GST- Goods and Service Tax

Overview

Presentation # 01

GST

It is a destination based tax on consumption of goods and services.

The GST would replace the following taxes

Taxes currently levied and collected by the Centre and will be subsumed under the GST.

1. Central Excise duty
2. Duties of Excise (Medicinal and Toilet Preparations)
3. Additional Duties of Excise
4. Additional Duties of Excise (Textiles and Textile
5. Products)
6. Additional Duties of Customs (CVD)
7. Special Additional Duty of Customs (SAD)
8. Service Tax
9. Central Surcharges and Cesses so far as they
10. relate to supply of goods and services

Taxes currently levied by the State taxes and will be subsumed under the GST.

1. State VAT
2. Central Sales Tax
3. Luxury Tax
4. Entry Tax (all forms)
5. Entertainment and Amusement Tax (except when levied by the local bodies)
6. Taxes on advertisements
7. Purchase Tax
8. Taxes on lotteries, betting and gambling
9. State Surcharges and Cesses so far as they relate to
10. supply of goods and services

Commodities proposed to be kept outside the purview of GST are

Alcohol for human consumption, Petroleum Products viz. petroleum crude, motor spirit (petrol), high speed diesel, natural gas and aviation turbine fuel & Electricity.

GST - Types

It would be a dual GST with the Centre and States simultaneously levying it on a common tax base

1. Intra State Supplies

Suppliers & Receiver of goods and services are in same states.

SGST + CGST

2. Inter State Supplies

Suppliers & Receiver of goods and services are in different states or Imports.

IGST

- **SGST-** GST levied by the States would be called the State GST
- **CGST-** GST to be levied by the Centre on intra-State supply of goods and / or services would be called the Central GST.
- **IGST-** Integrated GST (IGST) will be levied and administered by Centre on every inter-state supply of goods and services.

GST - Invoices

A person registered under GST can issues invoice containing following particulars :

1. Name, address and GSTIN of the supplier;
2. A consecutive serial number, in one or multiple series, containing alphabets or numerals or special characters hyphen or dash and slash symbolised as "-" and "/" respectively, and any combination thereof, unique for a financial year;
3. Date of the invoice issued;
4. Name, address and GSTIN or UIN, if registered, of the recipient;
5. Name and address of the recipient and the address of delivery, along with the name of State and its code, <u>**if such recipient is un-registered and where the value of taxable supply is fifty thousand rupees**</u> or more;
6. HSN code of goods or Accounting Code of services;
7. Description of goods or services;
8. Quantity in case of goods and unit or Unique Quantity Code thereof;
9. Total value of supply of goods or services or both;
10. Taxable value of supply of goods or services or both taking into account discount or abatement, if any;
11. Rate of tax (central tax, State tax, integrated tax, Union territory tax or cess);
12. Amount of tax charged in respect of taxable goods or services (central tax, State tax, integrated tax, Union territory tax or cess);
13. Place of supply along with the name of State, in case of a supply in the course of inter-State trade or commerce;
14. Address of delivery where the same is different from the place of supply;
15. Whether the tax is payable on reverse charge basis; and
16. Signature or digital signature of the supplier or his authorized representative:

UIN-Unique Identification Number

GST - Input Credit-ITC

As per Section 16(11) of the MGL, following four conditions are stipulated:

1. The registered taxable person should be in possession of tax paying document issued by a supplier;
2. The taxable person must have received the goods and / or services;
3. The tax charged on such supply has been actually paid to the government either in cash or through utilization of input tax credit; and
4. The taxable person should have furnished the return under section 27.

Tax payers shall be allowed to take credit of taxes paid on inputs (input tax credit) and utilize the same for payment of output tax. However, no input tax credit on account of CGST shall be utilized towards payment of SGST and vice versa.

As per Section 16 (15) of the MGL, ITC cannot be taken beyond the month of September of the following FY to which invoice pertains or date of filing of annual return, whichever is earlier.

The underlying reasoning for this restriction is that no change in return is per mitted after September of next FY. If annual return is filed before the month of September then no change can be made after filing of annual return.

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GST - ITC- Input Credit Utilisation

The IGST payment can be done utilizing ITC or by cash. However, the use of ITC for payment of IGST will be done using the following hierarchy

- First available ITC of IGST shall be used for payment of IGST;
- Once ITC of IGST is exhausted, the ITC of CGST shall be used for payment of IGST;
- If both ITC of IGST and ITC of CGST are exhausted, then only the dealer would be permitted to use ITC of SGST for payment of IGST.

GST - Coverage

Following categories of persons shall be required to be registered compulsorily irrespective of the threshold limit;

a) persons making any inter-State taxable supply;

b) casual taxable persons;

c) persons who are required to pay tax under reverse charge;

d) non-resident taxable persons;

e) persons who are required to deduct tax under section 37;

f) persons who supply goods and/or services on behalf of other registered taxable persons whether as an agent or otherwise;

g) input service distributor;

h) persons who supply goods and/or services, other than branded services, through electronic commerce operator;

i) every electronic commerce operator;

j) an aggregator who supplies services under his brand name or his trade name; and

k) such other person or class of persons as may be notified by the Central Government or a State Government on the recommendations of the

GST - Coverage

Examples of registered taxable persons who were not liable to be registered under the earlier law but are required to be registered under GST

- A manufacturer having a turnover of say Rs 60 lakhs was enjoying SSI exemption earlier, will have to be registered in GST as the said turnover exceeds the basic threshold of Rs 10 lakhs - section 9.

- A trader having turnover below the threshold under VAT making sales through e-commerce operator will be required to be registered in GST. There will no threshold for such persons – section 145 read with section 9 and Schedule III

Above are only indicative there can be more examples like above.

GST - Transition

Salient features of Transitional provision for person covered under earlier laws (VAT, Excise, Service Tax etc..)

1. A registered person, other than the person opting to pay under composition shall be entitled to the CENVAT/ITC available under earlier laws and it will get credited to his electronic credit Ledger – section 140
2. Registered person under GST are eligible for input tax credit on inputs held in stock and inputs contained in semi-finished or finished goods held in stock as on appointed date notified in GST if he has furnished returns in existing law.
3. If the ITC on goods were admissible under the earlier law and is also admissible in GST. proviso to section 140(i).
4. The pending refund claims shall be disposed of in accordance with the provisio ns of the earlier law – section 142.
5. Every registered person entitled to take credit of input tax under section 140 shall, within sixty days of the appointed day, submit an application electronically in FORM GST TRAN-1, duly signed, on the Common Portal specifying therein separately, the amount of tax or duty to the credit of which the said person is entitled under the provisions of the said section(CGST Rules)

Note: Above information is only indicative and may change based on developments on the GST as and when it is notified.

GST - Action Required

Following factors are to be given proper attention and necessary action to be taken !

1. All items of purchase of goods and services to be classified under respective HSN/SAC.
2. Vendor register/ master to updated with GSTIN, state code, proper address and link the goods and services supplied by them with proper HSN/SAC.
3. Communicate your GSTIN and state code to all your vendors so that they can update their system accordingly.
4. Collate your customers GSTIN and state code to all your customer to facilliate the invoice preparation.
5. Collect all pending concessional forms (Form-C, D2, D1 etc)
6. If Statutory forms are not submitted with in the prescribed time, ITC shall not be eligible.

GST - Action Required

Following factors are to be given proper attention and necessary action to be taken !

7. Utilize the maximum CENVAT credit.
8. Proper reconciliation should be available for ITC.
9. Create proper GL code in system to capture SGST, CGST & IGST.
10. Closing balance of credit available in the books to be transferred in respective ITC under GST regime.
11. Modify your system reports to ensure that all the information required for timely filing of the tax return is available and handy.
12. Train the accounting team or consult someone who can help you in getting ready for the transition.

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Disclaimer: The information contained herein is provided to generate a basic understanding of the GST provision and may not be complete, error & omission is expected. Please consult before taking your decision/action based on the information given through this presentations.