



**VINOD K MEHTA & CO.**  
CHARTERED ACCOUNTANTS

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Goods and Services Tax

## GST CONCEPT, IMPACT ANALYSIS

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## **Goods and Service Tax (GST)**

Presented by

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# FOREWORD

We are pleased to give you this presentation of "GST Concept, Impact Analysis and Effect"

The methods / processes given in the presentation are broad guide lines. Details are given along with example on existing VAT and impact in GST. On each explanation or section, examples are given so the readers get full understanding of the impact analysis. In most of the cases presentation made in flow chart format so readers can easily understand. It will give an idea on GST, its Concept and its Impact analysis together with its Effect on Company.

The Management will get a broad guideline of what is GST, its concept, its impact on company and process and the kinds of difficulties it will face during GST implementation.

The complete presentation is divided into seven chapters.

## 1) General - GST Concept

Consist of what is GST, what is Supply, Time value of supply, Place of supply etc.

## 2) Impact on Manufacturing, Importer, Distributors and Retailers

Consist of examples of each of the above for GST impact.

### 3) Impact which are common

Consist of Impact on stock lying as on June 30,2017, input credit, Goods return etc.

### 4) Other Like Invoice format, ERP, Changes in ERP, Processing in ERP, HSN Code, Input Matching Concept, Due Dates of Returns etc.

The presentation is in Question and Answer format (FAQ) which one generally comes across in the business. It gives idea to Management regarding impact and/or effect on business, to staff / employee regarding operational issue.

It is completely re-engineering the Business approach. We have tried to make the presentation simple with examples and Flow charts covering the general concept, impact and effect. The object is to make difficult things simpler and understandable!

Last but not least it is more a re-engineering of the country as a whole. Almost 17-18 different taxes are merged in one tax regime. The kinds of formalities that will reduce are unbelievable. The GDP rate will increase at least by 1.6 %.

We look forward to your feedback and suggestions on this presentation.

Special Thanks to **C.A. Janak K. Vaghani** for his valuable guidance for complete notes on G.S.T.

Also, thanks to our staff for their valuable contribution.

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# 1. GST Concept

## 1) What is GST?

- GST stands for Goods and Service tax.
- It is a single tax rate for the goods and services unlike before where there were different tax rates for goods (VAT, CST, Excise duty) and services (Service Tax).
- GST structure comprises of Central and State GST.
- It is a stage wise destination-based consumption tax.
- GST is levied and collected at each stage of sale or purchase of goods or supply of services.
- Under GST, input credit is allowed at each stage.
- IGST is levied for interstate supply of goods and services.

## **2)What is the History of GST?**

- The idea of GST was first conceptualized in 1920s by Wilhelm von Siemens, a German businessman.
- France was the first country to implement GST in 1954 to reduce tax- evasion.
- Presently 160 countries have implemented GST in some form or other. There are more than 40 models of GST that are presently in force.
- Most countries in the world have adopted single GST. Dual GST model is adopted by a few countries like Canada and Brazil.
- India has chosen the Canadian model of dual-GST.

### **3) What are the Components of GST?**

- Dual GST has two components:
  - a) Central GST- levied and collected by the Centre
  - b) State GST- levied and collected by the state
- CGST and SGST are on intra state supplies of goods & services in India.
- IGST (Integrated GST) is on inter-state supplies of goods and services in India.

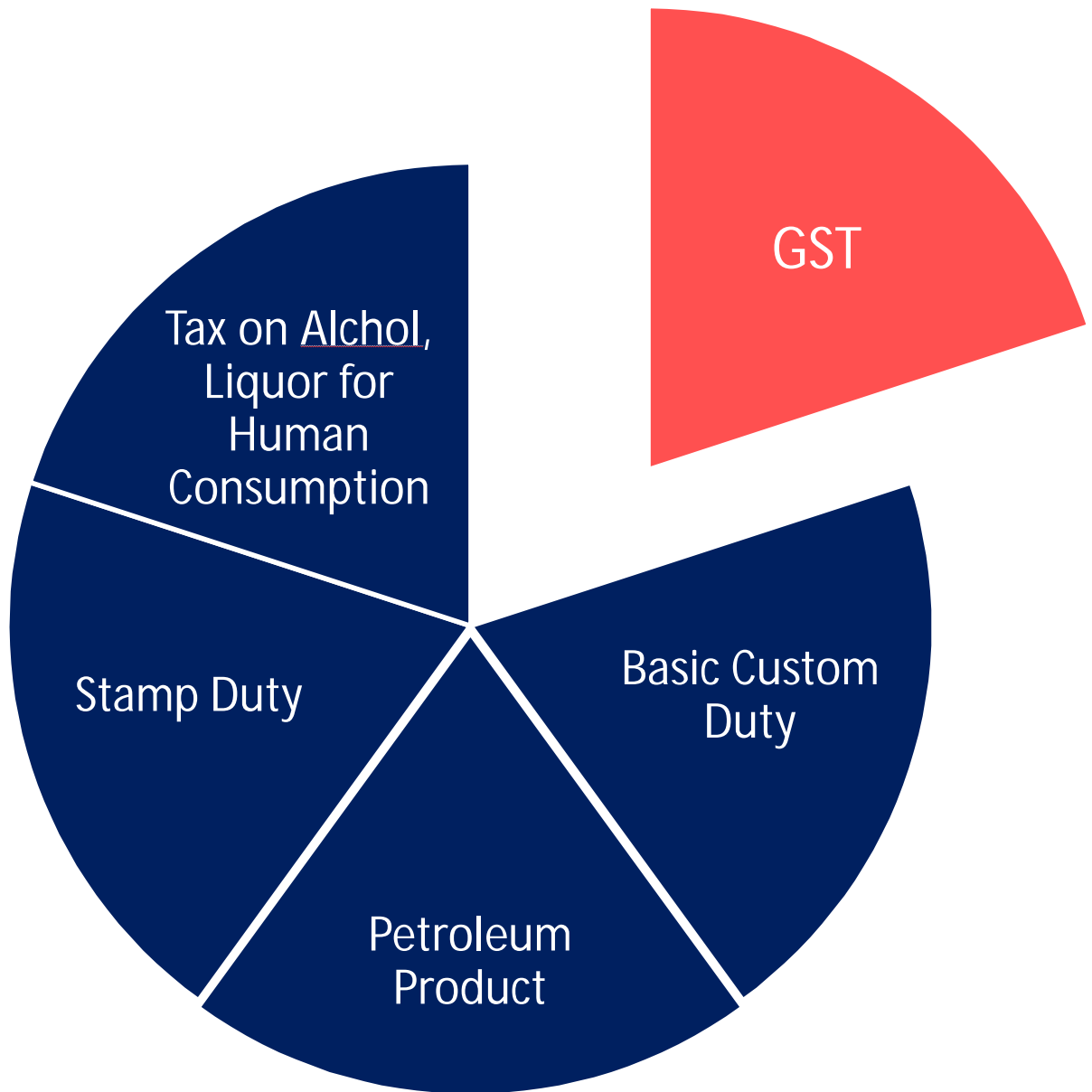
## Central Taxes to be subsumed



## State Taxes to be subsumed



## Exclusions from the levy of GST



#### **4) Why was the Constitution of India amended recently in the context of GST?**

- Currently, the fiscal powers between the Centre and the States are clearly distinguished in the Constitution with almost no overlap between the respective domains.
- Tax on Manufacture (Excise duty) is collected by the centre and tax on sales (VAT and CST) is collected by the States.
- Introduction of the GST required amendments in the Constitution so as to simultaneously empower the Centre and the States to levy and collect this tax.
- So, the Constitution of India was amended by the Constitution (one hundred and first amendment) Act, 2016

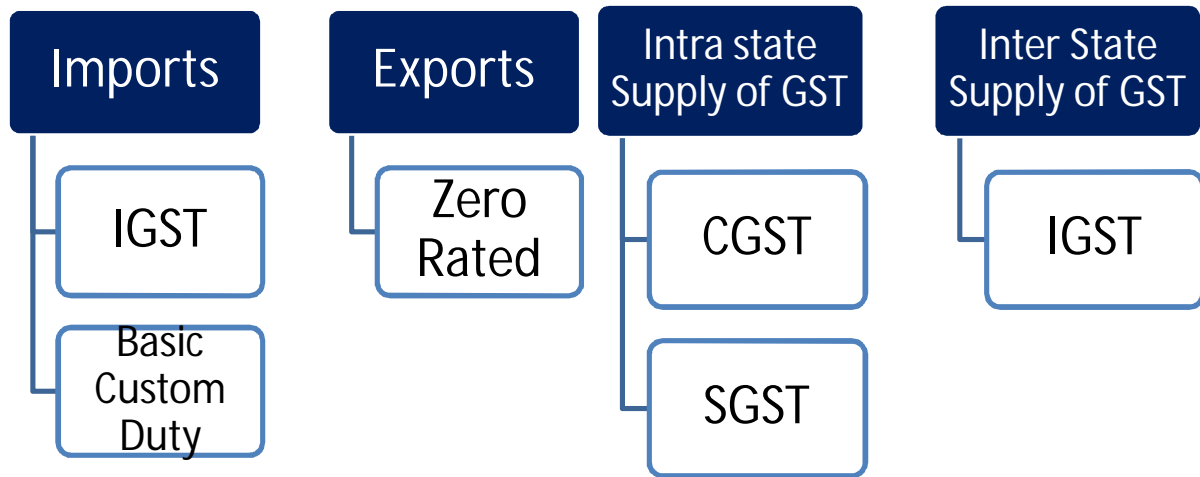
### **5) Why is Dual GST required?**

- India is a federal country where both the Centre and the States have been assigned the powers to levy and collect taxes through appropriate legislation.
- Thus, the concept of levying SGST and CGST.

## **6) GST Applicability**

- GST will be applicable when the aggregate turnover of a person in a financial year crosses Rs 20 Lakhs (For North Eastern States-Rs 10 Lakhs).
- Aggregate turnover shall include the aggregate value of all taxable and non-taxable supplies, exempt supplies and exports of goods and/or services and exclude taxes viz.GST.
- Tax payers making inter-State supplies or paying tax on reverse charge basis shall not be eligible for threshold exemption.

## 7) What is the structure of GST?



- Harmonized system of Nomenclature (HSN code) is to be used for classification of goods.
- Prescribed accounting code to be used for classification of services.
- Supply to SEZ/by SEZ shall be treated as Interstate Supply.

## **8) What are the benefits that will accrue to the country from GST?**

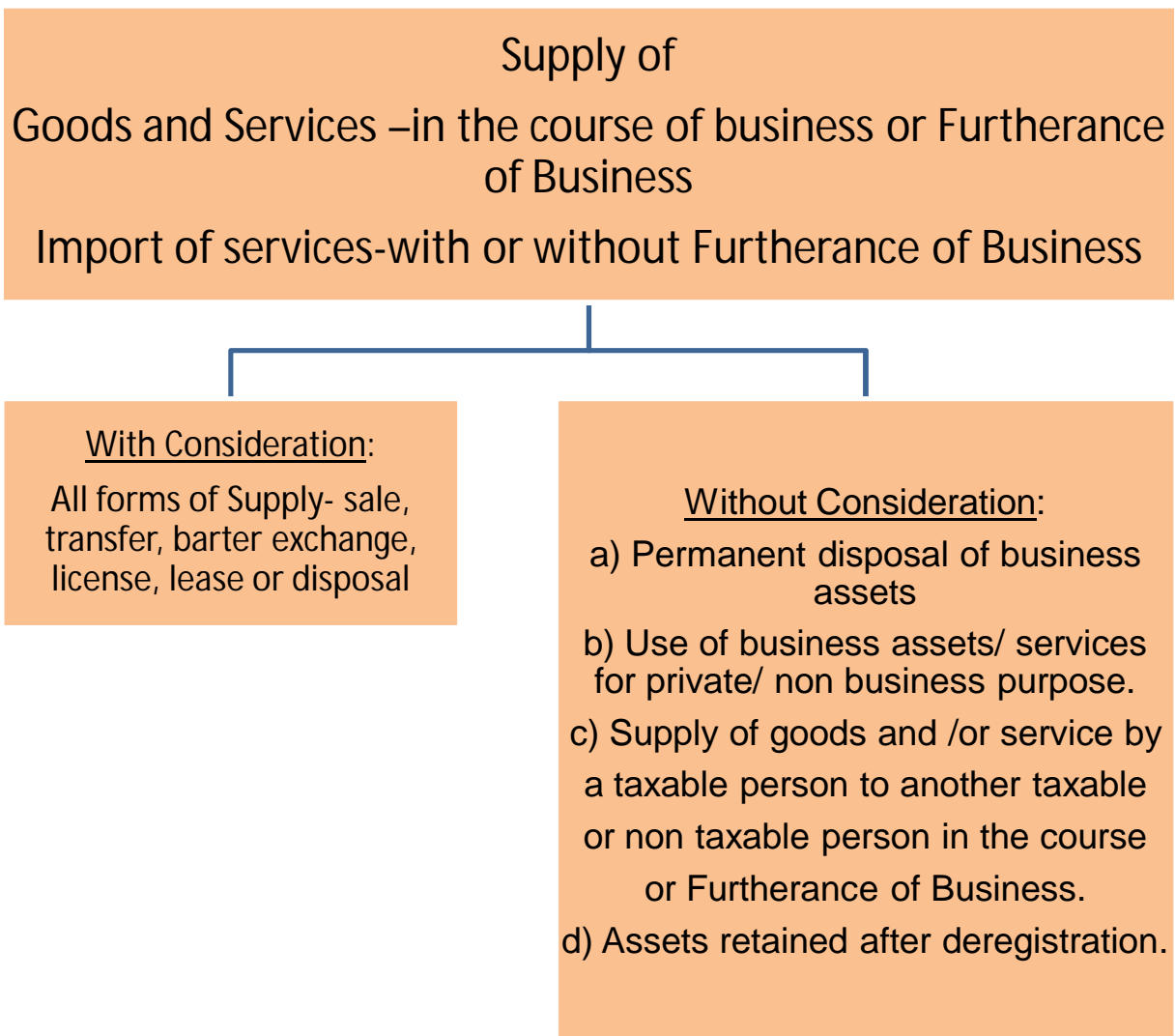
- Mitigate the ill effects of cascading taxes and pave the way for a common national market.
- One nation one tax.
- Make our products competitive in the domestic and international markets.
- Spur economic growth.
- Revenue gain for the Centre and the States due to widening of the tax base and increase in trade volumes.
- Improved tax compliance.
- Easier to administer because of its transparent character.

## 9) What are the difficulties faced due to GST?

- Inflation: Due to high tax rates under GST, prices of goods and services are expected to increase in the beginning.
- High Tax Rates: The governments in other countries started with very low rates of interest. Singapore started with the lowest rate of 3% in the world in 1994 and gradually increased it to a maximum of 8% over the years. Singapore simultaneously cut income tax rates. While GST is efficient, it can also be regressive, especially for low-income workers or pensioners.
- GST not applicable on alcohol and petroleum products: Each state is free to set its rates for taxability of alcohol and petroleum products. These sectors constitute about 40% of a state's revenue and being left out of GST may distort the tax structure. Also, input credit will not be available for the manufacturers of petroleum products thus increasing the costs for consumers.

- Payment of input tax credit: Input tax credit will be available only when the supplier has filed his GST return. If the supplier delays or files a wrong return it will delay the input credit and block funds. Thus, organizations will require more working capital resulting in increased costs.
- Difficult to implement: India is a \$ 2 trillion economy with 1.3 billion consumers. Thus, it becomes difficult to implement GST.
- Higher Cash flow requirement: Inter-state stock transfers come under the ambit of IGST. This means taxes must be paid upfront increasing the cash requirement for business.

## 10) What are the Taxable Transactions? (Section 7)



E.g. For Case (a): XYZ Cars Ltd purchased 15 computers worth Rs.3,00,000 and paid GST of Rs.54,000. XYZ Ltd availed Input Tax Credit of Rs.54,000. These computers were used for maintaining the records and accounts of the business. After years of usage, Super Cars Ltd decided to give these computers away to the employees without any cost. Though the computers were disposed without any consideration, XYZ Ltd is liable to pay GST.

For Case (b): ABC Ltd purchases 10 Computers for its new office. Of the 10 new computers purchased the Director of the company Mr.A takes 2computers for his children free of cost. Since, the business asset is used for personal use by Mr. A the supply though without any consideration will be taxed under the GST law.

For Case (c): If 'A' buys a car for personal use and sells it after one year to a car dealer, it will not be a taxable event. This is because it is not in the course of furtherance.

## 11) What are the GST Rates?

The GST rates proposed by the council are as follows:

Sr. No.	Rate	Description
1	0%	Essential items including Food
2	3%	Gold
3	5%	Common use item
4	12% and 18%	Standard rate
5	28%	Items which are currently taxable with 30-31%
6	28% with cess	Luxury and de-merit goods like Pan masala, tobacco products

## 12)What is the Time of Supply for Goods? [Section 12(2) and 31(1)(a)]

Non-Continuous Supply of Goods	1	Issuance of invoice by supplier		Whichever is Earlier
	2	Removal of goods or made available to Recipients		
	3	Receipts of payments by supplier		
	4	Receipts of goods in books of A/c by recipients		
Continuous Supply of Goods	1	In case of Successive statement of a/c or Payments	Expiry of each such period to which such successive statement of A/c  OR  Successive Payment relates	
	2	Other Cases	Date of Issue of Invoice or any other such documents/ the date of receipts of payment	Whichever is Earlier

Note: The supply shall be deemed to have been made to the extent it is covered by the invoice or part payment.

Reverse Charge Mechanism	1	Receipt of Goods	Whichever is Earlier
	2	Date of Payment	
	3	Date immediately following thirty days from the date of issue of invoice by the supplier	
	4	Debit in books of Accounts	

Where time of supply for reverse charge mechanism cannot be determined as above then, date of entry in books of accounts of recipient shall be time of supply of goods.

**Exception:** In case of payment received in advance before raising of Invoice, Time of Supply of goods is the date of receipt of payment. However, if supplier receives upto Rs.1000 in excess of the amount indicated in Tax invoice, time of supply **to the extent of such excess** shall be at the option of the supplier would be date of issue of tax invoice relating to such excess amount.

**Note:** Time of supply with regards to an addition in value on account of interest, late fee or penalty shall be the date on which the supplier receives such additional consideration. (Section 12(6))

E.g.: X (Retailer) sells goods worth Rs 10,000 to Y(Consumer) for which invoice is issued on 01/08/2017. Y makes the payment of Rs 10,000 to X on 08/08/2017. Goods are removed from X's factory on 09/09/2017 and received by Y on 11/08/2017. So what will be the time of supply for goods?

As per the provisions of Sec 12(2) and 31(1)(a) the goods will be taxed on 01/08/2017.

## Case Study for determining time of Supply:

<b>Date of Removal of Goods</b>	<b>Date of Issue of Invoice</b>	<b>Last Date for Issue of Tax Invoice</b>	<b>Date on which Payment is entered in the books of accounts</b>	<b>Date on which payment is credited in the Bank Account</b>	<b>Time of Supply</b>	<b>Criteria for determining Time of Supply</b>
29/08	29/08	29/08	31/08	01/09	29/08	Date of Issue of Invoice
29/08	02/09	29/08	31/08	01/09	29/08	Last Date for Issue of Invoice
29/08	29/08	29/08	28/08	30/08	28/08	Date on which Payment is entered in the books of accounts

### 13)What is the Time of Supply for Services?[Section 13(2)]

Non-Continuous Supply of Services	1	Invoice issued in prescribed period	Date of Invoice or Receipts of Payment	Whichever is Earlier
	2	Invoice not issued in prescribed period	Completion of provision of service/ receipt of payments	
	3	In case 1 and 2 Not Applicable	Date on which recipients shows the receipt in a/c	
Continuous Supply of services	1	Due date of payment is ascertainable from the contract	Due date of payment as per contract	
	2	Due date of payment is not ascertainable from the contract	Receipt of Payment or Issue of Invoice	Whichever is Earlier

## What is the Time of Supply for Services?

### [Section 13(3)]

Continuous Supply of services	3	Payment is linked to completion of event	Time completion of that event
Reverse Charge Mechanism	1	Date of Payment	Whichever is Earlier
	2	Date immediately following sixty days from the date of issue of invoice by the supplier	
	3	Debit in Books of Accounts	

Note: Time of supply with regards to an addition in value on account of interest, late fee or penalty shall be the date on which the supplier receives such additional consideration. (Section 13(6))

Time of Supply when supply is completed prior to change in rate of tax: (Section (14))

<b>Invoice issued</b>	<b>Payment received</b>	<b>Point of Taxation</b>
After change in rate	After change in rate	Date of receipt of payment or the Date of issue of invoice, whichever is earlier;
Prior to change in rate	After change in rate	Date of issue of invoice
After change in rate	Prior to change in rate	Date of receipt of payment

E.g.: Audit of XYZ & Co. is done by M/s ABC & Associates on 25/06/2017 (Under earlier law-where Service Tax is charged @ 15%). The invoice for the same is issued on 15/07/2017 (Post GST period) with 18% GST and payment is made XYZ & Co. on 25/07/2017. So what will be the point of Taxation?

The service of M/S ABC & Associates will be taxed with 18% GST on 15/07/2017 (earlier of date of receipt of payment or date of issue of invoice)

Time of Supply when supply is completed after change in rate of tax:

<b>Invoice issued</b>	<b>Payment received</b>	<b>Point of Taxation</b>
Prior to change in rate	Prior to change in rate	Date of receipt of payment or the Date of issue of invoice, whichever is earlier;
Prior to change in rate	After change in rate	Date of receipt of payment
After change in rate	Prior to change in rate	Date of issue of invoice

E.g.: Audit of XYZ & Co. is done by M/s ABC & Associates on 25/07/2017 (Under Post GST period with 18% GST). The invoice for the same is issued on 15/06/2017 (Under earlier law-where Service Tax is charged @ 15%) and payment is made by XYZ & Co. on 25/07/2017. So what will be the point of Taxation?

The service of M/S ABC & Associates will be taxed with 18% GST on 25/07/2017 (date of receipt of payment).

## Case Study for determining time of Supply:

Date of Provision of Service	Date of issue of invoice	Last date for issue of tax invoice	Date on which Payment is entered in the books of accounts	Date on which payment is credited in the Bank Account	Time of Supply	Criteria for determining Time of Supply
29/08	30/08	28/09	31/08	01/09	30/08	Date of Invoice
29/08	02/09	28/09	31/08	01/09	31/08	Date of payment credited in the bank account
29/08	05/10	28/09	10/10	12/10	29/08	Date of provision of service

## Case Study for determining time of Supply under Reverse Charge Mechanism:

Date on which Payment is entered in the books of accounts	Date on which payment is debited in the Bank Account	Date immediately following 60 days from the date of issue of invoice by the supplier	Time of Supply	Criteria for determining Time of Supply
17/03	19/03	15/05	17/03	Date on which Payment is entered in the books of accounts
12/06	14/06	15/05	15/05	Date immediately following 60 days from the date of issue of invoice by the supplier

## **14)What is Taxable Value of Supply?**

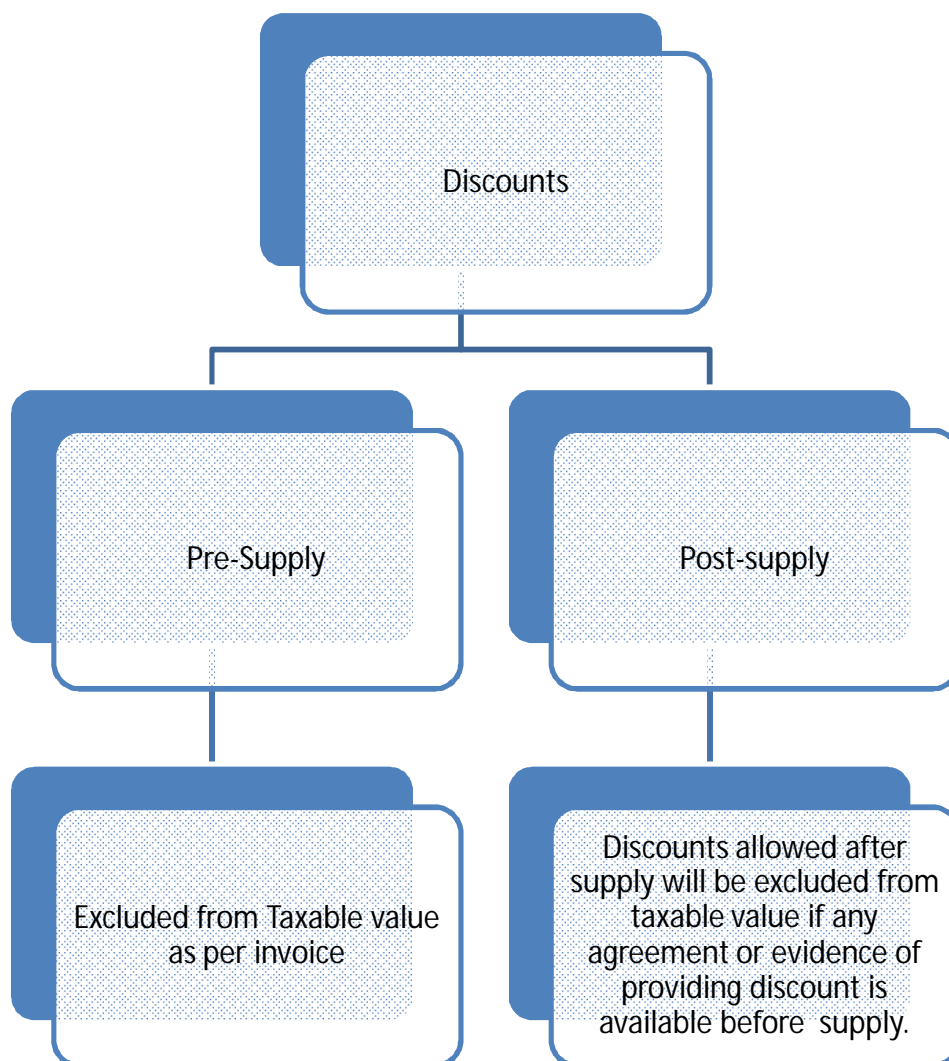
### **(Section15)**

The taxable value will be the Transaction Value i.e., any amount paid or payable for Supply

Amounts to be included in Transaction Value:

- i. Reimbursement of Expenditure incurred by/on behalf of the supplier and charged in relation to the supply of goods and/or services.
- ii. Royalties and License fees.
- iii. Any taxes other than GST.
- iv. Discounts allowed in the course of normal trade practice and that has been duly recorded in the invoice issued in respect of the supply.
- v. Free Supplies.
- vi. Subsidies linked to the supply excluding subsidies provided by central and state Governments.
- vii. Incidental Expenses such as commission and packing or any amount charged by the supplier for anything done in respect of supply of goods/service at the time of or before delivery of goods/supply of services.

## 15) When will Discount not be included in Taxable Value of supply? [Section 15(3)]



## **16) When will Taxable Value of supply be non-applicable?**

- i. Related party transactions.
- ii. Consideration not wholly in money.

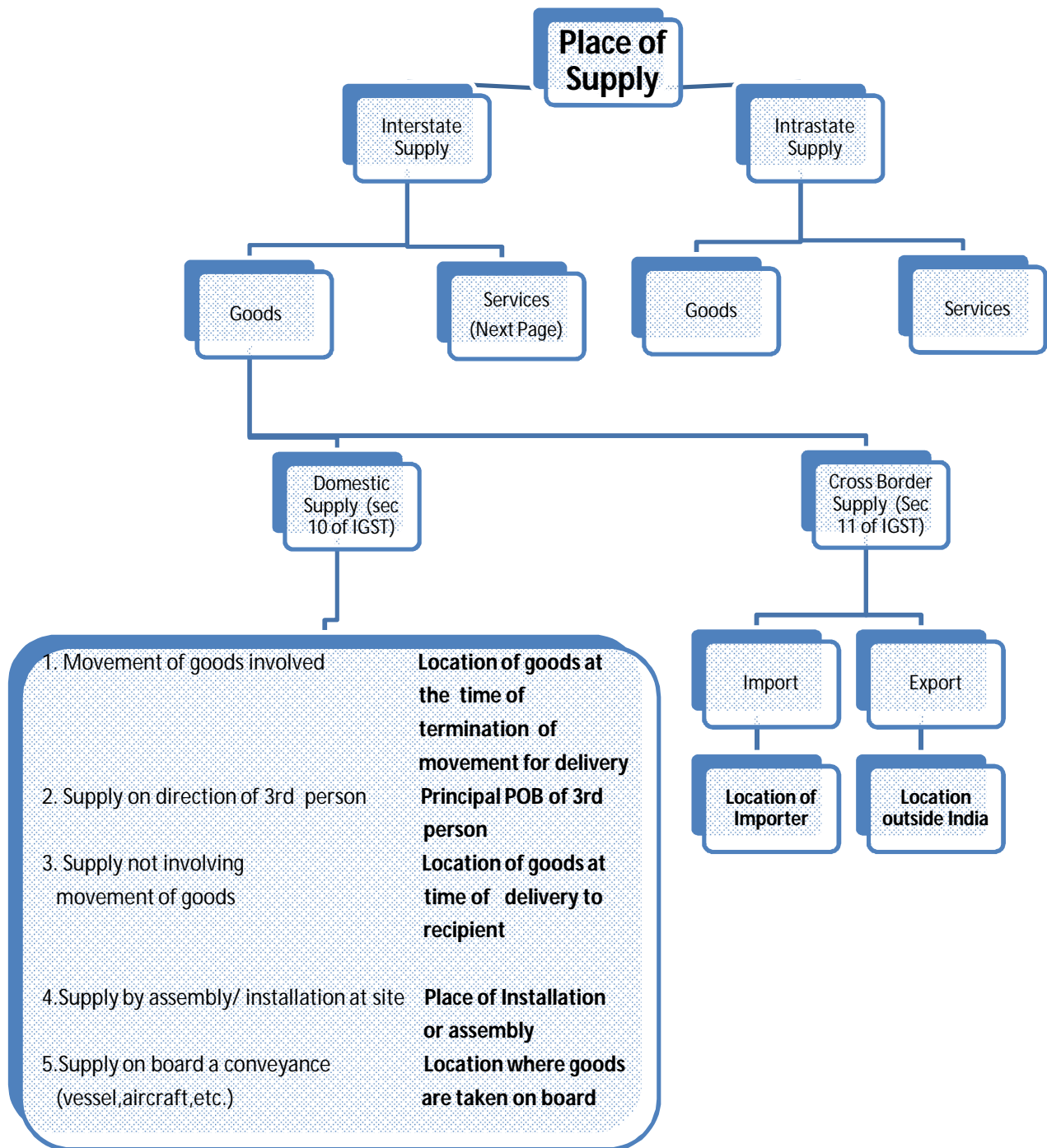
E.g.: A laptop with MRP Rs 44,000 is purchased in exchange of an old printer valued at Rs 40,000. In this case, the value of supply of the Laptop will be Rs. 44000.

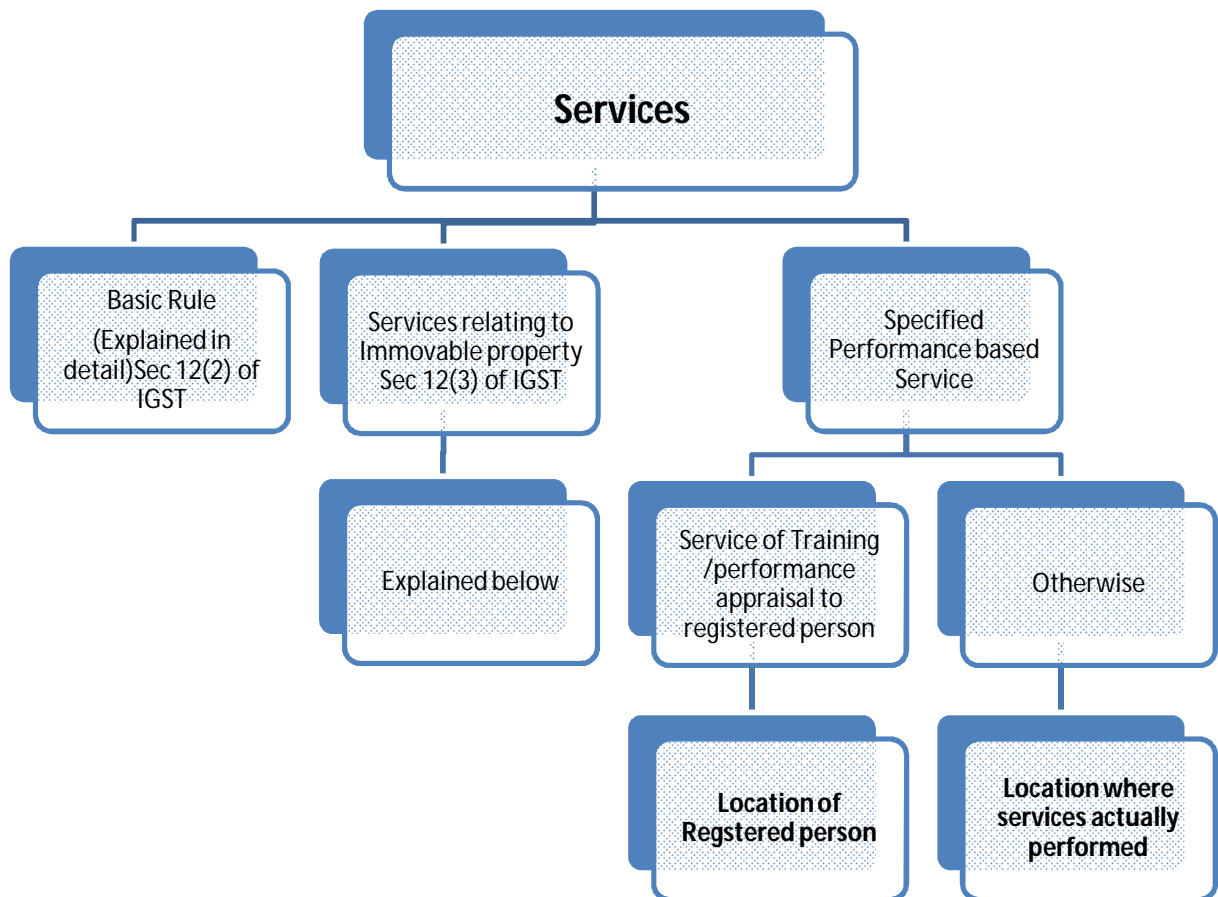
- iii. Supplies undertaken by pure agent, money changer, insurer, air travel agent and distributor or selling agent of lottery.

## **17) What are the methods for determining Taxable value?**

- Transaction value Method- Monetary value of transaction.
- Comparison value method-Transaction value of goods/Services of like kind and Quantity supplied to other customer.
- Computed value method-110% of cost of Production/Manufacturing/Processing/Provision of service.
- Residual Method.

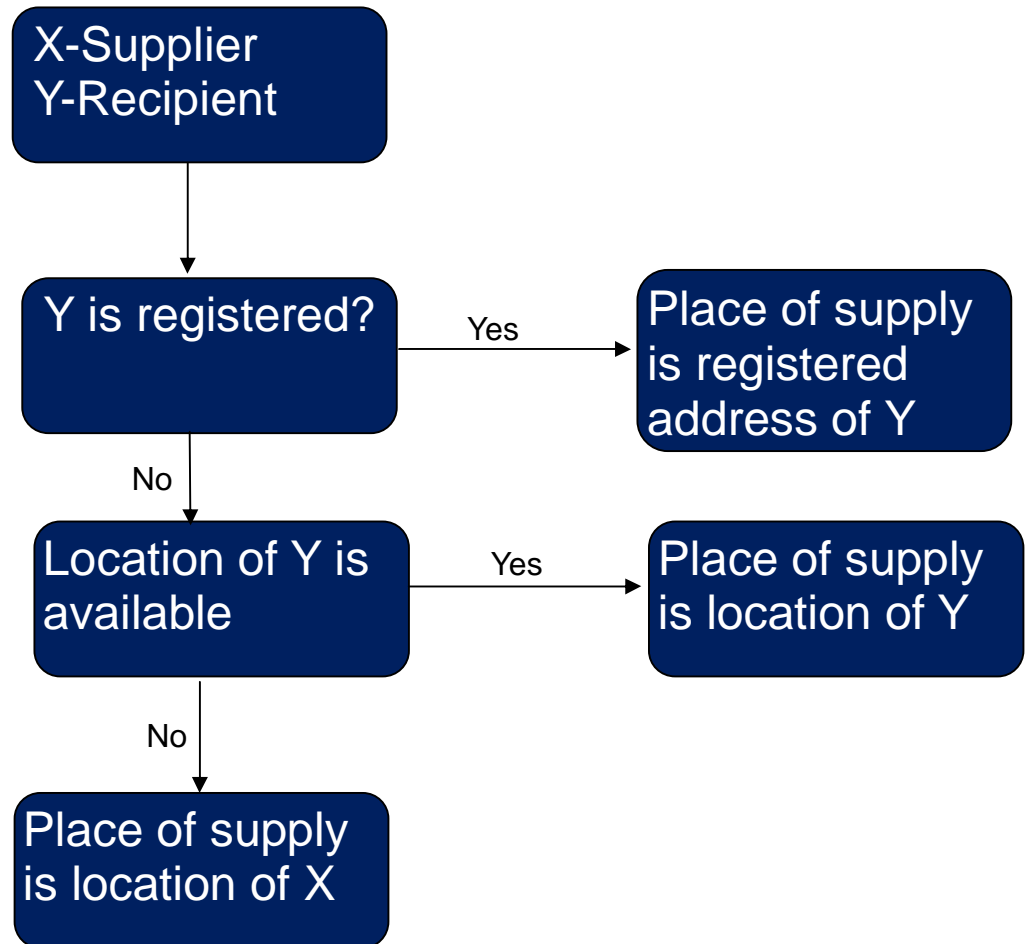
## 18)What is Place of Supply?





<u>Location of Recipient in India</u>	<u>Location of Supplier in India</u>	<u>Location of Immovable Property in India</u>	<u>Place of Supply</u>
✓	✓	✓	Location of Immovable Property
✓	✓	✗	Location of Recipient
✓	✗	-	Location of Immovable Property
✗	✓	-	Location of Immovable Property

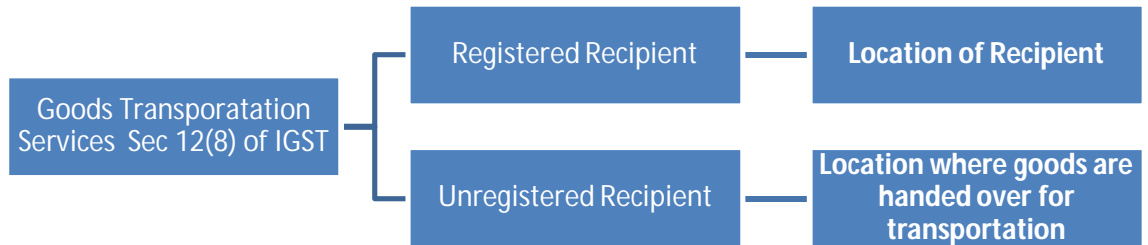
# Chart for general understanding of Place of supply



# What is the Place of Supply? [Section 12(2)]

Other scenarios: (Place of Supply of Services):

## 1. Goods transportation services



Note: In case of location of Recipient or Supplier being outside India, Place of supply shall be the place of destination of such goods.

## 2. Service on board of a conveyance, aircraft, train or motor vehicle



## 3. Telecommunication/data transfer / broadcasting / cable / DTH (Sec 12(11) of IGST).

Supply of service by way of	Point of Supply
Telecom line, leased circuits, internet circuit, cable/dish antenna	Location of installation for receipt of such services
Lease circuit installed in more than 1 state / UT and consolidated amount charged	Supply in each state/ UT in proportion to value of service collected or determined from contract and in absence, on other basis as may be prescribed
Postpaid mobile connection for telecommunication / internet services	Location of billing address of service receiver in supplier's records and if such address not available, Location of Supplier

4. Where Services referred to in sub-section (3) or sub-section (4) or sub-section (5) are supplied in more than one location, including a location in taxable territory, the place of supply shall be the location in the taxable territory.

5. Where Services referred to in sub-section (3) or sub-section (4) or sub-section (5) are supplied in more than one State or Union Territory, the place of supply of such services shall be taken as being in each of the respective States or Union territory shall be in proportion to the value for services separately collected or determined in terms of the contract or agreement entered into in this regard or, in the absence of such contract or agreement, on such other basis as may be prescribed.

E.g.: Suppose a road is constructed from Delhi to Mumbai covering multiple states. So the revenue generated will be distributed among the states generally based on the kilometres or as per the contract.

6.(A) The place of supply of services u/s 12(9) in respect of passenger transportation services to:

(a) A registered person, shall be the location of such person.

(b) A person other than the registered person, shall be the place where the passenger embarks on the conveyance for a continuous journey. (Refer Travelling Expenses)

(B) The place of supply u/s 13(10) in respect of passenger transportation services shall be the place where the passenger embarks on the conveyance for a continuous journey.

# Determining the Place of Supply in case of Bill to-Ship to Transactions:

In the Bill to – Ship to model, the billing and shipping of goods are done to two states and entities.

**Let us understand 'Bill to – Ship to' transactions with an example.**

A, a dealer in hardware goods, located in Maharashtra receives an order from B Traders, located in Karnataka. The order is for the supply of 100 aluminium ladders, with an instruction to ship the ladders to C, located in Tamil Nadu. C is a customer of B.

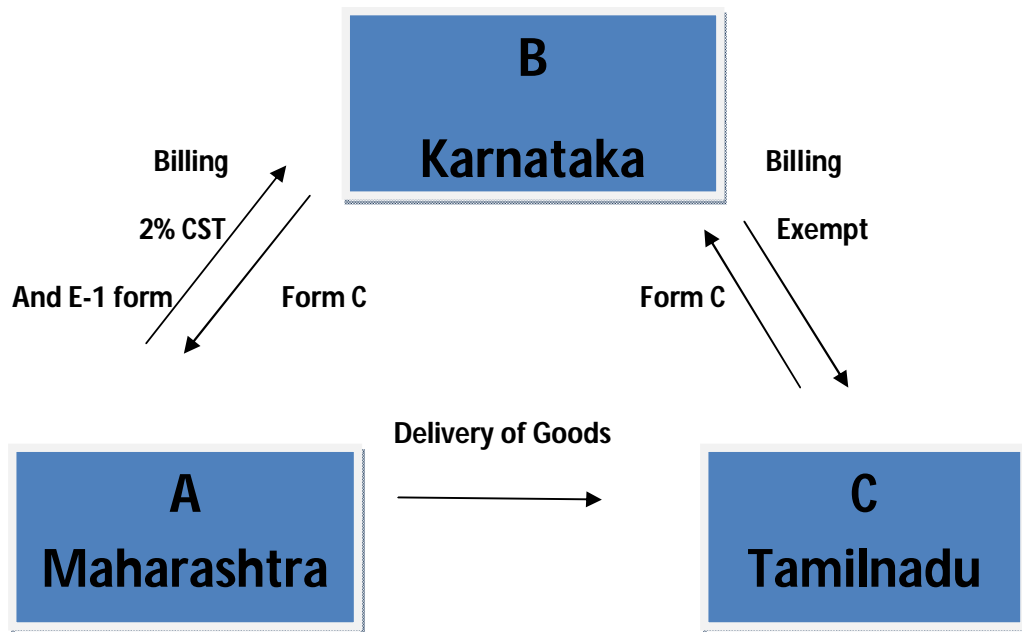
## Current Regime

1. In Bill to -Ship to transactions, there is a first sale and a subsequent sale.
2. In order to avoid tax being calculated multiple times , exemptions are provided on subsequent sales.
3. These exemptions however, are subject to the furnishing of Form E1 by the first seller(A) and C-Form rate of 2% by the Buyer(B)

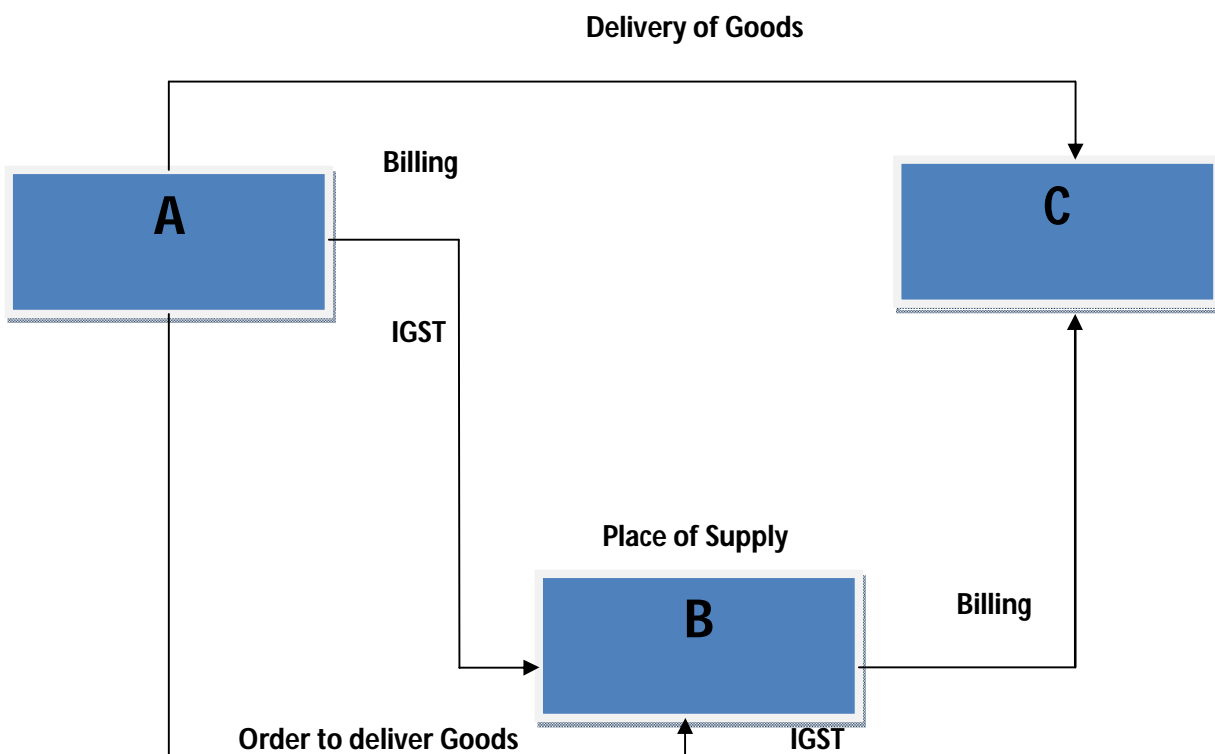
## Under GST

1. if the goods are supplied by the supplier(A) to the recipient(C) on the direction of a third person(B), *the place of supply will be the principal place of business of such third person.*
2. Accordingly, A charges IGST on billing to B.
3. The second part of transaction between B and C will also be interstate, and IGST will be charged.

## Current Regime:



## GST:



## **19) What is Mixed Supply?**

### **(Section 8)**

- Mixed supply is a combination of more than one individual supplies of goods or services or any combination thereof made in conjunction with each other for a single price, which can ordinarily be supplied separately.
- Mixed supply would be treated as supply of that particular goods or services which attracts the highest rate of tax.

E.g.: A shopkeeper is selling storage water bottles with GST rate of 18% along with refrigerator with GST rate of 28%. Bottles and the refrigerator can easily be priced and sold separately. Thus, it is a case of mixed supply and would be treated as a supply of refrigerator with 28% GST.

## **20) What is Composite Supply?**

### **(Section 8)**

- Composite Supply means a supply made by a taxable person to a recipient comprising two or more supplies of goods or services, or any combination thereof, which are naturally bundled and supplied in conjunction with each other in the ordinary course of business, one of which is a principal supply.
- Composite supply shall be treated as supply of the principal supply.

E.g.: When a consumer buys a television set and he also gets warranty and a maintenance contract with the TV, this supply is a composite supply. In this example, supply of TV is the principal supply, warranty and maintenance service are ancillary.

For GST purpose, it will be treated as supply of television (Principal supply).

## **21) What is Input Tax Credit?**

### **[Section 2 (56)]**

- Input Tax Credit (ITC) means availment of credit for input taxes to be paid.
- “Input Tax” refers to the GST charged on goods/services used or intended to be used for the furtherance of the business of the taxable person. It excludes any GST paid on a reverse charge basis.

## **22) What are the conditions for availing Input Tax Credit? (Section 16)**

- i. To be claimed within 12 months from date of invoice but before filing of September month return for next year or annual return of respective year whichever is earlier.
- ii. Credit is availed based on tax invoice/taxpaying documents issued by the supplier.
- iii. Credit to be availed on receipt of goods/services.
- iv. Returns to be furnished.
- v. Tax charged in the invoices has been paid to the credit of appropriate Govt.
- vi. Payment towards supply of goods or service to be made within 180 days from date of invoice.
- vii. No IT Depreciation to be claimed on ITC

## 23) What are the restrictions on availing Input Tax Credit? [Sec17(5)]

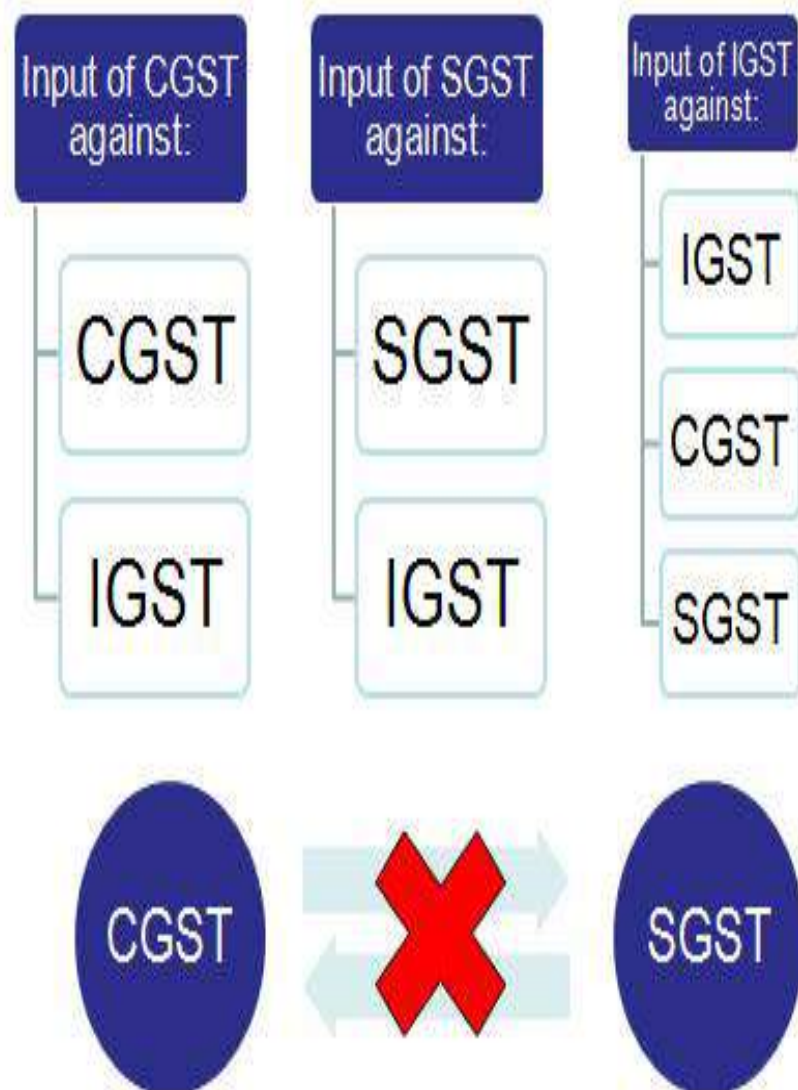
Sr. no.	Cases where ITC not Available	Cases where ITC available
1	Tax paid on purchase of motor vehicles and other conveyances	Not Available
2	Tax paid on food and beverages, outdoor catering, beauty treatment, health services, cosmetic and plastic surgery	Not Available
3	Tax paid on membership of a club, health and fitness centre	Not Available
4	Tax paid on availing services of rent-a-cab, life insurance and health insurance	<p>Not Available</p> <p>Except Where:</p> <p>(A) the Government notifies the services which are obligatory for an employer to provide to its employees under any law at the time being in force;</p> <p>OR</p> <p>(B) Such services are used by a registered person for making an outward taxable supply of the same category of goods or services or both or as part of a taxable composite or mixed supply.</p>

Sr. no .	Cases where ITC not Available	Cases where ITC available
5	Tax paid on providing travel benefits extended to employees on vacation such as leave or home travel concession	Not Available
6	Tax paid on works contract services for construction (including re-construction, renovation, additions or alterations or repairs, to the extent of capitalisation) of an immovable property (other than plant and machinery)	Not Available
7	Tax paid on goods or services for construction (including re-construction, renovation, additions or alterations or repairs, to the extent of capitalisation) of an immovable property (other than plant or machinery) on his own account even if such goods or services are used in the course or furtherance of business.	Not Available
8	Tax paid under composition scheme	Not Available
9	Tax paid on goods or services or both received by a non-resident taxable person	Not Available. Except for goods imported by him.

Sr. no.	Cases where ITC not Available	Cases where ITC available
10	Tax paid on goods or services or both used for personal consumption	Not Available
11	Tax paid on goods lost, stolen, destroyed, written off or disposed of by way of gift or free samples	Not Available
12	Tax paid u/s 74 i.e. tax paid upon Determination of tax not paid or short paid or erroneously refunded or input tax credit wrongly availed or utilised by reason of fraud or any wilful misstatement or Suppression of facts. [Rule 1(3)]	Not Available
13	Tax paid u/s 129 i.e. tax paid upon detention, seizure and release of goods and conveyance in transit.	Not Available
14	Tax paid u/s 130 i.e. tax paid upon Confiscation of goods or Conveyances and levy of penalty.	Not Available

**Note:** In case of business carried on by a person for the above-mentioned business, ITC will be allowed.

## 24) Utilization of Input Tax Credit



## **25) Anti-Profiteering Measure (Section 171)**

- The GST law contains an anti-profiteering clause which states that the benefit received by the company due to reduction in taxes should be passed on to the consumers.
- The company cannot make profits out of tax savings.

## **26) Why is Anti-Profiteering Measure introduced?**

- Singapore saw a hike in inflation when it introduced GST in 1994.
- Malaysia who implemented GST in 2015 could control the risk of inflation to some extent due to price control administered by their Ministry.
- So, India has initiated anti-profiteering measures at the retail level to protect consumers from increase in prices of goods and services.

## **27) What is Composition Scheme?**

### **(Section 10)**

- Small taxpayers with an aggregate turnover in a financial year up to Rs.75 lakhs shall be eligible for composition scheme.
- Tax payers making inter- state supplies or paying tax on reverse charge basis shall not be eligible for composition scheme.
- This scheme is not available for services sector, except restaurants.
- The floor rate of tax for CGST and SGST shall not be less than 1%.
- No ITC benefit is available under the composition scheme.
- Composition scheme would become applicable for all the business registrations which are separately held by a person with same PAN.
- The option availed shall lapse from the day on which his aggregate turnover during the financial year exceeds Rs.75 lakhs.

E.g.: If a person availing composition scheme during a financial year crosses the turnover of Rs.75 lakhs on 31<sup>st</sup> December, 2017, he will not be allowed to pay tax under composition scheme for the remainder of the year (i.e. till 31<sup>st</sup> March, 2018). The person can however also avail ITC on inputs held in stock, inputs contained in semi-finished or finished goods held in stock and capital goods as on 30<sup>th</sup> December, 2017.

- If a registered person has excess ITC of Rs 10, 000/- in his last VAT return for the period immediately preceding the appointed day (1<sup>st</sup> July, 2017) and under GST he opts for composition scheme; then he will not be able to carry forward the excess ITC of VAT to GST.
- The government may increase the above said limit of 75 lakhs rupees, to one Crore rupees, on recommendation of GST Council.

## **28) Why is Composition Scheme introduced?**

- The Indian GST places SMEs and large organizations at par by keeping the exemption threshold very low to Rs. 20 lakhs without any tax differentiation.
- Large corporations have the resources to invest, change their systems and get ready for GST but the same will be difficult for SMEs considering their limited resources.
- Therefore, the concept of composition scheme is introduced.

However, no ITC can be claimed by a person opting for this scheme.

## **29) What is the treatment for Works Contract Tax?**

### **Current law:**

- Works contract consists of two kinds of taxable activities as per the current law. It involves supply of goods as well as supply of services.
- Currently, the supply of goods is taxable in the form of VAT and the service is taxable under service tax.

### **Under GST:**

**GST Schedule II clearly mentions that the following are supply of service–**

- construction of a complex, building, civil structure or a part thereof, including a complex or building intended for sale to a buyer, wholly or partly,
- works contract including transfer of property in goods (whether as goods or in some other form) involved in the execution of a works contract

## **Input Tax Credit is NOT available**

### **Revised Model GST Law mentions that input tax credit is not available for-**

- works contracts services when supplied for construction of immovable property, other than plant and machinery, except where it is an input service for further supply of works contract service
- goods or services received by a taxable person for construction of an immovable property on his own account, other than plant and machinery, even when used in course or furtherance of business.

### **Abatement is not Mentioned**

No abatement has been prescribed for works contract service so far. Currently VAT is payable on the works contract. Service tax is paid @15% on either 40% (on new work) or 70% (on repair, maintenance work).

In case no abatement/ composition is provided, it may lead to significant increase in tax burden, especially if such works contract is taxed at Standard GST rate (which is 18%) and even if subjected to lower tax rate (12%).

## **30) Reverse Charge Mechanism (RCM):[Section 9(3)and 9(4)]**

Following are items on which RCM will be applicable:

- i) Unregistered Dealer selling to a registered dealer.
- ii) Services through an e-commerce operator
- iii) Service provider located in a non-taxable territory
- iv) Services provided by Goods Transport Agency (GTA)
- v) Services of advocate and arbitral tribunal
- vi) Sponsorship services
- vii) Services provided by government/local authority excluding:
  - a. Renting of immovable property
  - b. Services by the Department of Posts by way of speed post, express parcel post, life insurance, and agency services provided to a person other than Government;
  - c. Services in relation to an aircraft or a vessel, inside or outside the precincts of a port or an airport;
  - d. Transport of goods or passengers.

- viii) Services provided by a director of a company or a body corporate.
- ix) An insurance agent
- x) A recovery agent
- xi) Author or music composer, photographer, artist, etc.
- xii) Radio taxi or Passenger Transport Services provided through electronic commerce operator

## 31) General Illustration for VAT v/s GST and Set off

### **Assumptions:**

Central GST	9%
State GST Rate	9%
VAT Rate	12.50%
Input Credit available to the Manufacturer	10,000
Profit Margin fixed	10,000

### **1) Manufacturer to Wholesaler**

Particulars	VAT		Total	GST A/C		Total
	Input	Output		CGST @9%	SGST @ 9%	
Cost of production (ASSUMED)			90,000			90,000
Input GST on Raw Materials (ASSUMED)	10,000			5,000	5,000	
ADD: Profit Margin			10,000	-	-	10,000
Manufacture Basic Price			1,00,000	-	-	1,00,000
ADD: Central Excise Duty @12% on Rs 1,00,000			12,000			
VAT on Raw Materials @ 12.5% on Rs 1,12,000	-	14,000	14,000			
ADD:GST				9,000	9,000	18,000
LESS: Input VAT/GST	-	10,000		5,000	5,000	
VAT/GST Payable		4,000		4,000	4,000	
Sale Price			1,26,000			1,18,000

# General Illustration for VAT v/s GST and Set off

2) Wholesaler to Retailer						
Particulars	VAT		Total	GST A/C		Total
	Input	Output		CGST @12%	SGST @ 12%	
Cost of Goods to Wholesaler in Delhi			1,12,000			1,00,000
Input GST/VAT	14,000			9,000	9,000	
ADD: Profit Margin			10,000	-	-	10,000
<b>Total</b>			1,22,000	-	-	1,10,000
ADD:GST/VAT		15,250	15,250	9,900	9,900	19,800
LESS: Input GST/VAT		14,000		9,000	9,000	
GST/VAT Payable		1,250		900	900	
Total price to Retailer			1,37,250			1,29,800

## General Illustration for VAT v/s GST and Set off

3) Retailer to Final Consumer						
Particulars	VAT		Total	GST A/C		Total
	Input	Output		CGST @12%	SGST @ 12%	
Cost of Goods to Retailer in Delhi			1,22,000			1,10,000
Input GST/VAT	15,250			9,900	9,900	
ADD: Profit Margin			10,000	-	-	10,000
Total			1,32,000	-	-	1,20,000
ADD:GST/VAT		16,500	16,500	10,800	10,800	21,600
LESS: Input GST/VAT		15,250		9,900	9,900	
GST/VAT Payable		1,250		900	900	
Total price to Consumer			1,48,500			1,41,600
Total Tax Payable In All Transactions		28,500	28,500	10,800	10,800	21,600

## **2)Impact of GST on Various Parties**

# 1) Impact on Manufacturer

<b>Assumptions:</b>		
IGST	18%	
VAT Rate	13.50%	
Profit Margin fixed	20%	
<b>Particulars</b>	<b>Under VAT</b>	<b>Under GST</b>
	<b>Input</b>	<b>IGST @ 18%</b>
Cost of production	100	100
ADD: Profit Margin	20	20
Manufacture Basic Price	120	120
ADD: Central Excise Duty @12.5%	15	
Assessable value	135	120
ADD:GST/VAT	18	22
Sale Price	153	142

Due to GST, the cost of Production of manufacturer will reduce from Rs 135 to Rs 120.

## 2) Impact on Importer

<u>ASSUMPTION</u>		
<b>COMPANY 'A' PROFIT</b>	0%	
VAT	13.50%	
SGST/CGST OR IGST		28%
<b>PRICE STRUCTURE</b>		
	<b>Under VAT</b>	<b>Under GST</b>
CIF	107.14	107.14
CUSTOM DUTY @ 10%	10.00	10.00
ADDITIONAL DUTY @ 12.5 % (MRP - 35 % REBATE)	36.25	
ADD: EDUCATIONAL CESS @ 3%	1.39	
ADD:IGST @ 28%		32.80
CIF PRICE WITH DUTIES	154.78	117.14
OCTROI @ 3 %	4.64	0.00
<b>LANDED COST</b>	159.42	117.14
<b>PROFIT OF COMPANY 'A'</b>	0.00	0.00
VAT/GST	21.52	32.79
SELLING PRICE OF COMPANY 'A'	180.95	149.93

Due to GST, the landed cost of importer will reduce from Rs 159.42 to Rs 117.14

### 3) Impact on Wholesaler

COMPANY 'B' to RETAILER	Under VAT	Under GST
PURCHASE PRICE OF COMPANY 'B'	159.42	117.14
AVAILABLE INPUT CREDIT	21.52	32.79
COMPANY 'B' PROFIT MARGIN @ 25%	39.86	29.29
TOTAL	199.28	146.43
VAT/GST	26.90	41.00
WHOLESALE PRICE	226.18	187.43

Due to GST, the purchase cost of wholesaler will reduce from Rs 159.42 to Rs 117.14, thereby reducing the cost for the retailer.

## 4) Impact on Retailer

RETAILER TO FINAL CUSTOMER	Under VAT	Under GST
COST OF GOODS TO RETAILER	199.28	146.43
AVAILABLE INPUT CREDIT	26.90	41.00
RETAILERS MARGIN @ 25% ON COST	49.82	36.61
TOTAL	249.1	183.04
VAT/GST	33.63	51.25
RETAIL PRICE	282.73	234.29

Due to GST, the cost of retailer will reduce from Rs 199.28 to Rs 146.43, thereby reducing the price for the final consumer from Rs 282.73 to Rs 234.29

### **3) Common Impact**

# **1) What is the treatment for ITC to be carried forward and on stock held as on 30/06/2017?**

- The assessee will be eligible to carry forward tax credits subject to the following conditions:
  - i. The goods/inputs are used for making taxable supplies under CGST Act.
  - ii. He is in the possession of the invoice and/or other documents evidencing payment of duty under earlier law in respect of such inputs. (As per Rule 11-Invoice issued by Supplier).
  - iii. Stock is issued not earlier than 12 months immediately preceding the date on which these provisions come into effect.
  - iv. The supplier of services is not eligible for any abatement under the CGST Act.
  - v. The benefit of such credit must be passed on, by the way of reduced prices, to the recipient. Since Input tax Credit is available, assessee will no longer add this to the product cost. As a result the base cost will reduce, and subsequently result in reduction of price.

- vi. The assessee is eligible for Input Tax Credit under GST.
- In case of non-availability of invoice/document evidencing payment of Central Excise Duty(Rule 3 of the Transition Provision Rules):
  - i. Credit shall be allowed at the rate of 40% (For tax rate below 18%) or 60% (For tax rate 18% and above) as the case may be of the CGST applicable on supply of such goods after the appointed date and shall be credited after the CGST payable on such supply has been paid. This situation arises when invoice is raised under the current tax regime & supply happens in a GST regime.

E.g.: A sells goods- GST Rate 28% (CGST-14% and SGST-14%)

Particulars	Amount
Input	100000
Excise duty @12.5%	12500
Sale Price (Assumed)	140000
Credit [140000*14%(CGST)*60%]	11760

- ii. The scheme shall be available for six tax periods from the appointed date.
- Every registered person entitled to take credit of input tax u/s 140 shall, within ninety days of the appointed day, submit an application electronically in **FORM GST TRAN-1**, duly signed, on the Common Portal specifying therein, separately, the amount of tax or duty to the credit of which the said person is entitled to under the provisions of the said section.

As per Sub Rule 2(b) of Sec 140 (3) the application in Form GST TRAN -01 shall specify separately the details of stock (invoice details of stock) held on the appointed day up to 6tax periods indicating the details of supplies effected during each tax period.

XYZ Automobiles is a registered excise dealer in cars and car spare parts. On 1st March 2017 XYZ Automobiles purchased spare parts, and the details of transaction are given below:

Date	Stock Item	Qty	Rate / qty	Total Value	Vat @ 14.5%	Excise Duty 12.5%
01-03-17	Spares	50 Nos	1500 Nos	75,000	10,875	9,375

As on 31st March 2017, the closing stock of spares held by XYZ Automobiles is 30 Nos.

As per the current tax structure, XYZ Automobiles can avail the Input VAT of Rs 10,875 as credit, and can set this amount against the output VAT. However, excise duty is not allowed as Input Tax credit. Therefore, it is added to the product cost. Now, on transitioning to GST, XYZ Automobiles is allowed to avail the Input Tax credit of excise duty on the closing stock held by them.

Let us consider the example and calculate the excise duty on closing stock, which can be availed as Input Tax credit.

Closing Stock	Excise Duty
45000 (30 Nos.*Rs.1500)	5625 (45000*12.5%)

Now, XYZ Automobiles knows that they can avail the excise duty of Rs 5,625 on the closing stock held, but are they eligible to avail it?

To be eligible, XYZ Automobiles must meet the conditions prescribed to avail the excise duty of Rs. 5,625 as CGST Input Tax Credit

## **Credit of Excise Duty indirectly being part of cost:**

### **a. What will be the amount of Credit?**

Stock of Rs. 90 Lakh is lying as on 30<sup>th</sup> June 2017. The Tax Rate on the goods in GST is 18% out of which CGST is 9% and SGST is 9%.

Supposedly you are able to supply goods worth only Rs 60 Lakh. Therefore you would have collected SGST of Rs.5,40,000 and CGST of Rs.5,40,000 on the supply of said goods.

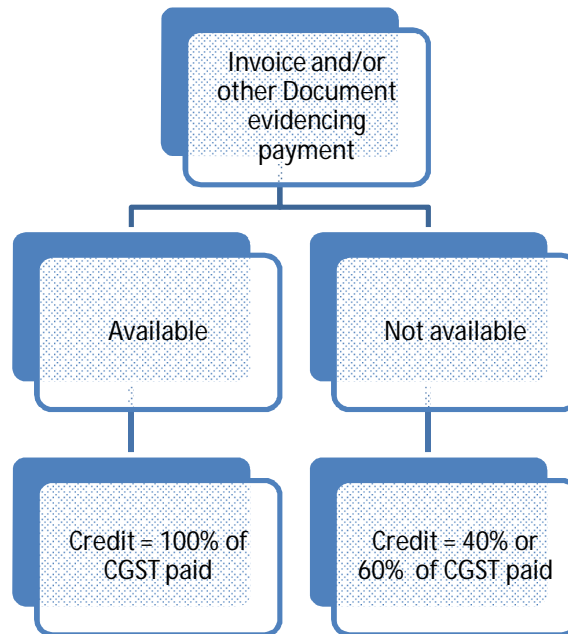
Out of which, you would be getting reimbursement of 60% on 5,40,000 collected as CGST i.e. Rs. .3,24,000. This amount would be credited back to you Input Tax Credit.

## **b. What is the procedure for claiming the credit?**

1. Submit a form within 90 days of the implementation of GST specifying the stock in hand as on 30th June, 2017 and amount of eligible credit on the stock.
2. Submit a Statement at the end of each month providing how much supplies have been made out of those goods.
3. The stock on which credit has been claimed should be stored in such a manner that it could be easily identified.

## **c. If there is no supply of goods worth Rs. 30 Lakh in the first six months from implementation of GST, whether credit of 60% of CGST can be claimed?**

1. If you are not able to supply balance stock of Rs. 30 Lakhs in the first six months of GST, then you would not be credited 60% of CGST Collected on the balance stock of Rs. 30 Lakhs.
2. It is required to deposit entire tax collected as CGST.
3. This scheme is overall a scheme for credit of taxes applicable for six months, wherein a person has to first pay tax and then he would be reimbursed 60% of the tax paid as CGST under GST.



If the tax rate is 18% or more then tax credit of CGST will be 60%. Otherwise it will be 40%

## 2) What is the treatment for Sale of Stock held as on 30/06/2017? [Section 140(3)]

- If stock held as on 30/06/2017 is sold in GST period, then there will be rebate of 40% or 60% of the specified CGST rate. [Transitional Rules-Rule 3]
- However, this provision is applicable only for goods lying in stock as on 30/06/2017.
- This Rebate is available to First Stage Dealer and Second Stage Dealer.

For e.g. Goods are purchased from an Importer. Cost of stock lying as on 30/06/2017 is 125.

Particulars	Amount
Stock as on 30-06-2017	125
Custom duty paid on stock	33.15
Sale price (Assumed)	200
Input credit to be allowed [ $200 \times 14\%(\text{CGST}) \times 60\%$ ]	16.8

### **3) What is the treatment of ITC during Goods in transit? [Section 140(5)]**

A registered person shall be entitled to take ITC on goods in transit Subject to the condition that:

1) ITC is taken within 30 days of appointed day.

2) Invoice or any other duty or tax paying

Document was recorded.

3) The recipient of inputs or input services must furnish a statement as follows:

In terms of Rule 2(c) of Transition provisions the said taxable person shall furnish the following

Details:

(i) A statement indicating the name & address of the supplier together with invoice details.

(ii) Description, quantity and value of goods or services.

(iii) The amount of taxes, duties, VAT, Entry tax charged by the supplier.

(iv) The date at which receipt of goods or services are entered in the books of the recipient.

Note:

- 1) Capital goods in transit not covered
- 2) Suppose after taking credit as inputs, subsequently the auditor insists that the goods are to be capitalised, then ITC will be reversed.

#### **4) How to proceed if wrong tax is paid?**

- If an assessee wrongly pays CGST and SGST instead of IGST they he will have to pay the correct tax (IGST) again and then claim refund of wrongfully paid taxes (CGST and SGST).

## 5) What is the treatment for addition to Fixed Assets?

- If the taxable person has claimed depreciation on the tax component of the cost of capital goods under the provisions of Income Tax Act then ITC shall not be allowed.
- E.g.: A fixed asset of Rs 1,00,000 is purchased with 12% GST. Depreciation is charged @ 10%.
  - If the company records the asset in the books at Rs 1,12,000 (Rs 1,00,000+12% GST) then no ITC will be allowed.
  - However, if the company records the asset in the books at Rs 1,00,000 then ITC will be allowed.
- Credit of tax paid on capital goods is permitted to be availed in one instalment, as against the earlier law where 50% of CENVAT was allowed in the year of purchase and balance 50% in the succeeding year.

## 6) What is the treatment for disposal of Fixed Assets? [Section 18(6)]

- Any kind of transfer of the capital goods at a later stage would also attract GST liability like all other goods and services.
- In case of ITC taken on supply of capital goods or plant or machinery, the registered person shall pay
  - i) an amount equal to ITC taken reduced by such percentage points as may be prescribed
  - or
  - ii) the tax on the transaction value of such capital goods or plant or machinery determined u/s 15(Value of Taxable Supply)
  - or
  - iii) Whichever is higher of the above.

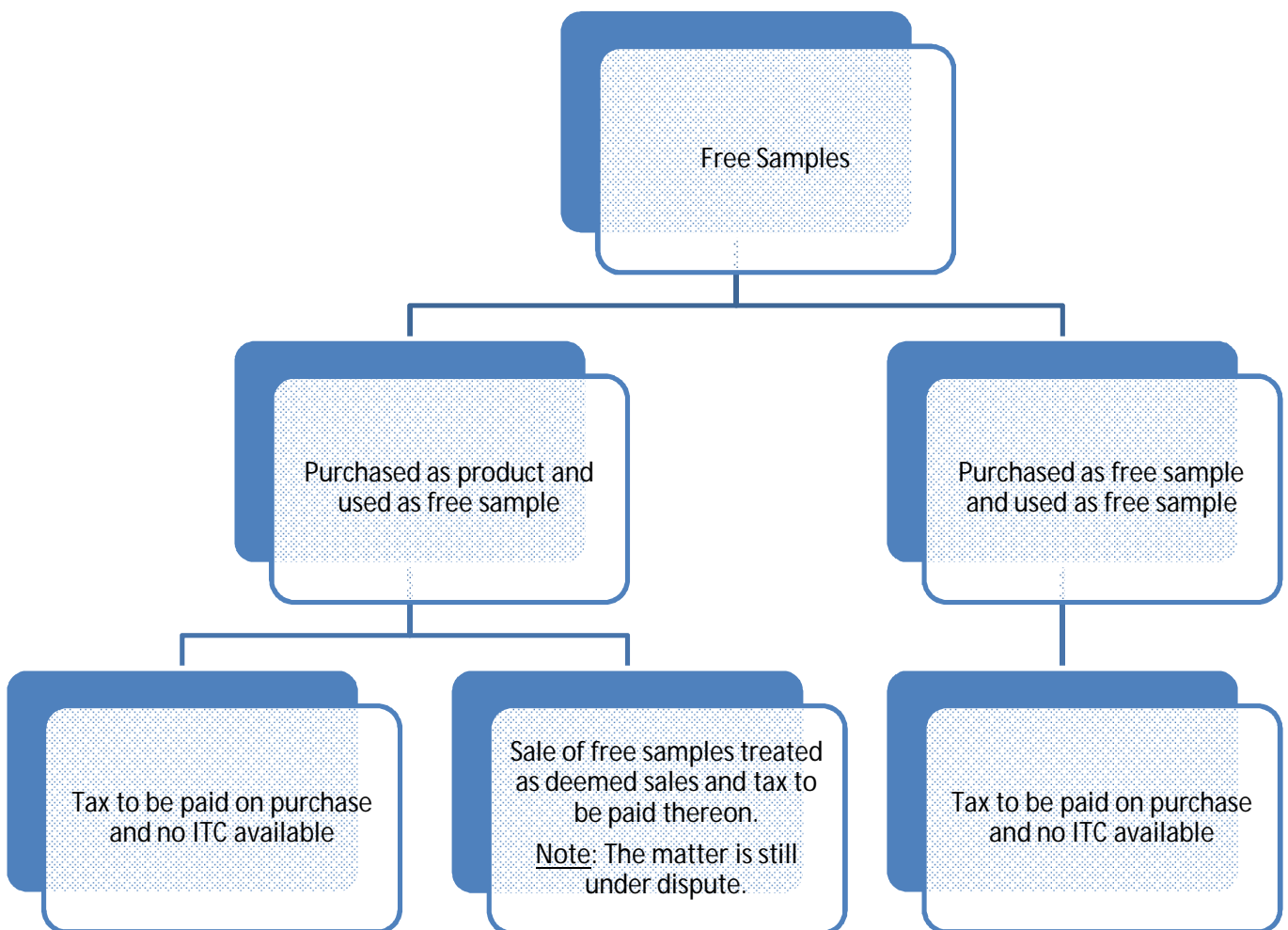
Note: The above-mentioned provision is yet to be confirmed by the GST council.

## **7) What is the treatment for communication expenses?**

Communication expenses are taxable in the following manner :-

- Fixed line: State of address where fixed line is provided.
- Post-paid mobile & Internet-State of address of service recipient.
- Pre-paid mobile & internet – State of sale of pre-paid vouchers or where pre-payment is received.

## 8) What is the treatment for free samples?



## 9) What is the treatment for Travelling Expenses?

- If the recipient is registered, place of supply will be the location of the recipient.
- If the recipient is not registered, place of supply will be the location from where the recipient boards.

E.g.: S (Unregistered person) is an employee of XYZ & Co. (Registered person). S must go to Delhi for official purpose. XYZ & Co. located in Mumbai books a single journey ticket for S. In this case, the place of supply will be Mumbai.

S books the ticket for the return journey from Delhi to Mumbai. Since S is an unregistered person the place of supply will be the location from where he boards, i.e. Delhi.

Refer Chart on Page 37

## **10) What is the treatment for Transport expenses?**

- Transportation charges will be taxed on reverse charge basis @ 5%.
- Full ITC in case of transportation expenses will be allowed under the GST law.

## **11) What is the treatment for Legal and Professional Fees?**

- In case of fees payable to an Advocate Reverse Charge mechanism will be applicable @ 18%.
- ITC will be available for tax paid on advocate fees.
- In case of fees payable to other professionals GST @ 18% will be applicable with full ITC.

## 12) What is the treatment for Rent?

- GST will be payable in the state where the rented property (immovable property) is located.
- Input credit will be allowed against the output liability of the SAME property only.
- Common cost can be apportioned by Head office by raising an invoice to the branch and charging IGST, CGST and SGST (as applicable) based on the turnover of each recipient to the aggregate turnover of all the recipients to which credit is distributed.

Refer Chart on Page 36.

### **13) Whether transaction in securities is taxable in GST?**

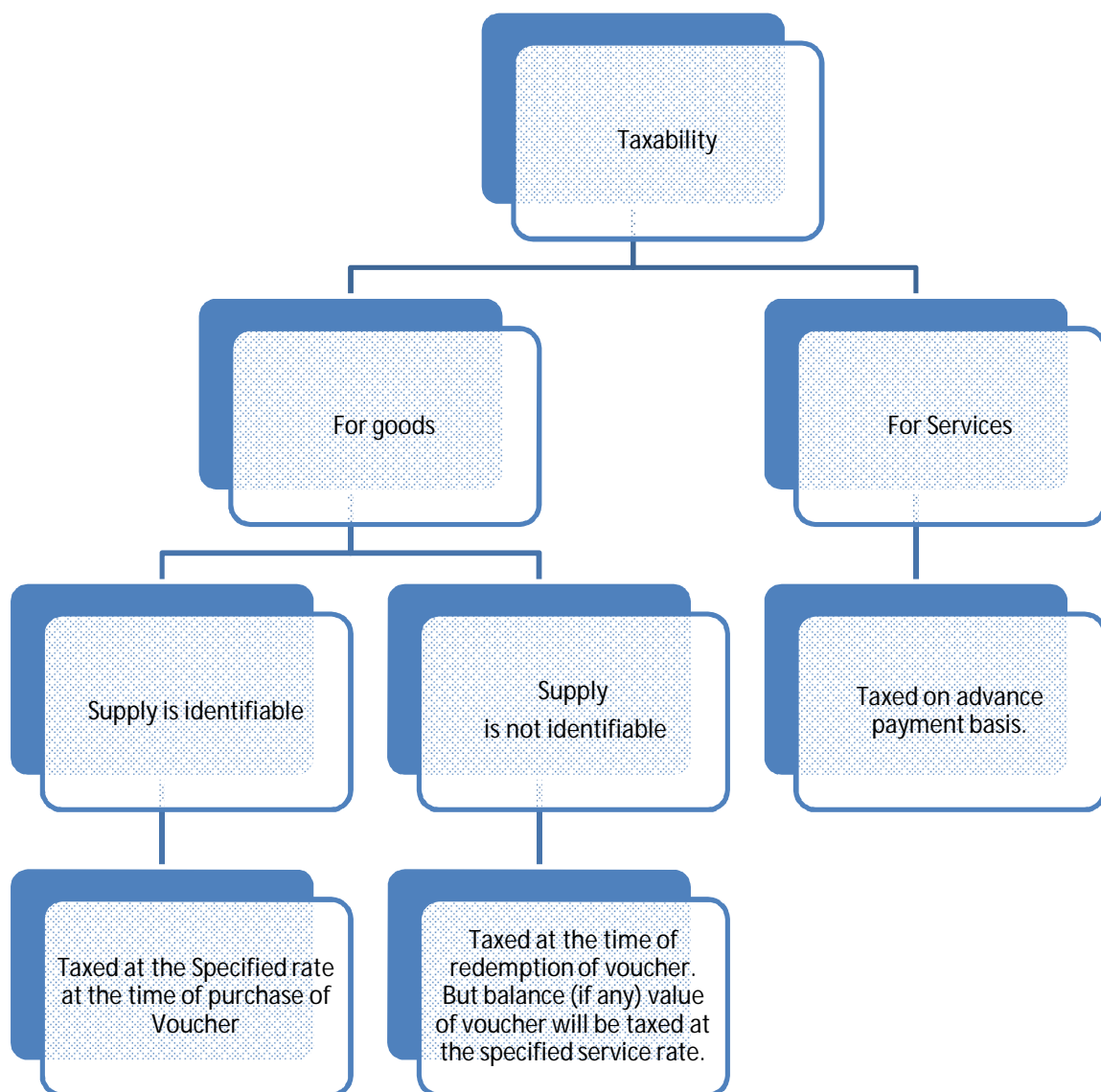
- Securities have been specifically excluded from the definition of goods as well as services.
- Thus, the transaction in securities shall not be liable to GST.

### **14) What is the treatment for expenses paid through Credit/Debit card?**

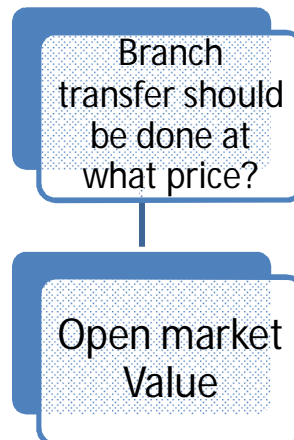
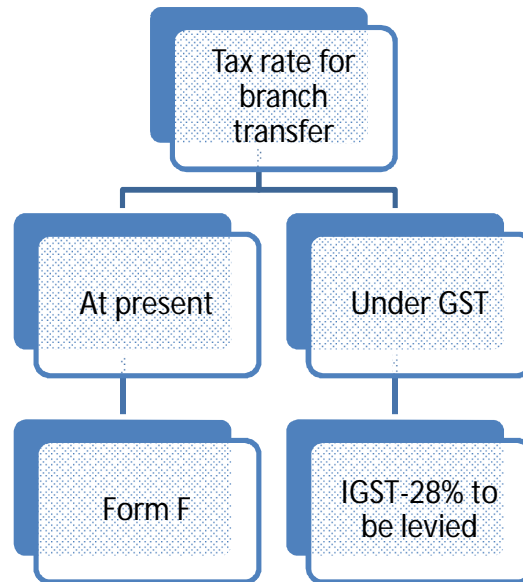
- In case of the credit card or debit card or store value card or charge card or smart card or any other card by which the recipient of services settles payment has been issued in the taxable territory, place of supply shall be the location of the recipient of services.

In case of any payment made through points accumulated in the credit card, taxability would depend upon facts of each case.

## 15) Voucher Redemption (Section 12(4) and Section 13(4))

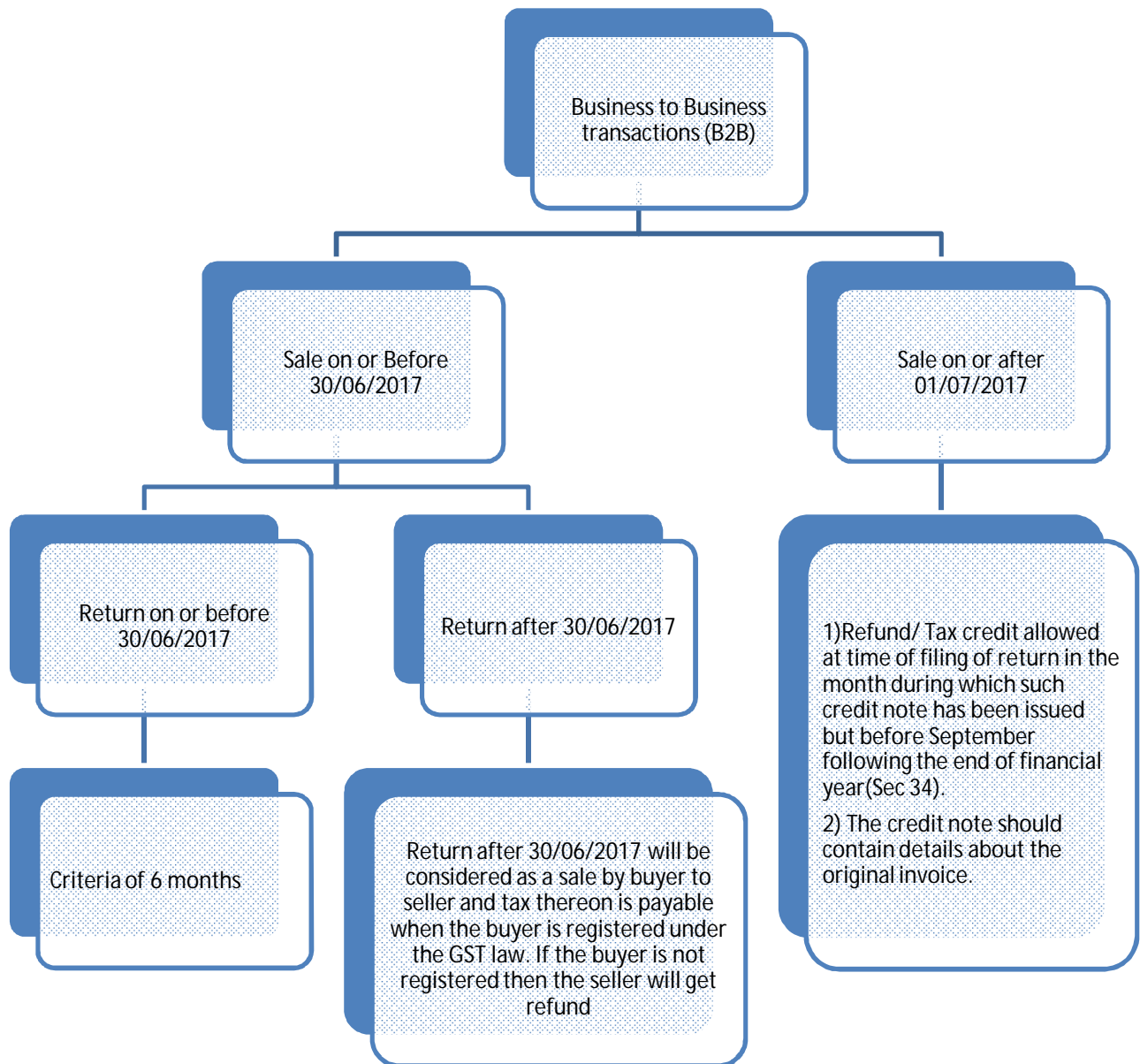


## 16) Branch Transfer

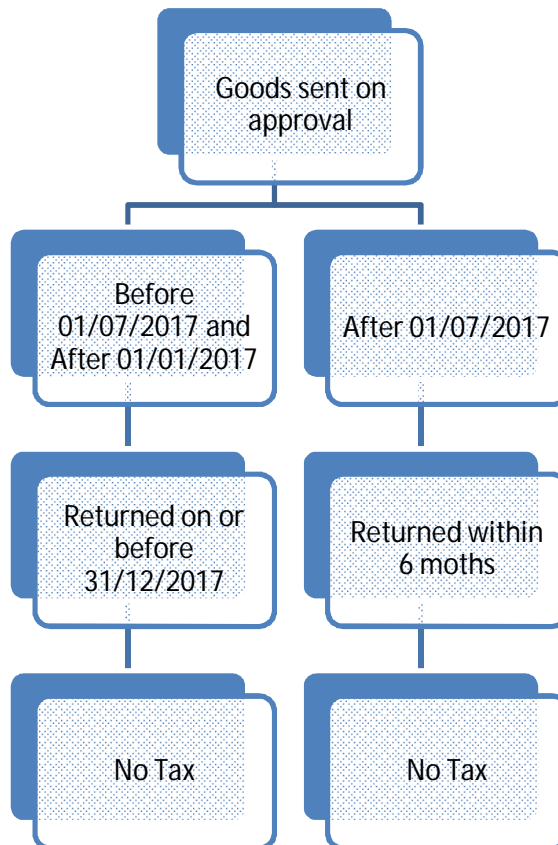


Open Market Value is the full value in money payable by an unrelated person as its sole consideration at the same time as the supply under inquiry.

## 17) Goods Return



## 18) Goods sent on Return or Approval basis: [Section 142(12)]



**Note:** The said period of six months may be extended by the Commissioner for a further period not exceeding two months.

## **19) How will imports be taxed under GST?**

- Imports of Goods and Services will be treated as inter-state supplies and IGST will be levied on import of goods and services into the country.
- The incidence of tax will follow the destination principle and the tax revenue in case of SGST will accrue to the State where the imported goods and services are consumed.
- Full and complete set-off will be available on the GST paid on import of goods and services.
- The above is explained with the help of an illustration on next page.

## Illustration:

ASSUMPTION		
<b>COMPANY 'A' PROFIT</b>	0%	
VAT	13.50%	
SGST/CGST OR IGST		28%

### **PRICE STRUCTURE**

<b>PARTICULARS</b>	<b>Under VAT</b>	<b>Under GST</b>
<b>COMPANY 'A' to COMPANY 'B'</b>		
CIF	107.14	107.14
CUSTOM DUTY @ 10% ON (1)	10.00	10.00
ADDITIONAL DUTY @ 12.5 % (MRP - 35 % REBATE)	36.25	
ADD: EDUCATIONAL CESS @ 3%	1.39	
ADD:IGST @ 28%		32.7992
CIF PRICE WITH DUTIES	154.78	117.14
OCTROI @ 3 % ON (11)	4.64	0.00
<b>LANDED COST</b>	159.42	117.14
<b>PROFIT OF COMPANY 'A'</b>	0.00	0.00
VAT/GST	21.52	32.79
<b>SELLING PRICE OF COMPANY 'A'</b>	180.95	149.93

## 20) What is the treatment for High Seas Sales?

- Supply taking place in a 'non-taxable territory' would be outside the jurisdiction for imposing any GST.
- There are two types of transactions in this regard:
  - i. Those that commence outside the territory of India and are concluded also outside territory of India– This is not a supply in the course of inter-State trade or commerce because it commences and concludes outside the territory of India. Hence, not liable for GST.
  - ii. Those that commence outside but conclude by entering the territory of India- any supplies that are taking place after being brought into India until they cross the customs frontiers of India even though the place of entry into India and the place that comprises the customs frontier may be in the same State will continue to be supply is in the course of inter-State trade or commerce and attract IGST.

E.g.: Goods have been imported from France by a company incorporated and registered in Nasik have landed at Mumbai port but during their clearance are supplied by the Nasik company to a company in Pune, this supply continues to be in the course of inter-State trade or commerce. Even though the supplier is in Nasik and the recipient is in Pune, since the goods have not yet crossed the customs frontiers of India at the time of supply IGST at the specified rate will be payable.

## 21) Goods Returned

- In case of business to consumer transactions (B2C) refund/ tax credit will be allowed only if time of supply of product is identifiable.

## 22) What is Input Service Distributor? (Sec 20)

- ISD can distribute credit on IGST as IGST credit to all the units to all the units to which the service is attributable, regardless of where they are located.
- No differentiation is made to whether the unit is registered or not.
- The credit of CGST and SGST should be distributed as IGST credit to all the units located outside the State in which the ISD is located, and as CGST and SGST respectively, in case of distribution of credit to a unit located in the same State as the ISD.

E.g.: Corporate office of ABC Ltd is ISD located in Mumbai. It receives invoice from XYZ & Associates for audit services provided to its Delhi, Mumbai and Bangalore branch. The invoice indicates Rs 5,00,000 charged as CGST and SGST each. The turnover of Mumbai branch is Rs 1 crore, Delhi branch is Rs 2 crores and for Bangalore branch is Rs 1 crore.

The credit will be distributed as follows:

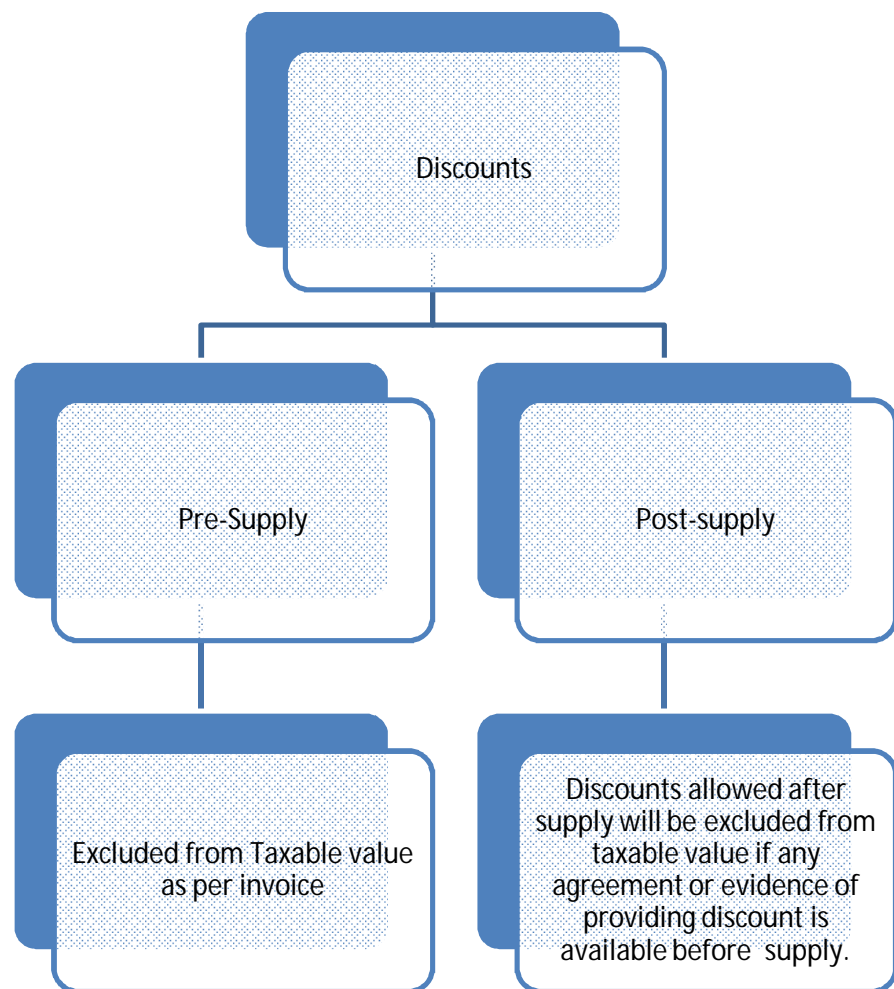
<b>Particulars</b>	<b>Total</b>	<b>Mumbai branch</b>	<b>Delhi branch</b>	<b>Bangalore branch</b>
Turnover	4 crores	1 crore	2 crore	1 crore
CGST	5,00,000	1,25,000	2,50,000	1,25,000
Distributed as		CGST	IGST	IGST
SGST	5,00,000	1,25,000	2,50,000	1,25,000
Distributed as		SGST	IGST	IGST

Since ISD is located in Mumbai, CGST/SGST will be distributed to Mumbai branch as CGST/SGST. In case of Bangalore and Delhi branch, CGST and SGST will be distributed as IGST.

- The amount of credit distributed shall not exceed the amount of credit available for distribution
- The credit of ITC attributable to a recipient of credit shall be distributed only to that recipient.
- Credit of tax paid on input service used by more than one location who are operational is to be distributed to all of them based on the pro rata basis of turnover of each location in a State to aggregate turnover of all such locations who have used such services.

- The period to be considered for computation of turnover is the previous financial year of that location. If it does not have any turnover in the previous financial year, then previous quarter of the month to which the credit is being distributed.
- When an ISD contravenes with the provision u/s Sec 20 and distributes excess credit then the excess credit distributed will be recovered along with interest.

## 23) When will Discount not be included in Taxable Value of supply? [Section 15(3)]



## 24) Insurance of Damaged Stock

- Since ITC is not allowed on damaged stock, the output liability of the seller will increase by the tax paid on damaged goods at the time of purchase.
- However, insurance of stock is done net of tax.
- Thus, the seller will suffer a loss due to under valuation of stock.

E.g.: Value of damaged stock as on 31/08/2017 is Rs 4 crores which contains Rs 1 crore of tax paid on purchase of goods. The stock is insured up to Rs 4.5 crores. Since the goods are damaged no ITC will be allowed and if ITC is paid it has to be reversed (by adding to output tax liability). So, the loss suffered by the seller is Rs 5 crores but stock is insured up to Rs 4.5 crores. So, the stock becomes under-insured.

## 25) Trial Balance

Account name	Whether GST applicable?	GST Rate and ITC Availability
INTEREST EXPENSES	No	
BANK CHARGES	No	
MOBILE EXPENSES	Yes	18%- Full ITC
TELEPHONE AND COMMUNICATION EXPENSE	Yes	18%- Full ITC
EMAIL CHARGES	Yes	18%- Full ITC
TRAVELLING AND CONVEYANCE EXPENSES	Yes	Transport of passengers by rail (other than sleeper class) 5% with ITC of input services
		Transport of passengers, by- (i) Air conditioned contract/stage carriage other than motorcab; (ii) a radio taxi. 5% No ITC
		Transport of passengers by air in economy class 5% with ITC of input services
		Transport of passengers by air in other than economy class 12% With Full ITC
RENT AND BOARDING AND LODGING EXPENSES	Yes	Renting of hotels, inns, guest houses, clubs, campsites or other commercial places meant for residential or lodging purposes having room tariff Rs.1000 and above but less than Rs.2500 per room per day 12% With Full ITC
		Renting of hotels, inns, guest houses, clubs, campsites or other commercial places meant for residential or lodging purposes where room tariff of Rs 2500/- and above but less than Rs 5000/- per room per day 18% With Full ITC
		Bundled service by way of supply of food or any other article of human consumption or any drink, in a premises (including hotel, convention center, club, pandal, shamiana or any other place, specially arranged for organizing a function) together with renting of such premises 18% With Full ITC
		Accommodation in hotels including 5 star and above rated hotels, inns, guest houses, clubs, campsites or other commercial places meant for residential or lodging purposes, where room rent is Rs 5000/- and above per night per room 28% With Full ITC
SERVICE TAX SWATCH	No	

<b>Account name</b>	<b>Whether GST applicable?</b>	<b>GST Rate and ITC Availability</b>
SERVICE TAX EXPENSES	No	
ADMINISTRATION EXPENSES	Depends upon facts of the case	
OFFICE EXPENSES		
INSURANCE CHARGES	Yes	ITC Available
MUNICIPAL TAXES	No	
MEMBERSHIP FEES	Yes	18%-No ITC
PRINTING & STATIONERY EXPENSE		<p>1) Boxes, pouches, wallets and writing compendiums, of paper or paperboard, containing an assortment of paper stationery including writing blocks-12% Full ITC</p> <p>2) Envelopes, letter cards, plain postcards and correspondence cards, of paper or paperboard; [other than boxes, pouches, wallets and writing compendiums, of paper or paperboard, containing an assortment of paper stationery including writing blocks- 18% Full ITC</p> <p>3) Postage or revenue stamps, stamp-postmarks, first-day covers, postal stationery (stamped paper), and the like, used or unused, other than those of heading 4907- 12% ITC</p>
POSTAGE & TELEGRAM		<p>1) Services of Department of posts provided by government- Exempt</p> <p>2) Others-18% Full ITC</p>
ELECTRICITY CHARGES	No	-
AUDIT FEES	Yes	18%-Full ITC
LEGAL AND PROFESSIONAL FEES	Yes	18%-Full ITC
CONSULTANCY CHARGES	Yes	18%-Full ITC
REPAIRS & MAINTANANCE	Yes	5%-Full ITC
ADVERTISEMENT EXPENSES	Yes	Selling of space for advertisement in print media-5% With Full ITC
SALES PROMOTION	No	
DIWALI EXPENSES	No	
VISA CHARGES	No	
ROUND OFF	No	
MISCELLANEOUS EXPENSES	Depends upon facts of the case	
TRAVEL INSURANCE	Yes	ITC Available
SOCIETY MAINTENANCE CHARGES	No	
FILING FEES	No	

<b><u>Account name</u></b>	<b>Whether GST applicable?</b>	<b>GST Rate and ITC Availability</b>
WEB DESIGNING FEES	Yes	18%-Full ITC
DEPRECIATION	No	
INCOME TAX PROVISION	No	
DAMAGED STOCK	Yes	ITC not available
FREE SAMPLES	Yes	ITC not available
GOODS GIVEN AS GIFT	Yes	ITC not available
COMMON AREA MAINTAINENCE SERVICES	Yes	18%-ITC Available
SALARY & WAGES	No	
COMMISSION RECEIVED	Yes	18%-Output Liability

## 4) Others

# 1) What is the invoice format for GST?

YOUR COMPANY LOGO		<b>COMMON INVOICE</b> <b>YOUR COMPANY NAME</b> YOUR COMPLETE BUSINESS ADDRESS LINE -1 YOUR COMPLETE BUSINESS ADDRESS LINE - 2 <a href="mailto:info@yourbm.com">info@yourbm.com</a> <a href="http://www.yourbm.com">www.yourbm.com</a>													
Your Gstin Number:										Transportation Mode: (Apply for Supply of Goods only)					
Tax is Payable On Reverse Charge: (Yes/No)										Veh.No :					
Your Invoice Serial Number:										Date & Time of Supply:					
Your Invoice Date:										Place Of Supply:					
Details of Receiver (Billed to)										Details of Consignee (Shipped to)					
Name:										Name:					
Address :										Address :					
State:										State:					
State Code :										State Code :					
GSTIN Number:										GSTIN Number:					
S.No	Description of Goods	HSN Code (GST)	Qty	UOM	Rate	Total	Discount	Taxable value	CGST		SGST		IGST		
									Rate	Amount	Rate	Amount	Rate	Amount	
						₹ -	₹ -	₹ -		₹ -		₹ -		₹ -	
											₹ -		₹ -		₹ -
Invoice Value (In Words)										Total					₹ -

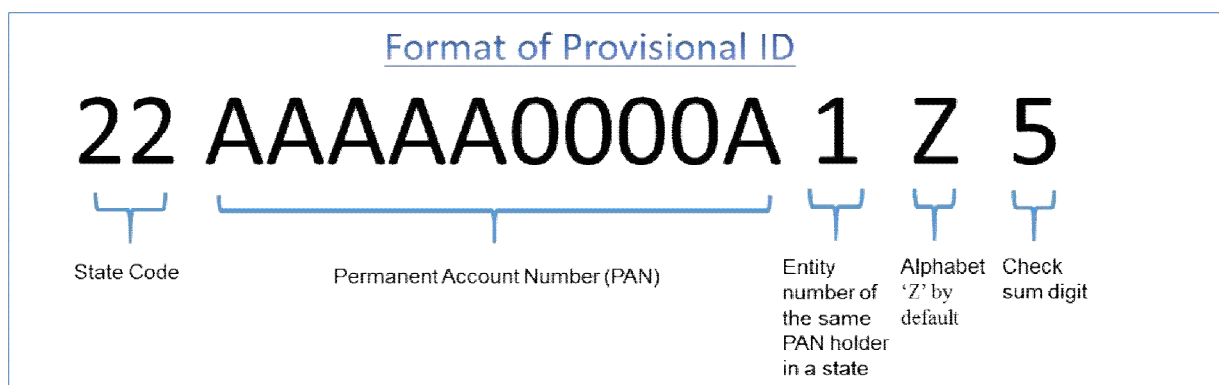
Absence or wrong filing of information will lead to denial or delay in claiming ITC.

There are 16 particulars that are required to be filled up in the invoice.

1. Name, address and registration number (GSTIN) of the supplier.
2. A consecutive serial number containing only alphabets and/or numerals, unique for every financial year.

E.g. you may use the following number for invoicing for FY 2017-18; 2017/001 or 2017/AA/001 or any serial number you may decide.

3. Date of its issue
4. Name, address and registration number (GSTIN) of the recipient. In case the recipient is not a registered person, then name and address shall be sufficient.



5. If any recipient is unregistered and the taxable value of supply is fifty thousand rupees (Rs.50,000) or more, then the name and address of the recipient and the address of delivery, along with the name of State and its code should be mentioned on the invoice.
6. HSN code of goods or Accounting Code of services;
7. Description of goods or services;
8. Quantity in case of goods and unit or Unique Quantity Code thereof;
9. Total value of goods or services;
10. Taxable value of goods or services taking into account discount or abatement, if any;
11. Rate of tax (CGST, SGST or IGST);
12. Amount of tax charged in respect of taxable goods or services (CGST, SGST or IGST);
13. Place of supply along with the name of State, in case of a supply in the course of inter-State trade or commerce;
14. Place of delivery where the same is different from the place of supply;

15. Whether the tax is payable on reverse charge;
16. Further, if it is a revised invoice or a supplement invoice, the date and invoice number of the original invoice should be mentioned on the revised invoice itself.

## 2) What is HSN code?

- HSN code number means Harmonized System Nomenclature code number.
- As per the GST law a seller is required to quote HSN code on every invoice.
- HSN code will help the government to determine the appropriate tax rate for the commodity.
- It will also help the government in tracking of the product thereby helping in tax compliance.
- Taxpayers whose turnover is below Rs. 1.5 Crores are not required to mention HSN Code in their invoices.
- Taxpayers whose turnover is above Rs. 1.5 Crores but below Rs. 5 Crores shall use 2-digit code.
- Taxpayers whose turnover is Rs. 5 Crores and above shall use 4-digit code.
- HSN Codes at 8-digit level and Accounting Codes for services will be mandatory in case of exports and imports.

### **3) E-way Bill (Form no. GST INS-01)**

E-way bill as stated in GST draft rules to be issued in the following cases:

- For movement of goods exceeding value Rs. 50,000/-
- For supply/reasons other than supply/inward supply from URD
- Intrastate or Interstate
- For taxable/exempt goods
- Carrier/transport to carry Invoice & e-way bill
- Fresh e-way bill in case of change of conveyance
- In case of URD supplier, recipient to generate
- Validity of e-way bill, depending upon kilometre

## 4) Changes to be made in ERP

- We have to make new invoice for GST. For that it required

1) Customization of Inventory Master (HSN code).

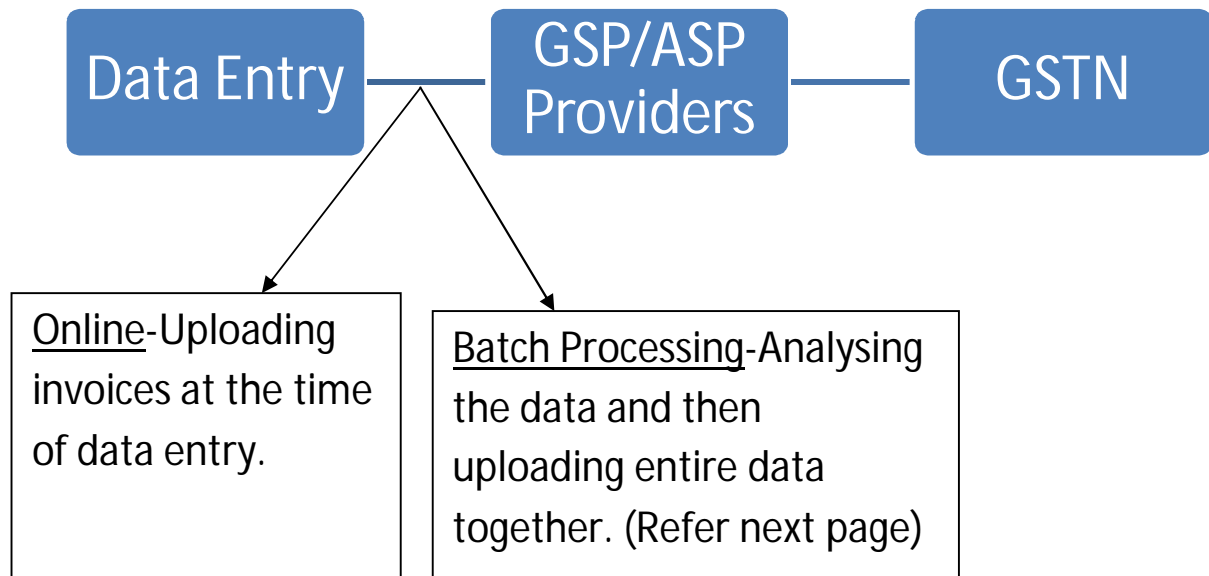
The company has to customise the Item master by incorporating the HNS Code in each item.

2) Changes in Tax Module, changes in tax code, tax module as per GST rates.

3) Customer and Vendor Master- Mention the address along with the state so that IGST/SGST/CGST can be charged automatically.

4) Changes required in Sales register and purchase register, Advances, expenses to get output/Input as required in GST Monthly.

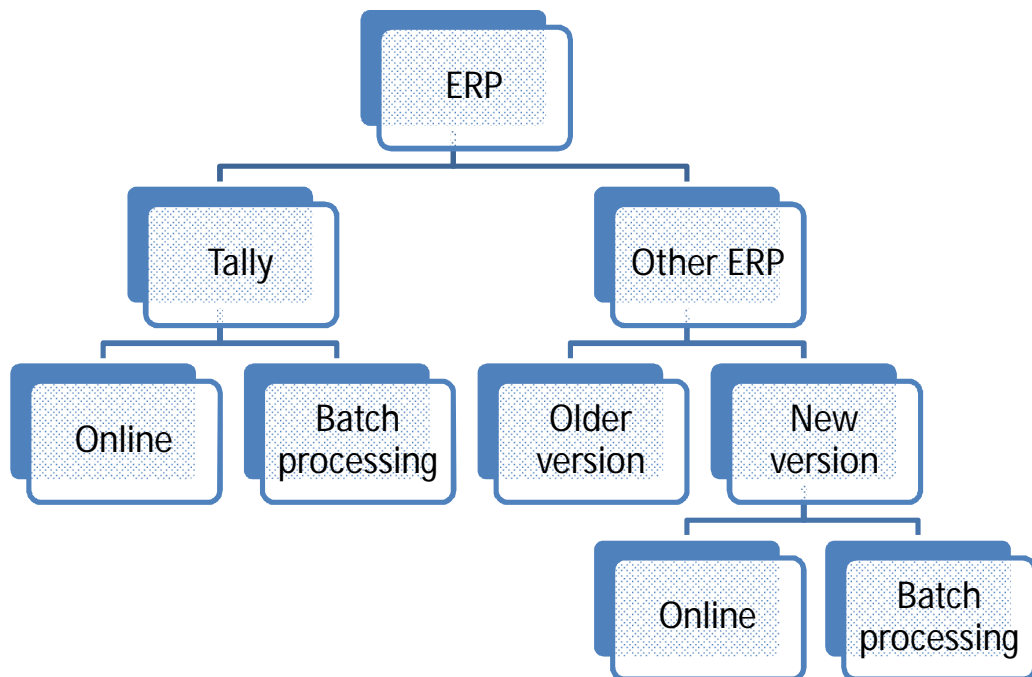
## 5) Process for Uploading returns



## 6) Batch Processing

- Data (HSN code, Customer Address) related to sales order to be entered in the customer master which in turn will generate invoice (Output).
- Entries entered in the system should be exported in excel sheet to review the data entered during the month to find out discrepancies (if any).
- After reviewing the data in excel sheet it is to be uploaded on the GSTN site via ASP/GSP providers which will generate the required GST return (Output).

## 7) ERP



For new version:- Company provide patch or module for GST.

For old version:- After making changes in ERP ,as given above transfer data into excel format , check that data, then upload the data in returns.

## 8) What is Goods and Service Tax Network (GSTN)?

- The Goods and Services Tax Network (GSTN) is a non-profit, public private partnership company. Its primary purpose is to facilitate the implementation of the Goods and Services Tax (GST) by providing IT infrastructure.
- ASPs (Application Service Provider) will focus on taking taxpayers' raw data on sales and purchases and converting it into the GST returns.
- These GST returns, or GSTRs, will then be filed on behalf of the filer with GSTN via the GSP (GST Suvidha Provider).
- GSPs can facilitate the tax payers in uploading invoices as well as filing of returns and act as a single stop shop for GST related services.
- GSPs can customize products that address the needs of different segment of users.
- It would be possible to choose a set of services from one GSP and the rest from other GSPs e.g. tax payer can choose one GSP for registration and another for returns filing.

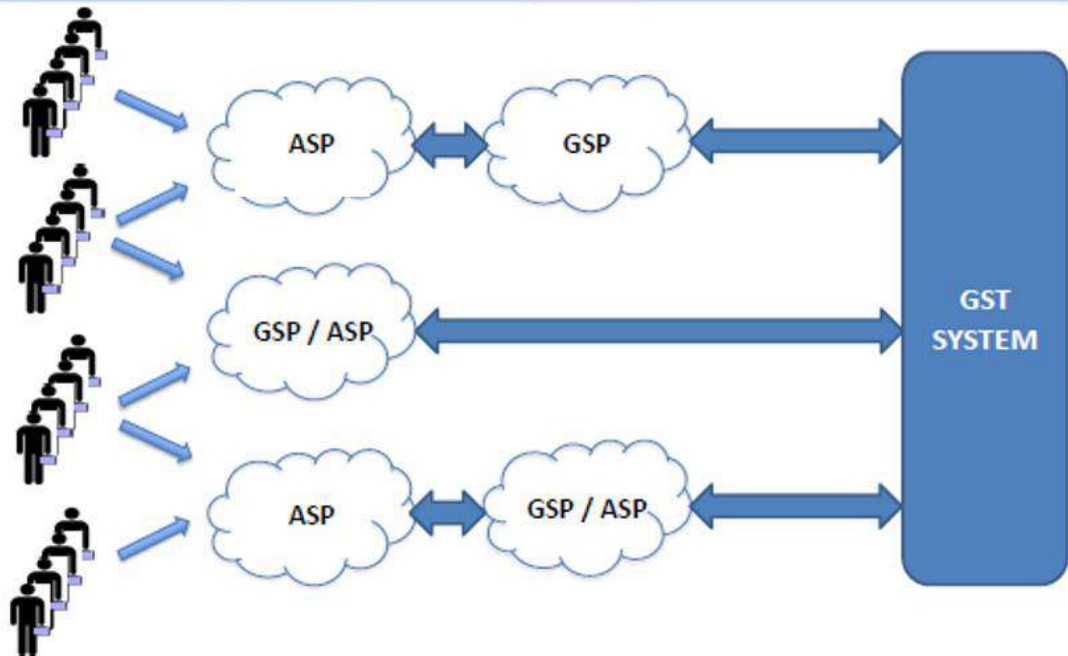
# GSP Eco System



**Taxpayers**  
(> 80 lakhs)

**ASPs**  
(Hundreds)

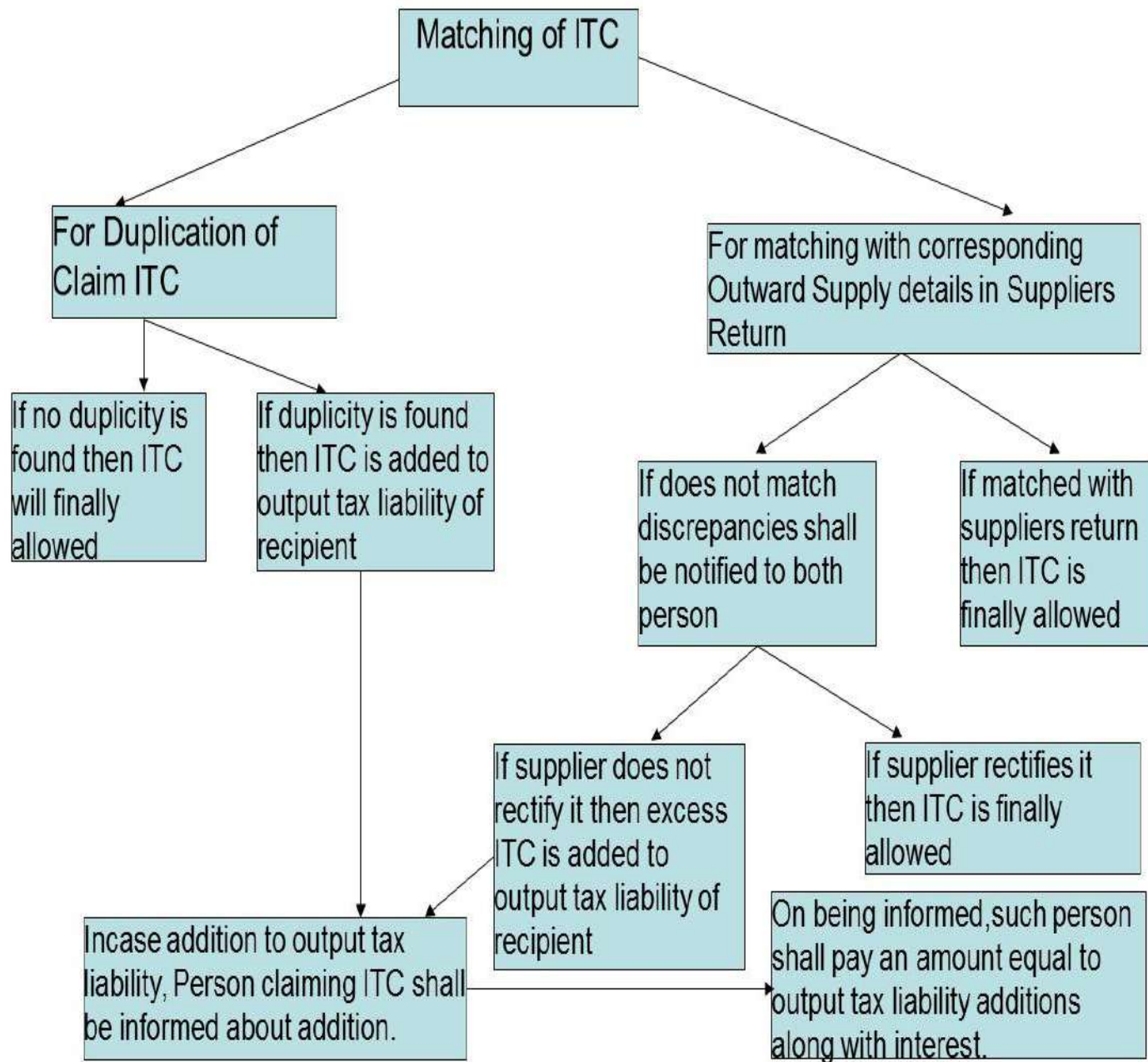
**GSPs**  
(34)



## **9) What is the concept of Information Return?**

- Information return is based on the idea of verifying the compliance levels of registered persons through information procured from independent third party sources.
- As per section 150 of the CGST/SGST Act, many authorities who are responsible for maintaining records of registration or statement of accounts or any periodic return or document containing details of payment of tax and other details of transaction of goods or services or both or transactions related to a bank account or consumption of electricity or transaction of purchase, sale or exchange of goods or property or right or interest in a property under any law at the time being in force, are mandated to furnish an information return of the same in respect of such periods, within such time, in such form and manner and to such authority or agency as may be prescribed.

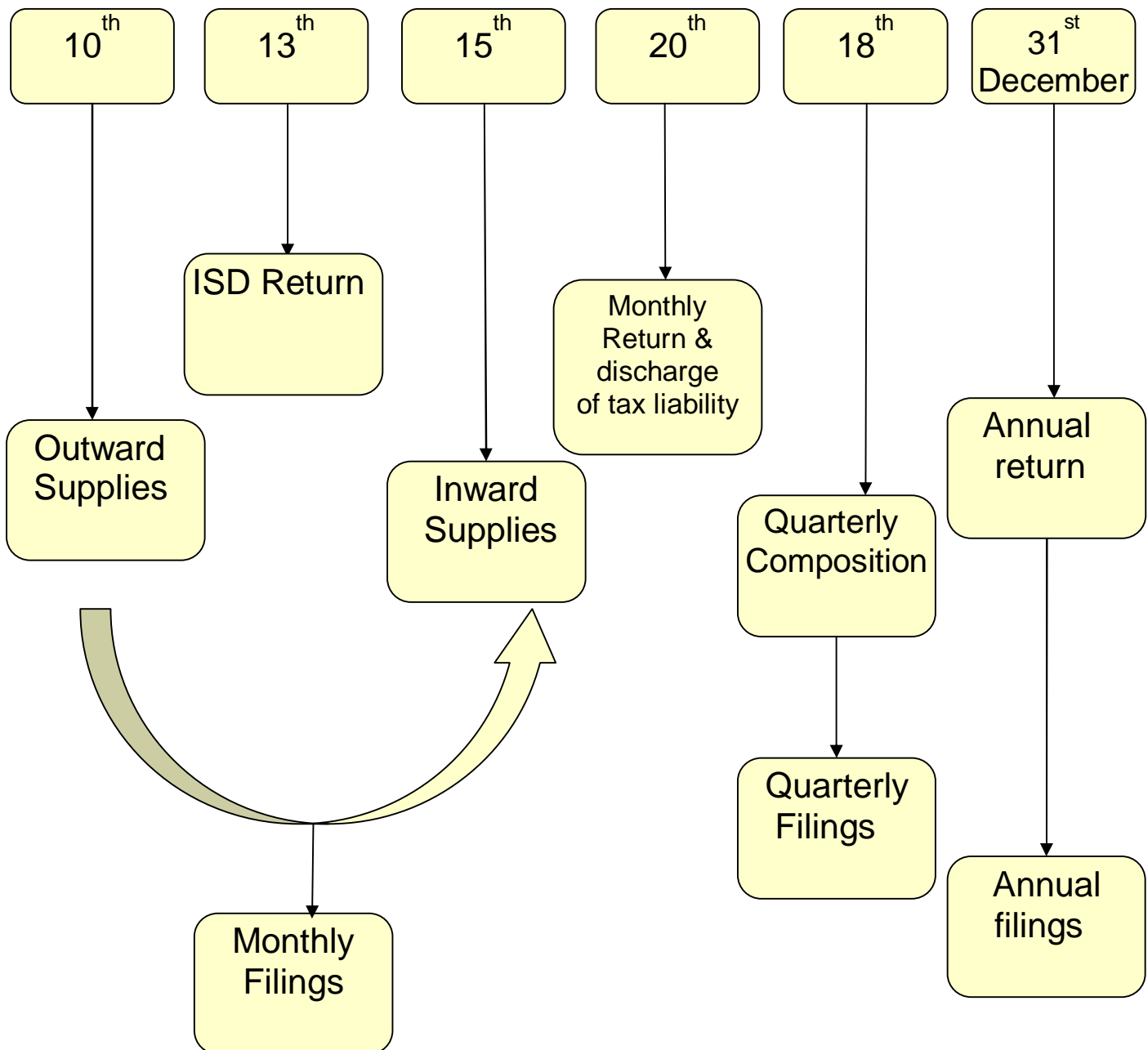
## 10) Matching concept input credit



## 11) Types of Returns and Due Dates

Return Type	For	Due Date	To be filed by	Total Returns in a year
GSTR-1	Outward Supplies made by tax payer	10 <sup>th</sup> of the next month	All regular tax payers and casual/non-resident tax payers	12*1=12
GSTR-2	Inward Supplies	15 <sup>th</sup> of the next month		12*1=12
GSTR-3	Monthly Return	20 <sup>th</sup> of the next month		12*1=12
GSTR-4	Quarterly return for compounding taxpayer	18 <sup>th</sup> of the next month to quarter	Compounding taxpayers	4*1=4
GSTR-5	Periodic return by non-resident foreign taxpayer	Last day of registration	Non-resident tax payers	
GSTR-6	Return for Input service distributor (ISD)	15 <sup>th</sup> of the next month		12*1=12
GSTR-7	Return for TDS	10 <sup>th</sup> of the next month		12*1=12
GSTR-8	Annual Return	By 31 <sup>st</sup> December of next FY	All regular tax payers	1

## 12) Due Dates Summary



Note: Every bill needs to be uploaded while filing return.

## 13) Ways to Get Ready for GST

- 1) Complete your working for Closing Stock for the period 31.3.2017 / 30.6.2017 before GST Implementation date.
- 2) Allocate your stock into quantitative mode.
- 3) Get the A/c Statement from your Suppliers or creditors for the year ended 31/3/2017 & compiled them from your books.
- 4) Rectify Mismatch Reports of Purchases, if persists.
- 5) Revise your Vat Returns if point no.4 applies to you.
- 6) Make strict follow-up to collect all the C forms/H forms/ I forms.
- 7) Get your Books finalised for FY 2016-17
- 8) Make a separate file of those items which are shown in your unsold stock as on 30.6.2017 e.g. Purchase Bills/ Bill of Entry/ Excise Paying Documents etc.
- 9) Stock ageing to be made to ascertain if any stock is older than 1 year since ITC is not allowed for stock older than a year.
- 10) Classify stock tax rate wise, purchased locally to get ITC into SGST.
- 11) Classify stock purchased on invoices bearing Duty Payment & non duty payments to get ITC transferred to CGST.

- 12) Inform your GSTIN /ARN to all suppliers of Goods & Services.
- 13) Obtain GSTIN of all Suppliers & Buyers.
- 14) Apply for migration in all states if you have centralised registration under Service Tax.
- 15) Train your accountants for GST accounting and returns formats.
- 16) Make Chart of HSN CODES & GST Rates on your goods & services to be purchased & sold.
- 17) Check whether any stock older than a year is lying with you.
- 18) Analyse Profit and Loss a/c and check which expenses are liable to RCM.
- 19) Be in regular touch with your GST consultant.

## **5) GLOSSARY**

GST	Goods and Services tax
A,B,C,	Name of the parties in example for case study
AS IS	Existing Systems
TO BE	Required systems
BPS	Business process study
Mapping Process	Process helps in charting down the “To- be” Process to be conducted in the New ERP System with the “As-Is”
Customization	Is the job of fitting the ERP software to meet the demands of a particular organization.
GO-LIVE	Date when they would shift from their legacy system
ITC	Input Tax Credit

## 6) Webliography

- 1) <http://idtc.icaai.org/publications.php>
- 2) [http://www.gstn.org/ecosystem/faq\\_question.php](http://www.gstn.org/ecosystem/faq_question.php)
- 3) <https://www.aces.gov.in/Documents/draft-return-formats-26092016.pdf>
- 4) <http://www.cbec.gov.in/htdocs-cbec/gst>
- 5) <https://gstawareness.cbec.gov.in>

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