



GST

Goods & Services Tax In India

OVERVIEW ON GST

GST is abbreviation for Goods and Service Tax. GST is also known as Value Added Tax (VAT) in few countries.

GST / VAT are a consumption based tax wherein the basic principle is to tax the value addition at each business stage. To achieve this, tax paid on purchases is allowed as a set off/ credit against liability on output/income.

GST is levied on all transaction of goods and services. Thus, in principle, GST should not differentiate between 'goods' and 'services'.

Internationally, GST was first introduced in France and now more than 150 countries have introduced GST. Most of the countries, depending on their own socio-economic formation, have introduced National level GST or Dual GST.

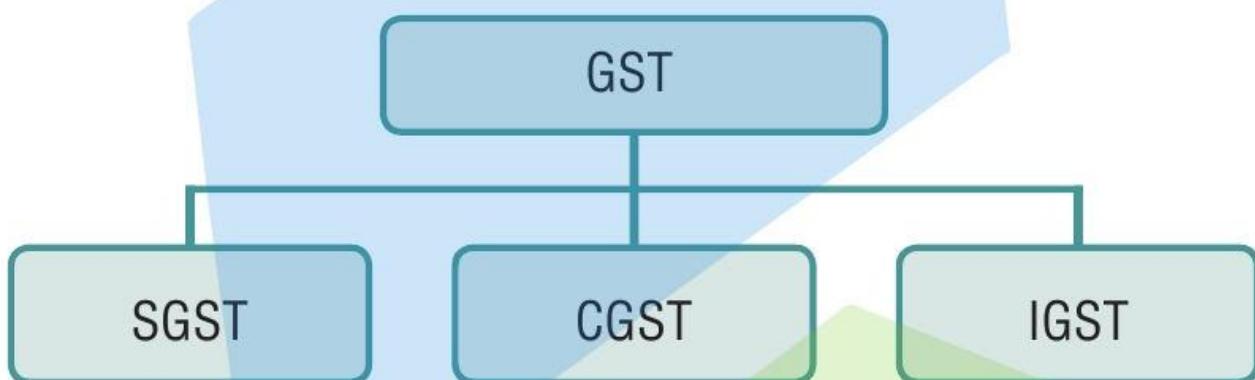
GST is different from the current tax structure in many ways. Currently, taxes treat goods and services differently. As mentioned above, 'goods' attract Excise at manufacturing level and VAT at the time of sale. In contrast, services attract only one levy i.e. Services tax on provision of taxable services.

This distinction, in GST regime, would lose its importance as both goods and services would be treated at par for taxing purposes. A transaction in goods and services for a consideration would attract CGST and SGST. Also, the State Government now gets the power to tax services and Central

Government gets the power to levy tax at the distribution and retail level.

GST may resolve, not all, but surely, most of the current issues such as the classification, valuation, double taxation disputes etc. On a positive note, most of the credit which is not available will be available in GST regime such as the service provider will be eligible to avail credit of VAT, Luxury tax, Entertainment Tax etc. The compliances are also expected to reduce drastically.

GST IN INDIA



Structure: India is proposing to implement 'dual GST'. In 'dual GST' regime, all the transactions of goods and services made for a consideration would attract two levies i.e. CGST (Central GST) and SGST (State GST). Inter-State supplies of goods and services will attract IGST (which would be CGST plus SGST)

Taxes that will be subsumed in GST: GST would be levied on all the transactions of goods and services made for a consideration. This new levy would replace almost all of the indirect taxes. In particular, it would replace the following indirect taxes-

At Central level

- Central Excise Duty (including Additional Duties of Excise)
- Service Tax
- CVD (levied on imports in lieu of Excise duty)
- SAD (levied on imports in lieu of VAT)
- Central Sales Tax

At State level

- VAT/Sales tax
- Entertainment tax (unless it is levied by the local bodies)
- Luxury Tax
- Taxes on lottery, betting and gambling
- Entry tax not in lieu of Octroi
- Cesses and Surcharges

However, certain items / sectors would be outside the GST regime. Products such as alcohol, petroleum products are outside GST regime. Further, Land and properties may remain outside since they are neither goods nor services.

Looking at the international practices on GST, it would be advisable that the products outside GST regime should be minimum as allowing parallel levies will only add to cascading effect than any good to industry/economy.

Administration: CGST and IGST will be administered by 'Central Government' and SGST will administered by the respective State Governments.

Law relating to GST: In GST regime, there will be one CGST law and 31 SGST law for each of the States including two

Union Territories and one IGST law governing inter-State supplies of goods and services.

Mechanism of input tax credit in GST: Input tax credit of CGST would be available for payment of CGST and input tax credit of SGST would be available for payment of SGST. However, cross utilization of tax credit between the Central GST and the State GST would be allowed in the case of inter-State supply of goods and services under the IGST model.

Interstate transactions in GST: All the inter-State transactions of goods and services would attract IGST (which would be CGST plus SGST). The inter-State seller will pay IGST on value addition after adjusting available credit of IGST, CGST, and SGST on his purchases. The Importing dealer will claim credit of IGST while discharging his output tax liability in his own State.

Composition scheme: There would be option available to tax payers having turnover less than Rs. 50 lacs through which they can opt for Composition scheme wherein they need to discharge tax at a floor rate of 1% (For Traders) or 2.50% (for manufacturers)

Exports and SEZ: Exports would be zero rated, as currently they are. In case of SEZ, if the supply of goods or services is for consumption in processing zone then it would be zero rated.

Imports: Even under GST regime, Customs duty would be levied on import of goods in India. Currently, import of

'goods' also suffers CVD (in lieu of Excise duty) and SAD (in lieu of VAT). On import of taxable services, Service tax is attracted. In GST regime, IGST would be levied on import of goods and services.

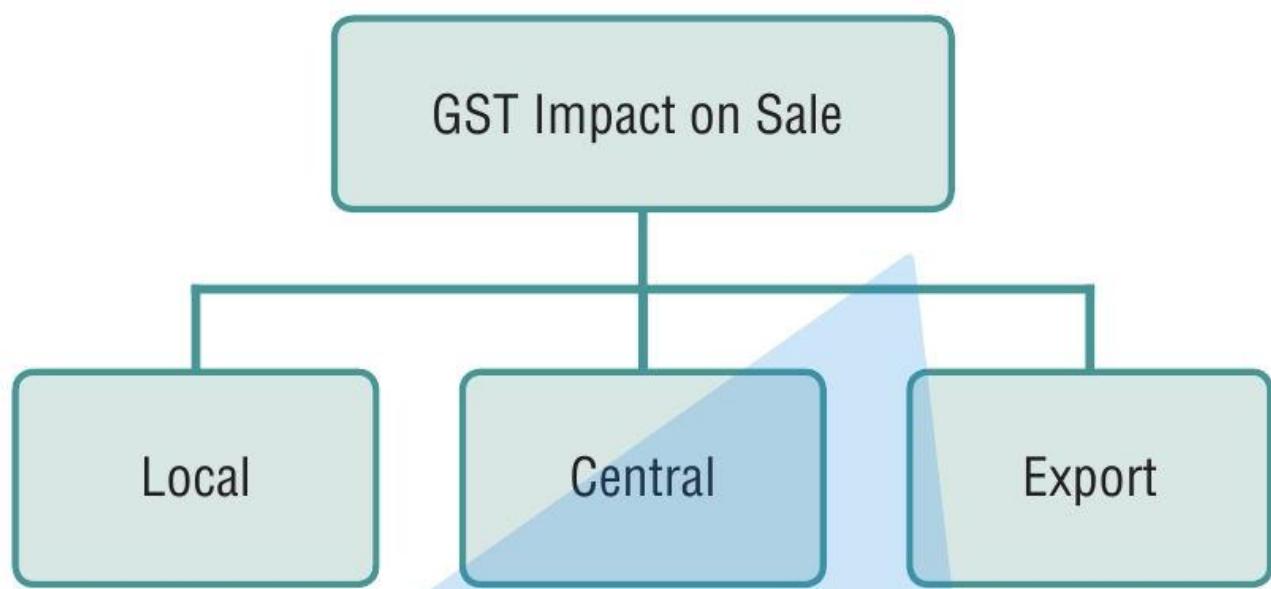
Special Area Schemes: The exemptions available under Special Industrial Area Schemes would continue up to legitimate expiry time both for the Centre and the States. Later, after the introduction of GST, the tax exemptions, remissions etc. related to industrial incentives would be converted, if at all needed, into cash refund schemes.

GST IMPACT

Sourcing	Inter-state procurement could prove viable May open opportunities to consolidate suppliers/vendors Additional duty/CVD and Special Additional duty components of customs duty to be replaced
Distribution	Changes in tax system could warrant changes in both procurement and distribution arrangements Current arrangements for distribution of finished goods may no longer be optimal with the removal of the concept of excise duty on manufacturing Current network structure and product flows may need review and possible alteration

Pricing and profitability	Tax savings resulting from the GST structure would require re pricing of products Margins or price mark-ups would also need to be re-examined
Cash flow	Removal of the concept of excise duty on manufacturing could result in improvement in cash flow and inventory costs as GST would now be paid at the time of sale/supply rather than at the time or removal of goods from the factory
System changes and transaction management	Potential changes to accounting and IT systems in areas of master data, supply chain transactions, system design Existing open transactions and balances as on the cut-off date need to be migrated out to ensure smooth transition to GST Changes to supply chain reports (e.g., purchase register, sales register, services register), other tax reports and forms (e.g., invoices, purchase orders) need review Appropriate measures such as training of employees, compliance under GST, customer education, and tracking of inventory credit are needed to ensure smooth transition to the GST regime

GST IMPACT ON SALE



GST in Case of Local Sale:

SGST/CGST Applicable

When Company sale the goods within state (Intra State) will charge SGST and CGST equally on goods and services. SGST will be the part of Local State and CGST will be the part of Central. Suppose if Company sale the goods under GST and GST Rate is 4%. So SGST will be 2% and CGST will be 2% both the tax will be paid equally.

Where input of GST will be adjusted as under:

- SGST will be adjusted with SGST
- CGST will be adjusted with CGST

Remember: SGST cannot be adjusting with CGST. Similarly CGST cannot be adjusting with SGST.

Impact on Local Sale: Currently Company paying different taxes so have to maintain records accordingly now it will be uniformly which less the records and ledger.

GST in Case of Central Sale:

IGST (Integrated Goods and Service Tax):

At present inter-State supply of goods attract Central Sales Tax. Now, it provides that an inter-State supply of goods and/or services will attract IGST (i.e. CGST plus SGST). Thus, it would be crucial to determine whether a transaction is 'intra-State' or 'Inter-State' as taxes will be applicable accordingly.

In this regard, the draft GST law provides separate provisions, as part of Integrated GST Act (IGST), which will help an assessee determine the place of supply for goods and services. At the outset it may be relevant to note that as Place of Supply provisions of part of IGST Act (than CGST/ SGST Act) there is likely to be uniformity in application of Place of Supply provisions throughout India.

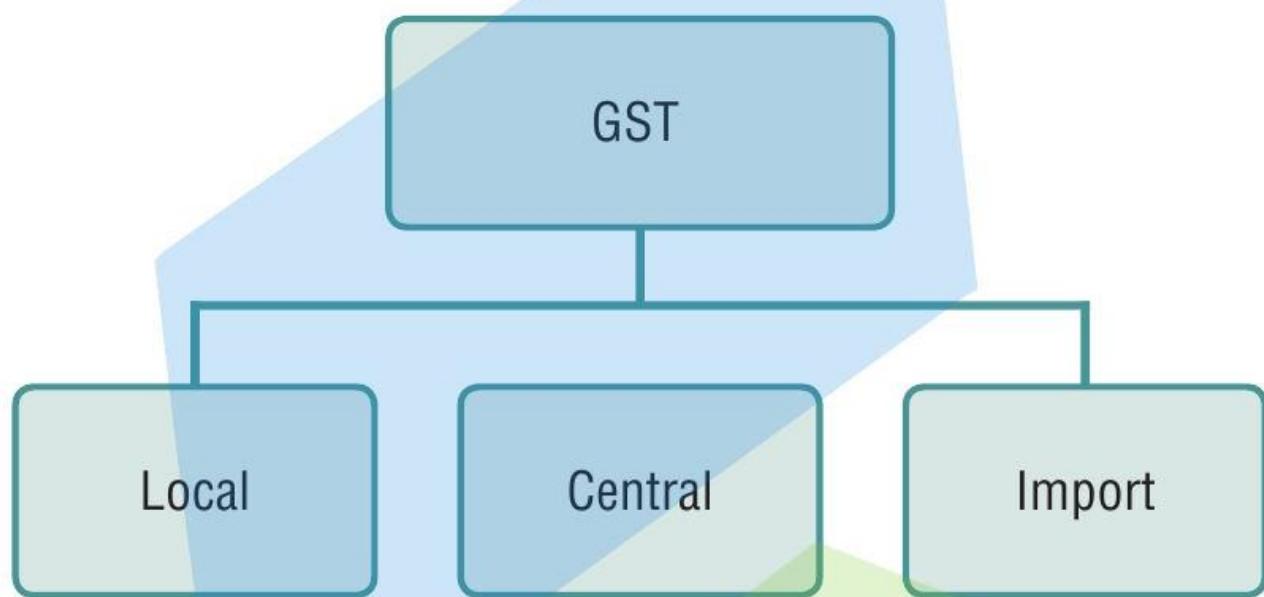
When Company sale the goods outside the state (Inter State) will charge IGST (SGST+CGST) on goods and services. IGST will be the part of Central. Suppose Company will sale the goods under IGST and GST Rate is 4%. So IGST 4% tax will be paid. Input of GST will be adjusted as under:

- IGST will be adjusted with IGST
- IGST will be adjusted with CGST
- IGST will be adjusted with SGST

Remember: IGST first adjust with IGST than CGST and than SGST this table cannot be change.

Impact on IGST: Currently Company selling goods on 2% against C-Form or at full rate of Central Tax. Now IGST will replace this 2% or full rate of Central Tax. Further input of IGST will be available to buyer of goods which currently not available therefore it will reduce the cost of goods and services.

GST IMPACT ON PURCHASE



GST in case of Local Purchase

When Company purchase the goods and paying VAT on the same and adjusting the Input tax of Vat for Local and Central Sale. Now SGST and CGST equally will be applicable and Input of the same will be available as SGST will be adjusted with SGST otherwise with IGST and CGST will be adjusted with CGST otherwise with IGST.

GST in case of Central Purchase

When Company purchased the goods on full rate of tax or on 2% against C-Form. Now Central purchase effect the IGST

and it will be at full rate of tax as C-Form clause not available in IGST. So company pays the full tax and utilized the same input tax of IGST and adjusting with IGST than CGST than SGST.

GST in case of Import

When Company imported goods and paying Duty:-

- BCD (Basic Customs Duty)
- CVD (Counter – Veiling Duty Equal to Excise Duty)
- SAD (Special Additional Duty of Customs Equal to Local VAT)

Where BCD is part of Customs so it will remain same and other duty Like CVD and SAD will be part of IGST.

Manufacturer using CVD and SAD as input credit of Cenvat and adjusting with the Excise duty at the time removal of goods from factory.

Trader using CVD as part of cost and claiming SAD as refund from customs.

In GST importer will take the more benefits on imported material by adjusting IGST for Central Sale (IGST) and after that for Local sale (CGST/SGST).

As Company imported goods for local and central sale will take the full credit of IGST inputs and adjust the same at the time of sale.

GST SUPPLY

GST payable as per time of supply

The liability to pay CGST / SGST will arise at the time of supply as determined for goods and services. In this regard, separate provisions prescribe what will time of supply for goods and services. The provisions contemplate payment of GST on supply of goods or services at the earliest of date of issuance of invoice or prescribed last day by which invoice is required to be issued or date of receipt of payment.

Given that there could be **multiple parameters** in determining 'time' of supply, maintaining reconciliation between revenue as per financials and as per GST could be a major challenge to meet for businesses.

Determining Place of Supply could be the key

At present inter-State supply of goods attract Central Sales Tax. Now, its provides that an inter-State supply of **goods** and/ or **services** will attract IGST ((i.e. CGST plus SGST)).

Thus, it would be crucial to determine whether a transaction is a 'intra-State' or 'Inter-State' as taxes will be applicable accordingly. In this regard, the draft GST law provides separate provisions which will help an assessee determine the place of supply for goods and services.

Typically for 'goods' the place of supply would be location where the good are **delivered**. Whereas for 'services' the

place of supply would be **location of recipient**. However, there are multiple scenarios such as supply of services in relation to immovable property, services to and by SEZ etc wherein this generic principle will not be applicable and specific provisions will determine the place of supply. Thus, the business will have to scroll through all the place of supply provisions before determining the place of supply.

INPUT TAX CREDIT

Eligibility and conditions for taking input tax credit

Every registered taxable person shall, subject to such conditions and restrictions as may be prescribed and within the time and manner specified, be entitled to take credit of input tax charged on any supply of goods or services to him which are used or intended to be used in the course or furtherance of his business and the said amount shall be credited to the electronic credit ledger of such person.

PROVIDED FURTHER that where a **recipient fails to pay to the supplier of services**, the amount towards the value of supply of services along with tax payable thereon within a period of **three months** from the date of issue of invoice by the supplier, an amount equal to the input tax credit availed by the recipient shall be added to his output tax liability, along with interest thereon, in the manner as may be prescribed.

Explanation — For the purpose of clause (b), it shall be deemed that the taxable person has received the goods

where the goods are delivered by the supplier to a recipient or any other person on the direction of such taxable person, whether acting as an agent or otherwise, before or during movement of goods, either by way of transfer of documents of title to goods or otherwise.

Where the registered taxable person has claimed depreciation on the tax component of the cost of capital goods under the provisions of the Income Tax Act, 1961(43 of 1961), the input tax credit shall not be allowed on the said tax component.

A taxable person shall not be entitled to take input tax credit in respect of any invoice or debit note for supply of goods or services after furnishing of the return under section 34 for the month of September following the end of financial year to which such invoice or invoice relating to such debit note pertains or furnishing of the relevant annual return, whichever is earlier.

Manner of distribution of credit by Input Service Distributor

The Input Service Distributor shall distribute, in such manner as may be prescribed, the credit of CGST as CGST or IGST and IGST as IGST or CGST, by way of issue of a prescribed document containing, inter alia, the amount of input tax credit being distributed or being reduced thereafter, where the Distributor and the recipient of credit are located in different States.

CGST ACT: The Input Service Distributor shall distribute, in such manner as may be prescribed, the credit of SGST as SGST or IGST, by way of issue of a prescribed document containing, inter alia, the amount of input tax credit being distributed or being reduced thereafter, where the Distributor and the recipient of credit are located in different States.

SGST Act: The Input Service Distributor shall distribute, in such manner as may be prescribed, the credit of CGST and IGST as CGST, by way of issue of a prescribed document containing, inter alia, the amount of input tax credit being distributed or being reduced thereafter, where the Distributor and the recipient of credit, being a business vertical, are located in the same State.

CGST Act: The Input Service Distributor shall distribute, in such manner as may be prescribed, the credit of SGST and IGST as SGST, by way of issue of a prescribed document containing, inter alia, the amount of input tax credit being distributed or being reduced thereafter, where the Distributor and the recipient of credit, being a business vertical, are located in the same State.

SGST Act: The Input Service Distributor may distribute the credit subject to the following conditions, namely:

- the credit can be distributed against a prescribed document issued to each of the recipients of the credit so distributed, and such document shall contain details as may be prescribed;

- the amount of the credit distributed shall not exceed the amount of credit available for distribution;
- the credit of tax paid on input services attributable to a recipient of credit shall be distributed only to that recipient;
- the credit of tax paid on input services attributable to more than one recipient of credit shall be distributed only amongst such recipient(s) to whom the input service is attributable and such distribution shall be pro rata on the basis of the turnover in a State of such recipient, during the relevant period, to the aggregate of the turnover of all such recipients to whom such input service is attributable and which are operational in the current year, during the said relevant period;
- the credit of tax paid on input services attributable to all recipients of credit shall be distributed amongst such recipients and such distribution shall be pro rata on the basis of the turnover in a State of such recipient, during the relevant period, to the aggregate of the turnover of all recipients and which are operational in the current year, during the said relevant period.

REGISTRATION

Every person who is liable to be registered shall apply for registration in every such State in which he is so liable within thirty days from the date on which he becomes liable to registration, in such manner and subject to such conditions as may be prescribed:

PROVIDED that a casual taxable person or a non-resident taxable person shall apply for registration at least five days prior to the commencement of business;

A person having multiple business verticals in a State may obtain a separate registration for each business vertical, subject to such conditions as may be prescribed.

A person, though not liable to be registered, may get himself registered voluntarily, and all provisions of this Act, as are applicable to a registered taxable person, shall apply to such person.

Every person shall have a Permanent Account Number issued under the Income Tax Act, 1961 (43 of 1961) in order to be eligible for grant of registration;

PROVIDED that a person required to deduct tax under section 46 shall have, in lieu of a Permanent Account Number, a Tax Deduction and Collection Account Number (TAN) issued under the said Act in order to be eligible for grant of registration.

Where a person who is liable to be registered under this Act fails to obtain registration, the proper officer may, without prejudice to any action that is, or may be taken under this Act, or under any other law for the time being in force, proceed to register such person in the manner as may be prescribed.

Special provisions relating to casual taxable person and non-resident taxable person

The certificate of registration issued to a casual taxable person or a non-resident taxable person shall be valid for a period specified in the application for registration or ninety days from the effective date of registration, whichever is earlier and such person shall make taxable supplies only after the issuance of the certificate of registration:

PROVIDED that the proper officer may, at the request of the said taxable person, extend the aforesaid period of ninety days by a further period not exceeding ninety days.

RETURNS

Type of Returns

Return	Type of Return	Assessee
GSTR-1	Return of Sale	Normal
GSTR-2	Return of Purchase	Normal
GSTR-3	Consolidated Return Sale and Purchase	Normal
GSTR-4	Return of Purchase and Sale	Compounding
GSTR-5	Return import and Sale	Non-Resident Foreign
GSTR-6	Return of Input Services Received & their Distribution	Input Service Distributor (ISD)
GSTR-7	Return of TDS	Liable to Deduct TDS
GSTR-8	Annual Return for Sale and Purchase	Normal and Compounding

Every registered taxable person, other than an input service distributor or a non-resident taxable person or a person paying tax under the provisions shall, for every calendar month or part thereof, furnish, in such form and in such manner as may be prescribed, a return, electronically, of inward and outward supplies of goods and/or services, input tax credit availed, tax payable, tax paid and other particulars as may be prescribed on or before the twentieth day of the month succeeding such calendar month or part thereof.

Frequency	To be Filed BY
Monthly	10th of Next Month
Monthly	15th of Next Month
Monthly	20th of Next Month
Quarterly	18th of Month Next to quarter
One Time/Monthly	7th day from expiry of registration
Monthly	13th of Next Month
Monthly	10th of Next Month
Annual	By 31st Dec Next FY

A registered taxable person paying tax under the provisions shall, for each quarter or part thereof, furnish, in such form and in such manner as may be prescribed, a return, electronically, of inward supplies of goods or services, tax payable and tax paid within eighteen days after the end of such quarter.

Every registered taxable person required to deduct tax at source under the provisions shall furnish, in such form and in such manner as may be prescribed, a return, electronically, for the month in which such deductions have been made along with the payment of tax so deducted within ten days after the end of such month.

Every taxable person registered as an Input Service Distributor shall, for every calendar month or part thereof, furnish, in such form and in such manner as may be prescribed, a return, electronically, within thirteen days after the end of such month.

Every registered non-resident taxable person shall, for every calendar month or part thereof, furnish, in such form and in such manner as may be prescribed, a return, electronically, within twenty days after the end of a calendar month or within seven days after the last day of the validity period of registration, whichever is earlier.

The Commissioner of [CGST/SGST] may, for valid and sufficient reasons, by notification, for such class of taxable persons as may be specified therein, extend the time limit for furnishing the returns.

Annual return

Every registered taxable person, other than an input service distributor, a person paying tax, a casual taxable person and a nonresident taxable person, shall furnish an annual return for every financial year electronically in such form and in such manner as may be prescribed on or before the thirty first day of December following.

Final return

Every registered taxable person who applies for cancellation of registration shall furnish a final return within three months of the date of cancellation or date of cancellation order, whichever is later, in such form and in such manner as may be prescribed.

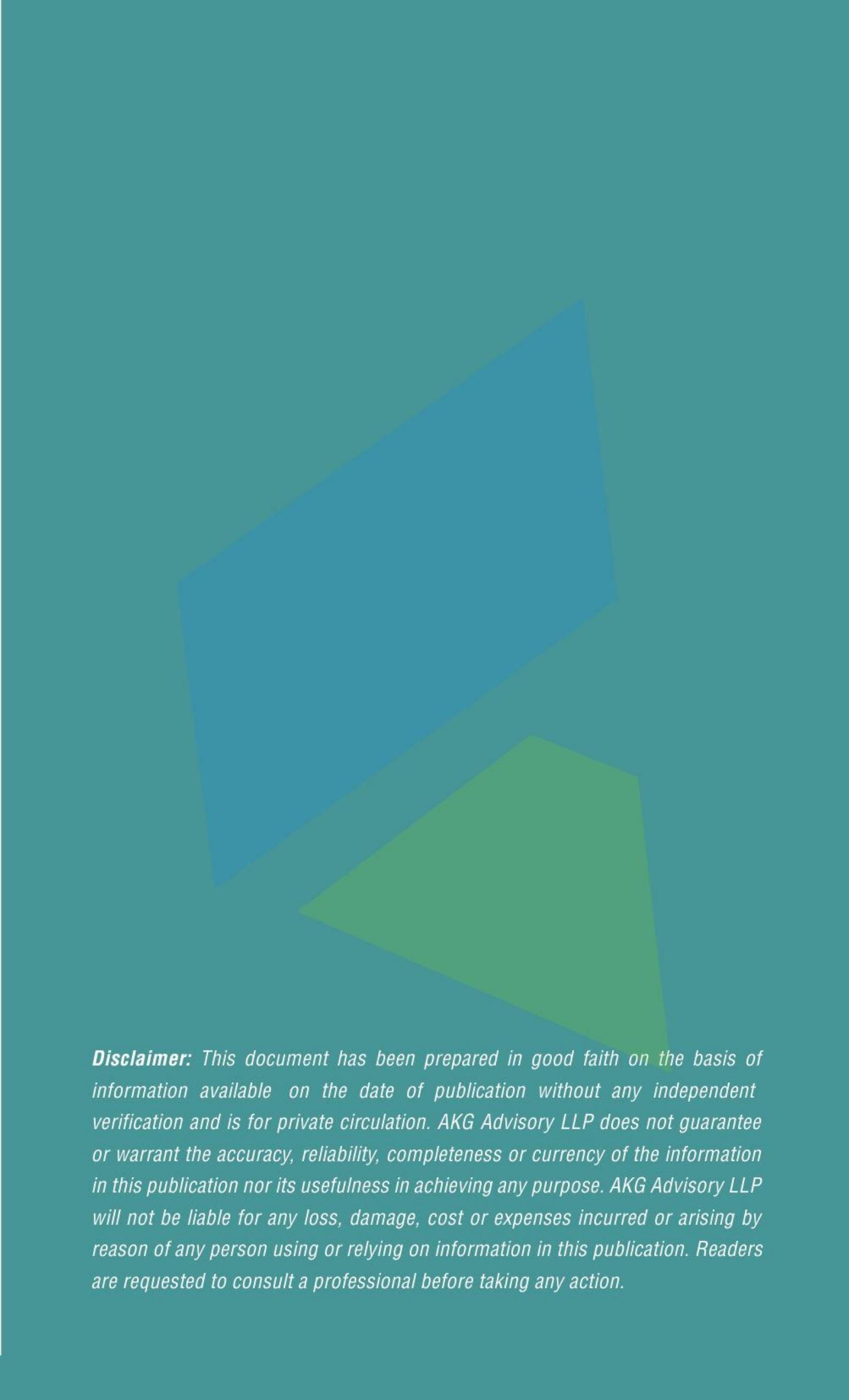
Furnishing details of outward supplies

Every registered taxable person, other than an input service distributor, a non-resident taxable person and a person paying tax under the provisions, shall furnish, electronically, in such form and manner as may be prescribed, the details of outward supplies of goods or services effected, during a tax period on or before the tenth day of the month succeeding the said tax period and such details shall be communicated to the recipient of the said supplies within the time and in the manner as may be prescribed.

Furnishing details of inward supplies

Every registered taxable person, other than an input service distributor or a nonresident taxable person or a person paying tax, shall verify, validate, modify or, if required, delete the details relating to outward supplies and credit or debit notes communicated to prepare the details of his inward supplies and credit or debit notes and may include therein, the details of inward supplies and credit or debit notes received by him in respect of such supplies that have not been declared by the supplier.

Every registered taxable person, other than an input service distributor or a nonresident taxable person or a person paying tax, shall furnish, electronically, the details of inward supplies of taxable goods and/or services, including inward supplies of goods or services on which the tax is payable on reverse charge basis under this Act and inward supplies of goods and/or services taxable under the IGST Act, and credit or debit notes received in respect of such supplies during a tax period after the tenth but on or before the fifteenth day of the month succeeding the tax period in such form and manner as may be prescribed.



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to create effective and useful awareness.



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