GST
Goods & Service Tax

Dear Friends,
Day by day we are stepping ahead into bright future as the scenario is changing rapidly in new framework of laws ……………………………..

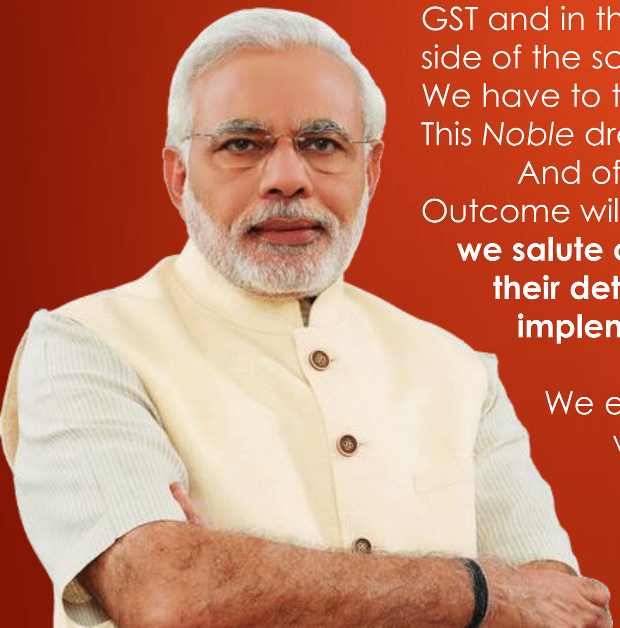
GST

Demonetization

Benami Transactions (Prohibition) Amendment act

Cashless Economy

As a partner in nation building this is opportunity to prove ourselves in such challenging situations.
Mere laws will not brings good days.
Law is only a seed and we have to ploughed our mind and cultivate it for desired fruits.
To draw the whole picture this is our first outline to brief the GST and in the latter on version we may brush-up the other side of the scenario. As all these are interlinked.
We have to think in a broad manner.
This *Noble* drawing requires contribution from us .
And of course ….
Outcome will play crucial role , though
we salute our Prime Minister for their determination , dedication and implementation in...
<u>Nation Building.</u>
We ensure our President that we are with him towards this journey



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GST
Goods & Service Tax

GST — **Goods and Service Tax**

An Overview…
The most awaited Tax reform in our country is GST
Brought into reality by the present government after so many struggles and conflicting interest. This great indirect tax reform will bring all large state and central tax into one single bucket, which would mitigate cascading and double taxation to a larger extent.

GST is a consumption based tax levied on sale, manufacture and consumption on goods & services at a national level.
Means GST is basically destination based tax
This tax will be substitute for all indirect tax levied by state and central government.
Exports and direct tax like income tax, corporate tax and capital gain tax will not be affected by GST .
GST would apply to all goods other than crude petroleum, motor spirit, diesel, aviation turbine fuel and natural gas.
It would apply to all services barring a few to be specified. With the increase of international trade in services, GST has become a global standard.
The proposed tax system will take the form of "dual GST" which is concurrently levied by central and state government.

This will comprise of :

CGST
- **which will be levied by Centre**

SGST
- **which will be levied by State**

IGST
- **which will be levied by Central Government on inter-State supply of goods and services.**

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GST | Many taxes have been subsumed under GST which are as under

- Excise
- CST
- VAT
- CVD
- Entertainment
- Medicinal Excise
- Surcharge & Cesses
- Entry Tax
- Purch ase Tax
- Octroi
- Betting
- Service Tax
- Luxury Tax
- Special Custom
- Lottery
- Additio nal Excise
- Gambl ing

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GST — Positive Aspects

1. The main reason to implement GST is to abolish the cascading effect on tax. A product on which excise duty is paid can also be liable for VAT . Suppose a product A is manufactured in a factory. As soon as it releases from factory, excise duty has to be paid to central government. When that product is sold in same state then VAT has to be paid to state government. Also no credit on excise duty paid can be taken against output VAT . **This is termed as cascading effect** since double tax is levied on same product.
2. The GST is being introduced to create a common market across states, not only to avoid enfeebled effect of indirect tax but also to improve tax compliance.
3. GST will lead a more transparent and neutral manner to raise revenue.
4. Due to full and seamless credit on input is available which will bring down the product price.
5. Simplified and cost saving system as procedural cost reduces due to uniform accounting for all types of taxes.
6. GST is structured to simplify the current indirect system. GST is beneficial for both economy and corporations. The reduced tax burden on companies will reduce production cost making exporters more competitive.

GST — Prone Area

1. GST is a dual tax in which state and centre both collects separate tax on a single transaction of sale or service.
2. Majority of dealers are not covered with the central excise but are only paying VAT in the state. Now all the Vat dealers will be required to pay "Central Goods and service tax".

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GST Compulsory Registration

Every Supplier shall be liable to be registered under GST Act if his aggregate turnover in a financial year exceeds

Other than North East States and Sikkim	**20 Lakhs**
North East States and Sikkim	**10 Lakhs**

- **Every person who, on the day immediately preceding the appointed day, is registered or holds a license under an earlier law, shall be liable to be registered under this Act .**
- **Supplier shall have to take a separate registration in each state if taxable person will supplied goods or services from more than one state.**
- **The application for registration shall be made within 30 days from the date when turnover exceeds the aforesaid limits.**
- **Aggregate turnover to be computed on all India basis = all taxable supplies + non-taxable supplies + exempt supplies + exports of goods and/or services but exclude = taxes charged under the CGST Act, SGST Act and the IGST Act + value of supplies on which tax is levied on reverse charge basis.**

Following categories of persons shall be required to take registration under GST irrespective of the threshold limits :

- Persons making any inter-State taxable supply.
- Persons who are required to pay tax under reverse charge.
- Non-resident taxable persons .
- Persons who are required to deduct tax under section 37 (Tax Deduction at Source i.e. to deduct tax at source from payments made to the suppliers by the Government, local authority).
- Persons who supply goods and/or services on behalf of other registered taxable persons whether as an agent or otherwise.
- Input service distributor.
- Persons who supply goods and/or services, other than branded services, through electronic commerce operator.
- Every electronic commerce operator.
- An aggregator who supplies services under his brand name or his trade name.
- Casual taxable persons
- Such other person or class of persons as may be notified by the Central Government or a State Government on the recommendations of the Council.

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GST — Composition Scheme

A Registered taxable person, whose aggregate turnover in a financial year does not exceed fifty lakh of rupees, to pay, in lieu of the tax payable by him, an amount calculated at such rate as may be prescribed, but not less than one percent of the turnover during the year:

- This option is available to the registered taxable person.
- Whose 'aggregate turnover' is up to Rs. 50 lakhs in a financial year.
- Whose supplies are restricted to a particular State.

In other words, if taxable person will supplied goods or services from more than one state then cannot opt this scheme.

- The taxable person should make an application exercising his option to pay tax under this scheme. Once granted, the eligibility would be valid unless his permission is cancelled.
- Any tax payable under reverse charge mechanism, the option of payment under this scheme will not be available.
- The Composition dealer will neither be allowed to avail any input tax credit nor it will be entitled to charge any output tax from its buyers.
- The Composition dealer will play the spoil spot by breaking the free flow of input tax credit as the recipient of supplies from a Composition dealer will not be entitled to claim any credit of the tax paid by the Composition dealer.

1. A business where input tax credit is either not available at all or is very limited.
   A Business or Service Provider with negligible input tax credit.
2. A business which is not normally required to effect inter-state supplies.
   A retail shop not having multiple branches.
3. A business which affects his supplies to retail consumers or other recipients who do not want to avail any input tax credits.
   A retail shopkeeper or a retail Service Provider.

If we look at the success of the concept of GST internationally, it is easy to observe that they have tried to bring in maximum businesses under the GST net so that the input tax credit chain is not broken at any stage. By bringing in many new businesses/ products in the tax net the average tax liability can certainly be brought down.

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GST Composition Scheme

Registration

Normal Registration Procedure	Later You can opt for Compounding Scheme	Switch-Over is possible

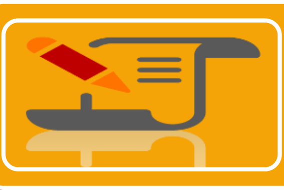
Tax Calculation

Tax is to be calculated on Aggregate Turn-Over i.e. He has to pay Tax on Exempted Turn Over also	On the Rate prescribed by GSTC	But in any case not Less than 1%

Payment of Tax and Submission of Return

Tax is to be paid on monthly basis	GSTR-4 is to be filed on Qtrly basis by 18th of NQTR.	GSTR-8 is to be filed on Annual Basis.

ITC
- Can not claim ITC on Inward Supplies.
- Vide : Section 16(9)(e)
- Tax is to be paid on Non-Table/Exempted Supplies also.



Tax Invoice
- Can not issue a Tax Invoice.
- Can issue only Supply Invoices.

Restrictions !!!

Intra-State Sales Only
- Can not supply out-side State
- Import of Goods & Services is possible.
- Purchase from Unregistered Suppliers is possible.
- Tax Payable under RCM is not available under this scheme.

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GST — Input Tax Credit

Cross utilization of CGST and SGST will not be permitted.
for the payment of SGST, input of CGST is not available and vice-a-versa.

- For the payment of CGST, first input of CGST to be used then input IGST to be used.
- For the payment of SGST, first input of SGST to be used then input IGST to be used.
- For the payment of IGST, first input of IGST to be used then input CGST and then input of SGST to be used.

Example :-
If an assesses is having
IGST input credit of Rs. 10000,
CGST input credit of Rs. 5000,
SGST input credit of Rs. 2,000.

- IGST
  - IGST
  - CGST
  - SGST
- CGST
  - CGST
  - IGST
- SGST
  - SGST
  - IGST

If Output IGST liability of Rs. 20,000 then input credit can be utilized in the account of IGST, CGST and SGST respectively and the final IGST liability is Rs. 3,000 (20,000-10,000-5,000-2000).

or

If Output IGST liability of Rs. 13,000 then input credit of Rs. 10,000 and Rs. 3,000 can be utilized in the account of IGST and CGST respectively and the final IGST liability is nil (13000-10000-3000) and balance CGST input credit of Rs. 2000 and SGST input credit of Rs. 2,000.

If Output CGST liability of Rs. 12,000 then input credit can be utilized in the account of CGST and IGST respectively and the final CGST liability is nil (12,000-5,000-7,000) and balance IGST input credit of Rs. 3,000 and SGST input credit of Rs. 2,000.

If Output SGST liability of Rs. 9,000 then input credit can be utilized in the account of SGST and IGST respectively and the final SGST liability is nil (9,000-2,000-7,000) and balance IGST input credit of Rs. 3,000 and CGST input credit of Rs. 5,000.

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GST — When Tax is to be paid

Tax to be paid at the earliest of the following dates:

In case of supply of **Goods**

- Date on which the goods are removed for supply to the recipient of movable goods
- Date on which the goods are made available to the recipient (in case goods are not required to be moved).
- Date of issuing invoice by supplier.
- Date of receipt of payment by supplier
- Date on which recipient shows the receipt of the goods in his books of account.

In case of supply of **Service**

- The date of issue of invoice or date of receipt of payment, whichever is earlier (provided invoice issued within prescribed time).
- Date of completion of service or earlier (if invoice not issued within prescribed time).
- Date on which recipient shows receipt of service in books of account (if not covered by case i and ii above).

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GST — Return filling

Following returns are required to be filed :

First return / welcome return

Every registered taxable person paying CGST/SGST on all intrastate supplies of goods and / or services shall have to furnish the first return from the date on which he become liable to registration till the end of each month in which the registration has been granted.

Monthly sales / outward supply return

By 10th of succeeding month, one needs to file a return specifying all the sales / outward supplies made in the previous month. One needs to report the details of all invoices and GST number of clients / customers to whom these supplies are made.

Monthly return of purchase / inward supplies

The above data shall be eventually used by the customer to furnish the monthly purchase / inward supplies.

Return for Input service distributor:

This return has to be filed within 15 days after end of each month.

Combined return

It is a combination of auto populated data of the above two returns plus details of tax challan paid and input credit availed. This return is required to be filed by 20th of succeeding month.

Annual return

a.This needs to be filed by 31st December following the end of financial year. This return must be in concurrence of the annual financial results and summation of your 12 monthly returns.

TDS return

- The person who has deducted the tax will be liable to file this TDS return within 10 days after end of each month. This return is similar to Form 26Q / 24Q.

Consequences of not filing the return

- If you fail to file any single return, the penalties are Rs.100 per day. If you fail to file your return and pay tax, your customers cannot avail tax credits on goods sold by you.

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GST | **Impact**

Impact on Business :
Many returns are required to be filed in the GST regime. If a person want to do business in multiple states, the number of return multiplies. The GST portal plays an important role in this regard. It will populate the data which is punched by the seller / outward supplier to the respective vendor's screen for validation. This data will eventually be used by respective client / customer to furnish the returns of monthly purchase / inward supplies.

Let us assume that the sales data is punched wrongly by your client. The vendor cannot claim the credit for the wrong information submitted by the client. For example party "A" which sells goods to party "B" wrongly punches Rs. 1 lakhs instead of Rs.10 lakhs. Now party "B" which wants to claim credit is only 1 lakhs instead of Rs.10 lakhs. Further, one has to pay interest on disputed amount if there are delay in depositing the amount of GST.
If the mistakes are not rectified within September following the end of the financial year, the vendor should be ready to forego the refund of the excess GST amount paid.
It is important that your vendor monetarily always remains in good health and is able to file his GST return in timely manner thrice a month.

Implementation activities to be undertaken

Budgeting:
One needs to do proper budgeting of working capital (especially who has lower margin) as once you generate sales invoice the GST become payable. However, in case of claiming inputs, actual receipt of goods / services is precondition. You are not allowed to furnish return for a period if valid return for any previous period has not been furnished.

Identification of credit to be availed:
The exempted credit those are allowed under GST needs to be identified and listed.
Ascertaining the WIP / closing stock lying at the year end.
Work out the credit portion pertaining to the closing stock through appropriate method
Get permission from the tax authority to avail the credit.

Improvement in the IT structure
Deactivation of existing GL in the accounting software
Creation of new ledger. At the present scenario, 6 new GL are required to be created
Invoice wise customized report for credit (Purchase / Sales register , register for taking credit)

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GST — Impact

List of **Scheme of Entry** to be passed monthly with name of responsible person.
Fixing appropriate condition in Material / Inventory module
Fixing appropriate condition for sale of product in Supply Chain Module
The exempted credit those are allowed under GST needs to be identified and listed
Ascertaining closing stock / WIP lying at the year end
Work out the credit portion pertaining to the closing stock through appropriate method
Get permission from the Tax authority to avail credit.

Discussion with Purchase Department
Educate the purchase department to procure as much as from the registered vendors. To avoid any kind of litigation in the future
Educate to understand the Input Tax Credit wherever the same is not allowed (after the publication of rules) by the Accounts Department
Ensure not to purchase from the tax defaulter parties (Defaulter list will be circulated by the Department)
Master data updating with the GST number / PAN number and proper address of vendors

Discussion with Marketing Department
Tax needs to be charged for the sales to SEZ units (the final confirmation will be available after the Rules are published)
Understand the tax incidence with percentage
Provide Product Code (HSN) to the marketing department by the Accounts Department
Update the master data of client with GST number / PAN number and proper address

Discussion with Stores Department
The invoice needs to be forwarded as and when the GRN is accounted, this will enable accounts department to avail credit
Identify wherever the credit is not allowed which is needed to be included in the cost of inventory at the time of GRN.

Role of Professionals in GST
Impact Analysis
Analyze the structural changes in marketing and procurement including the effect on the cash flow of the organization. This could be rates once the rates are prescribed.
Maintenance of Accounts & other records
Every registered taxable person whose turnover during the financial year exceeds the prescribed limit shall get his accounts audited by a Chartered Accountant or Cost Accountant and submit proper copy of audit financial statement.

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GST | **Impact**

Procedural Compliance

Input tax credits:
Although GST is meant for seamless flow of Input Tax Credit, (ITC) there are certain restrictions on availing input tax. Professionals can advise the eligibility of the tax credits.

Maintenance of ITC register:
ITC register will be maintained in electronic form based on the transactions uploaded by the assesse. Hence the transactions needs to be uploaded in the prescribed manner and periodic review of the same is required to confirm availability of ITC.

Computation of accurate liability:
The GST liability has to be paid on monthly basis. The liability will be calculated as outward tax payable ***less*** input tax credit available. Short payment will attract liability and excess payment will result in blockage of funds.

Matching of tax credit reconciliation:
Input tax will be allowed only when the data is matched with respective data filed by suppliers or customers. Hence the input tax credit as per our filing and as per other parties need to match. Tax credit will not be allowed if the data is not matching. Such mismatch has to be rectified within a span of two months.

Audit & Assurance:
Apart from the statutory audit, the professionals are required to conduct audit as per S.42(4) who crosses the prescribed limit.

Special Audit
At any stages of scrutiny, enquiry or investigation or any other proceedings if the Assessing Officer feels that the value has not been properly determined, direct the books to be examined by any professional. The service can also include monthly or quarterly compliance checks and correction of errors on ongoing basis.

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