



VAT Standard rate

The standard VAT rate in India in 2024 is 18%.

The cumulative GST rate in India depends on the good code and differs from 0 to 28%.

Here you can see several examples of cumulative VAT (IGST) rates:

CGST – Central Goods and Services collected by the central government and applicable on transactions intra-state i.e. within a state.

SGST – State Goods and Services Tax collected by the respective state government and applicable only on the transactions that are intra state i.e. within the state.

IGST – Integrated Goods and Services Tax collected by the central government and applicable when goods or services are being supplied from one state to another state and also on imports.

UTGST (or UGST) – Union Territory Goods and Services Tax collected by the Union Territory government only and applicable in all the Union Territories of India. It taxes transactions within 1 Union Territory only.

GST rates

The following rates apply to goods in India:

0% – Exports, supplies to a special economic zone (SEZ) unit of SEZ developer

0,25% and 3% – Diamonds and other precious stones, gold, silver

5% – some food and goods such as apparel, footwear, vital medicines, and coal;

12% – most goods such as phones and processed foods (cheese, frozen meat);

18% – scented candles, water heaters, detergents;

28% – “luxury” goods, for example, cars, yachts, aircraft, and casinos fall under this category.

Examples of exempt supplies of goods and services – fruits and vegetables, access to a road or a bridge by payment of toll charges, the transfer of a going concern. As can be seen from the examples given, in India it is difficult to immediately determine the rate applied to a particular product, therefore it is necessary to treat this issue with great attention.

GST registration threshold

Local businesses with turnover above the threshold limit of INR1 million (appr. 12.000 USD) or INR2 million (appr. 24.000 USD) or INR4 million (appr. 48.000 USD) (depending on the category of state) are required to register for GST. A business with a turnover below the specified threshold has the option to voluntarily apply for GST registration.

Remote Sellers

There is compulsory GST registration requirement for non-resident taxable persons making taxable supply of goods or services to individuals or companies located in India irrespective of their turnover. In the CGST Act, a “non-resident taxable person” has been defined any person who occasionally undertakes transactions involving the supply of goods or services or both, whether as principal or agent or in any other capacity, but who has no fixed place of business or residence in India. And Section 24 of the CGST Act, has mandated that non-resident taxable persons making taxable supply mandatorily obtain GST registration.

The same applies to entities who supply via e-commerce platforms.

Requirements for online marketplaces

In India online marketplaces are required to collect and remit GST under the law known as “Tax Collection at Source (TCS)”.

India’s Central Goods and Services Tax Act Section 52 says: “These operators should collect “an amount calculated at such rate not exceeding one per cent of the net value of taxable supplies made through it by other suppliers.”

It means that sellers are still required to collect the GST on their sales to Indian customers and the online platform will take 1% of the sellers's taxable transactions and pay it to the government.

Registration procedure

GST registration for a foreign taxable entity requires the electronic submission of the following documents:

Certificate of incorporation with confirmation of the place of business;

Identity Proof;

Bank Account information;

Application form GST REG 09.

The registration application should be filled out at least five days prior to the commencement of business in India. Non-resident taxpayers must pay a certain amount as a registration deposit for goods and services tax. The amount of the GST registration deposit will be equal to the expected tax liability during the registration period.

After submitting the GST registrations, a reference number for the application for payment of the advance tax will be provided.

Tax representative

A non-resident taxable person may appoint an authorized representative in India with a valid Permanent Account Number.

GST payment and filing date

For businesses selecting the composition scheme, the filing is done annually. Taxable individuals with a turnover below INR 50 million file on a quarterly basis, while all other taxable individuals file monthly. Non-residents are required to file GST returns and pay the tax due monthly. Deadline is the 20th of the month following the reporting period.

Penalties

Failure to acquire registration may result in a penalty of INR 20,000 (appr. 240 USD). Failure to pay taxes, incomplete tax payments, inaccurate refunds, or improper utilization of input tax credit may result in a penalty of INR 20,000 (appr. 240 USD) or 10% of the tax due, whichever is greater. Additionally, late submission of periodic returns incurs a penalty calculated on a daily basis, capped at a maximum of INR 10,000.

Record keeping

The obligation is to preserve accounts and records for a duration of 72 months, equivalent to 6 years, starting from the due date of submitting the annual return for the relevant year associated with those accounts and records.



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