

UNIT V: TAX – (Detailed Study Material)

1. Tax Invoice

A **Tax Invoice** is a legal document required under GST. It is issued by a **registered seller** when selling taxable goods or services.

Key Components of a Tax Invoice:

1. Name, address, and GSTIN of the supplier
2. Invoice number and date
3. Name, address, and GSTIN of the buyer
4. Description of goods/services
5. Quantity and unit
6. Rate and amount of tax (CGST, SGST, IGST)
7. Total value including tax

Purpose:

- Acts as **proof of supply**.
- Helps buyers **claim Input Tax Credit (ITC)**.
- Required for filing GST returns.

Example:

A clothing manufacturer sells 100 shirts worth ₹50,000 + 5% GST. The tax invoice will show:

- Price: ₹50,000
- GST @5%: ₹2,500
- Total: ₹52,500

2. Credit Note & Debit Note

Credit Note:

Issued by a seller **to reduce the value** of an invoice already issued.

When to use:

- Wrongly charged excess tax
- Return of goods
- Discount provided later

Debit Note:

Issued by a seller **to increase the value** of an invoice already issued.

When to use:

- Undercharged in the original invoice
- Additional service provided

Impact on GST:

- These documents must be declared in the return for adjustment of GST paid earlier.

3. GST Returns

A **GST Return** is a statement containing **details of business transactions** that must be filed periodically on the GST portal.

Types of Returns:

Return Type Purpose		Frequency
GSTR-1	Outward sales	Monthly/Quarterly
GSTR-3B	Summary of sales, ITC, tax payable	Monthly
GSTR-4	Composition scheme returns	Annually
GSTR-9	Annual return	Yearly

Why are GST Returns Important?

- Ensures transparency and accountability.
- Enables the government to track tax collected and paid.
- Helps in claiming **Input Tax Credit (ITC)**.

Late Filing Penalty:

- ₹50 per day (₹20 for nil returns)
- Interest @18% on late tax payment

4. Refunds under GST

Sometimes businesses are eligible for a **refund of tax paid**, due to the following:

Common Reasons:

- Exports of goods/services (zero-rated supply)
- Excess GST paid by mistake
- Finalization of provisional assessment
- Accumulated Input Tax Credit (inverted duty structure)

How to Claim Refund?

- Apply using **Form RFD-01** online
- Submit supporting documents
- Refund is processed after verification

Time Limit:

- Refund claim must be made **within 2 years** from the relevant date.

5. Payment of Tax

Tax under GST must be paid using **electronic ledgers**:

- **Cash Ledger**: For cash payments
- **Credit Ledger**: For Input Tax Credit (ITC)

Payment Methods:

- Online banking
- NEFT/RTGS
- UPI or cards

Tax Payment Cycle:

- Most businesses file and pay tax **monthly** (by 20th of next month).
- Small taxpayers under **QRMP scheme** (Quarterly Return, Monthly Payment) can pay tax monthly and file return quarterly.

6. Assessment and Audit

Assessment:

- The process of calculating tax liability.
- Types:
 1. **Self-Assessment** – Done by the taxpayer.
 2. **Provisional Assessment** – Temporary assessment when details are unclear.
 3. **Scrutiny Assessment** – Officer checks return for errors.
 4. **Best Judgment Assessment** – Done by officer if no return is filed.

Audit under GST:

- GST audit is the **inspection of records and accounts**.
- Conducted to verify:
 - Correctness of turnover declared
 - Input Tax Credit claimed
 - Taxes paid and refunds claimed

Who conducts audit?

- GST Department
- Chartered Accountants (if turnover exceeds ₹5 crore)

7. Tax Audit (Under Income Tax Act)

What is Tax Audit?

- A detailed examination of books of accounts by a Chartered Accountant.
- Mandated under **Section 44AB of the Income Tax Act.**

When is it applicable?

- Business turnover exceeds ₹1 crore
- Professional income exceeds ₹50 lakh

Audit Reports:

- **Form 3CA/3CB** (Audit report)
- **Form 3CD** (Detailed financial information)

8. Tax Incentives & Export Promotions

Tax Incentives:

- Benefits offered to businesses for:
 - Investing in certain areas (e.g., rural areas)
 - Creating jobs
 - Promoting renewable energy
- Can be in the form of:
 - Tax exemptions
 - Lower tax rates
 - Subsidies

Export Promotions:

- **Exports are zero-rated** under GST:
 - No GST charged on exports
 - Can claim refund of Input Tax Credit (ITC)
- Schemes like:
 - **MEIS (Merchandise Exports from India Scheme)**
 - **SEIS (Service Exports from India Scheme)**

9. Deductions & Exemptions

Deductions:

- Amounts that can be **reduced from total income** before calculating tax.
- Common deductions under Income Tax:
 - **Section 80C**: LIC, PPF, ELSS (up to ₹1.5 lakh)
 - **Section 80D**: Health insurance premium
 - **Section 80G**: Donations to approved charities

Exemptions:

- Income that is **not taxable at all**.
- Examples:
 - Agricultural income
 - HRA (House Rent Allowance) exemption
 - Income from charities, religious trusts