Income Tax for NGOs (Part II)

- Income Tax Act 2025 & Draft IT Rules 2026 for Charitable institutions - Part II
- FAQ: Tax Deducted at Source (TDS)
- FAQ: GST for NGOs

Income Tax Act 2025 & Draft IT Rules 2026 for Charitable institutions - Part II

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Session Layout – Session 2

- Session 1 contd.
- Cross walk of Sections and Forms from existing to new Act and Rules
- Forms & Proceedings
- How to begin being compliance ready
-

133(1)(b)(ii) – Deduction in respect of donations to certain funds, charitable institutions, etc. (erstwhile Section 80G)

133 (1) – In computing total income of an assesse, there shall be deducted:

(*b*) 50% of sums paid as donation during the tax year to—

(ii) any fund or any institution to which this section applies, if:—

(A) it is established in India for a charitable purpose; and

(B) it is a registered non-profit organisation and approved under section 354;

All provisions of Section 80G are aligned with Section 133 – i.e. represented in money, cash not >2k, statement of donation verified as per risk mgt strategy

6. Approval for Purpose of Deduction under Section 133(1)(b)(ii)

- **354 – Application for approval for purpose of Section 133(1)(b)(ii)** – An R-NPO may make application for approval under 133(1)(b)(ii) subject to
  1. Not for benefit of particular religious caste/community
  2. For charitable purpose and can incur upto 5% of income for religious purpose

3. Constitution instrument does not permit transfer of assets for other than charitable purpose
4. Maintains accounts for receipt and expenditure
5. Prepares donation (including correction) statement and furnishes to Dept
6. Furnishes donation certificate to donor

Table explaining cases, timeline for application by assesse and approval by Dept and period of validity of approval

Table for Various Approvals u/s 133(1)(b)(ii)

Sl. No.	Case	Time limit for furnishing application	Time limit for passing order	Validity of registration
1	Where the **activities of the applicant have not commenced**	At any time during the tax year from which approval is sought.	**One month** from the end of the month in which application is made.	**Three tax years** commencing from the tax year in which such application is made.
2	Where the **activities of the applicant have commenced**.	At any time during the tax year from which approval is sought.	**Six months** from the end of the quarter in which application is made.	**Five** tax years commencing from the tax year in which such application is made.
3	Where the applicant has **provisional approval and activities have commenced**	**Within six months** of the commencement of activities.	**Six months** from the end of the quarter in which application is made.	**Five** tax years commencing from the tax year in which such application is made.
4	Where the **provisional approval of the applicant is due to expire and activities have not commenced.**	At least **six months** prior to the expiry of the provisional approval.	**Six months** from the end of the quarter in which application is made.	**Five** tax years following the tax year in which such application is made.

Sl. No.	Case	Time limit for furnishing application	Time limit for passing order	Validity of registration
5	Where the period for **approval of a registered non-profit organisation is due to expire.**	At least **six months** prior to the expiry of the said approval.	**Six months** from the end of the quarter in which application is made.	**Five** tax years following the tax year in which such application is made.

6. Approval for Deduction under Section 133(1)(b)(ii) (continued)

- Application made to P/CIT for approval as per Table
- For sl 2-5 in Table P/CIT call for information and pass order
  1. for approval if activities are genuine and it abides with any other laws
  2. Reject and communicate
- P/CIT only pass order for provisional approval

354A – merger of two RNPOs with same/similar objects fulfilling conditions (12AC of ITA 1961) to be tax neutral – Budget 2026

7. Interpretation

- **355 – Interpretation**

(a) anonymous donation – voluntary contribution where name and address of donor not known

(b) approval – approval under 80G of IT Act 1961 or section 354 of ITA 2025

(c) Donation – any voluntary contribution received by RNPO

(d) "commercial activity" means any activity in the nature of trade, commerce or business, or any activity of rendering any service in relation to any trade, commerce or business, for a cess or fee or any other consideration, irrespective of the nature of use or application, or retention, of the income from such activity

(e) "registration" includes provisional registration, provisional approval or approval referred to in sections 10(*23C*) or 12AB(1) of the Income-tax Act, 1961 and under section 332, but shall not include approval under section 80G(5) of the said Act or section 354;

(f) "registered non-profit organisation" means any person having a valid registration under any specified provision and such registration has not been cancelled

(g) "related person" means any of the following persons:—

(i) the author or the founder of the registered non-profit organisation;

(ii) any person whose total contribution to such registered non-profit organisation, during the relevant tax year exceeds one lakh rupees, or, in aggregate up to the end of the relevant tax year exceeds ten lakh rupees, as the case may be;

(iii) where such author, founder or person is a Hindu undivided family, a member of the family;

(iv) any trustee or manager (by whatever name called) of the registered non-profit organisation;

(v) any relative of any persons referred to in sub-clause (*i*), (*iii*) or (*iv*);

(vi) any concern in which any of the persons referred to in sub-clauses (*i*), (*iii*) (iv) or (*v*) has a substantial interest (defined as 20%> voting right/profits)

(h) "value" means the value of any benefit or facility granted or provided free of cost or at concessional rate to any related person

(i) "specified person" means any person which is registered under any specified provision at any time since its incorporation or creation;

(j) "specified provision" means section 12A, 12AA or 12AB or section 10(*23C*) of the Income-tax Act, 1961 or section 332;

(k) "wholly for charitable or religious purposes" shall mean wholly for charitable purposes or wholly for religious purposes or wholly for charitable and religious purposes.

Navigator

1. Sections between ITA 1961 and 2025
2. Rules between ITR 1962 and ITR 2026
3. Forms between ITR 1962 and ITR 2026

FAQs also released by CBDT

TDS Provisions – Chapter XIX – Collection & Recovery of Tax

- 392 – TDS on Salary
- 393(I) – Tax to be deducted at source
  Table sl. No. 2(ii). Rent
  Table sl. No. 6. (i) Payment to contractors 393(4) Table sl no. 8 carriage of goods
  Table sl. No. 6. (iii) fee for professional and technical services
  Table sl. No 8(ii) – TDS on purchase of goods
  Table sl. No. 8(iv) – TDS for benefits/perquisites
- 393(2) – TDS for payment to non resident
- 394 – TCS – sale of tendu leaves – 5%, sale of timber or forest produce under forest lease – 2%
- 395 – Certificate – for nil/LTDC until validity
- 398 – Failure to deduct/collect and pay TDS/TCS
- 427 – Fee for late filing of TDS return (234E)
- 461 – Penalty for failure to furnish TDS returns (271H)
- 397(2) – Obligation to provide PAN (206AA)
- 135 – Application for allotment of TAN (49B)

- 397(3)(f) – limitation of 2 years from end of tax year only for TDS/TCS correction statements introduced. Correction statements from FY 2018-19 to 2023-24 (Q3) to be made by 31.3.2026 otherwise time barred

Forms –

Form No. 168 – Form 26AS and AIS merged

Form No. 138 – Form 24Q

Form No. 140 – Form 26Q

Form No. 144 – Form 27Q

Misc Provisions

- Section 186 – Mode of undertaking transaction – (erstwhile 269ST) – Receive Rs.2 lakhs or more from a person in a day/single transaction/transactions for single event/occasion in cash otherwise equivalent amount of penalty as per Section 451
- Section 37 – Certain deductions allowed on actual payment basis only – erstwhile Section 43(B)(h) – effective April 2023 requires all payers for timely payments (15-45 days) to registered MSMEs to claim deductions in the same financial year

Cross Walk of Sections – Income-tax Act 1961 to Income-tax Act 2025

Section Number of Income-tax Act, 1961	Section heading	Section Number of Income-tax Act, 2025

2(15)(Proviso)	Definitions.	346
10(23C)(iiiab)	Any University or other educational institution wholly or substantially financed by the Govt	Schedule VII (Table: S. No. 17)
10(23C)(iiiac)	Any hospital or other institution wholly or substantially financed by the Government.	Schedule VII (Table: S. No. 18)
10(23C)(iiiad) 10(23C)(iiiae)	(a) Any University or other educational institution; (b) any hospital or other institution.	Schedule VII (Table: S. No. 19)
10(46)	Any income of the nature and to the extent which the Central Government may, by notification,	Schedule III (Table: S. No. 36)
11(1)(a)	Income from property held for charitable or religious purposes.	336
11(1)(b)	Income from property held for charitable or religious purposes.	336
11(1)(c)	Income from property held for charitable or religious purposes.	338(a)
11(1)(d)	Income from property held for charitable or religious purposes.	338(b)
11(1)(d)	Income from property held for charitable or religious purposes.	339
11(1)(Explanation)(1)(1)	Income from property held for charitable or religious purposes.	335(c)
11(1)(Explanation)(1)(2)	Income from property held for charitable or religious purposes.	Omitted
11(1)(Explanation)(2)	Income from property held for charitable or religious purposes.	341(1)(c)
11(1)(Explanation)(3)	Income from property held for charitable or religious purposes.	341(1)(a)(iii)
11(1)(Explanation)(3A)	Income from property held for charitable or religious purposes.	340
11(1)(Explanation)(3B)	Income from property held for charitable or religious purposes.	337 (Table: S. No. 5)

11(1)(Explanation)(4)(i)	Income from property held for charitable or religious purposes.	341(4)
11(1)(Explanation)(4)(i) (Proviso)	Income from property held for charitable or religious purposes.	341(2)(a)
11(1)(Explanation)(4)(ii)	Income from property held for charitable or religious purposes.	341(4)
11(1)(Explanation)(4)(ii) (Proviso)	Income from property held for charitable or religious purposes.	341(2)(b)
11(1)(Explanation)(4)(iii)	Income from property held for charitable or religious purposes.	341(1)(b)
11(1)(Explanation)(5)	Income from property held for charitable or religious purposes.	341(3)(b)
11(1A)	Income from property held for charitable or religious purposes.	Omitted
11(1B)	Income from property held for charitable or religious purposes.	Omitted
11(2)((a)	Income from property held for charitable or religious purposes.	342(1)
11(2)(b)	Income from property held for charitable or religious purposes.	342(4)
11(2)(c)	Income from property held for charitable or religious purposes.	342(1)
11(2)(Proviso)	Income from property held for charitable or religious purposes.	342(3)
11(2)(Explanation)	Income from property held for charitable or religious purposes.	342(2)
11(3)(a)	Income from property held for charitable or religious purposes.	337 (Table: S. No. 6)
11(3)(b)	Income from property held for charitable or religious purposes.	337 (Table: S. No. 4)
11(3)(c)	Income from property held for charitable or religious purposes.	337 (Table: S. No. 8)
11(3)(d)	Income from property held for charitable or religious purposes.	337 (Table: S. No. 9)

11(3A)	Income from property held for charitable or religious purposes.	342(5)
11(3A)	Income from property held for charitable or religious purposes.	342(6)
11(3A)(1st Proviso)	Income from property held for charitable or religious purposes.	342(2)
11(3A)(2nd Proviso)	Income from property held for charitable or religious purposes.	342(7)
11(4)	Income from property held for charitable or religious purposes.	344
11(4A)	Income from property held for charitable or religious purposes.	345
11(5)	Income from property held for charitable or religious purposes.	350
11(6)	Income from property held for charitable or religious purposes.	341(3)(a)
11(7)	Income from property held for charitable or religious purposes.	333
11(Explanation)	Income from property held for charitable or religious purposes.	341(1)(a)(i)
12(1)	Income of trusts or institutions from contributions.	335(c)
12(2)	Income of trusts or institutions from contributions.	337 (Table: S. No. 2)
12(3)	Income of trusts or institutions from contributions.	Redundant
12A(1)(ac)	Conditions for applicability of sections 11 and 12.	332(3)
12A(1)(ac)(Proviso)	Conditions for applicability of sections 11 and 12.	332(4)
12A(1)(ac)(Proviso)	Conditions for applicability of sections 11 and 12.	332(9)
12A(1)(b)	Conditions for applicability of sections 11 and 12.	347

12A(1)(b)	Conditions for applicability of sections 11 and 12.	348
12A(1)(ba)	Conditions for applicability of sections 11 and 12.	349
12A(2)	Conditions for applicability of sections 11 and 12.	332(3)
12AA	Procedure for registration.	Omitted
12AB(1)	Procedure for fresh registration.	332(7)
12AB(2)	Procedure for fresh registration.	Redundant
12AB(3)	Procedure for fresh registration.	332(3)
12AB(4)	Procedure for fresh registration.	351(2)
12AB(4)(Explanation)	Procedure for fresh registration.	351(1)
12AB(5)	Procedure for fresh registration.	351(3)
12AC	Merger of charitable trusts or institutions in certain cases.	352(5) (Table: Sl. No. 8.B)
13(1)(a)	Section 11 not to apply in certain case.	351(1)(c)
13(1)(b)	Section 11 not to apply in certain case.	351(1)(d)
13(1)(c)	Section 11 not to apply in certain case.	337 (Table: S. No. 2)
13(1)(d)	Section 11 not to apply in certain case.	350
13(10)	Section 11 not to apply in certain case.	353
13(11)	Section 11 not to apply in certain case.	353
13(2)	Section 11 not to apply in certain case.	337 (Table: S. No. 2)
13(3)	Section 11 not to apply in certain case.	355(j)
13(4)	Section 11 not to apply in certain case.	Redundant
13(5)	Section 11 not to apply in certain case.	Redundant
13(6)	Section 11 not to apply in certain case.	Redundant
13(7)	Section 11 not to apply in certain case.	Redundant
13(8)	Section 11 not to apply in certain case.	346
13(9)	Section 11 not to apply in certain case.	342(1)
13 Explanation (1)	Section 11 not to apply in certain case.	355(i)

13 Explanation (2)	Section 11 not to apply in certain case.	351(1)(d)
35	Expenditure on scientific research.	45
40A	Expenses or payments not deductible in certain circumstances.	29, 32, 36
80G	Deduction in respect of donations to certain funds, charitable institutions, etc.	133
80G(5)	Deduction in respect of donations to certain funds, charitable institutions, etc.	354(1)
80G(5)(Proviso)	Deduction in respect of donations to certain funds, charitable institutions, etc.	354(2)
80GGA	Deduction in respect of certain donations for scientific research or rural development.	135
80GGB	Deduction in respect of contributions given by companies to political parties.	136
115BBC	Anonymous donations to be taxed in certain cases.	337 (Table: S. No. 1)
115BBI	Specified income of certain institutions.	337
115TD	Tax on accreted income.	352
115TE	Interest payable for non payment of tax by specified person	352
139	Return of Income	263
142	Inquiry before assessment	268
143	Assessment	270
148	Issue of notice where income has escaped assessment	280
154	Rectification of mistake	287
156	Notice of demand.	289
192	Salary TDS	392
194C	Payments to contractors.	393(1) [Table: S.No. 6(i)], 393(4) [Table: S.No. 8]
194I	Rent.	393(1) [Table: S.No. 2(i) & 2(ii)], 393(4) [Table: S.No. 2]

194-IA	Payment on transfer of certain immovable property other than agricultural land.	393(1) [Table: S.No. 3(i)]
194-IB	Payment of rent by certain individuals or Hindu undivided family.	393(3) [Table: S.No. 2(ii)]
194-IC	Payment under specified agreement.	393(1) [Table: S.No. 3(ii)]
194J	Fees for professional or technical services.	393(1) [Table: S.No. 6(iii)], 393(4) [Table: S.No. 9]
194Q	Deduction of tax at source on payment of certain sum for purchase of goods.	393(1) [Table: S.No. 8(ii)]
194R	Deduction of tax on benefit of perquisite in respect of business or profession.	393(1) [Table: S.No. 8(iv)]
195	Other sums.	393(2) [Table: S.No. 17]
197	Certificate for deduction at lower rate.	395(1)
206AA	Requirement to furnish Permanent Account Number.	397(2)
206CC	Requirement to furnish Permanent Account Number by collectee.	397(2)
206CCA	Special provision for collection of tax at source for non-filers of income tax return	Omitted
234E	Fee for default in furnishing statements.	427
245	Set off and withholding of refunds in certain cases.	438
269ST	Mode of undertaking transactions.	186
270A	Penalty for under-reporting and misreporting of income.	439
271H	Penalty for failure to furnish statements, etc.	461

Forms and Proceedings

Forms –

- Audit Report – 10B/10BB – Single form 112
- ITR 7 continues as such for now
- 9A (deemed application) – now Form no 108 – application in case of dissolution
- 10 – now Form no 109 – Accumulation
- 10BD – now Form no 113
- 10BE – now Form no 114

Proceedings –

- Section 139 – Return of Income now Section 263
- Section 142 – Notice by AO for inquiry before assessment now Section 268
- Section 143 – Assessment now Section 370
- Section 149 – Notice when income escaped assessment now Section 280
- Section 154 – Rectification of mistake by AO now Section 287
- Section 156 – Demand notice now Section 289
- Section 270A – Mis/underreporting penalty now Section 439

Cross Walk of Forms – IT Rules 1962 to IT Rules 2026

Form No. (IT Rules 2026)	Form No. (IT Rules 1962)	Description
16	New Form	Certificate of donation under section 45(4)(a) of the Act
93	49A	Application for allotment of PAN (For an individual being Citizen of India)
104	10A	Application for provisional registration or provisional approval
105	10AB	Application for registration of non-profit organisation under section 332 or approval for deduction under section 133(1)(b)(ii)
106	10AC	Order for provisional registration u/s 332 or provisional approval u/s 354 Rejection of application
107	10AD	Order for grant of registration under section 332 or approval under section 354 or rejection of application or cancellation of registration or approval granted

Form No. (IT Rules 2026)	Form No. (IT Rules 1962)	Description
108	9A	Exercise of option under section 341(7) in respect of amount applied for charitable purpose in case of dissolution
109	10	Accumulation
113	10BD	Statement of donation
114	10BE	Certificate of donation under section 354(1)(g) of the Act
138	24Q	Quarterly statement of deduction of tax under section 397(3)(b) of the Act in respect of salary paid to employee under section 392
140	26Q	Quarterly statement of deduction of tax under section 397(3)(b) of the Act in respect of payments made other than salary for the quarter ended (June/September/December/March)
144	27Q	Quarterly statement of deduction of tax under section 397(3)(b) of the Act in respect of payments other than salary made to non-residents for quarter
145	15CA	Information to be furnished for payments to a non-resident not being a company, or to a foreign company
146	15CB	Certificate
168	26AS	Annual information statement

Key Takeaways for NGOs

- Neat structuring of provisions, unified definitions for common interpretation, tables/Schedules to make comprehension easy
- Person who can be RNPO specified
- No new tax
- Existing registration/approval of RNPO under ITA 1961 valid
- Deemed application provision for shortfall in 85% utilization remains.
- Repurposing of accumulated income permitted
- 15% income set apart (deemed accumulated income) to be put in specified modes of investment

- Commercial activity prohibited for all objects except GPU. Other than GPU, only incidental business income permitted

How to be Compliance Ready

- Compliance to begin from tax year 2026-27. Now is the time for unlearning-learning
- Existing registrations if valid need no further action
- Finance & Compliance teams of NGOs need to understand the structure and navigate flow from ITA 1961 to ITA 2025
- Familiarity with definitions, sections, tables, Schedules, forms, rules required in the long future
- Be aware of specified violations under 351 as per sub part 6 to avoid cancellation
- Tax on accreted income provisions maybe applied more rigorously
- Refer to tables for registration under 332, approval under 354, accreted tax under 352 and Specified income under 337
- Property irrevocably in trust for benefit of general public maybe included as a must in constitution documents.

FAQ: Tax Deducted at Source (TDS)

> Disclaimer: This document is intended solely for educational purposes. The content herein is subject to change based on evolving finance trends and any relevant rulings by the Government of India. Readers are advised to consult with qualified professionals for specific guidance related to their individual circumstances.

Q1. What is Tax Deducted at Source (TDS)?

For quick and efficient collection of taxes, the Income-tax Law has incorporated a system of deduction of tax at the point of generation of income. This system is called “Tax Deduction at Source”, commonly known as TDS. Under this system tax is deducted at the origin of the income. Tax is deducted by the payer and is remitted to the Government by the payer on behalf of the payee.

The provisions of deduction of tax at source are applicable to several payments such as salary, interest, commission, brokerage, professional fees, royalty, contract payments, etc. In respect of payments to which the TDS provisions apply, the payer has to deduct tax at source on the payments made by him and he has to deposit the tax deducted by him to the credit of the Government.

Q2. What are the payments covered under the TDS mechanism and the rates for deduction of tax at source?

Tax is deductible at source at the rates given in table below :“ Rate of TDS for FY 2023-24”. If PAN of the deductee is not intimated to the deductor, tax will be deducted at source by virtue of section ?206AA either at the rate given in the table or at the rate or rates in force or at the rate of 20 per cent, whichever is higher. Further, under section 94A(5), if payment or credit is made or given to a

deductee who is located in a notified jurisdictional area, tax is deductible at the rate given in the table or at the rate of 30 per cent, whichever is higher. TDS rates for the financial year 2023-24 are given in the table at end of the FAQ

Q3. Is there a minimum amount up to which tax is not deducted?

The Income-tax Act has prescribed a different threshold limit for deduction of tax at source under various sections. If the expenditure incurred/payment made during the year is below the threshold limit, then there is no requirement to deduct tax at source.

Q4. Can the payee request the payer not to deduct tax at source and to pay the amount without deduction of tax at source?

A payee can approach to the payer for non-deduction of tax at source but for that they have to furnish a declaration in Form No. 15G/15H, as the case may be, to the payer to the effect that the tax on his estimated total income of the previous year after including the income on which tax is to be deducted will be nil. Form No. 15G is for the individual or a person (other than company or firm) and Form No. 15H is for the senior citizens. For threshold beyond 15G/H, the entity can apply for nil or concessional rate of TDS as per Section 197 of the Act.

Q.5 What are the consequences a deductor would face if he fails to deduct TDS or after deducting the same fails to deposit it to the Government’s account?

A deductor would face the following consequences if he fails to deduct TDS or after deducting the same fails to deposit it to the credit of Central Government’s account:-

a) Disallowance of expenditure

> As per section 40(a)(i) of the Income-tax Act, any sum (other than salary) payable outside India or to a non- resident, which is chargeable to tax in India in the hands of the recipient, shall not be allowed to be deducted if it is paid without deduction of tax at source or if tax is deducted but is not deposited with the Central Government till the due date of filing of return.

However, if tax is deducted or deposited in subsequent year, as the case may be, the expenditure shall be allowed as deduction in that year.

Similarly, as per section 40(a)(ia), any sum payable to a resident, which is subject to deduction of tax at source, would attract 30% disallowance if it is paid without deduction of tax at source or if tax is deducted but is not deposited with the Central Government till the due date of filing of return.

However, where in respect of any such sum, tax is deducted or deposited in subsequent year, as the case may be, the expenditure so disallowed shall be allowed as deduction in that year.

As per Section 58(1A) (as amended with effect from the assessment year 2018-19), the provisions of section 40(a)(ia) and 40(a)(iia) shall also apply in computing the income chargeable under the head “Income from other sources”.

b) Levy of interest

As per section 201 of the Income-tax Act, if a deductor fails to deduct tax at source or after the deducting the same fails to deposit it to the Government’s account then he shall be deemed to be an assessee-in-default and liable to pay simple interest as follows:-

1. at one per cent for every month or part of a month on the amount of such tax from the date on which such tax was deductible to the date on which such tax is deducted; and
2. at one and one-half per cent for every month or part of a month on the amount of such tax from the date on which such tax was deducted to the date on which such tax is actually paid.

1. Levy of Penalty

Penalty of an amount equal to tax not deducted or paid could be imposed under section 271C.

Q6. Under what circumstances a deductor would not be deemed as an assessee-in-default even after he fails to deduct TDS or after deducting the same fails to deposit it to the Government’s account?

A deductor who fails to deduct the whole or any part of the tax on the sum paid to a resident or on the sum credited to the account of a resident shall not be deemed to be an assessee-in-default in respect of such tax if such resident—

1. has furnished his return of income under section 139;
2. has taken into account such sum for computing income in such return of income; and
3. has paid the tax due on the income declared by him in such return of income, and the deductor furnishes a certificate to this effect in Form No.26A from a chartered accountant.

Q7. w.e.f. 01-09-2019, will the sum paid to non-resident be covered by above provisions?

In such a case, the payee can claim the refund of the entire/excess amount of TDS (as the case may be) by filing the return of income.

Q8. If the payer does not deduct tax at source, will the payee face any adverse consequences by means of action taken by the Income-tax Department?

It is the duty and responsibility of the payer to deduct tax at source. If the payer fails to deduct tax at source, then the payee will not have to face any adverse consequences. However, in such a case, the payee will have to discharge his tax liability. Thus, failure of the payer to deduct tax at source will not relieve the payee from payment of tax on his income.

Q9. What are the duties of the person deducting tax at source?

Following are the basic duties of the person who is liable to deduct tax at source.

- He shall obtain Tax Deduction Account Number and quote the same in all the documents pertaining to TDS.
- He shall deduct the tax at source at the applicable rate.
- He shall pay the tax deducted by him at source to the credit of the Government (by the due date specified in this regard*).

- He shall file the periodic TDS statements, i.e., TDS return (by the due date specified in this regard*).
- He shall issue the TDS certificate to the payee in respect of tax deducted by him (by the due date specified in this regard*).

Q10. How can I know the quantum of tax deducted from my income by the payer?

To know the quantum of the tax deducted by the payer, you can ask the payer to furnish you a TDS certificate in respect of tax deducted by him. You can also check Form 26AS from your e-filing account at https://www.incometax.gov.in/iec/foportal

You can also use the “View Your Tax Credit” facility available at www.incometaxindia.gov.in

Q.11 At what rate will the payer deduct tax if a taxpayer doesn’t furnish a return of income?

As per section 206AB, the tax shall be deductible at the higher rates prescribed under this provision if the following conditions are satisfied:

1. Deductee has not filed the return of income for assessment years relevant to the previous year immediately prior to the previous year in which tax is required to be deducted;
2. The due date to file such return of income, as prescribed under section 139(1), has expired; and
3. The aggregate amount of tax deducted and collected at source is Rs. 50,000 or more in said previous years.

Tax is required to be deducted at higher rates in respect of every sum or income or amount from which tax is deductible under any provision of Chapter XVII-B except the sum or income or amount on which tax is deductible under any of the following provisions:

However, a non-resident person who does not have permanent establishment in India or a person who is not required to furnish return of income and is notified by the Central Government shall be out of the scope of deductee for the purpose of section 206AB.

Q12. What to do if the TDS credit is not reflected in Form 26AS?

Non-reflection of TDS credit in Form 26AS can be due to several reasons like non-filing of TDS statement by the payer, quoting incorrect PAN of the deductee in the TDS statement filed by the payer. Thus, in case of non-reflection of TDS credit in Form 26AS, the payee has to contact the payer for ascertaining the correct reasons for non-reflection of the TDS credit in Form 26AS.

Q13. At what rate will the payer deduct tax if I do not furnish my Permanent Account Number to them?

As per section 206AA, if you do not furnish your Permanent Account Number to the payer (i.e., deductor), then the deductor shall deduct tax at the higher of the following rates :

- At the rate specified in the relevant provision of the Act.
- At the rate or rates in force, i.e., the rate prescribed in the Finance Act.
- At the rate of 20%.

However, the provisions of section 206AA shall not apply in the following cases:-

In respect of payment of interest on long-term bonds to a non-resident under section 194LC.

Where deductee being a non-resident or a foreign company, shall in respect of payments in the nature of interest, royalty, fees for technical services and payments on transfer of any capital asset, furnish the following details and documents to the deductor, namely:

- Name, e-mail id, contact number;
- Address in the country or specified territory outside India of which the deductee is a resident;
- A certificate of his being resident in any country or specified territory outside India from the Government of that country or specified territory if the law of that country or specified territory provides for issuance of such certificate;
- Tax Identification Number of the deductee in the country or specified territory of his residence and in case no such number is available, then a unique number on the basis of which the deductee is identified by the Government of that country or the specified

territory of which he claims to be a resident.

Q14. I do not have a PAN. Can I furnish Form 15G/15H for non-deduction of TDS from interest?

Ans. As per section 206AA, a declaration in Form No. 15G or Form No. 15H is not a valid declaration, if it does not contain PAN of the person making the declaration. If the declaration is without the PAN, then tax is to be deducted at higher of following rates :

AD_4nXfuR3szur9kxMBpde7K4IBt79LuPGoKXY7XGamYr-akjIIcIKnOWKU5dEHD4tn1EiYKOb-sPY7uZSg

At the rate specified in the relevant provision of the Act.

AD_4nXfuR3szur9kxMBpde7K4IBt79LuPGoKXY7XGamYr-akjIIcIKnOWKU5dEHD4tn1EiYKOb-sPY7uZSg

At the rate or rates in force, i.e., the rate prescribed in the Finance Act.

AD_4nXfuR3szur9kxMBpde7K4IBt79LuPGoKXY7XGamYr-akjIIcIKnOWKU5dEHD4tn1EiYKOb-sPY7uZSg

At the rate of 20%.

Q15. Would I face any adverse consequences if instead of depositing TDS in the government’s account, I use it for my personal needs?

Yes, failure to remit tax deducted by you in the government’s account within stipulated time-limit would attract interest, penalty and rigorous imprisonment of up to seven years.

Q16. I have not received a TDS certificate from the deductor. Can I claim TDS in my return of income?

Yes, the tax credit in your case will be reflected in your Form 26AS and, hence, you can check Form 26AS and claim the credit of the tax accordingly. However, the claim of TDS to be made in your return of income should be strictly as per the TDS credit being reflected in Form 26AS. If there is any discrepancy in the tax actually deducted and the tax credit being reflected in Form 26AS then you should intimate the same to the deductor and should reconcile the difference. The credit granted by the Income-tax Department will be as per Form 26AS.

Q17. If I buy any land/building then is there any requirement to deduct tax from the sale proceeds to be paid by me to the seller?

Yes, Finance Act, 2013 has introduced section 194-IA which provides for deduction of tax at source in case of payment of sale consideration of immovable property (other than rural agricultural land) to a resident. Section 194-IA is not applicable if the seller is a non-resident. Tax is to be deducted @ 1%. No tax is to be deducted if the consideration is below Rs. 50,00,000. If the sale consideration exceeds Rs. 50,00,000, then tax is to be deducted on the entire amount and not only on the amount exceeding Rs. 50,00,000.

If the seller is a non-resident then tax is to be deducted under section 195 and not under section 194-IA. Thus, in case of purchase of property from non-resident TDS provisions of section 195 will apply and not of section 194-IA

Q18. What is the difference between PAN and TAN?

PAN stands for Permanent Account Number and TAN stands for Tax Deduction Account Number. TAN is to be obtained by the person responsible to deduct tax, i.e., the deductor. In all the documents relating to TDS and all the correspondence with the Income-tax Department relating to TDS one has to quote his TAN.

PAN cannot be used for TAN, hence, the deductor has to obtain TAN, even if he holds PAN.

However, in case of TDS on purchase of land and building (as per section 194-IA) as discussed in previous FAQ, the deductor is not required to obtain TAN and can use PAN for remitting the TDS.

Further in case of TDS on rent (as per section 194-IB) TDS on payment of certain sums by Individuals of HUFs (as per section 194M), and TDS on payment made for transfer of virtual digital asset by specified person (as per section 194S), the deductor can use PAN instead of TAN for remitting TDS?

Q19. FAQs from TDS – Centralized Processing Cell

To see the FAQs from TDS – Centralized Processing Cell, please visit http://contents.tdscpc.gov.in/en/top-faq.html

Q20. What is the amount of TDS if the property belongs to an NRI?

Yes, u/s 195. In case you have any doubt regarding the amount on which TDS is to be made, you may file an application with the officer handling non-resident taxation who will pass an order determining the TDS to be made. Alternatively, if the recipient feels that the TDS is more he may file an application with his Assessing Officer for non-deduction.

Q21. Is the limit of Rs. 50,000 per month under section 194-IB applicable to each of the co-owners separately in case rent is paid individually to co-owners?

As per the section 194IB, an individual or HUF whose books of account are not liable for audit u/s 44AB, paying rent to a resident exceeding Rs. 50,000 per month or part of the month for land or building, liable to deduct tax @ 5% at the time of credit of rent, for the last month of the previous year or last month of the tenancy in case property is vacated during the year, as the case may be, to the account of the payee or at the time of payment thereof in cash or by cheque or draft or any other mode, whichever is earlier.

Therefore, a limit of Rs. 50,000 is applicable for each co-owner separately, if rent is paid to co-owners of the property.

Q22. Who is required to file Form 15CA ?

As per Rule 37BB, any person responsible for paying to a non-resident, not being a company, or to a foreign company, any sum chargeable to tax under the provisions of Income tax Act, 1961, shall furnish such information in Form 15CA and Form 15CB:

- In case the payment or the aggregate of such payments made during the financial year does not exceed Rs. 5 lakh rupees, such information is to be furnished in Part A of Form No.15CA.

- In case the payment exceeds Rs. 5 lakh such information is required to be furnished in Part B of Form No. 15CA after obtaining a certificate from the Assessing Officer under section 197; or an order from the Assessing Officer under sub-section (2) or sub-section (3) of section 195.
- In case the payment exceeds Rs. 5 lakh such information is required to be furnished in Part C of Form 15CAafter obtaining certificate in Form No.15CB from an accountant as defined in the Explanation to sub-section (2) of section 288.
- In case the payment other than the payment referred in sub-rule (3) of Rule 37BB which is not chargeable to tax under the provisions of Income tax Act,1961, such information is required to be furnished in Part D of Form No. 15CA.

Q23. Can TCS be collected on an amount inclusive of GST?

As per section 206C (1) every person, being a seller shall, at the time of debiting of the amount payable by the buyer to the account of the buyer or at the time of receipt of such amount from the said buyer in cash or by the issue of a cheque or draft or by any other mode, whichever is earlier, collect from the buyer. Hence, amount debited to the account of buyer or payment shall be received by seller inclusive of VAT/ excise/GST. TCS to be collected inclusive of GST.

Q24. How much TDS will be deducted in case of payment of remuneration to the company's director?

Sec 194J levies TDS on technical and professional services. As per the provisions of the Companies Act, the director of the company is also a manager and thus, a technical personnel. As per Section 194J(1)(ba), any payment made to director in the nature of sitting fees, remuneration or any other sum other than those on which tax deductible under section 192 is to be considered for deduction of tax at source @ 10% under section 194J. Further, there is no threshold limit for deduction of tax at source.

Q25. What is the due date for depositing TDS?

7th of the subsequent month. For the month of March, it is 30th April.

Q26. How is TDS deposited?

TDS is deposited online using challan ITNS 281 on the Government portal

Q27. What is the due date for filing of TDS returns?

Period	Form 24Q (Salary)	Form 26Q (Non salary)
April - June	31st July	31st July
July - September	31st October	31st October
October - December	31st January	31st January
January - March	31st May	31st May

Rate of TDS for FY 2023-24

Section	Nature of transaction	Threshold Limit (Rs)	TDS Rate
192	Salary	Basic exemption limit	As per applicable slab rates
192A	Premature Withdrawal of EPF	50,000	10% rate of TDS if PAN is provided. If EPF withdrawal is made without PAN, the applicable rate is 20%.

Section	Nature of transaction	Threshold Limit (Rs)	TDS Rate
193	Interest on securities	2500	10% In the 2023 budget, the exemption of TDS on interest from listed debentures has been removed. This means tax must now be deducted on the interest earned from these securities.
194	Dividend	5,000	10%
194A	Interest on deposit in a bank or post office	Senior Citizens- 50,000 Others- 40,000	10% for both
194A	Interest from other sources except interest on securities and interest on bank deposits.	5,000	10%
194B	Income from lottery winnings, puzzles, crosswords, card games, etc.	10,000	30%
194BA	Earnings from online games	Nil	30%
194BB	Income from horse race	10,000	30%
194C	Payment done to subcontractor/contractor	Single transaction- 30,000 Aggregate transactions- 1,00,000	HUF/Individuals: 1% Others: 2%
194D	Insurance commission to:		
	a) Individuals	15,000	5%
	b) Companies	15,000	10%

Section	Nature of transaction	Threshold Limit (Rs)	TDS Rate
194DA	Payment made towards life insurance policy	1,00,000	5%
194E	Payment to non-resident sports association/ sportsmen	No specified limit	20% The mentioned rate will be subject to an additional surcharge and a 4% cess.
194EE	Payment to National Savings Scheme	2,500	10%
194F	Payment for the re-purchase of the unit by Mutual Fund or UTI	No specified limit	20%
194G	Commission on selling lottery tickets	15,000	5%
194H	Commission/brokerage	15,000	5%
194-I	Rent:		
	194-I(a) plant and machinery	2,40,000	2%
	194-I(b) land/building/furniture/fitting	2,40,000	10%
194-IA	Payment on transfer of immovable property except agricultural land	50,00,000	1%
194-IB	Rent paid by HUF/Individual who is not required to conduct tax audit	50,000 per month	5%
194-IC	Payment under JDA, Joint Development Agreements	No specified limit	10

Section	Nature of transaction	Threshold Limit (Rs)	TDS Rate
194J	Fees paid for - • Technical services • Royalty in the nature of consideration for sale, distribution or exhibition of cinematographic films	30,000 30,000	2% 2%
194J	Fees paid for any other professional services or technical service	30,000	10%
194K	Earnings from units payable to a resident	No specified limit	10%
194LA	Compensation for acquiring an immovable property	2,50,000	10%
194LB	Interest paid to Non-resident on Infrastructure Debt Fund	No specified limit	5% The mentioned rate will be subject to an additional surcharge and a 4% cess.
194LBA(1)	Earnings received by a business trust from an SPV	No specified limit	10%
194LBB	Income of a unit holder from an investment fund.	No specified limit	10%
194LBC	Income from investment in securitization trust Individuals/HUF Others	No specified limit	25% 30%

Section	Nature of transaction	Threshold Limit (Rs)	TDS Rate
194M	Payment of commission except income tax commission under Section 194C, 194H, and 194J	50,00,000	5%
194N	Cash withdrawal exceeding a specific amount 1 crore	1 crore	2%
194N	Cash withdrawal from multiple bank accounts during the previous year		
	Amount exceeding 1 crore (exceeding 20 lakhs for people not filing ITR for previous 3 years)	1 crore	2%
	Aggregate cash withdrawal exceeding 20 lakhs	20 lakhs	2%
	Aggregate cash withdrawal exceeding 1 crore	1 crore	5%
194O	Payment to e-commerce participant by e-commerce operator	5,00,000	1% 5% in case PAN is not provided
194P	TDS for senior citizens aged over 75 years	Basic exemption limit	Normal tax slab rates
194Q	Purchase of goods after 1.07.2021	50,00,000	0.10%

Section	Nature of transaction	Threshold Limit (Rs)	TDS Rate
194R (Introduced in budget 2022)	TDS deducted on benefit or Perquisite to a business or profession	20,000	10%
194S	Payment of virtual digital assets	Specified Persons- 50,000 Others- 10,000	1%
195	Income on investments of NRI citizens	No specified limit	20%
195	LTCG under section 115E in the case of NRI citizen	No specified limit	10%
195	LTCG under section 112(1)(c)(iii)	No specified limit	10%
195	LTCG under section 112A	No specified limit	10%
195	STCG under section 111A	No specified limit	15%
195	Other LTCG other then LTCG mentioned u/s 112A, 10(33), 10(36)	No specified limit	20%
195	Interest paid on borrowings from Indian company or government in INR.	No specified limit	20%
195	Income from royalty, paid by Indian company/government under section 115A	No specified limit	10%

Section	Nature of transaction	Threshold Limit (Rs)	TDS Rate
195	Earnings from royalty by government or Indian company as per an agreement according to the industrial policy.	No specified limit	10%
195	Income from royalties payable from Indian companies or the government. Agreement should be made between 31st Mar 1961 to 1st Apr 1976	No specified limit	50%
195	Earnings from royalty to be paid by government or Indian company in pursuance of an agreement on matters included in the industrial policy Agreement should be between 31st March 1976	No specified limit	10%
195	Earnings from technical fees to be paid by Indian government or company in pursuance of an agreement for industrial policy	No specified limit	10%

Section	Nature of transaction	Threshold Limit (Rs)	TDS Rate
195	Income from technical fees payable by government or Indian concern in pursuance of an agreement on matters related to industrial policy If the agreement for such payment is entered in between 29th February 1964 and 1st April 1976	No specified limit	50%

FAQ: GST for NGOs

> Disclaimer: This document is intended solely for educational purposes. The content herein is subject to change based on evolving finance trends and any relevant rulings by the Government of India. Readers are advised to consult with qualified professionals for specific guidance related to their individual circumstances.

Q1. What are the criteria for a charitable trust to be exempted from GST?

There are certain criteria for a charitable trust or an NGO to be exempted from the Goods and Services Tax. The charitable trust or NGO must be registered under Section 12AA of the Income Tax Act, and the services provided by the charitable trust or the N

Q2. What is “charitable activity” under GST?

Notification no 12/2017 the term “charitable activity” has been explained. (Chapter 99 Sl. No.1)

“Charitable activities” –

(i) public health by way of,-

- Care or counselling of
  - Terminally ill persons or persons with severe physical or mental disability;
  - persons afflicted with HIV or AIDS;
  - persons addicted to a dependence-forming substance such as narcotics drugs or alcohol;
- Public awareness of preventive health, family planning or prevention of HIV infection;
- Advancement of religion, spirituality or yoga;
- Advancement of educational programmes or skill development relating to,-
  - Abandoned, orphaned or homeless children;

    - physically or mentally abused and traumatized persons;
    - prisoners; or
    - persons over the age of 65 years residing in a rural area;
- Preservation of environment including watershed, forests and wildlife;
- The exemption list services under GST maybe browsed at https://taxguru.in/goods-and-service-tax/list-exempted-services-gst.html

Q3. What about goods sold by a charitable trust?

Goods that are sold by a charitable trust is taxable. The charitable trust must pay the GST rate applicable while purchasing the supply.

Q4. Is GST applicable on training programs, camps, and events conducted by a charitable trust?

If a charitable trust is conducting training programs, yoga camps, or other programs that are not free for participants, it will be considered as a commercial activity and hence will be liable for GST. Even the donation received for such an activity will be liable for taxation under GST. Services provided by way of training or coaching in recreational activities relating to arts and culture, or sports by a charitable entity will be exempt from GST.

Q5. Are the events organized by charitable trusts exempt from GST?

If trusts are running schools, colleges or any other educational institutions specifically for abandoned, orphans, homeless children, physically or mentally abused persons, prisoners or persons over age of 65 years or above residing in a rural area, such activities will be considered as charitable activities and income from such supplies will be wholly exempt from GST.

Q6. What happens when a charitable trust rents out a religious place? Is there any GST on that?

GST law has chalked out GST exemptions, when a charitable trust rents out religious meant for general public (owned and managed by a registered charitable trust under 12AA of the Income Tax Act, 1961). GST will be exempted when:

- Rent out rooms are charged lesser than Rs.1,000 a day
- Kalyanamandapam or an open area is charged lesser than Rs.10,000 a day
- Rent out shops and other spaces for business are charged less than Rs.10,000 a month

Resource material for NGOs on GST

Key definitions under CGST Act 2017 for NGOs to know:

1. Section 2(84) defines the term “person” which include Trusts, Societies and all types of artificial juridical person
2. Sec 2(17) defines “Business” which includes any trade, commerce, manufacture, profession, vocation, adventure, wager or any other similar activity, whether or not it is for a pecuniary benefit;
3. Section 2(28) defines “Consideration” as monetary value or payment for an activity. Payment is Not Consideration. The act of mere payment, and/or undertaking to pay arising out of a contract towards any assistance, without getting anything in return or supply in any form in return cannot be called as consideration
4. Section 7 (1) defines scope of supply to include:
    - all forms of supply of goods & services or both, such as sale, transfer, barter, exchange, license, rental, lease or disposal made/agreed to be made-VC/corpus not supply, no specified beneficiaries.
    - Consideration-provided a grant is linked to beneficiaries/implementing partner/ donor
    - in the course of furtherance of business-Grant is a legal obligation and not income. Also incidental activity would be excluded if primary activity is charitable
5. Levy & Collection-As per section 9(1) of CGST Act, Tax is leviable on the supply of Goods/Services or both on the value determined under section 15 and at such rates as prescribed under various schedules of the Act

Architecture of GST

1. GST is destination based consumption tax. Benefit of tax (STCG/ UTGST) will accrue to the consuming state
2. When supply of goods/services happens within a state called intra-state transactions, then both the CGST and SGST/UGST will be collected.
3. if the supply of goods or services happens between the states called inter-state transactions, then only IGST will be collected.

cgst sgst igst

Illustrated:

GST:

- *Intra-state movement*
  - *Central GST (CGST)*
  - *State GST (SGST)*
- *Inter-state movement*
  - *Integrated GST (IGST)*

How GST operates

- Dual tax regime in line with the federal structure of country
- Under GST regime there is a SEAMLESS (without any obstruction) credit flow in case of inter-state supplies as follows:

(a) The inter-state supplier in the exporting state is allowed to set off the available credit in IGST, CGST and SGST/UTGST against the IGST payable on inter-state supply made by him.

(b) The buyer of importing state in inter-state supply can avail the credit of IGST paid on purchase from the output tax payable.

(c) The exporting state transfers to the center the credit of SGST/ UTGST utilized for the payment of IGST.

(d) The Centre transfers to the importing state the credit of IGST used in payment of SGST/UTGST.

Type of supply

- Taxable supply-4 category-exempt, essential, regular and special
- Exempt supply

a. Supplies taxable at a ‘NIL’ rate of tax (0% tax)-milk, grains, salt

b. Supplies that are wholly or partially exempted from CGST or IGST, by way of a notification amending CGST/IGST Act

c. Non-taxable supplies– supplies that are not taxable under the Act-Alcoholic liquor for human consumption, petrol.

- Zero rated supply-exports, supply made to SEZ
- Composite Supply
- Mixed Supply

Rates of levy

- 0% (nil-rated)-Exempted goods
- 5%-Essential goods
- 12%-Standard goods
- 18%-Standard goods
- 28%-Special goods
- There are a few lesser-used GST rates such as 3% and 0.25%.
- Cess in addition to GST rates on the sale of some items such as cigarettes, tobacco (called sin goods), aerated water, petrol, and motor vehicles, rates widely varying from 1% to 204%.
- GST will be calculated on the value of supply of goods and services, which is the transaction value.

Input Tax Credit

- Under GST credit of taxes paid at previous stages is available as set-off from the output tax i.e. GST Act is truly value added tax.
- Input Tax applies only when GST paid by a taxable person on any purchase of goods/services that are used for business.
- This Input Tax can be reduced from the GST payable on the sales by the taxable person called Input Tax Credit (ITC) only after fulfilling some conditions i.e. Goods used for business, tax invoice, appears in GSTR 1 filed by seller, appears in buyer's GSTR 2B, etc
- The time limit to claim ITC against an invoice or debit note is earlier of two dates, given below:
  - The due date for filing GST returns for September of the next financial year.
  - The date of filing the annual returns in form GSTR-9 relating to that financial year.
- Input tax credit (ITC) of CGST and SGST/UTGST will be available through the supply chain
- Cross utilisation of credit will not be possible, i.e. CGST credit can't be utilised for payment of SGST/UTGST and UTGST/SGST credit can't be utilised for payment of CGST.
- Cross utilisation will be allowed between CGST/SGST/ UTGST and IGST. i.e. credit of IGST can be utilised for payment of CGST/SGST/UTGST and vice versa.

GSTR 1

- GSTR-1 is return to be furnished for reporting details of all outward supplies of goods and services made. Contains the invoices and debit-credit notes raised on the sales transactions for a tax period.
- Any amendments to sales invoices made, even pertaining to previous tax periods, should be reported.

The filing frequency of GSTR-1 is :
(a) Monthly, by 11th of every month- If the business either has an annual aggregate turnover of more than Rs.5 crore or has not opted into the QRMP scheme.
(b) Quarterly, by 13th of the month following every quarter- If the business has opted into the QRMP scheme.

GSTR 2B

- GSTR-2B is again a view-only static GST return important for the recipient or buyer of goods and services. It is available every month, starting in August 2020 and contains constant ITC data for a period whenever checked back.

  ITC details will be covered from the date of filing GSTR-1 for the preceding month (M-1) up to the date of filing GSTR-1 for the current month (M). The return is made available on the 14th (after filing of GSTR-1 11th & 13th) of every month, giving sufficient time before filing GSTR-3B, where the ITC is declared.

  GSTR-2B provides action to be taken against every invoice reported, such as to be reversed, ineligible, subject to reverse charge, references to the table numbers in GSTR-3B.

GSTR 3B

- GSTR-3B is a monthly self-declaration to be filed, for furnishing summarized details of all outward supplies made, input tax credit claimed, tax liability ascertained and taxes paid.
- GSTR-3B is to be filed by all normal taxpayers registered under GST. The sales and input tax credit details must be reconciled with GSTR-1 and GSTR-2B every tax period before filing GSTR-
- 3B. GST reconciliation is crucial to identify mismatches in data, that may lead to GST notices in future or suspension of GST registration as well.

The filing frequency of GSTR-3B is currently as follows:

- Monthly, 20th of every month- For taxpayers with an aggregate turnover in the previous financial year of more than Rs.5 crore or have been otherwise eligible but still opted out of the QRMP scheme.
- Quarterly, 22nd of the month following the quarter for ‘X’ category of States and 24th of the month following the quarter for ‘Y’ category of States- For the taxpayers with aggregate turnover equal to or below Rs 5 crore, eligible and remain opted into the QRMP scheme.

GST under RCM

- Reverse-charge means the liability to pay tax by the recipient of the supply of goods or services or both instead of the supplier of such goods or services or both
- The goods and services are notified under RCM
- Tax under reverse charge can be paid through cash only without availing the benefit of ITC.
- The supplier must mention in his tax invoice whether the tax is payable on reverse charge
- Compulsory registration if opting for RCM

Composition scheme under GST

- Small taxpayers can pay GST at a fixed rate of turnover for intrastate supply. This scheme can be opted by whose turnover is less than Rs. 1.5 crore.
- No ITC available and tax paid by the composition dealer.
- No GST charged in invoice, issued marked as under composition scheme
- service providers can opt for composition scheme rendering services having aggregate annual turnover up to Rs. 50 lakh
- GSTR-4 is the annual return to be filed by the composition taxable persons by 30th April of the year following the relevant financial year.
- Rate of GST varies between 1%-manufacturer & trader, 5%- restaurants not serving alcohol and 6%-service provider
- GST paid quarterly by 18th of month following the quarter-CMP 09

HSN and SAC

HSN code and SAC code are the codes used to classify goods and services under the GST regime in India.

HSN means Harmonized System of Nomenclature code used for classifying the goods under the GST, Goods and Service Tax.

The SAC code means Services Accounting Code under which services fall under GST are classified.

HSN code has 8 digits and SAC code has 6 digits

E way bill and E invoice

- EWay Bill is an Electronic Way bill for movement of goods to be generated on the eWay Bill Portal (eqaybillgst.gov.in).
- A GST registered person cannot transport goods in a vehicle whose value exceeds Rs. 50,000 (Single Invoice/bill/delivery challan) without an e-way bill
- When an eway bill is generated, a unique Eway Bill Number (EBN) is allocated and is available to the supplier, recipient, and the transporter.
- eway bill contains part-A and Part-B, Part-A contains the details of goods while Part-B contains the details of transporter (Road , sea, Air). Part-B can also be generated by the transport agency while Part-A can be generated by the seller only.
- e-invoice and e-way bill both can be generated from the portal for registered users with a separate registration. E- Invoice is mandatory if aggregate turnover is more than 10 Cr from 1st October 2022.