

GOODS AND SERVICES TAX

The Ultimate Indirect Tax reform

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GST – AN OVERVIEW

- GST is one of the biggest tax reforms in the history of indirect taxes post independence.
- It intends to unite India's complex taxation structure to a '**One Nation- One Tax**' regime.
- The present structure of indirect taxes will be subsumed under GST.
- GST will be levied on the **supply** of goods and services. This is very much unlike the present indirect tax structure where Central Government levies taxes on manufacture of goods (excise duty), provision of services (Service Tax) and interstate sale of goods (CST – Central sales tax) and State Government levy tax on retail sales (VAT), entry of goods in the state (Entry tax), luxury tax and purchase tax.
- **Destination based tax** on supplies of goods and services.
- It will be levied on all supplies with **seamless flow of credit** (for both goods & services) till it reaches the end consumer
- Only **value addition** will be taxed and burden of tax is to be borne by the final consumer.
- GST is **technology-centric** Implementation

TAXES TO BE SUBSUMED

Central Taxes to be subsumed in GST:

- Central Excise Duty
- Additional Excise Duties (Goods of Special Importance)
- Additional Excise Duties (Textiles and Textile Products)
- The Excise Duty levied under the Medicinal and Toiletries Preparations (Excise Duties) Act, 1955.
- Service Tax
- Additional Customs Duty , commonly known as CVD.
- Special Additional Duty of customs
- Surcharges and Cesses levied by Centre whether they are in the nature of taxes on goods or services. This may include Cess on Rubber, Tea, coffee, Natural Calamity.

State Taxes to be subsumed in GST:

- State VAT
- Central Sales Tax
- Entertainment and Amusement Tax (unless it is levied by local bodies)
- Luxury Tax
- Taxes on advertisements.
- Taxes on lottery, betting and gambling
- Octroi and Entry Tax
- Purchase Tax
- State Cesses and Surcharges in so far as they relate to supply of goods and services.

*** Basic customs duty will still be charged on imports.**

ITEMS NOT COVERED UNDER THE CGST ACT



- Alcoholic liquor for human consumption
- Petroleum products viz petroleum crude, motor spirit (petrol), high speed diesel, natural gas and aviation turbine fuel.
- Electricity (Taxes on consumption and sale of electricity are under the ambit of the states)

GST : CATEGORIES/COMPONENTS

CGST

- Stands for Central GST(Central Goods and Services Tax)
- Applicable on **supplies within the State**
- Tax collected will be **shared with Centre**
- Covered under Central Goods and Service Tax Act 2016

SGST

- Stands for State GST (State Goods and Services Tax)
- Applicable **on supplies within the state**
- Tax collected will be **shared with State**
- Covered under State Goods and Services Tax Act 2016

IGST

- Stands for Integrated GST(Integrated Goods and Services Tax)
- Applicable on **interstate and import transactions**
- Tax Collected **is shared between Centre and state**

SUPPLY – CONCEPT AND DEFINITION

1. Supply includes

- all forms of supply of goods and/or services such as **sale, transfer, barter, exchange, license, rental, lease or disposal** made or agreed to be made for a consideration by a person in the course or furtherance of business,
 - importation of service, for a consideration and whether or not in the course or furtherance of business
2. Supply is the term replaced for the term sale; no scope has been left for any confusion and the definition includes every term which shall be coined as sale. Even the supply which is made or agreed to be made without a consideration will also amount to sale.
3. Any **transfer of title** to goods is a supply of goods, **transfer of right** to use goods , **Hire Purchase** transactions, **transfer of business assets** are also brought under the ambit of term ‘supply’ as per Schedule II.

ACTIVITIES WHICH ARE NOT SUPPLY

Activities and transactions specified in Schedule III –

- Services by an **employee to the employer** in the course of or in relation to his employment
- Services of **funeral, burial, crematorium or mortuary** including transportation of the deceased.
- **Actionable claims**, other than lottery, betting and gambling
- **Sale of land / Sale of building after occupation or completion** will not attract GST. Thus, sale of building **before completion or before occupancy will attract GST**
- Such activities or transactions undertaken by the Central Government, a State Government or any local authority in which they are engaged as public authorities, as may be notified by the Government on the recommendations of the Council.

DEEMED SUPPLY OF GOODS & SERVICES (1/3)

Following matters will be treated as deemed supply of goods and services and will attract GST

- **In case of Transfer of title in goods, OR, Right in goods, OR of undivided share in goods** without the transfer of title, **OR, transfer under an agreement which stipulates that property will pass at a future date upon payment of full consideration**
- **In case of Land & Building**, – Any lease, tenancy, easement, license to occupy land or building (both for commercial or residential purpose, fully or partly)
- **Treatment or Process** , which is being applied to another person's goods is a supply
- **Transfer of Business Assets** – Where goods forming part of the assets of a business are transferred or disposed of, and are no longer forming part of business **OR** Where goods held for business are put to use for any private use, in such a way, as not for business **OR** Where any person ceases to be a taxable person, any goods earlier forming part of business, unless (a) the business is transferred as a going concern to another person, or (b) the business is carried on by a personal representative who is deemed to be a taxable person **With or Without for a Consideration**

DEEMED SUPPLY OF GOODS & SERVICES (2/3)

Supply of Services – Following shall be treated as deemed “supply of Services” :

- renting of immovable property;
- construction of a complex, building, civil structure or a part thereof, including a complex or building intended for a sale to a buyer, wholly or partly, except where the entire consideration has been received after issuance of completion certificate;
- Temporary transfer or permitting the use or enjoyment of any intellectual property right;
- **Composite Supply** – Following shall be treated as deemed “supply of Services” :
 - works contract
 - Supply, by way of or as part of any service or in any other manner whatsoever, of goods, being food or any other article for human consumption or any drink (other than alcoholic liquor for human consumption), where such supply or service is for cash, deferred payment or other valuable consideration.
- **Supply of goods** – supply of goods by any unincorporated association or body of persons to a member thereof for cash, deferred payment or other valuable consideration.

DEEMED SUPPLY OF GOODS & SERVICES (3/3)

- **Inward Supply or Purchases**– “Inward Supply” in relation to a person, shall mean receipt of goods and/or services whether by purchase, acquisition or any other means and whether or not for any consideration.
- **Outward Supply or Sales** – “Outward Supply” in relation to a person, shall mean supply of goods and/or services, whether by sale, transfer, barter, exchange, license, rental, lease or disposal made or agreed to be made by such person in the course or furtherance of business.
- **Continuous Supply** – Means a supply of services which is provided, or agreed to be provided, continuously or on recurrent basis, under a contract, for a period exceeding three months with periodic payment obligations and includes supply of such services as the Government may, subject to such conditions, by notification, specify.

CONCEPT OF MIXED SUPPLY

- **Mixed Supply** – means two or more individual supplies of goods or services, or any combination thereof, made in conjunction with each other by a taxable person for a single price where such supply does not constitute a composite supply.
- **Example** – A supply of a package consisting of canned foods, sweets, chocolates, cakes, dry fruits, aerated drink and fruit juices when supplied for a single price is a mixed supply. Each of these items can be supplied separately and is not dependent on any other. It shall not be a mixed supply if these items are supplied separately.
- **Taxability** – The tax liability on a mixed supply comprising two or more supplies shall be treated as supply of that particular supply which attracts the highest rate of tax .

CONCEPT OF COMPOSITE AND PRINCIPAL SUPPLY

- **Composite Supply** is 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 trade, one of which is a principal supply.
- **Example** – Where goods are packed and transported with insurance, the supply of goods, packing materials, transport and insurance is a composite supply and supply of goods is the principal supply.
- **Principal Supply Means:** The supply of goods or services which constitutes the predominant element of a composite supply and to which any other supply forming part of that composite supply is ancillary and does not constitute, for the recipient an aim in itself, but a means for better enjoyment of the principal supply.

KEYPOINTS TO NOTE

- Supply by **taxable person to related person is subject to GST** even if there is no **consideration** and will cover the followings :
- This will cover **transactions between group companies** (like deputation of persons, supply of goods on loan basis, common facilities shared by group companies), transactions between branches
- **Free Gifts to related persons** will be subject to GST
- Benefits provided to employee by the employers like transport, meals, telephone. However, **gifts upto Rs. 50K to employees will not be subject to GST**, but input credit will have to be reversed.
- Supply by principal to agent is subject to GST, GST is payable on supplies to C & F agents. However, commission agent has to pay GST only on his commission.
- Import of services from related persons or from business establishment outside India is subject to GST even if there is no consideration. Branch / Head office in India receiving free services from Head Office / Outside India will be subject to GST.
- Lottery, betting and gambling is subject to GST

TIME OF SUPPLY

Time of supply of goods / services shall be **earlier of**.

- Actual **date of issue of invoice** by the supplier
- **Due date for issue of invoice** by the supplier- Before/ after the supply of service, but within 30 days
- Date on which **payment is entered in the books of supplier**
- Date on which **payment is credited** to the supplier's bank a/c

VALUE OF SUPPLY (1/2)

Value of supply of goods and/or services on which CGST/SGST is to be discharged shall be the 'Transaction Value', where

- Supplier and recipient of supply are unrelated
- Price is actually paid/ payable – AND price is the sole consideration for the supply

Section 2(84) of the CGST Act deems the persons below to be “related persons”:

- Officers / Directors of one another's business
- Partners in business
- Employer – employee
- A person directly/ indirectly owns/ controls/ holds 25% of shares of both the persons
- One directly/ indirectly controls the other
- Both are directly/ indirectly controlled by a third person
- Together, they directly/ indirectly control a third person
- Members of the same family
- Sole agent / distributor of the other

VALUE OF SUPPLY (2/2)

Transaction Value INCLUDES

- Amounts charged by supplier to recipient in respect of any **taxes, duties, cesses, fees and charges levied** under any statute, other than taxes paid under GST regime;
- **Amount incurred by Recipient** which is liable to be paid by the Supplier;
- Charges by Supplier to Recipient being:
 - **Incidental expenses** (e.g.: packing, commission)
 - **Charges for anything done by the Supplier** at the time or before the supply, in respect thereof
 - **Interest/ late fee/ penalty** for delayed payment of consideration
- **Subsidies directly linked to price** – for supplier receiving the subsidy (excluding Central and State Govt subsidies; i.e., Government subsidies will not be included in transaction value)

Transaction Value EXCLUDES discount

PLACE OF SUPPLY

Place of Supply of Goods – other than goods imported/ exported

Nature of supply	Place of supply
Supply involves movement of Goods	Location of goods at the time at which movement terminates for delivery to recipient
Goods supplied on direction of the third person	Principal Place of Business of the third person (i.e., address in Registration Certificate)
Supply does not involves movement of Goods	Location of goods at the time of delivery to the recipient
Goods are assembled or installed at site	Place of installation or assembly
Goods supplied on board a conveyance e.g. vessel, aircraft, train, vehicle etc.	Location at which such goods are taken on board

PLACE OF SUPPLY

Place of Supply of Goods – goods imported into/ exported from India

Nature of supply	Place of supply
Goods imported into India	Location of importer
Goods exported from India	Location outside India

PLACE OF SUPPLY OF SERVICES

Depending on the large variety of services provided , the place of supply is mostly classified under the following categories:

- Location of recipient
- Location of 'actual' performance
- Location of property/ boat/ vessel (in case of Supply of Services directly in relation to Immovable property – grant-of-rights, construction, use, accommodation, letting out, architects, surveyors, etc, Boat, Vessel – lodging, club, etc)
- Mostly a destination based tax.

TYPES OF SUPPLY (1/2)

(Principles Determining Supply as Inter-State or Intra-State)

Determination of supply of goods and/ or services as Inter-State supply

CRITICAL factors: Where the below 2 are in DIFFERENT STATES

- Location of the supplier and
- Place of supply determined u/s 7,8, 9 or 10 of IGST Act
- Specific INCLUSIONS:
 - Supply of goods in the course of import, till they cross the customs frontiers of India
 - Supply of services in the course of import
 - Supply when place of supply is outside India but supplier is in India
 - Supply to or by a SEZ developer or an SEZ unit
 - Residuary supply: Any supply in the taxable territory and which is not an intra-State supply (*E.g.: Supply of goods from within a Union Territory (“UT”) without Legislature*)

TYPES OF SUPPLY (2/2)

(Principles Determining Supply as Inter-State or Intra-State)

Determination of supply of goods and/ or services as Intra State supply

CRITICAL factors: Where the below 2 are in the SAME STATE

- Location of the supplier and
- Place of supply determined u/s 7,8, 9 or 10 of IGST Act
- Specific EXCLUSIONS:
 - Supplies to or by a SEZ developer/ SEZ unit;
 - Importation of goods till they cross the customs frontiers of India.

REGISTRATION UNDER GST

- A business entity with an annual **turnover of upto Rs. 20 lakhs** would not be required to register for GST unless he voluntarily chooses
- The annual turnover threshold in the Special Category States such as Arunachal Pradesh, Sikkim, Uttarakhand, Himachal Pradesh, Assam and the other States of the North-East, for not taking **registration is Rs. 10 lakhs.**
- Liability to be registered irrespective of threshold :
 - Persons making inter-State taxable supply
 - Persons required to pay tax under reverse charge
 - Casual and non-resident taxable persons
 - E-Commerce operator
 - Persons who supply goods through e-commerce operator
 - An aggregator who supplies services under his brand name
 - Persons who supply goods and/or services on behalf of a registered taxable person.
 - Input Service Distributor
 - Persons required to deduct tax at source

PROCEDURES AND DETAILS FOR GST REGISTRATION

- All existing taxpayers and VAT dealers will be given a provisional ID and a password.
- You first need to create your username and password using this provisional ID and password at the GST Common Portal - www.gst.gov.in
- Customer can get in touch with local tax authority for provisional ID & a password.
- Existing taxpayers include taxpayers already registered under :
 - Central Excise
 - Service Tax
 - State Sales Tax or VAT (except exclusive liquor dealers if registered under VAT)
 - Entry Tax
 - Luxury Tax
 - Entertainment Tax (except levied by the local bodies)

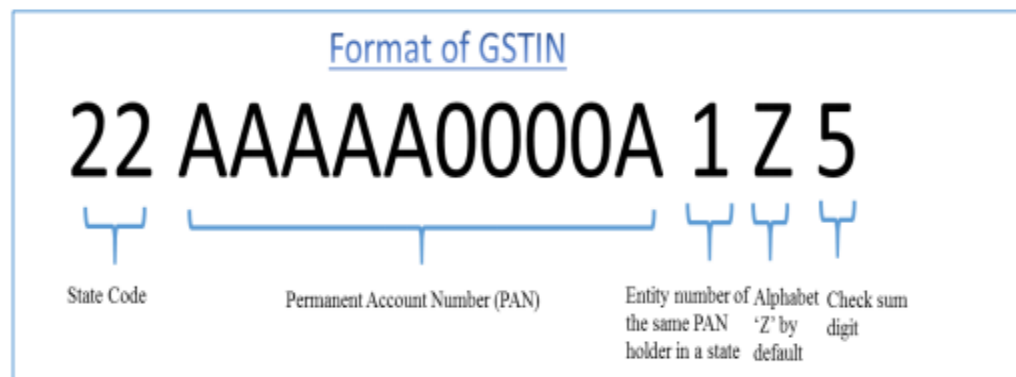
PROCEDURE FOR REGISTRATION UNDER GST (1/2)



- GST registration is critical because it will enable you to avail various benefits that are available under the GST regime. One such benefit is to **avail seamless input tax credit**.
- Also, timely registration will help you avoid any kind of interface with tax authorities.
- **GSTIN** - It is expected that 8 million taxpayers will be migrated from various platforms into GST. All of these businesses will be assigned a unique Goods and Services Tax Identification Number (GSTIN).
- Here's a complete break-up of the proposed GST Identification Number. Each taxpayer will be allotted a state-wise PAN-based 15-digit Goods and Services Taxpayer Identification Number (GSTIN).
 - The first two digits of this number will represent the state code as per [Indian Census 2011](#)
 - The next ten digits will be the PAN number of the taxpayer
 - The thirteenth digit will be assigned based on the number of registration within a state
 - The fourteenth digit will be Z by default
 - The last digit will be for check code

PROCEDURE FOR REGISTRATION UNDER GST (2/2)

- A format of proposed GSTIN has been shown in the image below.



- Multiple Registrations Under GST - A person with multiple business verticals in a state may obtain a separate registration for each business vertical.
- PAN is mandatory to apply for GST registration (except for a non-resident person who can get GST registration on the basis of other documents).
- A registration which has been rejected under CGST Act/SGST Act shall also stand rejected for the purpose of SGST/CGST act.

STEPS FOR APPLYING FOR GST REGISTRATION (1/3)



- **#Step 1** - Every person, other than a non-resident taxable person who wants to register under GST must provide his Permanent Account Number (PAN), mobile number and e-mail address in Part A of **FORM GST REG-01**.
 - The PAN shall be validated online via the Common Portal from the database maintained by the Central Board of Direct Taxes
 - The mobile number is verified through a one-time password sent to the said mobile number.
 - The e-mail address is verified through a separate one-time password sent to the said e-mail address.
- On successful verification of the PAN, mobile number and e-mail address, an application reference number (ARN) are generated and sent to the mobile number and e-mail address provided.

STEPS FOR APPLYING FOR GST

(2/3)

#Step 2 - Using the application reference number or ARN generated **Part B of FORM GST REG-01** has to be submitted. It must be signed and documents specified in the Form must be submitted at the Common Portal either directly or through a Facilitation Centre, notified by the Board.

- Documents required for GST registration are as follows:
- Photograph
- Constitution of taxpayer (Partnership deed, COI, etc.)
- Proof of principal place of business (electricity bill, NOC, rent agreement)
- Bank Account details

#Step 3- Verification by GST officer: Once the application is filled and submitted, then it shall be forwarded to the proper officer who will then examine the application and the documents attached. If everything is found to be in order, then GST registration will be granted within 15 working days.

- If any deficiency is found in the application, then it shall be communicated to the applicant within 15 working days in **FORM GST REG-03**.
- After getting the deficiencies, applicant will have to respond within 7 working days through **FORM GST REG-04**.

STEPS FOR APPLYING FOR GST

(3/3)

#Step 4 – No action within 15 working days: If the officer does not respond to you either with deficiencies or approval then the application for grant of registration shall be deemed to have been approved.

#Step 5 – Registration Certificate: When the application is approved by the officer, then a certificate of registration in **FORM GST REG-06** shall be issued through a common portal. The applicant can easily download the registration certificate from the common portal using their log in id and password.

#Step 6 – Separate registration for each branch: If you have different branches in different states, then separate registration needs to be applied for each state.

A registered taxable person eligible to obtain a separate registration for business verticals may file separate application in FORM GST REG-1 in respect of each such vertical.

INPUT TAX CREDIT

- Input Tax Credit (ITC) is the backbone of GST regime.
- It is the provision of ITC which makes GST a value added tax i.e collection of tax at all points after allowing credit for all inputs.
- The procedures and restrictions laid down in these provisions are important to make sure that there is seamless flow of credit in the whole scheme of transition without any misuse.
- One of the biggest advantages expected from the implementation of GST Act is that it would remove cascading effect by facilitating seamless flow of credit.
- **“Input Tax”** in relation to a taxable person, means the Goods and Services Tax charged on any supply of goods and/or services to him which are used or are intended to be used, during furtherance of his business.

CONDITIONS FOR CLAIMING ITC UNDER GST



A registered person will be eligible to claim Input Tax Credit (ITC) on fulfillment of the following conditions:

- Possession of a tax invoice or debit note or document evidencing payment
- Receipt of goods and/or services
- Goods delivered by supplier to other person on the direction of registered person against a document of transfer of title of goods
- Furnishing of a return
- Where goods are received in lots or installments ITC will be allowed to be availed when the last lot or installment is received.
- Failure to pay the supplier towards supply of goods and/or services within 180 days from the date of invoice, ITC already claimed will be added to output tax liability and interest to paid on such tax involved. On payment to supplier, ITC will be again allowed to be claimed
- No ITC will be allowed if depreciation has been claimed on tax component of a capital good.
- No ITC will be allowed, if invoice or debit note is received after the due date of filing return for September of next financial year or filing annual return, whichever is later

ITEMS ON WHICH CREDIT IS NOT ALLOWED (1/2)

- Motor vehicles and conveyances except the below cases. Such motor vehicles and conveyances are further supplied i.e. sold
- Transport of passengers
- Used for imparting training on driving, flying, navigating - such vehicle or conveyances
- Transportation of goods, food and beverages, outdoor catering, beauty treatment, health services, cosmetic and plastic surgery. But if the goods and/or services are taken to deliver the same category of services or as a part of a composite supply, credit will be available
 Example: Mr. Dev purchases cosmetic creams to supply it to a customer, then credit of ITC paid on purchases will be allowed.
- Sale of membership in a club, health, fitness centre, rent-a-cab, health insurance and life insurance except the following:
 - Government makes it obligatory for employers to provide it to its employees
 - Goods and/or services are taken to deliver the same category of services or as a part of a composite supply, credit will be available

ITEMS ON WHICH CREDIT IS NOT ALLOWED (2/2)

- Travel benefits extended to employees on vacation such as leave or home travel concession.
- Works contract service for construction of an immovable property (except plant & machinery or for providing further supply of works contract service)
- Goods and/or services for construction of an immovable property whether to be used for personal or business use
- Goods and/or services where tax have been paid under composition scheme
- Goods and/or services used for personal use
- Goods or services or both received by a non-resident taxable person except for any of the goods imported by him.
- Goods lost, stolen, destroyed, written off or disposed of by way of gift or free samples
- ITC will not be available in the case of any tax paid due to non payment or short tax payment, excessive refund or ITC utilized or availed by the reason of fraud or willful misstatements or suppression of facts or confiscation and seizure of goods.

HOW TO AVAIL INPUT TAX CREDIT

How to avail INPUT CREDIT



REVERSE CHARGE (1/2)

- Reverse charge, where the recipient is liable to pay tax
- Normally, the supplier pays the tax on supply. In certain cases, the receiver becomes liable to pay the tax, i.e., the chargeability gets reversed which is why it is called reverse charge.
- The purpose of this charge is to increase tax compliance and tax revenues.
- Earlier, the government was unable to collect service tax from various unorganized sectors like goods transport. Compliances and tax collections will therefore be increased through reverse charge mechanism.
- The concept of reverse charge mechanism is already present in service tax. In GST regime, reverse charge may be applicable for both services as well as goods.
- At present, similar provisions of Reverse Charge are available in Service Tax for the services like
 - Insurance agent
 - Services of a director to a company
 - Manpower supply
 - Goods Transport Agencies
 - Non-resident service providers
 - Any service involving aggregators

REVERSE CHARGE (2/2)

- Currently there is no reverse charge mechanisms in supply of goods.
- All persons who are required to pay tax under reverse charge have to register for GST irrespective of the threshold.
- The **service recipient can avail ITC on the tax amount that is paid** under the reverse charge on goods and services. The only condition is that the goods and services are used or will be **used for business or furtherance of business**. Unfortunately, ITC cannot be used to pay output tax which means that payment mode is only through cash under reverse charge.
- The supplier has to mention in his tax invoice that payment mode is only through cash under reverse charge.
- So if you run a business, you need to hurry and ensure that all the entities who supply you goods and services are registered under GST. If they aren't you will have to pay GST on their behalf. This will increase your paper work and can cause cash flow issues as well.

SITUATIONS WHERE REVERSE CHARGE WILL APPLY

- **Unregistered dealer selling to a registered dealer** - In such a case, the registered dealer has to pay GST on the supply.
It has been decided that Rs. 5000/- per day exemption will be given in respect of supplies received from an unregistered person. For supplies above this amount, a monthly consolidated bill can be raised.
- **Services through an e-commerce operator** - If an e-commerce operator supplies services then reverse charge will apply on the e-commerce operator. He will be liable to pay GST.
For example, UrbanClap provides services of plumbers, electricians, teachers, beauticians etc. UrbanClap is liable to pay GST and collect it from the customers instead of the registered service providers.
If the e-commerce operator does not have a physical presence in the taxable territory, then a person representing such electronic commerce operator for any purpose will be liable to pay tax. If there is no representative, the operator will appoint a representative who will be held liable to pay GST.

TIME OF SUPPLY OF GOODS UNDER REVERSE CHARGE

- In case of reverse charge, the time of supply shall be the **earliest** of the following dates—
 - (a) the date of receipt of goods OR
 - (b) the date of payment OR
 - (c) the date immediately after **THIRTY** days from the date of issue of invoice by the supplier (60 days for services)
- If it is not possible to determine the time of supply under (a), (b) or (c), the time of supply shall be the **date of entry** in the books of account of the **recipient**.
- For clause (b)- the date of payment shall be **earlier** of-
 1. The date on which the recipient entered the payment in his books OR
 2. The date on which the payment is debited from his bank account

Example:

- Date of receipt of goods 15th May 2018
- Date of payment 15th July 2018
- Date of invoice 1st June 2018
- Date of entry in books of receiver 18th May 2018
- Time of supply of goods 15th May 2018

If for some reason time of supply could not be determined supply under (1), (2) or (3) then it would be 18th May 2018 i.e., date of entry

TIME OF SUPPLY FOR SERVICES UNDER REVERSE CHARGE

- In case of reverse charge, the time of supply shall be the **earliest** of the following dates—
 - (a) The date of paymentOR
 - (b) The date immediately after **SIXTY** days from the date of issue of invoice by the supplier (30 days for goods)
- If it is not possible to determine the time of supply under (a) or (b), the time of supply shall be the **date of entry** in the books of account of the **receiver of service**.
- For clause (a)- the date of payment shall be **earlier** of-
 1. The date on which the recipient entered the payment in his booksOR
 2. The date on which the payment is debited from his bank account.

Example to understand reverse charge

- Let us assume that supply of cement will attract Reverse Charge. Now a supplier dispatched the goods on 1st August, received by the buyer on August 5, payment was made on 25th July (Advance Payment) and invoice raised by supplier on 1st August.
- Time of Supply under reverse charge would be 25th July and must be included in the return for July period though the goods are received in August.

TYPES OF RETURNS (1/2)

15	Frequency	Due Date	Details to be furnished
GSTR - 1	Monthly	By 10 th of succeeding month	Details of outward supplies of goods/services
GSTR - 2A	Monthly	On 11 th of succeeding Month	Auto-populated details of inward supplies made available to the recipient on the basis of Form GSTR-1 furnished by the supplier
GSTR-2	Monthly	15 th of succeeding month	Details of inward supplies of taxable goods/services claiming input tax credit. Addition (Claims) or modification in Form GSTR-2A should be submitted in Form GSTR-2
GSTR-1A	Monthly	Up to 20 th of succeeding month	Details of outward supplies as added, corrected or deleted by the recipient

TYPES OF RETURNS (2/2)

15	Frequency	Due Date	Details to be furnished
GSTR-3	Monthly	20 th of succeeding month	Monthly return on the basis of finalization of details of outward supplies and inward supplies along with the payment of amount of tax
GSTR-3A			Notice to a registered taxable person who fails to furnish return under section 27 and section 31
GSTR-9	Annually	31 st Dec of next Fiscal	Annual Return - Furnish the details of ITC availed and GST paid which includes local, interstate and import/exports.

HOW TO FILE RETURNS ONLINE

- Relaxation in return filing procedure for first two months of GST implementation is given as under.
- As per the revised rules, a new form GSTR-3B will be introduced by the government. Every taxpayer needs to file his return on self-assessment basis for the first two months i.e July and August. These return forms have to be filed by 20th of next month.

Month	GSTR – 3B	GSTR -1	GSTR – 2 (auto populated from GSTR-1)	GSTR-3
July, 2017	20 th August	1 st –5 th September	6 th – 10 th September	15 th September
August, 2017	20 th September	16 th -20 th September	21 st -25 th September	30 th September

UPLOADING OF INVOICE – PROCEDURE

Please click on the link given below in order to view the process of uploading invoice in GST portal.

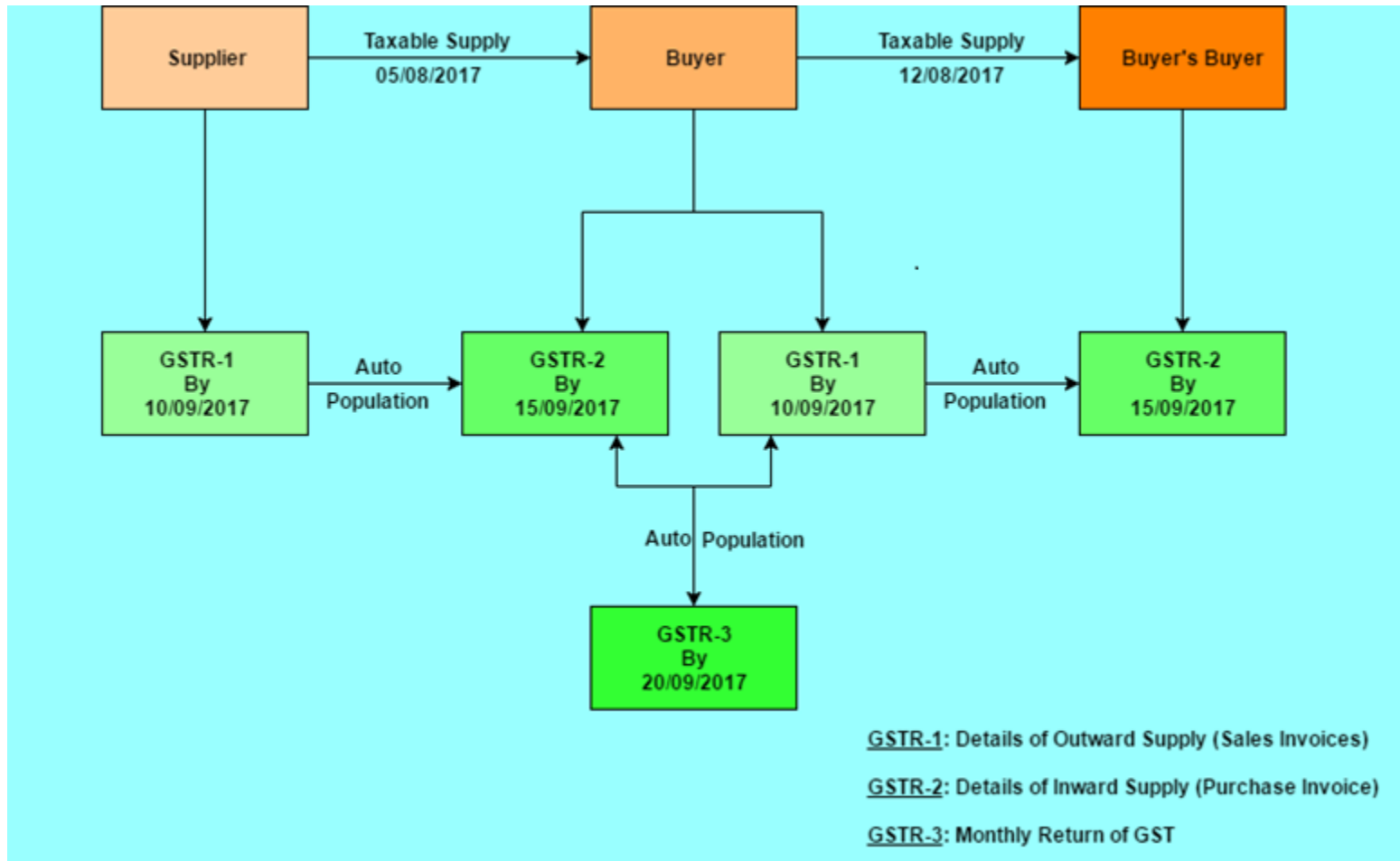
<https://youtu.be/-KaV01alypc>

MATCHING OF INVOICE CONCEPT IN GST



- Every purchase invoice in GST regime must reconcile with sale invoice of the supplier on GST common portal for availing input tax credit.
- Invoice matching is a mechanism under which all the taxable supplies made under GST will be matched against all the taxable supplies received by the buyer.
- Invoice matching is relevant because, under the Goods and Services Tax law, input tax credit of purchase of goods and/or services will only be available if the details of inward supply filed under [GSTR-2](#) return of buyer matches with the details of outward supplies filed in [GSTR-1](#) of the supplier. This interlinking has been done by way of auto-population of data filed in GSTR-1 of supplier into GSTR-2 of the buyer.
- Unless this matching reconciles the buyer will not be able to claim the [input tax credit](#) of taxes paid on purchase of input goods and/or services or both. Thus it becomes highly critical for businesses to be highly compliant under the GST regime.
- For an effective matching system, both the buyer and the supplier should be tightly integrated through an information system, which will enable a seamless flow of information and fool-proof validations. Thus it becomes highly critical for businesses to be highly compliant on a real-time basis and thus needs to have a proper system in place to support it.

DIAGRAMMATIC REPRESENTATION



CONSEQUENCES OF NON-COMPLIANCE

Late Fee & Interest

Failure to furnish returns

- Quarterly (for composite dealer)/ Monthly (for regular dealer): Rs.100/- per day for every day subject to a maximum of Rs. 5000/-
- Annual Return :Rs.100/- per day for every day subject to a maximum of Rs. 0.25 % of aggregate turnover

Cancellation of Registration

- Regular dealer: If returns are not furnished for 6 consecutive tax period
- Composite dealer: If returns are not furnished for 3 consecutive tax period
- Registration granted to a tax payers can be cancelled if he violates the provisions relating to anti – profiteering measures under the ACT or the related rules.

Fines

- Tax evasion
- Rs.10,000/- or an equal amount to the extent of tax evaded
- Fine with imprisonment upto 5 years depending on amount of tax evasion with slab ranging from 25 Lakhs to 500 Lakhs

COMPOSITION LEVY

- This scheme is optional.
- Aggregate turnover in the preceding financial year does not exceed Rs.75 lakh. In case of states like Arunachal Pradesh, Nagaland, Manipur, Assam, Meghalaya, Mizoram, Sikkim, Tripura, Himachal Pradesh – this turnover limit is Rs.50 lakh
- All registered taxable persons having the same PAN number should opt for the composition scheme, where they will have to pay a fixed percentage of gross turnover in the state/UT as tax.

Particulars	Rate of CGST + SGST
Manufacturers	2.0% of the turnover
Restaurant services	5.0% of the turnover
Other suppliers (traders)	1.0% of the turnover

COMPOSITION LEVY

- Negative list of composition scheme – ice cream, pan masala, tobacco.
- Composition Scheme is available only for **intra-state supplies**. If a dealer is involved in inter-State supplies, then he cannot opt for the scheme.
- Businesses dealing only in goods can only opt for composition scheme. Services providers have been kept outside the scope of this scheme. However, [restaurant sector taxpayers](#) may also opt for the scheme.
- The taxable person is required to furnish only one return i.e. GSTR-4 on a quarterly basis and an annual return in FORM GSTR-9A
- Since a scheme holder is not required to pay taxes at regular rates, he is not liable to issue a Tax Invoice rather issue a Bill of Supply making this a more convenient option as lesser details are required.

MERITS OF THE COMPOSITION SCHEME

Below are some of the prominent reasons why you should choose to get registered as a supplier under the composition scheme:

- **Limited Compliance:** Lesser compliance w.r.t. furnishing of returns, maintenance of books of records, issuance of invoices more focus on business
- **Limited Tax Liability:** on comparison with regular taxpayers, person taxed under Composite Scheme will be liable to pay tax at a rate not more than 5.0% instead of a standard rate of 5% to 28%
- **High Liquidity:** Unlike normal tax payers, tax payers under Composite Scheme will be liable to pay taxes at a lower rate resulting in lesser chunk on his working capital.

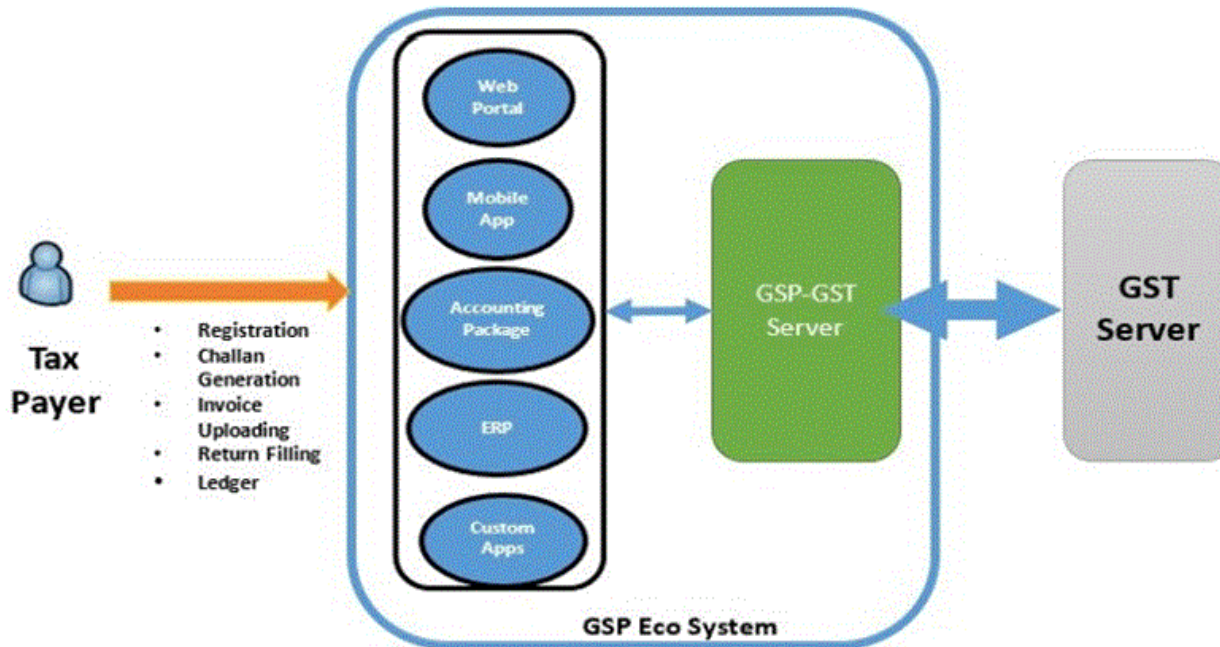
DEMERITS OF THE COMPOSITION SCHEME

The demerits of registering under Composite Scheme by a taxable person are as follows:

- **Limited Territory for Business:** A taxpayer registered under the composition scheme is barred from carrying out inter-state transactions and cannot affect import-export of goods and services.
- **No Credit of Input Tax:** Under the scheme, the credit of input tax paid on the purchases of inputs from a normal tax payer will not be allowed. The buyer of goods supplied by scheme holder will also not enjoy input tax credit resulting in price distortion, cascading, loss of business to scheme holders.
- **No Collection of Tax:** Though the rate of tax for a scheme holder is lower the burden of such tax is kept on the taxpayer himself, leading to higher cost of sales.
- **Penal Provision:** As per the Model GST Law, if the taxpayer who has previously been given registration under composition scheme is found to be not eligible to the composition scheme or if the permission granted earlier was incorrectly granted, then such taxpayer will be liable to pay the differential tax along with a penalty.
- Not applicable to the **supplier supplying goods through E-commerce**

GST SUVIDHA PROVIDERS (GSP)

- 34 GSPs approved by GSTN
- GSP will provide all user interfaces and convenience via desktop, mobile, other interfaces to enable Taxpayer to interact with the GST system.



BENEFITS OF GST

- The proposed legislation will simplify and harmonize the indirect tax regime in the country.
- It is expected to reduce the cost of production and inflation in the economy, thereby making the Indian trade and industry more competitive, domestically as well as internationally.
- Due to seamless transfer of input tax credit from one stage to another in the chain of value addition, there is an in-built mechanism in the design of goods and services tax that would incentivize tax compliance by tax payers.
- The proposed GST regime will broaden the tax base and result in better tax compliance due to robust information technology infrastructure.

IMPACT OF GST ON MANUFACTURING SECTOR (1/2)

- **Reduced Cost of Production**

There are many other advantages of new GST administration and one of them is **reduced cost of production** that is expected to be **spurred by tax reduction**. Another advantage of GST administration is **non-accessibility** of union or central tax credit over state taxes and vice versa **can be removed**. This is going to be done by giving permission to unrestricted tax credit. Even if there is 2% lower tax rate in GST it will increase the profitability of the Manufacturer by 10%.

- **Hassle free Supply of Goods**

The checkpoints at the state border, which are tangled with material scrutiny and location, based compliance lead to unproductive production, logistic time and transit hours aligning with regulatory obstruction reduce the efficiency of Indian manufacturers compared to their international counterparts. The new **GST model** will unify the Indian market and assist the smooth flow of goods within the country.

IMPACT OF GST ON MANUFACTURING SECTOR (2/2)

- **Restructuring of Supply Chain Management.**

Three prospects of GST- an additional 1% tax on supply of commodities, the supply of goods and services to oneself and input tax credit on inter-state sale may impel the necessity for supply chain restructuring.

According to the constitution 100th Amendment Act, 2015 related the differentiation between “supply to oneself” and “supply from one person to another” and the additional tax should only be imposed in cases where is a consideration i.e., supply to self should not be covered within its ambit.

Availability of input tax credit on state supply of goods and services may lead to warehouse re-engineering that can remove an extra level of warehousing in the supply chain, hence leading to greater cost benefit.

- **Area based Exemptions**

The rolling out of GST will send out positive signals to the world and the country is going to be seen as a unified market. This will make territory based exemptions seen currently will lost their distinct importance.

THANK YOU