified States

3.3 Supply - The meaning and scope of 'supply'

The taxable event in GST is supply of goods or services or both. Various taxable events like manufacture, sale, rendering of service, purchase, entry into a territory of State etc. have been done away with in favour of just one event i.e. Supply. The term "Supply" has been inclusively defined in the Central Goods and Services Tax Act, 2017 (CGST Act). The meaning and scope of supply under GST can be understood in terms of following six parameters.

- i) Supply of goods or services. Supply of anything other than goods or services does not attract GST
- ii) Supply should be made for a consideration except activities specified in Schedule III of CGST Act
- iii) Supply should be made in the course or furtherance of business
- iv) Supply should be made by a taxable person
- v) Supply should be a taxable supply
- vi) Supply should be made within the taxable territory.

3.4 Service

'Service' means anything other than goods, money and securities but includes activities relating to the user of money or its conversion by cash or by any other mode from one form, currency or denomination, to another form, currency or denomination for which a separate consideration is charged.

For example, development of software is a service. The development, design, programming, customisation, adaptation, upgradation, enhancement, implementation of information technology software is 'supply of service' – para 5(d) of Schedule II of CGST Act.

3.5 Time of Supply

Time of supply means the point in time when goods/services are considered 'supplied'. When the seller knows the 'time', it helps him identify due date for payment of tax.

- i) Time of Supply of Goods:** Time of supply of goods is the earliest of
 - a) Date of issue of invoice
 - b) Last date on which invoice should have been issued
 - c) Date of receipt of advance/ payment.

- ii) Time of Supply for Services:**

Time of supply of services is the earliest of

 - a) Date of issue of invoice

- b) Date of receipt of advance/ payment
- c) Date of provision of services (if invoice is not issued within prescribed period).

3.6 Place of supply

Place of Supply is required for determining the right tax to be charged on the invoice, whether SGST or CGST or IGST.

i) Place of Supply of Goods

- a) Usually, in case of goods, the place of supply is where the goods are delivered.
- b) The place of supply of goods is the place where the ownership of goods changes.
- c) If there is no movement of goods, the place of supply is the location of goods at the time of delivery to the recipient.
- d) For example, In case of sales in a supermarket, the place of supply is the supermarket itself.
- e) Place of supply in cases where goods that are assembled and installed will be the location where the installation is done.
- f) For example, A supplier located in Chennai supplies machinery to the recipient in Vijayawada. The machinery is installed in the factory of the recipient in Hyderabad. In this case, the place of supply of machinery will be Hyderabad.

ii) Place of Supply of Services

- a) Generally, the place of supply of services is the location of the service recipient.
- b) In cases where the services are provided to an unregistered dealer and their location is not available, the location of service provider will be the place of provision of services.
- c) In case of services related to immovable property, the location of the property is the place of provision of services.

3.7 Value of supply

Value of Supply is important because GST is calculated on the value of the supply. If the value is calculated incorrectly, then the amount of GST charged is also incorrect.

- i) Value of supply means the money that a seller would want to collect for the goods and services supplied.
- ii) The amount collected by the seller from the buyer is the value of supply.

3.8 Input Tax Credit (ITC)

Uninterrupted and seamless chain of input tax credit (ITC) is one of the key features of Goods and Services Tax. ITC is a mechanism to avoid cascading of taxes². Any registered person can avail credit of tax paid on the inward supply of goods or services or both, which is used or intended to be used in the course or furtherance of business.

3.9 Payment of Tax

Payment of tax by the normal taxpayer is to be done on monthly basis by 20th of the succeeding month. Cash payments will be first deposited in the Cash Ledger and the taxpayer shall debit the ledger while making payment in the monthly returns and shall reflect the relevant debit entry number in his return. Payment can also be debited from the Credit Ledger. Payment of taxes for the month of March shall be made by the 20th of April.

3.10 Filing of Returns

Once tax has been paid, the registered person is required to file returns as prescribed and applicable to him under the law.

4. Applicability of GST on Local Bodies

4.1 Meaning of 'local authority'

Section 2(69) of CGST Act reads as follows –

“Local authority” means

- i) a “Panchayat” as defined in clause (d) of Article 243 of the Constitution
- ii) a “Municipality” as defined in clause (e) of Article 243P of the Constitution
- iii) a Municipal Committee, a Zilla Parishad, a District Board, and any other authority legally entitled to, or entrusted by the Central Government or State Government with the control or management of a municipal or local fund
- iv) a Cantonment Board as defined in section 3 of the Cantonment Act, 2006
- v) A Regional Council or District Council constituted under the Sixth Schedule to the Constitution
- vi) A Development Board constituted under Article 371 of the Constitution, or
- vii) A Regional Council constituted under Article 371A of the Constitution.

² Cascading of taxes, in simple language is 'tax on tax'

4.2 Universal Coverage of GST

As the concept of GST law is broadly based on near universal coverage of transactions and input tax credit method, most of the activities of the Governments, ULBs and PRIs are, in principle, covered under the GST.

- i) Some specific exclusions have however, been made for the basic functions of the ULBs and the PRIs from the GST. For instance, services provided by a Government or local authority to individuals in discharge of its statutory powers or functions such as issuance of passport, visa, driving license, birth certificate or death certificate; and assignment of right to use natural resources to an individual farmer for the purpose of agriculture are not subject to GST.
- ii) Services provided by a local authority by way of any activity in relation to any function entrusted to a municipality under Article 243 W of the Constitution; or any activity in relation to any function entrusted to a Panchayat under Article 243 G of the Constitution; health care; and education are not subject to GST. There are many other specific activities of the ULBs and the PRIs on which GST would not be applicable.
- iii) However, there are some activities of the ULBs and the PRIs on which GST could be applicable. For instance, various local bodies are doing some income generating activities by way of auction of land for limited period or renting of property etc. These activities are subject to GST if the taxable revenue crosses the threshold limit.

4.3 Exemptions in respect of services supplied by Local Authority

- i) Services by Government to Government or local authority - Services provided by the Central Govt., State Govt., or local authority to another Central Govt. (different departments), State Govt, or local authority are exempted from GST.
- ii) Services for regulation of land use, approval of construction of building etc. not subject to GST- Services for regulation of land use, approval of construction of building, utility services and other services listed In Article 243W are exempted from GST.
- iii) Services up to Rs.5,000/- supplied by Government - Services provided by local authority where the consideration for such service does not exceed five thousand rupees are exempted from GST. If it is continuous supply of service, the exemption applies till the amount of consideration does not exceed Rs.5,000/- in a year.
- iv) Services by Local Authority to individual are exempt- Services provided by the local authority to individual is exempt from tax.
- v) Services by Local Authority to non-business entity- Services by the local authority to non-business entity are exempted from GST except transport of goods or passengers.

- vi) Services by Local Authority to business entity having turnover up to Rs.20 lakhs- Services provided by local authority to a business entity with an aggregate turnover up to twenty lakhs rupees in the preceding financial year are exempt from GST. The exemption is not applicable to services supplied by renting of immovable property.
- vii) Fines and penalties imposed by local authority- Fines and penalties are imposed for breaking law. It is not consideration for an activity and therefore , it is not supply of service.

4.4 Exemptions in respect of services supplied to Local Authority:

- i) Pure labour services to local authority without material, in respect of functions relating to Article 243G of the Constitution- The scope of 'Pure Service' has been clarified by the Govt. vide notification no.12/2017 Central Tax (Rate), dated 28-06-2017. Any service (excluding works contract service or other composite supplies involving supply of any goods) provided to the Central Government, State Government or Union Territory or Local Authority by way of any activity in relation to any function entrusted to a Panchayat or to a Municipality is considered as 'Pure Service'.

For example, Supply of manpower for cleanliness of roads, public places, architect services, consulting engineer services, advisory services, and the like provided by business entities not involving any supply of goods would be treated as supply of pure services.

On the other hand, let us take the example of a government authority awarding the work of maintenance of streetlights in a municipal area to an agency which involves apart from maintenance, replacement of defunct lights and other spares. In this case, the scope of the service involves maintenance work and supply of goods, which falls under the works contract services and does not attract exemption. ***The exemption is provided to services involving only supply of services and not for works contract services.***

- ii) Composite supply of service plus up to 25% goods to local authority exempt w.e.f. 25-1-2018 - Composite supply of goods and services in which the value of supply of goods constitutes not more than 25 percent of the value of the said composite supply provided to local authority in relation to any function entrusted to municipality under article 243W of the Constitution is exempt from GST.

- iii) Services of maintenance work of parks belonging to local authority- In providing service of maintenance of parks, there is no transfer of property or goods and it is neither works contract nor composite supply. It is pure service and exempt from GST.
- iv) Security support services- Security support services provided to local authority are exempt as these are pure services relating to functions entrusted under Article 243W of the Constitution.
- v) Services supplied by Government entity to Government by receiving consideration in the form of grants- Consideration received from Central Govt. or State Govt. in the form of grant is exempted from GST.
- vi) Service by Arbitral Tribunal to Government- Services provided by an arbitral tribunal to the local authority are exempt from GST.
- vii) Service supplied by Advocates to Government - Services supplied by a partnership firm of advocates or an individual as an advocate by way of legal services to the local authority are exempt from GST.

4.5 Concessional rate in respect of services provided to Local Authority

i) **Works Contract**

Section (2) - sub section (119) of CGST Act defines that 'Works Contract' means a contract, wherein transfer of property in goods (whether as goods or in some other form) is involved in the execution of such contract and includes contract for building, construction, fabrication, completion, erection, installation, fitting out, improvement, modification, repair, maintenance, renovation, alteration or commissioning of any immovable property.

GST has removed the confusion regarding the tax treatment. This means *works contract will be treated as service* and tax would be charged accordingly (not as goods or part goods/part services).

The concessional rate of 12% [IGST @12% or SGST and CGST @ 6% each] shall be extended on works contract services supplied to the Central Government, State Government, Union Territory, or Local Authority. Sub-contractor providing service to main contractor who is providing any of the aforesaid services is also eligible for

concessional rate of 12%. The concession is extended only to sub-contractor and not to sub-sub-contractor.

In case of composite supply of works contract as defined in sec 2 (119) of CGST Act, involving predominantly earth work (i.e. constituting more than 75% of the value of the work contract) provided to local authority, the tax rate is 5% [IGST @ 5% or SGST and CGST @ 2.5% each].

ii) **Composite/Mixed Supply**

Composite supply comprising two or more supplies, (which are naturally bundled and supplied in conjunction with each other in the ordinary course of business, one of which is a principal supply) shall be treated as supply of such principal supply. Tax liability will be the tax on the principal supply i.e., GST rate on the goods.

Mixed supply comprising two or more supplies, (which are not naturally bundled) shall be treated as supply of that particular supply which attracts higher rate of tax.

Any composite supply undertaken on goods, say for example, a fabrication or paint job done in an automotive body shop will not fall within the definition of the term 'works contract' per se under GST. Such contract would continue to remain under composite supplies.

4.6 Reverse charge mechanism (RCM) in respect of services provided by Local Authority:

In case of services supplied/provided by local authority to a business entity, the business entity is liable to pay GST under reverse charge, provided the business entity is registered under CGST Act. So, in renting of immovable property, reverse charge applies, if the recipient of service (lessee) is registered under CGST Act. If the lessee is not registered under CGST Act, the ULB is liable to pay GST.

Note: In view of the above, the rent collection from various lessees of municipal properties (markets, slaughterhouses, shop rooms and lands etc.) in ULBs have to be bifurcated into rent from lessees registered under CGST Act and rent from unregistered lessees.

5. Input Tax Credit (ITC)

Input Tax Credit is always a cost (benefit) to the end consumer. ITC means reduction of tax already paid on inputs while paying tax on outputs. In this case the entitled user has to be registered under CGST Act to get the benefit of credit. Further, he has to use the inputs in the course or furtherance of business.

5.1 4.1 Input Tax Credit on supplies made to Local Authority

To claim ITC, the following conditions have to be fulfilled:

- i) Possession of tax payment document
- ii) Receipt of goods and/or services
- iii) Tax leviable on supply actually paid to Government
- iv) Filing of return.

5.2 Credits are used for taxable and exempted purposes

The ITC is available proportionately when goods/services are commonly used for taxable and exempted purposes and the credits need to be allocated based on the turnover.

6. Tax Deducted at Source (TDS)

6.1 Meaning

Tax Deducted at Source (TDS) is one of the ways to collect tax based on certain percentages on the amount payable by the receiver of goods/services. The collected tax is a revenue for the Government.

6.2 Who is liable to deduct tax?

A department or an establishment of the Central Government or State Government or Local Authority or such persons or category of persons as may be notified by the Government.

6.3 Registration requirement for TDS deductor

A person who is liable (required) to deduct TDS has to compulsorily register himself and there is no threshold limit for this. The registration under GST can be obtained without PAN and by using

the existing Tax Deduction and Collection Account Number (TAN) issued under the Income Tax Act. As such, it is seen that having TAN is mandatory.

6.4 When the liability to deduct TDS arises?

TDS is to be deducted at the rate of 2 percent on payments (1% for SGST and 1% for CGST) made to the supplier of taxable goods and/or services, where the total value of such supply, under an individual contract, exceeds two lakh fifty thousand rupees. Deduction of tax is not required when the location (State) of supplier and place of supply is different from the location (State) of registration of the recipient.

6.5 When TDS paid?

TDS deducted shall be paid to Government within 10 days from the end of the month in which tax is deducted.

6.6 TDS Return

The person deducting tax is required to file a TDS return in form GSTR-7 within 10 days from the end of the month. When GSTIN of the unregistered supplier is not available, his name can be mentioned in the return.

6.7 TDS to the deductee (Supplier)

There would be automatic reflection in the electronic ledger of the deductee (supplier) once the deductor files his/her return. The deductee can claim credit in his electronic cash ledger of this item of tax deducted and use it for payment of other taxes.

7. Accounting Ledgers and Entries

7.1 Accounts under GST

Under the GST regime, all indirect taxes will be subsumed in GST and there will be dual GST structure based on intra-state supplies and inter-state supplies. The SGST and CGST will be charged on intra-state supplies, whereas the IGST (Integrated Goods and Services Tax) will be charged on inter-state supplies. Therefore, separate ledger accounts are required to be maintained relating to SGST, CGST and IGST. Apart from regular accounts, ULBs have to maintain the following accounts under GST with reference to 'liabilities' and 'assets'.

7.2 Output Tax Liability

Since the output tax liability is directly related to outward supplies, it is recommended to have ledger accounts tax-wise. This will help in reconciling the data in the returns with the accounts.

The following ledgers have to be created under current liability.

- Output SGST a/c
- Output CGST a/c
- Output IGST a/c
- SGST Payable a/c
- CGST Payable a/c
- IGST Payable a/c

7.3 Reverse Charge Liability

Normally liability to pay GST is on the supplier, but Government has notified certain supplies as covered under 'Reverse Charge Mechanism (RCM)' on which liability to pay GST (partly or fully) falls on the receiver of supply. Therefore, the following ledgers have to be created under current liability.

- RCM SGST Payable a/c
- RCM CGST Payable a/c
- RCM IGST Payable a/c

7.4 Input Credit

At the time of paying tax on output, we can reduce the tax that has already been paid on inputs. This is called 'input credit'. The following ledgers have to be created under current asset.

- Input credit SGST a/c
- Input credit CGST a/c
- Input credit IGST a/c
- RCM SGST Input a/c
- RCM CGST Input a/c
- RCM IGST Input a/c

7.5 GST Payment

Cash Ledger would have the credit entries for the amounts deposited towards GST liability and would also have debit entries for the payments like GST tax, penalty, interest or any other amount. The following ledger has to be created under current asset.

- GST Cash a/c

7.6 Accounting entries

Nature of Transaction	Accounting Entry	Dr. Rs.	Cr. Rs.
Shopping complex - rent received from lessee unregistered under GST	Cash/Cheque in hand/Bank a/c Dr. To Output SGST a/c To Output CGST a/c To Rent a/c	2,36,000	18,000 18,000 2,00,000
Shopping complex -rent received from lessee registered under GST	Cash/Cheque in hand/Bank a/c Dr. To Rent a/c	10,000	10,000
Amount paid to outsourced sanitation workers	Outsourced Wages a/c Dr. To Bank a/c	12,000	12,000
Amount paid to GST Consultant	Consultant Charges a/c Dr. Input SGST a/c Dr. Input CGST a/c Dr. To TDS- SGST a/c To TDS – CGST a/c To TDS u/s 194J a/c To Bank a/c	50,000 4,500 4,500	500 500 5000 53,000
Legal Charges paid to Lawyer	Legal charges a/c Dr. RCM SGST a/c Dr. RCM CGST a/c Dr. To RCM SGST Payable a/c To RCM CGST Payable a/c To TDS u/s 194J a/c To Bank a/c	50,000 4,500 4,500	4,500 4,500 5,000 45,000
Amount paid to contractor for construction of sewerage lines	Sewerage a/c Dr. Input SGST a/c Dr. Input CGST a/c Dr. To TDS-CGST a/c To TDS-SGST a/c To TDS u/s 194C a/c To Bank a/c	20,000 1,800 1,800	200 200 400 22,800

Nature of Transaction	Accounting Entry	Dr. Rs.	Cr. Rs.
Amount paid to outsourced agency (Agency appointed for collection of shopping complex rent)	Works through placement agency a/c Dr.	40,000	
	Input SGST a/c Dr.	3,600	
	Input CGST a/c Dr.	3,600	
	To TDS-SGST a/c		400
	To TDS-CGST a/c		400
	To TDS u/s 194C a/c		800
	To Bank a/c		45,600
Month end transfer of GST output to Payable Account	Output SGST a/c Dr.	18,000	
	Output CGST a/c Dr.	18,000	
	To SGST Payable a/c		18,000
	To CGST Payable a/c		18,000
RCM Payable transfer to GST Payable account	RCM SGST Payable a/c Dr.	4,500	
	RCM CGST Payable a/c Dr.	4,500	
	To SGST Payable a/c		4,500
	To CGST Payable a/c		4,500
Eligible input credit transfer to GST Payable account	SGST Payable a/c Dr.	3,600	
	CGST Payable a/c Dr.	3,600	
	To Input SGST a/c		3,600
	To Input CGST a/c		3,600
Net GST Payable transfer to GST- Cash account	SGST Payable a/c Dr.	18,900	
	CGST Payable a/c Dr.	18,900	
	To GST- Cash a/c		37,800
Payment of GST	GST- Cash a/c Dr.	37,800	
	To Bank a/c		37,800

Notes:

(i) The above entries of transactions are shown by assuming intra-state supply. If there is inter-state supply, SGST and CGST a/c should be replaced with IGST a/c.

(ii) ITC is eligible only to the extent of amount paid to outsource agencies appointed for collection of shopping rents.

8. Returns

The basic features of the returns mechanism in GST include electronic filing of returns, uploading of invoice level information and auto-pop-up of information relating to Input Tax Credit (ITC) from returns of supplier to that of recipient, invoice-level information matching and auto reversal of ITC in case of mismatch. The return mechanism is designed to assist the taxpayer to file returns and avail ITC.

Under GST, a regular taxpayer needs to file the following returns.

#	Return	Description	Date for filling
1	GSTR-1	Monthly Statement of Outward supplies ³ of Goods and Services	10 th of next month
2	GSTR-2 ⁴	Monthly Statement of Inward supplies ⁵ of Goods and Services	15 th of next month
3	GSTR-3B	Monthly Return for a normal taxpayer	20 th of next month
4	GSRT-7	Return for authorities carrying out tax deduction at source	10 th of next month
5	GSTR-9	Annual Return	31 st December of next FY

8.1 GSTR-1 (Statement of Outward Supplies)

The return signifies the tax liability of the supplier for the supplies effected during the previous month. It needs to be filed by the 10th of next month in relation to supplies affected during the current month. For example. A statement of all the outward supplies made during the month of July 2017 needs to be filed by 10th August 2017.

8.2 GSTR-2 (Statement of Inward Supplies)

The return signifies the accrual of ITC (Input Tax Credit) from the inputs received during the previous month. It is auto-pop-upped from the GSTR-1 filed by the corresponding supplier of the taxpayer except for few fields like imports, and purchases from unregistered suppliers.

³ Outward Supply in the context of ULB is Receipts i.e Rent received

⁴ Currently Filing facility of GSTR-2 is not available

⁵ Inward Supply in the context of ULB is Payments

It needs to be filed by the 15th of next month in relation to supplies received during the current month. For example, a statement of all inward supplies received during the month of July 2017 need to be filed by 15th August 2017.

8.3 GSTR-3B (Monthly Return)

GST Return Form 3B must be filed mandatorily by all the registered taxpayers, which is a consolidated monthly return form. The return consists of summarized details of outward supplies, inward supplies and payment of tax. The return has to be filed before 20th of the next month. By filing GSTR-3B, the taxpayer gets the information about the input tax credit and payable tax amount.

8.4 GSTR-7 (TDS - Monthly Return)

Every tax deductor should file the GSTR-7 form by 10th of the next month. It covers all details of TDS paid under SGST, CGST and IGST, along with the suppliers' information and details of the source from where tax is deducted.

8.5 GSTR-9 (Annual Return)

It covers the information of annual tax paid under GST by the taxpayer. GSTR-9 is an accumulation of all taxes paid in the year (current FY) and it has to be filed before 31st December of the next financial year. It contains the information of GSTR-3B filed for all 12 months. For filing GSTR-9, the taxpayer should have the information of inward and outward supplies, tax paid under various heads of SGST, CGST and IGST, and total turnover with audit details.

9. Important Provisions under GST

List of important provisions are given below for immediate reference.

- i. Nature of Contract: In Government Contracts, the value of contract is generally all inclusive. This means that irrespective of the tax amount, the value of contract does not change. Any change in the tax rate in future does not impact the total value of the contract which is inclusive of tax. So, any change in the tax incidence affects the contractor directly and not the contractee (i.e. ULB).
- ii. It is suggested that the contractual terms be carefully analysed and interpreted to dig out the tax implications especially GST.
- iii. Other types of contracts where the contractual value is exclusive of tax may also exist, like service contract. In this case, any change in the tax rate in future impacts the ULB.

- iv. GST is not leviable on taxes because there is no supply as such against which the consideration is being paid.
- v. Fees charged by local authority: GST will be leviable on the fees charged by local authority. However, if the service provided by local authority relates to (i) service of registration required under any law, (ii) service of testing, safety check, certification relating to protection or safety of workers or consumers or public in large, required under any law, then GST will be exempted.
- vi. GST will not be applicable in the case services provided by local authority towards water supply services, change of land use, building approval and utility services.
- vii. Receiver of service (if the person is registered under CGST Act, 2017) will be liable to pay tax in case of renting of immovable property service provided by the local authority.
- viii. Services by an employee to an employer are not subjected to GST. However, services provided by an employer to an employee can be subjected to GST, if the services are for personal use of employee, like fringe benefits.
- ix. Payment of salary to an employee is not liable for GST. Stipend paid to interns is also an employer-employee transaction, and hence, it is also not liable for GST.
- x. The bus service, meal coupons, telephone at residence, vehicle for official and personal use, uniform, shoes, and any gifts provided by an employer to the employee does not attract GST, provided the total aggregate value does not exceed Rs.50,000/- in a financial year.
- xi. There will be only one registration for all activities per State.
- xii. There is no requirement to take Aadhaar/PAN details of the customer under CGST Act.
- xiii. Rs.5000/- per day exemption will be given in respect of supplies received from unregistered person. For supplies above this amount, a monthly consolidated bill can be raised.
- xiv. Any person making inter-state supply has to compulsorily obtain registration and in such case, RCM does not come into play.
- xv. If the place of supply and the location of supplier are the same State, it would be an intra-state supply and SGST and CGST will be applicable.
- xvi. If the supply is outside the State, IGST will be applicable.
- xvii. No exemption is available to any person who makes inter-state supply. He has to compulsorily take the registration and pay GST. If any supplier, who is located in any other State gives any Invoice/Bill to the ULB, he has to charge GST to the ULB and make the payment. The ULB need not pay GST on such supply under Reverse Charge Mechanism.

- xviii. Expenses incurred by the recipient in relation to supplies made by supplier of goods / services is to be included in the transaction value.
- xix. The provision 'TCS' (Tax Collected at Source) referred in Para 2.1 (b) (item vi) is not applicable to Local Authorities.
- xx. 'Advances' received from 01.07.2017 will be taxed under GST. The ULB need to issue 'Receipt Voucher' for that amount and not invoice.
- xxi. In the case of 'Deposits', GST is not applicable.

Disclaimer: This working paper has been prepared for convenience and easy reference of the Municipalities and Municipal Corporations and has no legal binding or force.

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