

INDIRECT TAX LAWS

SEMESTER 4

CHAPTER- 3 (i) REGISTRATION

Registration under any taxation system is necessary for identification of tax payers ensuring tax compliance in the economy. Under indirect tax regime, without registration, a person can neither collect tax from his customers nor claim any credit of tax paid by him. Registration legally recognizes a person as supplier of goods and services or both and legally authorizes him to collect taxes from his customers and pass on the credit of the taxes paid on the goods or services supplied to the purchaser/ recipients. He can claim the input tax credit of taxes paid and can utilize the same for payment of taxes due on supply of goods or services. Registration ensures the seamless flow of input tax credit from suppliers to recipients at the national level.

Under GST law, registrations need to be taken State-wise, i.e. there are no centralized registration under GST. A business entity having its branches in multiple States will have to take separate State wise registration for the branches in different States. Further, within a State, an entity with different branches would have single registration wherein it can declare on place as principal place of business (PPoB) and other branches as additional place(s) of business(APoB) or to get separate registration for each place of business in such State/UT.

PERSONS LIABLE FOR REGISTRATION [SECTION 22]

- Every supplier of goods or services or both is required to obtain registration
- In the State or the Union Territory from where s/he makes the taxable supply
- If his/her **aggregate turnover** exceeds **specified threshold limit** in a Financial Year.

Therefore, aggregate turnover is a crucial parameter for deciding the eligibility of a supplier to avail the benefit of threshold exemption from registration, eligibility for composition scheme as well as for option to pay tax at concessional rate under *Notification No. 2/2019 CT (R) dated 07.03.2019*.

‘Turnover’ in common parlance is the total volume of business. The term ‘aggregate turnover’ as defined under section 2(6) of the CGST Act has been presented as follows:

Aggregate Turnover	
Includes	Excludes
Value of all outward supplies	➤ CGST
➤ Taxable supplies	➤ SGST
➤ Exempt supplies	➤ UTGST
➤ Exports	➤ IGST
➤ Inter- State supplies	➤ COMPENSATION CESS
of persons having same PAN be computed on all India basis.	➤ Value of inward supplies on which tax is payable under reverse charge basis.

Explanation to the above table:

1. Aggregate turnover to exclude inward supplies on which tax is payable under reverse charge. It may be noted that the inward supplies on which recipient is required to pay tax under Reverse Charge Mechanism (RCM) do not form part of the aggregate turnover. **But outward supplies taxable under RCM would continue to be part of the aggregate turnover of the supplier of such supplies.**

Example 1: Nataraj Pvt. Ltd. pays GST on sitting fees paid to its directors for the services rendered by them, under RCM. Value of services provided by the directors to Nataraj Pvt. Ltd. will form part of the aggregate turnover of the directors and not of Nataraj Pvt. Ltd.

2. Aggregate turnover excludes the element of CGST, SGST, UTGST and IGST and compensation cess.
3. Aggregate turnover to include total turnover of all branches under same PAN. Aggregate turnover is calculated by taking together the value in respect of the activities carried out on all India basis.

Example 2: A dealer has two offices – one in West Bengal and another in Delhi. In order to determine whether dealer is liable for registration, turnover of both the offices would be taken into account and only if the same exceeds the applicable threshold limit, dealer is liable for registration.

4. Value of exported goods/ services, exempted goods/ services, inter-state supplies between distinct persons having same PAN, to be included in aggregate turnover.

Example 3: Kapur Oils, Punjab, is engaged in supplying machine oil as well as petrol. Supply of petrol is not leviable to GST, but supply of machine oil is taxable. In order to determine whether Kapur Oil is liable for registration, turnover of both taxable as well as non-taxable supplies would be taken into account and if the same exceeds the applicable threshold limit, Kapur Oil is liable for registration.

5. Aggregate turnover to include all supplies made by the taxable person, whether on his own account or made on behalf of all his principals.

Example 4: Jamini Enterprises has appointed M/s Kamal & Associates as its agent. M/s Kamal & Associates makes supply of goods on its own account as well as on behalf of Jamini Enterprises. All the supplies of goods made by M/s Kamal & Associates as agent of Jamini Enterprises as well as on its own account will be included in the aggregate turnover of M/s Kamal & Associates.

6. Aggregate turnover Vs. Turnover in a State: the aggregate turnover is different from turnover in a State. **The former is used for determining the threshold limit for registration and eligibility for composition scheme as well as for option to pay tax at concessional rate.** However, once a person is eligible for composition levy, the amount payable under composition levy would be calculated on the basis of turnover in the State/ UT.
7. Value of goods, after completion of job work, supplied directly from the premises of the registered job worker not to be included in its aggregate turnover.

Explanation: Job work implies undertaking any treatment or process by a person on goods belonging to another registered taxable person.

The person who is treating or processing the goods belonging to other person is called 'job worker' and the person to whom the goods belongs is called 'principal'. Schedule II of the CGST Act stipulates that job work is a service.

Principal can supply the goods directly from the premises of the job worker without bringing it back to his own premises.

In case the job worker is unregistered, principal should declare job worker's premises as his additional place of business and remove goods from the same.

If the job worker is a registered person/ principal supplies notified goods, goods can be supplied directly from the premises of the job worker.

Supply of goods, after completion of job work, directly from a registered job worker's premises is treated as supply of goods by the principal.

Further, the value of such goods supplied will be included in the aggregate turnover of the principal and not the job worker.

APPLICABLE THRESHOLD LIMIT: The threshold limit prescribed under section 22(1) is **Rs.20 lakh in a F.Y.** i.e. every supplier, whose aggregate turnover in a financial year exceeds Rs.20 lakh, is liable to be

registered under GST in the State/ Union territory from where he makes the taxable supply of goods and /or services.

However, the limit of Rs.20 lakh will be reduced to **Rs.10 lakh** if the person is carrying out business in **Special Category States**. As per Constitution there are 11 Special Category States, namely, States of Arunachal Pradesh, Assam, Jammu and Kashmir, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura, Himachal Pradesh and Uttarakhand.

However, as per the explanation (iii) to section 22, for the purpose of registration only Mizoram, Tripura, Manipur and Nagaland are Special Category States. Therefore, the threshold limit Rs.10 lakh is applicable for Mizoram, Tripura, Manipur and Nagaland.

If a person with places of business in different States across India has one branch in a Special Category State, the threshold limit for GST registration will be reduced to Rs.10 lakh.

Further, Notification No. 10/2019 CT dated 07.03.2019 exempts any person who is engaged in exclusive supply of goods and whose aggregate turnover in the financial year does not exceed Rs.40 lakh, from registration requirement.

Exceptions to this exemption are as follows:

- (a) Persons required to take compulsory registration under section 24 of the CGST Act.
- (b) Persons engaged in making supplies of ice cream and other edible ice, whether or not containing cocoa, Pan Masala and all goods of Chapter 24, i.e. Tobacco and manufactured tobacco substitutes.
- (c) Persons engaged in making intra-State supplies in the States of Arunachal Pradesh, Uttarakhand, Meghalaya, Sikkim, Telangana, Puducherry and Special Category States.
- (d) Person who has opted for voluntary registration or such registered person who intend to continue with their registration under the CGST Act.

The threshold limit requirement can be summarized as follows:

States with threshold limit of Rs.10 lakh for both goods and services	States with threshold limit of Rs.20 lakh for both goods and services	States with threshold limit of Rs.20 lakh for services and Rs.40 lakh for goods
Manipur	Arunachal Pradesh Meghalaya	Jammu and Kashmir
Mizoram	Sikkim Uttarakhand	Assam
Nagaland	Puducherry	Himachal Pradesh
Tripura	Telangana	All other States

Example 5: Yogiraj of Assam is exclusively engaged in intra-state supply of shoes. His aggregate turnover in the current financial year is Rs.22 lakh. In view of the discussion in the above paras, the applicable threshold limit for registration for Yogiraj in the given case is Rs.40 lakh. Thus, he is not liable to get registered under GST.

If, in above example, all other things remaining the same. Yogiraj is exclusively engaged in supply of pan masala instead of shoes, he will not be eligible for higher threshold limit of Rs.40 lakh and the applicable threshold limit for registration in that given case will be Rs.20 lakh. Thus, Yogiraj will be liable to get registered under GST.

If instead of pan masala, Yogiraj is exclusively engaged in supply of taxable services, the applicable threshold limit for registration will still be Rs.20 lakh. Thus, Yogiraj will be liable to get registered under GST.

Further, if Yogiraj is engaged in supply of both taxable goods and services, the applicable threshold limit for registration will be Rs.20 lakh. Thus, Yogiraj will be liable to get registered under GST.

Example 6: Shivaji of Telangana is exclusively engaged in intra-State supply of toys. Its aggregate turnover in the current financial year is Rs.22 lakh. Since Shivaji is making taxable supplies from Telangana, he will not be eligible for higher threshold limit available in case of exclusive supply of goods. The applicable threshold limit for registration for Shivaji in the given case is Rs.20 lakh. Thus, he is liable to get registered under GST.

If in the above case, all other things remaining the same, Shivaji is exclusively engaged in supply of taxable services instead of toys, the applicable threshold limit for registration will still be Rs.20 lakh. Thus, Shivaji will be liable to get registered under GST.

Further, if Shivaji is engaged in supply of both taxable goods and services, the applicable threshold limit for registration will be Rs.20 lakh only. Thus, Shivaji will be liable to get registered under GST.

Example 7: Ashoka of Manipur is exclusively engaged in intra-State supply of paper. His aggregate turnover in the current financial year is Rs.12 lakh. Since Ashoka is making taxable supplies from Manipur which is a Special Category State, the applicable threshold limit for registration for Ashoka in the given case is Rs.10 lakh. Thus, he is liable to get registered under GST.

If in the above case, all other things remaining the same, Ashoka is exclusively engaged in supply of taxable services instead of paper, the applicable threshold limit for registration will still be Rs.20 lakh. Thus, Ashoka will be liable to get registered under GST.

Example 8: Shaikia of Assam is exclusively engaged in intra-State supply of readymade garments. His turnover in the current FY from Assam showroom is Rs.28 lakh. He has another showroom in Tripura with a turnover of Rs.11 lakh in the current FY. Since Shaikia is engaged in supplying garments from a Special Category State, the applicable threshold limit for him gets reduced to Rs.10 lakh. Further, he is liable to get registered under GST in both Assam and Tripura on his aggregate turnover crossing the threshold limit of Rs.10 lakh.

- **Registration required only for a place of business from where taxable supply takes place:** A person is required to obtain registration with respect to his each place of business in India from where a taxable supply has taken place. However, a supplier is not liable to obtain registration in a State/ UT from where he makes an exempt/ not –taxable supply.

Example 9: Arnab Enterprises is engaged in supply of taxable goods in West Bengal. It also supplies alcoholic liquor for human consumption from Nagaland. Its turnover in the current financial year is Rs.34 lakh in West Bengal and Rs.8 lakh in Nagaland.

Since Arnab Enterprises is exclusively engaged in making taxable supplies of goods from West Bengal, the applicable threshold limit for obtaining registration is Rs.40 lakh. However, the threshold limit will not be reduced to Rs.10 lakh in this case, as supply of alcoholic liquor for human consumption from Nagaland (one of the Special Category States) are non-taxable supplies.

In the given case, since the aggregate turnover of Arnab Enterprises exceeds the applicable threshold limit of Rs.40 lakh, it is liable to obtain registration. It will obtain registration in West Bengal, but is not required to obtain registration in Nagaland as he is not making any taxable supplies from said State.

- **Person liable for registration in case of transfer of business:** Where a business is transferred, whether on account of succession/ any other reason [*including transfer/change in the ownership of business due to death of the sole proprietor*], to another person as a going concern, the transferee/ successor, is to be registered with effect from the date of such transfer/succession.
Where the business is transferred, pursuant to sanction of a scheme/arrangement for amalgamation/ de-merger of two or more companies, pursuant to an order of a High Court/ Tribunal, the transferee is to be registered with effect from the date on which the Registrar of Companies issues a certificate of incorporation giving effect to such order.