

A person in a red jacket and dark shorts stands on a large, stacked rock formation on a mountain peak. The background shows a vast, hazy mountain range under a clear blue sky. The person is silhouetted against the bright sky.

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# Registration under - GST

# Report on GST Registration



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# **Report of Joint Committee constituted by Empowered Committee of the State Finance Ministers on business processes for registration under GST**

## **Executive Summary**

The Empowered Committee (EC) of State Finance Ministers had constituted the Joint Committee on Business Processes for Goods and Services Tax (GST) to make suitable recommendations to the EC regarding registration, return, payments and refunds under the GST regime.

Various committees has been constituted to prepare the draft of proposed process of GST, GST bills ( CGST, SGST and IGST bills) and the GST rules to make its introduction from 01-04-2016 if the constitutional bill is passed in winter session of parliament. In this article we will discuss the draft process released by ministry of finance on GST registration process to make it understandable to all of its stakeholders.

The report lists out various facts pertaining to registration under GST.

## Key features

Registration of a business with the tax authorities implies obtaining a unique identification code from the concerned tax authorities so that all the operations of and data relating to the business can be agglomerated and correlated. In any tax system this is the most fundamental requirement for identification of the business for tax purposes or for having any compliance verification program.

## Assumptions

The proposals in the report on the business processes for registration are based on the following assumptions:

- a) A legal person without GST registration can neither collect GST from customers nor will be able to claim input tax credit of GST paid by him.
- b) A person engaged in the supply of goods or services below the threshold of Gross Annual Turnover (GAT) including exports and exempted supplies (to be calculated on all-India basis) will not be required to take registration.
- c) Registration application must be filed within 30 days from the date of dealer's liability for obtaining such registration. Effective date of registration would be the date of application, irrespective of whether the application has been filed within the prescribed time limit or not.

- d) The GST law Drafting Committee (Drafting Committee) should make provisions relating to eligibility for input tax credit (ITC) as well as for levy of penalty in case of failure to register within the stipulated time period.
- e) A person with GAT below the threshold turnover can take voluntary registration and enter the credit chain even prior to crossing the threshold limit.
- f) A registered person can opt to pay tax at a specified percentage of the Compounding turnover, which is a relatively higher threshold of GAT (on all-India basis). Such compounding dealers will neither be allowed to collect tax from his customers nor be able to claim input tax credit. They shall remain under the compounding scheme till their turnover crosses threshold or they opt out of the scheme.
- g) All other taxpayers will be required to take GST registration which will enable them to enter into the credit chain.
- h) A registered person not opting to pay under the Compounding scheme can pay regular taxes and file monthly returns, so as to make his supplies eligible for ITC in the hands of purchasers.
- i) Irrespective of turnover, if a taxable person carries out any inter-state supply or is liable to pay GST under reverse charge, he will be compulsorily required to take registration. He shall not be eligible for exemption threshold or for Compounding scheme.
- j) An individual importing service for personal consumption will not be liable to pay GST under reverse charge or register under GST.

- k) All UN bodies seeking to claim refund of taxes paid by them would be required to obtain a unique identification number (ID) from the GST portal.
- l) An ID will also be given through the GST portal to Government authorities / Public Sector Units (PSUs) not making outwards supplies of goods (and thus not liable to obtain GST registration), but are making inter-state purchases.
- m) The concept of Input Service Distributor (ISD) may continue under the GST law. ISD would be required to obtain Goods and Services Tax Identification Number (GSTIN) for distributing the credit of GST paid on services proposed to be used at multiple locations which are separately registered. This would be an exception / deviation for services only. Drafting Committee may make appropriate provisions for distribution of credit on inputs.
- n) All existing registered persons, whether with the Centre or State under any of the tax statutes being subsumed in GST, would be allotted a GST registration number called GSTIN on voluntary basis. Dealers who are below the GST threshold will have the option to remain in the GST chain. The Drafting Committee should make appropriate provisions for the same.
- o) Tax authorities, in case of enforcement cases, may grant suo motu registration. If such person does not have PAN, the registration would be initially temporary and later converted into PAN based registration.
- p) For each State, the person liable to discharge tax will have to take a separate registration, even though the taxpayer may be supplying goods or services from more than one State as a single legal entity.
- q) Multiple registrations within one State to business verticals (as defined under Accounting Standard 17 of ICAI) of a taxpayer may be permitted, subject to all the verticals being on the same scheme of tax treatment.

- r) Casual dealers will be required to obtain registration in the State where they intend to conduct business for the limited period. They will not be allowed to opt for composition scheme. However, they would be eligible to claim ITC on purchases. The period of registration would be mentioned in the registration certificate.
- s) Such dealers would be required to self-assess their liability and deposit the same as an Advance tax. The Drafting Committee may provide conditions for registration and tax payment by casual dealers.
- t) In case of a non-resident supplier i.e. a person who makes an intrastate supply of goods or services, but is not a resident in the State in which he has applied for registration, and is already registered in another State; the provisions applicable to casual dealers would apply, except that no security deposit or advance tax collection should be made.



## Structure of registration number

Each taxpayer will be allotted a State-wise PAN based 15-digit GSTIN. Upto 35 business verticals of the same legal entity can be registered within a State.

Multiple registrations within a State for business verticals of a taxpayer would be allowed subject to the following stipulations:

- a) ITC across the business verticals shall not be allowed unless the goods / services are actually supplied across the verticals.
- b) For the purpose of recovery of dues, all business verticals, though separately registered, will be considered as a single legal entity. Drafting Committee needs to take a final view on this.

## Process for switching over from Compounding scheme to normal scheme and vice-versa

- a) A taxpayer may opt for Compounding scheme only from the beginning of the next financial year and application to be filed on or before 31 March of previous year.
- b) Compounding dealer may switch over to normal scheme during the year, subject to the condition that they cannot switch back to Compounding scheme again during that financial year.
- c) Upon crossing the compounding threshold, the taxpayer will be switched to the normal scheme automatically.



- d) Drafting Committee should provide for a suitable time period of inputs and capital goods purchases on which ITC would be permitted at the time of switching over to normal scheme.
- e) With regard to the changes in relation to switch-over, the validation in the return module should change automatically. The changes should also be published on the common portal in addition to being intimated to other taxpayers who have identified such taxpayer as their counter-party taxpayer.

### **Procedure for obtaining registration**

GST Common Portal for obtaining registration, all the taxpayers shall interact with tax authorities through GST common portal that would be set up by Goods and Services Tax Network (GSTN). The portal will have backend integration with the respective IT systems of the Centre and the States.

### **Facilitation Centre (FC) and Tax Return Preparer (TRP) Scheme:**

- a) TRP will assist the taxpayer in preparation of registration application / returns on the basis of information furnished by the taxpayer.
- b) FC shall be responsible for the digitization / uploading of forms and documents including summary sheet duly signed by the Authorized Signatory and given to it by the taxpayer.
- c) Registration of TRP / FC is recommended, on which final view may be taken by the Drafting Committee.

## Registration by new applicants

1. A new applicant can apply at the GST portal either directly or through the FC. Multiple applications can be filed at one go where a taxpayer seeks registration in more than one State or for more than one business vertical located in a single / multiple State(s).
2. Following scanned documents are required to be filed along with the application for registration:
  - ✓ Constitution of business -Partnership deed, registration certificate in case of societies, trusts etc. which are not captured in PAN.
  - ✓ Details of the principal place of business - Latest Electricity Bill copy or Lease Agreement with any document in support of the ownership of the premise etc.
  - ✓ Details of Bank Account – Passbook containing Account no., Name of Account Holder, MICR and IFS Code along with branch details.
  - ✓ Details of Authorised Signatory – Letter of Authorization or copy of Resolution of Managing Committee / Board of Directors.
  - ✓ Photograph of Managing Partner, Managing Director, Managing Trustee etc.
3. PAN details of Partners / Managing Director / whole-time Director etc. and the Authorized Signatory will be verified with CBDT database and GSTN database before the submitted application is sent to the State / Centre. In case of mismatch the applicant will be given an opportunity to correct the same.

4. Separate application forms are to be designed for:
  - ✓ Multiple registrations for business verticals of same legal entity within a State.
  - ✓ Application for registration in more than one State.
  - ✓ Amendments to existing Registration(s).
  - ✓ Cancellation of Registration(s).
  - ✓ Option to avail / withdraw from the Compounding scheme.
  - ✓ Enrolment of Tax Practitioner (TP) or FC.
  - ✓ Assignment of role by a dealer to TP/ FC, as agent of the dealer.
  - ✓ Application for new registration on account of succession / amalgamation / de-merger etc. of existing GST registrants.
  - ✓ Application by UN bodies for obtaining an ID.
5. Individuals in some North-eastern States, who are exempt from Income tax, as well as Government Departments, will have to obtain PAN before they can apply for registration under GST. Under GST regime, registration will not be allowed without a valid PAN.
6. The GST common portal will carry out preliminary verification / validation, including real-time PAN validation with CBDT portal, Aadhaar No. validation with UIDAI, CIN (Company Identification number) with MCA and other numbers issued by other Departments, through inter-portal connectivity, before submission of the application form.
7. Taxpayers would have the option to sign the submitted application using valid digital signatures. In the absence of digital signature, taxpayers would have to send a signed copy of the summary extract of the submitted application form to a central processing centre to be operated by GSTN.
8. The application form will be passed on by the GST portal to the IT system of concerned State / Central tax authorities who would forward the application to jurisdictional officers (based on the principal place of business).

9. The jurisdictional officers shall examine whether the uploaded documents are in order and respond within three working days.
10. If the information and uploaded documents are in order, the State and the Central authorities shall approve the application and communicate the approval to the common portal within three working days. The portal will then automatically generate the Registration Certificate.
11. If during the process of verification, one of the authorities raises some query or notices some error, the same shall be communicated to the applicant either by the Tax Authority directly or through the GST Common Portal and also simultaneously to the other authority and to the GST Common Portal within three working days. The applicant will reply to the query / rectify the error / answer the query within a period informed by the concerned tax authorities. On receipt of additional document or clarification, the relevant tax authority will respond within seven working days. Thereafter, the registration will either be granted or refused.
12. If either of the two authorities (Centre or State) refuses to grant registration, the registration will not be granted.
13. In case registration is refused, the applicant will be informed about the reasons for refusal through a speaking order and the applicant shall have the right to appeal.
14. In case any of the authority (Centre or State) neither rejects the application nor raises a query within three working days, then the registration would be deemed to have been approved by both the authorities and the GST Common Portal will automatically generate the registration certificate.
15. GST law may provide that GST registration certificate shall be displayed at the principal place of business of the taxpayer.
16. The GST common portal will provide a risk profile to the tax authorities based on the risk parameters made available. The Central / State tax authorities will also have their own risk profile based on their own risk parameters.

## Migration of existing registrants

1. Existing registrants are those who are either registered with States or with the Centre or with both. In case of such registrants, the system shall migrate, clean and verify data from their existing database to the GST Common\Portal and a GSTIN shall be generated.
2. Analysis of registration data available with States and Centre reveals that additional data will have to be collected from the taxpayers. In case of taxpayers under Excise and VAT, source of data for issuing GSTIN should be VAT data as in most cases Excise assesseees will also be registered under VAT. For taxpayers under Service tax, the source of data for issuing GSTIN should be Service tax.
3. For taxpayers registered under State VAT / Excise, GSTIN will be generated by NSDL in case of all VAT TINs, where PAN has been validated. Along with a password, the GSTIN will be sent to respective State Tax Authorities. State tax authorities will communicate the GSTIN / password to taxpayers, with instruction to log on the GST portal and fill up the remaining data.
4. In case of taxpayers registered under Service tax, a different approach will have to be adopted. Since all the Service tax payers have user IDs and passwords, they may advise the taxpayers to intimate State(s) where they would like to get themselves registered.
5. Service tax portal will check from GST portal whether GSTIN has been generated for combination of State and PAN of the taxpayer. GST portal will generate the GSTIN and communicate to Service tax, which will be communicated to the taxpayer asking him / her to provide remaining data.
6. If the verification / updation is not done within the stipulated period, the GSTIN will be suspended till the taxpayer does the needful. Any verification by State / Central authorities can be done after GSTIN is issued.

## Registration of Compounding Dealers

- ✓ Dealers below the Compounding ceiling will be provided with an option on availing the Compounding scheme. Separate format has been prescribed for enabling taxpayers to opt for Compounding scheme.
- ✓ When the taxpayer opts for Compounding scheme he should indicate the same in the registration form. GST Common Portal would internally flag him as a Compounding dealer. Later on when he goes out of the Compounding scheme due to his turnover crossing the Compounding ceiling or he opts out of the scheme, the said flag will be removed and he would continue operating with the same registration number, without undertaking any fresh registration.

## Amendment in the Registration form

- ✓ Except the data mentioned in the migration of registrants, changes to other data can be done on self service basis. Changes to fields relating to migration of registrants and change to Compounding Scheme will require submission of reasons and prescribed relevant documents. Such changes will be subject to approval by the concerned tax authorities. All changes will be retained in the database of GSTN and will be made visible to tax authorities.

## Cancellation / Surrender of registration

- ✓ In the following cases, the registration can be either surrendered by the registrant or cancelled by the tax authorities:
  - a. Closure of business of tax payer.
  - b. GAT including exports and exempted supplies (on all-India basis) falling below threshold for registration.
  - c. Transfer of business for any reason including due to death of the proprietor of a proprietorship firm
  - d. Amalgamation of taxpayer with other legal entities or de-merger.
  - e. Non-commencement of business by the tax payer within the stipulated time period prescribed under the GST laws (Suitable provision is proposed to be made in the GST law).
  
- ✓ Drafting Committee should make appropriate provision for recovery of arrears, other dues and compliance verification pertaining to past periods.
- ✓ The cancellation of registration may be done by tax authorities in the following cases:
  - a. Signed copy of the summary extract, of submitted application form, is not received even after a reminder.
  - b. Taxpayer contravenes specified provision of the GST law.
  - c. Taxpayer has not filed any return during a predetermined period. (Drafting Committee should provide for a time period) In case a taxpayer has filed a nil return continuously for this period, the provisions of cancellation will not be applicable.

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- ✓ Cancellation of registration may be preceded by system generated notice giving seven days' time for furnishing reply by the taxpayer. An opportunity to be heard to be given to taxpayer before passing of order.
- ✓ Revocation of surrendered or cancelled registration is possible by approaching the tax authority. The action for revocation would be initiated by that authority which has cancelled the registration or had earlier accepted the surrender of registration.
- ✓ Action for revocation / cancellation of registration would have to be initiated by both Centre and State tax authorities. Once the registration is cancelled by one authority it would be deemed to be cancelled by other authority also. Cancellation or surrender of registration would have prospective effect.





## **Our Comment**

**The release of the fourth report relating to business processes in GST, which provides an insight on the proposed processes involved in registration under proposed GST, would enable the industry to be well prepared and geared up for a smooth migration to GST.**

**The tax base of Union and State will increase manifold and a better and simple registration process is one of the important factor in this stage. With certain improvements in the above process it can be implemented for better tax compliance among trade and industry.**



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