GST

Aggregate Turnover in GST

1 NATION TAX MARKET

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Prepared by:
National Academy of Customs, Indirect Taxes & Narcotics

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GOODS AND SERVICES TAX

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Directorate General of Taxpayer Services

CENTRAL BOARD OF EXCISE & CUSTOMS

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Aggregate Turnover in GST

1. Turnover, in common parlance, is the total volume of a business. The term 'aggregate turnover' has been defined in GST law as under:

   "Aggregate turnover" means the aggregate value of all taxable supplies (excluding the value of inward supplies on which tax is payable by a person on reverse charge basis), exempt supplies, exports of goods or services or both and inter-State supplies of persons having the same Permanent Account Number, to be computed on all India basis but excludes central tax, State tax, Union territory tax, integrated tax and cess.

2. The aggregate turnover is a crucial parameter for deciding the eligibility of a supplier to avail the benefit of exemption threshold of Rs. 20 Lakhs [Rs. 10 Lakhs in case of special category States except J & K] and for determining the threshold limit for composition levy. Let us dissect the definition in small parts to understand the meaning clearly. There are certain terms used in the definition which need a bit of elaboration.

3. It may be noted that the inward supplies on which the recipient is required to pay tax under Reverse Charge Mechanism (RCM) does not form part of the 'aggregate turnover'. The law stipulates certain supplies like, Goods Transport Agency services, services received from outside India, to name a few, where the recipient of service is made to pay the tax. The value of such supplies on which tax is paid, would not form part of the 'aggregate turnover' of recipient of such supplies. However, the value of such supplies would continue to be part of the 'aggregate turnover' of the supplier of such supplies.

4. The second element of value which would not be included in the 'aggregate turnover' is the element of central tax, state tax, union territory tax and integrated tax and compensation cess.

5. The value of exported goods/services, exempted goods/services, inter-state supplies between distinct persons having same PAN would be added to 'aggregate turnover'.

6. Last but not the least, such turnover is to be calculated by taking together the value in respect of the activities carried out on all-India basis.

7. The aggregate turnover is different from turnover in a State. The former is used for determining the threshold limit for registration as well as eligibility for Composition Scheme. However, the composition levy would be calculated on the basis of turnover in the State.

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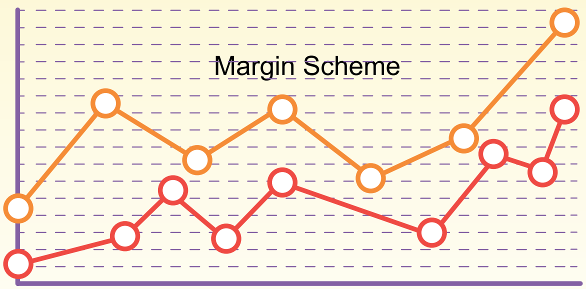
Margin Scheme in GST



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Margin Scheme in GST

Normally GST is charged on the transaction value of the goods. However, in respect of second hand goods, a person dealing is such goods may be allowed to pay tax on the margin i.e. the difference between the value at which the goods are supplied and the price at which the goods are purchased. If there is no margin, no GST is charged for such supply. The purpose of the scheme is to avoid double taxation as the goods, having once borne the incidence of tax, re-enter the supply and the economic supply chain.

Valuation of Second Hand Goods:
As per Rule 32(5) of the CGST Rules, 2017, where a taxable supply is provided by a person dealing in buying and selling of second hand goods i.e., used goods as such or after such minor processing which does not change the nature of the goods and where no input tax credit has been availed on the purchase of such goods, the value of supply shall be the difference between the selling price and the purchase price and where the value of such supply is negative, it shall be ignored.

The proviso to the above rule further provides that in case of the purchase value of goods repossessed from a unregistered defaulting borrower, for the purpose of recovery of a loan or debt shall be deemed to be the purchase price of such goods by the defaulting borrower reduced by five percentage points for every quarter or part thereof, between the date of purchase and the date of disposal by the person making such repossession.

In this regard, Notification No.10/2017-Central Tax (Rate) New Delhi, dated 28th June, 2017 exempts intra-State supplies of second hand goods received by a registered person, dealing in buying and selling of second hand goods and who pays the central tax on the value of outward supply of such second hand goods as determined under sub-rule (5) of rule 32 of the CGST Rules, 2017, from any unregistered supplier, from the whole of the central tax levied under the CGST Act, 2017. Similar exemptions are also there in respective SGST Acts.

Illustration:
For instance, a company say M/s FirstSource Ltd, which deals in buying and selling of second hand cars, purchases a second hand Maruti Celerio Car of March, 2014 make (Original price Rs. 5 lakhs) for Rs. 3 lakhs from an unregistered person and sells the same after minor furbishing in July, 2017 for Rs. 3,50,000/-. The supply of the car to the company for Rs. 3 lakhs shall be exempted and the supply of the same by the company to its customer for Rs. 3.5 lakhs shall be taxed and GST shall be levied. The value for GST purpose shall be Rs. 50000/-, i.e.the difference between the selling and the purchase price of the company.

In case any other value is added by way of repair, refurbishing, reconditioning etc., the same shall also be added to the value of goods and be part of the margin.

If margin scheme is opted for a transaction of second hand goods, the person selling the car to the company shall not issue any taxable invoice and the company purchasing the car shall not claim any ITC.