# Guide: Basics of GST for Entrepreneurs

*A simple, practical GST guide for small businesses in India*




GST can feel complicated, but it doesn't have to be. For small businesses, GST is mainly about knowing when to register, how to charge tax correctly, and filing returns on time. When handled properly, GST also helps businesses appear more credible and reduce tax burden through Input Tax Credit (ITC). This guide explains GST in a simple, step-by-step manner, without legal jargon or complex accounting terms. When you dreamBIG, getting GST right becomes a foundation for running a compliant, confident, and growth-ready business.

1. **What is GST and Why It Matters**

GST (Goods and Services Tax) is a single indirect tax charged on the supply of goods and services across India. It replaced multiple earlier taxes like VAT, Service Tax, and Excise Duty.

**Key idea:**
**One Nation, One Tax** – the same GST structure applies from manufacturer to final customer.

For entrepreneurs, GST ensures:

- Tax transparency
- Easier inter-state business
- Input Tax Credit benefits

2. **Types of GST You Should Know**

Depending on where you sell and buy, GST is charged under different heads:

- **CGST (Central GST):** Collected by the Central Government on sales within the same state
- **SGST (State GST):** Collected by the State Government on sales within the same state
- **IGST (Integrated GST):** Collected by the Centre on inter-state sales
- **UTGST:** Applicable in Union Territories

Most entrepreneurs don't need to memorise this – your invoice or software usually handles it automatically.

3. **Who Needs to Register for GST**

**Mandatory GST Registration**

You must register for GST if:

- Your annual turnover exceeds **₹40 lakh** (₹20 lakh for services)
- You do **inter-state sales of goods or services**
- You sell via **e-commerce platforms** (Amazon, Flipkart, Meesho, etc.)
- You are involved in **import or export**
- You are required to deduct or collect **TDS/TCS under GST**

**Voluntary Registration**

You may choose to register even below the threshold to:

- Claim Input Tax Credit (ITC)
- Appear more professional and credible to customers

4. **How to Register for GST (Simple Steps)**

GST registration is completely online.

**Steps:**

1. Visit **www.gst.gov.in**
2. Click *Register Now* under Taxpayer and fill Part A
3. Fill basic details (PAN, mobile number, email)
4. Fill Part B and Upload documents (Aadhaar, address proof, bank details)
5. Receive Application Reference Number (ARN)
6. Get your **GSTIN** (15-digit GST number) after approval

The process usually takes a few working days.

5. **How GST Works (Simple Flow)**

Here's a simplified GST cycle:

1. You buy goods or services and pay GST to your supplier
2. Supplier uploads invoice → your ITC reflects in GSTR-2B
3. You sell goods/services and collect GST from customers
4. You file returns and pay **net GST** (GST collected minus ITC)
5. You maintain proper invoices and records

Understanding this flow avoids most GST mistakes.

6. **Input Tax Credit (ITC): The Biggest GST Benefit**

**What is ITC?**
GST paid on business purchases can be deducted from the GST you collect on sales.

**Example:**

- GST paid on purchases: ₹1,000
- GST collected on sales: ₹1,800
- GST payable to government: ₹800

**Conditions to claim ITC:**

- Valid tax invoice available
- Supplier must have filed GSTR-1
- Goods or services received
- Payment made within 180 days

ITC reduces your overall tax burden significantly.

7. **GST Returns – Compliance Calendar**

You don’t need to file many returns – just the relevant ones.

| Return | Purpose | Frequency | Due Date |
|---|---|---|---|
| **GSTR-1** | Details of outward supplies (sales) | Monthly/Quarterly | 11th of next month / 13th after quarter |
| **GSTR-3B** | Summary of sales, purchases & tax payment | Monthly | 20th of next month |
| **GSTR-9** | Annual return | Annually | 31st December (next FY) |
| **CMP-08** | For composition scheme | Quarterly | 18th of month after quarter |

**Tip:** Filing on time avoids penalties and interest.

8. **Composition Scheme (For Small Businesses)**

If GST compliance feels heavy, the Composition Scheme is an option.

| Feature | Details |
|---|---|
| Eligibility | Turnover up to ₹1.5 crore |
| Tax Rate | 1% for traders, 2% for manufacturers, 5% for restaurants |
| Return | CMP-08 quarterly |
| Benefits | Simplified compliance, single tax payment |
| Limitation | No Input Tax Credit available |

9. **Records You Must Maintain**

Maintain basic GST records such as:

- Sales and purchase invoices
- GST returns and challans
- E-way bills (if applicable)
- Stock register
- Expense Bills for ITC claims

**Retention rule:**
Records must be kept for **6 years**.

Good records simplify audits and return filing.

10. **Common GST Mistakes and Penalties**

Avoid these common errors:

| Mistake | Penalty / Consequence |
|---|---|
| Late filing of return | ₹50 per day (₹20 if nil return) |
| Failure to register | 10% of tax due or ₹10,000 (whichever higher) |
| Wrong ITC claim | Reversal + 24% interest |
| Not issuing tax invoice | ₹25,000 fine |

Timely compliance saves money and stress.

11. **GST Compliance Checklist**

Use this as a quick monthly checklist:

- GSTIN certificate displayed
- GST-compliant invoices issued
- Returns filed on time
- ITC reconciled with GSTR-2B
- E-way bills generated when required
- Records kept for 6 years
- Taxes paid before due dates

12. **Practical Tips for Entrepreneurs**

- Use simple accounting tools like Tally, Zoho Books, QuickBooks, or Vyapar
- Reconcile sales and purchases monthly
- File nil returns even when there is no activity
- Keep business and personal transactions separate
- Seek professional help if unsure – early support prevents future penalties

**Final Takeaway**

GST compliance does not require deep tax knowledge – only **basic awareness, timely filing, and disciplined record-keeping**. When GST becomes part of your routine rather than a last-minute task, businesses grow with greater confidence, credibility, and financial clarity.

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