



GOODS AND SERVICE TAX (GST)

A Presentation by
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What is GST?

'G' -
Goods

'S' -
SERVICES

'T' - TAX

It is a destination based tax on consumption of goods and services. It is proposed to be levied at all stages right from manufacture up to final consumption with credit of taxes paid at previous stages available as setoff. In a nutshell, only value addition will be taxed and burden of tax is to be borne by the final consumer.

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What exactly is the concept of destination based tax on consumption?

The tax would accrue to the taxing authority which has jurisdiction over the place of consumption which is also termed as place of supply.

E.g. In case of Goods Supplied from Maharashtra to Gujarat, the GST shall be Charged by the Maharashtra Dealer, but the benefit of the tax will be shared by Gujarat State and Central Government, unlike the present system.

Which of the existing taxes are proposed to be subsumed under GST?

(i) Taxes currently levied and collected by the Centre:

- a. Central Excise duty and Additional Duties.*
- b. Additional Duties of Customs (commonly known as CVD and SAD)*
- c. Service Tax*

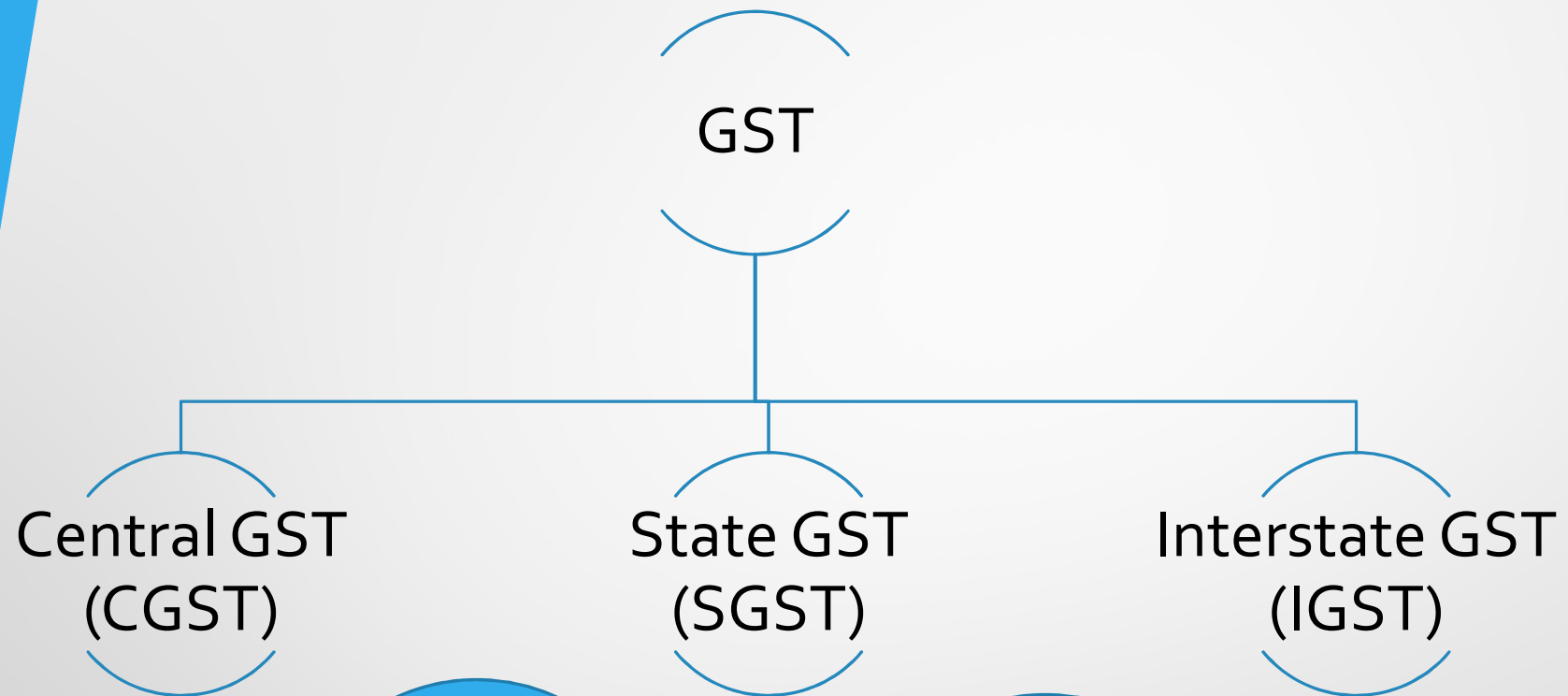
(ii) State taxes that would be subsumed under the GST are:

- a. State VAT*
- b. Central Sales Tax*
- d. Entry Tax (all forms)*
- e. Entertainment and Amusement Tax (except when levied by the local bodies)*
- g. Purchase Tax*

The GST Council shall make recommendations to the Union and States on the taxes, cesses and surcharges levied by the Centre, the States and the local bodies which may be subsumed in the GST.

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Model of GST



Intrastate
Transactions
= CGST +
SGST

Interstate
Transactions
= IGST

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Inter-State Transactions of Goods & Services

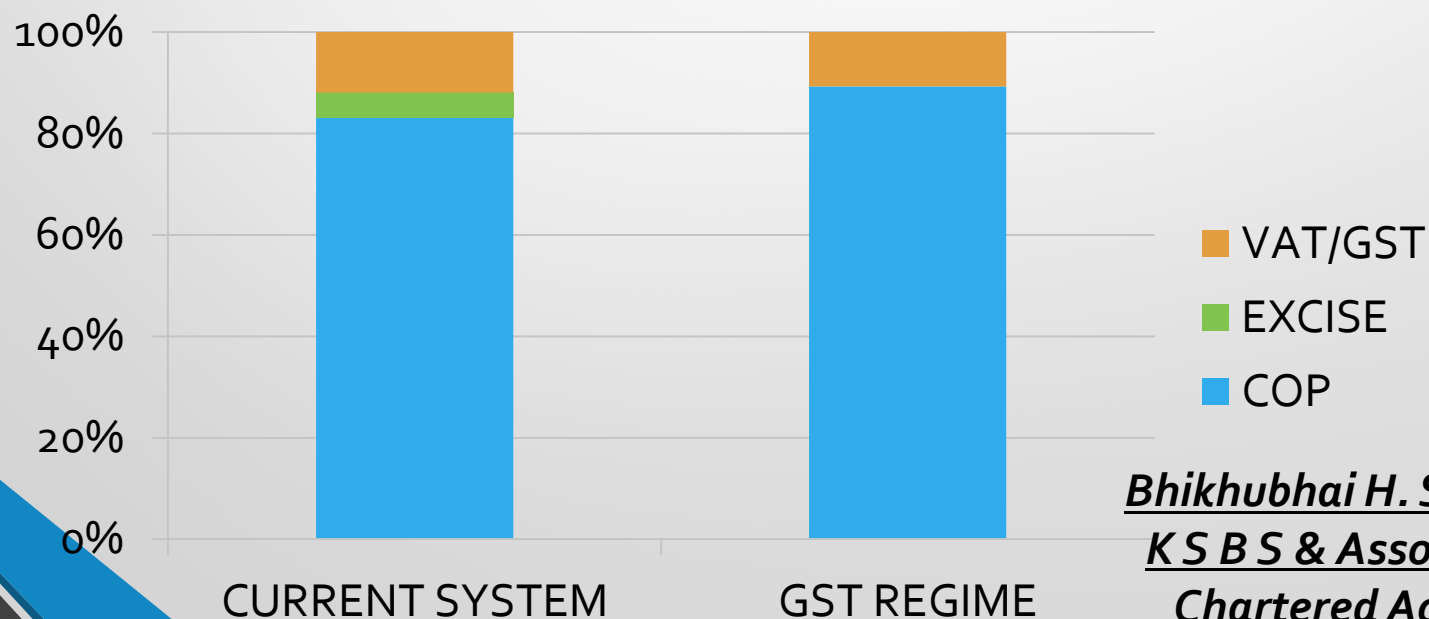
- The existing CST will be discontinued. Instead, a new statute known as IGST will come into place. It will empower the GC to levy and collect the tax on the inter-state transfer of the GS.
- The scope of IGST Model is that Centre would levy IGST which would be CGST plus SGST on all inter-State transactions of taxable goods and services with appropriate provision for consignment or stock transfer of goods and services.

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Current System v/s GST Regime

Particulars	Amount
Cost Of Product	100.00
Add: Excise @ 6%	6.00
Gross Amount	106.00
Add: MVAT @13.5%	14.31
Total Amount	120.31

Particulars	Amount
Cost Of Product	100.00
Add: Excise	0.00
Gross Amount	100.00
Add: GST@12%	12.00
Total Amount	112.00



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Different Concepts in Supply of Goods and Services in GST

- 2(27) “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;

Illustration : 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.

- 2(110) “works contract” means a contract wherein transfer of property in goods is involved in the execution of such contract and includes contract for building, construction, fabrication, completion, erection, installation, fitting out, improvement, modification, repair, maintenance, renovation, alteration or commissioning of any immovable property;

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Different Concepts in Supply of Goods and Services in GST

- A supply involving two or more supplies of goods or services or any combination thereof and which is not a composite supply, is defined to be a mixed supply(i.e. not naturally bundled or there is no one principle supply in the mix of supplies). Whole supply would be taxable at the highest rate applicable for the components of such mixed supply.

For 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. Highest rate of GST for the commodities in the mixed supply would be applied for the entire

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Compulsory Registration

- Notwithstanding anything claimed in sub-section (1) of section 22, the following categories of persons shall be required to be registered under this Act
- Person making any inter-state taxable supply.
- Casual taxable persons making taxable supply.
- Persons who are required to pay tax under reverse charge
- Person who are required to pay tax under sub-section (5) of section 9
- Non-resident taxable persons making taxable supply
- Persons who are required to deduct tax U/s 51.
- Persons who make taxable supply of goods or services or both on behalf of other taxable persons whether as an agent or otherwise.
- Input Service Distributer, whether or not separately registered under this Act.
- Every Electronic Commerce Operator
- Every person supplying online information and data base access or retrieval services from a place outside India to a person in India, other than a registered person.

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Time and Value of Supply

Q 1. How are the provisions relating to 'time of supply' relevant under GST Law?

Ans. The provisions relating to time of supply of goods / services are relevant in ascertaining the time to remit the taxes on a particular transaction involving supply of goods / services under the GST Law. The CGST Act, 2017 provides separate provisions for time of supply of goods and services viz., Section 12 for time of supply of goods and Section 13 for time of supply of services.

Q 2. What will be the time of supply of goods, generally?

Ans. Generally, in terms of Section 12 of CGST Act, 2017, the time of supply of goods shall be the earliest of the following:

- (a) Date of issue of invoice; or
- (b) Due date of issue of invoice; or
- (c) Date on which supplier receives the payment; or
- (d) Date on which payment is entered in books of accounts of the supplier; or
- (e) Date on which payment is credited to the bank account.

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Time and Value of Supply

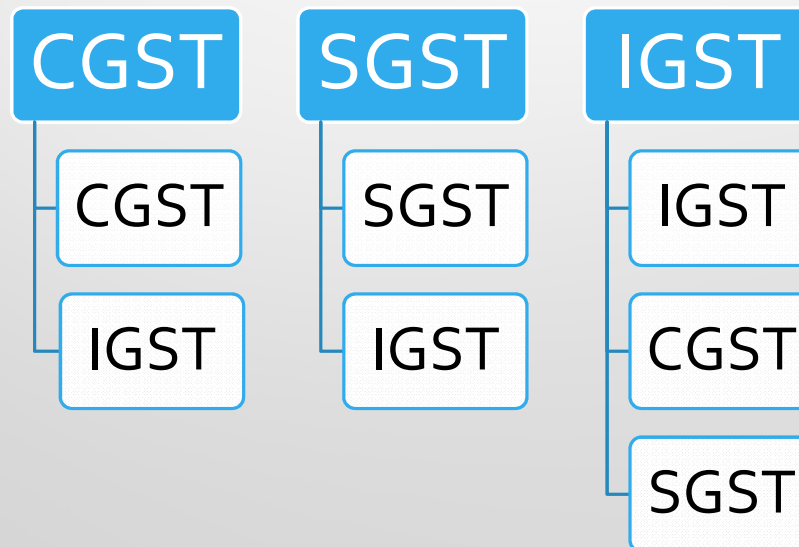
Q 3. What will be the date of payment to ascertain the time of supply of goods?

Ans. In terms of the Explanation 2 appended to Section 12, the date of payment shall be the earliest of the following dates:

- (a) The date on which supplier receives the payment; or
- (b) Date on which payment is entered in books of accounts of the supplier; or
- (c) Date on which payment is credited to the bank account.

INPUT TAX CREDIT

- Under GST law, ITC will follow supply chain not only in intra-State transactions but also in inter-State transactions. Moreover, credit of tax paid at the time of import of goods and services would also be creditable. This is expected to result into significant reduction in cascading of taxes.
- Concept of ITC in Model GST Law ITC as credit of input tax]. "Input tax" has been defined in section 2 (57) as "input tax" in relation to a taxable person, means the (IGST and CGST)/{IGST and SGST) charged on any supply of goods and/or services to him which are used, or are intended to be used, in the course or furtherance of his business.
- As ITC is credit of tax paid on inward supplies of goods or services, it is essential to understand three terms, namely inputs, capital goods and input services.



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Conditions of ITC

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 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 have been claimed on tax component of a capital good

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Conditions of ITC

- 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 No ITC will be allowed
- Common credit of ITC used commonly for Effecting exempt and taxable supplies Business and non-business activity Credit will be allowed according to the **RULES**

Items on which credit is not allowed

- 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

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Reverse Charge Under GST

- Reverse charge means the liability to pay tax is by the recipient (Buyer) of goods/services instead of the supplier.
- Reverse charge may be applicable for both services as well as goods.

Current scenario

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
- Currently there is no reverse charge mechanisms in supply of goods.

Major Change in GST Regime

Unregistered dealer selling to a registered dealer

In such a case, the registered dealer has to pay GST on the supply.

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Tax on Branch transfer

- Under GST, the movement of goods or services **from one State to another** on transfer basis shall be leviable to integrated Goods and Services Tax (**IGST**),
- The transfer of goods or services **within a State** shall be leviable to **SGST** and **CGST**, A new concept of '**business vertical**' within an organization within a State needing separate registration shall also come into force.
- In both the cases the branch can avail the credit.

Any Stock Transfer are Taxable in following two Cases:-

Intrastate Branch Transfer – Only when an entity has more than one registration in one state.

Interstate Branch Transfer – Transfer between two entities located in different states is taxable.

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Tax on Branch Transfer

Impact of GST on Interstate Branch Transfer

- As per existing VAT law, when goods are transferred by a dealer to its own branch in different state, then the dealer has to reverse the tax credit by the prescribed percentage (equivalent to CST rate). Due to reversal of tax credit, cost of product increases. However, as per proposed GST law there shall no such effect on cost of product.
- Under proposed GST Scheme, if stock transfers are made liable to tax in originating State, then in case of seasonal industries, where production continues on 24*7 basis but sale happens in specific periods (fertilizer, woolen clothes etc), businesses may land in a situation of funds blockage Entrepreneur will have to pay in cash (or through accumulated credit) in the month/ quarter of dispatch.

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Debit & Credit Notes under GST

Time Limit for issue of Credit Note

- As per [section 24\(1\)](#) of [Model GST law](#), time of issue of credit note shall be, on or before the thirtieth day of September following the end of the financial year in which such supply was made, or the date of filing of the relevant annual return, whichever is earlier.
- Accordingly, time of issue of credit note shall be-
- on or before the thirtieth day of September following the end of the financial year in which such supply was made, or
- the date of filing of the relevant annual return for the financial year,
- whichever is earlier.

It may be noted that annual return is required to be filed under [section 30\(2\)](#) on or before 31st December of the financial year following the relevant financial year. In cases where such annual return is filed after 30th September, the time limit for issuing credit note will be 30th September only.

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Debit & Credit Notes under GST

- Where a tax invoice has been issued for supply of any goods or services or both and the taxable value or tax charged in that tax invoice is found to exceed the taxable value or tax payable in respect of such supply, or where the goods supplied are returned by the recipient, or where goods or services or both supplied are found to be deficient, the registered person, who has supplied such goods or services or both, may issue to the recipient a credit note containing such particulars as may be prescribed.

COMPOSITION SCHEME

- Any Person having Turnover of Less than Rs. 50 Lakhs can be registered in Composition Scheme.

- Composition Rate:-

(a) one per cent. of the turnover in State in case of a manufacturer,

(b) two and a half per cent. of the turnover in State in case of persons engaged in making supplies referred to in clause (b) of paragraph 6 of Schedule II, and

(c) half per cent. of the turnover in State in case of other suppliers,

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Pros and Cons of Composition Scheme

Pros of Composition Scheme:-

- Quarterly returns in lieu of monthly returns.
- Minimum Rate of tax @ 1% (for manufacturer) and 0.50% for all other person

Cons of Composition Scheme:-

- Such persons shall not be entitle to input tax credit.
- Such person also breaks the input credit chain so it also cannot pass the input tax credit. In other words if another dealer purchases goods/services from composition dealer then such dealer can not take input tax credit.
- Separate Tax for URD Purchase of Goods or Services to be borne the Composition Dealer.
- Such person cannot make inter state supply of goods/services.
- If the officer founds that the person is not eligible to pay tax under this scheme, then the person is liable to pay tax at normal GST rate and also a penalty equivalent to the tax payable.

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E-way Bill (Proposed)

- The said rule on E-Way requires furnishing of information relating to any goods worth more than Rs. 50,000 whether they intend to move within the state or Inter-state. Thus With the introduction of provision relating to E-Way Bill, moving any goods worth more than Rs. 50,000 under GST will require prior online registration of the consignment. Tax officials would be empowered to inspect the e-way bill any time during the journey to check for tax evasion.
- No doubt, the concept of e-way in the GST regime will change the overall modus-operandi of doing Transportation of Goods in India. Some significant provisions with reference to E-Way bill are as follows:

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E-way Bill (Proposed)

1. Furnishing of Information before Commencement of movement of Goods:

- Information relating to the Goods needs to be furnished in **Part A** of **FORM GST INS-01** before commencement of movement of goods in cases where consignment value exceeds Rs. 50,000.
- In case a registered person uploads a tax invoice issued by him in FORM GST INV-1, the aforesaid information in Part A of Form GST INS-01 will be auto populated

2. Validity of E-Way bill:

- The e-way bill will remain valid for the period as mentioned in following table from the time of generation of e-way bill:

Sr. No.	Distance (The goods need to be transported)	Validity Period
1.	Less than 100 km	1 Day
2.	100 km or more but less than 300 km	3 Days
3.	300 km or more but less than 500 km	5 Days
4.	500 km or more but less than 1000 km	10 Days
5.	1000 km or more	15 Days

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E-way Bill (Proposed)

3) Documents and devices to be carried by a person in charge of a conveyance:

- The person in charge of a conveyance shall carry:
 - The invoice or bill of supply or delivery challan, as the case may be; and
 - A copy of e-way bill: Either physically or mapped to a Radio Frequency Identification Device (RFID) embedded on to the conveyance.
- In line with the purchase tax on purchase of goods from an unregistered dealer prevailing in many of the states, the GST Bill has introduced the same.
- Liability to pay GST in such cases will be on the recipient of such goods or services.

Anti-Profiteering

- The Centre and states on Saturday agreed on the broad contours of two crucial bills needed to roll out the country's biggest reform by way of Goods and Services Tax (GST) possibly from July.
- The GST Council, headed by finance minister Arun Jaitley, approved the draft Central GST Bill and the draft Integrated GST Bill as vetted by the law ministry.
- "This clears the deck for the central government to take these two bills to the Parliament for their passage in the ongoing Budget Session," the finance ministry said in a release.
- The Bills have incorporated an "anti-profiteering" provision to ensure that the reduction of tax incidence is passed on to the consumers.
- Farmers, however, have been kept out of the GST regime altogether.

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GST Returns

- Every registered taxable person has to furnish outward supply details in **Form GSTR-1** (GST Returns-1) by the 10th of the subsequent month. On the 11th, the visibility of inward supplies is made available to the recipient in the auto-populated **GSTR-2A**. The period from 11th to 15th will allow for any corrections (additions, modifications and deletion) in **Form GSTR-2A** and submission in **Form GSTR-2** by 15th of the subsequent month. The corrections (addition, modification and deletion) by the recipient in **Form GSTR-2** will be made available to supplier in **Form GSTR-1A**. The supplier has to accept or reject the adjustments made by the recipient. The Form GSTR-1 will be amended according to the extent of correction accepted by supplier.
- On 20th, the auto-populated return **GSTR-3** will be available for submission along with the payment. After the due date of filing the monthly return **Form GSTR-3**, the inward supplies will be matched with the outward supplies furnished by supplier, and then the final acceptance of input tax credit will be communicated in **Form GST ITC-1**.
- Also, the mismatch input tax credit on account of excess claims or duplication claims will be communicated in **Form GST ITC-1**. Discrepancies not ratified will be added as output tax liability along with interest. However, within the prescribed time, if it is ratified, the recipient will be eligible to reduce this output tax liability.

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How to File GST Returns?

Lets Take an Example of M/s Het-Vir Technologies Pvt. Ltd.
These are some Sales and Purchase Invoices of Het-Vir Technologies Ltd. for April

Sales Invoices

<u>Bill No.</u>	<u>Name of the Customer</u>
Inv/16-17/1	Devansh Software Ltd.
Inv/16-17/2	Bina Infosoft LLP
Inv/16-17/3	Rohan Infotech LLP
Inv/16-17/4	Apple Inc.

Purchase Invoices

<u>Bill No.</u>	<u>Name of the Customer</u>
Inv/16-17/122	Tomatoes Ltd.
Inv/16-17/2	Alpha Infosolutions LLP
Inv/16-17/3	Mahavir Applications Ltd
Inv/16-17/4	Him-Pushp Technologies

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10th May

FORM GSTR -1

Het- Vir
Technologies
Ltd.

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On 11th May Het-Vir Technologies will view their Purchase Invoices through GSTR-2A which is Auto Populated

FORM GSTR -2A

Bill 122 –
Tomaotes
Ltd.

Bill 2 – Alpha
Infosolutions
LLP.

Bill 3 –
Mahavir
Applications
Ltd.

Bill 4 – Him-
Pushp
Technologies
Ltd.




**Het- Vir
Technologies
Ltd.**

From 11th to 15th May Het-Vir Technologies Pvt. Ltd. Will have to reconcile the bills in GSTR-2A and there books of Accounts.



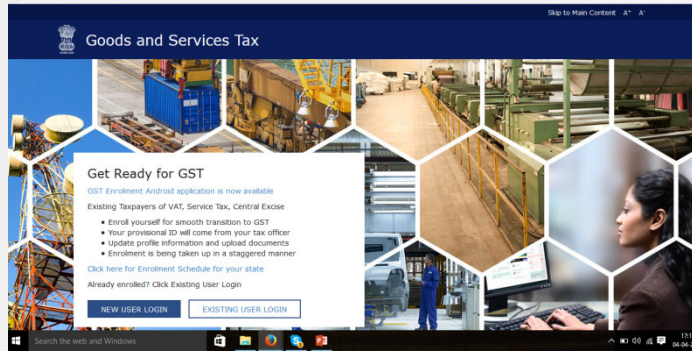
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During this
Reconciliations it was
Discovered that, one of
there Purchase Bill from
M/s. New Paras Trading
Company is not
reflected in the GSTR-
2A.

Het- Vir
Technologies
Ltd.

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FORM GSTR -2

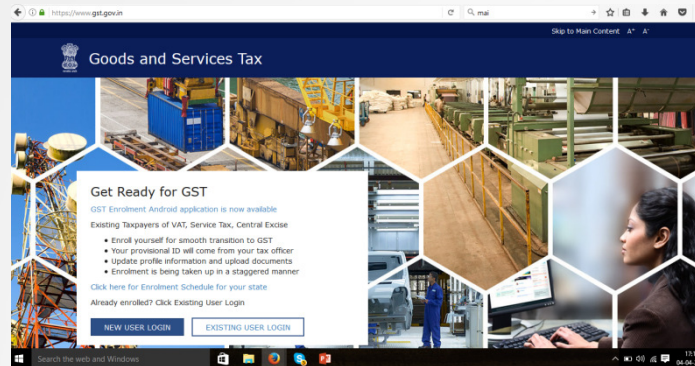
Het- Vir
Technologies
Ltd.

On 15th May Het-Vir
Technologies Pvt.
Ltd. Uploads the
Missing Bill of New
Paras Trading Co.
through



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On 16th May – Bill Added by Het-Vir Technologies Pvt. Ltd shall be made available to New Paras Trading Co.



FORM GSTR -1A



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Between



&



New Paras Trading Co. Accepts the Bill. The Accepted bill will be amended in GSTR-1 accordingly.

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On 20th May GSTR -3 is available to Het- Vir Technologies Pvt. LTd. for payment and submission.

FORM GSTR -3



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Transitional Provisions

- Transition Rules are hosted on the Government Website, its salient features are as under:
- Persons entitled to take transition credit will have to submit a declaration within 90 days (upto 30th Sept) specifying the credit he wants to take on stocks lying with him on 30th June.
- Declaration will have to be submitted in from GST Tran-1
- Commissioner can extend this timeline by another 90 days
- In case of capital goods whose part credit was availed in current period and part credit is to be availed under GST, he will have to submit the declaration specifying:
 - a. Amount of credit already availed in the current law
 - b. Amount of credit yet to be availed under the existing law and which he intends to avail under GST period
- Persons having excise invoices for stocks lying as on 30th June will be entitled to take full credit of excise mentioned in the invoices
- Deemed Credit: Persons who do not have excise invoice, will be eligible to take credit in the following manner:
 - a. For goods taxable @ 18% or above - Credit shall be allowed at the rate of 60% of CGST payable on that goods – so if the rate is 18% then credit will be available @ 5.4% (60% of 9% CGST)
 - b. For goods other than above - Credit shall be allowed at the rate of 40% of CGST payable on that goods – so if the rate is 12% then credit will be available @ 2.4% (40% of 6% CGST)
- Credit in the above Deemed Credit scheme will be available only once the said goods are sold and GST is paid. It's like a cash back scheme.

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Transitional Provisions

- To take the credit in this scheme following conditions will have to be fulfilled:
 - a. such goods were not unconditionally exempt from excise
 - b. the document for procurement of such goods is available
 - c. the stock of goods on which the credit is availed is so stored that it can be easily identified by the registered person.
- Deemed credit scheme will go on for 6 months from GST date, so stocks lying as on 30th June have to be sold maximum upto 31st December, 2017. No credit will be available if these goods are sold after December 2017.
- Separate return under for GST TRAN-2 will have to be filed.
- Every person to whom the provision of section 142 (11) (c) applies, shall submit a declaration within 90 days of GST date in form GST TRAN-1 furnishing the proportion of supply on which VAT or service tax has been paid before the GST day but the supply is made after the GST day, and the ITC admissible thereon.
- Every person to whom the provisions of section 141 (Jobworker) apply shall, within 90 days of the GST day, submit a declaration electronically in form GST TRAN-1, specifying therein, the stock held by him on the appointed day.
- Every person having sent goods on approval under the existing law and to whom section 142 (12) applies shall, within 90 days of the appointed day, submit details of such goods sent on approval in form GST TRAN-1.

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Conclusion

- You Have to remember how GST works even During your Sleep, i.e,

Good Night

Sweet Dreams

Take Care

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Thank You!

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